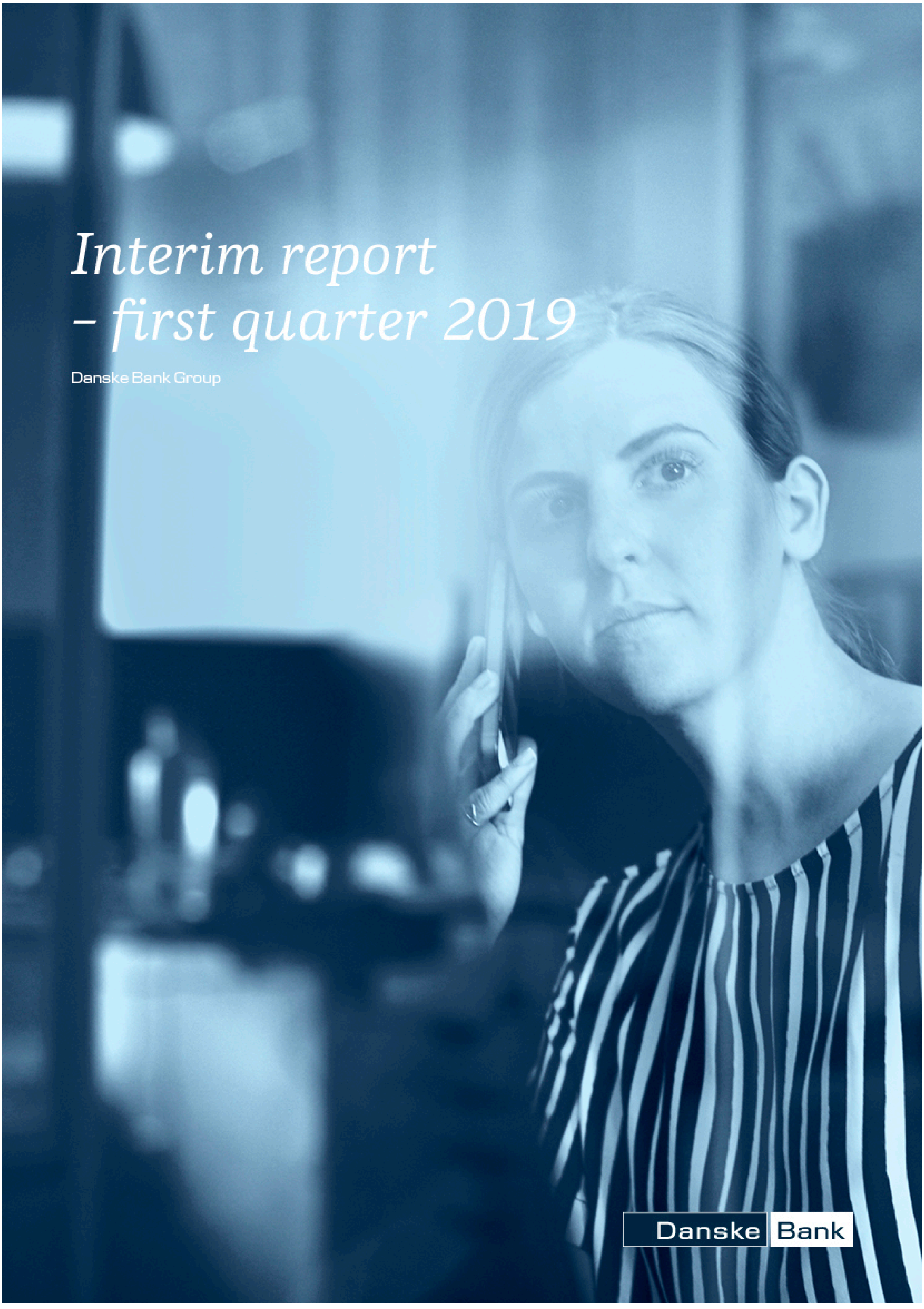
Interim report – first quarter 2019

Danske Bank Group



Danske Bank

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Danske Bank Q1 2019 at a glance

3.0bn
Net profit*

10.8bn
Total income

CET1 ratio
16.7%

3%
Lending growth y/y

AGM
– new board members

Green Bond
Framework

7.7%
Return on equity*

NPS
funding issued

Upgraded service model
for commercial customers

** From financial highlights, see Definition of Alternative Performance Measures on page 29.*

Financial highlights – Danske Bank Group

Income statement (DKK millions)	Q1 2019	Q1 2018	Index 19/18	Q4 2018	Index Q1/Q4	Full year 2018
Net interest income	5,520	5,946	93	5,895	94	23,571
Net fee income	3,869	3,762	103	4,078	95	15,402
Net trading income	1,299	1,435	91	938	138	4,676
Other income	115	309	37	20	-	716
Total income	10,802	11,452	94	10,931	99	44,365
Operating expenses	6,145	5,612	109	6,243	98	25,011
Profit before loan impairment charges	4,657	5,841	80	4,688	99	19,354
Loan impairment charges	357	-330	-	-43	-	-650
Profit before tax, core	4,300	6,171	70	4,731	91	20,004
Profit before tax, Non-core	-288	32	-	-286	101	-282
Profit before tax	4,012	6,202	65	4,445	90	19,722
Tax	1,024	1,322	77	950	108	4,548
Net profit	**2,988**	**4,880**	**61**	**3,494**	**86**	**15,174**
Attributable to additional tier 1 etc.	**194**	**194**	**100**	**192**	**101**	**781**

Balance sheet (end of period) (DKK millions)	Q1 2019	Q1 2018	Index 19/18	Q4 2018	Index Q1/Q4	Full year 2018
Due from credit institutions and central banks	171,169	259,510	66	169,237	101	169,237
Repo loans	319,906	267,075	120	316,362	101	316,362
Loans	1,793,049	1,736,524	103	1,769,438	101	1,769,438
Trading portfolio assets	468,414	466,739	100	415,811	113	415,811
Investment securities	264,909	281,317	94	276,424	96	276,424
Assets under insurance contracts	424,824	284,603	149	377,369	113	377,369
Total assets in Non-core	15,319	4,849	-	14,346	107	14,346
Other assets	257,324	237,939	108	239,480	107	239,480
Total assets	**3,714,914**	**3,538,555**	**105**	**3,578,467**	**104**	**3,578,467**
Due to credit institutions and central banks	141,753	157,088	90	148,095	96	148,095
Repo deposits	254,444	235,903	108	262,181	97	262,181
Deposits	909,354	939,988	97	894,495	102	894,495
Bonds issued by Realkredit Danmark	751,185	753,664	100	741,092	101	741,092
Other issued bonds	367,794	388,115	95	330,477	111	330,477
Trading portfolio liabilities	423,324	385,635	110	390,222	108	390,222
Liabilities under insurance contracts	458,521	314,585	146	417,279	110	417,279
Total liabilities in Non-core	5,596	3,078	182	4,014	139	4,014
Other liabilities	215,474	172,021	125	204,243	105	204,243
Subordinated debt	28,891	28,840	100	23,092	125	23,092
Additional tier 1 etc.	14,421	14,462	100	14,300	101	14,300
Shareholders' equity	144,156	145,175	99	148,976	97	148,976
Total liabilities and equity	**3,714,914**	**3,538,555**	**105**	**3,578,467**	**104**	**3,578,467**

Ratios and key figures	Q1 2019	Q1 2018	Index 19/18	Q4 2018	Index Q1/Q4	Full year 2018
Dividend per share (DKK)	-	-		8.5		8.5
Earnings per share (DKK)	3.3	5.3		3.7		16.5
Return on avg. shareholders' equity (% p.a.)	7.7	12.6		8.8		9.8
Net interest income as % p.a. of loans and deposits	0.83	0.89		0.89		0.88
Cost/income ratio (%)	56.9	49.0		57.1		56.4
Total capital ratio (%)	21.8	21.4		21.3		21.3
Common equity tier 1 capital ratio (%)	16.7	16.4		17.0		17.0
Share price (end of period) (DKK)	116.8	225.4		128.9		128.9
Book value per share (DKK)	168.7	164.4		174.3		174.3
Full-time-equivalent staff (end of period)	20,978	19,709	106	20,683	101	20,683

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 29.

Executive summary

"The first three months of the year brought continued growth in lending. This is evidence of good underlying developments across our business. Overall, however, we had a difficult financial start to the year, which fundamentally came down to three things: Despite increased lending, net interest income fell because of higher funding costs and pressure on interest margins. Furthermore, the considerable investments we are making, in the compliance area for example, affected costs. Finally, impairments rose from the level in the first quarter of last year. Credit quality remained good, and in view of economic trends, we took a cautious approach to lending in Denmark. During the quarter, we launched a number of initiatives for both commercial and retail customers – including the first green bond issue in Denmark. The Estonia case continues to require considerable management attention, including the ongoing investigations and our efforts to restore trust in us," says Jesper Nielsen, interim Chief Executive Officer.

A slow start to the year

Financially, Danske Bank started 2019 on a slower note than in the first quarter of 2018, landing a net profit of DKK 3.0 billion in the first quarter; a decrease of 39%. The decline was due primarily to higher impairments, higher expenses and lower net interest income. The return on shareholders' equity after tax was 7.7%, against 12.6% in 2018.

Based on this slow start to the year, we have revised our outlook for 2019. We still expect net profit for 2019 to be in the range of DKK 14-16 billion. However, this now includes the expected gain on the sale of Danica Pension Sweden of approximately DKK 1.3 billion, subject to closing of the transaction.

The first quarter was, however, also characterised by good activity among our customers. In Sweden, Norway and Finland, the business saw good growth in terms of volume, whereas in Denmark, our customer base and market share were stable. Trading conditions improved compared to the fourth quarter of 2018, and the macroeconomic environment continued to be benign, although we do see signs that we are now at a late stage in the economic cycle, especially in Denmark.

Lending was up 1% from the end-2018 level, while deposits increased 2%.

The increase in lending was driven primarily by the Banking Nordic unit, where we continued to see good growth in the first quarter. In Norway, our new partnership with the engineers' union, Tekna, was off to a good start with a significant inflow of new retail customers. In Sweden, activity among both retail and commercial customers also increased. In Finland, we saw good activity, especially from large and medium-sized businesses.

In the same period, lending at Banking DK was flat, due partly to lower risk appetite on our part at this stage of the macroeconomic cycle, where the housing market has slowed down. We maintain a strong and long-term commitment to keeping a high-quality loan book throughout the economic cycle. The focus on the Estonia case also had some effect on activity in Denmark, and we continue the close dialogue with our customers to regain their trust.

In terms of NemKonto customers, we saw an outflow of approximately 8,500, equivalent to 0.6% of our NemKonto customers in Denmark. This should be seen in view of an outflow of approximately 9,900 NemKonto customers in the fourth quarter of 2018. However, in the quarter we also saw an inflow of customers in the small-business segment.

Customer satisfaction scores were stable at end-2018 levels among retail as well as commercial customers, although scores are still unsatisfactory and below the levels seen before the Estonia case. We work hard to make sure we keep focusing on giving both new and existing customers a best-in-class experience.

Net interest income decreased 7%, as the growth in lending was offset by margin pressure due to rate increases in Norway and Sweden, where associated price adjustments have not fully come through. Intense competition in all markets also had a negative effect, as did increased funding costs, due to our issuance of non-preferred senior bonds in both the US and European markets. The higher liquidity costs, which are a consequence of the Estonia case, are not passed on to customers.

Fee income was 3% higher than in the first quarter of 2018, due primarily to increased fee income from the acquired SEB Pension Danmark.

Trading income improved from the level in the fourth quarter of 2018 due to better market conditions and higher activity levels among our customers. However, year on year trading income was down 9%, affected by negative developments in value adjustments in the first quarter of 2019, as well as a regulatory one-off expense in Danica Pension.

Expenses were 9% higher than in the year-earlier period, due primarily to investments in regulatory requirements and compliance and further anti-money laundering efforts as well as investments in our ambitions within digital transformation. The increase was in line with the investment strategy announced in the annual report for 2018. Alongside these investments, we maintain a strict focus on cost efficiency and prudency in all areas of the Group. Operating expenses from the acquired SEB Pension Danmark also contributed to the higher expense level compared to 2018.

Overall, credit quality remained strong due to the macroeconomic environment continuing to be benign and our strong focus on maintaining a high-quality loan book. Increased impairments against agricultural exposures in Denmark as well as single name exposure at Corporates & Institutions meant, however, that total impairments stood at DKK 357 million in the first quarter.

In the first quarter, we continued to upgrade our service model for commercial customers across all Nordic markets. Our specialists now cover a broader range of business areas, and we also focus on a wider product offering to these customers. The aim is to ensure that commercial customers get the best possible solution for their business.

In Denmark, we launched a green mortgage product for commercial customers who have a green profile and who seek financing of climate-friendly properties. The new mortgage product has already proved popular. Danske Bank wants to increase its share of green loans to customers and bond issues aimed at investors interested in climate-friendly investments considerably over the coming years. The new green mortgage product is our first offering based on our new Green Bond Framework, which lays down the criteria for the Group's issuance of green loans and bonds going forward.

For our Wealth Management customers, we also increased the focus on our societal impact within investments by launching a new ESG materiality dashboard. This helps pinpoint ESG matters among companies in our investment portfolios.

Strategic business review

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

Estonia

We continue our work to rebuild trust among all our stakeholders following the Estonia case, and we are continuing our efforts to reach out to customers and other stakeholders to ensure that all questions get addressed. We have held more than 600 town hall or dialogue meetings with customers and will continue these efforts going forward.

On 7 February, Danske Bank was placed under formal investigation in France in connection with an ongoing criminal investigation and on the grounds of money laundering suspicions relating to certain transactions in the terminated portfolio of non-resident customers at Danske Bank's branch in Estonia.

On 21 February, we announced that we are in dialogue with the US securities industry regulator (the SEC), which is carrying out a criminal investigation in relation to the case of possible money laundering at Danske Bank's branch in Estonia.

We remain under investigation by the Danish FSA and the Estonian FSA, the Danish State Prosecutor for Serious Economic and International Crime (SØIK), the Estonian Office of the Prosecutor General and the US Department of Justice.

We continue to cooperate fully with all authorities.

In addition to these investigations, a number of lawsuits have been filed against Danske Bank.

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 to represent former and current shareholders in a liability action relating to the Estonian AML matter.

On 14 March 2019, 169 separate cases were further initiated simultaneously concerning shareholder claims relating to the Estonian AML matter with claims totalling approximately DKK 3.5 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.

The timing of the completions of the investigations, the outcome and the subsequent discussions with the authorities are subject to uncertainty. It is not yet possible to reliably estimate the timing or amount of any potential settlement or fines, which could be material.

Capital, funding, liquidity and regulation

Our capital position remained strong with a total capital ratio of 21.8% and a CET1 capital ratio of 16.7%.

On the basis of fully phased-in rules, our CET1 capital ratio stood at 16.5% versus our current fully phased-in regulatory CET1 capital requirement of 14.0%. Our targets in the short to medium term are to have a total capital ratio of above 20% and a CET1 capital ratio of around 16%.

At 31 March 2019, our liquidity coverage ratio stood at 130%.

On 27 February 2019, Danske Bank received the final requirements for own funds and eligible liabilities (MREL) from the Danish FSA. These were as expected, and Danske Bank complies with these. As part of our funding plan, we continued to issue funding in the non-preferred senior format in the first quarter, when five separate issues in USD, EUR and NOK were made for a total amount of approximately DKK 36 billion. One of these was a green NPS issue made within our Green Bond Framework. All five issues attracted strong interest from investors, and as the quarter progressed, pricing improved significantly for the later issues.

On 22 March, we issued a new tier 2 bond, which saw good demand and relatively attractive pricing.

Annual General Meeting

Danske Bank's Annual General Meeting was held on 18 March. At the meeting, three new members were elected to the Board of Directors: Bente Avnung Landsnes, Christian Sagild and Gerrit Zalm.

The Board of Directors has decided to establish a new committee, named the Conduct & Compliance Committee, to separate the dealing with matters related to conduct, compliance and culture from the Audit Committee.

The proposed dividend for 2018 of DKK 8.5 per share was approved by the Annual General Meeting and was paid out on 21 March.

Outlook for 2019

The outlook has been changed from Annual Report 2018.

We now expect net interest income to be lower than the level in 2018, as volume growth will be more than offset by higher funding costs and margin pressure.

Net fee income is still expected to be higher, due mainly to the effect of the acquisition of SEB Pension Danmark and subject to customer activity.

Expenses are still expected to be at around the level in 2018, including the donation of DKK 1.5 billion, due to higher costs related to anti-money laundering, SEB Pension Danmark, VAT and a higher activity level. The outlook includes costs of DKK 0.3 billion earmarked for AML digitalisation efforts.

Loan impairments are still expected to be higher.

We continue to expect net profit for 2019 to be in the range of DKK 14-16 billion. However, this now includes the expected gain on the sale of Danica Pension Sweden of approximately DKK 1.3 billion, subject to closing of the transaction.

The outlook is subject to uncertainty and macroeconomic developments.

We maintain our long-term ambition of being in the top three among major Nordic peers in terms of return on shareholders' equity.

Financial review

In the first quarter of 2019, Danske Bank Group delivered a profit before tax from core activities of DKK 4.3 billion, a decrease of 30% from the level in the first quarter of 2018. The result was adversely affected by an increase in loan impairment charges, which went from a net reversal to a net charge, an increase in operating expenses due primarily to increased costs for regulatory requirements and compliance, and a decrease in net interest income caused primarily by a decrease in lending margins and increased funding costs.

Profit before tax in the IFRS income statement amounted to DKK 4.0 billion, a decrease of 31% from the level in the first quarter of 2018.

Income

Total income amounted to DKK 10.8 billion, a decrease of 6% from the level in the first quarter of 2018.

Net interest income totalled DKK 5.5 billion, a decrease of 7%. Net interest income was negatively affected by a decrease in lending margins due to developments in market rates in Norway and Sweden and intense competition. Also contributing negatively was an increase in funding costs attributable primarily to the issuance of non-preferred senior bonds in the first quarter of 2019 as well as the transfer of activities to the Non-core unit. Increased deposit margins due to developments in market rates as well as growth in lending and deposit volumes had a partly offsetting positive effect.

Net fee income amounted to DKK 3.9 billion, an increase of 3% from the level in the first quarter of 2018. Net fee income benefited from the acquisition of SEB Pension Danmark, however the positive effect was partly offset by competitive pressure at Banking DK and lower customer activity at Corporates & Institutions.

Net trading income totalled DKK 1.3 billion, a decrease of 9% from the level in the first quarter of 2018. In particular, Corporates & Institutions and Wealth Management saw a decrease. Net trading income at Corporates & Institutions was affected by negative developments in value adjustments of the derivatives portfolio in the first quarter of 2019. At Wealth Management, net trading income was negatively affected by a regulatory change to the discount curve affecting the valuation of life insurance contracts.

Other income amounted to DKK 0.1 billion, against DKK 0.3 billion in the first quarter of 2018. Other income was adversely affected by a lower risk result in the health and accident business at Wealth Management, while in the first quarter of 2018, income saw a positive effect from the gain on the sale of Krogsveen, the Norwegian real-estate agency chain.

Expenses

Operating expenses amounted to DKK 6.1 billion, an increase of 9% from the level in the first quarter of 2018. Operating expenses benefited from cost efficiency measures. However, the effect of these measures was more than offset by increases in other expense items, primarily costs for regulatory requirements and compliance, including our efforts in the anti-money laundering area and costs relating to the investigation into matters at the Estonian branch. Costs at Wealth Management due to the ordinary operating expenses of SEB Pension Danmark and our continued initiatives to meet our ambitions within digital transformation also contributed to the increase.

Loan impairments

Loan impairments recorded an expense in the first quarter of 2019 after benefiting from reversals for a long period of time. Loan impairments amounted to DKK 357 million in core activities, against a net reversal of DKK 330 million in the first quarter of 2018. The increase in loan impairments was driven mainly by lower reversals on non-performing loans and increased impairments against agricultural exposures in Denmark as well as a few single name exposures. Credit quality remained solid, supported by stable macroeconomic conditions and higher collateral values in most markets.

At Banking DK, loan impairments in the first quarter of 2019 were driven mainly by lower reversals on legacy non-performing loans and loan impairments against agricultural exposures, as well as model adjustments for retail customers. In general, the Banking Nordic portfolio saw improved credit quality, with few new non-performing loans. Corporates & Institutions saw net loan impairments due to restructurings in relation to a few single name exposures to the retail industry and to the oil and gas industry. Our Northern Ireland unit saw a net reversal.

Loan impairment charges

	Q1 2019		Q1 2018	
(DKK millions)	Charges*	% of loans and guarantees	Charges*	% of loans and guarantees
Banking DK	206	0.09	-300	-0.14
Banking Nordic	-48	-0.03	-45	-0.03
Corporates & Institutions	221	0.37	-32	0.03
Wealth Management	-3	-0.02	-15	-0.08
Northern Ireland	-14	-0.11	62	0.53
Other Activities	-5	-0.30	1	0.13
Total	**357**	**0.08**	**-330**	**-0.07**

* *Relating to lending activities in core segments.*

Tax

Tax on profit for the period amounted to DKK 1.0 billion, or 25.5% of profit before tax, against 21.3% of profit before tax for the first quarter of 2018. The increase in the effective tax rate was partly due to adjustments regarding previous years.

Q1 2019 vs Q4 2018

In the first quarter of 2019, the Group posted a net profit of DKK 3.0 billion, against DKK 3.5 billion in the fourth quarter of 2018.

Net interest income amounted to DKK 5.5 billion and decreased 6% from the level in the fourth quarter of 2018. Net interest income was negatively affected by a decrease in lending margins due to developments in market rates in Norway and Sweden. Also contributing negatively to net interest income was an increase in funding costs attributable primarily to the issuance of non-preferred senior bonds in the first quarter of 2019, fewer interest days and the transfer of activities to the Non-core unit. Positive effects from increased deposit margins and higher lending and deposit volumes partly offset the decrease in the lending margins.

Net fee income amounted to DKK 3.9 billion and decreased 5% from the level in the fourth quarter of 2018. The decrease relates to higher performance fees from asset management at Wealth Management in the fourth quarter of 2018.

Net trading income amounted to DKK 1.3 billion, an increase of 38% from the level in the fourth quarter of 2018. At Corporates & Institutions, net trading income benefited primarily from less challenging market conditions and higher customer activity.

Operating expenses amounted to DKK 6.1 billion, a decrease of 2% from the level in the fourth quarter of 2018. The effect of higher costs for regulatory requirements and compliance and higher performance-based compensation at Corporates & Institutions was more than offset by effects from seasonality and lower costs at Wealth Management relating to the integration of SEB Pension Danmark.

Loan impairments amounted to DKK 357 million, against a net reversal of DKK 43 million in the fourth quarter of 2018. The increase was driven mainly by lower reversals on legacy non-performing loans and charges against a few single name exposures to the retail industry and in the oil and gas industry at Corporates & Institutions. Banking DK saw new impairment charges against agricultural exposures.

Balance sheet

Lending (end of period) (DKK billions)	Q1 2019	Q1 2018	Index 19/18	Q4 2018	Index Q1/Q4
Banking DK	881.6	867.6	102	878.7	100
Banking Nordic	608.2	568.3	107	586.7	104
Corporates & Institutions	195.3	199.4	98	198.3	98
Wealth Management	77.5	75.8	102	77.7	100
Northern Ireland	52.6	49.0	107	49.8	106
Other Activities incl. eliminations	-4.3	-3.9	110	-3.8	113
Allowance account, lending	18.0	19.7	91	17.9	101
Total lending	**1,793.0**	**1,736.5**	**103**	**1,769.4**	**101**

Deposits (end of period) (DKK billions)	Q1 2019	Q1 2018	Index 19/18	Q4 2018	Index Q1/Q4
Banking DK	285.8	277.8	103	282.6	101
Banking Nordic	231.8	229.4	101	226.8	102
Corporates & Institutions	264.3	307.4	86	260.8	101
Wealth Management	70.9	67.7	105	66.6	106
Northern Ireland	65.5	60.5	108	62.6	105
Other Activities incl. eliminations	-8.8	-2.8	-	-4.9	180
Total deposits	**909.4**	**940.0**	**97**	**894.5**	**102**

Covered bonds (DKK billions)	Q1 2019	Q1 2018	Index 19/18	Q4 2018	Index Q1/Q4
Bonds issued by Realkredit Danmark	751.2	753.7	100	741.1	101
Own holdings of bonds	53.0	37.7	141	57.8	92
Total Realkredit Danmark bonds	**804.2**	**791.4**	**102**	**798.9**	**101**
Other covered bonds issued	191.1	173.1	110	182.6	105
Own holdings of bonds	58.3	41.9	139	57.5	101
Total other covered bonds	**249.4**	**215.1**	**116**	**240.1**	**104**
Total deposits and issued mortgage bonds etc.	**1,963.0**	**1,946.4**	**101**	**1,933.5**	**102**
Lending as % of deposits and issued mortgage bonds etc.	91.3	89.2		91.5	

Lending

At the end of March 2019, total lending was up 1% from the level at the end of 2018. Lending increased in almost all markets and across almost all geographies.

In Denmark, new gross lending, excluding repo loans, amounted to DKK 24.8 billion. Lending to retail customers accounted for DKK 12.6 billion of this amount.

Our market share of total lending in Denmark, excluding repo loans, decreased by 0.1 percentage points to 26.5%. In Finland, Sweden and Norway, our market share of lending increased by 0.1 percentage points.

Market shares of lending (%)	28 February 2019	31 December 2018
Denmark incl. RD (excl. repo)	26.5	26.6
Finland	9.6	9.5
Sweden (excl. repo)*	5.8	5.7
Norway	6.1	6.0

Source: Market shares are based on data from the central banks.
**The method to calculate the market share in Sweden has been updated. Comparative information has been restated.*

Lending equalled 91.3% of the total amount of deposits, mortgage bonds and other covered bonds, against 91.5% at the end of 2018.

Deposits

At the end of March 2019, total deposits were up 2% from the level at the end of 2018. Our market share in Denmark increased by 0.4 percentage points to 28.2%, with corporate deposits being the driver of the increase. Our market share in Sweden increased by 0.1 percentage points. Our market share in Finland and Norway decreased by 0.3 percentage points and 0.1 percentage points, respectively. The Group maintained its strong funding position.

Market shares of deposits (%)	28 February 2019	31 December 2018
Denmark (excl. repo)	28.2	27.8
Finland	10.7	11.0
Sweden (excl. repo)*	4.1	4.0
Norway	6.3	6.4

Source: Market shares are based on data from the central banks.

** The method to calculate the market share in Sweden has been updated. Comparative information has been restated.*

Credit exposure

Credit exposure from lending activities in core segments totalled DKK 2,441 billion, against DKK 2,392 billion at the end of 2018.

Risk Management 2018, 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. Total net non-performing loans (NPL) increased DKK 1.3 billion from the end of 2018, with the increase being driven by a few single name exposures to the retail industry and the oil and gas industry at Corporate & Institutions. The coverage ratio remained high.

The risk management notes on pp. 59-72 provide more information about non-performing loans.

Non-performing loans (NPL) in core segments (DKK millions)	31 Mar. 2019	31 Dec. 2018
Gross NPL	31,196	29,923
NPL allowance account	12,994	13,020
Net NPL	**18,201**	**16,903**
Collateral (after haircut)	**15,889**	**15,296**
NPL coverage ratio (%)	84.9	85.0
NPL coverage ratio of which is in default (%)	94.9	96.2
NPL as a percentage of total gross exposure (%)	1.3	1.2

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

At DKK 20.4 billion, or 1.1% of lending and guarantees, accumulated impairments were unchanged from the level at 31 December 2018.

Allowance account by business units (DKK millions)	31 Mar. 2019 Accum. impairm. charges*	31 Mar. 2019 % of loans and guarantees	31 Dec. 2018 Accum. impairm. charges*	31 Dec. 2018 % of loans and guarantees
Banking DK	12,163	1.35	12,185	1.36
Banking Nordic	3,991	0.64	4,134	0.69
C&I	2,998	1.30	2,806	1.26
Wealth Management	421	0.52	423	0.52
Northern Ireland	793	1.48	792	1.53
Other	8	0.02	12	0.02
Total	**20,374**	**1.08**	**20,353**	**1.10**

** Relating to lending activities in core segments.*

Realised losses amounted to DKK 0.7 billion. Of these losses, DKK 0.2 billion was charged directly to the income statement.

Trading and investment activities

Credit exposure from trading and investment activities amounted to DKK 1,053 billion at 31 March 2019, against DKK 1,012 billion at the end of 2018.

The Group has made netting agreements with many of its counterparties concerning positive and negative market values of derivatives. The net exposure was DKK 70.3 billion, against DKK 68.6 billion at the end of 2018.

The value of the bond portfolio was DKK 458 billion. Of the total bond portfolio, 72% was recognised at fair value and 28% at amortised cost.

Bond portfolio (%)	31 March 2019	31 December 2018
Government bonds and bonds guaranteed by central or local governments	40	39
Bonds issued by quasi-government institutions	1	1
Danish mortgage bonds	46	47
Swedish covered bonds	10	9
Other covered bonds	2	2
Corporate bonds	1	2
Total holdings	**100**	**100**
Bonds at amortised cost included in total holdings	28	32

The financial highlights on page 4 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 45.1 billion at the end of March 2019 as a result of an increase in the bond portfolio.

Other balance sheet items

Total assets in Non-core amounted to DKK 15.3 billion at the end of March 2019, against DKK 14.3 billion at the end of 2018. The increase related to the transfer of the banking activities in the Baltics and Russia to the Non-core unit in the first quarter of 2019.

Other assets is the sum of several small line items. Other assets increased DKK 17.8 billion, or 7%, from the end of 2018. The increase was driven partly by the recognition of right-of-use assets as a result of the implementation of IFRS 16. Danica Sweden and a portfolio of loans in Estonia are presented as part of Other assets. Other liabilities increased DKK 11.2 billion, or 5%, from the end of 2018. The increase was driven partly by the recognition of lease liabilities as a result of the implementation of IFRS 16. Danica Pension Sweden and the DKK 1.5 billion provision relating to the donation of the estimated gross income from our non-resident portfolio in Estonia in the period from 2007 to 2015 are presented as part of Other liabilities.

Assets under insurance contracts and Liabilities under insurance contracts increased DKK 47.5 billion and DKK 41.2 billion, respectively, from the end of 2018, primarily as a result of higher returns on customer funds.

Capital ratios

At the end of March 2019, the total capital ratio was 21.8%, and the CET1 capital ratio was 16.7%, against 21.3% and 17.0%, respectively, at the end of 2018. The movement in the capital ratios during the first quarter was driven mainly by an increase in the total REA and the capital deduction related to Danica's solvency capital requirement, which increased due to lower interest rates. The total capital ratio was also supported by the issuance of tier 2 capital in the amount of DKK 5.6 billion.

During the first quarter of 2019, the REA increased by some DKK 10 billion, due mainly to the technical implementation of IFRS 16 regarding recognition of lease assets as property and IT hardware in the balance sheet as well as minor portfolio movements.

At the end of March 2019, the Group's leverage ratio was 4.5% under both transitional rules and 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. The solvency need consists of the 8% minimum capital requirement under Pillar I and an individual capital add-on under Pillar II.

At the end of March 2019, the Group's solvency need was 11.8%, largely unchanged from the level at the end of 2018.

The solvency need still included DKK 10 billion as a consequence of the Danish FSA orders during 2018 relating to the Estonia case. The amount of 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. At the end of March 2019, the Group's combined capital buffer requirement was 6.4%. This included a countercyclical buffer requirement in Denmark of 0.5%, which took effect on 31 March 2019.

Effective as of 30 September 2019, the countercyclical buffer in Denmark will increase to 1.0%, which will increase the Group's combined buffer requirement by 0.2 percentage points. In addition, the Swedish FSA and the Norwegian Ministry of Finance increased their respective national buffer requirements from 2.0% to 2.5%, taking effect later in 2019, which will raise the Group's requirement by around 0.1 percentage points. Consequently, the buffer requirement will be 6.8% when fully phased in, bringing the fully phased-in CET1 capital requirement to 14% and the fully phased-in total capital requirement to 18.6%.

Capital ratios and requirements

(% of the total REA)	Q1 2019	Fully phased-in*
Capital ratios		
CET 1 capital ratio	16.7	16.5
Total capital ratio	21.8	21.6
Capital requirements (incl. buffers)**		
CET 1 requirement	13.6	14.0
- portion from countercyclical buffer	0.9	1.3
- portion from capital conservation buffer	2.5	2.5
- portion from SIFI buffer	3.0	3.0
Total capital requirement	**18.2**	**18.6**
Excess capital		
CET 1 capital	3.1	2.5
Total capital	3.6	3.0

** Based on fully phased-in rules and requirements incl. fully phased-in impact of IFRS 9, application of the risk weight floor for Swedish mortgages as a Pillar I requirement and the effect of discontinuing the current share buy-back programme.*

*** The total capital requirement consists of the solvency need and the combined buffer requirement. The fully phased-in countercyclical capital buffer is based on the buffer rates announced at the end of March 2019.*

The calculation of the solvency need and the combined capital buffer requirement is described in more detail in Risk Management 2018, section 5, which is available at danskebank.com/ir.

Capital targets

The Group's capital targets remain unchanged from the increased levels set by the Board of Directors during 2018, which followed from the increase in the solvency need.

The CET1 capital ratio target is set at around 16% and the total capital ratio target is set at above 20%. Danske Bank fully meets these capital targets.

The Board of Directors reassesses the targets on an ongoing basis.

Capital distribution policy

Danske Bank's dividend policy remains unchanged, and it is still our ambition to pay out 40-60% of net profit for the year. Due to continued uncertainty regarding the consequences of the Estonia case, no share buy-back programme will be initiated in 2019.

Credit ratings

The credit rating agencies took no rating actions in the first quarter of 2019.

In 2018, all three credit rating agencies revised the outlook on Danske Bank to negative following the publication of the Bruun & Hjejle report in September 2018, and due to the uncertainty regarding the consequences of the regulatory investigations into Danske Bank's Estonian branch.

Danske Bank's ratings 31 March 2019

	Moody's	S&P Global	Fitch Ratings
Counterparty rating	Aa3/P-1	A+/A-1	A+
Senior debt	A2/P-1	A/A-1	A+/F1
Outlook	Negative	Negative	Negative
Non-preferred senior debt	Baa2	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 Global and Scope Ratings. Fitch Ratings rates bonds issued from Realkredit Danmark's capital centre S 'AAA' (stable outlook) and rates bonds issued from capital centre T 'AA+' (stable outlook).

Covered bonds (SDO) issued by Danske Bank A/S are rated 'AAA' (stable outlook) by both S&P Global and Fitch Ratings, 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 Global.

ESG Ratings

ESG ratings cover a range of analytical activities that address a business's societal impact. The acronym stands for Environmental, Social and Governance. Each concept itself may be defined to include a broad range of sub-assessments. Definitions vary considerably among analysis providers.

While there are several hundred providers of ESG analyses, Danske Bank has chosen to focus on five providers in particular (selected on the basis of their importance to our investors):

MSCI ESG Ratings, USA
ISS-Ethix (formerly Oekom, Research) Germany
Sustainalytics, USA
Vigeo Eiris, Italy
Imug, Germany

Going forward, the information requirements defined by these ESG rating agencies will influence Danske Bank's disclosure policy on financial and non-financial information.

Unlike ratings published by credit rating agencies, ESG ratings are unsolicited and based on public information only. Disclosure of ratings does not take place on a public basis; it is discretionary, meaning that ratings are made public selectively.

Funding and liquidity

During the first quarter of 2019, the Group issued non-preferred senior bonds of DKK 36.1 billion, senior debt of DKK 0.5 billion, covered bonds of DKK 8.8 billion and tier 2 capital of DKK 5.6 billion, bringing total long-term wholesale funding to DKK 51 [1] billion.

The funding plan for 2019 is DKK 70-90 billion and, as part of our funding strategy, we have thus secured more than half of the funding planned for 2019 in the first quarter of 2019. We remain dedicated to our strategy of securing more funding directly in our main lending currencies, including NOK and SEK.

The significant funding activity in the first quarter of 2019 caused funding costs to rise. The rise was primarily the result of our issuance of non-preferred senior bonds, whereas we did not issue any such instruments in the preceding quarter. Additionally, we had only limited redemptions of old funding in the first quarter of 2019.

On 12 March, we went to the market with our inaugural EUR 500 million non-preferred senior green bond following a European Roadshow. The green bond ranks as ordinary non-preferred senior debt, but the proceeds are earmarked for financing green lending in accordance with Danske Bank's newly established Green Bond Framework.

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 March 2019, our liquidity coverage ratio stood at 130%, with an LCR reserve of DKK 458 billion.

At 31 March 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 374 billion, against DKK 326 billion at the end of 2018.

Danske Bank excluding Realkredit Danmark (DKK billions)	31 March 2019	31 December 2018
Covered bonds	191.1	182.6
Preferred senior bonds	90.4	93.9
Non-preferred senior bonds	63.1	26.4
Subordinated debt	28.9	23.1
Total	**373.5**	**326.0**

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.

[1] Amounts translated into Danish kroner at the date of issue.

At the end of March 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 February 2019, the Danish FSA revised the minimum requirement for own funds and eligible liabilities (MREL) for Danske Bank Group. As expected, the MREL for the Group was set to be equivalent to two times the capital requirement including capital buffer requirements, however, with the countercyclical buffer included only once in the calculation. The requirement will be effective from 1 July 2019. Based on the capital requirements for the first quarter of 2019, the MREL was 35.5% of REA adjusted for Realkredit Danmark. By comparison, the MREL ratio stood at 38.5% of the REA adjusted for Realkredit Danmark.

Danish mortgage credit institutions are exempted from the MREL. Instead they are subject to a debt buffer requirement of 2% of their loans. Due to this exemption, Realkredit Danmark is not included for the purpose of determining the MREL for the Group. However, the capital and debt buffer requirements that apply to Realkredit Danmark are deducted from the liabilities and own funds used to fulfil the MREL.

The Danish FSA also imposes the requirement that all MREL eligible liabilities and own funds must bear losses before other senior unsecured debt in case of both resolution and insolvency. However, under a gradual transition to the 2022 requirement, unsecured senior debt issued before 1 January 2018 can be used to fulfil the MREL if the residual maturity exceeds 12 months.

In December 2017, the Basel Committee on Banking Supervision (BCBS) published the final revised standards for REA calculations, also known as Basel IV. According to the BCBS, the standards are revised in order to restore credibility in REA calculations and to improve the comparability of the capital ratios of financial institutions.

It is too early to firmly assess the effects of the changes since the political process to implement the recommendations in the EU has not yet been initiated, and the final outcome is subject to substantial uncertainty.

However, on the basis of our strong underlying earnings capacity and capitalisation, the Group is confident that it will be able to adapt smoothly to the future changes in EU regulatory requirements in relation to Basel IV.

On 23 November 2016, the EU Commission brought forward proposals to review CRD IV, CRR and BRRD. We expect the legislative package to be adopted in the first half of 2019 with implementation taking place in 2021. The Group expects the CRR and CRD IV amendments to have limited capital and REA impact on the Group.

Changes to the Board of Directors and the Executive Board

Danske Bank's Annual General Meeting was held on 18 March 2019. Ingrid Bonde, Rolv Erik Ryssdal and Hilde Tonne did not seek re-election. Bente Avnung Landsnes, Christian Sagild and Gerrit Zalm were elected by the Annual General Meeting as their replacements. Carol Sergeant was re-elected by the Annual General Meeting.

Information about the composition of the Board of Directors and the board committees is available at danskebank.com/about-us/corporate-governance.

On 8 February 2019, it was announced that Henriette Fenger Ellekrog, Head of Group HR, had resigned from her position as member of the Executive Board. Effective from 1 April 2019, Henriette Fenger Ellekrog was no longer a member of the Executive Board. Henriette Fenger Ellekrog will leave Danske Bank on 31 May 2019.

Banking DK

In the first quarter of 2019, Banking DK delivered a profit before tax of DKK 1.3 billion, down 36% from the same period last year. Lending growth was good, but the result was affected by higher impairment charges and higher costs for regulatory requirements and compliance as well as intense competition and persistently negative interest rates that had an adverse impact on income.

Banking DK (DKK millions)	Q1 2019	Q1 2018	Index 19/18	Q4 2018	Index Q1/Q4	Full year 2018
Net interest income	2,181	2,213	99	2,252	97	8,955
Net fee income	789	886	89	802	98	3,400
Net trading income	280	294	95	246	114	852
Other income	55	54	102	63	87	234
Total income	3,305	3,446	96	3,364	98	13,442
Operating expenses	1,768	1,682	105	1,789	99	6,860
Profit before loan impairment charges	1,537	1,764	87	1,575	98	6,582
Loan impairment charges	206	-300	-	-148	-	-758
Profit before tax	**1,331**	**2,064**	**64**	**1,723**	**77**	**7,340**
Loans, excluding reverse transactions before impairments	881,611	867,647	102	878,689	100	878,689
Allowance account, loans	10,791	11,905	91	10,790	100	10,790
Deposits, excluding repo deposits	285,819	277,769	103	282,640	101	282,640
Covered bonds issued*	759,783	748,645	101	754,621	101	754,621
Allowance account, guarantees	1,370	1,297	106	1,393	98	1,393
Allocated capital (average)	33,546	34,326	98	33,312	101	34,032
Net interest income as % p.a. of loans and deposits	0.75	0.78		0.78		0.78
Profit before tax as % p.a. of allocated capital (avg.)	15.9	24.1		20.7		21.6
Cost/income ratio (%)	53.5	48.8		53.2		51.0
Full-time-equivalent staff	3,393	3,350	101	3,341	102	3,341

**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 Q1 2019 provides financial highlights at customer type level for Banking DK. Fact Book Q1 2019 is available at danskebank.com/ir.

Q1 2019 vs Q1 2018

Lending grew 2% from the level in the first quarter of 2018. The increase was driven by higher demand for mortgage loans, especially FlexLife®, among our personal customers and good activity with our largest commercial customers. Lending increased despite intense competition, lower risk appetite on our part following the slowdown in the housing market and as we see signs that we are at a late stage in the economic cycle, and the focus on the Estonia case. The effect of these factors was, however, reflected in the flat trend in lending from the fourth quarter of 2018 to the first quarter of 2019.

The Estonia case continued to adversely affect our personal customer base but did not significantly impact the financial performance. In the small business segment we continued to see a good inflow of new customers. Customer satisfaction scores were stable in the first quarter but remain below our target, and we continued the close dialogue with our customers to regain their trust.

Overall, our market shares in both the retail and the commercial segments were stable.

Although lending grew, profit before tax fell 36% to DKK 1.3 billion, owing primarily to higher loan impairment charges.

On the income side, intense competition and the continuation of negative interest rates put pressure on fee and interest income.

Operating expenses rose 5% from the level in the first quarter of 2018 due to increasing costs for regulatory requirements and compliance, primarily for investments in anti-money laundering activities.

Loan impairment charges amounted to a total of DKK 206 million, against a net reversal of DKK 300 million in the first quarter of 2018. Impairments reflect charges against agricultural exposures, model adjustments for retail customers and a decline in reversals from the allowance account.

Credit quality

Credit quality was generally stable in the first quarter of 2019, except in the agricultural sector, against which additional impairments had to be made. The lending market was supported by favourable macroeconomic conditions and the low interest rate level.

Credit quality at Realkredit Danmark also remained strong and stable, supported by the favourable conditions in the Danish economy.

The loan-to-value (LTV) level increased slightly during the quarter.

Loan-to-value ratio, home loans	31 Mar. 2019		31 Dec. 2018	
	Average LTV (%)	Net credit exposure (DKK bn)	Average LTV (%)	Net credit exposure (DKK bn)
Retail	62.4	469	61.8	468
Total	**62.4**	**469**	**61.8**	**468**

Credit exposure

Credit exposure increased to DKK 966 billion in the first quarter of 2019, with the increase being driven by both the commercial and the retail portfolio.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	31 Mar. 2019	31 Dec. 2018	31 Mar. 2019
Retail	505,493	501,130	0.10%
Commercial	460,471	457,779	0.08%
Total	**965,964**	**958,909**	**0.09%**

Q1 2019 vs Q4 2018

Profit before tax decreased 23% to DKK 1.3 billion, owing primarily to higher loan impairment charges. Impairments reflect charges against agricultural exposures, model adjustments and a decline in reversals from the allowance account.

Lending was flat, whereas income was down slightly due mainly to lower net interest income. The trend in lending and income reflects intense competition and a lower risk appetite on our part, as we see signs that we are now at a late stage in the economic cycle. Operating expenses were largely unchanged.

Customer satisfaction scores were stable among retail and commercial customers.

Banking Nordic

Banking Nordic started the year with good customer activity and delivered total income of DKK 2.5 billion. Despite the good level of customer activity, this represented a decrease of 6% from the level in the same period in 2018. The decline was driven mainly by a decline in net interest income due to higher interest rates in Norway and Sweden putting pressure on margins. Profit before tax decreased 25% to DKK 1.2 billion, mainly because of an increase in operating expenses that was driven by higher costs for regulatory requirements and compliance.

Banking Nordic (DKK millions)	Q1 2019	Q1 2018	Index 19/18	Q4 2018	Index Q1/Q4	Full year 2018
Net interest income	1,900	1,972	96	2,011	94	7,957
Net fee income	397	413	96	406	98	1,605
Net trading income	66	68	97	74	89	302
Other income	155	224	69	126	123	648
Total income	2,519	2,676	94	2,616	96	10,512
Operating expenses	1,401	1,175	119	1,333	105	5,029
Profit before loan impairment charges	1,118	1,501	74	1,283	87	5,483
Loan impairment charges	-48	-45	-	-82	-	-59
Profit before tax	**1,165**	**1,546**	**75**	**1,365**	**85**	**5,642**
Loans, excluding reverse transactions before impairments	608,247	568,300	107	586,679	104	586,679
Allowance account, loans	3,617	3,959	91	3,746	97	3,746
Deposits, excluding repo deposits	231,751	229,359	101	226,808	102	226,808
Covered bonds issued*	227,954	199,496	114	218,143	104	218,143
Allowance account, guarantees	374	357	105	388	96	388
Allocated capital (average)	33,288	32,148	104	32,769	102	32,701
Net interest income as % p.a. of loans and deposits	0.91	0.99		0.99		0.98
Profit before tax as % p.a. of allocated capital (avg.)	14.0	19.2		16.7		17.2
Cost/income ratio (%)	55.6	43.9		51.0		47.8
Full-time-equivalent staff	2,461	2,418	102	2,442	101	2,442

**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 Q1 2019 provides financial highlights at customer level for Banking Nordic. Fact Book Q1 2019 is available at danskebank.com/ir.

Q1 2019 vs Q1 2018

Banking Nordic continued to see good developments in 2019, with increasing customer activity, especially in Norway and Sweden. The retail business benefited from the continued development of our platform for partnerships. The commercial business saw a positive impact from a strengthening of our offerings to medium-sized and large commercial customers. Overall, however, the financial results were adversely affected by rising interest rates in Norway and Sweden, which led to increased margin pressure that drove down net interest income. In combination with increased operating expenses as a result of higher costs for regulatory requirements and compliance, profit before tax decreased 25% from the level in the same period last year.

Banking Nordic continued to grow its business in the first quarter of 2019 and expanded the customer portfolio through our partnership agreements and growth in the volume of business with our commercial customers. Norway experienced a significant customer inflow in the first quarter of 2019 on the basis of the new strategic partnership with the trade union Tekna. Sweden saw good business activity among retail customers, as a result especially of campaigns advertising fixed-rate mortgage loans. In the large commercial customer segment, activity rose on the back of several new house bank mandates. In Finland, we continued our partnership with Akava under which we offer transparent and comprehensive investment products. The Akava partnership continues to be a key opportunity for our operations in Finland to offer services to a significant and strategically important membership base.

Banking Nordic continued to upgrade the service model for commercial customers in collaboration with Corporates & Institutions, and this resulted in good business momentum. Banking Nordic has focused on broader coverage in terms of specialists and products to help customers get the best possible solutions for their business. The coverage model is product neutral, which means that each customer gets the best advisory services tailored to them, whether that is a bond issue or a loan, for example.

Lending increased in all market areas. In Sweden and Norway, we saw increases in all customer segments, whereas in Finland, the increases were in the medium-sized and large commercial segments. Overall, lending increased 4% from the level at year end.

Net fee income decreased from the level in the first quarter of 2018, due mainly to lower fee income in Finland. Norway, however, was able to grow fee income from financing and investment activities.

Other income decreased from the same period last year due to the income from the sale of the Norwegian real estate agency chain Krogsveen in the first quarter of 2018. The Asset Finance business area experienced good progress and business momentum in the first quarter, which contributed mainly to other income. This was due to a continuation of strong demand for leasing services combined with a one-off sale of investment properties in the first quarter. Asset Finance continued to develop their value propositions and expects to launch new products and services in the second quarter.

Banking Nordic saw an increase in operating expenses of 19% from the level in the same period last year. In the first quarter of 2018, operating expenses were at a somewhat low level due to Banking Nordic being a new organisation. Operating expenses also increased due to higher costs for regulatory requirements and compliance as well as for risk management, anti-money laundering efforts, IT investments and marketing costs.

Credit quality

Credit quality was generally stable across the Nordic markets, reflecting the current macroeconomic stability and the fact that economic growth is expected to continue.

Loan impairment charges were still at a very low level, amounting to net reversals of DKK 48 million in the first quarter of 2019. The portfolio saw improved credit quality, with few new non-performing loans during the quarter. The retail portfolio showed higher impairments driven partly by model adjustments, while the commercial portfolio showed high reversals, primarily in the Norwegian shipping, oil and gas segment.

The overall loan-to-value (LTV) ratio was stable during the period.

Loan-to-value ratio, home loans	31 Mar. 2019		31 Dec. 2018	
	Average LTV (%)	Net credit exposure (DKK bn)	Average LTV (%)	Net credit exposure (DKK bn)
Retail Sweden	64.3	87	65.0	87
Retail Norway	62.8	109	62.0	97
Retail Finland	61.4	84	61.1	84
Total	**62.8**	**280**	**62.7**	**268**

Credit exposure

Credit exposure increased to DKK 730 billion in the first quarter of 2019. The growth came mainly from the retail portfolio in Norway, driven by the new strategic partnership with the Tekna trade union.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	31 Mar. 2019	31 Dec. 2018	31 Mar. 2019
Sweden	292,867	288,703	-0.01%
Norway	226,232	203,751	-0.15%
Finland	165,356	163,010	0.12%
Other	45,737	46,364	-0.17%
Total	**730,193**	**701,828**	**-0.03%**

Q1 2019 vs Q4 2018

Profit before tax decreased 15% due to higher operating expenses, lower income and lower impairment reversals than in the fourth quarter of 2018.

Total income decreased 4% from the level in the last quarter of 2018.

Net interest income decreased due to margin pressure in Norway and Sweden. Net fee income decreased 2% because of lower activity in Finland.

Operating expenses increased 5% due to increased costs for regulatory requirements and compliance and IT investments.

Lending increased 4% from the last quarter of 2018 to the first quarter of 2019 as a result of good customer activity, especially in Norway with the inflow of customers from Tekna.

Corporates & Institutions

Corporates & Institutions contributed with a profit before tax of DKK 1.1 billion, a decrease of 27% from the level in the first quarter of 2018. The underlying business was stable, however, and the decline reflects increased loan impairment charges, the transfer of the portfolio in the Baltics and Russia to the Non-core unit, and negative developments in value adjustments.

Corporates & Institutions (DKK millions)	Q1 2019	Q1 2018	Index 19/18	Q4 2018	Index Q1/Q4	Full year 2018
Net interest income	930	1,002	93	954	97	3,928
Net fee income	692	727	95	754	92	2,914
Net trading income	914	1,017	90	383	239	2,440
Other income	-	3	-	2	-	7
Total income	2,536	2,748	92	2,093	121	9,289
Operating expenses	1,204	1,252	96	1,177	102	4,689
Profit before loan impairment charges	1,332	1,497	89	916	145	4,600
Loan impairment charges	221	-32	-	175	126	278
Profit before tax	**1,111**	**1,529**	**73**	**741**	**150**	**4,322**
Loans, excluding reverse trans. before impairments	195,318	199,358	98	198,320	98	198,320
Allowance account, loans	2,443	2,173	112	2,223	110	2,223
Allowance account, credit institutions	9	14	64	13	69	13
Deposits, excluding repo deposits	264,260	307,411	86	260,781	101	260,781
Covered bonds issued*	17,846	15,282	117	18,713	95	18,713
Allowance account, guarantees	15	522	3	133	11	133
Allocated capital (average)	31,586	35,033	90	32,433	97	33,629
Net interest income as % p.a. of loans and deposits	0.81	0.79		0.84		0.86
Profit before tax as % p.a. of allocated capital (avg.)	14.1	17.5		9.1		12.9
Cost/income ratio (%)	47.5	45.6		56.2		50.5
Full-time-equivalent staff	1,702	2,138	80	1,858	92	1,858

Total income (DKK millions)	Q1 2019	Q1 2018	Index 19/18	Q4 2018	Index Q1/Q4	Full year 2018
FI&C	974	1,068	91	280	-	2,541
Capital Markets	408	393	104	403	101	1,556
General Banking	1,154	1,287	90	1,410	82	5,192
Total income	**2,536**	**2,748**	**92**	**2,093**	**121**	**9,289**

**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.*

Q1 2019 vs Q1 2018

In the first quarter of 2019, the underlying business at Corporates & Institutions was on par with the same period last year, as financial market conditions – especially in the rates and credit markets - improved from a challenging end to 2018.

Total income amounted to DKK 2.5 billion, a decrease of 8% from the level in the first quarter of 2018, but was affected by the transfer of the portfolios in the Baltics and Russia to the Non-core unit as well as negative developments in value adjustments.

The main part of the portfolio in the Baltics was transferred to the Non-core unit in the second quarter of 2018, while the remainder and the portfolio in Russia were transferred to the Non-core unit in February 2019.

Net interest income decreased 7% from the year-earlier level. Adjusted for the portfolio transfers, net interest income was on par with the level in the first quarter of 2018. Net fee income decreased 5%, mainly as a result of lower event-driven income in Capital Markets.

Net trading income decreased 10% from the level in the first quarter of 2018 as a result of negative developments in value adjustments of the derivatives portfolio (xVA). Net trading income was, however, positively affected by the improvement in financial market conditions following a challenging end to 2018. Among other things, volatility increased in core rates markets from very low levels, and credit markets were positive.

Operating expenses were 4% lower than in the corresponding period of 2018, driven by the portfolio transfers and continued cost focus.

Compared with the level in the first quarter of 2018, loans excluding reverse transactions before impairments decreased 2%. Deposits excluding repo deposits also decreased.

Fixed Income & Currencies

Total income in FI&C amounted to DKK 1.0 billion, a decrease of 9% from the level in the first quarter of 2018, affected by negative developments in value adjustments of the derivatives portfolio (xVA).

Market conditions became less challenging going into 2019 owing to, among other factors, increased volatility at the long end of the interest curve from a very low level. Compared with the conditions in the fourth quarter of 2018, this led to more constructive market-making conditions, thereby also increasing the ability of FI&C to generate revenue from facilitating customer transactions.

Capital Markets

Capital Markets income increased 4%, driven by higher income in Loan Capital Markets as a result of an increased focus on underwrite-to-distribute as part of the strategy to strengthen our Capital Markets franchise.

Within the strategic focus area Green Financing, Danske Bank's Debt Capital Markets unit managed to climb to a position as number nine across currencies in the Global Green Bond League table. This was the highest ranking achieved by any Nordic bank. We came in second in the SEK market.

General Banking

Income from General Banking was 10% lower than in the first quarter of 2018, mainly as a result of the portfolio transfers to the Non-core unit. Being 2% lower, underlying income was broadly unchanged from the level in the first quarter of 2018, which was part of the highest General Banking income year on record at Corporates & Institutions.

Credit quality

Total loan impairments at Corporates & Institutions amounted to DKK 221 million in the first quarter of 2019. There was a significant reduction in impairment charges against exposures to the shipping as well as the oil and gas industries from the level in the previous quarter. However, this development was offset by a few large impairment charges against single name exposures to the retail industry. Despite the quarter-on-quarter reduction, impairment charges against exposures to the shipping industry and the oil and gas industry remain a focus area, given a slower pickup in the market than expected.

At the end of the first quarter of 2019, total credit exposure from lending activities amounted to DKK 565 billion, an increase of DKK 3 billion, due primarily to an increase in exposure to financial institutions.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	31 Mar. 2019	31 Dec. 2018	31 Mar. 2019
Sovereign	151,868	154,101	0.00%
Financial institutions	86,710	73,791	0.05%
Corporate	326,363	334,651	0.46%
Other	53	250	
Total	**564,994**	**562,793**	**0.37%**

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.

Q1 2019 vs Q4 2018

Profit before tax increased 50%, as market conditions improved from a very challenging fourth quarter of 2018, and as a result FI&C trading income recovered.

FI&C income increased significantly in the first quarter of 2019 as a result of less challenging core rates markets and a seasonal increase in customer activity.

Capital Markets income increased slightly, driven by higher income in Loan Capital Markets and positive credit markets.

General Banking income declined 18% from the level in the fourth quarter of 2018 when income was extraordinarily high as a result of one-off income from the sale of assets previously taken over as collateral.

Operating expenses increased 2%, owing mainly to higher performance-based compensation.

The first quarter of 2019 saw net loan impairment charges of DKK 221 million, against impairment charges of DKK 175 million in the fourth quarter of 2018. The increase in impairments was caused by charges against a few single name exposures to the retail industry.

Wealth Management

Profit before tax amounted to DKK 0.7 billion, a decrease of 16% from the level in the first quarter of 2018. Trading income was to a significant degree negatively impacted by a regulatory change to the discount curve for life insurance provisions, whereas conditions in the financial markets had a positive impact on performance. The increase in operating expenses was due mainly to the operation of SEB Pension Danmark, which was acquired in June 2018.

Wealth Management (DKK millions)	Q1 2019	Q1 2018	Index 19/18	Q4 2018	Index Q1/Q4	Full year 2018
Net interest income	175	179	98	180	97	725
Net fee income	1,947	1,701	114	2,102	93	7,353
Net trading income	-115	-19	-	-44	-	66
Other income	-49	16	-	-165	-	-193
Total income	1,958	1,877	104	2,073	94	7,950
Operating expenses	1,225	1,015	121	1,448	85	4,810
Profit before loan impairment charges	733	862	85	625	117	3,140
Loan impairment charges	-3	-16	-	11	-	-42
Profit before tax	**736**	**878**	**84**	**615**	**120**	**3,183**
Loans, excluding reverse trans. before impairments	77,516	75,798	102	77,704	100	77,704
Allowance account, loans	388	438	89	392	99	392
Deposits, excluding repo deposits	70,874	67,696	105	66,641	106	66,641
Covered bonds issued*	47,904	42,585	112	47,368	101	47,368
Allowance account, guarantees	33	33	100	32	103	32
Allocated capital (average)	17,826	13,524	132	17,446	102	15,434
Net interest income as % p.a. of loans and deposits	0.47	0.50		0.50		0.50
Profit before tax as % p.a. of allocated capital (avg.)	16.5	26.0		14.1		20.6
Cost/income ratio (%)	62.6	54.1		69.9		60.5
Full-time-equivalent staff	2,206	1,898	116	2,201	100	2,201

Breakdown of assets under management** (DKK billions)						
Life conventional	200	151	132	200	100	200
Asset management	967	890	109	927	104	927
Assets under advice	474	472	100	449	106	449
Total assets under management	**1,642**	**1,513**	**109**	**1,575**	**104**	**1,575**

Breakdown of net fee income (DKK millions)						
Management fees	1,628	1,421	115	1,699	96	6,043
Performance fees	5	23	22	154	3	204
Risk allowance fees	314	256	123	249	126	1,105
Total net fee income	**1,947**	**1,701**	**114**	**2,102**	**93**	**7,353**

**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.*

***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. Assets under Management from the acquired SEB Pension Danmark consists of DKK 51 billion from Life conventional and DKK 50 billion from Asset management (unit-linked products).*

Q1 2019 vs Q1 2018

Profit before tax amounted to DKK 0.7 billion and was down 16% from the level in the first quarter of 2018, due mainly to a regulatory one-off expense in Danica Pension and higher expenses.

The financial performance benefited from improved conditions in the financial markets and the financial results of SEB Pension Danmark, which were not included in the first quarter of 2018, but was negatively affected by a regulatory change by the European Insurance and Occupational Pensions Authority (EIOPA) to the discount curve for life insurance provisions in Danica Pension and a lower risk result in the health and accident business in Danica Pension.

Net interest income was on the same level as in the first quarter of 2018.

Net fee income amounted to DKK 1.9 billion and was up 14% from the level in the first quarter of 2018. Excluding SEB Pension Danmark, there was a decrease, which was due to accrued fees and a product shift in the Asset Management business as well as lower performance fees.

Net trading income amounted to a negative DKK 115 million and decreased from the level in the first quarter of 2018, when trading income was negative by DKK 19 million. Trading income was adversely affected by a DKK 140 million one-off due to a regulatory change in the discount curve for life insurance provisions.

Other income amounted to a negative DKK 49 million, against DKK 16 million in the first quarter of 2018. The decline was due to a lower risk result in the health and accident business in Danica Pension.

Operating expenses were up 21% from the level in the first quarter of 2018 due to the addition of the ordinary operating expenses of SEB Pension Danmark and, to a lesser extent, integration costs also relating to SEB Pension Danmark.

Credit quality

Credit quality was generally stable. Our markets are supported by generally favourable macroeconomic conditions and a low level of interest rates.

Loan impairment charges amounted to net reversals of DKK 3 million in the first quarter of 2019.

Overall, the loan-to-value (LTV) level increased approximately 0.3 percentage points during the first quarter of 2019.

Loan-to-value ratio, home loans	31 Mar. 2019		31 Dec. 2018	
	Average LTV (%)	Net credit exposure (DKK bn)	Average LTV (%)	Net credit exposure (DKK bn)
Denmark	58.5	42	58.0	42
Sweden	58.5	4	59.1	4
Norway	59.7	8	60.2	8
Finland	63.6	2	66.0	2
Total	**59.2**	**56**	**58.9**	**56**

Credit exposure

Credit exposure increased to DKK 88 billion in the first quarter of 2019. The increase was mainly driven by growth in the Danish market.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	31 Mar. 2019	31 Dec. 2018	31 Mar. 2019
Denmark	58,421	57,943	0.04%
Sweden	6,771	6,886	-0.18%
Norway	11,581	11,296	0.03%
Finland	3,171	3,160	0.00%
Luxembourg	8,451	8,062	-0.41%
Total	**88,395**	**87,347**	**-0.02%**

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, including SEB Pension Danmark, increased DKK 67 billion, primarily because of the increase in the financial markets in the first quarter of 2019. At the end of March 2019, Assets under Management totalled DKK 1,642 billion.

Premiums in Danica Pension amounted to DKK 11.4 billion, against DKK 12.9 billion in the first quarter of 2018. The decrease was driven primarily by negative developments in Sweden and Norway.

For Asset Management, net sales in the first quarter of 2019 amounted to a positive DKK 0.6 billion, against a positive DKK 0.8 billion in the first quarter of 2018.

Investment return on customer funds

In the first quarter of 2019, the financial markets were characterised by high returns. Looking overall at our funds, 53% of investment products generated above-benchmark returns against 55% in the first quarter of 2018. On a 3-year horizon, 67% of all investment products generated above-benchmark results.

% of investment products (GIPS composites) with above-benchmark returns (pre-costs)*	2019	3-year
All funds	53%	67%
Equity funds	32%	52%
Fixed-income funds	65%	86%
Balanced funds etc.	89%	67%

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

Customers with *Danica Balance Mix* achieved returns on investments of 2.6% to 12.7%. The return for customers with a *Danica Balance* medium risk profile with 20 years to retirement was 9.9%.

Customers with the *Markedspension* product (*Danica Pensionsforsikring)* achieved returns on investments of 1.0% to 12.5%. The return for customers with the *Markedspension* product and a medium risk profile with 20 years to retirement was 10.4%.

Q1 2019 vs Q4 2018

In the first quarter of 2019, profit before tax increased 20% to DKK 0.7 billion. This was due primarily to lower costs.

Total income decreased 6% to DKK 2.0 billion.

Net fee income decreased due to lower performance fees from Asset Management, and net trading income decreased due to a DKK 140 million one-off due to a regulatory change in the discount curve for life insurance provisions and a lower investment return in the health and accident business.

Operating expenses were 15% lower in the first quarter of 2019, due primarily to lower integration costs for SEB Pension Danmark.

Northern Ireland

At DKK 227 million, profit before tax was significantly higher than in the first quarter of 2018, driven by higher income and a net loan impairment reversal, although the positive impact was partially offset by an increase in costs. Despite continued Brexit uncertainty, Northern Ireland saw positive activity and balance sheet growth.

Northern Ireland (DKK millions)	Q1 2019	Q1 2018	Index 19/18	Q4 2018	Index Q1/Q4	Full year 2018
Net interest income	386	364	106	383	101	1,491
Net fee income	96	95	101	94	102	392
Net trading income	30	15	200	22	136	82
Other income	3	3	100	3	100	12
Total income	515	477	108	502	103	1,978
Operating expenses	302	290	104	319	95	1,207
Profit before loan impairment charges	213	187	114	183	116	770
Loan impairment charges	-14	62	-	-1	-	26
Profit before tax	**227**	**125**	**182**	**185**	**123**	**744**
Loans, excluding reverse transactions before impairments	52,615	48,985	107	49,805	106	49,805
Allowance account, loans	755	858	88	762	99	762
Deposits, excluding repo deposits	65,487	60,529	108	62,555	105	62,555
Allowance account, guarantees	37	101	37	30	123	30
Allocated capital (average)*	6,565	6,700	98	6,905	95	6,843
Net interest income as % p.a. of loans and deposits	1.32	1.34		1.37		1.34
Profit before tax as % p.a. of allocated capital (avg.)	13.8	7.5		10.7		10.9
Cost/income ratio (%)	58.6	60.8		63.5		61.0
Full-time-equivalent staff	1,356	1,257	108	1,322	103	1,322

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

Q1 2019 vs Q1 2018

Profit before tax increased 82% to DKK 227 million in the first quarter of 2019. This included a net loan impairment reversal, whereas the first quarter of 2018 saw a net charge. Profit before loan impairment charges increased 14% to DKK 213 million, driven by a positive income performance, as costs increased given the ongoing investments in new customer solutions.

Total income amounted to DKK 515 million and was 8% higher than in the first quarter of 2018. Despite continued Brexit uncertainty, commercial and retail lending and deposit volumes increased. Retail customer activity levels remained satisfactory, supported by ongoing improvements to our mortgage finance proposition, although new lending to businesses is impacted by Brexit with some larger customers delaying investment decisions. Uncertainty is further evident from the volatility in our trading income, which was higher in the quarter; this alongside balance sheet growth and higher UK interest rates resulted in increased income.

At DKK 302 million, operating expenses were 4% higher year-on-year, reflecting ongoing investment in skills and new customer solutions designed to ensure that we fully meet customer needs and expectations. For example, the introduction of a dedicated fraud and cyber crime team.

Q1 2019 vs Q1 2018 in local currency

In local currency, profitability increased as described, with income 6% higher year-on-year, supported by lending and deposit growth. The net loan impairment reversal was partially offset by a 2% increase in costs.

Credit quality

By comparison to this quarter, the first quarter of 2018 included negative developments in a few specific cases. The majority of our credit exposure continues to show an improvement in credit quality. The 2018 charge took into account the possibility that the United Kingdom may exit the European Union without a withdrawal agreement. The probability of a hard Brexit has been factored into the forward-looking macroeconomic scenarios as part of the application of IFRS 9.

	Net credit exposure		Impairments (ann.) (%)
(DKK millions)	31 Mar. 2019	31 Dec. 2018	31 Mar. 2019
Retail customers	24,662	23,012	-0.06%
Public institutions	14,886	14,919	-0.01%
Financial customers	560	101	-2.10%
Commercial customers	33,708	31,156	-0.16%
Total	**73,816**	**69,187**	**-0.11%**

Q1 2019 vs Q4 2018

Profit before loan impairment charges rose quarter-on-quarter. Net interest income, fees and trading income all increased due to higher activity and growth in both lending and deposits.

Expenses decreased 5% as the fourth quarter of 2018 included an additional cost of DKK 19 million relating to a UK court ruling on the provision of guaranteed minimum pensions under defined benefit schemes.

Non-core

Profit before tax for the first quarter of 2019 was a negative DKK 288 million. Total lending stood at DKK 15.4 billion at the end of March 2019, against DKK 14.9 billion at the end of December 2018. The increase related to the transfer of the Baltic and Russian activities to Non-core during the quarter. The winding-up of the Non-core portfolios is proceeding according to plan.

Non-core (DKK millions)	Q1 2019	Q1 2018	Index 19/18	Q4 2018	Index Q1/Q4	Full year 2018
Total income	66	7	-	38	174	213
Operating expenses	93	54	172	329	28	632
Profit before loan impairment charges	-27	-47	-	-292	-	-419
Loan impairment charges	261	-79	-	-5	-	-137
Profit before tax	**-288**	**32**	**-**	**-286**	**-**	**-282**
Loans, excluding reverse transactions before impairments*	15,388	5,270	292	14,906	103	14,906
Allowance account, loans	722	570	127	784	92	784
Deposits, excluding repo deposits	3,734	1,940	192	2,399	156	2,399
Allowance account, guarantees	32	11	291	32	100	32
Allocated capital (average)	2,602	1,315	198	2,408	108	2,115
Net interest income as % p.a. of loans and deposits	1.30	0.54		0.82		1.14
Profit before tax as % p.a. of allocated capital (avg.)	-44.3	9.7		-47.5		-13.3
Cost/income ratio (%)	140.9	771.4		865.8		296.7
Full-time-equivalent staff	326	123	265	259	126	259

Loan impairment charges (DKK millions)						
Non-core banking**	273	-67	-	30	-	-137
Non-core conduits etc.	-13	-12	108	-36	36	-
Total	**261**	**-79**	**-**	**-5**	**-**	**-137**

** Loans, excluding reverse transactions before impairments includes loans held for sale, including a portfolio of loans in Estonia.*

*** Non-core banking encompasses the activities in the Baltics, Russia and Non-core Ireland.*

Q1 2019 vs Q1 2018

The Non-core unit posted a loss before tax of DKK 288 million, against a profit of DKK 32 million in the first quarter of 2018. The loss before tax decreased as a result of fewer loan impairment reversals as well as a negative value adjustment.

Operating expenses increased from DKK 54 million to DKK 93 million, reflecting an increase in costs associated with the reclassification of the Baltic activities to Non-core.

Net credit exposure totalled DKK 20.1 billion, against DKK 18.4 billion at the end of 2018. The increase in credit exposure related to the transfer of Baltic and Russian customers to Non-core in the first quarter of 2019.

Total lending amounted to DKK 15.4 billion and consisted mainly of exposure to commercial and personal customers in the Baltics as well as conduits.

In the Baltics and Russia, all day-to-day banking activities are being discontinued, and the sale of new products has ceased. The remaining customer accounts are being closed. The process is well underway.

Deposit balances increased, primarily as a result of the transfer of Russian and Baltic customers to Non-core in the first quarter of 2019.

The Non-core conduits portfolio amounted to DKK 4.1 billion, against DKK 3.9 billion at the end of 2018. The portfolio consists mainly of liquidity facilities for conduits. The credit quality of the portfolio was stable.

(DKK millions)	Net credit exposure 31 Mar. 2019	31 Dec. 2018	Expected credit loss 31 Mar. 2019	31 Dec. 2018
Non-core banking*	16,034	14,516	374	394
-of which personal customers	4,293	4,816	136	153
-of which commercial customers	9,890	7,620	235	240
-of which public institutions	1,851	2,081	2	2
Non-core conduits etc.	4,098	3,916	430	422
Total	**20,132**	**18,432**	**804**	**816**

** The increase in net credit exposure in Non-core banking is related to the transfer of Baltic and Russian customers to Non-core in the first quarter of 2019. Comparative figures have not been restated.*

Total impairments amounted to a net charge of DKK 261 million, against a net reversal of DKK 79 million in the first quarter of 2018. The increase reflects fewer loan impairment reversals as well as a negative value adjustment.

Q1 2019 vs Q4 2018

Profit before tax was a negative DKK 288 million and at the same level as in the fourth quarter of 2018. The first quarter of 2019 was affected by a negative value adjustment, whereas the fourth quarter of 2018 was affected by other value adjustments.

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)	Q1 2019	Q1 2018	Index 19/18	Q4 2018	Index Q1/Q4	Full year 2018
Net interest income	-52	217	-	115	-	515
Net fee income	-53	-59	90	-80	66	-261
Net trading income	123	60	205	258	48	933
Other income	-49	9	-	-9	-	7
Total income	-31	228	-	283	-	1,194
Operating expenses	244	198	123	178	137	2,416
Profit before loan impairment charges	-275	29	-	106	-	-1,222
Loan impairment charges	-5	1	-	3	-	5
Profit before tax	**-270**	**28**	**-**	**103**	**-**	**-1,227**

Profit before tax (DKK millions)	Q1 2019	Q1 2018	Index 19/18	Q4 2018	Index Q1/Q4	Full year 2018
Group Treasury	-64	81	-	-29	221	223
Own shares	18	28	64	214	8	500
Additional tier 1 capital	194	194	100	193	101	782
Group support functions	-418	-274	153	-274	153	-2,731
Total Other Activities	**-270**	**28**	**-**	**103**	**-**	**-1,227**

Q1 2019 vs Q1 2018

Other Activities posted a loss before tax of DKK 270 million, against a profit before tax of DKK 28 million in the first quarter of 2018, primarily as a result of lower net interest income.

Net interest income amounted to a negative DKK 52 million, against a positive DKK 217 million in the first quarter of 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 123 million, against DKK 60 million in the first quarter of 2018. The increase was driven primarily by Group Treasury activities, including income from bond portfolios held at fair value, which benefited, among other things, from positive market value adjustments on Danish adjustable rate mortgage bonds.

Operating expenses amounted to DKK 244 million, against DKK 198 million in the first quarter of 2018, primarily as a result of higher costs for regulatory requirements and compliance.

Q1 2019 vs Q4 2018

Other Activities posted a loss before tax of DKK 270 million, against a profit before tax of DKK 103 million in the fourth quarter of 2018.

Net interest income amounted to a negative DKK 52 million, against a positive DKK 115 million in the fourth quarter of 2018. The decrease was caused primarily by the Internal Bank, where, among other things, there was an increase in retained liquidity costs attributable to the Estonia case following the issuance of non-preferred senior bonds in the first quarter of 2019.

Net trading income amounted to DKK 123 million, against DKK 258 million in the fourth quarter of 2018, with the decrease being caused mainly by the effect of elimination against retained earnings of losses on the Group's holdings of own shares.

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 others 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 4 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 194 million (2018: DKK 194 million), and 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 14,421 million (2018: 14,689 million).
Net interest income as % p.a. of loans and deposits	Net interest income in the financial highlights (annualised) divided by the sum of loans and deposits end of period. All amounts are from the financial highlights. If the ratio was calculated applying a daily average of loans and deposits the ratio would be 0.83% (2018: 0.89%) due to the daily average of loans and deposits being DKK 38.8 million (2018: DKK 22.7 million) lower than calculating the ratio by applying the end of period sum of loans and deposits. The purpose of the key figure is to show if the growth in net interest income follows 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 357 million from the financial highlights on an annualised basis. 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 20.4 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 the allowance account of DKK 20.4 billion, Loans at amortised cost of DKK 993.2 billion, Loans at fair value of DKK 800.5 billion, and guarantees of DKK 75.9 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.

Financial statements

Notes

Income statement – Danske Bank Group

Note	(DKK millions)	Q1 2019	Q1 2018	Full year 2018
4	Interest income calculated using the effective interest method	6,919	6,690	24,661
4	Other interest income	11,240	8,600	35,106
4	Interest expense	11,234	7,716	30,746
	Net interest income	6,926	7,574	29,022
4	Fee income	4,131	4,213	17,312
	Fee expenses	1,764	1,532	6,932
	Net trading income	23,585	-2,900	-10,237
4	Other income	865	1,206	5,228
	Net premiums	6,568	6,962	25,963
	Net insurance benefits	28,792	3,476	13,400
	Operating expenses	6,890	6,254	28,020
	Profit before loan impairment charges	4,630	5,793	18,936
5	Loan impairment charges	618	-9	-387
	Profit before tax	4,012	5,802	19,322
	Tax	1,024	1,234	4,460
	Net profit for the period	**2,988**	**4,568**	**14,862**
	Portion attributable to			
	shareholders of Danske Bank A/S (the Parent Company)	2,794	4,374	14,081
	additional tier 1 capital holders	194	194	781
	Net profit for the period	**2,988**	**4,568**	**14,862**
	Earnings per share (DKK)	3.3	5.0	16.2
	Diluted earnings per share (DKK)	3.3	5.0	16.2
	Proposed dividend per share (DKK)	-	-	8.5

Statement of comprehensive income – Danske Bank Group

(DKK millions)	Q1 2019	Q1 2018	Full year 2018
Net profit for the period	2,988	4,568	14,862
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit pension plans	-4	-186	-291
Tax	17	151	42
Items that will not be reclassified to profit or loss	**13**	**-35**	**-249**
Items that are or may be reclassified subsequently to profit or loss			
Translation of units outside Denmark	426	-6	-374
Hedging of units outside Denmark	-658	-19	309
Unrealised value adjustments of bonds at fair value (OCI)	120	4	-21
Realised value adjustments of bonds at fair value (OCI)	-18	-8	-18
Tax	120	-15	-129
Items that are or may be reclassified subsequently to profit or loss	**-10**	**-44**	**-233**
Total other comprehensive income	**3**	**-79**	**-482**
Total comprehensive income for the period	**2,992**	**4,489**	**14,380**
Portion attributable to			
Shareholders of Danske Bank A/S (the Parent Company)	2,798	4,295	13,600
Additional Tier 1 capital holders	194	194	781
Total comprehensive income for the period	**2,992**	**4,489**	**14,380**

Balance sheet – Danske Bank Group

Note	(DKK millions)	31 March 2019	31 December 2018	31 March 2018
	Assets			
	Cash in hand and demand deposits with central banks	47,593	40,997	82,023
	Due from credit institutions and central banks	231,503	225,600	311,583
	Trading portfolio assets	468,444	415,818	466,739
	Investment securities	264,909	276,424	281,317
	Loans at amortised cost	1,004,334	986,240	955,335
6	Loans at fair value	1,059,489	1,057,340	1,000,923
	Assets under pooled schemes and unit-linked investment contracts	92,952	93,988	110,648
	Assets under insurance contracts	424,824	377,369	284,603
9	Assets held for sale	69,053	60,247	390
	Intangible assets	11,150	11,224	7,174
	Tax assets	3,695	2,981	4,282
10	Other assets	36,966	30,239	33,537
	Total assets	**3,714,914**	**3,578,467**	**3,538,555**
	Liabilities			
7	Due to credit institutions and central banks	226,145	248,601	250,140
	Trading portfolio liabilities	423,359	390,226	385,635
7	Deposits	1,084,157	1,059,119	1,085,108
8	Issued bonds at fair value	765,284	759,588	828,415
8	Issued bonds at amortised cost	290,490	285,629	313,364
	Deposits under pooled schemes and unit-linked investment contracts	98,448	97,840	119,809
	Liabilities under insurance contracts	458,521	417,279	314,585
9	Liabilities in disposal groups held for sale	64,987	58,467	-
	Tax liabilities	8,068	8,880	8,494
10	Other liabilities	44,781	40,117	44,527
8	Non-preferred senior bonds	63,206	26,353	-
8	Subordinated debt	28,891	23,092	28,840
	Total liabilities	**3,556,337**	**3,415,191**	**3,378,918**
	Equity			
	Share capital	8,960	8,960	9,368
	Foreign currency translation reserve	-976	-745	-706
	Reserve for bonds at fair value (OCI)	192	90	126
	Retained earnings	135,981	133,056	136,387
	Proposed dividends	-	7,616	-
	Shareholders of Danske Bank A/S (the Parent Company)	144,156	148,976	145,175
8	Additional tier 1 capital holders	14,421	14,299	14,462
	Total equity	**158,577**	**163,276**	**159,637**
	Total liabilities and equity	**3,714,914**	**3,578,467**	**3,538,555**

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
Effect 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 for the period	-	-	-	2,794	-	2,794	194	2,988
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	-4	-	-4	-	-4
Translation of units outside Denmark	-	426	-	-	-	426	-	426
Hedging of units outside Denmark	-	-658	-	-	-	-658	-	-658
Unrealised value adjustments	-	-	120	-	-	120	-	120
Realised value adjustments	-	-	-18	-	-	-18	-	-18
Tax	-	-	-	137	-	137	-	137
Total other comprehensive income	**-**	**-231**	**102**	**133**	**-**	**3**	**-**	**3**
Total comprehensive income for the period	**-**	**-231**	**102**	**2,927**	**-**	**2,798**	**194**	**2,992**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-36	-36
Dividends paid	-	-	-	366	-7,616	-7,250	-	-7,250
Acquisition of own shares and additional tier 1 capital	-	-	-	-1,958	-	-1,958	-36	-1,994
Sale of own shares and additional tier 1 capital	-	-	-	1,830	-	1,830	-	1,830
Tax	-	-	-	47	-	47	-	47
Total equity as at 31 March 2019	**8,960**	**-976**	**192**	**135,981**	**-**	**144,156**	**14,421**	**158,577**

On 18 March 2019, the annual general meeting of Danske Bank A/S adopted the proposal to reduce Danske Bank's share capital by DKK 337,690,000 nominally by cancelling 33,769,000 shares from Danske Bank's holding of own shares. The Board of Directors has on 29 April 2019 resolved to complete the share capital reduction, and the share capital reduction has been registered with the Danish Business Authority. After the reduction, Danske Bank A/S' share capital amounts to DKK 8,621,846,210 nominally, corresponding to 862,184,621 shares of DKK 10 each.

Statement of capital – Danske Bank Group

Changes in equity

(DKK millions)	Shareholders of Danske Bank A/S (the Parent Company) 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	134,077	9,368	152,262	14,339	166,601
Net profit for the period				4,374		4,374	194	4,568
Other comprehensive income								
Remeasurement of defined benefit pension plans	-	-	-	-186	-	-186	-	-186
Translation of units outside Denmark	-	-6	-	-	-	-6	-	-6
Hedging of units outside Denmark	-	-19	-	-	-	-19	-	-19
Unrealised value adjustments	-	-	4	-	-	4	-	4
Realised value adjustments	-	-	-8	-	-	-8	-	-8
Tax	-	-	-	136	-	136	-	136
Total other comprehensive income	**-**	**-26**	**-4**	**-50**	**-**	**-79**	**-**	**-79**
Total comprehensive income for the period	**-**	**-26**	**-4**	**4,324**	**-**	**4,295**	**194**	**4,489**
Transactions with owners								
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-34	-34
Dividends paid	-	-	-	517	-9,368	-8,851	-	-8,851
Acquisition of own shares and additional tier 1 capital	-	-	-	-14,551	-	-14,551	-37	-14,587
Sale of own shares and additional tier 1 capital	-	-	-	11,972	-	11,972	-	11,972
Tax	-	-	-	49	-	49	-	49
Total equity as at 31 March 2018	**9,368**	**-706**	**126**	**136,387**	**-**	**145,175**	**14,462**	**159,637**

Statement of capital – Danske Bank Group

(DKK millions)	31 March 2019	31 December 2018
Share capital (DKK)	8,959,536,210	8,959,536,210
Number of shares	895,953,621	895,953,621
Number of shares outstanding	854,627,235	854,795,388
Average number of shares outstanding for the period	854,794,415	871,228,931
Average number of shares outstanding, including dilutive shares, for the period	855,665,819	871,764,982

Total capital and total capital ratio

(DKK millions)	31 March 2019	31 December 2018
Total equity	158,577	163,276
Revaluation of domicile property at fair value	267	269
Tax effect of revaluation of domicile property at fair value	-29	-32
Total equity calculated in accordance with the rules of the Danish FSA	158,814	163,513
Additional tier 1 capital instruments included in total equity	-14,096	-14,133
Accrued interest on additional tier 1 capital instruments	-325	-166
Tax on accrued interest on additional tier 1 capital instruments	71	37
Common equity tier 1 capital instruments	144,465	149,250
Adjustment to eligible capital instruments	-111	-225
IFRS 9 reversal due to transitional rules	1,375	1,544
Prudent valuation	-767	-779
Prudential filters	-254	-356
Expected/proposed dividends	-1,793	-7,616
Intangible assets of banking operations	-7,423	-7,466
Deferred tax on intangible assets	487	201
Deferred tax assets that rely on future profitability excluding temporary differences	-255	-329
Defined benefit pension plan assets	-1,360	-1,270
Statutory deduction for insurance subsidiaries	-7,860	-5,987
Other statutory deductions	-141	-141
Common equity tier 1 capital	**126,364**	**126,827**
Additional tier 1 capital instruments	23,860	23,677
Tier 1 capital	**150,224**	**150,505**
Tier 2 capital instruments	14,741	9,161
Total capital	**164,965**	**159,666**
Total risk exposure amount	**758,365**	**748,104**
Common equity tier 1 capital ratio (%)	16.7%	17.0%
Tier 1 capital ratio (%)	19.8%	20.1%
Total capital ratio (%)	21.8%	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 (Danish FSA).

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

The Internal Capital Adequacy Assessment report provides more details about Danske Bank's solvency need. The report is available at danskebank.com/investorrelations/reports. The Internal Capital Adequacy Assessment report is not covered by the independent auditors' review.

Cash flow statement – Danske Bank Group

(DKK millions)	Q1 2019	Q1 2018	2018
Cash flow from operations			
Profit before tax	4,012	5,802	19,322
Tax paid	-2,230	-3,316	-5,427
Adjustment for non-cash operating items	2,805	-1,154	1,997
Total	4,587	1,332	15,892
Changes in operating capital			
Amounts due to/from credit institutions and central banks	-22,369	8,546	7,154
Trading portfolio	-19,493	-32,407	23,104
Acquisition/sale of own shares and additional tier 1 capital	-163	-242	-277
Other financial instruments	22,809	23,297	43,615
Loans at amortised cost and fair value	-20,862	-56,274	-143,218
Deposits	25,037	38,251	12,262
Issued bonds at amortised cost and fair value	12,314	-21,675	-117,701
Assets/liabilities under insurance contracts	-6,213	4,123	17,051
Other assets/liabilities	-17,729	25,061	-2,547
Cash flow from operations	**-22,082**	**-9,988**	**-144,665**
Cash flow from investing activities			
Acquisition/sale of businesses	-	-	-5,000
Acquisition of intangible assets	-161	-145	-1,120
Acquisition of tangible assets	-75	-77	-549
Sale of tangible assets	1	3	10
Cash flow from investing activities	**-235**	**-219**	**-6,659**
Cash flow from financing activities			
Issue of subordinated debt	5,550	-	4,748
Redemption of subordinated debt	-	-	-10,928
Issue of non-preferred senior bonds	35,096	-	25,816
Dividends	-7,250	-8,851	-8,851
Share buy-back programme*	-	-2,373	-7,825
Paid interest on additional tier 1 capital	-36	-34	-784
Principal portion of lessee lease liabilities	-181	-	-
Cash flow from financing activities	**33,179**	**-11,258**	**2,176**
Cash and cash equivalents as at 1 January	264,836	413,593	413,593
Foreign currency translation	1,724	-426	393
Change in cash and cash equivalents	10,862	-21,467	-149,150
Cash and cash equivalents, end of period	**277,422**	**391,700**	**264,836**
Cash and cash equivalents, end of period			
Cash in hand	7,808	8,813	8,799
Demand deposits with central banks	39,785	73,210	32,198
Amounts due from credit institutions and central banks within three months	229,829	309,677	223,839
Total	**277,422**	**391,700**	**264,836**

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

Notes – Danske Bank Group

1. Significant accounting policies and estimates

(a) General

The report has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU, and additional Danish disclosure requirements for listed financial companies. The report is condensed and should be read in conjunction with the Group's Annual Report 2018.

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. Further, the Group has changed its accounting policy for calculating the provision for health and accident insurance.

Except for these changes, the Group has not changed its significant accounting policies from those applied in the Annual Report 2018. Annual Report 2018 provides a full description of the significant accounting policies, including the description in note 40 of changes to the significant accounting policies due to IFRS 16.

The impact from changes in accounting policies is disclosed in note 2.

Financial statement figures are stated in Danish kroner and whole millions, unless otherwise stated. As a result, rounding discrepancies may occur because sum totals have been rounded off and the underlying decimals are not presented to financial statement users.

(b) Significant accounting estimates

Management's estimates and assumptions of future events that will significantly affect the carrying amounts of assets and liabilities underlie the preparation of the consolidated financial statements. Those estimates and assumptions are presented in the following sections.

The estimates and assumptions are based on premises that management finds reasonable but which are inherently uncertain and unpredictable. The premises may be incomplete, unexpected future events or situations may occur, and other parties may arrive at other estimated values.

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

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

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

According to the Group's definition of a significant increase in credit risk, i.e. when a loan is transferred from stage 1 to stage 2, facilities with an initial PD below 1% 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 lifetime PD was considered a significant increase in credit risk, the allowance account would increase by DKK 0.1 billion (31 December 2018: DKK 0.1 billion).

The Group applies post-model adjustments of DKK 4.6 billion (31 December 2018: DKK 4.5 billion). Around half of all the adjustments relate to high-risk industries such as Agriculture and Oil & gas, where the Group has no specific expected credit loss models in place, and consequently makes supplementary calculations in order to ensure sufficient impairment coverage. Furthermore, adjustments are made to take into account non-linear downside risks, for instance related to the property market in Copenhagen where the macroeconomic forecasts used in the models are based on the Danish property market as a whole and adjustments are therefore made to reflect the fact that a further specific downside risk currently exists for properties in Copenhagen. Finally, post-model adjustments are made for portfolios where the credit risk assessment process has identified underestimation of the expected credit losses.

Note 15 in Annual Report 2018 and the risk management notes provide more details on expected credit losses. At 31 March 2019, loans accounted for about 56% of total assets (31 December 2018: 57%).

Notes – Danske Bank Group

(b) Significant accounting estimates continued

Fair value measurement of financial instruments

Measurements of financial instruments that are only to a limited extent based on observable market data, such as the measurement of unlisted shares and certain bonds for which there is no active market, are subject to significant estimates. The estimated fair value of illiquid bonds significantly depends on the credit spread estimate. A credit spread widening of 50bp would have caused the fair value of the bonds to decrease DKK 130 million (31 December 2018: DKK 110 million). The Group makes fair value adjustments to cover changes in counterparty risk (CVA and DVA) and to cover expected funding costs (FVA) on derivatives, bid-offer spreads on the net open position of the portfolio of assets and liabilities with offsetting market risk recognised at mid-market prices, and model risk on level 3 derivatives. As at 31 March 2019, the adjustments totalled DKK 1.3 billion (31 December 2018: DKK 1.1 billion), including the adjustment for credit risk on derivatives that are credit impaired. Note 31 in Annual Report 2018 provides more details.

Measurement of goodwill

Goodwill is tested for impairment once a year or more frequently if indications of impairment exist. Impairment testing requires management to estimate the future cash flows. A number of factors affect the value of such cash flows, including discount rates, changes in the economic outlook, customer behaviour and competition. As at 31 March 2019, goodwill amounted to DKK 7.8 billion (31 December 2018: DKK 7.8 billion). The carrying amount of goodwill in Wealth Management amounted to DKK 4.2 billion (31 December 2018: DKK 4.2 billion) of which DKK 2.4 billion relates to the Group's acquisition of SEB Pension Danmark and DKK 1.8 million relates to Danske Capital's activities in Finland. The excess value (the amount by which the cash-generating unit's recoverable amount exceeds the carrying amount) in the latest annual impairment test for Wealth Management, Danske Capital, and Wealth Management, Danica Pension, which was performed in the fourth quarter of 2018, amounted to DKK 1.3 billion and DKK 0.3 billion respectively. The remaining amount of goodwill relates to Corporates & Institutions, for which the excess value in the latest test is significant. It has been assessed that no indication of impairment exists at 31 March 2019. Note 19 in Annual Report 2018 provides more information about impairment testing and sensitivity to changes in assumptions.

Measurement of liabilities under insurance contracts

Measurement of liabilities under insurance contracts is based on actuarial computations that rely on assumptions about a number of variables, including mortality and disability rates, and on the discount rate. Assumptions about future mortality rates are based on the Danish FSA's benchmark, while other assumptions are based on data from the Group's own portfolio of insurance contracts. Notes 2 (a), 18 and the risk management notes in Annual Report 2018 provide more information about the accounting for insurance liabilities and sensitivity to changes in assumptions.

Recognition of deferred tax assets and liabilities

Recognition of deferred tax requires management to assess the probability and amount of future profit. Deferred tax assets arising from unused tax losses are recognised to the extent that such losses can be offset against tax on expected future profit over the next five years. As at 31 March 2019 deferred tax assets from recognised tax loss carry-forwards amounted to DKK 0.3 billion (31 December 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 (31 December 2018: DKK 2.9 billion). The full deferred tax liability arising from international joint taxation was recognised and amounted to DKK 5.8 billion (31 December 2018: DKK 5.8 billion). Note 21 in Annual Report 2018 provides more information about deferred tax.

Notes – Danske Bank Group

2. Changes in accounting policies implemented at 1 January 2019

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, IAS 28, Long-term Interests in Associates and Joint Ventures) and the interpretation IFRIC 23, Uncertainty over Income Tax Treatments. Further, the Group has changed its accounting policy for calculating the provision for health and accident insurance.

The implementation of IFRS 16 and the change of the accounting policy for calculating the provision for health and accident insurance had an impact on the opening balance sheet at 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. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, there are no changes to the Groups accounting policy for lessor accounting. Note 40 in Annual Report 2018 includes a full description of the changes to the significant accounting policies due to the implementation of IFRS 16.

As allowed under the transitional provisions of IFRS 16, the Group uses the cumulative catch up approach. Accordingly, the Group has not restated comparative information. IFRS 16 has increased both assets and liabilities at 1 January 2019 by DKK 6,424 million. There has been no implementation impact on shareholders´ equity. Right-of-use lease assets and lessee lease liabilities are presented as part of Other assets and Other liabilities, respectively. Lease liabilities 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. 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 will be presented as depreciation expenses (part of operating expenses) and interest expenses. As the interest expenses are calculated on the reducing balance of the lease liabilities while the depreciations are made on a straight-line basis, the costs under IFRS 16 are front loaded compared to under IAS 17. Due to this front loading, net profit before tax for the first quarter of 2019, decreased by DKK 28 million compared to the net profit under IAS 17.

Amendment to IFRS 9, Financial Instruments

The amendment to IFRS 9, Financial Instruments, relates to the SPPI test, and the requirement that a prepayment option will only be consistent with 'basic lending features' if the prepayment amount represents the principal amount outstanding plus accrued interest and may include 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.

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. This has decreased tax in the income statement and increased net profit for the first quarter of 2018 and the first quarter of 2019 by DKK 7 million. For full year 2018, the impact is an increase in net profit of DKK 173 million. There is no impact on earnings per share.

Notes – Danske Bank Group

2. Changes in accounting policies implemented at 1 January 2018 continued

Change in the accounting for health and accident insurance

The Group has voluntarily changed its accounting policy for calculating of 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 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 implementation has decreased net profit in the first quarter of 2019 by DKK 29 million. The effect on earnings per share is insignificant.

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

Notes – Danske Bank Group

3. Business model and business segmentation

(a) Business model and business segmentation

Danske Bank is a Nordic bank with bridges to the rest of the world offering customers a wide range of services in the fields of banking, mortgage finance, insurance, pension, real-estate brokerage, asset management and trading in fixed income products, foreign exchange and equities.

The Group consists of a number of business units and support functions. The business units are segmented according to customers, products and services characteristics. The Group has five business units, a Non-core unit and an Other Activities unit, and these constitute the Group's reportable segments under IFRS 8.

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

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

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

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

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. From the first quarter of 2019 the portfolio consists primarily of loans to customers in the Baltics and Russia 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.

Presentation in the financial highlights and in the segment reporting

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

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

Notes – Danske Bank Group

3. Business model and business segmentation continued

Business segments

Q1 2019

(DKK millions)	Banking DK	Banking Nordic	C&I	Wealth Man.	Northern Ireland	Non-core	Other Activities	Eliminations	Financial highlights	Reclassification	IFRS financial statements
Net interest income	2,181	1,900	930	175	386	-	-74	22	5,520	1,406	6,926
Net fee income	789	397	692	1,947	96	-	-53	-	3,869	-1,501	2,367
Net trading income	280	66	914	-115	30	-	32	91	1,299	22,286	23,585
Other income	55	155	-	-49	3	-	-11	-37	115	751	865
Net premiums	-	-	-	-	-	-	-	-	-	6,568	6,568
Net insurance benefits	-	-	-	-	-	-	-	-	-	28,792	28,792
Total income	3,305	2,519	2,536	1,958	515	-	-106	75	10,802	718	11,520
Operating expenses	1,768	1,401	1,204	1,225	302	-	285	-41	6,145	745	6,890
Profit before loan impairment charges	1,537	1,118	1,332	733	213	-	-391	116	4,657	-27	4,630
Loan impairment charges	206	-48	221	-3	-14	-	-5	-	357	261	618
Profit before tax, core	1,331	1,165	1,111	736	227	-	-385	116	4,300	-288	4,012
Profit before tax, Non-core	-	-	-	-	-	-288	-	-	-288	288	-
Profit before tax	1,331	1,165	1,111	736	227	-288	-385	116	4,012	-	4,012
Loans, excluding reverse transactions	870,820	604,629	192,875	77,128	51,860	-	26,630	-30,892	1,793,049	11,167	1,804,216
Other assets	292,273	46,374	2,900,920	674,114	30,513	-	3,027,235	-5,064,883	1,906,545	4,153	1,910,698
Total assets in Non-core	-	-	-	-	-	15,319	-	-	15,319	-15,319	-
Total assets	1,163,093	651,004	3,093,795	751,242	82,372	15,319	3,053,865	-5,095,776	3,714,914	-	3,714,914
Deposits, excluding repo deposits	285,819	231,751	264,260	70,874	65,487	-	3,611	-12,448	909,354	3,734	913,088
Other liabilities	843,483	385,706	2,797,894	662,450	10,303	-	3,039,298	-5,083,327	2,655,808	1,862	2,657,670
Allocated capital	33,790	33,546	31,640	17,918	6,583	-	20,679	-	144,156	-	144,156
Total liabilities in Non-core	-	-	-	-	-	5,596	-	-	5,596	-5,596	-
Total liabilities and equity	1,163,093	651,004	3,093,795	751,242	82,372	5,596	3,063,588	-5,095,776	3,714,914	-	3,714,914
Profit before tax as % p.a. of allocated capital (avg.)	15.9	14.0	14.1	16.5	13.8	-	-7.3	-	10.9	-	10.9
Cost/income ratio (%)	53.5	55.6	47.5	62.6	58.6	-	-268.9	-	56.9	-	59.8
Full-time-equivalent staff, end of period	3,393	2,461	1,702	2,206	1,356	326	9,534	-	20,978	-	20,978

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.

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 in the first quarter of 2019. Comparative information has not been restated.

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. The line items 'Tax' and 'Net profit for the period' are therefore included for 2018, however as there are no differences in 2019, they are not included in 2019.

Notes – Danske Bank Group

3. Business model and business segmentation continued

Business segments
Q1 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	2,213	1,972	1,002	179	364	-	189	28	5,946	1,628	7,574
Net fee income	886	413	727	1,701	95	-	-57	-2	3,762	-1,081	2,681
Net trading income	294	68	1,017	-19	15	-	31	29	1,435	-4,335	-2,900
Other income	54	224	3	16	3	-	40	-30	309	897	1,206
Net premiums	-	-	-	-	-	-	-	-	-	6,962	6,962
Net insurance benefits	-	-	-	-	-	-	-	-	-	3,476	3,476
Total income	3,446	2,676	2,748	1,877	477	-	203	25	11,452	595	12,047
Operating expenses	1,682	1,175	1,252	1,015	290	-	239	-41	5,612	642	6,254
Profit before loan impair-ment charges	1,764	1,501	1,497	862	187	-	-36	66	5,841	-47	5,793
Loan impairment charges	-300	-45	-32	-16	62	-	1	-	-330	321	-9
Profit before tax, core	2,064	1,546	1,529	878	125	-	-37	66	6,171	-368	5,802
Profit before tax, Non-core	-	-	-	-	-	32	-	-	32	-32	-
Profit before tax	2,064	1,546	1,529	878	125	32	-37	66	6,202	-400	5,802
Tax	-	-	-	-	-	-	1,322	-	1,322	-88	1,234
Net profit for the period	**2,064**	**1,546**	**1,529**	**878**	**125**	**32**	**-1,359**	**66**	**4,880**	**-312**	**4,568**
Loans, excluding reverse transactions	855,742	564,340	197,185	75,360	48,127	-	30,294	-34,524	1,736,524	4,700	1,741,224
Other assets	283,900	56,102	2,764,852	468,933	28,832	-	2,998,353	-4,803,791	1,797,182	149	1,797,331
Total assets in Non-core	-	-	-	-	-	4,849	-	-	4,849	-4,849	-
Total assets	**1,139,642**	**620,443**	**2,962,038**	**544,294**	**76,959**	**4,849**	**3,028,646**	**-4,838,315**	**3,538,555**	**-**	**3,538,555**
Deposits, excluding repo deposits	277,769	229,359	307,411	67,696	60,529	-	12,230	-15,006	939,988	1,940	941,928
Other liabilities	827,426	358,818	2,619,327	462,948	10,072	-	2,995,031	-4,823,309	2,450,313	1,138	2,451,451
Allocated capital	34,447	32,266	35,299	13,650	6,358	-	23,155	-	145,175	-	145,175
Total liabilities in Non-core	-	-	-	-	-	3,078	-	-	3,078	-3,078	-
Total liabilities and equity	**1,139,642**	**620,443**	**2,962,038**	**544,294**	**76,959**	**3,078**	**3,030,415**	**-4,838,315**	**3,538,555**	**-**	**3,538,555**
Profit before tax as % of allocated capital (avg.)	24.1	19.2	17.5	26.0	7.5	-	-0.5	-	16.6	-	15.5
Cost/income ratio (%)	48.8	43.9	45.6	54.1	60.8	-	117.7	-	49.0	-	51.9
Full-time-equivalent staff, end of period	3,350	2,418	2,138	1,898	1,257	123	8,522	-	19,709	-	19,709

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.

Figures for line items 'Loans, excluding reverse transactions' and 'Other assets' in the 'IFRS financial statements' column in the table above have been restated compared to Interim report – first quarter 2018 as this report had reverse transactions at fair value included in 'Loans, excluding reverse transactions'. Therefore, the figures for these line items have also been restated in the 'Reclassification' column.

Notes – Danske Bank Group

3. Business model and business segmentation continued

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

The 'Reclassification' column in the tables above shows the reconciliation between the presentation in the financial highlights and segment reporting and the presentation in the IFRS financial statements. The policies for the reclassifications between the financial highlights and the IFRS financial statements are as follow:

Sale of operating lease assets where the Group act 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 and Other income, depending on the type of income. The distribution of income between the various income line items can vary considerably from one year to the next, depending on the underlying transactions and market conditions. To better reflect income in those areas, the following reclassifications are made in the financial highlights:

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

Danica Pension

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

- The risk allowance and income from the unit-link business are presented as Net fee income
- The return on assets related to the health and accident business is presented as Net trading income
- The risk and guarantee result, 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, income and expense items from the Non-core segment are included in the various income and expense lines, as the segment does not fulfil the requirements in IFRS 5 on discontinued operations.

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

IFRS 9 impact in 2018

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.

Each of the reclassifications explained above are presented in the table below.

Notes – Danske Bank Group

3. Business model and business segmentation continued

Reclassifications
Q1 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	6,926	-	-134	-1,213	-60	-1,406	5,520
Net fee income	2,367	-	34	1,469	-1	1,501	3,869
Net trading income	23,585	-	97	-22,379	-4	-22,286	1,299
Other income	865	-812	2	60	-1	-751	115
Net premiums	6,568	-	-	-6,568	-	-6,568	-
Net insurance benefits	28,792	-	-	-28,792	-	-28,792	-
Total income	11,520	-812	-	160	-66	-718	10,802
Operating expenses	6,890	-812	-	160	-93	-745	6,145
Profit before loan impairment charges	4,630	-	-	-	27	27	4,657
Loan impairment charges	618	-	-	-	-261	-261	357
Profit before tax, core	4,012	-	-	-	288	288	4,300
Profit before tax, Non-core	-	-	-	-	-288	-288	-288
Profit before tax	**4,012**	**-**	**-**	**-**	**-**	**-**	**4,012**

Reclassification
Q1 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	Reclassification	Financial highlights
Net interest income	7,574	-	-544	-1,074	-9	-	-1,628	5,946
Net fee income	2,681	-	33	1,046	1	-	1,081	3,762
Net trading income	-2,900	-	520	3,815	1	-	4,335	1,435
Other income	1,206	-691	-9	-197	-	-	-897	309
Net premiums	6,962	-	-	-6,962	-	-	-6,962	-
Net insurance benefits	3,476	-	-	-3,476	-	-	-3,476	-
Total income	12,047	-691	-	104	-7	-	-595	11,452
Operating expenses	6,254	-691	-	104	-54	-	-642	5,612
Profit before loan impairment charges	5,793	-	-	-	47	-	47	5,841
Loan impairment charges	-9	-	-	-	79	-400	-321	-330
Profit before tax, core	5,802	-	-	-	-32	400	368	6,171
Profit before tax, Non-core	-	-	-	-	32	-	32	32
Profit before tax	5,802	-	-	-	-	400	400	6,202
Tax	1,234	-	-	-	-	88	88	1,322
Net profit for the period	**4,568**	**-**	**-**	**-**	**-**	**312**	**312**	**4,880**

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. The line items 'Tax' and 'Net profit for the period' are therefore included for 2018, but as there are no differences in 2019, they are not included in 2019.

Notes – Danske Bank Group

4. Income

Interest income and interest expenses

Negative interest income during the first three months of 2019 amounted to DKK 1,224 million (31 March 2018: DKK 723 million). Negative interest expenses amounted to DKK 1,169 million (31 March 2018: DKK 832 million). In the income statement, negative interest income is recognised as interest expenses and negative interest expenses are recognised as interest income.

Fee income

Note 6 in Annual Report 2018 provides additional information on the Group's accounting policy for fee income, including the description by fee type.

Net fee income by fee type (DKK millions)	31 March 2019	31 March 2018
Investment	1,227	1,406
Pension and Insurance	1,156	781
Money transfers, account fees and cash management	702	704
Lending and Guarantees	509	570
Capital markets	275	302
Total	**3,869**	**3,762**

Net fee income	3,869	3,762
Reclassifications	-1,501	-1,081
IFRS - net fee income	**2,367**	**2,681**
Fee expense	1,764	1,532
IFRS - gross fee income	**4,131**	**4,213**

Other income

Other income amounted to DKK 865 million for the period ending 31 March 2019 (31 March 2018: DKK 1,206 million). Other income primarily consists of income from lease assets, investment property and real estate brokerage and income from holdings in associates.

Notes – Danske Bank Group

5. Loan impairment charges and reconciliation of total allowance account

Loan impairment charges include losses on and impairment charges against loans, provisions for loan commitments and guarantees, as well as fair value adjustments of the credit risk on loans measured at fair value.

(DKK millions)	31 March 2019	31 March 2018
IFRS 9 impact on loans granted by Realkredit Danmark 1 January 2018		400
ECL on new assets	1,339	1,390
ECL on assets derecognised	-1,097	-1,520
Impact of net remeasurement of ECL (incl. changes in models)	293	-173
Write-offs charged directly to income statement	303	147
Received on claims previously written off	-154	-171
Interest income, effective interest method	-66	-81
Total	618	-9

Reconciliation of total allowance account

(DKK millions)	Stage 1	Stage 2	Stage 3	Total
ECL allowance account as at 31 December 2018	1,601	5,450	14,118	21,170
Transferred to stage 1 during the period	337	-284	-53	-
Transferred to stage 2 during the period	-47	233	-186	-
Transferred to stage 3 during the period	-6	-227	233	-
ECL on new assets	97	351	892	1,339
ECL on assets derecognised	-106	-348	-644	-1,097
Impact of net remeasurement of ECL (incl. changes in models)	-131	308	116	293
Write-offs debited to the allowance account	-1	-5	-392	-398
Foreign exchange adjustments	6	22	126	153
Other changes	-40	-48	-195	-282
As at 31 March 2019	**1,710**	**5,452**	**14,016**	**21,178**

Reconciliation of total allowance account

(DKK millions)	Stage 1	Stage 2	Stage 3	Total
ECL allowance account as at 1 January 2018	1,499	5,578	16,242	23,319
Transferred to stage 1 during the period	1,018	-856	-162	-
Transferred to stage 2 during the period	-39	886	-847	-
Transferred to stage 3 during the period	-23	-423	446	-
ECL on new assets	362	1,059	1,663	3,085
ECL on assets derecognised	-358	-1,197	-2,473	-4,027
Impact of net remeasurement of ECL (incl. changes in models)	-828	436	876	484
Write-offs debited to the allowance account	-30	-14	-1,691	-1,734
Foreign exchange adjustments	-12	-6	-16	-34
Other changes	12	-12	80	79
As at 31 December 2018	**1,601**	**5,450**	**14,118**	**21,170**

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 in IFRS 9, see the notes on credit risk.

Notes – Danske Bank Group

6. Loans at fair value

Loans at fair value consists of loans granted by the subsidiary Realkredit Danmark and loans in the trading units of Corporates & Institutions. The loans in the trading units consist primarily of reverse transactions and short-term loans. As at 31 March 2019, these loans amounted to DKK 259,014 million (31 December 2018: DKK 262,410 million).

7. Deposits

The Group's deposit base consists of the following deposits:

(DKK millions)	31 March 2019	31 December 2018
Deposits from other credit institutions	226,145	248,601
hereof repo transactions	83,376	99,956
Other deposits	1,084,157	1,059,119
hereof repo transactions	171,068	162,225
Total deposits excluding repo transactions	**1,055,858**	**1,045,540**

Of total deposits excluding repo transactions as at 31 March 2019, 29% (31 December 2018: 31%) represents wholesale deposits ranking pari passu with senior creditors. These wholesale deposits exclude deposits from other credit institutions with an original maturity of less than seven days. If deposits from other credit institutions are excluded, the percentage is 24% at 31 March 2019 (31 December 2018: 24%).

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

Issued bonds

In general, issued bonds are measured at amortised cost. However, bonds issued by Realkredit Danmark and commercial papers and certificates of deposits issued by the trading units of Corporates & Institutions are measured at fair value through profit or loss.

The Group issues perpetual bonds with discretionary interest payments that fulfil the requirements for additional tier 1 capital under the Capital Requirements Regulation. If a trigger event occurs, those issued bonds must either be written down temporarily or converted into a variable number of ordinary shares, depending on the terms of the bond issue. Bonds that will be temporarily written down are accounted for as equity while bonds that convert into a variable number of ordinary shares are accounted for as liabilities.

Issued bonds at fair value

(DKK millions)	31 March 2019	31 December 2018
Bonds issued by Realkredit Danmark (covered bonds)	751,185	741,092
Commercial papers and certificate of deposits	14,098	18,496
Issued bonds at fair value, total	**765,284**	**759,588**

Issued bonds at amortised cost

(DKK millions)	31 March 2019	31 December 2018
Commercial papers and certificate of deposits	3,449	1,864
Preferred senior bonds	85,197	91,087
Covered bonds	201,844	192,679
Issued bonds at amortised cost, total	**290,490**	**285,629**
Non-preferred senior bonds	**63,206**	**26,353**

Notes – Danske Bank Group

8. Issued bonds, subordinated debt and additional tier 1 capital continued

Nominal value (DKK millions)	1 January 2019	Issued	Redeemed	Foreign currency translation	31 March 2019
Commercial papers and certificate of deposits	20,359	18,619	24,505	3,005	17,479
Preferred senior bonds	93,941	1,003	5,498	936	90,382
Covered bonds	188,568	8,052	606	446	196,460
Non-preferred senior bonds	26,441	36,261	-	399	63,100
Other issued bonds	**329,309**	**63,935**	**30,610**	**4,787**	**367,421**

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**

Covered bonds include issued junior covered bonds in Realkredit Danmark A/S of DKK 5.3 billion (31 December 2018: DKK 6.0 billion), which are excluded in the Funding and liquidity section of the Management's report. In March 2019, the Group issued the so-called green non-preferred senior bonds with a nominal value of DKK 3,733 million, which in the table is included under non-preferred senior bonds.

Subordinated debt and additional tier 1 capital

During the first quarter of 2019, the Group issued DKK 5,599 million of tier 2 capital. During 2018, the Group issued DKK 4,891 million of additional tier 1 capital accounted for as liabilities and redeemed DKK 10,911 million of tier 2 capital.

As at 31 March 2019, the total nominal value of issued additional tier 1 capital amounted to DKK 24,167 million (31 December 2018: DKK 23,983 million) of which DKK 14,198 million (31 December 2018: 14,201 million) is accounted for as equity. Danske Bank A/S may, at its sole discretion, omit interest payments to bondholders. Any interest payments are paid out of distributable items, which primarily consist of retained earnings in Danske Bank A/S and Danske Bank Group (see section 5.5.3 of Risk Management 2018 for further information). As at 31 March 2019, distributable items for Danske Bank A/S amounted to DKK 112.1 billion (31 December 2018: DKK 116.8 billion). The additional tier 1 capital will be temporarily written down or converted into a variable number of ordinary shares, depending on the terms of each issued bond, if the common equity tier 1 capital ratio falls below 7% for Danske Bank A/S or Danske Bank Group. As at 31 March 2019 the common equity tier 1 capital ratio was 19.7% (31 December 2018: 19.7%) for Danske Bank A/S. The ratios for the Danske Bank Group are disclosed in the Statement of capital.

Notes – Danske Bank Group

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

Assets held for sale and Liabilities in disposal groups held for sale includes assets and liabilities that falls under IFRS 5, which from Q1 2019 includes a portfolio of loans in Estonia.

Assets held for sale are shown in the table below. Liabilities in disposal groups held for sales consist primarily of deposits in unit-linked contracts and insurance liabilities in Danica Pension Försäkringsaktiebolag. The transaction price for Danica Pension Försäkringsaktiebolag is around DKK 1.9 billion. The sale is subject to final closing of the transaction, expected in the first half of 2019.

(DKK millions)	31 March 2019	31 December 2018
Assets held for sale		
Danica Pension Försäkringsaktiebolag	65,137	58,901
Estonia	3,500	-
Portfolio of non-performing loans	-	944
Other	416	402
Total	**69,053**	**60,247**

10. Other assets and other liabilities

Other assets amounted to DKK 36,966 million (31 December 2018: DKK 30,239 million), including holdings in associates of DKK 381 million (31 December 2018: DKK 381 million), investment property of DKK 3,050 million (31 December 2018: DKK 3,167 million), tangible assets of DKK 7,779 million (31 December 2018: DKK 7,768 million) and right-of-use lease assets of DKK 6,108 million, including domicile property of DKK 5,042 million and other tangible assets of DKK 1,067 million. There are no comparatives for right-of-use assets, as the accounting standard IFRS 16 was implemented on 1 January 2019. Refer to note 2 for a description of the implementation of IFRS 16 and the impact to the opening balance sheet as at 1 January 2019. 11 April 2019, the Group has entered into an agreement to sell the holding in the associate LR Realkredit A/S. The sale is conditional on approval by the relevant authorities.

Other liabilities amounted to DKK 44,781 million (31 December 2018: DKK 40,117 million), including accrued interest and commissions due of DKK 7,468 million (31 December 2018: DKK 7,159 million), lease liabilities of DKK 5,956 million, other staff commitments of DKK 2,630 million (31 December 2018: DKK 2,960 million) and the provision of DKK 1,500 million relating to the donation of the estimated gross income from the non-resident portfolio at the Estonian branch. Any confiscated or disgorged gross income will be deducted from the donation to the foundation.

Notes – Danske Bank Group

11. Contingent liabilities

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

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

(a) Guarantees (DKK millions)	31 March 2019	31 December 2018
Financial guarantees	6,331	6,513
Other guarantees	70,338	77,204
Total	**76,669**	**83,717**

(b) Commitments (DKK millions)	31 March 2019	31 December 2018
Loan commitments shorter than 1 year	198,917	183,767
Loan commitments longer than 1 year	166,498	161,350
Other unutilised loan commitments	319	282
Total	**365,734**	**345,399**

In addition to credit exposure from lending activities, uncommitted loan offers made and uncommitted lines of credit granted by the Group amounted to DKK 218 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

Danske Bank is in dialogue with the authorities regarding the terminated non-resident portfolio at the Bank's Estonian branch, which was active between 2007 and 2015. This includes criminal and regulatory investigations by authorities in Estonia, Denmark, France and the USA.

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 at the Tribunal de Grande Instance de Paris in the context of an on-going French criminal investigation and on the grounds of money laundering suspicions relating to certain transactions in the terminated portfolio of non-resident customers of the Bank's Estonian branch amounting to around DKK 160 million and performed between 2007 and 2014. The Bank has been ordered to post bail in the amount of around DKK 80 million.

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

Danske Bank is cooperating with these authorities. The 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 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 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 23 October 2018. The Bank intends to defend itself against these claims. The timing of the completion of the lawsuit and the outcome are uncertain.

Notes – Danske Bank Group

11. Contingent liabilities continued

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 to represent former and current shareholders in a liability action relating to the Estonian AML matter. On 14 March 2019, 169 separate cases were further initiated simultaneously concerning shareholder claims relating to the Estonian AML matter with claims totalling approximately DKK 3.5 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.

For further information, see the section regarding Estonia in the Management's report on page 6.

Owing to its business volume, Danske Bank is continually a party to other various lawsuits and disputes and has an ongoing dialogue with public authorities, such as the Danish FSA on other matters. In general, Danske Bank does not expect the outcomes of any of these 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.

(d) Further explanation

A limited number of employees are employed under terms which grant them, if they are dismissed before reaching their normal retirement age, 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. 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 annual contribution is accrued over the year 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. Further, 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 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 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 the other 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 in Danske Bank Group and is jointly and severally liable for payment of Danish corporate tax and withholding tax, etc.

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

Notes – Danske Bank Group

12. Assets provided or received as collateral

As at 31 March 2019, Danske Bank A/S had deposited securities worth DKK 9.9 billion as collateral with Danish and international clearing centres and other institutions (31 December 2018: DKK 9.8 billion).

As at 31 March 2019, Danske Bank A/S had provided cash and securities worth DKK 85.8 billion as collateral for derivatives transactions (31 December 2018: DKK 74.1 billion).

As at 31 March 2019, the Group had registered assets (including bonds and shares issued by the Group) under insurance contracts worth DKK 437.9 billion (31 December 2018: DKK 410.1 billion) as collateral for policyholders' savings of DKK 420.6 billion (31 December 2018: DKK 395.5 billion).

As at 31 March 2019, the Group had registered loans at fair value and securities (including bonds issued by the Group) worth a total of DKK 818.7 billion (31 December 2018: DKK 811.6 billion) as collateral for bonds issued by Realkredit Danmark. Similarly, the Group had registered loans and other assets worth DKK 311.5 billion (31 December 2018: DKK 310.2 billion) as collateral for covered bonds issued under Danish, Finnish and Swedish law.

The table below shows assets provided as collateral for obligations, including obligations under repo transactions and securities lending:

	31 March 2019			31 December 2018		
(DKK millions)	Repo	Other	Total	Repo	Other	Total
Due from credit institutions	-	38,637	38,637	-	38,658	38,658
Trading and investment securities	234,233	69,640	303,873	245,428	60,851	306,279
Loans at fair value	-	800,476	800,476	-	794,930	794,930
Loans at amortised cost	-	322,454	322,454	-	317,543	317,543
Assets under insurance contracts and unit-linked investment contracts	-	351,632	351,632	-	325,220	325,220
Other assets	-	47	47	-	81	81
Total	234,233	1,582,886	1,817,119	245,428	1,537,283	1,782,711
Own issued bonds	19,536	82,060	101,596	15,346	79,392	94,737
Total, including own issued bonds	**253,769**	**1,664,946**	**1,918,715**	**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 234.2 billion at 31 March 2019 (31 December 2018: DKK 245.4 billion).

At 31 March 2019, the Group had received securities worth DKK 337.5 billion (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 most cases to sell the securities or provide the securities as collateral for other loans in exchange for returning similar securities to the counterparty at the expiry of the transactions. At 31 March 2019, the Group had sold securities or provided securities as collateral worth DKK 158.2 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 received the ownership of these assets. The risk management notes in Annual report 2018 provide more details on assets received as collateral in connection with ordinary lending activities.

Notes – Danske Bank Group

13. Fair value information for financial instruments

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

	31 March 2019		31 December 2018	
(DKK millions)	Fair value	Amortised cost	Fair value	Amortised cost
Financial assets				
Cash in hand and demand deposits with central banks	-	47,593	-	40,997
Due from credit institutions and central banks	60,710	170,793	56,978	168,622
Trading portfolio assets	468,444	-	415,818	-
Investment securities	136,540	128,370	134,004	142,420
Loans at amortised cost	-	1,004,334	-	986,240
Loans at fair value	1,059,489	-	1,057,340	-
Assets under pooled schemes and unit-linked investment contracts	92,952	-	93,988	-
Assets under insurance contracts	398,162	-	341,156	-
Assets held for sale	65,137	3,500	58,900	944
Total	**2,281,434**	**1,354,590**	**2,158,185**	**1,339,223**
Financial liabilities				
Due to credit institutions and central banks	157,103	69,042	186,097	62,504
Trading portfolio liabilities	423,359	-	390,226	-
Deposits	180,572	903,585	171,591	887,528
Issued bonds at fair value	765,284	-	759,588	-
Issued bonds at amortised cost	-	353,696	-	311,982
Deposits under pooled schemes and unit-linked investment contracts	98,448	-	97,840	-
Liablilities in disposal groups held for sale	64,987	-	58,467	-
Subordinated debt	-	28,891	-	23,092
Other liabilities (loan commitments and guarantees)	-	2,395	-	2,450
Total	**1,689,753**	**1,357,608**	**1,663,809**	**1,287,556**

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

Financial instruments at fair value

Note 31 in Annual Report 2018 provides more information about fair value calculation methods for financial instruments.

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

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

Financial instruments at amortised cost

Note 31 in Annual Report 2018 provides information on the difference between the carrying amount and the fair value of financial instruments recognised at amortised cost. No significant change to this difference has occurred during the first quarter of 2019.

Notes – Danske Bank Group

13. Fair value information for financial instruments continued

(DKK millions)	Quoted prices	Observable input	Non-observable input	Total
31 March 2019				
Financial assets				
Due from credit institutions and central banks	-	60,710	-	60,710
Derivatives				
Interest rate contracts	5,291	186,303	3,012	194,606
Currency contracts etc.	22	69,677	1,193	70,892
Trading portfolio bonds	179,594	14,331	-	193,925
Trading portfolio shares	8,849	-	172	9,021
Investment securities, bonds	110,353	25,059	-	135,412
Investment securities, shares	38	-	1,090	1,128
Loans at fair value	-	1,059,489	-	1,059,489
Assets under pooled schemes and unit-linked investment contracts	92,952	-	-	92,952
Assets under insurance contracts, bonds				
Danish mortgage bonds	64,634	13,438	-	78,072
Other covered bonds	98,140	11,190	5,644	114,974
Assets under insurance contracts, shares	94,378	3,107	36,532	134,017
Assets under insurance contracts, derivatives	4,343	62,954	3,802	71,099
Assets held for sale	65,137	-	-	65,137
Total	**723,731**	**1,506,258**	**51,445**	**2,281,434**
Financial liabilities				
Due to credit institutions and central banks	-	157,103	-	157,103
Derivatives				
Interest rate contracts	4,945	169,492	2,827	177,264
Currency contracts etc.	14	87,307	596	87,917
Obligations to repurchase securities	157,638	501	38	158,177
Deposits	-	180,572	-	180,572
Issued bonds at fair value	765,284	-	-	765,284
Deposits under pooled schemes and unit-linked investment contracts	-	98,448	-	98,448
Liabilities in disposal groups held for sale	-	64,987	-	64,987
Total	**927,881**	**758,410**	**3,461**	**1,689,752**

Notes – Danske Bank Group

13. 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
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
Assets held for sale	58,901			58,901
Total	**664,474**	**1,447,709**	**46,001**	**2,158,184**
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
Liabilities in disposal groups held for sale		58,467		58,467
Total	**913,080**	**747,085**	**3,644**	**1,663,809**

Notes – Danske Bank Group

13. Fair value information for financial instruments continued

As at 31 March 2019, financial instruments valued on the basis of non-observable input comprised unlisted shares of DKK 37,756 million (31 December 2018: DKK 34,730 million), illiquid bonds of DKK 5,644 million (31 December 2017: DKK 4,131 million) and derivatives with a net market value of DKK 4,584 million (31 December 2018: DKK 3,497 million).

Unlisted shares of DKK 36,532 million (31 December 2018: DKK 33,306 million) are allocated to insurance contract policyholders, and the policyholders assume most of the risk on the shares. Changes in the fair value of those shares will only to a limited extent affect the Group's net profit. The remaining portfolio of unlisted shares of DKK 1,224 million (31 December 2018: DKK 1,424 million) consists primarily of banking-related investments and holdings in private equity funds. A 10% increase or decrease in the fair value would amount to DKK 122 million (31 December 2018: DKK 142 million). Under the 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. In the first quarter of 2019, the Group recognised DKK 34 million in unrealised losses (31 March 2018: DKK 192 million) and DKK 14 million in realised gains (31 March 2018: DKK 13 million) on those shares. The unrealised adjustments in the first quarter of 2019 and in 2018 were attributable to various unlisted shares. For shares allocated to insurance contract policyholders, the unrealised gains in the first quarter of 2019 amounted to DKK 462 million (31 March 2018: DKK 187 million, unrealised losses) and the realised gains to DKK 0 million (31 March 2018: DKK 250 million).

The estimated fair value of illiquid bonds depends significantly on the estimated credit spread. If the credit spread widens 50bp, fair value will decrease DKK 130 million (31 December 2018: DKK 110 million). If the credit spread narrows 50bp, fair value will increase DKK 130 million (31 December 2018: DKK 110 million).

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

	31 March 2019			31 December 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	510	87	474	1,905	43	272
Acquisitions	4,605	1,562	529	15,752	1,348	3,714
Sale and redemption	-2,089	-136	91	-6,914	-1,276	44
Transferred from quoted prices and observable input	-	-	-	4,628	-	-160
Transferred to quoted prices and observable input	-	-	-6	-	-	15
Fair value end of period	**37,756**	**5,644**	**4,584**	**34,730**	**4,131**	**3,497**

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 CVA, DVA and FVA adjustments, such as future administrative expenses and capital consumption. As at 31 March 2019, the value of unamortised initial margins was DKK 1,249 million (31 December 2018: DKK 1,180 million).

Notes – Danske Bank Group

Risk Management

The consolidated financial statements for 2018 provide a detailed description of the Group's risk management practices.

Breakdown of credit exposure

(DKK billions) 31 March 2019	Total	Lending activities Core	Non-core	Counter-party credit risk	Trading and investment securities	Customer-funded in-vestments
Balance sheet items						
Demand deposits with central banks	39.8	39.7	0.1	-	-	-
Due from credit institutions and central banks	231.5	170.2	0.6	60.7	-	-
Trading portfolio assets	468.4	-	-	265.5	202.9	-
Investment securities	264.9	-	-	-	264.9	-
Loans at amortised cost	1,004.3	993.2	11.2	-	-	-
Loans at fair value	1,059.5	800.5	-	259.0	-	-
Assets under pooled schemes and unit-linked investment contracts	93.0	-	-	-	-	93.0
Assets under insurance contracts	424.8	-	-	-	-	424.8
Assets held for sale	68.6	-	3.5	-	-	65.1
Off-balance-sheet items						
Guarantees	76.7	75.9	0.8	-	-	-
Loan commitments shorter than 1 year	198.9	196.1	2.8	-	-	-
Loan commitments longer than 1 year	166.5	165.4	1.1	-	-	-
Other unutilised commitments	0.3	-	-	-	0.3	-
Total	**4,097.3**	**2,440.8**	**20.1**	**585.2**	**468.2**	**582.9**
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, Danske Bank had made uncommitted loan offers and granted uncommitted lines of credit of DKK 218 billion at 31 March 2019 (31 December 2018: DKK 205 billion). These items are included in the calculation of the total risk exposure amount in accordance with the CRR.

Notes – Danske Bank Group

Credit exposure

Credit exposure from core lending activities

Credit exposure from lending activities in the Group's core banking business includes loans, amounts due from credit institutions and central banks, guarantees and irrevocable loan commitments. The exposure is measured net of accumulated impairment charges 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 2018.

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.

The Group has developed a number of classification models to assess customer PD and to classify customers in various segments. Commercial and financial customers are classified on the basis of rating models, while retail customers are classified by means of scoring models.

In its credit risk management, the Group uses point in time (PIT) PD estimates for risk classification. These PIT PD estimates express a customer's 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. 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.

Notes – Danske Bank Group

Credit exposure continued

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

31 March 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	181.4	0.1	-	0.0	0.0	-	181.4	0.1	-	172.2	0.0	-
2	0.01	0.03	179.7	0.2	0.0	0.0	0.0	0.0	179.7	0.2	0.0	95.3	0.0	0.0
3	0.03	0.06	452.2	0.7	0.0	0.0	0.0	0.0	452.2	0.7	0.0	170.4	0.2	0.0
4	0.06	0.14	595.3	6.2	0.1	0.1	0.0	0.0	595.2	6.2	0.1	217.6	4.7	0.0
5	0.14	0.31	448.7	20.7	0.1	0.2	0.1	0.0	448.5	20.5	0.1	143.8	11.5	0.0
6	0.31	0.63	250.5	25.9	0.1	0.3	0.3	0.0	250.2	25.7	0.1	83.2	10.1	0.0
7	0.63	1.90	127.6	51.0	0.2	0.3	1.4	0.0	127.3	49.6	0.2	35.2	15.6	0.0
8	1.90	7.98	15.3	34.8	0.1	0.7	2.0	0.0	14.5	32.9	0.1	2.0	10.4	0.0
9	7.98	25.70	1.4	10.6	0.1	0.1	1.2	0.0	1.3	9.3	0.1	0.5	2.8	0.0
10	25.70	99.99	4.9	8.3	23.1	0.0	0.3	4.4	4.9	7.9	18.6	1.9	1.5	6.0
11 (default)	100.00	100.00	1.4	0.5	20.0	-	-	8.8	1.4	0.5	11.1	0.1	0.1	0.8
Total			**2,258.4**	**159.1**	**43.8**	**1.7**	**5.4**	**13.3**	**2,256.7**	**153.7**	**30.5**	**922.2**	**57.0**	**6.8**

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	-	0.0	0.0	-	178.9	0.1	-	193.2	0.0	-
2	0.01	0.03	169.8	0.3	0.0	0.0	0.0	0.0	169.8	0.3	0.0	88.4	0.1	0.0
3	0.03	0.06	443.9	0.9	0.0	0.0	0.0	0.0	443.8	0.9	0.0	151.6	0.2	0.0
4	0.06	0.14	593.2	10.2	0.2	0.1	0.0	0.0	593.1	10.2	0.2	218.1	8.5	0.0
5	0.14	0.31	442.7	13.7	0.4	0.2	0.1	0.0	442.5	13.6	0.4	136.8	6.1	0.0
6	0.31	0.63	246.4	17.4	0.1	0.3	0.3	0.0	246.1	17.1	0.1	76.5	5.2	0.0
7	0.63	1.90	131.5	45.4	0.1	0.3	1.4	0.0	131.2	44.0	0.1	38.6	14.0	0.0
8	1.90	7.98	16.3	32.2	0.1	0.6	2.0	0.0	15.6	30.2	0.1	3.3	7.8	0.0
9	7.98	25.70	1.3	9.4	0.2	0.1	1.1	0.0	1.2	8.3	0.2	0.4	2.0	0.2
10	25.70	99.99	4.3	8.9	22.1	0.0	0.4	4.4	4.3	8.6	17.7	1.4	1.6	5.5
11 (default)	100.00	100.00	1.4	1.1	20.3	-	0.1	9.0	1.4	1.0	11.3	0.1	0.1	0.9
Total			**2,229.6**	**139.6**	**43.6**	**1.6**	**5.4**	**13.4**	**2,228.0**	**134.2**	**30.1**	**908.4**	**45.6**	**6.7**

Notes – Danske Bank Group

Credit exposure continued

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

The table below breaks down credit exposure by industry. The industry segmentation is based on the classification principles of the Statistical Classification of Economic Activities in the European Community (NACE) standard that has been adapted to the Groups business risk approach used for the active management of the credit portfolio. The Group has 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 March 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	211.3	0.0	0.0	0.0	0.0	0.0	211.3	0.0	0.0	225.0	0.0	0.0
Financials	105.9	2.0	0.5	0.1	0.0	0.2	105.8	2.0	0.3	70.5	1.0	0.1
Agriculture	59.6	9.0	7.0	0.4	1.1	2.0	59.2	7.9	5.0	11.7	2.3	0.7
Automotive	31.8	1.0	0.5	0.0	0.1	0.2	31.8	1.0	0.3	22.9	0.6	0.1
Capital goods	59.4	7.2	1.7	0.0	0.1	0.5	59.3	7.1	1.2	51.6	6.2	0.8
Commercial Property	288.5	20.1	6.0	0.2	0.7	1.4	288.3	19.4	4.5	55.1	6.6	0.6
Construction & Building materials	48.1	6.0	1.1	0.0	0.1	0.5	48.0	5.9	0.6	35.6	3.5	0.3
Consumer goods	63.7	3.4	1.2	0.0	0.1	0.3	63.7	3.3	0.9	46.9	2.1	0.2
Hotels, restaurants and leisure	15.0	1.2	0.6	0.0	0.0	0.1	15.0	1.2	0.5	5.1	0.5	0.1
Metals and Mining	12.6	0.5	0.3	0.0	0.0	0.2	12.6	0.5	0.1	10.1	0.2	0.1
Other Commercials	20.7	0.2	0.3	0.0	0.0	0.1	20.7	0.2	0.2	18.6	0.1	0.0
Pharma and medical devices	32.9	1.0	0.0	0.0	0.0	0.0	32.9	0.9	0.0	30.4	0.7	0.0
Private Housing Co-ops. & Non-Profit Associations	186.6	3.9	2.4	0.1	0.1	0.4	186.5	3.9	1.9	30.6	0.6	0.3
Pulp and Paper, Chemicals	30.6	1.6	0.3	0.0	0.0	0.1	30.6	1.5	0.2	23.0	0.6	0.0
Retailing	23.9	3.6	0.9	0.0	0.1	0.6	23.9	3.5	0.3	14.3	2.6	0.0
Services	54.3	3.7	0.8	0.0	0.1	0.5	54.2	3.5	0.3	42.0	2.0	0.1
Shipping, Oil & Gas	41.6	12.4	10.2	0.0	0.5	2.5	41.6	11.9	7.7	22.7	6.4	2.2
Social services	25.3	1.0	0.4	0.0	0.0	0.1	25.3	0.9	0.3	11.0	0.4	0.1
Telecom & Media	18.6	1.1	0.2	0.0	0.0	0.1	18.6	1.1	0.1	16.8	0.8	0.0
Transportation	11.2	1.9	0.3	0.0	0.0	0.1	11.2	1.9	0.2	6.1	0.8	0.0
Utilities and infrastructure	41.0	1.6	0.2	0.0	0.0	0.1	40.9	1.6	0.1	28.7	1.0	0.1
Personal Customers	875.9	76.6	9.0	0.7	2.1	3.4	875.2	74.5	5.6	143.4	17.8	0.9
Total	**2,258.4**	**159.1**	**43.8**	**1.7**	**5.4**	**13.3**	**2,256.7**	**153.7**	**30.5**	**922.2**	**57.0**	**6.8**

Notes – Danske Bank Group

Credit exposure continued

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
Public Institutions	206.3	0.0	0.0	0.0	0.0	0.0	206.3	0.0	0.0	203.7	0.0	0.0
Financials	111.5	1.8	0.6	0.1	0.0	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	0.0	0.0	0.2	33.5	1.0	0.2	24.3	0.6	0.1
Capital goods	59.9	6.6	1.7	0.0	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 & Building materials	46.4	5.1	1.1	0.0	0.1	0.5	46.4	4.9	0.7	34.0	2.9	0.4
Consumer goods	64.1	2.7	1.0	0.0	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	0.0	0.0	0.1	13.4	1.0	0.5	3.8	0.5	0.1
Metals and Mining	11.5	0.4	0.4	0.0	0.0	0.2	11.5	0.4	0.2	9.1	0.2	0.1
Other Commercials	18.5	0.2	0.0	0.0	0.0	0.0	18.5	0.1	-0.0	23.1	0.0	0.0
Pharma and medical devices	28.5	0.8	0.0	0.0	0.0	0.0	28.5	0.8	0.0	25.9	0.6	0.0
Private Housing Co-ops. & 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 and Paper, Chemicals	30.6	1.2	0.3	0.0	0.0	0.1	30.6	1.2	0.2	22.5	0.4	0.1
Retailing	24.3	3.1	1.2	0.0	0.1	0.6	24.3	3.0	0.6	13.5	2.1	0.2
Services	55.9	3.3	1.2	0.0	0.1	0.5	55.9	3.2	0.7	43.9	1.8	0.2
Shipping, Oil & Gas	43.9	13.8	10.0	0.0	0.5	2.4	43.9	13.3	7.6	26.9	7.1	2.0
Social services	26.2	0.9	0.3	0.0	0.0	0.1	26.1	0.8	0.3	12.2	0.3	0.1
Telecom & Media	17.5	0.6	0.2	0.0	0.0	0.1	17.5	0.6	0.1	15.5	0.4	0.0
Transportation	11.9	1.4	0.3	0.0	0.0	0.1	11.9	1.3	0.2	6.5	0.4	0.0
Utilities and infrastructure	39.8	1.9	0.2	0.0	0.0	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**	**1.7**	**5.4**	**13.3**	**2,228.0**	**134.2**	**30.1**	**908.4**	**45.6**	**6.7**

Notes – Danske Bank Group

Credit exposure continued

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

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

31 March 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	471.9	32.6	5.3	0.6	1.4	2.4	471.3	31.2	3.0	54.8	7.6	0.7
Commercial	423.0	26.8	18.5	0.7	1.7	5.4	422.3	25.1	13.1	99.4	10.7	2.0
Banking DK	**894.9**	**59.4**	**23.8**	**1.3**	**3.1**	**7.8**	**893.6**	**56.3**	**16.1**	**154.2**	**18.4**	**2.7**
Sweden	271.3	21.3	1.3	0.1	0.5	0.4	271.2	20.8	0.9	101.4	7.2	0.4
Norway	204.5	20.4	2.5	0.1	0.3	0.8	204.5	20.1	1.7	66.3	7.5	1.0
Finland	146.4	17.5	2.6	0.0	0.3	0.8	146.4	17.1	1.8	36.3	2.9	0.3
Other	36.1	9.5	0.8	0.0	0.3	0.3	36.0	9.2	0.5	19.7	2.8	0.0
Banking Nordic	**658.3**	**68.7**	**7.2**	**0.2**	**1.4**	**2.3**	**658.1**	**67.3**	**4.8**	**223.8**	**20.4**	**1.6**
C&I	**536.8**	**21.8**	**9.4**	**0.1**	**0.6**	**2.3**	**536.7**	**21.3**	**7.1**	**473.6**	**15.5**	**1.6**
Wealth Management	**83.6**	**4.0**	**1.3**	**0.0**	**0.1**	**0.3**	**83.6**	**3.9**	**1.0**	**20.6**	**0.9**	**0.3**
Northern Ireland	**67.4**	**5.1**	**2.1**	**0.1**	**0.1**	**0.6**	**67.3**	**5.0**	**1.5**	**33.1**	**1.8**	**0.4**
Other	17.4	0.1	0.0	0.0	0.0	0.0	17.4	0.1	0.0	17.1	0.0	0.0
Total	**2,258.4**	**159.1**	**43.8**	**1.7**	**5.4**	**13.3**	**2,256.7**	**153.7**	**30.5**	**922.2**	**57.0**	**6.8**

*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.

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

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	469.1	31.7	4.7	0.5	1.5	2.3	468.6	30.2	2.4	51.8	5.7	0.8
Commercial	422.9	24.3	18.4	0.7	1.8	5.5	422.3	22.6	12.9	103.5	8.6	1.9
Banking DK	**892.0**	**56.0**	**23.1**	**1.2**	**3.2**	**7.8**	**890.8**	**52.8**	**15.3**	**155.3**	**14.4**	**2.6**
Sweden	271.9	16.5	1.3	0.1	0.5	0.4	271.8	16.0	0.9	100.6	5.1	0.4
Norway	189.1	13.7	2.2	0.1	0.3	0.9	189.1	13.4	1.3	60.6	4.1	0.6
Finland	147.9	13.6	2.7	0.0	0.3	0.8	147.9	13.3	1.9	36.0	2.4	0.3
Other	37.0	9.1	1.0	0.0	0.3	0.4	37.0	8.8	0.6	19.8	2.3	0.1
Banking Nordic	**645.9**	**52.8**	**7.2**	**0.2**	**1.4**	**2.6**	**645.7**	**51.4**	**4.7**	**216.9**	**14.0**	**1.3**
C&I*	**534.7**	**21.4**	**9.5**	**0.1**	**0.6**	**2.1**	**534.6**	**20.8**	**7.4**	**471.8**	**14.5**	**1.8**
Wealth Management	**82.1**	**4.1**	**1.6**	**0.0**	**0.1**	**0.3**	**82.1**	**4.0**	**1.3**	**20.6**	**0.9**	**0.5**
Northern Ireland	**62.6**	**5.3**	**2.1**	**0.0**	**0.1**	**0.6**	**62.5**	**5.2**	**1.5**	**31.9**	**1.8**	**0.4**
Other	12.2	0.1	0.0	0.0	0.0	0.0	12.2	0.1	0.0	11.9	0.1	0.0
Total	**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 Corporates & Institutions (C&I) segment comprises large corporate customers and financial institutions. As these customers typically have business activities in multiple countries, a geographical split is not applicable.

Notes – Danske Bank Group

Credit exposure continued

Forbearance practices and repossessed assets

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

If it proves impossible to improve the customer's financial situation by forbearance measures, the Group will consider whether to subject the customer's assets to a forced sale or whether the assets could be realised later at higher net proceeds. At the end of the first quarter of 2019, the Group recognised properties taken over in Denmark at a carrying amount of DKK 21 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 objective evidence of impairment, and impairments relating to forborne exposures are handled according to the principles described in Annual Report 2018, note 1, 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 2018.

Exposures subject to forbearance measures

	31 March 2019		31 December 2018	
(DKK millions)	Performing	Non-performing*	Performing	Non-performing*
Active forbearance	5,984	8,062	9,143	8,828
Under probation	6,522	-	6,482	-
Total	**12,506**	**8,062**	**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

Credit exposure continued

Non-performing loans

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

The table below shows the reconciliation between the gross exposure in stage 3 and gross non-performing loans.

NPL Bridge	31 March 2019			31 December 2018		
(DKK billions)	Non-default	Default	Total	Non-default	Default	Total
Gross exposure in stage 3	23.8	20.0	43.8	23.2	20.3	43.6
None or an immaterial allowance account	8.2	4.4	12.6	9.4	4.3	13.6
Gross non-performing loans	15.6	15.6	31.2	13.9	16.0	29.9
Expected credit loss	4.4	8.6	13.0	4.3	8.8	13.0
Net non-performing loans	11.2	7.0	18.2	9.6	7.3	16.9

Non-performing loans in core activities

(DKK millions)	31 March 2019	31 December 2018
Total non-performing loans	18,201	16,903
- portion from customers in default*	6,962	7,289
Coverage ratio (default) (%)	95	96
Coverage ratio (non-default) (%)	70	69
Coverage ratio (total non-performing loans) (%)	85	85
Non-performing loans as a percentage of total gross exposure (%)	1.3	1.2

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

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

Allowance account in core activities

(DKK millions)	Stage 1	Stage 2	Stage 3	Total
ECL allowance account as at 31 December 2018	1,574	5,375	13,405	20,353
Transferred to stage 1 during the period	327	-274	-53	-
Transferred to stage 2 during the period	-47	233	-186	-
Transferred to stage 3 during the period	-6	-225	232	-
ECL on new assets	96	351	891	1,338
ECL on assets derecognised	-103	-345	-629	-1,077
Impact of net remeasurement of ECL (incl. changes in models)	-125	287	-187	-25
Write-offs debited to the allowance account	-1	-5	-371	-377
Foreign exchange adjustments	6	22	118	146
Other	-41	-49	106	16
As at 31 March 2019	**1,680**	**5,368**	**13,326**	**20,374**

Allowance account in core activities

(DKK millions)	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	-30	-35	-54	-119
As at 31 December 2018	**1,574**	**5,375**	**13,405**	**20,353**

Notes – Danske Bank Group

Credit exposure continued

Allowance account in core activities broken down by segment

(DKK millions)	Banking DK	Banking Nordic	C&I	Wealth Management	Northern Ireland	Other	Allowance account Total*
ECL allowance account as at 1 January 2018	14,045	4,427	2,779	468	902	12	22,631
ECL on new assets	1,381	712	773	63	61	8	2,999
ECL on assets derecognised	-1,964	-823	-908	-98	-103	-9	-3,905
Impact on remeasurement of ECL (incl. change in models)	-117	166	325	23	58	-1	453
Write-offs debited to allowance account	-1,189	-315	-18	-20	-112	-	-1,654
Foreign currency translation	-8	-50	19	-	-13	-	-51
Other	37	17	-164	-13	-	3	-119
As at 31 December 2018	**12,185**	**4,134**	**2,806**	**423**	**792**	**12**	**20,353**
ECL on new assets	822	325	144	12	33	2	1,338
ECL on assets derecognised	-494	-405	-137	-24	-16	-2	-1,077
Impact on remeasurement of ECL (incl. change in models)	-146	26	121	10	-33	-4	-25
Write-offs debited to allowance account	-221	-130	-	-	-25	-	-377
Foreign currency translation	4	38	62	-	41	-	146
Other	13	3	1	-1	-	-	16
As at 31 March 2019	**12,163**	**3,991**	**2,998**	**421**	**793**	**8**	**20,374**

* Comparative figures have been changed. The total allowance account is unchanged.

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 base-case scenario is assigned a probability of 70% (31 December 2018: 70%), the up-side scenario a probability of 15% (31 December 2018: 15%) and the downside scenario a probability of 15% (31 December 2018: 15%). On the basis of these assessments, the allowance account in core activities at 31 March 2019 amounted to DKK 20.4 billion (31 December 2018: DKK 20.4 billion). If the base case scenario was assigned a probability of 100%, the allowance account would decrease DKK 0.5 billion (31 December 2018: DKK 0.4 billion). The allowance account would increase DKK 3.7 billion (31 December 2018: DKK 3.4 billion), if the downside scenario was assigned a probability of 100%. If instead the upside scenario was assigned a probability of 100%, the allowance account would decrease DKK 0.4 billion (31 December 2018: 0.5 billion). However, it shall be noted that the expected credit losses in the individual scenarios does not represent expected credit losses (ECL) forecasts.

According to the Group's definition of a significant increase in credit risk, i.e. when a loan is transferred from stage 1 to stage 2, facilities with an initial PD below 1% 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 0.1 billion (31 December 2018: DKK 0.1 billion).

The Group applies post-model adjustments of DKK 4.4 billion (31 December 2018: DKK 4.4 billion). Around half of all the adjustments relate to high-risk industries such as Agriculture and Oil & gas, for which the Group has no specific expected credit loss models, 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 therefore adjustments are made to reflect the fact that a further specific downside risk currently exists for properties in Copenhagen. Finally, post-model adjustments are made for portfolios where the credit risk assessment process has identified underestimation of the expected credit losses.

Notes – Danske Bank Group

Credit exposure continued

Credit exposure from Non-core lending activities

The Non-core business unit includes certain customer segments that are no longer considered part of the core business. The Non-core unit is responsible for the controlled winding-up of this part of the loan portfolio. The portfolio consists primarily of loans to customers in the Baltics and Russia, 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 in the first quarter of 2019. Comparative information has not been restated. As a result, credit exposure of DKK 3 billion was transferred to the Non-core unit.

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

31 March 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	14,508	1,076	823	30	83	260	14,478	993	563	8,089	456	265
Personal customers	3,604	533	293	12	37	87	3,591	495	207	1,162	155	66
Commercial customers	9,082	513	530	18	45	173	9,064	469	357	5,348	276	199
Public Institutions	1,823	30	-	-	2	-	1,822	29	-	1,579	25	-
Non-core conduits etc.	3,494	-	1,035	-	-	430	3,494	-	605	612	-	173
Total	**18,002**	**1,076**	**1,858**	**30**	**83**	**690**	**17,972**	**993**	**1,168**	**8,701**	**456**	**438**

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

31 December 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**

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

31 March 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	2,547	94	54	-	-	-	2,547	94	54	1,403	94	54
3	0.03	0.06	1,796	24	14	-	-	-	1,796	24	14	335	21	12
4	0.06	0.14	3,620	196	111	2	-	-	3,618	196	111	2,203	89	57
5	0.14	0.31	3,406	229	130	4	-	-	3,402	229	130	1,642	86	53
6	0.31	0.63	2,022	132	75	7	-	-	2,015	132	75	710	30	20
7	0.63	1.90	2,557	199	97	12	10	-	2,546	189	97	1,403	83	47
8	1.90	7.98	1,330	131	49	7	45	-	1,323	86	49	757	39	24
9	7.98	25.70	226	44	9	-	29	-	226	15	9	207	14	8
10	25.70	99.99	114	10	1,030	-	-	417	114	10	613	-	-	165
11 (default)	100.00	100.00	247	17	290	-	-	272	247	17	18	41	-	-
Total			**18,002**	**1,076**	**1,858**	**30**	**83**	**690**	**17,972**	**993**	**1,168**	**8,701**	**456**	**438**

Notes – Danske Bank Group

Credit exposure continued

Credit portfolio in non-core activities broken down by rating category and stages in IFRS 9

31 December 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**

Non-performing loans in Non-core activities

The net exposure from non-performing loans in Non-core amounted to DKK 873 million at 31 March 2019 (31 December 2018: DKK 910 million), of which the average unsecured portion of non-performing loans was 16.4% at the end of March 2019 (31 December 2018: 23.4%).

Notes – Danske Bank Group

Credit exposure continued

Counterparty credit risk and credit exposure from trading and investment securities

(DKK billions)	31 March 2019	31 December 2018
Counterparty credit risk		
Derivatives with positive fair value	265.5	244.3
Reverse transactions and other loans at fair value	319.7	319.4
Credit exposure from other trading and investment securities		
Bonds	457.7	441.6
Shares	10.1	6.3
Other unutilised commitments	0.3	0.3
Total	**1,053.4**	**1,011.9**

* Reverse transactions and other loans at fair value included as counterparty credit risk are loans in the trading units of Corporates & Institutions. These loans consist of reverse transactions of DKK 318,577 million, of which DKK 60,298 million relates to credit institutions and central banks, and other primarily short-term loans of DKK 1,147 million, of which DKK 412 million relates to credit institutions and central banks.
** Other unutilised commitments comprises private equity investment commitments and other obligations.

Derivatives with positive fair value

(DKK millions)	31 March 2019	31 December 2018
Derivatives with positive fair value before netting	469,946	371,431
Netting (under accounting rules)	204,449	127,157
Carrying amount	265,498	244,274
Netting (under capital adequacy rules)	195,216	175,637
Net current exposure	70,282	68,636
Collateral	42,581	42,189
Net amount	**27,701**	**26,448**
Derivatives with positive fair value after netting for accounting purposes:		
Interest rate contracts	194,606	164,380
Currency contracts	69,515	78,080
Other contracts	1,377	1,814
Total	**265,498**	**244,274**

Bond portfolio

(DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
31 March 2019							
Held-for-trading (FVPL)	113,353	1,549	35,307	33,111	4,537	6,067	193,925
Managed at fair value (FVPL)	12,838	499	31,713	3,953	597	235	49,834
Held to collect and sell (FVOCI)	9,305	1,281	70,466	1,093	3,432	-	85,578
Held to collect (AMC)	46,183	343	71,584	7,352	2,484	422	128,370
Total	**181,680**	**3,673**	**209,070**	**45,509**	**11,051**	**6,724**	**457,706**
31 December 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	142,420
Total	**170,386**	**3,645**	**209,410**	**42,081**	**9,158**	**6,956**	**441,636**

As at 31 March 2019, the Group had an additional bond portfolio worth DKK 193,046 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 in Annual Report 2018 provides more information. For bonds classified as hold-to-collect, fair value exceeded amortised cost at the end of 31 March 2019 and 31 December 2018.

Notes – Danske Bank Group

Bond portfolio continued

Bond portfolio broken down by geographical area

(DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
31 March 2019							
Denmark	35,931	-	209,070	-	-	488	245,489
Sweden	31,960	-	-	45,509	18	2,844	80,331
UK	9,107	-	-	-	1,785	134	11,026
Norway	9,966	-	-	-	5,876	1,096	16,938
USA	17,393	303	-	-	-	3	17,699
Spain	7,439	-	-	-	2	-	7,441
France	16,644	-	-	-	509	447	17,600
Luxembourg	-	2,580	-	-	-	-	2,580
Finland	10,952	620	-	-	821	679	13,072
Ireland	6,245	-	-	-	4	3	6,252
Italy	5,124	-	-	-	-	4	5,128
Portugal	1,191	-	-	-	-	-	1,191
Austria	4,189	-	-	-	-	35	4,224
Netherlands	2,212	-	-	-	212	190	2,614
Germany	20,407	-	-	-	1,442	17	21,866
Belgium	2,921	-	-	-	41	5	2,967
Other	-	170	-	-	341	778	1,289
Total	**181,680**	**3,673**	**209,070**	**45,509**	**11,051**	**6,724**	**457,706**
31 December 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**

Notes – Danske Bank Group

Bond portfolio continued

Bond portfolio broken down by external ratings

(DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
31 March 2019							
AAA	106,520	2,755	208,850	45,509	9,257	86	372,977
AA+	21,821	353	-	-	1,223	124	23,522
AA	28,868	564	-	-	548	954	30,934
AA-	2,850	-	-	-	-	535	3,385
A+	-	-	-	-	-	384	384
A	6,727	-	32	-	5	2,623	9,387
A-	31	-	-	-	-	199	230
BBB+	7,050	-	-	-	-	503	7,553
BBB	2,194	-	187	-	-	724	3,106
BBB-	5,478	-	-	-	-	167	5,644
BB+	6	-	-	-	-	164	169
BB	-	-	-	-	-	152	152
BB-	-	-	-	-	-	47	47
Sub-inv. grade or unrated	136	-	-	-	18	61	215
Total	**181,680**	**3,673**	**209,070**	**45,509**	**11,051**	**6,724**	**457,706**
31 December 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**

Statement by the management

The Board of Directors and the Executive Board (the management) have considered and approved the Interim report - first quarter 2019 of Danske Bank Group.

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

In our opinion, the interim financial statements give a true and fair view of the Group's assets, liabilities, total equity and financial position at 31 March 2019 and of the results of the Group's operations and the consolidated cash flows for the period starting 1 January 2019 and ending 31 March 2019. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group.

Copenhagen, 30 April 2019

Executive Board

Jesper Nielsen
Interim CEO

Jacob Aarup-Andersen

Christian Boris Baltzer

James Ditmore

Carsten Rasch Egeriis

Jakob Groot

Glenn Söderholm

Frederik Gjessing Vinten

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 auditors' review report

To the shareholders of Danske Bank A/S

Independent auditors' review report on the Consolidated Interim Financial Statements
We have reviewed the Consolidated Interim Financial Statements of Danske Bank A/S for the financial period 1 January to 31 March 2019, pp. 31-72 which comprise the income statement, statement of comprehensive income, balance sheet, statement of capital, for the consolidated cash flow statement and notes.

Management's responsibility for the Consolidated Interim Financial Statements
Management is responsible for the preparation of the Consolidated Interim Financial Statements in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and Danish disclosure requirements for listed financial companies, and for such internal control as Management determines is necessary to enable the preparation of the Consolidated Interim Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on the Consolidated Interim Financial Statements. We conducted our review in accordance with the International Standard on Engagements to Review Interim Financial Information Performed by the Independent Auditor of the Entity and additional requirements under Danish audit regulation. This requires that we express a conclusion about whether anything has come to our attention that causes us to believe that the Consolidated Interim Financial Statements, taken as a whole, have not been prepared, in all material respects, in accordance with the applicable financial reporting framework. This also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with the International Standard on Engagements to Review Interim Financial Information Performed by the Independent Auditor of the Entity is a limited assurance engagement. The auditor performs procedures primarily consisting of inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

A review is substantially less in scope than an audit performed in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the Consolidated Interim Financial Statements.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the Consolidated Interim Financial Statements for the financial period 1 January to 31 March 2019 have not been prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and Danish disclosure requirements for listed financial companies.

Emphasis of matter
Without modification, we draw the attention to note 11 of the Consolidated Interim Financial Statements that includes a description of the contingent liability regarding the uncertainty as to the outcome of the investigations by the authorities in Estonia, Denmark and the USA into the terminated non-resident portfolio at Danske Bank's Estonian Branch.

We agree to the accounting treatment of the matter in the Consolidated Interim Financial Statements and accordingly our opinion is not modified.

Copenhagen, 30 April 2019
Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 95 35 56

Erik Holst Jørgensen	Jens Ringbæk
State-Authorised Public Accountant	State-Authorised Public Accountant
Identification No (MNE) mne9943	Identification No (MNE) mne27735

Supplementary information

Financial calendar

18 July 2019	Interim report – first half 2019
1 November 2019	Interim report – first nine months 2019

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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.