

Interim report – first quarter 2017

Danske Bank Group



Contents

Management's report

Financial highlights - Danske Bank Group	3
Executive summary	4
Financial review	5

Business units

Personal Banking	10
Business Banking	12
Corporates & Institutions	14
Wealth Management	16
Northern Ireland	19
Non-core	20
Other Activities	22

Financial statements

Income statement	24
Statement of comprehensive income	25
Balance sheet	26
Statement of capital	27
Cash flow statement	30
Notes	31

Statements

Statement by the management	54
Supplementary information	55

Financial highlights – Danske Bank Group

Income statement (DKK millions)	Q1 2017	Q1 2016	Index 17/16	Q4 2016	Index Q1/Q4	Full year 2016
Net interest income	5,739	5,259	109	5,790	99	22,028
Net fee income	3,850	3,382	114	4,032	95	14,183
Net trading income	2,705	1,597	169	2,323	116	8,607
Other income	356	1,231	29	757	47	3,140
Total income	12,649	11,469	110	12,902	98	47,959
Operating expenses	5,724	5,310	108	6,056	95	22,642
Profit before loan impairment charges	6,925	6,159	112	6,847	101	25,317
Loan impairment charges	-235	-130	181	-160	147	-3
Profit before tax, core	7,160	6,289	114	7,007	102	25,320
Profit before tax, Non-core	-19	-18	106	32	-	37
Profit before tax	7,140	6,271	114	7,039	101	25,357
Tax	1,610	1,326	121	1,449	111	5,500
Net profit for the period	5,530	4,945	112	5,590	99	19,858
Attributable to additional tier 1 etc.	194	161	120	177	110	663

Balance sheet (end of period)

Balance sheet (end of period) (DKK millions)						
Due from credit institutions and central banks	288,956	99,831	289	200,544	144	200,544
Repo loans	236,614	245,371	96	244,474	97	244,474
Loans	1,705,483	1,640,063	104	1,689,155	101	1,689,155
Trading portfolio assets	463,751	566,268	82	509,678	91	509,678
Investment securities	337,105	335,965	100	343,337	98	343,337
Assets under insurance contracts	289,697	268,338	108	285,398	102	285,398
Total assets in Non-core	18,476	26,514	70	19,039	97	19,039
Other assets	203,457	206,169	99	192,046	106	192,046
Total assets	3,543,540	3,388,518	105	3,483,670	102	3,483,670
Due to credit institutions and central banks	150,017	170,887	88	155,085	97	155,085
Repo deposits	208,196	208,833	100	199,724	104	199,724
Deposits	883,538	811,631	109	859,435	103	859,435
Bonds issued by Realkredit Danmark	734,250	682,542	108	726,732	101	726,732
Other issued bonds	449,234	381,367	118	392,512	114	392,512
Trading portfolio liabilities	446,325	493,395	90	478,301	93	478,301
Liabilities under insurance contracts	314,759	299,824	105	314,977	100	314,977
Total liabilities in Non-core	2,892	5,106	57	2,816	103	2,816
Other liabilities	157,870	139,467	113	149,641	105	149,641
Subordinated debt	35,922	39,361	91	37,831	95	37,831
Additional tier 1 etc.	14,389	11,433	126	14,343	100	14,343
Shareholders' equity	146,149	144,672	101	152,272	96	152,272
Total liabilities and equity	3,543,540	3,388,518	105	3,483,670	102	3,483,670

Ratios and key figures

Dividend per share (DKK)						9.0
Earnings per share (DKK)	5.8	5.0		5.8		20.2
Return on avg. shareholders' equity (% p.a.)	14.4	13.1		14.5		13.1
Return on avg. tangible equity (% p.a.)	15.4	14.0		15.4		14.0
Net interest income as % p.a. of loans and deposits	0.89	0.86		0.91		0.86
Cost/income ratio (%)	45.3	46.3		46.9		47.2
Total capital ratio (%)	20.4	20.1		21.8		21.8
Common equity tier 1 capital ratio (%)	15.5	15.0		16.3		16.3
Share price (end of period) (DKK)	237.5	185.0		214.2		214.2
Book value per share (DKK)	158.3	149.3		162.8		162.8
Full-time-equivalent staff (end of period)	19,316	19,272	100	19,303	100	19,303

See note 2 to the financial statements for an explanation of differences in the presentation between IFRS and the financial highlights. For a definition of ratios, see Definition of Alternative Performance Measures on page 23.

Executive summary

“The first three months of the year were characterised by high customer activity at all business units, and this resulted in higher income, driven in particular by increased activity in the financial markets and increased lending to our customers. The Nordic economies are generally doing better, and this benefited our performance. Impairments remained at a very low level,” says Thomas F. Borgen, Chief Executive Officer.

“We continued to attract new customers, especially in Norway and Sweden, and we also saw a positive trend in the volume of business with existing customers. Overall, we had a good start to the year.”

Danske Bank had a good start to 2017. Net profit in the first quarter was DKK 5.5 billion, against DKK 4.9 billion in the first quarter of 2016, which benefited from the one-off gain from the sale of domicile properties. The return on shareholders' equity after tax was 14.4%, against 13.1% in the first quarter of 2016.

At the beginning of 2017, macroeconomic data indicated a good start to the year for the Nordic economies. Driven especially by our activities in Norway and Sweden, aggregate lending grew 1% in the first quarter of 2017 and was 4% higher than lending for the year-earlier period.

We continued our efforts to realise our Nordic potential across all business units. We saw further growth at Personal Banking, especially driven by our partnership agreements in Sweden and Norway. At Business Banking, we experienced good activity across the Nordic markets. Corporates & Institutions delivered a strong performance driven by continued good client activity in the financial markets.

At Wealth Management, assets under management were 8% higher than the year-earlier level. Our Asset Management business and Danica Pension joined forces on investments to leverage the full strength of our investment competencies to provide customers with even better solutions.

Net interest income and net fee income were positively influenced by loan growth and customer activity. Further, continually strong client activity in the financial markets, especially in the beginning of the year, as seen also in the second half of 2016, resulted in high net trading income. Credit quality remained strong and net reversals benefited the result. Expenses were affected by activity-based expenses and by increased costs primarily related to regulatory compliance and our continued focus on digitalisation. We continued our work and investments to further enhance our compliance setup, an area which remains a key priority for Danske Bank.

Capital, funding and liquidity

Our capital position remained strong, with a total capital ratio of 20.4% and a CET1 capital ratio of 15.5%. The DKK 10 billion share buy-back programme initiated in February 2017 has been deducted in full from CET1 capital. On the basis of fully phased-in CRR and CRD IV rules and requirements, our CET1 capital ratio stood at 15.4%, versus our current fully phased-in regulatory CET1 capital requirement of 12.1% and our target range of 14-15% in the short to medium term.

At 31 March 2017, DKK 1.8 billion of the DKK 10.0 billion share buy-back programme had been completed.

In the first quarter of 2017, issuance in covered bonds, senior bonds and additional tier 1 capital totalled more than DKK 30 billion.

At 31 March 2017, our liquidity coverage ratio stood at 156%.

Outlook for 2017

The outlook is unchanged.

We expect net interest income to be higher than in 2016, as we will benefit from volume growth and lower funding costs. Net fee income is expected to be somewhat higher than in 2016, subject to customer activity. Net trading income and Other income are expected to be less impacted by positive special items compared to 2016.

Expenses are expected to decline somewhat from the level in 2016. Loan impairments are expected to remain low, although higher than in 2016.

We expect net profit to be in the range of DKK 17-19 billion.

The outlook is subject to uncertainty and macroeconomic developments.

We maintain our longer-term ambition for a return on shareholders' equity of at least 12.5%.

Financial review

In the first quarter of 2017, Danske Bank Group posted a profit before tax from core activities of DKK 7.2 billion, an increase of 14% from the level in the first quarter of 2016.

Income

Total income amounted to DKK 12.6 billion, up 10% from the level in the first quarter of 2016, with increases in most income lines, especially net trading income and net fee income.

Net interest income totalled DKK 5.7 billion, with the increase of 9% from the first quarter of 2016 being driven by increased lending volumes.

Net fee income amounted to DKK 3.9 billion and was up 14% from the level in the first quarter of 2016. Net fee income benefited from higher customer activity generated by the positive market.

Net trading income totalled DKK 2.7 billion, representing an increase of 69% from the level in the first quarter of 2016. The solid level of client activity in the financial markets that we saw in the second half of 2016 continued in the beginning of the first quarter of 2017 and resulted in high net trading income for the quarter. The increase in activity was fuelled especially by geopolitical events and concerns over the French election.

Other income amounted to DKK 0.4 billion, a decrease of 71% from the level in the first quarter of 2016. The first quarter of 2016 benefited from the sale of domicile properties.

Expenses

Operating expenses amounted to DKK 5.7 billion, an increase of 8% from the level in the first quarter of 2016, which was unusually low. Expenses were affected by activity-based expenses and by increased costs that related primarily to regulatory compliance and our continued focus on digitalisation.

Loan impairments

Loan impairment charges remained low, with net reversals higher than in the first quarter of 2016. Strengthened credit quality and stable macroeconomic conditions meant that loan impairments continued to fall. At Corporates & Institutions, however, impairments against exposure to the oil sector continued, reflecting the continuation of weak market conditions.

Loan impairment charges

(DKK millions)	Q1 2017		Q1 2016	
	Charges	% of credit exposure*	Charges	% of credit exposure*
Personal Banking	56	0.03	-165	-0.09
Business Banking	-285	-0.17	-29	-0.02
Corporates & Institutions	80	0.07	195	0.20
Wealth Management	-25	-0.13	-51	-0.29
Northern Ireland	-61	-0.54	-81	-0.64
Other Activities	-	0.05	1	0.05
Total	-235	-0.05	-130	-0.03

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

Tax

Tax on the profit for the quarter amounted to DKK 1.6 billion, or 22.5% of profit before tax.

Q1 2017 vs Q4 2016

In the first quarter of 2017, Danske Bank posted a net profit of DKK 5.5 billion, against DKK 5.6 billion in the fourth quarter of 2016.

Net interest income amounted to DKK 5.7 billion and was at the same level as in the fourth quarter. Net interest income saw a positive effect from increased lending volumes but was affected by fewer interest days in the first quarter.

Net fee income showed a decrease of 5% from the fourth quarter. In the fourth quarter, net fee income benefited from performance fees at Wealth Management and income from the shadow account in Danica Pension.

Net trading income amounted to DKK 2.7 billion, against DKK 2.3 billion in the fourth quarter. The increase was due to higher client activity in the first quarter of 2017, whereas the fourth quarter benefited from the gain on the sale of shares in Danmarks Skibskredit A/S.

Other income decreased 53% from the level in the fourth quarter that benefited from proceeds from the sale of minor domicile properties and higher sales of lease assets.

Operating expenses were reduced 5% to DKK 5.7 billion. The reduction was owing in part to higher severance pay, depreciation of intangible assets and seasonality in the fourth quarter.

Loan impairments showed net reversals of DKK 0.2 billion, continuing the stable trend from the level in the fourth quarter and reflecting consistently strong credit quality supported by higher collateral values.

Balance sheet

Lending (end of period) (DKK billions)	Q1 2017	Q1 2016	Index 17/16	Q4 2016	Index Q1/Q4
Personal Banking	745.9	722.5	103	741.7	101
Business Banking	671.8	646.2	104	662.1	101
Corporates & Institutions	199.0	188.0	106	197.2	101
Wealth Management	73.4	69.5	106	72.5	101
Northern Ireland	46.5	48.1	97	45.6	102
Other Activities incl. eliminations	-9.6	-8.5	113	-7.1	135
Allowance account, lending	21.6	25.7	84	22.8	95
Total lending	1,705.5	1,640.1	104	1,689.2	101
Deposits (end of period) (DKK billions)					
Personal Banking	267.3	255.8	104	267.1	100
Business Banking	232.2	223.3	104	230.1	101
Corporates & Institutions	256.8	215.6	119	233.3	110
Wealth Management	61.9	58.4	106	62.9	98
Northern Ireland	58.9	59.7	99	59.2	99
Other Activities incl. eliminations	6.4	-1.2	-	6.8	94
Total deposits	883.5	811.6	109	859.4	103
Covered bonds (DKK billions)					
Bonds issued by Realkredit Danmark	734.3	682.5	108	726.7	101
Own holdings of bonds	41.2	64.9	63	44.6	92
Total Realkredit Danmark bonds	775.4	747.4	104	771.3	101
Other covered bonds issued	158.6	172.3	92	154.3	103
Own holdings of bonds	62.5	48.5	129	63.1	99
Total other covered bonds	221.1	220.7	100	217.4	102
Total deposits and issued mortgage bonds etc.	1,880.0	1,779.7	106	1,848.1	102
Lending as % of deposits and issued mortgage bonds etc.	90.7	92.2		91.4	

Lending

At the end of March 2017, total lending was up 1% from the level at the end of 2016. Lending increased at all banking units.

In Denmark, new gross lending, excluding repo loans, amounted to DKK 20.6 billion. Lending to personal customers accounted for DKK 8.2 billion of this amount.

Our market share of total lending in Denmark, excluding repo loans, was maintained at 26.6%, the same level as at the end of 2016, whereas our market share of lending rose in Finland, Sweden and Norway.

Market shares of lending (%)	28 February 2017	31 December 2016
Denmark incl. RD (excl. repo)	26.6	26.6
Finland	9.7	9.6
Sweden (excl. repo)	5.3	5.2
Norway	6.0	5.8

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

Lending equalled 90.7% of the total amount of deposits, mortgage bonds and other covered bonds, against 91.4% at the end of 2016.

Deposits

At the end of March 2017, total deposits were up 3% from the level at the end of 2016, with increases at Corporates & Institutions and Business Banking. At Personal Banking, deposits were maintained at the same level as at the end of 2016. At Wealth Management and the Northern Ireland unit, we saw a slight decrease in deposits. The Group maintained its strong funding position.

Market shares of deposits (%)	28 February 2017	31 December 2016
Denmark (excl. repo)	28.9	28.7
Finland	12.4	12.3
Sweden (excl. repo)	3.9	3.7
Norway	5.4	5.5

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

Credit exposure

Credit exposure from lending activities in core segments totalled DKK 2,658 billion, against DKK 2,534 billion at the end of 2016.

Risk Management 2016, section 4, which is available at danskebank.com/ir, provides details on Danske Bank's credit risks.

Credit quality

Credit quality remains solid in the light of stable credit conditions. Total gross non-performing loans (NPL) decreased owing to continued reversals and work-outs of large customers. The coverage ratio remained high.

The risk management notes on pp. 44-53 provide more information about non-performing loans.

Non-performing loans (NPL) in core segments (DKK millions)	31 Mar. 2017	31 Dec. 2016
Gross NPL	37,405	40,406
Individual allowance account	17,664	18,505
Net NPL	19,741	21,900
Collateral (after haircut)	15,661	18,033
NPL coverage ratio (%)	81.2	82.7
NPL coverage ratio of which is in default (%)	93.8	94.7
NPL as a percentage of total gross exposure	1.4	1.6

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

Accumulated individual impairments amounted to DKK 17.7 billion, or 0.9% of lending and guarantees. Accumulated collective impairments amounted to DKK 4.8 billion, or 0.2% of lending and guarantees. The corresponding figures at 31 December 2016 were DKK 18.5 billion and DKK 5.0 billion, respectively.

Allowance account by business units

(DKK millions)	31 March 2017		31 December 2016	
	Accum. impairm. charges*	% of loans and guarantees	Accum. impairm. charges*	% of loans and guarantees
Personal Banking	5,549	0.74	5,584	0.77
Business Banking	12,717	1.87	13,324	2.05
Corporates & Institutions	2,461	0.57	2,762	0.69
Wealth Management	513	0.67	534	0.75
Northern Ireland	1,173	2.53	1,273	2.48
Other Activities incl. eliminations	1	-	1	-
Total	22,414	1.13	23,479	1.23

* Relating to lending activities in core segments.

Recognised losses amounted to DKK 0.9 billion. Of these losses, DKK 0.1 billion was attributable to facilities not already subject to impairment.

Trading and investment activities

Credit exposure from trading and investment activities amounted to DKK 801 billion at 31 March 2017, against DKK 854 billion at 31 December 2016.

Danske Bank has made netting agreements with many of its counterparties concerning positive and negative market values of derivatives. The net exposure was DKK 72.9 billion, against DKK 84.8 billion at the end of 2016, and it was mostly secured through collateral management agreements.

The value of the bond portfolio was DKK 519 billion. Of the total bond portfolio, 72.7% was recognised at fair value and 27.3% at amortised cost.

Bond portfolio (%)	31 March 2017	31 December 2016
Government bonds and bonds guaranteed by central or local governments	39	33
Bonds issued by quasi-government institutions	1	-
Danish mortgage bonds	47	50
Swedish covered bonds	9	12
Other covered bonds	2	3
Corporate bonds	2	2
Total holdings	100	100
Hold-to-maturity bonds included in total holdings	27	26
Available-for-sale bonds included in total holdings	14	14

Other balance sheet items

The financial highlights on page 3 provide information about our balance sheet.

The net position towards central banks, credit institutions and repo counterparties rose DKK 77.1 billion from an asset of DKK 90.2 billion at the end of 2016 to an asset of DKK 167.4 billion at the end of March 2017, primarily due to higher deposits with central banks.

A reduction of the bond portfolio was the main reason for the reduction in trading portfolio assets and trading portfolio liabilities from net assets of DKK 31.4 billion at the end of 2016 to net assets of DKK 17.4 billion at the end of March 2017.

As a consequence of the continued winding-up of the Non-core portfolios, total assets in Non-core were reduced by DKK 0.6 billion from the level at the end of 2016 and amounted to DKK 18.5 billion at the end of March 2017.

Other assets is the sum of several small line items. The increase of DKK 11.4 billion from the end of 2016 to the end of March 2017 was caused by higher on-demand deposits with central banks and an increase in assets under pooled schemes and unit-linked investment contracts.

Capital ratios

Our capital management policies and practices support our business strategy and ensure that we are sufficiently capitalised to withstand severe macroeconomic downturns.

In the short to medium term, our capital targets are a total capital ratio of around 19% and a common equity tier 1 (CET1) capital ratio in the range of 14-15%.

The capital targets take the elevated regulatory uncertainty into account and ensure that the Group meets its capital requirements both with normal risk exposure amounts (REA) fluctuations and in a situation with macroeconomic stress. We will reassess the capital targets when future regulatory initiatives have been clarified, especially in relation to the implementation of the Basel Committee's revised standards for calculating REA into EU regulation.

At the end of March 2017, the total capital ratio was 20.4%, and the CET1 capital ratio was 15.5%, against 21.8% and 16.3%, respectively, at the end of 2016. The expected decline in the capital ratios was driven primarily by the DKK 10 billion share buy-back programme initiated on 2 February 2017.

During the first quarter of 2017, the REA decreased DKK 16 billion to DKK 799 billion at end of March 2017. In December 2016, the Danske Bank Group received approval to calculate the REA at Danske Bank Plc (Finland) according to the IRB approach for the retail asset class. The approval was implemented in the first quarter of 2017 and led to a decrease in the REA of DKK 15 billion.

At the end of March 2017, the Group's leverage ratio was 4.1% when transitional rules are taken into account. Assuming fully phased-in tier 1 capital under CRR/CRD IV without taking into account any refinancing of non-eligible additional tier 1 instruments, the leverage ratio would be 4.0%.

Capital requirements

Danske Bank's capital management policies and practices are based on the internal capital adequacy assessment process (ICAAP). In this process, Danske Bank determines its solvency need.

At the end of March 2017, the solvency need was 10.6%, matching the level at the end of 2016. The solvency need consists of the 8% minimum capital requirement under Pillar I and a capital add-on under Pillar II.

A combined buffer requirement applies in addition to the solvency need. At the end of March 2017, the Group's combined capital buffer requirement was 3.6%. When fully phased-in, the buffer requirement will be 6.1%, bringing the fully phased-in CET1 capital requirement to 12.1% and the fully phased-in total capital requirement to 16.7%.

Capital ratios and requirements (% of the total REA)	Q1 2017	Fully phased-in*
Capital ratios		
CET 1 capital ratio	15.5	15.4
Total capital ratio	20.4	20.0
Capital requirements (incl. buffers)**		
CET 1 requirement	9.5	12.1
- portion from countercyclical buffer	0.5	0.6
- portion from capital conservation buffer	1.3	2.5
- portion from SIFI buffer	1.8	3.0
Total capital requirement	14.2	16.7
Excess capital		
CET 1 capital	5.9	3.3
Total capital	6.2	3.2

* Based on fully phased-in CRR and CRD IV rules and requirements.

** 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 the first quarter 2017.

The calculation of the solvency need and the combined capital buffer requirement is described in more detail in Risk Management 2016, section 3, which is available at danskebank.com/ir.

Capital distribution policy

Danske Bank's longer-term ambition is to provide shareholders with a competitive return through share price appreciation and ordinary dividend payments of 40-50% of net profit.

We intend to return excess capital to our shareholders if capital is available after we have met our capital targets and paid out ordinary dividends.

At 31 March 2017, we had bought back 7.3 million shares for a total purchase amount of DKK 1.8 billion (figures at trade date) of our planned DKK 10.0 billion share buy-back programme.

Ratings

During the first quarter of 2017, all three rating agencies maintained their long-term ratings at the A-level.

Danske Bank's ratings	Moody's	S&P Global	Fitch Ratings
Long-term deposits	A1		
Long-term senior debt	A2	A	A
Short-term deposits	P-1		
Short-term senior debt	P-1	A-1	F1
Outlook	Positive	Stable	Stable

Mortgage bonds and covered bonds (RO+SDRO) issued by Realkredit Danmark are rated AAA by S&P Global (stable outlook). In addition, bonds issued from capital centre S are rated AAA (stable outlook) by Fitch, while bonds issued from capital centre T are rated AA+ (positive outlook).

Covered bonds (SDO) issued by Danske Bank A/S are rated AAA by both S&P Global and Fitch Ratings, while covered bonds issued by Danske Bank Plc are rated AAA by Moody's.

Funding and liquidity

In the first quarter of 2017, we issued senior debt of DKK 17 billion and covered bonds for DKK 8 billion. In March 2017, we made our first USD 750 million additional tier 1 convertible capital note issuance, which brought total issuance in the first quarter of 2017 to more than DKK 30 billion.

The funding need for 2017 is expected to be at a level similar to that for 2016. We issued DKK 85 billion in 2016, which included prefunding of a part of the need for 2017. We access various markets and currencies to cover our funding need, as evidenced by our issuance activity in 2016 and in the first quarter of 2017. This includes regular issues in the EUR benchmark format, both covered bonds and senior unsecured debt, as well as issues on the domestic USD market for senior debt in the Rule 144A format. We supplement the benchmark issues with private placements of bonds.

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 2017, our liquidity coverage ratio stood at 156%, with an LCR liquidity buffer of DKK 601 billion, partly as a result of the duration of our short-term funding being extended.

At 31 March 2017, the total nominal value of outstanding long-term funding, excluding additional tier 1 capital and debt issued by Realkredit Danmark, was DKK 345 billion, against DKK 337 billion at the end of 2016.

Danske Bank excluding Realkredit Danmark (DKK billions)	31 March 2017	31 December 2016
Covered bonds	159	154
Senior unsecured debt	151	144
Subordinated debt	36	38
Total	345	337

The Supervisory Diamond

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

At 31 March 2017, 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 terms of expected new regulation, no major changes occurred during the first quarter of 2017. We therefore refer to Annual Report 2016 (p. 19) and Risk Management 2016 (section 3) for statements on this matter.

Changes to the Board of Directors and Executive Board

Danske Bank's annual general meeting was held on 16 March 2017. Trond Ø. Westlie did not seek re-election. The general meeting elected Martin Folke Tivéus as his replacement.

The Board of Directors has appointed Urban Bäckström as new Vice Chairman.

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

Danske Bank has appointed Carsten Egeriis as new Chief Risk Officer (CRO). He will head Group Risk Management and will join Danske Bank's Executive Board on 1 September 2017 at the latest.

He succeeds Gilbert Kohnke, who wishes to leave his position. Gilbert Kohnke will continue as CRO until Carsten Egeriis takes over.

Personal Banking

Profit before tax fell 9% from the level in the first quarter of 2016, owing to increasing loan impairment charges. Profit before loan impairment charges grew 9% as a result of higher income generated by increasing business volumes, the inflow of new customers in Sweden and Norway, and generally higher activity levels than in the first quarter of 2016.

Personal Banking (DKK millions)	Q1 2017	Q1 2016	Index 17/16	Q4 2016	Index Q1/Q4	Full year 2016
Net interest income	1,963	1,904	103	1,938	101	7,660
Net fee income	841	789	107	819	103	3,306
Net trading income	200	162	123	176	114	562
Other income	178	124	144	157	113	613
Total income	3,182	2,979	107	3,091	103	12,141
Operating expenses	1,896	1,795	106	1,995	95	7,654
Profit before loan impairment charges	1,286	1,184	109	1,096	117	4,486
Loan impairment charges	56	-165	-	-188	-	-477
Profit before tax	1,230	1,349	91	1,284	96	4,963
Loans, excluding reverse transactions before impairments	745,903	722,498	103	741,651	101	741,651
Allowance account, loans	5,170	5,815	89	5,133	101	5,133
Deposits, excluding repo deposits	267,266	255,759	104	267,067	100	267,067
Bonds issued by Realkredit Danmark	400,681	391,672	102	398,766	100	398,766
Allowance account, guarantees	379	525	72	450	84	450
Allocated capital (average)	23,838	22,157	108	23,582	101	22,759
Net interest income as % p.a. of loans and deposits	0.78	0.78		0.77		0.76
Profit before tax as % p.a. of allocated capital (ROAC)	20.6	24.4		21.8		21.8
Cost/income ratio (%)	59.6	60.3		64.5		63.0
Full-time-equivalent staff	4,558	5,080	90	4,623	99	4,623

Fact Book Q1 2017 provides financial highlights at the country level for Personal Banking. Fact Book Q1 2017 is available at danskebank.com/jr.

Q1 2017 vs Q1 2016

The inflow of new customers continued in Norway and Sweden, supported by our strategic partnerships with SACO in Sweden and Akademikerne in Norway. Our market shares in Denmark and Finland were stable, but the low interest rate levels remained a challenge.

Profit before tax fell 9% to DKK 1.2 billion owing to increasing loan impairment charges.

Profit before loan impairment charges was up 9%. Total income grew DKK 0.2 billion to DKK 3.2 billion, owing to increased business activity from the new partnerships, and a general pick-up in customer investment and financing activity.

Net interest income increased, primarily as a result of growing lending volumes in Sweden and Norway.

Net fee income and net trading income increased 7% and 23%, respectively, from the levels recorded in the first quarter of 2016. Activity levels were higher than in the first quarter of 2016, especially in Denmark, and this resulted in higher net income from investment and financing activities.

Looking ahead, we expect our new partnership agreements with Akava in Finland and the Swedish Confederation of Professional Employees (TCO) in Sweden to support further growth.

Operating expenses increased 6%, reflecting increased IT development costs, including costs relating to regulatory compliance.

Credit quality

Credit quality was generally stable. Most of our markets are still supported by favourable macroeconomic conditions, and the low level of interest rates.

The delinquency rate at Realkredit Danmark remained low and stable throughout the first quarter of 2017.

Loan impairment charges remained low and the DKK 56 million charge in the first quarter of 2017 derived mainly from technical adjustments of our methodology assumptions. Portfolio credit quality remained strong and stable.

Overall, the LTV level was stable throughout the first quarter of 2017.

Loan-to-value ratio, home loans	31 March 2017		31 December 2016	
	Average LTV (%)	Net credit exposure (DKK bn)	Average LTV (%)	Net credit exposure (DKK bn)
Denmark	65.4	459	65.5	459
Finland	60.7	84	60.7	83
Sweden	58.4	73	59.0	70
Norway	61.3	96	62.5	93
Total	63.6	711	63.9	706

Credit exposure

Credit exposure increased to DKK 775 billion in the first quarter of 2017, driven by growth in Norway and Sweden, as a result of our partnerships.

(DKK millions)	Net credit exposure		Impairments (ann.) (%)
	31 March 2017	31 December 2016	31 March 2017
Denmark	488,532	489,455	0.05
Finland	90,417	90,514	-0.02
Sweden	80,622	77,955	0.02
Norway	115,811	113,432	-0.01
Other	-	-	-
Total	775,382	771,357	0.03

Q1 2017 vs Q4 2016

Profit before tax decreased 4% to DKK 1.2 billion in the first quarter of 2017, owing mainly to higher loan impairment charges.

Total income increased 3%, driven by growth in Sweden and Norway, and increasing fee income in Denmark.

Net trading income increased 14%, primarily as a result of higher income from mortgage refinancing in Denmark.

Operating expenses fell 5%, owing mainly to severance payments made in the fourth quarter.

Loan impairments totalled DKK 56 million in the first quarter, against a net reversal of DKK 188 million in the fourth quarter of 2016. The increase was due mainly to technical adjustments of our methodology assumptions. Credit quality remained strong and stable.

Business Banking

Profit before tax increased 24% from the level in the first quarter of 2016, primarily owing to net reversals of loan impairment charges in all our markets combined with an improvement in income and lower operating expenses. Total income improved 4%, mainly as a result of good activity and sound growth in lending. Loan impairments amounted to net reversals of DKK 285 million as a result of solid credit quality due to higher property prices and stable macroeconomic conditions.

Business Banking (DKK millions)	Q1 2017	Q1 2016	Index 17/16	Q4 2016	Index Q1/Q4	Full year 2016
Net interest income	2,135	2,085	102	2,148	99	8,427
Net fee income	455	393	116	405	112	1,629
Net trading income	146	153	95	176	83	568
Other income	141	132	107	183	77	588
Total income	2,877	2,763	104	2,912	99	11,212
Operating expenses	1,112	1,142	97	1,264	88	4,791
Profit before loan impairment charges	1,765	1,621	109	1,648	107	6,421
Loan impairment charges	-285	-29	-	-181	157	-235
Profit before tax	2,049	1,650	124	1,829	112	6,657
Loans, excluding reverse transactions before impairments	671,823	646,235	104	662,130	101	662,130
Allowance account, loans	12,307	14,448	85	12,996	95	12,996
Deposits, excluding repo deposits	232,210	223,348	104	230,096	101	230,096
Bonds issued by Realkredit Danmark	323,903	303,688	107	323,469	100	323,469
Allowance account, guarantees	408	357	114	327	125	327
Allocated capital (average)	44,928	41,688	108	41,470	108	41,380
Net interest income as % p.a. of loans and deposits	0.96	0.98		0.98		0.96
Profit before tax as % p.a. of allocated capital (ROAC)	18.2	15.8		17.6		16.1
Cost/income ratio (%)	38.7	41.3		43.4		42.7
Full-time-equivalent staff	2,639	2,689	98	2,662	99	2,662

Fact Book Q1 2017 provides financial highlights at the country level for Business Banking. Fact Book Q1 2017 is available at danskebank.com/ir.

Q1 2017 vs Q1 2016

Profit before tax increased 24% to DKK 2.0 billion, owing mainly to net impairment reversals in all our markets. The result also benefited from higher income and lower operating expenses.

Owing to good activity in our markets, total income was up 4% from the level in the first quarter of 2016 despite the low interest rates.

Net interest income rose 2%. Good business momentum and increasing lending volumes were the main drivers of the improvement and offset the effect of the low interest rates. The rise in net interest income was also supported by the positive effect of deposit repricing carried out as a result of the low interest rates.

Net fee income was up, partly due to increased lending volumes and higher income generated by mortgage finance activities, while net trading income was down slightly.

Although regulatory costs remained high, operating expenses were down 3%, partly as a result of efficiency improvements.

Strong credit quality

Relatively stable macroeconomic conditions in the Nordic countries and our ongoing efforts to improve weak exposures contributed to net impairment reversals of DKK 285 million in the first quarter of 2017, against net reversals of DKK 29 million in the same period in 2016.

The reversals related mainly to facilities in Denmark, Sweden and Norway and were made across most industries. In Denmark, the development was primarily attributable to positive collateral value adjustments.

In general, portfolio quality continues to improve as a result of customer rating upgrades for more than 12 consecutive months.

Credit exposure

Credit exposure increased from DKK 768 billion at the end of 2016 to DKK 797 billion at the end of March 2017.

(DKK millions)	Net credit exposure		Impairments (ann.) [%]
	31 March 2017	31 December 2016	31 March 2017
Denmark	460,101	448,533	-0.17
Finland	73,527	71,337	-0.07
Sweden	161,462	150,276	-0.20
Norway	81,603	77,840	-0.11
Baltics	20,468	19,801	-0.52
Other	13	7	-
Total	797,174	767,794	-0.17

Q1 2017 vs Q4 2016

Profit before tax increased 12% to DKK 2.0 billion as a result of lower operating expenses and larger net reversals of loan impairment charges.

Total income decreased 1%, primarily owing to a fall in net trading income of 17% as a result of high refinancing activity at Realkredit Danmark in the previous quarter.

Net interest income was relatively stable. Increasing lending volumes had a positive effect, which was offset by fewer interest days in the first quarter of 2017, however.

Operating expenses declined 12%, primarily owing to severance payments made in the fourth quarter of 2016 and seasonality.

Loan impairments remained at a low level, amounting to net reversals of DKK 285 million in the first quarter of 2017.

Corporates & Institutions

Profit before tax amounted to DKK 2.3 billion, an increase of DKK 1.2 billion from the level in the first quarter of 2016, caused primarily by an increase in income and lower impairment charges. Total income amounted to DKK 3.6 billion, an increase of DKK 1.2 billion from the level in the corresponding period in 2016. Whereas the year-earlier period was characterised by very challenging market conditions, the first quarter of 2017 was characterised by high customer activity on the back of geopolitical events.

Corporates & Institutions (DKK millions)	Q1 2017	Q1 2016	Index 17/16	Q4 2016	Index Q1/Q4	Full year 2016
Net interest income	758	727	104	795	95	3,061
Net fee income	722	543	133	626	115	2,221
Net trading income	2,075	1,090	190	1,329	156	5,263
Other income	-	14	-	-5	-	16
Total income	3,556	2,374	150	2,745	130	10,561
Operating expenses	1,217	1,103	110	1,151	106	4,648
Profit before loan impairment charges	2,338	1,271	184	1,594	147	5,913
Loan impairment charges	80	195	41	282	28	1,071
Profit before tax	2,259	1,076	210	1,312	172	4,842
Loans, excluding reverse trans. before impairments	198,999	187,991	106	197,212	101	197,212
Allowance account, loans	2,159	1,857	116	2,466	88	2,466
Allowance account, credit institutions	13	26	50	40	33	40
Deposits, excluding repo deposits	256,832	215,647	119	233,315	110	233,315
Bonds issued by Realkredit Danmark	18,620	20,992	89	17,722	105	17,722
Allowance account, guarantees	289	246	117	256	113	256
Allocated capital (average)	39,011	40,346	97	38,207	102	38,024
Net interest income as % p.a. of loans and deposits	0.67	0.72		0.74		0.72
Profit before tax as % p.a. of allocated capital (ROAC)	23.2	10.7		13.7		12.7
Cost/income ratio (%)	34.2	46.5		41.9		44.0
Full-time-equivalent staff	1,781	1,810	98	1,796	99	1,796

Total income (DKK millions)						
FICC	1,853	955	194	1,116	166	4,525
Capital Markets	540	369	146	510	106	1,670
General Banking	1,162	1,050	111	1,119	104	4,366
Total income	3,556	2,374	150	2,745	130	10,561

Q1 2017 vs Q1 2016

Corporates & Institutions saw a good start to the year with very strong client activity compared with the activity level in the first quarter of 2016, which was characterised by very challenging market conditions. The higher level of client activity was fuelled especially by geopolitical events and concerns over the French election, which adversely affected liquidity in core bond markets. These effects led to increased client activity in our Nordic core markets and also presented us with the opportunity to provide a broad range of financial services to meet customer needs.

As a result of the above, total income increased 50% to DKK 3.6 billion.

Net interest income rose 4% following increased volumes of lending to and deposits from corporate and institutional clients.

Net fee income increased 33% owing to increased client activity, mainly in Capital Markets and General Banking.

Net trading income rose 90% to DKK 2.1 billion. The improvement was driven by solid client activity, especially in the beginning of the quarter.

Total income from Fixed Income, Currencies and Commodities (FICC) increased 94% from the level in the first quarter of 2016, owing to a combination of high daily client activity and event-driven transactions during a period of political turmoil. A positive development in value adjustments also contributed to the result in the first quarter of 2017.

Capital Markets income amounted to DKK 0.5 billion, an increase of 46% from the level in the first quarter of 2016. All areas within Capital Markets saw a good start to the year. In Debt Capital Markets, client activity was especially high, driven by many new bond issues. The high level of activity was

partly caused by issuers tapping into the market ahead of events later in 2017.

Income from General Banking was up 11% from the same period in 2016, owing to increased volumes and a focus on additional business with clients.

Operating expenses increased 10% owing to increased performance-based compensation in 2017 as a result of higher income and the first quarter of 2016 benefiting from positive one-offs.

Capital consumption was down 3%, mainly due to lower market risk.

Credit quality

Total loan impairments at Corporates & Institutions amounted to DKK 80 million in the first quarter of 2017 and were made mainly against exposure to the oil sector. In the past quarters, the oil price has fluctuated around USD 55 per barrel, which has stabilised the situation for oil companies active on the Norwegian continental shelf. It is the expectation, however, that it will take time before the full effect of this stabilisation feeds through to the subcontractors in the sector.

At the end of the first quarter of 2017, total credit exposure from lending activities, including repo transactions, amounted to DKK 905 billion, an increase of 11% from the level at the end of 2016. The rise was caused mainly by increased cash deposits with central banks. Furthermore, credit exposure to corporate clients increased slightly in the first quarter of 2017.

(DKK millions)	Net credit exposure		Impairments
	31 March	31 December	(ann.) (%)
	2017	2016	31 March
Sovereign	328,331	248,195	-
Financial Institutions	202,585	197,811	-0.11
Corporate	373,495	370,988	0.20
Other	401	145	-
Total	904,811	817,139	0.07

The sovereign portfolio consists primarily of exposures to the stable, highly-rated Nordic sovereigns and to central banks. Most of the exposure to financial institutions consists of repo lending facilities. The corporate portfolio is diverse, consisting mainly of large companies based in the Nordic countries and large international clients with activities in the Nordic region.

Q1 2017 vs Q4 2016

Profit before tax increased 72%, mainly owing to increased client activity and a decrease in loan impairments.

At FICC, income rose 66% due to increased client activity on the back of political turmoil.

At Capital Markets, total income increased 6%, mainly owing to increased activity within new issues through Debt Capital Markets.

Operating expenses increased 6% from the level in the preceding quarter, mainly owing to increased performance-based compensation.

Wealth Management

Profit before tax amounted to DKK 1.1 billion, an increase of 3% from the level in the first quarter of 2016. Financial performance benefited from an increase in assets under management and strong sales, and total income increased 8% from the level in the first quarter of 2016. The increase was caused especially by higher net fee income owing to the positive market conditions, which led to higher activity. The year-earlier period was characterised by challenging market conditions.

Wealth Management (DKK millions)	Q1 2017	Q1 2016	Index 17/16	Q4 2016	Index Q1/Q4	Full year 2016
Net interest income	182	168	108	176	103	675
Net fee income	1,749	1,550	113	2,147	81	6,732
Net trading income	103	85	121	148	70	591
Other income	28	104	27	224	13	574
Total income	2,062	1,907	108	2,695	77	8,572
Operating expenses	1,016	918	111	1,103	92	3,887
Profit before loan impairment charges	1,046	989	106	1,592	66	4,685
Loan impairment charges	-25	-51	49	-55	45	-137
Profit before tax	1,070	1,040	103	1,647	65	4,823
Loans, excluding reverse trans. before impairments	73,399	69,472	106	72,473	101	72,473
Allowance account, loans	475	563	84	532	89	532
Deposits, excluding repo deposits	61,911	58,431	106	62,881	98	62,881
Bonds issued by Realkredit Danmark	32,226	31,074	104	31,341	103	31,341
Allowance account, guarantees	38	4	-	2	-	2
Allocated capital (average)	13,529	16,266	83	13,225	102	14,047
Net interest income as % p.a. of loans and deposits	0.54	0.53		0.52		0.50
Profit before tax as % p.a. of allocated capital (ROAC)	31.6	25.6		49.8		34.3
Cost/income ratio (%)	49.3	48.1		40.9		45.3
Full-time-equivalent staff	1,946	1,992	98	1,948	100	1,948

Breakdown of assets under management*

(DKK billions)

Life conventional	158	162	98	161	98	161
Asset management	875	761	115	848	103	848
Assets under advice	429	428	100	412	104	412
Total assets under management	1,463	1,351	108	1,420	103	1,420

Breakdown of net fee income

(DKK millions)

Management fees	1,466	1,237	119	1,112	132	4,825
Performance fees	16	11	145	483	3	501
Risk allowance fees	268	302	89	552	49	1,405
Total net fee income	1,749	1,550	113	2,147	81	6,732

*Assets under management consists of our life conventional business (Danica Traditionel), asset management (Danica unit-linked and Danske Capital) and assets under advice (the investment decision is made by the client) from personal, business and private banking customers.

Q1 2017 vs Q1 2016

Profit before tax amounted to DKK 1.1 billion, up 3% from the level in the first quarter of 2016.

Financial performance benefited from an increase in assets under management and strong sales, both in Asset Management and in Danica Pension in the form of premiums, and total income increased 8% from the level in the first quarter of 2016.

Several business initiatives were initiated in the first quarter of 2017, including the combination of investment capacity in Asset Management and in Danica Pension to leverage the full strength of our investment competencies and thus provide all customers with new holistic investment offerings from our retail investment platform.

Net interest income was up 8% to DKK 0.2 billion as a result of a 6% increase in lending volumes.

Net fee income benefited from an increase in assets under management and the positive market conditions. Net fee income thus amounted to DKK 1.7 billion and was up 13% from the level in the first quarter of 2016.

Net trading income increased 21% to DKK 0.1 billion. The year-earlier period was characterised by challenging market conditions.

Operating expenses were up 11% as a consequence of increased activity and restructuring costs.

Credit quality

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

Loan impairment charges amounted to net reversals of DKK 25 million in the first quarter of 2017.

Overall, the LTV level was stable throughout the first quarter of 2017.

Loan-to-value ratio, home loans

	31 March 2017		31 December 2016	
	Average LTV (%)	Net credit exposure (DKK bn)	Average LTV (%)	Net credit exposure (DKK bn)
Denmark	60.7	38	60.7	38
Finland	65.3	2	65.5	2
Sweden	58.1	3	59.4	3
Norway	58.9	7	59.7	7
Luxembourg	-	-	-	-
Total	60.4	51	60.6	50

Credit exposure

Credit exposure was stable at DKK 82.2 billion in the first quarter of 2017.

(DKK millions)	Net credit exposure		Impairments (ann.) (%)
	31 March 2017	31 December 2016	31 March 2017
Denmark	55,175	56,086	-0.23
Finland	3,590	3,380	0.01
Sweden	5,895	5,821	0.17
Norway	10,974	10,599	0.07
Luxembourg	6,575	6,411	0.09
Other	-	-	-
Total	82,207	82,297	-0.13

Assets under management

Assets under management consist of our life conventional business (*Danica Traditione*), asset management (Danica unit-linked and Danske Capital) as well as assets under advice, where the client makes the investment decision. For the first quarter of 2017, assets under management totalled DKK 1,463 billion.

Assets under management increased 3%, or DKK 43 billion, from the level at the end of 2016, driven by a positive inflow from net sales and premiums. For Asset Management, net sales in first quarter of 2017 amounted to DKK 9.9 billion, which came from institutional and retail clients, against DKK -3.0 billion in the first quarter of 2016. Net premiums for Danica Pension amounted to DKK 11.4 billion, against DKK 8.2 billion in first quarter of 2016.

Investment return on customer funds

For our asset management business, 72% of all investment products generated above-benchmark results. On a 3-year horizon, 72% were above benchmark.

% of investment products (GIPS composites) with above-benchmark returns (pre-costs)*	2017	3-year
	All funds	72
Equity funds	55	71
Fixed-income funds	91	82
Balanced funds etc.	83	53

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

Customers with *Danica Balance Mix* achieved returns on investments of 1.9% to 5.8%. The return for customers with *Danica Balance* (medium risk profile with 15 years to retirement) was 3.8% and was the second-best in Danica Pension's peer group. Compared with the market return, the return was satisfactory.

Q1 2017 vs Q4 2016

In the first quarter of 2017, profit before tax decreased to DKK 1.1 billion, down 35% from the level in the fourth quarter of 2016.

Total income decreased 23%. Apart from normal seasonality, the decrease was owing to high income from the shadow account in Danica Pension and higher performance fees in Asset Management in the fourth quarter of 2016.

Net sales for Asset Management, excluding Danica Pension, amounted to DKK 9.9 billion, against DKK 5.6 billion in the fourth quarter. Net premiums in Danica Pension amounted to DKK 11.4 billion, against DKK 9.2 billion in the fourth quarter.

Operating expenses were down 8%, primarily due to higher performance-related payments in the fourth quarter.

Northern Ireland

Profit before tax declined 29% to DKK 237 million on the basis of the negative impact of lower UK interest rates, increased operating expenses, reduced loan impairment reversals and movements in the GBP/DKK exchange rate (9%).

Northern Ireland (DKK millions)	Q1 2017	Q1 2016	Index 17/16	Q4 2016	Index Q1/Q4	Full year 2016
Net interest income	342	385	89	340	101	1,458
Net fee income	115	121	95	108	106	471
Net trading income	24	23	104	24	100	126
Other income	3	9	33	2	150	18
Total income	484	538	90	474	102	2,072
Operating expenses	309	285	108	334	93	1,243
Profit before loan impairment charges	176	253	70	140	126	829
Loan impairment charges	-61	-81	75	-22	277	-234
Profit before tax	237	334	71	162	146	1,063
Loans, excluding reverse transactions before impairments	46,541	48,125	97	45,575	102	45,575
Allowance account, loans	1,164	2,480	47	1,262	92	1,262
Deposits, excluding repo deposits	58,912	59,655	99	59,244	99	59,244
Allowance account, guarantees	9	24	38	11	82	11
Allocated capital (average)*	5,980	8,319	72	6,394	94	7,326
Net interest income as % p.a. of loans and deposits	1.31	1.46		1.31		1.41
Profit before tax as % p.a. of allocated capital (ROE)	15.9	16.1		10.1		14.5
Cost/income ratio (%)	63.8	53.0		70.5		60.0
Full-time-equivalent staff	1,306	1,285	102	1,289	101	1,289

* Allocated capital equals the legal entity's capital.

Q1 2017 vs Q1 2016

Profit before tax decreased 29% to DKK 237 million. The decrease was the result of lower total income and higher operating expenses.

Total income stood at DKK 484 million, down 10%, largely as a result of the negative impact of lower UK interest rates.

Operating expenses increased 8% to DKK 309 million.

Loan impairment charges continued to show a net reversal. Even though the reversal was lower than in the first quarter of 2016, it was indicative of a continuing recovery in property values and in the trading results of our business customers.

Q1 2017 vs Q1 2016 in local currency

In local currency, profit before tax decreased 22%. Income fell 1% as the negative impact of lower UK interest rates was offset by growth in both lending and deposit volumes.

Our mortgage product offering helped us drive significant new mortgage business in the first quarter, resulting in an uplift in mortgage lending compared with the end of 2016.

Operating expenses increased 19%, reflecting higher costs associated with the implementation of our investment programme - introduced to drive competitiveness, efficiency and the delivery of new solutions for customers. The underlying performance remained strong across the bank.

Credit quality

The loan impairment reversal of DKK 61 million for the first quarter of 2017 is indicative of a continuing recovery in property values and the improvement of customer financials.

(DKK millions)	Net credit exposure		Impairments (ann.)(%)
	31 March 2017	31 December 2016	31 March 2017
Personal customers	18,340	18,022	0.07
Public institutions	15,518	15,992	0.14
Financial customers	173	194	0.37
Commercial customers	30,808	29,348	-1.09
Total	64,839	63,555	-0.54

Q1 2017 vs Q4 2016

Profit before tax rose in the first quarter of 2017, with income, costs and impairments all favourable.

Income reflects underlying business growth and pricing activity in response to the interest rate cut in the UK in the third quarter of 2016.

The decline in operating expenses was due to severance payments made and seasonality in the fourth quarter.

Non-core

Profit before tax for the first quarter of 2017 was a negative DKK 19 million, a decrease of DKK 1 million from the level in the first quarter of 2016. The winding-up of the Non-core portfolios is proceeding according to plan, and total lending has decreased 4% since the end of 2016 and stood at DKK 20.7 billion at 31 March 2017.

Non-core (DKK millions)	Q1 2017	Q1 2016	Index 17/16	Q4 2016	Index Q1/Q4	Full year 2016
Total income	44	70	63	45	98	235
Operating expenses	62	86	72	79	78	363
Profit before loan impairment charges	-18	-16	113	-35	51	-128
Loan impairment charges	1	2	50	-67	-	-165
Profit before tax	-19	-18	106	32	-	37
Loans, excluding reverse transactions before impairments	20,723	26,727	78	21,504	96	21,504
Allowance account, loans	2,405	3,828	63	2,644	91	2,644
Deposits, excluding repo deposits	2,241	3,256	69	2,365	95	2,365
Allowance account, guarantees	28	36	78	33	85	33
Allocated capital (average)	2,776	3,025	92	2,518	110	2,878
Net interest income as % p.a. of loans and deposits	0.91	1.04		0.90		1.13
Profit before tax as % p.a. of allocated capital (ROAC)	-2.7	-2.4		5.1		1.3
Cost/income ratio (%)	140.9	122.9		175.6		154.5
Full-time-equivalent staff	143	267	54	153	93	153

Loan impairment charges (DKK millions)

Non-core banking*	1	3	33	-67	-	-164
Non-core conduits etc.	-	-1	-	-	-	-1
Total	1	2	50	-67	-	-165

* Non-core banking encompasses Non-core Baltics (personal customers in Estonia) and Non-core Ireland.

Q1 2017 vs Q1 2016

Profit before tax in the first quarter of 2017 was a loss of DKK 19 million, against a loss of DKK 18 million in the first quarter of 2016, with the decrease being caused by a decrease in income resulting from the continued reduction of the loan portfolio.

Operating expenses were down 28%, owing primarily to the continued reduction in the number of full-time employees.

Total lending, which amounted to DKK 20.7 billion, consisted mainly of exposure to personal mortgages and conduits. Personal mortgages in Estonia and Ireland will mature according to contractual terms.

The Non-core conduits portfolio amounted to DKK 6.0 billion, against DKK 6.3 billion at the end of 2016. The portfolio consists mainly of liquidity facilities for conduits. The credit quality of the portfolio was stable.

(DKK millions)	Net credit exposure		Accumulated impairment charges	
	31 Mar. 2017	31 Dec. 2016	31 Mar. 2017	31 Dec. 2016
Non-core banking	16,563	17,103	2,196	2,437
-of which Personal customers	16,365	16,966	1,724	1,791
Non-core conduits etc.	5,965	6,343	237	239
Total	22,528	23,446	2,433	2,676

Total impairments amounted to DKK 1 million, against DKK 2 million in the first quarter of 2016.

The winding-up of the Non-core portfolios is proceeding according to plan.

Q1 2017 vs Q4 2016

Profit before tax amounted to a loss of DKK 19 million, down from a profit of DKK 32 million in the fourth quarter. The decrease was owing mainly to net reversals of loan impairment charges in the fourth quarter.

Loan impairment charges amounted to DKK 1 million, against net reversals of DKK 67 million in the fourth quarter. Loan impairments stood at a low level.

Other Activities

Other Activities includes Group Treasury and Group support functions as well as 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 segments. Group Treasury is responsible for the Group's liquidity management and funding.

Other Activities (DKK millions)	Q1 2017	Q1 2016	Index 17/16	Q4 2016	Index Q1/Q4	Full year 2016
Net interest income	358	-10	-	393	91	747
Net fee income	-33	-14	236	-73	45	-175
Net trading income	157	84	187	470	33	1,498
Other income	6	849	1	196	3	1,331
Total income	488	909	54	986	49	3,401
Operating expenses	174	66	264	210	83	419
Profit before loan impairment charges	314	843	37	776	41	2,982
Loan impairment charges	-	1	-	3	-	9
Profit before tax	314	842	37	773	41	2,973

Profit before tax (DKK millions)

Group Treasury	427	15	-	767	56	2,005
Own shares	-112	-38	-	-67	-	-135
Additional tier 1 capital	194	161	120	177	110	663
Group support functions	-195	704	-	-104	-	440
Total Other Activities	314	842	37	773	41	2,973

Q1 2017 vs Q1 2016

Other Activities posted a profit before tax of DKK 314 million, against DKK 842 million in the first quarter of 2016.

Net interest income amounted to DKK 358 million. The result primarily reflects elimination of the interest expense on additional tier 1 capital (DKK 194 million), differences between actual and allocated funding costs using the Group's funds transfer pricing model, and income related to the Group's liquidity portfolio.

Net trading income amounted to DKK 157 million, benefiting from positive fair value adjustments related to Group Treasury activities.

Other income amounted to DKK 6 million, against DKK 849 million in the first quarter of 2016. In the first quarter of 2016, other income included a gain related to the sale of domicile property at Holmens Kanal in Copenhagen.

Q1 2017 vs Q4 2016

In the first quarter of 2017, profit before tax was DKK 314 million, against DKK 773 million in the fourth quarter of 2016.

Net trading income amounted to DKK 157 million, against DKK 470 million in the fourth quarter. Net trading income in the fourth quarter benefited from the sale of shares in Danmarks Skibskredit A/S.

Other income amounted to DKK 6 million, against DKK 196 million in the fourth quarter. Proceeds from the sale of domicile properties accounted for most of Other income in the fourth quarter.

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 only to certain changes in the presentation. There are no adjusting items, which means that net profit is the same in the financial highlights and in the IFRS income statement. In note 2 to the financial statements, the difference in the presentation is described and each line item is reconciled with the consolidated financial statements prepared under the IFRS.

Definitions of additional ratios and key figures presented on page 3 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. Hence, for 2016, it is the dividend paid in 2017.
Return on average shareholders' equity (% p.a.)	Net profit (annualised) divided by quarterly average shareholders' equity. 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 and tax thereon (2016: DKK 663 million before tax), and the denominator represents equity excluding additional tier 1 capital and other non-controlling interests.
Return on average tangible equity (% p.a.)	As above but with shareholders' equity reduced by intangible assets and net profit adjusted for amortisation of intangible assets.
Net interest income as % p.a. of loans and deposits	Net interest income (annualised) in the financial highlights divided by the sum of loans and deposits. All amounts are from the financial highlights.
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 (% p.a. of credit exposure)	The key figure is calculated on the basis of loan impairment charges and credit exposure from lending activities in core segments. The nominator is the loan impairment charges (annualised) from the financial highlights. The denominator is the net credit exposure from lending activities in core segments at the beginning of the year of DKK 2,533.8 billion, as disclosed in the "Breakdown of credit exposure" table in the Notes to the financial statements, reduced by credit exposure related to credit institutions and central banks of DKK 289.3 billion and loan commitments of DKK 275.5 billion. The key ration is calculated for each business unit.

Income statement – Danske Bank Group

Note	(DKK millions)	Q1 2017	Q1 2016	Full year 2016
	Interest income	14,097	15,104	59,618
	Interest expense	7,053	7,051	27,289
	Net interest income	7,045	8,054	32,329
	Fee income	4,496	3,814	15,883
	Fee expenses	1,440	1,334	5,736
	Net trading income	7,798	-1,873	13,396
3	Other income	1,297	1,576	6,006
	Income from holdings in associates	122	41	941
	Net premiums	7,423	5,631	24,686
	Net insurance benefits	13,521	4,054	37,669
	Operating expenses	6,313	5,711	24,647
	Profit before loan impairment charges	6,907	6,143	25,189
4	Loan impairment charges	-234	-128	-168
	Profit before tax	7,140	6,271	25,357
	Tax	1,610	1,326	5,500
	Net profit for the period	5,530	4,945	19,858
	Portion attributable to shareholders of Danske Bank A/S (the Parent Company)	5,336	4,784	19,195
	additional tier 1 capital holders	194	161	663
	non-controlling interests	-	-	-
	Net profit for the period	5,530	4,945	19,858
	Earnings per share (DKK)	5.8	5.0	20.2
	Diluted earnings per share (DKK)	5.8	5.0	20.2
	Proposed dividend per share (DKK)	-	-	9.0

Statement of comprehensive income – Danske Bank Group

(DKK millions)	Q1 2017	Q1 2016	Full year 2016
Net profit for the period	5,530	4,945	19,858
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plans	-254	-32	-972
Tax	15	21	234
Items that will not be reclassified to profit or loss	-239	-11	-738
Items that are or may be reclassified subsequently to profit or loss			
Translation of units outside Denmark	89	-802	-1,274
Hedging of units outside Denmark	-93	838	1,234
Unrealised value adjustments of available-for-sale financial assets	80	137	309
Realised value adjustments of available-for-sale financial assets	-8	-3	-10
Tax	-9	-215	-257
Items that are or may be reclassified subsequently to profit or loss	59	-45	2
Total other comprehensive income	-180	-56	-736
Total comprehensive income for the period	5,350	4,889	19,122
Portion attributable to			
shareholders of Danske Bank A/S (the Parent Company)	5,156	4,728	18,459
additional tier 1 capital holders	194	161	663
non-controlling interests	-	-	-
Total comprehensive income for the period	5,350	4,889	19,122

Balance sheet – Danske Bank Group

Note	(DKK millions)	31 March 2017	31 December 2016	31 March 2016
Assets				
	Cash in hand and demand deposits with central banks	57,917	53,211	69,347
	Due from credit institutions and central banks	333,239	245,479	127,756
	Trading portfolio assets	463,752	509,679	566,268
	Investment securities	337,105	343,337	335,965
	Loans at amortised cost	1,145,705	1,141,567	1,131,658
	Loans at fair value	770,440	766,003	748,774
	Assets under pooled schemes and unit-linked investment contracts	105,125	99,848	91,140
	Assets under insurance contracts	289,697	285,398	268,338
	Intangible assets	6,852	6,790	6,538
	Tax assets	2,730	1,283	3,849
7	Others assets	30,979	31,075	38,885
	Total assets	3,543,540	3,483,670	3,388,518
Liabilities				
	Due to credit institutions and central banks	248,298	272,883	306,201
	Trading portfolio liabilities	446,325	478,301	493,395
	Deposits	996,055	943,865	888,681
	Bonds issued by Realkredit Danmark	734,250	726,732	682,542
	Deposits under pooled schemes and unit-linked investment contracts	112,298	106,418	95,974
	Liabilities under insurance contracts	314,759	314,977	299,824
6	Other issued bonds	449,234	392,512	381,367
	Tax liabilities	8,000	8,151	7,989
7	Other liabilities	37,861	35,385	37,079
6	Subordinated debt	35,922	37,831	39,361
	Total liabilities	3,383,002	3,317,055	3,232,413
Equity				
	Share capital	9,837	9,837	10,086
	Foreign currency translation reserve	-637	-633	-557
	Reserve for available-for-sale- financial assets	259	187	22
	Retained earnings	136,690	134,028	135,121
	Proposed dividends	-	8,853	-
	Shareholders of Danske Bank A/S (the Parent Company)	146,149	152,272	144,672
	Additional tier 1 capital holders	14,389	14,343	11,433
	Non-controlling interests	-	-	-
	Total equity	160,538	166,615	156,105
	Total liabilities and equity	3,543,540	3,483,670	3,388,518

Statement of capital – Danske Bank Group

Changes in equity

(DKK millions)	Shareholders of Danske Bank A/S (the Parent Company)								Total
	Share capital	Foreign currency translation reserve	Reserve for available-for-sale assets	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Non-controlling interests	
Total equity at 1 January 2017	9,837	-633	187	134,028	8,853	152,272	14,343	-	166,615
Net profit for the period	-	-	-	5,336	-	5,336	194	-	5,530
Other comprehensive income									
Remeasurement of defined benefit plans	-	-	-	-254	-	-254	-	-	-254
Translation of units outside Denmark	-	89	-	-	-	89	-	-	89
Hedging of units outside Denmark	-	-93	-	-	-	-93	-	-	-93
Unrealised value adjustments	-	-	80	-	-	80	-	-	80
Realised value adjustments	-	-	-8	-	-	-8	-	-	-8
Transfer between reserves	-	-	-	-	-	-	-	-	-
Tax	-	-	-	6	-	6	-	-	6
Total other comprehensive income	-	-4	72	-248	-	-180	-	-	-180
Total comprehensive income for the period	-	-4	72	5,088	-	5,156	194	-	5,350
Transactions with owners									
Issuance of additional tier 1 capital, net of transaction costs	-	-	-	-	-	-	-	-	-
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-35	-	-35
Dividends paid	-	-	-	521	-8,853	-8,332	-	-	-8,332
Share capital reduction	-	-	-	-	-	-	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-12,958	-	-12,958	-113	-	-13,071
Sale of own shares and additional tier 1 capital	-	-	-	9,981	-	9,981	-	-	9,981
Share-based payments	-	-	-	-	-	-	-	-	-
Tax	-	-	-	30	-	30	-	-	30
Total equity at 31 March 2017	9,837	-637	259	136,690	-	146,149	14,389	-	160,538

On 3 February 2017, the Group initiated a share buy-back programme of DKK 10 billion, which may run until 2 February 2018. At the end of March 2017, the Group had acquired 7,336,000 shares for a total amount of DKK 1,752 million under the share buy-back programme based on trade date.

On 16 March 2017, the annual general meeting of Danske Bank A/S adopted the proposal to reduce Danske Bank's share capital by DKK 468,851,130 nominally by cancelling 46,885,113 shares from Danske Bank's holding of own shares. The reduction of the share capital has been carried out and registered at 24 April 2017. After the reduction, Danske Bank A/S' share capital amounts to DKK 9,368,277,220 nominally, corresponding to 936,827,722 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)								Total
	Share capital	Foreign currency translation reserve	Reserve for available-for-sale assets	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Non-controlling interests	
Total equity at 1 January 2016	10,086	-593	-401	132,147	8,069	149,308	11,317	-	160,625
Net profit for the period	-	-	-	4,784	-	4,784	161	-	4,945
Other comprehensive income									
Remeasurement of defined benefit plans	-	-	-	-32	-	-32	-	-	-32
Translation of units outside Denmark	-	-802	-	-	-	-802	-	-	-802
Hedging of units outside Denmark	-	838	-	-	-	838	-	-	838
Unrealised value adjustments	-	-	137	-	-	137	-	-	137
Realised value adjustments	-	-	-3	-	-	-3	-	-	-3
Transfer between reserves	-	-	289	-289	-	-	-	-	-
Tax	-	-	-	-194	-	-194	-	-	-194
Total other comprehensive income	-	36	423	-515	-	-56	-	-	-56
Total comprehensive income for the period	-	36	423	4,269	-	4,728	161	-	4,889
Transactions with owners									
Issuance of additional tier 1 capital, net of transaction costs	-	-	-	-	-	-	-	-	-
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	311	-8,069	-7,758	-	-	-7,758
Acquisition of own shares and additional tier 1 capital	-	-	-	-8,722	-	-8,722	-45	-	-8,767
Sale of own shares and additional tier 1 capital	-	-	-	7,081	-	7,081	-	-	7,081
Share-based payments	-	-	-	-	-	-	-	-	-
Tax	-	-	-	35	-	35	-	-	35
Total equity at 31 March 2016	10,086	-557	22	135,121	-	144,672	11,433	-	156,105

Statement of capital – Danske Bank Group

	31 March 2017	31 December 2016
Share capital (DKK)	9,837,128,350	9,837,128,350
Number of shares	983,712,835	983,712,835
Number of shares outstanding	923,014,474	935,259,793
Average number of shares outstanding for the period	927,693,749	957,213,435
Average number of shares outstanding, including dilutive shares, for the period	928,220,936	957,737,581

(DKK millions)

	31 March 2017	31 December 2016
Total capital and total capital ratio		
Total equity	160,538	166,615
Revaluation of domicile property at fair value	306	306
Tax effect of revaluation of domicile property at fair value	-28	-36
Total equity calculated in accordance with the rules of the Danish FSA	160,816	166,886
Additional tier 1 capital instruments included in total equity	-14,042	-14,133
Accrued interest on additional tier 1 capital instruments	-328	-169
Tax on accrued interest on additional tier 1 capital instruments	72	37
Common equity tier 1 capital instruments	146,518	152,621
Adjustment to eligible capital instruments	-8,304	-1,102
Prudent valuation	-995	-1,153
Prudential filters	-337	-397
Expected/proposed dividends	-2,765	-8,853
Intangible assets of banking operations	-6,769	-6,707
Deferred tax on intangible assets	315	322
Deferred tax assets that rely on future profitability excluding temporary differences	-279	-397
Defined benefit pension fund assets	-1,161	-828
Statutory deduction for insurance subsidiaries	-1,991	-626
Other statutory deductions	-398	-186
Common equity tier 1 capital	123,834	132,694
Additional tier 1 capital instruments	19,622	23,623
Statutory deduction for insurance subsidiaries	-249	-209
Tier 1 capital	143,207	156,108
Tier 2 capital instruments	20,047	22,141
Statutory deduction for insurance subsidiaries	-249	-209
Total capital	163,005	178,041
Total risk exposure amount	799,363	815,249
Common equity tier 1 capital ratio (%)	15.5	16.3
Tier 1 capital ratio (%)	17.9	19.1
Total capital ratio (%)	20.4	21.8

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

The risk exposure amount calculated under the Basel I rules amounted to DKK 1,509,814 million at 31 March 2017 (31 December 2016: DKK 1,487,896 million). The capital need under the transitional rules was DKK 96,628 million, equal to 12.1% of the reported risk exposure amount (31 December 2016: DKK 95,225 million).

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

Cash flow statement – Danske Bank Group

(DKK millions)	Q1 2017	Q1 2016	Full year 2016
Cash flow from operations			
Profit before tax	7,140	6,271	25,358
Tax paid	-3,117	-3,721	-4,961
Adjustment for non-cash operating items	-525	-2,059	477
Total	3,498	491	20,874
Changes in operating capital			
Amounts due to/from credit institutions and central banks	-25,528	34,691	1,543
Trading portfolio	13,951	3,014	44,510
Acquisition/sale of own shares and additional tier 1 capital	-1,423	-298	62
Other financial instruments	8,347	1,972	23,925
Loans at amortised cost	-3,905	-52,273	-62,141
Loans at fair value	-4,437	-7,113	-24,343
Deposits	52,191	25,207	80,391
Bonds issued by Realkredit Danmark	7,518	-11,976	32,213
Assets/liabilities under insurance contracts	-4,518	12,029	10,122
Other assets/liabilities	57,929	22,277	5,608
Cash flow from operations	103,623	28,021	132,764
Cash flow from investing activities			
Acquisition/sale of businesses	-	-	1,226
Acquisition of intangible assets	-157	-146	-756
Acquisition of tangible assets	-118	-40	-288
Sale of tangible assets	1	67	2,988
Cash flow from investing activities	-274	-119	3,170
Cash flow from financing activities			
Issues of subordinated debt	5,139	-	-
Redemption of subordinated debt	-6,824	-	-
Dividends	-8,332	-7,758	-7,758
Share buy back programme*	-1,667	-1,387	-8,083
Issued additional tier 1 capital	-	-	2,970
Paid interest on additional tier 1 capital	-35	-	-649
Change in non-controlling interests	-	-	-
Cash flow from financing activities	-11,719	-9,145	-13,520
Cash and cash equivalents at 1 January	296,830	178,835	178,835
Foreign currency translation	-106	-2,272	-4,171
Change in cash and cash equivalents	91,630	18,757	122,414
Cash and cash equivalents, end of period	388,354	195,319	297,078
Cash and cash equivalents, end of period			
Cash in hand	8,367	9,596	9,332
Demand deposits with central banks	49,551	59,750	43,879
Amounts due from credit institutions and central banks within three months	330,436	125,973	243,867
Total	388,354	195,319	297,078

* 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 Group has not changed its significant accounting policies from those followed in the consolidated financial statements for 2016, which provide a full description of the significant accounting policies.

Financial statement figures are stated in Danish kroner and whole millions, unless otherwise stated. As a result, rounding discrepancies may occur because sum totals have been rounded off and the underlying decimals are not presented to financial statement users. The interim report for the first quarter of 2017 has not been audited or reviewed.

[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.

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 83 million (31 December 2016: DKK 85 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. At 31 March 2017, the adjustments totalled DKK 1.6 billion (31 December 2016: DKK 1.8 billion), including the adjustment for credit risk on derivatives with customers subject to objective evidence of impairment. Note 30 in Annual Report 2016 provides more details.

Measurement of loans

The Group makes impairment charges to account for any impairment of loans that occurs after initial recognition. Impairment charges consist of individual and collective charges and rely on a number of estimates, including identification of loans or portfolios of loans with objective evidence of impairment, expected future cash flows and the value of collateral. The Group determines the need for impairment charges on the basis of a customer's expected ability to repay debt. This ability depends on a number of factors, including the customer's earnings capacity and trends in the general economic environment and unemployment. Expectations of deteriorating repayment ability reduce credit quality and lead to downgrading of the customer.

The losses incurred under non-performing loan agreements depend, among other factors, on the value of collateral received. If the value of collateral decreased 10%, individual impairment charges would increase by about DKK 2.3 billion (31 December 2016: DKK 2.4 billion). The collective impairment charges are sensitive to the credit rating of customers. If all business customers were downgraded one rating category, collective impairment charges would increase by about DKK 1.4 billion (31 December 2016: DKK 1.2 billion). Further, a collective impairment charge of DKK 3.7 billion (31 December 2016: DKK 3.3 billion) has been recognised on the basis of management's assessment to reflect market conditions at the balance sheet date that are not fully reflected in the Group's models. Note 14 in Annual Report 2016 and the risk management notes provide more details on loan impairment charges. At 31 March 2017, loans accounted for about 54% of total assets (31 December 2016: 55%).

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. At 31 March 2017, goodwill amounted to DKK 5.3 billion (31 December 2016: DKK 5.3 billion). No goodwill at the banking units remains. For Wealth Management, Danske Capital, the carrying amount of goodwill is DKK 1.8 billion (31 December 2016: DKK 1.8 billion) and relates to the activities in Finland. The excess value (the amount by which the cash-generating unit's recoverable amount exceeds the carrying amount) in the 2016 impairment test for Danske Capital amounted to DKK 0.1 billion. It has been assessed that no indication of impairment exists at 31 March 2017. Note 18 in Annual Report 2016 provides more information about impairment testing and sensitivity to changes in assumptions.

Notes – Danske Bank Group

(b) Significant accounting estimates continued

Measurement of liabilities under insurance contracts

The accounting for insurance liabilities follows the requirements of the Danish FSA's executive order on financial reports for insurance companies etc. which, with effect from 1 January 2016, was changed to harmonise the measurement of insurance liabilities in the financial statements with measurement under the Solvency II framework. Measurement of insurance liabilities 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. Note 17 and the risk management notes in Annual Report 2016 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. At 31 March 2017 deferred tax assets from recognised tax loss carry-forwards amounted to DKK 0.3 billion (31 December 2016: 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 3.0 billion (31 December 2016: DKK 3.0 billion). The full deferred tax liability arising from international joint taxation was recognised and amounted to DKK 5.9 billion (31 December 2016: DKK 6.0 billion). Note 20 in Annual Report 2016 provides more information about deferred tax.

Notes – Danske Bank Group

2. Business model and business segmentation

Danske Bank is a Nordic universal bank with bridges to the rest of the world. The Group offers 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 Other Activities, and these constitute the Group's reportable segments under IFRS 8.

Personal Banking serves personal customers. The unit focuses on providing proactive advice to customers and making day-to-day banking simple and efficient through innovative digital solutions.

Business Banking serves small and medium-sized businesses through a large network of national finance centres, branches, contact centres and online channels. The unit offers leading solutions within financing, investing, cash management and risk management.

Corporates & Institutions serves large Nordic corporate and institutional customers in the Nordic countries and beyond. This wholesale division of the bank provides strategic advice, financial solutions and products within Capital Markets, Fixed Income, Currencies and Commodities, and Transaction Banking.

Wealth Management serves the Group's entire customer base and encompasses expertise from Danica Pension, Danske Capital and Private Banking.

Northern Ireland serves personal and business customers through a network of branches in Northern Ireland and leading 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 and divestment of this part of the loan portfolio. The portfolio consists of loans to customers in Ireland, personal banking customers in the Baltics and liquidity facilities for Special Purpose Vehicles (SPVs) and conduit structures.

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

Presentation in the financial highlights and in the segment reporting

Segment reporting and the financial highlights are based on the information provided to management. The 'Reclassification' column shows the reconciliation between the presentation in the financial highlights and the presentation in the IFRS statements and includes the following:

For operating leases where the Group acts as a lessor, depreciation and the gain or loss on the sale of the lease asset at the end of the lease agreement are presented under other income in the financial highlights to better reflect the development in the cost base. In the IFRS income statement, depreciation and gains or losses on the sale of operating lease assets, excluding properties, are presented on a gross basis (i.e. the proceeds from the sale of the assets are recognised under other income, whereas depreciation and the carrying amount of the lease assets are recognised under expenses).

In the financial highlights, income contributed by FICC and trading related income at Capital Markets (both part of C&I) are presented as net trading income. Income contributed by Equity Finance (also part of C&I, Capital Markets) is presented as net fee income. In the IFRS income statement, the income is presented as net interest income, net fee income, net trading income and other income. Similarly, income at Group Treasury (part of Other Activities), except income at the internal bank, and income on the hold-to-maturity portfolio are presented as net trading income in the financial highlights and as net interest income, net fee income, net trading income etc. in the IFRS income statement. As 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, the presentation in the financial highlights is considered to better reflect income in those areas.

For the Wealth Management business unit, the presentation of Danica Pension in the financial highlights differs from the presentation in the IFRS income statement. In the financial highlights, 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 in Danica Pension, are presented under operating expenses. In the IFRS income statement, income and expenses in Danica Pension are consolidated on a line-by-line basis.

The Non-core segment includes certain customer segments that are no longer considered part of the Group's core business. The profit or loss is therefore presented as a separate line item in the financial highlights 'Profit before tax, Non-core'. In the IFRS income statement, the individual income and expense items are included in the various line items in the income statement, as the segment does not fulfil the requirements in IFRS 5 on discontinued operations.

Notes – Danske Bank Group

2. Business model and business segmentation continued

Business segments Q1 2017

(DKK millions)	Personal Banking	Business Banking	C&I	Wealth Man.	Northern Ireland	Non-core	Other Activities	Elimina- tions	Financial highlights	Reclassifi- cation	IFRS financial statements
Net interest income	1,963	2,135	758	182	342	-	349	9	5,739	1,306	7,045
Net fee income	841	455	722	1,749	115	-	-32	-1	3,850	-794	3,056
Net trading income	200	146	2,075	103	24	-	288	-131	2,705	5,094	7,798
Other income	178	141	-	28	3	-	38	-32	356	1,063	1,418
Net premiums	-	-	-	-	-	-	-	-	-	7,423	7,423
Net insurance benefits	-	-	-	-	-	-	-	-	-	13,521	13,521
Total income	3,182	2,877	3,556	2,062	484	-	643	-155	12,649	570	13,219
Operating expenses	1,896	1,112	1,217	1,016	309	-	216	-42	5,724	588	6,313
Profit before loan impair- ment charges	1,286	1,765	2,338	1,046	176	-	427	-113	6,925	-18	6,907
Loan impairment charges	56	-285	80	-25	-61	-	-	-	-235	1	-234
Profit before tax, core	1,230	2,049	2,259	1,070	237	-	427	-113	7,160	-19	7,140
Profit before tax, Non-core	-	-	-	-	-	-19	-	-	-19	19	-
Profit before tax	1,230	2,049	2,259	1,070	237	-19	427	-113	7,140	-	7,140
Loans, excluding reverse transactions	740,733	659,516	196,840	72,924	45,377	-	22,607	-32,514	1,705,483	18,318	1,723,802
Other assets	179,111	158,723	3,569,521	458,008	25,559	-	2,674,903	-5,246,246	1,819,581	157	1,819,738
Total assets in Non-core	-	-	-	-	-	18,476	-	-	18,476	-18,476	-
Total assets	919,844	818,239	3,766,361	530,933	70,936	18,476	2,697,510	-5,278,760	3,543,540	-	3,543,540
Deposits, excluding repo deposits	267,266	232,210	256,832	61,911	58,912	-	15,708	-9,301	883,538	2,241	885,779
Other liabilities	629,418	540,760	3,470,489	454,890	6,168	-	2,678,695	-5,269,459	2,510,961	651	2,511,612
Allocated capital	23,160	45,269	39,040	14,132	5,857	-	18,691	-	146,149	-	146,149
Total liabilities in Non-core	-	-	-	-	-	2,892	-	-	2,892	-2,892	-
Total liabilities and equity	919,844	818,239	3,766,361	530,933	70,936	2,892	2,713,094	-5,278,760	3,543,540	-	3,543,540
Profit before tax as % of al- located capital (avg.)	20.6	18.2	23.2	31.6	15.9	-	6.3	-	19.1	-	19.1
Cost/income ratio (%)	59.6	38.7	34.2	49.3	63.8	-	33.6	-	45.3	-	47.8
Full-time-equivalent staff, end of period	4,558	2,639	1,781	1,946	1,306	143	6,944	-	19,316	-	19,316

The 'Reclassification' column shows the reconciliation between the presentation in the financial highlights and the presentation in the IFRS statements. The reclassifications are explained on the preceding page.

Notes – Danske Bank Group

2. Business model and business segmentation continued

Business segments Q1 2016

(DKK millions)	Personal Banking	Business Banking	C&I	Wealth Man.	Northern Ireland	Non-core	Other Activities	Elimina- tions	Financial highlights	Reclassifi- cation	IFRS financial statements
Net interest income	1,904	2,085	727	168	385	-	-13	3	5,259	2,795	8,054
Net fee income	789	393	543	1,550	121	-	-13	-1	3,382	-902	2,480
Net trading income	162	153	1,090	85	23	-	136	-52	1,597	-3,470	-1,873
Other income	124	132	14	104	9	-	857	-9	1,231	386	1,617
Net premiums	-	-	-	-	-	-	-	-	-	5,631	5,631
Net insurance benefits	-	-	-	-	-	-	-	-	-	4,054	4,054
Total income	2,979	2,763	2,374	1,907	538	-	967	-59	11,469	385	11,854
Operating expenses	1,795	1,142	1,103	918	285	-	88	-21	5,310	401	5,711
Profit before loan impair- ment charges	1,184	1,621	1,271	989	253	-	879	-38	6,159	-16	6,143
Loan impairment charges	-165	-29	195	-51	-81	-	1	-	-130	2	-128
Profit before tax, core	1,349	1,650	1,076	1,040	334	-	878	-38	6,289	-18	6,271
Profit before tax, Non-core	-	-	-	-	-	-18	-	-	-18	18	-
Profit before tax	1,349	1,650	1,076	1,040	334	-18	878	-38	6,271	-	6,271
Loans, excluding reverse transactions	716,683	631,787	186,134	68,909	45,645	-	28,429	-37,524	1,640,063	22,899	1,662,962
Other assets	167,029	151,217	3,630,191	257,005	28,562	-	2,800,493	-5,312,556	1,721,941	3,615	1,725,556
Total assets in Non-core	-	-	-	-	-	26,514	-	-	26,514	-26,514	-
Total assets	883,712	783,004	3,816,325	325,914	74,207	26,514	2,828,922	-5,350,080	3,388,518	-	3,388,518
Deposits, excluding repo deposits	255,759	223,348	215,647	58,431	59,655	-	8,783	-9,992	811,631	3,256	814,887
Other liabilities	605,747	517,877	3,560,545	251,635	6,512	-	2,824,882	-5,340,088	2,427,109	1,850	2,428,959
Allocated capital	22,206	41,779	40,133	15,848	8,041	-	16,665	-	144,672	-	144,672
Total liabilities in Non-core	-	-	-	-	-	5,106	-	-	5,106	-5,106	-
Total liabilities and equity	883,712	783,004	3,816,325	325,914	74,207	5,106	2,850,330	-5,350,080	3,388,518	-	3,388,518
Profit before tax as % of al- located capital (avg.)	24.4	15.8	10.7	25.6	16.1	-	23.0	-	17.3	-	17.3
Cost/income ratio (%)	60.3	41.3	46.5	48.1	53.0	-	9.1	-	46.3	-	48.2
Full-time-equivalent staff, end of period	5,080	2,689	1,810	1,992	1,285	267	6,149	-	19,272	-	19,272

Notes – Danske Bank Group

3. Other income

Other income amounted to DKK 1,297 million at 31 March 2017 (31 March 2016: DKK 1,576 million). Other income for the first quarter of 2016 included a gain of DKK 0.8 billion related to the sale of the head office buildings at Holmens Kanal, Copenhagen.

4. 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.

Loan impairment charges (DKK millions)	31 March 2017	31 December 2016
New and increased impairment charges	2,153	6,783
Reversals of impairment charges	2,210	6,269
Write-offs charged directly to income statement	95	892
Received on claims previously written off	199	1,378
Interest income, effective interest method	-73	-196
Total	-234	-168

Reconciliation of total allowance account (DKK millions)	31 March 2017	31 December 2016
Balance at 1 January	26,156	31,413
New and increased impairment charges	2,153	6,783
Reversals of impairment charges	2,210	6,269
Write-offs debited to the allowance account	1,021	4,870
Foreign currency translation	-27	-326
Other items*	-203	-574
Balance at end of period	24,847	26,156

*Other items include changes in the presentation of some loan portfolios as held for sale in 2016. Note 22 in Annual Report 2016 provides more information.

5. Deposits

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

(DKK millions)	31 March 2017	31 December 2016
Deposits from other credit institutions	248,298	272,883
hereof repo transactions	97,920	117,660
Other deposits	996,055	943,865
hereof repo transactions	110,276	82,064
Total deposits excluding repo transactions	1,036,157	1,017,024

Of total deposits excluding repo transactions, 33% (31 December 2016: 32%) represents wholesale deposits ranking pari passu with senior creditors. Such wholesale deposits exclude deposits from other credit institutions with an original maturity of less than 7 days. If deposits from other credit institutions are excluded, the percentage is 27% (31 December 2016: 27%).

Notes – Danske Bank Group

6. Issued bonds and subordinated debt

This note includes information about senior, senior secured and subordinated bonds issued by the Group, with the exception of bonds issued by Realkredit Danmark.

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, the 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 are temporarily written down are accounted for as equity while bonds that are converted into a variable number of ordinary shares are accounted for as liabilities.

Other issued bonds (DKK millions)	31 March 2017	31 December 2016
Commercial paper and certificates of deposit	122,824	75,046
Other	326,410	317,466
Total	449,234	392,512

Nominal value (DKK millions)	1 January 2017	Issued	Redeemed	Foreign currency translation	31 March 2017
Commercial paper and certificates of deposit	75,036	76,835	30,113	1,056	122,814
Other	376,953	25,413	15,373	-519	386,474
Other issued bonds	451,989	102,248	45,486	537	509,288

Nominal value (DKK millions)	1 January 2016	Issued	Redeemed	Foreign currency translation	31 December 2016
Commercial paper and certificates of deposit	60,836	195,936	180,226	-1,510	75,036
Other	350,780	99,787	73,860	245	376,953
Other issued bonds	411,616	295,723	254,086	-1,265	451,989

The nominal values disclosed are before the elimination of own holdings of issued bonds. In the management report's section on Funding and liquidity, issued junior covered bonds in Realkredit Danmark A/S of DKK 17.3 billion (31 December 2016 DKK 17.3 billion) are excluded. Further, retained and repurchased bonds held by Group Treasury amounting to DKK 62.5 billion (31 December 2016: 63.1 billion) have been excluded.

Subordinated debt and additional tier 1 capital.

During the first three months of 2017, the Group redeemed DKK 6,824 million (full year 2016: DKK 0 million) and issued DKK 5,139 million (full year 2016: DKK 0 million) of subordinated debt accounted for as liabilities. This included an issuance, in March 2017, of CRR-compliant convertible additional tier 1 capital of USD 750 million with discretionary interest payments. As the bonds mandatorily convert into a variable number of ordinary shares if a trigger event occurs, they are accounted for as liabilities.

At 31 March 2017, the total nominal value of issued additional tier 1 capital amounted to DKK 19,379 million (31 December 2016: DKK 14,151 million), of which DKK 14,157 million (31 December 2016: DKK 14,151 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 3.4.3 of Risk Management 2016 for further information). At 31 March 2017, distributable items for Danske Bank A/S amounted to DKK 113.5 billion (31 December 2016: DKK 114.9 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. At 31 March 2017, the common equity tier 1 ratio was 19.4% (31 December 2016: 20.6%) for Danske Bank A/S. The ratio for Danske Bank Group is disclosed in the Statement of capital.

7. Other assets and other liabilities

Other assets amounted to DKK 30,979 million (31 December 2016: DKK 31,075 million), including holdings in associates of DKK 658 million (31 December 2016: DKK 653 million), investment property of DKK 4,951 million (31 December 2016: DKK 4,937 million), tangible assets of DKK 6,025 million (31 December 2016: DKK 5,850 million) and assets held for sale of DKK 473 million (31 December 2016: DKK 486 million). Other liabilities amounted to DKK 37,861 million (31 December 2016: DKK 35,385 million), including accrued interest and commissions due of DKK 9,867 (31 December 2016: DKK 10,876) and other staff commitments of DKK 2,832 million (31 December 2016: DKK 3,195 million).

Notes – Danske Bank Group

8. 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.

	31 March 2017	31 December 2016
Guarantees (DKK millions)		
Financial guarantees	8,425	8,778
Mortgage finance guarantees	1,410	1,218
Other guarantees	72,900	70,381
Total	82,735	80,377
Other contingent liabilities (DKK millions)		
Loan commitments shorter than 1 year	133,819	117,355
Loan commitments longer than 1 year	165,300	162,620
Other unutilised loan commitments	481	484
Total	299,600	280,459

In addition to credit exposure from lending activities, loan offers made and uncommitted lines of credit granted by the Group amounted to DKK 379 billion (31 December 2016: DKK 385 billion). These items are included in the calculation of the total risk exposure amount in accordance with the Capital Requirements Directive.

Owing to its business volume, Danske Bank is continually a party to various lawsuits and disputes and has an ongoing dialogue with public authorities, such as the Danish FSA. In view of its size, Danske Bank does not expect the outcomes of pending lawsuits and disputes or its dialogue with public authorities to have any material effect on its financial position. The supervisory authorities conduct ongoing inspections of Danske Bank's compliance with anti-money laundering legislation. As announced on 21 March 2016, the Danish FSA has reported Danske Bank to the Danish Public Prosecutor for Serious Economic and International Crime for investigation into non-compliance with the provisions of Danish anti-money laundering legislation with regard to identification of and monitoring procedures for correspondent banks. In 2017, the authorities have approached Danske Bank and requested further information.

In connection with the acquisition of Sampo Bank (now Danske Bank Plc) in 2007, Danske Bank Plc and Sampo Life (now Mandatum Life) signed an agency agreement that guaranteed Mandatum Life the exclusive right to sell life and pension insurance products through Danske Bank Plc's branch network in Finland. The agency agreement expired at the end of 2016. As part of the agreement, Mandatum Life had a right to sell all or part of the insurance portfolio sold under the agreement to Danske Bank Group. On 27 October 2016, Mandatum Life exercised this right. The insurance portfolio will be acquired at fair value. The process is expected to be finalised during 2017.

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 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.

Notes – Danske Bank Group

8. Contingent liabilities continued

The Group is a member of deposit guarantee schemes and other compensation schemes in Finland, 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. However, for Finland, the deposit guarantee fund is fully funded, and no further contributions to the resolution fund are expected before 2018.

The Group is the lessee in non-cancellable operating leases, involving mainly leasing of real property, equipment, furniture and fixtures. The Group recognises lease payments as an expense over the lease term but does not recognise the operating lease assets in its balance sheet. Such assets are recognised by lessors.

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.

9. Assets provided or received as collateral

At 31 March 2017, Danske Bank A/S had deposited securities worth DKK 8.0 billion as collateral with Danish and international clearing centres and other institutions (31 December 2016: DKK 7.2 billion).

At 31 March 2017, Danske Bank A/S had provided cash and securities worth DKK 84.1 billion as collateral for derivatives transactions (31 December 2016: DKK 102.4 billion).

At 31 March 2017, the Group had registered assets (including bonds and shares issued by the Group) under insurance contracts worth DKK 407.7 billion (31 December 2016: DKK 344.2 billion) as collateral for policyholders' savings of DKK 349.6 billion (31 December 2016: DKK 340.8 billion).

At 31 March 2017, the Group had registered loans at fair value and securities worth a total of DKK 771.5 billion (31 December 2016 DKK 767.1 billion) as collateral for bonds issued by Realkredit Danmark, including mortgage-covered bonds, worth a total of DKK 734.3 billion (31 December 2016: DKK 726.7 billion). Similarly, the Group had registered loans and other assets worth DKK 260.7 billion (31 December 2016: DKK 261.1 billion) as collateral for covered bonds issued under Danish and Finnish law.

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

(DKK millions)	31 March 2017			31 December 2016		
	Repo	Other	Total	Repo	Other	Total
Due from credit institutions	-	31,811	31,811	-	41,409	41,409
Trading portfolio securities	197,163	59,867	257,030	189,494	63,751	253,245
Loans at fair value	-	770,440	770,440	-	766,003	766,003
Loans at amortised cost	-	273,739	273,739	-	277,635	277,635
Assets under insurance contracts	-	287,233	287,233	-	273,760	273,760
Other assets	-	77	77	-	119	119
Total	197,163	1,423,167	1,620,330	189,494	1,422,677	1,612,171
Own issued bonds	10,615	96,188	106,803	9,931	99,063	108,994
Total, including own issued bonds	207,778	1,519,355	1,727,133	199,425	1,521,740	1,721,165

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 197.2 billion at 31 March 2017 (31 December 2016 DKK 189.5 billion).

At 31 March 2017, the Group had received securities worth DKK 261.9 billion (31 December 2016: DKK 267.4 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 2017, the Group had sold securities or provided securities as collateral worth DKK 178.7 billion (31 December 2016: DKK 150.2 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 the Annual report 2016 provide more details on assets received as collateral in connection with ordinary lending activities.

Notes – Danske Bank Group

10. Fair value information for financial instruments

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

(DKK millions)	31 March 2017		31 December 2016	
	Fair value	Amortised cost	Fair value	Amortised cost
Financial assets				
Cash in hand and demand deposits with central banks	-	57,917	-	53,211
Due from credit institutions and central banks	-	333,239	-	245,479
Trading portfolio assets	463,752	-	509,679	-
Investment securities	195,480	141,625	209,957	133,380
Loans at amortised cost	-	1,145,705	-	1,141,567
Loans at fair value	770,440	-	766,003	-
Assets under pooled schemes and unit-linked investment contracts	105,125	-	99,848	-
Assets under insurance contracts	264,827	-	262,685	-
Total	1,799,623	1,678,486	1,848,172	1,573,637
Financial liabilities				
Due to credit institutions and central banks	-	248,298	-	272,883
Trading portfolio liabilities	446,325	-	478,301	-
Deposits	-	996,055	-	943,865
Bonds issued by Realkredit Danmark	734,250	-	726,732	-
Deposits under pooled schemes and unit-linked investment contracts	112,298	-	106,418	-
Other issued bonds	6,332	442,902	6,553	385,959
Subordinated debt	-	35,922	-	37,831
Other liabilities (loan commitments and guarantees)	-	800	-	642
Total	1,299,205	1,723,977	1,318,004	1,641,179

Negative interest income during the first three months of 2017 amounted to DKK 633 million (31 March 2016: DKK 255 million). Negative interest expenses amounted to DKK 551 million (31 March 2016: DKK 269 million). In the income statement, negative interest income is recognised as interest expenses and negative interest expenses are recognised as interest income. In the income statement, interest income and interest expenses for the first quarter of 2016 have been restated to reflect this.

Financial instruments at fair value

Note 30 in Annual Report 2016 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 30 in Annual Report 2016 provides information on the difference between the carrying amount and the fair value of financial instruments recognised at amortised cost. The difference between the two types of measurement at 31 March 2017 was in line with the difference at 31 December 2016.

Notes – Danske Bank Group

10. Fair value information for financial instruments continued

(DKK millions)	Quoted prices	Observable input	Non-observable input	Total
31 March 2017				
Financial assets				
Derivatives				
Interest rate contracts	3,716	182,169	6,437	192,322
Currency contracts etc.	805	68,990	1,557	71,352
Trading portfolio bonds				
Government bonds and other bonds	75,198	300	-	75,498
Danish mortgage bonds	32,599	4,808	-	37,407
Other covered bonds	38,151	870	-	39,021
Other bonds	29,195	2,439	-	31,634
Trading portfolio shares	16,133	-	386	16,519
Investment securities, bonds	148,312	45,518	-	193,830
Investment securities, shares	71	-	1,578	1,649
Loans at fair value	-	770,440	-	770,440
Assets under pooled schemes and unit-linked investment contracts	105,125	-	-	105,125
Assets under insurance contracts, bonds				
Danish mortgage bonds	40,685	8,534	-	49,219
Other bonds	103,938	745	4,459	109,142
Assets under insurance contracts, shares	76,895	-	18,678	95,573
Assets under insurance contracts, derivatives	2,023	8,858	12	10,893
Total	672,846	1,093,671	33,107	1,799,624
Financial liabilities				
Derivatives				
Interest rate contracts	3,168	165,710	8,006	176,884
Currency contracts etc.	928	87,614	2,178	90,720
Obligations to repurchase securities	175,929	2,764	28	178,721
Bonds issued by Realkredit Danmark	734,250	-	-	734,250
Deposits under pooled schemes and unit-linked investment contracts	-	112,298	-	112,298
Other issued bonds	-	6,332	-	6,332
Total	914,275	374,718	10,212	1,299,205

Notes – Danske Bank Group

10. Fair value information for financial instruments continued

(DKK millions)	Quoted prices	Observable input	Non-observable input	Total
31 December 2016				
Financial assets				
Derivatives				
Interest rate contracts	3,582	200,720	6,657	210,959
Currency contracts etc.	997	113,569	907	115,473
Trading portfolio bonds				
Government bonds and other bonds	58,059	27	-	58,086
Danish mortgage bonds	25,062	7,064	-	32,126
Other covered bonds	51,353	1,601	-	52,954
Other bonds	14,251	4,463	-	18,714
Trading portfolio shares	20,934	-	432	21,366
Investment securities, bonds	154,740	53,477	-	208,217
Investment securities, shares	67	-	1,673	1,740
Loans at fair value	-	766,003	-	766,003
Assets under pooled schemes and unit-linked investment contracts	99,848	-	-	99,848
Assets under insurance contracts, bonds				
Danish mortgage bonds	38,893	4,252	-	43,145
Other bonds	109,158	830	4,803	114,791
Assets under insurance contracts, shares	74,676	-	18,843	93,519
Assets under insurance contracts, derivatives	612	10,615	3	11,230
Total	652,232	1,162,621	33,318	1,848,171
Financial liabilities				
Derivatives				
Interest rate contracts	3,710	182,527	7,641	193,878
Currency contracts etc.	998	131,285	1,919	134,202
Obligations to repurchase securities	146,694	3,523	5	150,222
Bonds issued by Realkredit Danmark	726,732	-	-	726,732
Deposits under pooled schemes and unit-linked investment contracts	-	106,418	-	106,418
Other issued bonds	-	6,553	-	6,553
Total	878,134	430,306	9,565	1,318,005

Notes – Danske Bank Group

10. Fair value information for financial instruments continued

At 31 March 2017, financial instruments valued on the basis of non-observable input comprised unlisted shares of DKK 20,614 million (31 December 2016: DKK 20,943 million), illiquid bonds of DKK 4,459 million (31 December 2016: DKK 4,803 million) and derivatives with a net market value of DKK -2,178 million (31 December 2016: DKK -1,993 million).

Unlisted shares of DKK 18,678 million (31 December 2016: DKK 18,843 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 1,936 million (31 December 2016: DKK 2,100 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 194 million (31 December 2016: DKK 210 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 three months of 2017, the Group recognised DKK -23 million in unrealised losses (2016: DKK 15 million) and DKK 10 million in realised gains (2016: DKK 386 million) on those shares. The unrealised adjustments in the first three months of 2017 and in 2016 were attributable to various unlisted shares. For shares allocated to insurance contract policyholders, the unrealised gains in the first three months of 2017 amounted to DKK 163 million (2016: DKK 383 million) and the realised gains to DKK 173 million (2016: DKK 1,798 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 83 million (31 December 2016: DKK 85 million). If the credit spread narrows 50bp, fair value will increase DKK 86 million (31 December 2016: DKK 87 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

(DKK millions)	31 Marts 2017			31 December 2016		
	Shares	Bonds	Derivatives	Shares	Bonds	Derivatives
Fair value at 1 January	20,943	4,803	-1,993	18,516	3,170	-1,062
Value adjustment through profit or loss	369	14	-490	2,552	95	-146
Acquisitions	517	210	-511	25,940	3,851	-1,098
Sale and redemption	-1,215	-568	1,119	-25,758	-2,313	438
Transferred from quoted prices and observable input	-	-	-	-	-	22
Transferred to quoted prices and observable input	-	-	-304	-307	-	-146
Fair value end of period	20,614	4,459	-2,179	20,943	4,803	-1,993

Notes – Danske Bank Group

Risk Management

The consolidated financial statements for 2016 provide a detailed description of the Group's risk management practices.

Breakdown of credit exposure

(DKK billions)	Lending activities					
	Total	Core	Non-core	Counterparty risk (derivatives)	Trading and invest- ment securities	Customer-funded investments
31 March 2017						
Balance sheet items						
Demand deposits with central banks	49.6	49.6	-	-	-	-
Due from credit institutions and central banks	289.0	289.0	-	-	-	-
Repo loans with credit institutions and central banks	44.3	44.3	-	-	-	-
Trading portfolio assets	463.8	-	-	263.7	200.1	-
Investment securities	337.1	-	-	-	337.1	-
Loans at amortised cost	953.4	935.0	18.3	-	-	-
Repo loans	192.3	192.3	-	-	-	-
Loans at fair value	770.4	770.4	-	-	-	-
Assets under pooled schemes and unit-linked investment contracts	105.1	-	-	-	-	105.1
Assets under insurance contracts	289.7	-	-	-	-	289.7
Off-balance-sheet items						
Guarantees	82.7	82.7	-	-	-	-
Loan commitments shorter than 1 year	133.8	130.5	3.3	-	-	-
Loan commitments longer than 1 year	165.3	164.4	0.9	-	-	-
Other unutilised commitments	0.5	-	-	-	0.5	-
Total	3,876.9	2,658.3	22.5	263.7	537.7	394.8
31 December 2016						
Balance sheet items						
Demand deposits with central banks	43.9	43.9	-	-	-	-
Due from credit institutions and central banks	200.6	200.5	-	-	-	-
Repo loans with credit institutions and central banks	44.9	44.9	-	-	-	-
Trading portfolio assets	509.7	-	-	326.4	183.2	-
Investment securities	343.3	-	-	-	343.3	-
Loans at amortised cost	942.0	923.2	18.9	-	-	-
Repo loans	199.6	199.6	-	-	-	-
Loans at fair value	766.0	766.0	-	-	-	-
Assets under pooled schemes and unit-linked investment contracts	99.8	-	-	-	-	99.8
Assets under insurance contracts	285.4	-	-	-	-	285.4
Off-balance-sheet items						
Guarantees	80.4	80.3	-	-	-	-
Loan commitments shorter than 1 year	117.4	113.7	3.7	-	-	-
Loan commitments longer than 1 year	162.6	161.8	0.9	-	-	-
Other unutilised commitments	0.5	-	-	-	0.5	-
Total	3,796.0	2,533.8	23.4	326.4	527.1	385.2

In addition to credit exposure from lending activities, Danske Bank had made loan offers and granted uncommitted lines of credit of DKK 379 billion at 31 March 2017 (31 December 2016: DKK 385 billion). These items are included in the calculation of the total risk exposure amount in accordance with the Capital Requirements Directive.

Notes – Danske Bank Group

Credit exposure

Credit exposure from core lending activities

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

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. Large business and financial customers are classified on the basis of rating models, while small business and personal 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 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.

Customers with loans for which objective evidence of impairment exists are placed in rating category 10 or 11. This includes customers with loans for which no impairment charges have been recognised, for example because adequate collateral has been provided.

Credit portfolio in core activities broken down by rating category

[DKK billions]	PD level		31 March 2017				31 December 2016			
			Gross exposure	Acc. individual		Net exposure, ex collateral	Gross exposure	Acc. individual		Net exposure, ex collateral
				impairment charges	Net exposure			impairment charges	Net exposure	
Upper	Lower	a	b	=a-b	a	b	=a-b			
1	-	0.01	335.1	-	335.1	298.4	251.3	-	251.3	224.9
2	0.01	0.03	250.9	-	250.9	104.5	252.9	-	252.9	102.9
3	0.03	0.06	429.2	-	429.2	135.1	414.1	-	414.1	127.5
4	0.06	0.14	560.2	-	560.2	226.0	544.3	-	544.3	217.6
5	0.14	0.31	472.8	-	472.8	151.0	460.7	-	460.7	144.2
6	0.31	0.63	308.7	-	308.7	79.3	302.1	-	302.1	79.7
7	0.63	1.90	172.2	-	172.2	46.1	178.7	-	178.7	47.6
8	1.90	7.98	63.2	-	63.2	17.4	64.2	-	64.2	17.3
9	7.98	25.70	14.6	-	14.6	5.1	14.2	-	14.2	4.8
10	25.70	99.99	41.3	5.8	35.5	10.3	40.9	6.0	35.0	10.4
11 (default)	100.00	100.00	27.6	11.8	15.7	1.9	28.9	12.5	16.3	1.2
Total before collective impairment charges			2,675.9	17.7	2,658.3	1,075.2	2,552.3	18.5	2,533.8	978.1
Collective impairment charges			4.8				5.0			
Total gross exposure			2,680.7				2,557.3			

Notes – Danske Bank Group

Credit exposure continued

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

The table below breaks down credit exposure by industry. The industry segmentation follows the classification principles of the Statistical Classification of Economic Activities in the European Community (NACE) standard.

(DKK billions)	31 March 2017				31 December 2016			
	Gross exposure	Acc. individual impairment charges	Net exposure	Net exposure, ex collateral	Gross exposure	Acc. individual impairment charges	Net exposure	Net exposure, ex collateral
	a	b	=a-b		a	b	=a-b	
Public institutions	414.7	-	414.7	357.2	330.0	-	330.0	274.9
Banks	66.2	0.1	66.1	51.0	70.2	0.1	70.0	59.6
Credit institutions	7.5	-	7.5	3.1	10.7	-	10.7	3.5
Insurance	51.1	-	51.1	4.1	47.4	-	47.4	8.0
Investment funds	41.6	0.2	41.5	15.9	40.8	0.2	40.6	8.8
Other financials	69.6	-	69.6	13.7	61.0	-	61.0	14.0
Agriculture	66.4	2.8	63.6	12.1	65.7	3.0	62.7	11.3
Commercial property	312.5	2.9	309.7	64.8	301.8	3.1	298.7	57.1
Construction, engineering and building products	37.4	1.1	36.3	26.5	39.5	1.0	38.5	28.9
Consumer discretionary	101.1	1.5	99.6	58.6	98.3	1.5	96.8	56.6
Consumer staples	56.1	0.2	56.0	38.6	55.1	0.2	54.9	37.6
Energy and utilities	50.8	0.2	50.6	39.2	50.0	0.2	49.8	37.3
Health care	38.5	0.1	38.5	26.2	36.7	0.1	36.6	24.7
Industrial services, supplies and machinery	105.7	1.2	104.6	85.1	103.8	1.2	102.6	81.2
IT and telecommunication services	28.4	0.1	28.2	25.1	29.9	0.1	29.8	26.1
Materials	47.8	0.6	47.2	34.9	45.7	0.8	45.0	33.5
Non-profits and other associations	158.6	0.8	157.8	33.7	152.5	0.8	151.7	28.7
Other commercials	61.8	0.3	61.6	27.7	58.1	0.3	57.8	25.6
Shipping	39.0	0.6	38.4	12.9	39.7	0.7	39.0	14.1
Transportation	21.8	0.1	21.7	12.0	22.0	0.1	21.9	12.1
Personal customers	899.3	5.2	894.1	132.7	893.5	5.1	888.4	134.4
Total before collective impairment charges	2,675.9	17.7	2,658.3	1,075.2	2,552.3	18.5	2,533.8	978.1
Collective impairment charges	4.8				5.0			
Total gross exposure	2,680.7				2,557.3			

Notes – Danske Bank Group

Credit exposure continued

Credit portfolio in core activities broken down by business unit

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

(DKK billions)	31 March 2017				31 December 2016			
	Gross exposure	Acc. individual impairment charges	Net exposure	Net exposure, ex collateral	Gross exposure	Acc. individual impairment charges	Net exposure	Net exposure, ex collateral
	a	b	=a-b		a	b	=a-b	
Denmark	492.2	3.7	488.5	64.0	493.0	3.6	489.5	64.9
Finland	90.9	0.5	90.4	6.0	91.0	0.5	90.5	6.2
Sweden	80.7	0.1	80.6	14.3	78.1	0.1	78.0	14.4
Norway	115.9	0.1	115.8	24.7	113.5	0.1	113.4	25.4
Other	-	-	-	-	-	-	-	-
Personal Banking	779.8	4.4	775.4	109.0	775.6	4.3	771.4	110.9
Denmark	468.4	8.3	460.1	122.0	457.2	8.7	448.5	113.3
Finland	74.4	0.9	73.5	34.0	72.2	0.9	71.3	32.6
Sweden	161.9	0.4	161.5	69.8	150.8	0.6	150.3	59.5
Norway	82.2	0.6	81.6	35.9	78.5	0.7	77.8	33.8
Baltics	20.7	0.2	20.5	11.5	20.1	0.3	19.8	10.6
Other	-	-	-	-	-	-	-	-
Business Banking	807.6	10.4	797.2	273.4	778.8	11.0	767.8	249.8
C&I*	906.1	1.3	904.8	615.5	818.7	1.6	817.1	537.5
Wealth Management	82.6	0.4	82.2	19.0	82.7	0.4	82.3	20.0
Northern Ireland	65.9	1.1	64.8	31.4	64.7	1.2	63.6	31.3
Other	33.8	-	33.8	27.0	31.7	-	31.7	28.6
Total before collective impairment charges	2,675.9	17.7	2,658.3	1,075.2	2,552.3	18.5	2,533.8	978.1
Collective impairment charges	4.8				5.0			
Total gross exposure	2,680.7				2,557.3			

*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 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 three months of 2017, the Group recognised properties taken over in Denmark at a carrying amount of DKK 75 million (31 December 2016: DKK 79 million) and properties taken over in other countries at DKK 55 million (31 December 2016: DKK 62 million). The properties are held for sale and included under Other assets in the balance sheet.

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 2016. The increase in forborne exposures in the refinancing segment relates to pro-active forbearance measures taken by the Group to improve the financial position of weak customers.

Exposures subject to forbearance measures (DKK millions)	31 March 2017		31 December 2016	
	Performing	Non-performing*	Performing	Non-performing*
Modification	426	1,488	433	1,713
Refinancing	1,475	12,911	1,730	12,079
Under probation	9,596	-	8,682	-
Total	11,496	14,399	10,844	13,793

*These loans are part of the total non-performing loan amount. For more details, see the section "Non-performing loans" on the next page.

Notes – Danske Bank Group

Credit exposure continued

Non-performing loans

The Group defines non-performing loans as facilities with objective evidence of impairment and for which individual impairment charges have been booked. 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's definition of non-performing loans differs from the EBA's definition by excluding fully covered exposures to customers in default and previously forbore exposures that are now performing and are under probation.

(DKK millions)	31 March 2017	31 December 2016
Total non-performing loans	19,741	21,900
-Portion from customers in default*	8,011	8,828
Coverage ratio (default) (%)	94	95
Coverage ratio (non-default) (%)	64	65
Coverage ratio (total non-performing loans) (%)	81	83
Non-performing loans as a percentage of total gross exposure (%)	1.4	1.6

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

Allowance account in core activities

Allowance account in core activities broken down by segment

(DKK millions)	Personal Banking	Business Banking	C&I	Wealth Management	Northern Ireland	Other	Allowance account total	Impairment	
								Individual	Collective
1 January 2016	6,614	15,091	2,369	606	2,814	2	27,496	23,151	4,346
New and increased impairment charges	1,496	2,587	1,650	77	171	-	5,981	4,558	1,423
Reversals of impairment charges from previous periods	1,743	2,559	562	215	430	1	5,510	4,588	922
Write-offs debited to allowance account	805	2,078	530	32	875	-	4,320	4,320	-
Foreign currency translation	3	21	20	1	-363	-	-319	-324	5
Other items	20	262	-185	98	-45	-1	150	28	122
31 December 2016	5,584	13,324	2,762	534	1,273	1	23,479	18,506	4,974
New and increased impairment charges	629	677	509	34	43	-	1,892	1,804	88
Reversals of impairment charges from previous periods	502	904	376	58	110	-	1,951	1,652	300
Write-offs debited to allowance account	146	461	147	-	33	-	787	787	-
Foreign currency translation	-	-6	-18	-	-	-	-25	-13	-12
Other items	-14	87	-268	2	-	-	-193	-193	-
31 March 2017	5,549	12,717	2,461	513	1,173	1	22,414	17,664	4,750

Collective impairment charges include charges that reflect the migration of customers from one rating category to another without changes being made to the credit margin to reflect the increase in credit risk. If all business customers were downgraded one rating category with no corresponding change in the interest rate charged to the customers, collective impairment charges would increase by about DKK 1.4 billion (31 December 2016: about DKK 1.2 billion).

If the value of collateral provided by customers in rating categories 10 and 11 decreased 10%, individual impairment charges would increase by about DKK 2.1 billion (31 December 2016: about DKK 2.3 billion).

Notes – Danske Bank Group

Credit exposure continued

Credit exposure from Non-core lending activities

The Non-core business unit is responsible for the controlled winding-up and divestment of exposures that are no longer considered part of the Group's core activities. The portfolio consists of the Non-core exposures in Ireland, the Baltics and conduits etc.

Credit portfolio in Non-core activities broken down by industry (NACE)

(DKK millions)	31 March 2017				31 December 2016			
	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral
Personal customers	17,628	1,263	16,365	981	18,446	1,479	16,966	1,765
Consumer discretionary	69	56	13	-	82	65	17	1
Commercial property	192	179	13	-	226	213	13	-
Other	341	170	171	27	376	269	107	-
Non-core banking	18,230	1,668	16,562	1,008	19,131	2,027	17,103	1,766
Non-core conduits etc.	6,202	237	5,965	1,268	6,582	239	6,343	1,309
Total Non-core before collective impairment charges	24,432	1,905	22,527	2,276	25,713	2,266	23,447	3,075
Collective impairment charges	528				410			
Total gross Non-core exposure	24,960				26,123			

Credit portfolio in Non-core activities broken down by rating category

(DKK millions)	PD level		31 March 2017				31 December 2016			
			Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral
	Upper	Lower								
1	-	0.01	159	-	159	4	162	-	162	-
2	0.01	0.03	1,882	-	1,882	2	1,903	-	1,903	-
3	0.03	0.06	816	-	816	501	1,544	-	1,544	541
4	0.06	0.14	1,973	-	1,973	486	1,832	-	1,832	488
5	0.14	0.31	62	-	62	-	17	-	17	-
6	0.31	0.63	428	-	428	23	434	-	434	24
7	0.63	1.90	1,740	-	1,740	-	1,918	-	1,918	-
8	1.90	7.98	11,391	-	11,391	653	11,507	-	11,507	1,438
9	7.98	25.70	402	-	402	28	424	-	424	32
10	25.70	99.99	2,961	569	2,393	578	3,003	686	2,317	552
11 (default)	100.00	100.00	2,618	1,336	1,281	-	2,968	1,580	1,388	-
Total Non-core before collective impairment charges			24,432	1,905	22,527	2,276	25,713	2,266	23,446	3,075
Collective impairment charges			528				410			
Total Non-core exposure			24,960				26,123			

Notes – Danske Bank Group

Credit exposure continued

Non-performing loans in Non-core activities

The net exposure from non-performing loans in Non-core amounted to DKK 3,087 million at 31 March 2017 (31 December 2016: DKK 3,282 million), of which the average unsecured portion of non-performing loans was 15.1% at the end of March 2017 (31 December 2016: 18.5%).

Counterparty risk

Exposure to counterparty risk (derivatives) and credit exposure from trading and investment securities

(DKK billions)	31 March 2017	31 December 2016
Counterparty risk		
Derivatives with positive fair value	263.7	326.4
Credit exposure from other trading and investment securities		
Bonds	519.0	503.5
Shares	18.2	23.1
Other unutilised commitments	0.5	0.5
Total	801.3	853.5

Other unutilised commitments comprises private equity investment commitments and other obligations.

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 2017							
Held-for-trading	101,318	1,058	39,489	31,458	4,570	5,665	183,559
Designated at fair value	28,711	535	73,715	8,999	5,490	3,539	120,988
Available-for-sale	756	-	71,380	-	707	-	72,842
Hold-to-maturity	71,468	1,319	61,821	4,539	2,059	420	141,626
Total	202,253	2,912	246,404	44,996	12,826	9,624	519,015
31 December 2016							
Held-for-trading	70,779	667	32,928	46,657	5,822	5,027	161,880
Designated at fair value	29,597	537	86,838	11,344	5,578	3,596	137,490
Available-for-sale	599	-	69,424	-	703	-	70,727
Hold-to-maturity	66,913	1,319	60,859	1,815	2,054	420	133,379
Total	167,888	2,523	250,050	59,816	14,157	9,043	503,477

At 31 March 2017, the Group had an additional bond portfolio worth DKK 158,361 million (31 December 2016: DKK 157,936 million) recognised as assets under insurance contracts and thus not included in the table above. The section on insurance risk in Annual Report 2016 provides more information. For bonds classified as hold-to-maturity, fair value exceeded amortised cost at the end of 31 March 2017 and 31 December 2016.

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 2017							
Denmark	27,355	-	246,404	-	-	3,517	277,276
Sweden	39,012	-	-	44,989	-	2,389	86,390
UK	10,244	1	-	-	1,957	266	12,467
Norway	3,482	-	-	-	5,601	866	9,949
USA	12,249	163	-	-	-	69	12,481
Spain	10,571	-	-	-	205	-	10,776
France	26,809	-	-	-	980	531	28,320
Luxembourg	-	2,746	-	-	-	6	2,753
Finland	16,483	1	-	7	2,144	980	19,615
Ireland	3,412	-	-	-	5	15	3,432
Italy	8,103	-	-	-	-	-	8,103
Portugal	523	-	-	-	-	-	523
Austria	8,484	-	-	-	227	526	9,237
Netherlands	10,064	-	-	-	288	250	10,602
Germany	16,719	-	-	-	917	25	17,661
Belgium	8,368	-	-	-	128	4	8,500
Other	375	1	-	-	374	180	930
Total	202,253	2,912	246,404	44,996	12,826	9,624	519,015
31 December 2016							
Denmark	21,663	-	250,050	-	-	3,587	275,301
Sweden	19,253	-	-	59,816	3	1,542	80,614
UK	8,669	1	-	-	2,214	225	11,109
Norway	4,450	-	-	-	6,436	792	11,678
USA	8,638	169	-	-	-	38	8,845
Spain	12,201	-	-	-	210	-	12,411
France	21,311	-	-	-	1,138	448	22,897
Luxembourg	-	2,353	-	-	-	-	2,353
Finland	16,811	-	-	-	2,510	1,076	20,398
Ireland	4,393	-	-	-	32	10	4,435
Italy	7,296	-	-	-	-	-	7,296
Portugal	84	-	-	-	-	-	84
Austria	8,560	-	-	-	227	435	9,222
Netherlands	8,561	-	-	-	271	491	9,323
Germany	17,061	-	-	-	653	58	17,772
Belgium	8,480	-	-	-	128	-	8,608
Other	458	-	-	-	335	340	1,133
Total	167,888	2,523	250,050	59,816	14,157	9,043	503,477

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 2017							
AAA	105,350	1,540	246,223	44,996	11,664	2,705	412,477
AA+	31,790	342	-	-	757	646	33,535
AA	31,609	1,030	57	-	114	730	33,539
AA-	9,410	-	108	-	-	323	9,841
A+	142	-	-	-	100	368	611
A	749	-	2	-	169	1,407	2,326
A-	3,006	-	-	-	-	573	3,579
BBB+	3,481	-	-	-	-	497	3,978
BBB	15,868	-	14	-	-	881	16,764
BBB-	-	-	-	-	-	456	456
BB+	523	-	-	-	-	229	752
BB	-	-	-	-	-	319	319
BB-	-	-	-	-	-	23	23
Sub-inv. grade or unrated	325	-	-	-	22	466	814
Total	202,253	2,912	246,404	44,996	12,826	9,624	519,015
31 December 2016							
AAA	77,321	1,174	249,851	59,816	13,185	2,856	404,203
AA+	32,417	342	-	-	630	568	33,957
AA	24,128	1,007	57	-	177	875	26,244
AA-	9,520	-	111	-	-	314	9,945
A+	919	-	-	-	101	466	1,486
A	1,628	-	-	-	49	1,357	3,034
A-	2,375	-	1	-	-	128	2,504
BBB+	864	-	-	-	-	449	1,312
BBB	18,632	-	30	-	8	751	19,421
BBB-	-	-	-	-	-	291	291
BB+	84	-	-	-	-	192	276
BB	-	-	-	-	-	289	289
BB-	-	-	-	-	-	20	20
Sub-inv. grade or unrated	-	-	-	-	7	487	495
Total	167,888	2,523	250,050	59,816	14,157	9,043	503,477

Derivatives with positive fair value

(DKK millions)	31 March 2017	31 December 2016
Derivatives with positive fair value before netting	439,401	520,722
Netting (under accounting rules)	175,728	194,290
Carrying amount	263,673	326,433
Netting (under capital adequacy rules)	190,810	241,600
Net current exposure	72,863	84,832
Collateral	35,234	43,886
Net amount	37,629	40,946
Derivatives with positive fair value after netting for accounting purposes:		
Interest rate contracts	192,321	210,958
Currency contracts	67,996	112,292
Other contracts	3,356	3,183
Total	263,673	326,433

Statement by the management

The Board of Directors and the Executive Board (the management) have considered and approved Interim report – first quarter 2017 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 2017 and of the results of the Group's operations and the consolidated cash flows for the period starting 1 January 2017 and ending 31 March 2017. 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, 28 April 2017

Executive Board

Thomas F. Borgen
CEO

Jacob Aarup-Andersen

Tonny Thierry Andersen

James Ditmore

Gilbert Kohnke

Lars Mørch

Jesper Nielsen

Glenn Söderholm

Board of Directors

Ole Andersen
Chairman

Urban Bäckström
Vice Chairman

Lars-Erik Brenøe

Jørn P. Jensen

Rolv Erik Ryssdal

Carol Sergeant

Martin Tivéus

Hilde Tonne

Kirsten Ebbe Brich
Elected by the employees

Carsten Eilertsen
Elected by the employees

Charlotte Hoffmann
Elected by the employees

Steen Lund Olsen
Elected by the employees

Supplementary information

Financial calendar

20 July 2017	Interim report – first half 2017
2 November 2017	Interim report – first nine months 2017

Contacts

Jacob Aarup-Andersen Chief Financial Officer	+45 45 14 06 02
Claus Ingar Jensen Head of Investor Relations	+45 45 12 84 83

Links

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

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

Danske Bank A/S
Holmens Kanal 2-12
DK-1092 København K

Tel. +45 33 44 00 00
CVR No. 611262 28-København
[danskebank.com](https://www.danskebank.com)