



Annual Report 2001

The Bank's annual general meeting will be held at 2.00pm on Tuesday, March 19, 2002, at the Tivoli Concert Hall, Tietgensgade 20, Copenhagen V, Denmark.

DANSKE BANK GROUP'S ANNUAL REPORT 2001

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BOARD OF DIRECTORS

Poul J. Svanholm / General Manager / Chairman

Jørgen Nue Møller / General Manager / Vice Chairman

Poul Christiansen / Master Carpenter

Henning Christophersen / Managing Director of Epsilon s.p.r.l.

Alf Duch-Pedersen / Chief Executive of Danisco A/S

Bent M. Hansen / General Manager

Hans Hansen / Farmer

Niels Eilschou Holm / Private Secretary to Her Majesty the Queen of Denmark

Peter Højland / Managing Director of Transmedica A/S

Eivind Kolding / Chief Financial Officer of A.P. Møller

Niels Chr. Nielsen / Professor of Economics, Ph.D.

Sten Scheibye / Chief Executive of Coloplast A/S

Majken Schultz / Professor of Organization, Ph.D.

Birgit Aagaard-Svendsen / Executive Vice President, CFO of J. Lauritzen A/S

Claus Vastrup ** / Professor of Economics, Ph.D.

Jens Elton Andersen * / Senior Account Manager

Jørgen Andersen * / Vice President

Peter Michaelsen * / Assistant Vice President

Henning Mikkelsen * / Assistant Vice President

Torben Pedersen * / Assistant Vice President

Per Alling Toubro *, *** / Manager

Verner Usbeck * / Assistant Vice President

Solveig Ørteby *, *** / Bank Assistant

* Elected by the Bank's staff

** Appointed by the Minister of Economic Affairs

*** Elected in accordance with Article 15 (last paragraph) of the Articles of Association for a period until January 29, 2002, when election for the staff association was called. Sit on the board as observers until the annual general meeting.

EXECUTIVE BOARD

Peter Straarup / Chairman of the Executive Board
Kjeld Jørgensen / Deputy Chairman of the Executive Board
Jakob Brogaard / Deputy Chairman of the Executive Board
Sven Lystbæk

EXECUTIVE COMMITTEE

Peter Straarup / Chairman
Kjeld Jørgensen
Jakob Brogaard
Jeppe Christiansen
Jørgen Klejnstrup
Karsten Knudsen
Sven Lystbæk
Henrik Normann
Jesper Ovesen



Just before the end of the year, three of the Group's branches unveiled a new interior design that is at once informal, elegant and directly in line with the Group's general design principles. New electronic functions give customers the opportunity to stay up to date with the financial markets, and film clips offer a little entertainment along the way.

Danske Bank Group

Our core values:

- Integrity - in business conduct and in dealings with the community at large
- Accessibility - electronic and physical - in business and communications
- Value creation - for shareholders, customers and employees
- Expertise - through high standards for quality and professionalism
- Commitment - to customers' financial affairs

Our financial targets:

- Competitive return
- Core (tier 1) capital ratio in the region of 6.5%
- Payout ratio of 40%

Danske Bank Group financial highlights

CORE EARNINGS AND NET PROFIT FOR THE YEAR (DKr m)	2001	2000*	1999	1998	1997
Net interest income, excluding earnings from investment portfolios	18,051	16,200	8,593	7,911	7,085
Fee and commission income, net	6,265	6,490	3,749	2,984	2,443
Trading income	1,597	1,630	967	366	-413
Other core income	1,171	1,135	537	479	383
Core insurance income	1,223	938	975	920	698
Total core income	28,307	26,393	14,821	12,660	10,196
Operating expenses and depreciation	16,275	16,148	9,215	7,750	7,378
Core earnings before provisions	12,032	10,245	5,606	4,910	2,818
Provisions for bad and doubtful debts	1,752	1,100	447	406	317
Core earnings	10,280	9,145	5,159	4,504	2,501
Profit on sale of subsidiaries	240	83	703	-	-
Earnings from investment portfolios	870	2,461	459	738	2,133
Merger costs	-	2,721	-	-	-
Adjustment of accounting policies and estimates	-	265	-	-	-
Profit on ordinary operations before tax	11,390	8,703	6,321	5,242	4,634
Tax	2,677	2,399	1,293	1,292	429
Net profit for the year	8,713	6,304	5,028	3,950	4,205
Of which minority interests	-	57	43	-1	4

The division between core earnings and earnings from investment portfolios is based in part on estimates for 1997.

BALANCE SHEET HIGHLIGHTS AT DECEMBER 31 (DKr bn)	2001	2000	1999	1998	1997
Bank loans and advances	476	444	308	241	243
Mortgage loans	448	420	73	62	48
Bonds and shares	356	259	147	140	136
Due to credit institutions and central banks	241	213	158	140	139
Deposits	400	367	266	214	225
Issued bonds	673	563	150	108	79
Subordinated debt	32	30	21	17	18
Shareholders' equity	57	51	30	30	28
Total assets	1,539	1,363	701	593	555

RATIOS AND KEY FIGURES	2001	2000	1999	1998	1997
Net profit for the year per share, DKr	11.9	8.2	9.4	7.5	7.9
Net profit for the year per share**, DKr	-	11.0	-	-	-
Net profit for the year as % of average shareholders' equity	16.0	11.5	16.4	13.7	15.7
Net profit for the year as % of average shareholders' equity**	-	15.4	-	-	-
Core earnings as % of average shareholders' equity	18.9	16.8	17.0	15.6	9.4
Cost/core income ratio, %	57.5	61.2	62.2	61.2	72.4
Solvency ratio, %	10.3	9.6	11.0	10.4	10.2
Core (tier 1) capital ratio, %	7.3	6.8	7.4	7.7	7.2
Dividend per share, DKr	4.75	4.40	2.50	1.80	1.80
Share price at December 31, DKr	135.1	141.8	80.9	85.7	91.4
Book value per share, DKr	78.0	70.5	57.5	57.3	52.0
Number of full-time employees at December 31:					
Danske Bank and consolidated subsidiaries	17,564	18,930	12,397	11,691	11,365
Non-consolidated subsidiaries (insurance companies)	957	976	1,128	1,451	1,442

*] Pro forma. For the year 2000, the Danske Bank and RealDanmark groups have been consolidated on a pro forma basis. Inter-company accounts and differences in accounting principles have not been eliminated as they do not influence the Group's profit and equity. The core earnings of RealDanmark have been adjusted on an estimated basis to the core earnings model so far used by Danske Bank.

**] Exclusive of merger costs.

Ratios and key figures are calculated in accordance with the recommendations of the Danish Association of Financial Analysts. Financial highlights for 2000 and 2001 are stated in euros and dollars on page 116.

Management's report

2001 was another good year for the Danske Bank Group. Profit improved despite the economic slowdown. The Group returned 16.0% on equity, which is considered satisfactory under the circumstances. The process of implementing the merger between Danske Bank and RealDanmark went very smoothly. Hence, the Group could reap the merger synergies at a faster rate than had been expected. The staff contributed greatly to these favourable developments through their competent efforts on both the business and administrative fronts.

The improvement in profit was broadly based. The Banking and Mortgage Finance businesses raised profitability in both retail and wholesale markets. Profitability at the Life and Pensions division was also satisfactory. On the other hand, business areas that depend heavily on equity markets did not achieve such strong results.

For shareholders, an investment in Danske Bank's shares yielded a negative return of 1.7%, including dividend payments of DKr4.40 per share. However, relative to the return on an investment in a group of peer European banks, the return on Danske Bank's shares must be considered competitive. Over a five-year period, an investment in the Bank's shares has returned 17.9% p.a.

The Danske Bank Group's short- and long-term debt ratings were upgraded in 2001 as a consequence of the Group's financial strength. The rating upgrades reflected a number of years of profit growth and effective management of risk and capital allocation. A contributing factor was the diversification achieved through the merger. The bonds issued by the Group's subsidiary Realkredit Danmark were assigned a Triple A rating.

In 2001, the Group took measures that will strengthen its market position in the years ahead. The integration of the computer systems of the merged banking businesses was completed, and the work to bring all the Group's business activities on to the central computer systems platform proceeded according to the ambitious schedule. After extensive systems integration in Norway, the Group's retail banking activities in Denmark, Norway and Sweden now run on the common IT platform.

New incentive programmes were introduced for management and staff in 2001. One of the aims is to link key employees more closely with the Group and hence strengthen the foundation for long-term value creation. Moreover, the incentive programmes will further nourish the already-strong commitment of the staff.

Late in the year, the Group launched a new organisational structure. Banking activities are being amalgamated in each of the countries where Danske Bank operates. The changes will help the banking business to focus even more on offering customers the best and most value-creating financial solutions.

At the threshold of 2002, the depth and length of the world economic slowdown are uncertain. The measures the Group has taken in previous years to reinforce its market position, improve cost effectiveness, manage risk, and optimise capital allocation have positioned it well to operate under both favourable and less favourable conditions.

Results

The Danske Bank Group recorded a net profit of DKr8,713m for 2001. This was an increase of DKr2,409m on the pro forma consolidated net profit of DKr6,304m for 2000. Profit growth was driven in part by a satisfactory 12% rise in core earnings to DKr10,280m, while earnings from investment portfolios declined to DKr870m. Net profit per share was up by 45%. Excluding the merger costs incurred in 2000, net profit per share rose by 8%.

Core income advanced by 7% to DKr28,307m. Net interest income was up by 11% to DKr18,051m as a result of greater deposit and loan volumes and good growth in income from trading in interest rate products. Interest margins were under pressure, mainly because of the general fall in interest rates. Fee and commission earnings decreased to DKr6,265m from DKr6,490m the year before, mostly as a result of generally lower turnover on equity markets. The decrease was tempered by higher fee earnings from payment services and mortgage refinancing.

Operating expenses and depreciation remained, by and large, at the previous year's level. Expense trends were satisfactory in view of the large number of extraordinary activities related to the merger between Danske Bank and RealDanmark, including, not least of all, the harmonisation of IT systems. The underlying trend in expenses declined as these activities were completed.

The improvement in core earnings was broadly based across the business areas Retail Banking, Mortgage Finance, Life and Pensions, and Wholesale Banking, where Danske Markets generated a very satisfactory result. Earnings at Investment Management reflected the decline in the equity markets and hence could not be maintained at the same high level as the year before. Danske Securities, the Group's investment banking arm, posted an unsatisfactory result, which was partly because unfavourable market conditions influenced both equity sales and trading and corporate finance activities.

The charge for bad and doubtful debts rose to Dkr1,752m from Dkr1,100m the year before. The slowdown in the world economy took its toll on corporate customers' earnings, whereas the financial conditions of personal customers did not deteriorate noticeably. Provisioning levels were influenced by a full provision taken on a large unsecured exposure to an international airline company. The Group had only a modest exposure to other international airline companies; the total unsecured exposure to this sector represented about a quarter of one per cent of total loans and guarantees at the end of 2001.

Despite the rise in provisions, the charge for bad and doubtful debts remained low relative to total loans and guarantees. The Group accelerated the timing for writing off doubtful debts in part or in whole, which was a major factor behind the increase in realised loan losses. These developments should also be viewed in the light of a tax on banks' loan loss reserves that was introduced by the Danish parliament and took effect in 2001.

Core earnings grew, by and large, in line with the forecast set out in the nine-month report for 2001.

The Group recorded a gain of Dkr240m on the sale of subsidiaries. The sales proceeds came mainly from companies that entered the Group through the merger and were not considered to be core operations.

Earnings from investment portfolios were Dkr870m, against Dkr2,461m the year before. This was satisfactory in the light of market trends. The Group maintained the interest rate risk on its portfolios of fixed rate instruments in the region of Dkr1,700m during the year, while reducing its equity risk.

The Group's tax charge, which totalled Dkr2,677m for 2001, reflected the acceptance by the Norwegian tax authorities of the right of Danske Bank's subsidiary Fokus Bank to deduct accumulated tax losses representing a total tax value of approximately Dkr700m.

The return on equity improved from 15.4% in 2000 (adjusted for merger costs) to 16.0% in 2001 in spite of the fact that the merger synergies were not yet fully reflected in the profit and loss account.

Balance sheet, solvency and equity

The total assets of the consolidated Group were DKr1,539bn at the end of 2001, against DKr1,363bn a year earlier. Danica's assets, which are not consolidated in the Group accounts, amounted to DKr172bn. After eliminating inter-company accounts, the Group held total assets worth DKr1,701bn.

Bank loans and advances grew by DKr32bn to DKr476bn, while mortgage loans rose by DKr28bn to DKr448bn. Deposits stood at DKr400bn at the end of 2001. The shareholders' equity of the Danske Bank Group increased to DKr57.1bn from DKr50.9bn a year earlier.

CAPITAL AND SOLVENCY (DKr m)	2001	2000
Core capital, less statutory deductions	55,177	50,338
Supplementary capital, less statutory deductions	23,282	21,026
Total capital base, less statutory deductions	78,459	71,364
Total weighted items	759,658	745,157
Solvency ratio, %	10.3	9.6
Core (tier 1) capital ratio, %	7.3	6.8

The regulatory capital ratio – the solvency ratio – stood at 10.3% at the end of 2001, of which 7.3 percentage points came from core capital. The Group has lowered its target for the core capital ratio to the region of 6.5% in response to the changes in balance sheet composition brought about by the merger with RealDanmark. If necessary, Danske Bank's management will utilise its authority to buy back shares in order to bring the core capital ratio closer to the target. The intention is to buy back DKr3.0bn worth of own shares (market value) in the second quarter of 2002.

Over the year, the Group repaid DKr5bn of supplementary capital, of which debt with a 10.2% coupon repaid by Realkredit Danmark accounted for DKr3bn. Debt repayments were refinanced by three new debt issues. In March, Danske Bank raised a nominal amount of €500m by the issue of 10-year notes. The issue was increased by €200m to a total of €700m in December. In May, Danske Bank raised a nominal amount of £150m by the issue of 13-year notes.



“Today most customers can serve themselves. But they still place demands on us - self-service customers of course also want to be serviced.”

Henrik Sørensen

along with his webmaster colleagues, is responsible for the Group's web sites spanning a total of more than 5,000 individual pages.

Outlook for 2002

The year 2002 is likely to see sluggish growth in the world economy and low interest rates. There is still uncertainty about the timing and strength of the recovery, also on the Group's principal markets in northern Europe. However, the economies of the region are generally well positioned and robust.

The Group expects net interest income to stagnate since interest margins will be influenced by the fall in money market rates during 2001 and the expected further decline in rates in the first half of 2002. Moreover, lending growth may be restricted by customers' focus on consolidation rather than expansion.

Fee and commission earnings are expected to increase during 2002, but much will depend on customer activity in the financial markets. Securities and foreign exchange trading income and the related interest earnings are expected to be somewhat lower than in 2001 because the level of activity cannot be expected to be as high as in 2001. A likely decline in earnings from trading in interest rate and foreign exchange products will probably not be fully offset by higher earnings from trading in the equity markets.

Core insurance income should improve from 2001, but will depend on market conditions.

Against this background, the Danske Bank Group expects total core income to be at roughly the same level as in 2001.

Expenses will fall in 2002. One of the reasons is the IT and staff cost synergies generated by the merger. Some of the cost savings achieved in 2001

will not have a full-year effect until the 2002 accounting year. The cost/core income ratio is expected to fall from 57.5% in 2001 to less than 55% in 2002.

Provisioning levels will be influenced by overall economic conditions. The economic slowdown will impair the profitability and consolidation of many businesses. Yet, given the Group's expectations that the world economy will stage a recovery not later than the second half of 2002, the charge for bad and doubtful debts is expected to be at roughly the same level as in 2001. A protracted economic downturn would increase the need for debt provisions.

Overall, the Group expects core earnings to grow in 2002, although at a slower rate than in 2001.

As in previous years, earnings from investment portfolios will generally depend on the level of securities prices at year-end. Danske Bank enters 2002 with a risk profile on its bond portfolio similar to that in 2001 and an unchanged, small equity portfolio. However, market risk will be increased by new regulations laid down by the Danish Financial Supervisory Authority regarding the calculation of profits in the Group's insurance business. Owing to the changes, the share of Danica's return on investments attributable to equity capital will be reflected directly in Group earnings from investment portfolios.

The Group expects its tax charge, including the tax on loan loss reserves, to be 30% of pre-tax profit.


Follow-up on the merger with RealDanmark

When the Group announced the merger between Danske Bank and RealDanmark in October 2000, it outlined a number of merger milestones. The Danske Bank Group met the targets it had set for 2001 and made even faster progress than originally expected in a number of key areas. All employee groups contributed significantly to these very satisfactory developments through their dedicated and committed effort.

In August, BG Bank's IT systems were converted to the central systems platform. The integration of computer systems prepared the ground for a considerable reduction in operating and development costs. It also laid the foundation for further efficiency gains, for example, through branch integration. Moreover, the central IT platform enhanced the Bank's customer service since it gave all banking customers in Denmark access to service in both Danske Bank and BG Bank - that is, in a total of 553 branches.

The success in implementing the merger enabled the Group to generate cost savings at a faster pace than forecast at the announcement of the merger in October 2000. During 2001, the Danske Bank Group realised merger synergies of about DKr1.8bn on an annualised basis. The Group originally expected to achieve total annual cost savings of DKr2.2bn, and the aim was to reach this annual level within three years. It is now expected that annual savings will have reached the targeted level by the end of 2002. Separate annual cost savings of DKr0.7bn planned in Danske Bank and RealDanmark before the merger should also have been realised by the end of 2002. In addition, the Group is well positioned to control expenses effectively; therefore a cost/core income ratio of 50% within a few years does not seem unrealistic.

The main reason expenses are being reduced faster than expected is that staff reductions are ahead of schedule. By the end of 2001, the total staff - adjusted for the expansion at foreign units - had been cut by about 1,800 since the announcement of the merger. Moreover, Danske Bank had reached agreements with another 500 employees that they would leave at a later

A close-up portrait of a man with short, graying hair, smiling warmly. He is wearing a white dress shirt and a dark tie. He is holding a stack of papers in front of him, with his hands visible at the bottom of the frame. The background is a blurred office setting with a red wall on the right and a light blue wall on the left.

“Change is always difficult. But it has also made us stronger and better. Now I can scarcely remember what it was like before.”

Henrik Knudsen
has worked at BG Bank since 1985.

date. The Group maintains its original intention to cut staffing levels by 3,500 over a three-year period.

Branch closures followed the schedule, with 73 Danish branches being closed in 2001. Additional branches are due to be closed in 2002.

The Group charged Dkr1.7bn in merger costs against the original merger provision in 2001, of which about Dkr0.7bn was expended on staff redundancy schemes and Dkr1.0bn on the decommissioning of computer systems and other contractual liabilities. At year-end, there remained Dkr0.7bn of the original merger provision of Dkr2.4bn.

As part of the merger activities, the Danske Bank Group sold BG Factoring, BG Garanti Forsikringselskab, and BG Bank International, Luxembourg, in the first half of 2001. Danica, the Group's life and pensions arm, bought BG Pension from Topdanmark.

In 2001, Danske Bank and Post Denmark reviewed the collaboration agreement between BG Bank and Post Denmark. The parties decided not to continue the agreement on the creation of joint branches. Instead, they entered into an agreement that allows customers of Danske Bank and BG Bank to carry out less complicated banking transactions at 1,050 post offices across Denmark.

Also in 2001, Danske Bank fulfilled a number of commitments it had made to the Competition Council when the Danish authorities reviewed the merger proposal. The commitments to reduce the Bank's stakes in the Copenhagen Stock Exchange, the Danish Securities Centre, and the PBS payment systems are not due to be fulfilled until later, and the Group is working to meet these commitments too.

As announced at the merger, the Danske Bank Group operates two bank brands in Denmark. This is because the Group wants to maintain multiple profiles on the market. In the autumn of 2001, the Group launched a campaign to re-position BG Bank on the Danish banking market. BG Bank adopted a new design that shares certain features with the Group design.

Danske Bank shares

In 2001, the number of Danske Bank shares issued was reduced from 759,219,747 to 732,000,000 of DKr10 each. The main reason was that the Bank had bought back shares in November 2000 following its decision to reduce the core capital target.

DANSKE BANK SHARES	2001	2000*	2000
Average number of outstanding shares during the year	732,000,000	757,315,720	527,976,027
Number of outstanding shares at year-end	732,000,000	722,633,250	722,633,250
Number of issued shares at year-end	732,000,000	759,219,747	759,219,747
Number of shares entitled to dividends at end-March 2002	732,000,000	768,586,497	768,586,497

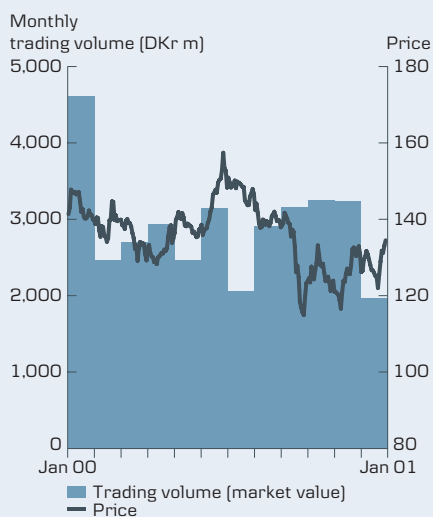
* Pro forma

The legal merger was approved by shareholders at the annual general meetings of RealDanmark on March 26, 2001, and Danske Bank on March 27, 2001, with retroactive effect on January 1, 2001. The Minister of Economic Affairs approved the merger just after the general meetings. At the beginning of April, RealDanmark's shares were delisted from the Copenhagen Stock Exchange. The RealDanmark shares that had not been exchanged for Danske Bank shares in November 2000 carried a right to full dividends and were exchanged for Danske Bank shares just after the merger resolution was approved. This increased the share capital by DKr94m. The capital reduction related to the DKr5bn share buy-back in 2000 was carried out in June 2001, after the period of statutory notice had expired.

DANSKE BANK SHARES	2001	2000
Total market value at year-end, DKr bn	98.9	107.7
Net profit per share, DKr	11.9	8.2
Dividends per share, DKr	4.75	4.40
Book value per share, DKr	78.0	70.5
Share price at December 31/book value per share	1.7	2.0

All shares carry the same rights, including voting rights. They are quoted on the Copenhagen Stock Exchange and are included in the KFX index of the 20 most liquid stocks.

Market capitalisation was DKr98.9bn at the end of 2001.



The volume of Danske Bank shares traded on the Copenhagen Stock Exchange in 2001 is shown in the chart on the left.

The price of the shares was 141.8 at the end of December 2000 and 135.1 at the end of December 2001, a fall of 4.8%. Share price movements during 2001 are also shown in the chart.

In 2001, shareholders had a total negative return of 1.7%, which includes the capital loss of 4.8% and dividends equal to 3.1% of the market value of the shares at the beginning of 2001.

In accordance with the Bank's aim to maintain its payout ratio in the region of 40%, the board of directors is proposing that the annual general meeting approve dividends of Dkr4.75 per Danske Bank share, or a total of Dkr3,477m, for 2001.

RATINGS FOR DANSKE BANK GROUP	Short-term	Long-term
Moody's	P-1	Aa2
Standard & Poor's	A-1+	AA-
FITCH IBCA	F1+	AA-
Bonds issued by Realkredit Danmark:		
Moody's	-	Aaa

International rating agencies upgraded Danske Bank's long- and short-term debt ratings in 2001. Bonds issued by Realkredit Danmark received a Triple A rating, the highest possible rating.

Shareholders and annual general meeting

Three shareholders – Arbejdsmarkedets Tillægspension, Hillerød; Tank- og Ruteskibe i Interessentskab, Copenhagen; and Foreningen RealDanmark, Copenhagen – had notified Danske Bank by year-end that they each held more than 5% of its share capital. The last-mentioned shareholder announced in March 2001 that it had reduced its interest below 15% in accordance with plans announced in the autumn of 2000. Danske Bank estimates that about one-third of its share capital is held by foreign investors.

In 2000, information on developments at Danske Bank was relayed to shareholders at the annual general meeting on March 27 and at 24 shareholder meetings in major Danish towns that were attended by more than 16,500 shareholders.

Notices to convene annual general meetings are published in the daily papers. Moreover, information on the financial results and the place and date of annual general meetings and other matters is provided to the Bank's 270,000 registered shareholders through the shareholder magazine (available in Danish only). Also, Danske Bank regularly encourages major shareholders to attend the annual general meetings. The shareholders who attended the 2001 annual general meeting represented 33.5% of the share capital. The board of directors had been granted authority to represent a limited number of votes by way of proxy. In accordance with the Bank's practice, these proxy powers were effective only for that particular general meeting.

Over the year, the management of Danske Bank gave presentations at a large number of meetings for investors and equity analysts in Denmark and abroad. Moreover, Danske Bank conducted a range of investor relations activities. The latest Group presentation for analysts can always be viewed at www.danskebank.com.

Danske Bank's financial results announcements for 2000, the first quarter of 2001, the first half of 2001 and the first nine months of 2001, as well as other stock exchange announcements, were available on the Bank's web site immediately after release. Also, shareholders could read about developments at Danske Bank in two issues of the shareholder magazine.

Important stock exchange announcements in 2001*)

January 10

Danske Bank gathers estate agency business in one unit

February 22

Danske Bank net profit of DKr4,716m for 2000

March 15

Danske Bank raises new supplementary capital in euros

March 27

The annual general meeting of Danske Bank

April 27

Danske Bank sells BG Factoring and BG Garanti

May 3

Danske Bank net profit of DKr2,359m for the first quarter of 2001

May 14

Danske Bank raises new supplementary capital in pounds sterling

June 27

Member of Danske Bank's Executive Board Søren Møller Nielsen retires

June 29

Capital reduction at Danske Bank

August 16

Danske Bank net profit of DKr4,355m for the first half of 2001

October 25

Danske Bank nine-month net profit of DKr6,984m

November 15

Changes in organisational structure - new executive committee

November 27

Danske Bank raises new supplementary capital in euros

**) A full list of the year's stock exchange announcements and press releases can be viewed at www.danskebank.com*



"It's really a question of timing. I see to it that the Group's specialists take the stage at the right moment. They should be in the spotlight not me."

Lone Ellersgård

is responsible for the Danske Bank Group's media policy and the corps of 200 spokespersons.

Customer and public relations

It is the management's objective that the Danske Bank Group build up good long-term relationships with customers and the public in general. The Group's core values reflect this objective and provide a foundation for achieving it.

The Danske Bank Group aims to create a true picture of its results and activities through its communications. The Group considers a constructive interplay with printed and electronic media an important element in its business activities and therefore strives for openness within the limits set by banking law and the competitive environment.

Danske Bank seeks to keep stakeholders – including existing and potential customers, shareholders, policymakers and media – abreast of developments within the Group. Through extensive accessibility and focused communications, the Group strives to ensure that the general public understand and accept its actions. Accessibility is reflected in the aim that the Group's management team should respond quickly when approached by the media. Moreover, customers and the public can follow the Group's activities on its web sites and through advertisements and a range of printed publications. All employee groups are kept well informed of the Group's objectives and activities via the central internal information service, including, not least of all, the Group Intranet.

A number of councils in Danske Bank, BG Bank, Realkredit Danmark, Fokus Bank, and the Swedish branch network help the Group to forge links with local communities. The councils consist of corporate and personal customers of the individual brands.

The Group has demanding ambitions, also for its personal customer services. Yet, owing to the large number of transactions carried out every day, situations are bound to arise where customers are not satisfied with the service they get. Danske Bank treats all communications and complaints from customers with great seriousness. Moreover, personal customers can complain to the relevant national authority. Considering Danske Bank's business volume, the number of transactions that do not meet customers' requirements is extremely low.

Danske Bank's annual survey of customer satisfaction in the corporate banking segment showed great satisfaction with the Bank. Corporate customers had become even more satisfied with Danske Bank and its products than previously. Beginning in 2002, the Bank will also survey personal customer satisfaction.

In the annual survey of banking customer satisfaction in Sweden, which is conducted by an independent research institute, Danske Bank's Swedish branch network was rated the bank that had the most satisfied customers in both the corporate and personal banking segments.

Incentive programmes

In May 2001, Danske Bank launched a new incentive programme for the management and staff. The programme is based on value creation within the Group and includes four elements: share options, conditional shares, an employee share scheme and cash bonuses. Incentive payments reflect individual performance; they are also linked to the financial results of individual business areas and other measures of value creation.

The share option and conditional share programmes will initially run for a three-year period. The employee share scheme will also run for three years.

The share programmes will not dilute the outstanding stock since the shares will be allocated from the Group's portfolio of its own stock. Both the share options and the Group's own shares are recorded in the accounts in accordance with general accounting provisions. Staff bonuses and conditional shares are provided for on a continuing basis, while any costs relating to the employee share scheme are charged against year-end profits.

The employee share programme is based on a model whereby the Group allocates 5% of the continuous growth in core earnings above a qualifying threshold of 10% annual core earnings growth, subject to a maximum per annum allocation of Dkr100m. Shares under the programme are offered to employees at a 50% discount. The amount allocated for 2001 was calculated on 2000 pro forma consolidated core earnings of Dkr9,145m. Hence, Dkr12m was charged against profit to provide for the scheme.

Danske Bank has decided to adjust the allocation criteria for the employee share programme. For 2002 and 2003, the Group will also allocate 5% of the continuous growth in core earnings up to a maximum of Dkr100m a year, but without imposing the 10% threshold.

A broad group of managers and specialists participate in the conditional share programme. The first shares under this programme will be allocated as a portion of the bonus earned for 2001. The shares are held at the employee's risk and become available after three years if the employee is still employed with the Danske Bank Group. For 2001, Dkr50m was expensed under "Staff costs and administrative expenses" to provide for conditional shares.

The senior executive management participates in the share option programme. In 2001, the programme comprised about 50 executives, including the executive board. The options carry a right to buy Danske Bank shares, and they can be exercised between three and seven years after they are allotted if the holders are still employed with the Group. The strike price of the options is determined on the basis of the average price of Danske Bank shares for 20 stock exchange days after the release of the annual report plus 10%. The intention is to extend the programme in 2002 so that up to 100 of the Group's executives participate.

Options for the 2000 accounting year were allotted in the spring of 2001. The total number of options allotted was 793,140, of which executive board members received 139,050. The strike price of the options was fixed at Dkr152.89, equal to the average stock exchange price of Danske Bank shares in May 2001 plus 10%. The number of share options allotted for the 2001 accounting year will be announced at the release of Danske Bank's first-quarter report for 2002.

SHARE OPTIONS	Number			Strike price	Market-value*) (DKr m)	Exercise period
	Executive board	Others	Total			
Allotted in 2001	139,050	654,090	793,140	152.89		April 1, 2004-2008
Expired/cancelled	0	16,190	16,190	-		-
Outstanding at end-2001	139,050	637,900	776,950	-	23	April 1, 2004-2008

*) Calculated according to the Black & Scholes formula

At the end of 2001, directors and executive board members held a total of 88,207 Danske Bank shares (excluding options).

Human resources

The Danske Bank Group needs to constantly develop the skills of its staff to create value for its customers and shareholders.

In 2001, the Group spent 2.4% of the salary budget on staff training and development. A significant share of that amount related to merger activities and IT systems conversion.

Although the conversion of IT systems in BG Bank and Fokus Bank tied up considerable resources, the Group maintained a high level of activity in staff training. This was true of all types of training activity, including e-learning, which enables employees to acquire new knowledge at their own pace, anywhere and anytime they want. Employees could choose from among almost 300 internal professional courses, and they spent 26,000 days on internal training. These activities were supplemented by 3,300 external training days.

The conversion in August of BG Bank's IT systems to the Group's central systems platform was supported by an intensive training and development programme for staff in both of the Danish bank brands. More than 40,000 traditional sessions and a similar number of e-learning sessions were held for this purpose. Systems conversion at Fokus Bank also required heavy staff training – in both Norway and Denmark.

The Group makes a diverse, targeted set of management development modules available to its management team. The programme enables individual managers to quickly and effectively develop their skills within areas that are particularly important to them. About a thousand managers attended internal management development courses in 2001. A large number of managers and employees took top-level courses at leading business schools.



"I like it that customers come to speak with me – and not just with the first adviser they see."

Gitte Risom

is a second-year trainee in Middelfart and will select her field of expertise in August.

The merger between Danske Bank and RealDanmark and the consequent staff reductions dominated general human resources activities in 2001. In that connection, the Group created a job bank to support internal and external job rotation. Moreover, it hired an external consultancy firm that provided advice to employees who left the Group. Another significant activity in the human resources area was the work to harmonise staff policies across the Group.

Again in 2001, the Group spent considerable resources on developing its organisation, for instance, through teambuilding, work environment evaluations and other internal surveys. In a survey conducted among Danske Bank's staff, 90% of respondents said they were satisfied or very satisfied with working in the Group, while less than 5% said they were dissatisfied. According to another survey, Danish economics students consider Danske Bank by far the most attractive workplace in the financial sector.

Over the year, the Group and the staff unions held talks on a Group-wide collective wage agreement to replace the large number of agreements existing in the merged businesses. The parties reached agreement just before the New Year. The agreement will be put to a vote among the staff at the end of February 2002. If endorsed by employees, the collective wage agreement will be launched in April 2002.

The Group expects to cut staffing levels further as it continues to adjust its structure, although the pace of staff reductions is expected to decline. Nonetheless, the Group will recruit new employees to constantly optimise the composition of its staff and, not least, to ensure that it matches customers' requirements.

Information technology

Information technology is at the heart of the Danske Bank Group's activities. It is especially important for the quality of services offered to the Group's more than three million personal customers and just under 300,000 business and corporate customers. IT plays a crucial role in developing products, launching new distribution channels, and automating work procedures.

The Group allocates considerable resources to IT and has spent a significant amount on designing and extending its IT platform over the past ten years. The platform is the strategic hub of virtually all Danske Bank's business activities and, along with motivated and competent employees, is among the most important progress drivers within the Group.

The cost of developing IT solutions accounts for a very significant share of total costs in the financial industry, and IT gives scope for substantial economies of scale. Hence, cost-effective IT use and development were important driving forces behind the merger between Danske Bank and Real-Danmark.

Central IT platform

The Danske Bank Group carries on activities on a variety of markets and distributes its products through a number of physical and electronic sales channels. These outlets are supported by the Group's central IT platform, which runs on a multi-currency principle and is in operation 24 hours a day and 365 days a year.

This enables Danske Bank to service customers effectively across business areas, national borders and distribution channels – especially the 700,000 personal customers and 100,000 businesses in Denmark and abroad that avail themselves of the Bank's self-service systems.

To develop new products for its various distribution channels, the Group needs to create only one basic system and can then develop new user interfaces on top of existing product systems. The central IT platform thus supports a development process with a high degree of component recycling and reduced time to market for new products and services.

A well-integrated IT system gives the Group greater opportunities to quickly meet customers' demands for financial products and to target its marketing efforts. To this end, the Group launched an ambitious CRM (customer relationship management) development project in 2001.

Significantly, a central IT platform also ensures a high security level through integrated authorisation and access controls, including digital security signatures. Moreover, it enables effective internal control via integrated risk, liquidity, position and limit management based on central, consolidated real-time data.

Operating cost savings

The central IT platform has enabled a number of the operating cost savings and synergies Danske Bank has achieved by the acquisitions in previous years of Östgöta Enskilda Bank in Sweden and Fokus Bank in Norway, and, most recently, by the merger with the RealDanmark group.

Danske Bank expects to realise IT synergies and operating cost savings in the region of one billion Danish kroner in 2002 as a result of the conversion of BG Bank's and Fokus Bank's business systems to the central IT platform in the autumn of 2001. The intention is to convert IT systems at Realkredit Danmark; Danske Bank International, Luxembourg; and Danske Bank's New York Branch. This should bring further operating cost savings and improve risk management.

The central IT platform has made it possible, in recent years, to centralise a number of administrative procedures previously carried out by the branch network and to streamline these procedures.

Customer files have been digitalised. This has increased efficiency for customer advisers at the branch network and has helped to improve customer service. Regardless of the contact point the customer chooses – whether a branch or the call centre – all advisers in the Bank have access to the same customer data.

The Group has outsourced the operation of its mainframe business systems to DMdata, a partly-owned company that carries out similar activities for other international groups.



“The merger is a matter of obtaining synergies – including synergies from our systems and working procedures.”

Erik Andreasen

co-ordinated 150 internal projects when BG Bank's IT systems were converted to Danske Bank's platform.

Organisation and management

The Danske Bank Group is managed on the basis of Danish management practice and banking and other laws.

The board of directors appoints the executive board, which manages the day-to-day affairs of Danske Bank. It also approves the Group's strategies and discusses issues of principle with the executive management. Moreover, the board of directors ensures that the business risks the Group takes on are justifiable, sets limits on the Group's overall risk exposure and the basis for controls, and oversees that these are observed.

The board of directors has established its own rules of procedure. The rules of procedure, which the directors review every year, have been drawn up in accordance with statutory provisions and the regulations of the Danish Financial Supervisory Authority. They lay down guidelines for the board's work and specify the duties of the chairman and the vice chairmen.

Moreover, the rules of procedure address the powers of the executive board and the interplay between the board of directors and the executive board. Thus, the executive board must submit certain matters to the board of directors for approval. This is true of loan applications of a specific size and matters of an exceptional nature or of special importance. Additionally, the rules of procedure require the executive board to report, on an ongoing basis, to the board of directors on significant matters, including developments in assets, liabilities and profits, as well as the credit and market risk position in relation to the policies and limits laid down by the board of directors.

The division of duties within the executive board and the executive committee is also approved by the board of directors.

Board meetings are held once or twice a month according to a schedule prepared for each calendar year. Once or twice a year, the directors hold longer meetings to discuss Group strategy.

The board of directors has set up a number of committees that follow particular areas or prepare matters to be discussed later by the whole board. The formation of the committees implies no change in the powers or responsibilities of the board of directors or the executive board, nor in the legal powers or responsibilities of other Group companies.

The advisory board advises the board of directors and helps Danske Bank to forge links with its customers and establish business, cultural, political and social relations with the Danish society at large. The advisory board consists of at least 24 and not more than 50 members. They usually meet twice a year upon the release of the annual and half-year reports. The decisions of the advisory board are not binding on the board of directors, and any proposals or recommendations made by the advisory board are considered independently by the board of directors.

Composition of board of directors

The directors represent a broad range of business knowledge and experience. It is the board's ambition to ensure that its composition always reflects the competence and professional experience needed to match the complexity of Danske Bank's activities. On their appointment to the board, new directors are given an introduction to the Bank and the work of the board. They are also offered relevant supplementary training.

Upon the merger between Danske Bank and RealDanmark, the ten directors elected by the annual general meeting of shareholders were supplemented by five directors proposed by RealDanmark. Moreover, the five employee directors of Danske Bank were supplemented by three employee directors from RealDanmark for a transitional period until an election of employee representatives was called. The board then consisted of 24 directors, 15 of whom had been elected by the annual general meeting and eight by the employees. One director had been appointed by the Minister of Economic Affairs.

The merger agreement included the objective of reducing the number of directors within a few years.

At Danske Bank's annual general meeting on March 27, 2001, Kjeld Kirk Kristiansen and Palle Marcus left the board of directors, and Eivind Kolding was elected to the board. At a subsequent meeting of the board of directors, Poul J. Svanholm was re-elected chairman and Jørgen Nue Møller vice chairman of the board.

Three employee directors - Jørgen Andersen, Per Alling Toubro and Solveig Ørteby - who had been elected, according to the articles of association, to serve until the calling of an election of employee representatives, left the board when the election was called on January 29, 2002. They will attend board meetings as observers until the coming annual general meeting.

After the annual general meeting on March 19, 2002, the board is expected to consist of 22 directors, including 14 elected by the general meeting of shareholders, seven employee representatives elected according to the general rules on employee directors, and one director appointed by the Minister of Economic Affairs.

Directors elected by the general meeting of shareholders serve for four-year-terms. However, at least two of these directors, chosen from among those who have served on the board for the longest period since last being elected, retire every year. The directors may offer themselves for re-election. They must leave the board not later than the first annual general meeting after they have attained the age of 70.

Directors receive a flat fee and are not encompassed by the Group's incentive programmes. The fee is Dkr250,000 a year at present. The chairman receives a triple fee and the vice chairman a double fee. A half fee is received for board committee memberships. No director may receive a total fee of more than twice the directors' fee. The chairman and vice chairmen, however, may receive up to four times the directors' fee.

Organisation

Upon the merger between Danske Bank and RealDanmark, the Group was organised into six business areas, including a number of subsidiary companies, supplemented by management support functions. To optimise economies of scale and reduce the need for internal co-ordination across business areas, the Bank launched a new organisation towards the end of 2001. An executive committee has been created and the activities of a number of business areas are being gathered in country organisations. The executive committee will co-ordinate the management activities of the Group.

In the new organisation, the business areas have responsibility for ensuring that customers are offered the best possible products, and they can enhance their offering by channelling financial products from external suppliers to their customers. This gives the Group greater opportunities to continue to offer customers the best financial solutions.

The new structure combines Retail Banking, a significant part of Wholesale Banking, and a number of customer-oriented areas of Investment Management. Banking activities are thus being amalgamated in each of the countries where Danske Bank operates.

Danske Capital is the Group's asset management division and has responsibility for portfolio management for private banking and institutional clients.

Danske Markets has retained global responsibility for the Group's trading in fixed income, foreign exchange and money market instruments.

Life Insurance and Mortgage Finance activities have not been affected by the organisational changes. Danica and Realkredit Danmark – like Danske Capital – continue to market solutions directly to their own customers, while also supplying a number of products to the Bank's customers.

Danske Securities, which was converted into a Swedish-based subsidiary on July 1, 2001, has not been affected by the organisational changes either.

The new organisation simplifies the Group's executive board structure. In future, the executive board will consist of at least two members instead of the previous minimum of four members, provided this is approved by the annual general meeting. When the organisational changes became effective on November 15, the number of executive board members was reduced from eight to four. After the annual general meeting, the executive board will consist of Peter Straarup as chairman and Kjeld Jørgensen and Jakob Brogaard as deputy chairmen. Sven Lystbæk will leave the executive board.

The new organisation of the Group, which was implemented at the beginning of 2002, is shown in the chart on page 122.

2001 reporting

The 2001 financial reporting for the Danske Bank Group follows the organisational structure that was in place at the beginning of 2001.

The merger reduced the Group's risk profile, and the Group lowered the allocation of capital to its business areas from 7.0% to 6.5% of their risk-weighted items effective from 2001.

Comparative 2000 figures in this Management's report are unaudited, consolidated pro forma figures for the Danske Bank and RealDanmark groups. In the accounts [page 86 onwards], comparative 2000 figures cover Danske Bank's operations only (see Accounting policies).

CORE EARNINGS BEFORE PROVISIONS (DKr m)	2001	2000*
Retail Banking	4,863	3,545
Mortgage Finance	2,321	1,475
Wholesale Banking	3,272	2,962
Danske Securities	-312	242
Investment Management	1,046	1,140
Life and Pensions	1,039	778
Other	-197	103
Group total	12,032	10,245

* Pro forma

Retail Banking, in 2001, provides services to personal customers and the business customers served by the Nordic branch network. The division conducts business under a number of brand names, including Danske Bank and BG Bank in Denmark, Fokus Bank in Norway, and Östgöta Enskilda Bank and Provinsbankerne in Sweden.

Retail Banking

(DKr m)	2001	2000*	Change, %
Core income	15,674	14,583	7
Operating expenses and depreciation	10,811	11,038	-2
Core earnings before provisions	4,863	3,545	37
Risk-weighted items (avg.)	247,723	202,593	22
Allocated capital (avg.)	16,102	14,172	14
Core earnings before provisions as % of allocated capital	30.2	25.0	
Cost/core income ratio, %	69.0	75.7	

* Pro forma

Risk-weighted items worth a total of DKr24bn were transferred from Wholesale Banking in 2001.

Retail Banking continued to increase profits in 2001. Core earnings before provisions rose from DKr3,545m in 2000 to DKr4,863m in 2001. The cost/core income ratio fell from 75.7% to 69.0%. The division returned a satisfactory 30.2% on allocated capital. In 2001, Retail Banking carried on operations in three countries - Denmark, Norway and Sweden.

Denmark

(DKr m)	2001	2000*	Change, %
Core income	13,270	12,123	9
Operating expenses and depreciation	8,976	9,301	-3
Core earnings before provisions	4,294	2,822	52
Risk-weighted items (avg.)	172,503	141,069	22
Allocated capital (avg.)	11,213	9,875	14
Core earnings before provisions as % of allocated capital	38.3	28.6	
Cost/core income ratio, %	67.6	76.7	

*) Pro forma

Danish Retail Banking operations generated satisfactory core earnings before provisions of DKr4,294m. Expenses were down by 3%, and the cost/core income ratio fell to 67.6%.



“If you want to be a good adviser, you need to understand your customers’ business. For example, I know quite a lot about the electronics and livestock industries.”

Bente Schou

holds about 300 corporate customer meetings a year
- half of them at the customers’ sites.

Interest earnings advanced well, although interest margins were under pressure, largely because margins in the personal banking market narrowed in the second half of 2001 as Danish interest rates declined. Interest margins for business customers were maintained despite the fall in interest rates because targeted measures were taken to adjust prices to risks, also for this customer segment.

Fee and brokerage income from securities trading was weakened by falling equity markets. On the other hand, sales of mortgage finance products were buoyant, mainly because a significant fall in short-term interest rates increased the incentive for homeowners to convert traditional fixed rate mortgage loans into FlexLån® (interest reset loans). Pension product sales also showed a healthy trend, helped along by the competitive rate of interest credited to policyholders and the launch of Danica Link products.

Deposits and loans at Retail Banking were influenced by the economic slowdown. Loan volume rose only slightly. Deposit volume was flat from the previous year, which should be viewed in conjunction with generally higher customer interest in securities investments.

In Denmark, the Group carries on retail banking activities under two brand names – Danske Bank and BG Bank. The Group can take advantage of its two well-known brands to expand relationships with existing customers and to target its marketing activities and product offering better. The central IT platform enables the Group to serve customers effectively across brands and distribution channels. In 2001, the Danske Bank Group launched new interior design initiatives at the branches that support the separate identities of the two brands. The new designs will be used when branches are refurbished.

The maintenance of separate identities for the two brands helped to ensure a satisfactory development in the customer base. There was little customer defection in reaction to the merger.

The satisfactory trend in customer numbers was achieved despite the numerous administrative activities related to the merger between Danske Bank and RealDanmark, including BG Bank, and despite constantly increasing competition over the year. Retail Banking maintained its market share for personal and business customers in Denmark. Market shares for various Retail Banking segments range from 35% to 40%.

Developments in the business banking market were satisfactory. The Bank widened its already-broad range of products for business customers, particularly within mortgage finance, and this segment therefore had strong activity.

Retail Banking continued to attract a large number of online customers, and more than 700,000 customers had an online service agreement by the end of the year. The product range offered to Netbank customers was expanded; for instance, customers can now apply for a consumer loan and get the Bank's reply within a few seconds. Moreover, Netbank customers gained access to the Investment Shop, a service that offers a variety of tools for active investors. Previously, only the professional investor segment had the privilege of access to this service.

The number of branches was reduced by 73 over the year in line with the plans presented when the merger was announced. Staff numbers in the branch network and support functions were gradually reduced. Targets for 2001 were generally met by mid-2001.

In August, when BG Bank's IT systems had been converted to Danske Bank's systems platform, it became possible to serve the customers of both bank brands in all the Group's branches. The conversion process went very smoothly.

As a consequence of the organisational changes in late 2001, the Group decided to alter the structure of the banking organisation's Danish branch

network. A number of regional finance centres are being created, and they will have the competencies needed to serve the top segments of personal and business customers, while other personal and business customers will still be served by the branch network. The very largest corporate clients will continue to be served directly from the head office. The Group will thus serve its Danish customers through a range of channels that will complement each other: Danske Bank's branch network, BG Bank's branch network, the Netbanks, the Contact Centre, which serves both brands, ATMs located throughout Denmark, finance centres, and a number of head office units. Moreover, Danish customers are served by other Group units, including Realkredit Danmark and Danica.

Norway

(DKr m)	2001	2000	Change, %
Core income	1,298	1,295	0
Operating expenses and depreciation	1,024	917	12
Core earnings before provisions	274	378	-28
Risk-weighted items (avg.)	35,141	31,710	11
Allocated capital (avg.)	2,284	2,208	3
Core earnings before provisions as % of allocated capital	12.0	17.1	
Cost/core income ratio, %	78.9	70.8	

Danske Bank's Norwegian Retail Banking activities, which operate under the brand name of Fokus Bank, showed improvement in 2001. Yet core earnings before provisions declined by 28% to DKr274m. This was not satisfactory, given the Group's expectations for its Norwegian business. The cost/core income ratio did not entirely meet expectations either, owing in part to one-off IT conversion costs. Moreover, Fokus Bank incurred costs associated with staff redundancies. Not counting one-off factors, expenses declined from the previous year. Fokus Bank returned 12.0% on allocated capital.

The Group had a market share of roughly 4% in Norway. Loan volume remained steady in 2001. There was good lending growth in the personal banking segment. Lending to the business banking segment declined as

Fokus Bank took targeted measures to bring down its exposure to customers that did not offer an acceptable trade-off between return and risk. Margins widened over the year.

The staff at Fokus Bank and their Danish colleagues made a very substantial contribution towards IT systems integration. The conversion of systems to the Group's central IT platform was carried out without inconvenience to customers or disruptions to business operations.

Fokus Bank closed five branches where profitability was unsatisfactory and the growth potential limited. Danske Bank intends to expand its Norwegian banking business in geographical areas that offer a potential for profitable operations. Efforts will be made throughout the Norwegian banking business to create a lasting foundation for high, stable profitability.

The accounts for the Fokus Bank subsidiary, prepared in accordance with Norwegian law, again showed a loss for 2001 as it proved necessary to make further provisions for a number of outstanding debts. No corresponding provisions had to be made in the Group accounts since Danske Bank had carried out a review of Fokus Bank's assets when it acquired the bank in 1999 to ensure that the assets were stated in the accounts at values consistent with Group accounting policies. A number of Fokus Bank's assets were written down as a result of the review.



“We’re one big family. And Danske Bank is a good older brother - with financial muscles and exciting relatives abroad.”

Anders Hyléen

in 1994 was part of the team that started Hallands Provinsbank, which today is part of Östgöta Enskilda Bank - Sweden’s fastest-growing bank. Their vision is to be both local and global.

Sweden

(DKr m)	2001	2000	Change, %
Core income	1,106	1,165	-5
Operating expenses and depreciation	811	820	-1
Core earnings before provisions	295	345	-14
Risk-weighted items (avg.)	40,078	29,814	34
Allocated capital (avg.)	2,605	2,089	25
Core earnings before provisions as % of allocated capital	11.3	16.5	
Cost/core income ratio, %	73.3	70.4	

The Swedish Retail Banking operation, which conducts business under the brand names of Östgöta Enskilda Bank and Provinsbankerne, made good progress in 2001. Core earnings, however, declined by 14% to DKr295m. The weakening of the Swedish currency against the Danish krone reduced core earnings before provisions by DKr18m. The return on allocated capital was 11.3%, against 16.5% the year before.

The downturn in equity prices globally was strongly reflected in the Swedish stock market. This had an adverse effect on turnover in the securities markets, and Danske Bank's commission income from securities trading showed a noticeable fall. On the other hand, commissions from payment services and brokerage income from foreign exchange trading increased.

The fall in equity markets also influenced expenses as the Bank was required by Swedish pension regulations to make an extra DKr63m contribution to the staff pension fund. In addition, the opening of three additional offices in major Swedish towns added to expenses. Excluding the pension fund contribution, core earnings in Swedish krona terms were up by 9% on 2000.

Loans and advances in Sweden grew by 22% to DKr46.0bn, while deposits advanced by 3% to DKr18.9bn in a very competitive market. The competitive environment, moreover, put some pressure on interest margins.

The Danske Bank Group had a market share of more than 5% in Sweden.

Mortgage Finance

Mortgage Finance, in 2001, encompasses the Danske Bank Group's overall mortgage finance and real-estate agency business. In Denmark, Mortgage Finance markets its financing solutions through Realkredit Danmark, Danske Bank, BG Bank and "home". Real-estate agency business is carried on through "home".

(DKr m)	2001	2000*	Change, %
Core income	3,663	2,817	30
Operating expenses and depreciation	1,342	1,342	0
Core earnings before provisions	2,321	1,475	57
Risk-weighted items (avg.)	217,853	214,241	2
Allocated capital (avg.)	14,160	14,997	-6
Core earnings before provisions as % of allocated capital	16.4	9.8	
Cost/core income ratio, %	36.6	47.6	

* Pro forma

Mortgage Finance generated core earnings before provisions of DKr2,321m for 2001, against DKr1,475m the year before. The advance of 57% was driven by higher contribution income arising from growth in the loan portfolio and by stronger refinancing activity, particularly in the latter half of the year.

Despite a noticeable increase in activities, Mortgage Finance kept operating expenses and depreciation at about the same level as in 2000. This brought the ratio of costs to core income down from 47.6% in 2000 to 36.6% in 2001. The Group reckons it can cut the cost/core income ratio of the Mortgage Finance division to the 30% region within a few years.

Core earnings before provisions returned 16.4% on allocated capital in 2001, against 9.8% the year before. The rate of return on capital should be viewed in the light of the rather limited risk associated with the mortgage loan portfolio.

Realkredit Danmark received a significantly larger number of loan applications in 2001 than in the year before. The increase in activity, which was seen throughout the mortgage finance sector, was driven partly by the fall in interest rates, and in short-term bond yields in particular, in the latter half of the year. This made FlexLån® (interest reset loans) attractive to borrowers who wanted to take out a new mortgage loan or refinance an existing one. FlexLån® accounted for 56% of loan disbursements in 2001 and for 25% of the mortgage loan portfolio at year-end.

The Group's market share of total Danish mortgage lending was unchanged in 2001, at 37%.

The mortgage loan portfolio in Denmark grew to Dkr448bn from Dkr420bn at the beginning of the year. Loans to homeowners accounted for 63% of volume growth; subsidised/private residential rental property accounted for 11%; agriculture for 5%; and urban commercial property for 21%. Of the total loan portfolio at year-end, loans to homeowners accounted for 62%, subsidised/private residential rental property for 21%, agriculture for 5%, and urban commercial property for 12%.

Realkredit Danmark's loan portfolio is secured on the property financed. In addition, the company has covered a significant part of its credit risk through a loss guarantee with Danske Bank. The guarantee covers loans for a total amount of about Dkr112bn. About 90% of mortgages in the remaining loan portfolio have loan-to-value ratios of less than 60%.



"What we're working on and juggling is after all the largest item in the customer's budget. That's worth remembering."

Christine Alfast
has participated in one of Realkredit Danmark's largest
remortgaging waves.

In September 2001, Moody's Investors Service upgraded its rating of Realkredit Danmark bonds from Aa1 to Aaa, the highest possible rating and the same that applies to Danish government bonds. The new rating helped the annual refinancing of bonds funding FlexLån® to attract a very satisfactory oversubscription rate and price.

Realkredit Danmark centralised the processing and administration of loans in 2001 to allow customer-oriented units to focus on advisory services and sales. After BG Bank had implemented new IT systems late in August, most of Realkredit Danmark's products for the personal banking segment were on offer from all Danske Bank and BG Bank branches.

Housing prices in Denmark continued to rise in 2001. The Group's real-estate agency business, "home", made good progress. The "home" chain has 165 offices organised on a franchise basis.

Wholesale Banking

Wholesale Banking, in 2001, serves the Group's largest corporate clients and institutional clients. The division trades on the Nordic and international fixed income and foreign exchange markets under the Danske Markets brand. Wholesale Banking also encompasses the Group's central economic and financial research unit.

(DKr m)	2001	2000*	Change, %
Core income	5,079	4,962	2
Operating expenses and depreciation	1,807	2,000	-10
Core earnings before provisions	3,272	2,962	10
Risk-weighted items (avg.)	220,352	241,890	-9
Allocated capital (avg.)	14,323	17,039	-16
Core earnings before provisions as % of allocated capital	22.8	17.4	
Cost/core income ratio, %	35.6	40.3	

* Pro forma

Risk-weighted items worth a total of DKr24bn were transferred to Retail Banking in 2001.

Core income at Wholesale Banking was at a similar level as for 2000. The division cut expenses by 10%. Consequently, core earnings before provisions rose to DKr3,272m from DKr2,962m the year before. The cost/core income ratio showed a satisfactory fall from 40.3% to 35.6%.

The return on allocated capital grew to 22.8%, which the Group considers satisfactory. Wholesale Banking also recorded substantial improvement in the risk-adjusted return on capital.

In 2001, Danske Bank closed its branches in Hong Kong and Singapore. Moreover, the Bank focused its US lending activities on corporates with business activities in its key markets in northern Europe and on selected global financial institutions.

Wholesale Banking continued its efforts to curtail loans and commitments that were not profitable enough to make a satisfactory contribution to Group earnings. This tempered growth in risk-weighted items, but the resulting improvement in interest margins raised the return on loans and commitments with major corporate clients.



“E-mail is very efficient, but for serious discussions you need to meet on a personal level. It’s a matter of trust.”

Anna Spinks

works in Securitisation & Structured Finance in London, which serves corporate customers in the Nordic region, the United Kingdom and Ireland.

Danske Bank has a significant market share in the Nordic corporate banking markets, where its cash management solutions were in good demand in 2001. The central IT platform gave clients easy access to the payments infrastructure of the principal markets. This was the reason a number of international banks chose Danske Bank as their cash management partner.

In 2001, Danske Bank generated very satisfactory earnings from trading in bond, foreign exchange, derivatives and swap markets. Large fluctuations in interest rate and foreign exchange markets stimulated client demand for hedging currency and interest rate risks. Moreover, volatile and falling equity markets made clients more interested in investing in interest rate and currency products. Global responsibility for fixed income and foreign exchange trading rests with Danske Markets, which includes Danske Research, the unit responsible for fixed income, foreign exchange, credit and economic research within the Group.

Danske Markets carries on activities in Copenhagen, London, New York, Stockholm, Oslo/Trondheim, Helsinki and Warsaw. In 2001, the division upgraded its activities in northern Europe. The Copenhagen office began to operate round the clock five days a week, and this enabled the division to cut expenses outside the European time zones. Danske Markets reinforced its leading position on bond, foreign exchange, money and derivatives markets in the Nordic region. Similarly, Danske Consensus fortified its significant position on the Swedish bond market. Market shares on other markets were generally smaller, but growing.

Danske Securities

Danske Securities, in 2001, encompasses the Group's corporate finance activities and wholesale sales and trading of equities and equity-related products. The division also has responsibility for equity research. On July 1, 2001 Danske Securities was converted into a subsidiary of the parent bank.

(DKr m)	2001	2000*	Change, %
Core income	488	938	-48
Operating expenses and depreciation	800	696	15
Core earnings before provisions	-312	242	-229
Risk-weighted items (avg.)	814	688	18
Allocated capital (avg.)	53	48	10
Core earnings before provisions as % of allocated capital	-	504.2	
Cost/core income ratio, %	163.9	74.2	

* Pro forma

In many ways, 2001 proved a turbulent and an unsatisfactory year for Danske Securities, Danske Bank's investment banking arm.

Core earnings were a negative DKr312m. A significant part of the increase in expenses was attributable to staff recruitment, IT investments, necessary restructuring, and continued expansion of activities outside Denmark.

Income declined by 48% to DKr488m. The decline, which arose from both equity sales and trading and corporate finance activities, was attributable to the highly unfavourable trends on global equity markets during 2001 which were also reflected in the Nordic markets. Activity on the Danish equity market, where Danske Securities has a very significant market share, was very hard hit. Average monthly trading volume on the Copenhagen Stock Exchange dropped by more than 50% from the first quarter to the last two quarters of the year.

Outside Denmark, Danske Securities is expanding activities, particularly in Stockholm and London. The investments that had to be made in 2000 and 2001 have brought expenses to a considerable level that has not yet translated into satisfactory earnings stability. Consequently, Danske Securities was very vulnerable to the general downturn in equity markets and sus-

tained considerable losses on its activities in both Sweden and the UK. In 2001, Danske Securities restructured its organisation. It launched a cost adjustment programme that will reduce expenses by Dkr150m a year. The programme entailed extra spending on closures and redundancies in the fourth quarter. In late 2001, Danske Securities introduced a very ambitious programme to upgrade the quality of equity research. The aim is that the re-focusing of research and other activities and the cost reductions should help to create more satisfactory results in future.

In equity sales and trading, Danske Securities had an average market share of 23.8% on the Copenhagen Stock Exchange in 2001. Hence, Danske Securities is still the largest equity trader in Denmark. More than 30% of trading related to retail customers. On the Oslo Stock Exchange, Danske Securities raised its average market share by more than one-third to over 5%. Market shares were lower in Sweden and Finland.

As mentioned, corporate finance income was also lower than in 2000. The main reason was that a number of transactions were postponed or cancelled in response to adverse market conditions. Yet Danske Securities won a number of significant mandates to advise clients on mergers and acquisitions. It was also active in the private placement market, particularly for biotech companies. Moreover, the division lead-managed eight public equity offerings and participated in another seven public offerings. Danske Securities participated in equity issues raising a total of Dkr136bn.

In July, the investment banking activities were transferred to Danske Securities AB, a newly established, wholly owned subsidiary of Danske Bank. Danske Securities is headquartered in Stockholm and hence has its registered office in Sweden.

Investment Management

Investment Management, in 2001, provides portfolio management and investment advisory and private banking services. The division targets personal and institutional customers in the Nordic region as well as the international investor segment. Services to institutional and other major investors are marketed under the brand name Danske Capital. The division also operates under the brands Danske Bank in and outside Denmark and Firstnordic outside Denmark. Moreover, Investment Management cooperates with the unit trusts Danske Invest and BG Invest.

(DKr m)	2001	2000*	Change, %
Core income	1,954	1,984	-2
Operating expenses and depreciation	908	844	8
Core earnings before provisions	1,046	1,140	-8
Risk-weighted items (avg.)	10,090	8,868	14
Allocated capital (avg.)	656	625	5
Core earnings before provisions as % of allocated capital	159.5	182.4	
Cost/core income ratio, %	46.5	42.5	

* Pro forma

Investment Management profits were not entirely satisfactory in 2001 owing to market developments. Core earnings were down by 8% from DKr1,140m in 2000 to DKr1,046m in 2001.

The trend in profits reflected the fact that conditions in 2001 were much different and more difficult than those in 2000. Danish and international equity markets reeled under the economic slowdown, which prompted substantial price falls. Moreover, expenses rose as Investment Management continued to expand its Nordic activities and strengthen Danske Private Equity. Consequently, the cost/core income ratio increased from 42.5% in 2000 to 46.5% in 2001.

A growing share of the division's earnings in 2001 arose from discretionary portfolio management. Earnings from securities trading and advisory services through Retail Banking could not be maintained at the high level of the year before as customer interest in equity investments, which had grown in previous years, suffered a – presumably temporary – setback in 2001. As a result, earnings from private banking activities were also somewhat lower than in the year before.



“It is not enough to produce the same research as our competitors - we must find fresh new angles.”

Lars Dam
is responsible for Danske
Capital's global fixed-income
market research.

BREAKDOWN OF INVESTMENTS (DKr bn)	2001	2000*
Equities	173	198
Private Equity	5	5
Bonds	336	324
Cash	13	13
Total	527	540

* Pro forma

Client funds under management fell from DKr540bn to DKr527bn. The fall should be viewed in the light of declining market values, particularly of underlying equity portfolios, which account for about 33% of funds under management.

There was a net increase in new agreements of DKr21bn over the year, and it came mainly from unit trusts and institutional clients.

FUNDS UNDER MANAGEMENT BY CUSTOMER CATEGORY (DKr bn)	2001	2000*
Life insurance	143	143
Unit trusts and pooled schemes	149	146
Private banking	76	83
Non-discretionary investment services	84	105
Institutions	75	63
Total	527	540

* Pro forma

The unit trusts Danske Invest and BG Invest increased funds under management by a total of DKr16bn. Most of the new funds came from institutional clients. The unit trusts had a market share of 39% in Denmark.

To fortify its overall position on the investment management market, Danske Bank in 2001 joined forces with a number of external suppliers. The aim is to make more options available to customers with regard to both investment opportunities and access to research material. Personal customers thus gained access to research that had previously been available only to institutional clients.

Life and Pensions, in 2001, encompasses all the Group's activities in the life insurance and pensions market. The Life and Pensions area is run by the Danica group. Life and Pensions targets both personal and corporate customers. Products are marketed through a range of distribution channels within the Danske Bank Group, primarily Retail Banking's outlets and Danica's team of insurance agents and pension advisers.

Life and Pensions

(DKr m)	2001	2000	Change, %
Profit from life insurance	1,253	884	42
Non-life technical result	-50	11	-555
Net interest from investments, etc.	14	33	-58
Core insurance income	1,217	928	31
Funding cost, net	178	150	19
Core earnings before provisions	1,039	778	34
Allocated capital	5,780	5,483	5
Core earnings before provisions as % of allocated capital	18.0	14.2	

Life and Pensions recorded core earnings of DKr1,039m for 2001, which was by and large in line with expectations. The result for sickness and accident insurance, however, was affected by capital losses on equities in the associated investment portfolio. The advance in core earnings arose mainly from an increase in the rate of interest on policyholders' savings from 4.5% in 2000 to 8.5% in 2001.

The return on investments, at 1.1%, reflected the fall in stock markets in the second half of 2001. The return was not entirely satisfactory relative to the benchmark. Nonetheless, it is considered to be competitive, given Danica's moderate equity risk.

Gross premiums were DKr11.2bn in 2001, of which DKr10.5bn came from business in Denmark. Not counting the increase in premiums generated by the acquisition of BG Pension, premiums on the Danish market grew by 20%.

Corporate business continued to expand at a satisfactory rate, with premium growth of 19%. Growth was driven in part by an increase in the customer base of 800 companies. Moreover, sales through Danske Bank's branch network were significantly up on the year before.



“Good health is not something you cultivate only in your leisure activities - it is just as much a part of working life.”

Jette Kierkegaard

as a social security adviser has taken part in the development of Danica Pension's health care programme *“The attractive workplace”*.

Danica launched its unit-linked product - Danica Link - in the spring of 2001. Sales were modest at the beginning, but picked up strongly in the later months of the year. Premiums totalled Dkr534m for the full year.

Sales of private health care policies were very satisfactory in 2001. Danica wrote 15,000 new policies, an increase of more than 100% on the previous year.

On the Swedish market, premiums from unit-linked business decreased. The main reason was the turbulence on world equity markets which took a particularly heavy toll on the Swedish market. Gross premiums were Dkr0.5bn in 2001, against Dkr0.8bn the year before.

Bonus reserves at Danica totalled Dkr9.7bn, or 7.2% of provisions, at the end of 2001. They were reduced significantly from a year earlier. One of the main reasons was that the rate of interest on policyholders' savings exceeded the return on investments because of large capital losses on equities. Another reason was that the authorities reduced the regulatory computation rate of interest to 3.75% at the end of 2001. The computation rate of interest is a standard rate used by the life industry when discounting future commitments to their present value. Danica held equity capital worth Dkr10bn at year-end and hence remained well capitalised.

To curtail its overall interest rate risk, Danica bought derivative financial instruments whose market value increases when interest rates fall. This reduced the risk that Danica should encounter difficulties in meeting the minimum return criteria granted to a number of customers if interest rates fall further.

As a result of the modest return on investments in 2001 and a rather subdued profit outlook, the rate of interest on policyholders' savings has been fixed at 5% for 2002, compared with 8.5% for 2001. For policies based on a minimum return of 4.5%, Danica will continue to use any interest on policyholders' savings in excess of 4.5% for account enhancement (previously designated as a conditional bonus). Hence, Danica can use interest to policyholders above 4.5% to compensate for future periods of low market returns. To help customers get a better overview of the insurance market, Danica will continue to endeavour to fix the rate of interest on policyholders' savings for one year at a time.

On December 14, 2001, the Danish parliament passed an amendment to Danish tax law that eliminated an unfortunate asymmetry in tax provisions. The new provisions take effect beginning in the 2002 income year, but life companies may choose to apply them to 2001. Danica has chosen to apply the new provisions to the 2001 income year, thus reducing the estimated tax on the year's income. The division's total tax charge for 2001 amounted to 20% of pre-tax profit.

Danica set up business in Norway in 2001 and reckons to begin sales activities in the second quarter of 2002. The division expects to significantly raise sales of Danica Link products to both corporate and personal customers in 2002. Moreover, health care will remain in focus.

New accounting provisions that take effect in 2002 require life companies to adopt market-value accounting. The amendment is not expected to influence the equity capital of the Life and Pensions group since the Danica life companies are stated at market value in Danske Bank's accounts.

The Danske Bank Group will adopt a new consolidation policy for the life companies beginning in 2002. It is doing so in response to a notice from the Danish Financial Supervisory Authority of October 2001 about how to interpret the so-called contribution principle. Until now, the return on equity from the life companies has equalled the rate of interest on policyholders' savings plus three percentage points. Moreover, a variable amount has been added to reflect Danica's risks and costs in its contribution to Group earnings. Henceforth, Danica's earnings contribution will be based on the year's return on investments plus an amount determined by insurance provisions and a variable amount reflecting the company's risks and costs. The new consolidation policy will make Danica's contribution to Group earnings more volatile since the earnings contribution will depend on movements in the financial markets.

As a consequence of the shift to the new consolidation policy, Danica is allowed to adjust equity capital to reflect the return that can be said to be due to it because the return on equity over a period of time has been low relative to the return generated on investments. Danica will make a one-off adjustment at the beginning of 2002 that will increase its own and hence Danske Bank's equity capital by about DKr1.4bn.

Earnings from investment portfolios

EARNINGS FROM INVESTMENT PORTFOLIOS (DKr m)	2001	2000*)
Net interest income	555	927
Dividend from shares	273	121
Fee and commission income	-23	-4
Net interest and fee income	805	1,044
Market value adjustments		
Bonds	508	-231
Shares	-632	1,114
Foreign exchange	24	-21
Derivatives	66	61
Holdings in associated undertakings	223	186
Expenses	124	133
Other operating income	-	441
Total	870	2,461

*) Pro forma

Earnings from investment portfolios were DKr870m for 2001, down from DKr2,461m the year before. Interest rate positions generated earnings of DKr1,317m, while equities posted a loss of DKr347m. DKr434m of the loss came from listed equities, while unlisted equities produced realised gains of DKr87m. In addition, there was a minor foreign exchange gain of DKr24m.

The overall sensitivity of the Group to a one percent fall in interest rates across the curve was held in the region of DKr1,700m. Most of this sensitivity related to investment portfolios.

INVESTMENT PORTFOLIOS (DKr bn)	2001	2000
Danish bonds	47	61
Foreign bonds	39	38
Danish shares	2	3
Foreign shares	2	2
Holdings in associated undertakings	1	2
Total	91	106

The Group reduced its portfolio of listed equities to DKr2.3bn at the end of 2001 from DKr4.7bn at the beginning of the year. The portfolio accounted for 4.2% of Danske Bank's core capital at year-end.

During the year, the unlisted equity portfolio was increased somewhat, from Dkr2.3bn to Dkr2.5bn. The Group invests mainly in equities that it expects to be able to realise within a time horizon of five years. It thus has a preference for investments in well-established companies and for participating in the development of companies that could get a stock-exchange listing or become suitable for sale within a relatively short time span.

The expansion of the Group's activities in unlisted equities is naturally connected with its subsidiary Danske Private Equity, a fund manager that invests in unlisted businesses and targets primarily institutional investors. Group Treasury and Danske Private Equity maintain different profiles and investment strategies, but work closely together on investments in specialised funds and funds-of-funds. They also benefit from joint systems and method development. The two units decide on investments separately and independently and hence can maintain different profiles as investors.

Risk and capital management

Danske Bank considers the management of risk and capital one of its core competencies. Risk and capital management is an integral part of operations, and the Bank spends considerable resources on developing procedures and tools to ensure that its systems fully match the best available.

Danske Bank identifies and manages four main categories of risk:

- **Credit risk** reflects the risk that counterparties may fail to meet all or part of their obligations. Credit risk includes country and settlement risk.
- **Market risk** is the risk that the market value of the portfolios of assets, liabilities and other financial instruments will vary with changes in market conditions. Liquidity risk, which is part of the Group's market risk, is the risk of being unable to meet cash obligations from normal liquidity reserves.
- **Operational risk** comprises (1) business risk emanating from normal, day-to-day fluctuations in operating income caused by changes in external factors, such as legislation or the reputation of the Group, and (2) event risk, that is, the risk that errors, deficient systems and the like could cause large unforeseen expenses or protracted business disruptions.
- **Insurance risk** relates to the market value of investments made to cover the Group's insurance commitments – life policies at Danica – and the assumptions made to calculate Danica's insurance commitments.

Responsibility for managing the Group's risk and capital is shared by three departments: Credits & Market Risks, Group Treasury, and Group Finance. The overall risk profile is discussed at regular meetings of the Asset and Liability Committee, which consists of executive board members and the heads of relevant head office departments.

Responsibility for managing credit and market risks has been gathered in **Credits & Market Risks**. The department is responsible for the administration and management of all credit and market risks within the Group. It approves and renews credit facilities, structures the Group's credit portfolio, and monitors credit risk and reports it to the management. Moreover, Credits & Market Risks develops and maintains credit approval and risk management tools, controls compliance with market risk limits and policies, and reports market risk to the Group's management.

Group Treasury, which comprises asset/liability management, investment portfolios and private equity, forecasts future market trends and uses its forecasts to establish an appropriate balance between the market risk it takes on within its approved limits and earnings opportunities. The department recommends market risk policies and limits to the Asset and Liability Committee.

Group Finance is responsible for financial and risk reporting across the Group. It processes and reports accounting and financial information, calculates and reports operational risk, and coordinates relevant data on all types of risk.

Raroc and Ava

For a number of years, the Group has used a Raroc-based risk management and reporting system as a central element in capital and financial management.

Raroc, which is short for risk-adjusted return on capital, is a cornerstone of risk management at Danske Bank and, hence, is also important for the management of the Group's business activities. The Raroc framework has been incorporated into budget follow-up procedures and is used when the Group determines the pricing of products and individual facilities.

The risk-adjusted return (Raroc) differs from the accounting return as it reflects the annual loss the Group expects to suffer on average over the business cycle rather than the year's charge for bad and doubtful debts.

Raroc quantifies the risks the Group takes on. All types of risk are quantified using statistical methods. This makes it possible to estimate the economic capital – the amount of capital the individual business areas need if the Group is to meet its chosen objective for overall risk.

It is the Danske Bank Group's objective to maintain a cautious risk profile, and the Group holds capital at a level that matches this profile. Consequently, Group economic capital must always be large enough to cover the statistically anticipated maximum loss within a year with a 99.97% probability (the confidence level). This corresponds to the confidence level required to obtain an AA rating with Standard & Poor's.

A second important element in capital management is Ava (annual value added). Ava represents the value created within the Group. It is the difference between the year's risk-adjusted earnings and the minimum earnings that the Group – and its individual business areas – must generate to return 13% on economic capital before tax. The rate of 13% reflects an assessment of the Group's cost of equity capital.

Danske Bank manages overall capital and calculates economic capital according to the same principles that are included in the draft new capital adequacy regulations – the so-called Basle II capital accords – which are expected to come into force in 2005. Danske Bank finds it important to be prepared for the new capital regulations, which are expected to establish a

better relationship between risk and the capital requirement. For that purpose, the Group worked to make the data registration of credit and other risks more coherent in 2001.

Raroc and Ava at the 2001 year-end

Year-end economic capital is specified by risk category in the table below.

The change in economic capital is attributable to a Dkr3bn increase in credit risk and a Dkr5bn fall in market risk. The increase in credit risk is mainly the result of greater loan volume. The fall in market risk reflects a reduction in exposure to equity and bond risk within the Group generally and in Life and Pensions in particular.

ECONOMIC CAPITAL (DKr bn)	2001	2000
Credit risk	20	17
Market risk*	6	11
Operational risk	11	11
Total	37	39

*Including insurance risk

The Group generated a risk-adjusted return (Raroc) of 29% in 2001 on calculated economic capital of Dkr37bn, compared with 26% in 2000. Earnings growth thus reflected continuing improvement in Raroc.

RAROC (%)	2001	2000
Retail Banking	19	15
Mortgage Finance	46	25
Wholesale Banking	26	18
Danske Securities	-	44
Investment Management	170	216
Life and Pensions	67	15
Investment portfolios	22	42
Group total	29	26



"Positive spaces cultivate positive people.
If you feel well, you do well."

Otto Bryld
is an architect who has been involved in the Group's
new interior design.

Credit risk

Danske Bank aims to build long-term relationships with its customers. To do so, the Bank must always be able to offer competitive financial solutions. It must also identify any adverse developments in customers' financial conditions as early as possible in order to head off future losses in a dialogue with the customer. Consequently, when extending and monitoring credits, the Bank makes detailed assessments of individual customers and their financial positions.

The total credit exposure to each customer incorporates credits and loans, overdrafts, guarantee and recourse commitments, risks that arise when trading securities, and the estimated risk inherent in financial derivatives. The exposure includes both transactions already established and credit approvals. If a customer is legally or in any other important way associated with other customers, the risk exposure is assessed on an overall basis.

Credit exposures are monitored centrally through the Bank's credit system. Data on the size and utilisation of all types of loans and commitments are registered in the credit system, as is information on the estimated realisable value of any security for exposures less the estimated cost of realising security.

Credits and loans are approved at various organisational levels, depending on the size of the exposure. Danske Bank has set forth general credit policies in writing to ensure that all significant business areas help maintain a cautious risk profile.

Rating and credit scoring

Danske Bank constantly monitors customer exposures to identify any signs of weakness in a customer's earnings or liquidity position as early as possible. Formalised monitoring procedures have been established for major corporate clients. They are assigned internal ratings that are reviewed on an ongoing basis. Ratings reflect the prospects of individual companies and industries, as well as the overall economic outlook.

The integration of BG Bank credit exposures was completed during 2001, and major clients were assigned final ratings.

Two internationally recognised rating agencies have reviewed and assessed Danske Bank's rating procedures over the last year. The procedures were approved, and this means the Bank's internal ratings can be used if it should wish to sell part of its loan portfolio, for example, by securitising it at some later date.

Danske Bank assigns credit scores to customers that are not rated. Customer advisers consult scorecards, for instance, when extending loans. A credit score is a statistical calculation of the loss risk associated with an exposure, based on well-defined financial criteria. In 2001, Danske Bank launched an automated approval procedure based on credit scoring for loan applications submitted via Danske Netbank.

Provisions

Customers that show signs of credit weakness are put on a watch list. Exposures on the watch list are monitored closely on an ongoing basis and the risk exposure to individual customers is again assessed at the quarterly review of provisions. Moreover, for customers on the watch list, the size of credits that can be extended without central approval is reduced.

Provisioning is based on an appraisal of risk exposure, including an assessment of the customer's future financial position. The Group may raise provisions against doubtful exposures even if the customer has not defaulted on obligations.

Management of credit portfolio

Danske Bank takes an overall portfolio approach to credit risk management.

The Group has established a portfolio management system that sets exposure limits for country, sector and industry concentrations. Categorisation of the credit portfolio enables the Group to limit its exposure to specific portfolio concentrations.

Danske Bank is working to develop models that will enable it to calculate the current market value of its portfolio of loans to major corporates.

Settlement risk

When settling payments related to, for instance, securities, foreign exchange and financial derivatives transactions, Danske Bank often incurs risk because it may have to remit payments before it knows if the offsetting payments have been transferred to one of its accounts. This may be because of time differences and different clearing systems or because the accounts concerned are maintained with banks abroad.

Danske Bank has made it an integral part of its credit control system to calculate this counterparty risk and keep it within the limits established. Trading functions within the Bank can continuously monitor the utilisation of limits for individual categories of transactions by means of a real-time line system. They can also use the system to calculate the current market value of transactions on Danske Bank's books. The credit risk is represented by the differences that may occur between the market value and the booked value of transactions plus a conservatively estimated margin to cushion any further fluctuations in value. Danske Bank calculates this risk on a continuing basis.

The environment

It is Danske Bank's policy to take the protection of the environment into consideration when assessing corporate credits. To approve a credit, the Bank will normally ask the customer to state in writing that it is ready to comply with any legal and regulatory environmental standards.

Danske Bank has incorporated environmental considerations into its credit procedures to ensure that it always takes account of national and international requirements regarding the impact of companies on the environment.

Credit risk at the 2001 year-end

The steepening economic slowdown during 2001 increased the amount of risk-adjusted capital Danske Bank must allocate to its loan portfolio. However, the quality of the loan portfolio generally remained high. The table below specifies customer ratings by segment. In the Bank's 10-grade rating system, grade 1 is the top rating and grade 10 the lowest. Credit ratings in the top four grades correspond to investment grade ratings with the international rating agencies.

RATINGS, DISTRIBUTION OF LOAN VOLUME END-2001, %	Major	Financial	Small &	Public
	corporates	institutions	medium-sized businesses	authorities
1	3.9	4.5	1.4	79.2
2	10.2	66.3	2.3	16.7
3	14.4	19.2	9.3	0.4
4	21.3	2.8	18.8	-
5	21.9	1.1	18.7	-
6	14.5	0.9	10.0	0.2
7	6.1	0.1	4.9	0.1
8	2.4	-	4.9	0.1
9	0.3	-	0.8	-
10	0.1	-	0.6	-
Not rated	4.9	5.1	28.3	3.3
Total	100.0	100.0	100.0	100.0

Only a modest number of small and medium-sized business customers are rated. Risk classification of these customers is based on credit scoring. The credit risk associated with this customer segment is generally somewhat higher than it is for major corporates. Interest margins and provisioning rates reflect this fact.

The Group has divided its business and corporate loan portfolio (ex financial institutions) into 43 industry portfolios to be able to monitor and control them separately. At the end of 2001, exposure to none of the 43 industry portfolios exceeded 2½% of the Group's total credit exposure.

The portfolio of mortgage loans in Denmark amounted to Dkr448bn at the end of 2001. In the table, the portfolio is specified by property category.

MORTGAGE LOANS BY PROPERTY CATEGORY (DKr bn)	REMAINING DEBT		LOAN-TO-VALUE RATIO	
	2001	2000	2001	2000
Homeowners	272	254	58	60
Residential rental property	22	22	56	67
Commercial property	27	25	47	51
Industry and tradesmen	12	13	47	47
Agriculture	19	20	43	44
Subsidised property	47	49	71	71
Other	49	37	66	65
Total	448	420	59	61

The credit risk inherent in mortgage loans is very low, as can be seen from average loan-to-value ratios. These ratios have been calculated using estimated market values of individual mortgages. Estimations reflect the actual sales prices of comparable properties and the general trend in sales prices in the relevant neighbourhoods. Loan arrears remained at a low level in 2001.

The credit exposure of the banking group is specified by geographical region in the table below. The statement is based on the country of residence of debtors and excludes exposure to banks. Where full security or a guarantee has been provided, the table lists the country of residence of the guarantor or provider of security.

CREDIT EXPOSURE OF BANKING GROUP BY REGION, %	2001	2000
Denmark	40.8	32.8
Other Nordics	17.1	17.0
Western Europe	28.0	32.0
Eastern Europe	0.1	0.2
North America	12.7	15.0
Asia/Pacific	1.0	2.7
Central and South America	0.2	0.2
Africa	0.1	0.1

Market risk

The Danske Bank Group as a whole and its individual trading units have been allocated limits for market risk. Market risk is calculated, monitored and reported to management daily.

To make its control and reporting routines as secure as possible, Danske Bank has established an extensive segregation of functions. Market risk is monitored and reported by a separate department of Credits & Market Risks. Similarly, the departments that trade in the financial markets and those responsible for settling and controlling transactions are segregated from one another. Moreover, responsibility for customer trading and for Danske Bank's investment portfolios has been placed in separate departments.

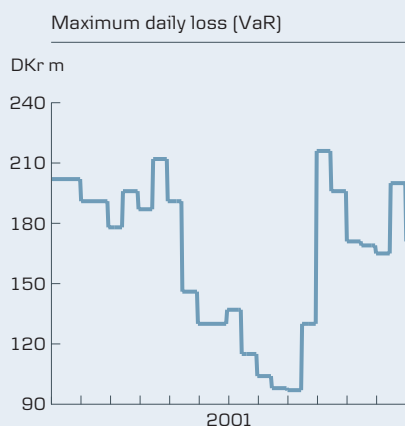
The Group calculates current market risk using a joint database that is integrated with its business systems. First, this makes risk reporting highly reliable and consistent; and, second, it enables the Group to estimate how potential future movements in interest rates, exchange rates and equity prices will affect its earnings. For example, stress tests are carried out to analyse profits and losses under extreme market conditions.

To monitor market risk, Danske Bank uses both traditional risk measures and advanced internal mathematical/statistical models. This gives the Group a market risk contingency facility for the shift to the new capital adequacy regulations, which will allow banks to use internal models for calculating their capital requirement.

VaR BY RISK CATEGORY [%]	2001	2000
Interest rate risk	53	59
Equity risk	46	41
Currency risk	1	-

Market risk at the 2001 year-end

The table shows the total market risk inherent in the Group's investment portfolios of bonds, equities, currencies, and other financial instruments at the end of 2001. The distribution between interest rate risk and equity risk deviates significantly from the distribution between the portfolios of fixed rate instruments and equities on the balance sheet. This is mainly because the risk associated with equity portfolios is generally greater than the risk attached to, say, bonds. Also, the Group continually enters into financial derivatives contracts, and this may change the risk profile of individual portfolio categories.



The chart on the left indicates the development in daily value at risk over the year, assuming a confidence level of 99%. The maximum daily value at risk was Dkr216m. On average, interest rate risk accounted for 53% of total risk, equity risk for 46% and currency risk for 1%. Year-end VaR amounted to Dkr171m, of which interest rate risk accounted for 75%, equity risk for 25% and currency risk for less than 0.5%.

Value at risk is a statistical measure of the maximum potential daily loss from the Group's investment portfolios. It is calculated on the basis of historical fluctuations in the prices of securities and financial derivatives and their covariance. Danske Bank uses value at risk as an indicator of market risk, and the chart shows the amount that Group losses in one day will not exceed with a 99.0% probability.

Operational risk

Economic capital allocated to operational risk was unchanged, at Dkr11bn.

The Danske Bank Group monitors and controls the two types of operational risk separately.

Business risk represents fluctuations in net income that are caused by external factors and cannot be ascribed directly to credit or market risk. Danske Bank works constantly to develop the methods used to monitor and control this risk. For this purpose, it gathers data and experience from comparable activities in other international enterprises.

Event risk is operational risk which can be attributed to specific, single events. Danske Bank calculates its exposure to this type of risk using data covering at least a ten-year period. It also applies a number of other controls within the Bank. In addition, experience gained from the internal audit work plays a part in the assessment of event risk.

The draft of new capital adequacy regulations – the Basle II capital accords – proposes that banks allocate capital to event risk. In response, Danske Bank began to systematically gather operational loss data in 2001. The data are being categorised and will be used for model calculations of operational risk within the Group based on quantitative loss features.

Insurance risk

Insurance risk stems from the market value of the investments the Group makes to cover insurance commitments relating to life policies written by Danica and the assumptions made to calculate Danica's insurance commitments, for instance, regarding trends in mortality, disability and average life expectancy. These risk elements vary relatively little from one year to another and should be viewed in conjunction with the degree of insurance cover provided by individual policies. The Group makes continuing actuarial calculations of its life insurance commitments and makes provisions for them. Part of the insurance risk is covered by reinsurance arrangements.

Signatures

The board of directors and the executive board have today reviewed and approved the annual report 2001, which will be submitted to the general meeting for approval.

Copenhagen, February 21, 2002

EXECUTIVE BOARD

Peter Straarup
Chairman

Kjeld Jørgensen
Deputy Chairman

Jakob Brogaard
Deputy Chairman

Sven Lystbæk

BOARD OF DIRECTORS

Poul J. Svanholm
Chairman

Jørgen Nue Møller
Vice Chairman

Poul Christiansen

Henning Christophersen

Alf Duch-Pedersen

Bent M. Hansen

Hans Hansen

Niels Eilschou Holm

Peter Højland

Eivind Kolding

Niels Chr. Nielsen

Sten Scheiby

Majken Schultz

Birgit Aagaard-Svendsen

Claus Vastrup

Jens Elton Andersen

Peter Michaelsen

Henning Mikkelsen

Torben Pedersen

Verner Usbeck

Audit reports

Internal audit

We have audited the Annual Report of Danske Bank A/S for the year 2001 presented by the Board of Directors and the Executive Board.

Basis of opinion

We conducted our audit on the basis of the executive order of the Danish Financial Supervisory Authority on Auditing Financial Enterprises and Financial Groups and in accordance with generally accepted Danish auditing standards. Based on an evaluation of materiality and risk, we assessed procedures and tested the basis for the amounts and financial disclosures in the Annual Report.

Our audit has not resulted in any qualifications.

Opinion

In our opinion, the Annual Report has been prepared in accordance with the accounting provisions of Danish legislation, and gives a true and fair view of the Group's and the Parent Company's assets and liabilities, financial position and results.

Copenhagen, February 21, 2002

Jens Peter Thomassen
Group Chief Auditor

Erik Fosgrau
Deputy Group Chief Auditor

External audit

We have audited the Annual Report of Danske Bank A/S for the year 2001 presented by the Board of Directors and the Executive Board.

Basis of opinion

We planned and conducted our audit in accordance with generally accepted Danish auditing standards to obtain reasonable assurance that the Annual Report is free from material misstatements. Based on an evaluation of materiality and risk, we have during the audit tested the basis and documentation for the amounts and financial disclosures in the Annual Report. Our audit includes an assessment of the accounting policies applied and estimates made by the Board of Directors and the Executive Board. In addition, we have evaluated the overall adequacy of the presentation of financial information in the Annual Report.

Our audit has not resulted in any qualifications.

Opinion

In our opinion, the Annual Report has been prepared in accordance with the accounting provisions of Danish legislation and gives a true and fair view of the Group's and the Parent Company's assets and liabilities, financial position and results.

Copenhagen, February 21, 2002

Grothen & Perregaard
Statsautoriseret Revisionsaktieselskab

KPMG C.Jespersen

Jørgen Frank Jakobsen Svend Ørjan Jensen
State Authorized Public Accountants

Arne Sivertsen Birger Kjerri Hansen
State Authorized Public Accountants

Accounting policies

General

The Annual Report has been prepared in compliance with the Danish Banking Act, the Executive Order on Bank Accounts, the Copenhagen Stock Exchange guidelines for issuers of listed securities and Danish accounting standards, except where otherwise provided by Danish banking regulations.

The Group has not changed its accounting policies from those followed in the annual accounts for 2000.

Unless otherwise stated, comparative figures are calculated in accordance with the Group's principles of consolidation, according to which subsidiaries are included in the consolidated accounts as from the acquisition date. The RealDanmark Group was included in the consolidated accounts as at December 31, 2000. The management's report states comparative figures for 2000 including pro forma consolidation of the RealDanmark Group.

Principles of consolidation

The consolidated accounts comprise the accounts of Danske Bank and of companies in which the Group holds more than 50% of the voting rights, apart from the insurance subsidiaries, which according to Danish legislation may not be consolidated. Companies acquired in the course of participation in restructuring are not consolidated.

The consolidated accounts are prepared by consolidating items of the same nature and eliminating intra-group income and expenses, share holdings and accounts. Consolidated accounts are prepared in accordance with the Group's accounting policies. The accounts of the insurance group are prepared in accordance with the Danish Insurance Business Act and the executive orders on insurance group and non-life accounts. The "Profit before tax" of the insurance group is included in the consolidated accounts in the item "Income from associated and subsidiary undertakings", while the tax for the year is carried under the item "Tax".

Companies acquired are included in the consolidated accounts as from the acquisition date. New acquisitions are made up at their net asset value at the date of acquisition in compliance with the Group's accounting policies. If the purchase price exceeds the net asset value, remaining positive differences (goodwill on acquisition) are charged directly against shareholders' equity in the year of acquisition.

The profit or loss of subsidiaries disposed of is included in the profit and loss account until the date of disposal. Any gains or losses on sales of subsidiaries are calculated as the difference between the sales amount and the net asset value at which

they are recorded in the subsidiary undertakings at the date of disposal adjusted for any goodwill on acquisition charged directly against shareholders' equity in the year of acquisition. Any gains or losses calculated are included in the profit and loss account under "Other operating income".

Translation of foreign currencies

Assets and liabilities in foreign currency are expressed in Danish kroner at the rates of exchange published by Danmarks Nationalbank at the end of the year. Currencies for which Danmarks Nationalbank does not publish rates of exchange are stated at estimated rates of exchange.

Income and expenses in foreign currencies are translated into Danish kroner using the exchange rates prevailing at the time of booking. The income and expenses of Danske Bank's foreign branches and subsidiaries are translated into Danish kroner at the rates prevailing at the end of the year.

Income recognition

Income and expenses are accrued over the lifetime of the transactions and included in the profit and loss account with the amounts relevant to the accounting period. Fees are normally taken to income when received.

Interest on non-performing loans is not booked as income if the interest is considered to be irrecoverable.

Loans and advances, guarantees, and amounts due from other credit institutions

The assets, including mortgage loans, lease assets and derivatives, are subject to continuous critical evaluation to identify potential risks. Identified losses, including those relating to payment problems in heavily indebted and politically unstable countries, are charged to expense in the profit and loss account under "Provisions for bad and doubtful debts" either as realised losses or as loss provisions. When a loss is considered to be realised, the corresponding provisions are transferred from the provisions account and the loss is written off.

Fixed rate uncalled loans and amounts due to the Bank are stated in the balance sheet at the lower of market values prevailing at the balance sheet date or their current outstanding amounts. Certain loans on which the interest rate risk has been hedged by corresponding fixed rate liabilities or by derivatives are, however, not market value adjusted.

The market value adjustment of fixed rate loans and amounts due to the Bank is incorporated in the profit and loss account under "Securities and foreign exchange income".

Mortgage loans

Mortgage loans are booked in the balance sheet under the item "Loans and advances" at nominal value, i.e. inclusive of the amortisation account for cash loans. Index-linked loans are stated on the basis of the December 31 index. Other loans (reserve fund mortgages, etc.) are stated at cost or at an estimated lower value.

Lease assets

Lease assets are included in the balance sheet under "Loans and advances" and are valued at cost less depreciation. Depreciation is computed, using the actuarial method taking into account the residual useful life of each asset. Thus, the acquisition price less any estimated residual value is written off over the lease period. In addition, property leases are valued on the basis of the current value of the relevant property.

Current income from lease assets (lease rentals less depreciation) is stated under "Interest income". Profits or losses on the sale of lease assets at expiry are booked under "Other operating income". Value adjustment of property leases is booked under "Securities and foreign exchange income".

Securities (current investments)

Listed securities, including the Group's holdings of own bonds and shares, are stated at the market value at the end of the year.

Unlisted securities are stated at the lower of cost or market value at the balance sheet date. Unlisted units of unit trusts are stated at the net asset value calculated by the unit trust.

The calculated value adjustments are included in the profit and loss account under "Securities and foreign exchange income" and specified in the notes.

Holdings in associated undertakings and other significant holdings

Holdings in associated undertakings comprise shares and other holdings constituting shareholders' equity in companies where the Group holds not less than 20% and not more than 50% of the voting rights of the company and also has a significant influence on the company's financial management and operations.

Other significant holdings comprise holdings representing an interest of not less than 20% and not more than 50% in companies that are not associated undertakings due to limitations on voting rights, etc.

Holdings in associated undertakings and other significant holdings are, as a general rule, valued using the equity method. The proportionate share of the profit after tax of the individual

undertakings is taken up under "Income from associated and subsidiary undertakings". However, some holdings are assessed at a lower value on the basis of a conservative estimate.

Holdings in subsidiary undertakings

Holdings in subsidiary undertakings comprise shares and other holdings constituting shareholders' equity in companies in which the Group holds more than 50% of the voting rights.

Shares in subsidiary undertakings are valued using the equity method. The proportionate share of the pre-tax profit or loss of the individual companies is included under "Income from associated and subsidiary undertakings". The proportionate tax charge from the undertakings is included under "Tax".

Intangible and tangible assets

Intangible assets, including lease premiums, franchise rights and leasehold improvements, are charged fully to expense in the year of acquisition.

Property and property improvements are stated at cost less any depreciation and write-downs.

Properties whose market value, at a conservative estimate, is considerably higher than the cost price are revalued to the higher price if this higher value is considered to be of a permanent nature and does not exceed the public valuation. The revaluation is recorded as a revaluation reserve under shareholders' equity.

Properties taken over in connection with the settlement of a debt, and other properties whose market value must be considered to be permanently lower than the cost price, are written down to the lower value.

Property is written off using the straight-line method on the basis of the property's expected scrap value and its estimated useful life of 20-50 years. Residential properties and listed buildings are, however, written off over 75 years. A few properties are held under long-term leases. These properties are depreciated annually on a progressive scale.

Machinery and equipment are entered in the balance sheet at cost less depreciation using the straight-line method. Depreciation is based on the estimated useful life of the asset, although only up to a maximum of three years.

Own shares

Own shares are recognised at market value at the end of the year. Calculated market value adjustments are stated in the profit and loss account under "Securities and foreign exchange income".

An amount is set aside under shareholders' equity corresponding to the market value under "Reserve for own shares".

Own shares acquired with a view to reducing the share capital are stated at nil. The acquisition price is charged directly against shareholders' equity.

Derivatives

Forward transactions are entered at the forward rates prevailing at the end of the year.

Accruals of premiums on forward securities transactions and forward exchange transactions are stated under the item "Interest income".

The calculated changes in the market value of forward securities transactions and forward exchange transactions derived from changes in interest rates and foreign exchange rates are included in the profit and loss account under "Securities and foreign exchange income" and specified in the notes.

Interest rate and currency swaps are generally entered at the market values prevailing at the end of the year. Swaps hedging the interest rate risk on fixed rate liabilities, or on a portfolio of fixed rate assets, are not market value adjusted.

The market value adjustment of interest rate and currency swaps is entered in the profit and loss account under "Securities and foreign exchange income".

Interest relating to interest rate and currency swaps is accrued over the life of each contract and recognised net under "Interest income".

Forward rate agreements, options and futures are stated at the market values prevailing at the end of the year. The related profit or loss and any interest differences received or paid in respect of settled forward rate agreements are included in the profit and loss account under "Securities and foreign exchange income".

Tax

Danske Bank is taxed jointly with the majority of those of its Danish subsidiaries that have been wholly owned for the full year.

The calculated Danish tax on the profit for the year is allocated to the jointly-taxed Danish companies in accordance with the full allocation method. The expected tax on the profit for the year in Denmark and abroad is expensed under "Tax".

The jointly taxed companies pay Danish corporation tax under the scheme for payment of tax on account.

Issued bonds

Bonds issued are entered in the balance sheet at nominal value. Any premium or discount at the time of issue is accrued over the maturity of the bond.

Mortgage bonds issued are entered at nominal value.

Index-linked bonds are stated on the basis of the December 31 index.

Share-based incentive programme

The Group's share-based incentive programme consists of share options, conditional shares and employee shares. If the market price exceeds the allotment price, the difference will be expensed as salary costs at the time of allotment. Subsequent adjustments of the Group's obligations are made under "Securities and foreign exchange income" under earnings from investment portfolios. The Group's obligations are entered under "Other liabilities". The Group's obligations are secured by its holding of own shares which are valued at market value. Market value adjustments of own shares are also included in earnings from investment portfolios.

Deferred taxes

Deferred taxes resulting from timing differences between the booking of income/charges for tax and for accounting purposes, as the case may be, are posted to the balance sheet and shown as a liability under "Provisions for obligations" or as an asset under "Other assets". Deferred taxes include both Danish and foreign tax liabilities, and are based on current tax rates. Changes in deferred taxes during the year are expensed or recorded as income, as appropriate, in the profit and loss account.

Pension commitments

The Group's pension commitments are covered by payments made to insurance companies, pension funds, etc. Such payments are expensed when they are made. Certain foreign pension commitments are not covered, but provisions are made on the basis of an actuarial calculation.

Cash flow statement

The cash flow statement shows cash flows for the year and cash and cash equivalents at the beginning of the year and at the end of the year. The cash flow statement is presented using the indirect method and based on the net profit for the year. Cash flows include securities and foreign exchange income.

The cash flows from operating activities are made up as the net profit for the year adjusted for non-cash items in the profit and loss account and increases/decreases in the working capital.

Cash flows from investing activities include acquisitions and disposals of fixed assets, companies and securities, etc. Cash flows from financing include dividend payments and movements in shareholders' equity and subordinated debt.

Cash and cash equivalents include marketable securities adjusted for bonds bought and sold in connection with repo transactions.

Intra-group trading

The Danske Bank Group consists of a number of independent legal entities. Intra-group transactions and services are settled on market terms or on a cost reimbursement basis. Except for insignificant transactions, all transactions are based on contracts between the companies.

Segmental reporting

The Annual Accounts disclose information on the Group's primary segments, which are the business areas into which the Group is organised and which are the subject of independent management reporting. Segmental information is disclosed in accordance with the Group's accounting policies and comprises the Group's core earnings before provisions, risk-weighted items and allocated capital.

Inter-segmental transactions and services are settled at market prices. Costs incurred centrally, including the cost of man-

agement support, administrative and back-office functions, are allocated to the business areas on the basis of market prices, where available. Other costs, including common costs, are allocated according to an assessment of each business area's proportionate share in the Group's activities.

Group equity capital is allocated to individual business areas at a ratio of 6.5% of their average risk-weighted items, calculated in accordance with the regulations of the Danish Financial Supervisory Authority. Insurance companies are subject to specific statutory capital adequacy rules. Consequently, the equity capital allocated to the insurance business represents the statutory minimum solvency margin. The Group allocates interest income to each business area representing the benefit of holding equity. This equity benefit is calculated by reference to the short-term money market rate.

The management of the Group's investment portfolios is considered an independent segment, which is made up in accordance with the principles stated above. Earnings from investment portfolios are not included in core earnings.

Moreover, the Group's gross income, core earnings before provisions, total assets, and number of staff are segmented by geographical region. Geographical segmentation is made on the basis of the location where the individual transactions are recorded, as provided for in Danish accounting legislation. The secondary segmentation is not based on the principles of allocated capital.

Profit and loss account for the Danske Bank Group

Note	(DKr m)	2001	2000
2	Interest income	79,787	44,082
3	Interest expense	61,181	33,363
	Net interest income	18,606	10,719
	Dividends from shares, etc.	441	208
4	Fee and commission income	7,813	5,689
	Fees and commissions paid	1,571	868
	Net interest and fee income	25,289	15,748
5	Securities and foreign exchange income	1,563	1,785
6	Other operating income	1,260	1,062
7-9	Staff costs and administrative expenses	15,503	9,591
10	Amortisation and depreciation	891	545
	Other operating expenses	22	2,463
	Provisions for bad and doubtful debts	1,752	454
11	Income from associated and subsidiary undertakings	1,446	1,114
	Profit on ordinary operations before tax	11,390	6,656
12	Tax	2,677	1,940
	Net profit for the year	8,713	4,716
	Attributable to minority interests	-	-5

The comparative figures for 2000 do not include the result for RealDanmark.

Balance sheet for the Danske Bank Group

Note	(DKr m)	2001	2000
ASSETS			
	Cash in hand and demand deposits with central banks	9,566	7,752
14,30-31	Due from credit institutions and deposits with central banks	140,250	132,506
15,30-32	Loans and advances	924,021	864,274
17,31-32	Bonds	343,078	241,051
18,19	Shares, etc.	12,357	17,262
19	Holdings in associated undertakings, etc.	1,421	1,602
19	Holdings in subsidiary undertakings	9,644	8,804
21	Tangible assets	6,459	6,796
22	Own shares	810	839
23	Other assets	89,864	80,780
	Prepayments	1,112	1,019
13	Total assets	1,538,582	1,362,685
LIABILITIES			
24,30-31	Due to credit institutions and central banks	241,042	212,949
25,30-32	Deposits	400,491	366,834
26,31-32	Issued bonds	673,454	563,256
27	Other liabilities	131,927	133,501
	Deferred income	674	504
28	Provisions for obligations	2,128	4,077
29,32	Subordinated debt	31,765	29,675
	Minority interests	10	983
	Shareholders' equity		
	Share capital	7,320	7,592
	Share premium account	1,227	27,764
	Reserve for own shares	810	839
	Revaluation reserve	50	52
	Brought forward from prior years	42,448	13,320
	Appropriated from net profit for the year	5,236	1,339
	Total shareholders' equity	57,091	50,906
	Total liabilities	1,538,582	1,362,685
OFF-BALANCE-SHEET ITEMS			
33	Guarantees, etc.	91,852	76,158
34	Other commitments	90,536	103,509
	Total off-balance-sheet items	182,388	179,667

Profit and loss account for Danske Bank

Note	(DKr m)	2001	2000
2	Interest income	44,784	34,780
3	Interest expense	31,414	26,268
	Net interest income	13,370	8,512
	Dividends from shares	349	176
4	Fee and commission income	6,908	5,296
	Fees and commissions paid	1,322	756
	Net interest and fee income	19,305	13,228
5	Securities and foreign exchange income	1,188	1,592
6	Other operating income	891	862
7-9	Staff costs and administrative expenses	12,071	8,092
10	Amortisation and depreciation	787	435
	Other operating expenses	2	2,463
	Provisions for bad and doubtful debts	1,507	379
11	Income from associated and subsidiary undertakings	4,373	2,348
	Profit on ordinary operations before tax	11,390	6,661
12	Tax	2,677	1,940
	Net profit for the year	8,713	4,721
PROPOSAL FOR ALLOCATION OF PROFITS			
	Net profit for the year	8,713	4,721
	Brought forward from prior years	-	-
	Total amount to be allocated	8,713	4,721
	Dividends	3,477	3,382
	Profit retained	5,236	1,339
	Total allocation	8,713	4,721

The comparative figures for 2000 do not include the result for RealDanmark.

Balance sheet for Danske Bank

Note	(DKr m)	2001	2000
ASSETS			
	Cash in hand and demand deposits with central banks	7,477	5,363
14,30-31	Due from credit institutions and deposits with central banks	180,404	143,276
15,30-32	Loans and advances	411,402	294,486
17,31-32	Bonds	235,477	122,230
18,19	Shares, etc.	11,752	11,476
19	Holdings in associated undertakings, etc.	989	458
19	Holdings in subsidiary undertakings	40,202	42,690
21	Tangible assets	4,967	3,434
22	Own shares	810	712
23	Other assets	79,777	74,485
	Prepayments	1,059	857
	Total assets	974,316	699,467
LIABILITIES			
24,30-31	Due to credit institutions and central banks	269,511	176,520
25,30-32	Deposits	373,705	257,941
26,31-32	Issued bonds	128,034	82,739
27	Other liabilities	113,883	106,716
	Deferred income	549	413
28	Provisions for obligations	1,039	2,705
29,32	Subordinated debt	30,504	21,527
	Shareholders' equity		
	Share capital	7,320	7,592
	Share premium account	1,227	27,764
	Reserve for own shares	810	712
	Revaluation reserve	50	52
	Brought forward from prior years	42,448	13,447
	Appropriated from net profit for the year	5,236	1,339
	Total shareholders' equity	57,091	50,906
	Total liabilities	974,316	699,467
OFF-BALANCE-SHEET ITEMS			
33	Guarantees, etc.	191,810	136,431
34	Other commitments	86,537	92,709
	Total off-balance-sheet items	278,347	229,140

Capital

MOVEMENTS IN THE CAPITAL OF DANSKE BANK IN 2001 (DKr m)	Beginning of year	Capital increase	Capital reduction	Other additions	Other disposals	End of year
Share capital	7,592	94	-366	-	-	7,320
Share premium account	27,764	1,227	-27,764	-	-	1,227
Reserve for own shares	712	-	-	98	-	810
Revaluation reserve	52	-	-	-	-2	50
Profit brought forward	14,786	-	28,130	5,236	-468	47,684
Total shareholders' equity	50,906	1,321	0	5,334	-470	57,091

Shareholders' equity

The share capital is made up of 732,000,000 shares of DKr10, totalling DKr7,320m. All shares carry the same rights. Consequently, there is only one class of shares.

Movements in shareholders' equity and minority interests	2001	2000
Shareholders' equity at January 1	50,906	30,412
Capital increase	1,321	30,063
Capital reduction	-	-4,999
Net profit for the year	8,713	4,721
Dividends	-3,477	-3,382
Dividends on own shares	-	161
Goodwill fully written off at the time of acquisition	-372	-6,070
Shareholders' equity at December 31	57,091	50,906
Minority interests at January 1	983	130
Foreign exchange revaluation	-	-
Net profit for the year	-	-5
Addition of minority interests	-	982
Redemption of minority interests	-973	-124
Minority interests at December 31	10	983

SOLVENCY (DKr m)	DANSKE BANK GROUP		DANSKE BANK	
	2001	2000	2001	2000
Capital base and solvency ratio				
Capital base				
Core capital, less statutory deductions	55,177	50,338	56,021	49,600
Eligible subordinated debt and revaluation reserve	29,835	26,990	29,221	20,372
Statutory deduction for insurance subsidiaries	-6,208	-5,454	-6,199	-5,439
Other statutory deductions	-345	-510	-345	-223
Supplementary capital, less statutory deductions	23,282	21,026	22,677	14,710
Total capital base, less statutory deductions	78,459	71,364	78,698	64,310
Weighted items				
not included in trading portfolio	693,499	676,027	488,744	392,848
with market risk included in trading portfolio	66,159	69,130	60,386	48,827
Total weighted items	759,658	745,157	549,130	441,675
Core (tier 1) capital ratio, %	7.26	6.76	10.20	11.23
Solvency ratio, %	10.33	9.58	14.33	14.56
Statutory minimum solvency requirement, %	8.00	8.00	8.00	8.00

The solvency ratio is calculated in accordance with the rules on capital adequacy for banks and certain credit institutions. The rules also stipulate that the Group's insurance subsidiaries are not to be consolidated into the Group accounts. Hence, the solvency margin of these companies is deducted from the Group's capital base before the capital base is included in the calculation of its solvency ratio. The consequent reduction in the solvency ratio is 0.7 percentage points for 2001 and 0.7 percentage points at the end of 2000.

Cash flow statement for the Danske Bank Group

Note	(DKr m)	2001	2000
37	Net profit for the year	8,713	4,716
	Adjustment for non-cash items in the profit and loss account	150	2,352
	Net profit for the year adjusted for non-cash items in the profit and loss account	8,863	7,068
	Increase/decrease in working capital		
	Loans and advances and amounts due from credit institutions	-71,428	-68,919
	Deposits and amounts due to credit institutions	71,068	7,598
	Mortgage bonds and other bonds issued	110,198	25,491
	Other working capital	13,949	23,336
	Total	123,787	-12,494
	Cash flow from operations	132,650	-5,426
	Cash flow from investing activities		
38	Acquisition of business	-88	-30,908
	Sale of business	526	690
	Tangible fixed assets	-545	-295
	Total	-107	-30,513
	Cash flow from financing		
	Capital increase	-	30,126
	Buy-back of own shares	-	-4,999
	Subordinated debt	-1,229	-
	Dividends	-3,221	-1,323
	Total	-4,450	23,804
39	Cash and cash equivalents, beginning of year	276,211	162,297
	Cash and cash equivalents of business acquired	-3,969	126,049
	Increase/decrease in cash and cash equivalents	128,092	-12,135
39	Cash and cash equivalents, end of year	400,334	276,211

Credit risk

LOANS, ADVANCES AND GUARANTEES BY SECTOR AND INDUSTRY	DANSKE BANK GROUP				DANSKE BANK			
	2001		2000		2001		2000	
	DKr m	%	DKr m	%	DKr m	%	DKr m	%
Public sector	29,022	2.9	25,845	2.7	14,706	2.4	7,324	1.7
Corporate sector:								
Agriculture, hunting and forestry	27,335	2.7	28,428	3.0	8,536	1.4	4,608	1.0
Fisheries	3,597	0.4	2,360	0.3	2,698	0.4	704	0.2
Manufacturing industries, extraction of raw materials, utilities	97,324	9.6	90,686	9.6	82,140	13.6	63,329	14.7
Building and construction	14,905	1.5	16,855	1.8	7,786	1.3	7,785	1.8
Trade, hotels and restaurants	65,489	6.4	62,631	6.7	40,149	6.7	30,876	7.2
Transport, mail and telephone	32,754	3.2	35,331	3.8	26,984	4.5	23,463	5.4
Credit, finance and insurance	70,742	7.0	85,640	9.1	184,637	30.6	150,120	34.8
Property administration, purchase and sale and business services	153,513	15.1	156,723	16.7	57,642	9.6	43,504	10.1
Others	108,797	10.7	74,234	7.9	97,885	16.2	53,253	12.4
Total corporate sector	574,456	56.5	552,888	58.8	508,457	84.3	377,642	87.6
Personal customers	412,395	40.6	361,699	38.5	80,049	13.3	45,951	10.7
Total	1,015,873	100.0	940,432	100.0	603,212	100.0	430,917	100.0
Accumulated provisions								
Provisions against loans, advances and guarantees at December 31	13,610		13,879		11,142		9,203	
Provisions at December 31 against amounts due from credit institutions and other items involving a credit risk	472		503		462		488	
Total accumulated provisions	14,082		14,382		11,604		9,691	
Accumulated provisions against loans, advances and guarantees as a percentage of loans, advances and guarantees at December 31	1.3		1.5		1.8		2.1	
Non-accrual loans and advances to customers and non-accrual amounts due from credit institutions at December 31	3,484		3,432		2,528		1,715	
SUBORDINATED CLAIMS (DKr m)								
Subsidiary undertakings								
Credit institutions	8		3		700		700	
Loans and advances	-		-		-		-	
Bonds	-		-		640		602	
Other undertakings								
Credit institutions	-		170		-		-	
Loans and advances	94		439		85		87	
Bonds	416		529		416		84	

Liquidity risk

LOANS AND DEPOSITS, ETC., BY TIME TO MATURITY (DKr m)	DANSKE BANK GROUP		DANSKE BANK	
	2001	2000	2001	2000
Due from credit institutions and deposits with central banks				
On demand	32,565	23,614	34,978	14,341
Up to and including 3 months	84,537	89,369	118,050	107,371
Over 3 months and up to and including 1 year	16,093	10,062	20,959	13,267
Over 1 year and up to and including 5 years	4,101	5,125	2,982	4,227
Over 5 years	2,954	4,336	3,435	4,070
Total	140,250	132,506	180,404	143,276
Loans and advances				
On demand	30,755	15,667	38,530	15,534
Up to and including 3 months	177,016	177,743	117,992	100,811
Over 3 months and up to and including 1 year	176,531	126,515	140,225	94,164
Over 1 year and up to and including 5 years	156,567	141,526	62,830	49,565
Over 5 years	383,152	402,823	51,825	34,412
Total	924,021	864,274	411,402	294,486
Due to credit institutions and central banks				
On demand	52,152	26,151	63,588	14,160
Up to and including 3 months	159,730	165,582	177,112	148,942
Over 3 months and up to and including 1 year	27,639	20,660	27,393	12,887
Over 1 year and up to and including 5 years	1,119	234	1,016	233
Over 5 years	402	322	402	298
Total	241,042	212,949	269,511	176,520
Deposits				
On demand	198,796	184,262	176,903	110,124
Up to and including 3 months	154,298	140,762	149,156	114,570
Over 3 months and up to and including 1 year	5,919	6,450	5,803	4,622
Over 1 year and up to and including 5 years	12,372	10,450	12,814	9,469
Over 5 years	29,106	24,910	29,029	19,156
Total	400,491	366,834	373,705	257,941
Issued bonds, etc.				
Up to and including 3 months	170,693	105,659	85,074	56,792
Over 3 months and up to and including 1 year	74,083	30,636	36,335	19,287
Over 1 year and up to and including 5 years	148,794	112,735	5,647	5,711
Over 5 years	279,884	314,226	978	949
Total	673,454	563,256	128,034	82,739

Market risk

(DKr m)	DANSKE BANK GROUP		DANSKE BANK	
	2001	2000	2001	2000
Outstanding amounts in foreign currency				
Total assets in foreign currency	487,173	452,056	470,276	375,532
Total liabilities in foreign currency	516,388	450,371	498,667	371,992
Exchange rate indicator 1	1,532	1,422	1,532	2,385
Exchange rate indicator 1 as percentage of core capital less statutory deductions	2.78	2.83	2.74	4.81
Indicator 1 represents the sum of the Group's long currency positions or short currency positions, whichever is the larger.				
Exchange rate indicator 2	42.27	46.68	42.22	52.06
Exchange rate indicator 2 as percentage of core capital less statutory deductions	0.08	0.09	0.08	0.11
Indicator 2 is a more accurate measure of the Group's exchange rate risk than indicator 1 because indicator 2 takes into account the volatility and correlation of the currencies. Thus, indicator 2 represents the maximum amount that the Group has a 99% probability of losing in the course of the following 10 days, provided that the currency position remains unchanged.				
Interest rate risk				
Interest rate risk (according to size) broken down by currency:				
DKK	1,075	1,096	900	561
EUR	278	343	271	135
USD	292	117	291	114
GBP	42	47	42	46
Other	149	44	147	19
Total	1,836	1,647	1,651	875

The Danske Bank Group's total interest rate sensitivity as measured according to the guidelines laid down by the Danish Financial Supervisory Authority was DKr1,836m at the end of 2001, or 3.3% of the Group's core capital less statutory deductions. Interest rate sensitivity represents the interest rate risk on short-term and long-term fixed rate krone and foreign currency assets and liabilities, including mortgages.

In 2000, the amount of the Danske Bank Group's interest rate sensitivity was DKr1,647m, or 3.3% of the Group's core capital less statutory deductions.

Market risk

DERIVATIVE FINANCIAL INSTRUMENTS

Specified by remaining life

Danske Bank Group (DKr m)	Three months and below		Over 3 months to 1 year		Over 1 year to 5 years		Over 5 years	
	Notional amount	Net market value	Notional amount	Net market value	Notional amount	Net market value	Notional amount	Net market value
Currency contracts								
Forwards/futures bought	675,740	-5,605	350,543	-3,245	10,753	-115	308	-3
Forwards/futures sold	606,067	6,183	311,793	3,530	8,982	75	218	1
Swaps	7,951	-242	21,815	-536	94,133	-2,684	32,357	-161
Options bought	24,212	228	19,827	315	17	-	-	-
Options written	22,928	-205	22,456	-304	8	-1	-	-
Interest rate contracts								
Forwards/futures bought	103,179	45	18,272	-1	7,205	9	-	-
Forwards/futures sold	126,101	38	82,608	-6	33,116	-19	-	-
FRA's bought	564,053	-1,578	717,766	-1,537	41,444	7	-	-
FRA's sold	563,013	1,560	707,667	1,492	47,034	-14	-	-
Swaps	441,773	-2,314	513,995	-779	878,076	1,393	423,713	852
Options bought	64,838	111	45,036	106	45,421	402	5,092	65
Options written	13,583	-56	21,143	-85	41,699	-354	5,297	-62
Equity contracts								
Forwards/futures bought	354	8	103	-	143	111	946	738
Forwards/futures sold	452	-15	103	-1	143	-104	946	-838
Options bought	90	177	8,141	13	19,478	73	-	-
Options written	201	-206	318	-34	3,597	-65	-	-
Other contracts								
Credit derivatives	1,185	-12	61	-	-	-	-	-

Danske Bank Group (DKr m)	Total 2001		Total 2000		Total 2001		Total 2000	
	Notional amount	Net market value	Notional amount	Net market value	Market value		Market value	
					Positive	Negative	Positive	Negative
Currency contracts								
Forwards/futures bought	1,037,344	-8,968	1,234,015	7,804	10,479	19,447	22,408	14,604
Forwards/futures sold	927,060	9,789	1,029,352	-8,248	17,895	8,106	12,552	20,800
Swaps	156,256	-3,623	136,519	-3,117	469	4,092	4,837	7,954
Options bought	44,056	543	28,950	507	543	-	507	-
Options written	45,392	-510	26,460	-512	-	510	-	512
Interest rate contracts								
Forwards/futures bought	128,656	53	106,415	167	119	66	179	12
Forwards/futures sold	241,825	13	64,160	-117	53	40	6	123
FRA's bought	1,323,263	-3,108	1,384,119	-2,180	104	3,212	126	2,306
FRA's sold	1,317,714	3,038	1,349,493	2,203	3,145	107	2,322	119
Swaps	2,257,557	-848	2,015,248	-575	31,146	31,994	25,363	25,938
Options bought	160,387	684	84,389	440	684	-	440	-
Options written	81,722	-557	45,113	-483	-	557	-	483
Equity contracts								
Forwards/futures bought	1,546	857	1,938	-7	869	12	16	23
Forwards/futures sold	1,644	-958	1,997	38	26	984	57	19
Options bought	27,709	263	602	265	263	-	265	-
Options written	4,116	-305	520	-237	-	305	-	237
Other contracts								
Credit derivatives	2,431	-12	-	-	-	12	-	-
Total		-3,649		-4,052	65,795	69,444	69,078	73,130

Market risk

DERIVATIVE FINANCIAL INSTRUMENTS

Specified by remaining life

Danske Bank (DKr m)	Three months and below		Over 3 months to 1 year		Over 1 year to 5 years		Over 5 years	
	Notional amount	Net market value	Notional amount	Net market value	Notional amount	Net market value	Notional amount	Net market value
Currency contracts								
Forwards/futures bought	665,008	-5,619	382,779	-3,235	13,554	-115	386	-3
Forwards/futures sold	603,222	6,147	342,028	3,486	7,406	75	126	1
Swaps	7,951	-242	21,815	-535	93,037	-2,511	32,357	-161
Options bought	24,212	228	19,807	315	17	-	-	-
Options written	22,928	-205	22,458	-304	8	-1	-	-
Interest rate contracts								
Forwards/futures bought	31,720	-9	18,191	-1	7,205	9	-	-
Forwards/futures sold	76,730	28	82,589	-6	33,116	-19	-	-
FRAs bought	563,651	-1,576	716,135	-1,537	41,444	7	-	-
FRAs sold	562,605	1,559	706,048	1,492	47,374	-14	-	-
Swaps	440,078	-2,222	513,624	-670	874,585	1,333	422,734	887
Options bought	64,838	111	45,036	106	45,421	402	5,092	59
Options written	13,583	-56	21,143	-85	41,699	-354	5,297	-60
Equity contracts								
Forwards/futures bought	14	1	4	-	143	112	946	738
Forwards/futures sold	85	-15	4	-	143	-104	946	-838
Options bought	70	1	8,121	4	19,478	17	-	-
Options written	168	-103	306	-28	3,597	-17	-	-
Other contracts								
Credit derivatives	1,185	-12	61	-	-	-	-	-

Danske Bank (DKr m)	Total 2001		Total 2000		Total 2001		Total 2000	
	Notional amount	Net market value	Notional amount	Net market value	Positive	Negative	Positive	Negative
Currency contracts								
Forwards/futures bought	1,061,727	-8,972	1,189,348	7,770	10,472	19,444	22,181	14,411
Forwards/futures sold	952,782	9,709	992,946	-7,718	17,758	8,049	11,802	19,520
Swaps	155,160	-3,449	135,419	-2,970	470	3,919	4,837	7,807
Options bought	44,036	543	23,852	504	543	-	504	-
Options written	45,394	-510	24,610	-512	-	510	-	512
Interest rate contracts								
Forwards/futures bought	57,116	-1	64,108	62	2	3	74	12
Forwards/futures sold	192,435	3	23,267	-24	3	-	5	29
FRAs bought	1,321,230	-3,106	1,185,410	-1,922	104	3,210	115	2,037
FRAs sold	1,316,027	3,037	1,192,114	1,925	3,144	107	2,034	109
Swaps	2,251,021	-672	1,902,583	-234	31,263	31,935	24,590	24,824
Options bought	160,387	678	84,689	452	678	-	451	-
Options written	81,722	-555	45,163	-485	-	555	-	484
Equity contracts								
Forward/futures bought	1,107	851	33	-20	857	6	3	24
Forward/futures sold	1,178	-957	94	52	10	967	57	5
Options bought	27,669	22	411	261	22	-	261	-
Options written	4,071	-148	481	-233	-	148	-	234
Other contracts								
Credit derivatives	1,246	-12	-	-	-	12	-	-
Total		-3,539		-3,092	65,326	68,865	66,914	70,008

Market risk

Danske Bank Group (DKr m)	2001		2000		2001		2000	
	Average market value		Average market value		Market value of non-guaranteed contracts		Market value of non-guaranteed contracts	
	Positive	Negative	Positive	Negative	Positive	Negative	Positive	Negative
Currency contracts								
Forwards/futures bought	16,202	16,731	22,586	14,509	10,479	19,447	22,408	14,604
Forwards/futures sold	15,100	13,688	14,155	20,345	17,895	8,106	12,552	20,800
Swaps	2,004	6,061	5,030	7,987	469	4,092	4,837	7,954
Options bought	500	-	549	-	543	-	507	-
Options written	-	596	-	477	-	510	-	512
Interest rate contracts								
Forwards/futures bought	159	44	29	27	98	46	135	-
Forwards/futures sold	34	74	19	24	44	30	2	95
FRAs bought	129	2,728	1,690	1,196	104	3,212	126	2,306
FRAs sold	2,692	129	1,192	1,729	3,145	107	2,322	119
Swaps	27,453	27,317	21,837	21,032	31,146	31,994	25,363	25,938
Options bought	564	-	538	-	684	-	440	-
Options written	-	501	-	551	-	557	-	483
Equity contracts								
Forwards/futures bought	536	18	270	119	847	2	14	-
Forwards/futures sold	40	607	120	265	1	933	1	14
Options bought	307	-	413	-	94	-	95	-
Options written	-	265	-	413	-	87	-	3
Credit derivatives	1	-	-	-	-	12	-	-
Total market value	65,721	68,759	68,428	68,674	65,549	69,135	68,802	72,828
Total after netting					31,485		22,601	

Danske Bank (DKr m)	2001		2000		2001		2000	
	Average market value		Average market value		Market value of non-guaranteed contracts		Market value of non-guaranteed contracts	
	Positive	Negative	Positive	Negative	Positive	Negative	Positive	Negative
Currency contracts								
Forwards/futures bought	16,120	16,665	22,952	14,805	10,472	19,444	22,181	14,411
Forwards/futures sold	14,766	13,214	13,899	19,536	17,758	8,049	11,802	19,520
Swaps	2,004	5,868	5,031	7,840	470	3,919	4,837	7,807
Options bought	499	-	549	-	543	-	504	-
Options written	-	596	-	477	-	510	-	512
Interest rate contracts								
Forwards/futures bought	26	7	22	28	1	1	30	-
Forwards/futures sold	4	10	19	24	2	-	1	-
FRAs bought	125	2,637	1,690	1,201	104	3,210	115	2,037
FRAs sold	2,596	126	1,197	1,730	3,144	107	2,034	109
Swaps	27,267	27,755	22,054	21,156	31,263	31,935	24,590	24,824
Options bought	564	-	549	-	678	-	451	-
Options written	-	500	-	553	-	555	-	484
Equity contracts								
Forwards/futures bought	524	13	270	119	852	1	1	-
Forwards/futures sold	27	592	120	265	4	950	1	-
Options bought	105	-	413	-	15	-	90	-
Options written	-	201	-	413	-	52	-	-
Credit derivatives	1	-	-	-	-	12	-	-
Total market value	64,627	68,184	68,765	68,147	65,306	68,745	66,637	69,704
Total after netting					30,403		17,238	

Market risk

UNSETTLED SPOT TRANSACTIONS

Danske Bank Group (DKr m)	Notional amount	Market value		Total 2001 Net market value
		Positive	Negative	
Foreign exchange transactions bought	42,116	110	68	42
Foreign exchange transactions sold	26,552	53	107	-54
Interest rate transactions bought	75,486	10	41	-31
Interest rate transactions sold	58,097	42	3	39
Equity transactions bought	218,936	56	16	40
Equity transactions sold	211,830	27	81	-54
Total		298	316	-18
Total 2000		294	356	-62

Danske Bank (DKr m)	Notional amount	Market value		Total 2001 Net market value
		Positive	Negative	
Foreign exchange transactions bought	41,902	108	67	41
Foreign exchange transactions sold	25,865	52	108	-56
Interest rate transactions bought	73,635	8	40	-32
Interest rate transactions sold	44,780	28	2	26
Equity transactions bought	218,800	11	11	0
Equity transactions sold	211,800	3	14	-11
Total	616,782	210	242	-32
Total 2000		167	174	-7

POSITIVE MARKET VALUE, AFTER NETTING (DKr m)	DANSKE BANK GROUP		DANSKE BANK	
	2001	2000	2001	2000
Counterparty with risk weighting of 0%	200	221	193	200
Counterparty with risk weighting of 20%	26,821	15,559	25,899	12,590
Counterparty with risk weighting of 100%	4,464	6,821	4,311	4,448
Total	31,485	22,601	30,403	17,238

Notes to the profit and loss account

CORE EARNINGS AND EARNINGS FROM INVESTMENT PORTFOLIOS OF THE DANSKE BANK GROUP AND THE STATUTORY PRESENTATION OF ACCOUNTS

Note (DKr m)		2001			
	Core earnings	Merger costs	Profit on sale 1)	Earnings from investment portfolios	Total *
1					
	Net interest income	18,051		555	18,606
	Dividends from shares, etc.	168		273	441
	Fee and commission income	6,265		-23	6,242
	Net interest and fee income	24,484		805	25,289
	Securities and foreign exchange income	1,597		-34	1,563
	Other operating income	1,003	257	-	1,260
	Staff costs and administrative expenses	15,379		124	15,503
	Amortisation and depreciation	891		-	891
	Other operating expenses	5	17	-	22
	Provisions for bad and doubtful debts	1,752		-	1,752
	Income from associated and subsidiary undertakings	1,223		223	1,446
	Profit on ordinary operations before tax	10,280	0	870	11,390
2000					
	Net interest income	10,327		392	10,719
	Dividends from shares, etc.	109		99	208
	Fee and commission income	4,829		-8	4,821
	Net interest and fee income	15,265		483	15,748
	Securities and foreign exchange income	1,396		389	1,785
	Other operating income	538	83	441	1,062
	Staff costs and administrative expenses	9,531		60	9,591
	Amortisation and depreciation	545		-	545
	Other operating expenses	4	2,459	-	2,463
	Provisions for bad and doubtful debts	454		-	454
	Income from associated and subsidiary undertakings	928		186	1,114
	Profit on ordinary operations before tax	7,593	2,459	1,439	6,656

* The statutory accounting format of the Danish Financial Supervisory Authority

1) Profit on sale of subsidiaries

Core earnings comprise the result of customer-related activities, including the trading portfolio and life and non-life business. Earnings from investment portfolios comprise the profits on the proprietary investment portfolios of the banking group and the non-life business. Shareholders' equity is allocated to core earnings and earnings from investment portfolios in proportion to their capital requirement.

The comparative figures for 2000 do not include the result for RealDanmark.

Notes to the profit and loss account

Note	(DKr m)	DANSKE BANK GROUP		DANSKE BANK	
		2001	2000	2001	2000
2	Interest income				
	Repo transactions with central banks	28	12	25	3
	Central banks	1,215	1,285	1,186	1,273
	Repo transactions with credit institutions	2,987	2,731	3,120	2,724
	Credit institutions	3,554	2,753	3,846	4,322
	Mortgage loans	27,594	4,905	-	-
	Repo loans and advances	2,178	1,886	2,178	1,886
	Loans and advances	29,089	21,765	23,719	16,859
	Bonds	13,037	7,437	10,783	6,830
	Derivative financial instruments				
	Currency contracts	-95	1,297	-149	891
	Interest rate contracts	-13	-29	-17	-38
	Equity contracts	-	-	-	-
	Total derivative financial instruments	-108	1,268	-166	853
	Other interest income	213	40	93	30
	Total	79,787	44,082	44,784	34,780
3	Interest expense				
	Repo transactions with central banks	30	3	25	3
	Central banks	2,412	1,537	2,397	1,534
	Repo transactions with credit institutions	3,111	2,144	3,229	2,152
	Credit institutions	6,402	6,080	6,538	5,920
	Repo deposits	743	572	742	572
	Deposits	14,251	11,326	11,859	9,835
	Mortgage bonds issued	26,870	4,686	-	-
	Other bonds issued	5,146	5,278	4,685	4,654
	Subordinated debt	2,085	1,687	1,891	1,555
	Other interest expense	131	50	48	43
	Total	61,181	33,363	31,414	26,268
4	Fee and commission income				
	Guarantee commission	469	383	675	577
	Securities and custody commission	3,258	2,998	2,928	2,724
	Payment services	1,513	811	1,407	697
	Remortgaging and loan fees	1,244	604	895	571
	Other commissions	1,329	893	1,003	727
	Total	7,813	5,689	6,908	5,296

The comparative figures for 2000 do not include the result for RealDanmark.

Notes to the profit and loss account

Note	(DKr m)	DANSKE BANK GROUP		DANSKE BANK	
		2001	2000	2001	2000
5	Securities and foreign exchange income				
	Bonds	562	-198	465	-221
	Shares	-2,507	350	-2,610	288
	Fixed rate loans and advances	278	125	206	31
	Foreign exchange income	908	931	824	869
	Derivative financial instruments				
	Currency contracts	28	81	28	45
	Interest rate contracts	55	-57	45	27
	Equity contracts	332	255	323	255
	Total derivative financial instruments	415	279	396	327
	Adjustment for pooled schemes	1,907	298	1,907	298
	Total	1,563	1,785	1,188	1,592
	Securities and foreign exchange income				
	After adjustment for pooled schemes, securities and foreign exchange income totals:				
	Bonds	556	-153		
	Shares	-565	810		
	Fixed rate loans and advances	278	125		
	Foreign exchange income	880	724		
	Derivative financial instruments	414	279		
	Total	1,563	1,785		
6	Other operating income				
	Net operating income from property	451	240	324	148
	Profit on sale of subsidiaries and associated undertakings	257	523	233	523
	Other operating income	552	299	334	191
	Total	1,260	1,062	891	862

The comparative figures for 2000 do not include the result for RealDanmark.

Notes to the profit and loss account

Note	(DKr m)	DANSKE BANK GROUP		DANSKE BANK	
		2001	2000	2001	2000
7	Staff costs and administrative expenses				
	Salaries and remuneration of board of directors and executive board				
	Executive board				
	Salary	24	15	24	15
	Bonus	5	4	5	4
	An amount of DKr30m was paid in 2001 to strengthen the capital base of the pension fund which covers the Group's pension commitments to current and former members of the executive board of Danske Bank A/S and their dependents.				
	Board of directors				
	Remuneration of the board of directors	7	5	7	5
	Remuneration for committee work	3	1	3	1
	Other remuneration	-	-	-	-
	Total	39	25	39	25
	Agreements about compensation for a fixed term on termination of directorships have been concluded with a number of board members.				
	Staff costs and administrative expenses				
	Salaries	7,557	5,006	6,193	4,380
	Pension costs	760	386	644	356
	Financial services employer tax, etc.	768	572	636	514
	Total	9,085	5,964	7,473	5,250
	Other administrative expenses, gross	6,622	3,863	4,802	3,078
	Consideration for administrative services from non-consolidated subsidiaries deducted from other administrative expenses	-243	-261	-243	-261
	Other administrative expenses, net	6,379	3,602	4,559	2,817
	Total staff costs and administrative expenses	15,503	9,591	12,071	8,092
8	Audit fees				
	Aggregate fees to the accounting firms elected by the annual general meeting which perform the statutory audit	15	26	9	10
	Of which in respect of services other than auditing	5	10	3	5
	In addition to these fees, considerable costs were incurred in operating the Bank's internal audit department				
9	Number of employees				
	Average number of employees for the accounting year, full-time equivalent				
	Consolidated companies	18,000	19,156	15,645	10,717
	Non-consolidated companies	958	999	-	-
	Total	18,958	20,155	15,645	10,717
10	Amortisation and depreciation				
	Intangible assets	46	32	38	22
	Tangible assets	845	513	749	413
	Total	891	545	787	435
11	Income from associated and subsidiary undertakings				
	Income from associated undertakings, etc.	221	180	180	174
	Income before tax from subsidiary undertakings	1,225	934	4,193	2,174
	Total	1,446	1,114	4,373	2,348

The comparative figures for 2000 do not include the result for RealDanmark.

Notes to the profit and loss account

Note	(DKr m)	DANSKE BANK GROUP		DANSKE BANK	
		2001	2000	2001	2000
12	Tax (minus denotes an income)				
	Estimated tax charge on the profit for the year	2,761	3,720	2,761	3,720
	Deferred taxes	629	-1,545	629	-1,545
	Tax on provisions	104	-	104	-
	Adjustment of prior-year tax charge	-817	-235	-817	-235
	Total	2,677	1,940	2,677	1,940
	Effective tax rate	%	%	%	%
	The current tax rate of the Danske Bank Group	30.0	32.0	30.0	32.0
	Non-liable income and non-deductible expenses	-0.6	-	-0.6	-
	Difference in tax rate of foreign units from Danish tax rate	0.4	1.1	0.4	1.1
	Re-adjustment of prior-year tax charge	-7.2	-3.5	-7.2	-3.5
	Adjustment of prior-year deferred taxes	-	-1.5	-	-1.5
	Change of tax rate from 32% to 30%	-	0.7	-	0.7
	Tax on provisions	0.9	-	0.9	-
	Other	-	0.4	-	0.4
	Effective tax rate	23.5	29.2	23.5	29.2

The tax charge is allocated as follows:

	Danske Bank	Consolidated subsidiaries	Non-consolidated subsidiaries	Total
Calculated tax on the profit for the year	1,777	874	110	2,761
Deferred taxes	475	-93	247	629
Tax on provisions	99	5	-	104
Re-adjustment of prior-year tax charge	28	-745	-100	-817
Total	2,379	41	257	2,677

13	Geographical segments (DKr m)	Core earnings							
		Gross income		before provisions		Total assets		Total staff	
		2001	2000	2001	2000	2001	2000	2001	2000
	Denmark	75,051	33,500	12,440	6,519	1,354,077	1,222,177	15,733	17,196
	Finland	1,973	1,009	31	31	9,138	20,957	88	83
	Germany	391	408	104	90	10,128	6,888	37	46
	Hong Kong	383	1,190	37	179	-	16,044	-	46
	Luxembourg	1,991	2,868	242	289	36,113	51,507	131	179
	Norway	5,628	4,745	448	462	71,637	53,699	1,083	1,074
	Poland	71	21	10	6	655	386	41	38
	Singapore	253	833	27	111	-	10,364	-	35
	Sweden	5,714	4,410	373	465	110,552	84,094	1,158	967
	United Kingdom	6,877	7,438	966	746	132,201	106,892	182	174
	United States	5,257	5,549	300	390	98,868	75,112	68	68
	Eliminations	-12,725	-9,145	-2,946	-1,241	-284,787	-285,435		

Geographical segmentation is based on the location where the individual transactions are recorded. The figures for Denmark include funding costs related to investments in foreign activities.

Total gross income comprises interest income, dividends, fee and commission income, securities and foreign exchange income (net) and other operating income.

The comparative figures for 2000 do not include the result for RealDanmark.

Notes to the balance sheet

Note	(DKr m)	DANSKE BANK GROUP		DANSKE BANK	
		2001	2000	2001	2000
14	Due from credit institutions and deposits with central banks				
	Repo transactions with central banks	3,316	844	3,123	481
	Other deposits with central banks	37,080	25,852	20,895	16,973
	Repo transactions with credit institutions	52,437	53,572	74,534	48,974
	Other amounts due from credit institutions	47,417	52,238	81,852	76,848
	Total	140,250	132,506	180,404	143,276
15	Loans and advances				
	Mortgage loans	448,159	420,356	-	-
	Repo loans and advances	65,100	37,072	65,072	33,909
	Leases	16,056	14,838	11,544	8,197
	Other loans and advances through foreign units	209,652	205,579	144,953	141,627
	Other loans and advances	185,054	186,429	189,833	110,753
	Total	924,021	864,274	411,402	294,486
16	Loans to management				
	Loans, loan commitments, pledges, sureties or guarantees established for members of				
	Executive board	3	6	1	2
	Board of directors	68	59	59	10
17	Bonds				
	Own bonds	125,322	80,339	1,716	2,042
	Other listed bonds	188,470	137,338	204,829	96,872
	Other bonds	29,286	23,374	28,932	23,316
	Total	343,078	241,051	235,477	122,230
18	Shares, etc.				
	Current investments:				
	Listed shares	11,075	16,394	10,761	10,957
	Other shares and holdings	1,282	868	991	519
	Total current investments	12,357	17,262	11,752	11,476
	Fixed investments:				
	Listed shares	-	-	-	-
	Other shares and holdings	-	-	-	-
	Total fixed investments	-	-	-	-
	Total shares, etc.	12,357	17,262	11,752	11,476

Market value of listed securities exceeds the cost of these securities by a net amount of

- - - -

Market value of unlisted securities exceeds the cost of these securities by a net amount of

- - - -

At the end of 2001 the Group had deposited securities for a nominal amount of DKr34,176m with Danish and international clearing centres, etc., as security. In 2000, the corresponding amount was DKr31,225m.

Notes to the balance sheet

Note	(DKr m)	Subsidiary undertakings	Associated undertakings and other significant holdings
19	Danske Bank Group's financial fixed assets in 2001		
	Cost, beginning of year	6,415	1,625
	Additions		175
	Disposals	122	473
	Cost, end of year	6,293	1,327
	Revaluation and write-downs, beginning of year	2,389	-23
	Result	966	221
	Dividends	-	202
	Difference in value at the time of acquisition	-	-
	Reversal of revaluation and write-downs	4	98
	Revaluation and write-downs, end of year	3,351	94
	Holdings in parent companies	-	-
	Book value, end of 2001	9,644	1,421
	of which credit institutions	-	181
	Book value, end of 2000	8,804	1,602
	of which credit institutions	-	174
	Danske Bank's financial fixed assets in 2001		
	Cost, beginning of year	50,650	364
	Exchange rate adjustment	29	
	Change on merger	-10,937	314
	Additions	880	170
	Disposals	326	62
	Cost, end of year	40,296	786
	Revaluation and write-downs, beginning of year	-7,960	94
	Exchange rate adjustment	2	-
	Change on merger	4,465	126
	Result	3,947	180
	Dividends	365	191
	Difference in value at the time of acquisition	367	-
	Reversal of revaluation and write-downs	-184	-6
	Revaluation and write-downs, end of year	-94	203
	Book value, end of 2001	40,202	989
	of which credit institutions	28,329	181
	Book value, end of 2000	42,690	458
	of which credit institutions	32,619	94

Danica Liv I is included in the accounts of Forsikringselskabet Danica, Skadeforsikringsaktieselskab af 1999 in accordance with the equity method. Danica Liv I is a life insurance company and the parent company of a life insurance group. The group has an obligation to certain policyholders to restrict transfers to equity if the percentage by which the solvency margin exceeds the statutory solvency requirement is higher than the percentage maintained by Statsanstalten for Livsforsikring (now Danica Liv I) prior to the privatisation of this company in 1990. In addition, it is the intention not to distribute dividends for a period of at least 25 years as from 1990. Paid-up share capital may, however, be distributed, and interest thereon may be distributed after 2000.

Notes to the balance sheet

Note	Intangible assets (DKr m)	DANSKE BANK GROUP		DANSKE BANK	
		Intangible assets	Goodwill	Intangible assets	Goodwill
20	Cost, beginning of year	-	-	-	-
	Additions	-	372	-	372
	Disposals	-	372	-	372
	Cost, end of year	-	-	-	-
	Amortisation, end of year	-	-	-	-
	Book value, end of 2001	-	-	-	-
	Book value, end of 2000	-	-	-	-
	Furthermore, amounts fully written off at the time of acquisition during the accounting year total	46	372	38	372
	In 2000, the total amount fully written off at the time of acquisition was	32	6,070	22	6,070
21	Tangible assets (DKr m)	Land and buildings	Machinery, equipment	Land and buildings	Machinery, equipment
	Cost, beginning of year	7,713	4,511	3,825	1,877
	Addition on merger	-	-	1,945	395
	Additions during year	63	282	34	211
	Disposals during year	273	2,462	101	487
	Exchange rate adjustment	6	-6	-	-5
	Cost, end of year	7,509	2,325	5,703	1,991
	Revaluation, beginning of year	509	-	435	-
	Reversal of revaluation during year	29	-	29	-
	Revaluation, end of year	480	-	406	-
	Depreciation and write-downs, beginning of year	1,985	3,968	1,099	1,604
	Addition on merger	-	-	324	241
	Depreciation during year	63	364	45	317
	Write-downs during year	1	-	-	-
	Reversal of depreciation and write-downs	86	2,410	21	474
	Exchange rate adjustment	8	-3	-	-2
	Depreciation and write-downs, end of year	1,971	1,919	1,447	1,686
	Book value, end of 2001	6,018	406	4,662	305
	Property temporarily taken over, end of 2001 (mortgage loans)	35	-	-	-
	Book value, end of 2000	6,253	543	3,161	273
	Latest public land assessment (non-assessed properties included at cost)	6,956	-	5,461	-
	Furthermore, machinery and equipment, etc., acquired during the accounting year were fully written off at the time of acquisition, by a total amount of	-	417	-	387
	In 2000, the total amount fully written off at the time of acquisition was	-	223	-	174

Notes to the balance sheet

Note	(DKr m)	DANSKE BANK GROUP		DANSKE BANK	
		2001	2000	2001	2000
22	Own shares taken up at market value				
	Number of own shares (in thousands)	5,998	5,914	5,998	5,021
	Nominal holding of own shares	60	59	60	50
	Accounting value	810	839	810	712
	Of which pooled schemes	569	658	569	544
	Percentage of share capital at December 31	0.8	0.8	0.8	0.7
	Own shares recognised at nil				
	Own shares acquired with the object of reducing the share capital are written down to nil against shareholders' equity.				
	Number of own shares (in thousands)	-	36,586	-	36,586
	Nominal holding of own shares	-	366	-	366
	Cost	-	4,999	-	4,999
	Percentage of share capital at December 31	-	4.8	-	4.8
23	Other assets				
	Positive market value of derivative financial instruments	66,093	69,372	65,536	67,081
	Interest and commission due	14,447	7,527	9,056	4,464
	Other assets	9,324	3,881	5,185	2,940
	Total	89,864	80,780	79,777	74,485
24	Due to credit institutions and central banks				
	Repo transactions with central banks	3,173	559	3,173	430
	Due to central banks	59,172	29,243	59,172	28,559
	Repo transactions with credit institutions	59,893	44,190	65,747	37,773
	Due to credit institutions	118,804	138,957	141,419	109,758
	Total	241,042	212,949	269,511	176,520
25	Deposits				
	On demand	198,134	184,261	176,903	110,124
	At notice	7,421	4,654	4,785	845
	Time deposits	126,075	118,996	123,165	105,794
	Repo deposits	16,803	5,350	16,794	5,074
	Special deposits	52,058	53,573	52,058	36,104
	Total	400,491	366,834	373,705	257,941
26	Issued bonds				
	Mortgage bonds	536,352	471,210	-	-
	Other bonds	137,102	92,046	128,034	82,739
	Total	673,454	563,256	128,034	82,739
27	Other liabilities				
	Negative market value of derivative financial instruments	69,760	73,486	69,106	70,182
	Repurchase obligation, reverse transactions	19,832	24,161	19,832	19,532
	Accrued interest and commission	19,820	14,011	5,297	3,650
	Dividends from the share capital for the year	3,477	3,221	3,477	3,221
	Other liabilities	19,038	18,622	16,171	10,131
	Total	131,927	133,501	113,883	106,716
28	Provisions for obligations				
	Reserves in early series subject to a reimbursement obligation	920	977	-	-
	Pensions and similar obligations	234	318	74	123
	Cases pending	229	310	223	157
	Other provisions for obligations	745	2,472	742	2,425
	Total	2,128	4,077	1,039	2,705

Notes to the balance sheet

Note

29 Subordinated debt

Subordinated debt consists of liabilities in the form of subordinated loan capital and other capital instruments which, in case of the Bank's voluntary or compulsory winding-up, will not be repaid until after the claims of ordinary creditors have been met. The capital base ("liable capital"), as calculated in accordance with sections 21a and 22 of the Danish Banking Act, includes subordinated debt.

Subordinated loan capital

Nominal amount	Million	Rate of interest	Issued	Maturity	Redemption price	2001 DKr m	2000 DKr m
USD	75	floating	8/11 1984	perpetual	100	-	601
USD	25	floating	8/5 1985	perpetual	100	-	201
LUF 1)	750	floating	9/4 1992	2002	100	138	140
Total subordinated loan capital issued by Danske Bank						138	942
Subordinated loan capital issued by subsidiaries							
USD	50	floating	12/6 1996	2006	100	420	401
Total subordinated loan capital issued by the Danske Bank Group						558	1,343

Capital instruments included in the capital base

USD	200	6.55	23/9 1993	2003	100	1,682	1,604
USD 1)	100	floating	14/7 1994	2004	100	-	802
DKK	1,200	9.75	16/12 1991	2004	100	-	1,200
USD	200	7.25	21/6 1995	2005	100	1,682	1,604
USD	100	floating	14/7 1995	2005	100	841	802
GBP	100	floating	10/5 1999	2005	100	1,219	1,196
DKK 1)	506	10.75	3/10 1992	2005	100	506	506
USD 1)	150	floating	24/10 1997	2005	100	1,261	1,203
DKK 1)	100	floating	17/6 1993	2006	100	100	100
USD	300	floating	4/6 1996	2006	100	2,523	2,406
JPY	10,000	6.30	14/9 1992	2007	100	641	698
DKK 1)	75	6.00	30/9 1999	2007	100	75	75
GBP	125	floating	22/7 1996	2007	100	1,523	1,495
GBP	75	floating	22/10 1996	2007	100	914	898
EUR 1)	150	floating	24/11 1999	2007	100	1,115	1,119
USD	300	6.375	17/6 1998	2008	100	2,523	2,406
USD	300	floating	4/4 1997	2009	100	2,523	2,406
USD	500	7.40	11/6 1997	2010	100	4,205	4,010
EUR	700	5.75	26/3 2001	2011	100	5,205	-
GBP	150	floating	25/5 2001	2014	100	1,828	-
Total value of capital instruments constituting supplementary capital issued by Danske Bank						30,366	24,530

Capital instruments issued by subsidiaries included in the Group's capital base

DKK	3,000	10.20	2/4 1999	2004	100	-	3,000
USD	100	floating	3/3 1997	perpetual	100	841	802
Total value of capital instruments constituting supplementary capital of subsidiaries						841	3,802

Total subordinated debt of the Danske Bank Group

Total subordinated debt of the Danske Bank Group						31,765	29,675
The capital base includes subordinated debt in the amount of							
Danske Bank Group						29,784	26,938
Danske Bank						29,170	20,320

The cost of repaying and issuing subordinated debt amounts to DKr32m in 2001

In 2000, the corresponding amount was DKr0m.

1) Issued by BG Bank A/S

Notes to the balance sheet

Note	(DKr m)	DANSKE BANK GROUP		DANSKE BANK	
		2001	2000	2001	2000
30	Genuine sale and repurchase transactions as well as genuine purchase and resale transactions (repo/reverse transactions)				
	Of the asset items below, genuine purchase and resale transactions constitute:				
	Due from credit institutions and deposits with central banks	55,753	54,416	77,657	49,455
	Loans and advances	65,100	37,072	65,072	33,909
	Of the liability items below, genuine sale and repurchase transactions constitute:				
	Due to credit institutions and central banks	63,066	44,749	68,920	38,203
	Deposits	16,803	5,350	16,794	5,074
	Assets sold in the context of genuine sale and repurchase transactions:				
	Bonds	79,901	53,532	85,262	43,499
	Unsettled genuine purchase and resale transactions	20,757	17,412	20,447	18,859
	Unsettled genuine sale and repurchase transactions	6,054	2,833	6,054	5,172
31	Amounts due from and due to subsidiary and associated undertakings, etc.			Associated undertakings and other significant holdings	
		Subsidiary undertakings			
	Amounts due to Danske Bank from subsidiary and associated undertakings, etc., and amounts due from the Bank to these undertakings break down as follows:				
	Due from credit institutions and deposits with central banks	63,568	51,976	21	23
	Loans and advances	12,054	5,559	405	821
	Bonds	43,154	14,073	3	-
	Total assets	118,776	71,608	429	844
	Due to credit institutions	31,815	15,082	7	9
	Deposits	2,748	2,226	231	57
	Issued bonds *)	66,057	35,467	-	-
	Total liabilities	100,620	52,775	238	66

*) This amount represents funds from Danske Corporation resulting from the sale of commercial paper notes in the US market.

Notes to the balance sheet

Note

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Market value adjustment

The Danske Bank Group continuously monitors the hedging of the interest rate risk on the Group's portfolio of fixed rate assets and liabilities. The portfolio of assets and the liabilities are hedged in full or in part by means of derivative financial instruments so that, for each currency, the interest rate risk on the hedged portfolio of assets and the liabilities corresponds to the interest rate risk, for each currency, on the derivative financial instruments employed for hedging them.

Under Danish accounting regulations applying to banks and savings banks, part of the Group's fixed rate assets (loans and advances as well as unlisted bonds) must be valued at cost or lower. Revaluation to a market value in excess of cost is consequently not allowed. For some of these assets, the interest rate risk has been hedged by derivative financial instruments (swaps) and, in accordance with the accounting regulations, no value adjustment of these instruments has been made. Consequently, the Group did not expense DKr756m in 2001 and DKr211m in 2000.

The interest rate risk on the fixed rate liabilities, which are not value adjusted under Danish accounting regulations, is hedged by derivative financial instruments (swaps) in respect of long-term liabilities. Value adjustment of these derivative financial instruments employed for hedging purposes is not allowed. Consequently, the Group did not take to income DKr1,064m in 2001 and DKr540m in 2000.

(DKr m)	2001				2000		
Danske Bank Group				Nominal/ Notional amount			Nominal/ Notional amount
	Purchase price	Book value	Market value		Book value	Market value	
Assets							
Loans and advances	51,585	51,585	52,341	51,585	47,010	47,160	47,010
Bonds	12,024	12,024	12,024	12,078	10,027	10,088	10,112
Total	63,609	63,609	64,365	63,663	57,037	57,248	57,122
Derivative financial instruments hedging interest rate risks							
Swaps			756	62,925		211	57,141
Liabilities							
Deposits	-	8,326	8,618	8,326	1,647	1,718	1,647
Issued bonds, etc.	-	6,610	6,814	6,610	5,230	5,322	5,230
Subordinated debt	-	16,125	16,693	16,125	11,657	12,034	11,657
Total	-	31,061	32,125	31,061	18,534	19,074	18,534
Derivative financial instruments hedging interest rate risks							
Swaps			1,064	30,965		540	18,619
Fixed rate loans granted by the mortgage finance business are funded through the issue of mortgage bonds, which are not value adjusted. In accordance with a ruling given by the Danish Financial Supervisory Authority, fixed rate mortgage loans are not value adjusted either. Therefore, the fixed rate assets and liabilities listed above do not include fixed rate mortgage loans and mortgage bonds issued.							
Danske Bank							
Assets							
Loans and advances	40,726	40,726	41,329	40,726	20,473	20,618	20,473
Bonds	12,024	12,024	12,024	12,078	10,027	10,088	10,112
Total	52,750	52,750	53,353	52,804	30,500	30,706	30,585
Derivative financial instruments hedging interest rate risks							
Swaps			603	52,550		206	30,778
Liabilities							
Deposits	-	8,326	8,618	8,326	1,492	1,536	1,492
Issued bonds, etc.	-	4,920	5,093	4,920	3,831	3,942	3,831
Subordinated debt	-	16,125	16,693	16,125	11,523	11,857	11,523
Total	-	29,371	30,404	29,371	16,846	17,335	16,846
Derivative financial instruments hedging interest rate risks							
Swaps			1,033	29,369		489	16,846

Notes to off-balance-sheet items

Note	(DKr m)	DANSKE BANK GROUP		DANSKE BANK	
		2001	2000	2001	2000
33	Guarantees, etc.				
	Financial guarantees	27,633	27,280	64,333	56,715
	Other guarantees	62,552	46,765	125,810	77,744
	Acceptances and endorsements, etc.	1,667	2,113	1,667	1,972
	Total	91,852	76,158	191,810	136,431
34	Other commitments				
	Irrevocable loan commitments	86,259	101,117	84,371	92,271
	Other commitments	4,277	2,392	2,166	438
	Total	90,536	103,509	86,537	92,709

35 **Contingent liabilities**

Owning to its size and business volume the Danske Bank Group is continually a party to various lawsuits.

Legal proceedings have, for example, been initiated against the Bank as a result of the so-called tax stripping cases raised against certain customers of the Bank. Moreover, some investors who subscribed for shares when Hafnia Holding A/S carried out a share issue in July 1992 or who bought shares in the summer of 1992 have brought actions for damages against the Bank, among others, totalling DKr1,107m. The Bank has signed declarations lifting, for the future, the time-bar applicable to claims in respect of the Hafnia issue for an additional amount of DKr56m.

The outcome of the cases pending is not expected to have any material effect on the financial position of the Danske Bank Group.

The Group's pension commitments are covered by payments made to insurance companies, pension funds, etc. In a few cases, however, the Group may, following an actuarial calculation, be ordered to make further payments. Certain foreign pension commitments are not covered, but provisions are made on the basis of an actuarial calculation.

A limited number of employees are employed under terms which grant them an extraordinary severance and/or pension payment in excess of what they would have been entitled to under the ordinary terms of employment if they are dismissed before reaching their normal retirement age.

The Bank is jointly and severally liable for the corporation tax of the jointly taxed companies. The Bank is registered jointly with all significant wholly-owned Danish subsidiaries in relation to financial services employer tax and VAT for which it is jointly and severally liable.

In addition to the deferred taxes provided for in the balance sheet, the Bank is liable for deferred taxes of DKr1,085m regarding shares in subsidiary companies held for less than three years. In 2000 the corresponding amount was DKr417m.

36 **Related parties**

Danske Bank has no related parties with a significant influence on the Group. Apart from intra-group restructurings effected at market price, no unusual transactions have taken place with associated or subsidiary undertakings in 2001.

The Danske Bank Group handles computer administration and development, portfolio management and property administration for Forsikringssselskabet Danica, Skadeforsikringsaktieselskab af 1999. Danske Bank also handles a substantial portion of that company's securities trading.

Notes to the cash flow statement

		DANSKE BANK GROUP	
Note	(DKr m)	2001	2000
37	Adjustment for non-cash items in the profit and loss account, provisions for bad and doubtful debts		
	Accruals, net	-75	-262
	Amortisation and depreciation	884	545
	Provisions for bad and doubtful debts	1,752	454
	Income from associated and subsidiary undertakings	-1,196	-1,114
	Tax, net	1,445	231
	Other adjustments	-2,660	2,498
	Total	150	2,352
38	Acquisition of business		
	The value of the assets and liabilities acquired is made up as follows:		
	Loans and advances and amounts due from credit institutions	84	469,951
	Deposits, debt to credit institutions and issued bonds	-	-537,027
	Securities	-	115,490
	Other working capital	-	-16,631
	Subordinated debt	-	-6,945
	Net assets	84	24,838
	Goodwill on acquisition	4	6,070
	Total acquisition price	88	30,908
39	Cash and cash equivalents		
	Cash and cash equivalents, beginning of year		
	Cash in hand and demand deposits	5,924	3,297
	Due from credit institutions	37,842	36,260
	Securities	232,445	122,740
	Total	276,211	162,297
	Cash and cash equivalents, end of year		
	Cash in hand and demand deposits	4,350	5,924
	Due from credit institutions	48,471	37,842
	Securities	347,513	232,445
	Total	400,334	276,211

Profit and loss account excluding pooled schemes

(DKr m)	DANSKE BANK GROUP		DANSKE BANK	
	2001	2000	2001	2000
Interest income	78,523	43,423	43,520	34,121
Interest expense	59,788	32,615	30,022	25,520
Net interest income	18,735	10,808	13,498	8,601
Dividends from shares, etc.	312	119	221	87
Fee and commission income	7,813	5,689	6,908	5,296
Fees and commissions paid	1,571	868	1,322	756
Net interest and fee income	25,289	15,748	19,305	13,228
Securities and foreign exchange income	1,563	1,785	1,188	1,592
Other operating income	1,260	1,062	891	862
Staff costs and administrative expenses	15,503	9,591	12,071	8,092
Amortisation and depreciation	891	545	787	435
Other operating expenses	22	2,463	2	2,463
Provisions for bad and doubtful debts	1,752	454	1,507	379
Income from associated and subsidiary undertakings	1,446	1,114	4,373	2,348
Profit on ordinary operations before tax	11,390	6,656	11,390	6,661
Tax	2,677	1,940	2,677	1,940
Net profit for the year	8,713	4,716	8,713	4,721
Notes				
Interest income				
Due from credit institutions and deposits with central banks	7,784	6,781	8,176	8,322
Loans and advances	58,862	28,556	25,897	18,745
Bonds	11,773	6,778	9,520	6,171
Total derivative financial instruments	-109	1,268	-166	853
Other	213	40	93	30
Total	78,523	43,423	43,520	34,121
Interest expense				
of which:				
Interest on deposits	13,602	11,150	11,209	9,659
Securities and foreign exchange income				
Bonds	556	-153	458	-176
Shares	-565	810	-668	748
Fixed rate loans and advances	278	125	206	31
Foreign exchange income	880	724	796	662
Derivative financial instruments	414	279	396	327
Total	1,563	1,785	1,188	1,592

Balance sheet excluding pooled schemes

(DKr m)	DANSKE BANK GROUP		DANSKE BANK	
	2001	2000	2001	2000
ASSETS				
Cash in hand and demand deposits with central banks, etc.	9,566	7,752	7,477	5,363
Due from credit institutions and deposits with central banks, etc.	140,250	132,307	180,404	143,277
Loans and advances	924,021	864,274	411,402	294,486
Bonds	320,957	221,427	213,356	110,092
Shares, etc.	3,954	6,779	3,349	3,696
Holdings in associated undertakings, etc.	1,421	1,602	989	458
Holdings in subsidiary undertakings	9,644	8,804	40,202	42,690
Tangible assets	6,459	6,796	4,967	3,434
Own shares	228	178	228	168
Other assets	89,406	80,097	79,319	74,231
Prepayments	1,112	1,019	1,059	857
Total assets	1,507,018	1,331,035	942,752	678,752
LIABILITIES				
Due to credit institutions and central banks	241,042	212,750	269,511	176,520
Deposits 1)	369,181	336,082	342,395	237,568
Issued bonds	673,454	563,256	128,034	82,739
Other liabilities	131,673	132,802	113,630	106,374
Deferred income	674	504	549	413
Provisions for obligations	2,128	4,077	1,038	2,705
Subordinated debt	31,765	29,675	30,504	21,527
Minority interests	10	983	-	-
Shareholders' equity	57,091	50,906	57,091	50,906
Total liabilities	1,507,018	1,331,035	942,752	678,752
OFF-BALANCE-SHEET ITEMS				
Guarantees, etc.	91,852	76,158	191,810	136,431
Other commitments	90,536	103,509	86,537	92,709
Total off-balance-sheet items	182,388	179,667	278,347	229,140
1) Of which cash deposits from pooled pension fund deposits	1,356	2,056	1,356	1,700

Pooled schemes

DANSKE BANK						
(DKr m)	Pension fund deposits		Child savings		Total	Total
	2001	2000	2001	2000	2001	2000
PROFIT FOR THE YEAR						
Interest income						
Cash deposits	30	22	-	-	30	22
Index-linked bonds	218	154	2	4	220	158
Other bonds	1,036	491	8	11	1,044	502
Total	1,284	667	10	15	1,294	682
Dividends						
Shares, etc.	123	83	1	2	124	85
Unit trust holdings	4	3	-	-	4	3
Total	127	86	1	2	128	88
Securities and foreign exchange income						
Index-linked bonds	10	-106	-	-2	10	-108
Other bonds, etc.	-3	62	-	1	-3	63
Shares, etc.	-1,906	-438	-15	-11	-1,921	-449
Unit trust holdings	-21	-11	-	-	-21	-11
Exchange rate adjustments	28	202	-	5	28	207
Total	-1,892	-291	-15	-7	-1,907	-298
Fees and commissions paid	367	222	2	5	369	227
Profit for the year	-848	240	-6	5	-854	245
BALANCE SHEET						
Assets						
Cash deposits	1,326	1,661	30	39	1,356	1,700
Index-linked bonds	4,313	2,887	98	67	4,411	2,954
Other bonds	17,317	8,972	393	212	17,710	9,184
Own shares	569	531	13	13	582	544
Other shares, etc.	8,217	7,526	187	174	8,404	7,700
Unit trust holdings	457	80	-	-	457	80
Total	32,199	21,657	721	505	32,920	22,162
Liabilities						
Total deposits	31,946	21,568	721	505	32,667	22,073
Other liabilities	253	343	-	-	253	343
Total	32,199	21,911	721	505	32,920	22,416
Average deposits	32,177	19,827	721	479	32,898	20,306

Highlights in foreign currency

DANSKE BANK GROUP HIGHLIGHTS (Million)	USD		EUR	
	2001	2000*)	2001	2000*)
SUMMARY PROFIT AND LOSS ACCOUNT				
Net interest income, excluding earnings from investment portfolios	2,147	2,020	2,428	2,171
Fee and commission income , net	745	809	843	870
Trading income	190	203	215	218
Other core income	139	142	157	152
Core insurance income	145	117	164	126
Total core income	3,366	3,291	3,807	3,537
Operating expenses and depreciation	1,935	2,013	2,189	2,164
Core earnings before provisions	1,431	1,278	1,618	1,373
Provisions for bad and doubtful debts	208	137	236	147
Core earnings	1,223	1,141	1,382	1,226
Profit on sale of subsidiaries	29	10	32	11
Earnings from investment portfolios	103	307	117	330
Merger costs	-	339	-	365
Profit on ordinary operations before tax	1,355	1,119	1,531	1,202
Tax	318	299	360	321
Net profit for the year	1,037	820	1,171	881
Of which minority interests	-	7	-	8
SUMMARY BALANCE SHEET AT DECEMBER 31 (BILLION)				
Assets				
Due from credit institutions, etc.	17.8	17.8	20.1	19.1
Bank loans and advances	56.6	55.4	64.0	59.5
Mortgage loans	53.3	52.4	60.3	56.3
Bonds and shares	42.2	32.3	47.8	34.7
Other assets	12.8	12.4	14.5	13.3
Total assets	182.7	170.3	206.7	182.9
Liabilities				
Due to credit institutions	28.7	26.8	32.4	28.8
Deposits	47.6	45.8	53.9	49.2
Other liabilities	15.7	17.5	17.8	18.6
Issued bonds, etc.	80.1	70.2	90.6	75.5
Subordinated debt	3.8	3.7	4.3	4.0
Shareholders' equity	6.8	6.3	7.7	6.8
Total liabilities	182.7	170.3	206.7	182.9
Off-balance-sheet items				
Guarantees, etc.	10.9	9.5	12.4	10.3
Other commitments	10.8	12.9	12.2	13.9
Total off-balance-sheet items	21.7	22.4	24.6	24.2

The translation is based on the following exchange rates.

*) Pro forma

End-2001:
USD 8.4095
EUR 7.4357

End-2000:
USD 8.0205
EUR 7.4631

Group undertakings and holdings

		Share capital December 31 (thousands)	Net profit for the year DKr m	Shareholders' equity December 31 DKr m	Share capital held by the Group (%)
Danske Bank A/S, Copenhagen	DKK	7,320,000	8,713	57,091	
CONSOLIDATED SUBSIDIARIES					
Realkredit Danmark A/S, Copenhagen	DKK	625,000	1,927	23,254	100
home a/s, Copenhagen	DKK	15,000			100
Mægler-service Danmark A/S, Copenhagen	DKK	1,000			100
ApS RD nr. 3064, Copenhagen	DKK	200			100
ApS RD nr. 3065, Copenhagen	DKK	200			100
A/S RD nr. 3066, Copenhagen	DKK	500			100
A/S RD nr. 3067, Copenhagen	DKK	500			100
Danske Bank International S.A., Luxembourg	EUR	90,625	266	1,145	100
Firstnordic Fund Management Company S.A., Luxembourg	EUR	125			100
Danske Financial Services Limited, Guernsey	GBP	10			100
DDB Fokus Invest AS, Trondheim	NOK	1,000,000	903	3,546	100
Fokus Bank ASA, Trondheim	NOK	1,199,566			100
Fokus Kreditt AS, Oslo	NOK	800,000			100
Fokus Finans AS, Trondheim	NOK	160,000			100
Roby ANS, Stavanger	NOK	23,400			100
Fokus Kredittforsikring A/S, Trondheim	NOK	20,900			100
Firstnordic Fondene AS, Trondheim	NOK	6,000			100
Fokus Eiendomsmegling AS, Skien	NOK	500			100
Eikeveien 3 AS, Trondheim	NOK	50			100
Skårersletta Eiendom AS, Trondheim	NOK	50			100
DDB Invest AB, Linköping	SEK	600,100	19	775	100
Bokredit i Sverige AB, Stockholm	SEK	43,000			100
Östgöta Enskilda Fastigheter AB, Linköping	SEK	10,000			100
Firstnordic Fonder AB, Stockholm	SEK	1,000			100
Art Depot 1837 AB in the process of being wound up, Linköping	SEK	100			100
Byggnads AB Slaget, Stockholm	SEK	100			100
Firstnordic Fondanalys AB, Linköping	SEK	100			100
BK Fri AB, Stockholm	SEK	100			100
Danske Bank Polska S.A., Warsaw	PLN	62,946	7	394	97
Danske Securities AB, Stockholm	SEK	300,000	-230	298	100
Danske Securities (US) Inc., Delaware	USD	2,000			100
Danske Securities ASA, Oslo	NOK	30,000			100
Nordania Finans A/S, Birkerød	DKK	5,700	35	170	100
HandelsFinans A/S, Copenhagen	DKK	110,000	11	191	100
Kreditsystem Service A/S	DKK	500	-	-	100
Danske Corporation, Delaware, U.S.A.	USD	4	-	1	100
Danske Private Equity A/S, Copenhagen	DKK	5,000	15	33	100
Medicon Valley Capital Management ApS, Copenhagen	DKK	125	-	-	75
Danske Capital Finland Oy, Helsinki	EUR	1,000	5	18	100
Firstnordic Rahastoyhtiö Oy, Tampere	EUR	350			100
Danske Finance, Asia, Ltd., Hong Kong	HKD	1,000	-10	60	100
KHB VI A/S, Copenhagen	DKK	111,700	8	186	100
DDB-Ejendomsselskab af 1. januar 1990 A/S, Copenhagen	DKK	35,700	1	53	100
BG Dublin A/S, Copenhagen	DKK	500	13	29	100
RealDanmark Grafisk A/S, in the process of being wound up, Copenhagen	DKK	500	-9	5	100
Egns-Boligservice A/S in the process of being wound up, Copenhagen	DKK	1,010	1	55	100
BG Investerings-selskab af 10/10 1991 ApS, Copenhagen	DKK	300	3	14	100
Horsens Erhvervs Investering A/S, Copenhagen	DKK	50,000	2	74	100

Group undertakings and holdings

		Share capital December 31 (thousands)	Net profit for the year DKr m	Shareholders' equity December 31 DKr m	Share capital held by the Group (%)
Ejendomsaktieselskabet Virum-Vang, Copenhagen	DKK	2,000	7	52	100
Ejendomsaktieselskabet Tårnbæk Vang, Copenhagen	DKK	1,000			100
A/S Forma Ejendomselskab, Copenhagen	DKK	1,000			100
Ejendomselskabet SJ af 1/7 1990 A/S, Copenhagen	DKK	10,300			100
Bikuben Giro Dublin Limited, Dublin	DKK	200,000	6	217	100
DB I A/S, Copenhagen	DKK	500	-	1	100
DB II A/S, Copenhagen	DKK	500	-	1	100
DB III A/S, Copenhagen	DKK	500	-	1	100
DB IV A/S, Copenhagen	DKK	500	-	1	100
DB V A/S, Copenhagen	DKK	500	-	1	100
DB VI A/S, Copenhagen	DKK	500	-	2	100
			11,693	87,668	
Adjustments					
Danske Bank's share of income and equity from subsidiaries included above			2,980	30,566	
Changes in group structure				-11	
Total Danske Bank Group			8,713	57,091	
NON-CONSOLIDATED SUBSIDIARIES					
Insurance companies					
Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999, Copenhagen	DKK	1,000,000	966	9,611	100
Danica Liv og Pension, Livsforsikringsaktieselskab, Copenhagen					
The company has 24 subsidiaries					
Other companies 1)					
Ejendomsselskabet Aros A/S, Århus	DKK	10,000	-4	24	100
Ejendomsaktieselskabet af 7/12 1938 in the process of being wound up, Rødby	DKK	102,000	-	1	100
A/S Conair, Consolidated Aircraft Corporation Ltd. in the process of being wound up, Copenhagen	DKK	20,000	-	-	52
Skævinge Boligselskab A/S, Copenhagen	DKK	7,000	-	8	100
Omegadane SARL, Paris	FRF	50	-	-	100

Amount owed by the consolidated Group to non-consolidated subsidiaries and other companies: DKr230m. Amount owed to the consolidated Group by non-consolidated subsidiaries and other companies: DKr64m. Obligations carried under off-balance-sheet items: DKr246m.

1) Acquired in the process of preventing losses. Total book value DKr44m.

Group undertakings and holdings

ASSOCIATED UNDERTAKINGS		Share capital	Net profit	Shareholders' equity	Capital held by
		December 31	for the year*)	December 31*)	the consolidated
		(thousands)	DKr m	DKr m	Group
					(%)
Ejendomsaktieselskabet af 22. juni 1966, Copenhagen	DKK	500	-	7	50.0
DMdata a/s, Copenhagen	DKK	50,000	126	103	50.0
Investeringselskabet af 23. marts 2001 A/S	DKK	10,500	-	-	48.7
PBS Holding A/S, Ballerup	DKK	200,915	287	236	43.7
Mæglerhuset Nylander AS, Trondheim	NOK	300	4	10	40.0
Nordenfieldske Livsforsikring AS, Trondheim	NOK	100,000	5	86	39.0
Medicon Valley Capital Management K/S, Copenhagen	DKK	180,000	-	21	36.9
GronlandsBANKEN, Aktieselskab, Nuuk	DKK	180,000	64	495	34.3
Aktieselskabet Reinholdt W. Jorck, Copenhagen	DKK	81,000	14	209	28.0
Copenhagen Stock Exchange A/S, Copenhagen	DKK	40,000	28	158	25.5
Værdipapircentralen A/S, Taastrup	DKK	40,000	47	135	25.1
Realkreditnettet A/S, Copenhagen	DKK	10,000	-7	32	25.0
gatetrade.net A/S, Copenhagen	DKK	20,000	-48	52	25.0
Hercules Estates A/S, Copenhagen	DKK	200,000	5	107	25.0
Info Kredit A/S i likvidation, in the process of being wound up, Copenhagen	DKK	600	5	12	25.0
Medicon Valley Capital Management AB, Sweden	DKK	472	1	4	24.6
DADES A/S, Lyngby-Taarbæk	DKK	494,622	200	2,099	24.6
Danske Institutional, Sicav, Luxembourg	EUR	24,990	248	2	23.0
Danmarks Transport Center A/S, Vejle	DKK	200,000	6	126	20.0

Amount owed by the consolidated Group to associated undertakings: DKr23m. Amount owed to the consolidated Group by the associated undertakings: DKr2,213m.

OTHER SIGNIFICANT HOLDINGS		Share capital	Net profit	Shareholders' equity	Capital held by
		December 31	for the year *)	December 31*)	the consolidated
		(thousands)	DKr m	DKr m	Group
					(%)
Horsens Grundfinansiering A/S, Horsens	DKK	8,150	1	11	38.8
Luxembourg International Consulting S.A., Luxembourg	EUR	372	-	-	33.3
Bake Invest Ltd. (Hibernia Foods), Belgium	EUR	8,000	-	-	25.0
Taulov Transit Center A/S, Taulov	DKK	1,000	-	3	25.0
Pan European Food Fund Investment Management S.A., Luxembourg	EUR	75	-	-	25.0
Ejendomsaktieselskabet Rugvangen, Copenhagen	DKK	1,200	1	5	24.6
Humanix Holding AB, Stockholm	SEK	3,000	-	-	20.0
Pan European Food Fund, Luxembourg	EUR	55,000	-2	27	18.2

Amount owed by the consolidated Group to other significant holdings: DKr0m.

Amount owed to the consolidated Group by other significant holdings: DKr1m.

OTHER COMPANIES IN WHICH THE GROUP HOLDS MORE THAN 10% OF THE SHARE CAPITAL		Share capital	Net profit	Shareholders' equity	Capital held by
		December 31	for the year *)	December 31*)	the consolidated
		(thousands)	DKr m	DKr m	Group
					(%)
Danske Ventures SEED K/S, Copenhagen	DKK	443,000	-22	421	18.1
Ejendomsaktieselskabet Springbanen, Copenhagen	DKK	40,000	-2	23	17.5
Nordic Equity Partners II, Jersey	DKK	17,750	23	120	16.9
A/S Dansk Erhvervs Investering af 3/9 1983, Copenhagen	DKK	330,000	1,027	1,053	14.8
Bella Center A/S, Copenhagen	DKK	129,884	9	241	13.8
P-LP 1999 A/S (Louis Poulsen), Copenhagen	DKK	260,000	-	260	13.5
P-LR 1999 A/S (Løgstør Rør), Copenhagen	DKK	40,000	-	40	13.5
P-M 2000 A/S (Sound Holding), Copenhagen	DKK	258,363	-	233	13.4
P-N 2001 A/S, (Novasol), Copenhagen	DKK	104,851	-	-	13.4
P-N 2000 A/S (Novadan), Copenhagen	DKK	40,622	3	43	13.3
Interdan A/S, Kvistgård	DKK	31,669	23	190	13.3
Nordic Private Equity Partners, Jersey	EUR	135	7	7	13.0
Viking Ship Finance Ltd., Zurich	CHF	30,000	7	73	12.0
Pan European Seafoods Invest S.A., Luxembourg	EUR	19,000	-	18	10.5

Amount owed by the consolidated Group to the companies: DKr65m. Amount owed to the consolidated Group by the companies: DKr613m.

Obligations carried under off-balance-sheet items: DKr116m.

*) Net profit for the year according to the latest annual accounts of the company.

In addition, the Danske Bank Group holds at least 10% of the share capital of 23 companies, where its shareholding is valued at less than DKr1m.

Highlights for Danske Bank Group

HIGHLIGHTS FOR PROFIT AND LOSS ACCOUNT (DKr m)	2001	2000	1999	1998	1997
Net interest income	18,606	10,719	9,738	8,512	7,849
Net interest and fee income	25,289	15,748	13,664	11,659	10,434
Securities and foreign exchange income	1,563	1,785	255	294	819
Other operating income	1,260	1,062	1,206	392	313
Operating expenses and depreciation	16,416	12,599	9,257	7,704	7,124
Provisions for bad and doubtful debts	1,752	454	489	511	614
Income from associated and subsidiary undertakings	1,446	1,114	942	1,112	806
Profit on ordinary operations before tax	11,390	6,656	6,321	5,242	4,634
Tax	2,677	1,940	1,293	1,292	429
Net profit for the year	8,713	4,716	5,028	3,950	4,205

HIGHLIGHTS FOR BALANCE SHEET (DKr bn)	2001	2000	1999	1998	1997
Loans and advances	924	864	381	303	291
Bonds and shares	356	259	147	140	136
Due to credit institutions and central banks	241	213	158	140	139
Deposits	400	367	266	214	225
Issued bonds	673	563	150	108	79
Subordinated debt	32	30	21	17	18
Shareholders' equity	57	51	31	30	28
Total assets	1,539	1,363	701	593	555

RATIOS	2001	2000	1999	1998	1997
1. Solvency ratio	10.3	9.6	11.0	10.4	10.2
2. Solvency ratio based on core (tier 1) capital	7.3	6.8	7.4	7.7	7.2
3. Return on equity before tax	21.1	16.4	20.7	18.1	17.3
4. Return on equity after tax	16.1	11.6	16.4	13.7	15.7
5. Income/cost ratio	1.63	1.51	1.65	1.64	1.60
6. Interest rate risk	3.3	3.3	3.8	3.1	2.9
7. Foreign exchange position	2.8	2.8	4.9	8.8	7.5
8. Foreign exchange risk	0.1	0.1	0.1	0.1	0.1
9. Excess cover relative to the statutory liquidity requirements	159.4	102.9	125.5	103.6	152.6
10. Total amount of large exposures	109.5	70.5	255.0	332.9	634.2
11. Provisioning ratio	1.3	1.5	2.3	2.4	2.7
12. Write-off and provisioning ratio	0.2	0.1	0.1	0.1	0.0
13. Annual growth in loans and advances	6.9	126.9	25.7	4.3	25.0
14. Gearing of loans and advances	16.2	17.0	12.5	10.0	10.6

The ratios are defined in the Executive Order on Bank Accounts issued by the Danish Financial Supervisory Authority.

Highlights for Danske Bank

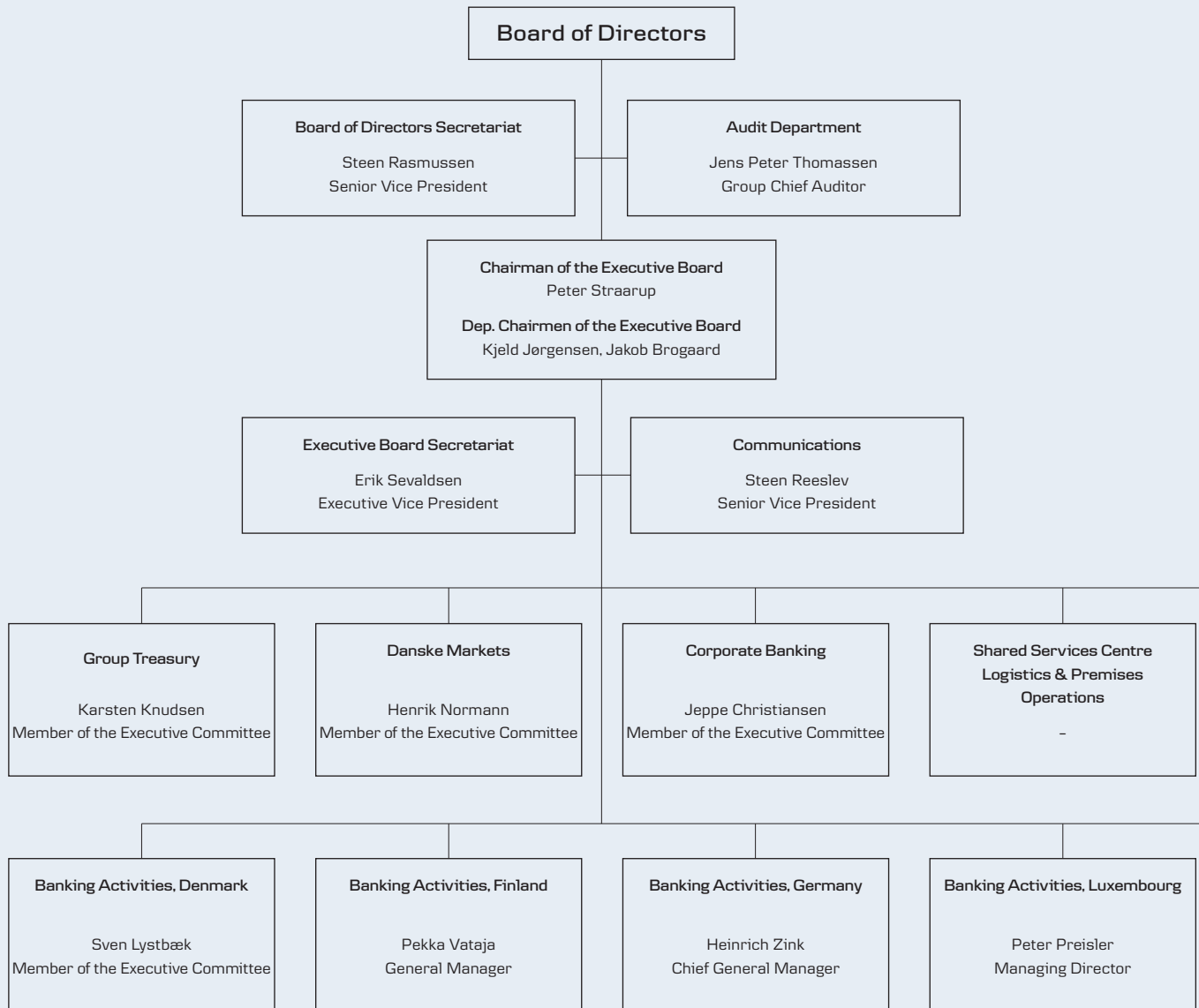
HIGHLIGHTS FOR PROFIT AND LOSS ACCOUNT (DKr m)	2001	2000	1999	1998	1997
Net interest income	13,370	8,512	7,927	7,289	6,517
Net interest and fee income	19,305	13,228	11,630	10,210	8,924
Securities and foreign exchange income	1,188	1,592	122	165	747
Other operating income	891	862	972	302	221
Operating expenses and depreciation	12,860	10,990	8,115	7,097	6,348
Provisions for bad and doubtful debts	1,507	379	311	413	547
Income from associated and subsidiary undertakings	4,373	2,348	1,980	1,962	1,501
Profit on ordinary operations before tax	11,390	6,661	6,278	5,129	4,498
Tax	2,677	1,940	1,293	1,178	297
Net profit for the year	8,713	4,721	4,985	3,951	4,201

HIGHLIGHTS FOR BALANCE SHEET (DKr bn)	2001	2000	1999	1998	1997
Loans and advances	411	294	238	213	202
Bonds and shares	248	134	135	130	125
Due to credit institutions and central banks	270	177	166	151	140
Deposits	374	258	242	211	211
Issued bonds	128	83	65	43	28
Subordinated debt	31	22	20	17	18
Shareholders' equity	57	51	30	30	28
Total assets	974	699	597	534	488

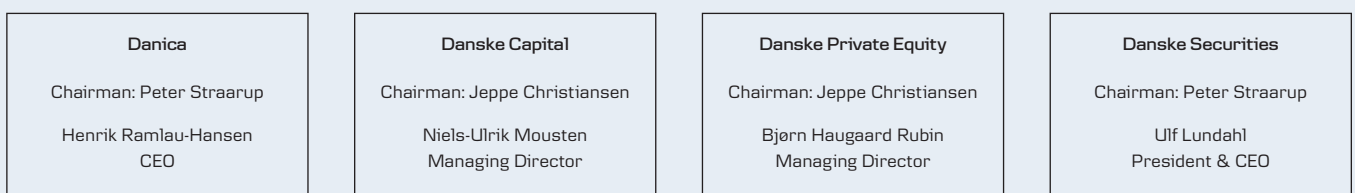
RATIOS	2001	2000	1999	1998	1997
1. Solvency ratio	14.3	14.6	12.1	10.9	11.1
2. Solvency ratio based on core (tier 1) capital	10.2	11.2	8.2	8.1	7.8
3. Return on equity before tax	21.1	16.4	20.7	17.7	16.9
4. Return on equity after tax	16.1	11.6	16.4	13.7	15.7
5. Income/cost ratio	1.79	1.59	1.75	1.68	1.65
6. Interest rate risk	2.9	1.8	3.6	2.8	2.6
7. Foreign exchange position	2.7	4.8	5.0	8.8	7.5
8. Foreign exchange risk	0.1	0.1	0.1	0.1	0.1
9. Loans and advances, plus provisions in relation to deposits	112.8	117.4	101.9	104.9	99.5
10. Excess cover relative to the statutory liquidity requirements	157.6	83.6	122.0	92.1	151.3
11. Total amount of large exposures	107.7	70.5	268.1	332.1	613.5
12. Share of amounts due on which interest rates have been reduced	0.4	0.4	0.4	0.7	0.8
13. Provisioning ratio	1.8	2.1	2.3	2.6	2.9
14. Write-off and provisioning ratio	0.2	0.2	0.1	0.0	0.0
15. Annual growth in loans and advances	39.7	23.6	11.9	5.6	19.0
16. Gearing of loans and advances	7.2	5.8	7.8	7.0	7.3
17. Earnings per share (DKr100)	116.9	73.3	94.2	74.6	79.4
18. Book value per share (DKr100)	780	671	575	573	520
19. Dividend per share (DKr100)	48	45	25	18	18
20. Share price at December 31/earnings per share	11.6	19.4	8.6	11.5	11.5
21. Share price at December 31/book value per share	1.73	2.12	1.41	1.50	1.76

The ratios are defined in the Executive Order on Bank Accounts issued by the Danish Financial Supervisory Authority.

Group structure



Selected subsidiaries/divisions





Directorships held by members of the board of directors

At the Bank's annual general meeting on March 27, 2001, Niels Chr. Nielsen, Professor of Economics, was re-elected and Eivind Kolding, Chief Financial Officer of A.P. Møller, elected members of the board of directors. Kjeld Kirk Kristiansen, President and CEO of LEGO Company, and Palle Marcus, General Manager, resigned from the board.

Under section 33(3) of the Danish Banking Act, the annual reports of listed financial institutions must contain information about the directorships held in Danish companies by directors and members of the executive board (with the exception of wholly-owned subsidiaries). The following pages also state other major offices held by the members of the board of directors.

Under section 30(2) of the Danish Financial Business Act, annual reports must also contain information about certain of the directorships in Danish companies which members of the executive board have held during the accounting year.

At the time of going to press, the following directorships were on record:

Poul J. Svanholm General Manager

Born on June 7, 1933
Joined the board on March 12, 1980. Most recently re-elected in 2000

Director of:
Aktieselskabet Dampskibsselskabet Svendborg
Thomas B. Thrige Fond (chairman)

Jørgen Nue Møller General Manager

Born on June 30, 1944
Joined the board on November 30, 2000

Director of:
Carl Bro as (chairman)
Foreningen RealDanmark (chairman)

Poul Christiansen Master Carpenter

Born on April 2, 1937
Joined the board on November 30, 2000

Director of:
A/S Hindsgavl
Kuben A/S
Foreningen RealDanmark
Hindsgavl Fonden (chairman)

Henning Christophersen Managing Director of Epsilon s.p.r.l., Brussels

Born on November 8, 1939
Joined the board on March 26, 1996. Most recently re-elected in 1999

Director of:
A/S Kreab
Scania Danmark A/S
Rockwoolfonden
Ørestadsselskabet I/S (chairman)
The Energy Charter Treaty Conference, Brussels (chairman)
The European Institute for Public Administration, Maastricht (chairman)

Alf Duch-Pedersen Chief Executive of Danisco A/S

Born on August 15, 1946
Joined the board on March 23, 1999

Director of:
Dansk Industri
Group4Falck A/S

Bent M. Hansen General Manager

Born on February 21, 1934
Joined the board on March 24, 1987. Most recently re-elected in 1999

Director of:
Dansk Kapitalanlæg Aktieselskab (chairman)
InVenture Management A/S (chairman)
Investeringselskabet af 26. november 1930 ApS (chairman)
Roberto Jeans A/S

Hans Hansen
Farmer
Dan-Corn A/S

Born on May 16, 1953
Joined the board on November 30, 2000

Director of:
Agriholding A/S
Agri Leasing A/S
Dan-Corn A/S

Niels Eilshou Holm
Private Secretary to Her Majesty the Queen of Denmark

Born on July 28, 1937
Joined the board on March 24, 1987. Most recently re-elected in 2000

Director of:
Aktieselskabet Kjøbenhavns Sommer-Tivoli (chairman)

Peter Højland
Managing Director of Transmedica A/S

Born on July 9, 1950
Joined the board on November 30, 2000

Director of:
Amrop-Hever A/S (chairman)
Danisco A/S
Nordicom A/S
Transmedica Holding A/S (chairman)
Bikuben Fondene (chairman)
Center for Ledelse (chairman)
First Services ASA, Norway

Eivind Kolding
Chief Financial Officer of A.P. Møller

Born on November 16, 1959
Joined the board on March 27, 2001

Director of:
A/S Em. Z. Svitser
Danmarks Skibskreditfond
Intra Inc., USA (chairman)
The Maersk Company Limited, London

Niels Chr. Nielsen
Professor of Economics, Ph.D.
Copenhagen Business School

Born on January 14, 1942
Joined the board on April 5, 1990. Most recently re-elected in 2001

Director of:
COWI Rådgivende Ingeniører A/S
Grundfos A/S
Grundfos Finance A/S
Grundfos Management A/S
Otto Mønsted Aktieselskab
Poul Due Jensen's Fond
William Demants og Hustru Ida Emilies Fond

Sten Scheibye
Chief Executive of Coloplast A/S

Born on October 3, 1951
Joined the board on March 31, 1998

Director of:
Danisco A/S
Aktieselskabet Th. Wessel & Vett, Magasin du Nord
Dansk Industri
Plastindustrien i Danmark

Majken Schultz, Professor of Organization
Copenhagen Business School

Born on October 28, 1958
Joined the board on November 30, 2000

Director of:
Carl Bro as
Foreningen RealDanmark
Reputation Institute, New York

Birgit Aagaard-Svendsen
Executive Vice President, CFO of J. Lauritzen A/S

Born on February 29, 1956
Joined the board on March 28, 1995. Most recently re-elected in 1998

Director of:
Columbus IT Partner A/S

Claus Vastrup
Professor of Economics, Ph.D.
University of Aarhus

Born on March 24, 1942
Joined the board on January 1, 1995. Appointed for four years from
January 1, 1999

Director of:
Dansk Udenrigspolitisk Institut

Jens Elton Andersen
Senior Account Manager

Born on April 26, 1973
Joined the board on March 31, 1998

Jørgen Andersen
Vice President
Resigned from the board on January 29, 2002

Born on August 31, 1945
Joined the board on November 30, 2000

Director of:
OPSA 78 A/S
BG Bank Aktiefonden
Kommanditselskab Difko 78

Peter Michaelsen
Assistant Vice President

Born on November 11, 1941
Joined the board on June 28, 1990. Most recently re-elected in 1998

Director of:
Danske Banks Personale Kreds (chairman)

Henning Mikkelsen
Assistant Vice President

Born on September 28, 1938
Joined the board on April 2, 1978. Most recently re-elected in 1998

Torben Pedersen
Assistant Vice President

Born on February 20, 1948
Joined the board on September 1, 1999

Director of:
Danske Banks Personale Kreds

Per Alling Toubro
Manager
Resigned from the board on January 29, 2002

Born on June 25, 1953
Joined the board on November 30, 2000

Director of:
Danske Banks Personale Kreds (vice chairman)
Foreningen RealDanmark

Verner Usbeck
Assistant Vice President

Born on February 11, 1950
Joined the board on June 28, 1990. Most recently re-elected in 1998

Director of:
Administrations-gruppen Danmarks Boligselskab
Danske Banks Personale Kreds
Danske Funktionærers Boligselskab S.m.b.A. (deputy
chairman)

Solveig Ørteby
Bank Assistant
Resigned from the board on January 29, 2002

Born on March 28, 1965
Joined the board on November 30, 2000

Director of:
Danske Banks Personale Kreds

Directorships held by members of the executive board

Søren Møller Nielsen, Member of the Executive Board, resigned from the Bank on June 30, 2001. On November 15, 2001, the board of directors approved a new organisational structure for the Bank. In that connection Jeppe Christiansen, Karsten Knudsen and Hans Møller-Christensen resigned from the executive board. Bjarne Wind also resigned from the executive board and will leave the Bank on February 28, 2002.

Peter Straarup Chairman of the Executive Board

Born on July 19, 1951. Joined the executive board on September 1, 1986

Forsikringssselskabet Danica,
Skadeforsikringsaktieselskab af 1999 (chairman)
Danica Liv & Pension, Livsforsikringsaktieselskab (chairman)
Danica B II, Livsforsikringsaktieselskab (chairman)
Danica B III, Livsforsikringsaktieselskab (chairman)
Danica Liv I, Livsforsikringsaktieselskab (chairman)
Danica Liv III, Livsforsikringsaktieselskab (chairman)
Danica Pension, Livsforsikringsaktieselskab (chairman)
Danica Pension I, Livsforsikringsaktieselskab (chairman)
Danica Pension II, Livsforsikringsaktieselskab (chairman)
Danica Pension III, Livsforsikringsaktieselskab (chairman)
until dissolved following merger
Danica Pension IV, Livsforsikringsaktieselskab (chairman)
Danske Securities AB, Sweden (chairman)
DDB Fokus Invest AS, Norway, (chairman) until March 14, 2001
DDB Invest AB, Sweden (chairman)
Fokus Bank ASA, Norway (vice chairman)
RealDanmark A/S (chairman) until dissolved following merger

Kjeld Jørgensen Deputy Chairman of the Executive Board

Born on July 30, 1942. Joined the executive board on January 1, 2001

home a/s (chairman)
RealDanmark A/S (deputy chairman) until dissolved following merger
Realkredit Danmark (chairman)

Jakob Brogaard Deputy Chairman of the Executive Board

Born on June 30, 1947. Joined the executive board on January 1, 1996

BG Bank A/S (deputy chairman) until dissolved following merger
DDB Invest AB, Sweden (vice chairman)
GrønlandsBANKEN, Aktieselskab (chairman)
Nordania Finans A/S (chairman) until November 15, 2001
PBS Holding A/S (alternate director) until April 25, 2001
PBS Danmark A/S (alternate director) until April 25, 2001
PBS Data A/S (alternate director) until April 25, 2001
PBS Finans A/S (alternate director) until April 25, 2001
PBS International A/S (alternate director) until April 25, 2001
PBS Multidata A/S (alternate director) until April 25, 2001

Sven Lystbæk Member of the Executive Board

Born on September 26, 1951. Joined the executive board on April 1, 2000

BG Bank A/S (chairman) until dissolved following merger
Forsikringssselskabet Danica, Skadeforsikringsaktieselskab af 1999 (vice chairman)
Danica Liv & Pension, Livsforsikringsaktieselskab (vice chairman)
Danica B II, Livsforsikringsaktieselskab (vice chairman)
Danica B III, Livsforsikringsaktieselskab (vice chairman)
Danica Liv I, Livsforsikringsaktieselskab (vice chairman)
Danica Liv III, Livsforsikringsaktieselskab (vice chairman)
Danica Pension, Livsforsikringsaktieselskab (vice chairman)
Danica Pension I, Livsforsikringsaktieselskab (vice chairman)
Danica Pension II, Livsforsikringsaktieselskab (vice chairman)
Danica Pension III, Livsforsikringsaktieselskab (vice chairman)
until dissolved following merger
Danica Pension IV, Livsforsikringsaktieselskab (vice chairman)
Danske Bank Polska S.A., Poland, (vice chairman)
Danske Bo A/S (chairman) until dissolved following merger
Danske Kredit Realkreditaktieselskab (chairman) until dissolved following merger
HandelsFinans A/S (chairman)
Nordania Finans (chairman since November 27, 2001)
PBS Holding A/S (vice chairman)
PBS Danmark A/S (vice chairman)
PBS Data A/S (vice chairman)
PBS Finans A/S (vice chairman)
PBS International A/S (vice chairman)
PBS Multidata A/S (vice chairman)
RealDanmark A/S until dissolved following merger
Realkredit Danmark A/S (vice chairman)
Værdipapircentralen A/S (chairman)

Danske Bank's locations

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General Manager

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Heinrich Zink
Chief General Manager

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Managing Director

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Managing Director

Fokus Bank has 63
branches in Norway.

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Gustav Garcia
Representative

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Senior Executive Vice President
& General Manager

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Hans Møller-Christensen
Senior Executive Vice President
& General Manager

Advisory board

In April 2001, the following joined the Bank's advisory board:

Kjeld Kirk Kristiansen, President and CEO of LEGO Company, and Palle Marcus, General Manager.

Bent Claudi Lassen and Frederik Chr. Obel resigned from the advisory board in 2001.

Finn Stenderup Jarnov died in November 2001.

Jørgen Nue Møller
Chairman

Poul J. Svanholm
Vice chairman

Gerhard Albrechtsen

Ib Hahn Andersen

Nina Bitsch

Lars Bruhn

Elsebeth Budolfsen

Paul Bundgaard

Ole A. Busck

Niels Busk

Asbjørn Børsting

Jørgen Mads Clausen

Johannes Due

Henning Dyremose

Jørgen Enggaard

Bent Flyvholm

Peter Alexander Foss

Karin Hammer

Kirsten Harbo

Niels Jacobsen

Arne Villy Jensen

K. Koch Jensen

Bent Nyløkke Jørgensen

Gert Kjeldsen

Tom Knutzen

Lars Kolind

Kjeld Kirk Kristiansen

Tom Kähler

Klaus Bonde Larsen

Henning Lehmann

Flemming Lindeløv

Jens Lorenzen

Palle Marcus

Kristian May

Annemette Møller

Tove Nielsen

Peter Skak Olufsen

Eigil Steen Pedersen

Michael Pram Rasmussen

Birger Riisager

Bent Sloth

Niels Jørgen Soldbro

Axel Stenvang

Jess Søderberg

Iver Tesdorpf

Hans Werdelin

Mads Øvlisen

This Annual Report is available on
www.danskebank.com

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