RISK MANAGEMENT 2007

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1. Executive summary

In November 2007, the Danske Bank Group received the approval of the Danish FSA to use the advanced internal ratings-based (IRB) approach under the new Capital Requirements Directive (CRD) in its calculation of risk-weighted assets from January 1, 2008. The IRB approach applies to 83% of the Group's risk exposure, while risk-weighted assets for the remaining 17% are calculated in accordance with the standardised approach.

In preparing for the transition in 2007, the Group also adapted certain of its credit processes to the CRD. For example, administrative changes regarding defaults have resulted in a rise in the number of impaired assets (please see section 3.8).

After the introduction of the new CRD rules, the Group must ensure that its risk disclosure matches the requirements under Pillar III of the rules from December 31, 2008. This publication, Risk Management 2007, reviews the Group's organisation and processes relating to the identification and management of the risk types characteristic of a financial group with its type of business concept. It also describes the Group's risk portfolio on the basis of the requirements under Pillar III.

The Group's acquisition of Sampo Bank of Finland and its Baltic subsidiaries was a milestone in 2007. The Group integrated the acquired banks in its risk management process from the acquisition date, February 1, 2007. The integration will be completed with the planned migration of the activities in Finland to the Group's IT platform during Easter 2008.

At the end of 2007, the Group's credit exposure totalled DKr3,373bn, of which DKr693bn derived from the Group's trading portfolio of bonds and other financial instruments, and DKr2,680bn derived from credit exposure related to lending activities both within and outside Denmark.

The credit exposure rose 21% during 2007, mainly as a result of the added lending volume from Sampo Bank in Finland and the Baltics and a rise in lending to retail and corporate customers on the Group's principal markets.

Some 38% of the Group's lending was supported by real property collateral. Previous years had seen a strong rise in property prices. This trend slowed down in 2007, however, and was replaced by moderate decline in many areas. The slowdown in the property market did not prompt a rise in delinquencies or actual losses on home mortgages, which can be explained in part by the fact that the employment rate remains very high. The portfolio of home mortgages continued to have moderate loan-to-value ratios.

As a result of the volatility in the international liquidity markets, a number of the Group's customers have been unable to fund their activities by ordinary commercial paper issues and have drawn on their backup liquidity facilities with the Group. Of a total exposure to the investment companies in question of DKr45.9bn, an amount of DKr20.8bn was drawn at the end of 2007. The Group expects the volume of backup liquidity facilities to decline considerably as early as in 2008. For a more detailed description of the exposure to these companies, please see section 3.5.1.

The amount of the Group's impaired facilities rose from DKr3.0bn to DKr9.5bn, or 0.35% of the total credit exposure. The consolidation of Sampo Bank accounted for around DKr2.2bn of the increase. About DKr2.5bn was attributable to CRD-related changes to the definition of customer default.

The rest of the increase was attributable mainly to the restructuring of three international investment companies with a total exposure of about DKr1.8bn. The quality of the assets is such that the Group does not expect to incur losses.

2. ORGANISATION

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2.1 Risk management

An understanding of risk-taking and transparency in risk-taking are key elements in the Danske Bank Group's business strategy and thus in its ambition to be a strong financial partner. The Group's internal risk management processes support this objective.

The Group's general ambition is to match the best practices in risk management. It spends considerable resources on developing procedures and tools to support this ambition and has developed substantial expertise in risk management.

Risk management is a process conducted independently of the business units of the Group. It can be divided into the following key components:

Identification of risk types	The Group endeavours to identify all material risks that may affect it. This is a dynamic process that takes risk management considerations into account in the development of new products.
Risk policies	To ensure that the Group's business areas comply with the approved risk limits, the Board of Directors has adopted an overall risk management policy regulating all risk-taking by the Group.
Measuring and managing risk	The Group spends considerable resources on maintaining an up-to-date IT platform to support risk management, applying a large number of models and methods to measure the risks affecting it. The Group continually monitors models and validates risk parameters to ensure that risk measurement gives a fair presentation of the underlying portfolios and transactions.
Parameter applications	In order to best capitalise on its risk appetite, the Group uses risk-based parameters as input for risk assessment and pricing models in the daily handling of customer transactions.
Control	The Group has established an independent control organisation to monitor and enforce approved policies and limits.
Reporting	The Group applies systematic risk reporting at all organisational levels and demonstrates openness in reporting risk factors to its stakeholders.

2.2 Types of risk

The Group is exposed to various types of risk that are managed at various levels of the organisation.

These are the most important types of risk:

- Credit risk
- Market risk
- Operational risk
- Liquidity risk
- Business risk
- Pension risk
- Insurance risk

The individual risk types are defined in subsequent sections.

2.3 Risk appetite

To ensure coherence between the Group's strategic considerations regarding risk-taking and day-to-day decisions on transactions with customers, the Group has decided to introduce risk appetite as a strategic tool.

Risk appetite basically expresses the maximum risk that the Group is willing to assume to meet business targets. The Group's risk appetite is set in a process based on a thorough analysis of its current risk profile. Against this background, the Group identifies a number of key risk components. For each of these components, the Group determines a target that represents the Group's perception of the component in question. These are the key risk components:

- Financial strength
- External ratings
- Earnings robustness
- Core markets
- Credit risk
- Concentration risk
- Insurance risk
- Market risk
- Liquidity risk
- Pension risk
- Operational risk
- Compliance

The implementation of risk appetite as a strategic management tool will take place in several stages. At the end of 2007, the Group adopted a risk appetite level that will initially be used for follow-up vis-à-vis the business areas.

2.4 Risk policies

The Group's Board of Directors sets out the overall risk policies and limits for all material risk types. The Board also decides on the general principles for managing and monitoring risks.

On the basis of the overall risk policies, operational risk policies are prepared for the main business areas and submitted to the Group's All Risk Committee for approval.

The operational risk policies form the basis for the preparation of business procedures and reconciliation and control procedures for the relevant areas, as well as for the Group's system development.

Within the limits set, the managements of the individual business areas are responsible for the risks the areas incur and for actively managing these risks.

2.5 Organisation

The Group has established a functional separation between units that enter into business transactions with customers or otherwise expose the Group to risk on the one hand, and units in charge of overall risk management on the other.

Overall risk management is centralised under Group Credits and Group Finance, where Risk Management, the Group's department for general risk monitoring, is located.

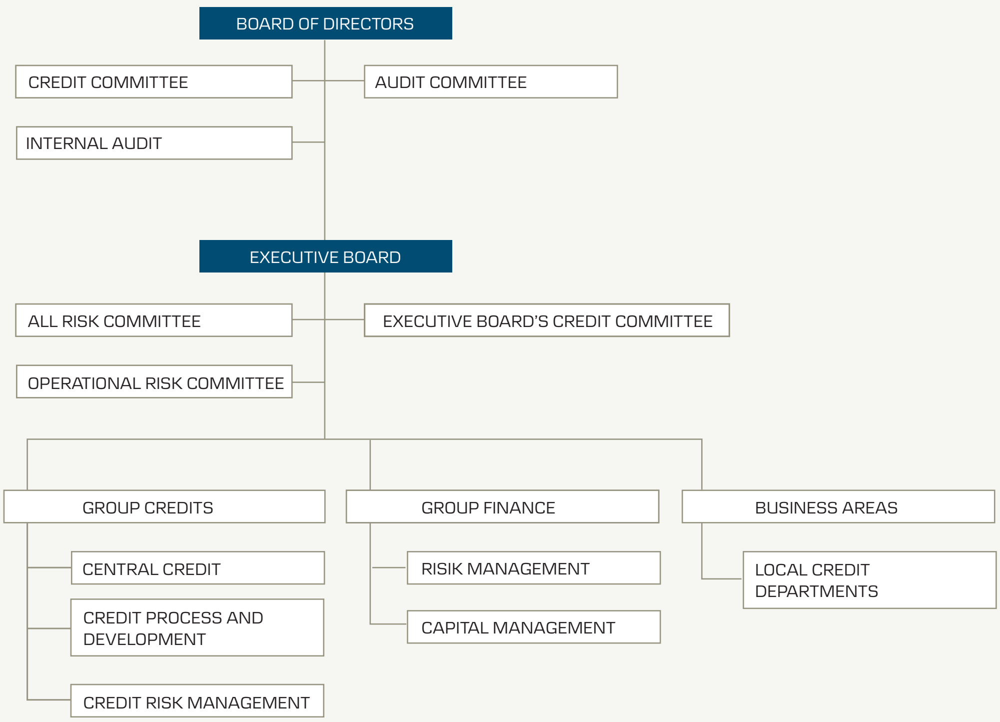
Each business area is responsible for the business transactions it enters into. A number of responsibilities, including day-to-day risk management and monitoring, have therefore been delegated to each business area.

To optimise the division of duties between business areas and support functions, the Group has developed the Danske Banking Concept, which is based on the principle of a uniform customer segmentation and service strategy across the business areas.

The Concept also includes a uniform organisation and uniform processes in the business areas. To a great extent, the processes are based on the shared IT platform implemented over the past few years.

The Concept serves to optimise the control measures carried out at the Group level by Group Credits and Group Finance, among others.

RISK ORGANISATION OF THE DANSKE BANK GROUP



2.5.1 Board of Directors

Under the Group's two-tier management structure, the Board of Directors lays down overall policies, while the Executive Board is in charge of the Group's day-to-day management and reports to the Board of Directors. None of the executives of the Group is on the Board of Directors of the parent company.

The Board of Directors must ensure that the Group is organised properly. As part of this duty, it appoints the members of the Executive Board, the group chief auditor, the deputy group chief auditor and the secretary to the Board of Directors. The rules of procedure for the Board of Directors and the Executive Board provide details of the duties of the Board of Directors and the Executive Board and their division of responsibilities, authorisations and risk management.

The Board of Directors lays down the overall risk policies and limits. For example, it lays down the general principles for managing and monitoring risks which govern the fundamental principles for the Group's risk-taking within all material risk areas.

The largest credit facilities are submitted to the Board of Directors for approval, and the Board has defined overall limits for market risks. Important elements of the risk management framework are approved by the Board. Regular reporting enables the Board of Directors to monitor whether the risk management policies and systems are complied with and match the Group's needs.

In addition, the Board of Directors reviews reports analysing the Group's portfolio during the year, particularly information about industry and sector concentrations.

The Board of Directors has set up a number of committees to supervise specific areas or to prepare cases that are later considered by the full Board. Under Danish law, board committees do not have independent decision-making authorities. The committees include the Credit Committee and the Audit Committee.

The Credit Committee operates as a hearing panel for major credit exposures and monitors trends in the credit quality of the Group's loan portfolio as well as special renewal applications and facilities.

The Audit Committee examines accounting, auditing and security issues. These are issues that the Board of Directors, the Audit Committee itself, the group chief auditor or the external auditors believe deserve attention before they are brought before the full Board. The Committee also reviews the internal control and risk management systems.

2.5.2 Executive Board

The Executive Board is responsible for the day-to-day management of the Group as laid down by the rules of procedure of the Board of Directors and the Executive Board.

The Executive Board sets forth operational risk policies and supervises the risk management of the Group. It reports to the Board of Directors on the Group's risk exposures and approves material business transactions, including credit applications up to a defined limit.

The Executive Board has established three committees that are in charge of ongoing risk management.

All Risk Committee	The All Risk Committee is in charge of implementing the Group's • risk appetite process • overall structure of and development policy for the balance sheet • targets for capital structure and solvency • rating strategy • overall funding structure • general principles for measuring, managing and reporting on the Group's risks • risk policies for relevant business areas • overall risk exposure guidelines – for example for identifying and managing risk concentrations – and follow-up measures • overall investment strategy • capital deployment In addition, the Committee handles risk reports to be submitted to the Board of Directors or one of its committees before such reports are sent to the Board of Directors. The All Risk Committee consists of members of the Executive Board and the heads of Danske Markets and Risk Management.
Executive Board's Credit Committee	Credit applications that exceed the lending authorities of the business areas must be submitted to the Executive Board's Credit Committee for approval. The local credit departments of the business areas review these applications before the heads of the departments submit them to the Executive Board's Credit Committee for approval. The Committee consists of members of the Executive Board and the management team of Group Credits. It is also in charge of preparing operational credit policies and approving or rejecting credit applications involving issues of principle. The Board of Directors determines the lending authorities. In addition, the Executive Board's Credit Committee participates in decisions regarding the valuation of the Group's loan portfolio in connection with the recognition of impairment losses.
Operational Risk Committee	This Committee assists the Executive Board in its functions and processes related to operational risk management. The Committee's responsibilities include the following: • implementing a group-wide programme that addresses and manages the Group's current and potential operational risk • processing reports from operational risk management functions • handling "critical risks" • processing management information on issues such as IT security, physical security, business continuity and compliance The Operational Risk Committee is headed by a member of the Executive Board and includes managers of all major support functions and resource areas, including IT, and the Group's Business Development department.

In addition, the Board of Directors has approved the establishment of an Executive Committee. This Committee is a co-ordinating forum whose principal objective is to take an overall view of activities across the Group with particular attention to the interaction between support functions and product suppliers on the one hand, and individual divisions and country organisations on the other.

The Executive Committee does not take part in the credit approval process.

2.5.3 Group Credits

The Group's credit organisation is led by the head of the central credit department, Group Credits.

Group Credits has overall responsibility for the credit process in all of the Group's business areas. This includes the responsibility for developing rating and score models and for applying them in day-to-day credit processing in the local units.

Credit approval authorities specific to customer segments and products have been granted to the individual business areas. Managers from Group Credits take part in processing applications exceeding the individual business areas' lending authority. In addition, Group Credits rates customers with facilities exceeding DKr100m.

Group Credits is in charge of recording the utilisation of portfolio limits within industries and countries and of the quarterly process of calculating impairment of exposures.

Group Credits keeps track of the credit quality of the Group's loan portfolio by monitoring the trend in unauthorised excesses and overdue payments, new approvals to weak customers and other factors.

In addition, Group Credits reports internally to the Group management and to business areas on developments in the Group's credit risks. Finally, the department is in charge of providing management information in the credits area, of monitoring credit approvals in the business areas and of the requirements relating to the Group's credit systems and processes.

2.5.4 Group Finance

Group Finance oversees the Group's financial reporting and strategic business analysis, including the performance and analytic tools used by the business units. The department is also in charge of the Group's investor relations, corporate governance, capital structure, M&A and relations with rating agencies.

Risk Management is also part of Group Finance. As the Group's risk monitoring unit, Risk Management has overall responsibility for the Group's implementation of the rules of the Capital Requirements Directive (CRD), risk models and risk analysis.

Within the limits set, the managements of the individual business areas are responsible for the risks the areas incur and for actively managing these risks. Risk Management has overall responsibility for monitoring the Group's risk portfolio and conducts back testing of risk parameters, validation of risk models and stress testing on an ongoing basis.

2.5.5 Business areas

The business areas carry out the fundamental tasks required for optimal risk management. They enter the necessary registrations about customers that are used in risk management tools and models, and they maintain and follow up on customer relationships.

Each business area is responsible for preparing carefully drafted documentation before business transactions are undertaken and for properly recording the transaction. Each business area is also required to update information on customer relations and other issues as may be necessary.

The business areas must make sure that all risk exposure complies with approved risk policies as well as the Group's other guidelines. Approvals of loans and credits to retail customers and small business customers are given according to the delegation of lending authority to the individual branches and finance centres. A number of auxiliary tools are available in the approval process, including credit scoring and credit rating.

Customer advisers are responsible for the basic credit assessment of customers. Their lending authorities depend on customer ratings, and they can approve credits up to certain amounts. Applications for credit facilities beyond their lending authority are forwarded to the area's credit department, which may decide to submit applications to the Executive Board's Credit Committee or the Board of Directors.

Each business area has a local credit department reporting to the head of Group Credits in credit matters. In other matters, local credit departments report to the head of the business area. Local credit departments handle cases exceeding branch lending authority and rate small business exposures.

Finally, local credit departments perform certain control functions with respect to credit granting at the branch level.

2.6 Reporting

The Group allocates considerable resources to ensuring the ongoing compliance with approved credit limits and to monitoring its credit portfolio. It has a fixed reporting cycle to ensure that the relevant management bodies, including the Board of Directors and the Executive Board, are kept informed on an ongoing basis of developments in the credit portfolio, non-performing loans and the like.

The principal risk reports submitted to the Board of Directors deal with the following topics:

ANNUAL REPORTING

The quality of the Group's credit portfolio	Analysis of impairment and losses by business area and portfolio breakdowns by rating category, size, business area, etc.
The Group's risk management models and parameters	Update on the use of risk models, including risk parameters.
Risk policy	Review of the Group's overall risk policy to determine whether revisions are required.
ICAAP	Evaluation of the preferred risk and the level of capital in relation to the Internal Capital Adequacy Assessment Process (ICAAP). The report contains the conclusions drawn from stress testing and the effect of scenarios on expected losses and capital requirements.

In addition, the Board of Directors is kept up to date on capital adequacy in the Group through separate monthly and annual reports.

QUARTERLY REPORTING

Key figures for the credit portfolio	A snapshot credit-quality indicator focusing on unauthorised excesses and arrears, the number of upgrades and downgrades in the rating system, and trends in lending volumes.
The Group's market risk	Analysis of the Group's current equity, fixed income and currency positions and reports on the utilisation of Board-approved limits since the preceding report.
Large exposures	An overview of exposures equal to or exceeding 10% of the Group's capital base and the sum of these exposures, including the percentage of the Group's capital base it represents.
Industry analyses	Industry research covering some 30 industries used for credit renewals. In addition to reviewing general developments in the individual industries, these reports also deal with the Group's aggregate exposure to the industry in question.

Separate monthly reporting is available if Board-approved limits are exceeded.

The head of Group Credits is a member of the Executive Board and receives a large number of additional risk reports, of which the following are the most important:

Quarterly monitoring report	Review of trends in a number of risk indicators, including unauthorised excesses and arrears, the number of approvals, approvals to weak and new customers and their creditworthiness, compliance with credit policies, and collateral received.
Quarterly assessment of impairment	Analysis of the trend in impairment charges based on an assessment of objective evidence of impairment of individual loans or loan portfolios.

In addition, the Group prepares a monthly report on the utilisation of lines for derivatives and a daily report on unauthorised excesses. If excesses are higher than predefined limits, a recommendation on action to be taken is submitted to the head of Group Credits.

The head of Group Credits is also responsible for approving changes in ratings of facilities that must be submitted to the Board of Directors.

The head of Group Finance is a member of the Executive Board and, as the member responsible for the risk management area, receives a number of reports, of which the following are the most important:

Weekly market risk report	Information on the Group's market risk positions and the utilisation of allocated limits.
Monthly market risk report	Follow-up on the internal market risk model, including sensitivity analyses of parameters applied.
Monthly report on major equity positions	Compilation of the largest equity holdings in the Group's portfolio.

The All Risk Committee regularly reviews trends in the Group's business areas and the Group's capital adequacy and solvency presented in monthly reports for the individual areas. In addition, the Committee reviews information on the trends in the Group's risks.

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3.1 Definition

Credit risk is the risk of losses because counterparties fail to meet all or part of their payment obligations towards the Group. Credit risk also includes country, dilution and settlement risk.

Country risk is the risk of losses arising from economic difficulties or political unrest in a country, including the risk of losses following nationalisation, expropriation and debt restructuring.

Dilution risk, which relates to purchased receivables, is the risk that the debtor may obtain a reduction of the debt through set-off, objections based on underlying legal issues or other factors.

Settlement risk is the risk arising when payments are settled, for example for trades in financial instruments, including derivatives and currency transactions. The risk arises when the Group remits payments before it can ascertain that the counterparties' payments have been received.

Counterparty risk is the risk of losses resulting from a customer's default on derivatives contracts with the Group.

3.2 Policy and responsibility

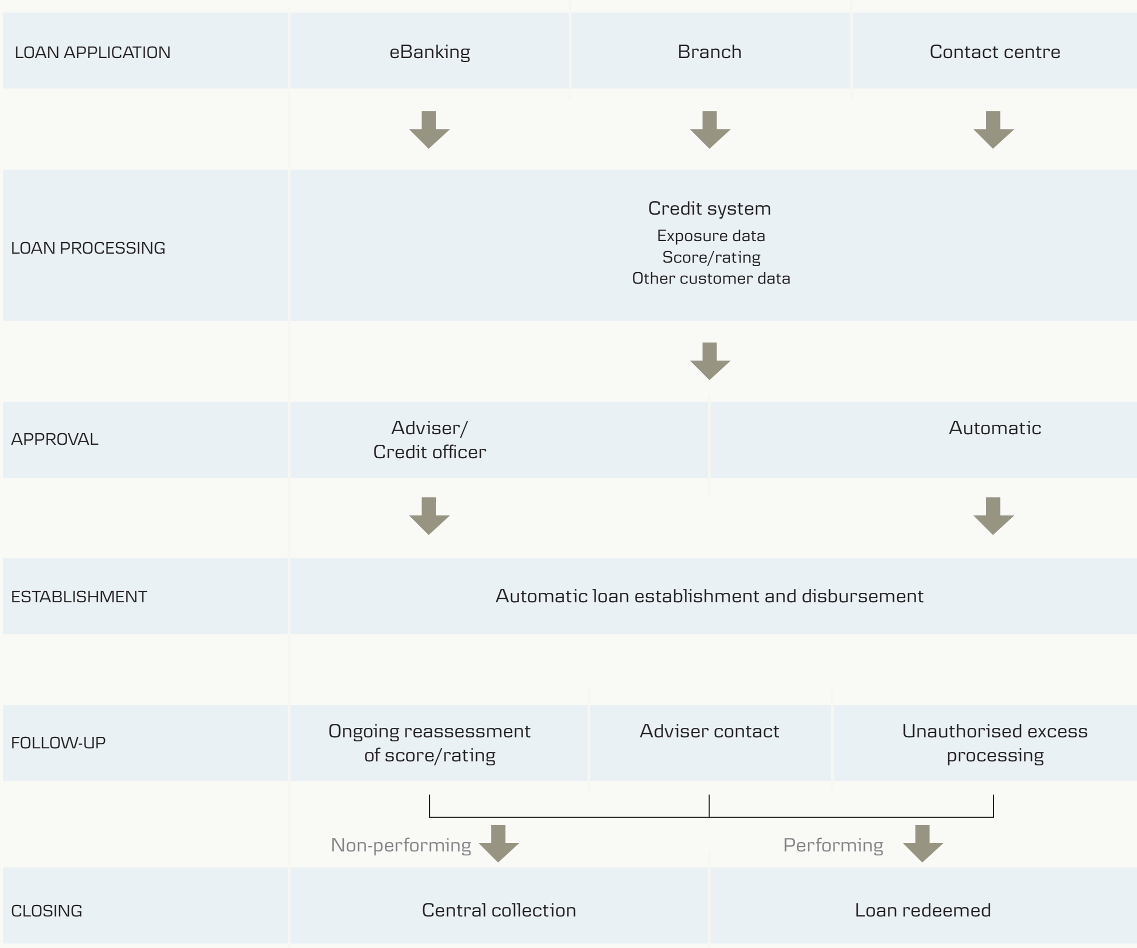
The key components of the current general credit policy are the following:

- The Group aims to build long-term relationships with its customers.
- For the vast majority of the products, credits are granted on the basis of insight into the customer's circumstances and of specific assessments that provide a context for such credits.
- Ongoing follow-up on developments in the customer's financial situation is required in order to assess whether the basis for the Group's granting of credit has changed.
- The facilities should match the customer's creditworthiness, capital position or assets, and the customer should be able to substantiate his or her repayment ability.
- The Group may assume risks only within the limits of applicable legislation and other rules, including the rules on good practice for financial enterprises.
- When loans and credits are granted with maturities of more than five years, the Group should normally consider requiring a pledge or other ample collateral.
- Guarantees from private individuals should be avoided unless such guarantees are customary in the area.
- The Group should exercise caution before granting credit facilities to businesses or individuals if it is obvious that there will be practical difficulties maintaining contact with the customer.
- The Group should be particularly cautious when granting credits to businesses in troubled or cyclical industries.
- In connection with the management of the Group's country risk, particular caution must be exercised when assuming risk in countries with an unstable economic or political climate.
- When processing customers' and own orders in the liquidity, foreign currency and securities markets, the Group maintains a comprehensive collaboration with other financial enterprises that also need to trade in these areas.
- The Group participates in local clearing when so required by business considerations, and in doing so, it assumes credit risks relating to payment settlement.

3.3 Approval process

The Group's credit management relies on a proven credit process which has been adjusted to the needs of the market on an ongoing basis. The process ensures the proper correlation between customer creditworthiness and employee authorisation and lending authority.

DANSKE BANK GROUP'S CREDIT PROCESS



When the Group processes a credit application from a customer, it uses a comprehensive global electronic credit file system.

For each application, the Group gathers various data that are used as the basis of the decision. The data include the following:

- overview of the facility and collateral
- financial analysis data or financial data from the annual tax assessments of personal customers
- supplementary comments on the application
- company profile
- overview of the Group's total exposure to the individual customer

The system provides an overview of all files and enables Group units to exchange credit applications.

The Group assigns system authorisations for lending on the basis of the customer segment and the individual customer's classification.

The Group uses an automatic authorisation control system. In combination with the Group's credit application and approval system, this system ensures that the approvals made by individual managers and employees are within their authorisations.

Authorisations are differentiated by division and employee category and are also divided into authorisations for home financing and for other financing.

3.3.1 Pricing models

"Pricing model" is the common term for adviser tools used in the pricing of loans to selected customer groups. These are statistical tools that, using customer data, compute interest margins, the Group's earnings on the loans applied for or the profitability of these loans.

The pricing models build on the information held in the Group about individual customers, and they vary from one segment to another. The Group applies three general models: one for personal customers, one for small business customers and one for large corporate and institutional clients.

On the basis of the Group's required return, the pricing model for personal customers is intended to give advisers a tool with which to determine an indicative price level when considering loan applications. The indicative price level is divided into the following components:

- funding
- credit risk premium
- product premium
- business-related premiums

The business-related premiums depend on the profitability of the customer and also include any premiums for local market conditions.

The pricing model for small business customers is used by Danske Bank Denmark. As in the price score model for personal customers, the price is determined on the basis of the Group's profitability requirement. Other components concern the customer's current profitability, business volume and customer segment. Finally, a credit risk premium is added.

For large corporate and institutional clients, a risk-adjusted return is calculated on the basis of generally accepted principles for risk-adjusted earnings.

3.4 Risk classification

The Group monitors the financial positions of its customers on an ongoing basis to ensure that any weakening of a customer's earnings or liquidity is detected as early as possible. As part of the credit process, customers are classified according to risk, and the classification is regularly updated on receipt of new information about the customer.

The main objectives of risk classification are to rank the Group's customer base according to risk and to estimate the probability of default (PD) of each customer. The risk classifications used in the day-to-day credit process are based on point-in-time estimates. This means that the Group uses a customer's present general and financial situation as a starting point. A change in the customer's situation or financial position therefore results in an upgrade or downgrade of that customer. The Group adheres to the principle that all classifications should reflect the customer's current situation to the greatest extent possible.

For capital requirement purposes, the point-in-time PD is converted to a through-the-cycle PD (see section 3.12 for further details).

The Group's risk classifications can be divided into the following main categories:

- rating of corporate customers
- rating of institutions
- rating of sovereign risk
- credit scores assigned to retail customers
- credit scores assigned to small and medium-sized enterprises

On the current scale with 10 rating categories, the categories 1 to 4 correspond largely (from a PD perspective) to the investment-grade level of the external rating agencies, whereas categories 5 and 6 are sub-investment-grade levels, although with an acceptable credit risk. Many small business customers are placed at this level. Categories 7 and 8 apply to customers with an increased risk who are monitored more closely. Categories 9 and 10 apply to doubtful and non-performing exposures for which objective evidence of impairment has emerged. For details on current PD levels, please see section 3.12.1.

Since the Group began using rating classifications, the scale has had 10 rating categories. The Group is updating its rating method, and the number of rating categories will be increased to match today's best practice. These changes will be implemented in 2008.

The Group assigns credit scores to customers who are not rated, including retail customers. A number of statistically-based models have been developed to predict, on the basis of available information about an individual customer, the probability of the customer's defaulting on obligations to the Group. The credit score is used by customer advisers in granting loans and for pricing purposes. Since the accessibility of data about personal customers varies from one country to another, a retail customer model has been developed for each market in which the Group operates.

The Group monitors the capacity of rating models and scoring systems to classify customers according to risk as well as to predict the number of defaults. This process is described in section 3.12.1.

3.4.1 Rating of corporate customers

Corporate customers are rated in a process managed by the Group's credit organisation. Customer advisers can provide factual information for the process but have no influence on the outcome. This ensures that the rating is independent of the individual adviser.

The rating is determined with a rating model. The model builds on financial statements concerning the customer, including registration of the customer's prospects, as well as industry conditions and economic factors. On the basis of these data, the system proposes a rating.

If the credit officer agrees with the proposed rating, he or she will recommend it for approval by a senior credit officer. At the recommendation and approval levels, the credit officer and the senior credit officer may decide not to accept the proposed rating if the Group possesses information that argues against it.

Ratings of customers whose facilities do not exceed a given level are approved by the credit department of the specific business area. Ratings of customers with facilities that exceed this level are referred to Group Credits and submitted to the management of that department for approval. Ratings of facilities that require the approval of the Board of Directors are submitted to a member of the Executive Board's Credit Committee for approval.

Special rule-based rating models are in place for special customer segments for which the Group's general model is inadequate. Such segments could include customer types without actual commercial operations.

As a general rule, each corporate customer is rated separately. For major corporate customers – where it is customary to assign a rating based on the customer's affiliation to a group or parent company – the rating of the parent company is transferred to the subsidiaries if the Group believes that the parent company can and will guarantee the fulfilment of the obligations of its subsidiaries.

3.4.2 Rating of institutions

For ratings of commercial banks, the Group has developed a rating model in co-operation with the Modelling Services team of Moody's/KMW. The model calculates a proposed rating based on financial and qualitative data. The process is identical to the one described above under Rating of corporate customers. For banks, the same rating will be transferred to each branch of the bank in question unless the branch is located in a country with a lower rating. In such cases, the rating cannot be higher than the country rating.

For other institutions, the rating process involves expert assessments.

3.4.3 Rating of sovereign risk

The Group does not have an internal rating model for sovereign risk. For this asset class, the Danish FSA has approved the Group's application to use the standardised approach for calculating risk-weighted assets.

The ratings of sovereign counterparties and individual central banks are determined by converting external ratings from Moody's, Standard & Poor's or Fitch Ratings to the Group's internal rating scale.

Ratings of local governments and other local authorities are based on a process involving expert assessments. Rules have been defined for each country on the basis of local conditions.

3.4.4 Credit scoring of personal customers

Since 1998, the Group has used a credit scoring model in Denmark. The Group has developed similar models for the other countries in which it operates. The models ensure that the Group always has an updated credit score. The customer is downgraded in accordance with applicable rules, for example in case of long periods of arrears. As part of the migration of the Finnish and Baltic banks to Danske Bank's systems, these banks' credit scoring methods will be aligned with the Group's other models in the area.

Personal customers of Danske Bank International S.A. in Luxembourg are rated in accordance with a special method incorporating the value of the collateral provided and the customer's other assets.

3.4.5 Credit scoring of small and medium-sized businesses

The Group has developed and implemented credit scoring models in all countries. As in the models used for personal customers, these scores are updated in step with the trend in the customer's creditworthiness. The customer's credit score may also be downgraded if negative events of material importance occur (for example if bankruptcy proceedings are commenced or if the Group receives new information about the customer's financial standing). As part of the migration of the Finnish and Baltic banks to Danske Bank's systems, these banks' credit scoring methods will be aligned with the Group's other models in the area.

3.5 Credit exposure

Credit exposure at the Group level is divided into exposure in the banking book and in the trading book. The banking book covers items with credit risk that form part of the core banking operations. The trading book covers items with credit risk that form part of the Group's trading-related activities.

TOTAL CREDIT EXPOSURE (DKr m)	2007	2006
Banking book		
Balance sheet items		
Demand deposits with central banks	6,813	2,609
Due from credit institutions and central banks	345,959	275,268
Bank loans and advances	1,360,413	1,054,322
Mortgage loans	627,809	602,584
Off-balance-sheet items		
Guarantees	109,242	80,568
Loan commitments < 1 year	97,598	140,253
Loan commitments > 1 year	131,940	119,320
Total credit exposure, banking book	2,679,774	2,274,924
Trading book		
Balance sheet items		
Trading portfolio assets	652,137	490,954
Financial investment securities	37,651	26,338
Off-balance-sheet items		
Other unutilised commitments	3,542	884
Total credit exposure, trading book	693,330	518,176
Total credit exposure	3,373,104	2,793,100

The two portfolios are treated separately in the next sections.

3.5.1 Credit exposure in the banking book

The tables below show the credit exposure in the banking book. The figures are broken down by asset class and by type of approach – identifying the parts of the portfolio that have been approved for the IRB approach under the CRD and the parts to which the standardised approach is applied. Section 8.6 describes the Group's plans for including the parts of the portfolio currently subject to the standardised approach under the IRB approach. The Group does not apply the IRB foundation approach.

CREDIT EXPOSURE At December 31, 2007 (DKr m)	CRD status	Retail, personal customers	Retail, business customers	Corporate customers	Institu-tions	Govern-ments	Securi-tisation	Total
Due from credit institutions and central banks	IRB	-	-	-	254,478	-	-	254,478
	Standardised	-	-	-	10,383	87,911	-	98,294
Bank loans and advances	IRB	262,158	25,823	588,923	140,224	-	18,006	1,035,134
	Standardised	148,364	9,719	101,925	17,721	47,550	-	325,279
Mortgage loans	IRB	421,122	15,162	189,390	1,287	-	-	626,961
	Standardised	-	-	-	-	848	-	848
Guarantees	IRB	10,547	1,952	50,786	27,702	-	-	90,987
	Standardised	45	475	15,084	2,248	403	-	18,255
Loan commitments	IRB	278	171	129,478	47,314	-	22,512	199,753
	Standardised	7,979	995	11,218	6,609	2,984	-	29,785
Total		850,493	54,297	1,086,804	507,966	139,696	40,518	2,679,774
	Share, IRB	82	79	88	93	-	100	82
	Share, standardised	18	21	12	7	100	-	18

At December 31, 2006 (DKr m)	Retail, personal customers	Retail, business customers	Corporate customers	Institu-tions	Govern-ments	Securi-tisation	Total
Due from credit institutions and central banks	-	-	-	250,549	22,894	4,434	277,877
Bank loans and advances	268,443	35,990	541,415	166,389	30,311	11,774	1,054,322
Mortgage loans	425,562	18,195	156,244	1,594	989	-	602,584
Guarantees	12,895	2,338	44,281	20,916	138	-	80,568
Loan commitments	-	9	120,107	98,050	2,927	38,480	259,573
Total	706,900	56,532	862,047	537,498	57,259	54,688	2,274,924

At December 31, 2007, the Group's total portfolio of purchased receivables (full factoring) stood at DKr2,028m, and the dilution risk is thus very modest. Consequently, the Group calculates the portfolio in accordance with the standardised approach.

At December 31, 2007, the Group's portfolio of specialised loans amounted to DKr 4,636m. The amount is included under corporate customers.

The tables below show the Group's credit exposure at year-end 2007 and 2006 broken down by risk classification of the individual customers. The average PDs are based on point-in-time parameters.

CREDIT EXPOSURE BROKEN DOWN BY RATING CATEGORY At December 31, 2007 (DKr m) Rating category	Average PD	Retail, personal customers	Retail, business customers	Corporate customers	Institu-tions	Govern-ments	Securi-tisation	Total
1	0.01	178	2	6,933	18,810	122,907	12,614	161,444
2	0.02	28,045	834	83,511	234,554	13,055	15,796	375,795
3	0.04	268,392	947	150,248	190,850	2,529	2,902	615,868
4	0.10	176,941	15,951	257,572	35,459	349	8,709	494,981
5	0.26	176,952	8,325	302,888	12,549	123	-	500,837
6	0.52	99,714	15,493	229,399	12,330	308	-	357,244
7	1.91	89,160	9,338	42,271	2,794	423	-	143,986
8	9.70	7,994	3,094	8,439	620	2	-	20,149
9	25.70	392	153	2,078	-	-	497	3,120
10	100.00	2,725	160	3,465	-	-	-	6,350
Total		850,493	54,297	1,086,804	507,966	139,696	40,518	2,679,774

CREDIT EXPOSURE BROKEN DOWN BY RATING CATEGORY

At December 31, 2006 (DKr m) Rating category	Average PD	Retail, personal customers	Retail, business customers	Corporate customers	Institu-tions	Govern-ments	Securi-tisation	Total
1	0.01	-	-	5,960	67,370	33,586	719	107,635
2	0.01	-	-	63,969	270,383	20,478	37,354	392,184
3	0.03	380,659	564	75,932	124,347	197	10,990	592,689
4	0.10	130,381	26,237	252,504	35,200	88	5,619	450,029
5	0.26	98,045	4,807	221,460	4,485	286	5	329,088
6	0.53	60,839	14,627	206,062	34,597	2,036	1	318,162
7	1.94	32,720	7,633	28,065	977	586	-	69,981
8	9.94	3,412	2,517	6,128	133	1	-	12,191
9	26.45	226	38	833	6	-	-	1,103
10	100.00	618	109	1,134	-	1	-	1,862
Total		706,900	56,532	862,047	537,498	57,259	54,688	2,274,924

As of 2007, deposits with Danmarks Nationalbank, which amounted to DKr65bn at December 31, 2007, are included under the governments asset class. In 2006, the item was included under institutions (DKr43bn at end-2006).

Of the increase of DKr6.5bn from 2006 to 2007 in rating categories 9 and 10, DKr2.5bn is attributable to changes to the definition of customer default (see section 3.8).

The tables below show the Group's credit exposure broken down by industry. They follow the GICS classification, with the addition of the categories personal customers, subsidised housing companies, etc., and governments (including local governments).

CREDIT EXPOSURE BROKEN DOWN BY INDUSTRY (GICS)

At December 31, 2007 (DKr m)	Retail, personal customers	Retail, business customers	Corporate customers	Institu-tions	Govern-ments	Securi-tisation	Total
Personal customers	850,493	-	-	-	-	-	850,493
Subsidised housing companies, etc.	-	11,402	139,441	-	-	-	150,843
Central and local governments	-	-	-	-	52,129	-	52,129
Credit institutions and other financials	-	-	-	332,827	87,567	-	420,394
Financials	-	7,032	429,162	175,139	-	40,518	651,851
Oil and gas drilling	-	18	12,306	-	-	-	12,324
Materials	-	1,277	47,793	-	-	-	49,070
Capital goods and commercial services	-	9,742	208,628	-	-	-	218,370
Consumer discretionary and consumer staples	-	22,028	186,283	-	-	-	208,311
Health care	-	1,713	24,322	-	-	-	26,035
IT	-	867	13,631	-	-	-	14,498
Telecommunication services	-	43	7,245	-	-	-	7,288
Utilities	-	175	17,993	-	-	-	18,168
Total	850,493	54,297	1,086,804	507,966	139,696	40,518	2,679,774

CREDIT EXPOSURE BROKEN DOWN BY INDUSTRY (GICS)

At December 31, 2006 (DKr m)	Retail, personal customers	Retail, business customers	Corporate customers	Institu-tions	Govern-ments	Securi-tisation	Total
Personal customers	706,900	-	-	-	-	-	706,900
Subsidised housing companies, etc.	-	8,168	100,357	-	-	-	108,525
Governments and municipalities	-	-	-	-	34,402	-	34,402
Credit institutions and other financials	-	-	-	296,283	22,857	5,948	325,088
Financials	-	10,286	376,244	241,215	-	48,734	676,479
Oil and gas drilling	-	84	7,418	-	-	-	7,502
Materials	-	1,245	36,396	-	-	-	37,641
Capital goods and commercial services	-	9,331	145,873	-	-	-	155,204
Consumer discretionary and consumer staples	-	23,874	146,075	-	-	6	169,955
Health care	-	1,560	20,699	-	-	-	22,259
IT	-	772	10,106	-	-	-	10,878
Telecommunication services	-	27	7,524	-	-	-	7,551
Utilities	-	1,185	11,355	-	-	-	12,540
Total	706,900	56,532	862,047	537,498	57,259	54,688	2,274,924

The tables below show the geographical breakdown of the Group's credit exposure according to the debtor's country of domicile.

GEOGRAPHICAL BREAKDOWN OF CREDIT EXPOSURE

At December 31, 2007 (DKr m)	Retail, personal customers	Retail, business customers	Corporate customers	Institu-tions	Govern-ments	Securi-tisation	Total
Denmark	577,181	36,766	423,043	45,469	79,245	-	1,161,704
Finland	97,746	6,471	97,201	1,530	1,100	86	204,134
Sweden	51,678	2,078	168,961	39,826	27,725	-	290,268
Ireland	27,350	2,342	39,071	39,003	1,453	92	109,311
UK	19,823	3,238	95,009	255,451	10,103	16,895	400,519
Germany	624	64	19,616	20,422	112	5,133	45,971
Baltics	13,508	37	16,493	1,580	1,219	-	32,837
Rest of EU	3,311	100	29,948	51,099	694	725	85,877
Norway	54,974	3,136	96,973	8,315	16,286	-	179,684
Eastern Europe	113	3	372	1,529	-	-	2,017
Rest of Europe	1,046	-	5,291	3,456	-	34	9,827
North America	1,118	9	89,052	31,269	-	17,288	138,736
Central and South America	218	29	1,814	278	140	-	2,479
Africa	234	-	197	498	-	-	929
Asia	1,399	17	3,404	8,189	1,619	-	14,628
Oceania	170	7	359	52	-	265	853
Total	850,493	54,297	1,086,804	507,966	139,696	40,518	2,679,774

GEOGRAPHICAL BREAKDOWN OF CREDIT EXPOSURE

At December 31, 2006 (DKr m)	Retail, personal customers	Retail, business customers	Corporate customers	Institu-tions	Govern-ments	Securi-tisation	Total
Denmark	567,915	40,872	371,689	77,089	18,344	-	1,075,909
Finland	17	1	21,128	861	283	501	22,791
Sweden	45,453	2,529	134,323	38,327	9,358	1,480	231,470
Ireland	20,475	3,971	26,991	16,671	442	-	68,550
UK	18,864	5,879	89,894	288,479	9,110	40,656	452,882
Germany	514	61	18,789	12,742	172	2,817	35,095
Baltics	61	1	106	154	-	-	322
Rest of EU	2,284	77	17,795	32,751	496	1,487	54,890
Norway	48,431	3,089	69,253	7,302	18,576	-	146,651
Eastern Europe	46	1	464	942	16	-	1,469
Rest of Europe	515	6	6,510	1,530	-	-	8,561
North America	859	17	101,276	52,122	-	7,747	162,021
Central and South America	200	18	1,699	289	85	-	2,291
Africa	233	-	118	496	-	-	847
Asia	905	6	1,610	6,954	-	-	9,475
Oceania	128	4	402	789	377	-	1,700
Total	706,900	56,532	862,047	537,498	57,259	54,688	2,274,924

The credit exposure in countries outside the OECD amounts to DKr89,749m (2006: DKr56,211m), and collateral has been provided in the amount of DKr61,621m (2006: DKr42,692m).

It is a fundamental part of the Group's business concept to offer customers credit facilities allowing variable utilisation so that the individual customer can optimise the management of liquidity fluctuations in daily payments. Some facilities have a fixed expiry date, which means that during the term of the facility the Group can revoke the credit only if the customer is in default. Such facilities are considered to be irrevocable, and the Group charges a fee for placing the drawing right at the disposal of the customer. Such irrevocable loan commitments are included in the total credit exposure shown above.

The tables below show the totals for such facilities allowing variable utilisation.

FACILITIES WITH VARIABLE UTILISATION

At December 31, 2007 (DKr m)	Retail, personal customers	Retail, business customers	Corporate customers	Institu-tions	Govern-ments	Securi-tisation	Total
Limits	21,168	1,727	273,807	63,918	4,462	29,309	394,391
Utilised share	12,910	561	133,112	9,994	1,478	6,797	164,852
Irrevocable loan commitments	8,258	1,166	140,695	53,923	2,984	22,512	229,538
Irrevocable loan commitments by term:							
< 1 year	-	2	46,294	29,382	-	21,920	97,598
> 1 year	8,258	1,164	94,401	24,541	2,984	592	131,940

FACILITIES WITH VARIABLE UTILISATION

At December 31, 2006 (DKr m)	Retail, personal customers	Retail, business customers	Corporate customers	Institu-tions	Govern-ments	Securi-tisation	Total
Limits	372	230	248,989	127,278	3,092	38,480	418,441
Utilised share	372	221	128,882	29,228	165	-	158,868
Irrevocable loan commitments	-	9	120,107	98,050	2,927	38,480	259,573
Irrevocable loan commitments by term:							
< 1 year	-	9	40,370	62,384	-	37,490	140,253
> 1 year	-	-	79,737	35,666	2,927	990	119,320

IRREVOCABLE LOAN COMMITMENTS BY RATING CATEGORY

At December 31, 2007 (DKr m)	Retail, personal customers	Retail, business customers	Corporate customers	Institu-tions	Govern-ments	Securi-tisation	Total
1	14	-	9,022	268	262	8,812	18,378
2	1,115	109	24,977	11,724	2,387	7,111	47,423
3	2,512	540	31,655	27,538	138	2,035	64,418
4	1,504	312	45,802	12,873	7	4,114	64,612
5	2,705	121	17,885	1,461	8	-	22,178
6	128	75	8,563	58	-	-	8,823
7	240	-	2,337	-	184	-	2,761
8	29	-	277	2	-	-	308
9	-	-	37	-	-	440	477
10	11	9	140	-	-	-	160
Total	8,258	1,166	140,695	53,923	2,984	22,512	229,538

Through Danske Markets, the Group is engaged in considerable business activities on the international financial markets. These activities include the provision of backup liquidity facilities to international investment companies.

The Group has offered facilities exclusively for senior tranches secured on assets with high credit quality.

As a result of the crisis in the international liquidity markets, a number of investment companies have been unable to fund their activities by ordinary commercial paper issues and have drawn on their backup liquidity facilities.

The Group’s total exposure to backup liquidity facilities at the end of 2007 amounted to DKr45.9bn, or 1.4% of total assets. Of the Group’s aggregate backup liquidity facilities, DKr14.7bn was provided to Polonius, which is sponsored by the Group; DKr9.0bn to structured investment vehicles (SIVs); and DKr22.2bn to asset-backed commercial paper programmes (ABCP programmes).

Please see section 3.13 for further details on Polonius.

SIVs sponsored by other financial institutions accounted for DKr4.8bn and other independent entities accounted for DKr4.2bn of the total backup liquidity facilities of DKr9.0bn provided to SIVs. The SIVs held diversified portfolios of assets of high credit quality. At the end of 2007, DKr1.4bn had been drawn on the facilities.

The most recent calculations show that the assets of the SIVs have an estimated average credit rating of 20 or less on the WARF scale. WARF is a measure of credit quality and is an abbreviation of weighted average rating factor. A factor below 20 equals an Aa rating or better from Moody’s. The calculations also show that the aggregate value of the assets of the SIVs exceeds the Group’s obligations to the SIVs.

Some DKr13.4bn of the facilities for ABCP programmes related to North American programmes, of which DKr1.0bn was drawn. Obligations to ABCP programmes established in Europe amounted to DKr8.8bn, with drawings of DKr5.6bn at the end of 2007.

Of the North American ABCP programmes, 71.7% held an external rating of AAA, 7.7% had a rating of AA, and the remaining facilities had at least a single-A short-term rating. Drawn facilities of DKr1bn related to a diversified portfolio of pooled assets with an AA rating. Of the European programmes, 80.3% had AAA ratings, while 19.7% had short-term A ratings. Drawn facilities of DKr5.6bn related to assets rated AAA, of which DKr3.8bn was UK mortgage bonds.

Of the assets securing the backup liquidity facilities, North American mortgage bonds totalled around DKr8.9bn. At the end of 2007, 93% of these bonds were rated AAA and 7% were rated AA. A little more than half of the North American mortgage bonds are senior tranches of subprime mortgage bonds, all of which remain undrawn and are rated AAA. Delinquency and loss rates in the North American housing market must increase significantly before the Group will be exposed to possible losses.

The Group conducts regular reviews of the individual credit facilities, both those on which drawings are made and those on which no drawings are made. The Group also runs stress tests on assets to determine the sensitivity of the credit quality and the level of excess collateral in the individual programmes. The individual stress tests use internal as well as external historical data. These reviews confirmed the high credit quality of the assets.

Three backup liquidity facilities totalling DKr1.8bn were internally downgraded to rating category 9 because of restructuring. The quality of the assets is such that the Group does not expect to incur losses.

The table below shows the Group's total exposure to backup liquidity facilities at the end of 2007.

EXPOSURE TO BACKUP LIQUIDITY FACILITIES At December 31, 2007 (DKr m)	Exposure	Drawn	Undrawn
ABCP programmes	22,185	6,699	15,486
Polonius	14,718	12,703	2,015
SIVs	8,960	1,362	7,598
Total	45,862	20,764	25,098

Excluding Polonius, backup liquidity facilities amounted to DKr31.2bn. Of this amount, some DKr27.3bn belongs to the securisation class, and DKr20.5bn was utilised. Some DKr3.9bn belongs to the corporate customer asset class, and DKr2.7bn was utilised.

The Group expects the volume of backup liquidity facilities to decline considerably as early as in 2008.

3.5.2 Credit exposure in the trading book

The Group's trading book covers Danske Markets' trading activities, including proprietary trading. The Group's definition of the trading book is intention-based and reflects the business area's risk policy and trading pattern. The table below shows a total statement of the trading book.

CREDIT EXPOSURE, TRADING BOOK At December 31 (DKr m)	2007	2006
Government bonds	67,341	75,199
Mortgage bonds	292,110	247,978
Other bonds	98,237	37,178
Shares	7,484	7,408
Derivatives with positive fair value	224,616	149,529
Other unutilised commitments	3,542	884
Total	693,330	518,176

Other unutilised commitments include commitments relating to private equity investments and other obligations.

When establishing derivatives transactions with businesses and institutions, the Group endeavours to ascertain whether the customer has adequate knowledge of the risks entailed in the transactions. The Group enters into derivative contracts with personal customers only if it has ascertained that the customer has the right understanding of the risk profile of the products and the ability to meet realised losses. The Group often requires collateral for derivative contracts with personal customers.

The MiFID rules, which took effect on November 1, 2007, have been integrated in the credit process for foreign exchange, interest rate and securities products. Hence, the customer's financial position is extensively documented as part of the credit processing.

For professional counterparties in the market, mutual collateral agreements are becoming customary. The Group's policy is to promote such collateral management agreements in order to reduce the counterparty risk.

The Group's collateral management agreements are monitored separately. The counterparty risk is calculated at netted market values on a daily basis. For each customer, the Group sets separate limits for the risk it is prepared to take on. As exposures are normally hedged, the risk will arise only if market fluctuations occur at a time when the counterparty is unable to meet an obligation to provide cover. Exposures are normally included in the Group's calculation of the customer's credit facilities as the separate limits plus a risk buffer of ½% to 1% of the principal of the contracts.

The Group is a member of Continuous Linked Settlement (CLS), which aims to reduce settlement risks.

The tables below show the bond portfolio broken down by asset class and rating category.

BOND PORTFOLIO BY RATING CATEGORY

At December 31, 2007 (DKr m) Rating category	Retail, personal customers	Retail, business customers	Corporate customers	Institutions	Governments	Securitisation	Total
1	-	-	2,544	25,240	65,418	-	93,202
2	-	-	6,960	281,893	286	768	289,907
3	-	-	1,393	59,110	1,613	164	62,280
4	-	-	897	8,384	24	-	9,305
5	-	-	1,680	80	-	-	1,760
6	-	-	496	-	-	-	496
7	-	-	71	-	-	-	71
8	-	-	-	-	-	-	-
9	-	-	11	-	-	-	11
10	-	-	375	281	-	-	656
Total	-	-	14,427	374,988	67,341	932	457,688

At December 31, 2006 (DKr m) Rating category	Retail, personal customers	Retail, business customers	Corporate customers	Institutions	Governments	Securitisation	Total
1	-	-	1,309	18,691	74,157	-	94,157
2	-	-	1,343	218,993	36	-	220,372
3	-	-	892	33,179	1,006	-	35,077
4	-	-	861	4,893	-	-	5,754
5	-	-	989	175	-	-	1,164
6	-	-	698	-	-	-	698
7	-	-	17	-	-	-	17
8	-	-	-	-	-	-	-
9	-	-	-	-	-	-	-
10	-	-	1,320	1,796	-	-	3,116
Total	-	-	7,429	277,727	75,199	-	360,355

The next tables show the bond portfolio broken down geographically and by asset class.

GEOGRAPHICAL BREAKDOWN OF BOND PORTFOLIO

At December 31, 2007 (DKr m)	Retail, personal customers	Retail, business customers	Corporate customers	Institu-tions	Govern-ments	Securi-tisation	Total
Denmark	-	-	73	208,107	24,571	-	232,751
Finland	-	-	502	8,789	4,011	-	13,302
Sweden	-	-	401	92,041	10,479	-	102,921
Ireland	-	-	742	3,104	223	-	4,069
UK	-	-	464	12,785	2,508	480	16,237
Germany	-	-	536	8,186	13,050	-	21,772
Baltics	-	-	7	48	525	-	580
Rest of EU	-	-	5,431	22,181	11,439	160	39,211
Norway	-	-	1,789	6,627	159	-	8,575
Eastern Europe	-	-	-	-	-	-	-
Rest of Europe	-	-	2	37	-	-	39
North America	-	-	4,480	12,696	307	49	17,532
Central and South America	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-
Asia	-	-	-	-	69	243	312
Oceania	-	-	-	387	-	-	387
Total	-	-	14,427	374,988	67,341	932	457,688

At December 31, 2006 (DKr m)	Retail, personal customers	Retail, business customers	Corporate customers	Institu-tions	Govern-ments	Securi-tisation	Total
Denmark	-	-	152	161,059	19,087	-	180,298
Finland	-	-	143	2,171	65	-	2,379
Sweden	-	-	288	76,872	24,533	-	101,693
Ireland	-	-	523	2,210	-	-	2,733
UK	-	-	840	3,096	8,147	-	12,083
Germany	-	-	264	8,679	17,703	-	26,646
Baltics	-	-	-	-	202	-	202
Rest of EU	-	-	2,591	12,385	3,943	-	18,919
Norway	-	-	2,325	4,602	589	-	7,516
Eastern Europe	-	-	20	-	-	-	20
Rest of Europe	-	-	-	-	-	-	-
North America	-	-	283	6,151	455	-	6,889
Central and South America	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-
Asia	-	-	-	-	475	-	475
Oceania	-	-	-	502	-	-	502
Total	-	-	7,429	277,727	75,199	-	360,355

The tables below show derivatives transactions broken down by utilisation in the Group.

DERIVATIVES

At December 31, 2007 (DKr m)	Notional amount	Positive fair value	Notional amount	Negative fair value
Currency contracts				
Forwards and swaps	1,980,600	59,039	1,900,443	59,625
Options	69,602	964	58,853	1,108
Interest rate contracts				
Forwards/swaps/FRAs	12,151,745	148,673	11,333,538	146,461
Options	12,713	8,140	14,575	8,411
Equity contracts				
Forwards	7,575	1,059	7,734	1,041
Options	71,051	2,132	71,044	253
Other contracts				
Commodity contracts	8,088	1,041	10,134	1,301
Credit derivatives bought	10,031	1,206	2,580	7
Credit derivatives sold	1,197	5	3,458	28
Total derivatives held for trading purposes		222,259		218,217
Hedging derivatives				
Currency contracts	126,654	521	200,557	1,031
Interest rate contracts	172,440	1,836	381,430	1,539
Total derivatives		224,616		220,787

At December 31, 2006 (DKr m)	Notional amount	Positive fair value	Notional amount	Negative fair value
Currency contracts				
Forwards and swaps	1,753,956	51,049	1,453,197	43,640
Options	62,745	622	54,310	646
Interest rate contracts				
Forwards/swaps/FRAs	8,526,806	83,204	9,045,022	87,348
Options	814,048	10,203	586,763	8,787
Equity contracts				
Forwards	331	151	209	154
Options	131,859	1,030	131,730	1,684
Other contracts				
Commodity contracts	368	-	368	-
Credit derivatives bought	179	-	21,497	32
Credit derivatives sold	1,147	8	142	-
Total derivatives held for trading purposes		146,267		142,291
Hedging derivatives				
Currency contracts	74,755	274	303,972	1,661
Interest rate contracts	365,339	2,988	65,109	460
Total derivatives		149,529		144,412

Market practice for derivatives includes master agreements laying down rules on netting of transactions. The following table shows the net exposure to derivatives with positive fair value.

COUNTERPARTY RISK (DKr m)	2007	2006
Derivatives with positive fair value	224,616	149,529
Netting benefits	181,237	116,814
Current net exposure	43,379	32,715

In the calculation of risk-weighted assets, the Group includes 34% of the positive fair value of derivatives after netting with a risk weight of 0, 44% with a risk weight of 20 and the remaining 22% with a risk weight of 100. To the positive fair value after netting is added an average margin for potential future credit risk of 76%. As of January 1, 2008, the Group applies the market value method under the standardised approach in the CRD rules. This method corresponds largely to the method used before.

3.6 Risk mitigation

A key component of the Group's business strategy is to reduce risk in its lending portfolio by entering into various agreements.

For a number of loan products, collateral is either required by legislation or market practice, for example in the mortgage finance market, or is otherwise agreed upon with the customer. The most important risk-mitigating means are pledges, guarantees and netting arrangements in master agreements for derivatives. The most frequently used pledges are mortgages on real property, pledges of financial assets such as shares and bonds, and pledges of motor vehicles.

The Group aims to maintain sufficient information about pledges and guarantees received to be able to estimate their values on an ongoing basis. The value is calculated as the amount that would be received from a forced sale less the costs of realisation, including costs for days on the market.

For the most frequent types of collateral, the Group has established models that automatically estimate the value of the assets in question. For types of collateral for which there is no valuation model, the value is calculated manually.

COLLATERAL RECEIVED At December 31, 2007 (DKr m)	Retail, personal customers	Retail, business customers	Corporate customers	Institutions	Governments	Securitisation	Total
Credit exposure	850,493	54,297	1,086,804	507,966	139,696	40,518	2,679,774
Collateral value	713,068	36,344	572,008	314,121	53,983	32,660	1,722,184
Total unsecured credit exposure	137,425	17,953	514,796	193,845	85,713	7,858	957,590
Unsecured share of credit exposure (%)	16.2	33.1	47.4	38.2	61.4	19.4	35.7

At December 31, 2006 (DKr m)	Retail, personal customers	Retail, business customers	Corporate customers	Institutions	Governments	Securitisation	Total
Credit exposure	706,900	56,532	862,047	537,498	57,259	54,688	2,274,924
Collateral value	540,526	49,037	429,177	300,505	32,862	40,368	1,392,475
Total unsecured credit exposure	166,374	7,495	432,870	236,993	24,397	14,320	882,449
Unsecured share of credit exposure (%)	23.5	13.3	50.2	44.1	42.6	26.2	38.8

The tables below show collateral received broken down by primary type of collateral.

TYPES OF COLLATERAL At December 31, 2007 (DKr m)	Retail, personal customers	Retail, business customers	Corporate customers	Institu-tions	Govern-ments	Securi-tisation	Total
Real property	677,563	26,188	316,261	1,763	1,137	6,277	1,029,189
Bank accounts	962	240	3,833	24	1	149	5,209
Custody accounts/securities	7,820	562	151,515	296,332	49,939	22,754	528,922
Vehicles	4,671	2,085	5,716	805	633	-	13,910
Equipment	1,298	1,421	12,684	38	82	-	15,523
Vessels/aircraft	100	69	18,841	-	-	-	19,010
Guarantees	13,799	4,584	20,442	1,514	609	-	40,948
Other assets	6,855	1,195	42,716	13,645	1,582	3,480	69,473
Total	713,068	36,344	572,008	314,121	53,983	32,660	1,722,184

At December 31, 2006 (DKr m)	Retail, personal customers	Retail, business customers	Corporate customers	Institu-tions	Govern-ments	Securi-tisation	Total
Real property	526,711	25,471	223,662	1,056	955	1,814	779,669
Bank accounts	742	203	5,149	107	-	-	6,201
Custody accounts/securities	2,847	371	149,585	260,915	30,079	16,549	460,346
Vehicles	2,713	10,819	539	-	251	-	14,322
Equipment	77	490	7,125	59	-	-	7,751
Vessels/aircraft	66	46	12,774	-	-	-	12,886
Guarantees	3,711	4,159	12,683	32,945	525	-	54,023
Other assets	3,659	7,478	17,660	5,423	1,052	22,005	57,277
Total	540,526	49,037	429,177	300,505	32,862	40,368	1,392,475

The collateral mentioned under securitisation involves a right of subrogation. The securities are typically mortgage-backed securities of which the underlying assets are commercial properties or housing properties.

The transactions mentioned in section 3.13 on securitisation involving hedging of risk on a portfolio of mortgage loans are not included as collateral in the tables above. At December 31, 2007, no credit derivatives serving to hedge risk were included in the banking book.

To some extent, the Group receives guarantees for credit facilities. Many of these guarantees are provided by companies or persons who have a group relationship with the debtor.

Because of the default correlation, no independent value is attached to such guarantees.

GUARANTEES RECEIVED At December 31, 2007 (DKr m)	Retail, personal customers	Retail, business customers	Institu-tions	Govern-ments	Securi-tisation	Total
Total guarantees	20,352	154,347	11,747	1,697	-	188,143
Provided within group relationships	340	107,540	6,356	12	-	114,248
Guarantees provided outside group relationships	20,012	46,807	5,391	1,685	-	73,895
Value of guarantees	18,383	20,442	1,514	609	-	40,948

GUARANTEES RECEIVED At December 31, 2006 (DKr m)	Retail, personal customers	Retail, business customers	Institu-tions	Govern-ments	Securi-tisation	Total
Total guarantees	9,627	117,793	38,844	1,605	3,403	171,272
Provided within group relationships	1,757	100,491	4,575	6	1,930	108,759
Guarantees provided outside group relationships	7,870	17,302	34,269	1,599	1,473	62,513
Value of guarantees	7,870	12,683	32,945	525	-	54,023

The following tables show the unsecured portion of credit exposure broken down by rating category.

UNSECURED SHARE OF CREDIT EXPOSURE BROKEN DOWN BY RATING CATEGORY
At December 31, 2007 (DKr m)

			Unsecured share of credit exposure (%)					
Rating category	Credit exposure	Collateral	0-10	10-25	25-50	50-75	75-100	Avg. unsecured share (%)
1	161,444	75,214	77,167	1,100	23	1	83,153	53.4
2	375,795	237,487	205,496	41,552	10,485	1,360	116,902	36.8
3	615,868	432,293	367,722	56,402	31,243	5,287	155,214	29.8
4	494,981	292,780	258,547	20,638	24,071	10,026	181,699	40.9
5	500,837	353,972	294,291	21,598	31,228	13,101	140,619	29.3
6	357,244	213,562	180,063	21,508	20,166	9,457	126,050	40.2
7	143,986	100,803	92,487	5,601	4,966	2,799	38,133	30.0
8	20,149	10,330	8,383	1,070	1,074	774	8,848	48.7
9	3,120	2,047	1,033	1,313	108	106	560	34.4
10	6,350	3,696	3,374	368	520	292	1,796	41.8
Total	2,679,774	1,722,184	1,488,563	171,150	123,884	43,203	852,974	35.7

At December 31, 2006 (DKr m)

			Unsecured share of credit exposure (%)					
Rating category	Credit exposure	Collateral	0-10	10-25	25-50	50-75	75-100	Avg. unsecured share (%)
1	107,635	47,667	42,494	8,961	1,132	-	55,048	55.7
2	392,184	200,106	159,389	41,550	18,295	792	172,158	49.0
3	592,689	444,167	376,634	60,941	35,101	8,464	111,549	25.1
4	450,029	275,819	240,930	26,393	16,045	8,033	158,628	38.7
5	329,088	205,871	181,402	15,357	19,494	6,955	105,880	37.4
6	318,162	176,651	149,175	13,110	23,534	6,518	125,825	44.5
7	69,981	35,057	28,927	4,186	4,077	2,091	30,700	49.9
8	12,191	5,695	4,230	673	698	943	5,647	53.3
9	1,103	380	356	31	83	111	522	65.6
10	1,862	1,062	972	91	120	101	578	43.0
Total	2,274,924	1,392,475	1,184,509	171,293	118,579	34,008	766,535	38.8

Mortgages on real property account for much of the collateral provided to the Group upon the granting of loans. For the personal customer portfolio, the loan-to-value ratios of these loans break down as follows:

LOAN-TO-VALUE RATIO (%) At December 31, 2007 (DKr m)	0-20	20-40	40-60	60-80	80-100	100+	Unspecified	Total
Banking Activities Denmark	26,449	19,188	10,679	4,587	1,324	1,137	-	63,364
Banking Activities Sweden	9,573	7,822	6,209	4,617	3,238	7,719	-	39,178
Banking Activities Finland	29,738	24,372	16,763	6,431	1,586	4,351	-	83,241
Banking Activities Norway	16,313	14,066	9,425	3,610	1,060	1,745	-	46,219
Banking Activities Ireland	4,770	4,089	3,179	2,270	1,375	2,467	-	18,150
Banking Activities Northern Ireland	2,842	2,275	1,640	1,124	665	1,322	-	9,868
Other	-	-	-	-	-	-	12,300	12,300
Mortgage Finance	164,271	128,271	70,920	22,290	874	-	-	386,626
Total	253,956	200,083	118,815	44,929	10,122	18,741	12,300	658,946

The table below shows Realkredit Danmark's personal customer portfolio. Priority customers are customers who typically have old loans.

LOAN-TO-VALUE RATIO (%)	Loans to priority customers			Other mortgage loans			
At December 31, 2007 (DKr m)	Fixed rate	Variable rate	Total	Fixed rate	Variable rate	Total	Total Realkredit Danmark
0-20	65,607	68,774	134,381	16,571	13,319	29,890	164,271
20-40	46,678	55,583	102,261	14,020	11,990	26,010	128,271
40-60	22,605	29,303	51,908	10,436	8,576	19,012	70,920
60-80	5,952	7,087	13,039	5,260	3,991	9,251	22,290
80+	162	277	439	183	252	435	874
Total	141,004	161,024	302,028	46,470	38,128	84,598	386,626
Segment from interest-only loans	36,893	83,680	120,573	23,028	26,613	49,641	170,214

3.7 Monitoring

Credit facilities are monitored centrally through the Group's credit system. Data on the size and utilisation of all types of credit facilities are registered in the system, as is information on the estimated realisation value of collateral after deduction of the estimated costs of realisation.

Recommended limits have been set for customer facilities. The limits are graduated according to the ratings assigned and the collateral provided. At least once a year, all facilities are reviewed, with new financial and other data taken into account.

Customers showing a weak financial performance are transferred to a watch list. The purpose is to ensure closer follow-up on the customer relationship in order to reduce the risk of losses. For example, if there are signs of a decline in a customer's creditworthiness, the Group prepares an action plan for minimising the risk on the customer and reduces the amount of the customer's limit.

Unauthorised excesses on current accounts and lines are automatically referred to the customer's adviser, who decides whether or not to accept the excess. If the excess is not accepted, a reminder procedure is initiated. This procedure may result in debt recovery proceedings if the excess is not repaid.

Claims submitted for debt recovery are transferred to a centralised debt collection department in each country. For good customers, excesses on one or more accounts are often accepted for a certain period.

The Group also monitors credit quality trends at the industry level. Industry analyses are submitted both to the Board of Directors and, in a shorter form, to the business areas.

The ongoing monitoring of credit quality in the individual business areas is based on a quarterly review of and report on various credit portfolio characteristics. Steps may be taken to counter negative developments in the portfolio. Detailed monitoring reports are sent to the business areas' credit departments, and general reports are submitted to the Executive Board's Credit Committee.

BREAKDOWN OF LOANS AND ADVANCES BY CREDIT QUALITY

At December 31, 2007 (DKr m)	Retail, personal customers	Retail, business customers	Corporate customers	Institu-tions	Govern-ments	Securi-tisation	Total	Unsecured share (%)
Neither past due nor impaired	829,071	51,491	1,062,420	507,298	137,518	40,021	2,627,819	35.4
Past due but not impaired	17,273	2,622	19,770	641	2,178	-	42,484	56.5
Impaired (rating category 9-10)	4,149	184	4,614	27	-	497	9,471	39.4
Total	850,493	54,297	1,086,804	507,966	139,696	40,518	2,679,774	35.7

BREAKDOWN OF LOANS AND ADVANCES BY CREDIT QUALITY

At December 31, 2006 (DKr m)	Retail, personal customers	Retail, business customers	Corporate customers	Institu-tions	Govern-ments	Securi-tisation	Total	Unsecured share (%)
Neither past due nor impaired	694,000	53,594	842,260	537,015	55,760	54,687	2,237,316	37.9
Past due but not impaired	12,056	2,791	17,820	477	1,498	1	34,643	66.7
Impaired (rating category 9-10)	844	147	1,967	6	1	-	2,965	51.6
Total	706,900	56,532	862,047	537,498	57,259	54,688	2,274,924	38.8

Impaired loans cover amounts due from customers subject to individual impairment (objective evidence of impairment exists). Of these, customers not in default are classified at the Group's risk classification level 9, and customers in default are classified at level 10.

Past due amounts cover loans and advances from the first day's arrears on the individual facility for customers who are not subject to individual impairment.

Of the portion of the credit exposure that is past due but not impaired, 31% is classified in rating categories 1 to 4.

PAST DUE AMOUNTS ON LOANS AND ADVANCES, EX UNAUTHORISED EXCESSES

At December 31, 2007 (DKr m)	Retail, personal customers	Retail, business customers	Corporate customers	Institu-tions	Govern-ments	Securi-tisation	Total	Due under loans in arrears
1-5 days	107	51	47	-	-	-	205	4,665
6-30 days	57	12	80	-	1	-	150	4,829
31-60 days	67	7	120	-	-	-	194	2,485
61-90 days	24	3	12	-	-	-	39	944
> 90 days	55	10	61	-	8	-	134	2,431
Total	310	83	320	-	9	-	722	15,354

At December 31, 2006 (DKr m)	Retail, personal customers	Retail, business customers	Corporate customers	Institu-tions	Govern-ments	Securi-tisation	Total	Due under loans in arrears
1-5 days	72	10	92	-	-	-	174	5,008
6-30 days	38	9	22	-	2	-	71	3,420
31-60 days	17	4	14	-	1	-	36	1,552
61-90 days	10	2	11	-	2	-	25	866
> 90 days	52	11	28	-	1	-	92	3,032
Total	189	36	167	-	6	-	398	13,878

3.8 Default

The definition of default used by the Group is consistent with the requirements of the CRD. The Group registers amounts due as being in default when it appears unlikely that the customer will fully repay all obligations to the Group.

The rules on disclosure of information between the companies of a financial group do not permit the dissemination of sensitive information about personal customers. This applies, for example, to information that may lead to the registration of default status. Thus, a personal customer default in one Group unit will not necessarily lead to a default marking in other Group companies.

This stipulation does not apply to corporate customers, so for these customers default status may in certain circumstances lead to default on all amounts due to the Group from the customer in question.

A default situation in a group of related customers requires a specific assessment as to whether default should be registered for all customers in the group. In this context, it is considered unlikely that the customer will fully repay all obligations to the Group if the customer or the customer's creditors have filed for bankruptcy, or if the customer has notified the court of suspension of payments, instigated negotiations for financial restructuring or taken similar steps.

When a personal customer's account is overdrawn or in arrears, a file is set up with the customer's adviser, who assesses whether or not the unauthorised excess is acceptable. For many good customers, the Group accepts excesses for extended periods for practical reasons. If the excess is deemed unacceptable, a reminder procedure is initiated. This procedure may result in debt recovery proceedings through the courts within 90 days of the claim.

After the adoption of more stringent administrative procedures in 2007, more customers are now registered as being in (technical) default. Normally, such defaults do not result in losses, and the Group expects a corresponding fall in LGD.

Realkredit Danmark has adjusted its default definition (from 180 days of arrears) as a consequence of the new CRD rules, and now uses the Group's standard definition of 90 days. The change has increased the number of customers in default.

The changes have not caused a rise in Realkredit Danmark's losses, but the exposure in rating category 10 has risen by some DKr2.5bn.

Customers in default are downgraded to the lowest level of the Group's classification system.

Under the provisions of IAS 39, objective evidence of impairment of a financial asset may appear before default, for example, when the debtor is found to be in major financial difficulties or is likely to go bankrupt or enter into financial restructuring.

In situations where there is objective evidence of impairment – without the customer's being in default – the customer will be downgraded to the second-lowest level of the Group's classification system.

3.9 Collection

The collection services of the business units are gathered in a centralised collection department under the Shared Services Centre. The collection function at Sampo Bank will be transferred to the central function at Easter 2008.

If a customer fails to meet obligations to the Group, the business unit in question initiates a reminder procedure. If the Group has not reached an acceptable agreement with the customer after three reminders, the unit responsible for the transaction will terminate the customer's facilities and refer the case to Group Collection.

Group Collection recovers small amounts itself. For the recovery of large amounts, it enlists the assistance of a lawyer or a collection agency.

As part of the business unit's attempt to reach an agreement with the customer, it often has pledged collateral realised before the case is transferred to Group Collection so that the customer contributes as much as possible to reducing the risk of financial loss. In the cases sent to Group Collection that include an asset, the Group will arrange for the asset to be sold, if necessary through a forced sale. Regardless of the type of the asset, it will be sold in the name of the debtor. The Group will never be registered as owner of the asset.

When all attempts to recover the debt have been unsuccessful, the debtor normally applies to the enforcement court for a declaration of insolvency. The case is then filed for possible reopening later.

In recent years, an increasing number of "old" debtors have repaid amounts previously written off or made repayment agreements concerning such amounts.

3.10 Impairment

If objective evidence of impairment of a loan, an advance or an amount due exists, and the effect of the impairment event or events on the expected cash flow from the asset is reliably measurable, the Group determines the impairment charge individually. The charge equals the difference between the carrying amount and the present value of the expected future cash flow from the asset, including the realisation value of collateral. The Group determines the expected future cash flow on the basis of the most likely outcome.

Customers with facilities subject to objective evidence of impairment who are not in default are automatically downgraded to the Group's risk category 9, while customers in default are downgraded to category 10. For personal customers, objective evidence of impairment normally appears upon the initiation of debt recovery proceedings. For corporate customers, it usually appears after bankruptcy or suspension of payments or upon financial restructuring.

Loans and advances without objective evidence of impairment are included in an assessment of collective impairment at the portfolio level. Such assessments concern portfolios of loans and advances with uniform credit risk characteristics. The Group's models are based on classifications, and the various portfolios are defined by customers' current classifications. Portfolio assessments cover loans and advances classified in categories 1 to 8. The loans and advances are divided into four portfolios. Collective impairment charges are determined by changes in ratings at the balance sheet date compared with the ratings assigned when the loans and advances were established, if the changes are considered to be of importance to the portfolio's future cash flow. The rating changes are calculated as net changes within each portfolio.

The cash flows are specified by means of the parameters used for the calculation of capital requirements and historical loss data adjusted for use in the accounts. The adjustment covers a loss identification period that, according to the Group's empirical data, is the same as the period from the first appearance of evidence of impairment to the determination of a loss at the customer level.

If the Group becomes aware that, at the balance sheet date, deteriorations or improvements have occurred without being fully taken into account in the assessments based on the models, the impairment charge is adjusted.

Collective impairment is calculated as the difference between the carrying amounts of the loans and advances in the portfolio and the present value of expected future cash flows. In accordance with the amortised cost method, the value of a portfolio cannot exceed the value at initial recognition less the amounts repaid during the period from initial recognition to the balance sheet date.

Impairment testing is conducted quarterly in a process managed by the centralised credit organisation.

For practical reasons, the quarterly process ends at a cut-off date prior to the balance sheet date. For minor exposures, the Group adjusts for this by calculating, on a statistical basis, an impairment charge covering the period from the cut-off date to the balance sheet date. The adjustment is based on empirical data concerning new impairment charges and reversals of impairment charges in the segment. If objective evidence of impairment appears for large exposures in the period between the cut-off date and the balance sheet date, the corresponding impairment charges are calculated separately.

The table below shows the components of the credit loss expenses recognised in the income statement.

CREDIT LOSS EXPENSES At December 31 (DKr m)	2007	2006
New and increased impairment charges	3,965	1,907
Reversals of impairment charges	3,166	2,191
Write-downs recorded directly on income statement	366	281
Recoveries recorded directly on income statement	478	493
Foreign currency translation	-	-
Other items	-	-
Total	687	-496

Loans and advances are written off after the usual collection procedure has been completed and the loss on the individual loan or advance can be calculated. Write-offs are deducted from the allowance account.

Owing to the favourable economic climate of recent years, the Group has recovered relatively large amounts on debts previously written off. A number of these amounts relate to debt written off many years ago, especially by Realkredit Danmark.

Even though, in accordance with the IFRSs, impairment charges are calculated only when objective evidence of impairment exists, the recognition of impairment charges will still not coincide with the recognition of the loss. The table below shows credit loss expenses included in the income statement and recognised losses. The latter consist of write-offs during the year without prior recognition of impairment charges on the allowance account and write-offs on the allowance account during the year. In addition to the time difference between the calculation of impairment charges and write-offs, differences arise because credit loss expenses in the income statement include the recovery of amounts previously written off.

CREDIT LOSS EXPENSES AND RECOGNISED LOSSES

At December 31 (DKr m)	Retail, personal customers	Retail, business customers	Corporate customers	Institutions	Governments	Securi-tisation	Total
2007							
Credit loss expenses	510	332	-165	-	10	-	687
Recognised losses	432	579	231	-	-	-	1,242
2006							
Credit loss expenses	30	71	-479	-	-118	-	-496
Recognised losses	407	62	396	8	-	-	873

The table below shows a reconciliation of the allowance account in 2007 and 2006.

RECONCILIATON OF ALLOWANCE ACCOUNT

	2007			2006		
(DKr m)	Individual impairment	Collective impairment	Total impairment charges	Individual impairment	Collective impairment	Total impairment charges
At January 1	3,324	880	4,204	4,185	865	5,050
New and increased impairment charges	2,956	1,009	3,965	1,435	472	1,907
Reversals of impairment charges	2,487	679	3,166	1,680	511	2,191
Write-downs from allowance account	875	-	875	592	-	592
Foreign currency translation	-5	-5	-10	-6	2	-4
Other items	662	120	782	-18	52	34
At December 31	3,575	1,325	4,900	3,324	880	4,204

Of Other items of DKr782m, DKr764m relates to Sampo Bank. Collective impairment charges amount to DKr120m.

The tables below show the credit exposure broken down by past due amounts and impaired claims in rating category 9 or 10 and by industry. They also show the allowance account broken down by industry and by individual and collective impairment charges.

INDUSTRY BREAKDOWN	Credit exposure			Impairment			
2007 (DKr m)	Total	Past due	Rating categories 9-10	Individual impairment charges	Collective Impairment charges	Impairment charges	Credit loss expenses
Personal customers	850,493	17,897	2,939	795	630	1,425	575
Subsidised housing companies, etc.	150,843	1,108	849	55	2	57	54
Central and local governments	52,129	2,896	11	35	-	35	35
Credit institutions and other financials	420,433	36	-	2	-	2	40
Financials	651,812	7,330	2,296	212	75	287	-352
Oil and gas drilling	12,324	349	-	26	110	136	74
Materials	49,070	564	-	175	64	239	14
Capital goods and commercial services	218,370	6,120	1,754	992	83	1,075	-36
Consumer discretionary and consumer staples	208,311	5,259	855	1,012	305	1,317	314
Health care	26,035	243	744	190	18	208	7
IT	14,498	343	23	55	27	82	-40
Telecommunication services	7,288	165	-	24	7	31	-
Utilities	18,168	174	-	2	4	6	2
Total	2,679,774	42,484	9,471	3,575	1,325	4,900	687

	Credit exposure			Impairment			
2006 (DKr m)	Total	Past due	Rating categories 9-10	Individual impairment charges	Collective Impairment charges	Impairment charges	Credit loss expenses
Personal customers	706,900	12,551	831	404	188	592	-44
Subsidised housing companies, etc.	108,525	1,257	23	21	-	21	-8
Central and local governments	34,402	1,961	1	-	-	-	-122
Credit institutions and other financials	325,088	-	4	1	-	1	-36
Financials	676,479	6,657	364	605	117	722	-255
Oil and gas drilling	7,502	75	-	1	-	1	-1
Materials	37,641	333	90	112	107	219	5
Capital goods and commercial services	155,204	4,878	853	1,049	169	1,218	-129
Consumer discretionary and consumer staples	169,955	5,487	785	995	269	1,264	79
Health care	22,259	299	4	25	9	34	12
IT	10,878	805	-	106	17	123	5
Telecommunication services	7,551	253	8	5	4	9	-
Utilities	12,540	87	2	-	-	-	-2
Total	2,274,924	34,643	2,965	3,324	880	4,204	-496

The tables below show the credit exposure broken down by past due amounts and impaired claims in rating category 9 or 10 and geographically.

GEOGRAPHICAL BREAKDOWN

2007 (DKr m)	Credit exposure Total	Past due	Rating categories 9-10	Impairment Individual impairment charges	Collective Impairment charges	Impairment charges	Credit loss expenses
Denmark	1,161,704	24,546	3,292	1,579	887	2,466	-502
Finland	204,134	1,612	439	340	131	471	-106
Sweden	290,268	6,564	570	251	50	301	211
Ireland	109,311	2,163	384	172	65	237	359
UK	400,519	1,391	1,412	102	40	142	99
Germany	45,971	187	166	263	4	267	458
Baltics	32,837	188	-	-	83	83	-1
Rest of EU	85,294	207	1,136	43	-	43	122
Norway	179,684	5,280	623	299	65	364	-
Eastern Europe	2,017	4	-	2	-	2	4
Rest of Europe	9,827	47	775	432	-	432	1
North America	138,736	84	674	63	-	63	30
Central and South America	2,479	8	-	5	-	5	1
Africa	929	8	-	2	-	2	3
Asia	14,628	193	-	21	-	21	7
Oceania	853	2	-	1	-	1	1
Total	2,679,774	42,484	9,471	3,575	1,325	4,900	687

2006 (DKr m)	Credit exposure Total	Past due	Rating categories 9-10	Impairment Individual impairment charges	Collective Impairment charges	Impairment charges	Credit loss expenses
Denmark	1,075,909	20,652	1,466	2,401	386	2,787	-70
Finland	22,791	19	215	40	125	165	-79
Sweden	231,470	6,104	323	213	232	445	8
Ireland	68,550	2,098	102	45	28	73	18
UK	452,882	1,467	185	129	29	158	58
Germany	35,095	397	58	65	5	70	-10
Baltics	322	22	-	1	-	1	-14
Rest of EU	54,890	125	51	27	14	41	-36
Norway	146,651	3,618	548	345	51	396	-85
Eastern Europe	1,469	-	1	-	1	1	-
Rest of Europe	8,561	33	-	51	1	52	-151
North America	162,021	34	12	1	-	1	-4
Central and South America	2,291	5	-	1	-	1	-
Africa	847	5	4	1	2	3	-114
Asia	9,475	60	1	4	6	10	-17
Oceania	1,700	4	-	-	-	-	-
Total	2,274,924	34,643	2,965	3,324	880	4,204	-496

In the table below, the allowance account for individual impairment charges is broken down by main type of impairment. In practice, impairment charges are often due to a number of circumstances. That is why the item Other financial difficulties is especially large.

ALLOWANCE ACCOUNT BROKEN DOWN BY REASON FOR INDIVIDUAL IMPAIRMENT

	2007		2006	
(DKr m)	Exposure before impairment charges	Impairment charges	Exposure before impairment charges	Impairment charges
Bankruptcy	2,265	724	888	552
Collection/suspension of payments	2,071	606	414	240
Composition/restructuring of debt	1,919	566	748	310
Other financial difficulties	6,791	1,679	4,239	2,222
Total	13,046	3,575	6,289	3,324

3.11 Portfolio management

In addition to credit management at the individual customer level, the Group has set up measures for credit risk management at the portfolio level.

Besides serving the day-to-day credit management process, the Group's credit system aggregates credit exposure data at the country, sector and industry levels. The system allows the Group to monitor credit exposure trends in other business segments. The Group has determined individual credit limits for each sector and industry and for most countries. Credit reporting is based on the credit system.

In addition to the day-to-day management of the loan portfolio, the Group has previously sought to adapt its risk profile on an ongoing basis by hedging the risk on selected parts of the portfolio. Going forward, it is the Group's intention to utilise the opportunities for portfolio management and risk mitigation currently available in the financial markets in a more structured manner.

3.11.1 Credit risk model

The Group's internal credit risk model is a portfolio model that calculates all credit exposures in the Group's portfolio across business segments and countries. The calculations include all loans, advances, bonds and derivatives.

The credit risk model is a Merton-based simulation model that estimates the distribution of losses and risks for a borrower at various probability intervals. The model assumes that the borrower's probability of default is a function of the borrower's assets relative to the borrower's liabilities and the volatility associated with the assets.

The portfolio model uses a Monte Carlo simulation, which is a general procedure for approximating the value of a future cash flow. For each simulation, the model calculates the following:

- the loss arising from customer defaults
- the depreciation due to reduced customer creditworthiness

The individual losses calculated in each simulation are ranked according to size. Economic capital at the Group level is calculated as Value at Risk at a confidence level of 99.97%.

The largest customer exposures are entered individually in the simulation, while small customers are divided into homogeneous groups with shared credit risk characteristics. For these groups, the contribution to economic capital is calculated by means of semi-analytical methods.

For all customers, the credit exposure reflects full risk reduction for collateral provided and netting.

When possible, the parameters of the credit risk model are based on point-in-time estimates. This is done to measure the actual risk on a 12-month horizon as accurately as possible.

The portfolio model includes concentration effects from the largest individual customers and from sector and country concentrations. The correlation between individual debtors is estimated by means of equity indices.

In addition to the aggregate economic capital for credit risk, the model allocates economic capital to all individual counterparties. The Group allocates economic capital at the facility level on the basis of an internally developed allocation model. The model takes into account concentrations of individual customers as well as country concentrations. Economic capital at the facility level is used for risk-based pricing and for performance measurements.

3.11.2 Risk concentrations

The risk concentrations that the Group identifies in the credit portfolio serve as a credit risk management parameter. The following risk concentrations form a natural part of the Group's business strategy:

Loans to customers resident in Denmark	• Customers resident in Denmark account for 43% (2006: 47%) of the Group's credit exposure. • The proportion of Danish residents has declined in recent years due to the acquisition of Northern Bank, National Irish Bank and Sampo Bank, and the general expansion of units outside Denmark.
Loans to financial customers	• Customers in the financial sector represent 40% (2006: 44%) of the Group's credit exposure. • Most of the exposure is to large counterparties with good ratings. • In recent years, an increasing proportion of outstanding amounts has been secured by collateral.
Real-property-related financing	• Financing of real property or for businesses engaged in related industries represents 48% (2006: 48%) of the Group's credit exposure. • A large share of this exposure naturally derives from the retail segment's financing of real property for personal customers.

Under section 145 of the Danish Financial Business Act, the exposure to a single customer or a group of mutually connected customers may not, after subtraction of particularly secure claims, exceed 25% of the capital base. Moreover, the sum of all exposures exceeding 10% of the capital base may not, after subtraction of particularly secure claims, exceed 800% of the capital base. The Group submits quarterly reports to the Danish FSA on its compliance with these rules. Outstanding intra-group amounts are not included in the table below.

LARGE EXPOSURES At December 31 (DKr m)	2007 Exposures calculated in accordance with section 145	2006 Exposures calculated in accordance with section 145
Number	11	9
Exposure >20% of capital base	24,829	32,060
Exposure between 10% and 20% of capital base	160,782	122,171
Total	185,611	154,231
Utilisation of 800% rule (%)	152.4	120.5

In 2007, none of the Group's exposures exceeded the limits set by the Danish FSA. Danske Bank's acquisition of the Sampo Bank Group in 2006 raised the exposure to the Sampo Group by DKr30.2bn in the period preceding the payment for the purchase. The temporary non-compliance with the limits had been approved by the Danish FSA.

The table below shows a breakdown of the Group's credit facilities by size.

CREDIT EXPOSURE BROKEN DOWN BY SIZE At December 31 (DKr m)	2007	2006
0-1 m	340,443	201,668
1-5 m	511,210	468,012
5-10 m	99,455	88,700
10-50 m	233,275	169,574
50-100 m	92,122	65,680
100-1,000 m	432,144	334,362
> 1,000 m	971,125	946,928
Total	2,679,774	2,274,924

3.12 Parameters

The risk management models that the Group uses incorporate a number of risk parameters which are essential for calculating economic capital and expected losses. The Group regularly assesses and validates these parameters, changing them if factors in the portfolio or society at large so warrant.

To the extent possible, the validation of risk parameters is based on historical in-house data or market data. Available data will always be subject to a certain degree of statistical uncertainty. An uncertainty margin is therefore incorporated in the determination of parameters to be compared with external benchmarks – where such benchmarks exist.

The Group operates with the following key credit risk parameters:

- Probability of default
- Loss given default
- Conversion factor
- Maturity

The Group has chosen to determine parameters based on historical data for the past year (point-in-time parameters) and parameter values based on longer historical periods (through-the-cycle parameters) which enable it to assess the effect of various business cycles on the parameters. To ensure that the parameters take into account the possibility of a sufficiently serious economic setback, they are estimated over the period dating back to January 1, 1992 (which thus constitutes the Group's through-the-cycle period).

3.12.1 Probability of default

The probability of default (PD) represents the probability that a customer will default on a loan within the next 12 months. The PD is estimated by means of rating models developed by the Group. The models assess the creditworthiness of individual customers on the basis of the counterparty's PD (directly or after conversion). The customers are each assigned to one of the Group's 10 rating categories.

After the model has been developed and implemented, the Group verifies its validity on an ongoing basis. The parameters used in the model are also re-assessed on a regular basis. Both these validations are normally conducted once a year, but they may be conducted more often if the ongoing monitoring indicates a need.

Models that do not work as intended will be redefined. Redefinition may have modest proportions or require major redesigning of the model.

The validation of the classification models follows a procedure that complies with the recommendations of the Committee of European Banking Supervisors (CEBS). The procedure includes the following:

- An analysis of each model's ability to group customers with uniform risk and compare ex ante probabilities of default and ex post observed default levels. The comparison is based on confidence intervals and on both a 12-month horizon and a through-the-cycle horizon as described above.
- A review of the use of the model.
- An assessment of the uncertainties derived from data and from the model in order to determine the safety margins.

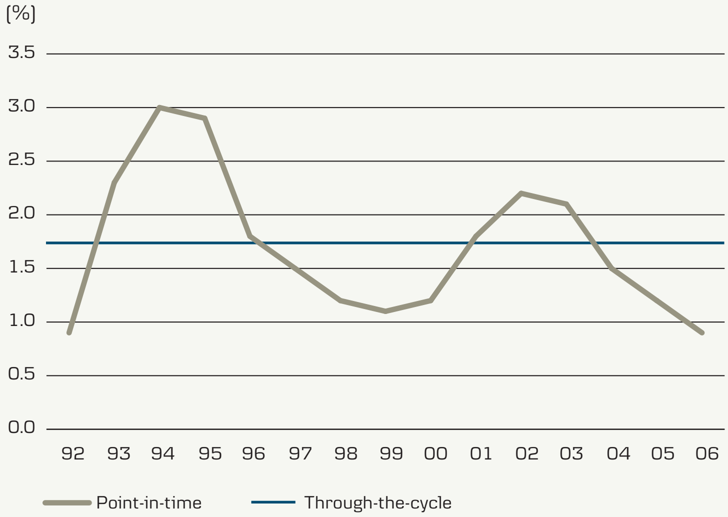
In addition to the annual validation of the models, the Group has established a quarterly monitoring procedure to assess the significance of any changes.

The PDs for the various rating categories should in principle remain stable from year to year as the Group changes customers' ratings in step with changes in the assessment of customers' creditworthiness.

The fluctuations that occur in practice are explained partly by statistical fluctuations in data and partly by variations in how the Group's credit organisation handles the administration process. These fluctuations are monitored regularly, and their size is taken into account through the calculation of a safety margin when the final parameters are determined.

The PDs used as parameter values for the calculation of capital requirements are determined on the basis of through-the-cycle averages as described above. The chart below shows observed PDs for Danish corporate customers for the period 1992-2006.

OBSERVED PROBABILITIES OF DEFAULT, DANISH CORPORATE CUSTOMERS



The PD level for corporate customers fluctuates more than the levels for other asset classes because of exposure weighting. The number of defaults is relatively small, and the size of exposures varies considerably.

PROBABILITY OF DEFAULT

(%)	Retail, personal customers	Retail, business customers	Corporate customers	Institutions	Governments	Securi-tisation	Other assets	Total
2007:								
Observed	0.41	1.28	0.26	0.03	-	-	-	0.28
Parameter	0.40	1.16	0.49	0.06	0.24	0.03	1.91	0.38
2006:								
Observed	0.16	0.30	0.06	-	-	-	-	0.04
Parameter	0.36	1.31	0.63	0.06	0.08	0.02	0.16	0.31
2005:								
Observed	0.30	0.76	0.15	-	-	-	0.01	0.07
Parameter	0.35	1.41	0.52	0.07	0.02	-	0.37	0.30

The table above shows figures excluding Sampo Bank and the activities in the Baltic states.

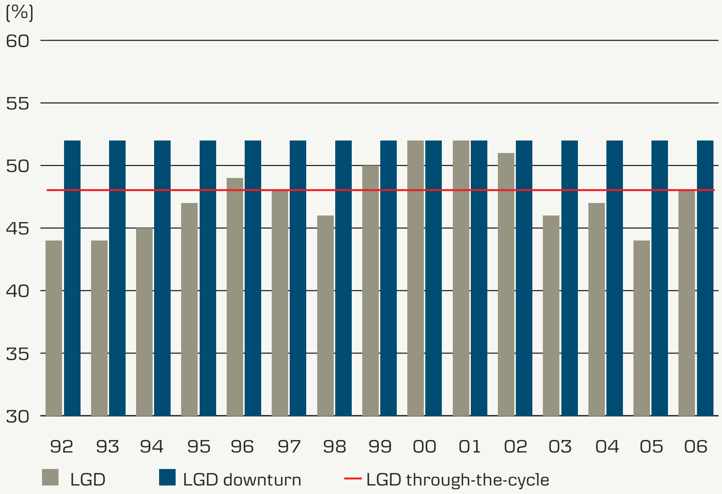
3.12.2 Loss given default

Loss given default (LGD) represents the expected loss on an exposure as the percentage of the expected facility utilisation that will be lost if a customer defaults.

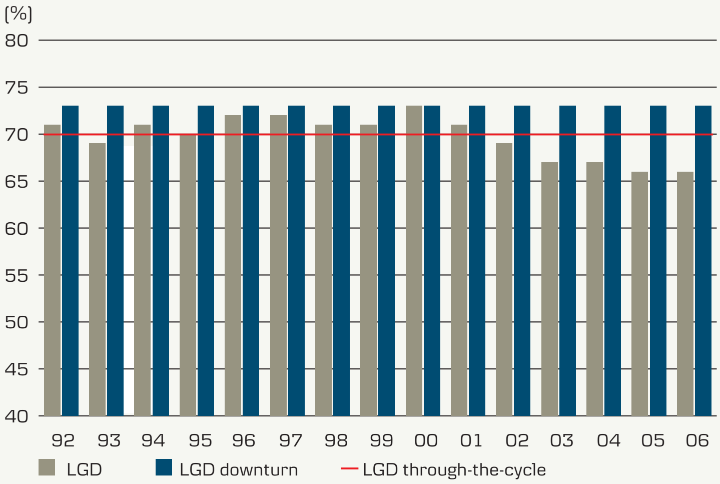
In LGD calculation, long-term averages are first estimated for the entire period in question. These averages are then compared with the estimated LGDs for each year during the economic downturn in the early 1990s. For capital adequacy purposes, the highest values (the so-called downturn values) are used to determine the parameters applied, in accordance with the rules in the Danish executive order on capital requirements.

As it may take several years to settle large exposures completely, the Group estimates the final loss on exposures not yet settled at the time of calculation. The Group regularly monitors the actual subsequent losses on exposures for which the losses could not be ascertained in a given year. The charts below show only loss cases that have been finally settled.

LGD, CORPORATE CUSTOMERS AND RETAIL, BUSINESS CUSTOMERS



LGD, RETAIL, PERSONAL CUSTOMERS



When determining the final parameter, the Group includes a margin that allows for uncertainty in the data material. As the table below shows, certain segments have had no defaults in recent years. Parameter values for these segments are based on benchmarks from external sources.

LOSS GIVEN DEFAULT [%]	Retail, personal customers	Retail, business customers	Corporate customers	Institutions	Governments	Securi-tisation	Other assets	Total
2007:								
Observed	13	11	16	1	-	-	-	13
Parameter	62	50	40	37	36	57	55	60
2006:								
Observed	53	33	34	1	-	-	-	51
Parameter	61	49	41	34	35	65	55	59
2005:								
Observed	44	33	29	1	-	-	-	42
Parameter	59	55	61	41	16	-	50	59

The table above shows figures excluding Sampo Bank and the activities in the Baltic states.

3.12.3 Conversion factor

The conversion factor (CF) represents the percentage of amounts not yet drawn that is expected to be drawn within the next 12 months.

This factor is used for estimating the expected utilisation of a given facility at the time of default (exposure at default, or EAD). This is meaningful only for products with a risk of drawings, that is, loan commitments, guarantees, credit cards and the like, as ordinary loans do not involve a risk of additional drawings.

The CF is influenced by the Group's ability to identify slow-paying borrowers at an early stage and reduce their access to additional drawings. The CF estimates are based on in-house default data. As in its LGD calculations, the Group includes estimates of both point-in-time and downturn parameters for CF calculations.

The CF levels in the table below are averages weighted by number of products for customers in the individual asset classes.

For all segments, the parameters determined are higher than the observed values in recent years, as they incorporate a margin to allow for uncertainties in the data available. In some cases, the Group has no observations, and parameter values are therefore determined on the basis of external and internal benchmarks.

The CF parameter values used for capital adequacy purposes are estimated as downturn values calculated for the period from 1992.

CONVERSION FACTORS (%)	Retail, personal customers	Retail, business customers	Corporate customers	Institutions	Governments	Securi-tisation	Other assets	Total
2007:								
Observed	55	40	12	-	-	-	-	52
Parameter	69	55	34	29	55	40	-	67
2006:								
Observed	73	41	29	-	-	-	-	67
Parameter	69	56	33	30	53	40	-	67
2005:								
Observed	76	43	11	-	-	-	-	67
Parameter	100	74	47	47	54	-	-	97

The table above shows figures excluding Sampo Bank and the activities in the Baltic states.

3.12.4 Maturity

The maturity (M) indicates the term of the Group's commitment to the customer. The Group calculates the cash-flow-weighted maturity for corporate, institutional and government exposures as prescribed by the CRD. For mortgage loans, however, the Group uses a maximum maturity of five years.

The table below shows exposure by asset class and remaining maturity at the end of 2007.

CREDIT EXPOSURE BROKEN DOWN BY MATURITY

At December 31, 2007 (DKr m)	Retail, personal customers	Retail, business customers	Corporate customers	Institutions	Governments	Securi-tisation	Total
Demand deposits	307	14	861	2,625	69,895	67	73,769
< 3 months	17,425	2,211	272,444	356,250	53,138	8,357	709,825
3 months to 1 year	67,247	14,143	220,701	104,579	7,311	17,020	431,001
1 year to 5 years	63,097	14,304	191,569	25,230	2,741	7,535	304,476
> 5 years	702,417	23,625	401,229	19,282	6,611	7,539	1,160,703
Total	850,493	54,297	1,086,804	507,966	139,696	40,518	2,679,774

3.13 Securitisation

The Group is engaged in the following securitisation activities:

- hedging risk on certain loans and advances
- structuring transactions offered through the securitisation company Polonius
- exposures in the securitisation asset class

Hedging risk on certain loans and advances
In 2006 and 2007, the Group entered into transactions structured as synthetic securitisation involving hedging of part of the risk on Realkredit Danmark loans of DKr342bn. Sampo Bank entered into an agreement on the hedging of credit risk on loans to SMEs of €1bn in 2006.

The transactions comply with the rules on reduced weighting (as guarantees) under the capital adequacy rules applicable until 2007, and this has resulted in capital relief. According to the CRD rules, the transactions do not qualify for reduced weighting, and hedge accounting is not applied. Accordingly, the transactions are not presented in the risk statements as hedging the loans in question. The transactions will be phased out in 2009 and 2010.

Polonius
Polonius Inc. is registered in Delaware, USA, and is owned by a company that is not related to the Group. Polonius' activities are managed by an independent securitisation management company located on the British Channel Island of Jersey. The Danske Bank Group acts as adviser to the management company.

Polonius' main activities are conventional securitisation and granting loans to other parties against collateral that allows the company to maintain an A-1/P-1 rating or a similar rating with the rating agencies Standard & Poor's and Moody's. The company's loan portfolio is usually financed by the issuance of rated ABCP on the North American and European commercial paper markets. As a result of conditions in the international money markets, no commercial paper had been issued at the end of 2007 to fund the assets held by Polonius. At the end of 2006, the total portfolio was funded by commercial paper.

The activities of Polonius Inc. are assessed by Standard & Poor's and Moody's on a regular basis. The Group's credit organisation also monitors and follows up on the trends in existing transactions on an ongoing basis. Polonius may not enter into new transactions unless Standard & Poor's and Moody's confirm that the transactions meet the requirements mentioned above for maintaining its rating.

The Group uses Polonius Inc. to finance a securitisation entity with the special purpose of acquiring (directly in the market) a portfolio of high-quality bonds. Purchases of bonds are submitted to the Group's credit organisation for approval. The portfolio, which amounted to DKr12.7bn at the end of 2007, is consolidated in the accounts. The part of the portfolio that consists of bonds issued by securitisation companies (DKr11.2bn at the end of 2007) is included in the securitisation asset class. The IRB approach will be used for the calculation of the risk-weighted assets on that part of the portfolio from January 1, 2008.

Of the portfolio of DKr12.7bn, 10% is carried at fair value and the rest is carried as loans and advances at amortised cost.

Polonius had a diversified portfolio of externally rated assets (88.6% rated AAA, 8.5% rated AA and 2.9% rated A). North American assets accounted for 29.5% of Polonius' portfolio, and of this percentage, 6.1 percentage points consisted of North American mortgage bonds. Polonius holds no subprime bonds. The bonds were purchased directly in the market, and they had not been recorded in the Group's balance sheet prior to Polonius' acquisition of the assets.

Polonius Inc. also finances a securitisation special purpose entity that owns assets purchased from one of the Group's customers. The transaction was structured by the Danske Bank Group and has been through the Group's usual credit approval process. The securitisation entity is not consolidated in the accounts, and the exposure is recorded under the securitisation asset class (see below). At December 31, 2007, this securitisation entity held assets totalling DKr2.0bn.

The credit risk parameters for the customer transaction are estimated on the basis of default and loss data for the asset portfolio owned by the company. The risk-weighted assets are calculated in accordance with the Kirb method.

Exposures in the securitisation asset class

The securitisation asset class includes all financial assets where the counterparty is a securitisation company. In addition to backup liquidity facilities, securitisation assets comprise mainly bonds.

At the end of 2007, the Group's total exposure to this asset class amounted to DKr40.5bn (2006: DKr54.7bn), or 1.2% of total assets and 1.5% of the total credit exposure. Some DKr6.8bn of the total amount of DKr40.5bn had been drawn by the end of 2007.

Other sections of this report show the securitisation asset class broken down by rating, industry and geographical location.

The table below shows the exposures in the securitisation asset class.

EXPOSURE, SECURITISATION

At December 31 (DKr m)	2007	2006
Drawn backup liquidity facilities	6,797	-
Unutilised backup liquidity facilities	20,482	33,483
Polonius, purchased securitisation positions	11,209	16,208
Polonius customer transaction, unutilised facility	2,030	4,997
Total	40,518	54,688

4. MARKET RISK

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4.1 Definition

The Group defines market risk as follows:

- The risk of losses because the fair value of the Group's assets and liabilities varies with changes in market conditions.

Market risk consists of the following components:

- Interest rate risk – the risk of losses because of changes in interest rates
- Exchange rate risk – the risk of losses on the Group's foreign currency positions because of changes in exchange rates
- Equity market risk – the risk of losses because of changes in equity prices
- Commodity risk – the risk of losses because of changes in commodity prices
- Credit spread risk – the risk of losses because of changes in credit spreads
- Floor risk – the risk of lack of earnings on deposits because market interest rates approach zero

The CRD rules distinguish between market risk on items in the trading book and items outside the trading book, and between general and specific risk (see section 4.12).

The table below shows the Group's market risk at the end of 2007 and 2006 calculated according to conventional risk measures.

MARKET RISK, CONVENTIONAL RISK MEASURES

At December 31 (DKr m)	2007	2006
Interest rate risk	2,417	946
Equity market risk, listed shares	1,105	1,611
Equity market risk, unlisted shares	3,340	3,185
Credit spread risk on corporate bonds	3	4
Commodity risk	3	-
Exchange rate risk (Value at Risk)	7	8

4.2 Policy and responsibility

The management of the Group's market risk covers all the Group's assets, liabilities and off-balance-sheet items, except for the market risk in Danica Pension and the Group's defined benefit pension plans.

The Group's overall market risk limits do not apply to the risk on the assets in which Danica Pension's equity is invested. This risk is described in section 4.11. Section 7.3 describes the market risk on assets allocated to policyholders. The market risk relating to defined benefit pension plans is shown in section 7.2.

When the Board of Directors has set the overall limits for the Group's market risk exposure, the All Risk Committee sets limits and guidelines for the main business areas that reflect the strategic priorities for risk exposure.

On the basis of the Group's overall risk policy, the Committee also defines operational policies for the business areas, including non-Danish entities and subsidiaries. Authority to take on market risk is granted only to certain business areas with expert knowledge of such risk, mainly Danske Markets in Copenhagen.

Positions for the Group's own account are taken primarily in its proprietary investment portfolio and in connection with its trading activities in Danske Markets.

Market risk in individual banking activities is transferred directly to Danske Markets or measured and managed under Danske Markets' limits as part of the ALM position. The Group measures the floor risk on banking activities, and the All Risk Committee takes this risk into account when it considers the Group's strategic interest rate risk. This means that, generally, neither the transactions nor the results from banking activities involve interest rate or exchange rate risk.

An Asset/Liability Committee has been set up to monitor and discuss issues relating to market and liquidity risk, among other things. Danske Markets and Group Finance are represented on the Committee.

4.3 Monitoring

The operational risk policies form the basis for written business procedures and reconciliation and control procedures for the relevant areas as well as for the Group's system development.

Measurement, monitoring and management reporting on market risk are carried out on a daily basis. The Group calculates current market risk using a database that is integrated with its trading systems. In addition, the Group conducts intra-day spot checks of the risks in the individual business areas.

Day-to-day risk management includes setting limits for business areas and sub-areas. These limits are monitored systematically, and procedures have been established for follow-up in the organisation.

4.4 Use of models

The Group uses both conventional risk measures and more sophisticated internal mathematical and statistical measures, such as Value at Risk (VaR), to calculate its market risk. These calculations are used in the following:

- reporting to the Group's management
- reporting to the Danish FSA
- day-to-day management in the business areas

The Group also develops in-house models. Such models are used for pricing and risk management of financial products which cannot be valued directly on the basis of quoted market prices or standardised financial models.

4.5 Interest rate risk

The Group actively takes on interest rate risk through its trading activities. Interest rate risk is measured and managed across the Group for all products involving such risk.

The Group's banking activities offer fixed rate loans, deposits and other products. Much of the resulting interest rate risk is hedged and treated under the rules of fair value hedge accounting. The interest rate risk on the following fixed rate items is not hedged but is managed on a daily basis:

- a portfolio of fixed rate mortgage loans in Denmark
- fixed rate loans and advances provided by banking activities in Finland, the Republic of Ireland, Northern Ireland and the Baltics
- operating leases
- prepayments of Realkredit Danmark loans

The Group also has a structural interest rate risk exposure in its banking activities in Northern Ireland, the Republic of Ireland and Finland. This risk derives from demand deposits whose interest rate has been stable at a very low level over a considerable period, and the portfolio has been and is expected to remain stable. The risk is included in the Group's interest rate risk calculations and thus in day-to-day risk management.

The table below shows the Group's total interest rate risk, measured as the expected loss on interest rate positions that would result from a general interest rate rise of 1 percentage point.

INTEREST RATE RISK

At December 31 (DKr m)	< 1 year	1-3 years	3-7 years	7-11 years	> 11 years	Total
2007	1,165	-559	710	872	229	2,417
2006	1,251	56	-982	71	550	946

The Group also measures the yield curve risk, which expresses the risk of losses if interest rates for various terms change independently of one another. The yield curve risk is measured individually for an interest rate rise of 0.1 of a percentage point at 0, 3, 6 and 9 months and at 1, 2, 5, 10, 15 and 25 years.

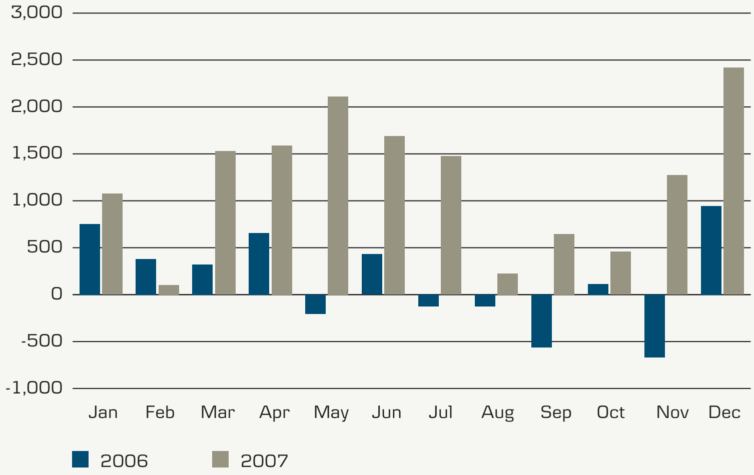
Interest rate options are included in the interest rate risk measurement. For departments trading in interest rate options, the Group also measures the interest rate risk in a scenario with stressed market conditions, the maximum loss in case of interest rate changes of plus 2 percentage points and minus 2 percentage points and vega, which is the expected future volatility in interest rates priced into the options markets.

GROUP LEVEL INTEREST RATE RISK – NET CURRENCY EXPOSURE

At December 31 (DKr m)	2007	2006
DKK	-4,094	1,857
EUR	2,369	-1,278
SEK	-425	75
USD	-285	190
NOK	106	6
GBP	-47	135
JPY	-36	-5
Other	-14	-16

The interest rate risk at Group level, measured as the financial effect of a general interest rate rise of 1 percentage point, is shown in the chart below.

GROUP INTEREST RATE RISK
DKr m



4.5.1 Floor risk

Floor risk is the interest rate risk on deposits whose interest rates depend on central banks' leading interest rates but whose rates the Group will not always be able to lower in step with central bank rates.

Floor risk is defined as the effect on net interest income over a 12-month period if market rates fall by 1 percentage point. Floor risk is measured and reported to the All Risk Committee but is not included in the measurement of the Group's interest rate risk.

4.6 Exchange rate risk

Generally, the exchange rate risk indicator is expressed in Danish kroner. Assuming that the Group does not change its foreign currency positions in the following ten days, there is a 5% probability that it will incur a loss that is greater than the value of the exchange rate risk indicator.

For departments trading in currency options, the Group also measures exchange rate risk as the maximum standardised loss based on a number of predefined standard scenarios with large exchange rate fluctuations.

The exchange rate risk was small throughout 2007. At the end of the year, it was DKr7m (2006: DKr7.5m).

4.7 Equity market risk

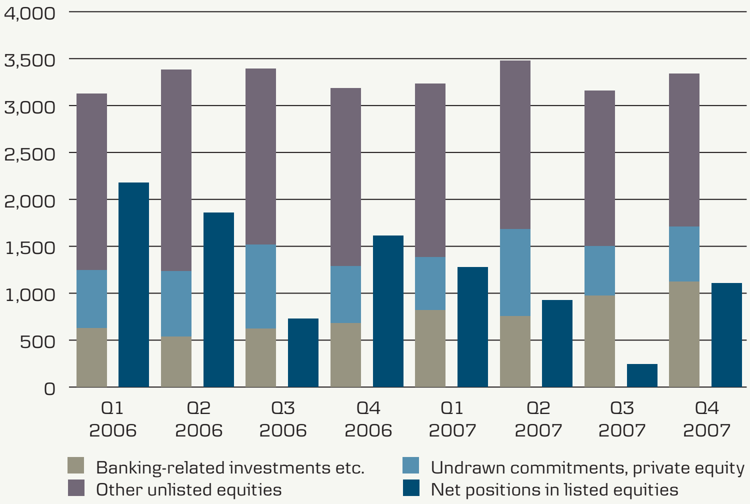
Equity market risk is calculated as the net value of long and short positions in equities and equity-based instruments. The management of equity market risk distinguishes between risk on listed and unlisted shares. Positions in individual companies are measured and monitored separately.

For departments trading in share options, the Group also calculates the maximum standardised loss upon equity price changes of +/- 20%.

For unlisted shares, the Group distinguishes between ordinary open positions, unutilised commitments to private equity funds and banking-related investments.

At the end of 2007, the risk on listed shares was lower than the level at the end of 2006. The average risk on unlisted shares was in line with the risk in 2006.

FAIR VALUE OF THE GROUP'S NET POSITION IN LISTED AND UNLISTED SHARES
DKr m



Banking-related investments etc. comprise shares in financial infrastructure and payment service activities.

4.8 Other market risks

Commodity risk is measured as the expected loss on positions in commodities following changes of +/-10 percentage points in individual commodity indices.

The Group has a small commodity risk on the Finnish trading activities. It has set a limit on losses in case of changes in commodity prices.

A few of the Group's products are dependent on changes in inflation. Accordingly, the Group has also set limits on losses in case of changes in inflation rates.

The Group's holdings of corporate bonds and credit default swaps are dependent on changes in credit spreads. This risk is monitored as part of the monitoring of interest rate risk by measuring the price sensitivity to changes in credit spreads.

In addition, the balance sheet carries an interest rate risk on shareholders' equity, because shareholders' equity is included in the consolidated financial statements as a non-interest-bearing liability. The derived interest rate sensitivity is symmetrical for rising and declining interest rates. The interest rate risk on shareholders' equity is not hedged and is not included in the computation of the Group's interest rate risk.

4.9 Value at Risk

The Group applies Value at Risk (VaR) in the management of its interest rate, exchange rate and equity market risk.

VaR is a statistical risk measure of the maximum loss that the Group may, under normal market conditions, incur over a certain period of time at a certain confidence level.

For example, a 95% 10-day VaR of DKr1,000 means that there is a 95% probability that the Group will not lose more than DKr1,000 within the next ten days. In other words, there is a 5% probability that the Group will incur a loss exceeding DKr 1,000.

A major strength of VaR is that it provides an aggregate measure of all risk types that factors in the correlation structure of the financial markets.

For example, equity prices often go up when bond prices fall and vice versa. In practice, this means that the VaR of a portfolio containing bonds and shares will be lower than the sum of the VaRs of comparable separate bond and share portfolios.

In mid-2007, the Group replaced its parametric VaR model with a historical simulation model. The major advantages of the historical simulation model are that it uses full revaluation and makes no assumptions regarding the loss distribution. This leads to more accurate results for non-linear products than other methods would give.

The Group's VaR model is based on two years' historical market data. Each calculation is based on 1,000 scenarios representing possible future outcomes of the risk factors. On that basis, an empirical loss distribution is calculated, and it is used to determine the VaR. A confidence level of 95% corresponds to the fiftieth-largest loss in the distribution.

The 1,000 scenarios are generated by means of a bootstrap method. To construct a 10-day scenario, 10 independent drawings are made from a dataset of two years' historical daily returns. The outcomes are generated at random and are always equally likely. Each outcome contains all risk factors in order to maintain the correlation. The risk factors applied are interest rates, equity indices and exchange rates.

To ensure that the model input for daily calculations is correct, a number of reconciliations are run. The reconciliations cover the market data used for the calculations and the scenarios generated, as well as the portfolios included.

The internal VaR model is used for both risk monitoring and for the calculation of capital requirements. The former employs a confidence level of 95%, and the latter, a level of 99%.

The table below shows the VaR used in internal risk monitoring. The table is broken down by risk type and also shows the diversification benefit from using VaR as a total risk measure rather than looking at each risk type separately. The figures cover all the Group's risk portfolios. The 2006 VaR was calculated with the previous model.

VALUE AT RISK (10-DAY HORIZON, CONFIDENCE LEVEL OF 95%)

	2007				2006			
At December 31 (DKr m) By risk category	Avg. VaR	Minimum VaR	Maximum VaR	Dec. 31	Avg. VaR	Minimum VaR	Maximum VaR	Dec. 31
Interest rate	239	68	694	584	121	66	238	66
Exchange rate	10	3	20	4	10	4	28	7
Equity market	73	47	138	84	93	45	181	65
Diversification benefit	-74			-107	-66			-46
Total VaR	248	90	655	565	158	92	247	92

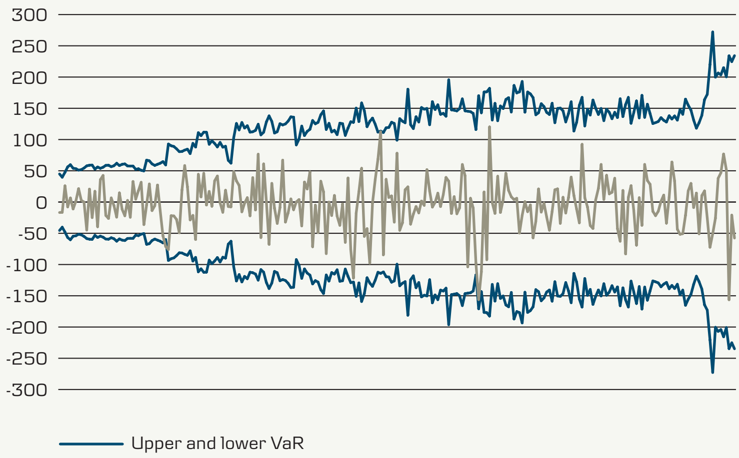
As the minimum and maximum for the risk types do not occur on the same days, these values are not shown under the diversification benefit.

4.9.1 Back testing

The Group conducts back testing on a daily basis to document that the internal VaR model used to measure market risk is sufficiently reliable. Back tests compare the losses calculated by the model with hypothetical losses assuming unchanged exposure and changes in market prices. The calculation of hypothetical losses does not include intra-day trading gains and losses.

For the first quarter of 2007, back test results are based on a parametric VaR model.

BACK TEST RESULTS, P/L EFFECT, 2007
DKr m



4.9.2 Stress testing

The Group conducts stress tests for market risk on a regular basis. The results are submitted to Danske Markets' Asset/Liability Committee.

On a daily basis, the Group tests the effect on the total market value of its positions if they are subjected to interest rate shocks of +/- 200bp combined with changes in equity prices of +/-20% and exchange rate fluctuations of +/-10%. The Group has set limits on the losses that business areas holding options positions may incur in each of these scenarios.

In addition to such general stress testing, the Group conducts tests as needed based on scenarios typically involving historical events that have caused crises in the financial markets. Current or future events expected to have an effect on the financial markets may also be used as input for the scenarios. The scenarios are regularly reviewed and modified to reflect changes in the Group's risk profile and economic events.

At the end of 2007 and 2006, the general stress tests show the following maximum losses:

STRESS TESTS, RISK TYPES (DKr m)	Change in factors	Maximum loss 2007	Maximum loss 2006
Equity market	+ 20/- 20 %	325	633
Exchange rate	+10/-10 %	-	76
Interest rate	+200/-200 bp	4,885	462

Besides the daily tests, the Group also conducts weekly stress tests of the VaR model's results on the basis of the same scenarios. The results provide an overview of how the total risk exposure responds to such shocks.

Based on the stress tests, the table below shows the maximum VaR at a confidence level of 99% and a 10-day time horizon at the end of 2007. The table also shows the corresponding VaR by risk type. For comparison, the table includes the corresponding actual VaR data.

STRESS TESTS, VALUE AT RISK (10-DAY HORIZON, CONFIDENCE LEVEL OF 99%) At December 31, 2007 (DKr m)	Actual VaR	Stress test VaR
Equity market	110	104
Exchange rate	7	47
Interest rate	640	893
Diversification benefit	-105	-183
Total VaR	652	861

The stress test VaR data shown are the result of a general interest rate change of +200bp, equity price changes of +20% and exchange rate changes of +10%.

4.10 Model validation

Certain of the Group's financial instruments cannot be valued by means of market prices. Instead, they are valued on the basis of pricing models developed in-house by Danske Markets. Risk Management conducts a validation of these internal models independently of Danske Markets to assess the models' ability to price and manage the risk on a given product. This includes a critical review of model assumptions, such as sensitivity to parameters, stability and comparison with analogous models.

This is done to ensure that no changes in products or markets have affected the correctness of the model.

In addition, the Group has established procedures to monitor and validate the market prices used to calculate market values and risk on an ongoing basis.

4.11 Market risk at Danica Pension

As described above, the market risk on the assets in which Danica's equity is invested is not included under the Group's overall market risk limits and management. Danica's equity is invested in the following assets with market risk:

ASSETS WITH MARKET RISK, DANICA

At December 31 (DKr m)	2007	2006
Listed bonds	12,714	11,895
Listed shares	3,385	3,213
Unlisted shares	166	147
Total	16,265	15,255

The interest rate risk in Danica and the market risk on assets allocated to policyholders are described in section 7.3.

This part of the Group's market risk is included in the capital requirements that Danica is subject to as an insurance company. The capital requirement is deducted from the Group's capital base (see section 8.7). The exposure is part of the Group's ICAAP (see section 8.2).

4.12 Calculation of capital requirements

For capital requirement calculations, a distinction is made between general and specific risks, and between items in the trading book and items outside the trading book.

Definition of general and specific risks

- General risk is the Group's risk of losses on its positions because of general changes in market prices, including interest rates, exchange rates, share prices and commodity prices. It applies to all positions in the trading book. Exchange rate risk and commodity risk also apply to positions outside the trading book.
- Specific risk is the risk of losses on the Group's assets in the trading book (excluding derivatives) as a result of circumstances related to the specific issuer

Counterparty risk on derivatives is treated in section 3.5.2.

Items in the trading book and outside the trading book

Since January 1, 2007, the Group has applied an intention-based definition of its trading book. As stated above, this definition is used in connection with general risk, which is calculated on the basis of internal models.

All the Group's positions with market risk are considered to be part of the trading book, with the following exceptions:

- unlisted shares
- holdings in associated companies
- strategic fixed income and equity positions taken at the request of the All Risk Committee and Danske Markets' Asset/Liability Committee
- interest rate risk in the banking activities

Calculation of capital requirements

VaR is used for the calculation of capital requirements for general risk for items in the trading book and also for exchange rate risk for items outside the trading book. Commodity risk is also included in capital requirement calculations. This risk is not covered by the internal VaR model but is quantified in accordance with the standardised approach described in the Danish executive order on capital requirements.

In April, 2007, the VaR model was approved by the Danish FSA as the Group's new internal model, replacing the parametric model. To comply with the requirements for the use of the internal model, the Group calculates VaR daily on the basis of a historical observation period of at least 12 months. In addition, it conducts back testing on a daily basis and stress testing on a weekly basis, as described in section 4.9.

The capital requirements for market risk correspond to the average estimated VaR for the preceding 60 days multiplied by a scaling factor. The precise scaling factor, which must be three as a minimum, is determined by the supervisory authorities on the basis of an assessment of the model's quality. The Group currently applies a scaling factor of 3.25.

The table below shows the VaR figures used for calculating capital requirements for the trading book. The 2006 figures were calculated in accordance with the parametric model used at the time:

VALUE AT RISK (10-DAY HORIZON, CONFIDENCE LEVEL OF 99%)

	2007				2006			
At December 31 (DKr m) By risk category	Avg. VaR	Minimum VaR	Maximum VaR	Dec. 31	Avg. VaR	Minimum VaR	Maximum VaR	Dec. 31
Interest rate	330	84	799	640	170	84	352	84
Exchange rate	14	4	29	7	14	5	44	10
Equity market	77	41	210	110	199	100	446	167
Diversification benefit	-82			-105	-116			-80
Total VaR	339	120	778	652	267	145	531	181

As the minimum and maximum for the risk types do not occur on the same days, these values are not shown under the diversification benefit.

Commodity risk is treated in accordance with the standardised approach.

Shares outside the trading book are valued at fair value with value adjustment in the income statement. However, associated undertakings are recognised in accordance with the equity method. None of the associated undertakings is listed on a stock exchange. Section 4.7 provides a breakdown by type of share.

In 2007, shares outside the trading book generated gains of DKr136m (2006: DKr345m). Unrealised gains amounted to DKr443m (2006: DKr370m). When calculating the capital base, the Group does not distinguish between realised and unrealised gains and losses on shares outside the trading book.

The capital requirements for the Group's risk on shares outside the trading book are calculated in accordance with the standardised approach.

The table below shows the interest rate risk outside the trading book broken down by country in case of an interest rate change of 1 percentage point.

INTEREST RATE RISK, OUTSIDE THE TRADING BOOK

At December 31, 2007 (DKr m)	Denmark	Sweden	Finland	Norway	Ireland	Northern Ireland	Baltics	Total
Interest rate risk	251	-	170	-	-31	31	77	498

The interest rate risk outside the trading book is incorporated in the assessment of the Group's total capital requirements (see section 8.2 on the ICAAP).

5. LIQUIDITY RISK

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64 5.2.4. Structural liquidity risk
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5.1 Definition

Liquidity risk is defined as the risk of losses because

- the Group's funding costs increase disproportionately
- lack of funding prevents the Group from establishing new business
- lack of funding will ultimately prevent the Group from meeting its obligations

5.2 Control and management

Taking on liquidity risks is an integral part of the Group's business strategy.

Policies define the amount of liquidity risk that the Group wishes to accept. The All Risk Committee has set limits for liquidity risks which are calculated separately for Danish kroner and other currencies. Danske Markets is responsible for ensuring that the Group observes the operational liquidity risk limits. The Group has implemented contingency plans to ensure that it is ready to respond to unfavourable liquidity situations.

In calculating liquidity risks, the Group excludes Realkredit Danmark and Danica. At Realkredit Danmark, the financing of mortgage loans by listed mortgage bonds with identical conditions has, in all material respects, eliminated the liquidity risk. Danica's balance sheet contains long-term contributions and assets of which a large part is invested in liquid listed bonds and easily marketable shares. As both companies are subject to statutory limits for exposures to and from Danske Bank A/S, their liquidity is not included in Group level liquidity management.

At the Group level, liquidity management is based on monitoring and management of the Group's short-term and long-term liquidity risks and builds on the following themes:

Operational liquidity risk	Liquidity stress testing	12-month liquidity	Structural liquidity risk
Ensuring that the short-term liquidity position is positive	Calculating potential liquidity gaps in various scenarios and identifying the means to close such gaps	Monitoring the liquidity position over 12 months in case of lack of access to capital markets	Input for long-term liquidity planning; ensuring diversification of funding

5.2.1 Operational liquidity risk

The management of the Group's operational liquidity risk aims primarily at ensuring that the Group always has a liquidity buffer that is able, in the short term, to absorb the net effects of current transactions and expected changes in liquidity. For liquidity management purposes, the Group distinguishes between liquidity in Danish kroner and liquidity in other currencies.

Liquidity is calculated on the basis of known future receipts and payments under current transactions. The Group's holdings of liquid bonds are taken into account. In addition, the calculation includes estimated effects on the Danish kroner liquidity of the Danish Government's receipts and payments. The effect of irrevocable loan commitments is also included to ensure that the current liquidity management takes account of the potential risk of drawings under such commitments.

The Group uses limits to manage operational liquidity risk. Separate limits are set for liquidity in foreign currencies.

Danske Bank's strong position on the Danish market results in a large deposit surplus that is a valuable and stable source of funding. To track the trend in the Group's liquidity position on the Danish market, the Asset/Liability Committee has defined a number of targets to be monitored as part of the management of the operational liquidity risk.

5.2.2 Liquidity stress testing

The Group conducts stress tests to measure its immediate liquidity risk and to ensure that it has a certain amount of time to respond to potential crises. The tests estimate liquidity risk in various scenarios.

The Group's scenario analyses involve both Group-specific and general market crises.

The analyses are based on the assumption that the Group's lending activities are not reduced. This means that existing lending activities are maintained and require funding. The unattached part of the bond portfolio is considered liquid.

The degree of possible refinancing will vary depending on the scenario in question. For example, the Group's opportunities for issuing commercial paper will be more limited in a scenario where Danske Bank's short-term rating is downgraded than in a scenario with a mild recession.

Liquidity stress testing should be seen in the context of the Group's overall liquidity preparedness. Its considerable holdings of liquid bonds are a key element. Most of the Group's bond holdings (91% at the end of 2007) may be used as collateral for loan facilities with central banks.

The Group monitors the distribution of funding sources by product, currency, maturity and counterparty to ensure that it has the funding base that provides the best possible protection if markets come under pressure.

5.2.3 12-month liquidity

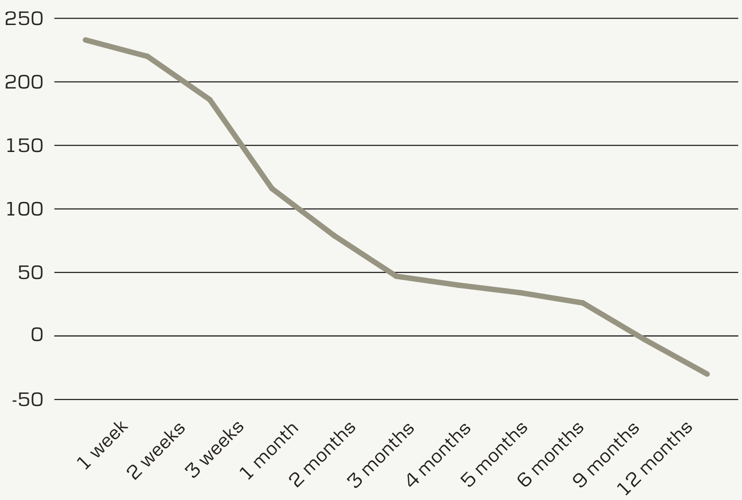
In its "Bank Financial Strength Ratings: Global Methodology", Moody's has set various classification requirements for banks' liquidity management. One requirement is that the 12-month liquidity curve must generally be positive. Liquidity calculations must assume, among other factors, that the Group is cut off from capital markets. Against this background, the Group's liquidity calculations result in a positive liquidity curve until the fourth quarter of 2008. After the implementation of the Group's covered bond programme at the end of 2007 the first bonds were issued in December. The Group's access to the covered bond market will raise the liquidity curve.

Liquidity calculations are based on the assumption that the Group is cut off from capital markets and that refinancing in those markets is impossible. The Group monitors its liquidity reserves to ensure that it is robust in case of lack of access to capital markets.

The Group monitors its 12-month liquidity and liquidity reports are submitted to the Asset/Liability Committee and the All Risk Committee on a regular basis.

12-MONTH LIQUIDITY CURVE, END OF YEAR, 2007

DKr bn



5.2.4 Structural liquidity risk

Structural liquidity risk is managed on the basis of considerations of the Group's long-term liquidity mismatch. The aim is to ensure that the Group does not create an unnecessarily large need for funding in the future. Quantifying the structural liquidity risk is important when the Group plans its funding activities, and it forms the basis of intra-group transaction pricing.

The structural liquidity risk is based on a breakdown by maturity of the Group's assets, liabilities and off-balance-sheet items. The Group bases these calculations on the contractual due dates of individual products but takes into account that some balance sheet items have maturities that make their actual due dates deviate materially from their contractual due dates. The maturities of such items are therefore modified to provide a more accurate view of the actual behaviour.

Take, for example, demand deposits from the private sector: Contractually, such deposits are very short-term funding, but they are considered a relatively stable source of funding.

Another example is the Group's large bond holdings, which have varying terms to maturity. Most of the portfolio is ultra-liquid and can be used as collateral for loans or in repo transactions. The portfolio is therefore included in the calculation as immediate liquidity. The bond holdings that are used as collateral for the settlement of the Group's current transactions, for instance clearing, are classified as illiquid bonds, however.

As part of the management of the structural liquidity risk, the liquidity position is broken down by a number of variables such as currency, product, business area and organisational unit. The calculations show, among other things, that the Group has a structural liquidity surplus in Danish kroner in the form of surplus deposits and a large liquid bond portfolio, and has structural funding needs in foreign currencies.

The Group monitors its funding mix to make sure that it is well diversified in terms of financing sources and currencies.

The Group's liquidity position at the end of 2007 and 2006 (excluding Realkredit Danmark and Danica) is shown in the table below.

NET LIQUIDITY POSITION

At December 31 (DKr bn)	Up to 1 month	0-3 months	3-12 months	1-5 years	5-10 years	> 10 years
2007	25	8	15	17	83	90
2006	64	36	5	31	93	81

In November 2007, the Group was licensed to issue covered bonds. Consequently, the Group has set up an international programme under which it can issue covered bonds for the equivalent of up to €15bn.

The covered bond programme gives the Group access to a wider circle of investors with a longer investment horizon than that which typically applies to bank financing. The Group's first covered bond issue was made in December 2007 for a total amount of DKr7bn and was based on lending in Denmark.

Combined with the centralised funding management at the head office, the Group's balance sheet composition forms the basis for funding the Group's activities at the lowest possible costs, both at present and in future. Like the Group's substantial deposits from the retail market, its comprehensive and well-established funding programmes in Europe and the US play an essential role.

The tables below present the Group's financial assets and liabilities broken down by contractual maturity.

FINANCIAL ASSETS (DKr m)	0-3 months	3-12 months	1-5 years	> 5 years	Total
2007					
Cash in hand and demand deposits with central banks	13,861	-	-	-	13,861
Due from credit institutions and central banks	324,466	17,240	3,408	845	345,959
Bonds	14,837	38,241	201,543	170,478	425,099
Derivatives with positive fair value	32,989	26,403	72,076	93,148	224,616
Bank loans and advances	641,713	185,055	201,103	332,542	1,360,413
Mortgage loans	13,845	10,414	57,856	545,694	627,809
Total	1,041,711	277,353	535,986	1,142,707	2,997,757
2006					
Cash in hand and demand deposits with central banks	12,319	-	-	-	12,319
Due from credit institutions and central banks	252,291	19,449	2,721	807	275,268
Bonds	71,781	36,513	145,790	85,756	339,840
Derivatives with positive fair value	25,408	26,570	46,628	50,923	149,529
Bank loans and advances	540,184	170,793	129,907	213,438	1,054,322
Mortgage loans	15,879	10,991	59,442	516,272	602,584
Total	917,862	264,316	384,488	867,196	2,433,862

FINANCIAL LIABILITIES (DKr m)	0-3 months	3-12 months	1-5 years	> 5 years	Total
2007					
Due to credit institutions and central banks	648,241	19,579	5,817	3,718	677,355
Deposits	833,752	30,011	8,438	51,794	923,995
Trading portfolio liabilities	51,886	40,376	104,740	134,545	331,547
Issued mortgage bonds	56,286	123,047	183,361	155,999	518,693
Other liabilities	131,519	63,522	158,925	48,425	402,391
Subordinated debt	1,936	11	17,695	39,383	59,025
Total	1,723,620	276,546	478,976	433,864	2,913,006
2006					
Due to credit institutions and central banks	542,866	21,550	133	-	564,549
Deposits	661,410	30,101	3,756	7,676	702,943
Trading portfolio liabilities	45,496	36,689	75,732	78,607	236,524
Issued mortgage bonds	58,201	129,833	178,193	117,990	484,217
Other liabilities	52,713	65,880	159,953	15,190	293,736
Subordinated debt	-	-	8,525	40,426	48,951
Total	1,360,686	284,053	426,292	259,889	2,330,920

5.3 Collateral provided by the Group

At the end of 2007, the Group had deposited securities worth DKr331,673m with Danish and international clearing centres, etc., as collateral (2006: DKr230,436m).

In connection with repo transactions, which consist of a sale of securities to be repurchased at a later date, the securities remain on the balance sheet and the amounts received are carried as deposits. Securities in repo transactions are treated as assets provided as collateral for liabilities. At the end of 2007, the carrying amount of such securities totalled DKr277,379m (2006: DKr231,873m). The counterparty is entitled to sell the securities or deposit them as collateral for other loans.

At the end of 2007, assets under insurance contracts worth DKr212,017m had been registered as collateral for policyholders' savings (2006: DKr212,189m).

At the end of 2007, mortgage loans worth DKr627,809m and other assets worth DKr3,035m had been registered as collateral for issued mortgage bonds, including mortgage covered bonds (2006: DKr602,584m and DKr8,177m, respectively).

At the end of 2007, loans and advances worth DKr23,886m had been registered as collateral for covered bonds issued under Danish and Finnish law.

Through a number of mutually binding agreements, the Group has undertaken to provide collateral if the fair value of current transactions changes unfavourably for the Group.

The Group has entered into other agreements in which the counterparty has made it a condition that the Group maintains its present rating. A downgrade could mean that the contracts in question must be fulfilled or that securities must be provided as collateral. At December 31, 2007, the Group would be obliged to provide the following amounts in collateral or supplementary collateral or to fulfil the contracts:

SUPPLEMENTARY COLLATERAL AT DOWNGRADE At December 31, 2007 (DKr bn)	Supplementary collateral
Downgrade to a rating below A-1+	25
Downgrade to a rating below A-1	76
Downgrade to a rating below A-2	76
Downgrade to a rating below A-3	76

The ratings above are from Standard & Poor's. The bond issues of the Group's subsidiary Realkredit Danmark have AAA and Aaa ratings from Moody's and Standard & Poor's, respectively. A downgrade of these ratings could potentially affect Realkredit Danmark's position in the market but would not directly require the immediate provision of collateral.

6. OPERATIONAL RISK

68 6.1. Definition
68 6.2. Basis of operational risk management
69 6.2.1. Measurement and control
69 6.2.2. Calculation of capital requirements

6.1 Definition

Operational risk is the risk of losses owing to

- deficient or erroneous internal procedures and processes
- human or system errors
- external events, including legal events

Operational risk is thus often associated with specific and one-off events, such as failure to observe business or working procedures, defects or breakdowns of the technical infrastructure, criminal acts, fire and storm damage or litigation. Operational risks are thus non-financial risks.

6.2 Basis of operational risk management

The Executive Board has appointed an Operational Risk Committee. This Committee assists the Executive Board in its functions and processes in relation to operational risk management. The Committee is chaired by a member of the Executive Board.

The primary tasks of the Operational Risk Committee are described in detail in the committee charter, which must be seen in conjunction with the operational risk policy. The tasks include the following:

- Identifying, monitoring and managing the Group's current and potential operational risk exposures.

- Handling "critical exposures" which the managements of business areas or the Committee itself considers to be of a nature that requires further follow-up and reporting.

- Following up on reviews by and reports from financial supervisory authorities, and informing the Executive Board of the current situation in areas affecting the Group's operational risks.

- Following up on reports prepared by Internal Audit, and informing the Executive Board of unusual circumstances.

- Preparing management information on issues such as IT security, physical security, business continuity and compliance.

In addition to the operational risk policy, the following policies have been defined for the business and support areas:

Security policy	Specifies the Group's procedures within the areas of IT, information and staff safety. Defines the security framework for the Group's IT systems to maintain the desired security level for customer-sensitive information. Determines requirements for third-party suppliers working for the Group within these areas.
Control policy	Ensures that the Group has a strong control organisation where good management can be demonstrated through compliance with internal control standards.
Compliance policy	Ensures that all the Group's activities always meet internal and external requirements, including legal and ethical standards. Compliance officers are placed in the local business areas. They are independent of the areas and report to Group Compliance.

The Group also has policies regulating other operational risk areas, such as an insurance policy, an outsourcing policy and an auditing policy. Each business area is in charge of the day-to-day monitoring of operational risks and is responsible for mitigating losses resulting from such risks. Resource area staff provides support to business areas as part of the Danske Banking Concept.

6.2.1 Measurement and control

The measurement and control framework comprises four qualitative elements:

- Risk identification and assessment that ensure that all key risks are effectively highlighted for group-wide transparency and management. This enables the Group to focus on fewer but more fundamental risks.
- Monitoring of key risks. This is an ongoing process that ensures that an unfavourable development in such risks is consistently highlighted on a group-wide basis.
- Risk mitigation strategies and implementation processes that ensure that key risks are reduced and establish transparency in these strategies and processes.
- Follow-up on loss data and events.

All material operational losses are commented on and registered. Since 2001, the Group has captured data on about 4,400 events involving losses in excess of DKr25,000.

For several years, the Group has also collected loss data directly from the Group accounting system to calculate the total sum of losses below the limit. Such losses are recorded as “expected losses”.

The Group participates in the international Operational Riskdata eXchange Association (ORX) founded to allow the participating banks to exchange observations on operational losses. Data on losses exceeding €20,000 are exchanged quarterly, and ORX has collected data on more than 30,000 events since 2003. Finally, the Group subscribes to Fitch Ratings’ public loss database.

6.2.2 Calculation of capital requirements

The calculation of capital requirements in accordance with the standardised approach under the CRD is based on one indicator: core income. The Group calculates its capital requirements by multiplying the core income of the individual business activities by the weights determined by the CRD. The aggregate capital requirement for the Group is the sum of the capital requirements for the various business activities.

The Group’s business areas have therefore been divided into the eight business activities specified by the CRD:

- corporate finance
- trading and sales
- retail brokerage
- commercial banking
- retail banking
- payment and settlement
- agency services
- asset management

As of 2008, the Group uses the standardised approach under the CRD rules for calculating risk-weighted assets. The Group intends to apply to the Danish FSA for approval for using the Advanced Measurement Approach (AMA) within the next few years.

7. OTHER RISKS

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7.1 Business risk

7.1.1 Definition

Business risk is the risk of losses caused by changes in external circumstances or events that harm the Group's reputation or earnings. It includes the risk of a decline in earnings due to strategic decisions (strategic risk).

Business risk manifests itself in the form of an unexpected fall in earnings. The fall may be due to narrowing lending margins as a result of increasing competition, falling lending volumes because competitors introduce new products, strikes, new legislation or negative press coverage. The business needs to adjust its expenses to such factors in order to avoid their full effect on earnings.

This risk is measured on the basis of fluctuations in earnings which cannot be ascribed directly to other risk categories.

7.1.2 Control and management

Business risk constitutes a separate risk factor in the Group's calculation of economic capital.

Part of business risk is the result of external factors, whereas reputational risk and strategic risk are deemed to be primarily of an internal nature.

Consequently, a broad range of tools is used to identify and report on business risk exposure. Several management processes ensure that new external risks are channelled to the relevant department or the right organisational level.

Reputational risk is managed via policies and business procedures, including compliance activities.

The management of strategic risk is considered to be largely a top-down process in which decisions are made by executive management.

7.1.3 Use of models

The Group has developed a model for calculating economic capital in connection with business risk based on the measurement of earnings volatility in the individual business areas. The Group continues to develop methods to estimate business risk in order to improve its integration in financial reporting.

Economic capital is currently calculated on the basis of a model that includes calculations of historical volatility over the past 12 quarters for each business area. Fluctuations and the correlation of income and expenses, for each business unit and at Group level, are calculated and scaled to a 99.97% confidence level based on a normal distribution function.

The model was first used in the first quarter of 2006. The calculated results are validated against actual results on an ongoing basis.

7.1.4 Capital requirements

The capital requirements related to business risk are covered by the ICAAP (see section 8.2).

7.2 Pension risk

7.2.1 Definition

Basically, there are two types of pension plan:

- **Defined contribution plans**
  In defined contribution plans, there is no guarantee that the employee will obtain a certain amount of pension benefits. The pension benefits depend on the size of the agreed contributions and developments in the return on invested pension funds and associated expenses. Accordingly, the employee bears the risk relating to the future pension benefits. The latter may change, for example, in the event of unfavourable developments in the financial markets related to the management of the pension assets. This means that the Group has no pension risk on defined contribution plans.

- **Defined benefit plans**
  In defined benefit plans, the pension agreement contains a provision stipulating the pension benefit the employee will be entitled to receive on retirement. The benefit is typically stated as a percentage of the employee's salary immediately before retirement, but it can also be a percentage of the average salary during the entire period of employment. The pension benefit will typically be payable for the rest of the employee's life, which increases the employer's uncertainty about the amount of the future obligations.

The Group's pension risk is the risk of a pension shortfall in the Group's defined benefit plans which means that it will have to make additional contributions to cover its pension obligations to current and former employees. Such claims may arise, for example, as a result of changes in the underlying calculation parameters for the pension obligation.

The Group's defined benefit pension obligation is calculated as the discounted value of the pension benefits earned to date. The methodology of calculation is based on a number of assumptions:

Demographic factors	Financial factors
• Mortality rate	• Interest rates
• Staff turnover rate	• Future salary and benefit levels
• Disability rate	• Inflation rate
• Early retirements	• Expected return on plan assets

Defined benefit plans are especially exposed to interest rate and investment risks and increases in life expectancy because the pension benefits will typically be payable many years into the future.

7.2.2 Control and management

The Group's defined benefit plans are funded mainly by contributions made by the Group and the employees to separate defined benefit pension funds. The pension funds manage the assets by investing the contributed amounts so that the contributions and their returns cover future pension obligations. In addition, the Group has unfunded defined benefit pension plans that are recognised directly on the consolidated balance sheet.

The Group's defined benefit pension obligations consist of pension plans in Northern Ireland, the Republic of Ireland and Sweden as well as a number of small pension funds in Denmark. By far the majority of the Group's defined benefit pension schemes have been closed to new participants, but the schemes in Sweden and at National Irish Bank are still open to new members.

The use of financial derivatives to eliminate part of the inflation and interest rate risks is a cornerstone of the Group's risk management. By matching expected future pension benefits with the proceeds from the derivatives and the associated assets, the Group minimises its pension risk.

The high complexity of its pension obligations means that the Group does not use its normal limit structure to follow up on pension risk. Instead, the Group manages the market risk on pension plans on the basis of special follow-up and monitoring principles, so-called business objectives.

The Group has formulated procedures to be followed in the case of deviations from these objectives. The All Risk Committee has defined risk targets for the Group's pension funds. Quarterly risk reports follow up on the objectives, and they analyse the financial status of the individual plans on the basis of sensitivity analyses and the Value at Risk (VaR) measure. Furthermore, the Group has fixed limits for acceptable risk exposure levels.

On the basis of the average actuarial assumptions shown in the table below, the Group's total net exposure relating to defined benefit plans was DKr1.3bn at the end of 2007 against DKr1.6bn a year before.

DEFINED BENEFIT PLANS (DKr m)	2007	2006
Present value of unfunded pension obligations	145	144
Present value of fully or partly funded pension obligations	11,953	12,861
Fair value of assets under the plans	11,169	11,422
Net pension obligation at December 31	929	1,583
Actuarial gains/losses not recognised in the net pension obligation	376	34
Net pension obligation according to the IFRSs at December 31	1,305	1,617
Net pension obligations recognised on the balance sheet		
Pension assets recognised under Other assets	370	308
Pension provisions recognised under Other liabilities	1,675	1,925
Total	1,305	1,617

AVERAGE ACTUARIAL ASSUMPTIONS AT DECEMBER 31 (%)	2007	2006
Discount rate	4.8-5.8	4.1-5.2
Return on assets under the plans	5.0-7.1	4.6-7.2
Inflation rate	2.0-3.4	2.3-3.1
Salary adjustment rate	2.8-4.9	2.8-4.6
Pension adjustment rate	2.3-5.0	2.3-5.0

7.2.3 Use of models

The Group applies a number of widely differing calculation methods when determining its pension obligations. These methods reflect different pension obligation issues and serve separate purposes:

Methods	The pension fund's internal calculation	Consolidated financial statements based on the IFRSs	Capital management principles	Financial approach
Discount factor	Expected return on pension assets	Corporate bond with AA rating and the same duration as the obligation	Corporate bond with AA rating and the same duration as the obligation	Zero coupon yield curve/ Swap curve
Effect	Determines the level of the Group's contributions	The net obligation is adjusted for the corridor	Forms part of the capital base and the corridor method is not allowed	VaR is used as an indicator

The discount factor varies from one method to another.

The Group calculates market risk on defined benefit plans on a quarterly basis. For each pension plan, the calculations include net funding and the sensitivity of net funding to changes in interest rates, equity prices and life expectancy. Net funding expresses the difference between the market value of the assets and the present value of the pension obligations.

SENSITIVITY ANALYSIS (DKr m)	Change	Effect 2007	Effect 2006
Equity prices	-20%	-1,259	-1,375
Interest rates	+ 1/- 1percentage point	+ 1,304/-921	+ 1,794/-1,807
Life expectancy	+ 1 year	-380	-415

To supplement the sensitivity calculations, the Group calculates the risk in the individual pension funds, expressed as VaR. The calculations are based on a long-term horizon. In this scenario, share price volatility (20%) and the correlation between interest rates and share prices (25%) have been set at values reflecting normal market data. The duration of the pension obligations is reduced by half as, empirically, inflation risk reduces the interest rate risk on the obligations by approximately 50% over the long term.

At the end of 2007, VaR was DKr3,051m (2006: DKr4,751m). VaR is calculated at a confidence level of 99.97% and a time horizon of one year. The calculation includes an adjustment for inflation risk. The significant reduction of VaR from 2006 to 2007 is the result of rising interest rates and the use of financial derivatives to reduce the interest rate risk.

Follow-up and reporting are based on a model that Danske Markets also uses when advising customers in the life insurance and pension sectors. The model assumes specific processes for the trend in the yield curve and share prices and a correlation between interest rates and share prices.

Input for the analysis of liabilities is based on demographic and economic calculation assumptions for the gross obligation, while input for assets consists of duration and the convexity of the pension portfolio's composition.

7.2.4 Capital requirements

Defined benefit plans are included in the capital base at fair value, which means that a substantial amount is deducted from the capital base. The capital requirements are covered by the ICAAP (see section 8.2).

7.3 Insurance risk

7.3.1 Definition

Life insurance risk is the risk that the year's returns on customers' funds are inadequate to cover the customers' guaranteed benefits, any necessary increase in life insurance provisions, and other obligations.

Insurance risk also includes the market risk on the assets in which Danica's equity is invested.

7.3.2 Control and management

The Board of Directors defines the framework of the Danica Group's risk management, and the day-to-day management monitors Danica's risks to ensure compliance with the framework on an ongoing basis.

The Board of Directors determines the Danica Group's investment strategy and follows up on results, and the day-to-day management prepares the specific investment plans.

The most important factor as regards conventional life insurance products is the relation between investment securities and life insurance obligations. If the year's returns on customers' funds are inadequate to cover the customers' guaranteed benefits, any necessary increase in life insurance provisions, and other obligations, the shortfall is covered first by the collective bonus potential and then by the bonus potential of paid-up policies. If these are insufficient to cover the shortfall, funds are allocated from shareholders' equity.

To ensure proportionality between the return on customers' funds and the guaranteed benefits, the Group monitors financial risks on an ongoing basis and sets limits for price and interest rate risks. Stress tests are conducted regularly to ensure that Danica is able to withstand a fall in equity prices of 30%, combined with a significant change in interest rates.

The credit risk on Danica's bond portfolio is modest since the portfolio consists mainly of government and mortgage bonds with high ratings from the international rating agencies. Individual risks are limited, and collateral has been provided for the value of derivatives hedging interest rate risk.

Liquidity risk is also modest. A large part of the bond portfolio consists of ultra-liquid listed bonds and easily marketable foreign shares.

To a large extent, policyholders bear the risk on "Investment securities related to unit-linked contracts". The risk on guarantees in Danica Link is hedged by equity derivatives and by adjusting the investments during the last five years before disbursement. The risk on guarantees in Danica Balance is managed primarily through the individual customers' investment portfolios. The portion of funds invested in shares is regularly adjusted on the basis of the guarantee amount, the remaining term and other factors.

Life insurance risks are linked to trends in mortality, disability, critical illness and similar factors. Life expectancy is the most significant insurance risk. For example, an increase in life expectancy affects the time during which benefits are payable under certain pension plans, whereas the trends in mortality, sickness and recoveries affect life insurance and disability benefits.

Life insurance risks are subject to ongoing actuarial assessment for the purpose of calculating insurance obligations and making relevant business adjustments. For life insurance policies, the insurance obligations are thus calculated on the basis of the expected mortality rates. Expectations are based on experience from Danica's own insurance portfolio and are updated regularly.

For health and personal accident policies, insurance obligations are calculated on the basis of expectations for future recoveries and reopenings of old claims. Expectations are based on experience from Danica's own insurance portfolio and are updated regularly.

To mitigate the life insurance risk, a small proportion of the risks related to mortality and disability are covered by reinsurance arrangements. Danica has also hedged the risk of disbursements occasioned by disasters.

7.3.3 Risk exposure

The sensitivity indicators show the effect on Danica's equity and the collective bonus potential caused by separate changes in interest rates, share prices, property prices and actuarial assumptions. If the bonus potential is inadequate to cover the policyholders' share of the effect, the shortfall will be covered by funds allocated from shareholders' equity.

SENSITIVITY ANALYSIS At December 31, 2007 (DKr bn)	Effect on equity	Maximum effect on collective bonus potential	Maximum effect on bonus potential of paid-up policies	Total effect
Increase in interest rates of 0.7 of a percentage point	-0.2	-2.2	4.0	1.6
Decline in interest rates of 0.7 of a percentage point	0.2	0.8	-5.0	-4.0
Decline in equity prices of 12%	-0.4	-4.4	-	-4.8
Decline in real property prices of 8%	-0.1	-1.2	-	-1.3
Exchange rate risk (VaR 99.5%)	-	-0.4	-	-0.4
Loss on counterparties of 8%	-	-1.5	-	-1.5
Fall in mortality of 10%	-	-1.3	-0.1	-1.4
Increase in mortality of 10%	-	1.2	0.2	1.4
Increase in disability of 10%	-	0.1	-	0.1

Throughout 2007, the Danica Group complied with the Danish FSA's red and yellow card reporting, and it currently assesses the probability of a yellow card to be negligible. The excess cover relative to yellow card reporting constitutes 16 times the requirement.

At December 31, 2006 (DKr bn)	Effect on equity	Maximum effect on collective bonus potential	Maximum effect on bonus potential of paid-up policies	Total effect
Increase in interest rates of 0.7 of a percentage point	-0.2	-1.0	3.5	2.3
Decline in interest rates of 0.7 of a percentage point	0.2	1.9	-3.5	-1.4
Decline in equity prices of 12%	-0.4	-4.5	-	-4.9
Decline in real property prices of 8%	-0.1	-1.1	-	-1.2
Exchange rate risk (VaR 99.5%)	-	-0.4	-	-0.4
Loss on counterparties of 8%	-	-1.2	-	-1.2
Fall in mortality of 10%	-	-1.7	-0.1	-1.8
Increase in mortality of 10%	-	1.5	0.2	1.7
Increase in disability of 10%	-	-0.2	-	-0.2

7.3.4 Capital requirements

Danica is subject to capital requirements pursuant to the rules for insurance companies. At December 31, 2007, the capital requirements equalled DKr4,460m (2006: DKr4,297m), and the amount has been deducted from the capital base of Danske Bank Group (see section 8.7).

8. CAPITAL MANAGEMENT

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The Group must have sufficient capital to comply with regulatory capital requirements and to maintain an AA rating with external rating agencies.

The purpose of the Group's capital management is to ensure an efficient use of capital in relation to risk appetite and business development.

The Group's capital management is therefore based on the regulatory requirements of the Capital Requirements Directive (CRD) that took effect on January 1, 2008. The CRD consists of three pillars. Pillar I contains a set of rules for a mathematical calculation of the capital requirement. Pillar II describes the supervisory review process and contains requirements for the internal calculation of the capital requirement. Pillar III deals with market discipline and sets forth disclosure requirements for risk and capital management. The sum of the capital requirement calculated under Pillar I and any requirement identified under Pillar II represents the total capital required under the CRD.

The principles on which the capital base is calculated are generally unchanged. Section 8.7 contains a review of the components of the capital base.

8.1 Capital requirement under Pillar I

In September 2006, the Group filed a preliminary application to the Danish FSA to use the advanced internal ratings-based (IRB) approach to calculate the capital requirement for credit risk. It submitted the final application in May 2007, and the Danish FSA approved the application in November 2007. Beginning on January 1, 2008, the Group will use the IRB approach to calculate risk-weighted assets for credit risk. The application covered around 83% of the lending portfolio. The remaining 17% will be treated according to the standardised approach, either because the portfolio segment is subject to a permanent exemption or because it is covered by plans for later transition to the IRB approach.

Section 8.6 describes the transition to the CRD and the approval of the Group's advanced IRB approach in greater detail.

The table below shows risk-weighted assets at end-2007 calculated according to the CRD and according to the previous rules. The capital requirement under Pillar I is 8% of risk-weighted assets.

RISK-WEIGHTED ASSETS (DKr m)	2007 Previous rules	2007 CRD
Credit risk:		
Real property retail exposures		39,655
Qualifying revolving retail exposures		5,046
Other retail exposures		55,682
Corporate customers		387,223
Institutions		51,788
Central governments and central banks		-
Securitisation		4,596
Equity		-
Other non-credit-obligation assets		18,994
Credit risk, IRB approach		562,984
Central governments and central banks		1,336
Regional governments and local authorities		456
Administrative bodies and non-commercial undertakings		123
Multilateral development banks		-
International organisations		-
Institutions		6,113
Corporate customers		131,341
Retail customers		29,473
Exposures secured by real estate property		40,792
Past due items		3,196
Exposures in the form of covered bonds		-
Items representing securitisation positions		1,329
Short-term exposures to institutions and corporations		-
Exposures in the form of collective investment undertakings		-
Other items		4,241
Credit risk, standardised approach		218,400
Counterparty risk		26,769
Credit risk, total	1,211,438	808,153
Market risk:		
Exposures with position risk: instruments of debt.		47,982
Exposures with position risk: equities and the like		1,399
Exposures with position risk: commodities		4,058
Exposures with delivery and similar risks		19
Exposures with an option premium		19,190
Total foreign exchange position		-
Market risk, total	101,468	72,648
Operational risk		73,682
Risk-weighted assets, total	1,312,906	954,483
Capital requirement, total	105,032	76,359

The implementation of the CRD will reduce the Group's risk-weighted assets and thus its capital requirement under Pillar I by 27%. The reduction of risk-weighted assets alone raises the solvency ratio by 3.5 percentage points.

8.2 ICAAP

In 2006, in preparation for the transition to the CRD, the Group established an Internal Capital Adequacy Assessment Process (ICAAP). This is a collection, expansion and validation of many assessments and considerations that had also been conducted earlier.

The Group's ICAAP includes an assessment of the capital requirement under Pillar II and an internal evaluation of the total capital requirement.

The ICAAP identifies and measures the Group's risks and ensures that it has sufficient capital in relation to its risk profile. It also ensures that adequate risk management systems are used and further developed.

At least once a year, an ICAAP report is submitted to the Board of Directors. The report contains the considerations that should be undertaken during the determination of the capital requirement and capital targets. The All Risk Committee receives quarterly updates of the ICAAP report.

8.2.1 Capital requirement under Pillar II

The first part of ICAAP consists of evaluating risks that are not covered by Pillar I and require extra capital as well as ensuring that there is a buffer adequate to withstand the cyclicality of the Pillar I capital requirement.

The regulatory framework for Pillar II contains 17 topics that must be assessed in the determination of the capital requirement. The table below shows the relation between these topics and the six risk types that the Group has identified. It also shows which topics are treated in stress tests.

Items	Credit risk	Pension risk	Operational risk	Market risk	Insurance risk	Business risk	Stress test
General, including strategic plans	√	√	√	√	√	√	√
Earnings						√	√
Growth							√
Credit risk	√						√
Market risk				√			√
Concentration risk	√			√			√
Group risk						√	√
Liquidity risk							√
Operational risk			√				√
Control risk			√				
Business size						√	
Settlement risk	√		√				√
Strategic risk						√	
Reputational risk						√	
Interest rate risk on assets outside the trading book				√			
External risks						√	
Other		√			√		√

The risk types that are not covered under Pillar I and therefore must be included in the calculation of the capital requirement under Pillar II are pension and business risks.

Pillar II also entails a number of stress tests intended to determine the additional capital needed to ensure that the capital requirement is always complied with, even during severely distressed economic conditions. In its calculation of the capital requirement under Pillar I, the Group uses a long-term (through-the-cycle since 1992) average for the probability of default (PD) and downturn parameters over the same period for the loss given default (LGD) and the conversion factor (CF). The calculation of risk-weighted assets under Pillar I is therefore relatively unaffected by changes during the business cycle. The stress tests thus result in only a small increase in the capital requirement. Section 8.2.3 contains a more detailed description of the Group's stress tests.

At the end of 2007, Pillar II factors indicated an addition of DKr4bn to the capital requirement calculated under Pillar I. Including this supplementary requirement, the total capital required under the CRD would be 23% lower than the requirement under the previous rules. There are statutory limits to the percentage by which the capital requirement may be reduced in the first two years after implementation, however. In 2008, the requirement may not be reduced by more than 10% of the requirement under the previous rules, and in 2009, by more than 20% of the requirement under the previous rules.

CAPITAL REQUIREMENTS (DKr m)	2007 Previous rules	2007 CRD
Capital requirement under Pillar I		76,359
Capital requirement under Pillar II		4,400
Total		80,759
Transitional rules		13,770
Total capital requirement	105,032	94,529

8.2.2 Internal assessment of capital needed on the basis of economic capital

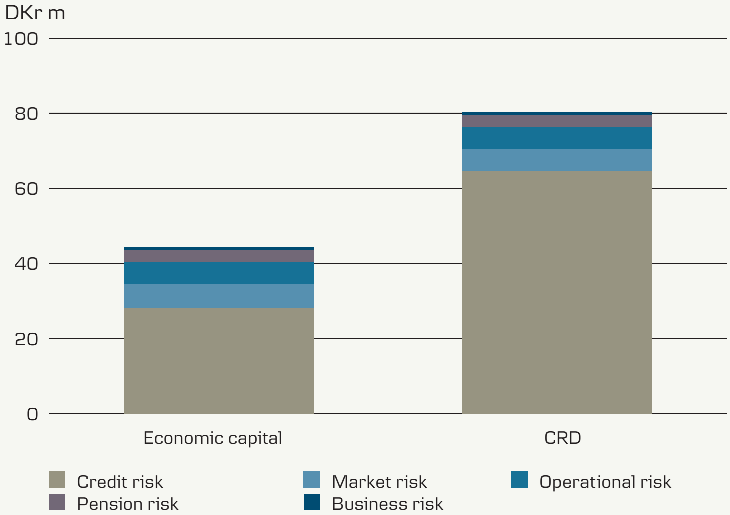
In addition to the assessment of the capital requirement made under Pillar II, the ICAAP also includes an assessment of the capital requirement based on the Group's internal models for calculating economic capital.

Economic capital is the capital, calculated with the Group's own models, that is necessary to cover potential losses over the next year at a confidence level of 99.97%, which corresponds to an AA rating. The calculation of economic capital takes into account all types of risk, including concentration and migration risks, as well as diversification within the individual risk types. It does not take into account diversification among various risk types, however.

The calculation of economic capital is based on current values (point-in-time parameters) for PD, LGD and CF, and will therefore fluctuate with the business cycle. Stress tests are intended to identify the effects of these fluctuations.

The chart below shows a breakdown of economic capital and the capital requirement under the CRD into the various risk types. The capital requirements for pension and business risks have been added to the capital requirement under the CRD. The contribution from stress tests is not included in these figures, however. As the chart shows, credit risk represents the largest difference between the two calculations.

ECONOMIC CAPITAL AND CAPITAL REQUIREMENT



The main reason that the economic capital for credit risk is lower than the capital requirement is that point-in-time values are used for PD, LGD and CF in the calculation of economic capital. The methods also differ, as the CRD calculation is an analytical formula derived from a one-factor model, while economic capital is calculated by means of a Monte Carlo model with several underlying factors, as shown in the chart below.

ECONOMIC CAPITAL VS. CAPITAL REQUIREMENT
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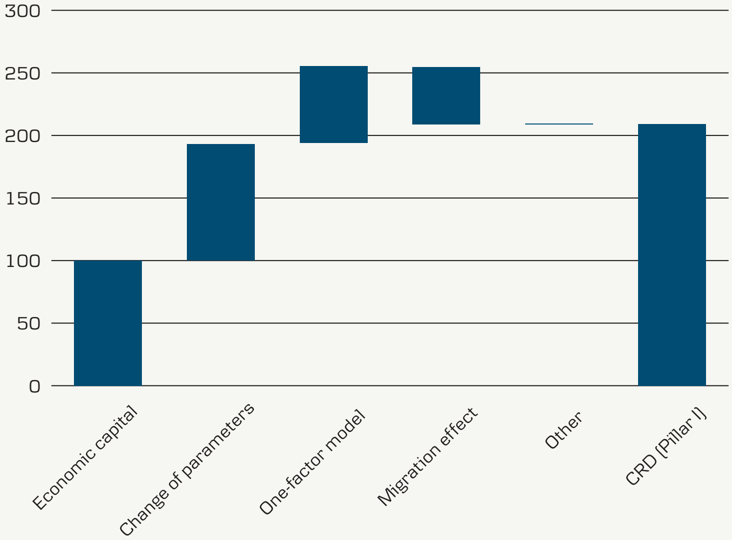


The economic capital thus calculated is then subjected to stress tests to ensure that the Group at all times has capital sufficient to maintain its AA rating. The stress tests include assessments of how the Group would be affected by possible unfavourable developments in a series of external conditions, including social and economic conditions, in the countries where the Group operates.

8.2.3 Stress testing

Stress tests are an important tool for analysing a bank's risk profile. They are based on the same concepts as economic capital but operate on a longer time horizon and are based on sudden, severe macroeconomic events. The calculation of economic capital includes the quantification of concentration and migration risks as well as the effects of diversification within credit risks.

The objective of stress testing is to assess the effect of possible unfavourable events on the Group's regulatory capital requirements, internal assessments of its capital needs and earnings.

Since 2005, on a quarterly basis, the Group has conducted a number of stress tests showing the effects of a given economic scenario on capital over a period of three to five years.

8.2.3.1 Methodology

There are four phases in the Group's stress testing methodology:

- Choice of scenario
- Translation of scenario
- Calculation
- Evaluation of results and methodology

Choice of scenario
The scenarios are defined by the Group's Board of Directors, and the scenarios and the macroeconomic input are updated regularly.

Each scenario covers a three-to-five-year period, and for each year, the Group estimates the effect on key macroeconomic indicators. The Group chose a period of three to five years to capture the entire negative phase of a business cycle.

Translation of scenario
The next step is to translate the events into macroeconomic variables.

The scenarios affect both earnings and risk. The Group has developed translation models to determine the effect on the Group's risk parameters in each year of each scenario.

The translation models estimate the relation between macroeconomic variables and the Group's historical observation of defaults, the value of collateral, losses and the like. On the basis of these results, they also show the relation between macroeconomic developments and customers' drawings on credit facilities with the Group. For example, they calculate the effect on the probability of default (PD), deposit and lending growth, and the interest rate margin. The PD model is based partly on the Group's industry-specific loss frequencies since 1992 and their correlation with GDP, unemployment and other measures.

Calculation
On the basis of the current portfolio, the stress tests calculate the consequences of the individual scenarios for net profit, risk-weighted assets, impairment charges and the Group's capital, taking into account its dividend policy.

Earnings are projected on the basis of value drivers. For example, the estimates of interest income take into account the interest margin on deposits and loans and the volume of deposits and loans.

The calculations include the effect that the value of collateral will fall in most unfavourable scenarios. The stress effects are calculated for each year of the three-to-five-year horizon in the individual scenarios. This allows the Group to assess how its total earnings are affected over the period in question, as the largest effect usually does not occur in the first year.

For the credit risk component, the calculations cover the expected loss and economic capital. Risk-weighted assets are calculated in accordance with the IRB approach of the CRD.

Risk-weighted assets typically rise in an unfavourable scenario. The Group's profit and thus its ability to accumulate capital are adversely affected.

Evaluation of results and methodology
In the individual scenarios, the effects are calculated for all relevant types of risk so that the overall effect can be evaluated. When the capital requirement has been evaluated and determined, it is included in an overall assessment that takes into account growth plans, strategy and other factors.

At least once a year, the Group assesses the scenarios and their relevance on the basis of an analysis of the risks that are most important for the Group in the current economic situation. The analysis is submitted to the All Risk Committee for approval of the scenarios as the basis for subsequent stress testing. The scenarios form part of the Group's ICAAP report, which is submitted to the Board of Directors.

SUMMARY OF THE GROUP'S STRESS TESTING PROCESS

STRESS TEST PHASES	CONTENTS OF STRESS TEST PROCESSES/ INTERNAL RELATIONS			DECISION-MAKING AUTHORITY
Choice of scenario	Choice of scenarios For example mild recession			Board of Directors/ Executive Board
Translation of scenario	Macroeconomic assumptions Definition of macroeconomic variables in the individual scenarios, trend in interest rates, etc.			Risk Management & Group Finance
	Micro assumptions Translations of macroeconomic assumptions into effects on variables such as PD and LDD			
Stress test calculation	Risk types Credit risk, market risk, operational risk, liquidity risk, etc.; calculation of economic capital, expected loss and risk-weighted assets		Earnings Effect on earnings of change in activity level, interest rate margins, expected loss, etc.	
	Capital requirement in stress situation based on internal risk model	Capital requirement in stress situation based on CRD model	Capital accumulation during a stress scenario	
Overall result of stress test	Decision on required capital Decision on capital level is based on an overall assessment, including several factors, such as probability of the scenario, strategic measures, etc.			Executive Board/ Board of Directors

8.2.3.2 Scenarios

Stress test calculations are based on one or more macroeconomic scenarios. The Group currently applies the nine scenarios described below:

Severe recession	Sharp drop in exports and rising taxes lead to a decline in demand. The scenario is estimated to occur once during a period of 25 years.
Deflation	Structural problems in Europe lead to recession and deflation.
Falling real property prices	Rising interest rates lead to falling property prices.
Mild recession	No economic growth for two consecutive quarters. The scenario is estimated to occur once during a period of seven years.
Sharp increase in price of oil	Increase in price of oil of 50% and in commodity prices of 25%, reducing purchasing power (for both consumers and businesses).
Depreciation of the US dollar	US current account deficit triggers a global recession in which the dollar falls 25%.
Bird flu	Bird flu becomes an epidemic and causes a significant decline in GDP.
Liquidity crisis in banking sector	A liquidity crisis triggers credit losses and impairs capital procurement.
Liquidity crisis, Danske Bank Group	One of Danske Bank Group's largest customers files for bankruptcy and the Group's rating is downgraded.

The individual scenarios are described as changes in the current portfolio and macroeconomic variables. For example, the mild recession scenario entails all the Group's markets simultaneously being subject to zero GDP growth in two consecutive quarters and then returning to more normal macroeconomic indicator levels. In the severe recession scenario the downturn is more pronounced, with economic contraction. The stress test results thus take the advantages of the Group's geographical diversification only partially into account, as the tests assume that all the markets are affected at the same time and to the same degree by the shock in question.

For the various stress scenarios, the Group has prepared a number of contingency plans for its options of either raising new capital or reducing risk-weighted assets. Thus far, the Group has not included either these plans or intra-risk diversification in the calculation of required capital. This allows a better interpretation of the effect of the macroeconomic scenarios.

Severe recession and mild recession are the Group's primary scenarios. The table below shows selected macroeconomic variables for the worst year in each of the two scenarios.

STRESS TESTS, MACROECONOMIC VARIABLES	Severe recession	Mild recession
Number of years	3	3
GDP	-2.1 %	1.4%
Unemployment	9.9 %	6.4%
Property prices	-14.2%	0.7%

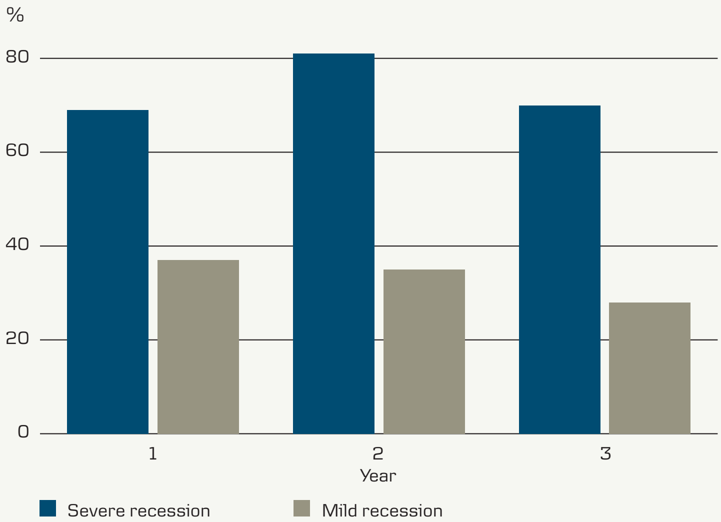
A mild recession can be characterised by two consecutive quarters with no economic growth that cause a short-term economic downturn, among other factors.

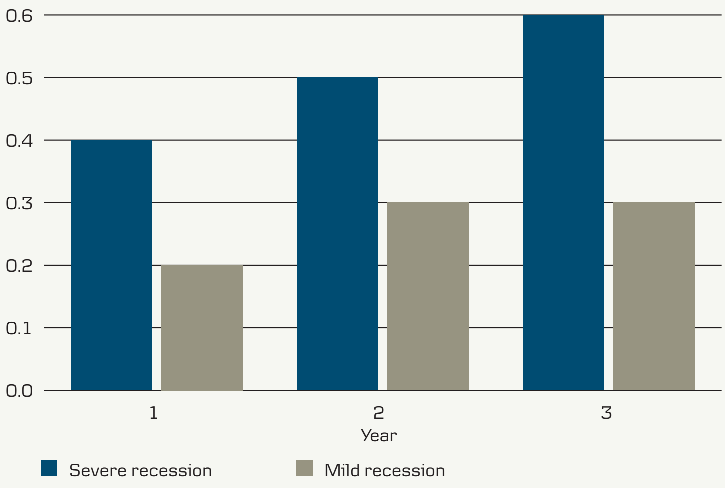
8.2.3.3 Results

The stress tests conducted show that the Group is robust against the economic developments in the selected stress scenarios.

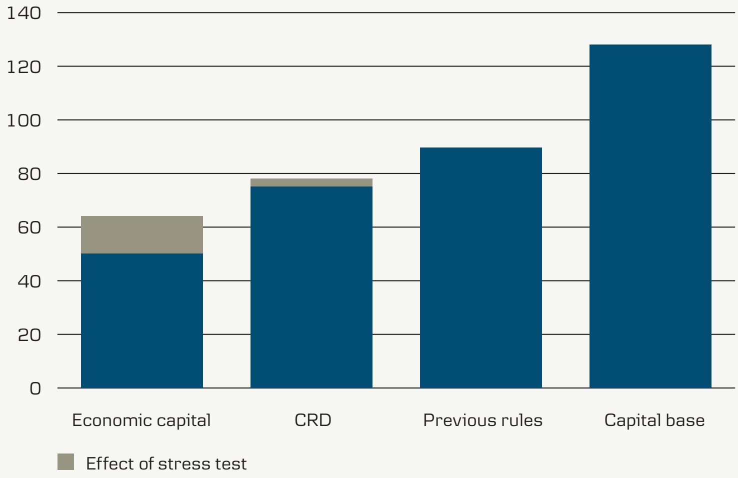
The charts below show the trend in the Group's profit and impairment charges in the two primary scenarios, severe recession and mild recession. As the charts show, even during a severe recession, the Group would not undergo a loss in any of the three years.

DECLINE IN NET PROFIT





The effect of the stress tests on the Group's capital requirements forms part of the solvency requirement calculated under Pillar II of the CRD. The stress tests show that, in addition to its economic capital, the Group must have a buffer of DKr6bn to absorb macroeconomic changes, and in addition to the capital requirement under the CRD, a buffer of DKr0.5bn is necessary.

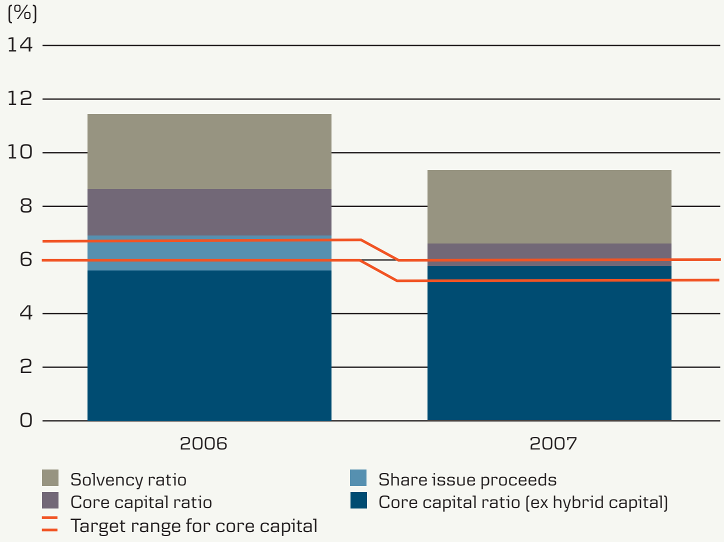


8.3 Capital targets

At the end of 2007, the Group's solvency ratio stood at 9.3% and its core (tier 1) capital ratio stood at 6.4%, and these levels were within the Group's target ranges. The decline from the 2006 levels was owing to a share issue worth DKr14.5bn that the Group undertook in December 2006 as part of the financing of the Sampo Bank acquisition. This caused the Group's core capital to be extraordinarily high at the end of 2006. The purchase of Sampo Bank was completed in February 2007.

As a result of the acquisition of Sampo Bank, the Group adjusted its capital targets in November 2006. The target range for the core (tier 1) capital ratio (excluding hybrid capital) was reduced from 6.0%-6.5% to 5.5%-6.0%. The target for hybrid core capital, on the other hand, was raised 0.5 of a percentage point to 1.0%-1.5%. When the Group formally acquired Sampo Bank in February 2007, the goodwill from the purchase was deducted from the capital base and Sampo Bank's risk-weighted assets were consolidated in the Group. This reduced the Group's solvency and core capital ratios to

DANSKE BANK GROUP'S SOLVENCY AND CORE (TIER 1) CAPITAL RATIOS



levels within its target ranges. The target ranges were not changed in 2007.
Beginning on January 1, 2008, risk-weighted assets will be calculated according to the CRD. This will cause a reduction in risk-weighted assets by 27%. They will be reduced further when the recently acquired units make the transition, as planned, to the advanced IRB approach. After addition of the capital requirement under Pillar II, the capital requirement was reduced by 23% from January 1, 2008.

There are statutory limits to the percentage by which the capital requirement may be reduced in the first two years after the implementation. In 2008, the requirement may not be reduced by more than 10% of the requirement under the previous rules, and in 2009, by more than 20% of the requirement under the previous rules.

The total capital requirement is based on the Group's assessment of the regulatory capital required under the CRD and its ambition to maintain its AA rating. The Group considers the following criteria in determining its actual capital targets:

- Expected capital requirements under the CRD
- Ratings target
- Expected growth and earnings
- Stress test scenarios

The Group has decided to maintain existing capital target levels at present. Consequently, the implementation of the CRD does not reduce the level of capital in the Group but merely changes the capital ratios as it causes a reduction in risk-weighted assets.

CAPITAL TARGETS 2007 AND 2008 (%)	Previous rules	CRD level
Core (tier 1) capital ratio (excluding hybrid core capital)	5.5-6.0	8
Hybrid core capital ratio	1.0-1.5	2
Solvency ratio	9.0-10.0	13
Payout ratio	30-50	30-50

The capital targets are determined on the basis of the Group's stable earnings, risk profile and geographical diversification.

In 2008, the Group plans to pay out 40% of its net profit in dividends. It is the Group's policy to buy back shares with any capital that is not necessary for its expected long-term growth.

8.4 Ratings

The Danske Bank Group's capacity to honour its payment obligations is assessed regularly by three international rating agencies:

- Standard & Poor's
- Moody's
- Fitch Ratings

The external ratings are important for the Group's funding costs. Good ratings give the Group easier access to capital and liquidity from the capital markets. The Group maintained its ratings in 2007.

The Group's ratings are determined by factors that the rating agencies believe are important in their regular analyses. They pay special attention to the Group's risk profile, business diversification and the quality of the overall risk management. The Group's strong market position, earnings capacity and operational efficiency are also significant. Finally, the Group's capital base is an essential factor.

	Standard & Poor's	Moody's	Fitch
Danske Bank			
Short-term	A-1+	P-1	F1+
Long-term	AA-	Aa1	AA-
Outlook	Stable	Stable	Stable
Covered bonds	AAA	Aaa	AAA
Realkredit Danmark			
Bonds*	AAA	Aaa	--
Outlook	Stable	Stable	--
Danica Pension			
Long-term/Insurer financial strength	AA-	--	--
Outlook	Stable	--	--

*The ratings of Standard & Poor's and Moody's apply to 95% of all bonds issued by Realkredit Danmark.

The table below shows the key conclusions from the latest rating reports.

Rating agency	Positive	Negative
Standard & Poor's	Advantageous strategic position in the Nordic and Baltic markets in the future Significant retail banking operations in units outside Denmark Conservative risk management and advanced risk management systems	Low margins and therefore low earnings Tight capitalisation
Moody's	Dominant position in Denmark and strong retail banking operations in the other markets High-quality credit portfolio	Pressure on margins and therefore on earnings as well High concentration
Fitch	High-quality assets Improvement of geographical diversification	Tight capital targets, but with a strong credit portfolio

8.5 Targets for risk-adjusted return

The Group is implementing a new performance measurement tool called ROAC (return on allocated capital), which measures the risk-adjusted return in relation to allocated capital. The Group has used risk-adjusted return as a performance tool since 1999.

As opposed to previous return measures, the ROAC model calculates the effects of both concentration and diversification of risk. A concentration on few customers, industries and countries will increase the requirement for economic capital and thus reduce the result. Diversification will have the opposite effect.

The Group's capital is allocated to the various business areas (although goodwill and other intangible assets being allocated to "Other areas"). Thus at the Group level there will not be any capital that is not allocated. With ROAC, there will be a correlation between risk and the capital that is committed to cover risk. In order to show value creation at the individual business areas, the Group also calculates economic profit (EP), which is a measure of a unit's risk-adjusted result less the cost of capital, calculated as 12% of the capital that is allocated to the unit.

In the transitional period until the CRD is fully implemented in 2010, the Group will also use the return on average equity (ROE) measure, which expresses the individual business area's return on average shareholders' equity allocated on the basis of risk-weighted assets calculated according to the previous rules.

The table below shows a comparison between the ROE and ROAC methods.

RISK-ADJUSTED RETURN METHODS	ROE	ROAC
Equity/capital calculation	Regulatory	Internal
Time horizon	Point-in-time	3-5 years
Confidence level	-	99.97%
Concentration risk	No	Yes
Migration risk	No	Yes
Operational risk	No	Standardised
Market risk	Advanced	Advanced
Credit risk	Standardised	IRB A
Pension risk	No	Yes
Period used	Until 2010	From 2008

The following table shows ROE and ROAC for the Group and the largest business areas in 2007.

RISK ADJUSTED RETURNS (%)	ROE	ROAC
Banking Activities Denmark (incl. Realkredit Danmark)	31	36
Non-Danish Banking Activities	17	15
Danske Markets	44	29
Danske Capital	146	123
Danica Pension	23	23
Other areas	29	-5
Group	20	18

8.6 The Group's transition to the CRD

In 2007, the Group was still subject to the previous capital adequacy rules. It has received approval to use the IRB approach for credit risk beginning on January 1, 2008.

The Group's application to use the IRB approach was approved by the Danish FSA on November 26, 2007.

The Danish FSA approved the Group's use of the advanced method of calculating the capital requirement for credit risk: the advanced IRB approach. This means that, beginning on January 1, 2008, the Group can use its own risk parameters (PD, LGD and CF) to determine credit risk in its capital requirement calculations.

Permanent exemptions
For certain lending portfolios, the Group has been granted permanent exemption from the IRB approach and uses the standardised approach instead. This is the case for the following exposures, among others:

- Central governments
- Local governments
- Equities

In the vast majority of cases, the standardised approach will result in zero weighting of exposures to central and local governments.

Rollout plans
Plans are in place for transition within two or three years to the IRB approach for the Sampo Bank and Northern Bank subsidiaries and the retail portfolio in the Republic of Ireland.

For the time being, the subsidiaries in Estonia, Latvia and Lithuania will apply the standardised approach. In 2008, the Group will prepare plans for these units' transition to the IRB approach.

A separate application process is required for each portfolio before it can be converted to the IRB approach.

Credit risk
The table below shows the Group's choice of approaches for calculating credit risk broken down by the asset classes designated in the IRB approach.

The Group uses the market value method as part of the standardised approach in the CRD for calculating the capital requirement for counterparty risk. This method is generally the same as the current method. Within one or two years, the Group expects to apply to the Danish FSA for permission to use the internal model method for counterparty risk (the EPE models).

Asset class	Danske Bank Group	Danske Bank A/S (parent company)	Realkredit Danmark A/S	Danske Bank International SA, Luxembourg	Other subsidiaries
Governments	Standardised				
Institutions	Advanced IRB	Advanced IRB	Advanced IRB	Advanced IRB	Standardised
Corporate	Advanced IRB	Advanced IRB	Advanced IRB	Advanced IRB	Standardised
Retail	IRB	IRB	IRB	IRB	Standardised
Securitisation	Ratings-based method and Kirb	Ratings-based method and Kirb	n/a	n/a	Standardised
Equities	Standardised				
Other assets	Advanced IRB	Advanced IRB	Advanced IRB	Advanced IRB	Standardised

Market risk
The Group uses an internal Value at Risk model to calculate risk-weighted assets for general market risk throughout the Group. In April 2007, the Danish FSA approved a simulation-based VaR model that replaced the previously used parametric VaR model.

For the calculation of specific risks, the Group has chosen to use the standardised approach.

Operational risk
The Group uses the standardised approach (the intermediate method) for operational risk. It expects to apply to the Danish FSA for permission to use the advanced measurement approach (AMA) within a few years.

8.7 Capital base

The table below shows the Group's capital base at the end of 2007 calculated according to the previous rules and the CRD rules.

CAPITAL BASE, DANSKE BANK GROUP

(DKr m)	2007	2007 (CRD)
Core (tier 1) capital		
Share capital	6,988	6,988
Profit brought forward	99,388	99,388
Minority interests	3,149	3,149
Proposed dividends	-5,940	-5,940
Intangible assets of banking operations	-29,411	-29,411
Deferred tax assets	-499	-499
Deferred tax assets on intangible assets	1,464	1,464
Revaluation of real property	-1,602	-1,602
Core (tier 1) capital (ex. hybrid core capital)	73,537	73,537
Hybrid core capital	12,977	12,977
Difference between expected losses and impairment charges	-	-906
Statutory deduction for insurance subsidiaries	2,230	2,230
Statutory deduction for holdings > 10%	18	18
Core (tier 1) capital	84,266	83,360
Subordinated debt, excluding hybrid core capital	34,714	34,714
Hybrid core capital	3,477	3,477
Revaluation of real property	1,602	1,602
Difference between expected losses and impairment charges	-	-906
Statutory deduction for insurance subsidiaries	2,230	2,230
Statutory deduction for holdings > 10%	18	18
Capital base	121,811	119,999

Calculated according to the previous rules, the Group's core (tier 1) capital excluding hybrid core capital amounted to DKr73.5bn at the end of 2007. Of this amount, paid-in capital and profit brought forward represented DKr104bn. The Group's core capital includes special reserve funds in two companies consolidated on a pro rata basis – LR Realkredit A/S and Danmarks Skibskredit A/S – totalling DKr3bn. These reserve funds cannot be distributed but can be used to cover any losses at the companies after the other reserves.

The Group has raised DKr16bn in hybrid core capital, which is subordinated debt that, according to sections 129 and 132 of the Danish Financial Business Act, can be included in core capital although only up to a maximum of 15% of core capital before deductions. Hybrid core capital may be repaid only upon the Group's initiative and with the Danish FSA's permission 10 years after it has been paid in, at the earliest. The Group's other subordinated debt, which according to sections 135 and 136 of the Danish Financial Business Act can be included in the capital base, amounted to DKr38bn. Of this amount, DKr3bn is hybrid core capital that cannot be included in core (tier 1) capital. Note 32 in Annual Report 2007 contains a more detailed specification of the Group's subordinated debt.

In accordance with statutory provisions, the Group's core capital is reduced by the value of intangible assets and deferred tax assets. Please see the notes 23 and 30 of Annual Report 2007.

The Group's life insurance company, Danica, is treated separately in the Group's capital adequacy calculations. The capital requirement for Danica, reduced by the difference between Danica's capital base and the carrying amount of the holding, is deducted from the Group's capital base. Danica's capital base contains supplementary capital of DKr28m. In 2007, half of the deduction was made in core capital and half was made in supplementary capital. In 2006, the entire deduction was made in supplementary capital. The difference between Danica's capital base and its capital requirement was included in the calculation of risk-weighted assets at a 100% weighting.

Upon the Group's transition to the CRD rules on January 1, 2008, the capital base was adjusted further for the difference between accounting impairment charges and the expected loss determined in the capital adequacy calculation.

9. CONSOLIDATION

Sections 1 to 7 were prepared in accordance with internal risk management principles and on the basis of the information included in Annual Report 2007.

Risk data are based on the definition of the Group used in the Annual Report. This definition complies with the IFRSs. According to the IFRSs, Danske Bank A/S's subsidiaries are the companies in which it has direct or indirect control over financial and operating policy decisions.

Group solvency, on the other hand, encompasses the Danske Bank Group as defined in accordance with the Danish Financial Business Act, that is, Danske Bank A/S and its subsidiary undertakings (other than insurance companies) in which the Group:

- holds a majority of the voting rights
- is a participant and is entitled to appoint or remove a majority of the members of the board of directors, executive board or similar governing body
- is entitled to exercise a controlling influence under the undertaking's articles of association or agreements with the undertaking
- commands a majority of the voting rights under agreements with other participants
- holds equity investments and exercises a controlling influence

The term "participant" refers to shareholders or owners of other shares of the equity of an undertaking.

In accordance with accounting principles, a parent company does not need to have equity holdings or possess formal voting rights in a company for the latter to be a subsidiary.

The table on the next page shows the differences between the two consolidation principles.

	Solvency calculations				Consolidation of accounts	
	Consolidation					
	Full	Pro rata	Deduction	Risk-weighted	Full	Ass. under-takings
Danske Bank A/S, Copenhagen						
Credit institutions						
Realkredit Danmark A/S, Copenhagen	√				√	
Sampo Bank plc, Helsinki	√				√	
Sampo Housing Loan Bank plc, Helsinki	√				√	
Northern Bank Limited, Belfast	√				√	
Danske Bank International S.A., Luxembourg	√				√	
AB Sampo Pank, Tallinn	√				√	
AS Sampo Bankas, Vilnius	√				√	
AS Sampo Banka, Riga	√				√	
Danmarks Skibskredit A/S		√				√
LR Realkredit A/S		√				√
Insurance operations						
Forsikringsselskabet Danica, Skadeforsikringsaktie-selskab af 1999, Copenhagen			√		√	
Danica Pension, Livsforsikringsaktieselskab, Copenhagen			√		√	
Danica Pension I, Livsforsikrings aktieselskab, Copenhagen			√		√	
Danica III, Livforsikringsaktieselskab, Copenhagen			√		√	
Danica Pension Försäkringsaktiebolag, Stockholm			√		√	
Danica Pensjonsforsikring AS, Trondheim			√		√	
Danica Life Ltd., Dublin			√		√	
Investment and real property operations, etc.						
Danske Capital Norge AS, Trondheim	√				√	
Danske Capital Sverige AB, Linköping	√				√	
Danske Corporation, Delaware	√				√	
Danske Fund plc, Dublin	√				√	
Danske Markets Inc., Delaware	√				√	
Danske Private Equity A/S, Copenhagen	√				√	
National Irish Asset Finance Ltd., Dublin	√				√	
Nordania Finans A/S, Birkerød	√				√	
Fokus Krogsveen Nylander AS, Trondheim	√				√	
home a/s, Åbyhøj	√				√	
Danica ButiksCenter A/S, Copenhagen	√				√	
Danica Ejendomsselskab ApS, Copenhagen	√				√	
Ejendomsaktieselskabet Virum-Vang, Copenhagen	√				√	
KHB VI A/S, Copenhagen	√				√	
Medicon Valley Capital I K/S, Copenhagen	√				√	
Medicon Valley Capital II K/S, Copenhagen	√				√	
Other operations						
Polonius Inc., London				√	√	
Polonius Ltd., London				√	√	

In its solvency calculations, the Group consolidates Danmarks Skibskredit A/S and LR Realkredit A/S on a pro rata basis, while, for accounting purposes and in risk reporting, it treats the two companies as associated undertakings, that is, in accordance with the equity method. Danske Bank Group has holdings of 24% and 31%, respectively, in the two companies.

Danmarks Skibskredit A/S offers shipowners and other shipping companies loans secured by mortgages on the vessels. As of mid-2007, the company had total assets of DKr64.5bn and risk-weighted assets worth DKr54.5bn. LR Realkredit A/S provides mortgage loans primarily for subsidised housing and other subsidised properties. At the end of 2006, the company had total assets of DKr9.8bn and risk-weighted assets worth DKr6.4bn.

The Group does not consolidate its insurance companies in its solvency calculations. The capital base is reduced by Danica's capital requirements less the difference between the capital base and the carrying amount of the holdings. Danica is consolidated in the accounts of Danske Bank Group and its risk management is described in separate sections of the risk statements. In accordance with the Danish executive order on the contribution principle, Danica Pension has notified the Danish FSA of its profit policy. According to the contribution principle and the profit policy, policyholders both receive the return on allocated assets and take on the associated risk. Assets are allocated to policyholders to ensure customers' guaranteed benefits. The various types of risk that Danica has taken on as an integral part of its activities and that affect assets and liabilities allocated to policyholders are presented in section 7.3 Insurance risk.

Restrictions on dividend payments from subsidiaries

All credit institutions and insurance operations under supervision by national FSAs are subject to local statutory provisions on the required capital base. These provisions restrict dividend payout.

Forsikringsselskabet Danica Skadeforsikringsaktieselskab af 1999 is the parent company of Danica Pension. Danica Pension is a life insurance company and the parent company of a life insurance group. Danica Pension has an obligation to allocate part of the excess equity to certain policyholders of Statsanstalten for Livsforsikring (now part of Danica Pension) if the percentage by which the equity exceeds the statutory solvency requirement is higher than the percentage maintained by Statsanstalten for Livsforsikring 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 from 1990. Paid-up capital and interest thereon may, however, be distributed.

10. DEFINITIONS

ABCP programme
Asset Backed Commercial Paper programme.

All Risk Committee
The All Risk Committee is in charge of implementing the Group's

- risk appetite process
- overall structure of and development policy for the balance sheet
- targets for capital structure and solvency
- rating strategy
- overall funding structure
- general principles for measuring, managing and reporting on the Group's risks
- risk policies for relevant business areas
- overall risk exposure guidelines – for example for identifying and managing risk concentrations – and follow-up measures
- overall investment strategy
- capital deployment

The All Risk Committee consists of members of the Executive Board and the heads of Danske Markets and Risk Management.

Banking book versus trading book
Credit exposure is divided into credit exposure in the banking book and in the trading book. The banking book covers items with credit risk that form part of the core banking operations. The trading book covers items with credit risk that form part of the Group's trading-related activities.

In capital requirement calculation, a distinction is made between items in the trading book and items outside the trading book.

Business risk
Business risk is the risk of losses caused by changes in external circumstances or events that harm the Group's reputation or earnings. Business risk includes the risk of a decline in earnings due to strategic decisions (strategic risk).

Capital adequacy rules
The term "capital adequacy rules" refers to the Danish capital adequacy rules stipulated in the Danish executive order on capital adequacy before the amendment of December 22, 2006.

Commodity risk
Commodity risk is the risk of losses because of changes in commodity prices.

Counterparty risk
Counterparty risk is the risk of loss resulting from a customer's default on derivatives contracts with the Group.

Country risk
Country risk is the risk of losses arising from economic difficulties or political unrest in a country, including the risk of losses following nationalisation, expropriation and debt restructuring.

CRD rules
The European Union's Capital Requirements Directives (2006/48/EC and 2006/49/EC), incorporated in the Danish executive order on capital adequacy of December 22, 2006, which took effect on January 1, 2007. The rules stipulate that the advanced approach for calculating credit risk and operational risk may first be used on January 1, 2008, and requires approval of the supervisory authority.

Credit risk
Credit risk is the risk of losses because counterparties fail to meet all or part of their payment obligations towards Danske Bank Group. Credit risk also includes country, dilution and settlement risk. Credit risk on assets in the trading book is called counterparty risk and is treated separately.

Credit spread risk
Credit spread risk is the risk of losses because of changes in credit spreads.

Danske Banking Concept
Danske Banking Concept is the Group's business model. It is based on the principle of a uniform customer segmentation and service strategy in the individual business areas.

The Concept also includes a uniform organisation and uniform processes in the business areas. To a great extent, the processes are based on the shared IT platform implemented over the past few years.

The Concept serves to optimise the control measures carried out at Group level by Group Credits and Group Finance, among others.

Defined benefit plans
In defined benefit plans, the pension agreement contains a provision stipulating the pension benefit the employee will be entitled to receive on retirement. The benefit is typically stated as a percentage of the employee's salary immediately before retirement, but it can also be a percentage of the average salary during the entire period of employment. The pension benefit will typically be payable for the rest of the employee's life, which increases the employer's uncertainty about the amount of the future obligations.

Defined contribution plans
In defined contribution plans, there is no guarantee that the employee will obtain a certain amount of pension benefits. The pension benefits depend on the size of the agreed contributions and developments in the return on invested pension funds and associated expenses.

Dilution risk
Dilution risk is the risk that the debtor – of purchased receivables – may obtain a reduction of the debt through set-off, objections based on underlying legal issues or other factors.

Economic capital
Economic capital is the capital, calculated with the Group's own models, that is necessary to cover potential losses over the next year at a confidence level of 99.97%, which corresponds to an AA rating. The calculation of economic capital takes into account all types of risk, including concentration and migration risks, as well as diversification within the individual risk types. It does not take into account diversification among various risk types, however.

The calculation of economic capital is based on point-in-time parameters for PD, LGD and CF, and it will therefore fluctuate with the business cycle. Stress tests are intended to identify the effects of these fluctuations.

Equity market risk
Equity market risk is the risk of losses because of changes in equity prices.

Exchange rate risk
Exchange rate risk is the risk of losses on the Group's foreign currency positions because of changes in exchange rates.

Executive Board's Credit Committee
Credit applications that exceed the lending authorities of the business areas must be submitted to the Credit Committee for approval. The local credit departments of the business areas review these applications before the heads of the local credit departments submit them to the Credit Committee for approval.

The Credit Committee consists of members of the Executive Board and the management team of Group Credits. The Committee is also in charge of preparing operational credit policies and approving or rejecting credit applications involving issues of principle. The Board of Directors determines the lending authorities. In addition, the Credit Committee participates in decisions regarding the valuation of the Group's loan portfolio in connection with the recognition of impairment losses.

Executive Committee
The Executive Committee constitutes the day-to-day executive management. It is headed by the Chairman of the Executive Board. The Executive Committee is a coordinating forum whose principal objective is to take an overall view of activities across the Group with particular attention to the interaction between support functions and product suppliers on the one hand, and individual divisions and country organisations on the other.

The Executive Committee does not take part in the credit approval process.

Floor risk
Floor risk is the risk of lack of earnings on deposits because market interest rates approach zero.

General risk
General risk is the Group's risk of losses on its positions because of general changes in market prices, including interest rates, exchange rates, share prices and commodity prices. It applies to all positions in the trading book. Exchange rate risk and commodity risk also apply to positions outside the trading book.

Group Credits
The Group's credit organisation is led by the head of the central credit department, Group Credits.

Group Credits has overall responsibility for the credit process in all of the Group's business areas. This includes the responsibility for developing rating and score models and for applying them in day-to-day credit processing in the local units.

Group Finance
Group Finance oversees the Group's financial reporting and strategic business analysis, including the performance and analytic tools used by the business units.

The department is also in charge of the Group's investor relations, corporate governance, capital structure, M&A and relations with rating agencies. Risk Management is part of Group Finance. As the Group's risk monitoring unit, Risk Management has overall responsibility for the Group's implementation of the CRD rules, risk models and risk analysis.

ICAAP
In 2006, in preparation for the transition to CRD, the Group established an Internal Capital Adequacy Assessment Process (ICAAP). This is a collection, expansion and validation of many assessments and considerations that had also been conducted earlier.

The Group's ICAAP includes an evaluation of the capital requirement under Pillar II and an internal evaluation of the total capital requirement.

The ICAAP identifies and measures the Group's risks and ensures that it has sufficient capital in relation to its risk profile. It also ensures that adequate risk management systems are used and further developed.

At least once a year, an ICAAP report is submitted to the Board of Directors. The report contains the considerations that should be undertaken during the determination of the capital requirement and capital targets. The All Risk Committee receives quarterly updates of the ICAAP report.

Impaired claims
Impaired claims cover amounts due from customers subject to individual impairment. Of these, customers not in default are classified in the Group's risk category 9, and customers in default are classified in category 10.

Insurance risk
Life insurance risk is the risk that the year's returns on customers' funds are inadequate to cover the customers' guaranteed benefits, any necessary increase in life insurance provisions, and other obligations. Insurance risk also includes the market risk on the assets in which Danica Pension's equity is invested.

Interest rate risk
Interest rate risk is the risk of losses because of changes in market interest rates.

Investment-grade ratings
Investment-grade ratings correspond to categories 1 to 4 on the Group's internal rating scale.

Liquidity risk
Liquidity risk is defined as the risk of losses because

- the Group's funding costs increase disproportionately
- lack of funding prevents the Group from establishing new business
- lack of funding will ultimately prevent the Group from meeting its obligations

Market risk
Market risk is the risk of losses because the fair value of the Group's assets and liabilities varies with changes in market conditions.

Operational risk
Operational risk is the risk of losses owing to

- deficient or erroneous internal procedures and processes
- human or system errors
- external events, including legal events

Operational Risk Committee
This Committee assists the Executive Board in its functions and processes related to operational risk management. The Committee's responsibilities include the following:

- implementing a group-wide programme that addresses and manages the Group's current and potential operational risk
- processing reports from operational risk management functions
- handling "critical risks"
- preparing management information on issues such as IT security, physical security, business continuity and compliance

Past due amounts
Past due amounts cover loans and advances from the first day's unautohorised excess on the individual facility for customers who are not subject to individual impairment.

Previous solvency rules
This term refers to the solvency rules stipulated in the Danish executive order on capital adequacy before it was amended on December 22, 2006.

Risk policy
To ensure that the Group's business areas comply with the approved risk limits, the Board of Directors has adopted an overall risk policy regulating all risk-taking by the Group.

On the basis of the overall risk policies, operational risk policies are prepared for the main business areas and submitted to the Group's All Risk Committee for approval.

Settlement risk
Settlement risk is the risk arising when payments are settled, for example for trades in financial instruments, including derivatives. The risk arises when the Group remits payments before it can ascertain that the counterparties' payments have been received.

SIV
Structured Investment Vehicle

Specific risk
Specific risk is the risk of losses on the Group's assets in the trading book (excluding derivatives) as a result of circumstances related to the specific issuer.

Sub-investment-grade ratings
Sub-investment-grade ratings correspond to categories 5 and 6 of the Group's internal rating scale, provided that the credit risk is acceptable.

Trading book
See the description under "Banking book versus trading book".

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