# ANNUAL REPORT 2010

Danske Bank

## DANSKE BANK GROUP

OPERATIONS IN 15 COUNTRIES / 670 BRANCHES / 5 MILLION CUSTOMERS / 21,522 EMPLOYEES

# ANNUAL REPORT 2010


## MANAGEMENT'S REPORT

4 Executive statement
6 Financial highlights
7 Overview
8 Financial review
20 Business units
21 Banking Activities
24 Danske Markets
26 Danske Capital
28 Danica Pension
31 Other Activities
32 Capital management
35 New regulations
37 Investor Relations
39 Organisation and management
46 Corporate Responsibility

## FINANCIAL STATEMENTS

48 Contents
50 Income statement
51 Statement of comprehensive income
52 Balance sheet
53 Statement of capital
56 Cash flow statement
57 Notes
144 Danske Bank A/S

## STATEMENTS AND REPORTS

162 Statement by the management
163 Auditors' reports

## MANAGEMENT AND DIRECTORSHIPS

165 Board of Directors
167 Executive Board


*References to the planned share issue in this report do not constitute an offer to sell, or a solicitation of offers to purchase or subscribe for, securities in the United States. The securities referred to herein have not been, and will not be, registered under the Securities Act of 1933, as amended, and may not be offered, exercised or sold in the United States absent registration or an applicable exemption from registration requirements. The statements regarding the planned offering included herein are made pursuant to Rule 135c of the Securities Act of 1933, as amended.*

# EXECUTIVE STATEMENT

The year 2010 was yet another challenging year for the financial sector, Danske Bank and our customers.

The Group achieved a net profit of DKK 3.7 billion in 2010. We consider the result acceptable given the market conditions. Still, it is far below the level of earnings that a bank of our size should deliver to its shareholders.

The Group's business units generally improved their performance, though.

After the extreme financial crisis at the end of 2008 and the beginning of 2009, we saw economic recovery in most markets in 2010. But there were great differences in the strength of the recovery in the various national economies.

The recovery was generally stronger than had been expected at the beginning of 2010, and growth estimates for Denmark also rose during the year. A number of countries in Europe are struggling with large budget deficits, however. The Irish economy in particular was very weak in 2010, and the government had to inject capital into some banks.

The public budget deficits, the weak economies and the turbulence in the capital markets necessitated rescue packages for Greece and Ireland. Other indebted EU countries also face fiscal tightening and growth rates that are likely to be weak in the near future. The Group's home markets are expecting economic growth, but it will generally be modest.

In the autumn of 2010, the Danish financial sector monitored the Danish liquidity market carefully upon the expiry of Bank Package I. The expiry of the state guarantee had no adverse effect on the Group's liquidity position, but it reduces expenses markedly. The costs of participation in Bank Package I totalled DKK 8.3 billion for the period from the fourth quarter of 2008 through the third quarter of 2010.

A natural reaction to the financial crisis is a demand for tighter and better regulation of the financial sector. This is a topic that will be high on the agenda in 2011 and onwards. In 2010, the Basel Committee announced new increases in capital requirements (Basel III). With its solid liquidity and capital positions, Danske Bank is well prepared to meet the requirements. Nonetheless, the Group continues its efforts to optimise its liquidity and capital structure.

Danske Bank's image in Denmark came under pressure both during and after the financial crisis. In the course of 2010, our position recovered, and customer satisfaction surveys also showed healthy improvement.

On the basis of our good advisory services and product range and our motivated and highly qualified staff, we expect customer satisfaction to improve further in 2011.

In early 2009, the Group launched its Future Programme, which focuses on efficiency, cost savings and optimising customer contacts. The programme has streamlined the Group's distribution channels, resulting in a satisfactory trend in expenses in 2010. Over a three-year period extending until the end of 2011, Danske Bank is investing as much as DKK 1 billion in technological improvements, including digital solutions to enhance usability and accessibility. Customers began taking advantage of some initiatives in 2010, and more are on the way. For example, we will introduce new online advisory services in the coming years.

The launch of the smartphone and tablet application in 2010 confirmed Danske Bank's ability to provide customers with fast and low-cost access to banking services. We are improving our eBanking service and other self-service products on an ongoing basis to give our customers a fast and easy overview of their finances, agreements and transactions. In 2011, the Group will continue to expand mobile banking services and the technological product range.

In 2010, our corporate customers got a new analytical tool called Danske Executive Navigator to help them manage cash flows in accordance with their business strategy. We are the only bank in Denmark to offer such a product. It is our ambition to make Danske Bank the market leader in corporate banking through a sophisticated product range, a well-functioning trading platform and expert advisory services.

In the last quarter of 2010, we introduced Danske Bank CIB, Corporate and Institutional Banking, in our Nordic markets. We are thus strengthening the programme and the services we provide to large Nordic corporates.

As part of our better customer service initiative, we continue to develop credit tools that support even faster credit assessment and rating processes for both retail and corporate customers. Loan processing has become much simpler and more automated through the use of the electronic signature, which also enhances the customer experience.

The results of the annual employee opinion surveys showed that employee satisfaction was above the sector average, and the trend has been positive in recent years. We are grateful for the solid effort our staff make every day throughout the year.

With our global credit policy and continuing investments in staff training, we aim to lift both the credit skills of our staff and the credit quality of our customer base.

The Group's robust banking activities, tight cost control and strong focus on risk, liquidity and capital management provide a solid foundation that will enable us to meet the many challenges we will face in the years ahead.

Danske Bank's financial results for 2010 show progress, although our earnings are still not high enough in comparison with our ambitions and potential. But there is reason to be pleased with the developments, which show that the Group is on the right course. Moreover, recent economic developments offer hope that the business climate is gradually improving.

The Board of Directors is recommending that no dividend be paid for 2010. Danske Bank wants to prepay the hybrid capital raised from the Danish state, and plans to increase its share capital in the first half of 2011 by issuing new shares with proceeds of about DKK 20 billion. Dividend payments may again be made after the expiry of Bank Package I, and the Board of Directors aims to distribute up to one third of the net profit for the year in future.

### New times at the Danske Bank Group

The Danske Bank Group has come through the financial crisis with positive figures, thanks to a robust and well-diversified business platform.

The fully underwritten capital increase is being arranged, and we have approached the Danish government with a request to prepay the state hybrid capital. The planned capital increase will make Danske Bank one of the best capitalised banks in the EU.

The Group is looking ahead after the financial crisis and is about to enter a new era of development and pursuit of attractive business opportunities.

The chairman of the Board of Directors, Alf Duch-Pedersen, has informed the Board that, against this background, he will resign at the coming general meeting. Alf Duch-Pedersen has served on the Board for 11 years, seven as chairman.

After the general meeting, the Board of Directors is expected to elect Vice Chairman Eivind Kolding new chairman.

Alf Duch-Pedersen
Chairman of the
Board of Directors

Peter Straarup
Chief Executive Officer

# FINANCIAL HIGHLIGHTS

| INCOME STATEMENTT (DKK millions) | 2010 | 2009 | Index 10/09 | 2008 | 2007 | Pro forma 2006 | 2006 |
|---|---|---|---|---|---|---|---|
| Net interest income | 23,843 | 27,524 | 87 | 27,005 | 24,391 | 22,610 | 19,501 |
| Net fee income | 8,510 | 7,678 | 111 | 8,110 | 9,166 | 8,877 | 7,301 |
| Net trading income | 7,921 | 18,244 | 43 | 6,076 | 7,378 | 7,280 | 6,631 |
| Other income | 3,857 | 3,083 | 125 | 3,585 | 3,010 | 2,952 | 2,698 |
| Net income from insurance business | 2,146 | 2,810 | 76 | -1,733 | 1,118 | 1,355 | 1,355 |
| Total income | 46,277 | 59,339 | 78 | 43,043 | 45,063 | 43,074 | 37,486 |
| Expenses | 26,010 | 28,907 | 90 | 28,726 | 25,070 | 22,640 | 19,485 |
| Profit before loan impairment charges | 20,267 | 30,432 | 67 | 14,317 | 19,993 | 20,434 | 18,001 |
| Loan impairment charges | 13,817 | 25,677 | 54 | 12,088 | 687 | -484 | -496 |
| Profit before tax | 6,450 | 4,755 | 136 | 2,229 | 19,306 | 20,918 | 18,497 |
| Tax | 2,786 | 3,042 | 92 | 1,193 | 4,436 | 5,549 | 4,952 |
| Net profit for the year | 3,664 | 1,713 | 214 | 1,036 | 14,870 | 15,369 | 13,545 |
| Attributable to non-controlling interests | 3 | -14 | - | 25 | 57 | 79 | -12 |

| BALANCE SHEET (AT 31 DECEMBER) (DKK millions) | | | | | | | |
|---|---|---|---|---|---|---|---|
| Due from credit institutions and central banks | 228,100 | 202,356 | 113 | 215,823 | 345,959 | 278,817 | 275,268 |
| Loans and advances | 1,679,965 | 1,669,552 | 101 | 1,785,323 | 1,700,999 | 1,519,554 | 1,362,351 |
| Repo loans | 168,481 | 146,063 | 115 | 233,971 | 287,223 | 294,555 | 294,555 |
| Trading portfolio assets | 641,993 | 620,052 | 104 | 860,788 | 652,137 | 504,308 | 490,954 |
| Investment securities | 118,556 | 118,979 | 100 | 140,793 | 37,651 | 28,970 | 26,338 |
| Assets under insurance contracts | 217,515 | 196,944 | 110 | 181,259 | 190,223 | 194,302 | 194,302 |
| Other assets | 159,276 | 144,531 | 110 | 126,017 | 135,338 | 117,529 | 95,593 |
| Total assets | 3,213,886 | 3,098,477 | 104 | 3,543,974 | 3,349,530 | 2,938,035 | 2,739,361 |
| Due to credit institutions and central banks | 317,988 | 311,169 | 102 | 562,726 | 677,355 | 569,142 | 564,549 |
| Deposits | 800,613 | 803,932 | 100 | 800,297 | 798,274 | 693,142 | 598,899 |
| Repo deposits | 60,440 | 55,648 | 109 | 74,393 | 125,721 | 104,044 | 104,044 |
| Bonds issued by Realkredit Danmark | 555,486 | 517,055 | 107 | 479,534 | 518,693 | 484,217 | 484,217 |
| Other issued bonds | 450,219 | 514,601 | 87 | 526,606 | 402,391 | 365,761 | 293,736 |
| Trading portfolio liabilities | 478,386 | 380,567 | 126 | 623,290 | 331,547 | 240,304 | 236,524 |
| Liabilities under insurance contracts | 238,132 | 223,876 | 106 | 210,988 | 213,419 | 215,793 | 215,793 |
| Other liabilities | 130,544 | 110,968 | 118 | 110,033 | 118,750 | 114,135 | 97,476 |
| Subordinated debt | 77,336 | 80,002 | 97 | 57,860 | 59,025 | 56,325 | 48,951 |
| Shareholders' equity | 104,742 | 100,659 | 104 | 98,247 | 104,355 | 95,172 | 95,172 |
| Total liabilities and equity | 3,213,886 | 3,098,477 | 104 | 3,543,974 | 3,349,530 | 2,938,035 | 2,739,361 |

| RATIOS AND KEY FIGURES | | | | | | | |
|---|---|---|---|---|---|---|---|
| Earnings per share (DKK) | 5.3 | 2.5 | | 1.5 | 21.7 | - | 21.5 |
| Diluted earnings per share (DKK) | 5.3 | 2.5 | | 1.5 | 21.6 | - | 21.4 |
| Return on average shareholders' equity (%) | 3.6 | 1.7 | | 1.0 | 15.1 | - | 17.5 |
| Cost/income ratio (%) | 56.2 | 48.7 | | 66.7 | 55.6 | - | 52.0 |
| Total capital ratio (%) | 17.7 | 17.8 | | 13.0 | 9.3 | - | 11.4 |
| Tier 1 capital ratio (%) | 14.8 | 14.1 | | 9.2 | 6.4 | - | 8.6 |
| Share price (end of year) (DKK) | 143.0 | 118.0 | | 52.0 | 199.8 | - | 250.0 |
| Book value per share (DKK) | 151.4 | 145.8 | | 142.4 | 152.7 | - | 139.1 |
| Full-time-equivalent staff (end of year) | 21,522 | 22,093 | | 23,624 | 23,632 | - | 19,253 |

Figures for 2007 and pro forma figures for 2006 include the Sampo Bank group as of February. As of 2008, the total capital and tier 1 capital ratios are calculated in accordance with the Capital Requirements Directive.

# OVERVIEW

## The year 2010

The Danske Bank Group achieved a pre-tax profit for 2010 of DKK 6.5 billion. The net profit was DKK 3.7 billion. The result was better than expected at the beginning of the year.

- Income amounted to DKK 46.3 billion, down 22%, mainly because net interest and net trading income fell. Fee income rose primarily because of higher asset management fees.

- Expenses declined 10%. Excluding goodwill impairment charges and the Danish state guarantee commission, they declined 3%, in line with expectations.

- Loan impairment charges declined almost 50% to DKK 13.8 billion.
  - Impairment charges fell mainly because of lower charges at the Danish and Baltic units. The difficult market conditions in Ireland persisted.
  - Small and medium-sized enterprises accounted for DKK 7.6 billion of impairment charges and Bank Package I for DKK 1.4 billion.

- Total assets rose DKK 115 billion, or 4%, owing mainly to an increase in trading portfolio assets and assets relating to insurance contracts.
  - Lending remained at the 2009 level. Lending as a percentage of deposits and bonds issued by Realkredit Danmark fell to 110% from 111% at the end of 2009.

- At 31 December 2010, the tier 1 capital and total capital ratios were solid at 14.8% and 17.7%, respectively, against 14.1% and 17.8% at 31 December 2009.

- The liquidity position remains very sound.
  - In 2010, the Group issued DKK 22 billion worth of bonds with maturities of up to five years. The Group also issued covered bonds with maturities from seven to 15 years worth a total of DKK 30 billion.

- The Board of Directors is recommending that no dividend be paid for 2010.

## Fourth quarter in comparison with third quarter 2010

At DKK 1.1 billion, net profit rose 21% and was in line with expectations.

- The expiry of Bank Package I in itself lifted net profit for the fourth quarter by DKK 1.1 billion because of the discontinuation of the guarantee commission and impairment charges to cover the losses of distressed banks. The expiry thus did not affect the Group's access to funding.
- Excluding the state guarantee commission, expenses rose 14% because of seasonal fluctuations, higher marketing costs and IT investments.
- Loan impairment charges stood at DKK 3.0 billion.

## Outlook for 2011

Despite indications that growth rates in the Western world will be moderate, the global economic recovery is expected to continue in 2011. Macroeconomic indicators offer hope that the business environment will gradually improve over the coming year.

- The Group plans to raise about DKK 20 billion of new share capital in the first half of 2011 and has requested permission from the Danish government to prepay the state hybrid capital. Combined, these changes will give the Group a capital position that places it among the best capitalised banks in Europe, in terms of quality as well as size.
- The banking units are likely to see stable activity, while the trend in earnings at capital market units will depend on financial market trends.
- The Group will continue to focus on tight cost control.
- The Group expects the decline in loan impairment charges to continue, although charges will remain high in Ireland.
- There is only a modest need for funding in 2011.

# FINANCIAL REVIEW

| INCOME STATEMENT (DKK millions) | 2010 | 2009 | Index 10/09 | Q4 2010 | Q3 2010 | Q2 2010 | Q1 2010 |
|---|---|---|---|---|---|---|---|
| Net interest income | 23,843 | 27,524 | 87 | 6,069 | 5,840 | 5,927 | 6,007 |
| Net fee income | 8,510 | 7,678 | 111 | 2,325 | 2,069 | 2,068 | 2,048 |
| Net trading income | 7,921 | 18,244 | 43 | 795 | 1,930 | 2,817 | 2,379 |
| Other income | 3,857 | 3,083 | 125 | 1,013 | 703 | 1,091 | 1,050 |
| Net income from insurance business | 2,146 | 2,810 | 76 | 685 | 705 | 153 | 603 |
| Total income | 46,277 | 59,339 | 78 | 10,887 | 11,247 | 12,056 | 12,087 |
| Expenses | 26,010 | 28,907 | 90 | 6,457 | 6,294 | 6,836 | 6,423 |
| Profit before loan impairment charges | 20,267 | 30,432 | 67 | 4,430 | 4,953 | 5,220 | 5,664 |
| Loan impairment charges | 13,817 | 25,677 | 54 | 2,982 | 3,083 | 3,479 | 4,273 |
| Profit before tax | 6,450 | 4,755 | 136 | 1,448 | 1,870 | 1,741 | 1,391 |
| Tax | 2,786 | 3,042 | 92 | 377 | 983 | 804 | 622 |
| Net profit for the year | 3,664 | 1,713 | 214 | 1,071 | 887 | 937 | 769 |
| Attributable to non-controlling interests | 3 | -14 | - | 3 | - | - | - |

## Financial results for the year

In 2010, the Danske Bank Group achieved a pre-tax profit of DKK 6.5 billion. The net profit was DKK 3.7 billion. The result was acceptable given the macroeconomic conditions.

The Group's earnings suffered under the difficult economic conditions, with the gradual recovery remaining fragile throughout the year. The Nordic economies are sound, however, with the lowest budget deficits in Europe in a period marred by high public debt in many countries. In the Group's home markets, the business environment improved slightly, although low interest rates continued to squeeze income.

The Group's main source of income – its banking activities – showed robust earnings before impairment charges. In Denmark, a decline in impairment charges supported a healthy rise in profit. The Group's activities in Sweden and Norway generated satisfactory results. At the units in Ireland and Northern Ireland, impairment charges remained high, though, and both units posted losses. Danske Markets achieved a satisfactory result in 2010, although lower than the exceptionally good result in 2009. Danske Capital's profit improved considerably, mainly through high performance-based fees and a rise in assets under management. Net income from insurance business amounted to DKK 2.1 billion in 2010, against DKK 2.8 billion in 2009, in part because a satisfactory return on investments made it possible to book the risk allowance and the shadow account balance.

## Income

At DKK 46.3 billion, total income declined 22% from the level in 2009, as the extraordinarily high net trading income from 2009 could not be repeated.

Net interest income amounted to DKK 23.8 billion, down 13% from the year-earlier level. Lower interest rates, narrowing deposit margins and rising funding costs all contributed to the decline. As forecast, net interest income declined at most banking units.

Interest rates in Denmark and the euro zone were low and squeezed income from deposits. In contrast, income at the Swedish banking units benefited from higher market rates. In Norway, net interest income declined because of narrower retail lending margins and slightly decreasing corporate lending.

CIBOR AND EURIBOR 3-MONTH SPREAD TO OIS
(OIS = Overnight Index Swaps)

At DKK 8.5 billion, net fee income was up 11%. Stronger capital market activity was the main driver and benefited both the banking activities and Danske Capital. The item included the payment of a commission relating to government-guaranteed bonds of DKK 75 million for the fourth quarter of 2010.

Net trading income fell 57% from the extraordinarily high level in 2009 although there was strong activity in the bond and money markets in particular. The item included an unrealised capital gain of DKK 0.7 billion related to the merger of PBS Holding A/S and Nordito AS.

Other income was up DKK 0.8 billion owing primarily to a refund of excess VAT and financial services employer tax paid from 2001 to 2006.

Net income from insurance business amounted to DKK 2.1 billion in 2010, down 24% from DKK 2.8 billion in 2009.

## Expenses

Expenses declined 10% from the 2009 level. Excluding goodwill impairment charges and the commission paid for the Danish state guarantee scheme, the decline was 3%.

The Group launched a number of group-wide initiatives to improve distribution channels and further streamline the organisation. It also invested in digital solutions to enhance usability and accessibility. To support these initiatives, the Group is undertaking an extraordinary, multi-year IT investment programme.

Expenses included a DKK 1.9 billion guarantee commission payable under the Danish state guarantee scheme (Bank Package I, which expired on 30 September 2010).

The cost/income ratio was 56.2%. Excluding expenses for Bank Package I and severance payments, the ratio was 51.7%.

| ORDINARY EXPENSES (DKK billions) | 2010 | 2009 |
|---|---|---|
| Expenses | 26.0 | 28.9 |
| Goodwill impairment charges | - | 1.5 |
| Commission (Bank Package I) | 1.9 | 2.5 |
| Severance payments | 0.2 | 0.7 |
| Ordinary expenses | 23.9 | 24.2 |
| Cost/income ratio (%) | 56.2 | 48.7 |
| Ordinary expenses/income ratio (%) | 51.7 | 40.8 |

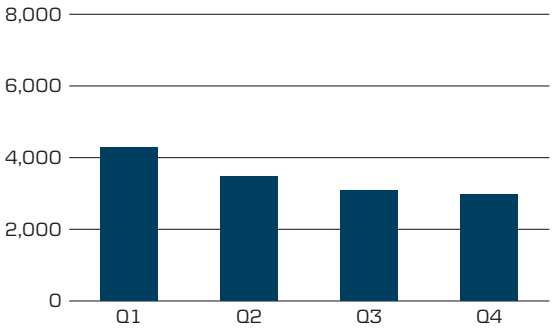
## Loan impairment charges

Loan impairment charges amounted to DKK 13.8 billion, against DKK 25.7 billion in 2009.

Charges against facilities to retail customers amounted to DKK 3.5 billion, and charges against facilities to corporate customers to DKK 9.1 billion, with small and medium-sized enterprises accounting for DKK 7.6 billion. Charges against facilities to financial counterparties amounted to DKK 1.2 billion. Property financing accounted for 28% of total charges.

Loan impairment charges against facilities to customers in default accounted for DKK 9.0 billion, or 68% of the charges recognised for the year. The remainder was collective charges and charges for individual facilities to customers for which there is other evidence of financial difficulty.

LOAN IMPAIRMENT CHARGES 2010
(DKK millions)




| LOAN IMPAIRMENT CHARGES (DKK millions) | 2010 | 2009 |
|---|---|---|
| Banking Activities Denmark | 7,485 | 10,049 |
| Banking Activities Finland | 277 | 1,723 |
| Banking Activities Sweden | 169 | 509 |
| Banking Activities Norway | 42 | 676 |
| Banking Activities Northern Ireland | 1,247 | 1,399 |
| Banking Activities Ireland | 4,969 | 5,238 |
| Banking Activities Baltics | 207 | 2,725 |
| Other Banking Activities | 25 | 167 |
| Danske Markets | -617 | 3,237 |
| Danske Capital | 13 | -46 |
| Total | 13,817 | 25,677 |

Loan impairment charges at Banking Activities Denmark totalled DKK 7.5 billion, against DKK 10.0 billion in 2009. They related mainly to small and medium-sized enterprises, including durable goods and agricultural producers, and to the Group's share of the financial sector's first tranche to cover the losses of distressed banks under Bank Package I. Charges against facilities to retail customers totalled DKK 2.0 billion, against DKK 2.3 billion in 2009. The charges equalled 0.4% of lending and guarantees to retail customers.

Loan impairment charges showed a declining trend and are low at the units in Finland, Sweden, Norway and the Baltic countries. Charges at these units totalled DKK 0.7 billion, against DKK 5.6 billion in 2009.

At Banking Activities Northern Ireland, charges fell and totalled DKK 1.2 billion, against DKK 1.4 billion in 2009. The charges related mainly to property finance facilities. In the second half of 2010, Northern Ireland was adversely affected by impending public spending cuts and uncertainty about the trend in unemployment.

At Banking Activities Ireland, charges totalled DKK 5.0 billion, against DKK 5.2 billion in 2009. The property sector accounted for most of the charges as the commercial property segment experienced severe problems. Because of the uncertainty surrounding the Irish economy, charges may remain high.

Danske Markets reversed impairment charges of DKK 0.6 billion relating to financial customers. In 2009, such charges totalled DKK 3.2 billion.

Actual losses, which related mainly to Irish and Danish corporate customers, rose and totalled DKK 8.9 billion, against DKK 5.3 billion in 2009. The rise was expected since impairment charges were high in 2008 and 2009. Some 92% of the losses were covered by impairment charges at 1 January 2010.

### Tax

Tax on the profit for the year amounted to DKK 2.8 billion. The tax charge is high relative to the pre-tax profit because of profits in countries with higher tax rates than Denmark and because losses in Ireland are not capitalised. The tax value of losses is booked and capitalised only if it is likely in the future that the Group will book a taxable income that can absorb the tax-loss carryforwards.

### Fourth quarter against third quarter 2010

The net profit for the period rose 21% over the level in the third quarter, with the expiry of Bank Package I contributing DKK 1.1 billion.

Net interest income rose 4% from the level in the third quarter, benefiting from rising market rates in Sweden, returns on liquidity from mortgage payments to Realkredit Danmark and improved deposit margins. In addition, one-off interest on excess VAT paid from 2001 to 2006 was booked in the fourth quarter.

Net fee income rose 12%, mainly because of high performance-based fees at Danske Capital. The item included the payment of a commission relating to government-guaranteed bonds of DKK 75 million for the fourth quarter of 2010.

Net trading income fell 59% from the third-quarter level, mainly because market uncertainty led to risk profile adjustments. Risk-taking was particularly modest in the fourth quarter of the year.

Other income rose because of a refund of excess VAT paid from 2001 to 2006.

Net income from insurance business amounted to DKK 0.7 billion in the fourth quarter, down 3% from the third quarter. The return on investments enabled the Group to book the fourth-quarter risk allowance and the 2008 shadow account balance.

Excluding the guarantee commission paid to the Danish state, expenses rose 14% over the third-quarter figure. Normal seasonal fluctuations, IT investments and marketing costs all contributed to the rise.

Loan impairment charges stood at DKK 3.0 billion, down 3%. The charges recorded by the Group's banking units in Ireland and Northern Ireland remained high, particularly in the commercial property segment. Banking Activities Denmark continued to make substantial charges against facilities to small and medium-sized enterprises.

## BALANCE SHEET

| LENDING (END OF PERIOD)<br>(DKK millions) | 2010 | 2009 | Index<br>10/09 | Q4<br>2010 | Q3<br>2010 | Q2<br>2010 | Q1<br>2010 |
|---|---|---|---|---|---|---|---|
| Banking Activities Denmark | 997,446 | 1,005,751 | 99 | 997,446 | 1,007,939 | 1,012,924 | 1,005,514 |
| Other, Denmark | 47,407 | 46,420 | 102 | 47,407 | 40,468 | 42,983 | 36,643 |
| Total Denmark | 1,044,853 | 1,052,171 | 99 | 1,044,853 | 1,048,407 | 1,055,907 | 1,042,157 |
| Banking Activities Finland | 158,393 | 157,810 | 100 | 158,393 | 158,715 | 159,001 | 156,970 |
| Banking Activities Sweden | 192,049 | 167,461 | 115 | 192,049 | 188,043 | 180,934 | 175,356 |
| Banking Activities Norway | 160,452 | 150,702 | 106 | 160,452 | 157,424 | 159,607 | 155,703 |
| Banking Activities Northern Ireland | 52,130 | 51,510 | 101 | 52,130 | 54,032 | 54,934 | 50,030 |
| Banking Activities Ireland | 70,233 | 76,601 | 92 | 70,233 | 72,740 | 74,573 | 75,599 |
| Banking Activities Baltics | 23,833 | 26,816 | 89 | 23,833 | 24,736 | 25,379 | 26,142 |
| Other, international | 17,671 | 20,790 | 85 | 17,671 | 18,212 | 19,200 | 21,454 |
| Total international | 674,761 | 651,690 | 104 | 674,761 | 673,902 | 673,628 | 661,254 |
| Allowance account | 39,649 | 34,309 | 116 | 39,649 | 42,209 | 40,903 | 37,643 |
| Total lending | 1,679,965 | 1,669,552 | 101 | 1,679,965 | 1,680,100 | 1,688,632 | 1,665,768 |

| DEPOSITS AND BONDS ISSUED BY REALKREDIT DANMARK (END OF PERIOD)<br>(DKK millions) | | | | | | | |
|---|---|---|---|---|---|---|---|
| Banking Activities Denmark | 312,505 | 317,080 | 99 | 312,505 | 319,073 | 332,737 | 328,153 |
| Other, Denmark | 98,872 | 150,036 | 66 | 98,872 | 73,700 | 74,722 | 89,022 |
| Total Denmark | 411,377 | 467,116 | 88 | 411,377 | 392,773 | 407,459 | 417,175 |
| Banking Activities Finland | 104,976 | 96,005 | 109 | 104,976 | 108,934 | 109,324 | 99,003 |
| Banking Activities Sweden | 88,089 | 74,263 | 119 | 88,089 | 79,231 | 74,973 | 76,791 |
| Banking Activities Norway | 72,059 | 62,709 | 115 | 72,059 | 69,953 | 68,105 | 65,201 |
| Banking Activities Northern Ireland | 53,166 | 45,914 | 116 | 53,166 | 50,367 | 50,118 | 44,807 |
| Banking Activities Ireland | 39,416 | 30,805 | 128 | 39,416 | 31,685 | 31,289 | 32,385 |
| Banking Activities Baltics | 20,521 | 17,073 | 120 | 20,521 | 19,420 | 19,247 | 17,818 |
| Other, international | 11,009 | 10,047 | 110 | 11,009 | 11,151 | 11,004 | 10,352 |
| Total international | 389,236 | 336,816 | 116 | 389,236 | 370,741 | 364,060 | 346,357 |
| Total deposits | 800,613 | 803,932 | 100 | 800,613 | 763,514 | 771,519 | 763,532 |
| Bonds issued by Realkredit Danmark | 555,486 | 517,055 | 107 | 555,486 | 563,519 | 555,829 | 550,303 |
| Own holdings of Realkredit Danmark bonds | 172,643 | 183,270 | 94 | 172,643 | 160,056 | 159,466 | 158,066 |
| Total Realkredit Danmark bonds | 728,129 | 700,325 | 104 | 728,129 | 723,575 | 715,295 | 708,369 |
| Deposits and bonds issued by Realkredit Danmark | 1,528,742 | 1,504,257 | 102 | 1,528,742 | 1,487,089 | 1,486,814 | 1,471,901 |
| Lending as % of deposits and bonds issued by Realkredit Danmark | 110 | 111 | | 110 | 113 | 114 | 113 |

### Loan portfolio

Total lending matched the level at the end of 2009, with retail lending rising 3% and corporate lending falling 2%.

In Denmark, new lending, excluding repo loans, amounted to DKK 54.4 billion. This amount included lending to retail customers of DKK 28.4 billion. Net new mortgage lending accounted for DKK 12.8 billion of the retail figure.

Lending equalled 110% of the total amount of deposits and bonds issued by Realkredit Danmark, against 111% at the end of 2009.

### Deposits and bonds issued by Realkredit Danmark

Total deposits matched the year-earlier level despite an increase in deposits at the banking units. Short-term deposits placed with Danske Markets by institutional investors declined because these investors lowered their gearing. Deposits at the banking units rose 7%, with both corporate and retail deposits contributing to the increase.

Deposits at Banking Activities Denmark were on a par with the 2009 figure, as a fall in deposits made by large corporate customers offset a rise in retail deposits. Excluding exchange rate effects, deposits at the units outside Denmark rose 10% over the level at the end of 2009.

The market value of mortgage bonds issued to fund loans provided by Realkredit Danmark, including the Group's own holdings, rose 4% from the end-2009 level and stood at DKK 728 billion.

### Credit exposure

At 31 December 2010, total credit exposure amounted to DKK 3,402 billion, against DKK 3,284 billion at the end of 2009. Some DKK 2,363 billion derived from Danish and international lending activities, and DKK 761 billion from trading and investment activities, against DKK 2,301 billion and DKK 740 billion in 2009.

In addition to exposure from actual lending, credit exposure from lending activities includes amounts due from credit institutions and central banks, guarantees and irrevocable loan commitments. This exposure is measured at fair value, net of accumulated impairment charges, and includes repo loans.

### Credit exposure from lending activities

Retail customers accounted for 37% of credit exposure from lending activities, corporate customers for 38%, and financial counterparties for 19%. Of the corporate exposure, small and medium-sized enterprises accounted for 68%.

| CREDIT EXPOSURE FROM LENDING ACTIVITIES (DKK millions) | 31 Dec. 2010 | Share of total (%) | 31 Dec. 2009 | Share of total (%) |
|---|---|---|---|---|
| Banking Act. Denmark | 1,071,229 | 45 | 1,109,062 | 48 |
| Banking Act. Finland | 194,101 | 8 | 193,155 | 9 |
| Banking Act. Sweden | 248,372 | 11 | 210,138 | 9 |
| Banking Act. Norway | 197,295 | 8 | 186,538 | 8 |
| Banking Act. Northern Ireland | 51,872 | 2 | 50,843 | 2 |
| Banking Act. Ireland | 62,678 | 3 | 72,942 | 3 |
| Banking Act. Baltics | 25,314 | 1 | 29,149 | 1 |
| Other Banking Act. | 63,473 | 3 | 50,391 | 2 |
| Danske Markets | 439,065 | 19 | 386,587 | 17 |
| Danske Capital | 10,057 | 0 | 12,615 | 1 |
| Total | 2,363,456 | 100 | 2,301,420 | 100 |

Danish customers, excluding financial counterparties, accounted for 57% of credit exposure from lending activities. Nordic region customers combined accounted for 82%, with 36 percentage points relating to Realkredit Danmark loans.

Large exposures are defined as exposures amounting to at least 10% of the capital base.

Danish legislation on large exposures was amended on 31 December 2010. The most important change is that exposures to credit institutions must in future carry a 100% weighting rather than a reduced weighting.

According to transitional provisions applicable until 31 December 2012, institutions may apply a reduction in weighting of 80% to exposures to credit institutions that originated no later than 31 December 2009.

As a result of the amendments, the number of exposures that exceeded 10% of the capital base was four at the end of 2010, against two under the old rules.

### Retail customers

Measured in Danish kroner, credit exposure to retail customers amounted to DKK 873 billion in 2010, up 3%.

Credit quality in Denmark was stable, with stronger demand for home financing in particular. In Sweden, Norway and Finland, demand for home financing was also healthy. In contrast, rising unemployment, rising interest rates and lower disposable incomes had an adverse effect on credit quality in Ireland and Northern Ireland.

Overall, 93% of retail loan applications were approved in 2010, against 92% the year before.

At the end of 2010, the average loan-to-value (LTV) ratio of home loans was 67%, against 69% at the end of 2009.

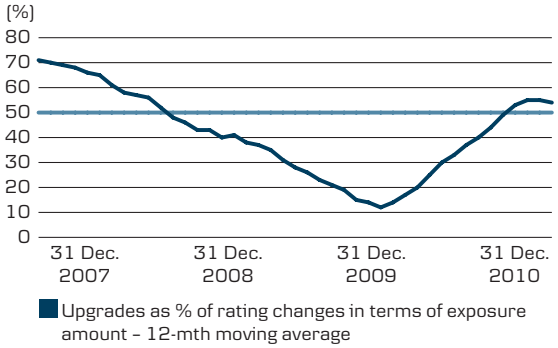
Accumulated impairment charges against retail facilities equalled 16% of total impairment charges, against 11% in 2009.

### Corporate customers

Credit exposure to corporate customers fell to DKK 886 billion in 2010, down 2%, mainly because of the drop in demand in Denmark, including activity among small and medium-sized companies.

The chart shows the trend in corporate ratings. After a considerable deterioration of credit quality in 2009, 2010 saw a gradual improvement. The number of upgrades exceeded the number of downgrades in the second half of the year.

CORPORATE RATING CHANGES




Some 88% of corporate loan applications were approved during the year, against 87% in 2009.

At the end of 2010, credit exposure to the commercial property sector amounted to DKK 245 billion, or 10% of total credit exposure, against DKK 242 billion at the end of 2009. The slowdown has hit this sector hard, particularly in Denmark and Ireland. Vacancy rates remained high in Denmark because of the pre-crisis overheating of the construction sector. In Ireland, weak activity and liquidity shortages combined to cause a plunge in property prices. Exposure to the Irish commercial property market stood at DKK 15.6 billion at the end of 2010, with property developers accounting for DKK 4.8 billion.

Credit exposure to agricultural customers totalled DKK 69 billion, against DKK 71 billion at the end of 2009, with DKK 45 billion coming from loans provided by Realkredit Danmark. The Danish agricultural sector suffered particularly and saw lower earnings, high debt levels and falling property prices. Low interest rates offered some relief, however. The Group intensified its monitoring of this sector in Denmark. The average LTV ratio for agricultural properties

mortgaged to Realkredit Danmark rose to 73%, against 64% at the end of 2009, because of falling asset values.

Accumulated impairment charges against corporate facilities amounted to 66% of total charges and equalled 3.6% of lending and guarantees to corporate customers, against 66% and 3.0%, respectively, in 2009.

### Financial counterparties

Credit exposure to financial counterparties rose DKK 32 billion to DKK 442 billion at the end of the year. An increase in repo loans, particularly to banks, caused the rise.

In addition to exposure to financial counterparties, the Group increased its exposure to central and local governments and central banks.

The notes on risk management provide breakdowns of credit exposure from lending to financial customers and governments by country of residence and rating category.

Risk Management 2010, which is available at www.danskebank.com/ir, provides additional information about credit exposure.

### Allowance account

Accumulated impairment charges totalled DKK 43.8 billion, against DKK 37.1 billion at the end of 2009.

| ALLOWANCE ACCOUNT (DKK millions) | 31 Dec. 2010 | 31 Dec. 2009 |
|---|---|---|
| Banking Activities Denmark | 19,293 | 13,496 |
| Banking Activities Finland | 2,664 | 2,545 |
| Banking Activities Sweden | 1,253 | 1,182 |
| Banking Activities Norway | 1,512 | 1,404 |
| Banking Activities Northern Ireland | 3,078 | 2,006 |
| Banking Activities Ireland | 9,564 | 7,002 |
| Banking Activities Baltics | 2,892 | 2,985 |
| Other Banking Activities | 348 | 1,261 |
| Danske Markets | 2,954 | 4,917 |
| Danske Capital | 211 | 297 |
| Total | 43,769 | 37,095 |

Rating categories 11 and 10 comprise customers with individually impaired exposures.

Rating category 11 contains customers in default. These customers are subject to debt collection, suspension of payments or bankruptcy, or have one or more facilities on which a payment is more than 90 days past due. If a customer defaults on just a single facility, the customer's downgrade to category 11 applies to the entire exposure. The downgrade takes place even if the customer has provided adequate collateral.

| EXPOSURE AT 31 DEC. 2010 (DKK billions) | Rating category 11 | 10 |
|---|---|---|
| Credit exposure before impairment charges | 58.2 | 44.9 |
| Impairment charges | 28.3 | 10.9 |
| Credit exposure | 29.9 | 34.0 |
| Collateral value | 24.3 | 21.4 |
| Total unsecured exposure | 5.6 | 12.6 |
| Covered by impairment charges and collateral (%) | 90.4 | 71.9 |

The credit exposure to customers in rating category 11 was DKK 29.9 billion, against DKK 30.6 billion at the end of 2009. The total unsecured exposure was DKK 5.6 billion. The Group expects bankruptcy dividends to cover the unsecured exposure.

Rating category 10 contains customers with impaired exposures that are not in default. These exposures exhibit financial difficulties that are very likely to lead to losses.

The credit exposure to customers in rating category 10 totalled DKK 34 billion, against DKK 24.8 billion at the end of 2009.

### Trading and investment activities

Credit exposure from trading and investment activities rose from DKK 740 billion at the end of 2009 to DKK 761 billion at the end of 2010.

The key reason was an increase in the value of interest rate and currency contracts caused by lower interest rates and a stronger US dollar. The Group has made agreements with many of its counterparties to net positive and negative market values. Including the effect of this netting, the net exposure was limited and most of it was secured by collateral management agreements.

The value of the bond portfolio was DKK 422 billion, with DKK 89 billion recognised at fair value according to the rules for available-for-sale financial assets. Of the total bond portfolio, 97.4% was recognised at fair value and 2.6% at amortised cost. The Group has not reclassified bonds since 2008. The portfolio was at the same level as at the end of 2009.

Most of the bond portfolio is liquid and can be used as collateral for loans from central banks and thus forms part of the liquidity reserve.

| BOND PORTFOLIO (%) | 31 Dec. 2010 | 31 Dec. 2009 |
|---|---|---|
| Government bonds and bonds guaranteed by central or local governments | 29 | 25 |
| Bonds issued by quasi-government institutions | 2 | 1 |
| Danish mortgage bonds | 45 | 42 |
| Swedish covered bonds | 13 | 18 |
| Other covered bonds | 5 | 6 |
| Short-dated bonds (CP etc.), primarily with banks | 2 | 4 |
| Corporate bonds | 4 | 4 |
| Total holdings | 100 | 100 |
| Available-for-sale bonds included in total holdings | 21 | 22 |

The Group's holdings of government-guaranteed bonds consisted primarily of bonds issued by the Nordic countries, Germany, France, the UK and the US. Government bonds issued by Ireland, Portugal, Spain, Italy and Greece accounted for only 1.5% of the total bond exposure.

Some 2% of the portfolio is short-dated paper with a maximum maturity of one year, including commercial paper, issued mainly by banks in the Nordic countries. Of these bonds, 84% had an external investment grade rating, and of this percentage, 34% were rated AA- or higher.

Credit bonds accounted for around 4% of bond holdings and consisted of corporate bonds, including bonds issued by banks, and covered bonds not under public supervision. Of these bonds, 96% had an external investment grade rating, and of this percentage, 43% were rated AA- or higher.

In the first three quarters of the year, the value of the bond portfolio benefited from the general increase in the prices of Danish, Swedish and German bonds, which made up the largest part of the Group's exposure. The second quarter in particular saw a considerable widening of the credit spreads of southern European bonds that lifted demand for German and Scandinavian bonds and caused their spreads to narrow. The general rise in interest rates in the fourth quarter had an adverse effect on the gains of the preceding quarters. No issuers of bonds in the Group's portfolio defaulted on their payment obligations.

Market value adjustments were also affected by the negative trend in short-dated government bonds and mortgage bonds issued to fund interest-reset loans that traded above their redemption prices. This effect was offset by higher yields, however.

At the end of 2010, the Group's total VaR, excluding the VaR of Danica Pension's insurance activities, was DKK 0.3 billion, the same as at the end of 2009.

## Solvency and capital

At the end of 2010, the total capital ratio was 17.7%, with 10.1 percentage points deriving from core tier 1 capital and 14.8 from tier 1 capital. Hybrid capital raised from the Danish state accounted for 3.1 percentage points of the total capital and tier 1 capital ratios. The value of risk-weighted assets rose over the end-2009 level because of stronger activity and reversals of impairment charges against facilities with especially high risk weightings. At 31 December 2009, the total capital and tier 1 capital ratios were 17.8% and 14.1%, respectively.

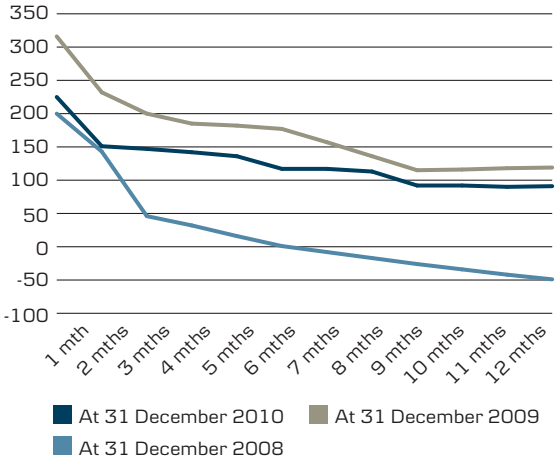
Under Danish law, the Group must publish its solvency need on a quarterly basis.

The capital management section provides additional details as does the Internal Capital Adequacy Assessment 2010 publication, available at www.danskebank.com/ir.

## Funding and liquidity

The recovery in the international financial markets that began in 2009 continued in 2010. The Group's liquidity position remains very solid, and the Group can continue operations even if access to the capital markets is cut off for much more than 12 months, as illustrated by Moody's liquidity curve. The Group uses this curve as one of the elements of its liquidity management.

12-MONTH LIQUIDITY
(DKK billions)




The Group's raising of substantial long-term funding and the favourable change in the loan-to-deposit ratio in 2009 and 2010 contributed to this positive liquidity position and will help the Group meet the future regulatory requirements for liquidity.

In the spring and summer of 2010, the financial markets exhibited high volatility because of the European debt crisis, but Scandinavian banks, including Danske Bank, were not adversely affected by these events.

In 2010, the Group issued DKK 22 billion worth of bonds with maturities of up to five years on the US and other markets.

The Group also issued covered bonds with maturities between seven and 15 years for an amount of DKK 30 billion, and there is still much unexploited potential in loans that can serve as collateral for covered bonds.

The Group has not issued government-guaranteed bonds since the summer of 2009.

In 2010, the Danish FSA introduced a new benchmark, the funding ratio, which is the ratio between lending and deposits, long-dated bonds and the like. According to FSA guidelines, the ratio should not exceed 100%. At the end of 2010, Danske Bank A/S's funding ratio was 70%.

## Ratings

Danske Bank retained its ratings in 2010.

All new Realkredit Danmark bond issues are rated Aaa and AAA, the highest possible ratings awarded by Moody's and Standard & Poor's. A total of 97% of all bonds issued by Realkredit Danmark carry these ratings.

Danish government-guaranteed bonds are rated AAA.

### Expiry of the state guarantee

Together with the majority of Danish banks, Danske Bank participated in the state guarantee scheme adopted by the Danish parliament on 10 October 2008 (Bank Package I). The scheme included an unconditional state guarantee for the obligations of Danish banks, except for subordinated debt. Under the guarantee, participating banks were obliged to pay a guarantee commission. The Group is of the opinion that Bank Package I was necessary to stabilise the markets.

In the autumn of 2010, the Danish financial sector monitored the Danish liquidity market carefully upon the expiry of Bank Package I on 30 September. The expiry of the state guarantee had no effect on the Group's liquidity position.

The expiry of the state guarantee markedly reduced Danske Bank's expenses for its commitment to cover the losses of distressed banks. At the end of 2010, Danske Bank had recognised a charge of DKK 3.3 billion for its entire commitment under the first tranche.

Including the guarantee commission of DKK 5.0 billion, expenses for participation in Bank Package I totalled DKK 8.3 billion for the period extending from the fourth quarter of 2008 until the end of the third quarter of 2010.

Danske Bank is still committed to paying a guarantee commission for government-guaranteed bond issues. Danske Bank issued government-guaranteed bonds worth DKK 37 billion, and the quarterly commission payable from 1 October 2010 and until the guarantee expires in mid-2012 totals around DKK 75 million.

### Ireland

At the end of 2009, the Group began reorganising its activities in Ireland in accordance with its strategy of cost cutting, intense monitoring of the credit portfolio and development of business relations with selected customer segments. Since the beginning of 2010, National Irish Bank has reduced the number of branches by 30 to 28 and the number of staff by 143.

The Group's exposure to Irish government bonds is negligible, amounting to DKK 2.4 billion at the end of 2010.

At the end of 2010, loans and advances provided by National Irish Bank accounted for 3.6% of the Group total. Impairment charges have been very high at National Irish Bank for the past two years. The severely troubled Irish commercial property market affected the property sector as a whole, and this sector accounted for most of the charges.

In 2010, the state-owned National Asset Management Agency (NAMA) took over high-risk property loans from Irish banks, and its treatment of these loans will determine price trends in the Irish property market. The Group does not participate in NAMA and does not expect to recognise additional impairment charges because of it. But the uncertainty related to the Irish economy means that charges may remain high for some time.

### Digital solutions

Throughout 2009 and 2010, the Group worked in several areas to become a better bank for customers, employees, shareholders and other stakeholders alike. The Group launched a number of group-wide initiatives to improve distribution channels and further strengthen the organisation, investing in digital solutions to enhance user friendliness and accessibility.

For example, in the autumn the Group was the first on the Danish market with a mobile banking application for smartphones and tablets. The application gives Danske Bank customers a quick, easy and low-cost way to view account balances,

make transfers, pay bills and get directions to the nearest ATM or branch. In addition, increased digitalisation will free more advisory resources for proactive customer contact.

The application was launched in Denmark, Norway, Finland and Northern Ireland, and by the end of 2010, it had been downloaded more than 150,000 times. The first quarter of 2011 will see the launch of the application in Sweden, and the Group will expand its mobile banking services and continue the technological product development in 2011.

### Outlook for 2011

Despite indications that growth rates in the Western world will be moderate, the global economic recovery is expected to continue in 2011. Macroeconomic indicators offer hope that the business environment will gradually improve over the coming year. The economic recovery remains fragile, though.

Danish GDP growth is forecast to be 1.9% in 2011. Norwegian growth is estimated to show a healthy improvement to a rate of 3.4%. Although Sweden and Finland are likely to see economic growth of 2.6% and 2.8%, respectively, the pace will be slower than in 2010.

Growth rates in the Baltic countries – Estonia, Latvia and Lithuania – are expected to rise above the 2010 levels. In contrast, the outlook for Ireland is uncertain, although Irish growth is currently expected to be weak.

Interest rates are set to remain low also in 2011. The European Central Bank is expected to tighten its liquidity policy gradually in the course of 2011, however. This should bring slightly higher interest rates towards the end of the year.

If interest rates do remain relatively low, property prices in Denmark are likely to be stable in 2011. A rise in property prices is forecast for Norway and Finland. Swedish property prices are expected to be unchanged, while those in Ireland and Northern Ireland are likely to fall.

Expenses will be lower than in 2010 despite significant IT investments. The expiry of Bank Package I supports this development. The Group will continue to focus on tight cost control.

The combination of persistently low interest rates, the trend in property prices and a stable unemployment rate gives grounds for some optimism and expectations of better retail and corporate credit quality in 2011.

The Irish economy will continue to face structural challenges, and because of the economic climate, the level of future loan impairment charges remains uncertain. In Denmark, the expiry of the state guarantee will reduce impairment charges because of the discontinuation of charges to cover the losses of distressed banks in Denmark. Danske Bank must cover around one third of any loss incurred by the Danish Guarantee Fund, however. The Group expects loan impairment charges to be lower than in 2010.

The performance of market-related activities – in Danske Markets, Danske Capital and Danica Pension – will depend greatly on trends in the financial markets, including the level of securities prices at the end of the year. Danica Pension's result is forecast to be lower than in 2010.

The Group plans to raise about DKK 20 billion of new share capital in the first half of 2011 and has requested permission from the Danish government to prepay the state hybrid capital.

The Group's robust banking activities, tight cost control and strong focus on risk, liquidity and capital management, combined with a massive capital buffer, provide a solid basis for a gradual improvement in earnings.

The Group's effective tax rate is forecast to be lower than in 2010.

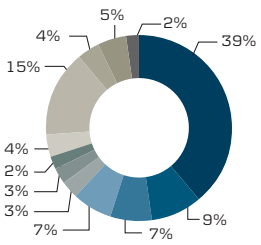
# BUSINESS UNITS

| PROFIT BEFORE LOAN IMPAIRMENT CHARGES (DKK millions) | 2010 | 2009 | Index 10/09 | Share of total (%) 2010 | 2009 |
|---|---|---|---|---|---|
| Banking Activities Denmark | 7,396 | 8,827 | 84 | 36 | 29 |
| Banking Activities Finland | 551 | 1,187 | 46 | 3 | 4 |
| Banking Activities Sweden | 1,640 | 1,263 | 130 | 8 | 4 |
| Banking Activities Norway | 1,532 | 1,813 | 85 | 8 | 6 |
| Banking Activities Northern Ireland | 414 | 569 | 73 | 2 | 2 |
| Banking Activities Ireland | 364 | 315 | 116 | 2 | 1 |
| Banking Activities Baltics | 412 | -1,043 | - | 2 | -3 |
| Other Banking Activities | 392 | 250 | 157 | 2 | 1 |
| Total Banking Activities | 12,701 | 13,181 | 96 | 63 | 44 |
| Danske Markets | 4,093 | 14,352 | 29 | 20 | 47 |
| Danske Capital | 833 | 714 | 117 | 4 | 2 |
| Danica Pension | 2,146 | 2,810 | 76 | 11 | 9 |
| Other Activities | 494 | -625 | - | 2 | -2 |
| Total Group | 20,267 | 30,432 | 67 | 100 | 100 |

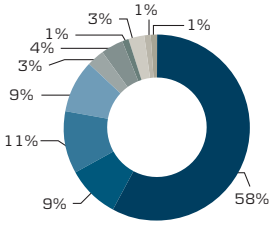
The economic climate in the Group's various markets affected business volumes, profitability and hence profit before loan impairment charges at the banking units.

Denmark and Finland saw modest economic growth and low interest rates. In Sweden, the central bank rate rose throughout the year and boosted banking activity income. Norway's economy continued to grow in 2010, paving the way for sound earnings.

INCOME – % OF GROUP TOTAL




LENDING – % OF GROUP TOTAL



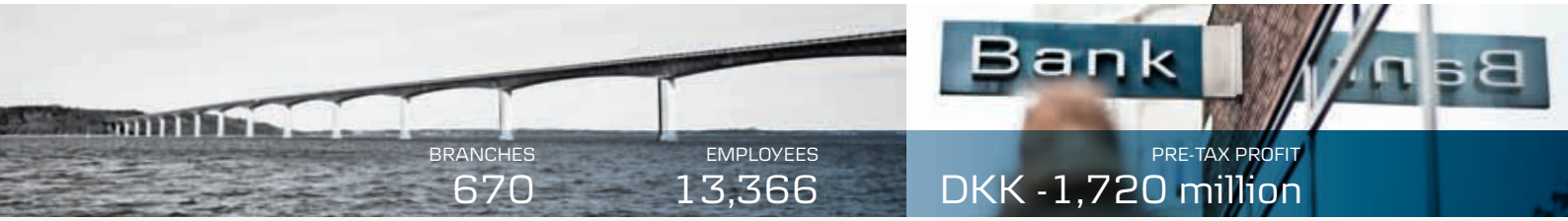

Banking Activities Denmark
Banking Activities Finland
Banking Activities Sweden
Banking Activities Norway
Banking Activities Northern Ireland
Banking Activities Ireland
Banking Activities Baltics
Other Banking Activities
Danske Markets
Danske Capital
Danica Pension
Other Activities

The Irish economy suffered in 2010, and this caused a need for state capital injections in some Irish banks.

The Baltic countries saw severe economic downturns in 2009, and stabilisation was slow in coming. The region regained momentum in 2010, however, and there are signs of optimism, owing partly to Estonia's adoption of the euro on 1 January 2011.

Danske Markets achieved a satisfactory result for 2010, although the exceptionally high level in 2009 could not be repeated. Danske Capital's result improved considerably, mainly because of high performance fees and a rise in assets under management. Net income from insurance business decreased from the 2009 level.

Other Activities encompasses the Group's support functions and real property activities. The net profit for 2010 amounted to DKK 0.5 billion, against a loss of DKK 0.6 billion in 2009.




BANKING ACTIVITIES CATERS TO ALL TYPES OF RETAIL AND CORPORATE CUSTOMERS. THE FINANCE CENTRES SERVE LARGE BUSINESS AND PRIVATE BANKING CUSTOMERS. MORTGAGE FINANCE OPERATIONS IN DENMARK ARE CARRIED OUT THROUGH REALKREDIT DANMARK. REAL-ESTATE AGENCY OPERATIONS ARE CONDUCTED BY THE HOME, SKANDIA MÄKLARNA AND FOKUS KROGSVEEN REAL-ESTATE AGENCY CHAINS. ALL PROPERTY FINANCE OPERATIONS ARE PART OF BANKING ACTIVITIES.

# BANKING ACTIVITIES

| BANKING ACTIVITIES (DKK millions) | 2010 | 2009 | Index 10/09 | Q4 2010 | Q3 2010 | Q2 2010 | Q1 2010 |
|---|---|---|---|---|---|---|---|
| Net interest income | 23,541 | 27,102 | 87 | 5,976 | 5,854 | 5,811 | 5,900 |
| Net fee income | 6,840 | 6,419 | 107 | 1,703 | 1,715 | 1,735 | 1,687 |
| Net trading income | 1,100 | 1,115 | 99 | 239 | 313 | 306 | 242 |
| Other income | 3,060 | 2,758 | 111 | 757 | 700 | 848 | 755 |
| Total income | 34,541 | 37,394 | 92 | 8,675 | 8,582 | 8,700 | 8,584 |
| Goodwill impairment charges | - | 1,458 | - | - | - | - | - |
| State guarantee commission (Bank Package I) | 1,875 | 2,500 | 75 | - | 625 | 625 | 625 |
| Other expenses | 19,965 | 20,255 | 99 | 5,323 | 4,702 | 5,133 | 4,807 |
| Expenses | 21,840 | 24,213 | 90 | 5,323 | 5,327 | 5,758 | 5,432 |
| Profit before loan impairment charges | 12,701 | 13,181 | 96 | 3,352 | 3,255 | 2,942 | 3,152 |
| Impairment charges under the state guarantee | 1,393 | 1,612 | 86 | - | 466 | 464 | 463 |
| Other loan impairment charges | 13,028 | 20,874 | 62 | 2,907 | 2,400 | 3,817 | 3,904 |
| Loan impairment charges | 14,421 | 22,486 | 64 | 2,907 | 2,866 | 4,281 | 4,367 |
| Profit before tax | -1,720 | -9,305 | - | 445 | 389 | -1,339 | -1,215 |
| Loans and advances (end of period) | 1,670,662 | 1,654,257 | 101 | 1,670,662 | 1,680,655 | 1,685,543 | 1,664,149 |
| Allowance account, total (end of period) | 40,604 | 31,881 | 127 | 40,604 | 41,888 | 39,820 | 35,728 |
| Deposits (end of period) | 696,145 | 648,140 | 107 | 696,145 | 684,019 | 690,596 | 669,005 |
| Bonds issued by Realkredit Danmark (end of period) | 728,129 | 700,325 | 104 | 728,129 | 723,575 | 715,295 | 708,369 |
| Allocated capital (avg.) | 67,394 | 70,184 | 96 | 67,111 | 67,698 | 67,369 | 67,399 |
| Profit before loan impairment charges as % of allocated capital | 18.8 | 18.8 | | 20.0 | 19.2 | 17.5 | 18.7 |
| Pre-tax profit as % of allocated capital (ROE) | -2.6 | -13.3 | | 2.7 | 2.3 | -8.0 | -7.2 |
| Cost/income ratio (%) | 63.2 | 64.8 | | 61.4 | 62.1 | 66.2 | 63.3 |
| Cost/income ratio, excluding goodwill impairment charges (%) | 63.2 | 60.9 | | 61.4 | 62.1 | 66.2 | 63.3 |
| Full-time-equivalent staff | 13,366 | 12,951 | 103 | 13,366 | 13,472 | 13,820 | 13,706 |

- Excluding the guarantee commission under Bank Package I, profit before loan impairment charges was DKK 14.6 billion
- Loan impairment charges fell 36%
- Net interest income declined 13% because of low interest rates and increasing long-term funding costs
- Total deposits rose 7% from the end-2009 level

## Market conditions

The global economy showed modest growth in 2010. The recovery is still fragile, though.

The economies in most of the Group's markets generally improved in 2010.

## Financial summary

At DKK 23.5 billion, net interest income declined 13% from the year-earlier level. The main reasons for the decline were low interest rates in Denmark and the euro zone combined with increasing long-term funding costs. Net interest income in Sweden was up because of higher market rates, whereas net interest income declined in Norway owing to narrower lending margins.

Competition was intense in all the Nordic markets, especially for new loans to large corporate customers. Both regional and international banks and brokerages are seeking to gain market shares. By repricing its loan portfolio on an ongoing basis, the Group was able to widen its lending margins slightly in the entire portfolio.

Net fee income amounted to DKK 6.8 billion in 2010, up 7% from DKK 6.4 billion in 2009. The key driver was strong housing market activity, especially in Denmark.

Expenses declined 10%. Excluding goodwill impairment charges and the Danish state guarantee commission, they declined 1%, in line with expectations. The Group increased its staff by 3% after making organisational changes in the first quarter of the year, when Group Contact Centre employees were transferred from Shared Services Centre to Banking Activities.

Loan impairment charges were down 36%; charges were substantially lower in Denmark and also declined in Finland, Sweden, Norway and the Baltic countries. In Ireland and Northern Ireland, impairment charges remained high.

Fourth-quarter charges matched the third-quarter level. Charges fell in Denmark and Finland, but increased in the Group's other markets. The charges in the fourth quarter related mainly to small and medium-sized enterprises in a number of sectors.

Total lending was up 1% from the 2009 level. Retail lending rose 3%, while corporate lending fell 1%.

Total deposits rose 7%. In Denmark, the figure remained at the 2009 level, while the Group's other markets recorded increases. Retail deposits were up 4%, and corporate deposits grew 11%.

The delinquency rate for Realkredit Danmark loans declined in 2010. The three-month delinquency rate for home loans was 0.33% at 31 December 2010, against 0.52% at 31 December 2009.

## Operations

In 2010 – for the fourth time since November 2008 – the Danish Consumer Council's financial magazine picked Danske Bank Denmark as one of the most competitive banks for personal customers among Denmark's 25 largest banks. According to the latest survey, Danske Bank is the least expensive bank over a lifetime for people who rent their homes and the third-cheapest for homeowners.

The Group focused on enhancing customer satisfaction, for both retail and corporate customers. The latest customer satisfaction survey revealed improved satisfaction among Swedish, Norwegian and Danish retail customers. Retail customer satisfaction in Finland was unchanged. Satisfaction among Finnish and Norwegian corporate customers improved, whereas that of Swedish corporate customers remained at the same level. In Denmark, corporate customers were slightly less satisfied.

## Market position

The Group maintained its strong market position in the Danish financial sector and ranks among the largest banks in the Nordic region. The Group's ambition is to improve its position further by increasing customer satisfaction and enhancing its

| BANKING ACTIVITIES | Population (millions) | GDP forecast (%) | | Lending (DKK billions) | | Market share (%) | | Deposits (DKK billions) | | Market share (%) | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2010 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Denmark | 5.6 | 1.9 | 2.0 | 997.4 | 1,005.8 | 28 | 28 | 312.5 | 317.1 | 30 | 30 |
| Finland | 5.4 | 2.8 | 3.3 | 158.4 | 157.8 | 12 | 13 | 105.0 | 96.0 | 13 | 12 |
| Sweden | 9.4 | 2.6 | 5.5 | 192.1 | 167.5 | 6 | 6 | 88.1 | 74.3 | 5 | 6 |
| Norway | 4.9 | 3.4 | 2.0 | 160.5 | 150.7 | 5 | 6 | 72.0 | 62.7 | 5 | 4 |
| Northern Ireland | 1.8 | 1.8 | 1.0 | 52.1 | 51.5 | - | - | 53.2 | 45.9 | - | - |
| Ireland | 4.3 | 0.9 | -0.4 | 70.2 | 76.6 | 3 | 3 | 39.4 | 30.8 | 2 | 2 |
| Estonia* | 1.3 | 3.9 | 2.4 | 12.0 | 13.9 | 10 | 11 | 12.7 | 10.9 | 16 | 14 |
| Latvia* | 2.2 | 3.0 | -0.5 | 2.4 | 2.3 | 2 | 1 | 1.1 | 1.1 | 1 | 1 |
| Lithuania* | 3.2 | 3.6 | 0.8 | 9.4 | 10.6 | 7 | 7 | 6.7 | 5.0 | 8 | 6 |
| Other | - | - | - | 16.1 | 17.6 | - | - | 5.4 | 4.3 | - | - |
| Total | - | - | - | 1,670.7 | 1,654.3 | - | - | 696.1 | 648.1 | - | - |

* Estonia, Latvia and Lithuania constitute Banking Activities Baltics.
Market share information is based on data reported to the local central banks.

appeal to customers in selected segments on the Scandinavian and Northern Ireland markets. In the Baltic markets, the Group focuses on maintaining profitable operations. In Ireland, the Group is focusing on restoring profitability.

The Group maintained its share of the Danish market in 2010. In Finland and Norway, the Group lifted its market share of deposits slightly, whereas lending showed a small decline compared with the 2009 level. The Swedish unit recorded a small increase in deposits while maintaining its market share of lending. The Irish unit maintained its market share of both deposits and lending. In the Baltic countries, the overall market shares of both lending and deposits improved.

### Macroeconomic outlook

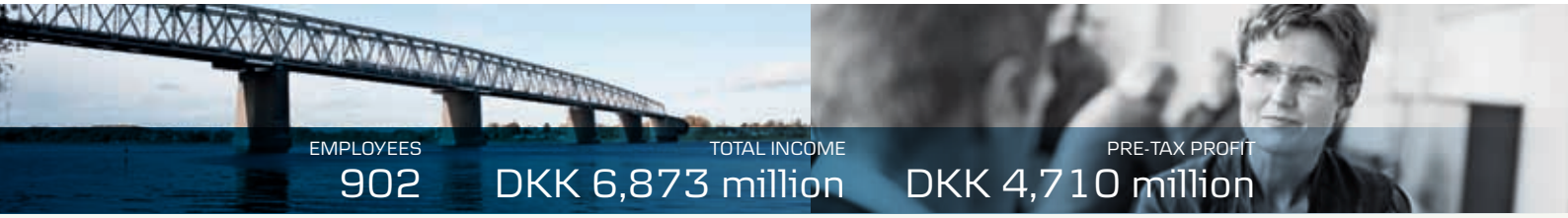
The global economic recovery is expected to continue in 2011, although at a moderate pace, and to benefit the Group's banking activities.

A double-dip recession currently appears less likely than a prolonged period of relatively weak economic growth, since employment, investment and housing market activity have seen marked adjustments. A renewed recession would require new shocks to the economy.

Employment showed signs of stabilisation throughout 2010. This trend is forecast to continue in most of the Group's markets in 2011.

Danish 2011 GDP growth is estimated at around 1.9%. The Group also expects to see economic growth in most of its other markets, although it is likely to be weak in Ireland.

With interest rates remaining relatively low, Danish property prices are expected to be stable in 2011. The Group expects rising property prices in Norway and Finland, an unchanged level in Sweden and a fall in Ireland and Northern Ireland.



EMPLOYEES
902

TOTAL INCOME
DKK 6,873 million

PRE-TAX PROFIT
DKK 4,710 million

DANSKE MARKETS IS RESPONSIBLE FOR THE GROUP'S ACTIVITIES IN THE FINANCIAL MARKETS. TRADING ACTIVITIES INCLUDE TRADING IN FIXED INCOME PRODUCTS, FOREIGN EXCHANGE, EQUITIES AND INTEREST-BEARING SECURITIES; PROVIDING THE LARGEST CORPORATE CUSTOMERS AND INSTITUTIONAL CLIENTS WITH FINANCIAL PRODUCTS AND ADVISORY SERVICES ON MERGERS AND ACQUISITIONS; AND ASSISTING CUSTOMERS WITH EQUITY AND DEBT ISSUES ON THE INTERNATIONAL FINANCIAL MARKETS. GROUP TREASURY COVERS THE BANK'S STRATEGIC FIXED INCOME, FOREIGN EXCHANGE AND EQUITY PORTFOLIOS. INSTITUTIONAL BANKING INCLUDES FACILITIES WITH INTERNATIONAL FINANCIAL INSTITUTIONS OUTSIDE THE NORDIC REGION. FACILITIES WITH NORDIC FINANCIAL INSTITUTIONS FORM PART OF THE GROUP'S BANKING ACTIVITIES.

# DANSKE MARKETS

- Income at a satisfactory, but lower level
- Customer activity still strong
- Limited effect from the debt crisis in southern Europe

## Market conditions

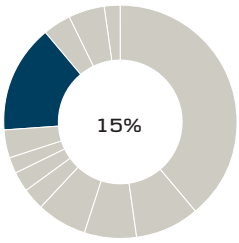
The beginning of 2010 saw increasing stabilisation in the global capital markets. In the second quarter, however, credit premiums on government bonds and covered bonds of Irish and southern European issuers rose, and economic support packages were introduced to alleviate the uncertainty regarding the debt burden in these regions. In the first three quarters of the year, money market rates and government bond yields declined, but they picked up in the fourth quarter.

Dampened market volatility reduced the Group's income from trading activities from the extraordinarily high level in 2009.

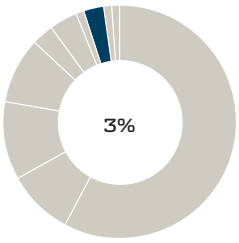
## Financial summary

Profit before tax declined to DKK 4.7 billion from DKK 11.1 billion in 2009, as the exceptionally high income from trading activities in 2009, especially in the first quarter, could not be repeated.

INCOME – % OF GROUP TOTAL




LENDING – % OF GROUP TOTAL




Danske Markets

Customer-driven trading saw strong activity in the money markets and particularly keen trading in Danish and Swedish covered bonds and European government bonds. The Debt Capital Markets unit also saw heavy trading. Customer-driven trading activity in instruments to hedge interest rate and foreign exchange risks in particular was also good. This segment contributes an increasing share of total net trading income.

The uncertainty surrounding the Irish and southern European economies in particular had only a modest effect on net trading income since the Group's net exposure to government bonds issued by these countries is limited. The decline in interest rates in the first three quarters of the year boosted trading income. The rise in leading Danish and Swedish interest rates in the fourth quarter, however, had the opposite effect.

Group Treasury income rose to DKK 0.7 billion from DKK 0.1 billion in 2009. The item included an unrealised capital gain of DKK 0.7 billion related to the merger of PBS Holding A/S and Nordito AS.

A negative value adjustment of DKK 0.1 billion on the available-for-sale bond portfolio was recognised directly in shareholders' equity. In 2009, the Group reported a capital gain of DKK 0.7 billion.

Loan impairment charges declined in 2010, resulting in a net reversal of previously recognised charges of DKK 0.6 billion, against charges of DKK 3.2 billion in 2009.

Expenses declined 4%, mainly because of lower performance-based compensation to trading activities staff. The fall in performance-based compensation was due both to lower activity and earnings and to the Group's adjustments in 2009 and 2010 of the compensation structure in accordance with international recommendations.

| DANSKE MARKETS (DKK millions) | 2010 | 2009 | Index 10/09 | Q4 2010 | Q3 2010 | Q2 2010 | Q1 2010 |
|---|---|---|---|---|---|---|---|
| Total income | 6,873 | 17,238 | 40 | 636 | 1,573 | 2,457 | 2,207 |
| Expenses | 2,780 | 2,886 | 96 | 703 | 664 | 721 | 692 |
| Profit before loan impairment charges | 4,093 | 14,352 | 29 | -67 | 909 | 1,736 | 1,515 |
| Loan impairment charges | -617 | 3,237 | - | 66 | 221 | -807 | -97 |
| Profit before tax | 4,710 | 11,115 | 42 | -133 | 688 | 2,543 | 1,612 |
| Due from credit institutions and repo loans (end of period) | 396,581 | 348,419 | 114 | 396,581 | 384,467 | 410,062 | 410,675 |
| Loans and advances (end of period) | 48,665 | 47,069 | 103 | 48,665 | 40,847 | 52,281 | 44,674 |
| Allowance account, total (end of period) | 2,954 | 4,917 | 60 | 2,954 | 4,202 | 4,544 | 4,872 |
| Net trading and investment portfolio (end of period) | 351,018 | 466,504 | 75 | 351,018 | 344,655 | 374,449 | 399,641 |
| Deposits (end of period) | 102,777 | 151,613 | 68 | 102,777 | 81,491 | 79,604 | 96,939 |
| Allocated capital (avg.) | 4,966 | 4,244 | 117 | 5,385 | 5,599 | 5,066 | 3,788 |
| Profit before loan impairment charges as % of allocated capital | 82.4 | - | | -5.0 | 64.9 | 137.1 | 160.0 |
| Pre-tax profit as % of allocated capital (ROE) | 94.8 | 261.9 | | -9.9 | 49.2 | 200.8 | 170.2 |
| Cost/income ratio (%) | 40.4 | 16.7 | | 110.5 | 42.2 | 29.3 | 31.4 |

| TOTAL INCOME (DKK millions) | | | | | | | |
|---|---|---|---|---|---|---|---|
| Trading activities | 5,812 | 16,929 | 34 | 714 | 1,420 | 1,665 | 2,013 |
| Group Treasury | 715 | 123 | - | -195 | 99 | 692 | 119 |
| Institutional banking | 346 | 186 | 186 | 117 | 54 | 100 | 75 |
| Total Danske Markets | 6,873 | 17,238 | 40 | 636 | 1,573 | 2,457 | 2,207 |

## Operations

Danske Markets strengthened its position as the leading Nordic investment bank on several fronts, for instance by setting up trading activities in New York.

The research institute Prospera confirmed, for the sixth year running, Danske Markets Equities' position as the best equity house in Denmark. Their survey also showed improved ratings on other markets. Altogether, Danske Markets Equities covers more than 200 Nordic companies that represent about 95% of Nordic stock market capitalisation.

Danske Markets maintained its leading position in Scandinavian government bonds through primary dealerships in Denmark and Sweden. The unit aims to increase its trading in European government bonds.

## Market outlook

In 2011, Danske Markets is expected to see continued strong activity and to maintain its market position. However, performance will depend greatly on market conditions and trends in the financial markets, including the level of securities prices.

EMPLOYEES
535

PRE-TAX PROFIT
DKK 820 million

MARKET SHARE IN THE NORDIC REGION
11%

DANSKE CAPITAL DEVELOPS AND SELLS WEALTH MANAGEMENT PRODUCTS AND SERVICES THAT ARE OFFERED THROUGH THE GROUP'S BRANCHES AND FINANCE CENTRES AND DIRECTLY TO BUSINESSES, INSTITUTIONAL CLIENTS AND EXTERNAL DISTRIBUTORS. DANSKE CAPITAL SUPPORTS THE BANKING ACTIVITIES THROUGH DEVELOPMENT AND UPDATING OF THE GROUP'S OVERALL PRIVATE BANKING AND WEALTH MANAGEMENT CONCEPT. THROUGH DANSKE BANK INTERNATIONAL IN LUXEMBOURG, DANSKE CAPITAL PROVIDES INTERNATIONAL PRIVATE BANKING SERVICES TO CLIENTS OUTSIDE THE GROUP'S HOME MARKETS. DANSKE CAPITAL IS REPRESENTED IN DENMARK, SWEDEN, NORWAY, FINLAND, ESTONIA, LITHUANIA AND LUXEMBOURG.

# DANSKE CAPITAL

- Profit before loan impairment charges up 17%
- Strong sales to institutional and retail customers
- Assets under management up 10% to DKK 602 billion

## Market conditions

The capital markets continued to see rising share prices and declining bond yields in 2010. The Danish and Swedish equity markets set the pace with increases of up to 40%. Other equity markets recorded more moderate increases of some 15-20%. The positive equity market sentiment spurred both institutional and retail customers' appetite for unit trust business in the Nordic region, and net sales totalled DKK 174 billion. Overall, the Nordic unit trust market grew more than DKK 700 billion to DKK 3,500 billion at 31 December 2010.

Danske Capital strengthened its position in the Nordic unit trust markets, achieving a 20% market share of net sales. Its overall share of the Nordic market was 11%.

## Financial summary

Income rose 8% to DKK 1,873 million in 2010, up from DKK 1,728 million a year earlier. The main reason for the relatively modest increase was a change in the business strategy of Danske Bank International in Luxembourg to focus exclusively on international private banking. The unit thus phased out the institutional loan portfolio, causing a DKK 118 million drop in income. Total income for 2009 also included one-off income of DKK 86 million.

Excluding these extraordinary factors, income rose 23%, reflecting an increase in performance-based fees and assets under management as well as improved revenue margins because of a higher share of equities.

Total expenses rose 3%, from DKK 1,014 million in 2009 to DKK 1,040 million in 2010.

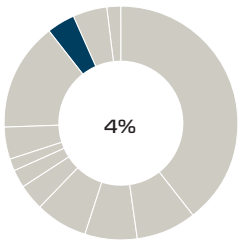
Profit before loan impairment charges was up 17%. Adjusted for the income items mentioned above, underlying earnings rose a solid 65%.

A net inflow of DKK 43 billion and a DKK 11 billion increase in the market value of assets under management resulted in a 10% rise in these assets to DKK 602 billion.

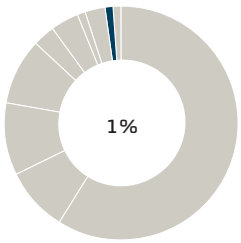
The net inflow consisted of net sales to institutional clients of DKK 28 billion and to retail customers of DKK 15 billion. Danske Capital won important international mandates totalling DKK 11 billion outside its home markets.

In 2010, the unit trust business posted above-benchmark returns in 71% of its funds. Of the bond-based funds, 67% delivered above-benchmark returns, and for equity-based funds, the figure was 71%. Of balanced products, 84% performed above their benchmarks.

INCOME – % OF GROUP TOTAL




LENDING – % OF GROUP TOTAL




Danske Capital

| DANSKE CAPITAL (DKK millions) | 2010 | 2009 | Index 10/09 | Q4 2010 | Q3 2010 | Q2 2010 | Q1 2010 |
|---|---|---|---|---|---|---|---|
| Net interest income | 120 | 298 | 40 | 26 | 25 | 32 | 37 |
| Net fee income | 1,707 | 1,297 | 132 | 633 | 360 | 349 | 365 |
| Other income | 46 | 133 | 35 | 15 | 10 | 9 | 12 |
| Total income | 1,873 | 1,728 | 108 | 674 | 395 | 390 | 414 |
| Expenses | 1,040 | 1,014 | 103 | 338 | 222 | 242 | 238 |
| Profit before loan impairment charges | 833 | 714 | 117 | 336 | 173 | 148 | 176 |
| Loan impairment charges | 13 | -46 | - | 9 | -4 | 5 | 3 |
| Profit before tax | 820 | 760 | 108 | 327 | 177 | 143 | 173 |
| Loans and advances (end of period) | 6,450 | 9,993 | 65 | 6,450 | 6,195 | 6,378 | 8,472 |
| Allowance account, total (end of period) | 211 | 297 | 71 | 211 | 293 | 295 | 290 |
| Deposits (end of period) | 5,869 | 6,235 | 94 | 5,869 | 6,073 | 6,540 | 5,774 |
| Allocated capital (avg.) | 291 | 374 | 78 | 250 | 277 | 317 | 323 |
| Cost/income ratio (%) | 55.5 | 58.7 | | 50.1 | 56.2 | 62.1 | 57.5 |
| Assets under management (DKK billions) | 602 | 548 | 110 | 602 | 590 | 558 | 561 |

## Products and initiatives

Danske Capital proved very successful in selling European equity products in 2010.

In the autumn of 2010, Danske Invest Management A/S launched the first two unit trust funds domiciled in Denmark that are sold on all Nordic markets. At 31 December 2010, the combined value of *Danske Invest Globale Indeksobligationer* and *Danske Invest USA Aktier* was DKK 7.8 billion.

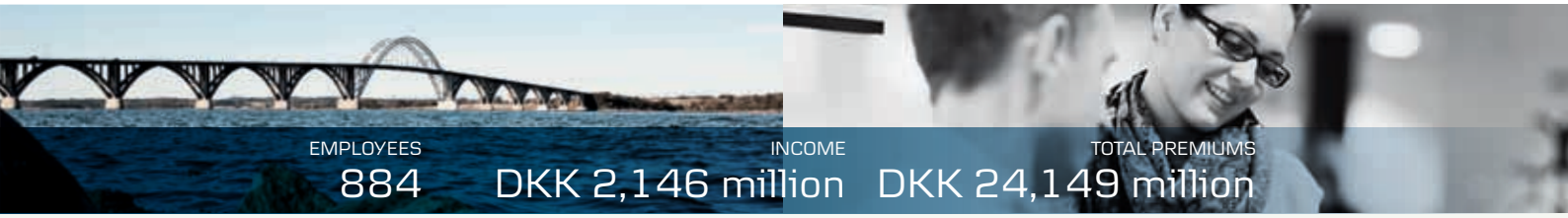
Danske Capital continued to roll out private banking and investment offerings in 2010. The objective is to make Danske Bank the preferred private banker in the Nordic market.

## Market outlook

In 2011, Danske Capital expects to maintain its position in asset management and to strengthen its position within international private banking.

| ASSETS UNDER MANAGEMENT | (DKK billions) 2010 | 2009 | Share of total (%) 2010 | 2009 |
|---|---|---|---|---|
| Equities | 178 | 148 | 29 | 27 |
| Private equity | 12 | 13 | 2 | 2 |
| Bonds | 396 | 375 | 66 | 69 |
| Cash | 16 | 12 | 3 | 2 |
| Total | 602 | 548 | 100 | 100 |

| BREAKDOWN BY TYPE OF INVESTOR | (DKK billions) 2010 | 2009 | Share of total (%) 2010 | 2009 |
|---|---|---|---|---|
| Life insurers | 194 | 204 | 32 | 37 |
| Unit trusts - retail | 241 | 201 | 40 | 37 |
| Institutions, including unit trusts | 167 | 143 | 28 | 26 |
| Total | 602 | 548 | 100 | 100 |



EMPLOYEES
884

INCOME
DKK 2,146 million

TOTAL PREMIUMS
DKK 24,149 million

DANICA PENSION ENCOMPASSES THE DANSKE BANK GROUP'S ACTIVITIES IN THE LIFE INSURANCE AND PENSIONS MARKET. DANICA PENSION TARGETS BOTH PERSONAL AND CORPORATE CUSTOMERS. PRODUCTS ARE MARKETED THROUGH A RANGE OF DISTRIBUTION CHANNELS WITHIN THE DANSKE BANK GROUP, PRIMARILY BANKING ACTIVITIES' OUTLETS AND DANICA PENSION'S INSURANCE BROKERS AND ADVISERS. DANICA OFFERS TWO MARKET-BASED PRODUCTS, DANICA BALANCE AND DANICA LINK. THESE PRODUCTS ALLOW CUSTOMERS TO SELECT THEIR OWN INVESTMENT PROFILE AND THE RETURN ON SAVINGS DEPENDS ON MARKET TRENDS. FURTHERMORE, DANICA PENSION OFFERS DANICA TRADITIONEL. THIS PRODUCT DOES NOT OFFER INDIVIDUAL INVESTMENT PROFILES, AND DANICA PENSION SETS THE RATE OF INTEREST ON POLICYHOLDERS' SAVINGS.

# DANICA PENSION

- Net income from insurance business of DKK 2.1 billion
- Shadow account balance of DKK 0.6 billion booked to income
- Profit of DKK 0.3 billion on unit-linked business
- Total premiums up 18% to DKK 24.1 billion
- Premiums from activities outside Denmark of DKK 7.2 billion, up 89%

Danica Pension's premiums in Denmark rose 2%. The Swedish market improved significantly, causing total premiums, including premiums for investment contracts, to climb DKK 3.7 billion – or 18% – to DKK 24.1 billion.

In Denmark, market-based products rose 34%, contributing DKK 9.8 billion, or almost 57% of total Danish life insurance premiums. At the end of the year, about 147,000 customers had opted for market-based products. Premiums in Sweden came to DKK 5.8 billion, or 86% over the 2009 figure. Premiums in Norway rose 132% to DKK 1.4 billion.

A positive return on investments enabled the Group to book the risk allowance in full and to book the shadow account balance to income.

Net income totalled DKK 2.1 billion, against DKK 2.8 billion in 2009. Lower investment returns and higher expenses for special allotments were the reasons for the decrease.

### Market conditions in Denmark

The economic downturn and uncertainty about taxation affected the pensions market in early 2010. But the economic situation improved gradually during the year, and once the taxation matters had been clarified, Danica Pension could again focus on customers' long-term savings needs.

Interest in pension savings remained keen, fuelling competition in the market. In 2010, Danica Pension maintained its position as one of the leading life insurers and pension providers on the Danish market.

### Income

Net income from insurance business amounted to DKK 2.1 billion in 2010, against DKK 2.8 billion in 2009. Although the return on equity fell DKK 584 million from 2009, it still contributed DKK 799 million. The return on *Danica Traditionel* customer funds was 5.8%. This made it possible to book the risk allowance and the shadow account balance of DKK 0.6 billion from 2008. The risk allowance, which is calculated as a share of technical provisions, amounted to DKK 1.1 billion in 2010.

Both bond and share investments generated positive returns. The positive return on bonds should be seen in the light of declining interest rates throughout the year, which necessitated a DKK 3.1 billion increase in technical provisions.

Net income was adversely affected by a DKK 641 million special allotment. Certain policyholders receive part of the profits if Danica Pension's equity exceeds its statutory solvency requirement by a certain percentage.

Unit-linked business (*Danica Balance* and *Danica Link*) continued the positive trend, posting a result of DKK 327 million, up DKK 176 million on the previous year.

The health and accident result improved, benefitting from run-off gains in the Danish business.

| DANICA PENSION (DKK millions) | 2010 | 2009 | Index 10/09 | Q4 2010 | Q3 2010 | Q2 2010 | Q1 2010 |
|---|---|---|---|---|---|---|---|
| Share of technical provisions | 1,126 | 1,087 | 104 | 289 | 282 | 279 | 276 |
| Unit-linked business | 327 | 151 | 217 | 118 | 72 | 63 | 74 |
| Health and accident business | 81 | -97 | - | 96 | -3 | 17 | -29 |
| Return on investments | 799 | 1,383 | 58 | -29 | 308 | 102 | 418 |
| Financing result | -130 | -247 | - | -32 | -31 | -31 | -36 |
| Special allotment | -641 | -40 | - | -341 | -100 | -100 | -100 |
| Change in shadow account | 584 | 573 | 102 | 584 | 177 | -177 | - |
| Net income from insurance business | 2,146 | 2,810 | 76 | 685 | 705 | 153 | 603 |
| Premiums, insurance contracts | 18,371 | 17,152 | 107 | 4,842 | 4,638 | 4,107 | 4,784 |
| Premiums, investment contracts | 5,778 | 3,279 | 176 | 1,578 | 910 | 1,600 | 1,690 |
| Provisions, insurance contracts | 233,062 | 222,377 | 105 | 233,062 | 237,997 | 230,268 | 227,834 |
| Provisions, investment contracts | 22,397 | 15,032 | 149 | 22,397 | 20,315 | 18,595 | 17,830 |
| Customer funds, investment assets | | | | | | | |
| Danica Traditionel | 188,057 | 181,288 | 104 | 188,057 | 197,663 | 192,331 | 183,461 |
| Danica Balance | 21,752 | 13,638 | 159 | 21,752 | 19,161 | 16,444 | 15,747 |
| Danica Link | 44,509 | 32,800 | 136 | 44,509 | 41,032 | 38,327 | 37,131 |
| Allocated capital (avg.) | 5,732 | 5,731 | 100 | 6,085 | 5,865 | 5,566 | 5,411 |
| Net income as % of allocated capital | 37.4 | 49.0 | | 45.0 | 48.1 | 11.0 | 44.6 |

Further information about Danica Pension's profit policy and consolidation in the financial statements of the Danske Bank Group is available at www.danskebank.com/ir.

## Activities outside Denmark

In Sweden, Danica Pension recorded an 86% rise in premiums over the 2009 level, with the custody account savings product contributing DKK 4.1 billion.

In Norway, premiums rose 132% to DKK 1.4 billion, partly as a result of a cooperative agreement that produced premiums of DKK 524 million. The Irish market remained depressed, contributing premiums of DKK 55 million.

| TOTAL PREMIUMS (DKK billions) | 2010 | 2009 |
|---|---|---|
| Premiums, Denmark | | |
| Danica Traditionel | 7.5 | 8.7 |
| Unit-linked business | 9.8 | 7.3 |
| Health and accident | 1.3 | 1.3 |
| Internal transfers | -1.7 | -0.7 |
| Premiums, international | 7.2 | 3.8 |
| Total | 24.1 | 20.4 |

## Investment return

The return on *Danica Balance* and *Danica Link* investments in 2010 was DKK 4.8 billion, representing an average rate of return of 12.9%, against 24.0% in 2009. *Danica Balance* and *Danica Link* thus generated a higher return than *Danica Traditionel*.

The return on customer funds in *Danica Traditionel* was 5.8% against 7.1% in 2009. At the end of 2010, the return on customer funds, including changes in technical provisions, was 4.5%. Equity, credit bond and property exposure totalled 37%.

| CUSTOMER FUNDS – DANICA TRADITIONEL<br>Holdings and returns | Share (%) 2010 | Share (%) 2009 | Return (%) 2010 | Return (%) 2009 |
|---|---|---|---|---|
| Real property | 10 | 10 | 2.6 | 4.1 |
| Bonds etc. | 80 | 80 | 5.1 | 6.5 |
| Equities | 10 | 10 | 17.1 | 22.2 |
| Total | 100 | 100 | 5.8 | 7.1 |

## Financial strength

The Danica group's capital base totalled DKK 22.1 billion. At the end of 2010, the Danica group's total financial strength – that is, its capital base and collective bonus potential less the capital needed to meet the solvency requirement – stood at DKK 15.8 billion. On top of this, the bonus potential of paid-up policies amounted to DKK 11.0 billion that may be used partly for loss compensation.

The Danish pension industry is subject to the Danish Financial Supervisory Authority's requirement for a stress test that includes capital base stress testing. Danica Pension is well prepared for this risk scenario, which includes a 12% fall in equity prices and an interest rate change of 0.7 of a percentage point. At the end of 2010, a 12 percentage point drop in equity prices would have reduced the collective bonus potential by DKK 1.7 billion, the bonus potential of paid-up policies by DKK 0.1 billion and shareholders' equity by DKK 0.2 billion. A decline in interest rates of 70 basis points would have reduced the collective bonus potential by DKK 0.1 billion and increased shareholders' equity by DKK 0.4 billion, while leaving the bonus potential of paid-up policies unchanged.

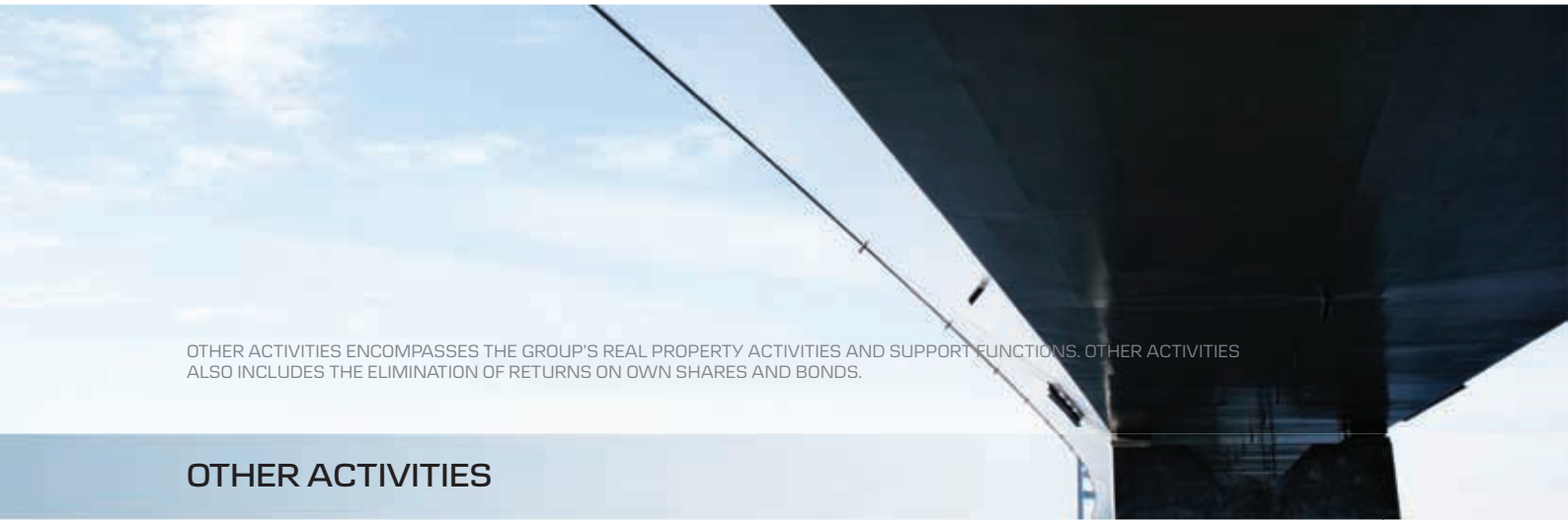
In November 2010, Standard & Poor's reaffirmed Danica Pension's A rating (negative outlook). Danica Pension's S&P rating depends highly on Danske Bank's rating, which was also reaffirmed.

## Outlook

In 2011, Danica Pension expects to maintain its position as a leading Danish life insurer and pension provider.

The 2011 result will depend greatly on developments in the financial markets and the possibility of booking the risk allowance. As was the case in 2010, net income will be adversely affected by the special allotment payable to certain policyholders.

The Danish Financial Supervisory Authority issued a new executive order on the contribution principle that took effect on 1 January 2011. Under the new executive order, the total portfolio of life insurers' average rate schemes must be divided into groups on the basis of interest rate, risk and expenses. This division means that the risk allowance will be calculated on a group-by-group basis.



OTHER ACTIVITIES ENCOMPASSES THE GROUP'S REAL PROPERTY ACTIVITIES AND SUPPORT FUNCTIONS. OTHER ACTIVITIES ALSO INCLUDES THE ELIMINATION OF RETURNS ON OWN SHARES AND BONDS.

# OTHER ACTIVITIES

| OTHER ACTIVITIES (DKK millions) | 2010 | 2009 | Index 10/09 | Q4 2010 | Q3 2010 | Q2 2010 | Q1 2010 |
|---|---|---|---|---|---|---|---|
| Net interest income | 182 | 124 | 147 | 67 | -39 | 84 | 70 |
| Net fee income | -37 | -38 | - | -11 | -6 | -16 | -4 |
| Net trading income | -91 | -168 | - | -95 | 36 | 48 | -80 |
| Other income | 790 | 251 | - | 256 | 1 | 240 | 293 |
| Total income | 844 | 169 | - | 217 | -8 | 356 | 279 |
| Expenses | 350 | 794 | 44 | 93 | 81 | 115 | 61 |
| Profit before loan impairment charges | 494 | -625 | - | 124 | -89 | 241 | 218 |
| Loan impairment charges | - | - | - | - | - | - | - |
| Profit before tax | 494 | -625 | - | 124 | -89 | 241 | 218 |

| PROFIT BEFORE TAX (DKK millions) | | | | | | | |
|---|---|---|---|---|---|---|---|
| Real property | 283 | -36 | - | 32 | 42 | 121 | 88 |
| Own shares | -84 | -324 | - | -103 | 32 | 51 | -64 |
| Other, including Group support functions | 295 | -265 | - | 195 | -163 | 69 | 194 |
| Total Other Activities | 494 | -625 | - | 124 | -89 | 241 | 218 |

Other Activities covers the Group's real property activities, support functions and eliminations, including the elimination of returns on own shares and bonds.

Other Activities recorded a profit before tax of DKK 494 million, against a loss of DKK 625 million in 2009.

Real property activities posted a profit of DKK 283 million, up DKK 319 million from the 2009 level. The improvement was due to property write-downs in 2009 and lower costs in 2010.

Some customer savings held under pooled schemes and at Danica are invested in Danske Bank shares. In accordance with accounting regulations, the return on Danske Bank shares must be eliminated in the financial statements, but the return is recognised in the income statement as return on customer savings. This elimination led to an expense of DKK 84 million in 2010, against an expense of DKK 324 million in 2009.

Other functions, including Group support functions, recorded a profit of DKK 295 million, against a loss of DKK 265 million in 2009. The positive trend reflects a refund of excess VAT and financial services employer tax paid in the years 2001 to 2006.

# CAPITAL MANAGEMENT

The Group's capital management policies and practices support its business strategy and ensure that it is sufficiently capitalised to withstand severe macroeconomic downturns. The policies and practices also ensure compliance with regulatory capital requirements and support the Group's credit rating.

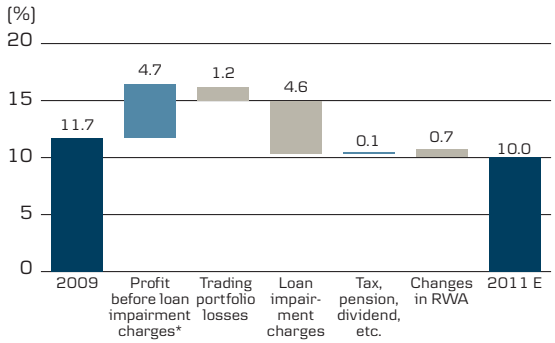
In addition to shareholder's equity, the Group's capital base consists of hybrid capital and tier 2 capital. The capital base amounted to DKK 150 billion at the end of 2010.

| CAPITAL BASE (DKK billions) | 2010 | 2009 |
|---|---|---|
| Core tier 1 capital | 85 | 79 |
| Hybrid capital, less statutory deductions | 40 | 39 |
| Tier 2 capital, less statutory deductions | 25 | 30 |
| Capital base | 150 | 148 |

At the end of 2010, the Group's solvency need – that is, a capital base adequate to cover its risks – amounted to DKK 90 billion, or 10.7% of risk-weighted assets. Since the actual capital base stood at DKK 149.7 billion and the total capital ratio at 17.7%, the Group had a massive capital buffer of DKK 59.7 billion at the end of 2010.

In 2010, Danske Bank took part in stress tests initiated by the Committee of European Banking Supervisors (CEBS) in cooperation with the Danish FSA. These stress tests were based on end-2009 data and two-year scenarios, and more than 90 banks participated in the exercise. Danske Bank performed well on the tests, even in the most severe scenario, "Adverse scenario after sovereign shock", and ranked in the top quarter of the banks tested. The results confirmed the Group's strong financial position.

EFFECT ON TIER 1 CAPITAL RATIO IN THE CEBS'S MOST SEVERE SCENARIO: "SOVEREIGN SHOCK"




* Excluding trading portfolio losses. Tier 1 capital ratio calculated in accordance with Basel II transitional rules.

In 2008, the Group suspended its capital targets because of increased macroeconomic uncertainty and expectations of stricter quantitative and qualitative capital requirements.

The Group bases its total capital need on an assessment of the capital requirements under the current capital adequacy and transitional rules and on a critical assessment of the effects of future regulation, including CRD IV.

The Group aspires to improve its credit ratings, which are important for its access to liquidity and the pricing of its long-term funding.

The Group uses the following criteria when determining its capital structure:

- Capital requirements under the CRD and current transitional rules
- Draft minimum regulatory capital requirements
- Rating target
- Expected growth and earnings
- Dividend policy
- Stress tests

To strengthen its capital base and meet customer demand for credit, Danske Bank raised hybrid

capital of DKK 24 billion from the Danish state in May 2009, with an option for redemption from 2014 onwards. At the same time, Realkredit Danmark raised hybrid capital of DKK 2 billion, with an option for redemption from 2012 onwards.

Future capital regulation will increase the qualitative requirements for Danske Bank's capital base. To meet these requirements, the Board of Directors finds it appropriate to increase Danske Bank's share capital, in accordance with Article 6 of the Articles of Association, through a fully underwritten rights issue with proceeds of about DKK 20 billion. The intention is to carry out the capital increase in the first half of 2011 to soon bring Danske Bank's share capital up to the level deemed necessary by management in view of market variability and future regulation. At the same time, the Group will also seek to prepay the hybrid capital raised from the Danish state.

The Group has therefore approached the Danish government with a request for permission to repay the Danske Bank loan in May 2012. The Group has also requested cancellation of the option to convert loan capital into shares.

Repayment of hybrid capital and the rights issue will increase the Group's core tier 1 capital ratio from the current 10.1% to about 12.5% (calculated on the basis of end-2010 figures). The Group's tier 1 capital ratio will decrease from the current 14.8% to about 14.1% (calculated on the basis of end-2010 figures), with nearly 90% deriving from shareholders' equity. On balance, the changes will strengthen the Group's capital position and, in both qualitative and quantitative terms, make Danske Bank one of the best capitalised banks in Europe.

## ICAAP

The Group's capital management policies and practices are based on an internal capital adequacy assessment process (ICAAP). In this process, the Group regularly identifies its risks and determines its capital need.

The regulatory framework for the Group's capital management is rooted in the Capital Requirements Directive (CRD). The CRD comprises three pillars based on Basel II guidelines:

- Pillar I contains a set of rules for calculating the capital requirement (8% of risk-weighted assets for credit risk, market risk and operational risk).
- Pillar II describes the framework for the ICAAP and the dialogue with the FSA. The ICAAP determines the solvency need (see below).
- Pillar III deals with market discipline and sets forth disclosure requirements for risk and capital management. The Group complies with the Pillar III disclosure requirements through its publication of Risk Management 2010, available at www.danskebank.com/ir.

While Pillar I calculates risks and capital requirements on the basis of uniform rules for all credit institutions, the ICAAP in Pillar II takes into account the individual characteristics of a given institution and covers all relevant risk types, including risks not addressed under Pillar I. Pillar II also includes the supervisory review and evaluation process (SREP), which is a dialogue between the FSA and a credit institution about the outcome and conclusions of its ICAAP, including the institution's solvency need.

As part of the ICAAP, management identifies the risks to which the Group is exposed for the purpose of assessing its risk profile. The Group also determines the risks to be covered by capital and thus to be included in the determination of its solvency need. In addition, the ICAAP involves capital planning to ensure that the Group is sufficiently capitalised for the years ahead. One of the planning tools is stress testing.

## Solvency need

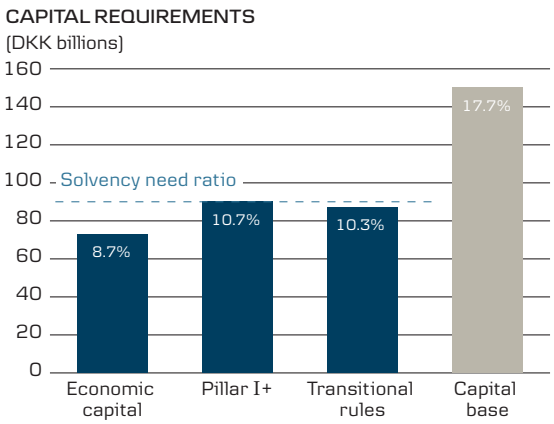
The Group calculates its solvency need on the basis of a number of factors, including the highest of the following requirements:

- The capital requirement according to the Group's internal model for economic capital.
- The capital requirement under Pillar I plus a supplement to address risks that are not covered by Pillar I, such as pension risk, business risk and other current risks (Pillar I+).
- The capital requirement under the Basel II transitional rules, which are in force until the end of 2011.

Both the Pillar I+ requirement and economic capital are supplemented by add-ons to reflect any uncertainty about the risk models, and the capital level is subject to ongoing qualitative adequacy assessments.

At the end of 2010, the Group's solvency need was DKK 90.0 billion. The actual capital base thus included a massive capital buffer of DKK 59.7 billion at 31 December 2010.

CAPITAL REQUIREMENTS




The calculation of the solvency need for the Danske Bank Group and Danske Bank A/S is described in more detail in Risk Management 2010 and Internal Capital Adequacy Assessment 2010, both available at www.danskebank.com/ir. Risk Management 2010 also provides details on the management of credit risk, market risk and liquidity risk.

## Stress testing

The Group uses macroeconomic stress tests in the ICAAP to project its capital need and capital levels under various unfavourable scenarios. Stress tests are an important means of analysing the Group's risk profile since they give management a better understanding of how portfolios are affected by macroeconomic changes, including the effects of negative events on the Group's capital. The tests ensure that the Group fulfils the regulatory capital requirements.

DANSKE BANK'S MAIN STRESS TEST SCENARIOS

| Scenario | Description |
|---|---|
| Mild recession | A geopolitical crisis dampens global demand temporarily. This scenario assumes a small economic contraction in the first year followed by a recovery. In the subsequent years, growth will be lower than assumed in the base case scenario. |
| Severe recession | The scenario assumes a deep international recession with a significant slump in global trade, which entails lower export demand. Domestic investment, consumption and house prices fall. Central banks around the world adopt a more expansionary monetary policy stance, and interest rates fall. |
| Regulatory scenarios | Danish FSA: Base case + two stress test scenarios.<br><br>CEBS: Base case + two stress test scenarios. |

Risk Management 2010, which is available at www.danskebank.com/ir, provides more information about stress testing.

# NEW REGULATIONS

New regulations for the financial sector are being proposed in the EU and beyond. The Group follows this process closely and supports measures that strengthen the resilience of the sector and its ability to support economic growth. The Group is of the opinion that the Basel III guidelines generally meet this criterion.

## Basel III

The Basel Committee's regulation of banks is laid down in the Basel III guidelines. The final Basel III framework was made public in December 2010. The EU Commission is expected to publish its directive (CRD IV) mid-2011 for implementation in domestic legislation at the beginning of 2013.

Basel III tightens capital requirements considerably and introduces new, international liquidity requirements, and the Group supports these measures. The final Basel III framework is problematic in relation to the Danish mortgage credit system, however. Besides creating special challenges for banks and mortgage credit institutions, the liquidity requirements may affect the stability of the Danish krone and increase customers' borrowing costs.

The proposed core tier 1 minimum capital requirement will be phased in gradually from the current 2% of risk-weighted assets to 7% by 2019. This figure includes a capital conservation buffer of 2.5%. Restrictions will be imposed on dividends and other payouts if banks fail to comply with the capital conservation buffer requirement. The Basel III proposal also contains stricter requirements for the quality of the capital that may count as core tier 1 capital and for the calculation of risk-weighted assets.

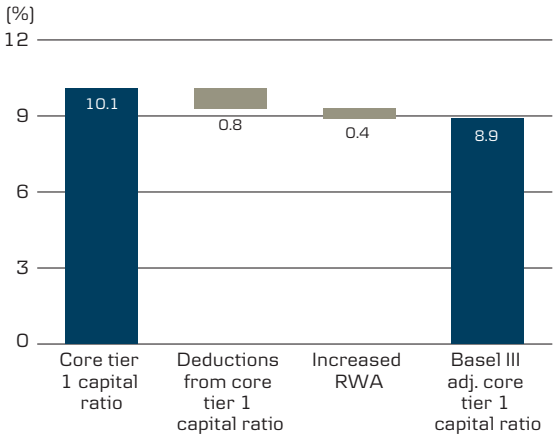
The Group estimates that the fully phased-in Basel III rules will reduce its current core tier 1 capital ratio of 10.1% by around 1.2 percentage point.

Two factors will reduce the Group's core tier 1 capital ratio. Firstly, risk-weighted assets for counterparty risk and market risk will increase and cause a decline of 0.4 of a percentage point. Secondly, the Group's statutory deductions from core tier 1 capital, primarily for the Group's investment in Danica, will cause a decline of 0.8 of a percentage point.

Under Basel III, the Group expects the current deduction of DKK 4.8 billion for its investment in Danica to be made fully from core tier 1 capital. As the deduction is currently made in equal parts from tier 1 capital and tier 2 capital, the Group does not expect the implementation of Basel III to affect the total deduction from its capital base.

Under EU rules, the Group is defined as a financial conglomerate. The European Commission is expected to propose an overhaul of the Financial Conglomerates Directive in 2011 or 2012. The Danish rules on financial conglomerates' recognition of insurance subsidiaries, including their subordinated debt, in solvency statements may be amended accordingly. Danica's subordinated debt of DKK 3 billion currently reduces the deduction from the Group's capital base.

BASEL III ADJUSTED CORE TIER 1 CAPITAL RATIO



Basel III contains a requirement for countercyclical buffers of up to 2.5% of risk-weighted assets. Such buffers will be in effect only in the event that national authorities judge an excessive credit growth to be associated with the build-up of system-wide risk. The countercyclical buffer is to be met with shareholders' equity. The Basel Committee is considering whether to permit other fully loss-absorbing capital, though. Until the Committee has issued further guidance, the countercyclical buffer is to be met with shareholders' equity only.

Basel III also introduces a leverage ratio defined as tier 1 capital in relation to total risk-adjusted assets. The Basel Committee has announced that the proposed leverage ratio of 3% will not be a specific requirement until 2018, however.

The Group estimates that at the end of 2010, its leverage ratio, adjusted for Basel III stipulations, was 3.6%. The EU Commission is expected to present its leverage ratio requirements mid-2011, and the estimate may therefore change.

The EU has not yet determined the final form of the liquidity requirements. If they are based on the final Basel III framework, significant changes in the Group's funding structure and the composition of the liquidity buffer will be necessary. Two of the main reasons for the changes are limited opportunities for including mortgage bonds in the buffer and non-recognition of funding with a term to maturity of less than one year.

### Solvency II (insurance)

Looking ahead to 2012, when the new international insurance solvency rules, Solvency II, take effect, the requirements for capital strength in the insurance area will be the focus of attention. The rules are intended to protect customers' funds and will generally increase the capital requirements. Danica is well prepared for the new rules.

### Other measures

In 2010, the EU reached agreement on a new supervisory structure. The new structure, which took effect on 1 January 2011, is intended to strengthen the supervision of the financial markets and institutions across the EU and to promote competition.

The new structure sets up three new EU supervisory bodies: for banking, securities markets, and insurance and pensions. These organisations will have strengthened powers in a number of areas, including the authority to issue binding technical standards to be implemented in national law.

The Group welcomes the new EU supervisory structure and fully supports measures that help strengthen national supervision and supervision across EU member states.

In November 2010, the G20 countries agreed on a set of recommendations and a schedule for the regulation and supervision of so-called systemically important financial institutions (SIFIs).

According to the recommendations, SIFIs – initially only global SIFIs – must have loss-absorbing capacity beyond the Basel III minimum requirements.

The Group's opinion is that any SIFI requirements must be based on a clear set of international rules to avoid competitive distortion because of local differences in the treatment of SIFIs. The EU Commission is expected to present proposals in the course of 2011.

Risk Management 2010 provides additional information about new regulations and the effects of Basel III.

# INVESTOR RELATIONS

The Investor Relations department is responsible for the Group's communications with investors and analysts. In accordance with the Group's overall policy of openness and transparency, Investor Relations ensures that stakeholders receive correct and adequate information through regular contact and the www.danskebank.com/ir site.

To support stakeholder relations, Investor Relations holds roadshows four times a year upon the release of the Group's financial reports. In 2010, the roadshows covered the Nordic countries, Europe, the US and Canada and attracted around 400 investors.

Investor Relations and senior management also build relations with analysts, shareholders and potential investors by presenting and discussing current issues of relevance to the Danske Bank Group at seminars and conferences in and outside Denmark.

At the end of 2010, 21 equity analysts (six in Denmark) had issued reports on Danske Bank.

## Danske Bank shares

Danske Bank shares are listed on NASDAQ OMX Copenhagen and are included in a number of Danish and international equity indices, for example the OMX Copenhagen 20 Index (OMXC20). At the end of 2010, Danske Bank shares had an index weighting of about 10.2%.

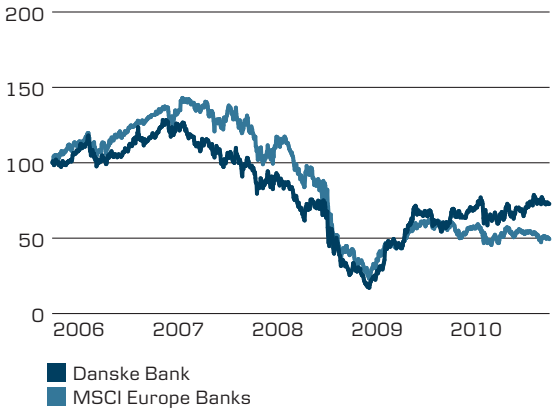
The share price rose from DKK 118.0 at 31 December 2009 to DKK 143.0 at 31 December 2010, an increase of 21%. In comparison, the OMXC20 index gained 36%, while the MSCI Europe Banks Index was down 14%.

The average daily trading volume of Danske Bank shares in 2010 was DKK 207 million, against DKK 205 million in 2009. Danske Bank shares were some of the most actively traded shares in the OMXC20 index.

| DANSKE BANK SHARES (DKK) | 2010 | 2009 |
|---|---|---|
| Share capital (millions) | 6,988 | 6,988 |
| Share price (end of year) | 143.0 | 118.0 |
| Total market capitalisation (end of year) (billions) | 99 | 81 |
| Earnings per share | 5.3 | 2.5 |
| Dividend per share | - | - |
| Book value per share | 151.4 | 145.8 |
| Share price/book value per share | 0.9 | 0.8 |

Over the past five years, Danske Bank shares have generated an average annual return of -6%, including dividends. The corresponding figure for the MSCI Europe Banks Index is -13%.

DANSKE BANK SHARES
Index 2006 = 100




## Dividend policy

Danske Bank's overall financial objective is to provide shareholders with a competitive return through share price appreciation and dividend payments.

Since 1 October 2010, and for as long as the Danish state holds hybrid capital in Danske Bank, the Group may distribute dividends if such dividends can be paid in full out of the net profit. The loan agreement with the Danish state also stipulates an increase in the interest rate if annual dividend payments exceed DKK 3.4 billion.

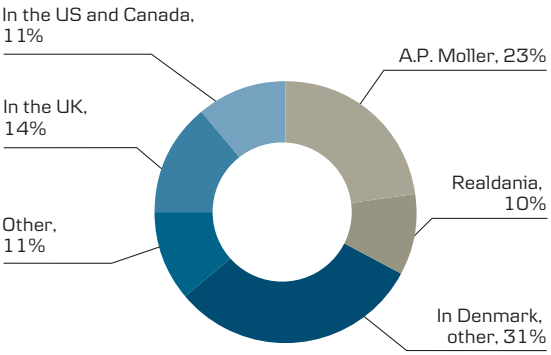
After the expiry of Bank Package I, dividend payments may again be made. With due consideration to the Group's capital needs, the Board of Directors wishes to distribute up to one third of the net profit for the year, assuming that the dividend payments do not result in an increase in the interest payments on the hybrid capital raised from the Danish state. The Board is recommending that no dividend be paid for 2010.

## Shareholders

At the end of 2010, Danske Bank had about 325,000 shareholders. Twenty investors owned about 49% of the share capital.

Danske Bank estimates that shareholders outside Denmark, mainly in the UK and the US, hold more than 36% of its share capital.

DANSKE BANK'S SHAREHOLDERS 2010




According to the Danish Companies Act, shareholders in a company must notify the company if the voting rights of their shares exceed 5% of the voting rights of the company's share capital, or if the nominal value of their shares exceeds 5% of the share capital. Shareholders must disclose changes in shareholdings if they exceed or fall below specified percentage thresholds. Two shareholder groups have notified Danske Bank that they hold more than 5% of the share capital:

- The A.P. Møller and Chastine Mc-Kinney Møller Foundation and companies of the A.P. Moller - Maersk Group, Copenhagen, hold 22.76% of the share capital.
- Realdania, Copenhagen, holds 10.07% of the share capital.

Each share entitles the holder to one vote, and all shares carry the same rights.

At the end of 2010, Danske Bank itself held around 1% of the share capital. These shares are held for obligations to compensate staff in the form of conditional shares and share options granted under share programmes in previous years and for investments on behalf of policy-holders and under pooled schemes.

# ORGANISATION AND MANAGEMENT

Good corporate governance is essential in maintaining investor confidence, meeting financial objectives and ensuring integrity and respect in relations with stakeholders, including shareholders, employees, customers, suppliers and public authorities.

The Group's management structure reflects the statutory requirements governing Danish listed companies in general and financial services institutions in particular. In all material respects, the Group complies with the recommendations issued by the Danish Committee on Corporate Governance and revised in the spring of 2010. NASDAQ OMX Copenhagen A/S requires all listed companies to comply with the recommendations or explain why they do not. Danske Bank's website provides explanations of the Group's status regarding each recommendation.

In addition to ensuring compliance with statutory requirements, the management structure provides optimal security in the administration of the Group's activities.

Key elements of the management structure are well-defined authorisations and business procedures, regular reporting and transparency regarding the Group's circumstances.

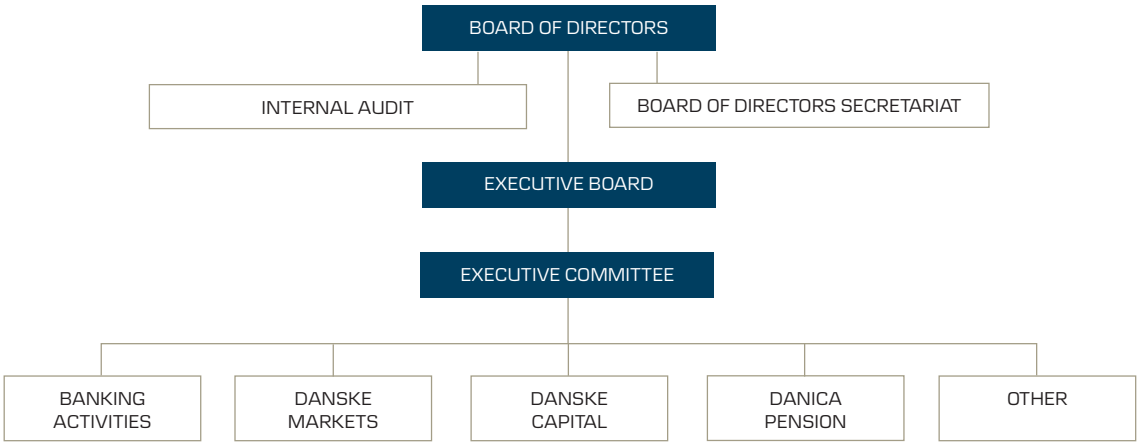
Standards for reporting, financial planning and control, risk management, credit approval, HR development, compliance and the shared IT platform ensure well-structured management of all activities.

Management's ambition is to continually adjust the management structure and the underlying processes to make sure the Group maintains the highest possible management standards and level of transparency for shareholders.

## General meeting

According to Danske Bank's articles of association, an annual general meeting must be held not later than 30 April. Extraordinary general meetings may be held if so decided by the general meeting or the Board of Directors or requested by one of the auditors appointed by the general meeting or by shareholders who jointly hold at least 5% of the shares.

DANSKE BANK'S MANAGEMENT STRUCTURE



In 2010, Danske Bank held its annual general meeting on 23 March. The agenda, presentation and webcast of the chairman's reports at this and previous general meetings are available on the Group's website. The next annual general meeting will be held on 29 March 2011.

The Board of Directors calls the general meeting by announcement in the Danish Commerce and Companies Agency's IT system and on the Group's website. Written notice of the general meeting is given to all registered shareholders who have filed a request to receive written notice. The general meeting must be called at three to five weeks' notice.

Shareholders are entitled to table proposals at the general meeting if they observe a few simple formalities. Proposals under the fixed items on the agenda may be made at the general meeting. Any shareholder is entitled to have special business added to the agenda of the general meeting. The shareholder must submit a written request to the Board of Directors, and the request must reach the Board at least six weeks before the general meeting takes place or within one week of the publication of the annual report.

Shareholders are entitled to attend the general meeting if they have requested an admission card at least three days before the meeting. At the meeting, they are entitled to one vote for each share they hold at the registration date, that is, one week before the date of the general meeting.

There is only one class of shares and no limitations on holdings, voting rights or other opportunities for shareholders to influence decisions.

The chairman of the general meeting, who is appointed by the Board of Directors, ensures that the meeting is conducted in an orderly manner. For this purpose, the articles of association vest the chairman of the meeting with the authority needed, including the right to arrange discussions, issues to be voted upon and voting methods and to conclude debates.

With effect from 2011, the Board of Directors plans to introduce electronic voting at general meetings. Resolutions will still be made by a simple majority of votes unless otherwise provided by law or the articles of association.

Resolutions to amend the articles of association that, under Danish law, cannot be made by the Board of Directors are passed only if adopted by at least two-thirds of the votes cast and by at least two-thirds of the share capital represented at the general meeting and entitled to vote.

A resolution to wind up Danske Bank by merger or voluntary liquidation can be passed only if adopted by at least three-quarters of the votes cast and by at least three-quarters of the share capital represented at the general meeting and entitled to vote.

### Board of Directors

Board candidates are nominated by shareholders or the Board of Directors and are then elected by the general meeting, which is the Group's highest decision-making authority. Every year, the Board of Directors reviews the Board's competency requirements. Danske Bank strives to ensure that the Board always has the appropriate size, composition and diversity in terms of age, gender and nationality to enable it to perform its responsibilities and management tasks. Danske Bank has set a retirement age for members of the Board of Directors: they must retire at the first annual general meeting after they attain the age of 70.

At present, the Board consists of 15 members; ten are elected by the general meeting, and five are staff representatives. Under Danish law,

employees are entitled to elect from among themselves a number of representatives equal to half of the number of members elected by the general meeting at the time of the announcement of the staff representative election.

Board members elected by the general meeting stand for election every year. Pursuant to Danish law, staff representatives serve on the Board for a four-year term and are elected separately by the Group's employees in Denmark. The five current staff representatives were elected in March 2010, and their term of office will therefore expire in 2014.

Under the current management structure, the Board of Directors outlines the overall principles that govern the affairs of the Group, while the Executive Board is in charge of day-to-day management, observing the guidelines and regulations issued by the Board of Directors. The rules of procedure for the Board of Directors and the Executive Board lay down the precise division of duties and responsibilities. A summary of these rules is available at www.danskebank.com.

The Board of Directors meets about 12 times a year as scheduled in a meeting plan for each calendar year. Once or twice a year, the Board holds an extended meeting to discuss the Group's strategic situation. The Board held 16 meetings in 2010; four were conference calls to make decisions, and one was an extended strategy meeting.

The Board of Directors appoints the Executive Board, the secretary to the Board of Directors and the Group chief auditor and determines their remuneration.

During the past three years, the Board of Directors has systematically evaluated its performance on the basis of a number of criteria. In the process, the board members have examined the Board's overall performance and the individual members' contributions. The evaluation process will continue under the supervision of the chairman. The outcome of the evaluation process is discussed by the Board of Directors, and affects the nomination of new board members.

The Board of Directors will propose to the general meeting for 2010 that the members elected by the general meeting be re-elected, except for Sten Scheibye, Birgit Aagaard-Svendsen and Alf Duch-Pedersen, who have decided not to offer themselves for re-election. The Board of Directors will propose to the general meeting that Niels Bjørn Christiansen, chief executive officer of Danfoss A/S, be elected to the Board.

After the general meeting, the Board of Directors is expected to elect Vice Chairman Eivind Kolding new chairman.

### Board committees

The Board of Directors has appointed four committees to supervise specific areas and prepare cases for subsequent consideration by the full Board: the Audit Committee, the Credit and Risk Committee, the Remuneration Committee and the Nomination Committee.

The committees base their work on clearly defined and publicly disclosed charters that set forth their purposes and duties. The four committees, which report to the Board of Directors, are not authorised to make independent decisions.

The Audit Committee examines accounting, auditing and security issues. These are issues that the Board, the Audit Committee itself, the Group chief auditor or the external auditors believe deserve examination before they

are brought before the full Board. The Audit Committee held four meetings in 2010.

The Credit and Risk Committee monitors significant credit exposures as a preparation for review by the full Board. The committee operates as a credit hearing panel, monitors the quality of the Group's loan portfolio and reviews special renewal applications and exposures. It also monitors the Group's overall risk profile, risk management methods and capital structure. The Credit and Risk Committee held four meetings in 2010.

The Remuneration Committee monitors trends in remuneration levels and incentive programmes and checks that incentive programmes promote sustained, long-term value creation for shareholders. The Remuneration Committee held three meetings in 2010.

The Nomination Committee identifies potential board candidates and recommends them to the Board of Directors for election at the general meeting. The Nomination Committee held three meetings in 2010.

### Corporate governance recommendations

Danske Bank complies with all recommendations of the Danish Committee on Corporate Governance – except for one: When the Board sets up committees, members are selected on the basis of competence and experience.

The corporate governance recommendations classify members of boards of directors as either dependent or independent.

On the basis of the recommendations, a minority of the members of the Board of Directors are deemed "dependent" owing to their length of service on the Board or a material business relationship.

The Board will endeavour to continue having more than 50% independent board members, thus complying with the recommendations. But the decision rests with the shareholders. The Board does not consider the independence of each individual committee relevant and therefore does not always comply with the recommendation that the majority of the members of a Board committee be classified as independent.

The Board of Directors considers it important that the board members elected by the general meeting stand for election every year. The Board does not consider the term of office to be decisive for the assessment of individual board members' ability to serve independently. At a large and complex financial services provider such as Danske Bank, the Board of Directors considers seniority to be a valuable asset. The Board naturally reviews the objectivity and integrity of each individual board member on a regular basis.

The following members have served for a period longer than 12 years:

Birgit Aagaard-Svendsen
Sten Scheibye
Claus Vastrup

Danske Bank is exposed to companies at which members of the Board of Directors are involved in management, and the Board of Directors has assessed the independence of these members in accordance with the material business relationship criterion. This includes considering whether the individual exposures could relatively easily be transferred to another bank and the implications of this for Danske Bank.

Because of the confidentiality of a banking relationship, the Board has chosen not to disclose decisions regarding the individual members' independence.

No board member is allowed to participate in the processing of exposures to companies in which the member has any kind of interest.

On 4 March 2009, Birgit Aagaard-Svendsen was appointed chairman of the Audit Committee. She is the independent and competent member of the Audit Committee, in accordance with the Danish executive order on audit committees in undertakings and groups under the supervision of the Danish Financial Supervisory Authority.

### Executive Board

On 1 October 2010, Georg Schubiger, head of Group Business Development, joined the Executive Board and was at the same time appointed head of the Group's Shared Services Centre. Sven Lystbæk retired on 31 December 2010, and on 1 January 2011, Henrik Ramlau-Hansen joined the Executive Board as the new head of Group Finance. The Executive Board now consists of Peter Straarup, Chairman; Tonny Thierry Andersen, head of Banking Activities Denmark; Thomas F. Borgen, head of the Group's international banking activities, Corporate and Institutional Banking, Danske Markets and Group Treasury; Henrik Ramlau-Hansen, head of Group Finance; Georg Schubiger, head of Group Business Development and Shared Services Centre; and Per Skovhus, head of Group Credit.

### Executive Committee

The Executive Committee is a co-ordinating forum whose principal objective is to take an overall view of Group activities with particular focus on the interaction between support functions, individual business units and country organisations.

The organisational adjustments made on 1 October 2010 led to a number of Executive Committee changes. Mikael Ericson joined the Group as head of Corporate and Institutional Banking, a new unit, and Henrik Normann, who was previously in charge of Banking Activities Denmark, took over as head of Danske Markets. Group Treasury was split off from Danske Markets, and Steen Blaafalk took over as head of Group Treasury. Mr Blaafalk was previously head of Danske Markets.

The Executive Committee now consists of 19 members, including the Executive Board.

### Management remuneration and remuneration policy

The Board of Directors has adopted a remuneration policy that was approved by the general meeting most recently in March 2008. The principles of the Group's remuneration policy reflect its objectives of good corporate governance and sustained, long-term value creation for shareholders. The Board of Directors is responsible for amending the policy, if required, and for submitting amended versions of the policy to the general meeting for approval.

Members of the Board of Directors receive a fixed fee. They are not covered by incentive programmes and do not receive performance-based compensation. The remuneration of the Board of Directors is subject to the approval of the general meeting when it considers the annual report. The Board of Directors determines the Executive Board's remuneration, which consists of a fixed salary, various types of performance-based compensation and a pension. If members of the Board of Directors and the Executive Board hold directorships in Danske Bank subsidiaries, fees for such directorships are deducted from their fixed contractual salaries.

Because Danske Bank raised hybrid capital from the Danish state, the members of the Board of Directors and the Executive Board may not receive remuneration based on share options.

In 2009, Danske Bank suspended the programme for performance-based cash compensation, which had previously been part of its remuneration programme. Since then, only employees in Danske Markets and Danske Capital have been eligible for performance-based compensation.

The European Union's revised Capital Requirements Directive (CRD), which sets out capital adequacy rules for financial institutions, and the Danish Financial Business Act in particular have each had an effect on the rules for financial sector remuneration. The new, stricter rules mean an expansion of the Group's duty to disclose the remuneration of the Board of Directors, the Executive Board and other risk takers.

According to the main guidelines, the Group must

- establish a remuneration committee to set out the remuneration policy (including business procedures for compliance with the policy) and monitor compliance with the policy
- identify staff members whose activities have a material effect on the Group's risk profile (risk takers)
- comply with special rules for the composition of the remuneration of the Board of Directors, the Executive Board and special risk takers
- disclose information about the remuneration of the Board of Directors, the Executive Board and risk takers

Including the Executive Board members registered by the Danish Commerce and Companies Agency, the Group has identified 149 persons as material risk takers according to Danish FSA rules.

The rules for remuneration of the Board of Directors, the Executive Board and risk takers mean that limits are placed on the size of performance-based compensation and that payment of part of such remuneration is deferred until a later date. Recipients may lose part or all of their deferred remuneration, depending on future results. Members of the Board of Directors receive a fixed fee only.

In compliance with the rules for documentation of remuneration practices, the Group will, once a year from 2011, issue a special report outlining the principles for remuneration of staff covered by the new rules.

Proposals for the Group's remuneration policy and performance-based compensation programmes for 2011 are submitted to the general meeting for approval:

- Incentive programme for the Executive Board with the possibility of performance-based compensation of up to 20% of the fixed salary. Shares account for 50% of performance-based compensation, and 75% is deferred and subject to further performance targets.
- Incentive programme for selected specialists and managers (about 700 participants) with the possibility of performance-based compensation of up to three months' salary.

As in 2010, staff in capital market functions will be covered by performance-based compensation programmes in 2011. A substantial part of the performance-based compensation will take the form of conditional shares and will be deferred.

In line with international recommendations, staff members in control functions do not receive performance-based compensation.

Note 9 of the consolidated financial statements provides individual remuneration and salary details for the Board of Directors and the Executive Board.

### Internal control and risk management systems in financial reporting

As laid down in the Danish Financial Business Act, the Board of Directors is responsible for ensuring that the Executive Board maintains effective procedures to identify, monitor and report risks and uphold adequate control procedures as well as satisfactory IT controls and security measures. The division of responsibilities between the Board of Directors and the Executive Board is outlined above.

The Executive Board regularly assesses and adjusts the internal control and risk management systems used in the financial reporting process to maintain a high level of reporting.

The key elements of good accounting practices are well-defined authorisations, a segregation of duties, regular reporting and transparency in the Group's circumstances. The shared IT platform helps provide the documentation of accounting data across the Group and reduce financial reporting risks. Group Finance regularly assesses financial reporting risks, with particular attention to items where estimates and assessments may have a material effect on the value of assets and liabilities. The note on critical accounting policies lists these items.

The Executive Board has implemented controls to eliminate financial reporting risks that have been identified and regularly monitors changes in and compliance with relevant legislation and other financial reporting regulations. The purpose of the controls is to prevent, detect and correct reporting errors and irregularities. Although controls reduce the risk, they provide no guarantee against such errors and irregularities.

The Group has a well-established procedure of daily and monthly reporting, including deviation reports for the individual organisational levels. Internal management reporting is based on the same principles as external reporting, and local and central units use the same data and reporting systems. Group Finance reviews the reports and uses them to prepare the consolidated financial statements to be submitted to the Executive Board.

The Group has an internal audit department (Internal Audit). This department reports to the Board of Directors and regularly reviews internal management reporting and external reporting (interim and annual reports). Internal Audit also performs operational audits, focusing on key areas of the Group's risk management procedures, including risk reporting.

The Executive Board regularly reports to the Board of Directors and its committees on compliance with the risk and investment framework set out and with statutory investment rules. The Board of Directors also receives accounting information on an ongoing basis. Group Compliance and Internal Audit regularly submit reports to the Board of Directors on compliance with rules and regulations, including any violation of internal business procedures and policies. Once a year, Internal Audit submits a report to the Audit Committee with information about the effectiveness of financial reporting and risk management processes.

The www.danskebank.com/corporategovernance site gives a complete overview of Danske Bank's compliance with the recommendations of the Danish Committee on Corporate Governance and provides more information about corporate governance at Danske Bank.

# CORPORATE RESPONSIBILITY

Corporate Responsibility (CR) is an important element of the Group's business strategy.

### Supplier requirements

In 2009, the Group decided to expand its collaboration with suppliers in order to advance its efforts to comply with the 10 principles of the UN's Global Compact.

In 2010, the Group therefore adopted a new supplier policy and set up a system to monitor the social, ethical and environmental risks involved in cooperating with strategic suppliers. A steering committee with representatives from relevant Group units is responsible for implementing the policy. The policy and a description of the supplier screening process are available at www.danskebank.com/responsibility.

### Three years of financial literacy

In 2008, the Group launched its programme to promote financial literacy among children and young people. Moneyville, the online universe for children aged 5 to 7, was introduced in 2008, and a game for 8- and 9-year-olds was added in 2009. At the end of 2010, 1,063,968 Danish children, parents and teachers had visited the web-site, which continues to attract new visitors.

In 2010, the Group expanded the Financial Literacy and Education Investment Programme with two new initiatives. Targeted at 10- to 15-year-olds, Control Your Money is intended for use in mathematics teaching.

The programme was tested by 94 teachers at 55 schools. A survey of 52 respondents showed that 98% of the teachers would recommend Control Your Money to their colleagues.

Another survey conducted by a research institute for Danske Bank among 2,700 young people aged 18 to 27 showed that their knowledge of personal finance was inadequate. The Group wants to help bridge this knowledge gap and therefore launched the Mind Your Money learning site in 2010. More than 80,000 young people have visited the site, which offers budget modules and calculators.

To develop its dialogue with young people, the Group created a Mind Your Money page on Facebook. Four young bank advisers manage the page and share their personal finance experience with visitors, answer questions and give advice on money and personal finance.

### New energy savings goal

In 2009, the Danske Bank Group reached its goal of carbon neutrality through a reduction of own $CO_2$ emissions and purchases of carbon credits from four environmental projects.

In 2010, the Group cut its $CO_2$ emissions by 935 tonnes from the 2009 level and neutralised 55,000 tonnes of $CO_2$ through purchases of carbon credits. The relatively modest $CO_2$ emissions reduction should be seen in the light of the considerable reduction of 10,000 tonnes from 2008 to 2009. The modest reduction was also owing partly to a change in the method of collecting heating data that caused an increase of 2,264 tonnes in the Group's $CO_2$ emissions in 2010. On the other hand, $CO_2$ emissions from electricity consumption and paper consumption were down 2,182 tonnes and 205 tonnes, respectively.

Carbon neutrality serves as a catalyst for increased organisational efficiency, and the expenses for buying carbon credits are an incentive to reduce the Group's energy consumption and $CO_2$ emissions even further. In 2010, the Group completed a detailed survey of the potential energy savings in the Group's office buildings. This survey forms the basis

of the Group's new goal of cutting electricity consumption by 20% by 2014.

### Diversity in management

The Danske Bank Group wants to be an attractive workplace for everyone with the right qualifications, regardless of gender, ethnic background, age, and so on. Danske Bank considers diversity a strength that helps give it access to the most talented people. The Group therefore aims to work systematically on diversity and inclusion.

Since 2007, the Group has been offering a management training programme to women with management potential for the purpose of increasing the number of women at the middle and top management levels. In 2010, the Group strengthened this effort by signing the Danish Department of Gender Equality's Charter for more women in management. In signing the charter, the Group made a commitment to prepare a baseline report describing the current initiatives. This report will lay the foundation for a strategy for future work and for specific goals for the number of women in management.

In 2010, the Group also signed a recommendation for more women on boards, thus committing itself to making a concerted effort to develop and recruit more female managers for the Board of Directors.

### Socially responsible investment

In 2008, the Group implemented a Socially Responsible Investment (SRI) policy to ensure that it does not invest customer funds in businesses that do not comply with international guidelines on human rights, the environment, employee rights, weapons and anti-corruption.

In 2010, the Group increased its efforts in responsible investment by signing the UN's Principles for Responsible Investment (PRI). The Group made a commitment to report on the progress of policy implementation in an annual progress report. The first report will be submitted at the beginning of 2011.

### CR reporting

The Group has published a CR report together with Annual Report 2010. Corporate Responsibility 2010 covers the Group's CR activities in four main areas: business, staff, environment and society. Since 2007, the Group's CR reporting has complied with the Sustainability Reporting Guidelines issued by the Global Reporting Initiative (GRI).

Since 2007, the Group has supported the UN Global Compact, the largest voluntary network for corporate responsibility in the world. The UN Global Compact is based on 10 universally accepted principles for human rights, employee rights, the environment and anti-corruption. These principles set a common framework for businesses all over the world. As a Global Compact participant, every year the Group publishes a Communication on Progress report that describes how it attempts to fulfil the 10 principles.

In 2008, the Danish FSA's executive order on financial reports of credit institutions etc. was amended and now requires the Group to report on its CR work upon the release of the annual report.

The Group fulfils its reporting obligations by referring to Communication on Progress 2010, which is available at www.unglobalcompact.org.

## FINANCIAL STATEMENTS – DANSKE BANK GROUP


**50 Income statement**
**51 Statement of comprehensive income**
**52 Balance sheet**
**53 Statement of capital**
**56 Cash flow statement**
**57 Notes**
57 1 Critical accounting policies
61 2 Business segmentation
65 3 Banking Activities – geographical breakdown
66 4 Net interest and net trading income
67 5 Fee income and fee expenses
67 6 Other income
67 7 Net premiums
68 8 Net insurance benefits
68 9 Staff costs and administrative expenses
73 10 Audit fees
73 11 Amortisation, depreciation and impairment charges
73 12 Loan impairment charges
74 13 Tax
76 14 Cash in hand etc.
76 15 Due from credit institutions
76 16 Trading portfolio
79 17 Investment securities
79 18 Loans and advances
80 19 Loans and advances at fair value etc.
80 20 Pooled schemes and unit-linked investment contracts
81 21 Assets and liabilities under insurance contracts
82 22 Holdings in associated undertakings
84 23 Intangible assets
87 24 Investment property
88 25 Tangible assets
89 26 Other assets
89 27 Due to credit institutions
89 28 Deposits
90 29 Deferred tax
91 30 Other liabilities
92 31 Subordinated debt
94 32 Expected due dates
95 33 Contractual due dates
96 34 Pension plans
98 35 Risk-weighted assets
99 36 Contingent liabilities and events after the balance sheet date
100 37 Repo and reverse transactions

100 38 Assets deposited as collateral
101 39 Leasing
102 40 Acquisition of group undertakings
102 41 Related parties
103 42 Danske Bank shares held by the Board of Directors and the Executive Board
104 43 Fair value information
108 44 Group holdings and undertakings
109 45 Significant accounting polices
120 **Definition of key financial ratios**
121 **Risk management**
121 Risk exposure
121 Capital base
122 Credit risk
136 Market risk
138 Liquidity risk
140 Insurance risk
142 Pension risk
143 **Highlights, ratios and key figures**

144 FINANCIAL STATEMENTS OF THE PARENT COMPANY, DANSKE BANK A/S

162 STATEMENT AND REPORTS
162 **Statement by the management**
163 **Auditors' reports**

165 MANAGEMENT AND DIRECTORSHIPS
165 **Board of Directors**
167 **Executive Board**

# INCOME STATEMENT – DANSKE BANK GROUP

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| 4 | Interest income | 79,625 | 112,326 |
| 4 | Interest expense | 43,642 | 64,784 |
| | Net interest income | 35,983 | 47,542 |
| 5 | Fee income | 11,803 | 10,464 |
| 5 | Fee expenses | 3,714 | 3,222 |
| 4 | Net trading income | 5,984 | 14,101 |
| 6 | Other income | 4,798 | 3,919 |
| 7 | Net premiums | 18,253 | 17,051 |
| 8 | Net insurance benefits | 26,172 | 29,821 |
| | Income from associated undertakings | 84 | 288 |
| | Profit on sale of associated and group undertakings | 659 | 5 |
| 9 | Staff costs and administrative expenses | 24,014 | 24,915 |
| 11 | Amortisation, depreciation and impairment charges | 3,397 | 4,980 |
| | Profit before loan impairment charges | 20,267 | 30,432 |
| 12 | Loan impairment charges | 13,817 | 25,677 |
| | Profit before tax | 6,450 | 4,755 |
| 13 | Tax | 2,786 | 3,042 |
| | Net profit for the year | 3,664 | 1,713 |
| | Portion attributable to | | |
| | shareholders of Danske Bank A/S (the Parent Company) | 3,661 | 1,727 |
| | non-controlling interests | 3 | -14 |
| | Net profit for the year | 3,664 | 1,713 |
| | Earnings per share (DKK) | 5.3 | 2.5 |
| | Diluted earnings per share (DKK) | 5.3 | 2.5 |
| | Proposed dividend per share (DKK) | - | - |

# STATEMENT OF COMPREHENSIVE INCOME – DANSKE BANK GROUP

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| | Net profit for the year | 3,664 | 1,713 |
| | Other comprehensive income | | |
| | Translation of units outside Denmark | 1,009 | 446 |
| | Hedging of units outside Denmark | -961 | -340 |
| | Unrealised value adjustments of available-for-sale financial assets | -145 | 291 |
| | Realised value adjustments of available-for-sale financial assets | 44 | 417 |
| 13 | Tax on other comprehensive income | 242 | -119 |
| | Total other comprehensive income | 189 | 695 |
| | Total comprehensive income for the year | 3,853 | 2,408 |
| | | | |
| | Portion attributable to | | |
| | shareholders of Danske Bank A/S (the Parent Company) | 3,850 | 2,422 |
| | non-controlling interests | 3 | -14 |
| | Total comprehensive income for the year | 3,853 | 2,408 |

# BALANCE SHEET – DANSKE BANK GROUP

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| | ASSETS | | |
| 14 | Cash in hand and demand deposits with central banks | 35,403 | 33,714 |
| 15 | Due from credit institutions and central banks | 228,100 | 202,356 |
| 16 | Trading portfolio assets | 641,993 | 620,052 |
| 17 | Investment securities | 118,556 | 118,979 |
| 18 | Loans and advances at amortised cost | 1,146,731 | 1,127,142 |
| 19 | Loans at fair value | 701,715 | 688,473 |
| 20 | Assets under pooled schemes and unit-linked investment contracts | 59,698 | 45,909 |
| 21 | Assets under insurance contracts | 217,515 | 196,944 |
| 22 | Holdings in associated undertakings | 1,040 | 1,086 |
| 23 | Intangible assets | 22,936 | 23,037 |
| 24 | Investment property | 4,799 | 4,948 |
| 25 | Tangible assets | 7,861 | 8,800 |
| | Current tax assets | 1,404 | 2,274 |
| 29 | Deferred tax assets | 1,693 | 2,120 |
| 26 | Other assets | 24,442 | 22,643 |
| | Total assets | 3,213,886 | 3,098,477 |
| | LIABILITIES | | |
| 27 | Due to credit institutions and central banks | 317,988 | 311,169 |
| 16 | Trading portfolio liabilities | 478,386 | 380,567 |
| 28 | Deposits | 861,053 | 859,580 |
| 19 | Bonds issued by Realkredit Danmark | 555,486 | 517,055 |
| 20 | Deposits under pooled schemes and unit-linked investment contracts | 67,277 | 53,133 |
| 21 | Liabilities under insurance contracts | 238,132 | 223,876 |
| | Other issued bonds | 450,219 | 514,601 |
| | Current tax liabilities | 858 | 1,197 |
| 29 | Deferred tax liabilities | 6,003 | 5,391 |
| 30 | Other liabilities | 56,406 | 51,247 |
| 31 | Subordinated debt | 77,336 | 80,002 |
| | Total liabilities | 3,109,144 | 2,997,818 |
| | SHAREHOLDERS' EQUITY | | |
| | Share capital | 6,988 | 6,988 |
| | Foreign currency translation reserve | -136 | -184 |
| | Reserve for available-for-sale financial assets | -1,330 | -1,229 |
| | Retained earnings | 99,205 | 95,084 |
| | Proposed dividends | - | - |
| | Shareholders of Danske Bank A/S (the Parent Company) | 104,727 | 100,659 |
| | Non-controlling interests | 15 | - |
| | Total shareholders' equity | 104,742 | 100,659 |
| | Total liabilities and equity | 3,213,886 | 3,098,477 |

# STATEMENT OF CAPITAL – DANSKE BANK GROUP

(DKK millions)

**Changes in shareholders' equity**

| | Shareholders of Danske Bank A/S (the Parent Company) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Foreign currency translation reserve | Reserve for available-for-sale assets | Retained earnings | Proposed dividends | Total | Non-controlling interests | Total |
| Shareholders' equity at 1 January 2010 | 6,988 | -184 | -1,229 | 95,084 | - | 100,659 | - | 100,659 |
| Net profit for the year | - | - | - | 3,661 | - | 3,661 | 3 | 3,664 |
| Other comprehensive income | | | | | | | | |
| Translation of units outside Denmark | - | 1,009 | - | - | - | 1,009 | - | 1,009 |
| Hedging of units outside Denmark | - | -961 | - | - | - | -961 | - | -961 |
| Unrealised value adjustments of available-for-sale financial assets | - | - | -145 | - | - | -145 | - | -145 |
| Realised value adjustments of available-for-sale financial assets | - | - | 44 | - | - | 44 | - | 44 |
| Tax on other comprehensive income | - | - | - | 242 | - | 242 | - | 242 |
| Total other comprehensive income | - | 48 | -101 | 242 | - | 189 | - | 189 |
| Total comprehensive income for the year | - | 48 | -101 | 3,903 | - | 3,850 | 3 | 3,853 |
| Transactions with owners | | | | | | | | |
| Dividends paid | - | - | - | - | - | - | - | - |
| Acquisition of own shares | - | - | - | -19,195 | - | -19,195 | - | -19,195 |
| Sale of own shares | - | - | - | 19,316 | - | 19,316 | - | 19,316 |
| Share-based payments | - | - | - | 154 | - | 154 | - | 154 |
| Acquisition of non-controlling interests | - | - | - | - | - | - | 12 | 12 |
| Tax on entries on shareholders' equity | - | - | - | -57 | - | -57 | - | -57 |
| Shareholders' equity at 31 December 2010 | 6,988 | -136 | -1,330 | 99,205 | - | 104,727 | 15 | 104,742 |
| | | | | | | | | |
| Shareholders' equity at 1 January 2009 | 6,988 | -290 | -1,937 | 93,464 | - | 98,225 | 22 | 98,247 |
| Net profit for the year | - | - | - | 1,727 | - | 1,727 | -14 | 1,713 |
| Other comprehensive income | | | | | | | | |
| Translation of units outside Denmark | - | 446 | - | - | - | 446 | - | 446 |
| Hedging of units outside Denmark | - | -340 | - | - | - | -340 | - | -340 |
| Unrealised value adjustments of available-for-sale financial assets | - | - | 291 | - | - | 291 | - | 291 |
| Realised value adjustments of available-for-sale financial assets | - | - | 417 | - | - | 417 | - | 417 |
| Tax on other comprehensive income | - | - | - | -119 | - | -119 | - | -119 |
| Total other comprehensive income | - | 106 | 708 | -119 | - | 695 | - | 695 |
| Total comprehensive income for the year | - | 106 | 708 | 1,608 | - | 2,422 | -14 | 2,408 |
| Transactions with owners | | | | | | | | |
| Dividends paid | - | - | - | - | - | - | -8 | -8 |
| Acquisition of own shares | - | - | - | -17,358 | - | -17,358 | - | -17,358 |
| Sale of own shares | - | - | - | 17,315 | - | 17,315 | - | 17,315 |
| Share-based payments | - | - | - | 36 | - | 36 | - | 36 |
| Tax on entries on shareholders' equity | - | - | - | 19 | - | 19 | - | 19 |
| Shareholders' equity at 31 December 2009 | 6,988 | -184 | -1,229 | 95,084 | - | 100,659 | - | 100,659 |

For as long as the Danish state holds hybrid capital in Danske Bank and guarantees bond issues, Danske Bank may distribute dividends if such dividends can be paid in full out of the net profit.

# STATEMENT OF CAPITAL – DANSKE BANK GROUP

| (DKK millions) | 2010 | 2009 |
|---|---|---|
| **Earnings per share** | | |
| Net profit for the year | 3,661 | 1,727 |
| Average number of shares outstanding | 691,532,605 | 689,697,409 |
| Number of dilutive shares issued for share-based payments | - | - |
| Average number of shares outstanding, including dilutive shares | 691,532,605 | 689,697,409 |
| Earnings per share (DKK) | 5.3 | 2.5 |
| Diluted earnings per share (DKK) | 5.3 | 2.5 |

The share capital consists of shares of a nominal value of DKK 10 each. All shares carry the same rights; there is thus only one class of shares.

| | | |
|---|---|---|
| **Number of shares outstanding** | | |
| Issued at 31 December | 698,804,276 | 698,804,276 |
| Group holding of own shares | 7,013,181 | 8,648,950 |
| Shares outstanding at 31 December | 691,791,095 | 690,155,326 |

| **Holding of own shares** | Number 2010 | Number 2009 | Value 2010 | Value 2009 |
|---|---|---|---|---|
| Trading portfolio | 3,364,430 | 3,831,953 | 481 | 452 |
| Investment on behalf of customers | 3,648,751 | 4,816,997 | 522 | 568 |
| Total | 7,013,181 | 8,648,950 | 1,003 | 1,020 |

| | Trading portfolio | Investment on behalf of customers | Total 2010 | Total 2009 |
|---|---|---|---|---|
| Holding at 1 January | 452 | 568 | 1,020 | 468 |
| Acquisition of own shares | 19,152 | 43 | 19,195 | 17,358 |
| Sale of own shares | 19,129 | 187 | 19,316 | 17,315 |
| Value adjustment | 6 | 98 | 104 | 509 |
| Holding at 31 December | 481 | 522 | 1,003 | 1,020 |

The Board of Directors is authorised to let Danske Bank acquire own shares up to a total nominal amount of 10% of Danske Bank's share capital. The shares may be held for ownership or provided as collateral. If shares are acquired for ownership, the acquisition price may not deviate by more than 10% from the quoted price at the time of acquisition.

The Group plans to raise about DKK 20 billion of new share capital in the first half of 2011 and has requested permission from the Danish government to prepay the state hybrid capital. The financial review contains additional information.

# STATEMENT OF CAPITAL – DANSKE BANK GROUP

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| | **Capital base and total capital ratio** | | |
| | Shareholders' equity | 104,742 | 100,659 |
| | Revaluation of domicile property | 1,253 | 1,275 |
| | Pension obligations at fair value | -73 | -1,155 |
| | Tax effect | 2 | 262 |
| | Non-controlling interests | 3,002 | 2,984 |
| | Shareholders' equity calculated in accordance with the rules of the Danish FSA | 108,926 | 104,025 |
| | Proposed dividends | - | - |
| | Intangible assets of banking operations | -22,666 | -23,140 |
| | Deferred tax assets | -1,548 | -2,223 |
| | Deferred tax on intangible assets | 1,069 | 1,229 |
| | Revaluation of real property | -675 | -753 |
| | Core tier 1 capital | 85,106 | 79,138 |
| | Hybrid capital | 42,208 | 41,099 |
| | Difference between expected losses and impairment charges | - | - |
| | Statutory deduction for insurance subsidiaries | -2,422 | -2,308 |
| | Other statutory deductions | -55 | - |
| | Total tier 1 capital | 124,837 | 117,929 |
| | Subordinated debt, excluding hybrid capital | 26,710 | 31,969 |
| | Hybrid capital | - | - |
| | Revaluation of real property | 675 | 753 |
| | Difference between expected losses and impairment charges | - | - |
| | Statutory deduction for insurance subsidiaries | -2,422 | -2,308 |
| | Other statutory deductions | -55 | - |
| | Capital base | 149,745 | 148,343 |
| 35 | Risk-weighted assets | 844,209 | 834,242 |
| | Core tier 1 capital ratio (%) | 10.1 | 9.5 |
| | Tier 1 capital ratio (%) | 14.8 | 14.1 |
| | Total capital ratio (%) | 17.7 | 17.8 |

# CASH FLOW STATEMENT – DANSKE BANK GROUP

| (DKK millions) | 2010 | 2009 |
|---|---|---|
| **Cash flow from operations** | | |
| Profit before tax | 6,450 | 4,755 |
| Adjustment for non-cash operating items | | |
| Adjustment of income from associated undertakings | -84 | -293 |
| Amortisation and impairment charges for intangible assets | 984 | 2,517 |
| Depreciation and impairment charges for tangible assets | 1,385 | 1,520 |
| Loan impairment charges | 13,817 | 25,677 |
| Tax paid | -1,076 | -1,568 |
| Other non-cash operating items | -3,721 | 7,651 |
| Total | 17,755 | 40,259 |
| | | |
| Changes in operating capital | | |
| Cash in hand and demand deposits with central banks | 14,204 | -232,365 |
| Trading portfolio | 75,878 | -1,987 |
| Other financial instruments at fair value | -2,490 | -2,950 |
| Loans and advances at amortised cost | -33,406 | 199,294 |
| Loans at fair value | -13,242 | -21,292 |
| Deposits | 1,474 | -15,110 |
| Bonds issued by Realkredit Danmark | 38,431 | 37,521 |
| Assets/liabilities under insurance contracts | -6,315 | -3,081 |
| Other assets/liabilities | -52,024 | 4,203 |
| Cash flow from operations | 40,265 | 4,492 |
| | | |
| **Cash flow from investing activities** | | |
| Acquisition of group undertakings and other business units | - | - |
| Sale of group undertakings and other business units | - | 7 |
| Acquisition of own shares | -19,195 | -17,358 |
| Sale of own shares | 19,316 | 17,315 |
| Acquisition of intangible assets | -362 | -332 |
| Acquisition of tangible assets | -452 | -2,305 |
| Sale of tangible assets | 80 | 82 |
| Cash flow from investing activities | -613 | -2,591 |
| | | |
| **Cash flow from financing activities** | | |
| Increase in subordinated debt and hybrid capital | - | 26,020 |
| Redemption of subordinated debt and hybrid capital | -4,848 | -4,839 |
| Dividends | - | - |
| Change in non-controlling interests | 15 | -22 |
| Cash flow from financing activities | -4,833 | 21,159 |
| | | |
| Cash and cash equivalents at 1 January | 225,788 | 202,728 |
| Change in cash and cash equivalents | 34,819 | 23,060 |
| Cash and cash equivalents at 31 December | 260,607 | 225,788 |
| | | |
| Cash and cash equivalents at 31 December | | |
| Cash in hand and demand deposits with central banks | 35,403 | 33,714 |
| Amounts due from credit institutions and central banks within three months | 225,204 | 192,074 |
| Total | 260,607 | 225,788 |

The list of group holdings and undertakings provides information about restrictions on the use of cash flows from group undertakings.

Note

1 **Critical accounting policies**

The Danske Bank Group presents its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the EU. Note 45 presents the Group's significant accounting policies.

Management's estimates and assumptions of future events that will significantly affect the carrying amounts of assets and liabilities underlie the preparation of the Group's consolidated financial statements. The estimates and assumptions that are deemed critical to the consolidated financial statements are

- the fair value measurement of financial instruments
- the measurement of loans and advances
- the measurement of goodwill
- the measurement of liabilities under insurance contracts
- the measurement of the net obligation for defined benefit pension plans
- the recognition of deferred tax assets

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

*Fair value measurement of financial instruments*

Measurements of financial instruments based on prices quoted in an active market or based on generally accepted models employing observable market data are not subject to critical estimates.

Measurements of financial instruments that are only to a limited extent based on observable market data, such as unlisted shares and certain bonds for which there is no active market, are subject to estimates. The sections on determination of fair value in note 45 and note 43 provide more details and contain a sensitivity analysis. At end-2010, such financial instruments accounted for around 0.5% of total assets.

*Measurement of loans and advances*

The Group makes impairment charges to account for any impairment of loans and advances that occurs after initial recognition. Impairment charges consist of individual and collective charges and rely on a number of estimates, including identification of loans or portfolios of loans with objective evidence of impairment, expected future cash flows and the expected value of collateral. The notes on risk management provide more details on impairment charges for loans and advances and on the sensitivity of such charges to a general rating migration and a reduction of the value of collateral held. At end-2010, loans and advances accounted for around 58% of total assets.

*Measurement of goodwill*

Goodwill on acquisition is tested for impairment at least once a year. Impairment testing requires that management estimate future cash flows from acquired units. A number of factors affect the value of such cash flows, including discount rates, changes in the real economy, customer behaviour, competition and other variables. Note 23 provides more information about impairment testing. At end-2010, goodwill accounted for less than 1% of total assets.

*Measurement of liabilities under insurance contracts*

The calculation of liabilities under insurance contracts is based on a number of actuarial computations that rely on assumptions about a number of variables, including mortality and disability rates. These assumptions are based on the portfolio of insurance policies. The liabilities are also affected by the discount rate: The discount rate is a zero-coupon yield curve estimated on the basis of euro swap market rates to which is added the spread between Danish and German government bonds. Until the end of 2012, a mortgage yield curve spread is also added. The notes on risk management contain a sensitivity analysis. At end-2010, liabilities under insurance contracts accounted for less than 8% of total liabilities.

*Measurement of defined benefit pension plans*

The calculation of the net obligation for defined benefit pension plans is based on computations made by external actuaries. These computations rely on assumptions about a number of variables, including discount and mortality rates and salary increases. The application of the corridor method to defined benefit pension plans limits fluctuations in the figures reported, unless changes are caused by plan adjustments. Note 34 provides details on the assumptions, and the section on pension risk in the notes on risk management contains a sensitivity analysis. At end-2010, the net pension obligation accounted for less than 0.01% of total liabilities.

*Deferred tax assets*

Deferred tax assets arising from unused tax losses are recognised to the extent that such losses can be offset against tax on future profit. Recognition of deferred tax assets requires that management assess the probability and amount of future taxable profit at units with unused tax losses. At end-2010, deferred tax assets stood at DKK 1.2 billion, or 0.04% of total assets. The tax base of unrecognised tax loss carryforwards, primarily relating to the Group's banking units in Ireland, amounted to DKK 1.1 billion. Note 29 provides more information about deferred tax.

Note

1 (cont'd) **Financial instruments and obligations under insurance contracts, classification and measurement**

| 2010 | Fair value | | | | Amortised cost | | | |
|---|---|---|---|---|---|---|---|---|
| | Directly through profit or loss | | | | | | | |
| (DKK billions) | Held-for-trading | Designated | Interest rate hedge** | Available-for-sale | Held-to-maturity | Loans and adv. | Liabilities | Total |
| ASSETS | | | | | | | | |
| Cash in hand and demand deposits with central banks | - | - | - | - | - | 35 | - | 35 |
| Due from credit institutions and central banks | - | - | - | - | - | 228 | - | 228 |
| Derivatives | 321 | - | 13 | - | - | - | - | 334 |
| Bonds | 307 | 15 | - | 89 | 11 | - | - | 422 |
| Shares | 2 | 3 | - | - | - | - | - | 5 |
| Loans and advances at amortised cost | - | - | 2 | - | - | 1,145 | - | 1,147 |
| Loans at fair value | - | 702 | - | - | - | - | - | 702 |
| Assets under pooled schemes and unit-linked investment contracts | - | 60 | - | - | - | - | - | 60 |
| Assets under insurance contracts | - | 193 | - | - | - | - | - | 193 |
| Total financial assets | 630 | 973 | 15 | 89 | 11 | 1,408 | - | 3,126 |
| LIABILITIES | | | | | | | | |
| Due to credit institutions and central banks | - | - | - | - | - | - | 318 | 318 |
| Trading portfolio liabilities | 475 | - | 3 | - | - | - | - | 478 |
| Deposits | - | - | - | - | - | - | 861 | 861 |
| Bonds issued by Realkredit Danmark | - | 555 | - | - | - | - | - | 555 |
| Deposits under pooled schemes and unit-linked investment contracts | - | 67 | - | - | - | - | - | 67 |
| Liabilities under insurance contracts* | - | 238 | - | - | - | - | - | 238 |
| Other issued bonds | - | - | 5 | - | - | - | 445 | 450 |
| Subordinated debt | - | - | 4 | - | - | - | 73 | 77 |
| Irrevocable loan commitments and guarantees | - | - | - | - | - | - | 4 | 4 |
| Total financial liabilities | 475 | 860 | 12 | - | - | - | 1,701 | 3,048 |

*Liabilities under insurance contracts are recognised at the present value of expected insurance benefits.

**The interest rate risk on fixed-rate financial assets and liabilities is hedged by derivatives (fair value hedging). The interest rate risk on bonds available for sale is also hedged by derivatives.

***Financial instruments – general***
Financial instruments account for more than 95% of total assets and liabilities.

Purchases and sales of financial instruments are measured at fair value at the settlement date.

*Classification*
At initial recognition, a financial asset is assigned to one of the following five categories:

- trading portfolio measured at fair value
- loans and advances measured at amortised cost
- held-to-maturity investments measured at amortised cost
- financial assets designated at fair value through profit or loss
- available-for-sale financial assets measured at fair value with unrealised value adjustments recognised in other comprehensive income

At initial recognition, a financial liability is assigned to one of the following three categories:

- trading portfolio measured at fair value
- financial liabilities designated at fair value through profit or loss
- other financial liabilities measured at amortised cost

Note

1 (cont'd)

*Trading portfolio*

The trading portfolio includes financial assets and liabilities acquired or undertaken by the Group for sale or repurchase in the near term. The trading portfolio also contains collectively managed financial assets and liabilities for which a pattern of short-term profit taking exists. Derivatives, including bifurcated embedded derivatives, form part of the trading portfolio.

*Fair value option – financial assets and liabilities designated at fair value through profit or loss*

*Loan at fair value and bonds issued by Realkredit Danmark*

Loans granted under Danish mortgage finance law are funded by issuing listed mortgage bonds with matching terms. Borrowers may repay such loans by delivering the underlying bonds.

The Group buys and sells own bonds issued by Realkredit Danmark on an ongoing basis because such securities play an important role in the Danish money market. If these loans and bonds were measured at amortised cost, the purchase and sale of own bonds would result in timing differences in the recognition of gains and losses.

Consequently, the Group measures loans and issued bonds at fair value in accordance with the fair value option offered by IAS 39 to ensure that neither gain nor loss will occur on the purchase of own bonds.

*Other financial assets designated at fair value*

Other financial assets designated at fair value include securities that are not classified as trading portfolio assets. These securities do not form part of the trading portfolio because no pattern of short-term profit taking exists, but they are still managed on a fair value basis. This category includes financial assets under insurance contracts, bonds quoted in an active market and shares that are not part of the trading portfolio.

Realised and unrealised capital gains and losses and dividends are carried in the income statement under Net trading income. The financial assets are recognised on the balance sheet under Investment securities and Assets under insurance contracts.

*Available-for-sale financial assets*

Available-for-sale financial assets consist of bonds which, although traded in an active market at the time of acquisition, the Group intends neither to sell in the near term nor to hold to maturity.

*Hedge accounting*

The Group uses derivatives to hedge the interest rate risk on fixed-rate assets and fixed-rate liabilities measured at amortised cost, except for held-to-maturity investments and available-for-sale financial assets. Hedged risks that meet specific criteria qualify for fair value hedge accounting and are treated accordingly. The interest rate risk on the hedged assets and liabilities is measured at fair value as a value adjustment of the hedged items in the income statement. At end-2010, hedging derivatives measured at fair value accounted for around 0.4% of total assets and around 0.1% of total liabilities.

If the hedge criteria cease to be met, the accumulated value adjustments of the hedged items are amortised over the term to maturity.

*Future adjustments to the measurement of financial instruments*

In October 2010, the IASB reissued IFRS 9, Financial Instruments. This version of the standard is the first phase to replace the requirements of IAS 39 in 2011. After implementation of phase 1, IFRS 9 deals with classification and measurement of financial instruments and derecognition, while the next phases will address impairment, hedge accounting and offsetting of financial assets and liabilities.

The transitional rules adopted in IFRS 9 (phase 1) imply implementation of the standard by 1 January 2013. A postponement of the implementation deadline is currently under consideration, however. The EU has decided to postpone adoption of the standard until the details of the next phases are known. The Group does not expect IFRS 9 (phase 1) to materially affect the measurement of its financial instruments.

Note 45, Significant accounting policies, describes IFRS 9 in more detail.

**Insurance activities – general**

The Group's insurance activities comprise conventional life insurance, unit-linked insurance and personal injury insurance. The computation of the Group's net income from conventional life insurance business complies with the Danish FSA's executive order on the contribution principle. The financial result of Danica Pension, the parent company of the life insurance group, is calculated, in accordance with the profit policy, on the basis of the return on a separate pool of assets equal to shareholders' equity and a risk allowance determined by the technical provisions. If the realised result of Danica Pension for a given period is insufficient to allow booking of the risk allowance, the amount may be booked in later periods when a sufficient result is realised.

The separate pool of assets equal to shareholders' equity is consolidated with the other assets of the Group.

Life insurance policies are divided into insurance and investment contracts. Insurance contracts are contracts that entail significant insurance risks or entitle policyholders to bonuses. Investment contracts are contracts that entail no significant insurance risk and comprise unit-linked contracts under which the investment risk lies with the policyholder.

*Insurance contracts*

Insurance contracts comprise both an investment element and an insurance element, which are recognised jointly.

Life insurance provisions are recognised at their present value under Liabilities under insurance contracts.

Assets earmarked for insurance contracts are recognised under Assets under insurance contracts if most of the return on the assets accrues to the policyholders. Most of these assets are measured at fair value.

Note

1 (cont'd)

Insurance contract contributions are recognised under Net premiums. Net insurance benefits consists of benefits disbursed under insurance contracts and the annual change in insurance obligations not deriving from additional provisions for benefit guarantees. The return on earmarked assets is allocated to the relevant items in the income statement. The return to policyholders is recognised under Net trading income as are changes to additional provisions for benefit guarantees.

*Investment contracts*

Investment contracts are recognised as financial liabilities, and, consequently, contributions and benefits under such contracts are recognised directly on the balance sheet as adjustments of liabilities. Deposits are measured at the value of the savings under Deposits under pooled schemes and unit-linked investment contracts.

Savings under unit-linked investment contracts are measured at fair value under Assets under pooled schemes and unit-linked investment contracts. The return on the assets and the crediting of the amounts to policyholders' accounts are recognised under Net trading income.

**Financial highlights**

As shown in note 2 on business segments, the financial highlights deviate from the corresponding figures in the consolidated financial statements.

Income from the Danske Markets segment is recognised in the consolidated income statement under Net trading income and Net interest income, respectively, but is recognised in the financial highlights as a total under Net trading income. Net income from insurance business is presented on a single line in the financial highlights.

Note

2 **Business segmentation and business model**

The Danske Bank Group is Denmark's leading financial services provider and one of the largest in the Nordic region. The Group offers customers a wide range of services in the fields of banking, mortgage finance, insurance, real-estate brokerage, asset management and trading in fixed income products, foreign exchange and equities.

Danske Bank is an international retail bank operating in 15 countries, mainly the Nordic region. Danske Bank is market leader in Denmark, among the largest banks in Northern Ireland and Finland and a market challenger in Sweden, Norway, Ireland and the Baltics.

Danica Pension carries out the Group's activities in the life insurance and pensions markets.

The Group consists of a number of business units and resource and support functions. The Group's activities are segmented into business units according to legislative requirements and product and service characteristics.

**Banking Activities** caters to all types of retail and corporate customers. The finance centres serve large businesses and private banking customers. Mortgage finance operations in Denmark are carried out through Realkredit Danmark. Real-estate agency operations are conducted by the "home", Skandia Mäklarna and Fokus Krogsveen real-estate agency chains. All property finance operations are part of Banking Activities. At 1 January 2009, the activities of Banking Activities Russia were transferred from Banking Activities Finland to Other Banking Activities.

**Danske Markets** is responsible for the Group's activities in the financial markets. Trading activities include trading in fixed-income products, foreign exchange and equities. Danske Markets provides financial products, advisory services on mergers and acquisitions and on equity and debt issues in the international financial markets to large corporate customers and institutional clients. Group Treasury is responsible for the Group's strategic fixed-income, foreign exchange and equity portfolios and serves as the Group's internal bank. Internal income is allocated on an arm's-length basis. Surplus liquidity is settled primarily on the basis of short-term money market rates, whereas other intra-group balances are settled on an arm's-length basis. Internal fees and commissions are settled on an arm's-length basis or allocated to the business units at an agreed ratio. Institutional banking covers exposure to international financial institutions outside the Nordic region. Exposures to Nordic financial institutions are part of Banking Activities.

**Danske Capital** develops and sells asset and wealth management products and services. They are marketed through the banking units and directly to businesses, institutional clients and external distributors. Danske Capital also supports the advisory and asset management activities of the banking units. Through Danske Bank International in Luxembourg, Danske Capital provides international private banking services to clients outside the Group's home markets. Danske Capital is represented in Denmark, Sweden, Norway, Finland, Estonia, Lithuania and Luxembourg.

**Danica Pension** carries out the Group's activities in the life insurance and pensions market. Danica Pension targets both personal and corporate customers. Its products are marketed through a range of distribution channels within the Group, primarily banking units and Danica Pension's own insurance brokers and advisers. Danica Pension offers two market-based products: *Danica Balance* and *Danica Link*. These products allow customers to select their own investment profiles, and the return on savings depends on market trends. Danica Pension also offers *Danica Traditionel*. This product does not offer individual investment profiles, and Danica Pension sets the rate of interest on policyholders' savings.

**Other Activities** encompasses expenses for the Group's support functions and real property activities. Other Activities also covers eliminations, including the elimination of returns on own shares.

Furthermore, Other Activities includes the Group's capital centre and specifies the difference between allocated capital and shareholders' equity.

Capital is allocated to the individual business unit at a rate of 5.5% of its average risk-weighted assets (2009: 5.5%). The allocation is based on the individual unit's share of the Group's average risk-weighted assets calculated prior to the transition to the Capital Requirements Directive. Insurance companies are subject to special statutory capital requirements. Consequently, the shareholders' equity allocated to the insurance business equals the statutory minimum requirement plus 5.5% of the difference between Danica's equity and the minimum requirement.

A calculated income equal to the risk-free return on its allocated capital is apportioned to each business unit. This income is calculated on the basis of the short-term money market rate and allocated from Other Activities. The segment disclosures state interest amounts on a net basis.

Expenses are allocated to the business units at market price level. Other Activities supplies services to business units, and transactions are settled at unit prices or on an arm's-length basis, if possible, on the basis of consumption and activity.

Assets and liabilities used for the operating activities of a business unit are presented in the financial statements of that unit. Capitalised goodwill is allocated to the business units that recognise the income from the acquisitions made. The financing of goodwill is included in the Group's capital centre under Other Activities.

| Note | (DKK millions) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 2 | **Business segments 2010** | | | | | | | | |
| (cont'd) | | Banking Activities | Danske Markets | Danske Capital | Danica Pension | Other Activities | Elimina-tions | Total | Reclassi-fication | Highlights |
| | Net interest income | 23,541 | 5,765 | 120 | 6,202 | 181 | 174 | 35,983 | -12,140 | 23,843 |
| | Net fee income | 6,840 | 341 | 1,707 | -762 | -37 | - | 8,089 | 421 | 8,510 |
| | Net trading income | 1,100 | -2 | 39 | 5,112 | -7 | -258 | 5,984 | 1,937 | 7,921 |
| | Other income | 3,060 | 46 | 5 | 491 | 1,299 | -103 | 4,798 | -941 | 3,857 |
| | Net premiums | - | - | - | 18,253 | - | - | 18,253 | -18,253 | - |
| | Net insurance benefits | - | - | - | 26,172 | - | - | 26,172 | -26,172 | - |
| | Income from equity investments | - | 723 | 2 | 20 | -2 | - | 743 | -743 | - |
| | Net income from insurance business | - | - | - | - | - | - | - | 2,146 | 2,146 |
| | Total income | 34,541 | 6,873 | 1,873 | 3,144 | 1,434 | -187 | 47,678 | -1,401 | 46,277 |
| | Expenses | 21,840 | 2,780 | 1,040 | 998 | 856 | -103 | 27,411 | -1,401 | 26,010 |
| | Profit before loan impairment charges | 12,701 | 4,093 | 833 | 2,146 | 578 | -84 | 20,267 | - | 20,267 |
| | Loan impairment charges | 14,421 | -617 | 13 | - | - | - | 13,817 | - | 13,817 |
| | Profit before tax | -1,720 | 4,710 | 820 | 2,146 | 578 | -84 | 6,450 | - | 6,450 |
| | Loans and advances, excluding reverse transactions | 1,637,714 | 45,786 | 6,260 | - | 1,584 | -11,379 | 1,679,965 | - | 1,679,965 |
| | Other assets | 491,682 | 4,710,655 | 10,025 | 274,443 | 203,103 | -4,155,987 | 1,533,921 | - | 1,533,921 |
| | Total assets | 2,129,396 | 4,756,441 | 16,285 | 274,443 | 204,687 | -4,167,366 | 3,213,886 | - | 3,213,886 |
| | Deposits, excluding repo deposits | 696,145 | 102,777 | 5,869 | - | 3,474 | -7,652 | 800,613 | - | 800,613 |
| | Other liabilities | 1,365,857 | 4,648,698 | 10,125 | 268,711 | 174,854 | -4,159,714 | 2,308,531 | - | 2,308,531 |
| | Allocated capital | 67,394 | 4,966 | 291 | 5,732 | 26,359 | - | 104,742 | - | 104,742 |
| | Total liabilities and equity | 2,129,396 | 4,756,441 | 16,285 | 274,443 | 204,687 | -4,167,366 | 3,213,886 | - | 3,213,886 |
| | Internal income | 4,140 | 15,814 | 117 | 2,153 | -22,224 | - | - | | |
| | Amortisation and depreciation charges | 2,341 | 7 | 40 | 16 | 931 | - | 3,335 | | |
| | Impairment charges for intangible and tangible assets | - | - | - | - | 62 | - | 62 | | |
| | Reversals of impairment charges | - | - | - | - | - | - | - | | |
| | Pre-tax profit as % of allocated capital (avg.) | -2.6 | 94.8 | 281.8 | 37.4 | 2.2 | - | 6.2 | | |
| | Cost/income ratio (%) | 63.2 | 40.4 | 55.5 | 31.7 | 59.7 | - | 57.5 | | |
| | Full-time-equivalent staff (avg.) | 13,616 | 883 | 538 | 894 | 5,867 | - | 21,798 | | |

In its financial highlights, the Group recognises earnings contributed by Danske Markets as net trading income and earnings contributed by Danica Pension as net income from insurance business. Other income includes earnings contributed by fully consolidated subsidiaries taken over by the Group under non-performing loan agreements and held for sale. The Reclassification column shows the adjustments made to the detailed figures in the calculation of the highlights.

Internal income and expenses are allocated to the individual segments on an arm's-length basis. Liquidity expenses are allocated on the basis of a maturity analysis of loans and deposits. Prices are based on interbank rates and funding spreads.

| Note | (DKK millions) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 2 | **Business segments 2009** | | | | | | | | | |
| (cont'd) | | Banking Activities | Danske Markets | Danske Capital | Danica Pension | Other Activities | Elimina-tions | Total | Reclassi-fication | Highlights |
| | Net interest income | 27,102 | 12,919 | 298 | 6,877 | 124 | 222 | 47,542 | -20,018 | 27,524 |
| | Net fee income | 6,419 | 120 | 1,297 | -556 | -38 | - | 7,242 | 436 | 7,678 |
| | Net trading income | 1,115 | 3,854 | 59 | 9,463 | 154 | -544 | 14,101 | 4,143 | 18,244 |
| | Other income | 2,758 | 16 | 72 | 827 | 318 | -72 | 3,919 | -836 | 3,083 |
| | Net premiums | - | - | - | 17,051 | - | - | 17,051 | -17,051 | - |
| | Net insurance benefits | - | - | - | 29,821 | - | - | 29,821 | -29,821 | - |
| | Income from equity investments | - | 329 | 2 | -43 | 7 | -2 | 293 | -293 | - |
| | Net income from insurance business | - | - | - | - | - | - | - | 2,810 | 2,810 |
| | Total income | 37,394 | 17,238 | 1,728 | 3,798 | 565 | -396 | 60,327 | -988 | 59,339 |
| | Expenses | 24,213 | 2,886 | 1,014 | 988 | 866 | -72 | 29,895 | -988 | 28,907 |
| | Profit before loan impairment charges | 13,181 | 14,352 | 714 | 2,810 | -301 | -324 | 30,432 | - | 30,432 |
| | Loan impairment charges | 22,486 | 3,237 | -46 | - | - | - | 25,677 | - | 25,677 |
| | Profit before tax | -9,305 | 11,115 | 760 | 2,810 | -301 | -324 | 4,755 | - | 4,755 |
| | Loans and advances, excluding reverse transactions | 1,627,698 | 42,158 | 9,725 | - | 17,667 | -27,696 | 1,669,552 | - | 1,669,552 |
| | Other assets | 446,934 | 4,647,071 | 9,303 | 252,674 | 148,836 | -4,075,893 | 1,428,925 | - | 1,428,925 |
| | Total assets | 2,074,632 | 4,689,229 | 19,028 | 252,674 | 166,503 | -4,103,589 | 3,098,477 | - | 3,098,477 |
| | Deposits, excluding repo deposits | 648,140 | 151,613 | 6,235 | - | 21,638 | -23,694 | 803,932 | - | 803,932 |
| | Other liabilities | 1,356,308 | 4,533,372 | 12,419 | 246,943 | 124,739 | -4,079,895 | 2,193,886 | - | 2,193,886 |
| | Allocated capital | 70,184 | 4,244 | 374 | 5,731 | 20,126 | - | 100,659 | - | 100,659 |
| | Total liabilities and equity | 2,074,632 | 4,689,229 | 19,028 | 252,674 | 166,503 | -4,103,589 | 3,098,477 | - | 3,098,477 |
| | Internal income | 6,846 | 19,076 | 263 | 2,478 | -28,663 | - | - | | |
| | Amortisation and depreciation charges | 2,274 | 3 | 41 | 19 | 1,022 | - | 3,359 | | |
| | Impairment charges for intangible and tangible assets | 1,458 | - | - | - | 163 | - | 1,621 | | |
| | Reversals of impairment charges | - | - | - | - | - | - | - | | |
| | Pre-tax profit as % of allocated capital (avg.) | -13.3 | 261.9 | 203.2 | 49.0 | -1.5 | - | 4.7 | | |
| | Cost/income ratio (%) | 64.8 | 16.7 | 58.7 | 26.0 | 153.3 | - | 49.6 | | |
| | Full-time-equivalent staff (avg.) | 13,538 | 887 | 554 | 951 | 6,864 | - | 22,794 | | |

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| 2 | **Income broken down by type of product** | | |
| (cont'd) | Corporate banking | 13,655 | 13,495 |
| | Home finance and savings | 9,978 | 13,381 |
| | Trading | 8,819 | 19,155 |
| | Day-to-day banking | 4,665 | 4,845 |
| | Wealth management | 3,053 | 2,660 |
| | Leasing | 3,047 | 2,752 |
| | Insurance | 3,214 | 3,870 |
| | Other | 1,247 | 169 |
| | Total | 47,678 | 60,327 |

Corporate banking comprises interest and fee income from transactions with corporate customers. Home comprises interest and fee income from home financing and home savings products. Trading comprises income from fixed-income and foreign exchange products, including brokerage. Day-to-day banking comprises income from personal banking products in the form of personal loans, cards and deposits. Wealth management comprises income from the management of assets, including pooled assets and assets in unit trusts. Leasing encompasses income from both finance and operating leases sold by Danske Bank's leasing operations. Insurance comprises income from Danica Pension and services sold to customers through the banking units.

In accordance with IFRSs, the Danske Bank Group is required to disclose business with a single customer that generates 10% or more of total income. The Group has no such customers.

**Geographical segmentation**

Income from external customers is broken down by the customer's country of residence, except trading income, which is broken down by the country in which activities are carried out. Assets (comprising intangible assets, investment property, tangible assets and holdings in associated undertakings) are broken down by location. Goodwill is allocated to the country in which activities are carried out.

Geographical segmentation of income and assets is shown in compliance with IFRSs and does not reflect the Group's management structure. The management believes that business segmentation provides a more informative description of the Group's activities.

| | Income from external customers | | Assets | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Denmark | 26,682 | 36,678 | 15,196 | 16,563 |
| Finland | 5,005 | 5,541 | 15,034 | 15,111 |
| Sweden | 5,162 | 5,246 | 577 | 195 |
| Norway | 4,622 | 3,932 | 705 | 701 |
| Ireland | 1,649 | 2,099 | 208 | 290 |
| Baltics | 924 | 936 | 2,167 | 2,158 |
| UK | 2,407 | 4,563 | 2,594 | 2,448 |
| Germany | 295 | 306 | - | 1 |
| Luxembourg | 281 | 373 | 24 | 29 |
| Poland | 129 | 128 | - | - |
| US | 45 | 47 | 130 | 374 |
| Other | 477 | 478 | 1 | 1 |
| Total | 47,678 | 60,327 | 36,636 | 37,871 |

| Note | (DKK millions) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 3 | **Banking Activities 2010, geographical breakdown** | Denmark | Finland | Sweden | Norway | Northern Ireland | Ireland | Baltics | Other | Total |
| | Net interest income | 13,381 | 2,324 | 2,364 | 2,378 | 1,188 | 1,067 | 503 | 336 | 23,541 |
| | Net fee income | 3,931 | 1,155 | 721 | 362 | 306 | 96 | 155 | 114 | 6,840 |
| | Net trading income | 508 | 82 | 120 | 137 | 85 | 37 | 98 | 33 | 1,100 |
| | Other income | 448 | 373 | 49 | 563 | 18 | 8 | 9 | 1,592 | 3,060 |
| | Total income | 18,268 | 3,934 | 3,254 | 3,440 | 1,597 | 1,208 | 765 | 2,075 | 34,541 |
| | Goodwill impairment charges | - | - | - | - | - | - | - | - | - |
| | Other expenses | 10,872 | 3,383 | 1,614 | 1,908 | 1,183 | 844 | 353 | 1,683 | 21,840 |
| | Expenses | 10,872 | 3,383 | 1,614 | 1,908 | 1,183 | 844 | 353 | 1,683 | 21,840 |
| | Profit before loan impairment charges | 7,396 | 551 | 1,640 | 1,532 | 414 | 364 | 412 | 392 | 12,701 |
| | Loan impairment charges | 7,485 | 277 | 169 | 42 | 1,247 | 4,969 | 207 | 25 | 14,421 |
| | Profit before tax | -89 | 274 | 1,471 | 1,490 | -833 | -4,605 | 205 | 367 | -1,720 |
| | Loans and advances | 997,446 | 158,393 | 192,049 | 160,452 | 52,130 | 70,233 | 23,833 | 16,126 | 1,670,662 |
| | Credit exposure | 1,071,229 | 194,101 | 248,372 | 197,295 | 51,872 | 62,678 | 25,314 | 63,473 | 1,914,334 |
| | Allowance account | 19,293 | 2,664 | 1,253 | 1,512 | 3,078 | 9,564 | 2,892 | 348 | 40,604 |
| | Profit before loan impairment charges as % of allocated capital | 19.8 | 8.3 | 19.7 | 19.9 | 21.9 | 13.0 | 35.9 | 26.2 | 18.8 |
| | Pre-tax profit as % of allocated capital (ROE) | -0.2 | 4.1 | 17.6 | 19.3 | -44.1 | -164.7 | 17.8 | 24.6 | -2.6 |
| | Cost/income ratio (%) | 59.5 | 86.0 | 49.6 | 55.5 | 74.1 | 69.9 | 46.1 | 81.1 | 63.2 |
| | **Banking Activities 2009, geographical breakdown** | | | | | | | | | |
| | Net interest income | 16,124 | 3,015 | 1,997 | 2,666 | 1,315 | 1,140 | 488 | 357 | 27,102 |
| | Net fee income | 3,658 | 1,110 | 642 | 342 | 296 | 126 | 136 | 109 | 6,419 |
| | Net trading income | 539 | 71 | 86 | 158 | 72 | 49 | 116 | 24 | 1,115 |
| | Other income | 956 | 381 | 51 | 454 | 12 | 10 | 22 | 872 | 2,758 |
| | Total income | 21,277 | 4,577 | 2,776 | 3,620 | 1,695 | 1,325 | 762 | 1,362 | 37,394 |
| | Goodwill impairment charges | - | - | 16 | - | - | - | 1,417 | 25 | 1,458 |
| | Other expenses | 12,450 | 3,390 | 1,497 | 1,807 | 1,126 | 1,010 | 388 | 1,087 | 22,755 |
| | Expenses | 12,450 | 3,390 | 1,513 | 1,807 | 1,126 | 1,010 | 1,805 | 1,112 | 24,213 |
| | Profit before loan impairment charges | 8,827 | 1,187 | 1,263 | 1,813 | 569 | 315 | -1,043 | 250 | 13,181 |
| | Loan impairment charges | 10,049 | 1,723 | 509 | 676 | 1,399 | 5,238 | 2,725 | 167 | 22,486 |
| | Profit before tax | -1,222 | -536 | 754 | 1,137 | -830 | -4,923 | -3,768 | 83 | -9,305 |
| | Loans and advances | 1,005,751 | 157,810 | 167,461 | 150,702 | 51,510 | 76,601 | 26,816 | 17,606 | 1,654,257 |
| | Credit exposure | 1,109,062 | 193,155 | 210,138 | 186,538 | 50,843 | 72,942 | 29,149 | 50,391 | 1,902,218 |
| | Allowance account | 13,496 | 2,545 | 1,182 | 1,404 | 2,006 | 7,002 | 2,985 | 1,261 | 31,881 |
| | Profit before loan impairment charges as % of allocated capital | 22.9 | 16.0 | 15.3 | 23.6 | 29.2 | 9.8 | -76.6 | 13.3 | 18.8 |
| | Pre-tax profit as % of allocated capital (ROE) | -3.2 | -7.2 | 9.2 | 14.8 | -42.5 | -153.4 | -276.7 | 4.4 | -13.3 |
| | Cost/income ratio (%) | 58.5 | 74.1 | 54.5 | 49.9 | 66.4 | 76.2 | 236.9 | 81.6 | 64.8 |

The tables above break down the Group's banking activities by country.

At 1 January 2010, operating leases were transferred from Danske Leasing to Nordania Leasing as part of an organisational re-structuring. This caused a transfer of income and expenses of DKK 600 million on an annual basis from Banking Activities Denmark to Other Banking Activities. Comparative figures for 2009 have not been restated.

Note 4 **Net interest and net trading income**

| 2010 | Interest income | Interest expense | Net interest income | Net trading income | Total |
|---|---|---|---|---|---|
| Financial portfolios at amortised cost | | | | | |
| Due from/to credit institutions and central banks | 1,861 | 1,948 | -87 | -263 | -350 |
| Repo and reverse transactions | 1,955 | 1,091 | 864 | - | 864 |
| Loans, advances and deposits | 32,203 | 6,653 | 25,550 | -367 | 25,183 |
| Held-to-maturity investments | 180 | - | 180 | - | 180 |
| Other issued bonds | - | 8,474 | -8,474 | -337 | -8,811 |
| Subordinated debt | - | 4,812 | -4,812 | -1,394 | -6,206 |
| Other financial instruments | 591 | 398 | 193 | 3 | 196 |
| Total | 36,790 | 23,376 | 13,414 | -2,358 | 11,056 |
| Financial portfolios at fair value | | | | | |
| Loans at fair value and bonds issued by Realkredit Danmark | 27,213 | 20,266 | 6,947 | - | 6,947 |
| Trading portfolio and investment securities | 9,926 | - | 9,926 | 17,003 | 26,929 |
| Assets and deposits under pooled schemes and unit-linked investment contracts | - | - | - | -266 | -266 |
| Assets and liabilities under insurance contracts | 5,696 | - | 5,696 | -8,395 | -2,699 |
| Total | 42,835 | 20,266 | 22,569 | 8,342 | 30,911 |
| Total net interest and net trading income | 79,625 | 43,642 | 35,983 | 5,984 | 41,967 |

| 2009 | | | | | |
|---|---|---|---|---|---|
| Financial portfolios at amortised cost | | | | | |
| Due from/to credit institutions and central banks | 4,289 | 3,836 | 453 | 433 | 886 |
| Repo and reverse transactions | 4,403 | 1,350 | 3,053 | - | 3,053 |
| Loans, advances and deposits | 49,005 | 18,755 | 30,250 | -476 | 29,774 |
| Held-to-maturity investments | 276 | - | 276 | - | 276 |
| Other issued bonds | - | 11,637 | -11,637 | 166 | -11,471 |
| Subordinated debt | - | 4,000 | -4,000 | 100 | -3,900 |
| Other financial instruments | 529 | 416 | 113 | 3 | 116 |
| Total | 58,502 | 39,994 | 18,508 | 226 | 18,734 |
| Financial portfolios at fair value | | | | | |
| Loans at fair value and bonds issued by Realkredit Danmark | 33,582 | 24,790 | 8,792 | - | 8,792 |
| Trading portfolio and investment securities | 13,024 | - | 13,024 | 24,341 | 37,365 |
| Assets and deposits under pooled schemes and unit-linked investment contracts | - | - | - | -407 | -407 |
| Assets and liabilities under insurance contracts | 7,218 | - | 7,218 | -10,059 | -2,841 |
| Total | 53,824 | 24,790 | 29,034 | 13,875 | 42,909 |
| Total net interest and net trading income | 112,326 | 64,784 | 47,542 | 14,101 | 61,643 |

Net trading income includes dividends from shares of DKK 1,284 million (2009: DKK 1,224 million) and foreign exchange adjustments of DKK 1,479 million (2009: DKK 2,404 million).

Net trading income from insurance contracts includes returns on assets of DKK -2,274 million (2009: DKK -4,736 million), adjustment of additional provisions of DKK -5,308 million (2009: DKK -1,211 million), adjustment of collective bonus potential of DKK 1,107 million (2009: DKK -1,286 million) and tax on pension returns of DKK -1,920 million (2009: DKK -2,826 million).

Interest added to financial assets subject to individual impairment amounted to DKK 1,492 million (2009: DKK 1,472 million).

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| 5 | **Fee income** | | |
| | Financing (loans, advances and guarantees) | 1,745 | 1,705 |
| | Investment (securities trading and advisory services) | 2,546 | 1,989 |
| | Services (insurance and foreign exchange trading) | 98 | 100 |
| | Fees generated by activities | 4,389 | 3,794 |
| | Financing (guarantees) | 715 | 756 |
| | Investment (asset management and custody services) | 3,296 | 2,527 |
| | Services (payment services and cards) | 3,403 | 3,387 |
| | Fees generated by portfolios | 7,414 | 6,670 |
| | Total | 11,803 | 10,464 |
| | **Fee expenses** | | |
| | Financing (property valuation) | 64 | 67 |
| | Investment (securities trading and advisory services) | 1,221 | 871 |
| | Services (referrals) | 18 | 16 |
| | Fees generated by activities | 1,303 | 954 |
| | Financing (guarantees) | 253 | 381 |
| | Investment (asset management and custody services) | 549 | 465 |
| | Services (payment services and cards) | 1,609 | 1,422 |
| | Fees generated by portfolios | 2,411 | 2,268 |
| | Total | 3,714 | 3,222 |

Fees generated by activities comprises fees for the execution of one-off transactions. Fees generated by portfolios comprises recurring fees from the product portfolio.

Fees that form an integral part of the effective rates of interest on loans, advances and deposits are carried under Interest income and Interest expense. Fees for Loans at fair value are carried under Fee income.

Fees for financial instruments not recognised at fair value, such as loans, advances and issued bonds, are recognised as financing fee income or expenses. Such income amounted to DKK 2,219 million (2009: DKK 1,857 million), whereas expenses amounted to DKK 253 million (2009: DKK 381 million).

Fee expenses generated by portfolios includes commission of DKK 75 million (2009: DKK 0 million) paid to the Danish state for guaranteed bond issues.

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| 6 | **Other income** | | |
| | Fair value adjustment of investment property | - | 34 |
| | Fair value adjustment of investment property allocated to policyholders | -359 | -288 |
| | Profit on sale of domicile and investment property | 42 | 32 |
| | Income from lease assets and investment property | 3,240 | 3,174 |
| | Refund of prior-year VAT and duties | 702 | 180 |
| | Other income | 1,173 | 787 |
| | Total | 4,798 | 3,919 |
| 7 | **Net premiums** | | |
| | Regular premiums, life insurance | 6,545 | 7,519 |
| | Single premiums, life insurance | 927 | 1,102 |
| | Regular premiums, market-based products | 5,912 | 5,279 |
| | Single premiums, market-based products | 3,552 | 1,829 |
| | Premiums, health and accident insurance | 1,434 | 1,423 |
| | Reinsurance premiums paid | -141 | -137 |
| | Change in unearned premiums provisions | 24 | 36 |
| | Total | 18,253 | 17,051 |

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| 8 | **Net insurance benefits** | | |
| | Benefits paid | 16,715 | 15,126 |
| | Reinsurers' share received | -110 | -132 |
| | Claims and bonuses paid | 1,299 | 1,293 |
| | Change in outstanding claims provisions | -8 | 83 |
| | Change in life insurance provisions | -4,294 | -765 |
| | Change in provisions for unit-linked contracts | 12,570 | 14,216 |
| | Total | 26,172 | 29,821 |
| 9 | **Staff costs and administrative expenses** | | |
| | Staff costs | 13,213 | 13,823 |
| | Administrative expenses | 10,801 | 11,092 |
| | Total | 24,014 | 24,915 |
| | Staff costs | | |
| | Salaries | 10,530 | 11,160 |
| | Share-based payments | 154 | 36 |
| | Pensions | 1,321 | 1,341 |
| | Financial services employer tax and social security costs | 1,208 | 1,286 |
| | Total | 13,213 | 13,823 |

Total salary costs stood at DKK 12.0 billion (2009: DKK 12.5 billion), with variable remuneration accounting for 5.0% of this amount (2009: 6.7%).

| | **Remuneration of the Board of Directors (DKK thousands)** | | |
|---|---|---|---|
| | Alf Duch-Pedersen | 1,300 | 1,300 |
| | Eivind Kolding | 1,250 | 1,250 |
| | Ole Gjessø Andersen (from 23 March 2010) | 488 | - |
| | Henning Christophersen (until 23 March 2010) | 131 | 525 |
| | Michael Fairey (from 23 March 2010) | 394 | - |
| | Peter Højland | 525 | 525 |
| | Mats Jansson | 525 | 492 |
| | Niels Chr. Nielsen (until 23 March 2010) | 131 | 525 |
| | Sten Scheibye | 525 | 525 |
| | Majken Schultz | 525 | 525 |
| | Claus Vastrup | 675 | 525 |
| | Birgit Aagaard-Svendsen | 565 | 558 |
| | Susanne Arboe (from 23 March 2010) | 244 | - |
| | Helle Brøndum | 325 | 325 |
| | Carsten Eilertsen (from 23 March 2010) | 244 | - |
| | Charlotte Hoffmann | 325 | 325 |
| | Per Alling Toubro | 325 | 325 |
| | Verner Usbeck (until 23 March 2010) | 81 | 325 |
| | Solveig Ørteby (until 23 March 2010) | 81 | 325 |
| | Total remuneration | 8,659 | 8,375 |
| | Remuneration for committee work included in total remuneration | 2,809 | 2,525 |

Danske Bank's directors receive a fixed fee. In addition, directors receive a fixed fee for board committee membership.

Note (DKK millions)

9 (cont'd) **Remuneration of the Executive Board**

| 2010 | Peter Straarup | Tonny Thierry Andersen | Thomas F. Borgen | Sven Lystbæk | Georg Schubiger | Per Skovhus |
|---|---|---|---|---|---|---|
| Contractual remuneration | 7.1 | 4.9 | 4.9 | 5.2 | 1.2 | 4.7 |
| Pension | 2.1 | 0.7 | 0.7 | 3.2 | 0.2 | 0.7 |
| Cash bonus | - | - | - | - | - | - |
| Share-based payment | - | - | - | - | - | - |
| Total | 9.2 | 5.6 | 5.6 | 8.4 | 1.4 | 5.4 |

| 2009 | Peter Straarup | Tonny Thierry Andersen | Thomas F. Borgen | Sven Lystbæk | Per Skovhus |
|---|---|---|---|---|---|
| Contractual remuneration | 7.1 | 4.7 | 1.6 | 5.1 | 4.6 |
| Pension | 1.5 | 0.7 | 0.2 | 2.5 | 0.7 |
| Cash bonus | - | - | - | - | - |
| Share-based payment | - | - | - | - | - |
| Total | 8.6 | 5.4 | 1.8 | 7.6 | 5.3 |

Thomas F. Borgen joined the Executive Board on 1 September 2009, and Georg Schubiger joined the Executive Board on 1 October 2010. The contractual remunerations and pensions relate to the period from the dates when Mr Borgen and Mr Schubiger joined the Executive Board. Sven Lystbæk retired from the Executive Board on 31 December 2010.

Under the Danish Act on State-Funded Capital Injections into Credit Institutions, only 50% of management's salaries is tax deductible until the capital raised has been repaid. In 2010, this deduction amounted to DKK 18 million.

**Pension and termination**

| | Peter Straarup | Tonny Thierry Andersen | Thomas F. Borgen | Sven Lystbæk | Georg Schubiger | Per Skovhus |
|---|---|---|---|---|---|---|
| Type of pension plan | Defined benefit | Defined contribution through pension fund | Defined contribution through pension fund | Defined benefit | Defined contribution through pension fund | Defined contribution through pension fund |
| Age at which the board member is entitled to retire | 60 | 60 | 60 | 60 | 60 | 60 |
| Annual benefit or contribution | DKK 3.1 million | Bank contributes 20% of salary | Bank contributes 20% of salary | 50% of salary | Bank contributes 20% of salary | Bank contributes 20% of salary |
| Notice of termination by Danske Bank | 12 months with life pension | 12 months | 12 months | 12 months with life pension | 12 months | 12 months |
| Notice of termination by the board member | 12 months | 3 months | 3 months | 3 months | 3 months | 3 months |
| Pension obligation, end of 2010 | 67 | - | - | 42 | - | - |
| Pension obligation, end of 2009 | 61 | - | - | 35 | - | - |

Pension obligations to Peter Straarup and Sven Lystbæk are covered by the "Danske Bank A/S' pensionsfond for medlemmer af direktionen, deres enker og efterladte børn" pension fund. Danske Bank A/S is liable for any shortfall. The obligations are determined on the basis of actuarial computations and a number of assumptions (note 34 provides additional information). Therefore, changes in pension obligations cannot reasonably be added to the annual remuneration.

If Mr Straarup retires later than his sixtieth birthday, the pension obligation to him will increase by the pension benefit not paid out. The obligation is adjusted on an ongoing basis.

Note

9 **Shareholdings**

(cont'd) The number of Danske Bank shares, excluding options and rights to buy conditional shares, held by the Board of Directors and the Executive Board at the end of 2010 totalled 80,702 and 72,631, respectively (end of 2009: 96,475 and 73,890). Note 42, Danske Bank shares held by the Board of Directors and the Executive Board, contains additional details.

**Share-based payment**

Until 2008, the Group offered senior staff and selected employees incentive programmes that consisted of share options and conditional shares. Incentive payments reflected individual performance and also depended on financial results and other measures of value creation for a given year. The options and shares were granted in the first quarter of the following year. The last grant was made in the first quarter of 2008.

Following the expiry of Bank Package I, the Group granted rights to conditional shares to staff at Danske Markets and Danske Capital. The grant was part of the variable remuneration for 2010 and complies with international guidelines.

Issued options carry a right to buy Danske Bank shares exercisable from three to seven years after they are granted provided that the employee, with the exception of retirement, has not resigned from the Group. The exercise price of the options is computed as the average price of Danske Bank shares for 20 stock exchange days after the release of the annual report plus 10%.

Rights to Danske Bank shares under the conditional share programme vest after three years provided that the employee, with the exception of retirement, has not resigned from the Group. In addition to this requirement, rights to shares earned in 2010 vest provided that the Group as a whole and the employee's department meet certain performance targets within the next three years.

The fair value of the share options granted for 2008 was calculated according to a dividend-adjusted Black & Scholes formula based on the following assumptions: Share price: 179.76. Dividend payout ratio: 3.9%. Rate of interest: 4.7%, equal to the swap rate. Volatility: 19%. Average time of exercise: 5 years. The volatility estimate is based on historical volatility.

Calculation of the fair value at the end of 2010 is based on the following assumptions: Share price: 143 (2009: 118). Dividend payout ratio: 1.5% (2009: 0%). Rate of interest: 1.2-1.8% (2009: 1.6-2.7%), equal to the swap rate. Volatility: 35% (2009: 52%). Average time of exercise: 1-2 years (2009: 1-3 years). The volatility estimate is based on historical volatility.

The fair value of the conditional shares is calculated as the share price less the payment made by the employee.

The intrinsic value is expensed in the year in which the share options and rights to conditional shares are earned, while the time value is accrued over the remaining service period, which is the vesting period of three years. Shareholders' equity will increase correspondingly as the obligation is met by settlement in Danske Bank shares.

Note

9 (cont'd) **Share-based payment (earned in 2007 or earlier)**

| **Share options** | Number | | | | | Fair value (FV) | |
|---|---|---|---|---|---|---|---|
| | Executive Board | Senior staff | Other staff | Total | Exercise price (DKK) | At issue (DKK m) | End of year (DKK m) |
| **Granted in 2002-08** | | | | | | | |
| 1 January 2009 | 1,286,482 | 5,951,814 | 2,752,079 | 9,990,375 | 118.5-294.1 | 209.5 | 0.5 |
| Exercised 2009 | - | - | -10,400 | -10,400 | 118.5 | | |
| Forfeited 2009 | - | -70,667 | -135,900 | -206,567 | | | |
| Other changes 2009 | 202,981 | -685,616 | 482,635 | - | | | |
| 31 December 2009 | 1,489,463 | 5,195,531 | 3,088,414 | 9,773,408 | 118.5-294.1 | 202.3 | 125.4 |
| Exercised 2010 | -72,600 | -103,200 | -112,900 | -288,700 | 118.5 | | |
| Forfeited 2010 | - | -59,002 | -3,400 | -62,402 | | | |
| Other changes 2010 | -255,862 | -283,536 | 539,398 | - | | | |
| 31 December 2010 | 1,161,001 | 4,749,793 | 3,511,512 | 9,422,306 | 157.1-294.1 | 195.2 | 50.5 |

**Holdings of the Executive Board and fair value, 31 December 2010**

| Grant year (DKK millions) | 2004-2008 Number | FV |
|---|---|---|
| Peter Straarup | 542,931 | 3.0 |
| Tonny Thierry Andersen | 232,135 | 1.3 |
| Thomas F. Borgen | 202,981 | 1.2 |
| Georg Schubiger | - | - |
| Per Skovhus | 182,954 | 1.1 |

**Holdings of the Executive Board and fair value, 31 December 2009**

| Grant year (DKK millions) | 2003-2008 Number | FV |
|---|---|---|
| Peter Straarup | 599,531 | 7.6 |
| Tonny Thierry Andersen | 248,135 | 3.3 |
| Thomas F. Borgen | 202,981 | 2.9 |
| Sven Lystbæk | 255,862 | 3.3 |
| Per Skovhus | 182,954 | 2.6 |

Thomas F. Borgen joined the Executive Board on 1 September 2009, and Georg Schubiger joined on 1 October 2010. Mr Borgen's and Mr Schubiger's share options were granted in 2008 or earlier. Sven Lystbæk retired from the Executive Board on 31 December 2010.

In 2010, share options were exercised at an average price of DKK 123.2 (2009: DKK 139.4).

Note

9 (cont'd) **Share-based payment**

| **Conditional shares** | Number | | | | | Fair value (FV) | |
|---|---|---|---|---|---|---|---|
| | Executive Board | Senior staff | Other staff | Total | Employee payment price (DKK) | At issue (DKK m) | End of year (DKK m) |
| **Granted in 2006-08** | | | | | | | |
| 1 January 2009 | 71,125 | 442,389 | 1,493,694 | 2,007,208 | 1.8-2.7 | 429.3 | 104.4 |
| Vested 2009 | -21,294 | -131,367 | -471,900 | -624,561 | | | |
| Forfeited 2009 | - | - | -16,021 | -16,021 | | | |
| Other changes 2009 | - | -7,704 | 7,704 | - | | | |
| 31 December 2009 | 49,831 | 303,318 | 1,013,477 | 1,366,626 | 1.8-2.7 | 287.8 | 158.4 |
| Vested 2010 | -21,052 | -101,398 | -373,788 | -496,238 | 1.8-2.7 | | |
| Forfeited 2010 | - | -1,404 | -12,482 | -13,886 | | | |
| Other changes 2010 | -5,845 | -3,292 | 9,137 | - | | | |
| 31 December 2010 | 22,934 | 197,224 | 636,344 | 856,502 | 1.8 | 154.0 | 120.9 |

**Holdings of the Executive Board and fair value, 31 December 2010**

| Grant year (DKK millions) | 2008 Number | FV |
|---|---|---|
| Peter Straarup | 11,240 | 1.6 |
| Tonny Thierry Andersen | 5,847 | 0.8 |
| Thomas F. Borgen | - | - |
| Georg Schubiger | - | - |
| Per Skovhus | 5,847 | 0.8 |

**Holdings of the Executive Board and fair value, 31 December 2009**

| Grant year (DKK millions) | 2007-2008 Number | FV |
|---|---|---|
| Peter Straarup | 19,740 | 2.3 |
| Tonny Thierry Andersen | 10,435 | 1.2 |
| Thomas F. Borgen | - | - |
| Sven Lystbæk | 10,569 | 1.2 |
| Per Skovhus | 9,087 | 1.1 |

Thomas F. Borgen joined the Executive Board on 1 September 2009, and Georg Schubiger joined on 1 October 2010. Mr Borgen's and Mr Schubiger's conditional shares were granted in 2008 or earlier. Sven Lystbæk retired from the Executive Board on 31 December 2010.

In 2010, the average price at the vesting date for rights to conditional shares was DKK 127.2 (2009: DKK 48.2).

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| 10 | **Audit fees** | | |
| | Total fees to the audit firms appointed by the general meeting that perform the statutory audit | 24 | 25 |
| | Fees for non-audit services included in above item | 7 | 7 |
| 11 | **Amortisation, depreciation and impairment charges** | | |
| | Amortisation charges for intangible assets | 957 | 1,074 |
| | Depreciation charges for tangible assets | 1,717 | 1,727 |
| | Write-offs of residual value of lease assets sold | 661 | 558 |
| | Impairment charges for intangible assets | 32 | 1,458 |
| | Impairment charges for tangible assets | 30 | 163 |
| | Total | 3,397 | 4,980 |

Note 23 provides more information about the impairment charges for intangible assets.

| Note | | | |
|---|---|---|---|
| 12 | **Loan impairment charges** | | |
| | Due from credit institutions and central banks | -24 | 69 |
| | Loans and advances at amortised cost | 11,811 | 22,168 |
| | Loans at fair value | 835 | 1,267 |
| | Private Contingency Association commitment | 1,393 | 1,612 |
| | Other liabilities | -198 | 561 |
| | Total | 13,817 | 25,677 |
| | New and increased impairment charges | 21,158 | 29,028 |
| | Reversals of impairment charges | 7,453 | 3,839 |
| | Write-offs charged directly to income statement | 945 | 821 |
| | Received on claims previously written off | 958 | 471 |
| | Loan impairment charges for assets temporarily taken over | - | - |
| | Interest income, effective interest method | 125 | 138 |
| | Total | 13,817 | 25,677 |
| | **Loan impairment charges broken down by business unit** | | |
| | Banking Activities Denmark | 7,485 | 10,049 |
| | Banking Activities Finland | 277 | 1,723 |
| | Banking Activities Sweden | 169 | 509 |
| | Banking Activities Norway | 42 | 676 |
| | Banking Activities Northern Ireland | 1,247 | 1,399 |
| | Banking Activities Ireland | 4,969 | 5,238 |
| | Banking Activities Baltics | 207 | 2,725 |
| | Other Banking Activities | 25 | 167 |
| | Danske Markets | -617 | 3,237 |
| | Danske Capital | 13 | -46 |
| | Total | 13,817 | 25,677 |

| Note | (DKK millions) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 13 | **Tax 2010** | Denmark | Finland | Sweden | Norway | UK | Ireland | Other | Total |
| | Tax on profit for the year | 712 | 272 | 707 | 523 | 111 | 332 | 129 | 2,786 |
| | Tax on changes in shareholders' equity | 57 | - | - | - | - | - | - | 57 |
| | **Tax on profit for the year** | | | | | | | | |
| | Current tax charge | 92 | 229 | 753 | 581 | - | 9 | 124 | 1,788 |
| | Change in deferred tax | 630 | 76 | -48 | -9 | 73 | 23 | -2 | 743 |
| | Adjustment of prior-year tax charges | -10 | -33 | 2 | -49 | -2 | 300 | 7 | 215 |
| | Change in deferred tax charge as a result of lowered tax rate | - | - | - | - | 40 | - | - | 40 |
| | Total | 712 | 272 | 707 | 523 | 111 | 332 | 129 | 2,786 |
| | **Effective tax rate** | | | | | | | | |
| | Tax rate | 25.0 | 26.0 | 26.3 | 28.0 | 28.0 | 12.5 | 17.0 | 34.7 |
| | Non-taxable income and non-deductible expenses | -6.3 | -0.2 | 0.2 | -2.2 | 3.7 | -13.1 | -1.4 | 4.5 |
| | Tax on profit for the year | 18.7 | 25.8 | 26.5 | 25.8 | 31.7 | -0.6 | 15.6 | 39.2 |
| | Adjustment of prior-year tax charges | -0.2 | -2.7 | - | -2.2 | -0.2 | -6.6 | 0.9 | 3.3 |
| | Change in deferred tax charge as a result of lowered tax rate | - | - | - | - | 4.9 | - | - | 0.6 |
| | Effective tax rate | 18.5 | 23.1 | 26.5 | 23.6 | 36.4 | -7.2 | 16.5 | 43.1 |
| | **Tax on other comprehensive income** | | | | | | | | |
| | Hedging of units outside Denmark | -217 | - | - | - | - | - | - | -217 |
| | Unrealised value adjustments of available-for-sale financial assets | -36 | - | - | - | - | - | - | -36 |
| | Realised value adjustments of available-for-sale financial assets | 11 | - | - | - | - | - | - | 11 |
| | Total | -242 | - | - | - | - | - | - | -242 |

| Note | (DKK millions) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 13 | **Tax 2009** | Denmark | Finland | Sweden | Norway | UK | Ireland | Other | Total |
| (cont'd) | Tax on profit for the year | 2,498 | 122 | 757 | 487 | -445 | -472 | 95 | 3,042 |
| | Tax on changes in shareholders' equity | -19 | - | - | - | - | - | - | -19 |
| | **Tax on profit for the year** | | | | | | | | |
| | Current tax charge | 225 | 235 | 739 | 457 | -1 | 10 | 120 | 1,785 |
| | Change in deferred tax | 2,163 | -148 | 5 | -22 | -443 | -497 | -29 | 1,029 |
| | Adjustment of prior-year tax charges | 110 | 35 | 13 | 52 | -1 | 15 | 4 | 228 |
| | Change in deferred tax charge as a result of lowered tax rate | - | - | - | - | - | - | - | - |
| | Total | 2,498 | 122 | 757 | 487 | -445 | -472 | 95 | 3,042 |
| | **Effective tax rate** | | | | | | | | |
| | Tax rate | 25.0 | 26.0 | 26.3 | 28.0 | 28.0 | 12.5 | 3.5 | 46.8 |
| | Non-taxable income and non-deductible expenses | 3.9 | -0.1 | 0.1 | -0.4 | 0.6 | -2.6 | -8.8 | 12.4 |
| | Tax on profit for the year | 28.9 | 25.9 | 26.4 | 27.6 | 28.6 | 9.9 | -5.3 | 59.2 |
| | Adjustment of prior-year tax charges | 1.3 | 10.6 | 0.4 | 3.3 | 0.1 | -0.3 | -0.2 | 4.8 |
| | Change in deferred tax charge as a result of lowered tax rate | - | - | - | - | - | - | - | - |
| | Effective tax rate | 30.2 | 36.5 | 26.8 | 30.9 | 28.7 | 9.6 | -5.5 | 64.0 |
| | **Tax on other comprehensive income** | | | | | | | | |
| | Hedging of units outside Denmark | -58 | - | - | - | - | - | - | -58 |
| | Unrealised value adjustments of available-for-sale financial assets | 73 | - | - | - | - | - | - | 73 |
| | Realised value adjustments of available-for-sale financial assets | 104 | - | - | - | - | - | - | 104 |
| | Total | 119 | - | - | - | - | - | - | 119 |

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| 14 | **Cash in hand and demand deposits with central banks** | | |
| | Cash in hand | 9,741 | 9,785 |
| | Demand deposits with central banks | 25,662 | 23,929 |
| | Total | 35,403 | 33,714 |
| 15 | **Due from credit institutions and central banks** | | |
| | Reverse transactions | 138,481 | 93,120 |
| | Other amounts due | 89,706 | 109,349 |
| | Impairment charges | 87 | 113 |
| | Total | 228,100 | 202,356 |
| | Impairment charges | | |
| | At 1 January | 113 | 43 |
| | New and increased impairment charges | 4 | 70 |
| | Reversals of impairment charges | 32 | 1 |
| | Foreign currency translation | 4 | -1 |
| | Other additions and disposals | -2 | 2 |
| | At 31 December | 87 | 113 |

Amounts due within three months amounted to DKK 225,204 million (2009: DKK 192,074 million). This amount is included in the cash flow statement under Cash and cash equivalents.

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| 16 | **Trading portfolio assets** | | |
| | Derivatives with positive fair value | 333,743 | 313,387 |
| | Listed bonds | 300,577 | 299,448 |
| | Unlisted bonds | 6,183 | 6,288 |
| | Listed shares | 1,140 | 589 |
| | Unlisted shares | 350 | 340 |
| | Total | 641,993 | 620,052 |
| | **Trading portfolio liabilities** | | |
| | Derivatives with negative fair value | 318,936 | 307,420 |
| | Obligations to repurchase securities | 159,450 | 73,147 |
| | Total | 478,386 | 380,567 |

**Derivatives**

The Group's activities in the financial markets include trading in derivatives. Derivatives are financial instruments whose value depends on the value of an underlying instrument or index, etc. Derivatives can be used to control market risk exposure, for example. The Group trades a considerable volume of the most commonly used interest rate, currency and equity derivatives, including

- swaps
- forwards and futures
- options

Furthermore, the Group trades a limited number of swaps whose value depends on developments in specific credit or commodity risks, or inflation indices.

The Group trades derivatives for three main purposes: First, customers are offered derivatives as individual transactions or as integral parts of other services, such as issuance of bonds with yields that depend on developments in equity or currency indices. Second, the Group trades derivatives in its own trading portfolio. Third, derivatives are used for managing the Group's own exposure to foreign exchange, interest rate, equity market and credit risks. The risk management notes provide additional information about the Group's risk management policy. Danske Markets is responsible for managing and hedging the Group's market risks.

Note (DKK millions)

16 (cont'd) Derivatives are recognised and measured at fair value. Interest on some of the Group's bank loans, advances, deposits, issued bonds, etc. is added at fixed rates. Generally, such fixed-rate items are carried at amortised cost. In accordance with general accounting standards, the fair value of the interest rate risk on fixed-rate loans, for example, is not included in the income statement as opposed to changes in the fair value of hedging derivatives. In addition, the Group classifies certain bonds as available-for-sale financial assets. Unrealised value adjustments of such bonds are recognised in Other comprehensive income. The Group uses fair value hedge accounting if the interest rate risk on fixed-rate financial assets and liabilities or bonds available for sale is hedged by derivatives.

**Fair value hedge accounting**

The interest rate risk on fixed-rate assets and liabilities with terms longer than six months is generally hedged by derivatives. The interest rate risk on fixed-rate loans and advances extended by the Group's operations in Finland, Northern Ireland and Ireland is, however, hedged by core free funds. Any interest rate risk not hedged by core free funds is hedged by derivatives.

For hedged assets and liabilities to which a fixed rate of interest applies for a specified period of time starting at the commencement date of the agreement, future interest payments are divided into basic interest and a profit margin and into periods of time. By entering into swaps or forwards with matching payment profiles in the same currencies and for the same periods, the Group hedges the risk from the commencement date. The fair values of the hedged interest rate risk and the hedging derivatives are measured at frequent intervals to ensure that changes in the fair value of the hedged interest rate risk lie within a band of 80-125% of the changes in the fair value of the hedging derivatives. Portfolios of hedging derivatives are adjusted if necessary.

With effective hedging, the hedged interest rate risk on hedged assets and liabilities is measured at fair value and recognised as a value adjustment of the hedged items. Value adjustments are carried in the income statement under Net trading income. Any ineffective portion of a hedge that lies within the range for effective hedging is therefore also included under Net trading income.

At the end of 2010, the carrying amounts of effectively hedged fixed-rate financial assets and liabilities were DKK 71,074 million (2009: DKK 65,423 million) and DKK 798,713 million (2009: DKK 917,823 million), respectively. The table below shows the value adjustments of these assets and liabilities and the hedging derivatives. The value adjustments are recognised in the income statement as Net trading income.

The Group hedges the foreign exchange risk of net investments in branches and subsidiaries outside Denmark by establishing financing arrangements in the matching currencies. The Group does not hedge these units' expected financial results or other future transactions. The foreign exchange adjustments of the investments are recognised in Other comprehensive income together with the foreign exchange adjustments of the financing arrangements designated as hedging of exchange rate fluctuations. The statement of comprehensive income shows the translation amounts. At the end of 2010, the carrying amount of financial liabilities used to hedge net investments in units outside Denmark amounted to DKK 48,103 million (2009: DKK 47,330 million).

| | 2010 | 2009 |
|---|---|---|
| **Effect of interest rate hedging on profit** | | |
| Effect of fixed-rate asset hedging on profit | | |
| Hedged amounts due from credit institutions | -295 | 269 |
| Hedged loans and advances | -470 | -525 |
| Hedged bonds available for sale | 44 | -187 |
| Hedging derivatives | 708 | 418 |
| Total | -13 | -25 |
| Effect of fixed-rate liability hedging on profit | | |
| Hedged amounts due to credit institutions | 32 | 164 |
| Hedged deposits | 103 | 49 |
| Hedged issued bonds | -337 | 166 |
| Hedged subordinated debt | -1,394 | 100 |
| Hedging derivatives | 1,604 | -475 |
| Total | 8 | 4 |

| Note | (DKK millions) | | | | |
|---|---|---|---|---|---|
| 16 (cont'd) | **Derivatives** | Positive fair value | | Negative fair value | |
| | 2010 | Notional amount | Carrying amount | Notional amount | Carrying amount |
| | Currency contracts | | | | |
| | Forwards and swaps | 2,876,371 | 87,918 | 2,778,797 | 82,052 |
| | Options | 49,337 | 1,444 | 41,363 | 1,681 |
| | Interest rate contracts | | | | |
| | Forwards/swaps/FRAs | 9,223,026 | 204,098 | 9,372,797 | 206,578 |
| | Options | 957,807 | 25,134 | 794,999 | 23,042 |
| | Equity contracts | | | | |
| | Forwards | 4,830 | 268 | 4,221 | 232 |
| | Options | 79,867 | 1,050 | 71,203 | 1,092 |
| | Other contracts | | | | |
| | Commodity contracts | 5,023 | 726 | 5,760 | 781 |
| | Credit derivatives bought | 4,653 | 126 | 6,161 | 169 |
| | Credit derivatives sold | 4,802 | 129 | 3,974 | 187 |
| | Total derivatives held for trading purposes | | 320,893 | | 315,814 |
| | Hedging derivatives | | | | |
| | Currency contracts | 147,125 | 1,400 | 200,819 | 310 |
| | Interest rate contracts | 440,747 | 11,450 | 156,939 | 2,812 |
| | Total derivatives | | 333,743 | | 318,936 |

| | **Derivatives** | Positive fair value | | Negative fair value | |
|---|---|---|---|---|---|
| | 2009 | Notional amount | Carrying amount | Notional amount | Carrying amount |
| | Currency contracts | | | | |
| | Forwards and swaps | 2,453,771 | 81,375 | 2,479,437 | 83,655 |
| | Options | 50,888 | 1,135 | 42,560 | 1,353 |
| | Interest rate contracts | | | | |
| | Forwards/swaps/FRAs | 10,131,683 | 194,033 | 9,937,504 | 196,712 |
| | Options | 927,645 | 22,101 | 702,134 | 19,573 |
| | Equity contracts | | | | |
| | Forwards | 14,209 | 274 | 14,061 | 269 |
| | Options | 63,775 | 1,372 | 71,484 | 1,350 |
| | Other contracts | | | | |
| | Commodity contracts | 3,661 | 955 | 2,569 | 945 |
| | Credit derivatives bought | 9,143 | 2,878 | 6,377 | 202 |
| | Credit derivatives sold | 5,479 | 136 | 4,907 | 127 |
| | Total derivatives held for trading purposes | | 304,259 | | 304,186 |
| | Hedging derivatives | | | | |
| | Currency contracts | 179,018 | 995 | 254,525 | 841 |
| | Interest rate contracts | 531,925 | 8,133 | 146,037 | 2,393 |
| | Total derivatives | | 313,387 | | 307,420 |

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| 17 | **Investment securities** | | |
| | Financial assets at fair value through profit or loss | | |
| | Listed bonds | 14,841 | 15,942 |
| | Unlisted bonds | - | - |
| | Listed shares | 1,010 | 462 |
| | Unlisted shares | 2,363 | 1,709 |
| | Total financial assets at fair value | 18,214 | 18,113 |
| | Available-for-sale financial assets | | |
| | Listed bonds | 89,485 | 92,397 |
| | Total available-for-sale financial assets | 89,485 | 92,397 |
| | Total at fair value | 107,699 | 110,510 |
| | Held-to-maturity financial assets | | |
| | Listed bonds | 10,857 | 8,469 |
| | Total investment securities | 118,556 | 118,979 |

**Bonds held for trading reclassified as available-for-sale financial assets**

Owing to significant distortion of the pricing of bonds, in 2008, the Group reclassified bonds at a nominal value of DKK 120,607 million and a fair value of DKK 116,722 million in the held-for-trading category as available-for-sale financial assets. The portfolio comprises primarily Danish mortgage bonds and foreign covered bonds of high credit quality. At the end of 2010, the fair value of the remaining bonds was DKK 89,485 million (2009: DKK 92,397 million). In 2010, the Group recognised unrealised value adjustments of the reclassified bonds in the amount of DKK 44 million in the income statement, corresponding to the part of the interest rate risk that is hedged by derivatives (2009: DKK -187 million). The Group recognised unrealised value adjustments of DKK -145 million (2009: DKK 291 million) in other comprehensive income that would have been recognised in the income statement if the reclassification had not taken place. In 2009 and 2010, the distortion diminished, and the Group sold part of its portfolio. For the part of the portfolio sold in 2010, the Group realised value adjustments of DKK 44 million (2009: DKK 417 million) that were transferred from other comprehensive income to the income statement. The Group recognised interest income of DKK 1,961 million (2009: DKK 4,037 million) on the reclassified bonds.

| | | | |
|---|---|---|---|
| 18 | **Loans and advances at amortised cost** | | |
| | Reverse transactions | 168,481 | 146,063 |
| | Other loans and advances | 1,015,880 | 1,013,724 |
| | Impairment charges | 37,630 | 32,645 |
| | Total | 1,146,731 | 1,127,142 |
| | Impairment charges | | |
| | At 1 January | 32,645 | 14,668 |
| | New and increased impairment charges | 18,266 | 24,871 |
| | Reversals of impairment charges | 6,515 | 3,169 |
| | Write-offs debited to allowance account | 7,685 | 4,228 |
| | Foreign currency translation | 896 | 349 |
| | Other additions and disposals | 23 | 154 |
| | At 31 December | 37,630 | 32,645 |

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| 19 | **Loans at fair value and bonds issued by Realkredit Danmark** | | |
| | Loans at fair value | | |
| | Nominal value | 700,704 | 689,698 |
| | Fair value adjustment of underlying bonds | 3,042 | 435 |
| | Adjustment for credit risk | 2,031 | 1,660 |
| | Total | 701,715 | 688,473 |
| | Bonds issued by Realkredit Danmark | | |
| | Nominal value | 934,395 | 943,379 |
| | Fair value adjustment of funding of current loans | 5,525 | -179 |
| | Fair value adjustment of block issues and pre-issued bonds | - | - |
| | Holding of own mortgage bonds | 384,434 | 426,145 |
| | Total | 555,486 | 517,055 |

Loans provided by Realkredit Danmark and bonds issued by Realkredit Danmark are measured at fair value using the fair value option. The accounting policies in note 45 provide additional information.

The holding of own mortgage bonds includes pre-issued bonds of DKK 213 billion (2009: DKK 236 billion) to be used for FlexLån® refinancing in January 2011 and bonds of DKK 28 billion (2009: DKK 35 billion) recognised in Assets under insurance contracts and Assets under pooled schemes and unit-linked investment contracts.

The nominal value of bonds issued by Realkredit Danmark equals the amount repayable on maturity.

Of the total fair value adjustment for the credit risk on loans at fair value, changes in 2010 were recognised as an expense of DKK 367 million (2009: DKK 1,005 million).

Fair value adjustment for the credit risk on issued mortgage bonds is calculated on the basis of the option-adjusted spread (OAS) to government bond yields or, for variable rate loans, the swap rate. The calculation incorporates maturity, nominal holdings and OAS sensitivity. As a number of estimates are made, the calculation is subject to uncertainty.

Consequently, the yield spread on Danish mortgage bonds widened considerably in 2010. The widening caused a decrease in the fair value of issued mortgage bonds of about DKK 4 billion. In 2009, a spread narrowing caused a fair value increase of about DKK 6 billion. In comparison with the fair value measured at the issuance of the bonds, the fair value had decreased about DKK 3 billion at the end of 2010. The net profit and shareholders' equity remain unaffected because the spread widening increased the value of mortgage loans correspondingly.

Fair value adjustment for the credit risk on issued mortgage bonds may also be calculated on the basis of changes in similar AAA-rated mortgage bonds offered by other Danish issuers. The market for such bonds is characterised by an absence of measurable price differences between bonds with similar features from different issuers. Using this method, no fair value adjustment for credit risk in 2010 or the period since the issue has been required.

20 **Assets under pooled schemes and unit-linked investment contracts**

| | Pooled schemes | | Unit-linked contracts | | Total | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Assets | | | | | | |
| Bonds | 18,693 | 19,829 | - | - | 18,693 | 19,829 |
| Shares | 5,761 | 4,991 | - | - | 5,761 | 4,991 |
| Unit trust certificates | 17,810 | 11,271 | 22,397 | 15,032 | 40,207 | 26,303 |
| Cash deposits | 2,616 | 2,010 | - | - | 2,616 | 2,010 |
| Total | 44,880 | 38,101 | 22,397 | 15,032 | 67,277 | 53,133 |
| including | | | | | | |
| own bonds | 4,588 | 4,993 | - | - | 4,588 | 4,993 |
| own shares | 305 | 294 | - | - | 305 | 294 |
| other intra-group balances | 2,686 | 1,937 | - | - | 2,686 | 1,937 |
| Total assets | 37,301 | 30,877 | 22,397 | 15,032 | 59,698 | 45,909 |
| Liabilities | | | | | | |
| Deposits | 44,880 | 38,101 | 22,397 | 15,032 | 67,277 | 53,133 |

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| 21 | **Assets under insurance contracts** | | |
| | Due from credit institutions | 1,195 | 1,256 |
| | Investment securities | 217,995 | 202,991 |
| | Holdings in associated undertakings (note 22) | 974 | 996 |
| | Investment property (note 24) | 18,165 | 17,757 |
| | Tangible assets (note 25) | 433 | 160 |
| | Reinsurers' share of provisions | 2,042 | 1,948 |
| | Other assets | 3,225 | 4,179 |
| | Total | 244,029 | 229,287 |
| | including | | |
| | own bonds | 24,673 | 30,621 |
| | own shares | 216 | 274 |
| | other intra-group balances | 1,625 | 1,448 |
| | Total assets | 217,515 | 196,944 |
| | **Investment securities under insurance contracts** | | |
| | Listed bonds | 155,379 | 152,391 |
| | Listed shares | 14,157 | 14,963 |
| | Unlisted shares | 3,253 | 2,140 |
| | Unit trust certificates | 43,865 | 31,406 |
| | Other securities | 1,341 | 2,091 |
| | Total | 217,995 | 202,991 |
| | **Liabilities under insurance contracts** | | |
| | Life insurance provisions | 178,552 | 178,320 |
| | Provisions for unit-linked insurance contracts | 43,913 | 32,591 |
| | Collective bonus potential | 1,740 | 2,846 |
| | Other technical provisions | 8,857 | 8,621 |
| | Total provisions for insurance contracts | 233,062 | 222,378 |
| | Other liabilities | 6,878 | 2,494 |
| | Intra-group balances | -1,808 | -996 |
| | Total | 238,132 | 223,876 |
| | **Provisions for insurance contracts** | | |
| | Balance at 1 January | 222,378 | 209,663 |
| | Premiums paid | 16,937 | 15,730 |
| | Benefits paid | -16,715 | -15,125 |
| | Interest added to policyholders' savings | 9,482 | 8,620 |
| | Fair value adjustment | 3,107 | 5,033 |
| | Foreign currency translation | 489 | 217 |
| | Change in collective bonus potential | -1,107 | 1,286 |
| | Other changes | -1,509 | -3,046 |
| | Balance at 31 December | 233,062 | 222,378 |
| | **Reinsurers' share of provisions for insurance contracts** | | |
| | Balance at 1 January | 1,948 | 1,917 |
| | Premiums paid | 141 | 137 |
| | Benefits paid | -110 | -131 |
| | Interest added to policyholders' savings | 40 | 25 |
| | Fair value adjustment | 94 | 19 |
| | Other changes | -71 | -19 |
| | Balance at 31 December | 2,042 | 1,948 |

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| 22 | **Holdings in associated undertakings** | | |
| | Cost at 1 January | 853 | 841 |
| | Additions | 44 | 15 |
| | Disposals | 2 | 3 |
| | Cost at 31 December | 895 | 853 |
| | Revaluations at 1 January | 233 | 98 |
| | Share of profit | 84 | 288 |
| | Share of other comprehensive income | 5 | -10 |
| | Dividends | 107 | 180 |
| | Reversals of revaluations | -70 | 37 |
| | Revaluations at 31 December | 145 | 233 |
| | Carrying amount at 31 December | 1,040 | 1,086 |

| Holdings in associated undertakings | Ownership (%) | Total assets | Total liabilities | Income | Net profit |
|---|---|---|---|---|---|
| BAB Bankernas Automatbolag AB, Stockholm | 20 | - | - | - | - |
| Bankernes Kontantservice A/S, Copenhagen | 25 | - | - | - | - |
| Bankpension AB, Stockholm | 20 | 20 | 3 | 15 | - |
| BDB Bankernas Depå AB, Stockholm | 20 | 2,115 | 2,084 | 46 | 11 |
| DKA II A/S, Copenhagen | 29 | 941 | 678 | 584 | 15 |
| DKA I P/S, Copenhagen | 32 | 59 | 9 | 1 | 4 |
| DKA I Komplementar A/S, Copenhagen | 32 | 1 | - | - | - |
| Ejendomsaktieselskabet af 22. juni 1966, Copenhagen | 50 | 26 | 7 | 2 | 1 |
| LR Realkredit A/S, Copenhagen | 31 | 12,420 | 8,914 | 537 | 282 |
| Danmarks Skibskredit A/S, Copenhagen | 24 | 84,947 | 75,904 | 3,588 | 263 |
| Multidata Holding A/S, Ballerup | 44 | 782 | 520 | 815 | -4 |
| E-nettet Holding A/S, Copenhagen | 25 | 171 | 109 | 91 | -14 |
| Interessentskabet af 23. dec. 1991, Copenhagen | 30 | 811 | 36 | 69 | 50 |
| Automatia Pankkiautomaatit Oy, Helsinki | 33 | 2,537 | 2,361 | 440 | 42 |
| MB Equity Fund Ky, Helsinki | 21 | - | - | - | - |
| Tapio Technologies, Helsinki | 20 | 11 | 10 | 6 | 1 |
| Irish Clearing House Limited, Dublin | 22 | 1 | 1 | 5 | - |

The information disclosed is extracted from the companies' most recent annual reports.

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| 22 (cont'd) | **Holdings in associated undertakings under insurance contracts** | | |
| | Cost at 1 January | 673 | 675 |
| | Disposals | - | 2 |
| | Cost at 31 December | 673 | 673 |
| | Revaluations at 1 January | 323 | 384 |
| | Share of profit | 8 | -46 |
| | Dividends | 30 | 15 |
| | Revaluations at 31 December | 301 | 323 |
| | Carrying amount at 31 December | 974 | 996 |

| | Ownership (%) | Total assets | Total liabilities | Income | Net profit |
|---|---|---|---|---|---|
| Ejendomsselskabet af Januar 2002 A/S, Copenhagen | 50 | 845 | 315 | 30 | 32 |
| Dantop Ejendomme ApS, Copenhagen | 50 | 281 | 6 | 9 | 12 |
| DNP Ejendomme Komplementarselskab ApS, Copenhagen | 50 | - | - | - | - |
| DNP Ejendomme P/S, Copenhagen | 50 | 1,130 | 21 | 91 | 22 |
| DAN-SEB 1 A/S, Copenhagen | 50 | 73 | 49 | 2 | -1 |
| Hovedbanegårdens Komplementarselskab ApS, Copenhagen | 50 | - | - | - | - |
| Privathospitalet Hamlet af 1994 A/S, Frederiksberg | 35 | 487 | 297 | 419 | -6 |

The information disclosed is extracted from the companies' most recent annual reports.

The Group has holdings in two investment companies in which Danica and the Danske Bank Group together hold more than 20% of the capital. Danica's holdings are recognised at fair value under Assets under insurance contracts. The Group's other holdings are carried under Trading portfolio assets. Because the investment companies invest solely in securities recognised at fair value, the carrying amount deviates only slightly from the fair value. The table below shows the Group's holdings in these companies at the end of 2010:

| | Ownership (%) | Total assets | Total liabilities | Income | Net profit |
|---|---|---|---|---|---|
| P-N 2001 A/S, Copenhagen | 27 | 6 | 2 | - | -2 |
| Nordic Venture Partners K/S, Copenhagen | 26 | 224 | 1 | 17 | 17 |

The information disclosed is extracted from the companies' most recent annual reports.

Note (DKK millions)

23 **Intangible assets**

| 2010 | Goodwill | Software developed | Customer relations | Other | Total |
|---|---|---|---|---|---|
| Cost at 1 January | 18,250 | 2,515 | 4,435 | 1,144 | 26,344 |
| Additions | 388 | 346 | - | 6 | 740 |
| Disposals | - | - | - | - | - |
| Foreign currency translation | 135 | - | 62 | 1 | 198 |
| Cost at 31 December | 18,773 | 2,861 | 4,497 | 1,151 | 27,282 |
| Amortisation and impairment charges at 1 January | - | 1,480 | 1,345 | 482 | 3,307 |
| Amortisation charges during the year | - | 415 | 437 | 100 | 952 |
| Impairment charges during the year | - | 32 | - | - | 32 |
| Reversals of amortisation and impairment charges | | - | - | - | - |
| Foreign currency translation | - | 1 | 56 | -2 | 55 |
| Amortisation and impairment charges at 31 December | - | 1,928 | 1,838 | 580 | 4,346 |
| Carrying amount at 31 December | 18,773 | 933 | 2,659 | 571 | 22,936 |
| Amortisation period | Annual impairment test | 3 years | 3-10 years | | |

| 2009 | | | | | |
|---|---|---|---|---|---|
| Cost at 1 January | 19,573 | 2,194 | 4,369 | 1,144 | 27,280 |
| Additions | - | 321 | - | 11 | 332 |
| Disposals | 1,458 | - | - | 9 | 1,467 |
| Foreign currency translation | 135 | - | 66 | -2 | 199 |
| Cost at 31 December | 18,250 | 2,515 | 4,435 | 1,144 | 26,344 |
| Amortisation and impairment charges at 1 January | - | 963 | 838 | 385 | 2,186 |
| Amortisation charges during the year | - | 517 | 436 | 106 | 1,059 |
| Impairment charges during the year | 1,458 | - | - | - | 1,458 |
| Reversals of amortisation and impairment charges | 1,458 | - | - | 9 | 1,467 |
| Foreign currency translation | - | - | 71 | - | 71 |
| Amortisation and impairment charges at 31 December | - | 1,480 | 1,345 | 482 | 3,307 |
| Carrying amount at 31 December | 18,250 | 1,035 | 3,090 | 662 | 23,037 |
| Amortisation period | Annual impairment test | 3 years | 3-10 years | | |

Other intangible assets were recognised at the acquisition of the Sampo Bank group in 2007 and include contractual rights of DKK 75 million (2009: DKK 145 million) and rights to names of DKK 465 million (2009: DKK 463 million). Contractual rights are amortised over 1-5 years. Rights to names relate to the use of the Sampo Bank brand name. In management's opinion, the right to use the name has an indefinite useful life, as the name is well-established. Rights to names are therefore not amortised but subject to annual impairment testing.

In 2010, the Group expensed DKK 2,128 million (2009: DKK 2,097 million) for development projects, primarily planning costs.

Note (DKK millions)

23 (cont'd) **Impairment testing**

The Group's goodwill and rights to names with indefinite useful lives are tested for impairment once a year by testing at the level of identifiable cash-generating units to which goodwill and rights to names have been allocated.

The impairment test conducted in 2010 did not result in impairment charges against goodwill and rights to names. In 2009, the Group's goodwill impairment charges against its banking units in Latvia and Lithuania, ZAO Danske Bank and the Group's Swedish real-estate agency chain totalled DKK 1,458 million.

| | 1 Jan. 2009 Goodwill and rights to names | Impairment charges | Foreign currency translation | 31 Dec. 2009 Goodwill and rights to names | Additions | Foreign currency translation | 31 Dec. 2010 Goodwill and rights to names |
|---|---|---|---|---|---|---|---|
| Banking Activities Finland | 11,709 | - | -56 | 11,653 | - | 20 | 11,673 |
| Banking Activities Baltics | 3,475 | 1,417 | 3 | 2,061 | - | - | 2,061 |
| Banking Activities Northern Ireland | 1,756 | - | 134 | 1,890 | - | 100 | 1,990 |
| Danske Markets | 1,125 | - | 39 | 1,164 | - | 1 | 1,165 |
| Danske Capital | 1,816 | - | -1 | 1,815 | - | 4 | 1,819 |
| Others | 157 | 41 | 14 | 130 | 388 | 10 | 528 |
| Total | 20,038 | 1,458 | 133 | 18,713 | 388 | 135 | 19,236 |

Impairment tests compare the carrying amount and the estimated present value of expected future cash flows. The special debt structure of financial institutions requires the use of a simplified equity model to calculate the present value of future cash flows. The model is based on approved strategies and earnings estimates for cash-generating units for the next five years (the budget period). The estimated earnings at the end of the budget period are discounted by the expected development in a number of macroeconomic variables until earnings normalise. This is expected no later than in year ten (the terminal period). For the terminal period, growth estimates are determined on the basis of forecasts of real GDP growth for the relevant markets. The estimated cash flows are discounted at the Group's risk-adjusted required rate of return of 12% (pre-tax rate) and 9% (post-tax rate). Cash flow estimates factor in entity-specific uncertainties.

With the exception of the unit in Northern Ireland, the Group's banking units recovered in 2010 on the basis of a considerable decline in loan impairment charges. Low money market rates reduced earnings, though. The Group expects a period of modest growth before economies will normalise. Normalised interest rate levels are expected to increase the net profit. If the economies do not normalise as expected, or future regulations increase costs more than expected, capitalised intangible assets may be impaired. Owing to the low earnings estimates for the budget period, around 70% of the net present value of future cash flows is expected to be generated in the terminal period (2009: 90%).

In comparison with 2009, sensitivity analyses show that goodwill on Banking Activities Finland and Banking Activities Baltics (Estonia) has become more robust against changes in impairment test assumptions, whereas goodwill on Banking Activities Northern Ireland has become less robust against changes in assumptions. Small changes in assumptions may require impairment charges against the goodwill on Banking Activities Finland, though. If the Group's risk-adjusted required rate of return is lifted from 12% to 13%, total goodwill will decline around DKK 0.4 billion (2009: DKK 2.0 billion). Total goodwill is robust against a one percentage point lowering of growth estimates for the terminal period (2009: a decline of DKK 0.5 billion) or a 10% lowering of the normalised required return for the terminal period (2009: a decline of DKK 0.7 billion). If the normalised required return for the terminal period is lowered 20%, however, goodwill will decrease by DKK 0.8 billion (2009: DKK 3.0 billion). Moreover, total goodwill is robust against a one percentage point increase in the assumed tier I capital requirement.

For Danske Capital, the required rate of return may increase by up to 1.1 percentage point before impairment occurs (2009: 4.3 percentage points), and the goodwill recognised is robust against changes in growth estimates for the terminal period. The goodwill on Danske Markets is robust against changes to both the required rate of return and growth estimates for the terminal period.

Note

23 (cont'd) **Impairment test assumptions**

| (%) | 2010 Annual growth >10 yrs | 2010 Required rate of return before tax | 2009 Annual growth >5 yrs | 2009 Required rate of return before tax |
|---|---|---|---|---|
| Banking Activities Finland | 1.8 | 12.0 | 2.0 | 12.0 |
| Banking Activities Baltics | 4.0 | 12.0 | 3.5 | 12.0 |
| Banking Activities Northern Ireland | 2.5 | 12.0 | 3.0 | 12.0 |
| Danske Markets | 1.8 | 12.0 | 1.0 | 12.0 |
| Danske Capital | 1.8 | 12.0 | 2.0 | 12.0 |

**Banking Activities Finland**
In 2007, Danske Bank acquired the shares of the Sampo Bank group. The activities of the Sampo Bank group were incorporated in the business structure of the Danske Bank Group at the beginning of 2007 and are reported under Banking Activities Finland. With the acquisition, the Group strengthened its competitive position in the entire northern European market. In 2008, Banking Activities Finland migrated to the Group's platform.

**Banking Activities Baltics**
In 2007, Danske Bank acquired the Baltic activities of the Sampo Bank group. The activities were incorporated in the business structure of the Danske Bank Group at the beginning of 2007 and are reported under Banking Activities Baltics. With the acquisition, the Group established a presence in the Baltic markets, primarily in Estonia and, although to a lesser extent, in Lithuania. The Group's operations in Latvia are very modest. The Group recognised goodwill impairment charges against the banking units in Latvia and Lithuania in 2009, reflecting the economic crisis in the Baltic countries. Only the goodwill on the Estonian operations remains capitalised.

**Banking Activities Northern Ireland (Northern Bank)**
In 2005, Danske Bank acquired Northern Bank, which forms part of Banking Activities Northern Ireland. The acquisition is consistent with the Group's strategy of strengthening its competitive position in the northern European market. The launch of new product packages and other services supports Northern Bank's position as a leading retail bank in the highly competitive Northern Ireland market.

**Danske Markets**
The trading activities of Sampo Bank were incorporated in the business structure of Danske Markets in 2007. With the acquisition, the Group strengthened its competitive position within corporate finance and institutional banking and trading activities in general. The integration process and the budgets and business plans presented confirm the financial assumptions on which the Group based its acquisition.

**Danske Capital**
The wealth management activities of Sampo Bank were incorporated in the business structure of Danske Capital in 2007. In addition to the acquisition of Sampo Bank, goodwill recognised by Danske Capital is attributable to a number of minor acquisitions. With the acquisition of Sampo Bank, the Group strengthened its competitive position within asset management in Finland.

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| 24 | **Investment property** | | |
| | Fair value at 1 January | 4,948 | 4,470 |
| | Additions | 360 | 554 |
| | Disposals | 530 | 110 |
| | Fair value adjustment | 21 | 34 |
| | Fair value at 31 December | 4,799 | 4,948 |
| | Required rate of return used for calculating fair value | 4.8-8.0 | 4.8-7.5 |
| | Average required rate of return | 5.4 | 5.4 |

Rental income from investment property totalled DKK 116 million (2009: DKK 332 million). Expenses directly attributable to investment property generating rental income amounted to DKK 38 million (2009: DKK 23 million), whereas expenses directly attributable to investment property not generating rental income amounted to DKK 5 million (2009: DKK 12 million).

| | | | |
|---|---|---|---|
| | **Investment property under insurance contracts** | | |
| | Fair value at 1 January | 17,757 | 17,431 |
| | Additions | 448 | 285 |
| | Property improvement expenditure | 329 | 348 |
| | Disposals | 10 | 19 |
| | Fair value adjustment | -359 | -288 |
| | Fair value at 31 December | 18,165 | 17,757 |
| | Required rate of return used for calculating fair value | 4.5-8.5 | 4.5-8.0 |
| | Average required rate of return | 6.1 | 6.2 |

Rental income from investment property under insurance contracts amounted to DKK 1,184 million (2009: DKK 1,165 million). Expenses directly attributable to investment property generating rental income amounted to DKK 360 million (2009: DKK 224 million).

The fair value of investment property is calculated on the basis of a standard operating budget and a rate of return fixed for the individual property less expenses for temporary factors. The operating budget factors in a conservative estimate of the market rent that could be earned on currently unoccupied premises and adjustments for existing leases that deviate materially from standard terms and conditions. Repair and maintenance expenses are calculated on the basis of the individual property's condition, year of construction, materials, etc. The rate of return is calculated on the basis of the property's location, possible uses and condition as well as the term and credit quality, etc. of leases.

Note (DKK millions)

25 **Tangible assets**

| 2010 | Domicile property | Machinery, furniture and fixtures | Lease assets | Total |
|---|---|---|---|---|
| Cost at 1 January | 4,893 | 2,346 | 6,458 | 13,697 |
| Additions | 74 | 378 | 1,084 | 1,536 |
| Disposals | 180 | 258 | 1,522 | 1,960 |
| Transferred to lease assets held for sale | - | - | 216 | 216 |
| Transferred to real property held for sale | 170 | - | - | 170 |
| Foreign currency translation | 30 | 71 | 67 | 168 |
| Cost at 31 December | 4,647 | 2,537 | 5,871 | 13,055 |
| Depreciation and impairment charges at 1 January | 1,160 | 1,731 | 2,006 | 4,897 |
| Depreciation charges during the year | 37 | 473 | 845 | 1,355 |
| Impairment charges during the year | 25 | - | 5 | 30 |
| Transferred to lease assets held for sale | - | - | 105 | 105 |
| Transferred to real property held for sale | 27 | - | - | 27 |
| Reversals of depreciation and impairment charges | 87 | 226 | 717 | 1,030 |
| Foreign currency translation | 8 | 53 | 13 | 74 |
| Depreciation and impairment charges at 31 December | 1,116 | 2,031 | 2,047 | 5,194 |
| Carrying amount at 31 December | 3,531 | 506 | 3,824 | 7,861 |
| Depreciation period | 20-50 years | 3-10 years | 3 years | |

At the end of 2010, the fair value of domicile property was DKK 4,941 million. The required rate of return of 6.8% was determined in accordance with Danish FSA rules.

| 2009 | | | | |
|---|---|---|---|---|
| Cost at 1 January | 4,697 | 2,451 | 6,417 | 13,565 |
| Additions | 193 | 248 | 1,595 | 2,036 |
| Disposals | 34 | 409 | 1,456 | 1,899 |
| Transferred to lease assets held for sale | - | - | 220 | 220 |
| Transferred to real property held for sale | 1 | - | - | 1 |
| Foreign currency translation | 38 | 56 | 122 | 216 |
| Cost at 31 December | 4,893 | 2,346 | 6,458 | 13,697 |
| Depreciation and impairment charges at 1 January | 924 | 1,780 | 1,800 | 4,504 |
| Depreciation charges during the year | 63 | 291 | 1,003 | 1,357 |
| Impairment charges during the year | 163 | - | - | 163 |
| Transferred to lease assets held for sale | - | - | 104 | 104 |
| Transferred to real property held for sale | -13 | - | - | -13 |
| Reversals of depreciation and impairment charges | 12 | 375 | 722 | 1,109 |
| Foreign currency translation | 9 | 35 | 29 | 73 |
| Depreciation and impairment charges at 31 December | 1,160 | 1,731 | 2,006 | 4,897 |
| Carrying amount at 31 December | 3,733 | 615 | 4,452 | 8,800 |
| Depreciation period | 20-50 years | 3-10 years | 3 years | |

At the end of 2009, the fair value of domicile property was DKK 5,234 million. The required rate of return of 6.7% was determined in accordance with Danish FSA rules.

Furthermore, Assets under insurance contracts includes domicile property of DKK 433 million (2009: DKK 151 million) and machinery, furniture and fixtures of DKK 0 million (2009: DKK 9 million). At the end of 2010, the fair value of such domicile property was DKK 449 million (2009: DKK 164 million).

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| 26 | **Other assets** | | |
| | Interest and commissions due | 6,370 | 7,551 |
| | Other amounts due | 16,777 | 13,695 |
| | Pension assets | 415 | 301 |
| | Lease assets held for sale | 283 | 332 |
| | Domicile property held for sale | 189 | 101 |
| | Real property taken over, held for sale | 408 | 194 |
| | Held-for-sale assets of businesses taken over | - | 469 |
| | Total | 24,442 | 22,643 |

Real property taken over, held for sale, comprises properties in Denmark of a carrying amount of DKK 282 million (2009: DKK 84 million) and properties in other countries of a carrying amount of DKK 126 million (2009: DKK 110 million). The properties have been taken over by the Group under non-performing loan agreements, and the Group expects to sell the properties via a real-estate agency within one year from the date of acquisition.

| | | | |
|---|---|---|---|
| 27 | **Due to credit institutions and central banks** | | |
| | Repo transactions | 142,163 | 126,516 |
| | Other amounts due | 175,825 | 184,653 |
| | Total | 317,988 | 311,169 |

| | | | |
|---|---|---|---|
| 28 | **Deposits** | | |
| | Transaction accounts etc. | 545,454 | 500,929 |
| | Time deposits | 232,545 | 279,193 |
| | Repo deposits | 60,440 | 55,648 |
| | Pension savings etc. | 22,614 | 23,810 |
| | Total | 861,053 | 859,580 |

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| 29 | **Deferred tax** | | |
| | Deferred tax assets | 1,693 | 2,120 |
| | Deferred tax liabilities | 6,003 | 5,391 |
| | Deferred tax, net | 4,310 | 3,271 |

| **Change in deferred tax** 2010 | At 1 Jan. | Foreign currency translation | Included in profit for the year | Included in shareholders' equity | At 31 Dec. |
|---|---|---|---|---|---|
| Intangible assets | 1,210 | -1 | -383 | - | 826 |
| Tangible assets | 2,441 | 29 | -167 | - | 2,303 |
| Securities | -58 | 1 | 49 | - | -8 |
| Provisions for obligations | -248 | -5 | 265 | - | 12 |
| Tax loss carryforwards | -1,527 | -46 | 341 | - | -1,232 |
| Recapture of tax loss | 2,047 | - | 1,110 | - | 3,157 |
| Other | -594 | -29 | -125 | - | -748 |
| Total | 3,271 | -51 | 1,090 | - | 4,310 |
| Adjustment of prior-year tax charges included in above item | | | 307 | | |
| 2009 | | | | | |
| Intangible assets | 1,346 | -3 | -133 | - | 1,210 |
| Tangible assets | 1,442 | 1 | 998 | - | 2,441 |
| Securities | -550 | -15 | 507 | - | -58 |
| Provisions for obligations | -314 | -3 | 69 | - | -248 |
| Tax loss carryforwards | 72 | -1 | -1,598 | - | -1,527 |
| Recapture of tax loss | - | - | 2,047 | - | 2,047 |
| Other | -162 | -54 | -378 | - | -594 |
| Total | 1,834 | -75 | 1,512 | - | 3,271 |
| Adjustment of prior-year tax charges included in above item | | | 483 | | |

Unrecognised tax loss carryforwards amounted to DKK 1.1 billion at 31 December 2010 (2009: DKK 0.3 billion).

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| 30 | **Other liabilities** | | |
| | Sundry creditors | 32,884 | 25,935 |
| | Accrued interest and commissions | 16,089 | 17,680 |
| | Pension obligations | 594 | 1,088 |
| | Other staff commitments | 2,632 | 3,243 |
| | Irrevocable loan commitments and guarantees etc. | 3,753 | 2,677 |
| | Reserves subject to a reimbursement obligation | 206 | 220 |
| | Liabilities of businesses taken over | - | 247 |
| | Other obligations | 248 | 157 |
| | Total | 56,406 | 51,247 |

| | Irrevocable loan commitments | Reserves subject to a reimbursement obligation | Other obligations |
|---|---|---|---|
| 1 January 2010 | 2,677 | 220 | 157 |
| New and increased obligations | 1,846 | - | 152 |
| Reversals of obligations | 763 | - | 57 |
| Spent | 30 | 33 | 8 |
| Effect of adjustment of discount rate or term | 8 | 19 | - |
| Foreign currency translation | 15 | - | 4 |
| 31 December 2010 | 3,753 | 206 | 248 |

The Group issues a number of irrevocable loan commitments and guarantees, etc. Such exposures are valued at the higher of the received premium amortised over the life of the individual obligation and the provision made, if any. Provisions are made if it is likely that drawings will be made under a loan commitment or claims will be made under a guarantee and the amount payable can be reliably measured. Obligations are recognised at the present value of expected payments.

Irrevocable loan commitments included obligations towards the Private Contingency Association of DKK 3.3 billion (2009: DKK 1.9 billion).

Reserves in early series subject to a reimbursement obligation relate to mortgage loan agreements under which the individual borrower's share of the series reserve fund is disbursed to the borrower on repayment of the loan in accordance with the terms and conditions applying to the series. Until 2031, the Group's obligation will gradually be reduced in step with individual borrower repayments. Factors that affect repayment patterns include changes in interest rates and the agreed repayment schedule.

Note (DKK millions)

31 **Subordinated debt**

Subordinated debt consists of liabilities in the form of subordinated loan capital and hybrid capital that, in the event of Danske Bank's voluntary or compulsory winding-up, will not be repaid until the claims of ordinary creditors have been met. Hybrid capital ranks below subordinated loan capital. Early redemption of subordinated debt must be approved by the Danish FSA.

Subordinated debt is included in the capital base in accordance with sections 129, 132, 132a and 136 of the Danish Financial Business Act.

| Currency | Borrower | Note | Principal (millions) | Interest rate | Year of issue | Maturity | Redemption price | 2010 (DKK millions) | 2009 (DKK millions) |
|---|---|---|---|---|---|---|---|---|---|
| Redeemed loans | | | | | | | | | 4,741 |
| EUR | Danske Bank A/S | a | 400 | 5.875 | 2002 | 26.03.2015 | 100 | 2,982 | 2,976 |
| EUR | Danske Bank A/S | b | 500 | 4.250 | 2003 | 20.06.2016 | 100 | 3,727 | 3,721 |
| NOK | Danske Bank A/S | c | 1,770 | var. | 2003 | 25.05.2014 | 100 | 1,688 | 1,583 |
| GBP | Danske Bank A/S | d | 350 | 5.375 | 2003 | 29.09.2021 | 100 | 3,033 | 2,881 |
| NOK | Danske Bank A/S | e | 500 | var. | 2003 | 15.02.2014 | 100 | 477 | 447 |
| EUR | Danske Bank A/S | f | 700 | 4.100 | 2005 | 16.03.2018 | 100 | 5,218 | 5,209 |
| EUR | Danske Bank A/S | g | 500 | 6.000 | 2007 | 20.03.2016 | 100 | 3,727 | 3,721 |
| EUR | Danske Bank A/S | h | 500 | 5.375 | 2008 | 18.08.2014 | 100 | 3,727 | 3,721 |
| DKK | Danske Bank A/S | i | 500 | 5.500 | 2008 | 22.08.2014 | 100 | 500 | 500 |
| EUR | Danica Pension | j | 400 | 4.350 | 2006 | Perpetual | 100 | 2,982 | 2,977 |
| EUR | Sampo Bank plc | k | 200 | var. | 2004 | 31.05.2016 | 100 | 1,491 | 1,488 |
| Subordinated loan capital, excluding hybrid capital | | | | | | | | 29,552 | 33,965 |
| Hybrid capital | | | | | | | | | |
| Hybrid capital included under the 15% of tier 1 capital limit (section 129(4)): | | | | | | | | | |
| USD | Danske Bank A/S | l | 750 | 5.914 | 2004 | Perpetual | 100 | 4,209 | 3,892 |
| GBP | Danske Bank A/S | m | 150 | 5.563 | 2005 | Perpetual | 100 | 1,300 | 1,234 |
| GBP | Danske Bank A/S | n | 500 | 5.684 | 2006 | Perpetual | 100 | 4,333 | 4,116 |
| EUR | Danske Bank A/S | o | 600 | 4.878 | 2007 | Perpetual | 100 | 4,473 | 4,465 |
| SEK | Danske Bank A/S | p | 1,350 | var. | 2007 | Perpetual | 100 | 1,116 | 976 |
| SEK | Danske Bank A/S | q | 650 | 5.119 | 2007 | Perpetual | 100 | 538 | 470 |
| EUR | Sampo Bank plc | r | 125 | 5.407 | 2004 | Perpetual | 100 | 932 | 930 |
| EUR | Sampo Bank plc | s | 125 | var. | 2005 | Perpetual | 100 | 932 | 930 |
| EUR | Sampo Bank plc | t | 100 | var. | 2004 | Perpetual | 100 | 745 | 744 |
| Hybrid capital included under the 35% of tier 1 capital limit (section 129(3)): | | | | | | | | | |
| DKK | Danske Bank A/S | u | 23,992 | 9.265 | 2009 | Perpetual | 100 | 23,992 | 23,992 |
| DKK | Realkredit Danmark A/S | v | 2,034 | 9.265 | 2009 | Perpetual | 100 | 2,034 | 2,034 |
| Total hybrid capital | | | | | | | | 44,604 | 43,783 |
| Nominal subordinated debt | | | | | | | | 74,156 | 77,748 |
| Fair value hedging of interest rate risk | | | | | | | | 3,759 | 2,380 |
| Danske Bank's holdings | | | | | | | | -579 | -126 |
| Total subordinated debt | | | | | | | | 77,336 | 80,002 |
| Portion included in capital base | | | | | | | | 68,918 | 73,068 |

| Note | | |
|---|---|---|
| 31 (cont'd) | a | Optional redemption from March 2012. If the loan is not redeemed, the annual interest rate will be 2.07 percentage points above 3-month EURIBOR. |
| | b | Optional redemption from June 2013. If the loan is not redeemed, the annual interest rate will be 2.05 percentage points above 3-month EURIBOR. |
| | c | Interest is paid at an annual rate 0.76 of a percentage point above 3-month NIBOR. Optional redemption from May 2011. If the loan is not redeemed, the annual interest rate will be 2.26 percentage points above 3-month NIBOR. |
| | d | Optional redemption from September 2018. If the loan is not redeemed, the annual interest rate will be 1.94 percentage points above 3-month GBP LIBOR. |
| | e | Interest is paid at an annual rate 0.47 of a percentage point above 3-month NIBOR. Optional redemption from February 2011. If the loan is not redeemed, the annual interest rate will be 1.97 percentage points above 3-month NIBOR. |
| | f | Optional redemption from March 2015. If the loan is not redeemed, the annual interest rate will be 1.81 percentage points above 3-month EURIBOR. |
| | g | Optional redemption from March 2013. If the loan is not redeemed, the annual interest rate will be 2.95 percentage points above 3-month EURIBOR. |
| | h | Optional redemption from August 2011. If the loan is not redeemed, the annual interest rate will be 3.10 percentage points above 3-month EURIBOR. |
| | i | Optional redemption from August 2011. If the loan is not redeemed, the annual interest rate will be 3.05 percentage points above 3-month CIBOR. |
| | j | Optional redemption from October 2011. If the loan is not redeemed, the annual interest rate will be 2.08 percentage points above 3-month EURIBOR. |
| | k | Interest is paid at an annual rate 0.25 of a percentage point above 3-month EURIBOR. Optional redemption from May 2011. If the loan is not redeemed, the annual interest rate will be 1.75 percentage points above 3-month EURIBOR. The loan is not included in the Group's capital base. |
| | l | Optional redemption from June 2014. If the loan is not redeemed, the annual interest rate will be 1.66 percentage points above 3-month USD LIBOR. |
| | m | Optional redemption from March 2017. If the loan is not redeemed, the annual interest rate will be 1.44 percentage points above 3-month GBP LIBOR. |
| | n | Optional redemption from February 2017. If the loan is not redeemed, the annual interest rate will be 1.70 percentage points above 3-month GBP LIBOR. |
| | o | Optional redemption from May 2017. If the loan is not redeemed, the annual interest rate will be 1.62 percentage points above 3-month EURIBOR. |
| | p | Interest is paid at an annual rate 0.65 of a percentage point above 3-month STIBOR. Optional redemption from February 2017. If the loan is not redeemed, the annual interest rate will be 1.65 percentage points above 3-month STIBOR. |
| | q | Optional redemption from August 2017. If the loan is not redeemed, the annual interest rate will be 1.65 percentage points above 3-month STIBOR. |
| | r | Optional redemption from March 2014. If the loan is not redeemed, the annual interest rate will be 2.15 percentage points above 3-month EURIBOR. The loan is included in the Group's capital base as tier 2 capital. |
| | s | Interest is paid at an annual rate 1.6 percentage points above 3-month EURIBOR. Optional redemption from December 2010. The loan is included in the Group's capital base as tier 2 capital. |
| | t | Interest is paid at an annual rate 0.3 of a percentage point above TEC 10. Optional redemption from March 2014. The loan is included in the Group's capital base as tier 2 capital. |
| | u | Interest is paid at an annual rate of 9.625 percentage points with an annual premium of 0.5 percentage point for the conversion option. If Danske Bank makes annual dividend payouts exceeding DKK 3.4 billion, the interest rate will increase. Unless otherwise agreed, Danske Bank may not redeem the loan earlier than 11 April 2014. From 11 April 2014 to 10 May 2014, Danske Bank may redeem the loan at a price of 100 provided that the tier 1 capital ratio is at least 12% following such redemption or that the loan is replaced by other loss-absorbing tier 1 capital of at least the same or a higher quality. From 11 May 2014 to 10 May 2015, Danske Bank may redeem the loan at a price of 105, and from 11 May 2015, Danske Bank may redeem the loan at a price of 110. Redemption must be approved by the Danish FSA. Until 14 May 2014, Danske Bank will have the option to gradually convert the loan capital into shares in Danske Bank A/S if the hybrid capital exceeds 35% of total tier 1 capital. Danske Bank must, however, gradually convert the loan capital into share capital in the same period if the hybrid capital exceeds 50% of total tier 1 capital. The conversion must be made at market price. At the end of 2010, the hybrid capital accounted for 31.9% of total tier 1 capital. |
| | v | Interest is paid at an annual rate of 9.625 percentage points. If Realkredit Danmark makes annual dividend payouts exceeding DKK 2.1billion, the interest rate will increase. Unless otherwise agreed, Realkredit Danmark may not redeem the loan earlier than 11 May 2012. From 11 May 2012 to 10 May 2014, Realkredit Danmark may redeem the loan at a price of 100 provided that the tier 1 capital ratio is at least 12% following such redemption or that the loan is replaced by other loss-absorbing tier 1 capital of at least the same or a higher quality. From 11 May 2014 to 10 May 2015, Realkredit Danmark may redeem the loan at a price of 105, and from 11 May 2015, Realkredit Danmark may redeem the loan at a price of 110. Redemption must be approved by the Danish FSA. |

| Note | (DKK millions) | | | | |
|---|---|---|---|---|---|
| 32 | **Balance sheet items broken down by expected due date** | 2010 | | 2009 | |
| | | < 1 year | > 1 year | < 1 year | > 1 year |
| | ASSETS | | | | |
| | Cash in hand and demand deposits with central banks | 35,403 | - | 33,714 | - |
| | Due from credit institutions and central banks | 225,965 | 2,135 | 200,631 | 1,725 |
| | Trading portfolio assets | 383,605 | 258,388 | 388,078 | 231,974 |
| | Investment securities | 23,135 | 95,421 | 1,305 | 117,674 |
| | Loans and advances at amortised cost | 681,064 | 465,667 | 662,289 | 464,853 |
| | Loans at fair value | 39,653 | 662,062 | 45,882 | 642,591 |
| | Assets under pooled schemes and unit-linked investment contracts | - | 59,698 | - | 45,909 |
| | Assets under insurance contracts | 6,838 | 210,677 | 8,479 | 188,465 |
| | Holdings in associated undertakings | - | 1,040 | - | 1,086 |
| | Intangible assets | - | 22,936 | - | 23,037 |
| | Investment property | - | 4,799 | - | 4,948 |
| | Tangible assets | - | 7,861 | - | 8,800 |
| | Current tax assets | 1,404 | - | 2,274 | - |
| | Deferred tax assets | - | 1,693 | - | 2,120 |
| | Other assets | 24,027 | 415 | 22,342 | 301 |
| | Total | 1,421,094 | 1,792,792 | 1,364,994 | 1,733,483 |
| | LIABILITIES | | | | |
| | Due to credit institutions and central banks | 317,155 | 833 | 309,102 | 2,067 |
| | Trading portfolio liabilities | 230,187 | 248,199 | 158,381 | 222,186 |
| | Deposits | 220,368 | 640,685 | 297,469 | 562,111 |
| | Bonds issued by Realkredit Danmark | 169,421 | 386,065 | 181,479 | 335,576 |
| | Deposits under pooled schemes and unit-linked investment contracts | 5,601 | 61,676 | 3,844 | 49,289 |
| | Liabilities under insurance contracts | 21,123 | 217,009 | 18,903 | 204,973 |
| | Other issued bonds | 197,591 | 252,628 | 266,341 | 248,260 |
| | Current tax liabilities | 858 | - | 1,197 | - |
| | Deferred tax liabilities | - | 6,003 | - | 5,391 |
| | Other liabilities | 55,606 | 800 | 49,939 | 1,308 |
| | Subordinated debt | 12,303 | 65,033 | 4,871 | 75,131 |
| | Total | 1,230,213 | 1,878,931 | 1,291,526 | 1,706,292 |

Deposits include fixed-term deposits and demand deposits. Fixed-term deposits are recognised at maturity. Demand deposits have short contractual maturities but are considered a stable financing source with an expected maturity of more than one year.

Note (DKK millions)

33 **Contractual due dates of financial liabilities**

| 2010 | 0-1 month | 1-3 months | 3-12 months | 1-5 years | > 5 years |
|---|---|---|---|---|---|
| Due to credit institutions and central banks | 298,958 | 19,580 | 639 | 308 | 578 |
| Deposits | 750,807 | 46,977 | 26,709 | 28,675 | 12,071 |
| Repurchase obligation under reverse transactions | 159,450 | - | - | - | - |
| Derivatives settled on a gross basis (cash outflows) | 2,619,724 | 1,992,846 | 1,245,362 | 198,744 | 43,096 |
| Derivatives settled on a gross basis (cash inflows) | 2,620,308 | 1,991,339 | 1,243,659 | 197,215 | 43,368 |
| Derivatives settled on a gross basis (net cash flows) | 584 | -1,507 | -1,703 | -1,529 | 272 |
| Derivatives settled on a net basis | 15,656 | 4,053 | -30,480 | -5,306 | -94 |
| Bonds issued by Realkredit Danmark | 87,608 | - | 95,414 | 274,118 | 222,836 |
| Other issued bonds | 71,759 | 67,392 | 62,816 | 194,825 | 94,304 |
| Subordinated debt | 1,473 | - | 11,087 | 54,761 | 27,538 |
| Other financial liabilities | 761 | 365 | 4,476 | 34,490 | 27,185 |
| Financial and loss guarantees | 19,549 | 13,150 | 26,921 | 22,222 | 8,448 |
| Irrevocable loan commitments shorter than 1 year | 1,945 | 9,827 | 49,779 | - | - |
| Irrevocable loan commitments longer than 1 year | - | - | - | 89,508 | 19,899 |
| Other unutilised commitments | 852 | - | - | - | - |
| Total | 1,409,402 | 159,837 | 245,658 | 692,072 | 413,037 |

| 2009 | 0-1 month | 1-3 months | 3-12 months | 1-5 years | > 5 years |
|---|---|---|---|---|---|
| Due to credit institutions and central banks | 222,413 | 5,437 | 83,211 | 256 | 1,972 |
| Deposits | 716,319 | 52,747 | 38,252 | 15,290 | 44,855 |
| Repurchase obligation under reverse transactions | 73,147 | - | - | - | - |
| Derivatives settled on a gross basis (cash outflows) | 2,348,150 | 1,622,770 | 1,063,952 | 219,694 | 14,259 |
| Derivatives settled on a gross basis (cash inflows) | 2,348,924 | 1,624,523 | 1,062,629 | 219,284 | 14,554 |
| Derivatives settled on a gross basis (net cash flows) | 774 | 1,753 | -1,323 | -410 | 295 |
| Derivatives settled on a net basis | -15,571 | 6,331 | -3,313 | -3,588 | - |
| Bonds issued by Realkredit Danmark | 93,506 | - | 107,124 | 234,715 | 247,532 |
| Other issued bonds | 52,945 | 122,989 | 94,479 | 194,430 | 77,233 |
| Subordinated debt | - | - | 4,913 | 67,822 | 31,758 |
| Other financial liabilities | 862 | 481 | 2,577 | 20,157 | 29,056 |
| Financial and loss guarantees | 9,279 | 8,683 | 37,671 | 24,006 | 7,186 |
| Irrevocable loan commitments shorter than 1 year | 2,287 | 6,591 | 61,858 | - | - |
| Irrevocable loan commitments longer than 1 year | - | - | - | 95,188 | 6,771 |
| Other unutilised commitments | 1,173 | - | - | - | - |
| Total | 1,157,134 | 205,012 | 425,449 | 647,866 | 446,658 |

The maturity analysis is based on the earliest date on which the Group can be required to pay.

Disclosures comprise agreed payments, including principal and interest. For liabilities with variable cash flows, for example variable-rate financial liabilities, disclosure is based on the contractual conditions at the balance sheet date. Derivatives disclosures include the contractual cash flows for all derivatives, irrespective of whether the fair value at the balance sheet date is negative or positive and whether derivatives are held for trading or hedging purposes.

Amounts for other issued bonds and subordinated debt are included at the date when the Danske Bank Group has a choice of redeeming the debt or paying interest at a higher rate.

Usually, deposits are contractually very short-term funding, but in practice they are considered a stable funding source, as amounts disbursed largely equal deposits received. A number of irrevocable loan commitments and guarantees expire without being utilised. Loan commitments and guarantees are included on the basis of the contractual expiry date. To take account of the potential risk of drawings under irrevocable loan commitments, the Group factors in the unutilised portion of the facilities in the calculation of liquidity risk.

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| 34 | **Pension plans** | | |
| | Contributions to external defined contribution plans | 480 | 514 |
| | Contributions to internal defined contribution plans | 675 | 646 |
| | Total contributions to defined contribution plans | 1,155 | 1,160 |
| | Expenses for defined benefit plans, standard cost | 149 | 127 |
| | Adjustment of plans and business acquisitions | - | - |
| | Foreign currency translation | 17 | 54 |
| | Total | 1,321 | 1,341 |

A significant number of the Group's pension plans are defined contribution plans under which the Group makes contributions to insurance companies, including Danica Pension. Such payments are expensed when made. Defined benefit plans are typically funded by contributions made by employers and employees to separate pension funds investing the contributions on behalf of the members to fund future pension obligations. The Group also has unfunded pension plans, which are recognised directly on the balance sheet.

Defined benefit plans in Northern Ireland and Ireland account for most of the Group's obligations under such plans. The defined benefit schemes in these countries do not accept new members, and pension obligations are funded through pension funds. For the scheme in Ireland, contributions payable by existing members were discontinued on 1 January 2011. All employees are now covered by a combination of a defined benefit and a defined contribution scheme.

Pensions in payment, including spouses' and children's benefits in Northern Ireland and Ireland, are reviewed annually by the Group and the trustee boards of the plans, and discretion is exercised as to the level of increases awarded.

In Denmark, most employees have defined contribution plans. Defined benefit plans for employees working in Denmark are funded by contributions to pension funds, the majority of which are regulated by Danish company pension funds law. Most of the schemes do not accept new members, and most of them are in payment.

In Sweden, the defined benefit scheme accepts new members. The plans are funded through a pension fund, with an upper limit on the salary level on the basis of which pension obligations accumulate.

The Group's defined benefit plans are computed on the basis of external actuarial calculations, and actuarial gains and losses are recognised using the corridor method. The actuarial calculations show an unrecognised net pension liability of DKK 39 million at 31 December 2010 (2009: an unrecognised net pension liability of DKK 1,103 million).

The net pension assets and obligations of the individual pension funds are recognised under Other assets and Other liabilities, respectively.

| | | | |
|---|---|---|---|
| | **Defined benefit plans** | | |
| | Present value of unfunded pension obligations | 241 | 339 |
| | Present value of fully or partly funded pension obligations | 11,937 | 11,539 |
| | Fair value of plan assets | 11,960 | 9,988 |
| | Net pension obligation at 31 December | 218 | 1,890 |
| | Actuarial gains/losses not recognised in the net pension obligation | -39 | -1,103 |
| | Net pension obligation in accordance with IFRSs at 31 December | 179 | 787 |
| | Net pension obligation recognised on the balance sheet | | |
| | Pension assets recognised under Other assets | 415 | 301 |
| | Pension obligations recognised under Other liabilities | 594 | 1,088 |
| | Total | 179 | 787 |

Note (DKK millions)

34 (cont'd) **Changes in net pension obligation**

| | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | Assets | Liabilities | Net | Assets | Liabilities | Net |
| At 1 January | 9,988 | 11,878 | 1,890 | 9,301 | 9,717 | 416 |
| Current service costs | - | 200 | 200 | - | 198 | 198 |
| Calculated interest expenses | - | 627 | 627 | - | 545 | 545 |
| Estimated return on plan assets | 624 | - | 624 | 589 | - | 589 |
| Past service costs | - | -54 | -54 | - | -27 | -27 |
| Standard cost | 624 | 773 | 149 | 589 | 716 | 127 |
| Actuarial gains/losses | 1,026 | -38 | 1,064 | 234 | 1,820 | -1,586 |
| Employer contributions to plans | 774 | - | 774 | 293 | - | 293 |
| Employee contributions | 7 | 7 | - | 7 | 7 | - |
| Benefits paid out by pension funds | -451 | -451 | - | -411 | -411 | - |
| Adjustment of plans and business acquisitions | - | - | - | - | - | - |
| Foreign currency translation | -8 | 9 | 17 | -25 | 29 | 54 |
| At 31 December | 11,960 | 12,178 | 218 | 9,988 | 11,878 | 1,890 |
| Actuarial gains/losses not recognised in net pension obligation | -1,071 | -1,032 | -39 | -2,097 | -994 | -1,103 |
| Net pension obligation at 31 December | 13,031 | 13,210 | 179 | 12,085 | 12,872 | 787 |

The Group expects its pension contributions to total DKK 339 million in 2011.

| | 2010 | 2009 |
|---|---|---|
| **Expenses for defined benefit plans** | | |
| Current service costs | 200 | 198 |
| Calculated interest expenses | 627 | 545 |
| Estimated return on plan assets | 624 | 589 |
| Past service costs | -54 | -27 |
| Standard cost | 149 | 127 |
| Actuarial gains/losses | 1,064 | -1,586 |
| Adjustment of plans and business acquisitions | - | - |
| Foreign currency translation | 17 | 54 |
| Total | -898 | 1,767 |

The Group's obligations under defined benefit plans are recognised on the basis of actuarial calculations of the present value of the estimated benefits. The table below shows the assumptions for calculating the present value of the individual plans on 31 December 2010.

| **Average actuarial assumptions (%)** | | |
|---|---|---|
| Discount rate | 5.2 | 5.4 |
| Return on plan assets | 5.8 | 5.9 |
| Inflation rate | 2.9 | 3.0 |
| Salary adjustment rate | 3.8 | 3.8 |
| Pension adjustment rate | 3.0 | 3.1 |

The expected return on plan assets is calculated on the basis of the asset mix at the beginning of the year and long-term expectations for the return on the various asset types.

The mortality assumptions used for recognising pension obligations at the end of 2010 are based on the Group's own DB09 mortality table for pension obligations in Denmark and the FFFS2007:31 standard table for pension obligations in Sweden. The Northern Ireland and Ireland mortality rates are based on the 00 series of mortality tables for annuitants and pensioners produced by the British Institute and Faculty of Actuaries. The mortality tables are adjusted to reflect general trends in the mortality rates of populations and general data on portfolios of insured persons. Life expectancies of persons insured at 31 December 2010 were assumed to be 86.4 years for men and 88.3 years for women (60-year-olds), and 86.7 years for men and 88.4 years for women (65-year-olds). The corresponding figures for 2009 were 85.9 years for men and 88.4 years for women (60-year-olds), and 86.1 years for men and 88.4 years for women (65-year-olds).

The notes on risk management include a sensitivity analysis.

| Note | (DKK millions) | | | | | | |
|---|---|---|---|---|---|---|---|
| 34 | **Pension assets** | 2010 | | | 2009 | | |
| (cont'd) | (%) | Percentage at 31 Dec. | Estimated return at 1 Jan. | Actual return at 31 Dec. | Percentage at 31 Dec. | Estimated return at 1 Jan. | Actual return at 31 Dec. |
| | Shares | 42 | 8 | 14 | 44 | 8 | 26 |
| | Government and mortgage bonds | 29 | 4 | 6 | 29 | 5 | 3 |
| | Index-linked bonds | 7 | 4 | 9 | 6 | 4 | 7 |
| | Corporate bonds | 13 | 5 | 9 | 12 | 6 | 13 |
| | Real property | 2 | 7 | -4 | 2 | 6 | -29 |
| | Cash and cash equivalents | 7 | 2 | - | 7 | 3 | - |
| | Total | 100 | 6 | 10 | 100 | 6 | 12 |

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| **Historical trend in defined benefit plans** | | | | | |
| Present value of pension obligations | 12,178 | 11,878 | 9,717 | 12,098 | 13,005 |
| Fair value of plan assets | 11,960 | 9,988 | 9,301 | 11,169 | 11,422 |
| Actuarial gains/losses not recognised in the net pension obligation | -39 | -1,103 | 483 | 376 | 34 |
| Experience adjustments of plan liabilities included in above item | 247 | -38 | -59 | - | - |
| Experience adjustments of plan assets included in above item | 599 | -217 | -664 | - | - |
| Net pension obligation at 31 December | 179 | 787 | 899 | 1,305 | 1,617 |

Transactions with related pension funds comprised loans and advances worth DKK 9 million (2009: DKK 8 million), deposits worth DKK 134 million (2009: DKK 125 million), issued bonds worth DKK 530 million (2009: DKK 468 million), derivatives with a positive fair value of DKK 40 million (2009: DKK 16 million), derivatives with a negative fair value of DKK 621 million (2009: DKK 549 million), interest expenses of DKK 20 million (2009: DKK 20 million), fee income of DKK 1 million (2009: DKK 1 million) and pension contributions of DKK 774 million (2009: DKK 293 million).

| 35 | **Risk-weighted assets** | 2010 | 2009 |
|---|---|---|---|
| | Credit risk (IRB approach) | 457,548 | 470,396 |
| | Credit risk (standardised approach) | 218,106 | 204,642 |
| | Counterparty risk | 37,246 | 28,744 |
| | Total credit risk | 712,900 | 703,782 |
| | Market risk | 43,284 | 44,533 |
| | Operational risk | 88,025 | 85,927 |
| | Total | 844,209 | 834,242 |
| | 8% of risk-weighted assets | 67,537 | 66,739 |

The total capital and tier 1 capital ratios are calculated in accordance with the Capital Requirements Directive. Risk-weighted assets calculated under the Basel I rules amounted to DKK 1,359,397 million at 31 December 2010 (2009: 1,312,565 million). The solvency need, calculated on the basis of the transitional rules, was DKK 87,001 million, equal to 80% of the capital requirement of 8% of risk-weighted assets (2009: DKK 84,004 million). Transitional rules applied in 2010 will also apply in 2011.

Risk Management 2010 provides more details about the Group's solvency need. Risk Management 2010 is not covered by the statutory audit.

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| 36 | **Contingent liabilities and events after the balance sheet date** | | |
| | The Group uses a variety of loan-related financial instruments to meet the financial requirements of its customers. These include loan offers and other credit facilities, guarantees and instruments that are not recognised on the balance sheet. | | |
| | **Guarantees** | | |
| | Financial guarantees | 12,061 | 9,972 |
| | Mortgage finance guarantees | 3,001 | 2,215 |
| | Loss guarantee for the Private Contingency Association | - | 4,727 |
| | Other guarantees | 75,228 | 69,911 |
| | Total | 90,290 | 86,825 |
| | **Other contingent liabilities** | | |
| | Irrevocable loan commitments shorter than 1 year | 61,551 | 70,736 |
| | Irrevocable loan commitments longer than 1 year | 109,407 | 101,959 |
| | Other unutilised commitments | 852 | 1,173 |
| | Total | 171,810 | 173,868 |

In addition to the credit exposure relating to lending activities, the Group has granted loan offers and revocable credit facilities worth DKK 396 billion (2009: DKK 344 billion). These items are included in the calculation of risk-weighted assets in accordance with the Capital Requirements Directive.

Owing to its business volume, the Danske Bank Group is continually a party to various lawsuits. In view of its size, the Group does not expect the outcomes of the cases pending to have any material effect on its financial position.

A limited number of employees are employed under terms which grant them, if they are dismissed before reaching their normal retirement age, an extraordinary severance and/or pension payment in excess of their entitlement under ordinary terms of employment. As the sponsoring employer, the Group is liable for the pension obligations of a number of company pension funds.

Together with the majority of Danish banks, Danske Bank participated in the Danish state guarantee from 5 October 2008 to 30 September 2010. Each bank had to pay a guarantee commission and undertake to cover a share of the sector's losses. Danske Bank's share was one third of the total amount, or an annual guarantee commission of DKK 2.5 billion and a total commitment to cover losses of DKK 6.6 billion. Of the latter amount, DKK 3.3 billion would become payable only if the total losses of distressed banks covered by the state-owned Financial Stability Company exceeded DKK 25 billion. The Financial Stability Company has announced that total losses will not exceed DKK 25 billion. Danske Bank has thus recognised a charge of DKK 3.3 billion as final settlement of its share of the sector's first tranche to cover the losses of distressed banks.

Since the expiry of the state guarantee scheme, depositors' claims have been covered by the Danish Guarantee Fund for Depositors and Investors. Through participation in the statutory Guarantee Fund, Danish banks undertake to cover the losses incurred by the Fund from the winding up of distressed banks. Danske Bank's share is around one third of any loss incurred by the Fund.

On 6 February 2011, Amagerbanken A/S filed for bankruptcy. Danske Bank's exposure to Amagerbanken A/S is insignificant. At the time of publication of this report, it was not possible to determine Danske Bank's share of the losses to be incurred by the Guarantee Fund. The share of the losses is estimated at no more than DKK 850 million, though.

The Group is the lessee in a number of non-cancellable operating leases, involving mainly leasing of real property, equipment, furniture and fixtures. The Group recognises lease payments as an expense over the lease term but does not recognise operating lease assets on its balance sheet. Such assets are recognised by lessors. Note 39 provides more information about the present value of lease payments under non-cancellable operating leases.

Note

37 **Repo and reverse transactions**

In repo transactions, which involve selling securities to be repurchased at a later date, the securities remain on the balance sheet, and the amounts received are recognised as deposits. Repo transaction securities are treated as assets provided as collateral for liabilities. At the end of 2010, the fair value of such securities totalled DKK 190,174 million (2009: DKK 178,578 million). Counterparties are entitled to sell the securities or deposit them as collateral for other loans.

In reverse transactions, which involve buying securities to be resold at a later date, the Group is entitled to sell the securities or deposit them as collateral for other loans. The securities are not recognised on the balance sheet, and amounts paid are carried as loans. At the end of 2010, the fair value of reverse transaction securities was DKK 301,980 million (2009: DKK 236,601 million), of which securities sold totalled DKK 159,450 million (2009: DKK 73,147 million).

38 **Assets deposited as collateral**

At the end of 2010, the Group had deposited securities worth DKK 59,949 million as collateral with Danish and international clearing centres and other institutions (2009: DKK 102,648 million).

At the end of 2010, the Group had delivered cash and securities worth DKK 40,655 million as collateral for derivatives transactions (2009: DKK 35,977 million).

The Group had registered assets under insurance contracts worth DKK 269,957 million as collateral for the savings of policyholders at the end of 2010 (2009: DKK 253,226 million).

The Group had registered loans at fair value worth DKK 701,715 million and other assets worth DKK 0 million as collateral for bonds issued by Realkredit Danmark, including mortgage-covered bonds, at the end of 2010 (2009: DKK 688,473 million and DKK 0 million, respectively).

At the end of 2010, the Group had registered loans and advances worth DKK 138,610 million and other assets worth DKK 5,126 million as collateral for covered bonds issued under Danish, Finnish, Norwegian and Swedish law (2009: DKK 123,323 million and DKK 4,063 million, respectively).

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| 39 | **Leasing** | | |
| | **The Group as lessor** | | |
| | The Group offers fleet management, truck leasing, IT leasing, machinery leasing, such as agricultural machinery, and real property leasing under both finance and operating leases. | | |
| | **Payments due under finance leases** | | |
| | Loans and advances included payments due under finance leases of DKK 25,888 million at the end of 2010 (2009: DKK 27,938 million). | | |
| | Finance leases | | |
| | At 1 January | 27,938 | 31,786 |
| | Additions | 5,613 | 6,016 |
| | Disposals | 8,548 | 10,035 |
| | Foreign currency translation | 885 | 171 |
| | At 31 December | 25,888 | 27,938 |
| | Finance leases expiring | | |
| | within 1 year | 4,829 | 4,884 |
| | in 1-5 years | 15,058 | 15,417 |
| | after 5 years | 6,001 | 7,637 |
| | Total | 25,888 | 27,938 |
| | Gross investment in finance leases expiring | | |
| | within 1 year | 6,377 | 6,439 |
| | in 1-5 years | 18,189 | 18,476 |
| | after 5 years | 7,560 | 9,365 |
| | Total | 32,126 | 34,280 |
| | Unearned finance income | 6,238 | 6,342 |
| | Unguaranteed residual value | 1,540 | 1,671 |
| | Impairment charges for finance leases amounted to DKK 1,096 million at the end of 2010 (2009: DKK 1,444 million). | | |
| | **Payments due under operating leases** | | |
| | The Group recognises assets leased under operating leases as tangible assets (lease assets), investment property and investment property under insurance contracts. The table below breaks down minimum lease payments by lease term. | | |
| | Operating leases expiring | | |
| | within 1 year | 1,911 | 1,982 |
| | in 1-5 years | 2,381 | 2,451 |
| | after 5 years | 698 | 660 |
| | Total | 4,990 | 5,093 |
| | **The Group as lessee** | | |
| | The Group is the lessee in a number of operating leases. Under such leases, the Group is entitled to use an asset for a specified period of time against lease payments, but it does not take over the major risks associated with the asset nor does it benefit from any returns. The leases involve mainly leasing of real property, equipment, furniture and fixtures and are not recognised on the Group's balance sheet. The table below breaks down minimum lease payments by lease term. | | |
| | Operating leases expiring | | |
| | within 1 year | 571 | 466 |
| | in 1-5 years | 1,539 | 1,451 |
| | after 5 years | 1,217 | 1,519 |
| | Total | 3,327 | 3,436 |
| | Staff costs and administrative expenses includes lease payments in the amount of DKK 435 million (2009: DKK 926 million). | | |
| | In 2010, the Group did not enter into finance leases as lessee. | | |

Note (DKK millions)

40 **Acquisition of group undertakings**

At the end of July 2009, the Group acquired the Swedish facility management group Addici Holding AB. The Group is the primary banker of the Addici group, which was acquired at no cost due to its financial situation. With effect from July 2010, the consolidation of Addici was changed from an asset held for sale to full consolidation as the company has not been sold. Goodwill on the acquisition totalled DKK 0.4 billion, other assets totalled DKK 0.1 billion and other liabilities totalled 0.5 billion. Addici's earnings after the acquisition did not result in changes to the net realisable value recognised at the acquisition. Addici has about 1,100 employees, who are not included in the number of full-time-equivalent staff stated in Financial highlights – Danske Bank Group on page 8 and in note 2. The Group still intends to sell the company.

41 **Related parties**

| | Parties with significant influence | | Associated undertakings | | Board of Directors | | Executive Board | |
|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Loans and irrevocable loan commitments | 6,034 | 7,547 | 1,318 | 1,416 | 43 | 55 | 16 | 17 |
| Securities and derivatives | 1,508 | 1,580 | 11,968 | 10,662 | - | - | - | - |
| Deposits | 3,062 | 1,474 | 191 | 371 | 38 | 51 | 21 | 18 |
| Derivatives | 68 | 86 | 1,376 | 2,262 | - | - | - | - |
| Guarantees issued | 1,970 | 1,983 | 9 | 41 | - | - | - | - |
| Guarantees and collateral received | 486 | 724 | 117 | 145 | 21 | 24 | 12 | 17 |
| Interest income | 36 | 76 | 280 | 455 | 2 | 2 | 1 | 1 |
| Interest expense | 14 | 24 | 226 | 220 | 1 | 1 | - | 1 |
| Fee income | 22 | 2 | 2 | 3 | - | - | - | - |
| Dividend income | 4 | 12 | 137 | 195 | - | - | - | - |
| Other income | 7 | 7 | - | - | - | - | - | - |
| Trade in Danske Bank shares | | | | | | | | |
| Acquisition of shares | - | - | - | - | - | 4 | 2 | 1 |
| Sale of shares | - | - | - | - | - | 1 | 2 | 1 |

Related parties with significant influence include shareholders with holdings exceeding 20% of Danske Bank A/S's share capital. A.P. Møller and Chastine Mc-Kinney Møller Foundation and companies of the A.P. Møller – Maersk Group, Copenhagen, hold 22.76% of the share capital. Note 22 lists associated undertakings. The Board of Directors and Executive Board columns list the personal facilities, deposits, etc. held by members of the Board of Directors and the Executive Board and their dependants and facilities with businesses in which these parties have a controlling or significant influence.

In 2010, the average interest rates on credit facilities granted to members of the Board of Directors and the Executive Board were 2.7% (2009: 3.1%) and 3.4% (2009: 4.1%), respectively. Notes 9 and 42 specify the remuneration and shareholdings of the management.

Pension funds set up for the purpose of paying out pension benefits to employees of the Danske Bank Group are also considered related parties. Note 34 specifies transactions with such pension funds.

Danske Bank A/S acts as the bank of a number of its related parties. Payment services, trading in securities and other instruments, investment and placement of surplus liquidity, and provision of short-term and long-term financing are the primary services provided by Danske Bank A/S.

Danica Pension manages the pension plans of a number of related parties, and Danske Capital manages the assets of a number of the Group's pension funds.

The figures above do not include debt to related parties in the form of issued notes. Such notes are bearer securities, which means that the Group does not know the identity of the holders. Danske Bank shares may be registered by name. Related parties' holdings of Danske Bank shares equalling 5% or more of Danske Bank's share capital are determined on the basis of the most recent reporting of holdings to Danske Bank.

Transactions with related parties are settled on an arm's-length basis.

Note 42 Number

**Danske Bank shares held by the Board of Directors and the Executive Board**

| | Beginning of 2010 | Upon appointment/ retirement | Additions | Disposals | End of 2010 |
|---|---|---|---|---|---|
| **Board of Directors** | | | | | |
| Alf Duch-Pedersen | 12,006 | - | - | - | 12,006 |
| Eivind Kolding | 11,367 | - | - | - | 11,367 |
| Ole Gjessø Andersen | - | 500 | - | - | 500 |
| Michael Fairey | - | 299 | - | - | 299 |
| Peter Højland | 29,000 | - | - | - | 29,000 |
| Mats Jansson | 250 | - | - | - | 250 |
| Niels Chr. Nielsen | 15,258 | -15,258 | - | - | - |
| Sten Scheibye | 8,758 | - | - | - | 8,758 |
| Majken Schultz | 917 | - | - | - | 917 |
| Claus Vastrup | 975 | - | - | - | 975 |
| Birgit Aagaard-Svendsen | 7,384 | - | - | - | 7,384 |
| Susanne Arboe | - | 713 | 39 | - | 752 |
| Helle Brøndum | 2,273 | - | 26 | - | 2,299 |
| Carsten Eilertsen | - | 341 | 25 | - | 366 |
| Charlotte Hoffmann | 3,670 | - | 238 | - | 3,908 |
| Per Alling Toubro | 1,756 | - | 165 | - | 1,921 |
| Verner Usbeck | 731 | -731 | - | - | - |
| Solveig Ørteby | 2,130 | -2,130 | - | - | - |
| **Executive Board** | | | | | |
| Peter Straarup | 28,860 | - | 3,052 | - | 31,912 |
| Tonny Thierry Andersen | 8,078 | - | 1,523 | 1,523 | 8,078 |
| Thomas F. Borgen | 16,963 | - | - | 7,500 | 9,463 |
| Sven Lystbæk | 12,510 | -19,026 | 6,516 | - | - |
| Georg Schubiger | - | 19,500 | - | - | 19,500 |
| Per Skovhus | 7,479 | - | 1,469 | 5,270 | 3,678 |

Under the Danish Securities Trading Act, the acquisition and sale of Danske Bank shares by the Board of Directors and the Executive Board must be reported to the Danish FSA and be publicly disclosed when transactions exceed EUR 5,000 per calendar year. Danske Bank discloses all additions, disposals and total holdings of the Board of Directors and the Executive Board, excluding related parties, however.

Note (DKK millions)

43 **Fair value information for financial instruments**

Financial instruments are carried on the balance sheet at fair value or amortised cost. The Group breaks down its financial instruments by valuation method (note 1 provides additional information).

**Financial instruments at fair value**

The fair value is the amount for which a financial asset can be exchanged between knowledgeable, willing parties. If an active market exists, the Group uses the quoted price. If a financial instrument is quoted in a market that is not active, the Group bases its measurement on the most recent transaction price. Adjustment is made for subsequent changes in market conditions, for instance, by including transactions in similar financial instruments that are assumed to be motivated by normal business considerations. For a number of financial assets and liabilities, no market exists. In such cases, the Group uses recent transactions in similar instruments and discounted cash flows or other generally accepted estimation and valuation techniques based on market conditions at the balance sheet date to calculate an estimated value.

The bond markets' volume and liquidity increased in 2010, bringing the markets closer to the pre-crisis level. Some countries in financial difficulty experienced declining bond market liquidity, however. It is therefore difficult to distinguish between sales of bonds between market makers and investors forced to close their positions and normal transactions that are representative of a market and can be used for valuation purposes. In addition to quoted prices, the valuation relies on observable market prices for instruments with similar security IDs, if available, and models based on observable input that are designed to calculate the value of financial instruments not traded in an active market. These models incorporate swap rates, credit spreads and effective interest rate forecasts.

Generally, the Group applies valuation techniques to OTC derivatives, unlisted trading portfolio assets and liabilities, and unlisted investment securities. The most frequently used valuation and estimation techniques include the pricing of transactions with future settlement and swap models that apply present value calculations, credit pricing models and options models, such as Black & Scholes models. In most cases, valuation is based substantially on observable input. The valuation of unlisted shares and certain derivatives is based substantially on non-observable input. The value of derivatives, primarily long-term contracts, is therefore extrapolated on the basis of observable yield curves. Also, some credit derivatives are valued on the basis of observable input as well as assumptions about the probability of default (recovery rate).

As part of the Group's control environment, valuation models are validated by units that are independent of the business units that develop the models and trade in the products covered by the models. Validation is made to test the implementation, quality and operating stability of models to ensure that the models can be used for pricing and risk management of financial products.

Validation does not prevent errors and irregularities from occurring. For this reason, the Group has established guidelines to quantify the model risk on a number of derivatives. The Group calculates and monitors the model reserve on an ongoing basis.

The valuation of derivatives includes amortisation of the value of initial margins over the remaining term of the transaction. At 31 December 2010, the value of unamortised initial margins was DKK 914 million (2009: DKK 873 million).

| | 2010 | 2009 |
|---|---|---|
| Unamortised initial margins at 1 January | 873 | 922 |
| Amortised during the year | -94 | -203 |
| Initial margins on new derivatives contracts | 375 | 330 |
| Terminated derivatives contracts | -240 | -176 |
| Unamortised initial margins at 31 December | 914 | 873 |

Loans at fair value (mortgage loans) and bonds issued by Realkredit Danmark are recognised at the fair value of the issued bonds. The Group adjusts for the credit risk on loans and advances to customers in rating categories 10 and 11.

Investment securities (note 17 provides additional information) includes unlisted shares measured at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines (IPEV). These guidelines calculate the estimated fair value of unlisted shares as the price at which an asset can be exchanged between knowledgeable, willing parties.

Note (DKK millions)

43 (cont'd) Financial instruments valued on the basis of quoted prices in an active market are recognised in the Quoted prices category. Financial instruments valued substantially on the basis of other observable input are recognised in the Observable input category. This category covers derivatives valued on the basis of observable yield curves or exchange rates and illiquid mortgage bonds valued by reference to the value of similar liquid bonds. Other financial instruments are recognised in the Non-observable input category. This category covers unlisted shares and derivatives, and valuation relies on extrapolation of yield curves, correlations or other model input of material importance to valuation.

Developments in the financial markets did not result in any significant reclassifications of bonds between the Quoted prices and Observable input categories in 2010.

| 2010 | Quoted prices | Observable input | Non-observable input | Total |
|---|---|---|---|---|
| Financial assets | | | | |
| Derivatives | 4,117 | 321,236 | 8,390 | 333,743 |
| Trading portfolio bonds | 286,270 | 20,490 | - | 306,760 |
| Trading portfolio shares | 1,140 | - | 350 | 1,490 |
| Investment securities, bonds | 100,309 | 4,017 | - | 104,326 |
| Investment securities, shares | 1,010 | - | 2,363 | 3,373 |
| Loans at fair value | - | 701,715 | - | 701,715 |
| Assets under pooled schemes and unit-linked investment contracts | 59,698 | - | - | 59,698 |
| Assets under insurance contracts, bonds | 142,449 | 2,791 | 1,157 | 146,397 |
| Assets under insurance contracts, shares | 42,128 | - | 3,253 | 45,381 |
| Assets under insurance contracts, derivatives | 73 | 1,237 | - | 1,310 |
| Total | 637,194 | 1,051,486 | 15,513 | 1,704,193 |
| | | | | |
| Financial liabilities | | | | |
| Derivatives | 3,859 | 305,969 | 9,108 | 318,936 |
| Obligations to repurchase securities | 158,981 | 445 | 24 | 159,450 |
| Bonds issued by Realkredit Danmark | 555,486 | - | - | 555,486 |
| Deposits under pooled schemes and unit-linked investment contracts | - | 67,277 | - | 67,277 |
| Total | 718,326 | 373,691 | 9,132 | 1,101,149 |

| 2009 | | | | |
|---|---|---|---|---|
| Financial assets | | | | |
| Derivatives | 8,245 | 297,610 | 7,532 | 313,387 |
| Trading portfolio bonds | 275,518 | 29,693 | 525 | 305,736 |
| Trading portfolio shares | 589 | - | 340 | 929 |
| Investment securities, bonds | 98,449 | 9,890 | - | 108,339 |
| Investment securities, shares | 462 | - | 1,709 | 2,171 |
| Loans at fair value | - | 688,473 | - | 688,473 |
| Assets under pooled schemes and unit-linked investment contracts | 45,909 | - | - | 45,909 |
| Assets under insurance contracts | 158,138 | 9,731 | 3,795 | 171,664 |
| Total | 587,310 | 1,035,397 | 13,901 | 1,636,608 |
| | | | | |
| Financial liabilities | | | | |
| Derivatives | 7,827 | 293,384 | 6,209 | 307,420 |
| Obligations to repurchase securities | 70,797 | 2,350 | - | 73,147 |
| Bonds issued by Realkredit Danmark | 517,055 | - | - | 517,055 |
| Deposits under pooled schemes and unit-linked investment contracts | - | 53,133 | - | 53,133 |
| Total | 595,679 | 348,867 | 6,209 | 950,755 |

At 31 December 2010, financial instruments valued on the basis of non-observable input comprised unlisted shares of DKK 5,966 million (2009: DKK 4,189 million), illiquid bonds of DKK 1,157 million (2009: DKK 2,180 million) and derivatives with a net market value of DKK -718 million. The fair value of illiquid bonds significantly depends on the estimated current credit spread. If the credit spread widens by 50bp, fair value will decrease by DKK 28 million. If the credit spread narrows by 50bp, fair value will increase by DKK 28 million. A substantial number of derivatives valued on the basis of non-observable input are hedged by similar derivatives or are used to hedge the credit risk on mortgage bonds also valued on the basis of non-observable input.

Note (DKK millions)

43 (cont'd) In 2010, the Group recognised unrealised value adjustments of unlisted shares and credit bonds valued on the basis of non-observable input in the amount of DKK 593 million (2009: DKK -386 million). In 2010, the company PBS A/S merged with the Norwegian company Nordito AS. Because of its 26% holding in PBS A/S, the Group recognised the company as an associated undertaking and measured its holding according to the equity method. The Group's holding in the continuing company is 16%, and PBS A/S is thus no longer treated as an associated undertaking. The Group measures its holding at fair value and made a DKK 0.7 billion value adjustment of its holding in 2010 following the merger. The adjustment is recognised under Profit on sale of associated and group undertakings.

| **Shares and bonds valued on the basis of non-observable input** | 2010 | 2009 |
|---|---|---|
| Fair value at 1 January | 6,369 | 4,583 |
| Value adjustment through profit or loss | 4,233 | -386 |
| Value adjustment through other comprehensive income | - | - |
| Acquisitions | 1,504 | 848 |
| Sale and redemption | -4,373 | -206 |
| Transferred from quoted prices and observable input | - | 1,530 |
| Transferred to quoted prices and observable input | -610 | - |
| Fair value at 31 December | 7,123 | 6,369 |

**Financial instruments at amortised cost**

The vast majority of amounts due to the Group, loans, advances, and deposits may not be assigned without the consent of customers, and an active market does not exist for such financial instruments. Consequently, the Group bases its fair value estimates on data showing changes in market conditions after the initial recognition of the individual instrument and affecting the price that would have been fixed if the terms had been agreed at the balance sheet date. Other parties may arrive at other estimated values. The Group discloses information about the fair value of financial instruments recognised at amortised cost on the basis of the following assumptions:

- The Group uses quoted market prices, if available. Quoted prices exist only for a very small number of loans and advances, certain investment securities, issued bonds and subordinated debt. If quoted prices are not available, the value is approximated to reflect the price that would have been fixed had the terms been agreed at the balance sheet date. Such adjustment is described below.
- For a significant number of the Group's deposits, loans and advances, the interest rate depends on the standard variable rate fixed by the Group. The rate is adjusted only upon certain changes in market conditions. Such deposits, loans and advances are considered to carry interest at a variable rate, as the standard variable rate fixed by the Group at any time applies to both new and existing arrangements.
- The interest rate risk on fixed-rate financial assets and liabilities is generally hedged by derivatives. The interest rate risk on fixed-rate loans and advances granted by the Group's units in Finland, Northern Ireland and Ireland is, however, hedged by core free funds. Any interest rate risk not hedged by core free funds is hedged by derivatives. The hedges are accounted for as fair value hedges, and value adjustments are recognised in the hedged financial instruments. Consequently, only fair value changes in fixed-rate loans in Finland, Northern Ireland and Ireland are unhedged. The recognised fair values include these unhedged changes.
- The fair value of the Group's international backup liquidity facilities and syndicated loans, etc. is estimated on the basis of the Group's current required rate of return on similar transactions. For issued bonds and subordinated debt, the Group uses an estimate of the current return required by the market.
- As regards other loans and advances, impairment charges are assumed to equal the fair value of the credit risk with the following adjustments:
  - The calculation of impairment charges for loans and advances subject to individual impairment is based on the most likely outcome. Fair value is adjusted by weighting all possible outcomes by the probability of default. For other loans and advances, impairment charges are recognised if a customer is downgraded to reflect a change in the probability of default.
  - The change in credit margins on individual risks is accounted for by adjusting fair value for the difference between the current credit premium and the credit premium demanded at the balance sheet date.
- The fair value of deposits does not include fair value adjustment reflecting changes in credit margins for own credit risks. For issued bonds and subordinated debt that are not traded in an active market, fair value includes own credit risk that is determined on the basis of observable input from own issues quoted in an active market.

Note (DKK millions)

43 (cont'd) Fair value calculations for financial instruments recognised at amortised cost largely rely on estimates. The fair value of 97% of the Group's financial assets is based on models with non-observable input (2009: 97%). The corresponding figure for financial liabilities is 99% (2009: 99%).

| | Carrying amount 2010 | Fair value 2010 | Carrying amount 2009 | Fair value 2009 |
|---|---|---|---|---|
| Financial assets | | | | |
| Cash in hand and demand deposits with central banks | 35,403 | 35,403 | 33,714 | 33,714 |
| Due from credit institutions and central banks | 228,100 | 228,100 | 202,356 | 202,364 |
| Investment securities | 10,857 | 10,918 | 8,469 | 8,860 |
| Loans and advances at amortised cost | 1,146,731 | 1,151,514 | 1,127,142 | 1,124,428 |
| Assets under insurance contracts | - | - | 382 | 382 |
| Total | 1,421,091 | 1,425,935 | 1,372,063 | 1,369,748 |
| | | | | |
| Financial liabilities | | | | |
| Due to credit institutions and central banks | 317,988 | 317,988 | 311,169 | 311,169 |
| Deposits | 861,053 | 861,202 | 859,580 | 860,013 |
| Other issued bonds | 450,219 | 450,015 | 514,601 | 514,431 |
| Subordinated debt | 77,336 | 71,640 | 80,002 | 71,918 |
| Irrevocable loan commitments and guarantees | 3,753 | 3,418 | 2,675 | 1,846 |
| Total | 1,710,349 | 1,704,263 | 1,768,027 | 1,759,377 |

Note

44 **Group holdings and undertakings**

| | Share capital (thousands) | | Net profit (DKK m) | Shareholders' equity (DKK m) | Share capital (%) |
|---|---|---|---|---|---|
| **Danske Bank A/S, Copenhagen** | 6,988,043 | DKK | 3,664 | 104,742 | |
| **Credit institutions** | | | | | |
| Realkredit Danmark A/S, Kgs. Lyngby | 630,000 | DKK | 1,721 | 42,883 | 100 |
| Sampo Bank plc, Helsinki | 106,000 | EUR | 821 | 16,136 | 100 |
| Sampo Housing Loan Bank plc, Helsinki | 41,050 | EUR | 57 | 1,008 | 100 |
| Northern Bank Limited, Belfast | 174,000 | GBP | -661 | 5,419 | 100 |
| Danske Bank International S.A., Luxembourg | 90,625 | EUR | 75 | 1,138 | 100 |
| ZAO Danske Bank, St. Petersburg | 1,048,000 | RUB | 12 | 243 | 100 |
| **Insurance operations** | | | | | |
| Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999, Copenhagen | 1,000,000 | DKK | 1,771 | 20,992 | 100 |
| Danica Pension, Livsforsikringsaktieselskab, Copenhagen | 1,100,000 | DKK | 1,663 | 19,023 | 100 |
| Danica Pension Försäkringsaktiebolag, Stockholm | 100,000 | SEK | 33 | 39 | 100 |
| Danica Pensjonsforsikring AS, Trondheim | 106,344 | NOK | 43 | 231 | 100 |
| Danica Life Ltd., Dublin | 5,301 | EUR | -29 | 330 | 100 |
| **Investment and real property operations etc.** | | | | | |
| Addici Holding AB, Stockholm | 100 | SEK | - | - | 100 |
| As Oy Espoon Leppävaaran Aurinkopiha, Helsinki | 2,015 | EUR | 21 | 123 | 88 |
| Danica Ejendomsselskab ApS, Copenhagen | 2,627,590 | DKK | 492 | 19,921 | 100 |
| Danske Capital AS, Tallinn | 47,000 | EEK | 13 | 94 | 100 |
| Danske Capital Norge AS, Trondheim | 6,000 | NOK | 9 | 35 | 100 |
| DDB Invest AB, Linköping | 100,000 | SEK | 6 | 1,369 | 100 |
| Danske Corporation, Delaware | 4 | USD | - | 1 | 100 |
| Danske Invest Management A/S, Copenhagen | 83,000 | DKK | 4 | 98 | 100 |
| Danske Leasing A/S, Birkerød | 10,000 | DKK | 91 | 1,443 | 100 |
| Danske Markets Inc., Delaware | 2,000 | USD | -38 | 25 | 100 |
| Danske Private Equity A/S, Copenhagen | 5,000 | DKK | 34 | 39 | 100 |
| Fokus Krogsveen AS, Trondheim | 25,000 | NOK | 31 | 74 | 100 |
| Gonzalo Residential Asset Trust, Delaware | - | USD | 6 | 1,507 | 100 |
| home a/s, Åbyhøj | 15,000 | DKK | 11 | 200 | 100 |
| National Irish Asset Finance Ltd., Dublin | 32,384 | EUR | -31 | 142 | 100 |
| UAB Danske Lizingas, Vilnius | 4,000 | LTL | 52 | 61 | 100 |

The list above includes major active subsidiary operations only. The financial information provides the basis for consolidation in the consolidated financial statements.

All credit institutions and insurance companies supervised by national FSAs are subject to local statutory capital requirements. These requirements restrict intra-group facilities and dividend payouts.

Forsikringsselskabet Danica Skadeforsikringsaktieselskab af 1999 is the parent company of Danica Pension. Danica Pension is a life insurance company. Statsanstalten for Livsforsikring was privatised in 1990 to form part of Danica Pension. Under the terms of the privatisation, Danica Pension must meet policyholders' legitimate allotment expectations. This entails an obligation to allocate part of the profits to policyholders who were previously policyholders of Statsanstalten for Livsforsikring if the percentage by which Danica Pension's equity exceeds its statutory solvency requirement reaches a certain level. The obligation to allocate the special allotment will exist as long as policies established with Statsanstalten for Livsforsikring are effective at Danica Pension. Special allotments are expensed only in years in which the specified level is reached. 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.

Note

45 **Significant accounting policies**

**General**

The Danske Bank Group presents its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (IASB), as adopted by the EU and with applicable interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). Furthermore, the consolidated financial statements comply with the requirements for annual reports formulated by NASDAQ OMX Copenhagen and the Danish FSA's executive order No. 1305 of 16 December 2008 on financial reports of credit institutions, investment companies, etc.

The Group has not changed its significant accounting policies from those followed in Annual Report 2009, except for the treatment of business combinations. For business combinations after 1 January 2010, direct transaction costs are not recognised as part of the acquisition cost, but are expensed when incurred. The Group made no acquisitions in 2010.

Note 1 describes the Group's critical accounting policies.

**Standards and interpretations not yet in force**

The IASB has issued a number of amendments to international accounting standards that have not yet come into force. Similarly, the IFRIC has issued a number of interpretations that have not yet come into force. None of these is expected to materially affect the Group's future financial reporting. The paragraphs below list the standards and interpretations that are likely to affect the Group's financial reporting.

In October 2010, the IASB reissued IFRS 9, Financial Instruments. This version of the standard is the first phase to replace the requirements of IAS 39 in 2011. After implementation of phase 1, IFRS 9 deals with classification and measurement of financial instruments and derecognition, while the next phases will address impairment, hedge accounting and offsetting of financial assets and liabilities.

The transitional rules adopted in IFRS 9 (phase 1) imply implementation of the standard by 1 January 2013. A postponement of the implementation deadline is currently under consideration, however. The EU has decided to postpone adoption of the standard until the details of the next phases are known.

Under IFRS 9, financial assets are classified on the basis of the business model adopted for managing the assets and on the basis of their contractual cash flow characteristics, including any embedded derivatives (unlike IAS 39, IFRS 9 no longer requires bifurcation). Assets held with the objective of collecting contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortised cost. Other assets are measured at fair value through profit or loss. The fair value of equities may be adjusted through comprehensive income, however, and, satisfying certain requirements, a business may opt for fair value adjustment of its loans, advances, etc.

The principles applicable to financial liabilities are largely unchanged from IAS 39. Generally, financial liabilities are still measured at amortised cost with bifurcation of embedded derivatives not closely related to a host contract. Financial liabilities measured at fair value comprise derivatives, the trading portfolio and liabilities designated at fair value through profit or loss. However, value adjustments relating to the inherent credit risk of financial liabilities designated at fair value are recognised under other comprehensive income unless this leads to an accounting mismatch.

IFRS 9 incorporates the existing derecognition principles of IAS 39.

The Group does not expect IFRS 9 (phase 1) to materially affect the measurement of its financial instruments, although the standard does not allow classification of bonds as available-for-sale assets. Such instruments are measured at amortised cost or fair value through profit or loss. Meaningful classification and measurement of financial instruments are not possible without information about the future content of IFRS 9 to clarify the overall accounting effects of the standard and the time of implementation.

**Consolidation**

*Group undertakings*

The consolidated financial statements cover Danske Bank A/S and group undertakings in which the Group has control over financial and operating policy decisions. Control is said to exist if Danske Bank A/S, directly or indirectly, holds more than half of the voting rights in an undertaking or otherwise has power to control management and operating policy decisions, provided that most of the return on the undertaking accrues to the Group and that the Group assumes most of the risk. Operating policy control may be exercised through agreements about the undertaking's activities. Potential voting rights exercisable at the balance sheet date are included in the assessment of whether Danske Bank A/S controls an undertaking.

The consolidated financial statements are prepared by consolidating items of the same nature and eliminating intragroup transactions, balances and trading profits and losses.

Undertakings acquired are included in the financial statements at the time of acquisition.

The net assets of such undertakings (assets, including identifiable intangible assets, less liabilities and contingent liabilities) are measured in the financial statements at fair value at the date of acquisition according to the acquisition method.

Note

45 (cont'd)

If the cost of acquisition (including direct transaction costs until 1 January 2010) exceeds the fair value of the net assets acquired, the excess amount is recognised as goodwill. Goodwill is recognised in the functional currency of the undertaking acquired. If the fair value of the net assets exceeds the cost of acquisition (negative goodwill), the excess amount is recognised as income at the date of acquisition. The portion of the acquisition that is attributable to non-controlling interests does not include goodwill.

Divested undertakings are included in the financial statements until the transfer date.

*Held-for-sale group undertakings*
The assets and liabilities of undertakings that are actively marketed for sale within 12 months of classification are recognised under Other assets and Other liabilities at the lower of cost and fair value less expected costs to sell.

*Associated undertakings*
Associated undertakings are businesses, other than group undertakings, in which the Group has holdings and significant influence but no control. The Group generally classifies undertakings as associated undertakings if Danske Bank A/S, directly or indirectly, holds 20-50% of the voting rights.

Holdings are recognised at cost at the date of acquisition and are subsequently measured according to the equity method. The proportionate share of the net profit or loss of the individual undertaking is included under Income from associated undertakings. The share is calculated on the basis of data from financial statements with balance sheet dates that differ no more than three months from the Group's balance sheet date.

The proportionate share of the profit or loss on transactions between associated and group undertakings is eliminated.

Voting rights held by the Group's insurance business are not included when it is determined whether holdings make a business an associated undertaking. Such holdings are treated as held by a venture capital organisation and measured at fair value.

**Segment reporting**
The Group consists of a number of business units and resource and support functions. The business units are segmented according to legislation and product and services characteristics. Segment reporting complies with the Group's significant accounting policies.

Inter-segment transactions are settled on an arm's-length basis. Expenses incurred centrally, including expenses incurred by support, administrative and back-office functions, are charged to the business units according to consumption and activity at calculated unit prices or market prices, if available.

Segment assets and liabilities are assets and liabilities that are used for maintaining the operating activities of a segment or have come into existence as a result of such activities and that are either directly attributable or may be reasonably allocated to a segment. A calculated share of shareholders' equity is allocated to each segment. Other assets and liabilities are recognised in the Other activities segment.

Liquidity expenses are allocated on the basis of a maturity analysis of loans and deposits. Prices are based on interbank rates and funding spreads.

**Offsetting**
Assets and liabilities are netted when the Group has a legally enforceable right to set off recognised amounts and intends either to settle the balance on a net basis or to realise the asset and settle the liability simultaneously.

**Translation of transactions in foreign currency**
The presentation currency of the consolidated financial statements is Danish kroner. The functional currency of each of the Group's units is the currency of the country in which the unit is domiciled, as most income and expenses are settled in the local currency.

Transactions in foreign currency are translated at the exchange rate of the unit's functional currency at the transaction date. Gains and losses on exchange rate differences arising between the transaction date and the settlement date are recognised in the income statement.

Monetary assets and liabilities in foreign currency are translated at the exchange rates at the balance sheet date. Exchange rate adjustments of monetary assets and liabilities arising as a result of differences in the exchange rates at the transaction date and at the balance sheet date are recognised in the income statement.

Non-monetary assets and liabilities in foreign currency that are subsequently revalued at fair value are translated at the exchange rates at the date of revaluation. Exchange rate adjustments are included in the fair value adjustment of an asset or liability. Other non-monetary items in foreign currency are translated at the exchange rates at the date of transaction.

*Translation of units outside Denmark*
Assets and liabilities of units outside Denmark are translated into Danish kroner at the exchange rates at the balance sheet date. Income and expenses are translated at the exchange rates at the date of transaction. Exchange rate adjustments arising at the translation of net investments in units outside Denmark are recognised in other comprehensive income. Net investments include the net assets and goodwill of the units as well as holdings in the form of subordinated loan capital. Exchange rate adjustments of financial liabilities used for hedging the Group's net investments are also recognised in other comprehensive income.

Note

45 (cont'd) **BALANCE SHEET**

**Financial instruments – general**

Purchases and sales of financial instruments are measured at fair value at the settlement date. Fair value adjustments of unsettled financial instruments are recognised from the trading date to the settlement date.

Note 1, Critical accounting policies, explains the classification of financial assets and liabilities.

**Due from credit institutions and central banks**

Amounts due from credit institutions and central banks comprise amounts due from other credit institutions and term deposits with central banks. Reverse transactions (purchases of securities from credit institutions and central banks that the Group agrees to resell at a later date) are recognised as amounts due from credit institutions and central banks.

Amounts due from credit institutions and central banks are measured at amortised cost, as described under Loans and advances at amortised cost.

**Trading portfolio (assets and liabilities)**

Trading portfolio assets comprise the equities, bonds, loans and advances, and derivatives with positive fair value held by the Group's trading departments. Trading portfolio liabilities consist of derivatives with negative fair value and obligations to deliver securities (obligation to repurchase securities).

At initial recognition, the trading portfolio is measured at fair value, excluding transaction costs. Subsequently, the portfolio is measured at fair value through profit or loss.

*Determination of fair value*

The fair value of financial assets and liabilities is measured on the basis of quoted market prices of financial instruments traded in active markets. If an active market exists, fair value is based on the most recently observed market price at the balance sheet date.

If a financial instrument is quoted in a market that is not active, the Group bases its measurement on the most recent transaction price. Adjustment is made for subsequent changes in market conditions, for instance by including transactions in similar financial instruments that are assumed to be motivated by normal business considerations.

If no active market for standard and simple financial instruments, such as interest rate and currency swaps and unlisted bonds, exists, generally accepted valuation techniques rely on market-based parameters for measuring fair value. The fair value of more complex financial instruments, such as swaptions, interest rate caps and floors, and other OTC products, without an active market, is measured on the basis of internal models, many of which are based on valuation techniques generally accepted in the industry.

The results of calculations made on the basis of valuation techniques are often estimates because exact values cannot be determined from market observations. Consequently, additional parameters, such as liquidity risk and counterparty risk, are sometimes used for measuring fair value.

If, at the time of acquisition, a difference arises between the value of a financial instrument calculated on the basis of non-observable inputs and actual cost (day-one profit or loss) and the difference is not the result of transaction costs, the Group adjusts model parameters to actual cost. Note 43 provides information about the value of resulting initial margins, which are amortised over the term of the transaction.

*Investment securities*

Investment securities consists of financial assets which, under the fair value option, the Group designates at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments.

*Financial assets at fair value*

Financial assets at fair value comprises securities managed on a fair value basis but without short-term profit-taking. Realised and unrealised capital gains and losses and dividends are recognised in the income statement under Net trading income.

*Available-for-sale financial assets*

Available-for-sale financial assets consists of bonds which, although traded in an active market at the time of acquisition, the Group intends neither to sell in the near term nor to hold to maturity.

Bonds treated as available-for-sale financial assets are measured at fair value at initial recognition and subsequently at fair value, with unrealised gains or losses recognised in other comprehensive income. The unrealised value adjustments reflecting hedged interest rate risks that qualify for fair value hedge accounting are, however, recognised under Net trading income. The Group recognises interest income according to the effective interest method, amortising the difference between cost and the redemption value over the term to maturity of the bonds.

If objective evidence of impairment exists as described under Loans and advances at amortised cost, the Group recognises the impairment charge under Net trading income. The impairment charge equals the difference between the fair value at the time of calculation and amortised cost. If the fair value subsequently rises, and the increase is attributable to one or more events that have occurred after the impairment charge was recognised, the Group reverses the impairment charge in the income statement.

When bonds are sold, the Group reclassifies unrealised value adjustments recognised in other comprehensive income under Net trading income in the income statement.

Note

45 (cont'd)

*Held-to-maturity investments*

Held-to-maturity investments consists of bonds with quoted prices in an active market held for the purpose of generating a return until maturity. Held-to-maturity investments are measured at amortised cost.

**Loans and advances at amortised cost**

Loans and advances consists of loans and advances disbursed directly to borrowers and loans and advances acquired after disbursement. Loans and advances extended or acquired by the Group for resale in the near term are included in the trading portfolio. Loans and advances includes conventional bank loans; finance leases; mortgages and pledges; reverse transactions, except for transactions with credit institutions and central banks; and certain bonds not quoted in an active market at the time of acquisition. Moreover, the item includes loans secured on real property, except for loans granted by Realkredit Danmark that are recognised under Loans at fair value.

At initial recognition, loans and advances are measured at fair value plus transaction costs less origination fees and other charges. Subsequently, they are measured at amortised cost, according to the effective interest method, less any impairment charges. The difference between the value at initial recognition and the redemption value is amortised over the term to maturity and recognised under Interest income. If fixed-rate loans and advances and amounts due are hedged effectively by derivatives, the fair value of the hedged interest rate risk is added to the amortised cost of the assets.

*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 loan is reliably measurable, the Group determines the impairment charge individually.

Objective evidence of impairment of loans and advances exists if at least one of the following events has occurred:

- The borrower is experiencing significant financial difficulty.
- The borrower's actions, such as default or delinquency in interest or principal payments, lead to a breach of contract.
- The Group, for reasons relating to the borrower's financial difficulty, grants to the borrower a concession that the Group would not otherwise have granted.
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

Customers with loans and advances for which objective evidence of impairment exists, including loans and advances for which no impairment charges have been recognised, for example because customers have provided adequate collateral, are placed in rating category 10 or 11. If a customer facility is past due for 90 days, the individual customer is placed in rating category 11, and an impairment charge is recognised for the customer's total exposure.

Significant loans, advances and amounts due are tested individually for impairment at the end of each reporting period.

The impairment charge equals the difference between the carrying amount of the loan and the present value of the most likely future cash flows from the loan and is assessed by credit officers. The present value of fixed-rate loans and advances is calculated at the original effective interest rate, whereas the present value of loans and advances with a variable rate of interest is calculated at the current effective interest rate.

The customer's debt is written down to the amount that the borrower is expected to be able to repay after a financial reorganisation. If financial reorganisation is not possible, the write-down equals the estimated recoverable amount in the event of bankruptcy.

Loans and advances without objective evidence of impairment are included in an assessment of collective impairment at portfolio level. Collective impairment is calculated for portfolios of loans and advances with similar credit characteristics when impairment of expected future cash flows from a portfolio has occurred but no interest rate change has been agreed to adjust the credit margin. The collective impairment charge reflects downgrading of customer ratings over time (migration). The loans and advances are divided into portfolios on the basis of current ratings. Calculation of charges also factors in loan portfolios for customers with upgraded ratings.

The cash flows are specified by means of parameters used for solvency calculations and historical loss data adjusted for use in the financial statements, for example. The adjustment reflects the loss identification period shown by the Group's empirical data. This period is the period from the first evidence of impairment to the determination of a loss at customer level.

Collective impairment is calculated as the difference between the carrying amount of the loans and advances of the portfolio and the present value of expected future cash flows.

The collective impairment charge based on migration is adjusted if the Group is aware of market conditions at the balance sheet date that are not fully reflected in the Group's models. In times of favourable economic conditions, adjustments will reduce the impairment charge, while it may increase in an economic downturn. Examples of such market conditions are levels of unemployment, housing prices and freight rates.

Impairment charges for loans, advances and guarantees are booked in an allowance account and set off against loans and advances or recognised as provisions for guarantees. Impairment charges for loans and advances are recorded under Loan impairment charges in the income statement. If subsequent events show that impairment is not permanent, charges are reversed.

Note

45 (cont'd)

Loans and advances that are considered uncollectible are written off. Write-offs are debited to the allowance account. Loans and advances are written off once the usual collection procedure has been completed and the loss on the individual loan or advance can be calculated. If the full loss is not expected to be realised until after a number of years, for example in the event of administration of complex estates, a partial write-off is recognised, reflecting the Group's claim less collateral, estimated dividend and other cash flows.

In accordance with the effective interest method, interest is recognised on the basis of the value of the loans and advances less impairment charges. Consequently, part of the allowance account balance is set aside for future interest income until the time of write-off.

**Loans at fair value and bonds issued by Realkredit Danmark**
Loans granted under Danish mortgage finance law are funded by issuing listed mortgage bonds with matching terms. Borrowers may repay such loans by delivering the underlying bonds.

The Group buys and sells own bonds issued by Realkredit Danmark on an ongoing basis because such securities play an important role in the Danish money market. If these loans and bonds were measured at amortised cost, the purchase and sale of own bonds would result in timing differences in the recognition of gains and losses on Realkredit Danmark bonds repurchased and the relevant loans. The purchase price of the mortgage bond portfolio would not equal the amortised cost of the issued bonds, and elimination would result in arbitrary recognition of gains and losses. If the Group subsequently decided to sell its holding of own bonds, the new amortised cost of this "new issue" would not equal the amortised cost of the matching loans, and the difference would be amortised over the remaining term to maturity. Consequently, the Group measures loans, advances and issued bonds at fair value in accordance with the fair value option offered by IAS 39 to ensure that neither gain nor loss will occur on the purchase of own bonds.

At initial recognition, loans, advances and issued bonds are measured at fair value, excluding transaction costs. Subsequently, such assets and liabilities are measured at fair value.

The fair value of the bonds issued by Realkredit Danmark is normally defined as their market value. A small number of the issued bonds are illiquid, however, and the fair value of these bonds is calculated on the basis of a discounted cash flow valuation technique.

The fair value of the loans and advances is based on the fair value of the underlying bonds adjusted for changes in the fair value of the credit risk on borrowers. For loans and advances granted to customers in rating categories 10 and 11 (all loans and advances with objective evidence of impairment), such adjustment is made in accordance with principles similar to individual impairment charges for loans and advances at amortised cost. A collective assessment also determines the need for changes to reflect fair value adjustments of the credit risk of the remaining portion of the portfolio.

**Assets and deposits under pooled schemes and unit-linked investment contracts**
These items include assets and deposits under pooled schemes and unit-linked contracts defined as investment contracts.

Assets earmarked for customer savings are measured at fair value and recognised under Assets under pooled schemes and unit-linked investment contracts. Similarly, deposits made by customers are recognised under Deposits under pooled schemes and unit-linked investment contracts. These deposits are measured at the value of savings.

Holdings of shares and bonds issued by the Group are deducted from shareholders' equity or eliminated. Consequently, the value of Deposits under pooled schemes and unit-linked investment contracts exceeds that of Assets under pooled schemes and unit-linked investment contracts.

**Assets and liabilities under insurance contracts**
Assets under insurance contracts comprises assets earmarked for policyholders, that is, assets on which most of the return accrues to policyholders. The assets, which include financial assets, investment property, tangible assets and associated undertakings, are specified in the notes. The valuation technique used matches the Group's accounting policy for similar assets. Note 22 shows holdings in undertakings classified as associated undertakings at group level. A few property holdings are jointly owned and therefore consolidated in the financial statements on a pro rata basis.

Liabilities under insurance contracts consists of life insurance provisions, provisions for unit-linked insurance contracts, collective bonus potential, other technical provisions and other liabilities.

Holdings of shares and bonds issued by the Group are deducted from shareholders' equity or eliminated. Consequently, the value of Liabilities under insurance contracts exceeds that of Assets under insurance contracts.

*Life insurance provisions*
Life insurance provisions comprises obligations towards policyholders to

- pay guaranteed benefits
- pay bonuses over time on agreed premiums not yet due
- pay bonuses on premiums and other payments due.

Recognition of life insurance provisions is based on actuarial computations of the present value of expected benefits for each insurance contract using the discount rate at the balance sheet date.

These computations rely on specific assumptions about expected future mortality and disability rates based on historical data from Danica's portfolio plus an allowance for risk.

Note

45 (cont'd)

Obligations under guaranteed benefits are calculated as the present value of guaranteed benefits plus the present value of expected future administrative expenses less future premiums.

Danish rules on insurance accounting determine the discount rate: The discount rate is fixed on the basis of a zero-coupon yield curve estimated on the basis of euro swap market rates to which is added the spread between Danish and German government bonds. Until the end of 2012, a mortgage yield curve spread is also added. The temporary addition of this spread had no effect on life insurance obligations at the end of 2010 and 2009. Net profit for 2009 was reduced by DKK 0.4 billion.

*Provisions for unit-linked insurance contracts*
Provisions are measured at fair value on the basis of each contract's share of the earmarked assets and the benefits guaranteed.

**Collective bonus potential**
Provisions for collective bonus potential comprises policyholders' share of the realised result of policies with a bonus entitlement not yet allocated to the individual policyholder.

*Other technical provisions*
Other technical provisions includes outstanding claims provisions, unearned premium provisions, and provisions for bonuses and premium discounts.

*Other liabilities*
Other liabilities includes the portion of Danica Pension's other liabilities assumed by customers. Other types of liability are measured in accordance with the Group's accounting policies for such liability types.

**Intangible assets**
*Goodwill*
Goodwill arises on the acquisition of an undertaking and is calculated as the difference between the cost (including direct transaction costs until 1 January 2010) of the undertaking and the fair value of its net assets, including contingent liabilities, at the time of acquisition. Goodwill on acquisitions made before 2002 was written off against shareholders' equity in the year of acquisition.

Goodwill on associated undertakings is recognised under Holdings in associated undertakings.

Goodwill is allocated to cash-generating units at the level at which management monitors the investment. Goodwill is not amortised; instead each cash-generating unit is tested for impairment at least once a year. Goodwill is written down to its recoverable amount through the income statement if the carrying amount of the net assets of the cash-generating unit exceeds the higher of the assets' fair value less costs to sell and their value in use, which equals the present value of the future cash flows expected from the unit.

*Other intangible assets*
Software acquired is measured at cost, including expenses incurred to make each software application ready for use. Software acquired is amortised over its expected useful life, which is usually three years, according to the straight-line method.

Software developed by the Group is recognised as an asset if the cost of development is reliably measurable and analyses show that the future earnings from using the individual software applications exceed cost. Cost is defined as development costs incurred to make each software application ready for use. Once a software application has been developed, the cost is amortised over the expected useful life, which is usually three years, according to the straight-line method. The cost of development consists primarily of direct remuneration and other directly attributable development costs. Expenses incurred in the planning phase are not included but booked when incurred.

Identifiable intangible assets taken over on the acquisition of undertakings are measured at the time of acquisition at their fair value and amortised over their expected useful lives, which are usually three years, according to the straight-line method. The value of intangible assets with indefinite useful lives is not amortised, but the assets are tested for impairment at least once a year according to the principles applicable to goodwill.

Other intangible assets to be amortised are tested for impairment if indications of impairment exist, and the assets are subsequently written down to their value in use.

Costs attributable to the maintenance of intangible assets are expensed in the year of maintenance.

**Investment property**
Investment property is real property, including real property let under operating leases, which the Group owns for the purpose of receiving rent and/or obtaining capital gains. The section on domicile property below explains the distinction between domicile and investment property.

On acquisition, investment property is measured at cost, including transaction costs, and subsequently measured at fair value. Fair value adjustments and rental income are recognised under Other income in the income statement.

The fair value is assessed by the Group's valuers at least once a year. Assessments are based on the expected return on the Group's property portfolio and on the rate of return calculated for each property. The rate of return on a property is determined on the basis of its location, type, possible uses, layout and condition as well as on the terms of lease agreements, rent adjustment and the credit quality of the lessees.

Note

45 (cont'd)

**Tangible assets**

Tangible assets includes domicile property, machinery, furniture and fixtures. Machinery, furniture and fixtures covers equipment, vehicles, furniture, fixtures, property improvement expenditure and lease assets.

*Domicile property*

Domicile property is real property occupied by the Group's administrative departments, branches and other service units. Real property with both domicile and investment property elements is allocated proportionally to the two categories if the elements are separately sellable. If that is not the case, such real property is classified as domicile property, unless the Group occupies less than 10% of the total floorage.

Domicile property is measured at cost plus property improvement expenditure and less depreciation and impairment charges. The straight-line depreciation of the property is based on the expected scrap value and an estimated useful life of 20 to 50 years. Real property held under long-term leases is depreciated on a progressive scale.

Investment property which becomes domicile property because the Group starts using it for its own activities is measured at fair value at the time of reclassification. Domicile property which becomes investment property is measured at fair value at the time of reclassification. Any revaluation of domicile property is recognised in Other comprehensive income.

Domicile property which, according to a publicly announced plan, the Group expects to sell within 12 months is recognised as an asset held for sale under Other assets. The same principle applies to property taken over in connection with the settlement of debt if such property is likely to be sold within 12 months. However, if such property is unlikely to be sold within this period, it is classified as investment property.

*Machinery, furniture and fixtures*

Equipment, vehicles, furniture, fixtures and property improvement expenditure are measured at cost less depreciation and impairment charges. Assets are depreciated over their expected useful lives, which are usually three years, according to the straight-line method. Leasehold improvements are depreciated over the term of the individual lease, with a maximum of 10 years.

*Lease assets*

Lease assets consists of assets, except real property, leased under operating leases with the Group as the lessor. Lease assets are measured using the same valuation technique as that applied by the Group to its other equipment, vehicles, furniture and fixtures. When, at the end of the lease period, lease assets are put up for sale, the assets are transferred to Other assets.

*Impairment*

Tangible assets are tested for impairment if indications of impairment exist. An impaired asset is written down to its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

**Other assets**

Other assets includes interest and commission due, prepayments, lease assets put up for sale at the expiry of lease agreements and assets held for sale.

*Lease assets put up for sale*

Lease assets put up for sale are measured at the lower of their carrying amount at the time of reclassification (expiry of lease agreements) and their fair value less expected costs to sell.

*Assets held for sale*

Assets held for sale are tangible assets, except investment property, and assets of group undertakings actively marketed for sale within 12 months, for example assets or businesses taken over under non-performing loan agreements.

Tangible assets held for sale are measured at the lower of their carrying amount at the time of reclassification and their net realisable value and are no longer depreciated. Assets of group undertakings are measured at the lower of cost and expected net realisable value. Liabilities of group undertakings are initially measured at fair value and subsequently in accordance with the Group's general accounting policies.

*Financial guarantees issued to the Group*

Financial guarantees issued to the Group are contracts that require the issuer to make specified payments to reimburse the Group if a specified debtor or a group of debtors fails to make payment when due in accordance with the terms of a debt instrument. Prepaid guarantee premiums are recognised under Other assets. Future payments that the Group is likely to receive are recognised as amounts due at present value.

**Amounts due to credit institutions and central banks/Deposits**

Amounts due to credit institutions and central banks and Deposits include amounts received under repo transactions (sales of securities which the Group agrees to repurchase at a later date).

Amounts due to credit institutions and central banks and Deposits are measured at amortised cost plus the fair value of the hedged interest rate risk.

**Other issued bonds/Subordinated debt**

Other issued bonds and Subordinated debt comprise bonds issued by the Group except bonds issued by Realkredit Danmark. Subordinated debt is liabilities in the form of subordinated loan capital and other capital investments which, in case of the Group's voluntary or compulsory winding-up, will not be repaid until the claims of its ordinary creditors have been met.

Other issued bonds and Subordinated debt are measured at amortised cost plus the fair value of the hedged interest rate risk.

Note

45 (cont'd)

The yield on some issued bonds depends on an index that is not closely linked to the bonds' financial characteristics, for example an equity or commodity index. Such embedded derivatives are bifurcated and measured at fair value in the trading portfolio.

**Other liabilities**
Other liabilities includes accrued interest, fees and commissions that do not form part of the amortised cost of a financial instrument.

Other liabilities also includes pension obligations and provisions for other obligations, such as lawsuits and guarantees.

If a lawsuit is likely to result in payment, a liability is recognised if it can be measured reliably. The liability is recognised at the present value of expected payments.

*Pension obligations*
The Group's pension obligations consist of both defined contribution and defined benefit pension plans for its staff. Under defined contribution pension plans, the Group pays regular contributions to insurance companies and other institutions. Such payments are expensed as they are earned by the staff, and the obligations under the plans are taken over by the insurance companies and other institutions.

Under defined benefit pension plans, the Group is under an obligation to pay defined future benefits starting at the time of retirement. The amounts payable are recognised on the basis of an actuarial computation of the present value of expected benefits. The present value is calculated on the basis of expected future trends in salaries and interest rates, time of retirement, mortality rates and other factors.

The present value of pension benefits less the fair value of pension assets is recognised as a pension obligation for each plan under Other liabilities. If the net amount of a defined benefit pension plan is positive and may be repaid to the Group or reduce its future contributions to the plan, the net amount is recognised under Other assets. The discount rate is based on the market rate that applies to high-quality corporate bonds with maturities that correspond to the maturity of the pension obligations.

The difference between expected trends in pension assets and benefits and actual trends will result in actuarial gains or losses. Actuarial gains or losses that do not exceed the higher of 10% of the present value of benefits and 10% of the fair value of pension assets are not recognised in the income statement or on the balance sheet but form part of the corridor. If the accumulated actuarial gains or losses exceed both these threshold values, the excess amount is recognised both in the income statement and in the net pension obligation distributed over the expected remaining period of service of the staff covered by the plan.

*Irrevocable loan commitments and guarantees*
At initial recognition, irrevocable loan commitments and guarantees are recognised at the amount of premiums received. Subsequently, guarantees are measured at the higher of the received premium amortised over the guarantee period and the provision made, if any. Provisions for irrevocable loan commitments and guarantees are recognised under Other liabilities if it is likely that drawings will be made under a loan commitment or claims be made under a guarantee and the amount payable can be reliably measured. The liability is measured at the present value of expected payments. Irrevocable loan commitments are discounted in accordance with the interest terms.

**Deferred tax assets/Deferred tax liabilities**
Deferred tax on all temporary differences between the tax base of assets and liabilities and their carrying amounts is accounted for in accordance with the balance sheet liability method. Deferred tax is recognised under Deferred tax assets and Deferred tax liabilities.

The Group does not recognise deferred tax on temporary differences between the tax base and the carrying amounts of goodwill not subject to amortisation for tax purposes and other items if the temporary differences arose at the time of acquisition without effect on net profit or taxable income. If the tax base may be calculated according to several sets of tax regulations, deferred tax is measured in accordance with the regulations that apply to the use of the asset or settlement of the liability as planned by management.

Tax assets arising from unused tax losses and unused tax credits are recognised to the extent that such unused tax losses and unused tax credits can be used.

Deferred tax is measured on the basis of the tax regulations and rates that, according to the rules in force at the balance sheet date, are applicable in the relevant countries at the time the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement.

**Current tax assets/Current tax liabilities**
Current tax assets and liabilities are recognised on the balance sheet as the estimated tax payable on the profit for the year adjusted for prepaid tax and prior-year tax payables and receivables.

Tax assets and liabilities are offset if the Group has a legally enforceable right to set off such assets and liabilities and intends either to settle the assets and liabilities on a net basis or to realise the assets and settle the liabilities simultaneously.

Note

45 (cont'd) **Shareholders' equity**

***Foreign currency translation reserve***

The foreign currency translation reserve includes differences arisen since 1 January 2004 from the translation of the financial results of and net investments in units outside Denmark from their functional currencies into Danish kroner. The reserve also includes exchange rate adjustments of financial liabilities used to hedge net investments in such units.

If the net investment in a unit outside Denmark is fully or partly realised, translation differences are recognised in the income statement.

***Reserve for assets available for sale***

The reserve covers unrealised value adjustments of bonds treated as available-for-sale financial assets recognised in other comprehensive income. Unrealised value adjustments of hedged interest rate risks that qualify for fair value hedge accounting are recognised in the income statement and not included in the reserve.

If objective evidence of impairment exists, the Group reclassifies accumulated unrealised capital losses from the reserve to the income statement. When bonds are sold, the Group also reclassifies unrealised value adjustments from the reserve to the income statement.

***Proposed dividends***

The Board of Directors' proposal for dividends for the year submitted to the general meeting is included as a separate reserve in shareholders' equity. The dividends are recognised as a liability when the general meeting has adopted the proposal.

***Own shares***

Amounts received and paid for the Group's sale and purchase of Danske Bank shares are recognised in Other comprehensive income. The same applies to premiums received or paid for derivatives entailing settlement in own shares.

Capital reduction by cancellation of own shares will lower the share capital by an amount equal to the nominal value of the shares at the time of registration of the capital reduction.

***Share-based payments***

Share-based payments by the Group are settled in Danske Bank shares. The fair value at the grant date is expensed over the vesting period and is set off against shareholders' equity. At the time of exercise, payments by employees are recognised as an increase in shareholders' equity. As with other purchases of Danske Bank shares, shares acquired for hedging purposes reduce shareholders' equity by the amount paid.

***Non-controlling interests***

Non-controlling interests' share of shareholders' equity equals the carrying amounts of the net assets in group undertakings not owned directly or indirectly by Danske Bank A/S.

**Contingent assets/Contingent liabilities**

Contingent assets and Contingent liabilities consist of possible assets and liabilities arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Danske Bank Group.

Contingent assets are disclosed when an inflow of economic benefits is probable.

Contingent liabilities that can, but are not likely to, result in an outflow of economic resources are disclosed. In addition, disclosure is made of current liabilities that are not recognised because it is not probable that the liability will entail an outflow of economic resources or because no reliable estimate of the liability can be made.

INCOME STATEMENT

**Interest income and expenses**

Interest income and expenses arising from interest-bearing financial instruments measured at amortised cost are recognised in the income statement according to the effective interest method on the basis of the cost of the individual financial instrument. Interest includes amortised amounts of fees that are an integral part of the effective yield on a financial instrument, such as origination fees, and amortised differences between cost and redemption price, if any.

Interest income and expenses also include interest on financial instruments measured at fair value, but not interest on assets and deposits under pooled schemes and unit-linked investment contracts; the latter is recognised under Net trading income. Origination fees on loans and advances measured at fair value are recognised under Interest income at origination.

Interest on loans and advances subject to individual impairment is recognised on the basis of the impaired value.

**Fee income and expenses**

Fee income and expenses are broken down into fees generated by activities and fees generated by portfolios.

Income from and expenses for services provided over a period of time, such as guarantee commissions and investment management fees, are accrued over the period. Transaction fees, such as brokerage and custody fees, are recognised on completion of the individual transaction.

**Net trading income**

Net trading income includes realised and unrealised capital gains and losses on trading portfolio assets and other securities (including securities recognised under Assets under insurance contracts, Loans at fair value and bonds issued by Realkredit Danmark) as well as exchange rate adjustments and dividends. The effect on profit or loss of fair value hedge accounting is also recognised under Net trading income.

Note

45 (cont'd)

Returns on assets under pooled schemes and unit-linked investment contracts and the crediting of the returns to customer accounts are also recognised as Net trading income. Moreover, the item includes the change in insurance obligations during the year due to additional provisions for benefit guarantees and tax on pension returns.

**Other income**
Other income includes rental income and lease payments under operating leases, fair value adjustments of investment property, amounts received on the sale of lease assets and gains and losses on the sale of other tangible and intangible assets.

**Net premiums**
Regular and single premiums on insurance contracts are recognised in the income statement at their due dates. Premiums on investment contracts are recognised directly on the balance sheet. Reinsurance premiums paid are deducted from premiums received.

**Net insurance benefits**
Net insurance benefits includes benefits disbursed under insurance contracts. The item also includes adjustments to outstanding claims provisions and life insurance provisions that are not additional provisions for benefit guarantees. The benefits are recognised net of reinsurance.

**Income from associated undertakings**
Income from associated undertakings comprises the Group's proportionate share of the net profit or loss of the individual undertakings. Profit or loss on venture capital holdings is recognised as Net trading income, however.

**Profit on sale of undertakings**
The profit on sale of associated and group undertakings is the difference between the selling price and the carrying amount, including goodwill, if any, of such sale.

**Staff costs and administrative expenses**
*Staff costs*
Salaries and other remuneration that the Group expects to pay for work carried out during the year are expensed under Staff costs and administrative expenses. This item includes salaries, performance-based pay, expenses for share-based payments, holiday allowances, anniversary bonuses, pension costs and other remuneration.

*Performance-based pay and share-based payments*
Performance-based pay is expensed as it is earned. Part of the performance-based pay for the year is paid in the form of equity-settled options and conditional shares (suspended in 2008). Share options may not be exercised until three years after the grant date and are conditional on the individual employee's not having resigned from the Group. Rights to conditional shares vest three years after the grant date, provided that the employee, with the exception of retirement, has not resigned from the Group. In addition to this requirement, the vesting of rights earned in 2010 is conditional on certain performance targets.

The fair value of share-based payments at the grant date is expensed over the service period that unconditionally entitles the employee to the payment. The intrinsic value of the options is expensed in the year in which the share-based payments are earned, while the time value is accrued over the remaining service period. Expenses are set off against shareholders' equity. Subsequent fair value adjustments are not carried in the income statement.

*Pension obligations*
The Group's contributions to defined contribution pension plans are recognised in the income statement as they are earned by the employees. The Group applies the corridor method to defined benefit pension plans, and the income statement thus includes actuarial pension expenses (standard cost).

*State guarantee scheme*
The guarantee commission payable for participation in the Danish state guarantee is expensed over the guarantee period (which expired on 30 September 2010) according to the straight-line method and recognised under expenses.

**Amortisation, depreciation and impairment charges**
In addition to amortisation, depreciation and impairment charges for intangible and tangible assets, the Group expenses the carrying amount of lease assets sold at the expiry of a lease agreement.

**Loan impairment charges**
Loan impairment charges includes losses on and impairment charges for loans, advances, amounts due from credit institutions and guarantees, as well as fair value adjustments of the credit risk on loans and advances measured at fair value.

The item also includes impairment charges and realised gains and losses on tangible assets and businesses taken over by the Group under non-performing loan agreements if the assets qualify as held-for-sale assets. Similarly, subsequent value adjustments of assets that the Group has taken over and does not expect to sell within 12 months are recognised under loan impairment charges, provided that the Group has a right of recourse against the borrower.

**Tax**
Calculated current and deferred tax on the profit for the year and adjustments of prior-year tax charges are recognised in the income statement. Income tax for the year is recognised in accordance with the tax laws in force in the countries in which the Group operates. Tax on items recognised in Other comprehensive income is recognised in Other comprehensive income. Similarly, tax on items recognised in shareholders' equity is recognised in shareholders' equity.

**Comprehensive income**
Comprehensive income includes the net profit for the year and Other comprehensive income from translation of units outside Denmark, hedging of units outside Denmark and unrealised value adjustments of available-for-sale financial assets.

Note

45 (cont'd)

**Cash flow statement**

The Group has prepared its cash flow statement according to the indirect method. The statement is based on the pre-tax profit for the year and shows the cash flows from operating, investing and financing activities and the increase or decrease in cash and cash equivalents during the year.

Cash and cash equivalents consists of cash in hand and demand deposits with central banks and amounts due from credit institutions and central banks with original maturities shorter than three months.

**Financial highlights**

The financial highlights in note 2 deviate from the corresponding figures in the consolidated financial statements.

Income of the Danske Markets segment is recognised in the consolidated income statement under Net trading income and Net interest income. The value of each item may vary considerably from year to year, depending on the underlying transactions and changes in market conditions. Therefore, the Net trading income item in the financial highlights shows all trading activity income, except yields on bonds classified as available-for-sale assets.

Income and expenses of the Danica Pension segment are consolidated on a line-by-line basis. The return on insurance activities accruing to the Group is determined by the contribution principle. The contribution calculation is based primarily on life insurance obligations. Since the Group's return is not derived directly from the individual income statement items, net income from insurance business is presented on a single line in the financial highlights.

Other income includes earnings contributed by fully consolidated subsidiaries taken over by the Group under non-performing loan agreements and held for sale.

**Definitions of key financial ratios**

| Ratio | Definition |
|---|---|
| Earnings per share (DKK) | Net profit for the year divided by the average number of shares outstanding during the year. |
| Diluted earnings per share (DKK) | Net profit for the year divided by the average number of shares outstanding during the year, including the dilutive effect of share options and conditional shares granted as share-based payments. |
| Return on average shareholders' equity (%) | Net profit for the year divided by average shareholders' equity during the year. |
| Cost/income ratio (%) | Operating expenses divided by total income. |
| Total capital ratio | Total capital base, less statutory deductions, divided by risk-weighted assets. |
| Tier 1 capital ratio | Tier 1 capital, including hybrid capital, less statutory deductions, divided by risk-weighted assets. |
| Tier 1 capital | Tier 1 capital consists primarily of paid-up share capital plus retained earnings and less intangible assets. |
| Hybrid capital | Hybrid capital consists of loans that form part of tier 1 capital. This means that hybrid capital is used for covering losses if shareholders' equity is lost. |
| Capital base | The capital base consists of shareholders' equity and tier 2 capital, less certain deductions, such as deduction for goodwill. Tier 2 capital may not account for more than half of the capital base. |
| Tier 2 capital | Tier 2 capital consists of subordinated loan capital subject to certain restrictions. For example, if the Group defaults on its payment obligations, lenders cannot claim early redemption of the loan capital. |
| Risk-weighted assets | Total risk-weighted assets and off-balance-sheet items that involve credit risk, market risk and operational risk as calculated in accordance with the Danish FSA's rules on capital adequacy. |
| Dividend per share (DKK) | Proposed dividend on the net profit for the year divided by the number of issued shares at the end of the year. |
| Share price at 31 December | Closing price of Danske Bank shares at the end of the year. |
| Book value per share (DKK) | Shareholders' equity at 31 December divided by the number of shares outstanding at the end of the year. |
| Number of full-time-equivalent staff at 31 December | Number of full-time-equivalent staff (part-time staff translated into full-time staff) at the end of the year. The figure does not include the staff of businesses held for sale. |

## Risk exposure

The Danske Bank Group is exposed to a number of risks, which it manages at different organisational levels.

The categories of risk are as follows:

- Credit risk: The risk of losses because counterparties fail to meet all or part of their payment obligations to the Group.
- Market risk: The risk of losses because the fair value of the Group's assets and liabilities varies with changes in market conditions.
- Liquidity risk: The risk of losses because the Group's funding costs increase disproportionately, lack of funding prevents the Group from establishing new business, or lack of funding ultimately prevents the Group from meeting its obligations.
- Insurance risk: All types of risk in Danica Pension, including market risk, life insurance risk and operational risk.
- Pension risk: The risk of a pension shortfall in the Group's defined benefit plans that requires it to make additional contributions to cover pension obligations to current and former employees.

Danica Pension is a wholly-owned subsidiary of Danske Bank. As required by Danish law and the executive order on the contribution principle, Danica Pension has notified the Danish FSA of its profit policy. The contribution principle and the profit policy imply that policyholders receive the returns on assets allocated to them. Assets are allocated to policyholders to secure customers' guaranteed benefits. Market risk and other risks on assets and liabilities allocated to policyholders are therefore not consolidated in the following tables, but are treated in the section on insurance risk.

The management's report and Risk Management 2010 provide additional information about the Group's risk management approach. Risk Management 2010 is available for download from the Group's website at www.danskebank.com/ir. The report is not covered by the statutory audit.

## Capital base

Danske Bank is a licensed financial services provider and must therefore comply with the capital requirements contained in the Danish Financial Business Act. Danish capital adequacy rules are based on the EU capital requirements directives and apply to both the Parent Company, Danske Bank A/S, and the Group. Similarly, the Group's financial subsidiaries in and outside Denmark must comply with local capital requirements.

The capital adequacy rules call for a minimum capital level of 8% of risk-weighted assets under Pillar I (credit risk, market risk and operational risk) and an additional solvency need to reflect all relevant risks, including risks not adequately covered under Pillar I, for example pension risk, business risk and certain credit risks. Detailed rules regulate the calculation of capital and risk-weighted assets. Capital comprises core tier 1 capital and subordinated debt. Core tier 1 capital largely corresponds to the carrying amount of shareholders' equity, but goodwill and other intangible assets etc. are not included. The presentation of the capital base and the total capital ratio in the statement of capital shows the difference between the carrying amount of shareholders' equity and core tier 1 capital. The Group's subordinated debt may, subject to certain conditions, be included in the capital base. Part ten, General regulations regarding solvency, of the Danish Financial Business Act specifies these conditions. Note 31 shows the Group's subordinated debt.

Three international rating agencies – Standard & Poor's, Moody's and Fitch Ratings – regularly assess the Group's ability to honour its payment obligations. Good ratings give the Group easier and cheaper access to capital and liquidity from the capital markets.

## Credit risk

The Danske Bank Group offers loans, credits, guarantees and other products as part of its business model and thus undertakes credit risk.

Credit risk is the risk of losses arising because counterparties or debtors fail to meet all or part of their payment obligations. Included in credit risk is the risk of losses because an entire country may encounter financial difficulties, or losses because of political decisions on nationalisation and expropriation, for example. The risk of losses because of customers' default on derivatives transactions is called counterparty risk.

The Group grants credits on the basis of an understanding of customers' financial circumstances and monitors their financial situation on an ongoing basis to assess whether the basis for credit has changed. Facilities should reasonably match the customers' creditworthiness, financial situation and assets, and the customers should be able to substantiate their repayment ability. Collateral is usually required for credit facilities with a long term to maturity (typically more than five years). The Group exercises caution before granting credit facilities to businesses and individuals if it is obvious that there will be practical difficulties maintaining contact with the customer. The Group is particularly cautious in granting credit to businesses in troubled or cyclical industries. The Group monitors credit facilities regularly through its credit systems. The systems contain data on collateral and on limits and amounts drawn for all types of facilities.

### Credit risk exposure

The Group's credit risk exposure consists of balance sheet items and off-balance-sheet items that involve credit risk. Most of the exposure derives from lending activities in the form of loans with and without collateral. Placements managed by the Group's trading and investment units also involve credit risk. A segment of credit risk concerns derivatives and is designated as counterparty risk. Both counterparty risk and the credit risk exposure from securities placements, mainly at trading and investment units, are included in the overall management of credit risk on the counterparty's total exposure, including direct lending.

The Group is exposed only to a limited extent to the risk on some balance sheet items. This is the case with assets under customer-funded investment pools, unit-linked investment contracts and insurance contracts. The risk on assets under pools and unit-linked investment contracts is assumed solely by customers, while the risk on assets under insurance contracts is assumed primarily by customers. The section on insurance risk describes the Group's risk on insurance contracts.

(DKK millions)

| Breakdown of credit risk exposure<br>2010 | Total | Credit risk, lending activities | Counterparty risk (derivatives) | Credit risk, other trading and investing activities | Insurance risk | Contracts, full risk assumed by customers |
|---|---|---|---|---|---|---|
| Balance sheet items: | | | | | | |
| Demand deposits with central banks | 25,662 | 25,662 | - | - | - | - |
| Due from credit institutions and central banks | 89,619 | 89,619 | - | - | - | - |
| Repo loans with credit institutions and central banks | 138,481 | 138,481 | - | - | - | - |
| Trading portfolio assets | 641,993 | - | 333,743 | 308,250 | - | - |
| Investment securities | 118,556 | - | - | 118,556 | - | - |
| Loans and advances at amortised cost | 978,250 | 978,250 | - | - | - | - |
| Repo loans | 168,481 | 168,481 | - | - | - | - |
| Loans at fair value | 701,715 | 701,715 | - | - | - | - |
| Assets under pooled schemes and unit-linked investment contracts | 59,698 | - | - | - | - | 59,698 |
| Assets under insurance contracts | 217,515 | - | - | - | 217,515 | - |
| Off-balance-sheet items: | | | | | | |
| Guarantees | 90,290 | 90,290 | - | - | - | - |
| Irrevocable loan commitments shorter than 1 year | 61,551 | 61,551 | - | - | - | - |
| Irrevocable loan commitments longer than 1 year | 109,407 | 109,407 | - | - | - | - |
| Other unutilised commitments | 852 | - | - | 852 | - | - |
| Total | 3,402,070 | 2,363,456 | 333,743 | 427,658 | 217,515 | 59,698 |
| 2009 | | | | | | |
| Balance sheet items: | | | | | | |
| Demand deposits with central banks | 23,929 | 23,929 | - | - | - | - |
| Due from credit institutions and central banks | 109,236 | 109,236 | - | - | - | - |
| Repo loans with credit institutions and central banks | 93,120 | 93,120 | - | - | - | - |
| Trading portfolio assets | 620,052 | - | 313,387 | 306,665 | - | - |
| Investment securities | 118,979 | - | - | 118,979 | - | - |
| Loans and advances at amortised cost | 981,079 | 981,079 | - | - | - | - |
| Repo loans | 146,063 | 146,063 | - | - | - | - |
| Loans at fair value | 688,473 | 688,473 | - | - | - | - |
| Assets under pooled schemes and unit-linked investment contracts | 45,909 | - | - | - | - | 45,909 |
| Assets under insurance contracts | 196,944 | - | - | - | 196,944 | - |
| Off-balance-sheet items: | | | | | | |
| Guarantees | 86,825 | 86,825 | - | - | - | - |
| Irrevocable loan commitments shorter than 1 year | 70,736 | 70,736 | - | - | - | - |
| Irrevocable loan commitments longer than 1 year | 101,959 | 101,959 | - | - | - | - |
| Other unutilised commitments | 1,173 | - | - | 1,173 | - | - |
| Total | 3,284,477 | 2,301,420 | 313,387 | 426,817 | 196,944 | 45,909 |

In addition to the credit risk exposure relating to lending activities, loan offers and uncommitted credit facilities amounted to DKK 396 billion (2009: DKK 344 billion). These items are included in the calculation of risk-weighted assets in accordance with the Capital Requirements Directive.

(DKK millions)

**Credit exposure relating to lending activities**

The table named Credit exposure broken down by industry (GICS) shows the credit exposure of the Group's core banking business by industry and customer segment. The breakdown is based on the Global Industry Classification Standard (GICS) with the following additional categories: personal customers, subsidised housing companies, and central and local governments.

**Credit exposure broken down by industry (GICS)**

| | | | | | | | Impaired | |
|---|---|---|---|---|---|---|---|---|
| 2010 | Personal customers | Commercial customers | Financial customers | Governments | Total | Past due but not impaired | Not in default | In default |
| Central and local governments | - | - | - | 162,200 | 162,200 | 6 | - | - |
| Subsidised housing companies | - | 114,980 | - | - | 114,980 | 148 | 121 | 1,606 |
| Banks | - | - | 190,921 | - | 190,921 | - | - | 6 |
| Diversified financials | - | - | 186,174 | - | 186,174 | 165 | 1,045 | 4,524 |
| Other financials | - | - | 64,359 | - | 64,359 | 12 | - | 627 |
| Energy and utilities | - | 38,475 | - | - | 38,475 | 14 | 59 | 30 |
| Consumer discretionary and consumer staples | - | 203,211 | - | - | 203,211 | 1,061 | 6,910 | 2,365 |
| Commercial property | - | 245,459 | - | - | 245,459 | 1,368 | 12,697 | 9,775 |
| Construction, engineering and building products | - | 36,429 | - | - | 36,429 | 185 | 1,856 | 1,974 |
| Transportation and shipping | - | 73,223 | - | - | 73,223 | 220 | 1,451 | 193 |
| Other industrials | - | 83,319 | - | - | 83,319 | 364 | 3,204 | 283 |
| IT | - | 15,641 | - | - | 15,641 | 83 | 90 | 72 |
| Materials | - | 46,222 | - | - | 46,222 | 271 | 2,139 | 627 |
| Health care | - | 24,660 | - | - | 24,660 | 67 | 43 | 40 |
| Telecommunication services | - | 4,836 | - | - | 4,836 | 1 | - | 8 |
| Personal customers | 873,347 | - | - | - | 873,347 | 5,523 | 4,387 | 7,816 |
| Total | 873,347 | 886,455 | 441,454 | 162,200 | 2,363,456 | 9,488 | 34,002 | 29,946 |

| 2009 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Central and local governments | - | - | - | 137,238 | 137,238 | 2 | - | - |
| Subsidised housing companies | - | 117,885 | - | - | 117,885 | 183 | 400 | 695 |
| Banks | - | - | 173,046 | - | 173,046 | - | - | 1,707 |
| Diversified financials | - | - | 180,410 | - | 180,410 | 214 | 2,869 | 3,922 |
| Other financials | - | - | 55,851 | - | 55,851 | 12 | - | 472 |
| Energy and utilities | - | 36,827 | - | - | 36,827 | 38 | - | - |
| Consumer discretionary and consumer staples | - | 212,999 | - | - | 212,999 | 1,909 | 3,451 | 2,438 |
| Commercial property | - | 242,092 | - | - | 242,092 | 2,250 | 7,670 | 10,548 |
| Construction, engineering and building products | - | 36,078 | - | - | 36,078 | 272 | 2,603 | 1,719 |
| Transportation and shipping | - | 68,070 | - | - | 68,070 | 881 | 1,707 | 56 |
| Other industrials | - | 86,603 | - | - | 86,603 | 729 | 2,663 | 650 |
| IT | - | 13,599 | - | - | 13,599 | 46 | - | - |
| Materials | - | 48,131 | - | - | 48,131 | 119 | 990 | 299 |
| Health care | - | 38,372 | - | - | 38,372 | 48 | - | 53 |
| Telecommunication services | - | 6,789 | - | - | 6,789 | 118 | 2 | 12 |
| Personal customers | 847,430 | - | - | - | 847,430 | 6,229 | 2,494 | 8,039 |
| Total | 847,430 | 907,445 | 409,307 | 137,238 | 2,301,420 | 13,050 | 24,849 | 30,610 |

Obligations towards the Private Contingency Association are included under Banks in the Financial customers segment.

(DKK millions)

**Credit exposure broken down by geographical area**

The table shows the credit exposure of the Group's core banking business by country and customer segment.

| 2010 | Personal customers | Commercial customers | Financial customers | Governments | Total | Past due but not impaired | Impaired: Not in default | Impaired: In default |
|---|---|---|---|---|---|---|---|---|
| Denmark | 562,450 | 426,439 | 157,847 | 98,037 | 1,244,773 | 4,295 | 18,723 | 9,144 |
| Finland | 94,918 | 85,894 | 4,901 | 8,306 | 194,019 | 1,961 | 3,111 | 2,156 |
| Sweden | 80,287 | 146,236 | 55,907 | 17,899 | 300,329 | 320 | 972 | 1,185 |
| Ireland | 26,843 | 32,468 | 15,067 | 4,432 | 78,810 | 740 | 5,280 | 8,446 |
| UK | 19,010 | 33,915 | 87,510 | 16,749 | 157,184 | 369 | 1,876 | 2,505 |
| Germany | 511 | 12,560 | 2,490 | 385 | 15,946 | 9 | 534 | 23 |
| Baltics | 12,096 | 8,560 | 3,821 | 562 | 25,039 | 765 | 886 | 1,213 |
| Other EU member states | 2,727 | 12,894 | 56,213 | 297 | 72,131 | 30 | 238 | 186 |
| Norway | 70,805 | 104,254 | 10,089 | 8,223 | 193,371 | 968 | 2,158 | 849 |
| Eastern Europe | 61 | 1,225 | 969 | 70 | 2,325 | - | 1 | 3 |
| Other European countries | 1,027 | 2,254 | 4,487 | - | 7,768 | 13 | - | 371 |
| North America | 988 | 14,362 | 30,651 | 432 | 46,433 | 6 | 220 | 3,834 |
| Central and South America | 109 | 326 | 2,299 | 141 | 2,875 | - | - | - |
| Africa | 123 | 1,397 | 1,239 | 446 | 3,205 | 1 | - | 2 |
| Asia | 1,259 | 2,990 | 7,898 | 6,221 | 18,368 | 11 | 3 | 27 |
| Oceania | 133 | 681 | 66 | - | 880 | - | - | 2 |
| Total | 873,347 | 886,455 | 441,454 | 162,200 | 2,363,456 | 9,488 | 34,002 | 29,946 |

| 2009 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Denmark | 561,221 | 449,095 | 140,157 | 100,828 | 1,251,301 | 7,272 | 12,364 | 9,984 |
| Finland | 87,735 | 91,800 | 4,157 | 6,034 | 189,726 | 2,381 | 1,105 | 2,464 |
| Sweden | 65,843 | 132,829 | 32,769 | 5,700 | 237,141 | 220 | 803 | 1,141 |
| Ireland | 29,698 | 38,884 | 26,093 | 3,951 | 98,626 | 1,627 | 4,259 | 7,286 |
| UK | 18,517 | 33,430 | 93,650 | 10,520 | 156,117 | 304 | 1,197 | 2,547 |
| Germany | 635 | 13,158 | 5,800 | 355 | 19,948 | 53 | 280 | 34 |
| Baltics | 13,966 | 11,962 | 2,566 | 655 | 29,149 | 320 | 771 | 1,808 |
| Other EU member states | 2,960 | 9,187 | 47,477 | 760 | 60,384 | 26 | 231 | 221 |
| Norway | 62,470 | 104,850 | 10,455 | 6,998 | 184,773 | 807 | 1,527 | 1,585 |
| Eastern Europe | 152 | 1,270 | 858 | 26 | 2,306 | 1 | - | 49 |
| Other European countries | 1,048 | 2,468 | 4,655 | 8 | 8,179 | 13 | 89 | 235 |
| North America | 1,062 | 13,570 | 33,366 | 208 | 48,206 | 8 | 2,201 | 3,217 |
| Central and South America | 160 | 557 | 219 | 173 | 1,109 | 1 | 2 | 6 |
| Africa | 214 | 1,232 | 790 | 589 | 2,825 | 1 | 2 | 2 |
| Asia | 1,585 | 2,900 | 6,038 | 433 | 10,956 | 15 | 17 | 30 |
| Oceania | 164 | 253 | 257 | - | 674 | 1 | 1 | 1 |
| Total | 847,430 | 907,445 | 409,307 | 137,238 | 2,301,420 | 13,050 | 24,849 | 30,610 |

As geographical segmentation is based on customers' country of residence instead of on the location in which the individual transaction is recorded, the table is not identical to the breakdown of the Group's banking activities by country in note 3.

The direct exposure to Ireland, Portugal, Italy, Greece and Spain amounted to DKK 4.4 billion at 31 December 2010 (2009: DKK.4.0 billion).

(DKK millions)

**Classification of customers**

As part of its credit risk management, the Group classifies customers according to the probability of their defaulting on obligations to the Group. The Group updates classifications regularly to identify early signs of weakness in customer earnings and liquidity. Risk classification comprises rating and credit scoring of customers.

Customers are rated by the Group's credit organisation. Customer advisers provide factual data about their customers, and ratings are then assigned by credit officers independently of the individual adviser. The Group generally rates customers on an annual basis. Large corporate customers and financial counterparties are rated at least every four months, however, or when new relevant information becomes available. Examples of relevant information are financial statements, budgets or changes to a company's day-to-day management or board of directors.

The Group assigns credit scores to customers not rated, including personal customers. Credit scoring is based on a statistical model that predicts the probability of customers' defaulting on their obligations to the Group. The model uses account history as one of its parameters.

In its credit risk management, the Group uses point-in-time probability of default (PD) estimates. These point-in-time PD estimates express a customer's creditworthiness in the current economic situation. The Group's classification scale consists of 11 general rating categories with fixed PD bands. During a recessionary period, a customer's point-in-time PD will normally increase, and the customer will migrate to a lower rating category.

At the end of the year, the exposure-weighted average PD was 1.32%, against 1.25% in 2009.

**Credit exposure broken down by rating category**

| 2010<br>Rating category | Upper PD | Lower PD | Personal customers | Commercial customers | Financial customers | Governments | Total |
|---|---|---|---|---|---|---|---|
| 1 | 0.00 | 0.01 | 22,953 | 279 | 16,544 | 118,981 | 158,757 |
| 2 | 0.01 | 0.03 | 80,256 | 11,711 | 73,833 | 19,660 | 185,460 |
| 3 | 0.03 | 0.06 | 103,477 | 100,774 | 171,339 | 12,697 | 388,287 |
| 4 | 0.06 | 0.14 | 122,120 | 143,698 | 45,520 | 835 | 312,173 |
| 5 | 0.14 | 0.31 | 160,931 | 170,567 | 60,982 | 7,319 | 399,799 |
| 6 | 0.31 | 0.63 | 143,287 | 164,145 | 45,445 | 701 | 353,578 |
| 7 | 0.63 | 1.90 | 129,823 | 133,192 | 13,398 | 1,812 | 278,225 |
| 8 | 1.90 | 7.98 | 83,778 | 77,597 | 5,605 | 163 | 167,143 |
| 9 | 7.98 | 25.70 | 14,519 | 38,949 | 2,586 | 32 | 56,086 |
| 10 | 25.70 | 99.99 | 4,387 | 28,570 | 1,045 | - | 34,002 |
| 11 | 100.00 | 100.00 | 7,816 | 16,973 | 5,157 | - | 29,946 |
| Total | | | 873,347 | 886,455 | 441,454 | 162,200 | 2,363,456 |

| 2009<br>Rating category | | | | | | | |
|---|---|---|---|---|---|---|---|
| 1 | 0.00 | 0.01 | 11,266 | 273 | 42,058 | 101,521 | 155,118 |
| 2 | 0.01 | 0.03 | 61,662 | 23,529 | 52,387 | 21,768 | 159,346 |
| 3 | 0.03 | 0.06 | 127,534 | 102,002 | 160,711 | 5,968 | 396,215 |
| 4 | 0.06 | 0.14 | 130,451 | 126,908 | 41,565 | 2,336 | 301,260 |
| 5 | 0.14 | 0.31 | 185,574 | 159,701 | 35,245 | 1,758 | 382,278 |
| 6 | 0.31 | 0.63 | 105,316 | 187,134 | 37,188 | 2,108 | 331,746 |
| 7 | 0.63 | 1.90 | 138,381 | 138,492 | 14,547 | 1,036 | 292,456 |
| 8 | 1.90 | 7.98 | 63,780 | 94,832 | 12,523 | 733 | 171,868 |
| 9 | 7.98 | 25.70 | 12,933 | 38,618 | 4,113 | 10 | 55,674 |
| 10 | 25.70 | 99.99 | 2,494 | 19,486 | 2,869 | - | 24,849 |
| 11 | 100.00 | 100.00 | 8,039 | 16,470 | 6,101 | - | 30,610 |
| Total | | | 847,430 | 907,445 | 409,307 | 137,238 | 2,301,420 |

(DKK millions)

**Concentration risks**

As part of its credit risk management, the Group has established internal concentration limits that are monitored on a regular basis, including limits for exposures to both portfolios of customers and single customers.

Under section 145 of the Danish Financial Business Act, exposure to a single customer or a group of related customers, after deduction of particularly secure claims, may not exceed 25% of the capital base. In 2010, the Group's exposures did not exceed the limits established by section 145.

With effect from 31 December 2010, the EU directive on the treatment of large exposures was amended, and the Danish rules were amended accordingly. One of the changes is that exposures to credit institutions must carry a 100% weighting rather than a reduced 20% weighting as under the previous rules. Until 31 December 2010, the value of mortgage bonds received as collateral for loans, less a haircut, was set off against the exposure to the borrower. With the new rules, institutions may treat the exposure as an exposure to the mortgage bond issuer instead of the borrower (with a reduction in weighting of 90%). According to transitional provisions applicable until 31 December 2012, institutions may apply a reduction in weighting of 80% to exposures to credit institutions that originated no later than 31 December 2009.

The table below shows credit exposures to groups equalling 10% or more of the Group's capital base. The table does not include intra-group balances. If the Danish rules had not been amended, the number of large exposures would have been the same as in 2009.

| | 2010<br>Exposures calculated in accordance with section 145 | 2009<br>Exposures calculated in accordance with section 145 |
|---|---|---|
| Number | 4 | 2 |
| Exposure > 20% of capital base | - | - |
| Exposure between 10% and 20% of capital base | 65,610 | 36,952 |
| Total | 65,610 | 36,952 |

**Collateral**

Mitigating risks in the credit portfolio is a key element of the Group's credit policy. For many loan products, collateral is required by legislation, as in the mortgage finance market, or is standard market practice.

Important means of risk mitigation are collateral and guarantees. The most important types of collateral provided are real property and financial assets (shares or bonds).

The Group regularly assesses the market value of collateral received. The Group has developed models to estimate the value of the most frequently occurring types of collateral. For collateral for which no valuation model exists, the Group calculates the value manually. It calculates the value as the market value less a haircut. The haircut represents a conservative estimate of the costs to sell in a forced sale. Costs to sell include maintenance costs in the period over which the asset is up for sale, fees for external advisory services and any loss in value. For real property, haircuts depend on the property type, condition, location and other criteria and usually range between 20% and 40% of the property's market value. For listed securities, haircuts are calculated with an internal model based on variables, such as price volatility and marketability. For unlisted securities, the haircut is 100%.

The Group's realisation of collateral is generally made on behalf of the borrower. If the Group, however, submits the highest bid at a forced sale of property and acquires title, it will seek to sell the property as soon as possible. At the end of 2010, the Group recognised properties taken over in Denmark at a carrying amount of DKK 282 million (2009: DKK 84 million) and properties taken over in other countries at DKK 126 million (2009: DKK 110 million). The properties are held for sale.

(DKK millions)

| **Collateral** 2010 | Personal customers | Commercial customers | Financial customers | Governments | Total |
|---|---|---|---|---|---|
| Credit exposure | 873,347 | 886,455 | 441,454 | 162,200 | 2,363,456 |
| Collateral value | 707,192 | 472,132 | 392,724 | 41,901 | 1,613,949 |
| Total unsecured credit exposure | 166,155 | 414,323 | 48,730 | 120,299 | 749,507 |
| Unsecured portion of credit exposure (%) | 19.0 | 46.7 | 11.0 | 74.2 | 31.7 |
| 2009 | | | | | |
| Credit exposure | 847,430 | 907,445 | 409,307 | 137,238 | 2,301,420 |
| Collateral value | 673,063 | 467,156 | 334,602 | 18,400 | 1,493,221 |
| Total unsecured credit exposure | 174,367 | 440,289 | 74,705 | 118,838 | 808,199 |
| Unsecured portion of credit exposure (%) | 20.6 | 48.5 | 18.3 | 86.6 | 35.1 |

| 2010 | Personal customers | Commercial customers | Financial customers | Governments | Total |
|---|---|---|---|---|---|
| Real property | 689,070 | 375,568 | 5,163 | 2,712 | 1,072,513 |
| Personal | 689,070 | - | - | - | 689,070 |
| Commercial | - | 299,527 | - | - | 299,527 |
| Agricultural | - | 49,681 | - | - | 49,681 |
| Other | - | 26,360 | 5,163 | 2,712 | 34,235 |
| Bank accounts | 849 | 1,987 | 537 | 5 | 3,378 |
| Custody accounts and securities | 5,715 | 9,150 | 355,945 | 34,774 | 405,584 |
| Vehicles | 7,145 | 11,003 | 58 | 306 | 18,512 |
| Equipment | 319 | 19,360 | 379 | 14 | 20,072 |
| Vessels and aircraft | 154 | 26,994 | - | 1 | 27,149 |
| Guarantees | 3,596 | 9,580 | 2,415 | 3,096 | 18,687 |
| Amounts due | 119 | 5,040 | 600 | 46 | 5,805 |
| Other assets | 225 | 13,450 | 27,627 | 947 | 42,249 |
| Total | 707,192 | 472,132 | 392,724 | 41,901 | 1,613,949 |
| 2009 | | | | | |
| Real property | 655,428 | 364,486 | 4,478 | 1,400 | 1,025,792 |
| Personal | 655,428 | - | - | - | 655,428 |
| Commercial | - | 293,116 | - | - | 293,116 |
| Agricultural | - | 44,970 | - | - | 44,970 |
| Other | - | 26,400 | 4,478 | 1,400 | 32,278 |
| Bank accounts | 945 | 2,548 | 659 | 7 | 4,159 |
| Custody accounts and securities | 5,307 | 19,734 | 272,720 | 14,401 | 312,162 |
| Vehicles | 4,832 | 8,877 | 69 | 234 | 14,012 |
| Equipment | 245 | 15,668 | 243 | 27 | 16,183 |
| Vessels and aircraft | 153 | 27,198 | 23 | 1 | 27,375 |
| Guarantees | 5,853 | 11,324 | 10,571 | 1,293 | 29,041 |
| Amounts due | 91 | 5,145 | 388 | - | 5,624 |
| Other assets | 209 | 12,176 | 45,451 | 1,037 | 58,873 |
| Total | 673,063 | 467,156 | 334,602 | 18,400 | 1,493,221 |

(DKK millions)

**Unsecured portion broken down by rating category**

| 2010<br>Rating category | Credit exposure | Collateral | Unsecured portion (%)<br>0-10 | 10-25 | 25-50 | 50-75 | 75-100 | Avg. unsecured portion (%) |
|---|---|---|---|---|---|---|---|---|
| 1 | 158,757 | 63,837 | 62,038 | 3,779 | 888 | 227 | 91,825 | 59.8 |
| 2 | 185,460 | 141,525 | 132,139 | 10,915 | 4,749 | 2,294 | 35,363 | 23.7 |
| 3 | 388,287 | 334,454 | 319,808 | 20,179 | 13,463 | 7,455 | 27,382 | 13.9 |
| 4 | 312,173 | 196,716 | 165,946 | 23,348 | 14,847 | 6,617 | 101,415 | 37.0 |
| 5 | 399,799 | 251,758 | 188,593 | 46,042 | 33,830 | 10,628 | 120,706 | 37.0 |
| 6 | 353,578 | 253,727 | 183,459 | 50,309 | 39,117 | 12,317 | 68,376 | 28.2 |
| 7 | 278,225 | 185,097 | 115,916 | 43,353 | 41,265 | 13,084 | 64,607 | 33.5 |
| 8 | 167,143 | 106,425 | 65,509 | 21,618 | 25,556 | 10,348 | 44,112 | 36.3 |
| 9 | 56,086 | 34,665 | 19,153 | 6,892 | 11,148 | 4,988 | 13,905 | 38.2 |
| 10 | 34,002 | 21,434 | 12,229 | 5,075 | 6,429 | 4,277 | 5,992 | 37.0 |
| 11 | 29,946 | 24,311 | 15,023 | 3,608 | 4,470 | 3,516 | 3,329 | 18.8 |
| Total | 2,363,456 | 1,613,949 | 1,279,813 | 235,118 | 195,762 | 75,751 | 577,012 | 31.7 |

| 2009<br>Rating category | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 1 | 155,118 | 51,924 | 46,020 | 5,689 | 332 | 152 | 102,925 | 66.5 |
| 2 | 159,346 | 109,637 | 99,280 | 4,942 | 4,195 | 1,504 | 49,425 | 31.2 |
| 3 | 396,215 | 345,056 | 293,082 | 22,606 | 13,768 | 7,221 | 59,538 | 12.9 |
| 4 | 301,260 | 172,747 | 139,674 | 24,444 | 16,533 | 8,386 | 112,223 | 42.7 |
| 5 | 382,278 | 246,488 | 169,836 | 54,323 | 37,706 | 13,999 | 106,414 | 35.5 |
| 6 | 331,746 | 211,287 | 157,037 | 37,373 | 28,911 | 11,268 | 97,157 | 36.3 |
| 7 | 292,456 | 191,742 | 117,892 | 43,795 | 46,239 | 14,520 | 70,010 | 34.4 |
| 8 | 171,868 | 93,645 | 60,318 | 19,733 | 20,930 | 8,500 | 62,387 | 45.5 |
| 9 | 55,674 | 29,703 | 18,371 | 6,069 | 7,562 | 3,878 | 19,794 | 46.6 |
| 10 | 24,849 | 17,223 | 10,984 | 3,051 | 6,073 | 2,136 | 2,605 | 30.7 |
| 11 | 30,610 | 23,769 | 18,743 | 3,361 | 4,202 | 2,254 | 2,050 | 22.4 |
| Total | 2,301,420 | 1,493,221 | 1,131,237 | 225,386 | 186,451 | 73,818 | 684,528 | 35.1 |

Most of the collateral provided by customers in rating category 11 consists of real property. In its measurement of real property, the Group factors in local price and market conditions. The value of collateral is usually measured at 60-80% of the market value.

(DKK millions)

**Past due amounts (no evidence of impairment)**

| 2010 | Personal customers | Commercial customers | Financial customers | Governments | Total | Due under loans |
|---|---|---|---|---|---|---|
| 1-5 days | 231 | 348 | 6 | - | 585 | 2,855 |
| 6-30 days | 118 | 80 | 58 | - | 256 | 2,922 |
| 31-60 days | 64 | 205 | 2 | - | 271 | 1,948 |
| 61-90 days | 15 | 19 | - | 1 | 35 | 484 |
| > 90 days | 52 | 262 | - | - | 314 | 1,279 |
| Total | 480 | 914 | 66 | 1 | 1,461 | 9,488 |
| | | | | | | |
| 2009 | | | | | | |
| 1-5 days | 283 | 247 | 14 | 1 | 545 | 3,121 |
| 6-30 days | 83 | 86 | 8 | - | 177 | 2,012 |
| 31-60 days | 110 | 984 | 5 | - | 1,099 | 4,802 |
| 61-90 days | 17 | 132 | 7 | - | 156 | 685 |
| > 90 days | 35 | 64 | - | - | 99 | 2,430 |
| Total | 528 | 1,513 | 34 | 1 | 2,076 | 13,050 |

The Group uses 90 days past due as a definition of default (rating category 11), unless the customer's rating is among the four best categories or new loan documents are under preparation.

The average unsecured portion of the individual claims was 53.9% at the end of 2010 (2009: 37.2%). Real property accounted for 85.8% of the collateral provided (2009: 78%).

**Impairment charges**

Rating categories 10 and 11 include customers with exposures for which objective evidence of impairment exists and individual impairment charges are made. Exposure to customers in the other rating categories is subject to collective impairment testing.

The allowance account includes all impairment charges for loans and advances at amortised cost, loans at fair value, amounts due from credit institutions and central banks, and irrevocable loan commitments and guarantees.

**Allowance account broken down by segment and type of impairment**

| | Personal customers | Commercial customers | Financial customers | Governments | Allowance account, total | Impairment charges | |
|---|---|---|---|---|---|---|---|
| | | | | | | Individual | Collective |
| At 1 January 2009 | 1,684 | 9,462 | 4,704 | 8 | 15,858 | 11,190 | 4,668 |
| New impairment charges | 3,736 | 18,146 | 7,146 | - | 29,028 | 26,357 | 2,671 |
| Reversals of impairment charges from previous periods | 227 | 1,459 | 2,145 | 8 | 3,839 | 627 | 3,212 |
| Write-offs debited to allowance account | 1,022 | 1,845 | 1,603 | - | 4,470 | 4,470 | - |
| Foreign currency translation | 33 | 193 | 137 | - | 363 | 76 | 287 |
| Other items | 25 | 118 | 12 | - | 155 | 155 | - |
| At 31 December 2009 | 4,229 | 24,615 | 8,251 | - | 37,095 | 32,681 | 4,414 |
| New impairment charges | 4,955 | 13,523 | 2,673 | 7 | 21,158 | 18,984 | 2,174 |
| Reversals of impairment charges from previous periods | 774 | 5,288 | 1,386 | 5 | 7,453 | 5,380 | 2,073 |
| Write-offs debited to allowance account | 1,260 | 4,556 | 2,153 | - | 7,969 | 7,969 | - |
| Foreign currency translation | 69 | 386 | 462 | - | 917 | 864 | 53 |
| Other items | -13 | 26 | 8 | - | 21 | 21 | - |
| At 31 December 2010 | 7,206 | 28,706 | 7,855 | 2 | 43,769 | 39,201 | 4,568 |

(DKK millions)

Collective impairment charges include charges made upon the up- or downgrading of customers. If all customers were downgraded one rating category with no corresponding interest rate change, collective impairment charges would increase by about DKK 5.4 billion (2009: about DKK 5.3 billion).

If the value of collateral provided by customers in rating categories 10 and 11 decreased 10%, individual impairment charges would increase by about DKK 3 billion (2009: about DKK 3 billion).

**Allowance account broken down by items on and off the balance sheet**

| | 2010 | 2009 |
|---|---|---|
| Due from credit institutions and central banks | 87 | 113 |
| Loans and advances at amortised cost | 37,630 | 32,645 |
| Loans at fair value | 2,019 | 1,660 |
| Other liabilities | 4,033 | 2,677 |
| Total | 43,769 | 37,095 |

**Allowance account and impairment charges broken down by industry**

| | Credit exposure | | Allowance account | | Impairment charges | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Central and local governments | 162,200 | 137,238 | 2 | - | 2 | - |
| Subsidised housing companies | 114,980 | 117,885 | 836 | 398 | 539 | 269 |
| Banks | 190,921 | 173,046 | 3,421 | 2,061 | 1,345 | 1,681 |
| Diversified financials | 186,174 | 180,410 | 4,310 | 6,005 | -258 | 3,648 |
| Other financials | 64,359 | 55,851 | 124 | 185 | 140 | 166 |
| Energy and utilities | 38,475 | 36,827 | 23 | 150 | -39 | -3 |
| Consumer discretionary and consumer staples | 203,211 | 212,999 | 6,702 | 5,406 | 2,077 | 2,746 |
| Commercial property | 245,459 | 242,092 | 11,931 | 10,073 | 3,849 | 8,024 |
| Construction, engineering and building products | 36,429 | 36,078 | 2,862 | 2,921 | 1,126 | 1,563 |
| Transportation and shipping | 73,223 | 68,070 | 1,366 | 1,432 | 60 | 617 |
| Other industrials | 83,319 | 86,603 | 2,395 | 1,858 | 634 | 1,631 |
| IT | 15,641 | 13,599 | 514 | 732 | 133 | 269 |
| Materials | 46,222 | 48,131 | 1,894 | 1,475 | 672 | 1,044 |
| Health care | 24,660 | 38,372 | 110 | 111 | 25 | -73 |
| Telecommunication services | 4,836 | 6,789 | 73 | 59 | -20 | 39 |
| Personal customers | 873,347 | 847,430 | 7,206 | 4,229 | 3,532 | 4,056 |
| Total | 2,363,456 | 2,301,420 | 43,769 | 37,095 | 13,817 | 25,677 |

(DKK millions)

**Allowance account and impairment charges broken down by geographical area**

| | Credit exposure | | Allowance account | | Impairment charges | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Denmark | 1,244,773 | 1,251,301 | 19,133 | 14,353 | 7,377 | 8,399 |
| Finland | 194,019 | 189,726 | 2,653 | 2,085 | 484 | 1,110 |
| Sweden | 300,329 | 237,141 | 1,264 | 1,256 | 101 | 826 |
| Ireland | 78,810 | 98,626 | 9,586 | 7,010 | 4,999 | 4,980 |
| UK | 157,184 | 156,117 | 3,685 | 2,754 | 1,476 | 5,742 |
| Germany | 15,946 | 19,948 | 134 | 306 | -14 | 96 |
| Baltics | 25,039 | 29,149 | 2,881 | 3,001 | 177 | 2,732 |
| Other EU member states | 72,131 | 60,384 | 292 | 261 | 62 | 63 |
| Norway | 193,371 | 184,773 | 1,530 | 1,429 | 53 | 754 |
| Eastern Europe | 2,325 | 2,306 | 2 | 4 | 1 | 4 |
| Other European countries | 7,768 | 8,179 | 156 | 189 | -4 | 49 |
| North America | 46,433 | 48,206 | 2,370 | 4,312 | -894 | 836 |
| Central and South America | 2,875 | 1,109 | 2 | 39 | -6 | 26 |
| Africa | 3,205 | 2,825 | 9 | 10 | 1 | 2 |
| Asia | 18,368 | 10,956 | 66 | 85 | -2 | 58 |
| Oceania | 880 | 674 | 6 | 1 | 6 | - |
| Total | 2,363,456 | 2,301,420 | 43,769 | 37,095 | 13,817 | 25,677 |

**Allowance account for individual impairment charges broken down by evidence of impairment**

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | Credit exposure | Allowance account, individual | Credit exposure | Allowance account, individual |
| Rating category 10: | | | | |
| Financial difficulties | 34,002 | 10,916 | 24,849 | 14,032 |
| Rating category 11: | | | | |
| 90 days past due | 5,436 | 2,399 | 5,550 | 1,874 |
| Restructuring of debt | 10,336 | 8,287 | 8,272 | 5,743 |
| Collection/suspension of payments | 10,224 | 9,441 | 12,492 | 6,865 |
| Bankruptcy | 3,950 | 8,158 | 4,296 | 4,167 |
| Total | 63,948 | 39,201 | 55,459 | 32,681 |

The average unsecured portion of individually impaired claims was 28.5% at the end of 2010 (2009: 26.1%). Of total collateral received, collateral in the form of real property accounted for 75% (2009: 75%).

(DKK millions)

**Exposure to counterparty risk and credit risk relating to other trading and investing activities**

| 2010 | Personal customers | Commercial customers | Financial customers | Governments | Total |
|---|---|---|---|---|---|
| Counterparty risk: | | | | | |
| Derivatives with positive fair value | 210 | 20,031 | 301,942 | 11,560 | 333,743 |
| Credit risk relating to other trading and investing activities | | | | | |
| Bonds | - | 5,016 | 283,866 | 133,061 | 421,943 |
| Shares | - | 3,277 | 1,586 | - | 4,863 |
| Other unutilised commitments | - | - | 852 | - | 852 |
| Total | 210 | 28,324 | 588,246 | 144,621 | 761,401 |

| 2009 | | | | | |
|---|---|---|---|---|---|
| Counterparty risk: | | | | | |
| Derivatives with positive fair value | 180 | 18,319 | 282,038 | 12,850 | 313,387 |
| Credit risk relating to other trading and investing activities | | | | | |
| Bonds | - | 5,219 | 301,694 | 115,632 | 422,545 |
| Shares | - | 2,005 | 1,087 | 7 | 3,099 |
| Other unutilised commitments | - | - | 1,173 | - | 1,173 |
| Total | 180 | 25,543 | 585,992 | 128,489 | 740,204 |

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

| **Derivatives with positive fair value** | 2010 | 2009 |
|---|---|---|
| Interest rate contracts | 240,682 | 224,267 |
| Currency contracts | 90,762 | 83,505 |
| Other contracts | 2,299 | 5,615 |
| Derivatives with positive fair value, total | 333,743 | 313,387 |
| Netting (under capital adequacy rules) | 259,112 | 248,553 |
| Net current exposure | 74,631 | 64,834 |

Net current exposure is calculated on the basis of positive and negative fair values of derivatives covered by the same netting agreement.

| **Net current exposure broken down by rating category** | 2010 |
|---|---|
| 1 | 7,718 |
| 2 | 12,623 |
| 3 | 30,955 |
| 4 | 9,224 |
| 5 | 6,505 |
| 6 | 3,439 |
| 7 | 2,316 |
| 8 | 1,119 |
| 9 | 283 |
| 10 | 368 |
| 11 | 81 |
| Total | 74,631 |

(DKK millions)

**Bond portfolio broken down by geographical area**

| 2010 | Central and local government bonds | Quasi-government bonds | Danish mortgage bonds | Swedish covered bonds | Other covered bonds | Short-dated bonds (CP etc.) | Corporate bonds | Total |
|---|---|---|---|---|---|---|---|---|
| Denmark | 39,499 | - | 190,906 | - | - | 608 | 2,605 | 233,618 |
| Finland | 5,015 | 1,235 | - | - | 190 | 273 | 1,128 | 7,841 |
| Sweden | 17,561 | - | - | 56,238 | - | 2,490 | 4,561 | 80,850 |
| Norway | 5,145 | - | - | - | 1,061 | 3,195 | 3,087 | 12,488 |
| Ireland | 2,372 | - | - | - | 90 | 112 | 212 | 2,786 |
| UK | 11,930 | 1 | - | - | 8,319 | 113 | 570 | 20,933 |
| Germany | 22,666 | 877 | - | - | 1 | 98 | 249 | 23,891 |
| Spain | 75 | - | - | - | 5,796 | 256 | 962 | 7,089 |
| France | 6,840 | - | - | - | 2,233 | 674 | 1,406 | 11,153 |
| Italy | 2,966 | - | - | - | - | 215 | 30 | 3,211 |
| North America | 2,035 | 4,800 | - | - | 232 | 14 | 719 | 7,800 |
| Other | 6,995 | 1,086 | - | - | 471 | 619 | 1,112 | 10,283 |
| Total | 123,099 | 7,999 | 190,906 | 56,238 | 18,393 | 8,667 | 16,641 | 421,943 |
| 2009 | | | | | | | | |
| Denmark | 34,725 | - | 178,674 | - | - | 147 | 899 | 214,445 |
| Finland | 3,714 | 4 | - | - | 460 | 1,188 | 524 | 5,890 |
| Sweden | 16,852 | - | - | 73,956 | - | 3,011 | 1,858 | 95,677 |
| Norway | 2,335 | - | - | - | 1,049 | 6,205 | 3,106 | 12,695 |
| Ireland | 223 | - | - | - | 137 | 149 | 3,268 | 3,777 |
| UK | 6,781 | - | - | - | 11,792 | 869 | 551 | 19,993 |
| Germany | 32,422 | 783 | - | - | 364 | 361 | 2,553 | 36,483 |
| Spain | 218 | - | - | - | 7,945 | 1,625 | - | 9,788 |
| France | 1,851 | - | - | - | 3,098 | 1,686 | 540 | 7,175 |
| Italy | 2,826 | - | - | - | - | 218 | - | 3,044 |
| North America | 2,038 | 4,417 | - | - | 376 | 60 | 1,027 | 7,918 |
| Other | 2,620 | 640 | - | - | 1,027 | 1,040 | 333 | 5,660 |
| Total | 106,605 | 5,844 | 178,674 | 73,956 | 26,248 | 16,559 | 14,659 | 422,545 |

The exposure to government bonds issued by Ireland, Portugal, Italy, Greece and Spain amounted to DKK 6 billion at 31 December 2010 (2009: DKK 3 billion). Excluding unsettled transactions in bonds issued by these countries and hedging transactions, the net exposure was DKK 5 billion (2009: DKK 1 billion).

(DKK millions)

**Bond portfolio broken down by rating category**

| 2010 | Central and local government bonds | Quasi-government bonds | Danish mortgage bonds | Swedish covered bonds | Other covered bonds | Short-dated bonds (CP etc.) | Corporate bonds | Total |
|---|---|---|---|---|---|---|---|---|
| AAA | 109,567 | 7,835 | 156,269 | 56,157 | 13,549 | 1,025 | 3,455 | 347,857 |
| AA+ | 1,514 | - | 24,753 | - | 3,145 | 95 | 163 | 29,670 |
| AA | 1,699 | - | - | - | 1,663 | 860 | 1,299 | 5,521 |
| AA- | 581 | - | 9,501 | - | 12 | 535 | 1,860 | 12,489 |
| A+ | 2,966 | - | - | 76 | - | 2,719 | 3,255 | 9,016 |
| A | 1,024 | - | 364 | - | - | 1,037 | 997 | 3,422 |
| A- | 898 | - | - | - | - | 28 | 1,700 | 2,626 |
| BBB+ | 2,372 | - | - | - | - | 58 | 979 | 3,409 |
| BBB | 205 | - | - | - | 24 | 935 | 1,662 | 2,826 |
| BBB- | 316 | - | - | - | - | - | 572 | 888 |
| Sub-inv. grade or unrated | 1,957 | 164 | 19 | 5 | - | 1,375 | 699 | 4,219 |
| Total | 123,099 | 7,999 | 190,906 | 56,238 | 18,393 | 8,667 | 16,641 | 421,943 |

| 2009 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| AAA | 99,104 | 5,689 | 114,447 | 71,574 | 17,408 | 3,288 | 2,419 | 313,929 |
| AA+ | 1,441 | - | 59,372 | - | 4,992 | 2 | 228 | 66,035 |
| AA | 1,231 | - | 4,654 | - | 3,414 | 1,477 | 1,288 | 12,064 |
| AA- | 1,069 | - | - | - | 357 | 4,311 | 1,158 | 6,895 |
| A+ | 2,826 | - | - | 2,336 | - | 2,654 | 1,092 | 8,908 |
| A | 286 | - | 199 | - | 76 | 1,275 | 1,098 | 2,934 |
| A- | 69 | - | - | - | - | 625 | 1,284 | 1,978 |
| BBB+ | - | - | - | - | - | 13 | 1,003 | 1,016 |
| BBB | 191 | - | - | - | 1 | 1,266 | 2,766 | 4,224 |
| BBB- | 348 | - | - | - | - | - | 130 | 478 |
| Sub-inv. grade or unrated | 40 | 155 | 2 | 46 | - | 1,648 | 2,193 | 4,084 |
| Total | 106,605 | 5,844 | 178,674 | 73,956 | 26,248 | 16,559 | 14,659 | 422,545 |

(DKK millions)

## Market risk

Market risk is defined as the risk of losses because the fair value of assets and liabilities varies with changes in market conditions.

The Group uses both conventional risk measures and mathematical and statistical models, such as Value at Risk (VaR), to manage its market risk on positions in and outside the trading portfolio on a daily basis.

The Group's marketing of and trading and position-taking in financial products entail a variety of market risks. Most of its trading and position-taking involve relatively simple products. The past couple of years have seen significant customer demand for such risk management products.

### Models

The Group measures and manages the risk on positions exposed to interest rate changes on a daily basis. Interest rate risk is calculated as the expected loss on interest rate positions in the event of a general increase in all interest rates of 1 percentage point. The Group also calculates yield curve risk, which expresses the risk of losses if interest rates for various terms change independently of one another.

The Group uses a VaR model that includes all currency exposures, including options, to manage its foreign exchange risk. The calculation of foreign exchange risk is based on two parameters: a confidence level of 95% and a time horizon of ten days.

Equity market risk distinguishes between the risk associated with listed shares and that associated with unlisted shares. For listed shares, the Group calculates equity market risk as the net value of short and long positions in equities and equity-related instruments. For unlisted shares, the Group distinguishes between ordinary open positions, unutilised private equity commitments and banking-related investments.

The value of the Group's holdings of bonds and credit default swaps depends on market assessments of credit quality and liquidity. The risk of losses because of changes in the market's assessment of credit quality and liquidity is defined as bond spread risk. This risk is calculated as the expected loss in the event of a 1bp spread change. The Group breaks down its bond spread risk into mortgage, government and credit spread risks.

The mortgage bond market is one of the pillars of the financial markets in Denmark, and the Group has a relatively large holding of Danish mortgage bonds. It also has holdings of Swedish covered bonds and other European covered bonds. Most of the Group's bond spread risk can thus be attributed to bonds issued to fund real property loans.

Inflation rate risk is calculated as expected losses because of changes in traded future inflation rates of +/-1 percentage point. Commodity risk is measured as the expected loss on positions in commodities caused by changes of +/-10 percentage points in individual commodity indices.

To supplement conventional risk measures, the Group uses VaR for its internal management of interest rate, foreign exchange and equity market risks. The VaR calculation assumes a confidence level of 95% and unchanged positions for a period of ten days. One of the major strengths of VaR is that it provides an aggregate measure of all risk types included in the model and factors in the correlation structure of the financial markets.

The Group also uses VaR to calculate its capital requirement for market risk at a confidence level of 99%.

The table below shows the Group's market risk at the end of 2010 and 2009 (calculations based on the following risk measures):

| | 2010 | 2009 |
|---|---|---|
| Interest rate risk (parallel shift of the yield curve of 1 percentage point) | 496 | 1,165 |
| Foreign exchange risk (VaR, confidence level of 95%, 10-day horizon) | 23 | 11 |
| Equity market risk, listed shares (net position) | 1,131 | 460 |
| Equity market risk, unlisted shares (net position) | 3,886 | 3,313 |
| Mortgage spread risk (basis point value) | 68 | 74 |
| Government spread risk (basis point value) | 4 | 24 |
| Credit spread risk on corporate bonds (basis point value) | 3 | 2 |
| Inflation rate risk (change in traded future inflation of 1 percentage point) | 20 | 94 |
| Commodity risk (10% change in commodity prices) | - | - |

(DKK millions)

The breakdown of interest rate risk by due date is calculated on the basis of an interest rate rise of 1 percentage point at the end of the year.

| | < 2 years | 2-5 years | 5-10 years | > 10 years | Total |
|---|---|---|---|---|---|
| Interest rate risk 2010 | -159 | 1,052 | -245 | -152 | 496 |
| Interest rate risk 2009 | 1,029 | -76 | 391 | -179 | 1,165 |

**Value at Risk**

The table below shows the VaR figures used for internal risk management purposes.

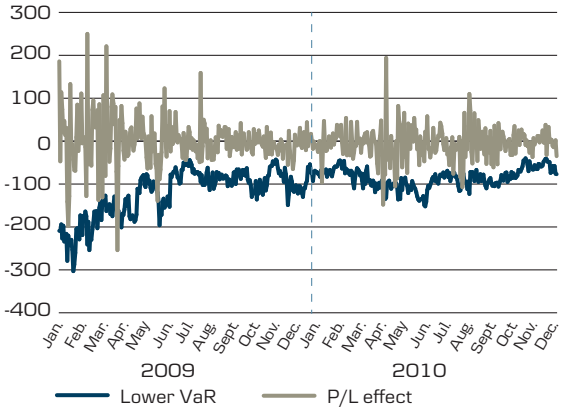
| | 2010 | | | | 2009 | | | |
|---|---|---|---|---|---|---|---|---|
| Risk category | Avg. VaR | Minimum VaR | Maximum VaR | 31 Dec. | Avg. VaR | Minimum VaR | Maximum VaR | 31 Dec. |
| Interest rate risk | 134 | 66 | 231 | 125 | 189 | 46 | 422 | 140 |
| Foreign exchange risk | 23 | 5 | 49 | 23 | 18 | 3 | 40 | 11 |
| Equity market risk | 278 | 199 | 380 | 221 | 325 | 249 | 448 | 282 |
| Diversification benefit | -111 | | | -100 | -188 | | | -183 |
| Total VaR | 324 | 190 | 485 | 269 | 344 | 215 | 571 | 250 |

**Back- and stress testing**

The Group conducts backtests on a daily basis to document that its VaR model is sufficiently robust to measure market risk. At a confidence level of 99% and a time horizon of one day, backtests compare the VaR figures calculated by the model with hypothetical losses or gains assuming a situation where the Group's positions remain unchanged for a business day, but where market prices change. The chart below shows backtest results for 2009 and 2010.

BACKTEST RESULTS, P/L EFFECT

(DKK millions)




In 2009, the model performed well, and from the first quarter of 2009 to the second quarter of 2010, there were three exceptions in the backtest, all in 2010. This picture changed in August 2010, when the backtest showed three new exceptions that were caused mainly by large changes in the interest rates. Because of the Group's low interest rate risk in 2010 and the low interest rate levels, changing volatilities had a relatively strong effect on the backtesting of the internal model calculations, and this influenced two of the exceptions in 2010. This made it appropriate to model volatility as an explicit risk factor in the internal model, and the Group is currently working on this.

To measure the risk of losses under unusual market conditions, the Group conducts a number of stress tests and scenario analyses.

Stress tests based on worst-case scenarios usually involve a combination of extreme fluctuations in interest rates, equity prices and foreign exchange rates, whereas scenario analyses may focus on historical or expected market fluctuations. The table below shows the maximum loss following a number of extreme – but not necessarily very likely – shocks.

| Risk category | Change | Maximum loss 2010 | Maximum loss 2009 |
|---|---|---|---|
| Equity market risk | +20/-20% | 173 | 83 |
| Foreign exchange risk | +10/-10% | 263 | 163 |
| Interest rate risk | +200/-200 bp | 453 | 1,900 |

(DKK billions)

## 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 ultimately prevents the Group from meeting its obligations

The Group's liquidity risk does not include the liquidity risks of Realkredit Danmark and Danica. At Realkredit Danmark, the financing of mortgage loans by the issuance of listed mortgage bonds with matching terms eliminates liquidity risk in all material respects. Danica's balance sheet comprises long-term contributions and assets of which a large portion is invested in liquid listed bonds and easily marketable shares. As both companies are subject to statutory limits on their exposure to Danske Bank, their liquidity is not included in liquidity management at Group level.

Group-level liquidity management is based on monitoring and management of the Group's short- and long-term liquidity risks and builds on the following four themes: operational liquidity risk, liquidity stress tests, 12-month liquidity and structural liquidity risk.

### Operational liquidity risk

The Group's operational liquidity risk management is intended mainly to ensure that the Group always has a liquidity buffer that can absorb the net effects of current transactions and changes in liquidity in the short term.

The Group manages its operational liquidity risk on the basis of limits approved by the Board of Directors, including separate foreign currency liquidity limits. Liquidity is calculated on the basis of the Group's known future receipts and payments under transactions already entered into as well as its holdings of liquid bonds. The calculation factors in the estimated effects on the Danish kroner liquidity of the Danish government's receipts and payments. To take account of the potential risk of drawings under irrevocable loan commitments, the Group factors in the unutilised portion of the facilities in the calculation of liquidity risk.

The Group's strong position in the Danish market gives it a substantial deposit surplus that is a valuable and stable source of funding. As part of managing operational liquidity risk, the Group monitors its liquidity position in the Danish market on the basis of a number of set targets.

### Liquidity stress tests

The Group conducts stress tests that estimate liquidity risks in various scenarios in order to measure its immediate liquidity risk level and to ensure that it has enough time to respond to potential crises. Stress tests are conducted regularly and cover a time horizon of up to six months.

The stress tests comprise three standard scenarios: one Danske Bank-specific, a general market crisis and a combination of the two. A stress-to-fail test conducted in 2010 showed that the Group remained within its internal stress test targets.

The scenarios assume that lending activities do not decline. The degree of possible refinancing varies, depending on the scenario in question. For example, the Group will have fewer opportunities for issuing commercial paper in a scenario where the Group's short-term rating is downgraded than in a mild recession scenario.

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

### 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. No access to capital prevents the Group from refinancing debt at maturity through bonds, commercial paper and subordinated debt. On this basis, the Group's liquidity calculations generate a positive liquidity curve for 2011.

| | 1 month | 2 months | 3 months | 4 months | 5 months | 6 months | 7 months | 8 months | 9 months | 10 months | 11 months | 12 months |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| End-2010 | 225 | 151 | 147 | 142 | 136 | 117 | 117 | 113 | 92 | 92 | 90 | 91 |
| End-2009 | 316 | 232 | 200 | 185 | 182 | 177 | 157 | 136 | 115 | 116 | 118 | 119 |

The Group monitors its liquidity reserve to ensure that it remains robust if the Group is cut off from capital markets.

**Structural liquidity risk**

The Group manages its structural liquidity risk on the basis of its long-term liquidity mismatch. The purpose of managing structural liquidity risk is to avoid an unnecessarily large need for funding in the future. Quantifying such risk is important when the Group plans its funding activities.

Structural liquidity risk management is based on a breakdown by maturity of the Group's assets, liabilities and off-balance-sheet items. The Group bases its calculations on the contractual due dates of individual products, but takes into account that some balance sheet items in fact have maturities that 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. For example, demand deposits made by retail customers are contractually very short-term funding, but in practice, they are considered a relatively stable funding source. The Group also takes into account the potential outflow of liquidity under unutilised credit commitments.

Most of the Group's large bond portfolio is considered ultra-liquid. The unencumbered part of the portfolio is included in the breakdown by maturity as immediate liquidity, because it can be provided as collateral for repo transactions with central banks.

As part of managing structural liquidity risk, the Group breaks down its liquidity position by a number of variables, such as currency, product, business and organisational unit.

**Funding sources**

The Group monitors its funding mix to ensure that it is well-diversified in relation to funding sources, maturities and currencies. The tables below break down funding sources by type of liability and currency, including funding in the form of bonds issued by Realkredit Danmark.

| Funding sources by type of liability (%) | 2010 | 2009 |
|---|---|---|
| Central banks | 4 | 6 |
| Credit institutions | 5 | 4 |
| Repo transactions | 6 | 6 |
| Short-dated bonds | 7 | 7 |
| Long-term bonds | 8 | 11 |
| Covered bonds | 5 | 4 |
| Danish mortgage bonds | 24 | 23 |
| Deposits (corporate) | 20 | 19 |
| Deposits (retail) | 14 | 13 |
| Subordinated debt | 3 | 3 |
| Shareholders' equity | 4 | 4 |
| Total | 100 | 100 |

| Funding sources by currency (%) | 2010 | 2009 |
|---|---|---|
| DKK | 47 | 43 |
| EUR | 20 | 25 |
| USD | 13 | 13 |
| SEK | 7 | 7 |
| GBP | 5 | 4 |
| CHF | 2 | 2 |
| NOK | 4 | 4 |
| Other | 2 | 2 |
| Total | 100 | 100 |

## Insurance risk

The Group's insurance risk consists of all risks related to its subsidiary companies in the Danica group, including financial risk (market risk mainly) and actual insurance risks.

Net income from insurance business is derived primarily from the following:

- Risk allowance for conventional life insurance (contracts with guaranteed benefits)
- Unit-linked business
- Health and accident business
- Return on assets funded by Danica's shareholders' equity

The risk allowance is an annual payment, and it currently amounts to 0.64% of the technical provisions. The Group may book the risk allowance only if it does not exceed the investment return on policyholders' funds (investments allocated to policyholders) less guaranteed benefits and changes in technical provisions for the year. If the risk allowance exceeds the investment return, the allowance is transferred to a shadow account. The risk allowance may be booked at a later date when financial results permit.

### Financial risks

Market risk concerns the performance of assets in which Danica's shareholders' equity is invested and the risk that, in the event of modest returns on policyholders' funds, the collective bonus potential and the bonus potential of paid-up policies are insufficient to cover guaranteed benefits to policyholders under conventional life insurance policies.

The most important factor that affects the risk on conventional life insurance products is the relationship between investment assets and life insurance obligations. If the year's investment return on policyholders' funds does not cover the guaranteed benefits to policyholders, any increase in life insurance provisions and other obligations, then the shortfall is covered first by the collective bonus potential and subsequently by the bonus potential of paid-up policies. If the bonus potential is insufficient to cover the shortfall, funds are allocated from shareholders' equity. The Group monitors the market risk and has set maximum risk targets for each asset class. It conducts stress tests regularly to ensure that Danica can withstand a loss of 20% on a weighted combination of equity market and credit exposure in a scenario of substantial interest rate changes.

The risk related to the relationship between investment assets and guaranteed benefits is reduced by keeping the interest-rate sensitivity of the bond portfolio at a reasonable level and by using derivatives. Danica uses derivatives to reduce its foreign exchange risk to a moderate level.

The credit spread risk on bond holdings was modest, since about 67% of the portfolio consisted of government and mortgage bonds with high ratings (AA-AAA). Other bond holdings are subject to credit spread risk. This risk is managed in the same way as equity market risk. Most of the bonds in Danica's bond holdings are denominated in Danish kroner and euros, and most of the non-euro foreign exchange risk is hedged.

Concentration risk and counterparty risk are very limited because of internal investing restrictions and collateral management agreements for derivatives.

Danica reduces its liquidity risk by investing much of its funds in liquid listed bonds and internationally listed shares. The liquidity risk is modest, since Danica can adapt payment upon surrender of pension schemes and internal transfers to the situation in the financial markets.

Danica reduces concentration risk by widely diversifying its portfolio risk and limiting investments in securities from the same issuer. The consideration of concentration risk does not apply to issuers of mortgage bonds because such bonds are secured on collateral provided by the individual borrower.

Policyholders bear the risk on investment assets under unit-linked contracts (*Danica Link* and *Danica Balance*) with the exception of contracts with investment guarantees. At the end of 2010, 15% of policyholders had investment guarantees for a guarantee period. The guarantees apply only at the time of retirement and are paid for by an annual fee. Danica manages the risk on *Danica Link* guarantees with derivatives and by adjusting the investment allocation during the last five years before retirement. The risk on *Danica Balance* guarantees is managed primarily by adjusting the investment allocation for the individual policies in the past ten years before retirement. The portion of funds invested in equities is regularly adjusted on the basis of the amount guaranteed, the remaining life and other factors. Because of these hedging and risk management strategies, Danica considers the investment risk on guarantees in unit-linked products to be very minor.

Danica has set a separate investment strategy for shareholders' equity.

### Life insurance risks

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

(DKK billions)

The various risk elements are subject to ongoing actuarial assessment for the purpose of calculating insurance obligations and making relevant business adjustments. Life insurance obligations are calculated on the basis of expected future mortality rates. Estimates are based on data from the Group's own portfolio of insurance contracts, and they are updated regularly.

For health and accident policies, insurance obligations are calculated on the basis of expected future recoveries and reopenings of old claims. Estimates are based on empirical data from Danica's own portfolio of insurance contracts, and they are updated regularly.

To mitigate insurance risk, Danica uses reinsurance to cover a small portion of the risks related to mortality and disability. Danica also reinsures the risk of losses due to disasters.

**Sensitivity analysis**

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

A 10% decrease in mortality, meaning that life expectancy rises about one year, would increase Danica's pension obligations by DKK 1.5 billion but would not affect shareholders' equity.

Of the two interest rate scenarios, the rate increase is the most severe for Danica. The combined effect of a 0.7 of a percentage point rise in interest rates, a 12% decline in equity prices, an 8% decline in property prices and an 8% loss on counterparties would reduce the collective bonus potential by DKK 1.5 billion, the bonus potential of paid-up policies by DKK 0.1 billion and shareholders' equity by DKK 0.6 billion. Subsequent rate increases would benefit Danica, however, as it would be easier to pay guaranteed benefits.

| At 31 December 2010 | Change in collective bonus potential | Loss absorbed by bonus potential of paid-up policies | Change in equity |
|---|---|---|---|
| Interest rate increase of 0.7 of a percentage point | -0.4 | - | -0.3 |
| Interest rate decline of 0.7 of a percentage point | -0.1 | - | 0.4 |
| Decline in equity prices of 12% | -1.7 | -0.1 | -0.2 |
| Decline in property prices of 8% | -1.2 | - | -0.2 |
| Foreign exchange risk (VaR 99.0%) | -0.3 | - | - |
| Loss on counterparties of 8% of RWA | -1.7 | -0.6 | -0.2 |
| Increase in credit spreads of 1.0 percentage point | -1.2 | - | - |
| Decrease in mortality of 10% | -1.5 | - | - |
| Increase in mortality of 10% | 1.4 | - | - |
| Increase in disability of 10% | -0.1 | - | - |

| At 31 December 2009 | Change in collective bonus potential | Loss absorbed by bonus potential of paid-up policies | Change in equity |
|---|---|---|---|
| Interest rate increase of 0.7 of a percentage point | -0.5 | - | -0.3 |
| Interest rate decline of 0.7 of a percentage point | 0.8 | - | 0.3 |
| Decline in equity prices of 12% | -1.1 | -0.6 | -0.2 |
| Decline in property prices of 8% | -1.0 | -0.2 | -0.1 |
| Foreign exchange risk (VaR 99.0%) | -0.2 | - | - |
| Loss on counterparties of 8% of RWA | -1.1 | -0.9 | -0.1 |
| Increase in credit spreads of 1.0 percentage point | -0.8 | - | - |
| Decrease in mortality of 10% | -1.0 | -0.4 | - |
| Increase in mortality of 10% | 1.3 | - | - |
| Increase in disability of 10% | -0.1 | - | - |

(DKK millions)

## Pension risk

The Group's pension risk is the risk of a pension shortfall in the Group's defined benefit plans that requires it to make additional contributions to cover pension obligations to current and former employees.

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

Because of the special complexity of its pension obligations, the Group manages market risk on the basis of special follow-up and monitoring principles – so-called business objectives. Quarterly risk reports follow up on the objectives and analyse the financial status of the individual plans on the basis of sensitivity analyses and the Value at Risk (VaR) measure. The objectives include specific limits that indicate acceptable risk exposure levels.

For each pension plan, the Group calculates 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 | Change | Effect 2010 | Effect 2009 |
|---|---|---|---|
| Equity prices | -20% | -995 | -895 |
| Interest rate | + 1/-1% | +1,144/-895 | +1,066/-697 |
| Life expectancy | + 1 year | -331 | -256 |

To supplement the sensitivity analyses, the Group calculates the risk of the individual pension funds as a VaR measure. The calculations are based on a long-term horizon with equity price volatility (20%) and correlation between interest rates and equity prices (25%) set at values reflecting normal market data. The duration of the pension obligations is reduced by half, as empirical data show that inflation risk reduces the interest rate risk on the obligations by approximately 50% in the long term.

At the end of 2010, VaR was DKK 2,650 million (2009: DKK 2,425 million). The VaR measure is calculated at a confidence level of 99.97% and with a time horizon of one year. The calculation is adjusted for inflation risk.

Note 34 provides additional information about the Group's defined benefit plans.

| (DKK millions) | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| **HIGHLIGHTS** | | | | | |
| Net interest and fee income | 44,280 | 54,855 | 47,312 | 41,549 | 33,328 |
| Value adjustments | 5,892 | 14,031 | -10,852 | 5,847 | 6,611 |
| Staff costs and administrative expenses | 21,697 | 22,364 | 22,607 | 22,516 | 18,092 |
| Loan impairment charges etc. | 13,817 | 25,678 | 12,088 | 687 | -496 |
| Income from associated and group undertakings | 743 | 293 | 217 | 285 | 546 |
| Net profit for the year | 3,664 | 1,713 | 1,036 | 14,870 | 13,545 |
| Loans and advances | 1,848,446 | 1,815,615 | 2,040,801 | 1,988,222 | 1,656,906 |
| Shareholders' equity | 104,742 | 100,659 | 98,247 | 104,355 | 95,172 |
| Total assets | 3,213,886 | 3,098,477 | 3,543,974 | 3,349,530 | 2,739,361 |
| **RATIOS AND KEY FIGURES** | | | | | |
| Total capital ratio (%) | 17.7 | 17.8 | 13 | 9.3 | 11.4 |
| Tier 1 capital ratio (%) | 14.8 | 14.1 | 9.2 | 6.4 | 8.6 |
| Return on equity before tax (%) | 6.5 | 3.0 | 0.5 | 18.5 | 21.1 |
| Return on equity after tax (%) | 4.1 | 1.0 | -0.4 | 14.4 | 15.8 |
| Cost/income ratio (DKK) | 1.18 | 1.05 | 1.01 | 1.76 | 2.01 |
| Interest rate risk (%) | 0.4 | 1.0 | 3.1 | 2.8 | 1.0 |
| Foreign exchange position (%) | 3.1 | 2.0 | 4.6 | 1.4 | 1.5 |
| Foreign exchange risk (%) | - | - | 0.1 | - | - |
| Loans and advances plus impairment charges as % of deposits | 210.0 | 207.6 | 225.0 | 208.0 | 235.6 |
| Gearing of loans and advances (%) | 17.1 | 17.6 | 19.8 | 18.3 | 16.7 |
| Growth in loans and advances (%) | 1.9 | -10.1 | 1.7 | 20.8 | 18.3 |
| Surplus liquidity in relation to statutory liquidity requirement (%) | 168.2 | 164.3 | 83.6 | 102.5 | 170.4 |
| Large exposures as % of capital base | 56.5 | 35.7 | 124.7 | 176.8 | 144.6 |
| Impairment ratio (%) | 0.6 | 1.2 | 0.6 | - | - |
| Earnings per share (DKK) | 5.3 | 2.5 | 1.5 | 21.7 | 21.5 |
| Book value per share (DKK) | 151.4 | 145.8 | 142.4 | 152.7 | 139.1 |
| Proposed dividend per share (DKK) | - | - | - | 8.50 | 7.75 |
| Share price at 31 December/earnings per share (DKK) | 27.0 | 47.2 | 34.7 | 9.2 | 11.6 |
| Share price at 31 December/book value per share (DKK) | 0.94 | 0.81 | 0.37 | 1.31 | 1.80 |

The ratios and key figures are defined in the Danish FSA's executive order on financial reports of credit institutions, investment companies, etc.

(DKK millions)

The financial statements of the Parent Company, Danske Bank A/S, are prepared in accordance with the Danish Financial Business Act and the Danish FSA's executive order No. 1305 of 16 December 2008 on financial reports of credit institutions, investment companies, etc. With the exception of section 93, the new disclosure requirements laid down in the FSA's executive order No. 17 of 11 January 2011 are not incorporated into Annual Report 2010.

The rules are identical to the Group's valuation principles under International Financial Reporting Standards (IFRSs) with the following exceptions:

- Domicile property is measured (revalued) at its estimated fair value
- The corridor method is not applied to pension obligations
- The available-for-sale financial assets category is not used

The estimated fair value of domicile property is determined in accordance with schedule 8 to the Danish FSA's executive order on financial reports of credit institutions, investment companies, etc. Available-for-sale financial assets are measured at fair value through profit or loss.

Holdings in subsidiary undertakings are measured on the basis of the equity method, and tax payable by these undertakings is expensed under Income from associated and group undertakings.

The format of the Parent Company's financial statements is not identical to the format of the consolidated financial statements prepared in accordance with IFRSs.

The table below shows the differences in net profit and shareholders' equity between the IFRS consolidated financial statements and the Parent Company's financial statements presented in accordance with Danish FSA rules.

| | Net profit 2010 | Net profit 2009 | Shareholders' equity 31 Dec. 2010 | Shareholders' equity 31 Dec. 2009 |
|---|---|---|---|---|
| Consolidated financial statements (IFRSs) | 3,664 | 1,713 | 104,742 | 100,659 |
| Domicile property | -79 | -38 | 1,253 | 1,275 |
| Available-for-sale financial assets | -101 | 708 | - | - |
| Pension obligations | 1,114 | -1,629 | -73 | -1,155 |
| Tax effect | -234 | 247 | 2 | 262 |
| Non-controlling interests | 16 | -16 | 3,002 | 2,984 |
| Consolidated financial statements (Danish FSA rules) | 4,380 | 985 | 108,926 | 104,025 |
| Non-controlling interests (Danish FSA rules) | 19 | -16 | 3,017 | 2,985 |
| Goodwill on acquisition of non-controlling interests | - | - | 47 | 54 |
| Parent Company financial statements (Danish FSA rules) | 4,361 | 1,001 | 105,956 | 101,094 |

The consolidated financial statements (note 44) list the Group's holdings and undertakings.

# INCOME STATEMENT – DANSKE BANK A/S

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| 2 | Interest income | 44,255 | 69,045 |
| 3 | Interest expense | 23,732 | 39,699 |
| | Net interest income | 20,523 | 29,346 |
| | Dividends from shares etc. | 199 | 56 |
| 4 | Fee and commission income | 9,767 | 8,521 |
| | Fees and commissions paid | 2,440 | 2,278 |
| | Net interest and fee income | 28,049 | 35,645 |
| 5 | Value adjustments | 1,102 | 5,347 |
| 6 | Other operating income | 2,539 | 2,009 |
| 7 | Staff costs and administrative expenses | 14,625 | 15,723 |
| 8 | Amortisation, depreciation and impairment charges | 2,421 | 4,046 |
| | Other operating expenses | 1,871 | 2,536 |
| | Loan impairment charges etc. | 11,390 | 21,118 |
| | Income from associated and group undertakings | 4,699 | 3,211 |
| | Profit before tax | 6,082 | 2,789 |
| 10 | Tax | 1,721 | 1,788 |
| | Net profit for the year | 4,361 | 1,001 |
| | | | |
| | Proposed profit allocation | | |
| | Equity method reserve | 3,853 | 3,012 |
| | Dividends for the year | - | - |
| | Retained earnings | 508 | -2,011 |
| | Total | 4,361 | 1,001 |

# BALANCE SHEET – DANSKE BANK A/S

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| | ASSETS | | |
| | Cash in hand and demand deposits with central banks | 21,088 | 25,612 |
| 11 | Due from credit institutions and central banks | 279,705 | 246,467 |
| 12 | Loans, advances and other amounts due at amortised cost | 938,839 | 920,557 |
| | Bonds at fair value | 461,040 | 502,026 |
| 18 | Bonds at amortised cost | 6,679 | 5,933 |
| | Shares etc. | 3,678 | 2,434 |
| | Holdings in associated undertakings | 747 | 797 |
| | Holdings in group undertakings | 96,608 | 88,930 |
| 19 | Assets under pooled schemes | 41,889 | 35,870 |
| | Intangible assets | 19,226 | 19,215 |
| | Land and buildings | 4,161 | 4,443 |
| 15 | Investment property | 88 | 81 |
| 15 | Domicile property | 4,073 | 4,362 |
| 16 | Other tangible assets | 3,359 | 3,799 |
| | Current tax assets | 1,157 | 2,100 |
| 17 | Deferred tax assets | 797 | 1,413 |
| | Assets temporarily taken over | 236 | 75 |
| 20 | Other assets | 347,320 | 328,308 |
| | Prepayments | 802 | 783 |
| | Total assets | 2,227,331 | 2,188,762 |
| | LIABILITIES AND EQUITY | | |
| | AMOUNTS DUE | | |
| 21 | Due to credit institutions and central banks | 376,959 | 373,386 |
| 22 | Deposits and other amounts due | 696,032 | 713,229 |
| | Deposits under pooled schemes | 44,880 | 38,101 |
| 23 | Issued bonds at amortised cost | 419,726 | 478,952 |
| | Current tax liabilities | 745 | 871 |
| 24 | Other liabilities | 505,056 | 404,471 |
| | Deferred income | 977 | 968 |
| | Total amounts due | 2,044,375 | 2,009,978 |
| | PROVISIONS FOR LIABILITIES | | |
| | Provisions for pensions and similar obligations | 616 | 995 |
| 17 | Provisions for deferred tax | 3,830 | 3,146 |
| 13 | Provisions for losses on guarantees | 4,013 | 2,792 |
| | Other provisions for liabilities | 59 | 19 |
| | Total provisions for liabilities | 8,518 | 6,952 |
| | SUBORDINATED DEBT | | |
| 25 | Subordinated debt | 68,482 | 70,738 |
| | SHAREHOLDERS' EQUITY | | |
| | Share capital | 6,988 | 6,988 |
| | Accumulated value adjustments | 365 | 427 |
| | Equity method reserve | 25,914 | 22,061 |
| | Retained earnings | 72,689 | 71,618 |
| | Proposed dividends | - | - |
| | Total shareholders' equity | 105,956 | 101,094 |
| | Total liabilities and equity | 2,227,331 | 2,188,762 |

# STATEMENT OF CAPITAL – DANSKE BANK A/S

(DKK millions)

**Changes in shareholders' equity**

| | Share capital | Foreign currency translation reserve | Revaluation reserve | Equity method reserve | Retained earnings | Proposed dividends | Total 2010 | Total 2009 |
|---|---|---|---|---|---|---|---|---|
| Shareholders' equity at 1 January 2010 | 6,988 | -326 | 753 | 22,061 | 71,618 | - | 101,094 | 100,013 |
| Translation of units outside Denmark | - | 977 | - | - | - | - | 977 | 503 |
| Hedging of units outside Denmark | - | -961 | - | - | - | - | -961 | -340 |
| Fair value adjustment of domicile property | - | - | -77 | - | - | - | -77 | -160 |
| Sale of domicile property | - | - | -1 | - | 1 | - | - | - |
| Tax on entries on shareholders' equity | - | - | - | - | 287 | - | 287 | 84 |
| Income recognised directly on shareholders' equity | - | 16 | -78 | - | 288 | - | 226 | 87 |
| Net profit for the year | - | - | - | 3,853 | 508 | - | 4,361 | 1,001 |
| Total income | - | 16 | -78 | 3,853 | 796 | - | 4,587 | 1,088 |
| Group undertakings | - | - | - | - | - | - | - | - |
| Dividends paid | - | - | - | - | - | - | - | - |
| Proposed dividends | - | - | - | - | - | - | - | - |
| Acquisition of own shares | - | - | - | - | -19,195 | - | -19,195 | -17,358 |
| Sale of own shares | - | - | - | - | 19,316 | - | 19,316 | 17,315 |
| Share-based payments | - | - | - | - | 154 | - | 154 | 36 |
| Shareholders' equity at 31 December 2010 | 6,988 | -310 | 675 | 25,914 | 72,689 | - | 105,956 | 101,094 |

At the end of 2010, the share capital consisted of 698,804,276 shares of a nominal value of DKK 10 each. All shares carry the same rights; there is thus only one class of shares. For as long as the Danish state holds hybrid capital in Danske Bank and guarantees bond issues, Danske Bank may distribute dividends if such dividends can be paid in full out of the net profit.

**Own shares held by Danske Bank A/S**

| | Number of shares | Nominal value (DKK millions) | Percentage of share capital | Sales/purchase price (DKK millions) |
|---|---|---|---|---|
| Holding at 1 January 2009 | 6,713,549 | 68 | 1.00 | |
| Acquired in 2009 | 198,705,332 | 1,987 | 28.44 | 17,328 |
| Sold in 2009 | 199,094,271 | 1,991 | 28.49 | 17,292 |
| Holding at 31 December 2009 | 6,324,610 | 64 | 0.91 | |
| Acquired in 2010 | 143,690,185 | 1,437 | 20.56 | 19,166 |
| Sold in 2010 | 144,511,236 | 1,445 | 20.68 | 19,186 |
| Holding at 31 December 2010 | 5,503,559 | 56 | 0.79 | |

Acquisitions in 2010 and 2009 comprised trading portfolio assets and investments on behalf of customers.

**Danske Bank shares held by subsidiary undertakings**

| | Number of shares | Nominal value (DKK millions) | Percentage of share capital | Sales/purchase price (DKK millions) |
|---|---|---|---|---|
| Holding at 1 January 2009 | 2,287,266 | 22 | 0.33 | |
| Acquired in 2009 | 328,167 | 3 | 0.05 | 30 |
| Sold in 2009 | 291,093 | 3 | 0.04 | 23 |
| Holding at 31 December 2009 | 2,324,340 | 22 | 0.33 | |
| Acquired in 2010 | 210,128 | 2 | 0.03 | 29 |
| Sold in 2010 | 1,024,846 | 10 | 0.15 | 130 |
| Holding at 31 December 2010 | 1,509,622 | 14 | 0.22 | |

Acquisitions in 2010 and 2009 comprised investments on behalf of customers.

# STATEMENT OF CAPITAL – DANSKE BANK A/S

| (DKK millions) | 2010 | 2009 |
|---|---|---|
| **Capital base and total capital ratio** | | |
| Shareholders' equity | 105,956 | 101,094 |
| Proposed dividends | - | - |
| Intangible assets | -19,439 | -19,427 |
| Deferred tax assets | -797 | -1,413 |
| Deferred tax on intangible assets | 238 | 266 |
| Revaluation reserve | -675 | -753 |
| Core tier 1 capital, excluding hybrid capital | 85,283 | 79,767 |
| Hybrid capital | 39,958 | 39,066 |
| Difference between expected losses and impairment charges | - | - |
| Statutory deduction for insurance subsidiaries | -2,422 | -2,308 |
| Other statutory deductions | -55 | - |
| Total tier 1 capital | 122,764 | 116,525 |
| Subordinated debt, excluding hybrid capital | 24,503 | 29,365 |
| Hybrid capital | - | - |
| Revaluation of real property | 675 | 753 |
| Difference between expected losses and impairment charges | - | - |
| Statutory deduction for insurance subsidiaries | -2,422 | -2,308 |
| Other statutory deductions | -55 | - |
| Capital base | 145,465 | 144,335 |
| Risk-weighted assets | 664,802 | 676,443 |
| | | |
| Core tier 1 capital ratio (%) | 12.8 | 11.8 |
| Tier 1 capital ratio (%) | 18.5 | 17.2 |
| Total capital ratio (%) | 21.9 | 21.3 |

The total capital and tier 1 capital ratios are calculated in accordance with the Capital Requirements Directive. 8% of risk-weighted assets equalled DKK 53,184 million (2009: DKK 54,115 million). Risk-weighted assets calculated under the Basel I rules amounted to DKK 984,693 million at the end of 2010. The solvency need, calculated under the transitional requirement of 80% of the capital requirement of 8% of risk-weighted assets, was DKK 63,020 million. Transitional rules applied in 2010 will also apply in 2011.

Risk Management 2010 provides more details about the Group's solvency need. Risk Management 2010 is not covered by the statutory audit.

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| 1 | **Net interest and fee income and value adjustments broken down by business segment** | | |
| | Banking Activities | 23,433 | 24,885 |
| | Danske Markets | 5,171 | 16,351 |
| | Danske Capital | 987 | 675 |
| | Other | -440 | -919 |
| | Total | 29,151 | 40,992 |
| | | | |
| | Geographical segmentation | | |
| | Denmark | 17,478 | 26,470 |
| | Finland | 342 | 316 |
| | Ireland | 1,340 | 1,484 |
| | Norway | 3,444 | 3,623 |
| | UK | 743 | 2,870 |
| | Sweden | 4,665 | 5,054 |
| | Baltics | 804 | 821 |
| | Germany | 220 | 245 |
| | Poland | 115 | 109 |
| | Total | 29,151 | 40,992 |

Geographical segmentation is based on the location in which the individual transaction is recorded. The figures for Denmark include financing costs related to investments in activities outside Denmark.

| | | | |
|---|---|---|---|
| 2 | **Interest income** | | |
| | Reverse transactions with credit institutions and central banks | 1,226 | 2,143 |
| | Other transactions with credit institutions and central banks | 2,461 | 4,713 |
| | Reverse loans | 1,457 | 3,232 |
| | Loans, advances and other amounts due | 26,416 | 41,428 |
| | Bonds | 9,241 | 16,312 |
| | Derivatives | 3,017 | 911 |
| | Currency contracts | -1,728 | -2,182 |
| | Interest rate contracts | 4,745 | 3,093 |
| | Other interest income | 437 | 306 |
| | Total | 44,255 | 69,045 |
| | | | |
| 3 | **Interest expense** | | |
| | Repo transactions with credit institutions and central banks | 1,245 | 1,377 |
| | Other transactions with credit institutions and central banks | 3,738 | 5,996 |
| | Repo deposits | 592 | 888 |
| | Deposits and other amounts due | 5,587 | 17,395 |
| | Issued bonds | 7,951 | 10,159 |
| | Subordinated debt | 4,429 | 3,708 |
| | Other interest expenses | 190 | 176 |
| | Total | 23,732 | 39,699 |
| | | | |
| 4 | **Fee and commission income** | | |
| | Securities trading and custody account fees | 4,312 | 3,460 |
| | Payment services fees | 1,532 | 1,480 |
| | Origination fees | 1,701 | 1,521 |
| | Guarantee commissions | 883 | 897 |
| | Other fees and commissions | 1,339 | 1,163 |
| | Total | 9,767 | 8,521 |

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| 5 | **Value adjustments** | | |
| | Loans at fair value | -510 | 535 |
| | Bonds | 4,358 | 2,123 |
| | Shares etc. | 72 | 208 |
| | Investment property | 4 | -9 |
| | Currency | 955 | 1,718 |
| | Derivatives | -1,709 | 1,024 |
| | Assets under pooled schemes | 5,008 | 5,384 |
| | Deposits under pooled schemes | -5,100 | -5,570 |
| | Other assets | - | - |
| | Other liabilities | -1,976 | -66 |
| | Total | 1,102 | 5,347 |

6 **Other income**

Other income includes a refund of excess taxes and duties paid of DKK 627 million (2009: DKK 180 million).

7 **Staff costs and administrative expenses**

| | | |
|---|---|---|
| Remuneration of the Executive Board and the Board of Directors | | |
| Executive Board | 36 | 29 |
| Board of Directors | 9 | 8 |
| Total | 45 | 37 |

Under the Danish Act on State-Funded Capital Injections into Credit Institutions, only 50% of management's salaries is tax deductible until the capital raised has been repaid. In 2010, this deduction amounted to DKK 18 million.

| | | |
|---|---|---|
| Staff costs | | |
| Salaries | 8,180 | 8,576 |
| Pensions | 554 | 1,131 |
| Financial services employer tax and social security costs | 1,055 | 1,059 |
| Total | 9,789 | 10,766 |
| Other administrative expenses | 4,791 | 4,920 |
| Total staff costs and administrative expenses | 14,625 | 15,723 |
| Number of full-time-equivalent staff (avg.) | 15,707 | 16,238 |

Note 9 of the consolidated financial statements contains additional information about the remuneration of the Executive Board and the Board of Directors.

8 **Amortisation, depreciation and impairment charges**

This item includes goodwill impairment charges of DKK 1.5 billion for 2009. Note 23 of the consolidated financial statements contains additional information. The Group did not make any goodwill impairment charges in 2010.

9 **Audit fees**

| | | |
|---|---|---|
| Total fees to the audit firms appointed by the general meeting | | |
| that perform the statutory audit | 15 | 15 |
| Fees for non-audit services included in above item | 6 | 6 |

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| 10 | **Tax** | | |
| | Calculated tax charge for the year | 453 | 495 |
| | Deferred tax | 1,031 | 1,092 |
| | Adjustment of prior-year tax charges | 214 | 201 |
| | Lowering of tax rate | 23 | - |
| | Total | 1,721 | 1,788 |
| | **Effective tax rate** | (%) | (%) |
| | Danish tax rate | 25.0 | 25.0 |
| | Non-taxable income and non-deductible expenses | 36.2 | -150.7 |
| | Difference between tax rates of units outside Denmark and Danish tax rate | 40.2 | -252.2 |
| | Adjustment of prior-year tax charges | 14.7 | -47.9 |
| | Lowering of tax rate | 1.6 | - |
| | Effective tax rate | 117.7 | -425.8 |
| | Portion included under Income from associated and group undertakings | -89.4 | 489.9 |
| | Total | 28.3 | 64.1 |
| 11 | **Due from credit institutions and central banks** | | |
| | Demand deposits | 6,778 | 5,456 |
| | Up to 3 months | 259,995 | 216,099 |
| | From 3 months to 1 year | 3,988 | 16,076 |
| | From 1 to 5 years | 5,896 | 5,809 |
| | Over 5 years | 3,048 | 3,027 |
| | Total | 279,705 | 246,467 |
| | Due from credit institutions | 201,304 | 183,837 |
| | Term deposits with central banks | 78,401 | 62,630 |
| | Total | 279,705 | 246,467 |
| | Reverse transactions included in above item | 147,789 | 115,279 |
| 12 | **Loans, advances and other amounts due at amortised cost** | | |
| | Demand deposits | 52,228 | 41,795 |
| | Up to 3 months | 425,461 | 373,127 |
| | From 3 months to 1 year | 132,807 | 173,368 |
| | From 1 to 5 years | 99,287 | 101,551 |
| | Over 5 years | 229,056 | 230,716 |
| | Total | 938,839 | 920,557 |
| | Reverse transactions included in above item | 168,481 | 146,063 |
| | **Loans, advances and guarantees broken down by sector and industry** | (%) | (%) |
| | Public sector | 3.2 | 2.4 |
| | Corporate customers | | |
| | Agriculture, hunting, forestry and fisheries | 1.4 | 1.5 |
| | Manufacturing industries and extraction of raw materials | 7.4 | 9.1 |
| | Energy and utilities | 1.0 | 0.8 |
| | Building and construction | 2.3 | 2.4 |
| | Trade | 3.7 | 4.0 |
| | Transport, hotels and restaurants | 4.4 | 4.0 |
| | Information and communication | 0.7 | 0.9 |
| | Finance and insurance | 32.1 | 34.4 |
| | Property administration | 11.0 | 10.3 |
| | Other | 3.2 | 2.7 |
| | Total corporate customers | 67.2 | 70.1 |
| | Retail customers | 29.6 | 27.5 |
| | Total | 100.0 | 100.0 |

Note (DKK millions)

13 **Impairment charges for loans, advances and guarantees**

| | Loans, advances and guarantees, individual impairment | Loans, advances and guarantees, collective impairment | Other amounts due, individual impairment | Other amounts due, collective impairment | Total |
|---|---|---|---|---|---|
| Impairment charges at 1 January 2010 | 26,627 | 3,745 | 107 | - | 30,479 |
| Impairment charges during the year | 15,114 | 1,903 | 4 | - | 17,021 |
| Reversals of impairment charges from previous years | 10,927 | 1,850 | 27 | - | 12,804 |
| Other changes | 723 | 35 | 2 | - | 760 |
| Impairment charges at 31 December 2010 | 31,537 | 3,833 | 86 | - | 35,456 |
| Value adjustment of assets taken over | 1 | - | - | - | 1 |
| Impairment charges at 1 January 2009 | 8,891 | 4,240 | 43 | - | 13,174 |
| Impairment charges during the year | 21,800 | 2,168 | 64 | - | 24,032 |
| Reversals of impairment charges from previous years | 4,211 | 2,933 | 1 | - | 7,145 |
| Other changes | 147 | 270 | 1 | - | 418 |
| Impairment charges at 31 December 2009 | 26,627 | 3,745 | 107 | - | 30,479 |

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | Individual | Collective | Individual | Collective |
| Total loans, advances and other amounts due, including portfolios, with objective evidence of impairment before impairment charges. The amount does not include loans, advances and other amounts due recognised at nil. | 56,083 | 196,385 | 55,645 | 202,404 |
| Carrying amount net of impairment charges | 29,888 | 192,552 | 30,302 | 198,659 |

14 **Development in lending activities in Denmark in 2010**

In May 2009, Danske Bank A/S raised subordinated loan capital in the form of hybrid capital of DKK 24 billion from the Danish state. Under Danish law, banks that raise state-funded capital must publish semi-annual statements on developments in their Danish lending activities.

Danske Bank A/S grants loans to retail and corporate customers in a number of countries. The table below shows the trend in loans and advances, irrevocable loan commitments and guarantees before impairment charges for corporate customers (including the public sector) and retail customers of Danske Bank A/S.

**Loans etc. before impairment charges**

| | 31 Dec. 2010 | | | | 30 June 2010 | | | |
|---|---|---|---|---|---|---|---|---|
| | Corporate customers | Retail customers | Total | Share (%) | Corporate customers | Retail customers | Total | Share (%) |
| Denmark | 308,496 | 169,045 | 477,541 | 35 | 352,594 | 167,752 | 520,346 | 36 |
| Finland | 28,278 | 10 | 28,288 | 2 | 18,791 | 8 | 18,799 | 1 |
| Sweden | 191,621 | 79,950 | 271,571 | 20 | 173,797 | 72,563 | 246,360 | 17 |
| Ireland | 54,614 | 28,009 | 82,623 | 6 | 57,360 | 28,901 | 86,261 | 6 |
| UK | 85,085 | 468 | 85,553 | 6 | 106,652 | 472 | 107,124 | 8 |
| Germany | 13,382 | 192 | 13,574 | 1 | 13,259 | 237 | 13,496 | 1 |
| Baltics | 13,068 | 13,250 | 26,318 | 2 | 14,518 | 13,800 | 28,318 | 2 |
| Other EU member states | 46,854 | 742 | 47,596 | 3 | 46,119 | 735 | 46,854 | 3 |
| Norway | 115,455 | 70,750 | 186,205 | 13 | 116,513 | 66,414 | 182,927 | 13 |
| Eastern Europe | 727 | 26 | 753 | 0 | 721 | 33 | 754 | 0 |
| Other European countries | 4,072 | 241 | 4,313 | 0 | 4,847 | 264 | 5,111 | 0 |
| North America | 145,322 | 424 | 145,746 | 11 | 170,423 | 430 | 170,853 | 12 |
| Rest of world | 12,941 | 504 | 13,445 | 1 | 11,572 | 518 | 12,090 | 1 |
| Total | 1,019,915 | 363,611 | 1,383,526 | 100 | 1,087,166 | 352,127 | 1,439,293 | 100 |

| Note | (DKK millions) |
|---|---|

14 (cont'd)

Danske Bank A/S's markets saw signs of fragile economic recovery in the second half of 2010. Economic activity remains low, however, and both retail and corporate customers continued to consolidate their finances. In the past couple of quarters, corporate customers have increased their own share of financing and reduced investments to limit the need for external financing, in particular bank borrowings.

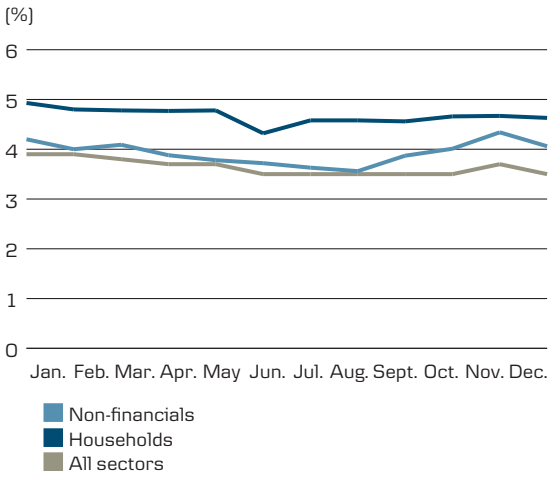
Danske Bank A/S grants credits on the basis of an understanding of customers' financial circumstances and monitors their financial situation on an ongoing basis to assess whether the basis for credit has changed. Facilities should reasonably match the customers' creditworthiness, financial situation and assets, and the customers should be able to substantiate their repayment ability. Collateral is usually required for credit facilities with a long term to maturity (typically more than five years). Danske Bank A/S exercises caution before granting credit facilities to businesses in troubled or cyclical industries. The Group monitors credit facilities regularly through its credit systems. The systems contain data on collateral and on limits and amounts drawn for all types of facilities.

Danske Bank A/S supported its creditworthy customers throughout the second half of 2010. Since Danske Bank A/S's adjustment of lending terms for less creditworthy corporate customers in 2008 and the first half of 2009, lending terms have not been adjusted further. Danske Bank A/S has increased its focus on certain industries, including the property and agricultural sectors, however.

For retail customers, the requirements for the amount available for consumption and the loan-to-value ratio for mortgage loans were unchanged from the levels established in mid-2008. More information about the Group's lending policy, rating of customers and credit risk management is provided in section 5 of Risk Management 2010, published on 10 February 2011. Risk Management 2010 is available at www.danskebank.com/ir. The report is not covered by the statutory audit.

In step with the lowering of leading interest rates by the Danish central bank, Danske Bank A/S lowered its variable deposit and lending rates in Denmark in the first half of 2010. The interest rate levels of households and non-financials were marginally lower at the end of 2010 than at the beginning of the year.

TREND IN LENDING RATES, 2010




Source: the Danish central bank

Danish corporate customers' demand for credit, measured in terms of the loan amounts applied for, fell 22% from the level in the first half of 2010. For existing customers, the number of loan applications fell 14% in the second half of the year. For new customers, demand also fell in the same period. The share of approved applications from existing customers was unchanged at 91% in the second half of 2010, while the share of approved applications from new customers increased.

Danish retail customers' demand for credit rose 9% above the level in the first half of 2010, with most of the rise occurring in the fourth quarter. For existing customers, demand in the second half of 2010 grew as the average loan amount applied for increased 13%. For new customers, demand for credit also rose in the second half of 2010 as a result of an increase in the average loan amount applied for. The share of approved applications was 93% in the second half of 2010, against 94% in the first half of 2010.

Note (DKK millions)

14 (cont'd) The table below shows the trend in loans and advances, irrevocable loan commitments and guarantees before impairment charges for customers of Danske Bank A/S resident in Denmark.

| Loans etc. before impairment charges | 31 Dec. 2010 | | | 30 June 2010 |
|---|---|---|---|---|
| | Existing customers | New customers | Total | Total |
| Public sector | 12,880 | 152 | 13,032 | 15,803 |
| Corporate customers | | | | |
| Agriculture, hunting, forestry and fisheries | 11,103 | 69 | 11,172 | 11,798 |
| Manufacturing industries and extraction of raw materials | 43,836 | 702 | 44,538 | 61,953 |
| Energy and utilities | 5,989 | 23 | 6,012 | 6,609 |
| Building and construction | 6,462 | 77 | 6,539 | 7,346 |
| Trade | 20,509 | 92 | 20,601 | 22,104 |
| Transport, hotels and restaurants | 21,881 | 142 | 22,023 | 24,165 |
| Information and communication | 2,650 | 9 | 2,659 | 3,555 |
| Finance and insurance | 133,568 | 155 | 133,723 | 150,574 |
| Property administration | 22,560 | 1,300 | 23,860 | 25,275 |
| Other | 22,040 | 2,297 | 24,337 | 23,412 |
| Total corporate customers | 290,598 | 4,866 | 295,464 | 336,791 |
| Retail customers | | | | |
| Mortgages | 129,067 | 2,819 | 131,886 | 130,698 |
| Other | 36,702 | 457 | 37,159 | 37,054 |
| Total retail customers | 165,769 | 3,276 | 169,045 | 167,752 |
| Total | 469,247 | 8,294 | 477,541 | 520,346 |

New customers are customers to whom Danske Bank A/S has not granted loans or other credit facilities within the past 12 months.

In compliance with statutory requirements, this lending statement is available as a separate document at www.danskebank.com/ir.

15 **Investment and domicile property**

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | Investment property | Domicile property | Investment property | Domicile property |
| Fair value/revaluation at 1 January | 81 | 4,362 | 81 | 4,652 |
| Additions, including property improvement expenditure | 22 | 29 | 3 | 33 |
| Disposals | 14 | 60 | - | 18 |
| Depreciation charges | - | 55 | - | 62 |
| Value adjustment recognised directly on equity | - | -77 | - | -160 |
| Value adjustment recognised through profit or loss | 1 | -5 | -3 | -160 |
| Other changes | -2 | -121 | - | 77 |
| Fair value/revaluation at 31 December | 88 | 4,073 | 81 | 4,362 |
| Required rate of return for calculation of fair value/revaluation (% per annum) | 4.8-8.0 | 5.0-8.8 | 4.8-7.5 | 5.5-8.8 |

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| 16 | **Other tangible assets** | | |
| | Cost at 1 January | 6,931 | 7,491 |
| | Foreign currency translation | 134 | 172 |
| | Additions including property improvement expenditure | 1,309 | 1,082 |
| | Disposals | 1,626 | 1,814 |
| | Cost at 31 December | 6,748 | 6,931 |
| | Depreciation and impairment charges at 1 January | 3,132 | 3,126 |
| | Foreign currency translation | 64 | 65 |
| | Depreciation charges | 1,083 | 1,034 |
| | Depreciation and impairment charges for assets sold | 890 | 1,093 |
| | Depreciation and impairment charges at 31 December | 3,389 | 3,132 |
| | Carrying amount at 31 December | 3,359 | 3,799 |

17 **Change in deferred tax**

| 2010 | At 1 Jan. | Other adjustments | Recognised in profit for the year | Recognised in shareholders' equity | At 31 Dec. |
|---|---|---|---|---|---|
| Intangible assets | 269 | - | -259 | - | 10 |
| Tangible assets | 1,261 | 19 | -239 | -19 | 1,022 |
| Securities | -129 | 1 | 121 | - | -7 |
| Provisions for obligations | -253 | -3 | 215 | - | -41 |
| Tax loss carryforwards | -1,259 | -33 | 629 | - | -663 |
| Recapture of tax loss | 2,047 | - | 1,110 | - | 3,157 |
| Other | -203 | -31 | -211 | - | -445 |
| Total | 1,733 | -47 | 1,366 | -19 | 3,033 |
| Adj. of prior-year tax charges included in above item | | | 312 | | |
| 2009 | | | | | |
| Intangible assets | 276 | - | -7 | - | 269 |
| Tangible assets | 460 | 15 | 786 | - | 1,261 |
| Securities | -221 | -15 | 107 | - | -129 |
| Provisions for obligations | -212 | -7 | -34 | - | -253 |
| Tax loss carryforwards | -139 | - | -1,120 | - | -1,259 |
| Recapture of tax loss | - | - | 2,047 | - | 2,047 |
| Other | -542 | -48 | 387 | - | -203 |
| Total | -378 | -55 | 2,166 | - | 1,733 |
| Adj. of prior-year tax charges included in above item | | | 1,074 | | |

| | 2010 | 2009 |
|---|---|---|
| **Deferred tax** | | |
| Deferred tax assets | 797 | 1,413 |
| Provisions for deferred tax | 3,830 | 3,146 |
| Deferred tax, net | 3,033 | 1,733 |

| | | | |
|---|---|---|---|
| 18 | **Bonds at amortised cost** | | |
| | Fair value of held-to-maturity assets | 6,542 | 6,416 |
| | Carrying amount of held-to-maturity assets | 6,679 | 5,933 |

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| 19 | **Assets under pooled schemes** | | |
| | Bonds at fair value | 18,693 | 19,829 |
| | Shares | 5,761 | 4,991 |
| | Unit trust certificates | 17,810 | 11,271 |
| | Cash deposits etc. | 2,616 | 2,010 |
| | Total assets before elimination | 44,880 | 38,101 |
| | Own shares | 305 | 294 |
| | Other internal balances | 2,686 | 1,937 |
| | Total | 41,889 | 35,870 |
| 20 | **Other assets** | | |
| | Positive fair value of derivatives | 331,838 | 309,645 |
| | Other assets | 15,482 | 18,663 |
| | Total | 347,320 | 328,308 |
| 21 | **Due to credit institutions and central banks** | | |
| | Amounts payable on demand | 36,932 | 28,098 |
| | Up to 3 months | 337,443 | 259,211 |
| | From 3 months to 1 year | 1,633 | 82,685 |
| | From 1 to 5 years | 515 | 1,486 |
| | Over 5 years | 436 | 1,906 |
| | Total | 376,959 | 373,386 |
| | Repo transactions included in above item | 167,053 | 160,002 |
| 22 | **Deposits and other amounts due** | | |
| | On demand | 435,115 | 400,414 |
| | Term deposits | 2,769 | 1,848 |
| | Time deposits | 175,103 | 231,509 |
| | Repo deposits | 60,440 | 55,648 |
| | Special deposits | 22,605 | 23,810 |
| | Total | 696,032 | 713,229 |
| | On demand | 435,115 | 400,414 |
| | Up to 3 months | 207,973 | 225,571 |
| | From 3 months to 1 year | 15,963 | 33,518 |
| | From 1 to 5 years | 26,346 | 13,099 |
| | Over 5 years | 10,635 | 40,627 |
| | Total | 696,032 | 713,229 |
| 23 | **Issued bonds at amortised cost** | | |
| | On demand | - | - |
| | Up to 3 months | 131,351 | 168,180 |
| | From 3 months to 1 year | 50,565 | 81,982 |
| | From 1 to 5 years | 164,158 | 164,764 |
| | Over 5 years | 73,652 | 64,026 |
| | Total | 419,726 | 478,952 |
| 24 | **Other liabilities** | | |
| | Negative fair value of derivatives | 315,983 | 303,849 |
| | Other liabilities | 189,073 | 100,622 |
| | Total | 505,056 | 404,471 |

Note (DKK millions)

25 **Subordinated debt**

Subordinated debt consists of liabilities in the form of subordinated loan capital and hybrid capital, which, in the event of Danske Bank's voluntary or compulsory winding-up, will not be repaid until the claims of ordinary creditors have been met. Hybrid capital ranks below subordinated loan capital. Early redemption of subordinated debt must be approved by the Danish FSA.

Subordinated debt is included in the capital base in accordance with sections 129, 132, 132a and 136 of the Danish Financial Business Act.

| Currency | Principal (millions) | Interest rate | Year of issue | Maturity | Redemption price | 2010 (DKK millions) | 2009 (DKK millions) |
|---|---|---|---|---|---|---|---|
| Redeemed loans | | | | | | | 4,741 |
| EUR | 400 | 5.875 | 2002 | 26.03.2015 | 100 | 2,982 | 2,976 |
| EUR | 500 | 4.250 | 2003 | 20.06.2016 | 100 | 3,727 | 3,721 |
| NOK | 1,770 | var. | 2003 | 25.05.2014 | 100 | 1,688 | 1,583 |
| GBP | 350 | 5.375 | 2003 | 29.09.2021 | 100 | 3,033 | 2,881 |
| NOK | 500 | var. | 2003 | 15.02.2014 | 100 | 477 | 447 |
| EUR | 700 | 4.100 | 2005 | 16.03.2018 | 100 | 5,218 | 5,209 |
| EUR | 500 | 6.000 | 2007 | 20.03.2016 | 100 | 3,727 | 3,721 |
| EUR | 500 | 5.375 | 2008 | 18.08.2014 | 100 | 3,727 | 3,721 |
| DKK | 500 | 5.500 | 2008 | 22.08.2014 | 100 | 500 | 500 |
| Subordinated loan capital, excluding hybrid capital | | | | | | 25,079 | 29,500 |
| Hybrid capital | | | | | | | |
| Hybrid capital included under the 15% of tier 1 capital limit (section 129(4)): | | | | | | | |
| USD | 750 | 5.914 | 2004 | Perpetual | 100 | 4,209 | 3,892 |
| GBP | 150 | 5.563 | 2005 | Perpetual | 100 | 1,300 | 1,234 |
| GBP | 500 | 5.684 | 2006 | Perpetual | 100 | 4,333 | 4,116 |
| EUR | 600 | 4.878 | 2007 | Perpetual | 100 | 4,473 | 4,465 |
| SEK | 1,350 | var. | 2007 | Perpetual | 100 | 1,116 | 976 |
| SEK | 650 | 5.119 | 2007 | Perpetual | 100 | 538 | 470 |
| Hybrid capital included under the 35% of tier 1 capital limit (section 129(3)): | | | | | | | |
| DKK | 23,992 | 9.265 | 2009 | Perpetual | 100 | 23,992 | 23,992 |
| Total hybrid capital | | | | | | 39,961 | 39,145 |
| Nominal subordinated debt | | | | | | 65,040 | 68,645 |
| Fair value hedging of interest rate risk | | | | | | 3,618 | 2,219 |
| Danske Bank's holdings | | | | | | -176 | -126 |
| Total subordinated debt | | | | | | 68,482 | 70,738 |
| Interest on subordinated debt and related items | | | | | | | |
| Interest | | | | | | 4,429 | 3,708 |
| Extraordinary repayments | | | | | | 4,741 | 3,725 |
| Origination and redemption costs | | | | | | - | 47 |
| Amount included in capital base at 31 December | | | | | | 64,461 | 68,431 |

Note 31 of the consolidated financial statements contains additional information about subordinated debt and contractual terms.

| Note | (DKK millions) | 2010 | 2009 |
|---|---|---|---|
| 26 | **Assets deposited as collateral** | | |
| | At the end of 2010, Danske Bank A/S had deposited securities worth DKK 54,940 million as collateral with Danish and international clearing centres and other institutions (2009: DKK 98,358 million). | | |
| | In repo transactions, which involve selling securities to be repurchased at a later date, the securities remain on the balance sheet, and the amounts received are recognised as deposits. Repo transaction securities are treated as assets provided as collateral for liabilities. Counterparties are entitled to sell the securities or deposit them as collateral for other loans. | | |
| | Assets sold in repo transactions | | |
| | Bonds at fair value | 215,063 | 211,844 |
| | Shares etc. | - | 2 |
| | Total | 215,063 | 211,846 |
| | Total collateral deposited for subsidiary undertakings | 536 | 540 |
| | At the end of 2010, Danske Bank A/S had delivered cash and securities worth DKK 38,061 million as collateral for derivatives transactions (2009: DKK 35,124 million). | | |
| | Danske Bank A/S had registered loans and advances worth DKK 123,308 million and other assets worth DKK 4,381 million as collateral for covered bonds at the end of 2010 (2009: DKK 108,067 million and DKK 2,947 million, respectively). | | |
| 27 | **Contingent liabilities** | | |
| | The Group uses a variety of loan-related financial instruments to meet the financial requirements of its customers. These include loan offers and other credit facilities, guarantees and instruments that are not recognised on the balance sheet. | | |
| | **Guarantees and other liabilities** | | |
| | Guarantees, etc. | | |
| | Financial guarantees | 7,719 | 6,988 |
| | Mortgage finance guarantees | 51,583 | 46,958 |
| | Registration and remortgaging guarantees | 21,542 | 22,674 |
| | Loss guarantee for the Private Contingency Association | - | 4,727 |
| | Other guarantees | 163,028 | 165,438 |
| | Total | 243,872 | 246,785 |
| | Other liabilities | | |
| | Irrevocable loan commitments shorter than 1 year | 63,609 | 66,008 |
| | Irrevocable loan commitments longer than 1 year | 102,006 | 87,403 |
| | Other obligations | 653 | 774 |
| | Total | 166,268 | 154,185 |
| | In addition to the credit risk exposure relating to lending activities, loan offers and uncommitted credit facilities amounted to DKK 444,123 million (2009: DKK 371,633 million). These items are included in the calculation of risk-weighted assets in accordance with the Capital Requirements Directive. | | |
| | Owing to its business volume, Danske Bank is continually a party to various lawsuits. In view of its size, Danske Bank does not expect the outcomes of the cases pending to have any material effect on its financial position. | | |
| | A limited number of employees are employed under terms which grant them, if they are dismissed before reaching their normal retirement age, an extraordinary severance and/or pension payment in excess of their entitlement under ordinary terms of employment. As the sponsoring employer, Danske Bank is liable for the pension obligations of a number of company pension funds. | | |
| | Together with the majority of Danish banks, Danske Bank participated in the Danish state guarantee from 5 October 2008 to 30 September 2010. Each bank had to pay a guarantee commission and undertake to cover a share of the sector's losses. Danske Bank's share was one third of the total amount, or an annual guarantee commission of DKK 2.5 billion and a total commitment to cover losses of DKK 6.6 billion. Of the latter amount, DKK 3.3 billion would become payable only if the total losses of distressed banks covered by the state-owned Financial Stability Company exceeded DKK 25 billion. The Financial Stability Company has announced that total losses will not exceed DKK 25 billion. Danske Bank has thus recognised a charge of DKK 3.3 billion as final settlement of its share of the sector's first tranche to cover the losses of distressed banks. | | |

Note (DKK millions)

28 **Related parties**

| | Parties with significant influence | | Associated undertakings | | Group undertakings | | Board of Directors | | Executive Board | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Loans and irrevocable loan commitments | 6,034 | 7,499 | 613 | 592 | 64,326 | 72,917 | 24 | 33 | 4 | 8 |
| Securities and derivatives | 1,245 | 1,192 | 5,847 | 3,456 | 192,519 | 200,714 | - | - | - | - |
| Deposits | 2,983 | 1,474 | 143 | 345 | 71,725 | 74,809 | 37 | 51 | 21 | 18 |
| Derivatives | 68 | 87 | 1,375 | 2,262 | 2,586 | 1,599 | - | - | - | - |
| Issued bonds | - | - | - | - | 97,665 | 98,453 | - | - | - | - |
| Guarantees issued | 1,970 | 1,983 | 1 | 27 | 145,698 | 147,833 | 7 | 7 | 5 | - |
| Guarantees and collateral received | 486 | 676 | 14 | 8 | 1,137 | 619 | 8 | 7 | 4 | 8 |
| Interest income | 36 | 74 | 75 | 157 | 3,591 | 5,122 | 1 | 1 | - | - |
| Interest expense | 14 | 24 | 225 | 219 | 465 | 1,049 | 1 | 1 | - | 1 |
| Fee income | 22 | 2 | 2 | 3 | 27 | 21 | - | - | - | - |
| Dividend income | 2 | 4 | 80 | 153 | 415 | 158 | - | - | - | - |
| Other income | 7 | 7 | - | - | 3 | - | - | - | - | - |
| Trade in Danske Bank shares | | | | | | | | | | |
| Acquisition of shares | - | - | - | - | - | - | - | 4 | 2 | 1 |
| Sale of shares | - | - | - | - | - | - | - | 1 | 2 | 1 |

Related parties with significant influence include shareholders with holdings exceeding 20% of Danske Bank A/S's share capital. A.P. Møller and Chastine Mc-Kinney Møller Foundation and companies of the A.P. Møller – Maersk Group, Copenhagen, hold 22.76% of the share capital. Note 22 lists associated undertakings. The consolidated financial statements specify group holdings under Group holdings and undertakings. The Board of Directors and Executive Board columns list the personal facilities, deposits, etc. held by members of the Board of Directors and the Executive Board and their dependants and facilities with businesses in which these parties have a controlling or significant influence.

In 2010, the average interest rates on credit facilities granted to members of the Board of Directors and the Executive Board were 2.2% (2009: 2.5%) and 2.7% (2009: 3.4%), respectively. Notes 9 and 42 of the consolidated financial statements specify management's remuneration and shareholdings.

Pension funds set up for the purpose of paying out pension benefits to employees of Danske Bank A/S are also considered related parties. In 2010, transactions with these funds comprised loans and advances worth DKK 3 million (2009: DKK 3 million), deposits worth DKK 123 million (2009: DKK 121 million), derivatives with a positive fair value of DKK 0 million (2009: DKK 8 million), derivatives with a negative fair value of DKK 166 million (2009: DKK 161 million), interest expenses of DKK 3 million (2009: DKK 3 million) and pension contributions of DKK 304 million (2009: DKK 108 million).

Danske Bank A/S acts as the bank of a number of its related parties. Payment services, trading in securities and other instruments, investment and placement of surplus liquidity, and provision of short-term and long-term financing are the primary services provided by Danske Bank A/S. In addition, Danske Bank A/S and group undertakings receive interest on holdings, if any, of listed bonds issued by Realkredit Danmark A/S. Note 19 of the consolidated financial statements specifies the Group's holdings of own mortgage bonds.

Danske Bank A/S handles a number of administrative functions, such as IT operations and development, HR management, purchases and marketing activities for group undertakings. Danske Bank A/S received a total fee of DKK 1,527 million for services provided in 2010 (2009: DKK 1,351 million).

The figures above do not include debt to related parties in the form of issued notes. Such notes are bearer securities, which means that the Group does not know the identity of the holders. Danske Bank shares may be registered by name. Related parties' holdings of Danske Bank shares equalling 5% or more of Danske Bank's share capital are determined on the basis of the most recent reporting of holdings to Danske Bank.

Transactions with related parties are settled on an arm s-length basis, whereas transactions with group undertakings are settled on a cost-reimbursement basis.

| Note | (DKK millions) | 2010 | | 2009 | |
|---|---|---|---|---|---|
| | | Carrying amount | Amortised/ notional value | Carrying amount | Amortised/ notional value |
| 29 | **Hedging of risk** | | | | |
| | Assets | | | | |
| | Due from credit institutions | 3,766 | 3,756 | 5,874 | 5,590 |
| | Loans and advances | 59,513 | 58,238 | 51,850 | 50,152 |
| | Total | 63,279 | 61,994 | 57,724 | 55,742 |
| | Financial instruments hedging interest rate risk | | | | |
| | Derivatives | 320 | 71,650 | -187 | 62,018 |
| | Liabilities | | | | |
| | Deposits | 130,581 | 130,458 | 176,344 | 176,112 |
| | Due to credit institutions | 133,200 | 133,185 | 143,272 | 143,225 |
| | Issued bonds | 442,736 | 437,922 | 502,382 | 498,175 |
| | Subordinated debt | 68,766 | 65,040 | 71,003 | 68,645 |
| | Total | 775,283 | 766,605 | 893,001 | 886,157 |
| | Financial instruments hedging interest rate risk | | | | |
| | Derivatives | 11,381 | 753,871 | 7,692 | 923,147 |

The consolidated financial statements include additional information about hedge accounting.

30 **Group holdings and undertakings**

Note 44 of the consolidated financial statements lists the Group's holdings and undertakings.

| (DKK millions) | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| **HIGHLIGHTS** | | | | | |
| Net interest and fee income | 28,049 | 35,645 | 28,507 | 22,866 | 18,431 |
| Value adjustments | 1,102 | 5,347 | -3,774 | 2,690 | 4,164 |
| Staff costs and administrative expenses | 14,625 | 15,723 | 15,438 | 14,590 | 11,297 |
| Loan impairment charges etc. | 11,390 | 21,118 | 10,265 | 306 | -207 |
| Income from associated and group undertakings | 4,699 | 3,211 | 3,889 | 7,054 | 5,571 |
| Net profit for the year | 4,361 | 1,001 | -448 | 14,996 | 13,960 |
| Loans and advances | 938,839 | 920,557 | 1,120,719 | 1,120,373 | 818,530 |
| Shareholders' equity | 105,956 | 101,094 | 100,013 | 106,376 | 96,509 |
| Total assets | 2,227,331 | 2,188,762 | 2,678,868 | 2,412,451 | 1,869,507 |
| | | | | | |
| **RATIOS AND KEY FIGURES** | | | | | |
| Total capital ratio (%) | 21.9 | 21.3 | 15.3 | 11.9 | 16.2 |
| Tier 1 capital ratio (%) | 18.5 | 17.2 | 11.1 | 8.3 | 12.2 |
| Return on equity before tax (%) | 5.9 | 2.8 | -0.9 | 17.1 | 20.0 |
| Return on equity after tax (%) | 4.2 | 1.0 | -0.4 | 14.8 | 16.3 |
| Cost/income ratio (DKK) | 1.20 | 1.06 | 0.97 | 2.03 | 2.35 |
| Interest rate risk (%) | - | 0.7 | 2.5 | 2.1 | -0.4 |
| Foreign exchange position (%) | 3.7 | 2.9 | 3.3 | 2.1 | 0.5 |
| Foreign exchange risk (%) | - | - | 0.1 | - | - |
| Loans and advances plus impairment charges as % of deposits | 130.9 | 126.2 | 147.9 | 139.5 | 136.8 |
| Gearing of loans and advances (%) | 8.9 | 9.1 | 11.2 | 10.5 | 8.5 |
| Growth in loans and advances (%) | 2.0 | -17.9 | - | 36.9 | 27.6 |
| Surplus liquidity in relation to statutory liquidity requirement (%) | 144.6 | 138.3 | 66.3 | 88.3 | 137.0 |
| Large exposures as % of capital base | 46.7 | 22.8 | 98.2 | 151.0 | 151.5 |
| Impairment ratio (%) | 0.8 | 1.6 | 0.7 | - | - |
| Earnings per share (DKK) | 6.3 | 1.5 | -6.5 | 21.8 | 21.2 |
| Book value per share (DKK) | 152.8 | 146.0 | 144.5 | 154.9 | 140.4 |
| Proposed dividend per share (DKK) | - | - | - | 8.50 | 7.75 |
| Share price at 31 December/earnings per share (DKK) | 22.7 | 81.6 | -8.0 | 9.1 | 11.8 |
| Share price at 31 December/book value per share (DKK) | 0.94 | 0.81 | 0.36 | 1.29 | 1.78 |

The ratios are defined in the Danish FSA's executive order on financial reports of credit institutions, investment companies, etc.

# STATEMENT BY THE MANAGEMENT

The Board of Directors and the Executive Board (the management) have considered and approved the annual report of Danske Bank A/S for the financial year 2010.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU, and the Parent Company's financial statements have been prepared in accordance with the Danish Financial Business Act. Furthermore, the annual report has been prepared in accordance with Danish disclosure requirements for annual reports of listed financial institutions.

In our opinion, the consolidated financial statements and the Parent Company's financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, shareholders' equity and financial position at 31 December 2010 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year starting on 1 January 2010 and ending on 31 December 2010. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's and the Parent Company's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group and the Parent Company.

The management will submit the annual report to the general meeting for approval.

Copenhagen, 10 February 2011

## EXECUTIVE BOARD

Peter Straarup
Chairman

Tonny Thierry Andersen
Member of the
Executive Board

Thomas F. Borgen
Member of the
Executive Board

Henrik Ramlau-Hansen
Member of the
Executive Board

Georg Schubiger
Member of the
Executive Board

Per Skovhus
Member of the
Executive Board

## BOARD OF DIRECTORS

| | | |
|---|---|---|
| Alf Duch-Pedersen<br>Chairman | Eivind Kolding<br>Vice Chairman | Ole Gjessø Andersen |
| Michael Fairey | Peter Højland | Mats Jansson |
| Sten Scheibye | Majken Schultz | Claus Vastrup |
| Birgit Aagaard-Svendsen | Susanne Arboe | Helle Brøndum |
| Carsten Eilertsen | Charlotte Hoffmann | Per Alling Toubro |

# AUDITORS' REPORTS

## INTERNAL AUDIT'S REPORT

We have audited the annual report of Danske Bank A/S for the financial year 2010. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and the Parent Company's financial statements have been prepared in accordance with the Danish Financial Business Act. Furthermore, the annual report has been prepared in accordance with Danish disclosure requirements for annual reports of listed financial institutions.

### Basis of opinion

We conducted our audit in accordance with the executive order of the Danish Financial Supervisory Authority on auditing financial businesses and financial groups and in accordance with Danish Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement. The audit comprised all significant areas and risk areas and was conducted in accordance with the division of responsibilities agreed with the external auditors, enabling the external auditors to the widest possible extent to base their audit on the work performed by Internal Audit.

We planned and conducted our audit such that we have assessed the business and internal control procedures, including the risk and capital management implemented by the management, aimed at the Group's and the Parent Company's reporting processes and major business risks.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the preparation and fair presentation of the annual report in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the annual report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's assets, liabilities, shareholders' equity and financial position at 31 December 2010 and of the results of the Group's operations and cash flows for the financial year 2010 in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and in accordance with additional Danish disclosure requirements for listed financial institutions. Furthermore, in our opinion, the Parent Company's financial statements give a true and fair view of the Parent Company's assets, liabilities and financial position at 31 December 2010 and of the results of the Parent Company's operations for the financial year 2010 in accordance with the Danish Financial Business Act and in accordance with additional Danish disclosure requirements for listed financial institutions.

Moreover, in our opinion, the management's report gives a fair review in accordance with Danish disclosure requirements for listed financial institutions.

Furthermore, we believe that the business and internal control procedures, including the risk and capital management implemented by the management, aimed at the Group's and the Parent Company's reporting processes and major business risks operate effectively.

Copenhagen, 10 February 2011

Jens Peter Thomassen
Group Chief Auditor

## INDEPENDENT AUDITORS' REPORT

To the shareholders of Danske Bank A/S

We have audited the consolidated financial statements, pp. 48-143, and the Parent Company's financial statements of Danske Bank A/S, pp. 144-161, for the financial year 2010. The consolidated financial statements comprise the income statement, statement of comprehensive income, balance sheet, statement of capital, cash flow statement and notes. The Parent Company's financial statements comprise income statement, balance sheet, statement of capital and notes. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU, and the Parent Company's financial statements have been prepared in accordance with the Danish Financial Business Act. Furthermore, the consolidated financial statements and the Parent Company's financial statements have been prepared in accordance with Danish disclosure requirements for listed financial institutions. In addition to our audit, we have read the management's report prepared in accordance with Danish disclosure requirements for listed financial institutions and issued a statement in this regard.

### Management's responsibility

Management is responsible for preparing and presenting consolidated financial statements and Parent Company financial statements that give a true and fair view in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU in respect of the consolidated financial statements and in accordance with the Danish Financial Business Act in respect of the Parent Company and in accordance with additional Danish disclosure requirements for listed financial institutions. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements and Parent Company's financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Further, it is the responsibility of Management to prepare a management's report that gives a fair review in accordance with Danish disclosure requirements for listed financial institutions.

### Auditors' responsibility and basis of opinion

Our responsibility is to express an opinion on the consolidated financial statements and the Parent Company's financial statements based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements and the Parent Company's financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the Parent Company's financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements and the Parent Company's financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the preparation and fair presentation of the consolidated financial statements and the Parent Company's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements and the Parent Company's financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's assets, liabilities, shareholders' equity and financial position at 31 December 2010 and of the results of the Group's operations and cash flows for the financial year 2010 in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and in accordance with additional Danish disclosure requirements for listed financial institutions. Furthermore, in our opinion, the Parent Company's financial statements give a true and fair view of the Parent Company's assets, liabilities and financial position at 31 December 2010 and of the results of the Parent Company's operations for the financial year 2010 in accordance with the Danish Financial Business Act and in accordance with additional Danish disclosure requirements for listed financial institutions.

### Statement on the management's report

Pursuant to the Danish Financial Business Act, we have read the management's report. We have not performed any other procedures in addition to the audit of the consolidated financial statements and the Parent Company's financial statements. On this basis, it is our opinion that the information given in the management's report is consistent with the consolidated financial statements and the Parent Company's financial statements.

Copenhagen, 10 February 2011
KPMG
Statsautoriseret Revisionspartnerselskab

Per Gunslev Lars Rhod Søndergaard

State Authorised Public Accountants

Copenhagen, 10 February 2011
Grant Thornton
Statsautoriseret Revisionsaktieselskab

Ole Fabricius Christian F. Jakobsen

State Authorised Public Accountants

# MANAGEMENT AND DIRECTORSHIPS – BOARD OF DIRECTORS

### ALF DUCH-PEDERSEN
Born on 15 August 1946
Joined the Board on 23 March 1999

Member of the Credit and Risk Committee, the Remuneration Committee and the Nomination Committee

Directorships and other offices:
The Denmark-America Foundation
Group 4 Securicor plc. (Chairman) (Nomination Committee)

### EIVIND KOLDING
PARTNER OF THE FIRM A.P. MØLLER
Born on 16 November 1959
Joined the Board on 27 March 2001

Member of the Credit and Risk Committee, the Remuneration Committee and the Nomination Committee

Directorships and other offices:
Box Club (International Council of Containership Operators) (Chairman)
E. Kolding Shipping ApS (Member of management)
Maersk Inc.
Maersk Line Agency Holding A/S (Chairman)
Safmarine Container Lines N.V. (Chairman)
WLD (World Liner Data) (Chairman)

### OLE GJESSØ ANDERSEN
MANAGING DIRECTOR OF CBTJ APS AND TWO DANISH SUBSIDIARIES
Born on 11 July 1956
Joined the Board on 23 March 2010

Member of the Credit and Risk Committee and the Audit Committee

Directorships and other offices:
Bang & Olufsen A/S and one Danish subsidiary (Chairman)
Chr. Hansen Holding A/S (Chairman)
Duke Infrastructure Holding ApS and two Danish subsidiaries
ISS Holding A/S and one Danish subsidiary (Chairman)
Privathospitalet Hamlet A/S (Chairman)

EQT Partners (Senior Adviser)

### MICHAEL FAIREY
Born on 17 June 1948
Joined the Board on 23 March 2010

Member of the Audit Committee

Directorships and other offices:
Horizon Acquisition Company PLC (Chairman)
Lloyds TSB Pension Fund (Chairman)
Northern Rock plc
The Energy Saving Trust Limited
Trustee of Consumer Credit Counselling Service
Vertex Group Limited

### PETER HØJLAND
Born on 9 July 1950
Joined the Board on 30 November 2000

Member of the Credit and Risk Committee

Directorships and other offices:
Bikubenfonden af 1989 (Chairman)
Copenhagen Capacity, Fonden til Markedsføring og Erhvervsfremme i Hovedstadsregionen (Chairman)
The Denmark-America Foundation (Executive Board)
DEA Danmarks Erhvervsforsikrings Akademi (Vice Chairman)
Fonden til Støtte for Danske Soldater i Internationale Missioner (Soldaterlegatet) (Chairman)
Frederiksbergfonden
FUHU, Foreningen til Unge Handelsmænds Uddannelse
Ituri Management ApS (Chairman)
Kollegiefonden Bikuben (Chairman)
Markedsføringsfonden for Danmark
Nordic Vision Clinics ASA
Rambøll Gruppen A/S (Chairman)
Siemens A/S (Chairman)

### MATS JANSSON
Born on 17 December 1951
Joined the Board on 4 March 2008

Member of the Audit Committee

Directorships and other offices:
Falck A/S

### STEN SCHEIBYE
Born on 3 October 1951
Joined the Board on 31 March 1998

Member of the Audit Committee

Directorships and other offices:
The Danish Academy of Technical Sciences
DADES A/S
The Denmark-America Foundation (Chairman)

# MANAGEMENT AND DIRECTORSHIPS – BOARD OF DIRECTORS

The Trade Council of Denmark (Chairman)
The Technical University of Denmark (Chairman)
Fonden til Støtte for Danske Soldater i Internationale Missioner (Soldaterlegatet)
The Fulbright Commission in Denmark
Gambro AB
The Danish Industry Foundation
The Danish Committee on Corporate Governance (Chairman)
Novo Nordisk A/S (Chairman)
Rambøll Gruppen A/S
Aase og Ejnar Danielsens Fond

### MAJKEN SCHULTZ
PROFESSOR OF ORGANISATION AT COPENHAGEN BUSINESS SCHOOL
Born on 28 October 1958
Joined the Board on 30 November 2000

Member of the Credit and Risk Committee

Directorships and other offices:
COWI Holding A/S and one Danish subsidiary
Dansk selskab for virksomhedsledelse
Realdania
Vci Holding ApS (Member of management)

Academy of Management
Reputation Institute (Partner)
Said Business School, Oxford University (International Research Fellow)

### CLAUS VASTRUP
Born on 24 March 1942
Appointed by the Minister of Economic Affairs from 1 January 1995 to 31 December 2002; elected by the general meeting on 25 March 2003

Member of the Credit and Risk Committee and the Audit Committee

Directorships and other offices:
Aarhus Universitets Jubilæumsfond

### BIRGIT AAGAARD-SVENDSEN
EXECUTIVE VICE PRESIDENT AND CFO OF J. LAURITZEN A/S
Born on 29 February 1956
Joined the Board on 28 March 1995

Chairman of the Audit Committee

Directorships and other offices:
FUHU, Foreningen til Unge Handelsmænds Uddannelse
J. Lauritzen A/S Group (Member of management in 16 subsidiaries, including 12 Danish subsidiaries)
Landlov ApS (Member of management)
Metroselskabet I/S
The West of England Ship Owners Mutual Insurance Association (Luxembourg)
West of England Insurance Services (Luxembourg) S.A.

### SUSANNE ARBOE
DANSKE BANK A/S
Born on 16 May 1957
Joined the Board on 23 March 2010

Directorships and other offices:
Danske Kreds

### HELLE BRØNDUM
DANSKE BANK A/S
Born on 26 September 1952
Joined the Board on 19 March 2002
Most recently re-elected in 2010

Directorships and other offices:
Danske Kreds

### CARSTEN EILERTSEN
DANSKE BANK A/S
Born on 17 September 1949
Joined the Board on 23 March 2010

Directorships and other offices:
Danske Kreds (Vice Chairman)
Danske Unions

### CHARLOTTE HOFFMANN
DANSKE BANK A/S
Born on 8 October 1966
Joined the Board on 14 March 2006
Most recently re-elected in 2010

### PER ALLING TOUBRO
DANSKE BANK A/S
Born on 25 June 1953
Joined the Board on 14 March 2006
Most recently re-elected in 2010

Directorships and other offices:
Danske Kreds (Chairman)
Danske Unions (Chairman)

# MANAGEMENT AND DIRECTORSHIPS – EXECUTIVE BOARD

### PETER STRAARUP
CHAIRMAN OF THE EXECUTIVE BOARD
Born on 19 July 1951
Joined the Board on 1 September 1986

Directorships:
DDB Invest AB (Chairman)
Forsikringsselskabet Danica, Skadeforsikrings-aktieselskab af 1999 (Chairman)
Danica Pension, Livsforsikringsaktieselskab (Chairman)

Other offices (non-exhaustive list):
The Denmark-America Foundation
The Private Contingency Association for the Winding up of Distressed Banks, Savings Banks and Cooperative Banks (Chairman)
The Danish Bankers Association (Chairman)
Institut International d'Etudes Bancaires
The International Monetary Conference

### TONNY THIERRY ANDERSEN
MEMBER OF THE EXECUTIVE BOARD
Born on 30 September 1964
Joined the Board on 1 September 2006

Directorships:
Forsikringsselskabet Danica, Skadeforsikrings-aktieselskab af 1999
Danica Pension, Livsforsikringsaktieselskab
Danske Leasing (Chairman)
Realkredit Danmark A/S (Chairman)

### THOMAS F. BORGEN
MEMBER OF THE EXECUTIVE BOARD
Born on 27 March 1964
Joined the Board on 1 September 2009

Directorships:
Northern Bank Limited (Chairman)
Sampo Pankki Oyj (Chairman)

### HENRIK RAMLAU-HANSEN
MEMBER OF THE EXECUTIVE BOARD
Born on 2 October 1956
Joined the Board on 1 January 2011

Other offices:
Copenhagen Business School, Department of Finance (FI) (Adjunct Professor)

### GEORG SCHUBIGER
MEMBER OF THE EXECUTIVE BOARD
Born on 5 June 1968
Joined the Board on 1 October 2010

Directorships:
Danske Bank International S.A.
E. Schubiger Cie AG
Hotel des Balances AG
Immobilien Allmend AG
Northern Bank Limited
Sampo Pankki Oyj
ZAO Danske Bank

### PER SKOVHUS
MEMBER OF THE EXECUTIVE BOARD
Born on 17 September 1959
Joined the Board on 1 September 2006

Directorships:
Danmarks Skibskredit A/S (Chairman)
Holdingbolag 25-6 2009 AB (Chairman)
Northern Bank Limited
Realkredit Danmark A/S
Sampo Pankki Oyj

## ADDITIONAL INFORMATION ABOUT THE DANSKE BANK GROUP

Other publications from the Danske Bank Group are Corporate Responsibility 2010, Risk Management 2010, Fact Book Q4 2010 and CR Fact Book 2010. These publications provide detailed information about the Danske Bank Group and its business units and are available at www.danskebank.com/ir.

Annual Report 2010 is a translation of the original report in the Danish language (*Årsrapport 2010*). In case of discrepancies, the Danish version prevails.

DANSKE BANK A/S HOLMENS KANAL 2-12 / DK - 1092 KØBENHAVN K / TEL. +45 33 44 00 00
CVR-NR. 61 12 62 28 - KØBENHAVN / WWW.DANSKEBANK.COM