DANSKE BANK GROUP

ANNUAL REPORT 2011

Danske Bank

DANSKE BANK GROUP

15 countries
645 branches
21,320 employees
5,000,000 customers

DENMARK
- DANSKE BANK
- DANICA PENSION
- REALKREDIT DANMARK
- NORDANIA LEASING
- DANSKE CAPITAL
- DANSKE MARKETS

IRELAND
- NATIONAL IRISH BANK

NORTHERN IRELAND
- NORTHERN BANK

ENGLAND
- DANSKE BANK LONDON

SWEDEN
- DANSKE BANK

NORWAY
- FOKUS BANK

FINLAND
- SAMPO PANKKI

GERMANY
- DANSKE BANK HAMBURG

ESTONIA
- SAMPO PANK

LATVIA
- DANSKE BANKA

LITHUANIA
- DANSKE BANKAS

RUSSIA
- DANSKE BANK ST. PETERSBURG

POLAND
- DANSKE BANK WARSAW

LUXEMBOURG
- DANSKE BANK INTERNATIONAL

ANNUAL REPORT 2011

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Annual Report 2011 is a translation of the original report in the Danish language (*Årsrapport 2011*). In case of discrepancies, the Danish version prevails.

EXECUTIVE STATEMENT

When 2011 began, we hoped that the financial crisis was receding and that macroeconomic fundamentals would lead to a gradually improving business environment.

As it turned out, 2011 was yet another year of mounting challenges for the financial sector and our customers.

The public budget deficits and weak economies of a number of Western countries caused considerable turbulence in the capital markets, and several euro-zone countries needed massive bailout packages. A number of EU countries announced and implemented fiscal tightening, and growth rates fell in our key markets.

In April 2011, the Group strengthened its capital position markedly through a share offering with pre-emption rights for existing shareholders. The net proceeds amounted to almost DKK 20 billion. With the extra capital, Danske Bank was in a position to repay, as early as in 2012, the hybrid capital raised in 2009 from the Danish state. An agreement with the state on prepayment terms that would be financially satisfactory for Danske Bank could not be reached, however, and we decided not to prepay the loan.

In December, the European Banking Authority (EBA) tested the capital strength of Danske Bank and 70 other European banks. The test assessed the banks' need for recapitalisation. As expected, Danske Bank passed the test with a capital level substantially above the EBA's requirement.

Banks' access to funding suffered from the unrest in the capital markets. Funding costs rose, and issuance opportunities became fewer. These conditions had a pronounced effect in Denmark, as non-viable banks were liquidated under the rules of Bank Package 3, causing losses for senior debt holders. Danske Bank was downgraded twice, mainly because the rating agencies felt that Bank Package 3 implicitly weakened systemic support. The adoption of Bank Package 4 in late summer and the prospect that systemically important financial institutions would be designated in Denmark took some of the pressure off the banks. The market for senior debt generally closed down in mid-2011, while the covered bond market was periodically accessible. Although the difficult funding situation affected the Group, we carried out planned issues successfully.

Earnings, on the other hand, suffered from the economic and capital market woes and were unsatisfactory in view of the Group's business platform and potential. We have therefore launched initiatives to improve earnings and ensure that our business model is competitive and creates value even in times of low economic growth and high capital and funding costs.

Key elements of this work are product repricing and a stronger focus on good, efficient service to selected customer segments through the right channels.

In addition, the Group adopted a new three-year cost-savings programme. It focuses on improving both customer service and operating efficiency. The cost reductions are supported by customers' use of the Group's new self-service products, such as mobile banking, for an increasing number of banking transactions.

These initiatives will gradually reduce the need for staff resources. We expect that a substantial number of reductions can be made without redundancies if staff turnover, including retirements, is unchanged.

Being a universal Nordic bank, the Group remains dedicated to strengthening advisory tools and solutions for large corporate customers in the Nordic region. We also aim to become the market leader in the business segment by virtue of our increasingly advanced product range.

The Group continues to invest heavily in digital product innovation, focusing on usability and increased accessibility, in particular for personal customers. The mobile banking application for smartphones was developed further in 2011, and a tablet banking solution was introduced towards the end of the year. Customers like the products, and these technology initiatives enable us to support the changes in customer behaviour.

We believe that the Group has the right foundation to improve its earnings. The capital and liquidity positions are satisfactory, our technology is market-leading, employee satisfaction is above the sector average, and customer satisfaction is rising. On the basis of our strong market position in the Nordic countries, we will continue to focus on serving existing customers as well as possible.

Our various initiatives are intended to lift the return on equity considerably over a three-year period. Our ambition is gradually to achieve a competitive return that, as a minimum, matches the Group's cost of capital.

Once again in 2011, our staff made a substantial, proficient and invaluable contribution for which we are very grateful.

Management changes

After 43 years with the Group – 25 on the Executive Board and 14 as CEO – Peter Straarup is retiring. The Board of Directors has appointed Eivind Kolding as chief executive officer effective 15 February 2012. Peter Straarup will retire at the same time.

Consequently, on 19 December 2011, Eivind Kolding resigned as Chairman of the Board of Directors and from the three board committees on which he served. The former Vice Chairman of the Board of Directors, Ole Andersen, succeeds Eivind Kolding as Chairman. Niels B. Christiansen has been elected Vice Chairman.

Eivind Kolding continues as member of Danske Bank's Board of Directors until he assumes the position of CEO.

Ole Andersen Chairman of the Board of Directors	Peter Straarup Chief Executive Officer

FINANCIAL HIGHLIGHTS

INCOME STATEMENT (DKK millions)	2011	2010	Index 11/10	2009	2008	2007
Net interest income	23,537	23,843	99	27,524	27,005	24,391
Net fee income	8,298	8,699	95	7,678	8,110	9,166
Net trading income	7,325	7,707	95	18,244	6,076	7,378
Other income	3,648	3,882	94	3,083	3,585	3,010
Net income from insurance business	569	2,146	27	2,810	-1,733	1,118
Total income	43,377	46,277	94	59,339	43,043	45,063
Expenses	25,987	26,010	100	28,907	28,726	25,070
Profit before loan impairment charges	17,390	20,267	86	30,432	14,317	19,993
Loan impairment charges	13,185	13,817	95	25,677	12,088	687
Profit before tax	4,205	6,450	65	4,755	2,229	19,306
Tax	2,482	2,786	89	3,042	1,193	4,436
Net profit for the year	1,723	3,664	47	1,713	1,036	14,870
Attributable to non-controlling interests	11	3	-	-14	25	57

BALANCE SHEET (END OF YEAR) (DKK millions)	2011	2010	Index 11/10	2009	2008	2007
Due from credit institutions and central banks	74,041	89,619	83	109,236	79,795	128,242
Repo loans	256,027	306,962	83	239,183	369,999	504,940
Loans and advances	1,698,025	1,679,965	101	1,669,552	1,785,323	1,700,999
Trading portfolio assets	909,755	641,993	142	620,052	860,788	652,137
Investment securities	109,264	118,556	92	118,979	140,793	37,651
Assets under insurance contracts	230,668	217,515	106	196,944	181,259	190,223
Other assets	146,623	159,276	92	144,531	126,017	135,338
Total assets	3,424,403	3,213,886	107	3,098,477	3,543,974	3,349,530
Due to credit institutions and central banks	177,592	175,825	101	184,653	434,334	522,750
Repo deposits	269,515	202,603	133	182,164	202,785	280,326
Deposits	795,275	800,613	99	803,932	800,297	798,274
Bonds issued by Realkredit Danmark	557,699	555,486	100	517,055	479,534	518,693
Other issued bonds	366,920	450,219	81	514,601	526,606	402,391
Trading portfolio liabilities	697,913	478,386	146	380,567	623,290	331,547
Liabilities under insurance contracts	248,966	238,132	105	223,876	210,988	213,419
Other liabilities	117,340	130,544	90	110,968	110,033	118,750
Subordinated debt	67,328	77,336	87	80,002	57,860	59,025
Shareholders' equity	125,855	104,742	120	100,659	98,247	104,355
Total liabilities and equity	3,424,403	3,213,886	107	3,098,477	3,543,974	3,349,530

RATIOS AND KEY FIGURES	2011	2010	Index 11/10	2009	2008	2007
Earnings per share (DKK)	1.9	4.9		2.3	1.4	20.0
Diluted earnings per share (DKK)	1.9	4.9		2.3	1.4	20.0
Return on average shareholders' equity (%)	1.4	3.6		1.7	1.0	15.1
Cost/income ratio (%)	59.9	56.2		48.7	66.7	55.6
Total capital ratio (%)	17.9	17.7		17.8	13.0	9.3
Tier 1 capital ratio (%)	16.0	14.8		14.1	9.2	6.4
Share price (end of year) (DKK)	73.0	132.3		109.2	48.1	184.8
Book value per share (DKK)	135.7	140.0		134.8	131.7	141.0
Full-time-equivalent staff (end of year)	21,320	21,522		22,093	23,624	23,632

Share ratios have been divided by a factor of 1.0807 to reflect the share capital increase in April 2011.
Figures for 2007 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 2011

In 2011, the Danske Bank Group posted a pre-tax profit of DKK 4.2 billion. The net profit was DKK 1.7 billion. The result was unsatisfactory and lower than expected because of the considerable financial turbulence and economic downturn in the second half of the year.

- Total income was DKK 43.4 billion, down 6% from the level in 2010.
  - Net interest income largely matched the year-earlier level, but rose in the latter part of the year after the Group raised lending rates.
  - Net trading income was satisfactory in the first half of 2011 but suffered from the global financial turmoil in the second half.
  - The results of the Group's insurance business fell, mainly because the booking of part of the risk allowance to income was postponed and the investment return declined.
- Expenses remained at the year-earlier level.
- Loan impairment charges amounted to DKK 13.2 billion, down 5% from the level in 2010. The Danish activities posted larger-than-expected charges, and the difficult market conditions persisted in Ireland and Northern Ireland.
- In April 2011, the Group strengthened its capital position through a share offering with pre-emption rights for existing shareholders. The net proceeds were DKK 19.8 billion. The issue lifted the Group's core tier 1 capital ratio by about 2.2 percentage points (calculated at 31 December 2011).
  - Danske Bank and the Danish government could not agree on terms for a prepayment of the state hybrid capital that were financially acceptable to Danske Bank. Under the loan agreement, the loan can thus be repaid in 2014 at the earliest.
- At 31 December 2011, the tier 1 capital and total capital ratios were solid at 16.0% and 17.9%, respectively, against 14.8% and 17.7% at the end of 2010. The core tier 1 capital ratio was 11.8%, against 10.1% at the end of 2010.
  - At the end of the year, risk-weighted assets amounted to DKK 906 billion, against DKK 844 billion at 31 December 2010, with the increase owing partly to a recalibration of the Group's risk models.
- In 2011, the Group issued covered bonds and senior debt for a total of DKK 59.1 billion.
  - In the second half of the year, banks' access to long-term funding generally became extremely limited. Nonetheless, the Group successfully carried out issues planned for 2011.
- The Group has launched initiatives to improve earnings and ensure that its business model is competitive and creates value.
- The Board of Directors is recommending that no dividend be paid for 2011.

Fourth quarter 2011

The Group posted a pre-tax profit of DKK 0.6 billion in the fourth quarter of 2011. Another quarterly rise in net interest income and rising net trading and insurance business income more than offset higher impairment charges.

- Higher lending rates drove the positive trend in net interest income.
- Loan impairment charges rose to DKK 4.8 billion mainly because of adverse trends in agriculture and shipping.

Outlook for 2012

The uncertainty in the global credit markets is likely to continue, and government budgets will generally be tightened. The potential for economic growth therefore appears limited, and the Group expects very low growth rates in Europe in 2012.

- Earnings before impairment charges at the banking units and Danske Capital are likely to remain stable, while earnings at other units will depend on international market trends, especially in Europe.
- The Group will focus heavily on cost control and measures to improve earnings.
- The trend in customer credit quality will depend on the economic climate in the Group's markets, and total impairment charges are likely to remain high in 2012.
- The Group expects earnings to remain low in 2012.

FINANCIAL REVIEW

INCOME STATEMENT (DKK millions)	2011	2010	Index 11/10	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Net interest income	23,537	23,843	99	6,182	6,016	5,785	5,554
Net fee income	8,298	8,699	95	2,218	1,938	2,049	2,093
Net trading income	7,325	7,707	95	1,638	267	2,445	2,975
Other income	3,648	3,882	94	849	825	972	1,002
Net income from insurance business	569	2,146	27	976	-735	261	67
Total income	43,377	46,277	94	11,863	8,311	11,512	11,691
Expenses	25,987	26,010	100	6,459	5,499	6,678	7,351
Profit before loan impairment charges	17,390	20,267	86	5,404	2,812	4,834	4,340
Loan impairment charges	13,185	13,817	95	4,789	2,802	2,753	2,841
Profit before tax	4,205	6,450	65	615	10	2,081	1,499
Tax	2,482	2,786	89	415	394	881	792
Net profit for the year	1,723	3,664	47	200	-384	1,200	707
Attributable to non-controlling interests	11	3	-	-1	-	14	-2

In 2011, the Danske Bank Group posted a pre-tax profit of DKK 4.2 billion. The net profit was DKK 1.7 billion. The result was unsatisfactory and lower than expected because of the considerable financial turbulence and economic downturn in the second half of the year.

MONEY MARKET SPREADS

(bp)

Economic conditions improved in most of the Group's markets in the first half of 2011. Conditions became more difficult over the second half of the year, however, when financial and economic uncertainty increased greatly. The mounting global financial unrest left its mark on the Group's banking activities in the form of rising funding costs and a squeeze on margins.

Interest rates remained low throughout 2011. The economic crisis prompted the European Central Bank to cut interest rates in November and again in December. These rate cuts offset the hikes made in the first half of the year.

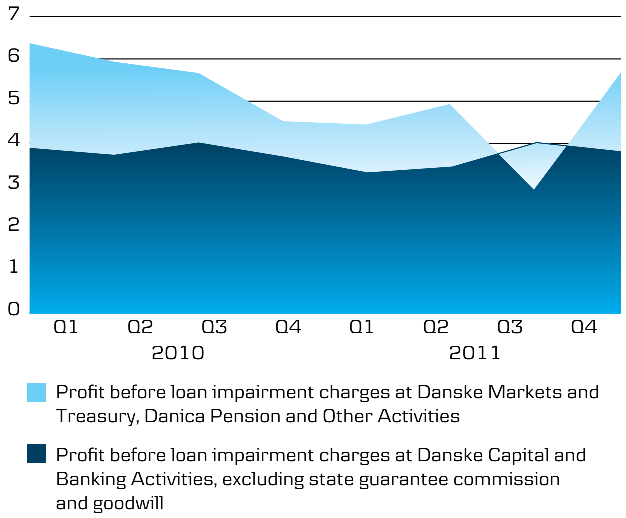
The Danish central bank followed suit but also lowered deposit rates independently. The adjustments brought leading rates down to a record low by the end of 2011.

The European debt crisis and the resulting focus on banks' credit exposure and funding needs increasingly troubled the capital markets. After the summer of 2011, money market spreads widened considerably, although not nearly as much as during the 2008 crisis.

The intense unrest led to a generally more difficult business environment, and this affected the Group's net trading income and Danica Pension's performance in particular in the second half of the year.

Banking Activities and Danske Capital both delivered stable results in 2011.

PROFIT BEFORE LOAN IMPAIRMENT CHARGES
(DKK billions)



Banking Activities posted an 8% rise in profit before loan impairment charges. Loan impairment charges declined only marginally from the level in 2010, with larger-than-expected charges in Denmark. The Irish and Northern Ireland banking units recorded large loan impairment charges, and both units posted losses.

At DKK 0.9 billion, Danske Capital's earnings improved 11% over the 2010 level. The rise was driven by higher assets under management and improved margins.

Danske Markets and Treasury achieved a profit before impairment charges of DKK 3.1 billion, against DKK 4.0 billion in 2010, mainly because of satisfactory income in the first half of the year. Income at Danica Pension fell from DKK 2.1 billion in 2010 to DKK 0.6 billion as booking of part of the risk allowance to income was postponed and the investment return declined.

Other Activities posted a loss because of the commitment of an estimated DKK 0.7 billion to the Danish Guarantee Fund for Depositors and Investors to cover losses on distressed banks.

Profitability

The Group has launched initiatives to improve earnings and ensure that its business model creates value even in times of low economic growth. One key measure is wider lending margins to compensate for rising capital and funding costs. The prices of many products and services have already been adjusted, and more changes are underway. The initiatives announced and implemented are expected to add more than DKK 2.5 billion to income in 2012.

In the fourth quarter of 2011, the Group launched a three-year cost-savings programme to reduce underlying costs by at least 10%, or some DKK 2 billion, from 2012 to 2014.

Focus will be on improving and automating customer service and streamlining operations.

Since 2008, the Group has cut costs in a number of areas, reducing the headcount by about 2,000 employees and the number of branches by about 160. These changes are a natural consequence of customers' use of eBanking, mobile banking and the 24/7 Contact Centre for an increasing number of banking transactions. The trend is likely to continue, and the changing customer behaviour contributes significantly to cost savings.

These developments gradually reduce the need for staff resources. The cost-savings programme therefore includes a headcount reduction of about 2,000 over the 2012-2014 period. The Group expects that a substantial number of the reductions can be made without redundancies if staff turnover, including retirements, remains at the usual level.

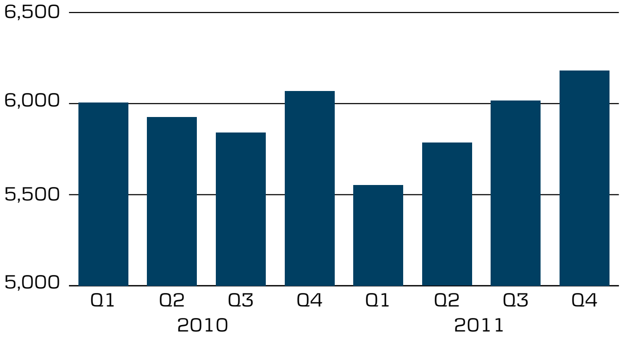
Income

Total income was DKK 43.4 billion, down 6% from the level in 2010, mainly because of lower income from the insurance business.

Net interest income amounted to DKK 23.5 billion, largely matching the year-earlier level. The early months of 2011 saw low money market rates, but rates rose later in the first half of the year, and this led to wider deposit margins. The raising of lending rates in the summer had a further positive effect on net interest income in the second half of the year. The initiatives implemented since mid-year improved income in 2011 by about DKK 0.5 billion. The falling market rates reduced the effect of the higher lending rates in the second half of 2011.

The allocation of internal funding costs for lending and deposit activities was changed at 1 January 2011 to better reflect the rise in funding costs and the duration of loans and deposits. This reduced net interest income by about DKK 250 million and lifted net trading income at Group Treasury by the same amount.

NET INTEREST INCOME
(DKK millions)



Net fee income fell 5% from the year-earlier level, mainly because of the DKK 281 million commission paid to the Danish state for guaranteed bond issues.

Net trading income amounted to DKK 7.3 billion, down 5% from the 2010 level. Income was satisfactory in the first half of 2011 but suffered from the global financial turmoil in the third quarter. Market conditions caused widespread risk aversion among financial players. The turmoil led to lower interest rates, higher volatility and less liquidity on the interbank markets. Market conditions, especially in the derivatives and credit markets, improved in the fourth quarter, however. Income from customer-driven activity also improved.

Other income fell 6% from the year-earlier level because of lower one-off income.

The insurance business showed a profit of DKK 0.6 billion, down DKK 1.6 billion. Profit declined because the booking of DKK 1.1 billion of the risk allowance to income was postponed and the investment return fell. The extraordinary market conditions in the fourth quarter prompted the Danish FSA to allow an adjustment of the discount yield curve. Consequently, one element may now be calculated as a 12-month moving average. Danica Pension used the new discount yield curve in its calculation of life insurance provisions, and the effect was a reduction of provisions of DKK 2.8 billion at 31 December 2011. Under current rules and if the yield differential between Danish and German government bonds remains close to zero or becomes negative over the next year, this will result in a negative profit contribution in 2012.

The shadow account balance was DKK 1.2 billion. It may be booked to income at a later date when the technical basis permits.

Expenses

Expenses amounted to DKK 26.0 billion, the same level as in 2010. Underlying costs rose 4% during the period mainly because of higher IT development and marketing costs and general wage and price increases.

EXPENSES (DKK billions)	2011	2010
Expenses	26.0	26.0
Commission (Bank Package 1)	-	1.9
The Danish Guarantee Fund	0.7	-
Performance-based compensation	0.6	0.6
Severance payments	0.6	0.2
Depreciation and amortisation	3.5	3.4
Underlying costs	20.6	19.9
Cost/income ratio (%)	59.9	56.2
Underlying costs/income ratio (%)	47.6	43.1

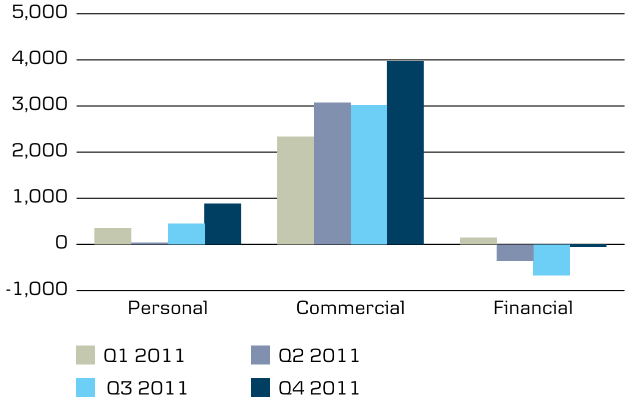
The resolution of Amagerbanken A/S, Fjordbank Mors A/S and Max Bank A/S resulted in a commitment to the Danish Guarantee Fund for Depositors and Investors of an estimated DKK 0.7 billion in 2011.

Loan impairment charges

Loan impairment charges amounted to DKK 13.2 billion in 2011, against DKK 13.8 billion in 2010. The charges related mainly to the commercial property segments in Ireland and Northern Ireland and to the agricultural, commercial property and personal customer segments in Denmark.

Total impairment charges for the year were high mainly because of large increases in the fourth quarter at Retail Banking Denmark and Corporate & Institutional Banking.

LOAN IMPAIRMENT CHARGES IN 2011
(DKK millions)



Charges equalled 0.7% of lending and guarantees, the same as in 2010. Individual charges amounted to a net DKK 13.8 billion, and collective charges saw a net reversal of DKK 0.6 billion. Individual charges covered new and increased charges etc. charged directly to the income statement of DKK 20.7 billion and reversals and amounts received on claims previously written off totalling DKK 6.9 billion. Charges against facilities that are being repaid accounted for 44% of the new and increased individual charges.

Total charges consisted of charges against facilities to personal customers of DKK 1.7 billion, charges against facilities to commercial customers of DKK 12.4 billion – with small and medium-sized enterprises accounting for DKK 9.4 billion – and charges against facilities to financial counterparties, which saw a net reversal of DKK 0.9 billion.

LOAN IMPAIRMENT CHARGES (DKK millions)	2011	2010
Retail Banking Denmark	4,316	7,649
Retail Banking Finland	187	91
Retail Banking Sweden	202	114
Retail Banking Norway	380	94
Banking Activities Northern Ireland	2,178	1,247
Banking Activities Ireland	6,334	4,969
Banking Activities Baltics	-255	207
Other Banking Activities	155	25
Corporate & Institutional Banking	744	25
Total Banking Activities	14,241	14,421
Danske Markets and Treasury	-1,033	-617
Danske Capital	-23	13
Total	13,185	13,817

Denmark
Charges at Retail Banking Denmark totalled DKK 4.3 billion, with charges against facilities to the agricultural, commercial property and personal customer segments accounting for the majority. Charges recognised by Realkredit Danmark accounted for DKK 1.1 billion. Charges at Retail Banking Denmark reflected a compensation of DKK 0.8 billion for the termination of a credit default swap covering potential losses on mortgage lending.

Realkredit Danmark
Realkredit Danmark posted charges against personal property loans of DKK 0.5 billion and charges against loans for other property types of DKK 0.6 billion. Charges equalled 0.2% of lending and guarantees.

Retail Banking Denmark (excl. Realkredit Danmark)
At Retail Banking Denmark, excluding Realkredit Danmark, charges for the period related mainly to the agricultural and commercial property segments.

The housing market was subdued, and prices fell throughout the year. The Group therefore expects an increasing number of personal customers to suffer losses on the sale of their homes. Customers are also more sensitive to changes in their personal finances. Loan impairment charges relating to the personal customer segment totalled DKK 0.6 billion in 2011.

Market conditions for the agricultural segment remained challenging. Pig farmers in particular were hit by high feedstuff prices. The last part of 2011 saw an improvement, however, as pork prices rallied and feedstuff prices fell. At the end of the year, accumulated individual impairment charges against facilities to agricultural customers amounted to DKK 2.0 billion, with pig farmers accounting for DKK 1.0 billion. The Group also recognised collective charges of DKK 0.3 billion against facilities to agricultural customers. Credit exposure to agricultural customers, mainly operating facilities, totalled DKK 8.6 billion at Retail Banking Denmark, excluding Realkredit Danmark.

The residential and commercial rental property markets saw higher vacancy rates, and the persistent slump in consumer spending hit retail rentals hard. Charges relating to the commercial property segment amounted to DKK 0.7 billion in 2011.

Ireland
Loan impairment charges at Banking Activities Ireland amounted to DKK 6.3 billion and related mainly to the commercial property segment.

Conditions in the commercial property market remained poor. Within the investment property segment, rents declined and vacancy rates rose. Also, the rate of return required by investors rose, depressing collateral values. Accumulated charges totalled DKK 13.8 billion, or 21% of the exposure. Accumulated charges against facilities to the commercial property and construction segments amounted to DKK 9.6 billion, or 41% of the exposure. With a total of DKK 3.0 billion, or 46% of the exposure, the property development segment occasioned the largest accumulated charges.

The economic situation in Ireland is affecting Irish households to an increasing degree, and impairment charges against facilities to personal customers made in 2011 amounted to DKK 0.6 billion. Accumulated charges amounted to DKK 1.9 billion at the end of the year.

Accumulated charges against facilities to other business segments totalled DKK 2.3 billion, or 14% of the exposure.

Northern Ireland
Loan impairment charges at Banking Activities Northern Ireland amounted to DKK 2.2 billion and related mainly to the commercial property segment. Charges declined somewhat from the third to the fourth quarter.

Charges remained high, though, primarily because commercial property prices fell. The property development segment saw the highest percentage of charges, mainly because of lower residential construction activity.

Accumulated charges totalled DKK 5.1 billion, or 9% of the exposure. Accumulated charges relating to the commercial property and construction segments amounted to DKK 4.2 billion of this amount, or 29% of the exposure. The property development segment posted accumulated charges of DKK 1.9 billion, or 51% of the exposure.

Accumulated charges against facilities to other business segments, including agriculture, and the personal customer segment were low.

Corporate & Institutional Banking
Loan impairment charges at Corporate & Institutional Banking amounted to DKK 0.7 billion, against DKK 25 million in 2010. The increase related to charges against facilities to a small number of customers. Adverse developments in the shipping industry were the main cause, with this industry accounting for 79% of charges in 2011 and 18% of the exposure.

Underlying credit quality at Corporate & Institutional Banking remained good. Charges equalled 0.6% of lending and guarantees.

Other units
At the units in Norway and Sweden, a few large customers accounted for most of the impairment charges. In Finland and the Baltic countries, charges were low, generally lower than the average expected for a business cycle. Charges equalled 0.1% of lending and guarantees at these units.

Loan impairment charges at Danske Markets benefited from reversals of previously recognised charges, for example charges against the exposure to Lehman Brothers.

Tax

Tax on the profit for the year, including adjustments of prior-year tax charges, amounted to DKK 2.5 billion. The tax charge is high relative to the profit for the year, mainly because the Group did not book the tax value of losses in Ireland. The tax value of losses is booked and capitalised only if it is likely that, in the future, the Group will book taxable income that can absorb any tax-loss carryforwards.

Fourth quarter 2011

The Group posted a pre-tax profit of DKK 0.6 billion, against DKK 10 million in the third quarter. Another quarterly rise in net interest income and rising net trading and insurance income more than offset higher impairment charges.

Net interest income rose 3% above the level in the third quarter. As expected, higher lending rates at Retail Banking Denmark added DKK 0.2 billion to income.

Net trading income amounted to DKK 1.6 billion, against DKK 0.3 billion in the third quarter. The global financial turbulence continued into the fourth quarter and led to widespread risk aversion among financial players, further rate cuts, continued volatility and poor liquidity in the interbank markets. Net trading income rose mainly because of better conditions in the derivatives and credit markets in December 2011. Income from customer-driven activity remained high.

The Group's insurance business posted a profit of DKK 1.0 billion, against a loss of DKK 0.7 billion in the third quarter, as the need to strengthen technical provisions declined.

Expenses amounted to DKK 6.5 billion, rising 17% over expenses in the third quarter, which benefited from lower holiday pay expenses and lower marketing costs. Provisions for severance pay and costs relating to the adjustment of distribution channels contributed DKK 0.3 billion to the rise in the fourth quarter.

Loan impairment charges amounted to DKK 4.8 billion, a rise of 2.0 billion over the level in the third quarter. Considerably higher charges at Retail Banking Denmark and Corporate & Institutional Banking, caused by adverse trends in agriculture and shipping, were the main reasons for the high level of charges. Impairment charges remained high at the units in Northern Ireland and Ireland, although charges fell from the third-quarter level at Northern Bank.

BALANCE SHEET

LENDING (END OF PERIOD) (DKK millions)	2011	2010	Index 11/10	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Retail Banking Denmark	967,672	961,686	101	967,672	963,637	950,340	945,213
Retail Banking Finland	150,484	140,587	107	150,484	148,387	146,803	142,693
Retail Banking Sweden	185,418	178,715	104	185,418	180,317	182,218	182,866
Retail Banking Norway	132,102	124,774	106	132,102	129,799	130,249	125,488
Banking Activities Northern Ireland	53,326	52,130	102	53,326	52,831	48,929	49,229
Banking Activities Ireland	63,728	70,233	91	63,728	66,657	67,861	69,251
Banking Activities Baltics	20,501	23,833	86	20,501	21,444	22,254	23,198
Other Banking Activities	16,833	16,126	104	16,833	17,095	16,318	16,661
Corporate & Institutional Banking	108,769	102,578	106	108,769	108,034	103,483	102,550
Total Banking Activities	1,698,833	1,670,662	102	1,698,833	1,688,201	1,668,455	1,657,149
Danske Markets and Treasury	44,330	48,665	91	44,330	46,407	40,671	42,602
Danske Capital	6,075	6,450	94	6,075	6,266	6,293	6,356
Other Activities	-3,603	-6,163	-	-3,603	-936	-4,878	-3,571
Allowance account, lending	47,610	39,649	120	47,610	46,420	43,933	40,553
Total lending	1,698,025	1,679,965	101	1,698,025	1,693,518	1,666,608	1,661,983

DEPOSITS AND BONDS ISSUED BY REALKREDIT DANMARK (END OF PERIOD) (DKK millions)							
Retail Banking Denmark	275,995	281,698	98	275,995	281,261	282,927	280,929
Retail Banking Finland	105,256	97,314	108	105,256	104,568	102,431	102,984
Retail Banking Sweden	73,072	72,762	100	73,072	65,301	66,719	68,208
Retail Banking Norway	60,223	54,101	111	60,223	56,749	56,799	54,150
Banking Activities Northern Ireland	55,060	53,166	104	55,060	53,540	49,408	50,917
Banking Activities Ireland	37,787	39,416	96	37,787	37,462	37,921	42,446
Banking Activities Baltics	19,530	20,521	95	19,530	20,137	20,822	20,138
Other Banking Activities	5,225	5,413	97	5,225	6,649	4,936	5,484
Corporate & Institutional Banking	69,333	71,754	97	69,333	67,957	68,990	72,800
Total Banking Activities	701,481	696,145	101	701,481	693,624	690,953	698,056
Danske Markets and Treasury	97,412	102,777	95	97,412	96,768	101,854	97,840
Danske Capital	5,700	5,869	97	5,700	6,584	6,424	6,075
Other Activities	-9,318	-4,178	-	-9,318	-8,055	-7,194	-7,367
Total deposits	795,275	800,613	99	795,275	788,921	792,037	794,604
Bonds issued by Realkredit Danmark	557,699	555,486	100	557,699	534,245	529,808	542,065
Own holdings of Realkredit Danmark bonds	171,674	172,643	99	171,674	182,930	170,094	153,351
Total Realkredit Danmark bonds	729,373	728,129	100	729,373	717,175	699,902	695,416
Deposits and bonds issued by Realkredit Danmark	1,524,648	1,528,742	100	1,524,648	1,506,096	1,491,939	1,490,020
Lending as % of deposits and bonds issued by Realkredit Danmark	111	110		111	112	112	112

Lending
Total lending to personal customers largely matched the level at the end of 2010, while lending to business customers rose.

In the fourth quarter, lending at Retail Banking Denmark was up DKK 4.0 billion from the third-quarter level, mainly because of market value adjustments of mortgage loans.

In Denmark, new lending, excluding repo loans, amounted to DKK 48.4 billion. This amount included lending to personal customers of DKK 22.2 billion. Net new mortgage lending accounted for DKK 6.8 billion of new lending to personal customers.

Lending equalled 111% of the total amount of deposits and bonds issued by Realkredit Danmark, against 110% at the end of 2010.

Deposits and bonds issued by Realkredit Danmark
Total deposits from personal customers largely matched the level at 31 December 2010, while deposits from business customers edged down.

Deposits at Retail Banking Denmark fell 2% from the level at the end of 2010. Excluding exchange rate effects, total deposits at the units outside Denmark rose 3% over the level at the end of 2010.

The total value of mortgage bonds issued to fund loans provided by Realkredit Danmark, including the Group's own holdings, was DKK 729 billion and matched the year-earlier level.

Credit exposure
At 31 December 2011, total credit exposure amounted to DKK 3,611 billion, against DKK 3,402 billion at the end of 2010. Some DKK 2,299 billion derived from Danish and international lending activities, and DKK 1,020 billion from trading and investment activities.

Credit exposure from lending activities
Total credit exposure from lending activities includes amounts due from credit institutions and central banks, guarantees and irrevocable loan commitments. The exposure is measured net of accumulated impairment charges and includes repo loans.

Personal customers accounted for 39% of credit exposure from lending activities, commercial customers for 39%, and financial counterparties for 17%. The remainder was exposure to central banks and central and local governments. Of the exposure to commercial customers, small and medium-sized enterprises accounted for 68%.

CREDIT EXPOSURE FROM LENDING ACTIVITIES (DKK millions)	31 Dec. 2011	Share of total (%)	31 Dec. 2010	Share of total (%)
Retail Banking Denmark	976,962	43	973,075	41
Retail Banking Finland	158,008	7	146,697	6
Retail Banking Sweden	203,319	9	198,334	8
Retail Banking Norway	145,658	6	138,386	6
Banking Activities Northern Ireland	52,480	2	51,872	2
Banking Activities Ireland	52,695	3	62,678	3
Banking Activities Baltics	22,158	1	25,314	1
Other Banking Activities	55,586	2	63,443	3
Corporate & Institutional Banking	256,188	11	254,535	11
Total Banking Activities	1,923,054	84	1,914,334	81
Danske Markets and Treasury	365,692	16	439,065	19
Danske Capital	9,965	-	10,057	-
Total	2,298,711	100	2,363,456	100

Personal customers
Credit exposure to personal customers covers loans secured on the customers' assets, consumer loans and fully or partially secured credits.

At 31 December 2011, credit exposure to personal customers amounted to DKK 889 billion. Home financing accounted for DKK 775 billion, and Realkredit Danmark loans accounted for DKK 421 billion of that amount. Most of the home loans were variable-rate loans.

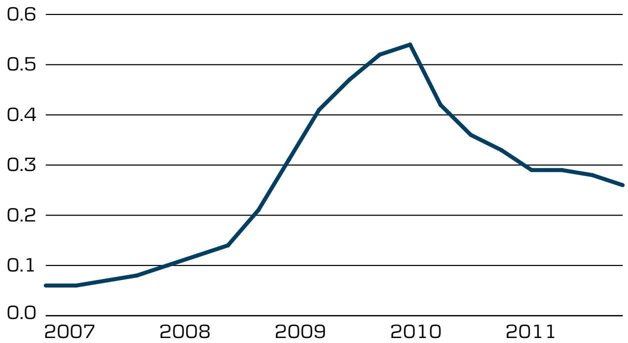
LOAN-TO-VALUE RATIO, HOME LOANS (%)	31 Dec. 2011	31 Dec. 2010
Retail Banking Denmark	69.5	66.9
Realkredit Danmark	67.7	65.6
Retail Banking Finland	62.5	62.4
Retail Banking Sweden	70.3	68.9
Retail Banking Norway	63.6	62.8
Banking Activities Northern Ireland	78.0	72.4
Banking Activities Ireland	118.9	83.7
Banking Activities Baltics	84.1	96.2
Average	69.9	67.3

As a result of lower property values, loan-to-value (LTV) ratios rose. Moreover, the Group adjusted the price indices used to value residential property, and this adjustment had an adverse effect in particular at Banking Activities Ireland.

In the second half of 2011, the credit quality of the personal customer portfolio in Denmark deteriorated. The fall in house prices meant that an increasing number of personal customers could suffer losses on the sale of their homes. However, the relatively low unemployment rate meant that customers were not forced to sell and take the resulting losses. Because of the low level of interest rates, Realkredit Danmark saw a slight fall in delinquency rates.

DELINQUENCY RATES, REALKREDIT DANMARK

(%)



At the other Nordic retail banking units, credit quality remained stable at the end-2010 level.

At the unit in Ireland, credit quality suffered because of high unemployment and a continued decline in disposable income. Delinquency rates rose but remained below the market average.

Loan demand from new personal customers was unchanged from the level in 2010. At 93%, the percentage of personal customer loan applications that were approved was on a par with the 2010 level. The percentage of new customers who applied for loans also matched the 2010 level.

Accumulated impairment charges against personal customer facilities accounted for 18% of total charges and equalled 1% of lending and guarantees to personal customers.

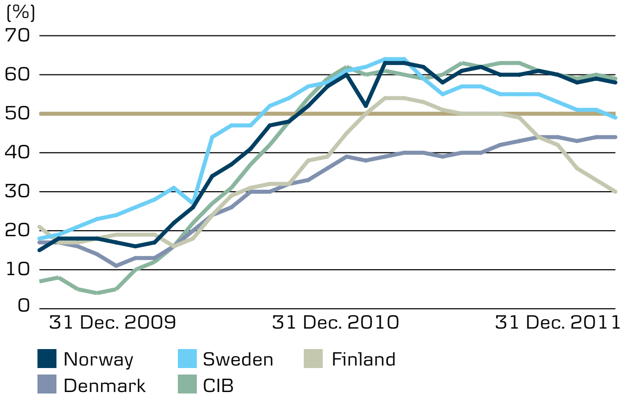
Business customers

Credit exposure to business customers relates to fully or partly secured operating finance and loans secured on assets.

At the end of 2011, credit exposure to business customers amounted to DKK 899 billion.

Business customer credit quality was largely unchanged, and customers in Ireland and Northern Ireland continued to face difficulties. In Denmark, lower credit quality among small and medium-sized enterprises affected overall credit quality.

BUSINESS RATINGS



Upgrades as % of rating changes in terms of exposure amount – 12-month moving average

The number of business customer upgrades has risen continuously since 2009. At the end of 2011, downgrades still exceeded upgrades at Retail Banking Denmark, while Retail Banking Norway and Corporate & Institutional Banking had considerably more upgrades than downgrades.

The Group's recent general recalibration of its rating models affected business ratings, especially in Finland.

At 31 December 2011, credit exposure from property loans amounted to DKK 257 billion. At Retail Banking Denmark, the credit quality of property exposures was adversely affected by higher vacancy rates for residential and commercial property.

At 31 December 2011, exposure to the Irish and Northern Ireland property sectors amounted to DKK 11.4 billion and DKK 7.7 billion, respectively. Property developers in Ireland accounted for DKK 3.5 billion (7% of total exposure in Ireland). In Northern Ireland, the comparable figure was DKK 1.8 billion (3% of total exposure in Northern Ireland).

The property sectors in Ireland and Northern Ireland continued to suffer from falling property prices. Property developers in particular struggled with lower property values. The drop in rents and the rise in vacancy rates squeezed earnings on rental property, which in turn reduced credit quality.

Among small and medium-sized Danish enterprises, agricultural customers in particular had low credit quality because of modest earnings, high gearing and falling property prices. Pork prices rose in the last part of 2011, and, although they declined, sales prices of the most important other agricultural produce remained high. For the year as a whole, the credit quality of the agricultural portfolio deteriorated.

The EU is reviewing agricultural subsidies. Over the long term, this may increase risks, particularly on the weakest agricultural exposures. At the end of 2011, credit exposure to agricultural customers amounted to DKK 67.9 billion, with DKK 45.0 billion deriving from loans provided by Realkredit Danmark. The average LTV ratio for agricultural properties mortgaged to Realkredit Danmark was 74%, against 73% at the end of 2010.

The shipping industry was under pressure at the end of 2011. The negative trend was not limited to isolated segments but covered the entire industry. Excess capacity and low freight rates reduced both collateral values and liquidity. This put the highly leveraged companies in the industry in jeopardy. Also in 2012, demand for transport is forecast to grow less than supply, and small companies in particular are at risk. Credit exposure to the shipping industry amounted to DKK 48.4 billion, against DKK 50.9 billion at the end of 2010.

Accumulated impairment charges against business customer facilities accounted for 73% of total charges and equalled 4% of lending and guarantees to business customers.

Financial counterparties

Credit exposure to financial counterparties amounted to DKK 389 billion at the end of 2011, against DKK 442 billion a year earlier. Most of it was bank facilities with high-quality collateral, mainly repo transactions. The credit quality of financial counterparties remained good.

In recent years, the Group has actively reduced its exposure to financial counterparties.

Exposure to small Danish credit institutions was limited. Exposure to small and medium-sized Danish banks (groups 2-4 as defined by the Danish central bank) amounted to DKK 3.2 billion at the end of the year.

Accumulated impairment charges against facilities to financial counterparties accounted for 8% of total charges.

Risk Management 2011, which is available at www.danskebank.com/ir, provides more details on the Group's credit risks.

Allowance account

The allowance account holds accumulated loan impairment charges. At the end of 2011, charges stood at DKK 48.6 billion, against DKK 43.8 billion a year earlier. Collective charges accounted for DKK 4.1 billion.

ALLOWANCE ACCOUNT (DKK millions)	31 Dec. 2011	31 Dec. 2010
Retail Banking Denmark	18,180	19,089
Retail Banking Finland	1,974	2,036
Retail Banking Sweden	1,226	1,193
Retail Banking Norway	1,474	1,469
Banking Activities Northern Ireland	5,083	3,078
Banking Activities Ireland	13,820	9,564
Banking Activities Baltics	2,244	2,892
Other Banking Activities	381	348
Corporate & Institutional Banking	1,455	935
Danske Markets and Treasury	2,599	2,954
Danske Capital	168	211
Total	48,604	43,769

Small and medium-sized enterprises accounted for most of the accumulated charges at Retail Banking Denmark. Most of Banking Activities Ireland's allowance account balance related to the property sector, while the allowance account balance for Corporate & Institutional Banking related to the shipping industry.

Rating categories 11 and 10 comprise individually impaired exposures.

EXPOSURE AT 31 DECEMBER 2011 (DKK billions)	Rating category 11	10
Credit exposure before impairment charges	66.6	46.7
Accumulated impairment charges	33.4	11.1
Credit exposure	33.2	35.6
Collateral value	27.8	21.5
Total unsecured exposure	5.4	14.1
Covered by impairment charges and collateral (%)	91.9	69.8

Rating category 11 contains exposures to customers that, according to the Group's definition, are in default. These customers are subject to debt collection, restructuring 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. Downgrading takes place even if the exposure is fully secured.

Rating category 10 contains customers with impaired exposures that are not in default. Other evidence of financial difficulty exists for these customers, however, such as a need for financial restructuring in the future. Most of these customers continue to service their loans in a timely manner. Downgrading takes place even if the exposure is fully secured.

The exposure to customers in category 10 totalled DKK 35.6 billion, against DKK 34.0 billion at the end of 2010.

Actual losses amounted to DKK 11.2 billion, against DKK 8.9 billion in 2010. The figure includes the settlement of DKK 3.3 billion for the Group's commitment under Bank Package 1. Of actual losses in 2011, DKK 1.0 billion was attributable to facilities not previously subject to impairment, against DKK 0.9 billion 2010.

Trading and investment activities

Credit exposure from trading and investment activities rose from DKK 761 billion at 31 December 2010 to DKK 1,020 billion at the end of 2011.

The rise came mainly from an increase in the value of derivatives as lower market rates led to higher fair values of conventional interest rate contracts.

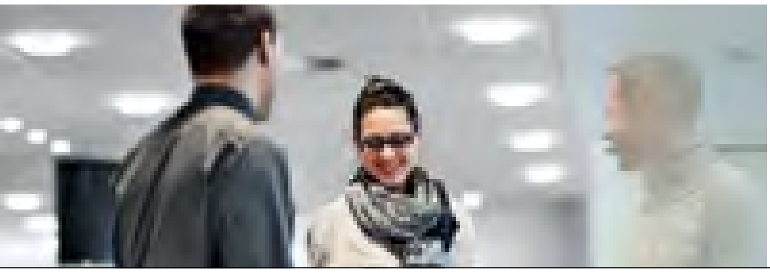
The Group has made agreements with many of its counterparties to net positive and negative market values. The net exposure was DKK 99 billion, against DKK 75 billion in 2010, and most of it was secured by collateral management agreements.

The value of the bond portfolio was DKK 464.6 billion, with DKK 70.5 billion recognised at fair value according to the rules on available-for-sale financial assets. Of the total bond portfolio, 97.6% was recognised at fair value and 2.4% at amortised cost. The Group has not reclassified bonds since 2008.

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. 2011	31 Dec. 2010
Government bonds and bonds guaranteed by central or local governments	28	29
Bonds issued by quasi-government institutions	2	2
Danish mortgage bonds	46	45
Swedish covered bonds	14	13
Other covered bonds	5	5
Short-dated bonds (CP etc.), primarily with banks	2	2
Corporate bonds	3	4
Total holdings	100	100
Available-for-sale bonds included in total holdings	15	21

Holdings of government bonds consisted primarily of bonds issued by the Nordic countries, Germany and the UK. The net government bond exposure to Ireland, Portugal, Spain and Italy was DKK 2.5 billion. All holdings of government bonds issued by Ireland, Portugal, Spain and Italy were recognised at market value. The bond portfolio did not include government bonds issued by Greece.



Capital and solvency

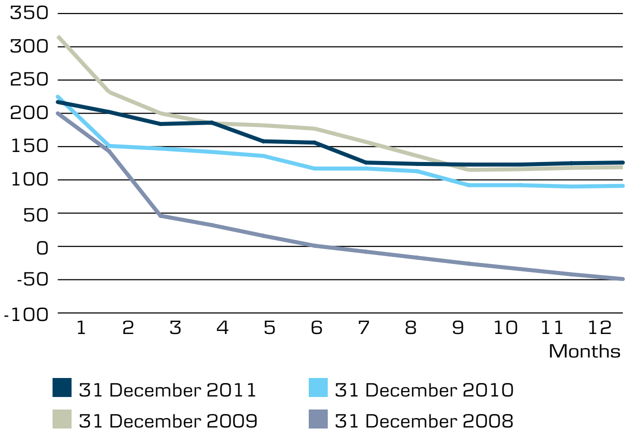
In April 2011, the Group raised new share capital through a rights issue. The gross proceeds were DKK 20.0 billion, and the net proceeds DKK 19.8 billion. The issue lifted the Group's core tier 1 capital ratio by about 2.2 percentage points (calculated at 31 December 2011).

At the end of 2011, the total capital ratio was 17.9%, with 16.0 percentage points deriving from tier 1 capital. Subordinated loan capital raised from the Danish state accounted for 2.9 percentage points of the total capital and tier 1 capital ratios. At 31 December 2010, the total capital ratio was 17.7%, and the tier 1 capital ratio was 14.8%.

Liquidity and funding

The Group maintained a strong liquidity position throughout the year. Consequently, the Group can continue operations even if access to the capital markets is cut off for much more than 12 months, as shown in Moody's liquidity curve. The Group uses this curve as one element of its liquidity management. The Group's 12-month liquidity curve is positive for more than two and a half years.

12-MONTH LIQUIDITY
(DKK billions)



In 2011, the Group issued covered bonds for an amount of DKK 37.8 billion, and there is still unexploited potential in loans that can serve as collateral for covered bonds.

In addition, the Group issued senior debt for DKK 21.3 billion in 2011. A large portion of this debt was issued in April, when notes worth USD 1.9 billion, or DKK 9.8 billion, were issued under the US note programme.

On 16 June 2009, Danske Bank entered into an agreement on state-guaranteed bond issues with maturities of up to three years (Bank Package 2). At the end of 2011, Danske Bank had issued state-guaranteed bonds in the amount of DKK 36.4 billion maturing in 2012. The amount required to redeem the bonds is included in the liquidity reserve.

Ratings

In 2011, Standard & Poor's maintained its rating of Danske Bank at A. In the first half of the year, Moody's downgraded Danske Bank from Aa3 to A2, and Fitch Ratings downgraded Danske Bank from A+ to A in December. This downgrade brought Fitch's rating in line with those of the other rating agencies.

At the end of December 2011, the rating agencies maintained a negative outlook on Danske Bank.

In November 2011, Standard & Poor's reaffirmed its A rating of Danica Pension (with a negative outlook). After the repayment of the subordinated loan in October 2011, Danica Pension decided not to maintain a rating.

In order to assign top ratings to mortgage bonds, the rating agencies have required overcollater-alisation above the statutory requirements for supplementary collateral.

In June 2011, Realkredit Danmark terminated its collaboration with Moody's. The reason was disagreement over the fundamentals of the model used by Moody's for rating Danish mortgage bonds. In Realkredit Danmark's opinion, the overcollateralisation requirement was unnecessarily high.

Mortgage bonds and mortgage-covered bonds issued by Realkredit Danmark are rated AAA by Standard & Poor's.

Executive management

Peter Straarup, Chairman of the Executive Board, reached the age of 60 in 2011 and wishes to retire in accordance with the terms of his employment contract. The Board of Directors has appointed Eivind Kolding as chief executive officer effective 15 February 2012. Peter Straarup will retire at the same time.

On 19 December 2011, Eivind Kolding resigned as Chairman of the Board of Directors and from the three board committees on which he served. He continues as member of Danske Bank's Board of Directors until he assumes the position of Chief Executive Officer. The former Vice Chairman of the Board of Directors, Ole Andersen, succeeds Eivind Kolding as Chairman. Niels B. Christiansen has been elected Vice Chairman.

Per Skovhus, member of the Executive Board, wishes to resign for personal reasons and will leave the Executive Board no later than 1 July 2012.

Outlook for 2012

The recovery that began in the first half of 2011 was followed by increasing concerns and unrest in the financial markets in the second half of the year. The European debt crisis that started in southern Europe escalated and affected the other EU countries. Doubts about how the US would cope with its massive budget deficit also put a damper on global economic growth. The uncertainty is likely to continue in 2012, and the foundation for economic growth appears weak. The economic situation remains unstable.

Interest rates are expected to be largely unchanged or lower.

In the second half of 2011, Danske Bank twice raised lending rates in Denmark by up to 0.5 of a percentage point to cover higher expenses for the resolution of distressed Danish banks and higher funding costs. A further increase in lending rates of up to 0.5 of a percentage point took effect on 3 February 2012.

Stricter requirements for supplementary collateral for mortgage-covered bonds caused funding costs to rise and necessitated higher administration margins. Realkredit Danmark thus raised margins on 1 January 2012.

Most of the units outside Denmark also raised lending rates.

The Group will continue its efforts to strengthen income, and further price increases are likely. The announced and implemented initiatives are expected to improve income by more than DKK 2.5 billion a year over the level in 2011. Lower key interest rates will curb the effect of price increases, however. Overall, net interest income is likely to increase from the 2011 level.

Streamlining the customer-facing organisation and general process improvements will reduce underlying expenses by at least 10% from 2012 to 2014. Expenses are expected to be at the same level in 2012 as in 2011.

The performance of market-related activities – in Danske Markets, Danske Capital and Danica Pension – will depend greatly on trends in the financial markets. Because of the trend in securities prices in 2011, the Group is unlikely to be able to book the full risk allowance in 2012, and the discount yield curve used in 2011 may later cause the profit contribution to be negative. The shadow account balance was DKK 1.2 billion. It may be booked to income at a later date when the technical basis permits.

The Irish economy will continue to face structural challenges, and because of the economic climate, the level of future impairment charges is uncertain. The situation for rental property and property developers in Northern Ireland is also uncertain. Loan impairment charges at the units in Ireland and Northern Ireland are likely to remain high, at least in the coming quarters.

The trend in credit quality will generally depend on the economic climate in the Group's markets. The Group believes that total impairment charges will remain high.

Combined with the outlook for modest economic growth, the Group's solid funding position means that there will be a limited need for new issues in 2012.

The Group expects earnings to remain low in 2012, but because of the economic climate, the estimate is subject to considerable uncertainty.

BUSINESS UNITS

PROFIT BEFORE LOAN IMPAIRMENT CHARGES (DKK millions)	2011	2010	Index 11/10	Share of total (%) 2011	Share of total (%) 2010
Retail Banking Denmark	7,735	6,776	114	44	33
Retail Banking Finland	353	358	99	2	2
Retail Banking Sweden	1,509	1,331	113	9	6
Retail Banking Norway	716	955	75	4	5
Banking Activities Northern Ireland	320	414	77	2	2
Banking Activities Ireland	336	364	92	2	2
Banking Activities Baltics	366	412	89	2	2
Other Banking Activities	443	392	113	3	2
Corporate & Institutional Banking	1,973	1,757	112	11	9
Total Banking Activities	13,751	12,759	108	79	63
Danske Markets and Treasury	3,064	4,035	76	18	20
Danske Capital	887	833	106	5	4
Danica Pension	569	2,146	27	3	11
Other Activities	-881	494	-	-5	2
Total Group	17,390	20,267	86	100	100

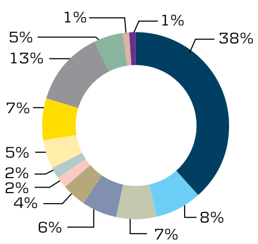
The Danske Bank Group is the leading financial services provider in Denmark and one of the largest in the Nordic region. The Group offers customers a wide range of services in the fields of banking, mortgage finance, insurance, real-estate brokerage, asset management and trading in fixed income products,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

Danske Bank is an international retail bank operating in 15 countries, with emphasis on the Nordic region. As a universal Nordic bank, the Group is market leader in Denmark, among the largest banks in Northern Ireland and Finland, and a market challenger in Sweden, Norway, Ireland and the Baltic countries.

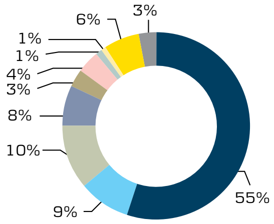
The Group consists of a number of business units and support functions. The business units are segmented according to statutory framework and product and service characteristics.

Note 2 provides more detailed descriptions of the business units.

INCOME – % OF GROUP TOTAL



LENDING – % OF GROUP TOTAL



- Retail Banking Denmark
- Retail Banking Finland
- Retail Banking Sweden
- Retail Banking Norway
- Banking Activities Northern Ireland
- Banking Activities Ireland
- Banking Activities Baltics
- Other Banking Activities
- Corporate & Institutional Banking
- Danske Markets and Treasury
- Danske Capital
- Danica Pension
- Other Activities

7% OF ALL ONLINE TRANSACTIONS MADE THROUGH MOBILE BANKING

50% OF BUSINESS CUSTOMERS ARE TODAY SERVED BY A CONTACT CENTRE

BANKING ACTIVITIES

BRANCHES
645

EMPLOYEES
13,470

PRE-TAX PROFIT
DKK-490 MILLION

BANKING ACTIVITIES (DKK millions)	2011	2010	Index 11/10	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Net interest income	23,307	23,541	99	6,150	5,964	5,724	5,469
Net fee income	6,533	7,029	93	1,666	1,542	1,648	1,677
Net trading income	1,386	1,100	126	375	344	328	339
Other income	3,326	3,085	108	791	788	930	817
Total income	34,552	34,755	99	8,982	8,638	8,630	8,302
State guarantee commission (Bank Package 1)	-	1,875	-	-	-	-	-
Other expenses	20,801	20,121	103	5,537	4,788	5,316	5,160
Expenses	20,801	21,996	95	5,537	4,788	5,316	5,160
Profit before loan impairment charges	13,751	12,759	108	3,445	3,850	3,314	3,142
Impairment charges under the state guarantee	-	1,393	-	-	-	-	-
Other loan impairment charges	14,241	13,028	109	4,817	3,552	3,148	2,724
Loan impairment charges	14,241	14,421	99	4,817	3,552	3,148	2,724
Profit before tax	-490	-1,662	-	-1,372	298	166	418
Loans and advances (end of period)	1,698,833	1,670,662	102	1,698,833	1,688,201	1,668,455	1,657,149
Allowance account, total (end of period)	45,837	40,604	113	45,837	44,486	41,853	38,399
Deposits (end of period)	701,481	696,145	101	701,481	693,624	690,953	698,056
Bonds issued by Realkredit Danmark (end of period)	729,373	728,129	100	729,373	717,175	699,902	695,416
Allocated capital (avg.)	86,122	67,396	128	91,174	90,383	90,011	72,926
Profit before loan impairment charges as % p.a. of allocated capital	16.0	18.9		15.1	17.0	14.7	17.2
Pre-tax profit as % p.a. of allocated capital (ROE)	-0.6	-2.5		-6.0	1.3	0.7	2.3
Cost/income ratio (%)	60.2	63.3		61.6	55.4	61.6	62.2
Full-time-equivalent staff	13,470	13,426	100	13,470	13,538	13,524	13,423

- PROFIT BEFORE LOAN IMPAIRMENT CHARGES UP 8% TO DKK 13.8 BILLION
- NET INTEREST INCOME LARGELY MATCHED INCOME IN 2010
- LOAN IMPAIRMENT CHARGES MORE OR LESS UNCHANGED
- LENDING AND DEPOSITS ROSE SLIGHTLY ABOVE THE LEVEL IN 2010

Market conditions

The very low interest rates in the Group's markets in 2011 affected the performance of its banking units. The central banks in the individual countries pursued diverse monetary policies to support their economies. After rate hikes in the first half of the year, the escalating European debt crisis prompted the ECB to make rate cuts in November and December.

The Danish central bank followed suit but also lowered the deposit rate independently on four occasions in the autumn, partly to stabilise the Danish krone. The last of these adjustments brought the rate down to a record-low 0.30%. Consequently, Retail Banking Denmark also reduced rates on products linked to the deposit rate. In contrast, it raised interest rates on selected loan products more than once to offset increases in funding costs.

In Sweden, repo rates rose throughout the year, but the Swedish central bank announced a rate cut at the end of 2011. The higher rates generally lifted income at Retail Banking Sweden. The unit also raised lending rates and repriced products

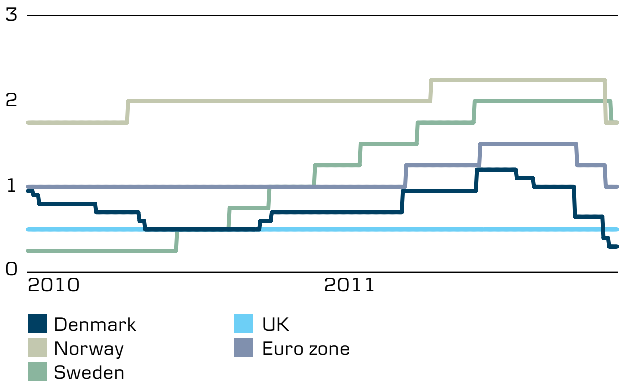
BANKING ACTIVITIES CATERS TO ALL TYPES OF PERSONAL AND BUSINESS CUSTOMERS. THE FINANCE CENTRES SERVE LARGE BUSINESS AND PRIVATE BANKING CUSTOMERS. MORTGAGE FINANCE OPERATIONS IN DENMARK ARE CARRIED OUT THROUGH REALKREDIT DANMARK. REAL-ESTATE AGENCY OPERATIONS ARE CONDUCTED BY THE HOME, SKANDIA MÄKLARNA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

for selected customer segments to offset higher funding costs and improve income.

In Norway, the leading central bank rate was generally higher than in the other Nordic countries. Retail Banking Norway raised selected lending rates in late 2011 as part of a general repricing initiative. Both Retail Banking Norway and Retail Banking Sweden are striving to achieve a better balance between loans and deposits to minimise funding costs.

Home loan margins in Norway in particular, but also in Sweden, were under considerable pressure.

KEY INTEREST RATES
(%)



In the second half of the year, Retail Banking Finland saw pressure from European interest rates, and to meet increased funding costs, also this unit carried out a general repricing of products for selected customer segments.

The Irish and Northern Ireland economies continued to toil under considerable public budget deficits and remained under pressure. Banking Activities Ireland repriced home loans, and Banking Activities Northern Ireland adjusted prices on new loans to both personal and business customers.

The Baltic economies benefited from an improved business environment.

Corporate & Institutional Banking saw prices come under heavy pressure in the first half of 2011, partly because of expectations of improving market conditions and limited loan demand. The wider market uncertainty and higher funding costs reversed the trend in the third quarter, though, and loan margins in the international markets rose in the second half of the year.

Financial summary

Banking Activities posted a pre-tax loss of DKK 0.5 billion, against a loss of DKK 1.7 billion last year. The improvement derived mainly from reduced expenses.

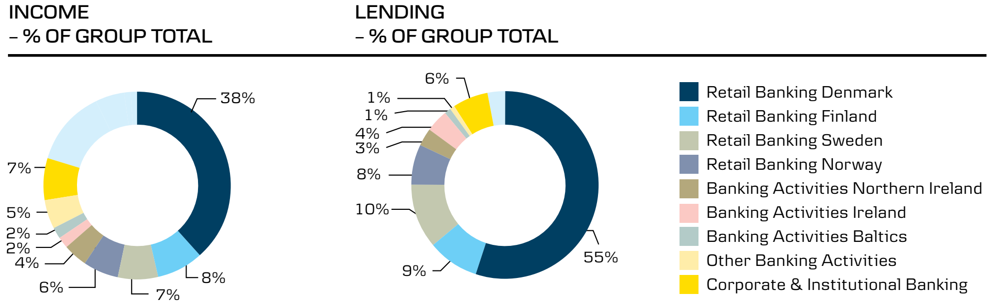
At DKK 34.6 billion, total income from Banking Activities virtually matched the 2010 level. Net trading income rose, but net fee income fell.

Net interest income amounted to DKK 23.3 billion in 2011, largely matching the 2010 level.

At Retail Banking Denmark, net interest income fell 4% from the level in 2010. Higher lending rates added DKK 0.4 billion to income, but this was offset by the effect of falling interest rates and declining lending volumes.

Several business units showed positive trends, however. At Retail Banking Finland, Retail Banking Sweden and Corporate & Institutional Banking combined, net interest income rose 9% because of wider deposit margins.

At Banking Activities Ireland, on the other hand, narrower lending margins, lower lending volumes and suspension of interest payments caused net interest income to fall 12%.



Net interest income was also squeezed by changes in the allocation of funding costs for lending and deposit activities that took effect on 1 January 2011.

Falling interest rates in the second half of 2011 reduced the effect of higher lending rates. Net interest income was up DKK 0.9 billion over the first-half level, however, and well above the announced target of DKK 0.5 billion in additional earnings.

In the fourth quarter, net interest income rose 3% over the third-quarter level. Several business units contributed to the rise. At Retail Banking Denmark, price increases did not offset the declining interest rates, and net interest income matched the level in the third quarter.

Concern about the global economy kept the banking sector's funding costs high and credit quality under pressure. Retail Banking Denmark therefore raised lending rates again on 3 February 2012.

Total expenses declined 5% mainly because of the expiry of Bank Package 1. Adjusted for this factor and other one-off payments, expenses rose 2%. Marketing costs and general increases in wages and prices were the main reasons for the rise. Provisions for severance pay and costs relating to the adjustment of distribution channels contributed DKK 0.4 billion to the rise.

Loan impairment charges more or less matched the level in 2010. The positive trend in charges continued in several of the Group's markets. Impairment charges at Retail Banking Denmark fell 44% mainly because the 2010 figure included charges for the state guarantee. Charges also reflected a compensation of DKK 0.8 billion deriving from the termination of a credit default swap covering potential losses on mortgage lending. Retail Banking Norway and Retail Banking Sweden saw an increase in charges mainly because of charges against a few large exposures. Retail Banking Sweden recognised most of its charges in the fourth quarter. The persistently difficult market conditions in Ireland and Northern Ireland forced the units there to post substantial impairment charges.

Higher charges relating to commercial property, agricultural and personal customer exposures in Denmark led to a 36% rise in impairment charges from the third quarter to the fourth quarter. At Corporate Banking, charges rose because of a few large exposures. At the Irish and Northern Ireland banking units, fourth-quarter charges related mainly to the commercial property segment.

Total lending amounted to DKK 1,699 billion, slightly more than in 2010.

Total deposits remained largely at the end-2010 level and amounted to DKK 701 billion.

Operations

The Group continues to support Banking Activities by investing heavily in digital technology to drive product innovation, focusing on usability and increased accessibility. For example, since September 2010, the Group has introduced mobile banking applications for smartphones in its Nordic and Irish markets. The customer response to mobile banking was positive, and by the end of December 2011, the applications had been downloaded about 509,000 times.

Banking Activities always monitors customer needs for more flexibility. It launched a banking solution for the iPad in the Nordic markets in November and December 2011.

The customer response to tablet banking was also positive, and at 31 December 2011, the app had been downloaded some 67,000 times.

BANKING ACTIVITIES	Population (millions) 2011	GDP forecasts (%) 2012	GDP forecasts (%) 2011	Lending (DKK billions) 2011	Lending (DKK billions) 2010	Market share (%) 2011	Market share (%) 2010	Deposits (DKK billions) 2011	Deposits (DKK billions) 2010	Market share (%) 2011	Market share (%) 2010
Denmark*	5.6	1.0	1.1	998.1	997.5	29	28	303.2	312.5	30	30
Finland*	5.4	-1.0	2.6	167.4	158.4	12	12	110.4	105.0	12	13
Sweden*	9.4	-1.4	4.3	206.9	192.1	6	6	86.5	88.1	5	5
Norway*	4.9	3.0	2.6	172.1	160.5	5	5	83.7	72.0	5	5
Northern Ireland	1.8	1.2	0.9	53.3	52.1	-	-	55.1	53.2	-	-
Ireland	4.5	1.0	0.8	63.7	70.2	4	3	37.8	39.4	3	2
Estonia**	1.3	2.2	7.7	10.1	12.0	9	10	12.8	12.7	14	16
Latvia**	2.2	2.1	5.0	2.0	2.4	1	2	1.4	1.1	1	1
Lithuania**	3.2	2.7	6.0	8.4	9.4	6	7	5.4	6.7	7	8
Other	-	-	-	16.8	16.1	-	-	5.2	5.4	-	-
Total	-	-	-	1,698.8	1,670.7	-	-	701.5	696.1	-	-

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

In addition, Banking Activities interacts directly with customers through Facebook and Twitter, most recently when it developed and launched the iPad app on the basis of input from customers in the Danske Idea Bank campaign. The campaign invited Facebook users to suggest improvements to the mobile banking solution.

Since the beginning of 2010, personal online banking use has increased by some 20%. During the same period, cashier transactions fell accordingly. At the end of 2011, logons via the mobile banking solution accounted for 15% of online logons. Seven per cent of all online logons and online transactions are now made through mobile banking.

The trend is the same for business customers, with three out of four using Business Online. In Denmark, Business Direct has quickly become a solid success, with about 76,000 business customers, or 50% of the customer base, now being served by the contact centre.

Market shares

The market share of lending increased in Denmark in 2011, and the Group maintained its share of the Swedish and Norwegian markets. The Finnish banking unit maintained its market share of lending, but the share of deposits declined slightly. The Irish unit improved its market share of both lending and deposits.

Outlook for 2012

The expected macroeconomic climate bodes for low growth in the Group's markets, with low interest rates and continued challenges in several housing markets.

Recent data on house prices in Denmark show a fall in prices in 2011, and this trend is likely to continue in 2012. The same is expected in Ireland and Northern Ireland. Swedish and Finnish real property prices are also forecast to fall, while house prices in Norway are likely to continue upwards.

Interest rates are forecast to be generally unchanged or falling in 2012.

Because of the macroeconomic conditions, Banking Activities will focus on efficiency improvements through higher profitability and enhanced competitiveness.

To increase earnings, Banking Activities will focus on price differentiation, including price adjustments. Tight cost control will reduce expenses.

DANSKE MARKETS AND TREASURY

EMPLOYEES
852

TOTAL INCOME
DKK 5,716 MILLION

PRE-TAX PROFIT
DKK 4,097 MILLION

DANSKE MARKETS AND TREASURY (DKK millions)	2011	2010	Index 11/10	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Total income	5,716	6,659	86	1,246	-106	2,049	2,527
Expenses	2,652	2,624	101	684	544	682	742
Profit before loan impairment charges	3,064	4,035	76	562	-650	1,367	1,785
Loan impairment charges	-1,033	-617	-	-52	-750	-396	165
Profit before tax	4,097	4,652	88	614	100	1,763	1,620
Due from credit institutions and repo loans (end of period)	330,068	396,581	83	330,068	300,496	340,381	349,064
Loans and advances (end of period)	44,330	48,665	91	44,330	46,407	40,671	42,602
Allowance account, total (end of period)	2,599	2,954	88	2,599	2,518	2,583	2,916
Net trading and investment portfolio (end of period)	423,235	350,990	121	423,235	442,221	408,688	357,452
Deposits (end of period)	97,412	102,777	95	97,412	96,768	101,854	97,840
Allocated capital (avg.)	8,883	4,964	179	10,693	10,435	8,303	6,099
Profit before loan impairment charges as % p.a. of allocated capital	34.5	81.3		21.0	-24.9	65.9	117.1
Pre-tax profit as % p.a. of allocated capital (ROE)	46.1	93.7		23.0	3.8	84.9	106.2
Cost/income ratio (%)	46.4	39.4		54.9	-	33.3	29.4

TOTAL INCOME (DKK millions)							
Danske Markets	5,305	5,944	89	1,428	218	1,389	2,270
Group Treasury	411	715	57	-182	-324	660	257
Total Danske Markets and Treasury	5,716	6,659	86	1,246	-106	2,049	2,527

- SATISFACTORY INCOME IN DIFFICULT MARKET CONDITIONS
- STRONG CUSTOMER ACTIVITY AND SATISFACTION
- LIMITED EXPOSURE TO SOUTHERN EUROPEAN GOVERNMENT BONDS

Market conditions

The year 2011 was a challenging period in the capital markets, with historically high volatility and a liquidity squeeze. Doubts about a number of European countries' ability to repay their debts generated doubts about the European financial system, which in turn caused funding costs to rise.

Financial summary

Profit before tax declined to DKK 4.1 billion from DKK 4.7 billion in 2010.

Loan impairment charges declined because of a net reversal of previously recognised charges of DKK 1.0 billion, against a reversal of DKK 0.6 billion in 2010.

Expenses ended at around the same level as in 2010 mainly because of lower performance-based compensation.

Danske Markets

Profit before tax amounted to DKK 3.8 billion, against DKK 3.7 billion in 2010. Income from trading in fixed-income and foreign exchange products was satisfactory. Income from equity trading, down 50%, was unsatisfactory.

All year, customer-driven trading in fixed-income, derivatives and foreign exchange products was satisfactory. Institutional customers were particularly active in switching hedging positions

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 ASSISTING THEM WITH DEBT ISSUES ON THE INTERNATIONAL FINANCIAL MARKETS. GROUP TREASURY COVERS THE GROUP' 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.

from euros to Nordic currencies. This had a positive effect on earnings – especially from derivatives. International research institutes regularly assess Danske Markets' level of customer satisfaction and market shares. In 2011, Danske Markets' market share was high or rising in all product areas and countries.

Equity market earnings saw a rise in commissions, although commissions generally fell sharply in that market. Volume growth was driven by Swedish and other international customers in particular, who also exhibited increased customer satisfaction. Still, the result of market-making activities was unsatisfactory.

Customer-driven earnings from Debt Capital Markets were satisfactory as Danske Markets participated in a number of important bond issues.

In general, the poorly performing interbank market made it more expensive for banks to fund their activities. Higher funding costs, combined with significant volatility in the market, led Danske Markets to adopt a more conservative risk profile. This had an adverse effect on income from market-making in several products.

In Sweden, total income from trading rose. In Denmark and Finland, income remained at the 2010 level, while it fell in Norway. The Irish activities generated satisfactory income.

Throughout the year, the Group's net exposure to southern European government bonds was limited. Fluctuations in the market values of these bonds had limited influence on net trading income.

Group Treasury

Group Treasury's pre-tax profit fell to DKK 0.3 billion from DKK 1.0 billion in 2010. The unit's income included an unrealised capital gain on Danske Bank's shareholding in Nets Holding A/S of DKK 0.4 billion in 2011, against DKK 0.7 billion the year before. The tough market conditions had an adverse effect on earnings.

A negative value adjustment of DKK 0.9 billion on the available-for-sale bond portfolio was recognised directly in shareholders' equity. In 2010, the Group recognised a negative value adjustment of DKK 0.1 billion.

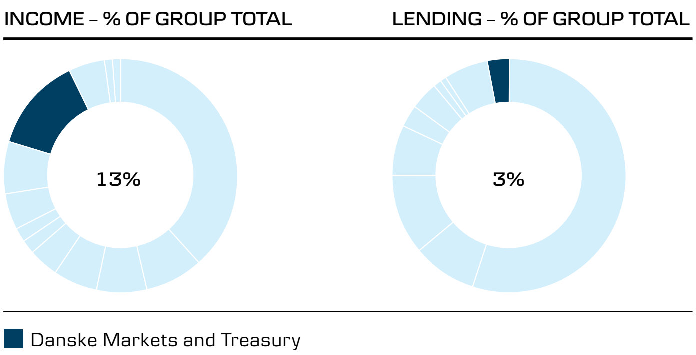
Operations

Despite the difficult conditions, Danske Markets maintained its focus on serving customers by providing liquidity and risk-hedging facilities. In 2011, Danske Markets strengthened its market position and customer satisfaction level.

For the seventh year running, the Prospera research institute confirmed Danske Markets Equities' position as the best equity house in Denmark. The survey also showed improved ratings in other markets.

Market outlook

In 2012, Danske Markets expects to see strong activity continue and to maintain its market position. The overall performance of Danske Markets and Treasury, however, will depend greatly on market conditions and trends in the financial markets, including the level of securities prices.



DANSKE CAPITAL

EMPLOYEES
569

MARKET SHARE IN
THE NORDIC REGION 11.9%

PRE-TAX PROFIT
DKK 910 MILLION

DANSKE CAPITAL (DKK millions)	2011	2010	Index 11/10	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Net interest income	119	120	99	31	33	28	27
Net fee income	1,795	1,707	105	566	399	410	420
Other income	66	46	143	17	10	15	24
Total income	1,980	1,873	106	614	442	453	471
Expenses	1,093	1,040	105	313	230	283	267
Profit before loan impairment charges	887	833	106	301	212	170	204
Loan impairment charges	-23	13	-	24	-	1	-48
Profit before tax	910	820	111	277	212	169	252
Loans and advances (end of period)	6,075	6,450	94	6,075	6,266	6,293	6,356
Allowance account, total (end of period)	168	211	80	168	161	163	160
Deposits (end of period)	5,700	5,869	97	5,700	6,584	6,424	6,075
Allocated capital (avg.)	311	291	107	336	319	315	273
Cost/income ratio (%)	55.2	55.5		51.0	52.0	62.5	56.7
Assets under management (DKK billions)	606	602	101	606	587	603	598

- PROFIT BEFORE LOAN IMPAIRMENT CHARGES UP 6%
- STRONG SALES TO INSTITUTIONAL CLIENTS
- SUCCESSFUL LAUNCH OF PEP V BY DANSKE PRIVATE EQUITY

Market conditions

During the second half of 2011 in particular, the capital markets saw significant turbulence and volatility because of the European debt crisis. After a fairly stable beginning to the year, most equity markets dropped 15-20% in August 2011, while bond prices rose and their yields fell. By the end of 2011, most equity indices were 5-10% lower than they were at the beginning of the year.

Danske Capital strengthened its position in the Nordic unit trust markets, achieving a share of net sales of around 40%. Measured in terms of market capitalisation, Danske Capital's share of the Nordic market was 11.9%, up 0.7 of a percentage point from the year before.

Financial summary

Income at Danske Capital rose 6% to DKK 1,980 million, against DKK 1,873 million in 2010. Income was adversely affected by lower performance-related fees, which were down to DKK 219 million, against DKK 271 million in 2010. In the third and fourth quarters in particular, income also suffered from developments in the financial markets, including a decline in the proportion of total assets

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.

under management invested in equities, which fell from an average of 31% in the first half of 2011 to 27% in the second half of the year.

Total expenses rose 5% over the level last year.

At 31 December 2011, assets under management amounted to DKK 606 billion, up DKK 4 billion from the level at 31 December 2010. Net sales to institutional clients and retail banking customers came to DKK 15 billion. Developments in the financial markets, however, led to a total negative market value adjustment of DKK 11 billion.

Of the net sales of DKK 15 billion, institutional clients accounted for DKK 11 billion and retail banking customers for DKK 4 billion.

The unit trust business posted above-benchmark returns in 48% of its funds. Of the bond-based funds, 42% delivered above-benchmark returns, and for equity-based funds, the figure was 52%. Of balanced products, 44% performed above their benchmarks.

Products and initiatives

On 1 November 2011, Danske Private Equity held the first closing of its fifth fund, Danske PEP V, with a total commitment of around DKK 2.9 billion. This made Danske PEP V the second-largest private equity fund-of-funds raised in Europe in 2010 and 2011. Danske PEP V is expected to have a total commitment of some DKK 4.5 billion by the end of 2012.

In the first quarter, and for the third consecutive year, investment research provider Morningstar ranked Danske Invest the best unit trust in Denmark for its performance in equities. And in a survey conducted by Thompson Reuters, Danske Capital was ranked the best asset manager in Denmark.

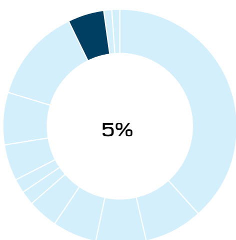
Market outlook

In 2012, Danske Capital expects to maintain its position in asset management and to strengthen its position in international private banking.

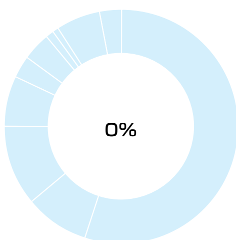
ASSETS UNDER MANAGEMENT	(DKK billions) 2011	2010	Share of total (%) 2011	2010
Equities	158	178	26	29
Private equity	15	12	2	2
Bonds	416	396	69	66
Cash	17	16	3	3
Total	606	602	100	100

BREAKDOWN BY TYPE OF INVESTOR	(DKK billions) 2011	2010	Share of total (%) 2011	2010
Life insurers	187	194	31	32
Unit trusts - retail	229	241	38	40
Institutions, including unit trusts	190	167	31	28
Total	606	602	100	100

INCOME – % OF GROUP TOTAL



LENDING – % OF GROUP TOTAL



Danske Capital

DANICA PENSION

EMPLOYEES
833

INCOME
DKK 569 MILLION

TOTAL PREMIUMS
DKK 27,277 MILLION

DANICA PENSION (DKK millions)	2011	2010	Index 11/10	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Danica Traditionel	1,120	1,126	99	298	275	283	264
Unit-linked business	269	327	82	24	66	89	90
Health and accident business	10	81	12	-23	21	13	-1
Return on investments	585	799	73	240	199	125	21
Financing result	-163	-130	-	-37	-48	-45	-33
Special allotment	-94	-641	-	56	-25	-62	-63
Change in shadow account	-1,158	584	-	418	-1,223	-142	-211
Net income from insurance business	569	2,146	27	976	-735	261	67
Premiums, insurance contracts	20,547	18,371	112	5,596	4,786	4,973	5,192
Premiums, investment contracts	6,730	5,778	116	1,681	1,016	2,076	1,957
Provisions, insurance contracts	243,304	233,062	104	243,304	236,708	233,336	232,363
Provisions, investment contracts	24,540	22,397	110	24,540	22,302	24,770	23,990
Customer funds, investment assets							
Danica Traditionel	188,699	188,057	100	188,699	185,849	182,456	183,280
Danica Balance	28,596	21,752	131	28,596	25,527	25,410	23,313
Danica Link	47,201	44,509	106	47,201	42,622	46,438	45,655
Allocated capital (avg.)	7,362	5,732	128	9,048	8,778	5,822	5,800
Net income as % p.a. of allocated capital	7.7	37.4		43.1	-33.5	17.9	4.6

- INCOME FROM INSURANCE BUSINESS OF DKK 0.6 BILLION
- TOTAL PREMIUMS UP 13% TO DKK 27.3 BILLION
- EXPENSE RATIO DOWN FROM 5.0% TO 4.6%

The Group's insurance business posted income of DKK 0.6 billion, against DKK 2.1 billion in 2010. The result was affected by a lower investment return and the fact that the risk allowance could be booked for only one of four interest rate groups. At the end of the year, the shadow account balance was DKK 1.2 billion.

In December, the extraordinary financial situation prompted the Danish FSA to allow an adjustment of the discount yield curve for products such as *Danica Traditionel*. Consequently, one element of the curve may now be calculated as a 12-month moving average. Danica used the principles of the new discount yield curve in its calculations, and the effect was a DKK 2.8 billion reduction in life insurance provisions at 31 December 2011.

The total collective bonus potential of the interest rate, cost and risk groups amounted to DKK 0.4 billion. Danica Pension used DKK 1.8 billion of the bonus potential of paid-up policies to cover losses on two of the interest rate groups and therefore introduced a charge on policy transfers and surrenders. The three interest rate groups with the highest benefit guarantees have virtually no bonus potential that can be used to cover any future negative investment returns.

Danish premiums rose 11.3% to a total of DKK 18.8 billion. Premiums for the *Danica Balance* and *Danica Link* market products were up 20%, contributing DKK 11.7 billion. At the end of 2011, some 162,000 customers had chosen these products. As expected, total premiums for *Danica Traditionel* saw a decrease, falling 5.3% to DKK 7.1 billion.

DANICA PENSION ENCOMPASSES THE DANSKE BANK GROUP'S ACTIVITIES IN THE LIFE INSURANCE AND PENSIONS MARKET. 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. 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.

Market conditions in Denmark

Competition increased in 2011, with many tenders for both existing and potential customers. Danica Pension maintained its position as one of the leading life insurance and pensions providers on the Danish market.

The Danish government adopted new legislation that cut the tax deduction limit on annuity pension contributions from DKK 100,000 to DKK 50,000 on 1 January 2012. For customers saving under a company pension plan, Danica introduced an automatic transfer feature so that all contributions exceeding the new limit are automatically transferred to a lifelong annuity.

Income

The return on bonds was positive because interest rates declined throughout the year. The decline in rates also caused an increase of DKK 8.8 billion in technical provisions, however. Insufficient returns on customer funds were another reason why Danica needed to strengthen provisions by DKK 40 million.

Net income was adversely affected by the DKK 94 million special allotment payable to certain policyholders.

Unit-linked business (*Danica Balance* and *Danica Link*) posted a technical result of DKK 269 million, down DKK 58 million from 2010. The main reasons for the decline were costs related to the liquidation of the Irish activities and a lower risk result in Sweden.

The health and accident result declined because of heavier pressure on prices and because run-off gains at the Danish unit were lower than in 2010.

More details about Danica Pension's profit policy and consolidation in the financial statements of the Danske Bank Group can be found at www.danskebank.com/ir.

Activities outside Denmark

Outside Denmark, premiums grew a full 18.1% to DKK 8.5 billion. The increase came mainly from premiums in Norway thanks in part to a portfolio transfer. Because of its small business volume in Ireland, Danica Pension initiated a process to sell or liquidate the Irish activities within 12 to 18 months.

TOTAL PREMIUMS (DKK billions)	2011	2010
Premiums, Denmark		
Danica Traditionel	7.1	7.5
Unit-linked business	11.7	9.8
Health and accident	1.3	1.3
Internal transfers	-1.3	-1.7
Premiums, international	8.5	7.2
Total	27.3	24.1

Investment return

The return on *Danica Balance* and *Danica Link* investments was DKK -1.1 billion, representing an average rate of return of -2.5%, against 12.9% in 2010. The average annual return over the past three years is 10.2% for *Danica Balance* and 11.4% for *Danica Link*.

The return on customer funds in *Danica Traditionel* was 6.8%, against 5.8% in 2010. Including changes in technical provisions, the return was 2.1%.

During the year, Danica Pension reduced its risk on equity and credit bond investments in *Danica Traditionel* and adjusted its interest rate exposure. At the end of the year, equity, credit bond and property exposures totalled 29.2%.

At 31 December 2011, the equity and credit bond exposures of the three interest rate groups with the highest benefit guarantees totalled DKK 3.5 billion and DKK 15.5 billion, respectively.

At the same date, Danica Pension's exposure to government bonds included DKK 5.5 billion in bonds issued by Italy, DKK 1.5 billion in bonds issued by Spain, and DKK 0.3 billion in bonds issued by Ireland. Investments for which further negative returns may affect the result directly accounted for DKK 3.7 billion of this exposure. Danica Pension had no exposure to government bonds issued by Greece or Portugal.

CUSTOMER FUNDS - DANICA TRADITIONEL				
	Share (%)		Return (%)	
Holdings and returns	2011	2010	2011	2010
Real property	10	10	6.2	2.6
Bonds etc.	84	80	8.4	5.1
Equities	6	10	-5.4	17.1
Total	100	100	6.8	5.8

Financial strength

At the end of 2011, the Danica group's total financial strength – that is, its excess capital base and collective bonus potential – stood at DKK 10.0 billion. Its solvency need amounted to DKK 9.4 billion and exceeded the solvency requirement by DKK 0.9 billion. Danica has chosen to base its solvency need on the yellow traffic light scenario, which covers more adverse risk scenarios than those of the Danish FSA's red traffic light (see below). The bonus potential of paid-up policies amounted to DKK 4.0 billion and may be used partly for loss absorption.

The Danish pension industry is subject to the Danish FSA's requirement for Traffic Light stress testing, which includes testing the capital base. Danica Pension is well prepared for this risk scenario, which is based on a 12% fall in equity prices and an interest rate change of 0.7 of a percentage point. At the end of 2011, a 12% drop in equity prices would have reduced the bonus potential of paid-up policies by DKK 0.8 billion, the collective bonus potential by DKK 0.1 billion, and shareholders' equity by DKK 0.3 billion. A rise in interest rates of 0.7 of a percentage point would have increased the bonus potential of paid-up policies by DKK 3.1 billion, while it would have reduced the collective bonus potential by DKK 0.2 billion and shareholders' equity by DKK 0.5 billion.

In November 2011, Standard & Poor's reaffirmed its A rating of Danica Pension (with a negative outlook). Danica Pension's S&P rating depends highly on Danske Bank's rating, which was also reaffirmed. After the repayment of the subordinated loan in October 2011, Danica Pension decided not to maintain a rating.

Outlook for 2012

In 2012, Danica Pension expects to maintain its position as one of the leading Danish life insurance and pensions providers.

The 2012 result will depend greatly on developments in the financial markets and the possibility of booking the risk allowance and any balance on the shadow account to income. The drawing on the bonus potential of paid-up policies in 2011 must be restored for each interest rate group in order for the Group to be able to book a risk allowance to income in 2012.

Under current rules and if the yield differential between Danish and German government bonds remains close to zero or becomes negative over the next year, this will result in a negative profit contribution in 2012.

For Danica Pension to book the full risk allowance to income in 2012, the group of new schemes as well as the group with medium risk must have investment returns of 4-5%, the interest rate group with low benefit guarantees must have a return of 8-9%, and the interest rate group with high benefit guarantees must have a return of 5-6%. It is therefore unlikely that the full risk allowance for all interest rate groups will be booked in 2012.

OTHER ACTIVITIES

EMPLOYEES
5,596

PRE-TAX PROFIT
DKK -881 MILLION

OTHER ACTIVITIES (DKK millions)	2011	2010	Index 11/10	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Net interest income	111	182	61	1	19	33	58
Net fee income	-30	-37	-	-14	-3	-9	-4
Net trading income	158	-91	-	-1	19	54	86
Other income	321	790	41	59	37	41	184
Total income	560	844	66	45	72	119	324
Expenses	1,441	350	-	-75	-63	397	1,182
Profit before loan impairment charges	-881	494	-	120	135	-278	-858
Loan impairment charges	-	-	-	-	-	-	-
Profit before tax	-881	494	-	120	135	-278	-858

PROFIT BEFORE TAX (DKK millions)							
Real property	266	283	94	61	74	80	51
Own shares	274	-84	-	22	94	99	59
Other, including Group support functions	-1,421	295	-	37	-33	-457	-968
Total Other Activities	-881	494	-	120	135	-278	-858

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 posted a pre-tax loss of DKK 0.9 billion, against a profit of DKK 0.5 billion in 2010. The decline was caused mainly by the expenses for the commitment to the Danish Guarantee Fund for Depositors and Investors recognised in 2011.

The real property activities posted a profit of DKK 266 million, down DKK 17 million from the year-earlier level. The main reason for the decline was higher maintenance costs.

The elimination of returns on own shares led to income of DKK 274 million in 2011, against an expense of DKK 84 million in 2010.

Other income stood at DKK 0.3 billion, against DKK 0.8 billion last year. It benefited particularly from a refund of excess VAT paid in previous years.

Expenses totalled DKK 1.4 billion in 2011, against DKK 0.4 billion in 2010. The estimated commitment of DKK 0.7 billion to the Danish Guarantee Fund for Depositors and Investors in connection with the resolution of Amagerbanken A/S, Fjordbank Mors A/S and Max Bank A/S was the key factor behind the increase.

Severance payments and a DKK 161 million adjustment of writedowns of the assets of a temporarily acquired company also contributed to the rise in expenses.

CAPITAL AND LIQUIDITY 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.

In addition to shareholders' equity, the Group's capital base consists of hybrid capital and tier 2 capital. At the end of 2011, the capital base amounted to DKK 162 billion, and the total capital ratio was 17.9%. The core tier 1 capital ratio stood at 11.8%.

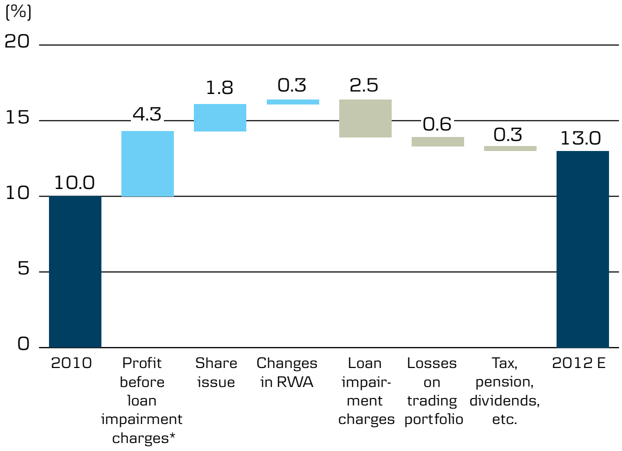
CAPITAL BASE (DKK billions)	2011	2010
Core tier 1 capital	107	85
Hybrid capital, less statutory deductions	38	40
Tier 2 capital, less statutory deductions	17	25
Capital base	162	150

At the end of 2011, the Group's solvency need amounted to DKK 90.5 billion, or 10% of risk-weighted assets (RWA). The capital base thus included a capital buffer of DKK 71.6 billion at 31 December 2011.

The European Banking Authority (EBA) included the Danske Bank Group in a group of 90 European banks covered by an EU-wide stress testing exercise conducted in the first half of 2011. The stress test used two economic scenarios designed to assess the resilience of the European banking sector against an unexpected deterioration of market or macroeconomic conditions.

The Group performed well on the EBA test. In the adverse scenario, it ranked among the top ten of the 90 banks tested. This result confirms the Group's strong financial position.

CHANGE IN TIER 1 CAPITAL RATIO UNDER EBA'S ADVERSE SCENARIO



* Excluding losses on trading portfolio.
The tier 1 capital ratio is calculated in accordance with the guidelines for the EBA stress test, with RWA equal to 80% of the Basel I RWA.

The Group's strong financial position was also confirmed by the EBA's capitalisation test of European banks, which was published in December 2011. This test was conducted to assess European banks' need for recapitalisation. As expected, the Group passed the test with a capital level substantially above the EBA's requirement.

The Group bases its capital considerations on an assessment of capital requirements under the current capital adequacy rules and the transitional rules and on an assessment of the effects of future regulation, including Capital Requirements Directive IV (CRD IV). The capital considerations also take account of criteria such as expected growth and earnings, dividend policy, and stress test scenarios.

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

In the spring of 2011, the Group strengthened its capital position through a fully underwritten rights offering with net proceeds of DKK 19.8 billion. One purpose of the share capital increase was to enable the Group to repay, as early as 2012, the hybrid capital raised from the Danish state in 2009. A financially satisfactory agreement on prepayment terms could not be reached, however, and the Group decided not to prepay the loan. Under the loan agreement, the loan thus cannot be repaid until 2014.

As a result of the negotiations with the Danish government on the loan agreement, it would be possible to cancel the option and obligation to convert the loan capital into share capital in full or in part until May 2014 in accordance with the terms and conditions of the loan. Cancellation would not change the annual loan payment. The Board of Directors has decided not to submit a proposal to amend the agreement to the general meeting on 27 March 2012, however, as the regulatory requirements for hybrid capital etc. have not yet been clarified.

In 2011, the Group launched a number of initiatives to strengthen its apparatus for calculating RWA for credit risk, including revised and improved models and parameters, such as a new method for calculating the through-the-cycle probability of default. In the aggregate, these initiatives increased RWA by DKK 34 billion. The Group believes that its models are robust and sufficiently conservative. The Group continues to monitor its models and their results and will, if necessary, make adjustments for changes in economic, financial or regulatory conditions.

The new capital requirements (CRD III), which took effect at the end of 2011, include a requirement to use stressed VaR for market risk in the calculation of RWA. In the fourth quarter of 2011, RWA rose by DKK 11.5 billion as a result of CRD III.

At 31 December 2011, RWA amounted to DKK 906 billion, against DKK 844 billion at 31 December 2010.

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 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. It also determines the risks to be covered by capital. In addition, the ICAAP involves capital planning to ensure that the Group is sufficiently capitalised in the years ahead. One of the planning tools is stress testing.

Assessing whether the Group's solvency need allows for all material risks that the Group faces is an important part of the process. The Group has set up a process to quantify, on the basis of input from internal experts, any add-ons to the solvency need. Capital add-ons are additive, although they may overlap. The process thus represents a conservative assessment of the solvency need.

The regulatory framework for the Group's capital management is rooted in the CRD, which comprises three pillars based on Basel II guidelines:

- Pillar I contains a set of rules for calculating the capital requirement (8% of RWA for credit risk, market risk and operational risk).
- Pillar II describes the framework for the ICAAP and the dialogue with the Danish 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 2011, which is 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 under 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.

Solvency need

The Group calculates its solvency need as the highest of the following measures:

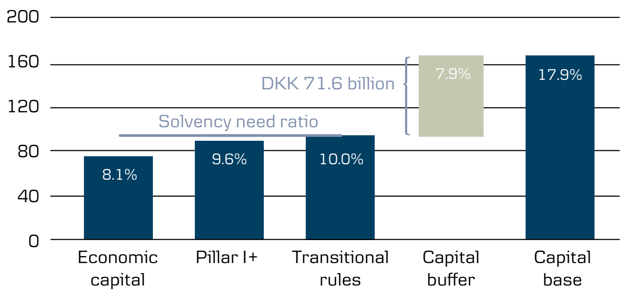
- The capital requirement according to the Group's internal models for economic capital.
- The capital requirement under Pillar I plus an add-on to address risks that are not covered by Pillar I (Pillar I+).
- The capital requirement under the Basel I transitional rules.

The capital requirement under the Basel I transitional rules is calculated as 80% of the capital requirement under Basel I, or 6.4% of RWA under Basel I. In its revision of the CRD (CRD IV), the European Commission has proposed an extension of the transitional rules for several years. A final decision on this matter is expected in 2012.

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.

The calculation of the solvency need for the Danske Bank Group and Danske Bank A/S is described in more detail in Risk Management 2011, which is available at www.danskebank.com/ir. Risk Management 2011 also provides details on the management of credit risk, market risk and liquidity risk.

SOLVENCY NEED AND CAPITAL BASE, END-2011
(DKK billions)



Stress testing

In the ICAAP, the Group uses macroeconomic stress tests to project its solvency 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 adverse events on capital.

MAIN STRESS TEST SCENARIOS

SCENARIO	DESCRIPTION
Mild recession	A geopolitical crisis dampens global demand temporarily. This scenario assumes slight 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 accommodating monetary policy.
Regulatory scenarios	Danish FSA: Base case and stress scenario. EBA: Base case and adverse scenario.

Risk Management 2011 provides more information about stress testing.

Liquidity and funding

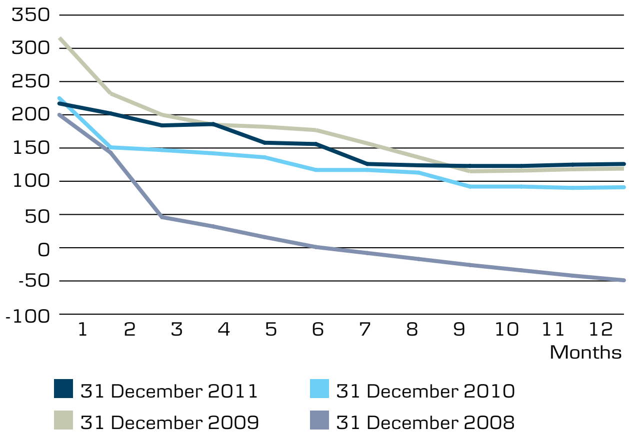
Liquidity management is intended to ensure that the Group always has sufficient liquidity to meet its obligations. The Group has organised its liquidity management to meet this objective by ensuring that it has robust funding options that enable it to withstand even less probable situations that would have a substantial adverse effect on its liquidity.

Developments in the financial markets in 2011 and the economic outlook in Europe and the US had an adverse effect on the banking sector.

The Danish Bank Package 3 was used for the resolution of Amagerbanken A/S, and this aggravated the negative situation in the Danish banking sector. The Group was downgraded twice, mainly because the rating agencies felt that Bank

Package 3 implicitly weakened systemic support. The adoption of Bank Package 4 in late summer and the prospect of designating systemically important financial institutions in Denmark took some of the pressure off the Danish banks. The extension of the compensation scheme under which healthy banks can take over all or parts of a distressed bank also helped ease the pressure.

12-MONTH LIQUIDITY
(DKK billions)



The Group maintained a strong liquidity position despite the year's events, and its 12-month liquidity curve is positive for more than two and a half years ahead.

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

The Group monitors its funding composition to ensure that it is well diversified. A well-balanced portfolio of liabilities generates a stable funding flow and protects the Group against market volatility.

The Group's comprehensive and well-established funding programmes in Europe and the US and its substantial personal customer deposits are crucial for its liquidity management. Covered bonds play an increasingly important role in funding.

In 2011, the Group issued covered bonds for DKK 37.8 billion. Currently, the bonds are based on Danish, Norwegian, Swedish and Finnish loans, and there is still unexploited potential in loans that can serve as collateral for such bonds.

In addition, senior debt for DKK 21.3 billion was issued in 2011, a large portion of it in April, when notes worth USD 1.9 billion, or DKK 9.8 billion, were issued under the US note programme.

On 16 June 2009, Danske Bank entered into an agreement on state-guaranteed bond issues with maturities of up to three years (Bank Package 2). At the end of 2011, Danske Bank had issued state-guaranteed bonds for DKK 36.4 billion maturing in 2012. The amount required to redeem the bonds is included in the liquidity reserve.

In the autumn of 2011, the Danish central bank expanded its lending facility to Danish banks by allowing them to borrow on the basis of collateral consisting of high-quality loans. A number of other European countries have similar programmes. The Danish central bank followed the ECB by introducing an option to raise loans with a maturity of three years. The initiatives are likely generally to benefit the funding markets and offer banks a way of optimising their liquidity management. At the end of 2011, the Group had drawn around DKK 11 billion on the ECB facility.

Regulations

New regulations for the financial sector are being proposed in the EU and beyond. The Group follows this process closely and supports measures to strengthen the resilience of the sector and its ability to support economic growth.

In July 2011, the European Commission published its proposal for a major revision of the CRD (CRD IV). The proposal will implement the Basel III rules in the EU. The political negotiations will continue in the period until 2013, and the final rules may differ from the original proposal.

The rules will come into force at the beginning of 2013. According to the proposal, the details of the liquidity regulations will be determined later, and the member states must determine the degree of phasing-in of the capital requirements in the period until 2019.

The Group considers it important that the phasing-in of the new capital requirements in the EU does not deviate from the Basel III phasing-in period agreed on internationally.

The Group does not expect the European Commission's proposal for CRD IV to lead to stricter capital requirements than those in the Basel III rules and will thus be well prepared to meet future EU capital requirements.

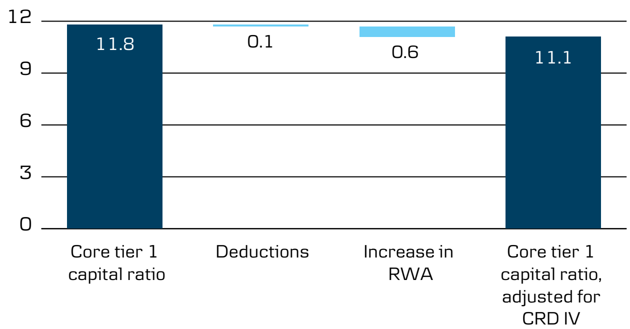
Fully phased-in CRD IV rules are estimated to reduce the Group's current core tier 1 capital ratio of 11.8% by about 0.7 of a percentage point.

The Group estimates that an increase in RWA because, for example, of higher capital requirements for counterparty risk will account for 0.6 of a percentage point of the reduction. Because of changes in market conditions, however, estimates of the increase in RWA may be relatively volatile over time.

The rest of the reduction in the core tier 1 capital ratio derives from deductions, primarily the expected deduction for net assets in defined benefit pension plans.

CORE TIER 1 CAPITAL RATIO, ADJUSTED FOR CRD IV

(%)



Under EU rules, the Group is defined as a financial conglomerate. Danica Pension is therefore included in the consolidated supervision of the Group. The Group uses the EU rules for financial conglomerates to calculate the deduction for its investment in Danica Pension. With CRD IV, the European Commission is proposing that national supervisory authorities may allow financial institutions to continue to use the conglomerate rules instead of the future deduction rules under CRD IV.

In early 2013, the EBA will make proposals to clarify the existing deduction rules under the Financial Conglomerates Directive. The European Commission is also expected to propose a major revision of the Financial Conglomerates Directive in 2013. The Danish rules for financial conglomerates' recognition of insurance subsidiaries in solvency statements may therefore be amended.

The estimated effect of CRD IV on the Group's capital position does not factor in a possible change in capital requirements for Danica Pension as a result of clarifications by the EBA or changes to the Financial Conglomerates Directive. Assuming that the current deduction of DKK 8.4 billion for the Group's investment in Danica Pension is made entirely from core tier 1 capital, the isolated reduction of the core tier 1 capital ratio is estimated to be 0.9 of a percentage point. Under current rules, the deduction for the investment in Danica Pension is made in equal parts from tier 1 capital and tier 2 capital.

The deduction rules of the CRD IV proposal and Basel III for investments in insurance subsidiaries that are not part of financial conglomerates entail a deduction for the part of the investment that exceeds 10% of a credit institution's core tier 1 capital. If this approach were applied to the DKK 18.9 billion investment in Danica Pension, the isolated effect on the core tier 1 capital ratio would be a reduction of about 1.0 percentage point at the end of 2011.

As regards liquidity, the CRD IV proposal contains a definition of liquid assets under the short-term Liquidity Coverage Ratio (LCR) that is broader than the Basel III definition. This opens the possibility for Danish mortgage bonds to be included in the liquidity buffer in line with Danish government bonds and other bonds. The final criteria for LCR must be determined before the LCR becomes effective as a minimum requirement in 2015.

The Group considers it positive that the CRD IV proposal includes plans to postpone until 2016 the decision on whether to introduce long-term stable funding requirements, such as the Basel III Net Stable Funding Ratio (NSFR), in 2018. In November 2011, the G20 countries agreed on a set of international guidelines for the regulation and supervision of systemically important financial institutions (SIFIs).

According to the guidelines, SIFIs must have loss-absorbing capacity above the Basel III minimum requirements. A group of global SIFIs in the banking sector has been designated. They will be subject to stricter supervision and higher capital buffer requirements than those in Basel III.

As part of the political agreement on Bank Package 4 of September 2011, a committee will be set up to analyse, on the basis of future EU regulations, the criteria that a bank must meet in order to be considered a Danish SIFI. The committee will also set forth the requirements that will be placed on Danish SIFIs and the instruments that can be used for SIFIs that encounter difficulties.

Against this background, the Group expects that it will be considered a Danish SIFI. Its position is that any requirements placed upon SIFIs in Denmark must be based on a set of clear international rules in order to avoid competitive distortions because of local differences in the treatment of SIFIs.


Market

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. In 2011, Danske Bank won IR Global Rankings' award for Best Ranked IR Website.

To support stakeholder relations, Investor Relations holds roadshows four times a year upon the release of the Group's financial reports. In 2011, the roadshows covered the Nordic countries, Europe, the US and Canada and attracted around 450 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 2011, 28 equity analysts (seven in Denmark) had issued research 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 2011, Danske Bank shares had an index weighting of about 7.3%.

The share price fell from DKK 132.3 at 31 December 2010 to DKK 73.0 at 31 December 2011, a decline of 45%. In comparison, the OMXC20 index lost 15%, while the MSCI Europe Banks Index was down 34%.

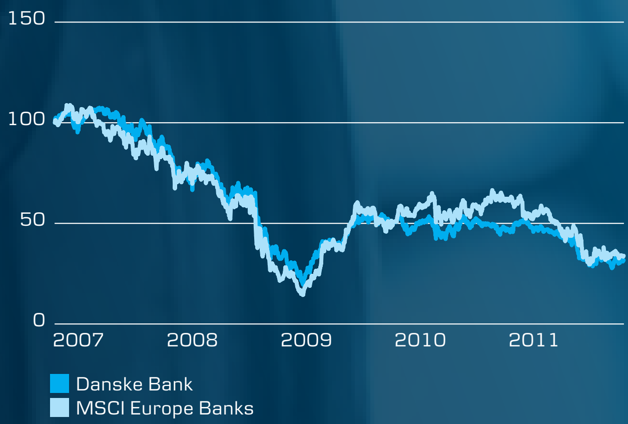
The average daily trading volume of Danske Bank shares was DKK 227 million, against DKK 207 million in 2010. Danske Bank shares were some of the most actively traded shares in the OMXC20 index.

DANSKE BANK SHARES (DKK)	2011	2010
Share capital (millions)	9,317	6,988
Share price (end of year)	73.0	132.3
Total market capitalisation (end of year) (billions)	68	99
Earnings per share	1.9	4.9
Dividend per share	-	-
Book value per share	135.7	140.0
Share price/book value per share	0.5	0.9

Share ratios have been divided by a factor of 1.0807 to reflect the share capital increase in April 2011. At the end of 2010, the actual price of Danske Bank shares was DKK 143.0.

Over the past five years, Danske Bank shares have generated an average annual return of -19%, including dividends. The corresponding figure for the MSCI Europe Banks Index is an annual average of -24%.

DANSKE BANK SHARES
Index 2007 = 100



Dividend policy

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

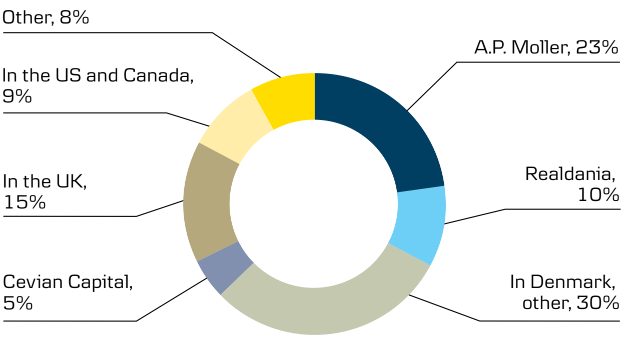
Since 1 October 2010, and for as long as the Danish state holds hybrid capital in Danske Bank, the Group may distribute dividends only if the dividends can be paid in full out of the net profit. The loan agreement with the Danish state also stipulates an increase in the interest rate if annual dividend payments exceed DKK 4.9 billion.

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. In view of the macroeconomic and regulatory uncertainty, however, the Board is recommending that no dividend be paid for 2011.

Shareholders

At the end of 2011, Danske Bank had about 338,000 shareholders. Twenty investors owned about 49% of the share capital.

DANSKE BANK'S SHAREHOLDERS 2011



Danske Bank estimates that shareholders outside Denmark, mainly in the UK and the US, hold more than 37% of its share capital.

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. Three 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 22.84% of the share capital.
- Realdania, Copenhagen, holds 10.07% of the share capital.
- Cevian Capital II GP Limited holds 5.02% of the share capital.

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

At the end of 2011, Danske Bank itself held around 0.5% 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 policyholders and under pooled schemes.

ORGANISATION AND MANAGEMENT

DANSKE BANK'S MANAGEMENT STRUCTURE

BOARD OF DIRECTORS

INTERNAL AUDIT

BOARD OF DIRECTORS SECRETARIAT

EXECUTIVE BOARD

EXECUTIVE COMMITTEE

BANKING ACTIVITIES

DANSKE MARKETS AND TREASURY

DANSKE CAPITAL

DANICA PENSION

OTHER

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 most recently revised in August 2011. The recommendations are available at www.corporategovernance.dk. NASDAQ OMX Copenhagen A/S requires all listed companies to comply with the recommendations or explain why they do not. The www.danskebank.com/CGreport site provides explanations and details about the Group's compliance with the recommendations.

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 that 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 no 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.

In 2011, Danske Bank held its annual general meeting on 29 March. The agenda, presentation and webcast of the chairman's reports at this and previous general meetings are available at www.danskebank.com/CGreport.

The next annual general meeting will be held on 27 March 2012.

The Board of Directors calls the general meeting by announcement in the Danish Business Authority's IT system and on the Group's website. Written notice of the general meeting is given to all registered shareholders who have requested such 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 on and voting methods and to conclude debates.

The general meeting will continue to have electronic voting. 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 elected by the general meeting, 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.

The Board consists of 13 members; eight 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 17 meetings in 2011; 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.

In recent 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.

Changes to the Board of Directors

On 19 December 2011, Ole Andersen took over from Eivind Kolding as Chairman of the Board of Directors, and Niels B. Christiansen was elected Vice Chairman.

The Board of Directors will propose to the general meeting for 2011 that the members elected by the general meeting be re-elected, except for Peter Højland, who has decided not to stand for re-election, and Claus Vastrup, who is resigning from the Board of Directors as a result of the age limit for board members fixed by the Board of Directors. The Board of Directors will propose to the general meeting that Trond Ø. Westlie, CFO of A.P. Møller – Mærsk A/S, Jørn P. Jensen, CFO of Carlsberg A/S, and Urban Bäckström, Director General of the Confederation of Swedish Enterprise, be elected to the Board.

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 six meetings in 2011.

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 2011.

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 2011.

The Nomination Committee identifies potential Executive Board and Board of Directors candidates and recommends Board of Directors candidates to the Board of Directors for election at the general meeting. The Nomination Committee held six meetings in 2011.

Corporate governance recommendations

Danske Bank complies with all recommendations of the Danish Committee on Corporate Governance, with the exception that it does not disclose independence/dependence classifications.

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 board members elected by the general meeting

are deemed dependent owing to the length of their service on the Board or a material business relationship.

Claus Vastrup joined the Board of Directors on 1 January 1995 and has thus been a board member for more than 12 years and must be deemed dependent.

The Group has credit exposure 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 the Group.

Because of the confidentiality of banking relationships, 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.

The Board will strive to ensure that more than half its members are deemed independent and that it thus complies with the recommendations. This was the case in 2011.

Ole Andersen 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.

The Group strives to maintain diversity and bring more women into management positions because management believes that many talented candidates will otherwise be lost. The Group therefore participates in several initiatives, including the Danish government's Charter for More Women in Management, which the Group has signed, and Operation Chain Reaction: Recommendations for More Women on Supervisory Boards. By participating in these initiatives, the Group has set specific targets for its diversity efforts. The Board of Directors discusses the targets at least once a year in accordance with the corporate governance recommendations.

Executive Board

The Executive Board consists of Peter Straarup, Chief Executive Officer; Tonny Thierry Andersen, head of Retail Banking Denmark; Thomas F. Borgen, head of the Group's international banking activities, Corporate & Institutional Banking, Danske Markets and Treasury; Henrik Ramlau-Hansen, head of Group Finance; Georg Schubiger, head of COO Areas (Group Business Development, Group Marketing, Group IT, Group Operations and Group Procurement); and Per Skovhus, head of Group Credit.

On 15 February 2012, when Peter Straarup retires, Eivind Kolding will replace Peter Straarup as Chief Executive Officer.

Per Skovhus, head of Group Credit, wishes to resign for personal reasons and will leave the Executive Board no later than 1 July 2012.

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 Executive Committee has 19 members, including the members of 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 2011. 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. The Board of Directors determines the Executive Board's remuneration, which consists of a fixed salary, various types of performance-based compensation and pension contributions. 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.

On the basis of guidelines issued by the EBA, the rules on financial sector remuneration in Denmark in the Danish Financial Business Act have become more strict. Subsidiaries outside Denmark must also comply with stricter rules as a result of the implementation of the EBA guidelines in national legislation. Consequently, the Group must comply with new remuneration rules and more extensive disclosure requirements regarding the remuneration of the Board of Directors, the Executive Board and other risk takers.

The rules for the remuneration of the Board of Directors, the Executive Board and risk takers entail placing limits on the size of performance-based compensation and deferring the payment of part of such remuneration. Recipients may lose part or all of their deferred remuneration, depending on future results.

Including the Board of Directors and the Executive Board members registered by the Danish Business Authority, the Group has identified 158 persons as material risk takers for 2011.

The general meeting held in March 2011 approved two incentive programmes:

- An 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.
- An incentive programme for selected specialists and managers (about 700 participants), with the possibility of performance-based compensation of up to three months' salary.

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

In compliance with the rules for reporting remuneration practices, the Group has issued a special report outlining the principles for remuneration of staff covered by the new rules. The report is available in the Corporate Governance section of the Group's website.

Note 9 of the consolidated financial statements provides individual remuneration and salary details for the members of 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 regarding 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 and estimates 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.

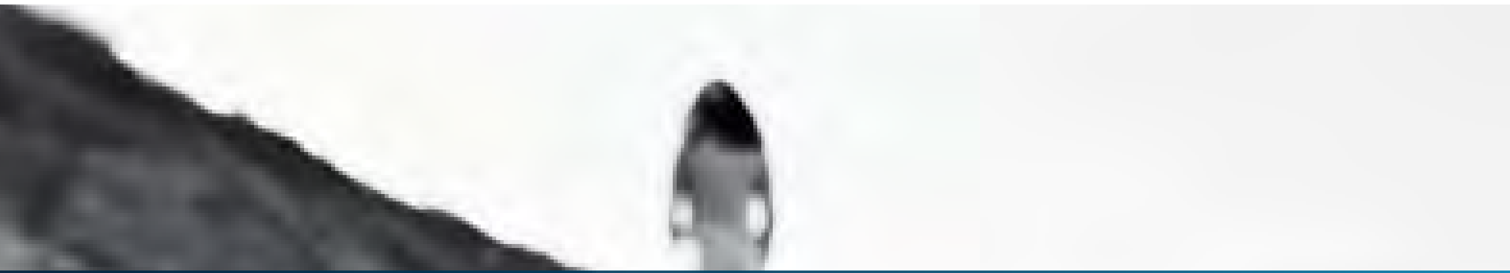
The Group has a well-established procedure of daily and monthly reporting, including deviation reports for the individual organisational levels. Internal management reporting is based on the same principles as external reporting, and local and central units use the same data and reporting systems. Group 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 Group's www.danskebank.com/CGreport site gives a complete overview of compliance with the recommendations of the Danish Committee on Corporate Governance and provides more information about corporate governance.

CORPORATE RESPONSIBILITY



In the current environment of worldwide financial unrest and instability, Corporate Responsibility (CR) remains a central part of the Danske Bank Group's long-term strategy for its contribution to society.

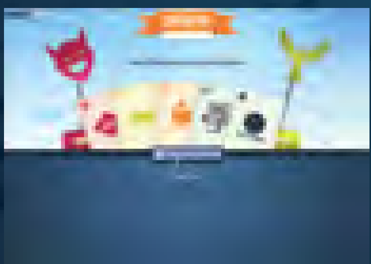
Financial literacy for young people

Since 2007, the Group has been developing personal finance learning activities for children and young people. The first four initiatives under the Group's Financial Literacy and Education Investment programme have been a great success, with more than six million games played in the Danish version of the Moneyville online universe. The number of games played in the non-Danish versions since their launch totals more than two million. In 2011, the Group expanded the programme with the Dream On game for young people aged 15 to 17, and the programme now offers initiatives for children and young people aged 5 to 27. With the Dream On game, the Group continued its practice of collaborating extensively with learning experts, game developers, psychologists and others to develop the games. The players must make financial decisions and carry out virtual actions that determine whether they can realise their dreams or must dream on about a financially secure future. In 2012, Dream On will also be launched at other of the Group's business units.

The Group will continue to promote its financial literacy initiatives in the years ahead.

CR governance

In 2011, the Group updated its code of conduct and merged it with its ethical guidelines. As was the case with previous policies, the new code of



DREAM ON

The online game Dream On was launched in Denmark and Norway in 2011.

conduct applies to all employees and describes the Group's ethical guidelines for customer relations, employee behaviour, anti-corruption measures and bribery. The code of conduct also reflects the latest updates to the UK Bribery Act. It has been approved by the Board of Directors and is available to staff on the Group's intranet and to the public at www.danskebank.com.

Whistleblower system

The Group wants to establish and maintain an environment that encourages a free flow of information and provides security and protection from reprisals for staff who report suspicious activity.

Reports and questions received through the whistleblower system are treated confidentially and are passed on to the Group chief auditor, the Group general counsel and the Board of Directors' Audit Committee.

To increase transparency in the handling of irregularities, in 2011, the Group began disclosing the number of reports and questions received through the whistleblower system. In 2011, three matters were reported through the whistleblower system. They resulted in two warnings and one dismissal.

Socially responsible investing

Since 2008, the Group has had 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, employee rights, the environment, weapons and anti-corruption.

In 2011, the SRI screening process resulted in the exclusion of a few businesses from the Group's investment universe, while others made improvements that enabled them to be included in the investment universe again.

Responsible sourcing

Since 2006, the Group has required selected suppliers and product groups to comply with specific environmental criteria. In 2010, the requirements were expanded to include a new purchasing policy according to which the Group assesses the environmental, ethical and social risks related to suppliers. In 2011, the Group began implementing the policy with a comprehensive risk assessment of suppliers. By the end of the year, 429 of the suppliers managed through the purchasing department had been subjected to risk assessment.

In 2012, the Group will carry out further screenings and initiate dialogues with high-risk suppliers according to the plan prepared in 2010.

Women in management

Since the Group signed the Danish government's Charter for More Women in Management, it has committed itself to making an effort to appoint more female managers. The first activity related to the charter was a report prepared in 2010. It showed that the proportion of female managers in the Group was 35%, while women made up 57% of the entire staff. In the report, the Group set the goal of lifting the proportion of female managers to 36% in 2012 and 37% in 2015, partly by ensuring a sufficient number of female candidates in the recruitment process. The Group has therefore set goals for the proportion of female managers in its talent development programmes and the proportion of female successors for management positions. By the end of 2011, the Group had already reached the goal of 36%.

CR reporting

The Group is publishing Corporate Responsibility 2011 at the same time as Annual Report 2011. All relevant CR data for the Group is available in CR Fact Book 2011, which is published together with Corporate Responsibility 2011.

The UN Global Compact is the largest voluntary network for corporate responsibility in the world. It is based on ten universally accepted principles for human rights, employee rights, the environment and anti-corruption. Since 2007, as a Global Compact participant, the Group has committed itself to reporting how it endeavours to fulfil the ten principles every year. The Group fulfils its reporting obligations to the Danish FSA by referring to the annual progress report submitted to the UN, Communication on Progress, which is available at www.unglobalcompact.org.

The Group's CR reporting complies with the Sustainability Reporting Guidelines issued by the Global Reporting Initiative (GRI). A GRI Index matching the ten universal Global Compact principles is available at www.danskebank.com/responsibility. Also, as part of its increased efforts on socially responsible investing, the Group, for the first time, has reported on the extent to which it complies with the UN Principles for Responsible Investment and has described the implementation of the principles in its investment processes.

DOWNLOAD CORPORATE RESPONSIBILITY 2011

www.danskebank.com/responsibility

FINANCIAL STATEMENTS – DANSKE BANK GROUP

INCOME STATEMENT – DANSKE BANK GROUP

Note	(DKK millions)	2011	2010
	Interest income	80,819	79,625
4	Interest expense	47,478	43,642
	Net interest income	33,341	35,983
5	Fee income	11,760	11,803
5	Fee expenses	4,034	3,714
4	Net trading income	-3,326	5,984
6	Other income	5,469	4,798
7	Net premiums	20,475	18,253
8	Net insurance benefits	18,705	26,172
	Income from associates	125	84
	Profit on sale of associates and group undertakings	16	659
9	Staff costs and administrative expenses	24,280	24,014
11	Amortisation, depreciation and impairment charges	3,451	3,397
	Profit before loan impairment charges	17,390	20,267
12	Loan impairment charges	13,185	13,817
	Profit before tax	4,205	6,450
13	Tax	2,482	2,786
	Net profit for the year	1,723	3,664

	Portion attributable to		
	shareholders of Danske Bank A/S (the Parent Company)	1,712	3,661
	non-controlling interests	11	3
	Net profit for the year	1,723	3,664
	Earnings per share (DKK)	1.9	4.9
	Diluted earnings per share (DKK)	1.9	4.9
	Proposed dividend per share (DKK)	-	-

Earnings per share and diluted earnings per share have been divided by a factor of 1.0807 to reflect the share capital increase in April 2011.

STATEMENT OF COMPREHENSIVE INCOME – DANSKE BANK GROUP

Note	(DKK millions)	2011	2010
	Net profit for the year	1,723	3,664
	Other comprehensive income		
	Translation of units outside Denmark	223	1,009
	Hedging of units outside Denmark	-273	-961
	Unrealised value adjustments of available-for-sale financial assets	-951	-145
	Realised value adjustments of available-for-sale financial assets	28	44
13	Tax on other comprehensive income	285	242
	Total other comprehensive income	-688	189
	Total comprehensive income for the year	1,035	3,853
	Portion attributable to		
	shareholders of Danske Bank A/S (the Parent Company)	1,024	3,850
	non-controlling interests	11	3
	Total comprehensive income for the year	1,035	3,853

BALANCE SHEET – DANSKE BANK GROUP

Note	(DKK millions)	2011	2010
	ASSETS		
14	Cash in hand and demand deposits with central banks	28,617	35,403
15	Due from credit institutions and central banks	180,870	228,100
16	Trading portfolio assets	909,755	641,993
17	Investment securities	109,264	118,556
18	Loans and advances at amortised cost	1,126,482	1,146,731
19	Loans at fair value	720,741	701,715
20	Assets under pooled schemes and unit-linked investment contracts	61,888	59,698
21	Assets under insurance contracts	230,668	217,515
22	Holdings in associates	989	1,040
23	Intangible assets	22,233	22,936
24	Investment property	4,624	4,799
25	Tangible assets	7,267	7,861
	Current tax assets	580	1,404
29	Deferred tax assets	1,791	1,693
26	Other assets	18,634	24,442
	Total assets	3,424,403	3,213,886
	LIABILITIES		
27	Due to credit institutions and central banks	393,388	317,988
16	Trading portfolio liabilities	697,913	478,386
28	Deposits	848,994	861,053
19	Bonds issued by Realkredit Danmark	557,699	555,486
20	Deposits under pooled schemes and unit-linked investment contracts	69,211	67,277
21	Liabilities under insurance contracts	248,966	238,132
31	Other issued bonds	366,920	450,219
	Current tax liabilities	423	858
29	Deferred tax liabilities	6,278	6,003
30	Other liabilities	41,428	56,406
32	Subordinated debt	67,328	77,336
	Total liabilities	3,298,548	3,109,144
	SHAREHOLDERS' EQUITY		
	Share capital	9,317	6,988
	Foreign currency translation reserve	-186	-136
	Reserve for available-for-sale financial assets	-2,253	-1,330
	Retained earnings	118,917	99,205
	Proposed dividends	-	-
	Shareholders of Danske Bank A/S (the Parent Company)	125,795	104,727
	Non-controlling interests	60	15
	Total shareholders' equity	125,855	104,742
	Total liabilities and equity	3,424,403	3,213,886

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 2011	6,988	-136	-1,330	99,205	-	104,727	15	104,742
Net profit for the year	-	-	-	1,712	-	1,712	11	1,723
Other comprehensive income								
Translation of units outside Denmark	-	223	-	-	-	223	-	223
Hedging of units outside Denmark	-	-273	-	-	-	-273	-	-273
Unrealised value adjustments of available-for-sale financial assets	-	-	-951	-	-	-951	-	-951
Realised value adjustments of available-for-sale financial assets	-	-	28	-	-	28	-	28
Tax on other comprehensive income	-	-	-	285	-	285	-	285
Total other comprehensive income	-	-50	-923	285	-	-688	-	-688
Total comprehensive income for the year	-	-50	-923	1,997	-	1,024	11	1,035
Transactions with owners								
Share capital increase	2,329	-	-	17,703	-	20,032	-	20,032
Share offering costs	-	-	-	-271	-	-271	-	-271
Acquisition of own shares	-	-	-	-16,470	-	-16,470	-	-16,470
Sale of own shares	-	-	-	16,596	-	16,596	-	16,596
Share-based payments	-	-	-	127	-	127	-	127
Acquisition of non-controlling interests	-	-	-	-	-	-	34	34
Tax on entries on shareholders' equity	-	-	-	30	-	30	-	30
Shareholders' equity at 31 December 2011	9,317	-186	-2,253	118,917	-	125,795	60	125,855
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								
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

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

STATEMENT OF CAPITAL – DANSKE BANK GROUP

(DKK millions)	2011	2010
Earnings per share		
Net profit for the year	1,712	3,661
Number of shares issued at 1 January	698,804,276	698,804,276
Average number of own shares held by the Group	6,115,822	7,271,671
Average number of shares outstanding prior to capital increase	692,688,454	691,532,605
Average number of shares issued through capital increase	171,669,726	-
Bonus element of rights issue in capital increase, number of shares	14,823,492	56,360,151
Adjusted average number of shares outstanding after capital increase	879,181,672	747,892,756
Number of dilutive shares issued for share-based payments	-	-
Adjusted average number of shares outstanding after capital increase, including dilutive shares	879,181,672	747,892,756
Earnings per share (DKK)	1.9	4.9
Diluted earnings per share (DKK)	1.9	4.9

Earnings per share and diluted earnings per share have been divided by a factor of 1.0807 to reflect the share capital increase in April 2011.

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	931,739,034	698,804,276
Group holding of own shares	4,627,536	7,013,181
Shares outstanding at 31 December	927,111,498	691,791,095

Holding of own shares	Number 2011	Number 2010	Value 2011	Value 2010
Trading portfolio	540,255	3,364,430	39	481
Investment on behalf of customers	4,087,281	3,648,751	299	522
Total	4,627,536	7,013,181	338	1,003

	Trading portfolio	Investment on behalf of customers	Total 2011	Total 2010
Holding at 1 January	481	522	1,003	1,020
Acquisition of own shares	16,200	270	16,470	19,195
Sale of own shares	16,375	221	16,596	19,316
Value adjustment	-267	-272	-539	104
Holding at 31 December	39	299	338	1,003

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 price quoted at the time of acquisition.

STATEMENT OF CAPITAL – DANSKE BANK GROUP

Note	(DKK millions)	2011	2010
	Capital base and total capital ratio		
	Shareholders' equity	125,855	104,742
	Revaluation of domicile property at fair value	1,281	1,253
	Pension obligations at fair value	348	-73
	Tax effect	-58	2
	Reserves in undertakings consolidated on a pro rata basis	2,991	3,002
	Shareholders' equity calculated in accordance with the rules of the Danish FSA	130,417	108,926
	Expected dividends	-	-
	Intangible assets of banking operations	-22,127	-22,666
	Deferred tax assets	-1,600	-1,548
	Deferred tax on intangible assets	923	1,069
	Revaluation of domicile property	-743	-675
	Other statutory deductions	-44	-
	Core tier 1 capital	106,826	85,106
	Hybrid capital	42,366	42,208
	Difference between expected losses and impairment charges	-	-
	Statutory deduction for insurance subsidiaries	-4,175	-2,422
	Other statutory deductions	-	-55
	Tier 1 capital	145,017	124,837
	Subordinated debt, excluding hybrid capital	20,480	26,710
	Hybrid capital	-	-
	Revaluation of domicile property	743	675
	Difference between expected losses and impairment charges	-	-
	Statutory deduction for insurance subsidiaries	-4,175	-2,422
	Other statutory deductions	-	-55
	Capital base	162,065	149,745
36	Risk-weighted assets	905,979	844,209
	Core tier 1 capital ratio (%)	11.8	10.1
	Tier 1 capital ratio (%)	16.0	14.8
	Total capital ratio (%)	17.9	17.7

The total capital and tier 1 capital ratios are calculated in accordance with the Capital Requirements Directive.

Risk Management 2011 provides more details about the Group's solvency need. Risk Management 2011 is not covered by the statutory audit.

CASH FLOW STATEMENT – DANSKE BANK GROUP

(DKK millions)	2011	2010
Cash flow from operations		
Profit before tax	4,205	6,450
Adjustment for non-cash operating items		
Adjustment of income from associates	-125	-84
Amortisation and impairment charges for intangible assets	1,127	984
Depreciation and impairment charges for tangible assets	1,215	1,385
Loan impairment charges	13,185	13,817
Tax paid	-671	-1,076
Other non-cash operating items	1,857	-3,721
Total	20,793	17,755
Changes in operating capital		
Cash in hand and demand deposits with central banks	75,106	14,204
Trading portfolio	-48,236	75,878
Other financial instruments at fair value	-9,734	-2,490
Loans and advances at amortised cost	7,065	-33,406
Loans at fair value	-19,026	-13,242
Deposits	-12,060	1,474
Bonds issued by Realkredit Danmark	2,213	38,431
Assets/liabilities under insurance contracts	-2,320	-6,315
Other assets/liabilities	-76,455	-52,024
Cash flow from operations	-62,654	40,265
Cash flow from investing activities		
Acquisition of group undertakings and other business units	-	-
Sale of group undertakings and other business units	19	-
Acquisition of own shares	-16,470	-19,195
Sale of own shares	16,596	19,316
Acquisition of intangible assets	-418	-362
Acquisition of tangible assets	-349	-452
Sale of tangible assets	10	80
Cash flow from investing activities	-612	-613
Cash flow from financing activities		
Increase in subordinated debt and hybrid capital	-	-
Redemption of subordinated debt and hybrid capital	-10,850	-4,848
Dividends	-	-
Share capital increase	19,761	-
Change in non-controlling interests	45	15
Cash flow from financing activities	8,956	-4,833
Cash and cash equivalents at 1 January	260,607	225,788
Change in cash and cash equivalents	-54,310	34,819
Cash and cash equivalents at 31 December	206,297	260,607
Cash and cash equivalents at 31 December		
Cash in hand and demand deposits with central banks	28,617	35,403
Amounts due from credit institutions and central banks within three months	177,680	225,204
Total	206,297	260,607

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

NOTES – DANSKE BANK GROUP

Note

1 **Critical accounting policies and estimates**

The Danske Bank Group prepares 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 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

Critical estimates are not required to measure the fair value of financial instruments based on prices quoted in an active market or based on generally accepted models employing observable market data.

Measurements of financial instruments that are only to a limited extent based on observable market data, such as the measurement of unlisted shares and certain bonds for which there is no active market, are subject to estimates. The estimated fair value of illiquid bonds significantly depends on the credit spread estimate. If the credit spread widens 50bp, the fair value of the bonds will decrease DKK 3 million. The sections on determination of fair value in notes 45 and 43 provide more details. At end-2011, financial instruments measured on the basis of non-observable input accounted for around 0.7% 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 value of collateral. The Group determines the need for impairment charges on the basis of the customer's expected ability to repay the debt. This ability depends on a number of factors, including the customer's earnings capacity and trends in general economic growth and unemployment. Expectations of deteriorating repayment ability reduce credit quality and lead to downgrading of the customer.

If all customers were downgraded one rating category, collective impairment charges would increase by about DKK 5.0 billion. The losses incurred under non-performing loan agreements depend, among other factors, on the value of collateral received. If the value of collateral decreased 10%, individual impairment charges would increase by about DKK 3.4 billion. The notes on risk management provide more details on impairment charges for loans and advances. At end-2011, loans and advances accounted for around 54% of total assets.

Measurement of goodwill

Goodwill on acquisition is tested for impairment once a year or more frequently if indications of impairment exist. Impairment testing requires management to 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 and competition. Goodwill is particularly sensitive to changes in impairment test assumptions about the normalised long-term return. If this return is lowered 20%, goodwill will decrease DKK 0.3 billion. Note 23 provides more information about impairment testing and sensitivity to changes in impairment test assumptions. At end-2011, goodwill amounted to DKK 18.6 billion, or 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 a number of estimates, including mortality and disability estimates. Estimates are based on data from the Group's own portfolio of insurance contracts. The liabilities also depend on the discount yield curve, which 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 yield spread between Danish and German government bonds and a mortgage yield curve spread. At the end of 2011, the yield spread was calculated as a 12-month moving average, reducing life insurance provisions by DKK 2.8 billion. The notes on risk management contain a sensitivity analysis. At end-2011, liabilities under insurance contracts accounted for less than 8% of total liabilities.

Measurement of the net obligation for defined benefit pension plans

The calculation of the net obligation 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 reported figures that arise as a result of changes in actuarial assumptions, unless changes are caused by plan adjustments. The measurement of the net obligation for defined benefit plans is particularly sensitive to changes in the discount rate. If the discount rate is lowered one percentage point, the net obligation will increase by DKK 2.5 billion. Most of the increase, DKK 2.0 billion, does not exceed the corridor method's threshold values, while the remainder, DKK 0.5 billion, will be expensed over the next ten years. Note 35 provides details on the assumptions, and the section on pension risk in the notes on risk management contains a sensitivity analysis. At end-2011, the net pension obligation accounted for less than 0.01% of total liabilities.

NOTES – DANSKE BANK GROUP

Note

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

2011	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	-	-	-	-	-	29	-	29
Due from credit institutions and central banks	-	-	-	-	-	181	-	181
Derivatives	512	-	39	-	-	-	-	551
Bonds	358	25	-	70	11	-	-	464
Shares	-	3	-	-	-	-	-	3
Loans and advances at amortised cost	-	-	3	-	-	1,123	-	1,126
Loans at fair value	-	721	-	-	-	-	-	721
Assets under pooled schemes and unit-linked investment contracts	-	62	-	-	-	-	-	62
Assets under insurance contracts	-	201	-	-	-	-	-	201
Total financial assets	870	1,012	42	70	11	1,333	-	3,338
LIABILITIES								
Due to credit institutions and central banks	-	-	-	-	-	-	393	393
Trading portfolio liabilities	685	-	13	-	-	-	-	698
Deposits	-	-	-	-	-	-	849	849
Bonds issued by Realkredit Danmark	-	558	-	-	-	-	-	558
Deposits under pooled schemes and unit-linked investment contracts	-	69	-	-	-	-	-	69
Liabilities under insurance contracts*	-	249	-	-	-	-	-	249
Other issued bonds	-	-	11	-	-	-	356	367
Subordinated debt	-	-	5	-	-	-	62	67
Irrevocable loan commitments and guarantees	-	-	-	-	-	-	-	-
Total financial liabilities	685	876	29	-	-	-	1,660	3,250

* 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 fixed-rate bonds available for sale is also hedged by derivatives.

NOTES – DANSKE BANK GROUP

Note

1 (cont'd)

Recognition of 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 management to assess the probability and amount of future taxable profit at units with unused tax losses. At end-2011, deferred tax assets stood at DKK 1.4 billion, or 0.04% of total assets. The tax base of unrecognised tax loss carry-forwards, primarily relating to the Group's banking operations in Ireland, amounted to DKK 1.7 billion. Note 29 provides more information about deferred tax.

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 through 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

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

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.

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 in 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 the criteria for fair value hedge accounting are treated accordingly. The interest rate risk on the hedged assets and liabilities is measured at fair value through profit or loss. At end-2011, hedging derivatives measured at fair value accounted for around 1.1% of total assets and around 0.4% 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.

NOTES – DANSKE BANK GROUP

Note

1 (cont'd) ***Future adjustments to the measurement of financial instruments***

In October 2010, the IASB reissued IFRS 9, Financial Instruments. The aim of the overall reissuance project is, once the amendments to IFRS 9 are completed, to let the standard replace IAS 39 in its entirety. IFRS 9 now provides principles for classification and derecognition of financial instruments. Principles for impairment and hedge accounting are expected to follow in 2012 or 2013.

The transitional rules of the amended IFRS 9 prescribe implementation of the standard by 2015. The EU has decided to postpone adoption of the amended IFRS 9 until the details of the entire standard are known. The Group does not expect the amended IFRS 9 to materially affect the measurement of its financial instruments.

In December 2011, the IASB clarified its IAS 32 requirements for offsetting financial instruments. The clarification is expected to increase the offsetting of positive and negative fair values of derivatives.

Note 45, Significant accounting policies, describes IFRS 9 and the clarification of IAS 32 in more detail.

Insurance activities – general

The Group's net income from insurance business comprises the return on assets funded by Danica Pension's shareholders' equity, the income from unit-linked business and the health and accident business, and a risk allowance for conventional life insurance. The risk allowance is determined in accordance with the Danish FSA's executive order on the contribution principle. If the technical basis for the conventional life insurance business for a given period is insufficient to allow booking of the risk allowance, the amount may be booked in later periods when the technical basis permits. Insurance contracts guarantee a certain long-term return on policyholders' funds. If the technical basis exceeds the interest accrual to policyholders and the risk allowance, the difference is allocated to the bonus potential. The bonus potential serves as a risk buffer. If the technical basis is insufficient to cover the interest accrual to policyholders, the shortfall is covered by the bonus potential. If the bonus potential is insufficient to cover the shortfall, the difference is paid by the Group. Similarly to the booking of the risk allowance, amounts paid by the Group are booked to the shadow account and may be recovered at a later date when the technical basis permits.

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 as aggregate figures.

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.

Insurance premiums 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 in 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.

Assets funded by shareholders' equity

The separate pool of assets equal to shareholders' equity is recognised at fair value and consolidated with the other assets of the Group.

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, 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.

NOTES – DANSKE BANK GROUP

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 in 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 support functions. The Group's activities are segmented into business units in accordance with legislative requirements and by product and service characteristics.

Banking Activities comprises the Group's retail banking units and Corporate & Institutional Banking (CIB) operations. The retail banking units serve all types of personal customers, small and medium-sized enterprises, and private banking customers, who are served at the finance centres. Mortgage finance operations in Denmark are carried out through Realkredit Danmark. Real-estate brokerage is handled by the home, Skandia Mäklarna and Fokus Krogsveen real-estate agency chains. The results of the Group's mortgage finance operations and real-estate brokerage are included in the banking unit figures.

The CIB units serve the largest and most complex companies in the Nordic countries (pension funds, insurance companies and other financial institutions) and multinational companies with significant banking business in the Nordic countries. CIB products and services comprise lending, financial instruments for risk management and investment purposes, cash management services, advisory services on mergers and acquisitions, and assistance with equity and debt issues in the international financial markets. This two-tier structure of local, specialised CIB units and retail units applies to the Nordic markets.

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. Group Treasury is responsible for the Group's strategic fixed-income, foreign exchange and equity portfolios and serves as the Group's internal bank. Institutional banking covers facilities with international financial institutions outside the Nordic region. Facilities with Nordic financial institutions are part of Banking Activities.

Danske Capital develops and sells asset and wealth management products and services, which 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 customers outside the Group's home markets. Danske Capital operates 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 serves both personal and business 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 consists of the Group's real property activities, expenses for the Group's support functions, and eliminations, including the elimination of returns on own shares.

Capital is allocated to the individual business units on the basis of the 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, capital is allocated to the insurance business in compliance with these statutory requirements.

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.

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.

NOTES – DANSKE BANK GROUP

Note (DKK millions)

2 **Business segments 2011**

(cont'd)

	Banking Activities	Danske Markets and Treasury	Danske Capital	Danica Pension	Other Activities	Elimina-tions	Total	Reclassi-fication	Highlights
Net interest income	23,307	3,877	119	5,764	105	169	33,341	-9,804	23,537
Net fee income	6,533	371	1,795	-943	-33	3	7,726	572	8,298
Net trading income	1,386	1,405	65	-6,177	-115	110	-3,326	10,651	7,325
Other income	3,319	12	1	1,095	1,163	-121	5,469	-1,821	3,648
Net premiums	-	-	-	20,475	-	-	20,475	-20,475	-
Net insurance benefits	-	-	-	18,705	-	-	18,705	-18,705	-
Income from equity investments	7	51	-	45	38	-	141	-141	-
Net income from insurance business	-	-	-	-	-	-	-	569	569
Total income	34,552	5,716	1,980	1,554	1,158	161	45,121	-1,744	43,377
Expenses	20,801	2,652	1,093	985	2,313	-113	27,731	-1,744	25,987
Profit before loan impairment charges	13,751	3,064	887	569	-1,155	274	17,390	-	17,390
Loan impairment charges	14,241	-1,033	-23	-	-	-	13,185	-	13,185
Profit before tax	-490	4,097	910	569	-1,155	274	4,205	-	4,205
Loans and advances, excluding reverse transactions	1,659,808	41,731	5,929	-	8,950	-18,393	1,698,025	-	1,698,025
Other assets	558,251	6,010,023	17,378	291,166	36,116	-5,186,556	1,726,378	-	1,726,378
Total assets	2,218,059	6,051,754	23,307	291,166	45,066	-5,204,949	3,424,403	-	3,424,403
Deposits, excluding repo deposits	701,481	97,412	5,700	-	2,928	-12,246	795,275	-	795,275
Other liabilities	1,430,456	5,945,459	17,296	283,804	18,961	-5,192,703	2,503,273	-	2,503,273
Allocated capital	86,122	8,883	311	7,362	23,177	-	125,855	-	125,855
Total liabilities and equity	2,218,059	6,051,754	23,307	291,166	45,066	-5,204,949	3,424,403	-	3,424,403
Internal income	-1,614	16,775	203	1,759	-17,123	-	-		
Amortisation and depreciation charges	2,390	6	39	11	814	-	3,260		
Impairment charges for intangible and tangible assets	-	-	-	-	255	-	255		
Reversals of impairment charges	-	-	-	-	64	-	64		
Pre-tax profit as % of allocated capital (avg.)	-0.6	46.1	292.6	7.7	-5.0	-	3.3		
Cost/income ratio (%)	60.2	46.4	55.2	63.4	199.7	-	61.5		
Full-time-equivalent staff (avg.)	13,601	857	552	841	5,636	-	21,487		

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. The number of full-time equivalent staff does not include about 1,100 employees of fully consolidated subsidiaries taken over by the Group under non-performing loan agreements and held for sale.

Internal income and expenses are allocated to the individual segments on an arm's-length basis. The funding costs for lending and deposit activities are allocated on the basis of a maturity analysis of loans and deposits, interbank rates and funding spreads and depend on financial market trends. The Group changed its allocation of funding costs at 1 January 2011 to better reflect the rise in funding costs and the duration of loans and deposits. The change affects only the allocation between segments and the highlights.

NOTES – DANSKE BANK GROUP

Note (DKK millions)

2 **Business segments 2010**

(cont'd)

	Banking Activities	Danske Markets and Treasury	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	7,029	152	1,707	-762	-37	-	8,089	610	8,699
Net trading income	1,100	-2	39	5,112	-7	-258	5,984	1,723	7,707
Other income	3,085	21	5	491	1,299	-103	4,798	-916	3,882
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	34,755	6,659	1,873	3,144	1,434	-187	47,678	-1,401	46,277
Expenses	21,996	2,624	1,040	998	856	-103	27,411	-1,401	26,010
Profit before loan impairment charges	12,759	4,035	833	2,146	578	-84	20,267	-	20,267
Loan impairment charges	14,421	-617	13	-	-	-	13,817	-	13,817
Profit before tax	-1,662	4,652	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	491,860	4,710,477	10,025	274,443	203,103	-4,155,987	1,533,921	-	1,533,921
Total assets	2,129,574	4,756,263	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	1,366,033	4,648,522	10,125	268,711	174,854	-4,159,714	2,308,531	-	2,308,531
Allocated capital	67,396	4,964	291	5,732	26,359	-	104,742	-	104,742
Total liabilities and equity	2,129,574	4,756,263	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.)	-2.5	93.7	281.8	37.4	2.2	-	6.2		
Cost/income ratio (%)	63.3	39.4	55.5	31.7	59.7	-	57.5		
Full-time-equivalent staff (avg.)	13,673	826	538	894	5,867	-	21,798		

NOTES – DANSKE BANK GROUP

Note	(DKK millions)	2011	2010
2	**Income broken down by type of product**		
(cont'd)	Business banking	12,567	13,655
	Home finance and savings	9,279	9,978
	Trading	7,799	8,819
	Day-to-day banking	5,992	4,665
	Wealth management	3,250	3,053
	Leasing	3,299	3,047
	Insurance	1,616	3,214
	Other	1,319	1,247
	Total	45,121	47,678

Business banking comprises interest and fee income from transactions with business customers. Home finance and savings comprises interest and fee income from financing and 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 the Group's leasing operations. Insurance comprises income from Danica Pension and insurance 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 the activities are carried out. Assets (intangible assets, investment property, tangible assets and holdings in associates) are broken down by their location. Goodwill is allocated to the country in which the activities are carried out.

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

	Income External customers		Assets	
	2011	2010	2011	2010
Denmark	23,030	26,682	14,133	15,196
Finland	4,960	5,005	14,697	15,034
Sweden	7,153	5,162	558	577
Norway	4,491	4,622	609	705
Ireland	1,129	1,649	147	208
Baltics	768	924	2,180	2,167
UK	2,104	2,407	2,679	2,594
Germany	243	295	-	-
Luxembourg	302	281	21	24
Poland	126	129	-	-
US	238	45	88	130
Other	577	477	1	1
Total	45,121	47,678	35,113	36,636

NOTES – DANSKE BANK GROUP

Note (DKK millions)

3 **Banking Activities 2011**

	Denmark	Finland	Sweden	Norway	Northern Ireland	Ireland	Baltics	Other	CIB	Total
Net interest income	12,269	2,108	2,440	1,553	1,141	936	478	351	2,031	23,307
Net fee income	3,214	993	577	255	316	66	151	111	850	6,533
Net trading income	649	91	137	125	119	43	94	36	92	1,386
Other income	444	389	71	631	11	9	9	1,706	56	3,326
Total income	16,576	3,581	3,225	2,564	1,587	1,054	732	2,204	3,029	34,552
Expenses	8,841	3,228	1,716	1,848	1,267	718	366	1,761	1,056	20,801
Profit before loan impairment charges	7,735	353	1,509	716	320	336	366	443	1,973	13,751
Loan impairment charges	4,316	187	202	380	2,178	6,334	-255	155	744	14,241
Profit before tax	3,419	166	1,307	336	-1,858	-5,998	621	288	1,229	-490
Loans and advances	967,672	150,484	185,418	132,102	53,326	63,728	20,501	16,833	108,769	1,698,833
Credit exposure	976,962	158,008	203,319	145,658	52,480	52,695	22,158	55,586	256,188	1,923,054
Allowance account	18,180	1,974	1,226	1,474	5,083	13,820	2,244	381	1,455	45,837
Profit before loan impairment charges as % of allocated capital	18.0	5.5	15.1	10.2	15.2	10.6	27.9	26.2	17.3	16.0
Pre-tax profit as % of allocated capital (ROE)	7.9	2.6	13.1	4.8	-88.1	-189.7	47.4	17.1	10.8	-0.6
Cost/income ratio (%)	53.3	90.1	53.2	72.1	79.8	68.1	50.0	79.9	34.9	60.2
Deposit margin	0.68	0.56	0.78	1.04	0.77	0.26	0.15		0.65	
Lending margin	1.11	0.58	1.07	0.62	2.03	1.39	1.72		1.06	
Impairment charges as % of lending and guarantees	0.44	0.12	0.11	0.27	4.21	12.52	-1.35	0.73	0.56	0.82

Banking Activities 2010

	Denmark	Finland	Sweden	Norway	Northern Ireland	Ireland	Baltics	Other	CIB	Total
Net interest income	12,733	2,024	2,078	1,704	1,188	1,067	503	336	1,908	23,541
Net fee income	3,452	981	604	299	306	96	155	114	1,022	7,029
Net trading income	465	82	119	117	85	37	98	33	64	1,100
Other income	449	373	46	560	18	8	9	1,592	30	3,085
Total income	17,099	3,460	2,847	2,680	1,597	1,208	765	2,075	3,024	34,755
Expenses	10,323	3,102	1,516	1,725	1,183	844	353	1,683	1,267	21,996
Profit before loan impairment charges	6,776	358	1,331	955	414	364	412	392	1,757	12,759
Loan impairment charges	7,649	91	114	94	1,247	4,969	207	25	25	14,421
Profit before tax	-873	267	1,217	861	-833	-4,605	205	367	1,732	-1,662
Loans and advances	961,686	140,587	178,715	124,774	52,130	70,233	23,833	16,126	102,578	1,670,662
Credit exposure	973,075	146,697	198,334	138,386	51,872	62,678	25,314	63,443	254,535	1,914,334
Allowance account	19,089	2,036	1,193	1,469	3,078	9,564	2,892	348	935	40,604
Profit before loan impairment charges as % of allocated capital	19.8	7.6	19.3	18.2	21.9	13.0	35.9	26.3	19.6	18.9
Pre-tax profit as % of allocated capital (ROE)	-2.6	5.7	17.6	16.4	-44.1	-164.7	17.8	24.6	19.3	-2.5
Cost/income ratio (%)	60.4	89.7	53.2	64.4	74.1	69.9	46.1	81.1	41.9	63.3
Deposit margin	0.42	0.24	0.45	0.94	0.60	0.13	0.01		0.47	
Lending margin	1.18	0.77	1.15	0.85	2.02	1.56	1.80		1.07	
Impairment charges as % of lending and guarantees	0.77	0.06	0.06	0.07	2.46	8.11	0.96	0.12	0.02	0.83

NOTES – DANSKE BANK GROUP

Note	(DKK millions)							
3 (cont'd)	**Profit before loan impairment charges**	2011	2010	Index 11/10	Q4 2011	Q3 2011	Q2 2011	Q1 2011
	Retail Banking Denmark	7,735	6,776	114	1,953	2,154	1,850	1,778
	Retail Banking Finland	353	358	99	67	161	102	23
	Retail Banking Sweden	1,509	1,331	113	400	395	355	359
	Retail Banking Norway	716	955	75	184	197	179	156
	Banking Activities Northern Ireland	320	414	77	-17	154	81	102
	Banking Activities Ireland	336	364	92	99	88	70	79
	Banking Activities Baltics	366	412	89	86	102	89	89
	Other Banking Activities	443	392	113	101	106	104	132
	Corporate & Institutional Banking	1,973	1,757	112	572	493	484	424
	Total Banking Activities	13,751	12,759	108	3,445	3,850	3,314	3,142
	Danske Markets and Treasury	3,064	4,035	76	562	-650	1,367	1,785
	Danske Capital	887	833	106	301	212	170	204
	Danica Pension	569	2,146	27	976	-735	261	67
	Other Activities	-881	494	-	120	135	-278	-858
	Total Group	17,390	20,267	86	5,404	2,812	4,834	4,340

Profit before tax							
Retail Banking Denmark	3,419	-873	-	286	1,037	1,108	988
Retail Banking Finland	166	267	62	-63	99	136	-6
Retail Banking Sweden	1,307	1,217	107	245	399	350	313
Retail Banking Norway	336	861	39	75	66	163	32
Banking Activities Northern Ireland	-1,858	-833	-	-541	-565	-525	-227
Banking Activities Ireland	-5,998	-4,605	-	-1,524	-1,490	-1,780	-1,204
Banking Activities Baltics	621	205	-	185	125	182	129
Other Banking Activities	288	367	78	42	103	28	115
Corporate & Institutional Banking	1,229	1,732	71	-77	524	504	278
Total Banking Activities	-490	-1,662	-	-1,372	298	166	418
Danske Markets and Treasury	4,097	4,652	88	614	100	1,763	1,620
Danske Capital	910	820	111	277	212	169	252
Danica Pension	569	2,146	27	976	-735	261	67
Other Activities	-881	494	-	120	135	-278	-858
Total Group	4,205	6,450	65	615	10	2,081	1,499

Since 1 January 2011, Corporate & Institutional Banking (CIB) has served the largest corporate customers and institutional clients, previously served by the Group's Nordic units, and provided corporate finance services previously offered by Danske Markets. The transfer of the corporate finance activities also involves the reallocation of annual income of about DKK 200 million and annual expenses of about DKK 150 million. Comparative figures have been restated.

NOTES – DANSKE BANK GROUP

Note	(DKK millions)

4 **Net interest and net trading income**

2011	Interest income	Interest expense	Net interest income	Net trading income	Total
Financial portfolios at amortised cost					
Due from/to credit institutions and central banks	2,323	2,137	186	-10	176
Repo and reverse transactions	4,587	3,631	956	-	956
Loans, advances and deposits	34,928	8,916	26,012	732	26,744
Held-to-maturity investments	343	-	343	-	343
Other issued bonds	-	9,219	-9,219	-6,198	-15,417
Subordinated debt	-	4,592	-4,592	-1,006	-5,598
Other financial instruments	471	576	-105	-	-105
Total	42,652	29,071	13,581	-6,482	7,099
Financial portfolios at fair value					
Loans at fair value and bonds issued by Realkredit Danmark	25,250	18,407	6,843	-	6,843
Trading portfolio and investment securities	7,427	-	7,427	10,299	17,726
Assets and deposits under pooled schemes and unit-linked investment contracts	-	-	-	-14	-14
Assets and liabilities under insurance contracts	5,490	-	5,490	-7,129	-1,639
Total	38,167	18,407	19,760	3,156	22,916
Total net interest and net trading income	80,819	47,478	33,341	-3,326	30,015

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

Net trading income includes dividends from shares of DKK 2,064 million (2010: DKK 1,284 million) and foreign exchange adjustments of DKK 2,207 million (2010: DKK 1,479 million).

Net trading income from insurance contracts includes the return on assets of DKK 1,759 million (2010: DKK -2,274 million), adjustment of additional provisions of DKK -8,753 million (2010: DKK -5,308 million), adjustment of collective bonus potential of DKK 1,403 million (2010: DKK 1,107 million) and tax on pension returns of DKK -1,538 million (2010: DKK -1,920 million).

Interest added to financial assets subject to individual impairment amounted to DKK 1,757 million (2010: DKK 1,492 million).

NOTES – DANSKE BANK GROUP

Note	(DKK millions)	2011	2010
5	**Fee income**		
	Financing (loans, advances and guarantees)	1,595	1,745
	Investment (securities trading and advisory services)	2,234	2,546
	Services (insurance and foreign exchange trading)	84	98
	Fees generated by activities	3,913	4,389
	Financing (guarantees)	686	715
	Investment (asset management and custody services)	3,699	3,296
	Services (payment services and cards)	3,462	3,403
	Fees generated by portfolios	7,847	7,414
	Total	11,760	11,803
	Fee expenses		
	Financing (property valuation)	59	64
	Investment (securities trading and advisory services)	1,067	1,221
	Services (referrals)	36	18
	Fees generated by activities	1,162	1,303
	Financing (guarantees)	345	253
	Investment (asset management and custody services)	683	549
	Services (payment services and cards)	1,844	1,609
	Fees generated by portfolios	2,872	2,411
	Total	4,034	3,714

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 2,052 million (2010: DKK 2,219 million), whereas expenses amounted to DKK 345 million (2010: DKK 253 million).

Fee expenses generated by portfolios includes commission of DKK 281 million (2010: DKK 75 million) paid to the Danish state for guaranteed bond issues.

Note	(DKK millions)	2011	2010
6	**Other income**		
	Fair value adjustment of investment property	22	-
	Fair value adjustment of investment property allocated to policyholders	176	-359
	Profit on sale of domicile and investment property	7	42
	Income from lease assets and investment property	3,255	3,240
	Income from real-estate brokerage	564	514
	Refund of prior-year VAT and duties	164	702
	Other income	1,281	659
	Total	5,469	4,798

Other income includes income of DKK 758 million from businesses taken over (2010: DKK 403 million).

Note	(DKK millions)	2011	2010
7	**Net premiums**		
	Regular premiums, life insurance	5,192	6,545
	Single premiums, life insurance	1,095	927
	Regular premiums, market-based products	6,823	5,912
	Single premiums, market-based products	6,059	3,552
	Premiums, health and accident insurance	1,378	1,434
	Reinsurance premiums paid	-121	-141
	Change in unearned premiums provisions	49	24
	Total	20,475	18,253

NOTES – DANSKE BANK GROUP

Note	(DKK millions)	2011	2010
8	**Net insurance benefits**		
	Benefits paid	16,663	16,715
	Reinsurers' share received	-154	-110
	Claims and bonuses paid	1,340	1,299
	Change in outstanding claims provisions	29	-8
	Change in life insurance provisions	-4,937	-4,294
	Change in provisions for unit-linked contracts	5,764	12,570
	Total	18,705	26,172
9	**Staff costs and administrative expenses**		
	Staff costs	13,941	13,213
	Administrative expenses	10,339	10,801
	Total	24,280	24,014
	Staff costs		
	Salaries	10,992	10,530
	Share-based payments	127	154
	Pensions	1,402	1,321
	Financial services employer tax and social security costs	1,420	1,208
	Total	13,941	13,213

Remuneration Report 2011, which is available at www.danskebank.com/remuneration, provides a detailed description of the Danske Bank Group's remuneration policy and remuneration paid. Remuneration Report 2011 is not covered by the statutory audit.

Total salary costs stood at DKK 12.5 billion (2010: DKK 12.0 billion), with variable remuneration accounting for 4.5% of this amount (2010: 5.0%).

Remuneration of the Board of Directors (DKK thousands)	2011	2010
Alf Duch-Pedersen (until 29 March 2011)	325	1,300
Eivind Kolding	1,753	1,250
Ole Andersen	1,205	488
Niels Bjørn Christiansen (from 29 March 2011)	338	-
Henning Christophersen (until 23 March 2010)	-	131
Michael Fairey	581	394
Peter Højland	581	525
Mats Jansson	581	525
Niels Chr. Nielsen (until 23 March 2010)	-	131
Sten Scheibye (until 29 March 2011)	131	525
Majken Schultz	581	525
Claus Vastrup	700	650
Birgit Aagaard-Svendsen (until 29 March 2011)	141	565
Susanne Arboe	419	244
Helle Brøndum	419	325
Carsten Eilertsen	419	244
Charlotte Hoffmann	419	325
Per Alling Toubro	419	325
Verner Usbeck (until 23 March 2010)	-	81
Solveig Ørteby (until 23 March 2010)	-	81
Total remuneration	9,012	8,634
Remuneration for committee work included in total remuneration	2,149	2,809

Danske Bank's directors receive fixed remuneration only and are not covered by the Group's incentive programmes. Directors also receive a fee for board committee membership.

The Board of Directors is remunerated by the Parent Company, Danske Bank A/S. No director has received remuneration for membership of the executive board or board of directors in one or more of the Group's subsidiaries.

The Group has no pension obligations towards the Board of Directors.

NOTES – DANSKE BANK GROUP

Note	(DKK millions)	2011	2010

9 (cont'd)

Remuneration of the Executive Board

2011	Peter Straarup	Tonny Thierry Andersen	Thomas F. Borgen	Henrik Ramlau-Hansen	Georg Schubiger	Per Skovhus
Contractual remuneration	10.1	5.9	6.0	6.2	6.0	5.8
Pension	2.3	0.9	0.9	1.0	0.9	0.9
Variable cash payment	-	0.4	0.4	0.4	0.4	0.3
Variable share-based payment	-	0.4	0.4	0.4	0.4	0.3
Total earned	12.4	7.6	7.7	8.0	7.7	7.3
Total paid	11.5	7.5	6.9	7.5	6.9	7.4

Total paid comprises contractual remuneration and contributions to defined contribution pension plans for 2011 and the exercise of rights to conditional shares for 2007 (granted in 2008). The variable remuneration for 2011 will be paid in a later financial year.

In accordance with the Group's general staff polices, Henrik Ramlau-Hansen received a 25-year anniversary benefit, equal to one month's salary.

The Executive Board received a total remuneration of DKK 50.7 million for 2011, with fixed remuneration amounting to DKK 46.9 million and variable remuneration amounting to DKK 3.8 million. The Executive Board's contracts comply with the statutory requirements for agreements on variable remuneration in financial institutions in force since 1 January 2011.

Peter Straarup, Chairman of the Executive Board, has decided to retire and will be replaced by Eivind Kolding on 15 February 2012. Per Skovhus will resign no later than 1 July 2012.

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
Variable cash payment	-	-	-	-	-	-
Variable share-based payment	-	-	-	-	-	-
Total earned	9.2	5.6	5.6	8.4	1.4	5.4

The fixed remuneration of the Executive Board totalled DKK 35.6 million for 2010.

Georg Schubiger joined the Executive Board on 1 October 2010, and Henrik Ramlau-Hansen joined the Executive Board on 1 January 2011. The contractual remunerations and pensions relate to the period since the dates when Mr Schubiger and Mr Ramlau-Hansen joined the Executive Board. Sven Lystbæk retired from the Executive Board on 31 December 2010.

The remuneration of the Executive Board includes remuneration for membership of the board of directors of one or more of the Group's subsidiaries. For such membership, Peter Straarup received remuneration of DKK 248,000 for 2011 (2010: DKK 240,000), Tonny Thierry Andersen received remuneration of DKK 173,000 for 2011 (2010: DKK 120,000), and Georg Schubiger received remuneration of DKK 113,000 for 2011 (2010: DKK 0). Remuneration for directorships in Group undertakings is deducted from the contractual remuneration received from Danske Bank A/S.

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 2011, this deduction amounted to DKK 24 million (2010: DKK 18 million).

NOTES – DANSKE BANK GROUP

Note (DKK millions)

9 **Pension and termination**

(cont'd)

	Peter Straarup	Tonny Thierry Andersen	Thomas F. Borgen	Henrik Ramlau-Hansen	Georg Schubiger	Per Skovhus
Type of pension plan	Defined benefit	Defined contribution through pension fund	Defined contribution through pension fund	Defined contribution through pension fund	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 4.1 million	Bank contributes 20% of salary	Bank contributes 20% of salary	Bank contributes 22% 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	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 2011	90	-	-	-	-	-
Pension obligation, end of 2010	67	-	-	-	-	-

The pension obligation to Peter Straarup is 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 35 provides additional information). Therefore, changes in the pension obligation cannot reasonably be added to the annual remuneration.

Remuneration of other material risk takers

Since 1 January 2011, the Group has complied with new statutory requirements to identify a number of employees other than the members of the Executive Board who have material influence on the Group's risk profile. The remuneration of these employees has been aligned with the statutory rules on variable remuneration.

For 2011, a total of 140 persons were designated as material risk takers and combined they received remuneration of DKK 377 million, with fixed remuneration amounting to DKK 245 million and variable remuneration amounting to DKK 132 million. Of the above remuneration for 2011, the Parent Company, Danske Bank A/S, paid DKK 329 million to 113 material risk takers, with fixed remuneration amounting to DKK 204 million and variable remuneration amounting to DKK 125 million. As the Group started to designate material risk takers in 2011, comparative figures for 2010 are not stated.

The Group's pension obligations towards other material risk takers amounted to DKK 54 million at year-end 2011.

Shareholdings

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 31 December 2011 totalled 160,700 and 144,787, respectively (31 December 2010: 132,731 and 74,345). Note 42, Danske Bank shares held by the Board of Directors and the Executive Board, provides additional details.

Share-based payment

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

Following the expiry of Bank Package 1, the Group has granted rights to conditional shares to staff at Danske Markets and Danske Capital in 2010 and 2011 and to the Executive Board and selected managers and specialists in 2011. The grant is part of the variable remuneration 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%.

NOTES – DANSKE BANK GROUP

Note

9 (cont'd) Rights to Danske Bank shares under the conditional share programme vest up to five years after being granted 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 and 2011 vest only if the Group as a whole and the employee's department meet certain performance targets within the next five years.

The fair value of the share options is calculated according to a dividend-adjusted Black & Scholes formula. Calculation of the fair value at the end of 2011 is based on the following assumptions: Share price: 73 (2010: 143). Dividend payout ratio: 2.5% (2010: 1.5%). Rate of interest: 0.8-0.9% (2010: 1.2-1.8%), equal to the swap rate. Volatility: 50% (2010: 35%). Average time of exercise: 0-2 years (2010: 0-2 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 up to five years. Shareholders' equity will increase correspondingly as the obligation is met by settlement in Danske Bank shares.

Share-based payment

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 2003-08							
1 January 2010	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	-237,262	-302,136	539,398	-			
31 December 2010	1,179,601	4,731,193	3,511,512	9,422,306	157.1-294.1	195.2	50.5
Exercised 2011	-	-	-	-	-		
Forfeited 2011	-199,861	-359,972	-483,000	-1,042,833			
Other changes 2011	232,008	-152,974	645,933	724,967			
31 December 2011	1,211,748	4,218,247	3,674,445	9,104,440	176.0-272.2	191.6	5.1

Holdings of the Executive Board and fair value, 31 December 2011

Grant year (DKK millions)	2005-2008 Number	FV
Peter Straarup	460,642	0.3
Tonny Thierry Andersen	218,136	0.1
Thomas F. Borgen	210,195	0.1
Georg Schubiger	20,100	-
Henrik Ramlau-Hansen	104,967	0.1
Per Skovhus	197,708	0.1

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	18,600	-
Per Skovhus	182,954	1.1

Share options were granted in 2008 or earlier. The number of shares held and the exercise price have been adjusted to reflect the share capital increase in April 2011. No share options were exercised in 2011. In 2010, share options were exercised at an average price of DKK 123.2.

NOTES – DANSKE BANK GROUP

Note

9 **Share-based payment**
(cont'd) **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 2007-08							
1 January 2010	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
Vested 2011	-25,183	-194,975	-632,822	-852,980	1.8		
Forfeited 2011	-	-	-3,522	-3,522			
Other changes 2011	2,249	-2,249	-	-			
31 December 2011	-	-	-	-	-	-	-
Granted in 2011							
Granted 2011	-	214,055	874,731	1,088,786	1.2	135.7	78.1
Vested 2011	-	-	-3,050	-3,050	1.2		
Forfeited 2011	-	-	-8,209	-8,209			
31 December 2011	-	214,055	863,472	1,077,527	1.2	134.3	77.3

Holdings of the Executive Board and fair value, 31 December 2011

At the end of 2011, the Executive Board had no holdings of conditional shares.

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

In 2011, the average price at the vesting date for rights to conditional shares was DKK 125.7 (2010: DKK 127.2).

NOTES – DANSKE BANK GROUP

Note	(DKK millions)	2011	2010
10	**Audit fees**		
	Audit firms appointed by the general meeting		
	Fees for statutory audit of the consolidated and parent company financial statements	17	17
	Fees for other assurance engagements	4	-
	Fees for tax advisory services	2	2
	Fees for other services	10	5
	Total	33	24
	Other audit firms		
	Fees for statutory audit of the consolidated and parent company financial statements	5	5
	Total	38	29

The Group has a significant internal audit department. Staff costs etc. for the department are recognised under Staff costs and administrative expenses.

Note	(DKK millions)	2011	2010
11	**Amortisation, depreciation and impairment charges**		
	Amortisation charges for intangible assets	953	957
	Depreciation charges for tangible assets	1,329	1,717
	Write-offs of residual value of lease assets sold	978	661
	Impairment charges for intangible assets	175	32
	Impairment charges for tangible assets	80	30
	Reversals of impairment charges for tangible assets	64	-
	Total	3,451	3,397

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

Note	(DKK millions)	2011	2010
12	**Loan impairment charges**		
	Due from credit institutions and central banks	7	-24
	Loans and advances at amortised cost	11,806	11,811
	Loans at fair value	1,269	835
	Private Contingency Association commitment	-	1,393
	Other liabilities	103	-198
	Total	13,185	13,817
	New and increased impairment charges	20,900	21,158
	Reversals of impairment charges	6,347	7,453
	Write-offs charged directly to income statement	1,015	945
	Received on claims previously written off	2,277	958
	Interest income, effective interest method	-106	125
	Total	13,185	13,817

Received on claims previously written off includes a compensation of DKK 0.8 billion for the termination of a credit default swap covering potential losses on mortgage lending.

		2011	2010
	Loan impairment charges broken down by business unit		
	Retail Banking Denmark	4,316	7,649
	Retail Banking Finland	187	91
	Retail Banking Sweden	202	114
	Retail Banking Norway	380	94
	Banking Activities Northern Ireland	2,178	1,247
	Banking Activities Ireland	6,334	4,969
	Banking Activities Baltics	-255	207
	Other Banking Activities	155	25
	Corporate & Institutional Banking	744	25
	Total Banking Activities	14,241	14,421
	Danske Markets and Treasury	-1,033	-617
	Danske Capital	-23	13
	Total	13,185	13,817

NOTES – DANSKE BANK GROUP

Note	(DKK millions)								
13	**Tax 2011**	Denmark	Finland	Sweden	Norway	UK	Ireland	Other	Total
	Tax on profit for the year	864	319	876	391	-57	38	51	2,482
	Tax on changes in shareholders' equity	-30	-	-	-	-	-	-	-30
	Tax on profit for the year								
	Current tax charge	492	203	772	409	-	8	83	1,967
	Change in deferred tax	368	130	103	-25	-150	4	31	461
	Adjustment of prior-year tax charges	4	-15	1	7	-3	26	-63	-43
	Change in deferred tax charge as a result of lowered tax rate	-	1	-	-	96	-	-	97
	Total	864	319	876	391	-57	38	51	2,482
	Effective tax rate								
	Tax rate	25.0	26.0	26.3	28.0	26.5	12.5	11.6	41.7
	Non-taxable income and non-deductible expenses	-2.3	0.2	0.3	-2.5	-1.5	-12.7	-0.2	16.0
	Tax on profit for the year	22.7	26.2	26.6	25.5	25.0	-0.2	11.4	57.7
	Adjustment of prior-year tax charges	0.1	-1.1	-	0.5	0.5	-0.4	-6.3	-1.0
	Change in deferred tax charge as a result of lowered tax rate	-	0.1	-	-	-16.0	-	-	2.3
	Effective tax rate	22.8	25.2	26.6	26.0	9.5	-0.6	5.1	59.0
	Tax on other comprehensive income								
	Hedging of units outside Denmark	-54	-	-	-	-	-	-	-54
	Unrealised value adjustments of available-for-sale financial assets	-238	-	-	-	-	-	-	-238
	Realised value adjustments of available-for-sale financial assets	7	-	-	-	-	-	-	7
	Total	-285	-	-	-	-	-	-	-285

NOTES – DANSKE BANK GROUP

Note	(DKK millions)								
13	**Tax 2010**	Denmark	Finland	Sweden	Norway	UK	Ireland	Other	Total
(cont'd)	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

NOTES – DANSKE BANK GROUP

Note	(DKK millions)	2011	2010
14	**Cash in hand and demand deposits with central banks**		
	Cash in hand	10,602	9,741
	Demand deposits with central banks	18,015	25,662
	Total	28,617	35,403
15	**Due from credit institutions and central banks**		
	Reverse transactions	106,829	138,481
	Other amounts due	74,134	89,706
	Impairment charges	93	87
	Total	180,870	228,100
	Impairment charges		
	At 1 January	87	113
	New and increased impairment charges	7	4
	Reversals of impairment charges	2	32
	Foreign currency translation	1	4
	Other additions and disposals	-	-2
	At 31 December	93	87

Amounts due within three months totalled DKK 177,680 million (31 December 2010: DKK 225,204 million). This amount is included in the cash flow statement under Cash and cash equivalents.

Note	(DKK millions)	2011	2010
16	**Trading portfolio assets**		
	Derivatives with positive fair value	550,970	333,743
	Listed bonds	349,079	300,577
	Unlisted bonds	9,015	6,183
	Listed shares	316	1,140
	Unlisted shares	375	350
	Total	909,755	641,993
	Trading portfolio liabilities		
	Derivatives with negative fair value	534,061	318,936
	Obligations to repurchase securities	163,852	159,450
	Total	697,913	478,386

Trading portfolio assets and liabilities are measured at fair value through profit or loss.

NOTES – DANSKE BANK GROUP

Note

16 **Derivatives**

(cont'd) 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 manage 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 the 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.

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 2011, the carrying amounts of effectively hedged fixed-rate financial assets and liabilities were DKK 68,815 million (31 December 2010: DKK 71,074 million) and DKK 676,546 million (31 December 2010: DKK 798,713 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 2011, the carrying amount of financial liabilities used to hedge net investments in units outside Denmark amounted to DKK 50,329 million (31 December 2010: DKK 48,103 million).

NOTES – DANSKE BANK GROUP

Note	(DKK millions)	2011	2010
16 (cont'd)	**Effect of interest rate hedging on profit**		
	Effect of fixed-rate asset hedging on profit		
	Hedged amounts due from credit institutions	-3	-295
	Hedged loans and advances	977	-470
	Hedged bonds available for sale	735	44
	Hedging derivatives	-1,714	708
	Total	-5	-13
	Effect of fixed-rate liability hedging on profit		
	Hedged amounts due to credit institutions	-7	32
	Hedged deposits	-245	103
	Hedged issued bonds	-6,198	-337
	Hedged subordinated debt	-1,006	-1,394
	Hedging derivatives	7,466	1,604
	Total	10	8

Derivatives	2011			2010		
	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
Currency contracts						
Forwards and swaps	7,002,857	106,715	107,238	5,655,168	87,918	82,052
Options	149,690	1,139	1,201	90,700	1,444	1,681
Interest rate contracts						
Forwards/swaps/FRAs	27,823,811	366,781	379,448	18,595,823	204,098	206,578
Options	2,266,524	34,632	30,447	1,752,806	25,134	23,042
Equity contracts						
Forwards	56,845	543	513	9,051	268	232
Options	155,531	1,413	1,410	151,070	1,050	1,092
Other contracts						
Commodity contracts	17,276	868	754	10,783	726	781
Credit derivatives bought	10,175	228	67	10,814	126	169
Credit derivatives sold	9,864	71	224	8,776	129	187
Total derivatives held for trading purposes		512,390	521,302		320,893	315,814
Hedging derivatives						
Currency contracts	206,224	1,495	1,179	347,944	1,400	310
Interest rate contracts	577,570	37,085	11,580	597,686	11,450	2,812
Total derivatives		550,970	534,061		333,743	318,936

NOTES – DANSKE BANK GROUP

Note	(DKK millions)	2011	2010
17	**Investment securities**		
	Financial assets at fair value through profit or loss		
	Listed bonds	24,686	14,841
	Unlisted bonds	-	-
	Listed shares	134	1,010
	Unlisted shares	2,586	2,363
	Total financial assets at fair value	27,406	18,214
	Available-for-sale financial assets		
	Listed bonds	70,460	89,485
	Total available-for-sale financial assets	70,460	89,485
	Total at fair value	97,866	107,699
	Held-to-maturity financial assets		
	Listed bonds	11,398	10,857
	Total investment securities	109,264	118,556

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 of available-for-sale assets comprises primarily Danish mortgage bonds and foreign covered bonds. Some 95% of the portfolio is rated AA or higher, while the remaining portfolio has investment grade ratings. The portfolio did not include any government bonds issued by Ireland, Portugal, Italy, Greece or Spain. At the end of 2011, the fair value of the bonds in the portfolio was DKK 70,460 million (31 December 2010: DKK 89,485 million). In 2011, the Group recognised unrealised value adjustments of the reclassified bonds in the amount of DKK 735 million in the income statement, corresponding to the part of the interest rate risk that is hedged by derivatives (2010: DKK 44 million). The Group recognised unrealised value adjustments of DKK -951 million (2010: DKK -145 million) in Other comprehensive income that would have been recognised in the income statement if the reclassification had not taken place. From 2009 onwards, the distortion has diminished, and the Group has sold part of its portfolio. For the part of the portfolio sold in 2011, the Group realised value adjustments of DKK 28 million (2010: DKK 44 million) that were transferred from Other comprehensive income to the income statement. The Group recognised interest income of DKK 1,884 million (2010: DKK 1,961 million) on the reclassified bonds.

Held-to-maturity financial assets

Held-to-maturity financial assets consists of bonds with quoted prices in an active market held for the purpose of generating a return until maturity. The bonds, primarily government bonds and government-guaranteed bonds, are measured at amortised cost. The portfolio did not include any government bonds issued by Ireland, Portugal, Italy, Greece or Spain.

18	**Loans and advances at amortised cost**		
	Reverse transactions	149,198	168,481
	Other loans and advances	1,022,228	1,015,880
	Impairment charges	44,944	37,630
	Total	1,126,482	1,146,731
	Impairment charges		
	At 1 January	37,630	32,645
	New and increased impairment charges	18,900	18,266
	Reversals of impairment charges	5,902	6,515
	Write-offs debited to allowance account	6,277	7,685
	Foreign currency translation	199	896
	Other additions and disposals	394	23
	At 31 December	44,944	37,630

NOTES – DANSKE BANK GROUP

Note	(DKK millions)	2011	2010
19	**Loans at fair value and bonds issued by Realkredit Danmark**		
	Loans at fair value		
	Nominal value	705,339	700,704
	Fair value adjustment of underlying bonds	18,069	3,042
	Adjustment for credit risk	2,667	2,031
	Total	720,741	701,715
	Bonds issued by Realkredit Danmark		
	Nominal value	914,702	934,395
	Fair value adjustment of funding of current loans	19,398	5,525
	Fair value adjustment of block issues and pre-issued bonds	-	-
	Holding of own mortgage bonds	376,401	384,434
	Total	557,699	555,486

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 179 billion (2010: DKK 213 billion) to be used for FlexLån® refinancing in January 2012 and bonds of DKK 25 billion (2010: DKK 28 billion) recognised under 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 to be redeemed on maturity.

Of the total fair value adjustment for the credit risk on loans at fair value, changes in 2011 accounted for DKK 236 million (2010: DKK 367million).

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.

In 2011, the Danish mortgage bond yield spread widened, and the fair value of issued mortgage bonds thus decreased about DKK 4 billion. In 2010, a spread widening also caused a fair value decrease of about DKK 4 billion. In comparison with the fair value measured at the issuance of the bonds, the fair value had decreased about DKK 8 billion at the end of 2011 (2010: DKK 3 billion). The net profit and shareholders' equity remain unaffected because the spread widening increased the fair 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 characteristics 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	
	2011	2010	2011	2010	2011	2010
Assets						
Bonds	21,651	18,693	-	-	21,651	18,693
Shares	4,866	5,761	-	-	4,866	5,761
Unit trust certificates	17,218	17,810	24,541	22,397	41,759	40,207
Cash deposits	935	2,616	-	-	935	2,616
Total	44,670	44,880	24,541	22,397	69,211	67,277
including						
own bonds	5,564	4,588	231	-	5,795	4,588
own shares	117	305	6	-	123	305
other intra-group balances	1,051	2,686	354	-	1,405	2,686
Total assets	37,938	37,301	23,950	22,397	61,888	59,698
Liabilities						
Deposits	44,670	44,880	24,541	22,397	69,211	67,277

NOTES – DANSKE BANK GROUP

Note	(DKK millions)	2011	2010
21	**Assets under insurance contracts**		
	Due from credit institutions	8,192	1,195
	Investment securities	223,153	217,995
	Holdings in associates (note 22)	896	974
	Investment property (note 24)	18,664	18,165
	Tangible assets (note 25)	429	433
	Reinsurers' share of provisions	2,210	2,042
	Other assets	4,464	3,225
	Total	258,008	244,029
	including		
	own bonds	20,980	24,673
	own shares	175	216
	other intra-group balances	6,185	1,625
	Total assets	230,668	217,515
	Investment securities under insurance contracts		
	Listed bonds	145,691	155,379
	Listed shares	15,691	14,157
	Unlisted shares	4,728	3,253
	Unit trust certificates	51,257	43,865
	Other securities	5,786	1,341
	Total	223,153	217,995
	Liabilities under insurance contracts		
	Life insurance provisions	181,645	178,552
	Provisions for unit-linked insurance contracts	52,116	43,913
	Collective bonus potential	375	1,740
	Other technical provisions	9,168	8,857
	Total provisions for insurance contracts	243,304	233,062
	Other liabilities	13,550	6,878
	Intra-group balances	-7,888	-1,808
	Total	248,966	238,132
	Provisions for insurance contracts		
	Balance at 1 January	233,062	222,378
	Premiums paid	19,169	16,937
	Benefits paid	-16,663	-16,715
	Interest added to policyholders' savings	2,590	9,482
	Fair value adjustment	8,631	3,107
	Foreign currency translation	120	489
	Change in collective bonus potential	-1,403	-1,107
	Other changes	-2,202	-1,509
	Balance at 31 December	243,304	233,062
	Reinsurers' share of provisions for insurance contracts		
	Balance at 1 January	2,042	1,948
	Premiums paid	121	141
	Benefits paid	-154	-110
	Interest added to policyholders' savings	41	40
	Fair value adjustment	210	94
	Other changes	-50	-71
	Balance at 31 December	2,210	2,042

NOTES – DANSKE BANK GROUP

Note	(DKK millions)	2011	2010
22	**Holdings in associates**		
	Cost at 1 January	895	853
	Additions	-	44
	Disposals	154	2
	Cost at 31 December	741	895
	Revaluations at 1 January	145	233
	Share of profit	125	84
	Share of other comprehensive income	-18	5
	Dividends	76	107
	Reversals of revaluations	72	-70
	Revaluations at 31 December	248	145
	Carrying amount at 31 December	989	1,040

Holdings in associates	Ownership (%)	Total assets	Total liabilities	Income	Net profit
Infrastructure					
BAB Bankernas Automatbolag AB, Stockholm	20	-	-	-	-
Bankernes Kontantservice A/S, Copenhagen	25	-	-	-	-
Bankpension Sverige AB, Stockholm	20	22	2	18	2
BDB Bankernas Depå AB, Stockholm	20	2,360	2,328	37	3
LR Realkredit A/S, Copenhagen	31	13,635	10,211	552	171
Danmarks Skibskredit A/S, Copenhagen	24	84,346	74,850	3,218	493
Multidata Holding A/S, Ballerup	44	724	499	821	-41
E-nettet Holding A/S, Copenhagen	25	158	100	117	-5
Automatia Pankkiautomaatit Oy, Helsinki	33	2,062	1,876	426	43
Irish Clearing House Limited, Dublin	22	1	1	5	-
Investment and property operations					
DKA I P/S, Copenhagen	32	46	-	1	-5
DKA I Komplementar A/S, Copenhagen	32	1	-	-	-
Ejendomsaktieselskabet af 22. juni 1966, Copenhagen	50	25	6	2	-
Interessentskabet af 23. dec. 1991, Copenhagen	30	803	8	71	45
MB Equity Fund Ky, Helsinki	21	-	-	-	-
Other					
Tapio Technologies OY, Helsinki	20	11	9	7	1
Sanistål A/S, Aalborg	44	2,714	2,789	3,822	-130

The information disclosed is extracted from the companies' most recent annual reports. Sanistål is the only listed company on the list. The investment had a market value of DKK 234 million at 31 December 2011.

NOTES – DANSKE BANK GROUP

Note	(DKK millions)	2011	2010
22	**Holdings in associates under insurance contracts recognised at fair value**		
(cont'd)	Fair value at 1 January	974	996
	Additions	-	-
	Disposals	99	30
	Fair value adjustment	21	8
	Fair value at 31 December	896	974

	Ownership (%)	Total assets	Total liabilities	Income	Net profit
Ejendomsselskabet af Januar 2002 A/S, Copenhagen	50	716	191	27	-6
Dantop Ejendomme ApS, Copenhagen	50	238	6	8	-8
DNP Ejendomme Komplementarselskab ApS, Copenhagen	50	-	-	-	-
DNP Ejendomme P/S, Copenhagen	50	1,151	20	89	71
DAN-SEB 1 A/S, Copenhagen	50	74	51	2	-1
Hovedbanegårdens Komplementarselskab ApS, Copenhagen	50	-	-	-	-

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

The Group has holdings in two investment companies in which Danica Pension 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 also recognised at fair value 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 2011:

	Ownership (%)	Total assets	Total liabilities	Income	Net profit
P-N 2001 A/S, Copenhagen	27	6	2	-	-1
Nordic Venture Partners K/S, Copenhagen	26	320	-	102	102

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

NOTES – DANSKE BANK GROUP

Note (DKK millions)

23 **Intangible assets**

2011	Goodwill	Software developed	Customer relations	Other	Total
Cost at 1 January	18,773	2,861	4,497	1,151	27,282
Additions	5	398	-	15	418
Disposals	161	37	-	-	198
Foreign currency translation	14	-4	23	-3	30
Cost at 31 December	18,631	3,218	4,520	1,163	27,532
Amortisation and impairment charges at 1 January	-	1,928	1,838	580	4,346
Amortisation charges during the year	-	424	436	92	952
Impairment charges during the year	161	14	-	-	175
Reversals of amortisation and impairment charges	161	37	-	-	198
Foreign currency translation	-	-1	30	-5	24
Amortisation and impairment charges at 31 December	-	2,328	2,304	667	5,299
Carrying amount at 31 December	18,631	890	2,216	496	22,233
Amortisation period	Annual impairment test	3 years	3-10 years		

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		

Other intangible assets were recognised at the acquisition of the Sampo Bank group in 2007 and include mainly contractual rights of DKK 6 million (2010: DKK 75 million) and rights to names of DKK 463 million (2010: DKK 465 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 2011, the Group expensed DKK 2,132 million (2010: DKK 2,128 million) for development projects.

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 consolidation in accordance with the rules for assets held for sale to full consolidation as the company has not been sold. Goodwill on the acquisition totalled DKK 388 million. The Group still intends to sell the company.

NOTES – DANSKE BANK GROUP

Note (DKK millions)

23 **Impairment testing**

(cont'd) 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.

Since 1 January 2011, the Corporate & Institutional Banking segment has been presented separately from the Group's other banking activities in the Nordic countries. The Group has therefore reallocated acquired goodwill among Retail Banking Finland, Corporate & Institutional Banking, and Danske Markets and Treasury on the basis of each business unit's value. The changes are recorded under Additions.

The impairment test conducted in 2011 did not result in impairment charges against goodwill and rights to names. The Group had to increase impairment charges against businesses taken over by DKK 161 million, however, because of declining sales prices for businesses. The impairment test conducted in 2010 did not result in impairment charges against goodwill and rights to names either.

	1 Jan. 2010 Goodwill and rights to names	Additions	Foreign currency translation	31 Dec. 2010 Goodwill and rights to names	Additions	Impairment charges	Foreign currency translation	31 Dec. 2011 Goodwill and rights to names
Retail Banking Finland	11,653	-	20	11,673	-2,238	-	-19	9,416
Corporate & Institutional Banking	-	-	-	-	506	-	-1	505
Banking Activities Baltics	2,061	-	-	2,061	-	-	-6	2,055
Banking Activities Northern Ireland	1,890	-	100	1,990	-	-	54	2,044
Danske Markets and Treasury	1,164	-	1	1,165	1,732	-	-6	2,891
Danske Capital	1,815	-	4	1,819	-	-	-4	1,815
Others	130	388	10	528	5	161	-4	368
Total	18,713	388	135	19,236	5	161	14	19,094

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 from the end of the budget period are projected on the basis of the expected development in a number of macroeconomic variables until earnings normalise. This is expected no later than in year ten (the normalisation 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 rates of return of 12% (pre-tax rate) and 9% (post-tax rate). Cash flow estimates factor in entity-specific uncertainties.

The difficult market conditions for the Group's banking units continued. Low money market rates kept earnings at a low level, and the Northern Ireland banking unit recorded large loan losses. The Group expects a period of modest growth and low money market rates before economies will normalise. Normalised interest rate levels are expected to increase net profit. If the economies do not normalise as expected, or future regulations increase costs more than expected, intangible assets may be impaired. Owing to the expectations for the budget period, around 61% of the net present value of future cash flows is expected to be generated in the terminal period (2010: 70%).

Small changes in assumptions may require impairment charges against the goodwill allocated to Banking Activities Baltics and Banking Activities Northern Ireland. If the Group's risk-adjusted required rate of return is lifted from 12% to 13%, total goodwill allocated to the Group's banking activities, including retail banking units and Corporate & Institutional Banking, will decline around DKK 0.4 billion (2010: a decline of DKK 0.4 billion). Total goodwill allocated to the Group's banking activities is robust against a one percentage point lowering of growth estimates for the terminal period (2010: no im- pact). If the normalised return for the terminal period is lowered 10% or 20%, however, goodwill will decrease by DKK 0.1 billion and DKK 0.3 billion. The corresponding effect on goodwill for 2010 was no impact and DKK 0.8 billion. Moreover, total goodwill allocated to the Group's banking activities is robust against a one percentage point increase in the assumed tier 1 capital requirement (2010: no impact).

The goodwill allocated to Danske Markets is robust against changes to both the required rate of return and growth estimates for the terminal period. For Danske Capital, the required rate of return may increase by up to 2.2 percentage points before impairment occurs (2010: 1.1 percentage point), and the goodwill recognised is robust against changes in growth estimates for the terminal period.

NOTES – DANSKE BANK GROUP

Note

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

(%)	2011 Annual growth >10 yrs	2011 Required rate of return before tax	2010 Annual growth >10 yrs	2010 Required rate of return before tax
Retail Banking Finland	2.0	12.0	1.8	12.0
Corporate & Institutional Banking	2.0	12.0	-	-
Banking Activities Baltics	3.0	12.0	4.0	12.0
Banking Activities Northern Ireland	2.5	12.0	2.5	12.0
Danske Markets and Treasury	2.0	12.0	1.8	12.0
Danske Capital	1.8	12.0	1.8	12.0

Retail Banking Finland (Sampo Pankki)
In 2007, Danske Bank acquired the shares of the Sampo Bank group. The activities of the Sampo Bank group were incorporated into 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. At the beginning of 2011, Corporate & Institutional Banking was separated from Banking Activities Finland, resulting in reallocation of goodwill. At the same time, the name was changed to Retail Banking Finland.

Corporate & Institutional Banking (CIB)
CIB was established as a separate unit at the beginning of 2011, resulting in reallocation of goodwill to the unit.

Banking Activities Baltics
In 2007, Danske Bank acquired the Baltic activities of the Sampo Bank group. The activities were incorporated into 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 allocated to 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 and Treasury
The trading activities of Sampo Bank were incorporated into the business structure of Danske Markets and Treasury in 2007. With the acquisition, the Group strengthened its competitive position within trading activities. 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 into 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.

NOTES – DANSKE BANK GROUP

Note	(DKK millions)	2011	2010
24	**Investment property**		
	Fair value at 1 January	4,799	4,948
	Additions	382	360
	Property improvement expenditure	-	-
	Disposals	577	530
	Fair value adjustment	20	21
	Fair value at 31 December	4,624	4,799
	Required rate of return used for calculating fair value	4.5-9.0	4.8-8.0
	Average required rate of return	6.6	6.8

Rental income from investment property totalled DKK 318 million (2010: DKK 333 million). Expenses directly attributable to investment property generating rental income amounted to DKK 40 million (2010: DKK 38 million), whereas expenses directly attributable to investment property not generating rental income amounted to DKK 8 million (2010: DKK 5 million).

	2011	2010
Investment property under insurance contracts		
Fair value at 1 January	18,165	17,757
Additions	242	448
Property improvement expenditure	248	329
Disposals	160	10
Fair value adjustment	169	-359
Fair value at 31 December	18,664	18,165
Required rate of return used for calculating fair value	4.5-8.0	4.5-8.5
Average required rate of return	6.0	6.1

Rental income from investment property under insurance contracts amounted to DKK 1,197 million (2010: DKK 1,184 million). Expenses directly attributable to investment property generating rental income amounted to DKK 370 million (2010: DKK 360 million).

In 2011, the Group started to use discounted cash flows as the basis for calculating the fair value of investment property under insurance contracts. The use of discounted cash flows provides a more accurate calculation of the risks associated with vacancies and expected cash flows. The new method reduced the value of properties by DKK 30 million. The Group did not change its return requirement.

NOTES – DANSKE BANK GROUP

Note (DKK millions)

25 **Tangible assets**

2011	Domicile property	Machinery, furniture and fixtures	Lease assets	Total
Cost at 1 January	4,647	2,537	5,871	13,055
Additions	47	302	1,306	1,655
Disposals	104	206	1,372	1,682
Transferred to lease assets put up for sale	-	-	626	626
Transferred to real property held for sale	20	-	-	20
Foreign currency translation	9	41	4	54
Cost at 31 December	4,579	2,674	5,183	12,436
Depreciation and impairment charges at 1 January	1,116	2,031	2,047	5,194
Depreciation charges during the year	57	343	735	1,135
Impairment charges during the year	71	-	9	80
Transferred to lease assets put up for sale	-	-	354	354
Transferred to real property held for sale	4	-	-	4
Reversals of depreciation and impairment charges	216	189	520	925
Foreign currency translation	-18	60	1	43
Depreciation and impairment charges at 31 December	1,006	2,245	1,918	5,169
Carrying amount at 31 December	3,573	429	3,265	7,267
Depreciation period	20-50 years	3-10 years	3 years	

2010				
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 put up 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 put up 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 2011, the fair value of domicile property was DKK 4,993 million (31 December 2010: DKK 4,941 million). The required rate of return of 6.6% (2010: 6.8%) was determined in accordance with Danish FSA rules.

Furthermore, Assets under insurance contracts includes domicile property of DKK 429 million (2010: DKK 433 million) and machinery, furniture and fixtures of DKK 0 million (2010: DKK 0 million). At the end of 2011, the fair value of such domicile property was DKK 450 million (31 December 2010: DKK 449 million).

NOTES – DANSKE BANK GROUP

Note	(DKK millions)	2011	2010
26	**Other assets**		
	Interest and commissions due	7,209	6,370
	Other amounts due	9,887	16,777
	Pension assets	627	415
	Lease assets held for sale	276	283
	Domicile property held for sale	190	189
	Real property taken over, held for sale	445	408
	Total	18,634	24,442

Real property taken over, held for sale, comprises properties in Denmark of a carrying amount of DKK 317 million (2010: DKK 282 million) and properties in other countries of a carrying amount of DKK 128 million (2010: DKK 126 million). The properties were taken over by the Group under non-performing loan agreements, and the Group expects to sell the properties through a real-estate agent within twelve months from the date of acquisition. The fair value of real property taken over is reduced by the estimated costs of selling the property. Other amounts due includes DKK 165 million relating to assets of companies taken over by the Group under non-performing loan agreements and held for sale.

Note	(DKK millions)	2011	2010
27	**Due to credit institutions and central banks**		
	Repo transactions	215,796	142,163
	Other amounts due	177,592	175,825
	Total	393,388	317,988
28	**Deposits**		
	Transaction accounts etc.	546,533	545,454
	Time deposits	226,519	232,545
	Repo deposits	53,719	60,440
	Pension savings	22,223	22,614
	Total	848,994	861,053

NOTES – DANSKE BANK GROUP

Note	(DKK millions)	2011	2010
29	**Deferred tax**		
	Deferred tax assets	1,791	1,693
	Deferred tax liabilities	6,278	6,003
	Deferred tax, net	4,487	4,310

Change in deferred tax 2011	1 Jan.	Foreign currency translation	Included in profit for the year	Included in shareholders' equity	31 Dec.
Intangible assets	826	-	-170	-	656
Tangible assets	2,303	-3	16	-	2,316
Securities	-8	-	14	-	6
Provisions for obligations	12	2	133	-	147
Tax loss carryforwards	-1,232	-23	-176	-	-1,431
Recapture of tax loss	3,157	-	371	-	3,528
Other	-748	-5	18	-	-735
Total	4,310	-29	206	-	4,487
Adjustment of prior-year tax charges included in above item			-352		
2010					
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		

Unrecognised tax loss carryforwards amounted to DKK 1.7 billion at 31 December 2011 (31 December 2010: DKK 1.1 billion).

NOTES – DANSKE BANK GROUP

Note	(DKK millions)	2011	2010
30	**Other liabilities**		
	Sundry creditors	21,331	32,884
	Accrued interest and commissions	16,024	16,089
	Pension obligations	472	594
	Other staff commitments	2,629	2,632
	Irrevocable loan commitments and guarantees etc.	465	3,753
	Reserves subject to a reimbursement obligation	188	206
	Other obligations	319	248
	Total	41,428	56,406

Sundry creditors includes DKK 262 million relating to liabilities of companies taken over by the Group under non-performing loan agreements and held for sale.

	Irrevocable loan commitments	Reserves subject to a reimbursement obligation	Other obligations
1 January 2011	3,753	206	248
New and increased obligations	262	-	264
Reversals of obligations	217	-	84
Drawings	3,334	35	113
Effect of adjustment of discount rate or term	-	17	-
Foreign currency translation	1	-	4
31 December 2011	465	188	319

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 0 billion (2010: DKK 3.3 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.

NOTES – DANSKE BANK GROUP

Note	(DKK millions)	2011	2010
31	**Other issued bonds**		
	Commercial paper	69,500	163,384
	Other	297,420	286,835
	Total	366,920	450,219

Other issued bonds are recognised at amortised cost.

Nominal value	1 Jan. 2011	Issued	Redeemed	Foreign currency translation	31 Dec. 2011
Commercial paper	261,614	1,338,751	1,494,507	-6,967	98,891
Other	309,857	60,422	60,746	2,236	311,769
Other issued bonds	571,471	1,399,173	1,555,253	-4,731	410,660

Nominal value	1 Jan. 2010	Issued	Redeemed	Foreign currency translation	31 Dec. 2010
Commercial paper	271,408	1,493,469	1,526,954	23,691	261,614
Other	365,419	63,704	131,079	11,813	309,857
Other issued bonds	636,827	1,557,173	1,658,033	35,504	571,471

Other issued bonds broken down by maturity	2011			2010
	DKK	Other currency	Total	Total
Redeemed loans				320,091
2012	10,000	172,290	182,290	83,469
2013	3,710	34,202	37,912	37,675
2014	2,000	28,438	30,438	23,683
2015	29	37,141	37,170	32,578
2016 or later	11,500	111,350	122,850	73,975
Nominal value of other issued bonds	27,239	383,421	410,660	571,471
Fair value hedging of interest rate risk			10,730	4,961
Premium/discount			-2,161	-1,779
Own holding of bonds issued	8,755	43,554	52,309	124,434
Total other issued bonds	18,484	339,867	366,920	450,219

Government-guaranteed bonds mature in 2012 and amounted to DKK 36.4 billion.

NOTES – DANSKE BANK GROUP

Note (DKK millions)

32 **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 section 128 of the Danish Financial Business Act and applicable executive orders.

Nominal value	1 Jan. 2011	Issued	Redeemed	Foreign currency translation	Other changes	31 Dec. 2011
Subordinated debt, excluding hybrid capital	29,552	-	10,865	40	-	18,727
Hybrid capital	44,604	-	-	246	-	44,850
Total subordinated debt	74,156	-	10,865	286	-	63,577

Nominal value	1 Jan. 2010	Issued	Redeemed	Foreign currency translation	Other changes	31 Dec. 2010
Subordinated debt, excluding hybrid capital	33,965	-	4,741	328	-	29,552
Hybrid capital	43,783	-	-	821	-	44,604
Total subordinated debt	77,748	-	4,741	1,149	-	74,156

Currency	Borrower	Note	Principal (millions)	Interest rate	Year of issue	Maturity	Redemption price	2011 (DKK m)	2010 (DKK m)
Redeemed loans									10,865
EUR	Danske Bank A/S	a	400	5.875	2002	26.03.2015	100	2,974	2,982
EUR	Danske Bank A/S	b	500	4.250	2003	20.06.2016	100	3,717	3,727
GBP	Danske Bank A/S	c	350	5.375	2003	29.09.2021	100	3,115	3,033
EUR	Danske Bank A/S	d	700	4.100	2005	16.03.2018	100	5,204	5,218
EUR	Danske Bank A/S	e	500	6.000	2007	20.03.2016	100	3,717	3,727
Subordinated debt, excluding hybrid capital								18,727	29,552
Hybrid capital									
Hybrid capital included under the 15% of tier 1 capital limit:									
USD	Danske Bank A/S	f	750	5.914	2004	Perpetual	100	4,309	4,209
GBP	Danske Bank A/S	g	150	5.563	2005	Perpetual	100	1,335	1,300
GBP	Danske Bank A/S	h	500	5.684	2006	Perpetual	100	4,450	4,333
EUR	Danske Bank A/S	i	600	4.878	2007	Perpetual	100	4,461	4,473
SEK	Danske Bank A/S	j	1,350	var.	2007	Perpetual	100	1,126	1,116
SEK	Danske Bank A/S	k	650	5.119	2007	Perpetual	100	542	538
EUR	Sampo Bank plc	l	125	5.407	2004	Perpetual	100	929	932
EUR	Sampo Bank plc	m	125	var.	2005	Perpetual	100	929	932
EUR	Sampo Bank plc	n	100	var.	2004	Perpetual	100	743	745
Hybrid capital included under the 35% of tier 1 capital limit:									
DKK	Danske Bank A/S	o	23,992	9.265	2009	Perpetual	100	23,992	23,992
DKK	Realkredit Danmark A/S	p	2,034	9.265	2009	Perpetual	100	2,034	2,034
Total hybrid capital								44,850	44,604
Nominal subordinated debt								63,577	74,156
Fair value hedging of interest rate risk								4,740	3,759
Own holding of subordinated debt								-989	-579
Total subordinated debt								67,328	77,336
Portion included in capital base								62,846	68,918

NOTES – DANSKE BANK GROUP

Note		
32 (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	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.
	d	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.
	e	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.
	f	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.
	g	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.
	h	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.
	i	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.
	j	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.
	k	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.
	l	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.
	m	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.
	n	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.
	o	Interest is paid at an annual rate of 9.265 percentage points with an annual premium of 0.5 of a percentage point for the conversion option. If Danske Bank makes annual dividend payouts exceeding DKK 4.9 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 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 tier 1 capital. The conversion must be made at market price. At the end of 2011, the hybrid capital accounted for 27.3% of tier 1 capital.
	p	Interest is paid at an annual rate of 9.265 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.

NOTES – DANSKE BANK GROUP

Note	(DKK millions)				
33	**Balance sheet items broken down by expected due date**	2011		2010	
		< 1 year	> 1 year	< 1 year	> 1 year
	ASSETS				
	Cash in hand and demand deposits with central banks	28,617	-	35,403	-
	Due from credit institutions and central banks	179,977	893	225,965	2,135
	Trading portfolio assets	453,057	456,698	383,605	258,388
	Investment securities	14,727	94,537	23,135	95,421
	Loans and advances at amortised cost	573,964	552,518	607,064	539,667
	Loans at fair value	62,806	657,935	39,653	662,062
	Assets under pooled schemes and unit-linked investment contracts	-	61,888	-	59,698
	Assets under insurance contracts	22,517	208,151	6,838	210,677
	Holdings in associates	-	989	-	1,040
	Intangible assets	-	22,233	-	22,936
	Investment property	-	4,624	-	4,799
	Tangible assets	-	7,267	-	7,861
	Current tax assets	580	-	1,404	-
	Deferred tax assets	-	1,791	-	1,693
	Other assets	18,007	627	24,027	415
	Total	1,354,252	2,070,151	1,347,094	1,866,792
	LIABILITIES				
	Due to credit institutions and central banks	381,007	12,381	317,155	833
	Trading portfolio liabilities	258,421	439,492	230,187	248,199
	Deposits	224,805	624,189	220,368	640,685
	Bonds issued by Realkredit Danmark	227,351	330,348	169,421	386,065
	Deposits under pooled schemes and unit-linked investment contracts	6,651	62,560	5,601	61,676
	Liabilities under insurance contracts	29,659	219,307	21,123	217,009
	Other issued bonds	150,709	216,211	197,591	252,628
	Current tax liabilities	423	-	858	-
	Deferred tax liabilities	-	6,278	-	6,003
	Other liabilities	40,769	659	55,606	800
	Subordinated debt	6,286	61,042	12,303	65,033
	Total	1,326,081	1,972,467	1,230,213	1,878,931

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

NOTES – DANSKE BANK GROUP

Note (DKK millions)

34 **Contractual due dates of financial liabilities**

2011	0-1 month	1-3 months	3-12 months	1-5 years	> 5 years
Due to credit institutions and central banks	311,710	69,302	2,022	12,736	117
Deposits	725,529	48,892	39,775	29,001	11,845
Repurchase obligation under reverse transactions	163,851	-	-	-	-
Derivatives settled on a gross basis (cash outflows)	2,961,564	2,791,673	1,403,366	276,289	39,041
Derivatives settled on a gross basis (cash inflows)	2,962,358	2,791,092	1,404,252	275,887	40,147
Derivatives settled on a gross basis (net cash flows)	794	-581	886	-402	1,106
Derivatives settled on a net basis	-19,201	-1,193	-2,992	-602	-68
Bonds issued by Realkredit Danmark	121,108	-	119,405	222,731	211,599
Other issued bonds	65,806	20,148	67,455	161,289	88,549
Subordinated debt	986	3,178	2,214	52,461	20,994
Other financial liabilities	511	1,342	4,799	36,796	25,763
Financial and loss guarantees	8,870	8,802	27,855	26,455	11,149
Irrevocable loan commitments shorter than 1 year	7,096	2,290	53,627	-	-
Irrevocable loan commitments longer than 1 year	-	-	-	101,262	5,197
Other unutilised loan commitments	942	-	-	-	-
Total	1,388,002	152,180	315,046	641,727	376,251

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 loan commitments	852	-	-	-	-
Total	1,409,402	159,837	245,658	692,072	413,037

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 potential drawings under irrevocable loan commitments, the Group factors in the effect of the unutilised portion of the facilities in the calculation of liquidity risk.

NOTES – DANSKE BANK GROUP

Note	(DKK millions)	2011	2010
35	**Pension plans**		
	Contributions to external defined contribution plans	591	480
	Contributions to internal defined contribution plans	724	675
	Total contributions to defined contribution plans	1,315	1,155
	Expenses for defined benefit plans, standard cost	122	149
	Adjustment of plans and business acquisitions	-	-
	Foreign currency translation	-35	17
	Total	1,402	1,321

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 ordinary 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 in 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 plans in these countries do not accept new members, and pension obligations are funded through pension funds. For the plan in Ireland, contributions payable by existing members were discontinued on 1 January 2011. All employees are now covered by a plan combining defined benefit and defined contribution elements.

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 these plans do not accept new members, and most of them are in payment.

In Sweden, the defined benefit plan accepts new members. The plan is 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 asset of DKK 387 million at 31 December 2011 (31 December 2010: a net pension liability of DKK 39 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	236	241
Present value of fully or partly funded pension obligations	13,167	11,937
Fair value of plan assets	13,945	11,960
Net pension obligation at 31 December	-542	218
Actuarial gains/losses not recognised in the net pension obligation	387	-39
Net pension obligation in accordance with IFRSs at 31 December	-155	179
Net pension obligation recognised in the balance sheet		
Pension assets recognised under Other assets	627	415
Pension obligations recognised under Other liabilities	472	594
Total	-155	179

NOTES – DANSKE BANK GROUP

Note (DKK millions)

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

	2011			2010		
	Assets	Liabilities	Net	Assets	Liabilities	Net
At 1 January	11,960	12,178	218	9,988	11,878	1,890
Current service costs	-	163	163	-	200	200
Calculated interest expenses	-	616	616	-	627	627
Estimated return on plan assets	706	-	706	624	-	624
Past service costs	-	49	49	-	-54	-54
Standard cost	706	828	122	624	773	149
Actuarial gains/losses	1,311	885	426	1,026	-38	1,064
Employer contributions to plans	421	-	421	774	-	774
Employee contributions	11	11	-	7	7	-
Benefits paid out by pension funds	-482	-482	-	-451	-451	-
Adjustment of plans and business acquisitions	-	-	-	-	-	-
Foreign currency translation	18	-17	-35	-8	9	17
At 31 December	13,945	13,403	-542	11,960	12,178	218
Actuarial gains/losses not recognised in net pension obligation	241	-146	387	-1,071	-1,032	-39
Net pension obligation at 31 December	13,704	13,549	-155	13,031	13,210	179

The Group expects its pension contributions to total DKK 285 million in 2012.

Expenses for defined benefit plans	2011	2010
Current service costs	163	200
Calculated interest expenses	616	627
Estimated return on plan assets	706	624
Past service costs	49	-54
Standard cost	122	149
Actuarial gains/losses	426	1,064
Adjustment of plans and business acquisitions	-	-
Foreign currency translation	-35	17
Total	-339	-898

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 2011.

Average actuarial assumptions (%)	2011	2010
Discount rate	4.7	5.2
Return on plan assets	4.8	5.8
Inflation rate	2.7	2.9
Salary adjustment rate	3.6	3.8
Pension adjustment rate	2.9	3.0

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 2011 are based on the Group's own FT09 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 2011 were 86.6 years for men and 88.4 years for women (60-year-olds), and 86.8 years for men and 88.6 years for women (65-year-olds). The corresponding figures for 2010 were 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 notes on risk management include a sensitivity analysis.

NOTES – DANSKE BANK GROUP

Note	(DKK millions)						
35	**Pension assets**	2011			2010		
(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	34	8	-7	42	8	14
	Government and mortgage bonds	29	4	12	29	4	6
	Index-linked bonds	9	4	25	7	4	9
	Corporate bonds	12	5	12	13	5	9
	Real property	4	7	-2	2	7	-4
	Cash and cash equivalents	12	2	-	7	2	-
	Total	100	6	4	100	6	10

Historical trend in defined benefit plans	2011	2010	2009	2008	2007
Present value of pension obligations	13,403	12,178	11,878	9,717	12,098
Fair value of plan assets	13,945	11,960	9,988	9,301	11,169
Actuarial gains/losses not recognised in the net pension obligation	387	-39	-1,103	483	376
Experience adjustments of plan liabilities included in above item	-89	247	-38	-59	-
Experience adjustments of plan assets included in above item	1,144	599	-217	-664	-
Net pension obligation at 31 December	-155	179	787	899	1,305

Transactions with related pension funds comprised loans and advances in the amount of DKK 9 million (2010: DKK 9 million), deposits in the amount of DKK 152 million (2010: DKK 134 million), issued bonds worth DKK 507 million (2010: DKK 530 million), derivatives with a positive fair value of DKK 19 million (2010: DKK 40 million), derivatives with a negative fair value of DKK 1,425 million (2010: DKK 621 million), interest expenses of DKK 21 million (2010: DKK 20 million), fee income of DKK 1 million (2010: DKK 1 million), and pension contributions of DKK 423 million (2010: DKK 774 million).

36	**Risk-weighted assets**	2011	2010
	Credit risk (IRB approach)	494,989	457,548
	Credit risk (standardised approach)	213,382	218,106
	Counterparty risk	44,508	37,246
	Total credit risk	752,879	712,900
	Market risk	63,686	43,284
	Operational risk	89,414	88,025
	Total	905,979	844,209

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 1,414,566 million at 31 December 2011 (31 December 2010: DKK 1,359,397 million). The solvency need, calculated on the basis of the transitional rules, was DKK 90,532 million, equal to 80% of the capital requirement of 8% of risk-weighted assets (31 December 2010: DKK 87,001 million).

Risk Management 2011 provides more details about the Group's solvency need. Risk Management 2011 is not covered by the statutory audit.

NOTES – DANSKE BANK GROUP

Note	(DKK millions)	2011	2010
37	**Contingent liabilities**		

The Group uses a variety of loan-related financial instruments to meet customers' financial requirements. Instruments include loan offers and other credit facilities, guarantees and instruments not recognised in the balance sheet.

	2011	2010
Guarantees		
Financial guarantees	12,123	12,061
Mortgage finance guarantees	1,537	3,001
Other guarantees	69,471	75,228
Total	83,131	90,290
Other contingent liabilities		
Irrevocable loan commitments shorter than 1 year	63,013	61,551
Irrevocable loan commitments longer than 1 year	106,459	109,407
Other unutilised loan commitments	942	852
Total	170,414	171,810

In addition to credit exposure from lending activities, the Group has made loan offers and granted revocable credit facilities in the amount of DKK 355 billion (31 December 2010: DKK 396 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 and disputes. In view of its size, the Group does not expect the outcomes of pending lawsuits and disputes 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 also liable for the pension obligations of a number of company pension funds.

Through participation in the Danish Guarantee Fund for Depositors and Investors, Danish banks undertake to cover the losses incurred by the Fund from the resolution of distressed banks. Danske Bank's share is just over one third of any loss incurred by the Fund.

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 the operating lease assets in its balance sheet. Such assets are recognised by lessors. Note 40 provides more information about the present value of lease payments under non-cancellable operating leases.

NOTES – DANSKE BANK GROUP

Note

38 **Repo and reverse transactions**

In repo transactions, which involve selling securities to be repurchased at a later date, the securities remain in the balance sheet, and the amounts received are recognised as deposits. At the end of 2011, the fair value of such securities totalled DKK 267,924 million (31 December 2010: DKK 190,174 million). Counterparties are entitled to sell the securities or deposit them as collateral for 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 loans. The securities are not recognised in the balance sheet, and amounts paid are carried as loans. At the end of 2011, the fair value of reverse transaction securities was DKK 254,423 million (2010: DKK 301,980 million), of which securities sold or deposited as collateral totalled DKK 163,851 million (31 December 2010: DKK 159,450 million).

39 **Assets deposited as collateral**

At the end of 2011, the Group had deposited securities worth DKK 50,674 million as collateral with Danish and international clearing centres and other institutions (31 December 2010: DKK 59,949 million).

At the end of 2011, the Group had provided cash and securities worth DKK 71,249 million as collateral for derivatives transactions (31 December 2010: DKK 40,655 million).

The Group had registered assets under insurance contracts worth DKK 278,858 million as collateral for the savings of policyholders at the end of 2011 (31 December 2010: DKK 269,957 million).

The Group had registered loans at fair value worth DKK 720,741 million and other assets worth DKK 0 million as collateral for bonds issued by Realkredit Danmark, including mortgage-covered bonds, at the end of 2011 (31 December 2010: DKK 701,715 million and DKK 0 million, respectively).

At the end of 2011, the Group had registered loans and advances worth DKK 198,760 million and other assets worth DKK 8,108 million as collateral for covered bonds issued under Danish and Finnish law (31 December 2010: DKK 138,610 million and DKK 5,126 million, respectively).

NOTES – DANSKE BANK GROUP

Note	(DKK millions)	2011	2010
40	**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 23,735 million at the end of 2011 (31 December 2010: DKK 25,888 million).

	2011	2010
Finance leases		
At 1 January	25,888	27,938
Additions	6,311	5,613
Disposals	8,511	8,548
Foreign currency translation	47	885
At 31 December	23,735	25,888
Finance leases expiring		
within 1 year	3,766	4,829
in 1-5 years	14,548	15,058
after 5 years	5,421	6,001
Total	23,735	25,888
Gross investment in finance leases expiring		
within 1 year	5,393	6,377
in 1-5 years	17,551	18,189
after 5 years	6,761	7,560
Total	29,705	32,126
Unearned finance income	5,970	6,238
Unguaranteed residual value	3,346	1,540

Impairment charges for finance leases amounted to DKK 862 million at the end of 2011 (31 December 2010: DKK 1,096 million). Interest income on variable-rate leases amounted to DKK 629 million (2010: DKK 608 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.

	2011	2010
Operating leases expiring		
within 1 year	1,846	1,911
in 1-5 years	2,467	2,381
after 5 years	479	698
Total	4,792	4,990

Interest income on variable-rate leases amounted to DKK 92 million (2010: DKK 132 million).

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 in the Group's balance sheet. The table below breaks down minimum lease payments by lease term.

	2011	2010
Operating leases expiring		
within 1 year	589	571
in 1-5 years	1,579	1,539
after 5 years	1,327	1,217
Total	3,495	3,327

Staff costs and administrative expenses includes lease payments in the amount of DKK 695 million (2010: DKK 435 million). Interest expenses on variable-rate leases amounted to DKK 0 million (2010: DKK 0 million).

In 2011, the Group did not enter into finance leases as lessee.

NOTES – DANSKE BANK GROUP

Note	(DKK millions)								
41	**Related parties**	Parties with significant influence		Associates		Board of Directors		Executive Board	
		2011	2010	2011	2010	2011	2010	2011	2010
	Loans and irrevocable loan commitments	6,104	6,034	1,950	1,318	33	43	24	16
	Securities and derivatives	1,369	1,508	9,778	11,968	-	-	-	-
	Deposits	2,271	3,062	303	191	41	38	30	21
	Derivatives	57	68	1,613	1,376	-	-	-	-
	Guarantees issued	1,470	1,970	6	9	-	-	-	-
	Guarantees and collateral received	463	486	336	117	18	21	22	12
	Interest income	71	155	255	280	1	2	1	1
	Interest expense	192	133	188	226	-	1	-	-
	Fee income	6	22	2	2	-	-	-	-
	Dividend income	12	4	119	137	-	-	-	-
	Other income	12	7	1	-	-	-	-	-
	Loan impairment charges	-	-	2	-	-	-	-	-
	Trade in Danske Bank shares								
	Acquisition of shares	4,646	-	-	-	5	-	7	2
	Sale of shares	-	-	-	-	-	-	-	2

Related parties with significant influence include shareholders with holdings exceeding 20% of Danske Bank A/S's share capital. The A.P. Møller and Chastine Mc-Kinney Møller Foundation and companies of the A.P. Moller – Maersk Group, Copenhagen, hold 22.84% of the share capital. Note 22 lists holdings in associates. 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 2011, the average interest rates on credit facilities granted to members of the Board of Directors and the Executive Board were 2.9% (2010: 2.7%) and 3.0% (2010: 3.4%), respectively. Notes 9 and 42 specify the remuneration and shareholdings of 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 35 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- 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.

NOTES – DANSKE BANK GROUP

Note	Number					
42	**Danske Bank shares held by the Board of Directors and the Executive Board**	Beginning of 2011	Upon appointment/ retirement	Additions	Disposals	End of 2011
	Board of Directors					
	Alf Duch-Pedersen	12,006	-18,674	6,668	-	-
	Eivind Kolding	11,367	-	3,789	-	15,156
	Ole Andersen	19,500	-	6,499	-	25,999
	Niels Bjørn Christiansen	-	4,044	1,348	-	5,392
	Michael Fairey	299	-	100	-	399
	Peter Højland	61,000	-	33,665	-	94,665
	Mats Jansson	250	-	1,523	-	1,773
	Sten Scheibye	8,758	-11,677	2,919	-	-
	Majken Schultz	917	-	835	-	1,752
	Claus Vastrup	1,275	-	3,025	300	4,000
	Birgit Aagaard-Svendsen	7,384	-9,845	2,461	-	-
	Susanne Arboe	752	-	111	-	863
	Helle Brøndum	2,299	-	285	-	2,584
	Carsten Eilertsen	366	-	-	-	366
	Charlotte Hoffmann	3,908	-	1,193	-	5,101
	Per Alling Toubro	2,650	-	-	-	2,650
	Executive Board					
	Peter Straarup	33,626	-	25,036	-	58,662
	Tonny Thierry Andersen	8,078	-	9,898	-	17,976
	Thomas F. Borgen	9,463	-	4,188	-	13,651
	Henrik Ramlau-Hansen	-	9,021	12,908	-	21,929
	Georg Schubiger	19,500	-	8,166	-	27,666
	Per Skovhus	3,678	-	7,064	5,839	4,903

Under the Danish Securities Trading Act, the acquisition and sale of Danske Bank shares by members of the Board of Directors and the Executive Board and related parties 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 members of the Board of Directors and the Executive Board and related parties.

NOTES – DANSKE BANK GROUP

Note (DKK millions)

43 **Fair value information for financial instruments**

Financial instruments are carried in 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.

In 2011, the global debt crisis had a significant impact on the bond markets, causing a shift towards safer bond investments. Price and demand changed considerably as the market perception of safe bond investments changed throughout the year. It can be 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, values depend on observable market prices for similar instruments, 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, values are 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 2011, the value of unamortised initial margins was DKK 1,103 million (31 December 2010: DKK 914 million).

	2011	2010
Unamortised initial margins at 1 January	914	873
Amortised during the year	-121	-94
Initial margins on new derivatives contracts	456	375
Terminated derivatives contracts	-146	-240
Unamortised initial margins at 31 December	1,103	914

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 changes in the fair value of the credit risk on borrowers. For loans granted to customers in rating categories 10 and 11, such adjustment is made in accordance with principles similar to those applying to individual impairment charges for loans at amortised cost. To discount amounts, the current effective interest rate is used instead of the original effective interest rate, however. A collective assessment determines the need for changes to reflect fair value adjustments of the credit risk and the market risk premium of the remaining portion of the portfolio. No changes are made if it is possible to raise the administration margin on loans (credit margin) sufficiently to offset higher credit risk and market risk premiums on mortgage loans. If it is not possible to raise the administration margin sufficiently or at all, a collective adjustment is made, reflecting trends in expected losses, unexpected losses (volatility) and the possibility of raising administration margins in the future. The expected future cash flows are discounted at the current market rate with the addition of a risk premium.

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.

NOTES – DANSKE BANK GROUP

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 resulted in reclassification of bonds between the Quoted prices and Observable input categories in 2011.

2011	Quoted prices	Observable input	Non-observable input	Total
Financial assets				
Derivatives	3,948	529,305	17,717	550,970
Trading portfolio bonds	348,141	9,953	-	358,094
Trading portfolio shares	348	-	343	691
Investment securities, bonds	86,374	8,772	-	95,146
Investment securities, shares	133	-	2,587	2,720
Loans at fair value	-	720,741	-	720,741
Assets under pooled schemes and unit-linked investment contracts	61,888	-	-	61,888
Assets under insurance contracts, bonds	144,855	2,491	151	147,497
Assets under insurance contracts, shares	43,524	526	4,728	48,778
Assets under insurance contracts, derivatives	1,085	3,528	-	4,613
Total	690,296	1,275,316	25,526	1,991,138
Financial liabilities				
Derivatives	4,368	510,721	18,972	534,061
Obligations to repurchase securities	163,092	743	17	163,852
Bonds issued by Realkredit Danmark	557,699	-	-	557,699
Deposits under pooled schemes and unit-linked investment contracts	-	69,211	-	69,211
Total	725,159	580,675	18,989	1,324,823

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

At 31 December 2011, financial instruments valued on the basis of non-observable input comprised unlisted shares of DKK 7,658 million (31 December 2010: DKK 5,942 million), illiquid bonds of DKK 151 million (31 December 2010: DKK 1,157 million) and derivatives with a net market value of DKK -1,255 million (31 December 2010: DKK -718 million). A 10% increase or decrease in the fair value of unlisted bonds would amount to DKK 766 million (2010: DKK 597 million), with DKK 473 million (2010: DKK 325 million) relating to shares allocated to policyholders, who assume most of the risk on the shares. The estimated fair value of illiquid bonds significantly depends on the estimated credit spread.

NOTES – DANSKE BANK GROUP

Note (DKK millions)

43 (cont'd) If the credit spread widens 50bp, fair value will decrease DKK 3 million (2010: DKK 28 million). If the credit spread narrows 50bp, fair value will increase DKK 3 million (2010: DKK 28 million). A substantial number of derivatives valued on the basis of non-observable input are hedged by similar derivatives or are used for hedging the credit risk on bonds also valued on the basis of non-observable input.

In 2011, the Group recognised unrealised value adjustments of unlisted shares and credit bonds valued on the basis of non-observable input of DKK 778 million (31 December 2010: DKK 593 million). Holdings in Nets Holding A/S accounted for DKK 373 million of the amount. In 2010, the Group recognised a capital gain of DKK 659 million related to the merger of PBS A/S and Nordito AS. The capital gain was recognised under Profit on sale of associates and group undertakings as the continuing company is no longer treated as an associate.

Shares, bonds and derivatives valued on the basis of non-observable input	2011		2010	
	Shares and bonds	Derivatives	Shares and bonds	Derivatives
Fair value at 1 January	7,099	-718	6,369	1,323
Value adjustment through profit or loss	826	-192	4,233	471
Value adjustment through other comprehensive income	-	-	-	-
Acquisitions	1,915	389	1,504	615
Sale and redemption	-1,047	-734	-4,397	-3,127
Transferred from quoted prices and observable input	-	-	-	-
Transferred to quoted prices and observable input	-1,001	-	-610	-
Fair value at 31 December	7,792	-1,255	7,099	-718

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 risk. 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.

NOTES – DANSKE BANK GROUP

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 (2010: 97%). The corresponding figure for financial liabilities is 100% (2010: 99%).

	Carrying amount 2011	Fair value 2011	Carrying amount 2010	Fair value 2010
Financial assets				
Cash in hand and demand deposits with central banks	28,617	28,617	35,403	35,403
Due from credit institutions and central banks	180,870	180,870	228,100	228,100
Investment securities	11,398	11,248	10,857	10,918
Loans and advances at amortised cost	1,126,482	1,109,779	1,146,731	1,151,514
Assets under insurance contracts	-	-	-	-
Total	1,347,367	1,330,514	1,421,091	1,425,935
Financial liabilities				
Due to credit institutions and central banks	393,388	393,388	317,988	317,988
Deposits	848,994	849,261	861,053	861,202
Other issued bonds	366,920	360,421	450,219	450,015
Subordinated debt	67,328	56,945	77,336	71,640
Irrevocable loan commitments and guarantees	465	206	3,753	3,418
Total	1,677,095	1,660,221	1,710,349	1,704,263

NOTES – DANSKE BANK GROUP

Note

44 **Group holdings and undertakings**

		Share capital (thousands)	Net profit (DKK m)	Shareholders' equity (DKK m)	Share capital (%)
Danske Bank A/S, Copenhagen	DKK	9,317,390	1,723	125,855	
Credit institutions					
Realkredit Danmark A/S, Copenhagen	DKK	630,000	1,874	44,757	100
Sampo Bank plc, Helsinki	EUR	106,000	789	16,892	100
Northern Bank Limited, Belfast	GBP	204,565	-1,492	5,559	100
Danske Bank International S.A., Luxembourg	EUR	90,625	111	1,097	100
ZAO Danske Bank, St. Petersburg	RUB	1,048,000	14	248	100
Insurance operations					
Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999, Copenhagen	DKK	1,000,000	550	19,743	100
Danica Pension, Livsforsikringsaktieselskab, Copenhagen	DKK	1,100,000	465	19,461	100
Danica Pension Försäkringsaktiebolag, Stockholm	SEK	100,000	14	54	100
Danica Pensjonsforsikring AS, Trondheim	NOK	106,344	41	230	100
Danica Life Ltd., Dublin	EUR	5,301	-43	286	100
Investment and real property operations etc.					
Addici Holding AB, Stockholm	SEK	100	-	-	100
As Oy Espoon Leppävaaran Aurinkopiha, Helsinki	EUR	2,015	-9	117	54
Danica Ejendomsselskab ApS, Copenhagen	DKK	2,627,590	1,246	21,167	100
Danske Capital AS, Tallinn	EUR	3,004	9	103	100
Danske Capital Norge AS, Trondheim	NOK	6,000	11	47	100
DDB Invest AB, Linköping	SEK	100,000	28	408	100
Danske Corporation, Delaware	USD	4	-	1	100
Danske Invest Management A/S, Copenhagen	DKK	118,000	9	142	100
Danske Leasing A/S, Birkerød	DKK	10,000	100	1,543	100
Danske Markets Inc., Delaware	USD	2,000	-14	68	100
Danske Private Equity A/S, Copenhagen	DKK	5,000	30	36	100
Fokus Krogsveen AS, Trondheim	NOK	25,000	29	103	100
Gonzalo Residential Asset Trust, Delaware	USD	-	64	1,489	100
home a/s, Åbyhøj	DKK	15,000	1	201	100
National Irish Asset Finance Ltd., Dublin	EUR	32,382	15	156	100
UAB Danske Lizingas, Vilnius	LTL	4,000	9	70	100

The list above includes major active subsidiary operations only. The financial information above 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 Danica Pension's equity exceeds its statutory solvency requirement by a certain margin. 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.

NOTES – DANSKE BANK GROUP

Note

45 **Significant accounting policies**

Contents

1. General

The Danske Bank Group prepares 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. 1306 dated 16 December 2008 on the use of IFRSs by undertakings subject to the Danish Financial Business Act.

The Group has not changed its significant accounting policies from those followed in Annual Report 2010.

Note 1 describes the Group's critical accounting policies and estimates.

2. Standards and interpretations not yet in force

The IASB has issued a number of amendments to IFRSs that have not yet come into force. Similarly, the IFRIC has issued a new interpretation that has not yet come into force. The sections below explain the changes that are likely to affect the Group's financial reporting.

In October 2010, the IASB reissued IFRS 9, Financial Instruments. The aim of the overall reissuance project is, once the amendments to IFRS 9 are completed, to let the standard replace IAS 39 in its entirety. IFRS 9 now provides principles for classification and derecognition of financial instruments. Principles for impairment and hedge accounting are expected to follow in 2012 or 2013.

The transitional rules of the amended IFRS 9 prescribe implementation of the standard by 2015. The EU has decided to postpone adoption of the amended IFRS 9 until the details of the entire standard 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 are measured at amortised cost. Other assets are measured at fair value through profit or loss. Equities may be measured at fair value through Other 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. Value adjustments relating to the inherent credit risk of financial liabilities designated at fair value are, however, recognised in Other comprehensive income unless this leads to an accounting mismatch.

NOTES – DANSKE BANK GROUP

Note

45 (cont'd) IFRS 9 incorporates the existing derecognition principles of IAS 39.

The Group does not expect the amended IFRS 9 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 of financial instruments is not possible without information about the future parts of IFRS 9 to clarify the overall accounting effects of the standard.

The IASB ended its project on consolidation in May 2011 by issuing a number of new International Financial Reporting Standards (IFRS 10, IFRS 11 and IFRS 12) and revised standards (IAS 27 and IAS 28). With these standards, the IASB establishes a uniform definition of control to be used for determining whether an entity should be consolidated and introduces enhanced disclosure requirements for consolidated and unconsolidated entities, joint arrangements and associates. The standards, which have not yet been adopted by the EU, must be implemented in 2013 at the latest. The Group does not expect the new requirements to significantly change its consolidation of businesses.

In May 2011, the IASB issued IFRS 13, Fair Value Measurement. The standard introduces a new definition of fair value and provides guidance on how to measure fair value along with disclosure requirements for fair value. IFRS 13 applies when another standard requires fair value to be used or disclosed. The standard, which has not yet been adopted by the EU, must be implemented in 2013 at the latest. The Group does not expect IFRS 13 to significantly affect its financial results.

In June 2011, the IASB reissued IAS 19, Employee Benefits. The amended standard eliminates the option of deferring the recognition of actuarial gains and losses on defined benefit pension plans, known as the "corridor method". The present value of pension obligations and the fair value of plan assets must be recognised in the balance sheet instead. The amended standard, which has not yet been adopted by the EU, must be implemented in 2013 at the latest. At 31 December 2011, the new requirements would have increased shareholders' equity by DKK 290 million (the amount deferred under the corridor method net of tax). The effect on net profit will be immaterial as actuarial gains and losses are recognised in Other comprehensive income. Other comprehensive income and shareholders' equity items will become more volatile, though. The Statement of capital will not be affected as it is already prepared without the use of the corridor method.

In December 2011, the IASB clarified the IAS 32 requirements for offsetting financial instruments. The clarification is expected to increase the offsetting of positive and negative fair values of derivatives. The IASB also enhanced its IFRS 7 disclosure requirements to include both gross and net amounts when offsetting financial instruments and rights of set-off in the event of counterparty defaults. The changes, which have not yet been adopted by the EU, must be implemented in 2014 and 2013, respectively.

3. Consolidation

Group undertakings

The financial statements consolidate 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 intra-group 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 at fair value at the date of acquisition according to the acquisition method.

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 and expected to be sold 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.

Associates

Associates are businesses, other than group undertakings, in which the Group has holdings and significant but not controlling influence. The Group generally classifies businesses as associates if Danske Bank A/S, directly or indirectly, holds 20-50% of the share capital and has influence over management and operating policy decisions.

NOTES – DANSKE BANK GROUP

Note

45 (cont'd) 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 business is included under Income from associates. The share is calculated on the basis of data from financial statements with balance sheet dates no earlier than three months before the Group's balance sheet date.

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

Voting rights held by the Group's insurance business are not included in the holding that determines whether or not a business is an associate. Such holdings are treated as held by a venture capital organisation and measured at fair value.

4. 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.

5. 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.

6. 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 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 transaction date.

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 transaction date. Gains and losses 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.

BALANCE SHEET

7. 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 and estimates, explains the classification of financial assets and liabilities.

8. 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 under 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.

9. 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 (obligations 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. Realised and unrealised capital gains and losses and dividends are recognised in the income statement under Net trading income.

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Note

45 (cont'd)

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. The fair value of such instruments is therefore 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.

For portfolios of assets and liabilities with offsetting market risks, the Group bases its measurement of the portfolios on mid-market prices and makes a fair value adjustment to recognise net assets at bid price and net liabilities at asking price (exit prices).

If no active market exists for standard and simple financial instruments, such as interest rate and currency swaps and unlisted bonds, fair value is calculated on the basis of generally accepted valuation techniques and market-based parameters. The fair value of more complex financial instruments, such as swaptions and interest rate caps and floors, and other OTC products 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 included to measure 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 input 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.

10. 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 through Other comprehensive income. Unrealised value adjustments of 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.

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.

11. 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, using 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.

NOTES – DANSKE BANK GROUP

Note

45 (cont'd) *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 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 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 a loan and advance and the present value of the most likely future cash flows from the loan and advance 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 writedown 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 on 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 portfolios of loans held by 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 factors that determine economic 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.

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.

12. 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

NOTES – DANSKE BANK GROUP

Note

45 (cont'd) 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 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 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 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 granted to customers in rating categories 10 and 11 (all loans with objective evidence of impairment), such adjustment is made in accordance with principles similar to the principles for calculating individual impairment charges for loans at amortised cost. For discounting purposes, however, the current effective interest rate is used instead of the original effective interest rate.

A collective assessment also determines the need for adjustments to reflect changes in the fair value of the credit risk on the remaining portion of the portfolio. No changes are made if it is possible to raise the administration margin on loans (credit margin) sufficiently to compensate for the higher credit risk and market risk premium on mortgage loans. If it is not possible to raise the administration margin sufficiently or at all, a collective adjustment is made, reflecting trends in expected losses, unexpected losses (volatility) and the possibility of raising administration margins in the future. The expected future cash flows are discounted at the current market rate with the addition of a risk premium.

13. 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.

14. 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 associates, are specified in the notes. The valuation technique used matches the Group's accounting policy for similar assets with the exception of holdings in associates. Such holdings are treated as held by a venture capital organisation and measured at fair value. Note 22 shows holdings in associates 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 empirical data from Danica's portfolio and include a risk allowance.

Obligations for guaranteed benefits are calculated as the present value of the current guaranteed benefits plus the present value of expected future administrative expenses less the present value of future premiums.

Danish rules on insurance accounting determine the discount yield curve, which 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 yield spread between Danish and German government bonds and a mortgage yield curve spread. In December 2011, the extraordinary market conditions prompted the Danish FSA to allow the calculation of the yield spread as a 12-month moving average. This means that daily market changes are reflected in the spread, but the effect of fluctuations is reduced. The adjusted discount curve reduced life insurance provisions at the end of 2011 by a total of DKK 2.8 billion.

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Note

45 (cont'd) *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 guaranteed benefits.

Collective bonus potential
Provisions for the collective bonus potential comprise policyholders' share of the technical basis for insurance 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.

15. 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 associates is recognised under Holdings in associates.

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 once a year or more frequently if indications of impairment exist. Goodwill is written down to its recoverable amount through profit or loss 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, 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 includes the expenses incurred to make each software application ready for use. Once a software application has been developed, the cost is amortised over its expected useful life, 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 their fair value at the time of acquisition and amortised over their expected useful lives, 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.

16. 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. Real property taken over by the Group under non-performing loan agreements that is expected to be sold within 12 months of classification is valued in accordance with principles used for investment property but presented as assets held for sale.

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 required rate of return calculated for each property. The required 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 lessees.

17. Tangible assets

Tangible assets includes domicile property, machinery, furniture and fixtures. Machinery, furniture and fixtures covers equipment, vehicles, furniture, fixtures, leasehold improvements 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.

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Note

45 (cont'd) 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. If the property is unlikely to be sold within this period, it is classified as investment property.

Machinery, furniture and fixtures

Equipment, vehicles, furniture, fixtures and leasehold improvements are measured at cost less depreciation and impairment charges. Assets are depreciated over their expected useful lives, usually three years, according to the straight-line method. Leasehold improvements are depreciated over the term of the individual lease, with a maximum of ten years.

Lease assets

Lease assets consists of assets, except real property, let under operating leases. 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.

18. 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 and assets of group undertakings actively marketed for sale within 12 months, for example assets and businesses taken over under non-performing loan agreements. Such assets are measured at the lower of their carrying amount at the time of reclassification and their fair value less expected costs to sell and are no longer depreciated. Liabilities of group undertakings are initially measured at fair value and subsequently in accordance with the Group's general accounting policies. The section on investment property explains the valuation and presentation of investment property and real property taken over.

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 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.

19. Amounts due to credit institutions and central banks and 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.

20. Other issued bonds and 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.

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.

21. 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, reserves subject to a reimbursement obligation relating to mortgage loan agreements, and provisions for other obligations, such as lawsuits and guarantees.

If a lawsuit is likely to result in a payment obligation, a liability is recognised if it can be measured reliably. The liability is recognised at the present value of expected payments.

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Note

45 (cont'd) ***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 from 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 of high-quality corporate bonds with maturities similar 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 in 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, irrevocable loan commitments and guarantees are measured at the higher of the received premiums amortised over the guarantee or commitment 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.

22. Deferred tax assets and 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.

23. Current tax assets and Current tax liabilities

Current tax assets and liabilities are recognised in 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.

24. 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.

NOTES – DANSKE BANK GROUP

Note

45 (cont'd) ***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 purchase and sale of Danske Bank shares are recognised directly in shareholders' equity. The same applies to premiums received or paid for derivatives entailing settlement in own shares.

A 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.

25. Contingent assets and Contingent liabilities

Contingent assets and Contingent liabilities consist of possible assets and liabilities arising from past events. The existence of such assets and liabilities will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Group's control.

Contingent 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 they will entail an outflow of economic resources or because no reliable estimate can be made.

INCOME STATEMENT

26. 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 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.

27. 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 settlement of the individual transaction.

28. 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.

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.

29. 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.

30. 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 in the balance sheet. Reinsurance premiums paid are deducted from premiums received.

31. 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.

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Note

45 (cont'd)

32. Income from associates

Income from associates comprises the Group's proportionate share of the net profit or loss of the individual businesses. Fair value adjustment of venture capital holdings is recognised as Net trading income, however.

33. Profit on sale of associates and group undertakings

The profit on sale of associates and group undertakings is the difference between the selling price and the carrying amount, including goodwill, if any, of such sale.

34. 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 (suspended in 2008) and conditional shares. 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 up to five 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 from 2010 is conditional on certain 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).

35. 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.

36. Loan impairment charges

Loan impairment charges includes losses on and impairment charges against loans, advances, amounts due from credit institutions and guarantees, as well as fair value adjustments of the credit risk on loans measured at fair value.

The item also includes impairment charges and realised gains and losses on tangible assets and group undertakings 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.

37. 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.

38. 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.

39. 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.

40. 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 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.

NOTES – DANSKE BANK GROUP

Note

45 (cont'd) 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 cannot be 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.

NOTES – DANSKE BANK GROUP

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. Ratios have been adjusted to reflect the share capital increase in April 2011. For comparative purposes, the number of shares is adjusted for the dilutive effect of the share capital increase. The factor is calculated as the weighted average share price of existing and new shares divided by the share price on the day before the exercise of subscription rights.
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. Ratios have been adjusted to reflect the share capital increase in April 2011.
Return on average shareholders' equity (%)	Net profit for the year divided by average shareholders' equity during the year.
Cost/income ratio (%)	Expenses divided by total income.
Total capital ratio	Total capital base divided by risk-weighted assets.
Tier 1 capital ratio	Tier 1 capital divided by risk-weighted assets.
Tier 1 capital	Primarily paid-up share capital plus retained earnings and hybrid capital, less certain deductions, such as intangible assets.
Hybrid capital	Loans that form part of tier 1 capital. This means that hybrid capital is used for covering losses if shareholders' equity is lost.
Tier 2 capital	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.
Capital base	Tier 1 capital and tier 2 capital, less certain deductions. Tier 2 capital may not account for more than half of the capital base.
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. Ratios have been adjusted to reflect the share capital increase in April 2011.
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. Ratios have been adjusted to reflect the share capital increase in April 2011.
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.
Funding ratio	Lending divided by working capital less bond issues with a term to maturity shorter than one year. Working capital comprises deposits, issued bonds, subordinated debt and shareholders' equity. Lending and deposit figures do not include repo transactions.
Lending growth (year-on-year)	Growth in lending from the beginning to the end of the year.
Real property exposure	Share of total lending and guarantees to the Real property and Building projects industry segments as defined by Statistics Denmark.

NOTES – DANSKE BANK GROUP – RISK MANAGEMENT

Risk exposure

The Danske Bank Group is exposed to a number of risks, which it manages at different organisational levels.

The main categories of risk are the following:

- 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 assume the risks and 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 tables of this section, but are treated in the section on insurance risk.

The management's report and Risk Management 2011 provide a detailed description of the Danske Bank Group's risk management practices. Risk Management 2011 is available at www.danskebank.com/ir. The publication is not covered by the statutory audit.

Capital base

The Group's capital management policies and practices support its business strategy and ensure that it is sufficiently capitalised to withstand even severe macroeconomic downturns.

Danske Bank is a licensed financial services provider and must therefore comply with the capital requirements of the Danish Financial Business Act. The Danish 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 regulatory requirements stipulate a minimum capital level of 8% of risk-weighted assets under Pillar I (risk-weighted assets for credit risk, market risk and operational risk) and an additional solvency need to reflect all relevant risks.

The Group's capital base consists of tier 1 capital and subordinated debt.

Core tier 1 capital is based on the carrying amount of shareholders' equity with the following adjustments: domicile property is revalued at its estimated fair value, the corridor method is not applied to pension obligations, and proposed dividends, 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 32 shows the Group's subordinated debt. At the end of 2011, the capital base was DKK 162.1 billion (31 December 2010: DKK 149.7 billion), and the total capital ratio was 17.9% (31 December 2010: 17.7%). Total tier 1 capital was DKK 145.0 billion (31 December 2010: DKK 124.8 billion), and the tier 1 capital ratio was 16.0% (31 December 2010: 14.8%). In the spring of 2011, the Group strengthened its core tier 1 capital by means of a rights issue.

Risk Management 2011 provides a description of the Group's solvency need – that is, a capital base adequate in terms of size, type and composition to cover the Group's risks. The publication is not covered by the statutory audit.

The Group's capital considerations are based on an assessment of the capital requirements under the current capital adequacy rules and the rules on the transition from previous regulation as well as on an assessment of the effects of future regulation, including the CRD IV. The Group also considers criteria such as expected growth and earnings, dividend policy and stress test scenarios.

The Group aspires to improve its credit ratings, which are important for its access to liquidity and for the pricing of its long-term funding. The Group therefore includes rating targets in its capital considerations.

NOTES – DANSKE BANK GROUP – RISK MANAGEMENT

Credit risk

The Danske Bank Group offers loans, credits, guarantees and other products as part of its business model and thus incurs 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 information about customers' individual financial circumstances and monitors customers' financial situation on an ongoing basis to assess whether the basis for credit has changed. Facilities should match the customers' financial situation, including earnings, capital and assets, and business volume with Danske Bank to a reasonable degree, and the customers should be able to substantiate their repayment ability. Collateral is usually required for credit facilities with long maturities (typically over five years) and for the financing of fixed assets.

Credit exposure

In the following tables, the Group's credit exposure is defined as the maximum credit exposure excluding collateral. This section also includes detailed information on collateral received.

The credit exposure consists of balance sheet items and off-balance-sheet items that carry credit risk. Most of the exposure derives from lending activities in the form of secured and unsecured loans. Positions taken by the Group's trading and investment units also involve credit risk. A segment of credit risk concerns derivatives and is designated counterparty risk. The overall management of credit risk covers counterparty risk; the credit exposure from securities positions, mainly at trading and investment units; and the risk on direct lending to the same counterparties.

The Group is exposed only to a limited extent to the risk on some balance sheet items. This is the case for assets under customer-funded investment pools, unit-linked investment contracts and insurance contracts. The risk on assets under pooled schemes and unit-linked investment contracts is assumed solely by the customers, while the risk on assets under insurance contracts is assumed primarily by the customers. The section on insurance risk describes the Group's credit risk on insurance contracts.

NOTES – DANSKE BANK GROUP – RISK MANAGEMENT

(DKK millions)

Breakdown of credit exposure 2011	Total	Credit exposure, lending activities	Counterparty risk (derivatives)	Credit exposure, other trading and investing activities	Insurance risk	Contracts, full risk assumed by customers
Balance sheet items						
Demand deposits with central banks	18,015	18,015	-	-	-	-
Due from credit institutions and central banks	74,041	74,041	-	-	-	-
Repo loans with credit institutions and central banks	106,829	106,829	-	-	-	-
Trading portfolio assets	909,755	-	550,970	358,785	-	-
Investment securities	109,264	-	-	109,264	-	-
Loans and advances at amortised cost	977,284	977,284	-	-	-	-
Repo loans	149,198	149,198	-	-	-	-
Loans at fair value	720,741	720,741	-	-	-	-
Assets under pooled schemes and unit-linked investment contracts	61,888	-	-	-	-	61,888
Assets under insurance contracts	230,668	-	-	-	230,668	-
Off-balance-sheet items						
Guarantees	83,131	83,131	-	-	-	-
Irrevocable loan commitments shorter than 1 year	63,013	63,013	-	-	-	-
Irrevocable loan commitments longer than 1 year	106,459	106,459	-	-	-	-
Other unutilised commitments	942	-	-	942	-	-
Total	3,611,228	2,298,711	550,970	468,991	230,668	61,888

2010	Total	Credit exposure, lending activities	Counterparty risk (derivatives)	Credit exposure, 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

In addition to credit exposure from lending activities, the Group has made loan offers and granted revocable loan commitments in the amount of DKK 355 billion (31 December 2010: DKK 396 billion). These items are included in the calculation of risk-weighted assets in accordance with the Capital Requirements Directive.

NOTES – DANSKE BANK GROUP – RISK MANAGEMENT

(DKK millions)

Credit exposure from 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 follows the Global Industry Classification Standard (GICS), supplemented by the Personal customers, Subsidised housing companies, and Central and local governments categories.

Credit exposure broken down by industry (GICS)

							Impaired	
2011	Personal customers	Commercial customers	Financial customers	Public customers	Total	Past due but not impaired	Not in default	In default
Central and local governments	-	-	-	122,495	122,495	106	-	-
Subsidised housing companies	-	123,161	-	-	123,161	227	789	1,580
Banks	-	-	178,778	-	178,778	-	47	-
Diversified financials	-	-	153,010	-	153,010	402	1,540	3,901
Other financials	-	-	56,915	-	56,915	33	2	186
Energy and utilities	-	40,698	-	-	40,698	24	100	28
Consumer discretionary	-	83,208	-	-	83,208	942	2,438	1,321
Consumer staples	-	117,666	-	-	117,666	745	5,381	1,770
Commercial property	-	257,267	-	-	257,267	1,775	10,823	10,382
Construction, engineering and building products	-	36,572	-	-	36,572	245	1,895	1,893
Transportation and shipping	-	71,824	-	-	71,824	336	941	2,019
Other industrials	-	77,995	-	-	77,995	397	3,505	1,654
IT	-	15,615	-	-	15,615	66	113	54
Materials	-	42,483	-	-	42,483	138	358	-
Health care	-	27,562	-	-	27,562	144	80	39
Telecommunication services	-	4,494	-	-	4,494	3	550	15
Personal customers	888,968	-	-	-	888,968	9,839	7,072	8,324
Total	888,968	898,545	388,703	122,495	2,298,711	15,422	35,634	33,166

2010	Personal customers	Commercial customers	Financial customers	Public customers	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	-	88,988	-	-	88,988	645	4,447	987
Consumer staples	-	114,223	-	-	114,223	416	2,463	1,378
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

NOTES – DANSKE BANK GROUP – RISK MANAGEMENT

(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.

							Impaired	
2011	Personal customers	Commercial customers	Financial customers	Public customers	Total	Past due but not impaired	Not in default	In default
Denmark	561,918	428,731	188,286	62,721	1,241,656	7,864	23,197	13,038
Finland	100,937	88,684	4,369	6,800	200,790	2,063	1,095	2,585
Sweden	85,567	158,662	27,727	16,812	288,768	288	1,173	1,062
Ireland	24,543	25,169	9,966	7,430	67,108	902	5,262	7,519
UK	19,968	33,535	66,088	16,802	136,393	462	966	2,695
Germany	545	12,389	2,180	390	15,504	19	180	35
Estonia	5,553	4,545	145	336	10,579	480	32	426
Latvia	1,075	890	177	-	2,142	50	179	85
Lithuania	4,723	3,211	554	784	9,272	136	600	635
Spain	879	45	433	-	1,357	8	29	30
France	581	1,742	3,147	-	5,470	9	4	63
Italy	127	62	106	-	295	1	4	10
Portugal	109	-	70	-	179	1	1	1
Greece	40	2	-	-	42	-	-	-
Belgium	273	1,175	3,131	-	4,579	1	1	8
Cyprus	15	2,511	76	-	2,602	-	90	-
Netherlands	166	1,248	2,107	-	3,521	1	3	-
Luxembourg	272	316	27,957	151	28,696	1	153	11
Poland	76	2,593	1,212	36	3,917	2	22	15
Other EU member states	193	354	292	-	839	2	59	3
Norway	77,395	104,493	8,062	8,930	198,880	3,077	2,364	1,213
Eastern Europe	78	1,571	1,849	145	3,643	-	2	1
Switzerland	718	2,483	1,354	-	4,555	27	-	18
Turkey	31	65	1,833	-	1,929	-	47	1
Other European countries	212	164	570	-	946	7	10	176
North America	1,106	18,082	26,905	-	46,093	7	133	3,507
Central and South America	110	663	1,473	127	2,373	-	6	1
Africa	146	1,275	1,401	696	3,518	1	-	2
Asia	1,458	3,149	7,069	335	12,011	13	21	25
Oceania	154	736	164	-	1,054	-	1	1
Total	888,968	898,545	388,703	122,495	2,298,711	15,422	35,634	33,166

Geographical segmentation is based on the customer's country of residence rather than the location in which the individual transaction is recorded. The table lists the countries to which the Group has a total exposure above DKK 1 billion together with Ireland, Portugal, Italy, Greece and Spain.

NOTES – DANSKE BANK GROUP – RISK MANAGEMENT

(DKK millions)

2010	Personal customers	Commercial customers	Financial customers	Public customers	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
Estonia	5,838	4,832	1,457	190	12,317	570	31	4
Latvia	1,156	948	1,042	-	3,146	47	178	115
Lithuania	5,102	2,780	1,322	372	9,576	148	677	1,094
Spain	900	554	227	-	1,681	4	25	24
France	646	1,849	11,084	3	13,582	4	105	26
Italy	126	77	540	-	743	12	3	1
Portugal	105	-	97	-	202	-	2	2
Greece	49	2	10	-	61	-	-	-
Belgium	239	947	9,002	-	10,188	3	-	17
Cyprus	3	1,840	8	-	1,851	-	-	-
Netherlands	129	2,612	3,771	-	6,512	4	38	-
Luxembourg	306	1,722	29,329	145	31,502	2	41	99
Poland	61	2,940	1,661	149	4,811	-	6	15
Other EU member states	163	351	484	-	998	1	18	2
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
Switzerland	746	1,789	2,460	-	4,995	13	-	21
Turkey	27	18	1,367	-	1,412	-	-	2
Other European countries	254	447	660	-	1,361	-	-	348
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

NOTES – DANSKE BANK GROUP – RISK MANAGEMENT

(DKK millions)

Classification of customers

As part of the credit process, the Group classifies customers according to risk and updates the classification upon receipt of new information. The main objectives of risk classification are to rank the Group's customer base according to risk and to estimate the probability of default (PD) of each customer. The risk classification process also ensures a shared understanding across the Group of the credit risk that customers pose. Risk classification comprises rating and credit scoring of customers.

The Group uses a number of rating models that it has developed for classifying customers in various groups. Group Credit is responsible for the overall rating process, while Group Finance is responsible for validating the rating models and processes. Customer ratings are reassessed periodically. Large business and financial customers' ratings are reassessed more frequently than those of smaller customers. The reassessments are based on new information, including financial statements, budgets and other information, that affects customers' creditworthiness. Group Credit rates the largest customers, while smaller customers are rated by the local units' credit departments. Group Credit ensures that the part of the process that is carried out locally follows the same overall guidelines as the process carried out at the head office for the largest customers. Two persons are always involved in a rating decision: a rating officer who recommends the rating and a senior rating officer with authority to approve the rating.

The Group assigns credit scores to customers who are not rated. These customers include personal customers and small business customers. The Group has developed statistical models based on the information it possesses about customers that predict the likelihood that a customer will default on its payment obligations to the Group. The credit score represents the risk of loss on an exposure on the basis of well-defined characteristics of the customer's financial situation. Customer advisers use credit scores for granting loans and setting pricing. Since the accessibility of data about personal customers varies from country to country, the Group has developed personal customer models for each market in which it operates.

In its credit risk management, the Group uses point-in-time (PIT) probability of default (PD) estimates. These PIT 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 PIT PD will normally increase, and the customer will migrate to a lower rating category. The effect of using the PIT PD will thus be larger than if the classification were based on the through-the-cycle PD, which the Group uses to calculated risk-weighted assets for credit risk.

At the end of the year, the exposure-weighted average PD was 1.43%, against 1.32% in 2010.

Credit exposure broken down by rating category

2011 Rating category	Upper PD	Lower PD	Personal customers	Commercial customers	Financial customers	Public customers	Total
1	0.00	0.01	6,253	3,704	10,132	70,133	90,222
2	0.01	0.03	76,962	10,811	53,557	23,423	164,753
3	0.03	0.06	121,592	110,004	133,683	5,525	370,804
4	0.06	0.14	171,951	144,554	65,229	4,078	385,812
5	0.14	0.31	183,553	182,371	46,465	4,332	416,721
6	0.31	0.63	119,536	160,654	53,146	9,194	342,530
7	0.63	1.90	106,557	134,648	11,436	4,293	256,934
8	1.90	7.98	67,841	74,841	6,453	1,173	150,308
9	7.98	25.70	19,327	29,230	2,926	344	51,827
10	25.70	99.99	7,072	26,973	1,589	-	35,634
11	100.00	100.00	8,324	20,755	4,087	-	33,166
Total			888,968	898,545	388,703	122,495	2,298,711

2010 Rating category							
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

NOTES – DANSKE BANK GROUP – RISK MANAGEMENT

(DKK millions)

Risk concentration

The Group uses the risk concentrations it identifies in the credit portfolio as a credit risk management parameter. Risk concentrations arise in the credit portfolio as an inevitable consequence of the Group's business strategy. Risk concentrations can be divided into individual customer concentrations and portfolio concentrations.

Individual customer concentrations

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 2011, the Group's exposures did not exceed the limits established by section 145.

With effect from 1 December 2011, the exposure from covered bonds is excluded from the calculation of large exposures.

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. At the end of 2011, one exposure exceeded 10% of the capital base (classified in rating category two), and no exposure exceeded 20% of the capital base. Excluding exposure from covered bonds from the calculation of large exposures at 31 December 2010 would have reduced the number of large exposures to three.

	2011 Exposures calculated in accordance with section 145	2010 Exposures calculated in accordance with section 145
Number	1	4
Exposure > 20% of capital base	-	-
Exposure between 10% and 20% of capital base	18,035	65,610
Total	18,035	65,610

The Group has introduced a stricter internal portfolio limit of 95% of the capital base for the sum of individual exposures that exceed 10% of the capital base as well as a limit of 150% of the capital base for the sum of exposures from 5-9.99% of the capital base – that is, the largest individual exposures that are not covered by the rules on large exposures.

Portfolio concentrations

The Group's credit exposure is concentrated especially in personal customers and SMEs. At the end of 2011, exposure to personal customers amounted to 39% of total credit exposure (31 December 2010: 38%). Most of this exposure involved home financing secured against the properties. SMEs accounted for 27% of total credit exposure (31 December 2010: 26%). Most of this exposure involved property financing, with operating finance accounting for most of the remainder.

Customers domiciled in Denmark accounted for 54% of the credit exposure (31 December 2010: 53%), and customers in the other Nordic countries accounted for 30% (31 December 2010: 29%).

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 mortgage finance, or is standard market practice.

The most important means of mitigating risk are collateral and guarantees. The most common collateral types, measured by collateral value, are real property and financial assets (shares or bonds).

The initial valuation of collateral takes place during the credit approval process, when the Group collects information that enables it to make a sound valuation. In compliance with local statutory regulations, the Group regularly reassesses the value of the collateral. The value of collateral is based on the capital adequacy rules and is calculated as the estimated amount at which it can be sold on the valuation date to an independent party, adjusted for a haircut and the outstanding debt on any senior claims. For the most common collateral types, the Group uses models to estimate value. For collateral types for which there is no valuation model, the Group calculates the value manually.

A haircut is a measure of the risk that the Group will not be able to sell collateral at a price equal to the expected market value. The haircut thus includes maintenance costs in the period when the asset is for sale, fees for external advisory services and any loss in value. For real property, haircuts depend on the property type and usually range between 20% and 40% of the property's market value. For listed securities, the haircut is calculated using an internal model based on 20-day price volatility. For unlisted securities, the haircut is 100%.

Realisation of collateral is generally made on behalf of the borrower. However, if the Group 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 2011, the Group recognised properties taken over in Denmark at a carrying amount of DKK 317 million (31 December 2010: DKK 282 million) and properties taken over in other countries at DKK 128 million (31 December 2010: DKK 126 million). The properties are held for sale.

NOTES – DANSKE BANK GROUP – RISK MANAGEMENT

(DKK millions)

Collateral 2011	Personal customers	Commercial customers	Financial customers	Public customers	Total
Credit exposure	888,968	898,545	388,703	122,495	2,298,711
Collateral value	686,661	472,854	255,632	39,554	1,454,701
Total unsecured credit exposure	202,307	425,691	133,071	82,941	844,010
Unsecured portion of credit exposure (%)	22.8	47.4	34.2	67.7	36.7

2010					
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

Overcollateralisation is not included.

2011	Personal customers	Commercial customers	Financial customers	Public customers	Total
Real property	667,042	364,222	4,484	3,020	1,038,768
Personal	667,042	-	-	-	667,042
Commercial	-	319,995	-	-	319,995
Agricultural	-	44,227	-	-	44,227
Other	-	-	4,484	3,020	7,504
Bank accounts	882	2,369	326	7	3,584
Custody accounts and securities	5,818	13,416	222,440	32,865	274,539
Vehicles	7,268	10,303	53	332	17,956
Equipment	283	21,187	460	11	21,941
Vessels and aircraft	127	28,348	7	-	28,482
Guarantees	4,849	9,103	1,099	2,386	17,437
Amounts due	122	5,007	122	49	5,300
Other assets	270	18,899	26,641	884	46,694
Total	686,661	472,854	255,632	39,554	1,454,701

2010					
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

NOTES – DANSKE BANK GROUP – RISK MANAGEMENT

(DKK millions)

Credit exposure broken down by unsecured portion and rating category

2011 Rating category	Credit exposure	Unsecured portion (%) 0-10	10-25	25-50	50-75	75-100	Avg. unsecured portion (%)	Collateral
1	90,222	42,557	21,665	893	132	24,975	44.6	49,970
2	164,753	96,946	34,057	8,082	2,086	23,582	27.5	119,425
3	370,804	223,527	56,699	36,024	25,525	29,029	30.2	258,973
4	385,812	173,068	35,304	49,251	12,478	115,711	42.0	223,682
5	416,721	169,388	39,448	57,473	19,343	131,069	41.8	242,614
6	342,530	170,534	34,905	52,782	18,140	66,169	33.9	226,266
7	256,934	101,581	27,432	44,839	18,052	65,030	37.5	160,661
8	150,308	54,982	17,609	28,830	13,053	35,834	37.1	94,491
9	51,827	15,948	5,505	9,568	6,000	14,806	43.4	29,360
10	35,634	12,193	4,614	7,050	5,918	5,859	39.7	21,470
11	33,166	12,514	3,008	5,242	8,824	3,578	16.2	27,789
Total	2,298,711	1,073,238	280,246	300,034	129,551	515,642	36.7	1,454,701

2010 Rating category								
1	158,757	62,038	3,779	888	227	91,825	59.8	63,837
2	185,460	132,139	10,915	4,749	2,294	35,363	23.7	141,525
3	388,287	319,808	20,179	13,463	7,455	27,382	13.9	334,454
4	312,173	165,946	23,348	14,847	6,617	101,415	37.0	196,716
5	399,799	188,593	46,042	33,830	10,628	120,706	37.0	251,758
6	353,578	183,459	50,309	39,117	12,317	68,376	28.2	253,727
7	278,225	115,916	43,353	41,265	13,084	64,607	33.5	185,097
8	167,143	65,509	21,618	25,556	10,348	44,112	36.3	106,425
9	56,086	19,153	6,892	11,148	4,988	13,905	38.2	34,665
10	34,002	12,229	5,075	6,429	4,277	5,992	37.0	21,434
11	29,946	15,023	3,608	4,470	3,516	3,329	18.8	24,311
Total	2,363,456	1,279,813	235,118	195,762	75,751	577,012	31.7	1,613,949

The last krone of each exposure determines the band under which the entire exposure is registered.

Most of the collateral provided by customers in rating category 11 is 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.

NOTES – DANSKE BANK GROUP – RISK MANAGEMENT

(DKK millions)

Past due amounts (no evidence of impairment)

2011	Personal customers	Commercial customers	Financial customers	Public customers	Total	Due under loans
1-5 days	289	330	20	1	640	9,481
6-30 days	94	62	2	3	161	2,957
31-60 days	75	21	1	-	97	1,583
61-90 days	15	23	-	-	38	624
> 90 days	24	58	2	11	95	777
Total	497	494	25	15	1,031	15,422

2010	Personal customers	Commercial customers	Financial customers	Public customers	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

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 claims recorded as past due amounts with no evidence of impairment was 22.2% at the end of 2011 (31 December 2010: 53.9%). Real property accounted for 86.7% of the collateral provided (31 December 2010: 85.8%).

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 against 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	Public customers	Allowance account, total	Impairment charges Individual	Impairment charges Collective
1 January 2010	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	-
31 December 2010	7,206	28,706	7,855	2	43,769	39,201	4,568
New impairment charges	4,522	15,854	522	2	20,900	19,701	1,199
Reversals of impairment charges from previous periods	2,250	3,484	613	-	6,347	4,703	1,644
Write-offs debited to allowance account	703	5,746	3,702	-	10,151	10,151	-
Foreign currency translation	9	144	49	-	202	193	9
Other items	58	182	-9	-	231	231	-
31 December 2011	8,842	35,656	4,102	4	48,604	44,472	4,132

NOTES – DANSKE BANK GROUP – RISK MANAGEMENT

(DKK millions)

Collective impairment charges include charges that reflect the migration of customers from one rating category to another. If all customers were downgraded one rating category with no corresponding interest rate change, collective impairment charges would increase by about DKK 5.0 billion (31 December 2010: DKK 5.4 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 3.0 billion (31 December 2010: about DKK 3.0 billion).

Allowance account broken down by items on and off the balance sheet

	2011	2010
Due from credit institutions and central banks	93	87
Loans and advances at amortised cost	44,943	37,630
Loans at fair value	2,667	2,019
Other liabilities	901	4,033
Total	48,604	43,769

Allowance account, impairment charges and collateral broken down by industry

	Credit exposure		Collateral		Allowance account		Impairment charges	
	2011	2010	2011	2010	2011	2010	2011	2010
Central and local governments	122,495	162,200	39,555	41,900	4	2	3	2
Subsidised housing companies	123,161	114,980	94,709	94,072	763	836	231	539
Banks	178,778	190,921	85,775	132,984	94	3,421	5	1,345
Diversified financials	153,010	186,174	119,352	193,584	3,872	4,310	-948	-258
Other financials	56,915	64,359	50,504	66,157	136	124	7	140
Energy and utilities	40,698	38,475	7,895	6,296	62	23	24	-39
Consumer discretionary	83,208	88,988	35,562	37,400	4,733	3,963	1,128	1,106
Consumer staples	117,666	114,223	62,249	66,334	3,867	2,739	1,392	971
Commercial property	257,267	245,459	182,445	177,456	15,614	11,931	6,370	3,849
Construction, engineering and building products	36,572	36,429	14,339	12,812	4,089	2,862	1,649	1,126
Transportation and shipping	71,824	73,223	35,902	36,640	1,682	1,366	788	60
Other industrials	77,995	83,319	20,368	20,356	2,857	2,395	782	634
IT	15,615	15,641	2,145	2,168	486	514	-93	133
Materials	42,483	46,222	9,952	10,977	1,253	1,894	46	672
Health care	27,562	24,660	6,833	7,290	136	110	36	25
Telecommunication services	4,494	4,836	455	330	114	73	43	-20
Personal customers	888,968	873,347	686,661	707,193	8,842	7,206	1,722	3,532
Total	2,298,711	2,363,456	1,454,701	1,613,949	48,604	43,769	13,185	13,817

NOTES – DANSKE BANK GROUP – RISK MANAGEMENT

(DKK millions)

Allowance account, impairment charges and collateral broken down by geographical area

	Credit exposure		Collateral		Allowance account		Impairment charges	
	2011	2010	2011	2010	2011	2010	2011	2010
Denmark	1,241,656	1,244,773	775,243	840,356	19,102	19,133	4,799	7,377
Finland	200,790	194,019	131,115	118,091	2,371	2,653	295	484
Sweden	288,768	300,329	197,764	203,101	1,313	1,264	191	101
Ireland	67,108	78,810	38,323	51,026	13,814	9,586	6,324	4,999
UK	136,393	157,184	110,056	174,444	5,353	3,685	2,119	1,476
Germany	15,504	15,946	1,943	4,079	180	134	50	-14
Estonia	10,579	12,317	6,484	6,994	834	464	-97	40
Latvia	2,142	3,146	944	886	353	2,230	-86	68
Lithuania	9,272	9,576	5,250	5,318	1,042	187	-87	69
Spain	1,357	1,681	758	783	23	21	7	13
France	5,470	13,582	5,793	10,373	51	62	-	53
Italy	295	743	69	506	7	6	4	3
Portugal	179	202	103	99	3	-	2	-1
Greece	42	61	32	44	1	-	-	-
Belgium	4,579	10,188	1,499	7,080	18	9	5	-
Cyprus	2,602	1,851	1,748	1,428	18	-	18	-
Netherlands	3,521	6,512	1,388	1,832	16	22	-4	-10
Luxembourg	28,696	31,502	24,210	29,424	90	147	12	7
Poland	3,917	4,811	840	964	11	15	-1	-2
Other EU member states	839	998	144	160	9	10	-3	-1
Norway	198,880	193,371	123,263	117,350	1,526	1,530	401	53
Eastern Europe	3,643	2,325	559	592	5	2	3	1
Switzerland	4,555	4,995	755	887	52	56	-1	-15
Turkey	1,929	1,412	164	147	2	-	-1	-
Other European countries	946	1,361	672	1,110	81	100	-9	11
North America	46,093	46,433	19,280	24,630	2,228	2,370	-764	-894
Central and South America	2,373	2,875	1,701	2,136	2	2	1	-6
Africa	3,518	3,205	1,311	1,237	14	9	-	1
Asia	12,011	18,368	3,176	8,765	78	66	7	-2
Oceania	1,054	880	114	107	7	6	-	6
Total	2,298,711	2,363,456	1,454,701	1,613,949	48,604	43,769	13,185	13,817

Allowance account for individual impairment charges broken down by evidence of impairment

	2011			2010		
	Credit exposure after impairment charges	Collateral	Allowance account, individual	Credit exposure after impairment charges	Collateral	Allowance account, individual
Rating category 10						
Financial difficulties	35,634	21,470	11,063	34,002	21,434	10,916
Rating category 11						
90 days past due	3,557	9,701	3,583	5,436	8,225	2,399
Restructuring of debt	9,864	7,637	9,936	10,336	6,670	8,287
Collection/suspension of payments	13,625	7,117	13,725	10,224	5,985	9,441
Bankruptcy	6,120	3,334	6,165	3,950	3,431	8,158
Total	68,800	49,259	44,472	63,948	45,745	39,201

The average unsecured portion of individually impaired exposures was 28.4% at the end of 2011 (31 December 2010: 28.5%). Real property accounted for 77% of the collateral provided (31 December 2010: 75%).

NOTES – DANSKE BANK GROUP – RISK MANAGEMENT

(DKK millions)

Exposure to counterparty risk and credit exposure from other trading and investing activities

2011	Personal customers	Commercial customers	Financial customers	Public customers	Total
Counterparty risk					
Derivatives with positive fair value	303	30,964	500,717	18,986	550,970
Credit exposure from other trading and investing activities					
Bonds	-	5,261	287,255	172,122	464,638
Shares	-	2,529	882	-	3,411
Other unutilised commitments	-	-	942	-	942
Total	303	38,754	789,796	191,108	1,019,961
2010					
Counterparty risk					
Derivatives with positive fair value	210	20,031	301,942	11,560	333,743
Credit exposure from 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

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

Derivatives with positive fair value	2011	2010
Interest rate contracts	438,498	240,682
Currency contracts	109,349	90,762
Other contracts	3,123	2,299
Derivatives with positive fair value, total	550,970	333,743
Netting (under capital adequacy rules)	451,714	259,112
Net current exposure	99,256	74,631

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	2011	2010
1	6,985	7,718
2	16,510	12,623
3	38,772	30,955
4	13,449	9,224
5	9,719	6,505
6	8,757	3,439
7	2,572	2,316
8	1,350	1,119
9	359	283
10	575	368
11	208	81
Total	99,256	74,631

NOTES – DANSKE BANK GROUP – RISK MANAGEMENT

(DKK millions)

Bond portfolio

2011	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
Held-for-trading	118,744	8,218	132,070	66,543	12,363	10,304	9,852	358,094
Designated	402	3	22,633	-	1,276	-	372	24,686
Available-for-sale	939	557	59,448	-	9,396	-	120	70,460
Held-to-maturity	9,911	-	-	-	-	-	1,487	11,398
Total	129,996	8,778	214,151	66,543	23,035	10,304	11,831	464,638

2010								
Held-for-trading	112,927	7,496	100,670	56,238	6,446	8,667	14,316	306,760
Designated	157	12	12,845	-	1,416	-	411	14,841
Available-for-sale	952	491	77,391	-	10,531	-	120	89,485
Held-to-maturity	9,063	-	-	-	-	-	1,794	10,857
Total	123,099	7,999	190,906	56,238	18,393	8,667	16,641	421,943

The bond portfolio includes bonds worth DKK 145,691 million recognised as assets under insurance contracts (see the section below on insurance risk). For bonds classified as held-to-maturity, fair value equalled amortised cost at the end of 2011. At the end of 2010, fair value exceeded amortised cost by DKK 0.1 billion.

NOTES – DANSKE BANK GROUP – RISK MANAGEMENT

(DKK millions)

Bond portfolio broken down by geographical area

2011	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	25,777	-	214,151	-	-	1,061	2,199	243,188
Sweden	18,687	-	-	66,543	-	2,936	3,641	91,807
UK	16,202	33	-	-	7,768	306	8	24,317
Norway	6,337	-	-	-	3,947	2,706	2,468	15,458
USA	1,329	4,709	-	-	233	2	591	6,864
Spain	884	-	-	-	6,145	155	217	7,401
France	10,598	-	-	-	3,800	1,825	105	16,328
Luxembourg	-	4,035	-	-	-	-	558	4,593
Canada	2,836	-	-	-	-	-	335	3,171
Finland	5,230	1	-	-	333	199	461	6,224
Ireland	1,503	-	-	-	90	-	18	1,611
Italy	6	-	-	-	-	7	-	13
Portugal	83	-	-	-	-	-	-	83
Austria	2,495	-	-	-	-	-	-	2,495
Netherlands	4,568	-	-	-	481	657	916	6,622
Germany	31,977	-	-	-	2	414	309	32,702
Other	1,484	-	-	-	236	36	5	1,761
Total	129,996	8,778	214,151	66,543	23,035	10,304	11,831	464,638

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
Sweden	17,561	-	-	56,238	-	2,490	4,561	80,850
UK	11,930	1	-	-	8,319	113	570	20,933
Norway	5,145	-	-	-	1,061	3,195	3,087	12,488
USA	732	4,800	-	-	232	2	665	6,431
Spain	748	-	-	-	5,796	256	962	7,762
France	6,840	-	-	-	2,233	674	1,406	11,153
Luxembourg	-	1,086	-	-	-	-	567	1,653
Canada	1,302	-	-	-	-	13	54	1,369
Finland	5,015	1,235	-	-	190	273	1,128	7,841
Ireland	2,372	-	-	-	90	112	212	2,786
Italy	2,966	-	-	-	-	215	30	3,211
Portugal	835	-	-	-	224	-	-	1,059
Austria	1,565	-	-	-	-	-	-	1,565
Netherlands	1,159	-	-	-	145	470	432	2,206
Germany	22,666	877	-	-	1	98	249	23,891
Other	2,764	-	-	-	102	148	113	3,127
Total	123,099	7,999	190,906	56,238	18,393	8,667	16,641	421,943

Credit exposure to government bonds issued by Ireland, Portugal, Italy and Spain amounted to DKK 2.5 billion at the end of 2011 (31 December 2010: DKK 6.9 billion). All government bonds issued by these countries were recognised at fair value. When taking unsettled transactions in bonds issued by these countries and hedging transactions into account, the total risk exposure was DKK 1.3 billion (31 December 2010: DKK 5.0 billion). In 2011, the bond portfolio did not include government bonds issued by Greece. Exposures below DKK 1 billion are aggregated in the Other category. Risk Management 2011 provides additional details about the Group's risk exposure. The publication is not covered by the statutory audit.

NOTES – DANSKE BANK GROUP – RISK MANAGEMENT

(DKK millions)

Bond portfolio broken down by rating category

2011	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	122,022	8,712	108,998	66,543	16,391	163	2,378	325,207
AA+	296	51	103,944	-	1,863	111	119	106,384
AA	676	-	1	-	1,351	970	525	3,523
AA-	1,068	-	492	-	107	1,543	609	3,819
A+	986	-	-	-	72	2,469	992	4,519
A	170	-	708	-	573	1,268	1,924	4,643
A-	33	-	-	-	1,478	78	1,417	3,006
BBB+	-	-	-	-	224	102	928	1,254
BBB	188	-	-	-	729	1,939	2,204	5,060
BBB-	-	-	-	-	90	-	82	172
Sub-inv. grade or unrated	4,557	15	8	-	157	1,661	653	7,051
Total	129,996	8,778	214,151	66,543	23,035	10,304	11,831	464,638

2010								
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

NOTES – DANSKE BANK GROUP – RISK MANAGEMENT

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.

Taking on market risk is an integral part of the Group's business strategy. The activities that involve market risk derive mainly from the Group's focus on business and personal customer banking, providing all its products to Nordic customers and core products to customers outside the Nordic region. Sophisticated products are traded mainly with professional customers. Besides the exposure to market risk arising from servicing customers, the Board of Directors has set limits that allow the Group's trading units to take positions for their own accounts and at their own risk. The Group also takes on market risk as part of treasury management that supports the procurement and day-to-day management of liquidity.

The Group uses both conventional risk measures and mathematical and statistical models, such as Value at Risk (VaR), to manage and monitor its market risk on a daily basis, and the Group treats risk exposure in and outside the trading portfolio as a single portfolio. The Group uses limits for the exposure to each type of market risk.

The market risk on the assets in which Danica Pension's equity is invested and on assets allocated to Danica Pension's policyholders is treated as an insurance risk. The market risk from the Group's defined benefit pension plans is treated as a pension risk.

Models

The Group measures the interest rate risk on positions exposed to interest rate changes on a daily basis. The risk is calculated as the maximum loss upon a parallel shift in yields of 1 percentage point. Most of the Group's interest rate risk derives from positions in Danish kroner and euros. As part of its daily monitoring of interest rate risk, the Group calculates yield curve risk and interest rate basis risk. The yield curve risk expresses the risk of losses arising because yields for various maturities change independently of one another. Interest rate basis risk is the risk that, upon changes in yields, the market values of offsetting exposures used for hedging do not change to exactly the same degree. Interest rate basis risk occurs mainly because of unequal shifts in various currencies' yield curves or unequal shifts in the yield curves in one currency used to price financial instruments with differing interest reset dates.

Positions in bonds are also exposed to spread risk. The bond spread reflects the additional net return an investor requires on securities with a given credit quality and liquidity compared with the return on liquid securities without credit risk or a reference rate (such as a swap rate). Bond spread risk thus measures the change in value due to changes in the market's assessment of the credit quality and liquidity. For internal monitoring purposes, the Group divides bond spread risk into three sub-categories: mortgage spread risk, government spread risk and credit spread risk. Most of the Group's bond spread risk can be attributed to bonds issued to fund real property loans.

The Group's management of the bond exposure is based on an individual credit assessment and approval of issuer lines for nominal amounts of bond holdings supplemented by limits on the price sensitivity to a change of 1 basis point (BPV) in the bond spreads. Besides the current rating, monitoring of government spread risk includes an assessment of market information on expectations about future risk. Key factors are the rating agencies' expectations about future ratings (the rating outlook), the spread on credit default swaps for the issuers, and the spread to the yield on the equivalent German government bonds. The assessment of government bond risk is thus based on more criteria than the current rating.

The Group uses a VaR model that includes all currency positions, including options, to measure and monitor 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 market 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. Banking-related investments comprise equity holdings in financial infrastructure and payment service companies.

Inflation rate risk is determined as expected losses because of changes in traded future inflation rates of +/-1 percentage point. Commodity risk is measured as the expected loss on commodity instruments caused by changes of +/-10% in individual commodity indices.

To supplement conventional risk measures, the Group uses its VaR model for the internal management and monitoring of general interest rate, yield volatility, inflation rate, foreign exchange and equity market risks. As the Group's exposure is limited, the VaR measure does not cover commodity risk. 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.

In the autumn of 2011, the Group expanded the model to include some new risk factors: interest rate basis risk, discount risk, yield volatility and inflation. The expanded model was approved by the Danish FSA in December 2011, and the Group began using it as its internal model for market risk.

NOTES – DANSKE BANK GROUP – RISK MANAGEMENT

(DKK millions)

The internal VaR model is used for various purposes – risk monitoring, the calculation of the capital requirement for general market risk and the calculation of economic capital.

	Risk monitoring	Capital requirement
Horizon	10 days	10 days
Confidence level	95%	99%

The table below shows the Group's market risk at the end of 2011 and 2010.

	2011	2010
Interest rate risk (parallel shift of the yield curve of 1 percentage point)	870	496
Foreign exchange risk (VaR, confidence level of 95%, 10-day horizon)	24	23
Equity market risk, listed shares (net position)	252	1,131
Equity market risk, unlisted shares (net position)	3,921	3,886
Mortgage spread risk (basis point value)	67	68
Government spread risk (basis point value)	-2	4
Credit spread risk on corporate bonds (basis point value)	1	3
Inflation rate risk (change in traded future inflation of 1 percentage point)	37	20
Commodity risk (10% change in commodity prices)	-	-

Value at Risk
The table below shows the VaR figures used to calculate the capital requirement for market risk.

	2011					2010			
	Daily VaR				Stressed	Daily VaR			
Risk category	Avg. VaR	Minimum VaR	Maximum VaR	31 Dec.	VaR 31 Dec.	Avg. VaR	Minimum VaR	Maximum VaR	31 Dec.
Interest rate risk	196	87	390	246	268	206	85	360	169
Foreign exchange risk	37	11	110	39	59	36	7	76	29
Equity market risk	46	18	125	22	39	65	26	167	65
Diversification benefit	-68			-70	-104	-80			-73
Total VaR	211	92	406	237	262	227	99	399	190

NOTES – DANSKE BANK GROUP – RISK MANAGEMENT

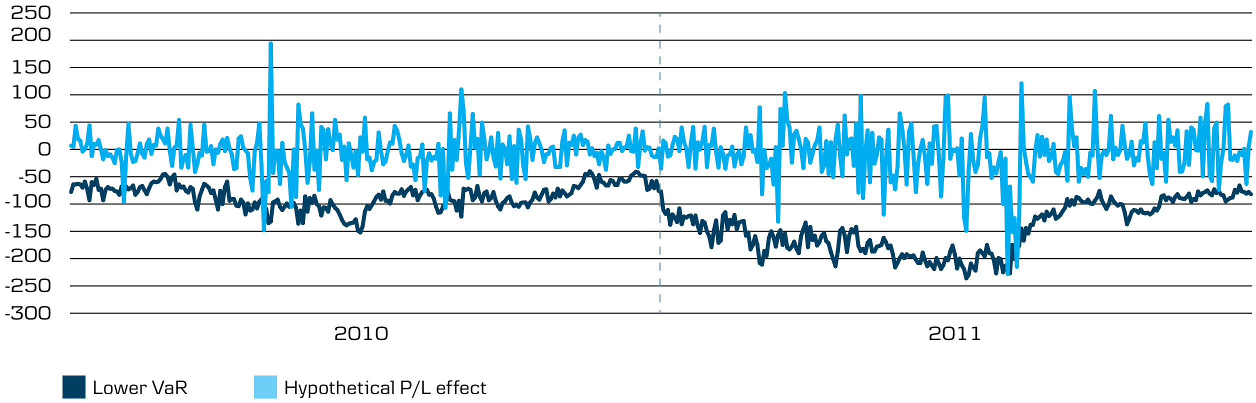
(DKK millions)

Back- and stress testing

The Group conducts backtests daily to document the accuracy of the internal VaR model. The backtesting compares 1-day VaR calculated on trading book positions with the hypothetical profit or loss resulting from keeping these positions unchanged until the following business day (no intraday trading is included). If the hypothetical loss exceeds the predicted possible loss (VaR), an exception has occurred. Since the VaR figures used for backtesting are based on a confidence level of 99% (as in the calculation of the capital requirement), the expected number of exceptions per year is two or three. The backtest results for 2010 and 2011 are shown in the chart below. The 2011 figures were calculated with the expanded VaR model described above because it was used to calculate the Group's capital requirement at the end of the year.

BACKTEST RESULTS, P/L EFFECT

(DKK millions)



In 2010, the VaR model showed a higher-than-expected number of exceptions in the backtest, while the expanded model showed two exceptions in 2011, and this was acceptable in view of the expected number of exceptions. An analysis of the individual exceptions in 2011 showed that they were caused by the large fluctuations in yields and equity prices in the financial markets, particularly in the second half of the year. The Group believes that the latest expansion of the VaR model has made the model more robust.

As a supplement to the daily calculation of VaR and the more conventional risk figures, the Group performs stress tests and sensitivity analyses on a regular basis. Some of these tests are part of the daily limit control, while others are performed weekly or quarterly.

Stress test scenarios feature changes in interest rates, exchange rates, equity prices, volatilities and bond spreads. Such changes affect the Group's earnings directly through value adjustments. The scenarios are often based on large changes in a single risk factor or on conditions that reflect historical periods of economic or financial crisis, combined with factors relevant under the current market conditions. In addition, some scenarios are constructed so that they are consistent with the set of scenarios that is applied across the Group's business units. The table below shows the maximum loss in a number of extreme, but not necessarily probable, scenarios.

Risk category	Change	Maximum loss 2011	Maximum loss 2010
Equity market risk	+20/-20%	26	173
Foreign exchange risk	+10/-10%	693	263
Interest rate risk	+200/-200 bp	1,798	453

The Group's periodical stress tests and sensitivity analyses also include scenarios with extreme market developments as defined by the European Banking Authority (EBA) in the spring of 2011, as well as hypothetical scenarios involving extreme financial or macroeconomic events.

In 2010, the Group's stress testing framework was expanded to include stressed VaR calculations made with the internal VaR model. The amendments to the CRD (CRD III), which took effect in Danish law in 2011, stipulate that VaR must be calculated in situations of stress with historical data from a period of substantial volatility in the financial markets. The stressed VaR calculations cover only positions in the trading book, and for the Group they are based on market data from 2008.

NOTES – DANSKE BANK GROUP

NOTES – DANSKE BANK GROUP – RISK MANAGEMENT

(DKK billions)

Liquidity risk

Liquidity management at the Danske Bank Group is intended to ensure that the Group at all times has sufficient liquidity to meet its obligations. The Group has arranged its liquidity management structure to meet this objective by ensuring that its financing is robust and can withstand even improbable situations that would have a substantial adverse effect on its liquidity.

The Group's liquidity risk does not include the liquidity risks of Realkredit Danmark and Danica Pension. 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 Pension's balance sheet comprises long-term life insurance obligations and assets of which a large portion is invested in easily marketable bonds and 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 areas: 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. For liquidity management purposes, the Group distinguishes between liquidity in Danish kroner and liquidity in other currencies.

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 from current transactions. The calculation factors in the estimated effects on the Danish kroner liquidity of the Danish government's receipts and payments. Bond holdings that can be used in repo transactions with central banks are considered liquid assets. 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.
The Group uses limits and overnight targets for each key currency to manage operational liquidity risk. The Group also monitors the maturity profiles of commercial paper, certificates of deposit and medium-term notes to ensure that the maturing liabilities do not become too large at any particular time.

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 every month and cover a time horizon of up to six months.

The stress tests comprise various scenarios, including three standard scenarios: a scenario specific to the Group, a general market crisis and a combination of the two. The Group also conducts a stress-to-fail test.

The scenarios assume that the Group does not reduce its lending activities. This means that existing lending activities are maintained and require funding. The Group also factors in potential liquidity outflows from unutilised but irrevocable loan commitments. Bond holdings that can be used in repo transactions with central banks are considered liquid assets. The Group uses scenario-specific haircuts on the bond portfolio. The degree of possible refinancing varies, depending on the scenario as well as on the specific funding source. 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 a stress test of the 12-month liquidity curve must show a generally positive curve. 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 net debt to credit institutions, issued bonds (including covered bonds), commercial paper and subordinated debt at maturity. On the other hand, the stable deposit base will remain an available funding source that can be refinanced when the loans mature. The analysis also assumes only a moderate reduction in business activities. The Group's liquidity buffer is included in the liquidity curve after haircuts that depend on the degree of the bonds' liquidity. Off-balance-sheet items are listed at their actual maturity dates. The Group monitors its liquidity reserves to ensure that it is robust against a loss of access to the capital markets. The Group's liquidity calculations generate a positive liquidity curve for 2012, and this means that, assuming the above conditions, the liquidity buffer is large enough for the Group to survive at least 12 months without access to the capital markets.

	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-2011	217	202	184	186	158	156	126	124	123	123	125	126
End-2010	225	151	147	142	136	117	117	113	92	92	90	91

NOTES – DANSKE BANK GROUP – RISK MANAGEMENT

Structural liquidity risk
The Group's structural liquidity risk reflects 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 assets, liabilities and off-balance-sheet items. The assumptions are generally the same as for the 12-month liquidity curve, except for the condition that it is not possible to reduce the Group's business activities, and this means that all loans must be extended.

The Group's large bond holdings, which have varying maturities, are a significant component in the calculation of structural liquidity. Most of the portfolio is ultra-liquid and can be used as collateral in repo transactions with central banks (94% at the end of 2011). This part of the portfolio is therefore included in the calculation as immediate liquidity. On the other hand, bond holdings that are used as collateral for the settlement of the Group's current transactions, for instance clearing, are classified as illiquid bonds and are excluded from immediate liquidity.

In addition, the structural liquidity position comprises a deposit surplus in Danish kroner and a deposit shortfall in other currencies. The shortfall is covered by long-dated bond issues.

Funding sources
The Group monitors its funding mix to ensure that it is well-diversified in terms of funding sources, maturities and currencies. A well-balanced portfolio of liabilities is intended to generate a stable flow of funding and provides protection against market disruptions. 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 (%)	2011	2010
Central banks	6	4
Credit institutions	6	5
Repo transactions	7	6
Short-dated bonds	3	7
Long-term bonds	7	8
Covered bonds	6	5
Danish mortgage bonds	24	24
Deposits (business)	19	20
Deposits (personal)	14	14
Subordinated debt	3	3
Shareholders' equity	5	4
Total	100	100

Funding sources by currency (%)	2011	2010
DKK	44	47
EUR	27	20
USD	9	13
SEK	6	7
GBP	5	5
CHF	4	2
NOK	4	4
Other	1	2
Total	100	100

NOTES – DANSKE BANK GROUP – RISK MANAGEMENT

Insurance risk

The Group's insurance risk consists of all risks related to its investment in the Danica group, including financial risks (market risk mainly) and actual life insurance risks.

Net income from insurance business is derived primarily from

- the risk allowance and guarantees for conventional life insurance
- unit-linked business
- health and accident business
- return on assets funded by Danica Pension's shareholders' equity

The risk allowance is the annual payment that Danica Pension may book from its conventional life insurance business (*Danica Traditionel*), and it currently amounts to 0.50-0.85% of technical provisions. The risk allowance is governed by the Danish Financial Supervisory Authority's (FSA) executive order on the contribution principle and may be booked only if the technical basis permits and if the bonus potential of paid-up policies is not used for loss absorption. The technical basis is essentially the investment return on policyholders' funds less the change in life insurance provisions. The investment return on policyholders' funds less interest accrual to customers, the risk allowance and changes in technical provisions is transferred to the collective bonus potential. The collective bonus potential is a capital buffer owned by the policyholders that can be used to absorb losses. If the risk allowance cannot be booked, in whole or in part, or the Group must cover losses that cannot be absorbed by the collective bonus potential, the amounts are booked to a shadow account and may be recovered at a later date when the technical basis permits.

On 1 January 2011, the Danish FSA's amended executive order on the contribution principle took effect. Insurance policies must now be divided into groups with uniform interest rates, insurance risk and expenses. In addition, the policyholders' capital buffer, the collective bonus potential, is divided among these groups. As this will increase the risk for the Group, other things being equal, Danica Pension has prepared new investment and hedging strategies for each group, limiting the increase in risk exposure. Under the amended order, the risk allowance is determined for each group individually.

The extraordinary market conditions in the fourth quarter of 2011 prompted the Danish FSA to allow an adjustment of a component of the discount yield curve used to calculate life insurance obligations. The discount yield curve 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 yield spread between Danish and German government bonds and a mortgage yield curve spread. As a result of the FSA's decision, the Group is now allowed to calculate the yield spread between Danish and German government bonds as a 12-month moving average. This means that daily market changes are reflected in the spread but the effect of fluctuations is reduced. The adjusted discount rates reduced life insurance provisions at the end of 2011 by a total of DKK 2.8 billion.

Financial risks

Market risk involves the risk of losses on assets funded by Danica Pension's shareholders' equity and the risk of losses on policies with guaranteed benefits arising because the fair value of assets and liabilities allocated to these contracts changes. Such changes in fair value can be caused by changes in interest rates, exchange rates, equity prices, property prices, credit spreads and market liquidity as well as by issuer or counterparty defaults. Insurance obligations carry interest rate risk owing to the guarantees issued. For example, if market interest rates drop, the market value of obligations increases.

The Group monitors the market risk and has set maximum risk targets for each asset class. Danica Pension conducts internal stress tests to ensure that it can withstand significant losses on its equity and credit exposure and substantial changes in interest rates.

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 suitable level and by using derivatives.

The credit spread risk on bond holdings was modest, since, at end-2011, about 71% of the portfolio consisted of government and mortgage bonds of high quality (AA-AAA ratings from the international rating agencies) or unrated mortgage bonds issued by institutions with equally high ratings, and only 9% of the portfolio was invested in sub-investment grade bonds. This risk is managed as an equity market risk.

NOTES – DANSKE BANK GROUP – RISK MANAGEMENT

(DKK millions)

Bond portfolio (insurance business) broken down by geographical area

2011	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	10,341	26	56,598	-	5,112	-	681	72,758
Sweden	220	-	-	845	-	-	433	1,498
UK	-	-	-	-	1,399	-	1,456	2,855
Norway	-	-	-	-	372	-	156	528
USA	-	-	-	-	15	-	5,888	5,903
Spain	1,477	1,183	-	-	534	-	771	3,965
France	9,915	5	-	-	1,469	-	1,222	12,611
Luxembourg	26	2,066	-	-	-	-	716	2,808
Canada	-	-	-	-	36	-	165	201
Finland	653	-	-	-	486	-	62	1,201
Ireland	281	246	-	-	-	-	268	795
Italy	5,513	226	-	-	243	-	341	6,323
Portugal	-	-	-	-	-	-	33	33
Austria	-	-	-	-	-	-	70	70
Netherlands	2,364	-	-	-	968	-	1,925	5,257
Germany	12,355	1,393	-	-	425	-	656	14,829
Other	6,642	93	-	-	185	-	7,136	14,056
Total	49,787	5,238	56,598	845	11,244	-	21,979	145,691
2010								
Denmark	12,511	39	69,823	-	6,314	-	634	89,321
Sweden	282	-	-	785	-	-	507	1,574
UK	781	-	-	-	1,102	-	2,421	4,304
Norway	-	-	-	-	574	-	197	771
USA	1,035	-	-	-	32	-	1,074	2,141
Spain	793	49	-	-	230	-	520	1,592
France	5,092	-	-	-	1,292	-	1,897	8,281
Luxembourg	24	979	-	-	-	-	1,071	2,074
Canada	94	-	-	-	32	-	323	449
Finland	1,745	-	-	-	331	-	123	2,199
Ireland	884	235	-	-	95	-	543	1,757
Italy	4,464	233	-	-	29	-	528	5,254
Portugal	96	-	-	-	12	-	84	192
Austria	-	-	-	-	-	-	146	146
Netherlands	2,100	6	-	-	466	-	2,735	5,307
Germany	6,526	915	-	-	137	-	772	8,350
Other	5,815	102	-	-	119	-	15,631	21,667
Total	42,242	2,558	69,823	785	10,765	-	29,206	155,379

Concentration risk and counterparty risk are very limited because of internal investing restrictions and collateral management agreements for derivatives.

Danica Pension hedges most of its foreign exchange risk. At the end of 2011, 70% was hedged (31 December 2010: 73%).

Early surrender by policyholders may require Danica Pension to sell some of its investment assets at a low price. Danica Pension reduces this liquidity risk by investing a substantial share of funds in liquid bonds and shares. The liquidity risk is also modest, since Danica Pension can, to some extent, adapt the timing of payment upon surrender of pension schemes to the situation in the financial markets.

NOTES – DANSKE BANK GROUP – RISK MANAGEMENT

(DKK millions)

Bond portfolio (insurance business) broken down by rating category

2011	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	38,850	4,010	32,606	845	8,180	-	384	84,875
AA+	1,628	-	5,870	-	126	-	81	7,705
AA	34	-	-	-	69	-	184	287
AA-	1,477	1,183	-	-	-	-	1,116	3,776
A+	5,513	8	-	-	-	-	588	6,109
A	565	11	-	-	2,869	-	1,302	4,747
A-	381	-	-	-	-	-	1,215	1,596
BBB+	414	-	-	-	-	-	1,267	1,681
BBB	228	-	-	-	-	-	2,133	2,361
BBB-	304	-	-	-	-	-	994	1,298
Sub-inv. grade or unrated	393	26	18,122	-	-	-	12,715	31,256
Total	49,787	5,238	56,598	845	11,244	-	21,979	145,691
2010								
AAA	32,405	2,375	37,239	785	6,629	-	759	80,192
AA+	965	46	7,365	-	117	-	96	8,589
AA	985	22	-	-	212	-	447	1,666
AA-	48	45	4,745	-	-	-	361	5,199
A+	4,684	16	-	-	6	-	962	5,668
A	1,204	-	-	-	3,801	-	1,684	6,689
A-	257	-	-	-	-	-	2,506	2,763
BBB+	24	-	-	-	-	-	1,551	1,575
BBB	148	11	38	-	-	-	2,228	2,425
BBB-	295	-	-	-	-	-	1,536	1,831
Sub-inv. grade or unrated	1,227	43	20,436	-	-	-	17,076	38,782
Total	42,242	2,558	69,823	785	10,765	-	29,206	155,379

Policyholders assume the risk on investment assets under unit-linked contracts (*Danica Link* and *Danica Balance*) with the exception of policies with investment guarantees. At the end of 2011, 15% of policyholders had investment guarantees. The guarantees do not apply until the time of retirement and are paid for by an annual fee. Danica Pension manages the risk on financial guarantees in *Danica Link* with financial derivatives and by adjusting the investment allocation during the last five years before payment. It manages the risk on guarantees in *Danica Balance* by adjusting the investment allocation for the individual policies. Because of these hedging and risk management strategies, Danica Pension considers the investment risk on guarantees in unit-linked products to be very modest.

Danica Pension has set a separate investment strategy for shareholders' equity.

Life insurance risks

Life insurance risks are linked to trends in mortality, disability, illness and other variables. For example, an increase in life expectancy lengthens the period during which benefits are payable under certain pension plans. Similarly, trends in mortality, sickness and recoveries affect life insurance and disability benefits. Life expectancy, or increases in life expectancy, is the most significant life insurance risk.

NOTES – DANSKE BANK GROUP – RISK MANAGEMENT

(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 empirical data from Danica Pension's own portfolio of insurance contracts. The rates reflect a likely increase in life expectancy in the future.

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 Pension's own portfolio of insurance contracts and are updated regularly.

To mitigate life insurance risk, Danica Pension uses reinsurance to cover a small portion of the risks related to mortality and disability. Danica Pension also reinsures the risk of losses due to disasters.

Sensitivity analysis
The sensitivity indicators show the effect on shareholders' 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.

Of the two interest rate scenarios, the rate increase is the most severe for Danica Pension. 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, VaR for foreign exchange risk (99.0%), and an 8% loss on counterparties would reduce the collective bonus potential by DKK 0.2 billion, increase the bonus potential of paid-up policies by DKK 0.7 billion and reduce shareholders' equity by DKK 3.0 billion. Future rate increases would be favourable, however, as it would be easier to pay guaranteed benefits.

The sensitivity analysis reflects the Group's increased exposure to changes in market conditions because the collective bonus potential and the bonus potential of paid-up policies were reduced in 2011 and therefore to a lesser degree can be used to cover any future negative investment returns.

31 December 2011	Change in collective bonus potential	Change in bonus potential of paid-up policies	Change in equity
Interest rate increase of 0.7 of a percentage point	-0.2	3.1	-0.5
Interest rate decline of 0.7 of a percentage point	0.9	-2.5	0.1
Decline in equity prices of 12%	-0.1	-0.8	-0.3
Decline in property prices of 8%	-0.2	-0.5	-0.8
Foreign exchange risk (VaR 99.0%)	-0.1	-0.1	-0.1
Loss on counterparties of 8% of RWA	-0.2	-0.6	-1.2
Increase in credit spreads of 1.0 percentage point	-0.1	-0.3	-0.4
Decrease in mortality of 10%	-0.2	-0.2	-1.5
Increase in mortality of 10%	1.6	0.1	-
Increase in disability of 10%	-0.1	-	-

31 December 2010	Change in collective bonus potential	Change in bonus potential of paid-up policies	Change in equity
Interest rate increase of 0.7 of a percentage point	-0.4	4.1	-0.3
Interest rate decline of 0.7 of a percentage point	-0.1	-4.1	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	-0.1	-
Increase in mortality of 10%	1.4	0.1	-
Increase in disability of 10%	-0.1	-	-

NOTES – DANSKE BANK GROUP – RISK MANAGEMENT

(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 mitigate inflation and interest rate risks is a key element of risk management. By matching the return on the derivatives and the associated assets with expected future pension obligations, the Group minimises its pension risk.

Because of the 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 2011	Effect 2010
Equity prices	-20%	-950	-995
Interest rate	+1/-1%	+798/-518	+1,144/-895
Life expectancy	+1 year	-379	-331

To supplement the sensitivity analyses, the Group calculates the risk of the individual pension plans 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 2011, VaR was DKK 2,966 million (31 December 2010: DKK 2,650 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 35 provides additional information about the Group's defined benefit plans.

NOTES – DANSKE BANK GROUP

(DKK millions)	2011	2010	2009	2008	2007
HIGHLIGHTS					
Net interest and fee income	41,215	44,280	54,855	47,312	41,549
Value adjustments	-3,474	5,892	14,031	-10,852	5,847
Staff costs and administrative expenses	22,774	21,697	22,364	22,607	22,516
Loan impairment charges etc.	13,185	13,817	25,678	12,088	687
Income from associates and group undertakings	141	743	293	217	285
Net profit for the year	1,723	3,664	1,713	1,036	14,870
Loans and advances	1,847,223	1,848,446	1,815,615	2,040,801	1,988,222
Shareholders' equity	125,855	104,742	100,659	98,247	104,355
Total assets	3,424,403	3,213,886	3,098,477	3,543,974	3,349,530
RATIOS AND KEY FIGURES					
Total capital ratio (%)	17.9	17.7	17.8	13.0	9.3
Tier 1 capital ratio (%)	16.0	14.8	14.1	9.2	6.4
Return on equity before tax (%)	2.9	6.5	3.0	0.5	18.5
Return on equity after tax (%)	1.1	4.1	1.0	-0.4	14.4
Cost/income ratio (DKK)	1.10	1.18	1.05	1.01	1.76
Interest rate risk (%)	0.6	0.4	1.0	3.1	2.8
Foreign exchange position (%)	2.6	3.1	2.0	4.6	1.4
Foreign exchange risk (%)	-	-	-	0.1	-
Loans and advances plus impairment charges as % of deposits	213.4	210.0	207.6	225.0	208.0
Gearing of loans and advances (%)	14.3	17.1	17.6	19.8	18.3
Growth in loans and advances (%)	0.2	1.9	-10.1	1.7	20.8
Surplus liquidity in relation to statutory liquidity requirement (%)	85.5	168.2	164.3	83.6	102.5
Large exposures as % of capital base	21.9	56.5	35.7	124.7	176.8
Impairment ratio (%)	0.7	0.6	1.2	0.6	-
Earnings per share (DKK)	1.9	4.9	2.3	1.4	20.0
Book value per share (DKK)	135.7	140.0	134.8	131.7	141.0
Proposed dividend per share (DKK)	-	-	-	-	8.50
Share price at 31 December/earnings per share (DKK)	38.4	27.0	47.5	34.4	9.2
Share price at 31 December/book value per share (DKK)	0.54	0.95	0.81	0.37	1.31

The ratios and key figures are defined in the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc. Share ratios have been divided by a factor of 1.0807 to reflect the share capital increase in April 2011.

FINANCIAL STATEMENTS – DANSKE BANK A/S

(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. 17 of 11 January 2011 on Financial Reports for Credit Institutions and Investment Companies, etc.

The rules are identical to the Group's IFRS compliant valuation and measurement principles with the following exceptions:

- Domicile property is measured (revalued) at its estimated fair value through Other comprehensive income
- 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 the Danish FSA's Executive Order on Financial Reports for Credit Institutions and 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 associates 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		Shareholders' equity	
	2011	2010	31 Dec. 2011	31 Dec. 2010
Consolidated financial statements (IFRSs)	1,723	3,664	125,855	104,742
Domicile property	-77	-79	1,281	1,253
Available-for-sale financial assets	-923	-101	-	-
Pension obligations	438	1,114	348	-73
Tax effect	174	-234	-58	2
Reserves in undertakings consolidated on a pro rata basis	-	16	2,991	3,002
Consolidated financial statements (Danish FSA rules)	1,335	4,380	130,417	108,926
Non-controlling interests	11	3	60	15
Reserves in undertakings consolidated on a pro rata basis	-	16	2,991	3,002
Goodwill on acquisition of non-controlling interests	-	-	24	47
Parent Company financial statements (Danish FSA rules)	1,324	4,361	127,390	105,956

The consolidated financial statements (note 44) list the Group's holdings and undertakings.

INCOME STATEMENTS – DANSKE BANK A/S

Note	(DKK millions)	2011	2010
2	Interest income	45,907	44,255
3	Interest expense	27,680	23,732
	Net interest income	18,227	20,523
	Dividends from shares etc.	144	199
4	Fee and commission income	9,740	9,767
	Fees and commissions paid	2,783	2,440
	Net interest and fee income	25,328	28,049
5	Value adjustments	1,491	1,102
6	Other operating income	2,232	2,539
7	Staff costs and administrative expenses	15,702	14,625
8	Amortisation, depreciation and impairment charges	2,315	2,421
	Other operating expenses	736	1,871
	Loan impairment charges etc.	9,725	11,390
	Income from associates and group undertakings	2,309	4,699
	Profit before tax	2,882	6,082
10	Tax	1,558	1,721
	Net profit for the year	1,324	4,361
	Proposed profit allocation		
	Equity method reserve	-1,030	3,853
	Dividends for the year	-	-
	Retained earnings	2,354	508
	Total	1,324	4,361

STATEMENT OF COMPREHENSIVE INCOME – DANSKE BANK A/S

Note	(DKK millions)	2011	2010
	Net profit for the year	1,324	4,361
	Other comprehensive income		
	Translation of units outside Denmark	214	977
	Hedging of units outside Denmark	-273	-961
	Fair value adjustment of domicile property	76	-77
10	Tax on other comprehensive income	46	236
	Total other comprehensive income	63	175
	Total comprehensive income for the year	1,387	4,536

BALANCE SHEET – DANSKE BANK A/S

Note	(DKK millions)	2011	2010
	ASSETS		
	Cash in hand and demand deposits with central banks	17,536	21,088
11	Due from credit institutions and central banks	217,386	279,705
12	Loans, advances and other amounts due at amortised cost	917,201	938,839
	Bonds at fair value	530,544	461,040
18	Bonds at amortised cost	5,172	6,679
	Shares etc.	3,076	3,678
	Holdings in associates	701	747
	Holdings in group undertakings	97,408	96,608
19	Assets under pooled schemes	43,503	41,889
	Intangible assets	19,186	19,226
	Land and buildings	4,242	4,161
15	Investment property	112	88
15	Domicile property	4,130	4,073
16	Other tangible assets	3,171	3,359
	Current tax assets	487	1,157
17	Deferred tax assets	467	797
	Assets temporarily taken over	230	236
20	Other assets	565,643	347,320
	Prepayments	682	802
	Total assets	2,426,635	2,227,331
	LIABILITIES AND EQUITY		
	AMOUNTS DUE		
21	Due to credit institutions and central banks	453,317	376,959
22	Deposits and other amounts due	685,872	696,032
	Deposits under pooled schemes	44,670	44,880
23	Issued bonds at amortised cost	326,729	419,726
	Current tax liabilities	410	745
24	Other liabilities	717,931	505,056
	Deferred income	1,099	977
	Total amounts due	2,230,028	2,044,375
	PROVISIONS FOR LIABILITIES		
	Provisions for pensions and similar obligations	849	616
17	Provisions for deferred tax	4,029	3,830
13	Provisions for losses on guarantees	1,087	4,013
	Other provisions for liabilities	11	59
	Total provisions for liabilities	5,976	8,518
	SUBORDINATED DEBT		
25	Subordinated debt	63,241	68,482
	SHAREHOLDERS' EQUITY		
	Share capital	9,317	6,988
	Accumulated value adjustments	374	365
	Equity method reserve	24,884	25,914
	Retained earnings	92,815	72,689
	Proposed dividends	-	-
	Total shareholders' equity	127,390	105,956
	Total liabilities and equity	2,426,635	2,227,331

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
Shareholders' equity at 1 January 2011	6,988	-310	675	25,914	72,689	-	105,956
Net profit for the year	-	-	-	-1,030	2,354	-	1,324
Other comprehensive income							
Translation of units outside Denmark	-	214	-	-	-	-	214
Hedging of units outside Denmark	-	-273	-	-	-	-	-273
Fair value adjustment of domicile property	-	-	76	-	-	-	76
Sale of domicile property	-	-	-	-	-	-	-
Tax on other comprehensive income	-	-	-8	-	54	-	46
Total other comprehensive income	-	-59	68	-	54	-	63
Total comprehensive income for the year	-	-59	68	-1,030	2,408	-	1,387
Transactions with owners							
Share capital increase	2,329	-	-	-	17,703	-	20,032
Share offering costs	-	-	-	-	-271	-	-271
Acquisition of own shares	-	-	-	-	-16,470	-	-16,470
Sale of own shares	-	-	-	-	16,596	-	16,596
Share-based payments	-	-	-	-	127	-	127
Tax on entries on shareholders' equity	-	-	-	-	33	-	33
Shareholders' equity at 31 December 2011	9,317	-369	743	24,884	92,815	-	127,390

	Share capital	Foreign currency translation reserve	Revaluation reserve	Equity method reserve	Retained earnings	Proposed dividends	Total
Shareholders' equity at 1 January 2010	6,988	-326	753	22,061	71,618	-	101,094
Net profit for the year	-	-	-	3,853	508	-	4,361
Other comprehensive income							
Translation of units outside Denmark	-	977	-	-	-	-	977
Hedging of units outside Denmark	-	-961	-	-	-	-	-961
Fair value adjustment of domicile property	-	-	-77	-	-	-	-77
Sale of domicile property	-	-	-1	-	1	-	-
Tax on other comprehensive income	-	-	-	-	236	-	236
Total other comprehensive income	-	16	-78	-	237	-	175
Total comprehensive income for the year	-	16	-78	3,853	745	-	4,536
Transactions with owners							
Acquisition of own shares	-	-	-	-	-19,195	-	-19,195
Sale of own shares	-	-	-	-	19,316	-	19,316
Share-based payments	-	-	-	-	154	-	154
Tax on entries on shareholders' equity	-	-	-	-	51	-	51
Shareholders' equity at 31 December 2010	6,988	-310	675	25,914	72,689	-	105,956

At the end of 2011, the share capital consisted of 931,739,034 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 A/S may distribute dividends if such dividends can be paid in full out of the net profit.

STATEMENT OF CAPITAL – DANSKE BANK A/S

Holding of own shares, Danske Bank A/S	Number of shares	Nominal value (DKK m)	Percentage of share capital	Sales/purchase price (DKK m)
Holding at 1 January 2010	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	
Acquired in 2011	157,129,369	1,571	16.86	16,267
Sold in 2011	160,485,224	1,605	17.22	16,479
Holding at 31 December 2011	2,147,704	22	0.23	

Acquisitions in 2011 and 2010 comprised shares acquired for the trading portfolio and shares acquired on behalf of customers.

Danske Bank shares held by subsidiary undertakings	Number of shares	Nominal value (DKK m)	Percentage of share capital	Sales/purchase price (DKK m)
Holding at 1 January 2010	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	
Acquired in 2011	1,787,487	18	0.19	203
Sold in 2011	817,277	8	0.09	117
Holding at 31 December 2011	2,479,832	24	0.27	

Acquisitions in 2011 and 2010 comprised shares acquired on behalf of customers.

STATEMENT OF CAPITAL – DANSKE BANK A/S

(DKK millions)	2011	2010
Capital base and total capital ratio		
Shareholders' equity	127,390	105,956
Proposed dividends	-	-
Intangible assets	-19,399	-19,439
Deferred tax assets	-467	-797
Deferred tax on intangible assets	225	238
Revaluation of domicile property	-743	-675
Other statutory deductions	-44	-
Core tier 1 capital	106,962	85,283
Hybrid capital	40,117	39,958
Difference between expected losses and impairment charges	-	-
Statutory deduction for insurance subsidiaries	-4,175	-2,422
Other statutory deductions	-	-55
Tier 1 capital	142,904	122,764
Subordinated debt, excluding hybrid capital	18,480	24,503
Hybrid capital	-	-
Revaluation of domicile property	743	675
Difference between expected losses and impairment charges	-	-
Statutory deduction for insurance subsidiaries	-4,175	-2,422
Other statutory deductions	-	-55
Capital base	157,952	145,465
Risk-weighted assets	684,852	664,802
Core tier 1 capital ratio (%)	15.6	12.8
Tier 1 capital ratio (%)	20.9	18.5
Total capital ratio (%)	23.1	21.9

The total capital and tier 1 capital ratios are calculated in accordance with the Capital Requirements Directive.

Risk Management 2011 provides more details about the Group's solvency need. Risk Management 2011 is not covered by the statutory audit.

NOTES – DANSKE BANK A/S

Note	(DKK millions)	2011	2010
1	**Net interest and fee income and value adjustments broken down by business segment**		
	Banking Activities	22,649	23,433
	Danske Markets and Treasury	3,619	5,171
	Danske Capital	1,092	987
	Other	-541	-440
	Total	26,819	29,151
	Geographical segmentation		
	Denmark	15,249	17,478
	Finland	284	342
	Ireland	1,050	1,340
	Norway	3,223	3,444
	UK	419	743
	Sweden	5,524	4,665
	Baltics	756	804
	Germany	207	220
	Poland	107	115
	Total	26,819	29,151

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.

Note	(DKK millions)	2011	2010
2	**Interest income**		
	Reverse transactions with credit institutions and central banks	1,191	1,226
	Other transactions with credit institutions and central banks	2,718	2,461
	Reverse loans	3,530	1,457
	Loans, advances and other amounts due	28,921	26,416
	Bonds	9,607	9,241
	Derivatives	-470	3,017
	Currency contracts	-3,626	-1,728
	Interest rate contracts	3,156	4,745
	Other interest income	410	437
	Total	45,907	44,255
3	**Interest expense**		
	Repo transactions with credit institutions and central banks	1,303	1,245
	Other transactions with credit institutions and central banks	3,301	3,738
	Repo deposits	2,452	592
	Deposits and other amounts due	7,564	5,587
	Issued bonds	8,437	7,951
	Subordinated debt	4,252	4,429
	Other interest expenses	371	190
	Total	27,680	23,732
4	**Fee and commission income**		
	Securities trading and custody account fees	4,581	4,312
	Payment services fees	1,484	1,532
	Origination fees	1,404	1,701
	Guarantee commissions	867	883
	Other fees and commissions	1,404	1,339
	Total	9,740	9,767

NOTES – DANSKE BANK A/S

Note	(DKK millions)	2011	2010
5	**Value adjustments**		
	Loans at fair value	620	-510
	Bonds	4,874	4,358
	Shares etc.	148	72
	Investment property	-8	4
	Currency	1,976	955
	Derivatives	351	-1,709
	Assets under pooled schemes	-445	5,008
	Deposits under pooled schemes	593	-5,100
	Other liabilities	-6,618	-1,976
	Total	1,491	1,102

6 **Other income**

Other income includes a refund of excess taxes and duties paid of DKK 164 million (2010: DKK 627 million).

Note	(DKK millions)	2011	2010
7	**Staff costs and administrative expenses**		
	Remuneration of the Executive Board and the Board of Directors		
	Executive Board	51	36
	Board of Directors	9	9
	Total	60	45

The remuneration of the Executive Board includes remuneration for membership of the board of directors of one or more of the Group's subsidiaries. Such remuneration is deducted from the contractual remuneration.

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 2011, this deduction amounted to DKK 24 million (2010: DKK 18 million).

		2011	2010
	Staff costs		
	Salaries	8,353	8,180
	Pensions	1,041	554
	Financial services employer tax and social security costs	1,188	1,055
	Total	10,582	9,789
	Other administrative expenses	5,060	4,791
	Total staff costs and administrative expenses	15,702	14,625
	Number of full-time-equivalent staff (avg.)	15,550	15,707

Note 9 of the consolidated financial statements contains additional information about the remuneration of the Executive Board, the Board of Directors, and other material risk takers.

8 **Amortisation, depreciation and impairment charges**

This item includes goodwill impairment charges of DKK 0.2 billion for 2011. Note 23 of the consolidated financial statements contains additional information. The Group did not make any goodwill impairment charges in 2010.

Note	(DKK millions)	2011	2010
9	**Audit fees**		
	Audit firms appointed by the general meeting		
	Fees for statutory audit of the parent company financial statements	8	9
	Fees for other assurance engagements	4	-
	Fees for tax advisory services	2	2
	Fees for other services	8	4
	Total	22	15

NOTES – DANSKE BANK A/S

Note	(DKK millions)	2011	2010
10	**Tax**		
	Calculated tax charge for the year	835	453
	Deferred tax	657	1,031
	Adjustment of prior-year tax charges	60	214
	Lowering of tax rate	6	23
	Total	1,558	1,721
	Effective tax rate	(%)	(%)
	Danish tax rate	25.0	25.0
	Non-taxable income and non-deductible expenses	118.7	36.2
	Difference between tax rates of units outside Denmark and Danish tax rate	116.6	40.2
	Adjustment of prior-year tax charges	10.6	14.7
	Lowering of tax rate	1.0	1.6
	Effective tax rate	271.9	117.7
	Portion included under Income from associates and group undertakings	-217.8	-89.4
	Total	54.1	28.3
	Tax on other comprehensive income		
	Hedging of units outside Denmark	54	217
	Fair value adjustment of domicile property	-8	19
	Total	46	236
11	**Due from credit institutions and central banks**		
	Demand deposits	34,612	6,778
	Up to 3 months	171,768	259,995
	From 3 months to 1 year	5,894	3,988
	From 1 to 5 years	3,637	5,896
	Over 5 years	1,475	3,048
	Total	217,386	279,705
	Due from credit institutions	181,942	201,304
	Term deposits with central banks	35,444	78,401
	Total	217,386	279,705
	Reverse transactions included in above item	125,392	147,789

NOTES – DANSKE BANK A/S

Note	(DKK millions)	2011	2010
12	**Loans, advances and other amounts due at amortised cost**		
	Demand deposits	72,503	52,228
	Up to 3 months	282,001	425,461
	From 3 months to 1 year	158,495	132,807
	From 1 to 5 years	105,507	99,287
	Over 5 years	298,695	229,056
	Total	917,201	938,839
	Reverse transactions included in above item	155,766	168,481
	Loans, advances and guarantees broken down by sector and industry (%)		
	Public sector	5.0	3.2
	Business customers		
	Agriculture, hunting, forestry and fisheries	1.6	1.4
	Manufacturing industries and extraction of raw materials	8.5	7.4
	Energy and utilities	1.2	1.0
	Building and construction	2.1	2.3
	Trade	4.2	3.7
	Transport, hotels and restaurants	4.7	4.4
	Information and communication	0.7	0.7
	Finance and insurance	25.0	32.1
	Property administration	12.2	11.0
	Other	3.1	3.2
	Total business customers	63.3	67.2
	Personal customers	31.7	29.6
	Total	100.0	100.0

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 2011	31,537	3,833	86	-	35,456
Impairment charges during the year	15,204	989	7	-	16,200
Reversals of impairment charges from previous years	12,170	1,417	1	-	13,588
Other changes	222	-	1	-	223
Impairment charges at 31 December 2011	34,793	3,405	93	-	38,291
Value adjustment of assets taken over	-	-	-	-	-
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

	2011		2010	
	Individual	Collective	Individual	Collective
Total loans, advances and other amounts due with objective evidence of impairment before impairment charges. The amount does not include loans, advances and other amounts due recognised at nil	58,611	194,475	56,083	196,385
Carrying amount net of impairment charges	30,767	191,070	29,888	192,552

NOTES – DANSKE BANK A/S

Note (DKK millions)

14 **Development in lending activities in Denmark in 2011**

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 personal and business 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 business customers (including the public sector) and personal customers of Danske Bank A/S.

Loans etc. before impairment charges

	31 December 2011				30 June 2011			
	Business customers	Personal customers	Total	Share (%)	Business customers	Personal customers	Total	Share (%)
Denmark	290,008	150,767	440,775	35	309,157	156,457	465,614	34
Finland	16,579	12	16,591	1	15,394	14	15,408	1
Sweden	201,004	85,331	286,335	23	183,606	81,393	264,999	19
Ireland	49,006	26,309	75,315	6	49,713	27,382	77,095	6
UK	67,933	520	68,453	6	99,330	499	99,829	7
Germany	13,214	181	13,395	1	12,816	201	13,017	1
Baltics	11,168	12,242	23,410	2	12,129	12,791	24,920	2
Other EU member states	46,167	761	46,928	4	76,107	712	76,819	6
Norway	116,385	77,254	193,639	15	114,731	73,479	188,210	14
Eastern Europe	1,454	30	1,484	0	715	22	737	0
Other European countries	4,325	201	4,526	0	4,138	233	4,371	0
North America	78,380	462	78,842	6	116,591	398	116,989	9
Rest of world	15,601	489	16,090	1	11,254	473	11,727	1
Total	911,224	354,559	1,265,783	100	1,005,681	354,054	1,359,735	100

NOTES – DANSKE BANK A/S

Note	
14 (cont'd)	Some of Danske Bank A/S's markets saw considerably deteriorating economic conditions in the second half of 2011. The European sovereign debt crisis had an adverse effect on personal and business customer confidence, also in countries outside the euro zone, resulting in low demand for credit.

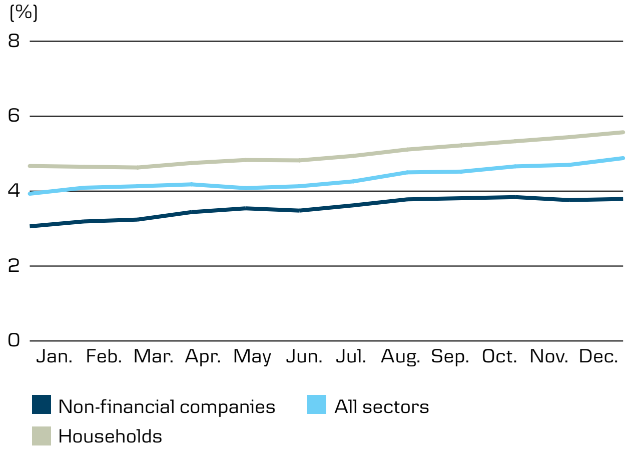
Danske Bank A/S grants credits on the basis of information about customers' individual financial circumstances and monitors customers' financial situation on an ongoing basis to assess whether the basis for credit has changed. Facilities should match the customers' financial situation, including earnings, capital and assets, and business volume with Danske Bank to a reasonable degree, and customers should be able to substantiate their repayment ability. Collateral is usually required for credit facilities. 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 and procedures.

Danske Bank A/S supported its creditworthy customers throughout the second half of 2011. Danske Bank A/S adjusted lending terms for property investors in the second half of 2011. Danske Bank A/S remains focused on certain industries, including the property and agricultural sectors.

More information about the Group's lending policy, rating of customers and credit risk management is provided in section 4 of Risk Management 2011, published on 9 February 2012. Risk Management 2011 is available at www.danskebank.com/ir. The publication is not covered by the statutory audit.

In the second half of 2011, Danske Bank A/S increased its lending rates for variable-rate loans fixed with reference to the Danish central bank's certificate of deposit rate. The deposit rates for certain variable-rate deposits were lowered in step with the lowering of rates by the Danish central bank. The interest rate levels for households and non-financial business customers were higher at the end of 2011 than at the beginning of the year.

TREND IN INTEREST RATES FOR LENDING 2011



Danish business customers' demand for credit, measured in terms of the loan amounts applied for, fell 23% from the level in the first half of 2011. For existing customers, the number of loan applications fell 11% in the second half of the year. Demand from new customers also fell in the same period. The share of approved applications from existing customers was unchanged at 90% in the second half of 2011, while the share of approved applications from new customers fell.

Danish personal customers' demand for credit fell 20% below the level in the first half of 2011. Also for new customers, demand for credit fell in the second half of the year. The share of approved applications was 93% in the second half of 2011, against 94% in the first half of 2011.

NOTES – DANSKE BANK A/S

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 December 2011			30 June 2011
	Existing customers	New customers	Total	Total
Public sector	14,662	110	14,772	14,656
Business customers				
Agriculture, hunting, forestry and fisheries	10,450	65	10,515	11,294
Manufacturing industries and extraction of raw materials	37,920	126	38,046	43,607
Energy and utilities	4,723	4	4,727	5,939
Building and construction	5,823	67	5,890	6,699
Trade	17,034	202	17,236	20,103
Transport, hotels and restaurants	21,070	81	21,151	21,211
Information and communication	3,576	13	3,589	3,443
Finance and insurance	129,160	1,614	130,774	139,065
Property administration	22,886	454	23,340	23,652
Other	19,420	548	19,968	19,488
Total business customers	272,062	3,174	275,236	294,501
Personal customers				
Mortgages	114,151	1,727	115,878	121,180
Other	34,592	297	34,889	35,277
Total personal customers	148,743	2,024	150,767	156,457
Total	435,467	5,308	440,775	465,614

New customers are customers to whom Danske Bank A/S has not granted loans or other credit facilities in 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**

	2011		2010	
	Investment property	Domicile property	Investment property	Domicile property
Fair value/revaluation at 1 January	88	4,073	81	4,362
Additions, including property improvement expenditure	27	10	22	29
Disposals	3	12	14	60
Depreciation charges	-	46	-	55
Value adjustment recognised through other comprehensive income	-	76	-	-77
Value adjustment recognised through profit or loss	-	-	1	-5
Other changes	-	29	-2	-121
Fair value/revaluation at 31 December	112	4,130	88	4,073
Required rate of return for calculation of fair value/revaluation (% per annum)	4.8-8.5	5.0-9.0	4.8-8.0	5.0-8.8

The fair value is assessed by the Group's valuers.

NOTES – DANSKE BANK A/S

Note	(DKK millions)	2011	2010
16	**Other tangible assets**		
	Cost at 1 January	6,748	6,931
	Foreign currency translation	22	134
	Additions including leasehold improvements	1,483	1,309
	Disposals	1,499	1,626
	Cost at 31 December	6,754	6,748
	Depreciation and impairment charges at 1 January	3,389	3,132
	Foreign currency translation	35	64
	Depreciation charges	898	1,083
	Depreciation and impairment charges for assets sold	739	890
	Depreciation and impairment charges at 31 December	3,583	3,389
	Carrying amount at 31 December	3,171	3,359

Note		At 1 Jan.	Foreign currency translation	Recognised in profit for the year	Recognised in shareholders' equity	At 31 Dec.
17	**Change in deferred tax**					
	2011					
	Intangible assets	10	-	-	-	10
	Tangible assets	1,022	1	-109	8	922
	Securities	-7	-	14	-	7
	Provisions for obligations	-41	-1	59	-	17
	Tax loss carryforwards	-663	-7	261	-	-409
	Recapture of tax loss	3,157	-	371	-	3,528
	Other	-445	-1	-67	-	-513
	Total	3,033	-8	529	8	3,562
	Adj. of prior-year tax charges included in above item			-134		
	2010					
	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		

	Deferred tax	2011	2010
	Deferred tax assets	467	797
	Provisions for deferred tax	4,029	3,830
	Deferred tax, net	3,562	3,033

Note		2011	2010
18	**Bonds at amortised cost**		
	Fair value of held-to-maturity assets	4,950	6,542
	Carrying amount of held-to-maturity assets	5,172	6,679

NOTES – DANSKE BANK A/S

Note	(DKK millions)	2011	2010
19	**Assets under pooled schemes**		
	Bonds at fair value	21,651	18,693
	Shares	4,866	5,761
	Unit trust certificates	17,218	17,810
	Cash deposits etc.	935	2,616
	Total assets before elimination	44,670	44,880
	Own shares	117	305
	Other internal balances	1,050	2,686
	Total	43,503	41,889
20	**Other assets**		
	Positive fair value of derivatives	549,887	331,838
	Other assets	15,756	15,482
	Total	565,643	347,320
21	**Due to credit institutions and central banks**		
	Amounts payable on demand	74,274	36,932
	Up to 3 months	364,790	337,443
	From 3 months to 1 year	2,071	1,633
	From 1 to 5 years	11,944	515
	Over 5 years	238	436
	Total	453,317	376,959
	Repo transactions included in above item	252,617	167,053
22	**Deposits and other amounts due**		
	On demand	425,534	435,115
	Term deposits	3,379	2,769
	Time deposits	181,031	175,103
	Repo deposits	53,719	60,440
	Special deposits	22,209	22,605
	Total	685,872	696,032
	On demand	425,534	435,115
	Up to 3 months	198,589	207,973
	From 3 months to 1 year	25,636	15,963
	From 1 to 5 years	26,135	26,346
	Over 5 years	9,978	10,635
	Total	685,872	696,032
23	**Issued bonds at amortised cost**		
	On demand	-	-
	Up to 3 months	75,731	131,351
	From 3 months to 1 year	63,887	50,565
	From 1 to 5 years	124,611	164,158
	Over 5 years	62,500	73,652
	Total	326,729	419,726
24	**Other liabilities**		
	Negative fair value of derivatives	534,011	315,983
	Other liabilities	183,920	189,073
	Total	717,931	505,056

NOTES – DANSKE BANK A/S

Note

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 section 128 of the Danish Financial Business Act.

Currency	Principal (millions)	Interest rate	Year of issue	Maturity	Redemption price	2011 (DKK m)	2010 (DKK m)
Redeemed loans							6,392
EUR	400	5.875	2002	26.03.2015	100	2,974	2,982
EUR	500	4.250	2003	20.06.2016	100	3,717	3,727
GBP	350	5.375	2003	29.09.2021	100	3,115	3,033
EUR	700	4.100	2005	16.03.2018	100	5,204	5,218
EUR	500	6.000	2007	20.03.2016	100	3,717	3,727
Subordinated debt, excluding hybrid capital						18,727	25,079
Hybrid capital							
Hybrid capital included under the 15% of tier 1 capital limit:							
USD	750	5.914	2004	Perpetual	100	4,309	4,209
GBP	150	5.563	2005	Perpetual	100	1,335	1,300
GBP	500	5.684	2006	Perpetual	100	4,450	4,333
EUR	600	4.878	2007	Perpetual	100	4,461	4,473
SEK	1,350	var.	2007	Perpetual	100	1,126	1,116
SEK	650	5.119	2007	Perpetual	100	542	538
Hybrid capital included under the 35% of tier 1 capital limit:							
DKK	23,992	9.265	2009	Perpetual	100	23,992	23,992
Total hybrid capital						40,215	39,961
Nominal subordinated debt						58,942	65,040
Fair value hedging of interest rate risk						4,679	3,618
Own holding of subordinated debt						-380	-176
Total subordinated debt						63,241	68,482
Interest on subordinated debt and related items							
Interest						4,252	4,429
Extraordinary repayments						6,392	4,741
Origination and redemption costs						-	-
Amount included in capital base at 31 December						58,597	64,461

Note 32 of the consolidated financial statements contains additional information about subordinated debt and contractual terms.

NOTES – DANSKE BANK A/S

Note	(DKK millions)	2011	2010

26 **Assets deposited as collateral**

At the end of 2011, Danske Bank A/S had deposited securities worth DKK 45,606 million as collateral with Danish and international clearing centres and other institutions (2010: DKK 54,940 million).

In repo transactions, which involve selling securities to be repurchased at a later date, the securities remain in 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.

	2011	2010
Assets sold in repo transactions		
Bonds at fair value	304,745	215,063
Shares etc.	-	-
Total	304,745	215,063
Total collateral deposited for subsidiary undertakings	607	536

At the end of 2011, Danske Bank A/S had provided cash and securities worth DKK 68,463 million as collateral for derivatives transactions (2010: DKK 38,061 million).

Danske Bank A/S had registered loans and advances worth DKK 172,325 million and other assets worth DKK 8,108 million as collateral for covered bonds at the end of 2011 (2010: DKK 123,308 million and DKK 4,381 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 in the balance sheet.

	2011	2010
Guarantees and other liabilities		
Guarantees etc.		
Financial guarantees	6,958	7,719
Mortgage finance guarantees	50,379	51,583
Registration and remortgaging guarantees	9,478	21,542
Other guarantees	90,773	163,028
Total	157,588	243,872
Other liabilities		
Irrevocable loan commitments shorter than 1 year	59,140	63,609
Irrevocable loan commitments longer than 1 year	93,656	102,006
Other obligations	495	653
Total	153,291	166,268

In addition to the credit exposure relating to lending activities, loan offers and uncommitted credit facilities amounted to DKK 445,043 million (2010: DKK 444,123 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 and disputes. In view of its size, Danske Bank does not expect the outcomes of pending lawsuits and disputes 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 also liable for the pension obligations of a number of company pension funds.

NOTES – DANSKE BANK A/S

Note (DKK millions)

28 **Related parties**

	Parties with significant influence		Associates		Group undertakings		Board of Directors		Executive Board	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Loans and irrevocable loan commitments	6,104	6,034	1,217	613	57,149	64,326	14	24	5	4
Securities and derivatives	1,161	1,245	4,918	5,847	217,076	192,519	-	-	-	-
Deposits	2,198	2,983	248	143	76,794	71,725	40	37	30	21
Derivatives	57	68	1,612	1,375	5,811	2,586	-	-	-	-
Issued bonds	-	-	-	-	28,774	97,665	-	-	-	-
Guarantees issued	1,470	1,970	7	1	77,914	145,698	-	7	4	5
Guarantees and collateral received	463	486	295	14	1,719	1,137	1	8	5	4
Interest income	71	155	86	75	3,574	3,591	-	1	-	-
Interest expense	192	133	188	225	194	465	-	1	-	-
Fee income	6	22	2	2	22	27	-	-	-	-
Dividend income	6	2	49	80	3,101	415	-	-	-	-
Other income	12	7	1	-	6	3	-	-	-	-
Loan impairment charges	-	-	1	-	-	-	-	-	-	-
Trade in Danske Bank shares										
Acquisition of shares	4,646	-	-	-	-	-	5	-	7	2
Sale of shares	-	-	-	-	-	-	-	-	-	2

Related parties with significant influence include shareholders with holdings exceeding 20% of Danske Bank A/S's share capital. The A.P. Møller and Chastine Mc-Kinney Møller Foundation and companies of the A.P. Moller – Maersk Group, Copenhagen, hold 22.84% of the share capital. Note 22 of the consolidated financial statements lists holdings in associates. 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 2011, the average interest rates on credit facilities granted to members of the Board of Directors and the Executive Board were 2.2% (2010: 2.2%) and 2.4% (2010: 2.7%), respectively. Notes 9 and 42 of the consolidated financial statements specify the remuneration and shareholdings of management.

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 2011, transactions with these funds comprised loans and advances in the amount of DKK 3 million (2010: DKK 3 million), deposits in the amount of DKK 121 million (2010: DKK 123 million), derivatives with a positive fair value of DKK 0 million (2010: DKK 0 million), derivatives with a negative fair value of DKK 581 million (2010: DKK 166 million), interest expenses of DKK 3 million (2010: DKK 3 million), and pension contributions of DKK 284 million (2010: DKK 304 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- 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 1,619 million for services provided in 2011 (2010: DKK 1,527 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 Danske Bank 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.

NOTES – DANSKE BANK A/S

Note (DKK millions)

29 **Hedging of risk**

	2011		2010	
	Carrying amount	Amortised/ notional value	Carrying amount	Amortised/ notional value
Assets				
Due from credit institutions	5,360	5,353	3,766	3,756
Loans and advances	52,097	50,022	59,513	58,238
Total	57,457	55,375	63,279	61,994
Financial instruments hedging interest rate risk				
Derivatives	-2,362	66,828	320	71,650
Liabilities				
Deposits	129,961	129,592	130,581	130,458
Due to credit institutions	94,993	94,972	133,200	133,185
Issued bonds	359,961	349,625	442,736	437,922
Subordinated debt	63,699	58,942	68,766	65,040
Total	648,614	633,131	775,283	766,605
Financial instruments hedging interest rate risk				
Derivatives	31,278	591,510	11,381	753,871

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.

Note 22 of the consolidated financial statements lists major associates,

NOTES – DANSKE BANK A/S

(DKK millions)	2011	2010	2009	2008	2007
HIGHLIGHTS					
Net interest and fee income	25,328	28,049	35,645	28,507	22,866
Value adjustments	1,491	1,102	5,347	-3,774	2,690
Staff costs and administrative expenses	15,702	14,625	15,723	15,438	14,590
Loan impairment charges etc.	9,725	11,390	21,118	10,265	306
Income from associates and group undertakings	2,309	4,699	3,211	3,889	7,054
Net profit for the year	1,324	4,361	1,001	-448	14,996
Loans and advances	917,201	938,839	920,557	1,120,719	1,120,373
Shareholders' equity	127,390	105,956	101,094	100,013	106,376
Total assets	2,426,635	2,227,331	2,188,762	2,678,868	2,412,451

RATIOS AND KEY FIGURES					
Total capital ratio (%)	23.1	21.9	21.3	15.3	11.9
Tier 1 capital ratio (%)	20.9	18.5	17.2	11.1	8.3
Return on equity before tax (%)	2.5	5.9	2.8	-0.9	17.1
Return on equity after tax (%)	1.1	4.2	1.0	-0.4	14.8
Cost/income ratio (DKK)	1.10	1.20	1.06	0.97	2.03
Interest rate risk (%)	0.4	-	0.7	2.5	2.1
Foreign exchange position (%)	2.5	3.7	2.9	3.3	2.1
Foreign exchange risk (%)	-	-	-	0.1	-
Loans and advances plus impairment charges as % of deposits	130.6	130.9	126.2	147.9	139.5
Gearing of loans and advances (%)	7.2	8.9	9.1	11.2	10.5
Growth in loans and advances (%)	-2.3	2.0	-17.9	-	36.9
Surplus liquidity in relation to statutory liquidity requirement (%)	107.4	144.6	138.3	66.3	88.3
Large exposures as % of capital base	32.6	46.7	22.8	98.2	151.0
Funding ratio	0.7	0.7	0.7	0.9	0.8
Lending growth (year-on-year)	-1.2	-0.5	-12.7	6.4	21.3
Real property exposure	13	12	12	10	13
Impairment ratio (%)	0.9	0.8	1.6	0.7	-
Earnings per share (DKK)	1.6	6.3	1.5	-6.5	21.8
Book value per share (DKK)	137.0	152.8	146.0	144.5	154.9
Proposed dividend per share (DKK)	-	-	-	-	8.50
Share price at 31 December/earnings per share (DKK)	44.7	22.7	81.6	-8.0	9.1
Share price at 31 December/book value per share (DKK)	0.53	0.94	0.81	0.36	1.29

The ratios are defined by the Danish FSA in, among other, its Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc. Share ratios have not been adjusted to reflect the share capital increase in April 2011.

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 2011.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards 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 2011 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 2011. 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, 9 February 2012

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

Ole Andersen
Chairman

Niels B. Christiansen
Vice Chairman

Michael Fairey

Peter Højland

Mats Jansson

Eivind Kolding

Majken Schultz

Claus Vastrup

Susanne Arboe

Helle Brøndum

Carsten Eilertsen

Charlotte Hoffmann

Per Alling Toubro

AUDITORS' REPORTS

INTERNAL AUDIT'S REPORT

We have audited the consolidated financial statements, pp. 58-161, and the Parent Company financial statements of Danske Bank A/S, pp.162-182, for the financial year 2011. The consolidated financial statements and the Parent Company's financial statements comprise the income statement, statement of comprehensive income, balance sheet, statement of capital and notes for the Group as well as for the Parent Company and the consolidated cash flow statement. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards 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.

Basis of opinion

We conducted our audit in accordance with the Danish Financial Supervisory Authority's Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups and in accordance with International Standards on Auditing. This requires that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the Parent Company's financial statements are free from material misstatement.

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 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 control relevant to the preparation of consolidated financial statements and Parent Company financial statements that give a true and fair view in order to design 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 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 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 2011 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 2011 in accordance with the International Financial Reporting Standards as adopted by the EU in respect of the consolidated financial statements, in accordance with the Danish Financial Business Act in respect of the Parent Company's financial statements, and 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, 9 February 2012

Jens Peter Thomassen
Group Chief Auditor

AUDITORS' REPORTS

INDEPENDENT AUDITORS' REPORT

To the shareholders of Danske Bank A/S

Independent auditors' report on the consolidated financial statements and the Parent Company's financial statements

We have audited the consolidated financial statements, pp. 58-161, and the Parent Company financial statements of Danske Bank A/S, pp. 162-182, for the financial year 2011. The consolidated financial statements and the Parent Company's financial statements comprise the income statement, statement of comprehensive income, balance sheet, statement of capital and notes for the Group as well as for the Parent Company and the consolidated cash flow statement. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards 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.

Management's responsibility for the consolidated financial statements and the Parent Company's financial statements

Management is responsible for preparing consolidated financial statements and Parent Company financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU (the consolidated financial statements), the Danish Financial Business Act (the Parent Company's financial statements) and Danish disclosure requirements for listed financial institutions and for such internal control that management determines is necessary to enable the preparation of consolidated financial statements and Parent Company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the Parent Company's financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 control relevant to the preparation of the consolidated financial statements and the Parent Company's financial statements that give a true and fair view in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. 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 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 2011 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 2011 in accordance with the International Financial Reporting Standards as adopted by the EU in respect of the consolidated financial statements, in accordance with the Danish Financial Business Act in respect of the Parent Company's financial statements, and in accordance with 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, 9 February 2012

KPMG
Statsautoriseret Revisionspartnerselskab

Lars Rhod Søndergaard   Mona Blønd

State Authorised Public Accountants

Copenhagen, 9 February 2012

PricewaterhouseCoopers Danmark
Statsautoriseret Revisionsaktieselskab

Ole Fabricius   Christian F. Jakobsen

State Authorised Public Accountants

MANAGEMENT AND DIRECTORSHIPS – BOARD OF DIRECTORS

OLE ANDERSEN
MANAGING DIRECTOR OF OGA HOLDING APS AND TWO DANISH SUBSIDIARIES

Born on 11 July 1956
Joined the Board on 23 March 2010

Chairman of the Remuneration Committee, the Credit and Risk Committee and the Nomination Committee. Member of the Audit Committee

Directorships and other offices:
Bang & Olufsen A/S and one Danish subsidiary (Chairman)
Chr. Hansen Holding A/S (Chairman)
ISS Holding A/S and one Danish subsidiary (Chairman)
EQT Partners (Senior Advisor)
NASDAQ OMX Nordic (Member of the Nomination Committee)

NIELS B. CHRISTIANSEN
CHIEF EXECUTIVE OFFICER OF DANFOSS A/S

Born on 12 April 1966
Joined the Board on 29 March 2011

Member of the Remuneration Committee, the Credit and Risk Committee and the Nomination Committee

Directorships and other offices:
Axcel II A/S and two subsidiaries (Chairman)
DI (Member of the Central Board and the Executive Committee)
Provinsindustriens Arbejdsgiverforening
Sauer-Danfoss Inc. (Vice Chairman)
Six of Danfoss A/S's subsidiaries
William Demant Holding A/S

MICHAEL FAIREY

Born on 17 June 1948
Joined the Board on 23 March 2010

Member of the Credit and Risk Committee

Directorships and other offices:
APR Energy PLC (Chairman)
Consumer Credit Counselling Service (Trustee)
Legal & General Group PLC (Non-Executive Director)
Lloyds TSB Pension Funds (Chairman)
Northern Rock plc
The Energy Saving Trust Limited
Vertex Group Limited

PETER HØJLAND

Born on 9 July 1950
Joined the Board on 30 November 2000

Chairman of the Audit Committee

Directorships and other offices:
Bikubenfonden (Chairman)
Copenhagen Capacity, Fonden til Markedsføring og Erhvervsfremme i Hovedstadsregionen (Chairman)
The Denmark-America Foundation (Executive Board)
DanmarksErhvervsforskningsAkademi (DEA) (Vice Chairman)
The Danish Cultural Institute (Member of the Council)
Global Marketing of Danmark
Fonden til støtte for Danske Soldater i Internationale Missioner (Soldaterlegatet) (Chairman)
Frederiksbergfonden
Gigtforeningen (Member of the Advisory Board)
The Danish Heart Foundation
Ituri Management ApS (Chairman)
Kollegiefonden Bikuben (Chairman)
Nikolai og Felix Fonden
Nordic Vision Clinics ASA
Ramboll Group A/S (Chairman)
Siemens A/S (Chairman)
The Bikuben Foundation New York Inc.

MATS JANSSON

Born on 17 December 1951
Joined the Board on 4 March 2008

Member of the Remuneration Committee

Directorships and other offices:
Delhaize Group SA
Permira (Senior Advisor)

EIVIND KOLDING

Born on 16 November 1959
Joined the Board on 27 March 2001

Directorships and other offices:
E. Kolding Shipping ApS (Chief Executive Officer)

MAJKEN SCHULTZ
PROFESSOR OF ORGANISATION AT COPENHAGEN BUSINESS SCHOOL
Born on 28 October 1958
Joined the Board on 30 November 2000

Member of the Nomination Committee

Directorships and other offices:
Danske Spil A/S
Realdania
Vci Holding ApS (Chief Executive Officer)
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 Audit Committee and the Credit and Risk Committee

Directorships and other offices:
Aarhus Universitets Jubilæumsfond

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:
Apostelgaardens Fond (Vice Chairman)
Danske Kreds (Vice Chairman)
Danske Unions
Ejerlejlighedsforeningen Næstvedparken (Chairman)

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

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:
Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999 (Chairman)
Danica Pension, Livsforsikringsaktieselskab (Chairman)

Other offices (non-exhaustive list):
The Denmark-America Foundation
ICC Danmark, International Chamber of Commerce
Institut International d'Etudes Bancaires (Chairman)
The International Monetary Conference
Værdiansættelsesrådet (Danish Guarantee Fund for Depositors and Investors)

TONNY THIERRY ANDERSEN
MEMBER OF THE EXECUTIVE BOARD
Born on 30 September 1964
Joined the Board on 1 September 2006

Directorships:
Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999 (Vice Chairman)
Danica Pension, Livsforsikringsaktieselskab (Vice Chairman)
The Private Contingency Association for the Winding up of Distressed Banks, Savings Banks and Cooperative Banks (Vice Chairman)
The Danish Bankers Association (Vice Chairman)
Kreditforeningen Danmarks Pensionsafviklingskasse (Chairman)
Multidata Holding A/S
Multidata A/S
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

Directorships:
Kreditforeningen Danmarks Pensionsafviklingskasse
Realkredit Danmark A/S
Sampo Pankki Oyj

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
Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999
Danica Pension, Livsforsikringsaktieselskab
Hotel des Balances AG
Immobilien Allmend AG
Northern Bank Limited
Sampo Pankki Oyj

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
Northern Bank Limited
Realkredit Danmark A/S (Vice Chairman)
Sampo Pankki Oyj (Vice Chairman)

OTHER DANSKE BANK GROUP PUBLICATIONS, AVAILABLE AT WWW.DANSKEBANK.COM/IR:

Supplementary information

FINANCIAL CALENDAR	
27 March 2012	Annual general meeting
10 May 2012	Interim Report – First Quarter 2012
7 August 2012	Interim Report – First Half 2012
30 October 2012	Interim Report – First Nine Months 2012
7 February 2013	Annual Report 2012

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LINKS	
The Danske Bank Group	www.danskebank.com
Retail Banking Denmark	www.danskebank.dk
Retail Banking Finland	www.sampobank.com
Retail Banking Sweden	www.danskebank.se
Retail Banking Norway	www.fokus.no
Banking Activities Northern Ireland	www.northernbank.co.uk
Banking Activities Ireland	www.nationalirishbank.ie
Realkredit Danmark	www.rd.dk
Danske Capital	www.danskecapital.com
Danica Pension	www.danicapension.dk

More information about the Group's financial results is available at www.danskebank.com/reports.

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