Annual report 2013

Danske Bank Group

Annual report 2013 is a translation of the original report in the Danish language (Årsrapport 2013). In case of discrepancies, the Danish version prevails.

Contents

Letter to our shareholders

The year 2013 was a year of change and progress for Danske Bank. We took important steps towards executing our strategy aimed at fulfilling our vision to become the most trusted financial partner. We will continue to focus relentlessly on meeting customer needs, simplifying operations and becoming more efficient. Over the past year, we took steps to relieve customer-facing employees of administrative tasks and empower them to make decisions on the basis of their competencies and their day-to-day interaction with customers. We will accelerate these efforts in coming years, as we seek to strengthen our market position by setting new standards for advisory services.

Improving customer satisfaction is a key priority at Danske Bank, reflecting our belief that this is the best way to achieve sustainable profitability and create value for our shareholders. The increase in customer satisfaction achieved at our Corporates & Institutions and Danica Pension business units is a sign of improvement and gives us confidence that we can improve customer satisfaction across the Group. In 2013, we initiated a review of all customer touch points across the Group, and this has so far led to a number of concrete initiatives aimed at improving customer services.

The financial results improved significantly at most of our business units despite the challenging market environment. Net profit increased about 50% to DKK 7.1 billion, and the return on equity rose 1.4 percentage points to 5.0%. Despite the improvement, profitability is not at a satisfactory level. We remain committed to our intermediate target of a return on equity of 9% in 2015 and our long-term target of above 12%. We aim to be among the top three in the Nordic peer group on return on equity.

The current economic environment with low growth and low loan demand has led us to focus even more on expenses and efficiency. We have made progress in containing costs in 2013, and we also launched an ambitious cost-efficiency programme for 2014. We are refocusing our activities in the Republic of Ireland as the banking and economic climate is expected to remain challenging for the foreseeable

future. At the same time, we plan to improve the top line further through a strengthening of our product offering, advisory services, including online services and digital solutions.

The global financial crisis has led to new regulatory initiatives aimed at restoring trust in the financial sector and mitigating the risk of future crises. Danske Bank will be designated a systemically important financial institution, or SIFI, in 2014, and we are well prepared for the additional requirements. The SIFI rules are a significant step towards restoring trust in the financial sector's ability to withstand future crises. We have noted that, when setting the requirements, Danish legislators have aimed at ensuring a reasonable balance between maintaining financial stability and ensuring that financial institutions can support growth and employment. The rules also take into account the risk of competitive distortion by conforming to EU regulatory trends and thus ensuring a level playing field.

In 2013, we further strengthened our capital base to a core tier 1 ratio of 14.7% and a total capital ratio of 21.4% and are thus sufficiently capitalised to redeem the hybrid capital from the Danish state in 2014. Our liquidity coverage ratio increased to 127%. We were also pleased to see evidence of increased confidence in Danske Bank as Moody's and Fitch raised their credit rating outlook for Danske Bank. We will continue our work to achieve a credit rating upgrade as soon as possible.

The Board of Directors is proposing a dividend of DKK 2 per share, corresponding to 28% of the net profit for the year. We are pleased to be able to resume dividend payments to our shareholders after five years without dividends.

The Board of Directors and the Executive Board also underwent changes during the year. At the annual general meeting in March 2013, Lars Förberg, Carol Sergeant and Jim Hagemann Snabe were elected new members of the Board, replacing Michael Fairey, Mats Jansson and Majken Schultz. On 16 September 2013, Thomas F. Borgen replaced Eivind Kolding as CEO, and in November, Glenn Söderholm was appointed Head of Corporates & Institutions and member of the Executive Board.

We would like to express our gratitude to all our employees for their dedication and hard work during these challenging times.

Ole Andersen
Chairman of the
Board of Directors

Thomas F. Borgen
CEO

Financial highlights – Danske Bank Group

INCOME STATEMENT (DKK millions)	2013	2012	Index 13/12	2011	2010	2009
Net interest income	22,245	22,778	98	23,537	23,843	27,524
Net fee income	9,525	8,866	107	8,298	8,699	7,678
Net trading income	5,818	10,562	55	7,325	7,707	18,244
Other income	1,328	1,285	103	3,648	3,882	3,083
Net income from insurance business	1,088	2,171	50	569	2,146	2,810
Total income	40,004	45,662	88	43,377	46,277	59,339
Expenses	24,343	24,642	99	25,987	26,010	28,907
Profit before loan impairment charges	15,661	21,020	75	17,390	20,267	30,432
Loan impairment charges	4,187	7,680	55	13,185	13,817	25,677
Profit before tax, core*	11,474	13,340	86	-	-	-
Profit before tax, Non-core*	-1,415	-4,801	-	-	-	-
Profit before tax	10,059	8,539	118	4,205	6,450	4,755
Tax	2,944	3,814	77	2,482	2,786	3,042
Net profit for the year	7,115	4,725	151	1,723	3,664	1,713
Attributable to non-controlling interests	-	4	-	11	3	-14

BALANCE SHEET (END OF YEAR) (DKK millions)						
Due from credit institutions and central banks	53,714	113,657	47	74,041	89,619	109,236
Repo loans	316,079	307,177	103	256,027	306,962	239,183
Loans and advances	1,552,645	1,640,656	95	1,698,025	1,679,965	1,669,552
Trading portfolio assets	695,722	812,966	86	909,755	641,993	620,052
Investment securities	161,917	107,724	150	109,264	118,556	118,979
Assets under insurance contracts	246,484	241,343	102	230,668	217,515	196,944
Total assets in Non-core*	25,803	33,100	78	-	-	-
Other assets	174,693	228,326	77	146,623	159,276	144,531
Total assets	3,227,057	3,484,949	93	3,424,403	3,213,886	3,098,477
Due to credit institutions and central banks	132,253	241,238	55	177,592	175,825	184,653
Repo deposits	331,091	359,276	92	269,515	202,603	182,164
Deposits	788,269	783,759	101	795,275	800,613	803,932
Bonds issued by Realkredit Danmark	614,196	614,325	100	557,699	555,486	517,055
Other issued bonds	310,178	340,005	91	366,920	450,219	514,601
Trading portfolio liabilities	435,183	531,860	82	697,913	478,386	380,567
Liabilities under insurance contracts	262,468	266,938	98	248,966	238,132	223,876
Total liabilities in Non-core*	5,002	4,831	104	-	-	-
Other liabilities	136,541	136,928	100	117,340	130,544	110,968
Subordinated debt	66,219	67,785	98	67,328	77,336	80,002
Shareholders' equity	145,657	138,004	106	125,855	104,742	100,659
Total liabilities and equity	3,227,057	3,484,949	93	3,424,403	3,213,886	3,098,477

* Changes have been made to the highlights for 2012, as presented in note 39.

RATIOS AND KEY FIGURES						
Earnings per share (DKK)	7.1	5.0		1.9	4.9	2.3
Diluted earnings per share (DKK)	7.1	5.0		1.9	4.9	2.3
Return on avg. shareholders' equity (%)	5.0	3.6		1.4	3.6	1.7
Return on avg. tangible equity (%)	5.9	4.4		1.8	4.6	2.3
Net interest income as % of loans and deposits	0.95	0.94		0.94	0.96	1.11
Cost/income ratio (%)	60.9	54.0		59.9	56.2	48.7
Total capital ratio (%)	21.4	21.3		17.9	17.7	17.8
Core tier 1 capital ratio (%)	14.7	14.5		11.8	10.1	9.5
Share price (end of year) (DKK)	124.4	95.7		73.0	132.3	109.2
Book value per share (DKK)	145.6	138.0		135.7	140.0	134.8
Full-time-equivalent staff (end of year)**	19,122	20,126		21,320	21,522	22,093

** The full-time-equivalent staff number no longer includes staff under notice and released from their duties.

Executive summary

"The year 2013 was a time of progress for Danske Bank," says Thomas F. Borgen, CEO. "We took steps to strengthen our position in the market, accelerated the execution of our strategy and contained costs. Our financial results improved, but they were still unsatisfactory.

"We still have a way to go to realise the full potential of Danske Bank, but we are confident that we are moving in the right direction. Understanding and meeting our customers' increasingly differentiated and complex demands are key to our success. We have a strong combination of skills, expertise and innovative solutions, and we will continue to strengthen our relationship with our customers."

- Danske Bank Group's financial performance improved in 2013, with net profit rising 51% to DKK 7.1 billion, against DKK 4.7 billion in 2012 and DKK 1.7 billion in 2011.
- The Board of Directors is proposing a dividend of DKK 2 per share.
- The return on equity after tax for 2013 was 5.0%, which represents an increase of 1.4 percentage points over the level in 2012.
- Total income amounted to DKK 40.0 billion, declining 12% from the 2012 level primarily because of lower market-making income in comparison with the extraordinarily high level of income in 2012 and lower income from our insurance business at Danica Pension.
- Total expenses amounted to DKK 24.3 billion, a 1% reduction from the level in 2012, as we continue to execute our cost initiatives. Severance payments accounted for DKK 0.8 billion (2012: DKK 0.7 billion). The cost/income ratio for the year was 60.9%, which is still too high.
- Impairments in core activities fell to DKK 4.2 billion, or 45%, from DKK 7.7 billion in 2012, as a result of the improved macroeconomic situation in our core markets.
- Our non-core activities realised a loss before tax of DKK 1.4 billion, an improvement of DKK 3.4 billion from the loss in 2012. The result was in line with our expectations.
- With a core tier 1 ratio of 14.7% and a total capital ratio of 21.4% at 31 December 2013, we exceeded our capital targets. The measures taken to comply with an order from the Danish Financial Supervisory Authority (FSA) regarding our IRB models increased risk-weighted assets by DKK 96 billion.
- In 2013, we issued tier 2 capital of DKK 13.9 billion in preparation for the planned repayment in 2014 of DKK 24 billion in hybrid capital from the Danish state. We also redeemed DKK 13.8 billion in tier 2 notes.
- With effect from 1 January 2014, we refocused our activities in the Republic of Ireland to serve exclusively the Corporates & Institutions clients. Our other activities are being transferred to the Non-core unit.
- For 2014, we expect a net profit in the range of DKK 9-12 billion, and we remain committed to our intermediate target of a return on equity of 9% in 2015. See page 13 for our full outlook.

Strategy execution

In 2013, we took steps to strengthen our position in the market, accelerated the execution of our strategy, and contained costs. Although our financial results showed a solid improvement from 2012, they were still unsatisfactory.

The year 2013 was the first full year of our new strategy, and we focused on enhancing advisory services, on digitalisation and on improving trust and transparency.

- Advisory services means securing our ability to meet the increasingly differentiated and complex expectations of our customers. All customers, regardless of size and complexity, must have access to dedicated advisers who understand their specific needs.
- Digitalisation means making banking easy for customers and making Danske Bank an efficient financial institution for the benefit of all stakeholders.
- Transparency means acknowledging that we play an important role for our customers and in society at large, and we will build trust through a predictable, transparent and honest approach to banking.

The year 2013 was also the first full year of our new customer-centric organisation, whose strong banking units better position us to address customers' needs.

The strategy and the organisational setup provide a solid platform for our efforts to strengthen our position in the market and realise Danske Bank's full potential.

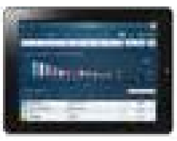
The slow macroeconomic recovery and challenging market conditions led us to accelerate the execution of our strategy by adopting three key priorities that will be our guiding principles: customer attention, simplicity and efficiency.

These priorities reflect our belief that the best way to achieve long-term, sustainable profitability is through satisfied customers. Increased competitiveness and customer satisfaction therefore remain focus areas for us. At the same time, simplifying our operations will not only enable us to spend more time with customers and improve flexibility and service levels but will also help us reduce costs and improve our competitiveness.

In 2013, we undertook a number of concrete initiatives to strengthen our product offering and overall market position, and we are confident that we are moving in the right direction. These are some of the initiatives:

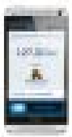
- For personal customers in Denmark, we successfully implemented a new customer programme that provides fair and transparent pricing and clear advantages for customers who do more of their business with us. Despite initial scepticism and public debate, the programme has proved a success, with more than a million customers having signed up. We will continue to develop the programme to enhance the customer experience.
- The bond market holds significant business potential for Danske Bank. Besides maintaining a strong position in this market for large corporates and institutions, we were first mover in expanding the market to include Danish SMEs.
- Our large business and real estate customers benefit from new specialised centres dedicated to catering to their particular needs in each of our Nordic markets.
- For large corporate and institutional clients, we continued to invest in service offerings in equities, corporate finance, debt capital markets and transaction banking.
- With the aim of making banking easier for our customers, we rolled out a number of market-leading digital solutions, such as online meetings and mobile payments, in selected markets.

A bank that offers ...



Spending Overview

Gives customers a graphic, real-time overview of spending and spending categories in eBanking, tablet and mobile banking.

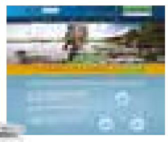


MobilePay

Makes it very easy to transfer money with a smartphone. Available for personal customers and, in early 2014, for business customers, who will be able to receive payments from customers by smartphone.

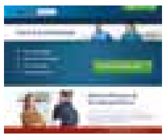
Online meetings

Enable customers to meet with us at the time and place that suit them. Available for personal customers and will be ready for business customers in 2014.



"Pensions-tjek"

A tool for customers to check whether they have the proper savings or insurance cover. Available to all customers in 2014, with an English version to follow.



Health check

This customised health portal offers an online health check, tips on preventing illness and tools for a healthy lifestyle.

Mobile and tablet business apps

Enable customers to monitor their accounts and manage their finances easily and conveniently when they are on the move.

Business Online

A more intuitive, user-friendly design and top menus enhance the customer experience.

These initiatives exemplify our efforts to provide a strong product offering and deliver enhanced advisory services to our customers.

At the end of 2013, we initiated a 360-degree customer service review to identify areas for improvement at all touch points. So far, this has led to a number of concrete initiatives to be rolled out across the Group in 2014.

In addition to the cost-control measures announced in 2012, we launched a cost-efficiency programme in the fourth quarter of 2013 aimed at reducing expenses by an additional DKK 1 billion in 2014. The reductions involved mainly non-customer-facing activities such as IT, consultancy services, marketing and other head-office functions.

With effect from 1 January 2014, we refocused our activities in the Republic of Ireland exclusively on corporate and institutional clients and we will thus discontinue our retail and SME activities.

To bridge the gap to our 2015 return on equity target of 9%, we plan to improve the top line by optimising our pricing structure and broadening our product offerings and to pursue other income and cost initiatives.

In the second quarter of 2014, we plan to repay the DKK 24 billion hybrid capital loan raised from the Danish state in 2009. In 2013, we issued a total of DKK 13.9 billion in tier 2 capital in various currencies, while we redeemed a total of DKK 13.8 billion in tier 2 capital in various currencies.

Ambitions and targets

We revised our 2015 target for return on equity to 9%, which is well above the 2013 level of 5%. We do not consider a return on equity of 9% satisfactory in the long term.

We remain fully committed to attaining a return on equity after tax of above 12% in the longer term, and we are identifying income and cost initiatives to ensure that we achieve this target. In 2014, we will continue to review our business to identify additional areas for potential optimisation.

Danske Bank's credit ratings were not changed in 2013, but all three rating agencies changed their outlook: Fitch from "negative" to "stable"; Moody's

In October 2013, we revised and simplified our financial targets for 2015.

Financial target	Target	Year to be achieved	Status at 31 December 2013	Comments
Return on equity	9% Above 12%	2015 Long term	5%	In progress after initiating additional cost savings and other initiatives
Ratings	Improve ratings by at least one notch	2015	S&P/Moody's/Fitch A-/Baa1/A Stable/Positive/Stable	In progress
Core tier 1 capital ratio Total capital ratio	Minimum 13% Minimum 17%	End-2013 End-2013	14.7% 21.4%	Met at end-2012 Met at end-2012
Nominal costs C/I ratio	Below DKK 23 billion Below 50%	2015 2015	DKK 24.3 billion 61%	In progress after initiating additional cost savings
Dividend payments	About 40% of net profit	2015	28% of net profit (proposed)	On track

from “stable” to “positive”; and S&P from “positive” to “stable”. For further information on ratings, please see the Capital and Liquidity Management section.

We met our capital ratio targets as early as in 2012. At 31 December 2013, the core tier 1 ratio was 14.7% and the total capital ratio was 21.4%.

We continue to reduce nominal expenses, and we expect our initiatives to bring us down to our new target of expenses below DKK 23 billion in 2015. We are also confident that with our ongoing initiatives to lift income and reduce the cost base, we will meet our target of a C/I ratio below 50% in 2015.

We aim to pay dividends of about 40% of net profit as soon as it is prudent. Until we meet all of our capital and rating targets, the payout ratio may be lower. The Board of Directors is proposing a dividend of DKK 2 per share, or 28% of net profit for the year.

Customer satisfaction

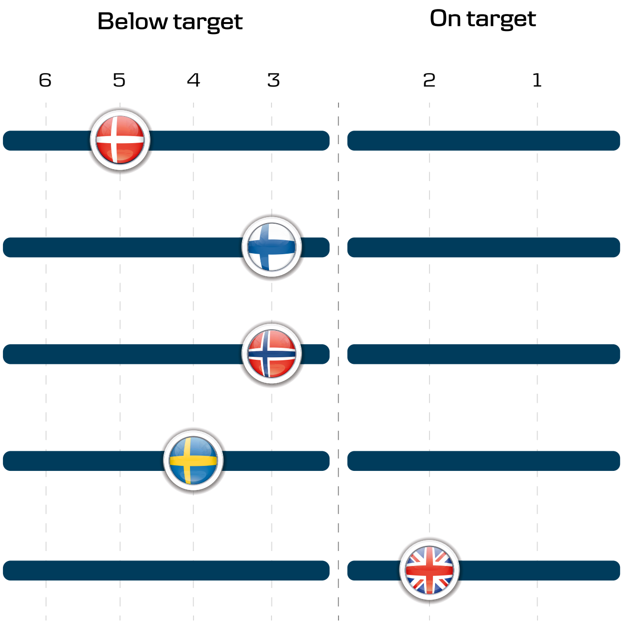
In our efforts to strengthen our market position, improving customer satisfaction remains a key priority. Our overall target is to be ranked number one or two in our focus segments by 2015.

The chart below shows our current ranking among peers in our focus segments in each country.

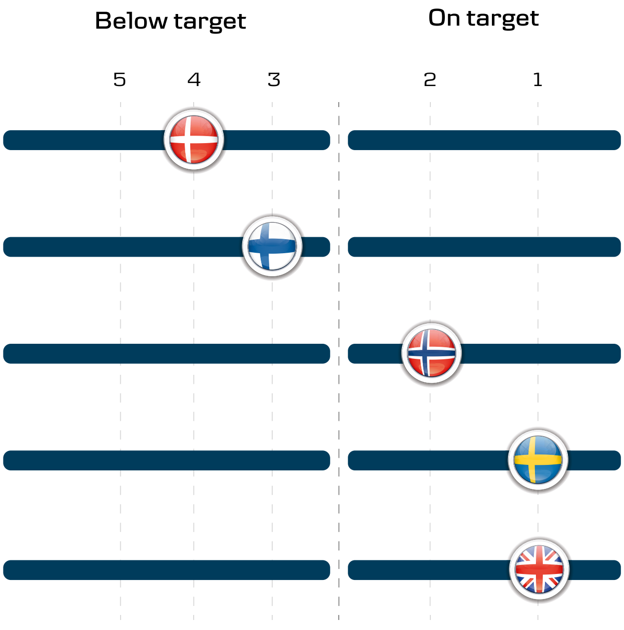
At Personal Banking, customer satisfaction is below the target in all markets except Northern Ireland and is currently unsatisfactory. Satisfaction levels differ from market to market, reflecting our varying positions and local developments. In Denmark, we saw a slightly positive trend in customer satisfaction in comparison with our peers towards the end of 2013. In Sweden and Norway, satisfaction levels are higher and rising, although they still do not meet the target. In Finland, the development was slightly negative.

Business Banking, which continued to see a positive trend in satisfaction among focus customers, is ranked number one in Sweden and Northern Ireland. In Norway, we are down one position to number two. In Denmark and Finland, we still need to improve to reach a top-two ranking.

Personal Banking customer satisfaction

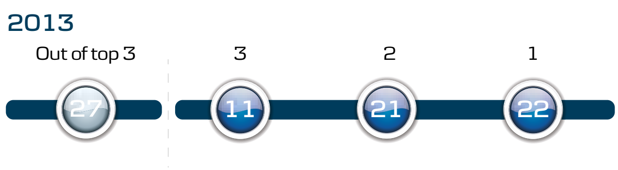


Business Banking customer satisfaction



Corporates & Institutions saw considerable improvement among focus customers; we were ranked number 1 within institutional banking and corporate banking in the Nordic region. Overall, Corporates & Institutions ranked in the top three in 67% of relevant surveys in the Nordic countries, confirming our position as a leading wholesale bank in the region. Prospera publishes a consolidated survey once a year, and it is our ambition to be number one in the consolidated survey of all areas by 2015.

Corporates & Institutions
Number of Prospera surveys by ranking in top 3 or out of top 3



Market conditions

Conditions in the financial markets

The financial markets generally improved in 2013. The US was heavily affected by the discussion of when and how to scale back its expansionary monetary policy. In the eurozone, the recovery appeared to be broadening as even countries such as Italy, Spain and Portugal started to show tentative signs of recovery. The economic outlook for the emerging markets, including China, is more fragile.

The stock markets rose significantly throughout 2013 on the strength of a stronger outlook for the global economy and ample liquidity in the financial markets.

Conditions in our home markets

The Danish economy picked up throughout 2013. GDP rose in the second and third quarters, and economic indicators suggest that growth continued towards the end of the year. Growth was stimulated by increasing exports, real wage growth and low interest rates. Exports are expected to continue rising in 2014. Housing prices started to increase, but the turnaround is weak and the housing market remains a risk factor.

The Swedish economy did not grow in 2013. Survey data indicate that it might expand in 2014 because of the outlook for higher global growth. Housing prices have risen sharply in recent years, and even considering the strong underlying economy, the high prices pose a risk of corrections in the years ahead.

The Norwegian economy remains strong, but growth slowed markedly because of lower oil prices and a lacklustre housing market. Since oil prices remain high, despite a drop from their peak, the deceleration is expected to be temporary. Export growth and a continuation of strong domestic demand will underpin the economy. Housing prices fell in the second half of 2013, and the possibility of a further decline is a risk factor.

The Finnish economy saw economic contraction again in 2013 because of weak exports and a tight fiscal policy. Housing prices have been quite flat. We expect a slight pickup in growth in 2014.

In Northern Ireland, we saw low growth in 2013. The Irish economy is still fragile, but the Irish government has decided to exit the eurozone bailout programme without an ESM precautionary backstop since the public deficit has been reduced significantly. Housing prices appear to have found their floor and have started to rise from the level some 50% below their peak.

Outlook for 2014

Our guidance for 2014 is based on expectations of slow and still fragile macroeconomic growth and a continuation of low interest rate levels in our core markets.

Furthermore, the guidance is based on accounting figures adjusted for the transfer of Personal Banking and Business Banking activities in Ireland to the Non-core unit effective from 1 January 2014[1].

We expect total income above the 2013 level of DKK 39.7 billion, driven by increases in most income items. This figure is adjusted for the discontinuing operations in Ireland. We expect low demand for loans and thus a slight decrease in lending volumes, with the effect being offset by lower funding costs.

Expenses are expected to be around DKK 23 billion after the transfer of discontinuing operations in Ireland to the Non-core unit.

Impairment charges on our core activities are expected to be broadly in line with the 2013 level of DKK 4.1 billion.

We reaffirm our previously announced expectation for Non-core Ireland impairments and thus estimate impairment charges of up to DKK 2 billion in 2014.

We expect net profit for 2014 in the range of DKK 9-12 billion.

In preparation for the repayment of the state hybrid capital in the first half of 2014, we expect to issue further capital in the form of debt instruments in the coming quarters.

This guidance is generally subject to uncertainty and depends on economic conditions. Our trading income and insurance business income are particularly uncertain. The 2014 results for trading and insurance will depend greatly on developments in the financial markets and the possibility that Danica Pension can book the risk allowance and part of the balance on the shadow account to income.

[1] Note 38 provides additional information.

Financial review

INCOME STATEMENT (DKK millions)	2013	2012	Index 13/12	Q4 2013	Q3 2013	Index Q4/Q3	Q2 2013	Q1 2013
Net interest income	22,245	22,778	98	5,683	5,606	101	5,504	5,452
Net fee income	9,525	8,866	107	2,777	2,278	122	2,205	2,265
Net trading income	5,818	10,562	55	1,471	418	-	2,154	1,775
Other income	1,328	1,285	103	374	301	124	357	296
Net income from insurance business	1,088	2,171	50	614	479	128	-346	341
Total income	40,004	45,662	88	10,919	9,082	120	9,874	10,129
Expenses	24,343	24,642	99	6,880	5,545	124	6,013	5,905
Profit before loan impairment charges	15,661	21,020	75	4,039	3,537	114	3,861	4,224
Loan impairment charges	4,187	7,680	55	845	959	88	924	1,459
Profit before tax, core	11,474	13,340	86	3,194	2,578	124	2,937	2,765
Profit before tax, Non-core	-1,415	-4,801	-	-332	-274	-	-260	-549
Profit before tax	10,059	8,539	118	2,862	2,304	124	2,677	2,216
Tax	2,944	3,814	77	939	768	122	493	744
Net profit for the year	7,115	4,725	151	1,923	1,536	125	2,184	1,472
Attributable to non-controlling interests	-	4	-	-1	1	-	-	-

In 2013, Danske Bank Group posted a profit before tax from core activities of DKK 11.5 billion. The net profit was DKK 7.1 billion, up DKK 2.4 billion from the level in 2012. The results were in line with the revised guidance.

Income

Total income amounted to DKK 40.0 billion, down 12% from the level in 2012, primarily because of lower market-making income after the extraordinarily high performance in 2012 and lower income from the insurance business at Danica Pension.

Net interest income totalled DKK 22.2 billion, down 2% from the year-earlier level. Income fell mainly because increased lending margins were offset by lower lending volumes and because deposit margins declined as a result of the fall in short-term rates in 2013.

Net trading income was 45% lower, mainly because of the above-normal level in 2012 and difficult market-making conditions in 2013. Net trading income was also adversely affected by an increase in non-allocated funding costs and the early redemption of tier 2 issues.

Net income from insurance business fell 50%, mainly because of the booking in 2012 of DKK 0.4 billion of postponed risk allowance from prior years. The risk allowance was booked for three of the four interest rate groups in 2013, albeit only partly for interest group 4, which meant that DKK 0.4 billion was transferred to the shadow account. A lower investment result also affected the result.

Expenses

Expenses amounted to DKK 24.3 billion, down slightly from the level in 2012. They fell mainly because last year included a write-off related to the right to use the Sampo Bank brand name.

Danske Bank's contribution to the Danish Guarantee Fund for Depositors and Investors amounted to DKK 0.8 billion, against DKK 0.6 billion in 2012.

In 2013, Danske Bank reduced its headcount by 1,004.

Expenses for VAT, bank tax and financial services employer tax amounted to DKK 2.1 billion, against DKK 1.8 billion in 2012.

EXPENSES (DKK millions)	2013	2012
Adjusted costs	21.7	21.6
The Danish Guarantee Fund and bank taxes	1.0	0.7
Performance-based compensation	0.8	0.9
Severance payments	0.8	0.7
Rebranding	-	0.2
Write down, rights to names	-	0.5
Expenses	24.3	24.6
Adjusted costs/income ratio (%)	54.4	47.3
Cost/income ratio (%)	60.7	54.0

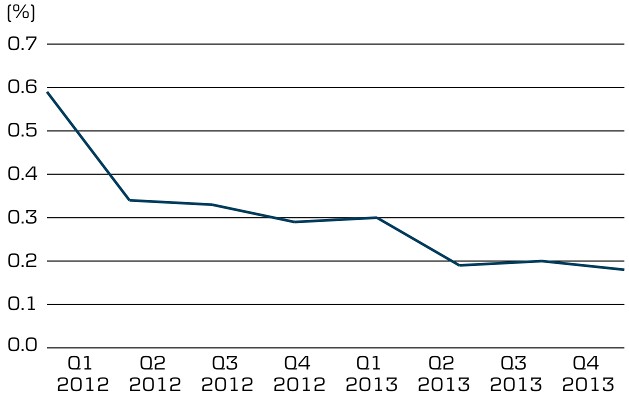
LOAN IMPAIRMENT CHARGES (BPS)	2013		2012	
(DKK millions)	Charges	% of lending and guarantees	Charges	% of lending and guarantees
Personal Banking	1,935	0.22	2,749	0.31
Business Banking	1,779	0.28	3,825	0.58
C&I	473	0.09	1,160	0.21
Other	-	-	-54	-
Total	4,187	0.22	7,680	0.39

Impairments

Impairments in core activities declined to DKK 4.2 billion, or 0.22% of lending and guarantees, against DKK 7.7 billion, or 0.39% of lending and guarantees, in 2012.

The level of impairments in core activities reflected improving macroeconomic conditions in the core markets. Impairments fell at all business units.

LOAN LOSS RATIO, CORE ACTIVITIES



Tax

Tax on the profit for the year amounted to DKK 2.9 billion, or 29.3% of the profit before tax. The tax charge is high relative to the profit mainly because tax losses in the UK were only partly recognised. This change caused a tax expense of DKK 0.3 billion.

Q4 2013 vs Q3 2013

Profit before tax in the fourth quarter of 2013 amounted to DKK 2.9 billion.

At DKK 5.7 billion, net interest income rose slightly as lending margins and deposit volumes increased, primarily at Corporates & Institutions.

Net trading income amounted to DKK 1.5 billion, against DKK 0.4 billion in the third quarter. The increase was owing primarily to an increase in client flow in the third quarter.

The insurance business generated net income of DKK 0.6 billion, against DKK 0.5 billion in the third quarter. Income improved because the amount of the risk allowance that could be booked to income rose.

Expenses rose 24% from the third-quarter level, amounting to DKK 6.9 billion. The increase was due to severance payments, branch closures and amortisation and depreciation. Branch closures included a provision for rent payments on vacant premises in Ireland and higher maintenance costs.

Impairments amounted to DKK 0.9 billion, a fall of DKK 0.1 billion from the level in the third quarter of 2013. The decline was attributable mainly to a decrease of DKK 0.1 billion at Corporates & Institutions.

Balance sheet

LENDING (END OF PERIOD) (DKK billions)	2013	2012	Index 13/12	Q4 2013	Q3 2013	Index Q4/Q3	Q2 2012	Q1 2012
Personal Banking	824.0	871.8	95	824.0	836.7	99	843.1	861.2
Business Banking	614.1	641.1	96	614.1	620.9	99	630.2	646.7
Corporates & Institutions	154.4	161.1	96	154.4	160.7	96	155.2	167.4
Other Activities incl. eliminations	-4.8	0.8	-	-4.8	-3.3	-	-3.1	-3.1
Allowance account, lending	35.1	34.1	103	35.1	36.0	98	35.6	35.4
Total lending	1,552.6	1,640.7	95	1,552.6	1,579.0	98	1,589.8	1,636.8
DEPOSITS (END OF PERIOD)								
Personal Banking	348.9	360.2	97	348.9	358.7	97	364.9	370.2
Business Banking	265.3	264.0	100	265.3	261.7	101	269.3	257.9
Corporates & Institutions	173.7	162.8	107	173.7	168.2	103	162.7	168.9
Other Activities incl. eliminations	0.4	-3.2	-	0.4	-2.9	-	-0.1	0.3
Total deposits	788.3	783.8	101	788.3	785.8	100	796.8	797.3
BONDS ISSUED BY REALKREDIT DANMARK (END OF PERIOD)								
Bonds issued	614.2	614.3	100	614.2	605.8	101	616.5	623.1
Own holdings of bonds	116.8	121.8	96	116.8	124.1	94	112.8	111.3
Total Realkredit Danmark bonds	731.0	736.1	99	731.0	729.9	100	729.3	734.4
Total covered bonds	193.9	220.8	88	193.9	194.6	100	204.3	218.2
Deposits and issued mortgage bonds etc.	1,713.1	1,740.7	98	1,713.1	1,710.3	100	1,730.4	1,749.9
Lending as % of deposits and issued mortgage bonds etc.	91	94		91	92		92	94

Lending

At the end of 2013, total lending was down 5% from the level at the end of 2012. Most of Danske Bank's markets saw weak growth, which suppressed the demand for credit.

In Denmark, new gross lending, excluding repo loans, amounted to DKK 54.4 billion. Lending to personal customers accounted for DKK 22.5 billion of this amount.

The market share of total lending in Denmark rose to 26.9% from 26.6% at the end of 2012, while market shares fell in Finland, Sweden and Norway.

MARKET SHARE OF LENDING (%)	2013	2012
Denmark (including mortgage loans)	26.9	26.6
Finland	10.3	11.3
Sweden	4.8	5.2
Norway	4.4	4.9

Lending equalled 91% of the total amount of deposits, mortgage bonds and covered bonds, against 94% at the end of 2012. Excluding exchange rate effects, the lending ratio was down at all banking units.

Deposits

At the end of 2013, total deposits largely matched the level at the end of 2012.

The market share of total deposits in Denmark fell to 27.6% from 29.1% at the end of 2012. In Sweden and Norway, Danske Bank maintained its market shares of deposits, whereas the market share fell in Finland.

MARKET SHARE OF DEPOSITS (%)	2013	2012
Denmark	27.6	29.1
Finland	10.5	11.2
Sweden	4.7	4.6
Norway	5.8	5.0

Credit exposure

Credit exposure totalled DKK 3,395 billion, against DKK 3,656 billion at the end of 2012. Exposure from trading and investment activities amounted to DKK 858 billion of total credit exposure, against DKK 921 billion at the end of 2012. Exposure from lending activities amounted to DKK 2,189 billion, against DKK 2,389 billion at the end of 2012.

Some 14% of the exposure from lending activities related to repo transactions. Personal customers with home loans accounted for 35%, and the credit quality of this portfolio was generally good. The remaining credit exposure related to counterparties of which the majority are investment grade equivalent, mainly financial and public customers.

Risk Management 2013, which is available at danskebank.com/ir, provides more details on Danske Bank's credit risks.

Credit quality

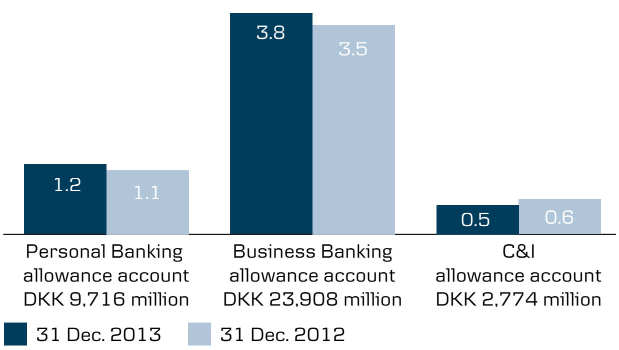
Credit quality is generally sound, and it improved in 2013 on the strength of better customer ratings in the agriculture, commercial property and personal customer segments.

Impaired loans related predominantly to commercial property customers and Danish personal customers. The impairment coverage ratios after haircuts on these loans remained high. The ratios are based on the exposure to customers in rating categories 10 (not in default) and 11 (default), for which an individual impairment charge has been made.

LOAN IMPAIRMENT COVERAGE			Loan impairment coverage (%)	
(DKK billions)	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012
Total impaired loans	30.8	38.9	85.6	83.7
- Rating category 10	20.1	22.2	69.2	64.0
- Rating category 11	10.6	16.7	100.0	98.0

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

ALLOWANCE ACCOUNT BY BUSINESS UNITS
(% of lending and guarantees)



Accumulated individual impairments amounted to DKK 33.0 billion, or 1.7% of lending and guarantees. Accumulated collective impairments amounted to DKK 3.4 billion, or 0.2% of lending and guarantees.

The corresponding figures at 31 December 2012 were DKK 32.7 billion and DKK 3.4 billion.

Recognised losses amounted to DKK 5.0 billion, down from DKK 5.7 billion at the end of 2012. Of these losses, DKK 0.9 billion was attributable to facilities not already subject to impairment.

Trading and investment activities

Credit exposure from trading and investment activities amounted to DKK 858 billion at 31 December 2013, against DKK 921 billion at 31 December 2012.

Danske Bank has made agreements with many of its counterparties to net positive and negative market values. The net exposure was DKK 73 billion, against DKK 105 billion at the end of 2012, and most of it was secured through collateral management agreements.

The value of the bond portfolio was DKK 541 billion. Of the total bond portfolio, 90.4% was recognised at fair value and 9.6% at amortised cost.

BOND PORTFOLIO (%)	31 Dec. 2013	31 Dec. 2012
Government bonds and bonds guaranteed by central or local governments	35	36
Bonds issued by quasi-government institutions	1	1
Danish mortgage bonds	44	42
Swedish covered bonds	14	11
Other covered bonds	2	5
Corporate bonds	4	5
Total holdings	100	100
Available-for-sale bonds included in total holdings	10	13

Holdings of government bonds consisted primarily of bonds issued by the Nordic countries, Germany and the UK. The total risk exposure to government bonds issued by Ireland, Portugal, Spain and Italy was DKK 3.0 billion (2012: DKK 3.2 billion). All holdings of government bonds issued by these countries were recognised at fair value. Danica Pension's exposure to government bonds from Ireland, Portugal, Spain and Italy totalled DKK 11.2 billion (2012: DKK 8.1 billion), with policyholders receiving most of the return and assuming most of the risk.

Personal Banking 2013

Customer satisfaction

On target in 1 of 5 markets

Customer satisfaction after meetings

9.1

on a scale from 0 to 10

Number of customer meetings

703,932

In 2013, we improved our offering to customers by making banking easier through the development of digital solutions and strong and proactive advisory services. These initiatives helped generate the slightly positive development in customer satisfaction in some of our markets through the year. Realkredit Danmark's share of net new mortgage lending and our share of new bank lending in Denmark increased, indicating that the customer programme generally motivates customers to do more of their business with us.

Our profit before tax of DKK 2.7 billion represented a 64% increase from the level in 2012, mainly generated by a decline in impairments.

Personal Banking

Key developments from 2012 to 2013

- Profit before tax of DKK 2.7 billion, up 64%
- Return on allocated capital of 8.7%, up 2.9 percentage points
- Total income of DKK 16.7 billion, matching the level in 2012
- Net interest income of DKK 11.2 billion, down 4%
- Expenses down 3% to DKK 12.1 billion
- Impairments of DKK 1.9 billion, down 30%
- Cost/income ratio of 72.3%, down 1.6 percentage points
- Assets under management at Private Banking of DKK 306 billion, up 6%

Profit before tax rose 64% from DKK 1.7 billion in 2012 to DKK 2.7 billion because of lower expenses and impairments. Total income remained under pressure, however.

PERSONAL BANKING (DKK millions)	2013	2012	Index 13/12	Q4 2013	Q3 2013	Index Q4/Q3	Q2 2013	Q1 2013
Net interest income	11,160	11,672	96	2,778	2,817	99	2,793	2,772
Net fee income	4,250	3,730	114	1,164	1,045	111	1,043	998
Net trading income	659	819	80	231	131	176	97	200
Other income	667	608	110	183	154	119	187	143
Total income	16,736	16,829	99	4,356	4,147	105	4,120	4,113
Expenses	12,103	12,430	97	3,149	2,919	108	3,079	2,956
Profit before loan impairment charges	4,633	4,399	105	1,207	1,228	98	1,041	1,157
Loan impairment charges	1,935	2,749	70	392	445	88	509	589
Profit before tax	2,698	1,650	164	815	783	104	532	568
Loans and advances before impairments	823,953	871,759	95	823,953	836,679	98	843,110	861,159
Allowance account, loans	9,088	9,314	98	9,088	8,808	103	8,981	8,929
Deposits	348,948	360,175	97	348,948	358,748	97	364,886	370,203
Bonds issued by Realkredit Danmark	419,907	428,078	98	419,907	418,744	100	418,630	424,031
Allocated capital (average)	31,094	28,539	109	33,167	33,088	100	29,550	28,513
Net interest income as % p.a. of loans and deposits	0.96	0.94		0.95	0.95		0.93	0.91
Profit before loan impairment charges as % p.a. of allocated capital	14.9	15.4		14.6	14.8		14.1	16.2
Profit before tax as % p.a. of allocated capital (ROE)	8.7	5.8		9.8	9.5		7.2	8.0
Cost/income ratio (%)	72.3	73.9		72.3	70.4		74.7	71.9
Full-time-equivalent staff	6,934	8,016	87	6,934	7,400	94	7,575	7,713

PERSONAL BANKING 2013 (DKK millions)	Denmark	Finland	Sweden	Norway	Northern Ireland	Ireland	Other	Total
Total income	10,807	2,275	883	1,743	832	213	-17	16,736
Expenses	6,843	1,807	780	1,188	755	365	365	12,103
Profit before loan impairment charges	3,964	468	103	555	77	-152	-382	4,633
Loan impairment charges	1,888	2	2	-21	29	48	-13	1,935
Loans and advances before impairments	543,265	96,391	73,914	71,998	17,009	15,866	5,510	823,953

Strategy

Personal Banking is committed to helping customers make financial decisions through relevant and proactive advisory services. Customer attention is all about adapting our products and advisory services to customers' needs on an ongoing basis.

We are committed to making day-to-day banking simple and efficient through the use of innovative digital solutions that not only increase accessibility but also make customers feel more confident financially.

These are our two key promises:

- We will make it easier for customers to make financial decisions by providing proactive advice
- We will make everyday life easier for customers by offering seamless solutions

New model for customer offerings

With the introduction of the customer programme in Denmark, we changed the way we offer our products and services to customers. The programme enables us to better meet customers' increasingly differentiated needs and offers customers the advantages of fair and transparent pricing and attractive benefits for those who do more of their business with us.

At the end of 2013, more than one million customers had signed up. There was an unsatisfactory customer churn in Denmark during the year, but we saw a slight increase in our market share of bank lending in Denmark and increased our share of net new mortgage lending at Realkredit Danmark.

Whenever a customer leaves us it is regrettable because it indicates that we have not lived up to the customer's expectations. We are working hard to address this issue by strengthening our product offers, increasing customer satisfaction, making the programme even more attractive, and encompassing additional customers.

Accessibility and easy banking

Customers expect banking to be easy, and to an increasing degree, they use digital channels and demand 24/7 access. In 2013, we rolled out a number of market-leading digital solutions, such as MobilePay, Danske Online Meeting and the Spending Overview.

MobilePay makes it very easy to transfer money. The first version was a person-to-person solution. It has since been expanded to enable payments from consumers to businesses, making it more widely applicable. We were proud to receive the "Best app of the year 2013" award at the Danish App Awards along with two additional awards for MobilePay.

We introduced online meetings in May 2013. These meetings enable customers to meet with us anywhere, and the percentage of meetings held online has grown steadily to an average of 13%. In some parts of Danske Bank, these meetings now outnumber face-to-face meetings. We also introduced the Spending Overview in our eBanking system.

1.2 million

customers registered for the customer programme in Denmark

13% of customer meetings in Denmark and Finland were online meetings

More than

1 million

MobilePay downloads in Denmark

It gives customers a graphic, real-time overview of their spending and spending categories in eBanking, tablet banking and mobile banking.

Other easy banking initiatives are online document signing (currently offered in Denmark) and the automation of credit decisions. Our goal is to automate 90% of credit decisions by 2015.

Customers are adapting very quickly to online innovations, and their feedback to us indicates that they find them helpful. We will therefore continue to develop self-service solutions that improve accessibility, make day-to-day banking easy, and give customers a convenient overview of their finances.

Meeting the expectations of customers

We initiated a 360-degree review of all our touch points in order to improve our services. One of the first results of this process was a change in cashier services in Denmark. In the third quarter, we improved customer service by increasing the number of cashier's desks and extending our business hours at selected branches at the end of the month.

We have analysed what the best advisers do and have incorporated the results into a new meeting concept to ensure professional and structured meetings to the benefit of our customers.

Our "Step-by-step" meetings, where customers learn how to use our online services, also proved successful, as did other initiatives to communicate easy ways to use Danske Bank. More than 5,000 customers were introduced to our online services at Step-by-step meetings.

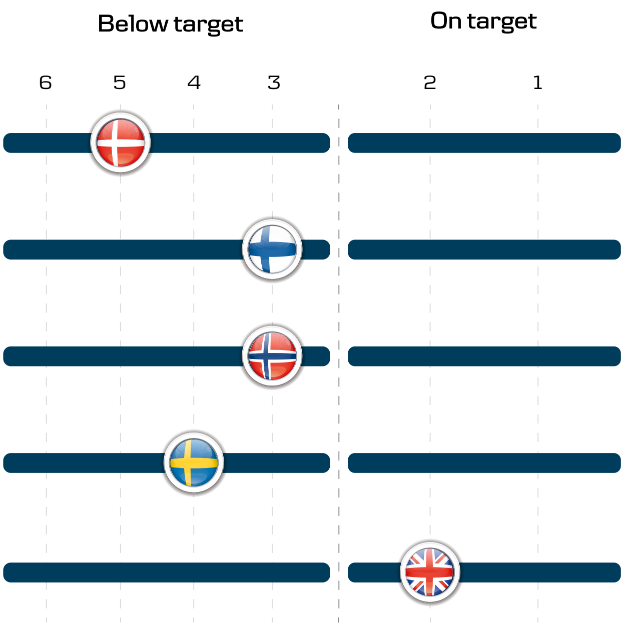
Prize-winning Private Banking

We were proud to be named the Best Private Banking Bank in Denmark by the Financial Times. We were ranked number one by Euromoney magazine for the eighth time in nine years. And in Sweden, the leading financial newspaper ranked Danske Bank number two in Private Banking.

To continue to meet the special requirements and expectations of Private Banking customers, we offer a wealth planner tool with a risk assessment feature that simulates the effect of financial decisions. We also released an exclusive new Private Banking design in all online and offline channels in all markets simultaneously to support the "Your assets refined" initiative.

Customer satisfaction

Customer satisfaction is not at a satisfactory level.



In Denmark, we saw a slightly positive trend in customer satisfaction in comparison with our peers towards the end of 2013. In Sweden and Norway, satisfaction levels are higher and rising, although they still do not meet the target. In Finland, the development was slightly negative.

Customer attention is crucial to us, and is the reason why we monitor the quality of customer meetings. Customer feedback about meetings was encouraging, however. Some 90,000 customers gave us their opinions, and the composite score was 9.1 on a 10-point scale. This tells us that we can raise overall customer satisfaction through more frequent meetings and interaction with customers.

We are therefore working hard to free up adviser resources to enable advisers to spend more time with customers.

2013 vs 2012

Profit before tax increased 64% to DKK 2.7 billion, and the return on allocated capital improved 2.9 percentage points to 8.7%, mainly because of lower impairments.

Total income amounted to DKK 16.7 billion. Net trading income fell 20% as customers chose products with longer maturities and refinancing margins also declined.

Expenses declined 3% because of lower staff costs.

Impairments fell 30% to DKK 1.9 billion as household finances improved.

Credit exposure

Credit exposure consists of mortgages, loans secured on other assets, consumer loans, and fully or partially secured credits.

Total credit exposure declined to DKK 820 billion because of low loan demand and customers' continued emphasis on repaying debt. Furthermore, low interest rates and exchange rate effects relating to the Swedish krona and particularly the Norwegian krone also had an adverse effect on the total value of credit exposure in Danish kroner.

(DKK millions)	Credit exposure 31 Dec. 2013	Credit exposure 31 Dec. 2012	Impairment (%) 31 Dec. 2013
Denmark	540,644	574,377	0.33
Finland	95,895	106,074	-
Sweden	74,137	80,688	-
Norway	71,890	84,598	-0.02
Northern Ireland	16,638	17,712	0.16
Ireland	15,451	15,376	0.31
Other	5,589	5,638	-0.21
Total	820,243	884,463	0.22

Improved credit quality

An increase in customers' disposable income strengthened the credit quality of Personal Banking Denmark's portfolio. The delinquency rate at Realkredit Danmark was low and stable in the first half of 2013, on a par with the level at the end 2012, but it fell slightly in the second half. The loan loss ratio was 0.22%.

Moreover, the refinancing risk related to short-term mortgage lending to personal customers was reduced, as many customers opted to switch for example to Realkredit Danmark's new FlexKort® product that is funded by bonds with longer maturities than those funding F1 FlexLån® loans. The volume of F1 FlexLån® loans fell DKK 21.6 billion, while the volume of FlexKort® loans was DKK 4.8 billion at the end of 2013.

The credit quality of Personal Banking customers in the other Nordic markets also improved. The number of low-quality loans and loans in rating category 11 (default) fell gradually in most markets during the year.

Impairment charges saw a downward trend in all four quarters of 2013, and at DKK 1.9 billion, they ended 30% lower than the level at the end of 2012. The main reasons were improved household finances and slightly rising housing prices in our primary markets.

(DKK billions)	31 Dec. 2013 LTV (%)	31 Dec. 2013 Credit exposure	31 Dec. 2012 LTV (%)	31 Dec. 2012 Credit exposure
Denmark	72.5	501	73.6	519
Finland	61.5	87	64.4	93
Sweden	67.4	67	68.2	74
Norway	62.2	67	62.0	78
Northern Ireland	78.4	15	77.9	16
Ireland	94.6	13	109.2	15
Average	70.3	750	71.6	795

The average LTV ratio for most markets improved throughout 2013, primarily because of improvements in the Danish and Irish housing markets as well as through a more controlled risk appetite.

Q4 2013 vs Q3 2013

Profit before tax increased 4% to DKK 815 million because of higher fee-related activities and annual fees in the investment and service areas.

Total income rose 5% because of higher net trading income owing to refinancing margins on RD loans. Net interest income was slightly lower in Q4 because of a drop in volumes stemming from lower demand and price competition in most markets.

Expenses increased 8% because of higher IT expenses for the continued development of online solutions and for severance pay.

Impairment charges remained low, and at DKK 0.4 billion, they were 12% lower than in Q3 2013.

Business Banking 2013

Customer satisfaction

On target in 3 of 5 markets

Business on the go – mobile and tablet business apps launched

New specialist centres offering proactive financial advice

In 2013, we improved our offering for all types of SME customers. We launched market-leading mobile solutions to provide customers with easy access to their finances, we developed our service setup and we focused on fast and consistent credit processing. These initiatives helped generate a positive trend in satisfaction among our focus customers. We were on target with a top-two customer satisfaction ranking in Sweden, Norway and Northern Ireland, whereas we need further improvement to reach the target in Denmark and Finland.

Our profit before tax was DKK 4.8 billion, up 55% from the level in 2012, mainly because of lower impairments.

Business Banking

Key developments from 2012 to 2013

- Profit before tax of DKK 4.8 billion, up 55%
- Return on allocated capital of 10.6%, up 3.4 percentage points
- Total income of DKK 12.1 billion, down 2%
- Net interest income of DKK 8.9 billion, down 4%
- Expenses of DKK 5.6 billion, up 2%
- Impairments of DKK 1.8 billion, down 53%
- Cost/income ratio of 46%, up 1.7 percentage points

Our profit before tax was DKK 4.8 billion and rose 55% from the level in 2012, mainly because impairments declined 53%. Total income remained under pressure because of the general decline in loan demand.

BUSINESS BANKING (DKK millions)	2013	2012	Index 13/12	Q4 2013	Q3 2013	Index Q4/Q3	Q2 2013	Q1 2013
Net interest income	8,908	9,243	96	2,259	2,252	100	2,191	2,206
Net fee income	1,937	2,149	90	510	466	109	471	490
Net trading income	763	479	159	274	129	212	161	199
Other income*	497	481	103	120	112	107	141	124
Total income	12,105	12,352	98	3,163	2,959	107	2,964	3,019
Expenses	5,574	5,466	102	1,552	1,290	120	1,371	1,361
Profit before loan impairment charges	6,531	6,886	95	1,611	1,669	97	1,593	1,658
Loan impairment charges	1,779	3,825	47	415	390	106	395	579
Profit before tax	4,752	3,061	155	1,196	1,279	94	1,198	1,079
Loans and advances before impairments	614,118	641,133	96	614,118	620,943	99	630,167	646,662
Allowance account, loans	22,974	23,961	96	22,974	23,878	96	23,235	23,078
Deposits	265,347	263,976	101	265,347	261,727	101	269,343	257,881
Bonds issued by Realkredit Danmark	290,237	296,302	98	290,237	291,217	100	297,142	298,606
Allocated capital (average)	44,845	42,791	105	43,756	44,456	98	45,992	45,193
Net interest income as % p.a. of loans and deposits	1.04	1.00		1.06	1.05		1.00	1.00
Profit before loan impairment charges as % p.a. of allocated capital	14.6	16.1		14.7	15.0		13.9	14.7
Profit before tax as % p.a. of allocated capital (ROE)	10.6	7.2		10.9	11.5		10.4	9.6
Cost/income ratio (%)	46.0	44.3		49.1	43.6		46.3	45.1
Full-time-equivalent staff	3,769	3,772	100	3,769	3,734	101	3,761	3,769

BUSINESS BANKING (DKK millions)	Denmark	Finland	Sweden	Norway	Northern Ireland	Ireland	Baltics	Other	Total
Total income*	6,407	1,250	1,809	1,175	877	34	814	-261	12,105
Expenses*	2,275	833	901	578	475	92	420	-	5,574
Profit before loan impairment charges	4,132	417	908	597	402	-58	394	-261	6,531
Loan impairment charges	1,194	-1	29	373	405	28	-242	-7	1,779
Loans and advances before impairments	368,030	45,209	100,704	47,834	32,302	1,545	18,500	-6	614,118

* Operational leasing, excluding property leasing, is presented on a net basis under Other income.

Strategy

Business Banking is committed to providing leading advisory services and digital solutions to business customers. We continue to improve our banking model to increase the focus on customers, strategic financial advice and technological innovation to the benefit of our customers.

To reach the overall goal of high customer satisfaction and strong financial results, we are

- further improving our service setup and introducing new specialist centres to meet the needs of customers
- creating digital solutions that meet customer needs
- increasing the consistency and speed of credit processing

Stronger customer offering

Throughout the year, we worked to improve our offering and deliver strong, customised products and solutions and proactive financial advice to all types of SME customers.

To meet our customers' needs, we launched digital solutions to provide customers with easy access to their finances, and we developed our service setup and distribution channels.

We introduced an improved setup for large business customers in each of our Nordic markets in order to meet the need for dedicated, specialist advisory services. Specialist centres located in each of the Nordic capitals now offer large business customers access to a setup with financial advisers specialising in cash management, trade finance, risk management, capital market transactions, real estate, investment and pensions.

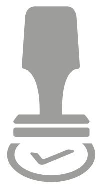
Large real estate customers also benefit from new specialist centres in the Nordic capitals. A high degree of specialisation ensures that we can offer high-quality advice on capital market financing and risk management, for instance. With the new centres, we can provide proactive advice and better meet the specific needs of these customers.

In the fourth quarter of 2013, we introduced an improved setup for customers with cross-border business. These customers often have special organisational structures to consider. We therefore established centres that specialise in meeting the needs of international subsidiaries, and we are dedicating resources to these customers at a number of finance centres across our markets. Putting a dedicated team at their disposal is an efficient way to provide the required expertise.

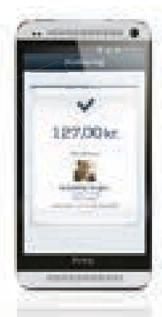
Banking made easier

Business is becoming increasingly international, and business people are often on the move. So we want to give them access to their business finances 24/7 no matter where they are.

We launched our Mobile Business app in March 2013 and our Tablet Business app in July 2013 in our



Decentralised credit decisions to achieve faster credit processing



MobilePay

available to business customers from February 2014 main markets. By using the apps, customers can quickly and easily manage their finances and monitor accounts when they are on the move. The apps offer a wide range of functionalities across borders.

We have leading mobile solutions in most markets, and in a number of markets, we were the first bank to offer mobile banking apps to business customers. The apps support our aim to provide efficient digital solutions, and the digitalisation of our distribution channels generally met with growing customer interest.

We have also developed the MobilePay solution further, and from February 2014, our business customers in Denmark will have the option of receiving customer payments through MobilePay.

We are redesigning Business Online, our online banking solution for business customers, to give customers a better experience and simplify the solution. The improvements make the solution more intuitive and user-friendly and will be implemented in all markets in 2014.

We are launching a solution for customer meetings through Business Online that will enable customers to meet with their adviser at any time and place that suit them. The feedback from customers has generally been positive, and we expect to roll out the solution in all our markets in 2014.

Credit decisions closer to customers

In 2013, we moved credit decisions closer to our customers to ensure that they experience faster credit processing. This initiative plays an important role in our efforts to improve the customer experience.

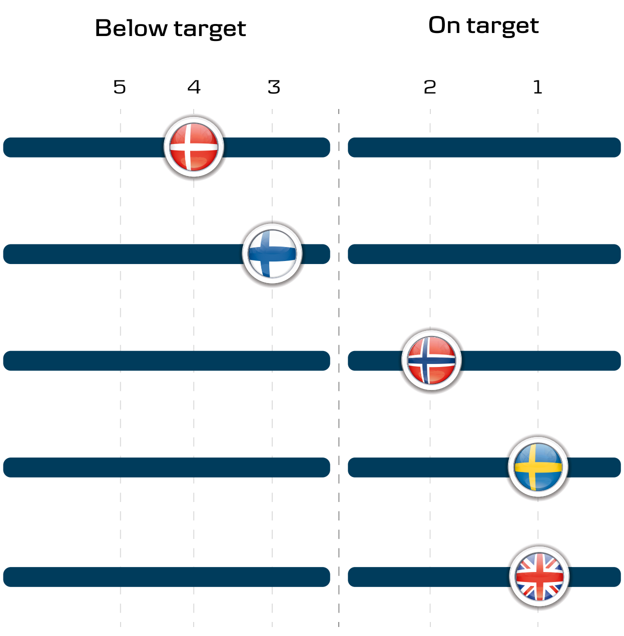
Particularly in Denmark, we changed the credit organisation significantly by creating strong regional credit offices – one in each of the Danish market areas. As a result, around 75% of Danish business customer credit applications that were previously handled centrally can now be handled locally by customer-facing units or regional credit offices.

Customer satisfaction

Business Banking's target is to be number one or two among our focus customers in our various markets by the end of 2015.

In the fourth quarter of 2013, we remained on target in three of five markets: ranked number one in Sweden and Northern Ireland and number two in Norway. In Denmark and Finland, we need further improvement to reach our target of being ranked number one or two.

For the year as a whole, Business Banking generally saw a positive trend in satisfaction among focus customers. Particularly in Northern Ireland, we had much higher customer satisfaction scores than our peers. In Sweden and Finland, customer satisfaction also developed very positively. When it comes to providing seamless and international banking and value-adding advisory services, our scores are generally higher than or on a par with those of our peers in our focus segments.



2013 vs 2012

Business Banking's return on allocated capital improved from 7.2% in 2012 to 10.6% in 2013, mainly because of a significant drop in impairments.

Total income almost matched the level in 2012, with loan demand remaining low. Income initiatives had a positive effect. Deposits were on a par with the 2012 level, and the deposit/lending ratio improved.

Net interest income fell 4% as lower bank lending and a shift towards low-risk and low-margin mortgage lending in Denmark were only partly offset by a rise in lending margins.

Lower investment and financing activity had an adverse effect on net fee income.

Trading income improved as a result of higher customer activity in general and market value adjustments at Realkredit Danmark upon the refinancing of mortgages.

Total expenses increased 2% mainly because of higher expenses for severance payments. Underlying expenses remained stable, though.

Credit exposure

Credit exposure to business customers amounted to DKK 641 billion at the end of 2013, against DKK 651 billion at the end of 2012.

(DKK millions)	Credit exposure 31 Dec. 2013	Credit exposure 31 Dec. 2012	Impairment (%) 31 Dec. 2013
Denmark	378,809	360,536	0.32
Finland	49,904	50,931	-
Sweden	107,249	113,681	0.03
Norway	53,815	69,043	0.56
Northern Ireland	26,899	26,899	1.46
Ireland	1,350	2,644	1.69
Baltics	22,656	21,387	-1.37
Other	10	6,140	-
Total	640,694	651,261	0.28

In Norway, the decrease in credit exposure was mainly attributable to exchange rate effects and the transfer of customers to other business units.

Credit quality improving

Slightly improving market conditions combined with initiatives to improve asset quality resulted in a decline in impairments of more than 50% in 2013. Impairments amounted to DKK 1.8 billion, against DKK 3.8 billion in 2012.

De-risking through a more controlled risk appetite helped strengthen the credit quality of Business Banking's loan portfolio. Moreover, the refinancing risk related to short-term mortgage lending to business customers was reduced, as many customers opted to switch for example to Realkredit Danmark's new FlexKort® product that is funded by bonds with longer maturities than those funding F1 FlexLån® loans. The volume of F1 FlexLån® loans fell DKK 38.2 billion, while the volume of FlexKort® loans was DKK 6.9 billion at the end of 2013.

The decline in impairments was associated primarily with the commercial property and construction segments in Denmark and Northern Ireland. Commercial property and agriculture remained the most challenged Business Banking segments.

Q4 2013 vs Q3 2013

Profit before tax amounted to DKK 1.2 billion, and the return on allocated capital fell slightly from 11.5% to 10.9% because of higher seasonal expenses and a small increase in impairments.

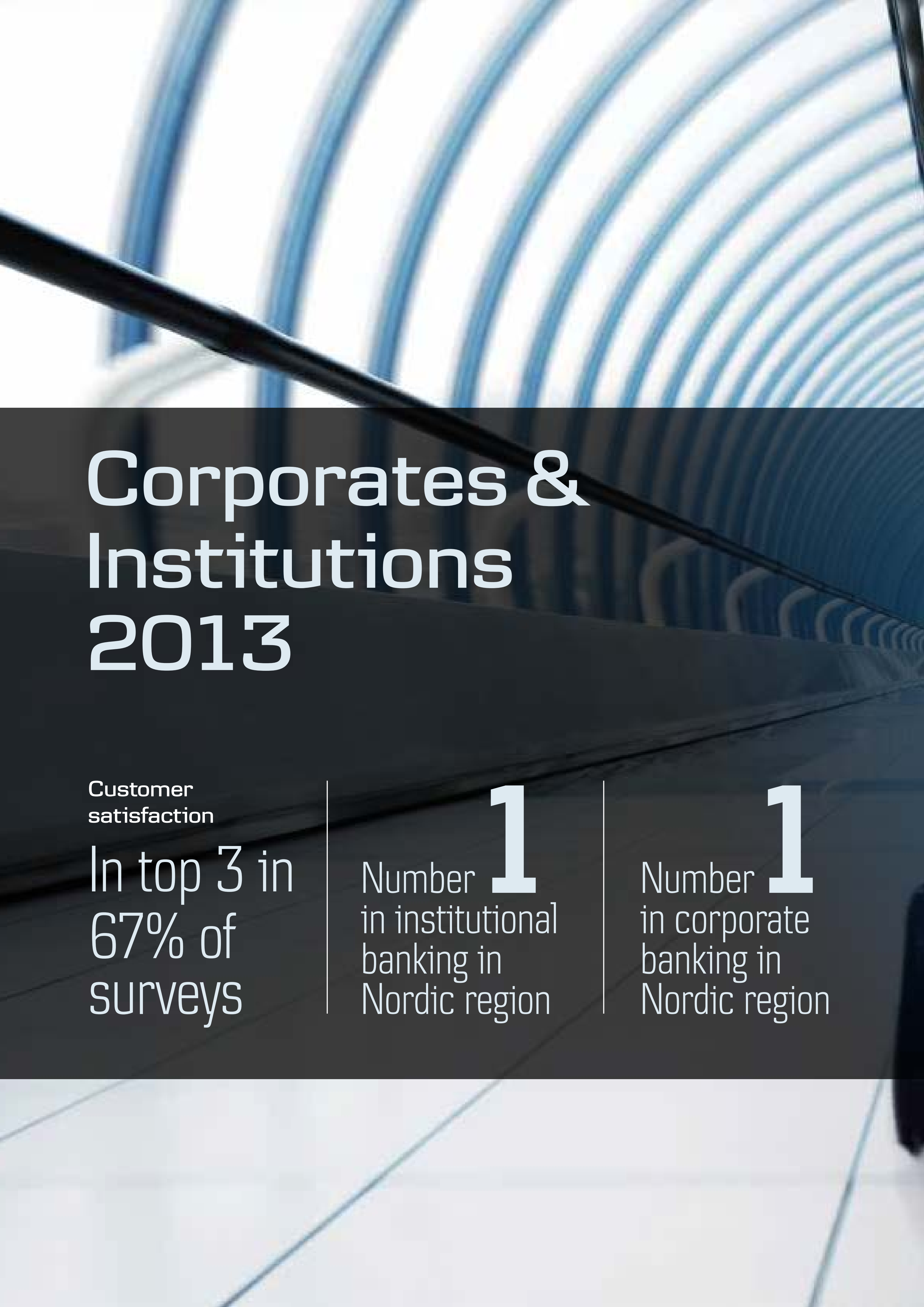
Total income increased 7% from DKK 3.0 billion to DKK 3.2 billion because of refinancing margins in December and the positive effect of income initiatives.

Net interest income remained stable despite continued pressure on lending volumes. Net fee income showed a satisfactory rise in the fourth quarter.

Trading income was up, primarily because of refinancing margins in December.

Total expenses rose, partly because of the booking of holiday payments and severance payments. Underlying expenses remained stable, however. Excluding internal transfers of employees between business units, the number of FTEs fell in the fourth quarter.

Impairments remained relatively low in the fourth quarter of 2013, amounting to DKK 0.4 billion.



Corporates & Institutions 2013

Customer satisfaction

In top 3 in 67% of surveys

Number **1** in institutional banking in Nordic region

Number **1** in corporate banking in Nordic region

In 2013, we continued to link our strong products to improved advisory services. These initiatives combined with a strong focus on customer needs helped bring both institutional and corporate banking to first places in the Nordic region as the leading suppliers for these customer segments.

Our profit before tax was DKK 3.4 billion, down 43% from the level in 2012, mainly because of lower trading income.

Corporates & Institutions

Key developments from 2012 to 2013

- Profit before tax of DKK 3.4 billion, down 43%
- Return on allocated capital of 10.7%, down 10 percentage points
- Total income of DKK 8.4 billion, down 26%
- Net interest income of DKK 2.3 billion, up 20%
- Client-driven income of DKK 7.0 billion, up 9%
- Expenses of DKK 4.6 billion, up 7%
- Impairments of DKK 0.5 billion, down 59%
- Cost/income ratio of 54.4%, up 16.6 percentage points
- Significant improvement in client satisfaction: ranked number 1 in the Nordic region by both corporate and institutional clients

Profit before tax fell 43% from the preceding year, mainly because of a significant drop in net trading income that more than offset the 9% increase in client-driven income. Where 2012 was characterised by positive market sentiment after the introduction of the ECB's long-term refinancing operation, 2013 saw institutional investor activity affected by the more uncertain market conditions. Financial markets were uncertain throughout the year, as central banks tried to keep rates low, while the US Fed considered tapering the quantitative easing.

CORPORATES & INSTITUTIONS (DKK millions)	2013	2012	Index 13/12	Q4 2013	Q3 2013	Index Q4/Q3	Q2 2013	Q1 2013
Net interest income	2,306	1,918	120	663	582	114	557	504
Net fee income	1,218	1,118	109	346	308	112	272	292
Net trading income	4,894	8,341	59	1,342	671	200	1,300	1,581
Other income	17	19	89	7	3	233	2	5
Total income	8,435	11,396	74	2,358	1,564	151	2,131	2,382
Expenses	4,588	4,307	107	1,372	976	141	1,140	1,100
Profit before loan impairment charges	3,847	7,089	54	986	588	168	991	1,282
Loan impairment charges	473	1,160	41	38	124	31	20	291
Profit before tax	3,374	5,929	57	948	464	204	971	991
Loans and advances before impairments	154,406	161,112	96	154,406	160,736	96	155,203	167,382
Allowance account, loans	2,410	2,877	84	2,410	2,686	90	2,823	2,789
Deposits	173,655	162,817	107	173,655	168,249	103	162,694	168,937
Bonds issued by Realkredit Danmark	20,856	11,695	178	20,856	19,920	105	13,464	11,757
Allocated capital (average)	31,471	28,653	110	31,127	30,215	103	32,374	32,194
Net interest income as % p.a. of loans and deposits	0.71	0.59		0.81	0.71		0.71	0.60
Profit before loan impairment charges as % p.a. of allocated capital	12.2	24.7		12.7	7.8		12.2	15.9
Profit before tax as % p.a. of allocated capital (ROE)	10.7	20.7		12.2	6.1		12.0	12.3
Cost/income ratio (%)	54.4	37.8		58.2	62.4		53.5	46.2
Full-time-equivalent staff	1,565	1,499	104	1,565	1,594	98	1,554	1,531

TOTAL INCOME (DKK millions)	2013	2012	Index 13/12	Q4 2013	Q3 2013	index Q4/Q3	Q2 2013	Q1 2013
General Banking	3,635	3,126	116	991	930	107	871	843
Capital Markets	624	655	95	214	75	285	161	174
Sales and Research	2,719	2,597	105	677	625	108	702	715
Market Making	1,457	5,018	29	476	-66	-	397	650
Total income	8,435	11,396	74	2,358	1,564	151	2,131	2,382

Strategy

Corporates & Institutions' strategy entails clear priorities for delivering distinctive value propositions to clients. Building on our strong products and market positions, we are linking our offering to improved advisory services. The objectives are to stabilise and grow the client-driven income base so that it is less dependent on Market Making.

We will focus on business that is less capital-intensive. As a regional player, we will concentrate on areas where our product strength and scale are competitive. In other words, we want to consolidate our footprint in our core markets in northern Europe. Leveraging our Nordic base as a competitive advantage and scaling our platform will contribute to increasing profitability through additional volume from international clients seeking Nordic products. Furthermore, we will provide customised solutions that cater to the complex needs of large corporate, institutional and international clients.

Capital Markets

In 2013, we took further steps to expand our capabilities in the capital markets and won a number of important mandates. Among them was the role of sole bookrunner on one of the first corporate bond issues denominated in Danish kroner, which was followed by two DKK 1.0 billion transactions in June, confirming Danske Bank as the leading arranger of Danish kroner-denominated corporate bond issues.

Our domestic new issues activity in the other Nordic markets remained strong, and we held additional bookrunner positions in important international corporate bond issues. This included participation in large issues for corporations such as German carmakers Volkswagen and Daimler, with Danske Bank involved in transactions worth EUR 2.0 billion and EUR 1.0 billion, respectively.

We also acted as agent on US private placements for Nordic corporate issuers, and we remain the only Nordic bank active in this market.

In September, Danske Bank acted as joint bookrunner on the first Swedish high-yield issue for SAS AB, which marked significant progress for using the Swedish high-yield bond market. Danske Bank led high-yield transactions in all four Nordic markets in 2013.

Corporate Finance concentrated on strengthening its client focus in 2013. The hard work was acknowledged in the Prospera client satisfaction surveys, which ranked Danske Bank first in Finland and second in Denmark.

Equities

In June, we launched an ambitious strategy to increase our Nordic equity market footprint by diversifying the product range and strengthening our pan-Nordic position. The rise in earnings and traction in new areas confirmed this strategic direction, as did improved client satisfaction as measured by Prospera.

We also implemented several initiatives to lift our capabilities in

Acted as
sole bookrunner for

AMBU A/S

Number 1 in 'Trade Finance Nordic' for third consecutive year

Acted on
first Swedish high yield issue for

SAS AB

execution services, eTrading and settlement, and we began laying the foundation for launches that will broaden the product offering in the equity franchise of cash, derivatives and equity finance.

Transaction Banking
In 2013, we strengthened Danske Bank's leading transaction banking products and services by investing further in Trade Finance, Cash Management and Custody services.

We continued to build on our strengths in Trade Finance, supporting Nordic companies in their export activities. In Cash Management and Custody, we continued to invest in technology across northern Europe, where our single IT platform enables clients to view and manage their financial positions across borders in real time.

For the third consecutive year, clients ranked us number one in Trade Finance in the Nordics and number two in Cash Management in surveys by Prospera.

All three business areas saw significant growth in 2013.

Protection of the franchise
In the first half of 2013, Corporates & Institutions worked to meet the new challenges of future clearing regulations, and this led to new business opportunities. We acquired our first clients as a clearing broker for Swedish krona-denominated derivatives on NASDAQ OMX. We are also preparing to offer client clearing through the London Clearing House.

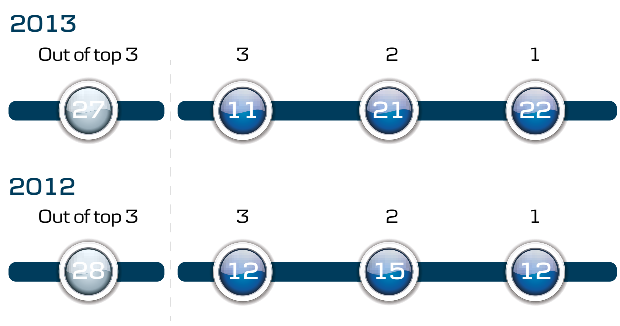
Further, we prepared for the coming derivatives trade reporting requirements. Corporates & Institutions intends to support clients' trade reporting requirements and launched a trade reporting service in 2013.

Client satisfaction
Our strategic focus in 2013 strengthened our market position and client satisfaction across a range of segments and regions, and we saw considerable improvements in our focus areas. Most significantly, Corporates & Institutions was named the best bank in the Nordic region by both institutional and corporate clients.

Corporates & Institutions uses the Prospera client surveys as indicators of client satisfaction. The surveys are conducted in a number of areas throughout the year.

In 2013, Corporates & Institutions ranked in the top three in 67% (2012: 58%) of relevant surveys in the Nordic countries as we were ranked in top three in 54 of 81 surveys. The surveys confirm our position as a leading wholesale bank in the region. Our ambition is to be number one in the consolidated survey of all areas by 2015.

The table shows our ranking and the total number of surveys conducted by Prospera in 2012 and 2013. Prospera conducted new surveys in 2013 that were not conducted in 2012, thus increasing the number of surveys from 67 to 81.

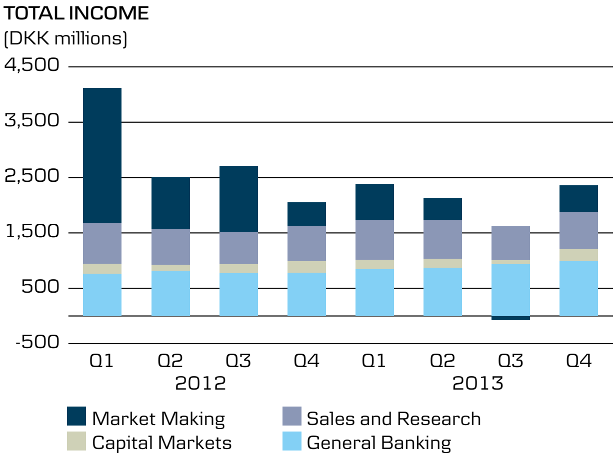


Source: TNS SIFO Prospera 2013.

2013 vs 2012
At DKK 8.4 billion, total income was down 26% from the level in 2012. The main reason was a fall in net trading income from Market Making. The uncertainty surrounding the US budgetary problems as well as contradictory signals throughout the year regarding short-term rates made for highly volatile markets in which Danske Bank continued to support client trading. The decline should also be seen in light of the above-normal income in 2012 made possible by the positive market sentiment that followed the ECB's Long-term Refinancing Operation.

As is illustrated below, client-driven income from Capital Markets, Sales and Research, and General Banking nonetheless remained stable, increasing 9% to DKK 7.0 billion.

General Banking income continued to improve as both net interest income and net fee income remained high. Net interest income was driven partly by higher lending margins as market conditions remained uncertain. Net fee income was



fuelled by loan origination and refinancing activity. An expansion of Cash Management activities improved both net interest income and net fee income and also led to an increase in relationship-driven deposits.

In Capital Markets, income from bond issuance matched the good performance in 2012. Certain fixed-income sales activities not related to origination were moved from Capital Markets to Sales and Research, however. Corporate Finance continued to build its pipeline and managed to increase fees, albeit from a low level in the preceding year.

Sales and Research benefitted from increased client flow, especially in fixed income and foreign exchange as clients reacted to the erratic market conditions.

Market Making income decreased as uncertainty about erratic market conditions reduced risk appetite among investors. This adversely affected market making activities in financial markets that at times were very one-sided.

Expenses increased 7% from the level in 2012, partly because of investments to improve the client offering.

Impairments were down 59% in 2013. New impairments were made for a small number of clients.

Credit exposure

The loan portfolio quality at Corporates & Institutions is considered strong. At 31 December 2013, total credit exposure from lending activities amounted to DKK 687 billion. The total portfolio has fallen 12% from the level at year-end 2012, mainly because of fluctuations in Sovereign exposure as a result of lower deposits with central banks.

Impairments have also fluctuated over the past six quarters and are expected to continue to do so quarter-on-quarter. Impairments in the fourth quarter remained low. Accumulated impairments, which totalled DKK 3 billion, related mainly to a small number of corporate clients.

(DKK millions)	Credit exposure 31 Dec. 2013	Credit exposure 31 Dec. 2012	Impairment (%) 31 Dec. 2013
Sovereign	76,038	149,796	0.00
Financial Institutions	335,097	352,140	0.00
Corporate	275,966	276,290	0.23
Other	99	2,374	0.44
Total	687,201	780,600	0.09

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

Q4 2013 vs Q3 2013

Profit before tax increased 200% from the third quarter to the fourth quarter, mainly because of higher net trading income.

General Banking income continued to improve in the fourth quarter, driven primarily by net interest income. Higher lending margins and increased deposit volumes were the main reasons.

In Capital Markets, bond issuance increased slightly. Corporate Finance saw an increase in fees, partly caused by year-end bookings.

Sales and Research posted an increase in income, as earnings from client-driven trading picked up after the slow summer months. The Fed's postponement of tapering in September also led to increased activity in the fourth quarter.

Market Making income rose as investors returned to the market. Demand for assets generally increased, and this increase led to higher fixed-income earnings.

Expenses were up 41%, mainly because of performance-based compensation, severance pay in the fourth quarter and the seasonally lower expenses for holiday pay in the third quarter. Underlying costs also increased because of continued investments in improving the client offering.

Danske Capital 2013

Managed account products launched

Number 2 in the Nordic region in overall performance and market penetration

Once again in 2013, Danske Capital created substantial value for our clients. We strengthened our investment competencies and launched attractive new products, particularly within managed accounts solutions to retail customers and alternative investments. Combined with further increases in client satisfaction scores, this led to a considerable inflow of new clients and assets, larger market shares in the Nordic markets as well as a 21% increase in profit before tax.

Danske Capital

Key developments from 2012 to 2013

- Profit before tax of DKK 1.1 billion, up 21%
- Total income of DKK 2.2 billion, up 13%
- Expenses of DKK 1.0 billion, up 5%
- Performance fees of DKK 0.4 billion, down 14%

Profit before tax was up 21% because of higher income driven by more assets under management and higher margins. Assets under management rose 6% year-on-year, reflecting improved sales to institutional clients and retail customers and gains on securities.

DANSKE CAPITAL (DKK millions)	2013	2012	Index 13/12	Q4 2013	Q3 2013	Index Q4/Q3	Q2 2013	Q1 2013
Net interest income	-38	-25	-	-9	-12	-	-8	-9
Net fee income	2,186	1,945	112	773	472	164	454	487
Other income	16	-3	-	7	4	175	3	2
Total income	2,164	1,917	113	771	464	166	449	480
Expenses	1,033	982	105	322	220	146	221	270
Profit before loan impairment charges	1,131	935	121	449	244	184	228	210
Loan impairment charges	-	-	-	-	-	-	-	-
Profit before tax	1,131	935	121	449	244	184	228	210
Loans and advances	296	211	140	296	239	124	237	238
Deposits	219	155	141	219	172	127	200	228
Allocated capital (average)	2,557	2,321	110	2,580	2,627	98	2,538	2,499
Cost/income ratio (%)	47.7	51.2		41.8	47.4		49.2	56.3
Assets under management (DKK billions)	727	687	106	727	712	102	704	722

Strategy

Danske Capital's business strategy builds on a profound wish to always deliver substantial value to clients. We do it by focusing on selected investment areas within which we have the knowledge, competencies and resources to deliver superior performance. We want to have the right investment product and solution for the individual client's need. Investments outside our core competencies are outsourced to external asset managers. We select the best of those and use their products in our investment solutions. Our size and negotiating power enable us to obtain high-quality, competitively priced products to the benefit of all our clients, institutional as well as retail. Sales to retail customers are made primarily through the Personal Banking and Business Banking units.

At Danske Capital, the strategic focus is on

- developing investment competencies and attractive high-alpha products and investment solutions
- increasing client satisfaction and sales to institutional clients, third-party distributors and retail clients
- increasing efficiency due to lower costs in percentage of assets under management

Investment performance

Generating high investment returns for customers has always taken priority at Danske Capital. The table below shows the percentage of Danske Invest funds with above-benchmark returns on various asset classes in 2012 and 2013.

% OF DANSKE INVEST FUNDS WITH RETURNS HIGHER THAN BENCHMARK (PRE COSTS)	2013	2012
All funds	60	77
Equity funds	44	71
Fixed income funds	89	88
Balanced funds	65	80

In 2013, 60% of all Danske Invest funds generated above-benchmark returns. After very good results in 2011 and 2012, our European equity products did not perform satisfactorily in 2013. Some 36% of Danske Invest funds ranked in the top third of European funds in their categories.

In 2013, we were proud to receive various awards, the most important being:

- Morningstar: Danske Invest named the best in equities in Denmark for the fifth year running
- Morningstar: Danske Invest Norway Equity II named the best equity fund in Norway
- Danske Invest Hedge Fixed Income Strategies received the HFM Award and the IAIR Award

Customer satisfaction

Danske Capital uses external providers of customer satisfaction surveys (Prospera, Kirstein and SFR). In the Prospera survey, Danske Capital was ranked second in the Nordic market in overall performance and market penetration. Danske Capital has a strong position in Denmark, Finland and Norway, and our position in Sweden is improving rapidly.

Danske Invest the best in equities in Denmark for the

5th year in a row

And Danske Invest Norway Equity II the best equity fund in Norway

Attractive investment products and concepts

Having the right investment product or concept for the individual client is always paramount. In 2013, Danske Capital focused on

- expansion of the hedge fund product range
- introduction of alternative investments
- expansion of the managed account product range
- selected new product launches

The hedge fund area has been successful, with total assets under management at the end of December 2013 of DKK 11 billion, an increase of 43% from December 2012. It was also gratifying to see that Danske Invest Hedge Fixed Income Strategy performed very well again in 2013, with a return of 19%. In 2012, the fund generated a return of 34%.

Danske Capital also strengthened its position in alternative investments. In the autumn, Danske Capital signed agreements to advise Danish pension funds on alternative investments. We see this as a strategic milestone in our efforts to make Danske Capital a key provider in this area. Incorporating alternative investments in a portfolio is beneficial for customers from the perspectives of both return and risk diversification. Assets under management amounted to DKK 18 billion at 31 December 2013.

The roll-out of investment solutions in the form of managed account products was another key priority in 2013. Personal Banking and Danske Capital worked closely together in this area to achieve a successful launch. The concept has now been rolled out in all the Nordic countries except Norway. Assets under management amounted to DKK 17 billion. Including the *Flexinvest Fri* product, introduced a few years ago, assets under management amounted to DKK 54 billion.

In our product offering, we distinguish between high-alpha products and investment solutions. High-alpha products are typically offered to professional institutional and private banking clients, whereas the investment solutions are offered to retail clients and small institutional clients. In 2013, we launched the following high-alpha products and investment solutions:

PRODUCT LAUNCHES IN 2013 (DKK billions)	AuM Dec. 2013
High-alpha products:	
DI Nordic Corporate Bonds	1.4
DI Emerging & Frontier Fund	2.4
DI Europe Long-Short Dynamic	1.7
Investment solutions:	
Dansk Porteføljepleje (DK)	11.1
Aktiv Kapital Portefølje (SE)	1.0
Danske Porteføljemgmt (FI)	4.6

Higher retail and institutional sales

Net sales totalled DKK 28 billion: DKK 12 billion to retail customers and DKK 16 billion to institutional clients. Sales to retail customers through the Personal Banking and Business Banking units consisted mainly of balanced products and alternative investment solutions, which together accounted for more than 96% of total net sales. Net retail sales came from all of the Nordic countries: 27% from Denmark, 20% from Norway, 31% from Finland and 22% from Sweden.

Danske Invest Hedge Fixed Income Strategies received the HFM Award and the IAIR Award in 2013

NET SALES (DKK billions)	2013	2012
Retail customers	11.7	15.4
Third-party clients	2.8	4.7
Alpha clients, including life insurance	6.4	5.0
Solution clients	7.1	3.7
Total	28.0	28.8

A less positive development in net retail sales in 2013, which had been expected, was caused by a change in Danish tax rules on pension assets. We advised customers to take advantage of the new rules, and as a result, we saw a decline in assets under management of around DKK 5.0 billion.

2013 vs 2012

Total income rose 13% from DKK 1.9 billion to DKK 2.2 billion. Performance fees were down from DKK 426 million in 2012 to DKK 365 million in 2013. The level of performance fees was satisfactory, driven by good results in solution mandates and hedge fund products. Excluding performance fees, income increased 21%.

Total expenses rose 5% because of higher staff costs and provisions for operational losses.

ASSETS UNDER MANAGEMENT	(DKK billions)		Share of total (%)	
	2013	2012	2013	2012
Equities	258	211	35	31
Private equity	14	15	2	2
Bonds	433	437	60	64
Cash	22	24	3	3
Total	727	687	100	100

BREAKDOWN BY TYPE OF INVESTOR	(DKK billions)		Share of total (%)	
	2013	2012	2013	2012
Life insurers	181	190	25	28
Mutual funds - retail	288	270	40	39
Institutions, including mutual funds	258	227	35	33
Total	727	687	100	100

Q4 2013 vs Q3 2013

Total income rose from DKK 0.5 billion in the third quarter to DKK 0.8 billion in the fourth quarter. Performance fees rose from nil to DKK 302 million. Non-performance-based income was unchanged.

Expenses rose 46% from the third quarter to the fourth quarter because of higher performance-based compensation.

Profit before tax was up 83%.

Danica Pension 2013

Number

2

in customer satisfaction survey

Digital solutions aimed at providing a better financial overview

Danica Pension's financial results for 2013 were adversely affected by negative returns on the financial markets towards the end of the second quarter, when share and credit bond prices declined. The markets stabilised in the second half of the year, however, with higher yields and rising share prices, especially in the developed economies. Danske Bank's sales of Danica Pension products rose 30%, demonstrating Danica Pension's focus on providing even better solutions to customers in collaboration with Danske Bank. Danica Pension continued to streamline operations, reducing the expense ratio to 4.2%. Over the past five years, the ratio has fallen an average of 0.4 of a percentage point a year.

Danica Pension

Key developments from 2012 to 2013

- Net income of DKK 1.1 billion, down 50%
- Result from insurance business of DKK 1.5 billion, up 4%
- Return on allocated capital of 9.3%, down 10.3 percentage points
- Premiums of DKK 26.8 billion, up 9%
- Average return on investments for customers with the *Danica Balance, Danica Link* and *Danica Select* unit-linked products of 8.6%, down 2.9 percentage points
- Net return on investments of *Danica Traditionel* customer funds of 2.2%, down 3.7 percentage points
- Danske Bank sales of Danica Pension products of DKK 3.5 billion, up 30%

Higher share prices and returns on alternative investments led to a positive overall return on investments. As a result, the risk allowance could be booked to income in full or in part for three of the four interest rate groups. Some DKK 0.4 billion was transferred to the shadow account.

DANICA PENSION (DKK millions)	2013	2012	Index 13/12	Q4 2013	Q3 2013	Index Q4/Q3	Q2 2013	Q1 2013
Danica Traditionel	1,139	1,232	92	241	289	83	287	322
Unit-linked business	539	367	147	157	152	103	109	121
Health and accident business	-167	-146	-	-38	-43	-	-27	-59
Result from insurance business	1,511	1,453	104	360	398	90	369	384
Return on investments	349	521	67	170	110	155	-27	96
Financing result	-176	-194	-	-43	-46	-	-43	-44
Special allotment	-158	-17	-	-45	-18	-	-32	-63
Change in shadow account	-438	408	-	172	35	-	-613	-32
Net income from insurance business	1,088	2,171	50	614	479	128	-346	341
Premiums, insurance contracts	20,180	19,984	101	5,080	4,776	106	4,811	5,513
Premiums, investment contracts	6,628	4,665	142	1,736	1,191	146	1,561	2,140
Provisions, insurance contracts	257,792	259,726	99	257,792	259,412	99	257,435	262,054
Provisions, investment contracts	34,777	29,071	120	34,777	30,236	115	31,160	31,962
Customer funds, investment assets								
Danica Traditionel	168,864	195,106	87	168,864	170,680	99	174,203	190,104
Danica Balance	58,446	41,108	142	58,446	55,090	106	52,587	45,690
Danica Link	61,165	54,731	112	61,165	59,249	103	56,898	58,395
Allocated capital (average)	11,685	11,077	105	12,071	11,908	101	11,048	11,483
Net income as % p.a. of allocated capital	9.3	19.6		22.0	16.1		-12.5	11.9

Strategy

Danica Pension's strategy is based on a vision of becoming the most trusted pension provider.

To realise this vision and meet our goal of high customer satisfaction, we are pursuing a number of key priorities. We work systematically to enhance the customer experience every time we are in contact with a customer. We want to provide financial security for our customers by delivering competitive investment returns so that they are well prepared for retirement. We are supporting this effort by continuing to invest in digital solutions, simplifying customer services and increasing accessibility. We also want to provide customers with a coherent health programme that focuses on illness prevention and better treatment and follow-up. And we want to optimise services for shared customers and achieve synergies and economies of scale throughout Danske Bank Group to become more efficient.

In 2013, Danica Pension achieved success in a number of strategic areas.

Security for customers through new digital solutions and improved accessibility
Our new digital solutions aim at providing customers with a better financial overview and ensuring that they get the right recommendations for their individual circumstances.

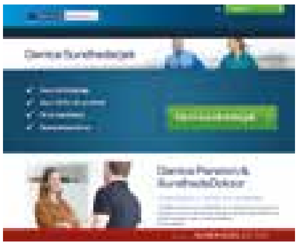
In 2013, Danica Pension launched a new online tool for checking pension and insurance coverage. On the basis of information about their insurance policies and pension schemes with Danica Pension and other pension providers, customers can use this tool to determine whether they have the appropriate cover by answering six simple questions. We then contact the customer if any changes should be made. Our goal is to make it easier for customers to make their own pension scheme decisions through clear recommendations. Danica Pension received the prestigious Investment Pensions Europe 2013 award for this tool.

We also launched Netpension Firma, an online tool that provides pension plan administrators and management with a complete overview of pension schemes at both the company and individual employee levels.

To complement these digital solutions, we are improving accessibility, for example by extending business hours and introducing online meetings. Our online strategy enables us to address customers' needs, and we believe that in the long run, our digital initiatives will enhance the customer experience.

We also provide financial security for customers by having the right products available and proactively offering new solutions to meet customer needs arising from legislative changes. In 2013, we introduced a new type of pension

Danica Pension received the prestigious Investment Pensions Europe 2013 award



First pension provider in Denmark to offer online health checks

In 2013, Danske Bank's sales of Danica Pension products grew

30%

scheme called the retirement savings scheme (*Aldersopsparing*) to all customers. This scheme is particularly attractive for customers below the top tax bracket because pension benefits are not set off against social benefits during retirement. The Danish parliament amended the legislation to allow pension customers to convert their existing capital pension schemes to retirement savings schemes at a lower-than-normal tax charge in 2013 and 2014. We developed an online solution to facilitate easy conversion.

Leading in health promotion

Both personal and business customers want us to focus more on health promotion and illness prevention. This prompted Danica Pension to launch Danica Health Check, an online facility that gives customers individualised advice and recommendations on health and lifestyle. We were the first pension provider in Denmark to offer such a service.

We also improved our existing products. Since 1 January 2014, customers have been able to call us 24/7 for advice on how to use their health insurance. We also offer advice to customers and their families when they need public healthcare services.

Enhancing solutions together with Danske Bank

We have increased customer satisfaction through our collaboration with Danske Bank. Many customers request holistic advice that encompasses their day-to-day finances, pensions and insurance matters. We have made a special effort to meet this need, for example by hiring more pension advisers. In addition, Danica Pension customers can now register for Danske Bank's customer programme. In 2013, Danske Bank's sales of Danica Pension products grew 30%, from DKK 2.7 billion to DKK 3.5 billion.

Simplicity and efficiency

We strive constantly to improve customer services by simplifying them and making our business procedures and processes more efficient. The aim is to provide better, faster and easier access to products and services and thus increase customer satisfaction while also becoming more efficient. We are confident that the process will enhance the customer experience and support our efforts to improve customer satisfaction.

Customer satisfaction

In 2013, we achieved a breakthrough in customer satisfaction. The most recent Aalund Business Research survey ranked Danica Pension second in Denmark, a significant improvement from the fourth place we held a year ago.

We see this as clear evidence that our digital and other initiatives help improve customer satisfaction.

2013 vs 2012

Income from insurance business was DKK 1.1 billion, against DKK 2.2 billion in 2012. The booking, in full or in part, of the risk allowance for three of the four interest rate groups had a positive effect. Some DKK 0.4 billion was transferred to the shadow account, which at the end of December 2013 stood at DKK 1.2 billion. In 2012, the Group booked the risk allowance for three of the four interest rate groups in addition to DKK 0.4 billion from the shadow account.

Activities in Denmark

In Denmark, total premiums increased 3% to DKK 18.6 billion as premiums paid through Danske Bank rose because of the enhanced collaboration between Danske Bank and Danica Pension regarding pensions. Premiums for the *Danica Balance*, *Danica Link* and *Danica Select* unit-linked products, including transfers from *Danica Traditionel* to *Danica Balance*, rose 44%. At the end of 2013, about 207,000 customers had chosen these products. As expected, total premiums for *Danica Traditionel*, Danica Pension's conventional pension product, decreased, falling 16% to DKK 5.0 billion.

At the end of 2013, the collective bonus potential for the contribution groups stood at DKK 1.1 billion, up DKK 0.3 billion from the level at 1 January 2013. The amount drawn on the bonus potential of paid-up policies for loss absorption increased DKK 0.1 billion to DKK 0.3 billion. The amount drawn relates to a single interest rate group.

In June 2012, an agreement between the Danish Ministry of Business and Growth and the Danish Insurance Association to change the discount yield curve used for long yields took effect. The change aligned Danish rules with the expected Solvency II rules and caused a reduction in Danica Pension's life insurance provisions of DKK 0.8 billion at the end of 2013. The agreement also placed a cap on the rate of interest on policyholders' savings and limited the possibility of distributing dividends to shareholders. In December 2013, the agreement was extended until 1 January 2016, and the restrictions on dividends and the rate of interest remain in place until the final Solvency II details have been implemented in the discount curve.

Switch to *Danica Balance*

In autumn 2012 and spring 2013, some 50,000 customers in the medium and high guaranteed interest rate groups were offered the possibility of switching from their conventional product to *Danica Balance*. Compensation was paid to the customers for forfeiting their existing guarantees. Some 22% of the customers took the offer, and in connection with the campaign, in the first half of 2013, provisions of DKK 5.7 billion were transferred from *Danica Traditionel* to *Danica Balance*.

The calculation of the compensation offered for the switch from the conventional product to *Danica Balance* came under scrutiny by the Danish FSA. The authority has closed its investigation, accepting that Danica Pension's calculation model was fair and complied with good business practice. The Danish consumer ombudsman is currently considering another investigation of the matter, however.

Activities outside Denmark

Danica Pension's activities outside Denmark generated premiums of DKK 8.2 billion.

At the Swedish unit, total premiums rose 28%, mainly because of increased sales of the custody account savings product.

At the Norwegian unit, total premiums rose to DKK 2.0 billion, primarily because of growth in the corporate segment and contributions from a new distributor.

The Irish activities were liquidated in 2012, and the Irish entity was dissolved in 2013.

TOTAL PREMIUMS (DKK billions)	2013	2012
Premiums, Denmark		
Danica Traditionel	5.0	6.0
Unit-linked business	20.4	14.2
Health and accident	1.1	1.2
Internal transfers	-7.9	-3.3
Premiums, international	8.2	6.6
Total	26.8	24.7

Income

The technical result for *Danica Traditionel* was DKK 1,139 million, against DKK 1,232 million in 2012.

The unit-linked business posted a technical result of DKK 539 million, up DKK 172 million from 2012. The increase was caused primarily by a larger business volume.

The return on investments fell to DKK 349 million from DKK 521 million in 2012.

Return on investments

The return on investments fell because of a lower return on alternative investments and credit bond investments.

The return on investments for customers with the *Danica Balance*, *Danica Link* and *Danica Select* unit-linked products was DKK 6.0 billion, representing an average rate of return of 8.6%, against 11.5% in 2012. The average annual return rate over the past five years was 10.0% p.a. for *Danica Balance* and 11.1% p.a. for *Danica Link*.

The return on investments of *Danica Traditionel* customer funds was a negative 0.2%, against 9.2% in 2012. Including changes in technical provisions, the return on customer funds was 2.2%.

For *Danica Traditionel*, equity, credit bond and property exposures totalled 37.4%.

CUSTOMER FUNDS - DANICA TRADITIONEL	Share (%)		Return (%)	
Holdings and returns	2013	2012	2013	2012
Real property	12.0	10.0	4.9	2.8
Bonds etc.	77.0	81.0	-2.1	10.0
Equities	11.0	9.0	10.9	14.8
Total	100.0	100.0	-0.2	9.2

Q4 2013 vs Q3 2013

In the fourth quarter of 2013, net income from insurance business amounted to DKK 0.6 billion, against DKK 0.5 billion in the third quarter.

The return on investments of *Danica Traditionel* customer funds was 0.9% p.a., against 0.7% p.a. in the third quarter. Including changes in technical provisions, the return on customer funds was 2.2% p.a.

The return on investments for customers with the *Danica Balance*, *Danica Link* and *Danica Select* products totalled DKK 83.1 billion, representing an average rate of return of 3.0% p.a., against 2.1% p.a. in the third quarter.

The technical result for the unit-linked business remained high in the fourth quarter.

In Denmark, total premiums rose 6% to DKK 4.7 billion. Total premiums for all markets rose 14% and amounted to DKK 6.8 billion.

Non-core

Key developments from 2012 to 2013

- Profit before tax of a negative DKK 1.4 billion, loss reduced 71%
- Impairments of DKK 1.2 billion, down 75%
- Loan portfolio of DKK 36.2 billion, down 19%

Impairments declined 75% from 2012 to 2013, mainly because of lower charges on commercial property customers.

We will continue to focus on the controlled winding-up of the loan portfolio that is no longer considered part of Danske Bank's core activities. On 1 January 2014, all Irish customers in Business Banking and Personal Banking were transferred to the Non-core Ireland portfolio, which in addition to these customers consists mainly of loans to commercial property customers in Ireland. The remainder is exposure to SPVs and conduits administered by our London office.

NON-CORE (DKK millions)	2013	2012	Index 13/12	Q4 2013	Q3 2013	Index Q4/Q3	Q2 2013	Q1 2013
Total income	121	323	37	18	17	106	31	55
Expenses	303	275	110	95	79	120	75	54
Profit before loan impairment charges	-182	48	-	-77	-62	-	-44	1
Loan impairment charges	1,233	4,849	25	255	212	120	216	550
Profit before tax	-1,415	-4,801	-	-332	-274	-	-260	-549
Loans and advances before impairments	36,211	44,537	81	36,211	39,552	92	41,116	42,575
Allowance account, loans	10,459	11,638	90	10,459	10,693	98	10,775	10,802
Deposits	4,885	4,748	103	4,885	5,137	95	5,134	4,263
Allocated capital (average)	8,567	9,521	90	9,588	8,624	111	8,480	7,554
Net interest income as % p.a. of loans and deposits	0.33	0.81		0.17	0.14		0.31	0.54
Profit before loan impairment charges as % p.a. of allocated capital	-2.1	0.5		-3.2	-2.9		-2.1	0.1
Profit before tax as % p.a. of allocated capital (ROE)	-16.5	-50.4		-13.9	-12.7		-12.3	-29.1
Cost/income ratio (%)	250.4	85.1		-	-		241.9	98.2
Full-time-equivalent staff	78	93	84	78	89	88	91	88

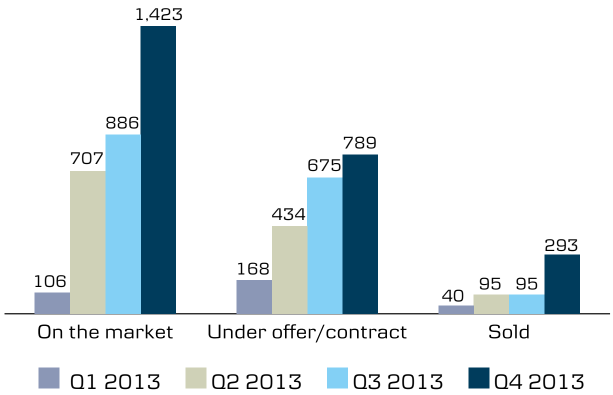
Developments in 2013

The portfolio progressed as expected in terms of both volume reduction and credit quality.

We continued to place properties on the market on behalf of our customers and saw an increasing number of properties come under offer. Property sales tripled from the third quarter to the fourth quarter.

In terms of the number of properties, residential properties was the largest segment on the market, followed by land banks. In 2013, a portfolio of more than 78 land banks was sold.

PROPERTY SALES AND PIPELINE IN NON-CORE IRELAND (NUMBER OF PROPERTIES)



2013 vs 2012

At DKK 0.1 billion, total income was down DKK 0.2 billion because of the continued decline in portfolio size.

Impairments were down DKK 3.7 billion, as our work-out and deleveraging efforts continued.

Lending amounted to DKK 36.2 billion and consisted mainly of commercial and investment property exposure, conduit exposure and exposure to personal customers with buy-to-let facilities. Total lending fell DKK 8.3 billion from the level at the end of 2012 as a result of asset sales, settlements and write-offs.

Credit exposure and accumulated impairments

Credit exposure totalled DKK 26.7 billion, against DKK 34.5 billion at the end of 2012. Accumulated impairments, which derived primarily from the Irish portfolio, amounted to DKK 10.5 billion.

CREDIT EXPOSURE (DKK millions)	31 Dec. 2013	31 Dec. 2012
Non-core Ireland	13,578	18,316
Non-core conduits etc.	13,102	16,164
Total	26,680	34,479

Non-core Ireland

Credit exposure at Non-core Ireland amounted to DKK 13.6 billion, against DKK 18.3 billion at the end of 2012. Commercial property and buy-to-let exposures amounted to DKK 4.6 billion and DKK 6.3 billion, respectively.

Impairments decreased significantly in 2013 to DKK 1.2 billion, against DKK 4.8 billion in 2012. This development was driven mainly by lower impairments on commercial property customers. Impairments on these customers amounted to DKK 0.4 billion in 2013, against DKK 3.2 billion in 2012.

(DKK millions)	Credit exposure 31 Dec. 2013	Credit exposure 31 Dec. 2012	Impairment (%) 31 Dec. 2013
Commercial property	4,573	7,206	4.88
Consumer discretionary	676	1,437	20.36
Buy-to-let (personal customers)	6,294	7,142	3.42
Other	2,036	2,531	18.67
Total	13,578	18,316	7.27

Credit exposure to personal customers related mainly to buy-to-let exposures. A slight increase in residential property prices had a positive effect on the quality of this portfolio.

Non-core conduits etc.

Credit exposure to institutional clients amounted to DKK 13.1 billion, against DKK 16.2 billion at the end of 2012. The institutional portfolio consists mainly of liquidity facilities for SPVs and conduits. The credit quality of the portfolio remained stable.

Liquidity facilities etc. were reduced 30% during the year to DKK 12.2 billion through disposals and portfolio run-off.

Q4 2013 vs Q3 2013

Impairments were stable at DKK 0.3 billion in the fourth quarter, against DKK 0.2 billion in the third quarter. The charges related mainly to adjustments of impairments already made.

Total lending fell DKK 3.3 billion from the level in the third quarter as a result of asset sales, settlements and write-offs.

Other Activities

Key developments from 2012 to 2013

- Profit before tax of a negative DKK 1.6 billion, against a negative DKK 0.4 billion in 2012
- Total income of a negative DKK 0.5 billion, against a positive DKK 1.0 billion in 2012
- Expenses of DKK 1.0 billion, down 28%

OTHER ACTIVITIES (DKK millions)	2013	2012	Index 13/12	Q4 2013	Q3 2013	Index Q4/Q3	Q2 2013	Q1 2013
Net interest income	-91	-30	-	-8	-33	-	-29	-21
Net fee income	-66	-76	-	-17	-13	-	-34	-2
Net trading income	-514	926	-	-384	-516	-	592	-206
Other income	149	177	84	68	31	219	27	23
Total income	-522	997	-	-341	-531	-	556	-206
Expenses	1,046	1,457	72	486	140	-	202	218
Profit before loan impairment charges	-1,568	-460	-	-827	-671	-	354	-424
Loan impairment charges	-	-54	-	-	-	-	-	-
Profit before tax	-1,568	-406	-	-827	-671	-	354	-424

PROFIT BEFORE TAX (DKK millions)								
Group Treasury	-533	868	-	-387	-461	-	524	-209
Real property	-6	-83	-	-82	19	-	7	50
Own shares	-110	-83	-	-22	-77	-	22	-33
Group support functions	-919	-1,108	-	-336	-152	-	-199	-232
Total	-1,568	-406	-	-827	-671	-	354	-424

2013 vs 2012

Other Activities posted a loss before tax of DKK 1.6 billion, against a loss before tax of DKK 0.4 billion in 2012.

Net trading income at Group Treasury was adversely affected by an increase in non-allocated funding costs related to long-term funding issued as part of Danske Bank's contingency funding to maintain a liquidity coverage ratio above the FSA's minimum requirement of 110%. Net trading income was also adversely affected by the early redemption of USD 1 billion of tier 2 notes issued in September 2012. The issue was redeemed early because of a change in the rating methodology criteria of Standard & Poor's. Positive value adjustments of unlisted shareholdings contributed to net trading income.

Net trading income for 2012 benefitted from an extraordinary gain through an adjustment of the Group's pension plans.

Expenses amounted to DKK 1.0 billion, against DKK 1.5 billion in 2012. In 2012, expenses were adversely affected by the write-down of DKK 0.5 billion related to the right to use the Sampo Bank brand name.

Q4 2013 vs Q3 2013

Loss before tax of DKK 0.8 billion in the fourth quarter, against a loss before tax of DKK 0.7 billion.

Net trading income amounted to a negative DKK 0.4 billion, against a negative DKK 0.5 billion. Net trading income improved, although it remained negative, mainly because of the results at Group Treasury.

Expenses amounted to DKK 0.5 billion, against DKK 0.1 billion. The significant increase was caused mainly by expenses for branch closures in Denmark and Ireland.

Capital and liquidity management

Capital and solvency

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

Danske Bank has set prudent capital targets: a total capital ratio of at least 17% and a core tier 1 capital ratio of at least 13%. Danske Bank has met the targets since the end of 2012.

Capital considerations are based on an assessment of the capital requirements under the rules on the transition from current regulations to the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD IV) and on the requirements for systemically important financial institutions (SIFIs). Danske Bank also considers factors such as estimated growth and earnings, dividend policy and stress test scenarios.

At the end of 2013, the total capital ratio was 21.4%, and the core tier 1 capital ratio was 14.7%.

CAPITAL BASE AND RISK-WEIGHTED ASSETS (DKK billions)	2013	2012
Core tier 1 capital	126	119
Hybrid capital, less statutory deductions	36	36
Tier 2 capital, less statutory deductions	20	19
Total capital base	182	174
Risk-weighted assets	852	819

At the end of 2013, Danske Bank's solvency need amounted to DKK 88.3 billion, or 10.4% of risk-weighted assets (RWA). The capital base thus included a capital buffer of DKK 93.7 billion at 31 December 2013.

The increase in RWA of DKK 33 billion from the level in 2012 was caused mainly by the measures taken to comply with the first of four Danish FSA orders. The measures involved increasing the risk weights for our corporate portfolio. The remaining FSA orders were provisionally addressed through the solvency need, with temporary Pillar II add-ons totalling DKK 4 billion. The add-ons will be removed in 2014 when Danske Bank is ready to implement the changes required to comply with the remaining orders. In addition, Danske Bank carried out a number of initiatives to strengthen the IRB framework and improve capital efficiency.

Danske Bank aspires to improve its credit ratings, which are important for the pricing of its long-term funding, and therefore includes ratings in its capital considerations. At the end of 2013, two of Danske Bank's rating agencies had the long-term rating on stable outlook, and one had the long-term rating on positive outlook.

In 2013, Danske Bank issued a total of DKK 13.9 billion in tier 2 notes in a combination of euros, Swiss francs and Scandinavian currencies. The loans, seven in total, have maturities of 10 to 12 years and may be redeemed at par after five to seven years. The issues represented 1.6 of a percentage point of the total capital ratio at the end of 2013.

We also redeemed tier 2 notes totalling DKK 13.8 billion as planned during 2013 and exercised our early redemption right on the USD 1 billion tier 2 notes issued in September 2012 because of a change in the Standard & Poor's (S&P) rating methodology criteria in July 2013.

All these transactions were part of the preparation for the planned redemption in 2014 of the hybrid capital raised from the Danish state and for the gradual implementation of the new capital requirements for European banks.

Ratings

In 2013, Moody's, S&P and Fitch Ratings affirmed their long- and short-term ratings of Danske Bank.

Moody's changed the outlook for the long-term rating from stable to positive in the fourth quarter.

S&P had the long-term rating on positive outlook until its analysis of the Danish mortgage system in July 2013, which caused it to change the outlook to stable.

Fitch Ratings changed the outlook for the long-term rating from negative to stable in the second quarter of 2013.

DANSKE BANK'S RATINGS AT 31 DECEMBER 2013	Moody's	S&P	Fitch
Long-term	Baa1	A-	A
Short-term	P-2	A-2	F1
Outlook	Positive	Stable	Stable

Danske Bank's current ratings are not satisfactory. We aim to improve our ratings by at least one notch in the short term. Moody's change of outlook from stable to positive therefore represents a good development in our efforts to improve the ratings.

Mortgage bonds and mortgage-covered bonds issued by Realkredit Danmark are rated AAA by S&P (stable outlook).

Realkredit Danmark bonds are also rated by Fitch Ratings. Bonds issued from capital centre S are rated AAA, while bonds issued from capital centre T are rated AA+. Both ratings have a stable outlook.

ICAAP

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

An important part of the process is assessing whether the solvency need takes into account all material risks that Danske Bank faces. We have set up a process to quantify any add-ons to the solvency need on the basis of input from internal experts.

Capital add-ons are additive, although they may overlap. The process thus represents a conservative assessment of the solvency need.

The calculation of the solvency need for the Group and the parent company, Danske Bank A/S, is described in more detail in Risk Management 2013, which is available at danskebank.com/ir. Risk Management 2013 also provides details on the management of credit risk, market risk and liquidity risk.

Funding and liquidity

With a liquidity buffer of DKK 452 billion at the end of 2013, Danske Bank's liquidity position remained strong. The buffer consists of cash and holdings at central banks of DKK 33 billion; securities issued or guaranteed by sovereigns, central banks or multilateral development banks of DKK 110 billion; covered bonds (including mortgage bonds) of DKK 280 billion; and other holdings of DKK 29 billion.

With a liquidity coverage ratio (LCR) of 127% at the end of December 2013, Danske Bank complied very comfortably with the LCR requirement. Danske Bank also complied with all other liquidity requirements.

Danske Bank will count holdings of covered bonds and Danish mortgage bonds, including own issued bonds, in the ratio until the final European guidelines are announced before implementation in 2015.

Danske Bank will continue to ensure that it has a prudent ratio of lending to long-term funding, with a solid margin to the threshold values stipulated in the Danish FSA's Supervisory Diamond.

Stress tests show that we have a sufficient liquidity buffer well beyond 12 months.

In 2013, Danske Bank issued covered bonds for DKK 10.0 billion, senior debt for DKK 14.7 billion, and subordinated debt for DKK 13.9 billion, that is, a total of DKK 38.6 billion. We also redeemed long-term debt of DKK 57.5 billion.

At 31 December 2013, the total amount of outstanding long-term funding, excluding senior debt issued by Realkredit Danmark, was DKK 332 billion, against DKK 355 billion at the end of 2012.

DANSKE BANK, EXCLUDING REALKREDIT DANMARK (DKK billions)	2013	2012
Covered bonds	164	167
Senior unsecured debt	102	120
Subordinated debt	66	68
Total	332	355

The Supervisory Diamond

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

SUPERVISORY DIAMOND (%)	Threshold value	2013	2012
Sum of large exposures	<125	-	12
Lending growth	<20	-11	-4
Real property exposure	<25	10	12
Funding ratio	<100	61	68
Surplus liquidity in relation to statutory liquidity requirements	>50	200	167

At 31 December 2013, Danske Bank A/S was in compliance with all threshold values. A separate report is available at danskebank.com/ir.

Regulatory changes

Danske Bank continues to take a proactive approach to new regulation. We seek to be actively involved in policy discussions to ensure that new regulation will result in the right balance between financial stability and macroeconomic growth.

Capital Requirements Regulation and Directive (CRR/CRD IV)

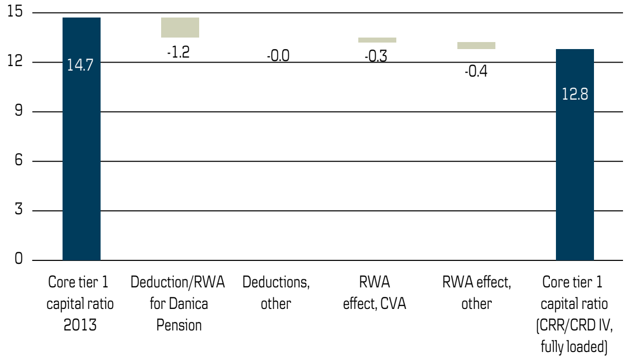
We maintain a close dialogue with regulators to stay abreast of regulatory changes. In anticipation of coming changes, we have focused on building a strong capital base, as is evident from our high core tier 1 ratio.

We estimate that the effect of CRR/CRD IV on our fully loaded core tier 1 capital ratio in 2018 will be a reduction of about 1.9 percentage points, with a 0.9 percentage point effect on the ratio already on 1 January 2014.

The FSA has approved Danske Bank's continued use of the financial conglomerate deduction method for its holdings in Danica Pension. The deduction will be based on Danica Pension's solvency need rather than its capital requirement, however, with the solvency need requirement being phased in. The non-deductible part of the holdings will be risk-weighted at 100%.

CORE TIER 1 CAPITAL RATIO, CRR/CRD IV, FULLY LOADED

(%)



CRR/CRD IV also includes a requirement for credit institutions to calculate, report and monitor their leverage ratios, defined as tier 1 capital as a percentage of total exposure. On the basis of the CRR/CRD IV definition, Danske Bank's leverage ratio was 4.6% at the end of 2013, taking transitional rules into account. Assuming fully phased-in tier 1 capital under CRR/CRD without taking into account any refinancing of non-eligible hybrid tier 1 instruments, the leverage ratio would be 3.3%.

For further information about the effect of the new regulations, see Risk Management 2013.

SIFI rules

In March 2013, the Danish SIFI Committee published a report recommending stricter capital and liquidity requirements for systemically important financial institutions (SIFIs) in Denmark. It also recommended crisis management tools for the authorities to use in the management of distressed SIFIs. Danske Bank will be designated a SIFI in Denmark and become subject to the SIFI rules in 2015.

On 10 October 2013, the vast majority of Danish political parties reached an agreement on the requirements for Danish SIFIs. In addition to the minimum capital requirement of 8% of risk-weighted assets and a capital conservation buffer requirement of 2.5%, Danske Bank will face a unique SIFI capital requirement of 3%, bringing the fully phased-in capital requirement to 13.5% in 2019, excluding Pillar II requirements. The total minimum core tier 1 requirement for Danske Bank will be 10%. An additional countercyclical capital buffer of up to 2.5% may be imposed during periods of high loan growth.

We welcome the initiatives aimed at restoring trust in the financial system and are pleased that the Danish SIFI capital requirements will be on a par with requirements in comparable European countries and that the schedule for implementing the SIFI requirements is aligned with the main track in the EU. The final Danish SIFI capital requirements will be determined no later than 2017 and will, if necessary, be aligned with the level in comparable European countries.

Rangvid report

We acknowledge the extensive work documented in the Danish Rangvid report on the causes and consequences of the financial crisis in Denmark, and we want to contribute actively to the prevention of financial crises in the future. We also agree with the Rangvid Committee's conclusion that financial institutions should have higher capital and solvency levels, and we look forward to participating in further discussions of recommendations under the auspices of the Danish Bankers' Association.

LCR rules

Under the SIFI agreement, SIFIs must comply with the LCR requirement from 2015 onwards. The final requirement awaits the European Commission's decision on the definition of liquid assets in the LCR in 2014. At the end of December 2013, the EBA submitted its draft proposal of the definition to the Commission. The EBA recommends classifying bonds issued by sovereigns as assets of extremely high liquidity and credit quality and covered bonds as assets of high liquidity and credit quality. In terms of Basel regulation, level 1 assets are assets of extremely high liquidity and credit quality and level 2 assets are assets of high liquidity and credit quality.

If Danish covered bonds cannot be included in liquid assets to a sufficient extent, the LCR requirement for Danish SIFIs will be phased in gradually until 2018, as will the requirement for non-SIFIs.

CRD IV prescribes a gradual phasing-in of at least 60% of the full requirement in 2015, 70% in 2016, 80% in 2017, and 100% in 2018.

Other regulatory initiatives

Other key EU regulatory initiatives include an EU framework for the recovery and resolution of banks, an EU banking union, harmonisation of deposit guarantee scheme rules at the EU level, and a consideration of a possible separation of trading activities from banking activities (ring-fencing). These initiatives are currently subject to political debate. The outcomes are very uncertain, and it is still too early to assess the long-term effects on Danske Bank.

Expected timing of key regulatory initiatives

Expected timing
2014-2019

Gradual phase-in of CRR/CRD IV rules
New requirements for the quality and quantity of capital, liquidity measures and leverage reporting. Additional expected legislative proposals include changes to the large exposures framework and a new stable funding measure.

Expected timing
2014-2022

Danish SIFI rules
Expected to include higher capital requirements, a faster phase-in of liquidity measures, recovery and resolution plans, and stricter corporate governance.

Expected timing
2014-2018

EU framework for the recovery and resolution of banks
Bail-in rules on liability write-down sequence under insolvency, banks' minimum amount of "bail-inable" debt, and the financing of industry resolution funds.

Expected timing
2014-2019

EU banking union
A single supervisory mechanism, a single resolution mechanism and common deposit guarantee rules. Since Denmark has not decided whether to join the banking union, the effect on Danske Bank is uncertain.

Expected timing
2014-2016

Deposit guarantee scheme rules
Harmonisation at the EU level, including changes in the size of guarantee funds and contribution calculations. Clarification of the relation between guarantee schemes and resolution funds.

Expected timing
2015-2017

Separation of trading activities from banking activities
Possibilities range from "ring-fencing" proprietary trading and/or market making to a full separation of wholesale and investment banking activities from retail banking activities.

Investor Relations

The Investor Relations (IR) department is responsible for Danske Bank's communications with IR stakeholders, including equity and debt investors and analysts. In accordance with Danske Bank's overall policy of openness and transparency, Investor Relations ensures that stakeholders receive correct and adequate information through regular contact and the danskebank.com/ir website. In 2013, the website was ranked the top IR website in the financial industry as well as the No. 2 IR website overall both in Europe and worldwide by IR Global Rankings.

To support stakeholder relations, Investor Relations holds roadshows four times a year upon the release of the financial reports.

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

In 2013, investor events were held in the Nordic countries, other European countries, the US and Canada, and they attracted more than 600 investors.

Danske Bank shares

Danske Bank shares, which are listed on NASDAQ OMX Copenhagen, are included in a number of Danish and international equity indices, for example the OMX Copenhagen 20 Index (OMXC20). At the end of 2013, Danske Bank shares had an index weighting of about 8.7%.

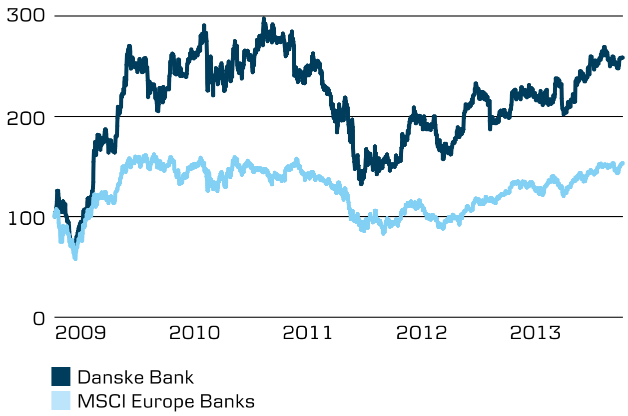
The share price rose from DKK 95.7 at 31 December 2012 to DKK 124.4 at 31 December 2013, an increase of 30%. In comparison, the OMXC20 index gained 32%, while the MSCI Europe Banks Index rose 21%.

DANSKE BANK SHARES	2013	2012
Share capital (DKK millions)	10,086	10,086
Share price (end of year)	124.4	95.7
Total market capitalisation (end of year) (DKK billions)	125	97
Earnings per share (DKK)	7.1	5.0
Dividend per share (DKK)	2.0	-
Book value per share (DKK)	145.6	138.0
Share price/book value per share	0.9	0.7

At the end of 2013, 30 equity analysts covered Danske Bank.

The average daily trading volume of Danske Bank shares was DKK 239.2 million, against DKK 133 million in 2012. Danske Bank shares were the third most actively traded shares on NASDAQ OMX Copenhagen.

DANSKE BANK SHARES
Index 2009 = 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, Danske Bank may distribute dividends only if they can be paid in full out of the net profit for the period. The loan agreement with the Danish state also stipulates an increase in the interest rate on the hybrid capital if annual dividend payments exceed DKK 5.5 billion.

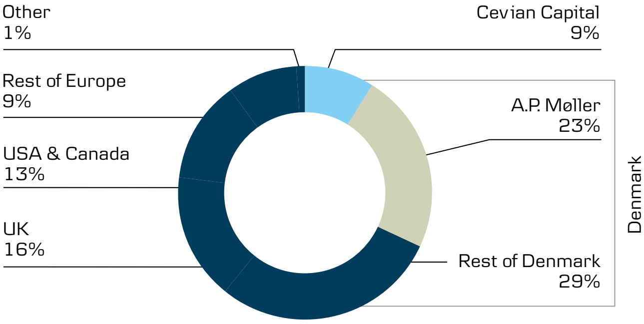
The Board of Directors is recommending that a dividend of DKK 2 per share be paid for 2013.

Shareholders

At the end of 2013, Danske Bank had about 303,000 shareholders. The 20 largest shareholders together owned about 51% of the share capital.

Danske Bank estimates that shareholders outside Denmark, mainly in the UK and the US, hold almost 48% of its share capital.

DANSKE BANK SHAREHOLDERS 2013



According to the Danish Companies Act, shareholders 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 also disclose changes in shareholdings if they exceed or fall below specified percentage thresholds. Two shareholder groups have notified Danske Bank that they hold more than 5% of the share capital:

- The A.P. Møller and Chastine Mc-Kinney Møller Foundation and companies of the A.P. Moller - Maersk Group, Copenhagen, hold 22.84% of the share capital.
- Cevian Capital II GP Limited, Jersey, represents 9.29% of the share capital.

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

At the end of 2012, Realdania, Copenhagen, held 10.07% of the share capital. In the first half of 2013, Realdania reduced its holding to less than 5% of the share capital.

At the end of 2013, Danske Bank itself held about 0.8% of the share capital. These shares are held to compensate employees in the form of conditional shares and share options granted under share programmes in previous years and for investments on behalf of Danica Pension policyholders and under pooled investment schemes.

Corporate Responsibility

Corporate responsibility (CR) remains an important part of Danske Bank's strategy. We want our customers and other stakeholders to feel confident that we manage our business with proper attention to environmental, social and governance (ESG) issues. This applies to credit granting, investing, responsible sourcing, and our contribution to financial stability in society and the economy in general. We consider responsible corporate governance a precondition for long-term value creation. In 2012, Danske Bank combined its policies on corporate responsibility, the environment and responsible investing into a single Responsibility Policy.

Corporate Responsibility 2013, the statutory report on corporate responsibility issued in accordance with section 99 (a) of the Danish Financial Statements Act, is published at the same time as the annual report and is available at danskebank.com/crreport.

Diversity in management

Danske Bank strives to maintain diversity and increase the number of women in management positions. More details about Danske Bank's efforts can be found at danskebank.com/crreport.

CR governance

The overall responsibility for Danske Bank's Responsibility Policy and CR programmes lies with the Group Responsibility Board. The board is chaired by the Head of Group Risk Management, who is a member of the Executive Board, and consists of decision makers from business units and relevant group functions. The board meets regularly to discuss corporate responsibility at the strategic level.

Responsible investing

We want to assure customers that their funds are not invested in companies that violate internationally recognised principles in the areas of human rights, employee rights, the environment and anti-corruption.

In 2014, we will explore the opportunities to further integrate the consideration of ESG risks in the investment process beyond the screening and simultaneously to provide customers with more transparency about these risks.

Creating a performance culture

We want to foster a strong performance culture in which everyone – by means of clear goals, cooperation and regular feedback – strives to give customers the best possible services every day. To support this effort, we have launched an extensive performance leadership development programme and a new performance appraisal system.

Accessibility

At Danske Bank, we want to make our products and services accessible for all customers. We have implemented several initiatives, such as eBanking courses and Step-by-step meetings for senior citizens that are intended to make it easier to be a customer at Danske Bank. In 2013, we held more than 50 Step-by-step meetings. They gave senior citizens basic knowledge about the public and private digital solutions available to them as well as the skills to use the solutions. Evaluations from the 3,000 participants showed that after the meetings, eight of 10 felt ready to try our digital solutions.

In order to make our digital solutions as accessible as possible, we developed a simplified version of Danske eBanking to supplement the full system. The simplified version consists only of basic features, such as account overviews, transfers and bill payments, in a clear and user-friendly layout.

Financial literacy

We believe that a higher level of financial literacy and education enriches the life of the individual and contributes to healthy economic growth in society.

We therefore develop advisory services, educational materials, online games, and much more to promote financial skills and knowledge about finance among children and young people. In 2013, we launched app versions of our popular Moneyville game for smartphones and tablets. Moneyville is intended for children aged five to nine and currently has 5.6 million users in eight countries.

Whistleblower system

Danske Bank wants to be an open and honest business, and we value the free flow of information. All employees are obliged by our Code of Conduct to report suspicious behaviour through our whistleblower system. All reports and questions are treated confidentially, and Danske Bank does not tolerate retribution against employees who report suspicious activity. A description of the whistleblower system is available in Corporate Responsibility 2013.

Reporting on Corporate Responsibility

Every year, we publish a separate report with detailed information about our CR initiatives and performance. As part of our ongoing commitment to transparent accountability, this year's CR report was reviewed by an independent external audit firm. Responsibility reporting comprises Corporate Responsibility 2013, CR Fact Book 2013, the Communication on Progress to the UN Global Compact (COP), and a Global Reporting Initiative (GRI G4) index. All the reports are available at danskebank.com/responsibility.

Danske Bank has a comprehensive portfolio of CR initiatives and projects. More information about them is available at danskebank.com/responsibility.

Organisation and management

General meeting

The general meeting is Danske Bank's highest decision-making authority.

In 2013, the annual general meeting was held on 18 March.

Danske Bank's Articles of Association, available at danskebank.com/articles-of-association, contain information about the notice of the general meeting, shareholders' rights to table proposals and to have special items added to the agenda, and admission and voting rights.

All shareholders have equal voting rights (one share equals one vote), and there are no limitations on holdings or voting rights.

Only the general meeting can amend the Articles of Association. Amendments require a two-thirds majority of the votes cast and 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

The Board currently consists of 13 members, eight elected by the general meeting and five elected by and among the employees.

Board members elected by the general meeting stand for election every year. Pursuant to Danish law, members elected by the employees serve on the Board of Directors for a four-year term. The five current employee representatives were elected in March 2010, and their term of office therefore expires in March 2014.

The Nomination Committee identifies and recommends candidates for the Board of Directors. Board candidates are nominated by the Board of Directors or the shareholders and are elected by the general meeting. The retirement age for board members is 70, which means that board members must retire at the first annual general meeting after they have reached the age of 70.

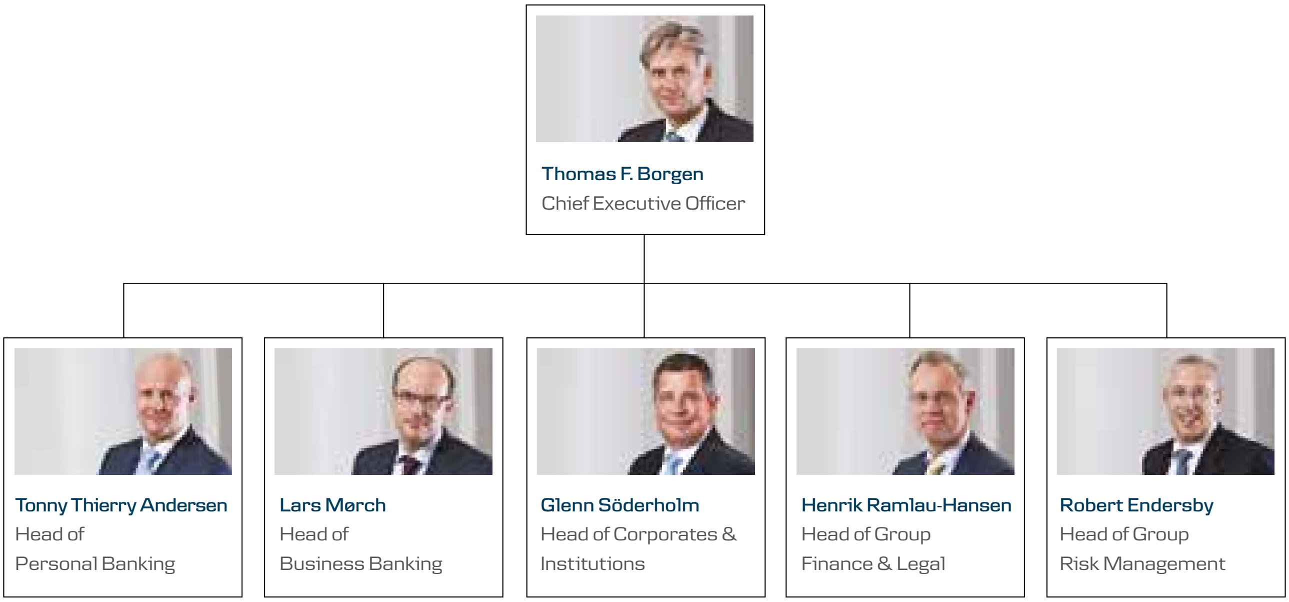
At the annual general meeting held on 18 March 2013, the members of the Board of Directors were re-elected with the exception of Michael Fairey, Mats Jansson and Majken Schultz, who did not stand for re-election. Majken Schultz, who had served on the Board of Directors since November 2000, no longer qualified as an independent member according to the recommendations of the Danish Corporate Governance Code. Lars Förberg, Carol Sergeant and Jim Hagemann Snabe were elected as new members of the Board of Directors.

Work of the Board of Directors in 2013

The internal governance framework was revised, and new rules of procedure for the Board of Directors and the Executive Board were adopted. New charters were adopted for all board committees as well.

In the fourth quarter, the Board of Directors carried out its annual evaluation of the performance and achievements of its members, both individually and collectively. To ensure anonymity, the evaluation was facilitated by an external consulting firm. All board members answered a comprehensive questionnaire and were interviewed by the consulting firm. The findings and conclusions were then presented to and discussed by the full Board of Directors. The chairman subsequently provided all board members with individual feedback.

Overall, the results of the 2013 evaluation were positive. The areas for improvement identified in



the 2012 evaluation (better utilisation of individual expertise, follow-up on strategy execution and succession planning) were all well addressed in 2013, and the Board of Directors will continue to work on its performance in these areas. The evaluation in 2013 identified only minor new areas that needed improvement, which the Board of Directors will seek to improve.

Executive Board

The Executive Board consists of Thomas F. Borgen, Chief Executive Officer; Tonny Thierry Andersen, Head of Personal Banking; Lars Mørch, Head of Business Banking; Glenn Söderholm, Head of Corporates & Institutions; Henrik Ramlau-Hansen, Chief Financial Officer and Head of Group Finance & Legal; and Robert Endersby, Chief Risk Officer and Head of Group Risk Management.

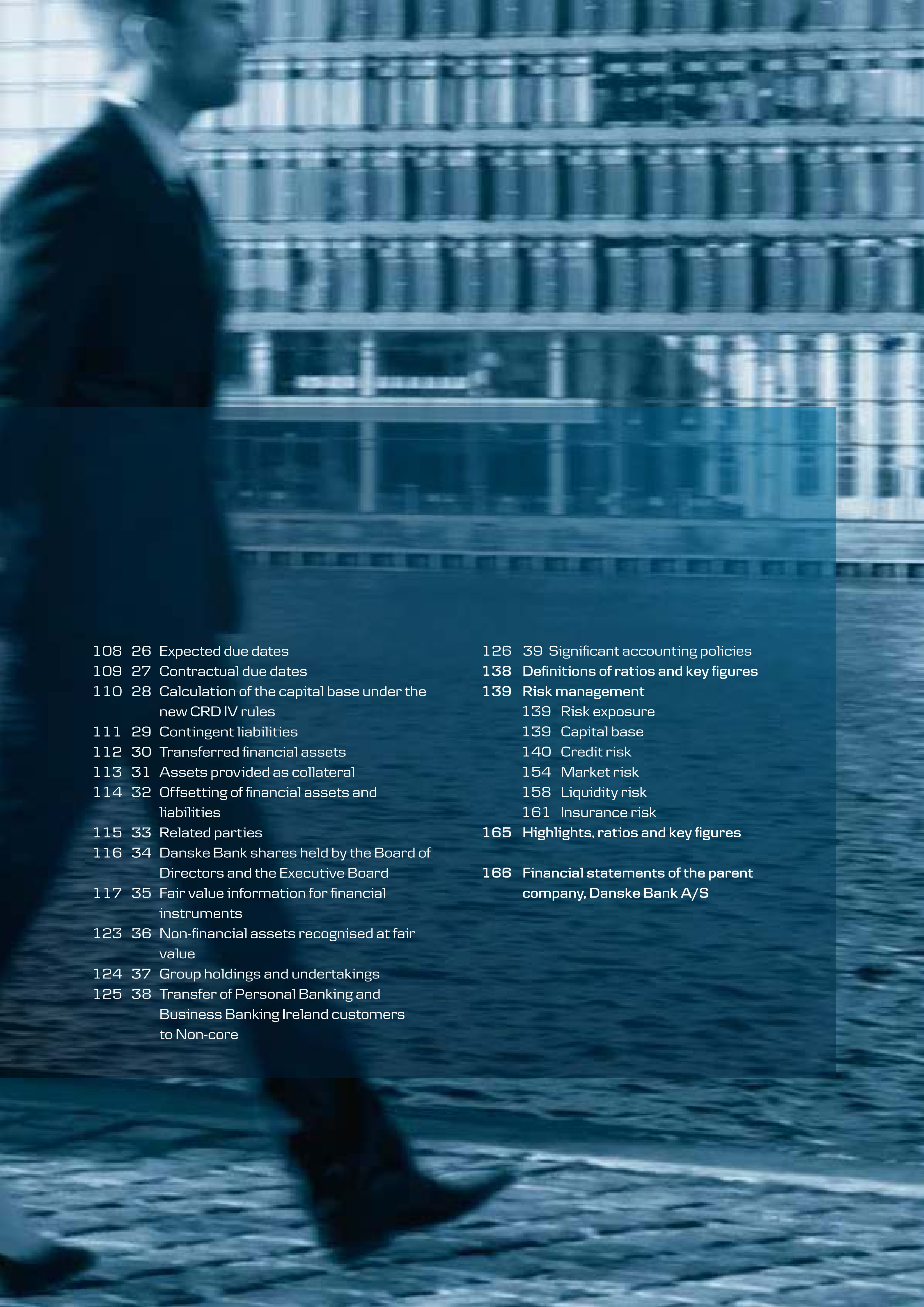
Corporate governance recommendations

Corporate governance recommendations issued by the Danish Committee on Corporate Governance can be found at corporategovernance.dk. All companies with shares traded on NASDAQ OMX Copenhagen A/S must comply with the recommendations or explain the reasons for non-compliance. Danske Bank complies with all the recommendations.

The statutory corporate governance report issued in accordance with section 107(b) of the Danish Financial Statements Act is available at danskebank.com/Cg report. The report includes an explanation of Danske Bank's status on all the recommendations.

In November 2013, the Danish Bankers Association published a management code of conduct applicable to all its member institutions. Danske Bank complies with all recommendations set out in the code of conduct.

Financial statements



Income statement – Danske Bank Group

Note	(DKK millions)	2013	2012
3	Interest income	71,632	77,939
3	Interest expense	38,200	42,985
	Net interest income	33,432	34,954
4	Fee income	13,231	12,168
4	Fee expenses	4,441	3,935
3	Net trading income	8,146	12,735
5	Other income	4,296	4,623
6	Net premiums	20,148	19,858
6	Net insurance benefits	32,537	31,089
7	Staff costs, administrative expenses, depreciation, amortisation and impairment charges	26,796	28,246
	Profit before loan impairment charges	15,479	21,068
9	Loan impairment charges	5,420	12,529
	Profit before tax	10,059	8,539
10	Tax	2,944	3,814
	Net profit for the year	7,115	4,725

	Portion attributable to		
	shareholders of Danske Bank A/S (the Parent Company)	7,115	4,721
	non-controlling interests	-	4
	Net profit for the year	7,115	4,725

	Earnings per share (DKK)	7.1	5.0
	Diluted earnings per share (DKK)	7.1	5.0
	Proposed dividend per share (DKK)	2.0	-

Statement of comprehensive income – Danske Bank Group

Note	(DKK millions)	2013	2012
	Net profit for the year	7,115	4,725
	Other comprehensive income		
	Items that will not be reclassified to profit or loss		
7	Remeasurement of defined benefit plans	25	-590
10	Tax	66	51
	Items that will not be reclassified to profit or loss	91	-539
	Items that are or may be reclassified subsequently to profit or loss		
	Translation of units outside Denmark	-544	472
	Hedging of units outside Denmark	462	-481
	Unrealised value adjustments of available-for-sale financial assets	980	605
	Realised value adjustments of available-for-sale financial assets	-19	125
10	Tax	-329	-88
	Items that are or may be reclassified subsequently to profit or loss	550	633
	Total other comprehensive income	641	94
	Total comprehensive income for the year	7,756	4,819
	Portion attributable to		
	shareholders of Danske Bank A/S (the Parent Company)	7,756	4,815
	non-controlling interests	-	4
	Total comprehensive income for the year	7,756	4,819

Balance sheet – Danske Bank Group

Note	(DKK millions)	2013	2012
	ASSETS		
11	Cash in hand and demand deposits with central banks	43,721	97,267
12	Due from credit institutions and central banks	131,381	200,646
13	Trading portfolio assets	695,723	812,927
14	Investment securities	161,917	107,724
15	Loans and advances at amortised cost	1,088,728	1,161,816
16	Loans at fair value	728,081	732,762
17	Assets under pooled schemes and unit-linked investment contracts	74,761	70,625
18	Assets under insurance contracts	246,484	241,343
19	Intangible assets	20,641	21,181
23	Tax assets	1,356	1,565
20	Other assets	34,263	37,093
	Total assets	3,227,057	3,484,949
	LIABILITIES		
21	Due to credit institutions and central banks	312,597	459,932
13	Trading portfolio liabilities	435,183	531,860
22	Deposits	943,901	929,092
16	Bonds issued by Realkredit Danmark	614,196	614,325
17	Deposits under pooled schemes and unit-linked investment contracts	81,882	78,741
18	Liabilities under insurance contracts	262,468	266,938
24	Other issued bonds	310,178	340,005
23	Tax liabilities	9,039	8,158
20	Other liabilities	45,736	50,109
25	Subordinated debt	66,219	67,785
	Total liabilities	3,081,400	3,346,945
	SHAREHOLDERS' EQUITY		
	Share capital	10,086	10,086
	Foreign currency translation reserve	-277	-195
	Reserve for available-for-sale financial assets	-562	-1,523
	Retained earnings	134,393	129,632
	Proposed dividends	2,017	-
	Shareholders of Danske Bank A/S (the Parent Company)	145,657	138,000
	Non-controlling interests	-	4
	Total shareholders' equity	145,657	138,004
	Total liabilities and equity	3,227,057	3,484,949

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 2013	10,086	-195	-1,523	129,862	-	138,230	4	138,234
Changed recognition of defined benefit plans	-	-	-	-230	-	-230	-	-230
Restated shareholders' equity at 1 January 2013	10,086	-195	-1,523	129,632	-	138,000	4	138,004
Net profit for the year	-	-	-	7,115	-	7,115	-	7,115
Other comprehensive income								
Remeasurement of defined benefit plans	-	-	-	25	-	25	-	25
Translation of units outside Denmark	-	-544	-	-	-	-544	-	-544
Hedging of units outside Denmark	-	462	-	-	-	462	-	462
Unrealised value adjustments	-	-	980	-	-	980	-	980
Realised value adjustments	-	-	-19	-	-	-19	-	-19
Tax	-	-	-	-263	-	-263	-	-263
Total other comprehensive income	-	-82	961	-238	-	641	-	641
Total comprehensive income for the year	-	-82	961	6,877	-	7,756	-	7,756
Transactions with owners								
Dividends paid	-	-	-	-	-	-	-4	-4
Proposed dividends	-	-	-	-2,017	2,017	-	-	-
Acquisition of own shares	-	-	-	-16,948	-	-16,948	-	-16,948
Sale of own shares	-	-	-	16,769	-	16,769	-	16,769
Share-based payments	-	-	-	113	-	113	-	113
Tax	-	-	-	-33	-	-33	-	-33
Shareholders' equity at 31 December 2013	10,086	-277	-562	134,393	2,017	145,657	-	145,657
Shareholders' equity at 1 January 2012	9,317	-186	-2,253	118,917	-	125,795	60	125,855
Changed recognition of defined benefit plans	-	-	-	333	-	333	-	333
Restated shareholders' equity at 1 January 2012	9,317	-186	-2,253	119,250	-	126,128	60	126,188
Net profit for the year	-	-	-	4,721	-	4,721	4	4,725
Other comprehensive income								
Remeasurement of defined benefit plans	-	-	-	-590	-	-590	-	-590
Translation of units outside Denmark	-	472	-	-	-	472	-	472
Hedging of units outside Denmark	-	-481	-	-	-	-481	-	-481
Unrealised value adjustments	-	-	605	-	-	605	-	605
Realised value adjustments	-	-	125	-	-	125	-	125
Tax	-	-	-	-37	-	-37	-	-37
Total other comprehensive income	-	-9	730	-627	-	94	-	94
Total comprehensive income for the year	-	-9	730	4,094	-	4,815	4	4,819
Transactions with owners								
Dividends paid	-	-	-	-	-	-	-10	-10
Share capital increase	769	-	-	6,381	-	7,150	-	7,150
Share offering costs	-	-	-	-35	-	-35	-	-35
Acquisition of own shares	-	-	-	-19,399	-	-19,399	-	-19,399
Sale of own shares	-	-	-	19,179	-	19,179	-	19,179
Share-based payments	-	-	-	219	-	219	-	219
Disposal of non-controlling interests	-	-	-	0	-	-	-50	-50
Tax	-	-	-	-57	-	-57	-	-57
Shareholders' equity at 31 December 2012	10,086	-195	-1,523	129,632	-	138,000	4	138,004

Statement of capital – Danske Bank Group

(DKK millions)	2013	2012

Dividend

The Board of Directors is proposing a dividend of DKK 2.00 per share of DKK 10 each, or a total of DKK 2,017 million, out of the net profit for the Parent Company of DKK 7,802 million.

Earnings per share		
Net profit for the year	7,115	4,725
Number of shares issued at 1 January	1,008,620,000	931,739,034
Average number of own shares held by the Group	7,951,079	5,992,048
Average number of shares outstanding prior to capital increase	1,000,668,921	925,746,986
Average number of shares issued through capital increase	-	13,023,552
Adjusted average number of shares outstanding after capital increase	1,000,668,921	938,770,538
Number of dilutive shares issued for share-based payments	281,753	-
Adjusted average number of shares outstanding after capital increase, including dilutive shares	1,000,950,674	938,770,538
Earnings per share (DKK)	7.1	5.0
Diluted earnings per share (DKK)	7.1	5.0

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	1,008,620,000	1,008,620,000
Holding of own shares	8,202,622	6,925,419
Shares outstanding at 31 December	1,000,417,378	1,001,694,581

Holding of own shares	Number 2013	Number 2012	Value 2013	Value 2012
Trading portfolio	4,327,375	3,333,343	538	318
Investment on behalf of customers	3,875,247	3,592,076	482	344
Total	8,202,622	6,925,419	1,020	662

	Trading portfolio	Investment on behalf of customers	Total 2013	Total 2012
Holding at 1 January	318	344	662	338
Acquisition of own shares	16,837	111	16,948	19,399
Sale of own shares	16,683	86	16,769	19,179
Value adjustment	66	113	179	104
Holding at 31 December	538	482	1,020	662

The Board of Directors is authorised to let Danske Bank acquire own shares up to a total nominal amount of 10% of the 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

(DKK millions)	2013	2012
Capital base and total capital ratio		
Shareholders' equity	145,657	138,004
Revaluation of domicile property at fair value	1,177	1,048
Tax effect	-241	-62
Reserves in undertakings consolidated on a pro rata basis	3,002	3,002
Shareholders' equity calculated in accordance with the rules of the Danish FSA	149,595	141,992
Proposed dividends	-2,017	-
Intangible assets of banking operations	-20,763	-21,279
Deferred tax assets	-972	-1,389
Deferred tax on intangible assets	509	642
Revaluation of domicile property	-596	-642
Other statutory deductions	-247	-227
Core tier 1 capital	125,509	119,097
Hybrid capital	39,953	40,248
Difference between impairment charges and expected losses	-	-
Statutory deduction for insurance subsidiaries	-3,930	-4,292
Other statutory deductions	-18	-19
Tier 1 capital	161,514	155,034
Subordinated debt, excluding hybrid capital	23,823	23,009
Revaluation of domicile property	596	642
Difference between impairment charges and expected losses	-	-
Statutory deduction for insurance subsidiaries	-3,930	-4,292
Other statutory deductions	-18	-19
Capital base	181,985	174,374
Risk-weighted assets		
Credit risk (IRB approach)	493,880	438,261
Credit risk (standardised approach)	189,768	195,839
Counterparty risk	35,780	50,361
Total credit risk	719,428	684,461
Market risk	61,662	59,789
Operational risk	71,160	75,186
Total risk-weighted assets	852,250	819,436
Core tier 1 capital ratio (%)	14.7	14.5
Tier 1 capital ratio (%)	19.0	18.9
Total capital ratio (%)	21.4	21.3

The capital base and risk-weighted assets are calculated in accordance with the Danish Financial Business Act. Risk-weighted assets calculated under the Basel I rules amounted to DKK 1,368,520 million at 31 December 2013 (31 December 2012: DKK 1,411,357 million). The capital need under the transitional rules was DKK 87,585 million, equal to 6.4% of risk-weighted assets under the Basel I rules (31 December 2012: DKK 90,327 million).

Risk Management 2013 provides more details about the Group's capital base and risk-weighted assets. Risk Management 2013 is not covered by the statutory audit.

With effect from 1 January 2014, the capital base and risk-weighted assets must be calculated in accordance with the EU Capital Requirements Regulation (CRR). The effect is shown in note 28.

Cash flow statement – Danske Bank Group

(DKK millions)	2013	2012
Cash flow from operations		
Profit before tax	10,059	8,539
Tax paid	-1,705	-1,908
Adjustment for non-cash operating items	6,615	15,013
Total	14,969	21,644
Changes in operating capital		
Cash in hand and demand deposits with central banks	-147,278	68,077
Trading portfolio	20,526	-69,224
Other financial instruments at fair value	-58,394	-2,944
Loans and advances at amortised cost	67,668	-47,863
Loans at fair value	4,681	-12,021
Deposits	14,810	80,098
Bonds issued by Realkredit Danmark	-129	56,626
Assets/liabilities under insurance contracts	-9,610	7,297
Other assets/liabilities	-29,437	-19,044
Cash flow from operations	-122,194	82,646
Cash flow from investing activities		
Acquisition/sale of businesses	4	276
Acquisition/sale of own shares	-179	-220
Acquisition of intangible assets	-349	-395
Acquisition/sale of tangible assets	-268	-138
Cash flow from investing activities	-792	-477
Cash flow from financing activities		
Increase/redemption of subordinated debt and hybrid capital	233	732
Dividends	-	-
Share capital increase	-	7,115
Change in non-controlling interests	-4	-56
Cash flow from financing activities	229	7,791
Cash and cash equivalents at 1 January	296,257	206,297
Change in cash and cash equivalents	-122,757	89,960
Cash and cash equivalents, end of period	173,500	296,257
Cash and cash equivalents at 31 December		
Cash in hand and demand deposits with central banks	43,721	97,268
Amounts due from credit institutions and central banks within three months	129,779	198,989
Total	173,500	296,257

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 **Significant accounting estimates**

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 39 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 presented in the following sections.

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

Fair value measurement of financial instruments

Significant estimates are not used for measuring the fair value of financial instruments where the value is based on prices quoted in an active market or 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. A credit spread widening of 50bp at end-2013 would have caused the fair value of the bonds to decrease DKK 19 million (31 December 2012: DKK 14 million).

For derivatives where the value is not based on prices quoted in an active market, the Group makes fair value adjustments at portfolio level to cover model risk and bid-offer spreads. At end-2013, fair value adjustments amounted to DKK 0.3 billion (31 December 2012: DKK 0.3 billion).

Note 35 provides more details.

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 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 3.9 billion (2012: DKK 5.5 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 2.6 billion (2012: DKK 3.0 billion). The notes on risk management provide more details on impairment charges for loans and advances. At end-2013, loans and advances accounted for about 56% of total assets (31 December 2012: 54%).

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 risk-adjusted required rate of return. If this rate were increased by 1 percentage point, goodwill would decrease DKK 0.3 billion (31 December 2012: DKK 1.2 billion). Note 19 provides more information about impairment tests and sensitivity to changes in impairment test assumptions. At end-2013, goodwill amounted to DKK 18.5 billion (31 December 2012: DKK 18.5 billion), with goodwill allocated to Business Banking Estonia accounting for DKK 2.1 billion (31 December 2012: DKK 2.1 billion). Goodwill allocated to this business unit is particularly sensitive to changes in impairment test assumptions.

Measurement of liabilities under insurance contracts

Measurement of liabilities under insurance contracts is based on a number of actuarial computations that rely on assumptions about a number of variables, including mortality and disability rates. Assumptions 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. Note 18 provides more information. If the discount rate were lowered one percentage point, life insurance provisions would increase by DKK 2.6 billion. The risk management notes contain more information about sensitivity analyses.

Recognition of deferred tax

Recognition of deferred tax requires management to assess the probability and amount of future profit. Deferred tax assets arising from unused tax losses are recognised to the extent that such losses can be offset against tax on future profit. At end-2013, deferred tax assets from recognised tax loss carryforwards stood at DKK 0.6 billion (31 December 2012: DKK 1.1 billion). The tax base of unrecognised tax loss carryforwards, relating primarily to the Group's banking operations in Ireland, amounted to DKK 3.5 billion (31 December 2012: DKK 2.9 billion). The full deferred tax liability arising from international joint taxation was recognised and amounted to DKK 5.9 billion (31 December 2012: DKK 5.0 billion). Note 23 provides more information about deferred tax.

Notes – Danske Bank Group

Note

1 (cont'd)

Classification of financial instruments and obligations under insurance contracts

Financial instruments account for more than 95% of total assets and liabilities. A portion of financial assets relates to investments made under insurance contracts. The following sections provide a general description of the classification and measurement principles for financial instruments and obligations under insurance contracts, as this is of considerable relevance to readers of the financial statements.

Financial instruments – general

The following section describes the general classification and measurement of financial instruments. The classification is shown in the table below.

Financial instruments and obligations under insurance contracts, classification and measurement

	Fair value				Amortised cost			
	Directly through profit or loss							
(DKK billions)	Held-for-trading	Designated	Interest rate hedge*	Available-for-sale	Hold-to maturity	Loans and adv.	Liabilities	Total
ASSETS								
Cash in hand and demand deposits with central banks	-	-	-	-	-	44	-	44
Due from credit institutions and central banks	-	-	-	-	-	131	-	131
Derivatives	228	-	22	-	-	-	-	250
Bonds	439	40	-	62	57	-	-	598
Shares	7	3	-	-	-	-	-	10
Loans and advances at amortised cost	-	-	2	-	-	1,087	-	1,089
Loans at fair value	-	728	-	-	-	-	-	728
Assets under pooled schemes and unit-linked investment contracts	-	75	-	-	-	-	-	75
Assets under insurance contracts	-	213	-	-	-	-	-	213
Total financial assets, 2013	674	1,059	24	62	57	1,262	-	3,138
Total financial assets, 2012	774	1,051	42	66	7	1,457	-	3,397
LIABILITIES								
Due to credit institutions and central banks	-	-	-	-	-	-	313	313
Trading portfolio liabilities	426	-	9	-	-	-	-	435
Deposits	-	-	-	-	-	-	944	944
Bonds issued by Realkredit Danmark	-	614	-	-	-	-	-	614
Deposits under pooled schemes and unit-linked investment contracts	-	82	-	-	-	-	-	82
Liabilities under insurance contracts**	-	262	-	-	-	-	-	262
Other issued bonds	-	-	9	-	-	-	301	310
Subordinated debt	-	-	2	-	-	-	64	66
Loan commitments and guarantees	-	-	-	-	-	-	1	1
Total financial liabilities, 2013	426	958	20	-	-	-	1,623	3,027
Total financial liabilities, 2012	520	960	31	-	-	-	1,779	3,290

* 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.

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

Notes – Danske Bank Group

Note

1 (cont'd)

Loans and financial liabilities

Loans and non-derivative financial liabilities are generally measured at amortised cost. Loans granted under Danish mortgage finance law and the issued mortgage bonds funding these loans are measured using the fair value option, however.

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. Such loans and bonds are granted and issued by the Realkredit Danmark subsidiary only.

The Group buys and sells own bonds issued by Realkredit Danmark on an ongoing basis because the bonds play an important role in the Danish money market. If the loans and bonds were measured at amortised cost, the purchase and sale of own mortgage bonds would create 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.

The fair value of bonds issued by Realkredit Danmark is normally equal to 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. Changes in the fair value of issued bonds cause corresponding changes to be made to the fair value of the loans. Consequently, changes to the fair value of issued bonds, including as a result of changes to own credit risk, do not affect net profit or loss. Changes to the fair value of loans as a result of changes to the credit risk on borrowers are reflected in Loan impairment charges in the income statement.

Securities

Securities are generally measured at fair value through profit or loss and are classified as either trading portfolio assets or using the fair value option. Certain bond portfolios are held for the purpose of generating a return until maturity. These portfolios are measured at amortised cost and are classified as hold-to-maturity investments. Owing to significant distortion of the pricing of bonds, in 2008, the Group reclassified bonds in the held-for-trading category as available-for-sale financial assets. This is the only time the Group has used the available-for-sale valuation method. The bonds are measured at fair value. Unrealised fair value adjustments are recognised in Other comprehensive income, whereas impairment charges are recognised in the income statement.

Trading portfolio assets and liabilities

The trading portfolio includes financial assets acquired for sale in the near term. The trading portfolio also contains collectively managed financial assets for which a pattern of short-term profit taking exists. Trading portfolio liabilities consist of derivatives and obligations to repurchase securities. All derivatives, including bifurcated embedded derivatives and derivatives used for hedging, are measured at fair value and recognised under the trading portfolio.

Securities designated at fair value

Other financial assets designated at fair value include securities that are managed on a fair value basis with no short-term profit taking. This category consists mainly of securities purchased as part of the investment of insurance customer funds and recognised in the balance sheet under Assets under insurance contracts. Other securities portfolios managed on a fair value basis are recognised in the balance sheet under Investment securities.

For both trading portfolio assets and securities designated at fair value, realised and unrealised capital gains and losses and dividends are carried in the income statement under Net trading income.

Hold-to-maturity bonds

This category consists of bonds not managed on a fair value basis and held for the purpose of generating a return until maturity. The bonds are measured at amortised cost. The Group increased its use of this category in 2013.

Hedge accounting

The Group uses derivatives to hedge the interest rate risk on most fixed-rate assets and fixed-rate liabilities measured at amortised cost 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-2013, hedging derivatives measured at fair value accounted for about 0.7% of total assets and about 0.3% of total liabilities (31 December 2012: 1.1% and 0.4%, respectively).

Future adjustments to the measurement of financial instruments

In November 2013, the IASB issued amendments to IFRS 9 Financial Instruments. The standard now provides principles for classification and derecognition of financial instruments and includes the new general hedge accounting model. The IASB has released proposals to expand IFRS 9 to add new requirements for classification of financial instruments and impairment of financial assets. These proposals are expected to be finalised in 2014. IASB is also working on a new macro hedge accounting model.

When these new requirements are completed, an effective date will be added, and IFRS 9 will be a complete replacement of IAS 39. The EU has decided to postpone adoption of the amended IFRS 9 until all details of the standard are

Notes – Danske Bank Group

Note

1 (cont'd) known. Meaningful classification etc. of financial instruments is not possible without information about the future parts of IFRS 9 to clarify the overall accounting effects of the standard.

Note 39, Significant accounting policies, describes IFRS 9 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, income from unit-linked business and 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 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 risk 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 other similar assets.

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 (part of Corporates & Institutions) and Group Treasury (part of Other Activities) is recognised in the consolidated income statement under Net trading income and Net interest income etc., but is recognised in the financial highlights as a total under Net trading income. The interest income on the hold-to-maturity portfolio in Group Treasury is presented as interest income in the financial highlights, however. Net income from insurance business is presented on a single line in the financial highlights. As part of the new strategy launched in June 2012, the non-core activities, which consist of Irish property exposures and securitisation transactions (conduits), were transferred to a separate business unit. The profit or loss on non-core activities is presented as a separate line item in the financial highlights, whereas the individual income and expense items are included in the various income statement items in the consolidated financial statements.

Notes – Danske Bank Group

Note

2 **Business model and business segmentation**

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 and among the largest banks in Northern Ireland and Finland.

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.

Personal Banking serves personal and private banking customers. The unit focuses on offering innovative digital solutions aimed at making day-to-day banking simple and efficient and on providing proactive advice to customers with more complex finances.

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

Corporates & Institutions is a leading provider of wholesale banking services to the largest institutional and corporate customers in the Nordic region. Products and services include cash management services; trade finance solutions; custody services; equity, bond, foreign exchange and derivatives products; corporate finance; and acquisition finance.

Danske Capital develops and sells asset and wealth management products and services that are marketed through Personal Banking and directly to businesses, institutional clients and third-party distributors. Danske Capital also supports the advisory and asset management activities of Personal Banking.

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 channels in the Group, primarily Personal Banking and Danica Pension's own insurance brokers and advisers. Danica Pension offers unit-linked products that allow customers to select their own investment profiles and the return on savings depends on market trends. Danica Pension also offers *Danica Traditionel*. This product does not offer individual investment profiles, and Danica Pension sets the rate of interest on policyholders' savings.

Other Activities encompasses Group Treasury, Group IT, Group Services and eliminations, including the elimination of returns on own shares. Group Treasury is responsible for the Group's liquidity management and funding.

Non-core includes certain customer segments that are no longer considered part of the core business. The Non-core unit is responsible for the controlled winding-up of this part of the loan portfolio. Existing exposures are either wound up or divested.

Capital is allocated to the individual business units on the basis of each 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 requirements. Capital is allocated to the insurance business in compliance with these 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 prices. 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 are broken down into business unit operations and presented in the business unit sections.

Notes – Danske Bank Group

Note (DKK millions)

2 **Business segments 2013**

(cont'd)	Personal Banking	Business Banking	C&I	Danske Capital	Danica Pension	Other Activities	Non-core	Elimina-tions	Total	Reclassi-fication	Highlights
Net interest income	11,160	8,908	7,361	-38	5,319	483	102	137	33,432	-11,187	22,245
Net fee income	4,250	1,937	1,347	2,186	-878	-66	14	-	8,790	735	9,525
Net trading income	659	763	-292	15	8,537	-1,292	3	-247	8,146	-2,328	5,818
Other income	667	1,816	18	1	1,329	601	2	-138	4,296	-2,968	1,328
Net premiums	-	-	-	-	20,148	-	-	-	20,148	-20,148	-
Net insurance benefits	-	-	-	-	32,537	-	-	-	32,537	-32,537	-
Net income from insurance business	-	-	-	-	-	-	-	-	-	1,088	1,088
Total income	16,736	13,424	8,434	2,164	1,918	-273	121	-249	42,275	-2,271	40,004
Expenses	12,103	6,893	4,588	1,033	830	1,185	303	-139	26,796	-2,453	24,343
Profit before loan impairment charges	4,633	6,531	3,846	1,131	1,088	-1,458	-182	-110	15,479	182	15,661
Loan impairment charges	1,935	1,779	473	-	-	-	1,233	-	5,420	-1,233	4,187
Profit before tax, core	2,698	4,752	3,373	1,131	1,088	-1,458	-1,415	-110	10,059	1,415	11,474
Profit before tax, Non-core										-1,415	-1,415
Profit before tax	2,698	4,752	3,373	1,131	1,088	-1,458	-1,415	-110	10,059	-	10,059
Loans and advances, excluding reverse transactions	814,865	591,144	151,996	296	-	25,562	25,752	-31,218	1,578,397	-25,752	1,552,645
Other assets	198,919	282,207	3,700,177	15,376	328,409	1,697,091	5,766	-4,579,285	1,648,660	-51	1,648,609
Assets in Non-core										25,803	25,803
Total assets	1,013,784	873,351	3,852,173	15,672	328,409	1,722,653	31,518	-4,610,503	3,227,057	-	3,227,057
Deposits, excluding repo deposits	348,948	265,347	173,655	219	-	10,124	4,885	-10,024	793,154	-4,885	788,269
Other liabilities	632,120	563,966	3,647,354	12,895	316,338	1,699,158	16,895	-4,600,480	2,288,246	-117	2,288,129
Allocated capital	32,715	44,038	31,165	2,558	12,071	13,371	9,739	-	145,657	-	145,657
Liabilities in Non-core	-	-	-	-	-	-	-	-	-	5,002	5,002
Total liabilities and equity	1,013,784	873,351	3,852,173	15,672	328,409	1,722,653	31,518	-4,610,503	3,227,057	-	3,227,057
Internal income	-2,300	-1,243	-1,511	436	371	4,504	-256	-	-		
Impairment charges goodwill	-	-	-	-	-	-	-	-	-		
Profit before tax as % of allocated capital (avg.)	8.7	10.6	10.7	44.2	9.3	-12.4	-16.5	-	6.9		
Cost/income ratio (%)	72.3	51.3	54.4	47.7	43.3	-433.6	250.4	-	63.4		
Full-time-equivalent staff (end of year)	6,934	3,769	1,565	504	766	5,506	78	-	19,122		

In its financial highlights, Danske Bank recognises earnings contributed by Danske Markets (part of C&I) and Group Treasury (part of Other Activities) as net trading income with the exception of interest income on the hold-to-maturity portfolio. Earnings contributed by Danica Pension are recognised as net income from insurance business, and earnings from Non-core activities as profit before tax, Non-core. Operating lease costs, excluding property leasing, are presented on a net basis under Other income. The Reclassification column shows the adjustments made to the detailed figures in the calculation of the highlights.

Internal income and expenses are allocated to the individual segments on an arm's-length basis. 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.

Notes – Danske Bank Group

Note (DKK millions)

2 **Business segments 2012**

(cont'd)	Personal Banking	Business Banking	C&I	Danske Capital	Danica Pension	Other Activities	Non-core	Elimina-tions	Total	Reclassi-fication	Highlights
Net interest income	11,672	9,243	6,884	-25	5,701	995	305	179	34,954	-12,176	22,778
Net fee income	3,730	2,149	1,441	1,945	-959	-99	26	-	8,233	633	8,866
Net trading income	819	479	3,054	-4	9,171	-495	-8	-277	12,735	-2,173	10,562
Other income	608	2,146	18	1	344	1,639	-	-133	4,623	-3,338	1,285
Net premiums	-	-	-	-	19,858	-	-	-	19,858	-19,858	-
Net insurance benefits	-	-	-	-	31,089	-15	-	15	31,089	-31,089	-
Net income from insurance business	-	-	-	-	-	-	-	-	-	2,171	2,171
Total income	16,829	14,017	11,397	1,917	3,027	2,020	323	-216	49,314	-3,652	45,662
Expenses	12,430	7,131	4,307	982	857	2,397	275	-133	28,246	-3,604	24,642
Profit before loan impairment charges	4,399	6,886	7,090	935	2,170	-377	48	-83	21,068	-48	21,020
Loan impairment charges	2,749	3,825	1,160	-	-	-54	4,849	-	12,529	-4,849	7,680
Profit before tax, core	1,650	3,061	5,930	935	2,170	-323	-4,801	-83	8,539	4,801	13,340
Profit before tax, Non-core										-4,801	-4,801
Profit before tax	1,650	3,061	5,930	935	2,170	-323	-4,801	-83	8,539	-	8,539
Loans and advances, excluding reverse transactions	862,630	621,591	159,169	210	-	13,978	33,104	-16,922	1,673,760	-33,104	1,640,656
Other assets	173,664	236,417	4,281,180	16,458	323,925	1,498,977	3,481	-4,722,913	1,811,189	4	1,811,193
Assets in Non-core	-	-	-	-	-	-	-	-	-	33,100	33,100
Total assets	1,036,294	858,008	4,440,349	16,668	323,925	1,512,955	36,585	-4,739,835	3,484,949	-	3,484,949
Deposits, excluding repo deposits	360,175	263,976	162,817	155	-	8,957	4,885	-12,458	788,507	-4,885	783,622
Other liabilities	644,630	548,964	4,246,421	14,144	312,218	1,496,269	23,168	-4,727,377	2,558,438	54	2,558,492
Allocated capital	31,488	45,068	31,112	2,369	11,707	7,729	8,532	-	138,004	-	138,004
Liabilities in Non-core	-	-	-	-	-	-	-	-	-	4,831	4,831
Total liabilities and equity	1,036,294	858,008	4,440,349	16,668	323,925	1,512,955	36,585	-4,739,835	3,484,949	-	3,484,949
Internal income	-2,773	-10,840	9,608	561	525	3,292	-373		-		
Impairment charges goodwill	-	-	-	-	-	-	-	-	-		
Profit before tax as % of allocated capital (avg.)	5.2	6.8	19.1	39.5	18.5	-4.2	-56.3	-	6.2		
Cost/income ratio (%)	73.9	50.9	37.8	51.2	28.3	118.7	85.1	-	57.3		
Full-time-equivalent staff (end of year)	8,016	3,772	1,499	481	799	5,466	93		20,126		

Notes – Danske Bank Group

Note	(DKK millions)	2013	2012
2	**Income broken down by type of product**		
(cont'd)	Business banking	11,598	13,625
	Home finance and savings	9,973	11,439
	Trading	5,440	9,598
	Day-to-day banking	5,669	5,101
	Wealth management	3,636	3,498
	Leasing	4,540	2,100
	Insurance	1,941	3,136
	Other	-522	817
	Total	42,275	49,314

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, 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

The geographical segmentation of income from external customers is shown in compliance with IFRSs and does not reflect the Group's management structure. The geographical segmentation below reflects the customer's country of residence, except trading income, which is broken down by the country in which the activities are carried out. Management believes that the business segmentation provides a more informative description of the Group's activities.

Income from external customers	2013	2012
Denmark	21,608	24,733
Finland	5,048	4,759
Sweden	5,876	7,821
Norway	5,170	5,947
Ireland	1,074	1,196
UK	2,064	2,603
Other	1,435	2,255
Total	42,275	49,314

Notes – Danske Bank Group

Note (DKK millions)

3 **Net interest and net trading income**

Interest income and expenses arising from financial instruments measured at amortised cost are recognised 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. The interest rate risk on most financial portfolios recognised at amortised cost is hedged by derivatives using fair value hedge accounting. Changes to the hedged interest rate risk during the year are recognised under net trading income from the hedged balance sheet items, whereas value adjustments of hedging derivatives are recognised under net trading income from the trading portfolio. Note 13 provides more information on hedge accounting.

Interest income and expenses arising from financial instruments measured at fair value also include origination fees on loans measured at fair value at origination but not interest on assets and deposits under pooled schemes and unit-linked investment contracts; the latter is recognised under Net trading income. Realised and unrealised capital gains and losses on financial instruments measured at fair value are recognised under Net trading income. Fair value adjustments of the credit risk on loans measured at fair value and subject to individual impairment are recognised under Loan impairment charges, however. Dividends are also recognised under Net trading income.

The table below shows interest income, interest expense and net trading income broken down by balance sheet item and by portfolios of financial instruments measured at amortised cost or fair value.

2013	Interest income	Interest expense	Net interest income	Net trading income	Total
Financial portfolios at amortised cost					
Due from/to credit institutions and central banks	694	681	13	9	22
Repo and reverse transactions	1,599	2,018	-419	-	-419
Loans, advances and deposits	28,354	6,425	21,929	-1,232	20,697
Hold-to-maturity investments	184	-	184	-	184
Other issued bonds	-	7,869	-7,869	6,188	-1,681
Subordinated debt	-	4,316	-4,316	2,075	-2,241
Other financial instruments	183	422	-239	-	-239
Total	31,014	21,731	9,283	7,040	16,323
Financial portfolios at fair value					
Loans at fair value and bonds issued by Realkredit Danmark	23,103	16,468	6,635	-	6,635
Trading portfolio and investment securities	13,257	-	13,257	-7,894	5,363
Assets and deposits under pooled schemes and unit-linked investment contracts	-	-	-	-181	-181
Assets and liabilities under insurance contracts	4,258	-	4,258	9,182	13,440
Total	40,618	16,468	24,150	1,107	25,257
Total net interest and net trading income	71,632	38,200	33,432	8,146	41,580

Notes – Danske Bank Group

Note (DKK millions)

3 (cont'd) 2012	Interest income	Interest expense	Net interest income	Net trading income	Total
Financial portfolios at amortised cost					
Due from/to credit institutions and central banks	1,260	593	667	-8	659
Repo and reverse transactions	2,622	2,733	-111	-	-111
Loans, advances and deposits	34,202	7,905	26,297	637	26,934
Hold-to-maturity investments	256	-	256	-	256
Other issued bonds	-	8,880	-8,880	-3,890	-12,770
Subordinated debt	-	4,397	-4,397	605	-3,792
Other financial instruments	184	530	-346	-	-346
Total	38,524	25,038	13,486	-2,656	10,830
Financial portfolios at fair value					
Loans at fair value and bonds issued by Realkredit Danmark	23,952	17,946	6,006	-	6,006
Trading portfolio and investment securities	10,987	-	10,987	6,806	17,793
Assets and deposits under pooled schemes and unit-linked investment contracts	-	-	-	-192	-192
Assets and liabilities under insurance contracts	4,477	-	4,477	8,777	13,254
Total	39,416	17,946	21,470	15,391	36,861
Total net interest and net trading income	77,939	42,985	34,954	12,735	47,691

Net trading income includes dividends from shares of DKK 3,924 million (2012: DKK 2,270 million) and foreign exchange adjustments of DKK 1,603 million (2012: DKK 1,103 million).

Net trading income from insurance contracts includes the return on assets of DKK 15,160 million (2012: DKK 20,029 million), adjustment of additional provisions of DKK -5,099 million (2012: DKK -7,565 million), adjustment of collective bonus potential of DKK -275 million (2012: DKK -477 million) and tax on pension returns of DKK –604 million (2012: DKK -3,210 million).

Interest on financial assets subject to individual impairment is recognised on the basis of the impaired value and amounted to DKK 1,614 million (2012: DKK 1,590 million).

Notes – Danske Bank Group

Note	(DKK millions)	2013	2012

4 **Fee income**

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, except for origination fees, which are carried under Net interest income.

Fee income		
Financing (loans, advances and guarantees)	1,614	1,680
Investment (securities trading and advisory services)	2,621	2,233
Services (insurance and foreign exchange trading)	49	42
Fees generated by activities	4,284	3,955
Financing (guarantees)	654	704
Investment (asset management and custody services)	4,506	3,937
Services (payment services and cards)	3,787	3,572
Fees generated by portfolios	8,947	8,213
Total	13,231	12,168

Fee expenses		
Financing (property valuation)	76	50
Investment (securities trading and advisory services)	1,273	958
Services (referrals)	54	44
Fees generated by activities	1,403	1,052
Financing (guarantees)	17	142
Investment (asset management and custody services)	877	645
Services (payment services and cards)	2,144	2,096
Fees generated by portfolios	3,038	2,883
Total	4,441	3,935

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 1,899 million (2012: DKK 1,935 million), whereas expenses amounted to DKK 17 million (2012: DKK 142 million).

Fees generated by portfolios included commission of DKK 0 million paid to the Danish state for guaranteed bond issues (2012: DKK 121 million).

5 **Other income**

Fair value adjustment of investment property	13	-35
Fair value adjustment of investment property allocated to policyholders	-4	-364
Profit on sale of domicile and investment property	35	3
Income from lease assets and investment property	2,572	2,960
Income from real-estate brokerage	591	585
Income from associates	354	166
Profit on sale of associates and group undertakings	4	6
Refund of prior-year VAT and duties	6	5
Other income	725	1,297
Total	4,296	4,623

Other income included income of DKK 0 million from businesses taken over until the disposal date (2012: DKK 821 million).

Notes – Danske Bank Group

Note	(DKK millions)	2013	2012

6 **Insurance contracts**

Insurance contracts are contracts entered into by Danica Pension that entail significant insurance risks or entitle policyholders to profits. Insurance premiums received are carried under Net premiums. Benefits paid and changes to insurance obligations, including an increase in provisions during the year due to additional premiums received, are carried under Net insurance benefits. Changes to provisions caused by fair value adjustment of expected payments are carried under Net trading income, however. The return on assets earmarked for insurance contracts is carried under Net interest income and net trading income. The net interest income and net trading income disclosed in note 3 contain DKK 13,440 million relating to insurance contracts (2012: DKK 13,254 million). A further DKK 318 million (2012: DKK 1,154 million) relate to net interest income on deposits and own issued bonds and fair value changes that are eliminated in the consolidated financial statements. Note 2 shows the effect on profit or loss of insurance activities in Danica Pension.

	2013	2012
Net premiums		
Regular premiums, life insurance	4,589	5,447
Single premiums, life insurance	402	561
Regular premiums, unit-linked products	8,151	7,558
Single premiums, unit linked products	5,801	5,097
Premiums, health and accident insurance	1,237	1,321
Reinsurance premiums paid	-103	-112
Change in unearned premiums provisions	71	-14
Total	20,148	19,858

	2013	2012
Net insurance benefits		
Benefits paid	22,413	18,800
Reinsurers' share received	-177	-186
Claims and bonuses paid	1,410	1,433
Change in outstanding claims provisions	35	-195
Change in life insurance provisions	-7,115	-4,304
Change in provisions for unit-linked contracts	15,971	15,541
Total	32,537	31,089

Notes – Danske Bank Group

Note	(DKK millions)	2013	2012
7	**Staff costs, administrative expenses, depreciation, amortisation and impairment charges**		
	Staff costs	14,538	14,726
	Administrative expenses	9,603	9,828
	Amortisation/depreciation of intangible and tangible assets	2,573	2,908
	Impairment charges on intangible and tangible assets	81	784
	Total	26,796	28,246
	Staff costs		
	Salaries	10,707	11,029
	Share-based payments	113	219
	Pensions, defined contribution plans	1,309	1,216
	Pensions, defined benefit plans	90	137
	Severance payments	792	619
	Financial services employer tax and social security costs	1,526	1,506
	Total	14,538	14,726

Remuneration Report 2013, which is available at danskebank.com/remuneration, provides a detailed description of remuneration paid.

Total salary costs stood at DKK 13.0 billion (2012: DKK 13.2 billion), with variable remuneration accounting for 5.9% of this amount (2012: 6.8%).

Remuneration of the Board of Directors (DKK thousands)	2013	2012
Ole Andersen	1,890	1,958
Niels B. Christiansen	1,238	1,350
Urban Bäckström [1]	713	450
Lars Förberg [2]	450	-
Jørn P. Jensen [1]	640	480
Carol Sergeant [2]	593	-
Jim Hagemann Snabe [2]	450	-
Trond Ø. Westlie [1]	600	450
Susanne Arboe	450	450
Helle Brøndum	450	450
Carsten Eilertsen	450	450
Charlotte Hoffmann	450	450
Per Alling Toubro	450	450
Michael Fairey [3]	188	713
Mats Jansson [3]	150	600
Majken Schultz [3]	150	600
Peter Højland [4]	-	160
Claus Vastrup [4]	-	188
Eivind Kolding [5]	-	56
Total remuneration	9,310	9,254
Remuneration for committee work included in total remuneration	2,110	2,253

[1] From 27 March 2012
[2] From 18 March 2013
[3] Until 18 March 2013
[4] Until 27 March 2012
[5] Until 15 February 2012

Danske Bank's directors receive fixed remuneration only and are not covered by 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 any of the Group's subsidiaries.

The Group has no pension obligations towards the directors.

Notes – Danske Bank Group

Note (DKK millions)

7 (cont'd)

Remuneration of the Executive Board

2013	Thomas F. Borgen	Tonny Thierry Andersen	Robert Endersby	Lars Mørch	Henrik Ramlau-Hansen	Glenn Söderholm
Contractual remuneration	8.7	6.9	7.1	5.9	6.9	1.1
Pension	0.8	1.0	-	0.9	1.1	0.2
Variable cash payment	0.4	0.4	0.3	0.4	0.3	0.1
Variable share-based payment	0.1	0.1	0.2	0.1	0.1	0.0
Total earned	10.0	8.4	7.6	7.3	8.4	1.4
Total paid	10.2	8.6	7.2	7.2	8.4	1.2

Eivind Kolding left his position as CEO on 16 September 2013 (remuneration received in 2013 of DKK 13.9 million). Glenn Söderholm joined the Executive Board on 1 November 2013.

The Executive Board earned total remuneration of DKK 67.5 million for 2013, with fixed remuneration amounting to DKK 64.5 million and variable remuneration amounting to DKK 3.0 million. Total paid comprises contractual remuneration and contributions to defined contribution pension plans for 2013, variable cash payment for 2012 and the exercise of rights to conditional shares for previous financial years. The variable remuneration for 2013 will be paid in later financial years. The total remuneration and pensions for 2013 relate to the position as the Executive Board member.

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, Tonny Thierry Andersen received remuneration of DKK 36,000 for 2013 (2012: DKK 190,000). 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 the Executive Board's salaries is tax deductible until hybrid capital raised has been repaid. In 2013, this deduction amounted to DKK 29 million (2012: DKK 29 million).

2012	Eivind Kolding	Tonny Thierry Andersen	Thomas F. Borgen	Robert Endersby	Lars Mørch	Henrik Ramlau-Hansen
Contractual remuneration	11.8	6.9	6.8	1.8	3.5	6.9
Pension	-	1.0	1.0	-	0.5	1.1
Variable cash payment	1.2	0.8	0.9	0.1	0.5	0.5
Variable share-based payment	0.4	0.2	0.3	0.1	0.1	0.2
Total earned	13.4	8.9	9.0	2.0	4.6	8.7
Total paid	11.8	8.4	8.3	1.8	4.0	8.4

On 15 February 2012, Eivind Kolding became the new CEO after Peter Straarup retired (remuneration DKK 1.2 million). Lars Mørch joined the Executive Board on 1 June 2012, and Robert Endersby joined the Executive Board on 1 October 2012. Georg Schubiger retired from the Executive Board on 1 June 2012 (remuneration DKK 5.0 million), and Per Skovhus retired from the Executive Board on 15 June 2012 (remuneration DKK 5.6 million).

The Executive Board earned total remuneration of DKK 58.4 million for 2012, with fixed remuneration amounting to DKK 53.1 million and variable remuneration amounting to DKK 5.3 million. Total paid comprises contractual remuneration and contributions to defined contribution pension plans for 2012, variable cash payment for 2011 and the exercise of rights to conditional shares for previous financial years. The variable remuneration for 2012 will be paid in later financial years. The contractual remuneration and pensions for 2012 relate to the position as the Executive Board member.

Notes – Danske Bank Group

Note (DKK millions)

7 (cont'd)

Pension and termination

	Thomas F. Borgen	Tonny Thierry Andersen	Robert Endersby	Lars Mørch	Henrik Ramlau-Hansen	Glenn Söderholm
Annual contribution	Bank contributes 20% of salary p.a.	Bank contributes 20% of salary p.a.	-	Bank contributes 20% of salary p.a.	Bank contributes 22% of salary p.a.	Bank contributes 20% of salary p.a.
Notice of termination by Danske Bank	18 months	18 months	18 months	18 months	18 months	18 months
Notice of termination by the board member	12 months	9 months	9 months	9 months	9 months	9 months

Remuneration of other material risk takers

For 2013, a total of 156 persons were designated as other material risk takers, and combined, they received remuneration of DKK 428 million (2012: 136 other material risk takers and remuneration of DKK 424 million), with fixed remuneration amounting to DKK 317 million and variable remuneration amounting to DKK 111 million (2012: DKK 258 million and DKK 166 million).

Of the above remuneration for 2013, the Parent Company, Danske Bank A/S, paid DKK 371 million to 125 other material risk takers (2012: DKK 355 million to 101 other material risk takers), with fixed remuneration amounting to DKK 266 million and variable remuneration amounting to DKK 105 million (2012: DKK 197 million and DKK 158 million).

The Group's pension obligations towards other material risk takers amounted to DKK 30 million at year-end 2013 (31 December 2012: DKK 34 million).

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 2013 totalled 64,020 and 81,398, respectively (31 December 2012: 73,964 and 103,941). Note 34, 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.

Issued options carry a right to buy Danske Bank shares exercisable from three to seven years after options 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%.

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 2013 is based on the following assumptions: Share price: 124 (2012: 96). Dividend payout ratio: 2.5% (2012: 2.5%). Rate of interest: 0.2-0.3% (2012: 0.2-0.3%), equal to the swap rate. Volatility: 30% (2012: 35%). Average time of exercise: 0-1 year (2012: 0-1 years). The volatility estimate is based on historical volatility.

Effective from 2010, the Group has granted rights to conditional shares to the Executive Board and selected managers and specialists as part of their variable remuneration.

Notes – Danske Bank Group

Note

7 (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 2011 and later 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 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.

The number of share options and the exercise price for other staff have been adjusted to reflect the share capital increase in 2012. The Executive Board has waived adjustment to reflect the share capital increase.

Share options	Number				Fair value (FV)	
	Executive Board	Other staff	Total	Exercise price (DKK)	At issue (DKK m)	End of year (DKK m)
Granted in 2007-08						
1 January 2012	1,211,748	7,892,692	9,104,440	176.0-272.2	191.6	5.1
Exercised 2012	-	-	-			
Forfeited 2012	-393,483	-2,269,736	-2,663,219			
Other changes 2012	-358,744	358,744	-			
31 December 2012	459,521	5,981,700	6,441,221	183.0-272.2	150.9	1.6
Exercised 2013	-	-	-			
Forfeited 2013	-181,548	-1,867,429	-2,048,977			
Other changes 2013	-	32,652	32,652			
31 December 2013	277,973	4,146,923	4,424,896	181.1 - 272.2	118.0	2.0

Holdings of the Executive Board and fair value at 31 December 2013

Grant year (DKK millions)	2007-2008 Number	FV
Thomas F. Borgen	90,277	0.1
Tonny Thierry Andersen	94,751	0.1
Robert Endersby	-	-
Lars Mørch	57,511	0.0
Henrik Ramlau-Hansen	35,434	0.0
Glenn Söderholm	-	-

Holdings of the Executive Board and fair value at 31 December 2012

Grant year (DKK millions)	2006-2008 Number	FV
Eivind Kolding	-	-
Tonny Thierry Andersen	156,132	0.0
Thomas F. Borgen	150,685	0.0
Robert Endersby	-	-
Lars Mørch	90,254	0.0
Henrik Ramlau-Hansen	62,450	0.0

Share options were granted in 2008 or earlier. No share options were exercised in 2013 and 2012.

Notes – Danske Bank Group

Note

7 (cont'd)

Conditional shares

	Number				Fair value (FV)	
	Executive Board	Other staff	Total	Employee payment price (DKK)	At issue (DKK m)	End of year (DKK m)
Granted in 2011						
1 January 2012	-	1,077,527	1,077,527	1.2	134.3	77.3
Vested 2012	-	-	-			
Forfeited 2012	-	-32,763	-32,763			
Other changes 2012	-	-	-			
31 December 2012	-	1,044,764	1,044,764	1.2	130.3	98.7
Vested 2013	-	-	-			
Forfeited 2013	-	-13,582	-13,582			
Other changes 2013	31,631	-22,806	8,825			
31 December 2013	31,631	1,008,376	1,040,007	1.2	129.7	128.2
Granted in 2012						
Granted 2012	6,905	1,479,744	1,486,649	0.0 - 0.9	136.4	140.8
Vested 2012	-1,313	-226,127	-227,440	0.0 - 0.9		
Forfeited 2012	-	-23,798	-23,798			
Other changes 2012	10,172	-10,172	-			
31 December 2012	15,764	1,219,647	1,235,411	0.0 - 0.9	113.3	117.0
Vested 2013	-	-1,114	-1,114	0.9		
Forfeited 2013	-	-25,848	-25,848			
Other changes 2013	24,724	-12,180	12,544			
31 December 2013	40,488	1,180,505	1,220,993	0.0-0.9	112.1	150.8
Granted in 2013						
Granted 2013	11,420	2,232,510	2,243,930	0.0-1.1	239.6	276.7
Vested 2013	-	-296,891	-296,891	1.1		
Forfeited 2013	-	-81,008	-81,008			
Other changes 2013	14,812	-14,812	-			
31 December 2013	26,232	1,839,799	1,866,031	0.0-1.1	199.2	230.2

Holdings of the Executive Board and fair value at 31 December 2013

Grant year (DKK millions)	2011-2013 Number	FV
Thomas F. Borgen	4,448	0.6
Tonny Thierry Andersen	4,003	0.5
Robert Endersby	584	0.1
Lars Mørch	11,599	1.4
Henrik Ramlau-Hansen	3,266	0.4
Glenn Söderholm	74,451	9.3

Holdings of the Executive Board and fair value at 31 December 2012

Grant year (DKK millions)	2012 Number	FV
Eivind Kolding	-	-
Tonny Thierry Andersen	1,834	0.2
Thomas F. Borgen	1,899	0.2
Robert Endersby	-	-
Lars Mørch	10,251	1.0
Henrik Ramlau-Hansen	1,780	0.2

The number of conditional shares and the employee payment price have been adjusted to reflect the share capital increase in 2012. The Executive Board has waived adjustment to reflect the share capital increase.

In 2013, the average price at the vesting date for rights to conditional shares was DKK 122.4 (2012: DKK 98.3).

Notes – Danske Bank Group

Note

7 (cont') **Pension plans**

Most of the Group's pension plans are defined contribution plans under which the Group pays contributions to insurance companies, including Danica Pension. Such payments are expensed regularly. The Group has to a minor extent entered into defined benefit pension plans. Under defined benefit pension plans, the Group is under an obligation to pay defined future benefits from the time of retirement. 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. Defined benefit plans in Northern Ireland and Ireland account for most of the Group's obligations under such plans, but the Group also has a small number of defined benefit plans in Denmark and Sweden. The plans in these countries do not accept new members and for most of the plans, contributions payable by existing members have been discontinued.

The present value of obligations under defined benefit plans less the fair value of pension assets is recognised for each plan under Other assets and Other liabilities. At 31 December 2013, the net present value of pension obligations was DKK 14,679 million (31 December 2012: DKK 14,780 million), and the fair value of plan assets was DKK 15,727 million (31 December 2012: DKK 15,451 million). The Group recognises the standard cost in the income statement, whereas actuarial gains or losses are recognised in Other comprehensive income.

The calculation of the net obligation is based on valuations made by external actuaries. These valuations rely on assumptions about a number of variables, including discount and mortality rates and salary increases. The measurement of the net obligation is particularly sensitive to changes in the discount rate. The discount rate is determined by reference to yields on high-quality corporate bonds with terms matching the terms of the pension obligations. If the discount rate were lowered one percentage point, the net obligation would increase DKK 2.6 billion. The amount will be recognised in Other comprehensive income.

Notes – Danske Bank Group

Note	(DKK millions)	2013	2012
8	**Audit fees**		
	Audit firms appointed by the general meeting		
	Fees for statutory audit of the consolidated and parent company financial statements	12	12
	Fees for other assurance engagements	2	2
	Fees for tax advisory services	5	4
	Fees for other services	3	3
	Total	22	21
	Other audit firms		
	Fees for statutory audit of the consolidated and parent company financial statements	-	1
	Total	22	22

Costs for the internal audit department are recognised under Staff costs, administrative expenses, depreciation, amortisation and impairments.

Note	(DKK millions)	2013	2012
9	**Loan impairment charges**		
	Due from credit institutions and central banks	-3	-2
	Loans and advances at amortised cost	4,288	10,197
	Loans at fair value	1,608	1,405
	Other liabilities	-473	929
	Total	5,420	12,529
	New and increased impairment charges	13,678	20,866
	Reversals of impairment charges	8,034	8,722
	Write-offs charged directly to income statement	1,362	1,356
	Received on claims previously written off	1,052	796
	Interest income, effective interest method	-534	-175
	Total	5,420	12,529

Notes – Danske Bank Group

Note (DKK millions)

10

Tax 2013	Denmark	Finland	Sweden	Norway	UK	Ireland	Other	Total
Tax on profit for the year	402	456	645	735	538	-	168	2,944
Tax on other comprehensive income	291	-	46	-	-74	-	-	263
Tax on changes in shareholders' equity	33	-	-	-	-	-	-	33
Tax on profit for the year								
Current tax charge	135	476	580	859	-	-	208	2,258
Transferred to other comprehensive income	-329	-	-	-	-	-	-	-329
Change in deferred tax	867	-44	88	-191	65	-	-14	771
Adjustment of prior-year tax charges	56	-4	-23	59	324	-	-26	386
Change in deferred tax charge as a result of lowered tax rate	-327	28	-	8	149	-	-	-142
Total	402	456	645	735	538	-	168	2,944
Effective tax rate								
Tax rate	25.0	24.5	22.0	28.0	23.3	12.5	20.6	25.8
Non-taxable income and non-deductible expenses	-1.6	0.6	-0.7	-0.9	2.7	-12.5	-0.3	1.0
Tax on profit for the year	23.4	25.1	21.3	27.1	26.0	-	20.3	26.8
Adjustment of prior-year tax charges	1.9	-0.2	-0.7	2.4	130.1	-	-2.7	3.8
Change in deferred tax charge as a result of lowered tax rate	-11.4	1.6	-	0.3	59.9	-	-	-1.4
Effective tax rate	13.9	26.5	20.6	29.8	216.0	-	17.6	29.2
Tax on other comprehensive income								
Remeasurement of defined benefit plans	-38	-	46	-	-74	-	-	-66
Hedging of units outside Denmark	89	-	-	-	-	-	-	89
Unrealised value adjustments of available-for-sale financial assets	245	-	-	-	-	-	-	245
Realised value adjustments of available-for-sale financial assets	-5	-	-	-	-	-	-	-5
Total	291	-	46	-	-74	-	-	263

Notes – Danske Bank Group

Note	(DKK millions)								
10	**Tax 2012**	Denmark	Finland	Sweden	Norway	UK	Ireland	Other	Total
(cont'd)	Tax on profit for the year	1,418	332	832	703	53	296	180	3,814
	Tax on other comprehensive income	124	-	43	-	-37	-93	-	37
	Tax on changes in shareholders' equity	57	-	-	-	-	-	-	57
	Tax on profit for the year								
	Current tax charge	109	361	817	536	-2	2	131	1,954
	Transferred to other comprehensive income	-88	-	-	-	-	-	-	-88
	Change in deferred tax	1,425	-61	45	168	-49	-1	37	1,564
	Adjustment of prior-year tax charges	-28	32	-4	-1	4	295	12	310
	Change in deferred tax charge as a result of lowered tax rate	-	-	-26	-	100	-	-	74
	Total	1,418	332	832	703	53	296	180	3,814
	Effective tax rate								
	Tax rate	25.0	24.5	26.3	28.0	24.5	12.5	15.8	33.1
	Non-taxable income and non-deductible expenses	-0.6	-1.0	0.3	-1.7	-9.6	-12.5	-1.2	7.0
	Tax on profit for the year	24.4	23.5	26.6	26.3	14.9	-	14.6	40.1
	Adjustment of prior-year tax charges	-0.5	2.5	-0.1	-0.1	-6.3	-5.4	1.1	3.6
	Change in deferred tax charge as a result of lowered tax rate	-	-	-0.8	-	-110.8	-	-	0.9
	Effective tax rate	23.9	26.0	25.7	26.2	-102.2	-5.4	15.7	44.6
	Tax on other comprehensive income								
	Remeasurement of defined benefit plans	36	-	43	-	-37	-93	-	-51
	Hedging of units outside Denmark	-94	-	-	-	-	-	-	-94
	Unrealised value adjustments of available-for-sale financial assets	151	-	-	-	-	-	-	151
	Realised value adjustments of available-for-sale financial assets	31	-	-	-	-	-	-	31
	Total	124	-	43	-	-37	-93	-	37

Notes – Danske Bank Group

Note	(DKK millions)	2013	2012
11	**Cash in hand and demand deposits with central banks**		
	Cash in hand	10,006	11,235
	Demand deposits with central banks	33,715	86,032
	Total	43,721	97,267
12	**Due from credit institutions and central banks**		
	Reverse transactions	77,667	86,989
	Other amounts due	53,802	113,748
	Impairment charges	87	91
	Total	131,381	200,646

Amounts due within three months totalled DKK 129,779 million (31 December 2012: DKK 198,989 million). This amount is included in the cash flow statement under Cash and cash equivalents.

Note	(DKK millions)	2013	2012
13	**Trading portfolio assets**		
	Derivatives with positive fair value	249,535	408,990
	Listed bonds	437,797	394,270
	Unlisted bonds	1,614	6,471
	Listed shares	6,007	2,635
	Unlisted shares	770	561
	Total	695,723	812,927
	Trading portfolio liabilities		
	Derivatives with negative fair value	228,941	388,696
	Obligations to repurchase securities	206,242	143,164
	Total	435,183	531,860

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

Notes – Danske Bank Group

Note

13 (cont'd) **Derivatives**

The Group's activities in the financial markets include trading in derivatives. Derivatives are financial instruments whose value depends on the value of an underlying instrument or index, etc. Derivatives can be used to 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 through 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, part of Corporates & Institutions, is responsible for the day-to-day management and hedging of 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 hedging the interest rate risk on core free funds. Any interest rate risk not hedged by core free funds is hedged by derivatives. Interest rate risk on bonds classified as hold-to-maturity is not hedged.

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 2013, the carrying amounts of effectively hedged fixed-rate financial assets and liabilities were DKK 70,333 million (31 December 2012: DKK 87,106 million) and DKK 531,321 million (31 December 2012: DKK 649,165 million), respectively. The table below shows the value adjustments of these assets and liabilities and the hedging derivatives. The value adjustments have been 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 expected financial results of units outside Denmark 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 2013, the carrying amount of financing arrangements in foreign currency used to hedge net investments in units outside Denmark amounted to DKK 50,207 million (31 December 2012: DKK 50,990 million).

Notes – Danske Bank Group

Note	(DKK millions)	2013	2012
13	**Effect of interest rate hedging on profit**		
(cont'd)	Effect of fixed-rate asset hedging on profit		
	Hedged amounts due from credit institutions	-8	-2
	Hedged loans and advances	-1,405	491
	Hedged bonds available for sale	-624	150
	Hedging derivatives	2,048	-639
	Total	11	0
	Effect of fixed-rate liability hedging on profit		
	Hedged amounts due to credit institutions	17	-6
	Hedged deposits	172	146
	Hedged issued bonds	6,188	-3,890
	Hedged subordinated debt	2,075	605
	Hedging derivatives	-8,453	3,151
	Total	-1	6

Derivatives	2013			2012		
	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
Currency contracts						
Forwards and swaps	5,812,381	55,956	59,400	6,968,326	93,913	98,544
Options	80,566	750	850	76,683	825	835
Interest rate contracts						
Forwards/swaps/FRAs	28,124,494	144,786	136,802	29,179,318	241,092	248,941
Options	1,338,525	21,763	18,499	1,349,980	31,707	25,944
Equity contracts						
Forwards	65,839	1,228	1,216	60,508	385	394
Options	93,969	1,808	2,072	101,992	1,339	1,338
Other contracts						
Commodity contracts	14,550	999	962	10,621	802	748
Credit derivatives bought	6,622	40	225	9,245	228	67
Credit derivatives sold	5,911	202	39	8,319	175	51
Total derivatives held for trading purposes		227,532	220,065		370,466	376,862
Hedging derivatives						
Currency contracts	125,788	933	471	157,283	1,580	596
Interest rate contracts	551,317	21,072	8,405	653,672	36,944	11,238
Total derivatives		249,537	228,941		408,990	388,696

Notes – Danske Bank Group

Note	(DKK millions)	2013	2012
14	**Investment securities**		
	Investment securities consists of financial assets which, under the fair value option, are designated at fair value through profit or loss, available-for-sale financial assets measured at fair value through Other comprehensive income and hold-to-maturity bonds measured at amortised cost.		
	Financial assets at fair value through profit or loss		
	Listed bonds	39,503	30,309
	Unlisted bonds	-	45
	Listed shares	35	52
	Unlisted shares	3,163	3,032
	Total financial assets at fair value	42,701	33,438
	Available-for-sale financial assets		
	Listed bonds	61,774	65,976
	Total available-for-sale financial assets	61,774	65,976
	Total at fair value	104,475	99,414
	Hold-to-maturity financial assets		
	Listed bonds	57,442	7,710
	Unlisted bonds	-	600
	Total investment securities	161,917	107,724

Financial assets designated at fair value

Financial assets designated at fair value include securities that are managed on a fair value basis with no short-term profit taking. Realised and unrealised capital gains and losses and dividends are carried in the income statement under Net trading income.

Available-for-sale financial assets

The Group uses the available-for-sale category solely for a bond portfolio at a nominal value of DKK 120,607 million and a fair value of DKK 116,722 million at the time of reclassification. The bond portfolio was reclassified from the held-for-trading category in 2008 owing to significant distortion of the pricing of bonds. From 2009 onwards, the distortion has diminished, and the Group has sold part of the portfolio. The portfolio comprises primarily Danish mortgage bonds and foreign covered bonds. Some 74% of the portfolio is rated AA or higher, while the remaining portfolio has investment grade ratings. The portfolio did not include government bonds issued by Ireland, Portugal, Italy, Greece or Spain.

The bonds are measured at fair value through Other comprehensive income. Unrealised value adjustments of hedged interest rate risks that qualify for fair value hedge accounting and impairment charges are, however, recognised 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 charge in the income statement. 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.

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

In 2013, the Group recognised unrealised value adjustments of the reclassified bonds in the amount of DKK -624 million in the income statement, corresponding to the part of the interest rate risk that is hedged by derivatives (2012: DKK 150 million). The Group recognised unrealised value adjustments of DKK 980 million (2012: DKK 605 million) in Other comprehensive income that would have been recognised in the income statement if reclassification had not taken place. For the part of the portfolio sold in 2013, the Group realised value adjustments of DKK 19 million (2012: DKK -125 million) that were reclassified from Other comprehensive income to the income statement. The Group recognised interest income of DKK 835 million (2012: DKK 1,352 million) on the reclassified bonds.

Hold-to-maturity bonds

Hold-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 Group increased the use of this category in 2013. The bonds are primarily Danish mortgage bonds, government bonds and government-guaranteed bonds. The portfolio did not include government bonds issued by Ireland, Portugal, Italy, Greece or Spain.

Notes – Danske Bank Group

Note	(DKK millions)	2013	2012
15	**Loans and advances at amortised cost**		
	Reverse transactions	238,412	220,188
	Other loans and advances	891,968	984,207
	Impairment charges	41,652	42,579
	Total	1,088,728	1,161,816
	Impairment charges		
	At 1 January	42,579	44,944
	New and increased impairment charges	11,217	17,800
	Reversals of impairment charges	6,075	7,796
	Write-offs debited to allowance account	5,528	13,038
	Foreign currency translation	-424	350
	Other additions and disposals	-117	319
	At 31 December	41,652	42,579

Loans and advances included payments due under finance leases of DKK 25,255 million at the end of 2013 (31 December 2012: DKK 24,528 million).

Notes – Danske Bank Group

Note	(DKK millions)	2013	2012
16	**Loans at fair value and bonds issued by Realkredit Danmark**		

Loans at fair value consists of loans granted by Realkredit Danmark under Danish mortgage finance law. The loans are funded by issuing listed mortgage bonds with matching terms. Borrowers may repay such loans by delivering the underlying bonds to Realkredit Danmark. The Group buys and sells bonds issued by Realkredit Danmark on an ongoing basis because such securities play a role in the Danish money market. If these loans and issued mortgage bonds were measured at amortised cost, the purchase and sale of own mortgage bonds would result in timing differences in the recognition of gains and losses, leading to an accounting mismatch. This is avoided by measuring both loans provided by Realkredit Danmark and bonds issued by Realkredit Danmark at fair value using the fair value option. The accounting policies in note 39 provide additional information.

	2013	2012
Loans at fair value		
Nominal value	717,103	713,397
Fair value adjustment of underlying bonds	14,879	22,465
Adjustment for credit risk	3,901	3,100
Total	728,081	732,762
Bonds issued by Realkredit Danmark		
Nominal value	866,127	932,639
Fair value adjustment of funding of current loans	17,057	23,157
Fair value adjustment of block issues and pre-issued bonds	-	-
Holding of own mortgage bonds	268,988	341,471
Total	614,196	614,325

Measurement of the loans is based on the quoted price of the underlying Realkredit Danmark bonds that borrowers use to repay the loans. Changes in the market value of the bonds will therefore result in a corresponding change in the value of loans, and profit or loss will therefore not be affected by current market value changes in respect of the interest rate and the credit risk on the issued bonds. The value of the loans is also affected by changes in the credit risk on the loans. In 2013, the Group expensed DKK 668 million regarding changes in the credit risk on loans at fair value (2012: DKK 608 million). At the end of 2013, the accumulated changes in the credit risk amounted to DKK 3,901 million (31 December 2012: DKK 3,100 million).

The holding of own mortgage bonds includes pre-issued bonds of DKK 94 billion (2012: DKK 164 billion) used for FlexLån® refinancing in January 2014 and bonds of DKK 27 billion (2012: DKK 31 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.

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 2013, the Danish mortgage bond yield spread narrowed, and the fair value of issued mortgage bonds thus increased about DKK 4 billion. In 2012, a spread narrowing caused a fair value increase of about DKK 5 billion. In comparison with the fair value measured at the issuance of the bonds, the fair value had increased about DKK 5 billion at the end of 2013 (31 December 2012: about DKK 0.5 billion). The net profit and shareholders' equity remain unaffected because the spread narrowing 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 2013 or the period since issuance has been required.

Notes – Danske Bank Group

Note (DKK millions)

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

Assets and deposits under pooled schemes and unit-linked investment contracts comprise contributions to 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, corresponding to the fair value of the assets.

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.

	Pooled schemes		Unit-linked contracts		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Bonds	19,416	19,276	-	-	19,416	19,276
Shares	6,236	8,188	-	-	6,236	8,188
Unit trust certificates	21,145	21,541	34,777	29,071	55,922	50,612
Cash deposits	308	665	-	-	308	665
Total	47,105	49,670	34,777	29,071	81,882	78,741
including						
own bonds	5,834	6,310	332	342	6,166	6,652
own shares	158	134	29	13	187	147
other intra-group balances	440	793	329	524	769	1,317
Total assets	40,673	42,433	34,087	28,192	74,761	70,625
Liabilities						
Deposits	47,105	49,670	34,777	29,071	81,882	78,741

Notes – Danske Bank Group

Note	(DKK millions)	2013	2012

18 **Assets and liabilities under insurance contracts**

Assets under insurance contracts comprises assets earmarked for policyholders because most of the return accrues to policyholders. The assets are mostly investment securities measured at fair value through profit or loss. The valuation technique used for other assets (primarily investment properties) matches the Group's accounting policy for similar assets. 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.

Liabilities under insurance contracts comprises primarily life insurance provisions and obligations for guaranteed benefits under unit-linked insurance contracts. Recognition of life insurance provisions is based on actuarial computations of the present value of expected benefits for each insurance contract. 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. The actuarial computations rely on specific assumptions about expected future mortality and disability rates based on empirical data from Danica Pension's portfolio and include a risk allowance. Provisions for unit-linked insurance contracts are measured at fair value on the basis of each contract's share of the earmarked assets and the guaranteed benefits. Policyholders' share of the technical basis for insurance policies with a bonus entitlement not yet allocated to the individual policyholder is recognised in the collective bonus potential.

Danish rules on insurance accounting determine the discount yield curve to be used for calculating life insurance provisions. 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 a 12-month moving average yield spread between Danish and German government bonds. A mortgage yield curve spread is also added as stipulated by the agreement on financial stability in the pension and insurance industry signed by the Danish Ministry of Business and Growth and the Danish Insurance Association. For maturities beyond 20 years, extrapolation is made of the forward rate between 20 and 30 years, with the forward rate at 30 years set at 4.2%.

	2013	2012
Assets under insurance contracts		
Due from credit institutions	10,634	8,378
Investment securities	235,929	241,070
Holdings in associates	818	789
Investment property	19,397	18,590
Tangible assets	413	391
Reinsurers' share of provisions	2,126	2,291
Other assets	3,479	4,398
Total	272,796	275,907
including		
own bonds	20,353	24,790
own shares	295	196
other intra-group balances	5,664	9,578
Total assets	246,484	241,343

	2013	2012
Investment securities under insurance contracts		
Listed bonds	122,450	145,459
Listed shares	15,326	13,601
Unlisted shares	8,591	6,640
Unit trust certificates	84,834	66,768
Other securities	4,728	8,602
Total	235,929	241,070

Notes – Danske Bank Group

Note	(DKK millions)	2013	2012
18	**Liabilities under insurance contracts**		
(cont'd)	Life insurance provisions	162,319	182,431
	Provisions for unit-linked insurance contracts	85,064	67,006
	Collective bonus potential	1,125	851
	Other technical provisions	9,284	9,438
	Total provisions for insurance contracts	257,792	259,726
	Other liabilities	13,670	14,708
	Intra-group balances	-8,994	-7,496
	Total	262,468	266,938
	Provisions for insurance contracts		
	Balance at 1 January	259,726	243,304
	Premiums paid	18,943	18,663
	Benefits paid	-22,413	-18,800
	Interest added to policyholders' savings	8,230	6,169
	Fair value adjustment	-5,351	7,896
	Foreign currency translation	-918	652
	Change in collective bonus potential	275	477
	Other changes	-700	1,365
	Balance at 31 December	257,792	259,726

Notes – Danske Bank Group

Note (DKK millions)

19 **Intangible assets**

Intangible assets consist mostly of goodwill taken over on the acquisition of undertakings. The Group did not make any acquisitions in 2012 and 2013. At 31 December 2013, goodwill amounted to DKK 18,461 million (31 December 2012: DKK 18,530 million). Goodwill is subject to an annual impairment test. The impairment test conducted in 2013 did not result in impairment charges.

Customer relationships amounted to DKK 1,349 million (31 December 2012: DKK 1,786 million) and are amortised over the expected useful life of ten years according to the straight-line method. At 31 December 2013, the capitalised value of software and software developed by the Group totalled DKK 832 million (31 December 2012: DKK 865 million). Once a software application has been taken into use, the cost is amortised over its expected useful life, usually three years, according to the straight-line method. In 2013, the Group expensed development costs of DKK 2,098 million (2012: DKK 2,079 million).

Impairment testing

The Group's goodwill is tested for impairment at least once a year by testing at the level of identifiable cash-generating units to which assets have been allocated.

The business segmentation was changed from 2013 because of the new organisational structure implemented on 1 June 2012. Banking activities were split into Personal Banking, Business Banking and Corporates & Institutions. The Corporates & Institutions business unit includes Corporate & Institutional Banking and Danske Markets. In 2013, the Group therefore reallocated acquired goodwill in Retail Banking Finland, Banking Activities Baltics and Banking Activities Northern Ireland to Personal Banking and Business Banking on the basis of each business unit's value. The changes are recorded under Change. In addition, acquired goodwill in Corporate & Institutional Banking and Danske Markets has been renamed to reflect the new business segmentation.

The impairment test conducted in 2013 did not result in impairment charges against goodwill (2012: DKK 0 million). As a result of the Group's decision to rebrand the banking units, charges for 2012 included a full write-down of rights to the Sampo Bank brand name of DKK 464 million.

	1 Jan. 2012				31 Dec. 2012				31 Dec. 2013
	Goodwill and rights to names	Change	Impairment charges	Foreign currency translation	Goodwill	Change	Impairment charges	Foreign currency translation	Goodwill
Retail Banking, Finland	9,416	-	464	21	8,973	-8,973	-	-	-
Personal Banking, Finland	-	-	-	-	-	6,317	-	-	6,317
Business Banking, Finland	-	-	-	-	-	2,656	-	-	2,656
Business Banking, Estonia	2,055	-	-	8	2,063	-	-	-1	2,062
Personal Banking, Northern Ireland	2,044	-	-	53	2,097	-	-	-49	2,048
C&I, General Banking	505	-	-	2	507	-	-	-	507
C&I, Markets	2,891	-	-	14	2,905	-	-	-	2,905
Danske Capital	1,815	-	-	22	1,837	-	-	-1	1,836
Other	368	-218	-	-2	148	-	-	-18	130
Total	19,094	-218	464	118	18,530	-	-	-69	18,461

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 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. 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. 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 57% of the net present value of future cash flows is expected to be generated in the terminal period (2012: 63%).

Notes – Danske Bank Group

Note

19 (cont'd) If the Group's risk-adjusted required rate of return is lifted from 12% to 13%, total goodwill allocated to the Group's Personal and Business Banking units will decline around DKK 0.3 billion (2012: a decline of DKK 1.2 billion). If growth estimates are lowered by one percentage point for the terminal period, goodwill allocated to the Group's Personal and Business Banking unit's activities will decrease by DKK 0.1 billion (2012: a decrease of DKK 0.5 billion). If the normalised return for the terminal period is lowered 20%, goodwill will decrease by DKK 0.2 billion (2012: a decrease of DKK 0.9 billion). Especially goodwill in Business Banking Estonia is sensitive to small changes in assumptions.

The goodwill allocated to Corporates & Institutions 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 1.3 of a percentage point before impairment occurs (2012: 0.9 of a percentage point), and the goodwill allocated to the unit is robust against changes in growth estimates for the terminal period.

Impairment test assumptions

	2013		2012	
(%)	Annual growth in terminal period	Required rate of return before tax	Annual growth in terminal period	Required rate of return before tax
Personal Banking, Finland	1.8	12.0	1.8	12.0
Business Banking, Finland	1.8	12.0	1.8	12.0
Business Banking, Estonia	3.5	12.0	3.5	12.0
Personal Banking, Northern Ireland	2.5	12.0	2.5	12.0
C&I, General Banking	1.8	12.0	1.8	12.0
C&I, Markets	1.8	12.0	1.8	12.0
Danske Capital	1.8	12.0	1.8	12.0

Personal Banking and Business Banking, Finland

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 Danske Bank Group at the beginning of 2007. 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. In 2013 goodwill in Retail Banking Finland was reallocated to Personal Banking Finland and Business Banking Finland as a result of the new organisational structure.

Business Banking, Estonia

At the beginning of 2007, Danske Bank acquired the Baltic activities of the Sampo Bank group. The activities form part of the business structure of Danske Bank Group. With the acquisition, the Group established a presence in the Baltic markets, primarily in Estonia and, 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. In 2013, goodwill in Banking Activities Baltics was reallocated to Business Banking Estonia as a result of the new organisational structure.

Personal Banking, Northern Ireland

In 2005, Danske Bank acquired Northern Bank. 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. In 2013, the goodwill in Banking Activities Northern Ireland was allocated to Personal Banking Northern Ireland as a result of the new organisational structure.

Corporates & Institutions, General Banking

General Banking (formerly Corporate & Institutional Banking (CIB)) was established as a separate unit at the beginning of 2011, resulting in reallocation of goodwill to the unit. As a result of the new organisational structure in 2012, General Banking became a part of Corporates & Institutions.

Corporates & Institutions, Markets

The trading activities of Sampo Bank were incorporated into the business structure of Danske Markets. With the acquisition, the Group strengthened its competitive position within trading activities. The integration process and the budgets and business plans confirm the financial assumptions on which the Group based its acquisition. As a result of the new organisational structure in 2012, Danske Markets became a part of Corporates & Institutions.

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)	2013	2012
20	**Other assets and liabilities**		
	Other assets		
	Interest and commissions due	6,874	6,739
	Other amounts due	14,668	16,728
	Pension assets	1,382	1,026
	Investment property	3,200	4,131
	Tangible assets	6,106	6,544
	Holdings in associates	1,376	1,118
	Assets held for sale	657	807
	Total	34,263	37,093
	Other liabilities		
	Sundry creditors	26,427	29,366
	Accrued interest and commissions	14,775	15,628
	Pension obligations	334	352
	Other staff commitments	3,250	3,127
	Loan commitments and guarantees etc.	650	1,253
	Reserves subject to a reimbursement obligation	77	131
	Other obligations	225	252
	Total	45,736	50,109

Investment property is recognised at fair value through profit or loss under Other income. Note 36 provides additional information about the fair value of investment property.

Tangible assets include domicile property of DKK 2,782 million (2012: DKK 3,071 million). If indications of impairment exist, domicile property is written down to the lower of the carrying amount and its value in use. Lower market prices caused a DKK 81 million write-down of domicile property (2012: DKK 244 million). The properties were valued individually and written down to the value in use determined on the basis of the rate of return used for investment property disclosed in note 36. At the end of 2013, the fair value of domicile property was DKK 3,813 million (31 December 2012: DKK 4,115 million). The required rate of return of 6.8% (2012: 7.0%) was determined in accordance with Danish FSA rules. Furthermore, Assets held for sale includes domicile property of DKK 282 million (2012: DKK 325 million). These properties are recognised at the lowest of carrying amount at the time of reclassification and fair value less the estimated costs of selling the property.

Assets held for sale also includes properties taken over by the Group under non-performing loan agreements. The Group expects to sell the properties through a real-estate agent within twelve months from the date of acquisition. The properties comprise properties in Denmark with a carrying amount of DKK 193 million (2012: DKK 265 million) and properties in other countries with a carrying amount of DKK 94 million (2012: DKK 109 million). The fair value of real property taken over is reduced by the estimated costs of selling the property.

Pension assets and obligations relate to defined benefit plans under which the Group is under an obligation to pay defined future benefits from the time of retirement. The present value of obligations under defined benefit plans less the fair value of pension assets is recognised for each plan under Other assets and Other liabilities. Note 7 provides additional information.

The Group issues a number of 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.

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 be reduced gradually 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)	2013	2012
21	**Due to credit institutions and central banks**		
	Repo transactions	180,344	218,691
	Other amounts due	132,253	241,241
	Total	312,597	459,932
22	**Deposits**		
	Transaction accounts	584,834	561,672
	Time deposits	186,268	203,540
	Repo deposits	150,747	140,585
	Pension savings	22,052	23,295
	Total	943,901	929,092

Note	Deferred tax assets and liabilities	Tax assets		Tax liabilities	
		2013	2012	2013	2012
23	Current tax	432	147	932	575
	Deferred tax	924	1,418	8,107	7,583
	Total tax	1,356	1,565	9,039	8,158

Change in deferred tax

2013	1 January	Foreign currency translation	Included in profit for the year	Included in shareholders' equity	31 December
Intangible assets	444	1	-168	-	277
Tangible assets	2,435	-20	-215	-7	2,193
Securities	57	-8	-27	-	22
Provisions for obligations	121	4	-27	-66	32
Tax loss carryforwards	-1,134	28	466	-	-640
Recapture of tax loss	5,048	-	856	-	5,904
Other	-806	24	137	40	-605
Total	6,165	29	1,022	-33	7,183
Adjustment of prior-year tax charges included in above item			393		

2012	1 January	Foreign currency translation	Included in profit for the year	Included in shareholders' equity	31 December
Intangible assets	656	2	-214	-	444
Tangible assets	2,316	11	108	-	2,435
Securities	6	1	50	-	57
Provisions for obligations	201	18	-47	-51	121
Tax loss carryforwards	-1,431	-29	326	-	-1,134
Recapture of tax loss	3,528	-	1,520	-	5,048
Other	-735	-20	-108	57	-806
Total	4,541	-17	1,635	6	6,165
Adjustment of prior-year tax charges included in above item			-3		

Unrecognised tax loss carryforwards amounted to DKK 3.5 billion at the end of 2013 (31 December 2012: DKK 2.9 billion).

Notes – Danske Bank Group

Note	(DKK millions)	2013	2012
24	**Other issued bonds**		
	Commercial paper	25,250	36,982
	Other	284,927	303,023
	Total	310,178	340,005

Other issued bonds are recognised at amortised cost.

Nominal value	1 January 2013	Issued	Redeemed	Foreign currency translation	31 Dec. 2013
Commercial paper	38,662	102,213	115,385	-237	25,253
Other	351,433	35,189	63,589	-5,802	317,231
Other issued bonds	390,095	137,402	178,974	-6,039	342,484

Nominal value	1 January 2012	Issued	Redeemed	Foreign currency translation	31 Dec. 2012
Commercial paper	98,891	706,296	768,662	2,137	38,662
Other	311,769	130,857	93,254	2,061	351,433
Other issued bonds	410,660	837,153	861,916	4,198	390,095

Other issued bonds broken down by maturity	2013			2012
	DKK	Other currency	Total	Total
Redeemed loans				80,339
2014	15,725	57,946	73,671	44,615
2015	5,204	55,670	60,874	57,882
2016	1,000	52,055	53,055	57,206
2017	14,500	29,069	43,569	48,198
2018 or later	17,400	93,915	111,315	101,855
Nominal value of other issued bonds	53,829	288,655	342,484	390,095
Fair value hedging of interest rate risk			9,298	15,122
Premium/discount			-1,662	-2,028
Own holding of bonds issued	3,875	36,068	39,943	63,184
Total other issued bonds	49,954	252,587	310,178	340,005

Notes – Danske Bank Group

Note (DKK millions)

25 **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. 2013	Issued	Redeemed	Foreign currency translation	Other changes	31 Dec. 2013
Subordinated debt, excluding hybrid capital	21,537	13,932	13,119	-74	-	22,276
Hybrid capital	43,003	-	718	-394	-	41,891
Total subordinated debt	64,540	13,932	13,837	-468	-	64,167

Nominal value	1 Jan. 2012	Issued	Redeemed	Foreign currency translation	Other changes	31 Dec. 2012
Subordinated debt, excluding hybrid capital	18,727	5,659	2,974	125	-	21,537
Hybrid capital	44,850	-	2,034	187	-	43,003
Total subordinated debt	63,577	5,659	5,008	312	-	64,540

Currency	Borrower	Note	Nominal (DKK m)	Interest rate	Year of issue	Maturity	Redemption price	2013 (DKK m)	2012 (DKK m)
Redeemed loans 2013									13,119
GBP	Danske Bank A/S	a	350	5.375	2003	29.09.2021	100	3,122	3,196
EUR	Danske Bank A/S	b	700	4.100	2005	16.03.2018	100	5,222	5,222
EUR	Danske Bank A/S	c	1,000	3.875	2013	04.10.2023	100	7,460	-
SEK	Danske Bank A/S	d	900	4.750	2013	05.06.2024	100	752	-
SEK	Danske Bank A/S	e	1,600	var.	2013	05.06.2024	100	1,337	-
NOK	Danske Bank A/S	f	700	var.	2013	06.12.2023	100	620	-
DKK	Danske Bank A/S	g	1,700	var.	2013	06.06.2024	100	1,700	-
DKK	Danske Bank A/S	h	1,150	4.125	2013	09.12.2025	100	1,150	-
CHF	Danske Bank A/S	i	150	3.125	2013	18.12.2025	100	913	-
Subordinated debt, excluding hybrid capital								22,276	21,537
Hybrid capital									
Hybrid capital included under the 15% of tier 1 capital limit:									
Redeemed loans 2013									718
USD	Danske Bank A/S	j	750	5.914	2004	Perpetual	100	4,060	4,244
GBP	Danske Bank A/S	k	150	5.563	2005	Perpetual	100	1,338	1,370
GBP	Danske Bank A/S	l	500	5.684	2006	Perpetual	100	4,460	4,567
EUR	Danske Bank A/S	m	600	4.878	2007	Perpetual	100	4,476	4,476
SEK	Danske Bank A/S	n	1,350	var.	2007	Perpetual	100	1,128	1,176
SEK	Danske Bank A/S	o	650	5.119	2007	Perpetual	100	543	566
EUR	Danske Bank Oyj	p	125	5.407	2004	Perpetual	100	933	933
EUR	Danske Bank Oyj	q	29	var.	2005	Perpetual	100	215	215
EUR	Danske Bank Oyj	r	100	var.	2004	Perpetual	100	746	746
Hybrid capital included under the 35% of tier 1 capital limit:									
DKK	Danske Bank A/S	s	23,992	9.265	2009	Perpetual	100	23,992	23,992
Total hybrid capital								41,891	43,003
Nominal subordinated debt								64,167	64,540
Discount								-108	-119
Fair value hedging of interest rate risk								2,160	4,236
Own holding of subordinated debt								-	-872
Total subordinated debt								66,219	67,785
Portion included in capital base								63,776	63,257

Notes – Danske Bank Group

Note		
25 (cont'd)	a	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.
	b	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.
	c	Optional redemption from October 2018. If the loan is not redeemed, the annual interest rate will be reset at 2.63 percentage points above the 5-year EUR swap rate for the remaining five years until maturity.
	d	Optional redemption from June 2019. If the loan is not redeemed, the annual interest rate will be reset at 2.70 percentage points above the 5-year SEK swap rate for the remaining five years until maturity.
	e	Interest is paid at an annual rate of 2.70 percentage points above 3-month STIBOR. Optional redemption from June 2019.
	f	Interest is paid at an annual rate of 2.60 percentage points above 3-month NIBOR. Optional redemption from December 2018.
	g	Interest is paid at an annual rate of 2.35 percentage points above 3-month CIBOR. Optional redemption from June 2019.
	h	Optional redemption from December 2020. If the loan is not redeemed, the annual interest rate will be reset at 2.45 percentage points above the 5-year DKK swap rate for the remaining five years until maturity.
	i	Optional redemption from December 2020. If the loan is not redeemed, the annual interest rate will be reset at 2.15 percentage points above the 5-year CHF swap rate for the remaining five years until maturity.
	j	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.
	k	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.
	l	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.
	m	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.
	n	Interest is paid at an annual rate of 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.
	o	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.
	p	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.
	q	Interest is paid at an annual rate of 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.
	r	Interest is paid at an annual rate of 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.
	s	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 5.5 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 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 of gradually converting the loan capital into shares in Danske Bank A/S if the hybrid capital exceeds 35% of tier 1 capital in Danske Bank A/S. 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. Conversion must be made at market price. At the end of 2013, the hybrid capital accounted for 24.7% of tier 1 capital.

Notes – Danske Bank Group

Note	(DKK millions)				
26	**Balance sheet items broken down by expected due date**	2013		2012	
		< 1 year	> 1 year	< 1 year	> 1 year
	ASSETS				
	Cash in hand and demand deposits with central banks	43,721	-	97,267	-
	Due from credit institutions and central banks	130,633	748	199,687	959
	Trading portfolio assets	318,672	377,052	185,893	627,034
	Investment securities	22,951	138,966	21,126	86,598
	Loans and advances at amortised cost	507,607	581,121	616,445	545,371
	Loans at fair value	74,369	653,712	66,982	665,780
	Assets under pooled schemes and unit-linked investment contracts	-	74,761	-	70,625
	Assets under insurance contracts	17,782	228,702	22,287	219,056
	Intangible assets	-	20,641	-	21,181
	Tax assets	432	924	147	1,418
	Other assets	22,199	12,064	24,274	12,819
	Total	1,138,366	2,088,691	1,234,108	2,250,841
	LIABILITIES				
	Due to credit institutions and central banks	311,265	1,332	382,404	77,528
	Trading portfolio liabilities	58,086	377,097	67,425	464,435
	Deposits	238,665	705,236	291,619	637,473
	Bonds issued by Realkredit Danmark	130,101	484,095	187,423	426,902
	Deposits under pooled schemes and unit-linked investment contracts	7,687	74,195	7,471	71,270
	Liabilities under insurance contracts	52,313	210,155	49,858	217,080
	Other issued bonds	92,150	218,027	102,250	237,755
	Tax liabilities	931	8,108	575	7,583
	Other liabilities	45,326	411	49,449	660
	Subordinated debt	30,904	35,316	8,619	59,166
	Total	967,428	2,113,972	1,147,093	2,199,852

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)

27 **Contractual due dates of financial liabilities**

The contractual due dates of financial liabilities are broken down by maturity time bands in the table below. The maturity analysis is based on the earliest date on which the Group can be required to pay and does not reflect the expected due date. The section on liquidity risk in the risk management notes provides information about the Group's liquidity risk and liquidity risk management.

2013	0-1 month	1-3 months	3-12 months	1-5 years	> 5 years
Due to credit institutions and central banks	275,289	25,949	10,996	491	880
Deposits	842,340	41,988	27,709	24,032	10,685
Repurchase obligation under reverse transactions	206,242	-	-	-	-
Derivatives settled on a gross basis (cash outflows)	3,311,057	1,665,413	1,027,527	213,766	40,927
Derivatives settled on a gross basis (cash inflows)	3,311,572	1,666,138	1,028,916	214,974	41,352
Derivatives settled on a gross basis (net cash flows)	515	725	1,389	1,208	425
Derivatives settled on a net basis	-10,223	-12,094	-892	-2,710	-22
Bonds issued by Realkredit Danmark	74,037	-	66,583	340,069	251,134
Other issued bonds	53,316	13,136	26,931	169,059	88,274
Subordinated debt	328	25,597	1,368	31,740	21,028
Other financial liabilities	1,641	377	5,670	46,628	27,566
Financial and loss guarantees*	76,375	-	-	-	-
Loan commitments shorter than 1 year	38,981	-	-	-	-
Loan commitments longer than 1 year	118,342	-	-	-	-
Other unutilised loan commitments	532	-	-	-	-
Total	1,677,715	95,678	139,754	610,517	399,970

2012	0-1 month	1-3 months	3-12 months	1-5 years	> 5 years
Due to credit institutions and central banks	280,592	84,224	18,488	77,603	642
Deposits	806,648	54,341	39,397	21,543	11,413
Repurchase obligation under reverse transactions	143,164	-	-	-	-
Derivatives settled on a gross basis (cash outflows)	2,786,350	1,841,682	1,247,497	273,030	42,741
Derivatives settled on a gross basis (cash inflows)	2,786,043	1,839,419	1,246,080	272,773	43,211
Derivatives settled on a gross basis (net cash flows)	-307	-2,263	-1,416	-257	471
Derivatives settled on a net basis	-4,290	4,881	-20,405	-1,391	-53
Bonds issued by Realkredit Danmark	95,780	-	103,862	298,649	227,802
Other issued bonds	39,261	15,677	48,942	152,400	132,174
Subordinated debt	363	728	3,346	41,771	31,745
Other financial liabilities	1,591	519	5,361	42,768	28,503
Financial and loss guarantees*	80,115	-	-	-	-
Loan commitments shorter than 1 year	53,056	-	-	-	-
Loan commitments longer than 1 year	108,614	-	-	-	-
Other unutilised loan commitments	549	-	-	-	-
Total	1,376,677	175,324	270,143	790,232	414,101

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 the derivatives are held for trading or hedging purposes.

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 loan commitments and guarantees expire without being utilised. Loan commitments and guarantees are included at the earliest date on which the Group can be required to pay. To take account of potential drawings under loan commitments, the Group factors in the effect of the unutilised portion of the facilities in the calculation of liquidity risk.

*For guarantees to result in a payment obligation to the Group, a number of individual conditions must be met. As it is not possible to break down the earliest dates on which such conditions are met by maturity time bands, all guarantees are included in the 0-1 month column.

Notes – Danske Bank Group

Note (DKK millions)

28 **Preliminary calculation of the capital base under CRR at 1 January 2014**

Danske Bank will be subject to the new EU Capital Requirements Regulation (CRR) from 1 January 2014. CRR introduces certain changes to the current calculation of the capital base. The rules will be phased in during the years until 2018 for capital deductions and until 2021 for capital instruments. The decline of DKK 1.0 billion in core tier 1 capital is caused primarily by deductions for insurance subsidiaries, which now must be made from core tier 1 capital instead of half from tier 1 capital and half from the capital base, respectively. A deduction for defined benefit pension fund assets will also be introduced. The changes will be phased in at 20% as at 1 January 2014.

New filters will be introduced for deduction from core tier 1 capital. The filters include additional value adjustments of assets and liabilities measured at fair value. The European Banking Authority (EBA) has not yet published its final standards for these value adjustments, and the standards may lead to further reduction of core tier 1 capital.

At 1 January 2014, hybrid core tier 1 instruments and subordinated debt that do not meet the CRR requirements will be reduced by 20% of their nominal value at year-end 2012. The changes to the risk-weighted assets introduced by CRR will be implemented in full at 1 January 2014 (DKK 46 billion). The increase is caused mainly by the introduction of the CVA capital charge and tighter requirements for credit risk.

Capital base and total capital ratio	1 Jan. 2014
Shareholders' equity	145,657
Revaluation of domicile property at fair value	1,177
Tax effect	-241
Reserves in undertakings consolidated on a pro rata basis	3,002
Shareholders' equity calculated in accordance with the rules of the Danish FSA	149,595
Adjustment to eligible capital	-247
Prudential filters	-32
Proposed dividends	-2,017
Intangible assets of banking operations	-20,763
Deferred tax on intangible assets	509
Deferred tax assets that rely on future profitability excluding temporary differences	-640
Defined benefit pension fund assets	-139
Statutory deduction for insurance subsidiaries	-1,756
Core tier 1 capital	124,512
Hybrid capital	37,111
Statutory deduction for insurance subsidiaries	-3,512
Other statutory deductions	-14
Tier 1 capital	158,096
Subordinated capital	26,665
Statutory deduction for insurance subsidiaries	-3,512
Other statutory deductions	-14
Capital base	181,235
Risk-weighted assets	898,362
Core tier 1 capital ratio (%)	13.9
Tier 1 capital ratio (%)	17.6
Total capital ratio (%)	20.2

The capital base at 1 January 2014 is calculated in accordance with the transitional rules applicable under CRR as stipulated by the Danish Financial Supervisory Authority.

Assuming fully phased-in CRR rules (2018), Danske Bank's core tier 1 capital ratio as calculated on the basis of the capital base and risk-weighted assets stated in this annual report would be reduced by 1.9 percentage points.

Notes – Danske Bank Group

Note	(DKK millions)	2013	2012

29 **Contingent liabilities**

Contingent liabilities consist of possible liabilities arising from past events. The existence of such liabilities will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Group's control. Contingent liabilities that can, but are not likely to, result in an outflow of economic resources are disclosed.

The Group uses a variety of loan-related financial instruments to meet customers' financial requirements. Instruments include loan offers and other credit facilities, guarantees and instruments not recognised in the balance sheet. If an instrument is likely to result in a payment obligation, a liability is recognised under Other liabilities corresponding to the present value of expected payments.

	2013	2012
Guarantees		
Financial guarantees	11,608	14,274
Mortgage finance guarantees	873	1,350
Other guarantees	63,894	64,491
Total	76,375	80,115
Other contingent liabilities		
Loan commitments shorter than 1 year	38,981	53,056
Loan commitments longer than 1 year	118,342	108,614
Other unutilised loan commitments	533	550
Total	157,856	162,220

In addition to credit exposure from lending activities, loan offers made and uncommitted lines of credit granted by the Group amounted to DKK 323 billion (31 December 2012: DKK 323 billion). 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 and has an ongoing dialogue with public authorities such as the Danish FSA. In view of its size, Danske Bank does not expect the outcomes of pending lawsuits and disputes or its dialogue with public authorities to have any material effect on its financial position.

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 intention is that losses should be covered by the participating banks' annual contributions.

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. At 31 December 2013, minimum lease payments under operating leases amounted to DKK 3,050 million (31 December 2012: DKK 3,321 million), with DKK 542 million (2012: DKK 569 million) relating to operating leases expiring within one year.

Danske Bank A/S is taxed jointly with all entities in Danske Bank Group and is jointly and severally liable for payment of Danish corporate tax and withholding tax, etc.

Danske Bank A/S is registered jointly with all significant Danish entities in Danske Bank Group for financial services employer tax and VAT, for which it is jointly and severally liable.

Notes – Danske Bank Group

Note (DKK millions)

30 **Transferred financial assets that are not derecognised**

The Group enters into transactions that transfer ownership of financial assets, such as bonds and shares, to a counterparty, while the Group retains the risks associated with the assets. If the Group retains all significant risks, the securities remain in the balance sheet, and the transactions are accounted for as loans received against collateral. Such transactions are repo transactions and securities lending. Repo transactions involve selling securities to be repurchased at a fixed price at a later date. Securities lending is similar to repo transactions, but instead of cash payments, they involve payment in other securities and exchange of the securities at the expiry of the transaction.

Trading portfolio	2013		2012	
	Bonds	Shares	Bonds	Shares
Carrying amount of transferred assets				
Repo transactions	310,443	-	300,383	-
Securities lending	-	-	-	-
Total transferred assets	310,443	-	300,383	-
Repo transactions, own issued bonds	14,483	-	55,093	
Carrying amount of associated liabilities	331,091	-	359,276	-
Net positions	-6,165	-	-3,800	-

Counterparties are entitled to sell the securities or deposit them as collateral for loans.

The Group has not entered into any agreements on the sale of assets that entail the Group's continuing involvement in derecognised financial assets.

Notes – Danske Bank Group

Note (DKK millions)

31 **Assets provided or received as collateral**

At the end of 2013, Danske Bank A/S had deposited securities worth DKK 0.1 billion as collateral with Danish and international clearing centres and other institutions (31 December 2012: DKK 33.0 billion).

At the end of 2013, Danske Bank A/S had provided cash and securities worth DKK 47.7 billion as collateral for derivatives transactions (31 December 2012: DKK 75.8 billion).

At the end of 2013, the Group had registered assets under insurance contracts worth DKK 292.6 billion (31 December 2012: DKK 259.7 billion) as collateral for policyholders' savings of DKK 271.8 billion (31 December 2012: DKK 262.3 billion).

At the end of 2013, the Group had registered loans at fair value and securities worth a total of DKK 728.1 billion (31 December 2012: DKK 732.8 billion) as collateral for bonds issued by Realkredit Danmark, including mortgage-covered bonds, worth a total of DKK 614.2 billion (31 December 2012: DKK 614.3 billion). Note 16 provides additional information. Similarly, the Group had registered loans and other assets worth DKK 239.4 billion (31 December 2012: DKK 269.9 billion) as collateral for covered bonds issued under Danish and Finnish law.

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

	2013			2012		
	Repo	Other	Total	Repo	Other	Total
Due from credit institutions	-	14,253	14,253	-	24,251	24,251
Trading portfolio securities	310,443	40,357	350,800	300,383	85,262	385,645
Loans at fair value	-	728,081	728,081	-	732,762	732,762
Loans and advances at amortised cost	-	249,750	249,750	-	291,241	291,241
Assets under insurance contracts	-	256,129	256,129	-	248,294	248,294
Other assets	-	188	188	-	187	187
Total	310,443	1,288,758	1,599,201	300,383	1,381,997	1,682,380
Own issued bonds	14,483	89,926	104,409	55,093	110,397	165,490
Total, including own issued bonds	324,926	1,378,684	1,703,610	355,476	1,492,394	1,847,870

Securities provided as collateral under agreements that entitle the counterparty to sell the securities or provide them as collateral for other loans amounted to DKK 310.4 billion at the end of 2013 (31 December 2012: DKK 300.4 billion).

At the end of 2013, the Group had received securities worth DKK 310.7 billion (31 December 2012: DKK 304.3 billion) as collateral for reverse repo transactions, securities lending, derivatives transactions and other transactions entered into on the standard terms for such transactions. As the party receiving the collateral, the Group is entitled in many cases to sell the securities or provide the securities as collateral for other loans in exchange for returning similar securities to the counterparty at the expiry of the transactions. At the end of 2013, the Group had sold securities or provided securities as collateral worth DKK 206.2 billion (31 December 2012: DKK 143.2 billion).

The Group also receives many other types of assets as collateral in connection with its ordinary lending activities. The Group has not transferred the ownership of these assets. The notes on risk management provide more details on assets received as collateral.

Notes – Danske Bank Group

Note (DKK millions)

32 **Offsetting of financial assets and liabilities**

Assets and liabilities are offset when the Group and the counterparty have a legally enforceable right to offset recognised amounts and have agreed to settle the balances on a net basis or to realise the asset and settle the liability simultaneously. Positive and negative fair values of derivatives with the same counterparty are offset if the Group has agreed with the counterparty to settle contractual cash flows net and to make cash payments or provide collateral on a daily basis to cover changes in the fair value of the derivative position. Master netting agreements or similar agreements give the right to additional offset in the event of default. Such agreements reduce the exposure further in the event of default, but do not qualify for offsetting in accordance with IFRS.

2013	Gross amount	Offsetting	Net amount presented in balance sheet	Further offsetting, master netting agreements	Collateral	Net amount
Financial assets						
Derivates with positive fair value	434,978	185,443	249,535	176,253	34,860	38,422
Reverse transactions	481,304	165,225	316,079	-	310,721	5,358
Other financial assets	3,513	1,216	2,297	-	-	2,297
Total	919,795	351,884	567,911	176,253	345,581	46,077
Financial liabilities						
Derivates with negative fair value	414,384	185,443	228,941	176,253	38,092	14,596
Repo transactions	496,316	165,225	331,091	-	324,926	6,165
Other financial liabilities	5,777	1,216	4,561	-	-	4,561
Total	916,477	351,884	564,593	176,253	363,018	25,322
2012						
Financial assets						
Derivates with positive fair value	711,023	302,033	408,990	303,974	56,396	48,620
Reverse transactions	432,760	125,583	307,177	-	304,338	2,839
Other financial assets	822	364	458	-	-	458
Total	1,144,605	427,980	716,625	303,974	360,734	51,917
Financial liabilities						
Derivates with negative fair value	690,729	302,033	388,696	303,974	63,381	21,341
Repo transactions	484,859	125,583	359,276	-	355,476	3,800
Other financial liabilities	2,256	364	1,892	-	-	1,892
Total	1,177,844	427,980	749,864	303,974	418,857	27,033

Notes – Danske Bank Group

Note (DKK millions)

33 **Related parties**

	Parties with significant influence 2013	Parties with significant influence 2012	Associates 2013	Associates 2012	Board of Directors 2013	Board of Directors 2012	Executive Board 2013	Executive Board 2012
Loans and loan commitments	5,776	6,041	5,420	6,389	15	18	17	27
Securities and derivatives	1,634	1,408	8,168	8,648	-	-	-	-
Deposits	3,133	2,175	77	454	36	20	10	13
Derivatives	218	183	1,286	1,705	-	-	-	-
Pension obligation	-	-	-	-	-	-	-	-
Guarantees issued	875	965	1	66	-	-	-	-
Guarantees and collateral received	269	352	3,132	4,719	14	16	17	25
Interest income	40	78	166	182	-	-	-	1
Interest expense	94	86	132	43	-	-	-	-
Fee income	17	7	6	3	-	-	-	-
Dividend income	17	10	169	197	-	-	-	-
Other income	61	4	-	-	-	-	-	-
Loan impairment charges	-	-	-102	1	-	-	-	-
Trade in Danske Bank shares								
Acquisitions	-	1,633	-	-	-	2	-	2
Sales	-	-	-	-	-	-	-	-

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 A.P. Møller – Mærsk A/S, Copenhagen, hold 22.84% of the share capital. Note 37 lists significant 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 2013, the average interest rates on credit facilities granted to members of the Board of Directors and the Executive Board were 2.1% (2012: 2.1%) and 2.7% (2012: 2.8%), respectively. Notes 7 and 34 specify the remuneration and shareholdings of management.

Pension funds set up for the purpose of paying out pension benefits to employees of Danske Bank Group are also considered related parties. Danske Bank Group has entered into transactions with these funds. Such transactions are not eliminated in the consolidated financial statements. Transactions with pension funds comprised loans and advances in the amount of DKK 9 million (2012: 9 million), deposits in the amount of DKK 195 million (2012: DKK 171 million), bonds issued worth DKK 507 million (2012: DKK 486 million, derivatives with a positive fair value of DKK 0 million (2012: DKK 0 million), derivatives with a negative fair value of DKK 816 million (2012: DKK 1,277 million), interest expenses of DKK 18 million (2012: DKK 20 million), fee income of DKK 1 million (2012: DKK 1 million) and pension contributions of DKK 394 million (2012: DKK 445 million).

Danske Bank A/S acts as the bank of a number of its related parties. Payment services, trading in securities and other instruments, depositing 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 Bank 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 or bonds. Such notes or bonds 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.

Notes – Danske Bank Group

Note (Number)

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

	1 Jan. 2013	Upon appointment/ retirement	Additions	Disposals	31 Dec. 2013
Board of Directors					
Ole Andersen	31,199	-	-	-	31,199
Niels B. Christiansen	5,392	-	-	-	5,392
Urban Bäckström	11,000	-	-	-	11,000
Lars Förberg	-	-	-	-	-
Jørn P. Jensen	2,098	-	-	-	2,098
Carol Sergeant	-	-	-	-	-
Jim Hagemann Snabe	-	1,045	1,600	-	2,645
Trond Ø. Westlie	-	-	-	-	-
Susanne Arboe	911	-	-	-	911
Helle Brøndum	2,584	-	-	-	2,584
Carsten Eilertsen	366	-	-	-	366
Charlotte Hoffmann	5,175	-	-	-	5,175
Per Alling Toubro	2,650	-	-	-	2,650
Michael Fairey	399	-399	-	-	-
Mats Jansson	10,438	-10,438	-	-	-
Majken Schultz	1,752	-1,752	-	-	-
Executive Board					
Thomas F. Borgen	14,952	-	3,000	-	17,952
Tonny Thierry Andersen	20,657	-	-	-	20,657
Robert Endersby	-	-	-	-	-
Lars Mørch	18,333	-	-	-	18,333
Henrik Ramlau-Hansen	24,387	-	-	-	24,387
Glenn Söderholm	-	69	-	-	69
Eivind Kolding	20,456	-20,456	-	-	-

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. Holdings of conditional shares of the members of the Executive Board are disclosed in note 7.

Notes – Danske Bank Group

Note

35 **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 or a financial liability can be exchanged between knowledgeable, willing parties. Fair value is measured on the basis of the following hierarchy:

- Quoted price (level 1): If an active market exists for the financial instrument, the Group uses the quoted price in the principal market.
- Valuation technique based on observable input (level 2): 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.
- Valuation technique based on significant non-observable input (level 3): The valuation of certain financial instruments is based substantially on non-observable input. Such instruments include unlisted shares, some unlisted bonds and a limited portion of the derivatives portfolio (4%). The value of derivatives, primarily long-term contracts, is therefore extrapolated on the basis of observable yield curves. Moreover, some credit derivatives are valued on the basis of observable input as well as assumptions about the probability of default (recovery rate). Unlisted shares are 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.

If, at the balance sheet date, a financial instrument's classification differs from its classification at the beginning of the year, the classification of the instrument changes. Changes are considered to have taken place at the balance sheet date. No significant reclassifications were made in 2012 or 2013.

The most frequently used valuation 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. 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.

Loans at fair value (mortgage loans) and bonds issued by Realkredit Danmark are recognised at the fair value of the issued bonds (the quoted price in an active market). 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 on the basis of an assessment of the expected cash flows from the loans. For the remaining portion of the portfolio, adjustments depend on the possibility of raising the administration margin on loans (credit margin) sufficiently to offset higher credit risk and market risk premiums on mortgage loans. No changes are made if it is possible to raise the administration margin sufficiently. 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 the raising administration margin in the future. The expected future cash flows are discounted at the current market rate with the addition of a risk premium. Note 39, Significant accounting policies, provides additional information on the method.

Fair value adjustments

Management estimates underlie the valuation of financial instruments where the value is based on valuation techniques.

To account for the uncertainty associated with measuring the value of derivatives on the basis of non-observable input (level 3 in the fair value hierarchy), the Group has established guidelines to quantify risk. The Group calculates and monitors the reserve on an ongoing basis. At the end of 2013, the reserve totalled DKK 10 million (31 December 2012: DKK 10 million).

For portfolios of assets and liabilities with offsetting market risks, the Group bases its measurement of the portfolios on mid-market prices and makes fair value adjustments to recognise net assets at bid price and net liabilities at offering price (exit prices). At the end of 2013, the fair value adjustments totalled DKK 154 million (31 December 2012: DKK 173 million).

Notes – Danske Bank Group

Note (DKK millions)

35 (cont'd) The Group makes a fair value adjustment to cover the credit risk on derivatives with a positive fair value (a credit value adjustment – CVA) for customers without objective evidence of impairment. For a given counterparty's portfolio of derivatives, CVA is calculated as a function of the probability of default (PD), the expected positive exposure (EPE) and the loss given default in the event of bankruptcy (LGD). The Group enters into derivatives transactions mainly with counterparties on the Scandinavian market. For a small number counterparties, the credit risk can be assessed on the basis of observable market input in the form of listed credit default swaps. For these counterparties the Group uses PD implied by CDS spreads. As the Group relies substantially on estimates to calculate PD on the basis of market data for the total derivatives portfolio, it uses its internal rating of the individual counterparty for the rest of the portfolio and assesses the development in the rating over time on the basis of historical migration matrices. In the calculating EPE, the Group uses simulations to estimate the range of positive exposures to the counterparty's portfolio over the term of the derivatives. In calculating LGD, the Group uses internal estimates for each counterparty. In 2013, a fair value adjustment is made after principles similar to the CVA adjustment for derivatives with a negative fair value to cover the counterparty's credit risk on Danske Bank (a debit value adjustment - DVA). PD is calculated as a conversion of Danske Bank's external rating to the Group's internal rating. At the end of 2013, CVA and DVA amounted to a net figure of DKK 116 million (2012: DKK 127 million).

If, at the time of acquisition, a difference arises between the model 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 to take account of the initial margin. The valuation of derivatives thus includes amortisation of the value of initial margins over the remaining term to maturity. At 31 December 2013, the value of unamortised initial margins was DKK 1,133 million (2012: DKK 1,182 million).

	2013	2012
Unamortised initial margins at 1 January	1,182	1,103
Amortised during the year	-215	-139
Initial margins on new derivatives contracts	325	375
Terminated derivatives contracts	-159	-157
Unamortised initial margins at 31 December	1,133	1,182

Notes – Danske Bank Group

Note (DKK millions)

35 (cont'd)

2013	Quoted prices	Observable input	Non-observable input	Total
Financial assets				
Derivatives				-
Interest rate contracts	5,172	174,050	8,397	187,619
Currency contracts etc.	215	60,542	1,159	61,916
Trading portfolio bonds				
Government bonds and the like	174,004	637	-	174,641
Danish mortgage bonds	110,347	11,468	-	121,815
Other covered bonds	91,729	1,444	-	93,173
Other bonds	43,346	6,436	-	49,782
Trading portfolio shares	6,020	-	757	6,777
Investment securities, bonds	84,701	16,576	-	101,277
Investment securities, shares	35	-	3,163	3,198
Loans at fair value	-	728,081	-	728,081
Assets under pooled schemes and unit-linked investment contracts	74,761	-	-	74,761
Assets under insurance contracts, bonds				
Danish mortgage bonds	37,650	2,351	-	40,001
Other bonds	101,025	108	674	101,807
Assets under insurance contracts, shares	60,306	521	8,591	69,418
Assets under insurance contracts, derivatives	642	1,234	-	1,876
Total	789,953	1,003,448	22,741	1,816,142
Financial liabilities				
Derivatives				
Interest rate contracts	5,745	151,186	6,775	163,706
Currency contracts etc.	698	63,373	1,163	65,234
Obligations to repurchase securities	205,967	265	11	206,243
Bonds issued by Realkredit Danmark	614,196	-	-	614,196
Deposits under pooled schemes and unit-linked investment contracts	-	81,882	-	81,882
Total	826,606	296,706	7,949	1,131,261

Notes – Danske Bank Group

Note (DKK millions)

35 (cont'd)

2012	Quoted prices	Observable input	Non-observable input	Total
Financial assets				
Derivatives				
Interest rate contracts	2,561	293,041	14,140	309,742
Currency contracts etc.	282	97,365	1,601	99,248
Trading portfolio bonds				
Government bonds and the like	165,561	100	-	165,661
Danish mortgage bonds	124,157	10,702	-	134,859
Other covered bonds	65,215	2,119	-	67,334
Other bonds	29,142	3,745	-	32,887
Trading portfolio shares	2,675	-	521	3,196
Investment securities, bonds	85,317	11,013	-	96,330
Investment securities, shares	52	-	3,032	3,084
Loans at fair value	-	732,762	-	732,762
Assets under pooled schemes and unit-linked investment contracts	70,625	-	-	70,625
Assets under insurance contracts, bonds				
Danish mortgage bonds	44,401	1,998	-	46,399
Other bonds	105,113	135	586	105,834
Assets under insurance contracts, shares	48,442	647	6,641	55,730
Assets under insurance contracts, derivatives	2,397	3,696	-	6,093
Total	745,940	1,157,323	26,521	1,929,784
Financial liabilities				
Derivatives				
Interest rate contracts	2,859	268,640	14,624	286,123
Currency contracts etc.	454	100,835	1,284	102,573
Obligations to repurchase securities	142,965	189	10	143,164
Bonds issued by Realkredit Danmark	614,325	-	-	614,325
Deposits under pooled schemes and unit-linked investment contracts	-	78,741	-	78,741
Total	760,603	448,405	15,918	1,224,926

At 31 December 2013, financial instruments valued on the basis of non-observable input comprised unlisted shares of DKK 12,500 million (31 December 2012: DKK 10,184 million), illiquid bonds of DKK 674 million (31 December 2012: DKK 586 million) and derivatives with a net market value of DKK 1,618 million (31 December 2012: DKK -167 million). A 10% increase or decrease in the fair value of unlisted shares would amount to DKK 1,250 million (2012: DKK 1,018 million), with DKK 859 million (2012: DKK 664 million) relating to shares allocated to policyholders, who assume most of the risk on the shares. The estimated fair value of illiquid bonds depends significantly on the estimated credit spread. If the credit spread widens 50bp, fair value will decrease DKK 19 million (2012: DKK 14 million). If the credit spread narrows 50bp, fair value will increase DKK 19 million (2012: DKK 15 million). A substantial number of derivatives valued on the basis of non-observable input are hedged by similar derivatives or are used for hedging the credit risk on bonds also valued on the basis of non-observable input. Changing one or more of the non-observable inputs to reflect reasonably possible alternative assumptions would not change the fair value of the derivatives significantly.

In 2013, the Group recognised unrealised value adjustments of unlisted shares valued on the basis of non-observable input of DKK 552 million (31 December 2012: DKK 707 million). The adjustment in 2013 and 2012 was attributable to various unlisted shares.

Notes – Danske Bank Group

Note (DKK millions)

35 (cont'd)

Shares, bonds and derivatives valued on the basis of non-observable input

	2013			2012		
	Shares	Bonds	Derivatives	Shares	Bonds	Derivatives
Fair value at 1 January	10,184	586	-167	7,641	151	-1,255
Value adjustment through profit or loss	552	-82	151	707	-3	879
Acquisitions	3,080	275	-388	2,723	421	-809
Sale and redemption	-1,316	-	349	- 887	-	1,018
Transferred from quoted prices and observable input	-	-	-	-	105	-
Transferred to quoted prices and observable input	-	-105	1,673	-	-88	-
Fair value at 31 December	12,500	674	1,618	10,184	586	-167

The value adjustment through profit or loss is recognised under Net trading income.

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, had the terms 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 extended by the Group's operations in Finland, Northern Ireland and Ireland is, however, hedged by the interest rate risk on 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. The fair value is adjusted by weighting all possible outcomes. For other loans and advances, impairment charges are recognised if a customer is downgraded to reflect a change in the probability of default.
  - The credit margins on individual risks are accounted for by adjusting the 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 not traded in an active market, the 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)

35 (cont'd) Fair value calculations for financial instruments recognised at amortised cost rely largely on estimates and are subject to significant uncertainty.

The fair value of 88% of the Group's financial assets is based on models with non-observable input (2012: 93%). The corresponding figure for financial liabilities is 72% (2012: 69%).

2013	Carrying amount	Fair value	Quoted prices	Observable input	Non-observable input
Financial assets					
Cash in hand and demand deposits with central banks	43,721	43,721	26,805	-	16,916
Due from credit institutions and central banks	131,381	131,381	-	7,493	123,888
Investment securities	57,442	57,550	55,649	1,901	-
Loans and advances at amortised cost	1,088,728	1,078,709	-	64,039	1,014,671
Total	1,321,272	1,311,362	82,454	73,433	1,155,475
Financial liabilities					
Due to credit institutions and central banks	312,597	312,597	-	61,464	251,133
Deposits	943,901	943,913	-	60,045	883,869
Other issued bonds	310,178	314,848	225,681	75,701	13,466
Subordinated debt	66,219	65,004	38,044	2,798	24,162
Loan commitments and guarantees	650	667	-	-	667
Total	1,633,545	1,637,029	263,725	200,008	1,173,296

2012					
Financial assets					
Cash in hand and demand deposits with central banks	97,267	97,267	11,235	-	86,032
Due from credit institutions and central banks	200,646	200,646	-	13,989	186,657
Investment securities	8,310	8,461	7,861	-	600
Loans and advances at amortised cost	1,161,816	1,148,130	-	73,457	1,074,673
Assets under insurance contracts	-	-	-	-	-
Total	1,468,039	1,454,504	19,096	87,446	1,347,961
Financial liabilities					
Due to credit institutions and central banks	459,932	459,932	-	100,167	359,765
Deposits	929,092	929,111	-	89,061	840,050
Other issued bonds	340,005	343,394	263,644	63,654	16,096
Subordinated debt	67,785	64,323	40,308	-	24,015
Loan commitments and guarantees	1,253	1,198	-	-	1,198
Total	1,798,067	1,797,958	303,952	252,882	1,241,124

Notes – Danske Bank Group

Note (DKK millions)

36 **Non-financial assets recognised at fair value**

Investment property

Investment property is recognised at fair value through profit or loss. Property investments are made for own investment purposes, recognised under Other assets, or on behalf of insurance customers, recognised under Assets under insurance contracts. Value adjustments of investment property are recognised under Other income in the income statement.

The fair value is assessed by the Group's valuers at least once a year on the basis of a discounted cash flow model. Valuations rely substantially on non-observable input. Valuations are based on cash flow estimates and on the required rate of return calculated for each property that reflects the price at which the property can be exchanged between knowledgeable, willing parties under current market conditions. The cash flow estimates are determined on the basis of the market rent 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. The required rate of return ranged between 4.0-9.5% (2012: 4.5%-9.5%) and averaged 6.8% (2012: 6.6%). An increase in the required rate of return of 1.0 percentage point, would reduce fair value at end-2013 by DKK 365 million.

	2013	2012
Fair value at 1 January	4,131	4,624
Value adjustment through profit or loss	2	-45
Acquisitions and improvements	409	205
Sale	1,342	653
Fair value at 31 December	3,200	4,131

Assets held for sale

Assets held for sale are measured at the lower of cost and fair value less expected costs to sell. Assets held for sale are recognised under Other assets. The carrying amount of such assets, primarily properties, totalled DKK 657 million (31 December 2012: DKK 807 million). Assets held for sale were not written down to fair value less expected costs to sell in 2013 or 2012.

Notes – Danske Bank Group

Note

37 **Group holdings and undertakings**

		Share capital (thousands)	Net profit (DKK m)	Shareholders' equity (DKK m)	Share capital (%)
Danske Bank A/S, Copenhagen	DKK	10,086,200	7,115	145,657	
Credit institutions					
Realkredit Danmark A/S, Copenhagen	DKK	630,000	2,612	46,884	100
Danske Bank Oyj, Helsinki	EUR	106,000	1,089	17,787	100
Northern Bank Limited, Belfast	GBP	218,170	-478	5,429	100
Danske Bank International S.A., Luxembourg	EUR	90,625	128	1,104	100
Danske Bank, St. Petersburg	RUB	1,048,000	28	279	100
Insurance operations					
Forsikringsselskabet Danica, Skadeforsikrings-aktieselskab af 1999, Copenhagen	DKK	1,000,000	1,179	19,402	100
Danica Pension, Livsforsikringsaktieselskab, Copenhagen	DKK	1,100,000	1,169	19,376	100
Danica Pension Försäkringsaktiebolag, Stockholm	SEK	100,000	55	134	100
Danica Pensjonsforsikring AS, Trondheim	NOK	106,344	82	285	100
Investment and real property operations etc.					
Danica Ejendomsselskab ApS, Copenhagen	DKK	2,627,590	998	21,700	100
Danske Capital AS, Tallinn	EUR	3,003	10	125	100
Danske Capital Norge AS, Trondheim	NOK	6,000	34	92	100
DDB Invest AB, Linköping	SEK	100,000	36	458	100
Danske Corporation, Delaware	USD	4	-	1	100
Danske Invest Management A/S, Copenhagen	DKK	118,000	20	175	100
Danske Leasing A/S, Birkerød	DKK	10,000	160	1,814	100
Danske Markets Inc., Delaware	USD	2,000	13	66	100
Danske Private Equity A/S, Copenhagen	DKK	5,000	26	32	100
Fokus Krogsveen AS, Trondheim	NOK	25,000	32	163	100
Gonzalo Residential Asset Trust, Delaware	USD	0	62	1,313	100
home a/s, Åbyhøj	DKK	15,000	9	139	100
National Irish Asset Finance Ltd., Dublin	EUR	32,382	14	166	100
UAB Danske Lizingas, Vilnius	LTL	4,000	7	85	100
Significant associates*					
Danmarks Skibskredit A/S, Copenhagen	DKK	333,333	314	9,773	24
LR Realkredit A/S, Copenhagen	DKK	70,000	238	3,512	31
Sanistål A/S, Ålborg	DKK	11,924	153	699	44

The list above includes significant 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.

Danica Pension has an obligation to allocate part of the margin by which Danica Pension's equity exceeds the statutory solvency requirement to certain policyholders who were previously policyholders of Statsanstalten for Livsforsikring (now part of Danica Pension). This applies only if the margin exceeds the margin in Statsanstalten for Livsforsikring before the privatisation in 1990. In addition, it is the intention for Danica Pension not to distribute dividends for a period of at least 25 years from 1990. Paid-up capital and interest thereon may, however, be distributed.

Under the agreement with the Danish Ministry of Business and Growth, Danica Pension may distribute dividends until 1 January 2014 only if its solvency exceeds the minimum requirement by 175%.

*The list above also includes significant associates. The information disclosed on major associates is extracted from the companies' most recent annual reports. Sanistål is the only listed company. The investment had a market value of DKK 325 million at 31 December 2013.

Notes – Danske Bank Group

Note

38 **Transfer of Personal Banking and Business Banking Ireland customers to Non-core**

After a detailed review of our Irish operations, we have decided to focus our business in the Republic of Ireland exclusively on customers at Corporates & Institutions where our international reach and solid experience provide a strong competitive edge. Consequently, the rendering of Personal Banking and Business Banking services was discontinued with effect from 30 October 2013.

Personal Banking and Business Banking Ireland customers were transferred to the Non-core unit with effect from 1 January 2014. Comparative figures for 2013 have been restated. The table below shows the effect on the financial highlights for 2013.

Income statement		Change			
	Highlights 2013	Personal Banking Ireland	Business Banking Ireland	Other Activities Ireland	Adjusted highlights 2013
Net interest income	22,245	-151	-16	-1	22,076
Net fee income	9,525	-46	-11	-	9,469
Net trading income	5,818	-15	-5	1	5,800
Other income	1,328	-1	-2	-18	1,307
Net income from insurance business	1,088	-	-	-	1,088
Total income	40,004	-213	-33	-18	39,739
Expenses	24,343	-365	-92	-93	23,793
Profit before loan impairment charges	15,661	152	59	74	15,946
Loan impairment charges	4,187	-48	-28	-	4,111
Profit before tax, core	11,474	200	87	74	11,835
Profit before tax, Non-core	-1,415	-200	-87	-74	-1,776
Profit before tax	10,059	-	-	-	10,059
Tax	2,944	-	-	-	2,944
Net profit for the year	7,115	-	-	-	7,115

The table below shows the effect on the Group's business units for 2013 after the transfer of Personal Banking and Business Banking Ireland customers.

	Personal Banking	Business Banking	C&I	Danske Capital	Danica Pension	Other Activities	Non-core	Adjusted highlights
Net interest income	11,009	8,892	2,306	-38	-	-92	-	22,076
Net fee income	4,204	1,926	1,218	2,186	-	-66	-	9,469
Net trading income	644	758	4,894	15	-	-513	-	5,800
Other income	666	495	17	1	-	131	-	1,307
Net income from insurance business	-	-	-	-	1,088	-	-	1,088
Total income	16,523	12,072	8,435	2,164	1,088	-540	-	39,739
Expenses	11,738	5,482	4,588	1,033	-	953	-	23,793
Profit before loan impairment charges	4,785	6,590	3,847	1,131	1,088	-1,494	-	15,947
Loan impairment charges	1,887	1,751	473	-	-	-	-	4,111
Profit before tax, core	2,898	4,839	3,374	1,131	1,088	-1,494	-	11,835
Profit before tax, Non-core	-	-	-	-	-	-	-1,776	-1,776
Profit before tax	2,898	4,839	3,374	1,131	1,088	-1,494	-1,776	10,059
Cost/income ratio (%)	71.0	45.4	54.4	47.7	-	-176.4	-	59.9
Full-time-equivalent staff (end of year)	6,863	3,759	1,565	504	766	5,409	256	19,122
Loans and advances (end of year)	800,396	589,847	151,996	296	-	-31,515	41,624	1,552,645
Deposits (end of year)	339,470	263,424	173,655	219	-	-5,240	16,742	788,269

Notes – Danske Bank Group

Note

39 **Significant accounting policies**

Contents

1. General

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.

Danske Bank has made changes to the recognition of actuarial gains and losses on defined benefit pension plans. In the financial highlights and segment reporting, changes have been made to the definition of business units, the allocation of a calculated share of shareholders' equity to each business unit, and the internal funds transfer pricing model.

Danske Bank has adopted IFRS 13, Fair Value Measurement. The standard introduces the 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. Adoption did not result in any significant effect on Danske Bank's financial results.

With the exception of these changes, Danske Bank has not changed its significant accounting policies from those followed in Annual Report 2012.

For the purposes of clarity, the information in the notes to the financial statements has been reduced. The information is not considered to be of material significance on the basis of both quantitative and qualitative criteria.

All financial statement figures are stated in Danish kroner and whole millions. As a result, rounding discrepancies may occur because sum totals have been rounded off and the underlying decimals are not presented to financial statement users.

Note 1 describes the Group's significant accounting estimates.

Notes – Danske Bank Group

Note (DKK millions)

39 (cont'd)

2. Changes to significant accounting policies

Changes to defined benefit pension plans

Danske Bank has adopted the amended IAS 19, Employee Benefits, from 1 January 2013. Comparative figures for 2012 have been restated.

The 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 pension plan assets must be recognised in the balance sheet on a net basis instead.

The new requirements have increased shareholders' equity at 1 January 2012 by DKK 333 million (the amount previously deferred under the corridor method net of tax). The end-2012 effect is an increase of net pension obligations of DKK 232 million, a reduction of deferred tax of DKK 2 million and a reduction of shareholders' equity of DKK 230 million. The net profit for 2012 has been reduced by DKK 24 million because of lower interest on pension assets, which has been offset partly by reduced pension costs (after tax). Actuarial losses of a net DKK 539 million have been recognised in Other comprehensive income for 2012.

The effect on earnings per share is insignificant, and the Statement of capital is not affected, as it was already prepared without the use of the corridor method.

Changes to financial highlights and segment reporting

As part of its new strategy, Danske Bank reorganised its business unit structure in June 2012, switching from operations based on geography to operations based on customer segments. Focus is on three new business units: Personal Banking, Business Banking and Corporates & Institutions. In addition, the non-core activities were transferred to a separate business unit. The non-core activities consist of Irish property exposures and securitisation transactions (conduits) not considered part of Danske Bank's core business. The profit or loss, total assets and total liabilities of non-core activities are presented as separate line items. The reorganisation is reflected in the financial reporting effective from 1 January 2013.

At the same time, Danske Bank made changes to the allocation of capital to each business unit and to its internal funds transfer pricing model. Core tier 1 capital was previously allocated on the basis of each unit's share of Group risk-weighted assets calculated prior to transition to the Capital Requirements Directive (CRD).

Total equity is now allocated to the business units assuming that goodwill is financed by equity. Core tier 1 capital is allocated on the basis of the CRD, with capital for credit risk being allocated on the basis of the internal economic capital framework. The capital allocation model and the internal funds transfer pricing model were updated to better reflect the risks associated with the individual business units.

Finally, operational leasing, excluding property leasing, is presented on a net basis under Other income to better reflect the development in the cost basis.

The changes have affected financial highlights and business segment reporting, whereas the income statement, balance sheet, shareholders' equity, earnings per share and statement of capital remain unaffected. The effect on the financial highlights for 2012 is presented in the table below. Comparative figures for 2012 have been restated. Minor changes have been made to the adjusted financial highlights for 2012 presented in note 44 to Annual Report 2012.

Notes – Danske Bank Group

Note	(DKK millions)							
39 (cont'd)	INCOME STATEMENT		Change					
		Highlights 2012	Funds Transfer pricing	Non-core	Leasing	Pension	Other	Adjusted highlights 2012
	Net interest income	24,788	-1,489	-305	-	-49	-167	22,778
	Net fee income	8,782	-	-26	-	-	110	8,866
	Net trading income	8,901	1,581	8	-	-	72	10,562
	Other income	2,951	-	-	-1,666	-	-	1,285
	Net income from insurance business	2,263	-92	-	-	-	-	2,171
	Total income	47,685	-	-323	-1,666	-49	15	45,662
	Expenses	26,588	-	-275	-1,666	-20	15	24,642
	Profit before loan impairment charges	21,097	-	-48	-	-29	-	21,020
	Loan impairment charges	12,529	-	-4,849	-	-	-	7,680
	Profit before tax, core	8,568	-	4,801	-	-29	-	13,340
	Profit before tax, Non-core	-	-	-4,801	-	-	-	-4,801
	Profit before tax	8,568	-	-	-	-29	-	8,539
	Tax	3,819	-	-	-	-5	-	3,814
	Net profit for the year	4,749	-	-	-	-24	-	4,725

3. 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 future financial reporting.

IFRS 9 Financial Instruments
In November 2013, the IASB issued amendments to IFRS 9 Financial Instruments. The standard now provides principles for classification and derecognition of financial instruments and includes the new general hedge accounting model. The IASB has released proposals to expand IFRS 9 to add new requirements for classification of financial instruments and impairment of financial assets. These proposals are expected to be finalised in 2014. IASB is also working on a new macro hedge accounting model.

When these new requirements are completed, an effective date will be added, and IFRS 9 will be a complete replacement of IAS 39. The EU has decided to postpone adoption of the amended IFRS 9 until all details of the standard are known.

Under the amended 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.

IFRS 9 incorporates the existing derecognition principles of IAS 39.

The general hedge accounting model does not fundamentally change the types of hedging relationships or the requirements to measure and recognise ineffectiveness.

Meaningful classification etc. of financial instruments is not possible without information about the future parts of IFRS 9 to clarify the overall accounting effects of the standard.

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosures of Interests in Other Entities, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures
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. Danske Bank will adopt the standard from 1 January 2014 in accordance with the EU's postponement of the effective date by one year. The Group does not expect the new requirements to significantly change its consolidation of businesses.

Notes – Danske Bank Group

Note

39 (cont'd)

4. 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 (until 1 January 2010 including direct transaction costs) 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.

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 Other income. 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.

Ownership shares 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.

5. Segment reporting

The Group consists of a number of business units and resource and support functions. The business units are segmented according to customers, legislation and products and services characteristics. Segment reporting complies with the 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.

Notes – Danske Bank Group

Note

39 (cont'd)

6. Offsetting

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

7. 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

8. 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, Significant accounting estimates, explains the classification of financial assets and liabilities.

9. Trading portfolio (assets and liabilities)

Trading portfolio assets comprise the equities, bonds 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).

The trading portfolio is recognised 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.

Fair value is the amount for which a financial asset or a financial liability can be exchanged between knowledgeable, willing parties. Note 35 provides information about fair value measurement and fair value adjustments.

10. Investment securities

Investment securities consists of financial assets which, under the fair value option, are designated at fair value through profit or loss, available-for-sale bonds and hold-to-maturity bonds (amortised cost).

Owing to significant distortion of the pricing of bonds, in 2008, the Group reclassified bonds in the held-for-trading category as available-for-sale financial assets. This is the only time the Group has used the available-for-sale valuation method.

11. Due from credit institutions and central banks and Loans and advances at amortised cost

Amounts due from credit institutions and central banks comprise amounts due from other credit institutions and term deposits with central banks. Loans and advances includes conventional bank loans; finance leases; mortgages and pledges; reverse transactions 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. This usually corresponds to the amount disbursed to the customer. 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.

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.

Notes – Danske Bank Group

Note

39 (cont'd)

- 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 restructuring.

Significant loans, advances and amounts due are tested individually for impairment at the end of each reporting period.

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 adequate collateral has been provided, are placed in rating category 10 or 11. If a customer facility is 90 days or more past due, the customer is placed in rating category 11 and an impairment charge is recognised for the customer's total exposure.

The impairment charge equals the difference between the carrying amount of the loan or advance and the present value of the most likely future cash flows from the loan or 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 financial restructuring. If financial restructuring is not possible, the write-down equals the estimated recoverable amount in the event of bankruptcy. If the borrower's ability to repay depends significantly on the assets that have been provided as collateral (asset financing), the customer's debt is written down to the fair value of the collateral.

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 the lowering 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 improved 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 charges are 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 becomes 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 mortgage bonds would create timing differences in the recognition of gains and losses on Realkredit Danmark bonds repurchased and the relevant loans. 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 gains nor losses 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.

Notes – Danske Bank Group

Note

39 (cont'd)

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 (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 with two exceptions. For discounting purposes, the current effective interest rate is used instead of the original effective interest rate. Loans are written down to the fair value of the collateral if financial restructuring is not possible.

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 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. 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 Pension'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 a 12-month moving average yield spread between Danish and German government bonds. A mortgage yield curve spread is also added as stipulated by the agreement on financial stability in the pension and insurance industry signed by the Danish Ministry of Business and Growth and the Danish Insurance Association. For maturities beyond 20 years, extrapolation is made of the forward rate between 20 and 30 years, with the forward rate at 30 years set at 4.2%.

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 premiums 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.

14. Intangible assets

Goodwill

Goodwill arises on the acquisition of an undertaking and is calculated as the difference between the cost (until 1 January 2010 including direct transaction costs) 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

Notes – Danske Bank Group

Note

39 (cont'd) 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 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.

15. Other assets

Other assets includes interest and commission due, prepayments, investment property, tangible assets, lease assets put up for sale at the expiry of lease agreements, assets held for sale and holdings in associates.

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. Real property with both domicile (occupied by the Group's administrative departments, branches and other service units) and investment property elements is allocated proportionately to the two categories if the elements are separately sellable. If that is not the case, such real property is classified as investment property, if the Group occupies less than 10% of the total floorage.

Investment property is recognised 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 the principles used for investment property but presented as Assets held for sale.

Tangible assets

Tangible assets includes domicile property, machinery, furniture and fixtures. Machinery, furniture and fixtures covers equipment, vehicles, furniture, fixtures and leasehold improvements. Assets are grouped by assets used by the Group and lease assets. Lease assets consists of assets, except real property, let under operating leases. Tangible assets are measured at cost and depreciated over the estimated useful life. Depreciation is recognised under Staff costs, administrative expenses, depreciation, amortisation and impairment charges.

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.

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.

16. 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.

17. 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.

Notes – Danske Bank Group

Note

39 (cont'd) The yield on some issued bonds depends on an index that is not closely linked to the bonds' financial characteristics, for example an equity or commodity index. Such embedded derivatives are bifurcated and measured at fair value in the trading portfolio.

18. 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.

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.

To a minor extent, the Group has entered into defined benefit pension plans. 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, the 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 determined by reference to yields on high-quality corporate bonds with terms matching the terms of the pension obligations.

The Group recognises actuarial pension expenses (standard cost) in the income statement. The standard cost consists of service costs and net interest on the net defined benefit liability (asset). The difference between expected trends in pension assets and benefits and actual trends will result in actuarial gains or losses. These are recognised in Other comprehensive income.

Loan commitments and guarantees
At initial recognition, loan commitments and guarantees are recognised at the amount of premiums received. Subsequently, 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 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. Loan commitments are discounted in accordance with the interest terms.

19. 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 Tax assets and 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 adopted changes in tax rates are recognised in the income statement on the basis of expected cash flows.

20. 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.

21. Shareholders' equity
Foreign currency translation reserve
The foreign currency translation reserve includes differences that have 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.

Notes – Danske Bank Group

Note

39 (cont'd) 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 are not included in the reserve.

If objective evidence of impairment exists, the Group reclassifies accumulated unrealised capital losses from the reserve to the income statement. When bonds are sold, the Group also reclassifies unrealised value adjustments from the reserve to the income statement.

Proposed dividends

The Board of Directors' proposal for dividends for the year submitted to the general meeting is included as a separate reserve in shareholders' equity. The dividends are recognised as a liability when the general meeting has adopted the proposal.

Own shares

Amounts received and paid for the Group's purchase and sale of Danske Bank shares are recognised directly in shareholders' equity under transactions with owners. 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.

INCOME STATEMENT

22. 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 on loans and advances subject to individual impairment is recognised on the basis of the impaired value.

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.

23. 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.

24. 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. Fair value adjustments of the credit risk on loans measured at fair value are recognised under loan impairment charges, however. 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 under 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.

25. 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.

Income from associates (the Group's proportionate share of the net profit or loss of the individual businesses) and the profit on the sale of associates and group undertakings are also recognised under Other income. Fair value adjustment of venture capital holdings is recognised under Net trading income, however. 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.

26. 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.

Notes – Danske Bank Group

Note

39 (cont'd)

27. 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.

28. Staff costs, administrative expenses, depreciation, amortisation and impairment charges

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 be exercised within three to seven years after the grant date and are conditional on the employee's not having resigned. 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. For defined benefit pension plans, the Group expenses the standard cost. Actuarial gains or losses as a result of the difference between expected trends in pension assets and benefits and actual trends are recognised in Other comprehensive income.

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.

29. 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.

30. 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.

31. Comprehensive income

Comprehensive income includes the net profit for the year and Other comprehensive income from the remeasurement of defined benefit plans (actuarial gains and losses), translation of units outside Denmark, hedging of units outside Denmark and unrealised value adjustments of available-for-sale financial assets.

32. 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.

33. Financial highlights

The financial highlights in note 2 deviate from the corresponding figures in the consolidated financial statements.

Income from the Danske Markets segment (part of C&I) and Group Treasury (part of Other Activities) 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. The interest income on the hold-to-maturity portfolio in Group Treasury is presented as interest income, however.

Income and expenses from 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.

Notes – Danske Bank Group

Note

39 (cont'd) The Non-core segment consists of Irish property exposures and securitisation transactions (conduits), which are not considered part of Danske Bank's core business. The profit or loss is therefore presented as a separate line item in the financial highlights, whereas the individual income and expense items are included in the various income statement items in the consolidated financial statements.

Operational leasing, excluding property leasing, is presented on a net basis under Other income to better reflect the development in the cost basis.

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 ratios and key figures

Ratios and key figures	**Definition**
Earnings per share (DKK)	Net profit for the year divided by the average number of shares outstanding during the year.
Diluted earnings per share (DKK)	Net profit for the year divided by the average number of shares outstanding during the year, including the dilutive effect of share options and conditional shares granted as share-based payments.
Return on average shareholders' equity (%)	Net profit for the year divided by average shareholders' equity during the year.
Cost/income ratio (%)	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.
Share price at 31 December	Closing price of Danske Bank shares at the end of the year.
Book value per share (DKK)	Shareholders' equity at 31 December divided by the number of shares outstanding at the end of the year.
Number of full-time-equivalent staff at 31 December	Number of full-time-equivalent staff (part-time staff translated into full-time staff) at the end of the year. The figure does not include the staff of businesses held for sale.
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, excluding repo.
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

Danske Bank Group is exposed to a number of risks and manages them at various 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 or liabilities varies with changes in market conditions.
- Liquidity risk: The risk of losses because the costs of obtaining funds become excessive, a lack of financing prevents the Group from maintaining its current business model, or the Group ultimately cannot fulfil its payment obligations because of a lack of funds.
- Insurance risk: All types of risk at Danica Pension, including market risk, life insurance risk and operational risk.

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 mean that policyholders assume the risks and receive the returns on assets allocated to them. Assets are allocated to policyholders to secure their 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 2013 provide a detailed description of Danske Bank Group's risk management practices. Risk Management 2013 is available at 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 (CRD) and apply to both Danske Bank A/S (the Parent Company) 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). In addition, financial institutions are required to calculate their internal solvency need under Pillar II to reflect all relevant risks.

The Group's capital base consists of tier 1 capital (share capital and hybrid capital after deductions) and tier 2 capital (subordinated loan capital after deductions).

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; 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 hybrid capital and subordinated loan capital may, subject to certain conditions, be included in the capital base. Section 128 of the Danish Financial Business Act and applicable executive orders specify these conditions. Note 25 shows the hybrid capital and subordinated loan capital. At the end of 2013, the capital base was DKK 182.0 billion (2012: DKK 174.4 billion), and the total capital ratio was 21.4% (2012: 21.3%). Total tier 1 capital was DKK 161.5 billion (2012: DKK 155.0 billion), and the tier 1 capital ratio was 19.0% (2012: 18.9%).

Risk Management 2013 provides a description of the Group's solvency need.

The Group's capital considerations are based on an assessment of the capital requirements under the rules on the transition from current regulations to the Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD IV) and on the requirements for systemically important financial institutions (SIFIs). From 1 January 2014, Danske Bank is subject to the new Capital Requirement Regulation (CRR). Note 28 shows the preliminary capital base at 1 January 2014. If the final regulatory requirements differ from the Group's expectations, this may result in adjustments of the capital targets. The Group also considers criteria such as expected growth and earnings, dividend policy and stress test scenarios.

The Group has set capital targets: a total capital ratio of at least 17% and a core tier 1 capital ratio of at least 13%.

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 Group offers loans, credits, guarantees and other products as part of its business model and thus takes on credit risk.

Credit risk is the risk of losses arising because counterparties or debtors fail to meet all or part of their payment obligations.

The Group grants credits on the basis of information about customers' individual financial circumstances and monitors their financial situation with the aim of assessing whether the basis for granting credit facilities has changed. Facilities should adhere to the guidelines outlined in the Group's Credit Policy, including the Principles of Responsible Lending. The Principles of Responsible Lending focus on customers' understanding of the consequences of borrowing, on an assessment of their needs and ability to repay, and on possible conflicts with the Group's ethical guidelines. Facilities should match customers' financial situation, including their earnings, capital and assets, and business volume with Danske Bank to a reasonable degree, and customers must be able to substantiate their repayment ability. In order to mitigate credit risk, the Group uses collateral, guarantees and covenants.

Credit exposure

In the following tables, credit exposure is defined as the maximum credit risk excluding collateral. Credit exposure is measured net of accumulated impairment charges. This section also includes detailed information about collateral received.

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. Securities positions taken by the Group's trading and investment units also entail credit risk. One segment of credit risk concerns OTC derivatives and securities-financing instruments and is designated as counterparty risk. The Non-core business unit is not considered part of Danske Bank's core activities. In 2013, the Non-core portfolio was supplemented by the Non-core Conduits etc. portfolio, which consists mainly of liquidity backup facilities. For more information, see page 49.

The overall management of credit risk thus covers credit risk from direct lending activities, counterparty risk on OTC derivatives and securities-financing transactions, and credit risk from securities positions.

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

Breakdown of credit exposure

(DKK billions) 2013	Total	Credit exposure, lending activities	Counterparty risk (derivatives)	Credit exposure, other trading and investing activities	Insurance risk	Contracts, full risk assumed by customers	Non-core
Balance sheet items							
Demand deposits with central banks	33.7	33.7	-	-	-	-	-
Due from credit institutions and central banks	53.7	53.5	-	-	-	-	0.2
Repo loans with credit institutions and central banks	77.7	77.7	-	-	-	-	-
Trading portfolio assets	695.7	-	249.5	446.2	-	-	-
Investment securities	161.9	-	-	161.9	-	-	-
Loans and advances at amortised cost	850.3	824.5	-	-	-	-	25.8
Repo loans	238.4	238.4	-	-	-	-	-
Loans at fair value	728.1	728.1	-	-	-	-	-
Assets under pooled schemes and unit-linked investment contracts	74.8	-	-	-	-	74.8	-
Assets under insurance contracts	246.5	-	-	-	246.5	-	-
Off-balance-sheet items							
Guarantees	76.4	76.4	-	-	-	-	-
Loan commitments shorter than 1 year	39.0	38.3	-	-	-	-	0.7
Loan commitments longer than 1 year	118.3	118.3	-	-	-	-	-
Other unutilised commitments	0.5	-	-	0.5	-	-	-
Total	3,395.0	2,188.9	249.5	608.6	246.5	74.8	26.7

2012	Total	Credit exposure, lending activities	Counterparty risk (derivatives)	Credit exposure, other trading and investing activities	Insurance risk	Contracts, full risk assumed by customers	Non-core
Balance sheet items							
Demand deposits with central banks	86.0	86.0	-	-	-	-	-
Due from credit institutions and central banks	113.7	113.5	-	-	-	-	0.2
Repo loans with credit institutions and central banks	87.0	87.0	-	-	-	-	-
Trading portfolio assets	812.9	-	409.0	403.9	-	-	-
Investment securities	107.7	-	-	107.7	-	-	-
Loans and advances at amortised cost	941.6	908.5	-	-	-	-	33.1
Repo loans	220.2	220.2	-	-	-	-	-
Loans at fair value	732.8	732.8	-	-	-	-	-
Assets under pooled schemes and unit-linked investment contracts	70.6	-	-	-	-	70.6	-
Assets under insurance contracts	241.3	-	-	-	241.3	-	-
Off-balance-sheet items							
Guarantees	80.1	80.1	-	-	-	-	-
Loan commitments shorter than 1 year	53.1	51.9	-	-	-	-	1.1
Loan commitments longer than 1 year	108.6	108.6	-	-	-	-	-
Other unutilised commitments	0.6	-	-	0.6	-	-	-
Total	3,656.2	2,388.6	409.0	512.2	241.3	70.6	34.4

In addition to credit exposure from lending activities, Danske Bank had made loan offers and granted uncommitted lines of credit of DKK 323 billion at 31 December 2013 (2012: DKK 323 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

Credit exposure from lending activities

The tables below show the credit exposure of the Group's core banking business by industry and business unit. The breakdown follows the Global Industry Classification Standard (GICS), supplemented by Public institutions, Non-profits and other associations, and Personal customers.

The Group defines "Impaired loans" as loans to customers with objective evidence of impairment and for which an impairment charge has been made. Customers with objective evidence of impairment are classified in rating categories 10 (not in default) or 11 (in default). Even if objective evidence of impairment is identified for just one facility, the customer's downgrade applies to the customer's entire exposure. The downgrade takes place even if the customer has provided full collateral.

Credit exposure broken down by industry (GICS)

					Impaired loans					
	Credit exposure		Collateral after haircut		Rat. cat. 10		Rat. cat. 11 (default)		Allowance account	
(DKK billions)	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Public institutions	118.6	215.6	18.2	17.0	-	-	-	-	-	-
Banks	97.6	106.5	38.3	46.9	-	-	0.1	0.2	0.1	0.1
Credit institutions	27.1	44.1	14.7	30.5	-	-	-	-	-	-
Insurance	53.0	40.5	44.9	29.9	-	-	-	-	-	-
Investment funds	102.6	94.7	93.6	77.9	0.9	0.2	0.1	0.2	0.5	0.6
Other financials	101.7	116.6	80.4	92.0	-	1.1	-	-	0.1	-
Agriculture	62.9	67.5	50.8	52.4	0.6	0.9	0.1	0.4	3.1	2.6
Commercial property	237.6	240.7	195.4	194.1	6.7	6.3	2.7	6.1	8.7	7.6
Construction, engineering and building products	32.5	34.5	8.2	9.8	0.2	0.6	0.6	0.8	3.0	3.2
Consumer discretionary	72.1	76.5	33.9	35.1	1.3	1.8	0.7	0.9	3.2	3.2
Consumer staples	45.8	48.4	17.6	17.1	0.2	0.2	0.1	0.1	0.5	0.4
Energy and utilities	37.2	38.8	7.3	7.0	0.1	-	-	-	0.1	0.1
Health care	29.1	23.9	13.2	7.2	-	0.1	-	-	0.1	0.1
Industrial services, supplies and machinery	71.7	67.9	16.4	16.4	0.9	1.7	0.2	0.3	2.0	2.0
IT and telecommunication services	19.2	21.7	2.1	2.3	-	0.4	-	-	0.3	0.5
Materials	39.8	39.7	8.7	9.8	0.3	0.5	0.1	0.3	1.2	0.9
Non-profits and other associations	116.6	124.0	108.9	104.4	1.8	1.3	1.3	1.6	1.4	1.0
Other commercial	28.4	39.0	6.2	8.0	-	-	-	0.1	0.4	2.6
Shipping	36.2	43.7	19.0	25.2	2.3	2.7	-	-	1.9	2.0
Transportation	15.5	19.1	8.0	9.0	0.2	0.1	-	-	0.3	0.4
Personal customers	843.7	885.1	727.3	747.8	4.5	4.3	4.5	5.6	9.5	9.0
Total	2,188.9	2,388.6	1,513.0	1,539.8	20.1	22.2	10.6	16.7	36.4	36.2

Notes – Danske Bank Group – Risk Management

Credit portfolio broken down by business unit

					Impaired loans					
	Credit exposure		Collateral after haircut		Rat. cat. 10		Rat. cat. 11 (default)		Allowance account	
(DKK billions)	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Denmark	540.6	574.4	450.5	456.0	2.3	6.0	0.7	6.8	7.0	6.7
Finland	95.9	106.1	89.4	95.1	0.3	0.3	1.3	2.2	0.5	1.3
Sweden	74.1	80.7	68.0	73.3	-	-	0.3	0.1	0.2	0.2
Norway	71.9	84.6	66.8	78.4	0.1	-	0.2	0.2	0.1	0.2
Northern Ireland	16.6	17.7	13.8	14.5	0.9	0.1	0.7	0.1	0.5	0.4
Ireland	15.5	15.4	11.6	11.1	0.3	0.3	-	0.6	1.4	0.9
Other	5.6	5.6	2.6	3.5	-	-	0.2	0.1	-	0.1
Personal Banking	820.2	884.5	702.8	731.9	4.0	6.7	3.5	10.1	9.7	9.8
Denmark	378.8	360.5	303.4	275.1	9.2	8.9	3.0	1.7	13.3	12.1
Finland	49.9	50.9	24.5	31.6	0.3	0.4	0.5	-	1.1	1.0
Sweden	107.2	113.7	75.9	83.5	0.4	0.8	0.4	-	0.9	1.3
Norway	53.8	69.0	34.9	42.9	1.1	0.9	0.7	1.0	1.1	1.1
Northern Ireland	26.9	26.9	15.1	17.2	0.1	0.5	-	1.9	6.2	6.1
Ireland	1.3	2.6	0.7	1.2	0.9	0.1	1.6	0.1	0.3	0.2
Baltics	22.7	21.4	17.3	15.4	0.6	0.9	0.7	0.8	1.1	1.7
Other	-	6.1	-	4.0	-	0.1	-	-	-	-
Business Banking	640.7	651.3	471.7	470.9	12.7	12.7	6.9	5.6	23.9	23.5
C&I*	687.2	780.6	335.5	330.1	2.8	2.8	0.1	-	2.8	2.9
Other	40.8	72.2	3.0	6.9	0.7	-	0.2	0.9	-	-
Total	2,188.9	2,388.6	1,513.0	1,539.8	20.1	22.2	10.6	16.7	36.4	36.2

* The Corporates & Institutions (C&I) segment comprises of large corporate customers and financial institutions. These customers typically have business activities in multiple countries. This means that no single country can be specified for these customers.

Notes – Danske Bank Group – Risk Management

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 customers according to risk and to estimate the probability of default (PD) of each customer. Risk classification comprises rating and credit scoring of customers.

The Group has developed a number of rating models to assess customer credit risk and to classify customers in various segments. Large business and financial customers are classified on the basis of rating models, while small business and personal customers are classified by means of scoring models.

Group Risk Management is responsible for the overall rating process, including rating models. The rating models and processes are validated on a regular basis, independently of the rating process. A specialised unit at Group Risk Management is in charge of the validation process. Customer ratings are reassessed periodically. The ratings of large business and financial customers 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 creditworthiness. Group Risk Management rates the largest customers, while small customers are rated by local credit departments at the business units. Group Risk Management 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 officers are always involved in a rating decision: a rating officer who recommends a rating and a senior rating officer with the authority to approve or reject the recommended rating.

The Group assigns credit scores to personal customers and small business customers. The Group has developed statistical models based on the information it possesses about customers to predict the likelihood that a customer defaults on payment obligations to the Group. Customer advisers use credit scores for granting loans and setting prices. 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. A limited number of customers whose data are temporarily insufficient or outdated are assigned scores based on more general statistics.

In its credit risk management, the Group uses point-in-time (PIT) PD estimates for risk classification. These PIT PD estimates express a customer's creditworthiness in the current economic situation. The Group's classification scale consists of 11 main 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 PIT PD is thus larger than if the classification were based on through-the-cycle (TTC) PD, which the Group uses to calculate risk-weighted assets for credit risk.

At the end of 2013, the exposure-weighted average PD was 1.29%, against 1.23% in 2012.

Credit exposure broken down by rating category

	PD level		Personal Banking		Business Banking		C&I		Other		Total	
(DKK billions)	Upper	Lower	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
1	0.00	0.01	2.2	6.1	19.2	5.9	62.4	143.7	15.7	36.4	99.4	192.0
2	0.01	0.03	70.3	82.4	10.0	17.4	60.8	58.0	6.0	11.5	147.1	169.3
3	0.03	0.06	139.1	135.9	74.0	76.4	175.4	174.9	6.7	5.3	395.2	392.5
4	0.06	0.14	201.0	190.5	79.6	74.4	124.9	142.4	2.0	4.8	407.5	412.0
5	0.14	0.31	172.8	170.1	140.6	130.9	139.2	106.3	4.4	4.5	457.1	411.8
6	0.31	0.63	98.5	113.1	106.0	125.2	90.7	112.5	2.8	6.5	298.0	357.3
7	0.63	1.90	80.0	94.1	112.2	114.1	19.4	27.5	1.5	1.2	213.1	236.8
8	1.90	7.98	30.1	51.9	47.4	55.0	5.2	8.0	0.8	1.0	83.5	115.9
9	7.98	25.70	11.5	17.6	14.0	19.5	5.5	3.9	0.1	0.1	31.0	41.1
10	25.70	99.99	8.8	10.9	25.9	21.5	3.6	3.4	0.7	-	39.0	35.8
Impaired portion	25.70	99.99	4.0	6.7	12.7	12.7	2.8	2.8	0.7	-	20.1	22.2
11 (default)	100.00	100.00	6.2	11.8	11.7	11.2	0.1	-	0.2	0.9	18.2	23.9
Impaired portion	100.00	100.00	3.5	10.1	6.9	5.6	0.1	-	0.2	0.9	10.6	16.7
Total			820.2	884.5	640.7	651.3	687.2	780.6	40.8	72.2	2,188.9	2,388.6

Notes – Danske Bank Group – Risk Management

Concentration risk

The Group is currently defining enhanced concentration frameworks to manage credit risk concentration. The frameworks will cover single-name concentration, industry concentration, geographical concentration, asset class concentration and product concentration.

The following sections provide details on the breakdown of the Group's exposure to single names and industries.

Single-name concentration

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 addition, according to the Danish FSA's Supervisory Diamond, the sum of exposures that each equal or exceed 10% of the capital base may not exceed 125% of the capital base.

In 2013, the Group's exposures did not exceed the limits established by section 145 or the Supervisory Diamond.

The Group has also defined internal limits in order to manage single-name concentrations. The internal limits are stricter than the single-customer concentration limits defined in section 145; the sum of single-name exposures exceeding 10% of the capital base may not exceed 95% of the capital base, and the sum of single-name exposures accounting for 5-10% of the capital base may not exceed 150% of the capital base. At the end of 2013, no exposure exceeded 10% of the capital base (2012: 1 exposure), and the sum of single-name exposures accounting for 5-10% of the capital base represented 35% of the capital base (2012: 56%).

The largest single-name exposures are monitored daily and reported to the Board of Directors on a quarterly basis. The Group has reduced single-name exposures substantially in recent years. In addition, during 2013, the Group implemented a more credit-sensitive framework than previously for the management of single-name exposures to further limit the risk of large single-name losses.

Industry concentration

The Group's credit exposure is concentrated especially on personal customers and commercial customers. At the end of 2013, exposure to personal customers amounted to 38.5% of total credit exposure (2012: 37.1%). Most of this exposure was home financing secured on real property. Exposure to commercial customers accounted for 38.6% of total credit exposure (2012: 37.1%). Most of this exposure was property financing, with working capital financing accounting for most of the remainder. Credit exposure to financial institutions and public customers amounted to 17.4% (2012: 16.8%) and 5.4% (2012: 9.0%), respectively.

Collateral

The Group uses a number of initiatives to mitigate credit risk. These include collateral, guarantees and covenants. The main method is obtaining collateral. 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. During this process, 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 collateral. The value of collateral is calculated as the estimated amount at which the collateral asset 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 the 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 the collateral asset 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, the haircut depends on the property type as well as local price and market conditions and usually ranges from 20% to 40% of the 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%.

For reporting purposes, all collateral values are net of the haircut value and capped by the exposure amount.

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 2013, the Group recognised properties taken over in Denmark at a carrying amount of DKK 193 million (2012: DKK 265 million) and properties taken over in other countries at DKK 94 million (2012: DKK 109 million). The properties are held for sale and included under Other assets in the balance sheet.

Notes – Danske Bank Group – Risk Management

Collateral value by type after haircut

	Personal Banking		Business Banking		C&I		Other		Total	
(DKK billions)	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Real property	688.3	710.1	405.6	401.7	25.9	18.9	-	0.3	1,119.8	1,130.9
Personal	686.0	708.6	24.3	24.7	-	-	-	0.4	710.4	733.7
Commercial	2.1	5.7	336.6	324.8	23.4	17.7	-	0.2	362.0	348.4
Agricultural	0.1	0.8	45.2	46.8	2.5	1.2	-	-	47.9	48.8
Bank accounts	0.7	0.8	0.7	0.7	0.2	0.4	-	-	1.7	1.9
Custody accounts and securities	6.3	6.6	9.6	9.0	282.3	280.7	2.9	6.3	301.1	302.5
Vehicles	2.7	2.9	12.1	16.6	0.5	0.4	-	-	15.3	20.0
Equipment	0.1	0.8	19.2	20.9	1.3	1.3	-	-	20.6	23.1
Vessels and aircraft	0.2	0.4	1.2	1.6	18.4	22.7	-	-	19.8	24.7
Guarantees	4.2	4.8	2.9	3.4	3.2	3.3	-	-	10.3	11.4
Amounts due	0.1	0.2	4.5	5.0	0.6	0.8	-	-	5.2	5.9
Other assets	0.2	0.3	15.4	17.4	3.1	1.7	-	-	18.7	19.3
Total collateral	702.8	731.9	471.7	470.9	335.5	330.1	3.0	6.9	1,513.0	1,539.8
Total unsecured credit exposure	117.4	152.5	169.0	180.4	351.7	450.5	37.8	65.4	676.0	848.8
Unsecured portion of credit exposure (%)	14.3	17.2	26.4	27.7	51.2	57.7	92.7	90.5	30.9	35.5

Collateral by rating category after haircut

	PD level		Personal Banking		Business Banking		C&I		Other		Total	
(DKK billions)	Upper	Lower	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
1	0.00	0.01	1.5	5.4	3.6	2.5	3.8	10.6	2.3	0.3	11.2	18.7
2	0.01	0.03	65.1	73.5	5.6	6.0	33.2	28.4	0.2	5.8	104.1	113.6
3	0.03	0.06	125.0	119.4	62.9	56.3	109.1	108.7	-	-	297.0	284.4
4	0.06	0.14	177.3	162.8	56.5	48.6	40.8	51.9	0.3	0.2	275.0	263.6
5	0.14	0.31	146.6	139.8	95.2	88.6	84.9	36.2	-	0.1	326.7	264.7
6	0.31	0.63	80.4	90.6	84.7	95.6	51.9	80.4	0.1	-	217.0	266.5
7	0.63	1.90	65.9	74.7	86.3	87.1	6.7	8.3	-	-	158.8	170.0
8	1.90	7.98	22.0	38.0	34.2	43.6	1.4	2.6	-	-	57.5	84.2
9	7.98	25.70	7.1	10.5	9.9	14.1	1.8	0.9	-	-	18.8	25.4
10	25.70	99.99	6.0	5.9	21.3	18.4	2.0	2.2	-	-	29.2	26.5
Impaired portion	25.70	99.99	2.7	3.0	10.6	11.3	1.5	2.0	-	-	14.8	16.2
11 (default)	100.00	100.00	5.8	11.4	11.7	10.2	-	-	-	0.5	17.5	22.2
Impaired portion	100.00	100.00	3.5	10.1	6.9	5.6	-	-	-	0.5	10.4	16.3
Total			702.8	731.9	471.7	470.9	335.5	330.1	3.0	6.9	1,513.0	1,539.8

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

Notes – Danske Bank Group – Risk Management

Past due amounts (no evidence of impairment)

	Personal Banking		Business Banking		C&I		Other		Total past due amounts		Total due under loans	
(DKK millions)	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
1-5 days	199	204	309	97	14	26	-	-	522	327	8,126	5,660
6-30 days	251	77	72	26	8	11	-	10	332	123	2,827	5,307
31-60 days	24	32	13	11	-	-	-	19	37	63	967	1,888
> 60 days	29	27	24	40	-	4	-	10	53	82	1,043	5,039
Total past due amounts	503	340	418	174	22	41	-	39	944	595	-	-
Total due under loans											12,962	17,894

The average unsecured portion of the claims recorded as past due amounts with no evidence of impairment was 30.5% at the end of 2013 (2012: 40.0%). Real property accounted for 87.5% of the collateral provided (2012: 92.0%).

Forbearance practices

Under certain circumstances, the Group grants concessions in borrowing terms to customers undergoing financial difficulties, for example if a personal customer becomes unemployed or a business customer sees a substantial drop in turnover. Concessions are granted mainly if the financial difficulties are considered to be temporary, but may also be granted if a restructuring is considered necessary to limit the Group's losses on an exposure.

Forbearance measures include interest-only schedules and interest rate reductions for short periods. If a customer is expected to be able to resume normal repayments after such period, the exposure is not considered to be subject to objective evidence of impairment, and the impairment will be covered by collective impairment charges. In other cases, including restructuring, the customer will be downgraded to rating category 10 or 11, and the entire exposure will be impaired. The exposure is then written down to the amount that the customer is estimated to be able to service in future. If the customer's ability to repay depends significantly on the assets provided as collateral (asset financing), the exposure is written down to the fair value of such collateral in accordance with the accounting policies set out in note 39.

Once a customer has proven able to service the restructured facility, the exposure will, after a certain period, no longer be considered subject to objective evidence of impairment, and the customer will be upgraded from rating category 10 or 11.

The Group is in the process of implementing the EBA's definition of loans subject to forbearance agreements. Quantitative information about the extent of such loans will be provided when implementation is complete.

Impairment charges

Rating categories 10 and 11 include customers with exposures for which objective evidence of impairment exists. Exposure to customers in the other rating categories is subject to collective impairment testing. Note 39 provides additional information about impairment charges for loans and advances recognised at amortised cost.

The allowance account comprises all impairment charges against loans and advances at amortised cost, loans at fair value, amounts due from credit institutions and central banks, and loan commitments and guarantees.

Notes – Danske Bank Group – Risk Management

Allowance account broken down by segment and type of impairment

(DKK millions)	Personal Banking	Business Banking	C&I	Other	Allowance account, total	Impairment Individual	Impairment Collective
1 January 2012	7,873	22,713	2,042	137	32,765	29,327	3,438
New impairment charges	4,018	6,992	2,011	28	13,049	11,252	1,797
Reversals of impairment charges from previous periods	1,144	3,467	847	49	5,507	3,689	1,818
Write-offs debited to allowance account	1,019	3,183	329	112	4,643	4,643	-
Foreign currency translation	36	266	-10	-	292	263	29
Other items	52	138	10	-1	199	199	-
31 December 2012	9,816	23,459	2,877	3	36,155	32,709	3,446
New impairment charges	4,194	5,600	944	83	10,821	9,539	1,282
Reversals of impairment charges from previous periods	2,252	3,686	448	85	6,470	5,210	1,260
Write-offs debited to allowance account	1,732	1,958	370	0	4,060	4,060	-
Foreign currency translation	-36	-322	-69	11	-416	-382	-34
Other items	-274	815	-160	-12	369	370	-1
31 December 2013	9,716	23,908	2,774	-	36,399	32,967	3,432

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 3.9 billion (2012: about DKK 5.5 billion).

If the value of collateral provided by customers in rating categories 10 and 11 decreased 10%, individual impairment charges would increase by about DKK 2.6 billion (2012: about DKK 3.0 billion).

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

(DKK millions)	2013	2012
Due from credit institutions and central banks	87	91
Loans and advances at amortised cost	31,193	30,990
Loans at fair value	3,901	3,096
Other liabilities	1,218	1,978
Total	36,399	36,155

Credit exposure, allowance account and collateral for individual impairment charges broken down by evidence of impairment

	2013			2012		
(DKK millions)	Credit exposure after impairment charges	Collateral	Allowance account, individual	Credit exposure after impairment charges	Collateral	Allowance account, individual
Rating category 10						
Financial difficulties	38,954	29,235	11,956	35,759	26,504	10,779
Rating category 11						
90 days past due	11,157	10,844	2,045	11,823	10,758	2,789
Restructuring of debt	2,486	2,190	5,357	4,102	3,695	2,833
Collection/termination	3,648	3,605	9,461	5,985	5,766	13,031
Bankruptcy	872	868	4,148	1,979	1,960	3,278
Total	57,116	46,742	32,967	59,648	48,684	32,709

The average unsecured portion of impaired exposures was 18.2% at the end of 2013 (31 December 2012: 18.4%). Real property accounted for 84.6% of collateral provided (31 December 2012: 84.2%).

Notes – Danske Bank Group – Risk Management

Non-core

The Non-core business unit is responsible for the controlled winding-up and divestment of the portfolio that is no longer considered part of Danske Bank's core activities. The portfolio consists of loans to customers in Ireland and liquidity back-up facilities for SPVs and conduit structures. In 2013, the reduction of the portfolio continued according to plan.

Credit portfolio broken down by industry (GICS)

					Impaired loans					
	Credit exposure		Collateral after haircut		Rat. cat. 10		Rat. cat. 11 (default)		Allowance account	
(DKK millions)	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Financials	13,179	16,608	9,275	11,762	482	-	22	461	149	159
Commercial property	4,573	7,206	3,764	5,493	187	327	2,922	4,493	5,857	6,521
Consumer discretionary	676	1,437	488	677	64	140	272	251	950	845
Personal customers	6,294	7,143	4,816	5,058	1,201	417	995	1,052	1,684	1,822
Other	1,958	2,085	1,582	2,389	93	-	887	1,965	1,861	2,291
Total	26,680	34,479	19,925	25,379	2,027	885	5,099	8,222	10,501	11,638

Credit exposure and collateral broken down by rating category

	PD level		Credit exposure		Collateral after haircut	
(DKK millions)	Upper	Lower	2013	2012	2013	2012
1	0.00	0.01	2,619	3,810	2,265	3,293
2	0.01	0.03	2,806	3,948	2,321	3,349
3	0.03	0.06	674	708	520	619
4	0.06	0.14	2,279	2,606	1,843	1,745
5	0.14	0.31	4,540	3,638	2,377	1,910
6	0.31	0.63	1,218	1,710	1,133	1,619
7	0.63	1.90	359	873	359	772
8	1.90	7.98	1,741	4,078	1,510	2,685
9	7.98	25.70	2,289	2,465	1,055	1,490
10	25.70	99.99	2,659	2,068	1,521	1,379
Impaired portion	25.70	99.99	2,027	884	1,228	884
11 (default)	100.00	100.00	5,496	8,575	5,021	6,518
Impaired portion	100.00	100.00	5,099	8,222	4,822	6,273
Total			26,680	34,479	19,925	25,379

The average unsecured portion of impaired exposures was 19.8% at the end of 2013 (2012: 25.8%). Real property accounted for 99.3% of collateral provided (2012: 96.2%).

Notes – Danske Bank Group – Risk Management

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

	Total	
(DKK billions)	2013	2012
Counterparty risk		
Derivatives with positive fair value	250	409
Credit exposure from other trading and investing activities		
Bonds	598	505
Shares	10	6
Other unutilised commitments	1	1
Total	858	921

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

Counterparty risk (derivatives)

Derivatives are subject to credit risk. Positive and negative fair values of derivatives with the same counterparty are offset in the balance sheet if certain conditions are fulfilled. The Group has entered into master netting or similar agreements that include rights to additional set-off in the event of a counterparty default. Such agreements reduce the exposure further, but they do not qualify for offsetting under IFRS accounting rules. The net current exposure to derivatives with positive market value after offsetting under master netting agreements amounted to DKK 73.3 billion (2012: DKK 105.0 billion) (see note 32). The exposure is broken down by rating category in the table below.

Notes – Danske Bank Group – Risk Management

Net current exposure (derivatives) broken down by rating category

(DKK millions)	2013	2012
1	21,431	10,013
2	20,156	17,499
3	17,878	37,179
4	9,058	11,727
5	2,695	13,838
6	561	9,731
7	534	2,906
8	225	921
9	535	284
10	-	627
11	209	291
Total	73,282	105,016

The Group makes fair value adjustments to cover the credit risk on derivatives with positive fair value (CVA). See also note 35.

Bond portfolio

(DKK millions) 2013	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
Held-for-trading	179,190	8,145	133,523	84,116	9,918	24,519	439,411
Designated at fair value	4,834	-	32,415	721	340	1,194	39,504
Available-for-sale	671	573	56,658	-	3,758	114	61,774
Hold-to-maturity	18,081	-	39,178	-	45	138	57,442
Total	202,776	8,718	261,774	84,837	14,061	25,965	598,131
2012							
Held-for-trading	173,090	4,783	127,787	56,007	14,462	24,612	400,741
Designated at fair value	2,009	-	27,435	-	832	78	30,354
Available-for-sale	160	614	57,469	-	7,615	118	65,976
Hold-to-maturity	6,561	-	-	-	46	1,703	8,310
Total	181,820	5,397	212,691	56,007	22,955	26,511	505,381

The Group has an additional bond portfolio worth DKK 141,808 million that is recognised as assets under insurance contracts and not included in the table above. The section on insurance risk provides more information. For bonds classified as hold-to-maturity, fair value equalled amortised cost at the end of 2013 and 2012.

Bond portfolio broken down by geographical area

(DKK millions) 2013	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
Denmark	27,151	-	261,774	-	247	6,136	295,308
Sweden	30,326	-	-	84,837	-	6,816	121,979
UK	10,770	137	-	-	3,881	1,126	15,914
Norway	10,068	-	-	-	4,857	4,728	19,653
USA	582	1,238	-	-	40	733	2,593
Spain	6,598	-	-	-	3,498	-	10,096
France	515	-	-	-	69	-	584
Luxembourg	-	7,234	-	-	-	141	7,375
Canada	292	-	-	-	-	131	423
Finland	11,544	109	-	-	454	903	13,010
Ireland	2,612	-	-	-	158	199	2,969
Italy	10,727	-	-	-	-	-	10,727
Portugal	764	-	-	-	-	-	764
Austria	4,878	-	-	-	116	6	5,000
Netherlands	4,892	-	-	-	404	3,325	8,621
Germany	68,553	-	-	-	262	601	69,416
Belgium	10,249	-	-	-	73	-	10,322
Lithuania	1,396	-	-	-	-	-	1,396
Other	862	-	-	-	-	1,121	1,983
Total	202,779	8,718	261,774	84,837	14,059	25,966	598,131
2012							
Denmark	25,221	-	212,691	-	77	6,233	244,222
Sweden	41,407	-	-	56,007	-	5,243	102,657
UK	12,358	20	-	-	8,268	497	21,143
Norway	3,593	-	-	-	6,544	5,985	16,122
USA	5,839	1,478	-	-	237	883	8,437
Spain	3,161	-	-	-	4,513	198	7,872
France	14,191	-	-	-	1,719	1,772	17,682
Luxembourg	-	3,791	-	-	-	1,609	5,400
Canada	1,027	-	-	-	-	54	1,081
Finland	6,278	108	-	-	654	875	7,915
Ireland	2,582	-	-	-	71	47	2,700
Italy	4,614	-	-	-	4	-	4,618
Portugal	120	-	-	-	-	120	240
Austria	3,233	-	-	-	-	162	3,395
Netherlands	8,946	-	-	-	593	2,251	11,790
Germany	44,877	-	-	-	19	582	45,478
Belgium	3,419	-	-	-	53	-	3,472
Lithuania	327	-	-	-	-	-	327
Other	627	-	-	-	203	-	830
Total	181,820	5,397	212,691	56,007	22,955	26,511	505,381

Credit exposure to government bonds issued by Ireland, Portugal, Italy and Spain amounted to DKK 20.7 billion at the end of 2013 (2012: DKK 10.5 billion). All government bonds issued by these countries were recognised at fair value. When unsettled transactions in bonds issued by these countries and hedging transactions are taken into account, the total risk exposure was DKK 3.0 billion (2012: DKK 3.2 billion). In 2013, the bond portfolio did not include government bonds issued by Greece. Exposures below DKK 1 billion are aggregated in the Other category. Risk Management 2013 provides additional details about the risk on Group's bond portfolio. The publication is not covered by the statutory audit.

Notes – Danske Bank Group – Risk Management

Bond portfolio broken down by external ratings

(DKK millions) 2013	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
AAA	107,933	8,591	158,286	46,386	9,947	2,526	333,669
AA+	47,818	-	10,257	34,408	671	685	93,839
AA	1,319	-	26	2,537	883	616	5,381
AA-	4,621	-	22,619	4	448	3,794	31,486
A+	1,760	-	663	-	146	3,128	5,697
A	1,177	-	2,130	-	592	4,597	8,496
A-	917	128	17,018	-	178	1,591	19,832
BBB+	10,687	-	28,143	78	271	2,870	42,049
BBB	18,108	-	10,920	1,173	630	1,656	32,487
BBB-	2,185	-	5,297	-	237	493	8,212
Sub-investment grade or unrated	6,250	-	6,416	251	57	4,009	16,983
Total	202,775	8,719	261,775	84,837	14,060	25,965	598,131

2012							
AAA	149,835	5,150	193,816	55,895	15,454	2,206	422,356
AA+	15,611	235	-	-	564	194	16,604
AA	2,138	-	-	-	1,171	1,027	4,336
AA-	1,997	-	837	-	97	662	3,593
A+	165	-	2,535	-	302	5,914	8,916
A	46	-	14,013	-	148	3,609	17,816
A-	201	-	-	-	2,552	1,449	4,202
BBB+	447	-	88	-	509	1,483	2,527
BBB	4,651	-	1,337	-	1,556	4,770	12,314
BBB-	3,624	-	-	-	429	377	4,430
Sub-investment grade or unrated	3,105	12	65	112	173	4,820	8,287
Total	181,820	5,397	212,691	56,007	22,955	26,511	505,381

Notes – Danske Bank Group – Risk Management

Market risk

Taking on market risk is an integral part of the Group's business strategy. The activities that involve market risk derive mainly from risk management solutions provided to the Group's corporate and institutional clients. The Corporates & Institutions (C&I) business unit provides a full range of products to Nordic customers and core products to customers outside the Nordic region. Advanced derivatives are traded mainly with professional customers, while simple products are distributed to Business Banking and Personal Banking customers as well.

The Group's market risk appetite is defined as its total appetite for market risk given its business strategy and the market environment expected in the near future. Danske Bank establishes its market risk appetite on the basis of a risk mandate assessment. The purpose of the risk mandate assessment is to measure the effect of proposed limits by quantifying the expected upside of using the limits (that is, expected earnings) and the potential downside (that is, the potential loss if the expectations are not realised).

To manage the exposure incurred from servicing customers within the market risk appetite, the Board of Directors has set authorisations that allow the trading unit at C&I to take positions for its own account and at its own risk. The Group also takes on market risk as part of its treasury operations, which support the procurement and day-to-day management of liquidity and the management of net interest income. On the basis of the overall risk limits, the Executive Board sets market risk limits for C&I and Group Treasury.

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

Risk controlling

The Group carries out market risk measurement, monitoring and management reporting on a daily basis. It also conducts intraday monitoring of the market risks at C&I and Group Treasury. This involves a minimum of two daily checks of all limits. The current market risk exposures are calculated using internally developed systems that are linked to the trading systems and cover all market risk positions. The Group uses both conventional risk measures and mathematical and statistical measures, such as Value at Risk (VaR), to calculate market risk exposures as well as economic and regulatory capital. Hence, daily monitoring includes sensitivity analyses combined with stress-testing metrics and VaR measures.

Interest rate risk sensitivities include conventional parallel shifts as well as non-parallel scenarios in which the curvature of the yield curves changes. The Group also actively manages interest rate basis risk. This type of risk exists that is entailed in derivatives that each have specific rate reset terms and in derivatives that involve an exchange of liquidity. Interest rate risk outside the trading book is included in the Group's interest rate risk calculations and thus in day-to-day monitoring and risk management. For units that trade in interest rate options, the measures mentioned above are supplemented with measures that capture option-market-specific risks, such as the maximum loss in a number of market scenarios and the sensitivity of option values to implied volatility (vega), which expresses the sensitivity of option values to changes in the expected future volatility of the underlying asset.

Positions in bonds are also exposed to spread risk. The bond spread reflects the additional net return required by an investor 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 credit quality and liquidity. The Group's management of the bond spread 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 in bond spreads of 1 basis point (BPV). In its management of the bond spread risk on government bonds, the Group includes an assessment of market expectations of future risk in addition to the current rating. Key factors are the rating agencies' expectations for future ratings (the rating outlook), the spread on credit default swaps for the issuer, and the spread to the yield on equivalent German government bonds.

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 10 days. For units that trade in currency options, the Group also runs a number of scenarios that express the potential loss under stressed market conditions and the sensitivity of option values to underlying parameters such as vega (volatility).

Equity market risk is the risk of losses caused by changing equity prices. It is calculated as the net value of long and short positions in equities and equity-based instruments. In equity market risk monitoring, the Group distinguishes between risk on listed and unlisted shares. For listed shares, the Group calculates equity market risk as the net market value of short and long positions. For units trading in equity options, the Group also calculates the maximum standardised loss due to large equity price changes as well as vega (volatility). 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. The risk on positions in individual companies is measured and monitored separately.

Notes – Danske Bank Group – Risk Management

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.

The Group uses an internal VaR model for the calculation and management of general market risk at the portfolio level. The current version of the model was approved by the Danish FSA in 2007 for calculating the capital requirement for general market risk. The VaR model is also used for calculating economic capital. The following risk types are included: interest rate risk, yield volatility risk, inflation rate risk, foreign exchange risk and equity market risk.

The model does not cover commodity risk, to which the exposure is very limited. The model estimates the maximum potential loss from changes in general market risk factors within 10 days at a confidence level of 95% assuming unchanged positions. For capital requirement purposes, VaR is also calculated at a confidence level of 99%.

As a supplement, in 2013, the Group developed and implemented a stand-alone bond spread VaR model for day-to-day risk management. The model estimates the maximum potential loss from changes in bond spreads within 10 days at a confidence level of 95% assuming unchanged positions. The calculations are made using a stand-alone model that is not integrated with the Group's internal VaR model for general market 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. However, the VaR measure assumes that the recent history is a good projection of the future. If this assumption does not hold, VaR does not provide a satisfactory estimate of the future potential loss.

Market risk exposure

When calculating the capital requirement, the Group distinguishes between risk exposure in and risk exposure outside the trading book in accordance with its trading book policy. In day-to-day risk management and control procedures, however, the two positions are given equal consideration.

The table below shows the Group's total market risk, excluding bonds classified as hold-to-maturity, at the end of 2013 and 2012, broken down according to selected risk factors. The risks are calculated as stand-alone VaR for each risk factor excluding diversification effects.

Market risk exposure (stand-alone VaR, confidence level of 95% 10-day horizon)

(DKK millions)	2013	2012
Bond spread	282	346
Interest rate	226	97
Currency	25	37
Equity	174	218

Most of the bond spread risk is attributable to bonds issued for real property financing, including Danish mortgage bonds and covered bonds from other European countries in particular. In addition, the Group is exposed to bond spread risk from government bonds and, to a lesser extent, corporate bonds (for more information, see the "Bond portfolio broken down by geographical area" table in the section on credit risk). Most of the interest rate risk derives from positions in Scandinavian currencies and EUR.

Notes – Danske Bank Group – Risk Management

Value-at-Risk for capital requirement purposes

The Group uses its internal VaR model to calculate the capital requirement for general market risk on positions in the trading book (the Group uses the standardised approach to calculate regulatory capital for specific risk).

The table below shows the VaR figures used for calculating the capital requirement for general market risk:

(DKK millions)

2013	Daily VaR				Stressed VaR			
Risk category	Avg. VaR	Minimum VaR	Maximum VaR	31 Dec.	Avg. VaR	Minimum VaR	Maximum VaR	31 Dec.
Interest rate risk	203	119	387	330	283	197	366	365
Foreign exchange risk	39	6	90	37	67	20	144	73
Equity market risk	32	8	92	37	68	20	131	79
Diversification benefit	-65			-66	-153			-159
Total VaR	209	116	421	338	265	193	358	358

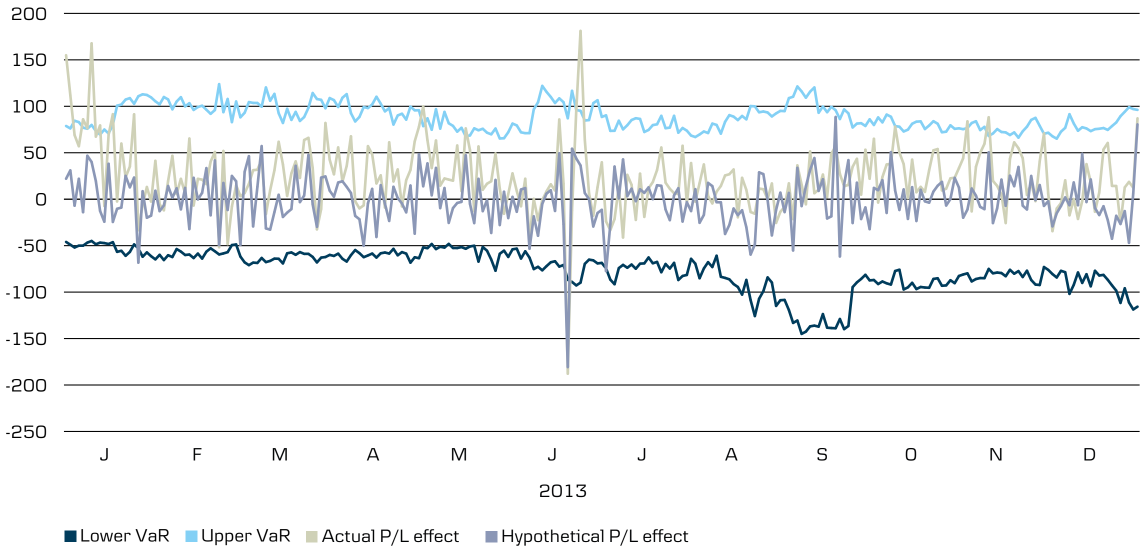
2012	Daily VaR				Stressed VaR			
Risk category	Avg. VaR	Minimum VaR	Maximum VaR	31 Dec.	Avg. VaR	Minimum VaR	Maximum VaR	31 Dec.
Interest rate risk	210	130	319	158	227	135	327	231
Foreign exchange risk	31	2	85	60	64	25	114	54
Equity market risk	22	9	44	19	49	25	86	32
Diversification benefit	-55			-70	-103			-80
Total VaR	208	130	322	167	237	116	356	237

Notes – Danske Bank Group – Risk Management

Backtesting and stress testing

The Group conducts backtests daily to document the accuracy of the internal VaR model. Backtesting compares 1-day VaR calculated on trading book positions with the actual and hypothetical profit or loss. For the latter, positions are assumed to be unchanged until the following business day (no intra-day trading is included). If the hypothetical or actual 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 to three. The backtest results for 2013 are shown in the chart below.

BACKTEST RESULTS, P/L EFFECT
(DKK millions)



The backtest of the VaR model showed three exceptions in 2013 (2012: two exceptions); this is acceptable in light of the expected number of exceptions. The exceptions were caused by large changes in yields in the financial markets.

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 applied across the business units.

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

Notes – Danske Bank Group – Risk Management

Liquidity risk

Liquidity risk is the risk that the costs of obtaining funds become excessive, a lack of financing prevents the Group from maintaining its current business model, or the Group ultimately cannot fulfil its payment of obligations because of a lack of funds.

Taking on liquidity risks is an integral part of the Group's business strategy. Realkredit Danmark and Danica Pension each manage their liquidity separately and are thus not included in the Group's general liquidity reporting. At Realkredit Danmark, the financing of mortgage loans through the issuance of listed mortgage bonds with matching conditions has eliminated liquidity risk in all material respects. Danica Pension's balance sheet contains long-term life insurance liabilities and assets, most of which are invested in easily marketable bonds and shares. Both companies are subject to statutory limits on their exposures to Danske Bank A/S. In the following, references to the Group's liquidity thus exclude Realkredit Danmark and Danica Pension.

All funding markets are open to the Group, and overall market sentiment stayed positive in 2013, although some concerns about the economic outlook arose from time to time. Issuance volume was low because of an improved loan-to-deposit ratio, and the Group managed to bring the liquidity metrics, including the LCR, to a high level. The Group was thus able to maintain its liquidity reserves through 2013 and was on track with the funding plan.

At the end of 2013, the Group's LCR was 127%. The Group will include holdings of covered bonds and Danish mortgage bonds, including own issued bonds, in the ratio until the European Commission's final guidelines are announced before implementation in 2015. Moreover, the Group will continue to ensure that it has a prudent ratio between lending and long-term funding.

Internal measures

At the group level, internal liquidity management is based on the monitoring and management of short- and long-term liquidity risks. Liquidity triggers make up a vital part of daily liquidity management since they are used as early warnings of a potential liquidity crisis. The triggers are monitored by various functions across the Group depending on the type of trigger. Liquidity management is organised according to the framework described in the following sections, although it is not limited to that framework.

Survival horizon

The principal aim of the Group's short-term risk management is to ensure that, in the short term, the liquidity buffer is always sufficient to absorb the net effects of known future receipts and payments from current transactions. Bond holdings that can be used in repo agreements with central banks are considered liquid assets. To take account of the potential risk of drawings under loan commitments, the Group factors in the unutilised portion of the facilities in the calculation of liquidity risk.

For liquidity management purposes, the Group distinguishes between liquidity in Danish kroner and liquidity in other currencies. This is because of the Group's strong position in the Danish market and because the Group has a net deposit surplus in Danish kroner (deposits exceed lending) and a net deposit shortfall in other currencies (lending exceeds deposits). The net deposit surplus in Danish kroner is a valuable, stable funding source for the Group.

The Group uses limits for total liquidity and for liquidity in currencies other than Danish kroner to manage its short-term liquidity risk. In addition to limits set by the Board of Directors and the All Risk Committee, the Group Liquidity Risk Committee has set overnight targets for each key currency.

Survival horizon under stress

The Group conducts stress tests to measure its immediate liquidity risk and to ensure that it has sufficient time to respond to potential crises. The stress tests estimate liquidity risk in various scenarios, including three standard scenarios: a scenario specific to the Group, a general market crisis scenario and a combination of the two. It also conducts a stress-to-fail test.

All stress tests are based on the assumption that the Group does not reduce its lending activities. This means that existing lending activities are maintained and require funding. The degree of possible refinancing varies, depending on the scenario in question and the specific funding source. To assess the stability of the funding, the Group considers maturity as well as behavioural assumptions.

Most of the Group's unencumbered bond holdings can be used as collateral for loan facilities with central banks and are thus considered liquid assets. Scenario-specific haircuts are applied to the bond portfolio.

Market reliance

Retail deposits are a valuable, stable funding source for the Group. Most of the retail deposits are covered by a deposit insurance scheme, and analyses indicate that they are indeed stable over time.

Wholesale funding is another important funding source. This type of funding is less stable, especially when the markets are strained.

Stress tests show that the Group's liquidity buffer is sufficient to close any liquidity gap if all capital markets are closed and refinancing is impossible. The liquidity buffer is monitored continuously to ensure a minimum survival period of 12 months in such a scenario.

Notes – Danske Bank Group – Risk Management

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, excluding funding in the form of bonds issued by Realkredit Danmark.

Funding sources by type of liability (%)	2013	2012
Central banks/credit institutions	7	12
Repo transactions	18	18
Short-term bonds	1	2
Long-term bonds	6	6
Total covered bonds	11	11
Deposits (business)	25	22
Deposits (personal)	21	19
Subordinated debt	3	3
Shareholders' equity	8	7
Total	100	100

Funding sources by currency (%)	2013	2012
DKK	33	34
EUR	35	37
USD	8	8
SEK	10	8
GBP	5	5
CHF	2	1
NOK	6	6
Other	1	1
Total	100	100

Liquidity buffer

The Group manages its liquidity buffer to ensure compliance with international and national regulatory requirements and internal limits determined by stress tests.

The Group's liquidity buffer is defined as the assets available to Group Treasury in a stressed scenario. All assets must be unencumbered, and securities received in reverse repo transactions are included, while securities used as collateral for repo transactions are not. The table below shows the nominal value of the Group's liquidity buffer without haircuts. The haircuts applied to determine liquidity values for regulatory purposes are defined by regulators, while the haircuts used for internal stress testing purposes are defined on the basis of a set of parameters specific to each scenario. The Group's bond holdings are considered to be highly liquid, not least because most of them can be used in repo agreements with central banks. Central bank eligibility is vital for intra-day liquidity management and overnight liquidity facilities and also for determining liquidity in markets during stressed periods. While central bank eligibility is a positive indicator, it is not necessarily the only parameter used for defining the liquidity value of a buffer. External credit rating performance is another parameter.

Nominal value of the liquidity buffer available to the Group

(DKK billions)	2013	2012
Cash and holdings at central banks	33	102
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	110	58
Covered bonds (including mortgage bonds)	280	243
Issued by other institutions	181	175
Own issued	99	68
Other	29	22
Total	452	425

Notes – Danske Bank Group – Risk Management

Regulatory measures
The Basel Committee has defined new liquidity standards in the form of the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The LCR stipulates that banks must have a liquidity buffer that ensures a survival horizon of at least 30 calendar days in case of a seriously stressed liquidity situation. The NSFR is intended to ensure a sound funding structure by promoting an increase in the amount of long-dated funding. The NSFR stipulates that banks must at all times have stable funding equal to the amount of their illiquid assets for one year ahead.

In Europe, the revision of the Capital Requirements Directive (CRD IV) continues. Focus is on the LCR, but its definition is still awaiting additional technical guidance from the European Commission. Nevertheless, in the measurement of the Group's liquidity buffer under the LCR, it is of great significance that the CRD IV proposal allows most of the Group's covered bond holdings, including Danish mortgage bonds, to be classified as level 1 liquid assets, on a par with Danish government bonds.

The national liquidity requirements that apply to the Group are set forth in section 152 of the Danish Financial Business Act, which states that a credit institution's liquidity must equal at least

- 15% of the debt obligations that, regardless of any disbursement conditions, the institution must pay on demand or at less than one month's notice
- 10% of the institution's total debt and guarantee obligations, excluding subordinated loan capital infusions that can be counted as part of the capital base

In 2010, the Danish FSA introduced the Supervisory Diamond, which includes benchmarks for liquidity and funding for parent companies.

The liquidity benchmark states that banks must have excess liquidity coverage 50% above the regulatory requirements in section 152 of the Danish Financial Business Act. At the end of 2013, Danske Bank's excess liquidity coverage ratios were 200% and 203%, respectively, above the regulatory requirements.

The funding benchmark stipulates that lending may not exceed stable funding (deposits as well as issued bonds and subordinated debt with a maturity of more than one year). This means that banks must have a funding ratio of less than 1.00. At the end of 2013, the Group's ratio was 0.61%.

Notes – Danske Bank Group – Risk Management

Insurance risk

The Group's insurance risk consists of all risks related to its investment in the Danica Pension, including market risk and 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 in which the shareholders' equity of Danica Pension is invested

The risk allowance is the annual return 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 FSA's 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 for the risk allowance is essentially the investment return on policyholders' funds less the change in life insurance provisions. 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 amount may be transferred to a shadow account and booked at a later date when the technical basis so permits. All profits and losses after interest payments to policyholders, risk allowance and changes in insurance provisions are transferred to the collective bonus potential.

According to the Danish FSA's Executive Order on the Contribution Principle, *Danica Traditionel* insurance policies must be divided into groups with generally the same interest rates (interest rate groups), insurance risk and expenses. In addition, the policyholders' capital buffer, also called the collective bonus potential, is divided among these groups. Danica Pension therefore has individual investment and hedging strategies for each group. Finally, the risk allowance is also determined for each group individually.

In 2013, interest rates slowly began to increase. This caused the bonus potential of paid-up policies to rise slowly. Generally, interest rates are still very low, however, so the bonus potential of paid-up *Danica Traditionel* policies is limited. The collective bonus potential is still low, and part of the bonus potential of the Low Guarantees interest rate group in *Danica Traditionel* has been absorbed. Danica Pension is therefore still levying a charge on the transfer and surrender of pension savings for this interest rate group.

Financial risks

Market risk involves the risk of losses on assets in which the shareholders' equity of Danica Pension is invested 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 and also by issuer or counterparty defaults. Insurance obligations carry an 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 on an ongoing basis 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 hedging with derivatives.

The credit spread risk on bond holdings is limited since, at end-2013, 71% (2012: 74%) 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 similarly high ratings, and only 11% (2012: 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

Bond portfolio (insurance business) broken down by geographical area

(DKK millions) 2013	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
Denmark	16,112	8	40,748	-	4,228	1,580	62,676
Sweden	116	-	-	349	-	3,429	3,894
UK	262	-	-	-	1,473	1,461	3,196
Norway	135	-	-	-	1,047	2,490	3,672
USA	288	-	-	-	10	6,255	6,553
Spain	1,309	294	-	-	1,065	694	3,362
France	5,294	104	-	-	1,602	1,317	8,317
Luxembourg	-	1,873	-	-	-	1,117	2,990
Canada	23	-	-	-	13	178	214
Finland	520	-	-	-	491	68	1,079
Ireland	1,438	103	-	-	1,281	1,365	4,187
Italy	8,480	-	-	-	440	488	9,408
Portugal	-	-	-	-	82	36	118
Austria	936	-	-	-	342	64	1,342
Netherlands	2,178	-	-	-	804	2,200	5,182
Germany	6,461	887	-	-	713	634	8,695
Other	6,042	85	-	-	10	10,786	16,923
Total	49,594	3,354	40,748	349	13,601	34,162	141,808
2012							
Denmark	14,568	17	46,399	-	5,003	3,432	69,419
Sweden	119	-	-	924	-	3,956	4,999
UK	253	-	-	-	1,633	1,686	3,572
Norway	110	-	-	-	640	2,134	2,884
USA	482	-	-	-	16	7,908	8,406
Spain	1,326	667	-	-	1,021	776	3,790
France	8,735	76	-	-	2,731	2,255	13,797
Luxembourg	-	915	-	-	-	1,247	2,162
Canada	30	-	-	-	22	220	272
Finland	517	-	-	-	608	289	1,414
Ireland	373	287	-	-	151	485	1,296
Italy	6,418	-	-	-	349	458	7,225
Portugal	8	-	-	-	-	16	24
Austria	1,380	75	-	-	207	46	1,708
Netherlands	2,874	-	-	-	1,216	2,557	6,647
Germany	6,530	980	-	-	504	1,280	9,294
Other	7,260	70	-	-	62	7,932	15,324
Total	50,983	3,087	46,399	924	14,163	36,677	152,233

Concentration risk and counterparty risk are limited because of internal investing restrictions and the use of collateral management agreements for derivatives.

Danica Pension hedges most of its foreign exchange risk. At the end of 2013, 65% was hedged (2012: 68%).

Early surrender by policyholders may force Danica Pension to sell some of its investment assets at a low price. Danica Pension reduces this liquidity risk by investing a substantial portion 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

Bond portfolio (insurance business) broken down by external ratings

(DKK millions) 2013	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
AAA	26,900	1,553	31,766	349	6,284	1,543	68,395
AA+	5,395	1,416	-	-	197	151	7,159
AA	2,293	-	-	-	619	547	3,459
AA-	30	23	-	-	147	175	375
A+	-	-	45	-	215	639	899
A	793	-	-	-	891	1,049	2,733
A-	1,090	-	-	-	493	645	2,228
BBB+	10,288	-	-	-	262	2,163	12,713
BBB	1,694	298	-	-	4,404	2,280	8,676
BBB-	351	5	-	-	5	1,085	1,446
Sub-inv. grade or unrated	760	59	8,937	-	84	23,885	33,725
Total	49,594	3,354	40,748	349	13,601	34,162	141,808
2012							
AAA	35,375	2,241	35,273	924	8,637	548	82,998
AA+	-	-	-	-	109	299	408
AA	2,074	-	-	-	33	123	2,230
AA-	47	34	1,539	-	210	1,285	3,115
A+	85	-	46	-	143	1,641	1,915
A	884	-	15	-	559	2,466	3,924
A-	6,928	-	-	-	690	2,425	10,043
BBB+	861	-	-	-	75	2,042	2,978
BBB	2,154	701	-	-	3,603	2,847	9,305
BBB-	1,127	-	-	-	86	1,377	2,590
Sub-inv. grade or unrated	1,448	111	9,526	-	18	21,624	32,727
Total	50,983	3,087	46,399	924	14,163	36,677	152,233

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 2013, about 20% of policyholders had investment guarantees, mainly related to *Danica Balance*. The guarantees cannot be exercised until the time of retirement and are paid for by an annual fee. Danica Pension manages the risk on *Danica Link* guarantees with derivatives, for example, and by adjusting the investment allocation over the last five years before disbursement. It manages the risk on *Danica Balance* guarantees 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 minor.

Danica Pension has set a separate investment strategy for assets in which its shareholders' equity is invested.

Life insurance risks

Life insurance risks are linked to trends in mortality, disability, illness and similar factors. For example, an increase in longevity lengthens the period during which benefits are payable under certain pension plans. Similarly, changes in mortality, illness and recoveries affect life insurance and disability benefits. Longevity, or increased life expectancy, is the most significant life insurance risk.

Notes – Danske Bank Group – Risk Management

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 future life expectancy.

For health and personal 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 reinsures large individual policy exposures. Danica Pension also reinsures the risk of losses due to disasters.

Sensitivity analysis for life insurance

The sensitivity indicators show the effect of separate changes in interest rates, equity prices, real property prices and actuarial assumptions on shareholders' equity, the collective bonus potential and the bonus potential of paid-up policies. 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 decrease is the most severe for Danica Pension. The effect of a decline of 0.7-1.0 percentage points in interest rates would increase the collective bonus potential by DKK 0.8 billion and shareholders' equity by DKK 0.1 billion. A 10% fall in mortality, equal to a one-year increase in life expectancy, would increase the insurance obligations by DKK 1.8 billion and reduce shareholders' equity by DKK 1.4 billion.

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 declined in 2013 and can therefore, to a lesser degree, be used for covering any future negative investment returns.

(DKK millions) 2013	Change in collective bonus potential	Change in bonus potential of paid-up policies	Change in equity
Interest rate increase of 0.7-1.0 of a percentage point	-0.1	2.8	-0.2
Interest rate decline of 0.7-1.0 percentage points	0.8	-2.6	0.1
Decline in equity prices of 12%	-0.6	-0.7	-0.6
Decline in property prices of 8%	-0.5	-0.2	-0.8
Foreign exchange risk (VaR 99.0%)	-0.2	-0.1	-0.2
Loss on counterparties of 8%	-0.5	-0.4	-1.0
Increase in credit spreads of 1.0 percentage point	-0.3	-0.2	-0.3
Decrease in mortality of 10%	-0.2	-0.2	-1.4
Increase in mortality of 10%	1.5	0.1	-
Increase in disability of 10%	-	-	-

2012			
Interest rate increase of 0.7-1.0 of a percentage point	-0.3	-1.4	-0.9
Interest rate decline of 0.7-1.0 percentage points	-0.6	-0.1	-1.8
Decline in equity prices of 12%	-0.3	-1.1	-0.4
Decline in property prices of 8%	-0.2	-0.4	-0.8
Foreign exchange risk (VaR 99.0%)	-0.2	-0.2	-0.2
Loss on counterparties of 8%	-0.3	-0.7	-1.1
Increase in credit spreads of 1.0 percentage point	-0.3	-0.5	-0.5
Decrease in mortality of 10%	-0.2	-0.1	-1.6
Increase in mortality of 10%	1.7	-	-
Increase in disability of 10%	-	-	-0.1

Notes – Danske Bank Group

(DKK millions)	2013	2012	2011	2010	2009
HIGHLIGHTS					
Net interest and fee income	43,650	43,659	41,215	44,280	54,855
Value adjustments	6,718	12,361	-3,474	5,892	14,031
Staff costs and administrative expenses	23,997	23,629	22,774	21,697	22,364
Loan impairment charges etc.	5,420	12,529	13,185	13,817	25,678
Income from associates and group undertakings	358	172	141	743	293
Net profit for the year	7,115	4,725	1,723	3,664	1,713
Loans and advances	1,816,809	1,894,578	1,847,223	1,848,446	1,815,615
Shareholders' equity	145,657	138,004	125,855	104,742	100,659
Total assets	3,227,057	3,484,949	3,424,403	3,213,886	3,098,477
RATIOS AND KEY FIGURES					
Total capital ratio (%)*	21.4	21.3	17.9	17.7	17.8
Tier 1 capital ratio (%)*	19.0	18.9	16.0	14.8	14.1
Return on equity before tax (%)	7.1	6.5	3.6	6.3	3.0
Return on equity after tax (%)	5.0	3.7	1.5	3.6	1.0
Cost/income ratio (DKK)	1.30	1.21	1.10	1.16	1.05
Interest rate risk (%)*	1.7	0.2	0.6	0.4	1.0
Foreign exchange position (%)*	5.5	1.7	2.6	3.1	2.0
Foreign exchange risk (%)*	-	-	-	-	-
Loans and advances plus impairment charges as % of deposits	181.6	192.6	206.4	203.4	207.6
Gearing of loans and advances (%)	12.5	13.7	14.7	17.6	17.6
Growth in loans and advances (%)	-5.7	-1.4	1.1	0.6	-6.5
Surplus liquidity in relation to statutory liquidity requirement (%)*	156.1	140.7	85.5	168.2	164.3
Sum of large exposures as % of capital base*	-	11.6	21.9	56.5	35.7
Impairment ratio (%)	0.3	0.6	0.7	0.6	1.2
Earnings per share (DKK)	7.1	5.0	1.9	4.9	2.3
Book value per share (DKK)	145.6	138.0	135.7	140.0	134.8
Proposed dividend per share (DKK)	2.00	-	-	-	-
Share price/earnings per share (DKK)	17.5	18.9	34.4	27.3	47.5
Share price/book value per share (DKK)	0.85	0.69	0.54	0.95	0.81

The ratios and key figures are defined in the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc. The ratios and key figures are calculated in accordance with IFRSs with the exception of ratios and key figures marked with an asterisk (*). These are calculated in accordance with Danish FSA rules. Share ratios have been divided by an adjustment factor 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. 113 of 7 February 2013 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 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 subsidiaries 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 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 financial statements presented in accordance with Danish FSA rules.

	Net profit		Shareholders' equity	
			31 Dec.	31 Dec.
	2013	2012	2013	2012
Consolidated financial statements (IFRSs)	7,115	4,725	145,657	138,004
Domicile property	-34	-46	1,177	1,048
Available-for-sale financial assets	961	730	-	-
Tax effect	-240	-257	-241	-85
Reserves in undertakings consolidated on a pro rata basis	-	-	3,002	3,002
Consolidated financial statements (Danish FSA rules)	7,802	5,152	149,595	141,969
Non-controlling interests	-	4	-	4
Reserves in undertakings consolidated on a pro rata basis	-	-	3,002	3,002
Goodwill on acquisition of non-controlling interests	-	-	10	10
Parent Company financial statements (Danish FSA rules)	7,802	5,148	146,603	138,973

The consolidated financial statements (note 37) list the Group's holdings and undertakings.

Following a change in the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc., effective 1 January 2013, actuarial gains and losses related to defined benefit plans are recognised in Other comprehensive income. Previously, such gains and losses were recognised in the Income statement. Interest on pension assets is now determined using the discount rate for discounting the pension obligation. Previously, the expected return was used. The comparative figures for the Income statement and Statement of comprehensive income for 2012 have been restated accordingly. This has resulted in an increase in Net profit for 2012 of DKK 516 million and a decrease in Other comprehensive income of DKK 539 million.

Income statement – Danske Bank A/S

Note	(DKK millions)	2013	2012
2	Interest income	37,170	41,604
3	Interest expense	20,932	23,735
	Net interest income	16,238	17,869
	Dividends from shares etc.	1,363	330
4	Fee and commission income	10,222	9,952
	Fees and commissions paid	2,564	2,544
	Net interest and fee income	25,259	25,607
5	Value adjustments	254	4,758
6	Other operating income	1,419	1,679
7	Staff costs and administrative expenses	17,186	17,038
8	Amortisation, depreciation and impairment charges	1,816	2,289
	Other operating expenses	142	100
	Loan impairment charges etc.	3,545	9,308
	Income from associates and group undertakings	4,957	4,333
	Profit before tax	9,200	7,642
10	Tax	1,398	2,494
	Net profit for the year	7,802	5,148
	Proposed profit allocation		
	Equity method reserve	613	431
	Dividends for the year	2,017	-
	Retained earnings	5,172	4,717
	Total	7,802	5,148

Statement of comprehensive income – Danske Bank A/S

Note	(DKK millions)	2013	2012
	Net profit for the year	7,802	5,148
	Other comprehensive income		
	Items that will not be reclassified to profit or loss		
	Remeasurement of defined benefit plans	25	-590
10	Tax	66	51
	Items that will not be reclassified to profit or loss	91	-539
	Items that are or may be reclassified subsequently to profit or loss		
	Translation of units outside Denmark	-534	488
	Hedging of units outside Denmark	462	-481
	Fair value adjustment of domicile property	-25	-298
10	Tax	-93	153
	Items that are or may be reclassified subsequently to profit or loss	-190	-138
	Total other comprehensive income	-99	-677
	Total comprehensive income for the year	7,703	4,471

Balance sheet – Danske Bank A/S

Note	(DKK millions)	2013	2012
	ASSETS		
	Cash in hand and demand deposits with central banks	25,712	69,141
11	Due from credit institutions and central banks	158,912	217,162
12	Loans, advances and other amounts due at amortised cost	899,572	957,971
	Bonds at fair value	573,734	509,727
18	Bonds at amortised cost	22,112	3,959
	Shares etc.	9,286	5,660
	Holdings in associates	1,056	803
	Holdings in group undertakings	98,662	98,703
19	Assets under pooled schemes	46,507	48,743
	Intangible assets	19,160	19,212
	Land and buildings	3,616	3,522
15	Investment property	371	109
15	Domicile property	3,245	3,413
16	Other tangible assets	2,515	2,949
	Current tax assets	533	381
17	Deferred tax assets	280	58
	Assets temporarily taken over	278	344
20	Other assets	263,682	418,213
	Prepayments	765	771
	Total assets	2,126,382	2,357,319
	LIABILITIES AND EQUITY		
	AMOUNTS DUE		
21	Due to credit institutions and central banks	374,860	499,899
22	Deposits and other amounts due	773,252	761,317
	Deposits under pooled schemes	47,105	49,670
23	Issued bonds at amortised cost	246,917	273,223
	Current tax liabilities	1,177	645
24	Other liabilities	463,237	558,831
	Deferred income	1,045	1,002
	Total amounts due	1,907,593	2,144,587
	PROVISIONS FOR LIABILITIES		
	Provisions for pensions and similar obligations	331	708
17	Provisions for deferred tax	6,267	5,443
13	Provisions for losses on guarantees	1,182	1,661
	Other provisions for liabilities	86	101
	Total provisions for liabilities	7,866	7,913
	SUBORDINATED DEBT		
25	Subordinated debt	64,320	65,846
	SHAREHOLDERS' EQUITY		
	Share capital	10,086	10,086
	Accumulated value adjustments	162	280
	Equity method reserve	25,928	25,315
	Retained earnings	108,410	103,292
	Proposed dividends	2,017	-
	Total shareholders' equity	146,603	138,973
	Total liabilities and equity	2,126,382	2,357,319

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 2013	10,086	-362	642	25,315	103,315	-	138,996
Changed recognition of defined benefit plans	-	-	-	-	-23	-	-23
Restated shareholders' equity at 1 January 2013	10,086	-362	642	25,315	103,292	-	138,973
Net profit for the year	-	-	-	613	7,189	-	7,802
Other comprehensive income							
Remeasurement of defined benefit plans	-	-	-	-	25	-	25
Translation of units outside Denmark	-	-534	-	-	-	-	-534
Hedging of units outside Denmark	-	462	-	-	-	-	462
Fair value adjustment of domicile property	-	-	-25	-	-	-	-25
Sale of domicile property	-	-	-17	-	17	-	-
Tax	-	-	-4	-	-23	-	-27
Total other comprehensive income	-	-72	-46	-	19	-	-99
Total comprehensive income for the year	-	-72	-46	613	7,208	-	7,703
Transactions with owners							
Proposed dividends	-	-	-	-	-2,017	2,017	-
Acquisition of own shares	-	-	-	-	-16,948	-	-16,948
Sale of own shares	-	-	-	-	16,769	-	16,769
Share-based payments	-	-	-	-	113	-	113
Tax	-	-	-	-	-7	-	-7
Shareholders' equity at 31 December 2013	10,086	-434	596	25,928	108,410	2,017	146,603
Shareholders' equity at 1 January 2012	9,317	-369	743	24,884	92,815	-	127,390
Net profit for the year	-	-	-	431	4,717	-	5,148
Other comprehensive income							
Remeasurement of defined benefit plans	-	-	-	-	-590	-	-590
Translation of units outside Denmark	-	488	-	-	-	-	488
Hedging of units outside Denmark	-	-481	-	-	-	-	-481
Fair value adjustment of domicile property	-	-	-151	-	-147	-	-298
Sale of domicile property	-	-	-9	-	9	-	-
Tax	-	-	59	-	145	-	204
Total other comprehensive income	-	7	-101	-	-583	-	-677
Total comprehensive income for the year	-	7	-101	431	4,134	-	4,471
Transactions with owners							
Share capital increase	769	-	-	-	6,381	-	7,150
Share offering costs	-	-	-	-	-35	-	-35
Acquisition of own shares	-	-	-	-	-19,399	-	-19,399
Sale of own shares	-	-	-	-	19,179	-	19,179
Share-based payments	-	-	-	-	219	-	219
Tax	-	-	-	-	-2	-	-2
Shareholders' equity at 31 December 2012	10,086	-362	642	25,315	103,292	-	138,973

At the end of 2013, the share capital consisted of 1,008,620,000 shares of a nominal value of DKK 10 each. All shares carry the same rights; there is thus only one class of shares.

Statement of capital – Danske Bank A/S

(DKK millions)

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 2012	2,147,704	22	0.23	
Acquired in 2012	209,019,440	2,090	20.72	19,352
Sold in 2012	206,429,103	2,064	20.47	19,101
Holding at 31 December 2012	4,738,041	48	0.47	
Acquired in 2013	151,439,951	1,514	15.01	16,864
Sold in 2013	150,576,491	1,506	14.93	16,730
Holding at 31 December 2013	5,601,501	56	0.56	

Acquisitions in 2013 and 2012 comprised shares acquired for the trading portfolio and shares acquired on behalf of customers.

Danske Bank shares held by subsidiaries	Number of shares	Nominal value (DKK m)	Percentage of share capital	Sales/purchase price (DKK m)
Holding at 1 January 2012	2,479,832	24	0.27	
Acquired in 2012	515,495	5	0.05	48
Sold in 2012	807,949	8	0.08	78
Holding at 31 December 2012	2,187,378	21	0.22	
Acquired in 2013	747,629	7	0.07	85
Sold in 2013	333,886	3	0.03	39
Holding at 31 December 2013	2,601,121	25	0.26	

Acquisitions in 2013 and 2012 comprised shares acquired on behalf of customers.

Statement of capital – Danske Bank A/S

(DKK millions)	2013	2012
Capital base and total capital ratio		
Shareholders' equity	146,603	138,973
Proposed dividends	-2,017	-
Intangible assets	-19,160	-19,425
Deferred tax assets	-280	-58
Deferred tax on intangible assets	-34	204
Revaluation of domicile property	-596	-642
Other statutory deductions	-247	-227
Core tier 1 capital	124,269	118,825
Hybrid capital	39,953	40,248
Difference between expected losses and impairment charges	-	-
Statutory deduction for insurance subsidiaries	-3,930	-4,292
Other statutory deductions	-18	-19
Tier 1 capital	160,274	154,762
Subordinated debt, excluding hybrid capital	22,046	21,124
Hybrid capital	-	-
Revaluation of domicile property	596	642
Difference between expected losses and impairment charges	-	-
Statutory deduction for insurance subsidiaries	-3,930	-4,292
Other statutory deductions	-18	-19
Capital base	178,968	172,217
Risk-weighted assets	658,294	616,415
Core tier 1 capital ratio (%)	18.9	19.3
Tier 1 capital ratio (%)	24.3	25.1
Total capital ratio (%)	27.2	27.9

The total capital and tier 1 capital ratios are calculated in accordance with the Danish Financial Business Act and applicable executive orders.

Risk Management 2013 provides more details about the Group's solvency need. Risk Management 2013 is not covered by the statutory audit.

Notes – Danske Bank A/S

Note	(DKK millions)	2013	2012
1	**Net interest and fee income and value adjustments broken down by segments**		
	Personal Banking	10,057	10,906
	Business Banking	7,083	7,612
	C&I	7,499	10,574
	Danske Capital	1,446	1,310
	Other Activities	-572	-36
	Total	25,513	30,365
	Geographical segmentation		
	Denmark	12,734	16,734
	Finland	398	294
	Ireland	1,050	1,175
	Norway	4,402	4,564
	UK	301	469
	Sweden	5,627	6,083
	Baltics	749	767
	Germany	162	177
	Poland	89	102
	Total	25,513	30,365

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		2013	2012
2	**Interest income**		
	Reverse transactions with credit institutions and central banks	244	463
	Other transactions with credit institutions and central banks	998	1,353
	Reverse loans	1,364	2,281
	Loans, advances and other amounts due	23,357	28,264
	Bonds	7,642	7,828
	Derivatives total	3,511	1,257
	Currency contracts	-2,256	-2,919
	Interest rate contracts	5,767	4,176
	Other interest income	54	158
	Total	37,170	41,604
3	**Interest expense**		
	Repo transactions with credit institutions and central banks	828	1,167
	Other transactions with credit institutions and central banks	1,861	1,565
	Repo deposits	1,232	1,706
	Deposits and other amounts due	5,678	6,942
	Issued bonds	7,108	8,065
	Subordinated debt	4,123	4,116
	Other interest expenses	104	174
	Total	20,932	23,735
4	**Fee and commission income**		
	Securities trading and custody account fees	5,325	4,755
	Payment services fees	1,306	1,402
	Origination fees	1,424	1,543
	Guarantee commissions	873	891
	Other fees and commissions	1,293	1,361
	Total	10,222	9,952

Notes – Danske Bank A/S

Note	(DKK millions)	2013	2012
5	**Value adjustments**		
	Loans at fair value	-715	468
	Bonds	-3,045	2,903
	Shares etc.	-832	57
	Investment property	19	-1
	Currency	1,440	998
	Derivatives	-3,843	2,395
	Assets under pooled schemes	2,524	5,487
	Deposits under pooled schemes	-2,568	-5,500
	Other liabilities	7,274	-2,049
	Total	254	4,758

6 **Other income**

Other income includes a refund of excess taxes and duties paid of DKK 6 million (2012: DKK 5 million).

7 **Staff costs and administrative expenses**

	2013	2012
Remuneration of the Executive Board and the Board of Directors		
Executive Board	68	58
Board of Directors	9	9
Total	77	67

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 the Executive Board's salaries is tax deductible until hybrid capital raised has been repaid. In 2013, this deduction amounted to DKK 29 million (2012: DKK 29 million).

	2013	2012
Staff costs		
Salaries	9,108	9,244
Pensions	994	1,007
Financial services employer tax and social security costs	1,295	1,258
Total	11,397	11,509
Other administrative expenses	5,728	5,462
Total staff costs and administrative expenses	17,186	17,038
Number of full-time-equivalent staff (avg.)	14,623	15,287

Note 7 of the consolidated financial statements contains additional information about the remuneration of the Board of Directors, the Executive Board, and other material risk takers.

8 **Amortisation, depreciation and impairment charges**

This item includes an impairment charge relating to rights to names of DKK 0.5 billion for 2012. Note 19 of the consolidated financial statements contains additional information.

9 **Audit fees**

	2013	2012
Auditors appointed by the general meeting		
Fees for statutory audit of the parent company financial statements	4	4
Fees for other assurance engagements	1	1
Fees for tax advisory services	3	3
Fees for other services	2	-
Total	10	8

Notes – Danske Bank A/S

Note	(DKK millions)	2013	2012
10	**Tax**		
	Calculated tax charge for the year	730	389
	Deferred tax	644	1,903
	Adjustment of prior-year tax charges	43	206
	Lowering of tax rate	-19	-4
	Total	1,398	2,494
	Effective tax rate	(%)	(%)
	Danish tax rate	25.0	25.0
	Non-taxable income and non-deductible expenses	5.5	23.5
	Difference between tax rates of units outside Denmark and Danish tax rate	1.9	20.8
	Adjustment of prior-year tax charges	1.0	5.9
	Lowering of tax rate	-0.5	0.2
	Effective tax rate	32.9	75.4
	Portion included under Income from associates and group undertakings	-17.8	-42.8
	Total	15.1	32.6
	Tax on other comprehensive income		
	Remeasurement of defined benefit plans	-66	-51
	Hedging of units outside Denmark	89	-94
	Fair value adjustment of domicile property	4	-59
	Total	27	-204
11	**Due from credit institutions and central banks**		
	On demand	14,377	13,964
	Up to 3 months	140,371	197,677
	From 3 months to 1 year	1,743	1,853
	From 1 to 5 years	1,293	2,277
	Over 5 years	1,128	1,391
	Total	158,912	217,162
	Due from credit institutions	123,640	141,121
	Term deposits with central banks	35,272	76,041
	Total	158,912	217,162
	Reverse transactions included in above item	96,333	88,660

Notes – Danske Bank A/S

Note	(DKK millions)	2013	2012
12	**Loans, advances and other amounts due at amortised cost**		
	On demand	36,906	70,392
	Up to 3 months	384,037	350,277
	From 3 months to 1 year	128,505	138,841
	From 1 to 5 years	95,454	104,748
	Over 5 years	254,669	293,713
	Total	899,572	957,971
	Reverse transactions included in above item	246,662	226,897
	Loans, advances and guarantees broken down by sector and industry (%)		
	Public sector	2.8	3.1
	Business customers		
	Agriculture, hunting, forestry and fisheries	1.2	1.1
	Manufacturing industries and extraction of raw materials	7.1	6.1
	Energy and utilities	1.0	1.3
	Building and construction	1.3	1.5
	Trade	3.4	2.8
	Transport, hotels and restaurants	3.4	3.8
	Information and communication	0.6	0.7
	Finance and insurance	40.2	34.1
	Property administration	9.5	11.4
	Other	2.7	2.5
	Total business customers	70.5	65.3
	Personal customers	26.7	31.6
	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 2013	32,735	2,675	92	-	35,502
Impairment charges during the year	9,052	1,057	-	-	10,108
Reversals of impairment charges from previous years	9,782	1,085	2	-	10,869
Other changes	-332	-22	-2	-	-356
Impairment charges at 31 December 2013	31,673	2,624	88	-	34,385
Value adjustment of assets taken over	-	-	-	-	-
Impairment charges at 1 January 2012	34,793	3,405	93	-	38,291
Impairment charges during the year	15,274	1,120	4	-	16,398
Reversals of impairment charges from previous years	17,786	1,869	5	-	19,660
Other changes	454	19	-	-	473
Impairment charges at 31 December 2012	32,735	2,675	92	-	35,502
Value adjustment of assets taken over	-	-	-	-	-

	2013		2012	
	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	62,634	227,336	58,426	219,043
Carrying amount net of impairment charges	30,961	224,712	30,865	216,368

Notes – Danske Bank A/S

Note (DKK millions)

14 **Development in lending activities in Denmark in 2013**

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, 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 2013				30 June 2013			
	Business customers	Personal customers	Total	Share (%)	Business customers	Personal customers	Total	Share (%)
Denmark	319,255	128,888	448,143	37	328,141	130,940	459,081	37
Finland	23,080	12	23,091	2	19,811	9	19,820	2
Sweden	169,358	84,161	253,519	21	169,054	88,069	257,123	21
Ireland	29,851	24,016	53,867	4	31,125	24,761	55,886	4
UK	85,532	593	86,125	7	83,234	569	83,803	7
Germany	14,865	203	15,067	1	16,500	185	16,685	1
Baltics	12,302	10,929	23,231	2	11,960	11,130	23,090	2
Other EU member states	65,128	702	65,830	5	86,184	728	86,912	7
Norway	99,274	72,004	171,279	14	106,593	77,582	184,175	15
Eastern Europe	561	41	603	-	496	30	526	-
Other European countries	3,729	241	3,970	-	3,438	270	3,708	1
North America	58,057	518	58,575	5	53,075	504	53,579	4
Rest of world	889	599	1,488	-	4,357	519	4,876	-
Total	881,882	322,907	1,204,789	100	913,968	335,296	1,249,264	100

Macroeconomic conditions remained weak in most of Danske Bank A/S's markets in the second half of 2013. This had an adverse effect on both personal and business customer demand for credit, particularly in Denmark.

Danske Bank A/S grants credits on the basis of information about customers' individual financial circumstances. Customers are classified when facilities are established, and the Group regularly monitors their financial behaviour through its credit systems and procedures established for this purpose. Facilities should match customers' financial situation, including their earnings, capital and assets, and business volume with Danske Bank to a reasonable degree, and customers must be able to substantiate their repayment ability. Collateral is usually required for loans and credit facilities. Danske Bank A/S exercises caution before granting credit facilities to businesses in troubled or cyclical industries.

Danske Bank A/S supported its creditworthy customers throughout the second half of 2013. In the period, Danske Bank A/S focused on bullet loans and interest-only loans granted to personal customers. Danske Bank is in contact with customers whose interest-only loans have started to amortise.

Danske Bank A/S remains focused on developments in certain industries, including the property and agricultural sectors.

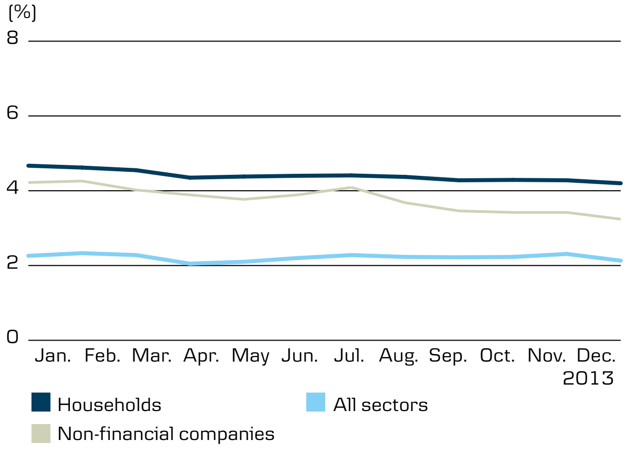
More information about the Group's lending policy, rating of customers and credit risk management is available in section 4 of Risk Management 2013, published on 6 February 2014. The publication is not covered by the statutory audit. Risk Management 2013 is available at danskebank.com/ir.

Notes – Danske Bank A/S

Note

14 (cont'd) Declining interest rates in Denmark in 2013 led to lower lending rates to customers. The decline in lending rates continued in the second half of the year, but at a much slower pace than in the first half of the year.

TREND IN INTEREST RATES FOR LENDING



Danish business customers' demand for credit, measured in terms of the loan amounts applied for, increased 6% from the level in the first half of 2013. The number of loan applications from existing customers increased 9% in the second half of 2013, while credit demand from new customers declined in the second half of 2013. The share of approved applications from existing customers amounted to 96% in the second half of 2013, on par with the level in the first half of 2013. The approval rate for new customers increased slightly in the second half of 2013 and was a little higher than the approval rate for existing customers.

Danish personal customers' demand for credit increased 20% from the level in the first half of 2013. Credit demand from existing customers increased 24%, while credit demand from new customers declined. The share of approved applications from existing customers was 90%, down slightly from the level in the first half of 2013. The share of approved applications from new customers was a little higher.

Notes – Danske Bank A/S

Note (DKK millions)

14 (cont'd) The table below shows the trend in loans and advances, loan commitments and guarantees before impairment charges for customers of Danske Bank A/S resident in Denmark.

Loans etc. before impairment charges	31 December 2013			30 June 2013
	Existing customers	New customers	Total	Total
Public sector	13,963	2	13,965	13,947
Business customers				
Agriculture, hunting, forestry and fisheries	9,330	16	9,346	10,010
Manufacturing industries and extraction of raw materials	37,124	32	37,156	37,330
Energy and utilities	5,361	115	5,475	5,130
Building and construction	4,021	23	4,044	5,342
Trade	14,957	741	15,698	16,228
Transport, hotels and restaurants	16,506	362	16,868	17,992
Information and communication	4,522	30	4,553	6,338
Finance and insurance	171,679	2,703	174,382	173,630
Property administration	19,215	759	19,973	22,421
Other	17,338	456	17,794	19,773
Total business customers	300,051	5,238	305,290	314,194
Personal customers				
Mortgages	83,946	341	84,287	94,441
Other	42,880	1,721	44,602	36,499
Total personal customers	126,826	2,062	128,888	130,940
Total	440,840	7,303	448,143	459,081

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 danskebank.com/ir.

15 **Investment and domicile property**

	2013		2012	
	Investment property	Domicile property	Investment property	Domicile property
Fair value/revaluation at 1 January	109	3,413	112	4,130
Additions, including property improvement expenditure	275	1	11	3
Disposals	11	30	13	18
Depreciation charges	-	52	-	46
Value adjustment recognised through other comprehensive income	-	-25	-	-151
Value adjustment recognised through profit or loss	-2	-21	-1	-223
Other changes	-	-41	-	-282
Fair value/revaluation at 31 December	371	3,245	109	3,413
Required rate of return for calculation of fair value/revaluation (% p.a.)	4.8 - 6.0	5.0 - 12.0	4.8	5.0 - 10.0

Fair value and revaluations are assessed by the Group's valuers.

Notes – Danske Bank A/S

Note	(DKK millions)	2013	2012
16	**Other tangible assets**		
	Cost at 1 January	6,715	6,754
	Foreign currency translation	-127	426
	Additions, including leasehold improvements	1,169	1,072
	Disposals	1,479	1,537
	Cost at 31 December	6,278	6,715
	Depreciation and impairment charges at 1 January	3,766	3,583
	Foreign currency translation	-56	319
	Depreciation charges	868	844
	Depreciation and impairment charges for assets sold	815	980
	Depreciation and impairment charges at 31 December	3,763	3,766
	Carrying amount at 31 December	2,515	2,949

17 **Change in deferred tax**

2013	At 1 Jan.	Foreign currency translation	Recognised in profit for the year	Recognised in shareholders' equity	At 31 Dec.
Intangible assets	10	-	-2	-	8
Tangible assets	887	-19	-76	5	797
Securities	59	-7	-34	-	18
Provisions for obligations	-167	7	17	34	-109
Tax loss carryforwards	-50	-1	9	-	-42
Recapture of tax loss	5,048	-	856	-	5,904
Other	-402	19	-212	6	-589
Total	5,385	-1	558	45	5,987
Adj. of prior-year tax charges included in above item			-67		
2012					
Intangible assets	10	-	-	-	10
Tangible assets	922	8	16	-59	887
Securities	7	-	52	-	59
Provisions for obligations	17	-1	-150	-33	-167
Tax loss carryforwards	-409	-1	360	-	-50
Recapture of tax loss	3,528	-	1,520	-	5,048
Other	-513	-16	125	2	-402
Total	3,562	-10	1,923	-90	5,385
Adj. of prior-year tax charges included in above item			24		

Deferred tax	2013	2012
Deferred tax assets	280	58
Provisions for deferred tax	6,267	5,443
Deferred tax, net	5,987	5,385

Note		2013	2012
18	**Bonds at amortised cost**		
	Fair value of hold-to-maturity assets	22,062	3,910
	Carrying amount of hold-to-maturity assets	22,112	3,959

Notes – Danske Bank A/S

Note	(DKK millions)	2013	2012
19	**Assets under pooled schemes**		
	Bonds at fair value	19,416	19,276
	Shares	6,236	8,188
	Unit trust certificates	21,145	21,541
	Cash deposits etc.	308	665
	Total assets before elimination	47,105	49,670
	Own shares	158	134
	Other internal balances	440	793
	Total	46,507	48,743
20	**Other assets**		
	Positive fair value of derivatives	248,503	406,687
	Other assets	15,179	11,526
	Total	263,682	418,213
21	**Due to credit institutions and central banks**		
	On demand	33,740	34,468
	Up to 3 months	329,162	369,918
	From 3 months to 1 year	10,788	18,379
	From 1 to 5 years	360	76,575
	Over 5 years	809	559
	Total	374,860	499,899
	Repo transactions included in above item	228,698	249,061
22	**Deposits and other amounts due**		
	On demand	445,088	438,099
	Term deposits	34,019	8,900
	Time deposits	121,369	150,457
	Repo deposits	150,747	140,585
	Special deposits	22,029	23,276
	Total	773,252	761,317
	On demand	445,088	438,099
	Up to 3 months	274,860	267,041
	From 3 months to 1 year	21,816	27,470
	From 1 to 5 years	21,632	18,378
	Over 5 years	9,856	10,329
	Total	773,252	761,317
23	**Issued bonds at amortised cost**		
	On demand	-	-
	Up to 3 months	32,438	32,057
	From 3 months to 1 year	24,389	40,972
	From 1 to 5 years	121,629	171,283
	Over 5 years	68,461	28,911
	Total	246,917	273,223
24	**Other liabilities**		
	Negative fair value of derivatives	231,322	389,849
	Other liabilities	231,916	168,982
	Total	463,237	558,831

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	Nominal (DKK m)	Interest rate	Year of issue	Maturity	Redemption price	2013 (DKK m)	2012 (DKK m)
Redeemed loans							13,119
GBP	350	5.375	2003	29.09.2021	100	3,122	3,196
EUR	700	4.100	2005	16.03.2018	100	5,222	5,222
EUR	1,000	3.875	2013	04.10.2023	100	7,460	-
SEK	900	4.750	2013	05.06.2024	100	752	-
SEK	1,600	var.	2013	05.06.2024	100	1,337	-
NOK	700	var.	2013	06.12.2023	100	620	-
DKK	1,700	var.	2013	06.06.2024	100	1,700	-
DKK	1,150	4.125	2013	09.12.2025	100	1,150	-
CHF	150	3.125	2013	18.12.2025	100	913	-
Subordinated debt, excluding hybrid capital						22,276	21,537
Hybrid capital							
Hybrid capital included under the 15% of tier 1 capital limit:							
USD	750	5.914	2004	Perpetual	100	4,060	4,244
GBP	150	5.563	2005	Perpetual	100	1,338	1,370
GBP	500	5.684	2006	Perpetual	100	4,460	4,567
EUR	600	4.878	2007	Perpetual	100	4,476	4,476
SEK	1,350	var.	2007	Perpetual	100	1,128	1,176
SEK	650	5.119	2007	Perpetual	100	543	566
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						39,997	40,391
Nominal subordinated debt						62,273	61,928
Fair value hedging of interest rate risk						2,047	4,067
Own holding of subordinated debt						-	-149
Total subordinated debt						64,320	65,846
Interest on subordinated debt and related items							
Interest						4,123	4,116
Extraordinary repayments						13,119	2,974
Origination and redemption costs						222	13
Amount included in capital base at 31 December						61,999	61,372

Note 25 of the consolidated financial statements contains additional information about subordinated debt and contractual terms.

Notes – Danske Bank A/S

Note	(DKK millions)	2013	2012
26	**Assets deposited as collateral**		

At the end of 2013, Danske Bank A/S had deposited securities worth DKK 7,948 million as collateral with Danish and international clearing centres and other institutions (31 December 2012: DKK 52,348 million). In addition, the Group had deposited own bonds worth DKK 0 million (31 December 2012: DKK 2,365 million). The amount has been eliminated in the balance sheet.

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.

	2013	2012
Assets sold in repo transactions		
Bonds at fair value	372,911	357,662
Shares etc.	-	-
Total	372,911	357,662
Total collateral deposited for subsidiaries	1,032	1,471

In addition, the Group had deposited own bonds worth DKK 369 million as collateral for repo transactions and securities lending (31 December 2012: DKK 28,189 million). The amount has been eliminated in the balance sheet.

At the end of 2013, Danske Bank A/S had provided cash and securities worth DKK 57,510 million as collateral for derivatives transactions (31 December 2012: DKK 84,659 million).

Danske Bank A/S had registered loans and advances worth DKK 186,794 million and other assets worth DKK 9,291 million as collateral for covered bonds at the end of 2013 (31 December 2012: DKK 225,139 million and DKK 6,491 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.

	2013	2012
Guarantees and other liabilities		
Guarantees etc.		
Financial guarantees	8,129	9,713
Mortgage finance guarantees	56,938	51,936
Registration and remortgaging guarantees	6,243	7,520
Other guarantees	58,700	57,869
Total	130,010	127,038
Other liabilities		
Loan commitments shorter than 1 year	35,683	47,005
Loan commitments longer than 1 year	106,000	95,657
Other obligations	343	386
Total	142,026	143,048

In addition to credit exposure from lending activities, loan offers made and uncommitted lines of credit granted by the Group amounted to DKK 279,045 million (2012: DKK 449,969 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 and has an ongoing dialogue with public authorities such as the Danish FSA. In view of its size, Danske Bank does not expect the outcomes of pending lawsuits and disputes or its dialogue with public authorities to have any material effect on its financial position.

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.

Danske Bank A/S is taxed jointly with all Danish entities in Danske Bank Group and is jointly and severally liable for payment of Danish corporate tax and withholding tax, etc.

Danske Bank A/S is registered jointly with all significant Danish entities in Danske Bank Group for financial services employer tax and VAT, for which it is jointly and severally liable.

Notes – Danske Bank A/S

Note (DKK millions)

28 **Related parties**

	Parties with significant influence		Associates		Group undertakings		Board of Directors		Executive Board	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Loans and loan commitments	5,776	6,041	4,674	5,577	61,721	42,105	11	12	6	2
Securities and derivatives	981	1,041	2,617	3,603	197,043	175,769	-	-	-	-
Deposits	3,133	2,175	46	429	75,162	66,506	35	20	10	12
Derivatives	218	183	1,286	1,700	8,522	8,203	-	-	-	-
Issued bonds	-	-	-	-	920	1,018	-	-	-	-
Pension obligation	-	-	-		-	-	-	-	-	-
Guarantees issued	875	965	1	66	57,160	51,819	-	-	-	-
Guarantees and collateral received	269	352	3,104	4,577	1,609	1,186	11	11	5	2
Interest income	40	78	60	62	1,589	2,002	-	-	-	-
Interest expense	94	86	132	43	665	1,105	-	-	-	-
Fee income	17	7	6	3	37	25	-	-	-	-
Dividend income	6	2	135	61	3,974	3,903	-	-	-	-
Other income	61	4	-	-	7	7	-	-	-	-
Loan impairment charges	-	-	-101	1	-	-	-	-	-	-
Trade in Danske Bank shares										
Acquisitions	-	1,633	-	-	-	-	-	2	-	2
Sales	-	-	-	-	-	-	-	-	-	-

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 A.P. Møller – Mærsk A/S, Copenhagen, hold 22.84% of the share capital. The consolidated financial statements specify significant group holdings and holdings in associates 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 2013, the average interest rates on credit facilities granted to members of the Board of Directors and the Executive Board were 1.7% (2012: 1.9%) and 2.5% (2012: 1.9%), respectively. Notes 7 and 34 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 2013, transactions with these funds comprised loans and advances in the amount of DKK 3 million (2012: DKK 3 million), deposits in the amount of DKK 155 million (2012: DKK 130 million), derivatives with a positive fair value of DKK 0 million (2012: DKK 0 million), derivatives with a negative fair value of DKK 264 million (2012: DKK 460 million), interest expenses of DKK 3 million (2012: DKK 3 million), and pension contributions of DKK 238 million (2012: DKK 89 million).

Danske Bank A/S acts as the bank of a number of its related parties. Payment services, trading in securities and other instruments, depositing 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 16 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, procurement and marketing activities for group undertakings. Danske Bank A/S received a total fee of DKK 1,736 million for services provided in 2013 (2012: DKK 1,498 million).

The figures above do not include debt to related parties in the form of issued notes or bonds. Such notes or bonds 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**

	2013		2012	
	Carrying amount	Amortised/ notional value	Carrying amount	Amortised/ notional value
Assets				
Due from credit institutions	7,447	7,444	13,930	13,921
Loans and advances	48,506	47,194	57,899	55,544
Total	55,953	54,638	71,829	69,465
Financial instruments hedging interest rate risk				
Derivatives	-2,372	45,657	-3,916	80,129
Liabilities				
Deposits	60,094	60,045	89,283	89,061
Due to credit institutions	61,475	61,464	100,194	100,167
Issued bonds	246,917	240,359	337,846	324,871
Subordinated debt	64,320	62,273	66,094	61,928
Total	432,807	424,141	593,417	576,027
Financial instruments hedging interest rate risk				
Derivatives	16,507	480,312	30,849	582,313

Note 13 of the consolidated financial statements includes additional information about hedge accounting.

30 **Group holdings and undertakings**

Note 37 of the consolidated financial statements lists the Group's major holdings and undertakings as well as associates.

Notes – Danske Bank A/S

(DKK millions)	2013	2012	2011	2010	2009
HIGHLIGHTS					
Net interest and fee income	25,259	25,607	25,328	28,049	35,645
Value adjustments	254	4,758	1,491	1,102	5,347
Staff costs and administrative expenses	17,186	17,038	15,702	14,625	15,723
Loan impairment charges etc.	3,545	9,308	9,725	11,390	21,118
Income from associates and group undertakings	4,957	4,333	2,309	4,699	3,211
Net profit for the year	7,802	5,148	1,324	4,361	1,001
Loans and advances	899,572	957,971	917,201	938,839	920,557
Shareholders' equity	146,603	138,973	127,390	105,956	101,094
Total assets	2,126,382	2,357,319	2,426,635	2,227,331	2,188,762
RATIOS AND KEY FIGURES					
Total capital ratio (%)	27.2	27.9	23.1	21.9	21.3
Tier 1 capital ratio (%)	24.3	25.1	20.9	18.5	17.2
Return on equity before tax (%)	6.4	5.7	2.5	5.9	2.8
Return on equity after tax (%)	5.5	3.9	1.1	4.2	1.0
Cost/income ratio (DKK)	1.41	1.27	1.10	1.20	1.06
Interest rate risk (%)	1.1	0.1	0.4	-	0.7
Foreign exchange position (%)	5.9	2.1	2.5	3.7	2.9
Foreign exchange risk (%)	-	-	-	-	-
Loans and advances plus impairment charges as % of deposits	113.7	122.3	130.6	130.9	126.2
Gearing of loans and advances (%)	6.1	6.9	7.2	8.9	9.1
Growth in loans and advances (%)	-10.7	-4.0	-1.2	-0.5	-12.7
Surplus liquidity in relation to statutory liquidity requirement (%)	199.6	166.5	107.4	144.6	138.3
Sum of large exposures as % of capital base	-	11.8	32.6	46.7	22.8
Funding ratio	0.6	0.7	0.7	0.7	0.7
Real property exposure	10	12	13	12	12
Impairment ratio (%)	0.3	0.8	0.9	0.8	1.6
Earnings per share (DKK)	7.7	5.3	1.6	6.3	1.5
Book value per share (DKK)	146.2	138.5	137.0	152.8	146.0
Proposed dividend per share (DKK)	2.00	-	-	-	-
Share price at 31 December/earnings per share (DKK)	16.1	18.0	44.7	22.7	81.6
Share price at 31 December/book value per share (DKK)	0.85	0.69	0.53	0.94	0.81

The ratios are defined by the Danish FSA in, for example, its Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc.

Statement by the Management

The Board of Directors and the Executive Board (the management) have considered and approved the annual report of Danske Bank A/S for the financial year 2013.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the Parent Company 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 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 2013 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 2013. 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, 6 February 2014

EXECUTIVE BOARD

Thomas F. Borgen
CEO

Tonny Thierry Andersen

Robert Endersby

Lars Mørch

Henrik Ramlau-Hansen

Glenn Söderholm

BOARD OF DIRECTORS

Ole Andersen
Chairman

Niels B. Christiansen
Vice Chairman

Urban Bäckström

Lars Förberg

Jørn P. Jensen

Carol Sergeant

Jim Hagemann Snabe

Trond Ø. Westlie

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. 62-165, and the Parent Company financial statements of Danske Bank A/S, pp. 166-186, for the financial year 2013. The consolidated financial statements and the Parent Company 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 financial statements have been prepared in accordance with the Danish Financial Business Act. Furthermore, the consolidated financial statements and the Parent Company 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 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 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 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 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 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 2013 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 2013 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 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, 6 February 2014

Jens Peter Thomassen
Group Chief Auditor

Independent Auditors' Report

To the shareholders of Danske Bank A/S

Independent auditors' report on the consolidated financial statements and the Parent Company financial statements

We have audited the consolidated financial statements, pp. 62-165, and the Parent Company financial statements of Danske Bank A/S, pp. 166-186, for the financial year 2013. The consolidated financial statements and the Parent Company 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 financial statements have been prepared in accordance with the Danish Financial Business Act. Furthermore, the consolidated financial statements and the Parent Company 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 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 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 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 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 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 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 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 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 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 2013 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 2013 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 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 further procedures in addition to the audit of the consolidated financial statements and the Parent Company financial statements. On this basis, it is our opinion that the information provided in the management's report is consistent with the consolidated financial statements and the Parent Company financial statements.

Copenhagen, 6 February 2014
KPMG
Statsautoriseret Revisionspartnerselskab

Lars Rhod Søndergaard	Jesper Ridder Olsen
State Authorised	State Authorised
Public Accountant	Public Accountant

Management and directorships – Board of Directors

OLE ANDERSEN
Chairman
Elected by the general meeting

Born on 11 July 1956
Nationality: Danish
Joined the Board on 23 March 2010
Most recently re-elected in 2013
Independent

Chairman of the Remuneration Committee and the Nomination Committee and member of the Credit and Risk Committee

Competencies:
- Experience in leading and developing large financial and non-financial international companies
- Setting of corporate strategies, budgets and targets
- Financial and economic expertise
- General risk management experience

Directorships and other offices:
Bang & Olufsen A/S (Chairman)
Chr. Hansen Holding A/S (Chairman)
Zebra A/S (Chairman)
EQT Partners (Senior Adviser)
NASDAQ OMX Nordic (Member of the Nomination Committee)

NIELS B. CHRISTIANSEN
Vice Chairman
Elected by the general meeting

Chief Executive Officer of Danfoss A/S

Born on 12 April 1966
Nationality: Danish
Joined the Board on 29 March 2011
Most recently re-elected in 2013
Independent

Member of the Remuneration Committee and the Nomination Committee

Competencies:
- Experience in leading a large, international industrial group based in Denmark
- Insight into and experience in corporate finance and capital markets
- Understanding of the bank/client relationship strategy
- General risk management experience

Directorships and other offices:
Axcel Industriinvestor A/S (Chairman)
Danfoss A/S (Chairman or member of the boards of directors of three subsidiaries)
DI (Vice Chairman of the Central Board and the Executive Committee)
Provinsindustriens Arbejdsgiverforening (PA)
William Demant Holding A/S

URBAN BÄCKSTRÖM
Elected by the general meeting

Director General of the Confederation of Swedish Enterprise

Born on 25 May 1954
Nationality: Swedish
Joined the Board on 27 March 2012
Most recently re-elected in 2013
Independent

Member of the Credit and Risk Committee and the Nomination Committee

Competencies:
- Broad and in-depth experience with economics and finance
- Leading major financial companies and not-for-profit institutions
- Insight into the Swedish business sectors and international influence on them
- Experience with and knowledge of sophisticated risk models

Directorships and other offices:
Business Sweden
Institutet för Näringslivsforskning

LARS FÖRBERG
Elected by the general meeting

Managing Partner at Cevian Capital

Born on 30 November 1965
Nationality: Swedish
Joined the Board on 18 March 2013
Independent

Member of the Audit Committee

Competencies:
- Extensive board and investment experience across multiple industries (including financial services) and geographies, in particular with companies managing strategic, operational and organisational change

Directorships and other offices:
Alent Plc
Metso Oy (Chairman of the Nomination Committee)
Tieto Oy (Chairman of the Nomination Committee)
AB Volvo (Member of the Nomination Committee)

JØRN P. JENSEN
Elected by the general meeting

Deputy CEO and Chief Financial Officer of Carlsberg Breweries and Carlsberg A/S

Born on 2 January 1964
Nationality: Danish
Joined the Board on 27 March 2012
Most recently re-elected in 2013
Independent

Chairman of the Audit Committee

Competencies:
- Broad experience in international business operations and solid understanding of Danish and international financial reporting practices
- Funding of international companies requiring significant investments through debt and equity markets
- Knowledge of cultures and economic/political conditions in Danske Bank's markets
- General risk management experience

Directorships and other offices:
Carlsberg Group (Chairman or member of the boards of directors of 17 subsidiaries)
Carlsberg Byen P/S and six subsidiaries (Vice Chairman or member of the boards of directors)
DONG Energy A/S
The Danish Committee on Corporate Governance

CAROL SERGEANT
Elected by the general meeting

Born on 7 August 1952
Nationality: British
Joined the Board on 18 March 2013
Independent

Chairman of the Credit and Risk Committee and member of the Audit Committee

Competencies:
- Senior management experience from the public and private financial services sector in the UK
- Broad and in-depth knowledge of credit and risk management and regulatory issues in the UK and Europe
- Significant change management experience

Directorships and other offices:
Private sector directorships:
Secure Trust Bank plc.
Martin Currie Holdings Limited

Public policy positions:
High-level Expert Group on reforming the structure of the EU banking sector (Liikanen Group) (member)
Simple Financial Products Steering Group, HM Treasury, UK (Chairman)
UK Steering Committee on Internal Audit guidance for financial services (member)

Charity and academic positions:
Public Concern at Work (UK Whistleblowing charity) (Chairman)
Cass Business School (Advisory Board member)
Newnham College, Cambridge
St. Paul's Cathedral Foundation (Trustee)
The Standards Policy and Strategy Committee (British Standards Institution advisory committee) (Chairman)
The Lloyds Register Foundation (Trustee)
The Governing Council of the Centre for the Study of Financial Innovation (CSFI) (member)

JIM HAGEMANN SNABE
Elected by the general meeting

Co-CEO of SAP AG

Born on 27 October 1965
Nationality: Danish
Joined the Board on 18 March 2013
Independent

Member of the Remuneration Committee

Competencies:
- In-depth knowledge of IT systems and solutions
- High-level management experience from large international organisation
- Experience in strategy development and execution
- Understanding of banking and financial services sector

Directorships and other offices:
Bang & Olufsen A/S (Vice Chairman)
Siemens AG

TROND Ø. WESTLIE
Elected by the general meeting

Group Chief Financial Officer and member of the Executive Board of A.P. Møller-Mærsk A/S and Firmaet A.P. Møller

Born on 8 June 1961
Nationality: Norwegian
Joined the Board on 27 March 2012
Most recently re-elected in 2013
Independent

Trond Ø. Westlie is Group Chief Financial Officer at and a member of the executive board of A.P. Møller-Mærsk A/S. A.P. Møller-Mærsk A/S holds 20% of the share capital of Danske Bank A/S.

Member of the Audit Committee

Competencies:
- Long experience in managing overall corporate financial affairs
- Funding of international companies requiring significant investments through debt and equity markets
- Strategic and business development expertise
- Experience in managing large international operations
- General risk management experience

Directorships and other offices:
A.P. Moller - Maersk Group (Vice Chairman or member of the boards of directors of 11 subsidiaries)
Danmarks Skibskredit A/S (member of the board of directors and of the audit committee)
Pepita AS, Norway
Shama A/S, Norway (CEO)
Tønsberg Delikatesse AS, Norway

SUSANNE ARBOE
Elected by the employees

Adviser

Born on 16 May 1957
Nationality: Danish
Joined the Board on 23 March 2010

Directorships and other offices:
Danske Kreds

HELLE BRØNDUM
Elected by the employees

Bank Clerk

Born on 26 September 1952
Nationality: Danish
Joined the Board on 19 March 2002
Most recently re-elected in 2010

CARSTEN EILERTSEN
Elected by the employees

Senior Personal Customer Adviser

Born on 17 September 1949
Nationality: Danish
Joined the Board on 23 March 2010

Directorships and other offices:
Apostelgaardens Fond (Vice Chairman)
Danske Kreds (Vice Chairman)
Danske Unions
The Parish Church Council of Sct. Mortens Church, Næstved (Vice Chairman)
The Næstved Cemeteries

CHARLOTTE HOFFMANN
Elected by the employees

Personal Customer Adviser

Born on 8 October 1966
Nationality: Danish
Joined the Board on 14 March 2006
Most recently re-elected in 2010

PER ALLING TOUBRO
Elected by the employees

HR Specialist

Born on 25 June 1953
Nationality: Danish
Joined the Board on 14 March 2006
Most recently re-elected in 2010

Management and directorships – Executive Board

THOMAS F. BORGEN
Chief Executive Officer

Born on 27 March 1964
Joined the Board on 1 September 2009

Directorships and other offices:
Kong Olav V's Fond
VP Securities A/S

TONNY THIERRY ANDERSEN
Head of Personal Banking

Born on 30 September 1964
Joined the Board on 1 September 2006

Directorships and other offices:
Bankernes Kontantservice A/S
Danske Bank International S.A. (Chairman)
Danske Bank Oyj (Chairman)
Forsikringsselskabet Danica, Skadeforsikringsaktie-selskab af 1999 and the Danica Pension, Livsforsikringsaktieselskab subsidiary (Vice Chairman)
The Danish Bankers Association (Chairman)
The Private Contingency Association for the Winding up of Distressed Banks, Savings Banks and Cooperative Banks (Chairman)
Nets Holding A/S
Olga og Esper Boels Fond
Ejendomsaktieselskabet Boels Gård
Realkredit Danmark A/S (Chairman)
YPO, Danmark (CFO)
Værdiansættelsesrådet
ICC Danmark
Danish Economic Council

ROBERT ENDERSBY
Head of Group Risk Management

Born on 28 October 1959
Joined the Board on 1 October 2012

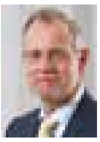
Directorships and other offices:
Danske Bank Oyj
Northern Bank Limited

LARS MØRCH
Head of Business Banking

Born on 11 May 1972
Joined the Board on 1 June 2012

Directorships and other offices:
Northern Bank Limited (Chairman)
Danske Leasing A/S (Chairman)
Realkredit Danmark A/S (Vice Chairman)

HENRIK RAMLAU-HANSEN
Chief Financial Officer



Born on 2 October 1956
Joined the Board on 1 January 2011

Directorships and other offices:
Bluegarden Holding A/S and the subsidiary Bluegarden A/S
Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999 and the Danica Pension, Livsforsikringsaktieselskab subsidiary
Kreditforeningen Danmarks Pensionsafviklingskasse (Chairman)
LR Realkredit A/S
Realkredit Danmark A/S
The Danish Financial Council

GLENN SÖDERHOLM
Head of Corporates & Institutions

Born on 26 July 1964
Joined the Board on 1 November 2013

Directorships and other offices:
Danmarks Skibskredit A/S

Supplementary information

FINANCIAL CALENDAR

18 March 2014	Annual general meeting
1 May 2014	Interim Report – First Quarter 2014
24 July 2014	Interim Report – First Half 2014
30 October 2014	Interim Report – First Nine Months 2014

CONTACTS

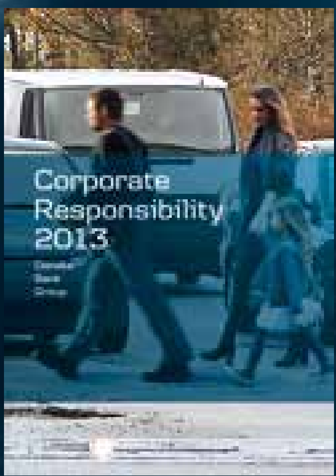
Henrik Ramlau-Hansen Chief Financial Officer	+45 45 14 06 66
Julie Quist Head of Investor Relations	+45 45 14 07 92

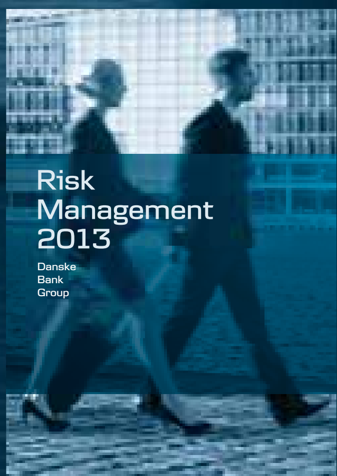
LINKS

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

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

OTHER DANSKE BANK GROUP PUBLICATIONS, AVAILABLE AT DANSKEBANK.COM/IR:





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