

## IMPORTANT NOTICE

**THIS DOCUMENT IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBS (AS DEFINED BELOW) OR (2) NON-U.S. PERSONS (AS DEFINED BELOW) LOCATED OUTSIDE OF THE UNITED STATES.**

**IMPORTANT:** You must read the following before continuing. This notice applies to the base prospectus dated February 22, 2017 (the “**Base Prospectus**”) following this page and you are therefore advised to read this page carefully before reading, accessing or making any other use of the Base Prospectus. In accessing the Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer (as defined in the Base Prospectus) and the Dealers (as defined in the Base Prospectus) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DISCUSSED IN THE ATTACHED BASE PROSPECTUS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE ATTACHED BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DISCUSSED IN THE ATTACHED BASE PROSPECTUS.

**Confirmation of your representation:** In order to be eligible to view the attached Base Prospectus or make an investment decision with respect to the securities being offered, prospective investors must be either (1) qualified institutional buyers (“**QIBs**”) (within the meaning of Rule 144A (“**Rule 144A**”) under the Securities Act) or (2) non-U.S. persons (as defined in Regulation S under the Securities Act (“**Regulation S**”)) located outside the United States. The attached Base Prospectus is being provided to you at your request, and by accessing the attached Base Prospectus you shall be deemed to have represented to the Issuer and the Dealers that (1) either (a) you and any customers you represent are QIBs or (b) you and any customers you represent are non-U.S. persons located outside of the United States and any electronic mail address that you have provided and to which the Base Prospectus may have been delivered is not located in the United States, its territories and possessions, any State of the United States or the District of Columbia, and (2) you consent to delivery of such Base Prospectus by electronic transmission.

You are reminded that the attached Base Prospectus has been provided to you on the basis that you are a person into whose possession the Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the attached Base Prospectus to any other person.

The materials relating to this offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer, and the Dealer(s) or any affiliate of the Dealer(s) is a licensed broker or dealer in the relevant jurisdiction, the offering shall be deemed to be made by the Dealer(s) or such affiliate on behalf of the Issuer in such jurisdiction.

The attached Base Prospectus may be distributed in the United Kingdom only to, and is directed at (1) persons who have professional experience in matters relating to investments falling within Article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”) or (2) high net worth entities falling within Article 49(2)(a) to (d) of the Order, and other persons to whom it may be lawfully communicated, falling within Article 49(1) of the Order (all such persons together being referred to as “**relevant persons**”). Any person who is not a relevant person should not act or rely on the attached Base Prospectus or any of its contents.

The attached Base Prospectus has been provided to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Dealers, any person who controls them or any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus provided to you in electronic format and a hard copy version that may be available to you on request from the Dealers.



**U.S.\$ 10,000,000,000**  
**U.S. Medium-Term Note Program**

Under the U.S. Medium-Term Note Program (the “**Program**”) described in this base prospectus (the “**Base Prospectus**”), Danske Bank A/S (the “**Bank**,” “**Danske Bank**,” the “**Issuer**” and, together with its consolidated subsidiaries, the “**Group**”) may, subject to compliance with all relevant laws, regulations and directives, from time to time issue debt instruments (the “**Notes**”) denominated in any currency agreed by the Issuer and the relevant Dealer(s) (as defined below). The aggregate principal amount of Notes outstanding will not at any time exceed U.S.\$ 10,000,000,000 (or its equivalent in other currencies), subject to any duly authorized increase. The terms of each particular issue of Notes will be established by the Issuer and specified in the relevant Final Terms (as defined below). Any Notes issued under the Program on or after the date of this Base Prospectus are issued subject to the provisions described herein (as such Base Prospectus may be amended or supplemented from time to time).

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or any state securities laws and, subject to certain exceptions, may not be offered or sold, directly or indirectly, within the United States or to or for the account or benefit of U.S. persons, as defined in Regulation S under the Securities Act (“**Regulation S**”). The Notes may be offered for sale only (i) in the United States, to qualified institutional buyers (“**QIBs**”) within the meaning of, and in reliance on, Rule 144A under the Securities Act (“**Rule 144A**”) or another available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act; or (ii) outside the United States, to non-U.S. persons in reliance on, and in accordance with, Regulation S, in each case, in compliance with applicable laws, regulations and directives. See “*Plan of Distribution—Selling Restrictions*” and “*Transfer and Transfer Restrictions*.”

The Notes may be issued on a continuing basis to one or more of the Dealers specified herein and any additional Dealers appointed under the Program from time to time, which appointment may be for a specific issue or on an ongoing basis (each a “**Dealer**” and, together, the “**Dealers**”). References in this Base Prospectus to the “**relevant Dealer**” shall, in relation to any issue of Notes, be to the Dealer agreeing to subscribe for such Notes or, in the case of each issue of Notes syndicated amongst a group of Dealers, the lead manager of such issue.

This Base Prospectus has been approved by the Central Bank of Ireland (the “**Central Bank**”), as competent authority under the Prospectus Directive (as defined below). The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC) (“**MiFID**”) and/or which are to be offered to the public in any Member State of the European Economic Area (each, a “**Member State**”). This Base Prospectus constitutes a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and has been prepared for the purpose of giving information with regard to the issue of Notes under the Program during the period of twelve months from the date of its publication.

Application has been made to the Irish Stock Exchange plc (the “**Irish Stock Exchange**”) for Notes issued under the Program to be admitted to the Official List (the “**Official List**”) of the Irish Stock Exchange and trading on its regulated market. References in this Base Prospectus to Notes being “**listed**” (and all related references) on the Irish Stock Exchange shall mean that such Notes have been admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market. The regulated market of the Irish Stock Exchange is a regulated market for the purposes of MiFID. However, Notes may also be issued under the Program on an unlisted basis or be admitted to listing, trading and/or quotation by other stock exchanges, listing authorities and/or quotation by other stock exchanges, listing authorities and/or quotation systems, and the Final Terms applicable to a Series (as defined below) of Notes will specify whether or not the Notes of such Series have been admitted to trading on the regulated market of the Irish Stock Exchange or are unlisted or are admitted to listing, trading and/or quotation by any other stock exchange, listing authority and/or quotation system.

See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Notes.

EACH INITIAL AND SUBSEQUENT PURCHASER OF NOTES OFFERED HEREBY IN MAKING ITS PURCHASE WILL BE DEEMED TO HAVE MADE CERTAIN ACKNOWLEDGMENTS, REPRESENTATIONS AND AGREEMENTS INTENDED TO RESTRICT THE RESALE OR OTHER TRANSFER OF SUCH NOTES AND MAY IN CERTAIN CASES BE REQUIRED TO PROVIDE CONFIRMATION OF COMPLIANCE WITH SUCH RESALE OR OTHER TRANSFER RESTRICTIONS. SEE “*TRANSFER AND TRANSFER RESTRICTIONS*.”

*Arranger for the Program*

**BofA Merrill Lynch**

*Dealers*

**BNP PARIBAS**

**BofA Merrill Lynch**

**Citigroup**

**Credit Suisse**

**Danske Bank**

**Goldman, Sachs & Co.**

**HSBC**

**J.P. Morgan**

**Morgan Stanley**

**UBS Investment Bank**

**Wells Fargo Securities**

The date of this Base Prospectus is February 22, 2017.

## IMPORTANT INFORMATION

The Bank accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche (as defined below) of Notes issued under the Program. To the best of the knowledge of the Bank (which has taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. References herein to this “**Base Prospectus**” are to this document, as supplemented from time to time including the documents incorporated by reference into this Base Prospectus.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger or the Dealers or any of their affiliates as to the accuracy or completeness of the information contained or incorporated by reference into this Base Prospectus or any information provided by the Bank in connection with the Program. No Arranger or Dealer or any of their affiliates accepts any liability in relation to the information contained or incorporated by reference into this Base Prospectus or any other information provided by the Bank in connection with the Program.

The Bank has not authorized any person to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Program or the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by the Bank or any of the Arranger or the Dealers.

Neither this Base Prospectus nor any other information supplied in connection with the Program or the Notes should be considered as a recommendation by the Bank or the Dealers or any of their affiliates that any recipient of this Base Prospectus or any other information supplied in connection with the Program or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the Bank’s financial condition and affairs, and its own appraisal of the Bank’s creditworthiness. Neither this Base Prospectus nor any other information supplied in connection with the Program or the issue of any Notes constitutes an offer or invitation by or on the Bank’s behalf or by or on behalf of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Bank is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Program is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the Bank’s financial condition or affairs during the life of the Program or to advise any investor in the Notes of any information coming to their attention. Investors should review, among other things, the most recently published documents incorporated by reference into this Base Prospectus when deciding whether or not to purchase any Notes.

The Notes have not been, and will not be, registered under the Securities Act or any state securities laws. Unless otherwise specified in any supplement to this Base Prospectus, each Tranche of Notes is initially being privately placed exclusively to persons reasonably believed by the Dealers to be QIBs within the meaning of Rule 144A or in other transactions exempt from the registration requirements of the Securities Act, including in accordance with Regulation S.

Notes offered in the United States to QIBs in reliance on Rule 144A will be represented by one or more “**Rule 144A Global Notes**” and Notes offered outside the United States in reliance on Regulation S will be represented by one or more “**Regulation S Global Notes**” (together with the Rule 144A Global Notes, the “**Global Notes**”). After their initial private placement, Notes represented by Rule 144A Global Notes may be resold to QIBs in transactions satisfying the requirements of Rule 144A or in transactions exempt from the registration requirements of the Securities Act, including in accordance with Regulation S. For a description of certain restrictions on resale or transfer of the Rule 144A Global Notes, see “*Plan of Distribution—Selling Restrictions*” and “*Transfer and Transfer Restrictions*.”

Neither this Base Prospectus nor any Final Terms constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Bank, the Arranger and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Bank, the Arranger or the Dealers which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. This Base Prospectus may only be used for the purposes for which it has been published. Persons into whose possession this Base Prospectus or the Notes may come must inform themselves about, and observe any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the

offer or sale of Notes in the United States, see “*Plan of Distribution—Selling Restrictions*” and “*Transfer and Transfer Restrictions*.”

The rating of certain Series of Notes to be issued under the Program may be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Series of Notes will be issued by a credit rating agency established in the European Union (the “EU”) and registered under Regulation (EC) No. 1060/2009, as amended (the “CRA Regulation”) will be specified in the relevant Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EU and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the EU before June 7, 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused. A list of registered credit rating agencies is available on the European Securities and Markets Authority (“ESMA”) website at [www.esma.europa.eu/page/List-registered-and-certified-CRAs](http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) (list last updated on December 1, 2015).

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilizing manager(s) (the “**Stabilizing Manager(s)**”) (or any person acting on behalf of any Stabilizing Manager(s)) in the relevant Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager(s) (or any person acting on behalf of any Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or any person acting on behalf of any Stabilizing Manager(s)) in accordance with all applicable laws, regulations and rules.

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## OVERVIEW

*The following overview should be read as an introduction to, in conjunction with, and is qualified in its entirety by, the more detailed information that appears elsewhere in this Base Prospectus, including the Group's consolidated financial statements incorporated by reference into this Base Prospectus. See "Risk Factors" for a discussion of certain factors that should be considered in connection with an investment in the Notes. Any decision to invest in the Notes should be based on the consideration of this Base Prospectus as a whole together with the relevant Final Terms. Certain terms used in this overview are defined elsewhere in this Base Prospectus, including under "Terms and Conditions of the Notes."*

### Business Overview

The Group is the leading financial service provider in Denmark (source: the Danish Financial Supervisory Authority (the "DFSA")) measured by total working capital (defined as deposits, issued bonds, subordinated debt and shareholders' equity) as at December 31, 2015, and one of the largest in the Nordic region measured by total assets as at December 31, 2016. The Group offers customers a wide range of services in the fields of banking, mortgage finance, insurance, pension, real-estate brokerage, asset management and trading in fixed income products, foreign exchange and equities. The Group is the largest bank in Denmark (source: the DFSA), is one of the larger banks in Finland and Northern Ireland and has challenger positions in Sweden and Norway. As at December 31, 2016, the Group's total assets amounted to DKK 3,484 billion and the Group employed 19,303 full-time equivalent employees. As at the same date, the Group had approximately 3.4 million customers and approximately 2.2 million customers used the Group's online services. The Group had 272 branches as at December 31, 2016.

The Bank is the parent company of the Group. Danske Bank is a Nordic universal bank with bridges to the rest of the world, and its core markets are Denmark, Sweden, Norway and Finland (through its subsidiary). In these countries, it serves all types of customers, from personal customers and businesses to large institutional clients. It also operates in Northern Ireland, where it serves both personal and business customers, and the Baltic countries, where it focuses on business banking. The Group has additional offices in several other European countries including a subsidiary in Luxembourg and branch offices in Poland, Germany and the United Kingdom (the "U.K."), where its main offerings are solutions for Nordic and local businesses as well as private banking clients. The Group also conducts broker-dealer activities in the United States and has a subsidiary in Russia serving Nordic corporate banking customers.

### Group Strategy and Mission

The Group's vision is to be "recognized as the most trusted financial partner." The Group's core values are expertise, integrity, value creation, agility and collaboration. The Group aims to meet and interact with its customers allowing them seamless navigation and connectivity regardless of time or place. As reflected in the Group's corporate responsibility policy, the Group strives to conduct business on the basis of customers' needs in a profitable and sustainable manner.

The Group focuses on strengthening relationships with customers and creating a simpler and more efficient financial institution. For example, the Group aims to create innovative solutions to meet its customers' demand for digital solutions, and constantly offer new solutions and features that enhance the easy banking experience.

The Group's information technology ("IT") strategy is a fundamental prerequisite for the Group's ability to develop dynamically and maintain its position as Denmark's leading financial services provider and as a key financial player in the Nordic region.

### Recent Developments

#### **Share Buy-back Program 2016**

In February 2016, the Bank announced a share buy-back program for a total of DKK 9 billion to be executed under the European Commission's Regulation No. 2273/2003 of December 22, 2003. The share buy-back program ended on February 1, 2017 with a total buy-back of 46.9 million shares for a total purchase amount of DKK 9.0 billion. On February 17, 2017, the Board of Directors of the Bank (the "**Board of Directors**" or the "**Board**") proposed to the annual general meeting of shareholders of the Bank (the "**General Meeting**") convened for March 16, 2017 that the shares purchased under the share buy-back program be cancelled.

#### **Share Buy-back Program 2017**

In February 2017, the Bank announced that the Board of Directors has approved a new share buy-back program for DKK 10 billion, with a maximum of 90 million shares. The program will be conducted from February 3, 2017 until February 2, 2018 at the latest. The Bank has announced that the Board of Directors intends to propose to the annual General Meeting in 2018 that the shares purchased under the share buy-back program be cancelled.

## Overview of Key Risk Factors

An investment in the Notes involves risks. Such risks include, but are not limited to, the risk factors described below and in “*Risk Factors*.” Any of these risks could have a material adverse effect on the Bank’s business, results of operations, financial position or future prospects or the value of the Notes. Additional risks and uncertainties, including those of which the Bank’s executive board (the “**Executive Board**”) is currently unaware or deems immaterial, may also have a material adverse effect on the business, results of operations, financial position or future prospects of the Group or may result in other events that could cause investors to lose all or part of their investment. This Base Prospectus also contains forward-looking statements that are subject to future events, risks and uncertainties. The actual outcome could differ materially from the outcome anticipated in these forward-looking statements as a result of many factors, including but not limited to the risks described below and elsewhere in this Base Prospectus. See “*Important Information for Investors—Special Notice Regarding Forward-looking Statements*.”

Risks related to the markets in which the Group operates include, but are not limited to the following:

- The weak economic recovery or deterioration in the economic conditions in the markets in which the Group operates can have a material adverse effect on the Group’s business, results of operations and financial position.
- Disruptions and volatility in the global financial markets may adversely impact the Group.
- The Group’s profitability may be adversely affected by volatility in interest rates and is affected by periods of low to negative interest rates.
- The Group’s financial performance may be adversely affected by the changes in fair value of its holdings of financial instruments and a decline in its net trading income.
- The Group’s financial performance may be adversely affected by material fluctuations in foreign currency exchange rates.
- Being part of the financial services industry, the Group faces substantial competitive pressures.
- Catastrophic events, terrorist attacks, acts of war or hostilities, pandemic diseases and other unpredictable events could have an adverse effect on the Group’s business and results of operations.

Risks related to the Group include, but are not limited to the following:

- The Group has significant customer and counterparty credit risk exposure.
- Deterioration in counterparties’ credit quality may adversely affect the Group’s business, results of operations and financial position; additionally, the Group’s credit risk is concentrated in four Nordic countries, particularly Denmark.
- The Group’s other banking businesses add to the risks of the Group, including counterparty and settlement risks.
- Illiquidity or a decline in the value of the collateral securing the Group’s loans could require the Group to increase its loan impairment charges.
- The Group has acquired significant goodwill through its acquisitions and, as a result of the financial crisis, has made significant goodwill impairment charges and it may be required to further write down its acquisition goodwill.
- Adverse capital and credit market conditions may negatively affect the Group’s ability to access liquidity and capital, as well as its cost of funding and capital.
- The Bank’s funding and competitive position depend on its credit ratings.
- Operational risks, including outsourcing partners and suppliers, can potentially result in financial loss as well as harm the Group’s reputation.
- There are risks associated with the Group’s complex IT systems.
- The Bank’s ownership of the Danica Group exposes the Group to insurance risks.
- The Group may incur further liabilities under its defined benefit retirement plans if the value of plan assets is not sufficient to cover potential obligations.

- The risk management methods used by the Group may be insufficient to cover unidentified, unanticipated, or incorrectly quantified risks, which could lead to material losses or material increases in liabilities.
- The Group's loan portfolio may not grow, which could adversely affect net interest income.
- The Group depends on its senior management and employees, and it may have difficulty attracting and retaining qualified professionals.
- The Group's accounting policies and methods are critical to how it reports its results of operations and financial condition. They require management to make estimates about matters that are uncertain.

Risks relating to the legal and regulatory environment in which the Group operates include, but are not limited to the following:

- The Group is subject to a wide variety of banking, insurance and financial services laws and regulations, which could have an adverse effect on its business.
- The Group faces increased capital and liquidity requirements as a result of the Basel III Framework.
- The Bank may be subject to bail-in under the BRRD, and the exercise of any power under the BRRD could have a material adverse effect on Holders.
- The Group will have to pay additional amounts under deposit guarantee schemes or resolution funds.
- Changes in the Group's accounting policies or in accounting standards could materially affect how it reports its financial condition and results of operations.

Risks related to the Notes generally include, but are not limited to the following:

- The Notes may not be a suitable investment for all investors.
- Modification and waiver of the Notes may be made by defined majorities of Holders.
- Changes in law could affect the governing law of the Notes.
- Trading in the Notes could be impacted by denominations involving integral multiples.
- The Notes may be subject to optional redemption by the Issuer.
- The Notes may be redeemed prior to maturity for taxation reasons.
- The Notes may be issued at a substantial discount or premium.
- The Notes may be subject to changes in interest rate, which could affect the value of the Notes.
- Holders of the Issuer's covered bonds will have priority over Holders upon bankruptcy of the Issuer.
- Credit ratings may not reflect all risks.
- Legal investment considerations may restrict certain investments.
- Exchange rates and exchange controls may affect investments in the Notes.
- Secondary market risk.
- Payments under the Notes may be subject to withholding tax pursuant to the U.S. Foreign Account Tax Compliance Act.



## Summary Consolidated Financial Information and Other Data

The consolidated income statement and balance sheet data presented below have been derived from the audited consolidated financial statements of the Group as at and for the years ended December 31, 2016 and 2015, including comparative figures as at and for the years ended December 31, 2015 and 2014, respectively. These consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (the “IASB”) as adopted by the EU and Danish disclosure requirements for listed financial companies, and are incorporated by reference into this Base Prospectus. The consolidated financial statements of the Group as at and for the years ended December 31, 2016 and 2015 have been audited by Deloitte Statsautoriseret Revisionspartnerselskab (“Deloitte”). The reports of Deloitte on the respective financial statements are incorporated by reference into this Base Prospectus.

The following information is based on the financial highlights presentation used by the Group when presenting such information in its annual and interim reports. The line items marked with an asterisk in the tables below deviate from the corresponding figures in the Group’s consolidated financial statements due to reclassification of certain items as discussed in more detail under “Important Information for Investors—Presentation of Financial Information.” See notes 1(c) and 3 to the Group’s audited consolidated financial statements as at and for the years ended December 31, 2016 and 2015 incorporated by reference into this Base Prospectus for information on reconciling the consolidated income statements and the financial highlights presentation.

The information below should be read together with the consolidated financial statements of the Group incorporated by reference into this Base Prospectus and the sections “Important Information for Investors—Presentation of Financial Information,” “Important Information for Investors—Non-IFRS Measures of Financial Performance” and “Operating and Financial Review and Prospects.”

	For the year ended December 31,		
	2016	2015	2014
		(restated) <sup>(1)</sup>	(restated) <sup>(2)</sup>
	(DKK in millions)		
<b>INCOME STATEMENT DATA</b>			
Net interest income*	22,028	21,402	22,313
Net fee income*	14,183	15,018	11,154
Net trading income*	8,607	6,848	6,693
Other income*	3,140	2,343	1,344
Net income from insurance business*	—	—	2,496
Total income*	47,959	45,611	44,000
Operating expenses*	(22,642)	(23,237)	(22,641)
Goodwill impairment charges	—	(4,601) <sup>(3)</sup>	(9,099)
Profit before loan impairment charges*	25,317	17,773	12,260
Loan impairment charges*	3	(57)	(2,788)
Profit before tax, core	25,320	17,716	9,472
Profit before tax, Non-core*	37	46	(1,503)
Profit before tax	25,357	17,762	7,969
Tax	(5,500)	(4,639)	(4,020)
Net profit for the year	19,858	13,123	3,948
Net profit for the year before goodwill impairment charges*	19,858	17,724	13,047
Attributable to additional tier 1 etc.	663	607	261

	As at December 31,		
	2016	2015	2014
		(restated) <sup>(1)</sup>	(restated) <sup>(2)</sup>
<b>BALANCE SHEET DATA</b>			
<b>Assets</b>			
Due from credit institutions and central banks *	200,544	75,221	63,786
Repo loans	244,474	216,303	290,095
Loans *	1,689,155	1,609,384	1,563,729
Trading portfolio assets	509,678	547,019	742,512
Investment securities	343,337	343,304	330,994
Assets under insurance contracts	285,398	265,572	268,450
Total assets in Non-core *	19,039	27,645	32,329
Other assets *	<u>192,046</u>	<u>208,431</u>	<u>161,120</u>
Total assets	<u>3,483,670</u>	<u>3,292,878</u>	<u>3,453,015</u>
<b>Liabilities</b>			
Due to credit institutions and central banks *	155,085	137,068	126,800
Repo deposits	199,724	177,456	400,618
Deposits *	859,435	816,762	763,441
Bonds issued by Realkredit Danmark	726,732	694,519	655,965
Other issued bonds	392,512	363,931	330,207
Trading portfolio liabilities	478,301	471,131	550,629
Liabilities under insurance contracts	314,977	285,030	288,352
Total liabilities in Non-core *	2,816	5,520	4,950
Other liabilities *	149,641	140,640	138,642
Subordinated debt	37,831	39,991	41,028
Additional tier 1 etc.	14,343	11,317	5,675
Shareholders' equity	<u>152,272</u>	<u>149,513</u>	<u>146,708</u>
Total liabilities and equity	<u>3,483,670</u>	<u>3,292,878</u>	<u>3,453,015</u>

	As at and for the year ended December 31,		
	2016	2015	2014
		(restated) <sup>(1)</sup>	(restated) <sup>(2)</sup>
<b>Ratios and Key Figures</b>			
Earnings per share, <sup>(4)</sup> DKK.....	20.2	12.8	3.8
Return on average shareholders' equity, <sup>(5)</sup> percent.....	13.1	8.5	2.5
Return before goodwill impairment charges on average shareholders' equity, percent <sup>(6)</sup> .....	13.1	11.6	8.6
Return on average tangible equity, <sup>(7)</sup> percent.....	14.0	12.9	10.5
Net interest income as percent per annum of loans and deposits.....	0.86	0.88	0.96
Cost/income ratio, <sup>(8)</sup> percent.....	47.2	61.0	72.1
Cost/income ratio before goodwill impairment charges, <sup>(9)</sup> percent.....	47.2	50.9	51.5
Total capital ratio, <sup>(10)</sup> percent.....	21.8	21.0	19.3
Common equity tier 1 capital ratio, <sup>(11)</sup> percent.....	16.3	16.1	15.1
Full-time-equivalent staff (end of year).....	19,303	19,049	18,603

- (1) As discussed in more detail under “Important Information for Investors—Presentation of Financial Information—Restatements and Reclassifications of Financial Highlights and Segment Reporting—Year Ended December 31, 2016,” the Group has restated the comparative financial highlights and business segment figures as at and for the year ended December 31, 2015 in the Group’s Annual Report 2016. The above tables reflect the restated figures. The corresponding non-restated financial highlights can be found in note 3 to the Group’s audited consolidated financial statements as at and for the year ended December 31, 2015 incorporated by reference into this Base Prospectus.
- (2) As discussed in more detail under “Important Information for Investors—Presentation of Financial Information—Restatements and Reclassifications of Financial Highlights and Segment Reporting—Year Ended December 31, 2015,” the Group has restated the comparative financial highlights and business segment figures as at and for the year ended December 31, 2014 in the Group’s Annual Report 2015. The above tables reflect the restated figures in the Group’s Annual Report 2015. The comparative financial highlights and business segment figures as at and for the year ended December 31, 2014 have not been restated in the Group’s Annual Report 2016, as presented herein and therein, and are not fully comparable to the financial highlights and business segment figures as at and for the years ended December 31, 2016 and 2015 presented in the above tables.
- (3) Goodwill impairment charges for the year ended December 31, 2015 included impairment charges of DKK 4,117 million on goodwill and DKK 484 million on customer relations.
- (4) Net profit for the year divided by the average number of shares outstanding during the year. Net profit for the year is stated after the deduction of interest net of tax on equity-accounted additional tier 1 capital.
- (5) Net profit for the year divided by the quarterly average of shareholders’ equity. Net profit and shareholders’ equity are stated as if the equity-accounted additional tier 1 capital was classified as a liability. In the numerator, net profit is reduced by interest expenses of DKK 663 million (2015: DKK 607 million; 2014: DKK 259 million), and the denominator represents equity excluding additional tier 1 capital and other non-controlling interests.
- (6) Net profit for the year before goodwill impairment charges divided by the quarterly average of shareholders’ equity. Net profit and shareholders’ equity are stated as if the equity-accounted additional tier 1 capital was classified as a liability. In the numerator, net profit is reduced by interest expenses of DKK 663 million (2015: DKK 607 million; 2014: DKK 259 million), and the denominator represents equity excluding additional tier 1 capital and other non-controlling interests.
- (7) Net profit for the year adjusted for amortization of intangible assets divided by the quarterly average of shareholders’ equity reduced by intangible assets. Net profit and shareholders’ equity are stated as if the equity-accounted additional tier 1 capital was classified as a liability. In the numerator, net profit is reduced by interest expenses of DKK 663 million (2015: DKK 607 million; 2014: DKK 259 million), and the denominator represents equity excluding additional tier 1 capital and other non-controlling interests.
- (8) Operating expenses and goodwill impairment charges divided by total income.
- (9) Operating expenses (excluding goodwill impairment charges) divided by total income.
- (10) Total capital divided by the total REA. Calculated in accordance with the CRR (as defined herein), taking transitional rules into account as stipulated by the DFSA.
- (11) Common equity tier 1 capital divided by the total REA. Calculated in accordance with the CRR, taking transitional rules into account as stipulated by the DFSA.

## General Description of the Program

*This overview does not purport to be complete and is qualified in its entirety by reference to the detailed information appearing elsewhere in this Base Prospectus. Terms not defined in this overview are defined elsewhere in this Base Prospectus.*

<b>Issuer</b> .....	Danske Bank A/S.
<b>Description</b> .....	U.S. Medium-Term Note Program.
<b>Program Amount</b> .....	The aggregate principal amount of Notes outstanding at any time shall not exceed U.S.\$ 10,000,000,000 or the approximate equivalent in another currency calculated as at the issue date of the relevant Notes. The Program size may be increased from time to time without the consent of the holders of the Notes (the “ <b>Holders</b> ”).
<b>Arranger</b> .....	Merrill Lynch, Pierce, Fenner & Smith Incorporated.
<b>Dealers</b> .....	BNP Paribas Securities Corp. Citigroup Global Markets Inc. Credit Suisse Securities (USA) LLC Danske Bank A/S Goldman, Sachs & Co. HSBC Securities (USA) Inc. J.P. Morgan Securities LLC Merrill Lynch, Pierce, Fenner & Smith Incorporated Morgan Stanley & Co. LLC UBS Securities LLC Wells Fargo Securities, LLC  and any other Dealer appointed from time to time by the Issuer either generally in respect of the Program or in relation to a particular Tranche of Notes.
<b>Fiscal Agent</b> .....	U.S. Bank National Association.
<b>Listing Agent</b> .....	Matheson.
<b>Currencies</b> .....	Any currency agreed between the Issuer and the relevant Dealer(s), subject to any applicable legal or regulatory restrictions.
<b>Maturities</b> .....	Such maturities as may be agreed between the Issuer and the relevant Dealer(s), subject to such minimum or maximum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
<b>Issue Price</b> .....	Notes may be issued on a fully paid basis and at an issue price which is at par or at a discount to, or premium over, par as specified in the relevant Final Terms.
<b>Form and Denomination of Notes</b> .....	Notes will be issued only in registered form and in minimum denominations of U.S.\$ 200,000 (or, in the case of Notes not denominated in U.S. dollars, the equivalent thereof in such foreign currency, rounded down to the nearest 100,000 units of such foreign currency, but so that in no event will the minimum denomination be lower than EUR 100,000 or its equivalent at the date of issue of the relevant Notes) and integral multiples of U.S.\$ 1,000 (or, in the case of Notes not denominated in U.S. dollars, 1,000 units of such foreign currency) in excess thereof.

Unless otherwise specified in any supplement to this Base Prospectus, Notes offered in the United States to QIBs in reliance on Rule 144A will be represented by one or

more Rule 144A Global Notes and Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes. Copies of the Global Notes will be available for inspection at the specified office of the Fiscal Agent.

Global Notes representing the Notes will be held by or on behalf of The Depository Trust Company (“DTC”) for the benefit of participants in DTC, including Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking SA (“Clearstream, Luxembourg”).

<b>Status of the Notes</b> .....	The Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank <i>pari passu</i> without any preference among themselves and at least <i>pari passu</i> with all other ordinary, non-preferred unsubordinated and unsecured obligations of the Issuer, present and future, save for certain mandatory exceptions provided by law.
<b>Issuance in Series</b> .....	The Notes will be issued in separate series (each, a “ <b>Series</b> ”) under the Agency Agreement and each Series may comprise one or more tranches of Notes (each, a “ <b>Tranche</b> ”). The Notes of each Tranche that constitute the same Series will be subject to identical terms, except that the issue date, the issue price or the first payment of interest (if any) may be different in respect of different Tranches of the same Series.
<b>Interest</b> .....	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate and the basis of calculating interest may change between the issue date and the maturity date of the relevant Series.
<b>Interest Payments</b> .....	Interest may be paid monthly, quarterly, semi-annually, annually or at such other intervals as are specified in the relevant Final Terms.
<b>Redemption</b> .....	The Final Terms will specify the scheduled maturity date for the Notes. The Final Terms will indicate whether Notes may be redeemed early (other than for taxation reasons or following an Event of Default) at the option of the Issuer and/or the Holders on a date or dates specified and at a price or prices and on such terms as are specified in the relevant Final Terms.
<b>Withholding Taxes</b> .....	All payments in respect of the Notes will be made without withholding or deduction for or on account of taxes levied in Denmark unless such withholding or deduction is required by law.  In the event payments are subject to withholding or deduction of tax, subject to certain exceptions, the Issuer will pay such additional amounts as will result in receipt by Holders of the amount that would have been received in the absence of such withholding or deductions.
<b>Taxation</b> .....	For certain Danish and U.S. tax considerations, see “ <i>Taxation</i> .”
<b>Events of Default</b> .....	The events or circumstances described in Condition 12 ( <i>Events of Default</i> ) of the Terms and Conditions of the Notes (the “ <b>Conditions</b> ”) shall be acceleration events in relation to the Notes of any Series of Notes.
<b>Negative Pledge</b> .....	None.
<b>Cross Default</b> .....	None.
<b>Listing and Admission to Trading</b> .....	Each Series of Notes may be listed on the Irish Stock Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system as may be agreed between the Issuer and the relevant Dealer(s) and specified in the relevant Final Terms or may be issued on the basis that a Series of Notes will not be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system.
<b>Governing Law</b> .....	The Notes and all related contractual documentation will be governed by, and construed in accordance with, English law.

<b>Selling Restrictions</b> .....	The Notes have not been and will not be registered under the Securities Act or any state securities laws and, subject to certain exceptions, may not be offered or sold directly or indirectly within the United States or to or for the benefit of U.S. persons. In addition, there are certain restrictions on the offer, sale and transfer of the Notes in the EEA (including the U.K.) and such other restrictions as may be required in connection with the offer and sale of a particular Tranche of Notes. See “ <i>Plan of Distribution</i> ” and “ <i>Transfer and Transfer Restrictions</i> .”
<b>Risk Factors</b> .....	There are certain factors that may affect the Issuer’s ability to fulfill its obligations under the Notes. See “ <i>Risk Factors</i> ” for a discussion of certain factors to be considered in connection with an investment in the Notes.
<b>Ratings</b> .....	The Program has been rated by the following rating agencies: Standard & Poor’s Credit Market Services Europe Limited (“ <b>S&amp;P</b> ”), Fitch Ratings Ltd (“ <b>Fitch</b> ”) and Moody’s Investors Service Limited (“ <b>Moody’s</b> ”). Up-to-date information should always be sought by direct reference to the relevant rating agency. See also “ <i>Operating and Financial Review and Prospects—Credit Ratings</i> ” for information on the Issuer’s long-term debt credit ratings.

Series of Notes issued under the Program may be rated or unrated. Where a Series of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Program, and will be specified in the relevant Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

## RISK FACTORS

*An investment in the Notes involves a high degree of risk. Prospective investors should carefully consider the following risk factors, together with the information set out elsewhere in this Base Prospectus, prior to making any investment decision with respect to the Notes. The risks described below could have a material adverse effect on the Bank's business, results of operations, financial position or future prospects, or the value of the Notes. Additional risks and uncertainties, including those of which the Group's management is not currently aware or deems immaterial, may also have an adverse effect on the Group's business, results of operations, financial position or future prospects, or may result in other events that could cause investors to lose all or part of their investment.*

*This Base Prospectus also contains forward-looking statements that involve risks and uncertainties. Actual results of operations of the Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by the Group, described below and elsewhere in this Base Prospectus. The order in which the following risks are presented is not intended to be an indication of the probability of their occurrence or the magnitude of their potential effects. The risk factors set out below are the ones that the Bank believes are the most significant risks facing the Group.*

### **Risks Related to the Markets in which the Group Operates**

***The weak economic recovery or deterioration in the economic conditions in the markets in which the Group operates can have a material adverse effect on the Group's business, results of operations and financial position.***

The financial services industry generally prospers in conditions of economic growth, stable geopolitical conditions, capital markets that are transparent, liquid and buoyant, and positive investor sentiment. Each of the Group's operating segments is affected by general economic and geopolitical conditions, which can cause the Group's results of operations and financial position to fluctuate from year to year as well as on a long-term basis. The Group's performance is in particular significantly influenced by the general economic conditions of the countries in which it operates, in particular the Nordic markets (Denmark, Sweden, Norway and Finland) and Northern Ireland. In 2014, the Danish economy experienced slow, modest growth throughout the year, and the Swedish economy also grew slowly, mainly because of domestic demand driven by record-low interest rates. The Norwegian economy remained strong in the first half of 2014, but the significant drop in oil prices in the second half of 2014 meant that growth slowed markedly. The Finnish economy continued to contract in 2014 due to, among other things, the economic sanctions between Russia and the EU, weak domestic demand and the need to tighten economic policy. In 2015, the general economic conditions were mixed in the Nordic region. The Swedish economy performed the best with solid growth rates. Denmark also moved in the right direction although the economic recovery in Denmark remained fragile, as Denmark experienced negative growth in the third and fourth quarters of 2015, which was the first time that Denmark experienced negative growth for two consecutive quarters since 2009. During the same period, the Finnish economy stopped contracting. The Norwegian mainland economy slowed further due to spillover effects from lower oil prices. Annual GDP growth in Denmark slowed in 2016 from an already modest level, but quarterly data suggest some improvement during the year. GDP growth in Sweden slowed as investment growth has declined, and falling oil investment has significantly reduced growth in Norway. Across the Nordic countries, growth has been sustained by increasing private consumption. In Denmark, Sweden and Finland, real wages have grown due to low inflation, and employment has increased. Norway has experienced higher inflation following the depreciation of the Norwegian Kroner, but household finances have been supported by increasing house prices. The recent increase in the oil price is supportive of growth in Norway, but could adversely affect demand growth in the other Nordic countries. House prices have grown rapidly in Sweden and Norway in recent years. A reversal in those prices could adversely affect overall growth and weaken household finances. As Nordic countries are small, open economies, they are sensitive to disruptions in the global economy or the free flow of goods and services. Very accommodating central bank monetary policy and low interest rates have had, and continue to have, an impact on the Group's net interest income, see "*The Group's profitability may be adversely affected by volatility in interest rates and is affected by periods of low to negative interest rates*" below. Adverse economic developments have affected and will continue to affect the Group's business in a number of ways, including, among others, the income, wealth, liquidity, business and/or financial condition of the Group's customers, particularly its small- and medium-sized enterprise ("SME") customers, which, in turn, could further reduce the Group's credit quality (resulting in increased impairment charges) and demand for the Group's financial products and services. As a result, any or all of the conditions described above could continue to have a material adverse effect on the Group's business, results of operations and financial position, and measures implemented by the Group might not be satisfactory to reduce any credit, market and liquidity risks.

***Disruptions and volatility in the global financial markets may adversely impact the Group.***

From August 2007 through the early part of 2009, the global financial system experienced unprecedented credit and liquidity conditions and disruptions leading to a reduction in liquidity, greater volatility, general widening of spreads and, in some cases, lack of price transparency in money and capital markets interest rates. Following a period of stabilization in 2010 and the first half of 2011, the recovery was adversely affected by turmoil and disruptions in the capital markets that were triggered by high sovereign budget deficits and rising direct and contingent sovereign debt in Greece, Ireland,

Italy, Portugal and Spain. Even though market conditions improved somewhat in the latter part of 2012, the developments in the financial markets were driven mainly by central bank initiatives, and markets remained volatile with uncertainty about future macroeconomic developments. For example, the rescue package offered to Cyprus in March 2013 resulted in increased market volatility and speculation about the stability of the eurozone. Since January 2015, the European Central Bank (the “ECB”) has maintained a policy of quantitative easing and extremely low interest rates in response to low inflation and low inflation expectations. Inflation has increased due to higher food and fuel prices, but core inflation remains below the ECB target. The general theme in 2016 was tighter spreads, interrupted briefly by heightened volatility surrounding the major political events of the year: the U.K. referendum on June 23, 2016 in which a majority voted to leave the EU (“**Brexit**”), the U.S. presidential election and the Italian referendum on constitutional reform. A similar sequence was evident in each instance: spreads widened prior to the results, followed by a tightening, even though the outcomes on each occasion were the opposite of what had been expected and/or considered positive by the markets prior to the results. The ECB’s purchase program for covered bonds and corporate bonds as well as the targeted longer-term refinancing operations continued to support low yields and tight spreads, and the ECB has indicated that its bond purchase program will continue at least for the rest of 2017. Nonetheless, rates in the United States and the EU rose in the fourth quarter of 2016 after the Trump presidential victory and signals of higher rates from the U.S. Federal Reserve, which increased interest rates in December 2016 and has indicated further increases in the future. However, significant uncertainty surrounds U.S. monetary policy, as the fiscal policy of the new administration has not been clarified. The administration has indicated changes in U.S. foreign policy, trade policy and tax policy, any of which could cause uncertainty and volatility in global financial markets. The global economy also remains sensitive to developments in China, where increasing debt levels give cause for concern. The market conditions have also been, and are likely to continue to be, affected by concerns over increased geopolitical tensions, including those related to the crisis in Eastern Ukraine and the Middle East, political developments, such as Brexit and the U.S. presidential election discussed above, and the effects of the recent significant movements in global oil prices. There can be no assurances that a potential tightening of liquidity conditions in the future as a result of, for example, further deterioration of public finances of certain European countries will not lead to new funding uncertainty, resulting in increased volatility and widening of credit spreads. Risks related to the economic development in emerging markets have also had, and may continue to have, a negative impact on global economic activity and the global financial markets. If these conditions continue to persist, or should there be further turbulence in these or other markets, this could have a material adverse effect on the Group’s ability to access capital and liquidity on financial terms acceptable to the Group. Further, any of the foregoing factors could have a material adverse effect on the Group’s business, results of operations and financial position.

***The Group’s profitability may be adversely affected by volatility in interest rates and is affected by periods of low to negative interest rates.***

The Group earns interest from loans and other assets and pays interest to its depositors and other creditors. The Group’s results of operations are, therefore, dependent to a great extent on the Group’s net interest income. Net interest income represented 45.9 percent of the Group’s total income in 2016, as compared to 46.9 percent (restated) in 2015. Net interest income represented 48.6 percent of the Group’s total income in 2015, as compared to 50.7 percent in 2014. The Group’s net interest margin, which is the difference between the yield on its interest-bearing assets and the cost of its interest-bearing liabilities, varies according to prevailing interest rates and is a significant factor in determining the profitability of the Group. Net interest margins, particularly deposit margins, tend to be compressed in a low to negative interest rate environment, as discussed in more detail below. Reductions in interest rates, a prolonged period of low interest rates, compression of the interest rate spread, or any sharp or unexpected increase in interest rates may result in a decrease in the amount of net interest income generated by the Group and in its net interest margin, either of which could have a material adverse effect on the Group’s business, results of operations and financial position. During the periods under review, margins, especially deposit margins, have been under pressure due to the prolonged negative interest rate environment in Denmark, Finland and Sweden.

Interest rates are highly sensitive to many factors beyond the Group’s control, including fiscal and monetary policies of governments and central banks in the jurisdictions in which the Group operates. In particular, the effect of the EU’s Economic and Monetary Union and the policies of the governments of the four Nordic countries (Denmark, Sweden, Norway and Finland, together the “**Nordic countries**” or the “**Nordic region**”) in which the Group operates and the U.K. are significant for the Group and are unpredictable in nature. For example, central banks have reduced interest rates to record lows and the interest rates have remained low since 2013, and have even reached negative levels in various jurisdictions. In a low to negative interest rate environment, many deposit rates have been reduced to a level close to or below zero. In Denmark, Danmarks Nationalbank (the “**Danish Central Bank**”) increased the certificate of deposit rate to negative 0.65 percent in the beginning of 2016 up from negative 0.75 percent between February 6, 2015 and January 7, 2016, which was the lowest level historically. As at the date of this Base Prospectus, the Danish Central Bank lending rate is positive at 0.05 percent, despite the negative deposit rate. With deposit rates at levels close to or below zero, it is difficult to compensate for any further decline in interest rates with further reductions in these deposit rates. Consequently, lower interest rates resulting from monetary policy adversely affect the Group’s deposit margin with a consequent adverse effect on net interest income. A zero to negative interest rate environment may also adversely affect the Group’s yield on excess liquidity placed by it with the central banks and yield on its liquidity bond portfolio and its



trading and bond portfolio maintained for client facilitation. The Group's net interest income in 2014 was adversely affected by low interest rates, and the low to negative interest rate environment and very low deposit margins continued to put pressure on net interest income in 2015 and 2016. The Group cannot predict when these low interest rate policies may be reversed, and it is difficult for the Group to assess the impact that increases in interest rates will have on the Group's business, results of operations and financial position.

***The Group's financial performance may be adversely affected by the changes in fair value of its holdings of financial instruments and a decline in its net trading income.***

The Group's trading portfolio assets amounted to DKK 509,678 million as at December 31, 2016, DKK 547,019 million as at December 31, 2015 and DKK 742,512 million as at December 31, 2014. The fair value of financial instruments held by the Group, including bonds (government, corporate and mortgage), equity investments, investments in private equity and hedge funds, commodities and derivatives (including credit derivatives), is sensitive to volatility of and correlations between various market variables, including interest rates, credit spreads, equity prices and foreign exchange rates. If the fair value of the Group's trading portfolio assets were to decline, the Group would be required to record fair value losses. In addition, the fair value of certain financial instruments is determined by using financial models incorporating assumptions, judgments and estimates that are inherently uncertain and may change over time or may ultimately be inaccurate. Moreover, market volatility and illiquidity could make it difficult to value certain of the Group's holdings. Any of these factors could require the Group to recognize fair value losses, which may have a material adverse effect on the Group's business, results of operations and financial position. In addition, because the Group's net trading income depends to a great extent on the performance of financial markets, volatile market conditions could result in a significant decline in the Group's net trading income, or result in a trading loss, which, in turn, could have a material adverse effect on the Group's business, results of operations and financial position.

***The Group's financial performance may be adversely affected by material fluctuations in foreign currency exchange rates.***

The Group has operations in a number of jurisdictions. As a result, the Group's operations are conducted in many different currencies, all of which must be translated into Danish Kroner at the applicable exchange rates for inclusion in the Group's consolidated financial statements. Because the Group's consolidated financial statements are stated in Danish Kroner, the translation effect of these material foreign currency fluctuations may have an adverse effect on the results of operations and financial position of the Group and may affect the comparability of its results between financial periods. For example, the Group's results of operations for 2016 were affected by the movements in the British pound sterling exchange rate, and uncertainty regarding the British pound sterling continues following the Brexit vote. The Group also has liabilities in currencies other than Danish Kroner and trades currencies on behalf of its customers and for its own account, thus maintaining open currency positions. Adverse movements in foreign exchange rates may impact the Group and its customers negatively, particularly with respect to the Group's liabilities denominated in foreign currencies and its customers' open currency positions. Adverse currency movements may also impact the Group's deposit base and certain borrowers and the Group's exposure to its lenders. Accordingly, fluctuations in foreign currency exchange rates, in particular if such fluctuations are unanticipated or sudden, may adversely affect the Group's cash flows as well as its balance sheet positions, and over the long term, its results of operations, and may have a material adverse effect on the Group's business, results of operations, capital ratios and financial position.

The Danish Kroner is pegged to the euro. In 2015, the Danish Kroner faced strong appreciation pressure due to the change in monetary policy in Switzerland and the significant current account surplus in Denmark. To ensure a stable currency, the Danish Central Bank lowered interest rates to below the levels in Europe to reduce appreciation pressure as it defended the peg to the euro. Since spring 2015, the appreciation pressure has eased significantly. As the foreign exchange reserves returned to the same level as at the end of 2014, the Danish Central Bank increased the certificate of deposit rate to negative 0.65 percent from negative 0.75 percent in January 2016. The certificate of deposit rate remains at negative 0.65 percent as at the date of this Base Prospectus. As discussed under "*The Group's profitability may be adversely affected by volatility in interest rates and is affected by periods of low to negative interest rates*" above, low to negative interest rates can adversely affect the Group. Accordingly, any action taken by the Danish Central Bank in response to the pressure on the Danish Kroner, including further interest rate cuts, could have a material adverse effect on the Group's business, results of operations and financial position.

***Being part of the financial services industry, the Group faces substantial competitive pressures.***

There is substantial competition in Denmark, the other Nordic countries and the other jurisdictions in which the Group operates for banking services and other products and services that the Group provides. Such competition is strongest in the Group's core geographic markets in Denmark and the other Nordic countries where it faces competition from regional banks and from a number of local banks. In recent years, the Group has lost market share in deposits and lending in certain markets. See "*Description of the Group—Competitive Position and Main Markets*" for more information on the Group's market shares. The Group's banking operations in its other markets also face varying levels of competition. The Group seeks to maintain customer loyalty and retention, which can be influenced by a number of factors, including service levels, the prices and attributes of products and services, financial strength and actions taken by competitors. If

the Group is unable to effectively compete through offering attractive and profitable products and service offerings, it may lose market share or incur losses on some or all of its activities.

Competition in the financial services industry is affected by a high level of consolidation, both at national and international levels, in the markets in which the Group operates as well as by the emergence of alternative distribution channels for many of the products offered by the Group. Consumer demand, technological changes disruptive to the established banking industry, regulatory actions and other factors also affect the competition that the Group faces. The failure by the Group to manage these competition risks could have a material adverse effect on the Group's business, results of operations and financial position.

***Catastrophic events, terrorist attacks, acts of war or hostilities, pandemic diseases and other unpredictable events could have an adverse effect on the Group's business and results of operations.***

Catastrophic events, terrorist attacks, acts of war or hostilities, pandemic diseases and other similar unpredictable events, and responses to those events or acts, may create economic and political uncertainties that could have a negative impact on the economic conditions in the countries where the Group operates and, more specifically, could interrupt the Group's business and result in substantial losses. Such events or acts and losses resulting therefrom are difficult to predict and may relate to property, financial assets, trading positions or key employees. If the Group's business continuity plans do not fully address such events or cannot be implemented under the circumstances, such losses may increase. Unforeseen events can also lead to additional operating costs, such as higher insurance premiums and the implementation of redundant back-up systems. Insurance coverage for certain unforeseeable risks may be unavailable, and thus increase the risk of the Group. The Group's inability to effectively manage these risks could have a material adverse effect on the Group's business, results of operations and financial position.

## **Risks Related to the Group**

***The Group has significant customer and counterparty credit risk exposure.***

As a large and diverse financial organization, the Group is subject to a broad range of general credit risks. Through its banking operations in Denmark and in certain other jurisdictions, the Group engages in traditional banking businesses, including lending to retail, corporate and institutional customers. These activities expose the Group to credit risk. The Group is also exposed to credit risk with respect to customers and third parties who owe the Group money, securities or other assets and who may not pay or perform their obligations. These customers and third parties include borrowers of loans made to them by the Group, issuers whose securities the Group holds, trading counterparties, counterparties under swap, credit and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries. These parties may default on their obligations to the Group due to bankruptcy, lack of liquidity, downturns in the economy or declines in asset values, operational failures or other reasons. For information on the Group's credit exposure, see "*Risk Management—Credit Risk—Credit Exposure.*"

Within the financial services industry, the default of any one institution could lead to defaults by other institutions. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial and financial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing and other relationships. Even perceived lack of creditworthiness or questions about a counterparty's solvency may lead to market-wide liquidity problems and losses or defaults by the Group or by other institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges. The Group routinely executes a high volume of transactions with counterparties in the financial services industry and systemic risk could have a material adverse effect on the Group's ability to raise new funding and on its business, results of operations and financial position. Volatility in foreign exchange and fixed income markets could increase counterparty credit risk. Credit risk also includes the risk of losses due to a country's financial difficulties, the imposition of sanctions relating to or affecting such country, political decisions on nationalization and expropriation, or if the country's credit rating is downgraded, or there is an expectation of a potential downgrade.

In addition, the Group is subject to the risk that its rights against third parties may not be enforceable in all circumstances. The deterioration or perceived deterioration in the credit quality of third parties whose securities or obligations the Group holds could result in losses and/or adversely affect its ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes. A significant downgrade in the credit ratings of the Group's counterparties could also have a material adverse effect on the Group's income and risk weightings applied to the Group's assets, leading to increased capital requirements. While in many cases the Group is permitted to require additional collateral from counterparties that experience financial difficulty, disputes may arise as to the amount of collateral the Group is entitled to receive and the value of pledged assets. The Group may also be unable to realize or liquidate collateral held by it at prices sufficient to recover the full amount of the counterparty exposure.

If any of the events described above materialize, it could have a material adverse effect on the Group's business, results of operations and financial position.

***Deterioration in counterparties' credit quality may adversely affect the Group's business, results of operations and financial position; additionally, the Group's credit risk is concentrated in four Nordic countries, particularly Denmark.***

The Group is a leading provider of credit to retail, corporate and institutional customers in Denmark and also has significant banking operations in Finland, Norway and Sweden. The Group is exposed to the risk that its borrowers may not repay their loans according to their contractual terms and that the collateral securing the payment of these loans, if any, may not be sufficient. The Group's principal credit exposures are to retail and corporate customers, financial institutions and credit institutions. The Group's largest exposure is to lending in Personal Banking, which consists to a large extent of mortgage products in the Nordic countries. The main risks in the personal customer portfolio relate to interest-only loans and short-term adjustable rate mortgages in Denmark, the weak economy in Finland and high household debt in Denmark and Sweden.

As this credit risk reflects some concentration, particularly to retail customers through the Group's large mortgage portfolio in Denmark, a major part of which are interest-only mortgages that do not amortize, the Group's financial position will be sensitive to a significant deterioration in credit and general economic conditions in Denmark. The interest-only mortgages will be reset and begin amortizing on the dates specified in the respective mortgage agreements. The Group's risk is particularly related to customers' ability to amortize their mortgages when they reset and when loan-to-value ("LTV") ratios are high, which provides less collateral coverage. As at December 31, 2016, interest-only mortgages with high LTV ratios (higher than 80 percent) that will reset before December 31, 2020 amounted to DKK 8.9 billion. In Sweden, growth remained robust at a somewhat slower pace, with Swedish consumption and housing investments softening throughout the year. The continuation of low interest rates raised concerns about possible asset price bubbles in the property markets of Sweden, Norway and urban areas of Denmark, and the Group continues to focus on credit underwriting standards and the portfolio effects of various regulatory tightening initiatives. Furthermore, the economic conditions for the agricultural industry in Denmark are currently difficult. As at December 31, 2016, the Group's gross exposure to the agricultural industry amounted to DKK 65.7 billion. Of this gross exposure, 8.1 percent was non-performing with 94 percent of the uncollateralized non-performing exposure being covered by the allowance account. Overall, high indebtedness and a very high proportion of variable-rate loans remained major risks in 2016, and the Group focused on reducing its customers' interest rate sensitivity. The economic conditions for oil-related activities (oil majors, oil services and offshore) continued to be very weak in 2016 as the "lower for longer" situation led to increased impairments, particularly for a few large customers of the Group within the shipping and oil-related exposure. As at December 31, 2016, the Group's gross exposure to these oil-related activities amounted to DKK 25 billion. The Group is also exposed to the economic conditions in its other core Nordic markets, Northern Ireland and the other countries in which it operates. The conflicts in Eastern Ukraine and the Middle East pose potential risks of destabilization in the EU. Within the Group's operating region, Finland and the Baltic countries are exposed to potential spillover effects from any further escalation of the Ukrainian conflict, as well as from instability and political uncertainties. Deterioration in the economic conditions in the Group's markets, or the failure of large borrowers in these countries to perform their obligations to the Group, could have a material adverse effect on the Group's business, results of operations and financial position.

The Group records loan impairment charges aimed at covering estimated probable incurred credit losses inherent in its loan portfolio. The Group's loan impairment charges are based on, among other things, its analysis of current and historical delinquency rates and loan management, its customers' likely repayment capacity and the valuation of the underlying assets, as well as numerous other management assumptions. These internal analyses and assumptions may give rise to inaccurate predictions of credit performance, and the Group may experience unexpected reductions in profitability or increased losses as a result. Due to improving economic conditions and improving credit quality over recent periods, the Group's loan impairment charges have been declining. The Group's loan impairment charges amounted to a reversal of DKK 3 million in 2016, as compared to loan impairment charges of DKK 57 million in 2015 and DKK 2,788 million in 2014. There can be no assurance that this low level of loan impairment charges will continue in the future, and any significant increase in the size of the Group's loan impairment charges, or loan losses in excess of the Group's loan impairment charges, could have a material adverse effect on the Group's business, results of operations and financial position. See also "*—Risks Related to the Markets in which the Group Operates—The weak economic recovery or deterioration in the economic conditions in the markets in which the Group operates can have a material adverse effect on the Group's business, results of operations and financial position*" above and "*—Illiquidity or a decline in the value of the collateral securing the Group's loans could require the Group to increase its loan impairment charges*" below.

***The Group's other banking businesses add to the risks of the Group, including counterparty and settlement risks.***

In addition to its traditional banking businesses, the Group conducts investment banking and insurance businesses and holds a large securities portfolio. Such activities expose the Group to risks which, for example, can arise from holding securities of third parties, entering into derivative contracts under which counterparties have obligations to make payments to the Group, extending credit through other arrangements, executing securities, futures, currency or commodity trades that fail to settle at the required time due to non-delivery by the counterparty, or systems failure by

clearing agents, exchanges, clearing houses or other financial intermediaries. Adverse changes in the financial condition of the Group's counterparties or a general deterioration in general economic conditions, or adverse changes to counterparty credit risk arising from systemic risks in the financial system, could affect the recoverability and value of the Group's assets and require an increase in the level of the Group's loan and other impairment charges. The Group's failure to manage these risks could have a material adverse effect on the Group's business, results of operations and financial position.

***Illiquidity or a decline in the value of the collateral securing the Group's loans could require the Group to increase its loan impairment charges.***

As at December 31, 2016, the Group held collateral in core activities (after haircuts) amounting to DKK 1,556 billion, corresponding to 61 percent of the Group's net credit exposure. The lending portfolio primarily consists of mortgage loans, with the largest exposure to customers in Denmark. In addition to the Group's mortgage portfolio, other collateral includes equity and debt securities. Downturns in the residential and commercial real estate markets, and, in particular, a correction in the Danish residential real estate market, or a general deterioration of economic conditions in the industries in which the Group's customers operate in Denmark, the other Nordic countries and the other markets in which the Group operates, or in the markets in which the collateral is located, may result in illiquidity and a decline in the value of the collateral securing the Group's loans, including a decline to levels below the outstanding principal balance of those loans. In the case of equity securities collateral, such securities may be unlisted and illiquid and the value of such securities is closely linked to the business performance of the customers. A decline in the value of collateral securing the Group's loans or the inability to obtain additional collateral may, in certain cases, require the Group to reclassify the relevant loans, record loan impairments or increase its reserve requirements.

As at December 31, 2016, the Group's net credit exposure to the residential real estate market in Denmark was DKK 497 billion, corresponding to 19 percent of the Group's net credit exposure. As at December 31, 2016, the Group's net credit exposure to the commercial property sector amounted to DKK 299 billion, corresponding to 12 percent of the Group's net credit exposure. Any future declines in property prices in any of the countries in which the Group offers property financing may lead to loan impairment charges. In addition, a failure to recover the expected value of collateral in the case of foreclosure may also expose the Group to losses.

The illiquidity referred to above or increases in loan impairment charges could have a material adverse effect on the Group's business, results of operations and financial position. See "Risk Management—Credit Risk" for a further discussion of the credit risks to which the Group is exposed.

***The Group has acquired significant goodwill through its acquisitions and, as a result of the financial crisis, has made significant goodwill impairment charges and it may be required to further write down its acquisition goodwill.***

The Group has completed a number of acquisitions that resulted in the Group recording goodwill on its balance sheet. Goodwill is tested for impairment at least once a year which requires that management estimate the future cash flows from acquisitions. A number of factors affect the value of such cash flows, such as discount rates and other conditions which depend, in part, on economic developments, customer behavior and the competitive situation and, if and when events or changes in circumstances indicate impairment, such goodwill must be written down accordingly. The Group did not recognize any goodwill impairment charges in 2016. In 2015, the Group recognized goodwill impairment charges of DKK 4,601 million (including impairment charges of DKK 4,117 million on goodwill in the banking units in Finland and Northern Ireland and DKK 484 million on customer relations in the banking units in Finland) owing to further worsening of the macroeconomic outlook with expectations of even lower interest rate levels than those applied in the impairment test in 2014, and an increase in the capital allocated to the banking units under the Group's new capital allocation framework that was implemented in 2016. In 2014, the Group recognized a goodwill impairment charge of DKK 9,099 million consisting of DKK 3,493 million and DKK 1,501 million against the Personal Banking and Business Banking business units in Finland, respectively, owing to a weaker long-term economic outlook in Finland and changes in the assumptions on deposit margins, as well as the full amount of the goodwill related to the Business Banking business unit in Estonia (impairment charge of DKK 2,058 million) and DKK 2,046 million against the Personal Banking business unit in Northern Ireland owing to the positioning of the Group as a Nordic universal bank as well as changes in the assumptions on deposit margins in Northern Ireland. As at December 31, 2016, the Group's goodwill amounted to DKK 5.3 billion, or 0.2 percent, of the Group's total assets. Should there be additional declines in the value of its acquired businesses, the Group may be required to further impair its current goodwill which, depending on the amount impaired, may have a material adverse effect on the Group's results of operations and financial position.

***Adverse capital and credit market conditions may negatively affect the Group's ability to access liquidity and capital, as well as its cost of funding and capital.***

Liquidity risk is the risk of losses because funding costs become excessive, lack of funding prevents the Group from maintaining its business model, or lack of funding prevents the Group from fulfilling its payment obligations. Liquidity risk is inherent in much of the business of the Group and can be heightened by a number of factors, including rising interest rates, which can increase the Group's cost of funding, and reduced access to funding sources, including the

capital markets, which could be attributed to market conditions generally or the perception of the Group in the credit markets. The capital and credit markets experience volatility on a recurring basis. In 2016 and continuing until the date of this Base Prospectus, political uncertainty in the EU has had repercussions for financial markets. In particular, Brexit, the U.S. presidential election and the Italian referendum on constitutional reform have all led to increased uncertainty on the future political direction in the affected countries and resulted in heightened volatility on capital markets. For a discussion of macroeconomic conditions, see “*Risks Related to the Markets in which the Group Operates*” above.

A substantial portion of the Group’s funding is derived from deposits and issued bonds. In addition to its core deposit base and investment portfolio, the Group is reliant on a number of funding programs (which include covered bonds) available to it in Europe and the United States. The Group’s existing senior funding programs are used for short- and medium-term funding, while its covered bond issues primarily serve to satisfy long-term funding requirements. If the short-term funding sources of the Group become volatile or are unavailable, the Group would be required to utilize other, possibly more expensive sources to meet its funding needs, such as collateralized borrowings or asset sales. The availability of financing depends on a variety of factors such as market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry, the Bank’s credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of the Group’s long- or short-term financial prospects. For example, declining residential property values may have a material adverse effect on the Group’s ability to issue covered bonds. If the Group’s funding sources were limited or became unavailable or market conditions deteriorated, the Group’s ability to raise funding could be adversely affected or such market conditions could result in a significant increase in the Group’s cost of funding. If any of these events were to occur they could have a material adverse effect on the Group’s business, results of operations and financial position.

***The Bank’s funding and competitive position depend on its credit ratings.***

The Bank’s credit ratings are important to its business. As at the date of this Base Prospectus, the Bank’s senior unsubordinated long-term credit ratings are A, A and A2 from S&P, Fitch and Moody’s, respectively. For additional information on the Bank’s credit ratings, see “*Operating and Financial Review and Prospects—Credit Ratings*.” The Bank’s credit ratings are subject to change at any time and its credit ratings could be downgraded as a result of many factors, including the failure of the Bank to successfully implement its strategies or general downgrading of the credit ratings of financial institutions in the Danish banking sector. In addition, the Bank’s credit rating is, pursuant to the current methodologies used by S&P and Moody’s, linked to all major markets in which Danske Bank operates (Denmark, Sweden, Norway and Finland (through its subsidiary)). Accordingly, developments in these markets could impact the Bank’s credit ratings. Any downgrade of the Bank’s credit ratings could adversely affect its liquidity and competitive position, undermine confidence in the Bank, increase its borrowings costs and limit its access to the capital markets or trigger obligations under certain bilateral provisions in some of its trading and collateralized financing contracts. Under these provisions, counterparties could be permitted to terminate contracts with the Bank or require it to post additional collateral. Termination of the Bank’s trading and collateralized financing contracts could cause it to sustain losses and may impair its liquidity by requiring the Bank to find other sources of financing or to make significant cash payments or securities movements. A downgrade of the Bank’s credit ratings could also lead to a loss of customers and counterparties, which could have a material adverse effect on the Bank’s business, results of operations and financial position.

***Operational risks, including outsourcing partners and suppliers, can potentially result in financial loss as well as harm the Group’s reputation.***

The Group is exposed to operational risks in the form of possible losses resulting from inappropriate or inadequate internal procedures, human or system errors, or external events. Operational risks include legal risks and are often associated with one-off events, such as failure to observe business or working procedures, defects or breakdowns of the technical infrastructure, criminal acts, fire and storm damage, and litigation. These events can potentially result in financial loss and harm to the reputation of the Bank, individual Group companies or the Group as a whole.

The nature of the Group’s business inherently generates operational risks. The Group’s business is dependent on processing a large number of complex transactions across numerous and diverse products, and is subject to a number of different legal and regulatory regimes. Operational risks are present in the Group’s businesses, through inadequate or defective internal processes (including financial reporting and risk monitoring processes) or from people-related events (including the risk of fraud and other criminal acts carried out against the Group, errors by employees and failure to document transactions properly or obtain proper authorization) or external events (including natural disasters or the failure of external systems). In addition, the Group’s failure to identify and deal with conflicts of interest could damage the Group’s reputation and negatively affect the willingness of customers to enter into transactions with the Group. The Group also faces the risk that its employees make decisions that are not in compliance with the Group’s corporate governance practices, internal guidelines or policy documents or that otherwise conflict with applicable laws and regulations. There can be no assurance that the risk controls, loss mitigation and other internal controls or actions in place within the Group will be effective in identifying and controlling each of the operational risks faced by it. Any weakness in these controls or actions could result in a material adverse impact on the Group’s business, financial condition, results of operations, liquidity and/or prospects, and could result in reputational damage. Given the Group’s high volume of transactions, errors in the recording and processing of transactions may be repeated or compounded before they are

discovered and rectified, and there can be no assurance that risk assessments made in advance will adequately predict the occurrence, or estimate the costs, of these errors.

The failure of the Group to manage these risks could have a material adverse effect on the Group's reputation, business, results of operations and financial position.

***There are risks associated with the Group's complex IT systems.***

Large-scale institutional banking activities, including those conducted by the Group, are increasingly dependent on highly sophisticated IT systems to process and monitor, on a daily basis, a large number of transactions, many of which are complex, across numerous and diverse markets, and in many currencies. The Group's operations rely on the secure processing, storage and transmission of confidential and other information in its IT systems and its IT platform serviced by a third-party provider. Complex IT systems are vulnerable to a number of problems, such as unauthorized access or malicious hacking, computer viruses or other malicious code and other external attacks or internal breaches that could have a security impact, as well as physical damage to vital IT centers and software or hardware malfunctions.

The threat to the security of the Group's customer information from cyber-attacks continues to increase. Activists, rogue states and cyber-criminals are among those targeting computer systems in general. Risks to technology and cyber-security change rapidly and require continued focus and investment. Given the increasing sophistication and scope of potential cyber-attacks, it is possible that future attacks may lead to significant breaches of security. If one or more of such events occur, any one of them potentially could jeopardize the confidential and other information of the Group, any of its clients or its counterparties. The Group may be required to spend significant additional resources to modify its protective measures or to investigate and remediate vulnerabilities or other exposures. It may also be subject to litigation and financial losses as well as reputation risks that are either not insured against or not fully covered through any insurance maintained by the Group. Any such events could result in additional costs and material losses to the Group and damage to the reputation of the Group.

In addition, since a large part of the Group's IT services are outsourced to third-party partners, in particular to IBM as provider of the Group's IT mainframe services, the Group faces risks relating to the failure of those third parties to fulfill their obligations towards the Group. Any failure or disruption in the Group's IT platform, particularly for retail products and services, or greater-than-expected costs for its IT platform could significantly affect the operations and the quality of customer service of the Group and could have a material adverse effect on the Group's reputation, business, results of operations and financial position. Failure in the mobile payment systems (*i.e.*, MobilePay) may have a direct impact on retail businesses as they rely on the Group payment infrastructure in a way similar to their reliance on card terminals. Any such failure or disruption could be due to, among others, a spike in transaction volume, deterioration in the quality of IT development, support and operations processes and high turnover of employees, resulting in an inadequate number of personnel to handle the growth and increasing complexity of operations.

Further, if the Group is not successful in implementing new systems, or adapting its current IT platform in line with the expected growth of its business, the Group may not be able to meet the expectations or changing demands of its customers. If the Group fails to effectively implement new IT systems or to adapt to new technological developments, it may incur substantial additional expenses or be unable to compete successfully, which could have a material adverse effect on the Group's reputation, business, results of operations and financial position.

***The Bank's ownership of the Danica Group exposes the Group to insurance risks.***

The Group operates a life insurance and pensions business through the Danica Group, which exposes the Group to market risks as well as insurance risks. For additional information on the Group's insurance risks, see "*Risk Management—Insurance Risk*." The insurance activities are reported in the business unit Wealth Management. The most important factor with respect to the conventional life insurance products of Danica Pension (Danica Traditionel) is the relationship between Danica Pension's investment securities and its life insurance obligations. Danica Traditionel insurance policies offer guaranteed benefits calculated on the basis of interest rates (technical rates). The guaranteed benefits apply to all future ordinary payments as well as current savings and guarantees under issued policies. Until 1994, the technical rate was 4.5 percent per annum. From 1994 to 1999, the technical rate was 2.5 percent per annum, from 1999 to 2011, Danica Pension offered policies with a maximum technical rate of 1.5 percent per annum, and since 2011, the technical rate of interest has been 0.5 percent per annum. A significant number of policies had a technical rate higher than 0.5 percent as at December 31, 2016.

The policyholders' savings earn an actual rate of interest that is set at the discretion of Danica Pension, which can be changed at any time. In practice, Danica Pension annually grants to its policyholders a bonus interest rate on the policyholders' savings. The difference between the technical rate and the actual interest rate accrued on policyholders' savings is called a "bonus." The actual interest rate paid to policyholders for 2016 was 1.8 percent per annum before tax. Bonus interest rates above or below investment return rates will, respectively, strengthen or weaken the collective bonus potential. If the future expected returns on the investment securities of Danica Pension's customers are inadequate to cover these guaranteed benefit levels, Danica Pension will be required to set aside additional reserves to cover such

guarantees. If such reserve strengthening cannot be covered by the bonus potential, the remaining deficit will be provided by funds allocated from shareholders' equity of the relevant entity of the Danica Group, which would negatively affect the Group's equity.

Danica Pension's insurance risk is linked to actual trends in life expectancy, mortality, disability, critical illness and other similar factors. For example, an increase in life expectancy affects the time during which benefits are payable under certain pension plans, whereas trends in mortality and critical illness affect life insurance and disability benefits. Danica Pension undertakes ongoing actuarial assessments, which take into account the factors described above, for the purpose of calculating insurance obligations and relevant reserve adjustments. Such assessments involve estimates and assumptions, which are inherently uncertain, and include Danica Pension's estimates of premiums to be received over the assumed life of the policy, the timing of the event covered by the insurance policy, the amount of benefits or claims to be paid under the policy and the investment returns on the assets purchased with the premiums received.

Only a small portion of Danica Pension's insurance risk is covered by reinsurance arrangements and relates to large individual policy exposures and the risk of losses due to disasters. The inability of Danica Pension to successfully manage these insurance risks could have a material adverse effect on the Group's business, results of operations, capital ratios and financial position.

***The Group may incur further liabilities under its defined benefit retirement plans if the value of plan assets is not sufficient to cover potential obligations.***

Pension risk arises because of the Group's liability for defined benefit pension plans for current and former employees. The Group's defined benefit pension obligations consist of pension plans in Northern Ireland, Ireland and Sweden as well as a number of small pension plans in Denmark. All of these plans are closed to new members, and new employees are enrolled in defined contribution or cash balance plans. In addition, the Group has minor defined benefit pension obligations that are recognized directly on the balance sheet and that are not managed by separate pension funds.

The Group's obligation, less the value of plan assets, is recognized as a liability, and the liability and pension expenses are measured actuarially. The Group's IFRS aggregate net pension assets as at December 31, 2016 amounted to DKK 545 million, as compared to DKK 2,107 million as at December 31, 2015 and DKK 1,412 million as at December 31, 2014.

Additional cash contributions may be required to the pension plans in excess of ordinary contributions, for example, as a result of changes in the underlying assumptions for the calculation of the pension obligations, which may lead to greater than expected estimated future obligations, or as a result of declines in the value of, and return from, the plan assets. If such additional contributions are significant, it could have a material adverse effect on the Group's business, results of operations and financial position.

***The risk management methods used by the Group may be insufficient to cover unidentified, unanticipated, or incorrectly quantified risks, which could lead to material losses or material increases in liabilities.***

The Group devotes significant resources to developing risk management policies, procedures and assessment methods for its banking and other businesses. For these purposes, the Group uses a value-at-risk ("VaR") model, back testing, models to calculate risk exposure amounts ("REA") and stress tests, as well as other risk assessment methods. Nonetheless, the risk management techniques and strategies applied by the Group may not be fully effective in hedging risk exposure in all economic market environments or against all types of risk, including risks that the Group fails to identify or anticipate. Some of the qualitative tools and metrics used by the Group for managing risk are based upon the use of observed historical market behavior as well as future predictions. The Group applies statistical and other tools to these observations and predictions to arrive at quantifications of risk exposures. These tools and metrics may fail to predict or predict incorrectly future risk exposures and the Group's losses could, therefore, be significantly greater than such measures would indicate. In addition, the risk management methods used by the Group do not take all risks into account and could prove insufficient. If prices move in a way that the Group's risk modeling has not anticipated, the Group may experience significant losses. Assets that are not traded on public trading markets, such as derivative contracts between banks, may be assigned values that are calculated by the Group using mathematical models. Monitoring the deterioration of assets like these can be difficult and may lead to losses that the Group has not anticipated. Unanticipated or incorrectly quantified risk exposures could result in material losses in the banking and asset management businesses of the Group.

Other risk management methods depend upon the evaluation of information regarding markets, customers or other matters that is publicly available or otherwise accessible. This information may not in all cases be accurate, up-to-date or properly evaluated. Management of operational, legal and regulatory risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events, and the Group's policies and procedures may not be fully effective.

The inability of the Group to successfully implement and adhere to effective risk management methods, including the inability to accurately assess the credit risk of its customers, could have a material adverse effect on the Group's business, results of operations and financial position.

***The Group's loan portfolio may not grow, which could adversely affect net interest income.***

The Group's loans increased by 4.7 percent to DKK 1,689,155 million as at December 31, 2016 from DKK 1,609,384 million as at December 31, 2015, which, in turn, represented an increase of 2.8 percent from DKK 1,563,729 million as at December 31, 2014. Developments in the Group's loan portfolio in recent years have been characterized by low demand for credit. In addition, the Group may find it difficult to increase lending volumes to customers that meet its credit quality standards, in part due to the weak economic environment. The inability to find credit-quality customers or continuing weak credit demand may continue to have an impact on the Group's lending. If the Group is unable to grow its loan portfolio in general, the Group may not generate sufficient interest income to offset the continuing low net interest margins or any decline in such net interest margins, which could have a material adverse effect on the Group's business, results of operations and financial position.

***The Group depends on its senior management and employees and it may have difficulty attracting and retaining qualified professionals.***

The future operating results of the Group depend to a large extent upon the continued contributions of senior management. The Group could be adversely affected if any of its senior managers ceases to actively participate in the management of its business. In addition, the Group depends in large part on its ability to attract, train, retain and motivate highly skilled management and employees. There is, however, significant competition for employees with the level of experience and qualifications in banking that the Group depends upon. In the future, it may be increasingly difficult for the Group to hire and retain qualified personnel.

The Group may lose some of its most talented personnel to competitors, which could adversely affect the business of the Group and prevent it from retaining and attracting customers, managing existing and new legal and regulatory obligations, implementing and monitoring internal financial reporting policies and procedures, or maintaining or improving operational performance.

In order to recruit qualified and experienced employees and to minimize the possibility of their departure to other companies, the Group companies provide compensation packages that they believe are consistent with the standards of the labor markets in which the Group operates, and as a result, the Group may incur high operational costs. If the Group cannot attract, train, retain and motivate qualified personnel, it may be unable to compete effectively in the banking industry and the Group's strategies may be limited, which in each case could have a material adverse effect on the Group's business, results of operations and financial position.

***The Group's accounting policies and methods are critical to how it reports its results of operations and financial condition. They require management to make estimates about matters that are uncertain.***

Accounting policies and methods are fundamental to how the Group records and reports its results of operations and financial condition. Management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with IFRS. Management has identified certain accounting policies in the notes to its financial statements as being critical because they require management's judgment to ascertain the value of assets and liabilities. See "Operating and Financial Review and Prospects—Significant Accounting Estimates," "Operating and Financial Review and Prospects—Significant Accounting Selections" and the notes to the Group's audited consolidated financial statements as at and for the year ended December 31, 2016 incorporated by reference into this Base Prospectus.

The estimates and assumptions that the Group uses in preparing its financial statements are based on premises that management finds reasonable, but that are inherently uncertain and unpredictable. A variety of factors could affect the ultimate value that is obtained either when earning income, recognizing an expense, recovering an asset or reducing a liability. Although the Group has established detailed policies and control procedures that are intended to ensure that these critical accounting estimates and assumptions are well controlled and applied consistently, there can be no assurance that these policies and procedures will always be effective. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding the Group's estimates and assumptions pertaining to these matters, the Group cannot guarantee that it will not be required to make changes in accounting estimates or restate prior period financial statements in the future.

***Risks Relating to the Legal and Regulatory Environments in which the Group Operates***

***The Group is subject to a wide variety of banking, insurance and financial services laws and regulations, which could have an adverse effect on its business.***

The Group is subject to a wide variety of banking, insurance and financial services laws and regulations and faces the risk of significant interventions by a number of regulatory and enforcement authorities in Denmark and in each of the other countries in which the Group does business. As a result, the Group is exposed to many forms of risk (including legal risk) which could have an adverse effect on its business.



Regulation of financial markets and banking has changed substantially as a result of the global financial crisis and the perception that one of the causes of the financial crisis was attributable in part to the failure of regulatory structures. The Group is facing greater regulation in the jurisdictions in which it operates. The Bank is subject to supervision by the DFSA and Danish regulations regarding, among other things, solvency and capital adequacy requirements, including capital ratios and liquidity rules. The Group is also subject to the supervision of local supervisory authorities in other countries in which the Group operates as well as the ECB with regard to the Bank's Finnish subsidiary. The Bank and many of the Group companies are also subject to EU regulations with direct applicability and EU directives which are implemented through local laws.

Compliance with banking regulations has increased the Group's capital requirements, exposes it to additional costs and liabilities, and may require it to change how it conducts its business, including the reduction of risk and leverage of certain activities, or otherwise have an adverse impact on its business, the products and services it offers and the value of its assets. For examples of recent regulations which have impacted and are expected to continue to impact the Group, see "*The Group faces increased capital and liquidity requirements as a result of the Basel III Framework*" below. Various aspects of banking regulations are still under debate internationally, including, among other things, proposals to review standardized and internally modelled approaches for capital requirements for credit, market and operational risk (together with a proposed capital floor based on the revised standardized approaches for financial institutions using internal models) as well as proposals to increase a financial institution's ability to absorb losses in a situation where it is deemed no longer viable. The Bank is also subject to risks as a result of implementation of the European Banking and Capital Markets Union. The Group has entities both within and outside the eurozone. The Group's operations can also be adversely impacted by changes in tax laws applicable to the Group and this could have a material adverse effect on the Group's business, results of operations and financial position.

The Group operates in a legal and regulatory environment that exposes it to potentially significant litigation and regulatory risks. As a result, the Group may become involved in various disputes and legal proceedings in Denmark and other jurisdictions, including litigation and regulatory investigations. The Group's banking and other operations, including its insurance operations, like those of other financial services companies, have been the subject of regulatory scrutiny from time to time. For example, the Group is subject to applicable anti-money laundering and terrorist financing laws. In March 2016 after an on-site anti-money laundering inspection, the DFSA issued eight orders to the Bank, and in September 2016, the Bank submitted a statement to the effect that, in its assessment, the Bank was in compliance with the orders. The final statement from the DFSA included a notification to the Danish Public Prosecutor for Serious Economic and International Crime, and the Bank was reported to the police for non-compliance with anti-money laundering legislation on correspondent banks. Also, following the final statement from the DFSA, the Swedish Financial Supervisory Authority conducted a similar on-site anti-money laundering inspection. As at the date of this Base Prospectus, the Swedish Financial Supervisory Authority has had no significant comments on the outcome of their inspection, and the Danish authorities have not yet approached the Bank to instigate further investigations.

Disputes and legal proceedings generally are subject to many uncertainties, and their outcomes are often difficult to predict, particularly in the earlier stages of a case or investigation. Adverse regulatory action or adverse judgments in litigation could result in reputational harm, fines or restrictions or limitations on the Group's operations, any of which could result in a material adverse effect on the Group's financial condition. In addition, any determination by local regulators that the Group has not acted in compliance with applicable local laws in a particular market, or any failure to develop effective working relationships with local regulators, could have a material adverse effect not only on the Group's businesses in that market but also on its reputation generally.

As an organization consisting of various financial institutions, most operations in the Group are contingent upon licenses issued by financial regulators in the countries in which such financial institutions operate. Violations of rules and regulations, whether intentional or unintentional, may lead to the withdrawal of the Group's licenses. Any breach of these or other regulations could adversely affect the Group's reputation or financial condition.

***The Group faces increased capital and liquidity requirements as a result of the Basel III Framework.***

The Basel III framework is implemented through Regulation No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (the "**CRR**") and Directive (2013/36/EU) of the European Parliament and of the Council (the "**CRD IV Directive**"). The CRR entered into force on January 1, 2014, and the CRD IV Directive was implemented in Denmark in March 2014. Each of the CRR and the CRD IV Directive covers a wide range of prudential requirements for banks across Member States, including capital requirements, stricter and aligned definitions of capital, REA, large exposure framework and liquidity and funding requirements. The CRD IV Directive covers the overall supervisory framework for banks (including the individual risk assessment) and other measures such as the combined capital buffer requirements, systemically important financial institution ("**SIFI**") governance and remuneration requirements. As a consequence of the European Banking Authority's (the "**EBA**") outstanding regulatory technical standards, the Group is subject to the risk of possible interpretational changes.

On November 23, 2016, the European Commission published its proposal for an EU Banking Reform package as part of the finalization of the Basel III framework and its implementation in the EU. The EU Banking Reform package includes

proposals to amend the CRR and the CRD IV Directive. The proposed amendments include, *inter alia*, changes to the market risk framework by implementing the fundamental review of the trading book (“**FRTB**”), the counterparty credit risk framework, introduction of a leverage ratio requirement and a net stable funding ratio (“**NSFR**”) requirement, revisions to the Pillar 2 framework, transition of IFRS 9 and its impact on capital ratios (for additional information on IFRS 9, see “—*Changes in the Group’s accounting policies or in accounting standards could materially affect how it reports its financial condition and results of operations*” below) and revisions to the framework concerning interest rate risk in the banking book (“**IRRBB**”).

The Basel Committee on Banking Supervision (the “**BCBS**”) is also considering a review of the standardized approach for credit and operational risk, constraints on the use of internal model approaches and the possible implementation of a broad REA floor based on the standardized approaches for measuring credit, market and operational risk. The amendments of the Basel standards may increase the Group’s REA, but it is still too early to assess impact of these potential changes since the finalization of the revised standards have been postponed and the political dialogue on how and when to implement the revised standards in the EU has not yet been initiated.

See “*The Danish Banking System and Regulation*” for a description of the impact on the Group of the new capital and liquidity requirements.

***The Bank may be subject to bail-in under the BRRD, and the exercise of any power under the BRRD could have a material adverse effect on Holders.***

Directive (2014/59/EU) of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms (or, as the case may be, any provision of Danish law transposing or implementing such Directive), as amended or replaced from time to time (the “**BRRD**”) is designed to provide authorities designated by Member States with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution’s critical financial and economic functions, while minimizing the impact of an institution’s failure on the economy and financial system. If the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest, the relevant resolution authority may use the following resolution tools and powers alone or in combination without the consent of the institution’s creditors, including the Holders: (i) sale of business – which enables resolution authorities to direct the sale of the institution or the whole or part of its business on commercial terms; (ii) bridge institution – which enables resolution authorities to transfer all or part of the business of the institution to a “bridge institution” (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation – which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximizing their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in relating to eligible liabilities – which gives resolution authorities the power to write down or convert to equity all or a part of certain claims of unsecured creditors, including the Holders, and to write-down or convert to equity certain unsecured debt claims (including the Notes) (the “**general bail-in tool**”), which equity could also be subject to any future application of the general bail-in tool.

The BRRD also provides for a Member State as a last resort, after having assessed and exploited the above resolution tools to the maximum extent possible whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilization tools. These consist of public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the EU state aid framework.

An institution will be considered as failing or likely to fail when: (i) it is, or is likely in the near future to be, in breach of its requirements for continuing authorization; (ii) its assets are, or are likely in the near future to be, less than its liabilities; (iii) it is, or is likely in the near future to be, unable to pay its debts as they fall due; or (iv) it requires extraordinary public financial support (except in limited circumstances).

In addition to the general bail-in tool, the BRRD provides for resolution authorities to have the further power to permanently write down or convert into equity tier 1 and tier 2 capital instruments at the point of non-viability and before any other resolution action is taken (non-viability loss absorption). Any shares issued to holders of such capital instruments upon any such conversion into equity may also be subject to any application of the general bail-in tool.

For the purposes of the application of any non-viability loss absorption measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the institution meets the conditions for resolution (but no resolution action has yet been taken) or that the institution will no longer be viable unless the relevant tier 1 and/or tier 2 capital instruments are written down or converted or extraordinary public support is to be provided and without such support the appropriate authority determines that the institution would no longer be viable.

The BRRD also provides resolution authorities with broader powers to implement other resolution measures with respect to distressed banks, which may include (without limitation) the replacement or substitution of the bank as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments) and discontinuing the listing and admission to trading of financial instruments.

According to the BRRD, European banks are required to have bail in-able resources in order to fulfill the minimum requirement for own funds and eligible liabilities (“MREL”). There is no minimum EU-wide level of MREL – each resolution authority is required to make a separate determination of the appropriate MREL requirement for each banking group within its jurisdiction, depending on the resolvability, risk profile, systemic importance and other characteristics of each institution. The authorities are expected to determine the exact MREL requirement for the largest Danish banks during 2017 in conjunction with the preparation of their resolution plans. This may require Danish SIFIs, such as the Bank, and other banks to issue further debt that can be bailed in. According to the Danish implementation of the BRRD in the Danish Financial Business Act, if the DFSA receives notification that a bank no longer fulfills the MREL requirement, the DFSA can set a deadline for compliance with MREL. If the bank does not meet the requirement within the prescribed period, the non-fulfillment of the order will be evaluated relative to the DFSA’s common sanctions. The ultimate sanction of repeated and serious violation of the Danish Financial Business Act is that the banking license can be withdrawn.

In accordance with the Danish implementation of the existing BRRD, the DFSA is required to set an MREL for Danish banks. Based on the DFSA’s preliminary principles for MREL for systemically important banks communicated in January 2017, the Bank expects MREL for systemically important banks to be set during 2017. That decision will also include details on implementation date and potential transitional measures.

The European Commission’s proposal for an EU Banking Reform package also includes a proposal to implement the total loss absorbing capacity (“TLAC”) into EU regulations. TLAC is a concept for loss absorption that has been set for global systemically important institutions (“G-SII”). The incorporation of the TLAC standard into the existing MREL framework is expected to provide clarity in the regulatory framework surrounding MREL and TLAC, both in terms of the framework for setting banks’ requirements as well as the instruments that can be used to fulfill such requirements.

For most EU banks, the revised eligibility requirements imply that the existing stock of senior debt will not be eligible to meet MREL. If the existing stock of senior unsecured debt is not grandfathered-in as compliant under the new requirements, banks across Europe may need to issue significant amounts of eligible senior debt within a very short period of time, which could damage the market for senior debt.

The powers set out in the already adopted BRRD impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. The BRRD outlines the priority ranking of certain deposits in an insolvency hierarchy, which required changes to the insolvency hierarchy in Denmark. The BRRD establishes a preference in the ordinary insolvency hierarchy, firstly, for insured depositors and, secondly, for all other deposits of individuals and micro, small and medium-sized enterprises held in the European Economic Area (“EEA”) or non-EEA branches of an EEA bank. These preferred deposits rank ahead of all other unsecured senior creditors of the Bank, including the Holders, in the insolvency hierarchy.

The exercise of any power under the BRRD or any suggestion of such exercise could have a material adverse effect on the rights of Holders, the price or value of their investment in any Notes and/or the ability of the Bank to satisfy its obligations under any Notes. Although the BRRD, as implemented, contains certain limited safeguards for creditors in specific circumstances, including in the case of senior creditors (such as the Holders) a safeguard that aims to ensure that they do not incur greater losses than they would have incurred had the relevant financial institution been wound up under normal insolvency proceedings, there can be no assurance that these safeguards will be effective if such powers are exercised. The determination that all or a part of the principal amount of the Notes will be subject to bail-in is likely to be inherently unpredictable and may depend on a number of factors which may be outside of the Group’s control. The application of the general bail-in tool with respect to the Notes may result in the write-down or cancellation of all, or a portion of, the principal amount of, or outstanding amount payable in respect of, and/or interest on, the Notes and/or the conversion of all, or a portion, of the principal amount of, or outstanding amount payable in respect of, or interest on, the Notes into shares or other securities or other obligations of the Bank or another person, including by means of a variation to the terms of the Notes to give effect to such application of the general bail-in tool. Accordingly, potential investors in the Notes should consider the risk that the general bail-in tool may be applied in such a manner as to result in Holders losing all or a part of the value of their investment in the Notes or receiving a different security than the Notes, which may be worth significantly less than the Notes and which may have significantly fewer protections than those typically afforded to debt securities. Moreover, the relevant resolution authority may exercise its authority to apply the general bail-in tool without providing any advance notice to the Holders.

Holders may have limited or no rights to challenge any decision of the resolution authority to exercise the bail-in power or to have that decision reviewed by a judicial or administrative process or otherwise. Further, the amendment of such

recovery and resolution powers, and/or any implications or anticipation that they may be used, may have a significant adverse effect on the market price of the Notes, even if such powers are not used.

The European Commission's proposal for an EU Banking Reform package also includes an EU harmonized approach on bank creditors' insolvency rankings that would enable banks to issue debt in a new statutory category of unsecured debt available in all Member States which would rank just below the most senior debt and other senior liabilities for the purposes of resolution but above subordinated obligations (a so-called "non-preferred senior debt"). The EU proposed harmonized approach will not affect the existing stock of bank debt and will apply going forward to any new issuance of bank debt in the concerned category following the date of application of the amendment.

***The Group will have to pay additional amounts under deposit guarantee schemes or resolution funds.***

In Denmark and other jurisdictions, deposit guarantee schemes and similar funds ("**Deposit Guarantee Schemes**") have been implemented from which compensation for deposits would become payable to customers of financial services firms in the event a financial services firm is unable to pay, or unlikely to pay, claims against it. In most jurisdictions in which the Group operates, these Deposit Guarantee Schemes and resolution funds are funded, directly or indirectly, by financial services firms that operate and/or are licensed in the relevant jurisdiction. The future target level of funds to be accumulated in Deposit Guarantee Schemes and resolution funds across different EU countries may exceed the minimum target levels provided for in the BRRD, Directive 2014/49/EC (the "**Revised Deposit Guarantee Schemes Directive**") and in Regulation 2014/806/EC of the European Parliament and of the Council establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation 1093/2010/EC (the "**SRM**") (the latter of which will be relevant for Danish credit institutions should Denmark choose to participate in the banking union, which includes the SRM).

Through participation in the Danish Guarantee Fund for Depositors and Investors (the "**Danish Guarantee Fund**"), Danish credit institutions undertake to cover losses incurred on covered deposits held with distressed credit institutions. The Danish Guarantee Fund's capital must amount to at least 0.8 percent of the covered deposits of all Danish credit institutions by December 31, 2024. The Danish Guarantee Fund is currently fully funded, but if the fund subsequently does not have sufficient means to make the required payments, extraordinary contributions of up to 0.5 percent of the individual institution's covered deposits may be required. Extraordinary contributions above this percentage require the consent of the DFSA. If the Danish Guarantee Fund's capital falls below two-thirds of the minimum amount (0.8 percent of covered deposits), the Danish Guarantee Fund must reach the target level again within six years.

The Bank, Realkredit Danmark A/S ("**Realkredit Danmark**") and other Danish financial institutions must make contributions to the Danish resolution fund on the basis of the amount of their respective liabilities (excluding own funds) less covered deposits and risks relative to other financial institutions in Denmark. The assets of the Danish resolution fund must equal at least 1 percent of the covered deposits of all Danish financial institutions by December 31, 2024. The first contributions to the Danish resolution fund were paid in the fourth quarter of 2015. The intention is for losses to be covered by the annual contributions made by the participating financial institutions. Consequently, if the Danish resolution fund does not have sufficient means, extraordinary contributions of up to three times the latest annual contributions may be required.

In addition, the Bank's subsidiaries contribute to national deposit guarantee schemes and resolution funds to the extent required.

***Changes in the Group's accounting policies or in accounting standards could materially affect how it reports its financial condition and results of operations.***

From time to time, the IASB, the EU and/or other regulatory bodies change the accounting and financial reporting standards that govern the preparation of the Group's financial statements. These changes can be difficult to predict and can materially impact how the Group records and reports its results of operations and financial condition. In some cases, the Group could be required to apply a new or revised standard retrospectively, resulting in restating prior period financial statements.

In July 2014, the IASB issued IFRS 9 *Financial Instruments*, which will replace IAS 39. IFRS 9 provides principles for classification and measurement of financial instruments, provisioning for expected credit losses and the new general hedge accounting model. The general hedge accounting model will later be supplemented by a new macro hedge accounting model, which the IASB is working on. IFRS 9 will be effective from January 1, 2018, at which date the Group will adopt the standard.

Provisioning for expected credit losses applies to financial assets recognized at amortized cost or at fair value through other comprehensive income, lease receivables and certain loan commitments and financial guarantee contracts. For financial assets recognized at fair value through other comprehensive income, the provisions for expected credit losses recognized in the income statement are set off against other comprehensive income, as such assets are recognized at fair value on the balance sheet. The provision for expected credit losses depends on whether the credit risk has increased

significantly since initial recognition. If the credit risk has increased significantly, a provision equal to the lifetime-expected credit losses is recognized. Under IAS 39, only incurred credit losses are recognized.

The Group is currently assessing the impact of IFRS 9 on the Group's financial statements. The implementation of the principles for classification and measurement of IFRS 9 is currently not expected to lead to significant reclassifications between fair value and amortized cost. The allowance account will increase when provisions for expected credit losses are to be recognized since provisions will be made for at least 12 months' expected credit losses and the population of financial assets for which provisions are made for lifetime-expected credit losses will increase. Currently, provisions are made only for incurred losses. The effect of the increase in the allowance account will be recognized as a reduction in shareholders' equity as at January 1, 2018. The Group expects to continue to apply the hedge accounting under IAS 39 (until the IASB's macro hedge accounting project is finalized), but no firm decision has yet been taken. The Group expects that the impact on capital ratios will be neutralized or subject to phasing-in until international standards on the treatment for capital purposes of the expected loss provisioning have been established. The transitional approach is expected to be finalized in the EU in 2017. It is not yet possible to give a reliable estimate of the quantitative impact from the implementation of IFRS 9.

IFRS 9 introduces several new concepts, especially on the provisioning for expected credit losses. While the Group is leveraging models from the internal ratings-based ("IRB") framework, these concepts require interpretation and internal model development to be undertaken to make the necessary adjustments to convert the IRB parameters (probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD")) to be consistent with the requirements of IFRS 9. The DFSA is in the process of issuing guidelines that are expected to be finalized during 2017. These guidelines may influence the Group's final choice of definitions to be applied. During 2015, the Group started to analyze the changes that will have to be implemented to the Group's modelling framework and IT systems to handle the provisioning for expected credit losses. The design of and changes to the Group's modelling framework and IT systems started in the first quarter of 2016 and will continue in 2017. The first version of the expected credit loss provisioning model is set to be finalized in the first quarter of 2017, and a parallel run will be undertaken during the remainder of 2017 to identify issues for refinement in the model during the rest of 2017.

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which replaces IAS 18 *Revenue* and other existing IFRSs on revenue recognition. Under IFRS 15, revenue is recognized when the performance obligations inherent in the contract with a customer are satisfied. IFRS 15 also includes additional disclosure requirements. IFRS 15 will be effective from January 1, 2018. The Group is assessing the potential impact of IFRS 15 on revenue recognition in the Group and the financial statements. The implementation of IFRS 15 is not expected to have a significant impact on the Group's financial statements.

In January 2016, the IASB issued IFRS 16 *Leases*. IFRS 16, which replaces IAS 17, *Leases*, will only imply insignificant changes to the accounting for lessors. For lessees, the accounting will change significantly, as all leases (except short-term leases and small asset leases) will be recognized in the balance as a right-of-use asset. Initially, the lease liability and the right-of-use asset are measured at the present value of future lease payments (defined as economically unavoidable payments). The right-of-use asset is subsequently depreciated in a way similar to depreciation of other assets, such as tangible assets (*i.e.*, typically on a straight-line basis over the lease term). IFRS 16, which has yet to be adopted by the EU, will be effective from January 1, 2019. It is not yet possible to give an estimate of the effect on the financial statements from the changes in the accounting treatment when the Group acts as a lessee.

The IASB, the EU and/or other regulatory bodies may make other changes to accounting and financial reporting standards that govern the preparation of the Group's financial statements. Any such change in the Group's accounting policies or accounting standards could materially affect its reported results of operations and financial condition.

### **Risks Related to the Notes Generally**

#### ***The Notes may not be a suitable investment for all investors.***

Each potential investor of Notes must determine the suitability of the investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference into this Base Prospectus or any applicable supplement to this Base Prospectus;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest

payments is different from the currency in which such potential investor's financial activities are principally denominated;

- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behavior of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the investor's overall portfolio. A potential investor should not invest in Notes that are complex financial instruments unless it has the expertise (either alone or with the assistance of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

***Modification and waiver of the Notes may be made by defined majorities of Holders.***

The Conditions contain provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority.

***Changes in law could affect the governing law of the Notes.***

The Conditions are governed by, and construed in accordance with, English law. No assurance can be given as to the impact of any possible judicial decision or change to the English law or administrative practice after the date of this Base Prospectus.

***Trading in the Notes could be impacted by denominations involving integral multiples.***

In relation to any issue of Notes that have denominations consisting of a minimum Specified Denomination (as defined herein) plus an integral multiple of another smaller amount in excess thereof, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a Holder who, as a result of trading Notes in such amounts, holds a Note in an amount that is less than the minimum Specified Denomination in its account with the relevant clearing system and would need to purchase an additional principal amount of Notes such that its holding amounts equal to a minimum Specified Denomination.

***The Notes may be subject to optional redemption by the Issuer.***

An optional redemption feature is likely to limit the market value of Notes. During any period in which the Issuer may elect to redeem Notes, the market value of such Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate it is paying on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

***The Notes may be redeemed prior to maturity for taxation reasons.***

In the event that the Issuer as a result of any change in the laws, regulations or rulings of Denmark or of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws, regulations or rulings which becomes effective on or after the date of issue of any Tranche of Notes or any other date specified in the relevant Final Terms, the Issuer would be required to pay additional amounts as provided in Condition 11 (*Taxation*), and such obligation cannot be avoided by the Issuer taking reasonable measures available to it, then the Issuer may redeem the Notes prior to their maturity.

***The Notes may be issued at a substantial discount or premium.***

The market values of Notes issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of such Notes, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

***The Notes may be subject to changes in interest rate, which could affect the value of the Notes.***

Investment in certain types of Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of such Notes.

***Holders of the Issuer's covered bonds will have priority over Holders upon bankruptcy of the Issuer.***

The Issuer has issued covered bonds in accordance with the Danish Financial Business Act. In accordance with Directive 2009/65/EC of the European Parliament and of the Council on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (as implemented into Danish law), as amended and the European Capital Requirements Directives, 2006/48/EC and 2006/49/EC (or, as the case may be, any provision of Danish law transposing or implementing such Directive), as amended or replaced from time to time (the “CRD”), the covered bonds have the benefit of priority over a matched pool of assets upon bankruptcy of the Issuer. To the extent that claims in relation to the covered bonds and related derivative contracts, any refinancing bonds issued by the administrator, any short-term loans taken out by the administrator and any senior debt (if any) issued with the benefit of the assets in the cover pool are not met out of the pool of assets or the proceeds arising from it, the residual claims will rank *pari passu* with the unsecured and unsubordinated obligations of the Issuer, including obligations on Notes issued under the Program. For information on creditor hierarchy under the BRRD, see “—Risks Relating to the Legal and Regulatory Environments in which the Group Operates—The Bank may be subject to bail-in under the BRRD, and the exercise of any power under the BRRD could have a material adverse effect on Holders” above.

***Credit ratings may not reflect all risks.***

One or more independent credit rating agencies may assign credit ratings to the Notes and/or the Issuer. The ratings may not reflect the potential impact of all risks related to the structure, the market, other additional risk factors discussed above, and other factors that may affect the value of the Notes or the standing of the Issuer. A security credit rating is not a recommendation to buy, sell or hold securities and may be suspended, reduced or withdrawn by the rating agency at any time. The Issuer may also decide to discontinue its cooperation with a rating agency at any time. In addition, changes in the Issuer's credit ratings may affect the market value of the Notes. Rating agencies also regularly reassess the methodologies they employ to measure the creditworthiness of companies and securities. Any updates to these methodologies could affect the credit ratings assigned by the agencies.

In addition to ratings assigned by any hired rating agencies, rating agencies not hired by the Issuer to rate a Tranche of Notes may assign unsolicited ratings. If any non-hired rating agency assigns an unsolicited rating to any Notes, there can be no assurance that such rating will not differ from, or be lower than, the ratings provided by a hired rating agency. The assignment of an unsolicited rating by a rating agency not hired by the Issuer could adversely affect the market value and liquidity of the Notes.

***Legal investment considerations may restrict certain investments.***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as security for indebtedness and (iii) other restrictions apply to its purchase or holding of any Notes. Financial institutions should consult their advisers or regulators to determine the appropriate treatment of Notes under any applicable risk based capital or similar rules.

***Exchange rates and exchange controls may affect investments in the Notes.***

An investment in Foreign Currency Notes (as defined herein) entails significant risks that are not associated with a similar investment in a security denominated in U.S. dollars. Such risks include, without limitation, the possibility of significant changes in the rate of exchange between the U.S. dollar and the Specified Currency (as defined herein) and the possibility of the imposition or modification of foreign exchange controls by either the United States or foreign governments. Such risks generally depend on economic and political events and the supply of and demand for the relevant currencies over which the Issuer has no control. In recent years, rates of exchange between the U.S. dollar and certain foreign currencies have been highly volatile and such volatility may be expected in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations in the rate that may occur during the term of any Foreign Currency Note. Depreciation of the Specified Currency applicable to a Foreign Currency Note against the U.S. dollar would result in a decrease in (i) the U.S. dollar-equivalent yield of such Note, (ii) the U.S. dollar-equivalent value of the principal repayable at maturity of such Note and (iii) generally, in the U.S. dollar-equivalent market value of such Note.

Governments have imposed from time to time exchange controls and may in the future impose or revise exchange controls at or prior to the maturity of a Foreign Currency Note. Such exchange controls could affect exchange rates as well as the availability of a Specified Currency at the time of payment of principal of and any premium and interest on a Foreign Currency Note. Even if there are no exchange controls, it is possible that the Specified Currency for any

particular Foreign Currency Note would not be available at the maturity of such Note due to circumstances beyond the control of the Issuer.

***Secondary market risk.***

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Holders should be aware that during the credit crisis, there has been a general lack of liquidity in the secondary market for instruments similar to the Notes. Therefore, investors may not be able to sell their Notes easily or at a price that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks or are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of the relevant Notes.

***Payments under the Notes may be subject to withholding tax pursuant to the U.S. Foreign Account Tax Compliance Act.***

With respect to (i) Notes issued after the date that is six months after the date the term “foreign passthru payment” is defined in regulations published in the U.S. Federal Register (the “**Grandfather Date**”), or (ii) Notes issued on or before the Grandfather Date that are materially modified after the Grandfather Date, a foreign financial institution (an “**FFI**”) may, under certain circumstances, be required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), and the regulations promulgated thereunder (“**FATCA**”) or any applicable intergovernmental agreement (“**IGA**”) between the United States and certain other countries together with implementing legislation and regulation to withhold tax at a rate of 30 percent on all or a portion of payments of principal and interest which are treated as “foreign passthru payments” made on or after January 1, 2019, at the earliest, to an investor or any other financial institution through which payment on the Notes is made that is a non-U.S. financial institution that is not in compliance with FATCA. As at the date of this Base Prospectus, regulations defining the term “foreign passthru payment” have not yet been published. If the Issuer issues further Notes on or after the Grandfather Date pursuant to a reopening of a Series of Notes that was created on or before the Grandfather Date (the “**original Notes**”) and such further Notes are not fungible with the original Notes for U.S. federal income tax purposes, payments on such further Notes may be subject to withholding under FATCA or any applicable IGA between the United States and certain other countries together with implementing legislation and regulation and, should the original Notes and the further Notes be indistinguishable for non-tax purposes, payments on the original Notes may also become subject to withholding under FATCA. The United States has entered into IGAs or reached IGAs in principal with many other jurisdictions, including Denmark, which modify the application of the rules to FFIs in such jurisdictions.

Under the November 19, 2012 Agreement to Improve International Tax Compliance and to Implement FATCA concluded between the governments of the United States and Denmark (the “**Danish IGA**”), an entity classified as an FFI that is treated as resident in Denmark is expected to provide the Danish tax authorities with certain information on U.S. holders of its securities. Information on U.S. holders will be automatically exchanged with the IRS. The Issuer is an FFI and provided it complies with the requirements of the Danish IGA and the Danish legislation implementing the Danish IGA, it is not expected that it would be subject to FATCA withholding on any payments it receives and it is not expected that it would be required to withhold tax on any payments that it makes under the Notes.

The application of FATCA to interest, principal or other amounts paid on or with respect to the Notes is not currently clear. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes, none of the Issuer, any paying agent or any other person would, pursuant to the Conditions, be required to pay additional amounts as a result of the deduction or withholding of such tax.



## IMPORTANT INFORMATION FOR INVESTORS

### Notice to Prospective Investors in the United States

The Notes have not been and will not be registered under the Securities Act or any state securities laws and, subject to certain exceptions, may not be offered or sold, directly or indirectly, within the United States or to or for the account or benefit of U.S. persons, as defined in Regulation S. The Notes may be offered for sale only (i) in the United States, to QIBs within the meaning of, and in reliance on, Rule 144A under the Securities Act or another available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act; or (ii) outside the United States, to non-U.S. persons in reliance on, and in accordance with, Regulation S, in each case, in compliance with applicable laws, regulations and directives. **Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.** See “*Plan of Distribution—Selling Restrictions*” and “*Transfer and Transfer Restrictions*.”

In the United States, this Base Prospectus is being furnished on a confidential basis solely for the purpose of enabling a prospective investor to consider purchasing the Notes described herein and it may not be forwarded or redistributed to any other person.

The Notes have not been recommended or approved by any United States federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Base Prospectus. Any representation to the contrary is a criminal offense in the United States.

### U.K. Restrictions

This Base Prospectus does not constitute an offer of Notes to the public in the U.K. No prospectus has been or will be approved in the U.K. in respect of the Notes. Consequently this document is being distributed in the U.K. only to, and is directed at (a) persons who have professional experience in matters relating to investments falling within Article 19(51) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”) or (b) high net worth entities falling within Article 49(2)(a) to (d) of the Order, and other persons to whom it may lawfully be communicated, falling within Article 49(1) of the Order (all such persons together being referred to as “**relevant persons**”). Any person who is not a relevant person should not act or rely on this document or any of its contents.

### Notice to Investors in the European Economic Area

This Base Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the EEA which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by Final Terms in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the Bank or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by Final Terms which specifies that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or Final Terms, as applicable. Except to the extent sub-paragraph (ii) above may apply, neither the Bank nor any Dealer have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Bank or any Dealer to publish or supplement a prospectus for such offer. As used in this paragraph, the expression “**Prospectus Directive**” means Directive 2003/71/EC, as amended, including by Directive 2010/73/EU, and includes any relevant implementing measure in the Relevant Member State.

### Enforcement of Liabilities and Service of Process

Danske Bank A/S is established under the laws of Denmark, with its domicile in Copenhagen. All of the directors and executive officers of the Bank and certain of the persons named herein are non-residents of the United States. All or a substantial portion of the assets of such non-resident persons and of the Bank are located outside the United States. As a result, it may not be possible for U.S. investors to effect service of process upon such persons or the Bank or to enforce against them in U.S. courts a judgment obtained in such courts.

Original actions or actions for the enforcement of judgments of U.S. courts relating to the civil liability provisions of the federal or state securities laws of the United States are not directly enforceable in Denmark. If a party in whose favor the final judgment is rendered brings a new suit in a competent Danish court, the party may submit to the Danish court the final judgment that has been rendered by the U.S. court. Such judgment will only be regarded by a Danish court as

evidence of the outcome of the dispute to which the judgment relates, and a Danish court may choose to rehear the dispute *ab initio*.

Neither the Bank, nor any of its respective directors or officers has consented to the jurisdiction of the courts of the United States or any state thereof in connection with any suit brought by an investor in the Notes or named an agent for service of process within the United States upon the Bank or such persons or to enforce, in United States courts, judgments against the Bank or such persons or judgments obtained in such courts predicated upon the civil liability provisions of the federal securities laws of the United States. Pursuant to the Conditions, the Bank will consent to the jurisdiction of the courts of England and will appoint an agent for service of process in England.

The registered offices of the Bank are located at 2–12 Holmens Kanal, DK-1092 Copenhagen K, Denmark, with telephone number +45 33 44 00 00 and Danish corporate registration number 61126228.

### **Special Notice Regarding Forward-looking Statements**

Certain statements in this Base Prospectus, including certain statements set forth under “*Overview*,” “*Risk Factors*,” “*Operating and Financial Review and Prospects*,” “*Risk Management*,” “*Description of the Group*,” and “*The Danish Banking System and Regulation*,” are based on the beliefs of the Bank, as well as assumptions made by and information currently available to the Bank, and such statements may constitute forward-looking statements. These forward-looking statements (other than statements of historical fact) regarding the Group’s future results of operations, financial condition, cash flows, business strategy, plans and objectives of the Group’s management for future operations can generally be identified by terminology such as “targets,” “believes,” “estimates,” “expects,” “aims,” “intends,” “plans,” “seeks,” “will,” “may,” “anticipates,” “would,” “could,” “continues” or similar expressions or the negatives thereof.

Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Group, or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, among others:

- changes in the general economic and business conditions in the markets in which the Group operates, particularly in Denmark and the other countries where the Group operates;
- changes in, or the failure or inability to comply with, regulations (including capital levels, liquidity and leverage ratios);
- changes in internal risk control and in the regulatory capital treatment of the Group’s positions;
- changes in industry trends;
- changes in the competitive environment and competitive pressures in the markets in which the Group operates;
- changes in interest rates, credit spreads, foreign exchange rates, equity and commodity prices;
- changes in real property values or asset quality;
- the loss of any significant customers;
- the extent and nature of future developments in the lending market and in other market segments in which the Group operates;
- changes in business strategy or development plans;
- political, governmental and regulatory changes or changes in political or social conditions;
- availability, terms and deployment of capital;
- changes in the Group’s funding and liquidity position;
- changes in the Group’s credit ratings;
- changes in the quality of the Group’s loan portfolio and the Group’s counterparty risk, including credit developments in the small-medium enterprise segment;
- changes in the availability of qualified personnel;
- limitations in the effectiveness of the Group’s internal risk management processes, of its risk measurement, control and modeling systems, and of financial models generally;

- the Group's ability to maintain or increase market share for its products and services and control expenses;
- management changes and changes to the structure of the Group's business units;
- the occurrence of operational failures, such as fraud, unauthorized trading and systems failures; and
- technological developments.

Additional factors that could cause the Group's actual business, results of operations or financial condition to differ from the forward-looking statements include, but are not limited to, the other factors that the Group has indicated in other parts of this Base Prospectus that could materially adversely affect its business and financial performance.

Should one or more of these factors or uncertainties materialize, or should any underlying assumptions prove to be incorrect, the Group's actual results of operations or financial position could differ materially from that described herein as anticipated, believed, estimated or expected. The Bank urges investors to read the sections of this Base Prospectus entitled "*Risk Factors*," "*Operating and Financial Review and Prospects*," "*Description of the Group*" and "*The Danish Banking System and Regulation*" for a more complete discussion of the factors that could affect the Group's future performance and the industry in which the Group operates.

The Bank does not intend, and does not assume any obligation, to update any forward-looking statements contained herein, except as may be required by law. All subsequent written and oral forward-looking statements attributable to the Bank or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Base Prospectus.

### Certain Defined Terms

The following terms used in this Base Prospectus have the meanings assigned to them below:

"ALCO"	the Group's Asset & Liability Committee.
"Articles of Association"	the articles of association of the Bank.
"Baltic countries"	Estonia, Latvia and Lithuania.
"Bank," "Danske Bank" or "Issuer"	Danske Bank A/S.
"Basel III"	framework agreement of the Basel Committee on Banking Supervision to amend rules on impairments, capital requirements for mortgage lenders, a maximum leverage ratio, countercyclical capital buffers and minimum liquidity levels, among others.
"Board of Directors" or "Board"	the board of directors of the Bank.
"BRRD"	Directive (2014/59/EU) of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms (or, as the case may be, any provision of Danish law transposing or implementing such Directive), as amended or replaced from time to time. The BRRD, including the general bail-in tool and MREL, was implemented into Danish law and entered into force as of June 1, 2015 in the Danish act on restructuring and resolution of certain financial undertakings and the Danish Financial Business Act.
"C&I"	the Corporates & Institutions business unit.
"Central Bank"	the Central Bank of Ireland.
"CET1"	common equity tier 1.
"Clearstream, Luxembourg"	Clearstream Banking SA.
"CRD"	the European Capital Requirements Directives, 2006/48/EC and 2006/49/EC (or, as the case may be, any provision of Danish law transposing or implementing such Directive), as amended or replaced from time to time.
"CRD IV Directive"	Directive (2013/36/EU) of the European Parliament and of the Council on access to the activity of credit institutions and prudential supervision of credit institutions

and investment firms (or, as the case may be, any provision of Danish law transposing or implementing such Directive), as amended or replaced from time to time.

“CRR” .....	Regulation No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, as amended or replaced from time to time.
“CVA” .....	credit value adjustment.
“Danica Group” .....	Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999 and its subsidiaries.
“Danica Pension” .....	Danica Pension, the wholly-owned subsidiary of the Bank carrying out the insurance activities of the Group. Danica Pension was a separate business unit until 2016, when it became part of the Wealth Management business unit.
“Danish Central Bank” .....	Danmarks Nationalbank.
“Danish Kroner” or “DKK” .....	the currency of Denmark.
“Danske Capital” .....	Danske Capital, a division of the Bank.
“Deloitte” .....	Deloitte Statsautoriseret Revisionspartnerselskab.
“Deposit Guarantee Schemes” .....	deposit guarantee schemes and similar funds.
“DFSA” .....	the Danish Financial Supervisory Authority.
“EBA” .....	the European Banking Authority.
“ECB” .....	the European Central Bank.
“EU” .....	the European Union.
“euro” or “EUR” .....	the currency of the member states of the EU participating in the EU’s Economic and Monetary Union.
“Euroclear” .....	Euroclear Bank SA/NV.
“Executive Board” .....	the executive board of the Bank.
“FICC” .....	Fixed Income, Currencies and Commodities (part of C&I).
“Fitch” .....	Fitch Ratings Ltd.
“General Meeting” .....	the general meeting of shareholders of the Bank.
“GLRC” .....	the Group Liquidity Risk Committee.
“Group” .....	the Bank and its consolidated subsidiaries.
“IASB” .....	International Accounting Standards Board.
“ICAAP” .....	the internal capital adequacy assessment process.
“IFRS” .....	International Financial Reporting Standards issued by the IASB.
“IRB” .....	internal ratings-based.
“IRRBB” .....	interest rate risk in the banking book.
“Irish Stock Exchange” .....	the Irish Stock Exchange plc.
“IT” .....	information technology.
“LCR” .....	liquidity coverage ratio.

“ <b>Moody’s</b> ”	Moody’s Investors Service Limited.
“ <b>MREL</b> ”	the minimum requirement for own funds and eligible liabilities.
“ <b>NSFR</b> ”	net stable funding ratio.
“ <b>Nordic countries</b> ” or “ <b>Nordic region</b> ”	Denmark, Sweden, Norway and Finland.
“ <b>NPLs</b> ”	non-performing loans.
“ <b>OEI</b> ”	objective evidence of impairment.
“ <b>ORCO</b> ”	the Group’s Operational Risk Committee.
“ <b>PD</b> ”	probability of default.
“ <b>REA</b> ”	risk exposure amounts.
“ <b>Realkredit Danmark</b> ”	Realkredit Danmark A/S.
“ <b>S&amp;P</b> ”	Standard & Poor’s Credit Market Services Europe Limited.
“ <b>SIFI</b> ”	systemically important financial institution.
“ <b>Solvency II</b> ”	Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (recast) (or, as the case may be, any provision of Danish law transposing or implementing such Directive), as amended or replaced from time to time.
“ <b>U.K.</b> ”	the United Kingdom.
“ <b>U.S. dollar</b> ” or “ <b>U.S.\$</b> ”	the currency of the United States.
“ <b>VaR</b> ”	value-at-risk.

#### Available Information

For as long as the Program remains valid with the Central Bank, electronic copies of the following documents will be available during usual business hours on any day (except on Saturdays, Sundays and public holidays) at the Bank’s registered office, 2-12 Holmens Kanal, DK-1092 Copenhagen K, Denmark:

- (i) the articles of association of the Bank (the “**Articles of Association**”); and
- (ii) the Program Agreement (as defined in “*Plan of Distribution*”), the Agency Agreement and the Deed of Covenant (each as defined in “*Terms and Conditions of the Notes*”) and the forms of the Global Notes.

For as long as the Program remains valid with the Central Bank, copies of the following documents will be available at [www.danskebank.com/en-uk/ir/Debt/fundingprogrammes/Pages/US-MTN.aspx](http://www.danskebank.com/en-uk/ir/Debt/fundingprogrammes/Pages/US-MTN.aspx) (the “**U.S. MTN Program website**”):

- (i) a copy of this Base Prospectus; and
- (ii) any supplements to this Base Prospectus, any future base prospectuses relating to the Program and any supplements to any future base prospectuses relating to the Program.

For as long as the Program remains valid with the Central Bank, copies of the following documents will be available on the website of the Bank at [www.danskebank.com](http://www.danskebank.com):

- (i) the Group’s consolidated financial statements incorporated by reference into this Base Prospectus (see “*Incorporation by Reference*” below for more details); and
- (ii) any other documents incorporated by reference into this Base Prospectus from time to time.

Except as set forth under “*Incorporation by Reference*” below, no information or documents included on the website of the Bank are part of or shall be incorporated by reference into this Base Prospectus.

Copies of any Final Terms relating to Notes which are admitted to trading on the Irish Stock Exchange's regulated market will be available at the website of the Irish Stock exchange at [www.ise.ie](http://www.ise.ie).

In accordance with Danish company law, the Group's consolidated annual accounts, including the financial statements and the auditors' reports, as well as the Articles of Association, are also available at the Danish Commerce and Companies Agency.

The Bank has agreed that, for so long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Bank will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any Holder or beneficial owner of such restricted Notes or to any prospective purchaser of such restricted Notes designated by such Holder or beneficial owner, upon the request of such Holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

The Bank is not currently subject to the periodic reporting and other information requirements of the Exchange Act. The Bank is eligible for the exemption from periodic reporting under Rule 12g3-2(b) of the Exchange Act.

### **Statistical Data**

The statistical data included in this Base Prospectus is not intended to comply with Regulation S-K, Industry Guide 3, Statistical Disclosure by Bank Holding Companies under the Securities Act applicable to offerings of securities by bank holding companies that are registered with the U.S. Securities and Exchange Commission.

### **Market and Industry Information**

This Base Prospectus contains information about the market share, market position and industry data for the operating areas of the Group and its reporting segments. Unless otherwise indicated, such information is based on data reported to central banks in each of Denmark, Sweden, Norway, Finland, Ireland and each of the Baltic countries. Such information has been accurately reproduced and, as far as the Bank is aware and is able to ascertain from such information, no facts have been omitted which would render the information provided herein inaccurate or misleading.

Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Bank has not independently verified and cannot give any assurance as to the accuracy of market data and industry forecasts contained in this Base Prospectus that were taken or derived from these industry publications.

### **Presentation of Financial Information**

#### ***General***

Except as discussed below, the historical financial information of the Group presented in this Base Prospectus has been derived from the audited consolidated financial statements of the Group as at and for the years ended December 31, 2016 and 2015, including comparative figures as at and for the years ended December 31, 2015 and 2014, respectively. These consolidated financial statements of the Group have been prepared in accordance with IFRS as adopted by the EU and Danish disclosure requirements for listed financial companies, and are incorporated by reference into this Base Prospectus. The consolidated financial statements of the Group as at and for the years ended December 31, 2016 and 2015 have been audited by Deloitte. The reports of Deloitte on the respective financial statements are incorporated by reference into this Base Prospectus. Deloitte is a member of "FSR – Danske Revisorer" (Association of State Authorized Public Accountants).

The discussion of the results of operations of the Group and its reporting segments included in "*Risk Factors*," "*Overview of Consolidated Financial Information and Other Data*," "*Operating and Financial Review and Prospects*" and "*Description of the Group*" is based on the financial highlights and segment reporting presentation used by the Group when presenting such information. The financial highlights deviate from the figures in the consolidated financial statements of the Group due to reclassification of certain items, as discussed in more detail under "*Financial Highlights and Segment Reporting*" below.

Certain historical financial information of the Group presented in "*Selected Statistical Data and Other Information*," the non-restated historical financial information of the Group's reporting segments as at and for the year ended December 31, 2015 presented in this Base Prospectus and the historical financial information of the Group's reporting segments as at and for the year ended December 31, 2014 presented in this Base Prospectus have been derived from the Group's regularly maintained accounting records, operating systems and accounting systems. Such historical financial information has not been audited.

Financial information set forth in a number of tables in this Base Prospectus has been rounded. Accordingly, in certain instances, the sum of the numbers in a column or row may not conform exactly to the total figure given for that column or row. In addition, certain percentages presented in the tables in this Base Prospectus reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

The Group's financial year ends on December 31, and references in this Base Prospectus to any specific financial year are to the twelve-month period ended December 31 of such year.

Financial information previously published for any financial periods can differ from subsequently published financial information due to the retrospective implementation of subsequent changes in accounting policies and other retrospective adjustments made in accordance with IFRS as adopted by the EU and Danish disclosure requirements for listed financial companies.

### ***Financial Highlights and Segment Reporting***

The discussion of the results of operations of the Group and its reporting segments included in "*Risk Factors*," "*Overview of Consolidated Financial Information and Other Data*," "*Operating and Financial Review and Prospects*" and "*Description of the Group*" is based on the financial highlights and segment reporting presentation used by the Group when presenting such information in its annual and interim reports. The presentation in the financial highlights deviates from the presentation in the consolidated financial statements of the Group and its reporting segments as described below.

#### ***Years Ended December 31, 2016 and 2015 (Restated)***

The presentation in the financial highlights as at and for the years ended December 31, 2016 and 2015 (restated) deviates from the presentation in the consolidated financial statements of the Group and its reporting segments as follows:

- For operating leases under which the Group acts as lessor, the gains or losses on the sale of the lease assets at the end of the lease agreement are presented on a net basis under other income in the financial highlights to better reflect the development in the cost base. In the consolidated income statement, gains or losses on the sale of operating lease assets, excluding properties, are recognized on a gross basis (*i.e.*, the revenue from the sale of the assets is recognized under other income and the carrying amount of the lease assets is recognized under expenses).
- In the segment reporting and financial highlights, income contributed by Fixed Income, Currencies and Commodities ("**FICC**") and trading-related income at Capital Markets (both part of the Corporates & Institutions business unit ("**C&I**")) are recognized as net trading income. Income contributed by Equity Finance (also part of C&I, Capital Markets) is presented as net fee income. In the consolidated income statement, such income is presented as net interest income, net fee income, net trading income and other income. Similarly, income at Group Treasury (part of Other Activities) except for income at the internal bank and income on the hold-to-maturity portfolio are presented as net trading income in the financial highlights and segment reporting and as net interest income, net fee income, net trading income and other income in the consolidated income statement. As the distribution of income between the various income line items in the consolidated income statement can vary considerably from year to year, depending on the underlying transactions and market conditions, the presentation in the financial highlights is considered to better reflect income in such areas.
- For the Wealth Management business unit, the presentation of Danica Pension in the financial highlights differs from the presentation in the consolidated income statement. In the financial highlights, the risk allowance and income from the unit-link business are presented as net fee income. The return on assets related to the health and accident business is presented as net trading income. The risk and guarantee result, net income from the health and accident business and income from recharge to customers of certain expenses are presented as other income. All costs, except external investment costs at Danica Pension, are presented under operating expenses. In the consolidated income statement, income and expenses at Danica Pension are consolidated on a line-by-line basis.
- The Non-core segment includes certain customer segments that are no longer considered part of the Group's core business. The profit or loss is, therefore, presented as a separate line item in the financial highlights, profit before tax, Non-core, whereas the individual income and expense items are included in the various income statement items in the consolidated income statement.

See notes 1(c) and 3 to the Group's audited consolidated financial statements as at and for the year ended December 31, 2016 incorporated by reference into this Base Prospectus for information on reconciling the Group's consolidated income statements and the Group's financial highlights and segment reporting presentation. See also "*Overview of Consolidated Financial Information and Other Data*."

## *Years Ended December 31, 2015 (not Restated) and 2014*

The presentation in the financial highlights as at and for the years ended December 31, 2015 (not restated) and 2014 deviates from the presentation in the consolidated financial statements of the Group and its reporting segments as follows:

- In the financial highlights, income contributed by FICC and trading income at Capital Markets (both part of C&I) is presented as net trading income, whereas it is presented as net interest income, net fee income, net trading income and other income in the consolidated income statement. Similarly, income at Group Treasury (part of Other Activities) except for income at the internal bank and income on the hold-to-maturity portfolio are presented as net trading income in the financial highlights and segment reporting and as net interest income, net fee income, net trading income and other income in the consolidated income statement. As the distribution of income between the various income line items in the consolidated income statement can vary considerably from year to year, depending on the underlying transactions and market conditions, income contributed by FICC, trading income at Capital Markets and income at Group Treasury (except for income from the internal bank and the hold-to-maturity portfolio) are presented net in the financial highlights as net trading income.
- Income and expenses from Danica Pension are consolidated on a line-by-line basis in the consolidated income statement. The return on conventional insurance activities accruing to the Group is determined by the contribution principle. Since the Group's return cannot be derived directly from the individual income statement items, income contributed by Danica Pension is presented on a single line in the financial highlights as net income from insurance business.
- The Non-core segment includes certain customer segments that are no longer considered part of the Group's core business. The profit or loss is, therefore, presented as a separate line item in the financial highlights, profit before tax, Non-core, whereas the individual income and expense items are included in the various income statement items in the consolidated income statement.
- For operating leases where the Group acts as lessor, the gains or losses at the end of the lease agreement are presented on a net basis under other income in the financial highlights to better reflect the development in the cost basis. In the consolidated income statement, gains or losses on the sale of operating lease assets, excluding properties, are presented on a gross basis (*i.e.*, the revenue on the sale of the assets are recognized under other income and the carrying amount of the lease assets is recognized under expenses).

See notes 1(c) and 3 to the Group's audited consolidated financial statements as at and for the year ended December 31, 2015 incorporated by reference into this Base Prospectus for information on reconciling the Group's consolidated income statements and the Group's financial highlights and segment reporting presentation. See also "*Overview of Consolidated Financial Information and Other Data.*"

## ***Restatements and Reclassifications of Financial Highlights and Segment Reporting***

### *Year Ended December 31, 2016*

The financial highlights and segment reporting as at and for the year ended December 31, 2015 were restated in the Group's Annual Report 2016 to reflect the following changes:

- The Wealth Management business unit has been reported as a separate business unit from the first quarter of 2016. The Wealth Management business unit consists of Danica Pension, Danske Capital and Private Banking. However, assets allocated to Danica Pension's shareholders' equity, tier 2 capital issued by Danica Pension and the related amounts in the income statement are together with special allotments included in Group Treasury (Other activities). Danica Pension and Danske Capital were previously presented as separate business units, whereas Private Banking was included in Personal Banking. As a result of the establishment of the Wealth Management business unit, Danica Pension's earnings are no longer recognized as net income from insurance business in the financial highlights. The risk allowance for the conventional life insurance business and other income from the unit-link business are now presented under fee income. Net trading income in the Wealth Management business unit consists of the return on assets related to the health and accident business, whereas the special allotments and the return on shareholders' investment in Danica Pension are recognized as net trading income in Group Treasury. The risk and guarantee result and net income from the health and accident business are recognized under other income, together with income from the recharge of certain operating expenses to customers, whereas all costs, except external investment costs, are included under operating expenses.
- The Group's business in Northern Ireland has been reported as a separate business unit since January 1, 2016. The Northern Ireland business unit comprises the Group's business in Northern Ireland. These activities were previously included in Personal Banking, Business Banking and Other Activities (Group Treasury) in the segment reporting.



- In the financial highlights, the presentation of income from equity finance (part of C&I) is recognized as net fee income. Previously, this income was recognized as net trading income.

For additional information, see note 2(a) to the Group's audited consolidated financial statements as at and for the year ended December 31, 2016 incorporated by reference into this Base Prospectus.

#### Comparability of Financial Information

Financial information that is not restated for the above changes as at and for the year ended December 31, 2015 as reported in the Group's Annual Report 2015 is presented under "*Operating and Financial Review and Prospects—Review of Financial Highlights and Consolidated Financial Information for the Years Ended and as at December 31, 2015 and 2014*" and elsewhere in this Base Prospectus where 2015 financial information is compared to 2014 financial information, as 2014 financial information restated for the above changes is not available. Accordingly, the non-restated financial information as at and for the year ended December 31, 2015 and financial information as at and for the year ended December 31, 2014 presented in this Base Prospectus is not fully comparable to the financial information as at and for the year ended December 31, 2016 and the restated financial information as at and for the year ended December 31, 2015 presented in this Base Prospectus, including under "*Operating and Financial Review and Prospect—Review of Financial Highlights and Consolidated Financial Information for the Years Ended and as at December 31, 2016 and 2015*," as well as to the financial information as at and for the year ended December 31, 2016 and the restated financial information as at and for the year ended December 31, 2015 reported in the Group's Annual Report 2016. The non-restated financial information as at and for the year ended December 31, 2015 should be read together with the restated financial information as at and for the year ended December 31, 2015 reported in the Group's Annual Report 2016.

#### *Year Ended December 31, 2015*

The financial highlights as at and for the year ended December 31, 2014 were restated in the Group's Annual Report 2015 to reflect the following changes:

- During the third quarter of 2014, the Group's liquidity portfolio was transferred from FICC (part of C&I) to Group Treasury (part of Other Activities). When the liquidity portfolio was held by FICC, the cost of holding the liquidity portfolio was booked under net trading income. At Group Treasury, the cost of holding the liquidity portfolio is borne by the internal bank and has been booked under net interest income since January 1, 2015. Further, the restatement covers a change in the disclosure of the internal bank result.
- Prior to the Group's Annual Report 2015, the Group disclosed brokerage and debt capital markets fees in Capital Markets (part of C&I) as net trading income. Income from these services is net fee income and has been disclosed as such since January 1, 2015.

On January 1, 2015, the Group transferred Baltic Personal Banking customers to Non-core business unit as the Group decided to exit its Personal Banking operations in the Baltics. Comparative figures for 2014 have not been restated as the effect of the transfer was immaterial.

The restated financial highlights as at for the year ended December 31, 2014 in the Group's Annual Report 2015 also reflect the restatement related to changes to the accounting of a pension scheme discussed under "*—Restatements and Reclassifications of Consolidated Financial Statements—Year Ended December 31, 2015*" below.

For additional information, see note 2(a) to the Group's audited consolidated financial statements as at and for the year ended December 31, 2015 incorporated by reference into this Base Prospectus.

#### ***Restatements and Reclassifications of Consolidated Financial Statements***

#### *Year Ended December 31, 2016*

On January 1, 2016, the Group implemented the changes made by the DFSA to the Executive Order on Financial Reports for Insurance Companies, etc. The objective of the changes was to harmonize the measurement of insurance liabilities in the financial statements with measurement under Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (recast) (or, as the case may be, any provision of Danish law transposing or implementing such Directive), as amended or replaced from time to time ("**Solvency II**"). A risk margin has been added to the insurance liabilities for all insurance contracts, and the value of customers' expected frequency of surrenders and conversions into paid-up policies is now explicitly included in the measurement of the liabilities. As a result, insurance liabilities increased DKK 263 million, tax assets increased DKK 58 million and shareholders' equity decreased DKK 205 million at January 1, 2016. Comparative figures have not been restated, as this is impracticable due to the interaction with the contribution principle. The change in accounting policy did not have any further impact on insurance liabilities or net profit for 2016.

The comparative financial information as at and for the year ended December 31, 2014 was restated in the Group's audited consolidated financial statements as at and for the year ended December 31, 2015 to reflect the following change:

- As at December 31, 2015, the Group had a pension scheme for approximately 200 current and 1,100 former employees of the Bank held with the Danica Group. The Bank has guaranteed a real return on policyholders' savings. In continuation of a dialogue with the DFSA, the Danica Group changed the accounting treatment in its annual report 2014 from net presentation and measurement of the scheme and the financial guarantee to gross presentation and measurement with the financial guarantee recognized as an asset at an amount representing the expected payments. The change was implemented through a restatement of comparative financial information as at and for the year ended December 31, 2014 in the Group's audited consolidated financial statements as at and for the year ended December 31, 2015. The financial guarantee from the Bank to the Danica Group was settled in the third quarter of 2015. Therefore, the Danica Group is currently the only entity in the Group exposed to the risks related to the pension scheme.

The restatement reduced the Group's shareholders' equity as at January 1, 2014 by DKK 839 million. The effect on the consolidated balance sheet as at December 31, 2014 was an increase in insurance liabilities of DKK 1,037 million, a reduction of other liabilities of DKK 73 million, a reduction of tax liabilities of DKK 228 million and a reduction of shareholders' equity of DKK 736 million. As a result of the change, the Group's net profit for the year ended December 31, 2014 increased by DKK 103 million, comprising an increase in net trading income of DKK 134 million and a decrease in tax of DKK 31 million. The restatement increased the Group's earnings per share for the year ended December 31, 2014 from DKK 3.6 to DKK 3.8.

See also note 2 to the Group's audited consolidated financial statements as at and for the year ended December 31, 2015 incorporated by reference into this Base Prospectus.

#### **Non-IFRS Measures of Financial Performance**

The discussion of the results of operations of the Group and its reporting segments included in "*Risk Factors*," "*Overview of Consolidated Financial Information and Other Data*," "*Operating and Financial Review and Prospects*" and "*Description of the Group*" is based on the financial highlights and segment reporting presentation used by the Group when presenting such information in its annual and interim reports. Results of the Group performance have historically been presented on the basis of IFRS financial results with certain reclassifications of certain items as described under "*Presentation of Financial Information*" above.

Certain of the income statement and balance sheet information and ratios that are presented based on the financial highlights and segment reporting presentation deviate from the corresponding figures in the Group's consolidated financial statements due to reclassification of certain items as discussed in more detail under "*Presentation of Financial Information*" above. These measures are non-IFRS financial measures. In addition, the financial highlights are alternative performance measures, as described in the section "Definition of alternative performance measures" in the Group's Annual Report 2016, which is incorporated by reference into this Base Prospectus.

A non-IFRS financial measure is defined as one that measures historical or future financial performance, financial position or cash flows but which excludes or includes amounts that would not be so adjusted in the most comparable IFRS measure. The reconciliations between the non-IFRS financial highlight and segment reporting figures presented by the Group and the IFRS equivalent figures are described in notes 1(c) and 3 to the Group's audited consolidated financial statements as at and for the year ended December 31, 2016 and the Group's audited consolidated financial statements as at and for the year ended December 31, 2015, which are incorporated by reference into this Base Prospectus.

In addition to information on the Group's results of operations that is based on the financial highlights and segment reporting presentation, this Base Prospectus includes certain other non-IFRS measures. These include the following information which has also been prepared on a financial highlights basis: return on average shareholders' equity, return before goodwill impairment charges on average shareholders' equity, return on average tangible equity, net interest income as percent per annum of loans and deposits, cost/income ratio and cost/income ratio before goodwill impairment charges. See "*Overview of Consolidated Financial Information and Other Data*" for a description of how these non-IFRS measures are calculated. See also the definitions of alternative performance measures in the section "Definition of alternative performance measures" in the Group's Annual Report 2016, which is incorporated by reference into this Base Prospectus.

Non-IFRS measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS. Non-IFRS measures as reported by the Group may not be comparable to similarly titled amounts reported by other companies. The non-IFRS measures discussed in this Base Prospectus are used in the internal management of the Group, along with the most directly comparable IFRS financial measures, in evaluating operating performance. The Group's management believes that these non-IFRS measures, when considered in conjunction with IFRS measures, accurately reflect the Group's economic performance and enhance investors' and management's overall

understanding of the Group's performance. In addition, because the Group has historically reported certain non-IFRS measures to investors, the Bank's management believes that the inclusion of non-IFRS measures provides consistency in the Group's financial reporting.

### **Incorporation by Reference**

This Base Prospectus incorporates by reference important information about the Group, which means that:

- (i) the incorporated information is considered part of this Base Prospectus; and
- (ii) the Bank can disclose important information to prospective purchasers of Notes by referring prospective purchasers to documents that include such information.

The following information, which has previously been published and has been submitted to and filed with the Central Bank, shall be deemed to be incorporated into, and form part of, this Base Prospectus:

<b>Information</b>	<b>Source</b>
Definition of alternative performance measures .....	Annual Report 2016 page 44
Income Statement for the Group for the year ended December 31, 2016 .....	Annual Report 2016 page 46
Statement of Comprehensive Income for the Group for the year ended December 31, 2016 .....	Annual Report 2016 page 47
Balance Sheet for the Group as at December 31, 2016 .....	Annual Report 2016 page 48
Statement of Capital for the Group for the year ended December 31, 2016 .....	Annual Report 2016 pages 49–52
Cash Flow Statement for the Group for the year ended December 31, 2016 .....	Annual Report 2016 page 53
Notes to the financial statements for the Group as at and for the year ended December 31, 2016 .....	Annual Report 2016 pages 54–157
Statement by the Management as at and for the year ended December 31, 2016 .....	Annual Report 2016 page 180
Independent Auditors' Report for the Group as at and for the year ended December 31, 2016 .....	Annual Report 2016 pages 181–185
Income Statement for the Group for the year ended December 31, 2015 .....	Annual Report 2015 page 46
Statement of Comprehensive Income for the Group for the year ended December 31, 2015 .....	Annual Report 2015 page 47
Balance Sheet for the Group as at December 31, 2015 .....	Annual Report 2015 page 48
Statement of Capital for the Group for the year ended December 31, 2015 .....	Annual Report 2015 pages 49–52
Cash Flow Statement for the Group for the year ended December 31, 2015 .....	Annual Report 2015 page 53
Notes to the financial statements for the Group as at and for the year ended December 31, 2015 .....	Annual Report 2015 pages 54–162
Statement by the Management as at and for the year ended December 31, 2015 .....	Annual Report 2015 page 184
Independent Auditors' Report for the Group as at and for the year ended December 31, 2015 .....	Annual Report 2015 page 185
The section "Terms and Conditions of the Notes" from the Base Prospectus dated February 26, 2016 .....	Base Prospectus dated February 26, 2016 pages 152–170
The section "Terms and Conditions of the Notes" from the Base Prospectus dated September 4, 2015 .....	Base Prospectus dated September 4, 2015 pages 156–174

The Annual Report 2016, which includes information incorporated by reference into this Base Prospectus relating to the year ended and as at December 31, 2016 as described in the above cross reference list, can be viewed online at [www.danskebank.com/en-uk/ir/Documents/2016/Q4/Annualreport2016.pdf](http://www.danskebank.com/en-uk/ir/Documents/2016/Q4/Annualreport2016.pdf).

The Annual Report 2015, which includes information incorporated by reference into this Base Prospectus relating to the year ended and as at December 31, 2015 as described in the above cross reference list, can be viewed online at [www.danskebank.com/en-uk/ir/Documents/2015/Q4/annualreport2015.pdf](http://www.danskebank.com/en-uk/ir/Documents/2015/Q4/annualreport2015.pdf).

The Base Prospectus dated February 26, 2016 relating to the Program, which includes information incorporated by reference into this Base Prospectus relating to the previous Terms and Conditions of the Notes as described in the above cross reference list, can be viewed online at [www.danskebank.com/da-dk/ir/gaeld/US-MTN-program/Documents/Danske%20Bank%20US%20MTN%20Base%20Prospectus\\_February%202016.pdf](http://www.danskebank.com/da-dk/ir/gaeld/US-MTN-program/Documents/Danske%20Bank%20US%20MTN%20Base%20Prospectus_February%202016.pdf).

The Base Prospectus dated September 4, 2015 relating to the Program, which includes information incorporated by reference into this Base Prospectus relating to the previous Terms and Conditions of the Notes as described in the above cross reference list, can be viewed online at [www.danskebank.com/dk/ir/gaeld/Documents/Prospekter/Danske Bank US MTN Program 2015 Update Base Prospectus.pdf](http://www.danskebank.com/dk/ir/gaeld/Documents/Prospekter/Danske Bank US MTN Program 2015 Update Base Prospectus.pdf).

Where only certain parts of a document are incorporated by reference into this Base Prospectus, the non-incorporated parts are either not relevant to investors or are covered elsewhere in this Base Prospectus. Any information not listed in the above cross-reference list but included in the documents incorporated by reference is given for information purpose only.

In addition, in relation to each issue of Notes, the relevant Final Terms shall be deemed to form a part of, and should be read together with, this Base Prospectus. Should any of the documents incorporated by reference into this Base Prospectus themselves incorporate by reference further information, such information does not form a part of this Base Prospectus.

Any statement contained or incorporated by reference into this Base Prospectus, including any relevant Final Terms, will be deemed to be modified or superseded for purpose of this Base Prospectus, including any relevant Final Terms, to the extent that a statement contained in a document that is incorporated by reference into this Base Prospectus through a supplement to the Base Prospectus and posted on the Group's U.S. MTN Program website or investor relations website at [www.danskebank.com/en-uk/ir](http://www.danskebank.com/en-uk/ir) modifies or supersedes that statement (including as a result of a more recently incorporated document). Any statement that is modified or superseded in this manner will no longer be a part of this Base Prospectus or any relevant Final Terms, except as modified or superseded.

Incorporated documents will not be distributed to the Holders, but will be available to Holders upon request. Requests for copies of any incorporated documents should be addressed to Danske Bank's Investor Relations, 2–12 Holmens Kanal, DK-1092 Copenhagen K, Denmark.

All references to this Base Prospectus in this section, "*Incorporation by Reference*," mean this Base Prospectus as it may be amended or supplemented from time to time.

## Exchange Rates

The following tables set forth, for the periods and dates indicated, the average, high, low and period-end exchange rates, based on the reference rates as published by the Danish Central Bank for the Danish Kroner in relation to the euro and the U.S. dollar. The average rate means the average of the exchange rates on the last day of each month during the applicable period. Fluctuations in the exchange rates between the Danish Kroner and the currencies set forth below in the past are not necessarily indicative of fluctuations that may occur in the future. These rates may also differ from the actual rates used in the preparation of the financial statements and other financial information presented in this Base Prospectus.

	Reference rates of Danish Kroner per euro			
	Average	High	Low	Period-end
2012 .....	7.444	7.461	7.430	7.460
2013 .....	7.458	7.464	7.452	7.460
2014 .....	7.455	7.467	7.437	7.444
2015 .....	7.459	7.472	7.435	7.463
2016 .....	7.445	7.465	7.434	7.434
2017 (until February 16) .....	7.436	7.438	7.434	7.434

Source: Danish Central Bank.

	Reference rates of Danish Kroner per U.S. dollar			
	Average	High	Low	Period-end
2012 .....	5.797	6.154	5.527	5.659
2013 .....	5.616	5.837	5.400	5.413
2014 .....	5.619	6.121	5.349	6.121
2015 .....	6.727	7.081	6.181	6.830
2016 .....	6.733	7.173	6.433	7.053
2017 (until February 16) .....	6.990	7.159	6.882	6.979

Source: Danish Central Bank.

The above rates are provided solely for the convenience of the reader. No representation is made that the Danish Kroner could have been converted into euro or U.S. dollar at the rates shown or at any other rate for such periods or at such dates.

## CAPITALIZATION

The following table sets forth, as at December 31, 2016, the Bank's consolidated capitalization and indebtedness:

	<b>As at December 31, 2016</b>
	<b>(DKK in millions)</b>
Due to credit institutions and central banks .....	272,883
Deposits .....	943,865
Bonds issued by Realkredit Danmark .....	726,732
Other issued bonds <sup>(1)</sup> .....	<u>392,512</u>
Total senior funding .....	2,335,992
Hereof secured funding <sup>(2)</sup> .....	1,099,056
Subordinated capital .....	<u>37,831</u>
Total debt and subordinated capital .....	2,373,823
Share capital .....	9,837
Foreign currency translation reserve .....	(633)
Reserve for available-for-sale financial assets .....	187
Retained earnings .....	134,028
Proposed dividends .....	<u>8,853</u>
Shareholders of Danske Bank A/S .....	152,272
Additional tier 1 capital holders .....	<u>14,343</u>
Total equity .....	<u>166,615</u>
Total senior funding, subordinated capital and equity .....	<u>2,540,438</u>

(1) Other issued bonds consists of covered bonds of DKK 173 billion, senior unsecured debt of DKK 145 billion and commercial paper and certificates of deposits of DKK 75 billion.

(2) Hereof secured funding consists of bonds issued by Realkredit Danmark of DKK 727 billion, covered bonds of DKK 173 billion and repo transactions of DKK 200 billion.

The table above should be read in conjunction with the financial statements incorporated by reference into this Base Prospectus. There have been no material changes affecting the Bank's consolidated capitalization and indebtedness between December 31, 2016 and the date of this Base Prospectus.

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the Bank to meet part of its general financing requirements.

## OVERVIEW OF CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

The consolidated income statement and balance sheet data presented below have been derived from the audited consolidated financial statements of the Group as at and for the years ended December 31, 2016 and 2015, including comparative figures as at and for the years ended December 31, 2015 and 2014, respectively. These consolidated financial statements of the Group have been prepared in accordance with IFRS as adopted by the EU and Danish disclosure requirements for listed financial companies, and are incorporated by reference into this Base Prospectus. The consolidated financial statements of the Group as at and for the years ended December 31, 2016 and 2015 have been audited by Deloitte. The reports of Deloitte on the respective financial statements are incorporated by reference into this Base Prospectus.

The following information is based on the financial highlights presentation used by the Group when presenting such information in its annual and interim reports. The line items marked with an asterisk in the tables below deviate from the corresponding figures in the Group's consolidated financial statements due to reclassification of certain items as discussed in more detail under "*Important Information for Investors—Presentation of Financial Information.*" See notes 1(c) and 3 to the Group's audited consolidated financial statements as at and for the years ended December 31, 2016 and 2015 incorporated by reference into this Base Prospectus for information on reconciling the consolidated income statements and the financial highlights presentation.

The information below should be read together with the consolidated financial statements of the Group incorporated by reference into this Base Prospectus and the sections "*Important Information for Investors—Presentation of Financial Information,*" "*Important Information for Investors—Non-IFRS Measures of Financial Performance*" and "*Operating and Financial Review and Prospects.*"

	For the year ended December 31,		
	2016	2015	2014
		(restated) <sup>(1)</sup>	(restated) <sup>(2)</sup>
	(DKK in millions)		
<b>INCOME STATEMENT DATA</b>			
Net interest income <sup>*</sup> .....	22,028	21,402	22,313
Net fee income <sup>*</sup> .....	14,183	15,018	11,154
Net trading income <sup>*</sup> .....	8,607	6,848	6,693
Other income <sup>*</sup> .....	3,140	2,343	1,344
Net income from insurance business <sup>*</sup> .....	—	—	2,496
Total income <sup>*</sup> .....	47,959	45,611	44,000
Operating expenses <sup>*</sup> .....	(22,642)	(23,237)	(22,641)
Goodwill impairment charges .....	—	(4,601) <sup>(3)</sup>	(9,099)
Profit before loan impairment charges <sup>*</sup> .....	25,317	17,773	12,260
Loan impairment charges <sup>*</sup> .....	3	(57)	(2,788)
Profit before tax, core .....	25,320	17,716	9,472
Profit before tax, Non-core <sup>*</sup> .....	37	46	(1,503)
Profit before tax .....	25,357	17,762	7,969
Tax .....	(5,500)	(4,639)	(4,020)
Net profit for the year .....	19,858	13,123	3,948
Net profit for the year before goodwill impairment charges <sup>*</sup> .....	19,858	17,724	13,047
Attributable to additional tier 1 etc. ....	663	607	261

	As at December 31,		
	2016	2015	2014
		(restated) <sup>(1)</sup>	(restated) <sup>(2)</sup>
<b>BALANCE SHEET DATA</b>			
<b>Assets</b>			
Due from credit institutions and central banks *	200,544	75,221	63,786
Repo loans	244,474	216,303	290,095
Loans *	1,689,155	1,609,384	1,563,729
Trading portfolio assets	509,678	547,019	742,512
Investment securities	343,337	343,304	330,994
Assets under insurance contracts	285,398	265,572	268,450
Total assets in Non-core *	19,039	27,645	32,329
Other assets *	<u>192,046</u>	<u>208,431</u>	<u>161,120</u>
Total assets	<u>3,483,670</u>	<u>3,292,878</u>	<u>3,453,015</u>
<b>Liabilities</b>			
Due to credit institutions and central banks *	155,085	137,068	126,800
Repo deposits	199,724	177,456	400,618
Deposits *	859,435	816,762	763,441
Bonds issued by Realkredit Danmark	726,732	694,519	655,965
Other issued bonds	392,512	363,931	330,207
Trading portfolio liabilities	478,301	471,131	550,629
Liabilities under insurance contracts	314,977	285,030	288,352
Total liabilities in Non-core *	2,816	5,520	4,950
Other liabilities *	149,641	140,640	138,642
Subordinated debt	37,831	39,991	41,028
Additional tier 1 etc.	14,343	11,317	5,675
Shareholders' equity	<u>152,272</u>	<u>149,513</u>	<u>146,708</u>
Total liabilities and equity	<u>3,483,670</u>	<u>3,292,878</u>	<u>3,453,015</u>

	As at and for the year ended December 31,		
	2016	2015	2014
		(restated) <sup>(1)</sup>	(restated) <sup>(2)</sup>
<b>Ratios and Key Figures</b>			
Earnings per share, <sup>(4)</sup> DKK	20.2	12.8	3.8
Return on average shareholders' equity, <sup>(5)</sup> percent	13.1	8.5	2.5
Return before goodwill impairment charges on average shareholders' equity, percent <sup>(6)</sup>	13.1	11.6	8.6
Return on average tangible equity, <sup>(7)</sup> percent	14.0	12.9	10.5
Net interest income as percent per annum of loans and deposits	0.86	0.88	0.96
Cost/income ratio, <sup>(8)</sup> percent	47.2	61.0	72.1
Cost/income ratio before goodwill impairment charges, <sup>(9)</sup> percent	47.2	50.9	51.5
Total capital ratio, <sup>(10)</sup> percent	21.8	21.0	19.3
Common equity tier 1 capital ratio, <sup>(11)</sup> percent	16.3	16.1	15.1
Full-time-equivalent staff (end of year)	19,303	19,049	18,603

- (1) As discussed in more detail under "Important Information for Investors—Presentation of Financial Information—Restatements and Reclassifications of Financial Highlights and Segment Reporting—Year Ended December 31, 2016," the Group has restated the comparative financial highlights and business segment figures as at and for the year ended December 31, 2015 in the Group's Annual Report 2016. The above tables reflect the restated figures. The corresponding non-restated financial highlights can be found in note 3 to the Group's audited consolidated financial statements as at and for the year ended December 31, 2015 incorporated by reference into this Base Prospectus.
- (2) As discussed in more detail under "Important Information for Investors—Presentation of Financial Information—Restatements and Reclassifications of Financial Highlights and Segment Reporting—Year Ended December 31, 2015," the Group has restated the comparative financial highlights and business segment figures as at and for the year ended December 31, 2014 in the Group's Annual Report 2015. The comparative financial highlights and business segment figures as at and for the year ended December 31, 2014 have not been restated in the Group's Annual Report 2016, as presented herein and therein, and are not fully comparable to the financial highlights and business segment figures as at and for the years ended December 31, 2016 and 2015 presented in the above tables.
- (3) Goodwill impairment charges for the year ended December 31, 2015 included impairment charges of DKK 4,117 million on goodwill and DKK 484 million on customer relations.
- (4) Net profit for the year divided by the average number of shares outstanding during the year. Net profit for the year is stated after the deduction of interest net of tax on equity-accounted additional tier 1 capital.
- (5) Net profit for the year divided by the quarterly average of shareholders' equity. Net profit and shareholders' equity are stated as if the equity-accounted additional tier 1 capital was classified as a liability. In the numerator, net profit is reduced by interest expenses of DKK 663 million (2015: DKK 607 million; 2014: DKK 259 million), and the denominator represents equity excluding additional tier 1 capital and other non-controlling interests.
- (6) Net profit for the year before goodwill impairment charges divided by the quarterly average of shareholders' equity. Net profit and shareholders' equity are stated as if the equity-accounted additional tier 1 capital was classified as a liability. In the numerator, net profit is reduced by interest expenses of DKK 663 million (2015: DKK 607 million; 2014: DKK 259 million), and the denominator represents equity excluding additional tier 1 capital and other non-controlling interests.
- (7) Net profit for the year adjusted for amortization of intangible assets divided by the quarterly average of shareholders' equity reduced by intangible assets. Net profit and shareholders' equity are stated as if the equity-accounted additional tier 1 capital was classified as a liability.



In the numerator, net profit is reduced by interest expenses of DKK 663 million (2015: DKK 607 million; 2014: DKK 259 million), and the denominator represents equity excluding additional tier 1 capital and other non-controlling interests.

- (8) Operating expenses and goodwill impairment charges divided by total income.
- (9) Operating expenses (excluding goodwill impairment charges) divided by total income.
- (10) Total capital divided by the total REA. Calculated in accordance with the CRR (as defined herein), taking transitional rules into account as stipulated by the DFSA.
- (11) Common equity tier 1 capital divided by the total REA. Calculated in accordance with the CRR, taking transitional rules into account as stipulated by the DFSA.

## OPERATING AND FINANCIAL REVIEW AND PROSPECTS

*Except for the discussion of results of operations of the Group and its reporting segments, which is based on the financial highlights and segment reporting presentation used by the Group as discussed below, the following discussion is primarily based on and should be read in conjunction with the Group's audited consolidated financial statements as at and for the years ended December 31, 2016 and 2015, including comparative figures as at and for the years ended December 31, 2015 and 2014, respectively, as well as the accompanying notes thereto, incorporated by reference into this Base Prospectus. Such consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and Danish disclosure requirements for listed financial companies. The following discussion of the results of operations of the Group and its reporting segments is based on the financial highlights and segment reporting presentation used by the Group when presenting such information. The Group's financial highlights deviate from the corresponding figures in the consolidated financial statements due to reclassification of certain items. See "Important Information for Investors—Presentation of Financial Information."*

*This section contains forward-looking statements that involve inherent risks and uncertainties. Actual results may differ materially from those contained in such forward-looking statements. See "Important Information for Investors—Special Notice Regarding Forward-looking Statements" and "Risk Factors."*

### Overview

The Group is the leading financial service provider in Denmark (source: the DFSA) measured by total working capital (defined as deposits, issued bonds, subordinated debt and shareholders' equity) as at December 31, 2015, and one of the largest in the Nordic region measured by total assets as at December 31, 2016. The Group offers customers a wide range of services in the fields of banking, mortgage finance, insurance, pension, real-estate brokerage, asset management and trading in fixed income products, foreign exchange and equities. The Group is the largest bank in Denmark (source: the DFSA), is one of the larger banks in Finland and Northern Ireland and has challenger positions in Sweden and Norway. As at December 31, 2016, the Group's total assets amounted to DKK 3,484 billion and the Group employed 19,303 full-time equivalent employees. As at the same date, the Group had approximately 3.4 million customers and approximately 2.2 million customers used the Group's online services. The Group had 272 branches as at December 31, 2016.

The Bank is the parent company of the Group. Danske Bank is a Nordic universal bank with bridges to the rest of the world, and its core markets are Denmark, Sweden, Norway and Finland (through its subsidiary). In these countries, it serves all types of customers, from personal customers and businesses to large institutional clients. It also operates in Northern Ireland, where it serves both personal and business customers, and the Baltic countries, where it focuses on business banking. The Group has additional offices in several other European countries including a subsidiary in Luxembourg and branch offices in Poland, Germany and the U.K., where its main offerings are solutions for Nordic and local businesses as well as private banking clients. The Group also conducts broker-dealer activities in the United States and has a subsidiary in Russia serving Nordic corporate banking customers.

### Primary Factors Affecting the Group's Results of Operations

The Group's business, results of operations and financial position have been affected, and may continue to be affected, by various factors, the most significant of which are described below. The impact of these and other potential factors may vary significantly in the future.

### Macroeconomic Environment

The Group derives a substantial majority of its income from its operations in Denmark, Sweden, Norway and Finland. Accordingly, the Group's business, results of operations and financial position depend upon the economic conditions prevailing in these primary markets, in particular economic growth and the general level of interest rates. The Group's operations are also affected by the level of competition in these primary markets, particularly from other major banking groups and specialist providers, including mortgage lenders. Through its activities, the Group is also exposed to the economic conditions in Northern Ireland, the Baltic countries and, to a lesser extent, Ireland. Although the exposure to these countries is relatively small, lower demand and the financial and economic crisis in these markets have adversely affected, and could in the future adversely affect, the business, results of operations and financial position of the Group.

In 2014, the global economy improved despite headwinds from the Russia-Ukraine conflict and slower growth in China. The stock markets finished higher, albeit with large fluctuations during the year, especially in Europe. Bond yields in core Europe decreased to new historical lows as inflation dropped close to zero due to the significant reduction in oil prices.

The Danish economy experienced moderate growth throughout 2014. Growth was driven by slowly increasing domestic demand and to some extent exports. Employment rose gradually as well, and house prices continued the positive trend of the previous years. Domestic growth and the housing market in particular were stimulated by very low interest rates. Export growth was limited by slow growth in Europe. Agricultural exports were adversely affected by the economic sanctions between Russia and the EU. In Sweden, growth picked up further in 2014, mainly because of domestic demand

driven by record-low interest rates, which also stimulated the housing market further, with house prices reaching a record-high level. The Norwegian economy remained strong in the first half of 2014, but the significant drop in oil prices in the second half of 2014 made Norway more vulnerable. Exports were supported by the weakening of the Norwegian Kroner. The Finnish economy contracted for the third successive year in 2014 as the Finnish economy was affected negatively by, among other things, the economic sanctions between Russia and the EU. The sanctions and the Russian recession affected the Finnish economy more relative to other European countries as Russia is one of the largest export markets for Finnish companies. Domestic demand also remained subdued in Finland. Ireland performed very well in 2014 with GDP growth of 8.5 percent, higher employment and increasing house prices. GDP in Northern Ireland grew by 0.7 percent (source: Statistics Denmark, Statistics Sweden, Statistics Norway, Statistics Finland and Danske Bank Research).

In 2015, the global economy improved, although growth decreased a little due to lower growth in the emerging economies. The stock markets finished a bit lower in the United States but higher in Europe supported by the ECB's quantitative easing program, albeit with large fluctuations during the year, especially due to the financial turmoil of August through September. The ECB's quantitative easing program started in the first quarter of 2015. Along with extremely low inflation, this caused bond yields in mainland Europe to decrease to new historical lows.

The Danish economy experienced some ups and downs in relation to growth throughout 2015 with negative growth rates in both the third and fourth quarters of 2015. Overall, however, the growth rate was 1.6 percent driven by both exports and private consumption. Employment rose strongly throughout the year and house prices continued the positive trend of the previous years but with a quicker pace. Domestic growth and the housing market in particular were supported by very low interest rates, especially in the first four months of 2015. In Sweden, growth picked up further in 2015 due to both exports and domestic demand driven by record-low interest rates, which also stimulated the housing market further, and house prices reaching a record-high level. The Norwegian economy remained fairly strong in 2015, although the significant drop in oil prices in the second half of 2014 caused a slowdown in investments. The slowdown was partly offset by exports supported by the weaker Norwegian Kroner and resilient private consumption. The Finnish economy grew slightly in 2015, driven to a large extent by private consumption, which was supported by very low interest rates and negative inflation. Irish GDP figures do not say much about the development in economic activity in 2015, as they were revised to a 26.3 percent growth rate. Employment and house prices have continued to increase. GDP in Northern Ireland grew by 1.5 percent in 2015 (source: Statistics Denmark, Statistics Sweden, Statistics Norway, Statistics Finland and Danske Bank Research).

In the first nine months of 2016, the economic recovery in Europe continued. The key driver of the recovery was private consumption supported by low oil prices and very low interest rates but growth in investments has also been a contributing factor. Economic activity has been quite resilient to the political uncertainty across countries. The economic upturn in the United States slowed down in the first half of 2016 but the growth rate rebounded in the third quarter. Private consumption has been the main growth driver. A combination of a tightening U.S. labor market, higher GDP growth, higher wage growth and an increase in core inflation caused the U.S. Federal Reserve to increase the federal funds target rate for the second time since the financial crisis at the Federal Open Market Committee's December 2016 meeting. The Chinese economy recovered in 2016. The construction sector rebounded due to robust home sales and a marked reduction in the inventory of houses. The government boosted infrastructure spending and added to the lift from the construction sector. Although European stock prices fell a lot in the beginning of the year, European stocks ended higher in 2016 after a very strong finish. Stock market volatility increased for a few days around the Brexit vote, but markets quickly stabilized. However, a very large depreciation of the British pound sterling was experienced in the wake of Brexit. The U.S. presidential election did not in itself cause significant volatility in the markets.

2016 was the fourth consecutive year of recovery in the Danish economy. The recovery has been characterized by relatively moderate economic growth and robust employment growth. The economy is supported by low interest rates and low oil prices. The continued increasing housing prices in recent years also seems to be supportive, as housing investments have increased significantly in 2016. The current account surplus decreased in 2016 after a record high in 2015 due largely to the significant decrease in shipping rates. This negative impact to the shipping sector has, however, been lessened recently by the strengthening of the U.S. dollar as shipping income is typically denominated in U.S. dollars. In Sweden, demand growth has remained solid in 2016, although growth has slowed slightly following a strong 2015. The slowdown is mainly due to lower growth in private consumption and exports. House and apartment prices have increased in 2016 compared to 2015, but prices seem to be stabilizing. In Norway, economic growth seems to be slowly increasing after the large decrease in oil prices negatively affected the economy. High homebuilding activity and expansionary fiscal policy are supporting growth, while private demand remains weak along with mainland exports. The latter effect is largely a result of a significant decrease in exports from oil-related mainland firms. Growth in the Finnish economy has increased significantly in 2016, mainly due to strong private demand and progress in the construction sector. Exports, on the other hand, are still weak. The economic recovery in Ireland and Northern Ireland continued.

In the beginning of 2017, economic data has looked robust. After the strengthening of the U.S. dollar in the last months of 2016, the U.S. dollar has weakened somewhat – a tendency boosted by comments from the U.S. president and his staff about China, Germany and Japan, which they claim are using devaluations to boost exports. Market volatility has been

low and stock markets are in a wait-and-see mode. There is concern regarding a potential trade conflict involving the United States and China – and possibly other nations. In the beginning of 2017, there has been an increase in European yields, which should be seen in relation to the increased inflation in December 2016.

### **Interest Rates**

The following table sets forth the annual averages of three-month interbank interest rates in Denmark, Sweden, Norway and Finland and in the eurozone for the years indicated:

	<b>For the year ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
		<b>(percent)</b>	
Denmark .....	(0.2)	(0.1)	0.3
Sweden .....	(0.5)	(0.2)	0.7
Norway .....	1.1	1.3	1.7
Finland (eurozone).....	(0.3)	(0.0)	0.2

Source: *Macrobond Financial, Danske Bank Research.*

The Group earns interest from loans and other assets and pays interest to its depositors and other creditors. The Group's results of operations are, therefore, dependent to a great extent on the Group's net interest income. Net interest income represented 45.9 percent of the Group's total income in 2016, as compared to 46.9 percent (restated) in 2015. Net interest income represented 48.6 percent of the Group's total income in 2015, as compared to 50.7 percent in 2014. The Group's net interest margin, which is the difference between the yield on its interest-bearing assets and the cost of its interest-bearing liabilities, varies according to prevailing interest rates and is a significant factor in determining the profitability of the Group. Reductions in interest rates or compression of the interest rate spread may result in a decrease in the amount of net interest income generated by the Group and its net interest margin. For a discussion of developments in interest rates, see "*Risk Factors—Risks Related to the Markets in which the Group Operates.*"

The Group's net interest income is driven by a combination of lending and deposit volumes and margins. The deposit margin is generally more sensitive to decreases in interest rates than lending margin because in periods of interest rates approaching zero or becoming negative, the rates payable on some customer deposits cannot decrease below zero, which limits the ability to manage deposit margins. The Group's net interest income totaled DKK 22,028 million in 2016, as compared to DKK 21,402 million (restated) in 2015. The Group's net interest income totaled DKK 21,476 million in 2015, as compared to DKK 22,313 million in 2014. In 2016, net interest income increased driven by lending growth and lower funding costs despite the competitive pressure on margins and continued negative interest rates. The negative short-term interest rates continued to put pressure on deposit margins and net interest income in 2015. Lending volume growth and lower funding costs, including the impact of the repayment in full in April 2014 of the hybrid capital raised from the Danish State (DKK 24.0 billion), partly offset this pressure.

### **Loan Impairment Charges**

The Group's results of operations are affected by the level of impairment charges. The Group's loan impairment charges amounted to a reversal of DKK 3 million in 2016, as compared to loan impairment charges of DKK 57 million in 2015 and DKK 2,788 million in 2014.

Loan impairment charges remained low with a minor decrease in 2016 as compared to 2015, reflecting the strengthened credit quality and stable macroeconomic conditions. Strengthened credit quality and stable macroeconomic conditions meant that loan impairments, especially at Personal Banking, continued to diminish. In the oil sector at C&I, however, impairments increased, reflecting the continuation of weak market conditions. Loan impairment charges in 2015 declined as compared to 2014 at all business units, reflecting the Group's ongoing work to improve credit quality as well as improved macroeconomic conditions.

### **Impairment on Goodwill and Customer Relations**

Under IFRS, goodwill arises on the acquisition of an undertaking and is calculated as the difference between the cost of the undertaking and the fair value of its net assets, including identifiable intangible assets, such as customer relations, and contingent liabilities, at the time of acquisition. Goodwill is allocated to cash-generating units at the level at which management monitors the investment. Goodwill is not amortized; 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 and loss if the carrying amount of the net assets of the cash-generating unit exceeds the higher of the assets' fair value less costs to sell and their value in use, which equals the present value of the future cash flows expected from the unit. Goodwill on associates is recognized under holdings in associates. Impairment of goodwill does not have an impact on the Group's capital ratios as goodwill is excluded from the calculations.

The Group did not recognize any goodwill impairment charges in 2016. In 2015, the Group recognized a goodwill impairment charge of DKK 4,117 million. The goodwill impairment charge included impairments of the remaining

goodwill of the Personal Banking (DKK 2,814 million) and Business Banking (DKK 1,153 million) units in Finland and the remaining goodwill of the Personal Banking unit in Northern Ireland (DKK 150 million), due to further worsening of the macroeconomic outlook with expectations of even lower interest rate levels than those applied in the impairment test in 2014, and an increase in the capital allocated to the banking units under the Group's new capital allocation framework that will be implemented in 2016. In addition, the Group recognized an impairment charge of DKK 484 million on customer relations in the Personal Banking and Business Banking units in Finland in 2015 for the same reasons. In 2014, the Group recognized a goodwill impairment charge of DKK 9,099 million. This goodwill impairment charge reflected impairment charges of DKK 3,493 million and DKK 1,501 million against the Personal Banking and Business Banking business units in Finland, respectively, owing to a weaker long-term economic outlook in Finland and changes in the assumptions on deposit margins. It also reflected the full amount of the goodwill related to the Business Banking business unit in Estonia (an impairment charge of DKK 2,058 million) and DKK 2,046 million against the Personal Banking business unit in Northern Ireland owing to the positioning of the Group as a Nordic universal bank as well as changes in the assumptions on deposit margins in Northern Ireland. As at December 31, 2016, the Group's total goodwill amounted to DKK 5.3 billion, or 0.2 percent, of the Group's total assets.

## Reporting Segments

From 2016, the Group has five business units (Personal Banking, Business Banking, C&I, Wealth Management and Northern Ireland), a Non-core unit and Other Activities, and these constitute the Group's reportable segments. The Wealth Management business unit includes Danica Pension, Danske Capital and parts of the private banking operations. Other Activities encompasses Group Treasury, Group support functions and eliminations, including the elimination of returns on own shares. See note 3 to the Group's audited consolidated financial statements as at and for the year ended December 31, 2016 incorporated by reference into this Base Prospectus.

During the periods under review until 2016, the business operations of the Group were organized around the following business units: Personal Banking, Business Banking, C&I, Danske Capital, Danica Pension, Non-core and Other Activities, which corresponded to its reporting segments. Other Activities included Group Treasury, Group Support Functions and the elimination of returns on own shares.

The financial highlights and business segment figures as at and for the year ended December 31, 2015 were restated in the Group's Annual Report 2016 to reflect the new organization and changes in the presentation of income from equity finance. See *"Important Information for Investors—Presentation of Financial Information—Restatements and Reclassifications of Financial Highlights and Segment Reporting—Year Ended December 31, 2016."*

## Recent Developments

### Share Buy-back Program 2016

In February 2016, the Bank announced a share buy-back program for a total of DKK 9 billion to be executed under the European Commission's Regulation No. 2273/2003 of December 22, 2003. The share buy-back program ended on February 1, 2017 with a total buy-back of 46.9 million shares for a total purchase amount of DKK 9.0 billion. On February 17, 2017, the Board of Directors proposed to the annual General Meeting convened for March 16, 2017 that the shares purchased under the share buy-back program be cancelled.

### Share Buy-back Program 2017

In February 2017, the Bank announced that the Board of Directors has approved a new share buy-back program for DKK 10 billion, with a maximum of 90 million shares. The program will be conducted from February 3, 2017 until February 2, 2018 at the latest. The Bank has announced that the Board of Directors intends to propose to the annual General Meeting in 2018 that the shares purchased under the share buy-back program be cancelled.

## Credit Ratings

As at the date of this Base Prospectus, the Bank's credit ratings are as follows:

	<b>S&amp;P</b>	<b>Fitch</b>	<b>Moody's</b>
Senior unsubordinated long-term debt/long-term issuer default rating .....	A	A	A2
Senior unsubordinated short-term debt/short-term issuer default rating .....	A-1	F1	P-1

A credit or financial strength rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating organization. Each rating should be evaluated independently of any other rating. There is no guarantee that any rating of the Bank assigned by any such rating agency will be maintained following the date of this Base Prospectus, and the Bank may seek to obtain ratings of the Bank from other rating agencies. Up-to-date information should always be sought by direct reference to the relevant rating agency. Each of S&P, Fitch and Moody's is established in the EU and is registered under the CRA Regulation and is included in

the list of credit rating agencies registered in accordance with the CRA Regulation as of the date of this Base Prospectus. This list is available on the ESMA website at [www.esma.europa.eu/page/List-registered-and-certified-CRAs](http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) (list last updated on December 1, 2015).

## **Significant Accounting Estimates**

### ***General***

The Group prepares its consolidated financial statements in accordance with IFRS as adopted by the EU and Danish disclosure requirements for listed financial companies. Management's estimates and assumptions of future events that will significantly affect the carrying amounts of assets and liabilities underlie the preparation of the Group's consolidated financial statements. The estimates and assumptions that are deemed critical to the consolidated financial statements are:

- the fair value measurement of financial instruments;
- the measurement of loans;
- the measurement of goodwill;
- the measurement of liabilities under insurance contracts; and
- the recognition of deferred tax assets and liabilities.

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. A detailed description of the accounting policies that the Group uses in preparation of its consolidated financial statements is set forth in the notes to the Group's audited consolidated financial statements as at and for the year ended December 31, 2016 incorporated by reference into this Base Prospectus.

### ***Fair Value Measurement of Financial Instruments***

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 significant estimates. The majority of unlisted shares are allocated to insurance contract policyholders, and the policyholders assume most of the risk on the shares. Changes in the fair value of those shares will only to a limited extent affect the Group's net profit. For remaining portfolio of unlisted shares, a 10 percent increase or decrease in the fair value would amount to DKK 210 million as at December 31, 2016 (December 31, 2015: DKK 238 million). The estimated fair value of illiquid bonds significantly depends on the credit spread estimate. A credit spread widening of 50 basis points as at December 31, 2016 would have caused the fair value of the bonds to decrease DKK 85 million (December 31, 2015: DKK 65 million). The Group makes fair value adjustments to cover changes in counterparty risk (credit value adjustment ("CVA") and debt value adjustment ("DVA")) and to cover expected funding costs (funding value adjustment ("FVA")) on derivatives, bid-offer spreads on the net open position of the portfolio of assets and liabilities with offsetting market risk recognized at mid-market prices, and model risk on level 3 derivatives. During 2015, the CVA and DVA model was enhanced in a number of areas. Most importantly, the mapping of the PD to proxies was changed to a more advanced model. Further, an FVA was included at the end of 2015. As at December 31, 2016, the adjustments totaled DKK 1.8 billion (December 31, 2015: DKK 1.3 billion), including the adjustment for credit risk on derivatives with customers subject to objective evidence of impairment ("OEI"). The increase in 2016 as compared to 2015 relates mainly to increases in CVA and FVA owing to lower interest rates and model improvements. For more information, see note 30 to the Group's audited consolidated financial statements as at and for the year ended December 31, 2016 incorporated by reference into this Base Prospectus.

### ***Measurement of Loans***

The Group makes impairment charges to account for any impairment of loans 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 OEI, 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 the general economic environment and unemployment. Expectations of deteriorating repayment ability reduce credit quality and lead to downgrading of the customer.

The losses incurred under non-performing loan agreements depend on, among other factors, the value of collateral received. If the value of collateral decreased 10 percent as at December 31, 2016, individual impairment charges would have increased by approximately DKK 2.4 billion (December 31, 2015: DKK 2.8 billion). The collective impairment charges are sensitive to the credit rating of customers. If all business customers were downgraded one rating category, collective impairment charges would have increased by approximately DKK 1.2 billion as at December 31, 2016.

(December 31, 2015: DKK 1.8 billion). The decrease in the impact of a downgrade was caused by improvements in credit quality, increases in collateral values and that part of the exposure covered by the collective impairment charges has been individualized. The method used for calculating collective impairment charges for personal customers has been improved in order to more directly incorporate certain credit risk factors for personal customers. This was the primary reason for the decline in the collective impairment charge recognized on the basis of management's judgment from DKK 3.8 billion as at December 31, 2015 to DKK 3.3 billion as at December 31, 2016. The collective impairment charge recognized on the basis of management's judgment reflects market conditions at the balance sheet date that are not fully reflected in the Group's models. For more information on impairment charges for loans, see note 14 and the section on credit risk in the risk management notes to the Group's audited consolidated financial statements as at and for the year ended December 31, 2016 incorporated by reference into this Base Prospectus. As at December 31, 2016, loans accounted for approximately 55 percent of the Group's total assets (December 31, 2015: 55 percent).

### ***Measurement of Goodwill***

Goodwill is tested for impairment once a year or more frequently if indications of impairment exist. Impairment testing requires management to estimate the future cash flows. A number of factors affect the value of such cash flows, including discount rates, changes in the economic outlook, customer behavior and competition. As at December 31, 2016, goodwill amounted to DKK 5.3 billion (December 31, 2015: DKK 5.4 billion). Following the impairment charges made in the fourth quarter of 2015, no goodwill remains at the banking units. For Wealth Management (Danske Capital) the carrying amount of goodwill is DKK 1.8 billion (December 31, 2015: DKK 1.8 billion) and relates to the activities in Finland. The excess value (the amount by which the cash-generating unit's recoverable amount exceeds the carrying amount) in the impairment test in 2016 for Wealth Management (Danske Capital) amounted to DKK 0.1 billion (2015: DKK 0.1 billion). See note 18 to the Group's audited consolidated financial statements as at and for the year ended December 31, 2016 incorporated by reference into this Base Prospectus for additional information on changes in key assumptions that would cause the excess value to be zero. The remaining goodwill of DKK 3.5 billion as at December 31, 2016 (December 31, 2015: DKK 3.6 billion) relates to C&I and the excess value is DKK 10.8 billion. See note 18 to the Group's audited consolidated financial statements as at and for the year ended December 31, 2016 for additional information on impairment testing and sensitivity to changes in impairment test assumptions.

### ***Measurement of Liabilities under Insurance Contracts***

Measurement of liabilities under insurance contracts is based on actuarial computations that rely on assumptions about a number of variables, including mortality and disability rates and on the discount rate. Assumptions of future mortality rates are based on the DFSA's benchmark, while other assumptions are based on data from the Group's own portfolio of insurance contracts. As of January 1, 2016, the Group implemented the changes made by the DFSA to its Executive Order on Financial Reports for Insurance Companies to harmonize the measurement of insurance liabilities in the financial statements with measurement under the Solvency II framework. For more information on the changes and on the measurement of insurance liabilities, see note 2(a) and 17 to the Group's audited consolidated financial statements as at and for the year ended December 31, 2016 incorporated by reference into this Base Prospectus. The risk management notes contain a sensitivity analysis for life insurance.

### ***Recognition of Deferred Tax Assets and Liabilities***

Recognition of deferred tax requires management to assess the probability and amount of future profit. Deferred tax assets arising from unused tax losses are recognized to the extent that such losses can be offset against tax on future profit over the next five years. As at December 31, 2016 deferred tax assets from recognized tax loss carry-forwards amounted to DKK 0.3 billion (December 31, 2015: DKK 0.3 billion). The tax base of unrecognized tax loss carry-forwards, relating primarily to the Group's banking operations in Ireland, amounted to DKK 3.0 billion as at December 31, 2016 (December 31, 2015: DKK 3.2 billion). The full deferred tax liability arising from international joint taxation was recognized and amounted to DKK 6.0 billion as at December 31, 2016 (December 31, 2015: DKK 5.9 billion). For more information about deferred tax, see note 20 to the Group's audited consolidated financial statements as at and for the year ended December 31, 2016 incorporated by reference into this Base Prospectus.

### ***Significant Accounting Selections***

#### ***Financial Instruments and Insurance Contracts***

Financial instruments accounted for more than 98 percent of the Group's total assets and liabilities as at December 31, 2016. A portion of financial assets relates to investments made under insurance contracts.

#### ***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 recognized from the trade date to the settlement date.

## Loans and Financial Liabilities

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

Loans granted under Danish mortgage finance laws are funded by issuing listed mortgage bonds with matching terms. Borrowers may repay such loans by delivering the underlying bonds. Within the Group, such loans and bonds are granted and issued by Realkredit Danmark 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 amortized 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 granted and bonds issued 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 bonds issued 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 granted 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 bonds issued cause corresponding changes to be made to the fair value of the loans. Consequently, changes to the fair value of bonds issued, 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 securities designated at fair value using the fair value option. Certain bond portfolios are held for the purpose of generating a return until maturity and are recognized as hold-to-maturity financial assets. In 2016, the Group started to acquire bonds for an available-for-sale portfolio in Group Treasury.

## 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 recognized 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 recognized in the balance sheet under assets under insurance contracts as well as part of the liquidity portfolio managed by Group Treasury. Other securities portfolios managed on a fair value basis are recognized in the balance sheet under investment securities.

For both trading portfolio assets and securities designated at fair value, realized and unrealized capital gains and losses and dividends are recognized in the income statement under net trading income.

## Hold-to-maturity Financial Assets

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 amortized cost. The Group has increased its use of this category since 2013.

## Available-for-sale Financial Assets

This category consists of bonds recognized at fair value with unrealized fair value adjustments recognized under other comprehensive income, whereas impairment charges, if any, are recognized in the income statement. In 2016, the Group started to use the available-for-sale category for some bond holdings. The available-for-sale category previously included only a portfolio of bonds reclassified from held-for-trading to available-for-sale in 2008, owing to significant distortion of the pricing of bonds. This was the only time the Group had used the available-for-sale valuation method before 2016.

## Hedge Accounting

The Group uses derivatives to hedge the interest rate risk on most fixed-rate assets and fixed-rate liabilities measured at amortized cost and on the available-for-sale portfolio classified in 2008. 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. As at December 31, 2016, hedging derivatives measured at fair value accounted for approximately 0.3 percent of total assets and approximately 0.1 percent of total liabilities, as compared to 0.1 percent and 0.5 percent, respectively, as at December 31, 2015.

#### *Insurance Activities – General*

The Group issues life insurance policies, which 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 recognized as aggregate figures.

IFRS 4 *Insurance Contracts* includes an option to continue the accounting treatment of insurance contracts under local generally accepted accounting principles (“GAAP”). The Group’s life insurance provisions are, therefore, recognized at their present value in accordance with the DFSA’s Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds. The life insurance provisions are presented under liabilities under insurance contracts.

Assets earmarked for insurance contracts are recognized 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.

#### Investment Contracts

Investment contracts are recognized as financial liabilities, and, consequently, contributions and benefits under such contracts are recognized 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 recognized under net trading income.

#### Assets Funded by Shareholders’ Equity

The separate pool of assets equal to shareholders’ equity is recognized at fair value and consolidated with other similar assets.

#### Income from Insurance Business

Insurance activities are consolidated in the various consolidated income statement items. Insurance premiums are recognized under net premiums. Net insurance benefits in the consolidated income statement consists of benefits disbursed under insurance contracts and the annual change in insurance obligations not deriving from additional provisions for benefit guarantees and changes to the collective bonus potential. The return on earmarked assets is allocated to the relevant items in the consolidated income statement. The return to policyholders is recognized under net trading income as are changes to additional provisions for benefit guarantees. For more information, see note 5 to the Group’s audited consolidated financial statements as at and for the year ended December 31, 2016 incorporated by reference into this Base Prospectus.

The sources of the Group’s net income from insurance business comprise the return on assets funded by the Danica Group’s shareholders’ equity, income from unit-linked business and health and accident business, and income from conventional life insurance business, the so-called risk allowance.

The risk allowance is determined in accordance with the DFSA’s Executive Order on the Contribution Principle. The contribution principle regulates how earnings are allocated between policyholders and the life insurance company’s shareholders’ equity and defines the maximum payment to shareholders’ equity (the risk allowance). The contribution principle was changed as of January 1, 2016. If the contribution rules do not allow recognition of the full risk allowance, the amount that cannot be recognized can no longer be recovered in subsequent periods through the use of the shadow account. The risk allowance included in the shadow account at December 31, 2015 may be recovered over the five years following 2015.

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 risk allowance, the shortfall can be

covered by the bonus potential. If the bonus potential is insufficient to cover the shortfall, the difference can be covered by the individual bonus potentials or the profit margin; otherwise, the risk allowance that cannot be recognized will be lost. If the technical basis is insufficient to cover the interest accrual to policyholders, the shortfall is covered by the bonus potentials or the profit margin. Any remaining shortfall is paid by the Group in the form of an outlay. If the Group has made such an outlay, the outlay may be recovered the following year.

According to the DFSA's Executive Order on the Contribution Principle, policyholders' funds in Danica Traditionel must be ring-fenced in groups with generally the same technical rate of interest, insurance risk and expenses. Danica Pension has four interest rate groups: new business, low, medium and high. Danica Pension has individual investment and hedging strategies for each group. Furthermore, the collective bonus potential and the risk allowance, among others, are also determined for each group individually.

## **Recent Accounting Pronouncements**

The IASB has issued a number of new IFRSs and amendments to IFRSs that have not yet come into force. Similarly, the IFRS Interpretations Committee has issued new interpretations that have not yet come into force. The Group has not early adopted any of these changes. The changes that are likely to affect the Group's future financial reporting are discussed below. For more information, see note 2(b) to the Group's audited consolidated financial statements as at and for the year ended December 31, 2016 incorporated by reference into this Base Prospectus.

### ***IFRS 9 Financial Instruments***

In July 2014, the IASB issued IFRS 9 *Financial Instruments*, which will replace IAS 39. The standard provides principles for classification and measurement of financial instruments, provisioning for expected credit losses and the new general hedge accounting model. The general hedge accounting model will later be supplemented by a new macro hedge accounting model, which the IASB is working on. IFRS 9 will be effective from January 1, 2018, at which date the Group will adopt the standard.

Under IFRS 9, financial assets are classified on the basis of the business model adopted for managing the assets and on their contractual cash flow characteristics, including any embedded derivatives (unlike IAS 39, IFRS 9 no longer requires bifurcation). Assets held with the objective of collecting contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortized cost. Assets held with the objective of both collecting contractual cash flows and selling and at the same time having contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at fair value through other comprehensive income. Fair value through other comprehensive income results in the assets being recognized at fair value in the balance sheet and at amortized cost in the income statement. All other financial assets are measured at fair value through profit or loss. As in IAS 39, IFRS 9 includes an option to designate at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains or losses on them on different bases. Further, IFRS 9 includes an option to irrevocably elect to present fair value changes on equity instruments that are not held for trading under other comprehensive income. Such fair value changes will not subsequently be reclassified to the income statement. Dividends from such investments are recognized in the income statement if they do not represent recovery of part of the investment.

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

Provisioning for expected credit losses applies to financial assets recognized at amortized cost or at fair value through other comprehensive income, lease receivables and certain loan commitments and financial guarantee contracts. For financial assets recognized at fair value through other comprehensive income, the provisions for expected credit losses recognized in the income statement are set off against other comprehensive income, as such assets are recognized at fair value on the balance sheet. The provisioning for expected credit losses depends on whether the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly, the provision equals the expected credit losses resulting from default events that are possible within the next 12 months. If the credit risk has increased significantly, a provision equal to the lifetime-expected credit losses is recognized. Under IAS 39, only incurred credit losses are recognized.

The assessment of whether credit risk has increased significantly since initial recognition is performed by considering the change in the risk of default occurring over the remaining life of the instrument rather than by considering the increase in expected credit losses. The assessment of the expected credit losses must be unbiased and probability-weighted and must incorporate all available information, including information about past events, current conditions and forward-looking information. Under IAS 39, only incurred credit losses are recognized.

The general hedge accounting model does not fundamentally change the types of hedging relationships or the requirements to recognize ineffectiveness through profit or loss. IFRS 9 includes an option to continue to use the IAS 39 principles for hedge accounting until the IASB has finalized its project on the new macro hedge accounting.

At the Group, the IFRS 9 project is driven centrally by the Bank. The project is organized around different working groups covering the different aspects of IFRS 9 (Classification and Measurement, Impairment and Hedge accounting). Joint working groups, which all operate under the same steering committee with members from Finance, Risk and Credit and from the significant legal entities in the Group, have been set up.

The Group is currently assessing the impact of IFRS 9 on the Group's financial statements. The implementation of the principles for classification and measurement of IFRS 9 is not expected to lead to significant reclassifications between fair value and amortized cost. The allowance account will increase when provisions for expected credit losses are to be recognized since provisions will be made for at least 12 months' expected credit losses and the population of financial assets for which provisions are made for lifetime-expected credit losses will increase. Currently, provisions are made only for incurred losses. The effect of the increase in the allowance account will be recognized as a reduction in shareholders' equity as at January 1, 2018. The Group expects to continue to apply the hedge accounting under IAS 39 (until the IASB's macro hedge accounting project is finalized), but no firm decision has yet been taken. The Group expects that the impact on capital ratios will be neutralized or subject to phasing-in until international standards on the treatment for capital purposes of the expected loss provisioning have been established. The transitional approach is expected to be finalized in the EU in 2017. It is not yet possible to give a reliable estimate of the quantitative impact from the implementation of IFRS 9.

IFRS 9 introduces several new concepts, especially on the provisioning for expected credit losses. While the Group is leveraging models from the IRB framework, these concepts require interpretation and internal model development to be undertaken to make the necessary adjustments to convert the IRB parameters (PD, EAD and LGD) to be consistent with the requirements of IFRS 9. For the inclusion of forward-looking information, the Group will leverage the macroeconomic forecasts provided by the FICC research unit. The DFSA is in the process of issuing guidelines that are expected to be finalized during 2017. These guidelines may influence the Group's final choice of definitions to be applied. During 2015, the Group started to analyze the changes that will have to be implemented to the Group's modelling framework and IT systems to handle the provisioning for expected credit losses. The design of and changes to the Group's modelling framework and IT systems started in the first quarter of 2016 and will continue in 2017. The first version of the expected credit loss provisioning model is set to be finalized in the first quarter of 2017, and a parallel run will be undertaken during the remainder of 2017 to identify issues for refinement in the model during the rest of 2017. It is not yet possible to give a reliable estimate of the quantitative impact from the implementation of IFRS 9.

#### ***IFRS 15 Revenue from Contracts with Customers***

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which replaces IAS 18 *Revenue*, and other existing IFRSs on revenue recognition. Under IFRS 15, revenue is recognized when the performance obligations inherent in the contract with a customer are satisfied. The new standard also includes additional disclosure requirements.

IFRS 15 will be effective from January 1, 2018. The Group is assessing the potential impact of the new standard on revenue recognition in the Group and the consolidated financial statements. The implementation of IFRS 15 is not expected to have a significant impact on the consolidated financial statements.

#### ***IFRS 16 Leases***

In January 2016, the IASB issued IFRS 16 *Leases*, which replaces IAS 17 *Leases*. IFRS 16 will only imply insignificant changes to the accounting for lessors. For lessees, the accounting will change significantly, as all leases (except short-term leases and small asset leases) will be recognized in the balance sheet as a right-of-use asset. Initially, the lease liability and the right-of-use asset will be measured at the present value of future lease payments (defined as economically unavoidable payments). The right-of-use asset is subsequently depreciated in a way similar to depreciation of other assets, such as tangible assets (*i.e.*, typically on a straight-line basis over the lease term).

IFRS 16, which has yet to be adopted by the EU, will be effective from January 1, 2019. It is not yet possible for the Group to give an estimate of the effect on the consolidated financial statements from the changes in the accounting treatment when the Group acts as a lessee.

#### **Description of Consolidated Financial Information**

The discussion of the results of operations of the Group and its reporting segments included in this section, "*Operating and Financial Review and Prospects*," is primarily based on the financial highlights and segment reporting presentation used by the Group when presenting such information in its annual and interim reports. The presentation in the financial highlights deviates from the presentation in the consolidated financial statements of the Group and its reporting segments as described under "*Important Information for Investors—Presentation of Financial Information*." The other financial information presented in this section is based on and should be read in conjunction with the Group's audited consolidated

financial statements as at and for the years ended December 31, 2016 and 2015, including comparative figures as at and for the years ended December 31, 2015 and 2014, respectively, as well as the accompanying notes thereto, incorporated by reference into this Base Prospectus. Such consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and Danish disclosure requirements for listed financial companies.

The financial highlights and segment reporting as at and for the year ended December 31, 2015 were restated in the Group's Annual Report 2016 to reflect certain changes. Financial information that is not restated for such changes as at and for the year ended December 31, 2015 is presented under “—Review of Financial Highlights and Consolidated Financial Information for the Years Ended and as at December 31, 2015 and 2014” below and elsewhere in this section where 2015 financial information is compared to 2014 financial information, as 2014 financial information restated for the above changes is not available. Accordingly, the non-restated financial information as at and for the year ended December 31, 2015 and financial information as at and for the year ended December 31, 2014 presented in this section is not fully comparable to the financial information as at and for the year ended December 31, 2016 and the restated financial information as at and for the year ended December 31, 2015 presented in this Base Prospectus, including under “—Review of Financial Highlights and Consolidated Financial Information for the Years Ended and as at December 31, 2016 and 2015” below. See “Important Information for Investors—Presentation of Financial Information—Restatements and Reclassifications of Financial Highlights and Segment Reporting—Year Ended December 31, 2016.”

For additional information on the Group's consolidated financial information presented in this section, see “Important Information for Investors—Presentation of Financial Information.”

## Review of Financial Highlights and Consolidated Financial Information for the Years Ended and as at December 31, 2016 and 2015

### Income Statement

#### The Group

The following table sets forth a summary of the Group's results of operations (based on the Group's financial highlights and business segment presentation) for the years indicated:

	For the year ended December 31,	
	2016	2015
		(restated) <sup>(1)</sup>
	(DKK in millions)	
Net interest income*	22,028	21,402
Net fee income*	14,183	15,018
Net trading income*	8,607	6,848
Other income*	3,140	2,343
Total income*	47,959	45,611
Operating expenses*	(22,642)	(23,237)
Goodwill impairment charges	—	(4,601) <sup>(2)</sup>
Profit before loan impairment charges*	25,317	17,773
Loan impairment charges*	3	(57)
Profit before tax, core*	25,320	17,716
Profit before tax, Non-core*	37	46
Profit before tax	25,357	17,762
Tax	(5,500)	(4,639)
Net profit for the year	19,858	13,123
Net profit for the year before goodwill impairment charges*	19,858	17,724
Attributable to additional tier 1 etc	663	607

\* The table above is based on the financial highlights presentation used by the Group when presenting such information in its annual and interim reports. The line items marked with an asterisk in the table above deviate from the corresponding figures in the Group's consolidated financial statements due to reclassification of certain items as discussed in more detail under “Important Information for Investors—Presentation of Financial Information.” See notes 1(c) and 3 to the Group's audited consolidated financial statements as at and for the year ended December 31, 2016 incorporated by reference into this Base Prospectus for information on reconciling the consolidated income statements and the financial highlights presentation.

- (1) The financial highlights as at and for the year ended December 31, 2015 were restated in the Group's Annual Report 2016 to reflect the establishment of Wealth Management and Northern Ireland as separate business units and changes in the presentation of income from equity finance. For additional information, see “Important Information for Investors—Presentation of Financial Information—Restatements and Reclassifications of Financial Highlights and Segment Reporting—Year Ended December 31, 2016.”
- (2) Goodwill impairment charges for the year ended December 31, 2015 included impairment charges of DKK 4,117 million on goodwill and DKK 484 million on customer relations.

The following table sets forth the Group's profit before tax by business unit (based on the Group's financial highlights and business segment presentation) for the years indicated:

	<b>For the year ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
		<b>(restated)<sup>(1)</sup></b>
	<b>(DKK in millions)</b>	
Personal Banking .....	4,963	540
Business Banking .....	6,657	5,169
C&I .....	4,842	5,396
Wealth Management .....	4,823	4,804
Northern Ireland .....	1,063	1,281
Non-core .....	37	46
Other Activities <sup>(2)</sup> .....	<u>2,973</u>	<u>525</u>
Total Group .....	<u>25,357</u>	<u>17,762</u>

- (1) The financial highlights and business segment figures as at and for the year ended December 31, 2015 were restated in the Group's Annual Report 2016 to reflect the establishment of Wealth Management and Northern Ireland as separate business units and changes in the presentation of income from equity finance. For additional information, see "Important Information for Investors—Presentation of Financial Information—Restatements and Reclassifications of Financial Highlights and Segment Reporting—Year Ended December 31, 2016."
- (2) Profit before tax for Other Activities includes Group eliminations.

### Total Income

The Group's total income for the year ended December 31, 2016 amounted to DKK 47,959 million, an increase DKK 2,348 million, or 5.1 percent, as compared to DKK 45,611 million for the year ended December 31, 2015.

The Group's net interest income for the year ended December 31, 2016 amounted to DKK 22,028 million, an increase of DKK 626 million, or 2.9 percent, as compared to DKK 21,402 million for the year ended December 31, 2015. The increase was mainly due to lending growth and lower funding costs, which were partially offset by the competitive pressure on margins.

The Group's loans as at December 31, 2016 amounted to DKK 1,689,155 million, an increase of DKK 79,771 million, or 5.0 percent, as compared to DKK 1,609,384 million as at December 31, 2015. The increase was due to increased lending at almost all banking units.

The Group's deposits as at December 31, 2016 amounted to DKK 859,435 million, an increase of DKK 42,673 million, or 5.2 percent, as compared to DKK 816,762 million as at December 31, 2015. The increase was mainly due to increased deposits in most markets.

The Group's net fee income for the year ended December 31, 2016 amounted to DKK 14,183 million, a decrease of DKK 835 million, or 5.6 percent, as compared to DKK 15,018 million for the year ended December 31, 2015. The decrease was mainly due to decreased remortgaging activity, which normalized compared with the high level in 2015, especially during the first half of that year. Net fee income was also adversely affected by the turbulence in financial markets, which led to lower customer activity within investment products. The decrease was partially offset by higher performance fees at Wealth Management.

The Group's net trading income for the year ended December 31, 2016 amounted to DKK 8,607 million, an increase of DKK 1,759 million, or 25.7 percent, as compared to DKK 6,848 million for the year ended December 31, 2015. The increase was mainly due to good customer activity within C&I, improved market conditions, the gain on the sale of VISA Europe, and positive fair value adjustments of the liquidity and private equity portfolios. The sale of the Group's shares in Danmarks Skibskredit A/S in the fourth quarter also contributed to the increase in net trading income. In 2016, the xVA model was improved to better meet the rapidly developing market standard and regulatory requirements. The model improvements increased the estimated future counterparty exposure on derivatives, which increased the CVA, DVA and FVA, and had a net negative impact on net trading income.

The Group's other income for the year ended December 31, 2016 amounted to DKK 3,140 million, an increase of DKK 797 million, or 34.0 percent, as compared to DKK 2,343 million for the year ended December 31, 2015. The increase was mainly due to the sale of domicile properties and positive value adjustment of shares in associated companies.

### Expenses

The Group's operating expenses for the year ended December 31, 2016 amounted to DKK 22,642 million, a decrease of DKK 595 million, or 2.6 percent, as compared to DKK 23,237 million for the year ended December 31, 2015. The decrease was mainly due to the Group's ongoing efforts to reduce operating expenses, a lower net contribution to the Danish resolution fund and the Danish Guarantee Fund, and lower depreciation on intangible assets. The decrease was partially offset by increased regulatory costs and rental costs following the sale of domicile properties.

The Group's goodwill impairment charges for the year ended December 31, 2016 amounted to nil, as compared to DKK 4,601 million for the year ended December 31, 2015. The impairment charges in 2015 resulted from further worsening of the macroeconomic outlook with expectations of even lower interest rate levels than those applied in the impairment test in 2014, and an increase in the capital allocated to the banking units under the Group's new capital allocation framework that was implemented in 2016. Since the impairments are based on long-term assessments, they are not related to expected short-term developments at the individual units. For additional information on the Group's goodwill impairment charges, see "*Primary Factors Affecting the Group's Results of Operations—Impairment on Goodwill and Customer Relations*" above.

#### Loan Impairment Charges

The Group's loan impairment charges for the year ended December 31, 2016 amounted to a reversal of DKK 3 million, a change of DKK 60 million as compared to loan impairment charges of DKK 57 million for the year ended December 31, 2015. The positive change was mainly due to strengthened credit quality and stable macroeconomic conditions. The positive change was partially offset by increased impairments in the oil sector at C&I, reflecting the continuation of weak market conditions. In 2016, the Group made collective impairment charges of DKK 942 million related to the oil sector.

#### Profit Before Tax, Non-core

The Group's profit before tax, Non-core amounted to DKK 37 million for the year ended December 31, 2016, a decrease of DKK 9 million, or 19.6 percent, as compared to DKK 46 million for the year ended December 31, 2015. The decrease was mainly due to lower income resulting from the continued reduction of the loan portfolio. The decrease was partially offset by the sale of the residential mortgage loan portfolio relating to the mass personal customer business in Lithuania and Latvia.

#### Profit Before Tax

The Group's profit before tax for the year ended December 31, 2016 amounted to DKK 25,357 million, an increase of DKK 7,595 million, or 42.8 percent, as compared to DKK 17,762 million for the year ended December 31, 2015.

#### Tax

The Group's total tax charge for the year ended December 31, 2016 amounted to DKK 5,500 million, an increase of DKK 861 million, or 18.6 percent, as compared to DKK 4,639 million for the year ended December 31, 2015. The increase was mainly due to the higher profit before tax.

#### Net Profit for the Year

The Group's net profit for the year ended December 31, 2016 amounted to DKK 19,858 million, an increase of DKK 6,735 million, or 51.3 percent, as compared to DKK 13,123 million for the year ended December 31, 2015.

#### *Personal Banking*

The following table sets forth a summary of the results of operations of Personal Banking (based on the Group's financial highlights and business segment presentation) for the years indicated:

	<u>For the year ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
		<u>(restated)<sup>(1)</sup></u>
	<b>(DKK in millions)</b>	
Net interest income .....	7,660	7,909
Net fee income .....	3,306	3,494
Net trading income .....	562	517
Other income .....	613	609
Total income .....	12,141	12,529
Operating expenses .....	(7,654)	(8,444)
Goodwill impairment charges .....	—	(3,155)
Profit before loan impairment charges .....	4,486	930
Loan impairment charges .....	477	(390)
Profit before tax .....	<u>4,963</u>	<u>540</u>
Profit before tax and goodwill impairment charges .....	4,963	3,695

(1) The financial highlights and business segment figures as at and for the year ended December 31, 2015 were restated in the Group's Annual Report 2016 to reflect the establishment of Wealth Management and Northern Ireland as separate business units and changes in the presentation of income from equity finance. For additional information, see "*Important Information for Investors—Presentation of Financial Information—Restatements and Reclassifications of Financial Highlights and Segment Reporting—Year Ended December 31, 2016.*"

The following table sets forth information on Personal Banking's LTV ratio, home loans, by country as at the dates indicated:

	As at December 31,			
	2016		2015	
	Average LTV	Net credit exposure <sup>(1)</sup>	Average LTV	Net credit exposure <sup>(1)</sup>
	(percent)	(DKK in billions)	(percent)	(DKK in billions)
Denmark .....	65.5	459	67.2	453
Finland .....	60.7	83	61.9	84
Sweden .....	59.0	70	62.1	64
Norway .....	62.5	93	64.2	78
Total .....	63.9	706	65.7	679

(1) Net credit exposure includes loans, guarantees and irrevocable loan commitments. The exposure is measured net of accumulated impairment charges.

(2) The financial highlights and business segment figures as at and for the year ended December 31, 2015 were restated in the Group's Annual Report 2016 to reflect the establishment of Wealth Management and Northern Ireland as separate business units and changes in the presentation of income from equity finance. For additional information, see "Important Information for Investors—Presentation of Financial Information—Restatements and Reclassifications of Financial Highlights and Segment Reporting—Year Ended December 31, 2016."

### Profit Before Tax and Goodwill Impairment Charges

Personal Banking's profit before tax and goodwill impairment charges for the year ended December 31, 2016 amounted to DKK 4,963 million, an increase of DKK 1,268 million, or 34.3 percent, as compared to DKK 3,695 million for the year ended December 31, 2015. The increase was mainly due to declining expenses and net impairment reversals. The increase was partially offset by pressure on income due to persistently negative interest rates and activity levels that did not reach the high 2015 levels.

### Total Income

Personal Banking's total income for the year ended December 31, 2016 amounted to DKK 12,141 million, a decrease of DKK 388 million, or 3.1 percent, as compared to DKK 12,529 million for the year ended December 31, 2015.

Personal Banking's net interest income for the year ended December 31, 2016 amounted to DKK 7,660 million, a decrease of DKK 249 million, or 3.1 percent, as compared to DKK 7,909 million for the year ended December 31, 2015. The decrease was mainly due to short-term interest rates decreases in Denmark, Finland and Sweden and the associated decrease in lending margins. The decrease was partially offset by increased lending volume.

Personal Banking's loans, excluding reverse transactions before impairments, as at December 31, 2016 amounted to DKK 741,651 million, an increase of DKK 21,119 million, or 2.9 percent, as compared to DKK 720,532 million as at December 31, 2015. The increase was mainly due to good customer inflow in Norway and Sweden.

Personal Banking's deposits, excluding repo deposits, as at December 31, 2016 amounted to DKK 267,067 million, an increase of DKK 10,673 million, or 4.2 percent, as compared to DKK 256,394 million as at December 31, 2015. The increase was mainly due to higher deposits in all markets.

Personal Banking's net fee income for the year ended December 31, 2016 amounted to DKK 3,306 million, a decrease of DKK 188 million, or 5.4 percent, as compared to DKK 3,494 million for the year ended December 31, 2015. The decrease was mainly due to the decrease in remortgaging activity from the extraordinarily high level in 2015 and lower investment-related income, as market turbulence adversely affected investment volumes and customer activity. In general, activity levels picked up in the second half of 2016, although not enough to compensate for the lower levels in the first half of the year.

Personal Banking's net trading income for the year ended December 31, 2016 amounted to DKK 562 million, an increase of DKK 45 million, or 8.7 percent, as compared to DKK 517 million for the year ended December 31, 2015. The increase was mainly due to increased net trading income in Norway and Denmark, which was partially offset by decreased net trading income in Finland and Sweden.

Personal Banking's other income for the year ended December 31, 2016 amounted to DKK 613 million, an increase of DKK 4 million, or 0.7 percent, as compared to DKK 609 million for the year ended December 31, 2015.

### Expenses

Personal Banking's operating expenses for the year ended December 31, 2016 amounted to DKK 7,654 million, a decrease of DKK 790 million, or 9.4 percent, as compared to DKK 8,444 million for the year ended December 31, 2015.

The decrease was mainly due to increased efficiency and lower depreciation of intangible assets. In addition, the costs associated with the deposit guarantee scheme were replaced with a lower contribution to the Danish resolution fund.

Personal Banking's goodwill impairment charges for the year ended December 31, 2016 amounted to nil, as compared to DKK 3,155 million (including impairment charges of DKK 2,814 million on goodwill in the Personal Banking unit in Finland and DKK 341 million on customer relations in the Personal Banking unit in Finland) for the year ended December 31, 2015. The impairment charges in 2015 resulted from further worsening of the macroeconomic outlook with expectations of even lower interest rate levels than those applied in the impairment test in 2014, and an increase in the capital allocated to the banking units under the Group's new capital allocation framework that was implemented in 2016. For additional information on the Group's goodwill impairment charges, see "*Primary Factors Affecting the Group's Results of Operations—Impairment on Goodwill and Customer Relations*" above.

#### Loan Impairment Charges

Personal Banking's loan impairment charges for the year ended December 31, 2016 amounted to a reversal of DKK 477 million, a change of DKK 867 million as compared to loan impairment charges of DKK 390 million for the year ended December 31, 2015. The positive change was mainly due to more favorable macroeconomic conditions, the low level of interest rates and the Group's continued efforts to improve credit quality.

#### Profit Before Tax

Personal Banking's profit before tax for the year ended December 31, 2016 amounted to DKK 4,963 million, an increase of DKK 4,423 million as compared to DKK 540 million for the year ended December 31, 2015.

#### *Business Banking*

The following table sets forth a summary of the results of operations of Business Banking (based on the Group's financial highlights and business segment presentation) for the years indicated:

	<b>For the year ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
		<b>(restated)<sup>(1)</sup></b>
	<b>(DKK in millions)</b>	
Net interest income .....	8,427	8,309
Net fee income .....	1,629	1,864
Net trading income .....	568	606
Other income <sup>(2)</sup> .....	588	581
Total income .....	11,212	11,360
Operating expenses .....	(4,791)	(4,704)
Goodwill impairment charges .....	—	(1,296)
Profit before loan impairment charges .....	6,421	5,360
Loan impairment charges .....	235	(191)
Profit before tax .....	6,657	5,169
Profit before tax and goodwill impairment charges .....	6,657	6,465

(1) The financial highlights and business segment figures as at and for the year ended December 31, 2015 were restated in the Group's Annual Report 2016 to reflect the establishment of Wealth Management and Northern Ireland as separate business units and changes in the presentation of income from equity finance. For additional information, see "*Important Information for Investors—Presentation of Financial Information—Restatements and Reclassifications of Financial Highlights and Segment Reporting—Year Ended December 31, 2016.*"

(2) Operational leases are presented on a net basis under other income.

#### Profit Before Tax and Goodwill Impairment Charges

Business Banking's profit before tax and goodwill impairment charges for the year ended December 31, 2016 amounted to DKK 6,657 million, an increase of DKK 192 million, or 3.0 percent, as compared to DKK 6,465 million for the year ended December 31, 2015. The increase was mainly due to a net reversal of loan impairment charges resulting from improved credit quality and higher property prices.

#### Total Income

Business Banking's total income for the year ended December 31, 2016 amounted to DKK 11,212 million, a decrease of DKK 148 million, or 1.3 percent, as compared to DKK 11,360 million for the year ended December 31, 2015.

Business Banking's net interest income for the year ended December 31, 2016 amounted to DKK 8,427 million, an increase of DKK 118 million, or 1.4 percent, as compared to DKK 8,309 million for the year ended December 31, 2015. The increase was mainly due to good business momentum and increasing volumes. The increase was partially offset by low to negative interest rates and a difficult macroeconomic environment.



Business Banking's loans, excluding reverse transactions before impairments, as at December 31, 2016 amounted to DKK 662,130 million, an increase of DKK 32,221 million, or 5.1 percent, as compared to DKK 629,909 million as at December 31, 2015. The increase was mainly due to increased lending to customers in all markets.

Business Banking's deposits, excluding repo deposits, as at December 31, 2016 amounted to DKK 230,096 million, an increase of DKK 4,132 million, or 1.8 percent, as compared to DKK 225,964 million as at December 31, 2015. The increase was mainly due to increased deposits in Sweden and Norway, which was partially offset by decreased deposits in Finland.

Business Banking's net fee income for the year ended December 31, 2016 amounted to DKK 1,629 million, a decrease of DKK 235 million, or 12.6 percent, as compared to DKK 1,864 million for the year ended December 31, 2015. The decrease was mainly due to a decline in remortgaging activity from 2015, which benefited from an extraordinarily high level in the first half of the year, when declining interest rates resulted in extensive remortgaging.

Business Banking's net trading income for the year ended December 31, 2016 amounted to DKK 568 million, a decrease of DKK 38 million, or 6.3 percent, as compared to DKK 606 million for the year ended December 31, 2015. The decrease was mainly due to a decline in remortgaging activity from 2015, which benefited from an extraordinarily high level in the first half of the year, when declining interest rates resulted in extensive remortgaging.

Business Banking's other income for the year ended December 31, 2016 amounted to DKK 588 million, an increase of DKK 7 million, or 1.2 percent, as compared to DKK 581 million for the year ended December 31, 2015.

#### Expenses

Business Banking's operating expenses for the year ended December 31, 2016 amounted to DKK 4,791 million, an increase of DKK 87 million, or 1.8 percent, as compared to DKK 4,704 million for the year ended December 31, 2015. The increase was mainly due to severance pay and increased regulatory costs, which more than offset continued efficiency improvements.

Business Banking's goodwill impairment charges for the year ended December 31, 2016 amounted to nil, as compared to DKK 1,296 million (including impairment charges of DKK 1,153 million on goodwill and DKK 143 million on customer relations in the Business Banking unit in Finland) for the year ended December 31, 2015. The impairment charges in 2015 resulted from further worsening of the macroeconomic outlook with expectations of even lower interest rate levels than those applied in the impairment test in 2014, and an increase in the capital allocated to the banking units under the Group's new capital allocation framework that was implemented in 2016. For additional information on the Group's goodwill impairment charges, see "*Primary Factors Affecting the Group's Results of Operations—Impairment on Goodwill and Customer Relations*" above.

#### Loan Impairment Charges

Business Banking's loan impairment charges for the year ended December 31, 2016 amounted to a reversal of DKK 235 million, a change of DKK 426 million as compared to DKK 191 million for the year ended December 31, 2015. The increase was mainly due to net reversals in Denmark and Finland, whereas impairment charges were made in Norway. In Denmark, impairment charges were made primarily against facilities to customers in the agricultural sector, but generally positive developments in several other industries resulted in net reversals. In 2016, the Group made collective impairment charges of DKK 30 million related to the agricultural sector.

#### Profit Before Tax

Business Banking's profit before tax for the year ended December 31, 2016 amounted to DKK 6,657 million, an increase of DKK 1,488 million, or 28.8 percent, as compared to DKK 5,169 million for the year ended December 31, 2015.

## Corporates & Institutions

The following table sets forth a summary of the results of operations of C&I (based on the Group's financial highlights and business segment presentation) for the years indicated:

	<b>For the year ended December 31,</b>	
	<b>2016</b>	<b>2015</b> (restated) <sup>(1)</sup>
	<b>(DKK in millions)</b>	
Net interest income .....	3,061	2,660
Net fee income .....	2,221	2,408
Net trading income .....	5,263	4,799
Other income .....	16	7
Total income .....	10,561	9,873
Operating expenses .....	(4,648)	(4,412)
Profit before loan impairment charges .....	5,913	5,461
Loan impairment charges .....	(1,071)	(65)
Profit before tax .....	<u>4,842</u>	<u>5,396</u>

(1) The financial highlights and business segment figures as at and for the year ended December 31, 2015 were restated in the Annual Report 2016 to reflect the establishment of Wealth Management and Northern Ireland as separate business units and changes in the presentation of income from equity finance. For additional information, see "Important Information for Investors—Presentation of Financial Information—Restatements and Reclassifications of Financial Highlights and Segment Reporting—Year Ended December 31, 2016."

### Total Income

C&I's total income for the year ended December 31, 2016 amounted to DKK 10,561 million, an increase of DKK 688 million, or 7.0 percent, as compared to DKK 9,873 million for the year ended December 31, 2015.

C&I's net interest income for the year ended December 31, 2016 amounted to DKK 3,061 million, an increase of DKK 401 million, or 15.1 percent, as compared to DKK 2,660 million for the year ended December 31, 2015. The increase was mainly due to increased lending and less margin pressure than in 2015.

C&I's loans, excluding reverse transactions before impairments, as at December 31, 2016 amounted to DKK 197,212 million, an increase of DKK 25,036 million, or 14.5 percent, as compared to DKK 172,176 million as at December 31, 2015. The increase was mainly due to the increase in lending at the Corporate and Institutional Banking unit ("CIB").

C&I's deposits, excluding repo deposits, as at December 31, 2016 amounted to DKK 233,315 million, an increase of DKK 19,783 million, or 9.3 percent, as compared to DKK 213,532 million as at December 31, 2015. The increase was mainly due to the increase in deposits at CIB and the International Banking unit.

C&I's net fee income for the year ended December 31, 2016 amounted to DKK 2,221 million, a decrease of DKK 187 million, or 7.8 percent, as compared to DKK 2,408 million for the year ended December 31, 2015. The decrease was mainly due to a decline in activity early in 2016. From the second quarter of 2016, activity picked up, mainly in Debt Capital Markets and Corporate Finance.

C&I's net trading income for the year ended December 31, 2016 amounted to DKK 5,263 million, an increase of DKK 464 million, or 9.7 percent, as compared to DKK 4,799 million for the year ended December 31, 2015. The increase was mainly due to good client activity from the second quarter of 2016 onwards and improved market conditions. The increase was partially offset by an improvement to the CVA model.

C&I's other income for the year ended December 31, 2016 amounted to DKK 16 million, an increase of DKK 9 million as compared to DKK 7 million for the year ended December 31, 2015.

### Expenses

C&I's operating expenses for the year ended December 31, 2016 amounted to DKK 4,648 million, an increase of DKK 236 million, or 5.3 percent, as compared to DKK 4,412 million for the year ended December 31, 2015. The increase was mainly due to increased regulatory costs, specifically the Danish resolution fund and regulatory measures.

### Loan Impairment Charges

C&I's loan impairment charges for the year ended December 31, 2016 amounted to DKK 1,071 million, an increase of DKK 1,006 million as compared to DKK 65 million for the year ended December 31, 2015. The increase from the low level in 2015 was mainly due to charges relating to the oil sector.

### Profit Before Tax

C&I's profit before tax for the year ended December 31, 2016 amounted to DKK 4,842 million, a decrease of DKK 554 million, or 10.3 percent, as compared to DKK 5,396 million for the year ended December 31, 2015.

### *Wealth Management*

The following table sets forth a summary of the results of operations of Wealth Management (based on the Group's financial highlights and business segment presentation) for the years indicated:

	<b>For the year ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
		<b>(restated)<sup>(1)</sup></b>
	<b>(DKK in millions)</b>	
Net interest income .....	675	620
Net fee income .....	6,732	6,977
Net trading income .....	591	316
Other income .....	574	564
Total income .....	8,572	8,477
Operating expenses .....	(3,887)	(3,702)
Profit before loan impairment charges .....	4,685	4,775
Loan impairment charges .....	137	29
Profit before tax .....	<u>4,823</u>	<u>4,804</u>

(1) The financial highlights and business segment figures as at and for the year ended December 31, 2015 were restated in the Group's Annual Report 2016 to reflect the establishment of Wealth Management and Northern Ireland as separate business units and changes in the presentation of income from equity finance. For additional information, see "Important Information for Investors—Presentation of Financial Information—Restatements and Reclassifications of Financial Highlights and Segment Reporting—Year Ended December 31, 2016."

### Profit Before Tax

Wealth Management's profit before tax for the year ended December 31, 2016 amounted to DKK 4,823 million, an increase of DKK 19 million, or 0.4 percent, as compared to DKK 4,804 million for the year ended December 31, 2015. The profit before tax was influenced by the volatile market conditions in 2016, especially in the first half of the year, which reduced assets under management and net fee income. However, the second half of 2016 saw volume improvements and stronger earnings.

### Total Income

Wealth Management's total income for the year ended December 31, 2016 amounted to DKK 8,572 million, an increase of DKK 95 million, or 1.1 percent, as compared to DKK 8,477 million for the year ended December 31, 2015.

Wealth Management's net interest income for the year ended December 31, 2016 amounted to DKK 675 million, an increase of DKK 55 million, or 8.9 percent, as compared to DKK 620 million for the year ended December 31, 2015. The increase was mainly due to increased lending volumes.

Wealth Management's loans, excluding reverse transactions before impairments, as at December 31, 2016 amounted to DKK 72,473 million, an increase of DKK 4,074 million, or 6.0 percent, as compared to DKK 68,399 million as at December 31, 2015. The increase was mainly due to growth in most markets.

Wealth Management's deposits, excluding repo deposits, as at December 31, 2016 amounted to DKK 62,881 million, an increase of DKK 9,969 million, or 18.8 percent, as compared to DKK 52,912 million as at December 31, 2015. The increase was mainly due to growth in Denmark, Sweden and Luxembourg.

Wealth Management's net fee income for the year ended December 31, 2016 amounted to DKK 6,732 million, a decrease of DKK 245 million, or 3.5 percent, as compared to DKK 6,977 million for the year ended December 31, 2015. The decrease was mainly due to lower management fees and risk allowance fees due to lower customer activity resulting from the turbulence in the financial markets.

Wealth Management's net trading income for the year ended December 31, 2016 amounted to DKK 591 million, an increase of DKK 275 million, or 87.0 percent, as compared to DKK 316 million for the year ended December 31, 2015. The increase was mainly due to income relating to insurance contracts.

Wealth Management's other income for the year ended December 31, 2016 amounted to DKK 574 million, an increase of DKK 10 million, or 1.8 percent, as compared to DKK 564 million for the year ended December 31, 2015.

## Expenses

Wealth Management's operating expenses for the year ended December 31, 2016 amounted to DKK 3,887 million, an increase of DKK 185 million, or 5.0 percent, as compared to DKK 3,702 million for the year ended December 31, 2015. The increase was mainly due to the establishment of the business unit.

## Loan Impairment Charges

Wealth Management's loan impairment charges for the year ended December 31, 2016 amounted to a reversal of DKK 137 million, an increase of DKK 108 million as compared to a reversal of DKK 29 million for the year ended December 31, 2015. The increase was mainly due to strengthened credit quality.

## Northern Ireland

The following table sets forth a summary of the results of operations of Northern Ireland (based on the Group's financial highlights and business segment presentation) for the years indicated:

	<b>For the year ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
		<b>(restated)<sup>(1)</sup></b>
	<b>(DKK in millions)</b>	
Net interest income .....	1,458	1,620
Net fee income .....	471	487
Net trading income .....	126	118
Other income .....	18	14
Total income .....	2,072	2,239
Operating expenses .....	(1,243)	(1,369)
Goodwill impairment charges .....	—	(150)
Profit before loan impairment charges .....	829	720
Loan impairment charges .....	234	561
Profit before tax .....	<u>1,063</u>	<u>1,281</u>
Profit before tax and goodwill impairment charges .....	<u>1,063</u>	<u>1,431</u>

(1) The financial highlights and business segment figures as at and for the year ended December 31, 2015 were restated in the Group's Annual Report 2016 to reflect the establishment of Wealth Management and Northern Ireland as separate business units and changes in the presentation of income from equity finance. For additional information, see "Important Information for Investors—Presentation of Financial Information—Restatements and Reclassifications of Financial Highlights and Segment Reporting—Year Ended December 31, 2016."

## Profit Before Tax and Goodwill Impairment Charges

Northern Ireland's profit before tax and goodwill impairment charges for the year ended December 31, 2016 amounted to DKK 1,063 million, a decrease of DKK 368 million, or 25.7 percent, as compared to DKK 1,431 million for the year ended December 31, 2015. The decrease was mainly due to movements in the British pound sterling to Danish Kroner exchange rate and reduced loan impairment reversals. In local currency, profit before loan and goodwill impairment charges increased 8 percent.

## Total Income

Northern Ireland's total income for the year ended December 31, 2016 amounted to DKK 2,072 million, a decrease of DKK 167 million, or 7.5 percent, as compared to DKK 2,239 million for the year ended December 31, 2015.

Northern Ireland's net interest income for the year ended December 31, 2016 amounted to DKK 1,458 million, a decrease of DKK 162 million, or 10.0 percent, as compared to DKK 1,620 million for the year ended December 31, 2015. In local currency, net interest income decreased by 1 percent, primarily due to lower funding costs and balance sheet growth, which were partially offset by interest reductions in the U.K. in the third quarter of 2016.

Northern Ireland's loans, excluding reverse transactions before impairments, as at December 31, 2016 amounted to DKK 45,575 million, a decrease of DKK 6,650 million, or 12.7 percent, as compared to DKK 52,225 million as at December 31, 2015. Loan impairments continued to show a net reversal; however, reversals were lower in 2016 than in 2015.

Northern Ireland's deposits, excluding repo deposits, as at December 31, 2016 amounted to DKK 59,244 million, a decrease of DKK 4,357 million, or 6.9 percent, as compared to DKK 63,601 million as at December 31, 2015. In local currency, deposits increased.

Northern Ireland's net fee income for the year ended December 31, 2016 amounted to DKK 471 million, a decrease of DKK 16 million, or 3.3 percent, as compared to DKK 487 million for the year ended December 31, 2015. In local currency, net fee income increased due to higher card-related income.

Northern Ireland's net trading income for the year ended December 31, 2016 amounted to DKK 126 million, an increase of DKK 8 million, or 6.8 percent, as compared to DKK 118 million for the year ended December 31, 2015. The increase was mainly due to the sale of VISA Europe.

Northern Ireland's other income for the year ended December 31, 2016 amounted to DKK 18 million, an increase of DKK 4 million, or 28.6 percent, as compared to DKK 14 million for the year ended December 31, 2015.

#### Expenses

Northern Ireland's operating expenses for the year ended December 31, 2016 amounted to DKK 1,243 million, a decrease of DKK 126 million, or 9.2 percent, as compared to DKK 1,369 million for the year ended December 31, 2015. In local currency, operating expenses increased 3 percent, with lower underlying costs offset by restructuring costs and higher indirect taxation costs following a change in VAT requirements in 2016.

#### Loan Impairment Charges

Northern Ireland's loan impairment charges amounted to a reversal of DKK 234 million for the year ended December 31, 2016, a decrease of DKK 327 million, or 58.3 percent, as compared to a reversal of DKK 561 million for the year ended December 31, 2015. The reversal was mainly due to continuing recovery in property values and the improvement of customer financials.

#### Profit Before Tax

Northern Ireland's profit before tax for the year ended December 31, 2016 amounted to DKK 1,063 million, a decrease of DKK 218 million, or 17.0 percent, as compared to DKK 1,281 million for the year ended December 31, 2015.

#### *Non-core*

The following table sets forth a summary of the results of operations of Non-core (based on the Group's financial highlights and business segment presentation) for the years indicated:

	<b>For the year ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
		<b>(restated)<sup>(1)</sup></b>
	<b>(DKK in millions)</b>	
Total income .....	235	334
Operating expenses .....	(363)	(406)
Profit (loss) before loan impairment charges .....	(128)	(72)
Loan impairment charges .....	165	118
Profit before tax .....	<u>37</u>	<u>46</u>

(1) The financial highlights and business segment figures as at and for the year ended December 31, 2015 were restated in the Group's Annual Report 2016 to reflect the establishment of Wealth Management and Northern Ireland as separate business units and changes in the presentation of income from equity finance. For additional information, see "Important Information for Investors—Presentation of Financial Information—Restatements and Reclassifications of Financial Highlights and Segment Reporting—Year Ended December 31, 2016."

#### Profit Before Tax

Non-core's profit before tax for the year ended December 31, 2016 amounted to DKK 37 million, a decrease of DKK 9 million, or 19.6 percent as compared to DKK 46 million for the year ended December 31, 2015. The decrease was mainly due to lower income resulting from the continued reduction of the loan portfolio. The profit before tax benefited from the sale of the residential mortgage loan portfolio relating to the mass personal customer business in Lithuania and Latvia.

#### Total Income

Non-core's total income for the year ended December 31, 2016 amounted to DKK 235 million, a decrease of DKK 99 million, or 29.6 percent, as compared to DKK 334 million for the year ended December 31, 2015.

#### Operating Expenses

Non-core's operating expenses for the year ended December 31, 2016 amounted to DKK 363 million, a decrease of DKK 43 million, or 10.6 percent, as compared to DKK 406 million for the year ended December 31, 2015. The decrease was mainly due to the continued reduction in the number of full-time employees.

#### Loan Impairment Charges

Non-core's loan impairment charges for the year ended December 31, 2016 amounted to a reversal of DKK 165 million, an increase of DKK 47 million, or 39.8 percent, as compared to a reversal of DKK 118 million for the year ended

December 31, 2015. Reversals within the commercial property portfolio in Ireland were lower, but this was offset by a reversal resulting from the completion of the sale of the Non-core mass personal customer business in Lithuania and Latvia.

#### *Other Activities*

The following table sets forth a summary of the results of operations of Other Activities (based on the Group's financial highlights and business segment presentation) for the years indicated:

	<b>For the year ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
		<b>(restated)<sup>(1)</sup></b>
	<b>(DKK in millions)</b>	
Net interest income .....	747	284
Net fee income/(expense) .....	(175)	(212)
Net trading income .....	1,498	492
Other income .....	<u>1,331</u>	<u>568</u>
Total income .....	3,401	1,132
Operating expenses .....	(419)	(606)
Profit before loan impairment charges .....	2,982	526
Loan impairment charges .....	<u>(9)</u>	<u>(1)</u>
Profit before tax .....	<u>2,973</u>	<u>525</u>

*Note:* The presentation of Other Activities includes Group eliminations.

(1) The financial highlights and business segment figures as at and for the year ended December 31, 2015 were restated in the Group's Annual Report 2016 to reflect the establishment of Wealth Management and Northern Ireland as separate business units and changes in the presentation of income from equity finance. For additional information, see "Important Information for Investors—Presentation of Financial Information—Restatements and Reclassifications of Financial Highlights and Segment Reporting—Year Ended December 31, 2016."

The following table sets forth a breakdown of Other Activities' profit/loss before tax (based on the Group's financial highlights and business segment presentation) for the years indicated:

	<b>For the year ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
	<b>(DKK in millions)</b>	
Group Treasury .....	2,005	286
Own shares .....	(135)	(154)
Group support functions .....	<u>1,103</u>	<u>393</u>
Total Other Activities .....	<u>2,973</u>	<u>525</u>

*Note:* Profit before tax for Other Activities includes Group eliminations.

Other Activities' total income for the year ended December 31, 2016 amounted to DKK 3,401 million, an increase of DKK 2,269 million as compared to DKK 1,132 million for the year ended December 31, 2015.

Group Treasury recorded a profit of DKK 2,005 million for the year ended December 31, 2016, an increase of DKK 1,719 million as compared to DKK 286 million for the year ended December 31, 2015. The increase was mainly due to the gain on the sale of VISA Europe and the shares in Danmarks Skibskredit A/S, as well as positive fair value adjustments of the liquidity portfolio and the private equity portfolio.

A loss of DKK 135 million was recorded from the Bank's own shares for the year ended December 31, 2016, an improvement of DKK 19 million, or 12.3 percent, as compared to a loss of DKK 154 million for the year ended December 31, 2015. The improvement was mainly due to a reduction in the trading portfolio of own shares.

Group support functions recorded a profit of DKK 1,103 million for the year ended December 31, 2016, a change of DKK 710 million as compared to DKK 393 million for the year ended December 31, 2015. The change was mainly due to a gain from the sale of the majority of the Danish domicile properties.

Other Activities' profit before tax for the year ended December 31, 2016 amounted to DKK 2,973 million, an increase of DKK 2,448 million as compared to DKK 525 million for the year ended December 31, 2015.

## Balance Sheet

The following table sets forth the Group's balance sheet data (prepared in accordance with IFRS as adopted by the EU and Danish disclosure requirements for listed financial companies) as at the dates indicated:

	As at December 31,	
	2016	2015
	(DKK in millions)	
<b>Assets</b>		
Cash in hand and demand deposits with central banks .....	53,211	76,837
Due from credit institutions and central banks .....	245,479	103,859
Trading portfolio assets .....	509,679	547,019
Investment securities .....	343,337	343,304
Loans at amortized cost .....	1,141,567	1,079,257
Loans at fair value .....	766,003	741,660
Assets under pooled schemes and unit-linked investment contracts .....	99,848	91,893
Assets under insurance contracts .....	285,398	265,572
Intangible assets .....	6,790	6,505
Tax assets .....	1,283	1,550
Other assets .....	31,075	35,422
Total assets .....	<u>3,483,670</u>	<u>3,292,878</u>
<b>Equity and liabilities</b>		
Due to credit institutions and central banks .....	272,883	271,588
Trading portfolio liabilities .....	478,301	471,131
Deposits .....	943,865	863,474
Bonds issued by Realkredit Danmark .....	726,732	694,519
Deposits under pooled schemes and unit-linked investment contracts .....	106,418	96,958
Liabilities under insurance contracts .....	314,977	285,030
Other issued bonds .....	392,512	363,931
Tax liabilities .....	8,151	8,333
Other liabilities .....	35,385	37,093
Subordinated debt .....	37,831	39,991
Total liabilities .....	<u>3,317,055</u>	<u>3,132,048</u>
Total equity .....	<u>166,615</u>	<u>160,830</u>
Total liabilities and equity .....	<u>3,483,670</u>	<u>3,292,878</u>

### Assets

As at December 31, 2016, the Group's total assets amounted to DKK 3,483,670 million, an increase of DKK 190,792 million, or 5.8 percent, as compared to DKK 3,292,878 million as at December 31, 2015. The increase was primarily due to an increase in amounts due from credit institutions and central banks related to the Group's funding. As at December 31, 2016, total lending was up 5 percent from the level as at December 31, 2015. Lending increased at almost all banking units. In Denmark, new gross lending, excluding repo loans, amounted to DKK 87.0 billion as at December 31, 2016, of which lending to personal customers accounted for DKK 36.9 billion.

### Liabilities

As at December 31, 2016, the Group's total liabilities amounted to DKK 3,317,055 million, an increase of DKK 185,007 million, or 5.9 percent, as compared to DKK 3,132,048 million as at December 31, 2015. The increase was primarily due to an increase of deposits and bonds issued by Realkredit Danmark, liabilities under insurance contracts and other issued bonds. As at December 31, 2016, total deposits were up 9 percent from the level as at December 31, 2015, with increases in most markets.

### Equity

As December 31, 2016, the Group's total equity amounted to DKK 166,615 million, an increase of DKK 5,785 million, or 3.6 percent, as compared to DKK 160,830 million as at December 31, 2015.

The Group's return on average shareholders' equity was 13.1 percent for the year ended December 31, 2016, as compared to 8.5 percent for the year ended December 31, 2015. The Group's earnings per share for the year ended December 31, 2016 were DKK 20.2, as compared to DKK 12.8 for the year ended December 31, 2015. The increase was primarily due to lower goodwill impairment charges and an improved result in Personal Banking.

## Cash Flows

The following table sets forth the Group's cash flow data as at the dates and for the years indicated:

	As at and for the year ended December 31,	
	2016	2015
	(DKK in millions)	
<b>Cash flow from operations</b>		
Profit before tax .....	25,358	17,762
Tax paid .....	(4,961)	(4,770)
Adjustment for non-cash operating items .....	477	6,858
Total .....	20,874	19,850
<b>Changes in operating capital</b>		
Amounts due to/from credit institutions and central banks .....	1,543	(56,229)
Trading portfolio .....	44,510	115,996
Acquisition/sale of own shares and additional tier 1 capital .....	62	15
Other financial instruments .....	23,925	(24,083)
Loans at amortized cost .....	(62,141)	13,706
Loans at fair value .....	(24,343)	(51)
Deposits .....	80,391	(102,722)
Bonds issued by Realkredit Danmark .....	32,213	38,553
Assets/liabilities under insurance contracts .....	10,122	593
Other assets/liabilities .....	5,608	34,704
Cash flow from operations .....	132,764	40,332
<b>Cash flow from investing activities</b>		
Acquisition/sale of businesses .....	1,226	11
Acquisition of intangible assets .....	(756)	(626)
Acquisition of tangible assets .....	(288)	(378)
Sale of tangible assets .....	2,988	661
Cash flow from investing activities .....	3,170	(332)
<b>Cash flow from financing activities</b>		
Issues of subordinated debt .....	–	3,725
Redemption of subordinated debt .....	–	(5,212)
Dividends .....	(7,758)	(5,494)
Share buy-back program <sup>(1)</sup> .....	(8,083)	(5,000)
Issued additional tier 1 capital .....	2,970	5,527
Paid interest on additional tier 1 capital .....	(649)	(529)
Change in non-controlling interests .....	–	(2)
Cash flow from financing activities .....	(13,520)	(6,985)
Cash and cash equivalents at January 1 .....	178,835	143,543
Foreign currency translation .....	(4,171)	2,277
Change in cash and cash equivalents .....	122,414	33,015
Cash and cash equivalents, end of period .....	297,078	178,835
<b>Cash and cash equivalents end of period</b>		
Cash in hand .....	9,332	10,638
Demand deposits with central banks .....	43,879	66,199
Amounts due from credit institutions and central banks within three months .....	243,867	101,998
Total .....	297,078	178,835

*Note:* The cash flow statement is prepared 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 as well as amounts due from credit institutions and central banks with an original maturity shorter than three months.

The list of Group holdings and undertakings in note 35 to the Group's audited consolidated financial statements as at and for the year ended December 31, 2016 incorporated by reference into this Base Prospectus provides information about restrictions on the use of cash flows from Group undertakings.

(1) Shares acquired under the share buy-back program are recognized at settlement date.

Total cash inflow from operations was DKK 132,764 million for the year ended December 31, 2016, an increase of DKK 92,432 million as compared to DKK 40,332 million for the year ended December 31, 2015. The increase was primarily attributable to decreased cash outflow from amounts due to/from credit institutions and central banks due to a reduction of the bond portfolio in 2015 and increased cash inflow from deposits mainly in Denmark and repos and other financial instruments due to a net reduction of the bond portfolio, which was partially offset by decreased cash inflow from trading portfolio due to a lower reduction of the bond portfolio than in 2015 and increased cash outflow from loans at amortized cost due to increased lending mainly in Norway and Sweden.



Total cash inflow from investing activities was DKK 3,170 million for the year ended December 31, 2016, a change of DKK 3,502 million as compared to cash outflow of DKK 332 million for the year ended December 31, 2015. The change was primarily attributable to increased cash inflow from acquisition/sale of businesses due to the sale of the Bank's shares in Danmarks Skibskredit A/S and sale of tangible assets due to the sale of the majority of the Danish domicile properties.

Total cash outflow from financing activities was DKK 13,520 million for the year ended December 31, 2016, an increase of DKK 6,535 million, or 93.6 percent, as compared to DKK 6,985 million for the year ended December 31, 2015. The increase was primarily due to increased cash outflows from dividends and share buy-back program and lower net issues of subordinated debt and additional tier 1 capital.

## Review of Financial Highlights and Consolidated Financial Information for the Years Ended and as at December 31, 2015 and 2014

### Income Statement

#### The Group

The following table sets forth a summary of the Group's results of operations (based on the Group's financial highlights and business segment presentation) for the years indicated:

	For the year ended December 31,	
	2015	2014
		(restated) <sup>(1)(2)</sup>
	(DKK in millions)	
Net interest income*	21,476	22,313
Net fee income*	12,122	11,154
Net trading income*	6,933	6,693
Other income*	1,778	1,344
Net income from insurance business*	<u>1,892</u>	<u>2,496</u>
Total income*	44,201	44,000
Operating expenses*	(21,827)	(22,641)
Goodwill impairment charges	<u>(4,601)<sup>(3)</sup></u>	<u>(9,099)</u>
Profit before loan impairment charges*	17,773	12,260
Loan impairment charges*	<u>(57)</u>	<u>(2,788)</u>
Profit before tax, core*	17,716	9,472
Profit before tax, Non-core*	<u>46</u>	<u>(1,503)</u>
Profit before tax	17,762	7,969
Tax	<u>(4,639)</u>	<u>(4,020)</u>
Net profit for the year	13,123	3,948
Net profit for the year before goodwill impairment charges*	<u>17,724</u>	<u>13,047</u>
Attributable to additional tier 1 etc	607	261

\* The table above is based on the financial highlights presentation used by the Group when presenting such information in its annual and interim reports. The line items marked with an asterisk in the table above deviate from the corresponding figures in the Group's consolidated financial statements due to reclassification of certain items as discussed in more detail under "Important Information for Investors—Presentation of Financial Information." See notes 1(c) and 3 to the Group's audited consolidated financial statements as at and for the year ended December 31, 2015 incorporated by reference into this Base Prospectus for information on reconciling the consolidated income statements and the financial highlights presentation.

- (1) As at December 31, 2015, the Group had a pension scheme for approximately 200 current and 1,100 former employees of the Bank held with the Danica Group. The Bank has guaranteed a real return on policyholders' savings. In continuation of a dialogue with the DFSA, the Danica Group changed the accounting treatment in its annual report 2014 from net presentation and measurement of the scheme and the financial guarantee to gross presentation and measurement with the financial guarantee recognized as an asset at an amount representing the expected payments. As a result of the change, the Group's net profit for 2014 increased by DKK 103 million, comprising an increase in net trading income of DKK 134 million and a decrease in tax of DKK 31 million. For additional information, see note 2(a) to the Group's audited consolidated financial statements as at and for the year ended December 31, 2015 incorporated by reference into this Base Prospectus.
- (2) The Group's liquidity portfolio was transferred from FICC (part of C&I) to Group Treasury (part of Other Activities) during the third quarter of 2014. At FICC, the cost of holding the liquidity portfolio was booked under net trading income. At Group Treasury, the cost has been borne by the internal bank and booked under net interest income from January 1, 2015 and the financial highlights for 2014 have been restated. Further, the restatement covers a change in the disclosure of the internal bank result. Prior to the Group's Annual Report 2015, brokerage and debt capital markets fees were disclosed as net trading income. Income from those services is net fee income and is disclosed as such from January 1, 2015. The Group has decided to exit the Personal Banking operations in the Baltics. Consequently, Baltic Personal Banking customers have been transferred to the Non-core unit from January 1, 2015. Comparative figures for 2014 have been restated, except for the transfer of the Baltic Personal Banking customers as the effect is immaterial. For additional information, see note 2(a) to the Group's audited consolidated financial statements as at and for the year ended December 31, 2015 incorporated by reference into this Base Prospectus.
- (3) Goodwill impairment charges for the year ended December 31, 2015 included impairment charges of DKK 4,117 million on goodwill and DKK 484 million on customer relations.

The following table sets forth the Group's profit before tax by business unit (based on the Group's financial highlights and business segment presentation) for the years indicated:

	<b>For the year ended December 31,</b>	
	<b>2015</b>	<b>2014</b> <b>(restated)<sup>(1)(2)</sup></b>
	<b>(DKK in millions)</b>	
Personal Banking .....	1,832	(891)
Business Banking .....	6,296	2,174
C&I .....	5,396	4,135
Danske Capital .....	1,649	1,406
Danica Pension .....	1,892	2,496
Non-core .....	46	(1,503)
Other Activities <sup>(3)</sup> .....	651	151
Total Group .....	<u>17,762</u>	<u>7,969</u>

- (1) As at December 31, 2015, the Group had a pension scheme for approximately 200 current and 1,100 former employees of the Bank held with the Danica Group. The Bank has guaranteed a real return on policyholders' savings. In continuation of a dialogue with the DFSA, the Danica Group changed the accounting treatment in its annual report 2014 from net presentation and measurement of the scheme and the financial guarantee to gross presentation and measurement with the financial guarantee recognized as an asset at an amount representing the expected payments. For additional information, see note 2(a) to the Group's audited consolidated financial statements as at and for the year ended December 31, 2015 incorporated by reference into this Base Prospectus.
- (2) The Group's liquidity portfolio was transferred from FICC (part of C&I) to Group Treasury (part of Other Activities) during the third quarter of 2014. At FICC, the cost of holding the liquidity portfolio was booked under net trading income. At Group Treasury, the cost has been borne by the internal bank and booked under net interest income from January 1, 2015 and the financial highlights for 2014 have been restated. Further, the restatement covers a change in the disclosure of the internal bank result. Prior to the Group's Annual Report 2015, brokerage and debt capital markets fees were disclosed as net trading income. Income from those services is net fee income and is disclosed as such from January 1, 2015. The Group has decided to exit the Personal Banking operations in the Baltics. Consequently, Baltic Personal Banking customers have been transferred to the Non-core unit from January 1, 2015. Comparative figures for 2014 have been restated, except for the transfer of the Baltic Personal Banking customers as the effect is immaterial. For additional information, see note 2(a) to the Group's audited consolidated financial statements as at and for the year ended December 31, 2015 incorporated by reference into this Base Prospectus.
- (3) Profit before tax for Other Activities includes Group eliminations.

#### Total Income

The Group's total income for the year ended December 31, 2015 amounted to DKK 44,201 million, a slight increase of DKK 201 million as compared to DKK 44,000 million for the year ended December 31, 2014.

The Group's net interest income for the year ended December 31, 2015 amounted to DKK 21,476 million, a decrease of DKK 837 million, or 4 percent, as compared to DKK 22,313 million for the year ended December 31, 2014. The decrease was mainly due to continued pressure on deposit margins and net interest income due to negative short-term interest rates. Lending volume growth and lower funding costs partly offset this pressure.

The Group's loans as at December 31, 2015 amounted to DKK 1,609,384 million, an increase of DKK 45,655 million, or 3 percent, as compared to DKK 1,563,729 million as at December 31, 2014. The increase was mainly due to increases at almost all banking units.

The Group's deposits as at December 31, 2015 amounted to DKK 816,762 million, an increase of DKK 53,321 million, or 7 percent, as compared to DKK 763,441 million as at December 31, 2014. The increase was mainly due to an increase in the deposits at C&I as discussed under "*—Corporates & Institutions—Total Income*" below.

The Group's net fee income for the year ended December 31, 2015 amounted to DKK 12,122 million, an increase of DKK 968 million, or 9 percent, as compared to DKK 11,154 million for the year ended December 31, 2014. The increase was mainly due to extensive mortgage refinancing in the first half of 2015, stronger customer activity at the banking units and positive developments at Danske Capital as discussed under "*—Danske Capital—Total Income*" below.

The Group's net trading income for the year ended December 31, 2015 amounted to DKK 6,933 million, an increase of DKK 240 million, or 4 percent, as compared to DKK 6,693 million for the year ended December 31, 2014. The increase was mainly due to high client activity owing to volatility in the financial markets, whereas activity in the second half was somewhat lower. The Group's net trading income for the year ended December 31, 2014 included a gain of DKK 1.0 billion from the sale of the Group's shares in Nets Holding A/S ("**Nets**") in July 2014.

The Group's other income for the year ended December 31, 2015 amounted to DKK 1,778 million, an increase of DKK 434 million, or 32 percent, as compared to DKK 1,344 million for the year ended December 31, 2014. The increase was mainly due to a refund in 2015 of payroll tax paid in previous years and gains on property sales.

The Group's net income from insurance business for the year ended December 31, 2015 amounted to DKK 1,892 million, a decrease of DKK 604 million, or 24 percent, as compared to DKK 2,496 million for the year ended December 31, 2014. The decrease was mainly due to a reduction in the amount booked to income from the shadow

account from DKK 0.6 billion in 2014 to DKK 0.2 billion in 2015. In addition, the result for 2015 was influenced by a payment of DKK 0.3 billion in special allotments triggered in particular by dividends of DKK 3.9 billion from the Danica Group to the Bank. The full risk allowance for all four interest rate groups was booked in 2015 and 2014.

#### Expenses

The Group's operating expenses for the year ended December 31, 2015 amounted to DKK 21,827 million, a decrease of DKK 814 million, or 4 percent, as compared to DKK 22,641 million for the year ended December 31, 2014. The decrease was mainly due to the Group's continuing cost-efficiency measures, which more than offset the increased costs from higher customer activity.

The Group's goodwill impairment charges for the year ended December 31, 2015 amounted to DKK 4,601 million (including impairment charges of DKK 4,117 million on goodwill in the banking units in Finland and Northern Ireland and DKK 484 million on customer relations in the banking units in Finland), a decrease of DKK 4,498 million, or 49 percent, as compared to DKK 9,099 million for the year ended December 31, 2014. The impairment charges in 2015 are discussed under "*—Review of Financial Highlights and Consolidated Financial Information for the Years Ended and as at December 31, 2016 and 2015—Income Statement—The Group—Expenses*" above. The goodwill impairment charges in 2014 in Finland were the result of a weaker long-term economic outlook in Finland and changes in the assumptions on deposit margins. The goodwill impairment charges in Northern Ireland and Estonia in 2014 were the result of the positioning of the Group as a Nordic universal bank as well as changes in the assumptions on deposit margins in Northern Ireland. For additional information on the Group's goodwill impairment charges, see "*—Primary Factors Affecting the Group's Results of Operations—Impairment on Goodwill and Customer Relations*" above.

The Group's expenses for VAT and payroll tax for the year ended December 31, 2015 amounted to DKK 1.9 billion, a decrease of 0.3 billion, or 14 percent, as compared to DKK 2.2 billion for the year ended December 31, 2014.

#### Loan Impairment Charges

The Group's loan impairment charges amounted to DKK 57 million for the year ended December 31, 2015, a decrease of DKK 2,731 million, or 98 percent, as compared to DKK 2,788 million for the year ended December 31, 2014. The decrease was mainly due to the Group's work to improve credit quality as well as improved macroeconomic conditions. This positive development took place at all business units, and despite increased impairment charges towards the agricultural and oil sectors. In 2015, the Group made collective impairment charges of DKK 1,119 million to cover the risk of additional deterioration in these sectors (DKK 769 million for the agricultural sector and DKK 350 million for the oil sector).

#### Profit Before Tax, Non-core

The Group's profit before tax, Non-core amounted to DKK 46 million for the year ended December 31, 2015, a change of DKK 1,549 million as compared to loss before tax, Non-core of DKK 1,503 million for the year ended December 31, 2014. The change was mainly due to a combination of higher income, lower expenses and reversals of impairments as the Irish property portfolio continued to unwind.

#### Profit Before Tax

The Group's profit before tax for the year ended December 31, 2015 amounted to DKK 17,762 million, an increase of DKK 9,793 million as compared to DKK 7,969 million for the year ended December 31, 2014.

#### Tax

The Group's total tax charge for the year ended December 31, 2015 amounted to DKK 4,639 million, an increase of DKK 619 million, or 15 percent, as compared to DKK 4,020 million for the year ended December 31, 2014. The increase was mainly due to higher net profit, which was partly offset by positive adjustments of DKK 0.3 billion regarding prior years.

#### Net Profit for the Year

The Group's net profit for the year ended December 31, 2015 amounted to DKK 13,123 million, an increase of DKK 9,175 million as compared to DKK 3,948 million for the year ended December 31, 2014.

## Personal Banking

The following table sets forth a summary of the results of operations of Personal Banking (based on the Group's financial highlights and business segment presentation) for the years indicated:

	For the year ended December 31,	
	2015	2014
	(DKK in millions)	
Net interest income .....	9,416	10,764
Net fee income .....	5,108	4,567
Net trading income .....	724	723
Other income .....	610	632
Total income .....	15,858	16,686
Operating expenses .....	(10,389)	(10,626)
Goodwill impairment charges .....	(3,305)	(5,539)
Profit before loan impairment charges .....	2,164	521
Loan impairment charges .....	(332)	(1,412)
Profit (loss) before tax .....	1,832	(891)
Profit before tax and goodwill impairment charges .....	5,137	4,648

The following table sets forth information on Personal Banking's LTV ratio, home loans, by country as at the dates indicated:

	As at December 31,			
	2015		2014	
	Average LTV (percent)	Net credit exposure (DKK in billions)	Average LTV (percent)	Net credit exposure (DKK in billions)
Denmark .....	66.8	489	72.9	500
Finland .....	62.0	86	61.3	84
Sweden .....	62.2	67	65.8	61
Norway .....	64.0	84	63.5	65
Northern Ireland .....	66.2	18	71.3	17
Average .....	<u>65.5</u>		<u>70.1</u>	

### Profit Before Tax and Goodwill Impairment Charges

Personal Banking's profit before tax and goodwill impairment charges for the year ended December 31, 2015 amounted to DKK 5,137 million, an increase of DKK 489 million, or 11 percent, as compared to DKK 4,648 million for the year ended December 31, 2014. The return on allocated capital before goodwill impairment charges improved 6.4 percentage points to 20.8 percent. The main reasons were higher net fee income, cost control and lower loan impairment charges. The increase was partly offset by continued pressure on net interest income due to negative short-term interest rates in Denmark, Finland and Sweden and a decline in rates in other markets.

### Total Income

Personal Banking's total income for the year ended December 31, 2015 amounted to DKK 15,858 million, a decrease of DKK 828 million, or 5 percent, as compared to DKK 16,686 million for the year ended December 31, 2014.

Personal Banking's net interest income for the year ended December 31, 2015 amounted to DKK 9,416 million, a decrease of DKK 1,348 million, or 13 percent, as compared to DKK 10,764 million for the year ended December 31, 2014. The decrease was mainly due to considerable pressure on deposit margins resulting from the decline in short-term interest rates.

Personal Banking's loans, excluding reverse transactions before impairments, as at December 31, 2015 amounted to DKK 808,453 million, an increase of DKK 14,390 million, or 2 percent, as compared to DKK 794,063 million as at December 31, 2014. The increase was mainly due to higher demand for credit facilities in Norway.

Personal Banking's deposits, excluding repo deposits, as at December 31, 2015 amounted to DKK 346,920 million, an increase of DKK 17,457 million, or 5 percent, as compared to DKK 329,463 million as at December 31, 2014. The increase was due to higher deposits in all markets.

Personal Banking's net fee income for the year ended December 31, 2015 amounted to DKK 5,108 million, an increase of DKK 541 million, or 12 percent, as compared to DKK 4,567 million for the year ended December 31, 2014. The increase was mainly due to strong customer remortgaging activity in Denmark, in particular in the first half of 2015.

Personal Banking's net trading income for the year ended December 31, 2015 amounted to DKK 724 million, an increase of DKK 1 million as compared to DKK 723 million for the year ended December 31, 2014. The increase was mainly due to high customer interest in investment solutions driven by the historically low deposit rates in all markets. In addition, net trading income was supported by strong customer remortgaging activity in Denmark and the high level of customer activity, in particular in the first half of 2015.

Personal Banking's other income for the year ended December 31, 2015 amounted to DKK 610 million, a decrease of DKK 22 million, or 3 percent, as compared to DKK 632 million for the year ended December 31, 2014.

#### Expenses

Personal Banking's operating expenses for the year ended December 31, 2015 amounted to DKK 10,389 million, a decrease of DKK 237 million, or 2 percent, as compared to DKK 10,626 million for the year ended December 31, 2014. The decrease was mainly due to the Group's efforts to reduce back-office production costs, which more than offset the cost increase resulting from the increase in customer activity.

Personal Banking's goodwill impairment charges for the year ended December 31, 2015 amounted to DKK 3,305 million (including impairment charges of DKK 2,964 million on goodwill in the Personal Banking units in Finland and Northern Ireland and DKK 341 million on customer relations in the Personal Banking unit in Finland), a decrease of DKK 2,234 million, or 40 percent, as compared to DKK 5,539 million for year ended December 31, 2014. The impairment charges in 2015 are discussed under "*—Review of Financial Highlights and Consolidated Financial Information for the Years Ended and as at December 31, 2016 and 2015—Income Statement—Personal Banking—Expenses*" above. In 2014, the Group recognized a goodwill impairment charge of DKK 3,493 million against the Personal Banking business unit in Finland owing to a weaker long-term economic outlook in Finland and changes in the assumptions on deposit margins and DKK 2,046 million against the Personal Banking business unit in Northern Ireland owing to changes in the assumptions on deposit margins and the positioning of the Group as a Nordic universal bank. For additional information on the Group's goodwill impairment charges, see "*—Primary Factors Affecting the Group's Results of Operations—Impairment on Goodwill and Customer Relations*" above.

#### Loan Impairment Charges

Personal Banking's loan impairment charges amounted to DKK 332 million for the year ended December 31, 2015, a decrease of DKK 1,080 million, or 76 percent, as compared to DKK 1,412 million for the year ended December 31, 2014. The decrease was mainly due to the Group's continued efforts to improve credit quality, as well as lower LTV ratios in most markets, particularly in Denmark and Sweden where higher property prices acted as the main driver of this development.

#### Profit (Loss) Before Tax

Personal Banking's profit before tax for the year ended December 31, 2015 amounted to DKK 1,832 million, a change of DKK 2,723 million as compared to a loss before tax of DKK 891 million for the year ended December 31, 2014.

#### *Business Banking*

The following table sets forth a summary of the results of operations of Business Banking (based on the Group's financial highlights and business segment presentation) for the years indicated:

	<b>For the year ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
	<b>(DKK in millions)</b>	
Net interest income .....	9,091	8,978
Net fee income .....	2,109	2,082
Net trading income .....	665	637
Other income <sup>(1)</sup> .....	594	516
Total income .....	12,459	12,213
Operating expenses .....	(5,211)	(5,473)
Goodwill impairment charges .....	(1,296)	(3,559)
Profit before loan impairment charges .....	5,953	3,181
Loan impairment charges .....	343	(1,007)
Profit before tax .....	6,296	2,174
Profit before tax and goodwill impairment charges .....	7,592	5,733

(1) Operational leases are presented on a net basis under other income.

#### Profit Before Tax and Goodwill Impairment Charges

Business Banking's profit before tax and goodwill impairment charges for the year ended December 31, 2015 amounted to DKK 7,592 million, an increase of DKK 1,859 million, or 32 percent, as compared to DKK 5,733 million for the year

ended December 31, 2014. The return on allocated capital before goodwill impairment charges improved 7.0 percentage points to 20.5 percent. The improvement was driven by a positive development in income, lower costs and lower loan impairments.

### Total Income

Business Banking's total income for the year ended December 31, 2015 amounted to DKK 12,459 million, an increase of DKK 246 million, or 2 percent, as compared to DKK 12,213 million for the year ended December 31, 2014.

Business Banking's net interest income for the year ended December 31, 2015 amounted to DKK 9,091 million, an increase of DKK 113 million, or 1 percent, as compared to DKK 8,978 million for the year ended December 31, 2014. The increase was mainly due to strong lending growth and income initiatives, which more than offset the adverse effect on deposit margins of the negative short-term interest rates.

Business Banking's loans, excluding reverse transactions before impairments, as at December 31, 2015 amounted to DKK 662,924 million, an increase of DKK 29,178 million, or 5 percent, as compared to DKK 633,746 million as at December 31, 2014. The increase was mainly due to increased lending to customers in Norway and Sweden.

Business Banking's deposits, excluding repo deposits, as at December 31, 2015 amounted to DKK 256,279 million, a decrease of DKK 3,491 million, or 1 percent, as compared to DKK 259,770 million as at December 31, 2014. The decrease was mainly due to lower deposits in Finland.

Business Banking's net fee income for the year ended December 31, 2015 amounted to DKK 2,109 million, an increase of DKK 27 million, or 1 percent, as compared to DKK 2,082 million for the year ended December 31, 2014. The increase was mainly due to an increase in mortgage refinancing activity driven by the low interest rates in the first half of 2015, stronger demand from existing customers and a general increase in activity.

Business Banking's net trading income for the year ended December 31, 2015 amounted to DKK 665 million, an increase of DKK 28 million, or 4 percent, as compared to DKK 637 million for the year ended December 31, 2014. The increase was mainly due to higher mortgage refinancing activity, in particular in the first half of 2015.

Business Banking's other income for the year ended December 31, 2015 amounted to DKK 594 million, an increase of DKK 78 million, or 15 percent, as compared to DKK 516 million for the year ended December 31, 2014.

### Expenses

Business Banking's operating expenses for the year ended December 31, 2015 amounted to DKK 5,211 million, a decrease of DKK 262 million, or 5 percent, as compared to DKK 5,473 million for the year ended December 31, 2014. The decrease was mainly due to increased efficiency and tight cost control in general.

Business Banking's goodwill impairment charges for the year ended December 31, 2015 amounted to DKK 1,296 million (including impairment charges of DKK 1,153 million on goodwill and DKK 143 million on customer relations in the Business Banking unit in Finland), a decrease of DKK 2,263 million, or 64 percent, as compared to DKK 3,559 million for year ended December 31, 2014. The impairment charges in 2015 are discussed under "*Review of Financial Highlights and Consolidated Financial Information for the Years Ended and as at December 31, 2016 and 2015—Income Statement—Business Banking—Expenses*" above. In 2014, the Group recognized a goodwill impairment charge of DKK 1,501 million against the Business Banking business unit in Finland owing to a worsening of the long-term economic outlook in Finland and changes in the assumptions on deposit margins and the full amount of the goodwill related to the Business Banking business unit in Estonia (an impairment charge of DKK 2,058 million) owing to the positioning of the Group as a Nordic universal bank. For additional information on the Group's goodwill impairment charges, see "*Primary Factors Affecting the Group's Results of Operations—Impairment on Goodwill and Customer Relations*" above.

### Loan Impairment Charges

Business Banking's loan impairment charges amounted to a reversal of DKK 343 million for the year ended December 31, 2015, a change of DKK 1,350 million as compared to loan impairment charges of DKK 1,007 million for the year ended December 31, 2014. The change was mainly due to the Group's continual efforts to improve credit quality, combined with more stable macroeconomic conditions. The reversals occurred mainly in the commercial property segments in Denmark and Northern Ireland, while a decrease in oil prices led to an increase of collective loan impairment charges in Norway. The outlook for the Danish agricultural sector remained weak in 2015, and the Group has provided for this in its allowance account. In 2015, the Group made collective impairment charges of DKK 1,119 million to cover the risk of additional deterioration in the agricultural and oil sectors (DKK 769 million for the agricultural sector and DKK 350 million for the oil sector).

## Profit Before Tax

Business Banking's profit before tax for the year ended December 31, 2015 amounted to DKK 6,296 million, an increase of DKK 4,122 million as compared to DKK 2,174 million for the year ended December 31, 2014.

### *Corporates & Institutions*

The following table sets forth a summary of the results of operations of C&I (based on the Group's financial highlights and business segment presentation) for the years indicated:

	<b>For the year ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
		<b>(restated)<sup>(1)</sup></b>
	<b>(DKK in millions)</b>	
Net interest income .....	2,660	2,717
Net fee income .....	2,298	2,205
Net trading income .....	4,909	4,192
Other income .....	7	7
Total income .....	9,873	9,121
Operating expenses .....	(4,412)	(4,614)
Profit before loan impairment charges .....	5,461	4,507
Loan impairment charges .....	(65)	(372)
Profit before tax .....	<u>5,396</u>	<u>4,135</u>

- (1) Prior to January 1, 2015, the Group disclosed brokerage and debt capital markets fees as net trading income. Income from those services is net fee income and the Group has disclosed it as such since January 1, 2015. Comparative figures for the year ended December 31, 2014 were restated to reflect the foregoing in the Group's audited consolidated financial statements as at and for the year ended December 31, 2015. For additional information, see "Important Information for Investors—Presentation of Financial Information—Restatements and Reclassifications of Financial Highlights and Segment Reporting—Year Ended December 31, 2015" and note 2(a) to the Group's audited consolidated financial statements as at and for the year ended December 31, 2015 incorporated by reference into this Base Prospectus.

## Total Income

C&I's total income for the year ended December 31, 2015 amounted to DKK 9,873 million, an increase of DKK 752 million, or 8 percent, as compared to DKK 9,121 million for the year ended December 31, 2014.

C&I's net interest income for the year ended December 31, 2015 amounted to DKK 2,660 million, a decrease of DKK 57 million, or 2 percent, as compared to DKK 2,717 million for the year ended December 31, 2014. The decrease was mainly due to lower deposit margins.

C&I's loans, excluding reverse transactions before impairments, as at December 31, 2015 amounted to DKK 172,176 million, which was on level with the balance as at December 31, 2014 of DKK 172,393 million.

C&I's deposits, excluding repo deposits, as at December 31, 2015 amounted to DKK 213,532 million, an increase of DKK 39,311 million, or 23 percent, as compared to DKK 174,221 million as at December 31, 2014. The increase was mainly due to higher deposits volumes from public institutions, financial institutions and corporate customers.

C&I's net fee income for the year ended December 31, 2015 amounted to DKK 2,298 million, an increase of DKK 93 million, or 4 percent, as compared to DKK 2,205 million for the year ended December 31, 2014. The increase was mainly due to loan origination and refinancing activity.

C&I's net trading income for the year ended December 31, 2015 amounted to DKK 4,909 million, an increase of DKK 717 million, or 17 percent, as compared to DKK 4,192 million for the year ended December 31, 2014. The increase was mainly due to increased client activity within FICC, which was partly offset by a decline in trading income from Debt Capital Markets that was primarily caused by low liquidity in secondary markets.

C&I's other income for the year ended December 31, 2015 amounted to DKK 7 million, as compared to DKK 7 million for the year ended December 31, 2014.

## Expenses

C&I's operating expenses for the year ended December 31, 2015 amounted to DKK 4,412 million, a decrease of DKK 202 million, or 4 percent, as compared to DKK 4,614 million for the year ended December 31, 2014. The decrease was mainly due to cost efficiency gains, which more than offset an increase in performance-based compensation resulting from the strong performance in 2015.

### Loan Impairment Charges

C&I's loan impairment charges amounted to DKK 65 million for the year ended December 31, 2015, a decrease of DKK 307 million, or 83 percent, as compared to DKK 372 million for the year ended December 31, 2014. Loan impairment charges for the year ended December 31, 2014, were made for a small number of clients. Loan impairment charges have fluctuated over time and are expected to continue to do so given the nature of C&I's activities.

### Profit Before Tax

C&I's profit before tax for the year ended December 31, 2015 amounted to DKK 5,396 million, an increase of DKK 1,261 million, or 30 percent, as compared to DKK 4,135 million for the year ended December 31, 2014. The main reason was an increase in income driven by higher client activity and lower impairments. The return on allocated capital rose 3.9 percentage points to 14.8 percent.

### *Danske Capital*

The following table sets forth a summary of the results of operations of Danske Capital (based on the Group's financial highlights and business segment presentation) for the years indicated:

	<b>For the year ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
	<b>(DKK in millions)</b>	
Net interest income/(expense).....	(7)	2
Net fee income.....	2,682	2,402
Other income.....	(12)	1
Total income.....	2,663	2,405
Operating expenses.....	(1,014)	(999)
Profit before tax.....	<u>1,649</u>	<u>1,406</u>

### Total Income

Danske Capital's total income for the year ended December 31, 2015 amounted to DKK 2,663 million, an increase of DKK 258 million, or 11 percent, as compared to DKK 2,405 million for the year ended December 31, 2014.

Danske Capital's net interest expense for the year ended December 31, 2015 amounted to DKK 7 million, a change of DKK 9 million as compared to net interest income of DKK 2 million for the year ended December 31, 2014. The change was mainly due to negative interest rates.

Danske Capital's net fee income for the year ended December 31, 2015 amounted to DKK 2,682 million, an increase of DKK 280 million, or 12 percent, as compared to DKK 2,402 million for the year ended December 31, 2014. The increase was mainly due to higher assets under management and an increase in margins driven by improvement in the product mix.

Danske Capital's other income for the year ended December 31, 2015 amounted to negative DKK 12 million, as compared to DKK 1 million for the year ended December 31, 2014.

### Operating Expenses

Danske Capital's operating expenses for the year ended December 31, 2015 amounted to DKK 1,014 million, an increase of DKK 15 million, or 2 percent, as compared to DKK 999 million for the year ended December 31, 2014. The increase was mainly due to external consultants and travel expenses.

### Profit Before Tax

Danske Capital's profit before tax for the year ended December 31, 2015 amounted to DKK 1,649 million, an increase of DKK 243 million, or 17 percent, as compared to DKK 1,406 million for the year ended December 31, 2014.



## Danica Pension

The following table sets forth a summary of the results of operations of Danica Pension (based on the Group's financial highlights and business segment presentation) for the years indicated:

	<b>For the year ended December 31,</b>	
	<b>2015</b>	<b>2014</b> (restated) <sup>(1)</sup>
	<b>(DKK in millions)</b>	
Danica Traditionel .....	1,329	1,353
Unit-linked business .....	572	573
Health and accident business .....	(182)	(302)
Result from insurance business .....	1,719	1,624
Return on investments .....	283	459
Financing result .....	(61)	(116)
Special allotment .....	(270)	(82)
Change in shadow account .....	221	611
Net income from insurance business .....	<u>1,892</u>	<u>2,496</u>

(1) As at December 31, 2015, the Group had a pension scheme for approximately 200 current and 1,100 former employees of the Bank held with the Danica Group. The Bank has guaranteed a real return on policyholders' savings. In continuation of a dialogue with the DFSA, the Danica Group changed the accounting treatment in its annual report 2014 from net presentation and measurement of the scheme and the financial guarantee to gross presentation and measurement with the financial guarantee recognized as an asset at an amount representing the expected payments. The change resulted in an increase in profit before tax of DKK 134 million for the year ended December 31, 2014. For additional information, see note 2(a) to the Group's audited consolidated financial statements as at and for the year ended December 31, 2015 incorporated by reference into this Base Prospectus.

Danica Pension's net income from insurance business for the year ended December 31, 2015 amounted to DKK 1,892 million, a decrease of DKK 604 million, or 24 percent, as compared to DKK 2,496 million for the year ended December 31, 2014. The decrease was mainly due to a reduction in the amount booked to the shadow account from DKK 0.6 billion in 2014 to DKK 0.2 billion in 2015. In addition, the result for 2015 was influenced by a payment of DKK 0.3 billion in special allotments triggered in particular by dividends of DKK 3.9 billion from the Danica Group to the Bank. The full risk allowance for all four interest rate groups was booked in 2015 and 2014.

The results of operations of Danica Traditionel for the year ended December 31, 2015 amounted to DKK 1,329 million, a decrease of DKK 24 million, or 2 percent, as compared to DKK 1,353 million for the year ended December 31, 2014. The decrease was mainly due to the transfer of business from Danica Traditionel to the unit-linked business. In addition, the result for 2014 increased by DKK 116 million as a result of a correction made, in agreement with the DFSA, regarding the treatment of a pension scheme. For additional information on the correction, see "*Important Information for Investors—Presentation of Financial Information—Restatements and Reclassifications of Consolidated Financial Statements—Year Ended December 31, 2015*" and note 2(a) to the Group's audited consolidated financial statements as at and for the year ended December 31, 2015 incorporated by reference into this Base Prospectus.

The results of operations of Danica Pension's unit-linked business for the year ended December 31, 2015 amounted to DKK 572 million, a slight decrease of DKK 1 million as compared to DKK 573 million for the year ended December 31, 2014. Unit-linked business accounted for DKK 49 million in Sweden and DKK 73 million in Norway. The Swedish result was adversely affected by higher pension costs because of a lower discount yield curve.

The results of operations of Danica Pension's health and accident business for the year ended December 31, 2015 amounted to a loss of DKK 182 million, an improvement of DKK 120 million, or 40 percent, as compared to a loss of DKK 302 million for the year ended December 31, 2014. The improvement was mainly due to an additional provision made in 2014 for negative run-off on claims in the Danish business.

Danica Pension's return on investments for the year ended December 31, 2015 amounted to DKK 283 million, a decrease of DKK 176 million, or 38 percent, as compared to DKK 459 million for the year ended December 31, 2014. The decrease was primarily due to less positive financial markets in 2015 than in 2014. The return on investments for customers with the Danica Balance, Danica Link and Danica Select unit-linked products was DKK 4.5 billion in 2015, representing an average rate of return of 4.8 percent, as compared to 9.4 percent in 2014. The average annual return rate for the past five years was 6.0 percent for Danica Balance and 4.7 percent for Danica Traditionel. The return on investments of Danica Traditionel customer funds was 1.0 percent in 2015, as compared to 14.0 percent in 2014. Including changes in technical provisions, the return on customer funds was 5.1 percent in 2015, as compared to 7.2 percent in 2014.

Danica Pension's financing result for the year ended December 31, 2015 amounted to a loss of DKK 61 million, an improvement of DKK 55 million, or 47 percent, as compared to a loss of DKK 116 million for the year ended December 31, 2014.

## Non-core

The following table sets forth a summary of the results of operations of Non-core (based on the Group's financial highlights and business segment presentation) for the years indicated:

	<b>For the year ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
	<b>(DKK in millions)</b>	
Total income.....	334	209
Operating expenses.....	(405)	(782)
Profit (loss) before loan impairment charges.....	(71)	(573)
Loan impairment charges.....	118	(930)
Profit (loss) before tax.....	<u>46</u>	<u>(1,503)</u>

### Total Income

Non-core's total income for the year ended December 31, 2015 amounted to DKK 334 million, an increase of DKK 125 million, or 60 percent, as compared to DKK 209 million for the year ended December 31, 2014. The increase was mainly due to a rating upgrade in 2015 that allowed the release of interest accrued over several years on a number of collateralized liquidity facilities.

### Operating Expenses

Non-core's operating expenses for the year ended December 31, 2015 amounted to DKK 405 million, a decrease of DKK 377 million, or 48 percent, as compared to DKK 782 million for the year ended December 31, 2014. The decrease was mainly due to expenses incurred in 2014 related to the settlement of an agreement on life insurance products in the Baltics.

### Loan Impairment Charges

Non-core's loan impairment charges for the year ended December 31, 2015 amounted to a reversal of DKK 118 million, a change of DKK 1,048 million as compared to loan impairment charges of DKK 930 million for the year ended December 31, 2014. The change was mainly due to reversals of previously made impairments in Ireland as the property market continued to improve and collateral values rose.

### Profit (Loss) Before Tax

Non-core's profit before tax for the year ended December 31, 2015 amounted to DKK 46 million, a change of DKK 1,549 million as compared to a loss before tax of DKK 1,503 million for the year ended December 31, 2014.

### *Other Activities*

The following table sets forth a summary of the results of operations of Other Activities (based on the Group's financial highlights and business segment presentation) for the years indicated:

	<b>For the year ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
	<b>(restated)<sup>(1)</sup></b>	
	<b>(DKK in millions)</b>	
Net interest income/(expense).....	316	(148)
Net fee income/(expense).....	(75)	(102)
Net trading income.....	648	1,140
Other income.....	569	189
Total income.....	1,457	1,079
Operating expenses.....	(803)	(930)
Profit before loan impairment charges.....	654	149
Loan impairment charges.....	(3)	2
Profit before tax.....	<u>651</u>	<u>151</u>

*Note:* The presentation of Other Activities includes Group eliminations.

(1) The restatement covers a change in the disclosure of the internal bank result. Comparative figures for 2014 have been restated. For additional information, see note 2(a) to the Group's audited consolidated financial statements as at and for the year ended December 31, 2015 incorporated by reference into this Base Prospectus.

The following table sets forth a breakdown of Other Activities' profit/loss before tax (based on the Group's financial highlights and business segment presentation) for the years indicated:

	<b>For the year ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
	<b>(DKK in millions)</b>	
Group Treasury .....	486	1,010
Own shares .....	(154)	(196)
Group support functions .....	<u>319</u>	<u>(663)</u>
Total Other Activities .....	<u>651</u>	<u>151</u>

Other Activities' total income for the year ended December 31, 2015 amounted to DKK 1,457 million, an increase of DKK 378 million, or 35 percent, as compared to DKK 1,079 million for the year ended December 31, 2014.

Group Treasury recorded a profit of DKK 486 million for the year ended December 31, 2015, a decrease of DKK 524 million, or 52 percent, as compared to a profit of DKK 1,010 million for the year ended December 31, 2014. The decrease was mainly due to the sale of the Group's shares in Nets in July 2014, which resulted in a net profit of DKK 1.0 billion in 2014.

A loss of DKK 154 million was recorded from the Bank's own shares for the year ended December 31, 2015, an improvement of DKK 42 million, or 21 percent, as compared to a loss of DKK 196 million for the year ended December 31, 2014. The improvement was mainly due to a lesser increase in the Bank's share price in 2015 than in 2014, which was partly offset by a larger holding of own shares at the end of 2015.

Group support functions recorded a profit of DKK 319 million for the year ended December 31, 2015, a change of DKK 982 million as compared to a loss of DKK 663 million for the year ended December 31, 2014. The change was mainly due to a refund of payroll taxes paid for 2004 to 2006 and gains on the sale of certain of the Danish domicile properties. A refund of VAT paid in earlier years had a positive effect in 2014.

Other Activities' profit before tax for the year ended December 31, 2015 amounted to DKK 651 million, an increase of DKK 500 million as compared to a profit before tax of DKK 151 million for the year ended December 31, 2014.

## Balance Sheet

The following table sets forth the Group's balance sheet data (prepared in accordance with IFRS as adopted by the EU and Danish disclosure requirements for listed financial companies) as at the dates indicated:

	<b>As at December 31,</b>	
	<b>2015</b>	<b>2014</b>
		<b>(restated)<sup>(1)</sup></b>
	<b>(DKK in millions)</b>	
<b>Assets</b>		
Cash in hand and demand deposits with central banks .....	76,837	33,876
Due from credit institutions and central banks.....	103,859	112,760
Trading portfolio assets .....	547,019	742,513
Investment securities .....	343,304	330,994
Loans at amortized cost .....	1,079,257	1,092,902
Loans at fair value .....	741,660	741,609
Assets under pooled schemes and unit-linked investment contracts .....	91,893	80,148
Assets under insurance contracts .....	265,572	268,450
Intangible assets.....	6,505	11,253
Tax assets.....	1,550	1,543
Other assets.....	35,422	36,966
Total assets .....	<u>3,292,878</u>	<u>3,453,015</u>
<b>Equity and liabilities</b>		
Due to credit institutions and central banks .....	271,588	329,048
Trading portfolio liabilities.....	471,131	550,629
Deposits.....	863,474	966,197
Bonds issued by Realkredit Danmark.....	694,519	655,965
Deposits under pooled schemes and unit-linked investment contracts .....	96,958	86,433
Liabilities under insurance contracts.....	285,030	288,352
Other issued bonds.....	363,931	330,207
Tax liabilities .....	8,333	8,647
Other liabilities .....	37,093	44,126
Subordinated debt .....	39,991	41,028
Total liabilities .....	<u>3,132,048</u>	<u>3,300,632</u>
Total equity.....	<u>160,830</u>	<u>152,384</u>
Total liabilities and equity .....	<u>3,292,878</u>	<u>3,453,015</u>

- (1) As at December 31, 2015, the Group had a pension scheme for approximately 200 current and 1,100 former employees of the Bank held with the Danica Group. The Bank has guaranteed a real return on policyholders' savings. In continuation of a dialogue with the DFSA, the Danica Group changed the accounting treatment in its annual report 2014 from net presentation and measurement of the scheme and the financial guarantee to gross presentation and measurement with the financial guarantee recognized as an asset at an amount representing the expected payments. This change reduced shareholders' equity at January 1, 2014 by DKK 839 million for the Group. The effect as at December 31, 2014 was an increase in insurance liabilities of DKK 1,037 million, a reduction of other liabilities of DKK 73 million, a reduction in tax liabilities of DKK 228 million and a reduction of shareholders' equity of DKK 736 million. For additional information, see note 2(a) to the Group's audited consolidated financial statements as at and for the year ended December 31, 2015 incorporated by reference into this Base Prospectus.

## Assets

As at December 31, 2015, the Group's total assets amounted to DKK 3,292,878 million, a decrease of DKK 160,137 million, or 5 percent, as compared to DKK 3,453,015 million as at December 31, 2014. The decrease was primarily due to a reduction in the bond portfolio, mainly at C&I, to improve the return on allocated capital. As at December 31, 2015, total lending was up 3 percent from the level as at December 31, 2014. Lending increased at almost all banking units. In Denmark, new gross lending, excluding repo loans, amounted to DKK 78.6 billion as at December 31, 2015, of which lending to personal customers accounted for DKK 36.6 billion.

## Liabilities

As at December 31, 2015, the Group's total liabilities amounted to DKK 3,132,048 million, a decrease of DKK 168,584 million, or 5 percent, as compared to DKK 3,300,632 million as at December 31, 2014. The decrease was primarily due to a reduction of repo transactions with credit institutions and central banks and repo deposits. As at December 31, 2015, total deposits were up 7 percent from the level as at December 31, 2014, with an increase recorded in particular at C&I.

## Equity

As December 31, 2015, the Group's total equity amounted to DKK 160,830 million, an increase of DKK 8,446 million, or 6 percent, as compared to DKK 152,384 million as at December 31, 2014.

The Group's return on average shareholders' equity was 8.5 percent for the year ended December 31, 2015, as compared to 2.5 percent for the year ended December 31, 2014. The Group's earnings per share for the year ended December 31, 2015 were DKK 12.8, as compared to DKK 3.8 for the year ended December 31, 2014. The increase was primarily due to lower goodwill impairment charges and loan impairment charges as well as an improved result in Non-core.

### Cash Flows

The following table sets forth the Group's cash flow data as at the dates and for the years indicated:

	As at and for the year ended December 31,	
	2015	2014
	(restated) <sup>(1)</sup>	
	(DKK in millions)	
<b>Cash flow from operations</b>		
Profit before tax .....	17,762	7,969
Tax paid .....	(4,770)	(4,095)
Adjustment for non-cash operating items .....	6,858	15,027
Total .....	19,850	18,901
<b>Changes in operating capital</b>		
Amounts due to/from credit institutions and central banks .....	(56,229)	14,960
Trading portfolio .....	115,996	68,656
Acquisition/sale of own shares and additional tier 1 capital .....	15	(325)
Other financial instruments .....	(24,083)	(172,309)
Loans at amortized cost .....	13,706	(7,879)
Loans at fair value .....	(51)	(13,528)
Deposits .....	(102,722)	22,294
Bonds issued by Realkredit Danmark .....	38,553	41,769
Assets/liabilities under insurance contracts .....	593	2,964
Other assets/liabilities .....	34,704	17,273
Cash flow from operations .....	40,332	(7,224)
<b>Cash flow from investing activities</b>		
Acquisition/sale of businesses .....	11	–
Acquisition of intangible assets .....	(626)	(418)
Acquisition of tangible assets .....	(378)	(316)
Sale of tangible assets .....	661	415
Cash flow from investing activities .....	(332)	(319)
<b>Cash flow from financing activities</b>		
Issues of subordinated debt .....	3,725	3,732
Redemption of subordinated debt .....	(5,212)	(29,110)
Dividends .....	(5,494)	(2,000)
Share buy-back program .....	(5,000)	–
Issued additional tier 1 capital .....	5,527	5,539
Paid interest on additional tier 1 capital .....	(529)	(183)
Change in non-controlling interests .....	(2)	2
Cash flow from financing activities .....	(6,985)	(22,020)
Cash and cash equivalents at January 1 .....	143,543	173,500
Foreign currency translation .....	2,277	(394)
Change in cash and cash equivalents .....	33,015	(29,563)
Cash and cash equivalents, end of period .....	178,835	143,543
<b>Cash and cash equivalents end of period</b>		
Cash in hand .....	10,638	10,582
Demand deposits with central banks .....	66,199	23,294
Amounts due from credit institutions and central banks within three months .....	101,998	109,667
Total .....	178,835	143,543

**Note:** The cash flow statement is prepared 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 as well as amounts due from credit institutions and central banks with an original maturity shorter than three months.

The list of Group holdings and undertakings in note 35 to the Group's audited consolidated financial statements as at and for the year ended December 31, 2015 incorporated by reference into this Base Prospectus provides information about restrictions on the use of cash flows from Group undertakings.

- (1) As at December 31, 2015, the Group had a pension scheme for approximately 200 current and 1,100 former employees of the Bank held with the Danica Group. The Bank has guaranteed a real return on policyholders' savings. In continuation of a dialogue with the DFSA, the Danica Group changed the accounting treatment in its annual report 2014 from net presentation and measurement of the scheme and the financial guarantee to gross presentation and measurement with the financial guarantee recognized as an asset at an amount representing the expected payments. As a result of the change, the Group's net profit for 2014 increased by DKK 103 million, comprising an increase in net

trading income of DKK 134 million and a decrease in tax of DKK 31 million. For additional information, see note 2(a) to the Group's audited consolidated financial statements as at and for the year ended December 31, 2015 incorporated by reference into this Base Prospectus.

Total cash inflow from operations was DKK 40,332 million for the year ended December 31, 2015, a change of DKK 47,556 million as compared to cash outflow of DKK 7,224 million for the year ended December 31, 2014. The change was primarily attributable to decreased cash outflow from other financial instruments due to a reduction of currency contracts and interest rate contracts and increased cash inflow from trading portfolio related to a reduction of the bond portfolio. The change was partly offset by increased cash outflow from deposits due to a reduction of repo deposits and cash outflow from amounts due to/from credit institutions and central banks due to a reduction of repo transactions with credit institutions.

Total cash outflow from investing activities was DKK 332 million for the year ended December 31, 2015, an increase of DKK 13 million, or 4 percent, as compared to DKK 319 million for the year ended December 31, 2014. The increase was primarily attributable to increased cash outflow from acquisition of intangible assets due to higher investments in software. The increase was partly offset by increased cash inflow from sale of tangible assets due to the sale of certain of the Danish domicile properties.

Total cash outflow from financing activities was DKK 6,985 million for the year ended December 31, 2015, a decrease of DKK 15,035 million, or 68 percent, as compared to DKK 22,020 million for the year ended December 31, 2014. The decrease was primarily attributable to decreased cash outflow from redemption of subordinated debt due to the repayment in full in April 2014 of the hybrid capital raised from the Danish State.

### 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 financial 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 recognized in the balance sheet. If an instrument is likely to result in a payment obligation, a liability is recognized under other liabilities corresponding to the present value of expected payments.

The following table sets forth the Group's guarantees and other contingent liabilities as at the dates indicated:

	As at December 31,		
	2016	2015	2014
	(DKK in millions)		
<b>Guarantees</b>			
Financial guarantees .....	8,778	8,638	9,344
Mortgage finance guarantees .....	1,218	1,367	1,128
Other guarantees .....	<u>70,381</u>	<u>71,750</u>	<u>66,958</u>
Total .....	<u>80,377</u>	<u>81,755</u>	<u>77,430</u>
<b>Other contingent liabilities</b>			
Loan commitments shorter than 1 year .....	117,355	124,978	115,511
Loan commitments longer than 1 year .....	162,620	153,650	136,064
Other unutilized loan commitments .....	<u>484</u>	<u>523</u>	<u>520</u>
Total .....	<u>280,459</u>	<u>279,151</u>	<u>252,095</u>

In addition to credit exposure from lending activities, loan offers made and uncommitted lines of credit granted by the Group amounted to DKK 385 billion as at December 31, 2016, as compared to DKK 329 billion as at December 31, 2015 and DKK 308 billion as at December 31, 2014. These items are included in the calculation of the total REA in accordance with the CRD.

Owing to its business volume, the Group is continually a party to various lawsuits and disputes and has an ongoing dialogue with public authorities such as the DFSA. In view of its size, the Group 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. In March 2016, the Group announced that the DFSA has reported the Bank to the Danish Public Prosecutor for Serious Economic and International Crime for investigation into non-compliance with the provisions of Danish anti-money laundering legislation with regard to identification of and monitoring procedures for correspondent banks. As at the date of this Base Prospectus, the Bank has not been contacted by the authorities for further investigations. See also "*Risk Factors—Risks Relating to the Legal and Regulatory Environments in which the Group Operates—The Group is subject to a wide variety of banking, insurance and financial services laws and regulations, which could have an adverse effect on its business.*"

In connection with the acquisition of Sampo Bank (now Danske Bank Plc) in 2007, Danske Bank Plc and Sampo Life (now Mandatum Life) signed an agency agreement that guaranteed Mandatum Life the exclusive right to sell life and pension insurance products through Danske Bank Plc's branch network in Finland. The agency agreement expired at the end of 2016. As part of the agreement, Mandatum Life had a right to sell all or part of the insurance portfolio sold under the agreement to the Group. On October 27, 2016, Mandatum Life exercised this right. The insurance portfolio will be acquired at fair value. The process is expected to be finalized during 2017.

A limited number of employees are employed under terms which, if they are dismissed before reaching their normal retirement age, grant them 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.

The Group participates in the Danish Guarantee Fund and the Danish resolution fund. The funds' capital must amount to at least 0.8 percent and 1 percent, respectively, of the covered deposits of all Danish financial institutions by December 31, 2024. The Danish Guarantee Fund is currently fully funded, but if the fund subsequently does not have sufficient means to make the required payments, extraordinary contributions of up to 0.5 percent of the individual institution's covered deposits may be required. Extraordinary contributions above this percentage require the consent of the DFSA. The first contribution to the Danish resolution fund was made in December 2015. The Bank and Realkredit Danmark make contributions to the fund on the basis of the amount of their respective liabilities (excluding own funds) less covered deposits and risks relative to other financial institutions in Denmark. The contribution for 2016 of DKK 0.4 billion accrued over the year as operating expenses. If the Danish resolution fund does not have sufficient means to make the required payments, extraordinary contributions of up to three times the latest annual contributions may be required. Further, Danish banks participate in the Danish restructuring fund, which reimburses creditors if the final dividend is lower than the interim dividend in respect of banks that were in distress before June 1, 2015. Similarly, Danish banks have made payment commitments (totaling DKK 1 billion) to cover losses incurred by the Danish restructuring fund for the withdrawal of distressed banks from data centers, etc. Payments to the Danish restructuring fund are calculated on the basis of the individual credit institution's share of covered deposits relative to other credit institutions in Denmark. However, each institution's contribution to the Danish restructuring fund may not exceed 0.2 percent of its covered deposits.

The Group is a member of deposit guarantee schemes and other compensation schemes in Finland, Norway, the U.K. and Luxembourg. As in Denmark, the contributions to the schemes in the other countries are annual contributions combined with extraordinary contributions if the means of the schemes are not sufficient to cover the required payments. However, for Finland, the deposit guarantee fund is currently fully funded.

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 recognizes lease payments as an expense over the lease term but does not recognize the operating lease assets in its balance sheet. Such assets are recognized by lessors. As at December 31, 2016, minimum lease payments under non-cancellable operating leases amounted to DKK 4,117 million (December 31, 2015: DKK 3,415 million), with DKK 765 million (December 31, 2015: DKK 678 million) relating to operating leases expiring within one year. The increase from 2015 to 2016 relates to the sale of the majority of the Danish domicile properties and the subsequent lease-back period.

The Bank is taxed jointly with all entities in the Group and is jointly and severally liable for payment of Danish corporate tax, withholding tax and similar taxes.

The Bank is registered jointly with all significant Danish entities in the Group for financial services employer tax and VAT, for which the Bank and the entities are jointly and severally liable.

## **Funding and Liquidity**

### ***Funding***

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 following table sets forth the contribution of the Group's funding sources to its total funding (excluding funding in the form of bonds issued by Realkredit Danmark) as at the dates indicated:

	As at December 31,		
	2016	2015 (percent)	2014
Central banks/credit institutions .....	8	8	7
Repo transactions .....	10	10	21
Short-term bonds .....	4	3	1
Long-term bonds .....	8	6	5
Other covered bonds .....	11	12	11
Deposits (business) .....	27	27	23
Deposits (personal) .....	21	22	20
Subordinated debt .....	2	2	2
Shareholders' equity .....	9	9	8
Total .....	<u>100</u>	<u>100</u>	<u>100</u>

The Group's funding need arises mainly from its lending activities. The Group's (excluding Realkredit Danmark) estimated funding need for 2017 is DKK 70 billion to DKK 90 billion. In addition to senior unsecured bonds and the bonds issued by Realkredit Danmark, the Group issues covered bonds based on multiple cover pools of mortgages in Denmark, Sweden, Norway and Finland. The Group applied to the Swedish Financial Supervisory Authority for permission to establish a mortgage finance institution in Sweden, and the Group expects to be able to issue Swedish covered bonds in benchmark format in 2017.

Market sentiment in the capital markets remained generally positive in 2014, although concerns about geopolitical uncertainties and the economic outlook remained. The Bank's volume of new issuances rose in 2014 in preparation for new regulations. In spite of the increase, the Bank's covered bond and senior debt spreads continued to tighten. In addition to an improvement in the Bank's credit ratings, monetary policy initiatives from the ECB, such as the targeted long-term refinancing operation and the covered bond purchase program, helped maintain positive market conditions for the Group. The Group maintained its liquidity reserves throughout 2014 and adhered to its funding plan, including its plan for subordinated debt. It was, therefore, able to repay in full the hybrid capital borrowed from the Danish State on the first prepayment date, in April 2014. In the first half of the year, the Group continued to take advantage of benign market conditions and continued to adjust its capital structure to the new regulatory requirements. In March 2014, the Bank issued benchmark-size additional tier 1 capital instruments. The issue, for EUR 750 million, was followed by a tier 2 issue in May 2014 for EUR 500 million.

Market sentiment generally was conducive to new issuance in the first half of 2015, although uncertainty surrounding Greece led to increased volatility and higher new issue premia towards the end of the second quarter. Credit spreads generally widened during the third quarter of 2015 although with some improvements towards the end of the year. In 2015, the Bank issued senior debt for DKK 38.0 billion, covered bonds for DKK 25.9 billion, and additional tier 1 capital for DKK 5.6 billion, totaling DKK 69.5 billion. The Bank also redeemed long-term debt of DKK 61.9 billion. As at December 31, 2015, the total amount of the Group's outstanding long-term funding, excluding additional tier 1 capital and senior debt issued by Realkredit Danmark, was DKK 342 billion, as compared to DKK 330 billion as at December 31, 2014.

The beginning of 2016 was marked by considerable volatility and spread widening. An EBA report from December 2015 along with uncertainty about the Supervisory Review and Evaluation Process ("SREP") for European banks raised concerns about the ability of certain banks to honor coupon payments on outstanding additional tier 1 capital, with Deutsche Bank at the center of the turmoil. The concerns lessened after the ECB clarified its interpretation of the SREP, and markets improved from late February. Since then, the general theme has been tighter spreads, interrupted briefly by heightened volatility surrounding the major political events of the year: the Brexit vote, the U.S. presidential election and the Italian referendum on constitutional reform. A similar sequence was evident in each instance: spreads widened prior to the results, followed by a tightening, even though the outcomes on each occasion were the opposite of what had been expected or considered positive by the markets prior to the results. The ECB's purchase programs for both covered bonds and corporate bonds as well as the targeted longer-term refinancing operations continued to support low yields and tight spreads. Nonetheless, rates in the United States and the EU increased in the fourth quarter of 2016 after the Trump presidential victory and signals of higher rates from the U.S. Federal Reserve. The Group opted to frontload its funding by issuing the bulk in the first half of 2016, before the main political risks. Senior funding played an increasingly large role in the overall funding plan, with a stronger focus on funding directly in local currencies. In 2016, the Group issued senior debt for DKK 62.6 billion and covered bonds for DKK 19.2 billion. In November 2016, the Group issued additional tier 1 capital for DKK 3 billion, which brought the total issuance in 2016 to DKK 84.8 billion. In addition, the Group redeemed long-term debt of DKK 62.9 billion in 2016.



## *The Danish Mortgage Finance System*

All loans provided by Realkredit Danmark are match-funded. As at December 31, 2016, Realkredit Danmark had outstanding mortgage bonds with a total nominal value of DKK 888 billion, as compared to DKK 841 billion as at December 31, 2015, and a total market value of DKK 907 billion, as compared to DKK 851 billion as at December 31, 2015. After elimination of mortgage bonds held for its own account, the total market value of the mortgage bonds in the Group's account was DKK 727 billion as at December 31, 2016, as compared to DKK 695 billion as at December 31, 2015.

Realkredit Danmark's operations are primarily governed by the Danish Act on Mortgage-Credit Loans and Mortgage-Credit Bonds etc. (Consolidated Act No. 1261 of November 15, 2010, as amended, the "**Danish Mortgage Credit Act**"). The Danish Mortgage Credit Act sets forth, among other things, requirements as to the way in which issuers (mortgage banks) may fund mortgage lending, defines limits for the size of a loan, repayment profiles, currency, interest-rate and liquidity risks and sets forth issuer capital adequacy requirements.

In accordance with the Danish Mortgage Credit Act, mortgage loans are match-funded through the issuance of mortgage bonds according to the so-called balance principle that is designed to mitigate market risk on the balance sheet of mortgage banks. The Danish Mortgage Credit Act allows mortgage banks to apply either the specific balance principle or the general balance principle that provides additional flexibility regarding the tests that the mortgage bank must pass with respect to its mortgage bonds.

Realkredit Danmark applies the specific balance principle that requires a mortgage bank to balance payments on its loan portfolio and funds related to its lending activities against payments on its funding portfolio within narrow limits. Compliance with the specific balance principle is embedded in all of Realkredit Danmark's lending and funding products. Differences in the number of payments per annum may lead to imbalances in payments on lending and funding. However, Realkredit Danmark's lending and funding products are designed so that payments from the borrowers always fall due prior to payments to the bondholders. Consequently, the imbalances result in a liquidity surplus and are, thus, in compliance with the specific balance principle. The refinancing risk of Realkredit Danmark is generally limited, however, the refinancing risk for failed auctions related to adjustable rate mortgages / floating rate bonds lies with Realkredit Danmark pursuant to the Danish Mortgage Credit Act.

Realkredit Danmark employs a pure pass-through principle when funding callable and index-linked loans. The pure pass-through principle means that, for example, 30-year annuity loans are funded by the issue of bonds in a 30-year annuity bond series. By employing the pass-through principle, all prepayment risk is passed onto investors. Payments on bonds in specific identity codes are directly and unambiguously linked to payments on specific pools of loans. Each issue, however, is secured by the whole collateral pool.

Realkredit Danmark's product FlexLån<sup>®</sup> employs more flexible funding principles while still complying with the specific balance principle. FlexLån<sup>®</sup> products may have a bullet maturity or be repaid according to the serial or annuity principle. The interest rate of FlexLån<sup>®</sup> may be fixed for a period of one to ten years and the term to maturity may vary from one to 30 years. However, all FlexLån<sup>®</sup> products are funded in a single portfolio of bullet bonds with terms to maturity from one to ten years. The portfolio of bullet bonds is designed to automatically comply with the specific balance principle.

### ***Liquidity Requirements***

The CRR and the CRD IV Directive establish a consistent and integrated regulatory framework for many aspects of bank management, including liquidity, and will provide a homogeneous standard under a unified set of prudential rules. Since October 1, 2015, the Group has been required to comply with a liquidity coverage ratio ("**LCR**") requirement as defined by the new EU standards under the CRR and the CRD IV Directive. The LCR stipulates that banks must have a liquidity reserve that ensures a survival horizon of at least 30 calendar days in case of a seriously stressed liquidity situation. The Bank has satisfied this requirement since October 1, 2015.

The Bank was designated a SIFI in Denmark in 2014. In addition to the above requirement, all Danish SIFIs have been required to meet an LCR requirement of 60 percent for significant currencies (Norwegian Kroner and Swedish Kronor are excluded) since October 1, 2016. This means that the Bank must meet the currency-specific LCR requirement for U.S. dollars and euro. The requirement will increase to 80 percent on April 1, 2017 and to 100 percent on October 1, 2017. The Bank has satisfied the currency specific LCR requirement for U.S. dollars and euro since October 1, 2016.

The NSFR is intended to ensure a sound funding structure by promoting an increase in long-dated funding. The NSFR stipulates that at all times banks must have stable funding equal to the amount of their illiquid assets for one year ahead. The implementation of NSFR as a regulatory binding requirement is uncertain and is expected to take place in 2019 at the earliest. The Group has monitored the components of the NSFR since 2013.

The following table sets forth certain information with respect to the Group's and the Bank's LCR as at the dates indicated:

	As at December 31,			
	2016		2015	
	Group <sup>(1)</sup>	Bank	Group <sup>(1)</sup>	Bank
	(DKK in billions, unless otherwise indicated)			
HQLA level 1 .....	490	387	411	314
HQLA level 2 .....	18	17	14	14
Limits due to cap .....	—	—	—	—
A – liquid assets total .....	<u>509</u>	<u>404</u>	<u>425</u>	<u>328</u>
Customer deposits <sup>(2)</sup> .....	101	84	98	76
Market funding <sup>(3)</sup> .....	141	121	182	136
Other cash outflows <sup>(4)</sup> .....	<u>132</u>	<u>152</u>	<u>162</u>	<u>130</u>
B – cash outflows total .....	<u>373</u>	<u>357</u>	<u>442</u>	<u>342</u>
Lending to non-financial customers .....	7	4	4	3
Other cash inflows .....	<u>45</u>	<u>50</u>	<u>98</u>	<u>52</u>
C – cash inflows total .....	<u>52</u>	<u>55</u>	<u>102</u>	<u>55</u>
Liquidity coverage ratio (A / (B - C)), percent .....	158	134	125	115

(1) Includes Realkredit Danmark.

(2) Includes retail deposits, operational deposits, correspondent banking/prime brokerage accounts and non-operational deposits covered by deposit guarantee.

(3) Includes non-operational deposits, unsecured debt issuances and secured funding.

(4) Includes Realkredit Danmark's additional outflow requirement, equal to 2.5 percent of lending.

The Group no longer has to meet the Danish liquidity requirement set forth in section 152 of the Danish Financial Business Act because the Group is committed to having an LCR of at least 100 percent. However, since the excess liquidity coverage requirement of the “Supervisory Diamond” (in Danish: *Tilsynsdiamanten*) introduced by the DFSA in 2010 is set as a percentage above the requirement in section 152 of the Danish Financial Business Act, the Bank must still calculate and report a liquidity ratio. Section 152 states that a credit institution's liquidity must equal at least:

1. 15 percent of the debt obligations payable, regardless of any disbursement conditions, by the institution on demand or at less than one month's notice; and
2. 10 percent of the institution's total debt and guarantee obligations, excluding subordinated loan capital infusions that can be counted as part of the institution's total capital.

Liquidity includes cash on hand, fully secured and liquid demand deposits at other credit institutions and insurance companies, and holdings of secure, readily negotiable, unencumbered securities and credit instruments.

The liquidity benchmark in the Supervisory Diamond states that Danish banks' liquidity coverage must be 50 percent above the regulatory requirements set forth in section 152 of the Danish Financial Business Act. As at December 31, 2016, the liquidity coverage for the Bank was 224 percent in excess of requirement 1 above and 202 percent in excess of requirement 2 above.

The funding benchmark in the Supervisory Diamond stipulates that a bank's 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. As at December 31, 2016, the Bank's ratio was 0.64.

For additional information on the Group's liquidity, see “*Selected Statistical Data and Other Information*,” “*Risk Management—Liquidity Risk*” and “*The Danish Banking System and Regulation*.”

### **Liquidity Risk Management**

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 an important part of daily liquidity management since they are used as early warnings of potential liquidity challenges. The triggers are monitored by various functions across the Group, depending on the type of trigger. Realkredit Danmark and the Danica Group each manage their liquidity separately and are, therefore, not included in the Group's general liquidity reporting. Accordingly, references to the Group's general liquidity reporting do not include Realkredit Danmark and the Danica Group. At Realkredit Danmark, the financing of mortgage loans through the issuance of listed mortgage bonds with matching conditions has minimized Realkredit Danmark's liquidity risk in all material respects (see “*The Danish Mortgage Finance System*” above). The Danica Group'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 the Bank. The Group's liquidity buffer was DKK 538 billion as at December 31, 2016. For additional information on the Group's liquidity risk management, see “*Risk Management—Liquidity Risk*.”

## Derivative Instruments

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, index or formula, on currency exchange rates or on other factors. 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; and
- 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 as part of servicing customers' needs 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. The Group also uses derivatives to manage the Group's own exposure to foreign exchange, interest rate, equity market and credit risks. For additional information on the Group's risk management, see "*Risk Management*."

Derivatives are recognized and measured at fair value. Some of the Group's bank loans, deposits, issued bonds and similar instruments carry fixed rates. Generally, such fixed-rate items are recognized at amortized cost. Further, the Group classifies certain bonds as available-for-sale financial assets. Unrealized value adjustments of such bonds are recognized 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.

The interest rate risk on bonds classified as hold-to-maturity and some fixed-rate loans extended by the Group is designated as a hedge of the interest rate risk on liabilities. The remaining interest rate risk on fixed-rate assets and liabilities is generally hedged by derivatives.

For hedged assets and liabilities to which a fixed rate of interest applies for a specified period of time starting at the commencement date of the agreement, future interest payments are divided into basic interest and a profit margin and into periods of time. By entering into swaps or forwards with matching payment profiles in the same currencies and for the same periods, the Group hedges the risk at a portfolio level from the commencement date of the hedged items. 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 to 125 percent 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 recognized 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.

As at December 31, 2016, the carrying amount of effectively hedged fixed-rate financial assets was DKK 57,131 million, as compared to DKK 60,744 million as at December 31, 2015, and the carrying amount of effectively hedged fixed-rate financial liabilities was DKK 495,970 million, as compared to DKK 428,900 million as at December 31, 2015.

The following table sets forth the value adjustments of these assets and liabilities and the hedging derivatives (the value adjustments have been recognized in the consolidated income statement as net trading income) for the years indicated:

	For the year ended December 31,		
	2016	2015	2014
	(DKK in millions)		
<b>Effect of fixed-rate asset hedging on profit</b>			
Hedged amounts due from credit institutions .....	(11)	2	5
Hedged loans .....	115	(529)	1,163
Hedged bonds available for sale .....	8	(23)	460
Hedging derivatives .....	(107)	556	(1,624)
Total .....	<u>5</u>	<u>6</u>	<u>4</u>
<b>Effect of fixed-rate liability hedging on profit</b>			
Hedged amounts due to credit institutions .....	30	(10)	(4)
Hedged deposits .....	40	29	(65)
Hedged issued bonds .....	1,809	3,192	(4,620)
Hedged subordinated debt .....	723	526	(1)
Hedging derivatives .....	(2,604)	(3,735)	4,700
Total .....	<u>(1)</u>	<u>2</u>	<u>10</u>

The following tables set forth certain information regarding currency contracts, interest rate contracts, equity contracts and credit derivatives of the Group as at the dates indicated:

	As at December 31, 2016		
	Notional amount	Positive fair value	Negative fair value
	(DKK in millions)		
Currency contracts			
Forwards and swaps .....	6,565,673	105,878	124,587
Options .....	192,096	1,132	1,083
Interest rate contracts			
Forwards/swaps/forward rate agreements ("FRAs") .....	10,585,473	164,474	159,944
Options .....	2,121,485	35,164	32,344
Equity contracts			
Forwards .....	131,551	864	798
Options .....	171,465	4,390	4,752
Other contracts			
Commodity contracts .....	41,075	2,106	2,057
Credit derivatives bought .....	20,832	133	752
Credit derivatives sold .....	10,605	518	117
Total derivatives held for trading purposes .....		<u>314,659</u>	<u>326,433</u>
Hedging derivatives			
Currency contracts .....	98,460	453	56
Interest rate contracts .....	494,432	<u>11,320</u>	<u>1,590</u>
Total derivatives .....		<u>326,433</u>	<u>328,080</u>

*Note:* Notional amounts and positive and negative fair values of derivatives are offset if certain criteria are fulfilled. For more information, see note 29 to the Group's audited consolidated financial statements as at and for the year ended December 31, 2016 incorporated by reference into this Base Prospectus.

	As at December 31, 2015		
	Notional amount	Positive fair value	Negative fair value
	(DKK in millions)		
Currency contracts			
Forwards and swaps .....	6,253,003	95,703	108,353
Options .....	118,115	732	629
Interest rate contracts			
Forwards/swaps/FRAs .....	11,620,672	175,946	168,885
Options .....	2,085,985	33,336	29,845
Equity contracts			
Forwards .....	126,037	1,295	1,476
Options .....	177,889	3,769	3,980
Other contracts			
Commodity contracts .....	23,896	3,211	3,230
Credit derivatives bought .....	20,948	195	584
Credit derivatives sold .....	9,087	239	152
Total derivatives held for trading purposes .....		<u>314,425</u>	<u>317,134</u>
Hedging derivatives			
Currency contracts .....	72,589	390	63
Interest rate contracts .....	441,698	<u>16,198</u>	<u>3,074</u>
Total derivatives .....		<u>331,013</u>	<u>320,270</u>

*Note:* Notional amounts and positive and negative fair values of derivatives are offset if certain criteria are fulfilled. For more information, see note 29 to the Group's audited consolidated financial statements as at and for the year ended December 31, 2015 incorporated by reference into this Base Prospectus. The increase in credit derivatives bought reflects the hedging of the counterparty credit risk (CVA) on derivatives.

	As at December 31, 2014		
	Notional amount	Positive fair value (DKK in millions)	Negative fair value
Currency contracts			
Forwards and swaps .....	5,635,024	122,750	131,299
Options .....	185,794	1,890	1,883
Interest rate contracts			
Forwards/swaps/FRAs .....	12,938,852	218,279	209,161
Options .....	1,997,406	42,277	37,472
Equity contracts			
Forwards .....	92,692	1,262	1,303
Options .....	103,178	2,026	2,204
Other contracts			
Commodity contracts .....	27,556	2,545	2,661
Credit derivatives bought .....	9,889	95	542
Credit derivatives sold .....	7,707	353	83
Total derivatives held for trading purposes .....		<u>391,477</u>	<u>386,608</u>
Hedging derivatives			
Currency contracts .....	106,459	867	10
Interest rate contracts .....	497,087	17,099	3,129
Total derivatives .....		<u>409,443</u>	<u>389,746</u>

*Note:* Notional amount and positive and negative fair value of derivatives are offset if certain criteria are fulfilled.

## Credit Exposure

As at December 31, 2016, the Group's net credit exposure totaled DKK 3,796 billion, as compared to DKK 3,600 billion as at December 31, 2015 and DKK 3,722 billion as at December 31, 2014. Exposure from trading and investment activities amounted to DKK 854 billion of the total credit exposure as at December 31, 2016, as compared to DKK 891 billion as at December 31, 2015 and DKK 1,074 billion as at December 31, 2014. Exposure from lending activities in core activities amounted to DKK 2,534 billion as at December 31, 2016, as compared to DKK 2,323 billion as at December 31, 2015 and DKK 2,268 billion as at December 31, 2014. As at December 31, 2016, home loans to personal customers in core activities accounted for 30 percent of the exposure from lending activities, as compared to 32 percent as at December 31, 2015 and 32 percent as at December 31, 2014. As at December 31, 2016, repo transactions accounted for 10 percent of the exposure from lending activities, as compared to 9 percent as at December 31, 2015 and 13 percent as at December 31, 2014.

For additional information on the Group's credit exposure, see "*Risk Management*."

## Capital and Solvency

### General

The Bank is a licensed financial services provider and must therefore comply with the capital requirements of the CRR and the Danish Financial Business Act. The Danish rules are based on the CRD IV Directive and apply to both the Bank and the Group. Similarly, the Bank's financial subsidiaries in and outside Denmark must comply with local capital requirements. The Group's capital management policies and practices are based on the Internal Capital Adequacy Assessment Process (the "ICAAP").

## Total Capital

The Group's total capital consists of tier 1 capital (share capital and additional tier 1 capital after deductions) and tier 2 capital (subordinated loan capital after deductions). Starting with total equity under IFRS, the Group makes a number of adjustments in order to determine its common equity tier 1 ("CET1") capital. The Group's CET1 capital is based on the carrying amount of shareholders' equity with the following adjustments: domicile property revalued at its estimated fair value and deductions for proposed dividends, intangible assets of banking operations and deferred tax assets that rely on future profitability and statutory deductions for insurance companies, etc.

The Group's additional tier 1 capital and tier 2 capital may, subject to certain conditions, be included in total capital. The conditions are described in the CRR. Until the CRR is fully phased in, transitional rules apply to instruments which do not qualify for inclusion according to the CRR.

The following table sets forth certain information on the Group's total capital and capital ratios as at the dates indicated:

	As at December 31,		
	2016	2015	2014 (restated) <sup>(1)</sup>
	(DKK in millions, unless otherwise indicated)		
Total equity.....	166,615	160,830	152,384
Adjustment to total equity.....	270	3,714	3,806
Total equity calculated according to the rules of the DFSA .....	166,886	164,544	156,190
Additional tier 1 instruments included in total equity .....	(14,133)	(11,177)	(5,597)
Adjustments for accrued interest and tax effect on additional tier 1 capital.....	(132)	(119)	(60)
CET1 instruments .....	152,621	153,248	150,533
Deductions from CET1 capital .....	(19,927)	(18,890)	(20,130)
Portion from goodwill.....	(6,707)	(6,426)	(11,169)
Portion from statutory deductions for insurance subsidiaries .....	(626)	(2,885)	(1,850)
CET1 capital .....	132,694	134,358	130,403
Additional tier 1 capital .....	23,623	22,338	17,434
Deductions from additional tier 1 capital.....	(209)	(2,171)	(3,711)
Portion from statutory deductions for insurance subsidiaries .....	(209)	(2,164)	(3,701)
Tier 1 capital.....	156,108	154,525	144,126
Tier 2 instruments .....	22,141	22,782	26,310
Deductions from tier 2 .....	(209)	(2,171)	(3,711)
Portion from statutory deductions for insurance subsidiaries .....	(209)	(2,164)	(3,701)
Total capital .....	178,041	175,136	166,725
Total REA.....	815,249	833,594	865,086
Common equity tier 1 capital ratio, percent.....	16.3	16.1	15.1
Tier 1 capital ratio, percent.....	19.1	18.5	16.7
Total capital ratio, percent .....	21.8	21.0	19.3

(1) As at December 31, 2015, the Group had a pension scheme for approximately 200 current and 1,100 former employees of the Bank held with the Danica Group. The Bank has guaranteed a real return on policyholders' savings. In continuation of a dialogue with the DFSA, the Danica Group changed the accounting treatment in its annual report 2014 from net presentation and measurement of the scheme and the financial guarantee to gross presentation and measurement with the financial guarantee recognized as an asset at an amount representing the expected payments. For additional information, see note 2(a) to the Group's audited consolidated financial statements as at and for the year ended December 31, 2015 incorporated by reference into this Base Prospectus.

Total capital and the total risk exposure amount are calculated in accordance with the rules applicable under CRR, taking transitional rules into account as stipulated by the DFSA. A new filter was introduced in the second quarter of 2016 for deduction from CET1 capital of additional value adjustments of assets and liabilities measured at fair value (prudent valuation). The European Commission has adopted a delegated regulation on regulatory technical standards for prudent valuation that has been effective since February 2016.

On June 30, 2016, the Group stopped consolidating Danmarks Skibskredit A/S and LR Realkredit A/S on a *pro rata* basis in the statement of capital for regulatory purposes. As at June 30, 2016, the change led to a decrease in CET1 capital and total capital of DKK 3.0 billion and a decrease in the total REA of DKK 16.2 billion, as compared to December 31, 2015.

## Total Capital Requirements

### General

The regulatory minimum capital requirement under Pillar I of the CRR is defined as 8 percent of the REAs for credit risk (including counterparty credit risk), market risk and operational risk. In addition, there is a combined buffer requirement.

The following table sets forth the Group's capital ratios and requirements as at December 31, 2016 and fully phased in:

	<b>As at December 31, 2016</b>	<b>Fully phased in<sup>(1)</sup></b>
	<b>(percentage of total REA)</b>	
<b>Capital ratios</b>		
CET1 capital ratio.....	16.3	16.2
Total capital ratio.....	<u>21.8</u>	<u>19.9</u>
<b>Capital requirements (including buffers)<sup>(2)</sup></b>		
Minimum CET1 capital requirement (Pillar I).....	4.5	4.5
Capital add-on to be met with CET1 capital (Pillar II).....	1.5	1.5
Combined buffer requirement.....	2.2	6.0
Portion from countercyclical capital buffer.....	0.4	0.5
Portion from capital conservation buffer.....	0.6	2.5
Portion from SIFI buffer.....	<u>1.2</u>	<u>3.0</u>
CET capital requirement.....	<u>8.2</u>	<u>12.0</u>
Minimum capital requirement (Pillar I).....	8.0	8.0
Capital add-on (Pillar II).....	2.6	2.6
Combined buffer requirement.....	<u>2.2</u>	<u>6.0</u>
Total capital requirement.....	<u>12.8</u>	<u>16.6</u>
<b>Excess capital</b>		
CET1 capital.....	8.1	4.2
Total capital.....	9.0	3.3

(1) Based on fully phased-in CRR and CRD IV Directive rules and requirements.

(2) The total capital requirement consists of the solvency need and the combined buffer requirement. The fully phased-in countercyclical capital buffer is based on the buffer rates announced at the end of 2016.

In collaboration with other national financial supervisory authorities, the DFSA has approved Danske Bank's use of the A-IRB approach for the calculation of credit risk. The Group uses an internal VaR model for both market risk on items in the trading book and for foreign exchange risk on items outside the trading book. For the calculation of operational risk, the Group uses the standardized approach.

In 2016, the Group expanded the use of internal models for the calculation of the total REA. In January 2016, the Group received approval from the DFSA to implement revised internal models according to the 2013 DFSA orders. In December 2016, the Group received approval to calculate the REA at Danske Bank Plc (Finland) according to the IRB approach for the retail asset class and according to the F-IRB approach for the institution asset class. Implementation will take place in the first quarter of 2017.

#### *Solvency Need*

The solvency need is the amount of capital that is adequate in terms of size and composition to cover the risks to which a financial institution is exposed. The solvency need consists of the regulatory minimum capital level of 8 percent of the total REA for risks covered under Pillar I (REAs for credit risk (including counterparty risk), market risk and operational risk) and an additional capital requirement under Pillar II for risks not covered under Pillar I.

As part of the ICAAP under Pillar II, the solvency need is determined on the basis of an internal assessment of the Group's risk profile in relation to the minimum capital requirement. An important part of the process of determining the solvency need is evaluating whether the calculation takes into account all material risks to which the Group is exposed. The Group uses its internal models as well as expert judgment and DFSA benchmark models to quantify whether the regulatory framework indicates that additional capital is needed.

The following table sets forth the Group's and the Bank's internal measure of its respective solvency need for the most important risk types as at December 31, 2016:

	As at December 31, 2016			
	Group		Bank	
	(DKK in billions)	(percent of total REA)	(DKK in billions)	(percent of total REA)
Credit risk .....	66.8	8.1	55.1	8.5
Market risk .....	11.1	1.4	10.8	1.7
Operational risk .....	7.1	0.9	5.8	0.9
Other risks .....	<u>1.5</u>	<u>0.2</u>	<u>1.4</u>	<u>0.2</u>
Solvency need and solvency need ratio .....	86.5	10.6	73.1	11.3
Combined buffer requirement .....	<u>18.2</u>	<u>2.2</u>	<u>15.3</u>	<u>2.4</u>
Solvency need and solvency need ratio (including combined buffer requirement) .....	104.7	12.8	88.4	13.7
Portion from CET1 capital .....	66.9	8.2	56.5	8.7
Capital need according to the transitional rules .....	95.2	11.7	66.5	10.3
Total capital and total capital ratio .....	178.0	21.8	178.2	27.5
Portion from CET1 capital .....	132.7	16.3	133.4	20.6
Excess capital .....	73.3	9.0	89.8	13.8
Portion from CET1 capital .....	65.8	8.1	76.9	11.9

In addition to determining the solvency need, the Group uses the Basel I transitional rules as a “backstop” measure to determine the adequacy of its total capital. That is, the transitional rules determine the minimum level of total capital needed if they indicate an amount that is larger than the solvency need plus the phased-in regulatory buffer requirements. The REA calculated under the Basel I rules amounted to DKK 1,487,896 million as at December 31, 2016 (December 31, 2015: DKK 1,441,527 million). The capital need under the transitional rules was DKK 95,225 million, equal to 11.7 percent of the reported REA (December 31, 2015: DKK 92,258 million).

#### *Combined Buffer Requirement*

The CRD IV Directive introduced a combined buffer that applies in addition to the solvency need and is being phased in from 2015 to 2019. The combined buffer consists of a countercyclical buffer, a capital conservation buffer and a SIFI buffer.

The capital conservation buffer and the countercyclical capital buffer are designed to ensure that credit institutions accumulate a sufficient capital base during periods of economic growth to absorb losses during periods of stress. The capital conservation buffer is being gradually phased in to a final level of 2.5 percent in 2019. The countercyclical buffer requirement is calculated as a weighted average of the national buffers in effect in the jurisdictions in which a bank has credit exposures. The Group's countercyclical buffer rate of 0.4 percent at the end of 2016 was based primarily on the countercyclical buffer rates in Norway and Sweden (both set at 1.5 percent).

Danske Bank was designated as a SIFI in Denmark in 2014. Consequently, the Group is subject to stricter capital requirements than non-SIFI banks. At the end of 2016, the Group's SIFI buffer requirement was 1.2 percent. The fully phased-in SIFI buffer requirement in 2019 will be 3 percent.

Breaching the combined buffer requirement would restrict the Group's capital distributions, including the payment of dividends, payments on additional tier 1 capital instruments, and variable remuneration.

#### *Capital Planning*

##### *General*

The Group's capital planning takes into account both short- and long-term horizons in order to give the Board of Directors a comprehensive view of current and future capital levels. The capital plan includes a forecast of the Group's expected capital performance based on budgets and takes pending regulation into account when future capital requirements are assessed. The Group also uses stress tests in its internal capital planning and compliance with regulatory capital requirements.

##### *Stress Tests*

The Group uses macroeconomic stress tests in the ICAAP for the purpose of projecting its solvency need and actual capital level in various unfavorable scenarios. Stress tests are an important means of analyzing the risk profile since they give management a better understanding of how the Group's portfolios are affected by macroeconomic changes, including the effects of undesirable events on the Group's total capital.



When the Group uses stress tests in its capital planning, it applies stress to risks, income and the cost structure. Stressing income and costs affects the Group's total capital, while stressing risk exposures affects its solvency need. The stress test methodology consists of four steps: (1) choice of scenario; (2) translation of scenario; (3) stress test calculations; and (4) evaluation of results and methodology. The Group evaluates the main scenarios and their relevance on an ongoing basis. The scenarios that are most relevant to the current economic situation and related risks are analyzed at least once a year. New scenarios may be added when necessary. The scenarios are an essential part of the Group's capital planning in the ICAAP.

### Internal Stress Test

The Group's internal stress test is based on various scenarios, each consisting of a set of macroeconomic variables. The scenarios are generally used both at the group level and for subsidiaries. Specific scenarios are also developed for subsidiaries. The scenarios are submitted to the Board of Directors for approval.

The following table sets forth the Group's most important internal stress tests scenarios and their uses:

	Description and use
<b>Scenario</b>	
Severe recession .....	<p>A sharp slowdown in the global economy reduces exports, private consumption and GDP, while increasing unemployment. This scenario assumes a significant setback in property prices because of weak consumer confidence, high unemployment and tight credit policies.</p> <p>The Group uses the severe recession scenario in its capital planning to determine whether the capital level is satisfactory. If management concludes that the excess capital is too small in the scenario's worst year, it will consider changing the risk profile or raising capital.</p>
Extreme recession .....	<p>A very sharp slowdown in the global economy reduces exports, private consumption and GDP, while increasing unemployment. This scenario assumes deflation in most economies and a very sharp drop in property prices.</p> <p>The Group uses the extreme recession scenario for recovery plan purposes to test the credibility and effectiveness of its actions to restore its capital and liquidity position in the contingency and recovery plan.</p>
Regulatory scenarios .....	<p>Base cases and stress scenarios of the DFSA and the European Banking Authority.</p> <p>The DFSA uses the regulatory scenarios for the SREP.</p>
Other scenarios .....	<p>Besides the main scenarios listed above, the Group also uses various specialized or portfolio-specific scenarios that provide management an understanding of how the Group will be affected by specific events.</p>

### External Stress Test

Danske Bank also participates in the EU-wide external stress test conducted by the EBA. The purpose of the EBA stress test is to assess the health of the European banking sector in the stress scenario and the ability of the individual banks to absorb losses in various economic scenarios. According to the latest stress test, which was conducted in the spring of 2016, the Group complies with the capital requirements with a solid margin.

### Reverse Stress Test

A reverse stress test is a risk management tool that complements the standard risk framework. The purpose of a reverse stress test is to identify any extreme event (or combination of events) that could bring the Group in a recovery state and then to determine the likelihood of the events. The Group can judge whether it is comfortable with the probability that the events will occur in relation to the implications of their occurrence.

Along with the results from the various stress tests in the ICAAP, the reverse sensitivity analysis shows that the Group has a comfortable capital level in excess of its solvency need – even when heavily stressed income is combined with unprecedented impairments, trading losses, operational losses and funding costs.

The results of internal, external and reverse stress tests show that the Group is robust in the event of unfavorable economic developments in the selected stress test scenarios.

### Capital Allocation

The Group makes a full internal allocation of its total equity across business units on the basis of each unit's contribution to the Group's total risk as estimated by means of regulatory models. The Group is constantly improving its capital allocation framework in order to reflect as closely as possible the effects of new regulation and the risk entailed in its business activities. In 2016, the Group changed the principles for allocating capital across the business units so that they

are fully aligned with the regulatory requirements and its CET1 capital ratio target. This means that the capital consumption of the Group's individual business units is closely aligned with the Group's total capital consumption.

### **Leverage Ratio**

The leverage ratio represents a non-risk-adjusted capital requirement that is implemented to function as a further "backstop" measure for risk-based capital. Since January 2014, the CRR and the CRD IV Directive rules have required that credit institutions calculate, monitor and report on their leverage ratios, defined as tier 1 capital as a percentage of total exposure. On the basis of the European Commission's proposal for a revised CRR (part of the European Commission's proposal for an EU Banking Reform package), a leverage ratio of 3 percent is expected to become a minimum requirement with the implementation of the revised CRR.

In 2015, the definition of the leverage ratio was revised and the latest changes made by the Basel Committee were implemented. The revision had minor effect on the calculation of exposure to securities-financing transactions and derivatives. Furthermore, a floor on the conversion factor for off-balance-sheet exposures was implemented at 10 percent.

The following table sets forth certain information with respect to the Group's leverage ratio as at the dates indicated:

	<b>As at December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<b>(DKK in billions, unless otherwise indicated)</b>		
Total exposure for leverage ratio calculation.....	3,380.7	3,273.7	3,562.5
Portion from derivatives.....	114.2	170.2	235.1
Portion from securities-financing transactions.....	255.6	229.5	322.7
Portion from off-balance-sheet items.....	439.7	431.4	554.6
Reported tier 1 capital (transitional rules).....	156.1	154.5	144.9
Tier 1 capital (fully phased-in rules).....	145.7	139.0	126.7
Leverage ratio (transitional rules), percent <sup>(1)</sup> .....	4.6	4.7	4.1
Leverage ratio (fully phased-in rules), percent <sup>(1)</sup> .....	4.3	4.2	3.6

(1) During 2015, the definition of the leverage ratio was revised. The leverage ratios as at December 31, 2014 were calculated according to the definition in force as at December 31, 2014 and, therefore, are not comparable to the leverage ratios as at December 31, 2016 and 2015.

The Group's overall monitoring of leverage risk is done in the ICAAP. The ICAAP also includes an assessment of changes in the leverage ratio under stressed scenarios. The leverage ratio is determined and monitored monthly. To ensure sound monitoring, the Group has set forth policies for the management and control of each component that contributes to leverage risk.

## SELECTED STATISTICAL DATA AND OTHER INFORMATION

The following information is included for analytical purposes and should be read in connection with, and is qualified in its entirety by, the audited consolidated financial statements of the Group incorporated by reference into this Base Prospectus, as well as "Operating and Financial Review and Prospects." The information included in this section has not been derived from the Group's audited consolidated financial statements. This information has been derived from the Bank's accounting records and has not been audited.

### Average Balance Sheet Information and Information on Interest Rates

The following table sets forth average balances of the Group's assets and liabilities, the interest generated from such assets and liabilities and average interest rates paid for the years indicated. In the following table and elsewhere in this Base Prospectus, the average balances have been calculated from quarterly balances, except where otherwise noted. All balances are considered by the Group's management to represent the operations of the Group fairly. Non-accrual loans are included under the category "Loans and advances."

	For the year ended December 31,								
	2016			2015			2014		
	Average balance (DKK in millions)	Interest amount	Average interest rate (percent)	Average balance (DKK in millions)	Interest amount	Average interest rate (percent)	Average balance (DKK in millions)	Interest amount	Average interest rate (percent)
<b>Assets</b>									
Loans to credit institutions.....	203,194	399	0.20	199,492	(121)	(0.06)	113,965	179	0.16
Loans and advances <sup>(1)</sup> .....	924,819	21,306	2.30	897,571	22,183	2.47	849,421	25,654	3.02
Reverse transactions.....	244,474	(971)	(0.40)	216,303	(508)	(0.23)	290,095	1,271	0.44
Mortgage lending.....	755,841	18,499	2.45	741,329	20,653	2.79	738,232	22,584	3.06
Trading portfolio (interest-bearing).....	805,258	6,880	0.85	881,671	11,923	1.35	858,422	11,944	1.39
Other interest-bearing assets.....	378,368	2,668	0.71	357,475	4,142	1.16	335,221	4,699	1.40
Total interest-bearing assets.....	3,311,954	48,781	1.47	3,293,841	58,272	1.77	3,185,355	66,331	2.08
Non-interest-bearing assets.....	127,438	—	—	149,623	—	—	155,659	—	—
Total assets.....	<u>3,439,392</u>	<u>48,781</u>	<u>1.42</u>	<u>3,443,463</u>	<u>58,272</u>	<u>1.69</u>	<u>3,341,014</u>	<u>66,331</u>	<u>1.99</u>
<b>Liabilities</b>									
Deposits by credit institutions.....	177,035	797	0.45	178,257	706	0.40	115,549	412	0.36
Deposits.....	976,151	1,678	0.17	1,008,459	2,592	0.26	878,577	5,009	0.57
Repo transactions.....	199,724	(435)	(0.22)	177,456	(392)	(0.22)	400,618	1,331	0.33
Debt securities.....	1,087,560	16,915	1.56	1,028,670	20,319	1.98	952,073	22,460	2.36
Subordinated liabilities.....	38,832	1,505	3.88	38,967	1,714	4.40	50,982	2,512	4.93
Total interest-bearing liabilities.....	2,479,301	20,459	0.83	2,431,809	24,939	1.03	2,397,799	31,724	1.32
Non-interest-bearing liabilities.....	799,710	—	—	853,383	—	—	791,599	—	—
Total liabilities.....	3,279,011	20,459	0.62	3,285,192	24,939	0.76	3,189,398	31,724	0.99
Equity.....	160,381	—	—	158,271	—	—	151,616	—	—
Total liabilities and equity.....	<u>3,439,392</u>	<u>20,459</u>	<u>0.59</u>	<u>3,443,463</u>	<u>24,939</u>	<u>0.72</u>	<u>3,341,014</u>	<u>31,724</u>	<u>0.95</u>

(1) Loans and advances includes non-accrual loans.

### Foreign Currencies

The following table sets forth loans to credit institutions, total loans and advances, deposits by credit institutions and total deposits, each category presented separately for the Danish Kroner denominated loans, advances and deposits and for currencies other than the Danish Kroner, as at the dates indicated:

	As at December 31,		
	2016	2015	2014
	(DKK in millions)		
<b>Loans and advances</b>			
Loans to credit institutions in Danish Kroner .....	55,229	34,864	30,100
Loans to credit institutions in currencies other than the Danish Kroner .....	190,250	68,995	82,660
Total loans to credit institutions.....	245,479	103,859	112,760
Loans and advances in Danish Kroner.....	985,765	983,488	989,139
Loans and advances in currencies other than the Danish Kroner.....	921,805	837,429	845,372
Total loans and advances <sup>(1)</sup> .....	1,907,569	1,820,918	1,834,511
<b>Deposits</b>			
Deposits by credit institutions in Danish Kroner .....	26,584	59,680	61,409
Deposits by credit institutions in currencies other than the Danish Kroner .....	246,299	211,908	267,639
Total deposits by credit institutions .....	272,883	271,588	329,048
Deposits in Danish Kroner, excluding repurchase obligations.....	319,353	298,759	281,592
Deposits in currencies other than the Danish Kroner, excluding repurchase obligations.....	542,448	521,737	486,179
Total deposits, excluding repurchase obligations .....	861,801	820,497	767,772

(1) Including reverse transactions and loans at a fair value.

As at December 31, 2016, December 31, 2015 and December 31, 2014, 78 percent, 66 percent and 73 percent, respectively, of the Group's loans to credit institutions comprised loans denominated in currencies other than Danish Kroner, with the balance denominated in Danish Kroner.

As at December 31, 2016, December 31, 2015 and December 31, 2014, 48 percent, 46 percent, and 46 percent, respectively, of the Group's total loans and advances comprised loans denominated in currencies other than Danish Kroner, with the balance denominated in Danish Kroner.

As at December 31, 2016, December 31, 2015 and December 31, 2014, 90 percent, 78 percent and 81 percent, respectively, of the Group's deposits by credit institutions comprised deposits denominated in currencies other than Danish Kroner, with the balance denominated in Danish Kroner.

As at December 31, 2016, December 31, 2015 and December 31, 2014, 63 percent, 64 percent and 63 percent, respectively, of the Group's total deposits comprised deposits denominated in currencies other than Danish Kroner, with the balance denominated in Danish Kroner.

### Analysis of Changes in Net Interest Income

The following table sets forth an analysis of changes in the Group's net interest income attributable to changes in average balance, changes in interest and changes in the average rate of interest for the years indicated:

	For the year ended December 31, 2016/2015			For the year ended December 31, 2015/2014		
	Average balance <sup>(1)</sup>	Change due to increase (decrease) in		Average balance <sup>(1)</sup>	Change due to increase (decrease) in	
		Interest amount	Interest rate		Interest amount	Interest rate
	(DKK in millions)		(percent)	(DKK in millions)		(percent)
<b>Interest-bearing assets</b>						
Loans to credit institutions .....	3,703	521	0.04	85,527	(300)	(0.22)
Loans and advances .....	27,248	(877)	(0.72)	48,149	(3,471)	(0.55)
Reverse transactions .....	28,171	(463)	(0.84)	(73,792)	(1,779)	(0.67)
Mortgage lending .....	14,512	(2,154)	(0.61)	3,098	(1,931)	(0.27)
Trading portfolio (interest-bearing) .....	5,631	(5,044)	(0.66)	23,250	(21)	(0.04)
Other interest-bearing assets .....	20,893	(1,474)	(0.70)	22,254	(557)	(0.24)
Total interest-bearing assets .....	<u>100,158</u>	<u>(9,492)</u>	<u>(0.65)</u>	<u>108,486</u>	<u>(8,059)</u>	<u>(0.31)</u>
<b>Interest-bearing liabilities</b>						
Deposits by credit institutions .....	(1,222)	90	0.09	62,709	294	0.04
Deposits .....	(32,308)	914	(0.40)	129,882	(2,417)	(0.31)
Repo transactions .....	22,268	(43)	(0.55)	(223,162)	(1,723)	(0.55)
Debt securities .....	58,890	(3,404)	(0.80)	76,597	(2,141)	(0.38)
Subordinated liabilities .....	(135)	(209)	(1.05)	(12,015)	(798)	(0.53)
Total interest-bearing liabilities .....	<u>47,493</u>	<u>(4,481)</u>	<u>(0.50)</u>	<u>34,010</u>	<u>(6,785)</u>	<u>(0.30)</u>

(1) Average balance and average interest rate variances have been calculated based on net movements in the average balances and interest rates.

### Trading Portfolio Assets and Liabilities

Trading portfolio assets and liabilities, which include securities and derivatives that are actively managed, are valued at fair value. Trading assets includes the Group's investment portfolio as well as its trading and hedging portfolios. Trading liabilities primarily include hedging portfolios.

The following table sets forth the composition of the Group's trading portfolio assets and liabilities, divided by category of securities, as at the dates indicated:

	As at December 31,		
	2016	2015	2014
	(DKK in millions)		
<b>Trading portfolio assets</b>			
Derivatives with positive fair value .....	326,433	331,015	409,442
Listed bonds .....	161,698	193,421	324,573
Unlisted bonds .....	182	1,776	524
Listed shares .....	20,934	19,955	7,442
Unlisted shares .....	<u>432</u>	<u>852</u>	<u>532</u>
Total assets .....	<u>509,679</u>	<u>547,019</u>	<u>742,513</u>
<b>Trading portfolio liabilities</b>			
Derivatives with negative fair value .....	328,080	320,270	389,746
Obligations to repurchase securities .....	<u>150,221</u>	<u>150,861</u>	<u>160,883</u>
Total liabilities .....	<u>478,301</u>	<u>471,131</u>	<u>550,629</u>

### Investment Securities

Investment securities consist of financial assets that, under the fair value option, the Group designates at fair value through profit or loss, as available-for-sale financial assets and as held-to-maturity investments. Held-to-maturity investments are measured at amortized cost.

The following table sets forth the composition of the Group's investment securities as at the dates indicated:

	As at December 31,		
	2016	2015	2014
	(DKK in millions)		
<b>Financial assets at fair value through profit or loss</b>			
Listed bonds.....	137,490	175,660	165,746
Unlisted bonds.....	–	25	25
Listed shares.....	67	105	53
Unlisted shares.....	1,673	1,542	1,772
Total financial assets at fair value through profit or loss.....	139,230	177,332	167,596
<b>Available for sale financial assets</b>			
Listed bonds.....	70,727	46,770	58,543
Total available for sale assets.....	70,727	46,770	58,543
Total at fair value.....	209,957	224,102	226,139
<b>Hold-to-maturity financial assets</b>			
Listed bonds.....	133,379	119,202	104,855
Unlisted bonds.....	–	–	–
Total investment securities.....	343,337	343,304	330,994

## Deposits

The following table sets forth the balance and types of deposits due as at the dates indicated (principal only):

	As at December 31,		
	2016	2015	2014
	(DKK in millions)		
Repo deposits.....	199,724	177,456	400,618
Other deposits.....	859,435	816,762	763,441
Total deposits.....	1,059,159	994,218	1,164,059

The following table sets forth the contractual due dates of the Group's deposits as at the dates indicated (principal and accrued interest):

	0–1 month	1–3 months	3–12 months	1–5 years	Over 5 years
	(DKK in millions)				
As at December 31, 2016.....	1,032,080	19,632	23,108	11,246	8,225
As at December 31, 2015.....	947,909	25,194	17,672	15,527	8,239
As at December 31, 2014.....	1,024,835	43,421	33,260	18,170	8,817

## Short-Term Borrowings

The following table sets forth information on the Bank's short-term borrowings as at the dates indicated:

	Period-end balance	Average balance	Maximum month-end balance during period
	(DKK in millions)		
<b>December 31, 2016</b>			
Amount owed to credit institutions.....	258,132	285,241	333,553
Debt securities in issue etc.....	140,860	135,494	149,865
Total.....	398,992	420,734	483,418
<b>December 31, 2015</b>			
Amount owed to credit institutions.....	268,062	318,080	377,658
Debt securities in issue etc.....	128,259	111,273	144,077
Total.....	396,321	429,353	521,735
<b>December 31, 2014</b>			
Amount owed to credit institutions.....	319,862	333,855	400,954
Debt securities in issue etc.....	91,951	68,401	91,951
Total.....	411,813	402,256	492,906

## Maturity

The following table sets forth a breakdown by expected due date of the Group's balance sheet items as at the dates indicated:

	As at December 31,					
	2016		2015		2014	
	Within 1 year	After 1 year	Within 1 year	After 1 year	Within 1 year	After 1 year
	(DKK in millions)					
<b>Assets</b>						
Cash in hand and demand deposits with central banks .....	53,211	–	76,837	–	33,876	–
Due from credit institutions and central banks .....	244,767	712	102,933	925	112,021	738
Trading portfolio assets .....	264,535	245,144	297,016	250,004	364,212	378,301
Investment securities .....	66,123	277,214	97,818	245,486	146,696	184,298
Loans at amortized cost .....	523,629	617,937	483,351	595,906	533,993	558,909
Loans at fair value .....	106,399	659,603	108,399	633,261	101,011	640,599
Assets under pooled schemes and unit-linked investment contracts .....	–	99,848	–	91,893	–	80,148
Assets under insurance contracts .....	7,308	278,090	6,462	259,110	19,444	249,006
Intangible assets .....	–	6,790	–	6,505	–	11,253
Tax assets .....	617	667	1,021	529	1,142	401
Other assets .....	18,287	12,788	22,114	13,308	23,627	13,340
<b>Total assets</b> .....	<u>1,284,876</u>	<u>2,198,794</u>	<u>1,195,952</u>	<u>2,096,927</u>	<u>1,336,022</u>	<u>2,116,993</u>
<b>Liabilities</b>						
Due to credit institutions and central banks .....	258,132	14,751	268,062	3,526	319,862	9,187
Trading portfolio liabilities .....	100,299	378,001	92,601	378,530	73,331	477,298
Deposits <sup>(1)</sup> .....	154,077	789,788	96,904	766,570	297,650	668,546
Bonds issued by Realkredit Danmark .....	146,438	580,293	148,627	545,892	163,337	492,628
Deposits under pooled schemes and unit-linked investment contracts .....	9,353	97,065	8,284	88,674	7,072	79,361
Liabilities under insurance contracts .....	61,692	253,285	44,048	240,981	43,512	243,803
Other issued bonds .....	140,860	251,652	128,259	235,672	91,951	238,256
Tax liabilities .....	476	7,675	637	7,696	722	8,153
Other liabilities .....	34,548	837	36,816	278	43,687	511
Subordinated debt .....	12,882	24,950	944	39,047	6,410	34,618
<b>Total liabilities</b> .....	<u>918,757</u>	<u>2,398,299</u>	<u>825,182</u>	<u>2,306,866</u>	<u>1,047,534</u>	<u>2,252,361</u>

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

The following table sets forth a breakdown of the Group's financial liabilities by contractual due date as at the dates indicated:

	As at December 31, 2016				
	0–1 month	1–3 months	3–12 months	1–5 years	Over 5 years
	(DKK in millions)				
Due to credit institutions and central banks .....	235,258	14,974	7,698	13,593	1,080
Deposits .....	881,859	19,632	23,108	11,246	8,225
Repurchase obligation under reverse transactions .....	150,221	–	–	–	–
Bonds issued by Realkredit Danmark .....	46,722	–	106,912	397,257	266,829
Other issued bonds .....	14,111	39,694	88,417	229,873	37,700
Subordinated debt .....	125	251	1,144	23,253	29,370
Other financial liabilities .....	1,998	350	7,005	64,859	32,206
Financial and loss guarantees .....	80,377	–	–	–	–
Loan commitments shorter than 1 year .....	117,355	–	–	–	–
Loan commitments longer than 1 year .....	162,620	–	–	–	–
Other unutilized commitments .....	481	–	–	–	–
<b>Total</b> .....	<u>1,691,127</u>	<u>74,901</u>	<u>234,285</u>	<u>740,083</u>	<u>375,409</u>

As at December 31, 2015					
	0–1 month	1–3 months	3–12 months	1–5 years	Over 5 years
	(DKK in millions)				
Due to credit institutions and central banks .....	205,516	56,122	6,207	2,614	894
Deposits .....	797,048	25,194	17,672	15,527	8,239
Repurchase obligation under reverse transactions .....	150,861	–	–	–	–
Derivatives settled on a gross basis (cash outflows) .....	4,041,081	3,225,318	1,817,618	528,940	154,150
Derivatives settled on a gross basis (cash inflows) .....	4,044,577	3,224,351	1,819,569	530,860	157,432
Derivatives settled on a gross basis (net cash flows) ....	3,496	(967)	1,951	1,920	3,282
Derivatives settled on a net basis .....	(31,225)	(7,198)	1,891	(6,420)	(50)
Bonds issued by Realkredit Danmark .....	41,677	–	115,141	371,032	263,499
Other issued bonds .....	26,814	42,862	60,174	206,858	48,418
Subordinated debt .....	133	266	1,213	22,125	34,436
Other financial liabilities .....	1,537	353	6,395	57,420	31,254
Financial and loss guarantees .....	81,755	–	–	–	–
Loan commitments shorter than 1 year .....	124,978	–	–	–	–
Loan commitments longer than 1 year .....	153,650	–	–	–	–
Other unutilized commitments .....	518	–	–	–	–
Total .....	<u>1,556,758</u>	<u>116,631</u>	<u>210,643</u>	<u>671,077</u>	<u>389,970</u>

As at December 31, 2014					
	0–1 month	1–3 months	3–12 months	1–5 years	Over 5 years
	(DKK in millions)				
Due to credit institutions and central banks .....	247,208	62,183	10,725	2,706	6,559
Deposits .....	863,952	43,421	33,260	18,170	8,817
Repurchase obligation under reverse transactions .....	160,883	–	–	–	–
Derivatives settled on a gross basis (cash outflows) .....	3,274,332	2,408,733	1,407,221	250,739	62,160
Derivatives settled on a gross basis (cash inflows) .....	3,278,994	2,409,714	1,409,124	252,550	64,380
Derivatives settled on a gross basis (net cash flows) ....	4,662	981	1,903	1,811	2,220
Derivatives settled on a net basis .....	(12,104)	(17,435)	102	(3,937)	50
Bonds issued by Realkredit Danmark .....	62,277	–	110,278	340,346	249,393
Other issued bonds .....	17,071	12,182	64,501	201,940	68,060
Subordinated debt .....	135	270	1,228	25,879	24,584
Other financial liabilities .....	1,643	343	5,086	49,889	29,472
Financial and loss guarantees .....	77,430	–	–	–	–
Irrevocable loan commitments shorter than 1 year .....	115,511	–	–	–	–
Irrevocable loan commitments longer than 1 year .....	136,064	–	–	–	–
Other unutilized commitments .....	517	–	–	–	–
Total .....	<u>1,675,249</u>	<u>101,945</u>	<u>227,083</u>	<u>636,804</u>	<u>389,155</u>

The maturity analysis above is based on the earliest date on which the Group can be required to pay and does not reflect the expected due date. Disclosures comprise agreed payments, including principal and interest. For liabilities with variable cash flows, such as variable-rate financial liabilities, disclosure is based on the contractual conditions at the balance sheet date. Derivatives disclosures include the contractual cash flows for all derivatives, irrespective of whether the fair value at the balance sheet date is negative or positive and whether derivatives are held for trading or hedging purposes. Amounts for other issued bonds and subordinated debt are included at the date when the Group has a choice of redeeming the debt or paying increased interest expenses. Although the contractual conditions of deposits permit them to be redeemed upon short notice, in practice they are considered a stable funding source, as amounts disbursed largely equal deposits received. Loan commitments and guarantees are included at the earliest date on which the Group can be required to pay. Although a number of irrevocable loan commitments and guarantees expire without being utilized, the Group takes account of the potential risk of drawing under irrevocable loan commitments, by factoring in the unutilized portion of the facilities in the calculation of liquidity risk.

## RISK MANAGEMENT

### Overview

The Group is exposed to a number of risks and manages them at various organizational levels. The principal categories of risk are as follows:

- Credit risk: The risk of losses because debtors or 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 financial assets, liabilities and off-balance-sheet items varies with changes in market conditions.
- Liquidity risk: The risk of losses because the Group's funding costs become excessive, lack of funding prevents the Group from maintaining its business model, or lack of funding prevents the Group from fulfilling its payment obligations.
- Operational risk: The risk of losses resulting from inadequate or failed internal processes, people and systems or from external events, including legal events.
- Insurance risk: All types of risk in the Danica Group, including market risk, life insurance risk and operational risk.
- Pension risk: The risk that the Group will be liable for additional cash contributions to Group defined benefit pension plans for current and former employees.
- Business risk: The risk that income will not be able to cover losses caused by events affecting the Group's profit before loan impairment charges, market losses and operational losses.

### Risk Organization

#### *General*

The Group's risk management practices are organized according to the principles of three lines of defense. The three lines of defense segregate duties between (i) units that enter into business transactions with customers or otherwise expose the Group to risk, (ii) units in charge of risk oversight and control and (iii) Group's internal audit department ("**Group Internal Audit**").

The heads of the business units, operations areas and service areas are responsible for all business-related risks. The segmented organization allows risk management processes to be tailored to the various customer segments and to be aligned across borders.

The Group's Rules of Procedure (the "**Rules of Procedure**") for the Board of Directors and the Executive Board specify the responsibilities of the two boards and the division of responsibilities between them. The two-tier management structure and the Rules of Procedure, which were developed in accordance with Danish law, regulations and relevant corporate governance recommendations are central to the organization of risk management and the delegation of authorities throughout the Group.

The Group operates in accordance with statutory requirements governing listed Danish companies in general and financial institutions in particular, such as the requirements set forth in the Danish Executive Order on Management and Control of Banks issued by the DFSA. The Group also follows relevant recommendations for effective corporate governance.

#### *Board of Directors and Group Internal Audit*

The Board of Directors ensures that the Group is organized properly. As part of this duty, the Board appoints the members of the Executive Board, the Group chief audit executive (the "**CAE**") and the secretary to the Board of Directors.

In accordance with the Rules of Procedure, the Board of Directors approves the overall business model, risk profile and strategy. In addition, the Board of Directors receives regular reporting on and monitors the main risks and reviews the largest credit exposures. The Board of Directors reviews risk appetites, frameworks, policies, instructions and delegated risk mandates at least once a year.

Regular reporting enables the Board of Directors to monitor whether the risk appetites, policies, instructions and mandates are complied with and whether they are appropriate, given the Group's business model, risk profile and



strategy. In addition, the Board of Directors regularly reviews reports containing analyses of the Group's portfolios, including information on concentrations.

The CAE, who heads Group Internal Audit, reports directly to the Board of Directors. The primary role of Group Internal Audit is to help the Board of Directors and the Executive Board protect the assets, reputation and sustainability of the Group. The scope of Group Internal Audit's work is unrestricted. The CAE prepares an audit plan for the year that is reviewed by the Audit Committee and the Board of Directors and is approved by the latter.

### ***Executive Board***

The Executive Board is responsible for the day-to-day management of the Group as stated in the Rules of Procedure. The Executive Board sets forth specific risk directives, supervises the Group's risk management practices, approves credit applications up to a defined limit and ensures that book-keeping and asset management are sound and in accordance with the business model, strategy plan, policies, instructions and guidelines established by the Board of Directors and with applicable legislation.

The Executive Board consists of the Chief Executive Officer (the "CEO") of the Bank, the heads of the four main business units and the heads of group functional areas related to risk, finance, and services and IT.

### ***Risk Governance***

Risk policies and appetites defined by the Board of Directors and detailed in directives set forth by the Executive Board are the foundation for the business and control procedures of the business units and for systems development throughout the Group.

The Board of Directors sets forth individual risk appetites for credit risk, market risk, operational risk and liquidity risk. Each risk appetite specifies the risk types and risk amounts that the Board of Directors is willing to accept in pursuit of the Group's strategic goals. Relevant key performance indicators ("KPIs") are incorporated in regular risk reporting, and this enables the Group to monitor whether the risk profile remains within the risk appetite formulated.

### ***Executive Board Risk Committees***

The Executive Board has established two risk committees: the All Risk Committee and the Group Credit Committee.

The All Risk Committee has overall responsibility for risk management within the framework determined by the Board of Directors. On behalf of the Executive Board, the All Risk Committee:

- manages the balance sheet structure and developments;
- defines the overall funding structure;
- defines the general principles for measuring and managing risks;
- monitors the effects of regulation; and
- ensures a robust and well-functioning risk management structure.

The All Risk Committee receives periodic group liquidity and solvency reports and monitors risk trends at both the business unit and the Group level. The All Risk Committee consists of the members of the Executive Board and convenes once per month.

The All Risk Committee has established five sub-committees to ensure that adequate time and attention are given to the individual risk management areas. These sub-committees are the Asset & Liability Committee ("ALCO"), the Model & Parameter Committee, the Operational Risk Committee (the "ORCO"), the Portfolio Committee and the Valuation Committee. In general, the committees oversee risk developments within the Group and ensure that risk management and risk reporting are always compliant with statutory regulations and the Group's general principles for such practices. These sub-committees consist of representatives from the All Risk Committee and senior staff from relevant risk management functions.

On behalf of the Executive Board, the Group Credit Committee:

- approves or rejects credit applications that exceed the lending authorities delegated to the business units; and
- endorses credit applications for consideration by the Board of Directors.

The Group Credit Committee consists of selected members of the Executive Board and convenes twice per week.

## ***Risk Management***

### *General*

The first line of defense is represented by the business units and the operations and service organizations. Each unit operates in accordance with the risk policies and delegated mandates. The units are responsible for having skills, operating procedures, systems and controls in place to ensure their compliance with risk policies and mandates and the execution of sound risk management.

The second line of defense is represented by Group-wide functions that monitor whether the business units and the operations and service organizations adhere to the general policies and mandates. Group Risk Management, units in the CFO area, regional chief risk officers and the chief information security officer share the responsibility for these Group-wide functions.

The third line of defense is represented by Group Internal Audit, which is described under “—*Board of Directors and Group Internal Audit*” above.

### *Business Units*

Each of the four business units – Personal Banking, Wealth Management, Business Banking, and Corporate & Institutions – is headed by a member of the Executive Board. Northern Ireland is the fifth business unit serving personal and business customers, and it is a separate legal entity with its own executive board and separate board of directors.

The mandate of the business units to originate credit applications, take deposits and undertake investments for the Group is regulated by risk policies, instructions and limits. The Group strives to cultivate a corporate culture that supports and enforces the organization’s objective to assume selected risks in accordance with the defined guidelines.

The heads of the business units and the heads of the operations and service areas are responsible for all business-related risks, and their responsibilities extend across national borders. Lending authorities are cascaded down from the Board of Directors, through the Executive Board to Group Risk Management, to lending officers at the business units. Credit applications exceeding the delegated lending authorities are submitted to the Group Credit Committee and to the Board of Directors. While the business units are responsible for risk assessment, the credit oversight functions led by the heads of credit at Group Risk Management check that credit applications are within the defined credit policy and credit risk appetite.

The business units perform the fundamental tasks required for sound risk management and controls. These tasks include updating customer information used in risk management systems and models as well as maintaining and following up on customer relationships. Each business unit is responsible for preparing documentation and recording business transactions properly.

The business units must also ensure that all risk exposures do not exceed the specific risk limits and comply with the Group’s relevant guidelines.

### *Group Risk Management*

Group Risk Management serves as the Group’s second line of defense. It has responsibility for recommending and monitoring the Group’s risk appetite and policies and for following up and reporting on risk issues across all risk types, organizational units and geographical regions. Group Risk Management also serves as a resource for referrals from local risk committees.

Group Risk Management is headed by the Group’s Chief Risk Officer (the “**CRO**”), who is a member of the Executive Board. In cooperation with the CEO, the CRO reports to the Board of Directors. The CRO has the authority to veto any decision in relation to credit applications. The following terms apply to the CRO position:

- The CRO cannot be removed from office without the prior approval of the Board of Directors.
- The CRO is the only Executive Board member who is a permanent member of the Risk Committee.
- The CRO is also responsible for the risk reports that are submitted to the Board of Directors, the Board Risk Committee, the Executive Board and the All Risk Committee. These reports do not require prior approval from the CEO.

Group Risk Management oversees the risk management framework and practices across the organization and serves as the secretariat of the Group Credit Committee, the All Risk Committee and the following five sub-committees: the Model & Parameter Committee, the ORCO, the Portfolio Committee, the Group Liquidity Committee and the Valuation Committee. Senior risk managers are also members of the ALCO.

At Group Risk Management, various sub-departments are responsible for monitoring and managing the Group's main risk types.

The heads of Retail Credit Risk Management and Corporate Credit Risk Management report directly to the CRO and are responsible for retail and wholesale banking, respectively. They delegate credit risk mandates and oversee the day-to-day credit risk management in the first line of defense in their respective areas. This also includes reviewing the approval and follow-up processes for the lending books of the business units.

Risk Analytics develops and maintains credit rating methodologies and models. The team ensures that rating methodologies and models are fit for day-to-day credit processing at the business units and that statutory requirements are met. A separate unit is responsible for validating credit risk parameters.

The Credit Quality Assurance function ensures that an effective credit risk control environment is in place in the first line of defense.

The Portfolio Management function is responsible for the development of the Group's risk appetite framework, stress-testing engine and portfolio management. The team facilitates the quarterly processes of calculating and consolidating the impairment of credit exposures and monitors and reports on the Group's consolidated credit portfolio, with sector- and country-specific views and risk appetites.

Regional chief risk officers are responsible, in cooperation with country managers, for ensuring compliance with local rules and regulation. Local risk committees are established where relevant.

#### *CFO Area*

The CFO area is headed by the Group's Chief Financial Officer (the "CFO"), who is a member of the Executive Board. The department oversees the Group's financial reporting, budgeting and strategic business analysis, including the tools used by the business units for performance follow-up. The department is also in charge of the Group's investor relations; relations with international rating agencies; legal, regulatory and corporate matters; capital management and compliance.

Group Capital Management is responsible for calculating the total REA, for regulatory reporting, for performing the Group's ICAAP, and for allocating internal capital to the business units.

Group Compliance is an independent function that is responsible for identifying, assessing, monitoring and reporting on whether the Group complies with applicable laws, regulations and internal requirements. The head of Group Compliance reports to the CFO.

Group Treasury is responsible for executing the funding plan, managing the Group's liquidity plan and monitoring its liquidity needs. Group Treasury also ensures that the Group's structural liquidity profile is within the defined limits and that the targets set by the Board of Directors and the All Risk Committee as well as regulatory and prudential requirements are met. Furthermore, Group Treasury is responsible for asset and liability management, private equity activities and long-term funding activities.

#### *COO Area*

The COO area is headed by the Group's Chief Operating Officer (the "COO"), who is a member of the Executive Board. The department is responsible for the Group's operations and Group IT. Group IT is headed by the Group's Chief Technology Officer (the "CTO").

The Group's Chief Information Security Officer (the "CISO") reports functionally to the CTO, with a secondary reporting line to the CRO. The CISO is organizationally independent and may report and escalate issues directly to the Board of Directors in situations of severe policy breaches or notification of risks. The CISO heads Group IT Security & Risk within Group IT. Group IT Security & Risk performs control monitoring and ensures compliance with the Security Policy as a second line of defense function.

#### ***Crisis Management***

The Group is a significant player in the Nordic financial markets and provides a number of critical functions upon which the financial systems in its core markets rely. The Group recognizes the importance of having plans and procedures in place to ensure that it is viable in the long term and that the critical services are available.

The Group's operational crisis management is supported by business continuity plans, which describe measures that can restore the Group's operational capabilities and that allow it to recover from material operational risk events.

In a situation of severe financial stress, the Group's contingency plans for capital and liquidity will ensure that the Group takes measures to restore the Group's liquidity and funding position.

The Group has prepared a recovery plan in the event that conditions further deteriorate and threaten its liquidity or capital position and thus its long-term viability. The plan documents a framework that ensures that proper monitoring is in place to identify and understand a potential threat to the Group. It describes the governance processes and the selection of actions to be implemented to restore the Group's long-term viability.

The Group discusses the recovery plan with the DFSA and foreign supervisory authorities on an annual basis.

## **Credit Risk**

The Group's total net credit exposure is defined as on-balance-sheet items and off-balance-sheet items net of impairment charges that carry credit risk. As at December 31, 2016, the Group's total net credit exposure for accounting purposes was DKK 3,796 billion (December 31, 2015: DKK 3,600 billion). Net credit exposure from lending activities accounts for most of the Group's net credit exposure. As at December 31, 2016, 78.2 percent of the total REA related to credit risk, excluding counterparty credit risk.

### ***Governance and Responsibilities***

The Executive Board approves the Credit Risk Framework, which provides the overall structure that supports effective governance of the Group's credit risk. The Group's Credit Policy and Credit Risk Appetite and the Credit Risk Framework set expectations for the conduct of the credit risk management activities and behavior throughout the organization. This aims to ensure:

- a consistent and effective execution of credit risk management activities across the Group;
- a strong credit risk management culture;
- a performance that is in line with strategic objectives; and
- compliance with legal and regulatory requirements in relation to credit risk.

The Executive Board ensures that the risk organization is structured in such a way that the execution of tasks is separated from the control of tasks. The Group meets this requirement by organizing its credit controls along three lines of defense.

In 2016, the credit risk organization was reorganized by relocating resources from the second line of defense to the first line of defense. Going forward, one unit at Group Risk Management – Corporate Credit Risk Management – is responsible for overseeing and managing all business credit risks. The change is expected to ensure a more consistent and unified approach to credit risk management across business units, establish a clearer segregation of responsibilities across the first and second lines of defense, and, in the process, also strengthen the first line of defense.

The Group adheres to dual underwriting as a general principle. Credit applications and renewals above a certain materiality threshold are considered under dual authority, which means that decisions made by business units are challenged or endorsed by Group Risk Management. The first line of defense is responsible for all credit exposures.

### ***Credit Risk Appetite and Concentration Frameworks***

The credit risk profile is monitored and strengthened in accordance with the Credit Risk Appetite, which encompasses credit quality (expected loss) and credit risk concentration (limits on single names, industries and geographical regions).

Regular risk reporting enables the ongoing monitoring of the Group's credit risk profile in relation to the formulated risk appetite.

The Group Credit Risk Appetite statements are converted by the business units into specific KPIs in collaboration with Group Risk Management. Monitoring functions determine whether credit facilities are granted in accordance with the Credit Risk Appetite. Group Risk Management monitors and challenges the performance and reports the progress to the Executive Board and the Board of Directors.

As part of the overall risk appetite framework, the Group has implemented a set of frameworks to manage credit risk concentrations. The frameworks cover the following concentrations: single-name concentrations, industry concentrations and geographical concentrations.

#### ***Single-name Concentrations***

Single-name concentrations are managed according to two frameworks:

- (i) the large exposures framework is based on the regulatory definition of large exposures as specified in Article 395 of the CRR. As at December 31, 2016, the Group was well within the regulatory limits for large exposures; and

- (ii) the single-name concentration framework is a risk-sensitive internal framework that sets limits on exposure, expected loss and LGD in order to limit potential losses on single-name exposures.

The Group has also defined stricter internal limits for managing single-name concentrations including the following:

- absolute limit on single-name exposures;
- the sum of single-name exposures larger than 10 percent of the total adjusted capital may not exceed a portfolio limit of 95 percent of the total adjusted capital (as at December 31, 2016, one single-name exposure exceeded 10 percent); and
- the sum of single-name exposures between 5 percent to 10 percent of the total adjusted capital may not exceed 150 percent of the total adjusted capital (as at December 31, 2016, this segment represented 14 percent of the total adjusted capital).

The largest single-name exposures are monitored daily under the large exposures framework and are reported on a quarterly basis to the All Risk Committee and the Risk Committee. Large exposures are reported on a quarterly basis to the All Risk Committee, the Risk Committee and the Board of Directors. The Group has reduced single-name exposures substantially in recent years.

#### *Industry Concentrations*

The industry concentration framework outlines the principles of managing industry exposures. A portfolio committee consisting of industry experts, risk representatives and business unit representatives proposes industry limits based on scorecards, tailored analytics and expert knowledge. The committee submits the proposed limits to the All Risk Committee as well as input to the annual credit risk appetite process. The Group accepts the risks on material concentrations in accordance with the industry-specific guidelines that outline the application of credit policy within the industry.

#### *Geographical Concentrations*

Credit reporting includes a breakdown by region. Limits are set on exposures outside the Group's home markets (sovereigns, financial institutions and counterparties in derivatives trading). Limits are approved by the Group Credit Committee on the basis of expected business volume and an assessment of the specific country risk.

#### ***Credit Exposure***

##### *Total Net Credit Exposure*

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. The Non-core business unit is not considered part of the Group's core activities and is stated separately. Securities positions taken by the Group's trading and investment units also entail credit risk and are presented as credit exposure from trading and investment securities. One segment of credit risk concerns over-the-counter ("OTC") derivatives. This is presented as counterparty credit risk under trading portfolio assets. As at December 31, 2016, counterparty credit risk amounted to DKK 326.4 billion (December 31, 2015: DKK 331.0 billion). The overall management of credit risk thus covers credit risk from direct lending activities, including repo transactions, counterparty risk on OTC derivatives and credit risk from securities positions.

The following table sets forth the Group's total credit exposure as at the dates indicated:

	As at December 31,		
	2016	2015	2014
	(DKK in billions)		
<b>Credit Exposure Relating to Lending Activities</b>			
Demand deposits with central banks.....	43.9	66.2	23.3
Due from credit institutions and central banks.....	200.6	75.2	63.8
Repo loans with credit institutions and central banks .....	44.9	28.6	48.9
Loans at amortized cost .....	942.0	891.6	851.7
Repo loans .....	199.6	187.7	241.2
Loans at fair value .....	766.0	741.7	741.6
Guarantees .....	80.4	81.8	77.4
Loan commitments .....	280.0	278.6	251.6
Total credit exposures related to lending activities .....	<u>2,557.3</u>	<u>2,351.4</u>	<u>2,299.5</u>
<b>Credit Exposure Relating to Trading and Investing Activities</b>			
Trading portfolio assets .....	509.7	547.0	742.5
Investment securities .....	343.3	343.3	331.0
Assets under pooled schemes and unit-linked investment contracts .....	99.8	91.9	80.1
Assets under insurance contracts .....	285.4	265.6	268.5
Other unutilized commitments.....	0.5	0.5	0.5
Total credit exposure relating to trading and investing activities.....	<u>1,238.7</u>	<u>1,248.3</u>	<u>1,422.6</u>
Total credit exposure .....	<u>3,796.0</u>	<u>3,599.7</u>	<u>3,722.2</u>

In addition to credit exposure from lending activities, the Group had made loan offers and granted uncommitted lines of credit of DKK 385 billion as at December 31, 2016, as compared to DKK 329 billion as at December 31, 2015 and DKK 308 billion as at December 31, 2014. These items are included in the calculation of the total REA in accordance with the CRD.

Unless otherwise stated, the credit risk sections below do not present the credit exposure of the Non-core business unit.

#### *Credit Exposure from Core Lending Activities*

Credit exposure from lending activities in the Group's core banking business includes loans, amounts due from credit institutions and central banks, guarantees and irrevocable loan commitments, but exclude credit exposure of the non-core portfolio of DKK 23.4 billion as at December 31, 2016, DKK 28.6 billion as at December 31, 2015 and DKK 31.3 billion as at December 31, 2014. The exposure is measured net of accumulated impairment charges and includes repo loans. For reporting purposes, all collateral values are net of haircuts and capped at the exposure amount.

*Credit Portfolio in Core Lending Activities Broken Down by Industry (NACE)*

The following tables set forth the Group's credit exposure broken down by industry following the classification principles of the Statistical Classification of Economic Activities in the European Community (NACE) standard as at the dates indicated:

As at December 31, 2016				
	Gross exposure (a)	Acc. individual impairment charges (b)	Net exposure = (a)-(b)	Net exposure, excluding collateral
	(DKK in billions)			
Public institutions .....	330.0	—	330.0	274.9
Banks .....	70.2	0.1	70.0	59.6
Credit institutions .....	10.7	—	10.7	3.5
Insurance .....	47.4	—	47.4	8.0
Investment funds .....	40.8	0.2	40.6	8.8
Other financials .....	61.0	—	61.0	14.0
Agriculture .....	65.7	3.0	62.7	11.3
Commercial property .....	301.8	3.1	298.7	57.1
Construction and building projects .....	39.5	1.0	38.5	28.9
Consumer discretionary .....	98.3	1.5	96.8	56.6
Consumer staples .....	55.1	0.2	54.9	37.6
Energy and utilities .....	50.0	0.2	49.8	37.3
Health care .....	36.7	0.1	36.6	24.7
Industrial services, supplies and machinery .....	103.8	1.2	102.6	81.2
IT and telecommunication services .....	29.9	0.1	29.8	26.1
Materials .....	45.7	0.8	45.0	33.5
Non-profits and other associations .....	152.5	0.8	151.7	28.7
Other commercial .....	58.1	0.3	57.8	25.6
Shipping .....	39.7	0.7	39.0	14.1
Transportation .....	22.0	0.1	21.9	12.1
Personal customers .....	893.5	5.1	888.4	134.4
Total before collective impairment charges .....	2,552.3	18.5	2,533.8	978.1
Collective impairment charges .....	5.0	—	—	—
Total gross exposure .....	<u>2,557.3</u>	—	—	—

As at December 31, 2015				
	Gross exposure (a)	Acc. individual impairment charges (b)	Net exposure = (a)-(b)	Net exposure, excluding collateral
	(DKK in billions)			
Public institutions .....	166.4	—	166.4	143.9
Banks .....	78.2	0.1	78.1	63.2
Credit institutions .....	8.8	—	8.8	2.8
Insurance .....	58.4	—	58.4	8.8
Investment funds .....	82.9	0.4	82.5	13.5
Other financials .....	65.1	—	65.1	36.7
Agriculture .....	66.4	2.7	63.7	12.5
Commercial property .....	289.1	4.8	284.3	51.7
Construction and building projects .....	37.8	1.4	36.4	26.3
Consumer discretionary .....	91.8	1.9	89.9	47.7
Consumer staples .....	55.9	0.2	55.7	36.9
Energy and utilities .....	45.0	0.1	44.9	37.2
Health care .....	35.6	0.1	35.5	25.5
Industrial services, supplies and machinery .....	85.6	1.3	84.3	63.8
IT and telecommunication services .....	26.2	0.2	26.0	22.9
Materials .....	44.7	1.1	43.5	33.4
Non-profits and other associations .....	142.0	0.9	141.0	23.6
Other commercial .....	44.7	0.3	44.5	28.5
Shipping .....	44.5	1.1	43.4	19.2
Transportation .....	19.5	0.2	19.3	9.9
Personal customers .....	857.4	6.2	851.2	110.8
Total before collective impairment charges .....	2,345.9	23.2	2,322.8	818.8
Collective impairment charges .....	4.3	—	—	—
Total gross exposure .....	<u>2,350.3</u>	—	—	—

	As at December 31, 2014			
	Gross exposure (a)	Acc. individual impairment charges (b)	Net exposure = (a)-(b)	Net exposure, excluding collateral
	(DKK in billions)			
Public institutions .....	100.1	—	100.1	77.4
Banks .....	86.4	0.1	86.3	63.3
Credit institutions .....	30.7	—	30.7	11.5
Insurance.....	50.7	—	50.7	7.4
Investment funds.....	105.9	0.5	105.5	14.7
Other financials.....	98.8	0.1	98.6	11.2
Agriculture.....	65.8	2.5	63.3	13.1
Commercial property .....	268.6	7.4	261.2	49.4
Construction, engineering and building projects.....	37.5	2.1	35.3	27.0
Consumer discretionary .....	85.4	2.5	82.9	48.2
Consumer staples .....	58.7	0.4	58.3	37.6
Energy and utilities .....	38.9	0.2	38.7	30.9
Health care.....	30.9	0.1	30.8	22.2
Industrial services, supplies and machinery .....	84.9	1.5	83.4	66.8
IT and telecommunication services.....	21.6	0.2	21.4	19.1
Materials.....	44.0	1.3	42.7	31.8
Non-profits and other associations.....	134.5	1.2	133.2	21.1
Other commercial .....	49.2	0.3	48.9	40.3
Shipping.....	39.3	1.8	37.5	17.9
Transportation.....	17.7	0.2	17.5	9.1
Personal customers .....	847.6	6.6	841.0	133.6
Total before collective impairment charges.....	2,297.3	29.0	2,268.2	753.7
Collective impairment charges .....	4.0	—	—	—
Total gross exposure .....	2,301.3	—	—	—

The following tables set forth the Group's total credit exposure of core lending activities broken down by business unit and underlying segment as at the dates indicated:

	As at December 31, 2016			
	Gross exposure (a)	Acc. individual impairment charges (b)	Net exposure = (a)-(b)	Net exposure, excluding collateral
	(DKK in billions)			
<b>Personal Banking:</b>				
Denmark .....	493.0	3.6	489.5	64.9
Finland .....	91.0	0.5	90.5	6.2
Sweden .....	78.1	0.1	78.0	14.4
Norway .....	113.5	0.1	113.4	25.4
Other .....	—	—	—	—
Total .....	775.6	4.3	771.4	110.9
<b>Business Banking:</b>				
Denmark .....	457.2	8.7	448.5	113.3
Finland .....	72.2	0.9	71.3	32.6
Sweden .....	150.8	0.6	150.3	59.5
Norway .....	78.5	0.7	77.8	33.8
Baltics .....	20.1	0.3	19.8	10.6
Other .....	—	—	—	—
Total .....	778.8	11.0	767.8	249.8
C&I <sup>(1)</sup> .....	818.7	1.6	817.1	537.5
Wealth Management .....	82.7	0.4	82.3	20.0
Northern Ireland .....	64.7	1.2	63.6	31.3
Other .....	31.7	—	31.7	28.6
Total before collective impairment charges .....	2,552.3	18.5	2,533.8	978.1
Collective impairment charges .....	5.0	—	—	—
Total gross exposure .....	2,557.3	—	—	—

(1) C&I comprises large corporate customers and financial institutions. As these customers typically have business activities in multiple countries, a geographical split is not applicable.



As at December 31, 2015				
	Gross exposure (a)	Acc. individual impairment charges (b)	Net exposure = (a)-(b) (restated) <sup>(1)</sup> (DKK in billions)	Net exposure, excluding collateral
<b>Personal Banking:</b>				
Denmark .....	480.9	4.2	476.7	56.6
Finland .....	90.7	0.4	90.3	4.9
Sweden .....	72.4	0.1	72.3	8.9
Norway .....	96.3	0.1	96.3	18.6
Other .....	0.1	—	0.1	0.1
Personal Banking .....	740.5	4.8	735.7	89.1
<b>Business Banking:</b>				
Denmark .....	434.1	10.2	423.8	103.7
Finland .....	68.8	1.0	67.8	32.0
Sweden .....	148.4	0.6	147.7	50.1
Norway .....	71.2	0.7	70.4	25.0
Baltics .....	19.0	0.3	18.7	10.4
Other .....	—	—	—	—
Business Banking .....	741.4	13.0	728.5	221.3
C&I <sup>(2)</sup> .....	669.4	2.1	667.3	413.7
Wealth Management .....	74.2	0.6	73.6	16.3
Northern Ireland .....	72.7	2.6	70.0	33.8
Other .....	47.8	—	47.8	44.8
Total before collective impairment charges .....	2,345.9	23.2	2,322.8	818.8
Collective impairment charges .....	4.3	—	—	—
Total gross exposure .....	2,350.3	—	—	—

(1) The financial highlights and business segment figures as at and for the year ended December 31, 2015 were restated in the Group's Annual Report 2016 to reflect the establishment of Wealth Management and Northern Ireland as separate business units and changes in the presentation of income from equity finance. For additional information, see "Important Information for Investors—Presentation of Financial Information—Restatements and Reclassifications of Financial Highlights and Segment Reporting—Year Ended December 31, 2016."

(2) C&I comprises large corporate customers and financial institutions. As these customers typically have business activities in multiple countries, a geographical split is not applicable.

As at December 31, 2014				
	Gross exposure (a)	Acc. individual impairment charges (b)	Net exposure = (a)-(b) (DKK in billions)	Net exposure, excluding collateral
<b>Personal Banking:</b>				
Denmark .....	544.6	5.6	539.0	89.2
Finland .....	92.8	0.6	92.2	5.6
Sweden .....	71.6	0.1	71.6	10.4
Norway .....	85.6	0.1	85.5	20.7
Northern Ireland .....	18.7	0.2	18.5	2.5
Other .....	5.7	0.1	5.6	2.4
Personal Banking .....	819.1	6.7	812.4	130.9
<b>Business Banking:</b>				
Denmark .....	413.5	11.4	402.0	95.3
Finland .....	64.3	0.9	63.4	29.8
Sweden .....	123.9	0.6	123.2	42.1
Norway .....	65.5	0.7	64.8	27.1
Northern Ireland .....	35.6	4.7	30.9	14.9
Baltics .....	27.5	0.7	26.8	11.8
Other .....	—	—	—	—
Business Banking .....	730.3	19.1	711.2	220.9
C&I <sup>(1)</sup> .....	715.3	3.1	712.2	372.8
Other .....	32.6	0.1	32.4	29.1
Total before collective impairment charges .....	2,297.3	29.0	2,268.2	753.7
Collective impairment charges .....	4.0	—	—	—
Total gross exposure .....	2,301.3	—	—	—

(1) C&I comprises large corporate customers and financial institutions. As these customers typically have business activities in multiple countries, a geographical split is not applicable.

*Exposure Relating to Counterparty Credit Risk (Derivatives) and Credit Exposure from Trading and Investment Securities*

The following table sets forth a breakdown of the Group's exposure to counterparty credit risk from derivatives and credit exposure from trading and investment securities as at the dates indicated:

	As at December 31,		
	2016	2015	2014
	(DKK in billions)		
Counterparty credit risk			
Derivatives with positive fair value.....	326.4	331.0	409.4
Credit exposure from other trading and investment securities			
Bonds .....	503.5	536.9 <sup>(2)</sup>	654.2
Shares .....	23.1	22.5	9.8
Other unutilized commitments <sup>(1)</sup> .....	0.5	0.5	0.5
Total .....	<u>853.5</u>	<u>889.9</u>	<u>1,074.0</u>

(1) Other unutilized commitments comprise private equity investment commitments and other obligations.

(2) This figure was restated in the comparative information in the Group's Annual Report 2016 as it was incorrect in the Group's Annual Report 2015. The table above reflects the restated figure.

### **Risk Classification**

The main objectives of risk classification are to rank the Group's customers according to risk and to estimate each customer's PD. As part of the credit process, the Group classifies customers according to risk and updates their classifications upon receipt of new information. Risk classification comprises rating and credit scoring of customers.

The Group has developed a number of classification models to assess customer PD 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.

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 PD in the current economic situation. The Group's classification scale consists of 11 main rating categories with fixed PD bands, with ratings categories 1 through 5 being low risk, 6 through 8 being moderately risky customers, 9 through 10 being highly vulnerable customers and 11 being customers in default. During a downturn, a customer's PIT PD may increase, and the customer may migrate to a lower rating category. The effect from a downturn is thus larger when PIT PD is used than if the classification were based on through-the-cycle PD, which the Group uses to calculate the REA for credit risk.

Loans to customers for which OEI exists are placed in rating category 10 or 11, including loans for which no impairment charges have been recognized, for example because adequate collateral has been provided.

As at December 31, 2016, the exposure-weighted average PD was 0.73 percent, as compared to 1.00 percent as at December 31, 2015.

The following tables set forth the Group's credit exposure broken down by rating category as at the dates indicated:

	As at December 31, 2016				
	PD level		Gross exposure (a)	Acc. individual impairment charges (b)	Net exposure, excluding collateral
	Upper	Lower			
	(percent)				
				(DKK in billions)	
1 .....	0.00	0.01	251.3	—	251.3
2 .....	0.01	0.03	252.9	—	252.9
3 .....	0.03	0.06	414.1	—	414.1
4 .....	0.06	0.14	544.3	—	544.3
5 .....	0.14	0.31	460.7	—	460.7
6 .....	0.31	0.63	302.1	—	302.1
7 .....	0.63	1.90	178.7	—	178.7
8 .....	1.90	7.98	64.2	—	64.2
9 .....	7.98	25.70	14.2	—	14.2
10 .....	25.70	99.99	40.9	6.0	35.0
11 (default) .....	100.00	100.00	28.9	12.5	16.3
Total before collective impairment charges .....			2,552.3	18.5	2,533.8
Collective impairment .....			5.0	—	—
Total gross exposure .....			<u>2,557.3</u>	—	—

As at December 31, 2015						
	PD level		Gross exposure	Acc. individual impairment charges	Net Exposure	Net exposure, excluding collateral
	Upper	Lower	(a)	(b)	= (a)-(b)	
	(percent)			(DKK in billions)		
1 .....	0.00	0.01	99.3	—	99.3	83.1
2 .....	0.01	0.03	248.1	—	248.1	118.5
3 .....	0.03	0.06	382.2	—	382.2	126.5
4 .....	0.06	0.14	458.5	—	458.5	162.4
5 .....	0.14	0.31	494.5	—	494.5	158.8
6 .....	0.31	0.63	302.5	—	302.5	81.8
7 .....	0.63	1.90	195.7	—	195.7	50.1
8 .....	1.90	7.98	70.2	—	70.2	20.5
9 .....	7.98	25.70	16.1	—	16.1	4.5
10 .....	25.70	99.99	44.3	7.0	37.3	10.9
11 (default) .....	100.00	100.00	34.7	16.2	18.5	1.8
Total before collective impairment charges .....			2,345.9	23.2	2,322.8	818.8
Collective impairment .....			4.3	—	—	—
Total gross exposure.....			2,350.3	—	—	—

As at December 31, 2014						
	PD level		Gross exposure	Acc. individual impairment charges	Net Exposure	Net exposure, excluding collateral
	Upper	Lower	(a)	(b)	= (a)-(b)	
	(percent)			(DKK in billions)		
1 .....	0.00	0.01	69.4	—	69.4	52.0
2 .....	0.01	0.03	184.8	—	184.8	75.1
3 .....	0.03	0.06	394.1	—	394.1	117.5
4 .....	0.06	0.14	447.2	—	447.2	153.4
5 .....	0.14	0.31	510.2	—	510.2	171.0
6 .....	0.31	0.63	289.3	—	289.3	79.6
7 .....	0.63	1.90	213.5	—	213.5	60.2
8 .....	1.90	7.98	82.2	—	82.2	25.1
9 .....	7.98	25.70	21.9	—	21.9	6.8
10 .....	25.70	99.99	47.7	10.1	37.6	11.0
11 (default) .....	100.00	100.00	37.0	18.9	18.0	1.9
Total before collective impairment charges .....			2,297.3	29.0	2,268.2	753.7
Collective impairment .....			4.0	—	—	—
Total gross exposure.....			2,301.3	—	—	—

### *Credit Risk Mitigation and Collateral Management*

The Group uses a number of measures to mitigate credit risk, including collateral, guarantees and covenants. The main method is obtaining collateral.

The market value of collateral is monitored and evaluated by advisers, internal or external assessors, or automatic valuation models. Automatic valuation models are validated annually and are monitored quarterly. The Group regularly evaluates the validity of the external inputs on which the valuation models are based. The Collateral System supports the process of reassessing the market value to ensure that the Group complies with regulatory requirements.

The market value of collateral is subject to a haircut. The haircut reflects the risk that the Group will not be able to obtain the estimated market value upon the sale of an asset in a distressed situation. The haircut applied depends on collateral type. For regulatory purposes, the Group also applies a downturn haircut.

The composition of the Group's collateral base reflects the product composition of the credit portfolio. The most important collateral types, measured by volume, are real property and financial assets in the form of shares and bonds. Personal customers' real property accounted for 47 percent of the total collateral base (after relevant haircuts) in 2016.

The following tables set forth the value of the Group's collateral (after relevant haircuts) by type as at the dates indicated:

	As at December 31, 2016						
	Personal Banking	Business Banking	C&I	Wealth Manage- ment	Northern Ireland	Other	Total
	(DKK in billions, unless otherwise indicated)						
Real property .....	653.5	438.2	27.0	50.4	28.1	0.1	1,197.2
Personal .....	653.0	14.9	—	49.6	14.9	—	732.5
Commercial .....	0.4	379.8	24.9	0.8	9.9	—	415.9
Agricultural .....	—	43.4	2.1	—	3.3	—	48.8
Bank accounts.....	0.4	0.6	—	0.2	—	—	1.1
Custody accounts and securities.....	0.4	6.1	211.1	9.9	—	2.9	230.4
Vehicles .....	2.3	16.4	0.5	—	—	—	19.2
Equipment.....	—	17.3	1.9	—	2.4	—	21.5
Vessels and aircraft.....	0.1	3.2	27.4	—	—	—	30.7
Guarantees .....	3.6	2.7	4.9	1.6	—	—	12.9
Amounts due.....	0.2	3.6	0.2	—	0.3	—	4.4
Other assets.....	<u>0.1</u>	<u>30.0</u>	<u>6.7</u>	<u>0.1</u>	<u>1.4</u>	<u>—</u>	<u>38.3</u>
Total collateral .....	<u>660.5</u>	<u>518.0</u>	<u>279.7</u>	<u>62.3</u>	<u>32.3</u>	<u>3.0</u>	<u>1,555.7</u>
Total unsecured credit exposure .....	110.9	249.8	537.5	20.0	31.3	28.6	978.1
Unsecured portion of credit exposure (percent)....	14.4	32.5	65.8	24.3	49.2	90.4	38.6

As at December 31, 2015							
	<u>Personal Banking</u>	<u>Business Banking</u>	<u>C&amp;I</u>	<u>Wealth Manage- ment</u> (restated) <sup>(1)</sup>	<u>Northern Ireland</u>	<u>Other</u>	<u>Total</u>
	(DKK in billions, unless otherwise indicated)						
Real property .....	640.5	427.9	24.0	47.6	32.6	0.1	1,172.6
Personal .....	640.1	16.4	—	46.7	17.2	0.1	720.6
Commercial .....	0.4	369.1	22.1	0.8	11.4	—	403.8
Agricultural .....	—	42.4	1.9	—	3.9	—	48.2
Bank accounts .....	0.4	0.6	0.1	0.2	—	—	1.2
Custody accounts and securities .....	0.4	5.6	190.3	7.9	—	2.9	207.1
Vehicles .....	2.3	14.5	0.5	—	—	—	17.3
Equipment .....	—	20.5	1.5	—	1.6	—	23.7
Vessels and aircraft .....	0.1	2.6	25.5	—	—	—	28.2
Guarantees .....	2.8	2.4	5.9	1.5	0.2	—	12.9
Amounts due .....	0.2	4.6	0.2	—	0.4	—	5.4
Other assets .....	<u>0.3</u>	<u>28.1</u>	<u>5.8</u>	<u>—</u>	<u>1.4</u>	<u>0.1</u>	<u>35.7</u>
Total collateral .....	<u>647.0</u>	<u>506.9</u>	<u>253.6</u>	<u>57.3</u>	<u>36.2</u>	<u>3.1</u>	<u>1,504.0</u>
Total unsecured credit exposure .....	88.7	221.6	413.7	16.3	33.8	44.8	818.9
Unsecured portion of credit exposure (percent) ....	12.1	30.4	62.0	22.2	48.2	93.6	35.3

(1) The financial highlights and business segment figures as at and for the year ended December 31, 2015 were restated in the Group's Annual Report 2016 to reflect the establishment of Wealth Management and Northern Ireland as separate business units and changes in the presentation of income from equity finance. For additional information, see "Important Information for Investors—Presentation of Financial Information—Restatements and Reclassifications of Financial Highlights and Segment Reporting—Year Ended December 31, 2016."

**As at December 31, 2014**

	<b>Personal Banking</b>	<b>Business Banking</b>	<b>C&amp;I</b>	<b>Other</b>	<b>Total</b>
	<b>(DKK in billions, unless otherwise indicated)</b>				
Real property .....	667.2	416.5	28.6	0.2	1,112.5
Personal .....	665.5	24.5	–	–	690.0
Commercial .....	1.6	346.8	26.5	0.1	375.1
Agricultural .....	0.1	45.2	2.1	–	47.5
Bank accounts .....	0.7	0.7	0.2	–	1.6
Custody accounts and securities .....	6.4	5.8	281.7	3.2	297.1
Vehicles .....	2.4	11.8	0.4	–	14.7
Equipment .....	0.1	20.5	0.8	–	21.4
Vessels and aircraft .....	0.1	2.4	20.7	–	23.2
Guarantees .....	4.1	2.6	2.5	–	9.3
Amounts due .....	0.1	4.9	0.5	–	5.5
Other assets .....	0.2	25.2	3.9	–	29.2
Total collateral .....	<u>681.5</u>	<u>490.3</u>	<u>339.4</u>	<u>3.3</u>	<u>1,514.5</u>
Total unsecured credit exposure .....	130.9	220.9	372.8	29.1	753.7
Unsecured portion of credit exposure (percent) .....	16.1	31.1	52.3	89.8	33.2

### *Credit Risk Reporting and Monitoring*

The Group has a number of systems for measuring and controlling credit risk. Among the most important systems are the Credit System (including the Delegated Lending Authorities System), the Collateral System, the Rating/Scoring System and a number of follow-up systems. Several controls are incorporated in these systems to ensure accurate classification of customers, timely registration and accurate valuation of collateral, granting of credit facilities according to delegated lending authorities, and formalized monitoring and follow-up procedures.

The Credit System is the foundation of an efficient and effective credit process. It contains all relevant details about credit facilities, financial circumstances and customer relations. The system is used for all customer segments and products across all sales channels. It ensures that the basis for decision-making, including file comments and credit exposure, is created and stored.

The Group closely monitors changes in customers' financial conditions in order to determine whether the basis for granting credit facilities has changed. The facilities should adhere to the Group's credit policy, including the "Principles of Responsible Lending." These principles focus on the customer's understanding of the consequences of borrowing; the assessment of the customer's needs and ability to repay; and possible conflicts with the Group's environmental, social and governance guidelines. The Delegated Lending Authorities System ensures the efficient administration and control of lending authorities. If a delegated lending authority is exceeded, a report or a request for verification will be sent to the relevant manager or local credit office.

Group Risk Management oversees the Group's credit activities and reports on developments in the credit portfolios. Portfolio reports are produced for the Executive Board and the All Risk Committee on a monthly basis and for the Risk Committee and the Board of Directors on a quarterly basis.

### *Impairment Charges, Non-performing Loans and Allowance Account*

#### Overview

The Group conducts impairment tests, assessing all credit facilities for OEI in accordance with IFRS as adopted by the EU and the guidelines set out in the Executive Order on Financial Reports for Credit Institutions from the DFSA.

Impairment charges are based on discounted cash flows. The Group's systems calculate impairment charges for small loans automatically, taking into account the discounted market value of the collateral assets after a deduction of the costs of realizing the assets (a haircut, according to IAS 39). Impairment charges for all medium and large exposures with OEI are assessed by senior credit officers. The accumulated impairment charges constitute the allowance account.

#### Individual Impairment Charges

When OEI exists for a facility, the Group applies it to all of the customer's facilities and calculates the impairment charge on the basis of the total customer exposure. Under certain conditions, OEI for one customer may be applied to other customers when the customers have a "financial relationship," for example, if they are part of the same customer group.

All customers with OEI are downgraded to rating category 10 or 11.

### Collective Impairment Charges

Loans without OEI are included in a pool for collective assessment of the need for impairment charges. Collective impairment charges are calculated for loans with similar credit characteristics, for example when the expected cash flow from a customer group deteriorates but no corresponding adjustment has been made to the earnings margin.

When external market information indicates that an impairment event has occurred, even though it has not yet caused a change in ratings, the Group registers an “early event” impairment charge. Early events represent an expected rating change because of deteriorating market conditions in an industry. If a rating downgrade does not occur as expected, the charge is reversed.

The stock of impairment charges is reduced by write-offs and reversals of charges.

### Non-performing Loans and Forbearance

The Group defines non-performing loans (“NPLs”) as facilities with objective evidence of impairment for which individual impairment charges have been booked. For non-retail exposures with one or more NPLs, the entire amount of the customer’s exposure is considered to be non-performing. For retail exposures, only impaired facilities are included in NPLs. The Group’s definition of NPLs differs from the EBA’s definition by excluding fully covered exposures to customers in default and previously forbore exposures that are now performing and are under probation.

The Group engages in work-out processes with customers in order to minimize losses and help viable customers in financial difficulty. During the work-out process, the Group makes use of forbearance measures to assist the nonperforming customers. Concessions granted to customers include interest-reduction schedules, interest-only schedules, temporary payment holidays, term extensions, cancellation of outstanding fees, waiver of covenant enforcement and settlements. Because of the length of the work-out processes, the Group is likely to maintain impairments for these customers for years.

Forbearance plans must comply with the Group’s Credit Policy and are used as an instrument to maintain long-term customer relationships during economic downturns if there is a realistic possibility that the customer will be able to meet obligations again. The purpose of the plans is therefore to minimize loss in the event of default.

If it proves impossible to improve a customer’s financial situation by forbearance measures, the Group will consider whether to subject the customer’s assets to a forced sale or whether the assets could be realized later at higher net proceeds.

### Allowance Account

Impairment charges for loans and guarantees are booked in the allowance account and set off against loans or recognized as provisions for guarantees. Impairment charges for loans are recorded under loan impairment charges in the consolidated income statement. If subsequent events show that impairment is not permanent, charges are reversed.

Loans that are considered uncollectible are written off. Write-offs are debited to the allowance account. Loans are written off once the usual collection procedure has been completed and the loss on the individual loan can be calculated. If the full loss is not expected to be realized until after a number of years, for example, in the event of administration of complex estates, a partial write-off is recognized, reflecting the Group’s claim less collateral, estimated dividend and other cash flows.

In accordance with the effective interest method, interest is recognized on the basis of the value of the loans less impairment charges. Consequently, part of the allowance account balance is set aside for future interest income.

## Impairment Charges, Non-performing Loans and Allowance Account

The following tables set forth the Group's allowance account broken down by segment and type of impairment as at the dates indicated:

	Personal Banking	Business Banking	C&I	Wealth Manage- ment	Northern Ireland	Other	Allowance account, total	Impairment charges	
								Individual	Collective
	(DKK in millions)								
At January 1, 2015	7,260	16,677	3,158	696	5,243	—	33,035	29,050	3,985
New and increased impairment charges	1,901	3,469	558	131	193	1	6,253	5,154	1,099
Reversals of impairment charges from previous periods	1,351	3,106	432	155	798	—	5,843	5,190	635
Write-offs debited to allowance account	938	2,006	1,150	31	2,128	—	6,254	6,254	—
Foreign currency translation	3	(7)	175	4	348	—	523	503	20
Other items	(262)	64	60	(38)	(43)	1	(219)	(113)	(106)
At December 31, 2015	6,614	15,091	2,369	606	2,814	2	27,496	23,151	4,346
New and increased impairment charges	1,496	2,587	1,650	77	171	—	5,981	4,558	1,423
Reversals of impairment charges from previous periods	1,743	2,559	562	215	430	1	5,510	4,588	922
Write-offs debited to allowance account	805	2,078	530	32	875	—	4,320	4,320	—
Foreign currency translation	3	21	20	1	(363)	—	(319)	(324)	5
Other items	20	262	(185)	98	(45)	(1)	150	28	122
At December 31, 2016	5,584	13,324	2,762	534	1,273	1	23,479	18,506	4,974

*Note:* Two new segments were established in 2016: Wealth Management and Northern Ireland. Customers were transferred from the individual business units to the relevant new segment. Comparative figures as at and for the year ended December 31, 2015 have been restated accordingly. The introduction of the two new segments led to minor changes for 2015 in respect of the netting of "new and increased impairment charges" and "reversals of impairment charges from previous periods."

	Personal Banking	Business Banking	C&I	Other	Allowance account, total	Impairment charges	
						Individual	Collective
	(DKK in millions)						
At January 1, 2014	8,319	23,655	2,774	—	34,748	31,464	3,284
New and increased impairment charges	3,401	4,997	999	24	9,421	7,728	1,694
Reversals of impairment charges from previous periods	1,851	3,996	660	3	6,510	5,508	1,002
Write-offs debited to allowance account	1,298	3,035	149	22	4,503	4,503	—
Foreign currency translation	7	285	193	1	486	477	9
Other items	(196)	(413)	(1)	2	(608)	(608)	—
At December 31, 2014	8,382	21,493	3,157	2	33,034	29,049	3,985
New and increased impairment charges	2,089	3,614	558	1	6,261	5,161	1,100
Reversals of impairment charges from previous periods	1,599	3,819	432	—	5,850	5,197	654
Write-offs debited to allowance account	1,021	4,083	1,150	—	6,254	6,254	—
Foreign currency translation	35	313	175	—	523	503	20
Other items	(285)	7	61	(1)	(218)	(113)	(106)
At December 31, 2015	7,601	17,524	2,369	2	27,496	23,151	4,345

*Note:* By December 31, 2014, the adjustment for credit risk on derivatives with customers subject to OEI was excluded from the allowance account relating to lending activities and presented as part of the CVA on derivatives.

The following table sets forth information on the Group's loan impairment charges as at the dates and for the years indicated:

	As at and for the year ended December 31,		
	2016	2015	2014
	(DKK in millions)		
Due from credit institutions and central banks	182	(13)	5
Loans at amortized cost	(318)	(435)	2,516
Loans at fair value	13	432	1,262
Loan commitments and guarantees	(45)	(47)	(65)
Total	(168)	(61)	3,718
New and increased impairment charges	6,783	7,601	12,226
Reversals of impairment charges	6,269	7,224	9,300
Write-offs charged directly to income statement	892	835	2,198
Received on claims previously written off	1,378	980	966
Interest income, effective interest method	(196)	(294)	(439)
Total	(168)	(61)	3,718

The following table sets forth certain information on the Group's NPLs in its core activities as at the dates indicated:

	As at December 31,		
	2016	2015	2014
	(DKK in millions, unless otherwise indicated)		
Gross non-performing loans .....	40,406	47,820	58,439
Individual allowance account .....	<u>18,505</u>	<u>23,151</u>	<u>29,049</u>
Net non-performing loans .....	21,900	24,670	29,390
Portion from customers in default.....	8,828	10,469	10,573
Collateral (after haircut).....	18,033	19,848	24,722
Net non-performing loans (excluding collateral) .....	3,868	4,822	4,699
Coverage ratio (default) (percent).....	95	93	96
Coverage ratio (non-default) (percent) .....	65	66	73
Coverage ratio (total non-performing loans) (percent) .....	83	83	86
Non-performing loans as a percentage of total gross exposure (percent).....	1.6	2.0	2.5

*Note:* From 2015, a data improvement was made in relation to how facility level data from a subsidiary is aggregated into the Group's NPL data affecting primarily Personal Banking Denmark. Comparative figures as at December 31, 2014 have not been restated and, accordingly, are not comparable to the figures as at December 31, 2016 and 2015.

The following tables set forth an industry breakdown of the Group's NPLs and impairment charges as at the dates indicated:

	As at December 31, 2016			
	Gross NPLs	Acc. individual impairment charges	Net NPL exposure	Net NPL exposure, excluding collateral
	(DKK in millions)			
Public institutions .....	1	—	—	—
Banks .....	149	149	—	—
Credit institutions .....	—	—	—	—
Insurance.....	16	8	8	—
Investment funds.....	320	205	115	33
Other financials.....	—	—	—	—
Agriculture.....	5,335	2,994	2,341	187
Commercial property .....	7,887	3,091	4,797	260
Construction and building projects .....	1,513	1,010	503	127
Consumer discretionary.....	2,684	1,526	1,157	581
Consumer staples .....	345	161	184	22
Energy and utilities .....	484	180	304	—
Health care.....	103	64	40	4
Industrial services, supplies and machinery.....	2,173	1,238	934	96
IT and telecommunication services.....	209	146	63	25
Materials .....	1,011	768	243	—
Non-profits and other associations.....	1,929	814	1,115	139
Other commercial .....	275	269	7	—
Shipping.....	3,504	719	2,785	52
Transportation.....	163	110	53	7
Personal customers .....	<u>12,303</u>	<u>5,054</u>	<u>7,248</u>	<u>2,334</u>
Total.....	<u>40,406</u>	<u>18,505</u>	<u>21,900</u>	<u>3,868</u>



As at December 31, 2015

	Gross NPLs	Acc. individual impairment charges	Net NPL exposure	Net NPL exposure, excluding collateral
	(DKK in millions)			
Public institutions .....	1	1	1	1
Banks .....	142	142	–	–
Credit institutions .....	–	–	–	–
Insurance .....	30	9	21	–
Investment funds .....	604	434	170	74
Other financials .....	25	9	16	–
Agriculture .....	3,845	2,733	1,111	591
Commercial property .....	10,756	4,763	5,993	421
Construction and building projects .....	1,990	1,378	612	119
Consumer discretionary .....	3,005	1,891	1,114	187
Consumer staples .....	384	220	164	39
Energy and utilities .....	288	145	144	8
Health care .....	128	75	53	10
Industrial services, supplies and machinery .....	2,515	1,332	1,184	304
IT and telecommunication services .....	216	151	66	15
Materials .....	1,744	1,144	600	209
Non-profits and other associations .....	2,441	945	1,497	190
Other commercial .....	303	253	50	3
Shipping .....	2,816	1,134	1,682	–
Transportation .....	312	186	126	12
Personal customers .....	<u>16,273</u>	<u>6,207</u>	<u>10,066</u>	<u>2,639</u>
Total .....	<u>47,820</u>	<u>23,151</u>	<u>24,670</u>	<u>4,822</u>

As at December 31, 2014

	Gross NPLs	Acc. individual impairment charges	Net NPL exposure	Net NPL exposure, excluding collateral
	(DKK in millions)			
Public institutions .....	1	1	1	1
Banks .....	246	91	155	155
Credit institutions .....	–	–	–	–
Insurance .....	30	12	18	–
Investment funds .....	1,574	462	1,112	–
Other financials .....	142	142	–	–
Agriculture .....	3,434	2,529	906	377
Commercial property .....	16,714	7,386	9,328	850
Construction and building projects .....	2,744	2,135	608	186
Consumer discretionary .....	3,799	2,463	1,337	169
Consumer staples .....	712	386	325	119
Energy and utilities .....	596	171	425	374
Health care .....	129	91	38	1
Industrial services, supplies and machinery .....	2,559	1,491	1,068	383
IT and telecommunication services .....	247	206	41	–
Materials .....	1,849	1,304	545	68
Non-profits and other associations .....	3,808	1,237	2,571	–
Other commercial .....	336	336	–	–
Shipping .....	4,486	1,797	2,689	794
Transportation .....	362	241	121	–
Personal customers .....	<u>14,671</u>	<u>6,569</u>	<u>8,102</u>	<u>1,191</u>
Total .....	<u>58,439</u>	<u>29,049</u>	<u>29,390</u>	<u>4,668</u>

Note: From 2015, a data improvement was made in relation to how facility level data from a subsidiary is aggregated into the Group's NPL data affecting primarily Personal Banking Denmark. Comparative figures as at December 31, 2014 have not been restated and, accordingly, are not comparable to the figures as at December 31, 2016 and 2015.

## Past Due Amounts in Core Activities

The following tables set forth the Group's past due amounts in core activities as at the dates indicated:

As at December 31, 2016							
	Personal Banking	Business Banking	C&I	Wealth Management	Northern Ireland	Other	Total past due amounts
				(DKK in millions)			Total due under loans
6–30 days.....	35	74	1	7	2	–	120
31–60 days.....	16	13	8	3	3	–	43
> 60 days.....	27	13	–	2	10	–	52
Total past due amounts.....	77	99	10	12	15	–	214
Total due under loans .....	1,906	786	12	116	100	1	2,921

As at December 31, 2015							
	Personal Banking	Business Banking	C&I	Wealth Management	Northern Ireland	Other	Total past due amounts
				(restated) <sup>(1)</sup>			Total due under loans
				(DKK in millions)			
6–30 days.....	34	39	2	23	3	–	101
31–60 days.....	26	17	–	2	9	–	53
> 60 days.....	36	28	–	2	2	–	68
Total past due amounts.....	96	84	2	27	14	–	222
Total due under loans .....	2,103	826	45	126	136	3	3,238

(1) The financial highlights and business segment figures as at and for the year ended December 31, 2015 were restated in the Group's Annual Report 2016 to reflect the establishment of Wealth Management and Northern Ireland as separate business units and changes in the presentation of income from equity finance. For additional information, see "Important Information for Investors—Presentation of Financial Information—Restatements and Reclassifications of Financial Highlights and Segment Reporting—Year Ended December 31, 2016."

As at December 31, 2014						
	Personal Banking	Business Banking	C&I	Other	Total past due amounts	Total due under loans
				(DKK in millions)		
6–30 days.....	64	63	1	–	128	2,246
31–60 days.....	16	8	4	–	28	738
> 60 days.....	36	16	–	–	52	816
Total past due amounts.....	115	87	6	–	207	–
Total due under loans .....	2,541	1,249	10	–	–	3,799

## Counterparty Credit Risk

### General

The Group takes on counterparty credit risk when it enters into derivatives transactions (interest rate, foreign exchange, equity, credit and commodity contracts) and securities-financing transactions ("SFTs"), which include repo agreements and securities lending. As at December 31, 2016, 6.0 percent of the Group's total REA related to counterparty credit risk, including central clearing counterparty and CVA risk charges.

### Governance and Organization

As part of the overall credit governance described under "—Credit Risk" above, the Counterparty Credit Risk Policy approved by the All Risk Committee sets the expectations for counterparty credit risk management.

Group Risk Management is responsible for the consolidated counterparty credit risk management, risk modelling and reporting. Local credit departments are responsible for day-to-day risk management, market risk management is responsible for counterparty risk models, and an independent risk model validation team validates the models.

### Methodologies and Models

For risk management purposes, counterparty credit risk is measured as potential future exposure ("PFE") at the 97.5 percentile at a set of future time horizons. All transactions are assumed to be held to maturity.

The Group uses simulation-based models to calculate counterparty credit risk exposure. The models simulate the potential future market values of each counterparty portfolio of transactions while taking netting and collateral management agreements into account. For transactions not included in the simulation model (less than 10 percent), the potential change in market value is determined as a percentage (add-on) of the nominal principal amount.

The DFSA has approved the simulation model for calculating the regulatory capital requirement for counterparty credit risk.

### **Active Risk Management**

In accordance with the Counterparty Credit Risk Policy, local credit departments set a credit line for counterparty credit risk on each counterparty. Counterparty credit risk is managed by PFE lines on a set of maturity buckets. Line checks are performed prior to trading.

Wrong-way risk is the risk that arises when credit exposure to a counterparty increases as the creditworthiness of that counterparty deteriorates. Specific wrong-way risk is a subtype of risk that arises because there is a legal connection between a counterparty and the issuer of the underlying instruments involved in a derivative or securities-financing transaction. The Group has set limitations on transactions entailing specific wrong-way risk. The limitations cover product range, counterparty rating and the rating of the underlying securities.

The Group manages its exposure to market risk on fair value adjustments (“xVA”), including CVA, under separate limits in the xVA framework as described under “—Market Risk” below.

### **Monitoring and Reporting**

The Group carries out counterparty credit risk measurement and monitoring as well as intraday line utilization monitoring on a daily basis. Consolidated counterparty credit risk exposure is reported to senior management.

The internal model is subject to quarterly back tests of underlying risk factors and resulting exposures. It is also subject to an annual validation performed by an independent validation team.

### **Data and Systems**

The Group has an integrated system covering all aspects of counterparty credit risk management. The system is integrated in all the trading systems, the master agreement management system, the collateral management system and market data systems.

Internal management and monitoring of counterparty credit risk are performed in the Group’s line system. The system covers all aspects of the internal counterparty credit risk management process, including the assignment of lines, monitoring and control of line utilizations, registration of master agreements, measurement and management reporting.

### **Counterparty Credit Risk Exposure**

Current gross exposure is the total of all positive market values from transactions made before balance sheet netting (netting effect) and collateral reduction (collateral effect). It is equivalent to the total amount of derivatives with positive fair value on the balance sheet. As at December 31, 2016, the Group’s current gross exposure to derivatives was DKK 326 billion (December 31, 2015: DKK 331 billion). If the netting effect and collateral received are taken into account, the current exposure to derivatives was DKK 40 billion as at December 31, 2016 (December 31, 2015: DKK 44 billion). Trading volumes in 2016 were relatively stable, with total exposure at the end 2016 similar to the level at the end of 2015.

The Group mitigates counterparty credit risk through close-out netting agreements and collateral agreements. Approximately 52 percent of the total notional amount of derivatives transactions was cleared through central clearing counterparties in 2016, and 95 percent of non-cleared transactions were supported by collateral agreements.

The following tables set forth the Group’s current exposure to derivatives and SFTs before and after netting and collateral on current exposure as at the dates indicated:

	<b>As at December 31, 2016</b>		
	<b>Total</b>	<b>Derivatives</b>	<b>SFTs</b>
	<b>(DKK in millions)</b>		
Current gross exposure .....	1,136,786	326,432	810,354
Current exposure after netting .....	895,187	84,833	810,354
Current exposure after netting and collateral .....	46,647	40,389	6,258

  

	<b>As at December 31, 2015</b>		
	<b>Total</b>	<b>Derivatives</b>	<b>SFTs</b>
	<b>(DKK in millions)</b>		
Current gross exposure .....	1,186,490	331,015	855,475
Current exposure after netting .....	949,476	94,001	855,475
Current exposure after netting and collateral .....	49,884	43,699	6,184

	As at December 31, 2014		
	Total	Derivatives (DKK in millions)	SFTs
Current gross exposure .....	2,024,910	791,000	1,233,909
Current exposure after netting .....	1,343,146	109,236	1,233,909
Current exposure after netting and collateral .....	67,976	58,159	9,817

Current exposure is a simple measure of counterparty credit risk exposure that takes into account only current mark-to-market values and collateral. More advanced measures such as EAD, which is a regulatory measure, express potential future losses and are based on internal models for future scenarios of market data.

The Group currently has exposure to public institutions, commercial property companies, financial institutions and corporates. Approximately 90 percent of the exposure relates to counterparties with a classification comparable to investment grade.

Approximately 83 percent of the Group's collateral agreement holdings consisted of cash as at December 31, 2016. The remainder consisted of Danish and Swedish mortgage bonds and government bonds issued by Denmark, France, Germany, the Netherlands, Norway, Sweden and the United States.

## Market Risk

### General

Market risk is the risk of losses or gains caused by changes in the market values of the Group's financial assets, liabilities and off-balance-sheet items resulting from changes in market prices or rates. Market risk affects the Group's financial statements through the valuation of the on-balance sheet items; some of the Group's financial instruments, assets and liabilities are valued on the basis of market prices, while others are valued on the basis of market rates and by means of valuation models developed by the Group. In addition, net interest income at Personal Banking, Wealth Management and Business Banking is affected by the level of interest rates. As at December 31, 2016, market risk accounted for 6.4 percent of the Group's total REA.

The Group's market risk management is intended to ensure proper oversight of all market risks, including both trading-related market risk and non-trading-related market risk as well as market risk in relation to fair value adjustments. The market risk framework is designed to systematically identify, assess, execute, monitor and report market risk.

### Governance and Organization

The governance framework for market risk in relation to the risk organization, including the roles and responsibilities of the Board of Directors and committees and general risk management principles such as the three lines of defense and the segregation of duties, follows the Group's overall governance framework.

The Market Risk Policy set by the Board of Directors lays out the overall framework for market risk management and identifies the boundaries within which the Group's market risk profile and business strategy are defined. The Market Risk Policy is supported by the Market Risk Instructions, which defines the overall limits for various market risk factors and additional boundaries within which the trading activities operate. The Market Risk Policy and the Market Risk Instructions form the basis of written business procedures and daily control procedures for the Group's market risk management.

### Methodologies and Models

The Group uses a range of measures to create a framework that captures the material market risks to which the Group is exposed. Both conventional risk measures, such as sensitivity and market value, and mathematical and statistical measures, such as VaR, are used in the daily market risk management. The Group also develops and maintains internal models that are used for the pricing and risk management of financial products that cannot be valued directly or risk-managed on the basis of quoted market prices.

### Value-at-Risk

VaR is a quantitative measure that shows, with a certain probability, the maximum potential loss that the Group will suffer at the calculation date within a specified horizon. The following risk types are included in the Group's internal VaR model: interest rate, bond spread, interest rate options, inflation rate, foreign exchange, equity market and company-specific equity risks. In the day-to-day risk management of trading-related positions, the internal VaR model estimates the maximum potential loss from changes in market risk factors at a confidence level of 95 percent, assuming unchanged positions for one day.

## Back Testing of the Internal VaR Model

Regulatory back testing is conducted on a daily basis to document the performance of the internal VaR model. The back testing procedure compares 1-day VaR calculated on trading book positions with the actual and hypothetical profit or loss. If the hypothetical or actual loss exceeds the VaR, an exception has occurred. Since the VaR figures used for back testing are based on a confidence level of 99 percent (as in the calculation of regulatory capital), the expected number of exceptions per year is two to three. The back testing of the internal VaR model showed one exception in both actual and hypothetical profit or loss in 2016.

### *xVA*

The volatility of xVA has increased considerably over the past couple of years as the best practice – and with it the Group's model – for calculating xVA has changed to a more market-implied approach. The volatility is generated mainly by changes in interest rates, credit and funding spreads, and foreign exchange rates. In order to manage this volatility, the Group has developed a separate market risk framework for the xVA positions, including separate market risk limits.

### *Portfolio analysis and stress testing*

The Group performs market risk portfolio analyses and stress testing on a regular basis and in relation to specific events in trading and financial markets.

The Group regularly analyses the relationship between market risk and income for the trading sections in C&I.

The market risk stress testing program is designed to underpin prudent market risk management. Efforts are made to ensure that the net effect under various stressed conditions is taken into account in the risk assessment and monitoring processes. The purpose of market risk stress testing is threefold:

- The primary purpose is to assess the adequacy of the Group's financial resources for periods of severe stress and develop contingency plans for the Group if the need arises.
- A secondary purpose is to promote risk identification and add further insight into the need for setting new limits.
- A third purpose is to serve as a supplement to the ongoing quality assurance for market risk management practices.

The stress testing program provides additional perspectives on market risk as a result of the use of multiple methodologies on scenarios with various degrees of severity. The complexity of the methodologies ranges from simple sensitivity analyses to complex scenario stress testing proportionally suited to the purpose of the stress test.

### *Regulatory Capital for Market Risk*

The Group uses the internal VaR model to measure the regulatory capital for market risk in its trading book. The trading book covers trading-related market risk at C&I and hedging in relation to fair value adjustments of interest rate risk and the part of the credit default swap ("CDS") spread risk hedging that is not eligible under regulatory capital calculations for CVA risk.

The Group also uses the internal VaR model for calculating the stressed VaR capital charge. The stressed VaR is calculated for current positions and historical market data from September 2008 to August 2009, which represents a period of significant financial stress for the current positions in the Group's trading book.

Incremental risks, such as default and rating migration risks on bond issuers and CDS names, are estimated in the incremental risk model.

Regulatory capital for the Group's minor exposures to commodity risk and collective investment undertakings are calculated according to the standardized approach.

In June 2015, the DFSA approved an expansion of the internal VaR model to include bond spread risk and company-specific equity risk (that is, specific market risk) and also approved the Group's incremental risk model.

### *Model Validation*

The Group conducts a variety of activities to maintain well-performing models in the market risk area. The activities can be divided into the validation of valuation and behavioral models used in daily risk management and validation of internal models used to calculate regulatory capital.

Group Risk Management is responsible for validating valuation and behavioral models independently of the development process. A model must be validated before the trading unit can trade in any new type of product that is priced or risk-managed according to that model. The purpose of the validation process is to evaluate, independently of the business

unit, whether the stability and quality of the model are sufficient to enable the Group to price and risk-manage the financial products in question in a satisfactory manner.

To supplement the initial validation of valuation and behavioral models, Group Risk Management has established an ongoing monitoring process in which the crossing of specific thresholds (such as indications of a deterioration in model quality or an increase in the magnitude of risk involved) calls for additional validation activities.

An independent validation unit carries out the validation of internal models used for the regulatory capital calculations, including the validation of material changes to existing internal models and recurring validations of the major model assumptions. The standards for these validations are set forth in a validation policy for internal risk models. As with valuation and behavioral models, these guidelines are in line with the best practices presented in the U.S. Office of the Comptroller of the Currency guidelines.

In addition, the Group conducts a number of activities to monitor the internal VaR model on an ongoing basis. These activities include an annual review of the model in accordance with regulatory requirements, quarterly risk factor reviews and daily back testing of the model. The quarterly risk factor reviews include an assessment of the materiality of risk factors that are not included in the model. Currently, the internal VaR model contains all significant risk factors.

### ***Active Market Risk Management***

The Group actively manages the market risk in its trading activities in the financial markets. Most notably, C&I hedges the market risk incurred from its market-making activities and client flows by taking positions in financial instruments, assets and liabilities that offset this market risk.

### ***Market Risk Appetite***

The Group operates with a market risk appetite for its trading-related activities. The market risk appetite is determined in a risk mandate assessment that is based on the business strategy and the market environment expected in the near future. 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 do not materialize). The Market Risk Appetite for trading-related activities is approved by the Board of Directors and reassessed at least once a year.

The Group's exposure to the risk on fair value adjustments is managed under separate limits for changes in CDS spreads and interest rates supplemented by a zero appetite for exposure to foreign currency rate changes.

The Group's exposure to non-trading-related market risk is managed under selected limits and operational targets that govern and control the market risk on these activities in relation to specific capital, liquidity, operational and earnings objectives.

### ***Limit Framework***

Market risk limits are set in terms of various metrics so that activities subject to market risk are covered from several perspectives. The Group operates with three levels in the limit hierarchy for market risk (encompassing trading-related, xVA-related and non-trading-related market risks): Board limits, All Risk Committee limits and detailed operational limits.

Board limits are set by the Board of Directors in the Market Risk Instructions, which defines overall limits for specific major risk factors. The overall limits are supplemented by a VaR limit for trading-related market risk. The All Risk Committee delegates the Board limits to the business areas (C&I and Group Treasury) and assigns additional limits for less significant risk factors. Detailed operational limits are set at business area and trading section levels for relevant risk categories and metrics. The operational limit structure is sufficiently granular to facilitate effective control of market risk and to provide an overview and understanding of activities undertaken by the various business units under the three distinct market risk frameworks.

### ***Risk Identification and Assessment***

The Group markets, trades and takes positions in products entailing a variety of market risk components. Most of the Group's market risks involve relatively simple products. The Group does not take on risk exposure to complex securitization instruments for which it cannot measure and monitor the embedded market risks.

New initiatives and products are systematically reviewed in relation to the current product and market risk models. New products and business proposals are assessed in relation to current risk management practices and IT systems.

Furthermore, the Group may identify a need to take into account new risk factors through a review of the strategy. If the Group wants to expand its business into specific products or instruments, there may be a need for additional metrics and limits.

## Monitoring and Reporting

The Group carries out market risk controlling and reporting on a daily basis. The controlling process involves continuous intraday monitoring of limit utilizations with a full portfolio update every 30 minutes. The monitoring system is linked directly to front office trading systems and automatically flags any limit excess. The business areas and trading sections must comply with limits at all times. If a limit is breached, the business unit responsible must document the cause and submit an action plan to rectify the situation. All limit breaches are reported to the relevant authority within the limit structure.

The Group produces a range of internal market risk reports and provides input to other reports in which market risk figures are presented. The reports provide sufficient information to create transparency about the Group's market risk.

The Board of Directors and senior management receive regular reports that provide an understanding of the Group's portfolios, main risk drivers, stress testing results and regulatory capital in order to support decision-making. This also includes information on the allocation of regulatory capital to the various business units and trading activities. Furthermore, daily and weekly detailed reporting provides granular metrics to senior management at C&I and Group Treasury for day-to-day risk management.

## Market Risk Profile

After the introduction of the dedicated xVA risk framework in September 2016, which supplemented the two existing frameworks for trading-related and non-trading-related market risks, the Group now manages its market risk by means of three separate frameworks for the following areas:

- trading at C&I;
- xVA at C&I; and
- asset and liability management at Group Treasury.

Market risk associated with activities at Personal Banking, Wealth Management and Business Banking is either hedged by C&I or managed as part of Group Treasury's market risk positions.

Market risk at Danica Pension and in the Group's defined benefit pension plans is managed separately. For more detailed information, see "*Insurance Risk*" and "*Pension Risk*" below.

### Trading-related Market Risk at Corporates & Institutions

The trading-related activities at C&I cover trading in fixed income products, derivatives, foreign exchange, money markets, debt capital markets, equities and commodities. C&I acts mainly as a market maker processing large client flows. Fixed income products represent by far the largest notional-trading and position-taking volumes. The market-making activities entail keeping an inventory of assets to support the secondary market and short-term holdings of new issues at Capital Markets. As a result, the market-making activities involve both outright market risk exposure and spread risk from imperfect hedges.

The following table sets forth information on the VaR for trading-related activities at C&I (VaR estimates for the various risk types are calculated on a standalone bases, while the total VaR includes diversification effects; confidence level of 95 percent, one-day horizon), by risk category as at the dates indicated:

	As at December 31,		
	2016	2015	2014
Bond spread risk .....	50	51	56
Interest rate risk .....	51	60	32
Foreign exchange risk.....	3	2	4
Equity risk .....	9	7	14
Diversification effects.....	(46)	(62)	(35)
Total VaR .....	<u>67</u>	<u>58</u>	<u>71</u>

The Group continued de-risking its trading operations in 2016, reducing its average trading-related market risk from DKK 52 million in 2015 to DKK 44 million in 2016. Throughout the period, the risk related chiefly to fixed income products, which gave rise to interest rate risk and bond spread risk. Because of substantial diversification, however, the two main risk factors hedged each other well.

Stand-alone interest rate risk fell in 2016, owing mainly to reductions in positions during the first part of the year. Bond spread risk declined because of a reduction in bond holdings over the year. Foreign exchange risk and equity risk were largely unchanged.

### *Market Risk in Relation to Fair Value Adjustments*

In the fourth quarter of 2015, the Group added FVA to its range of xVA, which previously comprised CVA and DVA. Along with other model changes introduced in the fourth quarter of 2015 as well as the change to a more market-implied approach in the third quarter of 2016, this made the Group a best-practice financial institution among large international banks. The Group's strategy is to continue developing the xVA model so that it remains in line with best practices in the market.

Viewed in isolation, the change to a more market-implied approach has increased the overall P/L volatility compared with the previous approach. In order to reduce volatility, the Group successfully implemented a mitigation strategy in 2016 to hedge the risk in financial markets in order to increase income stability and predictability under this framework. In practice, the Group buys a hedge of offsetting interest rate swaps and CDS contracts in the financial markets. The Bank hedges open foreign exchange risk under this framework.

### *Market Risk in Relation to Asset and Liability Management*

Most of the Group's exposure to non-trading-related market risk originates from the Group's funding and liquidity management activities at Group Treasury. In addition, the Group holds a portfolio of unlisted shares that relates mainly to private equity funds and banking-related investments. These activities involve mainly interest rate risk and bond spread risk as well as risk on unlisted shares.

### *Interest Rate Risk in the Banking Book*

In recent years, the Group has reduced the market risk in its trading areas and partly moved it to Group Treasury. This has been driven by an increased focus on managing the interest rate risk associated with the Group's banking book and in particular on managing net interest income.

IRRBB is included in the Group's overall interest rate risk calculations and thus in day-to-day monitoring and risk management. It relates primarily to the Group's funding activities, and it is hedged and treated according to fair value hedge accounting rules. Interest rate risk derives, to a lesser extent, from the Group's banking activities, which offer fixed rate products.

The All Risk Committee has delegated the tasks of monitoring and managing IRRBB to the ALCO. Group Treasury provides the first line of defense for IRRBB, while Market Risk provides the second line of defense by monitoring daily risk utilization.

The Group reviews its IRRBB framework on an ongoing basis in order to optimize its net-interest-income management in line with its asset and liability management procedures and to comply with regulatory requirements. Among other measures, this includes an ongoing assessment of its non-maturing demand deposit balance sheet and net free reserves.

In 2016, the Group applied a new IRRBB limit framework dedicated specifically to measuring the changes in the economic-value-based metric. The new limit framework is completely separate from the framework governing trading-related market risk. This will support Group Treasury's focus on managing the risk arising from the banking book, including the liquidity buffer and banking book hedge transactions.

The Group hedges interest rate risk on fixed rate lending and deposits mainly during the quarterly accounting process, while it manages the risk on the following fixed rate items on a daily basis according to delegated risk limits:

- fixed rate mortgages in Denmark (estimated according to historical prepayment rates) and other fixed rate loans and advances provided by Personal Banking and Business Banking in Finland, Northern Ireland and the Baltics, including operating leases sold by the Group's leasing operations;
- positions related to asset and liability management, including positions resulting from payments in advance on Realkredit Danmark loans (monthly payments that are not passed on to bondholders until the end of the quarter or year);
- bonds held in the hold-to-maturity portfolios which the Group established in 2013 to stabilize net interest income by hedging its fixed rate liabilities;
- interest rate risk exposure from unencumbered core funds, that is, zero rate demand deposits; and
- other interest rate risk exposures, that is, embedded contractual interest rate floors on assets (such as lending contracts) and fluctuations in risk from changes in the core banking balance sheet composition as well as risk migration from changes to behavioral assumptions.

IRRBB is capitalized as a Pillar II risk. The key techniques for measuring IRRBB fall under two main approaches: an earnings-based method and a value-based method. The former measures the risk that earnings (net interest income) will



fall below the level predicted under a base case economic scenario as a result of changes in interest rates, while the latter calculates the effect on the present value of net asset and liability positions in various time buckets arising from a parallel yield curve shift.

In April 2016, the BCBS issued Standards for IRRBB. These standards are expected to be implemented by 2018.

The standards reaffirm the BCBS's position that IRRBB is more appropriately captured in a Pillar II framework. The standards update the principles for the management and supervision of interest rate risk.

### *Investments in Unlisted Equities*

In its risk management of unlisted shares, the Group makes a distinction between ordinary open positions (including positions in associated companies), exposure to private equity funds (including exposure in the form of commitments), and banking-related investments. Banking-related investments consist of equity holdings primarily in financial infrastructure businesses.

As at December 31, 2016, the total value of the portfolio was approximately DKK 2.5 billion, as compared to DKK 3.0 billion as at December 31, 2015.

### *Bond Portfolio*

As at December 31, 2016, the Group's bond holdings amounted to DKK 503,477 million (December 31, 2015: DKK 536,854 million) calculated as the carrying amount (including Danica Pension's own bond holdings). Most of the bonds are Danish mortgage bonds, Swedish covered bonds and other covered bonds under public supervision. 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.

The following tables set forth a breakdown of the Group's bond portfolio by type and external rating category as at the dates indicated:

	As at December 31, 2016						
	Central and local government bonds	Quasi- government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
				(DKK in millions)			
AAA.....	77,321	1,174	249,851	59,816	13,185	2,856	404,203
AA+ .....	32,417	342	—	—	630	568	33,957
AA.....	24,128	1,007	57	—	177	875	26,244
AA- .....	9,520	—	111	—	—	314	9,945
A+ .....	919	—	—	—	101	466	1,486
A.....	1,628	—	—	—	49	1,357	3,034
A- .....	2,375	—	1	—	—	128	2,504
BBB+ .....	864	—	—	—	—	449	1,312
BBB.....	18,632	—	30	—	8	751	19,421
BBB- .....	—	—	—	—	—	291	291
BB+ .....	84	—	—	—	—	192	276
BB .....	—	—	—	—	—	289	289
BB- .....	—	—	—	—	—	20	20
Sub-investment grade or unrated.....	—	—	—	—	7	487	495
Total.....	167,888	2,523	250,050	59,816	14,157	9,043	503,477

	As at December 31, 2015						
	Central and local government bonds	Quasi- government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
				(DKK in millions)			
AAA.....	103,778	4,814	249,578	48,027	12,403	849	419,448
AA+.....	40,696	2,064	—	—	1,249	464	44,474
AA.....	25,435	1,160	—	—	346	529	27,470
AA-.....	7,118	—	—	—	—	1,186	8,304
A+.....	4,769	—	—	—	273	2,602	7,644
A.....	41	—	—	—	188	4,046	4,275
A-.....	600	—	—	—	186	1,077	1,863
BBB+.....	9,288	—	—	—	—	1,709	10,997
BBB.....	7,412	—	41	—	—	2,136	9,589
BBB-.....	1	—	—	—	—	346	347
BB+.....	1,499	—	—	—	—	270	1,769
BB.....	7	—	—	—	—	366	373
BB-.....	—	—	—	—	—	33	33
Sub-investment grade or unrated.....	25	—	—	—	8	236	269
Total.....	200,668	8,038	249,620	48,027	14,651	15,850	536,854

As at December 31, 2014

	Central and local government bonds	Quasi- government bonds	Danish mortgage bonds	Swedish covered bonds (restated) <sup>(1)</sup> (DKK in millions)	Other covered bonds	Corporate bonds	Total
AAA.....	129,636	5,477	290,763	64,717	13,067	518	504,179
AA+.....	48,303	1,146	—	—	59	957	50,465
AA.....	15,207	2,937	—	5,990	1,473	934	26,542
AA-.....	6,426	—	199	—	—	3,852	10,477
A+.....	156	—	2,643	—	—	8,076	10,874
A.....	209	—	1	—	231	8,329	8,769
A-.....	3	—	—	—	1,466	2,315	3,784
BBB+.....	16,362	—	2	—	185	1,419	17,969
BBB.....	13,358	—	220	—	2	2,982	16,562
BBB-.....	34	—	—	—	401	343	778
BB+.....	2,157	—	—	—	184	249	2,590
BB.....	—	—	—	—	254	566	820
BB-.....	—	—	—	—	8	26	35
Sub-investment grade or unrated.....	137	—	—	—	18	267	422
Total.....	<u>231,989</u>	<u>9,560</u>	<u>293,827</u>	<u>70,708</u>	<u>17,349</u>	<u>30,834</u>	<u>654,267</u>

(1) The breakdown of the bond portfolio between the various rating categories in the Group's Annual Report 2014 was incorrect and the comparative figures as at December 31, 2014 were restated in the Group's Annual Report 2015.

The following tables set forth a breakdown of the Group's bond portfolio by type and geography as at the dates indicated:

As at December 31, 2016

	Central and local government bonds	Quasi- government bonds	Danish mortgage bonds	Swedish covered bonds (DKK in millions)	Other covered bonds	Corporate bonds	Total
Denmark.....	21,663	—	250,050	—	—	3,587	275,300
Sweden.....	19,253	—	—	59,816	3	1,542	80,614
United Kingdom.....	8,669	1	—	—	2,214	225	11,109
Norway.....	4,450	—	—	—	6,436	792	11,678
United States.....	8,638	169	—	—	—	38	8,845
Spain.....	12,201	—	—	—	210	—	12,411
France.....	21,311	—	—	—	1,138	448	22,897
Luxembourg.....	—	2,353	—	—	—	—	2,353
Finland.....	16,811	—	—	—	2,510	1,076	20,398
Ireland.....	4,393	—	—	—	32	10	4,435
Italy.....	7,296	—	—	—	—	—	7,296
Portugal.....	84	—	—	—	—	—	84
Austria.....	8,560	—	—	—	227	435	9,222
Netherlands.....	8,561	—	—	—	271	491	9,323
Germany.....	17,061	—	—	—	653	58	17,772
Belgium.....	8,480	—	—	—	128	—	8,608
Other.....	458	—	—	—	335	340	1,133
Total.....	<u>167,888</u>	<u>2,523</u>	<u>250,050</u>	<u>59,816</u>	<u>14,157</u>	<u>9,043</u>	<u>503,477</u>

As at December 31, 2015

	Central and local government bonds	Quasi- government bonds	Danish mortgage bonds	Swedish covered bonds (DKK in millions)	Other covered bonds	Corporate bonds	Total
Denmark.....	22,345	—	249,620	—	—	1,652	273,618
Sweden.....	27,285	—	—	48,027	—	3,719	79,031
United Kingdom.....	19,548	135	—	—	2,224	1,121	23,027
Norway.....	5,763	—	—	—	6,914	1,287	13,964
United States.....	8,081	1,132	—	—	—	771	9,984
Spain.....	9,502	—	—	—	917	—	10,418
France.....	20,846	—	—	—	1,123	528	22,497
Luxembourg.....	—	6,502	—	—	—	11	6,513
Finland.....	14,593	247	—	—	1,849	1,927	18,616
Ireland.....	4,618	—	—	—	90	48	4,756
Italy.....	7,194	—	—	—	—	—	7,194
Portugal.....	1,506	—	—	—	—	—	1,506
Austria.....	7,626	—	—	—	224	—	7,850
Netherlands.....	11,069	—	—	—	86	2,751	13,906
Germany.....	31,001	—	—	—	589	754	32,344
Belgium.....	8,873	—	—	—	333	—	9,206
Other.....	817	23	—	—	302	1,282	2,424
Total.....	<u>200,668</u>	<u>8,038</u>	<u>249,620</u>	<u>48,027</u>	<u>14,651</u>	<u>15,850</u>	<u>536,854</u>

As at December 31, 2014

	Central and local government bonds	Quasi- government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
				(DKK in millions)			
Denmark.....	16,835	—	293,827	—	1,508	6,748	318,919
Sweden.....	24,794	—	—	70,708	—	7,191	102,692
United Kingdom.....	17,434	102	—	—	3,443	1,667	22,646
Norway.....	8,556	—	—	—	6,741	3,138	18,435
United States.....	2,486	1,264	—	—	—	1,586	5,336
Spain.....	7,750	—	—	—	2,380	—	10,130
France.....	24,753	—	—	—	1,146	1,778	27,676
Luxembourg.....	—	8,133	—	—	—	49	8,182
Finland.....	18,406	60	—	—	1,525	2,566	22,557
Ireland.....	11,469	—	—	—	112	29	11,610
Italy.....	10,587	—	—	—	—	—	10,587
Portugal.....	2,123	—	—	—	—	—	2,123
Austria.....	8,876	—	—	—	—	3	8,878
Netherlands.....	14,986	—	—	—	171	3,375	18,533
Germany.....	50,644	—	—	—	233	1,458	52,335
Belgium.....	10,865	—	—	—	89	—	10,954
Other.....	1,425	2	—	—	0	1,248	2,675
Total.....	<u>231,989</u>	<u>9,560</u>	<u>293,827</u>	<u>70,708</u>	<u>17,349</u>	<u>30,834</u>	<u>654,267</u>

## Value-at-Risk

The following tables set forth information on the Group's daily VaR (calculated at a confidence level of 99 percent and a 10-day horizon) used for calculating the capital requirement for general market risk by risk category as at the dates and for the years indicated:

	For the year ended December 31, 2016							
	Daily VaR				Stressed VaR			
	Average VaR	Minimum VaR	Maximum VaR	December 31	Average VaR	Minimum VaR	Maximum VaR	December 31
	(DKK in millions)							
Interest rate risk .....	291	117	499	382	443	270	679	535
Bond spread risk .....	193	129	301	218	541	390	777	590
Foreign exchange risk .....	20	9	41	9	30	7	85	36
Equity market risk .....	12	5	40	22	12	(5)	74	27
Diversification benefit .....	(204)	—	—	(244)	(442)	—	—	(449)
Total VaR .....	312	146	489	388	584	388	857	739

	For the year ended December 31, 2015							
	Daily VaR				Stressed VaR			
	Average VaR	Minimum VaR	Maximum VaR	December 31	Average VaR	Minimum VaR	Maximum VaR	December 31
	(DKK in millions)							
Interest rate risk .....	471	106	903	575	461	179	705	476
Bond spread risk .....	314	225	488	325	850	617	1,259	824
Foreign exchange risk .....	16	5	67	8	39	3	96	12
Equity market risk .....	27	4	185	18	56	9	321	39
Diversification benefit .....	(402)	—	—	(369)	(644)	—	—	(518)
Total VaR .....	426	112	788	557	762	176	1,223	833

	For the year ended December 31, 2014							
	Daily VaR				Stressed VaR			
	Average VaR	Minimum VaR	Maximum VaR	December 31	Average VaR	Minimum VaR	Maximum VaR	December 31
	(DKK in millions)							
Interest rate risk .....	219	138	387	160	343	279	413	296
Foreign exchange risk .....	32	8	73	22	68	14	126	46
Equity market risk .....	28	5	92	10	94	18	266	24
Diversification benefit .....	(63)	—	—	(36)	(167)	—	—	(73)
Total VaR .....	216	126	379	156	338	273	427	293

Note: The figures for 2014 are not directly comparable to the figures for 2016 and 2015 as bond spread risk was implemented into the internal VaR model with the extension approved by the DFSA in June 2015.

## Liquidity Risk

### General

Liquidity risk is inherent in basic banking activities such as accepting deposits and providing loans and credits. The transformation of short-term deposits into long-term loans exposes banks to maturity mismatches that cannot be eliminated. The Group manages this liquidity risk by holding sufficient liquidity to meet its obligations and follow its strategies – in particular regulatory obligations, business plans and rating ambitions – even in stressed situations.

Liquidity risk is broken down into the following two key elements, each of which is addressed through a Liquidity Risk Appetite statement:

- *Distance to default:* Management must have sufficient time to respond to events and developments in order to avoid financial or regulatory default.
- *Market reliance:* The Group's reliance on wholesale funding and liquidity reflects its loan-to-deposit shortfall and maturity transformation profile. Excessive market reliance makes the Group vulnerable to investor sentiment, market stress and market dysfunction.

The Group's liquidity risk appetite is conservative, and the Group must maintain both a strong liquidity position and a strong funding position. By ensuring sufficient time to respond, management will, in case of a prolonged crisis, be able to adjust to changed conditions in a controlled manner, thus avoiding any costly and hasty reactions to short-term market volatility. By reducing market reliance, the Group reduces the effects of market volatility and ensures the sustainability of its long-term business model. This allows it to serve customers at any time during the business cycle.

Realkredit Danmark and Danica Pension manage their own liquidity risks. Realkredit Danmark, which issues mortgage bonds, is substantially self-financing, and its liquidity management is conducted separately from the rest of the Group. Danica Pension's balance sheet includes long-term life insurance liabilities and assets, and the majority of these items are investments in readily marketable bonds and shares. Both companies are subject to statutory limits on their exposures to Danske Bank A/S. In the following sections, "Group" refers to the banking units only; that is, it does not include Realkredit Danmark and Danica Pension.

The Group monitors the two key elements through a set of risk indicators which together make up the liquidity risk profile. The risk indicators used for managing the distance to default allow the Group to adjust the size and composition of its liquidity reserve to meet its obligations in case of a stressed liquidity situation. The indicators consist of the LCR, internal stress tests and the operational two-week and four-week liquidity curves. The LCR covers a 30-day stressed period, while the internal stress tests cover a three-month stressed scenario. The risk indicators used for managing market reliance enable the Group to have a prudent composition of its liabilities because they ensure that there is sufficient long-term funding for maturing long-term assets. This reduces any pressure on the Group in a situation involving a liquidity crisis. Until the introduction of the NSFR in 2018, the Group's funding ratio will be the key indicator for market reliance. The Group also monitors the diversification of its funding sources by product, currency, maturity and counterparty to ensure that its funding base provides the best possible protection. The Group oversees the maturity profile of its long-term funding to keep the portions of long-term funding maturing within a twelve-month horizon at an acceptable level.

## ***Liquidity Risk Framework***

### *Governance and Organization*

The Group manages its liquidity on a daily basis by using a combination of risk indicators, risk triggers and risk policy. Two documents lay the foundation of the Group's liquidity risk management: the Liquidity Policy and Appetite and the Liquidity Instructions. The Liquidity Policy and Appetite contains the overall principles and standards of the Group's liquidity risk management. It covers both the liquidity risk profile and the governance structure. The Liquidity Instructions define the limits and the methods of calculating liquidity risk. Both documents are issued by the Board of Directors.

In 2016, the liquidity risk organization was expanded with the establishment of the ALCO. The purpose of the ALCO is to manage the Group's balance sheet and funding mix in accordance with the Group's Liquidity Risk Appetite approved by the Board of Directors.

As a subcommittee of the All Risk Committee, the ALCO has a strategic focus on asset and liability management components such as the following: net interest income, funds transfer pricing, funding mix and interest and currency risk on the balance sheet.

The Group Liquidity Risk Committee (the "GLRC") is an ALCO subcommittee. The GLRC is responsible for overseeing the management of liquidity risk and funding at the group level. Both the ALCO and the GLRC consist of representatives from Group Risk Management, the CFO area, Personal Banking, Business Banking, C&I, and Wealth Management.

The GLRC is empowered to challenge the way the Group manages its liquidity risk profile. Group Treasury is responsible for the Group's liquidity and funding. This includes executing the funding plan and managing the liquidity reserve. Short-term liquidity is managed by Danske Markets under the supervision of Group Treasury.

Liquidity management is centralized and conducted on a consolidated basis to ensure regulatory compliance at the group level and compliance with internal requirements. Regulatory compliance and the maintenance of adequate liquidity reserves at subsidiaries are managed locally.

## *Models and Methodologies*

Stress tests are a core element of the models and methodologies used by the Group to manage liquidity risk. Four of the seven risk indicators making up the risk profile are based on stressed liquidity scenarios.

The Group conducts stress tests to measure its immediate liquidity risk so that it has sufficient time to respond to possible crises. The stress tests are conducted for various scenarios, including three standard scenarios: a scenario specific to the Group, a general market crisis and a combination of the two. A “stress-to-failure” test is also conducted.

All stress tests are based on the assumption that the Group does not reduce its lending activities. This means that existing lending activities continue and require funding. The degree of possible refinancing of the Group’s funding base varies depending on the scenario in question and on the specific funding source. To assess the stability of its funding, the Group considers the maturity and makes behavioral assumptions.

## *Liquidity Risk Management*

The Group is in the process of implementing a new asset and liability management system. Combined with other initiatives, this has already resulted in enhancements of the Group’s liquidity risk management. The enhancements include an improvement of the LCR and currency-specific LCR calculations as well as monitoring of intraday liquidity. The governance process was also improved in 2016 with a modification of the control and validation setup for reporting liquidity risk measures.

## *Monitoring and Reporting*

Monitoring and reporting are conducted separately according to the principle of three lines of defense. Group Treasury, as the first line of defense, is responsible for reporting the risk measures, whereas Group Risk Management, as the second line of defense, is responsible for monitoring compliance with the internal limits. Furthermore, Group Risk Management validates and challenges the models and assumptions used by the first line of defense for reporting risk measures.

Liquidity Risk Management and Market Risk Management share the task of monitoring compliance with the risk limits set in the Liquidity Risk Appetite. The LCR and operational liquidity are monitored and reported on a daily basis, while the other risk indicators are reported on a monthly basis to the GLRC and the All Risk Committee. Risk indicators are reported to the Board of Directors on a quarterly basis.

Liquidity Risk Management is responsible for reporting all limit breaches to the relevant parties and committees. Board limit breaches are reported to the Board of Directors and other relevant stakeholders (such as the GLRC, the All Risk Committee and the Executive Board). All Risk Committee limit breaches are reported to the Executive Board, the All Risk Committee and other relevant stakeholders, including the business units. Lower-level limit breaches are reported to the head of Liquidity Risk Management.

Liquidity risk reporting consists of overviews, analyses and forecasts for the most critical risk indicators such as the LCR. They outline the drivers and causes of changes in liquidity and give senior management at C&I and Group Treasury a clear understanding of the Group’s day-to-day liquidity risk profile.

## *Liquidity Reserve*

The Group’s liquidity reserve is defined as all unencumbered liquid assets that are available to the Group in a stressed situation. Assets received as collateral are included in the reserve, whereas assets used as collateral are excluded.

The current low-yield macro environment caused by the quantitative easing programs launched by central banks around the world has had an effect on the composition of the Group’s liquidity reserve. The low-yield environment means that a greater proportion is held in cash at the expense of government bonds. Other things being equal, this increases the counterbalancing capacity of the liquidity reserve because a smaller portion needs to be monetized.

A large number of the bonds held in the reserve are central-bank-eligible instruments, which are vital for intraday liquidity needs, for overnight liquidity facilities and for defining liquidity in financial markets during stressed periods.

The internal stress tests use different parameters than the LCR to determine the liquidity value of bonds, so the value of the liquidity reserve differs depending on the risk indicator chosen.

## *Funding Sources*

The Group monitors its funding mix to ensure that it is well-diversified in terms of funding sources, maturities and currencies.

The following tables set forth the breakdown of funding sources by type of liability and currency, excluding funding in the form of bonds issued by Realkredit Danmark, as at the dates indicated:

	As at December 31,		
	2016	2015	2014
	(percent)		
<b>Funding sources by type of liability</b>			
Central banks/credit institutions .....	8	8	7
Repo transactions .....	10	10	21
Short-term bonds .....	4	3	1
Long-term bonds .....	8	6	5
Other covered bonds .....	11	12	11
Deposits (business) .....	27	27	23
Deposits (personal) .....	21	22	20
Subordinated debt .....	2	2	2
Shareholders' equity .....	9	9	8
Total .....	100	100	100

	As at December 31,		
	2016	2015	2014
	(percent)		
<b>Funding sources by currency</b>			
DKK .....	30	31	32
EUR .....	35	37	39
USD .....	15	11	6
SEK .....	4	6	9
GBP .....	7	6	6
CHF .....	1	1	1
NOK .....	7	7	6
Other .....	1	1	1
Total .....	100	100	100

## Operational Risk

### General

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events, including legal events. Operational risk events are operational risks which have occurred and have caused a monetary loss (a loss event), or a reputational effect (a reputational event), or may have caused a loss that was rapidly recovered or may give rise to a future potential loss (a near-miss event). As at December 31, 2016, operational risks accounted for 9.3 percent of the Group's total REA.

Operational risks can arise from all the Group's activities. The Group takes on additional operational risks whenever it accepts new business, originates new transactions, introduces new products, enters new markets, outsources activities and hires new staff. New operational risks may also arise from a variety of changes to internal processes, people and systems and from changes to the Group's external environment.

The Group's operational risk management approach serves to continually improve its ability to anticipate all material risks and to reduce, with a high degree of confidence, potential failures in processes. This helps to improve the customer experience and reinforces the need for clear ownership and accountability for all risks across Group processes.

### Operational Risk Framework

In 2016, the Group enhanced the operational risk framework with a common operational risk taxonomy and risk assessment methodology to be used across the three lines of defense. The enhanced framework was approved by the Board of Directors, and the Group Operational Risk function is responsible for the independent oversight and establishment of the framework. The Group's approach to operational risk identification and assessment is in accordance with the Group's operational risk framework. It is consistent with the three lines of defense and enhances the Group's risk culture.

The Board of Directors approves the principles and standards for the operational risk management approach. The Executive Board has set up the ORCO, with responsibility for overseeing the implementation and maintenance of the Group-wide framework for managing operational risk. As a sub-committee of the All Risk committee, the ORCO is a risk governance committee reporting directly to the All Risk Committee. The ORCO may make decisions within the authority of the All Risk Committee as set out in the All Risk Charter. As required and on behalf of the All Risk

Committee, the ORCO reports and makes recommendations to the All Risk Committee, the Executive Board and the Board of Directors.

### ***Operational Risk Management***

The operational risk management approach is a more frequent and granular forward-looking activity designed to identify potential breakdowns in the Group's business and function processes. The risk identification and assessment process takes place on an ongoing basis with a view to identifying all material operational risks to which the Group is exposed.

### ***Risk Appetite***

The Group aims to control operational risks within tolerances set to ensure that financial and non-financial exposures do not cause material damage to the Group. Top operational risks and events are monitored to check that they are within the risk appetite tolerances, and reports are submitted through the risk governance process to the Board of Directors.

### ***Risk Classification***

Operational risks are identified and categorized by risk type. The Group uses operational risk types principally as a method to ensure comprehensive and consistent identification of operational risks wherever they may arise. The Group's operational risk types are as follows: internal fraud; external fraud; employment practices and workplace safety; clients, products and business practices; execution, delivery and process management; damage to physical assets; systems and data failure; information technology security and model risk.

### ***Compliance Risk***

Compliance risk is defined as the risk of legal or regulatory sanctions, material financial loss or loss of reputation that the Group may suffer as a result of its failure to comply with laws, including the spirit of the law, regulations, generally accepted practices and standards, and financial industry codes of conduct applicable to the Group's activities.

Group Compliance is an independent function accountable for identifying, assessing, monitoring and reporting on whether the Group complies with applicable laws, regulations and internal requirements. Furthermore, Group Compliance is accountable for providing advice to first-line-of-defense units in relation to the mitigation of compliance risks.

Group Compliance is headed by the chief compliance officer, who reports to the CFO with a secondary reporting line to the CEO and the chairman of the Audit Committee. The Group Compliance organization reflects the Group's operational model and entails a segregation of roles and responsibilities into units of compliance officers for Wealth Management, Personal Banking, Business Banking and C&I. Additionally, Group Compliance has teams of compliance officers for Group Functions and Financial Crime and for the compliance framework, awareness and training.

In 2016, the compliance organization was further strengthened by the establishment of the Global Monitoring & Financial Crime Compliance function, which is accountable for group-wide transaction monitoring to identify possible money laundering, terrorism financing, customer tax evasion and market abuse. The current organization enables Group Compliance to foster the proper awareness and understanding of compliance among managers and employees across the Group and to meet the standards of the European banking industry.

Business units and operational units own the compliance risks associated with their processes. Group Compliance is accountable for the implementation of an effective compliance framework, and its key activities are as follows:

- identifying and assessing compliance risks;
- providing advice on risk mitigation to compliance risk owners in the first line of defense; and
- monitoring the adequacy of risk mitigation and controls in the first line of defense and reporting on the compliance risk status for the Group.

In 2016, Group Internal Audit, Group Risk Management, the COO area and Group Compliance created a uniform operational risk taxonomy and risk assessment methodology in order to obtain an enhanced management overview of the Group's risk profile and control environment and to build a risk management culture by means of a consistent risk terminology throughout the Group. Additionally, Group Compliance has a Group-wide approach to risk assessment that also contributes to the enhanced management overview.

## **Insurance Risk**

### ***General***

Insurance risk consists of the risks originating from the Group's ownership of Danica Pension. Operating under the Solvency II rules, Danica Pension provides pensions as well as life and health insurance products in Denmark, Norway and Sweden.

As part of its product offerings, Danica Pension provides guaranteed life annuities; insurance against death, disability and accident; and cover against adverse investment returns. This exposes Danica Pension to underwriting risks such as longevity and disability risk as well as to market risk. In addition, Danica Pension is exposed to operational and business risk like the rest of the Group.

Underwriting risk is the risk of losses from the insurance business. At Danica Pension, these risks are almost exclusively life insurance risks and they arise naturally out of the business model. Most underwriting risks materialize over long time horizons during which the gradual changes in biometric factors deviate from those assumed in contract pricing. Danica Pension has a large offering of life annuities that will pay a set pension during a policyholder's lifetime, and this makes longevity risk the most prominent type of underwriting risk for Danica Pension. Most pension products come with life and disability insurance, which entails exposure to mortality and disability risk. Health and accident insurance contracts are typically shorter, so slowly materializing risks can be handled by means of repricing.

Market risk is the risk of losses because of changes in prices of traded assets, and it arises from various sources within the business. Shareholders' equity and funds ensuring insurance guarantees in which the shareholders bear all the risk are invested in relatively low-risk instruments that nevertheless are subject to some market risk. In with-profits pensions, the customers bear the market risk, but in case of large losses where the customer buffers are depleted, the shareholders will have to step in with funds to ensure the benefits guaranteed to the customers. If the customers bear all the investment risk, losses may reduce assets under management and thus deplete future asset management fees in the long term.

### ***Insurance Risk Framework***

Danica Pension has worked for several years to strengthen its insurance risk framework and has steadily improved the enterprise-level coordination of various sources and types of risk. Many aspects of the framework are governed by Solvency II, and the strengthening of the risk framework has eased the transition to the new regime.

The insurance risk framework is governed by Danica Pension's Board of Directors. The Board of Directors decides on the general strategic goals and on the risk management framework at Danica Pension. It identifies the material risks to which Danica Pension is exposed and sets limits on measures of aggregate risk. The daily risk management activities are based on Danica Pension's risk management policy issued by its Board of Directors.

Danica Pension's risk management activities are overseen by its All Risk Committee, which is responsible for monitoring the complete risk profile across risk types and undertakings. Reporting to the Board of Directors and the Executive Board, the All Risk Committee is chaired by Danica Pension's chief risk officer. Monitoring and reporting on individual risks are performed by specialized functions but coordinated by the All Risk Committee.

The All Risk Committee is supplemented by the Asset and Liability Management Committee, which manages the risks arising from the differences in exposures between assets and liabilities and ensures that lines from the Board of Directors are not breached. The Asset and Liability Management Committee is chaired by Danica Pension's chief financial officer, and it has representatives from three units: the Risk Function, the Actuarial Function and the Investments Function.

### ***Risk Related to Danish With-profits Products***

The main source of risk at Danica Pension is the Danish with-profits pension product. This product offers policyholders an annuity of a guaranteed minimum amount in nominal terms, but lets customers participate in a fund whose returns may lead to higher benefits than those guaranteed. The present value of the guaranteed benefits depends on the level of interest rates used for discounting. Should the fund's value fall below this level, then the shareholders' equity will have to cover the shortfall. Managing this product thus involves a combination of managing the risks on behalf of the policyholders and managing the risk that the shareholders will have to cover losses.

Danica Pension uses interest rate hedging to maintain customer buffers and considers any duration mismatch between assets and liabilities to be an active investment decision. The interest rate used for discounting of technical provisions is the Solvency II discount curve. It is based primarily on the euro swap rate and also takes into account the yields on Danish mortgage bonds and government bonds. Because of market liquidity and efficiency, it is not possible for Danica Pension to invest in instruments that completely hedge the liabilities on this discount curve, and therefore some basis risk remains. The level of the long end of the discount curve, for which no reliable market data are available, is determined by a methodology that is currently under revision by the European Insurance and Occupational Pensions Authority. The



review of this methodology is likely to lead to a lowering of the level of the long end of the discount curve, but the effects on customer buffers and Danica Pension's shareholders are limited.

Derivatives used for hedging may give rise to counterparty risk, but this is mitigated by requiring counterparties to provide full collateral and by using many well-rated counterparties.

The guaranteed life annuities included in the with-profits product give rise to longevity risk. Danica Pension generally does not hedge this risk since it is a natural element of the business model but rather focuses on prudent pricing of the risk. Danica Pension manages longevity risk with an internal model approved by the DFSA for use in solvency reporting. This model is based on the DFSA life expectancy benchmark and Danica Pension's own longevity observations.

### ***Risk Related to Unit-linked Products***

Approximately 80 percent of unit-linked policies have no financial guarantees. For these policies, the policyholders bear all the investment risk. For the rest of the unit-linked policies, which consist mainly of Danica Balance policies, the policyholders have investment guarantees. The guarantees do not apply until the time of retirement and are paid for by an annual fee. Danica Pension manages the risk on these guarantees by adjusting the allocation of equities and alternative investments for each individual policy. The adjustments ensure that the investments can withstand a substantial decline in equities and alternative investments.

Danica Pension's activities in Norway and Sweden account for approximately 17 percent of its total provisions. In these markets, Danica Pension offers mainly unit-linked products without guarantees, and this gives rise to relatively little risk.

### ***Market Risk***

Market risk involves the risk of losses on assets in which the shareholders' equity of the Danica Group is invested and the risk of losses on policies with guaranteed benefits 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 interest rate risk owing to the guarantees issued. For example, if market interest rates drop, the fair value of insurance obligations increases.

The Group monitors the market risk on an ongoing basis and has set maximum risk targets for each asset class. The Danica Group conducts internal stress tests to ensure that it can withstand significant losses on its equity and credit exposure and substantial changes in interest rates. Interest rate risk that is not covered by the bond portfolio is hedged by means of financial derivatives.

### ***The Danica Group's Own Investments***

In addition to market risk to which policyholders' savings are exposed, the Danica Group's own investments are also exposed to market risk, as are investments related to health and accident insurance. The Danica Group's board of directors has set a separate investment strategy for the Danica Group's own investments, which are made primarily in short-term Danish bonds. Since their benefits are similar, investments related to health and accident insurance follow essentially the same investment strategy as the one used for customers' funds allocated to with-profits policies.

### ***Life Insurance Risks***

Life insurance risks are linked to longevity, mortality, disability, critical 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 factor for the Danica Group.

The Danica Group subjects its life insurance risks to ongoing actuarial assessment in order to calculate insurance liabilities and make relevant business adjustments. For life insurance policies, the Danica Group calculates the insurance liabilities according to expected mortality rates based on empirical data from its insurance portfolio. The rates reflect a possible future increase in life expectancy and a safety margin to cover uncertainty about expected mortality.

For health and personal accident policies, the Danica Group calculates insurance liabilities on the basis of expectations for future recoveries and re-openings of old claims. The expectations are based on empirical data from the Danica Group's insurance portfolio.

To mitigate life insurance risk, the Danica Group uses reinsurance for large individual policy exposures and the risk of losses due to disasters.

## **Operational Risks**

The Danica Group manages operational risk through internal controls and standard operating procedures that are updated regularly to reflect the then-current business environment. The Danica Group systematically reviews its business areas to minimize the risk of financial losses due to sanctions, claims and reputational damage resulting from non-compliance with legislation, rules and standards. The Danica Group closely monitors the competition in all relevant markets to ensure that its prices are competitive and customers are satisfied. The Danica Group also monitors model risk by comparing model results with actual market results on an ongoing basis.

## **Sensitivity Analysis**

The sensitivity indicators for 2016 have been changed to show the effect on shareholders' equity of separate changes in interest rates, equity prices, real property prices, foreign exchange rates and counterparty defaults. Losses borne by the shareholders in these scenarios are generally limited since most of the losses are absorbed by buffers or borne by the policyholders themselves before the shareholders' equity is required to cover the loss.

On January 1, 2016, the Group implemented the changes made by the DFSA to its Executive Order on Financial Reports for Insurance Companies to harmonize the measurement of insurance liabilities in the financial statements with measurement under the Solvency II framework.

The following table sets forth the effect on shareholders' equity of separate changes in interest rates, equity prices, real property prices, foreign exchange rates and counterparty defaults as at December 31, 2016 (comparative information as at December 31, 2015 and 2014 is not available due to the change discussed above):

	<b>As at December 31, 2016 (DKK in billions)</b>
<b>Change in equity</b>	
Interest rate increase of 0.7–1.0 of a percentage point .....	(0.3)
Interest rate decrease of 0.7–1.0 of a percentage point .....	0.1
Decline in equity prices of 12 percent .....	(0.1)
Decline in property prices of 8 percent .....	(0.3)
Foreign exchange risk (VaR 99.0 percent) .....	0.0
Loss on counterparties of 8 percent .....	(0.2)

## **Pension Risk**

Most of the Group's pension plans are defined contribution plans under which the Group pays contributions to insurance companies, including the Danica Group, and has no further obligations. 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.

Pension risk arises from the Group's liability for defined benefit pension plans that were established for current and former employees. The Group's defined benefit pension obligations consist of pension plans in Northern Ireland, the Republic of Ireland and Sweden as well as a number of small pension plans in Denmark. In addition, the Group has unfunded defined benefit pension plans that are recognized directly on the balance sheet. All of the plans are closed to new members.

The following table sets forth an overview of the Group's pension plans as at December 31, 2016:

	As at December 31, 2016			
	<b>Northern Ireland</b>	<b>Ireland</b>	<b>Denmark</b>	<b>Sweden</b>
Pension plan for new employees.....	Defined contribution	Cash balance	Defined contribution	Defined contribution
Status of defined benefit pension plan .....	Closed to new members in 2004	Closed to new members in 2008	Closed to new members	Closed to new members in 2013
Gross liability, DKK in millions.....	10,775	4,205	1,607	1,633
Assets at fair value, DKK in millions .....	11,098	4,876	1,687	1,934
Net assets, DKK in millions .....	323	671	80	301
Number of members:				
Active .....	879	56	126	899
Deferred.....	1,771	1,263	—	1,399
Pensioners.....	<u>2,159</u>	<u>537</u>	<u>194</u>	<u>620</u>
Total.....	<u>4,809</u>	<u>1,856</u>	<u>320</u>	<u>2,918</u>

*Note:* In Norway, Finland and the Baltics, the Group operates defined contribution plans under which it pays fixed contributions into separate, legally independent entities and afterwards has no further obligations. After winding up the Norwegian defined benefit plan in 2005, the Group still has an early retirement pension obligation. The obligation amounted to DKK 25 million as at December 31, 2016.

In defined benefit plans, the pension agreement contains a provision stipulating the pension benefit that the employee will be entitled to receive upon retirement. The benefit is typically stated as a percentage of the employee's salary immediately before retirement, but it can also be a percentage of the average salary during the entire period of employment. The pension benefit will typically be payable for the rest of the employee's life, and this increases the Group's uncertainty about the amount of the future obligations. The Group's defined benefit plans are funded by contributions from the Group and individual contributions from employees. Each pension plan is managed by a separate supervisory board.

As at December 31, 2016, the Group's IFRS aggregate net pension assets amounted to DKK 545 million, as compared to DKK 2,107 million as at December 31, 2015, and DKK 1,412 million as at December 31, 2014. The figure as at December 31, 2016 is not fully comparable to the figures in the table above due to the elimination treatment of an intra-Group bulk annuity policy of DKK 804 million to a Danish plan. The development in the Group's net pension assets during the periods under review was affected by central bank corporate bond buying activities. The programs of the Bank of England and the ECB had the effect of reducing the yields on corporate bonds and consequently increasing the asset values on such assets. This activity fed into the actuarial models of the British pound sterling and euro denominated plans, causing the discount rates to be reduced while increasing the notional value of the liabilities of these pension plans. As the assets held had a low level of corporate bond allocations, the overall effect was to reduce the value of the net pension assets. The Group's asset strategy continues to remain focused on matching the characteristics of the liabilities through the use of fixed income assets. The growth seeking assets continue to be reduced.

A key element of the Group's risk management strategy is maintaining a relatively close match between the assets and liabilities of each plan. According to this strategy, the Group uses derivative instruments to mitigate interest rate risk. Because of the complexity of the pension obligations, the Group does not use its normal limit structure for monitoring pension risk. Instead, it manages market risk on pension plans according to special follow-up and monitoring principles called "business objectives."

The Group has established procedures to be followed in case of deviations from these objectives. The All Risk Committee has defined risk targets for the Group's pension funds. To follow up on the objectives, the Group prepares quarterly risk reports that analyze the individual plans' net obligations calculated on the basis of swap rates, sensitivity analyses and the VaR measure. It sets specific limits for the acceptable levels of risk exposure. As at December 31, 2016, the Group's VaR was DKK 1,594 million (December 31, 2015: DKK 2,384 million).

The Group calculates market risk on defined benefit plans on a quarterly basis. The risk is expressed as VaR at a confidence level of 99.97 percent and on a one-year horizon. In this scenario, equity price volatility and the correlation between interest rates and equity prices are set at values reflecting normal market data. The duration of the pension obligations is reduced by half to take into account inflation risk. This is a widely accepted proxy that is also used by the DFSA, among others. The calculations are subject to ongoing review in order to ensure that the values of the volatility and correlation parameters are set appropriately.

The following table sets forth the sensitivity of the IFRS net pension obligation to changes in equity prices, interest rates and life expectancy:

	<u>Change</u>	<u>Effect 2016</u>	<u>Effect 2015</u>	<u>Effect 2014</u>
		<b>(DKK in millions)</b>		
Equity prices .....	-20 percent	(581)	(866)	(1,137)
Interest rates.....	+1/-1 percent	847/(470)	722/(479)	681/(380)
Life expectancy.....	+1 year	(442)	(396)	(563)

Pension obligations are measured in the Group's solvency calculation at fair value. Pension risk is covered by the ICAAP, and it is measured by VaR at a confidence level of 99.9 percent and on a one-year time horizon.

### **Business Risk**

Business risk is the risk that income cannot cover losses caused by events affecting the Group's profit before loan impairment charges, market losses and operational losses. Business risk exists throughout the Group. It reflects possible changes in general business conditions such as market environment, customer behavior, the Group's reputation and technological progress to which the Group may not be able to adjust quickly enough.

The Group believes that capital for business risk should serve as a buffer only when income cannot cover losses arising from other risk types. This is known as the "absolute loss" approach. Unexpected losses arising from other risk types are already covered by capital allocated for credit, market and operational risks.

The method used for calculating a possible Pillar II capital add-on for the Group's business risk involves two steps. First, the quarterly earnings before credit, market, and operational losses over the past five years are used for estimating the likelihood of a loss based on current earnings, the historical volatility of the earnings, and expected losses from other risk types. The second step entails an additional strategic risk estimate of the effects of possible future events. For this purpose, the Group has identified strategic scenarios that could cause the largest declines in earnings.

As the Group expands into new areas of business and technology, it considers the costs of failure in terms of both the costs of the failed business and the possible reputational effects on the rest of the business.

When the Group's earnings were stressed according to the absolute loss approach in 2016, the result was positive, and no capital was required for business risk. The DFSA took note of the Group's assessment that there was no need for business risk capital.

## DESCRIPTION OF THE GROUP

### Overview

The Group is the leading financial service provider in Denmark (source: the DFSA) measured by total working capital (defined as deposits, issued bonds, subordinated debt and shareholders' equity) as at December 31, 2015, and one of the largest in the Nordic region measured by total assets as at December 31, 2016. The Group offers customers a wide range of services in the fields of banking, mortgage finance, insurance, pension, real-estate brokerage, asset management and trading in fixed income products, foreign exchange and equities. The Group is the largest bank in Denmark (source: the DFSA), is one of the larger banks in Finland and Northern Ireland and has challenger positions in Sweden and Norway. As at December 31, 2016, the Group's total assets amounted to DKK 3,484 billion and the Group employed 19,303 full-time equivalent employees. As at the same date, the Group had approximately 3.4 million customers and approximately 2.2 million customers used the Group's online services. The Group had 272 branches as at December 31, 2016.

The Bank is the parent company of the Group. Danske Bank is a Nordic universal bank with bridges to the rest of the world, and its core markets are Denmark, Sweden, Norway and Finland (through its subsidiary). In these countries, it serves all types of customers, from personal customers and businesses to large institutional clients. It also operates in Northern Ireland, where it serves both personal and business customers, and the Baltic countries, where it focuses on business banking. The Group has additional offices in several other European countries including a subsidiary in Luxembourg and branch offices in Poland, Germany and the U.K., where its main offerings are solutions for Nordic and local businesses as well as private banking clients. The Group also conducts broker-dealer activities in the United States and has a subsidiary in Russia serving Nordic corporate banking customers.

### The Group's History and Development

Danske Bank A/S was founded in Denmark and registered on October 5, 1871 and has, through the years, merged with a number of financial institutions. The Bank is a commercial bank with limited liability and carries on business under the Danish Financial Business Act. The Bank is registered with the Danish Commerce and Companies Agency.

In the period from 1997 to 2007, the Bank strengthened its position in the Nordic region through acquisitions. In 1997, it acquired Östgöta Enskilda Bank in Sweden, in 1999, Fokus Bank A/S in Norway and, in 2000, RealDanmark and its subsidiaries BG Bank A/S and Realkredit Danmark A/S. Furthermore, on March 1, 2005, the Bank acquired Northern Bank Limited in Northern Ireland and National Irish Bank in the Republic of Ireland, and, on February 1, 2007, it acquired Sampo Bank plc in Finland (now Danske Bank Plc), including Sampo Bank plc's activities in the three Baltic countries and a subsidiary in St. Petersburg, Russia.

Effective June 1, 1998, all branches of Östgöta Enskilda Bank were converted into branches of the Bank and, effective April 1, 2007, Fokus Bank A/S and National Irish Bank were converted into branches of the Bank and, in June 2008, the three Baltic banks, AS Sampo Bank in Estonia, AS Sampo Banka in Latvia and AB Sampo bankas in Lithuania, were converted into branches of the Bank. In November 2012, the Group rebranded its banking units and since then it has marketed all its banking operations under the Danske Bank brand name. With effect from January 1, 2014, the Group refocused its activities in the Republic of Ireland to serve exclusively C&I clients. All other activities in the Republic of Ireland were transferred to the Non-core business unit. With effect from January 1, 2015, the Group refocused its activities in the Baltic countries to serve Business Banking customers. All Personal Banking customers in the Baltic countries were transferred to the Non-core business unit. In the third quarter of 2015, the Group entered into an agreement to sell a residential mortgage loan portfolio relating to the Group's Non-core mass personal customer business in Lithuania and Latvia. The final approval by the competition authorities was received in March 2016 and the transaction was completed on June 4, 2016. In addition, the Group decided to operate and report on its operations in Northern Ireland as a separate business unit with effect from January 1, 2016 to increase customer focus and to simplify operations. On January 29, 2016, the Group announced that it had entered into an agreement to sell its Estonian fund management company, Danske Capital AS, in line with its strategy to focus on corporate banking and on serving private banking clients connected to corporate banking in the Baltic countries. The transaction was completed in May 2016.

### Group Strategy and Mission

The Group's vision is to be "recognized as the most trusted financial partner." The Group's core values are expertise, integrity, value, agility and collaboration. The Group aims to meet and interact with its customers allowing them seamless navigation and connectivity regardless of time or place. As reflected in the Group's corporate responsibility policy, the Group strives to conduct business on the basis of customers' needs in a profitable and sustainable manner.

The Group focuses on strengthening relationships with customers and creating a simpler and more efficient financial institution. For example, the Group aims to create innovative solutions to meet its customers' demand for digital solutions, and constantly offer new solutions and features that enhance the easy banking experience.

The Group's IT strategy is a fundamental prerequisite for the Group's ability to develop dynamically and maintain its position as Denmark's leading financial services provider and as a key financial player in the Nordic region.

## Business Units

From 2016, the Group has five business units, a Non-core unit and Other Activities: Personal Banking, Business Banking, C&I, Wealth Management and Northern Ireland. The Wealth Management business unit includes Danica Pension, Danske Capital and parts of the private banking operations.

The following table sets forth certain information regarding the business units of the Group (based on the Group's financial highlights and business segment presentation) as at the date and for the year indicated:

	<b>As at and for the year ended December 31, 2016</b>	
	<b>Total assets</b>	<b>Profit before tax</b>
	<b>(DKK in billions)</b>	<b>(DKK in millions)</b>
Personal Banking .....	918.8	4,963
Business Banking .....	812.1	6,657
C&I .....	3,742.9	4,842
Wealth Management .....	527.9	4,823
Northern Ireland .....	71.4	1,063
Other Activities <sup>(1)</sup> .....	2,635.5	3,108
Non-core .....	19.0	37
Eliminations .....	<u>(5,243.9)</u>	<u>(135)</u>
Group total .....	<u>3,483.7</u>	<u>25,357</u>

(1) "Other Activities" includes Group Treasury and Group support functions as well as eliminations, including the elimination of returns on own shares.

### **Personal Banking**

Personal Banking serves personal customers. The business unit focuses on providing proactive advice to customers and making day-to-day banking simple and efficient through innovative digital solutions. As at December 31, 2016, the Personal Banking business unit had 4,623 full-time equivalent employees.

### **Business Banking**

Business Banking serves small- and medium-sized businesses, through a large network of national finance centers, branches, contact centers and online channels. Business Banking offers leading solutions within financing, investing, cash management and risk management. As at December 31, 2016, the Business Banking business unit had 2,662 full-time equivalent employees.

### **Corporates & Institutions**

C&I serves large Nordic corporate and institutional customers in the Nordic countries and beyond. This wholesale business unit of the Bank provides strategic advice, financial solutions and products within Capital Markets, FICC and Transaction Banking. As at December 31, 2016, the C&I business unit had 1,796 full-time equivalent employees.

### **Wealth Management**

Wealth Management serves the Group's entire customer base and encompasses expertise from Danica Pension, Danske Capital and Private Banking. As at December 31, 2016, the Wealth Management business unit had 1,948 full-time equivalent employees. As at December 31, 2016, the assets managed by Wealth Management amounted to DKK 1,420 billion.

### **Northern Ireland**

Northern Ireland serves personal and business customers through a network of branches in Northern Ireland and leading digital channels. As at December 31, 2016, the Northern Ireland business unit had 1,289 full-time equivalent employees.

### **Non-core**

Non-core includes certain customer segments that are no longer considered part of the core business. The Non-core business unit is responsible for the controlled winding-up and the divestment of this part of the loan portfolio. The portfolio consists of loans to customers in Ireland, personal banking customers in the Baltics and liquidity facilities for special purpose vehicles and conduit structures.

## **Other Activities**

Other Activities consists of the following Group resource and service functions: Group Risk Management; the CFO area (including Group Treasury); Group HR; Group Marketing and Communications; COO Office and the CEO Office. These service areas support the main business units, performing tasks that span various customer groups and markets.

## **Products and Services**

The Group offers customers a wide range of services in the fields of banking, mortgage finance, insurance, pension, real-estate brokerage, asset management and trading in fixed income products, foreign exchange and equities.

The Group's products and services include day-to-day private customer banking services, including mortgages and consumer loans, credit and debit cards, and a wide range of savings and life insurance products. For corporate customers, the Bank offers traditional corporate banking products and services such as loans, cash management, payment and account services as well as risk management and advisory services. In addition, the Bank offers debt and equity capital market products, including corporate finance services. Within asset management and life insurance, the Group offers both private and corporate customers a wide range of investment and life insurance products and services.

Digitalization is a key part of the Group's strategy as it promotes the Group's ability to ensure its competitiveness and improve efficiency. The Group's digitalization strategy includes exploring new technologies to disrupt existing service models. For example, the Group launched the mobile payment solution MobilePay in Denmark in 2013, and the Group subsequently launched the solution in Finland and Norway. As at December 31, 2016, there were 3.8 million MobilePay registrations. In October 2017, the Group announced a new partnership model for MobilePay. The Group opened the platform for all interested Nordic banks, and Nordea joined in Denmark and Norway. As other banks in Denmark, Norway and Finland are expected to join the partnership, the Group has announced that it will begin converting MobilePay to a subsidiary with its own board of directors, and MobilePay will no longer be branded as "by Danske Bank." The Group also launched Sunday.dk, an online solution for Danish consumers that allows them to find homes that match their needs and financial capabilities and get an instant loan commitment.

## **Distribution Channels**

As at December 31, 2016, the Group served approximately 3.4 million customers. The Group serves its customers through various distribution channels, including nationwide branch networks, contact centers, the internet and mobile telephony, depending on the complexity of customers' needs. As at December 31, 2016, the Group had 272 branches, including 113 in Denmark, 35 in Sweden, 27 in Norway, 42 in Finland, 46 in Northern Ireland and 9 in the Baltics (4 in Estonia, 1 in Latvia and 4 in Lithuania).

The Group's digitalization strategy also includes improving processes to make the Group more customer-centric and digitizing existing processes to improve efficiency. The Group's services are based on a single IT and service platform that lays the foundation for an efficient centralization of risk management, financial follow-up and product development. As at December 31, 2016, approximately 2.2 million customers used the Group's online services and approximately 73 percent of the eBanking customers in Denmark used mobile or tablet banking.

## **Competitive Position and Main Markets**

The markets where the Group operates are highly competitive. The Group's principal competitors include several large regional banks active in its key markets, including the four Nordic countries in which the Group operates and Northern Ireland. In these markets, competitors of the Group aiming to increase their penetration of the relevant markets together with the expected implementation of new capital adequacy rules, have put pressure on both the Group's and its competitors' lending margins in recent years. To support its competitive position, the Group seeks to utilize its extensive operational network and distribution channels when providing banking and other financial services to its customers in various countries. See also "*Operating and Financial Review and Prospects—Primary Factors Affecting the Group's Results of Operations.*"

The following table sets forth a breakdown of the Group's loans and deposits by country (based on the Group's financial highlights and business segment presentation) as at the dates indicated:

	Loans as at December 31,			Deposits as at December 31,		
	2016	2015	2014	2016	2015	2014
	(DKK in billions)					
Denmark .....	926	908	912	307	289	277
Sweden .....	208	196	169	73	70	67
Norway .....	173	150	124	71	66	65
Finland .....	150	147	141	85	92	92
Northern Ireland .....	46	52	51	59	64	57
Estonia .....	7	6	9	5	7	14
Latvia .....	2	2	2	2	1	2
Lithuania .....	5	4	7	7	7	9
Other .....	173	144	141	250	221	180
Total .....	<u>1,689</u>	<u>1,609</u>	<u>1,564</u>	<u>859</u>	<u>817</u>	<u>763</u>

The following table sets forth the Group's market share of total lending and deposits in the main countries in which the Group operates as at the dates indicated:

	Lending market share			Deposits market share		
	2016	2015	2014	2016	2015	2014
	(percent)					
Denmark <sup>(1)</sup> .....	26.6	26.5	n/a <sup>(2)</sup>	28.7	28.3	n/a <sup>(2)</sup>
Sweden <sup>(3)</sup> .....	5.2	4.9	n/a <sup>(2)</sup>	3.6	3.8	n/a <sup>(2)</sup>
Norway .....	5.9	5.7	4.6	5.4	5.5	5.1
Finland .....	9.5	9.6	9.8	12.7	13.5	11.9
Northern Ireland <sup>(4)</sup> .....	n/a	n/a	n/a	n/a	n/a	n/a
Estonia .....	6.9	7.1	7.5	4.8	8.9	12.9
Latvia <sup>(5)</sup> .....	2.0	2.4	2.3	1.4	1.4	1.6
Lithuania .....	4.0	6.0	6.1	5.0	6.0	6.9

*Note:* The market shares for Denmark, Finland, Sweden and Norway are based on the MFI3 reporting to the respective central banks.

Market shares for Denmark are at December 31, while all other market shares are as at November 30.

(1) Denmark: market shares exclude repo lending and deposits, but include Realkredit Danmark.

(2) Due to a change in the presentation of the Group's market share, 2014 market share information is not available for Denmark and Sweden.

(3) Sweden: market shares exclude repo lending and deposits.

(4) Comparable market share information for Northern Ireland is not available as there is no central bank for Northern Ireland alone.

(5) The non-core portfolio was sold in June 2016.

## Denmark

The Danish Kroner is pegged to the euro. As Denmark experiences currency inflow from its current account surplus as well as foreign investor interest, the interest rate level in Denmark is slightly lower than in the eurozone. The certificate of deposit rate at the Danish Central Bank is negative 0.65 as at the date of this Base Prospectus, just slightly higher than the negative 0.75 it reached during the strong appreciation pressure on the Danish Kroner in early 2015. As the euro has strengthened against the British pound sterling and weakened against the U.S. dollar, so has Danish Kroner. The Danish economy continued its moderate recovery in 2016 marked by continued job growth but modest GDP growth compared to previous recoveries. The recovery was supported in 2016 by consumer spending as real incomes grew; however, household borrowing experienced very low growth. Low interest rates and real income growth stimulated moderate growth in overall house prices. In some areas, notably central Copenhagen, there was strong growth in housing prices, which could reverse. As at December 31, 2016, the Group's market share of lending in Denmark (excluding repo loans and including Realkredit Danmark) was 26.6 percent, while its share of deposits (excluding repo deposits and including Realkredit Danmark) was 28.7 percent.

In the first quarter of 2015, Denmark attracted a high degree of attention due to the appreciation pressures on the Danish Kroner. The upward pressure prompted four rate cuts and intervention in the foreign exchange market by the Danish Central Bank. The appreciation pressure began to ease in late February 2015 and the Danish Central Bank increased the rate on certificates of deposit to negative 0.65 percent from a historic low of negative 0.75 percent at the beginning of 2016. Overall, the recovery in Denmark continued in 2015 although the economy contracted in the third and fourth quarters of 2015, which was the first time that Denmark experienced negative growth for two consecutive quarters since 2009. Although GDP growth was negative in the second half of 2015, employment continued to grow. As at December 31, 2015, the Group's market share of lending in Denmark (excluding repo loans and including Realkredit Danmark) was 26.5 percent, while its share of deposits (excluding repo deposits and including Realkredit Danmark) was 28.3 percent.

The Danish economy experienced moderate growth throughout 2014. Growth was driven by slowly increasing domestic demand and to some extent exports. Employment rose gradually as well, and house prices continued the positive trend of



the previous years. Domestic growth and the housing market in particular were stimulated by very low interest rates. Export growth was limited by slow growth in Europe. Agricultural exports were adversely affected by the economic sanctions between Russia and the EU.

The following table sets forth percentage changes for certain key economic indicators for Denmark for the periods indicated:

	For the three months ended September 30, 2016 <sup>(1)</sup>	For the year ended December 31, (annual growth, percent)	
		2015	2014
GDP .....	1.2	1.6	1.7
Private consumption .....	1.2	2.2	0.8
Government consumption .....	2.6	0.6	1.2
Gross fixed investments .....	0.8	0.9	4.3
Exports .....	1.4	1.8	3.6
Imports .....	2.4	1.3	3.6

Source: Statistics Denmark, Danske Bank Research.

(1) As compared to the three months ended September 30, 2015.

The following table sets forth certain additional economic indicators for Denmark for the years indicated:

	For the year ended December 31, (percent)		
	2016	2015	2014
Inflation, CPI <sup>(1)</sup> .....	0.3	0.5	0.6
Unemployment rate .....	4.2	4.6	5.0
General government budget balance, as percentage of GDP .....	n/a	(1.3)	1.4
Current account (4Q sum), as percentage of GDP .....	7.8 <sup>(2)</sup>	9.2	8.9

Source: Statistics Denmark, Danske Bank Research.

(1) Consumer price index.

(2) For the 12 months ended September 30, 2016.

## Sweden

Growth in Sweden slowed in 2016, but remained on the strong side as compared to other European countries. Domestic consumption was supported by growth in real wages and employment, as well as house price growth, which, in turn, was supported by low interest rates. The repo rate was decreased from negative 0.35 percent to negative 0.5 percent in April 2016 as inflation remained below the Swedish central bank target. Low rates contributed to a significant weakening of the Swedish Kroner during most of 2016, but in recent months, the currency has regained strength due to improved growth indicators towards the end of 2016. House price growth slowed in 2016 following years of substantial increases. There is a possibility of declining house prices, especially if interest rates increase significantly. As at November 30, 2016, the Group's market share of lending in Sweden (excluding repo loans) was 5.2 percent, while its share of deposits (excluding repo deposits) was 3.6 percent.

In 2015, economic growth in Sweden remained solid. Focus was on the Swedish central bank, which lowered the repo rate below zero and introduced a quantitative easing program as inflation and inflation expectations remained well below the inflation target. House and apartment prices have increased significantly due to the low interest rates. As at November 30, 2015, the Group's market share of lending in Sweden (excluding repo loans) was 4.9 percent, while its share of deposits (excluding repo deposits) was 3.8 percent.

Growth picked up further in 2014, mainly because of domestic demand driven by record-low interest rates. The record-low interest rates also stimulated the housing market further and house prices reached a record-high level. The higher house prices and increased household debt prompted the Swedish central bank and the Swedish Financial Supervisory Authority to intensify their effort to redress macroeconomic imbalances. Following two cuts of the repo rate by the Swedish central bank in 2014, reflecting the growing fear that it would not fulfill its inflation target, the repo rate was 0 percent at the end of the year.

The following table sets forth percentage changes for certain key economic indicators for Sweden for the periods indicated:

	For the three months ended September 30, 2016 <sup>(1)</sup>	For the year ended December 31, (annual growth, percent)	
		2015	2014
GDP .....	2.8	4.1	2.6
Private consumption .....	1.8	2.7	2.1
Government consumption .....	2.8	2.5	1.5
Gross fixed investments .....	6.5	6.9	5.5
Exports .....	2.2	5.6	5.3
Imports .....	3.2	5.5	6.3

Source: Statistics Sweden, Danske Bank Research.

(1) As compared to the three months ended September 30, 2015.

The following table sets forth certain additional economic indicators for Sweden for the years indicated:

	For the year ended December 31, (percent)		
	2016	2015	2014
Inflation, CPI <sup>(1)</sup> .....	1.0	(0.0)	(0.2)
Unemployment .....	7.0	7.5	8.0
General government budget balance, as percentage of GDP .....	n/a	(0.8)	(1.8)
Current account (4Q sum), as percentage of GDP .....	4.3 <sup>(2)</sup>	4.7	4.9

Source: Statistics Sweden, Danske Bank Research.

(1) Consumer price index.

(2) For the 12 months ended September 30, 2016.

## Norway

The decline in oil prices since 2014 and related marked decline in oil investments continued to materially impact the Norwegian economy in 2016. However, oil prices increased somewhat towards the end of 2016. Growth has remained positive, supported by lower interest rates, a weaker currency, government spending and continued growth in household consumption despite higher inflation. House price growth in 2016 was high, supported by low interest rates and supply constraints. Regulatory measures have been taken to slow growth in house prices. As at November 30, 2015, the Group's market share of lending in Norway was 5.7 percent, while its share of deposits was 5.5 percent.

In 2015, the decline in oil investments began to have a clear adverse impact on the Norwegian mainland economy. This was, however, partly offset through exports supported by the weaker Norwegian Kroner, resilient private consumption and more expansionary fiscal policy. The housing market remained tight supported by even lower interest rates. As at November 30, 2015, the Group's market share of lending in Norway was 5.7 percent, while its share of deposits was 5.5 percent.

In the first half of 2014, the Norwegian economy remained strong, but the significant drop in oil prices in the second half of 2014 made Norway more vulnerable. Exports were supported by the weakening of the Norwegian Kroner. The housing market recovered from the small downturn in 2013, supported by low interest rates. As at December 31, 2014, the Group's market share of lending in Norway was 5.9 percent, while its share of deposits was 5.4 percent.

The following table sets forth percentage changes for certain key economic indicators for Norway for the periods indicated:

	For the three months ended September 30, 2016 <sup>(1)</sup>	For the year ended December 31, (annual growth, percent)	
		2015	2014
GDP (mainland) .....	0.7	1.1	2.2
Private consumption .....	1.2	2.1	1.9
Government consumption .....	2.3	2.1	2.7
Gross fixed investments (total) .....	2.5	(3.8)	(0.7)
Exports .....	(4.3)	3.7	3.1
Imports .....	3.6	1.6	2.4

Source: Statistics Norway, Danske Bank Research.

(1) As compared to the three months ended September 30, 2015.

The following table sets forth certain additional economic indicators for Norway for the years indicated:

	For the year ended December 31,		
	2016	2015 (percent)	2014
Inflation, CPI <sup>(1)</sup> .....	3.6	2.1	2.0
Unemployment (NAV) .....	3.0	2.9	2.8
General government budget balance, as percentage of GDP .....	n/a	6.4	8.8
Current account (4Q sum), as percentage of GDP .....	4.9 <sup>(2)</sup>	8.7	11.0

Source: Statistics Norway, Danske Bank Research.

(1) Consumer price index.

(2) For the 12 months ended September 30, 2016.

## Finland

After a prolonged financial crisis, growth in Finland accelerated in 2016, supported by private consumption and investments. A plan to restore competitiveness is expected to adversely affect household income in 2017 and could thus lead to a renewed slowdown in growth, although it is expected to improve longer-run growth prospects. House prices increased at a moderate pace nationwide but more markedly in urban centers. As at November 30, 2016, the Group's market share of lending in Finland was 9.5 percent, while its share of deposits was 12.7 percent.

The Finnish economy grew slightly in 2015 primarily by private consumption, but the economy remained weak and continued to be adversely affected by both cyclical and structural factors. Certain signs that the situation in the housing market was stabilizing emerged. Unemployment increased further, although it started to decline again in the second half of the year. As at November 30, 2015, the Group's market share of lending in Finland was 9.6 percent, while its share of deposits was 13.5 percent.

The Finnish economy contracted for the third successive year in 2014 as the Finnish economy was affected negatively by, among other things, the economic sanctions between Russia and the EU. The sanctions and the Russian recession affected the Finnish economy more relative to other European countries as Russia is one of the largest export markets for Finnish companies. Domestic demand also remained subdued in Finland. Private consumption increased but this was offset by lower exports and investments. House prices declined and unemployment rose. As at December 31, 2014, the Group's market share of lending in Finland was 9.8 percent, while its share of deposits was 11.9 percent.

The following table sets forth percentage changes for certain key economic indicators for Finland for the periods indicated:

	For the three months ended September 30, 2016 <sup>(1)</sup>	For the year ended December 31,	
		2015 (annual growth, percent)	2014
GDP .....	1.6	0.3	(0.6)
Private consumption .....	2.1	1.5	0.8
Government consumption .....	0.7	0.1	(0.5)
Gross fixed investments .....	3.2	1.1	(2.6)
Exports .....	1.4	2.0	(2.7)
Imports .....	0.7	3.1	(1.3)

Source: Statistics Finland, Danske Bank Research.

(1) As compared to the three months ended September 30, 2015.

The following table sets forth certain additional economic indicators for Finland for the years indicated:

	For the year ended December 31,		
	2016	2015 (percent)	2014
Inflation, CPI <sup>(1)</sup> .....	0.4	(0.2)	1.0
Unemployment .....	8.8	9.4	8.7
General government budget balance, as percentage of GDP .....	n/a	(2.8)	(3.2)
Current account (4Q sum), as percentage of GDP .....	(0.7) <sup>(2)</sup>	(0.4)	(1.1)

Source: Statistics Finland, Danske Bank Research.

(1) Consumer price index.

(2) For the 12 months ended September 30, 2016.

## **Legal and Arbitration Proceedings**

Owing to its business volume, the Group is continually a party to various lawsuits and disputes and has an ongoing dialogue with public authorities such as the DFSA. Although the outcome of claims, lawsuits or other legal proceedings against the Bank or the Group cannot be predicted with certainty, neither the Bank nor any of its subsidiaries is involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) which may have, or have had during the 12 months preceding the date of this Base Prospectus, a significant effect on the financial position or profitability of the Bank or of the Group.

In March 2016, after an on-site anti-money laundering inspection, the DFSA issued eight orders to the Bank, and in September 2016, the Bank submitted a statement to the effect that, in its assessment, the Bank was in compliance with the orders. The final statement from the DFSA included a notification to the Danish Public Prosecutor for Serious Economic and International Crime, and the Bank was reported to the police for non-compliance with anti-money laundering legislation on correspondent banks. As at the date of this Base Prospectus, the authorities had not yet approached the Bank to instigate further investigations.

## **Facilities and Equipment**

The Group's property portfolio typically consists of property located in prime locations in major cities in the countries where the Group operates. The portfolio mainly consists of leased office premises, including the Group's headquarters in Copenhagen, Denmark, but also includes a small proportion of other commercial property and residential property.

As at December 31, 2016, total assets included tangible assets and investment property of DKK 5.9 billion and DKK 4.9 billion, respectively, which together represented 0.3 percent of the Group's total balance sheet. Tangible assets include the Group's own domicile property (not held for sale) of DKK 0.3 billion, plant and equipment of DKK 0.3 billion and lease assets of DKK 5.2 billion.

In addition, the Group has under other assets recognized assets held for sale, which together amounted to DKK 0.5 billion as at December 31, 2016, consisting of 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. The properties comprise properties in Denmark and properties in other countries. Further, loans that are marketed for sale are included in assets held for sale.

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. Plant and equipment covers equipment, vehicles, furniture, fixtures and leasehold improvements. Lease assets consist of assets let under operating leases, except real property.

As of the date of this Base Prospectus, the Group had no material planned investments in tangible assets and investment property.

The Group's balance sheet also included investment property under insurance contracts of DKK 22.9 billion as at December 31, 2016, which are earmarked for policyholders, that is, assets on which most of the return accrues to policyholders.

## **Information Technology**

For more than 15 years, the "One Group – one system" motto has been the guiding principle of the Group's IT strategy. The "One Group – one system" means that almost all of the Group's brands and subsidiaries, except for the subsidiaries in the Baltic countries, operate on the same platform, where systems, products and processes are integrated and used across national borders and companies. In addition to streamlining products that can be combined on the basis of customer wishes and needs, this platform also seeks to ensure high efficiency for all business units.

## **Employees**

As at December 31, 2016, the Group had a total of 19,303 full-time equivalent employees.

The following tables set forth the number of full-time equivalent employees by business unit as at the dates indicated:

	As at December 31,			
	2016	2015 (restated) <sup>(1)</sup>	2015	2014
Personal Banking .....	4,623	5,120	6,491	6,617
Business Banking .....	2,662	2,761	2,943	3,608
C&I .....	1,796	1,832	1,832	1,643
Wealth Management .....	1,948	1,952	n/a	n/a
Northern Ireland .....	1,289	1,287	n/a	n/a
Danske Capital .....	n/a	n/a	518	506
Danica Pension .....	n/a	n/a	742	772
Other Activities .....	6,831	5,820	6,246	5,257
Non-core .....	153	277	277	75
Total .....	<u>19,303</u>	<u>19,049</u>	<u>19,049</u>	<u>18,478</u>

(1) The financial highlights and business segment figures as at and for the year ended December 31, 2015 were restated in the Group's Annual Report 2016 to reflect the establishment of Wealth Management and Northern Ireland as separate business units and changes in the presentation of income from equity finance. For additional information, see "Important Information for Investors—Presentation of Financial Information—Restatements and Reclassifications of Financial Highlights and Segment Reporting—Year Ended December 31, 2016."

In Denmark, collective bargaining agreements are made periodically between The Danish Employers' Association for the Financial Sector (FA) and Financial Services Union Denmark (in Danish: *Finansforbundet*). In Finland, Sweden, Norway, Northern Ireland and the Republic of Ireland, collective bargaining agreements are also periodically entered into by the relevant local employee and employer organizations. The Bank believes that good relationships with the Group's employees and the unions are important.

## THE DANISH BANKING SYSTEM AND REGULATION

### The Danish Banking System

#### *Central Bank of Denmark*

The Danish Central Bank is organized under, and its operations are governed by, Danmarks Nationalbank Act (No. 116, April 7, 1936), as amended from time to time. Although ultimately subject to the legislative control of the Danish parliament (in Danish: *Folketinget*), the Danish Central Bank is an autonomous institution.

The objective of the Danish Central Bank is to ensure a stable and well-functioning financial system in Denmark. The Danish Central Bank has a number of responsibilities not shared by other banks. The Danish Central Bank produces and distributes Danish banknotes and coins; conducts monetary and foreign-exchange policies to ensure the stability of the Danish Kroner in relation to the euro; manages the foreign-exchange reserve; acts as a banker to the banks and mortgage-credit institutions and to the central government; handles overall tasks in relation to payment systems; analyzes financial stability; collects, collates and publishes financial statistics; and represents Denmark internationally in a number of areas.

The Danish Central Bank participates in the management of the central government debt. This is primarily the responsibility of the Ministry of Finance. The Ministry of Finance and the Danish Central Bank are together responsible for the management of the central government debt.

The Danish Central Bank undertakes the administrative tasks, while the Ministry of Finance is responsible for the central government's borrowing and debt management, including relations with the Danish parliament.

#### *Monetary Policy*

Danish monetary policy is conducted in accordance with the principle of substantial freedom of capital movements. Emphasis is placed primarily on market-oriented instruments. Interest policy is determined in light of the objective of keeping the exchange rate of the Danish Kroner stable against the euro within the Exchange Rate Mechanism 2 framework.

The liquidity impact of the central government deficit is offset by sales of government securities. Short-term changes in liquidity may be absorbed by the Danish Central Bank by the issuance of 14-day certificates of deposit, which can be traded among the banks. Liquidity will mainly be supplied through the repurchase of certificates of deposit or through Treasury bill and government bond repurchase agreements.

#### *Foreign Exchange Regulation*

The Consolidated Act on Foreign Exchange Regulations etc. (No. 279, April 11, 1988) grants authority to the Danish Ministry of Business and Growth and the Danish Central Bank to regulate the import and export of goods, purchase and sale of foreign currencies and cross-border payment transactions, including transactions to and from Danish and foreign banks. At present, a very liberal system is in existence based upon an Executive Order (No. 658, July 11, 1994) pursuant to which a free cross-border flow is permitted for practically all transactions. Due to an increased focus on measures to prevent money laundering and financing of terrorist activities, the Danish Customs Act was amended in 2002 to include a provision pursuant to which anyone who enters or leaves the Danish customs area carrying "money, etc." exceeding EUR 10,000 in value must, at their own initiative, go through a customs check and declare all "money, etc." to the customs and tax authorities. The expression "money, etc." comprises cash, as well as bearer instruments such as traveler's checks.

#### *Banking and Other Financial Institutions*

Denmark's banking system includes commercial banks, such as the Bank, savings banks (in Danish: *sparekasser*) and cooperative savings banks (in Danish: *andelskasser*). As at December 31, 2015, there were 80 commercial and savings banks in Denmark (including the Faroe Islands and Greenland) with total assets totaling approximately DKK 3,587 billion.

Other principal financial institutions in Denmark include mortgage credit institutions, insurance companies and pension funds. As at December 31, 2015, the aggregate principal amount of bonds outstanding issued by mortgage credit institutions was approximately DKK 2,600 billion (fair value).

### Regulation

#### *Overview of the Regulation Framework*

Danish banks are subject to the CRR and the CRD IV Directive, which were implemented into the Danish Financial Business Act in March 2014. Each of the CRR and the CRD IV Directive, which implemented, among other things, Basel III in the EU, covers a wide range of prudential requirements for banks across Member States, including capital

requirements, stricter and aligned definitions of capital, REA, large exposure framework and liquidity and funding requirements. The CRD IV Directive covers the overall supervisory framework for banks (including the individual risk assessment) and other measures, such as the combined capital buffer requirements, SIFI, governance and remuneration requirements. Further, banks are subject to the Danish Companies Act (Consolidated Act. No. 1089 of September 14, 2015, as amended) (the “**Danish Companies Act**”) and a number of other legal acts.

The DFSA is the public agency responsible for the supervision of credit institutions (including banks and mortgage credit institutions), insurance companies, pension funds, insurance brokers, the Danish Labor Market Supplementary Pension (ATP), the Danish Employees’ Capital Fund (LD), the Danish Labor Market Occupational Diseases Fund (AES), investment companies, investment management companies and investment associations (UCITS and AIFM).

The CRR and the CRD IV Directive and the regulations issued pursuant thereto set up safeguards to protect depositors by establishing total capital ratios that require banks to have sufficient own funds such as common equity or subordinated debt in relation to assets. In addition, liquidity rules require banks to maintain sufficient liquid assets to meet depositor claims on demand or otherwise. To further protect the assets of banks, the Danish Financial Business Act establishes rules limiting the ability of a bank to concentrate its assets in lending or other exposures to single customers or customer groups. See “*Risk Management—Credit Risk*.” The solvency rules apply to Danish banks individually as well as on a consolidated basis.

The total capital requirement applicable to a bank is established by measuring all exposures weighted according to credit, market, counterparty and operational risk (as defined in the regulations) against the capital of the relevant bank. Accordingly, the capital of a bank must amount to a certain minimum percentage (as described below) of the risk-weighted exposure amount (which includes the calculated items associated with market risk) of such bank (see below), subject to a minimum of EUR 5 million.

The standard method for credit risk assessment is based on the defined credit risks of various groups of assets, taking into consideration the nature of the counterparty and the counterparty’s obligation. The CRR allows a bank to apply a standard method or an advanced IRB method to calculate credit risks. According to the standard method, claims on OECD governments and Danish local authorities are given a risk weighting of zero, whereas unsecured claims on corporate and private customers are typically risk weighted within a range of 20 percent to 150 percent. The advanced method normally varies between these two extremes. In 2016, the Group also expanded the use of internal models for the calculation of the total REA. In January 2016, the Group received approval from the DFSA to implement revised internal models according to the 2013 DFSA orders. In December 2016, the Group received approval to calculate the REA at Danske Bank Plc (Finland) according to the IRB approach for the retail asset class and according to the F-IRB approach for the institution asset class. Implementation will take place in the first quarter of 2017.

In addition to credit risk assessment, Danish banks are required to maintain a certain minimum capital with respect to the market risks that may arise from changes in interest rates, exchange rates and share prices. Market risks include the risk of loss with respect to on- and off-balance sheet positions resulting from market price movements involving debt instruments and equity securities in a bank’s trading portfolio, as well as foreign exchange risk and commodities risk incurred by such bank. The CRR allows internal models in an institution to be approved by the DFSA for the purpose of calculation of market risk. The Bank has obtained such approval that requires strict back testing.

For purposes of complying with the capital requirements of the CRR, the capital base is divided into three main categories, namely CET1 capital, additional tier 1 capital and tier 2 capital. CET1 capital consists of equity capital adjusted for statutory deductions whereas the tier 1 capital consists of CET1 capital plus additional tier 1 capital adjusted for statutory deductions. CET1 capital primarily includes paid-up share capital and reserves (excluding revaluation reserves), and is reduced by, among other items, losses (if any) incurred during the current financial year and the bank’s holdings of its own shares. Certain capital interests in other financial institutions in excess of certain limited amounts have to be deducted from the total amount of CET1 capital, additional tier 1 capital and tier 2 capital. Under the CRR, institutions are required to hold a minimum amount of regulatory capital equal to 8 percent of REA (of which at least 4.5 percent must be CET1 capital, and at least 6 percent must be tier 1 capital). In addition to these so-called “minimum own funds” Pillar I requirements, the CRD IV Directive introduces capital buffer requirements, which must be met with CET1 capital. The capital buffer is comprised of five elements (referred to collectively as the “combined buffer”): (i) the capital conservation buffer; (ii) the institution-specific countercyclical buffer; (iii) the G-SII-buffer; (iv) the other systemically important institutions buffer; and (v) the systemic risk buffer.

Tier 2 capital for banks consists of subordinated debt instruments that may be issued by a bank. Subordinated debt instruments are debt obligations, which, in case of a bankruptcy or liquidation, are subordinated to ordinary claims on the issuing bank (which in turn are at least equal to the claims of depositors). Subordinated debt instruments must include interest deferral and principal reduction features, and can, therefore, be applied towards covering losses of the issuing bank even if that bank is allowed to carry on its business. However, the subordinated debt instruments may not contain any incentive to redeem or repurchase before five years after the date of issuance. In addition, the instrument must be amortized beginning on the first day of the final five year period of the contractual maturity. The CRR and the CRD IV Directive provide for another form of capital, denominated additional tier 1 capital instruments, which may be included

in tier 1 capital to meet the solvency/total capital requirements, subject to certain conditions and limitations. The limitations and conditions are that additional tier 1 capital must be converted during emergency situations and may be converted at the initiative of the competent authority or if a certain contractual capital trigger is reached. Additionally, additional tier 1 capital instruments may not contain any incentive for the credit institution to redeem and must be perpetual.

The CRR and the CRD IV Directive set forth a minimum total capital ratio of 8 percent calculated by dividing the total tier 1 and tier 2 capital by REA. Each of the CRR and the CRD IV Directive includes a requirement for credit institutions to calculate, report, monitor and disclose their leverage ratios, defined as tier 1 capital as a percentage of total exposure. The leverage ratios will be assessed under Pillar II (as defined in the CRD IV Directive, article 104) pending a subsequent political decision in the EU on whether this should be a Pillar I requirement (as defined in the CRD IV Directive from 2018). The enforcement of an EU harmonized leverage ratio is laid out in the CRR, and it is expected to be implemented as a binding requirement in 2018 at the earliest.

Pursuant to the Danish Financial Business Act the board of directors and management of a bank shall ensure that the bank has adequate base capital and has internal procedures for risk measurement and risk management for regular assessments and maintenance of a base capital of a size, type and distribution adequate to cover the risks of the institution.

The board of directors and management of a bank shall, on the basis of the above-mentioned assessment pursuant to the Danish Financial Business Act, calculate the individual solvency need of the bank (ICAAP procedure). The solvency need shall be expressed as the adequate base capital as a percentage of the REA. The solvency need may not be less than the solvency requirement and the minimum capital requirement.

The DFSA may lay down a higher individual solvency requirement than 8 percent if the DFSA finds that the calculated solvency need does not reflect the risk of the bank's activities.

The Bank discloses to the public its total capital ratio as a note to its balance sheet statements as at March 31, June 30, September 30 and December 31 of each year. Prior to such disclosure, the total capital ratio and the basis for the calculation thereof must be filed with the DFSA. The Bank is also obliged to submit the total capital ratio to the DFSA and publish the individual solvency need that the Bank has calculated with the same intervals.

In accordance with EU directives, Denmark established a deposit protection scheme in 1987. Payments under the scheme will be met by the Danish Guarantee Fund. The scheme covers in full deposits made on certain pension accounts established according to Danish law, and up to EUR 100,000 of a customer's aggregate ordinary deposits with any bank. Certain types of deposits are provided with a temporary coverage above EUR 100,000 (six to twelve months, respectively). Investors who hold securities in institutions that are not able to redeliver the securities to the investors as a result of suspended payment or the filing for compulsory winding-up are covered up to the equivalent of EUR 20,000 per investor.

In 2010, the DFSA introduced the "Supervisory Diamond" (in Danish: *Tilsynsdiamanten*), which identifies a series of special risk areas with associated limits. The limits are included in the DFSA's organization of supervisory activities. The DFSA makes an individual and specific assessment of whether there should be issued a so-called "risk warning" in situations where the institution exceeds the "Supervisory Diamond" limits. This risk warning must be published.

Danish insurance companies are subject to the rules set forth in the Danish Financial Business Act and the Danish Companies Act. The DFSA is the public agency responsible for the supervision of insurance companies.

Danish mortgage institutions are subject to the rules set forth in the CRR and the CRD IV Directive, the Danish Mortgage Credit Act and, if organized as a limited liability company, the Danish Companies Act, and they are supervised by the DFSA.

Pursuant to the Danish Financial Business Act, Danish banks must adopt the form of a public limited company and, accordingly, are subject to the rules of the Danish Companies Act, except for certain areas that are governed by special provisions of the Danish Financial Business Act.

The Group is subject to similar regulation in jurisdictions other than Denmark, including other Member States, including Finland, Ireland, Luxembourg, Norway, Sweden, and the U.K. that have also implemented the EU directives mentioned above. Typically, the Group is subject to stand-alone requirements in each of the jurisdictions in which it operates, but according to the co-operation agreement between EU regulators, the Bank is mainly regulated by the DFSA. The Bank's subsidiary in Finland is subject to the supervision of the Single Supervisory Mechanism since Finland is a member of the euro, meaning that the ECB is a part of the supervisory college of the Bank.

On November 23, 2016, the European Commission published its proposal for an EU Banking Reform package as part of the finalization of the Basel III framework and its implementation in the EU. The European Commission's proposal for an EU Banking Reform package also includes proposals to amend the CRR and the CRD IV Directive. The proposed



amendments include, *inter alia*, changes to the market risk by implementing the FRTB and counterparty credit risk framework, introduction of a leverage ratio requirement and an NSFR requirement, revisions to the Pillar 2 framework, transition of IFRS 9 and its impact on capital ratios and revisions to the framework concerning IRRBB.

## **Regulatory Initiatives to Secure Financial Stability**

### ***The Bank Recovery and Resolution Directive (BRRD)***

The BRRD – the EU-wide framework for the recovery and resolution of credit institutions and investment firms – is designed to provide authorities designated by Member States with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution’s critical financial and economic functions, while minimizing the impact of an institution’s failure on the economy and financial system. If the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest, the relevant resolution authority may use the following resolution tools and powers alone or in combination without the consent of the institution’s creditors, including the Holders: (i) sale of business – which enables resolution authorities to direct the sale of the institution or the whole or part of its business on commercial terms; (ii) bridge institution – which enables resolution authorities to transfer all or part of the business of the institution to a “bridge institution” (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation – which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximizing their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in relating to eligible liabilities – which gives resolution authorities the power to write down or convert to equity all or a part of certain claims of unsecured creditors, including the Holders, and to write-down or convert to equity certain unsecured debt claims (including the Notes), which equity could also be subject to any future application of the general bail-in tool.

The BRRD also provides for a Member State as a last resort, after having assessed and exploited the above resolution tools to the maximum extent possible whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilization tools. These consist of public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the EU state aid framework.

An institution will be considered as failing or likely to fail when: (i) it is, or is likely in the near future to be, in breach of its requirements for continuing authorization; (ii) its assets are, or are likely in the near future to be, less than its liabilities; (iii) it is, or is likely in the near future to be, unable to pay its debts as they fall due; or (iv) it requires extraordinary public financial support (except in limited circumstances).

In addition to the general bail-in tool, the BRRD provides for resolution authorities to have the further power to permanently write down or convert into equity tier 1 and tier 2 capital instruments at the point of non-viability and before any other resolution action is taken (non-viability loss absorption). Any shares issued to holders of such capital instruments upon any such conversion into equity may also be subject to any application of the general bail-in tool.

For the purposes of the application of any non-viability loss absorption measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the institution meets the conditions for resolution (but no resolution action has yet been taken) or that the institution will no longer be viable unless the relevant tier 1 and/or tier 2 capital instruments are written down or converted or extraordinary public support is to be provided and without such support the appropriate authority determines that the institution would no longer be viable.

The BRRD also provides resolution authorities with broader powers to implement other resolution measures with respect to distressed banks, which may include (without limitation) the replacement or substitution of the bank as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments) and discontinuing the listing and admission to trading of financial instruments.

According to the BRRD, European banks are required to have bail in-able resources in order to fulfill MREL. There is no minimum EU-wide level of MREL – each resolution authority is required to make a separate determination of the appropriate MREL requirement for each banking group within its jurisdiction, depending on the resolvability, risk profile, systemic importance and other characteristics of each institution. The authorities are expected to determine the exact MREL requirement for the largest Danish banks during 2017 in conjunction with the preparation of their resolution plans. This may require Danish SIFIs, such as the Bank, and other banks to issue further debt that can be bailed in. According to the Danish implementation of the BRRD in the Danish Financial Business Act, if the DFSA receives notification that a bank no longer fulfills the MREL requirement, the DFSA can set a deadline for compliance with MREL. If the bank does not meet the requirement within the prescribed period, the non-fulfillment of the order will be evaluated relative to the DFSA’s common sanctions. The ultimate sanction of repeated and serious violation of the Danish Financial Business Act is that the banking license can be withdrawn.

The powers set out in the already adopted BRRD impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. The BRRD outlines the priority ranking of certain deposits in an insolvency hierarchy, which required changes to the insolvency hierarchy in Denmark. The BRRD establishes a preference in the ordinary insolvency hierarchy, firstly, for insured depositors and, secondly, for all other deposits of individuals and micro, small and medium-sized enterprises held in EEA or non-EEA branches of an EEA bank. These preferred deposits rank ahead of all other unsecured senior creditors of the Bank, including the Holders, in the insolvency hierarchy. Furthermore, the insolvency hierarchy could be changed in the future.

According to the BRRD and the Danish act on restructuring and resolution of certain financial undertakings, a Danish resolution fund was established in 2015. Under certain conditions, the Danish resolution fund can make contributions in case of resolution of a financial institution. The assets of the Danish resolution fund must amount to at least 1 percent of the covered deposits of all Danish financial institutions by December 31, 2024. Each Danish financial institution must make annual contributions to the Danish resolution fund on the basis of its size and risk relative to other financial institutions in Denmark. The first contribution to the Danish resolution fund was paid on December 31, 2015. If the Danish resolution fund incurs losses, the annual contribution may be increased or continued/resumed after December 31, 2024. In addition and in accordance with the Revised Deposit Guarantee Schemes Directive as implemented into Danish law, Danish credit institutions are required to make contributions to the Danish Guarantee Fund, which covers losses incurred on covered deposits in distressed credit institutions. Similarly, the Group's entities in Finland, Luxembourg and the U.K. are required to contribute to resolution funds that have been established in the respective countries.

The European Commission's proposal for an EU Banking Reform package also includes a proposal to implement TLAC into EU regulation. TLAC is a concept for loss absorption that has been set for G-SIIs. The incorporation of the TLAC standard into the existing MREL framework is expected to provide clarity in the regulatory framework surrounding MREL and TLAC, both in terms of the framework for setting banks' requirements as well as the instruments that can be used to fulfill such requirements. The European Commission's proposal for an EU Banking Reform package also includes an EU harmonized approach on bank creditors' insolvency rankings that would enable banks to issue debt in a new statutory category of unsecured debt available in all Member States which would rank just below the most senior debt and other senior liabilities for the purposes of resolution but above subordinated obligations (a so-called "non-preferred senior debt"). The EU proposed harmonized approach will not affect the existing stock of bank debt and will apply going forward to any new issuance of bank debt in the concerned category following the date of application of the amendment.

### ***Bank Packages***

In Denmark, certain schemes have been introduced in recent years to facilitate the orderly resolution of distressed banking institutions. After the implementation of the BRRD as described above, only Bank Package IV (as described below) remains in force as at the date of this Base Prospectus. The Act on a Depositor and Investor Guarantee Scheme, Act No. 334 of March 31, 2015, amending, *inter alia*, the Act on Financial Stability (Consolidated Act No. 875 of September 15, 2009 on Financial Stability, as further amended from time to time), allows for the Danish Guarantee Fund to contribute – under certain conditions – with a financial inducement to encourage a sound bank to take over all activities of a distressed bank, including all unsubordinated and unsecured claims.

### ***Solvency II (Insurance)***

The new international insurance rules, Solvency II, took effect on January 1, 2016. The rules are intended to protect customer funds, and they will generally increase capital requirements. Danica Pension was well prepared. While the previous Solvency I capital requirements were volume based, the Solvency II requirements are risk based. As a forerunner of the Solvency II rules, the DFSA introduced individual solvency need requirements in 2007. Under these requirements, which are also risk based, Danish insurance companies were required to meet the higher of Solvency I and individual solvency need requirements. The individual solvency need requirements have been changed gradually in the period up to 2014 to bring Danish requirements closer to the Solvency II requirements.

### ***Other Regulatory Initiatives***

The European Commission's proposal for an EU Banking Reform package includes proposal to review the CRR and the CRD IV. The proposed amendments include, *inter alia*, changes to the market risk by implementing FRTB and counterparty credit risk framework, introduction of a leverage ratio requirement and an NSFR requirement, revisions to the Pillar 2 framework, transition of IFRS 9 and its impact on capital ratios and revisions to the framework concerning IRRBB. The Group does not expect that the proposed changes will have any significant effect on its overall capital requirements.

Various other aspects of banking regulations are still under debate internationally in the Basel Committee of Banking Supervision, including a review of the standardized approach for credit and operational risk, constraints on the use of internal model approaches and the possible implementation of a broad REA floor based on the standardized approaches

for measuring credit, market and operational risk. It is still too early to assess final effects of these potential changes since the finalization of the revised standards have been postponed and the political dialogue on how and when to implement the revised standards in the EU has not yet been initiated.

## **ORGANIZATION AND MANAGEMENT**

### **General Meeting**

According to the Articles of Association, the annual General Meeting must be held every year not later than April 30. Extraordinary General Meetings may be held if so decided by the General Meeting or the Board of Directors or requested by one of the auditors appointed at the General Meeting or by shareholders who jointly hold at least 5 percent of the shares in the Bank.

The Board of Directors calls the General Meeting by announcement on the Group's website. Written notice of the General Meeting is given to all registered shareholders who have filed a request to receive written notice. The General Meeting must be called at three to five weeks' notice.

Shareholders are entitled to propose business to be transacted at the General Meeting. Proposals under the fixed items on the agenda may be made at the General Meeting. Any shareholder is entitled to have special business added to the agenda of the General Meeting. The shareholder must submit a written request to the Board of Directors, and the request must reach the Board at least six weeks before the General Meeting takes place or within one week of the publication of the annual report.

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

The Bank has one class of shares, and there are no limitations on holdings, voting rights or other opportunities for shareholders to influence decisions.

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

A shareholder who cannot attend the General Meeting can vote electronically or by ballot before the General Meeting. Resolutions of the General Meeting are made by a simple majority of votes unless otherwise provided by law or the Articles of Association.

Resolutions to amend the Articles of Association that, under Danish law, cannot be made by the Board of Directors, are passed only if adopted by at least two-thirds of the votes cast and by at least two-thirds of the share capital represented at the General Meeting and entitled to vote. A resolution to wind up the 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.

### **Bank's Board of Directors**

The Board of Directors has the overall responsibility for the management of the Bank and supervises the Executive Board. Under the current management structure, the Board of Directors outlines the overall principles governing the affairs of the Group, whereas the Executive Board is in charge of the day-to-day management, observing the guidelines and regulations issued by the Board of Directors. The Board of Directors must give specific authorization to transactions which are unusual or of great significance for the Bank. The Board of Directors must also consider from time to time whether the financial position of the Bank is sound in the context of the Bank's operations and ensure that the book-keeping and asset management is controlled in a satisfactory manner.

The Board of Directors, which consists of non-executive directors, is elected by the shareholders of the Bank at the General Meeting with the exception of those directors who are elected pursuant to prevailing law concerning employee representation on the Board of Directors (currently four). Under Danish law, employees of companies that employ more than 35 employees are entitled to elect directors corresponding to one-half the number of directors elected by the General Meeting. The members of the Board of Directors elected by the employees are elected for terms of four years and they hold the same rights and obligations as any member of the Board of Directors elected by the shareholders. The members of the Board of Directors elected by the shareholders in a General Meeting are elected for a one-year term and the number of such directors may range from six to ten (currently eight). Directors are eligible for re-election, but they must retire on the date of the Bank's first General Meeting after they have reached the age of 70. According to Danish law, the members of the Executive Board may not also be members of the Board of Directors of the Bank.

The Board of Directors appoints and dismisses the members of the Executive Board, the Group Chief Auditor and the Secretary to the Board of Directors. The Board of Directors has established Rules of Procedure for the Executive Board and for the Board of Directors itself, which lay down guidelines for their work, specify the duties of the Board of

Directors and the Executive Board, the powers of authority, and the framework of the Group's financial reporting and planning, controls and organization. Group Internal Audit reports directly to the Board of Directors.

On March 17, 2016, the annual General Meeting re-elected Ole Andersen, Urban Bäckström, Jørn P. Jensen, Rolv Erik Ryssdal, Carol Sergeant and Trond Ø. Westlie as members of the Board of Directors and elected Lars-Erik Brenøe and Hilde Tonne as new members of the Board of Directors.

The members of the Board of Directors as at the date of this Base Prospectus are as follows:

	<b>First elected to the Board of Directors</b>	<b>Expiration of current term</b>
Ole Andersen, Chairman.....	2010	2017
Trond Ø. Westlie, Vice Chairman .....	2012	2017
Lars-Erik Brenøe .....	2016	2017
Urban Bäckström .....	2012	2017
Jørn P. Jensen .....	2012	2017
Rolv Erik Ryssdal .....	2014	2017
Carol Sergeant .....	2013	2017
Hilde Tonne .....	2016	2017
Kirsten Ebbe Brich <sup>(1)</sup> .....	2014	2018
Carsten Eilertsen <sup>(1)</sup> .....	2010	2018
Charlotte Hoffmann <sup>(1)</sup> .....	2006	2018
Steen Lund Olsen <sup>(1)</sup> .....	2014	2018

(1) Elected by the Bank's employees.

The business address for the current members of the Board of Directors is Danske Bank A/S, 2-12 Holmens Kanal, DK-1092 Copenhagen K, Denmark.

*Ole Andersen* has been a member of the Board of Directors since 2010 and has been the Chairman of the Board of Directors since 2011. Mr. Andersen is the chairman of the boards of directors of Bang & Olufsen A/S and Chr. Hansen Holding A/S. Mr. Andersen is also a member of Nasdaq Nordic Ltd Nomination Committee and the Danish Committee on Corporate Governance, an adjunct professor at Copenhagen Business School and a member of the boards of directors of DenmarkBridge and Fonden Human Practice Foundation.

Within the last five years, Mr. Andersen has been the chairman of the boards of directors of Zebra A/S, ISS A/S and ISS World Services A/S, and a partner in Esplanaden I/S. Mr. Andersen has also been the chief executive officer of Lilo ApS and of his wholly-owned companies OGA Holding ApS, OGA Holding/D1 ApS and OGA Holding/D4 ApS, and a senior advisor in EQT Partners.

*Trond Ø. Westlie* has been a member of the Board of Directors since 2012 and has been the Vice Chairman of the Board of Directors since 2014. Mr. Westlie is the chairman of the board of directors and the chief executive officer of his wholly-owned company Shama AS.

Within the last five years, Mr. Westlie has been the group chief financial officer and a member of the executive boards of A.P. Møller-Mærsk A/S and Firmaet A.P. Møller, and the chairman or a member of the boards of directors of the following subsidiaries of A.P. Møller-Mærsk A/S: Maersk A/S, Maersk Drilling Holding A/S, Maersk Drilling A/S, Maersk Line A/S, Maersk Shipping 1 A/S, Maersk Shipping 2 A/S, Maersk Tankers A/S, Mærskolie & Gas A/S, Rederiet A.P. Møller A/S, APM Terminals B.V., APM Terminals Management B.V., Odense Staalskibsværft A/S, F. Salling A/S, F. Salling Holding A/S, Dansk Supermarked A/S, Svitzer A/S, Maersk Supply Service A/S and ESVAGT A/S. Mr. Westlie has also been a member of the board of directors and the chairman of the audit committee of VimpelCom Ltd and a member of the boards of directors of Danmarks Skibskredit A/S, Pepita AS, Subsea 7 S.A. and Tønsberg Delikatesse AS.

*Lars-Erik Brenøe* has been a member of the Board of Directors since 2016. Mr. Brenøe is the executive vice president, head of chairman's office of A.P. Møller-Maersk A/S, a member of the board of directors of A.P. Møller og Hustru Chastine Mc-Kinney Møllers Familiefond, the vice chairman of Maersk Broker A/S, the chairman of four affiliated undertakings of Maersk Broker A/S and a member of the boards of directors or the executive boards of seven affiliated undertakings of the A.P. Møller and Chastine Mc-Kinney Møller Foundation. Mr. Brenøe is also a member of the boards of directors of Estemco A/S, A.P. Møller og Hustru Chastine Mc-Kinney Møllers Familiefond and Fonden Lindoe Offshore Renewables Center, a member of the council of the Confederation of Danish Industry and the vice chairman of Komiteen for god fondsledelse.

Within the last five years, Mr. Brenøe has been the chairman of the board of directors of Aktieselskabet Klema, the chief executive officer and a member of the board of directors of Bramsløkke Landbrug A/S and a member of the board of

directors of Lindø Industripark A/S. Moreover, Mr. Brenøe has been a chairman or a member of the executive boards or the boards of directors of a number of subsidiaries of A.P. Møller-Mærsk A/S.

*Urban Bäckström* has been a member of the Board of Directors since 2012. Mr. Bäckström is the chairman of the boards of directors of Rederi AB Gotland and its subsidiary Destination Gotland AB and a member of the boards of directors of Stiftelsen Fritt Näringsliv/Timbrow and Lancelot Holding AB and its subsidiary Lancelot Asset Management AB. Mr. Bäckström has also been appointed honorary doctor at Jönköping University.

Within the last five years, Mr. Bäckström has been the chief executive officer of Svenskt Näringsliv, the deputy chairman of Nasdaq OMX Inc. and a member of the boards of directors of AMF Pension, Business Sweden and Institutet för Näringslivsforskning (research institute of industrial economics).

*Jørn P. Jensen* has been a member of the Board of Directors since 2012. Mr. Jensen is the chairman of the board of directors of Trifork Holding AG, a member of the board of directors and the chairman of the audit committee of VimpelCom Ltd and the vice chairman of the Danish Committee on Corporate Governance. Mr. Jensen is also the chief executive officer of his wholly-owned company Ekeløf Invest ApS.

Within the last five years, Mr. Jensen has been the deputy chief executive officer and the chief financial officer of Carlsberg A/S and Carlsberg Breweries A/S, and the chairman, vice chairman or a member of the boards of directors of a number of subsidiaries of Carlsberg Group or Carlsberg Byen P/S. Mr. Jensen has also been a member of the board of directors of Dong Energy A/S.

*Rolv Erik Ryssdal* has been a member of the Board of Directors since 2014. Mr. Ryssdal is the chief executive officer of Schibsted ASA and the chairman of the boards of directors of several subsidiaries of Schibsted ASA.

Within the last five years, Mr. Ryssdal has been the chairman or a member of the boards of directors of subsidiaries of Schibsted ASA and a member of the board of directors of J.E. Pedersen & Co AS.

*Carol Sergeant* CBE has been a member of the Board of Directors since 2013. Ms. Sergeant is a member of the board of directors of Tullet Prebon plc and the chairman of the risk committee and a member of the audit committee of Tullet Prebon. Ms. Sergeant is also the chairman of the Public Concern at Work (a U.K. whistleblowing charity) and the British Standards Institute Policy and Strategy Committee, a member of the advisory board of Cass Business School, a trustee of the Lloyds Register Foundation and a member of the governing council of the Centre for the Study of Financial Innovation (CSFI). Ms. Sergeant is also company director of A2 Kingsway.

Within the last five years, Ms. Sergeant has been a member of the boards of directors of Secure Trust Bank Plc, Martin Currie (Holdings) Limited, Martin Currie Inc. and Martin Currie Investment Management Ltd. Ms. Sergeant has also held a number of public policy positions as well as charity and academic positions.

*Hilde Tonne* has been a member of the Board of Directors since 2016. Ms. Tonne is a member of the board of directors of Vattenfall AB.

Within the last five years, Ms. Tonne has been the chief executive officer of a joint venture between Telenor and TeliaSonera and the executive vice president, Group Industrial Development/Global Operations of Telenor Group. Ms. Tonne has been a member of the boards of directors of Nordea AS and Stiftelsen Det Norske Veritas and its subsidiaries Det Norske Veritas Holding AS and DNV GL Group AS.

*Kirsten Ebbe Brich* has been elected by the Bank's employees and has been a member of the Board of Directors since 2014. Ms. Brich is a member of the executive committee of Danske Kreds.

Within the last five years, Ms. Brich has held no other positions.

*Carsten Eilertsen* has been elected by the Bank's employees and has been a member of the Board of Directors since 2010. Mr. Eilertsen is the vice chairman of Danske Kreds. Mr. Eilertsen is also a member of the executive committee of Danske Unions and a member of the board of Danske Banks Pensionskasse for medarbejdere med tilsagnsordning i Danica.

Within the last five years, Mr. Eilertsen has been the vice chairman of the Parochial Church Council of Sct. Mortens Church, Næstved, the vice chairman of the governing body of Apostelgaardens fond, the treasurer of the Parochial Church Council of Sct. Mortens Church, Næstved, and a member of the board of the Næstved Cemeteries.

*Charlotte Hoffmann* has been elected by the Bank's employees and has been a member of the Board of Directors since 2006. Ms. Hoffmann is a senior personal customer adviser at Danske Bank.

Within the last five years, Ms. Hoffmann has held no other positions.

*Steen Lund Olsen* has been elected by the Bank's employees and has been a member of the Board of Directors since 2014. Mr. Olsen is the chairman of Danske Kreds. Mr. Olsen is also a member of the board of directors of Danske Bank Pensionskasse for Førtidspensionister, Danske Bank Velfærdsfond af 1993 and the chairman of the executive committee of Danske Unions. Mr. Olsen is also a member of the executive committee of Finansforbundet (Financial Services Union Denmark).

Within the last five years, Mr. Olsen has held no other positions.

Pursuant to the notice to the annual General Meeting published on February 17, 2017, the Board of Directors proposed to the annual General Meeting convened for March 16, 2017 that Ole Andersen, Lars-Erik Brenøe, Urban Bäckström, Jørn P. Jensen, Rolv Erik Ryssdal, Carol Sergeant and Hilde Tonne be re-elected to the Board of Directors and that Martin Folke Tivéus be elected as a new member of the Board of Directors. Trond Ø. Westlie will not seek re-election to the Board of Directors.

*Martin Folke Tivéus* is the chief executive officer of Evidensia Djursjukvård AB, Evidensia Djursjukvård Holding AB, Evidensia Acquisition AB and Evidensia Holding AB. Mr. Tivéus is also a member of the board of directors of Teracom Boxer Group AB.

Within the last five years, Mr. Tivéus has been the chief executive officer of Avanza Bank Holding AB/Avanza Bank AB.

### Bank's Executive Board

The Executive Board is in charge of the day-to-day management of the Group as laid down in the Rules of Procedure.

The members of the Executive Board as at the date of this Base Prospectus are as follows:

	Position	Year of birth	Year employed by the Bank <sup>(1)</sup>	Appointed on the Executive Board
Thomas F. Borgen .....	Chief Executive Officer	1964	1997	2009
Tonny Thierry Andersen.....	Head of Wealth Management	1964	1999	2006
Lars Stensgaard Mørch .....	Head of Business Banking	1972	1999	2012
Glenn Söderholm .....	Head of C&I	1964	1998	2013
Jesper Nielsen .....	Head of Personal Banking	1968	1996	2016
Jacob Aarup-Andersen.....	Chief Financial Officer	1977	2012	2016
James Ditmore .....	Chief Operating Officer (Group Services & Group IT)	1960	2014	2014
Gilbert Kohnke .....	Group Chief Risk Officer	1958	2015	2015

(1) Includes employment in Group companies and entities acquired by the Bank.

The business address for the current members of the Executive Board is Danske Bank A/S, 2-12 Holmens Kanal, DK-1092 Copenhagen K, Denmark.

*Thomas F. Borgen* joined the Executive Board in 2009 and is the Chief Executive Officer. Mr. Borgen is chairman of the subsidiary Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999 and its subsidiary Danica Pension, Livsforsikringsaktieselskab. Mr. Borgen is also a member of the board of directors of Kong Olav V's Fond.

Within the last five years, Mr. Borgen has been the vice chairman of Danish Ship Finance A/S (Danmarks Skibskredit A/S) and a member of the board of directors of VP Securities A/S. Mr. Borgen has also been the chairman of the subsidiaries Northern Bank Ltd and Sampo Pankki Oyj.

*Tonny Thierry Andersen* joined the Executive Board in 2006 and is the Head of Wealth Management. Mr. Andersen is the chairman of the boards of directors of the subsidiaries Danske Investment Management A/S, Realkredit Danmark A/S, Danske Bank International S.A. and Danske Bank Plc and a member of the boards of directors of the subsidiary Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999 and its subsidiary Danica Pension, Livsforsikringsaktieselskab. Mr. Andersen is also the chairman of the supervisory boards of Danish Bankers' Association and the Private Contingency Association for the Winding up of Distressed Banks, Savings Banks and Cooperative Banks, the chairman of the board of directors of FR I af 16. September 2015 A/S and a member of the boards of directors of Værdiansættelsesrådet, ICC Danmark and the Danish Economic Council.

Within the last five years, Mr. Andersen has been the vice chairman of the subsidiary Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999 and its subsidiary Danica Pension, Livsforsikringsaktieselskab, as well as the chairman of the board of directors of Danske Leasing A/S. Mr. Andersen has also been the chairman of the board of directors of Kreditforeningen Danmarks Pensionsafvklingskasse and a member of the boards of directors of Bankernes Kontantservice A/S, Bluegarden Holding A/S and its subsidiary Bluegarden A/S, as well as Nets, Olga og Esper Boels

Fond and its subsidiary Ejendomsaktieselskabet Boels Gård. Mr. Andersen has also been the chief financial officer of the Young Presidents' Organization, Denmark.

*Lars Stensgaard Mørch* joined the Executive Board in 2012 and is the Head of Business Banking. Mr. Mørch is the chairman of the subsidiaries Northern Bank Limited and Danske Leasing A/S and the vice chairman of Realkredit Danmark A/S. Mr. Mørch is also a member of the boards of directors of Grønt fonden and Dagmar Marshalls Fond.

Within the last five years, Mr. Mørch has been the vice chairman of Finanssektorens Arbejdsgiverforening.

*Glenn Söderholm* joined the Executive Board in 2013 and is the Head of C&I. Mr. Söderholm is a member of the board of directors of Nasdaq Nordic Ltd.

Within the last five years, Mr. Söderholm has been a member of the board of directors of Danish Ship Finance A/S (Danmarks Skibskredit A/S).

*Jesper Nielsen* joined the Executive Board in 2016 and is the Head of Personal Banking. Mr. Nielsen is the chairman of the boards of directors of E-Nettet A/S and Mobileday A/S.

Within the last five years, Mr. Nielsen has been a member of the board of directors of home a/s and the deputy chief executive officer and head of business development of National Irish Bank.

*Jacob Aarup-Andersen* joined the Executive Board in 2016 and is the Chief Financial Officer. Mr. Aarup-Andersen is the chairman of the boards of directors of Kreditforeningen Danmarks Pensionsafvklingskasse and Danske Hypotek AB. Mr. Aarup-Andersen is also a member of the board of directors of Realkredit Danmark A/S. Mr. Aarup-Andersen is also the chief executive officer of his 50 percent owned company Circus Road Capital ApS, and a member of the executive board of his 50 percent owned company Monterey River Capital ApS.

Within the last five years, Mr. Aarup-Andersen has been the chief financial officer of Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999 and its subsidiary Danica Pension, Livsforsikringsaktieselskab and the chief portfolio manager in Danske Bank, Danske Capital. Mr. Aarup-Andersen has also been a principal in TPG-Axon Capital (UK) LLP.

*James Ditmore* joined the Executive Board in 2014 and is the Chief Operating Officer (Group Services & Group IT). Mr. Ditmore is a member of the board of directors of Northern Bank Limited and a member of the customer advisory board of ITPeopleNetwork.

Within the last five years, Mr. Ditmore has been the chief technology officer of Allstate Insurance and the chief information officer of Barclays.

*Gilbert Kohnke* joined the Executive Board in 2015 and is the Group Chief Risk Officer. On February 21, 2017, the Group announced that Mr. Kohnke has decided to resign from his position as the Group Chief Risk Officer. He will continue as the Group Chief Risk Officer until the new Group Chief Risk Officer, Carsten Egeriis, takes over on September 1, 2017 at the latest.

Within the last five years, Mr. Kohnke has been the group chief risk officer of OCBC Bank, Singapore.

On February 21, 2017, the Group announced that it has appointed Carsten Egeriis the new Group Chief Risk Officer. He will head Group Risk Management and will join the Executive Board on September 1, 2017 at the latest.

*Carsten Egeriis* (born 1976) is the chief risk officer of Barclays UK in London.

Within the last five years, Mr. Egeriis has been the chief risk officer of Personal and Corporate Bank and the chief risk officer of UK and Europe Retail and Business Banking, both positions at Barclays Bank in London.

## **Conflict of Interest**

No actual or potential conflict of interests exists between any of the duties of the members of the Board of Directors and the Executive Board and their private interests or other duties.

## **Remuneration and Benefits**

### ***Remuneration of the Board of Directors***

Members of the Board of Directors of the Group receive a fixed fee. Board members are not covered by incentive programs and do not receive performance-based remuneration. The fee is set at a level that is market aligned and reflects the qualifications and competencies required in view of the Group's size and complexity, the responsibilities and the time the Board members are expected to allocate to fulfill their duties as Board members. No pension contributions are payable on Board members' fees.



The members of the Board of Directors receive a basic fee. The Chairman of the Board of Directors receives triple the amount of the basic fee and the Vice Chairman one and a half times the amount of the basic fee. In addition to the basic fee, members receive compensation if they serve as members of one or more of the Board Committees. The Chairman of a Board committee receives an additional fee. The remuneration of the Board of Directors is subject to the approval of the annual General Meeting.

The following table sets forth the remuneration of the members of the Board of Directors for the year ended December 31, 2016:

	<b>For the year ended December 31, 2016</b>
	<b>(DKK in thousands)</b>
Ole Andersen .....	2,054
Trond Ø. Westlie .....	932
Lars-Erik Brenøe <sup>(1)</sup> .....	521
Urban Bäckström .....	811
Jørn P. Jensen .....	771
Rolv Erik Ryssdal .....	601
Carol Sergeant .....	951
Hilde Tonne <sup>(1)</sup> .....	476
Kirsten Ebbe Brich .....	511
Carsten Eilertsen .....	511
Charlotte Hoffmann .....	631
Steen Lund Olsen .....	511
Lars Förberg <sup>(2)</sup> .....	155
Jim Hagemann Snabe <sup>(2)</sup> .....	155
Total remuneration .....	9,593
of which remuneration for committee work .....	2,180

(1) Member of the Board of Directors from March 17, 2016.

(2) Member of the Board of Directors until March 17, 2016.

### **Remuneration of the Executive Board**

According to the Group's Remuneration Policy, the remuneration of the members of the Executive Board is intended to ensure the Group's continued ability to attract and retain the most qualified Executive Board members. In connection with the annual assessment of the remuneration of the members of the Executive Board, developments in market practice are assessed.

The Remuneration Committee makes recommendations on adjustments to the remuneration of the members of the Executive Board to the Board of Directors. The remuneration of the members of the Executive Board may consist of fixed salary and supplements, fixed salary payable in shares, short- and long-term incentive programs and pension schemes. Subject to individual agreement, the members of the Executive Board are also entitled to a company car, phone and other fixed benefits. The members of the Executive Board are not entitled to severance pay.

Part of the fixed salary of the Executive Board is paid as shares (fixed salary shares). The value of the fixed share-based remuneration is 10 percent of the fixed cash-based remuneration. The amount of shares is determined on the basis of the share price each month. There are no vesting requirements attached to the shares, and the shares are fully acquired by the Executive Board member each month. Shares granted as part of the fixed remuneration may be traded freely, subject to the Group's procedures for insiders.

Part of the variable remuneration of the Executive Board is provided as part of a short-term incentive program (the "**Short-term Incentive Program**") and a long-term incentive program (the "**Long-term Incentive Program**"). The Short-term Incentive Program is structured as the program for other material risk takers, with short-term (one year) goals, including goals at Group, business unit and individual levels as well as financial and non-financial goals. The performance of the members of the Executive Board is assessed once a year based on written performance agreements containing both financial and non-financial KPIs. Payments under the Short-term Incentive Program are split into cash and equity shares according to EBA regulations. For members of the Executive Board, the deferral period for shares granted under the Short-term Incentive Program is four years, as compared to three years for other material risk takers. The Long-term Incentive Program is based on total shareholder return performance relative to peers over a three-year performance period. The first pay-out will be in 2018, based on the performance in 2015, 2016 and 2017. The current 2016 Long-term Incentive Program is to be paid out in 2019. After the performance period, part of the shares will be paid out, and part of the shares will be deferred for four years. The deferred remuneration is subject to back-testing and claw-back. The individual total performance-based pay cannot exceed 50 percent of the individual's fixed compensation, not including the value of benefits.

The members of the Executive Board are subject to rules for material risk takers. A significant part of the performance-based remuneration is deferred and may be forfeited pursuant to applicable regulation and the Group's Remuneration Policy. The deferral period is four years, compared to three years for other material risk takers. Shares granted as part of performance-based remuneration are subject to a lock-up period of six months. Any trading of such shares is subject to the Group's procedures for insiders.

The agreements on performance-based remuneration for the individual members of the Executive Board ensure that all or part of the deferred performance-based remuneration may be clawed back if the Group's results prove unsatisfactory or the performance-based remuneration has been granted on basis of data that is subsequently proven to be manifestly misstated.

The following table sets forth the remuneration of the members of the Executive Board for the year ended December 31, 2016:

For the year ended December 31, 2016						
	Fixed salary <sup>(1)</sup>	Pension	Performance-based cash payment	Performance-based share-based payment <sup>(2)</sup>	Total expensed	Total paid <sup>(3)</sup>
	(DKK in millions)					
Thomas F. Borgen .....	11.5	2.2	1.2	3.1	18.0	14.7
Jacob Aarup-Andersen <sup>(4)</sup> .....	4.9	—	0.5	0.9	6.3	5.0
Tonny Thierry Andersen .....	7.0	1.3	0.7	1.8	10.8	9.0
James Ditmore .....	7.6	—	0.6	1.7	9.9	8.1
Gilbert Kohnke .....	7.0	—	0.5	1.3	8.8	7.4
Lars Stensgaard Mørch .....	6.4	1.1	0.6	1.6	9.7	8.0
Jesper Nielsen <sup>(5)</sup> .....	1.3	0.2	0.1	0.2	1.8	1.5
Glenn Söderholm .....	6.6	1.4	0.5	1.5	10.0	8.2

(1) Fixed salary includes fixed cash salary, fixed salary shares and other benefits.

(2) The performance-based share-based payment for 2016 includes deferred performance-based payments from the Short-term Incentive Program to be paid in future financial years, in accordance with EBA regulations, and prorated provisions for the Long-term Incentive Program.

(3) Total paid comprises fixed salary, 2016 payments to pension plans, performance-based cash payments for 2015, pay-out of deferred cash payment for previous financial years and exercised rights to conditional shares for previous financial years.

(4) Jacob Aarup-Andersen joined the Executive Board on April 1, 2016.

(5) Jesper Nielsen joined the Executive Board on October 1, 2016.

Henrik Ramlau-Hansen resigned from his position as member of the Executive Board on March 31, 2016. Between January 1, 2016 and March 31, 2016, the remuneration earned was DKK 2.4 million, which consisted of fixed salary of DKK 1.6 million, pension of DKK 0.4 million, performance-based cash payment of DKK 0.1 million and performance-based share-based payment of DKK 0.3 million. Paid remuneration amounted to DKK 2.5 million. Mr. Ramlau-Hansen's employment with the Group ended on September 30, 2016. Between April 1, 2016 and September 30, 2016, Mr. Ramlau-Hansen earned a further DKK 9.7 million (of which DKK 8.1 million was paid in 2016), which is included as remuneration to other material risk takers.

For additional information regarding remuneration of the members of the Board of Directors and the Executive Board, see note 33 to the Group's audited consolidated financial statements as at and for the year ended December 31, 2016 incorporated by reference into this Base Prospectus.

### **Severance Terms for the Executive Board**

Thomas F. Borgen may terminate his service contract by giving 12 months' notice. All other members of the Executive Board may terminate their service contracts by giving nine months' notice. The Bank may terminate the service contract of any member of the Executive Board with 18 months' notice. The members of the Executive Board are not entitled to any severance pay other than salary while under notice.

Thomas F. Borgen is subject to a non-competition undertaking for a period of 24 months following his termination of employment with the Bank. The other members of the Executive Board are subject to a non-competition undertaking for a period of 12 months following their termination of employment with the Bank.

### **Employee Performance-based Share Remuneration Program**

Effective from 2010, the Group has granted rights to conditional shares under the bonus structure for material risk takers and other employees (including members of the Executive Board as discussed under "*Remuneration of the Executive Board*" above) as part of their performance-based remuneration. Such employees have a performance agreement based on the performance of the Group, the business unit and the individual employee. Between 40 percent and 60 percent of performance-based payments are deferred for a minimum of three years (four years for members of the Executive Board), as required by the EBA. Rights to the shares in the Bank for material risk takers vest three years after being granted (four years for the members of the Executive Board), provided that the employee, with the exception of retirement, has not resigned from the Group. In addition to this requirement and before pay-out of deferred shares, back testing is conducted to assess whether the initial criteria for granting the bonus three years ago (or four years ago for members of the

Executive Board) are still considered fulfilled, whether the Bank's economic situation has deteriorated significantly and whether the individual has proven fit and proper. Shares granted as part of performance-based remuneration are subject to a lock-up period of six months.

## Management's Shareholdings and Options

### Shareholdings

The following table sets forth the number of the Bank's shares, share options and conditional shares held by the members of the Board of Directors and the Executive Board as at the date of this Base Prospectus:

	Number of the Bank's shares	Options	Conditional shares
<b>Board of Directors</b>			
Ole Andersen .....	53,199	—	—
Trond Ø. Westlie .....	7,000	—	—
Lars-Erik Brenøe .....	14,302	—	—
Urban Bäckström .....	11,000	—	—
Jørn P. Jensen .....	2,098	—	—
Rolv Erik Ryssdal .....	1,250	—	—
Carol Sergeant .....	5,073	—	—
Hilde Tonne .....	—	—	—
Kirsten Ebbe Brich .....	2,208	—	—
Carsten Eilertsen .....	120	—	—
Charlotte Hoffmann .....	2,175	—	—
Steen Lund Olsen .....	788	—	—
Total .....	<u>99,213</u>	—	<u>—</u>
<b>Executive Board</b>			
Thomas F. Borgen .....	34,147	—	13,270
Tonny Thierry Andersen .....	25,769	—	8,261
Lars Stensgaard Mørch .....	28,523	—	7,691
Glenn Söderholm .....	34,954	—	11,722
Jesper Nielsen .....	10,473	—	7,656
Jacob Aarup-Andersen .....	6,081	—	3,952
James Ditmore .....	16,820	—	31,937
Gilbert Kohnke .....	4,949	—	2,562
Total .....	<u>161,716</u>	—	<u>79,395</u>

Under the Danish Act on Trading in Securities (Consolidated Act No. 1530 of December 2, 2015), the acquisition and sale of shares in the Bank by members of the Board of Directors and the Executive Board and related parties must be reported to the DFSA and be publicly disclosed when transactions exceed EUR 5,000 per calendar year. The Bank discloses all additions, disposals and total holdings of members of the Board of Directors and the Executive Board and related parties.

### Board Practices

Pursuant to the Articles of Association, the Board of Directors must consist of not less than six and not more than ten members elected by the General Meeting. The members of the Board of Directors elected by the General Meeting are elected for one-year terms and may be re-elected. In addition to the members elected by the General Meeting, the employees of the Group are entitled to elect a number of employee representatives corresponding to one-half the number of members elected by the General Meeting. The employee representatives are elected for a term of four years. Members of the Board of Directors must retire on the date of the first General Meeting after they have reached the age of 70. Pursuant to the Danish Financial Business Act, a member of the Board of Directors may not serve on the Executive Board. Generally, the members of the Executive Board attend meetings of the Board of Directors.

After the Bank's General Meeting, the members of the Board of Directors elect a chairman and one or two vice chairmen from among themselves.

The Board of Directors constitutes a quorum when more than half of its members participate in the passing of a resolution. In case of parity of votes, the Chairman or, in his absence, the Vice Chairman chairing the meeting, has the casting vote. Resolutions of the Board of Directors are passed by simple majority of the votes present at the meeting, unless otherwise provided by law, the Articles of Association or the Rules of Procedure.

Members of the Board of Directors and the Executive Board cannot be present during discussions of their own accounts and facilities or discussions of accounts and facilities available to a company in which they are members of the board of directors or the executive board, or in any discussions regarding lawsuits against them. This also applies to discussions of other matters if a member of the Board of Directors or of the Executive Board has a significant interest that may conflict

with the Group's interests. Finally, the Executive Board cannot be present in case the Board wishes to discuss the business of the Bank without their presence.

The external auditors and the Group Chief Auditor are entitled to attend meetings of the Board of Directors when the Board considers matters to be of importance to the audit or to the preparation of accounts. The external auditors and the Group Chief Auditor are obliged to participate in meetings of the Board of Directors dealing with these matters, if so requested by a member of the Board.

The Board of Directors is kept informed of the auditors' work on an ongoing basis through submission of audit reports to the Board, and the Board evaluates this work upon the signing of the reports.

According to the Danish Financial Business Act, the Board of Directors must (i) determine and continuously consider what business activities the Bank is to perform, (ii) identify and quantify the Bank's risk profile, including assessing the risks that the Bank may assume and (iii) establish internal policies for the management of the Bank's business activities and risk profile. Based on the Bank's risk profile and its internal policies, the Board of Directors must prepare written guidelines for the Executive Board. These guidelines must, as a minimum, contain the following:

- the framework for the risks that the Executive Board may put on the Bank;
- the principles upon which different types of risk are determined;
- which transactions the Executive Board may execute without the approval of the Board of Directors; and
- the procedure for the Executive Board's reporting to the Board of Directors with regard to the risks associated with the Bank's activities.

The Rules of Procedure contain the information required by the Danish Financial Business Act.

## **Committees**

### ***General***

The Board of Directors has established four board committees: the Risk Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee. The committees act as preparatory committees for the Board of Directors. Under Danish law, board committees have no decision-making authority but serve in a consulting role only. The tasks of the committees are laid out in charters of each committee, which are reviewed at least once a year.

### ***Audit Committee***

The Audit Committee operates as a preparatory committee for the Board of Directors with respect to accounting and auditing, including related risk matters. The committee reviews and submits recommendations to the Board of Directors on financial reports and the assessment of the related risks, key accounting principles and procedures, internal controls, reports from both internal and external auditors, whistleblowing, compliance and anti-money laundering activities. The Audit Committee convenes at least four times a year.

The Audit Committee currently consists of Jørn P. Jensen (Chairman), Carol Sergeant and Lars-Erik Brenøe. The Audit Committee held nine meetings in 2016.

### ***Nomination Committee***

The Nomination Committee operates as a preparatory committee for the Board of Directors with respect to the nomination and appointment of candidates for the Executive Board and the Board of Directors. The committee evaluates the work and performance of the Executive Board, the Board of Directors and the latter's individual members. The committee also submits policy proposals to the Board of Directors on succession planning, diversity and inclusion. The Nomination Committee convenes at least twice a year.

The Nomination Committee currently consists of Ole Andersen (Chairman), Urban Bäckström and Trond Ø. Westlie. The Nomination Committee held three meetings in 2016.

### ***Remuneration Committee***

The Remuneration Committee operates as a preparatory committee for the Board of Directors with respect to general remuneration matters, with a focus on the remuneration of the members of the Board of Directors, the Executive Board, material risk takers, key employees and executives in charge of control and internal audit functions, and incentive programs. The committee reviews and submits recommendations to the Board of Directors on remuneration policies and practices and on changes in remuneration levels, including variable remuneration. The committee monitors the incentive

programs to ensure that they promote ongoing, long-term shareholder value creation and that they comply with the Remuneration Policy. The Remuneration Committee convenes at least twice a year.

The Remuneration Committee currently consists of Ole Andersen (Chairman), Charlotte Hoffmann, Rolv Erik Ryssdal and Hilde Tonne. The Remuneration Committee held six meetings in 2016.

### ***Risk Committee***

The Risk Committee operates as a preparatory committee for the Board of Directors with respect to the Group's risk management and related matters. The committee advises the Board of Directors on the Group's risk profile, risk culture, risk appetite, risk strategy and risk management framework. The committee reviews and submits recommendations to the Board of Directors on the Group's risk appetite, risk policies, risk instructions, capital levels and allocation, leverage (ratio), liquidity, solvency need, recovery requirements, business continuity plans, impairment levels, new product approval processes, and the credit quality of the loan portfolio. Furthermore, the Risk Committee reviews the use of internal models, the adequacy of risk management resources and incentive programs. The Risk Committee convenes at least six times a year.

The Risk Committee currently consists of Carol Sergeant (Chairman), Ole Andersen and Urban Bäckström. The Risk Committee held seven meetings in 2016.

### **Declaration on Corporate Governance**

By adhering to sound principles of corporate governance, the Bank wishes to maintain the confidence of investors, achieve its financial objectives and act with integrity towards all its stakeholders. The Bank aims to create transparency for shareholders and other stakeholders by describing aspects of its organization and processes.

The Bank is subject to the Recommendations on Corporate Governance issued by the Committee on Corporate Governance in May 2013 (updated in November 2014) (the “**Recommendations**”). On an annual basis, the Board of Directors considers all Recommendations applying the “comply or explain” principle. On its website, the Bank has published a corporate governance report with comments on its compliance with the Recommendations. The conclusion of the last evaluation was that the Bank complies with all of the Recommendations.

## RELATED PARTY TRANSACTIONS

Pursuant to IFRS, a related party to the Group is either a party over which the Group has control or significant influence or a party that has control or significant influence over the Group. All entities over which the Group has control are consolidated and are therefore not considered a related party in relation to the Group.

The Group, as a bank, enters into a significant number of transactions with related parties, substantially all of which occur in the normal course of business. Payment services, trading in securities and other instruments, depositing of surplus liquidity and the provision of short- and long-term financing are the primary services provided by the Bank. The Danica Group manages the employer pension plans of a number of related parties, and the Bank manages the assets of a number of the Group's pension funds. Transactions with related parties are settled on an arm's length basis and recognized in the financial statements applying the same accounting policy as for similar transactions with unrelated parties.

### Transactions with Associated Undertakings

The following table sets forth the Group's transactions with associated undertakings as at the dates and for the years indicated:

	<b>As at and for the year ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<b>(DKK in millions)</b>		
Loans and irrevocable loan commitments.....	2,227	3,927	3,669
Securities and derivatives .....	6,513	9,595	10,215
Deposits .....	432	461	917
Derivatives.....	–	946	966
Guarantees issued .....	2	–	3
Guarantees and collateral received .....	138	740	1,155
Interest income .....	74	205	209
Interest expense .....	6	–	26
Fee income.....	2	7	4
Dividend income.....	323	546	153
Other income .....	1	1	1
Loan impairment charges.....	6	2	–

Transactions with associated companies covers transactions with the following companies: Aquaporin A/S, Shared Mobility A/S, Automatia Pankkiautomaatit Oy, Bankernes Kontantservice A/S, BAB Bankernas Automatbolag AB, BDB Bankernas Depå AB, BKS Kontantcenter A/S, DAN-SEB 1 A/S, DNP Ejendomme Komplementarselskab ApS, DNP Ejendomme P/S, E/F Store Kongensgade 49, Ejendomsaktieselskabet af 22. juni 1966, Gro Fund I K/S, Gro Holding I ApS, Gro Holding II ApS, Interessentskabet af 23. dec. 1991, Komplementarselskabet CØ ApS, LR Realkredit A/S, Max Schön GmbH, MB Equity Fund Ky, Meglerhuset Nylander AS, Sanistål A/S, Tapio Technologies and Udviklingsselskabet CØ P/S.

### Transactions with Parties with Significant Influence

Related parties with significant influence are shareholders with holdings exceeding 20 percent of the share capital of the Bank. In 2016, 2015 and 2014, the A.P. Møller and Chastine Mc-Kinney Møllers Foundation and companies of A.P. Møller Holding Group, Copenhagen, on a consolidated basis, were such related parties. During this three-year period and in 2017 until the date of this Base Prospectus, no other related parties had significant influence on the Bank.

The following table sets forth the Group's transactions with parties with significant influence as at the dates and for the years indicated:

	As at and for the year ended December 31,		
	2016	2015	2014
	(DKK in millions)		
Loans and loan commitments .....	7,318	6,081	5,524
Securities and derivatives .....	1,655	1,392	1,825
Deposits .....	415	975	1,551
Derivatives .....	167	114	129
Guarantees issued .....	758	847	882
Guarantees and collateral received .....	681	901	211
Interest income .....	50	23	33
Interest expense .....	25	–	75
Fee income .....	10	10	19
Dividend income .....	19	7	35
Other income .....	15	–	22
Sales of Danske Bank shares .....	4,143	–	–

### Transactions with the Board of Directors and the Executive Board

The following table sets forth the Group's transactions with the members of the Board of Directors and the Executive Board as at the dates and for the years indicated:

	As at and for the year ended December 31,		
	2016	2015	2014
	(DKK in millions)		
<b>Board of Directors</b>			
Loans and loan commitments .....	33	15	16
Deposits .....	55	20	13
Guarantees and collateral received .....	31	14	12
Fee income.....	—	1	1
Acquisitions of Danske Bank shares.....	1	4	3
Sales of Danske Bank shares .....	—	1	—
<b>Executive Board</b>			
Loans and loan commitments .....	32	16	18
Deposits .....	12	12	9
Guarantees and collateral received .....	33	15	17
Acquisitions of Danske Bank shares.....	1	—	6
Sales of Danske Bank shares .....	5	3	2

The following table sets forth the average interest rates on credit facilities granted to members of the Board of Directors and the Executive Board for the years indicated:

	For the year ended December 31,		
	2016	2015	2014
	(percent)		
Board of Directors .....	1.7	1.7	2.5
Executive Board .....	2.0	1.8	2.3

## TERMS AND CONDITIONS OF THE NOTES

*This description of the Program contains the Conditions of the Notes which (subject to completion by way of the relevant Final Terms for each Tranche of Notes) will be endorsed upon, or attached to, each Note. The relevant Final Terms in relation to any Tranche of Notes will specify specific terms (including, but not limited to Conditions relating to payment, and the interest rate basis for the Notes) which shall, to the extent so specified or to the extent inconsistent with the following Conditions, complete the following Conditions for the purpose of such Notes. The relevant Final Terms will be endorsed upon, or attached to, each Note.*

*The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Clearing and Settlement.”*

### 1. General

- 1.1 Danske Bank A/S (the “**Issuer**”) has established a U.S. Medium-Term Note Program (the “**Program**”) for the issuance of up to U.S.\$ 10,000,000,000 in aggregate principal amount of debt instruments (the “**Notes**”). Where a particular Condition (as defined below) is applicable only to certain classes of Notes, “**Notes**” shall be construed in accordance with the relevant Condition.
- 1.2 Notes issued under the Program are issued in series (each a “**Series**”) and each Series may comprise one or more tranches (each, a “**Tranche**”) of Notes. Each Tranche is the subject of a final terms document (the “**Final Terms**”) which completes these Terms and Conditions (the “**Conditions**”). The Conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- 1.3 The Notes are subject to a fiscal and paying agency agreement dated as of September 4, 2015 (as supplemented, amended and/or replaced from time to time, the “**Agency Agreement**”) between the Issuer, U.S. Bank National Association as fiscal agent (the “**Fiscal Agent**,” which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and registrar for the Notes (the “**Registrar**”) and the paying agent(s) named therein (the “**Paying Agent(s)**,” which expression shall include the Fiscal Agent and any substitute or additional paying agents appointed in accordance with the Agency Agreement). The Notes have the benefit of a deed of covenant dated September 4, 2015 (as supplemented, amended and/or replaced from time to time, the “**Deed of Covenant**”).
- 1.4 All subsequent references in these Conditions to “**Notes**” are to the Notes which are the subject of the relevant Final Terms. Copies of the Final Terms applicable to a particular Tranche are available for inspection by Holders (as defined below) of such Tranche during normal business hours at the corporate trust office of the Fiscal Agent. In the case of a Tranche of Notes which is not admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system, copies of the Final Terms will only be available for inspection by Holders of such Notes.
- 1.5 Certain provisions of these Conditions are summaries of the Agency Agreement and the Deed of Covenant and are subject to their detailed provisions. The holders of the Notes (the “**Holders**”) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Holders during normal business hours at the corporate trust office of the Fiscal Agent.
- 1.6 The Notes will be issued only in registered form and in minimum denominations of U.S.\$ 200,000 (or, in the case of Notes not denominated in U.S. dollars, the equivalent thereof in such foreign currency, rounded down to the nearest 100,000 units of such foreign currency, but so that in no event will the minimum denomination be lower than EUR 100,000 or its equivalent at the Issue Date of the relevant Notes) and integral multiples of U.S.\$ 1,000 (or, in the case of Notes not denominated in U.S. dollars, 1,000 units of such foreign currency) in excess thereof.
- 1.7 Unless otherwise specified in the relevant Final Terms, the Notes will be denominated in U.S. dollars and payments of the principal and any premium or interest on the Notes will be made in U.S. dollars. If any of the Notes are denominated in a Specified Currency (as defined below) other than U.S. dollars (a “**Foreign Currency Note**”), payments of the principal and any premium or interest on such Notes will be made in accordance with Condition 10.3 (*Payments on Foreign Currency Notes*).



## 2. Definitions and Interpretation

2.1 Definitions: In these Conditions the following expressions have the following meanings:

“**Accrual Yield**” has the meaning given in the relevant Final Terms;

“**Affiliates**” has the meaning given to such term in paragraph (a)(l) of Rule 144 under the United States Securities Act of 1933, as amended;

“**Applicable Business Center(s)**” means the city or cities specified as such in the relevant Final Terms;

“**Applicable Financial Center(s)**” means the city or cities specified as such in the relevant Final Terms;

“**Articles of Association**” means the articles of association of the Issuer;

“**BBSW**” means the Bank Bill Swap Reference Rate;

“**BRRD**” means the Directive (2014/59/EU) of the European Parliament and of the Council on resolution and recovery of credit institutions and investment firms dated May 15, 2014 and published in the Official Journal of the European Union on June 12, 2014 (or, as the case may be, any provision of Danish law transposing or implementing such Directive), as amended or replaced from time to time;

“**Business Day**” means a day on which commercial banks and foreign exchange markets settle payments and are open for business (including dealing in foreign exchange and foreign currency deposits) in each Applicable Business Center, and if TARGET is an Applicable Business Center, a TARGET Settlement Day;

“**Business Day Convention**,” in relation to any particular date, shall be as specified in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) “**Following Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) “**Modified Following Business Day Convention**” or “**Modified Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) “**Preceding Business Day Convention**” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) “**FRN Convention**,” “**Floating Rate Convention**” or “**Eurodollar Convention**” means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:
  - (a) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (b) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (c) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) “**No Adjustment**” means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

“**Calculation Agent**” means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

“**Calculation Amount**” has the meaning given to such term in the relevant Final Terms;

“**Call Option**” has the meaning given in the relevant Final Terms;

“**CIBOR**” means the Copenhagen interbank offered rate;

“**Clearstream, Luxembourg**” means Clearstream Banking SA;

“**Contractual Currency**” has the meaning given to such term in Condition 20 (*Currency Indemnity*);

“**Danish Bankruptcy Act**” means the Danish Bankruptcy Act (Consolidated Act No. 11 of January 6, 2014, as amended);

“**Danish Financial Business Act**” means the Danish Financial Business Act (Consolidated Act No. 182 of February 18, 2015, as amended);

“**Day Count Fraction**” means, in respect of the calculation of an amount for any period of time (the “**Calculation Period**”), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (i) if “**Actual/Actual (ICMA)**” is so specified, means:
  - (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (A) the actual number of days in such Regular Period and (B) the number of Regular Periods in any year; and
  - (b) where the Calculation Period is longer than one Regular Period, the sum of:
    - (i) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (A) the actual number of days in such Regular Period and (B) the number of Regular Periods in any year; and
    - (ii) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (A) the actual number of days in such Regular Period and (B) the number of Regular Periods in any year;
- (ii) if “**Actual/365**,” “**Actual/Actual**” or “**Actual/Actual (ISDA)**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if “**30/360**” is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y1**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y2**” is the year, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

“**M1**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M2**” is the calendar month, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

“**D1**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number is 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30; and

- (vi) if “30E/360” or “Eurobond Basis” is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30; and

- (vii) if “30E/360 (ISDA)” is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

“Designated Maturity” means, in respect of a Series of Notes for which (i) the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable and (ii) Linear Interpolation is specified as applicable in respect of an Interest Period in the relevant Final Terms, the period of time designated in the relevant Reference Rate;

“Determination Date(s)” has the meaning given in the relevant Final Terms;

“DFSA” means the Danish Financial Supervisory Authority;

“DTC” means The Depository Trust Company;

**“Early Redemption Amount (Tax)”** means, in respect of any Note, its Outstanding Principal Amount or such other amount as may be specified in, or calculated or determined in accordance with, these Conditions or the relevant Final Terms;

**“Early Termination Amount”** means, in respect of any Note, its Outstanding Principal Amount or such other amount as may be specified in, or calculated or determined in accordance with, these Conditions or the relevant Final Terms;

**“EURIBOR”** means the eurozone interbank offered rate;

**“Euroclear”** means Euroclear Bank SA/NV;

**“Events of Default”** has the meaning given to such term in Condition 12 (*Events of Default*);

**“Final Redemption Amount”** means, in respect of any Note, its Outstanding Principal Amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

**“Fixed Interest Amount”** has the meaning given in the relevant Final Terms;

**“HIBOR”** means the Hong Kong interbank offered rate;

**“Interest Amount”** means, in relation to the Calculation Amount and an Interest Period, the amount of interest payable in respect of the Calculation Amount for that Interest Period;

**“Interest Commencement Date”** means the Issue Date of the Note or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

**“Interest Determination Date”** has the meaning given in the relevant Final Terms;

**“Interest Payment Date”** means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

**“Interest Period”** means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

**“Irish Stock Exchange”** means the Irish Stock Exchange plc;

**“ISDA Definitions”** means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Tranche (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

**“Issue Date”** has the meaning given in the relevant Final Terms;

**“LIBOR”** means the London interbank offered rate;

**“Margin”** has the meaning given in the relevant Final Terms;

**“Maturity Date”** has the meaning given in the relevant Final Terms;

**“Maximum Redemption Amount”** has the meaning given in the relevant Final Terms;

**“Member States”** means the member states of the European Economic Area;

**“Minimum Redemption Amount”** has the meaning given in the relevant Final Terms;

**“NIBOR”** means the Norwegian interbank offered rate;

**“Optional Redemption Amount (Call)”** means, in respect of any Note, its Outstanding Principal Amount, or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

**“Optional Redemption Amount (Put)”** means, in respect of any Note, its Outstanding Principal Amount, or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

**“Optional Redemption Date (Call)”** has the meaning given in the relevant Final Terms;

**“Optional Redemption Date (Put)”** has the meaning given in the relevant Final Terms;

**“Outstanding Principal Amount”** means, in respect of a Note, its principal amount;

**“Participating Member State”** means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

**“Payment Business Day”** means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Applicable Financial Center specified in the relevant Final Terms and, if TARGET is an Applicable Financial Center, a TARGET Settlement Day;

**“Person”** means any individual, company, corporation, firm, partnership, joint venture, association, organization, state or agency of a state or other entity, whether or not having separate legal personality;

**“Private Placement Legend”** means the legend set forth in the form of Notes scheduled to the Agency Agreement;

**“Put Option”** has the meaning given in the relevant Final Terms;

**“Put Option Notice”** means a notice, in the form available from the corporate trust office of the Paying Agent(s) which must be delivered to a Paying Agent by any Holder wanting to exercise its right to require the Issuer to redeem a Note;

**“Put Option Receipt”** means a receipt issued by a Paying Agent to a depositing Holder upon deposit of a Note with such Paying Agent by any Holder wanting to exercise its right to require the Issuer to redeem a Note;

**“Rate of Interest”** means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

**“Record Date”** has the meaning given to such term in Condition 10 (*Payments – Notes*);

**“Redemption Amount”** means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, these Conditions or the relevant Final Terms;

**“Reference Banks”** has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

**“Reference Price”** has the meaning given in the relevant Final Terms;

**“Reference Rate”** has the meaning given in the relevant Final Terms and shall be LIBOR, EURIBOR, NIBOR, STIBOR, CIBOR, SHIBOR, BBSW, HIBOR, CMT Rate, Commercial Paper Rate, Treasury Rate, Prime Rate, Eleventh District Cost of Funds Rate or Federal Funds Rate;

**“Regular Period”** means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **“Regular Date”** means the day and month (but not the year) on which any Interest Payment Date falls; and

- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

“**Relevant Banking Day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments generally in the place of presentation of the relevant Note or in connection with the transfer of Notes only, the place of the Fiscal Agent;

“**Relevant Date**” means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Applicable Financial Center of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Holders;

“**Relevant Financial Center**” has the meaning given in the relevant Final Terms;

“**Relevant Screen Page**” means the page, section or other part of a particular information service (including, without limitation, the Reuter Money 3000 Service) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“**Relevant Time**” has the meaning given in the relevant Final Terms;

“**Restricted Securities**” has the meaning given to such term in Rule 144(a)(3) under the United States Securities Act 1933;

“**SHIBOR**” means the Shanghai interbank offered rate;

“**Specified Currency**” has the meaning given in the relevant Final Terms;

“**Specified Denomination(s)**” has the meaning given in the relevant Final Terms;

“**Specified Period**” has the meaning given in the relevant Final Terms;

“**STIBOR**” means the Stockholm interbank offered rate;

“**Subsidiary**” means, in relation to any Person (the “**first Person**”) at any particular time, any other Person (the “**second Person**”):

- (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

“**TARGET Settlement Day**” means any day on which the Trans-European Automated Real-time Gross settlement Express Transfer (“**TARGET2**”) System which was launched on November 19, 2007 or any successor thereto is open;

“**Tax Event**” has the meaning given to such term in Condition 9.2 (*Early Redemption Following a Tax Event*);

“**Treaty**” means the Treaty establishing the European Communities, as amended; and

“**Zero Coupon Note**” means a Note specified as such in the relevant Final Terms.

## 2.2 Interpretation: In these Conditions:

- (i) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 11 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (ii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 11 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

- (iii) references to Notes being “outstanding” shall be construed in accordance with the Agency Agreement;
- (iv) if an expression is stated in Condition 2.1 (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Notes;
- (v) any reference to the Agency Agreement or the Deed of Covenant shall be construed as a reference to the Agency Agreement or the Deed of Covenant, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes; and
- (vi) if the relevant Final Terms specify any Redemption Amount on a per Calculation Amount basis, the relevant Redemption Amount in respect of a Note shall be deemed to be the product of the relevant Redemption Amount per Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination.

### 3. Book Entry, Delivery and Form

- 3.1 The Notes will be issued only in registered form. The Notes will be in substantially the form (subject to amendment and completion) scheduled in the Agency Agreement.
- 3.2 Notes are issued in the Specified Denominations and may be held in holdings equal to the minimum denomination specified in the relevant Final Terms and integral multiples of U.S.\$ 1,000 (or, in the case of Notes not denominated in U.S. dollars, 1,000 units of such foreign currency) in excess thereof. The Holder of each Note shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note relating thereto (other than the endorsed form of transfer) or any previous loss or theft of such Note) and no Person shall be liable for so treating such Holder. Title to Notes will pass by transfer and registration in the register which the Issuer shall procure to be kept by the Fiscal Agent.
- 3.3 The Notes sold pursuant to Rule 144A under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) (“**Rule 144A**”) initially will be represented by one or more Notes in registered, global form without interest coupons (collectively, the “**Rule 144A Global Notes**”).  
  
The Notes sold pursuant to Regulation S under the Securities Act (“**Regulation S**”) initially will be represented by one or more Notes in registered, global form without interest coupons (collectively, the “**Regulation S Global Notes**” and, together with the Rule 144A Global Notes, the “**Global Notes**”).
- 3.4 Upon issuance, the Global Notes will be deposited with the Fiscal Agent or the Paying Agent as custodian for DTC, in New York, New York, and registered in the name of DTC or its nominee, in each case for credit to an account of a direct or indirect participant in DTC as described below.
- 3.5 Except as set forth below, the Global Notes may be transferred, in whole but not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for Notes in definitive form, except in the limited circumstances described under “*Clearing and Settlement*.”
- 3.6 Notes sold to QIBs in reliance on Rule 144A (including beneficial interests in the Rule 144A Global Notes) will be subject to certain restrictions on transfer and will bear a restrictive legend as described under “*Transfer and Transfer Restrictions*.” In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear or Clearstream, Luxembourg), which may change from time to time.

### 4. Transfer of Notes

- 4.1 A Note may, upon the terms and subject to the conditions set forth in the Agency Agreement, be transferred in whole or in part (provided that such part is, or is an integral multiple of, the Calculation Amount specified in the relevant Final Terms) only upon the surrender of the Note to be transferred, together with the form of transfer endorsed on it (the “**Certificate of Transfer**”) duly completed and executed, at the corporate trust office of the Fiscal Agent. A new Note will be issued to the transferee and, in the case of a transfer of part only of a Note, a new Note in respect of the balance not transferred will be issued to the transferor.
- 4.2 Subject to such reasonable procedures as it may prescribe, the Issuer will keep a note register (the “**Note Register**”) for the exchange, registration and registration of transfer of Notes at the principal corporate trust office of the Fiscal Agent in the Borough of Manhattan in the City of New York, the Fiscal Agent acting as the Issuer’s agent for such purposes. The Fiscal Agent will keep the Note Register at said office and will make such Note Register available for inspection upon the request of the Issuer. Included in the Note Register will be the

name and address of the Holder of each Note, the amount of each Note, notations as to whether such Notes have been paid or canceled, and, in the case of mutilated, destroyed, stolen or lost Notes, whether such Notes have been replaced. In the case of the replacement of any of the Notes, the Fiscal Agent will keep a record of the Note so replaced, and the Note issued in replacement thereof. In the case of the cancellation of any of the Notes, the Fiscal Agent will keep a record of the Note so canceled and the date on which such Note was canceled. The Fiscal Agent and the Issuer may treat the person in whose name the Note is registered as the owner of such Note for all purposes.

- 4.3 All Notes issued upon any transfer or exchange of Notes shall be valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under the Agency Agreement as the Notes surrendered upon such transfer or exchange. Each Note authenticated and delivered upon any transfer or exchange for or in lieu of the whole or any part of any Note shall carry all the rights to interest (if any) and additional amounts (if any) in each case accrued and unpaid and to accrue, which were carried by the whole or such part, as the case may be, of such Note.
- 4.4 The Issuer or Fiscal Agent may decline to exchange or register the transfer of any Note during the period of 15 days preceding (i) the due date for any payment of principal of or interest on or additional Amounts with respect to the Notes or (ii) the date on which Notes are scheduled for redemption pursuant to Condition 9 (*Redemption and Purchase*).
- 4.5 Transfer, registration and exchange shall be permitted and executed as provided in this Condition 4 (*Transfer of Notes*) without any charge to the Holder other than any taxes or governmental charges payable on transfers or any expenses of delivery by other than regular mail, but subject to such reasonable regulations as the Issuer and the Fiscal Agent may prescribe. Registration of the transfer of a Note by the Fiscal Agent shall be deemed to be the acknowledgment of such transfer on behalf of the Issuer.
- 4.6 Upon the transfer, exchange or replacement of Notes not bearing the Private Placement Legend, the Fiscal Agent shall deliver Notes that do not bear the Private Placement Legend. Upon the transfer, exchange or replacement of Notes bearing the Private Placement Legend, the Fiscal Agent shall deliver only Notes that bear the Private Placement Legend unless such transfer is, in the case of Rule 144A Global Notes, at least one year (or such other period as shall constitute the required holding period pursuant to Rule 144 under the Securities Act) after the later of (i) the issue date of such Note (or any predecessor of such Note) and (ii) the sale of such Note (or any predecessor of such Note) by the Issuer or an Affiliate of the Issuer (computed in accordance with paragraph (d) of Rule 144 under the Securities Act) and the Holder of such Note is not at the proposed date of such transfer and was not during the three months preceding such proposed date of transfer an Affiliate of the Issuer.

## **5. Status of the Notes**

The Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves and at least *pari passu* with all other ordinary, non-preferred unsubordinated and unsecured obligations of the Issuer, present and future, save for certain mandatory exceptions provided by law.

## **6. Fixed Rate Note Provisions**

- 6.1 This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- 6.2 *Accrual of Interest:* The Notes bear interest from, and including, the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments – Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (*Fixed Rate Note Provisions*) (as well after as before judgment) until whichever is the earlier of:
- (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Holder; and
  - (ii) the day which is seven days after the Fiscal Agent has notified the Holders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- 6.3 *Fixed Interest Amount:* The Interest Amount payable in respect of the Calculation Amount for any Interest Period shall be the relevant Fixed Interest Amount. Where the Specified Denomination of a Note is the Calculation Amount, the amount of interest payable in respect of such Note shall be the Fixed Interest Amount.



Where the Specified Denomination of a Note is a multiple of the Calculation Amount, the amount of interest payable in respect of such Note shall be the product of the Fixed Interest Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination. Payments of interest on any Interest Payment Dates will, if so specified in the applicable Final Terms, amount to the Broken Amount, so specified.

- 6.4 *Calculation of Interest Amount:* The Interest Amount payable in respect of the Calculation Amount for any period for which a Fixed Interest Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a “sub-unit” means, in the case of any currency other than U.S. dollar, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of U.S. dollars, means one cent. Where the Specified Denomination of a Note is the Calculation Amount, the amount of interest payable in respect of such Note shall be the Interest Amount. Where the Specified Denomination of a Note is a multiple of the Calculation Amount, the amount of interest payable in respect of such Note shall be the product of the Interest Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

## **7. Floating Rate Note Provisions**

- 7.1 This Condition 7 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- 7.2 *Accrual of Interest:* The Notes bear interest from, and including, the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments – Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (*Floating Rate Note Provisions*) (as well after as before judgment) until whichever is the earlier of:
- (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Holder; and
  - (ii) the day which is seven days after the Fiscal Agent has notified the Holders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- 7.3 *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
  - (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
  - (iii) if, in the case of Condition 7.3(i) above, such rate does not appear on that page or, in the case of Condition 7.3(ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
    - (a) request the principal Relevant Financial Center office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Center interbank market in an amount that is representative for a single transaction in that market at that time; and
    - (b) determine the arithmetic mean of such quotations; and
  - (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the principal financial center of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the principal financial center of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or, as the case may be, the arithmetic mean so determined; provided, however, that if the Calculation Agent is unable to determine a rate or, as the case may be, an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or, as the case may be, the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

- 7.4 *ISDA Determination:* If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “ISDA Rate” in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
  - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
  - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.
- 7.5 *Linear Interpolation:* Where Linear Interpolation is specified as applicable in respect of an Interest Period in the relevant Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the relevant Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.
- 7.6 *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- 7.7 *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of the Calculation Amount for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit (as defined in Condition 6.4 (*Calculation of Interest Amount*)) of the Specified Currency (half a sub-unit being rounded upwards). Where the Specified Denomination of a Note is the Calculation Amount, the amount of interest payable in respect of such Note shall be the Interest Amount. Where the Specified Denomination of a Note is a multiple of the Calculation Amount, the amount of interest payable in respect of such Note shall be the product of the Interest Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.
- 7.8 *Calculation of other amounts:* If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.
- 7.9 *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents, each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Holders. The Calculation Agent will be entitled to recalculate

any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.

- 7.10 *Notifications etc.*: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 (*Floating Rate Note Provisions*) by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents and the Holders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

## **8. Zero Coupon Note Provisions**

- 8.1 This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.

- 8.2 *Late Payment on Zero Coupon Notes*: If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of:
  - (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Holder; and
  - (b) the day which is seven days after the Fiscal Agent has notified the Holders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

## **9. Redemption and Purchase**

- 9.1 *Scheduled Redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 10 (*Payments – Notes*).

- 9.2 *Early Redemption Following a Tax Event*: If, in relation to any Series of Notes:

- (i) as a result of any change in the laws, regulations or rulings of Denmark or of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws, regulations or rulings which becomes effective on or after the date of issue of the first Tranche of such Series of Notes or any other date specified in the relevant Final Terms, the Issuer would be required to pay additional amounts as provided in Condition 11 (*Taxation*); and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

any such event, a “**Tax Event**,”

the Issuer (including any successor entity) may, at its option at any time and having given no less than thirty nor more than sixty days’ notice (ending, in the case of the Notes which bear interest at a floating rate, on a day upon which interest is payable) to the Holders of the Notes in accordance with Condition 19 (*Notices*) (which notice shall be irrevocable), redeem all (but not some only) of the outstanding Notes comprising the relevant Series at their Early Redemption Amount (Tax), together with accrued interest (if any) thereon, provided, however, that no such notice of redemption may be given earlier than ninety days (or, in the case of Notes which bear interest at a floating rate, a number of days which is equal to the aggregate of the number of days falling within the then current interest period applicable to the Notes plus sixty days) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

The Issuer may not exercise any such option in respect of any Note which is the subject of the prior exercise by the Holder of its Put Option (if applicable) pursuant to Condition 9.5 (*Redemption at the Option of Holder*).

- 9.3 *Redemption at the Option of the Issuer*: If a Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call), together with accrued interest (if any) thereon, upon the Issuer’s giving not less than the minimum period nor more than the maximum period of notice specified in the relevant Final Terms to the Holders in accordance

with Condition 19 (*Notices*) (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call)).

The notice to Holders referred to in this Condition 9.3 (*Redemption at the Option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed.

If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

The Issuer may not exercise such option in respect of any Note which is the subject of the prior exercise by the Holder of its Put Option pursuant to Condition 9.5 (*Redemption at the Option of Holder*).

- 9.4 *Partial Redemption*: If the Notes are to be redeemed in part only on any date in accordance with Condition 9.3 (*Redemption at the Option of the Issuer*), the Notes shall be redeemed (so far as may be practicable) *pro rata* to their principal amounts, provided always that the amount redeemed in respect of each Note shall be equal to the Specified Denomination thereof or an integral multiple thereof, subject always to compliance with all applicable laws and the requirements of any listing authority, stock exchange or quotation system on which the relevant Notes may be listed, traded or quoted.

In the case of the redemption of part only of a Note, a new Note in respect of the unredeemed balance shall be issued in accordance with Condition 4 (*Transfer of Notes*) which shall apply as in the case of a transfer of Notes as if such new Note were in respect of the untransferred balance.

- 9.5 *Redemption at the Option of Holder*: If a Put Option is specified in the relevant Final Terms as being applicable, upon a Holder of any Note giving not less than the minimum period nor more than the maximum period of notice specified in the relevant Final Terms to the Issuer, the Issuer will redeem such Note on the Optional Redemption Date (Put) at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date.

In order to exercise the option contained in this Condition 9.5 (*Redemption at the Option of Holder*), the Holder of such Note must, within the notice period set out above, deposit at the corporate trust office of a Paying Agent such Note and a duly completed Put Option Notice in the form obtainable from any Paying Agent specifying the aggregate Outstanding Principal Amount in respect of which such option is exercised. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Holder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 9.5 (*Redemption at the Option of Holder*), may be withdrawn; provided, however, that if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Holder at such address as may have been given by such Holder in the relevant Put Option Notice and shall hold such Note at its corporate trust office for collection by the depositing Holder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 9.5 (*Redemption at the Option of Holder*), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

The Holder of a Note may not exercise such Put Option in respect of any Note which is the subject of an exercise by the Issuer of its Call Option.

In the case of the redemption of part only of a Note, a new Note in respect of the unredeemed balance shall be issued in accordance with Condition 4 (*Transfer of Notes*) which shall apply as in the case of a transfer of Notes as if such new Note were in respect of the untransferred balance.

- 9.6 *Early Redemption of Zero Coupon Notes*: Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
- (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or, as the case may be, the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be

specified in the relevant Final Terms for the purposes of this Condition 9.6 (*Early Redemption of Zero Coupon Notes*) or, if none is so specified, a Day Count Fraction of 30E/360.

- 9.7 *Purchase:* The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.
- 9.8 *Cancellation:* All Notes which are redeemed will forthwith be cancelled. All Notes so cancelled, and any Notes purchased pursuant to Condition 9.7 (*Purchase*) above that are cancelled, shall be forwarded to the Fiscal Agent and cannot be reissued or resold.

## **10. Payments – Notes**

- 10.1 *Redemption Amount:* Payments of the Redemption Amount (together with accrued interest) due in respect of Notes shall be made in the currency in which such amount is due, and save in the case of partial payment of the Redemption Amount, surrender of the relevant Notes at the corporate trust office of the Fiscal Agent. If the due date for payment of the Redemption Amount of any succeeding Note is not a business day (as defined below), then the Holder will not be entitled to payment until the next business day, and from such day and thereafter will be entitled to payment by check (which may be posted to the address (as recorded in the Note Register) of the Holder thereof (or, in the case of joint Holders, the first-named)) on any Relevant Banking Day, or will be entitled to payment by transfer to a designated account on any day which is a business day and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is subsequent failure to pay in accordance with these Conditions, in which event interest shall continue to accrue as provided in these Conditions.
- 10.2 *Principal and Interest:* Except as otherwise provided in Condition 10.3 (*Payments on Foreign Currency Notes*) below with respect to Foreign Currency Notes, payments of principal and interest shall be made by check drawn in the currency in which the payment is due to the Holder (or in the case of joint Holders, the first-named) appearing in the Note Register as at the opening of business (as at the local time) on the fifteenth Relevant Banking Day before the due date for payment (the “**Record Date**”), and posted to the address (as recorded in the Note Register) of the Holder (or, in the case of joint Holders, the first-named) on the Relevant Banking Day unless prior to the relevant Record Date such Holder has applied to the Fiscal Agent, and the Fiscal Agent has acknowledged such application, for payment to be made to a designated account denominated in the relevant currency in which case payment shall be made on the relevant due date for payment by transfer to such account. In the case of payment by transfer to a designated account, if the due date for any such payment is not a Payment Business Day, then the Holder will not be entitled to payment thereof until the next succeeding business day and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is subsequent failure to pay in accordance with these Conditions, in which event interest shall continue to accrue as provided in these Conditions.
- 10.3 *Payments on Foreign Currency Notes:* Unless otherwise specified in the relevant Final Terms, payments of principal of and interest on Foreign Currency Notes will be made in U.S. dollars unless the Holder thereof elects to receive such payments in the Specified Currency as described below.

Any U.S. dollar amount to be received by a Holder of a Foreign Currency Note will be based on the highest bid quotation in the City of New York received by the Fiscal Agent at approximately 11:00 A.M., New York City time, on the second business day preceding the applicable payment date of such Note from three recognized foreign exchange dealers for the purchase by the quoting dealer of the Specified Currency for U.S. dollars for settlement on such payment date in the aggregate amount of the Specified Currency payable to all Holders of Foreign Currency Notes scheduled to receive U.S. dollar payments and at which the applicable dealer commits to execute a contract. If such bid quotations are not available, payments will be made in the Specified Currency. All currency exchange costs will be borne by the Holder of the Foreign Currency Note by deductions from such payments.

Unless otherwise specified in the relevant Final Terms, a Holder of a Foreign Currency Note may elect to receive payment of the principal of and any interest on such Note in the Specified Currency by transmitting a written request for such payment to the Paying Agent at its office in the City of New York on or prior to the relevant Record Date or at least 15 days prior to maturity, as the case may be. Such request, which must include the wire transfer instructions referred to below, may be in writing (mailed or hand-delivered) or by cable or facsimile transmission. A Holder of a Foreign Currency Note may elect to receive payment in the Specified Currency for all principal and any interest payments and need not file a separate election for each payment. Such election will remain in effect until revoked by written notice to the Paying Agent, but written notice of any such revocation must be received by the Paying Agent on or prior to the relevant Record Date or at least 15 days prior to maturity, as the case may be. Holders of Foreign Currency Notes whose Notes are to be held in the name of a broker or nominee should contact such broker or nominee to determine whether and how an election to receive payments in the Specified Currency may be made.

The payment of principal of or interest on Foreign Currency Notes paid in the Specified Currency other than at maturity will be made by check drawn upon a bank office located outside the United States, and any such payments due at maturity will be made by wire transfer of immediately available funds to an account maintained by the Holder with a bank office located in the country which issued the Specified Currency upon presentation of such Notes to the Paying Agent in time for such wire transfer to be made by the Paying Agent in accordance with its normal procedures.

If a Specified Currency is not available for the payment of principal or interest with respect to a Foreign Currency Note due to the imposition of exchange controls or other circumstances beyond the control of the Issuer, the Issuer will be entitled to satisfy its obligations to Holders of Foreign Currency Notes by making such payment in U.S. dollars on the basis of the noon buying rate in the City of New York for cable transfers for such Specified Currency as determined by the Federal Reserve Bank of New York (the “**Market Exchange Rate**”) on the second business day prior to the date of such payment, or if such Market Exchange Rate is not then available, on the basis of the most recently available Market Exchange Rate.

10.4 *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*). No commissions or expenses shall be charged to the Holders in respect of such payments.

10.5 In this Condition, “**business day**” means:

- (i) Relevant Banking day; or
- (ii) Payment Business Day.

## **11. Taxation**

11.1 *Gross up:* All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Denmark or any political subdivision therein or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Holders after such withholding or deduction of such amounts as would have been receivable by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in relation to any payment in respect of any Note:

- (i) to, or to a third party on behalf of, a Holder or beneficial owner which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of it having some connection with Denmark other than:
  - (a) the mere holding of the Note; or
  - (b) the receipt of principal, interest or other amount in respect of such Note; or
- (ii) to, or to a third party on behalf of, a Holder or beneficial owner who fails to comply with the Issuer’s request to make a declaration of non-residence (or similar declaration) if such declaration is required under Danish law as a pre-condition to relief or exemption from such withholding or deduction; or
- (iii) presented for payment (where presentation is required) more than thirty days after the Relevant Date, except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on or before the expiry of such period of thirty days; or
- (iv) where such withholding or deduction is imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code, or any law or regulation implementing an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing;

nor will additional amounts be paid with respect to any payment of principal or interest on a Note to any Holder that is a fiduciary or partnership or other than the sole beneficial owner of any such payment to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or the beneficial owner would not have been entitled to the additional amounts had such beneficiary, settlor, member or beneficial owner been the Holder of such Note. The obligation to pay taxes, duties, assessments and governmental charges shall not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, assessment or other

governmental charge or (b) any tax, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal or interest on the Notes.

11.2 *Taxing Jurisdiction:* If the Issuer (including any successor entity) becomes subject at any time to any taxing jurisdiction other than Denmark, references in these Conditions to Denmark shall be construed as references to Denmark and/or such other jurisdiction.

11.3 References in these Conditions to “interest,” “Outstanding Principal Amount” or “Redemption Amounts” shall be deemed to include additional amounts payable under this Condition 11 and references in these Conditions to the “Issuer” shall be deemed to include any successor entity.

## 12. Events of Default

12.1 The following events or circumstances as modified by, and/or such other events as may be specified in, the relevant Final Terms (each an “**Event of Default**”) shall be acceleration events in relation to any Series of Notes, namely:

- (i) the Issuer fails to pay any amount of principal or interest in respect of the Notes of the relevant Series or any of them on the due date for payment thereof and such default continues for a period of five days on which banks are open for business in Copenhagen after written notice has been given by the Fiscal Agent or the Holder of any such Note to the Issuer; or
- (ii) the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes of the relevant Series and (except in any case where such default is incapable of remedy when no such continuation or notice, as is hereinafter mentioned, will be required) such default remains unremedied for thirty days after written notice requiring such default to be remedied has been received by the Issuer from the Fiscal Agent or the Holder of any such Note; or
- (iii) a distress, execution, seizure before judgment or other legal process is levied or enforced or sued out upon or against any part of the property, assets or revenues of the Issuer which is material in its effect upon the operation of the Issuer and is not discharged or stayed within sixty days of having been so levied, enforced or sued out; or
- (iv) (A) an application for the commencement of bankruptcy against the assets of the Issuer is filed and the application has been filed by or on behalf of the Issuer, or (B) a third party has filed an application for the commencement of bankruptcy against the assets of the Issuer and (the earlier of) either (1) the DFSA advises the competent court to open up bankruptcy proceedings, or (2) the competent court opens bankruptcy proceedings against the assets of the Issuer, or (C) under Section 233 of the Danish Financial Business Act, the DFSA permits liquidators of the Issuer appointed pursuant to Sections 227 or 228 of the Danish Financial Business Act to file a petition for bankruptcy under and pursuant to Section 17 of the Danish Bankruptcy Act in relation to the Issuer, or (D) under Sections 233 or 234 of the Danish Financial Business Act, the DFSA files a petition for bankruptcy under and pursuant to Section 17 of the Danish Bankruptcy Act in relation to the Issuer; or
- (v) under Section 238 of the Danish Financial Business Act, the DFSA files a petition for the suspension of payments of the Issuer.

12.2 *Acceleration:* If any Event of Default (other than an Event of Default specified in Condition 12.1(iv)) shall occur in relation to any Series of Notes, unless the principal amount of the relevant Series of Notes shall have already become due and payable, the Holders of not less than 25 percent in aggregate principal amount of such Series of Notes then outstanding may, by written notice to the Issuer (effective upon receipt), at the specified office of the Fiscal Agent, declare that such Series of Notes and (if such Series of Notes is interest-bearing) together with all interest (if any) accrued thereon, shall be forthwith due and payable, whereupon the same shall become immediately due and payable at the relevant Early Termination Amount, together with all interest (if any) accrued thereon, without presentment, demand, protest or other notice of any kind, all of which the Issuer expressly waives, anything contained in such Notes to the contrary notwithstanding, unless, prior thereto, all Events of Default in respect of the relevant Series of Notes shall have been cured.

## 13. Prescription

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Notes are presented for payment within five years of the appropriate Relevant Date.

#### **14. Replacement of Notes**

If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the corporate trust office of the Fiscal Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent in the place required by such listing authority, stock exchange and/or quotation system), subject to all applicable laws and listing authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

#### **15. Agents**

- 15.1 Obligations of Agents: In acting under the Agency Agreement and in connection with the Notes, the Paying Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Holders, and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon it in the Agency Agreement or other agreement entered into with respect of its appointment or incidental thereto.
- 15.2 Termination of Appointments: The initial Paying Agents in respect of any Notes shall be specified in the relevant Notes. The Calculation Agent in respect of any Notes shall be specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Fiscal Agent) or the Calculation Agent and to appoint an additional or successor fiscal agent, paying agent, calculation agent or registrar; provided, however, that:
- (i) the Issuer shall at all times maintain a Fiscal Agent;
  - (ii) the Issuer shall at all times maintain a Note Register;
  - (iii) the Issuer shall at all times maintain a Paying Agent (which may be the Fiscal Agent) with an office in the City of New York;
  - (iv) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent with an office located in such place as may be required by the Conditions; and
  - (v) if and for so long as the Notes are admitted to listing and/or to trading and/or quotation on any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent (which may be the Fiscal Agent) with a specified office in the place required by such listing authority, stock exchange and/or quotation system.

#### **16. Meetings of Holders; Modification and Waiver**

- 16.1 *Meetings of Holders:* The Agency Agreement contains provisions (which shall have effect as if incorporated herein) for convening meetings of Holders of Notes of any Series to consider matters relating to such Series of Notes, including (without limitation) the modification by the Holders of a majority in principal amount of Notes of any such Series then outstanding or 66 2/3 percent in principal amount of the Notes of any such Series represented and voting at a meeting; or in the case of a written consent without a meeting, the consent of the Holders of at least a majority in aggregate principal amount of the Notes of any such Series outstanding at the time, of any provision of these Conditions as they apply to such Series; provided that the following modifications in respect of any Notes may only be made with the consent of the Holder of each of the Notes affected thereby: (i) a change in the stated maturity of any Note, or the date for any payment on any Note; (ii) the reduction of the principal amount of, or the rate or amount of interest on, any Note or the reduction of the amount payable thereon in the event of redemption or default, or the reduction of any additional amounts which are otherwise payable under Condition 11 (*Taxation*); or (iii) a change in the currency of payment of principal of, or interest on, any Note or any additional amounts in respect of interest which may be payable under Condition 11 (*Taxation*) payable with respect thereto; or (iv) a change in the obligation of the Issuer to pay any additional amounts in respect of interest which may be payable under Condition 11 (*Taxation*) (except as otherwise permitted by such Note); or (v) the impairing of the right to institute suit for the enforcement of any such payment on, or with respect to, any Note; or (vi) a reduction in the percentage of the aggregate principal amount of any Notes outstanding, the consent of whose Holders is required for any such modification or to waive any future compliance or past default or reduce the quorum required at any meeting of Holders or reduce the percentage of aggregate principal amount of Notes outstanding necessary to rescind or annul any declaration of the principal of and accrued interest on any Note to be due and payable. Any modifications, amendments or waivers to the Agency Agreement or to these Conditions will be conclusive and binding on all Holders of the Notes of the applicable Series, whether or not they have given a consent or were present at such meeting, and on all future Holders of the applicable Series, whether or not notation of such modifications, amendments or



waivers is made upon the Notes of the applicable Series. Any instrument given by or on behalf of any Holder in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent Holders of such Note of the applicable Series.

The persons entitled to vote a majority in principal amount of the Notes of any Series at the time outstanding shall constitute a quorum for the purpose of any action to be taken at a meeting of Holders of Notes with respect to the Notes of such Series. In the absence of a quorum within 30 minutes of the time appointed for any such meeting, the meeting may be adjourned (or an adjourned meeting may be further adjourned) for a period of not less than 10 days as determined by the chairman of the meeting. At the reconvening of any meeting further adjourned for lack of a quorum, the persons entitled to vote 25 percent in principal amount of the Notes at the time outstanding shall constitute a quorum.

- 16.2 *Modification:* The Issuer may, with the consent of the Fiscal Agent, amend the Notes of any Series and these Conditions without the consent of the Holders of Notes of any Series to correct a manifest error with respect to the Notes of the relevant Series.

## 17. **Merger, Consolidation and Sale of Assets**

The Issuer will not consolidate with, or merge with or into, or sell, or convey all or substantially all its assets in one transaction or a related series of transactions, unless (i) either the Issuer is the surviving corporation, or the surviving, resulting or transferee entity (the “successor entity”) irrevocably submits to the jurisdiction of the courts of England, and expressly assumes the due and punctual payment of all obligations on all the Notes and the due and punctual performance of all the covenants and obligations of the Issuer under the Notes, the Agency Agreement and the Deed of Covenant, by a supplemental agreement satisfactory to the Fiscal Agent, and (ii) immediately after such event, the Issuer or such successor entity is not in breach of any covenants or obligations under the Notes, the Agency Agreement or the Deed of Covenant, provided, however, that nothing herein stated shall prevent the Issuer from selling or conveying all or substantially all its assets in one transaction or related series of transactions in connection with any restructuring of the Issuer’s assets or operations insofar as such transaction or transactions are required and approved of by the DFSA or other competent regulatory authority or are otherwise required by Danish law or regulations.

## 18. **Further Issues**

The Issuer may from time to time, without the consent of the Holders, create and issue further Notes having the same Terms and Conditions as any Series of Notes in all respects (or in all respects except for the issue date, the issue price or the first payment of interest (if any)) so as to form a single Series with such Series of Notes.

## 19. **Notices**

Notices to Holders will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first-named in the Note Register) at their respective addresses as recorded in the register kept by the Fiscal Agent, and will be deemed to have been validly given on the fourth weekday after the date of such mailing or, if posted from another country, on the fifth such day and, if such Notes are listed on the Official List of the Irish Stock Exchange and admitted to trading on the regulated market of the Irish Stock Exchange (so long as such Notes are listed on the Official List of the Irish Stock Exchange and the rules of that exchange so permit), if published on the website of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)).

Notwithstanding the foregoing, so long as any Notes are represented by a Global Note which is held by or on behalf of DTC for the benefit of participants in DTC, all notices with respect to such Notes shall be sent only to DTC which will communicate such notices to its participants in accordance with its standard and customary procedures in effect at that time, provided that, if the Notes of a Series are listed on a stock exchange then all notices shall also be made in accordance with the standard and customary procedures then in effect at such stock exchange. Any such notice shall be deemed to have been given to the Holders of the relevant Notes on the first Business Day after the day on which the said notice was given to DTC or as otherwise provided by the applicable rules of a stock exchange.

## 20. **Currency Indemnity**

The currency in which the Notes are denominated or, if different, payable, as specified in the relevant Final Terms (the “**Contractual Currency**”), is the sole currency of account and payment for all sums payable by the Issuer in respect of the Notes, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Holder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount of the Contractual Currency which such Holder is able to purchase with the amount so received or recovered in that other currency on the date of that

receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount is less than the amount of the Contractual Currency expressed to be due to any Holder in respect of such Note the Issuer shall indemnify such Holder against any loss sustained by such Holder as a result. In any event, the Issuer shall indemnify each such Holder against any cost of making such purchase which is reasonably incurred. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Notes or any judgment or order. Any such loss as aforesaid shall be deemed to constitute a loss suffered by the relevant Holder and no proof or evidence of any actual loss will be required by the Issuer.

## **21. Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms):

- (i) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 percent being rounded up to 0.00001 percent);
- (ii) all U.S. dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up); and
- (iii) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

## **22. Waiver and Remedies**

No failure to exercise, and no delay in exercising, on the part of the Holder of any Note, any right in these Conditions shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right. Rights hereunder shall be in addition to all other rights provided by law. No notice or demand given in any case shall constitute a waiver of rights to take other action in the same, similar or other instances without such notice or demand.

## **23. Governing Law and Jurisdiction**

- 23.1 *Governing Law:* The Notes, the Agency Agreement and the Deed of Covenant and any non-contractual obligations arising from or in connection with any of them, shall be governed by, and construed in accordance with, English law.
- 23.2 *English Courts:* The Issuer has irrevocably agreed, for the benefit of the Fiscal Agent and the Holders, that the courts of England are to have jurisdiction to hear and determine any suit, action or proceedings which may arise out of or in connection with the Notes, the Agency Agreement and the Deed of Covenant or any non-contractual obligation arising out of or in connection with them (together referred to as “**Proceedings**”) and, for such purposes, irrevocably submits to the jurisdiction of such courts.
- 23.3 *Appropriate Forum:* The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Proceedings and, accordingly, that it will not argue to the contrary.
- 23.4 *Rights of the Holders to Take Proceedings outside England:* Condition 23.2 (*English Courts*) is for the benefit of the Holders only. As a result, nothing in this Condition 23 (*Governing Law and Jurisdiction*) prevents any Holder from taking Proceedings in any other courts with jurisdiction. To the extent allowed by law, any Holder may take concurrent Proceedings in any number of jurisdictions.
- 23.5 *Service of Process:* The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to the Issuer at 75 King William Street, London EC4N 7DT or at any address of the Issuer in Great Britain at which service of process may be served on it in accordance with the Companies Act 2006. Nothing in this paragraph shall affect the right of any Holder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

## **24. Rights of Third Parties**

No person shall have any right to enforce any term or Condition in respect of a Note, the Fiscal Agency Agreement or the Deed of Covenant under the Contracts (Rights of Third Parties) Act 1999.

## FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Program.

[Date]

**DANSKE BANK A/S**

**U.S.\$ 10,000,000,000**

**U.S. Medium-Term Note Program**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**

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### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the “**Conditions**”) set forth in the Base Prospectus dated February 22, 2017 [and the Prospectus Supplement No. [●] dated [●]] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of Directive 2003/71/EC, as amended, including by Directive 2010/73/EU (the “**Prospectus Directive**”). [This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus.]<sup>1</sup> Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at, and copies may be obtained from, the Central Bank of Ireland’s website at [www.centralbank.ie](http://www.centralbank.ie).

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]*

*[When completing any Final Terms, consideration should be given as to whether any information required to complete the Final Terms constitutes “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]*

*[The following alternative language applies if the first Tranche of an issue of Notes which is being increased was issued under a Base Prospectus with an earlier date.]*

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the “**Conditions**”) set forth in the Base Prospectus dated [original date] [together with any supplements which amend the Conditions], which are incorporated in the Base Prospectus dated [current date] [and the Prospectus Supplement No. [●] dated [●]], which [together] constitute[s] a base prospectus (the “**Current Base Prospectus**”) for the purposes of Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of the Prospectus Directive and must be read in conjunction with the Current Base Prospectus, including the Conditions which are incorporated by reference in the Current Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Current Base Prospectus. The Current Base Prospectus is available for viewing at, and copies may be obtained from, the Central Bank of Ireland’s website at [www.centralbank.ie](http://www.centralbank.ie). The Final Terms are available for viewing at the website of the Irish Stock Exchange at [www.ise.ie](http://www.ise.ie).

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(1) Remove if the Notes will not be listed.

1. Issuer: Danske Bank A/S
2. (i) Series Number: [     ]  
(ii) Tranche Number: [     ]  
(iii) Date on which the Notes will be consolidated and form a single Series: [Not Applicable]/[The Notes will be consolidated and form a single Series with *[identify earlier Tranche(s)]* on the Issue Date.]
3. (i) Specified Currency or Currencies: [     ]  
(ii) Indicate Payment in U.S. dollars or Specified Currency: [     ]
4. Aggregate Nominal Amount: [     ]  
[(i) Series: [     ]]  
[(ii) Tranche: [     ]]
5. Issue Price: [     ] percent of the Aggregate Nominal Amount [plus *[amount]* accrued interest from *[insert date]*] (if applicable)
6. (i) Specified Denomination(s): [     ]  
  
*(No Notes may be issued which have a minimum denomination of less than U.S.\$ 200,000 (but so that in no event will the minimum denomination be lower than EUR 100,000 or its equivalent at the date of issue of the relevant Notes) and integral multiples of U.S.\$ 1,000 (or, in the case of Notes not denominated in U.S. dollars, 1,000 units of such foreign currency).)*  
  
(ii) Calculation Amount: [     ]  
  
*(If only one Specified Denomination, insert the Specified Denomination.*  
  
*If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. [(i) Issue Date [and Interest Commencement Date]: [     ]  
[(ii) Interest Commencement Date (if different from the Issue Date): [     ]]
8. Maturity Date: *[specify date]* [subject to adjustment in accordance with the Business Day Convention specified in paragraph 16 (ii) below] *(Include adjustment wording for Floating Rate Notes)*
9. Form of Notes: Registered ([Regulation S]/[Rule 144A]) Global Note(s))

10. Interest Basis: [[ ] percent Fixed Rate]  
[[[ ]-month] [currency] LIBOR/EURIBOR/  
NIBOR/STIBOR/CIBOR/SHIBOR/BBSW/HIBOR/  
CMT Rate/ Commercial Paper Rate/Treasury  
Rate/Prime Rate/Eleventh District Cost of Funds  
Rate/Federal Funds Rate] +/- [ ] percent  
Floating Rate]  
[Zero Coupon]  
(further particulars specified below at paragraph [[15]  
[and] [16]/[17]])
11. Redemption/Payment Basis: [Subject to any purchase and cancellation or early  
redemption, the Notes will be redeemed on the  
Maturity Date at 100.00 percent of their Aggregate  
Nominal Amount]
12. Change of Interest Basis or Redemption/Payment  
Basis: [Not Applicable/cross refer to paragraphs [[15]  
and/or [16 below]] if details are included there]
13. Call/Put Options: [Call Option/Put Option/Not Applicable]  
[(see paragraphs [19] and/or [20] below)]
14. (i) Status of the Notes: Senior Notes
- [(ii) Date [Board] approval for issuance of Notes  
obtained: [ ]]  
*(N.B. Only relevant where Board (or similar)  
authorization is required for the particular tranche of  
Notes)*

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-  
paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [ ] percent per annum [payable  
[annually/semiannually/quarterly/monthly] in arrear]
- (ii) Interest Payment Dates(s): [ ] in each year
- (iii) Fixed Interest Amount(s): [ ] per Calculation Amount
- (iv) Broken Amount(s): [Not Applicable/[ ] per Calculation Amount  
payable on [ ]]  
*[Insert particulars of any initial or final broken  
amounts of interest that do not correspond with the  
Fixed Interest Amount]*
- (v) Day Count Fraction: [30/360 / Actual/Actual ([ICMA]/[ISDA]) /  
Actual/365 (Fixed)]
- (vi) Record Date: [ ]
16. **Floating Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-  
paragraphs of this paragraph)*

- (i) Specified Period: [Not Applicable/[ ]]
- (Specified Period and Interest Payment Dates are alternatives. A Specified Period, rather than Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*
- (ii) Interest Payment Dates: [[ ]/Not Applicable]
- (Specified Period and Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")*
- (iii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (iv) Applicable Business Center(s): [insert Applicable Business Center(s)]/[Not Applicable]
- (v) Manner in which the Rate(s) of Interest and Interest Amount is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s): [ ]
- (vii) Screen Rate Determination: [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- Reference Rate: [[[ ]-month] [currency] LIBOR/EURIBOR/NIBOR/STIBOR/CIBOR/SHIBOR/BBSW/HIBOR/CMT Rate/Commercial Paper Rate/Treasury Rate/Prime Rate/Eleventh District Cost of Funds Rate/Federal Funds Rate]
- Interest Determination Date(s): [ ]
- Relevant Screen Page: [ ]
- Relevant Time: [ ] in the Relevant Financial Center
- Relevant Financial Center: [ ]
- Reference Banks: [ ]
- (viii) ISDA Determination: [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- Floating Rate Option: [ ]
- Designated Maturity: [ ]
- Reset Date: [ ]
- (ix) Linear Interpolation: [Applicable/Not Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using linear interpolation in accordance with Condition 7.5 (specify for each short or long interest period)]
- (x) Margin(s): [+/-] [ ] percent per annum

- (xi) Minimum Rate of Interest: [Not Applicable/[ ] percent, per annum]
- (xii) Maximum Rate of Interest: [Not Applicable/[ ] percent, per annum]
- (xiii) Day Count Fraction: [●]

17. **Zero Coupon Note Provisions**

[Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Accrual Yield: [ ] percent per annum
- (ii) Reference Price: [ ]
- (iii) Day Count Fraction: [Actual/365  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
30E/360]

**PROVISIONS RELATING TO REDEMPTION**

18. **Call Option**

[Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s) (Call): [ ]
- (ii) Optional Redemption Amount (Call): [ ] per Calculation Amount
- (iii) If redeemable in part: [Applicable/Not Applicable]

*(If not applicable, delete the remainder of this subparagraph)*

- (a) Minimum Redemption Amount: [ ]
- (b) Maximum Redemption Amount: [ ]
- (iv) Notice period: Minimum period: [ ] days  
Maximum period: [ ] days

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Fiscal Agent)*

19. **Put Option**

[Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s) (Put): [ ]
- (ii) Optional Redemption Amount (Put): [ ] per Calculation Amount
- (iii) Notice period: Minimum period: [ ] days  
Maximum period: [ ] days

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Fiscal Agent)*

20. **Final Redemption Amount** [[ ] per Calculation Amount/Not Applicable]
21. (i) **Early Redemption Amount**  
 Early Redemption Amount payable on redemption for taxation reasons: [As set out in the Conditions/[ ] per Calculation Amount]
- (ii) **Early Termination Amount**  
 Early Termination Amount payable on Event of Default: [As set out in the Conditions/[ ] per Calculation Amount]

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

22. Applicable Financial Center(s): [Not Applicable/Give details]
- (See definition of Payment Business Day in the Conditions. Note that this item relates to the date and place of payment and not Interest Payment Dates)*

[[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: .....  
*Duly authorized*

By: .....  
*Duly authorized*

CC: U.S. Bank National Association as Fiscal Agent



## PART B – OTHER INFORMATION

The following information is not included in, or considered part of, the Conditions.

### 1. Listing and Admission to Trading

- (i) Listing: [The Official List of the Irish Stock Exchange/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on the Irish Stock Exchange's regulated market with effect on or about [ ]/Not Applicable.]
- (Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)*
- (iii) Estimate of total expenses related to admission to trading: [[ ]/[Not Applicable]]

### 2. Ratings

[Not Applicable/The Notes to be issued [[have been]/[are expected to be]] rated [ ] by [insert the legal name of the relevant credit rating agency entity(ies)].]:

[There is no guarantee that [any of] the above rating[s] will be maintained following the date of these Final Terms. Up-to-date information should always be sought by direct reference to the relevant rating agency.]

*(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Program generally or, where the issue has been specifically rated, that rating.)*

Each of [relevant rating agencies] is established in the European Union and is registered under Regulation (EC) No. 1060/2009, as amended.

### 3. Interests of Natural and Legal Persons involved in the [Issue/Offer]

*Need to include a description of any interest, including conflicting ones, that is material to the issue/ offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:*

Save as discussed in the “Plan of Distribution” section of the Base Prospectus, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

### [4.] Estimated Net Proceeds

[Estimated net proceeds: [ ]]

### [5. Fixed Rate Notes only – Yield

Indication of yield: [ ]

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]<sup>(1)</sup>

### [6.] Operational Information:

ISIN Code: [ ]

CUSIP: [ ]

Common Code: [ ]

Any clearing system(s) other than DTC and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

[Original issue discount:

(i) Total amount of [ ]  
OID:

(ii) Yield to [ ]  
maturity:

(iii) Interest accrual [ ]  
period:

Delivery: Delivery [against/free of] payment

[Names and addresses of additional [ ]

Paying Agent(s) (if any):

**[7.] Distribution**

Method of Distribution: [Syndicated/Non-syndicated]

If syndicated, names of Dealers: [*Name(s)*]

Stabilizing Manager (if any): [Not Applicable/*give name*]

If Non-syndicated, name of [*Name*]  
relevant Dealer:

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(1) Complete section only if applicable. Otherwise delete and re-number sections accordingly.

## CLEARING AND SETTLEMENT

*The following description of the operations and procedures of DTC, Euroclear and Clearstream, Luxembourg is provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them from time to time. The Issuer and the Dealers take no responsibility for these operations and procedures and urge investors to contact the system of their participants directly to discuss these matters.*

### General

DTC has advised the Issuer that DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a “banking organization” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provision of Section 17A of the Exchange Act. DTC was created to hold securities for its participating organizations (collectively, the “**Participants**”) and to facilitate the clearance and settlement of transactions in those securities between Participants through electronic book-entry changes in the accounts of its Participants. The Participants include securities brokers and dealers (including the Agents, banks, trust companies, clearing corporations and certain other organizations). Access to DTC’s system is also available to other entities such as banks, brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a Participant either directly or indirectly (collectively, the “**Indirect Participants**”). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Participant or the Indirect Participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the Participant and Indirect Participants.

DTC has also advised the Issuer that, pursuant to procedures established by it, (i) upon deposit of Global Notes, DTC will credit the accounts of Participants with portions of the principal amount of the Global Notes and (ii) ownership of such interest in the Global Notes will be shown on, and the transfer of ownership thereof will be affected only through, records maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interests in the Global Notes).

Investors in the Global Notes may hold their interest therein directly through DTC, if they are Participants in such system, or indirectly through organizations (including Euroclear and Clearstream, Luxembourg) which are Participants in such system. Euroclear and Clearstream, Luxembourg will hold interests in the Regulation S Global Note on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositories. All interests in a Global Note, including those held through Euroclear or Clearstream, Luxembourg, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream, Luxembourg may also be subject to the procedures and requirements of such systems. The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Note to such persons will be limited to that extent. Because DTC can act only on behalf of Participants, which in turn act on behalf of Indirect Participants and certain banks, the ability of a person having a beneficial interest in a Global Note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate evidencing such interest.

Except as described below, owners of interests in the Global Notes registered in the name of DTC or its nominee will not be considered the registered owners or Holders thereof under the Agency Agreement for any purpose.

Payments in respect of the principal and interest (if any) on a Global Note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered Holder under the Agency Agreement. Under the terms of the Agency Agreement, the Issuer will treat the persons in whose names the Notes, including the Global Notes, are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes whatsoever. Consequently, neither the Issuer, the Fiscal Agent nor any agent of, the Issuer or the Fiscal Agent has or will have any responsibility or liability for (i) any aspect of DTC’s records or any Participants’ or Indirect Participants’ records relating to or payments made on account of beneficial ownership interests in the Global Notes, or for maintaining, supervising or reviewing any of DTC’s records or any Participants’ or Indirect Participants’ records relating to or payments made on account of beneficial ownership interests in the Global Notes or (ii) any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants. DTC has advised the Issuer that its current practice, upon receipt of any payment in respect of securities such as the Notes (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the interest payment date, in amounts proportionate to their respective holdings in the principal amount of the beneficial interests in the relevant security as shown on the records of DTC unless DTC has reason to believe it will not receive payment on such interest payment date. Payments by the Participants and the Indirect Participants to the beneficial owners of Notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC or the Issuer. Neither the Issuer nor the Paying Agents will be liable for any delay by DTC or any

of its Participants in identifying the beneficial owners of the Notes, and the Issuer and the Paying Agents may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Except for trades involving only Euroclear and Clearstream, Luxembourg participants, interests in the Global Notes are expected to be eligible to trade in DTC's Same Day Funds Settlement System, and secondary market trading activity in such interests will, therefore, settle in immediately available funds, subject in all cases to the rules and procedures of DTC and its Participants. See "*Same Day Settlement and Payment*" below.

Subject to the transfer restrictions set forth under "*Transfer and Transfer Restrictions*," transfers between Participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same day funds, and transfers between participants in Euroclear and Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes described herein, cross-market transfers between the Participants in DTC, on the one hand, and Euroclear or Clearstream, Luxembourg participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, Luxembourg, as the case may be, by its respective depository; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, Luxembourg, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlements on its behalf by delivering or receiving interests in the relevant Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream, Luxembourg participants may not deliver instructions directly to the depositories for Euroclear or Clearstream, Luxembourg.

DTC has advised the Issuer that it will take any action permitted to be taken by a Holder of Notes only at the direction of one or more Participants to whose account DTC has credited the interest in the Global Notes and only in respect of such portion of the aggregate principal amount of the Notes as to which such Participant or Participants has or have given such direction. However, if there is an Event of Default under the Notes, DTC reserves the right to exchange the Global Notes for Notes in registered definitive form ("**Definitive Notes**"), and to distribute such Notes to its Participants (as described below).

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures to facilitate transfers of interest in the Global Notes among Participants in DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or to continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer, the Fiscal Agent nor any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

#### **Exchange of Global Notes for Definitive Notes**

A Global Note is exchangeable for a Definitive Note if (i) DTC notifies the Issuer that it is unwilling or unable to continue as depository for the Global Notes or has ceased to be a clearing agency registered under the Exchange Act and, in either case, the Issuer thereupon fails to appoint a successor depository within 120 days after the date of such notice or (ii) the Issuer, at its option, notifies the Fiscal Agent and the Paying Agents in writing that it has elected to cause the issuance of the Definitive Notes or (iii) DTC so requests after there shall have occurred and been continuing an Event of Default with respect to the relevant Tranche of Notes. In all cases, Definitive Notes delivered in exchange for any Global Notes or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depository in accordance with its customary procedures and will bear the restrictive legend referred to in "*Transfer and Transfer Restrictions*," unless the Issuer determines otherwise in compliance with applicable law.

#### **Exchange of Definitive Notes for Global Notes**

Definitive Notes that are "restricted securities" within the meaning of Rule 144 under the Securities Act may not be transferred for beneficial interests in any Global Note unless the transferor first delivers to the Fiscal Agent a written certificate to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes.

#### **Exchange or Transfer of Definitive Notes**

Definitive Notes may be exchanged or transferred by a Holder by presenting or surrendering such Definitive Notes at the office of the Fiscal Agent with a written instruction of transfer in form satisfactory to the Fiscal Agent, duly executed by such Holder or his attorney, duly authorized in writing. If the Notes being exchanged or transferred are Restricted Securities, such Holder shall also provide a written certificate to the effect that such transfer will comply with the appropriate transfer restriction applicable to such Notes.

### **Exchange Among Regulation S Global Note and Rule 144A Global Note**

On or prior to a date that is 40 days after the issue date of such Note, interests in a Regulation S Global Note may be transferred to a person who wishes to hold an interest in a Rule 144A Global Note only upon receipt by the Fiscal Agent of a written certification from the transferor (in the form set out in the Agency Agreement) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB within the meaning of Rule 144A purchasing for its own account or for the account of a QIB, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States.

Interests in a Rule 144A Global Note may also be transferred to a person who wishes to hold an interest through a Regulation S Global Note, but only upon receipt by the Fiscal Agent of a written certification from the transferor to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or with Rule 144 (if available) under the Securities Act.

Any interest in either a Rule 144A Global Note or a Regulation S Global Note that is transferred to a person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to an interest in such other Global Note.

### **Same Day Settlement and Payment**

The Notes represented by the Global Notes will be eligible to trade in DTC's Same Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. The Issuer expects that secondary trading in any Definitive Notes will also be settled in immediately available funds.

Because of time zone differences, the securities account of a Euroclear or Clearstream, Luxembourg participant purchasing an interest in a Global Note from a Participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream, Luxembourg participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream, Luxembourg) immediately following the settlement date of DTC. DTC has advised the Issuer that cash received in Euroclear or Clearstream, Luxembourg as a result of sales of interest in a Global Note by or through a Euroclear or Clearstream, Luxembourg participant to a Participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the business day for Euroclear or Clearstream, Luxembourg following DTC's settlement date.

## SPECIAL PROVISIONS RELATING TO FOREIGN CURRENCY NOTES

### General

Unless otherwise specified in the relevant Final Terms, the Notes will be denominated in U.S. dollars and payments of principal of and any premium and interest on the Notes will be made in U.S. dollars in the manner specified in this Base Prospectus and the relevant Final Terms. If any of the Notes are to be denominated in a Specified Currency other than U.S. dollars (a “**Foreign Currency Note**”), payments of the principal and any premium or interest on such Notes will be made in accordance with Condition 10.3 (*Payments on Foreign Currency Notes*).

THIS BASE PROSPECTUS DOES NOT DESCRIBE ALL RISKS OF AN INVESTMENT IN FOREIGN CURRENCY NOTES THAT RESULT FROM SUCH NOTES BEING DENOMINATED IN, OR THE PAYMENTS WITH RESPECT TO SUCH NOTES BEING RELATED TO THE VALUE OF, A FOREIGN CURRENCY EITHER AS SUCH RISKS EXIST AT THE DATE OF THIS BASE PROSPECTUS OR AS SUCH RISKS MAY CHANGE FROM TIME TO TIME. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN FINANCIAL AND LEGAL ADVISERS AS TO THE RISKS ENTAILED IN AN INVESTMENT IN FOREIGN CURRENCY NOTES AND AS TO ANY MATTERS THAT MAY AFFECT THE PURCHASE OR HOLDING OF A FOREIGN CURRENCY NOTE OR THE RECEIPT OF PAYMENTS OF PRINCIPAL OF AND ANY PREMIUM AND INTEREST ON A FOREIGN CURRENCY NOTE IN A SPECIFIED CURRENCY. FOREIGN CURRENCY NOTES ARE NOT AN APPROPRIATE INVESTMENT FOR INVESTORS WHO ARE UNSOPHISTICATED WITH RESPECT TO FOREIGN CURRENCY TRANSACTIONS.

The information set forth in this Base Prospectus is directed to prospective purchasers who are United States residents, and the Issuer disclaims any responsibility to advise prospective purchasers including those who are residents of countries other than the United States with respect to any matters that may affect the purchase, holding or receipt of payments of principal of and any premium and interest on Foreign Currency Notes. Such persons should consult their own legal advisers with regard to such matters.

Foreign Currency Notes are issuable only in fully registered form, without coupons. The authorized denominations of Foreign Currency Notes will be specified in the relevant Final Terms.

### Purchase

Unless otherwise indicated in the relevant Final Terms, purchasers are required to pay for Foreign Currency Notes in the Specific Currency. At the present time there are limited facilities in the United States for the conversion of U.S. dollars into foreign currencies or currency units and vice versa, and banks do not generally offer non-U.S. dollar checking or savings account facilities in the United States. If requested on or prior to the fifth business day preceding the date of delivery of the Notes, or by such other day as determined by the Issuer, the Issuer or its agent may offer to arrange for the conversion of U.S. dollars into the Specified Currency to enable the purchaser to pay for such Notes. Each such conversion will be made by the Issuer or its agent on such terms and subject to such conditions, limitations and charges as the Issuer or its agent may from time to time establish in accordance with its regular foreign exchange practices. All costs of exchange will be borne by the purchasers of the Foreign Currency Notes.

### Judgments

In the event an action based on Foreign Currency Notes is commenced in a court of the United States, it is likely that such court would grant judgment relating to such Notes only in U.S. dollars. It is not clear, however, whether, in granting such a judgment, the rate of conversion into U.S. dollars would be determined with reference to the date of default, the date that judgment is rendered or some other date. Holders of Foreign Currency Notes would bear the risk of exchange rate fluctuations between the time the judgment is calculated and the time the Specified Currency is converted to U.S. dollars for payment of the judgment.

## TRANSFER AND TRANSFER RESTRICTIONS

### General

The following procedures and restrictions with respect to the registration of any transfer of any Note shall apply:

- (i) The Fiscal Agent shall register the transfer of any Note, if the requested transfer (x) is to the Issuer, (y) such transfer is, in the case of Rule 144A Global Notes, at least one year (or such other period as shall constitute the required holding period pursuant to Rule 144 under the Securities Act) after the later of (i) the issue date of such Note (or any predecessor of such Note) and (ii) the sale of such Note (or any predecessor of such Note) by the Issuer or an Affiliate of the Issuer (computed in accordance with paragraph (d) of Rule 144 under the Securities Act) and the Holder of such Note is not at the proposed date of such transfer and was not during the three months preceding such proposed date of transfer an Affiliate of the Issuer, or (z) such transfer is, in the case of Regulation S Global Notes, at least 40 days after the issue date of such Note (or any predecessor of such Note). No further documents, certifications or other evidence need be supplied in respect of any such transfer.
- (ii) The Fiscal Agent shall register the transfer of any Note if the Holder of such Note has properly completed the Certificate of Transfer, or a transfer instrument substantially in the form of such Certificate of Transfer, and has delivered such Certificate to the Fiscal Agent.
- (iii) The Fiscal Agent shall register the transfer of a Note to or from DTC or any other institutional trading system designated by the Issuer in a written notice to the Fiscal Agent. In connection with any such transfer to DTC for deposit or for deposit in such other institutional trading system, no further documents, certifications or other evidence need be supplied to the Fiscal Agent in respect thereof. In connection with any such transfer out of such other institutional trading system, the Fiscal Agent shall receive such documents, certifications or other evidence from the transferor or transferee as are specified in such written notice.
- (iv) If so directed by the Issuer, the Fiscal Agent shall register the transfer of the Notes, from or through any dealer, placement agent or other person specified by the Issuer which has agreed in writing to offer, sell and effect transfers of Notes only (i) to a prospective purchaser who such dealer, placement agent or other person has reasonable grounds to believe and does believe is a QIB; or (ii) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S. No further documents, certifications or other evidence need be supplied in respect of any such transfer.
- (v) With respect to any requested transfer of a Note not provided for in (i) through (iv) above, the Fiscal Agent shall not register such transfer except upon the order of the Issuer signed by or on behalf of the Issuer by an authorized officer or a duly appointed attorney-in-fact of the Issuer and then only pursuant to any additional procedures as the Issuer may establish and against surrender of such Note. Such additional procedures may include, without limitation, (x) delivery by the transferor or the proposed transferee of an opinion of counsel reasonably satisfactory to the Issuer to the effect that such transfer may be effected without registration under the Securities Act and (y) the delivery by the proposed transferee of representation letters in form and substance reasonably satisfactory to the Issuer to ensure compliance with the provisions of the Securities Act. It is understood that the issuance of such order by the Issuer shall be in the sole and absolute discretion of the Issuer.
- (vi) Upon receipt of the duly completed Note and any required instruments of transfer, transfer notices or other written statements or documents as described above, the Fiscal Agent shall cancel such Note and register the transfer and complete, authenticate and deliver in the name of the designated transferee or transferees, one or more new Notes of authorized denominations in the principal amount specified on such Note.
- (vii) The Fiscal Agent shall have no liability whatsoever to any party so long as it registers the transfer in accordance with the instructions described herein.

### Transfer Restrictions

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

The Notes have not been registered under the Securities Act or any state securities laws and, unless so registered, may not be offered or sold or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Notes offered hereby are being offered and sold in the United States only to QIBs in reliance on Rule 144A under the Securities Act and outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act.

On or prior to the 40th day after the Closing Date, a beneficial interest in a Regulation S Global Note may be transferred to a person who wishes to take delivery of such beneficial interest through a Rule 144A Global Note only upon receipt by

the Fiscal Agent of a written certification (in the form set out in the schedule to the Agency Agreement) from the transferor to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. After such 40th day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Note, as set out below.

A beneficial interest in a Rule 144A Global Note may also be transferred to a person who wishes to take delivery of such beneficial interest through a Regulation S Global Note only upon receipt by the Fiscal Agent of a written certification (in the form set out in the schedule to the Agency Agreement) from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144A (if available) under the Securities Act.

Any beneficial interest in either a Rule 144A Global Note or a Regulation S Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in the other Global Note will, upon transfer, cease to be a beneficial interest in such Global Note and become a beneficial interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Note for so long as such person retains such an interest.

Each purchaser of the Notes who is in the United States or who is a U.S. Person or purchasing for the account of a U.S. Person will be deemed to have represented and agreed as follows (terms used herein that are defined in Rule 144A or Regulation S are used herein as defined therein):

- (i) It is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (A) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A or (B) a non-U.S. person that is outside the United States (or a non-U.S. person that is a dealer or other fiduciary as referred to above) in accordance with Rule 903 or 904 of Regulation S.
- (ii) The Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and the Notes offered hereby have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except in accordance with the legend set forth below.
- (iii) It understands and agrees that Notes initially offered in the United States to QIBs will be represented by a Rule 144A Global Note and that Notes offered outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S will be represented by a Regulation S Global Note.
- (iv) It shall not resell or otherwise transfer any of such Notes except (A) to the Issuer or by, through or in a transaction approved by a Dealer, (B) within the United States to a QIB in a transaction complying with Rule 144A, (C) outside the United States to a non-U.S. person in an offshore transaction complying with Rule 903 or 904 of Regulation S, (D) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (E) pursuant to an effective registration statement under the Securities Act.
- (v) It agrees that it will deliver to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes.
- (vi) All Rule 144A Global Notes and any Definitive Notes issued in exchange therefor, if any will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

**“THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”) OR ANY OTHER SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF DANSKE BANK A/S (THE “ISSUER”) THAT THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE ISSUER OR BY, THROUGH OR IN A TRANSACTION APPROVED BY A DEALER, (2) SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT (“RULE 144A”), TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A) IN ACCORDANCE WITH RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 UNDER THE U.S. SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT, AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOTIFY ANY**



**PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.**

**BY ITS ACQUISITION AND HOLDING OF THIS NOTE OR ANY INTEREST HEREIN, THE PURCHASER AND HOLDER HEREOF AND EACH TRANSFEREE WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED, ON EACH DAY SUCH PURCHASER AND HOLDER HOLDS THIS NOTE OR INTEREST HEREIN, THAT EITHER (A) IT IS NEITHER AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”)) SUBJECT TO TITLE I OF ERISA, A PLAN TO WHICH SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), APPLIES OR AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” BY REASON OF ANY SUCH PLAN’S OR EMPLOYEE BENEFIT PLAN’S INVESTMENT IN THE ENTITY OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN THAT IS SUBJECT TO SIMILAR PROVISIONS UNDER APPLICABLE FEDERAL, STATE, LOCAL, FOREIGN OR OTHER REGULATIONS, RULES OR LAWS THAT ARE SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (“SIMILAR LAW”) (COLLECTIVELY, “PLANS”) AND IT IS NOT PURCHASING OR HOLDING THE NOTE ON BEHALF OF OR WITH THE ASSETS OF ANY SUCH PLAN, OR (B) ITS PURCHASE, HOLDING AND SUBSEQUENT DISPOSITION OF THIS NOTE SHALL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA, SECTION 4975 OF THE CODE OR ANY APPLICABLE PROVISION OF SIMILAR LAW.”**

- (vii) It acknowledges that the Fiscal Agent for the Notes will not be required to accept for registration of transfer any Notes acquired by it, except upon presentation of evidence satisfactory to the Issuer and the Fiscal Agent that the restrictions set forth herein have been complied with.
- (viii) It acknowledges that the Issuer, the Dealers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agrees that if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of the Notes are no longer accurate, it shall promptly notify the Issuer and the Dealers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.
- (ix) It has received the information, if any, requested by it pursuant to Rule 144A, has had full opportunity to review such information and has received all additional information necessary to verify such information.

Each purchaser or holder of a Note, or any interest therein, and each fiduciary who causes any entity to purchase or hold a Note or any such interest, will be deemed to have represented and warranted, on each day such purchaser or holder holds such Note or interest therein, that either (a) it is neither an employee benefit plan (as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”)) subject to Title I of ERISA, a plan to which Section 4975 of the Code, applies or an entity whose underlying assets include “plan assets” by reason of any such plan’s or employee benefit plan’s investment in the entity, or a governmental, church or non-U.S. plan that is subject to similar provisions under applicable federal, state, local, foreign or other regulations, rules or laws that are substantially similar to Section 406 of ERISA or Section 4975 of the Code (“**Similar Law**”) (collectively, “**Plans**”) and it is not purchasing or holding the Note on behalf of or with the assets of any such Plan, or (b) its purchase, holding and subsequent disposition of such Note or interest therein shall not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any applicable provision of Similar Law.

## PLAN OF DISTRIBUTION

The Notes are being offered on a continuous basis for sale by the Issuer to or through BNP Paribas Securities Corp., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Danske Bank A/S, Goldman, Sachs & Co., HSBC Securities (USA) Inc., J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC, UBS Securities LLC and Wells Fargo Securities, LLC, together with such other Dealers as may be appointed by the Issuer with respect to a particular Tranche of Notes, pursuant to an amended and restated program agreement entered into on February 22, 2017 (as supplemented, amended and/or restated from time to time, the “**Program Agreement**”). One or more Dealers may purchase Notes, as principal or agent, from the Issuer from time to time for resale to investors and other purchasers at varying prices relating to prevailing market prices at the time of resale as determined by any Dealer, or, if so specified in the relevant Final Terms, for resale at a fixed offering price. If the Issuer and a Dealer agree, a Dealer may also utilize its reasonable efforts on an agency basis to solicit offers to purchase the Notes.

Unless otherwise specified in the relevant Final Terms, any Notes sold to one or more Dealers as principal will be purchased by such Dealers at a price equal to 100.00 percent of the principal amount thereof less a percentage of the principal amount equal to a commission as agreed upon by the Issuer and the relevant Dealers. Notwithstanding this, a Dealer may sell Notes it has purchased from the Issuer as principal to certain dealers less a concession equal to all or any portion of the discount received in connection with such purchase. Such Dealer may allow, and such dealers may realow, a discount to certain other dealers. After the initial offering of Notes, the offering price (in the case of Notes to be resold at a fixed offering price), the concession and the realowance may be changed.

The Issuer may withdraw, cancel or modify the offering contemplated hereby without notice and may reject offers to purchase Notes in whole or in part. Each Dealer shall have the right, in its discretion reasonably exercised, without notice to the Issuer, to reject in whole or in part any offer to purchase Notes received by it on an agency basis.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilizing Manager(s) (or any person acting on behalf of any Stabilizing Manager(s)) in the relevant Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager(s) (or any person acting on behalf of any Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or any person acting on behalf of any Stabilizing Manager(s)) in accordance with all applicable laws, regulations and rules.

The Stabilizing Manager(s) may purchase and sell Notes in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Stabilizing Manager(s) of a greater number of Notes than they are required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in progress.

The Stabilizing Manager(s) may also impose a penalty bid. This occurs when a particular Stabilizing Manager repays to the Dealers a portion of the underwriting discount received by it because the Stabilizing Manager or its affiliates have repurchased Notes sold by or for the account of such Stabilizing Manager in stabilizing or short covering transactions.

Neither the Issuer nor any of the Dealers makes any representation or prediction as to the direction or magnitude of any effect that the transactions described in the immediately preceding paragraph may have on the price of Notes. In addition, neither the Issuer nor the Dealers makes any representation that the Dealers will engage in any such transactions or that such transactions, once commenced, will not be discontinued without notice.

The Issuer has agreed to indemnify the Dealers against certain liabilities (including liabilities under the Securities Act) or to contribute to payments the Dealers may be required to make in respect thereof. The Issuer has also agreed to reimburse the Dealers for certain other expenses.

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of CDSs or the creation of short positions in

the Issuer's securities, including potentially the Notes issued under the Program. Any such short positions could adversely affect future trading prices of Notes issued under the Program. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

No action has been or will be taken in any jurisdiction by the Issuer or any Dealers that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Base Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Base Prospectus comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Base Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

The Notes have not been and will not be registered under the Securities Act and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or in a transaction not subject to the registration requirements of, the Securities Act.

Each Dealer has agreed that, except as permitted by the Program Agreement, it will not offer, sell or deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (the "distribution compliance period") within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells Notes (other than a sale pursuant to Rule 144A) during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons substantially to the following effect:

"The Notes covered hereby have not been registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, except in either case in accordance with Regulation S or Rule 144A under the Securities Act. Terms used above have the meanings given to them by Regulation S."

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

The Program Agreement also provides that the Dealers may arrange for the placing of a portion of the Notes to persons reasonably believed to be QIBs pursuant to Rule 144A.

Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

## **Selling Restrictions**

### ***European Economic Area***

In relation to each Relevant Member State, each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (ii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer(s) nominated by the Issuer for any such offer; or
- (iii) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (i) to (iii) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “**Prospectus Directive**” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State.

### ***United Kingdom***

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that:

- *Financial promotion:* it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the Financial Services and Markets Act 2000 would not, if the Issuer was not an authorized person, apply to the Issuer; and
- *General compliance:* it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### ***Japan***

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the “**FIEA**”) and each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### ***Denmark***

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not offered or sold and will not offer, sell or deliver any Notes directly or indirectly in Denmark by way of a public offering, unless in compliance with the Danish Consolidated Act No. 1229 of September 7, 2016 on Trading in Securities, as amended, and any Executive Orders issued thereunder and in compliance with Executive Order 623 of April 24, 2015 to the Danish Financial Business Act.

### ***Canada***

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Base Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflicts* (“**NI 33-105**”), the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

### ***General***

None of the Issuer, the Fiscal Agent and the Dealers represent that the Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche of Notes, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree.

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in a supplement to this Base Prospectus.

No action has been or will be taken in any jurisdiction that would, or is intended to, permit a public offering of any of the Notes, or possession or distribution of the Base Prospectus or any other offering material or any set of Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Base Prospectus, any other offering material or any set of Final Terms and neither the Issuer nor any other Dealer shall have responsibility therefor.

## TAXATION

*The following summary is based on the tax laws of Denmark and the United States as of the date of this Base Prospectus, and is subject to changes in Danish or United States law, including changes that could have a retroactive effect. The following summary is not exhaustive and does not take into account or discuss the tax laws of any country other than Denmark or the United States. Prospective investors are advised to consult their own professional tax advisors as to the Danish or United States or other tax consequences of the offering and the purchase, ownership and disposition of Notes.*

*Prospective investors who may be affected by the tax laws of other jurisdictions should consult their tax advisors with respect to the tax consequences applicable to their particular circumstances.*

### **Danish Tax Considerations**

The following summary refers solely to the tax system applicable to Holders that are not subject to full tax liability in Denmark, that are not companies included in a Danish joint taxation scheme, and that do not carry on business in Denmark through a permanent establishment.

Payments in respect of the Notes will not be subject to taxation in Denmark, no withholding tax will be required on such payments to any Holder of a Note and gains derived from the sale of Notes will not be subject to Danish personal or corporate income tax.

### **United States Federal Income Taxation**

#### ***General***

The following is a summary of the principal U.S. federal income tax consequences of the acquisition, ownership, disposition and retirement of Notes by a Holder thereof. This summary does not address the U.S. federal income tax consequences of every type of Note which may be issued under the Program, and the relevant Final Terms or a supplement to this Base Prospectus will contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note as appropriate. This summary applies only to Notes held as capital assets and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to Holders that are subject to special tax rules, such as certain financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, tax exempt organizations, dealers or traders in securities or currencies, or to Holders that will hold a Note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes or that have a functional currency other than the U.S. dollar. Moreover, this summary does not address the U.S. federal estate and gift tax, the Medicare surtax on “net investment income” or alternative minimum tax consequences of the acquisition, ownership or retirement of Notes and does not address the U.S. federal income tax treatment of Holders that do not acquire Notes as part of the initial distribution at their initial “issue price,” as defined under “—U.S. Holders—Original Issue Discount” below.

This summary is based on the Code, as amended, existing and proposed treasury regulations, administrative pronouncements and judicial decisions, each as of the date hereof. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein.

For purposes of this description, a “**U.S. Holder**” is a beneficial owner of the Notes who for U.S. federal income tax purposes is (i) a citizen or resident of the United States; (ii) a corporation (or entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any State thereof, including the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (1) that validly elected to be treated as a U.S. person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to the consequences of acquiring, owning or disposing of Notes.

A Non-U.S. Holder is a beneficial owner of the Notes other than a U.S. Holder or a partnership (or an entity treated as a partnership for U.S. federal income tax purposes).

Prospective investors should consult their own tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, owning or disposing of Notes.

## ***Characterization of the Notes***

Whether a particular Note is treated as debt (and not equity) for U.S. federal income tax purposes is an inherently factual question and no single factor is determinative. The Issuer intends to treat the Notes as indebtedness for U.S. federal income tax purposes unless provided otherwise in the Final Terms or in a supplement to this Base Prospectus, although no assurances can be given with respect to such treatment. The following discussion assumes that such treatment will be respected. If the treatment of the Notes as indebtedness is not upheld, it may affect the timing, amount and character of income inclusion to a U.S. Holder.

### ***U.S. Holders***

#### ***Interest***

Except as set forth below, interest (including “qualified stated interest” as defined under “—*Original Issue Discount*” below) paid on a Note, whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars (a “foreign currency”), including the amount of any applicable withholding tax thereon, will be includible in a U.S. Holder’s gross income as ordinary interest income in accordance with the U.S. Holder’s usual method of tax accounting. In addition, interest on the Notes will generally be treated as foreign-source income for U.S. federal income tax purposes, which may be relevant in calculating a U.S. Holder’s foreign tax credit limitation.

#### ***Foreign Currency Denominated Interest***

Any interest paid in a foreign currency will be included in the gross income of a U.S. Holder in an amount equal to the U.S. dollar value of the foreign currency, including the amount of any applicable withholding tax thereon, regardless of whether the foreign currency is converted into U.S. dollars. Generally, a U.S. Holder that uses the cash method of tax accounting will determine such U.S. dollar value using the spot rate of exchange on the date of receipt. Generally, a U.S. Holder that uses the accrual method of tax accounting will determine the U.S. dollar value of accrued interest income using the average rate of exchange for the accrual period or, at the U.S. Holder’s election, at the spot rate of exchange on the last day of the accrual period or the spot rate on the date of receipt, if that date is within five days of the last day of the accrual period. A U.S. Holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date payment is received differs from the rate applicable to an accrual of that interest.

#### ***Original Issue Discount***

U.S. Holders of Notes issued with original issue discount (“**OID**”) will be subject to special tax accounting rules, as described in greater detail below. U.S. Holders of Notes issued with OID (including cash basis taxpayers) should be aware that, as described in greater detail below, they generally must include OID in income for U.S. federal income tax purposes as it accrues, in advance of the receipt of cash attributable to that income. However, U.S. Holders of such Notes generally will not be required to include separately in income cash payments received on the Notes, even if denominated as interest, to the extent such payments do not constitute qualified stated interest (as defined below). Notes issued with OID will be referred to as “**Original Issue Discount Notes**.” Notice will be given in the relevant Final Terms when the Issuer determines that a particular Note will be an Original Issue Discount Note.

The following discussion does not address the U.S. federal income tax consequences of an investment in contingent payment debt instruments. In the event the Issuer issues contingent payment debt instruments, the relevant Final Terms or a supplement to this Base Prospectus will describe the material U.S. federal income tax consequences thereof. Persons considering the purchase of Original Issue Discount Notes with such features should consult their own tax advisors with respect to such features.

Additional rules applicable to Original Discount Notes that are denominated in or determined by reference to a currency other than the U.S. dollar are described under “—*Foreign Currency Discount Notes*” below.

For U.S. federal income tax purposes, a Note, other than a Note with a term of one year or less, will be treated as issued at an OID if the excess of the Note’s “stated redemption price at maturity” over its issue price equals or exceeds a *de minimis* amount (0.25 percent of the Note’s stated redemption price at maturity multiplied by the number of complete years to its maturity (or, in the case of a Note that provides for payments other than qualified stated interest before maturity, its “weighted average maturity”). The “stated redemption price at maturity” of a Note is the sum of all payments required to be made on such Note other than “qualified stated interest” payments. The “issue price” of each Note in a particular offering will be the first price at which a substantial amount of that particular offering is sold (other than to an underwriter, broker, agent or wholesaler). The term “qualified stated interest” means stated interest that is unconditionally payable in cash or in property (other than debt instruments of the Issuer) at least annually at a single fixed rate or, subject to certain conditions, based on one or more interest indices. Interest is payable at a single fixed rate only if the rate appropriately takes into account the length of the interval between payments.

In the case of a Note issued with *de minimis* OID, the U.S. Holder generally must include such *de minimis* OID in income as stated principal payments are made on the Notes in proportion to the stated principal amount paid on the Note. Any amount of *de minimis* OID that has been included in income will be treated as capital gain.

Certain of the Notes may be redeemed prior to their maturity. Original Issue Discount Notes containing such features may be subject to rules that differ from the general rules discussed herein. Persons considering the purchase of Original Issue Discount Notes with such features should carefully examine the relevant Final Terms and any supplement to this Base Prospectus and should consult their own tax advisors with respect to such features since the tax consequences with respect to OID will depend, in part, on the particular terms and features of the Notes.

U.S. Holders of Original Issue Discount Notes with a maturity upon issuance of more than one year must, in general, include OID in income in advance of the receipt of some or all of the related cash payments. The amount of OID includible in income by the U.S. Holder of an Original Issue Discount Note is the sum of the “daily portions” of OID with respect to the Note for each day during the taxable year or portion of the taxable year in which such U.S. Holder held such Note (“**accrued OID**”). The daily portion is determined by allocating to each day in any “accrual period” a *pro rata* portion of the OID allocable to that accrual period. The “accrual period” for an Original Issue Discount Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. The amount of OID allocable to any accrual period is an amount equal to the excess, if any, of (a) the product of the Note’s adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of any qualified stated interest allocable to the accrual period. OID allocable to a final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period. Special rules will apply for calculating OID for an initial short accrual period. The “adjusted issue price” of a Note at the beginning of any accrual period is generally equal to its issue price increased by the accrued OID for each prior accrual period and reduced by any payments made on such Note (other than qualified stated interest) on or before the first day of the accrual period. Under these rules, a U.S. Holder will have to include in income increasingly greater amounts of OID in successive accrual periods.

In the case of an Original Issue Discount Note that is a Floating Rate Note, both the “yield to maturity” and “qualified stated interest” will be determined solely for purposes of calculating the accrual of OID as though the Note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to interest payments on the Note on its date of issue or, in the case of certain Floating Rate Notes, the rate that reflects the yield to maturity that is reasonably expected for the Note. Persons considering the purchase of Floating Rate Notes should carefully examine the relevant Final Terms and any supplement to this Base Prospectus and should consult their own tax advisors regarding the U.S. federal income tax consequences of the holding and disposition of such Notes.

U.S. Holders may elect to treat all interest on any Note as OID and calculate the amount includible in gross income under the constant yield method described above. For the purposes of this election, interest includes stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. U.S. Holders should consult their own tax advisors about this election.

#### *Fungible Issue*

The Issuer may, without the consent of the Holders of outstanding Notes, issue additional Notes with identical terms (except that the issue date, the issue price or the first payment of interest (if any) may be different in respect of different Tranches of the same Series). These additional Notes, even if they are treated for non-tax purposes as part of the same Series of Notes that was created on or before the Grandfather Date (the “**original Notes**”), in some cases may be treated as a separate Series for U.S. federal income tax purposes. In such a case, the additional Notes may be considered to have been issued with OID even if the original Notes had no OID, or the additional Notes may have a greater amount of OID than the original Notes. These differences may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes.

#### *Short-Term Notes*

In the case of Notes having a term of one year or less (“**Short-Term Notes**”), all payments (including all stated interest) will be included in the stated redemption price at maturity and, thus, U.S. Holders generally will be taxable on the discount in lieu of stated interest. The discount generally will be equal to the excess of the stated redemption price at maturity over the issue price of a Short-Term Note. In general, individuals and certain other cash method U.S. Holders of a Short-Term Note are not required to include accrued discount in their income currently unless they elect to do so (but will be required to include any stated interest in income as it is received). U.S. Holders that report income for United States federal income tax purposes on the accrual method and certain other U.S. Holders are required to accrue discount on such Short-Term Notes (as ordinary income) on a straight line basis, unless an election is made to accrue the discount



according to a constant yield method based on daily compounding. In the case of a U.S. Holder that is not required, and does not elect, to include discount in income currently, any gain realized on the sale, exchange or retirement of the Short-Term Note will generally be ordinary income to the extent of the discount accrued through the date of sale, exchange or retirement. In addition, a U.S. Holder that does not elect to include currently accrued discount in income may be required to defer deductions for a portion of the U.S. Holder's interest expense with respect to any indebtedness incurred or continued to purchase or carry such Notes.

#### *Foreign Currency Discount Notes*

OID for any accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency will be determined for any accrual period in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described under “—*Foreign Currency Denominated Interest*” above. Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or retirement of a Note), a U.S. Holder will recognize foreign currency gain or loss in an amount determined in the same manner as interest income received by a Holder on the accrual basis, as described under “—*Foreign Currency Denominated Interest*” above.

#### *Notes Purchased at a Premium*

A U.S. Holder that purchases a Note for an amount in excess of the sum of all amounts payable on the Note after the purchase date other than qualified stated interest will be considered to have purchased the Note at a “premium.” A U.S. Holder generally may elect to amortize the premium over the remaining term of the Note on a constant yield method as an offset to interest when includible in income under the U.S. Holder's regular accounting method. In the case of a Note that is denominated in, or determined by reference to, a foreign currency, note premium will be computed in units of foreign currency, and amortizable note premium will reduce interest income in units of the foreign currency. At the time amortized note premium offsets interest income, exchange gain or loss (taxable as ordinary income or loss) is realized measured by the difference between exchange rates at that time and at the time of the acquisition of the Notes. Any election to amortize note premium shall apply to all notes (other than notes the interest on which is excludable from gross income) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. Premium on a Note held by a U.S. Holder that does not make such an election will decrease the gain or increase the loss otherwise recognized on disposition of the Note.

#### *Sale, Exchange or Retirement*

A U.S. Holder's tax basis in a Note generally will be its U.S. dollar cost (as defined herein) increased by the amount of any OID included in the U.S. Holder's income with respect to the Note and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortizable premium applied to reduce interest on the Note. The U.S. dollar cost of a Note purchased with a foreign currency generally will be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable treasury regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

A U.S. Holder generally will recognize gain or loss on the sale or retirement of a Note equal to the difference between the amount realized on the sale or retirement (less any accrued but unpaid interest, which will be taxable as such) and the tax basis of the Note. The amount realized on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of such amount on the date of sale or retirement or, in the case of Notes traded on an established securities market, as defined in the applicable treasury regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. Gain or loss recognized on the sale or retirement of a Note (other than gain or loss that is attributable to OID, or to changes in exchange rates, which will be treated as ordinary income or loss) will be capital gain or loss and will be long-term capital gain or loss if the Note was held for more than one year. The deductibility of capital losses is subject to limitations.

Gain or loss recognized by a U.S. Holder on the sale or retirement of a Note that is attributable to changes in exchange rates will be treated as ordinary income or loss. However, exchange gain or loss is taken into account only to the extent of total gain or loss realized on the transaction. Gain or loss realized by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source income or loss.

#### *Sale or Exchange of Foreign Currency*

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time such interest is received or at the time of such sale or retirement. Foreign currency that is purchased generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognized on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S.-source ordinary income or loss.

### *Reportable Transaction Reporting*

Under certain U.S. Treasury Regulations, U.S. Holders that participate in “reportable transactions” (as defined in the regulations) must attach to their U.S. federal income tax returns a disclosure statement on Form 8886. A reportable transaction includes transactions involving foreign currency losses exceeding a statutory amount. U.S. Holders should consult their own tax advisors as to the possible obligation to file Form 8886 with respect to the ownership or disposition of the Notes, or any related transaction, including without limitation, the disposition of any non-U.S. currency received as interest or as proceeds from the sale or other disposition of the Notes.

### *Foreign Financial Asset Reporting; Surtax*

Individuals and certain domestic entities closely held by individuals that hold an interest in a “specified foreign financial asset” are required to attach certain information regarding such assets to their income tax return for any year in which the aggregate value of all such assets exceeds U.S.\$ 50,000. A “specified foreign financial asset” includes any depository or custodial accounts at an FFI, non-publicly traded debt or equity interest in an FFI, and to the extent not held in an account at a financial institution, (i) stocks or securities issued by non-U.S. persons; (ii) any financial instrument or contract held for investment that has an issuer or counterparty which is not a U.S. person; and (iii) any interest in a non-U.S. entity. Penalties may be imposed for the failure to disclose such information regarding specified foreign financial assets. U.S. Holders are advised to consult their tax advisors regarding the potential reporting requirements that may be imposed on them by this legislation with respect to their ownership of the Notes.

Certain U.S. Holders of Notes who are individuals, estates or trusts will be required to pay a 3.8 percent tax on net investment income, including on interest and capital gains. U.S. Holders of Notes should consult their tax advisors regarding the effect, if any, of this legislation on their acquisition, ownership and disposition of the Notes.

### *Non-U.S. Holders*

Under U.S. federal income tax law currently in effect, subject to the discussion under “—U.S. Backup Withholding and Information Reporting” below, payments of interest (including OID) on a Note to a Non-U.S. Holder generally will not be subject to U.S. federal income tax unless the income is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States (and, if an income tax treaty applies, unless the income is attributable to a Non-U.S. Holder’s permanent establishment in the United States).

Subject to the discussion under “—U.S. Backup Withholding and Information Reporting” below, any gain realized by a Non-U.S. Holder upon the sale, exchange or retirement of a Note generally will not be subject to U.S. federal income tax, unless (i) the gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States (and, if an income tax treaty applies, unless the income is attributable to a Non-U.S. Holder’s permanent establishment in the United States) or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met.

### *U.S. Backup Withholding and Information Reporting*

Backup withholding and information reporting requirements may apply to certain payments of principal of, and interest on, Notes and to proceeds of the sale or redemption of Notes made within the United States or through certain U.S. or U.S.-related brokers, to certain Holders of Notes. The payor will be required to backup withhold on such payments to a Holder of a Note that is a U.S. person, other than an “exempt recipient,” if the Holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Payments of principal and interest to a Holder of a Note that is not a U.S. person will not be subject to backup withholding and information reporting requirements if an appropriate certification is provided by the Holder to the payor and the payor does not have actual knowledge or a reason to know that the certificate is incorrect. The backup withholding rate is 28 percent.

The above summary is not intended to constitute a complete analysis of all tax consequences relating to the ownership of Notes. Prospective purchasers of Notes should consult their own tax advisors concerning the tax consequences of their particular situations.

### **The Proposed Financial Transaction Tax (“FTT”)**

On February 14, 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia, (the “**participating Member States**”). Estonia has since officially announced its withdrawal from the negotiations.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional Member States may decide to participate and/or certain of the participating Member States may withdraw. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

## CERTAIN ERISA CONSIDERATIONS

ERISA and Section 4975 of Code, impose certain requirements on (a) employee benefit plans subject to Title I of ERISA, (b) individual retirement accounts, Keogh plans or other arrangements subject to Section 4975 of the Code, (c) entities whose underlying assets include “plan assets” by reason of any such plan’s or arrangement’s investment therein (the foregoing shall be collectively referred to as “**Plans**”) and (d) persons who are fiduciaries with respect to Plans. In addition, certain governmental, church and non-U.S. plans (“**Non-ERISA Arrangements**”) are not subject to Section 406 of ERISA or Section 4975 of the Code, but may be subject to similar provisions under applicable federal, state, local, foreign or other regulations, rules or laws (“**Similar Laws**”).

In addition to ERISA’s general fiduciary standards, Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of a Plan and persons who have specified relationships to the Plan, that is, “parties in interest” as defined in ERISA or “disqualified persons” as defined in Section 4975 of the Code (collectively, the foregoing shall be referred to as “parties in interest”) unless exemptive relief is available under an exemption issued by the U.S. Department of Labor. Parties in interest that engage in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code. The Bank and its current and future affiliates may be parties in interest with respect to many Plans. Thus, a Plan fiduciary considering an investment in the Notes should also consider whether such an investment might constitute or give rise to a prohibited transaction under ERISA or Section 4975 of the Code. For example, the Notes may be deemed to represent a direct or indirect sale of property, extension of credit or furnishing of services between the Bank and an investing Plan which would be prohibited if the Bank was a party in interest with respect to the Plan unless exemptive relief were available under an applicable exemption.

In this regard, each prospective purchaser that is, or is acting on behalf of, a Plan, and proposes to purchase Notes, should consider the exemptive relief available under the following prohibited transaction class exemptions, or PTCEs: (A) the in-house asset manager exemption (PTCE 96-23), (B) the insurance company general account exemption (PTCE 95-60), (C) the bank collective investment fund exemption (PTCE 91-38), (D) the insurance company pooled separate account exemption (PTCE 90-1) and (E) the qualified professional asset manager exemption (PTCE 84-14). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code may provide a limited exemption for the purchase and sale of securities and related lending transactions, provided that neither the issuer of the securities nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of the Plan involved in the transaction and provided further that the Plan pays no more, and receives no less, than adequate consideration in connection with the transaction (the so-called “service provider exemption”). There can be no assurance that any of these statutory or class exemptions will be available with respect to transactions involving the Notes.

Each purchaser or holder of a security, and each fiduciary who causes any entity to purchase or hold a Note, shall be deemed to have represented and warranted, on each day such purchaser or holder holds such Notes, that either (i) it is neither a Plan nor a Non-ERISA Arrangement and it is not purchasing or holding Notes on behalf of or with the assets of any Plan or Non-ERISA arrangement; or (ii) its purchase, holding and subsequent disposition of such Notes shall not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any applicable provision of Similar Law.

Each purchaser of a Note will have exclusive responsibility for ensuring that its purchase, holding and subsequent disposition of such Note does not violate the fiduciary or prohibited transaction rules of ERISA, the Code or any applicable Similar Laws. Nothing herein shall be construed as a representation that an investment in the Notes would meet any or all of the relevant legal requirements with respect to investments by, or is appropriate for, Plans or Non-ERISA Arrangements generally or any particular Plan or Non-ERISA Arrangement.

Fiduciaries of any Plans and Non-ERISA Arrangements should consult their own legal counsel before purchasing the Notes.

## **LEGAL MATTERS**

Certain legal matters in connection with the offering of the Notes will be passed upon for the Bank by White & Case LLP as to English law and United States federal law. Certain legal matters in connection with the offering of the Notes will be passed upon for the Arranger and the Dealers by Davis Polk & Wardwell London LLP as to English law and United States federal law.

## **INDEPENDENT AUDITORS**

The consolidated financial statements of the Group as at and for the years ended December 31, 2016 and 2015 have been audited by Deloitte, independent auditors as stated in their reports incorporated by reference into this Base Prospectus.

## **ADDITIONAL INFORMATION**

### **Name, Registered Office and Date of Registration**

Danske Bank A/S  
2-12 Holmens Kanal  
DK-1092 Copenhagen K  
Denmark

Telephone: +45 33 44 00 00

The Issuer is a commercial bank with limited liability, duly registered on October 5, 1871 in Denmark.

### **Registration**

The Issuer is registered with the Danish Commerce and Companies Agency under Danish corporate registration number 61126228.

### **Objectives**

According to Article 2.1 of the Articles of Association, the objectives of the Issuer are to conduct banking business of every nature, as well as other kinds of business permitted under Danish law.

### **Financial Year and Financial Reporting**

The financial year of the Issuer runs from January 1 to December 31.

The Issuer publishes quarterly interim financial statements.

### **Auditors**

The Group's current auditors elected at the most recent annual General Meeting of the Issuer held on March 17, 2016 are, and the consolidated financial statements of the Group as at and for the years ended December 31, 2016 and 2015 have been audited by:

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
DK-2300 Copenhagen S  
Denmark.

### **Admission to Listing and Trading**

Application has been made to the Irish Stock Exchange for Notes issued under the Program to be admitted to the Official List and trading on its regulated market.

However, Notes may be issued pursuant to the Program which will not be admitted to listing on the Official List of the Irish Stock Exchange and admitted to trading and/or quotation by the regulated market of the Irish Stock Exchange or any other listing authority, stock exchange and/or quotation system or which will be admitted to listing, trading and/or quotation by such listing authority, stock exchange and/or quotation system as the Issuer and the relevant Dealer(s) may agree.

### **Listing Agent**

The Irish Listing Agent is Matheson and the address of its registered office is 70 Sir John Rogerson's Quay, Dublin 2, Ireland. Matheson is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to trading on the regulated market of the Irish Stock Exchange.

### **Authorizations**

The establishment of the Program was authorized by a resolution of the Board of Directors of the Issuer passed on September 11, 2008. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorizations in connection with the issue and performance of the Notes.

**Material Adverse Change and Significant Change**

There has been no:

- (i) significant change in the financial position of the Issuer or of the Issuer and its subsidiaries taken as a whole since December 31, 2016, the last day of the financial period in respect of which the most recent financial statements of the Issuer have been prepared; and
- (ii) material adverse change in the prospects of the Issuer since December 31, 2016, the last day of the financial period in respect of which the most recently audited financial statements of the Issuer have been prepared.

**Registered Office of the Issuer**

**DANSKE BANK A/S**  
2-12 Holmens Kanal  
DK-1092 Copenhagen K  
Denmark

**ARRANGER**

**Merrill Lynch, Pierce, Fenner & Smith Incorporated**  
One Bryant Park  
New York, NY 10036  
United States

**DEALERS**

**BNP Paribas Securities Corp.**  
787 Seventh Avenue  
New York, NY 10019  
United States

**Citigroup Global Markets Inc.**  
388 Greenwich Street  
New York, NY 10013  
United States

**Credit Suisse Securities (USA) LLC**  
11 Madison Avenue  
New York, NY 10010  
United States

**Danske Bank A/S**  
2-12 Holmens Kanal  
DK-1092 Copenhagen K  
Denmark

**Goldman, Sachs & Co.**  
200 West Street  
New York, NY 10282  
United States

**HSBC Securities (USA) Inc.**  
HSBC Tower  
452 Fifth Avenue  
New York, NY 10018  
United States

**J.P. Morgan Securities LLC**  
383 Madison Avenue  
New York, NY 10179  
United States

**Merrill Lynch, Pierce, Fenner & Smith Incorporated**  
One Bryant Park  
New York, NY 10036  
United States

**Morgan Stanley & Co. LLC**  
1585 Broadway, 29th Floor  
New York, NY 10036  
United States

**UBS Securities LLC**  
1285 Avenue of the Americas  
New York, NY 10019  
United States

**Wells Fargo Securities, LLC**  
550 South Tryon Street  
Charlotte, NC 28202  
United States



## **LEGAL ADVISORS**

*To the Issuer:*

*As to United States and English law:*

1155 Avenue of the Americas  
New York, NY 10036  
United States

**White & Case LLP**  
5 Old Broad Street  
London EC2N 1DW  
United Kingdom

Pohjoisesplanadi 37 A  
FI-00100 Helsinki  
Finland

*As to Danish law:*

**Flemming S. Pristed**  
Group General Counsel  
Danske Bank A/S  
2-12 Holmens Kanal  
DK-1092 Copenhagen K  
Denmark

*To the Dealers:*

*As to United States and English law:*

**Davis Polk & Wardwell London LLP**  
5 Aldermanbury Square  
London EC2V 7HR  
United Kingdom

## **AUDITOR**

*To the Issuer:*

**Deloitte Statsautoriseret Revisionspartnerselskab**  
Weidekampsgade 6  
DK-2300 Copenhagen S  
Denmark

## **LISTING AGENT**

**Matheson**  
70 Sir John Rogerson's Quay  
Dublin 2  
Ireland

## **FISCAL AGENT**

**U.S. Bank National Association**  
100 Wall Street  
New York, NY 10005  
United States