Annual Report 2014

Danske Bank Group

Contents

Letter to our shareholders

We are pleased to report that 2014 was a year of significant progress for Danske Bank.

The macroeconomic environment did not offer much support as the year saw a continuation of low interest rate levels and slow growth. Despite this, we managed to increase the topline across our business as a result of a firm focus on delivering value to customers.

The combination of an improved topline, lower costs and lower loan impairments resulted in a net profit before goodwill impairments of DKK 12.9 billion and a return on equity before goodwill impairments of 8.5%. These are the best results since 2007 and give us confidence that we are on track to deliver on our targets. As a result of expected weaker long-term macroeconomic developments, we made goodwill impairments of DKK 9.1 billion.

The year 2014 also brought several significant events. In April, we repaid the hybrid capital raised from the Danish state in 2009 at the height of the financial crisis. Indicating confidence in our progress, Standard & Poor's and Moody's upgraded our credit ratings. We also made considerable headway in winding up our Irish Non-core operations, and last, but by no means least, we resumed dividend payments to our shareholders for the first time in five years. This year, we are pleased to propose a dividend in line with our long-term ambitions.

With these achievements, we believe that 2014 marks the end of a string of challenging years. As confirmed by both Danish and European stress tests, Danske Bank is today a strong, well-capitalised bank with a solid platform and the capacity to meet the challenges and seize the opportunities that lie ahead.

In 2014, we also strengthened relations with our customers and saw an improvement in our underlying business. So although we are still not where we want to be in terms of customer satisfaction or return on equity, we took another step in the right direction in both areas.

To further close the gap between our results and our ambitions, we continued to review our business areas to identify opportunities to increase value creation for customers and shareholders alike. As part of the review, we reaffirmed our commitment to remaining a Nordic universal bank. We took steps to reinforce and expand our Personal Banking market positions in Sweden and Norway, where we are confident that our challenger position offers considerable opportunities.

Our business banking operations are already gaining momentum and volume in both markets. We also decided to refocus our business in the Baltics towards our corporate customers and we will invest in strengthening our platform and product offering in these markets.

To adapt to changes in the market and the regulatory framework, we took further steps to create a more diversified and client-centric business model for our Corporate & Institutions unit. This will provide a more stable income stream and will also optimise capital consumption and improve cost efficiency.

We will continue to review our business and take new initiatives to ensure a return on shareholders' equity of above 12.5% in 2018 at the latest. This will include actions aimed at further optimising capital consumption and lowering funding costs as well as a continued focus on cost and income improvements. At our business units, we will continue to focus on expanding our customer offering and improving the customer experience through innovation and optimisation of our product portfolio. We believe the plan is ambitious but realistic, and we are confident that it will bring our performance in line with our ambitions and targets.

On the strength of our solid capital position, the Board of Directors is pleased to propose a dividend of DKK 5.5 per share, or 43% of the net profit for the year before goodwill impairments. Furthermore, the Board of Directors has decided to initiate a share buy-back programme of DKK 5 billion in 2015.

Our progress in 2014 was first and foremost a result of the dedication and hard work of our more than 18,000 employees across the organisation, and we would like to express our gratitude to all of them for their efforts.

We are determined to maintain our progress and to execute our strategy of becoming a more customer-centric, simple and efficient bank.

Going forward, we will continue to leverage our unique combination of deep expertise and creative innovation to realise our ambition of being recognised as the most trusted financial partner.

Ole Andersen
Chairman of the
Board of Directors

Thomas F. Borgen
Chief Executive Officer

Financial highlights – Danske Bank Group

INCOME STATEMENT (DKK millions)	2014	2013	Index 14/13	2012	2011	2010
Net interest income	23,107	22,077	105	22,778	23,537	23,843
Net fee income	10,491	9,468	111	8,866	8,298	8,699
Net trading income	6,562	5,799	113	10,562	7,325	7,707
Other income	1,344	1,308	103	1,285	3,648	3,882
Net income from insurance business	2,362	1,088	217	2,171	569	2,146
Total income	43,866	39,740	110	45,662	43,377	46,277
Operating expenses	22,641	23,794	95	24,642	25,826	26,010
Goodwill impairment charges	9,099	-	-	-	161	-
Profit before loan impairment charges	12,126	15,947	76	21,020	17,390	20,267
Loan impairment charges	2,788	4,111	68	7,680	13,185	13,817
Profit before tax, core	9,338	11,836	79	13,340	-	-
Profit before tax, Non-core*	-1,503	-1,777	-	-4,801	-	-
Profit before tax	7,835	10,059	78	8,539	4,205	6,450
Tax	3,989	2,944	135	3,814	2,482	2,786
Net profit for the year	3,846	7,115	54	4,725	1,723	3,664
Net profit for the year before goodwill impairments	12,945	7,115	182	4,725	1,884	3,664
Attributable to additional tier 1 capital etc.**	261	-	-	4	11	3

BALANCE SHEET (END OF YEAR) (DKK millions)	2014	2013	Index 14/13	2012	2011	2010
Due from credit institutions and central banks	63,786	53,714	119	113,657	74,041	89,619
Repo loans	290,095	316,079	92	307,177	256,027	306,962
Loans	1,563,729	1,536,773	102	1,640,656	1,698,025	1,679,965
Trading portfolio assets	742,512	695,722	107	812,966	909,755	641,993
Investment securities	330,994	161,917	204	107,724	109,264	118,556
Assets under insurance contracts	268,450	246,484	109	241,343	230,668	217,515
Total assets in Non-core*	32,329	41,837	77	33,100	-	-
Other assets	161,120	174,531	92	228,326	146,623	159,276
Total assets	3,453,015	3,227,057	107	3,484,949	3,424,403	3,213,886
Due to credit institutions and central banks	126,800	132,253	96	241,238	177,592	175,825
Repo deposits	400,618	331,091	121	359,276	269,515	202,603
Deposits	763,441	776,412	98	783,759	795,275	800,613
Bonds issued by Realkredit Danmark	655,965	614,196	107	614,325	557,699	555,486
Other issued bonds	330,207	310,178	106	340,005	366,920	450,219
Trading portfolio liabilities	550,629	435,183	127	531,860	697,913	478,386
Liabilities under insurance contracts	287,315	262,468	109	266,938	248,966	238,132
Total liabilities in Non-core*	4,950	17,476	28	4,831	-	-
Other liabilities	138,943	135,924	102	136,928	117,340	130,544
Subordinated debt	41,028	66,219	62	67,785	67,328	77,336
Additional tier 1 etc.**	5,675	-	-	4	60	15
Shareholders' equity	147,445	145,657	101	138,000	125,795	104,727
Total liabilities and equity	3,453,015	3,227,057	107	3,484,949	3,424,403	3,213,886

RATIOS AND KEY FIGURES	2014	2013	Index 14/13	2012	2011	2010
Dividends per share (DKK)	5.5	2.0		-	-	-
Earnings per share (DKK)	3.6	7.1		5.0	1.9	4.9
Diluted earnings per share (DKK)	3.6	7.1		5.0	1.9	4.9
Return on avg. shareholders' equity (%)***	2.4	5.0		3.6	1.4	3.6
Return before goodwill impairments on avg. shareholders' equity (%)***	8.5	5.0		3.6	2.1	3.6
Return on avg. tangible equity (%)****	10.3	6.4		5.3	2.6	5.5
Net interest income as % p.a. of loans and deposits	0.99	0.95		0.94	0.94	0.96
Cost/income ratio (%)	72.4	59.9		54.0	59.9	56.2
Cost/income ratio before goodwill impairments (%)	51.6	59.9		54.0	59.5	56.2
Total capital ratio (%)	19.3	21.4		21.3	17.9	17.7
Common equity tier 1 capital ratio (%)	15.1	14.7		14.5	11.8	10.1
Share price (end of year) (DKK)	167.4	124.4		95.7	73.0	132.3
Book value per share (DKK)	147.5	145.6		138.0	135.7	140.0
Full-time-equivalent staff (end of year)	18,478	19,122		20,126	21,320	21,522

* Changes have been made to the highlights for 2013, as presented in note 2.
** Additional tier 1 capital holders and non-controlling interests.
*** Ratios are calculated as if the additional tier 1 capital is classified as a liability. Average shareholders' equity is calculated as a quarterly average.
**** The ratio is adjusted for intangible assets. Average tangible equity is calculated as a quarterly average.

Executive summary

"2014 was a year of considerable progress for Danske Bank. Our focus on delivering value to our customers helped strengthen our underlying business and our results," says Thomas F. Borgen, Chief Executive Officer. "Although we still have some way to go to meet our ambitions and realise the full potential of Danske Bank, the progress confirms that we are on track to deliver on our targets. We will continue to diligently execute our strategy to become a more customer-centric, simple and efficient bank for the benefit of both customers and shareholders."

- Danske Bank Group generated a net profit for 2014 of DKK 3.8 billion. The net profit was affected by goodwill impairments of DKK 9.1 billion. Before goodwill impairments, net profit rose 82% to DKK 12.9 billion, against DKK 7.1 billion in 2013 and DKK 4.7 billion in 2012. The increase was driven by growth in all income lines, lower expenses and lower loan impairments.

- The Board of Directors is proposing a dividend of DKK 5.5 per share, corresponding to 43% of net profit before goodwill impairments.

- The return on shareholders' equity after tax was 2.4% for 2014. The return before goodwill impairments on shareholders' equity was 8.5%, against 5.0% for 2013, and the return before goodwill impairments on tangible equity was 10.3%, against 6.4% for 2013.

- Net interest income rose 5% from the level in 2013, despite persistently low interest rates. Net interest income benefited primarily from the repayment in April 2014 of the hybrid capital raised from the Danish state, a higher investment return from our liquidity bond portfolio and lower funding costs.

- Net fee income totalled DKK 10.5 billion and was up 11% from the year-earlier level, mainly because of stronger customer activity at the banking units and positive developments at Danske Capital.

- Net trading income rose 13% from 2013. The increase was driven primarily by higher income at Group Treasury resulting from the sale of our shares in Nets and higher client-driven income at Corporates & Institutions on the basis of stronger activity within transaction banking and capital markets. Income from our FICC (Fixed Income, Commodities and Currencies) operations fell because of persistently low volatility, low interest rates and new regulatory requirements.

- Net income from insurance business amounted to DKK 2.4 billion, against DKK 1.1 billion in 2013. The increase in income resulted from the booking of the risk allowance to income for all of the four interest rate groups and booking of part of the shadow account balance.

- Operating expenses fell 5% to DKK 22.6 billion, and the cost/income ratio before goodwill impairments improved 8.3 percentage points to 51.6%. This was achieved through ongoing cost efficiency measures.

- The goodwill impairments of DKK 9.1 billion are the result of assumptions about weaker long-term macroeconomic developments and relate to the activities in Finland, Northern Ireland and Estonia. The goodwill impairments do not relate to the expected short-term developments at the individual business units.

- Loan impairments in our core activities remained low and stood at DKK 2.8 billion, or 0.15% of lending and guarantees, against 0.21% in 2013.

- The result of Non-core activities, which consist mainly of the portfolio of Non-core Ireland exposures, was a loss before tax of DKK 1.5 billion, against a loss of DKK 1.8 billion in 2013.

- In November, Moody's raised Danske Bank's long-term rating from Baa1 to A3. This improvement followed the increase by Standard & Poor's (S&P) of Danske Bank's long-term rating to A from A- in April.

- The common equity tier 1 capital ratio and the total capital ratio were 15.1% and 19.3%, respectively, against 14.7% and 21.4% at 31 December 2013. Our capital base remained strong, also after deduction of the proposed dividends. With a liquidity coverage ratio (LCR) of 129% at 31 December 2014, our liquidity position also remained robust.

- On the back of improved earnings, reduced risk levels, our strong capital base and improved credit ratings, the Board of Directors has decided to initiate a share buy-back programme of DKK 5 billion in 2015.

- For 2015, we expect a net profit of above DKK 14 billion. Taking the goodwill impairments in 2014 into account, we are committed to a return on equity of 9.5% in 2015 and a long-term target of above 12.5%. See page 13 for our full outlook.

Strategy execution

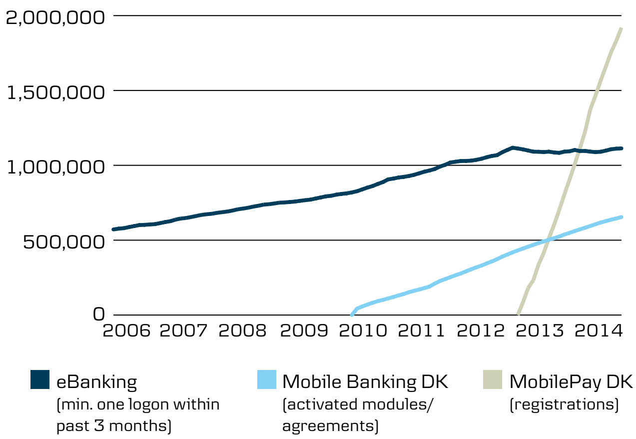
In 2014, we continued to make progress in improving our financial results and strengthening our relationships with customers.

Our focus on strengthening relationships with customers and creating a simpler and more efficient bank led to many different initiatives across the Group. We strengthened our advisory services with a new offering for small businesses and redesigned our advisory services set-up for young customers in Denmark. We also enhanced the customer programme in Denmark and introduced a similar benefit programme for personal banking customers in Finland. For our business and institutional customers, we introduced a new post-trade service and improved cash management solutions. These steps will, among other things, bring us forward to a new business model for Corporates & Institutions. The changed model will focus on attaining a more balanced income base through increased client-driven income throughout Corporates & Institutions and less volatility in income from our FICC operations.

We focused on optimising customer offerings throughout the Group to serve the Group's banking customers in relation to pension products, for example. We introduced managed account products also to private banking customers and expanded the offering of alternative investments.

We took a leading role in developing innovative solutions to meet our customers' demand for digital solutions, constantly offering new solutions and features that enhance the easy banking experience. MobilePay, MobilePay Business and the Danske OneTrader trading platform are examples of this effort. MobilePay now has more than 1.9 million users, and some 5,000 businesses have started using MobilePay Business or are in the process of starting. We further developed MobilePay and MobilePay Business, which now offers three packages to meet business customers' needs. Our range of MobilePay solutions now supports all types of business customers, including customers in the public sector. We also launched the digital guide Danske Guide in Denmark and Finland and rolled out Danica Pension Check to all customers with a company pension scheme.

TRENDS IN THE USE OF DIGITAL SOLUTIONS



We reaffirmed our position as a Nordic universal bank with a presence in Denmark, Sweden, Norway and Finland. We took steps to reinforce and expand our Personal Banking market positions in Sweden and Norway, aiming at growth rates at the same level as in Business Banking. In both countries, we strengthened the management team. In Norway, we got off to a good start with an agreement with the Akademikerne federation to offer our services to more than 100,000 of its members, and we continued to develop our digital offering. In Sweden, we continued our efforts to clearly position Danske Bank as a competitive full-service bank. We focused on further strengthening advisory competencies and upgrading our digital offering to sustain the positive trend in customer satisfaction.

With the successful execution of cost-reduction initiatives and cost awareness in all areas, we reduced expenses to well below DKK 23 billion. The measures included a reduction of costs related to salaries, consultancy services, marketing and other discretionary items. We will strengthen our global workforce setup with Group Services operations in Lithuania and insourcing of activities in India to support further cost reductions in the coming years.

We made considerable headway with our winding-up of the Non-core Ireland operations. Total lending was reduced from DKK 53.7 billion to DKK 37.5 billion, and all transaction accounts were closed. After the first half of 2015, only the personal mortgage portfolio will remain on our books. In respect of our commercial and residential investment property portfolio, property sales increased significantly and totalled 1,634 properties. Most of the properties in the remaining portfolio are on the market, under offer or disposed off subject to contract.

Business review Baltics

Danske Bank serves personal and business customers in Estonia, Latvia and Lithuania. End-2014, our lending volume totalled DKK 18.8 billion.

Building on a strategy of being a Nordic bank that supports the needs of business customers also when they do business outside the Nordic region, we want to strengthen our existing business banking operations in the Baltics to the benefit of Nordic as well as local business customers. We will leverage our strong group offerings and products by enhancing our set-up for online business solutions and introducing market-leading business products within transaction banking, such as cash management, to our corporate customers. We will support this process by investing around DKK 100 million over the next 1-2 years, mainly to establish a shared IT platform for the Baltic banks with considerable integration with Group systems. The focus on corporate customers and improved product and service offerings are expected to drive profitable growth.

Our current personal customer operations in the Baltics do not have sufficient scale to generate an acceptable return, and we do not foresee a turnaround to a sustainable profitability level. We have therefore decided to exit our personal banking operations and are considering various options. We will honour our obligations to service our current customer base, and the exit could therefore last for several years. The number of branches and the headcount will be reduced. From 1 January 2015, the personal banking activities will be presented as Non-core operations.

Revised targets

With our financial performance for full year 2014, we are well on our way to meeting our short-term financial ambition for the return on equity. The goodwill impairments recognised in 2014 mean that our 12% target is adjusted to 12.5%. At the same time, our 9% target for 2015 is adjusted to 9.5%. We aim to achieve 12.5% by 2018 at the latest.

In 2014, we saw a positive development from our efforts to improve our ratings, with upgrades from both Standard & Poor's (S&P) and Moody's. We aim to continue to improve our A ratings, which will require another upgrade from Moody's and a change in the S&P outlook.

We are maintaining the targets for our capital ratios at a minimum of 13% for the CET1 capital ratio and 17% for the total capital ratio. We aim to keep our capital ratios comfortably in excess of the minimum targets in order to maintain a strong capital position. In the current low-growth environment, which entails macroeconomic and regulatory uncertainty, we consider a CET1 capital ratio of around 14% and a total capital ratio well above 17% as appropriate levels. We revise our capital policy at least once a year.

We have previously announced a longer-term ambition to make dividend payments of about 40% of net profit for the year, once this is deemed prudent. The strong capital base and the credit rating upgrades achieved in 2014 enable us to meet this ambition with the dividend payments proposed for 2014. Going forward, we will strive to pay ordinary dividends of 40-50% of net profit.

We intend to return excess capital to our shareholders. From time to time, we may adjust the capital structure through distributions if excess capital is available after ordinary dividends have been paid and our capital targets have been met.

Financial targets	Target	Status at 31 December 2014	Comments	2015 ambition
Shareholders' return on equity	Above 12.5%*	8.5% before goodwill impairments	Initiatives progressing as planned	9.5%
Ratings	A ratings	S&P/Moody's/Fitch A/A3/A Negative/Stable/ Stable	In progress, upgrade from S&P in April 2014 and from Moody's in November 2014	S&P rating outlook improved to stable
Common equity tier 1 capital ratio	Minimum 13%	15.1%	Met since end-2012	Around 14%
Total capital ratio	Minimum 17%	19.3%	Met since end-2012	Well above 17%
Dividend payments	Payout of 40-50% of net profit	43% of net profit before goodwill impairments (proposed)	Met with 2015 payments (proposed)	Payout of 40-50% of net profit

* 2018 at the latest ambition.

Bridge to a return on equity of above 12.5%

To increase the return on equity to above 12.5% in 2018 at the latest, we will launch various initiatives.

With a low-interest-rate macroeconomic environment and subdued growth, we expect only low growth in lending demand. We are confident, however, that our continuing focus on customer satisfaction, product innovation, and optimisation of the product mix and pricing will improve our financial performance. In addition, our plans for Sweden and Norway will drive profitable growth and our improved ratings will enable more business at Corporates & Institutions that will support net trading income. At Corporates & Institutions, we are changing the business model to increase client-driven income within less capital-intensive activities and to reduce volatility in income from our FICC operations. We also expect further improvements in the results at Danske Capital and Danica Pension during the period.

A strict cost focus and optimal use of our resources remain on our agenda, and will also be important factors for improving our performance. The ongoing improvement in funding costs, supported by improved ratings, will also have a positive effect.

Loan impairments are expected to remain at a low level. In addition, our non-core business in Ireland will consist of the personal mortgage portfolio only and will therefore no longer have any significant effect on the profit and loss. As our Non-core business in Ireland will be reduced significantly, it will require much less capital.

Capital optimisation is also an important part of our initiatives to improve performance. Our optimisation of the product mix will take capital requirements into account. Overall, we foresee further de-risking as we grow income predominantly within less capital-intensive business areas.

In summary, all business units will contribute to the increase in the return on equity, along with our initiatives to optimise capital and lower funding costs.

Dividend proposal for 2014

In line with our dividend policy, the Board of Directors is proposing a dividend for 2014 of DKK 5.5 per share, or 43% of net profit before goodwill impairments. For 2013, we paid dividend of DKK 2 per share.

After the ordinary dividend payout and given our improved earnings, strong capital base and credit rating upgrades, we see room for a further distribution to shareholders.

The Board of Directors has therefore decided to adjust our capital structure and initiate a share buy-back programme of DKK 5 billion in 2015. As a replacement, in whole or in part, of the redeemed equity, we will consider other securities issues as a means of optimising the capital structure and with the objective to maintain adequate excess capital relative to our minimum capital targets and the minimum regulatory requirements. During 2015, we will continue to monitor our capital base.

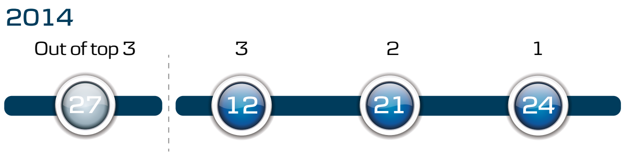
With our proposal for dividend payments and share buy-back, we remain well-capitalised and confirm our strong commitment to maintaining a strong capital base while returning excess capital to shareholders.

Customer satisfaction

In our efforts to strengthen our market position, improving customer satisfaction remains a key priority. We have not yet reached our overall target of being ranked number one or two in our focus segments in all our markets, but with our results in 2014, we have taken steps in the right direction.

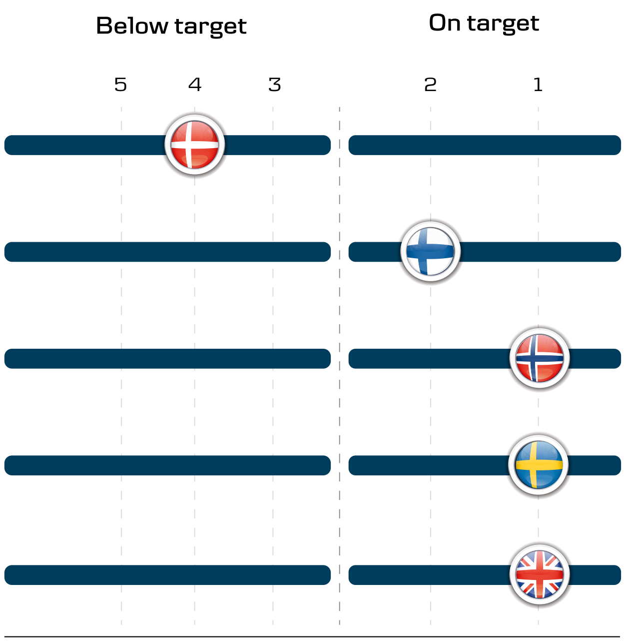
The charts below show our current ranking among peers in our focus segments in each country.

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



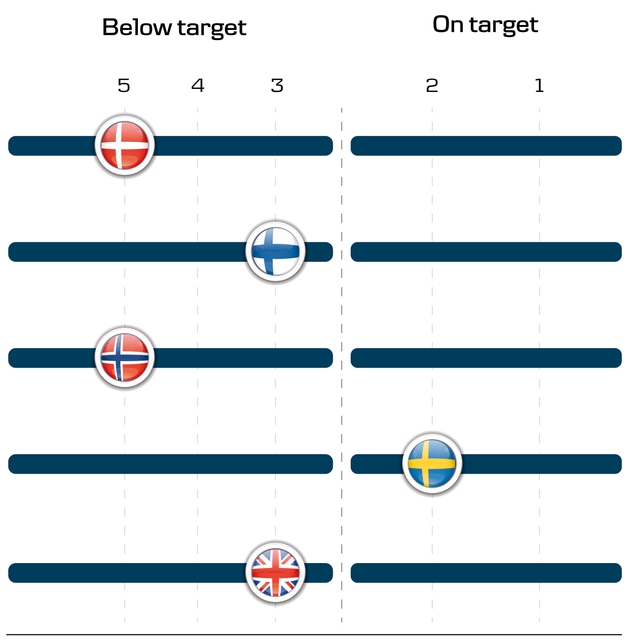
Corporates & Institutions saw high customer satisfaction. Again in 2014, customers across the Nordic countries awarded us the number one position in Institutional Banking, Nordics (Prospera survey). We also received the number one position in Corporate Banking, Denmark, and runner-up position in the Nordics. In total, Corporates & Institutions ranked in the top three in 57 out of 84 surveys in the Nordic countries, with the number one position in 24 surveys.

Business Banking customer satisfaction



Source: BD Sales & Customer Engagement, Customer Insights

Personal Banking customer satisfaction



Source: PB Strategy & Insights, Customer Insights

Satisfaction among Business Banking customers is steadily improving, and in four of five markets, we were above or on par with our peers. In Denmark, we have seen a slightly positive trend since mid-2014, but our position was unchanged.

In 2014, Danske Bank Sweden received the prize as the Best Business Bank of the Year in the Swedish Finansbarometern survey, sharing first place with another bank. The respondents in the survey give us high ratings in their evaluation of the quality of our advisory services and our product and services offering.

At Personal Banking, customer satisfaction is below target in all markets except Sweden. In Denmark and Finland, however, satisfaction among personal customers is moving steadily in the right direction, albeit from a low level. In Norway and Northern Ireland, customer satisfaction declined to below-target levels. We are working hard every day to enhance the customer experience and to be more proactive at all touch points because we know that the more interaction we have with our customers, the more they value our competencies and services. Customer satisfaction with Private Banking remained high. We were named best private banking bank in Denmark by Euromoney magazine and Financial Times, and Danske Bank Private Banking in Norway was rated number one (Prospera survey).

Danske Capital continued to see high customer satisfaction, and was ranked second in the Nordic market in overall performance and market penetration (Prospera survey).

The most recent Aalund Business Research survey ranked Danica Pension fourth overall in Denmark. Our target for customer satisfaction was not reached, but we saw positive developments.

Improved customer satisfaction remains a key prerequisite for achieving our long-term goals. In 2014, we saw a satisfactory development in several markets and business units. While we are on target in some areas, we still have some way to go in others, however. We expect the improvement to continue, as we maintain a firm focus on delivering value to our customers and on executing our strategy to become a more customer-centric, simple and efficient bank.

It will be difficult to deliver on our overall target to be ranked number one or two in our focus segments by the end of 2015. However, we remain firmly committed to our target of being in the top two across our business units, and we will continue our efforts to improve and monitor our continued progress very closely.

Market conditions

Conditions in the financial markets

In 2014, the global economy improved but was subject to substantial headwinds. The stock markets finished higher, albeit with large fluctuations during the year, especially in Europe. Bond yields in core Europe fell to new historical lows as inflation dropped close to zero and the recovery did not take hold.

The events during the first weeks of 2015, in particular the unexpected action by the Swiss central bank and the quantitive easing programme announced by the ECB, show that Europe will continue to struggle with macroeconomic challenges.

Conditions in our home markets

The Danish economy experienced slow, modest growth throughout 2014. Growth was driven by slowly increasing domestic demand. Employment rose gradually as well, and house prices continued the positive trend of the past couple of years. Domestic growth and the housing market in particular were stimulated by very low interest rates. Export growth was limited by persistently low growth rates in Europe. Agricultural exports in particular were adversely affected by the economic sanctions between Russia and Europe. Growth is expected also in 2015, but still at a slow pace.

The Swedish economy also grew slowly in 2014, mainly because of domestic demand driven by record-low interest rates. House prices rose also in 2014 and reached a record-high level. The higher house prices and increased household debt prompted the Swedish central bank and the FSA to intensify their effort to redress macroeconomic imbalances. We expect growth to slow over the coming year as domestic demand abates.

The Norwegian economy remains strong, but the significant drop in oil prices since August has made Norway more vulnerable. Oil investments are expected to decline, but stronger global growth, a weaker NOK and a supportive fiscal policy are likely to support decent growth in mainland GDP in 2015.

The Finnish economy began to expand again, albeit slightly, in 2014 despite pressure from the economic sanctions between Russia and the EU. The weak recovery is expected to continue in 2015, but growth will depend on a stronger export performance to make up for the fall in exports to Russia.

Ireland and Northern Ireland are showing progress, with positive growth, declining unemployment and rising house prices. The positive trend is expected to carry into 2015.

Outlook for 2015

Our guidance for 2015 is based on expectations of slow and still fragile macroeconomic growth and a continuation of low interest rate levels in our core markets.

We expect total income at around the same level as in 2014. Income will benefit from lower funding costs and slightly higher customer activity. In 2014, income benefited from the sale of Nets and the booking of part of the shadow account balance at Danica Pension.

Expenses are expected to be below DKK 22 billion.

Impairment charges in our core activities are expected to remain at a low level.

We expect net profit for 2015 of above DKK 14 billion.

This guidance is generally subject to uncertainty and depends on economic conditions, including the development in monetary policy by the central banks. Our trading income and insurance business income are particularly uncertain. The 2015 results for trading and insurance will depend greatly on developments in the financial markets and the possibility for Danica Pension to book the risk allowance and part of the balance on the shadow account to income.

Financial review

INCOME STATEMENT (DKK millions)	2014	2013	Index 14/13	Q4 2014	Q3 2014	Index Q4/Q3	Q2 2014	Q1 2014
Net interest income	23,107	22,077	105	5,880	5,976	98	5,900	5,351
Net fee income	10,491	9,468	111	2,966	2,640	112	2,480	2,405
Net trading income	6,562	5,799	113	977	1,525	64	2,195	1,865
Other income	1,344	1,308	103	366	304	120	365	309
Net income from insurance business	2,362	1,088	217	1,032	488	211	437	405
Total income	43,866	39,740	110	11,221	10,933	103	11,377	10,335
Operating expenses	22,641	23,794	95	6,090	5,530	110	5,589	5,432
Goodwill impairment charges	9,099	-	-	9,099	-	-	-	-
Profit before loan impairment charges	12,126	15,947	76	-3,968	5,403	-	5,788	4,903
Loan impairment charges	2,788	4,111	68	853	668	128	626	641
Profit before tax, core	9,338	11,836	79	-4,821	4,735	-	5,162	4,262
Profit before tax, Non-core	-1,503	-1,777	-	-477	-232	-	-162	-632
Profit before tax	7,835	10,059	78	-5,298	4,503	-	5,000	3,630
Tax	3,989	2,944	135	987	1,231	80	953	818
Net profit for the year	3,846	7,115	54	-6,285	3,272	-	4,047	2,812
Net profit for the year before goodwill impairment charges	12,945	7,115	182	2,814	3,272	86	4,047	2,812
Attributable to additional tier 1 etc.	261	-	-	80	81	99	82	18

In 2014, Danske Bank Group posted a net profit before goodwill impairments of DKK 12.9 billion, up DKK 5.8 billion from the level in 2013. Net profit was DKK 3.8 billion. The net profit before goodwill impairments was in line with the revised guidance announced in the interim report for the first nine months of 2014.

Income

Total income amounted to DKK 43.9 billion and was up 10% from the level in 2013.

Net interest income totalled DKK 23.1 billion, an increase of 5% from the year-earlier level. The main reason for the increase was the repayment of the hybrid capital raised from the Danish state and higher income from our liquidity bond portfolio.

Net interest income was adversely affected by low interest rates and an adjustment of the funds transfer pricing model. The model stipulates the internal charge payable by each business unit for funding and was adjusted to reflect the current conditions in the liquidity market. The adjustment caused a corresponding increase in net trading income and consequently had no effect on total income.

Net fee income rose 11% to DKK 10.5 billion. Net fee income benefited from increased customer activity at all banking units and positive developments at Danske Capital.

Net trading income totalled DKK 6.6 billion, an increase of 13% from the year-earlier level. The increase was generated primarily by improved income at Group Treasury, including the gain of DKK 1.0 billion from the sale of our shares in Nets in July 2014. At Corporates & Institutions, client-driven income rose on the strength of higher activity in transaction banking and the capital markets. Income from our FICC (Fixed Income, Commodities and Currencies) operations fell because of persistently low volatility, low interest rates and new regulatory requirements.

Net income from insurance business rose DKK 1.3 billion. The increase resulted from the booking of the risk allowance to income for all of the four interest rate groups and partial booking of the shadow account balance.

Expenses

Operating expenses fell 5% to DKK 22.6 billion because of continuing cost-efficiency measures.

The goodwill impairments are the result of assumptions about weaker long-term macroeconomic developments and relate to the activities in Finland, Northern Ireland and Estonia. Since the impairments are based on long-term assessments, they are not related to expected short-term developments at the individual units.

Expenses for VAT, bank tax and financial services employer tax amounted to DKK 2.2 billion, against DKK 2.1 billion in 2013.

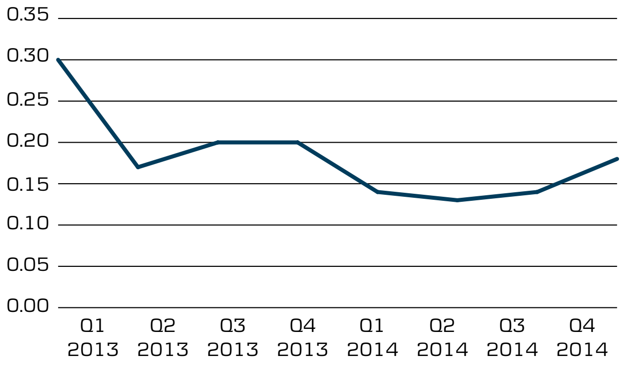
Loan impairments

Loan impairments in core activities declined to DKK 2.8 billion, or 0.15% of lending and guarantees, against DKK 4.1 billion, or 0.21% of lending and guarantees, in 2013.

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

LOAN LOSS RATIO, CORE ACTIVITIES

(%)



LOAN IMPAIRMENT CHARGES

(DKK millions)	2014 Charges	2014 % of lending and guarantees	2013 Charges	2013 % of lending and guarantees
Personal Banking	1,412	0.17	1,887	0.22
Business Banking	1,007	0.17	1,751	0.27
C&I	372	0.07	473	0.09
Total	2,788	0.15	4,111	0.21

Tax

Tax on the profit for the year amounted to DKK 4.0 billion, or 23.6% of the profit before goodwill impairments and tax.

Q4 2014 vs Q3 2014

In the fourth quarter of 2014, Danske Bank posted a profit before goodwill impairments of DKK 2.8 billion.

At DKK 5.9 billion, net interest income decreased slightly, primarily as a result of declining interest rates.

Net trading income amounted to DKK 1.0 billion, against DKK 1.5 billion in the third quarter. The decrease was owing mainly to low risk appetite among our investors, as we continue to see a negative effect in the markets from geopolitical tensions, and a negative value adjustment in our portfolio of short-dated mortgage bonds.

The insurance business generated net income of DKK 1.0 billion, against DKK 0.5 billion in the third quarter. Income improved because of the booking of DKK 0.6 billion from the shadow account.

Operating expenses rose 10% from the third-quarter level to DKK 6.1 billion. The increase was owing to severance and other restructuring costs and higher IT and marketing costs.

Loan impairments in core activities amounted to DKK 0.9 billion, of which DKK 0.3 billion related to AQR adjustments, mainly in Denmark.

Balance sheet

LENDING (END OF PERIOD) (DKK billions)	2014	2013	Indeks 14/13	Q4 2014	Q3 2014	Indeks Q4/Q3	Q2 2014	Q1 2014
Personal Banking	794.1	808.1	98	794.1	806.5	99	802.0	804.8
Business Banking	633.7	612.6	103	633.7	636.5	100	630.1	622.3
C&I	172.4	154.4	112	172.4	175.7	98	167.6	169.0
Other Activities incl. eliminations	-4.1	-4.8	-	-4.1	-3.9	-	0.2	-3.8
Allowance account, lending	32.4	33.4	97	32.4	33.1	98	33.4	33.4
Total lending	1,563.7	1,536.8	102	1,563.7	1,581.7	99	1,566.5	1,558.9
DEPOSITS (END OF PERIOD)								
Personal Banking	329.5	333.9	99	329.5	330.7	100	335.7	330.0
Business Banking	259.8	263.4	99	259.8	258.0	101	256.0	259.0
C&I	174.2	179.3	97	174.2	171.7	102	171.0	189.4
Other Activities incl. eliminations	-0.1	-0.1	-	-0.1	0.7	-	0.9	3.3
Total deposits	763.4	776.4	98	763.4	761.1	100	763.6	781.7
BONDS ISSUED BY REALKREDIT DANMARK (END OF PERIOD)								
Bonds issued	656.0	614.2	107	656.0	656.0	100	648.1	624.0
Own holdings of bonds	88.5	116.8	76	88.5	91.4	97	95.0	115.8
Total Realkredit Danmark bonds	744.5	731.0	102	744.5	747.5	100	743.1	739.7
Other covered bonds	211.7	193.9	109	211.7	209.2	101	207.1	192.8
Deposits and issued mortgage bonds etc.	1,719.6	1,701.3	101	1,719.6	1,717.8	100	1,713.8	1,714.3
Lending as % of deposits and issued mortgage bonds etc.	90.9	90.3		90.9	92.1		91.3	90.9

Lending

At the end of 2014, total lending was up 2% from the level at the end of 2013. Most of Danske Bank's markets saw weak growth and low demand for credit.

In Denmark, new gross lending, excluding repo loans, amounted to DKK 74.4 billion. Lending to personal customers accounted for DKK 33.7 billion of this amount.

Our market share of total lending, including repo loans, in Denmark decreased to 26.5% from 26.9% at the end of 2013, and also the market share in Finland fell. In Sweden and Norway, market shares of lending increased slightly.

MARKET SHARES OF LENDING (%)	December 2014	December 2013
Denmark (excluding mortgage loans)	26.5	26.9
Finland*	9.8	10.3
Sweden*	4.9	4.8
Norway*	4.6	4.4

Source: Market shares are based on data from the central banks.
The market shares include repo loans, with the exception of the market shares for Sweden.
* The market shares for Finland, Sweden and Norway are based on data from the central banks at 30 November 2014.

Lending equalled 90.9% of the total amount of deposits, mortgage bonds and other covered bonds, against 90.3% at the end of 2013.

Deposits

At the end of 2014, total deposits were 2% below the level at the end 2013, with marginal decreases recorded in all markets. The Group maintained its strong funding position.

MARKET SHARES OF DEPOSITS (%)	December 2014	December 2013
Denmark	27.1	27.6
Finland*	11.9	12.2
Sweden*	4.2	4.7
Norway*	5.1	5.8

Source: Market shares are based on data from the central banks.
The market shares include repo deposits, with the exception of the market shares for Sweden.
* The market shares for Finland, Sweden and Norway are based on data from the central banks at 30 November 2014.

Credit exposure

Net credit exposure totalled DKK 3,722 billion, against DKK 3,395 billion at the end of 2013. Exposure from trading and investment activities amounted to DKK 1,074 billion of the total credit exposure, against DKK 858 billion at the end of 2013. Exposure from lending activities amounted to DKK 2,268 billion, against DKK 2,173 billion at the end of 2013. Part of the increase in the exposure from lending activities resulted from inclusion of loan offers in the exposure.

Home loans to personal customers accounted for 34% of the exposure from lending activities, and repo transactions accounted for some 13%. The credit quality of these portfolios is good.

Risk Management 2014, available at danskebank.com/ir, provides details on Danske Bank's credit risks.

Credit quality

Supported by slowly improving macroeconomic conditions, credit quality has improved since the end of 2013. Total non-performing loans (NPL) amounted to

DKK 29.4 billion, of which 36.0% was in default. NPL coverage ratios, after collateral haircuts, remained high.

The risk management notes on pp. [138-139] provide more information about non-performing loans.

NON-PERFORMING LOANS (NPL) (DKK millions)	31 Dec. 2014	31 Dec. 2013
Gross NPL	58,439	58,981
Individual allowance account	29,049	31,464
Net NPL	29,390	27,517
Collateral (after haircut)	24,722	22,977
NPL coverage ratio (%)	86.2	87.4
NPL coverage ratio of which is in default (%)	95.5	100.0
NPL as % of total gross exposure	2.5	2.7

The NPL coverage ratio is calculated as individual impairments (allowance account) amounts relative to gross NPL net of collateral (after haircut).

Accumulated individual impairments amounted to DKK 29.0 billion, or 1.5% of lending and guarantees. Accumulated collective impairments amounted to DKK 4.0 billion, or 0.2% of lending and guarantees. The corresponding figures at 31 December 2013 were DKK 31.5 billion and DKK 3.3 billion, respectively.

ALLOWANCE ACCOUNT BY BUSINESS UNITS	2014		2013	
(DKK millions)	Accumulated impairment charges*	% of lending and guarantees	Accumulated impairment charges*	% of lending and guarantees
Personal Banking	8.382	1.03	8.319	1,01
Business Banking	21.493	3.28	23.655	3,74
C&I	3.157	0.54	2.775	0,49
Other	2	-	-	-
Total	33.034	1.72	34.748	1,84

* Includes allowances for both loans and guarantees.

Recognised losses amounted to DKK 5.3 billion, against DKK 5.0 billion at the end of 2013. Of these losses, DKK 0.8 billion was attributable to facilities not already subject to impairment.

Asset Quality Review

On the basis of the AQR, the Danish FSA assessed in October 2014 that impairments should have been increased by DKK 1.6 billion at the end of 2013. Of this amount, DKK 0.9 billion was recognised during the first nine months of 2014. The remaining amount was recognised in the fourth quarter of 2014 on the basis of the actual loan book.

In addition, we received orders to improve the impairment process and to implement a model that enhances the use of market-implied data from the valuation of the credit risk on derivatives by the end of 2014. This model was implemented in the fourth quarter with a negative P/L effect before tax of DKK 0.5 billion that was partially offset by the release of unamortised customer margins.

All relevant information regarding the AQR is available at danskebank.com/ir.

Trading and investment activities

Credit exposure from trading and investment activities amounted to DKK 1,074 billion at 31 December 2014, against DKK 858 billion at 31 December 2013.

Danske Bank has made agreements with many of its counterparties to net positive and negative market values of derivatives. The net exposure was DKK 109 billion, against DKK 73 billion at the end of 2013, and most of it was secured through collateral management agreements.

The value of the bond portfolio was DKK 654 billion. Of the total bond portfolio, 84.0% was recognised at fair value and 16.0% at amortised cost.

BOND PORTFOLIO (%)	31 Dec. 2014	31 Dec. 2013
Government bonds and bonds guaranteed by central or local governments	35	35
Bonds issued by quasi-government institutions	1	1
Danish mortgage bonds	45	44
Swedish covered bonds	11	14
Other covered bonds	3	2
Corporate bonds	5	4
Total holdings	100	100
Hold-to-maturity bonds included in total holdings	16	10
Available-for-sale bonds included in total holdings	9	10

Changes to financial highlights 2015

In 2015, the following changes will be implemented in the presentation of the Group's financial highlights:

- The liquidity portfolio was transferred from Danske Bank Markets to Group Treasury during the third quarter of 2014. At Danske Bank Markets, the cost of holding the liquidity portfolio was booked under net trading income. At Group Treasury, the cost will be borne by the internal bank and booked under net interest income from 1 January 2015.
- So far, brokerage and debt capital market fees have been disclosed as net trading income. Income from these services is rightly net fee income and will be disclosed as such from 1 January 2015.
- We have decided to exit our personal banking activities in the Baltics. Consequently, Baltic personal banking customers are transferred to the Non-core unit from 1 January 2015.

The changes will not affect net profit. Note 38 shows adjusted highlights for 2014.

Personal Banking

Key developments from 2013 to 2014

- Profit before tax and goodwill impairments of DKK 4.6 billion, up 60%
- Return on allocated capital before goodwill impairments of 14.4%, up 4.6 percentage points
- Total income of DKK 16.7 billion, matching the level in 2013
- Net interest income of DKK 10.8 billion, down 2%
- Operating expenses of DKK 10.6 billion, down 9%
- Loan impairments of DKK 1.4 billion, down 25%
- Cost/income ratio before goodwill impairments improved to 64%, down 7 percentage points

Profit before tax and goodwill impairments rose as a result of higher net fee income, tight cost control and improved household finances that led to a decline in loan impairments.

PERSONAL BANKING (DKK millions)	2014	2013	Index 14/13	Q4 2014	Q3 2014	Index Q4/Q3	Q2 2014	Q1 2014
Net interest income	10,764	11,009	98	2,660	2,761	96	2,728	2,615
Net fee income	4,567	4,204	109	1,224	1,157	106	1,124	1,062
Net trading income	723	644	112	264	141	187	113	205
Other income	632	667	95	137	165	83	192	138
Total income	16,686	16,524	101	4,285	4,224	101	4,157	4,020
Operating expenses	10,626	11,738	91	2,839	2,509	113	2,626	2,652
Goodwill impairment charges	5,539	-	-	5,539	-	-	-	-
Profit before loan impairment charges	521	4,786	11	-4,093	1,715	-	1,531	1,368
Loan impairment charges	1,412	1,887	75	517	342	151	216	337
Profit before tax	-891	2,899	-	-4,610	1,373	-	1,315	1,031
Profit before goodwill impairment charges and tax	4,648	2,899	160	929	1,373	68	1,315	1,031
Loans, excl. reverse trans. before impairments	794,063	808,087	98	794,063	806,466	98	801,985	804,827
Allowance account, loans	7,668	7,691	100	7,668	7,420	103	7,486	7,558
Deposits, excl. repo deposits	329,463	333,852	99	329,463	330,717	100	335,724	329,959
Bonds issued by Realkredit Danmark	426,203	419,907	101	426,203	426,149	100	422,522	424,302
Allocated capital (average)	31,722	29,613	107	29,855	32,143	93	32,483	32,431
Net interest income as % p.a. of loans and deposits	0.96	0.96		0.95	0.98		0.97	0.93
Profit before loan impairment charges as % p.a. of allocated capital before goodwill impairments	18.8	16.2		18.2	21.3		18.9	16.9
Profit before tax as % p.a. of allocated capital (ROE) before goodwill impairments	14.4	9.8		11.7	17.1		16.2	12.7
Cost/income ratio before goodwill impair-ments (%)	63.7	71.0		66.3	59.4		63.2	66.0
Full-time-equivalent staff	6,617	6,856	97	6,617	6,796	97	6,813	6,780

Note 2 provides financial highlights at country level for Personal Banking.

We continued to deliver on our two customer promises: making it easy for our customers to bank with us and providing proactive financial care. Moreover, we further expanded the offering under our customer programmes and strengthened our specialist services to young customers and private banking customers. In view of our growth ambitions for Sweden and Norway, we took initiatives to strengthen our market positions in these countries.

Consolidating our customer offering

We further strengthened the offering under our customer programme in Denmark, adding new benefits such as investment services and discounts on certain customer packages for customers who are also business customers. One of the improvements is that we include labour market pension savings at Danica Pension in customers' business volume with us.

In Finland, we successfully launched a similar benefit programme that rewards customers who use our investment and loan services.

We strengthened our offering to young customers in Denmark by launching Young Direct – a team of specialists serving young and student customers.

Convenient mobile solutions

Our banking apps are now available for all smartphones and tablets, and our unique spending overview is available in all markets.

The number of registered MobilePay users in Denmark exceeded 1.9 million, and with the rapidly increasing number of businesses (both online and physical) and public authorities that accept payment by MobilePay, transaction volume is soaring. In the fourth quarter, the average daily transaction volume exceeded DKK 30 million.

In Denmark and Finland, we launched Danske Guide in our mobile, tablet and eBanking solutions to proactively offer customers individualised advice on how to optimise their finances.

Strong private banking offering across borders

We continued to strengthen our relations with private banking customers through a 360-degree perspective on their assets and financial opportunities.

We further developed our international offering to accommodate customers' increasing mobility, and we are successfully positioning our London branch as an attractive choice for Nordic private banking customers living in the UK.

We received a number of awards that reflect our strong offering. For example, we were named the best private banking bank in Denmark by Euromoney magazine and Financial Times, and Danske Bank Private Banking in Norway was rated number one in a Prospera survey.

Personal Banking in Sweden and Norway

The potential for growing our business in Sweden and Norway is good. In Norway, we got off to a good start with an agreement with the Akademikerne federation to offer our services to more than 100,000 of its members. We also launched a digital mortgage guide that helps customers looking for a new home to make decisions, not only on financing but also on savings and insurance, according to their life situation.

In Sweden, we further strengthened our advisory competencies, promoted our full-service offering in nationwide campaigns and upgraded our digital offering with the popular spending overview.

2014 vs 2013

Profit before tax and goodwill impairments increased 60% to DKK 4.6 billion, and the return on allocated capital before goodwill impairments improved 4.6 percentage points to 14.4%. The main reasons were lower loan impairments, improved fee and trading income and efficiency gains.

Total income amounted to DKK 16.7 billion. Net fee income rose 9% and net trading income rose 12% owing mainly to higher market activity within housing and investments.

Operating expenses decreased 9% because of lower staff and premises costs and back-office efficiency improvements.

Loan impairments fell 25% to DKK 1.4 billion as household finances improved.

Credit exposure

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

Total net credit exposure increased to DKK 812 billion in 2014, mainly because of the inclusion of loan offers in the exposure. Excluding this effect, total exposure measured in Danish kroner fell. Measured in local currency, exposure increased slightly in 2014. This was primarily the result of an increase in activity in Norway.

(DKK millions)	Net credit exposure 31 Dec. 2014	31 Dec. 2013	Impairments (%) 31 Dec. 2014
Denmark	538,980	540,644	0.24
Finland	92,234	95,895	0.06
Sweden	71,552	74,137	0.07
Norway	85,461	71,890	0.02
Northern Ireland	18,499	16,638	-0.25
Other	5,631	5,589	0.05
Total	812,357	804,792	0.17

Improved credit quality

An increase in customers' disposable income strengthened the credit quality of Personal Banking Denmark's loan portfolio. The delinquency rate at Realkredit Danmark was low and stable during 2014, and the loan loss ratio was also stable throughout the year.

The credit quality of Personal Banking customers also improved in most other markets as the proportion of customers with a low credit score fell.

Individual impairments continued their downward trend in 2014. Total impairments thus amounted to DKK 1.4 billion, which is significantly below the level in 2013. Total impairments rose in the fourth quarter, however, because of further collective impairments resulting from the asset quality review.

LOAN-TO-VALUE RATIO, HOME LOANS

	31 Dec. 2014 LTV (%)	Net credit exposure (DKK bn)	31 Dec. 2013 LTV (%)	Net Credit exposure (DKK bn)
Denmark	72.9	500	72.5	501
Finland	61.3	84	61.5	87
Sweden	65.8	61	67.4	67
Norway	63.5	65	62.2	67
Northern Ireland	71.3	17	78.4	15
Average	70.1		69.9	

Q4 2014 vs Q3 2014

Profit before tax and goodwill impairments decreased 32% to DKK 929 million because of higher loan impairments and costs in the fourth quarter.

Total income rose 1% because of higher fees generated by the mortgage, investment and trading activities. Net interest income was slightly lower in the fourth quarter, as low interest rates put pressure on deposit margins.

Operating expenses increased 13% because of higher IT and consultancy expenses relating to the ongoing development of online solutions, one-off marketing expenses and restructuring costs in the fourth quarter.

Loan impairment charges increased 51% because of the higher collective impairments that resulted from the asset quality review in the fourth quarter.

Business Banking

Key developments from 2013 to 2014

- Profit before tax and goodwill impairments of DKK 5.7 billion, up 18%
- Return on allocated capital before goodwill impairments of 13.5%, up 2.6 percentage points
- Total income of DKK 12.2 billion, up 1%
- Net interest income of DKK 9.0 billion, up 1%
- Operating expenses of DKK 5.5 billion, matching the level in 2013
- Loan impairments of DKK 1.0 billion, down 42%
- Cost/income ratio before goodwill impairments improved to 44.8%, down 0.6 of a percentage point

Profit before tax and goodwill impairments rose as a result of increased business momentum across all markets. Lending volumes and business activity rose during the year, which offset the impact of declining interest rate levels. Loan impairments benefited from efforts to improve credit quality and more stable market conditions.

BUSINESS BANKING (DKK millions)	2014	2013	Index 14/13	Q4 2014	Q3 2014	Index Q4/Q3	Q2 2014	Q1 2014
Net interest income	8,978	8,892	101	2,301	2,309	100	2,283	2,085
Net fee income	2,082	1,926	108	552	513	108	510	507
Net trading income	637	758	84	192	130	148	120	195
Other income*	516	495	104	136	114	119	134	132
Total income	12,213	12,071	101	3,181	3,066	104	3,047	2,919
Operating expenses	5,473	5,482	100	1,555	1,269	123	1,301	1,348
Goodwill impairment charges	3,559	-	-	3,559	-	-	-	-
Profit before loan impairment charges	3,181	6,589	48	-1,933	1,797	-	1,746	1,571
Loan impairment charges	1,007	1,751	58	161	342	47	205	299
Profit before tax	2,174	4,838	45	-2,094	1,455	-	1,541	1,272
Profit before goodwill impairment charges and tax	5,733	4,838	118	1,465	1,455	101	1,541	1,272
Loans, excl. reverse trans. before impairments	633,746	612,573	103	633,746	636,507	100	630,075	622,318
Allowance account, loans	21,267	22,726	94	21,267	22,442	95	22,634	22,885
Deposits, excl. repo deposits	259,770	263,424	99	259,770	258,044	101	255,999	259,040
Bonds issued by Realkredit Danmark	294,661	290,237	102	294,661	297,583	99	296,442	290,230
Allocated capital (average)	42,084	44,483	95	39,698	42,585	93	43,151	42,934
Net interest income as % p.a. of loans and deposits	1.03	1.04		1.06	1.06		1.06	0.97
Profit before loan impairment charges as % p.a. of allocated capital before goodwill impairments	15.9	14.8		15.9	16.9		16.2	14.6
Profit before tax as % p.a. of allocated capital (ROE) before goodwill impairments	13.5	10.9		14.3	13.7		14.3	11.9
Cost/income ratio before goodwill impairments (%)	44.8	45.4		48.9	41.4		42.7	46.2
Full-time-equivalent staff	3,608	3,759	96	3,608	3,607	100	3,670	3,688

* Operational leasing, excluding property leasing, is presented on a net basis under Other income.
Note 2 provides financial highlights at country level for Business Banking.

We continued to improve our customer offering by making it easier to bank with us through targeted solutions and improvement of our digital channels. We introduced a new advisory setup and attractive customer packages for small businesses and successfully launched MobilePay Business and a MobilePay solution for municipalities. We also delivered on our promise to increase the speed of credit processing.

Increased business momentum

Business Banking generally saw increased business momentum, with a positive trend in volumes in all markets, particularly in Finland, Norway and Sweden.

Targeted solutions

After the launch in May of a new advisory setup and attractive customer packages for small Danish businesses, we saw a strong increase in customer inflow in this segment. This contributed to a net inflow of customers in Denmark in the second half of the year. The increase was also owing to the launch of MobilePay Business and our enhanced setup for start-up businesses. These businesses now have access to a dedicated team that provides specialist advice, which is part of our efforts to support new business initiatives in Denmark.

In December, we launched the small business customer solutions in Norway, with proactive advice and complete banking packages tailored to the needs of small businesses.

Initiatives well received by customers

In the Euromoney Real Estate Awards 2014 survey, Realkredit Danmark was named the best provider of real estate products and services to business customers in Denmark, and the survey reflected our general progress in the Nordic region. In 2013, we established specialist centres for large real estate customers in the Nordic capitals, and the award shows that customers appreciate this targeted approach.

We were also named business bank of the year by Swedish companies in the 2014 “Finansbarometern” survey. The award shows that our strategic initiatives are well received by customers.

Easy banking

In February, we launched MobilePay Business in Denmark. The solution enables retailers to receive payments from their customers through mobile phones. It has become the leading mobile payment solution for businesses, and by the end of 2014, some 5,000 businesses had started using MobilePay Business or were in the process of starting. In November, we expanded the solution to three packages (MobilePay Business One, Plus and Pro), enabling customers to choose the package that best meets their needs.

In July, we introduced MobilePay Online for a limited number of online retailers, enabling them to receive payments from their customers through MobilePay. In October, we launched a solution for municipalities that enables users to use MobilePay to pay for a number of services, and more than 30 municipalities have now started using the solution. Our range of MobilePay solutions now supports all types of business customers, including customers in the public sector.

In the fourth quarter, we added features to the Mobile and Tablet Business apps, such as new options for contacting us when it suits our customers.

In addition, small businesses can now apply for financing 24/7 via Business Online and Business eBanking as well as on our website. We also added an option that allows new customers to sign up on the website, providing a smooth customer experience and short response times.

2014 vs 2013

Business Banking’s return on allocated capital before goodwill impairments improved from 10.9% in 2013 to 13.5% in 2014, mainly because of a significant drop in loan impairments.

Total income increased 1% as income initiatives and more business compensated for lower interest rate levels and a reduction of the F1 FlexLån® loan volume to reduce refinancing risk.

With an increase of 8%, net fee income showed a satisfactory trend.

Trading income fell, primarily because of a sharp reduction in the F1 FlexLån® loan volume.

Operating expenses fell slightly as efficiency improvements and lower costs for IT and consultancy services were partly offset by higher expenses for severance payments.

Credit exposure

Credit exposure to business customers amounted to DKK 711 billion at the end of 2014, against DKK 639 billion at the end of 2013. The increase was partly the result of inclusion of loan offers in the exposure.

	Net credit exposure		Impairments (%)
(DKK millions)	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014
Denmark	402,035	378,808	0.32
Finland	63,422	49,904	0.18
Sweden	123,229	107,249	-
Norway	64,779	53,815	0.19
Northern Ireland	30,946	26,899	-1.16
Baltics	26,802	22,656	-0.07
Other	5	10	-
Total	711,219	639,343	0.17

Credit quality improving

Ongoing efforts to improve credit quality in the wake of the financial crisis, combined with more stable conditions in most markets, contributed to customer rating category upgrades and a significant reduction in loan impairment charges.

Impairment charges fell to DKK 1.0 billion in 2014 from DKK 1.8 billion in 2013, a reduction of 42%. The decline was driven by a drop in individual impairments, primarily in Denmark, and in impairments relating to the commercial property sectors in Northern Ireland and Norway.

The outlook for the Danish agricultural sector deteriorated over the second half of 2014 because of lower sales prices and the Russian embargo. These factors were the main reasons for the increase in collective impairments.

Q4 2014 vs Q3 2014

Profit before tax and goodwill impairments amounted to DKK 1.5 billion in the fourth quarter, and the return on allocated capital before goodwill impairments increased from 13.7% to 14.3%, primarily owing to declining loan impairments and higher income offsetting higher costs relating to severance and other restructuring as well as IT and marketing in the fourth quarter.

Total income increased 4% from DKK 3.1 billion to DKK 3.2 billion, mainly because of margins on refinancing of FlexLån® loans in December.

Net interest income remained stable, even though deposit margins were under pressure as a result of declining interest rates. Net fee income showed a satisfactory rise in the fourth quarter.

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

Operating expenses rose owing to higher costs relating to severance and other restructuring as well as IT and marketing.

At DKK 0.2 billion, impairments were at a low level in the fourth quarter.

Corporates & Institutions

Key developments from 2013 to 2014

- Profit before tax of DKK 4.1 billion, up 23%
- Return on allocated capital of 10.9%, matching the level in 2013
- Total income of DKK 9.1 billion, up 8%
- Net interest income of DKK 2.7 billion, up 18%
- Client-driven income of DKK 8.2 billion, up 17%
- Operating expenses of DKK 4.6 billion, up 1%
- Impairments of DKK 0.4 billion, down 21%
- Cost/income ratio improved to 50.6%, down 3.8 percentage points

Profit before tax rose as a result of increased client activity and higher net interest income, while Market Making income was significantly lower than in 2013. Lower loan impairments also contributed to increasing profit before tax. Operating expenses were largely unchanged despite the restructuring costs incurred during the year.

CORPORATES & INSTITUTIONS (DKK millions)	2014	2013	Index 14/13	Q4 2014	Q3 2014	Index Q4/Q3	Q2 2014	Q1 2014
Net interest income	2,717	2,306	118	717	713	101	689	599
Net fee income	1,542	1,218	127	405	428	95	356	354
Net trading income*	4,855	4,894	99	978	1,342	73	1,155	1,380
Other income	7	17	40	4	1	-	2	1
Total income	9,121	8,435	108	2,103	2,483	85	2,201	2,334
Operating expenses	4,614	4,588	101	1,196	1,115	107	1,177	1,126
Profit before loan impairment charges	4,507	3,847	117	907	1,368	66	1,024	1,208
Loan impairment charges	372	473	79	177	-15	-	205	5
Profit before tax	4,135	3,374	123	730	1,383	53	819	1,203
Loans and advances, excl. reverse trans. before impairments	172,393	154,406	112	172,393	175,743	98	167,608	169,028
Allowance account, loans	2,782	2,410	115	2,782	2,620	106	2,598	2,399
Deposits, excl. repo deposits	174,221	179,273	97	174,221	171,715	101	171,033	189,398
Bonds issued by Realkredit Danmark	23,636	20,856	113	23,636	23,768	99	24,136	25,168
Allocated capital (average)	37,789	31,471	120	37,458	36,609	102	38,393	38,723
Net interest income as % p.a. of loans and deposits	0.79	0.70		0.83	0.83		0.82	0.67
Profit before loan impairment charges as % p.a. of allocated capital	11.9	12.2		9.7	14.9		10.7	12.5
Profit before tax as % p.a. of allocated capital (ROE)	10.9	10.7		7.8	15.1		8.5	12.4
Cost/income ratio (%)	50.6	54.4		56.9	44.9		53.5	48.2
Full-time-equivalent staff	1,643	1,571	105	1,643	1,508	109	1,532	1,562

TOTAL INCOME (DKK millions)	2014	2013	Index 14/13	Q4 2014	Q3 2014	Index Q4/Q3	Q2 2014	Q1 2014
General Banking	4,275	3,635	118	1,106	1,112	99	1,077	980
Capital Markets	901	624	144	230	243	95	221	207
Sales and Research	2,985	2,719	110	794	674	118	809	708
Market Making	960	1,457	66	-27	454	-	93	440
Total income	9,121	8,435	108	2,103	2,483	85	2,201	2,334

* All income from Capital Markets, Sales and Research and Market Making, except for Corporate Finance, is presented under Net trading income.

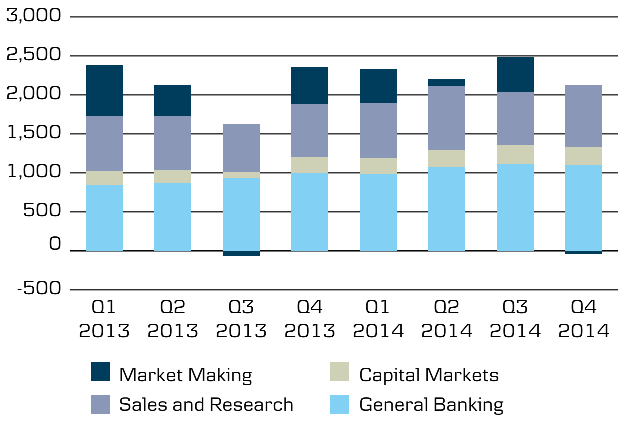
We kept our focus on client-driven income and less capital-intensive activities. We introduced post-trade services for corporate and institutional clients and launched Danske OneTrader, an electronic foreign exchange trading platform.

Transformation of the business model

We continued to transform our business model to fit the new regulatory environment and to withstand changing market developments. This entails attaining a more balanced income base through increased client-driven income and less volatility in income from our FICC operations. Part of the strategy is to develop a stronger capital markets and transaction banking operation by leveraging our good client relations and offering additional services and opportunities in this area. This will result in a more balanced income distribution between areas with differing return dynamics.

As illustrated below, client-driven income from Capital Markets, Sales and Research, and General Banking increased and amounted to DKK 8.2 billion for the year, up 17% from 2013.

TOTAL INCOME
(DKK millions)



In the second quarter of 2014, we took initiatives to reduce our cost base and reprioritise resources to less capital-intensive areas with more advisory content.

However, the return on allocated capital remained unsatisfactory in 2014.

Capital Markets

Capital Markets' activity was strong throughout 2014. At DKK 0.9 billion, Capital Markets' income rose 44% from 2013. The increase was owing to positive developments in a number of areas:

Corporate Finance won several key mandates, including DONG Energy, Meda, and Gränges. Our Swedish franchise had a record year, which included three IPO mandates.

Equities further developed the franchise with good financial results, especially within equity capital markets.

Leveraged Finance had a strong year with high client activity.

Debt Capital Markets won several euro benchmark mandates from European sovereigns, including Finland, Sweden, Ireland and Portugal.

There was high activity within new corporate issues, including euro transactions for Avinor, Danfoss and ISS.

Corporate high-yield activity increased substantially and included a joint bookrunner role on a large high-yield bond issue of SEK 2.5 billion for Com Hem.

General Banking

Client activity continued to increase, especially within lending and cash management, which drove an increase in General Banking income of 18% from the level in 2013.

Customer satisfaction with our transaction banking products remained very high, with clients ranking Danske Bank number one in Trade Finance for the fourth consecutive year and number one in Cash Management in the Nordics (Prospera). Euromoney also named Danske Bank "Best Regional Cash Manager" in the Nordic and Baltic regions.

The post-trade services solution launched in the first quarter of 2014 in cooperation with Tryg is a good example of how our transaction banking services are improving and how we are expanding client relations through client-focused innovation.

We initiated the process of consolidating the full value chain in Transaction Banking. As a result of this consolidation, the staff number at Corporates & Institutions increased in the fourth quarter of 2014 and will do so also in the first quarter of 2015.

Market Making

The underlying conditions for Danske Bank's operations in the financial markets have changed over the past couple of years. Persistently low interest rates, low volatility in rates and new regulatory requirements are the conditions we are adapting to in order to ensure that we have a sustainable business model. We remain committed to supporting client trading in the financial markets.

Sales and Research

Danske OneTrader, our electronic foreign exchange trading and market information platform, was well received in the market. Since its launch in May, we have onboarded more than 500 clients.

We continued to develop our internationally recognised proprietary quantitative platform and research capabilities in order to service the complex needs of our clients.

2014 vs 2013

At DKK 4.1 billion, profit before tax was up 23% from the level in 2013. The main reason was an increase in client activity and increased net interest income. The return on allocated capital remained stable, however, as capital increased because of regulatory requirements.

Both net interest income and net fee income contributed to the improvement in General Banking income of 18%. Net interest income was driven by a higher lending volume and higher margins. Net fee income was fuelled by loan origination and refinancing activity. Cash Management activities contributed to the increase in both net interest income and net fee income.

At Capital Markets, income from bond issuance and corporate finance activities continued to increase owing to a strong development in client activity.

Sales and Research benefited from increased client flow across almost all products.

Market Making income decreased as difficult market conditions involving low rates and low volatility continued.

Operating expenses maintained the level from 2013 despite restructuring costs resulting from the adjustments made in the second quarter of 2014.

Loan impairments were down 21% in 2014. New impairments were made for a small number of clients.

Credit exposure

The loan portfolio quality at Corporates & Institutions is considered to be strong. At 31 December 2014, total credit exposure from lending activities, including repo transactions, amounted to DKK 712 billion. The total portfolio increased 3.6% from the level at year-end 2013, driven mainly by further lending to existing corporate clients. The exposure towards financial institutions remained stable, while sovereign exposure decreased from year-end 2013, mainly because of natural fluctuations in deposits with central banks.

Impairments have fluctuated over the past six quarters and are expected to continue to do so quarter-on-quarter. Total impairments for Corporates & Institutions in 2014 were down 21% from the level in 2013. Accumulated impairments (allowance account) totalled DKK 3.2 billion and related to a small number of corporate clients.

	Net credit exposure		Impairments (%)
(DKK millions)	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014
Sovereign	54,130	76,038	-0.01
Financial institutions	342,672	335,097	-0.02
Corporate	315,336	275,966	0.20
Other	98	99	1.08
Total	712,236	687,201	0.07

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

Q4 2014 vs Q3 2014

Profit before tax decreased 47% from the third quarter to the fourth quarter, mainly because of lower net trading income and higher loan impairments.

General Banking income maintained the level from the previous quarter.

At Capital Markets, bond issuance and corporate finance activity both decreased slightly from a high level in the third quarter.

Sales and Research posted an increase in income, as earnings from client-driven trading picked up after the slow summer months.

Market Making income decreased significantly, mainly because of volatility in European fixed-income markets towards the end of the year.

Operating expenses were up 7%, owing mainly to severance costs and an increase in other expenses, including IT.

Danske Capital

Key developments from 2013 to 2014

- Profit before tax of DKK 1.4 billion, up 24%
- Total income of DKK 2.4 billion, up 11%
- Expenses of DKK 1.0 billion, down 3%
- Performance fees of DKK 0.3 billion, down 10%

Assets under management and margins rose, resulting in a rise in income and consequently, a higher profit before tax. The rise in assets under management, 9% year-on-year, reflected improved sales to institutional clients and retail customers and gains on securities. Lower expenses also contributed to the improved profit.

DANSKE CAPITAL (DKK millions)	2014	2013	Index 14/13	Q4 2014	Q3 2014	Index Q4/Q3	Q2 2014	Q1 2014
Net interest income	2	-38	-	2	-1	-	1	-
Net fee income	2,402	2,186	110	825	554	149	529	494
Other income	1	16	6	-	2	-	-	-1
Total income	2,405	2,164	111	827	555	149	530	493
Operating expenses	999	1,033	97	253	258	98	260	228
Profit before loan impairment charges	1,406	1,131	124	574	297	193	270	265
Profit before tax	1,406	1,131	124	574	297	193	270	265
Loans and advances, excl. reverse trans. before impairments	340	296	115	340	319	107	332	333
Deposits, excl. repo deposits	132	219	60	132	230	57	254	116
Allocated capital (average)	2,567	2,557	100	2,540	2,577	99	2,572	2,580
Cost/income ratio (%)	41.5	47.7		30.6	46.5		49.1	46.2
Assets under management (DKK billions)	795	727	109	795	791	101	770	748

BREAKDOWN OF NET FEE INCOME (DKK millions)								
Performance fees	328	365	90	288	13	-	8	20
Other fee income	2,074	1,821	114	537	541	99	521	474
Total net fee income	2,402	2,186	110	825	554	149	529	494

Our main ambition is to deliver value to clients. In 2014, we focused especially on alternative investments, selected equity and fixed-income products and further development of our managed account solutions for retail customers.

Investment performance

Generating high investment returns for customers has always taken priority at Danske Capital. The table below shows the percentage of Danske Capital's investment products with above-benchmark returns for various asset classes in 2014 and for the period 2012-14.

% OF INVESTMENT PRODUCTS (GIPS COMPOSITES) WITH ABOVE-BENCHMARK RETURNS (PRE COSTS)	2014	2012-2014
All funds	58%	73%
Equity funds	62%	71%
Fixed-income funds	60%	84%
Balanced funds etc.	37%	61%

In 2014, 58% of all Danske Capital investment products generated above-benchmark returns. It was especially gratifying to see that the investment performance of equity funds improved in the latter part of 2014. The balanced funds were negatively impacted by the low duration of the fixed-income portion. A further fall in interest rates consequently resulted in below-benchmark returns. Hedge fund products and alternative investment products generated satisfying results.

On a three-year horizon, 73% of all Danske Capital investment products have generated above-benchmark returns.

MORNINGSTAR RATING OF DANSKE INVEST FUNDS		
Avg. rating between 1-5	2014	2013
All	3.35	3,41
European average	3.00	3.00

The average Morningstar rating of all Danske Invest funds was 3.35 for 2014, while the European average remained at 3.0. The rating is a Europe-wide comparison of similar funds based on the risk- and cost-adjusted returns they have achieved over the past three, five and ten years.

In 2014, we were proud to receive various awards, the most important being the following:

- Morningstar: Danske Invest named the best in equities in Denmark for the sixth year running
- Danske Invest Hedge Fixed Income Strategies received the HFM Award and the Hedge Week Award

Attractive investment products and concepts

Danske Capital continued to focus on strengthening product offerings and competencies within the hedge fund product range, alternative investments, the managed account product range and selected new product launches.

The hedge fund area has been successful, with total assets under management at the end of December 2014 of DKK 16 billion, an increase of 15% from 31 December 2013. In 2014, Danske Capital introduced the Danske Invest Relative Value Fund.

We also saw a further increase in alternative investments, with assets under management rising from DKK 30 billion at the end of 2013 to DKK 37 billion at the end of 2014. We see this as a very important development in our efforts to make Danske Capital a key provider within alternative investments.

In recent years, we have introduced managed account products also to retail clients. Personal Banking and Danske Capital have worked closely together in this area to achieve a good customer experience. The concept is now available in all the Nordic countries, and at the end of December 2014, assets under management amounted to DKK 121 billion, an increase of 19% from the end of 2013.

International activities

Danske Capital wants to improve its international position. It was therefore gratifying to see that 59% of all net sales in 2014 was to clients outside Denmark. Especially in Sweden, we have improved our position, with growth in assets under management of 22%.

Higher retail and institutional sales

Net sales totalled DKK 34 billion: DKK 16 billion to retail customers and DKK 18 billion to institutional clients. Sales to retail customers through the Personal Banking and Business Banking units consisted mainly of balanced products and alternative investment solutions, which together accounted for more than 88% of total net sales. Net retail sales came from all of the Nordic countries. Net sales to institutional clients and retail customers increased by a total of DKK 6 billion from the level in 2013.

NET SALES (DKK billions)	2014	2013
Retail customers	15.6	11.7
Third-party clients	1.0	2.8
Alpha clients incl. life insurance	7.0	6.4
Solution clients	10.1	7.1
Total	33.7	28.0

2014 vs 2013

Total income rose 11% from DKK 2.2 billion to DKK 2.4 billion. Performance fees were down from DKK 365 million in 2013 to DKK 328 million in 2014. The level of performance fees was satisfactory, driven by good results for alternative investments and hedge fund products.

Total expenses fell 3%, mainly as a result of lower staff costs and IT expenses.

ASSETS UNDER MANAGEMENT	(DKK billions)		Share of total (%)	
	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
Equities	291	258	36	35
Private equity	12	14	2	2
Bonds	468	433	59	60
Cash	24	22	3	3
Total	795	727	100	100

BREAKDOWN BY TYPE OF INVESTOR	(DKK billions)		Share of total (%)	
	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
Life insurers	190	181	24	25
Mutual funds - retail	315	288	40	40
Institutions, including mutual funds	290	258	36	35
Total	795	727	100	100

Q4 2014 vs Q3 2014

Total income rose from DKK 0.6 billion in the third quarter to DKK 0.8 billion in the fourth quarter. Performance fees rose from DKK 13 million to DKK 288 million as a consequence of the way performance fee agreements with clients are structured. They are typically measured at year end, with booking and payments made in the fourth quarter. Non-performance-based income was unchanged.

Expenses fell 2% from the third quarter to the fourth quarter because of lower staff costs.

Danica Pension

Key developments from 2013 to 2014

- Net income of DKK 2.4 billion, up 117%
- Result from insurance business of DKK 1.5 billion, unchanged from 2013
- Return on allocated capital of 19.7%, up 10.4 percentage points
- Premiums of DKK 26.8 billion, matching the level in 2013
- Net return on investments of *Danica Traditionel* customer funds of 7.2%, up 5.0 percentage points
- Danske Bank sales of Danica Pension products of DKK 4.2 billion, up 17%
- Result from unit-linked business of DKK 0.6 billion, up 6%

Because of the positive investment result for customers with *Danica Traditionel*, the risk allowance could be booked to income in full for all four interest rate groups, and DKK 0.6 billion was transferred from the shadow account. At 31 December 2014, the shadow account balance stood at DKK 0.6 billion.

DANICA PENSION (DKK millions)	2014	2013	Index 14/13	Q4 2014	Q3 2014	Index Q4/Q3	Q2 2014	Q1 2014
Danica Traditionel	1,237	1,139	109	289	311	93	333	304
Unit-linked business	573	539	106	95	176	54	155	147
Health and accident business	-302	-167	-	-28	-146	-	-96	-32
Result from insurance business	1,508	1,511	100	356	341	104	392	419
Return on investments	441	349	126	78	126	62	127	110
Financing result	-116	-176	-	-20	-22	-	-25	-49
Special allotment	-82	-158	-	-10	-21	-	-27	-24
Change in shadow account	611	-438	-	628	65	-	-30	-52
Net income from insurance business	2,362	1,088	217	1,032	488	211	437	405
Premiums, insurance contracts	20,693	20,180	103	4,929	4,797	103	5,062	5,905
Premiums, investment contracts	6,129	6,628	92	1,548	1,184	131	1,457	1,940
Provisions, insurance contracts	259,601	257,792	101	259,601	273,761	95	269,834	263,331
Provisions, investment contracts	33,580	34,777	97	33,580	38,187	88	37,490	35,970
Customer funds, investment assets								
Danica Traditionel	176,505	168,864	105	176,505	174,454	101	173,413	170,649
Danica Balance	70,711	58,446	121	70,711	68,258	104	65,808	61,286
Danica Link	66,417	61,165	109	66,417	66,685	100	65,451	63,091
Allocated capital (average)	11,974	11,685	102	11,926	12,086	99	11,796	12,087
Net income as % p.a. of allocated capital	19.7	9.3		34.6	16.2	-	14.8	13.4

We took initiatives to deliver competitive investment returns, enhance the customer experience and improve our advisory services to our customers. We introduced online solutions aimed at improving accessibility and ensuring that customers get recommendations that match their individual needs.

Improved offering for banking customers

We continued to work closely with Personal Banking to provide customers with attractive pension offers and solutions. This cooperation has been a success, with premiums increasing DKK 0.6 billion, or 17%, from 2013 to 2014.

Online solutions and improved accessibility

We offer business customers an online solution that makes it possible for new employees at a company to access their individual schemes online and customise them according to their specific needs.

Customers appreciate the flexibility of being able to look at their pension schemes whenever it suits them. Some 40% of our customers set up their pension schemes outside normal working hours.

We improved accessibility by expanding our opening hours throughout the week.

Switch from conventional to life cycle products

In the fourth quarter of 2014, some 10,000 customers in the guaranteed interest rate groups were offered to switch from the conventional product, *Danica Traditionel*, to the life cycle product, *Danica Balance*. At year end, 6% had accepted the offer and received compensation for forfeiting their guarantees. The offer was made in accordance with new Danish FSA guidelines.

Helping customers convert pension schemes

Some 51,000 customers, with a total of more than DKK 18 billion in capital pension schemes, chose to switch to a retirement savings scheme. Pension customers can convert their existing capital pension schemes to retirement savings schemes at a lower-than-normal tax charge. Danica Pension has an online solution that makes it easy to convert a scheme. It will also be possible to convert to the new scheme in 2015.

Investments

In 2014, Danica Pension announced a new strategy for investments, including direct investments in the Nordic region, to strengthen the return to customers and other initiatives.

By year end, Danica Pension had made the first direct investments and had invested DKK 1 billion in a fund for investments in small and medium-sized Danish companies. The number of direct investments will increase in 2015.

2014 vs 2013

Activities in Denmark

In Denmark, total premiums increased 5% to DKK 19.4 billion. Premiums paid through Danske Bank rose because of the enhanced collaboration between Danske Bank and Danica Pension regarding pensions. Premiums for the *Danica Balance, Danica Link* and *Danica Select* unit-linked products, including transfers from *Danica Traditionel* to *Danica Balance,* rose 12%. At the end of 2014, about 200,000 customers had chosen these products. As expected, total premiums for *Danica Traditionel* decreased, falling 14% to DKK 4.3 billion.

At the end of 2014, the collective bonus potential for the contribution groups was DKK 2.5 billion, up DKK 1.3 billion from the level at 1 January 2014.

Activities outside Denmark

Danica Pension's activities outside Denmark generated premiums of DKK 7.4 billion.

At the Swedish unit, total premiums fell 8% to DKK 5.8 billion, mainly because of extraordinarily strong sales of the custody account savings product in 2013.

At the Norwegian unit, total premiums fell 19% to DKK 1.6 billion, primarily because of lower sales in the corporate segment and contributions from a new distributor in 2013.

TOTAL PREMIUMS (DKK billions)	2014	2013
Premiums, Denmark		
Danica Traditionel	4.3	5.0
Unit-linked business	15.9	20.4
Health and accident	1.1	1.1
Internal transfers	-1.9	-7.9
Premiums, international	7.4	8.2
Total	26.8	26.8

Return on investments

The return on investments for customers with the *Danica Balance, Danica Link* and *Danica Select* unit-linked products was DKK 8.1 billion, representing an average rate of return of 9.4%, against 8.6% in 2013. The average annual return rate for the past five years was 7.6% for *Danica Balance* and 8.3% for *Danica Link*.

The return on investments of *Danica Traditionel* customer funds was 14.0%, against a negative 0.2% in 2013. Including changes in technical provisions, the return on customer funds was 7.2%.

For *Danica Traditionel*, equity, credit bond, alternative investments and property exposures totalled 35.6%, against 37.4% in 2013.

CUSTOMER FUNDS - DANICA TRADITIONEL	Share (%)		Return (%)	
Holdings and returns	2014	2013	2014	2013
Real property	12.0	12.0	5,6	4,9
Bonds etc.	77.0	77.0	15,5	-2,1
Equities	11.0	11.0	9,5	10,9
Total	100.0	100.0	14.0	-0,2

Income

Income from insurance business was DKK 2.4 billion, against DKK 1.1 billion in 2013. The booking of the full risk allowance for all four interest rate groups had a positive effect, as did the transfer of DKK 0.6 billion from the shadow account, which at the end of December 2014 had a balance of DKK 0.6 billion. In 2013, the Group booked the risk allowance for three of the four interest rate groups, although only partly from one of the groups.

The technical result of *Danica Traditionel* was DKK 1,237 million, against DKK 1,139 million in 2013.

The technical result of the unit-linked business was DKK 573 million, an increase from 2013 of DKK 34 million, mainly attributable to a larger business volume. Unit-linked business accounted for DKK 63 million in Sweden and DKK 81 million in Norway.

The health and accident business posted a negative technical result of DKK 302 million, an increase from 2013 of a negative DKK 135 million caused by a negative run-off on claims in the Danish business.

The return on investments rose to DKK 441 million, against DKK 349 million in 2013.

Q4 2014 vs Q3 2014

In the fourth quarter of 2014, net income from insurance business amounted to DKK 1.0 billion, against DKK 0.5 billion in the third quarter. The rise was driven by the booking of DKK 0.6 billion from the shadow account in the fourth quarter.

The technical result of the unit-linked business was lower in the fourth quarter because of higher costs, lower risk results in Sweden and Norway and guarantees.

The return on investments of *Danica Traditionel* customer funds was 3.7%, against 3.3% in the third quarter. Including changes in technical provisions, the return on customer funds was 1.6%.

The return on investments for customers with the *Danica Balance, Danica Link* and *Danica Select* products totalled DKK 2.2 billion, representing an average rate of return of 2.4%, against 1.7% in the third quarter.

In Denmark, total premiums rose 5% to DKK 4.7 billion. Total premiums for all markets rose 8% and amounted to DKK 6.5 billion.

Non-core

Key developments from 2013 to 2014

- Loss before tax of DKK 1.5 billion, against a loss of DKK 1.8 billion in 2013
- Impairments of DKK 0.9 billion, down 29%
- Loan portfolio of DKK 37.5 billion, down 30%

The improvement was driven by a decline in impairments of 29% from 2013 to 2014. The main reason for the decline was lower charges against exposures at Non-core Ireland.

NON-CORE (DKK millions)	2014	2013	Index 14/13	Q4 2014	Q3 2014	Index Q4/Q3	Q2 2014	Q1 2014
Total income	209	385	54	53	46	115	62	48
Operating expenses	782	853	92	117	141	83	147	377
Profit before loan impairment charges	-573	-468	-	-64	-95	-	-85	-329
Loan impairment charges	930	1.309	71	413	137	-	77	303
Profit before tax	-1,503	-1,777	-	-477	-232	-	-162	-632
Loans and advances, excl. reverse trans. before impairments	37,462	53,729	70	37,462	45,657	82	46,847	51,213
Allowance account, loans	7,853	12,105	65	7,853	10,010	78	11,026	11,971
Deposits, excl. repo deposits	4,331	16,742	26	4,331	5,205	83	7,497	11,000
Allocated capital (average)	8,420	10,329	82	7,757	8,188	95	8,609	9,153
Net interest income as % p.a. of loans and deposits	0.55	0.46		0.61	0.44		0.54	0.25
Profit before loan impairment charges as % p.a. of allocated capital	-6.8	-4.5		-3.3	-4.6		-3.9	-14.4
Profit before tax as % p.a. of allocated capital (ROE)	-17.9	-17.2		-24.6	-11.3		-7.5	-27.6
Cost/income ratio (%)	374.2	221.6		220.8	306.5		237.1	785.4
Full-time-equivalent staff	75	257	29	75	110	68	146	217

LOAN IMPAIRMENT CHARGES (DKK millions)								
Non-core Ireland	733	1,386	53	482	60	-	74	117
Non-core conduits etc.	197	-78	-	-69	77	-	3	186
Total	930	1,309	71	413	137	-	77	303

We continued to focus on the controlled winding-up of the loan portfolio that is no longer considered part of Danske Bank's core activities. The process progressed as expected in terms of volume reduction.

Reduced exposure and higher property sales

On 1 January 2014, all Irish customers in Business Banking and Personal Banking were transferred to the Non-core Ireland portfolio, and later in the year, all personal and business transactional accounts were closed.

At the end of 2014, the Non-core Ireland portfolio consisted of a personal mortgage portfolio of DKK 17.4 billion and a commercial portfolio. During 2014, the commercial portfolio was reduced from DKK 8.2 billion to DKK 2.9 billion in net exposure, primarily through property sales. In total, 1,634 properties were sold in 2014 compared with 523 properties in 2013. The remaining commercial portfolio includes 1,589 properties. For the majority of these, a sale has been agreed. The sales are expected to be finalised in the first half of 2015.

2014 vs 2013

The loss before tax was reduced from DKK 1.8 billion to a loss of DKK 1.5 billion, mainly because of lower impairments. The result was adversely affected by impairments against loans in the conduits portfolio and the settlement of an agreement on life insurance products in the Baltics related to the acquisition of Sampo Bank. Together, these factors accounted for about one-third of the loss in 2014.

Lending amounted to DKK 37.5 billion and consisted mainly of exposure to commercial and investment property customers, conduits and personal customers. Total lending fell DKK 16.2 billion from the level at the end of 2013 as a result of asset sales, repayments and write-offs.

Net credit exposure and impairment charges

Net credit exposure totalled DKK 31.3 billion, against DKK 42.8 billion at the end of 2013.

Total impairments decreased in 2014 and amounted to DKK 0.9 billion, against DKK 1.3 billion in 2013. The development was driven by lower impairments against Non-core Ireland exposures. The improved Irish property market resulted in net reversals of previously made individual impairments.

	Net credit exposure		Accumulated impairment charges	
(DKK millions)	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
Non-core Ireland	20,222	29,740	7,643	12,062
- of which personal customers	17,351	21,583	3,024	2,963
Non-core conduits etc.	11,104	13,102	269	89
Total	31,326	42,841	7,912	12,152

Non-core Ireland

The net credit exposure to Non-core Ireland was reduced from DKK 29.7 billion to DKK 20.2 billion at the end of 2014.

When the sales process is completed in the first half of 2015, the portfolio will consist of the personal mortgage portfolio only. Servicing of the portfolio has been outsourced and the portfolio will mature according to contractual terms. No significant effect on profit and loss is expected, and the required costs and capital will be lower.

Non-core conduits etc.

The remainder of the Non-core portfolio is mainly exposure to conduits. Net credit exposure to conduits etc. amounted to DKK 11.1 billion, against DKK 13.1 billion at the end of 2013. The portfolio consists mainly of liquidity facilities for conduits. The credit quality of the portfolio remained stable.

Q4 2014 vs Q3 2014

Impairments increased from DKK 0.1 billion in the third quarter to DKK 0.4 billion in the fourth quarter. The charges related mainly to a management add-on at Non-core Ireland to cover an expected portfolio sale of SME loans and a charge related to the Asset Quality Review (AQR).

Total lending fell DKK 8.2 billion from the level in the third quarter as a result of asset sales, settlements and write-offs.

Other Activities

Key developments from 2013 to 2014

- Profit before tax of DKK 0,2 billion, against a loss of DKK 1.5 billion in 2013
- Total income of DKK 1.1 billion, against a negative DKK 0.5 billion in 2013
- Operating expenses of DKK 0.9 billion, down 2%

OTHER ACTIVITIES (DKK millions)	2014	2013	Index 14/13	Q4 2014	Q3 2014	Index Q4/Q3	Q2 2014	Q1 2014
Net interest income	646	-92	-	199	196	102	198	53
Net fee income	-102	-66	-	-39	-12	-	-39	-12
Net trading income	346	-513	-	-459	-89	-	808	86
Other income	189	130	145	92	21	-	39	37
Total income	1,079	-541	-	-207	116	-	1,006	164
Operating expenses	930	953	98	248	379	65	225	78
Profit before loan impairment charges	149	-1,494	-	-455	-263	-	781	86
Loan impairment charges	-2	-	-	-2	-	-	-	-
Profit before tax	151	-1,494	-	-453	-263	-	781	86

PROFIT BEFORE TAX (DKK millions)								
Group Treasury	1,010	-533	-	-244	71	-	923	260
Own shares	-196	-110	-	-35	-32	-	-12	-117
Group support functions	-663	-851	-	-174	-302	-	-130	-57
Total	151	-1,494	-	-453	-263	-	781	86

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

During the third quarter, we transferred a significant part of the liquidity portfolio from FICC (Fixed Income, Commodities and Currencies) operations at Corporates & Institutions to Group Treasury. The main purpose was to simplify our FICC business model and allow Group Treasury to optimise balance sheet management.

Two of Group Treasury's key responsibilities are ensuring that Danske Bank maintains sufficient liquidity to handle a situation in which the markets are stressed and that Danske Bank always complies with regulatory liquidity requirements. A liquidity portfolio of a sufficient size and quality is an important component in managing overall liquidity risks. Group

Treasury monitors liquidity risks on an ongoing basis, and the liquidity portfolio is regularly adjusted to reflect changes.

The liquidity portfolio is incorporated in balance sheet management to optimise the balance sheet composition and minimise the cost of holding the liquidity portfolio. In addition, the transfer of the portfolio will further simplify operational and regulatory governance.

2014 vs 2013

Other Activities posted a profit before tax of DKK 0.2 billion, against a loss of DKK 1.5 billion in 2013.

As part of the optimisation of our liquidity bond portfolio structure, we continued to build up our hold-to-maturity bond portfolio, as well as the investment securities portfolio, which caused an increase in net interest income.

Net trading income benefited from the positive effect from the sale of our shares in Nets, but was adversely affected by higher expenses for a financing guarantee covering certain pension obligations.

Operating expenses amounted to DKK 0.9 billion, the same level as in 2013. Property write-downs had a negative effect on expenses, while a refund of VAT paid in previous years had a positive effect.

Q4 2014 vs Q3 2014

In the fourth quarter, profit before tax was a negative DKK 453 million, against a negative DKK 263 million in the third quarter.

Net trading income amounted to a negative DKK 459 million, against a negative DKK 89 million in the third quarter, mainly because of negative value adjustments in our portfolio of short-dated mortgage bonds.

Operating expenses amounted to DKK 248 million, against DKK 379 million in the third quarter. The reduction was owing primarily to property write-downs in the third quarter.

Capital and liquidity management

Capital and solvency

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

Danske Bank has set capital targets: a total capital ratio of at least 17% and a common equity tier 1 (CET1) capital ratio of at least 13%. Danske Bank has met the targets since the end of 2012. In the current low-growth environment, which entails macroeconomic and regulatory uncertainty, Danske Bank considers a CET1 capital ratio of around 14% and a total capital ratio well above 17% as appropriate levels. We revise our capital policy at least once a year. The capital structure may be adjusted through distributions if excess capital is available after dividends have been paid and our capital targets have been met.

At the end of 2014, the total capital ratio was 19.3%, and the CET 1 capital ratio was 15.1%. The ratios are calculated after deduction of the proposed dividends.

TOTAL CAPITAL AND TOTAL RISK EXPOSURE AMOUNT

(DKK billions)	2014	2013
Common equity tier 1 capital less statutory deductions	131	126
Additional tier 1 instruments, less statutory deductions	14	36
Tier 2 capital instruments, less statutory deductions	23	20
Total capital	167	182
Total risk exposure amount	866	852

At the end of 2014, Danske Bank's solvency need amounted to DKK 92.2 billion, or 10.6% of the total risk exposure amount (REA). REA was previously referred to as risk-weighted assets (RWA). At 31 December 2014, total capital thus included a capital buffer of DKK 75.3 billion.

REA rose DKK 14 billion from the level in 2013, mainly because of the effect of CRD IV, which caused an increase of DKK 51 billion at 31 March 2014. The REA declined in the third quarter, however. This was owing to a reduction of the temporary add-on of 3 percentage points to the risk weights for the corporate portfolio, which is separate from the 10 percentage points required by FSA orders. This led to a decrease in the REA of DKK 21 billion. In the first quarter of 2014, the Group began to deduct certain securitisations from CET1 capital instead of risk-weighting such positions. This reduced the total REA by DKK 13 billion. Furthermore, we continued de-risking, particularly at Personal Banking, Corporates & Institutions and Non-core, and this also contributed to the total REA reduction.

In 2014, Danske Bank issued a total of DKK 5.6 billion of additional tier 1 capital and a total of DKK 3.7 billion of tier 2 capital. The additional tier 1 capital is perpetual, while the tier 2 issue has a maturity of 10 years and may be redeemed at par after five years. At the end of 2014, the issues represented 1.1 percentage points of the total capital ratio.

Danske Bank redeemed additional tier 1 capital of a total of DKK 28.1 billion, including the hybrid capital of DKK 24.0 billion raised from the Danish state. Furthermore, Danske Bank redeemed tier 2 capital totalling DKK 0.9 billion. All the redemptions were part of the bank's capital plan for 2014.

The Group passed the 2014 European Banking Authority (EBA) stress test with excess capital of DKK 57 billion, resulting in a CET1 capital ratio of 11.7% at the end of 2016 in the adverse scenario. This was more than twice the threshold value of 5.5% set by the EBA.

Ratings

In November 2014, Moody's raised Danske Bank's long-term rating to A3 from Baa1 and affirmed its short-term P-2 rating. Moody's also changed its outlook for the long-term rating from positive to stable.

In September 2014, Fitch Ratings affirmed its long- and short-term ratings of Danske Bank and also affirmed its stable outlook for the long-term rating.

In April 2014, Standard & Poor's (S&P) raised Danske Bank's long-term rating to A from A- and its short-term rating to A-1 from A-2. S&P also changed its outlook for the long-term rating from stable to negative.

DANSKE BANK'S RATINGS AT 31 DECEMBER 2014	Moody's	S&P	Fitch
Long-term	A3	A	A
Short-term	P-2	A-1	F1
Outlook	Stable	Negative	Stable

DANSKE BANK OYJ'S RATINGS AT 31 DECEMBER 2014	Moody's	S&P
Long-term	A2	A
Short-term	P-1	A-1
Outlook	Negative	Negative

In December 2014, Moody's affirmed its long- and short-term ratings of Danske Bank Plc. and also affirmed its negative outlook of the long-term rating.

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

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

ICAAP

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

The calculation of the solvency need for the Group and the parent company, Danske Bank A/S, is described in more detail in Risk Management 2014, which is available at danskebank.com/ir.

Funding and liquidity

With a liquidity buffer of DKK 399 billion at the end of 2014, Danske Bank's liquidity position remains robust.

The Nominal value of the liquidity buffer available to the Group note on page 151 of the financial statements provides more information about the buffer composition.

The European Commission has published the final legislation on the liquidity coverage ratio (LCR). Danish mortgage bonds will be assigned the highest qualification if they meet certain criteria, and they may account for up to 70% of a bank's liquidity portfolio.

Under the Danish Bank Package 6, Danish SIFI banks must have an LCR of 100% by 1 October 2015.

With an LCR of 129% at the end of December 2014, Danske Bank was in compliance with the LCR requirement as defined by the Danish FSA. Danske Bank also complied with all other liquidity requirements.

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

In 2014, Danske Bank issued senior debt for DKK 29.7 billion, covered bonds for DKK 25.1 billion, additional tier 1 capital for 5.6 billion, and tier 2 capital for DKK 3.7 billion, totalling DKK 64.1 billion. We also redeemed long-term debt of DKK 63.7 billion.

At 31 December 2014, the total amount of outstanding long-term funding, excluding additional tier 1 capital and senior debt issued by Realkredit Danmark, was DKK 330 billion, against DKK 332 billion at the end of 2013.

DANSKE BANK EXCLUDING REALKREDIT DANMARK (DKK billions)	31 Dec. 2014	31 Dec. 2013
Covered bonds	186	164
Senior unsecured debt	103	102
Subordinated debt	41	66
Total	330	332

The Supervisory Diamond

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

SUPERVISORY DIAMOND (%)	Threshold value	2014	2013
Sum of large exposures	<125	-	-
Lending growth	<20	0	-11
Real property exposure	<25	10	10
Funding ratio	<100	63	61
Surplus liquidity in relation to statutory liquidity requirements	>50	161	209

At 31 December 2014, Danske Bank A/S was in compliance with all threshold values. A separate report is available at danskebank.com/ir.

In December 2014, the FSA announced a Supervisory Diamond for Danish mortgage credit institutions. The Supervisory Diamond sets out threshold values for five risk indicators; lending growth, borrower exposure to interest rate risk, household exposure to interest-only loans, mortgage credit institution exposure to short-term funding, and concentration risk. The Supervisory Diamond will be phased in from 2018 to 2020.

Capital Regulation

Danske Bank is following the phase-in of the Capital Requirements Regulation and Directive (CRR/CRD IV) in accordance with Danish rules.

We estimate that the remaining effect of CRR/CRD IV on our fully-loaded CET1 capital ratio in 2018 will be an additional reduction of about 1.3 percentage points.

The FSA has approved Danske Bank's continuing use of the financial conglomerate deduction method for holdings in Danica Pension. The deduction will be based on Danica Pension's solvency need rather than on its capital requirement, however, as the solvency need requirement is phased in from 2014 to 2016. The non-deductible part of the holdings will be risk-weighted at 100%.

CRR/CRD IV requires credit institutions to calculate, report and monitor their leverage ratios, defined as tier 1 capital as a percentage of total exposure.

On the basis of the CRR/CRD IV definition, Danske Bank's leverage ratio was 4.1% at the end of 2014, taking transitional rules into account. Assuming fully phased-in tier 1 capital under CRR/CRD IV without taking into account any refinancing of non-eligible additional tier 1 instruments, the leverage ratio would be 3.6%. The final legislation on the leverage ratio is expected to enter into force in the first half of 2015, with a positive effect of 0.2 of a percentage point on the leverage ratio.

Danske Bank has been designated a SIFI in Denmark and will in 2015 be required to comply with an additional CET1 capital buffer requirement of 0.6%. The additional CET1 capital buffer requirement will gradually increase to 3% in 2019. The capital requirements imposed on Danish SIFIs are intended to be on a par with the requirements set in other comparable European countries. Accordingly, the final level of the Danish SIFI capital requirements will be assessed no later than 2017 after these other countries' final requirements have been evaluated.

The Banking Recovery and Resolution Directive

The directive is intended to prevent banks from failing and to provide a legal framework for managing failing banks. The directive (including bail-in provisions) is expected to be implemented in Danish law by 1 June 2015.

According to the directive, every credit institution must have a minimum amount of "bail-inable" liabilities, which is calculated as own funds and eligible liabilities expressed as a percentage of total liabilities and own funds. The Danish FSA has been authorised to set the percentage for each Danish credit institution.

Further, a resolution fund will be established, and each credit institution must make contributions to the fund on the basis of its size and risk relative to other credit institutions in Denmark. The resolution fund must amount to at least 1% of the covered deposits of all Danish credit institutions by 31 December 2024 at the latest.

Investor Relations

To support our strategic goals, we ensure that our stakeholders receive correct and adequate information according to the best practices for proactive investor targeting, innovative digital solutions and consistently professional consultations.

To maintain and build stakeholder relations, we hold roadshows upon the release of the financial reports. Roadshows on major transactions and other topics are also held for debt investors.

Senior management builds relations with analysts, shareholders and potential investors by presenting and discussing current topics relevant to Danske Bank at seminars and conferences.

In 2014, investor events were held in the Nordic countries, other European countries and the US with the participation of more than 686 investors.

Danske Bank shares

Danske Bank shares, which are listed on NASDAQ OMX Copenhagen, are included in a number of Danish and international equity indices, such as the OMX Copenhagen 20 CAP Index (OMXC20CAP). At the end of 2014, Danske Bank shares had an index weighting of about 14.4%.

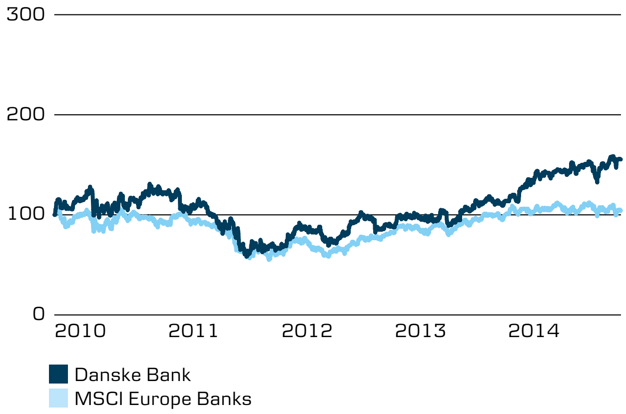
The share price rose from DKK 124.4 at 31 December 2013 to DKK 167.4 at 31 December 2014, an increase of 35%. In comparison, the OMXC20CAP Index gained 18%, while the MSCI Europe Banks Index fell 2%.

DANSKE BANK SHARES (DKK)	2014	2013
Share capital (millions)	10,086	10,086
Share price (end of year)	167.4	124.4
Total market capitalisation (end of year) (billions)	167.3	124.5
Earnings per share	3.6	7.1
Dividend per share	5.5	2.0
Book value per share	147.5	145.6
Share price/book value per share	1.1	0.9

At the end of 2014, 31 equity analysts covered Danske Bank.

The average daily trading volume of Danske Bank shares was DKK 291.6 million, against DKK 239.2 million in 2013. Danske Bank shares were the third most actively traded shares on NASDAQ OMX Copenhagen.

DANSKE BANK SHARES
Index 2010 = 100



Dividend policy

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

After five years with no dividend distributions, Danske Bank resumed dividend payments in 2014 with a dividend of DKK 2 per share for 2013, representing a payout ratio of 28%.

In April 2014, Danske Bank repaid in full the hybrid capital that had been raised from the Danish state. As a result, the restrictions on Danske Bank's dividend payments imposed by the terms of the agreement no longer apply.

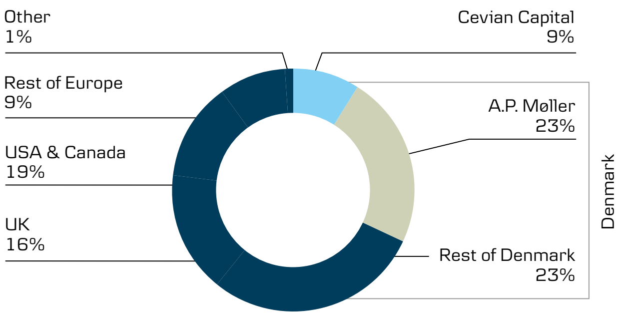
The Board of Directors is recommending that a dividend of DKK 5.50 per share be paid for 2014.

Shareholders

At the end of 2014, Danske Bank had about 284,000 shareholders. The 20 largest shareholders together owned about 32% of the share capital.

We estimate that shareholders outside Denmark, mainly in the UK and the US, hold almost 54% of the share capital.

DANSKE BANK SHAREHOLDERS 2014



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

- The A.P. Møller and Chastine Mc-Kinney Møller Foundation and companies of the A.P. Moller - Maersk Group, Copenhagen, hold 22.98% of the share capital.
- Cevian Capital II GP Limited, Jersey, holds 9.29% of the share capital.

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

At the end of 2014, Danske Bank held about 0.9% of its own share capital. These shares are held to compensate employees in the form of conditional shares and share options granted under share programmes in previous years and for investments on behalf of Danica Pension policyholders and under pooled investment schemes.

Corporate Responsi-bility

Corporate responsibility

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

Reporting on corporate responsibility

Under the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Firms etc. (section 135 and section 135a), large companies are required to report on corporate responsibility and diversity at management level. As a signatory to the UN Global Compact, Danske Bank prepares a Communication on Progress in the form of our Corporate Responsibility 2014 report. With this report, which is available at danskebank.com/crreport, we fulfil the requirements.

The report is supplemented by additional data and indicators in our Corporate Responsibility Fact Book 2014 and 2014 Global Reporting Initiative (GRI G4) index and combined, our reporting offer a comprehensive and balanced view of material corporate responsibility matters relating to our business activities. The reporting and information about Danske Bank's other CR initiatives and projects are available at danskebank.com/responsibility.

Organisation and management

General meeting

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

In 2014, the annual general meeting was held on 18 March.

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

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

Only the general meeting can amend the Articles of Association. Amendments require a two-thirds majority of the votes cast and a two-thirds majority of the share capital represented at the general meeting and entitled to vote.

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

Board of Directors

The Board currently consists of 12 members, eight elected by the general meeting and four elected by and among the employees.

Board members elected by the general meeting stand for election every year. As prescribed by Danish law, members elected by the employees serve on the Board of Directors for a four-year term.

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

At the annual general meeting held on 18 March 2014, the members of the Board of Directors were re-elected with the exception of Niels B. Christiansen, who did not seek re-election. Rolv Erik Ryssdal was elected as a new member of the Board of Directors.

Work of the Board of Directors in 2014

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

Overall, the results of the 2014 evaluation were positive. The areas for minor improvement identified in the 2013 evaluation (emphasised focus on strategy, performance management and customer satisfaction) were all well addressed in 2014, and the Board of Directors will continue to work on its performance in these areas. The evaluation in 2014 identified only minor new areas that needed improvement, such as the ongoing adjustment of the balance between regulatory and strategic matters, which the Board of Directors will seek to improve.

Executive Board

The Executive Board consists of Thomas F. Borgen, Chief Executive Officer; Tonny Thierry Andersen, Head of Personal Banking; Lars Mørch, Head of Business Banking; Glenn Söderholm, Head of Corporates & Institutions; Henrik Ramlau-Hansen, Chief Financial Officer and Head of CFO area; and James Ditmore, Head of Group Services and Group IT (COO). Robert Endersby was Chief Risk Officer and Head of Group Risk Management until 28 November 2014.

Gilbert Kohnke has been appointed new Chief Risk Officer. He will be responsible for Group Risk Management and will join the Executive Board with effect from 1 April 2015.

Corporate governance recommendations

Corporate governance recommendations issued by the Danish Committee on Corporate Governance can be found at corporategovernance.dk. The recommendations are best practice guidelines that all companies with shares traded on NASDAQ OMX Copenhagen should generally follow. If a company fails to comply with a recommendation, it must explain why it deviates from the recommendation and what it has done differently. Danske Bank complies with all the recommendations.

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

The Corporate Governance Code of the Danish Bankers Association, which applies to all member institutions, can be found at danskebank.com/dba. All member institutions must comply with the recommendations or explain why they do not comply. Danske Bank complies with all recommendations set out in the code. Danske Bank's explanation of the status on all the recommendations is included in section E of its Corporate Governance Report 2014.

Financial statements

Income statement – Danske Bank Group

Note	(DKK millions)	2014	2013
5	Interest income	66,951	71,632
5	Interest expense	32,344	38,200
	Net interest income	34,607	33,432
6	Fee income	14,585	13,231
6	Fee expenses	4,771	4,441
5	Net trading income	9,720	8,146
7	Other income	4,547	4,296
8	Net premiums	20,631	20,148
8	Net insurance benefits	33,024	32,537
9	Operating expenses	25,642	26,796
18	Goodwill impairment charges	9,099	-
	Profit before loan impairment charges	11,553	15,479
11	Loan impairment charges	3,718	5,420
	Profit before tax	7,835	10,059
20	Tax	3,989	2,944
	Net profit for the year	3,846	7,115
	Portion attributable to		
	shareholders of Danske Bank A/S (the Parent Company)	3,585	7,115
	additional tier 1 capital holders	259	-
	non-controlling interests	2	-
	Net profit for the year	3,846	7,115
	Earnings per share (DKK)	3.6	7.1
	Diluted earnings per share (DKK)	3.6	7.1
	Proposed dividend per share (DKK)	5.5	2.0

Statement of comprehensive income – Danske Bank Group

Note	(DKK millions)	2014	2013
	Net profit for the year	3,846	7,115
	Other comprehensive income		
	Items that will not be reclassified to profit or loss		
	Remeasurement of defined benefit plans	157	25
20	Tax	-9	66
	Items that will not be reclassified to profit or loss	148	91
	Items that are or may be reclassified subsequently to profit or loss		
	Translation of units outside Denmark	527	-544
	Hedging of units outside Denmark	-549	462
	Unrealised value adjustments of available-for-sale financial assets	283	980
	Realised value adjustments of available-for-sale financial assets	-37	-19
20	Tax	43	-329
	Items that are or may be reclassified subsequently to profit or loss	267	550
	Total other comprehensive income	415	641
	Total comprehensive income for the year	4,261	7,756
	Portion attributable to		
	shareholders of Danske Bank A/S (the Parent Company)	4,000	7,756
	additional tier 1 capital holders	259	-
	non-controlling interests	2	-
	Total comprehensive income for the year	4,261	7,756

Balance sheet – Danske Bank Group

Note	(DKK millions)	2014	2013
	ASSETS		
	Cash in hand and demand deposits with central banks	33,876	43,721
14	Due from credit institutions and central banks	112,760	131,381
12	Trading portfolio assets	742,513	695,723
13	Investment securities	330,994	161,917
14	Loans at amortised cost	1,092,902	1,088,728
15	Loans at fair value	741,609	728,081
16	Assets under pooled schemes and unit-linked investment contracts	80,148	74,761
17	Assets under insurance contracts	268,450	246,484
18	Intangible assets	11,253	20,641
20	Tax assets	1,543	1,356
22	Other assets	36,966	34,263
	Total assets	3,453,015	3,227,057
	LIABILITIES		
19	Due to credit institutions and central banks	329,048	312,597
12	Trading portfolio liabilities	550,629	435,183
19	Deposits	966,197	943,901
15	Bonds issued by Realkredit Danmark	655,965	614,196
16	Deposits under pooled schemes and unit-linked investment contracts	86,433	81,882
17	Liabilities under insurance contracts	287,315	262,468
21	Other issued bonds	330,207	310,177
20	Tax liabilities	8,875	9,039
22	Other liabilities	44,199	45,736
21	Subordinated debt	41,028	66,219
	Total liabilities	3,299,895	3,081,400
	EQUITY		
	Share capital	10,086	10,086
	Foreign currency translation reserve	-477	-277
	Reserve for available-for-sale financial assets	-316	-562
	Retained earnings	132,605	134,393
	Proposed dividends	5,547	2,017
	Shareholders of Danske Bank A/S (the Parent Company)	147,445	145,657
	Additional tier 1 capital holders	5,673	-
	Non-controlling interests	2	-
23	Total equity	153,120	145,657
	Total liabilities and equity	3,453,015	3,227,057

Statement of capital – Danske Bank Group

(DKK millions)

Changes in equity

	Shareholders of Danske Bank A/S (the Parent Company)								
	Share capital	Foreign currency translation reserve	Reserve for available-for-sale assets	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Non-controlling interests	Total
Total equity at 1 January 2014	10,086	-277	-562	134,393	2,017	145,657	-	-	145,657
Net profit for the year	-	-	-	3,585	-	3,585	259	2	3,846
Other comprehensive income									
Remeasurement of defined benefit plans*	-	-	-	157	-	157	-	-	157
Translation of units outside Denmark	-	527	-	-	-	527	-	-	527
Hedging of units outside Denmark	-	-549	-	-	-	-549	-	-	-549
Unrealised value adjustments	-	-	283	-	-	283	-	-	283
Realised value adjustments	-	-	-37	-	-	-37	-	-	-37
Tax	-	-	-	34	-	34	-	-	34
Other changes	-	-178	-	178	-	-	-	-	-
Total other comprehensive income	-	-200	246	369	-	415	-	-	415
Total comprehensive income for the year	-	-200	246	3,954	-	4,000	259	2	4,261
Transactions with owners									
Issuance of additional tier 1 capital, net of transaction costs	-	-	-	-59	-	-59	5,597	-	5,538
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-183	-	-183
Dividends paid	-	-	-	17	-2,017	-2,000	-	-	-2,000
Dividends proposed	-	-	-	-5,547	5,547	-	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-25,702	-	-25,702	-53	-	-25,755
Sale of own shares and additional tier 1 capital	-	-	-	25,377	-	25,377	53	-	25,430
Share-based payments	-	-	-	123	-	123	-	-	123
Tax	-	-	-	49	-	49	-	-	49
Total equity at 31 December 2014	10,086	-477	-316	132,605	5,547	147,445	5,673	2	153,120
Total equity at 1 January 2013	10,086	-195	-1,523	129,632	-	138,000	-	4	138,004
Net profit for the year	-	-	-	7,115	-	7,115	-	-	7,115
Other comprehensive income									
Remeasurement of defined benefit plans	-	-	-	25	-	25	-	-	25
Translation of units outside Denmark	-	-544	-	-	-	-544	-	-	-544
Hedging of units outside Denmark	-	462	-	-	-	462	-	-	462
Unrealised value adjustments	-	-	980	-	-	980	-	-	980
Realised value adjustments	-	-	-19	-	-	-19	-	-	-19
Tax	-	-	-	-263	-	-263	-	-	-263
Total other comprehensive income	-	-82	961	-238	-	641	-	-	641
Total comprehensive income for the year	-	-82	961	6,877	-	7,756	-	-	7,756
Transactions with owners									
Dividends paid	-	-	-	-	-	-	-	-4	-4
Dividends proposed	-	-	-	-2,017	2,017	-	-	-	-
Acquisition of own shares	-	-	-	-16,948	-	-16,948	-	-	-16,948
Sale of own shares	-	-	-	16,769	-	16,769	-	-	16,769
Share-based payments	-	-	-	113	-	113	-	-	113
Tax	-	-	-	-33	-	-33	-	-	-33
Total equity at 31 December 2013	10,086	-277	-562	134,393	2,017	145,657	-	-	145,657

*Remeasurement of defined benefit plans includes changes between expected trends in pension assets and benefits and actual trends in, for example, interest rates

Statement of capital – Danske Bank Group

(DKK millions)	2014	2013

Dividend

The Board of Directors is proposing a dividend of DKK 5.50 per share of DKK 10 each, or a total of DKK 5,547 million, to be paid out of the net profit for the Parent Company of DKK 3,931 million.

Earnings per share		
Net profit for the year	3,585	7,115
Number of shares issued at 1 January	1,008,620,000	1,008,620,000
Average number of own shares held by the Group	9,105,699	7,951,079
Average number of shares outstanding	999,514,301	1,000,668,921
Number of dilutive shares issued for share-based payments	1,058,008	295,071
Adjusted average number of shares outstanding after capital increase, including dilutive shares	1,000,572,309	1,000,963,992
Earnings per share (DKK)	3.6	7.1
Diluted earnings per share (DKK)	3.6	7.1

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

Number of shares outstanding		
Issued at 31 December	1,008,620,000	1,008,620,000
Holding of own shares	9,229,434	8,202,622
Shares outstanding at 31 December	999,390,566	1,000,417,378

Holding of own shares	Number 2014	Number 2013	Value 2014	Value 2013
Trading portfolio	4,385,823	4,327,375	734	538
Investment on behalf of customers	4,843,611	3,875,247	811	482
Total	9,229,434	8,202,622	1,545	1,020

	Trading portfolio	Investment on behalf of customers	Total 2014	Total 2013
Holding at 1 January	538	482	1,020	662
Acquisition of own shares	25,411	291	25,702	16,948
Sale of own shares	25,218	159	25,377	16,769
Value adjustment	3	196	199	179
Holding at 31 December	734	811	1,545	1,020

The Board of Directors is authorised to let Danske Bank acquire own shares up to a total nominal amount of 10% of the share capital. The shares may be held for ownership or provided as collateral. If shares are acquired for ownership, the acquisition price may not deviate by more than 10% from the price quoted at the time of acquisition. Danske Bank A/S has obtained permission from the Danish Financial Supervisory Authority to acquire own shares for market making purposes etc. and this amount is deducted from common equity tier 1 capital.

Statement of capital – Danske Bank Group

(DKK millions)	2014	2013
Total capital and total capital ratio		
Total equity	153,120	145,657
Revaluation of domicile property at fair value	1,013	1,177
Tax effect	-209	-241
Reserves in undertakings consolidated on a pro rata basis	3,002	3,002
Total equity calculated in accordance with the rules of the Danish FSA	156,926	149,595
Additional tier 1 capital instruments included in total equity	-5,597	-
Accrued interest on additional tier 1 capital instruments	-77	-
Tax on accrued interest on additional tier 1 capital instruments	17	-
Common equity tier 1 capital instruments	151,269	149,595
Adjustment to eligible capital instruments	-117	-
Prudential filters	-315	-
Proposed dividends	-5,547	-2,017
Intangible assets of banking operations	-11,169	-20,763
Deferred tax on intangible assets	372	509
Deferred tax assets that rely on future profitability excluding temporary differences	-465	-972
Defined benefit pension fund assets	-317	-
Revaluation of domicile property	-	-596
Statutory deduction for insurance subsidiaries	-1,850	-
Other statutory deductions	-722	-247
Common equity tier 1 capital	131,139	125,509
Additional tier 1 capital instruments	17,434	39,953
Statutory deduction for insurance subsidiaries	-3,701	-3,930
Other statutory deductions	-10	-18
Tier 1 capital	144,862	161,514
Tier 2 capital instruments	26,310	23,823
Revaluation of domicile property	-	596
Statutory deduction for insurance subsidiaries	-3,701	-3,930
Other statutory deductions	-10	-18
Total capital	167,461	181,985
Total risk exposure amount	865,822	852,250
Common equity tier 1 capital ratio (%)	15.1	14.7
Tier 1 capital ratio (%)	16.7	19.0
Total capital ratio (%)	19.3	21.4

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 Danish Financial Supervisory Authority. A new filter will be introduced for deduction from common equity tier 1 capital of additional value adjustments of assets and liabilities measured at fair value (prudent valuation). The European Banking Authority (EBA) has submitted its final standard for adoption by the European Commission. Adoption is still pending but is expected in the near future. The final stipulations of the standard is expected to lead to a further reduction in common equity tier 1 capital of DKK 1.3 billion.

The risk exposure amount calculated under the Basel I rules amounted to DKK 1,398,421 million at 31 December 2014 (31 December 2013: DKK 1,368,520 million). The capital need under the transitional rules was DKK 89,499 million, equal to 10.3% of the risk exposure amount under the Basel I rules (31 December 2013: DKK 87,585 million).

Risk Management 2014 provides more details about the Group's total capital and total risk exposure amount. Risk Management 2014 is not covered by the statutory audit. In 2013, total capital and the total risk exposure amount were calculated in accordance with the Danish Financial Business Act.

Cash flow statement – Danske Bank Group

(DKK millions)	2014	2013
Cash flow from operations		
Profit before tax	7,835	10,059
Tax paid	-4,095	-1,705
Adjustment for non-cash operating items	15,027	6,615
Total	18,767	14,969
Changes in operating capital		
Amounts due to/from credit institutions and central banks	14,960	-147,278
Trading portfolio	68,656	20,526
Other financial instruments	-172,309	-58,394
Loans at amortised cost	-7,879	67,668
Loans at fair value	-13,528	4,681
Deposits	22,294	14,810
Bonds issued by Realkredit Danmark	41,769	-129
Assets/liabilities under insurance contracts	2,880	-9,610
Other assets/liabilities	16,914	-29,437
Cash flow from operations	-7,476	-122,194
Cash flow from investing activities		
Acquisition/sale of businesses	-	4
Acquisition/sale of own shares and additional tier 1 capital	-325	-179
Acquisition of intangible assets	-418	-349
Acquisition/sale of tangible assets	99	-268
Cash flow from investing activities	-644	-792
Cash flow from financing activities		
Changes in subordinated debt and hybrid capital	-25,378	233
Dividends	-2,000	-
Issued additional tier 1 capital	5,539	-
Change in non-controlling interests	2	-4
Cash flow from financing activities	-21,837	229
Cash and cash equivalents at 1 January	173,500	296,257
Change in cash and cash equivalents	-29,957	-122,757
Cash and cash equivalents, end of period	143,543	173,500
Cash and cash equivalents, end of period		
Cash in hand	10,582	10,006
Demand deposits with central banks	23,294	33,715
Amounts due from credit institutions and central banks within three months	109,667	129,779
Total	143,543	173,500

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

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 in central banks as well as amounts due from credit institutions and central banks with an original maturity shorter than three months.

Notes – Danske Bank Group

1. Basis of preparation

Danske Bank Group prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (IASB), as adopted by the EU and with applicable interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). Furthermore, the consolidated financial statements comply with the Danish FSA's executive order No. 1306 dated 16 December 2008 on the use of IFRSs by undertakings subject to the Danish Financial Business Act.

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

Monetary assets and liabilities in foreign currency are translated at the exchange rates at the balance sheet date. Exchange rate adjustments of monetary assets and liabilities arising as a result of differences in the exchange rates at the transaction date and at the balance sheet date are recognised in the income statement. Non-monetary assets and liabilities in foreign currency that are subsequently revalued at fair value are translated at the exchange rates at the date of revaluation. Exchange rate adjustments are included in the fair value adjustment of an asset or liability. Other non-monetary items in foreign currency are translated at the exchange rates at the transaction date. The accounting treatment of foreign currency translation of units outside Denmark is described in note 23.

For the purpose of clarity, the notes to the financial statements are prepared using the concepts of materiality and relevance. This means that information not considered material in terms of quantitative and qualitative measures or relevant to financial statement users is not presented in the notes.

The significant accounting policies have been incorporated into the notes to which they relate. Except for the IFRSs implemented during the year (note 2), Danske Bank has not changed its significant accounting policies from those applied in Annual Report 2013.

(a) Significant accounting estimates

Management's estimates and assumptions of future events that will significantly affect the carrying amounts of assets and liabilities underlie the preparation of the consolidated financial statements. Those estimates and assumptions are presented in the following sections.

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

Fair value measurement of financial instruments

Significant estimates are not used for measuring the fair value of financial instruments where the value is based on prices quoted in an active market or on generally accepted models employing observable market data.

Measurements of financial instruments that are only to a limited extent based on observable market data, such as the measurement of unlisted shares and certain bonds for which there is no active market, are subject to estimates. The estimated fair value of illiquid bonds significantly depends on the credit spread estimate. A credit spread widening of 50bp at the end of 2014 would have caused the fair value of the bonds to decrease DKK 36 million (2013: DKK 19 million). The Group makes fair value adjustments to cover changes in counterparty risk (CVA and DVA) on derivatives, bid-offer spreads on the net open position of the portfolio of assets and liabilities with offsetting market risk recognised at mid-market prices, and model risk on level 3 derivatives. At 31 December 2014, the adjustments totalled DKK 1.0 billion (31 December 2013: DKK 0.8 billion), including the adjustment for credit risk on derivatives with customers subject to objective evidence of impairment. In the fourth quarter of 2014, the Group implemented a new model for CVA and DVA that further increases the use of market implied input in valuation. Note 30 provides more details.

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 objective evidence of impairment, expected future cash flows and the value of collateral. The Group determines the need for impairment charges on the basis of the customer's expected ability to repay debt. This ability depends on a number of factors, including the customer's earnings capacity and trends in general economic growth and unemployment. Expectations of deteriorating repayment ability reduce credit quality and lead to downgrading of the customer.

If all customers were downgraded one rating category, collective impairment charges would increase by about DKK 3.2 billion (2013: DKK 3.7 billion). The losses incurred under non-performing loan agreements depend, among other factors, on the value of collateral received. If the value of collateral decreased 10%, individual impairment charges would increase by about DKK 2.4 billion (2013: DKK 2.4 billion). The risk management notes provide more details on impairment charges for loans. At end-2014, loans accounted for about 53% of total assets (31 December 2013: 56%).

Notes – Danske Bank Group

(a) Significant accounting estimates continued

Measurement of goodwill

Goodwill on acquisition is tested for impairment once a year or more frequently if indications of impairment exist. Impairment testing requires management to estimate 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. The impairment test conducted in 2014 resulted in goodwill impairment charges of DKK 9.1 billion against the Group's banking units, mainly because of the worsening of the long-term economic outlook and Danske Bank's strategy of being a Nordic universal bank. At 31 December 2014, goodwill amounted to DKK 9.5 billion (31 December 2013: DKK 18.5 billion). Following the impairment charges made in 2014, the remaining goodwill at banking units primarily relates to Personal Banking and Business Banking Finland. As this goodwill was written down to the recoverable amount, there is no excess value (the amount by which the cash-generating unit's recoverable amount exceeds the carrying amount) and changes to the key assumptions applied in the test could cause further impairment. However, the assumptions applied in the impairment test for 2014 include management judgements that, among others, reduces expectations for the interest level. In 2013, the goodwill allocated to Business Banking Estonia of DKK 2.1 billion was highly sensitive to changes in the assumptions applied in the impairment test, as the excess value was close to zero. The goodwill allocated to Personal Banking Northern Ireland of DKK 2.0 billion was less sensitive to changes in key assumptions, as the excess value was 45% higher than the carrying amount. Note 18 provides more information about 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 a number of actuarial computations that rely on assumptions about a number of variables, including mortality and disability rates. Assumptions of future mortality rates are based on the Danish FSA's benchmark, while other assumptions are based on data from the Group's own portfolio of insurance contracts. The liabilities also depend on the discount yield curve, which is fixed on the basis of a zero-coupon yield curve estimated on the basis of euro swap market rates to which is added the yield spread between Danish and German government bonds and a mortgage yield curve spread. Note 17 provides more information. If the discount rate were lowered one percentage point, life insurance provisions would increase by DKK 0.1 billion. The risk management notes contain more information about sensitivity analyses.

Recognition of deferred tax assets

Recognition of deferred tax requires management to assess the probability and amount of future profit. Deferred tax assets arising from unused tax losses are recognised to the extent that such losses can be offset against tax on future profit. At end-2014 deferred tax assets from recognised tax loss carry-forwards amounted to DKK 0.5 billion (31 December 2013: DKK 0.6 billion). The tax base of unrecognised tax loss carry-forwards, relating primarily to the Group's banking operations in Ireland, amounted to DKK 3.5 billion (31 December 2013: DKK 3.3 billion). The full deferred tax liability arising from international joint taxation was recognised and amounted to DKK 6.4 billion (31 December 2013: DKK 5.9 billion). Note 20 provides more information about deferred tax.

Notes – Danske Bank Group

(b) Significant accounting selections – financial instruments and insurance contracts
Financial instruments account for more than 95% of total assets and liabilities. A portion of financial assets relates to investments made under insurance contracts. The following sections provide a general description of the classification and measurement principles for financial instruments and obligations under insurance contracts, as this is of considerable relevance to financial statement users.

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

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

Financial instruments and obligations under insurance contracts, classification and measurement

	Fair value				Amortised cost			
	Directly through profit or loss							
(DKK billions)	Held-for-trading	Designated	Interest rate hedge*	Available-for-sale	Hold-to-maturity	Loans	Liabilities	Total
ASSETS								
Cash in hand and demand deposits with central banks	-	-	-	-	-	34	-	34
Due from credit institutions and central banks	-	-	-	-	-	113	-	113
Derivatives	391	-	18	-	-	-	-	409
Bonds	324	166	-	59	105	-	-	654
Shares	8	2	-	-	-	-	-	10
Loans at amortised cost	-	-	3	-	-	1,090	-	1,093
Loans at fair value	-	742	-	-	-	-	-	742
Assets under pooled schemes and unit-linked investment contracts	-	80	-	-	-	-	-	80
Assets under insurance contracts	-	237	-	-	-	-	-	237
Total financial assets, 2014	723	1,227	21	59	105	1,237	-	3,372
Total financial assets, 2013	674	1,059	24	62	57	1,262	-	3,138
LIABILITIES								
Due to credit institutions and central banks	-	-	-	-	-	-	329	329
Trading portfolio liabilities	548	-	3	-	-	-	-	551
Deposits	-	-	-	-	-	-	966	966
Bonds issued by Realkredit Danmark	-	656	-	-	-	-	-	656
Deposits under pooled schemes and unit-linked investment contracts	-	86	-	-	-	-	-	86
Liabilities under insurance contracts**	-	287	-	-	-	-	-	287
Other issued bonds	-	-	14	-	-	-	316	330
Subordinated debt	-	-	2	-	-	-	39	41
Loan commitments and guarantees	-	-	-	-	-	-	-	-
Total financial liabilities, 2014	548	1,029	19	-	-	-	1,650	3,246
Total financial liabilities, 2013	426	958	20	-	-	-	1,623	3,027

* The interest rate risk on fixed-rate financial assets and liabilities is hedged by derivatives (fair value hedging). The interest rate risk on fixed-rate bonds available for sale is also hedged by derivatives.
**Liabilities under insurance contracts are recognised at the present value of expected insurance benefits.

Notes – Danske Bank Group

(b) Significant accounting selections – financial instruments and insurance contracts continued

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

Loans granted under Danish mortgage finance law are funded by issuing listed mortgage bonds with matching terms. Borrowers may repay such loans by delivering the underlying bonds. Such loans and bonds are granted and issued by the Realkredit Danmark subsidiary only.

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

Consequently, the Group measures loans and issued bonds at fair value in accordance with the fair value option offered by IAS 39 to ensure that neither gain nor loss will occur on the purchase of own bonds. The fair value of bonds issued by Realkredit Danmark is normally equal to their market value. A small number of the issued bonds are illiquid, however, and the fair value of these bonds is calculated on the basis of a discounted cash flow valuation technique.

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

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

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

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

For both trading portfolio assets and securities designated at fair value, realised and unrealised capital gains and losses and dividends are recognised 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 amortised cost. The Group increased its use of this category in 2013 and 2014.

Hedge accounting
The Group uses derivatives to hedge the interest rate risk on most fixed-rate assets and fixed-rate liabilities measured at amortised cost and available-for-sale financial assets. Hedged risks that meet the criteria for fair value hedge accounting are treated accordingly. The interest rate risk on the hedged assets and liabilities is measured at fair value through profit or loss. At end-2014, hedging derivatives measured at fair value accounted for about 0.6% of total assets and about 0.2% of total liabilities (31 December 2013: 0.7% and 0.3%, respectively).

Notes – Danske Bank Group

(b) Significant accounting selections – financial instruments and insurance contracts continued

Insurance activities – general

The Group's net income from insurance business comprises the return on assets funded by Danica Pension's shareholders' equity, income from unit-linked business and health and accident business, and a risk allowance for conventional life insurance.

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

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

Insurance contracts

Insurance contracts comprise both an investment element and an insurance element, which are recognised as aggregate figures.

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

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

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

Investment contracts

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

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

Assets funded by shareholders' equity

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

Notes – Danske Bank Group

(c) Financial highlights

The financial highlights in note 3 deviate from the corresponding figures in the consolidated financial statements.

Income from the Danske Bank Markets segment (part of C&I) and Group Treasury (part of Other Activities) is recognised in the consolidated income statement under Net trading income and Net interest income. The value of each item may vary considerably from year to year, depending on the underlying transactions and market conditions. Therefore, the Net trading income item in the financial highlights shows all trading activity income. The interest income on the hold-to-maturity portfolio in Group Treasury is presented as interest income, however.

Income and expenses from the Danica Pension segment are consolidated on a line-by-line basis. The return on insurance activities accruing to the Group is determined by the contribution principle. The contribution calculation is based primarily on life insurance obligations. Since the Group's return cannot be derived directly from the individual income statement items, net income from insurance business is presented on a single line in the financial highlights.

The Non-core segment includes certain customer segments that are no longer considered part of the 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 financial statements.

Operating lease costs, excluding property leasing, are presented on a net basis under Other income to better reflect the development in the cost basis.

Other income includes earnings contributed by fully consolidated subsidiaries taken over by the Group under non-performing loan agreements and held for sale.

Notes – Danske Bank Group

(DKK millions)

2. Changes and forthcoming changes to accounting policies and presentation

(a) Changes to significant accounting policies and presentation during the year

The IASB consolidation project covering IFRS 10, IFRS 11, IFRS 12, IAS 27, and IAS 28

The IASB ended its project on consolidation in May 2011 by issuing a number of new International Financial Reporting Standards (IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements and IFRS 12, Disclosure of Interests in Other Entities) and revised standards (IAS 27, Separate Financial Statements and IAS 28, Investments in Associates and Joint Ventures). With these standards, the IASB establishes a uniform definition of control to be used for determining whether an entity should be consolidated and introduces enhanced disclosure requirements for consolidated and unconsolidated entities, joint arrangements and associates. Danske Bank adopted the standard from 1 January 2014 in accordance with the EU's postponement of the effective date by one year. The new requirements have not changed the Group's consolidation of businesses. The adoption of IFRS 12 added disclosures on interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. These disclosures are given in notes 35 to 37 to the consolidated financial statements.

Changes to financial highlights and segment reporting

As part of the Group's strategy, Non-core activities are placed in a separate business unit. Personal Banking and Business Banking customers in Ireland were transferred to the Non-core unit with effect from 1 January 2014.

The change has affected the financial highlights and business segment reporting, whereas the income statement, balance sheet, total equity, earnings per share and statement of capital remain unaffected. Comparative figures for 2013 have been restated, and the effect on the financial highlights for 2013 is presented in the table below. Minor changes have been made to the adjusted financial highlights for 2013 presented in note 38 in the consolidated financial statements for 2013.

Income statement		Change			
(DKK millions)	Highlights 2013	Personal Banking Ireland	Business Banking Ireland	Other Activities Ireland	Adjusted 2013
Net interest income	22,245	-147	-16	-5	22,077
Net fee income	9,525	-44	-11	-3	9,468
Net trading income	5,818	-15	-5	-	5,799
Other income	1,328	-1	-2	-19	1,308
Net income from insurance business	1,088	-	-	-	1,088
Total income	40,004	-206	-33	-25	39,740
Operating expenses	24,343	-362	-91	-96	23,794
Profit before loan impairment charges	15,661	156	58	73	15,947
Loan impairment charges	4,187	-47	-28	-	4,111
Profit before tax, core	11,474	203	85	73	11,836
Profit before tax, Non-core	-1,415	-203	-85	-73	-1,777
Profit before tax	10,059	-	-	-	10,059
Tax	2,944	-	-	-	2,944
Net profit for the year	7,115	-	-	-	7,115
Loans, excluding reverse transactions	1,552,645	-14,469	-1,297	-106	1,536,773
Other assets	1,648,609	-14	-3	-145	1,648,447
Total assets in Non-core	25,803	14,483	1,300	251	41,837
Deposits, excluding repo deposits	788,269	-9,478	-1,923	-456	776,412
Other liabilities	2,288,129	17	79	-713	2,287,512
Allocated capital	145,657	-	-	-	145,657
Total liabilities in Non-core	5,002	9,462	1,843	1,169	17,476

The table shows the effect on the highlights for full year 2013 of the transfer of Personal Banking and Business Banking customers in Ireland to the Non-core unit. Amounts are net of eliminations. Allocated capital is not affected by the transfer. The comparative figures for 2013 in note 3 reflect the transfer of Personal Banking and Business Banking customers to the Non-core unit.

Notes – Danske Bank Group

2. Changes and forthcoming changes to accounting policies and presentation continued

(b) Standards and interpretations not yet in force

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

IFRS 9, Financial Instruments

In July 2014, the IASB issued IFRS 9 Financial Instruments that will replace IAS 39. The standard provides principles for classification of financial instruments, provisioning for expected credit losses and the new general hedge accounting model. IASB is working on a new macro hedge accounting model.

IFRS 9, which has not yet been adopted by the EU, is effective from 1 January 2018.

Under IFRS 9, financial assets are classified on the basis of the business model adopted for managing the assets and on the basis of their contractual cash flow characteristics, including any embedded derivatives (unlike IAS 39, IFRS 9 no longer requires bifurcation). Assets held with the objective of collecting contractual cash flows that are solely payments of principal and interest are measured at amortised cost. Assets held with the objective of both collecting contractual cash flows and to sell and at the same time have contractual cash flows that are solely payments of principal and interest and the objective to sell are measured at fair value through Other Comprehensive Income. This results in assets recognised at fair value in the balance sheet and at amortised cost in the income statement. Other assets are measured at fair value through profit or loss. The option in IAS 39 to designate at fair value through profit or loss if certain criteria are fulfilled is retained.

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

Provisioning for expected credit losses on financial assets recognised at amortised cost in the income statement depends on whether the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly, the provision equals 12-month expected credit losses. If the credit risk has increased significantly, the provision equals the lifetime expected credit losses.

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

The implementation of IFRS 9 is expected to change the classification and measurement of financial assets, including the bond portfolio, and lead to an increase in the allowance account due to the provisioning for expected credit losses compared with the incurred loss provisioning in IAS 39. It is not yet possible to give an estimate of the effect on the financial statements.

IFRS 15, Revenue from Contracts with Customers

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

IFRS 15, which has not yet been adopted by the EU, is effective from 1 January 2017. Danske Bank is assessing the potential impact of the new standard on revenue recognition in the Group and the financial statements. It is not yet possible to give an estimate of the effect on the financial statements.

Notes – Danske Bank Group

(DKK millions)

3. Business model and business segmentation

Danske Bank is an international retail bank and operates in 15 countries, mainly in the Nordic region. Danske Bank is market leader in Denmark and among the largest banks in Northern Ireland and Finland. The Group offers customers a wide range of services in the fields of banking, mortgage finance, insurance, real-estate brokerage, asset management and trading in fixed income products, foreign exchange and equities.

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

The Group consists of a number of business units and support functions. The business units are segmented according to customers, legislation and products and services characteristics:

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

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

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

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

Danica Pension carries out the Group's activities in the life insurance and pensions market. Danica Pension serves both personal and business customers. Its products are marketed through a range of channels in the Group, primarily Personal Banking and Danica Pension's own insurance brokers and advisers. Danica Pension offers unit-linked products that allow customers to select their own investment profiles and the return on savings depends on market trends. Danica Pension also offers *Danica Traditionel*. This product does not offer individual investment profiles, and Danica Pension sets the rate of interest on policyholders' savings.

Non-core includes certain customer segments that are no longer considered part of the core business. The Non-core unit is responsible for the controlled winding-up and divestment of this part of the loan portfolio. The portfolio consists of loans to customers in Ireland and liquidity back-up facilities for Special Purpose Vehicles (SPVs) and conduit structures. On 1 January 2014, all Business Banking and Personal Banking customers in Ireland were transferred to the Non-core Ireland unit.

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

Accounting policy

Segment reporting complies with the significant accounting policies.

Internal income and expenses are allocated to the individual segments on an arm's-length basis. Expenses incurred centrally, including expenses incurred by support, administrative and back-office functions, are charged to the business units according to consumption and activity. Funding costs for lending and deposit activities (FTP) are allocated on the basis of a maturity analysis of loans and deposits, interbank rates and funding spreads, and depend on market trends.

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

Capital (shareholders' equity) is allocated to the business units based on the relative share of the risks with goodwill allocated directly to the relevant business segments and capital allocated to the insurance business in accordance with regulatory requirements for insurance business.

A calculated income equal to the risk-free return on its allocated capital is apportioned to each business unit. This income is calculated on the basis of the short-term money market rate. The interest expense on additional tier 1 capital is charged to the business units on the basis of the capital allocated to each unit and offset by corresponding interest income at Other Activities.

Notes – Danske Bank Group

(DKK millions)

3. Business model and business segmentation continued

(a) Business segments 2014

	Personal Banking	Business Banking	C&I	Danske Capital	Danica Pension	Other Activities	Non-core	Elimina-tions	Total	Reclassi-fication	Highlights
Net interest income	10,764	8,978	7,966	2	4,824	1,756	187	130	34,607	-11,500	23,107
Net fee income	4,567	2,082	1,927	2,402	-1,091	-66	18	-25	9,814	677	10,491
Net trading income	723	637	-780	1	10,085	-623	3	-326	9,720	-3,158	6,562
Other income	632	1,884	8	-	1,787	369	1	-134	4,547	-3,203	1,344
Net premiums	-	-	-	-	20,631	-	-	-	20,631	-20,631	-
Net insurance benefits	-	-	-	-	33,024	-	-	-	33,024	-33,024	-
Net income from insurance business	-	-	-	-	-	-	-	-	-	2,362	2,362
Total income	16,686	13,581	9,121	2,405	3,213	1,435	209	-355	46,295	-2,429	43,866
Operating expenses	10,626	6,841	4,614	999	851	1,088	782	-159	25,642	-3,001	22,641
Goodwill impairment charges	5,539	3,559	-	-	-	-	-	-	9,099	-	9,099
Profit before loan impairment charges	521	3,181	4,507	1,406	2,362	345	-573	-196	11,554	572	12,126
Loan impairment charges	1,412	1,007	372	-	-	-	930	-	3,718	-930	2,788
Profit before tax, core	-891	2,174	4,135	1,406	2,362	345	-1,503	-196	7,835	1,503	9,338
Profit before tax, Non-core	-	-	-	-	-	-	-	-	-	-1,503	-1,503
Profit before tax	-891	2,174	4,135	1,406	2,362	345	-1,503	-196	7,835	-	7,835
Loans, excluding reverse transactions	786,395	612,479	169,611	340	-	24,634	29,609	-29,730	1,593,338	-29,609	1,563,729
Other assets	208,610	192,059	4,230,977	18,467	365,247	1,835,957	-4,881	-4,986,759	1,859,677	-2,720	1,856,957
Total assets in Non-core	-	-	-	-	-	-	-	-	-	32,329	32,329
Total assets	995,005	804,538	4,400,588	18,807	365,247	1,860,591	24,728	-5,016,489	3,453,015	-	3,453,015
Deposits, excluding repo deposits	329,463	259,770	174,221	132	-	9,778	4,331	-9,923	767,772	-4,331	763,441
Other liabilities	639,680	507,457	4,188,719	16,137	353,025	1,826,581	12,766	-5,006,566	2,537,799	-619	2,537,180
Allocated capital	25,862	37,311	37,648	2,538	12,223	24,231	7,631	-	147,445	-	147,445
Total liabilities in Non-core	-	-	-	-	-	-	-	-	-	4,950	4,950
Total liabilities and equity	995,005	804,538	4,400,588	18,807	365,247	1,860,591	24,728	-5,016,489	3,453,015	-	3,453,015
Profit before tax as % of allocated capital (avg.)	-2.8	5.2	10.9	54.8	19.7	2.3	-17.9	-	5.3		
Cost/income ratio before goodwill impairment charges (%)	63.7	50.4	50.6	41.5	26.5	75.8	-	-	55.4		
Full-time-equivalent staff end of year	6,617	3,608	1,643	506	772	5,257	75	-	18,478		

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

Notes – Danske Bank Group

(DKK millions)

3. Business model and business segmentation continued

(a) Business segments 2013

	Personal Banking	Business Banking	C&I	Danske Capital	Danica Pension	Other Activities	Non-core	Elimina-tions	Total	Reclassi-fication	Highlights
Net interest income	11,009	8,892	7,361	-38	5,319	482	270	137	33,432	-11,355	22,077
Net fee income	4,204	1,926	1,347	2,186	-878	-66	71	-	8,790	678	9,468
Net trading income	644	758	-292	15	8,537	-1,291	22	-247	8,146	-2,347	5,799
Other income	667	1,814	18	1	1,329	584	22	-139	4,296	-2,988	1,308
Net premiums	-	-	-	-	20,148	-	-	-	20,148	-20,148	-
Net insurance benefits	-	-	-	-	32,537	-	-	-	32,537	-32,537	-
Net income from insurance business	-	-	-	-	-	-	-	-	-	1,088	1,088
Total income	16,524	13,390	8,434	2,164	1,918	-291	385	-249	42,275	-2,535	39,740
Operating expenses	11,738	6,801	4,588	1,033	830	845	853	108	26,796	-3,002	23,794
Goodwill impairment charges	-	-	-	-	-	-	-	-	-	-	-
Profit before loan impairment charges	4,786	6,589	3,846	1,131	1,088	-1,136	-468	-357	15,479	468	15,947
Loan impairment charges	1,887	1,751	473	-	-	-	1,309	-	5,420	-1,309	4,111
Profit before tax, core	2,899	4,838	3,373	1,131	1,088	-1,136	-1,777	-357	10,059	1,777	11,836
Profit before tax, Non-core	-	-	-	-	-	-	-	-	-	-1,777	-1,777
Profit before tax	2,899	4,838	3,373	1,131	1,088	-1,136	-1,777	-357	10,059	-	10,059
Loans, excluding reverse transactions	800,396	589,847	151,996	296	-	25,456	41,624	-31,218	1,578,397	-41,624	1,536,773
Other assets	196,131	231,500	3,705,960	15,376	328,409	1,746,995	5,569	-4,581,281	1,648,660	-213	1,648,447
Total assets in Non-core	-	-	-	-	-	-	-	-	-	41,837	41,837
Total assets	996,527	821,347	3,857,956	15,672	328,409	1,772,452	47,193	-4,612,499	3,227,057	-	3,227,057
Deposits, excluding repo deposits	333,852	263,424	179,273	219	-	9,668	16,742	-10,024	793,154	-16,742	776,412
Other liabilities	631,291	514,284	3,647,518	12,895	316,338	1,749,388	19,008	-4,602,475	2,288,246	-734	2,287,512
Allocated capital	31,385	43,639	31,165	2,558	12,071	13,396	11,444	-	145,657	-	145,657
Total liabilities in Non-core	-	-	-	-	-	-	-	-	-	17,476	17,476
Total liabilities and equity	996,527	821,347	3,857,956	15,672	328,409	1,772,452	47,193	-4,612,499	3,227,057	-	3,227,057
Profit before tax as % of allocated capital (avg.)	9.8	10.9	10.7	44.2	9.3	-9.6	-17.2	-	6.9		
Cost/income ratio (%)	71.0	50.8	54.4	47.7	43.3	-	221.6	-	63.4		
Full-time-equivalent staff end of year	6,856	3,759	1,571	504	766	5,409	257		19,122		

Personal Banking and Business Banking customers in Ireland were transferred to Non-core with effect from 1 January 2014. Business segments 2013 have been restated. Note 1 provides more details.

Notes – Danske Bank Group

(DKK millions)

3. Business model and business segmentation continued

Personal Banking by country 2014

	Denmark	Finland	Sweden	Norway	Northern Ireland	Other*	Total
Net interest income	7,197	1,123	581	1,118	680	65	10,764
Net fee income	2,827	917	313	149	210	151	4,567
Net trading income	608	26	19	-12	54	28	723
Other income	139	52	1	438	-	2	632
Total income	10,771	2,118	914	1,693	944	246	16,686
Operating expenses	6,067	1,411	708	1,164	762	514	10,626
Goodwill impairment charges	-	3,493	-	-	2,046	-	5,539
Profit before loan impairment charges	4,704	-2,786	206	529	-1,864	-268	521
Loan impairment charges	1,329	58	51	14	-41	1	1,412
Profit before tax	3,375	-2,844	155	515	-1,823	-269	-891
Loans, excluding reverse transactions	532,446	92,754	67,090	70,758	17,850	5,497	786,395
Deposits, excluding repo deposits	194,708	46,450	26,672	25,545	30,321	5,767	329,463
Net interest income as % p.a. of loans and deposits	0.99	0.81	0.62	1.16	1.41	0.58	0.96
Cost/income ratio before goodwill impairment charges (%)	56.3	66.6	77.5	68.8	80.7	-	63.7

*Other includes Luxembourg, staff functions and other non-country specific costs.

Personal Banking by country 2013

	Denmark	Finland	Sweden	Norway	Northern Ireland	Other*	Total
Net interest income	7,654	1,213	559	1,178	616	-211	11,009
Net fee income	2,513	925	308	152	165	141	4,204
Net trading income	518	28	15	-23	49	57	644
Other income	121	109	1	436	2	-2	667
Total income	10,806	2,275	883	1,743	832	-15	16,524
Operating expenses	6,843	1,807	780	1,188	755	365	11,738
Profit before loan impairment charges	3,963	468	103	555	77	-380	4,786
Loan impairment charges	1,887	2	2	-21	29	-12	1,887
Profit before tax	2,076	466	101	576	48	-368	2,899
Loans, excluding reverse transactions	537,033	95,846	73,717	71,864	16,538	5,398	800,396
Deposits, excluding repo deposits	196,464	46,038	31,386	26,989	28,167	4,808	333,852
Net interest income as % p.a. of loans and deposits	1.04	0.85	0.53	1.19	1.38	-2.07	0.97
Cost/income ratio (%)	63.3	79.4	88.3	68.2	90.7	-	71.0

*Other includes Luxembourg, staff functions and other non-country specific costs.

Notes – Danske Bank Group

(DKK millions)

3. Business model and business segmentation continued

Business Banking by country 2014

	Denmark	Finland	Sweden	Norway	Northern Ireland	Baltics	Other*	Total
Net interest income	4,811	797	1,505	846	698	414	-93	8,978
Net fee income	733	421	318	194	223	194	-1	2,082
Net trading income	285	37	106	55	59	94	1	637
Other income	1,726	33	5	99	11	12	-3	1,884
Total income	7,555	1,288	1,934	1,194	991	714	-96	13,581
Operating expenses	3,486	730	875	617	544	465	123	6,841
Goodwill impairment charges	-	1,501	-	-	-	2,058	-	3,559
Profit before loan impairment charges	4,069	-943	1,059	577	447	-1,809	-219	3,181
Loan impairment charges	1,148	87	-3	99	-312	-12	-	1,007
Profit before tax	2,921	-1,030	1,062	478	759	-1,797	-219	2,174
Loans, excluding reverse transactions	360,690	47,017	106,367	51,979	27,603	18,823	-	612,479
Deposits, excluding repo deposits	82,769	45,726	40,454	39,519	26,242	25,060	-	259,770
Net interest income as % p.a. of loans and deposits	1.08	0.86	1.03	0.92	1.30	0.94	-	1.03
Cost/income ratio before goodwill impairment charges (%)	46.1	56.7	45.3	51.7	54.9	65.1	-	50.4

*Other includes Luxembourg, staff functions and other non-country specific costs.

Business Banking by country 2013

	Denmark	Finland	Sweden	Norway	Northern Ireland	Baltics	Other*	Total
Net interest income	5,041	783	1,396	889	609	434	-260	8,892
Net fee income	651	383	313	191	200	189	-1	1,926
Net trading income	331	37	102	57	59	173	-1	758
Other income	1,565	69	6	146	9	18	1	1,814
Total income	7,588	1,272	1,817	1,283	877	814	-261	13,390
Operating expenses	3,456	855	909	686	475	420	-	6,801
Profit before loan impairment charges	4,132	417	908	597	402	394	-261	6,589
Loan impairment charges	1,194	-1	29	373	405	-242	-7	1,751
Profit before tax	2,938	418	879	224	-3	636	-254	4,838
Loans, excluding reverse transactions	355,457	44,127	99,838	46,828	26,182	17,407	8	589,847
Deposits, excluding repo deposits	80,649	45,833	47,181	43,447	24,755	21,561	-2	263,424
Net interest income as % p.a. of loans and deposits	1.16	0.87	0.95	0.98	1.20	1.11	-	1.04
Cost/income ratio (%)	45.5	67.2	50.0	53.5	54.2	51.6	-	50.8

*Other includes Luxembourg, staff functions and other non-country specific costs.

Notes – Danske Bank Group

(DKK millions)

3. Business model and business segmentation continued

(b) Total income broken down by type of product	2014	2013
Business banking	13,346	12,429
Home finance and savings	10,955	10,322
Trading	4,322	5,440
Day-to-day banking	6,237	6,072
Wealth management	4,078	3,636
Leasing	3,041	2,958
Insurance	3,235	1,941
Other	1,080	-523
Total	46,294	42,275

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

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

(c) Geographical segmentation

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

Total income from external customers	2014	2013
Denmark	25,633	21,608
Finland	4,805	5,048
Sweden	6,132	5,876
Norway	4,935	5,170
Ireland	646	1,074
UK	2,629	2,064
Other	1,514	1,435
Total	46,294	42,275

Notes – Danske Bank Group

(DKK millions)

4. Activities by country

Under CRD IV, financial institutions must disclose, by country in which it operates through a subsidiary or a branch, information about turnover, number of employees, profit before tax, tax and public subsidies received. This information is not comparable to the geographical segmentation presented in note 3(c), in which segmentation is based on the customer's country of residence. The Group has not received any public subsidies that relate to the Group's activities as a financial institution. The goodwill impairment charge of DKK 9.1 billion is included in profit before tax in Denmark.

	Turnover* 2014	Full-time-equivalent staff 31 Dec. 2014	Profit before tax 2014	Tax on profit 2014
Denmark	55,803	10,567	-1,085	1,816
Finland	6,557	1,979	1,845	381
Sweden	9,651	1,277	3,490	749
Norway	9,607	1,269	2,559	637
United Kingdom	2,659	1,420	1,132	265
Ireland	703	101	-742	-
Estonia	400	489	218	61
Latvia	78	85	-18	-14
Lithuania	247	994	66	7
Luxembourg	746	92	128	36
Russia	113	46	39	8
Germany	256	32	110	31
Poland	99	45	48	9
USA	96	23	92	-
India	-	59	-	2
Total	87,013	18,478	7,883	3,989

*Turnover is defined as interest income, fee and commission income and other operating income.

Danske Bank carries out its activities in the countries listed above under a variety of names, of which the main ones are: Danske Bank (banking, trading and wealth management activities carried out in all countries, except for activities in Northern Ireland (part of United Kingdom), which are carried out under the Northern Bank Limited name and mortgage finance activities in Denmark, which are carried out under the Realkredit Danmark A/S name), Danske Leasing A/S (leasing), and Danica Pension (insurance). In addition to these names, the Group performs activities under a number of other names. These are disclosed in note 35 in Annual Report 2014.

Activities in each of the countries

Activities in Denmark include: Banking, trading, wealth management, leasing, insurance and other activities.
Activities in Finland include: Banking, trading, wealth management and leasing.
Activities in Sweden include: Banking, trading, wealth management, leasing and insurance.
Activities in Norway include: Banking, trading, wealth management, leasing, insurance and other activities.
Activities in United Kingdom include: Banking, trading and leasing.
Activities in Ireland include: Banking.
Activities in Estonia include: Banking, wealth management and leasing.
Activities in Latvia include: Banking.
Activities in Lithuania include: Banking, wealth management, leasing, insurance and other activities.
Activities in Luxembourg include: Banking and wealth management.
Activities in Russia include: Banking.
Activities in Germany include: Banking.
Activities in Poland include: Banking.
Activities in USA include: Trading.
Activities in India include: Other activities.

Other activities include: Group support functions, real-estate brokerage and activities taken over by the Group under non-performing-loan agreements.

Notes – Danske Bank Group

5. Net interest and net trading income

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

Accounting policy

Interest income and expenses

Interest income and expenses arising from interest-bearing financial instruments measured at amortised cost are recognised according to the effective interest rate method on the basis of the cost of the individual financial instrument. Interest includes amortised amounts of fees that are an integral part of the effective yield on a financial instrument, such as origination fees, and amortised differences between cost and redemption price, if any. Interest on loans subject to individual impairment is recognised on the basis of the impaired value. The interest rate risk on most financial portfolios recognised at amortised cost is hedged by derivatives using fair value hedge accounting. Note 12 provides more information on hedge accounting.

Interest income and expenses arising from financial instruments measured at fair value also include origination fees on those instruments, except interest on assets and deposits under pooled schemes and unit-linked investment contracts which is recognised under Net trading income.

Net trading income

Net trading income includes realised and unrealised capital gains and losses on trading portfolio assets and other securities recognised at fair value as well as exchange rate adjustments and dividends. Further, the fair value adjustments of Loans at fair value and bonds issued by Realkredit Danmark are recognised in net trading income except for the fair value adjustments of the credit risk on loans that are recognised under Loan impairment charges. Moreover, the item includes the change in insurance obligations during the year due to additional provisions for benefit guarantees and the tax on pension returns.

Returns (interest income and fair value changes) on assets under pooled schemes and unit-linked investment contracts and the crediting of these returns to customer accounts are recognised under Net trading income.

Notes – Danske Bank Group

(DKK millions)

5. Net interest and net trading income continued

2014	Interest income	Interest expense	Net interest income	Net trading income	Total
Financial portfolios at amortised cost					
Due from/to credit institutions and central banks	179	412	-233	1	-232
Repo and reverse transactions	1,271	1,331	-60	-	-60
Loans and deposits	25,654	5,009	20,645	1,098	21,743
Hold-to-maturity investments	1,266	-	1,266	-	1,266
Other issued bonds	-	6,856	-6,856	-4,620	-11,476
Subordinated debt	-	2,512	-2,512	-1	-2,513
Other financial instruments	156	620	-464	-	-464
Total	28,526	16,740	11,786	-3,522	8,264
Financial portfolios at fair value					
Loans at fair value and bonds issued by Realkredit Danmark	22,584	15,604	6,980	-	6,980
Trading portfolio and investment securities	11,944	-	11,944	3,386	15,330
Assets and deposits under pooled schemes and unit-linked investment contracts	-	-	-	-210	-210
Assets and liabilities under insurance contracts	3,897	-	3,897	10,065	13,962
Total	38,425	15,604	22,821	13,241	36,062
Total net interest and net trading income	66,951	32,344	34,607	9,720	44,326

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

Changes to the hedged interest rate risk are recognised under net trading income and shown under the hedged balance sheet items in the table above, whereas value adjustments of hedging derivatives are recognised under net trading income under the trading portfolio. Net trading income includes dividends from shares of DKK 3,423 million (2013: DKK 3,924 million) and foreign exchange adjustments of DKK 1,802 million (2013: DKK 1,603 million).

Net trading income from insurance contracts includes the return on assets of DKK 28,930 million (2013: DKK 4,962 million), adjustment of additional provisions of DKK -13,117 million (2013: DKK 5,099 million), adjustment of the collective bonus potential of DKK -1,487 million (2013: DKK -275 million) and tax on pension returns of DKK –4,261 million (2013: DKK -604 million).

Interest on financial assets subject to individual impairment is recognised on the basis of the impaired value and amounted to DKK 1,714 million (2013: DKK 1,614 million).

Notes – Danske Bank Group

(DKK millions)

6. Fee income and expenses

Fee income and expenses are broken down into fees generated by activities and fees generated by portfolios. Fees generated by activities comprises fees for the execution of one-off transactions. Fees generated by portfolios comprises recurring fees from the product portfolio.

Accounting policy

Income from and expenses for services provided over a period of time, such as guarantee commissions and investment management fees, are accrued over the period. Transaction fees, such as brokerage and custody fees, are recognised on settlement of the individual transaction. Fees that form an integral part of the effective rates of interest on loans and deposits are carried under Interest income and Interest expense. Fees for Loans at fair value are carried under Fee income, except for origination fees, which are carried under Net interest income.

(a) Fee income	2014	2013
Financing (loans and guarantees)	2,025	1,614
Investment (securities trading and advisory services)	2,549	2,621
Services (insurance and foreign exchange trading)	59	49
Fees generated by activities	4,633	4,284
Financing (guarantees)	639	654
Investment (asset management and custody services)	5,282	4,506
Services (payment services and cards)	4,032	3,787
Fees generated by portfolios	9,953	8,947
Total	14,585	13,231

(b) Fee expenses	2014	2013
Financing (property valuation)	69	76
Investment (securities trading and advisory services)	1,275	1,273
Services (referrals)	69	54
Fees generated by activities	1,413	1,403
Financing (guarantees)	14	17
Investment (asset management and custody services)	1,246	877
Services (payment services and cards)	2,098	2,144
Fees generated by portfolios	3,358	3,038
Total	4,771	4,441

Fees for financial instruments not recognised at fair value, such as loans and issued bonds, are recognised as financing fee income or expenses. Such income amounted to DKK 2,208 million (2013: DKK 1,899 million), whereas expenses amounted to DKK 14 million (2013: DKK 17 million).

Notes – Danske Bank Group

(DKK millions)

7. Other income

Other income includes rental income and lease payments under operating leases, fair value adjustments of investment property, amounts received on the sale of lease assets and gains and losses on the sale of other tangible assets, such as domicile and investment properties. Income from associates includes the Group's proportionate share of the net profit or loss.

Accounting policy

Income from lease assets and investment property

Income from lease assets and investment property includes income from assets let under operating lease contracts. Income is recognised on a straight line basis over the period of the lease term. The accounting policy for lease assets and investment property is further described in note 22.

Income from real-estate brokerage

Income from real-estate brokerage consists of real estate agent fees, that are recognised as income when the real estate is sold, and franchise fees received from real-estate brokers, that are recognised on a straight line basis over the term of the franchise agreement.

Income from associates

Income from associates is described under the relevant balance sheet line item and notes 22 and 36 provide more information. The gain or loss on the sale of associates is the difference between the selling price and the carrying amount, including goodwill, if any, of such sale.

Other income	2014	2013
Income from lease assets and investment property	2,540	2,572
Income from real-estate brokerage	596	591
Income from associates	107	354
Other income	1,304	779
Total	4,547	4,296

Fair value adjustment of associates held by the Group's insurance business (which is treated as a venture capital organisation) is recognised under Net trading income.

Notes – Danske Bank Group

(DKK millions)

8. Insurance contracts

Insurance contracts are contracts entered into by Danica Pension that entail significant insurance risks or entitle policyholders to bonus (discretionary participation features). The deposit component in those contracts is not unbundled but recognised together with the insurance component. Hence, premiums and insurance benefits related to the deposit component, are recognised in the income statement instead of directly in the balance sheet.

Contracts that do not entail significant insurance risk are recognised as investment contracts with premiums recognised directly in the balance sheet. Note 16 provides more information on the accounting for investment contracts.

Accounting policy

Net premiums

Net premiums includes regular and single premiums on insurance contracts and are recognised in the income statement at their due dates. Reinsurance premiums paid are deducted from premiums received.

Net insurance benefits

Net insurance benefits includes benefits disbursed to policyholders. The item also includes adjustments to outstanding claims provisions and life insurance provisions, including the attribution of regular and single premiums to the individual insurance contracts. However, additional provisions for benefit guarantees are recognised under Net trading income. The benefits are recognised net of reinsurance.

(a) Net premiums	2014	2013
Regular premiums, life insurance	3,866	4,589
Single premiums, life insurance	416	402
Regular premiums, unit-linked products	8,452	8,151
Single premiums, unit-linked products	6,696	5,801
Premiums, health and accident insurance	1,263	1,237
Reinsurance premiums paid	-102	-103
Change in unearned premiums provisions	41	71
Total	20,631	20,148

(b) Net insurance benefits	2014	2013
Benefits paid	23,989	22,413
Reinsurers' share received	-191	-177
Claims and bonuses paid	1,441	1,410
Change in outstanding claims provisions	140	35
Change in life insurance provisions	-8,930	-7,115
Change in provisions for unit-linked contracts	16,576	15,971
Total	33,024	32,537

(c) Further explanation

Insurance premiums received are carried under Net premiums, whereas benefits paid and changes to insurance obligations, including an increase in provisions due to premiums received during the year, are carried under Net insurance benefits. Net premiums and insurance benefits do not include the entire income stream related to insurance contracts. Changes to provisions caused by fair value adjustment of expected payments are carried under Net trading income. The return on assets earmarked for insurance contracts is carried under Net interest income and Net trading income. The net interest income and trading income disclosed in note 5 contain DKK 13,962 million relating to insurance contracts (2013: DKK 13,440 million). DKK -717 million (2013: 318 DKK million) relate to net interest income on deposits and own issued bonds and fair value adjustments that are eliminated in the consolidated financial statements. Note 3 shows the effect on profit or loss of insurance activities (including from investment contracts) in Danica Pension.

Notes – Danske Bank Group

(DKK millions)

9. Operating expenses

Operating expenses includes staff costs, administrative expenses, depreciation, amortisation and impairment charges on tangible and intangible assets. However, the goodwill impairment charge of DKK 9,099 million recognised in the fourth quarter of 2014 is presented as a separate line item in the income statement. Note 18 provides more information about goodwill impairment.

Accounting policy

Staff costs

This item includes salaries, performance-based pay, expenses for share-based payments, holiday allowances, anniversary bonuses, pension costs and other remuneration. Salaries and other remuneration that the Group expects to pay are expensed when the employees render the services. Performance-based remuneration is expensed as it is earned.

Share-based payment

Part of the performance-based remuneration for the year is paid in the form of equity-settled options (suspended in 2008) and conditional shares. Share options may be exercised within three to seven years after the grant date and are conditional on the employee's not having resigned. Rights to conditional shares vest up to five years after the grant date, provided that the employee, with the exception of retirement, has not resigned from the Group. In addition to this requirement, the vesting of rights earned from 2010 is conditional on certain targets. The fair value of share-based payments at the grant date is expensed over the service period that unconditionally entitles the employee to the payment. The intrinsic value of the options is expensed in the year in which the share-based payments are earned, while the time value is accrued over the remaining service period. Expenses are set off against shareholders' equity. Subsequent fair value adjustments are not carried in the income statement.

Pension obligations

The Group's contributions to defined contribution pension plans are recognised in the income statement as they are earned by the employees. For defined benefit pension plans, the Group expenses the standard cost. Acturial gains or losses as a result of the difference between expected trends in pension assets and benefits and actual trends are recognised in Other comprehensive income.

Amortisation, depreciation and impairment charges

In addition to amortisation, depreciation and impairment charges for intangible and tangible assets, the Group expenses the carrying amount of lease assets sold at the expiry of a lease agreement.

(a) Staff costs, administrative expenses, depreciations and impairment charges	2014	2013
Staff costs	14,121	14,538
Administrative expenses	8,909	9,603
Amortisation/depreciation of intangible and tangible assets	2,542	2,573
Impairment charges for intangible and tangible assets before goodwill impairment charges	70	81
Total	25,642	26,796

Staff costs		
Salaries	10,378	10,707
Share-based payments	123	113
Pension, defined contribution plans	1,279	1,309
Pension, defined benefit plans	174	90
Severance payments	640	792
Financial services employer tax and social security costs	1,529	1,526
Total	14,121	14,538

Remuneration Report 2014, which is available at danskebank.com/cgrr, provides a detailed description of remuneration paid.

Total salary costs amounted to DKK 12.6 billion (2013: DKK 13.0 billion), with variable remuneration accounting for 6.5% of this amount (2013: 5.9%).

9. Operating expenses continued

(b) Pension plans

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

The present value of obligations under defined benefit plans less the fair value of pension assets is recognised for each plan under Other assets and Other liabilities. At 31 December 2014, the net present value of pension obligations was DKK 18,121 million (31 December 2013: DKK 14,679 million), and the fair value of plan assets was DKK 19,533 million (31 December 2013: DKK 15,727 million). The Group recognises the standard cost in the income statement, whereas actuarial gains or losses are recognised in Other comprehensive income.

The calculation of the net obligation is based on valuations made by external actuaries. These valuations rely on assumptions about a number of variables, including discount and mortality rates and salary increases. Pension asset ceiling constraints also apply when recognising the ultimate cost for the pension plans. Following a review of such constraints, the recognised net pension asset for the Group has been reduced by DKK 0.9 billion, based on management's best estimate of future economic benefits available. The measurement of the net obligation is furthermore particularly sensitive to changes in the discount rate. The discount rate is determined by reference to yields on high-quality corporate bonds with terms matching the terms of the pension obligations. If the discount rate were lowered half a percentage point, the gross pension obligation would increase DKK 1.6 billion (2013: DKK1.3 billion). The amount would be recognised in Other comprehensive income.

(DKK millions)

10. Audit fees

	2014	2013
Audit firms appointed by the general meeting		
Fees for statutory audit of the consolidated and parent company financial statements	4	12
Fees for other assurance engagements	1	2
Fees for tax advisory services	3	5
Fees for other services	1	3
Total	9	22
Other audit firms		
Fees for statutory audit of the consolidated and parent company financial statements	6	-
Fees for other assurance engagements	1	-
Fees for tax advisory services	1	-
Fees for other services	1	-
Total	9	-
Total audit fees	18	22

Costs for the internal audit department are recognised under Operating expenses.

11. Loan impairment charges

Loan impairment charges include losses on and impairment charges against loans, provisions for loan commitments and guarantees, as well as fair value adjustments of the credit risk on loans measured at fair value.

The item also includes impairment charges and realised gains and losses on tangible assets and group undertakings taken over by the Group under non-performing loan agreements if the assets qualify as held-for-sale assets. Similarly, subsequent value adjustments of assets that the Group has taken over and does not expect to sell within 12 months are recognised under loan impairment charges, provided that the Group has a right of recourse against the borrower.

Accounting policy
The accounting policy for when a loan impairment charge is recognised and how the loan impairment charge is determined is described under the relevant balance sheet line items. Notes 14, 15 and 22 provide more information.

Loan impairment charges	2014	2013
Due from credit institutions and central banks	5	-3
Loans at amortised cost	2,516	4,288
Loans at fair value	1,262	1,608
Loan commitments and guarantees	-65	-473
Total	3,718	5,420
New and increased impairment charges	12,226	13,678
Reversals of impairment charges	9,300	8,034
Write-offs charged directly to income statement	2,198	1,362
Received on claims previously written off	966	1,052
Interest income, effective interest method	-439	-534
Total	3,718	5,420

Notes – Danske Bank Group

(DKK millions)

12. Trading portfolio assets and liabilities

Trading portfolio assets comprise the equities and bonds held by the Group's trading departments at Danske Bank Markets and all derivatives with positive fair value. Trading portfolio liabilities consist of derivatives with negative fair value and obligations to deliver securities (obligations to repurchase securities). During 2014, the Group transferred the responsibility for the liquidity portfolio from Danske Bank Markets to Group Treasury. The liquidity portfolio is no longer part of the trading portfolio, but is included in the line item Investment securities. Note 13 provides more information.

Accounting policy

The trading portfolio is recognised at fair value through profit or loss. Realised and unrealised capital gains and losses and dividends are recognised in the income statement under Net trading income. Fair value is the amount for which a financial asset can be sold or a financial liability be transferred to a knowledgeable, willing third party. Note 30 provides information about fair value measurement and fair value adjustments.

The Group uses fair value hedge accounting when the criteria in IAS 39 are fulfilled. The derivatives used as hedging instruments are presented in the balance sheet together with other derivatives.

(a) Trading portfolio assets	2014	2013
Derivatives with positive fair value	409,442	249,535
Listed bonds	324,573	437,797
Unlisted bonds	524	1,614
Listed shares	7,442	6,007
Unlisted shares	532	770
Total	742,513	695,723

(b)Trading portfolio liabilities		
Derivatives with negative fair value	389,746	228,941
Obligations to repurchase securities	160,883	206,242
Total	550,629	435,183

Notes – Danske Bank Group

(DKK millions)

12. Trading portfolio assets and liabilities continued

(c) Explanation of derivatives

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

- swaps
- forwards and futures
- options

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

The Group trades derivatives 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. The risk management notes provide additional information about the Group's risk management policy. Danske Bank Markets is responsible for the day-to-day management and hedging of the Group's market risks.

Derivatives are recognised and measured at fair value. Some of the Group's bank loans, deposits, issued bonds, etc. carry fixed rates. Generally, such fixed-rate items are recognised at amortised cost. Further, the Group classifies certain bonds as available-for-sale financial assets. Unrealised value adjustments of such bonds are recognised in Other comprehensive income. The Group uses fair value hedge accounting, if the interest rate risk on fixed-rate financial assets and liabilities or bonds available for sale is hedged by derivatives.

Derivatives	2014			2013		
	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
Currency contracts						
Forwards and swaps	5,635,024	122,750	131,299	5,812,381	55,956	59,400
Options	185,794	1,890	1,883	140,442	750	850
Interest rate contracts						
Forwards/swaps/FRAs	12,938,852	218,279	209,161	14,787,264	144,786	136,802
Options	1,997,406	42,277	37,472	1,641,816	21,763	18,499
Equity contracts						
Forwards	92,692	1,262	1,303	65,839	1,228	1,216
Options	103,178	2,026	2,204	93,969	1,808	2,072
Other contracts						
Commodity contracts	27,556	2,545	2,661	14,550	999	962
Credit derivatives bought	9,889	95	542	6,622	40	225
Credit derivatives sold	7,707	353	83	5,911	202	39
Total derivatives held for trading purposes		391,477	386,608		227,532	220,065
Hedging derivatives						
Currency contracts	106,459	867	10	125,788	933	471
Interest rate contracts	497,087	17,099	3,129	551,317	21,071	8,405
Total derivatives		409,443	389,746		249,535	228,941

Notional amount and positive and negative fair value of derivatives are offset if certain criteria are fulfilled. Note 29 provides more information. The comparative figures for 2013 have been restated to include the offsetting of notional amounts.

Notes – Danske Bank Group

(DKK millions)

12. Trading portfolio assets and liabilities continued

(d) Explanation of hedge accounting

Hedge of interest rate risk

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

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

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

At the end of 2014, the carrying amounts of effectively hedged fixed-rate financial assets and liabilities were DKK 60,260 million (31 December 2013: DKK 70,333 million) and DKK 502,402 million (31 December 2013: DKK 531,321 million), respectively. The table below shows the value adjustments of these assets and liabilities and the hedging derivatives. The value adjustments have been recognised in the income statement as Net trading income.

Effect of interest rate hedging on profit	2014	2013
Effect of fixed-rate asset hedging on profit		
Hedged amounts due from credit institutions	5	-8
Hedged loans	1,163	-1,405
Hedged bonds available for sale	460	-624
Hedging derivatives	-1,624	2,048
Total	4	11
Effect of fixed-rate liability hedging on profit		
Hedged amounts due to credit institutions	-4	17
Hedged deposits	-65	172
Hedged issued bonds	-4,620	6,188
Hedged subordinated debt	-1	2,075
Hedging derivatives	4,700	-8,453
Total	10	-1

Hedge of foreign exchange risk of net investments in foreign entities

The Group hedges the foreign exchange risk of net investments in branches and subsidiaries outside Denmark by establishing financing arrangements in the matching currencies. The Group does not hedge the expected financial results of units outside Denmark or other future transactions. The foreign exchange adjustments of the investments are recognised in Other comprehensive income together with the foreign exchange adjustments of the financing arrangements designated as hedging of exchange rate fluctuations. The statement of comprehensive income shows the translation amounts. At the end of 2014, the carrying amount of financing arrangements in foreign currency used to hedge net investments in units outside Denmark amounted to DKK 42,884 million (31 December 2013: DKK 50,207million).

Notes – Danske Bank Group

(DKK millions)

13. Investment securities

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

During 2014, the Group transferred the responsibility for the liquidity portfolio from Danske Bank Markets to Group Treasury. The liquidity portfolio is no longer part of the trading portfolio, but is recognised at fair value through the use of the fair value option. Since 2013, Group Treasury has increased its use of the hold-to-maturity category. The Group used the available-for-sale category only in 2008 when the IASB changed IAS 39. At that time, the Group reclassified a bond portfolio with a nominal value of DKK 120,607 million and a fair value of DKK 116,722 million from the held-for-trading category to the available-for-sale category owing to significant distortion of the pricing of bonds.

Accounting policy

Financial assets designated at fair value

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

Available-for-sale financial assets

This category comprises bonds only. The bonds are measured at fair value through Other comprehensive income. Unrealised value adjustments of hedged interest rate risks that qualify for fair value hedge accounting and impairment charges are, however, recognised under Net trading income. The impairment charge equals the difference between the fair value at the time of calculation and amortised cost. If the fair value subsequently rises, and the increase is attributable to one or more events that have occurred after the impairment charge was recognised, the Group reverses the charge in the income statement. The Group recognises interest income according to the effective interest method, including amortisation of the difference between cost and the redemption value over the term to maturity of the bonds. When bonds are sold, the Group reclassifies unrealised value adjustments recognised in Other comprehensive income under Net trading income in the income statement.

Hold-to-maturity financial assets

Hold-to-maturity financial assets consists of bonds with quoted prices in an active market held for the purpose of generating a return until maturity. The bonds are measured at amortised cost. Interest income is recognised according to the effective interest method, including amortisation of the difference between cost and the redemption value over the term to maturity of the bonds. Fixed-rate bonds are not hedged.

(a) Investment securities	2014	2013
Financial assets at fair value through profit or loss		
Listed bonds	165,746	39,503
Unlisted bonds	25	-
Listed shares	53	35
Unlisted shares	1,772	3,163
Total financial assets designated at fair value through profit or loss	167,596	42,701
Available-for-sale financial assets		
Listed bonds	58,543	61,774
Total available-for-sale financial assets	58,543	61,774
Total at fair value	226,139	104,475
Hold-to-maturity financial assets		
Listed bonds	104,855	57,442
Unlisted bonds	-	-
Total investment securities	330,994	161,917

Notes – Danske Bank Group

13. Investment securities continued

(b) Further explanation

Financial assets designated at fair value through profit or loss

During 2014, the Group transferred the responsibility for the liquidity portfolio from Danske Bank Markets to Group Treasury. The liquidity portfolio is incorporated in the balance sheet management to optimise the balance sheet composition. The portfolio comprises primarily Danish mortgage bonds.

Available-for-sale financial assets

Part of the bond portfolio that was reclassified in 2008 from the trading portfolio to the available-for-sale portfolio due to significant distortion of the pricing of bonds has subsequently matured or been sold. For the part of the portfolio sold in 2014, the Group realised value adjustments of DKK 37 million (2013: DKK 19 million) that were reclassified from Other comprehensive income to the income statement. The portfolio comprises primarily Danish mortgage bonds and foreign covered bonds. Some 97% of the portfolio is rated AA or higher (2013: 74%), while the remaining portfolio has investment grade ratings.

In 2014, the Group recognised unrealised value adjustments of the reclassified bonds in the amount of DKK 460 million in the income statement, corresponding to the part of the interest rate risk that is hedged by derivatives (2013: DKK -624 million). The Group also recognised unrealised value adjustments of DKK 283 million (2013: DKK 980 million) in Other comprehensive income that would have been recognised in the income statement if reclassification had not taken place. The Group recognised interest income of DKK 695 million (2013: DKK 835 million) on the reclassified bonds.

Hold-to-maturity financial assets

Hold-to-maturity financial assets consists of bonds with quoted prices in an active market held for the purpose of generating a return until maturity. The Group increased the use of this category during 2014.

The bonds are primarily Danish mortgage bonds, government bonds and government-guaranteed bonds. Some 92% of the portfolio is rated AA or higher, while the remaining portfolio has investment grade ratings.

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Notes – Danske Bank Group

(DKK millions)

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

Most of the Group's loans are recognised at amortised cost, the only exception being loans granted by Realkredit Danmark (see note 15) that are recognised at fair value.

Accounting policy

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

Impairment

If objective evidence of impairment of a loan exists, and the effect of the impairment event or events on the expected cash flow is reliably measurable, the Group determines the impairment charge individually. Loans without objective evidence of impairment are included in an assessment of collective impairment at portfolio level.

The impairment charge equals the difference between the carrying amount of the loan and the present value of the most likely future cash flows from the loan and is assessed by credit officers. For collectively assessed loans the collective impairment charges are calculated as the difference between the carrying amount of the loans of the portfolio and the present value of expected future cash flows.

(a) Due from credit institutions and central banks	2014	2013
Reverse transactions	48,922	77,667
Other amounts due	63,929	53,802
Impairment charges	91	87
Total	112,760	131,381

Due from credit institutions and central banks includes amounts due within three months totalled DKK 109,667 million at the end of 2014 (31 December 2013: DKK 129,779 million). This amount is included as Cash and cash equivalents in the Cash flow statement.

(b) Loans at amortised cost	2014	2013
Reverse transactions	241,173	238,412
Other loans	887,370	891,968
Impairment charges	35,641	41,652
Total	1,092,902	1,088,728

Loans included payments due under finance leases of DKK 24,960 million at the end of 2014 (31 December 2013: DKK 25,255 million).

(c) Further explanation

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

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

If a customer facility is past due 90 days or more, the customer is considered in default and an the impairment charge is recognised for the customer's total exposure.

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

Notes – Danske Bank Group

14. Due from credit institutions and central banks and Loans at amortised cost continued

The impairment charge equals the difference between the carrying amount of the loan and the present value of the most likely future cash flows from the loan and is assessed by credit officers. The present value of fixed-rate loans is calculated at the original effective interest rate, whereas the present value of loans with a variable rate of interest is calculated at the current effective interest rate.

The customer's debt is written down to the amount that the borrower is expected to be able to repay after financial restructuring. If financial restructuring is not possible, the write-down equals the estimated recoverable amount in the event of bankruptcy. If the borrower's ability to repay depends significantly on the assets that have been provided as collateral (asset financing), the customer's debt is written down to the fair value of the collateral.

Loans without objective evidence of impairment are included in a collective assessment of the need for impairment charges. The collective assessment also includes customers with objective evidence of impairment, but without need for impairment.

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 adjustment has been made to the credit margin. The charges are based on changes in customers' rating classifications over time (which is termed "migration")

When external market information indicates that an impairment event has occurs even though it has not yet caused a change in rating, 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 cash flows used to determine the present value of future cash flows are specified by means of parameters used for solvency calculations and historical loss data adjusted for use in the financial statements, for example. The adjustment reflects the loss identification period shown by the Group's empirical data. This period is the period from the first evidence of impairment to the determination of a loss at customer level.

Collective impairment charges are calculated as the difference between the carrying amount of the loans in the portfolio and the present value of expected future cash flows.

Management judgements are applied to adjust the collective impairment charge if the Group becomes aware of market conditions at the balance sheet date that are not fully reflected in the Group's models.

Impairment charges for loans and guarantees are booked in an allowance account and set off against loans or recognised as provisions for guarantees. Impairment charges for loans are recorded under Loan impairment charges in the 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 realised until after a number of years, for example in the event of administration of complex estates, a partial write-off is recognised, reflecting the Group's claim less collateral, estimated dividend and other cash flows.

In accordance with the effective interest method, interest is recognised on the basis of the value of the loans less impairment charges. Consequently, part of the allowance account balance is set aside for future interest income.

Notes – Danske Bank Group

(DKK millions)

15. Loans at fair value and bonds issued by Realkredit Danmark

Loans at fair value consists of loans granted by Realkredit Danmark under Danish mortgage finance law. The loans are funded by issuing listed mortgage bonds with matching terms. Borrowers may repay such loans by delivering the underlying bonds to Realkredit Danmark. The Group buys and sells bonds issued by Realkredit Danmark on an ongoing basis because such securities play a role in the Danish money market. If these loans and issued mortgage bonds were measured at amortised cost, the purchase and sale of own mortgage bonds would result in timing differences in the recognition of gains and losses, leading to an accounting mismatch. This is avoided by measuring both loans granted by Realkredit Danmark and bonds issued by Realkredit Danmark at fair value using the fair value option. Significant accounting choices in note 1(b) provide additional information.

Accounting policy

Loans granted and bonds issued are initially recognised at fair value and subsequently at fair value through profit or loss.

The fair value of the bonds issued by Realkredit Danmark is normally defined as their quoted market value. A small number of the issued bonds are illiquid, however, and the fair value of these bonds is calculated on the basis of a discounted cash flow valuation technique. The fair value of the loans is based on the fair value of the underlying bonds adjusted for changes in the fair value of the credit risk on borrowers.

Changes in fair value of credit risk

For loans granted to customers with objective evidence of impairment, such adjustment is made in accordance with principles similar to the principles for calculating individual impairment charges for loans at amortised cost. Note 14 provides more information. However, for discounting purposes, the current effective interest rate is used instead of the original effective interest rate.

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

(a) Loans at fair value	2014	2013
Nominal value	723,273	717,103
Fair value adjustment of underlying bonds	22,984	14,879
Adjustment for credit risk	4,648	3,901
Total	741,609	728,081

(b) Bonds issued by Realkredit Danmark		
Nominal value	852,614	866,127
Fair value adjustment of funding of current loans	25,274	17,057
Holding of own mortgage bonds	221,923	268,988
Total	655,965	614,196

(c) Further explanation

Measurement of loans at fair value is based on the quoted price of the underlying Realkredit Danmark bonds that borrowers use to repay the loans. Changes in the market value of the bonds will therefore result in a corresponding change in the value of loans, and profit or loss will therefore not be affected by current market value changes in respect of the interest rate and the credit risk on the issued bonds. The value of the loans is affected by changes in the credit risk on the loans. In 2014, the Group expensed DKK 656 million regarding changes in the credit risk on loans at fair value (2013: DKK 668 million). At the end of 2014, the accumulated changes in the credit risk amounted to DKK 4,648 million (31 December 2013: DKK 3,901 million).

The holding of own mortgage bonds includes pre-issued bonds of DKK 73 billion (2013: DKK 94 billion) used for FlexLån® refinancing in January 2015 and bonds of DKK 26 billion (2013: DKK 27 billion) that relates to investments under insurance contracts, pooled schemes and unit-linked investment contracts where most of the risk is assumed by customers and most of the return on the assets accrues to customers.
The nominal value of bonds issued by Realkredit Danmark equals the amount to be redeemed on maturity.

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

Notes – Danske Bank Group

(DKK millions)

15. Loans at fair value and bonds issued by Realkredit Danmark continued

In 2014, the Danish mortgage bond yield spread narrowed, and the fair value of issued mortgage bonds thus increased about DKK 2.5 billion. In 2013, a spread narrowing caused a fair value increase of about DKK 4 billion. In comparison with the fair value measured at the time of issue of the bonds, the fair value had increased about DKK 5 billion at the end of 2014 (31 December 2013: about DKK 5 billion). The net profit and equity remain unaffected because the spread narrowing increased the fair value of mortgage loans correspondingly.

Fair value adjustment for the credit risk on issued mortgage bonds may also be calculated on the basis of changes in similar AAA-rated mortgage bonds offered by other Danish issuers. The market for such bonds is characterised by an absence of measurable price differences between bonds with similar characteristics from different issuers. Using this method, no fair value adjustment for credit risk in 2014 or the period since issuance has been required.

16. Assets and deposits under pooled schemes and unit-linked investment contracts

Assets and deposits under pooled schemes and unit-linked investment contracts comprise contributions to pooled schemes and unit-linked contracts defined as investment contracts. Assets include shares and bonds issued by the Group. Holdings of those assets are deducted from equity or eliminated. Consequently, the value of Deposits under pooled schemes and unit-linked investment contracts exceeds that of Assets under pooled schemes and unit-linked investment contracts.

Accounting policy
Assets earmarked for customer savings are measured at fair value and recognised under Assets under pooled schemes and unit-linked investment contracts. Deposits made by customers are recognised under Deposits under pooled schemes and unit-linked investment contracts. These deposits are measured at the value of savings, corresponding to the fair value of the assets.

	Pooled schemes		Unit-linked contracts		Total	
	2014	2013	2014	2013	2014	2013
(a) Assets						
Bonds	18,130	19,416	-	-	18,130	19,416
Shares	12,287	6,236	-	-	12,287	6,236
Unit trust certificates	17,245	21,145	38,027	34,777	55,272	55,922
Cash deposits	745	308	-	-	745	308
Total	48,407	47,105	38,027	34,777	86,434	81,882
including						
own bonds	4,500	5,834	316	332	4,816	6,166
own shares	364	158	38	29	402	187
other intra-group balances	723	440	345	329	1,068	769
Total assets recognised in balance sheet	42,820	40,673	37,328	34,087	80,148	74,761
(b) Deposits	48,407	47,105	38,027	34,777	86,434	81,882

Notes – Danske Bank Group

(DKK millions)

17. Assets and liabilities under insurance contracts

Assets under insurance contracts comprise assets earmarked for policyholders because most of the return accrues to policyholders. Liabilities under insurance contracts comprise primarily life insurance provisions and obligations for guaranteed benefits under unit-linked insurance contracts. Assets include shares and bonds issued by the Group. The holding of those assets are deducted from equity or eliminated. Consequently, the value of Liabilities under insurance contracts exceeds Assets under insurance contracts.

Accounting policy

Assets include financial assets, investment property, tangible assets and associates. The valuation technique used matches the Group's accounting policy for similar assets with the exception of holdings in associates. Such holdings are treated as held by a venture capital organisation and measured at fair value. A few property holdings are jointly owned and therefore consolidated in the financial statements as a joint operation on a pro rata basis.

Recognition of life insurance provisions is based on actuarial computations of the present value of expected benefits for each insurance contract. Obligations for guaranteed benefits are calculated as the present value of the current guaranteed benefits plus the present value of expected future administrative expenses less the present value of future premiums. The actuarial computations rely on assumptions about a number of variables, including mortality and disability rates, and include an allowance for risk. Provisions for unit-linked insurance contracts are measured at fair value on the basis of each contract's share of the earmarked assets and of the benefits guaranteed in the contract.

Policyholders' share of the technical basis for insurance policies with a bonus entitlement not yet allocated to the individual policyholder is recognised in the collective bonus potential.

Liabilities also depend on the discount yield curve, which is determined by Danish rules on insurance accounting.

(a) Assets under insurance contracts	2014	2013
Due from credit institutions	8,100	10,634
Investment securities	263,726	235,929
Holdings in associates	870	818
Investment property	20,386	19,397
Tangible assets	410	413
Reinsurers' share of provisions	2,283	2,126
Other assets	3,555	3,479
Total	299,330	272,796
including		
own bonds	21,174	20,353
own shares	408	295
other intra-group balances	9,298	5,664
Total assets	268,450	246,484

Investment securities		
Listed bonds	121,284	122,450
Listed shares	11,515	15,326
Unlisted shares	12,429	8,591
Unit trust certificates	99,102	84,834
Other securities	19,396	4,728
Total	263,726	235,929

Notes – Danske Bank Group

(DKK millions)

17. Assets and liabilities under insurance contracts continued

(b) Liabilities under insurance contracts	2014	2013
Life insurance provisions	165,010	162,319
Provisions for unit-linked insurance contracts	99,370	85,064
Collective bonus potential	2,450	1,125
Other technical provisions	9,940	9,284
Total provisions for insurance contracts	276,770	257,792
Other liabilities	21,153	13,670
Intra-group balances	-10,608	-8,994
Total	287,315	262,468

Provisions for insurance contracts		
Balance at 1 January	257,792	259,726
Premiums paid	19,429	18,943
Benefits paid	-23,989	-22,413
Interest added to policyholders' savings	9,926	8,230
Fair value adjustment	13,591	-5,351
Foreign currency translation	-1,167	-918
Change in collective bonus potential	1,487	275
Other changes	-299	-700
Balance at 31 December	276,770	257,792

(c) Further explanation

Life insurance provisions

Life insurance provisions comprise obligations towards policyholders to

- pay guaranteed benefits
- pay bonuses over time on agreed premiums not yet due
- pay bonuses on premiums and other payments due

Recognition of life insurance provisions is based on actuarial computations of the present value of expected future benefits for each insurance contract using the discount rate at the balance sheet date. These computations rely on assumptions about a number of variables, including mortality and disability rates. Estimates of future mortality rates are based on Danish FSA benchmarks, while other estimates are based on empirical data from Danica Pension's portfolio of insurance contracts. Estimates are updated regularly. The insurance liability also includes an allowance for risk. Obligations for guaranteed benefits are calculated as the present value of the current guaranteed benefits plus the present value of expected future administrative expenses less the present value of future premiums.

Danish rules on insurance accounting determine the discount yield curve, which is fixed on the basis of a zero-coupon yield curve estimated on the basis of Euro swap market rates to which is added a country spread between Danish and German government bonds, calculated as a 12-month moving average. A mortgage yield spread is also added as stipulated by the agreement on financial stability in the pension and insurance industry signed by the Danish Ministry of Business and Growth and the Danish Insurance Association. For maturities beyond 20 years, the forward rate between 20 and 30 years is extrapolated, the forward rate at the 30-year mark being fixed at 4.2%. A sensitivity analysis showing the effect of changes in the assumptions used is provided in the section on insurance risk in the risk management notes.

Provisions for unit-linked insurance contracts

Provisions are measured at fair value on the basis of each contract's share of the earmarked assets and of the benefits guaranteed in the contract.

Collective bonus potential

Provisions for the collective bonus potential comprise policyholders' share of the technical basis for insurance policies with a bonus entitlement not yet allocated to the individual policyholder.

Other technical provisions

Other technical provisions includes outstanding claims provisions, unearned premiums provisions, and provisions for bonuses and premium discounts.

Other liabilities

Other liabilities includes the portion of Danica Pension's other liabilities assumed by customers. Other types of liabilities are measured in accordance with the Group's accounting policies for such liability types.

Notes – Danske Bank Group

(DKK millions)

18. Intangible assets

Intangible assets consist of goodwill and customer relations taken over on the acquisition of undertakings. Further, acquired and internally developed software is recognised as an asset if certain criteria are fulfilled.

The Group did not make any acquisitions of undertakings in 2013 and 2014. In 2014, the Group recognised goodwill impairment charges of DKK 9.1 billion.

Accounting policy

Goodwill

Goodwill arises on the acquisition of an undertaking and is calculated as the difference between the cost (until 1 January 2010 including direct transaction costs) of the undertaking and the fair value of its net assets, including contingent liabilities, at the time of acquisition. Goodwill on acquisitions made before 2002 was written off against shareholders' equity in the year of acquisition. Goodwill is allocated to cash-generating units at the level at which management monitors the investment.

Goodwill is not amortised; instead, each cash-generating unit is tested for impairment once a year, or more frequently if indications of impairment exist. Goodwill is written down to its recoverable amount through profit 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 recognised under Holdings in associates.

Other intangible assets

Identifiable intangible assets taken over on the acquisition of undertakings are measured at their fair value at the time of acquisition and amortised over their expected useful lives, usually five to ten years, according to the straight-line method and tested for impairment if indications of impairment exist. Intangible assets with indefinite useful lives are not amortised, but the assets are tested for impairment at least once a year according to principles similar to the principles applicable to goodwill.

Software acquired is measured at cost, including expenses incurred to make a software application ready for use. Software acquired is amortised over its expected useful life, usually three years, according to the straight-line method.

Software developed by the Group is recognised as an asset if the cost of development is reliably measurable and analyses show that future earnings from using the individual software applications exceed the cost. Cost includes expenses incurred to make a software application ready for use. Once a software application has been developed, the cost is amortised over its expected useful life, usually three years, according to the straight-line method. The cost of development consists primarily of direct remuneration and other directly attributable development costs. Costs incurred in the planning phase are not included but are expensed when incurred.

Software is tested for impairment if indications of impairment exist and is written down to its value in use.

(a) Intangible assets	2014	2013
Goodwill	9,453	18,461
Customer relations	909	1,348
Software, acquired or internally developed	891	832
Total	11,253	20,641

In 2014, the Group recognised software development costs of DKK 397 million as an asset (2013: DKK 341 million) and expensed DKK 2,080 million (2013: DKK 2,098 million).

(b) Further explanation of goodwill impairment testing

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

Notes – Danske Bank Group

(DKK millions)

18. Intangible assets continued

The impairment test conducted in 2014 resulted in goodwill impairment charges of DKK 9,099 million (2013: DKK 0 million) owing to a worsening of the long-term economic outlook and Danske Bank's strategy of being a Nordic universal bank.

	1 Jan. 2013				31 Dec. 2013			31 Dec. 2014
	Goodwill	Reallocation	Impairment charges	Foreign currency translation	Goodwill	Impairment charges	Foreign currency translation	Goodwill
Retail Banking, Finland	8,973	-8,973	-	-	-	-	-	-
Personal Banking, Finland	-	6,317	-	-	6,317	3,493	-17	2,807
Business Banking, Finland	-	2,656	-	-	2,656	1,501	-4	1,151
Business Banking, Estonia	2,063	-	-	-1	2,062	2,058	-4	-
Personal Banking, N. Ireland	2,097	-	-	-49	2,048	2,046	137	139
C&I, General Banking	507	-	-	-	507	-	-2	505
C&I, Markets	2,905	-	-	-	2,905	-	-7	2,898
Danske Capital	1,837	-	-	-1	1,836	-	-4	1,832
Others	148	-	-	-18	130	-	-9	121
Total	18,530	-	-	-69	18,461	9,099	90	9,453

The development in the economic environment during 2014

The market conditions for the Group's banking units worsened during 2014. Short-term interest rates have reached record low levels, and economists express concerns about deflationary pressures that translate into significantly lower interest levels in especially the eurozone for a longer period than expected in 2013. Where interest levels and earnings in 2013 were expected to have normalised during the five-year budget period, it is now expected that the normalisation in especially Finland will take longer time. This has led to the use of a normalisation period of five years beyond the budget period for the banking units in Finland before interest levels are expected to have normalised. The Group expects a period of modest growth and low short term rates before economies will normalise. When interest rate levels normalise, net profit is expected to have increased primarily from increasing deposit margins. Due to the increased uncertainty about the macroeconomic development during 2014, the assumptions applied in estimating the expected future cash flows in the impairment test 2014 have been lowered compared to the impairment test 2013 to reflect the increased uncertainty about the long-term cash flows projections for the individual cash-generating units.

Model applied in the goodwill impairment tests for 2014 and 2013

The impairment test compares the recoverable amount and the carrying amount for each cash-generating unit. The recoverable amount is represented by the present value of expected future cash flows (value in use). The special debt structure of financial institutions requires the use of a discounted dividend (equity) model to calculate the present value of expected future cash flows, as the interest on lending and borrowings are included as part of the cash flows.

The carrying amount for each cash-generating unit is the aggregate of the cash-generating unit's goodwill and allocated capital. The cash-generating unit's allocated capital is derived using the Group's capital allocation model. The model allocates the Group's total capital excluding goodwill (as the goodwill is allocated to the relevant cash-generating units directly) to individual cash-generating units based on its share of the risks. In the impairment test for 2014 capital allocated to the banking units outside the Nordic region have been increased by a management add-on due to the bank's strategy of being a Nordic universal bank.

The expected future cash flows for each cash-generating unit are based on approved strategies and earnings estimates for the budget period representing the first five years. For Personal and Business Banking Finland, it is not expected that the interest level will have reached the normalised level within the first five years, and a normalisation period of further five years has been used in the impairment test for 2014. In the normalisation period, the estimated cash flows at the end of the budget period are projected on the basis of the expected development in a number of macroeconomic variables, including the interest level, until earnings reach the steady state normalised level. The normalisation period reflects the gradual transformation to this steady state normalised earnings level instead of assuming that this level is reached instantly in year six. For the terminal period, the steady state normalised level of earnings (expected dividend) is expected to grow at a constant growth rate equal to the expected real GDP growth. Cash flow estimates are post-tax, and the risks of the individual cash-generating units are reflected in the estimated earnings. Hence, the risk-adjusted cash flows carry a similar risk profile. The estimated cash flows are discounted at the Group's risk-adjusted required rates of return post-tax.

For goodwill allocated to Danske Capital Finland, the impairment test is based on a model similar to the model used for the Group's banking units.

For goodwill allocated to C&I, General Banking, and C&I, Markets, the impairment tests were performed by using less detailed computations, as a few years of earnings exceed the carrying amount.

Notes – Danske Bank Group

18. Intangible assets continued

Key assumptions for goodwill impairment tests in 2014 and 2013

Cash flows until the terminal period
For the period until the terminal period, earnings in the Group's banking units are affected by expectations of the interest level through the resulting effect on lending margins and on deposit margins in the banking units in Finland and Northern Ireland in particular, expectations of growth in lending and deposits, and on expectations of credit losses.

The *interest levels* used in the impairment test are based on Danske Research's expectations of developments in overnight money market interest rates. The expectations are based on expected future growth and inflation. Due to the increased uncertainty, a management judgement has been applied in the impairment test 2014, and the interest rate estimates mainly in the terminal period have been adjusted downwards to reflect the increased uncertainty compared with 2013.

The *lending margin* reflects the excess earnings on lending over the Group's central funding costs. Lending margins are estimated based on actual lending margins and management's expectations of the future competition. The lending margin is assumed to be relatively stable irrespective of interest level movements.

The *deposit margin* reflects the excess earnings achieved by the fact that the customer rates are lower than alternative funding. Deposit margins are estimated based on actual deposit margins. Deposit margins are highly sensitive to changes in the interest level. How much of an increase in the interest rate that is transferred to the deposit margin depends on the type of deposit. In the impairment test for 2014, it has been assumed that the majority of the core free funds (non-maturing deposits carrying a zero interest rate) will be substituted by other interest-bearing deposits when the interest level increases, whereas core free funds were assumed to be constant in the impairment test for 2013.

Expectations of *growth in lending and deposits* reflect the bank's estimates/budgets for the first two years and thereafter Danske Research's forecasts of real GDP growth for the relevant markets. Compared with 2013, in 2014 there is an expectation of a longer period with low GDP growth.

The expectations of *credit losses* are for the budget period based on the bank's estimates/budgets for each year, reflecting historical data adjusted to reflect the current situation. Thereafter, expected credit losses are kept constant and reflect historical data for long-term annual credit losses. In the impairment test for 2014, the expected impairment levels have been adjusted upwards compared to the impairment test for 2013 given continued uncertainty.

Expected cash flows for *Danske Capital* are based on Management's expectations of the return on equities and bonds. The long-term expected return on bonds has be revised downwards from 2.5% in the impairment test for 2013 to 0% in the impairment test for 2014 to reflect the lower interest level environment and the increased uncertainty. The long-term return on equities is assumed to be 5% and is unchanged from the impairment test in 2013.

Cash flows in the terminal period
Cash flows in the terminal period reflect net earnings (dividend) in the preceding year growing at a constant rate. The growth estimates are determined on the basis of Danske Research's forecasts of real GDP growth for the relevant markets which have been revised downwards from the impairment test for 2013 to the impairment test for 2014 as described above. Around 68% of the net present value of future cash flows is expected to be generated in the terminal period (2013: 57%).

Discount rate
The discount rate used to calculate the present value of expected future cash flows is 9% after tax, representing 12% pre tax. The discount rate has been determined based on the Capital Asset Pricing Model and comprise a risk-free interest rate, the market risk premium and a factor covering the systematic market risk (beta factor). The values for the risk-free interest rate, the market risk premium and the beta factor are determined using external sources of information. The Group applies the same discount rate for all cash-generating units as the risks of the individual cash-generating units are reflected in their estimated cash flows.

Notes – Danske Bank Group

(DKK millions)

18. Intangible assets continued

Impairment test assumptions

2014	Annual growth			Overnight money market rate	
(%)	until terminal period	in terminal period	Discount rate	until terminal period	in terminal period
Personal Banking, Finland	0.8-1.7	1.7	9.0	-0.1-3.0	3.0
Business Banking, Finland	0.8-1.7	1.7	9.0	-0.1-3.0	3.0
Personal Banking, Northern Ireland	2.0-2.3	2.0	9.0	0.9-3.25	3.25
Danske Capital	-	1.7	9.0	-	-

2013	Annual growth			Overnight money market rate	
(%)	until terminal period	in terminal period	Discount rate	until terminal period	in terminal period
Personal Banking, Finland	1.8-3.0	1.8	9.0	0.2-3.6	3.6
Business Banking, Finland	1.8-3.0	1.8	9.0	0.2-3.6	3.6
Business Banking, Estonia	3.5-4.0	3.5	9.0	-	-
Personal Banking, Northern Ireland	2.3-2.5	2.5	9.0	0.5-3.6	3.6
Danske Capital	-	1.8	9.0	-	-

The expected cash flows in the impairment tests for Business Banking Estonia and Danske Capital are not sensitive to changes in the overnight money market rate.

Sensitivity analysis

Following the impairment losses recognised in 2014, there is no excess value (the amount by which the cash-generating unit's recoverable amount exceeds the carrying amount) in Personal Banking Finland or Business Banking Finland, as goodwill was written down to the recoverable amount. Generally, the assumptions used include, among other, a management judgement that reduces expectations of the interest level in mainly the terminal period below that expected by Danske Research. Keeping this in mind, if the expectation of the money market rate was further decreased by 1 percentage point, representing a money market interest rate of 2.0% in the terminal period, a further impairment loss of DKK 2.0 billion relating to the banking units in Finland would have been recognised. If the discount rate was increased by 1 percentage point to 10%, the impairment loss would increase by DKK 1.3 billion. If the growth rate in the terminal period was reduced by 1 percentage point to 0.7%, a further impairment loss of DKK 0.7 billion would have been recognised. No other cash-generated units with significant goodwill recognised at the end of 2014, would be impaired if reasonable alternative key assumptions were used.

The table below shows the excess value in the impairment test 2013 for Business Banking Estonia and Personal Banking Northern Ireland and the reasonably possible alternative key assumptions that would cause the unit's recoverable amount to equal its carrying amount. For Personal Banking Finland and Business Banking Finland, the excess value amounted to DKK 6.2 billion and DKK 2.6 billion, respectively. The money market interest rate would have to be lowered to 1.4% for Personal Banking Finland and 1.8% for Business Banking Finland in the terminal period before the excess values would be zero.

		2013 Key assumption to trigger impairment		
(%)	Excess value	Discount rate	Annual growth in terminal period	Money market rate
Business Banking, Estonia	DKK 0.1 billion	9.1	3.4	-
Personal Banking, Northern Ireland	DKK 0.9 billion	10.5	-0.7	2.7

The sensitivity analysis presented above does not include the effect that a change in one of the three key assumptions would have on the other two key assumptions, for example the effect that a change in the money market rate would have on the discount rate and the annual growth rate.

Notes – Danske Bank Group

18. Intangible assets continued

Personal Banking and Business Banking, Finland
In 2007, Danske Bank acquired the shares of the Sampo Bank group. The activities of the Sampo Bank group were incorporated into the business structure of Danske Bank Group at the beginning of 2007. With the acquisition, the Group strengthened its competitive position in the entire northern European market. In 2008, Banking Activities Finland migrated to the Group's platform. At the beginning of 2011, Corporate & Institutional Banking was separated from Banking Activities Finland, resulting in a reallocation of goodwill. At the same time, the name was changed to Retail Banking Finland. In 2012, rights to names were written down to zero when the Group decided to rebrand the banking units to Danske Bank. In 2013, goodwill at Retail Banking Finland was reallocated to Personal Banking Finland and Business Banking Finland as a result of the new organisational structure. In 2014, the Group recognised goodwill impairment charges of DKK 3,493 million and DKK 1,501 million against the Personal Banking and Business Banking units in Finland owing to a worsening of the long-term economic outlook in Finland.

Business Banking, Estonia
At the beginning of 2007, Danske Bank acquired the Baltic activities of the Sampo Bank group. The activities form part of the business structure of Danske Bank Group. With the acquisition, the Group established a presence in the Baltic markets, primarily in Estonia and, to a lesser extent, in Lithuania. The Group's operations in Latvia are very modest. The Group recognised goodwill impairment charges against the banking units in Latvia and Lithuania in 2009, reflecting the economic crisis in the Baltic countries. Only the goodwill allocated to the Estonian operations remained capitalised. In 2013, goodwill at Banking Activities Baltics was reallocated to Business Banking Estonia as a result of the new organisational structure. In 2014, the Group recognised a goodwill impairment charge corresponding to the full amount of the goodwill owing to a worsening of the long-term economic outlook in Estonia and the planned repositioning of the personal banking business in 2015.

Personal Banking, Northern Ireland
In 2005, Danske Bank acquired Northern Bank. The acquisition followed the Group's strategy of strengthening its competitive position in the northern European market. The launch of new product packages and other services supports Northern Bank's position as a leading retail bank in the highly competitive Northern Ireland market. In 2013, the goodwill in Banking Activities Northern Ireland was allocated to Personal Banking Northern Ireland as a result of the new organisational structure. In 2014, the Group recognised a goodwill impairment charge of DKK 2,046 million owing to a worsening of the economic situation in Northern Ireland and the positioning of the Group as a Nordic universal bank.

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

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

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

Comparative figures
Following an order from the Danish Financial Supervisory Authority, the disclosures on impairment testing for 2013 have been expanded compared with the disclosures in Annual Report 2013.

Notes – Danske Bank Group

(DKK millions)

19. Due to credit institutions and central banks and Deposits

Amounts due to credit institutions and central banks and Deposits also include amounts received under repo transactions (sales of securities which the Group agrees to repurchase at a later date). Such transactions are presented as collateralised borrowings.

Accounting policy
Amounts due to credit institutions and central banks and Deposits are measured at amortised cost. If fixed-rate deposits are hedged effectively by derivatives, the fair value of the hedged interest rate risk is added to the amortised cost of the liabilities.

(a) Due to credit institutions and central banks	2014	2013
Repo transactions	202,193	180,344
Other amounts due	126,855	132,253
Total	329,048	312,597

(b) Deposits	2014	2013
Transaction accounts	619,923	584,834
Time deposits	128,994	186,268
Repo deposits	198,425	150,747
Pension savings etc.	18,853	22,052
Total	966,197	943,901

20. Tax

Tax assets and liabilities are divided between current and deferred tax in this note. Current tax relates to expected tax to be paid on the profit for the year, whereas deferred tax relates to temporary differences between the tax base of assets and liabilities and their carrying amount in the balance sheet. Further, this note gives an overview of the Group's tax expense for the year and the effective tax rate broken down by country. The Group is subject to international joint taxation.

Accounting policy
Current tax
Current tax assets and liabilities are recognised in the balance sheet as the estimated tax payable on the profit for the year adjusted for prepaid tax and prior-year tax payables and receivables. Tax assets and liabilities are offset if the Group has a legally enforceable right to set off such assets and liabilities and intends either to settle the assets and liabilities on a net basis or to realise the assets and settle the liabilities simultaneously.

Deferred tax
Deferred tax on all temporary differences between the tax base of assets and liabilities and their carrying amounts is accounted for in accordance with the balance sheet liability method. Deferred tax is measured on the basis of the tax regulations and rates that, according to the rules in force at the balance sheet date, are applicable in the relevant countries at the time the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of adopted changes in tax rates are recognised in the income statement on the basis of expected cash flows.The Group does not recognise deferred tax on temporary differences between the tax base and the carrying amounts of goodwill (not subject to amortisation for tax purposes) and other items if the temporary differences arose at the time of acquisition without effect on net profit or taxable income. If the tax base may be calculated according to several sets of tax regulations, deferred tax is measured in accordance with the regulations that apply to the use of the asset or settlement of the liability as planned by management. Tax assets arising from unused tax losses [and unused tax credits] are only recognised if it is expected that such tax losses [and tax credits] can be offset against tax on future profit in the next five years. Deferred tax assets and liabilities are offset when they relate to the same tax jurisdiction.

Current and deferred tax is calculated on the profit for the year, and adjustments of prior-year tax charges are recognised in the income statement. Tax on items recognised in Other comprehensive income is recognised in Other comprehensive income. Similarly, tax on items recognised in equity is recognised in equity.

Notes – Danske Bank Group

(DKK millions)

20. Tax continued

(a) Tax assets and liabilities

	Tax assets		Tax liabilities	
	2014	2013	2014	2013
Current tax charge	1,142	432	722	932
Deferred tax	401	924	8,153	8,107
Total tax	1,543	1,356	8,875	9,039

(b) Change in deferred tax

2014	1 Jan.	Foreign currency translation	Included in profit for the year	Included in shareholders' equity	31 Dec.
Intangible assets	277	-3	-82	-	192
Tangible assets	2,193	-21	23	-	2,195
Securities	22	-2	24	-	44
Provisions for obligations	32	28	38	9	107
Tax loss carryforwards	-640	-34	209	-	-465
Recapture of tax loss	5,904	-	524	-	6,428
Other	-605	15	-159	-	-749
Total	7,183	-17	577	9	7,752
Adjustment of prior-year tax charges included in above item			-145		

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

Unrecognised tax loss carryforwards amounted to DKK 3.5 billion at the end of 2014 (31 December 2013: DKK 3.3 billion).

Notes – Danske Bank Group

(DKK millions)

20. Tax continued

(c) Tax expense

Tax 2014	Denmark	Finland	Sweden	Norway	UK	Ireland	Other	Total
Tax on profit for the year	1,816	381	749	638	265	-	140	3,989
Tax on other comprehensive income	-45	-	-15	-	26	-	-	-34
Tax on changes in equity	-49	-	-	-	-	-	-	-49
Tax on profit for the year								
Current tax charge	1,228	370	762	637	36	-	145	3,178
Transferred to other comprehensive income	43	-	-	-	-	-	-	43
Change in deferred tax	526	15	-20	60	212	-	6	799
Adjustment of prior-year tax charges	80	-4	7	-59	32	-	-11	45
Change in deferred tax charge as a result of lowered tax rate	-61	-	-	-	-15	-	-	-76
Total	1,816	381	749	638	265	-	140	3,989
Effective tax rate								
Tax rate	24.5	20.0	22.0	27.0	21.5	12.5	26.9	24.0
Non-taxable income and non-deductible expenses	-203.0	0.8	-0.7	0.2	0.2	-12.5	-1.2	27.3
Tax on profit for the year	-178.5	20.8	21.3	27.2	21.7	-	25.7	51.3
Adjustment of prior-year tax charges	-8.0	-0.2	0.2	-2.3	2.8	-	-2.0	0.6
Change in deferred tax charge as a result of lowered tax rate	6.1	-	-	-	-1.3	-	-	-1.0
Effective tax rate	-180.4	20.6	21.5	24.9	23.2	-	23.7	50.9
Tax on other comprehensive income								
Remeasurement of defined benefit plans	-2	-	-15	-	26	-	-	9
Hedging of units outside Denmark	-106	-	-	-	-	-	-	-106
Unrealised value adjustments of available-for-sale financial assets	72	-	-	-	-	-	-	72
Realised value adjustments of available-for-sale financial assets	-9	-	-	-	-	-	-	-9
Total	-45	-	-15	-	26	-	-	-34

Notes – Danske Bank Group

(DKK millions)

20. Tax continued

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

Notes – Danske Bank Group

(DKK millions)

21. Issued bonds

Issued bonds consist of senior and senior secured and subordinated bonds issued by the Group, with the exception of bonds issued by Realkredit Danmark. Note 15 provides more information about bonds issued by Realkredit Danmark. Senior and senior secured bonds are presented under Other issued bonds, while subordinated bonds are presented in a separate line item. Subordinated bonds are liabilities in the form of subordinated loan capital and other capital instruments which, in case of the Group's voluntary or compulsory winding-up, will not be repaid until the claims of its ordinary creditors have been met. In 2014, the Group made a bond issue that fulfills the requirements for additional tier 1 capital under the Capital Requirements Regulation. As the additional tier 1 capital is perpetual and interest and principal payments are discretionary, the bonds are accounted for as equity. Note 23 provides more information about the additional tier 1 capital.

Acconting policy

Issued bonds, both senior and senior secured and subordinated, are at initial recognition measured at fair value less transaction cost and subsequently measured at amortised cost plus the fair value of the hedged interest rate risk. Interest income is recognised according to the effective interest rate method, including amortisation of any difference between the amount received on issue and the redemption amount.

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

(a) Other issued bonds	2014	2013
Commercial paper	25,673	25,250
Other	304,533	284,927
Total	330,206	310,177

Other includes covered bonds and other senior bonds.

The issuance and redemption of other issued bonds during the year and the maturity of the outstanding bonds are presented in the tables below.

Nominal value	1 January 2014	Issued	Redeemed	Foreign currency translation	31 Dec. 2014
Commercial paper	25,253	91,526	92,663	1,555	25,671
Other	317,231	95,522	70,394	161	342,520
Other issued bonds	342,484	187,048	163,057	1,716	368,191

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

Broken down by maturity	2014			2013
	DKK	Other currency	Total	Total
Redeemed loans				73,671
2015	5,204	83,394	88,598	60,874
2016	1,000	56,321	57,321	53,055
2017	14,500	40,654	55,154	43,569
2018 or later	26,637	140,481	167,118	111,315
Nominal value of other issued bonds	47,341	320,850	368,191	342,484
Fair value hedging of interest rate risk			13,713	9,298
Premium/discount			-1,544	-1,662
Own holding of bonds issued	6,136	44,018	50,154	39,943
Total other issued bonds	41,205	276,832	330,206	310,177

Notes – Danske Bank Group

(DKK millions)

21. Issued bonds continued

(b) Subordinated debt

Subordinated debt consists of liabilities in the form of issued subordinated bonds. Some of those bonds (presented as Additional tier 1 capital below) rank below other subordinated bonds. Early redemption of subordinated debt must be approved by the Danish FSA. Subordinated debt is included in total capital in accordance with the Capital Requirements Regulation (CRR), including the provisions on grandfathering of instruments that, prior to the CRR, fulfilled the requirements in section 128 of the Danish Financial Business Act and applicable orders.

The issuance and redemption of subordinated debt during the year and the maturity of the outstanding debt are presented in the tables below.

Nominal value	1 Jan. 2014	Issued	Redeemed	Foreign currency translation	Other changes	31 Dec. 2014
Subordinated debt, excluding additional tier 1 capital	22,276	3,722	-	27	-	26,025
Additional tier 1 capital	41,891	-	29,038	275	-	13,128
Total subordinated debt	64,167	3,722	29,038	302	-	39,153

Nominal value	1 Jan. 2013	Issued	Redeemed	Foreign currency translation	Other changes	31 Dec. 2013
Subordinated debt, excluding additional tier 1 capital	21,537	13,932	13,119	-74	-	22,276
Additional tier 1 capital	43,003	-	718	-394	-	41,891
Total subordinated debt	64,540	13,932	13,837	-468	-	64,167

Currency	Borrower	Note	Nominal (DKK m)	Interest rate	Year of issue	Maturity	Redemption price	2014 (DKK m)	2013 (DKK m)
Subordinated debt, excluding additional tier 1 capital									
GBP	Danske Bank A/S	a	350	5.375	2003	29.09.2021	100	3,330	3,122
EUR	Danske Bank A/S	b	700	4.100	2005	16.03.2018	100	5,211	5,222
EUR	Danske Bank A/S	c	1,000	3.875	2013	04.10.2023	100	7,444	7,460
SEK	Danske Bank A/S	d	900	4.750	2013	05.06.2024	100	707	752
SEK	Danske Bank A/S	e	1,600	var.	2013	05.06.2024	100	1,257	1,337
NOK	Danske Bank A/S	f	700	var.	2013	06.12.2023	100	576	620
DKK	Danske Bank A/S	g	1,700	var.	2013	06.06.2024	100	1,700	1,700
DKK	Danske Bank A/S	h	1,150	4.125	2013	09.12.2025	100	1,150	1,150
CHF	Danske Bank A/S	i	150	3.125	2013	18.12.2025	100	928	913
EUR	Danske Bank A/S	j	500	2.750	2014	19.05.2026	100	3,722	-
Subordinated debt, excluding additional tier 1 capital								26,025	22,276
Additional tier 1 capital									
Redeemed loans 2014									28,985
GBP	Danske Bank A/S	k	150	5.563	2005	Perpetual	100	1,427	1,338
GBP	Danske Bank A/S	l	500	5.684	2006	Perpetual	100	4,757	4,460
EUR	Danske Bank A/S	m	600	4.878	2007	Perpetual	100	4,466	4,476
SEK	Danske Bank A/S	n	1,350	var.	2007	Perpetual	100	1,061	1,128
SEK	Danske Bank A/S	o	650	5.119	2007	Perpetual	100	511	543
EUR	Danske Bank Oyj	p	22	var.	2005	Perpetual	100	162	215
EUR	Danske Bank Oyj	q	100	var.	2004	Perpetual	100	744	746
Additional tier 1 capital								13,128	41,891
Nominal subordinated debt								39,153	64,167
Discount								-100	-108
Fair value hedging of interest rate risk								2,162	2,160
Own holding of subordinated debt								-187	-
Total subordinated debt								41,028	66,219
Portion included in total capital as additional tier 1 or tier 2 capital instruments								38,259	63,776

Total capital further includes DKK 5.5 billion from the additional tier 1 bond issue in 2014 and accounted for as equity, see note 23.

Notes – Danske Bank Group

21. Issued bonds continued

a Optional redemption from September 2018. If the loan is not redeemed, the annual interest rate will be 1.94 percentage points above 3-month GBP LIBOR.
b Optional redemption from March 2015. If the loan is not redeemed, the annual interest rate will be 1.81 percentage points above 3-month EURIBOR.
c Optional redemption in October 2018. If the loan is not redeemed, the annual interest rate will be reset at 2.63 percentage points above the 5-year EUR swap rate for the remaining five years until maturity.
d Optional redemption in June 2019. If the loan is not redeemed, the annual interest rate will be reset at 2.70 percentage points above the 5-year SEK swap rate for the remaining five years until maturity.
e Interest is paid at an annual rate of 2.70 percentage points above 3-month STIBOR. Optional redemption from June 2019.
f Interest is paid at an annual rate of 2.60 percentage points above 3-month NIBOR. Optional redemption from December 2018.
g Interest is paid at an annual rate of 2.35 percentage points above 3-month CIBOR. Optional redemption from June 2019.
h Optional redemption in December 2020. If the loan is not redeemed, the annual interest rate will be reset at 2.45 percentage points above the 5-year DKK swap rate for the remaining five years until maturity.
i Optional redemption in December 2020. If the loan is not redeemed, the annual interest rate will be reset at 2.15 percentage points above the 5-year CHF swap rate for the remaining five years until maturity.
j Optional redemption in May 2021. If the loan is not redeemed, the annual interest rate will be reset at 1.52 percentage points above the 5-year EUR swap rate for the remaining five years until maturity.
k Optional redemption from March 2017. If the loan is not redeemed, the annual interest rate will be 1.44 percentage points above 3-month GBP LIBOR.
l Optional redemption from February 2017. If the loan is not redeemed, the annual interest rate will be 1.70 percentage points above 3-month GBP LIBOR.
m Optional redemption from May 2017. If the loan is not redeemed, the annual interest rate will be 1.62 percentage points above 3-month EURIBOR.
n Interest is paid at an annual rate of 0.65 of a percentage point above 3-month STIBOR. Optional redemption from February 2017. If the loan is not redeemed, the annual interest rate will be 1.65 percentage points above 3-month STIBOR.
o Optional redemption from August 2017. If the loan is not redeemed, the annual interest rate will be 1.65 percentage points above 3-month STIBOR.
p Interest is paid at an annual rate of 1.6 percentage points above 3-month EURIBOR. Optional redemption from December 2010. The loan is not included in the Group's total capital.
q Interest is paid at an annual rate of 0.3 of a percentage points above TEC 10. Optional redemption from October 2014. The loan is included in the Group's total capital.

Notes – Danske Bank Group

22. Other assets and other liabilities

The Group uses quantitative and qualitative materiality considerations when aggregating line items in the balance sheet that are not considered individually material. Such line items are presented under Other assets or Other liabilities and consist of net assets or net liabilities in defined benefit pension plans, investment property, tangible assets, holdings in associates and assets held for sale.

The Group uses clean pricing of financial instruments, and accrued interest is therefore included in Other assets and Other liabilities. Further, prepayments, and accrued income and expences are included under Other assets and Other liabilities. Other staff commitments includes consideration expected to be paid for services rendered by employees, such as holiday allowances and serverance payments.

Accounting policy

Defined benefit pension plans

When the Group has entered into defined benefit pension plans, the amounts payable are recognised on the basis of an actuarial computation of the present value of expected benefits. The present value is calculated on the basis of expected future trends in salaries and interest rates, the time of retirement, mortality rates and other factors. The present value of pension benefits less the fair value of pension assets is recognised as a pension obligation for each plan under Other liabilities. If the net amount of a defined benefit pension plan is positive and may be repaid to the Group or reduce its future contributions to the plan, the net amount is recognised under Other assets. The discount rate is determined by reference to yields on high-quality corporate bonds with terms matching the terms of the pension obligations.

Investment property

Investment property is real property, including real property let under operating leases, which the Group owns for the purpose of receiving rent and/or obtaining capital gains. Real property with both domicile (occupied by the Group's support, administrative and back-office functions) and investment property elements is allocated proportionately to the two categories if the elements are separately sellable. If that is not the case, such real property is classified as investment property if the Group occupies less than 10% of the total floorage.

Investment property is recognised at fair value. Fair value adjustments and rental income are recognised under Other income. Real property taken over by the Group under non-performing loan agreements that is expected to be sold within 12 months of classification is valued in accordance with the principles used for investment property but presented as Assets held for sale.

Tangible assets

Tangible assets include domicile property, and plant and equipment. Plant and equipment covers equipment, vehicles, furniture, fixtures and leasehold improvements. Tangible assets also include lease assets, i.e. assets let under operating leases, except real property. Tangible assets are measured at cost and depreciated over the estimated useful life. The estimated useful life is 20-50 years for domicile property, 3-10 years for plant and equipment and 3 years for lease assets. Depreciation charges are recognised under Operating expenses.

Tangible assets are tested for impairment if indications of impairment exist. An impaired asset is written down to its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

Assets held for sale

Assets held for sale are tangible assets and assets of group undertakings actively marketed for sale within 12 months, for example assets and businesses taken over under non-performing loan agreements.

Such assets are measured at the lower of their carrying amount at the time of reclassification and their fair value less expected costs to sell and are no longer depreciated. Liabilities of group undertakings are initially measured at fair value and subsequently in accordance with the Group's general accounting policies.

Further, loans that are marketed for sale are transferred to Assets held for sale. The loans are written down to their expected selling price. The difference is recognised under Loan impairment charges.

Loan commitments and guarantees

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

Other obligations

Provisions for other obligations, such as lawsuits, are recognised if it is likely to result in a payment obligation and the amount can be measured reliably. Liabilities are recognised at the present value of expected payments.

Notes – Danske Bank Group

(DKK millions)

22. Other assets and other liabilities continued

Other assets and other liabilities	2014	2013
Other assets		
Accrued interest and commissions due	6,256	6,874
Prepayments, accruals and other amounts due	14,093	14,668
Defined benefit pension plan, net assets	1,861	1,382
Investment property	3,536	3,200
Tangible assets	6,625	6,106
Holdings in associates	1,318	1,376
Assets held for sale	3,278	657
Total	36,966	34,263
Other liabilities		
Sundry creditors	26,369	26,427
Accrued interest and commissions due	13,323	14,775
Defined benefit pension plans, net liabilities	449	334
Other staff commitments	3,249	3,250
Loan commitments and guarantees etc.	495	650
Reserves subject to a reimbursement obligation	62	77
Other obligations	254	225
Total	44,199	45,736

(a) Further explanation
Investment property is recognised at fair value through profit or loss under Other income.

Tangible assets include domicile property of DKK 2,656 million (2013: DKK 2,782 million). If indications of impairment exist, domicile property is written down to the lower of the carrying amount and its value in use. Lower market prices caused a DKK 77 million write-down of domicile property (2013: DKK 81 million). The properties were valued individually and written down to the value in use determined on the basis of the rate of return used for investment property disclosed in note 31. At the end of 2014, the fair value of domicile property was DKK 3,518 million (31 December 2013: DKK 3,813 million). The required rate of return of 6.8% (2013: 6.8%) was determined in accordance with Danish FSA rules.

Assets held for sale includes a loan portfolio with a nominal amount of DKK 3.9 billion in the non-core segment that by the end of 2014 is marketed for sale and expected to be sold during the first half of 2015. Further, assets held for sale includes domicile property and lease assets put up for sale at the end of the lease. Assets held for sale also includes properties taken over by the Group under non-performing loan agreements. The Group expects to sell the properties through a real-estate agent within twelve months from the date of acquisition. The properties comprise properties in Denmark and properties in other countries.

Notes – Danske Bank Group

23. Equity

Equity is the residual interest in the assets after deducting all liabilities recognised in the balance sheet. Equity is divided between capital and reserves that are attributable to holders of shares issued by the Group (owners of Danske Bank A/S) and other parties holding an interest in the net assets of the Group.

In April 2014, Danske Bank A/S issued EUR 750 million (DKK 5,597 million) in additional tier 1 capital. Danske Bank A/S may, at its sole discretion, omit interest and principal payments to bondholders. The issue is included in equity as a non-controlling interest. This means that equity was increased at the time of issue by the net proceeds received. When interest is paid, the amount paid to investors reduces equity at the time of payment and does not affect net profit. If the Group decides to repay the capital, equity will be reduced by the redemption amount at the time of redemption. The capital issued is included in tier 1 capital instruments in the Statement of capital.

Accounting policy

Equity is the residual interest in recognised assets after deduction of recognised liabilities. In this context, the following items are of special interest:

Own shares

Amounts received or paid for the Group's sale or purchase of Danske Bank shares are recognised directly in equity under transactions with owners. The same applies to premiums received or paid for derivatives entailing settlement in own shares. A capital reduction by cancellation of own shares will lower the share capital by an amount equal to the nominal value of the shares at the time of registration of the capital reduction.

Additional tier 1 capital

The capital issued in April 2014 includes no contractual obligation to deliver cash or another financial asset to the holders, as Danske Bank A/S may, at its sole discretion, omit payment of interest and principal payments to the bondholders. Therefore, the issue does not qualify as a financial liability according to IAS 32. The net amount received at the time of issue is recognised as an increase in equity. Interest payments are accounted for as dividends, which are recognised directly in equity at the time the payment obligation arises. If Danske Bank A/S chooses to redeem the bonds, equity will be reduced by the redemption amount at the time of redemption. Amounts received or paid for the sale or acquisition of additional tier 1 capital instruments are recognised directly in equity, similarly to holdings of own shares.

(a) Further explanation

Equity consists of various components, including the accumulated balance of each class of other comprehensive income, retained earnings and issued additional tier 1 capital. The various components of equity are described below. Tax on items recognised directly in equity is recognised in Retained earnings.

Foreign currency translation reserve

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

If the net investment in a unit outside Denmark is fully or partly realised, translation differences are recognised in the income statement.

Reserve for available-for-sale financial assets

The reserve covers unrealised value adjustments of bonds treated as available-for-sale financial assets recognised in Other comprehensive income. Unrealised value adjustments of hedged interest rate risks that qualify for fair value hedge accounting are recognised in the income statement and are not included in the reserve.

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

Proposed dividends

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

Notes – Danske Bank Group

23. Equity continued

Share-based payments
Share-based payments by the Group are settled in Danske Bank shares. The fair value at the grant date is expensed over the vesting period and set off against equity. At the time of exercise, payments by employees are recognised as an increase in equity. As with other purchases of Danske Bank shares, shares acquired for hedging purposes reduce equity by the amount paid.

Non-controlling interests
Non-controlling interests' share of equity equals the carrying amounts of the net assets in group undertakings not owned directly or indirectly by Danske Bank A/S.

Additional tier 1 capital holders
This reserve includes the net proceed received at the time of issuance and accrued interest not yet paid to the holders of the capital.

As described above, Danske Bank A/S may, at its sole discretion, omit interest and principal payments to bond holders. Any interest payments must be paid out of retained earnings at Danske Bank A/S and Danske Bank Group. Retained earnings are disclosed separately in the balance sheet for both Danske Bank A/S and Danske Bank Group. The additional tier 1 capital will be written down temporarily if the common equity tier 1 ratio falls below 7% for Danske Bank A/S or Danske Bank Group. The ratio at end-2014 is disclosed in the Statement of capital. Interest is paid semi-annually at an annual rate of 5.75. If certain criteria are fulfilled, including approval by the Danish FSA, the bonds may be redeemed at par from April 2020. If the bonds are not redeemed, the annual interest rate will be reset at 4.64 percentage points above the 6-year EUR swap rate every sixth year.

Notes – Danske Bank Group

(DKK millions)

24. Contingent liabilities

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

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

(a) Guarantees	2014	2013
Financial guarantees	9,344	11,608
Mortgage finance guarantees	1,128	873
Other guarantees	66,958	63,894
Total	77,430	76,375

(b) Other contingent liabilities		
Loan commitments shorter than 1 year	115,511	38,981
Loan commitments longer than 1 year	136,064	118,342
Other unutilised loan commitments	520	533
Total	252,095	157,856

In addition to credit exposure from lending activities, loan offers made and uncommitted lines of credit granted by the Group amounted to DKK 308 billion (31 December 2013: DKK 323 billion). These items are included in the calculation of the total risk exposure amount in accordance with the Capital Requirements Directive. In 2014, the Group included DKK 71 billion of credit lines in the credit exposure from lending activities that were previously considered uncommitted due to the possibility of cancellation within a short period of time. Further, unconditional loan offers of DKK 21 billion made by Realkredit Danmark were included. Comparative figures have not been restated.

(c) Further explanation

Owing to its business volume, Danske Bank is continually a party to various lawsuits and disputes and has an ongoing dialogue with public authorities such as the Danish FSA. In view of its size, Danske Bank does not expect the outcomes of pending lawsuits and disputes or its dialogue with public authorities to have any material effect on its financial position.

Around 200 current and 1,000 former employees of Danske Bank have a pension scheme covered by Danica Pension, for which Danske Bank has guaranteed Danica Pension a real return on the policy holders' reserves of 3.5% p.a. The guarantee triggers cash contributions from Danske Bank to Danica Pension, if and only if, the accumulated overall real return on assets at Danica Pension falls below 3.5%. In years where the rate of return is above 3.5%, the surplus is set aside as a buffer for later years. At the end of 2014, the accumulated real return on assets at Danica Pension exceeded 3.5%. In 2015, Danica Pension has received questions from the Danish FSA about the principles for calculation and accounting for this scheme. It is the Group's assessment that the practice applied for this scheme complies with existing agreements and regulation. A limited number of employees are employed under terms which grant them, if they are dismissed before reaching their normal retirement age, an extraordinary severance and/or pension payment in excess of their entitlement under ordinary terms of employment. As the sponsoring employer, the Group is also liable for the pension obligations of a number of company pension funds.

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

The Group is the lessee in a number of non-cancellable operating leases, involving mainly leasing of real property, equipment, furniture and fixtures. The Group recognises lease payments as an expense over the lease term but does not recognise the operating lease assets in its balance sheet. Such assets are recognised by lessors. At 31 December 2014, minimum lease payments under operating leases amounted to DKK 2,801 million (31 December 2013: DKK 3,050 million), with DKK 533 million (2013: DKK 542 million) relating to operating leases expiring within one year.

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

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

Notes – Danske Bank Group

(DKK millions)

25. Balance sheet items broken down by expected due date

The Group present the balance sheet items in order of liquidity instead of distinguing between current and non-current items. The table below shows the balance sheet items expected to mature within one year (current) and after more than one year (non-current).

	2014		2013	
	< 1 year	> 1 year	< 1 year	> 1 year
ASSETS				
Cash in hand and demand deposits with central banks	33,876	-	43,721	-
Due from credit institutions and central banks	112,021	738	130,633	748
Trading portfolio assets	364,212	378,301	467,528	228,197
Investment securities	146,696	184,298	22,951	138,966
Loans at amortised cost	533,993	558,909	507,607	581,121
Loans at fair value	101,011	640,599	74,369	653,712
Assets under pooled schemes and unit-linked investment contracts	-	80,148	-	74,761
Assets under insurance contracts	19,444	249,006	17,782	228,702
Intangible assets	-	11,253	-	20,641
Tax assets	1,142	401	432	924
Other assets	23,627	13,340	22,199	12,064
Total	1,336,022	2,116,993	1,287,222	1,939,836
LIABILITIES				
Due to credit institutions and central banks	319,862	9,187	311,265	1,332
Trading portfolio liabilities	73,331	477,298	58,086	377,097
Deposits	297,650	668,546	238,665	705,236
Bonds issued by Realkredit Danmark	163,337	492,628	130,101	484,095
Deposits under pooled schemes and unit-linked investment contracts	7,072	79,361	7,687	74,195
Liabilities under insurance contracts	43,512	243,803	52,313	210,155
Other issued bonds	91,951	238,256	92,150	218,027
Tax liabilities	722	8,153	931	8,108
Other liabilities	43,687	511	45,326	411
Subordinated debt	6,410	34,618	30,904	35,316
Total	1,047,534	2,252,361	967,428	2,113,972

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

Notes – Danske Bank Group

(DKK millions)

26. Contractual due dates of financial liabilities

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

2014	0-1 month	1-3 months	3-12 months	1-5 years	> 5 years
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	-	-	-	-
Loan commitments shorter than 1 year	115,511	-	-	-	-
Loan commitments longer than 1 year	136,064	-	-	-	-
Other unutilised loan commitments	517	-	-	-	-
Total	1,675,249	101,945	227,083	636,804	389,155

2013					
Due to credit institutions and central banks	275,289	25,949	10,996	491	880
Deposits	842,340	41,988	27,709	24,032	10,685
Repurchase obligation under reverse transactions	206,242	-	-	-	-
Derivatives settled on a gross basis (cash outflows)	3,311,057	1,665,413	1,027,527	213,766	40,927
Derivatives settled on a gross basis (cash inflows)	3,311,572	1,666,138	1,028,916	214,974	41,352
Derivatives settled on a gross basis (net cash flows)	515	725	1,389	1,208	425
Derivatives settled on a net basis	-10,223	-12,094	-892	-2,710	-22
Bonds issued by Realkredit Danmark	74,037	-	66,583	340,069	251,134
Other issued bonds	53,316	13,136	26,931	169,059	88,274
Subordinated debt	328	25,597	1,368	31,740	21,028
Other financial liabilities	1,641	377	5,670	46,628	27,566
Financial and loss guarantees	76,375	-	-	-	-
Loan commitments shorter than 1 year	38,981	-	-	-	-
Loan commitments longer than 1 year	118,342	-	-	-	-
Other unutilised loan commitments	533	-	-	-	-
Total	1,677,715	95,678	139,754	610,517	399,970

(a) Further explanation

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

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

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

Notes – Danske Bank Group

(DKK millions)

27. Transferred financial assets that are not derecognised

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

Trading portfolio	2014		2013	
	Bonds	Shares	Bonds	Shares
Carrying amount of transferred assets	-	-	-	-
Repo transactions	386,797	-	310,443	-
Securities lending	-	-	-	-
Total transferred assets	386,797	-	310,443	-
Repo transactions, own issued bonds	11,480	-	14,483	-
Carrying amount of associated liabilities	400,618	-	331,091	-
Net positions	-2,341	-	-6,165	-

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

Notes – Danske Bank Group

(DKK millions)

28. Assets provided or received as collateral

At the end of 2014, Danske Bank A/S had deposited securities worth DKK 1.0 billion as collateral with Danish and international clearing centres and other institutions (31 December 2013: DKK 0.1 billion).

At the end of 2014, Danske Bank A/S had provided cash and securities worth DKK 85.0 billion as collateral for derivatives transactions (31 December 2013: DKK 47.7 billion).

At the end of 2014, the Group had registered assets (including bonds and shares issued by the Group) under insurance contracts worth DKK 320.0 billion (31 December 2013: DKK 299.5 billion) as collateral for policyholders' savings of DKK 314.8 billion (31 December 2013: DKK 292.6 billion).

At the end of 2014, the Group had registered loans at fair value and securities worth a total of DKK 743.3 billion (31 December 2013: DKK 728.1 billion) as collateral for bonds issued by Realkredit Danmark, including mortgage-covered bonds, worth a total of DKK 656.0 billion (31 December 2013: DKK 614.2 billion). Note 15 provides additional information. Similarly, the Group had registered loans and other assets worth DKK 270.8 billion (31 December 2013: DKK 239.4 billion) as collateral for covered bonds issued under Danish and Finnish law.

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

	2014			2013		
	Repo	Other	Total	Repo	Other	Total
Due from credit institutions	-	32,353	32,353	-	14,253	14,253
Trading portfolio securities	386,797	66,063	452,860	310,443	40,357	350,800
Loans at fair value	-	741,609	741,609	-	728,081	728,081
Loans at amortised cost	-	275,923	275,923	-	249,750	249,750
Assets under insurance contracts	-	270,661	270,661	-	256,129	256,129
Other assets	-	166	166	-	188	188
Total	386,797	1,386,775	1,773,572	310,443	1,288,758	1,599,201
Own issued bonds	11,480	89,644	101,124	14,483	89,926	104,409
Total, including own issued bonds	398,277	1,476,419	1,874,696	324,926	1,378,684	1,703,610

Securities provided as collateral under agreements that entitle the counterparty to sell the securities or provide them as collateral for other loans amounted to DKK 386.8 billion at the end of 2014 (31 December 2013: DKK 310.4 billion).

At the end of 2014, the Group had received securities worth DKK 290.6 billion (31 December 2013: DKK 310.7 billion) as collateral for reverse repo transactions, securities lending, derivatives transactions and other transactions entered into on the standard terms for such transactions. As the party receiving the collateral, the Group is entitled in many cases to sell the securities or provide the securities as collateral for other loans in exchange for returning similar securities to the counterparty at the expiry of the transactions. At the end of 2014, the Group had sold securities or provided securities as collateral worth DKK 160.9 billion (31 December 2013: DKK 206.2 billion).

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

Notes – Danske Bank Group

(DKK millions)

29. Offsetting of financial assets and liabilities

Offsetting of financial assets and liabilities in the financial statements requires some criteria to be fulfilled. In the event the counterparty or the Group defaults, further offsetting will take place. This note shows the offsetting in the financial statements, further netting according to enforceable master netting agreements and similar agreements (i.e. in the event of default) and collateral provided or received under those agreements.

Accounting policy

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

2014	Gross amount	Offsetting	Net amount presented in balance sheet	Further offsetting, master netting agreements	Collateral	Net amount
Financial assets						
Derivatives with positive fair value	783,901	374,459	409,442	300,206	59,170	50,066
Reverse transactions	462,274	172,179	290,095	-	290,095	-
Other financial assets	4,406	1,754	2,652	-	-	2,652
Total	1,250,581	548,392	702,189	300,206	349,264	52,718
Financial liabilities						
Derivatives with negative fair value	764,205	374,459	389,746	300,206	71,745	17,795
Repo transactions	572,797	172,179	400,618	-	398,277	2,341
Other financial liabilities	10,859	1,754	9,105	-	-	9,105
Total	1,347,861	548,392	799,469	300,206	470,022	29,241

2013						
Financial assets						
Derivatives with positive fair value	434,978	185,443	249,535	176,253	34,860	38,422
Reverse transactions	481,304	165,225	316,079	-	310,721	5,358
Other financial assets	3,513	1,216	2,297	-	-	2,297
Total	919,795	351,884	567,911	176,253	345,581	46,077
Financial liabilities						
Derivatives with negative fair value	414,384	185,443	228,941	176,253	38,092	14,596
Repo transactions	496,316	165,225	331,091	-	324,926	6,165
Other financial liabilities	5,777	1,216	4,561	-	-	4,561
Total	916,477	351,884	564,593	176,253	363,018	25,322

Notes – Danske Bank Group

30. Fair value information for financial instruments

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

(a) **Financial instruments at fair value**
The fair value is the amount for which a financial asset or a financial liability can be exchanged between knowledgeable, willing parties. Fair value is measured on the basis of the following hierarchy:

The fair value hierarchy

- Quoted price (level 1) consists of financial instruments that are quoted in an active market. The Group uses the price quoted in the principal market.
- Valuation based on observable input (level 2) consists of financial instruments valued substantially on the basis of observable input other than a quoted price for the instrument itself. If a financial instrument is quoted in a market that is not active, the Group bases its measurement on the most recent transaction price. Adjustment is made for subsequent changes in market conditions, for instance, by including transactions in similar financial instruments that are assumed to be motivated by normal business considerations. For a number of financial assets and liabilities, no market exists. In such cases, the Group uses recent transactions in similar instruments and discounted cash flows or other generally accepted estimation and valuation techniques based on market conditions at the balance sheet date to calculate an estimated value. This category covers instruments such as derivatives valued on the basis of observable yield curves and exchange rates and illiquid mortgage bonds valued by reference to the value of similar, liquid bonds.
- Valuation based on significant non-observable input (level 3): The valuation of certain financial instruments is based substantially on non-observable input. Such instruments include unlisted shares, some unlisted bonds and a limited portion of the derivatives portfolio (1%).

If, at the balance sheet date, a financial instrument's classification differs from its classification at the beginning of the year, the classification of the instrument changes. Changes are considered to have taken place at the balance sheet date. Developments in the financial markets have resulted in reclassifications between the categories. Some bonds have become illiquid and have therefore been moved from the Quoted prices to the Observable input category, while other bonds have become liquid and have been moved from the Observable input to the Quoted prices category. The net amount transferred is insignificant. Furthermore, because of an improvement in the quality of market data input used for the valuation of primary interest rate swaps in a number of currencies, the data now meet the criteria for being observable input. More than half of the derivatives previously included in the Non-observable input category have therefore been moved to the Observable input category.

Valuation techniques
The most frequently used valuation techniques include the pricing of transactions with future settlement and swap models that apply present value calculations, credit pricing models and options models, such as Black & Scholes models. As part of the Group's control environment, valuation models are validated by units that are independent of the business units that develop the models and trade in the products covered by the models. Validation is made to test the implementation, quality and operating stability of models to ensure that the models can be used for pricing and risk management of financial products.

Loans at fair value (mortgage loans) and bonds issued by Realkredit Danmark are recognised at the fair value of the issued bonds (the quoted price in an active market). The Group adjusts for changes in the fair value of the credit risk on borrowers. For loans granted to customers with objective evidence of impairment, such adjustment is made on the basis of an assessment of the expected cash flows from the loans. For the remaining portion of the portfolio, adjustments depend on the possibility of raising the administration margin on loans (credit margin) sufficiently to offset higher credit risk and market risk premiums on mortgage loans. No changes are made if it is possible to raise the administration margin sufficiently. If it is not possible to raise the administration margin sufficiently or at all, a collective adjustment is made, reflecting trends in expected losses, unexpected losses (volatility) and the possibility of raising the administration margin in the future. The expected future cash flows are discounted at the current market rate with the addition of a risk premium. The adjustment is described further in note 15.

The value of derivatives, primarily long-term contracts, is determined on observable yields extrapolated to yield curves for the full duration af the contracts. Moreover, the very limited portfolio of credit derivatives are valued on the basis of observable input as well as assumptions about the probability of default (recovery rate). Unlisted shares are measured at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines (IPEV) which are compliant with IFRS. IPEV guide the calculation of estimated fair value of unlisted shares as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation methods include discounted cash flow models and princing based on a multiply on earnings or equity.

Notes – Danske Bank Group

(DKK millions)

30. Fair value information for financial instruments continued

Fair value adjustments

Management estimates underlie the valuation of financial instruments for which the value is based on valuation techniques. The Group makes fair value adjustments to cover changes in counterparty risk (CVA and DVA) on derivatives, bid-offer spreads on the net open position of portfolios with offsetting market risk, and model risk on level 3 derivatives.

Credit value adjustment (CVA) and debit value adjustment (DVA)

The Group makes a fair value adjustment to cover the counterparty credit risk on derivatives with a positive fair value (CVA) for customers without objective evidence of impairment. For a given counterparty's portfolio of derivatives, CVA is calculated as a function of the probability of default (PD), the expected positive exposure (EPE) and the loss given default in the event of bankruptcy (LGD). The Group enters into derivatives transactions mainly with counterparties on the Scandinavian market. For a small number of counterparties, the credit risk can be assessed on the basis of observable market input in the form of listed credit default swaps (CDS). For these counterparties, the Group has for some years used PD values implied by CDS spreads.

Following the Asset Quality Review in the autumn of 2014, the Danish Financial Supervisory Authority ordered the Group to implement, by the end of 2014, a model that further increases the use of market-implied data in the CVA for counterparties without a liquid CDS spread by using proxy CDS indices. Previously, the Group relied substantially on estimates to calculate PD on the basis of market data for the total derivatives portfolio, using its internal rating of the individual counterparty for the rest of the portfolio and assessing the development in the rating over time on the basis of historical migration matrices. For the calculation of EPE, the Group uses simulations to estimate the range of positive exposures to the counterparty's portfolio over the term of the derivatives. For the calculation of LGD, the Group uses market compliant LGD by end of 2014, and internal estimates in 2013. However, for customers with objective evidence of impairment, CVA is calculated as if the derivatives were loans subject to impairment because of credit losses. In 2013, the Group included a fair value adjustment for derivatives with a negative fair value to cover the counterparty's credit risk on Danske Bank (DVA), with PD calculated according to principles similar to CVA. From the end of 2014, the Group has used PD values derived from Danske Bank's liquid CDS spread. In 2013, PD was calculated as a conversion of Danske Bank's external rating to the Group's internal rating.

At the end of 2014, CVA and DVA came to a net amount of DKK 0.9 billion (2013: DKK 0.6 billion), including the adjustment for credit risk on derivatives with customers subject to objective evidence of impairment. The net amount includes a significant increase in both CVA and DVA.

Bid-offer spread

For portfolios of assets and liabilities with offsetting market risk, the Group bases its measurement of the portfolios on mid-market prices and makes fair value adjustments to recognise net assets at the bid price and net liabilities at the offer price (exit prices). At the end of 2014, these fair value adjustments totalled DKK 101 million (31 December 2013: DKK 154 million).

Model risk

To account for the uncertainty associated with measuring the value of derivatives on the basis of non-observable input (level 3 in the fair value hierarchy), the Group has established guidelines to quantify risk. The Group calculates and monitors the reserve on an ongoing basis. At the end of 2014, the reserve totalled DKK 5 million (31 December 2013: DKK 10 million).

Amortisation of initial margin

If, at the time of acquisition, a difference arises between the model value of a financial instrument, calculated on the basis of non-observable input and actual cost (day-one profit or loss), and the difference is not the result of transaction costs, the Group adjusts model parameters to actual cost to take account of the initial margin. The valuation of derivatives thus includes amortisation of the value of initial margins over the remaining term to maturity. The initial margins cover future administrative expenses, capital consumption, funding costs, initial credit risk, etc. When the Group implemented the new CVA model that further increases the use of market-implied input in 2014, the portion of the initial margin that covers credit risk was released to the income statement. At 31 December 2014, the value of unamortised initial margins was DKK 935 million (2013: DKK 1,133 million).

	2014	2013
Unamortised initial margins at 1 January	1,133	1,182
Amortised to the income statement during the year	-628	-215
Initial margins on new derivatives contracts	542	325
Terminated derivatives contracts	-112	-159
Unamortised initial margins at 31 December	935	1,133

Notes – Danske Bank Group

(DKK millions)

30. Fair value information for financial instruments continued

2014	Quoted prices	Observable input	Non-observable input	Total
Financial assets				
Derivatives				
Interest rate contracts	3,807	269,285	4,562	277,654
Currency contracts etc.	127	130,860	801	131,788
Trading portfolio bonds				
Government bonds and other bonds	143,749	-	-	143,749
Danish mortgage bonds	74,695	3,188	-	77,883
Other covered bonds	57,776	2,077	-	59,853
Other bonds	33,780	9,832	-	43,612
Trading portfolio shares	7,442	-	532	7,974
Investment securities, bonds	186,024	38,264	25	224,313
Investment securities, shares	53	-	1,772	1,825
Loans at fair value	-	741,609	-	741,609
Assets under pooled schemes and unit-linked investment contracts	80,148	-	-	80,148
Assets under insurance contracts, bonds				
Danish mortgage bonds	37,357	2,703	-	40,060
Other bonds	105,021	26	1,610	106,657
Assets under insurance contracts, shares	64,464	453	12,429	77,346
Assets under insurance contracts, derivatives	44	12,996	-	13,040
Total	794,487	1,211,293	21,731	2,027,511
Financial liabilities				
Derivatives				
Interest rate contracts	4,221	239,798	5,743	249,762
Currency contracts etc.	543	138,609	832	139,984
Obligations to repurchase securities	160,707	117	59	160,883
Bonds issued by Realkredit Danmark	655,965	-	-	655,965
Deposits under pooled schemes and unit-linked investment contracts	-	86,433	-	86,433
Total	821,436	464,957	6,634	1,293,027

Notes – Danske Bank Group

(DKK millions)

30. Fair value information for financial instruments continued

2013	Quoted prices	Observable input	Non-observable input	Total
Financial assets				
Derivatives				
Interest rate contracts	5,172	173,830	8,617	187,619
Currency contracts etc.	215	60,992	709	61,916
Trading portfolio bonds	-	-	-	-
Government bonds and other bonds	174,004	637	-	174,641
Danish mortgage bonds	110,347	11,468	-	121,815
Other covered bonds	91,729	1,444	-	93,173
Other bonds	43,009	6,773	-	49,782
Trading portfolio shares	6,020	-	757	6,777
Investment securities, bonds	84,701	16,576	-	101,277
Investment securities, shares	35	-	3,163	3,198
Loans at fair value	-	728,081	-	728,081
Assets under pooled schemes and unit-linked investment contracts	74,761	-	-	74,761
Assets under insurance contracts, bonds	-	-	-	-
Danish mortgage bonds	37,650	2,351	-	40,001
Other bonds	101,025	108	674	101,807
Assets under insurance contracts, shares	60,306	521	8,591	69,418
Assets under insurance contracts, derivatives	642	1,234	-	1,876
Total	789,616	1,004,015	22,511	1,816,142
Financial liabilities				
Derivatives				
Interest rate contracts	5,745	151,175	6,786	163,706
Currency contracts etc.	698	63,587	949	65,234
Obligations to repurchase securities	205,967	265	11	206,243
Bonds issued by Realkredit Danmark	614,196	-	-	614,196
Deposits under pooled schemes and unit-linked investment contracts	-	81,882	-	81,882
Total	826,606	296,909	7,746	1,131,261

A detailed review of the assumptions applied when extracting data for the classification of financial instruments between the three levels identified some minor (0.03% on the asset side and 0.02% on the liability side) reclassifications to the figures presented in Annual Report 2013, which have been incorporated in the comparative figures above.

At 31 December 2014, financial instruments valued on the basis of non-observable input comprised unlisted shares of DKK 14,674 million (31 December 2013: DKK 12,500 million), illiquid bonds of DKK 1,610 million (31 December 2013: DKK 674 million) and derivatives with a net market value of DKK -1,211 million (31 December 2013: DKK 1,591 million). Unlisted shares of DKK 12,429 million (2013: DKK 8,591million) 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 Groups net result. For the remaining portfolio of unlisted shares of DKK 2,245 million (2013: DKK 3,909 million), a 10% increase or decrease in the fair value would amount to DKK 224 million (2013: DKK 391 million).The estimated fair value of illiquid bonds depends significantly on the estimated credit spread. If the credit spread widens 50bp, fair value will decrease DKK 36 million (2013: DKK 19 million). If the credit spread narrows 50bp, fair value will increase DKK 37 million (2013: DKK 19 million). A substantial number of derivatives valued on the basis of non-observable input are hedged by similar derivatives or are used for hedging the credit risk on bonds also valued on the basis of non-observable input. Changing one or more of the non-observable inputs to reflect reasonably possible alternative assumptions would not change the fair value of the derivatives significantly.

In 2014, the Group recognised unrealised value adjustments of unlisted shares of DKK 1,225 million on the portfolio of shares allocated to insrance contracts and DKK 234 million on the remaining portfolio (31 December 2013: DKK 552 million). The adjustments in 2014 and 2013 were attributable to various unlisted shares.

Notes – Danske Bank Group

(DKK millions)

30. Fair value information for financial instruments continued

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

	2014			2013		
	Shares	Bonds	Derivatives	Shares	Bonds	Derivatives
Fair value at 1 January	12,500	674	1,591	10,184	586	-167
Value adjustment through profit or loss	3,362	61	-51	552	-82	26
Acquisitions	3,957	1,335	-1,726	3,080	275	-434
Sale and redemption	-5,145	-460	275	-1,316	-	349
Transferred from quoted prices and observable input	-	-	659	-	-	209
Transferred to quoted prices and observable input	-	-	-1,959	-	-105	1,608
Fair value at 31 December	14,674	1,610	-1,211	12,500	674	1,591

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

(b) Financial instruments at amortised cost

In this section, the fair value of financial instruments recognised at amortised cost is presented. The fair value is based on quoted market prices, if available. If quoted prices are not available, the value is approximated to reflect the price that would have been fixed, had the terms been agreed at the balance sheet date.

The fair values disclosed below are determined on the basis of the following principles:

Investment securities (bonds classified as held-to-maturity), other issued bonds and subordinated debt

Quoted prices in an active market exist for a significant part of these financial instruments. If quoted prices in an active market do not exist, the Group uses an estimate of the current return required by the market to estimate the fair value.

Other financial instruments

The determination of the fair value of financial instruments recognised at amortised cost is based on the following preconditions relating to interest rate risk:

- For a significant number of the Group's deposits and loans, the interest rate depends on the standard variable rate fixed by the Group. The rate is adjusted only upon certain changes in market conditions. Such deposits and loans are considered to carry interest at a variable rate, as the standard variable rate fixed by the Group at any time applies to both new and existing arrangements.
- The interest rate risk on fixed-rate financial assets and liabilities is generally hedged by derivatives. The interest rate risk on fixed-rate loans extended by the Group's operations in Finland, Northern Ireland and Ireland is, however, hedged by hedging the interest rate risk on core free funds. Any interest rate risk not hedged by core free funds is hedged by derivatives. The hedges are accounted for as fair value hedges, and value adjustments are recognised in the hedged financial instruments. Consequently, only fair value changes in fixed-rate loans in Finland, Northern Ireland and Ireland are unhedged. The presented fair values include these unhedged changes.

For financial instruments that are only to a limited extent influenced by changes in credit risk, the amortised cost, including the adjustment for the fair value hedge accounting of the interest rate risk, is a reasonable approximation of fair value. This is the case for Due from/to credit institutions and central banks and Deposits.

For loans, the following adjustments are made to reach a fair value of the credit risk:

- The fair value of the Group's syndicated loans etc. is estimated on the basis of the Group's current required rate of return on similar transactions.
- As regards other loans, impairment charges are assumed to equal the fair value of the credit risk with the following adjustments:
    - The calculation of impairment charges for loans subject to individual impairment is based on the most likely outcome, and loans that are considered asset finance are written down to the fair value of collateral provided, i.e. assuming that restructuring is not possible. The fair value is adjusted by weighting all possible outcomes. For other loans, impairment charges are recognised if a customer is downgraded to reflect a change in the probability of default.
    - The credit margins on individual risks are accounted for by adjusting the fair value for the difference between the current credit premium and the credit premium demanded at the balance sheet date.

Notes – Danske Bank Group

(DKK millions)

30. Fair value information for financial instruments continued

In the table below, fair value is presented for classes of financial financial instruments for which the carrying amount is not a reasonable approximation of fair value.

2014	Carrying amount	Fair value	Quoted prices	Observable input	Non-observable input
Financial assets					
Investment securities	104,855	106,782	105,942	840	-
Loans at amortised cost	1,092,902	1,081,097	-	55,062	1,026,035
Financial liabilities					
Other issued bonds	330,207	334,713	220,186	83,793	30,734
Subordinated debt	41,028	40,773	38,141	2,632	-

2013					
Financial assets					
Investment securities	57,442	57,550	55,649	1,901	-
Loans at amortised cost	1,088,728	1,078,709	-	64,039	1,014,671
Financial liabilities					
Other issued bonds	310,177	314,848	225,681	75,701	13,466
Subordinated debt	66,219	65,004	38,044	2,798	24,162

Notes – Danske Bank Group

(DKK millions)

31. Non-financial assets recognised at fair value

Non-financial assets are recognised at fair value on a recurring or non-recurring basis after initial recognition. Investment property is measured at fair value on a recurring basis, and assets that are marketed for sale and expected to be sold within one year is written down to fair value less expected costs to sell, i.e. measured at fair value on a non-recurring basis.

Accounting policy

Investment property (fair value on recurring basis)

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

The fair value is assessed by the Group's valuers at least once a year on the basis of a discounted cash flow model.

Assets held for sale (fair value on non-recurring basis)

Assets held for sale are measured at the lower of cost and fair value less expected costs to sell and are no longer depreciated.

(a) Investment property	2014	2013
Fair value at 1 January	3,200	4,131
Value adjustment through profit or loss	-37	2
Acquisitions and improvements	729	409
Sale	357	1,342
Fair value at 31 December	3,535	3,200

Valuations of investment property rely substantially on non-observable input. Valuations are based on cash flow estimates and on the required rate of return calculated for each property that reflects the price at which the property can be exchanged between knowledgeable, willing parties under current market conditions. The cash flow estimates are determined on the basis of the market rent for each property. The required rate of return on a property is determined on the basis of its location, type, possible uses, layout and condition as well as on the terms of lease agreements, rent adjustment and the credit quality of lessees. The required rate of return ranged between 4.0-10.0% (2013: 4.0-9.5%) and averaged 6.5% (2013: 6.8%). An increase in the required rate of return of 1.0 percentage point would reduce fair value at end-2014 by DKK 341 million.

(b) Assets held for sale

Assets held for sale are measured at the lower of cost and fair value less expected costs to sell. Assets held for sale are recognised under Other assets. No significant changes in the fair value of non-financial assets held for sale occured during 2014 or 2013.

Notes – Danske Bank Group

(DKK millions)

32. Related parties

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

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

Accounting policy

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.

Entities that are related parties to the Group are shareholders that have a significant holding of shares (significant influence over the Group), associates, joint venture partners or defined benefit pension plan providers (the Group has significant influence over the entity). Further, key management personnel defined members of the Board of Directors and the Executive Board and are related parties to the Group.

Transactions with related parties are settled on an arm's-length basis and recognised in the financial statements at the same accounting policy as for similar transactions with unrelated parties.

(a) Related parties	Parties with significant influence		Associates		Board of Directors		Executive Board	
	2014	2013	2014	2013	2014	2013	2014	2013
Loans and loan commitments	5,524	5,776	3,669	5,420	16	15	18	17
Securities and derivatives	1,825	1,634	10,215	8,168	-	-	-	-
Deposits	1,551	3,133	917	77	13	36	9	10
Derivatives	129	218	966	1,286	-	-	-	-
Pension obligation	-	-	-	-	-	-	-	-
Guarantees issued	882	875	3	1	-	-	-	-
Guarantees and collateral received	211	269	1,155	3,132	12	14	17	17
Interest income	33	40	209	166	-	-	-	-
Interest expense	75	94	26	132	-	-	-	-
Fee income	19	17	4	6	1	-	-	-
Dividend income	35	17	153	169	-	-	-	-
Other income	22	61	1	-	-	-	-	-
Trade in Danske Bank shares								
Acquisitions	-	-	-	-	3	-	6	-
Sales	-	-	-	-	-	-	-	-

The Group is a listed company, with no shareholder having control over the Group. Related parties with significant influence include shareholders with holdings exceeding 20% of Danske Bank A/S's share capital. The A.P. Møller and Chastine Mc-Kinney Møller Foundation and companies of the A.P. Møller – Mærsk Group, Copenhagen, hold 22.98% of the share capital. Note 35 lists significant holdings in associates. The Board of Directors and Executive Board columns list the personal facilities, deposits, etc. held by members of the Board of Directors and the Executive Board and their dependants, and facilities with businesses in which these parties have a controlling or significant influence.

In 2014, the average interest rates on credit facilities granted to members of the Board of Directors and the Executive Board were 2.5% (2013: 2.1%) and 2.3% (2013: 2.7%), respectively. Notes 33 and 34 specify the remuneration and shareholdings of management.

Pension funds set up for the purpose of paying out pension benefits to employees of Danske Bank Group are also considered related parties. Danske Bank Group has entered into transactions with these funds. Such transactions are not eliminated in the consolidated financial statements. Transactions with pension funds comprised loans in the amount of DKK 9 million (2013: DKK 9 million), deposits in the amount of DKK 144 million (2013: DKK 195 million), bonds issued worth DKK 286 million (2013: DKK 507 million), derivatives with a positive fair value of DKK 0 million (2013: DKK 0 million), derivatives with a negative fair value of DKK 1,859 million (2013: DKK 816 million), interest expenses of DKK 16 million (2013: DKK 18 million), fee income of DKK 1 million (2013: DKK 1 million) and pension contributions of DKK 181 million (2013: DKK 394 million).

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

Notes – Danske Bank Group

(DKK millions)

33. Remuneration of management and material risk takers

This note gives information on the remuneration of the management of the Group in the form of the Board of Directors and the Executive Board, and of other material risk takers. This note further includes information on the Group's share-based payment.

(a) Remuneration of the Board of Directors

Danske Bank's directors receive fixed remuneration only and are not covered by incentive programmes. Directors also receive a fee for board committee membership. The Board of Directors is remunerated by the Parent Company, Danske Bank A/S. No director has received remuneration for membership of the Executive Board or the Board of Directors in any of the Group's subsidiaries. The Group has no pension obligations towards the directors.

Remuneration of the Board of Directors (DKK thousands)	2014	2013
Ole Andersen	1,931	1,890
Trond Ø. Westlie	907	600
Urban Bäckström	767	713
Lars Förberg [1]	617	450
Jørn P. Jensen	657	640
Rolv Erik Ryssdal [2]	354	-
Carol Sergeant [1]	807	593
Jim Hagemann Snabe [1]	617	450
Kirsten Ebbe Brich [2]	354	-
Carsten Eilertsen	467	450
Charlotte Hoffmann	579	450
Steen Lund Olsen [2]	354	-
Niels B. Christiansen [3]	300	1,238
Susanne Arboe [3]	113	450
Helle Brøndum [3]	113	450
Per Alling Toubro [3]	113	450
Michael Fairey [4]	-	188
Mats Jansson [4]	-	150
Majken Schultz [4]	-	150
Total remuneration	9,048	9,310
Remuneration for committee work included in total remuneration	2,110	2,110

1) From 18 March 2013
2) From 18 March 2014
3) Until 18 March 2014
4) Until 18 March 2013

Notes – Danske Bank Group

(DKK millions)

33. Remuneration of management and material risk takers continued

(b) Remuneration of the Executive Board

The Executive Board earned total remuneration of DKK 70.0 million for 2014 (2013: DKK 64.8 million), with fixed remuneration amounting to DKK 60.6 million (2013: DKK 61.8 million) and variable remuneration amounting to DKK 9.4 million (2013: DKK 3.0 million). Total paid comprises contractual remuneration and payments to defined contribution pension plans for 2014, variable cash payment for 2013 and the exercise of rights to conditional shares for previous financial years. The variable remuneration for 2014 will be paid in later financial years. The contractual remuneration and pensions for 2014 relate to the period from joining the Executive Board or to the period until retiring from the Executive Board.

The remuneration of the Executive Board includes remuneration for membership of the board of directors of one or more of the Group's subsidiaries. For such membership, Tonny Thierry Andersen received remuneration of DKK 0 for 2014 (2013: DKK 36,000). Remuneration for directorships in Group undertakings is deducted from the contractual remuneration received from Danske Bank A/S.

Remuneration of the Executive Board

2014	Thomas F. Borgen	Tonny Thierry Andersen	James Ditmore	Lars Mørch	Henrik Ramlau-Hansen	Glenn Söderholm
Contractual remuneration*	11.2	6.9	10.0	5.9	6.9	6.4
Pension	2.2	1.0	-	0.9	1.1	1.0
Variable cash payment	2.2	1.2	0.6	1.1	1.0	0.6
Variable share-based payment	0.6	0.4	0.3	0.3	0.3	0.2
Total earned	16.2	9.5	10.9	8.2	9.3	8.2
Total paid	13.8	8.2	5.3	7.1	8.2	7.5

*Contractual remuneration includes fixed salary and other benefits.

Robert Endersby resigned from his position as member of the Executive Board on 30 November 2014 (remuneration earned in 2014 amounted to DKK 7.7 million). James Ditmore joined the Executive Board on 21 April 2014 and was granted a sign-on fee of DKK 4.8 million in the form of conditional shares. This fee is included in his contractual remuneration and falls due for payment in instalments over a four-year period from the employment date.

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

Eivind Kolding resigned from his position as CEO on 16 September 2013 (remuneration expensed in 2013 amounted to DKK 21.7 million, of which DKK 13.6 million was paid in 2013 and DKK 8.1 million was paid in 2014). Bonus earned in 2012 was also paid in 2013, leaving the total payment at DKK 14.5 million in 2013. Glenn Söderholm joined the Executive Board on 1 November 2013.

Under the Danish Act on State-Funded Capital Injections into Credit Institutions, only 50% of the Executive Board's salaries is tax deductible until hybrid capital raised has been repaid. In 2014, this deduction amounted to DKK 60 million (2013: DKK 29 million).

Notes – Danske Bank Group

33. Remuneration of management and material risk takers continued

Pension and termination

	Thomas F. Borgen	Tonny Thierry Andersen	James Ditmore	Lars Mørch	Henrik Ramlau-Hansen	Glenn Söderholm
Annual contribution	Bank contributes 20% of salary p.a.	Bank contributes 20% of salary p.a.	-	Bank contributes 20% of salary p.a.	Bank contributes 22% of salary p.a.	Bank contributes 20% of salary p.a.
Notice of termination by Danske Bank	18 months	18 months	18 months	18 months	18 months	18 months
Notice of termination by the board member	12 months	9 months	9 months	9 months	9 months	9 months
Non-competition clause	24 months	12 months	12 months	12 months	12 months	12 months

(c) Remuneration of other material risk takers

In accordance with the Danish Financial Business Act and the accompanying order, Danske Bank Group is required to identify all employees whose professional activities could have a material impact on the risk profile of Danske Bank. EBA issued a Regulatory Technical Standard (RTS) that came into effect on 26 June 2014 and outlines prescriptive qualitative and quantitative criteria for identifying other material risk takers. This standard has been adopted by the Danish FSA.

Due to the changed criteria for the designation of other material risk takers in the new RTS, the number of other material risk takers has increased significantly compared to 2013. As of 31 December 2014 there is designated 718 other material risk takers that correspondents to 475 full-time equivalents (FTE) as the majority was designated as material risk takers with the implementation of the new RTS. The 475 (FTE) designated as other material risk takers earned remuneration of DKK 949 million (2013: 156 (FTE) other material risk takers earned remuneration of DKK 427 million), with fixed remuneration amounting to DKK 742 million and variable remuneration amounting to DKK 207 million (2013: DKK 317 million and DKK 110 million, respectively).

Of the above remuneration for 2014, 276 (FTE) other material risk takers at the Parent Company, Danske Bank A/S, earned DKK 707 million (2013: DKK 371 million to 125 (FTE) other material risk takers), with fixed remuneration amounting to DKK 521 million and variable remuneration amounting to DKK 186 million (2013: DKK 266 million and DKK 105 million, respectively).

The Group's pension obligations towards other material risk takers amounted to DKK 886 million to 130 employees at year-end 2014 (31 December 2013: DKK 30 million and 9 employees). The increase was caused by the changed criteria for the designation of other material risk takers and relates mainly to the pension obligations for other material risk takers covered by defined benefit plans in Northern Ireland.

(d) Share-based payment

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

Issued options carry a right to buy Danske Bank shares exercisable from three to seven years after options are granted, provided that the employee, with the exception of retirement, has not resigned from the Group. The exercise price of the options is computed as the average price of Danske Bank shares for 20 stock exchange days after the release of the annual report plus 10%. The fair value of the share options is calculated according to a dividend-adjusted Black & Scholes formula. Calculation of the fair value at the end of 2014 is based on the following assumptions: Share price: 167 (2013: 124). Dividend payout ratio: 2.5% (2013: 2.5%). Rate of interest: 0.0% (2013: 0.2-0.3%), equal to the swap rate. Volatility: 20% (2013: 30%). Average time of exercise: 0.25 year (2013: 0-1 years). The volatility estimate is based on historical volatility.

Effective from 2010, the Group has granted rights to conditional shares - as part of the bonus structure for material risk takers - to the Executive Board and designated other material risk takers as part of their variable remuneration. Rights to Danske Bank shares for material risk takers vest three years after being granted (four years for 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 (or four) years ago still are considered fulfilled, whether the banks economic situation has deteriorated significantly and whether the individual has proven fit and proper. The fair value of the conditional shares is calculated as the share price less the payment made by the employee, if any.

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

Notes – Danske Bank Group

33. Remuneration of management and material risk takers continued

Share options	Number				Fair value (FV)	
	Executive Board	Other staff	Total	Exercise price (DKK)	At issue (DKK m)	End of year (DKK m)
Granted in 2007-08						
1 January 2013	459,521	5,981,700	6,441,221	183.0-272.2	150.9	1.6
Exercised 2013	-	-	-			
Forfeited 2013	-181,548	-1,867,429	-2,048,977			
Other changes 2013	-	32,652	32,652			
31 December 2013	277,973	4,146,923	4,424,896	181.1 - 272.2	118.0	2.0
Exercised 2014	-	-				
Forfeited 2014	-118,437	-2,464,427	-2,582,864			
Other changes 2014	-	-	-			
31 December 2014	159,536	1,682,496	1,842,032	181.1	40.5	3.5

Holdings of the Executive Board and fair value at 31 December 2014

Grant year (DKK millions)	2008 Number	FV
Thomas F. Borgen	54,400	0.1
Tonny Thierry Andersen	51,093	0.1
James Ditmore	-	-
Lars Mørch	34,386	0.1
Henrik Ramlau-Hansen	19,657	-
Glenn Söderholm	-	-

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

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

Share options were granted in 2008 or earlier. No share options were exercised in 2014 and 2013.

Notes – Danske Bank Group

33. Remuneration of management and material risk takers continued

Conditional shares	Number				Fair value (FV)	
	Executive Board	Other staff	Total	Employee payment price (DKK)	At issue (DKK m)	End of year (DKK m)
Granted in 2011						
1 January 2013	-	1,044,764	1,044,764	1.2	130.3	98.7
Vested 2013	-	-	-			
Forfeited 2013	-	-13,582	-13,582			
Other changes 2013	31,631	-22,806	8,825			
31 December 2013	31,631	1,008,376	1,040,007	1.2	129.7	128.2
Vested 2014	-31,631	-1,005,949	-1,037,580			
Forfeited 2014	-	-2,427	-2,427			
Other changes 2014	-	-	-			
31 December 2014	-	-	-	-	-	-
Granted in 2012						
1 January 2013	15,764	1,219,647	1,235,411	0.0 - 0.9	113.3	117.0
Vested 2013	-	-1,114	-1,114	0.9		
Forfeited 2013	-	-25,848	-25,848			
Other changes 2013	24,724	-12,180	12,544			
31 December 2013	40,488	1,180,505	1,220,993	0.0 - 0.9	112.1	150.8
Vested 2014	-	-5,640	-5,640	0.9		
Forfeited 2014	-	-20,167	-20,167			
Other changes 2014	-	1,133	1,133			
31 December 2014	40,488	1,155,831	1,196,319	0.0 - 0.9	109.8	199.2
Granted in 2013						
Granted 2013	11,420	2,232,510	2,243,930	0.0 - 1.1	239.6	276.7
Vested 2013	-	-296,891	-296,891	1.1		
Forfeited 2013	-	-81,008	-81,008			
Other changes 2013	14,812	-14,812	-			
31 December 2013	26,232	1,839,799	1,866,031	0.0 - 1.1	199.2	230.2
Vested 2014	-	-89,163	-89,163	1.1		
Forfeited 2014	-584	-152,761	-153,345			
Other changes 2014	-	300,634	300,634			
31 December 2014	25,648	1,898,509	1,924,157	0.0 - 1.1	205.5	320.1
Granted in 2014						
Granted 2014	39,451	996,155	1,035,606	0.0 - 1.4	140.4	172.0
Vested 2014	-2,560	-143,791	-146,351	0.0 - 1.4		
Forfeited 2014	-1,288	-17,222	-18,510			
Other changes 2014	10,374	-10,374	-			
31 December 2014	45,977	824,768	870,745	0.0 - 1.4	118.1	144.6

Notes – Danske Bank Group

33. Remuneration of management and material risk takers continued

Holdings of the Executive Board and fair value at 31 December 2014

Grant year (DKK millions)	2012-2014 Number	FV
Thomas F. Borgen	5,395	0.9
Tonny Thierry Andersen	4,885	0.8
James Ditmore	34,699	5.8
Lars Mørch	12,390	2.1
Henrik Ramlau-Hansen	3,984	0.7
Glenn Söderholm	50,760	8.5

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

Grant year (DKK millions)	2012-2013 Number	FV
Thomas F. Borgen	4,448	0.6
Tonny Thierry Andersen	4,003	0.5
Robert Endersby	584	0.1
Lars Mørch	11,599	1.4
Henrik Ramlau-Hansen	3,266	0.4
Glenn Söderholm	74,451	9.3

In 2014, the average price at the vesting date for rights to conditional shares was DKK 142.0 (2013: DKK 122.4).

Notes – Danske Bank Group

(Number)

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

	Beginning of 2014	Upon appointment/ retirement	Additions	Disposals	End of 2014
Board of Directors					
Ole Andersen	31,199	-	-	-	31,199
Rolv Erik Ryssdal	-	-	-	-	-
Urban Bäckström	11,000	-	-	-	11,000
Kirsten Ebbe Brich	-	2,208	-	-	2,208
Steen Lund Olsen	-	788	-	-	788
Jørn P. Jensen	2,098	-	-	-	2,098
Trond Ø Westlie	-	-	7,000	-	7,000
Carsten Eilertsen	366	-	-	246	120
Charlotte Hoffmann	5,175	-	-	-	5,175
Lars Förberg	-	-	5,000	-	5,000
Carol Sergeant	-	-	5,073	-	5,073
Jim Hagemann Snabe	2,645	-	-	-	2,645
Susanne Arboe	911	-911	-	-	-
Helle Brøndum	2,584	-2,584	-	-	-
Per Alling Toubro	2,650	-2,650	-	-	-

Executive Board					
Thomas F. Borgen	17,952	-	2,500	-	20,452
Tonny Thierry Andersen	20,657	-	1,681	-	22,338
James Ditmore	-	-	2,000	-	2,000
Lars Mørch	18,333	-	-	-	18,333
Henrik Ramlau-Hansen	24,387	-	500	382	24,505
Glen Söderholm	69	-	31,745	12,950	18,864
Robert Endersby	-	-	-	-	-

Under the Danish Securities Trading Act, the acquisition and sale of Danske Bank shares by members of the Board of Directors and the Executive Board and related parties must be reported to the Danish FSA and be publicly disclosed when transactions exceed EUR 5,000 per calendar year. Danske Bank discloses all additions, disposals and total holdings of members of the Board of Directors and the Executive Board and related parties. Holdings of share options and conditional shares of the members of the Executive Board are disclosed in note 33.

Notes – Danske Bank Group

35. Group holdings and undertakings

This note provides information on subsidiaries.

Accounting policy

The financial statements consolidate Danske Bank A/S and group undertakings in which the Group has control over financial and operating policy decisions. Control is said to exist if Danske Bank A/S, directly or indirectly, is exposed, or has rights, to variable returns from the involvement with the entity and has the ability to affect those returns through the power over the entity. Power exists if Danske Bank A/S, directly or indirectly, holds more than half of the voting rights in an undertaking or otherwise has power to control management and operating policy decisions. Operating policy control may be exercised through agreements about the undertaking's activities. In the rare situations where potential voting rights exists, these are taken into account if Danske Bank has the practical ability to exercise those rights.

When assessing whether to consolidate investment funds, the Group reviews all facts and circumstances to determine whether the Group, as fund manager, is acting as agent or principal. The Group is deemed to be a principal, and hence controls and consolidates a fund, when the Group acts as fund manager and cannot be removed without cause, has variable returns through significant holdings, and is able to influence the returns of the funds by exercising its power. Holdings where all returns belongs to customers (pooled schemes and unit link investment contracts) are not considered as exposure to variable returns, whereas holdings where the majority of the return belongs to customers (holdings related to insurance contracts) are only considered limited exposure to variable returns.

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

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

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

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

Held-for-sale group undertakings

Companies taken over by the Group under non-performing loan agreements and actively marketed for sale and expected to be sold within 12 months of classification are recognised as held-for-sale. Asets and liabilities in such companies are presented under Other assets and Other liabilities. The assets are recognised at the lower of cost and fair value less expected costs to sell.

(a) Further explanation

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

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

Under the agreement with the Danish Ministry of Business and Growth, Danica Pension may distribute dividends only if its capital base exceeds the statutory solvency requirement by 175%. These limitations will be removed once the pension industry and the Danish Ministry of Business and Growth have agreed how best to incorporate the final technical assumptions of Solvency II in the yield curve, however, not later than 1 January 2016.

Restrictions impacting the Group's ability to use assets are disclosed in note 28 and include, among others, assets pledged as collateral under repo transactions, loans behind covered bonds and assets held by insurance subsidiaries that are primarily held to satisfy obligations to policyholders' savings.

The Group has established a number of investment funds in which the Group acts as fund manager. The Group has consolidated investment funds of DKK 15,672 million (2013: DKK 24,260 million) as the Group is deemed to be acting as principal rather than agent in its role as fund manager and as the Group is the sole investor. The investments are held to satisfy obligations towards insurance policyholders and are recognised under Assets under insurance contracts. The Group does not have consolidated structured entities in the form of securitisation vehicles or asset-backed financing vehicles.

Notes – Danske Bank Group

35. Group holdings and undertakings continued

		Share capital (thousands)	Net profit (DKK m)	Shareholders' equity (DKK m)	Share capital (%)
Danske Bank A/S, Copenhagen	DKK	10,086,200	3,846	153,120	
Credit institutions					
Realkredit Danmark A/S, Copenhagen	DKK	630,000	3,056	47,871	100
Danske Bank Oyj, Helsinki	EUR	106,000	1,267	18,627	100
Northern Bank Limited, Belfast	GBP	218,170	748	7,311	100
Danske Bank International S.A., Luxembourg	EUR	90,625	92	1,193	100
Danske Bank, St. Petersburg	RUB	1,048,000	31	207	100
Insurance operations					
Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999, Copenhagen	DKK	1,000,000	1,900	20,792	100
Danica Pension, Livsforsikringsaktieselskab, Copenhagen	DKK	1,100,000	1,899	20,767	100
Danica Pension Försäkringsaktiebolag, Stockholm	SEK	100,000	72	207	100
Danica Pensjonsforsikring AS, Trondheim	NOK	106,344	77	322	100
Investment and real property operations etc.					
Danica Ejendomsselskab ApS, Copenhagen	DKK	2,627,590	1,212	22,912	100
Danske Capital AS, Tallinn	EUR	3,003	8	132	100
Danske Capital AS, Trondheim	NOK	6,000	32	116	100
DDB Invest AB, Linköping	SEK	100,000	61	490	100
Danske Corporation, Delaware	USD	4	-	1	100
Danske Invest Management A/S, Copenhagen	DKK	118,000	94	269	100
Danske Leasing A/S, Birkerød	DKK	10,000	172	1,986	100
Danske Markets Inc., Delaware	USD	2,000	25	104	100
Danske Private Equity A/S, Copenhagen	DKK	5,000	25	41	100
Ejendomsmegler Krogsveen AS, Trondheim	NOK	25,000	40	118	100
home a/s, Åbyhøj	DKK	15,000	15	129	100
National Irish Asset Finance Ltd., Dublin	EUR	32,382	-4	162	100
UAB Danske Lizingas, Vilnius	LTL	4,000	-	85	100

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

Notes – Danske Bank Group

36. Interests in associates and joint arrangements

This note provides information about the Group's interests in associates and joint arrangements.

Accounting policy

Joint ventures and associates are entities, other than group undertakings, in which the Group has holdings and joint control with one or more parties or significant but not controlling influence, respectively. The Group generally classifies entities as joint ventures/associates if Danske Bank A/S, directly or indirectly, holds 20-50% of the share capital and has influence over management and operating policy decisions. Holdings in joint ventures and associates are recognised at cost at the date of acquisition and are subsequently measured according to the equity method. The proportionate share of the net profit or loss of the individual entity is included under Other income. The share is calculated on the basis of data from financial statements with balance sheet dates no earlier than three months before the Group's balance sheet date. If objective evidence of impairment exists, the investment is recognised at the lower of carrying amount and present value of future cash flows. A few property holdings are jointly owned and consolidated in the financial statements on a pro rata basis as joint operations.

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

Ownership shares held by the Group's insurance business are treated as held by a venture capital organisation and measured at fair value.

		Share capital (thousands)	Net profit (DKK m)	Shareholders' equity (DKK m)	Share capital (%)
Danmarks Skibskredit A/S, Copenhagen	DKK	333,333	477	9,983	24
LR Realkredit A/S, Copenhagen	DKK	70,000	111	3,384	31
Sanistål A/S, Ålborg	DKK	11,924	9	711	44

The list above includes significant associates. The information is extracted from the companies' most recent annual reports. Sanistål, which was taken over by the Group under a non-performing loan agreement, is the only listed company. The investment had a market value of DKK 211 million at 31 December 2014 (2013: DKK 325 million.). Following a prolonged decline in the market value of investment, during 2014, the carrying amount of the investment was written down to the present value of the expected cash flows.

The Group does not have significant holdings in joint ventures or joint operations.

Apart from the fact that all credit institutions supervised by national FSAs are subject to local statutory capital requirements, there are no other significant restrictions on the ability of associates to transfer funds to Danske Bank Group in the form of dividends or to repay loans granted.

37. Interests in unconsolidated structured entities

The Group has established a number of investment funds in which the Group act as fund manager. The Group is entitled to receive management fees based on the assets under management. The Group may also retain units in these funds. The assets in unconsolidated investment funds managed by the Group totalled DKK 584.4 billion (2013: DKK 511.9 billion). The Group retained holdings of DKK 71.9 billion (2013: DKK 77.4 billion) in those funds. Substantially all of those holdings are related to pooled schemes, unit link investment contracts and insurance contracts. Income generated to the Group in the form of management fees amounted to DKK 3.9 billion (2013: DKK 3.6 billion).

The Group has limited exposure to structured securitisation entities. The exposure dates back to the period between 2001-2007 when the Group acted as an investor. This involved the purchase of bonds and entering into facilities to securitisation assets that were either structurally senior or triple A rated by at least one of the major rating agencies. The Group has not acted as a sponsor or an orginator, and none of the assets of the structured entities were previously held on the Group's balance sheet. The remaining exposure consists mainly of liquidity facilities and is reported as part of the credit exposure in the Non-core segment. At end 2014, the exposure amounted to DKK 11.1 billion (2013: DKK 13.1 billion). During the year, the Group did not provide any non-contractual financial or other support to any of the structural entities. The key risk on the portfolio relates to the underlying securitisation transactions, which consist mainly of commercial and residential mortgage loans originated in the UK and Germany.

Notes – Danske Bank Group

(DKK millions)

38. Changes to financial highlights from 2015

From the first quarter of 2015, the financial statements will include the following changes to the financial highlights:

- The liquidity portfolio was transferred from Danske Bank Markets to Group Treasury during the third quarter of 2014. At Danske Bank Markets, the cost of holding the liquidity portfolio was booked under net trading income. At Group Treasury, the cost will be borne by the internal bank and booked under net interest income from 1 January 2015. Further, the restatement covers changed disclosure of the internal bank result
- Brokerage and debt capital markets fees have so far been disclosed as net trading income. Income from these services is rightly net fee income and will be disclosed as such from 1 January 2015
- We have decided to exit our personal banking operations in the Baltics. Consequently, Baltic personal banking customers are transferred to the Non-core unit from 1 January 2015

The table below shows the estimated effect of these changes on the financial highlights for 2014, except for the transfer of personal banking customers in the Baltics as the effect is immaterial. Comparative figures for 2014 will be restated from the interim financial statements for the first quarter of 2015.

Income statement

	Highlights 2014	Internal Bank	Net fee income	Adjusted Highlights 2014
Net interest income	23,107	-794	-	22,313
Net fee income	10,491	-	663	11,154
Net trading income	6,562	794	-663	6,693
Other income	1,344	-	-	1,344
Net income from insurance business	2,362	-	-	2,362
Total income	43,866	-	-	43,866
Operating expenses	22,641	-	-	22,641
Goodwill impairments	9,099	-	-	9,099
Profit before loan impairment charges	12,126	-	-	12,126
Loan impairment charges	2,788	-	-	2,788
Profit before tax, core	9,338	-	-	9,338
Profit before tax, Non-core	-1,503	-	-	-1,503
Profit before tax	7,835	-	-	7,835
Tax	3,989	-	-	3,989
Net profit for the year	3,846	-	-	3,846

Notes – Danske Bank Group

Definitions of ratios and key figures

Ratios and key figures	Definition
Earnings per share (DKK)	Net profit for the year divided by the average number of shares outstanding during the year.
Diluted earnings per share (DKK)	Net profit for the year divided by the average number of shares outstanding during the year, including the dilutive effect of share options and conditional shares granted as share-based payments.
Return on average equity (%)	Net profit for the year divided by average total equity, calculated as the average of equity at the beginning and end of the year.
Income/cost ratio (%)	Total income divided by expenses, including goodwill impairment charges.
Total capital ratio	Total capital divided by the risk exposure amount.
Tier 1 capital ratio	Tier 1 capital divided by the risk exposure amount.
Tier 1 capital	Primarily paid-up share capital plus retained earnings and additional tier 1 capital, less certain deductions, such as intangible assets.
Additional tier 1 capital	Loans that form part of tier 1 capital. This means that additional tier 1 capital is used for covering losses if equity is lost.
Tier 2 capital	Subordinated loan capital subject to certain restrictions. For example, if the Group defaults on its payment obligations, lenders cannot claim early redemption of the loan capital.
Total capital	Tier 1 capital and tier 2 capital, less certain deductions. Tier 2 capital may not account for more than half of the total capital.
Risk exposure amount	Total risk exposure amount and off-balance-sheet items that involve credit risk, market risk and operational risk as calculated in accordance with the Danish FSA's rules on capital adequacy.
Dividend per share (DKK)	Proposed dividend on the net profit for the year divided by the number of issued shares at the end of the year.
Share price at 31 December	Closing price of Danske Bank shares at the end of the year.
Book value per share (DKK)	Shareholders' equity at 31 December divided by the number of shares outstanding at the end of the year.
Number of full-time-equivalent staff at 31 December	Number of full-time-equivalent staff (part-time staff translated into full-time staff) at the end of the year. The figure does not include the staff of businesses held for sale.
Funding ratio	Lending divided by working capital less bond issues with a term to maturity shorter than one year. Working capital comprises deposits, issued bonds, subordinated debt and shareholders' equity. Lending and deposit figures do not include repo transactions.
Lending growth	Growth in lending from the beginning to the end of the year, excluding repo.
Real property exposure	Share of total lending and guarantees to the Real property and Building projects industry segments as defined by Statistics Denmark.

Notes – Danske Bank Group – Risk Management

Risk exposure

Danske Bank Group is exposed to a number of risks and manages them at various organisational levels.

The main categories of risk are the following:

- Credit risk: The risk of losses because counterparties fail to meet all or part of their payment obligations to the Group.
- Market risk: The risk of losses because the fair value of the Group's assets, liabilities and off-balance-sheet items varies with changes in market conditions.
- Liquidity risk: 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.
- Insurance risk: All types of risk at Danica Pension, including market risk, life insurance risk and operational risk.

Danica Pension is a wholly-owned subsidiary of Danske Bank. As required by Danish law and the Executive Order on the Contribution Principle, Danica Pension has notified the Danish FSA of its profit policy. The contribution principle and the profit policy mean that policyholders assume the risks and receive the returns on assets allocated to them. Assets are allocated to policyholders to secure their guaranteed benefits. Market risk and other risks on assets and liabilities allocated to policyholders are therefore not consolidated in the tables of this section, but are treated in the section on insurance risk.

The management's report and Risk Management 2014 provide a detailed description of Danske Bank Group's risk management practices. Risk Management 2014 is available at danskebank.com/ir. The publication is not covered by the statutory audit.

Total capital

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

Danske Bank is a licensed financial services provider and must therefore comply with the capital requirements of the Capital Requirements Regulation (CRR) and the Danish Financial Business Act. The Danish rules are based on the EU Capital Requirements Directive (CRD IV) and apply to both Danske Bank A/S (the Parent Company) and the Group. Similarly, the Group's financial subsidiaries in and outside Denmark must comply with local capital requirements. The regulatory requirements stipulate a minimum capital level of 8% of the total risk exposure amount (REA) under Pillar I (risk exposure amounts for credit risk (including counterparty risk), market risk and operational risk). In addition, financial institutions are required to calculate their solvency need under Pillar II to reflect all relevant risks. The Bank was designated a systemically important financial institution (SIFI) in Denmark in 2014 and will be required to comply with an additional common equity tier 1 (CET1) capital buffer requirement of 0.6% in 2015. The additional CET1 capital buffer requirement will gradually increase to 3% in 2019. The SIFI buffer requirement phase-in began on 1 January 2015 and will be completed in 2019.

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).

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 proposed dividends; intangible assets of banking operations; statutory deductions for insurance companies; and deferred tax assets that rely on future profitability, etc. The presentation of the Group's total capital in the statement of capital shows the difference between the carrying amount of shareholders' equity and CET1 capital.

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. Notes 21 and 23(b) show additional tier 1 capital and tier 2 capital. At the end of 2014, the Group's total capital was DKK 167.5 billion (2013: DKK 182.0 billion), and the total capital ratio was 19.3% (2013: 21.4%). Tier 1 capital was DKK 144.9 billion (2013: DKK 161.5 billion), and the tier 1 capital ratio was 16.7% (2013: 19.0%).

Risk Management 2014 provides a description of the Group's solvency need.

The Group's capital considerations are based on an assessment of the capital requirements under the rules on the transition from current regulations to the CRR and CRD IV and on the requirements for SIFIs.

The Group has set capital targets: a total capital ratio of at least 17% and a CET1 ratio of at least 13%.

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

Notes – Danske Bank Group – Risk Management

Credit risk

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

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

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

Credit exposure

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 Danske Bank'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 OTC derivatives. This is presented as counterparty risk.

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

Notes – Danske Bank Group – Risk Management

Breakdown of credit exposure		Lending activities				
(DKK billions) 2014	Total	Core	Non-core	Counterparty risk (derivatives)	Trading and investment securities	Customer-funded investments
Balance sheet items						
Demand deposits with central banks	23.3	23.3	-	-	-	-
Due from credit institutions and central banks	63.8	63.7	0.1	-	-	-
Repo loans with credit institutions and central banks	48.9	48.9	-	-	-	-
Trading portfolio assets	742.5	-	-	409.4	333.1	-
Investment securities	331.0	-	-	-	331.0	-
Loans at amortised cost	851.7	822.1	29.6	-	-	-
Repo loans	241.2	241.2	-	-	-	-
Loans at fair value	741.6	741.6	-	-	-	-
Assets under pooled schemes and unit-linked investment contracts	80.1	-	-	-	-	80.1
Assets under insurance contracts	268.5	-	-	-	-	268.5
Off-balance-sheet items						
Guarantees	77.4	76.2	1.2	-	-	-
Loan commitments shorter than 1 year	115.5	115.1	0.4	-	-	-
Loan commitments longer than 1 year	136.1	136.1	-	-	-	-
Other unutilised commitments	0.5	-	-	-	0.5	-
Total	3,722.2	2,268.2	31.3	409.4	664.6	348.6
2013						
Balance sheet items						
Demand deposits with central banks	33.7	33.7	-	-	-	-
Due from credit institutions and central banks	53.7	54.1	-0.4	-	-	-
Repo loans with credit institutions and central banks	77.7	77.7	-	-	-	-
Trading portfolio assets	695.7	-	-	249.5	446.2	-
Investment securities	161.9	-	-	-	161.9	-
Loans at amortised cost	850.3	808.7	41.6	-	-	-
Repo loans	238.4	238.4	-	-	-	-
Loans at fair value	728.1	728.1	-	-	-	-
Assets under pooled schemes and unit-linked investment contracts	74.8	-	-	-	-	74.8
Assets under insurance contracts	246.5	-	-	-	-	246.5
Off-balance-sheet items						
Guarantees	76.4	75.4	1.0	-	-	-
Loan commitments shorter than 1 year	39.0	38.3	0.7	-	-	-
Loan commitments longer than 1 year	118.3	118.3	-	-	-	-
Other unutilised commitments	0.5	-	-	-	0.5	-
Total	3,395.0	2,172.7	42.9	249.5	608.6	321.3

In addition to credit exposure from lending activities, Danske Bank had made loan offers and granted uncommitted lines of credit of DKK 308 billion at 31 December 2014 (2013: DKK 323 billion). These items are included in the calculation of the total risk exposure amount in accordance with the Capital Requirements Directive. In 2014, the Group included DKK 71.3 billion of credit lines in the credit exposure from lending activities that were previously considered uncommitted because of the possibility of cancellation within a short period of time. Further, unconditional loan offers of DKK 21.3 billion made by Realkredit Danmark were included. Comparative figures have not been restated.

Notes – Danske Bank Group – Risk Management

Credit exposure from core lending activities

Credit exposure from lending activities in the Group's core banking business includes loans and advances, amounts due from credit institutions and central banks, guarantees and irrevocable loan commitments. The exposure is measured net of accumulated impairment charges and includes repo loans. For reporting purposes, all collateral values are net of haircuts and capped at the exposure amount. The credit exposure from Non-core lending activities is disclosed later in these notes.

Classification of customers

The main objectives of risk classification are to rank the Group's customers according to risk and to estimate each customer's probability of default (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 probability of default in the current economic situation. The Group's classification scale consists of 11 main rating categories with fixed PD bands. 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 (TTC) PD, which the Group uses to calculate the risk exposure amount for credit risk.

Loans to customers for which objective evidence of impairment exists are placed in rating category 10 or 11, including loans for which no impairment charges have been recognised, for example because adequate collateral has been provided.

At the end of 2014, the exposure-weighted average PD was 1.09%, against 1.27% in 2013.

Credit portfolio in core activities broken down by rating category

			2014				2013			
(DKK billions)	PD level Upper	Lower	Gross exposure =a+b	Acc. individual impairment charges b	Net exposure a	Net exposure, ex collateral	Gross exposure =a+b	Acc. individual impairment charges b	Net exposure a	Net exposure, ex collateral
1	0.00	0.01	69.4	-	69.4	52.0	99.4	-	99.4	88.2
2	0.01	0.03	184.8	-	184.8	75.1	146.7	-	146.7	42.7
3	0.03	0.06	394.1	-	394.1	117.5	393.2	-	393.2	97.3
4	0.06	0.14	447.2	-	447.2	153.4	405.5	-	405.5	131.6
5	0.14	0.31	510.2	-	510.2	171.0	456.8	-	456.8	132.2
6	0.31	0.63	289.3	-	289.3	79.6	295.7	-	295.7	80.2
7	0.63	1.90	213.5	-	213.5	60.2	209.9	-	209.9	52.9
8	1.90	7.98	82.2	-	82.2	25.1	80.3	-	80.3	24.6
9	7.98	25.70	21.9	-	21.9	6.8	30.4	-	30.4	11.9
10	25.70	99.99	47.7	10.1	37.6	11.0	49.1	11.5	37.6	9.4
11 (default)	100.00	100.00	37.0	18.9	18.0	1.9	37.1	19.9	17.2	1.2
Total before collective impairment charges			2,297.3	29.0	2,268.2	753.7	2,204.2	31.5	2,172.8	672.2
Collective Impairment			4.0	-	-	-	3.3	-	-	-
Total gross exposure			2,301.3	-	-	-	2,207.5	-	-	-

Non-performing loans are disclosed later in these notes .

Notes – Danske Bank Group – Risk Management

Credit portfolio in core activities broken down by industry (NACE)

The table below breaks down credit exposure by industry. The industry segmentation follows the classification principles of the Statistical Classification of Economic Activities in the European Community (NACE) standard.

	2014				2013			
(DKK billions)	Gross exposure =a+b	Acc. individual impairment charges b	Net exposure a	Net exposure, ex collateral	Gross exposure =a+b	Acc. individual impairment charges b	Net exposure a	Net exposure, ex collateral
Public institutions	100.1	-	100.1	77.4	118.6	-	118.6	100.4
Banks	86.4	0.1	86.3	63.3	97.5	0.1	97.4	59.1
Credit institutions	30.7	-	30.7	11.5	27.1	-	27.1	12.5
Insurance	50.7	-	50.7	7.4	53.0	-	53.0	8.1
Investment funds	105.9	0.5	105.5	14.7	103.2	0.5	102.6	9.0
Other financials	98.8	0.1	98.6	11.2	101.8	0.1	101.7	21.3
Agriculture	65.8	2.5	63.3	13.1	65.7	2.9	62.9	12.1
Commercial property	268.6	7.4	261.2	49.4	245.6	8.2	237.4	42.0
Construction, engineering and building products	37.5	2.1	35.3	27.0	35.3	3.0	32.3	24.2
Consumer discretionary	85.4	2.5	82.9	48.2	74.7	2.9	71.8	38.1
Consumer staples	58.7	0.4	58.3	37.6	45.9	0.4	45.5	28.0
Energy and utilities	38.9	0.2	38.7	30.9	37.3	0.1	37.2	30.0
Health care	30.9	0.1	30.8	22.2	29.2	0.1	29.1	15.9
Industrial services, supplies and machinery	84.9	1.5	83.4	66.8	73.0	1.8	71.2	54.9
IT and telecommunication services	21.6	0.2	21.4	19.1	19.2	0.2	19.0	16.9
Materials	44.0	1.3	42.7	31.8	40.7	1.1	39.7	31.1
Non-profits and other associations	134.5	1.2	133.2	21.1	117.7	1.1	116.6	7.7
Other commercial	49.2	0.3	48.9	40.3	30.2	0.4	29.8	23.8
Shipping	39.3	1.8	37.5	17.9	38.1	1.9	36.2	17.2
Transportation	17.7	0.2	17.5	9.1	15.7	0.3	15.4	7.4
Personal customers	847.6	6.6	841.0	133.6	834.9	6.5	828.4	112.7
Total before collective impairment charges	2,297.3	29.0	2,268.2	753.7	2,204.2	31.5	2,172.8	672.2
Collective impairment charges	4.0	-	-	-	3.3	-	-	-
Total gross exposure	2,301.3	-	-	-	2,207.5	-	-	-

Notes – Danske Bank Group – Risk Management

Credit portfolio in core activities broken down by business unit

The table below breaks down credit exposure by core business unit and underlying segment.

	2014				2013			
(DKK billions)	Gross exposure =a+b	Acc. individual impairment charges b	Net exposure a	Net exposure, ex collateral	Gross exposure =a+b	Acc. individual impairment charges b	Net exposure a	Net exposure, ex collateral
Denmark	544.6	5.6	539.0	89.2	546.6	5.9	540.6	90.2
Finland	92.8	0.6	92.2	5.6	96.4	0.5	95.9	6.5
Sweden	71.6	0.1	71.6	10.4	74.2	0.1	74.1	6.1
Norway	85.6	0.1	85.5	20.7	72.0	0.1	71.9	5.0
Northern Ireland	18.7	0.2	18.5	2.5	16.9	0.2	16.6	2.8
Other	5.7	0.1	5.6	2.4	5.6	-	5.6	3.0
Personal Banking	819.1	6.7	812.4	130.9	811.6	6.8	804.8	113.6
Denmark	413.5	11.4	402.0	95.3	390.9	12.1	378.8	75.6
Finland	64.3	0.9	63.4	29.8	50.8	0.9	49.9	25.4
Sweden	123.9	0.6	123.2	42.1	107.9	0.6	107.2	31.3
Norway	65.5	0.7	64.8	27.1	54.9	1.0	53.8	19.0
Northern Ireland	35.6	4.7	30.9	14.9	32.9	6.0	26.9	11.8
Baltics	27.5	0.7	26.8	11.8	23.7	1.1	22.7	5.3
Other	-	-	-	-	-	-	-	-
Business Banking	730.3	19.1	711.2	220.9	661.1	21.8	639.3	168.5
C&I*	715.3	3.1	712.2	372.8	689.9	2.7	687.2	351.7
Other	32.6	0.1	32.4	29.1	41.6	0.2	41.4	38.4
Total before collective impairment charges	2,297.3	29.0	2,268.2	753.7	2,204.2	31.5	2,172.8	672.2
Collective impairment charges	4.0	-	-	-	3.3	-	-	-
Total gross exposure	2,301.3	-	-	-	2,207.5	-	-	-

*The Corporates & Institutions (C&I) segment comprises large corporate customers and financial institutions. As these customers typically have business activities in multiple countries, no single country can be specified.

Notes – Danske Bank Group – Risk Management

Concentration risk

The Group has implemented a set of frameworks to manage concentration risk encountered by the Group. These frameworks cover single-name concentration, industry concentration and geographical concentration.

Industry concentration

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 then submits the proposed limits to the Executive Board as well as input to the credit risk appetite process.

Geographical concentration

The Country Risk Framework outlines the principles of managing country exposures. A country portfolio committee proposes country limits based on expected business volume and an assessment of the specific country credit risk. The committee then submits the proposed limits to the Executive Board.

Single-name concentration

Single-name concentration is managed according to two frameworks:

Single-name concentration framework: This risk-sensitive internal framework specifies limits on exposure, expected loss (EL) and loss given default (LGD) in order to limit losses on single-name exposures.

Large exposures framework: This framework is based on the regulatory definition of large exposures as specified in article 395 of the CRR (Regulation (EU) No. 575/2013).

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% of the total adjusted capital may not exceed a portfolio limit of 95% of the total adjusted capital
- the sum of single-name exposures equal to 5% to 10% of the total adjusted capital may not exceed 150% of the total adjusted capital

At the end of 2014, the Group was well within the regulatory limits for large exposures.

The largest single-name exposures are monitored daily and reported to the Board of Directors on a quarterly basis. The Group has reduced single-name exposures substantially in recent years.

Collateral

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 monitored quarterly. The Group regularly evaluates the validity of 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 the individual asset in a distressed situation and thus includes forced sale reduction, price volatility during the sales period, realisation costs and maintenance costs. The haircut applied depends on the type of collateral. 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. For reporting purposes, all collateral values are net of haircut and capped by the exposure amount.

Notes – Danske Bank Group – Risk Management

Type of collateral in core activities (after haircut)

	Personal Banking		Business Banking		C&I		Other		Total	
(DKK billions)	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Real property	667.2	676.7	416.5	405.1	28.6	25.9	0.2	-	1,112.5	1,107.7
Personal	665.5	674.5	24.5	24.3	-	-	-	-	690.0	698.9
Commercial	1.6	2.0	346.8	335.9	26.5	23.4	0.1	-	375.1	361.3
Agricultural	0.1	0.1	45.2	45.2	2.1	2.5	-	-	47.5	47.8
Bank accounts	0.7	0.7	0.7	0.7	0.2	0.2	-	-	1.6	1.7
Custody accounts and securities	6.4	6.3	5.8	9.6	281.7	282.3	3.2	2.9	297.1	301.1
Vehicles	2.4	2.7	11.8	12.1	0.4	0.5	-	-	14.7	15.3
Equipment	0.1	0.1	20.5	19.1	0.8	1.3	-	-	21.4	20.6
Vessels and aircraft	0.1	0.2	2.4	1.2	20.7	18.4	-	-	23.2	19.8
Guarantees	4.1	4.2	2.6	2.9	2.5	3.2	-	-	9.3	10.2
Amounts due	0.1	0.1	4.9	4.5	0.5	0.6	-	-	5.5	5.2
Other assets	0.2	0.2	25.2	15.3	3.9	3.1	-	-	29.2	18.6
Total collateral	681.5	691.2	490.3	470.9	339.4	335.5	3.3	3.0	1,514.5	1,500.5
Total unsecured credit exposure	130.9	113.6	220.9	168.5	372.8	351.7	29.1	38.4	753.7	672.2
Unsecured portion of credit exposure (%)	16.1	14.1	31.1	26.3	52.3	51.2	89.8	92.8	33.2	30.9

Notes – Danske Bank Group – Risk Management

Past due amounts in core activities (no objective evidence of individual impairment)

Past due amounts (no evidence of impairment)

	Personal Banking		Business Banking		C&I		Other		Total past due amounts		Total due under loans	
(DKK millions)	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
6-30 days	64	245	63	72	1	8	-	-	128	325	2,246	2,715
31-60 days	16	21	8	13	4	-	-	-	28	33	738	939
> 60 days	36	28	16	24	-	-	-	-	52	52	816	1,014
Total past due amounts	115	294	87	108	6	9	-	-	207	410	-	-
Total due under loans											3,799	4,668

The average unsecured portion of the claims recorded as past due amounts with no evidence of impairment was 31.1% at the end of 2014 (2013: 29.6%). Real property accounted for 90.6% of collateral provided (2013: 87.5%).

Forbearance practices and repossessed assets

The Group adopts forbearance plans to assist customers in financial difficulty. 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.

Forbearance plans must comply with the Group's Credit Policy. They are used as an instrument to retain long-term business relationships during economic downturns if there is a realistic possibility that the customer will be able to meet obligations again, or are used for minimising loss in the event of default.

If it proves impossible to improve the 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 realised later at higher net proceeds. At the end of 2014, the Group recognised properties taken over in Denmark at a carrying amount of DKK 106 million (2013: DKK 193 million) and properties taken over in other countries at DKK 520 million (2013: DKK 94 million). The properties are held for sale and included under Other assets in the balance sheet.

The Group has implemented the European Banking Authority's (EBA's) definition of loans subject to forbearance measures. The table below is based on the EBA's definition, which states that a minimum two-year probation period must pass from the date forborne exposures are considered to be performing again. Such exposures are included in the Under Probation category in the table below. Exposures with forbearance measures are divided into performing and non-performing loans. The Group's definition of non-performing loans is described in the next section.

Exposures subject to forbearance

	2014		2013	
(DKK millions)	Performing	Non-performing	Performing	Non-performing
Modification	163	1,394	66	452
Refinancing	789	3,884	200	3,867
Under probation	2,657	-	2,241	-
Total	3,609	5,278	2,507	4,319

Notes – Danske Bank Group – Risk Management

Non-performing loans

The Group defines non-performing loans as facilities with objective evidence of impairment and for which individual impairment charges have been booked. For non-retail exposures with any non-performing loans, the entire amount of the customer's exposure is considered to be non-performing. For retail exposures, only impaired facilities are included in non-performing loans. The Group's definition of non-performing loans differs from the EBA's definition by excluding fully covered exposures in default and performing forborne exposures under probation but more than 30 days past due.

Non-performing loans in core activities

(DKK millions)	2014	2013
Total non-performing loans	29,390	27,517
-portion in default	10,573	9,320
Coverage ratio (default)	96%	100%
Coverage ratio (non-default)	73%	72%
Coverage ratio (total non-perfoming loans)	86%	87%
Non-performing loans as a percentage of total gross exposure	2.5%	2.7%

Non-performing loans in core activities broken down by industry (NACE)

	2014				2013			
(DKK millions)	Gross exposure =a+b	Acc. individual impairment charges b	Net exposure a	Net exposure, ex collateral	Gross exposure =a+b	Acc. individual impairment charges b	Net exposure a	Net exposure, ex collateral
Public institutions	1	1	1	1	22	1	21	3
Banks	246	91	155	155	255	87	168	168
Credit institutions	-	-	-	-	-	-	-	-
Insurance	30	12	18	-	34	17	18	-
Investment funds	1,574	462	1,112	-	1,640	531	1,109	969
Other financials	142	142	-	-	136	136	-	-
Agriculture	3,434	2,529	906	377	3,600	2,863	736	214
Commercial property	16,714	7,386	9,328	850	17,519	8,175	9,344	501
Construction, engineering and building products	2,744	2,135	608	186	3,756	2,952	805	123
Consumer discretionary	3,799	2,463	1,337	169	4,871	2,930	1,942	448
Consumer staples	712	386	325	119	601	370	231	81
Energy and utilities	596	171	425	374	128	61	67	51
Health care	129	91	38	1	91	83	8	-
Industrial services, supplies and machinery	2,559	1,491	1,068	383	2,861	1,825	1,035	422
IT and telecommunication services	247	206	41	-	277	247	30	-
Materials	1,849	1,304	545	68	1,535	1,072	463	-
Non-profits and other associations	3,808	1,237	2,571	-	3,686	1,091	2,594	-
Other commercial	336	336	-	-	354	354	-	-
Shipping	4,486	1,797	2,689	794	4,179	1,890	2,289	742
Transportation	362	241	121	-	474	325	149	-
Personal customers	14,671	6,569	8,102	1,191	12,962	6,455	6,507	825
Total non-perfoming loans	58,439	29,049	29,390	4,668	58,981	31,464	27,517	4,546

The average unsecured portion of non-performing exposures was 15.9% at the end of 2014 (31 December 2013: 16.5%). Real property accounted for 80.9% of collateral provided (31 December 2013: 83.5%).

Notes – Danske Bank Group – Risk Management

Non-performing loans in core activities broken down by business unit

	2014				2013			
(DKK millions)	Gross exposure =a+b	Acc. individual impairment charges b	Net exposure a	Net exposure, ex collateral	Gross exposure =a+b	Acc. individual impairment charges b	Net exposure a	Net exposure, ex collateral
Denmark	9,426	5,603	3,823	1,295	8,539	5,920	2,618	1,313
Finland	1,996	560	1,436	-	1,535	496	1,039	179
Sweden	594	79	515	132	456	68	388	41
Norway	371	107	264	29	284	94	191	41
Northern Ireland	1,178	239	939	169	540	228	311	102
Other	216	108	108	4	267	-	267	-
Personal Banking	13,782	6,696	7,086	1,629	11,621	6,806	4,815	1,676
Denmark	24,156	11,415	12,741	74	24,103	12,122	11,981	950
Finland	1,857	905	952	133	1,820	924	896	233
Sweden	1,348	632	716	148	1,506	634	872	141
Norway	1,542	735	807	-	2,869	1,048	1,821	27
Northern Ireland	6,074	4,688	1,387	-	8,277	5,997	2,280	378
Baltics	1,870	738	1,132	175	2,372	1,066	1,306	148
Other	3	-	2	-	8	-	8	-
Business Banking	36,850	19,114	17,736	530	40,955	21,791	19,165	1,878
C&I*	7,680	3,112	4,568	2,510	5,595	2,664	2,931	386
Other	127	127	-	-	810	204	606	606
Total non-performing loans	58,439	29,049	29,390	4,668	58,981	31,464	27,517	4,546

Impairment charges

Rating categories 10 (non-default) and 11 (default) include customers with exposures for which objective evidence of impairment exists. Exposure to customers in the other rating categories is subject to collective impairment testing. Note 14 in the consolidated financial statements for 2014 provides more details.

Notes – Danske Bank Group – Risk Management

Allowance account in core activities broken down by segment

(DKK millions)	Personal Banking	Business Banking	C&I	Other	Allowance account total	Impairment charges Individual	Impairment charges Collective
1 January 2013	8,974	23,202	2,877	3	35,055	31,846	3,209
New and increased impairment charges	3,638	5,488	944	83	10,154	8,979	1,175
Reversals of impairment charges from previous periods	1,751	3,607	448	85	5,891	4,994	897
Write-offs debited to allowance account	1,718	1,958	370	-	4,047	4,047	-
Foreign currency translation	-36	-322	-69	11	-416	-382	-34
Other items	-787	851	-160	-12	-108	62	-169
31 December 2013	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	-
31 December 2014	8,382	21,493	3,157	2	33,034	29,049	3,986

By end-2014, the adjustment for credit risk on derivatives with customers subject to objective evidence of impairment was excluded from the allowance account relating to lending activities and presented as part of the CVA on derivatives.

Collective impairment charges include charges that reflect the migration of customers from one rating category to another. If all customers were downgraded one rating category with no corresponding interest rate change, collective impairment charges would increase by about DKK 3.2 billion (2013: about DKK 3.7 billion).

If the value of collateral provided by customers in rating categories 10 and 11 decreased 10%, individual impairment charges would increase by about DKK 2.4 billion (2013: about DKK 2.4 billion).

Allowance account in core activities broken down by balance sheet items

(DKK millions)	2014	2013
Due from credit institutions and central banks	91	87
Loans at amortised cost	27,788	29,549
Loans at fair value	4,648	3,901
Loan commitments and guarantees	508	1,211
Total	33,034	34,748

Notes – Danske Bank Group – Risk Management

Credit exposure from Non-core lending activities

The Non-core business unit is responsible for the controlled winding-up and divestment of exposures that are no longer considered part of the Group's core activities. The portfolio consists of the Non-core exposures in Ireland and conduits etc.

In 2014, the Irish commercial portfolio was significantly reduced through asset and portfolio sales. The Group expects to make a portfolio sale of SME loans with a nominal value of DKK 3.9 billion in the first half of 2015. For accounting purposes, this portfolio is booked under Assets held for sale.

Credit portfolio in Non-core activities broken down by industry (NACE)

	2014				2013			
(DKK millions)	Gross exposure =a+b	Acc. individual impairment charges b	Net exposure a	Net exposure, ex collateral	Gross exposure =a+b	Acc. individual impairment charges b	Net exposure a	Net exposure, ex collateral
Personal customers	19,830	2,479	17,351	1,312	24,380	2,797	21,583	5,239
Consumer discretionary	551	477	74	-	2,065	1,071	994	323
Commercial property	3,415	2,733	682	-	10,641	5,806	4,835	978
Other	3,266	1,151	2,115	1,748	4,224	1,897	2,328	38
Non-core Ireland	27,062	6,840	20,222	3,060	41,310	11,570	29,740	6,578
Non-core Conduits etc.	11,362	259	11,104	2,858	13,191	89	13,102	3,853
Total Non-core before collective impairment charges	38,425	7,099	31,326	5,917	54,500	11,659	42,841	10,431
Collective impairment charges	813	-	-	-	492	-	-	-
Total Non-core exposure	39,238	-	-	-	54,993	-	-	-

Credit portfolio in Non-core activities broken down by rating category

	PD level		2014				2013			
(DKK millions)	Upper	Lower	Gross exposure =a+b	Acc. individual impairment charges b	Net exposure a	Net exposure, ex collateral	Gross exposure =a+b	Acc. individual impairment charges b	Net exposure a	Net exposure, ex collateral
1	0.00	0.01	996	-	996	-	2,619	-	2,619	355
2	0.01	0.03	3,109	-	3,109	435	3,161	-	3,161	793
3	0.03	0.06	1,494	-	1,494	548	2,160	-	2,160	593
4	0.06	0.14	1,698	-	1,698	583	3,744	-	3,744	807
5	0.14	0.31	2,271	-	2,271	632	5,800	-	5,800	1,425
6	0.31	0.63	840	-	840	-	3,403	-	3,403	719
7	0.63	1.90	9,843	-	9,843	1,510	3,241	-	3,241	448
8	1.90	7.98	3,424	-	3,424	1,161	5,143	-	5,143	1,770
9	7.98	25.70	791	-	791	306	3,044	-	3,044	1,680
10	25.70	99.99	3,720	676	3,044	743	5,504	1,436	4,068	1,428
11 (default)	100.00	100.00	10,238	6,423	3,815	-	16,682	10,223	6,459	412
Total before collective impairment charges			38,425	7,099	31,326	5,917	54,500	11,659	42,841	10,431
Collective impairment			813	-	-	-	492	-	-	-
Total gross exposure			39,238	-	-	-	54,993	-	-	-

Notes – Danske Bank Group – Risk Management

Non-performing loans in Non-core activities broken down by industry (NACE)

	2014				2013			
(DKK millions)	Gross exposure =a+b	Acc. individual impairment charges b	Net exposure a	Net exposure, ex collateral	Gross exposure =a+b	Acc. individual impairment charges b	Net exposure a	Net exposure, ex collateral
Personal customers	6,706	2,479	4,227	37	5,915	2,797	3,118	173
Commercial property	545	477	68	-	1,479	1,071	409	59
Consumer discretionary	3,492	2,733	759	-	8,948	5,806	3,142	242
Other	1,412	1,151	261	-	3,001	1,897	1,104	17
Non-core Ireland	12,154	6,840	5,315	37	19,343	11,570	7,773	492
Non-core conduits etc.	1,410	259	1,151	660	571	89	482	465
Total non-performing exposure in Non-core	13,564	7,099	6,466	698	19,914	11,659	8,254	957

The average unsecured portion of non-performing loans was 10.8% at the end of 2014 (2013: 11.6%). Real property accounted for 93.0% of collateral provided (2013: 99.1%).

Notes – Danske Bank Group – Risk Management

Exposure to counterparty risk (derivatives) and credit exposure from trading and investment securities

(DKK billions)	2014	2013
Counterparty risk		
Derivatives with positive fair value	409.4	249.5
Credit exposure from other trading and investment securities		
Bonds	654.2	598.1
Shares	9.8	10.0
Other unutilised commitments	0.5	0.6
Total	1,074.0	858.2

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

Counterparty risk (derivatives)

Derivatives are subject to credit risk. Positive and negative fair values of derivatives with the same counterparty are offset in the balance sheet if certain conditions are fulfilled. The Group has entered into master netting or similar agreements that include rights to additional set-off in the event of default by a counterparty. Such agreements reduce the exposure further, but they do not qualify for offsetting under IFRSs. The net current exposure to derivatives with positive market value after offsetting under master netting agreements amounted to DKK 109.2 billion (2013: DKK 73.3 billion) (see note 29). The exposure is broken down by rating category in the table below.

Net current exposure broken down by rating category	2014	2013
1	10,510	21,431
2	13,513	20,156
3	34,185	17,878
4	23,426	9,058
5	19,186	2,695
6	4,542	561
7	1,988	534
8	675	225
9	241	535
10	441	-
11	530	209
Total	109,236	73,282

The Group makes fair value adjustments to cover the credit risk on derivatives with positive fair value (CVA). See also note 30.

Bond portfolio

(DKK millions) 2014	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
Held-for-trading	155,750	6,346	78,356	50,684	9,461	24,500	325,097
Designated at fair value	22,455	1,214	112,689	20,024	3,793	5,596	165,771
Available-for-sale	156	676	55,103	-	2,608	-	58,543
Hold-to-maturity	53,628	1,324	47,679	-	1,487	738	104,856
Total	231,989	9,560	293,827	70,708	17,349	30,834	654,267
2013							
Held-for-trading	179,190	8,145	133,523	84,116	9,918	24,519	439,411
Designated at fair value	4,834	-	32,415	721	340	1,194	39,504
Available-for-sale	671	573	56,658	-	3,758	114	61,774
Hold-to-maturity	18,081	-	39,178	-	45	138	57,442
Total	202,776	8,718	261,774	84,837	14,061	25,965	598,131

At 31 December 2014, the Group had an additional bond portfolio worth DKK 146,717 million (31 December 2013: DKK 141,808 million) recognised as assets under insurance contracts and thus not included in the table above. The section on insurance risk provides more information. For bonds classified as hold-to-maturity, fair value exceeded amortised cost at the end of 31 December 2014 and 31 December 2013.

Notes – Danske Bank Group – Risk Management

Bond portfolio broken down by geographical area

(DKK millions) 2014	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
Denmark	16,835	-	293,827	-	1,508	6,748	318,918
Sweden	24,794	-	-	70,708	-	7,191	102,693
UK	17,434	102	-	-	3,443	1,667	22,646
Norway	8,556	-	-	-	6,741	3,138	18,435
USA	2,486	1,264	-	-	-	1,586	5,336
Spain	7,750	-	-	-	2,380	-	10,130
France	24,753	-	-	-	1,146	1,778	27,677
Luxembourg	-	8,133	-	-	-	49	8,182
Canada	290	-	-	-	-	185	475
Finland	18,406	60	-	-	1,525	2,566	22,557
Ireland	11,469	-	-	-	112	28	11,609
Italy	10,587	-	-	-	-	-	10,587
Portugal	2,123	-	-	-	-	-	2,123
Austria	8,876	-	-	-	-	2	8,878
Netherlands	14,986	-	-	-	171	3,375	18,532
Germany	50,644	-	-	-	233	1,458	52,335
Belgium	10,865	-	-	-	89	-	10,954
Lithuania	844	-	-	-	-	-	844
Australia	1	-	-	-	-	830	831
Bermuda	-	-	-	-	-	60	60
Switzerland	-	-	-	-	1	147	148
Czech Republic	156	-	-	-	-	-	156
Poland	134	-	-	-	-	-	134
other	1	2	-	-	-	26	29
Total	231,989	9,560	293,827	70,708	17,349	30,834	654,267
2013							
Denmark	10,615	-	261,774	-	101	4,264	276,755
Sweden	27,182	-	-	84,837	-	6,630	118,649
UK	10,770	137	-	-	3,881	1,126	15,914
Norway	10,039	-	-	-	4,838	4,683	19,560
USA	582	1,238	-	-	40	733	2,593
Spain	6,598	-	-	-	3,498	-	10,096
France	31,911	-	-	-	234	2,290	34,435
Luxembourg	-	7,234	-	-	-	141	7,375
Canada	292	-	-	-	-	131	423
Finland	11,544	109	-	-	454	903	13,010
Ireland	2,612	-	-	-	158	199	2,969
Italy	10,727	-	-	-	-	-	10,727
Portugal	764	-	-	-	-	-	764
Austria	4,877	-	-	-	116	6	4,999
Netherlands	4,892	-	-	-	404	3,137	8,433
Germany	57,974	-	-	-	262	601	58,837
Belgium	10,249	-	-	-	73	-	10,322
Lithuania	286	-	-	-	-	-	286
Australia	26	-	-	-	-	733	759
Bermuda	-	-	-	-	-	-	-
Switzerland	-	-	-	-	-	247	247
Czech Republic	157	-	-	-	-	-	157
Poland	400	-	-	-	-	-	400
other	279	-	-	-	-	141	420
Total	202,776	8,718	261,774	84,837	14,061	25,965	598,131

The breakdown of the bond portfolio by geographical area in Annual Report 2013 was incorrect and has been changed in the comparative figures above. Risk Management 2014 provides additional details about the risk on the Group's bond portfolio. The publication is not covered by the statutory audit.

Notes – Danske Bank Group – Risk Management

Bond portfolio broken down by external ratings

(DKK millions) 2014	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
AAA	129,636	5,477	293,405	64,717	13,067	518	506,820
AA+	48,303	1,146	-	-	59	957	50,465
AA	15,207	2,937	-	5,990	1,473	934	26,541
AA-	6,426	-	199	-	-	3,852	10,477
A+	156	-	-	-	-	8,076	8,232
A	428	-	1	-	231	8,329	8,989
A-	3	-	-	-	1,466	2,315	3,784
BBB+	4,964	-	2	-	185	1,419	6,570
BBB	6,967	-	220	-	2	2,982	10,171
BBB-	6,391	-	-	-	401	343	7,135
BB+	12,173	-	-	-	184	249	12,606
BB	218	-	-	-	254	566	1,038
BB-	980	-	-	-	8	26	1,014
Sub-inv. grade or unrated	137	-	-	-	18	267	422
Total	231,989	9,560	293,827	70,708	17,349	30,834	654,267

2013							
AAA	124,195	6,867	260,752	84,832	8,375	159	485,180
AA+	46,260	278	-	-	593	438	47,569
AA	594	1,573	69	5	1,343	921	4,505
AA-	10,248	-	62	-	-	3,288	13,598
A+	158	-	305	-	40	3,476	3,979
A	507	-	55	-	30	8,960	9,552
A-	-	-	-	-	1,506	1,832	3,338
BBB+	-	-	5	-	-	2,130	2,135
BBB	10,729	-	417	-	13	3,338	14,497
BBB-	6,598	-	-	-	1,561	392	8,551
BB+	57	-	-	-	-	88	145
BB	274	-	-	-	-	251	525
BB-	-	-	-	-	-	94	94
Sub-inv. grade or unrated	3,155	-	110	-	599	598	4,462
Total	202,776	8,718	261,774	84,837	14,061	25,965	598,131

The breakdown of the bond portfolio by rating category in Annual Report 2013 was incorrect and has been changed in the comparative figures above.

Notes – Danske Bank Group – Risk Management

Market risk

Taking on market risk is an integral part of the Group's business strategy. The activities that involve market risk derive mainly from offering risk management solutions to corporate and institutional clients. The Corporates & Institutions (C&I) business unit provides a full range of products to Nordic customers and core products to customers outside the Nordic region. Advanced derivatives are traded mainly with professional customers, while simple products are distributed to Business Banking and Personal Banking customers as well.

The Group's market risk appetite is defined as its total appetite for market risk given its business strategy and the market environment expected in the near future. Danske Bank establishes its market risk appetite on the basis of a risk mandate assessment. The purpose of the risk mandate assessment is to measure the effect of proposed limits by quantifying the expected upside of using the limits (that is, expected earnings) and the potential downside (that is, the potential loss if expectations are not realised).

To manage the exposure incurred from servicing customers within the market risk appetite, the Board of Directors has set authorisations that allow the trading unit at C&I to take positions for its own account and at its own risk. The Group also takes on market risk as part of its treasury operations, which support the procurement and day-to-day management of liquidity and the management of net interest income. On the basis of the overall risk limits, the Executive Board sets market risk limits for C&I and Group Treasury.

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

Risk controlling

The Group carries out market risk measurement, monitoring and management reporting on a daily basis. It also conducts real-time intraday monitoring of the market risks at C&I and Group Treasury. The current market risk exposures are calculated using internally developed systems that are linked to the trading systems and cover all market risk positions. The Group uses both conventional risk measures and mathematical and statistical measures, such as Value at Risk (VaR), to calculate market risk exposures and regulatory capital. Daily monitoring thus includes sensitivity analyses combined with stress-testing metrics and VaR measures.

Interest rate risk sensitivities include conventional parallel shifts as well as non-parallel scenarios in which the curvature of the yield curves changes. The Group also actively manages interest rate basis risk, which is the risk entailed in derivatives with various rate reset terms and in derivatives that involve an exchange of liquidity. Interest rate risk outside the trading book is included in the Group's interest rate risk calculations and hence in day-to-day monitoring and risk management. For units that trade in interest rate options, the measures mentioned above are supplemented with measures that capture option-market-specific risks, such as the maximum loss in a number of market scenarios and the sensitivity of option values to implied volatility (vega), which expresses the sensitivity of option values to changes in the expected future volatility of the underlying asset.

Positions in bonds are also exposed to spread risk. The bond spread reflects the additional net return that an investor requires on securities with a given credit quality and liquidity compared with the return on liquid securities without credit risk or a reference rate (such as a swap rate). The Group bases its management of the bond spread exposure on an individual credit assessment and approval of issuer lines for nominal amounts of purchased bond holdings, supplemented by limits on the net holdings and the price sensitivity to a change of 1 basis point in the bond spread (BPV). In its management of the bond spread risk on government bonds, the Group includes an assessment of market expectations of future risk in addition to the current rating. Key factors are the rating agencies' expectations for future ratings (the rating outlook), the spread on credit default swaps for the issuer, and the spread to the yield on equivalent German government bonds.

The Group uses a VaR model that includes all currency positions, including options, to measure and monitor its foreign exchange risk. The calculation of foreign exchange risk is based on two parameters: a confidence level of 95% and a time horizon of 10 days. For units that trade in currency options, the Group also runs a number of scenarios that express the potential loss under stressed market conditions and the sensitivity of option values to underlying parameters such as vega (volatility).

Equity market risk is the risk of losses caused by changing equity prices. It is calculated as the net value of long and short positions in equities and equity-based instruments. In equity market risk monitoring, the Group distinguishes between risk on listed and the risk on unlisted shares. For listed shares, the Group calculates equity market risk as the net market value of short and long positions. For units trading in equity options, the Group also calculates the maximum standardised loss due to large equity price changes as well as vega (volatility). For unlisted shares, the Group distinguishes between ordinary open positions, 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 and payment service businesses. The risk on positions in individual companies is measured and monitored separately.

Notes – Danske Bank Group – Risk Management

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

The Group uses an internal VaR model to calculate and manage general market risk at the portfolio level. The current version of the model was approved by the Danish FSA in 2007 for calculating the capital requirement for general market risk. The following risk types are included: interest rate risk, yield volatility risk, inflation rate risk, foreign exchange risk and equity market risk.

The model does not cover commodity risk, to which the exposure is very limited. The model estimates the maximum potential loss from changes in general market risk factors within 10 days at a confidence level of 95% assuming unchanged positions. For capital requirement purposes, VaR is also calculated at a confidence level of 99%.

As a supplement, the Group uses a stand-alone bond spread VaR model for day-to-day risk management developed and implemented in 2013. The model estimates the maximum potential loss from changes in bond spreads within 10 days at a confidence level of 95% assuming unchanged positions. The calculations are made using a stand-alone model that is not integrated with the Group's internal VaR model for general market risk.

One of the major strengths of VaR is that it provides an aggregate measure of all risk types included in the model and factors in the correlation structure of the financial markets. However, the VaR measure assumes that the recent history is a good projection of the future. If this assumption does not hold, VaR does not provide a satisfactory estimate of the future potential loss.

Market risk exposure

For capital requirement calculation purposes, the Group distinguishes between risk exposure in and risk exposure outside the trading book in accordance with its trading book policy. In day-to-day risk management and control procedures, however, the two positions are given equal consideration.

The table below shows the Group's total market risk, excluding bonds classified as hold-to-maturity, at the end of 2014 and 2013, broken down according to selected risk factors. The risks are calculated as stand-alone VaR for each risk factor excluding diversification effects.

Market Risk Exposure (stand-alone VaR, confidence level of 95% 10-day horizon)

(DKK millions)	2014	2013
Bond spread	314	282
Interest rate	115	226
Currency	15	25
Equity	122	174

Most of the bond spread risk is attributable to bonds issued for real property financing, including Danish mortgage bonds and covered bonds from other European countries in particular. In addition, the Group is exposed to bond spread risk from government bonds and, to a lesser extent, corporate bonds (for more information, see the "Bond portfolio broken down by geographical area" table in the section on credit risk). Most of the interest rate risk derives from positions in Scandinavian currencies and EUR, whereas the exposure to equities is mainly related to positions in unlisted shares.

Notes – Danske Bank Group – Risk Management

Value-at-Risk for capital requirement purposes
The Group uses its internal VaR model to calculate the capital requirement for general market risk on positions in the trading book (the Group uses the standardised approach to calculate regulatory capital for specific risk).

The table below shows the VaR figures used for calculating the capital requirement for general market risk:

2014	Daily VaR				Stressed VaR			
Risk category	Avg. VaR	Minimum VaR	Maximum VaR	31 Dec.	Avg. VaR	Minimum VaR	Maximum VaR	31 Dec.
Interest rate risk	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

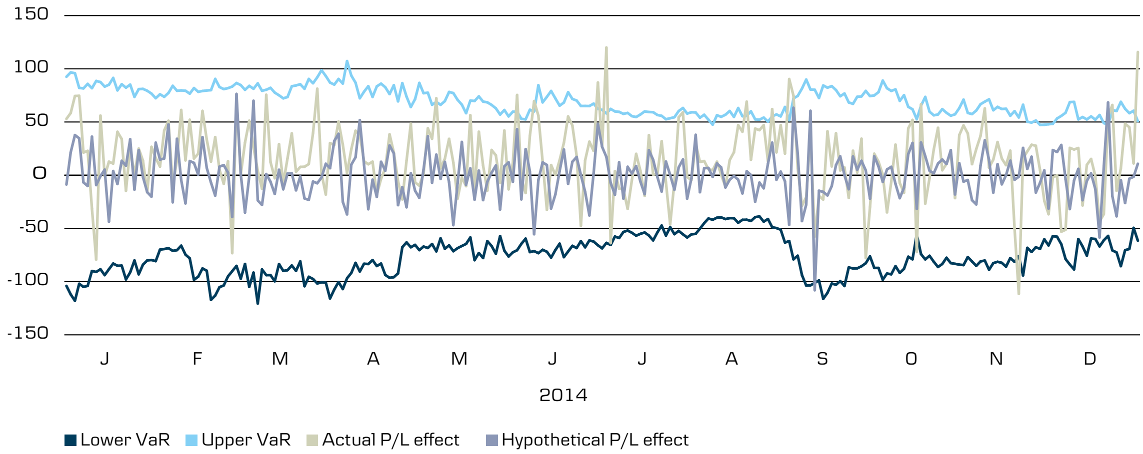
2013	Daily VaR				Stressed VaR			
Risk category	Avg. VaR	Minimum VaR	Maximum VaR	31 Dec.	Avg. VaR	Minimum VaR	Maximum VaR	31 Dec.
Interest rate risk	203	119	387	330	283	197	366	365
Foreign exchange risk	39	6	90	37	67	20	144	73
Equity market risk	32	8	92	37	68	20	131	79
Diversification benefit	-65	-	-	-66	-153	-	-	-159
Total VaR	209	116	421	338	265	193	358	358

Notes – Danske Bank Group – Risk Management

Backtesting and stress testing

The Group conducts backtests daily to document the accuracy of its internal VaR model. Backtesting compares 1-day VaR calculated on trading book positions with the actual and hypothetical profit or loss. For the latter, positions are assumed to be unchanged until the following business day (no intra-day trading is included). If the hypothetical or actual loss exceeds the predicted possible loss (VaR), an exception has occurred. Since the VaR figures used for backtesting are based on a confidence level of 99% (as in the calculation of the capital requirement), the expected number of exceptions per year is two to three. The backtest results for 2014 are shown in the chart below.

BACKTEST RESULTS, P/L EFFECT
(DKK millions)



The backtest of the VaR model showed two exceptions in the actual P/L in 2014 and one exception in the hypothetical P/L. Consequently, the number of determining exceptions is two, which is within the expected number of 2-3 exceptions. The exception in the hypothetical P/L in September was caused by a steepening of the yield curves. In October, the exception was caused by widening credit spreads on bonds and increasing interest rates, and in November, the exception was due solely to increased credit spreads on bonds.

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

Stress test scenarios feature changes in interest rates, exchange rates, equity prices, volatilities and bond spreads. Such changes affect the Group's earnings directly through value adjustments. The scenarios are often based on large changes in a single risk factor or on conditions that reflect historical periods of economic or financial crisis, combined with factors relevant under the current market conditions.

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

Notes – Danske Bank Group – Risk Management

Liquidity risk

Liquidity risk is the risk 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.

Taking on liquidity risk is an integral part of the Group's business strategy. Realkredit Danmark and Danica Pension each manage their liquidity separately and are thus not included in the Group's general liquidity reporting. At Realkredit Danmark, the financing of mortgage loans through the issuance of listed mortgage bonds with matching conditions has eliminated liquidity risk in all material respects. Danica Pension's balance sheet contains long-term life insurance liabilities and assets, most of which are invested in easily marketable bonds and shares. Both companies are subject to statutory limits on their exposures to Danske Bank A/S. In the following, references to the Group's liquidity thus exclude Realkredit Danmark and Danica Pension.

Market sentiment generally continued to be positive in 2014, although concerns about geopolitical uncertainties and the economic outlook also remained. All funding markets were open to Danske Bank. In order to prepare for new regulation, Danske Bank increased its new issuance volumes in 2014. In spite of the increase in volumes, Danske Bank yield spreads in covered and senior bonds continued to tighten. Rating improvements and monetary policy initiatives from the ECB, such as the targeted longer-term refinancing operations (TLTRO) and the purchase programme for covered bonds (CBPP3), contributed to sustained positive market conditions for Danske Bank. The Group maintained its liquidity reserves throughout 2014 and adhered to its funding plan, including for subordinated debt. It was therefore able to repay the hybrid capital raised from the Danish state at the first call date in April 2014.

At the end of 2014, the Group's LCR was 129%. Covered bonds and Danish mortgage bonds, including own issued bonds, are currently included in the LCR according to Danish LCR rules, but the Group is preparing for the implementation of the European Commission's final guidelines in October 2015. The EU rules will not allow these bond types to be included to the same extent.

Internal measures

At the group level, internal liquidity management is based on the monitoring and management of short- and long-term liquidity risks. Liquidity triggers make up a vital part of daily liquidity management since they are used as early warnings of a potential liquidity crisis. The triggers are monitored by various functions across the Group, depending on the type of trigger. Liquidity management is organised according to the framework described in the following sections, although it is not limited to that framework.

Survival horizon

The principal aim of the Group's short-term risk management is to ensure that, in the short term, the liquidity buffer is always sufficient to absorb the net effects of known future receipts and payments from current transactions. Bond holdings that can be used in repo agreements with central banks are considered liquid assets. To take account of the potential risk of drawings under loan commitments, the Group factors in the unutilised portion of the facilities in the calculation of liquidity risk.

For liquidity management purposes, the Group distinguishes between liquidity in Danish kroner and liquidity in other currencies. This is because of the Group's strong position in the Danish market and because the Group has a net deposit surplus in Danish kroner (deposits exceed lending) and a net deposit shortfall in other currencies (lending exceeds deposits). The net deposit surplus in Danish kroner is a valuable, stable funding source for the Group.

The Group uses limits for total liquidity and for liquidity in currencies other than Danish kroner to manage its short-term liquidity risk. In addition to limits set by the Board of Directors and the All Risk Committee, the Group Liquidity Risk Committee has set overnight targets for each key currency.

Survival horizon under stress

The Group conducts stress tests to measure its immediate liquidity risk and to ensure that it has sufficient time to respond to potential crises. The stress tests estimate liquidity risk in various scenarios, including three standard scenarios: a scenario specific to the Group, a general market crisis scenario and a combination of the two. It also conducts a stress-to-fail test.

All stress tests are based on the assumption that the Group does not reduce its lending activities. This means that existing lending activities are maintained and require funding. The degree of possible refinancing varies, depending on the scenario in question and the specific funding source. To assess the stability of the funding, the Group considers maturity as well as behavioural assumptions.

Most of the Group's unencumbered bond holdings can be used as collateral for loan facilities with central banks and are thus considered liquid assets. Scenario-specific haircuts are applied to the bond portfolio.

Market reliance

Retail deposits are a valuable, stable funding source for the Group. Most of the retail deposits are covered by a deposit insurance scheme, and analyses indicate that they are indeed stable over time.

Wholesale funding is another important funding source. This type of funding is less stable, especially when the markets are strained.

Notes – Danske Bank Group – Risk Management

Stress tests show that the Group's liquidity buffer is sufficient to close any liquidity gap if all capital markets are closed and refinancing is impossible. The liquidity buffer is monitored continuously to ensure a minimum survival period of 12 months in such a scenario.

Funding sources

The Group monitors its funding mix to ensure that it is well-diversified in terms of funding sources, maturities and currencies. A well-balanced portfolio of liabilities is intended to generate a stable flow of funding and provides protection against market disruptions. The tables below break down funding sources by type of liability and currency, excluding funding in the form of bonds issued by Realkredit Danmark.

Funding sources by type of liability (%)	2014	2013
Central banks/credit institutions	7	7
Repo transactions	21	18
Short-term bonds	1	1
Long-term bonds	5	6
Other covered bonds	11	11
Deposits (business)	23	25
Deposits (personal)	20	21
Subordinated debt	2	3
Shareholders' equity	8	8
Total	100	100

Funding sources by currency (%)	2014	2013
DKK	32	33
EUR	39	35
USD	6	8
SEK	9	10
GBP	6	5
CHF	1	2
NOK	6	6
Other	1	1
Total	100	100

Liquidity buffer

The Group manages its liquidity buffer to ensure compliance with international and national regulatory requirements and internal limits determined by stress tests.

The Group's liquidity buffer is defined as the assets available to Group Treasury in a stressed scenario. All assets must be unencumbered, and securities received in reverse repo transactions are included, while securities used as collateral for repo transactions are not. The table below shows the nominal value of the Group's liquidity buffer without haircuts. The haircuts applied to determine liquidity values for regulatory purposes are defined by regulators, while the haircuts used for internal stress testing purposes are defined on the basis of a set of parameters specific to each scenario. The Group's bond holdings are considered to be highly liquid, not least because most of them can be used in repo agreements with central banks. Central bank eligibility is vital for intra-day liquidity management and overnight liquidity facilities and also for determining liquidity in markets during stressed periods. While central bank eligibility is a positive indicator, it is not necessarily the only parameter used for defining the liquidity value of a buffer. External credit rating performance is another parameter.

Nominal value of the liquidity buffer available to the Group

(DKK billions)	2014	2013
Cash and holdings at central banks	21	33
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	66	110
Covered bonds (including mortgage bonds)	289	280
Issued by other institutions	224	181
Own issued	65	99
Other	23	29
Total	399	452

Notes – Danske Bank Group – Risk Management

Regulatory measures
The Basel Committee has defined new liquidity standards in the form of the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The LCR stipulates that banks must have a liquidity buffer that ensures a survival horizon of at least 30 calendar days in case of a seriously stressed liquidity situation. The NSFR is intended to ensure a sound funding structure by promoting an increase in the amount of long-dated funding. The NSFR stipulates that banks must at all times have stable funding equal to the amount of their illiquid assets for one year ahead.

The European Commission has now finalised the LCR legislation package. Danish mortgage bonds will be assigned the highest qualification if they meet certain criteria, and they may account for up to 70% of a bank's liquidity portfolio.

Danske Bank was designated a SIFI in Denmark in 2014. Under the Danish Bank Package 6, Danish SIFI banks must have an LCR of 100%. The LCR requirement will enter into force on 1 October 2015.

The national liquidity requirements that apply to the Group are set forth in section 152 of the Danish Financial Business Act, which states that a credit institution's liquidity must equal at least

- 15% of the debt obligations that, regardless of any disbursement conditions, the institution must pay on demand or at less than one month's notice
- 10% of the institution's total debt and guarantee obligations, excluding subordinated loan capital infusions that can be counted as part of the Group's total capital

In 2010, the Danish FSA introduced the Supervisory Diamond, which includes benchmarks for liquidity and funding for parent companies.

The liquidity benchmark states that banks must have excess liquidity coverage 50% above the regulatory requirements stated in section 152 of the Danish Financial Business Act. At the end of 2014, Danske Bank A/S's excess liquidity coverage ratios were 161% and 141%, respectively, above the regulatory requirements.

The funding benchmark stipulates that lending may not exceed stable funding (deposits as well as issued bonds and subordinated debt with a maturity of more than one year). This means that banks must have a funding ratio of less than 1.00. At the end of 2014, the Group's ratio was 0.63%.

Notes – Danske Bank Group – Risk Management

Insurance risk

The Group's insurance risk consists of all risks related to its investment in Danica Pension, including market risk and life insurance risks.

Net income from insurance business is derived primarily from

- the risk allowance from conventional life insurance business with guaranteed benefits
- unit-linked business
- health and accident business
- return on assets in which the shareholders' equity of Danica Pension is invested

The risk allowance is the annual return that Danica Pension may book from its conventional life insurance business (*Danica Traditionel*), and it currently amounts to 0.60-0.85% of technical provisions (depending on the interest rate group). The risk allowance is governed by the Danish FSA's Executive Order on the Contribution Principle and may be booked only if the technical basis permits and if the bonus potential of paid-up policies is not used for loss absorption. The technical basis for the risk allowance is essentially the investment return on policyholders' funds less the change in life insurance provisions. If the risk allowance cannot be booked, in whole or in part, or the Group must cover losses that cannot be absorbed by the collective bonus potential or the bonus potential of paid-up policies, the amount may be transferred to a shadow account and booked at a later date when the technical basis so permits. All profits and losses after interest payments to policyholders, risk allowance and changes in insurance provisions are transferred to the collective bonus potential.

According to the Danish FSA's Executive Order on the Contribution Principle, 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 individual investment and hedging strategies for each group. Furthermore, the collective bonus potential, the risk allowance, etc., are also determined for each group individually.

Financial market developments in 2014 continued to more or less mirror the trends seen since 2009. Stock markets delivered good returns, and interest rates kept decreasing. The very low level of interest rates has left Danica Pension's bonus potential of paid-up policies at a historically low, however, leaving little room for high risk assets in Danica Pension's investment portfolio.

Financial risks

Market risk involves the risk of losses on assets in which the shareholders' equity of Danica Pension is invested and the risk of losses on policies with guaranteed benefits 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. Danica Pension conducts internal stress tests to ensure that it can withstand significant losses on its equity and credit exposure and substantial changes in interest rates.

The risk relating to the relationship between investment assets and guaranteed benefits is managed by keeping the interest rate sensitivity of the bond and derivatives portfolios at a suitable level. The bond spread risk is limited since, at end-2014, 72% (2013: 71%) of the portfolio consisted of government and mortgage bonds of high quality (AA-AAA ratings from the international rating agencies) or unrated mortgage bonds issued by institutions with similarly high ratings, and only 10% (2013: 11%) of the portfolio was invested in sub-investment grade bonds. This risk is managed as an equity market risk.

Notes – Danske Bank Group – Risk Management

Bond portfolio (insurance business) broken down by geographical area

(DKK millions) 2014	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
Denmark	17,668	673	40,060	-	3,499	3,878	65,778
Sweden	24	-	-	495	-	3,704	4,223
UK	279	-	-	-	1,204	1,809	3,292
Norway	-	206	-	-	854	2,791	3,851
USA	221	-	-	-	10	11,407	11,638
Spain	2,613	288	-	-	1,219	856	4,976
France	7,955	812	-	-	1,602	1,344	11,713
Luxembourg	-	1,421	-	-	-	1,047	2,468
Canada	18	-	-	-	14	219	251
Finland	150	-	-	-	185	46	381
Ireland	1,611	108	-	-	1,632	968	4,319
Italy	8,166	-	-	-	540	738	9,444
Portugal	12	-	-	-	112	44	168
Austria	559	-	-	-	78	20	657
Netherlands	3,448	-	-	-	287	1,884	5,619
Germany	7,103	599	-	-	466	491	8,659
Other	5,187	90	-	-	215	3,788	9,280
Total	55,014	4,197	40,060	495	11,917	35,034	146,717
2013							
Denmark	16,112	8	40,748	-	4,228	1,580	62,676
Sweden	116	-	-	349	-	3,429	3,894
UK	262	-	-	-	1,473	1,461	3,196
Norway	135	-	-	-	1,047	2,490	3,672
USA	288	-	-	-	10	6,255	6,553
Spain	1,309	294	-	-	1,065	694	3,362
France	5,294	104	-	-	1,602	1,317	8,317
Luxembourg	-	1,873	-	-	-	1,117	2,990
Canada	23	-	-	-	13	178	214
Finland	520	-	-	-	491	68	1,079
Ireland	1,438	103	-	-	1,281	1,365	4,187
Italy	8,480	-	-	-	440	488	9,408
Portugal	-	-	-	-	82	36	118
Austria	936	-	-	-	342	64	1,342
Netherlands	2,178	-	-	-	804	2,200	5,182
Germany	6,461	887	-	-	713	634	8,695
Other	6,042	85	-	-	10	10,786	16,923
Total	49,594	3,354	40,748	349	13,601	34,162	141,808

Concentration risk and counterparty risk are limited because of internal investing restrictions and the use of collateral management agreements for derivatives.

Danica Pension hedges most of its foreign exchange risk. At the end of 2014, 69% was hedged (2013: 65%).

Early surrender by policyholders may force Danica Pension to sell some of its investment assets at a low price. Danica Pension reduces this liquidity risk by investing a substantial portion of funds in liquid bonds and shares. The liquidity risk is also modest since Danica Pension can, to some extent, adapt the timing of payment upon surrender of pension schemes to the situation in the financial markets.

Notes – Danske Bank Group – Risk Management

Bond portfolio (insurance business) broken down by external ratings

(DKK millions) 2014	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
AAA	29,294	1,681	30,903	495	3,989	1,822	68,184
AA+	8,118	1,289	-	-	823	168	10,398
AA	1,268	641	-	-	428	432	2,769
AA-	7	-	-	-	127	267	401
A+	72	-	47	-	1,509	719	2,347
A	2,381	-	-	-	1,223	3,377	6,981
A-	461	3	-	-	266	846	1,576
BBB+	11,569	317	-	-	-	1,435	13,321
BBB	615	12	-	-	3,534	1,383	5,544
BBB-	528	7	-	-	13	1,245	1,793
Sub-inv. grade or unrated	701	247	9,110	-	5	23,340	33,403
Total	55,014	4,197	40,060	495	11,917	35,034	146,717

2013	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
AAA	26,900	1,553	31,766	349	6,284	1,543	68,395
AA+	5,395	1,416	-	-	197	151	7,159
AA	2,293	-	-	-	619	547	3,459
AA-	30	23	-	-	147	175	375
A+	-	-	45	-	215	639	899
A	793	-	-	-	891	1,049	2,733
A-	1,090	-	-	-	493	645	2,228
BBB+	10,288	-	-	-	262	2,163	12,713
BBB	1,694	298	-	-	4,404	2,280	8,676
BBB-	351	5	-	-	5	1,085	1,446
Sub-inv. grade or unrated	760	59	8,937	-	84	23,885	33,725
Total	49,594	3,354	40,748	349	13,601	34,162	141,808

Policyholders assume the risk on investment assets under unit-linked contracts (*Danica Link*, *Danica Balance* and *Danica Select*) with the exception of policies with investment guarantees. At the end of 2014, about 19% of policyholders had investment guarantees, mainly related to *Danica Balance*. The guarantees cannot be exercised until the time of retirement and are paid for by an annual fee. Danica Pension manages the risk on *Danica Link* guarantees with derivatives, for example, and by adjusting the investment allocation over the last five years before disbursement. It manages the risk on *Danica Balance* guarantees by adjusting the investment allocation for the individual policies. Because of these hedging and risk management strategies, Danica Pension considers the investment risk on guarantees in unit-linked products to be minor.

Danica Pension has set a separate investment strategy for assets in which its shareholders' equity is invested.

Notes – Danske Bank Group – Risk Management

Life insurance risks

Life insurance risks are linked to trends in mortality, disability, illness and similar factors. For example, an increase in longevity lengthens the period during which benefits are payable under certain pension plans. Similarly, changes in mortality, illness and recoveries affect life insurance and disability benefits. Longevity, or increased life expectancy, is the most significant life insurance risk.

The various risk elements are subject to ongoing actuarial assessment for the purpose of calculating insurance obligations and making relevant business adjustments. Life insurance obligations are calculated on the basis of expected future mortality rates. Estimates are based on the Danish FSA's benchmark. The rates reflect a likely increase in future life expectancy.

For health and personal accident policies, insurance obligations are calculated on the basis of expected future recoveries and reopenings of old claims. Estimates are based on empirical data from Danica Pension's own portfolio of insurance contracts and are updated regularly.

To mitigate life insurance risk, Danica Pension reinsures large individual policy exposures. Danica Pension also reinsures the risk of losses due to disasters.

Sensitivity analysis for life insurance

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

Of the two interest rate scenarios, the rate decrease is the most severe for Danica Pension. The effect of a decline of 0.7-1.0 percentage points in interest rates would increase the collective bonus potential by DKK 0.1 billion and decrease shareholders' equity by DKK 0.1 billion. A 10% fall in mortality, equal to a one-year increase in life expectancy, would increase the insurance obligations by DKK 1.0 billion and reduce shareholders' equity by DKK 1.0 billion.

The sensitivity analysis reflects the Group's increased exposure to changes in market conditions because the collective bonus potential and the bonus potential of paid-up policies declined in 2013 and can therefore, to a lesser degree, be used for covering any future negative investment returns.

(DKK millions) 2014	Change in collective bonus potential	Change in bonus potential of paid-up policies	Change in equity
Interest rate increase of 0.7 of a percentage point	0.1	1.6	-0.1
Interest rate decrease of 0.7 of a percentage point	1.9	-0.1	-
Decline in equity prices of 12%	-1.3	-0.5	-0.1
Decline in property prices of 8%	-1.3	-	-0.3
Foreign exchange risk (VaR 99.0%)	-0.3	-	-
Loss on counterparties of 8%	-1.3	-0.1	-0.3
Increase in credit spreads of 1.0 percentage point	-	-	-
Decrease in mortality of 10%	-1.0	-	-1.0
Increase in mortality of 10%	1.8	-	-
Increase in disability of 10%	-0.1	-	-

2013	Change in collective bonus potential	Change in bonus potential of paid-up policies	Change in equity
Interest rate increase of 0.7 of a percentage point	-0.1	2.8	-0.2
Interest rate decrease of 0.7 of a percentage point	0.8	-2.6	0.1
Decline in equity prices of 12%	-0.6	-0.7	-0.6
Decline in property prices of 8%	-0.5	-0.2	-0.8
Foreign exchange risk (VaR 99.0%)	-0.2	-0.1	-0.2
Loss on counterparties of 8%	-0.5	-0.4	-1.0
Increase in credit spreads of 1.0 percentage point	-0.3	-0.2	-0.3
Decrease in mortality of 10%	-0.2	-0.2	-1.4
Increase in mortality of 10%	1.5	0.1	-
Increase in disability of 10%	-	-	-

Notes – Danske Bank Group

(DKK millions)	2014	2013	2012	2011	2010
HIGHLIGHTS					
Net interest and fee income	45,713	43,650	43,659	41,215	44,280
Value adjustments	8,429	6,718	12,361	-3,474	5,892
Staff costs and administrative expenses	23,001	23,997	23,629	22,774	21,697
Loan impairment charges etc.	3,670	5,420	12,529	13,185	13,817
Income from associates and group undertakings	107	358	172	141	743
Net profit for the year	3,846	7,115	4,725	1,723	3,664
Loans	1,834,511	1,816,809	1,894,578	1,847,223	1,848,446
Shareholders' equity	153,120	145,657	138,004	125,855	104,742
Total assets	3,453,015	3,227,057	3,484,949	3,424,403	3,213,886
RATIOS AND KEY FIGURES					
Total capital ratio (%)*	19.3	21.4	21.3	17.9	17.7
Tier 1 capital ratio (%)*	16.7	19.0	18.9	16.0	14.8
Return on equity before tax (%)	5.2	7.1	6.5	3.6	6.3
Return on equity after tax (%)	2.6	5.0	3.7	1.5	3.6
Income/cost ratio (%)	120.4	130.0	121.0	110.0	116.0
Interest rate risk (%)*	2.2	1.7	0.2	0.6	0.4
Foreign exchange position (%)*	3.2	5.5	1.7	2.6	3.1
Foreign exchange risk (%)*	-	-	-	-	-
Loans plus impairment charges as % of deposits	178.1	181.6	192.6	206.4	203.4
Gearing of loans	12.0	12.5	13.7	14.7	17.6
Growth in loans (%)	0.9	-5.7	-1.4	1.1	0.6
Surplus liquidity in relation to statutory liquidity requirement (%)*	117.8	174.0	140.7	85.5	168.2
Sum of large exposures as % of total capital*	-	-	11.6	21.9	56.5
Impairment ratio (%)	0.2	0.3	0.6	0.7	0.6
Return on assets (%)	0.1	0.2	0.1	0.1	0.1
Earnings per share (DKK)**	3.6	7.1	5.0	1.9	4.9
Book value per share (DKK)**	147.5	145.6	138.0	135.7	140.0
Proposed dividend per share (DKK)	5.50	2.00	-	-	-
Share price/earnings per share (DKK)**	45.9	17.5	18.9	34.4	27.3
Share price/book value per share (DKK)**	1.13	0.85	0.69	0.54	0.95

The ratios and key figures are calculated in accordance with definitions in the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc., and on the basis of IFRS figures with the exception of ratios and key figures marked with an asterisk (*). These are calculated in accordance with Danish FSA rules. Ratios marked with two asterisk (**) are calculated as if the additional tier I capital is classified as a liability. Share ratios have been divided by an adjustment factor to reflect the share capital increase in April 2011.

Financial Statement – Danske Bank A/S

(DKK millions)

The financial statements of the Parent Company, Danske Bank A/S, are prepared in accordance with the Danish Financial Business Act and the Danish FSA's Executive Order No. 281 of 26 March 2014 on Financial Reports for Credit Institutions and Investment Companies, etc.

The rules are identical to the Group's IFRS-compliant valuation and measurement principles with the following exceptions:

- Domicile property is measured (revalued) at its estimated fair value through Other comprehensive income.
- The available-for-sale financial assets category is not used.

The estimated fair value of domicile property is determined in accordance with the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc. Available-for-sale financial assets are measured at fair value through profit or loss.

Holdings in subsidiaries are measured on the basis of the equity method, and tax payable by these undertakings is expensed under Income from associates and group undertakings.

The format of the Parent Company's financial statements is not identical to the format of the consolidated financial statements prepared in accordance with IFRSs.

The table below shows the differences in net profit and shareholders' equity between the IFRS consolidated financial statements and the Parent Company's financial statements presented in accordance with Danish FSA rules.

	Net profit		Total equity	
			31 Dec.	31 Dec.
	2014	2013	2014	2013
Consolidated financial statements (IFRSs)	3,846	7,115	153,120	145,657
Domicile property	-97	-34	1,013	1,177
Available-for-sale financial assets	246	961	-	-
Tax effect	-62	-240	-209	-241
Reserves in undertakings consolidated on a pro rata basis	-	-	3,002	3,002
Consolidated financial statements (Danish FSA rules)	3,933	7,802	156,926	149,595
Non-controlling interests	2	-	2	-
Reserves in undertakings consolidated on a pro rata basis	-	-	3,002	3,002
Goodwill on acquisition of non-controlling interests	-	-	-	10
Parent Company financial statements (Danish FSA rules)	3,931	7,802	153,921	146,603

The consolidated financial statements note 35 list the Group's holdings and undertakings.

Income Statement – Danske Bank A/S

Note	(DKK millions)	2014	2013
2	Interest income	33,896	37,170
3	Interest expense	15,837	20,932
	Net interest income	18,059	16,238
	Dividends from shares etc.	1,236	1,363
4	Fee and commission income	11,100	10,222
	Fees and commissions paid	2,450	2,564
	Net interest and fee income	27,945	25,259
5	Value adjustments	-653	254
6	Other operating income	1,361	1,419
7	Staff costs and administrative expenses	16,386	17,186
8	Amortisation, depreciation and impairment charges	10,877	1,816
	Other operating expenses	29	142
	Loan impairment charges etc.	2,745	3,545
	Income from associates and group undertakings	7,199	4,957
	Profit before tax	5,815	9,200
10	Tax	1,883	1,398
	Net profit for the year	3,931	7,802

Proposed profit allocation		
Equity method reserve	4,689	613
Dividends for the year	5,547	2,017
Additional tier 1 capital holders	259	-
Retained earnings	-6,564	5,172
Total	3,931	7,802

Statement of Comprehensive Income – Danske Bank A/S

Note	(DKK millions)	2014	2013
	Net profit for the year	3,931	7,802
	Other comprehensive income	-	-
	Items that will not be reclassified to profit or loss	-	-
	Remeasurement of defined benefit plans	157	25
10	Tax	-9	66
	Items that will not be reclassified to profit or loss	148	91
	Items that are or may be reclassified subsequently to profit or loss		
	Translation of units outside Denmark	537	-534
	Hedging of units outside Denmark	-549	462
	Fair value adjustment of domicile property	-82	-25
10	Tax	127	-93
	Items that are or may be reclassified subsequently to profit or loss	33	-190
	Total other comprehensive income	181	-99
	Total comprehensive income for the year	4,112	7,703
	Portion attributable to		
	Shareholders of Danske Bank A/S (the Parent Company)	3,853	7,703
	Additional tier 1 capital holders	259	-
	Total comprehensive income for the year	4,112	7,703

Balance Sheet – Danske Bank A/S

Note	(DKK millions)	2014	2013
	ASSETS		
	Cash in hand and demand deposits with central banks	16,789	25,712
11	Due from credit institutions and central banks	127,570	158,912
12	Loans, advances and other amounts due at amortised cost	901,168	899,572
	Bonds at fair value	557,128	573,734
17	Bonds at amortised cost	67,377	22,112
	Shares etc.	8,867	9,286
	Holdings in associates	1,004	1,056
	Holdings in group undertakings	103,717	98,662
18	Assets under pooled schemes	47,320	46,507
	Intangible assets	10,201	19,160
	Land and buildings	3,247	3,616
14	Investment property	301	371
14	Domicile property	2,946	3,245
15	Other tangible assets	2,709	2,515
	Current tax assets	1,189	533
16	Deferred tax assets	441	280
	Assets temporarily taken over	2,562	278
19	Other assets	424,170	263,682
	Prepayments	989	765
	Total assets	2,276,448	2,126,382
	LIABILITIES AND EQUITY		
	AMOUNTS DUE		
20	Due to credit institutions and central banks	381,372	374,860
21	Deposits and other amounts due	794,027	773,252
	Deposits under pooled schemes	48,407	47,105
22	Issued bonds at amortised cost	268,892	246,917
	Current tax liabilities	751	1,177
23	Other liabilities	579,539	463,237
	Deferred income	1,026	1,045
	Total amounts due	2,074,014	1,907,593
	PROVISIONS FOR LIABILITIES		
	Provisions for pensions and similar obligations	449	331
16	Provisions for deferred tax	6,609	6,267
13	Provisions for losses on guarantees	1,201	1,182
	Other provisions for liabilities	110	86
	Total provisions for liabilities	8,369	7,866
	SUBORDINATED DEBT		
24	Subordinated debt	40,144	64,320
	EQUITY		
	Share capital	10,086	10,086
	Accumulated value adjustments	33	162
	Equity method reserve	30,617	25,928
	Retained earnings	101,964	108,410
	Proposed dividends	5,547	2,017
	Shareholders of Danske Bank A/S (the Parent Company)	148,247	146,603
	Additional tier 1 etc.	5,674	-
	Total equity	153,921	146,603
	Total liabilities and equity	2,276,448	2,126,382

Statement of Capital – Danske Bank A/S

(DKK millions)

Changes in equity

	Share capital	Foreign currency translation reserve	Revaluation reserve	Equity method reserve	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Total
Total equity at 1 January 2014	10,086	-434	596	25,928	108,410	2,017	146,603	-	146,603
Net profit for the year	-	-	-	4,689	-1,017	-	3,672	259	3,931
Other comprehensive income									
Remeasurement of defined benefit plans	-	-	-	-	157	-	157	-	157
Translation of units outside Denmark	-	537	-	-	-	-	537	-	537
Hedging of units outside Denmark	-	-549	-	-	-	-	-549	-	-549
Fair value adjustment of domicile property	-	-	-38	-	-44	-	-82	-	-82
Sale of domicile property	-	-	-99	-	99	-	-	-	-
Tax	-	-	43	-	75	-	118	-	118
Other changes	-	-23	-	-	23	-	-	-	-
Total other comprehensive income	-	-35	-94	-	310	-	181	-	181
Total comprehensive income for the year	-	-35	-94	4,689	-707	-	3,853	259	4,112
Transactions with owners									
Issuance of additional tier 1 capital, net of transaction costs	-	-	-	-	-59	-	-59	5,597	5,538
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-	-183	-183
Dividends paid	-	-	-	-	17	-2,017	-2,000	-	-2,000
Dividends proposed	-	-	-	-	-5,547	5,547	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-	-25,702	-	-25,702	-53	-25,755
Sale of own shares and additional tier 1 capital	-	-	-	-	25,377	-	25,377	53	25,430
Share-based payments	-	-	-	-	123	-	123	-	123
Tax	-	-	-	-	53	-	53	-	53
Total equity at 31 Dec. 2014	10,086	-469	502	30,617	101,964	5,547	148,247	5,674	153,921
Total equity at 1 January 2013	10,086	-362	642	25,315	103,292	-	138,973	-	138,973
Net profit for the year	-	-	-	613	7,189	-	7,802	-	7,802
Other comprehensive income									
Remeasurement of defined benefit plans	-	-	-	-	25	-	25	-	25
Translation of units outside Denmark	-	-534	-	-	-	-	-534	-	-534
Hedging of units outside Denmark	-	462	-	-	-	-	462	-	462
Fair value adjustment of domicile property	-	-	-25	-	-	-	-25	-	-25
Sale of domicile property	-	-	-17	-	17	-	-	-	-
Tax	-	-	-4	-	-23	-	-27	-	-27
Total other comprehensive income	-	-72	-46	-	19	-	-99	-	-99
Total comprehensive income for the year	-	-72	-46	613	7,208	-	7,703	-	7,703
Transactions with owners								-	-
Dividends proposed	-	-	-	-	-2,017	2,017	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-	-16,948	-	-16,948	-	-16,948
Sale of own shares and additional tier 1 capital	-	-	-	-	16,769	-	16,769	-	16,769
Share-based payments	-	-	-	-	113	-	113	-	113
Tax	-	-	-	-	-7	-	-7	-	-7
Total equity at 31 Dec. 2013	10,086	-434	596	25,928	108,410	2,017	146,603	-	146,603

At the end of 2014, the share capital consisted of 1,008,620 shares of a nominal value of DKK 10 each. All shares carry the same rights; there is thus only one class of shares.

Statement of Capital – Danske Bank A/S

(DKK millions)

Holding of own shares, Danske Bank A/S	Number of shares	Nominal value (DKK m)	Percentage of share capital	Sales/purchase price (DKK m)
Holding at 1 January 2013	4,738,041	48	0.47	
Acquired in 2013	151,439,951	1,514	15.01	16,864
Sold in 2013	150,576,491	1,506	14.93	16,730
Holding at 31 December 2013	5,601,501	56	0.56	
Acquired in 2014	172,118,508	1,721	17.06	25,615
Sold in 2014	171,159,529	1,712	16.97	25,293
Holding at 31 December 2014	6,560,480	65	0.65	

Acquisitions in 2014 and 2013 comprised shares acquired for the trading portfolio and shares acquired on behalf of customers.

Danske Bank shares held by subsidiares	Number of shares	Nominal value (DKK m)	Percentage of share capital	Sales/purchase price (DKK m)
Holding at 1 January 2013	2,187,378	21	0.22	
Acquired in 2013	747,629	7	0.07	85
Sold in 2013	333,886	3	0.03	39
Holding at 31 December 2013	2,601,121	25	0.26	
Acquired in 2014	631,445	6	0.06	87
Sold in 2014	563,612	6	0.06	83
Holding at 31 December 2014	2,668,954	25	0.26	

Acquisitions in 2014 and 2013 comprised shares acquired on behalf of customers.

Statement of Capital – Danske Bank A/S

(DKK millions)	2014	2013
Total capital and total capital ratio		
Total equity	153,921	146,603
Additional tier 1 capital instruments included in total equity	-5,597	-
Accrued interest on additional tier 1 capital instruments	-77	-
Tax on accrued interest on additional tier 1 capital instruments	17	-
Common equity tier 1 capital instruments	148,264	146,603
Adjustment to eligible capital instruments	-117	-
Prudential filters	-255	-
Proposed dividends	-5,547	-2,017
Intangible assets of banking operations	-10,201	-19,160
Deferred tax assets on intangible assets	190	-34
Deferred tax assets that rely on future profitability, excluding temporary differences	-53	-280
Defined benefit pension fund assets	-113	-
Revaluation of domicile property	-	-596
Statutory deduction for insurance subsidiaries	-1,850	-
Other statutory deductions	-721	-247
Common equity tier 1 capital	129,597	124,269
Additional tier 1 capital instruments	17,434	39,953
Statutory deduction for insurance subsidiaries	-3,701	-3,930
Other statutory deductions	-10	-18
Tier 1 capital	143,320	160,274
Tier 2 capital instruments	25,599	22,046
Revaluation of domicile property	-	596
Statutory deduction for insurance subsidiaries	-3,701	-3,930
Other statutory deductions	-10	-18
Total capital	165,208	178,968
Total risk exposure amount	677,156	658,294
Common equity tier 1 capital ratio (%)	19.1	18.9
Tier 1 capital ratio (%)	21.2	24.3
Total capital ratio (%)	24.4	27.2

The total capital and tier 1 capital ratios are calculated in accordance with the Danish Financial Business Act and applicable executive orders. Risk Management 2014 provides more details about the Group's solvency need. Risk Management 2014 is not covered by the statutory audit.

Notes – Danske Bank A/S

(DKK millions)	2014	2013

1. Net interest and fee income and value adjustments broken down by business segment

	2014	2013
Personal Banking	9,886	10,057
Business Banking	6,958	7,083
C&I	8,179	7,499
Danske Capital	1,546	1,446
Other Activities	723	-572
Total	27,292	25,513

	2014	2013
Geographical segmentation		
Denmark	14,592	12,734
Finland	523	398
Ireland	645	1,050
Norway	4,222	4,402
UK	542	301
Sweden	5,862	5,627
Baltics	665	749
Germany	154	162
Poland	87	89
Total	27,292	25,513

Geographical segmentation is based on the location in which the individual transaction is recorded. The figures for Denmark include financing costs related to investments in activities outside Denmark.

2. Interest income

	2014	2013
Reverse transactions with credit institutions and central banks	173	244
Other transactions with credit institutions and central banks	620	998
Reverse loans	994	1,364
Loans, advances and other amounts due	20,780	23,357
Bonds	7,936	7,642
Derivatives, total	3,386	3,511
Currency contracts	-2,031	-2,256
Interest rate contracts	5,416	5,767
Other interest income	8	54
Total	33,896	37,170

3. Interest expense

	2014	2013
Repo transactions with credit institutions and central banks	405	828
Other transactions with credit institutions and central banks	1,510	1,861
Repo deposits	885	1,232
Deposits and other amounts due	4,496	5,678
Issued bonds	6,103	7,108
Subordinated debt	2,363	4,123
Other interest expenses	75	104
Total	15,837	20,932

4. Fee and commission income

	2014	2013
Securities trading and custody account fees	5,545	5,325
Payment services fees	1,271	1,306
Origination fees	1,836	1,424
Guarantee commissions	861	873
Other fees and commissions	1,587	1,293
Total	11,100	10,222

Notes – Danske Bank A/S

(DKK millions)	2014	2013
5. Value adjustments		
Loans at fair value	1,026	-715
Bonds	682	-3,045
Shares etc.	996	-832
Investment property	97	19
Currency	2,291	1,440
Derivatives	-1,671	-3,843
Assets under pooled schemes	4,169	2,524
Deposits under pooled schemes	-4,249	-2,568
Other liabilities	-3,994	7,274
Total	-653	254

6. Other operating income

Other operating income includes a refund of excess taxes and duties paid of DKK 13 million (2013: DKK 6 million).

7. Staff costs and administrative expenses

	2014	2013
Remuneration of the Executive Board and the Board of Directors		
Executive Board	70	68
Board of Directors	9	9
Total	79	77

The remuneration of the Executive Board includes remuneration for membership of the board of directors of one or more of the Group's subsidiaries. Such remuneration is deducted from the contractual remuneration.

Under the Danish Act on State-Funded Capital Injections into Credit Institutions, only 50% of the Executive Board's salaries is tax deductible until hybrid capital raised has been repaid. In 2014, this deduction amounted to DKK 60 million (2013: DKK 29 million).

	2014	2013
Staff costs		
Salaries	8,749	9,092
Pensions	1,048	994
Financial services employer tax and social security costs	1,310	1,295
Total	11,107	11,381
Other administrative expenses	5,200	5,728
Total staff costs and administrative expenses	16,386	17,186
Number of full-time-equivalent staff (avg.)	14,041	14,623

Note 33 of the consolidated financial statements contains additional information about the remuneration of the Board of Directors, the Executive Board, and other material risk takers.

8. Amortisation, depreciation and impairment charges

This item includes an impairment charge relating to goodwill of DKK 9.1 billion for 2014. Note 18 of the consolidated financial statements contains additional information.

Statement of Capital – Danske Bank A/S

(DKK millions)	2014	2013
9. Audit fees		
Audit firms appointed by the general meeting		
Fees for statutory audit of the parent company financial statements	3	4
Fees for other assurance engagements	1	1
Fees for tax advisory services	2	3
Fees for other services	1	2
Total	7	10
Other audit firms		
Fees for statutory audit of the parent company financial statements	1	-
Fees for other assurance engagements	-	-
Fees for tax advisory services	1	-
Fees for other services	-	-
Total	2	-
Total audit fees	9	10
10. Tax		
Calculated tax charge for the year	1,318	730
Deferred tax	586	644
Adjustment of prior-year tax charges	32	43
Lowering of tax rate	-53	-19
Total	1,883	1,398
Effective tax rate	(%)	(%)
Danish tax rate	24.5	25.0
Non-taxable income and non-deductible expenses	-157.8	5.5
Difference between tax rates of units outside Denmark and Danish tax rate	-4.1	1.9
Adjustment of prior-year tax charges	-2.3	1.0
Lowering of tax rate	3.8	-0.5
Effective tax rate	-135.9	32.9
Portion included under Income from associates and group undertakings	168.3	-17.8
Total	32.4	15.1
Tax on other comprehensive income		
Remeasurement of defined benefit plans	9	-66
Hedging of units outside Denmark	-106	89
Fair value adjustment of domicile property	-21	4
Total	-118	27
11. Due from credit institutions and central banks		
On demand	12,799	14,377
Up to 3 months	109,918	140,371
From 3 months to 1 year	2,432	1,743
From 1 to 5 years	1,321	1,293
Over 5 years	1,100	1,128
Total	127,570	158,912
Due from credit institutions	106,980	123,640
Term deposits with central banks	20,590	35,272
Total	127,570	158,912
Reverse transactions included in above item	56,548	96,333

Notes – Danske Bank A/S

(DKK millions)	2014	2013
12. Loans, advances and other amounts due at amortised cost		
On demand	57,125	36,906
Up to 3 months	396,916	384,037
From 3 months to 1 year	120,609	128,505
From 1 to 5 years	97,620	95,454
Over 5 years	228,898	254,669
Total	901,168	899,572
Reverse transactions included in above item	248,320	246,662
Loans, advances and guarantees broken down by sector and industry (%)		
Public sector	7.6	2.8
Business customers		
Agriculture, hunting, forestry and fisheries	1.2	1.2
Manufacturing industries and extraction of raw materials	7.2	7.1
Energy and utilities	0.9	1.0
Building and construction	1.1	1.3
Trade	3.2	3.4
Transport, hotels and restaurants	3.4	3.4
Information and communication	0.8	0.6
Finance and insurance	34.4	40.2
Property administration	9.8	9.5
Other	2.2	2.7
Total business customers	64.3	70.5
Personal customers	28.1	26.7
Total	100.0	100.0

13. Impairment charges for loans and guarantees

	Loans and guarantees, individual impairment	Loans and guarantees, collective impairment	Other amounts due, individual impairment	Other amounts due, collective impairment	Total
Impairment charges at 1 January 2014	31,673	2,624	88	-	34,385
Impairment charges during the period	6,896	2,316	2	-	9,214
Reversals of impairment charges from previous years	11,596	804	2	-	12,402
Other changes	-1,302	-622	4	-	-1,920
Impairment charges at 30 December 2014	25,670	3,514	93	-	29,278
Value adjustment of assets taken over	-	-	-	-	-
Impairment charges at 1 January 2013	32,735	2,675	92	-	35,502
Impairment charges during the period	9,052	1,057	0	-	10,108
Reversals of impairment charges from previous years	9,782	1,085	2	-	10,869
Other changes	-332	-22	-2	-	-356
Impairment charges at 31 December 2013	31,673	2,624	88	-	34,385
Value adjustment of assets taken over	-	-	-	-	-

	2014		2013	
	Individual	Collective	Individual	Collective
Total loans and other amounts due, with objective evidence of impairment before impairment charges. The amount does not include loans and other amounts due recognised at nil	51,740	198,327	62,634	227,336
Carrying amount net of impairment charges	26,168	194,813	30,961	224,712

Notes – Danske Bank A/S

(DKK millions)

14. Investment and domicile property

	2014		2013	
	Investment property	Domicile property	Investment property	Domicile property
Fair value/revaluation at 1 January	371	3,245	109	3,413
Additions, including property improvement expenditure	7	3	275	1
Disposals	40	138	11	30
Depreciation charges	-	30	-	52
Value adjustment recognised through other comprehensive income	-	-74	-	-25
Value adjustment recognised through profit or loss	-19	-58	-2	-21
Other changes	-18	-1	-	-41
Fair value/revaluation at 31 December	301	2,946	371	3,245
Required rate of return for calculation of fair value/revaluation (% p.a.)	4.8 - 6.0	5.0 - 10.0	4.8 - 6.0	5.0 - 12.0

Fair value and revaluations are assessed by the Group's valuers.

15. Other tangible assets

	2014	2013
Cost at 1 January	6,278	6,715
Foreign currency translation	-54	-127
Additions, including leasehold improvements	1,382	1,169
Disposals	1,113	1,479
Cost at 31 December	6,493	6,278
Depreciation and impairment charges at 1 January	3,763	3,766
Foreign currency translation	-35	-56
Depreciation charges	834	868
Depreciation and impairment charges for assets sold	778	815
Depreciation and impairment charges at 31 December	3,784	3,763
Carrying amount at 31 December	2,709	2,515

Notes – Danske Bank A/S

(DKK millions)

16. Change in deferred tax

2014	1 Jan.	Foreign currency translation	Included in profit for the year	Included in shareholders' equity	31 Dec.
Intangible assets	8	-	-	-	8
Tangible assets	797	-17	-90	-43	647
Securities	18	-1	13	-	30
Provisions for obligations	-109	4	-14	-172	-291
Tax loss carryforwards	-42	-	-10	-	-52
Recapture of tax loss	5,904	-	524	-	6,428
Other	-589	18	-31	-	-602
Total	5,987	4	392	-215	6,168
Adj. of prior-year tax charges included in above item			-141		

2013					
Intangible assets	10	-	-2	-	8
Tangible assets	887	-19	-76	5	797
Securities	59	-7	-34	-	18
Provisions for obligations	-167	7	17	34	-109
Tax loss carryforwards	-50	-1	9	-	-42
Recapture of tax loss	5,048	-	856	-	5,904
Other	-402	19	-212	6	-589
Total	5,385	-1	558	45	5,987
Adj. of prior-year tax charges included in above item			-67		

Unrecognised tax loss carryforwards amounted to DKK 3.0 billion at the end of 2014 (31 December 2013: DKK 2.9 billion).

Deferred tax	2014	2013
Deferred tax assets	441	280
Provisions for deferred tax	6,609	6,267
Deferred tax, net	6,168	5,987

17. Bonds at amortised cost

Fair value of hold-to-maturity assets	68,874	22,062
Carrying amount of hold-to-maturity assets	67,377	22,112

18. Assets under pooled schemes

Bonds at fair value	18,130	19,416
Shares	12,287	6,236
Unit trust certificates	17,245	21,145
Cash deposits etc.	745	308
Total assets before elimination	48,407	47,105
Own shares	364	158
Other internal balances	723	440
Total	47,320	46,507

19. Other assets

Positive fair value of derivatives	409,635	248,503
Other assets	14,535	15,179
Total	424,170	263,682

Notes – Danske Bank A/S

(DKK millions)	2014	2013
20. Due to credit institutions and central banks		
On demand	39,356	33,740
Up to 3 months	329,896	329,162
From 3 months to 1 year	11,157	10,788
From 1 to 5 years	74	360
Over 5 years	888	809
Total	381,372	374,860
Repo transactions included in above item	227,491	228,698

21. Deposits and other amounts due

On demand	472,851	445,088
Term deposits	29,831	34,019
Time deposits	75,672	121,369
Repo deposits	198,425	150,747
Special deposits	17,248	22,029
Total	794,027	773,252
On demand	472,851	445,088
Up to 3 months	268,303	274,860
From 3 months to 1 year	27,562	21,816
From 1 to 5 years	16,984	21,632
Over 5 years	8,327	9,856
Total	794,027	773,252

22. Issued bonds at amortised cost

On demand	-	-
Up to 3 months	24,915	32,438
From 3 months to 1 year	48,909	24,389
From 1 to 5 years	147,972	121,629
Over 5 years	47,096	68,461
Total	268,892	246,917

23. Other liabilities

Negative fair value of derivatives	393,767	231,322
Other liabilities	185,772	231,916
Total	579,539	463,237

Notes – Danske Bank A/S

(DKK millions)

24. Subordinated debt

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

Subordinated debt is included in the capital base in accordance with section 128 of the Danish Financial Business Act.

Currency	Nominal (DKK m)	Interest rate	Year of issue	Maturity	Redemption price	2014 (DKK m)	2013 (DKK m)
Subordinated debt, excluding additional tier 1 capital							
GBP	350	5.375	2003	29.09.2021	100	3,330	3,122
EUR	700	4.100	2005	16.03.2018	100	5,211	5,222
EUR	1,000	3.875	2013	04.10.2023	100	7,444	7,460
SEK	900	4.750	2013	05.06.2024	100	707	752
SEK	1,600	var.	2013	05.06.2024	100	1,257	1,337
NOK	700	var.	2013	06.12.2023	100	576	620
DKK	1,700	var.	2013	06.06.2024	100	1,700	1,700
DKK	1,150	4.125	2013	09.12.2025	100	1,150	1,150
CHF	150	3.125	2013	18.12.2025	100	928	913
EUR	500	2.75	2014	19.05.2026	100	3,722	-
Subordinated debt, excluding additional tier 1 capital						26,025	22,276
Additional tier 1 capital							
Redeemed loans 2014							28,052
GBP	150	5.563	2005	Perpetual	100	1,427	1,338
GBP	500	5.684	2006	Perpetual	100	4,757	4,460
EUR	600	4.878	2007	Perpetual	100	4,466	4,476
SEK	1,350	var.	2007	Perpetual	100	1,061	1,128
SEK	650	5.119	2007	Perpetual	100	511	543
Additional tier 1 capital						12,222	39,997
Nominal subordinated debt						38,247	62,273
Fair value hedging of interest rate risk						2,062	2,047
Own holding of subordinated debt						-166	-
Total subordinated debt						40,144	64,320
Interest on subordinated debt and related items:							
Interest						2,363	4,123
Extraordinary repayments						28,052	13,119
Origination and redemption costs						-	222
Portion included in total capital as additional tier 1 or tier 2 capital instruments						37,549	61,999

In addition, total capital includes DKK 5.5 billion of additional tier I bonds issued in 2014 and accounted for as equity.

Note 21 of the consolidated financial statements contains additional information about subordinated debt and contractual terms.

Notes – Danske Bank A/S

(DKK millions)	2014	2013

25. Assets deposited as collateral

At the end of 2014, Danske Bank A/S had deposited securities worth DKK 2,693 million as collateral with Danish and international clearing centres and other institutions (31 December 2013: DKK 7,948 million). In addition, the Group had deposited own bonds worth DKK 0 million (31 December 2013: DKK 0 million). The amount has been eliminated in the balance sheet.

In repo transactions, which involve selling securities to be repurchased at a later date, the securities remain in the balance sheet, and the amounts received are recognised as deposits. Repo transaction securities are treated as assets provided as collateral for liabilities. Counterparties are entitled to sell the securities or deposit them as collateral for other loans.

	2014	2013
Assets sold in repo transactions		
Bonds at fair value	423,576	372,911
Shares etc.	-	-
Total	423,576	372,911
Total collateral deposited for subsidiaries	3,256	1,032

In addition, the Group had deposited own bonds worth DKK 0 million as collateral for repo transactions and securities lending (31 December 2013: DKK 369 million). The amount has been eliminated in the balance sheet.

At the end of 2014, Danske Bank A/S had provided cash and securities worth DKK 93,055 million as collateral for derivatives transactions (31 December 2013: DKK 57,510 million).

Danske Bank A/S had registered loans and advances worth DKK 210,171 million and other assets worth DKK 14,216 million as collateral for covered bonds at the end of 2014 (31 December 2013: DKK 186,794 million and DKK 9,291 million, respectively).

26. Contingent liabilities

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

	2014	2013
Guarantees and other liabilities		
Guarantees etc.		
Financial guarantees	6,658	8,129
Mortgage finance guarantees	54,333	56,938
Registration and remortgaging guarantees	7,878	6,243
Other guarantees	61,160	58,700
Total	130,028	130,010
Other liabilities		
Loan commitments shorter than 1 year	78,859	35,683
Loan commitments longer than 1 year	125,422	106,000
Other obligations	110	343
Total	204,392	142,026

In addition to credit exposure from lending activities, loan offers made and uncommitted lines of credit granted by the Group amounted to DKK 275,547 million (2013: DKK 279,045 million). These items are included in the calculation of the total risk exposure amount in accordance with the Capital Requirements Directive.

Owing to its business volume, Danske Bank is continually a party to various lawsuits and disputes and has an ongoing dialogue with public authorities such as the Danish FSA. In view of its size, Danske Bank does not expect the outcomes of pending lawsuits and disputes or its dialogue with public authorities to have any material effect on its financial position.

Around 200 current and 1,000 former employees of Danske Bank have a pension scheme covered by Danica Pension, for which Danske Bank has guaranteed Danica Pension a real return on the policy holders' reserves of 3.5% p.a. The guarantee triggers cash contributions from Danske Bank to Danica Pension, if and only if, the accumulated overall real return on assets at Danica Pension falls below 3.5%. In years where the rate of return is above 3.5%, the surplus is set aside as a buffer for later years. At the end of 2014, the accumulated real return on assets at Danica Pension exceeded 3.5%. In 2015, Danica Pension has received questions from the Danish FSA about the principles for calculation and accounting for this

Notes – Danske Bank A/S

(DKK millions)

scheme. It is the Bank's assessment that the practice applied for this scheme complies with existing agreements and regulation. A limited number of employees are employed under terms which grant them, if they are dismissed before reaching their normal retirement age, an extraordinary severance and/or pension payment in excess of their entitlement under ordinary terms of employment. As the sponsoring employer, the Bank is also liable for the pension obligations of a number of company pension funds.

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

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

27. Related parties

	Parties with significant influence		Associates		Group undertakings		Board of Directors		Executive Board	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Loans and loan commitments	5,524	5,776	3,032	4,674	38,929	61,721	11	11	8	6
Securities and derivatives	1,258	981	4,150	2,617	181,332	197,043	-	-	-	-
Deposits	1,551	3,133	836	46	74,158	75,162	13	35	9	10
Derivatives	129	218	965	1,286	15,000	8,522	-	-	-	-
Issued bonds	-	-	-	-	306	920	-	-	-	-
Pension obligation	-	-	-	-	-	-	-	-	-	-
Guarantees issued	882	875	3	1	53,812	57,160	-	-	-	-
Guarantees and collateral received	210	269	1,070	3,104	1,694	1,609	9	11	7	5
Interest income	33	40	64	60	1,435	1,589	-	-	-	-
Interest expense	75	94	25	132	251	665	-	-	-	-
Fee income	19	17	4	6	1,003	37	1	-	-	-
Dividend income	25	6	123	135	3,218	3,974	-	-	-	-
Other income	22	61	1	-	14	7	-	-	-	-
Loan impairment charges	-	-	-	-101	-	-	-	-	-	-
Trade in Danske Bank shares										
Acquisitions	-	-	-	-	-	-	3	-	6	-
Sales	-	-	-	-	-	-	-	-	2	-

Related parties with significant influence include shareholders with holdings exceeding 20% of Danske Bank A/S's share capital. The A.P. Møller and Chastine Mc-Kinney Møller Foundation and companies of A.P. Møller – Mærsk A/S, Copenhagen, hold 22.98% of the share capital. The consolidated financial statements specify significant group holdings and holdings in associates under Group holdings and undertakings. The Board of Directors and Executive Board columns list the personal facilities, deposits, etc. held by members of the Board of Directors and the Executive Board and their dependants, and facilities with businesses in which these parties have a controlling or significant influence.

In 2014, the average interest rates on credit facilities granted to members of the Board of Directors and the Executive Board were 1.9% (2013: 1.7%) and 2.5% (2013: 2.5%), respectively. Notes 33 and 34 of the consolidated financial statements specify the remuneration and shareholdings of management.

Pension funds set up for the purpose of paying out pension benefits to employees of Danske Bank A/S are also considered related parties. In 2014, transactions with these funds comprised loans and advances in the amount of DKK 3 million (2013: DKK 3 million), deposits in the amount of DKK 119 million (2013: DKK 155 million), derivatives with a positive fair value of DKK 0 million (2013: DKK 0 million), derivatives with a negative fair value of DKK 666 million (2013: DKK 264 million), interest expenses of DKK 2 million (2013: DKK 3 million), and pension contributions of DKK 35 million (2013: DKK 238 million).

Danske Bank A/S acts as the bank of a number of its related parties. Payment services, trading in securities and other instruments, depositing of surplus liquidity, and provision of short- and long-term financing are the primary services provided by Danske Bank A/S. In addition, Danske Bank A/S and group undertakings receive interest on holdings, if any, of listed bonds issued by Realkredit Danmark A/S. Note 15 of the consolidated financial statements specifies the Group's holdings of own mortgage bonds.

Danske Bank A/S handles a number of administrative functions, such as IT operations and development, HR management, procurement and marketing activities for group undertakings. Danske Bank A/S received a total fee of DKK 1,778 million for services provided in 2014 (2013: DKK 1,736 million).

Notes – Danske Bank A/S

(DKK millions)

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

Transactions with related parties are settled on an arm's-length basis, whereas transactions with group undertakings are settled on a cost-reimbursement basis.

28. Hedging of risk

	2014		2013	
	Carrying amount	Amortised/ notional value	Carrying amount	Amortised/ notional value
Assets				
Due from credit institutions	4,614	4,604	7,447	7,444
Loans	42,853	40,581	48,506	47,194
Total	47,467	45,185	55,953	54,638
Financial instruments hedging interest rate risk				
Derivatives	-4,952	64,959	-2,372	45,657
Liabilities				
Deposits	49,069	48,955	60,094	60,045
Due to credit institutions	51,001	50,990	61,475	61,464
Issued bonds	271,866	297,310	246,917	240,359
Subordinated debt	40,144	38,247	64,320	62,273
Total	412,080	435,502	432,807	424,141
Financial instruments hedging interest rate risk				
Derivatives	16,914	451,982	16,507	480,312

Note 12 of the consolidated financial statements includes additional information about hedge accounting.

29. Group holdings and undertakings

Note 35 of the consolidated financial statements lists the Group's major holdings and undertakings as well as associates.

Notes – Danske Bank A/S

(DKK millions)	2014	2013	2012	2011	2010
HIGHLIGHTS					
Net interest and fee income	27,945	25,259	25,607	25,328	28,049
Value adjustments	-653	254	4,758	1,491	1,102
Staff costs and administrative expenses	16,386	17,186	17,038	15,702	14,625
Loan impairment charges etc.	2,745	3,545	9,308	9,725	11,390
Income from associates and group undertakings	7,199	4,957	4,333	2,309	4,699
Net profit for the year	3,931	7,802	5,148	1,324	4,361
Loans	901,168	899,572	957,971	917,201	938,839
Shareholders' equity	153,921	146,603	138,973	127,390	105,956
Total assets	2,276,448	2,126,382	2,357,319	2,426,635	2,227,331

RATIOS AND KEY FIGURES					
Total capital ratio (%)	24.4	27.2	27.9	23.1	21.9
Tier 1 capital ratio (%)	21.2	24.3	25.1	20.9	18.5
Return on equity before tax (%)	3.9	6.4	5.7	2.5	5.9
Return on equity after tax (%)	2.6	5.5	3.9	1.1	4.2
Income/cost ratio (%)	119.0	141.0	127.0	110.0	120.0
Interest rate risk (%)	1.6	1.1	0.1	0.4	-
Foreign exchange position (%)	3.4	5.9	2.1	2.5	3.7
Foreign exchange risk (%)	-	-	-	-	-
Loans plus impairment charges as % of deposits	110.3	113.7	122.3	130.6	130.9
Gearing of loans	5.9	6.1	6.9	7.2	8.9
Growth in loans (%)	-	-10.7	-4.0	-1.2	-0.5
Surplus liquidity in relation to statutory liquidity requirement (%)	141.0	209.2	166.5	107.4	144.6
Sum of large exposures as % of total capital	-	-	11.8	32.6	46.7
Funding ratio	0.6	0.6	0.7	0.7	0.7
Real property exposure	10	10	12	13	12
Impairment ratio (%)	0.3	0.3	0.8	0.9	0.8
Return on assets (%)	0.2	0.4	0.2	0.1	0.2
Earnings per share (DKK)	3.9	7.7	5.3	1.6	6.3
Book value per share (DKK)	153.6	146.2	138.5	137.0	152.8
Proposed dividend per share (DKK)	5.50	2.00	-	-	-
Share price at 31 December/earnings per share (DKK)	43.0	16.1	18.0	44.7	22.7
Share price at 31 December/book value per share (DKK)	1.09	0.85	0.69	0.53	0.94

The ratios are defined by the Danish FSA in, for example, its Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc.

Statement by the Management

The Board of Directors and the Executive Board (the management) have considered and approved the annual report of Danske Bank A/S for the financial year 2014.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the Parent Company financial statements have been prepared in accordance with the Danish Financial Business Act. Furthermore, the annual report has been prepared in accordance with Danish disclosure requirements for annual reports of listed financial institutions.

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, shareholders' equity and financial position at 31 December 2014 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 2014. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's and the Parent Company's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group and the Parent Company.

The management will submit the annual report to the general meeting for approval.

Copenhagen, 3 February 2015

EXECUTIVE BOARD

Thomas F. Borgen
Chief Executive Officer

Tonny Thierry Andersen

James Ditmore

Lars Mørch

Henrik Ramlau-Hansen

Glenn Söderholm

BOARD OF DIRECTORS

Ole Andersen
Chairman

Trond Ø. Westlie
Vice Chairman

Urban Bäckström

Lars Förberg

Jørn P. Jensen

Rolv Erik Ryssdal

Carol Sergeant

Jim Hagemann Snabe

Kirsten Ebbe Brich

Carsten Eilertsen

Charlotte Hoffmann

Steen Lund Olsen

Auditors' Reports

Internal Audit's report

We have audited the consolidated financial statements, pp. 46-157, and the Parent Company financial statements of Danske Bank A/S, pp. 158-176, for the financial year 2014. The consolidated financial statements and the Parent Company financial statements comprise the income statement, statement of comprehensive income, balance sheet, statement of capital and notes for the Group as well as for the Parent Company and the consolidated cash flow statement. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the Parent Company financial statements have been prepared in accordance with the Danish Financial Business Act. Furthermore, the consolidated financial statements and the Parent Company financial statements have been prepared in accordance with Danish disclosure requirements for listed financial institutions.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the Parent Company financial statements are free from material misstatement.

We planned and conducted our audit such that we have assessed the business and internal control procedures, including the risk and capital management implemented by the management, aimed at the Group's and the Parent Company's reporting processes and major business risks.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the Parent Company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements and the Parent Company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of consolidated financial statements and Parent Company financial statements that give a true and fair view in order to design procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements and the Parent Company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

Opinion

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, shareholders' equity and financial position at 31 December 2014 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 2014 in accordance with the International Financial Reporting Standards as adopted by the EU in respect of the consolidated financial statements, in accordance with the Danish Financial Business Act in respect of the Parent Company financial statements, and in accordance with Danish disclosure requirements for listed financial institutions.

Furthermore, we believe that the business and internal control procedures, including the risk and capital management implemented by the management, aimed at the Group's and the Parent Company's reporting processes and major business risks, operate effectively.

Copenhagen, 3 February 2015

Jens Peter Thomassen
Group Chief Auditor

Independent Auditors' Report

To the shareholders of Danske Bank A/S

Independent auditors' report on the consolidated financial statements and the Parent Company financial statements

We have audited the consolidated financial statements, pp. 46-157, and the Parent Company financial statements of Danske Bank A/S, pp. 158-176, for the financial year 2014. The consolidated financial statements and the Parent Company financial statements comprise the income statement, statement of comprehensive income, balance sheet, statement of capital and notes for the Group as well as for the Parent Company and the consolidated cash flow statement. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the Parent Company financial statements have been prepared in accordance with the Danish Financial Business Act. Furthermore, the consolidated financial statements and the Parent Company financial statements have been prepared in accordance with Danish disclosure requirements for listed financial institutions.

Management's responsibility for the consolidated financial statements and the Parent Company financial statements

Management is responsible for preparing consolidated financial statements and Parent Company financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU (the consolidated financial statements), the Danish Financial Business Act (the Parent Company financial statements) and Danish disclosure requirements for listed financial institutions and for such internal control that management determines is necessary to enable the preparation of consolidated financial statements and Parent Company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the Parent Company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the Parent Company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the Parent Company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements and the Parent Company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of the consolidated financial statements and the Parent Company financial statements that give a true and fair view in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements and the Parent Company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

Opinion

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, shareholders' equity and financial position at 31 December 2014 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 2014 in accordance with the International Financial Reporting Standards as adopted by the EU in respect of the consolidated financial statements, in accordance with the Danish Financial Business Act in respect of the Parent Company financial statements, and in accordance with Danish disclosure requirements for listed financial institutions.

Statement on the management's report

Pursuant to the Danish Financial Business Act, we have read the management's report. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the Parent Company financial statements. On this basis, it is our opinion that the information provided in the management's report is consistent with the consolidated financial statements and the Parent Company financial statements.

Copenhagen, 3 February 2015
Ernst & Young
Godkendt Revisionspartnerselskab

Jesper Ridder Olsen	Ole Karstensen
State Authorised	State Authorised
Public Accountant	Public Accountant

Management and directorships – Board of Directors

OLE ANDERSEN

Chairman
Elected by the general meeting

Born on 11 July 1956
Nationality: Danish
Joined the Board on 23 March 2010 and was appointed Chairman in December 2011
Most recently re-elected in 2014
Independent

Chairman of the Remuneration Committee and the Nomination Committee and member of the Credit and Risk Committee

Competencies:
- Professional experience in leading and developing large financial and non-financial international companies
- Setting of corporate strategy, budgets and targets
- Financial and economic expertise
- General risk management experience

Directorships and other offices:
Bang & Olufsen A/S (chairman)
Chr. Hansen Holding A/S (chairman)
Zebra A/S (chairman)
EQT Partners (senior adviser)
NASDAQ OMX Nordic (member of the nomination committee)
The Danish Committee on Corporate Governance (member)

TROND Ø. WESTLIE

Vice Chairman
Elected by the general meeting

Group Chief Financial Officer and member of the executive board of A.P. Møller-Mærsk A/S

Born on 8 June 1961
Nationality: Norwegian
Joined the Board on 27 March 2012
Most recently re-elected in 2014
Independent

Member of the Audit Committee and the Nomination Committee

Competencies:
- Long executive experience in managing overall corporate financial affairs
- Funding of international companies requiring significant investments through debt and equity markets
- Strategic and business development expertise
- Experience in managing substantial international operations
- General risk management experience

Directorships and other offices:
A.P. Moller - Maersk Group (chairman or member of the boards of directors of 12 subsidiaries)
Danish Ship Finance A/S (Danmarks Skibskredit A/S) (member of the board of directors and of the audit committee)
Shama AS (CEO)
VimpelCom Ltd. (member of the board of directors and chairman of the audit committee)

URBAN BÄCKSTRÖM

Elected by the general meeting

Born on 25 May 1954
Nationality: Swedish
Joined the Board on 27 March 2012
Most recently re-elected in 2014
Independent

Member of the Credit and Risk Committee and the Nomination Committee

Competencies:
- Broad and in-depth experience with economics and finance
- Leading major financial companies and not-for-profit institutions
- Insight into the Swedish business sectors and international influence on these
- Experience with and knowledge of sophisticated risk models

Directorships and other offices:
Rederiet AB Gotland and a subsidiary (chairman)
Stiftelsen Fritt Näringsliv/Timbro (member of the board of directors)

LARS FÖRBERG

Elected by the general meeting

Managing Partner at Cevian Capital

Born on 30 November 1965
Nationality: Swedish
Joined the Board on 18 March 2013
Most recently re-elected in 2014
Independent

Member of the Remuneration Committee

Competencies:
- Extensive board and investment experience across multiple industries (including financial services) and geographies, in particular with companies managing strategic, operational and organisational change

Directorships and other offices:
Alent Plc. (member of the board of directors)
AB Volvo (member of the nomination committee)
Cevian Capital Ltd. (member of the board of directors)
Cevian Capital AG (chairman)

JØRN P. JENSEN
Elected by the general meeting

Deputy CEO and Chief Financial Officer of Carlsberg Breweries and Carlsberg A/S

Born on 2 January 1964
Nationality: Danish
Joined the Board on 27 March 2012
Most recently re-elected in 2014
Independent

Chairman of the Audit Committee

Competencies:
- Broad experience in international business operations and solid understanding of Danish and international financial reporting practices
- Funding of international companies requiring significant investments through debt and equity markets
- Knowledge of cultures and economic/political conditions in Danske Bank's markets
- General risk management experience

Directorships and other offices:
Carlsberg Group (chairman or member of the boards of directors of 16 subsidiaries and one affiliate)
Carlsberg Byen P/S and six subsidiaries (vice chairman or member of the boards of directors)
The Danish Committee on Corporate Governance (member)
DONG Energy A/S (vice chairman)

ROLV ERIK RYSSDAL
Elected by the general meeting

CEO, Schibsted ASA

Born on 7 November 1962
Nationality: Norwegian
Joined the Board on 18 March 2014
Independent

Competencies:
- Extensive consumer business experience, including experience with communication strategies.
- In-depth knowledge of digital business models and transformation processes.

Directorships and other offices:
Schibsted Media Group (chairman of the boards of directors of six subsidiaries)
J.E. Pedersen & Co. (member of the board of directors)

CAROL SERGEANT
Elected by the general meeting

Born on 7 August 1952
Nationality: British
Joined the Board on 18 March 2013
Most recently re-elected in 2014
Independent

Chairman of the Credit and Risk Committee and member of the Audit Committee

Competencies:
- Senior management experience from the public and private financial services sectors in the UK
- Broad and in-depth knowledge of credit and risk management and regulatory issues in the UK and Europe
- Significant change management experience

Directorships and other offices:
Private sector directorships:
Secure Trust Bank plc. (member of the board of directors)

Public policy positions:
Independent Project Board on audit of high cost and legacy defined contribution workplace pension schemes, UK Office of Fair Trading (chairman)

Charity and academic positions:
Public Concern at Work (UK whistleblowing charity) (chairman)
Cass Business School (member of the advisory board)
British Standards Institute Policy and Strategy Committee (chairman)
The Lloyds Register Foundation (trustee)
The Governing Council of the Centre for the Study of Financial Innovation (CSFI) (member)

JIM HAGEMANN SNABE
Elected by the general meeting

Born on 27 October 1965
Nationality: Danish
Joined the Board on 18 March 2013
Most recently re-elected in 2014
Independent

Member of the Remuneration Committee

Competencies:
- In-depth knowledge of IT systems and solutions
- High-level management experience from large international organisation
- Experience in strategy development and execution
- Understanding of banking and financial services sector

Directorships and other offices:
Allianz SE (member of the supervisory board)
Bang & Olufsen A/S (vice chairman)
SAP SE (member of the supervisory board)
Siemens AG (member of the supervisory board)
World Economic Forum (member of the Foundation Board and chair of the Forum's Centre for Global Industries)

KIRSTEN EBBE BRICH
Elected by the employees

Board member of Danske Kreds

Born on 15 July 1973
Nationality: Danish
Joined the Board on 18 March 2014

CARSTEN EILERTSEN
Elected by the employees

Vice Chairman of Danske Kreds

Born on 17 September 1949
Nationality: Danish
Joined the Board on 23 March 2010
Most recently re-elected in 2014

Directorships and other offices:
Apostelgaardens Fond (vice chairman)
Danske Unions
The Parish Church Council of Sct. Mortens Church, Næstved (vice chairman)
The Næstved Cemeteries

CHARLOTTE HOFFMANN
Elected by the employees

Senior Personal Customer Adviser

Born on 8 October 1966
Nationality: Danish
Joined the Board on 14 March 2006
Most recently re-elected in 2014

STEEN LUND OLSEN
Elected by the employees

Chairman of Danske Kreds

Born on 21 February 1972
Nationality: Danish
Joined the Board on 18 March 2014

Directorships and other offices:
Danske Unions (chairman)
Finansforbundet (Financial Services Union Denmark) (member of the executive committee)
Danske Bank Pensionskasse for førtidspensionister (member of the board of directors)

Management and directorships – Executive Board

THOMAS F. BORGEN
Chief Executive Officer

Born on 27 March 1964
Joined the Board on 1 September 2009

Directorships and other offices:
Danica Pension, Livsforsikringsaktieselskab (chairman)
Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999 (chairman)
Kong Olav V's Fond

TONNY THIERRY ANDERSEN
Head of Personal Banking

Born on 30 September 1964
Joined the Board on 1 September 2006

Directorships and other offices:
Bankernes Kontantservice A/S
Danske Bank International S.A. (chairman)
Danske Bank Oyj (chairman)
The Danish Bankers Association (chairman)
The Private Contingency Association for the Winding up of Distressed Banks, Savings Banks and Co-operative Banks (chairman)
Realkredit Danmark A/S (chairman)
YPO, Danmark (CFO)
Værdiansættelsesrådet
ICC Danmark
Danish Economic Council

JAMES DITMORE
Head of Group Services & Group IT (COO)

Born on 10 July 1960
Joined the Board on 21 April 2014

Directorships and other offices:
ITPeopleNetwork

LARS MØRCH
Head of Business Banking

Born on 11 May 1972
Joined the Board on 1 June 2012

Directorships and other offices:
Northern Bank Limited (chairman)
Danske Leasing A/S (chairman)
Realkredit Danmark A/S (vice chairman)
Grænsefonden (member of the board of directors)
Dagmar Marshalls Fond (member of the board of directors)

HENRIK RAMLAU-HANSEN
Chief Financial Officer

Born on 2 October 1956
Joined the Board on 1 January 2011

Directorships and other offices:
Forsikringsselskabet Danica, Skadeforsikrings-aktieselskab af 1999 (vice chairman)
Danica Pension, Livsforsikringsaktieselskab (vice chairman)
Kreditforeningen Danmarks Pensionsafvikling-skasse (chairman)
LR Realkredit A/S (member of the board of directors)
Realkredit Danmark A/S (member of the board of directors)

GLENN SÖDERHOLM
Head of Corporates & Institutions

Born on 26 July 1964
Joined the Board on 1 November 2013

Directorships and other offices:
Danish Ship Finance A/S (Danmarks Skibskredit A/S) (member of the board of directors and of the audit committee)

Supplementary information

FINANCIAL CALENDAR

18 March 2015	Annual general meeting
30 April 2015	Interim Report – First Quarter 2015
22 July 2015	Interim Report – First Half 2015
29 October 2015	Interim Report – First Nine Months 2015

CONTACTS

Henrik Ramlau-Hansen
Chief Financial Officer +45 45 14 06 66

Claus Ingar Jensen
Head of Investor Relations +45 45 12 84 83

LINKS

Danske Bank	danskebank.com
Denmark	danskebank.dk
Finland	danskebank.fi
Sweden	danskebank.se
Norway	danskebank.no
Northern Ireland	danskebank.co.uk
Ireland	danskebank.ie
Realkredit Danmark	rd.dk
Danske Capital	danskecapital.com
Danica Pension	danicapension.dk

Danske Bank's financial statements are available online at danskebank.com/Reports.

Other Danske Bank Group publications, available at danskebank.com/ir:

Corporate Responsibility 2014

Risk Management 2014

Danske Bank A/S
Holmens Kanal 2-12
DK-1092 København K
Tel. +45 33 44 00 00
CVR No. 611262 28-København
danskebank.com