Annual Report 2006

Danske Bank

Vision and mission of Danske Bank Group

Danske Bank Group focuses on conducting conventional banking business in the northern European markets based on state-of-the-art technology. The Group is a leading player in the Nordic markets.

"One platform – exceptional brands"
Vision

We have developed a solid and scalable platform to support our core business.

The platform consists of systems to manage IT, product development, communications, branding, credits, risk, HR development and finances. This platform allows all our units across borders to base their work on the same business model. We continually develop our business model through best practice activities and an active pursuit of new business opportunities. Our ambition is to build and maintain unique brands that respect our core values. We require that all our brands be unique in their markets and that they create value for our customers.

"To be the best local financial partner"
Mission

We will continue to develop our brands in their markets. Our goal is to create comprehensive and long-lasting partnerships to the mutual benefit of Danske Bank Group and our customers. We want to stand out from the rest of the industry in the local markets by offering the most attractive product propositions. Our product propositions are based on our high ambitions for competitiveness, advisory services, openness and value creation.

The annual general meeting of Danske Bank will be held on Tuesday, March 6, 2007, at 2.00pm at the Tivoli Concert Hall in Copenhagen.

This Annual Report 2006 is a translation of the original report in the Danish language (Årsrapport 2006). *In case of discrepancies, the Danish version prevails.*

Danske Bank Group – financial highlights

NET PROFIT FOR THE YEAR (DKr m)	2006	2005	2004	2003	2002
Net interest income	19,501	17,166	14,752	15,593	15,859
Net fee income	7,301	7,289	5,898	5,910	5,842
Net trading income	6,631	6,351	4,732	5,074	4,971
Other income	2,698	2,255	2,029	1,127	1,278
Net income from insurance business	1,355	1,647	1,657	1,958	268
Total income	37,486	34,708	29,068	29,662	28,218
Operating expenses	19,485	18,198	15,393	14,964	15,634
Profit before credit loss expenses	18,001	16,510	13,675	14,698	12,584
Credit loss expenses	-496	-1,096	759	1,662	1,420
Profit before tax	18,497	17,606	12,916	13,036	11,164
Tax	4,952	4,921	3,690	3,750	2,922
Net profit for the year	13,545	12,685	9,226	9,286	8,242
Attributable to minority interests	-12	4	28	-	-

BALANCE SHEET AT DEC. 31 (DKr m)					
Bank loans and advances	1,054,322	829,603	615,238	523,055	478,840
Mortgage loans	602,584	569,092	524,428	497,563	469,506
Trading portfolio assets	490,954	444,521	422,547	588,986	545,719
Investment securities	26,338	28,712	31,505	-	-
Assets under insurance contracts	194,302	188,342	163,205	-	-
Other assets	370,861	371,718	295,584	216,530	257,488
Total assets	2,739,361	2,431,988	2,052,507	1,826,134	1,751,553
Due to credit institutions and central banks	564,549	476,363	353,369	299,880	319,573
Deposits	702,943	631,184	487,863	483,884	427,940
Issued mortgage bonds	484,217	438,675	432,399	603,120	567,912
Trading portfolio liabilities	236,524	212,042	215,807	142,992	162,453
Liabilities under insurance contracts	215,793	212,328	191,467	-	-
Other liabilities	391,212	343,470	271,214	202,258	182,146
Subordinated debt	48,951	43,837	33,698	33,549	31,210
Shareholders' equity	95,172	74,089	66,690	60,451	60,319
Total liabilities and equity	2,739,361	2,431,988	2,052,507	1,826,134	1,751,553

RATIOS AND KEY FIGURES					
Net profit for the year per share, DKr	21.5	20.2	14.4	13.3	11.5
Diluted net profit for the year per share, DKr	21.4	20.2	14.4	-	-
Net profit for the year as % of average shareholders' equity	17.5	18.4	13.9	15.2	14.0
Cost/income ratio, %	52.0	52.4	52.7	50.4	55.4
Solvency ratio, incl. net profit for the year, %	11.4	10.3	10.2	11.0	10.5
Core (tier 1) capital ratio, incl. net profit for the year and hybrid core capital, %	8.6	7.3	7.7	7.7	7.6
Risk-weighted items, end of year, DKr bn	1,119	944	808	767	774
Share price, end of year, DKr	250.0	221.2	167.5	138.8	117.4
Book value per share, DKr	139.1	118.2	106.7	89.9	84.8
Full-time-equivalent staff, end of year	19,253	19,162	16,235	16,935	17,817

For 2004-2006, items are valued in accordance with the IFRS. For 2002-2003, items are valued in accordance with the rules in force at that time.

Summary

The year 2006 was another good year for Danske Bank Group.

Net profit rose 7% to DKr13,545m. In 2005, net profit stood at DKr12,685m.

The year 2006

The Group saw considerable growth in its principal markets during the year, and strong demand for its products led to an increase in income of 8%.

As expected, the integration of Northern Bank and National Irish Bank affected expenses. Excluding integration costs, the trend in expenses reflected the general rise in prices.

The favourable economic conditions supported the growth of lending to and deposits from retail and corporate customers throughout the year. In addition, the good quality of the loan portfolio resulted in a net positive entry for credit loss expenses again in 2006.

Overall, equity markets exhibited an upward trend during the year.

Acquisition of Sampo Bank

In November 2006, the Danske Bank Group entered into an agreement to buy all the shares of the Finnish Sampo Bank. The purchase price was €4.05bn. The transaction, which was the largest acquisition ever made by the Group, was equivalent to 19% of Danske Bank's total market capitalisation.

The purchase was approved at the end of January 2007, which means that Sampo Bank was not consolidated in the 2006 accounts of Danske Bank.

The Group's investment in Finland is in line with its strategy of expanding its retail banking activities in northern Europe, and the Group expects to complete the integration of Sampo Bank's Finnish activities on its IT platform at Easter 2008.

With the purchase, the Group establishes a strong basis for future growth through which it expects to create value for its shareholders. Danske Bank expects the purchase of Sampo Bank to have a positive effect on its earnings per share from the second half of 2008.

To fund the acquisition, the Danske Bank Group issued 60,500,000 shares in November 2006, generating net proceeds of DKr14.5bn. The issue equalled 9.48% of the registered share capital.

New capital targets

Security has been provided for a considerable part of the Group's loan portfolio, and therefore the overall risk exposure is relatively low. The acquisition of Sampo Bank will contribute to greater diversification of the Group's earnings base. As a consequence of the purchase and as a result of the new capital requirements, Danske Bank changed its capital targets. The targets are now a core (tier 1) capital ratio, excluding hybrid core capital, of 5.5-6.0% and a hybrid core capital ratio of 1.0-1.5%.

Shareholders

The total return on Danske Bank shares in 2006 was 18%. It consisted of an increase in price of 13% and a dividend for the financial year 2005 of 5%.

The Board of Directors is proposing that the general meeting approve a dividend of DKr7.75 per share, or 40% of the net profit of the Group, corresponding to a total dividend payment of DKr5,416m.

Capital management

On January 1, 2007, the new Capital Requirements Directive took effect, allowing financial institutions to choose between various methods to fulfil the capital adequacy requirements. In 2006, the Group applied to the Danish FSA for approval to use the advanced internal ratings-based method to calculate the capital requirement for its credit risks.

The Group expects to incorporate the new methods from 2008, with full effect of the directive in 2010.

Corporate social responsibility

In 2006, the Board of Directors of Danske Bank adopted a corporate social responsibility policy for the Group. As a result, a new Web site (www.danskebank.com/csr) was introduced at the presentation of the report for the first half of 2006, and together with the Annual Report 2006, the Group is publishing its Corporate Social Responsibility 2006 report. Additional information is available on the Web site.

Merger of BG Bank and Danske Bank

Danske Bank Group has decided to gather the activities of BG Bank and Danske Bank Denmark in a single banking division with the name Danske Bank. The two brands have become so similar that there are no longer good grounds for maintaining two separate banking operations. The change will take effect on April 10, 2007, when all building facades and printed matter from the Bank will bear the Danske Bank name.

The merger of the two divisions is expected to entail a one-off expenditure of DKr275m. The Group expects to be able to save DKr300m each year through the merger, with full accounting effect in 2010. In 2007, the merger is expected to be cost-neutral.

Outlook

At the outset of 2007, the Danske Bank Group had further strengthened its market position through the acquisition of Sampo Bank and its continued focusing and streamlining of the Group organisation. As the macroeconomic conditions in the principal markets of the Group are expected to remain favourable and ensure a sound basis for further expansion of the business volume, the Group believes that 2007 will be another satisfactory year.

Trading income and income from insurance business will, however, continue to depend greatly on trends in the financial markets, including the level of securities prices at the end of the year.

Profit before credit loss expenses is expected to roughly match the level recorded in 2006 despite integration expenses and amortisation of intangible assets associated with Sampo Bank.

Assuming favourable economic trends and satisfactory loan portfolio quality, the Group expects to record relatively modest credit loss expenses in 2007.

Profit before tax, including the result from Sampo Bank, is expected to be somewhat lower than the level in 2006.

Financial review

In 2006, Danske Bank Group realised a net profit of DKr13,545m, against DKr12,685m in 2005.

Pre-tax profit amounted to DKr18,497m, which was better than expected at the presentation of the report for the first nine months of 2006. The result constituted an increase of 5% relative to the pre-tax profit recorded in 2005. The growth in profit generated by the Group's banking activities outperformed the growth rate realised by the segment in 2005.

Income

The positive trend in income continued in 2006. Income rose by DKr2,778m, or 8%, on the level recorded a year ago to DKr37,486m. Income from banking activities grew by DKr3,068m, of which Northern Bank and National Irish Bank accounted for DKr848m. The accounts for 2006 include the financial results of the Group's activities in Northern Ireland and the Republic of Ireland for the full year as opposed to the accounts for 2005, which covered only the period from March to December for these markets.

Net interest income rose 14% to DKr19,501m. Excluding net interest income from Northern Bank and National Irish Bank, the increase amounted to 11%. The positive trend in net interest income was due to continued lending growth, which more than compensated for the narrowing of lending margins. Home financing products secured on real property and lending to corporate customers accounted for the largest shares of growth. Higher interest rates contributed to a widening of deposit interest margins.

Net fee income remained stable at the level recorded in 2005. The increase in fee income of 7% generated by the Group's banking activities could not compensate for the decline in income from mortgage lending owing primarily to the fact that the record-high refinancing activity in 2005 returned to a more normal level in 2006.

Net trading income rose by 4% to DKr6,631m. Net trading income in 2005 also included one-off income of around DKr0.8bn. Excluding the one-off income, net trading income rose 19%. The increase was attributable to customer-driven activities and an improved investment return.

The increase in other income of 20% to DKr2,698m was owing primarily to leasing and real-estate agency business.

Net income from insurance business fell from DKr1,647m in 2005 to DKr1,355m. The increase in business volume could not compensate for profit policy adjustments and the booking of risk allowance from previous years in the fourth quarter of 2005. The health and accident business showed improvement, but the result remained unsatisfactory.

Operating expenses

Operating expenses rose by 7% to DKr19,485m. Excluding the expenses of acquired units, the increase amounted to 1.6% due to a generally higher level of activity. The cost/income ratio improved from 52.4% to 52.0%.

Credit loss expenses

As in 2005, the Group recorded a net positive entry for credit loss expenses. The positive result, which amounted to DKr496m, against DKr1,096m in 2005, reflected the persistently favourable economic conditions that led to a low level of new impairment charges and reversals of charges previously made.

Tax
The Group's tax charge for 2006 is calculated to be DKr4,952m, corresponding to an effective tax rate of 27%.

Return on equity
The return on equity stood at 17.5%, against 18.4% in 2005. Net profit for the year per share increased from DKr20.2 to DKr21.5, or 6%.

Capital and solvency

Share capital
At the end of 2006, the share capital totalled DKr6,988,042,760, and shares numbered 698,804,276. This number includes the issue of 60,500,000 shares in November 2006 to fund the acquisition of Sampo Bank. The number of shares outstanding at the end of 2006 was 684,286,799, and the average number of shares outstanding in 2006 was 631,445,484.

Shareholders' equity
Shareholders' equity was DKr95bn at the end of 2006, against DKr74bn at the end of 2005. The change reflects primarily the share issue, the recognition of the profit for the year and the dividend payment in March 2006.

The Board of Directors is proposing that the general meeting approve a dividend of DKr7.75 per share, or 40% of the net profit of the Group, corresponding to a total dividend payment of DKr5,416m.

Solvency
The solvency ratio at the end of 2006 was 11.4%, of which 8.6 percentage points derived from the Group's core (tier 1) capital, against 10.3% and 7.3%, respectively, at the end of 2005.

The core (tier 1) capital ratio, excluding hybrid core capital, amounted to 7.6%, against 6.6% in 2005. Both the solvency ratio and the core (tier 1) capital ratio benefited from the proceeds from the share issue.

Excluding the proceeds, the solvency ratio and the core (tier 1) capital ratio stood at 10.1% and 6.3%, respectively, at the end of 2006.

The increase in risk-weighted items from DKr944bn at the end of 2005 to DKr1,119bn at the end of 2006 was attributable primarily to lending growth and the equity forward contract worth around DKr30bn that will run until the acquisition of Sampo Bank has been finalised.

Capital targets
Danske Bank Group changed its capital targets in connection with the acquisition of Sampo Bank.

The adjustments should be seen in light of the large share of the Group's loan portfolio for which security has been provided, the coming implementation of the new Capital Requirements Directive (CRD) and the Group's greater geographical diversification resulting from the acquisition of Sampo Bank.

The capital targets were changed to a core (tier 1) capital ratio, excluding hybrid core capital, of 5.5-6.0%; a hybrid core capital ratio of 1.0-1.5%; and a solvency ratio of 9.0-10.0%. The payout ratio target is maintained at 30-50%, and the Group expects to maintain the payout ratio for the 2007 financial year at 40% of the net profit.

CAPITAL TARGETS (%)	NEW	PREVIOUS
Core (tier 1) capital ratio, excluding hybrid core capital	5.5-6.0	6.0-6.5
Hybrid core capital ratio	1.0-1.5	0.5-1.0
Solvency ratio	9.0-10.0	9.0-10.0
Payout ratio	30-50	30-50

Balance sheet

Lending

Bank lending, excluding reverse transactions, rose by DKr140bn, or 23%, from the end of 2005 to DKr760bn at the end of 2006.

Loans and advances, excluding reverse transactions, extended by the Group's banking operations in Denmark rose by DKr52bn, or 20%.

Loans and advances extended by the Group's non-Danish banking operations grew by DKr85bn, or 26%. Northern Bank and National Irish Bank accounted for DKr35bn of the increase; DKr13bn of this amount was owing to the fact that loans and advances are no longer netted against deposits held by the same customers.

Lending by Danske Markets rose DKr6bn, or 18%, from the end of 2005. Lending at Danske Markets comprises facilities with selected corporate and institutional clients.

Mortgage loans measured at fair value stood at DKr603bn at the end of 2006, up 6% on the level recorded a year before. The private market accounted for 62% of the mortgage loan portfolio at the end of the year, and the nominal outstanding bond debt rose by DKr46bn to DKr609bn.

Bank loans and advances to retail customers rose by 16%, whereas loans and advances to corporate customers grew by 26% on the figure recorded a year earlier.

Reverse transactions were up DKr85bn from the level at the end of 2005 to DKr295bn, primarily as a result of increased activity in the international repo market.

Deposits

Deposits, excluding repo transactions, totalled DKr599bn, against DKr533bn at the end of 2005, a rise of 12%. Deposits, excluding repo transactions, at the Group's banking operations in Denmark rose by DKr24bn, or 8%, from the end of 2005. Deposits at the Group's non-Danish banking operations grew by DKr42bn, or 28%. Deposits at Northern Bank accounted for DKr20bn of the increase; DKr13bn of this amount was owing to the fact that loans and advances are no longer netted against deposits held by the same customers.

Trading portfolio assets

Trading portfolio assets rose by DKr46bn, or 10%, from DKr445bn at the end of 2005 to DKr491bn. The increase was owing to larger bond holdings.

The Group uses the Value-at-Risk (VaR) measure to determine the daily market risk of its exposures. VaR expresses, at a confidence level of 99%, the maximum amount that the Group would lose assuming that the exposure was maintained for 10 days. Excluding Danica Pension, the Group's interest VaR amounted to DKr84m at the end of 2006, against DKr132m a year earlier.

Integration of Northern Bank and National Irish Bank

At the end of 2006, the Group had realised half of the estimated synergies of DKr350m. The Group expects to realise all estimated synergies by the end of 2007, with full accounting effect from 2008.

Overall integration costs are expected to total some DKr1.5bn. At the end of 2006, costs realised totalled DKr1.4bn, of which DKr0.2bn had been recognised as development costs under intangible fixed assets. Costs for the completion of the integration process are expected to be realised by the end of 2007.

Sampo Bank

In November 2006, Danske Bank entered into an agreement to buy all the shares of Sampo Bank of Finland. The purchase price was €4.05bn.

The purchase was approved at the end of January 2007, which means that Sampo Bank was not consolidated in the 2006 accounts of Danske Bank.

With the purchase of Sampo Bank, the Danske Bank Group strengthens its position as a competitive player on the entire Nordic market. The investment in Finland is in line with the Group's strategy of expanding its retail banking activities in northern Europe.

Danske Bank expects to complete the integration of Sampo Bank's Finnish activities on its IT platform at Easter 2008. It has not yet been decided when to integrate the still relatively small operations in Estonia, Latvia, Lithuania and Russia.

Sampo Bank will be adjusted to Danske Bank's organisational structure, and its administrative functions will be integrated on the Group's international platform. Sampo Bank will continue to operate under its own brand name.

Profile

Sampo Bank is Finland's third-largest bank. It has subsidiaries in Estonia, Latvia and Lithuania and recently acquired a small bank in Russia. Sampo Bank has 125 branches in Finland and about 3,500 employees. Its subsidiaries in Estonia, Latvia and Lithuania have a total of 33 branches and some 1,100 employees.

Sampo Bank's business focus is on retail customers, small and medium-sized business customers and institutional clients.

With 1.1 million retail customers and 100,000 corporate customers, Sampo Bank holds 15% of the retail market and 20% of the corporate market in Finland. Most of the bank's business with retail customers is within home financing.

Sampo Bank is technologically advanced and has 800,000 online banking customers.

Most of the bank's business originates in Finland, but the subsidiaries in Estonia, Latvia and Lithuania have seen considerable growth and rising market shares within home financing in particular. Sampo Bank is the third-largest foreign bank in the Baltic region.

In 2006, Sampo Bank took over Industry and Finance Bank in St. Petersburg with a view to expanding its potential for serving large Finnish corporate customers doing business in Russia.

The future

With the purchase, Danske Bank expects to create a very strong basis for future growth.

Furthermore, the acquisition will support Danske Bank's business platform and help create value for the Bank's shareholders. Danske Bank expects the purchase of Sampo Bank to have a positive effect on its earnings per share from the second half of 2008.

The integration of Sampo Bank on Danske Bank's IT platform and the organisation of the administrative functions are estimated to generate annual cost and funding synergies of DKr0.6bn (DKr0.1bn in 2007, DKr0.3bn in 2008 and DKr0.2bn in 2009), with full accounting effect from 2010.

Until 2009, Danske Bank expects to incur expenses for the integration of Sampo Bank's activities of DKr1.6bn, which break down into DKr0.5bn in 2007, DKr0.8bn in 2008 and DKr0.3bn in 2009.

PRELIMINARY BREAKDOWN OF PURCHASE PRICE (DKr bn)	
Purchase price	30.2
Costs	0.6
Total purchase price	30.8
Net assets (excluding the items below)	9.3
Customer relations (deposits)	4.4
Other customer relations	0.3
Right to name	0.3
Deferred tax	-1.3
Goodwill	17.8

Purchase price

The purchase price for Sampo Bank was €4.05bn, or DKr30.2bn. Expenses amount to DKr0.6bn: DKr0.5bn for share transfer tax and DKr0.1bn for consultants' fees and similar expenses.

The fair value of the net assets of Sampo Bank is currently estimated at DKr9.3bn. The remainder of the purchase price includes DKr4.4bn for relations with deposit customers and DKr0.3bn for relations with other customers. The amortisation periods are expected to be fixed at 10 years and 5 years, respectively. The right to the business name is considered to have an indefinite economic life and is currently valued at DKr0.3bn. Consequently, goodwill is estimated at DKr17.8bn.

Pro forma financial highlights for 2006

The table below shows selected financial highlights on the assumption that Sampo Bank had been acquired with effect from January 1, 2006. The figures for Sampo Bank are based on the average of the estimates for Sampo Bank's financial results for 2006 provided by four equity analysts. The presentation does not factor in amortisation of intangible assets, integration expenses and finance costs.

The Group will publish financial highlights for 2006 for the pro forma consolidated Group once the purchase is completed and Sampo Bank has presented its accounts for 2006 and the opening balance sheet.

PRO FORMA 2006 PRE-TAX PROFIT FOR THE YEAR (DKr m)	DANSKE BANK GROUP	SAMPO BANK CONSENSUS	TOTAL DANSKE BANK GROUP AFTER ACQUISITION (PRO FORMA)
Net interest income	19,501	2,789	22,290
Net fee income	7,301	1,913	9,214
Net trading income	6,631	869	7,500
Other income	2,698	403	3,101
Net income from insurance business	1,355	-	1,355
Total income	37,486	5,974	43,460
Operating expenses	19,485	3,274	22,759
Profit before credit loss expenses	18,001	2,700	20,701
Credit loss expenses	-496	-4	-500
Profit before tax	18,497	2,704	21,201

Outlook for 2007

The Group's outlook for 2007 is based on the pro forma financial highlights for 2006 shown on page 11.

The year 2007 is expected to be another satisfactory year for Danske Bank Group.

At the outset of 2007, the Danske Bank Group had further strengthened its market position through the acquisition of the Sampo Bank group and its continued focusing and streamlining of the Group organisation.

In 2007, Europe is likely to see a rise in average interest rates and moderate economic growth. The Group expects growth in its principal markets to continue to outperform average euro-zone growth, although at a lower level than in 2006.

Net interest income is expected to rise by 8-10%, primarily as a result of double-digit lending growth in the markets on which the Group operates and the likely rise in average interest rates.

Net fee income is expected to be slightly higher than in 2006, due mainly to an increase in trading volume on the securities markets and despite expenses for the credit default swaps entered into in connection with the financing of the acquisition of Sampo Bank. Mortgage finance activities are expected to remain unchanged.

Net trading income is expected to be 7-9% lower than the high level recorded in 2006. The Group expects to maintain its market position, but trading income will continue to depend greatly on trends in the financial markets, including the level of securities prices at the end of the year.

Other income is likely to fall by 12-17% as the Group does not expect to realise income from the sale of property on the scale recorded in 2006.

The Group does not expect to achieve an investment return from its insurance business similar to the high return generated in 2006. Overall, net income from insurance business is expected to fall by 13-15%. This result will, however, also depend greatly on trends in the financial markets.

The Group expects operating expenses to rise by 4-6%. The increase is attributable primarily to integration costs, the amortisation of intangible assets associated with the acquisition of Sampo Bank, and the general increase in salaries and inflation. Excluding integration costs and amortisation of intangible assets associated with Sampo Bank, operating expenses are expected to increase by 1-3%.

Profit before credit loss expenses is expected to roughly match the level recorded in 2006.

The Group does not expect to realise a net positive entry for credit loss expenses as was the case in 2006. However, the Group assumes favourable economic trends and satisfactory loan portfolio quality and therefore expects to record relatively modest credit loss expenses in 2007.

Profit before tax for 2007 is therefore expected to be somewhat lower than the level in 2006.

The Group expects its tax rate to be 27%.

	DANSKE BANK, INCL. SAMPO BANK 2006 (PRO FORMA) (DKr m)	OUTLOOK 2007 (%)
Net interest income	22,290	8 - 10
Net fee income	9,214	0 - 2
Net trading income	7,500	(7) - (9)
Other income	3,101	(12) - (17)
Net income from insurance business	1,355	(13) - (15)
Total income	43,460	0 - 2
Total operating expenses	22,759	4 - 6
Profit before credit loss expenses	20,701	(2) - 0

( ) denotes a fall.

Organisation and management

As part of its efforts to achieve its vision and mission, the Group continued to implement the Danske Banking Concept in its six retail banking divisions.

The concept focuses on increased standardisation of the Group's business model across branded divisions to further streamline the activities of the individual retail banks and to gain more time to serve customers. Consequently, in the autumn of 2006, group management adjusted the role of support functions. Development projects that concern all units of the Group are now managed by head office support functions, whereas activities that target only a single brand are handled by the support functions of the division in question.

The Danske Banking Concept will help the Group achieve its mission to be "the best local financial partner". The Danske Banking Concept both supports the use of the Group's shared platform (systems to manage IT, product development, communications, HR, finances and risk) and ensures the necessary adaptation to local conditions.

The Group vision of creating "one platform – exceptional brands" was clearly reflected in the successful migration of the systems of National Irish Bank and Northern Bank to the Group's shared IT platform during Easter 2006.

Management

In addition to ensuring compliance with statutory requirements, the management structure of the Danske Bank Group aims at achieving maximum security in operations.

Key elements of the management structure are fixed authorisations, requirements for ongoing reporting and considerable transparency in the Group's activities. Group standards for risk management, financial planning and control, credit approval, HR development, compliance and the shared IT platform ensure a well-structured management of all activities.

The management's ambition is to continually adjust its structure to make sure that the Group can maintain the highest possible management standards and transparency for shareholders.

In August 2006, Danske Bank published its "Corporate Governance Fact Sheet" and restructured its corporate governance Web site (www.danskebank.com/cg) to further enhance transparency.

Management structure

The management structure of the Group reflects the statutory requirements governing listed Danish companies in general and financial services institutions in particular. The general meeting elects the Board of Directors and the external auditors. The Board of Directors appoints the Executive Board, the Secretary to the Board of Directors, the Group Chief Auditor and the Deputy Group Chief Auditor and determines their remuneration.

According to the Danish Financial Business Act, members of the Executive Board may not sit on the Board of Directors.

The corporate governance principles of the Danske Bank Group comply with the recommendations issued by the Copenhagen Stock Exchange except for the recommendations on the term of office of board members and their number of other directorships. The Group prefers a two-year period of service to achieve a certain continuity in the composition of the Board of Directors. Furthermore, the Group believes that simply counting the directorships of each board member is not a useful method as the workload varies from one company to another.

General meeting

According to the Articles of association, the shareholders of Danske Bank are entitled to attend as well as to table proposals, speak and vote at the general meeting, provided that they observe a few simple formalities.

Danske Bank plans to webcast the Chairman's report at the annual general meeting also in 2007.

The Group has only one class of shares and no limitations on holdings, voting rights or other opportunities for the shareholders to influence decisions. The Articles of association and statutory provisions set the framework for the management of the Group and the general meeting. Only the general meeting may amend the Articles of association.

At an extraordinary general meeting of Danske Bank on August 8, 2006, a number of secondary names for the Bank were adopted as a step in the process of converting foreign subsidiaries into branches and as a way of protecting the names and retaining the rights to them for future use.

Board of Directors and Executive Board

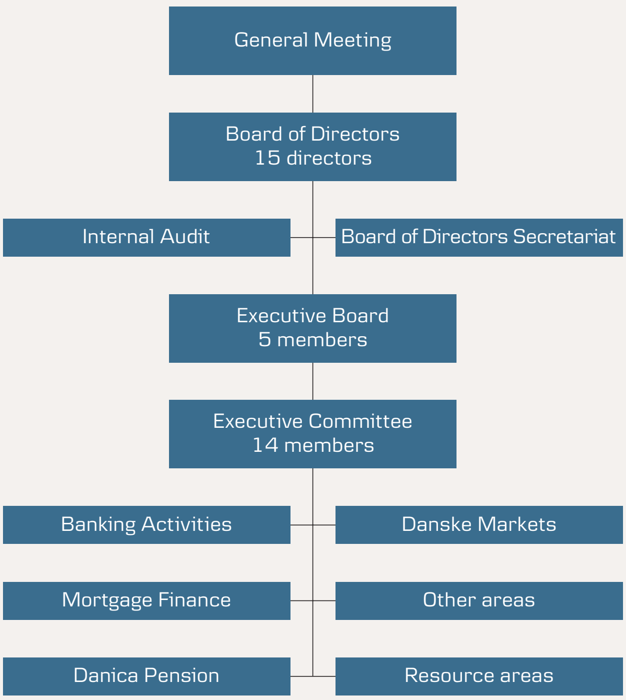
According to the Articles of association, members of the Board of Directors are elected by the general meeting for terms of two years. At the annual general meeting, half of the members are up for election.

The Board of Directors considers all the members elected by the general meeting to be independent.

In accordance with Danish legislation, the staff elect a number of representatives to serve on the Board of Directors for a four-year period. The current staff representatives were elected in the spring of 2006, and consequently their term of office will expire in 2010.

According to the division of powers, the Board of Directors outlines the overall principles governing the affairs of Danske Bank, whereas the Executive Board is in charge of day-to-day management and reports to the Board of Directors. The Rules of procedure for the Board of Directors and the Executive Board lay down the exact division of duties and responsibilities. A summary of these rules is available at www.danskebank.com/cg.

MANAGEMENT STRUCTURE



The Board of Directors held 15 meetings during the year, including a lengthy strategy meeting.

Recruitment and assessment of directors

The Chairman of the Board of Directors assesses the Board's work and the work of the individual directors. In 2006, the Chairman held performance appraisal interviews with each of the board members elected by the general meeting. The Chairman held a joint performance appraisal interview with the board members elected by the staff. The Board of Directors subsequently reviewed the outcome of these interviews.

Shareholders and the Board of Directors may nominate Board candidates. In 2006, the Board's Nomination Committee met to discuss the conclusions of the appraisal interviews. Moreover, the Committee discussed the professional skills and expertise required of Board members to match the sphere of interest of an international financial services provider such as the Bank.

The Board of Directors does not see an immediate need to change its composition.

Board committees

As stipulated by Danish law, the four board committees are not authorised to make independent decisions. The committees report and submit proposals to the Board of Directors.

In addition to the Nomination Committee, the Board of Directors has set up three committees: the Credit Committee, the Audit Committee and the Salary and Bonus Committee.

Certain credit applications are submitted to the Credit Committee for review on an ongoing basis. In addition, the committee met on three occasions in 2006 to discuss the new capital adequacy rules, the Group's application procedure under the new regime, the Group's risk management models and its stress tests for quantification and management of risk. Finally, the committee met to review the facilities on a special watch list in accordance with its charter.

The Audit Committee met three times in 2006 to review and discuss drafts of long-form audit reports prepared by the internal and external auditors. Furthermore, the committee discussed last year's audit plan, the co-operation between the organisation and the internal and external auditors and their distribution of work, as well as the coming year's audit strategy and budgets. The two latter points were discussed at a meeting which was not attended by members of the Executive Board.

The Salary and Bonus Committee met twice to discuss the salary and remuneration programmes of the Group and to prepare suggestions for the remuneration of the members of the Executive Board. As part of its work, the committee reviewed the Group's incentive programmes and their correlation with value creation within the Group. The salary and remuneration programmes were subsequently reviewed by the Board of Directors, which did not find any immediate need to adjust the structure of the programmes.

Executive Board

Three new members were appointed to the Executive Board with effect from September 1, 2006: Tonny Thierry Andersen, head of Group Finance;

Sven Lystbæk, head of the Shared Services Centre; and Per Skovhus, head of Group Credits.

One of the reasons for the appointment of additional members to the Executive Board was to establish a closer relationship between the Board of Directors and the heads of vital functions within the Group.

In June 2007, Jakob Brogaard, Deputy Chairman of the Executive Board, will reach the age of 60 and has decided to retire with effect from June 30, 2007.

The Executive Committee

Steen Blaafalk, head of Danske Markets, joined the Executive Committee in September 2006, while Jørgen Michael Klejnstrup resigned from the committee to join the Executive Board of Danica Pension. After the gathering of the Group's wealth management activities at Danske Capital, Managing Director Niels-Ulrik Mousten joined the Executive Committee on January 1, 2007. Søren Kaare-Andersen resigned from the Executive Committee on January 3, 2007. The committee now consists of 14 members who represent the Group's large banking business areas and support functions.

Remuneration

The remuneration of the management is determined on the basis of the Group's remuneration policy, which is available at www.danskebank.com/cg.

Members of the Board of Directors receive a fixed fee only.

The Board of Directors determines the Executive Board's remuneration, which consists of fixed salaries, various types of incentive programmes and pensions.

Information on remuneration of the individual directors and the members of the Executive Board appears in note 8 to the accounts of the Danske Bank Group.

See www.danskebank.com/cg for information on Danske Bank shares held by the individual members of the Board of Directors and the Executive Board.

Danske Bank shares

Danske Bank's overall financial objective is to provide its shareholders with a competitive return.

Shareholder value is created through share price appreciation and dividend payments based on a healthy growth in profits. The Group seeks to fulfil its ambition by continually developing its core business, streamlining operating processes and optimising capital and risk management.

Danske Bank shares in 2006

Share capital totalled DKr6,988,042,760 at the end of 2006 after the issue of 60,500,000 shares in November to fund the acquisition of Sampo Bank. The shares were offered as a direct placement to corporate and institutional investors. The issue represented 9.48% of Danske Bank's registered share capital, and the subscription price was DKr242.50.

DANSKE BANK SHARES	2006	2005
Share price, end of year, DKr	250.0	221.2
Total market capitalisation, end of year, DKr bn	171.1	138.6
Net profit for the year per share, DKr	21.5	20.2
Dividend per share, DKr	7.75	10.00
Book value per share, DKr	139.1	118.2
Share price/book value per share, DKr	1.8	1.9

The share price rose by 13.0% in the course of the year to DKr250.04, and the dividend per share was DKr10. The total return on Danske Bank shares in 2006 was thus 18.0%.

In comparison, the MSCI European Banks Index increased by 31.3%, and the Danish OMXC20 index rose 10.5% (both figures exclude dividends).

In the past five calendar years, Danske Bank shares have generated an average return to shareholders, including dividends, of 18.2% annually.

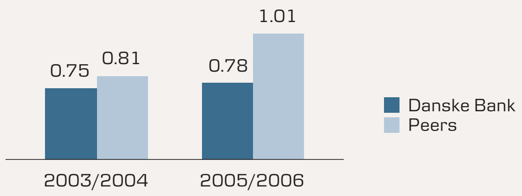
The return on Danske Bank shares must be assessed on the basis of the risk involved. Share price volatility can be used to measure this risk.

The price volatility of Danske Bank shares has been stable for a number of years, whereas some of the Bank's peers have seen increases in the volatility of their share prices. The risk of holding Danske Bank shares has been relatively lower than that of holding shares issued by selected other banks.

The low risk is assumed to stem from the Group's business strategy of operating in multiple markets in northern Europe. The recent acquisition of Sampo Bank contributed to lowering the risk of Danske Bank. Through diversification of activities, the Group reduces its systematic risk.

Moreover, the Group believes that the relatively low volatility is reinforced by the high level of transparency as regards information about the Group, for example detailed financial and corporate governance information, and the extensive supply of in-depth information for investors and analysts.

BETA VALUE OF DANSKE BANK SHARES



In recent years, the beta value of Danske Bank's shares has been consistently lower than 1, which means that the volatility of the Bank's shares has been lower than the market average.

At the end of 2006, the total market capitalisation of the Danske Bank Group was DKr171.1bn, which was 23.4% higher than at the end of 2005. Part of the increase was attributable to the share issue in November, which accounted for 9.48% of the registered share capital.

Dividends to shareholders

The Board of Directors is proposing that the general meeting approve a dividend of DKr7.75 per share for the financial year 2006, or 3.1% of the share price at the end of 2006, corresponding to a total dividend payment of DKr5,416m.

Danske Bank's shareholders

At the end of 2006, Danske Bank had about 298,000 shareholders. According to the Danish Companies Act, shareholders must notify a company if their shareholding exceeds 5% of the company's share capital or exceeds higher percentages divisible by 5. At the publication of the Annual Report 2006, two shareholder groups had notified the Bank that they hold more than 5% of its share capital:

- A.P. Møller and Chastine Mc-Kinney Møller Foundation and companies of the A.P. Møller - Maersk Group, Copenhagen, hold 22.27% of the share capital.
- Realdania, Copenhagen, holds 11.88% of the share capital.

In addition, Danske Bank itself holds 2.1% of the share capital.

The number of voting shares is identical to the stated shareholdings.

IR information

In 2006, the Group further strengthened its investor relations activities and won several awards from Danish and international financial analysts and asset managers. Moreover, the Group launched a number of new features on its Web site, including detailed information about the acquisition of Sampo Bank.

During the year, Danske Bank met with more than 300 investors in Denmark and in financial hubs throughout Europe, the US and Canada.

General meeting

Shareholders will be notified of the annual general meeting on March 6, 2007, through the daily newspapers. The shareholders who attended the 2006 annual general meeting represented just over 46% of the share capital. The Board of Directors was granted authority to represent a limited number of shareholders by proxy. In accordance with the Bank's practice, these proxy powers were effective only for that particular general meeting.

Corporate social responsibility

In 2006, the Board of Directors adopted a corporate social responsibility policy for the Group's responsibility vis-à-vis customers, staff, the environment and society. With this policy, the Group wants to ensure a high level of integrity in all dealings with stakeholders, to minimise any adverse effects it may have on the environment and to contribute to mutually beneficial financial results for the Group and its stakeholders.

For a number of years, the Group has operated on the basis of its core values and other guidelines that support good relationships with stakeholders and its contribution to society. The new policy further formalises the Group's corporate social responsibility and commits the Group to further increase the transparency of its activities for its stakeholders. One element of this work was the launch of a new CSR Web site.

Together with the Annual Report 2006, the Danske Bank Group presents its first Corporate Social Responsibility report. The latter provides insight into activities directed at customers, staff, the environment and society as well as the Group's CSR plans for the years ahead.

Additional information about Danske Bank's corporate social responsibility is available at www.danskebank.com/csr.

Management and directorships

At Danske Bank's annual general meeting on March 14, 2006, Alf Duch-Pedersen, General Manager; Henning Christophersen, Partner at KREAB Brussels; Sten Scheibye, Chief Executive of Coloplast A/S; Claus Vastrup, Professor of Economics at University of Aarhus; and Birgit Aagaard-Svendsen, Executive Vice President and CFO of J. Lauritzen A/S, were re-elected to the Board of Directors. The Board of Directors re-elected Alf Duch-Pedersen, General Manager, as Chairman and Jørgen Nue Møller, General Manager, and Eivind Kolding, Partner of the firm A.P. Møller, as Vice Chairmen.

In the first quarter of 2006, the staff elected five board members, corresponding to half the number of members elected by the general meeting: Helle Brøndum, Bank Clerk; Charlotte Hoffmann, Personal Customer Adviser; Verner Usbeck, Assistant Vice President; Per Alling Toubro, Chairman of Danske Kreds; and Solveig Ørteby, Vice Chairman of Danske Kreds, were elected or re-elected to the Board of Directors. Tove Abildgaard, Personal Customer Adviser; René Holm, Project Manager; Peter Michaelsen, Assistant Vice President; and Pia Bo Pedersen, Processing Officer, all elected by the staff, resigned from the Board of Directors.

Three new members joined the Executive Board on September 1, 2006: Tonny Thierry Andersen, Senior Executive Vice President; Sven Lystbæk, Senior Executive Vice President; and Per Skovhus, Senior Executive Vice President.

The following pages state the occupations of the board members, directorships held in other Danish and foreign undertakings (with the exception of wholly-owned subsidiaries) and other major offices at the publication of the Annual Report.

Alf Duch-Pedersen
General Manager

Born on August 15, 1946.
Joined the Board on March 23, 1999.
Most recently re-elected in 2006.

Director of:
The Technical University of Denmark
The Confederation of Danish Industries
Group 4 Securicor plc. (Chairman)

Jørgen Nue Møller
General Manager

Born on June 30, 1944.
Joined the Board on November 30, 2000.
Most recently re-elected in 2004.

Director of:
Realdania (Chairman)
Fonden for billige boliger (Chairman)
Programbestyrelsen mod Ghettoisering (Chairman)
Nordisk Byggedag (Vice Chairman)
International Federation for Housing and Planning

Adjunct Professor of the Department of Organization and Industrial Sociology at Copenhagen Business School

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Eivind Kolding
Partner of the firm A.P. Møller

Born on November 16, 1959.
Joined the Board on March 27, 2001.
Most recently re-elected in 2005.

Director of:
Dansk Supermarked A/S
F. Salling A/S
Maersk GCS Holding A/S (Chairman)
Maersk Australia Pty. Ltd. (Chairman)
Maersk Singapore Pte. Ltd. (Chairman)
A.P. Moller Singapore Pte. Ltd.
Maersk China Limited
Maersk Deutschland GmbH
Maersk Shipping Singapore Pte. Ltd.
Nedlloyd Holding B.V.

Henning Christophersen
Partner at KREAB Brussels

Born on November 8, 1939.
Joined the Board on March 26, 1996.
Most recently re-elected in 2006.

Director of:
Rockwool-Fonden
Ørestad Development Corporation (Chairman)
Frederiksbergbaneselskabet I/S (Frederiksberg Railway Company) (Chairman)
The European Institute of Public Administration (Chairman)

Peter Højland
Managing Director of Transmedica Holding A/S

Born on July 9, 1950.
Joined the Board on November 30, 2000.
Most recently re-elected in 2004.

Director of:
Amrop-Hever A/S (Chairman)
Bikuben fondene (Chairman)
The Danish Centre for Leadership (Chairman)
Danisco A/S
The Denmark-America Foundation
Frederiksbergfonden
Ituri Management ApS
Knud Wexøe A/S
Nordicom A/S (Vice Chairman)
Rambøll Gruppen A/S
Siemens A/S (Chairman)
Transmedica A/S (Chairman)
Transmedica Holding A/S
Wexøe Holding A/S

Niels Chr. Nielsen
Professor of Economics at Copenhagen Business School

Born on January 14, 1942.
Joined the Board on April 5, 1990.
Most recently re-elected in 2005.

Director of:
COWIfoundation
Grundfos A/S
Grundfos Finance A/S
Grundfos Management A/S
Otto Mønsted Aktieselskab
The Oticon Foundation, William Demants og Hustru Ida Emilies Fond
The Poul Due Jensen Foundation

Sten Scheibye
Chief Executive of Coloplast A/S

Born on October 3, 1951.
Joined the Board on March 31, 1998.
Most recently re-elected in 2006.

Director of:
Novo Nordisk A/S (Chairman)
The Confederation of Danish Industries
The Danish Academy of Technical Sciences
The Denmark-America Foundation (Chairman)
The Fulbright Commission in Denmark

Adjunct Professor of Applied Chemistry at University of Aarhus

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Majken Schultz
Professor of Organization
at Copenhagen Business School

Born on October 28, 1958.
Joined the Board on November 30, 2000.
Most recently re-elected in 2004.

Director of:
COWI A/S
CVI Holding ApS
Realdania
Børnehjertefonden (Vice Chairman)
Dansk selskab for virksomhedsledelse

Member of the Executive Committee of Reputation Institute

Claus Vastrup
Professor of Economics
at University of Aarhus

Born on March 24, 1942.
Appointed by the Minister of Economic Affairs from January 1, 1995, to December 31, 2002. Elected by the general meeting on March 25, 2003.
Most recently re-elected in 2006.

Director of:
Aarhus Universitets Jubilæumsfond

Birgit Aagaard-Svendsen
Executive Vice President and CFO
of J. Lauritzen A/S

Born on February 29, 1956.
Joined the Board on March 28, 1995.
Most recently re-elected in 2006.

Director of:
NYK Lauritzen Cool AB
Handyventure Singapore Pte.
The Council of Det Norske Veritas
Infrastrukturkommissionen (Chairman)

Helle Brøndum
Bank Clerk of Danske Bank A/S

Born on September 26, 1952.
Joined the Board on March 19, 2002.
Most recently re-elected in 2006.

Director of:
Danske Kreds

Charlotte Hoffmann
Personal Customer Adviser
of Danske Bank A/S

Born on October 8, 1966.
Joined the Board on March 14, 2006.

Per Alling Toubro
Chairman of Danske Kreds
Danske Bank A/S

Born on June 25, 1953.
Joined the Board on March 14, 2006.

Director of:
Danske Kreds (Chairman)

Verner Usbeck
Assistant Vice President
of Danske Bank A/S

Born on February 11, 1950.
Joined the Board on June 28, 1990.
Most recently re-elected in 2006.

Director of:
Danske Kreds
Danske Funktionærers Boligselskab S.m.b.A. (Vice Chairman)
Niels Brocks Styrelse

Solveig Ørteby
Vice Chairman of Danske Kreds
Danske Bank A/S

Born on March 28, 1965.
Joined the Board on November 30, 2000.
Most recently re-elected in 2006.

Director of:
Danske Kreds (Vice Chairman)

Management and directorships – Executive Board

Under section 80(8) of the Danish Financial Business Act, financial institutions are required to publish information at least once a year about directorships, etc. held with the approval of the Board of Directors by persons employed by the Board according to statutory regulations (section 80(1) of the Act) or articles of association.

Peter Straarup
Chairman of the Executive Board

Born on July 19, 1951.
Joined the Executive Board on September 1, 1986.

Director of:
Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999 (Chairman)
Danica Pension, Livsforsikringsaktieselskab (Chairman)
Danica Liv III, Livsforsikringsaktieselskab (Chairman)
Danica Pension I, Livsforsikringsaktieselskab (Chairman)
DDB Invest AB (Chairman)
DDB Invest Limited (Chairman)
Northern Bank Limited (Chairman)
National Irish Bank Limited (Chairman)

Other major offices (non-exhaustive list):
The Denmark-America Foundation
ICC Denmark (Director)
The International Monetary Conference
Institut International d'Etudes Bancaires

Jakob Brogaard
Deputy Chairman of the Executive Board

Born on June 30, 1947.
Joined the Executive Board on January 1, 1996.
Retires from the Executive Board on June 30, 2007.

Director of:
LR Realkredit A/S (Vice Chairman)
Realkredit Danmark A/S (Chairman)
Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999
Danica Pension, Livsforsikringsaktieselskab
Danica Liv III, Livsforsikringsaktieselskab
Danica Pension I, Livsforsikringsaktieselskab
DDB Invest AB (Vice Chairman)
Kreditforeningen Danmarks Pensionsafviklingskasse (Chairman)

Other major offices:
Member of the Financial Business Council

Tonny Thierry Andersen
Senior Executive Vice President

Born on September 30, 1964.
Joined the Executive Board
on September 1, 2006.

Director of:
Investeringsselskabet af 23. marts 2001 A/S
Danske Private Equity A/S
Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999
Danica Pension, Livsforsikringsaktieselskab
Danica Liv III, Livsforsikringsaktieselskab
Danica Pension I, Livsforsikringsaktieselskab
Nordania Finans A/S
Realkredit Danmark A/S
Danske Bank International S.A.
DDB Invest Limited
National Irish Bank Limited
Northern Bank Limited

Sven Lystbæk
Senior Executive Vice President

Born on September 26, 1951.
Joined the Executive Board
on September 1, 2006.

Director of:
Multidata Holding A/S (Chairman)
Multidata A/S (Chairman)
PBS Holding A/S (Chairman)
PBS A/S (Chairman)
Ejendomsselskabet Lautrupbjerg A/S (Chairman)
VP Securities Services A/S (Chairman)
Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999 (Vice Chairman)
Danica Pension, Livsforsikringsaktieselskab (Vice Chairman)
Danica Liv III, Livsforsikringsaktieselskab (Vice Chairman)
Danica Pension I, Livsforsikringsaktieselskab (Vice Chairman)
Realkredit Danmark A/S (Vice Chairman)
Kreditforeningen Danmarks Pensionsafviklingskasse
Danske Bank International S.A.
DDB Invest Limited
Northern Bank Limited
National Irish Bank Limited
Fokus Bank ASA

Per Skovhus
Senior Executive Vice President

Born on September 17, 1959.
Joined the Executive Board
on September 1, 2006.

Director of:
Danmarks Skibskredit A/S (Vice Chairman)
Nordania Finans A/S (Chairman)
Realkredit Danmark A/S
Danske Bank International S.A.
Fokus Bank ASA (Vice Chairman)

Other major offices:
Danish Bankers Association (Vice Chairman)

Executive Committee

The Executive Committee is a co-ordinating forum. Its objective is to take an overall view of activities across the Group and intra-group co-operation, in particular the co-operation between support functions on the one hand and the individual branded divisions and country organisations on the other.

Peter Straarup / Chairman

Jakob Brogaard / Deputy Chairman

Tonny Thierry Andersen, Head of Group Finance

Sven Lystbæk, Head of the Shared Services Centre

Per Skovhus, Head of Group Credits

Steen Blaafalk, Head of Danske Markets

Thomas Borgen, Head of Banking Activities Norway

Andrew Healy, Head of Banking Activities Ireland

Niels-Ulrik Mousten, Head of Danske Capital

Lars Stensgaard Mørch, Head of Group HR

Henrik Normann, Head of Banking Activities Danske Bank

Don Price, Head of Banking Activities Northern Ireland

Steen Reeslev, Head of Group Communications

Mats Torstendahl, Head of Banking Activities Sweden

Capital management

The Group's capital management policy aims to ensure efficient use of capital to meet the Group's overall capital targets. The Group's risk profile is determined in accordance with the capital targets and requires that the Group have sufficient capital to cover both organic growth and current fluctuations in its exposure. The latter objective is also reflected in the Group's ambition to maintain the AA ratings granted by the international rating agencies.

Capital adequacy and the Capital Requirements Directive

In 2007, the Danske Bank Group will still work under the Basel I capital adequacy rules. As already mentioned, the Group has applied to the Danish FSA for approval to use the advanced internal ratings-based method according to the Capital Requirements Directive (CRD) to calculate the capital requirement for its credit risk with effect from January 1, 2008. The effect of the new requirements will be gradually incorporated into the Group's capital management practices during 2008 and 2009 and will be fully incorporated as of January 1, 2010.

The CRD entails new rules for the calculation of risk-weighted assets (Pillar I) and new requirements (Pillar II) for financial institutions' internal processes for assessing future capital requirements, ICAAP (Internal Capital Adequacy Assessment Process). Finally, the CRD contains a number of requirements for publication of the financial institutions' risk profile, processes and methods for risk management and the like (Pillar III). The capital requirements still depend on the capital base, the calculation of which is almost unchanged.

In the course of 2006, the Bank established its future internal process for assessment of future capital requirements (ICAAP). In December 2006, the Board of Directors approved the Group's first ICAAP report. The report shows the following risk-weighted assets:

RISK-WEIGHTED ASSETS CALCULATED AT SEPT. 30, 2006 (DKr bn)	Pillar I	Current rules
Risk-weighted assets	540	1,053
Minimum capital requirement (8%)	43	84

Until now, the Bank's work on the internal ratings-based method was based on five-to-seven-year time horizons to determine long-term averages for estimating the risk parameters included in the calculation of the Pillar I requirements, whereas the risk of rarer cyclical situations was covered by using relevant stress scenarios under Pillar II. The risk parameters used for estimating Pillar I requirements are based on observations from a relatively positive business cycle.

The table above shows that, other things being equal, the minimum capital requirement calculated according to risk-weighted assets in Pillar I will be reduced by about 50% on full implementation of the new CRD. It is not possible to conclude from these figures that the Group can reduce its capital charge by the same percentage because ICAAP will identify an additional capital requirement: a Pillar II capital requirement.

The ICAAP report confirms that the Group can expect a somewhat lower overall capital requirement after the implementation of the CRD. The lower risk-weighted assets under Pillar I result mainly from the fact that the current rules have overestimated the capital requirement on the Group's credit exposure, particularly on loans secured on real property.

The Group conducts a number of stress tests during ICAAP to ensure that its capital will also be adequate under unfavourable economic conditions. During the tests, the Group's risk portfolio is exposed to more severe stress conditions than the conditions experienced during the economic downturn at the beginning of the 1990s. The increase in the capital charge resulting from these stress tests is part of the Pillar II capital requirement. See below for more information on the Group's stress tests.

In 2006, Danske Bank held detailed discussions with the rating agencies about its approach to the CRD. The discussions comprised a thorough review and documentation of the Group's choice of models, data base and parameter estimation as well as the stress-testing process, including stress scenarios and stress test results for earnings, risk-weighted assets and capital level. The model and parameter estimation were also reviewed by an external consulting firm to ensure that the Group complies with best practice in this area.

It is still too early to accurately calculate the capital relief that Danske Bank will enjoy as a result of the new capital adequacy rules. The reduction in the capital requirement will depend on the specific implementation of the CRD and continuing discussions with regulators and rating agencies.

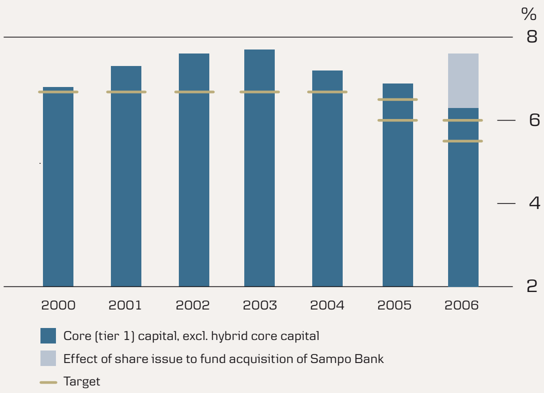
As part of the adjustment of the Group's capital structure, Danske Bank will enter into credit default swaps on the basis of a portfolio of mortgage loans that will reduce the Group's risk-weighted assets calculated under the current rules by DKr110bn. The swaps will take effect in the first quarter of 2007 and may be terminated in 2009-2010 when the Directive is fully implemented and the effect of the swaps is reduced.

Capital targets

In November 2006, the Danske Bank Group adjusted its overall capital targets:

- solvency ratio of 9.0-10.0% (unchanged)
- core (tier 1) capital ratio (excluding hybrid core capital) of 5.5-6.0% (previously 6.0-6.5%)
- hybrid core capital of 1.0-1.5% (previously 0.5-1.0%)
- payout ratio of 30-50% (unchanged)

CHANGE IN CORE (TIER 1) CAPITAL RATIO



The adjustments were published when Danske Bank announced its purchase of Sampo Bank. The changes should be viewed in light of the large share of loans and advances for which security has been provided, the coming implementation of the new Capital Requirements Directive and the greater geographical diversification resulting from the acquisition of Sampo Bank.

For 2007, the Group expects to pay out 40% of the net profit for the year, which is at the same level as for 2006.

The Group's policy is to buy back shares with any excess capital that is not expected to be used for growth or dividends. Owing to its business growth and the acquisition of Sampo Bank, the Group does not expect to buy back shares in 2007.

Visit Danske Bank's Web site www.danskebank.com/ircrd for more information about the Group's capital management policy, the CRD rules and the Bank's risk management practices.

Ratings

The Danske Bank Group's risk profile is regularly assessed by three international rating agencies: Standard & Poor's, Moody's and Fitch Ratings. The external ratings are important for the Group's funding costs. In connection with the acquisition of Sampo Bank in November 2006, the three rating agencies affirmed their various ratings of the Danske Bank Group.

Actual and expected losses

Actual losses fell sharply from 2002 to 2006, from 0.26% of total loans, advances and guarantees in 2002 to 0.5% in 2006, in part because of the greater geographical diversification of the loan portfolio and in part because of the favourable macroeconomic conditions on the Group's core markets.

The average annual loss Danske Bank expects to suffer over a business cycle amounts to 14 basis points. The Group's substantial portfolio of mortgage loans is a key reason for the fairly low level of expected losses. Another reason is the greater geographical diversification of the Group. The strong growth of banking operations in Sweden, Norway, Northern Ireland and the Republic of Ireland lifted income generated by non-Danish units from 27% of total income in 2005 to 29% in 2006.

RATINGS	Standard & Poor's	Moody's	Fitch
Danske Bank			
Short-term	A-1+	P-1	F1+
Long-term	AA-	Aa1	AA-
Outlook	Stable	Stable	Stable
Realkredit Danmark bonds*	AAA	Aaa	--
Outlook	Stable	Stable	--
Danica Pension			
Long-term/Insurer financial strength	AA-	--	--
Outlook	Stable	--	--

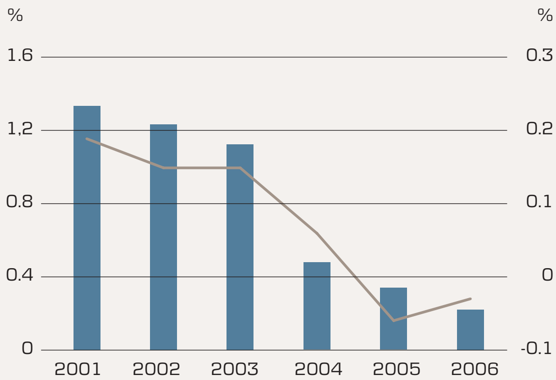
**The ratings of Standard & Poor's and Moody's apply to 95% of all bonds issued by Realkredit Danmark.*

Transition to ROAC

The Group has developed its current risk-based return target RAROC (Risk-Adjusted Return on Economic Capital) into a new target called ROAC (Return on Allocated Capital), which is based on allocated capital and includes concentration and diversification risk. Since 1999, RAROC has been a cornerstone of the Group's capital and financial management. Like RAROC, ROAC is a risk-adjusted return that has expected average annual losses over a business cycle as one of its parameters.

After a transition period for the implementation of the CRD, which ends in 2010, Danske Bank's profit assessment and management will be based on ROAC and changes in overall value creation.

PROVISIONS AND CREDIT LOSS EXPENSES



Figures for 2001-2003 are based on the accounting standards in force at that time.

The allowance account, excluding correspondent banks, as a percentage of loans, advances and guarantees
Credit loss expenses as a percentage of loans, advances and guarantees

Stress tests

Economic capital is calibrated according to the Bank's models at a confidence level of 99.97%. The purpose of stress testing is to evaluate the impact of possible unfavourable events on the Danske Bank Group's earnings and solvency. As a supplement to the calculation of economic capital, stress tests indicate how the Bank's capital base would be affected in scenarios in which the estimated risk parameters are not complied with.

In recent years, the Bank has applied stress testing as an internal method and process, and the Bank's approach to stress testing will continue to develop. The Bank has conducted introductory and general discussions with the Danish FSA on how stress testing can be included in the future assessment of the Group's capital level. The Bank has benchmarked its methods and processes to those of several international banks that have made considerable progress in this area and

RISK-BASED RETURN TARGETS	ROE	RAROC	ROAC
Framework	Regulatory	Internal	Internal
Time horizon	Point-in-time	1 year	3-5 years
Confidence level	NA	99.97%	99.97%
Concentration risk	No	No	Yes
Migration risk	No	No	Yes
Operational risk	No	Standard	Standard
Market risk	Advanced	Advanced	Advanced
Credit risk	Standardised	Internal	IRB A
Performance capital	All capital	Risk capital	All capital

has adapted its approach to the recommendations of the UK FSA.

Stress testing is an analytical process. The key factors of this process are described in greater detail in the following paragraphs. For the time being, the Bank does not take management intervention and intra-risk diversification into account when conducting stress tests.

Stress test calculations are based on one or more macroeconomic scenarios. The Group currently applies eight scenarios:

- Severe recession, which is estimated to occur once during a period of 25 years
- Mild recession, which is estimated to occur once during a period of seven years
- Rising interest rates, which lead to falling property prices
- Fall in the US dollar
- Increases in commodity prices
- Deflation
- Liquidity crisis at the Danske Bank Group owing to the default of a large customer
- General liquidity crisis in the banking sector

Each scenario covers a three-to-five-year period, and for each year the Bank assesses the estimated impact of various economic shocks on macroeconomic key indicators.

The scenarios cover both earnings and risk. The Bank has developed translation models to estimate the effect on the Group's risk parameters in each year of each scenario. Loss trends are assessed using a regression analysis which includes industry-specific loss frequencies since 1991. In addition to using its own base of historical data, the Group bases its calculations on the OECD's Interlink model, which describes how external shocks, such as a hike in oil prices, affect the entire economy. The correlation between the economic cycle and customers' drawings on credit facilities with the Bank, which affect the balance sheet, is also assessed.

After the stressed parameters have been identified, the Group's current risk portfolio is used to estimate the effect on the individual accounting items of the income statement, including credit loss expenses. The calculations include, among others, the effect of the fall in the value of collateral which will occur in most unfavourable scenarios. The individual stress effects are calculated for each of the years of the three-to-five-year horizon in the individual scenarios. This allows the Group to assess how its total earnings are affected over the period in question, as the largest effect rarely shows in the first year.

Finally, the Group calculates the effects on the risk-weighted assets (according to the forthcoming CRD) and the Bank's internal risk statement (economic capital). Risk-weighted assets will typically rise rather sharply in an unfavourable scenario. The Group will thus be able to assess changes in solvency (according to the future rules).

The effect in the individual scenarios is calculated for all relevant risk types, so that it is possible to assess the effect on all parts of the Group's exposure.

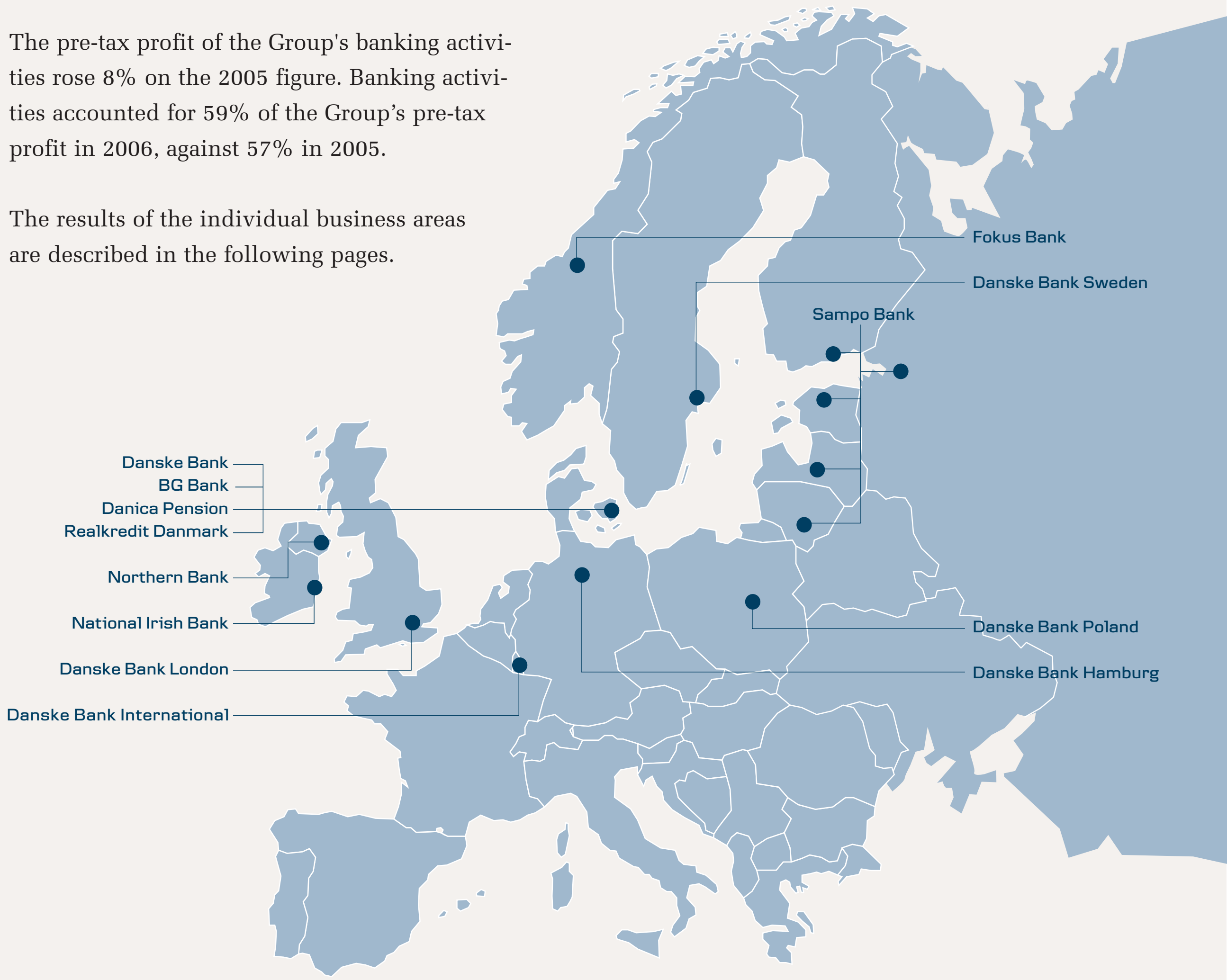
The scenarios and their relevance to the Danske Bank Group are assessed at least once a year on the basis of an analysis of the risks that are most important in the current economic situation. The analysis is submitted to the All Risk Committee for approval of the scenarios as the platform for subsequent stress testing. Stress test conclusions and the impact of scenarios on expected losses and capital requirements are subsequently submitted to the Board of Directors.

Business areas

PROFIT BEFORE TAX (DKr m)	2006	2005	Index 06/05	Share (%) 2006	Share (%) 2005
Banking Activities Danske Bank	5,772	5,767	100	31	33
Banking Activities BG Bank	1,992	1,782	112	11	10
Banking Activities Sweden	1,013	809	125	5	5
Banking Activities Norway	885	579	153	5	3
Banking Activities Northern Ireland	-104	23	-	-1	-
Banking Activities Ireland	26	-106	-	-	-1
Banking Activities England, USA and other units	-	528	-	-	3
Other Banking Activities	1,308	713	183	7	4
Total Banking Activities	10,892	10,095	108	59	57
Mortgage Finance	2,710	2,755	98	15	16
Danske Markets	3,639	3,719	98	20	21
Danske Capital	560	509	110	3	3
Danica Pension	1,355	1,647	82	7	9
Other areas	-659	-1,119	-	-4	-6
Total Group	18,497	17,606	105	100	100

The pre-tax profit of the Group's banking activities rose 8% on the 2005 figure. Banking activities accounted for 59% of the Group's pre-tax profit in 2006, against 57% in 2005.

The results of the individual business areas are described in the following pages.



Banking Activities

BANKING ACTIVITIES	Population (million)	GDP growth (%)	Lending (DKr bn)		Market share (%)		Deposits (DKr bn)		Market share (%)	
	2006	2006	2006	2005	2006	2005	2006	2005	2006	2005
Danske Bank	5.4	3.7	239	198	22	22	236	216	24	25
BG Bank	5.4	3.7	75	64	7	7	79	75	8	8
Sweden	9.0	3.2	138	114	6	4	50	37	5	4
Norway	4.6	3.7	105	87	6	5	47	39	4	4
Northern Ireland	1.7	2.6*	58	40	-	-	61	41	-	-
Ireland	4.1	5.3	51	34	4	3	21	22	3	3
Other	-	-	63	-	-	-	15	-	-	-
Total	-	-	731	537	-	-	510	430	-	-

** The UK*
Market share information is based on data reported to local central banks.

BANKING ACTIVITIES	Staff		Branches		Finance Centres		No. of customers (thousands)		No. of eBanking customers (thousands)	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Danske Bank	4,227	4,266	286	291	9	9	1,600	1,600	655	579
BG Bank	1,875	1,898	172	174	2	2	800	800	291	253
Sweden	1,135	1,105	59	58	4	4	194	192	106	71
Norway	1,323	1,161	61	70	5	5	237	257	106	73
Northern Ireland	1,862	1,943	95	95	4	4	429	417	58	25
Ireland	698	715	59	59	-	-	184	170	28	13
Other	598	672	-	-	-	-	-	-	-	-
Total	11,718	11,760	732	747	24	24	3,444	3,436	1,244	1,014

The Danske Bank Group is the market leader in the Danish financial sector. It is the second-largest bank in the Nordic region in terms of market capitalisation and the largest in terms of total assets.

In Norway, Sweden and the Republic of Ireland, the Group is a market challenger and has expanded its business volume and market shares of both lending and deposits since 2005.

Banking Activities Danske Bank

Banking Activities Danske Bank encompasses the banking activities of the Danske Bank division in Denmark. Danske Bank caters to all types of retail and corporate customers. Danske Bank's finance centres serve large corporate and private banking customers. Banking Activities Danske Bank has nine regions with 286 branches, nine finance centres and nearly 4,300 employees.

BANKING ACTIVITIES DANSKE BANK (DKr m)	2006	2005	Index
Net interest income	6,997	6,184	113
Net fee income	3,489	3,319	105
Net trading income	497	455	109
Other income	6	15	40
Total income	10,989	9,973	110
Operating expenses	5,443	5,168	105
Profit before credit loss expenses	5,546	4,805	115
Credit loss expenses	-226	-962	-
Profit before tax	5,772	5,767	100
Loans and advances, end of year	238,631	197,674	121
Deposits, incl. pooled deposits, end of year	236,439	216,219	109
Risk-weighted items (avg.)	217,030	186,653	116
Allocated capital (avg.)	14,107	12,132	116
Profit before tax as % of allocated capital	40.9	47.5	
Cost/income ratio, %	49.5	51.8	

The pre-tax profit of Banking Activities Danske Bank remained at the level recorded in 2005. Profit before credit loss expenses climbed 15%.

The market in 2006

In 2006, as in 2005, the economic climate in Denmark was favourable and generated considerable demand for financial products and services. Interest rates rose throughout the year, but lending margins remained under pressure because of persistently keen competition. Trading volume on the securities markets was substantial in the first quarter of the year, but returned to more normal levels in the remainder of the year.

The bank's market share at end-2006 was unchanged from the level at the end of 2005.

Income

Net interest income advanced 13% to DKr6,997m. The higher net interest income resulted partly from continued growth in lending, which more than offset the compression of lending margins, and partly from an interest rate-driven widening of deposit margins. Home financing products secured on real property and increased lending to corporate customers accounted for most of the growth in lending.

Net fee income rose 5% in 2006, mainly because of heavy trading volume on the securities markets in the first quarter; equity trading in particular generated good results. Danske Bank was also the lead manager of a number of issues, and these contributed significantly to the rise in net fee income.

Operating expenses
The 5% increase in operating expenses reflected costs relating to enhancement of the bank's IT systems and growth in activity-based expenses. The rise in income led to an improvement of the cost/income ratio to 49.5%.

Credit loss expenses
Banking Activities Danske Bank recorded a net positive entry for credit loss expenses of DKr226m, against a net positive entry of DKr962m in 2005. The trend was attributable to a persistently favourable economic climate and the high credit quality of the loan portfolio.

Lending
Total lending rose 21% on the level recorded at end-2005. Lending to retail customers was up 17%, primarily because of satisfactory sales of home financing products. Generally stronger demand for credit facilities among corporate customers lifted lending to this segment by 23%.

Deposits
Deposits rose 9% on the 2005 figure. Retail customer deposits were up 6%, while corporate customer deposits rose 14%.

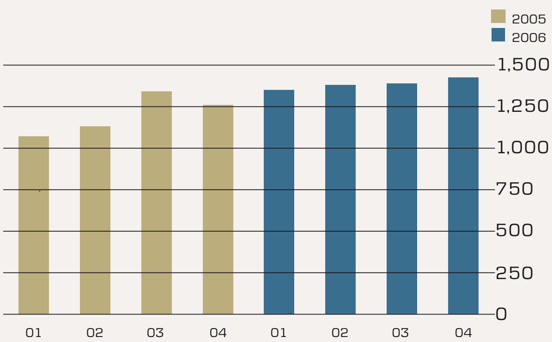
Local initiatives
In 2006, Danske Bank continued its strategy of branding itself as a nation-wide bank with strong community commitment. Through Danske Initiative Funds, the bank provided more than DKr4m in sponsorship funding for local initiatives within knowledge, culture and sports. The bank also brought local talent into focus, awarding 160 grants to students going abroad to study.

Market outlook for 2007
The healthy economic climate in Denmark is expected to continue in 2007, although with growth rates lower than in 2006. The bank is therefore likely to maintain a high level of activity despite persistently fierce competition.

Danske Bank Group has decided to gather the activities of BG Bank and Danske Bank Denmark in a single banking division with the name Danske Bank.

After the merger with BG Bank, Danske Bank's 2.2 million customers will be able to access the bank at 431 branches, about 1,000 ATMs and post offices throughout the country. Customers can also take advantage of personal telephone service and eBanking facilities 24 hours a day, 365 days a year.

PROFIT BEFORE CREDIT LOSS EXPENSES (DKr m)



Banking Activities BG Bank

Banking Activities BG Bank encompasses the banking activities of the BG Bank division in Denmark. BG Bank caters to all types of retail customers and most types of corporate customers through its branch network. BG Bank also serves a number of agricultural customers at special agricultural centres. Banking Activities BG Bank has seven regions with 172 branches, two investment desks and nearly 1,900 employees. With effect from April 10, 2007, the BG Bank division will form part of the Danske Bank division.

BANKING ACTIVITIES BG BANK (DKr m)	2006	2005	Index
Net interest income	2,971	2,685	111
Net fee income	1,324	1,306	101
Net trading income	178	149	119
Other income	8	11	73
Total income	4,481	4,151	108
Operating expenses	2,426	2,392	101
Profit before credit loss expenses	2,055	1,759	117
Credit loss expenses	63	-23	-
Profit before tax	1,992	1,782	112
Loans and advances, end of year	75,312	63,803	118
Deposits, incl. pooled deposits, end of year	78,724	74,607	106
Risk-weighted items (avg.)	66,788	58,968	113
Allocated capital (avg.)	4,341	3,833	113
Profit before tax as % of allocated capital	45.9	46.5	
Cost/income ratio, %	54.1	57.6	

The pre-tax profit of BG Bank rose 12% to DKr1,992m, against DKr1,782m in 2005. Profit before credit loss expenses rose 17%.

The market in 2006

In 2006, as in 2005, the economic climate in Denmark was favourable and generated considerable demand for financial products and services. Interest rates rose throughout the year, but lending margins remained under pressure because of the keen competition. Trading volume on the securities markets was substantial in the first quarter of the year, but returned to more normal levels in the remainder of the year.

The bank's market share at end-2006 was unchanged from the level at the end of 2005.

Income

Net interest income rose 11% on the figure recorded in 2005. The higher net interest income resulted partly from continued growth in lending, which more than offset the compression of lending margins, and partly from an interest rate-driven widening of deposit margins. The narrower lending margins reflected an increasing percentage of loans secured on real property and fierce competition.

Net fee income was up 1%, mainly because of considerable trading volume on the securities markets in the first quarter of 2006. BG Bank's investment desks also achieved substantial earnings on currency trading and investment services. Refinancing fees were lower, however, because of the decrease in refinancing activity.

Operating expenses

Operating expenses rose 1% on the figure for 2005. The rise was due to costs relating to enhancement of BG Bank's IT systems. An increase in income led to an improvement of the cost/income ratio to 54.1%, down from 57.6% in 2005.

Credit loss expenses

Credit loss expenses amounted to DKr63m, against a net positive entry of DKr23m in 2005. The loss was attributable to a few individual facilities.

Lending

Total lending rose 18% on the level recorded for 2005. Lending to retail customers grew 17%. This growth came primarily from healthy sales of the home financing product *Bolig Plus*. A general increase in demand for credit facilities among corporate customers lifted lending to this segment by 19%.

Deposits

Deposits rose 6% on the 2005 figure. Retail customer deposits were up 3%, while corporate customer deposits rose 13%.

Retail investing

In October 2006, BG Bank launched two new offers to retail customers investing in securities: To self-service customers, BG Bank now offers its eBanking product *BG Investering Online*, and for customers who invest with the assistance of an adviser, a new and more simplified brokerage structure has been set up.

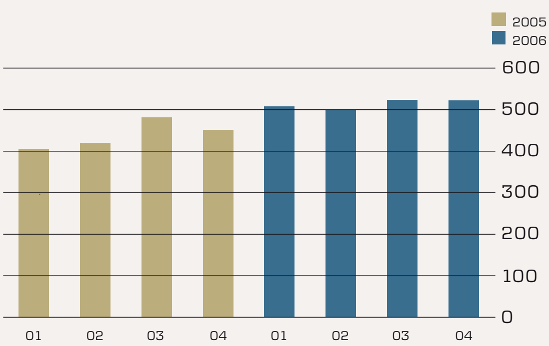
Merger of BG Bank and Danske Bank

Danske Bank Group has decided to gather the activities of BG Bank and Danske Bank Denmark in a single banking division with the name Danske Bank.

The change will mean that 60 branch offices of BG Bank and Danske Bank will merge into 30 branches during the spring. These are branches that are located very close to each other. Customers will continue to be served by the advisers they know because the advisers will move to the continuing branch.

The change will take effect on April 10, 2007, when all building facades and printed matter from the Bank will bear the Danske Bank name.

PROFIT BEFORE CREDIT LOSS EXPENSES (DKr m)



Banking Activities Sweden

Banking Activities Sweden encompasses the banking activities of Östgöta Enskilda Bank and Provinsbankerne in Sweden, which serve all types of retail and corporate customers. Banking Activities Sweden has four regions with 59 branches, four finance centres and nearly 1,150 employees. Real-estate agency business is carried out primarily through the 70 offices of Skandia Mäklarna.

BANKING ACTIVITIES SWEDEN (DKr m)	2006	2005	Index
Net interest income	1,812	1,474	123
Net fee income	614	485	127
Net trading income	71	54	131
Other income	47	19	247
Total income	2,544	2,032	125
Operating expenses	1,460	1,257	116
Profit before credit loss expenses	1,084	775	140
Credit loss expenses	71	-34	-
Profit before tax	1,013	809	125
Profit before tax in local currency (SKr)	1,253	1,012	124
Loans and advances, end of year	138,454	113,964	121
Deposits, end of year	50,062	37,329	134
Risk-weighted items (avg.)	106,104	84,194	126
Allocated capital (avg.)	6,897	5,473	126
Profit before tax as % of allocated capital	14.7	14.8	
Cost/income ratio, %	57.4	61.9	

The pre-tax profit of Banking Activities Sweden rose 25% to DKr1,013m, against DKr809m in 2005. In local currency, the increase was 24%. Profit before credit loss expenses was up 40%.

The market in 2006

In 2006, as in 2005, the economic climate in Sweden was favourable and generated considerable demand for financial products and services.

The market was highly competitive in 2006, and lending margins remained under pressure despite the gradual rise in interest rates during the year.

The market share of Banking Activities Sweden improved in 2006 to 5.6% for lending and 4.3% for deposits, against 5.3% and 3.9%, respectively, in 2005.

Danske Bank

Income

Net interest income increased 23% over the 2005 figure as a result of high lending growth – which more than compensated for the narrower lending margins – and a small, interest rate-driven widening of deposit margins. In addition to fierce competition, the narrowing of lending margins was due to a higher proportion of home financing products and increased lending to corporate customers.

Net fee income rose 27% owing to the larger business volume and extensive securities trading.

Operating expenses

Operating expenses rose 16%, reflecting the higher level of activity, including the expansion of the branch network in 2005 and 2006 as well as a rise in the number of employees.

Credit loss expenses

Credit loss expenses amounted to DKr71m, against a net positive entry of DKr34m in 2005.

Lending

Banking Activities Sweden continued to expand its lending business in 2006. In local currency, lending to retail customers rose 21%, while lending to corporate customers increased 15%. The growth in corporate lending came primarily from large and medium-sized businesses, whereas sales of home financing products lifted lending to retail customers considerably. Business with the Skandia Mäklarna estate-agency chain contributed to a higher number of home financing loans.

Deposits

In local currency, deposits rose 29% on the figure recorded at the end of 2005. Retail customer deposits were up 25%, while corporate customer deposits grew 31%.

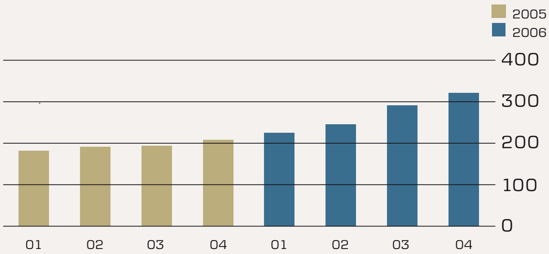
Awards

Banking Activities Sweden received several awards in 2006. For example, Danske Bank Sweden was named business bank of the year by Finansbarometern, one of Sweden's largest independent surveys of the Swedish banking, finance and insurance market. The survey showed that Danske Bank's business model based on community involvement and excellent staff qualifications was of decisive importance to Banking Activities Sweden's success.

Market outlook for 2007

Banking Activities Sweden expects to achieve continued growth in 2007 provided that the economic climate in Sweden remains favourable. Economic growth is expected to be marginally lower than in 2006, however. The expansion of the Swedish branch network in recent years, the organisational adjustments and the acquisition of real-estate agency chains are expected to make the Group's Swedish banking operations well prepared for further profitable growth.

PROFIT BEFORE CREDIT LOSS EXPENSES (DKr m)



Banking Activities Norway

Banking Activities Norway encompasses primarily the banking activities of Fokus Bank in Norway. Fokus Bank serves all types of retail and corporate customers. Banking Activities Norway has five regions with 61 branches, five finance centres and around 1,300 employees. Real-estate agency business is carried out primarily through the 40 offices of Krogsveen.

BANKING ACTIVITIES NORWAY (DKr m)	2006	2005	Index
Net interest income	1,567	1,286	122
Net fee income	416	377	110
Net trading income	111	61	182
Other income	312	113	276
Total income	2,406	1,837	131
Operating expenses	1,552	1,331	117
Profit before credit loss expenses	854	506	169
Credit loss expenses	-31	-73	-
Profit before tax	885	579	153
Profit before tax in local currency (NKr)	954	622	153
Loans and advances, end of year	105,319	87,309	121
Deposits, end of year	46,667	39,315	119
Risk-weighted items (avg.)	76,760	62,505	123
Allocated capital (avg.)	4,989	4,063	123
Profit before tax as % of allocated capital	17.7	14.3	
Cost/income ratio, %	64.5	72.5	

The pre-tax profit of Banking Activities Norway rose DKr306m from the level recorded a year ago to DKr885m, an increase of 53%. In local currency, the increase was also 53%. Profit before credit loss expenses climbed 69%.

The market in 2006

Banking Activities Norway saw strong market growth again in 2006, reflecting the positive international economic trends and high economic activity in Norway. The year was characterised by rising interest rates, but lending margins remained under pressure because of the fierce competition.

The market share of Banking Activities Norway improved in 2006 to 5.6% for lending and 4.4% for deposits, against 5.3% and 4.1%, respectively, in 2005.

Income

Net interest income rose 22% on the figure recorded in 2005. The rise was due to a larger volume of business with both existing customers and the many new customers acquired in recent years. This trend more than offset the effect of ongoing competition on interest margins. A small, interest rate-driven increase in deposit margins also contributed to the rise in net interest income.

Fokus Bank

Net fee income was up 10%, reflecting the larger business volume.

Other income was up DKr199m to DKr312m, mainly because of the recognition of income generated by Fokus Krogsveen for the full year 2006, against only the second half-year in 2005. With effect from August 1, 2006, Fokus Krogsveen took over the estate-agency chain Nylander. This acquisition also contributed to the rise in other income.

Operating expenses

Operating expenses were up 17%, primarily because of the recognition of expenses at Fokus Krogsveen for the full year and the acquisition of Nylander. The recruitment of more employees to serve customers and the reinforcement of centralised advisory expertise to serve corporate customers contributed to the 5% increase in expenses (excluding expenses incurred by Fokus Krogsveen and Nylander) over the level a year ago.

Credit loss expenses

Banking Activities Norway recorded a net positive entry for credit loss expenses of DKr31m, against a net positive entry of DKr73m in 2005. The low level of losses was attributable to the favourable economic climate in Norway and the high credit quality of the loan portfolio.

Lending

In local currency, lending to retail customers increased 8% and lending to corporate customers rose 42% over the level at end-2005. The rise in the business volume of Banking Activities Norway came from both new and existing customers.

Deposits

In local currency, deposits rose 23% on the 2005 figure. Retail customer deposits were up 5%, while corporate customer deposits rose 31%.

Focus on customers and advisers

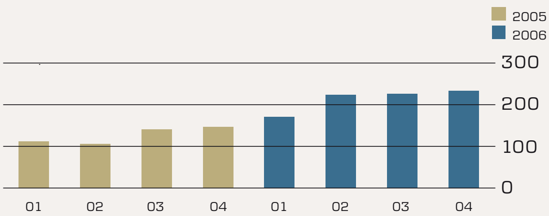
In 2006, Banking Activities Norway focused on retail and corporate customers with healthy finances and a need for a wide range of banking services. For staff, Banking Activities Norway focused on recruiting highly qualified and specialised advisers, and the bank is developing, for example, an extensive certification programme for retail customer advisers. Corporate advisers benefited from a comprehensive competency development programme.

In December 2006, Fokus Bank entered into an agreement with Sparebanken Vest on the sale of Fokus Bank's branches in Sogn og Fjordane county in western Norway. The proceeds from the sale will be recognised in the first half of 2007. The sale was a natural consequence of Fokus Bank's strategy of establishing and expanding its business in larger towns. At the end of 2006, Fokus Bank was represented in 18 of the 20 largest towns in Norway.

Market outlook for 2007

The healthy economic climate in Norway is expected to continue in 2007. Economic growth is expected to be marginally lower than in 2006, however. The development of the Norwegian branch network in recent years, the organisational adjustments and the acquisition of real-estate agency chains are expected to make the Group's Norwegian banking operations well prepared for further profitable growth.

PROFIT BEFORE CREDIT LOSS EXPENSES (DKr m)



Banking Activities Northern Ireland

Banking Activities Northern Ireland encompasses the banking activities of Northern Bank, which serves both retail and corporate customers. Banking Activities Northern Ireland has four regions with 95 branches, four finance centres and around 1,900 employees.

BANKING ACTIVITIES NORTHERN IRELAND (DKr m)	2006	2005	Index
Net interest income	1,702	1,317	-
Net fee income	485	464	-
Net trading income	87	9	-
Other income	19	20	-
Total income	2,293	1,810	-
Amortisation of intangible assets	459	374	-
Integration expenses	445	349	-
Other operating expenses	1,449	1,028	-
Operating expenses	2,353	1,751	-
Profit before credit loss expenses	-60	59	-
Credit loss expenses	44	36	-
Profit before tax	-104	23	-
Profit before tax in local currency (£)	-9	2	-
Loans and advances, end of year	58,442	40,497	144
Deposits, end of year	60,969	40,501	151
Risk-weighted items (avg.)	38,474	35,337	109
Allocated capital (avg.)	2,501	2,297	109
Profit before tax as % of allocated capital	-4.2	1.2	
Cost/income ratio, %	102.6	96.7	
Operating expenses, excl. integration expenses, as % of income	83.2	77.5	

2005 comprises the months March to December.

The pre-tax result of Banking Activities Northern Ireland in 2006 was a loss of DKr104m, against a profit of DKr23m for the months of March to December 2005. Excluding integration expenses and amortisation of intangible assets, the pre-tax profit amounted to DKr800m, against DKr746m in 2005.

The market in 2006

In 2006, Northern Ireland continued to enjoy good economic growth that generated strong demand for credit facilities among both retail and corporate customers. Intensive competitive pressure resulted in a further narrowing of lending margins, although it was more than offset by the growth in both lending and deposits.

Northern Bank

Northern Bank's market share of retail banking was 20%, and its share of corporate banking was 31%.

Income

In line with expectations, income rose to DKr2,293m, with growth driven by solid performances in both lending and deposits. Net interest income increased to DKr1,702m and reflected the strong growth of deposits and lending as well as a small, interest rate-driven widening of deposit margins.

Operating expenses

Operating expenses increased to DKr2,353m, partly as a result of higher integration and marketing expenses. Amortisation of intangible assets accounted for DKr459m and integration expenses for DKr445m of total operating expenses. The increase in other operating expenses was due to overtime payments and rebranding costs relating to integration. Operating expenses for 2006 also reflected the transition to the Danske Bank IT platform.

Credit loss expenses

Credit loss expenses amounted to DKr44m for 2006, against DKr36m in 2005. The level of losses reflected the strong economic growth and the persistently high credit quality of the loan portfolio with accordingly low impairment charges.

Lending

At the end of 2006, lending amounted to DKr58bn, an increase of DKr18bn, of which DKr13bn related to a new method of recognising loans and advances under which loans and advances are no longer netted against deposits held by the same customers. Adjusted for this effect, total lending increased 12%.

Deposits

Deposits totalled DKr61bn at the end of 2006. Adjusted for the new method of recognising loans and advances, total deposits grew 18%.

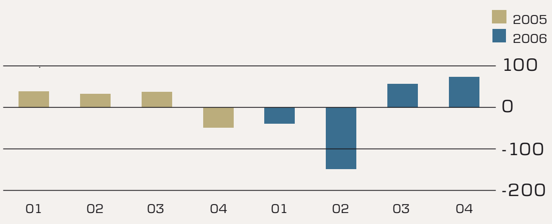
Customer packages

The introduction of new products after Northern Bank's migration to the Danske Bank IT platform generated solid sales of banking packages. Package sales exceeded expectations, and new customers accounted for around 30% of sales. Northern Bank's product range and price structure are now highly competitive and support its aim to be customers' first choice in the Northern Ireland market.

Market outlook for 2007

The rate of economic growth in Northern Ireland is expected to be high again in 2007. The rebranding of Northern Bank and the successful migration during Easter 2006 have created a strong business trend that, together with marketing campaigns and competitive products and prices, forms the basis for a promising outlook for 2007.

PROFIT BEFORE CREDIT LOSS EXPENSES (DKr m)



Banking Activities Ireland

Banking Activities Ireland encompasses the banking activities of National Irish Bank, which serves both retail and corporate customers. Banking Activities Ireland has five regions with 59 branches and around 700 employees.

BANKING ACTIVITIES IRELAND (DKr m)	2006	2005	Index
Net interest income	918	621	-
Net fee income	133	111	-
Net trading income	61	6	-
Other income	6	15	-
Total income	1,118	753	-
Amortisation of intangible assets	102	85	-
Integration expenses	159	204	-
Other operating expenses	834	566	-
Operating expenses	1,095	855	-
Profit before credit loss expenses	23	-102	-
Credit loss expenses	-3	4	-
Profit before tax	26	-106	-
Profit before tax in local currency (€)	4	-14	-
Loans and advances, end of year	51,250	34,028	151
Deposits, end of year	21,390	21,668	99
Risk-weighted items (avg.)	35,993	23,920	150
Allocated capital (avg.)	2,340	1,555	150
Profit before tax as % of allocated capital	1.1	-8.2	
Cost/income ratio, %	97.9	113.5	
Operating expenses, excl. integration expenses, as % of income	83.7	86.5	

2005 comprises the months March to December.

The pre-tax profit of Banking Activities Ireland amounted to DKr26m in 2006, against a loss of DKr106m for the months March to December 2005. Excluding integration expenses and amortisation of intangible assets, the pre-tax profit amounted to DKr287m, against DKr183m in 2005.

The market in 2006

The Republic of Ireland continued to enjoy solid economic growth that generated strong demand for credit facilities among retail and corporate customers. Strong competition put further pressure on lending margins, but its effect was more than offset by the growth in both lending and deposits. National Irish Bank lifted its market share of lending from 3% at the end of 2005 to 4% at the end of 2006.

Income
Income rose to DKr1,118m, which was in line with expectations. The rise in net interest income reflected strong growth in lending and deposits as well as a small, interest rate-driven widening of deposit margins.

Operating expenses
Operating expenses rose to DKr1,095m and reflected expenses for rebranding and activity-based costs deriving from the strong growth in the business volume.

Credit loss expenses
Banking Activities Ireland recorded a net positive entry of DKr3m for credit loss expenses, reflecting the positive economic climate and the consistently high credit quality of the loan portfolio.

Lending
Lending amounted to DKr51bn at the end of 2006. Measured in local currency, retail lending grew 52%, while lending to corporate customers was up 50%.

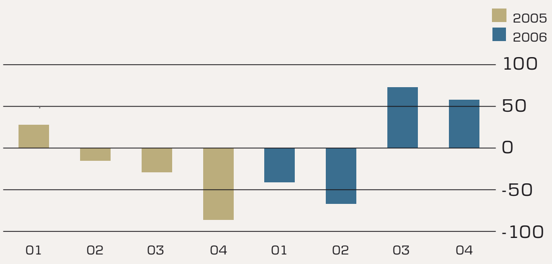
Deposits
Deposits totalled DKr21bn at the end of 2006, around the same level as in 2005. However, as deposits from large businesses were transferred to Danske Markets as a result of the conversion at Easter 2006, deposits actually rose about DKr6bn.

Migration and new branches
In April 2006, National Irish Bank successfully completed its migration to the Danske Bank IT platform. The bank received a number of awards for its work on this project.

The growth strategy for banking activities in the Republic of Ireland includes the opening of a number of new branches over the next three years.

Market outlook for 2007
The rate of economic growth is expected to slow down marginally in the Republic of Ireland in 2007, although growth is still likely to significantly outperform average European growth. Lending growth at National Irish Bank is expected to exceed market growth again in 2007.

PROFIT BEFORE CREDIT LOSS EXPENSES (DKr m)



Other Banking Activities

Other Banking Activities comprises the activities of Nordania and the activities of Danske Bank International S.A., Luxembourg, Hamburg Branch, Poland Branch and Helsinki Branch.

OTHER BANKING ACTIVITIES (DKr m)	2006	2005	Index
Net interest income	807	755	107
Net fee income	282	230	123
Net trading income	104	91	114
Other income	1,432	1,288	111
Total income	2,625	2,364	111
Operating expenses	1,571	1,432	110
Profit before credit loss expenses	1,054	932	113
Credit loss expenses	-254	219	-
Profit before tax	1,308	713	183
Loans and advances, end of year	63,384	55,925	113
Deposits, end of year	15,326	13,033	118
Risk-weighted items (avg.)	61,854	52,284	118
Allocated capital (avg.)	4,021	3,398	118
Profit before tax as % of allocated capital	32.5	21.0	
Cost/income ratio, %	59.8	60.6	

PROFIT BEFORE TAX (DKr m)	2006	2005	Index
Nordania	421	395	107
Other non-Danish banking activities	887	318	279
Other Banking Activities	1,308	713	183

The pre-tax profit of Other Banking Activities amounted to DKr1,308m, against DKr713m in 2005. Profit before credit loss expenses was up 13%.

Nordania

Profit before credit loss expenses at Nordania rose 8% relative to 2005. Net interest income at Nordania was 7% lower than in 2005. The decline was due mainly to narrower lending margins resulting from keener competition. An increase in operating leases produced a rise in other income at Nordania relative to the result achieved in 2005.

Other non-Danish banking activities

Profit before credit loss expenses of other non-Danish banking activities rose 17%. All of these units contributed to the improvement, which resulted from a positive business trend.

Operating expenses

The operating expenses of Other Banking Activities rose 10% on the figure recorded in 2005. The rise was attributable primarily to higher costs deriving from an increase in activity-based costs, enhancement of IT systems and the conversion of Danske Bank's operations in Poland into a branch.

Credit loss expenses

Credit loss expenses at Nordania amounted to DKr7m, against DKr4m in 2005.

Other non-Danish banking activities recorded a net positive entry of DKr261m for credit loss expenses, against an expense of DKr215m in 2005. The 2005 result suffered from a few individual impairment charges that were partially reversed in the third quarter of 2006. The positive trend in 2006 was also attributable to a favourable economic climate and the high credit quality of the loan portfolio.

Mortgage Finance

Mortgage Finance encompasses the Danske Bank Group's mortgage finance and real-estate agency business in Denmark. The division markets its financing solutions through Realkredit Danmark, Danske Bank, BG Bank and "home". Real-estate agency business is carried out through "home", which has 199 offices throughout the country.

MORTGAGE FINANCE (DKr m)	2006	2005	Index
Net interest income	3,621	3,423	106
Net fee income	-234	83	-
Net trading income	215	195	110
Other income	179	178	101
Total income	3,781	3,879	97
Operating expenses	1,176	1,242	95
Profit before credit loss expenses	2,605	2,637	99
Credit loss expenses	-105	-118	-
Profit before tax	2,710	2,755	98
Mortgage loans, end of year	602,584	569,092	106
Risk-weighted items (avg.)	287,040	271,182	106
Allocated capital (avg.)	18,658	17,627	106
Profit before tax as % of allocated capital	14.5	15.6	
Cost/income ratio, %	31.1	32.0	

The pre-tax profit fell 2% to DKr2,710m in 2006, against DKr2,755m the year before. Profit before credit loss expenses was down 1%.

The market in 2006

In 2006, the Danish mortgage credit market returned to a lower and more normal level after a long period of refinancing waves and many product launches. Total gross lending on the market fell DKr469bn, or 37%, relative to the figure recorded a year earlier.

This fall should be seen in light of a general rise in interest rates that, as expected, led to a cessation of significant interest rate-driven refinancing activity.

The lower level of activity in the mortgage credit market was due not only to the rise in interest rates, but also to a decline in property sales. Prices of owner-occupied housing continued to soar, but in the second half of the year, a slow-down set in. Moreover, turnover in the housing

KEY FIGURES	2006			2005		
	Private	Corporate	Total	Private	Corporate	Total
Loan portfolio, nom., end of year (DKr bn)	378	231	609	348	215	563
Share, %	62	38	100	62	38	100
Share of interest-only loans, %	39	9	28	33	5	22
Market share, gross lending, %	29.9	29.3	29.7	30.5	27.6	29.5
Market share, portfolio, end of year, %	33.7	31.3	32.8	34.6	31.6	33.4

market was substantially lower in 2006 than the year before, in particular in the market for owner-occupied flats and holiday homes.

Income

The 6% increase in net interest income reflected a rise in administration margins due to a larger loan portfolio.

Net fee income declined DKr317m to a negative DKr234m as a result of the decline in refinancing activity and larger payments to Danske Bank and BG Bank for loans arranged through them.

Operating expenses

Operating expenses fell 5%. The cost/income ratio improved marginally due to the fall in costs.

Credit loss expenses

Credit loss expenses amounted to a net positive entry of DKr105m, against a net positive entry of DKr118m in 2005. The credit quality of the loan portfolio remained good, with the average loan-to-value ratio at 53% at end-2006, against 58% at end-2005.

Lending

In 2006, mortgage loans measured at fair value rose DKr33bn to DKr603bn. The outstanding nominal bond debt increased DKr46bn to DKr609bn. Gross lending amounted to DKr145bn in 2006, against DKr224bn the year before. The table provides a breakdown of lending.

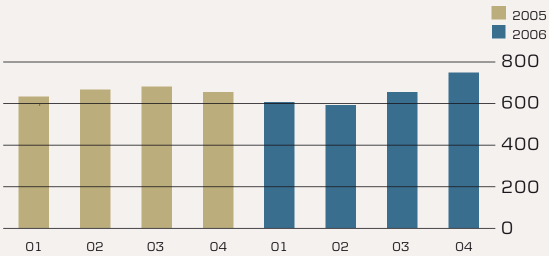
Further development of local strategy

In 2006, Realkredit Danmark continued to develop its local strategy of playing a more active role in the local community. In September, Realkredit Danmark launched its Smart Square Metres sponsorship initiative, awarding grants to schools and companies that give special priority to “physical and functional settings that inspire learning, co-operation and new ideas”.

Market outlook for 2007

The level of activity in the Danish mortgage credit market in 2007 is expected to remain largely unchanged from the level in 2006. The volume of interest rate-driven refinancing is expected to be relatively modest because of a slight rise in interest rates in 2007.

PROFIT BEFORE CREDIT LOSS EXPENSES (DKr m)



Danske Markets

Danske Markets is responsible for the Group's activities in the financial markets. Trading activities include trading in fixed-income products, foreign exchange, equities and interest-bearing securities, providing the largest corporate customers and institutional clients with financial products and advisory services on mergers and acquisitions, and assisting customers in connection with their issue of equity and debt on the international financial markets. Proprietary trading encompasses the Bank's short-term investments. The investment portfolio covers the Bank's strategic fixed-income, foreign exchange, and equity portfolios. Institutional banking includes facilities with international financial institutions outside the Nordic region. Institutional facilities with Nordic financial institutions form part of the Group's banking activities.

DANSKE MARKETS (DKr m)	2006	2005	Index
Total income	5,535	5,491	101
Operating expenses	1,950	1,779	110
Profit before credit loss expenses	3,585	3,712	97
Credit loss expenses	-54	-7	-
Profit before tax	3,639	3,719	98
Loans and advances, end of year	38,718	32,807	118
Risk-weighted items (avg.)	114,329	99,424	115
Allocated capital (avg.)	7,431	6,463	115
Profit before tax as % of allocated capital	49.0	57.5	
Cost/income ratio, %	35.2	32.4	

TOTAL INCOME (DKr m)	2006	2005	Index
Trading activities	3,502	3,068	114
Proprietary trading	390	378	103
Investment portfolio	1,159	1,589	73
Institutional banking	484	456	106
Total Danske Markets	5,535	5,491	101

The pre-tax profit of Danske Markets fell 2% to DKr3,639m, against DKr3,719m in 2005. Excluding profits from the sale of HandelsFinans in the fourth quarter of 2005, the pre-tax result was up a satisfactory 11%.

The market in 2006

The year 2006 was generally characterised by central banks' raising key money market rates. Rates were lifted gradually, however, and over the year as a whole, long-term interest rates rose only moderately.

A number of financial markets were fairly volatile, with a quite fast rise in long-term bond yields during the spring that led to a sharp – if short-lived – correction in the Nordic equity markets. Overall, the equity markets performed well in 2006, and the Nordic markets all gained in the course of the year.

In the foreign exchange market, the US dollar weakened considerably, while the Swedish krona was one of the best-performing currencies.

Danske Markets' activities

The satisfactory trend in Danske Markets' activities in the Nordic region continued, and the Group consolidated its position in these markets.

As a result of the rise in volatility in both the fixed-income and the equity markets, Danske Markets experienced stronger demand for instruments to hedge risk. Demand for Danish as well as international equities also grew.

Income

Income from trading activities amounted to DKr3,502m, up 14% on the income recorded in 2005. Corporate Finance took part in a large number of mergers, acquisitions and capital market transactions again in 2006, and Acquisition & Leveraged Finance took part in and arranged a number of major debt-financed transactions.

Income from proprietary trading rose 3% on the 2005 level.

Income from the investment portfolio was lower in 2006 than in 2005 as the 2005 figure benefited from extraordinary income items, such as the sale of HandelsFinans and of shares in companies providing the financial infrastructure in Denmark and shares in property companies. In 2006, the investment portfolio benefited from exposure to emerging markets equities and its good positioning for the rise in interest rates in the spring.

Income from institutional banking remained satisfactory.

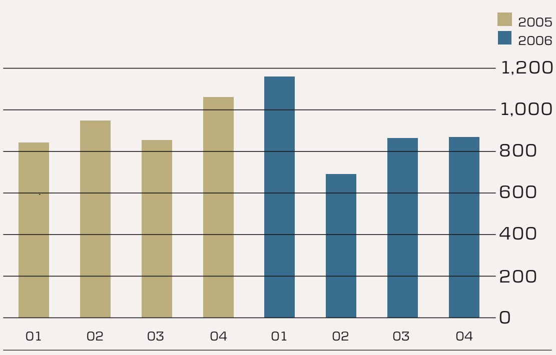
Operating expenses

Operating expenses rose 10% to DKr1,950m in 2006, mainly because of an increase in activity, including a rise in performance-based compensation and IT costs.

Market outlook for 2007

The high level of activity at Danske Markets is expected to continue in 2007. The gradual tightening of monetary policy in Europe and elsewhere in the world may, however, cause the markets to be volatile again in 2007. Against this background, Danske Markets does not expect volume growth in the mortgage credit and securities markets to continue at the pace recorded in 2006.

PROFIT BEFORE CREDIT LOSS EXPENSES (DKr m)



Danske Capital

Danske Capital is responsible for developing wealth management services to the retail banks and manages the funds of retail customers and institutional investors and the funds of Danica Pension, Danske Fund, Puljeinvest (pooled investment) and Flexinvest. The division also provides advisory services to Danske Invest and BG Invest. Through Danske Bank International in Luxembourg, Danske Capital provides wealth management services to clients outside the Group's home markets. Danske Capital is also responsible for developing asset management products sold through the retail banks and directly to companies, institutional investors and external distributors.

DANSKE CAPITAL (DKr m)	2006	2005	Index
Total income	1,026	893	115
Operating expenses	466	384	121
Profit before tax	560	509	110
Risk-weighted items (avg.)	544	149	365
Allocated capital (avg.)	35	10	365
Cost/income ratio, %	45.4	43.0	
Assets under management (DKr bn)	491	468	105

The pre-tax profit of Danske Capital rose 10% to DKr560m, against DKr509m in 2005.

The market in 2006

The Nordic units of Danske Capital maintained their position in the market for asset management in 2006. The units in Finland, Sweden, Norway and Luxembourg expanded their business segments, while the Danish unit focused on investment solutions for retail and institutional customers.

Danske Capital's market share of unit trust business targeting Danish retail customers was 33% of total assets at December 31, 2006, against 35% a year earlier.

Sales totalled DKr7.4bn in 2006, of which DKr3.5bn derived from Danske Capital units outside Denmark and DKr3.9bn from units in Denmark.

Income

Income was up 15% to DKr1,026m, owing mostly to product development and the increase in activities outside Denmark. In 2006, Danske Capital earned performance fees of DKr95m, against DKr97m the year before. Income at non-Danish units was 31% higher than in 2005, and the rise was broadly based. Non-Danish units accounted for 25% of income in 2006, against 24% in 2005.

Danske Capital

Operating expenses

The rise in costs was 21%, owing primarily to an inflow of staff and an increase in activities at non-Danish units.

Investment performance

Danske Capital's investment performance in 2006 was satisfactory, with above-benchmark returns in a number of key areas. In equities, Danske Capital strengthened its position with Nordic, European and eastern European equities delivering good returns. Most bond products delivered returns above the benchmark, and credit bonds significantly outperformed the benchmark. Danske Capital also achieved satisfactory returns on bond- and equity-based hedge funds.

For a number of years, Danske Capital has generated satisfactory investment results, owing primarily to increased focus on the Group's principal markets combined with outsourcing of products related to remote markets.

In 2006, Danske Capital also launched a number of investment products – most recently *Flexinvest Fri*, under which Danske Capital carries out the day-to-day management of liquid customer funds, a solution similar to the *Flexinvest* pension savings scheme. Sales of *Flexinvest Fri* totalled DKr2.7bn in 2006.

Stronger wealth management

As of January 1, 2007, Danske Capital is responsible for developing and providing wealth management services to all other areas in the Group. Wealth management helps affluent customers optimise their overall financial solution.
With the gathering of the Group's wealth management expertise at Danske Capital, the Group seeks to meet the increasing demand for such services.

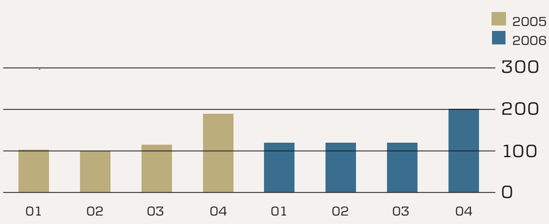
Market outlook for 2007

Danske Capital expects to continue the positive trend in its business in 2007. With the integration of Sampo Bank Asset Management, the unit will further strengthen its international platform.

ASSETS UNDER MANAGEMENT	(DKr bn) 2006	2005	Share (%) 2006	2005
Equities	154	114	31	24
Private equity	11	9	2	2
Bonds	315	337	64	72
Cash	11	8	2	2
Total	491	468	100	100

BREAKDOWN ON INVESTORS	(DKr bn) 2006	2005	Share (%) 2006	2005
Life insurance	191	181	39	39
Unit trusts - retail	139	140	28	30
Pooled schemes	54	45	11	10
Institutions, incl. unit trusts	107	102	22	22
Total	491	468	100	100

PROFIT BEFORE TAX (DKr m)



Danica Pension

Danica Pension encompasses all the Danske Bank Group's activities in the life insurance and pensions market. Marketed under the name of Danica Pension, the unit targets both personal and corporate customers. Products are marketed through a range of distribution channels within the Group, primarily Banking Activities' outlets and Danica Pension's insurance brokers and advisers.

DANICA PENSION (DKr m)	2006	2005	Index
Share of technical provisions, etc.	1,037	1,127	92
Unit-linked business	-53	-25	-
Health and accident business	-101	-486	-
Return on investments	772	783	99
Financing result	-300	-193	-
Postponed risk allowance	-	441	-
Net income from insurance business	1,355	1,647	82
Premiums, insurance contracts	16,232	15,293	106
Premiums, investment contracts	2,014	1,655	122
Technical provisions (avg.)	176,757	167,406	106
Allocated capital (avg.)	7,310	8,402	87
Net income as % of allocated capital	18.5	19.6	

Danica Pension saw a sound business trend in 2006 with a rise in gross premiums, including payments under investment contracts, of 8% to DKr18.2bn.

Total premiums for the market-based products *Danica Balance* and *Danica Link* rose by 87% to DKr6.0bn, against DKr3.2bn in 2005. One effect of this increase was that premiums for *Danica Traditionel* declined by DKr0.7bn. In 2006, market-based products accounted for 49% of new contracts. At the end of 2006, some 72,000 customers had opted for the market-based products.

The presentation of Danica Pension's results has been changed from the 2005 presentation to match the future profit policy, according to which the risk allowance consists exclusively of Danske Bank's share of technical provisions and does not include the health and accident result.

Market position in 2006

In 2006, Danica Pension strengthened its position as the leading supplier of life and pension products on the Danish market, partly as a result of declining costs and enhanced efficiency.

The decline in the level of expenses allowed Danica Pension to reduce its prices for *Danica Traditionel*, *Danica Balance* and *Danica Link* in 2006.

Activities outside Denmark

Danica Pension's business in Sweden recorded a growth rate of 22%, and premium income stood at DKr1.6bn, against DKr1.3bn in 2005.

In Norway, the business volume was at the same level as in 2005, with premium income of DKr0.5bn.

Earnings

Net income from insurance business fell 18% to DKr1,355m in 2006.

Excluding the booking of postponed risk allowance of DKr441m in 2005, earnings rose by 12%.

Increased position taking in equities helped maintain the high level of the investment return. The raising of additional subordinated debt reduced allocated capital and thereby the financing result. Moreover, the fall in net income from insurance business was attributable to the change in profit policy in 2006 that reduced the risk allowance.

The health and accident result remained unsatisfactory, although better than in 2005, when Danica Pension had to strengthen provisions.

For more information about Danica Pension's profit policy and consolidation in the accounts of the Danske Bank Group, visit www.danskebank.com/ir.

Investment return

Danica Traditionel posted a return on investments of customer funds of 2.9% in 2006, against 12.6% in 2005. Given the market conditions and the chosen risk profile, the return was satisfactory. In 2006, Danica Pension increased the portion of customer funds invested in equities to 23%. As equities provided a return of 15% in 2006, this contributed to a rise in the total return. The return on property holdings was 19.5%. *Danica Traditionel* customers received interest on their savings at a rate of 4.5%.

Danica Balance customers with a 75% equity allocation and a medium risk profile saw a return of 10.5% in 2006. The majority of *Danica Link* customers have chosen *Danica Valg*, the Danica-managed investment pool, with a medium risk profile, and they achieved a return of 5.3%, against 21.7% in 2005.

The collective bonus potential rose by DKr2.6bn to DKr13.9bn at the end of 2006 because increasing interest rates reduced provisions by 3.6%. A 30% fall in equity prices would have reduced the collective bonus potential by DKr11.2bn and shareholders' equity by DKr0.9bn. An increase in interest rates of 1.0 percentage point would have reduced the collective bonus potential by DKr1.2bn and shareholders' equity by DKr0.1bn.

CUSTOMER FUNDS – DANICA TRADITIONEL

	Share (%)		Return (%)	
Holdings and returns	2006	2005	2006	2005
Real property	9	8	19.5	11.6
Bonds, etc.	68	76	-2.1	11.1
Equities	23	16	15.0	24.8
Total	100	100	2.9	12.6

Given the change in the collective bonus potential in 2006 and the forecasts for future returns, Danica Pension fixed the rate of interest on policyholders' savings at 4.5%. Danica Pension intends to apply this rate throughout 2007.

Subordinated loan capital

In October 2006, Danica Pension issued subordinated loan capital in an amount of €0.4bn. Part of it was used to repay existing loans worth DKr2bn and part will be used for continuing expansion. The subordinated loan capital was rated A+ by Standard & Poor's.

Openness and transparency

In 2006, the issue of transparency at life insurance companies received increased attention. Danica Pension contributed to the debate by focusing on clearly exhibiting its cost and risk results on conventional products. Furthermore, Danica Pension is the only company in the sector that has published processing times on its Web site in recent years. In 2006, Danica Pension decided to compensate customers if processing times exceeded the targets.

Market outlook for 2007

The growth in premiums is expected to continue in 2007. The investment result is not expected to remain at the same high level in 2007 as in 2006, and the financing result will be adversely affected by the raising of subordinated loan capital.

Other areas

Other areas encompasses the Group's real property activities, unallocated cost of capital and expenses for Group support functions. Moreover, the area covers the elimination of returns on own shares.

OTHER AREAS (DKr m)	2006	2005
Net interest income	-902	-845
Net fee income	-209	-32
Net trading income	-249	-306
Other income	693	593
Total income	-667	-590
Operating expenses	-7	529
Profit before credit loss expenses	-660	-1,119
Credit loss expenses	-1	-
Profit before tax	-659	-1,119

PROFIT BEFORE TAX (DKr m)	2006	2005
Cost of capital	-956	-796
Own shares	-240	-320
Others	537	-3
Total Other areas	-659	-1,119

The pre-tax result of Other areas was affected by an increase in the cost of capital as a result of the acquisition of Northern Bank and National Irish Bank.

The higher profit from Others was attributable to the following factors: the closing of the Group's Norwegian pension fund, which resulted in a DKr0.2bn reduction of operating expenses; proceeds from the sale of properties, including Realkredit Danmark's former head office building, of DKr0.1bn; and a reduction of severance payments of DKr0.1bn.

Statement by the management

The Board of Directors and the Executive Board (the management) have today reviewed and approved the Annual Report of Danske Bank A/S for the financial year 2006.

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the annual accounts of the Parent Company have been prepared in accordance with the Danish Financial Business Act. Furthermore, the Annual Report has been prepared in accordance with additional Danish disclosure requirements for annual reports of listed financial institutions.

In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at December 31, 2006, and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year starting on January 1 and ending on December 31, 2006.

The management will submit the Annual Report to the general meeting for approval.

Copenhagen, January 31, 2007

Executive Board

Peter Straarup
Chairman

Jakob Brogaard
Deputy Chairman

Tonny Thierry Andersen
Senior Executive Vice President

Sven Lystbæk
Senior Executive Vice President

Per Skovhus
Senior Executive Vice President

Board of Directors

Alf Duch-Pedersen
Chairman

Jørgen Nue Møller
Vice Chairman

Eivind Kolding
Vice Chairman

Henning Christophersen

Peter Højland

Niels Chr. Nielsen

Sten Scheibye

Majken Schultz

Claus Vastrup

Birgit Aagaard-Svendsen

Helle Brøndum

Charlotte Hoffmann

Per Alling Toubro

Verner Usbeck

Solveig Ørteby

Audit reports

Internal Audit's report

We have audited the accompanying Annual Report of Danske Bank A/S for the financial year 2006, which comprises the management's report, the statement by the management, accounting policies, income statement, balance sheet, capital, cash flow statement and notes. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the financial statements of the Parent Company have been prepared in accordance with the Danish Financial Business Act. Furthermore, the Annual Report has been prepared in accordance with additional Danish disclosure requirements for annual reports of financial institutions listed on the Copenhagen Stock Exchange.

Auditor's responsibility

We conducted our audit in accordance with the executive order of the Danish Financial Supervisory Authority on auditing financial enterprises and financial groups and in accordance with Danish auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance that the Annual Report is free from material misstatement. In addition, the audit was conducted in accordance with the division of duties agreed with the external auditors, according to which the external auditors to the widest possible extent base their audit on the work performed by the internal auditors.

We planned and conducted our audit such that we have, during the year, assessed the business and internal control procedures, including the risk management implemented by the management aimed at the Group's and the Parent Company's reporting processes and major business risks.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Annual Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the Annual Report in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Annual Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

Opinion

In our opinion, the business procedures and internal control procedures, including the risk management implemented by the management, aimed at the Group's and the Parent Company's reporting processes and major business risks work satisfactorily.

Furthermore, we believe that the Annual Report gives a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at December 31, 2006, and of the results of the Group's and the Parent Company's operations and the Group's cash flows for the year in accordance with International Financial Reporting Standards as adopted by the EU in respect of the consolidated financial statements, in accordance with the Danish Financial Business Act in respect of the Parent Company's financial statements and in accordance with additional Danish disclosure requirements for annual reports of listed financial institutions.

Copenhagen, January 31, 2007

Jens Peter Thomassen	Erik Fosgrau
Group Chief Auditor	Deputy Group Chief Auditor

Independent auditors' report

To the shareholders of Danske Bank A/S

We have audited the accompanying Annual Report of Danske Bank A/S for the financial year 2006, which comprises the management's report, the statement by the management, accounting policies, income statement, balance sheet, capital, cash flow statement and notes. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the financial statements of the Parent Company have been prepared in accordance with the Danish Financial Business Act. Furthermore, the Annual Report has been prepared in accordance with additional Danish disclosure requirements for annual reports of financial institutions listed on the Copenhagen Stock Exchange.

Management's responsibility for the Annual Report
Management is responsible for preparing and presenting an Annual Report that gives a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU in respect of the consolidated financial statements and in accordance with the Danish Financial Business Act in respect of the Parent Company's financial statements and in accordance with additional Danish disclosure requirements for annual reports of listed financial institutions. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an Annual Report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on the Annual Report based on our audit. We conducted our audit in accordance with Danish auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the Annual Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Annual Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the preparation and fair presentation of the Annual Report in order to design audit procedures that are appropriate in the circumstances, 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 management, as well as evaluating the overall presentation of the Annual Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

Opinion
In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at December 31, 2006, and of the results of the Group's and the Parent Company's operations and the Group's cash flows for the year in accordance with International Financial Reporting Standards as adopted by the EU in respect of the consolidated financial statements, in accordance with the Danish Financial Business Act in respect of the Parent Company's financial statements and in accordance with additional Danish disclosure requirements for annual reports of listed financial institutions.

Copenhagen, January 31, 2007

KPMG C. Jespersen
Statsautoriseret Revisionsinteressentskab

Per Gunslev   Arne Sivertsen
State Authorised Public Accountants

Grant Thornton
Statsautoriseret Revisionsaktieselskab

Svend Ørjan Jensen   Erik Stener Jørgensen
State Authorised Public Accountants

Accounting policies

General

The Danske Bank Group presents its consolidated accounts in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the EU and with relevant interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC). Furthermore, the consolidated accounts comply with the requirements for annual reports formulated by the Copenhagen Stock Exchange and the Danish FSA.

The Group has opted for early adoption of IFRS 7 "Financial Instruments: Disclosures" (August 2005).

Adjustment of accounting policies

The Group has not changed its accounting policies from those followed in the Annual Report for 2005 except in the instances mentioned below.

With effect from January 1, 2006, the Group has adjusted its policies for the recognition of provisions for unit-linked insurance contracts to comply with the new rules issued by the Danish FSA that complete the framework laid down by IFRS 4. Under the earlier accounting policies, the present value of the future administrative result was recognised at the establishment of a contract. Under the new rules, provisions must, as a minimum, equal the surrender value of a contract. Comparative figures have been restated.

This adjustment reduced net income from insurance business by DKr277m and tax by DKr78m in 2006. The effects on the comparative figures for 2005 were reductions of DKr183m and DKr46m, respectively. The accounting policies effective as of January 1, 2006, led to a decline in the value of other assets of DKr57m, a rise in liabilities under insurance contracts of DKr494m, a decrease in deferred tax liabilities of DKr130m and a lowering of shareholders' equity of DKr421m.

Adjustment of presentation

The disclosure of net income from insurance business has been adjusted with effect from January 1, 2006, to provide a coherent presentation. The adjustment of technical provisions relating to changes in interest rates and the addition to policyholders' savings of returns on assets under insurance contracts and the tax payable on such returns are now recognised as net trading income instead of net insurance benefits. Consequently, net insurance benefits comprise only transactions with policyholders, whereas net trading income includes both the value adjustment of assets under insurance contracts and the return added to policyholders' savings. Comparative figures have been restated.

This adjustment led to an increase in net trading income and net insurance benefits of DKr2,615m (2005: DKr12,975m). The reduction did not affect the net profit for the year or shareholders' equity.

Accounting estimates and assessments

The preparation of the consolidated accounts is based on a number of significant estimates and assessments made by the Board of Directors and the Executive Board (the management) of future events that will affect the carrying amounts of assets and liabilities. The amounts most influenced by vital estimates and assessments made by the management are:

- the fair value of financial instruments
- impairment charges for loans and advances
- impairment charges for goodwill
- the value of liabilities under insurance contracts
- the value of defined benefit plans

The estimates and assessments made by the management are based on assumptions that the management finds reasonable but which are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate, and unexpected future events or situations may occur. Therefore, such estimates and assumptions are difficult to make and will always entail uncertainty, even under stable macroeconomic conditions, when they involve transactions with customers and other counterparties.

Consolidation

Subsidiary undertakings

The consolidated accounts comprise Danske Bank A/S and subsidiary undertakings in which the Group has control over financial and operating policy decisions. Control is said to exist if Danske Bank A/S, directly or indirectly, holds more than half of the voting rights in an undertaking or otherwise has power to control management and operating policy decisions, provided that most of the return on the undertaking accrues to the Group and that the Group assumes most of the risk.

The consolidated accounts are prepared by consolidating items of the same nature and eliminating intra-group transactions, accounts, and trading profit and losses.

Undertakings acquired are included in the accounts at the time of acquisition. Divested undertakings are included in the accounts until the transfer date.

The net assets of such undertakings, i.e. assets, including identifiable intangible assets, less liabilities and contingent liabilities, are included in the accounts at their fair value on the date of acquisition using the purchase method.

If the cost of acquisition, including direct transaction costs, exceeds the fair value of the net assets of the undertaking acquired, the excess amount is recognised as goodwill. Goodwill is recognised using the functional currency of the undertaking acquired. If the fair value of the net assets exceeds cost (negative goodwill), the excess amount is posted as income in the income statement at the time of acquisition.

Associated undertakings

Associated undertakings are businesses, other than subsidiary undertakings, in which the Group has holdings and significant influence but not control. The Group generally classifies undertakings as associated undertakings if Danske Bank A/S, directly or indirectly, holds 20-50% of the voting rights.

Holdings are recognised at cost at the time of acquisition and are subsequently valued using the equity method with the addition of goodwill on acquisition. The proportionate share of the net profit or loss of the individual undertaking is included under Income from associated undertakings based on data from accounts with balance sheet dates not earlier than three months before the balance sheet date of the Group.

The proportionate share of the profit and loss on transactions between associated undertakings and subsidiary undertakings of the Danske Bank Group is eliminated.

Segment reporting

The accounts break down information by business segment, the primary segment reporting format of the Group, and by geographical segment, the secondary segment reporting format of the Group. Segment disclosure complies with the accounting policies of the Group.

Intra-segment transactions are settled at market prices. Expenses incurred centrally, including expenses incurred by support, administrative and back-office functions, are charged to the business segments in accordance with their estimated proportionate share of overall activities or at market prices, if available.

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

Offsetting

Amounts due to and from the Group are offset when the Group has a legally enforceable right to set off a recognised amount and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Translation of transactions in foreign currencies

The presentation currency of the consolidated accounts is Danish kroner. The functional currency of each of the Group's units is the currency of the country in which the unit is domiciled, as most income and expenses are recognised in the currency of that country.

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

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

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

Translation – foreign units

Assets and liabilities of foreign units are translated into Danish kroner at the exchange rates applying at the balance sheet date. Income and expenses are translated at the exchange rates applying at the date of transaction. Exchange rate gains and losses arising at the translation of net investments in foreign units are recognised directly in shareholders' equity. Net investments include the net assets and goodwill of the units as well as investments in foreign units in the form of subordinated loan capital. Exchange rate adjustments of financial liabilities to hedge net investments in foreign units are also recognised directly in shareholders' equity.

Financial instruments – general

Purchases and sales of financial instruments are measured at their fair value at the settlement date, which is usually the same as the transaction price. Before the settlement date, changes in the value of financial instruments are recognised.

Classification

At the time of recognition, financial assets are divided into the following four categories:

- trading portfolio measured at fair value
- loans and advances measured at amortised cost
- held-to-maturity investments measured at amortised cost
- financial assets designated at fair value with value adjustment through profit and loss

At the time of recognition, financial liabilities are divided into the following three categories:

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

Fair value option – Financial assets and liabilities designated at fair value through profit and loss

Mortgage lending and issued mortgage bonds

Mortgage loans granted under Danish mortgage finance law are funded by issuing listed mortgage bonds on identical terms. Borrowers may repay such mortgage loans by delivering the underlying bonds.

The Group buys and sells own mortgage bonds on an ongoing basis because such securities play an important role in the Danish financial market. If mortgage loans and issued mortgage bonds were valued at amortised cost, the purchase and sale of own mortgage bonds would mean that timing differences in profit and loss recognition would occur: The purchase price of the mortgage bond portfolio would not equal the amortised cost of the issued bonds. Moreover, elimination would result in recognition of an arbitrary effect on profit and loss, which would require an excessive amount of resources to calculate. If the Group subsequently decided to sell its holding of own mortgage bonds, the new amortised cost of this “new issue” would not equal the amortised cost of the matching mortgage loans, and the difference would be amortised over the remaining term to maturity.

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

The fair value of issued mortgage bonds will usually equal the market value. However, a small number of the issued bonds are illiquid, and the fair value of these bonds is calculated on the basis of a discounted cash flow valuation model.

The fair value of mortgage loans is based on the fair value of the underlying mortgage bonds adjusted for the credit risk on borrowers. The fair value adjustment of mortgage loans largely equals the fair value adjustment of the mortgage bonds issued.

The fair value adjustment of mortgage loans and issued mortgage bonds is carried under Net trading income except for the part of the adjustment that concerns the credit risk on mortgage loans, which is carried under Credit loss expenses.

Other financial assets designated at fair value but not included in the trading portfolio

Other financial assets include securities that are not classified as trading portfolio assets, loans and advances (including mortgage loans) or held-to-maturity investments. These securities do not form part of the trading portfolio because no recent pattern of short-term profit-taking exists. As the assets are managed on a fair value basis, the fair value option is applied to ensure uniform accounting treatment of these assets and assets in the trading portfolio. Realised and unrealised capital gains and losses and dividends are carried in the income statement under Net trading income.

These financial assets are recognised on the balance sheet under Financial investment securities and Assets under insurance contracts.

Hedge accounting

The Group uses derivatives to hedge the interest rate risk on fixed-rate assets and fixed-rate liabilities carried at amortised cost except for held-to-maturity investments. Hedged risks that meet specific criteria qualify for fair value hedge accounting and are treated accordingly. The interest rate risk on the hedged assets and liabilities is recognised at fair value as value adjustments of the hedged items.

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

Insurance activities – general
The Group's insurance activities comprise conventional life insurance, unit-linked insurance and personal injury insurance.

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

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

Life insurance policies are divided into insurance and investment contracts. Insurance contracts are contracts that entail significant insurance risk or entitle policyholders to bonuses. Investment contracts are contracts that entail insignificant insurance risk and comprise unit-linked contracts under which the investment risk lies with the policyholder.

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

Technical provisions for insurance contracts are carried at their fair value under Liabilities under insurance contracts.

Assets earmarked for insurance contracts are recognised as Assets under insurance contracts if most of the return on the assets accrues to the policyholders. The assets are valued in accordance with the Group's accounting policies for similar types of asset. This means that most of the assets are measured at fair value.

Contributions made under insurance contracts are carried under Net premiums, whereas benefit expenses are recognised as Net insurance benefits. The return on earmarked assets is allocated to the relevant items in the income statement. The return is credited to the policyholders under Net trading income.

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

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

BALANCE SHEET

Due from credit institutions and central banks

Amounts due from credit institutions and central banks include amounts due from other credit institutions and time deposits with central banks. Reverse transactions, i.e. purchases of securities from credit institutions and central banks to be resold at a later date, are recognised as amounts due from credit institutions and central banks.

Amounts due from credit institutions and central banks are measured as described under Bank loans and advances.

Trading portfolio (assets and liabilities)

The trading portfolio includes financial assets acquired and liabilities undertaken by the Group which it intends to sell or repurchase in the short term. Moreover, the trading portfolio consists of financial assets and liabilities managed collectively for which a pattern of short-term profit-taking exists. All derivatives, including separate embedded derivatives, form part of the trading portfolio.

Assets in the trading portfolio include the equities, bonds, loans and advances, and derivatives with positive fair value held by the Group's trading departments. Liabilities in the trading portfolio include derivatives with negative fair value and obligations to deliver securities.

At first-time recognition, the trading portfolio is measured at fair value, excluding transaction costs. Subsequently, the portfolio is measured at fair value with value adjustments through profit and loss.

Fair value

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

If an active market does not exist, the fair value of standard and simple financial instruments, such as interest rate and currency swaps and unlisted or illiquid bonds, is measured using generally accepted valuation techniques. Market-based parameters are used to measure fair value. The fair value of more complex financial instruments, such as swaptions, interest rate caps and floors, and other OTC products, is measured on the basis of internal models, many of which are based on valuation techniques and methods generally accepted within the industry.

The results of calculations made on the basis of valuation models are often estimates, because exact values cannot be determined on the basis of market observations. Consequently, other parameters, such as liquidity and counterparty risk, are sometimes added to measure fair value.

Financial investment securities

Financial investment securities consist of held-to-maturity investments and other financial assets that are valued as trading portfolio assets under the fair value option.

Held-to-maturity investments

Held-to-maturity investments cover certain bonds with a quoted price in an active market held for the purpose of generating a profit until maturity. Bonds without a quoted price in an active market held for the purpose of generating a profit until maturity are carried under Bank loans and advances. Held-to-maturity investments are measured at amortised cost.

Assets and liabilities held for sale

Assets held for sale consist of tangible assets, except investment property and lease assets which, according to a publicly announced plan, are expected to be sold within twelve months. Furthermore, this item includes assets and liabilities that form part of disposal groups that are expected to be sold within twelve months.

Tangible assets are measured at the lower of their carrying amount at the time of reclassification and their net realisable value and are no longer depreciated. Other assets and liabilities are measured in accordance with the Group's general accounting policies.

Bank loans and advances

Bank loans and advances consists of loans and advances disbursed directly to borrowers and loans and advances acquired after disbursement. Loans and advances extended or acquired by the Group which it intends to resell in the short term are included in the trading portfolio. Bank loans and advances includes conventional bank loans, finance leases, mortgages, reverse transactions, except for transactions with credit institutions and central banks, and certain bonds that do not have a quoted price in an active market. Moreover, the item includes loans secured on real property, except for loans granted under Danish mortgage finance law, which are carried under Mortgage loans.

At first-time recognition, bank loans and advances are measured at fair value plus transaction costs and less origination fees, etc. Subsequently, they are measured at amortised cost, using the effective interest method, with the deduction of any impairment charges. The difference between first-time recognition and the nominal value is amortised over the term to maturity and carried under Interest income. If fixed-rate loans and advances and amounts due are hedged efficiently by derivatives, the fair value of the hedged interest rate risk is added to the amortised cost of the assets.

Impairment

If objective evidence of impairment of a loan, an advance or an amount due exists, and the effect of the impairment event or events on the expected cash flow from the asset is reliably measurable, the impairment charge is determined individually. The charge equals the difference between the carrying amount and the present value of the expected future cash flow of the asset, including the realisable value of security. The present value of fixed-rate loans and advances is calculated at the original effective interest rate, whereas the present value of loans and advances with a variable rate of interest is calculated at the current effective interest rate.

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

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

Loans and advances without objective evidence of impairment are considered in an assessment of collective impairment at portfolio level. Such assessment involves a portfolio of loans and advances with uniform credit risk characteristics. A collective impairment charge is established to cover, for instance, the deterioration in the pattern of cash flows from the portfolio and changes that normally affect the extent of defaults within the portfolio of loans and advances/amounts due.

Collective impairment is calculated as the difference between the carrying amount of the loans and advances of the portfolio and the present value of expected future cash flows. Expected future cash flows are estimated on the basis of historical loss data and data that reflect current conditions. The discount rate used is the weighted average of the agreed effective interest rates on the individual loans and advances in the portfolio.

Impairment charges are booked in an allowance account and offset against loans and advances. Changes in the allowance account are recorded under Credit loss expenses in the income statement. If subsequent events show that an impairment loss is not of a permanent nature, the charge is reversed via Credit loss expenses.

Loans and advances that are considered uncollectible are written off. Write-offs are deducted from the allowance account. Loans and advances are written off once the usual collection procedure has been completed and the loss on the individual loan or advance can be calculated.

The booking of interest on loans and advances will stop if individual impairment losses are recorded. Instead, interest is calculated on the impaired value of the loan at the original rate of interest.

Mortgage lending and issued mortgage bonds
At first-time recognition, mortgage loans and issued mortgage bonds are measured at fair value, excluding transaction costs. Subsequently, such assets are measured at fair value.

The fair value of issued mortgage bonds is normally defined as their market value. However, a small part of the issued bonds are illiquid, and the value of these bonds is calculated on the basis of a discounted cash flow valuation model.

The fair value of mortgage loans is based on the fair value of the underlying mortgage bonds adjusted for the credit risk on the borrowers.

Assets and deposits under pooled schemes and unit-linked investment contracts
These items include assets and deposits under pooled schemes and unit-linked contracts defined as investment contracts.

The assets in which customer savings have been invested are recognised at fair value and carried under Assets under pooled schemes and unit-linked investment contracts. Similarly, deposits made by customers are carried under Deposits under pooled schemes and unit-linked investment contracts. Deposits are recognised at the value of savings.

Holdings of shares and bonds issued by the Group are deducted from shareholders' equity or eliminated, as the case may be. Consequently, the value of Deposits under pooled schemes and unit-linked investment contracts exceeds that of Assets under pooled schemes and unit-linked investment contracts.

Assets and liabilities under insurance contracts
Assets under insurance contracts includes assets earmarked for policyholders. The earmarking means that most of the return accrues to the policyholders. The assets, which include financial assets, investment property tangible assets, etc., are specified in the notes. The valuation technique used matches the Group's accounting policies for similar assets. A few pieces of real property are jointly owned and therefore consolidated in the accounts on a pro rata basis.

Liabilities under insurance contracts comprises liabilities that relate to the insurance contracts of the Group. The liabilities consist of life insurance provisions, provisions for unit-linked insurance contracts, collective bonus potential, other technical provisions and other liabilities.

Holdings of shares and bonds issued by the Group are deducted from shareholders' equity or eliminated, as the case may be. Consequently, the value of Liabilities under insurance contracts exceeds that of Assets under insurance contracts.

Life insurance provisions

Life insurance provisions are measured at fair value by actuaries. Provisions are calculated for each insurance contract using a zero-coupon yield curve from which a risk premium is deducted. The calculation of life insurance provisions factors in assumptions of mortality and disability based on historical data.

Provisions for unit-linked insurance contracts

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

Collective bonus potential

The collective bonus potential includes the part of the accumulated realised result that is not credited to the individual policyholders.

Other technical provisions

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

Other liabilities

Other liabilities include the share of Danica Pension's other liabilities, such as deferred tax on pension returns, which rest with policyholders. Other liabilities are valued in accordance with the accounting policies of the Group for similar types of liability.

Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiary undertakings and is calculated as the difference between the cost of an undertaking acquired and the fair value of its net assets, including contingent liabilities, at the time of acquisition. Goodwill on acquisitions made before 2002 was written off against shareholders' equity in the year of acquisition.

Goodwill on associated undertakings is carried under Holdings in associated undertakings.

Goodwill is allocated to cash-generating units in accordance with the level at which management monitors the return on its investment. Goodwill is not amortised; instead, each cash-generating unit is tested for impairment at least once a year. Goodwill is written down to its recoverable amount through profit and loss if the carrying amount of the net assets of the cash-generating unit exceeds the higher of their fair value less costs to sell and their value in use, which corresponds to the present value of the future cash flows expected to be derived from the unit.

Other intangible assets

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

Software developed by the Group is recognised if the cost of development is reliably measurable and analyses show that the future profit on using the individual software applications exceeds cost. Cost is defined as development costs incurred to make each software application ready for use. Once the software has been developed, the cost is amortised over the expected useful life, which is usually three years, using the straight-line method. Development costs consist primarily of direct remuneration and other development costs that may be attributed directly. Expenses incurred in the planning of the software are not included; instead, such expenses are booked when incurred.

Identifiable intangible assets taken over on the acquisition of undertakings are recognised at the time of acquisition at their fair value and amortised over their expected useful lives, which are usually three years, using the straight-line method.

Other intangible assets are tested for impairment if indications suggest that impairment exists, and the assets are written down to their value in use.

Costs attributable to the maintenance of intangible assets are expensed in the year of maintenance.

Investment property

Investment property is real property, including real property let under operating leases, which the Group owns for the purpose of receiving rent and/or obtaining capital gains. The section on domicile property below explains the distinction between domicile and investment property.

On acquisition, investment property is recognised at cost, including transaction costs. Subsequently, the property is measured at fair value. Fair value and rent adjustments are carried under Other income in the income statement.

The fair value is assessed by the Group's valuers at least once a year. Assessments are based on the expected return on the Group's property and on the rate of return calculated for each property. The rate of return of a property is calculated on the basis of its location, type, applications, layout and condition as well as on the terms of lease agreements, rent adjustment and credit quality of the lessees.

Tangible assets

Tangible assets comprise domicile property, equipment, vehicles, tools, leasehold improvements and lease assets.

Domicile property

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

Domicile property is valued at cost plus improvements and less depreciation and impairment charges. The straight-line depreciation of the property is based on the expected scrap value and an estimated useful life of 20 to 50 years. Real property held under long-term leases is depreciated on a progressive scale.

Investment property which becomes domicile property because the Group starts using it for its own activities is recognised at cost corresponding to the fair value at the time of reclassification. Domicile property which becomes investment property is revalued at its fair value at the time of reclassification. Revaluation is recognised directly in shareholders' equity.

Domicile property which, according to a publicly announced plan, is expected to be sold within twelve months is carried as an asset held for sale. Real property taken over in connection with the settlement of debt is recognised under Other assets.

Equipment, vehicles, tools and leasehold improvements

Equipment, vehicles, tools and leasehold improvements are recognised at cost less depreciation and impairment. Assets are depreciated over their expected useful lives, which are usually three years, using the straight-line method. Leasehold improvements are depreciated over the terms of the leases, with a maximum of 10 years.

Lease assets

Lease assets are assets, except real property, leased under operating leases with the Group as the lessor. They are measured using the same valuation technique as that applied by the Group to its other equipment, vehicles and tools.

Impairment

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

Other assets

Other assets includes interest and commissions due, prepayments and tangible assets taken over under non-performing loan agreements. Assets taken over are carried at the lower of their cost and net realisable value, i.e. their fair value less expected costs to sell.

Amounts due to credit institutions and central banks/Deposits

Amounts due to credit institutions and central banks and deposits include amounts received under repo transactions, i.e. sales of securities to be repurchased at a later date.

Amounts due to credit institutions and central banks and deposits are measured at amortised cost to which is added the fair value of the hedged interest rate risk.

Other issued bonds/Subordinated debt

Other issued bonds and subordinated debt comprise the bonds issued by the Group except issued mortgage bonds. Subordinated debt is liabilities in the form of subordinated loan capital and other capital investments which, in case of voluntary or compulsory winding-up or bankruptcy, will not be repaid until after the claims of ordinary creditors have been met.

Other issued bonds and subordinated debt are measured at amortised cost to which is added the fair value of the hedged interest rate risk.

The yield on some issued bonds depends on an index which is not closely linked to the financial characteristics of the bonds, for example an equity or commodity index. Such embedded derivatives are treated separately and carried at their fair value in the trading portfolio.

Other liabilities

Other liabilities include accrued interest, fees and commissions that do not form part of the amortised cost of a financial instrument.

Other liabilities also include pension obligations and provisions for other obligations, such as lawsuits and guarantees.

Pension obligations

The Group’s pension obligations consist of both defined contribution and defined benefit plans for its staff. Under the defined contribution plans, the Group pays regular contributions to insurance companies and other institutions. Such payments are expensed as they are earned by the staff, and the obligations under the plans are taken over by the insurance companies and other institutions as contributions are made.

Under the defined benefit plans, the Group is under an obligation to pay defined future benefits starting at the time of retirement. The amounts payable are recognised on the basis of an actuarial assessment of the present value of expected benefits. The present value is calculated on the basis of the expected future trends in salaries and interest rates, time of retirement, mortality and other factors.

The present value of pension benefits less the fair value of pension assets is carried as a pension obligation for each plan under Other liabilities on the balance sheet. If the net amount of a defined benefit plan is positive, i.e. an asset to the Group, and may be repaid to the Group or reduce its future contributions to the plan, the net amount is carried under Other assets. The discount rate is based on the market rate that applies to high-quality corporate bonds with maturities that correspond to the maturity of the pension obligations.

The difference between the expected trends in pension assets and benefits and the actual trends will result in actuarial gains or losses. Actuarial gains and losses that do not exceed the higher of 10% of the present value of benefits and 10% of the fair value of pension assets are not recognised in the income statement or on the balance sheet but form part of the corridor. If the accumulated actuarial gains and losses exceed both these threshold values, the excess amount is recognised in the income statement and in the net pension obligation over the expected remaining period of service of the staff covered by the plan.

Guarantees and irrevocable loan commitments

At first-time recognition, financial guarantees and irrevocable loan commitments are recognised at the value of the premiums received. Subsequently, guarantees are valued at the higher of the received premium amortised over the guarantee period and the provision made, if any. Provisions for guarantees and irrevocable loan commitments are recognised under Other liabilities if claims for payment under the guarantees or loan commitments seem likely and the amount payable may be reliably measured.

Deferred tax

Deferred tax on all temporary differences between the tax base of assets and liabilities and their carrying amounts is accounted for using the balance sheet liability method. Deferred tax is recognised on the balance sheet under Deferred tax assets and Deferred tax liabilities on the basis of current tax rates.

However, 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 temporary differences arose at the time of acquisition without effect on the net profit or taxable profit. 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/settlement of the liability as planned by the management.

Tax assets arising from unused tax losses and unused tax credits are recognised to the extent it is probable that the unused tax losses and unused tax credits can be used.

Deferred tax is measured on the basis of the tax regulations and rates that, according to the rules in force at the balance sheet date, will apply in the relevant countries at the time the deferred tax is expected to become current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement.

Shareholders' equity

Foreign currency translation reserve

The foreign currency translation reserve covers differences that have occurred since January 1, 2004, as a result of the translation to Danish kroner of the financial results of and net investments in foreign units from their functional currencies. Furthermore, the reserve includes exchange rate adjustments of financial liabilities to hedge net investments in foreign units.

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

Proposed dividends

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

Own shares

Amounts received and paid for the Group's sale and purchase of Danske Bank shares are recognised directly in shareholders' equity. The same applies to premiums received and paid for derivatives with delivery of own shares.

Capital reduction by cancellation of own shares will lower the share capital by an amount corresponding to the nominal value of the shares at the time of registration of the capital reduction.

Share-based payment

Share-based payment by the Group requires delivery of Danske Bank shares. The fair value at the time of allotment is expensed as entitlement is earned and set off against shareholders' equity. At the time of exercise, payment by employees is recognised as an increase in shareholders' equity. Shares acquired for hedging purposes are set off against shareholders' equity by the amount paid in line with the principle governing other purchases of Danske Bank shares.

Minority interests

Minority interests' share of shareholders' equity corresponds to the carrying amount of the net assets in subsidiary undertakings not owned directly or indirectly by Danske Bank A/S.

INCOME STATEMENT

Interest income and expenses

Interest income and expenses arising from interest-bearing financial instruments carried at amortised cost are recognised in the income statement using the effective interest method on the basis of the cost of the financial instrument. Interest includes amortisation of fees that are an integral part of the effective yield on a financial instrument, including origination fees, and amortisation of any other differences between cost and redemption price.

Interest income and expenses include interest on financial instruments carried at fair value, but not interest on assets and deposits under pooled schemes and unit-linked investment contracts, which is recognised as Net trading income. Origination fees on mortgage loans carried at fair value are recognised as Interest income at origination.

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

Fee income and expenses
Fee income and expenses are divided into fees generated by activities and fees generated by portfolios.

Income from and expenses for services provided over a period of time, such as guarantee commissions and investment management fees, are accrued over the period. Transaction fees, such as brokerage and custody fees, are recognised on completion of the transaction.

Net trading income
Net trading income includes realised and unrealised capital gains and losses on trading portfolio assets, other securities, including securities carried under Assets under insurance contracts, mortgage loans, issued mortgage bonds, exchange rate adjustments and dividends. The effect on profit and loss of fair value hedge accounting is also recognised as net trading income.

The return on assets under pooled schemes and unit-linked investment contracts and the addition of the return to customer accounts are also recognised as net trading income. Moreover, the item includes interest adjustments of life insurance provisions, collective bonus potential and tax on pension returns.

Other income
Other income includes rental income and lease payments under operating leases, fair value adjustment of investment property and gains and losses on the sale of tangible and intangible assets.

Net premiums
Regular and single premiums on insurance contracts are included in the income statement on their due dates. Premiums on investment contracts are recognised directly on the balance sheet. Reinsurance premiums are deducted from premiums received.

Net insurance benefits
Net insurance benefits comprises benefits disbursed under insurance contracts. The item also includes adjustments to outstanding claims provisions and life insurance provisions that do not relate to changes in interest rates. The benefits are recognised net of reinsurance.

Income from associated undertakings
Income from such undertakings comprises the Group's proportionate share of the net profit or loss of the individual undertakings.

Profit on sale of associated and subsidiary undertakings
The profit on sale of associated and subsidiary undertakings is the difference between the selling price and the carrying amount, including goodwill, if any, arising on holdings in associated and subsidiary undertakings that have been disposed of.

Staff costs and administrative expenses
Staff costs
Salaries and other consideration expected to be paid for work carried out during the year are expensed under Staff costs and administrative expenses. This item comprises salaries, bonuses, expenses for share-based payment, holiday allowances, jubilee bonuses, pension costs and other consideration.

Bonuses and share-based payment
Bonuses are expensed as they are earned. Part of the bonuses for the year is paid in the form of share options with delivery and conditional shares. Share options may not be exercised until three years after allotment and are conditional on the employee not having resigned from the Group. Conditional shares become available three years after allotment provided that the employee has not resigned from the Group.

The fair value of share-based payment at the time of allotment is expensed over the period of service unconditionally entitling the employee to the payment. The intrinsic value of the allotment is expensed in the year when entitlement is earned, whereas the time value is accrued over the remaining service period. Expenses are set off against shareholders' equity. Subsequent changes to the fair value are not carried in the income statement.

Pensions

The Group's contributions to defined contribution plans are recognised in the income statement when they are earned by the employees. The Group applies the corridor method to defined benefit plans, and the income statement thus includes actuarial pension expenses (standard cost).

Credit loss expenses

Credit loss expenses include impairment losses on and charges for loans and advances, amounts due from credit institutions and guarantees, and the fair value adjustment of the credit risk on mortgage loans.

Tax

Calculated current and deferred tax on the profit for the year and subsequent adjustments of tax charges for previous years are recognised in the income statement. Income tax for the year is recognised in the income statement on the basis of the tax laws applying in the countries in which the Group operates. Tax on items recognised in shareholders' equity is charged directly.

Cash flow statement

The Group has prepared its cash flow statement using 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/decrease in cash and cash equivalents during the year.

Cash and cash equivalents consist of cash in hand and demand deposits with central banks and amounts due from credit institutions and central banks with original maturities shorter than three months.

Calculation of financial highlights

The financial highlights deviate from the corresponding figures in the consolidated accounts as described below.

Income from the Danske Markets segment is recognised in the consolidated income statement under Net trading income and Net interest income. The value of each item may vary considerably from year to year, depending on the underlying transactions and changes in market conditions. The financial highlights of the Group show all income from trading activities under Net trading income.

Income and expenses arising 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 a contribution principle which is based primarily on life insurance obligations. As the return attributable to the Group may not be derived directly from the individual items in the income statement, net income from insurance business is presented on a single line in the financial highlights.

Unlike the comparative figures for 2004, figures for 2002 and 2003 have not been restated to match the accounting policies introduced on the transition to IFRS on January 1, 2005. The Group's IFRS White Paper explains in detail the changes in valuation techniques and presentation of the income statement and balance sheet on the transition. The IFRS White Paper is available at www.danskebank.com/ir.

Comparative figures for 2005 and 2004 have been restated to reflect the adjustment of accounting policies in 2006.

Changes to financial highlights and segment reporting
The presentation of the segments Danica Pension and Danske Markets has been revised: Danica Pension's return on assets allocated to shareholders' equity is now recognised as income of Danica Pension and not of Danske Markets as was previously the case with part of the return. The amount reclassified for 2005 was DKr153m, which increased the result of Danica Pension and reduced the result of Danske Markets. Comparative figures have been restated.

Standards and interpretations not yet in force
The International Accounting Standards Board (IASB) has issued a number of international accounting standards that have not yet come into force. Similarly, the International Financial Reporting Interpretations Committee (IFRIC) has issued a number of interpretations that have not yet come into force. The sections below list the standards and interpretations that may affect the financial reporting of the Group.

In November 2006, IFRS 8 "Operating Segments" was issued. The standard, which has not yet been approved by the EU, governs the segmentation of business and outlines the information to be disclosed about each business area. The implementation is not expected to materially affect the information disclosed in the annual report.

In August 2005, amendments to IAS 1 "Presentation of Financial Statements – Capital Disclosures" were issued. The standard, to be implemented in the Group's annual report for 2007, governs the disclosure of information about the capital base. The implementation is not expected to affect the information disclosed in the annual report.

In November 2006, IFRIC issued interpretation No. 11 "IFRS 2 – Group and Treasury Share Transactions". The interpretation, which has not yet been approved by the EU, specifies that the way a company acquires shares at the time of exercise does not affect the accounting treatment of share-based payment. It will not affect the Group's current treatment of share-based payment.

In July 2006, IFRIC issued interpretation No. 10 "Interim Financial Reporting and Impairment". The interpretation, which has not yet been approved by the EU, prohibits the reversal of impairment charges for goodwill and financial assets carried at cost in interim accounts. The implementation is unlikely to have any effect on carrying amounts.

In March 2006, IFRIC issued its interpretation No. 9 "Reassessment of Embedded Derivatives". The interpretation, to be implemented in the Group's annual report for 2007, specifies the conditions for separating an embedded derivative from the host contract. The implementation is unlikely to have any effect on carrying amounts.

In January 2006, IFRIC issued its interpretation No. 8 "Scope of IFRS 2". The interpretation, to be implemented in the Group's annual report for 2007, specifies the types of share-based payment to be treated in accordance with IFRS 2. The implementation is unlikely to have any effect on carrying amounts.

Income statement – Danske Bank Group

Note	(DKr m)	2006	2005
2	Interest income	106,724	88,904
2	Interest expense	80,626	60,111
	Net interest income	26,098	28,793
3	Fee income	9,616	9,158
4	Fee expenses	2,531	2,120
2	Net trading income	6,758	3,895
5	Other income	5,412	3,776
6	Net premiums	16,182	15,252
7	Net insurance benefits	23,641	24,004
	Income from associated undertakings	389	347
	Profit on sale of associated and subsidiary undertakings	157	545
8	Staff costs and administrative expenses	18,095	17,030
10	Amortisation and depreciation	2,344	2,102
11	Credit loss expenses	-496	-1,096
	Profit before tax	18,497	17,606
12	Tax	4,952	4,921
	Net profit for the year	13,545	12,685
	Portion attributable to:		
	Shareholders of the Parent Company	13,557	12,681
	Minority interests	-12	4
	Net profit for the year	13,545	12,685
	Net profit for the year per share, DKr	21.5	20.2
	Diluted net profit for the year per share, DKr	21.4	20.2
	Proposed dividend per share, DKr	7.75	10.00

Balance sheet – Danske Bank Group

Note	(DKr m)	2006	2005
	ASSETS		
13	Cash in hand and demand deposits with central banks	12,319	13,881
14	Due from credit institutions and central banks	275,268	274,918
15	Trading portfolio assets	490,954	444,521
16	Financial investment securities	26,338	28,712
17	Assets held for sale	1,796	205
18	Bank loans and advances	1,054,322	829,603
19	Mortgage loans	602,584	569,092
20	Assets under pooled schemes and unit-linked investment contracts	39,602	35,676
21	Assets under insurance contracts	194,302	188,342
22	Holdings in associated undertakings	971	1,044
23	Intangible assets	7,384	7,626
24	Investment property	3,914	3,626
25	Tangible assets	7,854	7,248
	Current tax assets	63	116
30	Deferred tax assets	440	506
26	Other assets	21,250	26,872
	Total assets	2,739,361	2,431,988
	LIABILITIES		
27	Due to credit institutions and central banks	564,549	476,363
15	Trading portfolio liabilities	236,524	212,042
17	Liabilities held for sale	888	-
28	Deposits	702,943	631,184
19	Issued mortgage bonds	484,217	438,675
20	Deposits under pooled schemes and unit-linked investment contracts	46,983	42,287
29	Liabilities under insurance contracts	215,793	212,328
	Other issued bonds	293,736	251,099
	Current tax liabilities	517	621
30	Deferred tax liabilities	1,889	1,581
31	Other liabilities	47,199	47,882
32	Subordinated debt	48,951	43,837
	Total liabilities	2,644,189	2,357,899
	SHAREHOLDERS' EQUITY		
	Share capital	6,988	6,383
	Foreign currency translation reserve	9	-12
	Proposed dividends	5,416	6,383
	Profit brought forward	82,713	61,288
	Shareholders of the Parent Company	95,126	74,042
	Minority interests	46	47
	Total shareholders' equity	95,172	74,089
	Total liabilities and equity	2,739,361	2,431,988

Capital – Danske Bank Group

(DKr m)							
Capital	Shareholders of the Parent Company						
	Share capital	Foreign currency translation reserve	Proposed dividends	Profit brought forward	Total	Minority interests	Total
Shareholders' equity at January 1, 2006	6,383	-12	6,383	61,709	74,463	47	74,510
Adjustment of accounting policies for unit-linked insurance contracts	-	-	-	-421	-421	-	-421
Adjusted shareholders' equity at January 1, 2006	6,383	-12	6,383	61,288	74,042	47	74,089
Translation of foreign units	-	171	-	-	171	-	171
Foreign unit hedges	-	-150	-	-	-150	-	-150
Tax on entries on shareholders' equity	-	-	-	-18	-18	-	-18
Net gains not recognised in the income statement	-	21	-	-18	3	-	3
Net profit for the year	-	-	-	13,557	13,557	-12	13,545
Total income	-	21	-	13,539	13,560	-12	13,548
Dividends paid	-	-	-6,383	129	-6,254	-	-6,254
Proposed dividends	-	-	5,416	-5,416	-	-	-
Increase in share capital	605	-	-	14,066	14,671	11	14,682
Expenses for increase in share capital	-	-	-	-132	-132	-	-132
Acquisition of own shares	-	-	-	-19,926	-19,926	-	-19,926
Sale of own shares	-	-	-	19,001	19,001	-	19,001
Share-based payment	-	-	-	164	164	-	164
Shareholders' equity at December 31, 2006	6,988	9	5,416	82,713	95,126	46	95,172
Shareholders' equity at January 1, 2005	6,723	-32	5,010	55,005	66,706	267	66,973
Adjustment of accounting policies for unit-linked insurance contracts	-	-	-	-283	-283	-	-283
Adjusted shareholders' equity at January 1, 2005	6,723	-32	5,010	54,722	66,423	267	66,690
Translation of foreign units	-	706	-	-	706	-	706
Foreign unit hedges	-	-686	-	-	-686	-	-686
Tax on entries on shareholders' equity	-	-	-	-94	-94	-	-94
Net gains not recognised in the income statement	-	20	-	-94	-74	-	-74
Net profit for the year	-	-	-	12,681	12,681	4	12,685
Total income	-	20	-	12,587	12,607	4	12,611
Capital reduction	-340	-	-	340	-	-	-
Dividends paid	-	-	-5,010	81	-4,929	-	-4,929
Proposed dividends	-	-	6,383	-6,383	-	-	-
Acquisition of own shares	-	-	-	-15,897	-15,897	-	-15,897
Sale of own shares	-	-	-	15,617	15,617	-	15,617
Share-based payment	-	-	-	103	103	-	103
Employee shares	-	-	-	118	118	-	118
Adjustment of minority interests	-	-	-	-	-	-224	-224
Shareholders' equity at December 31, 2005	6,383	-12	6,383	61,288	74,042	47	74,089

Capital – Danske Bank Group

(DKr m)	2006	2005
Net profit for the year per share		
Net profit for the year	13,545	12,685
Average number of shares outstanding	631,445,484	627,573,906
Number of dilutive shares issued for share-based payment	1,262,877	658,521
Average number of shares outstanding, diluted	632,708,361	628,232,427
Net profit for the year per share, DKr	21.5	20.2
Diluted net profit for the year per share, DKr	21.4	20.2

The share capital is made up of shares of a nominal value of DKr10 each. All shares carry the same rights; there is thus only one class of shares.

Number of shares outstanding		
Issued shares at January 1	638,304,276	672,265,752
Increase in share capital	60,500,000	-
Buyback programme, preceding year	-	33,961,476
Issued shares at December 31	698,804,276	638,304,276
Group's holding of own shares	14,517,477	11,599,410
Shares outstanding at December 31	684,286,799	626,704,866

Holding of own shares	Number 2006	Number 2005	Value 2006	Value 2005
Trading portfolio	8,043,661	6,253,414	2,174	1,388
Investment on behalf of customers	6,473,816	5,345,996	1,624	1,187
Total	14,517,477	11,599,410	3,798	2,575

	Trading portfolio	Investment on behalf of customers	Total 2006	Total 2005
Holding at January 1	1,388	1,187	2,575	1,763
Acquisition of own shares, excl. buyback programme	19,508	418	19,926	15,897
Sale of own shares	18,842	159	19,001	15,617
Value adjustment	120	178	298	532
Holding at December 31	2,174	1,624	3,798	2,575

Capital – Danske Bank Group

(DKr m)	2006	2005
Solvency		
Shareholders' equity	95,172	74,089
Revaluation of domicile property	1,342	990
Pension obligations at fair value	34	-534
Tax effect	8	141
Minority interests	3,001	2,992
Shareholders' equity according to the rules of the Danish FSA	99,557	77,678
Adjustment of accounting policies 2006, reversal	-	421
Proposed dividends	-5,416	-6,383
Intangible assets of banking business	-7,504	-7,740
Deferred tax assets	-617	-574
Deferred tax on intangible assets	167	-
Revaluation of real property	-988	-664
Core (tier 1) capital, less statutory deductions	85,199	62,738
Hybrid core capital	11,419	6,376
Core (tier 1) capital, including hybrid core capital, less statutory deductions	96,618	69,114
Subordinated debt, excluding hybrid core capital	34,707	35,953
Revaluation of real property	988	664
Statutory deduction for insurance subsidiaries	-4,297	-8,254
Other statutory deductions	-37	-37
Capital base, less statutory deductions	127,979	97,440
Risk-weighted items		
not included in trading portfolio	1,047,353	882,222
with market risk in trading portfolio	71,637	61,941
Total risk-weighted items	1,118,990	944,163
Core (tier 1) capital ratio, %	7.61	6.65
Core (tier 1) capital ratio, including hybrid core capital, %	8.63	7.32
Solvency ratio, %	11.44	10.32

Solvency for 2005 is calculated in accordance with the rules of the Danish FSA in force at that time.

Cash flow statement – Danske Bank Group

(DKr m)	2006	2005
Cash flow from operations		
Profit before tax	18,497	17,606
Adjustment for non-liquid items in the income statement		
Adjustment of income from associated undertakings	-389	-347
Amortisation and impairment of intangible assets	813	640
Depreciation and impairment of tangible assets	1,340	1,339
Credit loss expenses	-496	-1,096
Tax paid	-4,783	-5,170
Other non-cash items	1,589	-4,482
Total	16,571	8,490
Cash flow from operating capital		
Cash in hand and demand deposits with central banks	81,539	109,626
Trading portfolio	-21,951	-22,671
Other financial instruments at fair value	2,374	2,793
Assets held for sale	-1,796	-205
Bank loans and advances	-224,223	-153,082
Mortgage loans	-33,492	-46,327
Deposits	71,759	87,840
Liabilities held for sale	888	-
Issued mortgage bonds	45,542	6,276
Assets/liabilities under insurance contracts	-2,494	-4,452
Other assets/liabilities	45,366	58,121
Cash flow from operations	-19,917	46,409
Cash flow from investing activities		
Acquisition of subsidiary undertakings and other business units	-59	-10,964
Sale of subsidiary undertakings and other business units	157	545
Acquisition of own shares	-19,926	-15,897
Sale of own shares	19,165	15,838
Acquisition of intangible assets	-471	-459
Acquisition of tangible assets	-2,234	-2,738
Sale of tangible assets	505	1,258
Cash flow from investing activities	-2,863	-12,417
Cash flow from financing activities		
Increase in subordinated debt and hybrid core capital	8,534	11,086
Repayment of subordinated debt and hybrid core capital	-1,897	-2,734
Dividends	-6,254	-4,929
Increase in share capital	14,539	-
Change in minority interests	-1	220
Cash flow from financing activities	14,921	3,643
Cash and cash equivalents, beginning of year	272,469	234,830
Change in cash and cash equivalents	-7,859	37,639
Cash and cash equivalents, end of year	264,610	272,469
Cash and cash equivalents, end of year		
Cash in hand and demand deposits with central banks	12,319	13,881
Deposits with credit institutions and central banks with terms shorter than 3 months	252,291	258,588
Total	264,610	272,469

Notes – Danske Bank Group

Note	(DKr m)

1 **Business segmentation**

The Group's operations are conducted by a number of business areas and resource and support functions. Note 1 shows the structure of the business areas on which the Group's internal financial reporting and accounting procedures are based in accordance with the primary segment reporting format requirements of IAS 14.

Banking Activities includes all the Group's banking activities. In Denmark, the Group operates under the brand names Danske Bank and BG Bank. Outside Denmark, banking activities are organised in country divisions that are each responsible for their own markets. These divisions conduct business under a number of brand names, including Fokus Bank in Norway, Östgöta Enskilda Bank and Provinsbankerne in Sweden, Northern Bank in Northern Ireland and National Irish Bank in the Republic of Ireland. Other banking activities include Nordania Leasing, a leasing provider of operating equipment to businesses, and other units.

Mortgage Finance encompasses the Danske Bank Group's mortgage finance and real-estate agency business in Denmark. The division markets its financing solutions through Realkredit Danmark, Danske Bank, BG Bank and "home". Real-estate agency business is carried out through "home", which has 199 offices throughout the country.

Danske Markets is responsible for the Group's activities in the financial markets. Trading activities include trading in fixed-income products, foreign exchange, equities and interest-bearing securities, providing the largest corporate customers and institutional clients with financial products and advisory services on mergers and acquisitions, and assisting customers in connection with their issue of equity and debt on the international financial markets. Proprietary trading encompasses the Bank's short-term investments. The investment portfolio covers the Bank's strategic fixed-income, foreign exchange, and equity portfolios. Institutional banking includes facilities with international financial institutions outside the Nordic region. Institutional facilities with Nordic financial institutions form part of the Group's banking activities.

Danske Capital is responsible for developing wealth management services to the retail banks and manages the funds of retail customers and institutional investors and the funds of Danica Pension, Danske Fund, *Puljeinvest* (pooled investment) and *Flexinvest*. The division also provides advisory services to Danske Invest and BG Invest. Through Danske Bank International in Luxembourg, Danske Capital provides wealth management services to clients outside the Group's home markets. Danske Capital is also responsible for developing asset management products sold through the retail banks and directly to companies, institutional investors and external distributors.

Danica Pension encompasses all the Danske Bank Group's activities in the life insurance and pensions market. Marketed under the name of Danica Pension, the unit targets both personal and corporate customers. Products are marketed through a range of distribution channels within the Group, primarily Banking Activities' outlets and Danica Pension's insurance brokers and advisers.

Other areas encompasses the Group's real property activities, unallocated cost of capital and expenses for Group support functions. Moreover, the area covers the elimination of returns on own shares.

Furthermore, Other areas includes the Group's capital centre and the difference between allocated capital and shareholders' equity. Capital is allocated to the individual business area at a rate of 6.5% of its average risk-weighted items, calculated in accordance with the capital adequacy rules of the Danish FSA. Insurance companies are subject to special statutory capital adequacy rules. Consequently, the shareholders' equity allocated to the insurance business equals the statutory minimum requirement plus 6.5% of the difference between Danica's equity and the minimum requirement.

A calculated income equal to the risk-free return on its allocated capital is apportioned to each business area. This income is calculated on the basis of the short-term money market rate and allocated from Other areas.

Intra-group income is allocated on an arm's length basis. Surplus liquidity is settled primarily on the basis of short-term money market rates, whereas other intra-group accounts are settled at market prices.

Interest is allocated on a gross basis, which means that interest income and interest expense are shown separately in note 1. Intra-group fees, commissions and value adjustments are settled at market prices or allocated to the business areas at an agreed ratio.

Expenses are allocated to the business areas at market price level. Other areas supplies services to business areas, and transactions are settled at unit prices calculated on the basis of consumption and activity in accordance with the rules on transfer pricing.

Assets and liabilities used to maintain the operating activities of a business area are presented in the accounts of that business area. Goodwill carried as an asset of the Group is allocated to the business areas that recognise the income from the acquisitions made. The financing of goodwill is included in the Group's capital centre under Others.

Intra-group income comprises interest income, fee income, value adjustments and other ordinary intra-group income and appears on a separate line or in a single column in the disclosure of business segments and geographical segments.

Notes – Danske Bank Group

Note	(DKr m)									
1	**Business segments 2006**									
(cont'd)		Banking Activities	Mortgage Finance	Danske Markets	Danske Capital	Danica Pension	Others	Total	Reclassi-fication	Highlights
	Interest income	39,211	24,778	71,961	64	5,702	-34,992	106,724	-77,663	29,061
	Interest expense	22,437	21,157	71,351	56	-68	-34,307	80,626	-71,066	9,560
	Net interest income	16,774	3,621	610	8	5,770	-685	26,098	-6,597	19,501
	Net fee income	6,743	-234	491	1,001	-707	-209	7,085	216	7,301
	Net trading income	1,109	215	4,102	21	1,777	-466	6,758	-127	6,631
	Other income	1,827	179	2	-	2,748	656	5,412	-2,714	2,698
	Net premiums	-	-	-	-	16,182	-	16,182	-16,182	-
	Net insurance benefits	-	-	-	-	23,641	-	23,641	-23,641	-
	Income from equity investments	3	-	330	-4	180	37	546	-546	-
	Net income from insurance business	-	-	-	-	-	-	-	1,355	1,355
	Total income	26,456	3,781	5,535	1,026	2,309	-667	38,440	-954	37,486
	Operating expenses	15,900	1,176	1,950	466	954	-7	20,439	-954	19,485
	Credit loss expenses	-336	-105	-54	-	-	-1	-496	-	-496
	Profit before tax	10,892	2,710	3,639	560	1,355	-659	18,497	-	18,497
	Loans and advances, excluding reverse transactions	727,057	603,019	38,714	155	-	-6,594	1,362,351	-	1,362,351
	Other assets	297,902	60,254	3,096,670	1,286	236,157	-2,315,259	1,377,010	-	1,377,010
	Total assets	1,024,959	663,273	3,135,384	1,441	236,157	-2,321,853	2,739,361	-	2,739,361
	Deposits, excluding repo deposits	469,530	-	131,199	124	-	-1,954	598,899	-	598,899
	Other liabilities	516,234	644,615	2,996,754	1,282	228,847	-2,342,442	2,045,290	-	2,045,290
	Allocated capital	39,195	18,658	7,431	35	7,310	22,543	95,172	-	95,172
	Total liabilities and equity	1,024,959	663,273	3,135,384	1,441	236,157	-2,321,853	2,739,361	-	2,739,361
	Intra-group income	7,824	1,060	7,544	415	1,670	-18,513	-	-	-
	Capital expenditure	192	9	-	-	58	2,139	2,398	-	2,398
	Non-cash operating items	-884	-1,208	3	-19	451	-1,200	-2,857	-	-2,857
	Amortisation and depreciation	1,742	7	6	2	-	587	2,344	-	2,344
	Impairment charges	-	-	-	-	-	12	12	-	12
	Reversal of impairment charges	-	-	-	-	-	204	204	-	204
	Profit before tax as % of allocated capital (avg.)	27.8	14.5	49.0	-	18.5	-	19.4	-	19.4
	Cost/income ratio, %	60.1	31.1	35.2	45.4	41.3	-	53.2	-	52.0
	Risk-weighted items (avg.)	603,003	287,040	114,329	544	8,379	-10,603	1,002,692	-	1,002,692
	Full-time-equivalent staff (avg.)	11,716	759	732	242	875	4,920	19,244	-	19,244

In the financial highlights of the Group, the profit contributed by Danske Markets is recognised as net trading income, whereas the profit contributed by Danica Pension is recognised as net income from insurance business. The reclassification column aggregates the profit contributions.

Notes – Danske Bank Group

Note	(DKr m)									
1	**Business segments 2005**									
(cont'd)		Banking Activities	Mortgage Finance	Danske Markets	Danske Capital	Danica Pension	Others	Total	Reclassi-fication	Highlights
	Interest income	30,363	25,505	51,263	123	6,569	-24,919	88,904	-57,832	31,072
	Interest expense	15,783	22,082	46,307	115	108	-24,284	60,111	-46,205	13,906
	Net interest income	14,580	3,423	4,956	8	6,461	-635	28,793	-11,627	17,166
	Net fee income	6,316	83	445	922	-695	-33	7,038	251	7,289
	Net trading income	1,007	195	-685	-36	3,926	-512	3,895	2,456	6,351
	Other income	1,485	178	12	-	1,526	575	3,776	-1,521	2,255
	Net premiums	-	-	-	-	15,252	-	15,252	-15,252	-
	Net insurance benefits	-	-	-	-	24,004	-	24,004	-24,004	-
	Income from equity investments	-	-	763	-1	115	15	892	-892	-
	Net income from insurance business	-	-	-	-	-	-	-	1,647	1,647
	Total income	23,388	3,879	5,491	893	2,581	-590	35,642	-934	34,708
	Operating expenses	14,264	1,242	1,779	384	934	529	19,132	-934	18,198
	Credit loss expenses	-971	-118	-7	-	-	-	-1,096	-	-1,096
	Profit before tax	10,095	2,755	3,719	509	1,647	-1,119	17,606	-	17,606
	Loans and advances, excluding reverse transactions	589,201	569,648	32,799	15	-	-2,700	1,188,963	-	1,188,963
	Other assets	219,202	55,786	1,894,213	1,162	227,336	-1,154,674	1,243,025	-	1,243,025
	Total assets	808,403	625,434	1,927,012	1,177	227,336	-1,157,374	2,431,988	-	2,431,988
	Deposits, excluding repo deposits	405,007	-	128,039	126	-	9	533,181	-	533,181
	Other liabilities	369,830	607,807	1,792,510	1,041	218,934	-1,165,404	1,824,718	-	1,824,718
	Allocated capital	33,566	17,627	6,463	10	8,402	8,021	74,089	-	74,089
	Total liabilities and equity	808,403	625,434	1,927,012	1,177	227,336	-1,157,374	2,431,988	-	2,431,988
	Intra-group income	5,885	1,064	6,996	328	1,667	-15,940	-	-	-
	Capital expenditure	8,981	4	-	8	11	1,429	10,433	-	10,433
	Non-cash operating items	-960	4,815	1,581	55	-686	-859	3,946	-	3,946
	Amortisation and depreciation	1,586	7	2	1	-	506	2,102	-	2,102
	Impairment charges	1	3	-	-	-	3	7	-	7
	Reversal of impairment charges	-	-	-	-	-	36	36	-	36
	Profit before tax as % of allocated capital (avg.)	30.1	15.6	57.5	-	19.6	-	23.8	-	23.8
	Cost/income ratio, %	61.0	32.0	32.4	43.0	36.2	-	53.7	-	52.4
	Risk-weighted items (avg.)	516,399	271,182	99,424	149	6,837	15,395	909,386	-	909,386
	Full-time-equivalent staff (avg.)	11,239	786	621	212	825	4,928	18,611	-	18,611

In the financial highlights of the Group, the profit contributed by Danske Markets is recognised as net trading income, whereas the profit contributed by Danica Pension is recognised as net income from insurance business. The reclassification column aggregates the profit contributions.

Notes – Danske Bank Group

Note	(DKr m)

1 **Geographical segmentation**

(cont'd) The table below breaks down the activities of the Group by geographical location. Income from external customers includes interest income, fee income, trading income and other income and is allocated on the basis of the customer's country of residence, whereas assets and capital expenditure are allocated on the basis of the location of assets.

Geographical segmentation of income, assets and capital expenditure is shown in compliance with IFRS and does not reflect the management structure of the Group. The management believes that the presentation by business segment provides a more informative description of the Group's business activities.

	Income external customers		Assets		Capital expenditure	
	2006	2005	2006	2005	2006	2005
Denmark	65,041	64,327	2,309,782	2,138,179	2,075	1,841
Finland	647	517	12,228	11,904	-	2
Germany	2,849	3,575	55,589	24,385	1	1
Luxembourg	235	123	38,157	34,060	-	2
Norway	11,767	8,385	149,901	113,173	183	352
Poland	429	418	6,124	3,757	-	-
Republic of Ireland	3,756	1,634	70,972	47,746	22	3,683
Sweden	11,662	9,919	373,980	307,074	95	130
UK	19,767	9,939	430,052	330,379	22	4,422
US	7,511	4,606	25	25	-	-
Others	4,846	2,290	-	-	-	-
Eliminations	-	-	-707,449	-578,694	-	-
Group	128,510	105,733	2,739,361	2,431,988	2,398	10,433

Note	(DKr m)					
2	**Net interest and net trading income**					
	2006	Interest income	Interest expense	Net interest income	Net trading income	Total
	Financial portfolios at amortised cost					
	Due from/to credit institutions and central banks	17,338	30,043	-12,705	-187	-12,892
	Repo and reverse transactions	13,579	6,258	7,321	-	7,321
	Bank loans, advances and deposits	34,635	12,584	22,051	-876	21,175
	Held-to-maturity investments	174	-	174	-	174
	Other issued bonds	-	10,217	-10,217	780	-9,437
	Subordinated debt	-	2,076	-2,076	1,712	-364
	Other financial instruments	350	329	21	-	21
	Total	66,076	61,507	4,569	1,429	5,998
	Financial portfolios at fair value					
	Mortgage loans and issued mortgage bonds	24,287	19,119	5,168	-549	4,619
	Trading portfolio and investment securities	10,563	-	10,563	4,630	15,193
	Assets and deposits under pooled schemes and unit-linked investment contracts	-	-	-	-364	-364
	Assets and liabilities under insurance contracts	5,798	-	5,798	1,612	7,410
	Total	40,648	19,119	21,529	5,329	26,858
	Total net interest and net trading income	106,724	80,626	26,098	6,758	32,856
	2005					
	Financial portfolios at amortised cost					
	Due from/to credit institutions and central banks	10,095	18,919	-8,824	-248	-9,072
	Repo and reverse transactions	10,228	6,024	4,204	-	4,204
	Bank loans, advances and deposits	24,399	8,913	15,486	445	15,931
	Held-to-maturity investments	84	-	84	-	84
	Other issued bonds	-	5,030	-5,030	294	-4,736
	Subordinated debt	-	2,012	-2,012	-2,218	-4,230
	Other financial instruments	218	482	-264	-	-264
	Total	45,024	41,380	3,644	-1,727	1,917
	Financial portfolios at fair value					
	Mortgage loans and issued mortgage bonds	25,096	18,731	6,365	-	6,365
	Trading portfolio and investment securities	13,779	-	13,779	2,220	15,999
	Assets and deposits under pooled schemes and unit-linked investment contracts	-	-	-	-242	-242
	Assets and liabilities under insurance contracts	5,005	-	5,005	3,644	8,649
	Total	43,880	18,731	25,149	5,622	30,771
	Total net interest and net trading income	88,904	60,111	28,793	3,895	32,688

At the end of 2006, Net trading income included dividends from shares of DKr1,748m (2005: DKr1,626m) and exchange rate adjustments of DKr1,260m (2005: DKr1,446m).

Net trading income under insurance contracts included returns on assets of DKr-1,003m (2005: DKr16,619m), adjustment of life insurance provisions of DKr5,777m (2005: DKr-6,296m), adjustment of collective bonus potential of DKr-2,597m (2005: DKr-3,727m) and tax on pension returns of DKr-565m (2005: DKr2,952m).

Notes – Danske Bank Group

Note	(DKr m)	2006	2005
3	**Fee income**		
	Financing (establishment of loans and guarantees)	1,701	1,976
	Investment (securities trading and advisory services)	2,601	1,846
	Services (insurance and foreign exchange trading)	180	179
	Fees generated by activities	4,482	4,001
	Financing (guarantees)	584	569
	Investment (asset management and custody services)	1,950	1,683
	Services (payment services and cards)	2,600	2,905
	Fees generated by portfolios	5,134	5,157
	Total	9,616	9,158

Fees generated by activities comprise income from the execution of one-off transactions. Fees generated by portfolios comprise recurring income from the customer portfolio.

Note	(DKr m)	2006	2005
4	**Fee expenses**		
	Financing (property valuation)	142	420
	Investment (securities trading and advisory services)	743	501
	Services (referrals)	31	7
	Fees generated by activities	916	928
	Financing (guarantees)	105	42
	Investment (asset management and custody services)	226	198
	Services (payment services and cards)	1,284	952
	Fees generated by portfolios	1,615	1,192
	Total	2,531	2,120
5	**Other income**		
	Fair value adjustment of investment property	191	123
	Fair value adjustment of investment property allocated to policyholders	976	590
	Profit on sale of domicile and investment property	946	412
	Income from lease assets and investment property	2,397	2,306
	Reversal of impairment charges for domicile property	204	36
	Other income	698	309
	Total	5,412	3,776
6	**Net premiums**		
	Regular premiums, life insurance	8,280	8,593
	Single premiums, life insurance	2,471	2,873
	Regular premiums, market-based products	2,584	1,642
	Single premiums, market-based products	1,572	959
	Premiums, health and accident insurance	1,325	1,225
	Reinsurance premiums paid	-107	-72
	Change in unearned premiums provisions	57	32
	Total	16,182	15,252
7	**Net insurance benefits**		
	Benefits paid	14,163	12,880
	Reinsurers' share received	-117	-108
	Claims and bonuses paid	989	871
	Change in outstanding claims provisions	293	720
	Change in life insurance provisions	1,969	5,123
	Change in provisions for unit-linked contracts	6,344	4,518
	Total	23,641	24,004

Notes – Danske Bank Group

Note	(DKr m)	2006	2005
8	**Staff costs and administrative expenses**		
	Staff costs	10,809	10,383
	Administrative expenses	7,286	6,647
	Total	18,095	17,030
	Staff costs		
	Salaries	8,729	8,208
	Share-based payment	164	103
	Employee shares	-	118
	Pensions	779	1,042
	Financial services employer tax, etc.	1,137	912
	Total	10,809	10,383
	Remuneration of the Board of Directors (DKr thousand)		
	Alf Duch-Pedersen	1,300	1,000
	Jørgen Nue Møller	1,250	1,000
	Eivind Kolding	1,250	875
	Henning Christophersen	525	469
	Peter Højland	525	500
	Niels Chr. Nielsen	525	500
	Sten Scheibye	525	500
	Majken Schultz	525	375
	Claus Vastrup	525	500
	Birgit Aagaard-Svendsen	525	375
	Helle Brøndum	325	250
	Charlotte Hoffmann (from March 14, 2006)	271	-
	Per Alling Toubro (from March 14, 2006)	271	-
	Verner Usbeck	325	250
	Solveig Ørteby	325	250
	Tove Abildgaard (until March 14, 2006)	81	250
	René Holm (from July 1, 2005 until March 14, 2006)	81	125
	Peter Michaelsen (until March 14, 2006)	81	375
	Pia Bo Pedersen (until March 14, 2006)	81	250
	Niels Eilschou Holm (until December 8, 2005)	-	375
	Bolette Holmgaard (until June 30, 2005)	-	125
	Total remuneration	9,316	8,344
	including remuneration for committee work	2,925	2,844

Note	(DKr m)					
8	**Remuneration of the Executive Board**					
(cont'd)	2006	Peter Straarup	Jakob Brogaard	Sven Lystbæk	Tonny Thierry Andersen	Per Skovhus
	Fixed salary	5.6	3.6	1.2	0.9	0.9
	Cash bonus	0.9	0.4	0.2	0.2	0.1
	Pension	1.3	2.4	0.7	0.2	0.2
	Share-based payment	4.5	1.9	0.8	0.8	0.6
	Total	12.3	8.3	2.9	2.1	1.8

The amounts recognised as share-based payment will be translated into share options and conditional shares in the first quarter of 2007.

Sven Lystbæk, Tonny Thierry Andersen and Per Skovhus joined the Executive Board on September 1, 2006. Their salaries, bonuses, pensions and share-based payments relate to the period from September 1, 2006, to December 31, 2006.

Remuneration of the Executive Board

2005	Peter Straarup	Jakob Brogaard
Fixed salary	5.1	3.5
Cash bonus	0.8	0.4
Pension	1.5	2.1
Share-based payment	3.8	1.8
Total	11.2	7.8

Pension and termination benefits

	Peter Straarup	Jakob Brogaard	Sven Lystbæk	Tonny Thierry Andersen	Per Skovhus
Type of pension plan	Defined benefit	Defined benefit	Defined benefit	Defined contribution through pension fund	Defined contribution through pension fund
Age at which the Board member is entitled to retire	60	60	60	60	60
Annual benefit or contribution	DKr2.5m	50% of salary	50% of salary	Group contributes 20% of salary	Group contributes 20% of salary
Notice of termination by the Group	12 months with life pension	12 months with life pension	12 months with life pension	12 months	12 months
Notice of termination by the Board member	12 months	6 months	3 months	3 months	3 months
Pension obligation, end of 2006	40	33	20	-	-
Pension obligation, end of 2005	32	27	15	-	-

Pension obligations to Peter Straarup, Jakob Brogaard and Sven Lystbæk are covered by the "Danske Bank A/S' pensionsfond for medlemmer af direktionen, deres enker og efterladte børn" pension fund. Danske Bank A/S is liable for any shortfall. The obligations are determined on the basis of actuarial calculations and a number of assumptions (see note 33). Therefore, changes in pension obligations may not reasonably be added to the annual remuneration.

On retirement at a later date, the pension obligation to Peter Straarup is increased by an amount corresponding to the pension benefit not paid out. The obligation is adjusted on an ongoing basis using the same rate of adjustment as that applied to the pension plans in payment to retired members of the Executive Board.

Note	(DKr m)
8 (cont'd)	**Shareholdings** The total number of Danske Bank shares, excluding options and rights to buy conditional shares, held by the Board of Directors and the Executive Board at the end of 2006 was 62,857 (end of 2005: 44,930).

Share-based payment

The Group offers senior managers and selected employees incentive programmes that consist of share options and conditional shares. Incentive payments reflect individual performance and also depend on financial results and other measures of value creation.

Issued options carry a right to buy Danske Bank shares that can be exercised between three and seven years after they are allotted provided that the employee has not resigned from the Group. The strike price of the options is computed as the average price of Danske Bank shares for 20 stock exchange days after the release of the Annual Report plus 10%.

Rights to buy Danske Bank shares under the conditional share programme are allotted as a portion of the annual bonus earned. The shares become available after three years provided that the employee has not resigned from the Group.

The fair value of the share options at the time of allotment is calculated according to a dividend-adjusted Black & Scholes formula based on the following assumptions at December 31, 2006: Share price 250.04 (2005: 221.18). Dividend payout ratio 3.2% (2005:3.7%). Rate of interest 4.1-4.3% (2005: 2.9-3.2%), corresponding to the swap rate. Volatility 18% (2005: 15%). Average time of exercise 0.63-4.25 years (2005: 1.13-4.25 years). The volatility is estimated on the basis of historical volatility.

The fair value of the conditional shares at the time of allotment is calculated as the share price less the payments made by the employees.

Intrinsic value is recognised in the year the share options and rights to conditional shares were earned, while time value is accrued over the remaining service period, corresponding to the vesting period of three years. Shareholders' equity will increase correspondingly as the obligation is met by delivering Danske Bank shares.

Notes – Danske Bank Group

Note

8 **Share-based payment 2006**

(cont'd) **Share options**

	Number					Fair value (FV)	
	Executive Board	Senior staff	Other staff	Total	Exercise price (DKr)	At issue (DKr m)	End of year (DKr m)
Allotted in 2001-2003, beg.	334,602	1,375,645	376,987	2,087,234	118.5-152.89	54.1	244.0
Exercised	-45,000	-946,058	-336,318	-1,327,376			
Forfeited	-	-	-	-			
Other changes	16,000	-32,800	173,436	156,636			
Allotted in 2001-2003, end	305,602	396,787	214,105	916,494	118.5-152.89	25.8	103.9
Allotted in 2004, beg.	190,667	1,519,273	240,443	1,950,383	157.2	35.1	176.7
Exercised	-	-	-31,666	-31,666			
Forfeited	-	-23,333	-	-23,333			
Other changes	159,028	-159,028	142,361	142,361			
Allotted in 2004, end	349,695	1,336,912	351,138	2,037,745	157.2	36.7	184.6
Allotted in 2005, beg.	241,836	2,355,905	52,459	2,650,200	190.2	40.4	173.4
Exercised	-	-	-	-			
Forfeited	-	-32,787	-	-32,787			
Other changes	218,033	-218,033	27,407	27,407			
Allotted in 2005, end	459,869	2,105,085	79,866	2,644,820	190.2	40.3	173.0
Allotted in 2006	170,400	1,858,100	-	2,028,500	244.6	33.5	78.4
Exercised	-	-	-	-			
Forfeited	-	-24,400	-	-24,400			
Other changes	170,300	-82,700	-	87,600			
Allotted in 2006, end	340,700	1,751,000	-	2,091,700	244.6	34.5	80.8

Holdings of the Executive Board, end of 2006

Year of allotment	2001-2003		2004		2005		2006	
(DKr m)	Number	FV	Number	FV	Number	FV	Number	FV
Peter Straarup	205,412	23.0	116,667	10.6	146,754	9.6	113,600	4.4
Jakob Brogaard	84,190	9.0	74,000	6.7	95,082	6.2	56,800	2.2
Sven Lystbæk	-	-	80,139	7.3	95,082	6.2	71,900	2.8
Tonny Thierry Andersen	16,000	2.0	30,278	2.7	57,377	3.8	56,800	2.2
Per Skovhus	-	-	48,611	4.4	65,574	4.3	41,600	1.6

In 2006, 1,359,042 share options were exercised at an average price of DKr229.8.

Note	
8	**Share-based payment 2006**

(cont'd)

Conditional shares	Number				Fair value (FV)	
	Executive Board	Senior staff	Other staff	Total	At issue (DKr m)	End of year (DKr m)
Allotted in 2003, beg.	9,706	65,447	276,997	352,150	37.9	88.1
Exercised	-9,706	-65,447	-276,047	-351,200		
Forfeited	-	-	-950	-950		
Other changes	-	-	-	-		
Allotted in 2003, end	-	-	-	-	-	-
Allotted in 2004, beg.	5,377	48,854	218,540	272,771	39.0	68.2
Exercised	-	-	-3,479	-3,479		
Forfeited	-	-1,450	-2,429	-3,879		
Other changes	4,691	3,418	-8,109	-		
Allotted in 2004, end	10,068	50,822	204,523	265,413	37.9	66.4
Allotted in 2005, beg.	5,623	59,578	394,846	460,047	79.6	115.0
Exercised	-	-	-4,524	-4,524		
Forfeited	-	-2,648	-10,341	-12,989		
Other changes	5,772	4,982	-10,813	-59		
Allotted in 2005, end	11,395	61,912	369,168	442,475	76.5	110.6
Allotted in 2006	12,778	144,021	435,014	591,813	131.6	148.0
Exercised	-	-	-3,571	-3,571		
Forfeited	-	-1,725	-11,810	-13,535		
Other changes	12,774	-12,420	389	743		
Allotted in 2006, end	25,552	129,876	420,022	575,450	127.9	143.9

Holdings of the Executive Board, end of 2006

Year of allotment	2004		2005		2006	
(DKr m)	Number	FV	Number	FV	Number	FV
Peter Straarup	3,058	0.8	3,505	0.9	8,520	2.1
Jakob Brogaard	2,319	0.6	2,118	0.5	4,258	1.1
Sven Lystbæk	2,040	0.5	2,118	0.5	5,393	1.3
Tonny Thierry Andersen	1,237	0.3	2,192	0.5	4,258	1.1
Per Skovhus	1,414	0.4	1,462	0.4	3,123	0.8

In 2006, 362,774 rights to conditional shares were exercised at an average price of DKr223.2.

Note

8 **Share-based payment 2005**

(cont'd) **Share options**

	Number					Fair value (FV)	
	Executive Board	Senior Staff	Other staff	Total	Exercise price (DKr)	At issue (DKr m)	End of year (DKr m)
Allotted in 2001-2002, beg.	196,002	1,282,481	204,082	1,682,565	140.8-152.9	58.1	119.7
Exercised	-	-787,541	-30,000	-817,541			
Forfeited	-	-	-26,190	-26,190			
Other changes	-	-71,695	71,695	-			
Allotted in 2001-2002, end	196,002	423,245	219,587	838,834	140.8-152.9	29.0	59.4
Allotted in 2003, beg.	138,600	1,080,600	66,800	1,286,000	118.5	25.9	120.1
Exercised	-	-16,000	-21,600	-37,600			
Forfeited	-	-	-	-			
Other changes	-	-112,200	112,200	-			
Allotted in 2003, end	138,600	952,400	157,400	1,248,400	118.5	25.2	116.6
Allotted in 2004, beg.	190,667	1,746,383	157,916	2,094,966	157.2	37.7	120.0
Exercised	-	-51,111	-13,333	-64,444			
Forfeited	-	-	-80,139	-80,139			
Other changes	-	-175,999	175,999	-			
Allotted in 2004, end	190,667	1,519,273	240,443	1,950,383	157.2	35.1	111.7
Allotted in 2005	241,836	2,428,036	-	2,669,872	190.2	40.7	95.2
Exercised	-	-19,672	-	-19,672			
Forfeited	-	-	-	-			
Other changes	-	-52,459	52,459	-			
Allotted in 2005, end	241,836	2,355,905	52,459	2,650,200	190.2	40.4	94.5

Holdings of the Executive Board, end of 2005

Year of allotment	2001-2002		2003		2004		2005	
(DKr m)	Number	FV	Number	FV	Number	FV	Number	FV
Peter Straarup	123,812	8.7	81,600	7.6	116,667	6.7	146,754	5.2
Jakob Brogaard	72,190	5.1	57,000	5.3	74,000	4.2	95,082	3.4

In 2005, 939,257 share options were exercised at an average price of DKr183.4.

Note

8 **Share-based payment 2005**

(cont'd) **Conditional shares**

	Number				Fair value (FV)	
	Executive Board	Senior Staff	Other staff	Total	At issue (DKr m)	End of year (DKr m)
Allotted in 2002, beg.	7,969	59,739	261,874	329,582	42.2	72.9
Exercised	-7,969	-59,739	-257,721	-325,429		
Forfeited	-	-	-4,153	-4,153		
Other changes	-	-	-	-		
Allotted in 2002, end	-	-	-	-	-	-
Allotted in 2003, beg.	9,706	71,483	302,097	383,286	41.3	84.8
Exercised	-	-3,114	-25,743	-28,857		
Forfeited	-	-	-2,279	-2,279		
Other changes	-	-2,922	2,922	-		
Allotted in 2003, end	9,706	65,447	276,997	352,150	37.9	77.9
Allotted in 2004, beg.	5,377	52,686	240,178	298,241	42.6	66.0
Exercised	-	-3,126	-14,982	-18,108		
Forfeited	-	-	-7,362	-7,362		
Other changes	-	-706	706	-		
Allotted in 2004, end	5,377	48,854	218,540	272,771	39.0	60.3
Allotted in 2005	5,623	60,022	411,997	477,642	82.6	105.6
Exercised	-	-444	-2,816	-3,260		
Forfeited	-	-	-14,335	-14,335		
Other changes	-	-	-	-		
Allotted in 2005, end	5,623	59,578	394,846	460,047	79.6	101.8

Holdings of the Executive Board, end of 2005

Year of allotment	2003		2004		2005	
(DKr m)	Number	FV	Number	FV	Number	FV
Peter Straarup	6,377	1.4	3,058	0.7	3,505	0.8
Jakob Brogaard	3,329	0.7	2,319	0.5	2,118	0.5

In 2005, 375,654 rights to conditional shares were exercised at an average price of DKr182.2.

Note	(DKr m)	2006	2005
9	**Audit fees**		
	Total fees to the accounting firms elected by the general meeting which perform the statutory audit	24	24
	Fees for non-audit services included in preceding item	6	6
10	**Amortisation and depreciation**		
	Amortisation of intangible assets	805	637
	Depreciation of tangible assets	1,527	1,458
	Impairment of intangible assets	8	3
	Impairment of tangible assets	4	4
	Total	2,344	2,102
11	**Credit loss expenses**		
	Due from credit institutions and central banks	-	-
	Bank loans and advances	-414	-982
	Mortgage loans	-110	-110
	Guarantees, loan commitments, etc.	28	-4
	Total	-496	-1,096
12	**Total tax charge for the year**		
	Tax on profit for the year	4,952	4,921
	Tax on changes in shareholders' equity	18	94
	Tax on profit for the year		
	Current tax charge	4,727	4,326
	Change in deferred tax	325	619
	Adjustment of prior-year tax charge	-100	39
	Change in deferred tax charge as a result of lower tax rate	-	-85
	Tax on impairment charges for loans and advances, etc.	-	22
	Total	4,952	4,921
	Effective tax rate	%	%
	Danish tax rate	28.0	28.0
	Adjustment of prior-year tax charge	-0.5	0.1
	Change in deferred tax charge as a result of lower tax rate	-	-0.3
	Non-taxable income and non-deductible expenses	-0.8	-0.6
	Difference between tax rates of foreign units and Danish tax rate	0.2	0.4
	Tax on impairment charges for loans and advances, etc.	-	0.1
	Other	-0.1	-0.1
	Effective tax rate	26.8	27.6

Notes – Danske Bank Group

Note	(DKr m)	2006	2005
13	**Cash in hand and demand deposits with central banks**		
	Cash in hand	9,710	8,292
	Demand deposits with central banks	2,609	5,589
	Total	12,319	13,881
14	**Due from credit institutions and central banks**		
	Reverse transactions	160,467	149,822
	Other amounts due	114,802	125,105
	Impairment charges	1	9
	Total	275,268	274,918
	Impairment charges		
	At January 1	9	16
	Reversal of impairment charges	7	-
	Foreign currency translation	-1	-
	Other additions and disposals	-	-7
	At December 31	1	9

DKr252,291m of the total amount consists of amounts due within three months, and they are therefore included in the cash flow under Cash and cash equivalents (2005: DKr258,588m).

Note	(DKr m)	2006	2005
15	**Trading portfolio assets**		
	Derivatives with positive fair value	149,529	148,888
	Listed bonds	337,698	292,258
	Unlisted bonds	2,144	654
	Listed shares	1,255	2,242
	Unlisted shares	328	479
	Total	490,954	444,521
	Trading portfolio liabilities		
	Derivatives with negative fair value	144,412	151,029
	Repurchase obligations under reverse transactions	92,112	61,013
	Total	236,524	212,042

Note	(DKr m)	2006	2005

15 **Derivatives**

(cont'd) The Group's activities in the financial markets include trading in derivatives. The Group trades a considerable volume of the most commonly used interest rate, currency and equity contracts, including

- swaps
- forwards and futures
- options

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

Derivatives are offered as individual transactions or as integral parts of other services, such as issuance of bonds with yields that depend on developments in equity or currency indices.

Moreover, derivatives are used to manage the Group's own exposure to currency, interest rate, equity market and credit risks. See the Risk management section for a detailed description of the Group's risk management policy. Danske Markets is responsible for managing and hedging the market risks of the Group.

Derivatives are recognised at their fair value. Interest on some of the Group's bank loans, advances, deposits, issued bonds, etc. is added at a fixed rate. Generally, such fixed-rate items are carried at amortised cost. The general accounting standards thus mean that the fair value of the interest rate risk on, say, fixed-rate loans is not included in the income statement as opposed to changes in the fair value of hedging derivatives. In its annual report, the Group applies the principles of fair value hedge accounting if the interest rate risk on fixed-rate financial assets and liabilities is hedged by derivatives.

For each bank loan, advance, deposit and issued bond to which interest is added at a fixed rate for a specified period of time starting at the commencement date of the facility, future interest payments are divided into basic interest and a profit margin and into periods of time. By entering into swaps and forwards with opposite payment profiles as regards currencies and periods, hedging of risk takes effect from the time the facility is established. 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 fair value of the hedging derivatives. Portfolios of hedging derivatives are adjusted if necessary.

By efficient hedging, the hedged interest rate risk on hedged assets and liabilities is measured at fair value and the value is recognised as a value adjustment of the hedged items. Value adjustments are carried in the income statement under Net trading income. Inefficient hedging which lies within the efficiency band is therefore also included under Net trading income.

The table below shows the value adjustments of hedged assets and liabilities and hedging derivatives included in Net trading income.

	2006	2005
Hedging of fixed-rate assets		
Hedged loans and advances	-1,702	17
Hedging derivatives	1,728	-20
Net effect on profit for the year	26	-3
Hedging of fixed-rate liabilities		
Hedged debt to credit institutions	307	-248
Hedged deposits	166	105
Hedged issued bonds	-109	294
Hedged subordinated debt	1,559	-2,218
Hedging derivatives	-1,964	1,814
Net effect on profit for the year	-41	-253

The exchange rate risk of net investments in foreign units and subsidiaries is hedged by establishing financing arrangements in the relevant currencies. The exchange rate adjustments of the investments are recognised directly in shareholders' equity together with exchange rate adjustments of the financing arrangements that are defined as hedges against exchange rate fluctuations. The Capital section shows the translation amounts included in shareholders' equity. In 2006, the Group did not hedge the expected financial results of the foreign units or other future transactions.

Note	(DKr m)				
15	**Derivatives**				
(cont'd)	2006	Notional amount	Positive fair value	Notional amount	Negative fair value
	Currency contracts				
	Forwards and swaps	1,753,956	51,049	1,453,197	43,640
	Options	62,745	622	54,310	646
	Interest rate contracts				
	Forwards/swaps/FRAs	8,526,806	83,204	9,045,022	87,348
	Options	814,048	10,203	586,763	8,787
	Equity contracts				
	Forwards	331	151	209	154
	Options	131,859	1,030	131,730	1,684
	Other contracts				
	Commodity contracts	368	-	368	-
	Credit derivatives bought	179	-	83,988	32
	Credit derivatives sold	1,147	8	142	-
	Total derivatives held for trading purposes	11,291,439	146,267	11,355,729	142,291
	Hedging derivatives				
	Currency contracts	74,755	274	303,972	1,661
	Interest rate contracts	365,339	2,988	65,109	460
	Total derivatives	11,731,533	149,529	11,724,810	144,412
	2005				
	Currency contracts				
	Forwards and swaps	1,948,829	51,770	1,800,659	53,334
	Options	54,261	1,094	52,377	1,111
	Interest rate contracts				
	Forwards/swaps/FRAs	2,496,600	82,720	3,859,667	87,132
	Options	444,059	7,806	333,679	6,417
	Equity contracts				
	Forwards	22	-	3	-
	Options	1,972	746	2,298	776
	Other contracts				
	Commodity contracts	405	6	405	6
	Credit derivatives bought	261	6	83,153	10
	Credit derivatives sold	224	1	261	2
	Total derivatives held for trading purposes	4,946,633	144,149	6,132,502	148,788
	Hedging derivatives				
	Currency contracts	90,491	972	246,819	1,149
	Interest rate contracts	107,633	3,767	39,565	1,092
	Total derivatives	5,144,757	148,888	6,418,886	151,029

Note	(DKr m)	2006	2005
16	**Financial investment securities**		
	Financial assets designated at fair value but not included in the trading portfolio		
	Listed bonds	19,181	20,575
	Unlisted bonds	845	1,106
	Listed shares	730	1,122
	Unlisted shares	1,735	1,519
	Total financial investment securities at fair value	22,491	24,322
	Held-to-maturity financial assets		
	Listed bonds	3,847	4,390
	Total financial investment securities	26,338	28,712
17	**Assets held for sale**		
	Loans and advances	1,787	-
	Real property	9	205
	Total	1,796	205
	Liabilities held for sale		
	Deposits	888	-

Loans, advances and deposits held for sale relate to the sale of Fokus Bank's branches in Sogn og Fjordane county in western Norway.

Note	(DKr m)	2006	2005
18	**Bank loans and advances**		
	Reverse transactions	294,555	209,732
	Other loans	763,692	624,631
	Impairment charges	3,925	4,760
	Total	1,054,322	829,603
	Impairment charges		
	At January 1	4,760	6,174
	New and increased impairment charges	1,672	2,849
	Reversal of impairment charges	2,539	4,428
	Foreign currency translation	-3	44
	Other additions and disposals	35	121
	At December 31	3,925	4,760

Bank loans and advances includes amounts due to the Group under finance leases (see note 36).

Note	(DKr m)	2006	2005
19	**Mortgage loans and issued mortgage bonds**		
	Mortgage loans		
	Nominal value	608,942	563,153
	Fair value adjustment of interest rate risk	-6,290	6,044
	Adjustment for credit risk	68	105
	Fair value of mortgage loans	602,584	569,092
	Issued mortgage bonds		
	Nominal value	767,912	737,234
	Fair value adjustment of funding of current loans and advances	-6,290	6,044
	Fair value adjustment of pre-issued bonds	-549	-1,340
	Holding of own mortgage bonds	276,856	303,263
	Fair value of issued mortgage bonds	484,217	438,675

The nominal value of issued mortgage bonds equals the amount to be repaid on expiry. Of the total adjustment for credit risk on mortgage loans, changes in 2006 amounted to an income of DKr37m (2005: income of DKr134m).

Changes in the fair value of own credit risk amounted to DKr0 of the total fair value adjustment of issued mortgage bonds (2005: DKr0). The change in fair value of the credit risk is calculated as the change triggered by factors other than changes in the benchmark interest rate, which is the average yield on Danish mortgage bonds with AAA ratings. Changes in 2006 accounted for DKr0 of the accumulated effect (2005: DKr0).

Note	(DKr m)					2006	2005
20	**Pooled schemes and unit-linked investment contracts**						
		Pooled schemes		Unit-linked contracts		Total	
		2006	2005	2006	2005	2006	2005
	Assets						
	Bonds	21,105	21,747	-	-	21,105	21,747
	Shares	12,962	12,123	-	-	12,962	12,123
	Unit trust certificates	4,718	2,643	6,937	4,566	11,655	7,209
	Cash deposits, etc.	1,261	1,208	-	-	1,261	1,208
	Total	40,046	37,721	6,937	4,566	46,983	42,287
	including						
	Own bonds	5,597	5,055	-	-	5,597	5,055
	Own shares	826	599	-	-	826	599
	Other intra-group balances	958	957	-	-	958	957
	Total assets	32,665	31,110	6,937	4,566	39,602	35,676
	Liabilities						
	Deposits	40,046	37,721	6,937	4,566	46,983	42,287

Note		2006	2005
21	**Assets under insurance contracts**		
	Due from credit institutions	1,600	202
	Financial investment securities	195,431	190,932
	Holdings in associated undertakings	1,023	856
	Investment property	15,588	14,909
	Tangible assets	62	14
	Reinsurers' share of provisions	1,862	2,029
	Other assets	4,825	3,294
	Total	220,391	212,236
	including		
	Own bonds	24,243	22,626
	Own shares	798	588
	Other intra-group balances	1,048	680
	Total assets	194,302	188,342

Goodwill on insurance business acquired worth DKr92m was recognised as Intangible assets at the end of 2006 (2005: DKr98m).

	2006	2005
Financial investment securities under insurance contracts		
Listed bonds	120,664	131,004
Listed shares	35,323	22,996
Unlisted shares	1,416	1,825
Unit trust certificates	35,232	28,186
Other securities	2,796	6,921
Total	195,431	190,932

Notes – Danske Bank Group

Note	(DKr m)	2006	2005
21	**Holdings in associated undertakings under insurance contracts**		
(cont'd)	Cost at January 1	605	102
	Additions	-	503
	Disposals	-	-
	Foreign currency translation	-	-
	Cost at December 31	605	605
	Revaluations and write-downs at January 1	251	137
	Share of profit	180	114
	Share of adjustments not recognised in the income statement	-	-
	Dividends	-13	-
	Impairment charges	-	-
	Reversal of revaluations and write-downs	-	-
	Foreign currency translation	-	-
	Revaluations and write-downs at December 31	418	251
	Carrying amount at December 31	1,023	856

	Share capital (%)	Total assets	Total liabilities	Income	Net profit
Ejendomsselskabet af Januar 2002 A/S, Copenhagen	50	1,195	393	30	196
Dantop Ejendomme ApS, Copenhagen	50	321	46	10	50
DNP Ejendomme Komplementarselskab ApS, Copenhagen	50	-	-	-	-
DNP Ejendomme P/S, Copenhagen	50	962	16	78	105
Hovedbanegårdens Komplementarselskab ApS, Copenhagen	50	-	-	-	-
Majorgården A/S, Copenhagen	25	4	2	20	1
Privathospitalet Hamlet af 1994 A/S, Frederiksberg	28	65	27	153	11

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

	2006	2005
Investment property under insurance contracts		
Fair value at January 1	14,909	14,499
Additions	110	189
Property improvement expenditure	189	58
Disposals	596	427
Fair value adjustment	976	590
Fair value at December 31	15,588	14,909

Rental income from investment property amounted to DKr1,098m in 2006 (2005: DKr1,041m). Expenses directly attributable to investment property generating rental income to the Group amounted to DKr230m (2005: DKr218m).

Notes – Danske Bank Group

Note	(DKr m)				
21 (cont'd)	**Tangible assets under insurance contracts**	2006		2005	
		Domicile property	Machinery and equipment	Domicile property	Machinery and equipment
	Cost at January 1	-	58	-	53
	Additions	49	9	-	11
	Disposals	-	26	-	6
	Additions on acquisition of business	-	-	-	-
	Foreign currency translation	-	-	-	-
	Cost at December 31	49	41	-	58
	Depreciation and impairment charges at January 1	-	44	-	41
	Depreciation during the year	-	7	-	8
	Impairment charges during the year	-	-	-	-
	Reversal of depreciation and impairment charges	-	23	-	5
	Foreign currency translation	-	-	-	-
	Depreciation and impairment charges at December 31	-	28	-	44
	Carrying amount at December 31	49	13	-	14
	Depreciated over	20-50 years	3-10 years	-	3-10 years

At the end of 2006, the fair value of domicile property totalled DKr49m.

	2006	2005
Reinsurers' share of provisions for insurance contracts		
Balance at January 1	2,029	1,832
Premiums paid	107	72
Benefits paid	-117	-109
Interest added to policyholders' savings	67	67
Fair value adjustment	-120	123
Other changes	-104	44
Balance at December 31	1,862	2,029

Note	(DKr m)	2006	2005
22	**Holdings in associated undertakings**		
	Cost at January 1	971	1,091
	Additions	41	292
	Disposals	86	412
	Foreign currency translation	-	-
	Cost at December 31	926	971
	Revaluations and write-downs at January 1	73	217
	Share of profit	209	261
	Share of adjustments not recognised in the income statement	-	5
	Dividends	185	115
	Impairment charges	-	-
	Reversal of revaluations and write-downs	-52	-295
	Foreign currency translation	-	-
	Revaluations and write-downs at December 31	45	73
	Carrying amount at December 31	971	1,044

Holdings in associated undertakings		Share capital (%)	Total assets	Total liabilities	Income	Net profit
Bankpension AB, Stockholm	SEK	20	-	-	-	-
BDB Bankernas Depå AB, Stockholm	SEK	20	-	-	-	-
DKA II A/S, Copenhagen	DKK	20	383	1	63	-18
DKA I P/S, Copenhagen	DKK	23	547	3	3	56
DKA I Komplementarer A/S, Copenhagen	DKK	23	-	-	-	-
Ejendomsaktieselskabet af 22. juni 1966, Copenhagen	DKK	50	17	3	1	3
Investeringsselskabet af 23. marts 2001 A/S, Copenhagen	DKK	49	5	167	-	-167
Luxembourg International Consulting S.A., Luxembourg	EUR	33	3	3	3	-
MVC Holding AB, Gothenburg	SEK	33	1	-	-	-
Medicon Valley Capital Management AB, Gothenburg	SEK	31	16	7	-	1
LR Kredit A/S, Copenhagen	DKK	31	8,840	5,291	385	143
Danmarks Skibskredit A/S, Copenhagen	DKK	24	62,530	53,568	2,300	286
Aktieselskabet Reinholdt W. Jorck, Copenhagen	DKK	28	744	202	61	41
Multidata Holding A/S, Ballerup	DKK	44	281	207	440	41
PBS Holding A/S, Ballerup	DKK	26	939	520	1,774	192
Realkreditnettet Holding A/S, Copenhagen	DKK	25	128	46	10	-1
Interessentskabet af 23. dec. 1991	DKK	30	771	25	63	48

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

Note	(DKr m)				
23	**Intangible assets**				

2006	Goodwill	Software developed	Other	Total
Cost at January 1	5,754	686	1,856	8,296
Additions	-	450	21	471
Additions on acquisition of business	48	-	2	50
Disposals	30	14	-	44
Foreign currency translation	37	-	23	60
Cost at December 31	5,809	1,122	1,902	8,833
Amortisation and impairment charges at January 1	-	83	587	670
Amortisation during the year	-	174	608	782
Impairment charges during the year	-	8	-	8
Reversal of amortisation and impairment charges	-	11	-	11
Foreign currency translation	-	-	-	-
Amortisation and impairment charges at December 31	-	254	1,195	1,449
Carrying amount at December 31	5,809	868	707	7,384
Amortised over	-	3 years	3 years	

Other intangible assets include business relationships with deposit-only customers taken over as part of acquisitions.
In 2006, an amount of DKr1,567m was expensed for development projects (2005: DKr1,414m).

2005	Goodwill	Software developed	Other	Total
Cost at January 1	94	274	154	522
Additions	-	415	46	461
Additions on acquisition of business	5,629	-	1,643	7,272
Disposals	-	3	-	3
Foreign currency translation	31	-	13	44
Cost at December 31	5,754	686	1,856	8,296
Amortisation and impairment charges at January 1	-	2	73	75
Amortisation during the year	-	81	514	595
Impairment charges during the year	-	3	-	3
Reversal of amortisation and impairment charges	-	3	-	3
Foreign currency translation	-	-	-	-
Amortisation and impairment charges at December 31	-	83	587	670
Carrying amount at December 31	5,754	603	1,269	7,626
Amortised over	-	3 years	3 years	

Note	(DKr m)	2006	2005

23 **Intangible assets**

(cont'd) Goodwill is broken down by cash-generating unit: Banking Activities Northern Ireland (Northern Bank), Banking Activities Ireland (National Irish Bank), Banking Activities Norway (Krogsveen and Nylander) and Other business areas. The latter includes acquisitions with goodwill of less than DKr100m. Note 37 explains in detail the acquisitions made in 2006 and 2005.

2006	Goodwill on acquisition	Required rate of return (%)	Shareholders' equity	Est. avg. growth 1-5 yrs (%)	Est. avg. growth >5 yrs (%)
Northern Bank, Northern Ireland	2,549	12	2,660	9	3
National Irish Bank, Republic of Ireland	2,942	12	2,369	20	4
Krogsveen and Nylander, Norway	180	12	58	2	-
Other business areas	138	12	60	2	-

The special debt structure of financial institutions requires the use of a simplified equity model to calculate the recoverable amount. The model is based on approved earnings estimates for the cash-generating units for the next five years and conservative growth estimates of 0-3.5% in the terminal period (> 5 years). The derived cash flows are discounted at the Group's average required rate of return before tax.

The impairment test conducted in 2006 did not indicate that goodwill should be written down to the recoverable amount. Sensitivity analyses involving separate changes in the required rate of return and growth estimates of 100bp (gross) did not produce results that affected this conclusion.

2005	Goodwill on acquisition	Required rate of return (%)	Shareholders' equity	Est. avg. growth 1-5 yrs (%)	Est. avg. growth >5 yrs (%)
Northern Bank, Northern Ireland	2,506	13	2,230	9	3
National Irish Bank, Republic of Ireland	2,937	13	1,514	20	4
Krogsveen, Norway	133	13	24	2	-
Other business areas	147	13	60	0-2	-

24 **Investment property**

	2006	2005
Fair value at January 1	3,626	4,463
Additions	419	211
Property improvement expenditure	3	2
Additions on acquisition of business	-	-
Disposals	325	1,200
Fair value adjustment	191	123
Foreign currency translation	-	-
Other changes	-	27
Fair value at December 31	3,914	3,626

Rental income from investment property totalled DKr176m in 2006 (2005: DKr287m). Expenses directly attributable to investment property that generated rental income for the Group amounted to DKr5m (2005: DKr50m), whereas expenses directly attributable to investment property that did not generate rental income for the Group amounted to DKr1m (2005: DKr3m).

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

Note	(DKr m)				
25	**Tangible assets**				
	2006	Domicile property	Machinery and equipment	Lease assets	Total
	Cost at January 1	5,142	2,387	3,460	10,989
	Additions	35	197	1,583	1,815
	Disposals	77	33	824	934
	Transfer	162	-254	92	-
	Transferred to real property held for sale	11	-	-	11
	Additions on acquisition of business	-	4	-	4
	Foreign currency translation	8	7	2	17
	Cost at December 31	5,259	2,308	4,313	11,880
	Depreciation and impairment charges at January 1	1,172	1,640	929	3,741
	Depreciation during the year	72	286	589	947
	Impairment charges during the year	4	-	-	4
	Transfer	62	-117	55	-
	Transferred to real property held for sale	2	-	-	2
	Reversal of depreciation and impairment charges	217	19	422	658
	Foreign currency translation	-	-6	-	-6
	Depreciation and impairment charges at December 31	1,091	1,784	1,151	4,026
	Carrying amount at December 31	4,168	524	3,162	7,854
	Depreciated over	20-50 years	3-10 years	3 years	

At the end of 2006, the fair value of domicile property amounted to DKr5,491m.

2005	Domicile property	Machinery and equipment	Lease assets	Total
Cost at January 1	5,028	2,550	2,859	10,437
Additions	15	339	1,373	1,727
Disposals	478	677	772	1,927
Transferred to real property held for sale	223	-	-	223
Additions on acquisition of business	798	164	-	962
Foreign currency translation	2	11	-	13
Cost at December 31	5,142	2,387	3,460	10,989
Depreciation and impairment charges at January 1	1,190	1,953	826	3,969
Depreciation during the year	62	307	489	858
Impairment charges during the year	4	-	-	4
Transferred to real property held for sale	18	-	-	18
Reversal of depreciation and impairment charges	66	620	386	1,072
Foreign currency translation	-	-	-	-
Depreciation and impairment charges at December 31	1,172	1,640	929	3,741
Carrying amount at December 31	3,970	747	2,531	7,248
Depreciated over	20-50 years	3-10 years	3 years	

At the end of 2005, the fair value of domicile property amounted to DKr4,953m.

Notes – Danske Bank Group

Note	(DKr m)	2006	2005
26	**Other assets**		
	Interest and commissions due	8,085	10,245
	Other amounts due	12,857	16,333
	Pension assets	308	291
	Real property taken over under non-performing loans	-	3
	Total	21,250	26,872
27	**Due to credit institutions and central banks**		
	Repo transactions	131,842	88,348
	Other amounts due	432,707	388,015
	Total	564,549	476,363
28	**Deposits**		
	Repo deposits	104,044	98,003
	Other deposits	598,899	533,181
	Total	702,943	631,184
29	**Liabilities under insurance contracts**		
	Life insurance provisions	175,481	179,354
	Provisions for unit-linked insurance contracts	17,803	12,322
	Collective bonus potential	13,864	11,266
	Other technical provisions	7,586	7,176
	Total provisions for insurance contracts	214,734	210,118
	Other liabilities	1,707	2,710
	Intra-group balances	-648	-500
	Total	215,793	212,328
	Provisions for insurance contracts		
	Balance at January 1	210,118	189,597
	Premiums paid	14,907	14,067
	Benefits paid	-14,163	-12,880
	Interest added to policyholders' savings	8,663	8,930
	Fair value adjustment	-6,375	6,316
	Foreign currency translation	53	-5
	Change in collective bonus potential	2,597	3,726
	Other changes	-1,066	367
	Balance at December 31	214,734	210,118
30	**Deferred tax**		
	Deferred tax assets	440	506
	Deferred tax liabilities	1,889	1,581
	Deferred tax, net	1,449	1,075

In addition to the deferred tax provided for on the balance sheet, the Group is liable for deferred tax of DKr0 (2005: DKr28m) for shares in subsidiary undertakings held for less than three years.

Note	(DKr m)						
30	**Change in deferred tax**						
(cont'd)	2006	At Jan. 1	Foreign currency translation	Additions on acquisition of business	Included in profit for the year	Included in sharehold-ers' equity	At Dec. 31
	Intangible assets	476	6	-	-78	-	404
	Tangible assets	1,778	4	-	134	-	1,916
	Securities	-120	-	-	-149	24	-245
	Provisions for obligations	-1,108	-3	-	462	-	-649
	Other	49	2	10	-38	-	23
	Total	1,075	9	10	331	24	1,449
	including adjustment of prior-year tax charges	-			6		
	2005						
	Intangible assets	46	11	443	-24	-	476
	Tangible assets	1,527	-	31	220	-	1,778
	Securities	-427	-	-4	311	-	-120
	Provisions for obligations	-605	-16	-437	34	-84	-1,108
	Tax loss carryforwards	-11	-	-	11	-	-
	Other	-455	-12	-42	598	-40	49
	Total	75	-17	-9	1,150	-124	1,075
	including adjustment of prior-year tax charges				616		

		2006	2005
31	**Other liabilities**		
	Sundry creditors	25,420	26,000
	Accrued interest and commissions	17,146	16,807
	Pension obligations	1,925	2,214
	Other staff commitments	2,038	1,894
	Irrevocable loan commitments and guarantees	212	150
	Reserves subject to a reimbursement obligation	358	449
	Other obligations	100	368
	Total	47,199	47,882

	Irrevocable loan commitments, etc.	Reserves subject to a reimbursement obligation	Other obligations
January 1, 2006	150	449	368
New and increased obligations	243	-	19
Reversal of obligations	182	-	189
Spent	-	85	98
Effect of adjustment of discount rate or term	2	-6	-
Foreign currency translation	-1	-	-
December 31, 2006	212	358	100

The Group has issued a number of irrevocable loan commitments, etc. Obligations for such commitments are recognised if objective evidence of impairment is established in accordance with rules similar to those that apply to impairment of loans and advances.

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

Other obligations consists primarily of provisions for restructurings and lawsuits.

Note	(DKr m)
32	**Subordinated debt**

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

Subordinated debt is included in the capital base, etc. in accordance with sections 124, 132 and 136 of the Danish Financial Business Act.

Currency	Borrower	Note	Principal (million)	Interest rate	Issued	Maturity	Redemption price	2006 (DKr m)	2005 (DKr m)
Redeemed loans									1,897
JPY	Danske Bank A/S	a	10,000	6.300	1992	14.09.2010	100	475	537
USD	Danske Bank A/S	b	500	7.400	1997	15.06.2010	100	2,831	3,162
EUR	Danske Bank A/S	c	700	5.750	2001	26.03.2011	100	5,219	5,223
EUR	Danske Bank A/S	d	400	5.875	2002	26.03.2015	100	2,982	2,984
EUR	Danske Bank A/S	e	500	5.125	2002	12.11.2012	100	3,728	3,730
EUR	Danske Bank A/S	f	500	4.250	2003	20.06.2016	100	3,728	3,730
NOK	Danske Bank A/S	g	1,770	var.	2003	25.05.2014	100	1,602	1,654
GBP	Danske Bank A/S	h	350	5.375	2003	29.09.2021	100	3,886	3,810
NOK	Danske Bank A/S	i	500	var.	2003	15.02.2014	100	453	467
SEK	Danske Bank A/S	j	750	var.	2004	22.12.2013	100	619	596
EUR	Danske Bank A/S	k	700	4.100	2005	16.03.2018	100	5,219	5,223
EUR	Danske Bank A/S	l	500	var.	2005	09.09.2013	100	3,728	3,730
NOK	Danske Bank A/S	m	535	var.	2005	22.03.2014	100	484	500
EUR	Danica Pension	n	400	4.350	2006	Perpetual	100	2,982	-
Subordinated debt, excluding hybrid core capital								37,936	37,243
Hybrid core capital									
USD	Danske Bank A/S	o	750	5.914	2004	Perpetual	100	4,246	4,743
GBP	Danske Bank A/S	p	150	5.563	2005	Perpetual	100	1,666	1,633
GBP	Danske Bank A/S	q	500	5.684	2006	Perpetual	100	5,552	-
Total hybrid core capital								11,464	6,376
Nominal subordinated debt								49,400	43,619
Hedging of interest rate risk at fair value								-156	1,538
Holding of own bonds								-293	-1,320
Total subordinated debt								48,951	43,837
The capital base includes								46,126	42,329

a Repayable as of Sep. 2007. If debt is not repaid, the annual interest rate is 2.40 percentage pts higher than 6M JPY LIBOR.
b Repayable as of Jun. 2007. If debt is not repaid, the annual interest rate is 2.00 percentage pts higher than 3M USD LIBOR.
c Repayable as of Mar. 2008. If debt is not repaid, the annual interest rate is 2.25 percentage pts higher than 3M EURIBOR.
d Repayable as of Mar. 2012. If debt is not repaid, the annual interest rate is 2.07 percentage pts higher than 3M EURIBOR.
e Repayable as of Nov. 2009. If debt is not repaid, the annual interest rate is 2.30 percentage pts higher than 3M EURIBOR.
f Repayable as of Jun. 2013. If debt is not repaid, the annual interest rate is 2.05 percentage pts higher than 3M EURIBOR.
g Interest is paid at an annual rate 0.76 of a percentage point higher than 3M NIBOR. Repayable as of May 2011. If debt is not repaid, the annual interest rate is 2.26 percentage pts higher than 3M NIBOR.
h Repayable as of Sep. 2018. If debt is not repaid, the annual interest rate is 1.94 percentage pts higher than 3M GBP LIBOR.
i Interest is paid at an annual rate 0.47 of a percentage point higher than 3M NIBOR. Repayable as of Feb. 2011. If debt is not repaid, the annual interest rate is 1.97 percentage pts higher than 3M NIBOR.
j Interest is paid at an annual rate 0.34 of a percentage point higher than 3M STIBOR. Repayable as of Dec. 2010. If debt is not repaid, the annual interest rate is 1.835 percentage pts higher than 3M STIBOR.
k Repayable as of Mar. 2015. If debt is not repaid, the annual interest rate is 1.81 percentage pts higher than 3M EURIBOR.
l Interest is paid at an annual rate 0.20 of a percentage point higher than 3M EURIBOR. Repayable as of Sep. 2010. If debt is not repaid, the annual interest rate is 1.70 percentage pts higher than 3M EURIBOR.
m Interest is paid at an annual rate 0.20 of a percentage point higher than 3M NIBOR. Repayable as of Mar. 2011. If debt is not repaid, the annual interest rate is 1.70 percentage pts higher than 3M NIBOR.
n Repayable as of Oct. 2011. If debt is not repaid, the annual interest rate is 2.08 percentage pts higher than 3M EURIBOR.
o Repayable as of Jun. 2014. If debt is not repaid, the annual interest rate is 1.66 percentage pts higher than 3M USD LIBOR.
p Repayable as of Mar. 2017. If debt is not repaid, the annual interest rate is 1.44 percentage pts higher than 3M GBP LIBOR.
q Repayable as of Feb. 2017. If debt is not repaid, the annual interest rate is 1.70 percentage pts higher than 3M GBP LIBOR.

Note	(DKr m)	2006	2005
33	**Pension plans**		
	Contributions to external defined contribution plans	399	468
	Contributions to internal defined contribution plans	459	399
	Total contributions to defined contribution plans	858	867
	Contributions to defined benefit plans, standard cost	238	175
	Recognised as income on adjustment of plans	317	-
	Total	779	1,042

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

Defined benefit plans in Northern Ireland and the Republic of Ireland account for most of the Group's obligations under such plans. The defined benefit scheme in Northern Ireland does not accept new members as opposed to the defined benefit scheme in the Republic of Ireland. The defined benefit plans of both business areas are funded through pension funds. The net pension obligations in Northern Ireland and the Republic of Ireland have been recognised on the balance sheet since the acquisition of Northern Bank and National Irish Bank at the end of February 2005.

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

In 2006, the defined benefit scheme in Norway was closed. Consequently, only a small portfolio of defined benefit plans in Norway is unfunded and is therefore recognised on the balance sheet under Other liabilities. In Sweden, this type of scheme accepts new members. The plans are funded in a pension fund, with an upper limit on the salary level on the basis of which pension obligations may be calculated.

The Group's defined benefit plans are computed on the basis of external actuarial calculations, and actuarial gains and losses are recognised using the corridor method. The actuarial calculations show an unrecognised net pension asset of DKr34m at December 31, 2006 (2005: unrecognised net pension obligation of DKr534m).

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

	2006	2005
Defined benefit plans		
Present value of unfunded pension obligations	144	158
Present value of fully or partly funded pension obligations	12,861	13,699
Fair value of assets under the plans	11,422	11,400
Net pension obligation at December 31	1,583	2,457
Actuarial gains/losses not recognised in the net pension obligation	34	-534
Net pension obligation according to IFRS at December 31	1,617	1,923

	2006	2005
Net pension obligations recognised on the balance sheet		
Pension assets recognised under Other assets	308	291
Pension provisions recognised under Other liabilities	1,925	2,214
Total	1,617	1,923

Note	(DKr m)						
33	**Changes in net pension obligation**						
(cont'd)			2006			2005	
		Assets	Liabilities	Net	Assets	Liabilities	Net
	At January 1	11,400	13,857	2,457	3,077	3,567	490
	Expenses incurred during the accounting year	-	324	324	-	298	298
	Calculated interest expenses	-	557	557	-	469	469
	Estimated return on assets under the plans	691	-	691	592	-	592
	Pension expenses incurred during previous years	-	48	48	-	-	-
	Standard cost	691	929	238	592	767	175
	Actuarial gains/losses	377	-193	570	957	1,380	-423
	Employer contributions to the plans	225	-	225	185	-	185
	Benefits paid out by pension funds	-410	-410	-	-368	-368	-
	Adjustment of plans and business acquisitions	-861	-1,178	-317	6,957	8,511	1,554
	At December 31	11,422	13,005	1,583	11,400	13,857	2,457
	Actuarial gains/losses not recognised in the net pension obligation	1,333	1,299	34	957	1,491	-534
	Net pension obligation at December 31	10,089	11,706	1,617	10,443	12,366	1,923

The Group expects its pension contributions to total DKr250m in 2007.

	2006	2005
Expenses for defined benefit plans		
Expenses incurred during the accounting year	324	298
Calculated interest expenses	557	469
Estimated return on assets under the plans	691	592
Pension expenses incurred during previous years	48	-
Standard cost	238	175
Actuarial gains/losses	570	-423
Changes in plans	-317	-
Total	-649	598

The Group's obligations under defined benefit plans are recognised on the basis of actuarial calculations of the present value of the expected benefits. On December 31, the present value of the individual plans was calculated on the basis of the following assumptions:

Average actuarial assumptions at December 31 (%)		
Discount rate	4.1-5.2	3.3-5.1
Return on assets under the plans	4.6-7.2	3.0-7.4
Inflation rate	2.3-3.1	2.0-2.8
Salary adjustment rate	2.8-4.6	2.7-4.3
Pension adjustment rate	2.3-5.0	2.3-5.0

The assumptions of mortality used to recognise pension obligations at the end of 2006 are based on mortality tables (DB06 (own table) for obligations in Denmark, and P94 for obligations in Sweden, PA92C2004 for obligations in Northern Ireland, and PA92C2010 and PA92C2020 for obligations in the Republic of Ireland (all standard tables)). The mortality tables are adjusted to reflect the general trends in mortalities of populations and general data on portfolios of persons insured. The assumptions mean that at December 31, 2006, the average life expectancies of a 60-year-old man and a 60-year-old woman were 84.3 and 87.8 years, respectively, and 84.9 years for a 65-year-old man and 88.2 years for a 65-year-old woman.

Note	(DKr m)						
33	**Pension assets**						
(cont'd)			2006			2005	
	%	Share at Dec. 31	Expected return at Jan. 1	Actual return at Dec. 31	Share at Dec. 31	Expected return at Jan. 1	Actual return at Dec. 31
	Shares	60.0	7.8	10.0	55.6	7.8	21.3
	Government and mortgage bonds	23.0	3.6	-0.2	28.3	4.7	7.3
	Index-linked bonds	8.2	3.9	2.4	7.5	4.6	10.4
	Corporate bonds	4.2	4.6	0.8	3.7	5.1	8.1
	Real property	2.6	5.2	9.0	2.8	6.1	12.0
	Cash and cash equivalents	2.0	3.5	1.3	2.1	4.5	4.4
	Total	100.0	6.1	6.0	100.0	6.8	14.9

Holdings of own bonds amounted to 2.1% at the end of 2006 (2005: 2.4%).

	2006	2005	2004
Historical trend in defined benefit plans			
Present value of pension obligations	13,005	13,857	3,567
Fair value of assets under the plans	11,422	11,400	3,077
Actuarial gains/losses not recognised in the net pension obligation	34	-534	-112
Net pension obligation at December 31	1,617	1,923	378

34 **Contingent liabilities**

The Group offers different types of loan-related financial instruments to accommodate customers' financial requirements. Under such instruments, the Group makes loan offers and provides other credit facilities, guarantees, etc. that are not included in the balance sheet.

	2006	2005
Guarantees, etc.		
Financial guarantees	5,830	11,276
Mortgage finance guarantees	3,300	3,577
Registration and remortgaging guarantees	20	11
Other guarantees	71,418	66,235
Total	80,568	81,099
Other liabilities		
Irrevocable loan commitments shorter than 1 year	140,253	97,102
Irrevocable loan commitments longer than 1 year	119,320	103,715
Other obligations	884	1,914
Total	260,457	202,731

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

A limited number of employees are employed under terms which grant them, if they are dismissed before reaching their normal retirement age, an extraordinary severance and/or pension payment in excess of what they would have been entitled to under ordinary terms of employment.

Note	(DKr m)	2006	2005

35 **Assets deposited as security**

At the end of 2006, the Group had deposited securities worth DKr230,436m with Danish and international clearing centres, etc. as security (2005: DKr203,007m).

In connection with repo transactions, which consist of a sale of securities to be repurchased at a later date, the securities remain on the balance sheet and the amounts received are carried as deposits. Securities in repo transactions are treated as assets provided as security for liabilities. At the end of 2006, the carrying amount of such securities totalled DKr231,873m (2005: DKr183,038m). The counterparty is entitled to sell the securities or deposit them as security for other loans.

At the end of 2006, assets under insurance contracts worth DKr212,189m had been registered as security for policyholders' savings (2005: DKr206,494m).

36 **Leasing**

The Group as lessor

The Group offers fleet management, truck leasing, IT leasing and real property leasing under both finance and operating leases.

Payments due under finance leases

Bank loans and advances includes payments due under finance leases worth DKr18,664m at December 31, 2006 (2005: DKr16,011m).

	2006	2005
Finance leases		
At January 1	16,011	14,301
Additions	8,706	6,716
Disposals	6,053	5,006
At December 31	18,664	16,011
Finance leases expiring		
within 1 year	1,782	1,596
in 1 to 5 years	11,537	9,612
after 5 years	5,345	4,803
Total	18,664	16,011
Gross investment in finance leases expiring		
within 1 year	2,726	2,510
in 1 to 5 years	13,634	11,502
after 5 years	6,337	5,519
Total	22,697	19,531
Unearned finance income	4,033	3,520

Impairment charges for finance leases amounted to DKr181m at December 31, 2006 (2005: DKr184m).

Payments due under operating leases

Assets leased under operating leases are recognised under tangible assets (lease assets and domicile property), investment property and investment property under insurance contracts. The table below shows the minimum lease payments broken down by lease term.

	2006	2005
Operating leases expiring		
within 1 year	979	969
in 1 to 5 years	1,907	1,691
after 5 years	621	550
Total	3,507	3,210

Note	(DKr m)	2006	2005
36	**The Group as lessee**		
(cont'd)	The Group is the lessee under a number of operating leases under which payments fall due over a number of years. The leases involve primarily leasing of real property, tools and equipment and are not carried on the balance sheet. The table below shows the minimum lease payments broken down by lease term.		

	2006	2005
Operating leases expiring		
within 1 year	345	442
in 1 to 5 years	1,094	1,259
after 5 years	1,751	1,649
Total	3,190	3,350

Staff costs and administrative expenses include lease payments in the amount of DKr546m (2005: DKr602m).

The Group has not entered into finance leases with the Group as the lessee.

37 **Acquisition of subsidiary undertakings**

Acquisitions in 2006

	Date	Fair value of net assets	Goodwill on acquisition	Acquisition costs	Total acquisition price	Included in net profit for 2006
Real-estate agency businesses	2006	11	48	-	59	-

In 2006, the Danske Bank Group acquired against settlement in cash, through Krogsveen, the shares of five companies that conduct real-estate agency business in Norway. The companies were consolidated in the accounts at the time of acquisition. Assuming that the Group had taken over the companies at the beginning of the year, the estimated effects on the profit for the year and total income would have amounted to increases of DKr3m and DKr24m, respectively.

Goodwill represents the value of the expected profitability of the companies acquired which cannot be attributed reliably to individually identifiable assets as well as expected synergies from the merger with the Danske Bank Group.

	Real-estate agency business	
	Fair value at the time of acquisition	Carrying amount before acquisition
Due from credit institutions	5	5
Intangible assets	2	2
Tangible assets	4	4
Other assets	43	43
Total assets	54	54
Due to credit institutions	4	4
Other liabilities	39	39
Total liabilities	43	43
Net assets acquired	11	11

The figures were calculated just before the date of acquisition in accordance with the accounting policies of the companies. The amounts were translated into Danish kroner at the exchange rate prevailing at the time of consolidation.

Note	(DKr m)

37 (cont'd) **Acquisitions in 2005**

	Date	Fair value of net assets	Goodwill on acquisition	Acquisition costs	Total acquisition price	Included in net profit for 2005
Northern Bank, Northern Ireland	28.02.05	3,391	2,506	73	5,897	285
National Irish Bank, Republic of Ireland	28.02.05	1,913	2,937	60	4,850	-133
Krogsveen, Norway	30.06.05	8	133	-	141	6
Skandia Mäklarna, Sweden	30.09.05	11	45	1	56	-1
Fondsfinans Aktiv Forvaltning, Norway	31.10.05	12	8	-	20	-

The Danske Bank Group acquired all shares in the companies listed by payment in cash. Northern Bank and National Irish Bank conduct retail banking activities. Krogsveen and Skandia Mäklarna carry out real-estate agency business in Norway and Sweden, respectively. Fondsfinans Aktiv Forvaltning is a Norwegian asset manager. The companies were consolidated in the accounts at the time of acquisition. Assuming that the Group had taken over the companies at the beginning of the year, the estimated effects on the profit for the year and total income would have amounted to increases of DKr2m and DKr614m, respectively.

Goodwill represents the value of the expected profitability of the companies acquired which cannot be attributed reliably to individually identifiable assets, including the value of staff, know-how and position in the community, as well as expected synergies from the merger with the Danske Bank Group.

	National Irish Bank		Northern Bank		Other acquisitions	
	Fair value at the time of acquisition	Carrying amount before acquisition	Fair value at the time of acquisition	Carrying amount before acquisition	Fair value at the time of acquisition	Carrying amount before acquisition
Due from credit institutions	8,147	8,147	5,190	5,190	25	24
Investment securities	-	-	3,065	3,041	2	2
Bank loans and advances	35,371	35,232	24,699	24,564	-	-
Intangible assets	1,338	-	305	-	1	1
Tangible assets	498	534	423	428	13	13
Other assets	2,815	2,364	1,364	1,210	53	54
Total assets	48,169	46,277	35,046	34,433	94	94
Due to credit institutions	599	599	13,431	13,409	2	2
Deposits	37,610	37,610	17,651	17,651	-	-
Subordinated debt	1,000	1,000	696	696	-	-
Other liabilities	5,569	3,862	1,355	891	61	61
Total liabilities	44,778	43,071	33,133	32,647	63	63
Net assets acquired	3,391	3,206	1,913	1,786	31	31

The figures were calculated just before the date of acquisition in accordance with the accounting policies of the companies. Deviations in the accounting policies from the IFRS were immaterial. The amounts were translated into Danish kroner at the exchange rate prevailing at the time of consolidation.

Note	(DKr m)								
38	**Related parties**								
		Parties with significant influence		Associated undertakings		Board of Directors		Executive Board	
		2006	2005	2006	2005	2006	2005	2006	2005
	Loans and loan commitments	12,954	11,414	2,078	621	82	38	11	2
	Securities and derivatives	2,302	3,474	2,704	9,410	-	-	-	-
	Deposits	1,787	2,046	200	63	24	25	18	5
	Derivatives	-	138	-	374	-	-	-	-
	Guarantees issued	1,216	4,080	-	-	-	-	-	-
	Guarantees received	147	-	-	-	1	-	2	-
	Security received	4,264	-	89	14	23	11	7	2
	Security provided	4	4	-	-	-	-	-	-
	Interest income	192	81	8	1	1	-	-	-
	Interest expense	185	119	5	3	1	-	-	-
	Fee income	5	7	2	1	-	-	-	-
	Fee expenses	-	-	-	-	-	-	-	-
	Other income	15	19	3	3	-	-	-	-
	Other expenses	-	-	-	-	-	-	-	-

Related parties with significant influence are shareholders with holdings exceeding 20% of the share capital of Danske Bank A/S (see list in Management's report). Notes 21 and 22 show a list of associated undertakings. The Board of Directors and the Executive Board columns comprise the personal facilities, deposits, etc. of members of the Board of Directors and the Executive Board and their dependents. Note 8 specifies the remuneration and shareholdings of the management.

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

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

The above figures do not include debt to related parties in the form of issued notes. Such notes are bearer securities, and consequently the Group does not know the identity of the holders.

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

Note	(DKr m)

39 **Fair value of financial instruments**

Financial instruments are carried on the balance sheet at their fair value or at amortised cost. The interest rate risk on certain financial instruments measured at amortised cost is hedged by derivatives (see note 15). These hedging derivatives are carried in accordance with the provisions governing fair value hedge accounting, i.e. at amortised cost less the fair value of the hedged interest rate risk. The table below shows the fair value of all financial instruments and their carrying amount on the balance sheet.

The fair value is the amount for which a financial asset could be exchanged or a financial liability settled, between knowledgeable, willing parties. If an active market exists, the market price is applied. If an active market does not exist, which is the case for a number of financial assets and liabilities, a discounted cash flow or generally accepted estimation and valuation techniques based on market conditions at the balance sheet date are used instead to calculate an estimated value.

Generally, the Group applies valuation techniques to OTC derivatives, unlisted trading portfolio assets and liabilities as well as unlisted financial investment securities. The most frequently used valuation and estimation techniques include the pricing of transactions with future settlement, swap models that apply present value calculations, credit pricing models and options models, such as Black & Scholes formulas.

The fair value approximation of financial instruments with variable interest rates is amortised cost less impairment losses. This means that the fair value does not necessarily reflect changes in credit quality.

Most of the Group's financial assets and liabilities measured at fair value are recognised on the basis of publicly quoted prices or market conditions on the balance sheet date. For a description of the recognition of mortgage loans at fair value, see note 19. Financial investment securities (see note 16) include unlisted shares measured at fair value using the fair value guidelines of EVCA (the European Private Equity & Venture Capital Association). These valuation guidelines are based on the estimated fair value of unlisted shares, which is calculated as the price at which an asset could be exchanged between knowledgeable, willing parties.

	Carrying amount 2006	Fair value 2006	Carrying amount 2005	Fair value 2005
Financial assets				
Cash in hand and demand deposits with central banks	12,319	12,319	13,881	13,881
Due from credit institutions and central banks	275,268	275,270	274,918	274,918
Trading portfolio assets	490,954	490,954	444,521	444,521
Financial investment securities	26,338	26,357	28,712	28,696
Assets held for sale	1,796	1,814	205	265
Bank loans and advances	1,054,322	1,054,307	829,603	829,603
Mortgage loans	602,584	602,584	569,092	569,092
Assets under pooled schemes and unit-linked investment contracts	39,602	39,602	35,676	35,676
Assets under insurance contracts	194,302	194,302	188,342	188,342
Total	2,697,485	2,697,509	2,384,950	2,384,994
Financial liabilities				
Due to credit institutions and central banks	564,549	564,558	476,363	476,363
Trading portfolio liabilities	236,524	236,524	212,042	212,042
Liabilities held for sale	888	888	-	-
Deposits	702,943	702,943	631,184	631,184
Issued mortgage bonds	484,217	484,217	438,675	438,675
Deposits under pooled schemes and unit-linked investment contracts	46,983	46,983	42,287	42,287
Liabilities under insurance contracts	215,793	215,793	212,328	212,328
Other issued bonds	293,736	294,467	251,099	254,677
Subordinated debt	48,951	50,984	43,837	46,107
Total	2,594,584	2,597,357	2,307,815	2,313,663

Notes – Danske Bank Group

Group holdings and undertakings

		Share capital (thousands)	Net profit (DKr m)	Shareholders' equity (DKr m)	Share capital (%)
Danske Bank A/S, Copenhagen	DKK	6,988,043	13,545	95,172	
Credit institutions					
Realkredit Danmark A/S, Copenhagen	DKK	630,000	2,356	33,166	100
home a/s, Copenhagen	DKK	15,000	-	-	100
Omegadane SARL, Paris	EUR	8	-	-	100
DDB Invest Limited, London	GBP	133,223	-23	76	100
Northern Bank Limited, Belfast	GBP	94,000	199	3,254	100
The company has 14 subsidiaries					
National Irish Bank Limited, Dublin	EUR	84,785	130	2,963	100
The company has 6 subsidiaries					
DDB Fokus Invest AS, Trondheim	NOK	2,050,000	950	7,122	100
Fokus Bank ASA, Trondheim	NOK	2,749,567	-	-	100
The company has 3 subsidiaries					
Danske Bank International S.A., Luxembourg	EUR	90,625	330	1,367	100
The company has 2 subsidiaries					
Danske Bank Polska S.A., Warsaw	PLN	42,225	23	415	100
DDB Invest AB, Linköping	SEK	100,000	31	877	100
The company has 5 subsidiaries					
Insurance operations					
Forsikringsselskabet Danica, Skadeforsikrings-aktieselskab af 1999, Copenhagen	DKK	1,000,000	1,215	16,674	100
Danica Pension, Livsforsikringsaktieselskab, Copenhagen					
The company has 6 subsidiaries					
Danica Pensjonsforsikring AS, Trondheim					
Investment operations, etc.					
Danske Markets Inc., Delaware	USD	2,000	3	24	100
Nordania Finans A/S, Birkerød	DKK	10,000	178	875	100
Danske Corporation, Delaware	USD	4	-	1	100
Danske Private Equity A/S, Copenhagen	DKK	5,000	30	63	100
Danske Capital Finland Oy, Helsinki	EUR	1,000	41	81	100
The company has 1 subsidiary					
KHB VI A/S, Copenhagen	DKK	111,700	47	233	100
Medicon Valley Capital I K/S, Copenhagen	SEK	220,775	-13	100	76
Medicon Valley Capital II K/S, Copenhagen	SEK	54,816	-4	21	99
Ejendomsaktieselskabet Virum-Vang, Copenhagen	DKK	2,000	18	172	100
Danske Fund Plc., Dublin	EUR	300	-	-	100
The company has 6 funds					
Five companies have no activities	DKK	2,500	-	4	100
Other operations					
Polonius Inc., London	USD	25	-	-	-
Polonius Ltd., London	USD	1	-5	3	-

Other operations include operations that are consolidated in the accounts because the Group controls these operations through management agreements, etc.

All credit institutions and insurance operations under supervision by national FSAs are subject to local statutory provisions on required capital base. These provisions restrict dividend pay-out.

Forsikringsselskabet Danica Skadeforsikringsaktieselskab af 1999 is the parent company of Danica Pension. Danica Pension is a life insurance company and the parent company of a life insurance group. The group has an obligation to certain policyholders to restrict transfers to equity if the percentage by which the solvency margin exceeds the statutory solvency requirement is higher than the percentage maintained by Statsanstalten for Livsforsikring (now Danica Pension) prior to the privatisation of this company in 1990. In addition, it is the intention not to distribute dividends for a period of at least 25 years from 1990. Paid-up share capital may, however, be distributed, and interest thereon may be distributed after 2000.

Definitions of key financial ratios

Key financial ratio	Definition
Net profit for the year per share, DKr	Net profit for the year divided by the average number of shares outstanding during the year
Diluted net profit for the year per share, DKr	Net profit for the year divided by the average number of shares outstanding during the year, including dilutive effect of share options and conditional shares allotted as share-based payment
Net profit for the year as % of average shareholders' equity	Net profit for the year divided by average shareholders' equity during the year
Cost/income ratio	Operating expenses divided by total income
Solvency ratio	Total capital base, less statutory deductions divided by risk-weighted items
Core (tier 1) capital ratio	Core (tier 1) capital, including hybrid core capital, less statutory deductions divided by risk-weighted items
Core (tier 1) capital	Core (tier 1) capital consists primarily of paid-up share capital and retained earnings less intangible assets.
Hybrid core capital	Hybrid core capital consists of loans that form part of the core (tier 1) capital. This means that hybrid core capital is used to cover losses if the shareholders' equity is lost.
Capital base	The capital base consists of shareholders' equity and supplementary capital, less deductions, such as deduction for goodwill. Supplementary capital may not account for more than half of the capital base.
Supplementary capital	Supplementary capital consists of subordinated loan capital that fulfils certain requirements – for example, the lender cannot claim prepayment of the loan capital if the Group defaults on its payment obligation.
Risk-weighted items	Total weighted assets and off-balance-sheet items not included in the trading portfolio and weighted assets with market risk in the trading portfolio calculated in accordance with the capital adequacy rules issued by the Danish FSA
Dividend per share, DKr	Proposed dividend of the net profit for the year divided by the number of issued shares at the end of the year
Share price at December 31	The price (all trades) of Danske Bank shares at the end of the year
Book value per share, DKr	Shareholders' equity at December 31 divided by the number of shares outstanding at the end of the year
Number of full-time equivalent staff at December 31	Number of full-time-equivalent staff (part-time staff translated into full-time staff) at the end of the year

Notes – Risk management of Danske Bank Group

Risk exposure

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

The main categories of risk are:

- Credit risk: The risk of losses because counterparties fail to meet all or part of their obligations towards the Group.
- Market risk: The risk of losses because the market value of the Group's assets and liabilities will vary with changes in market conditions.
- Liquidity risk: The risk of losses because the Group's normal liquidity reserves are not sufficient to meet its obligations.
- Operational risk: The risk of losses owing to deficient or erroneous internal procedures, human or system errors, or external events.
- Business risk: The risk of losses emanating from changes in external circumstances or events that harm the Group's image or earnings.
- Life insurance risk: The risk that Danica Pension suffers losses due to modest returns on customers' investment securities and actuarial assumptions that do not hold true.
- Pension risk: The risk of a pension shortfall in the Group's pension plans which means that it will have to make additional contributions to cover its pension obligations towards current and former employees.

The Annual Report 2006 contains quantitative information about the Group's credit, market, liquidity, insurance and pension risks. Additional information about risk management at the Danske Bank Group is available at the Group's Web site www.danskebank.com/ir.

The Web site describes the distribution of risk management responsibilities within the Group and provides information about the types of risk not quantified in the Annual Report.

Danica Pension is a wholly-owned subsidiary of the Danske Bank Group. In accordance with 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 both receive the return on allocated assets and take on the associated risk. Assets are allocated to policyholders to ensure customers' guaranteed benefits. Market risk, etc. on assets and liabilities allocated to policyholders are therefore not consolidated in the following tables but are treated in the section on life insurance risk.

Notes – Risk management of Danske Bank Group

(DKr m)

Credit risk

The Danske Bank Group aims to develop long-term relationships with its customers. The granting of a credit facility is based on the Group's insight into the customer's financial position, which is reviewed regularly to assess whether the basis for the granting of credit has changed. In its assessment, the Group measures whether the facility matches the credit quality and financial position of the customer. Furthermore, the customer must be able to demonstrate in all probability the ability to repay the debt. If the term of a credit facility is longer than five years, it must generally be considered to ask the customer to provide security. The Group is cautious about granting credit facilities to businesses and individuals if the Group will obviously have practical difficulties maintaining contact with the customer. The Group is also particularly careful in its granting of credits to businesses in troubled or cyclical industries.

Credit exposure

The credit exposure is calculated on the basis of selected items on and off the balance sheet.

	2006	2005
Balance sheet items		
Demand deposits with central banks	2,609	5,589
Due from credit institutions and central banks	275,268	274,918
Bank loans and advances	1,054,322	829,603
Mortgage loans	602,584	569,092
Off-balance sheet items		
Guarantees	80,568	81,099
Loan commitments < 1 year	140,253	97,102
Loan commitments > 1 year	119,320	103,715
Total	2,274,924	1,961,118
Trading activities		
Trading portfolio assets	490,954	444,521
Financial investment securities	26,338	28,712
Total	517,292	473,233

Credit exposure includes items with credit risk that form part of the Group's core banking operations. Trading activities includes items with credit risk that form part of its trading-related activities.

Credit exposure – trading activities

	2006	2005
Bonds	363,715	318,983
Shares	4,048	5,362
Derivatives with positive market value	149,529	148,888
Total	517,292	473,233

Bonds

	2006			2005		
	Investment grade	Non-investment grade	Total	Investment grade	Non-investment grade	Total
Government bonds	64,301	-	64,301	105,237	23	105,260
Mortgage bonds	258,809	67	258,876	181,049	484	181,533
Other bonds	38,746	1,792	40,538	31,642	548	32,190
Total	361,856	1,859	363,715	317,928	1,055	318,983

Bonds in the portfolio are issued by issuers resident in Denmark (51%, against 55% in 2005), other European countries (46%, against 42% in 2005) and the rest of the world (3%, against 3% in 2005).

Notes – Risk management of Danske Bank Group

(DKr m)

Derivatives with positive market value

	2006		2005	
	Before netting	After netting	Before netting	After netting
Credit institutions	121,120	16,957	117,774	18,988
Financials	18,552	8,658	20,787	7,781
Industrials	4,116	3,551	2,924	2,250
Other	5,741	3,549	7,403	5,401
Total	149,529	32,715	148,888	34,420

Asset classes

The table below shows the credit exposure of the Group's core banking business broken down by asset class, as defined in the Capital Requirements Directive (CRD). Credit exposure is broken down by asset class based on a classification of each single customer. In the table that breaks down exposure by geographical area, customers are classified at group level. The difference means that, for example, counterparties that form part of large financial institutions will be classified as Institutions only if they are in fact designated as credit institutions. Other counterparties that form part of such groups (including holding companies) will be classified as Corporate customers.

(DKr m)	2006	2005
Retail, personal customers	706,900	652,446
Retail, business customers	56,532	45,913
Corporate customers	862,047	719,557
Institutions	537,498	469,716
Governments	57,259	51,899
Securitisation	54,688	21,587
Total	2,274,924	1,961,118

The Exposure broken down by industry table shows the Group's credit exposure broken down by industry using an adjusted Global Industry Classification Standard (GICS).

Exposure broken down by industry (GICS)

	2006							
	Retail, personal customers	Retail, business customers	Corporate customers	Institutions	Governments	Securitisation	2006 Total	2005 Total
Retail customers	706,900	-	-	-	-	-	706,900	615,312
Rental housing companies, etc.	-	8,168	100,357	-	-	-	108,525	136,205
Government	-	-	-	-	34,402	-	34,402	44,159
Credit institutions	-	-	-	296,283	22,857	5,948	325,088	333,147
Financials	-	10,286	376,244	241,215	-	48,734	676,479	423,807
Energy	-	84	7,418	-	-	-	7,502	6,592
Materials	-	1,245	36,396	-	-	-	37,641	37,100
Industrials	-	9,331	145,873	-	-	-	155,204	126,589
Consumer discretionary and consumer staples	-	23,874	146,075	-	-	6	169,955	187,074
Health care	-	1,560	20,699	-	-	-	22,259	19,395
IT	-	772	10,106	-	-	-	10,878	9,808
Telecommunications	-	27	7,524	-	-	-	7,551	7,956
Utilities	-	1,185	11,355	-	-	-	12,540	13,974
Total	706,900	56,532	862,047	537,498	57,259	54,688	2,274,924	1,961,118

(DKr m)

The Exposure broken down by geographical area table shows the Group's credit exposure broken down by customers' country of residence. Financial customers include credit institutions and other institutions within the financial services industry not supervised by local FSAs.

Exposure broken down by geographical area

	2006				2005			
	Financial customers	Non-financial customers	Total	%	Financial customers	Non-financial customers	Total	%
European Union	781,209	1,160,700	1,941,909	85.4	572,776	1,094,511	1,667,287	85.0
including: Denmark	193,169	882,740	1,075,909	47.3	167,997	843,069	1,011,066	51.6
Germany	17,890	17,205	35,095	1.5	13,904	12,823	26,727	1.4
Republic of Ireland	28,540	40,010	68,550	3.0	11,871	26,774	38,645	2.0
Sweden	105,831	125,639	231,470	10.2	76,198	111,879	188,077	9.6
UK	388,521	64,361	452,882	19.9	250,195	70,958	321,153	16.4
Eastern Europe	1,011	458	1,469	0.1	651	360	1,011	0.1
Rest of Europe	57,742	97,470	155,212	6.8	60,092	89,237	149,329	7.6
including: Norway	49,811	96,840	146,651	6.4	52,514	84,777	137,291	7.0
North America	150,907	11,114	162,021	7.1	115,569	16,475	132,044	6.8
Central and South America	1,930	361	2,291	0.1	715	1,512	2,227	0.1
Africa	509	338	847	0.0	220	163	383	0.0
Asia	7,446	2,029	9,475	0.4	6,840	1,567	8,407	0.4
Oceania	813	887	1,700	0.1	91	339	430	0.0
Total	1,001,567	1,273,357	2,274,924	100.0	756,954	1,204,164	1,961,118	100.0

Rating of customers

The Danske Bank Group monitors exposures to identify signs of weakness in the financial position of customers as early as possible. The assignment and update of ratings on the basis of information about the customers form part of the Group's credit procedures.

The rating of customers is a process managed by the Group's credit department. The advisers provide factual data about their customers, but they cannot influence the classification of the customers. The process is designed to make rating decisions independent of the advisers. The Group assigns credit scores to customers that are not rated, including personal customers. On the basis of its customer data, the Group has developed a number of statistical models to predict the probability of customers' default on their obligations to the Group.

The Group applies a scale that comprises ten rating categories. Rating categories 1 to 4 largely correspond to the investment grade level of the external rating agencies, whereas rating categories 5 and 6 correspond to the sub-investment grade level, although the credit risk of customers in these categories is acceptable. Many of the Group's small business customers are assigned a rating within one of these categories. Categories 7 and 8 comprise customers with an increased risk. The Group closely monitors its relationship with these customers. Ratings 9 and 10 are assigned to customers that pose a considerable risk to the Group and customers who have defaulted on their obligations. Average PD expresses the probability of default of each rating category.

The Group regularly reviews the ability of its rating and credit scoring systems to grade customers by risk and to predict the probability of default.

Credit exposure broken down by rating category

2006

Rating category	Avg. PD	Retail, personal customers	Retail, business customers	Corporate customers	Institutions	Governments	Securitisation	Total
1	0.01	-	-	5,960	67,370	33,586	719	107,635
2	0.01	-	-	63,969	270,383	20,478	37,354	392,184
3	0.03	380,659	564	75,932	124,347	197	10,990	592,689
4	0.10	130,381	26,237	252,504	35,200	88	5,619	450,029
5	0.26	98,045	4,807	221,460	4,485	286	5	329,088
6	0.53	60,839	14,627	206,062	34,597	2,036	1	318,162
7	1.94	32,720	7,633	28,065	977	586	-	69,981
8	9.94	3,412	2,517	6,128	133	1	-	12,191
9	26.45	226	38	833	6	-	-	1,103
10	100.00	618	109	1,134	-	1	-	1,862
Total		706,900	56,532	862,047	537,498	57,259	54,688	2,274,924

Notes – Risk management of Danske Bank Group

(DKr m)

Credit exposure broken down by rating category

2005 Rating category	Avg. PD	Retail, personal customers	Retail, business customers	Corporate customers	Institutions	Governments	Securitisation	Total
1	0.01	-	-	7,226	93,587	32,013	94	132,920
2	0.04	-	-	64,494	206,762	16,560	12,682	300,498
3	0.07	277,686	65	52,316	103,433	159	5,239	438,898
4	0.13	183,002	19,324	263,809	43,958	202	3,383	513,678
5	0.23	45,760	3,069	179,322	11,996	262	-	240,409
6	0.41	59,608	8,845	117,387	4,833	2,564	189	193,426
7	1.38	66,890	10,572	25,691	3,663	135	-	106,951
8	6.27	18,001	3,616	5,700	1,178	2	-	28,497
9	20.00	827	348	2,216	306	-	-	3,697
10	100.00	672	74	1,396	-	2	-	2,144
Total		652,446	45,913	719,557	469,716	51,899	21,587	1,961,118

Concentration ratios

As part of its credit risk management, the Danske Bank Group identifies concentration ratios that may pose a risk to its credit portfolio. As part of its business strategy, the Group divides its portfolio of credit facilities into three overall categories: loans to Danish residents, mortgage loans and loans to financial customers.

Under section 145 of the Danish Financial Business Act, facilities with a single customer or a group of mutually related customers, excluding particularly secure claims, may not exceed 25% of the capital base. Moreover, the sum of facilities which each exceed 10% of the capital base, excluding particularly secure claims, may not exceed 800% of the capital base. The Group submits quarterly reports to the Danish FSA on its compliance with these rules. Its acquisition of the Sampo Bank group increased the Danske Bank Group's facility with the Sampo group by DKr30.2bn. The temporary non-compliance with the maximum limits was approved by the Danish FSA. Otherwise, the Group did not have facilities that exceeded these limits.

The table below shows credit exposures to groups which each exceed 10% of the capital base broken down by their share of the capital base.

Credit exposure

	2006			2005		
	Number of groups	Total facility	Facility, excl. particularly secure claims	Number of groups	Total facility	Facility, excl. particularly secure claims
Facility >20% of capital base	1	34,570	32,060	1	20,331	20,301
Facility between 10% and 20% of capital base	10	411,598	153,008	12	614,750	153,567

Notes – Risk management of Danske Bank Group

(DKr m)

Security

The Group applies the various instruments available to reduce the risk on individual transactions, including security in the form of physical assets, netting agreements and guarantees.

Security is provided for a number of loan types to comply with statutory provisions or market practice, as is the case in the mortgage finance market. The most important instruments to reduce risk are charges, guarantees and netting agreements. The types of security most frequently provided are real property, financial assets (shares and bonds) and motor vehicles.

The Group assesses the value of security provided on an ongoing basis. The Group calculates the value as the price an asset would fetch at a forced sale, less deductions reflecting selling costs and the period over which the asset will be up for sale. The Group has prepared models to automatically estimate the value of the most regular types of security. As regards security for which the Group has not devised a model, data are retrieved manually.

	2006							
	Retail, personal customers	Retail, business customers	Corporate customers	Institutions	Governments	Securitisation	2006 Total	2005 Total
Credit exposure	706,900	56,532	862,047	537,498	57,259	54,688	2,274,924	1,961,118
Value of security	540,526	49,037	429,177	300,505	32,862	40,368	1,392,475	1,331,780
Total unsecured credit exposure	166,374	7,495	432,870	236,993	24,397	14,320	882,449	629,338

Types of security

2006	Retail, personal customers	Retail, business customers	Corporate customers	Institutions	Governments	Securitisation	Total
Real property	526,711	25,471	223,662	1,056	955	1,814	779,669
Bank accounts	742	203	5,149	107	-	-	6,201
Custody accounts/securities	2,847	371	149,585	260,915	30,079	16,549	460,346
Vehicles	2,713	10,819	539	-	251	-	14,322
Equipment	77	490	7,125	59	-	-	7,751
Vessels/aircraft	66	46	12,774	-	-	-	12,886
Guarantees	3,711	4,159	12,683	32,945	525	-	54,023
Other assets	3,659	7,478	17,660	5,423	1,052	22,005	57,277
Total	540,526	49,037	429,177	300,505	32,862	40,368	1,392,475

Unsecured share of exposure broken down by rating category

2006	Credit	Unsecured share of exposure (%)					Avg. unsecured
Rating category	exposure	0-10	10-25	25-50	50-75	75-100	share of exposure
1	107,635	42,494	8,961	1,132	-	55,048	55.6
2	392,184	159,389	41,550	18,295	792	172,158	48.5
3	592,689	376,634	60,941	35,101	8,464	111,549	25.8
4	450,029	240,930	26,393	16,045	8,033	158,628	38.2
5	329,088	181,402	15,357	19,494	6,955	105,880	35.6
6	318,162	149,175	13,110	23,534	6,518	125,825	43.9
7	69,981	28,927	4,186	4,077	2,091	30,700	47.7
8	12,191	4,230	673	698	943	5,647	54.9
9	1,103	356	31	83	111	522	77.2
10	1,862	972	91	120	101	578	76.6
Total	2,274,924	1,184,509	171,293	118,579	34,008	766,535	39.4

(DKr m)

2005 Rating category	Credit exposure	Unsecured share of exposure (%) 0-10	10-25	25-50	50-75	75-100	Avg. unsecured share of exposure
1	132,920	65,174	85	143	10	67,508	55.4
2	300,498	213,553	28,841	33,212	12,851	12,041	18.7
3	438,898	244,350	54,965	43,926	21,499	74,158	26.6
4	513,678	359,941	19,155	15,222	6,911	112,449	24.9
5	240,409	122,712	14,017	23,115	7,597	72,968	39.2
6	193,426	81,952	10,125	15,240	9,325	76,784	46.9
7	106,951	42,831	8,309	11,349	4,224	40,238	44.6
8	28,497	6,905	1,743	4,339	2,016	13,494	72.1
9	3,697	1,460	197	459	68	1,513	31.5
10	2,144	406	116	249	68	1,305	31.2
Total	1,961,118	1,139,284	137,553	147,254	64,569	472,458	32.1

Allowance account broken down by industry

The allowance account includes all impairment charges for Bank loans and advances, Mortgage loans, Due from credit institutions and central banks and Provisions for losses on guarantees.

2006	Credit exposure	Individual impairment	Collective impairment	Total
Retail customers	706,900	404	188	592
Rental housing companies, etc.	108,525	21	-	21
Government	34,402	-	-	-
Credit institutions	325,088	1	-	1
Financials	676,479	605	117	722
Energy	7,502	1	-	1
Materials	37,641	112	107	219
Industrials	155,204	1,049	169	1,218
Consumer discretionary and consumer staples	169,955	995	269	1,264
Health care	22,259	25	9	34
IT	10,878	106	17	123
Telecommunications	7,551	5	4	9
Utilities	12,540	-	-	-
Total	2,274,924	3,324	880	4,204

2005	Credit exposure	Individual impairment	Collective impairment	Total
Retail customers	615,312	457	101	558
Rental housing companies, etc.	136,205	16	2	18
Government	44,159	116	-	116
Credit institutions	333,147	9	-	9
Financials	423,807	693	128	821
Energy	6,592	1	-	1
Materials	37,100	134	22	156
Industrials	126,589	1,418	187	1,605
Consumer discretionary and consumer staples	187,074	1,175	394	1,569
Health care	19,395	6	12	18
IT	9,808	155	18	173
Telecommunications	7,956	5	1	6
Utilities	13,974	-	-	-
Total	1,961,118	4,185	865	5,050

(DKr m)

Allowance account broken down by type of impairment

	2006 Individual impairment	2006 Collective impairment	2006 Total	2005 Individual impairment	2005 Collective impairment	2005 Total
At January 1	4,185	865	5,050	5,464	1,152	6,616
Impairment charges, etc.	1,435	472	1,907	2,850	273	3,123
Reversal of impairment charges	2,272	511	2,783	4,288	562	4,850
Other items	-24	54	30	159	2	161
At December 31	3,324	880	4,204	4,185	865	5,050

Allowance account broken down by impairment reason (individual impairment charges)

	2006 Exposure before impairment	2006 Impairment	2005 Exposure before impairment	2005 Impairment
Bankruptcy	888	552	698	521
Collection/suspension of payments	414	240	1,465	728
Composition/restructuring of debt	748	310	491	363
Other financial difficulties	4,265	2,222	3,945	2,573
Total	6,315	3,324	6,599	4,185

In 2006, interest income from individually impaired financial assets amounted to DKr264m (DKr324m).

Past due amounts	Retail, personal customers	Retail, business customers	Corporate customers	Institutions	Governments	Securitisation	2006 Total	2005 Total
Past due for up to 30 days	110	19	114	-	2	-	245	217
Past due for 31 to 60 days	17	4	14	-	1	-	36	16
Past due for 61 to 90 days	10	2	11	-	2	-	25	5
Past due for more than 90 days	52	11	28	-	1	-	92	72
Total	189	36	167	-	6	-	398	310

(DKr m)

Market risk

The Group's interest rate, currency and equity exposures are subject to market risk. Market risk depends on general and specific changes in market conditions.

The Group uses both conventional risk measures and sophisticated internal mathematical and statistical measures, such as Value-at-Risk (VaR), to calculate its market risk. VaR is a statistical measure of the maximum loss that the Group may incur on its portfolios over a certain period of time at a certain confidence level. VaR quantifies the possible loss under normal market conditions. One of the major strengths of this measure is that it provides an aggregate measurement of all risk types that factors in the correlation structure of the financial markets.

Market risk consists of three elements:

- Interest rate risk, which is the risk of losses because of changes in interest rates
- Exchange rate risk, which is the risk of losses on the Group's positions in foreign currency because of changes in exchange rates
- Equity market risk, which is the risk of losses because of changes in equity prices

The table below shows the market risk of the Danske Bank Group at the end of 2006 and 2005 calculated on the basis of conventional risk measures.

Market risk	2006	2005
Interest rate risk	946	508
Equity market risk, listed shares	1,611	1,173
Equity market risk, unlisted shares	3,185	3,381
Foreign exchange indicator 2	8	5

The exchange rate risk, which is measured on the basis of Danish kroner, was modest throughout 2006. At the end of the year, the risk was DKr7.5m using foreign exchange indicator 2 of the Danish FSA (2005: DKr5m). The indicator quantifies the exchange rate risk and expresses, at a confidence level of 99%, the maximum loss the Group would incur, assuming that it did not change its currency positions in the course of the following 10 days.

The breakdown of interest rate risk by maturity below is calculated at year-end on the basis of a change in interest rates of one percentage point.

	< 1 year	1-3 years	3-7 years	7-11 years	> 11 years	Total
Interest rate risk 2006	1,251	56	-982	71	550	946
Interest rate risk 2005	28	351	-113	-113	355	508

At the end of 2006, the Group's value at risk amounted to DKr181m (2005: DKr203m). The amount is the maximum amount that the Group would statistically lose at a confidence level of 99%, assuming that the exposure was maintained for 10 days. The Group's value at risk remained modest throughout 2006. The table below shows the Group's 10-day value at risk at a confidence level of 99%, which is used for measuring the Group's capital requirement. The table breaks down the value at risk by risk type, and it shows the diversification gain of using VaR as an instrument to measure risk, instead of assessing the various risks individually.

	2006				2005			
By risk category	Avg. VaR	Minimum VaR	Maximum VaR	Dec. 31	Avg. VaR	Minimum VaR	Maximum VaR	Dec. 31
Interest rate	170	131	259	84	121	76	218	132
Exchange rate	14	19	12	10	15	10	15	7
Equity market	199	121	428	167	134	85	162	135
Diversification gain	-116	-126	-168	-80	-91	-65	-103	-71
Total VaR	267	145	531	181	179	106	292	203

(DKr m)

Back testing and stress testing

The Group conducts back tests on a daily basis to document that internal models used to measure market risk are sufficiently reliable. Back tests compare the losses calculated by the model with actual losses incurred and hypothetical losses assuming unchanged exposure and changes in market prices.

The Group conducts stress tests and scenario analyses to measure its risk of loss under unusual market conditions.

Stress tests based on worst-case scenarios usually involve a combination of historical events, whereas ad hoc scenarios may reflect current or future events.

The table below shows the effect on profits of extreme, but not necessarily very likely, shocks to current positions. The analysis was conducted on the basis of a stress test with a change in interest rates of +/-2% as recommended by the Basel Committee. The Group combined this scenario with a fall in equity prices of 20% and changes in exchange rates of +/-10%.

Risk category	Change in factors	Effect on profits 2006	Effect on profits 2005
Equity market	-20%	-633	-484
Exchange rate	+10/-10%	-76/+76	-25/+25
Interest rate	+2/-2%	-462/+555	-1,928/+2,543

(DKr m)

Liquidity risk

Liquidity risk is defined as the risk of losses because

- the Group's funding costs increase more than expected
- lack of funding prevents the Group from establishing new business
- lack of funding will ultimately prevent the Group from meeting its obligations

Liquidity management at the Danske Bank Group is based on monitoring and managing operational and structural liquidity risks in various scenarios.

The operational liquidity risk of the Group is managed on the basis of limits approved by the management. These limits require that the Group's short-term liquidity be positive. Liquidity is determined on the basis of the Group's known future receipts and payments under transactions already entered into.

The management of operational liquidity risk aims primarily at ensuring that the Group always has a liquidity buffer that is able, in the short term, to absorb the net effects of transactions made and expected changes in liquidity.

The table below breaks down the financial assets and liabilities of the Group by contractual due date.

Financial assets

2006	0-3 months	3-12 months	1-5 years	> 5 years	Total
Cash in hand and demand deposits with central banks	12,319	-	-	-	12,319
Due from credit institutions and central banks	252,291	19,449	2,721	807	275,268
Bonds	71,781	36,513	145,790	85,756	339,840
Derivatives with positive fair value	25,408	26,570	46,628	50,923	149,529
Bank loans and advances	540,184	170,793	129,907	213,438	1,054,322
Mortgage loans	15,879	10,991	59,442	516,272	602,584
Total	917,862	264,316	384,488	867,196	2,433,862
2005					
Cash in hand and demand deposits with central banks	13,881	-	-	-	13,881
Due from credit institutions and central banks	258,588	12,447	2,050	1,833	274,918
Bonds	53,438	45,824	120,095	73,555	292,912
Derivatives with positive fair value	58,552	14,609	36,018	39,709	148,888
Bank loans and advances	410,785	130,619	110,553	177,646	829,603
Mortgage loans	19,351	11,414	64,667	473,660	569,092
Total	814,595	214,913	333,383	766,403	2,129,294

(DKr m)					
Financial liabilities					
2006	0-3 months	3-12 months	1-5 years	> 5 years	Total
Due to credit institutions and central banks	542,866	21,550	133	-	564,549
Deposits	661,410	30,101	3,756	7,676	702,943
Trading portfolio liabilities	45,496	36,689	75,732	78,607	236,524
Issued mortgage bonds	58,201	129,833	178,193	117,990	484,217
Other liabilities	52,713	65,880	159,953	15,190	293,736
Subordinated debt	-	-	8,525	40,426	48,951
Total	1,360,686	284,053	426,292	259,889	2,330,920
2005					
Due to credit institutions and central banks	424,358	31,710	16,946	3,349	476,363
Deposits	608,030	11,975	3,832	7,347	631,184
Trading portfolio liabilities	116,474	18,130	38,898	38,540	212,042
Issued mortgage bonds	79,359	113,169	137,000	109,147	438,675
Other liabilities	124,371	37,064	79,449	10,215	251,099
Subordinated debt	-	-	5,596	38,241	43,837
Total	1,352,592	212,048	281,721	206,839	2,053,200

Structural liquidity risk

The Group manages its structural liquidity risk on the basis of a set of targets to minimise the long-term liquidity mismatch and to ensure that it does not create an unnecessarily large need for funding in the future. The Group uses gap analyses to manage the structural liquidity risk. This type of analysis is based on a breakdown by maturity of assets, liabilities and off-balance-sheet items and on the contractual due dates of the products. When calculating structural liquidity risk, the Group takes into account that some balance sheet items in fact have maturities that deviate materially from the contractual due dates.

December 31 (DKr bn)	< 1 month	1-3 months	3-12 months	1-5 years	5-10 years	>10 years
2006	64	36	5	31	93	81
2005	73	9	8	50	102	62

Life insurance risk

The Group's life insurance risk consists of financial risk (market risk and credit risk) and actual insurance risks attributable to Danica Pension.

The financial risk is related to the risk that, in the event of modest returns on customers' investment securities, the collective bonus potential and the bonus potential of paid-up policies are insufficient to cover customers' guaranteed benefits.

The most important factor as regards conventional life insurance products is the relation between investment securities and life insurance obligations. If the year's returns on customers' investment securities are inadequate to cover the customers' guaranteed return, the necessary strengthening of life insurance obligations, etc., the shortfall is covered first by the collective bonus potential and then by the bonus potential of paid-up policies. If these bonus potentials are insufficient to cover the shortfall, funds are allocated from shareholders' equity.

To ensure correspondence between the return on customers' investment securities and the customers' guaranteed benefits, the Group monitors the financial risk and has set limits for maximum market and interest rate risks. Stress tests are conducted regularly to ensure that Danica is able to withstand a fall in equity prices of 30%, a decline of 50% or an increase of 2.5 percentage points in interest rates.

The credit risk of Danica's bond portfolio is modest since the portfolio consists primarily of government and mortgage bonds rated AAA by the international rating agencies. Individual risks are limited, and security has been provided for the value of derivatives hedging interest rate risk.

Liquidity risk is also modest. Large parts of the investment securities consist of ultra-liquid listed bonds and liquid foreign equities.

Insurance risks are linked to trends in mortality, disability, critical illness, etc. For example, an increase in life expectancy affects the time during which benefits are payable under certain pension plans, whereas the trends in mortality, sickness and recoveries affect life insurance and disability benefits.

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 according to expected future mortality. Life insurance expenses are covered by the collective bonus potential. If the bonus potential is insufficient to cover all expenses, funds will be allocated from shareholders' equity.

As regards disability insurance, insurance obligations are calculated on estimates of recoveries and of reopenings of old claims. Estimates are based on data from Danica's portfolio of insurance contracts, and they are updated regularly. The results of Danica's health and accident business, critical illness and other types of business form part of the profit for the year. The trend in the results of these types of business is managed primarily through premium adjustments.

To reduce the insurance risk, a small portion of the risks related to mortality and disability is covered by reinsurance arrangements. Furthermore, Danica has hedged the risk of disasters.

Sensitivity analysis

The sensitivity indicators show the effect on Danica Pension's equity, the collective bonus potential and the bonus potential of benefits under paid-up policies generated by separate changes in interest rates, equity prices, real property prices and actuarial assumptions in connection with the calculation of life insurance obligations. If the bonus potential is inadequate to cover the policyholders' share of the effect, the shortfall will be covered by funds allocated from shareholders' equity.

2006 (DKr bn)	Effect on equity	Maximum effect on collective bonus potential	Maximum effect on bonus potential of paid-up policies	Total effect
Increase in interest rates of 0.7 of a percentage point	-0.1	-0.7	3.5	2.7
Decline in interest rates of 0.7 of a percentage point	0.1	1.5	-3.5	-1.9
Decline in equity prices of 12%	-0.3	-4.5	-	-4.8
Decline in real property prices of 8%	-0.1	-1.1	-	-1.2
Change in foreign exchange rates with a 0.5% 10-day probability	-	-0.4	-	-0.4
Loss on counterparties of 8%	-	-1.1	-	-1.1
Fall in mortality of 10%	-	-1.4	-0.1	-1.5
Increase in mortality of 10%	-	1.2	0.2	1.4
Increase in disability of 10%	-	-0.2	-	-0.2

The life insurance provisions assume an increase in life expectancy of nearly three years compared with the assumptions made at the time the policies were taken out (2005: just over two years).

The sensitivity indicators apply to the risk incurred by Danica Pension only and not to the risk incurred by the subsidiaries of the insurance group. A simultaneous increase in interest rates of 0.7 of a percentage point, a decline in equity prices of 12%, a decline in real property prices of 8% and a loss on counterparties of 8% would reduce shareholders' equity by DKr0.7bn, including the effect on subsidiaries, and the collective bonus potential by DKr6.1bn.

2005 (DKr bn)	Effect on equity	Maximum effect on collective bonus potential	Maximum effect on bonus potential of paid-up policies	Total effect
Increase in interest rates of 0.7 of a percentage point	-0.1	-2.0	3.2	1.1
Decline in interest rates of 0.7 of a percentage point	0.1	2.4	-3.1	-0.6
Decline in equity prices of 12%	-	-3.1	-	-3.1
Decline in real property prices of 8%	-0.1	-1.0	-	-1.1
Change in foreign exchange rates with a 0.5% 10-day probability	-	-0.3	-	-0.3
Loss on counterparties of 8%	-0.1	-1.1	-	-1.2
Fall in mortality of 10%	-	-1.6	-0.1	-1.7
Increase in mortality of 10%	-	1.4	0.1	1.5
Increase in disability of 10%	-	-0.3	-	-0.3

Pension risk

The Group's pension risk is the risk of a pension shortfall in the Group's defined benefit plans which means that it will have to make additional contributions to cover its pension obligations towards current and former employees.

The Group aims to reduce its pension risk on defined benefit plans in the same way as it seeks to reduce other risks. The use of financial derivatives to eliminate part of the inflation and interest rate risks is a cornerstone of the Group's risk management. By matching expected future pension benefits with the return on derivatives and the matching assets, the Group minimises its pension risk.

The high complexity of its pension obligations means that the Group does not use its normal limit structure to follow up on pension risk. Instead, the Group manages the market risk of pension plans on the basis of special follow-up and monitoring principles, so-called business objectives. The Group has formulated procedures to be followed in the case of deviations from these objectives. Quarterly risk reports follow up on the objectives, and they analyse the financial status of the individual plans on the basis of sensitivity analyses and the measuring of Value-at-Risk (VaR). Furthermore, the Group has fixed limits for acceptable risk exposure levels.

VaR is calculated at a confidence level of 99.97% and a time horizon of one year. The calculation is adjusted for inflation risk, which affects measurement in the long term. Consequently, the figures shown are long-term values at risk. At the end of 2006, the value at risk (long-term level) was DKr4,751m (2005: DKr4,878m).

Note 33 provides additional information about the Group's defined benefit plans.

Events after the balance sheet date

Danske Bank's purchase of Sampo Bank was approved at the end of January 2007, which means that Sampo Bank was not consolidated in the 2006 accounts of Danske Bank. Management's report shows the preliminary breakdown of the purchase price into fair value of net assets, intangible assets and goodwill. The Group will publish financial highlights for 2006 for the pro forma consolidated Group once the purchase is complete and Sampo Bank has presented its accounts for 2006 and the opening balance sheet.

At the end of January, Danske Bank Group decided to gather the activities of BG Bank and Danske Bank Denmark in a single banking division with the name Danske Bank. The two brands have become so similar that there are no longer good grounds for maintaining two separate banking operations. The change will mean that 60 branch offices of BG Bank and Danske Bank will merge into 30 branches during the spring. The merger of the two divisions is expected to entail a one-off expenditure of DKr275m. The Group expects to be able to save DKr300m each year through the merger, with full accounting effect in 2010. In 2007, the merger is expected to be cost-neutral.

Annual accounts of the Parent Company, Danske Bank A/S

(DKr m)

The accounts of the Parent Company, Danske Bank A/S, are prepared in accordance with the Danish Financial Business Act and the executive order of the Danish FSA on financial reports of credit institutions, etc. The rules are identical to the Group's valuation principles under IFRS with the exceptions that domicile property owned by the Parent Company is recognised at its estimated fair value and that the corridor method is not applied to pension obligations. Holdings in subsidiary undertakings are valued using the equity method, and tax payable by the undertakings is expensed under Income from associated and subsidiary undertakings. The format of the Parent Company accounts is not identical to the format of the consolidated accounts prepared in accordance with IFRS.

As the Group's accounting policies explain, the recognition of certain insurance contracts was adjusted with effect from January 1, 2006. Comparative figures for 2004 and 2005 have been restated. The adjustment reduced the Parent Company's income from associated and subsidiary undertakings by DKr199m in 2006 and DKr137m in 2005. The new accounting policies that took effect on January 1, 2006, lowered holdings in associated undertakings and shareholders' equity by DKr421m.

The table shows the differences between the consolidated accounts presented in accordance with IFRS and the data reported to the Danish FSA with respect to net profit and shareholders' equity.

	Net profit 2006	Net profit 2005	Shareholders' equity Dec. 31, 2006	Shareholders' equity Dec. 31, 2005
Group accounts according to IFRS	13,545	12,685	95,172	74,089
Domicile property	-34	-204	1,342	990
Pension obligations	568	-422	34	-534
Tax effect	-131	154	8	141
Minority interests	12	-4	3,001	2,992
Group accounts according to the rules of the Danish FSA	13,960	12,209	99,557	77,678
Minority interests according to the rules of the Danish FSA	-	-	-3,048	-3,040
Parent company accounts according to the rules of the Danish FSA	13,960	12,209	96,509	74,638

According to the rules of the Danish FSA, minority interests include special reserves in associated undertakings consolidated on a pro rata basis.

Income statement – Danske Bank A/S

Note	(DKr m)	2006	2005
2	Interest income	64,676	52,756
3	Interest expense	53,015	38,814
	Net interest income	11,661	13,942
	Dividends from shares, etc.	117	70
4	Fee and commission income	8,357	7,896
	Fees and commissions paid	1,704	1,447
	Net interest and fee income	18,431	20,461
5	Value adjustments	4,164	165
	Other operating income	1,654	1,377
6	Staff costs and administrative expenses	11,297	11,144
	Amortisation and depreciation	1,600	1,447
	Other operating expenses	-	-
	Impairment charges for loans and advances, etc.	-207	-1,162
	Income from associated and subsidiary undertakings	5,571	4,908
	Profit before tax	17,130	15,482
8	Tax	3,170	3,273
	Net profit for the year	13,960	12,209
	Proposed profit allocation		
	Equity method reserve	5,750	4,301
	Dividends for 2006	5,416	6,383
	Profit brought forward	2,794	1,525
	Total	13,960	12,209

Balance sheet – Danske Bank A/S

Note	(DKr m)	2006	2005
	ASSETS		
	Cash in hand and demand deposits with central banks	4,945	8,776
9	Due from credit institutions and central banks	362,863	378,464
10	Loans and other amounts due at amortised cost	818,530	641,307
	Bonds at fair value	396,252	331,064
15	Bonds at amortised cost	223	223
	Shares, etc.	3,695	4,772
	Holdings in associated undertakings	853	974
	Holdings in subsidiary undertakings	65,501	60,235
16	Assets under pooled schemes	38,262	36,165
	Intangible assets	6,439	6,148
	Land and buildings	4,483	4,070
12	Investment property	83	112
12	Domicile property	4,400	3,958
13	Other tangible assets	3,445	2,938
	Current tax assets	20	46
14	Deferred tax assets	-	41
	Assets temporarily taken over	9	-
17	Other assets	162,090	160,763
	Prepayments	1,897	2,140
	Total assets	1,869,507	1,638,126
	LIABILITIES AND EQUITY		
	AMOUNTS DUE		
18	Due to credit institutions and central banks	590,211	487,033
19	Deposits and other amounts due	560,724	524,657
	Deposits under pooled schemes	40,046	37,721
20	Issued mortgage bonds at amortised cost	277,848	235,119
	Current tax liabilities	116	380
21	Other liabilities	255,688	232,504
	Deferred income	821	682
	Total amounts due	1,725,454	1,518,096
	PROVISIONS FOR LIABILITIES		
	Provisions for pensions and similar obligations	456	698
14	Provisions for deferred tax	813	540
11	Provisions for losses on guarantees	198	173
	Other provisions for liabilities	48	144
	Total provisions for liabilities	1,515	1,555
	SUBORDINATED DEBT		
22	Subordinated debt	46,029	43,837
	SHAREHOLDERS' EQUITY		
	Share capital	6,988	6,383
	Accumulated value adjustments	998	652
	Equity method reserve	16,560	10,810
	Profit brought forward	71,963	56,793
	Total shareholders' equity	96,509	74,638
	including proposed dividends	5,416	6,383
	Total liabilities and equity	1,869,507	1,638,126

Capital – Danske Bank A/S

(DKr m)

Capital

	Share capital	Foreign currency translation reserve	Revaluation reserve	Equity method reserve	Profit brought forward	Total 2006	Total 2005
Shareholders' equity at January 1	6,383	-12	664	11,231	56,793	75,059	67,559
Adjustment of accounting policies for insurance contracts written by subsidiary undertakings	-	-	-	-421	-	-421	-284
Adjusted shareholders' equity at January 1	6,383	-12	664	10,810	56,793	74,638	67,275
Translation of foreign units	-	171	-	-	-	171	706
Foreign unit hedges	-	-149	-	-	-	-149	-686
Fair value adjustment of domicile property	-	-	351	32	-	383	215
Tax on entries on shareholders' equity	-	-	-	-	-18	-18	-94
Net gains not recognised in the income statement	-	22	351	32	-18	387	141
Net profit for the year	-	-	-	5,718	8,242	13,960	12,209
Total income	-	22	351	5,750	8,224	14,347	12,350
Dividends paid	-	-	-	-	-6,254	-6,254	-4,929
Increase in share capital	605	-	-	-	14,066	14,671	-
Expenses for increase in share capital	-	-	-	-	-132	-132	-
Acquisition of own shares	-	-	-	-	-19,926	-19,926	-15,897
Sale of own shares	-	-	-	-	19,001	19,001	15,617
Share-based payment	-	-	-	-	164	164	104
Employee shares	-	-	-	-	-	-	118
Reversal on acquisition	-	-	-27	-	27	-	-
Shareholders' equity at December 31	6,988	10	988	16,560	71,963	96,509	74,638

At the end of 2006, the share capital was made up of 698,804,276 shares of a nominal value of DKr10 each. All shares carry the same rights; there is thus only one class of shares. Information about the holders of Danske Bank shares is available in Management's report.

Own shares held by the Parent Company, Danske Bank A/S	Number of shares	Nominal value (DKr m)	Prop. of share capital (%)	Sales/purchase price (DKr m)
Holding at January 1, 2005	8,324,185	83	1.17	-
Acquired in 2005	97,374,772	974	15.26	15,757
Sold in 2005	96,746,698	967	15.16	15,572
Holding at December 31, 2005	8,952,259	90	1.40	
Acquired in 2006	85,432,459	854	12.23	19,712
Sold in 2006	83,046,561	830	11.88	18,910
Holding at December 31, 2006	11,338,157	114	1.63	-

Acquisitions in 2006 comprised shares for the trading portfolio and investments on behalf of customers.

Danske Bank shares held by subsidiary undertakings	Number of shares	Nominal value (DKr m)	Prop. of share capital (%)	Sales/purchase price (DKr m)
Holding at January 1, 2005	2,189,570	22	0.31	-
Acquired in 2005	701,581	7	0.11	140
Sold in 2005	244,000	2	0.04	45
Holding at December 31, 2005	2,647,151	27	0.41	-
Acquired in 2006	917,300	9	0.13	214
Sold in 2006	385,131	4	0.06	91
Holding at December 31, 2006	3,179,320	32	0.45	-

Acquisitions in 2006 and 2005 consisted exclusively of investments on behalf of customers.

Capital – Danske Bank A/S

(DKr m)	2006	2005
Capital base and solvency ratio		
Shareholders' equity	96,509	74,638
Adjustment of accounting policies 2006, reversal	-	421
Proposed dividends	-5,416	-6,383
Intangible assets	-6,439	-6,147
Deferred tax assets	-	-41
Revaluation of real property	-988	-664
Core (tier 1) capital, less statutory deductions	83,666	61,824
Hybrid core capital	11,419	6,376
Core (tier 1) capital, including hybrid core capital, less statutory deductions	95,085	68,200
Subordinated debt, excluding hybrid core capital	34,707	35,953
Revaluation of real property	988	664
Statutory deduction for insurance subsidiaries	-4,297	-8,254
Other statutory deductions	-37	-38
Capital base, less statutory deductions	126,446	96,525

Risk-weighted items		
not included in trading portfolio	712,594	581,274
with market risk in trading portfolio	68,473	55,683
Total risk-weighted items	781,067	636,957

Core (tier 1) capital ratio, %	10.7	9.7
Core (tier 1) capital ratio, including hybrid core capital, %	12.2	10.7
Solvency ratio, %	16.2	15.2
Minimum capital requirement of 8% of risk-weighted items	62,485	50,957

Capital base and solvency ratio for 2005 are calculated in accordance with the rules of the Danish FSA in force at that time.

Notes – Danske Bank A/S

Note	(DKr m)	2006	2005
1	**Net interest and fee income and value adjustments broken down by business segment**		
	Banking Activities	18,689	17,453
	Danske Markets	2,634	2,355
	Danske Capital	691	644
	Other	581	174
	Total	22,595	20,626
	Broken down by geographical segment		
	Denmark	18,189	16,589
	Finland	171	147
	Germany	262	222
	Norway	170	109
	Poland	23	-
	Sweden	2,942	2,373
	UK	838	962
	US	-	224
	Total	22,595	20,626

Geographical segmentation is based on the location where the individual transactions are recorded. The figures for Denmark include finance costs related to investments in foreign activities.

Note	(DKr m)	2006	2005
2	**Interest income**		
	Reverse transactions with credit institutions and central banks	4,878	5,273
	Credit institutions and central banks	14,544	10,776
	Reverse loans	8,733	5,000
	Loans, advances and other amounts due	23,399	17,506
	Bonds	8,353	12,033
	Derivatives	4,745	2,163
	Currency contracts	5,493	3,207
	Interest rate contracts	-748	-1,044
	Other interest income	24	5
	Total	64,676	52,756
3	**Interest expense**		
	Repo transactions with credit institutions and central banks	3,481	4,662
	Credit institutions and central banks	24,642	17,469
	Repo deposits	3,151	1,670
	Deposits and other amounts due	8,682	6,767
	Issued bonds	10,796	5,912
	Subordinated debt	2,076	2,012
	Other interest expenses	187	322
	Total	53,015	38,814
4	**Fee and commission income**		
	Securities trading and custody account fees	4,048	3,484
	Payment services fees	1,374	1,335
	Loan fees	1,373	1,242
	Guarantee commissions	713	775
	Other fees and commissions	849	1,060
	Total	8,357	7,896

Notes – Danske Bank A/S

Note	(DKr m)	2006	2005
5	**Value adjustments**		
	Loans and advances at fair value	-1,110	323
	Bonds	-971	-2,320
	Shares, etc.	747	826
	Investment property	48	100
	Currency	931	1,192
	Derivatives	1,985	1,910
	Assets under pooled schemes	1,460	4,286
	Deposits under pooled schemes	-1,597	-4,462
	Other assets	804	398
	Other liabilities	1,867	-2,088
	Total	4,164	165
6	**Staff costs and administrative expenses**		
	Remuneration of the Executive Board and the Board of Directors		
	Executive Board	14	10
	Board of Directors	9	8
	Total	23	18
	Staff costs		
	Salaries	6,234	6,160
	Pensions	564	950
	Financial services employer tax, etc.	879	731
	Total	7,677	7,841
	Other administrative expenses	3,597	3,285
	Total staff costs and administrative expenses	11,297	11,144
	Number of full-time equivalent staff (avg.)	13,446	13,260

The consolidated accounts (note 8) contain additional information about remuneration of the Executive Board and the Board of Directors.

Note	(DKr m)	2006	2005
7	**Audit fees**		
	Total fees to the accounting firms elected by the general meeting which perform the statutory audit	11	10
	Fees for non-audit services included in preceding item	4	3
8	**Tax**		
	Calculated tax charge for the year	2,917	2,752
	Other deferred tax	336	505
	Adjustment of prior-year tax charge	-83	20
	Lowering of tax rate	-	-24
	Tax on impairment charges for loans and advances, etc.	-	20
	Total	3,170	3,273
	Effective tax rate	%	%
	Danish tax rate	28.0	28.0
	Non-taxable income and non-deductible expenses	-0.7	-0.2
	Difference between tax rates of foreign units and Danish tax rate	0.3	0.5
	Adjustment of prior-year tax charge	-0.7	0.2
	Lowering of tax rate	-	-0.2
	Tax on impairment charges for loans and advances, etc.	-	0.2
	Effective tax rate	26.9	28.5
	of which included under income from associated and subsidiary undertakings	8.4	7.7
	Total	18.5	20.8

Notes – Danske Bank A/S

Note	(DKr m)	2006	2005
9	**Due from credit institutions and central banks**		
	Demand deposits	22,426	24,136
	Up to 3 months	299,989	320,769
	From 3 months to 1 year	22,170	20,128
	From 1 to 5 years	15,523	9,688
	Over 5 years	2,755	3,743
	Total	362,863	378,464
	Due from credit institutions	296,904	276,172
	Term deposits with central banks	65,959	102,292
	Total	362,863	378,464
	including reverse transactions	163,862	188,857
10	**Loans and other amounts due at amortised cost**		
	Demand deposits	69,076	57,288
	Up to 3 months	422,892	320,454
	From 3 months to 1 year	115,817	87,800
	From 1 to 5 years	81,383	69,714
	Over 5 years	129,362	106,051
	Total	818,530	641,307
	including reverse transactions	294,555	209,732
	Loans and guarantees broken down by sector and industry	%	%
	Public sector	3.2	4.0
	Corporate sector		
	Agriculture, hunting and forestry	1.0	1.1
	Fisheries	0.0	0.0
	Manufacturing industries, extraction of raw materials, utilities	9.0	10.2
	Building and construction	1.2	1.1
	Trade, restaurants and hotels	4.0	4.3
	Transport, mail and telephone	2.7	2.5
	Credit, finance and insurance	49.5	47.3
	Property administration, purchase and sale, and business services	9.8	8.8
	Other	0.0	0.0
	Total corporate sector	77.2	75.3
	Retail customers	19.6	20.7
	Total	100.0	100.0

Note	(DKr m)

11 **Impairment charges for loans, advances and guarantees, etc.**

	Loans, advances and guarantees, individual impairment	Loans, advances and guarantees, collective impairment	Other amounts due, individual impairment	Other amounts due, collective impairment	Total
Impairment charges at January 1, 2006	3,287	773	9	-	4,069
Impairment charges during the year	1,124	351	-	-	1,475
Reversal of impairment charges	1,676	456	7	-	2,139
Other changes	28	48	-1	-	75
Impairment charges at December 31, 2006	2,763	716	1	-	3,480
Impairment charges at January 1, 2005	4,568	1,047	9	-	5,624
Impairment charges during the year	2,190	258	-	-	2,448
Reversal of impairment charges	3,528	533	-	-	4,061
Other changes	57	1	-	-	58
Impairment charges at December 31, 2005	3,287	773	9	-	4,069

	2006	2005
Total loans, advances and other amounts due (including portfolios) with objective evidence of impairment before impairment (the amount does not include loans, advances and other amounts due recognised at nil)	13,711	19,052
Carrying amount net of impairment charges	11,766	17,015

12 **Investment and domicile property**

	2006		2005	
	Investment property	Domicile property	Investment property	Domicile property
Fair value/revaluation at January 1	112	3,958	548	4,209
Foreign currency translation	-	-	-	-
Additions, including property improvement expenditure	3	7	13	6
Disposals	42	44	457	551
Amortisation and depreciation	-	27	-	29
Value adjustment not recognised in the income statement	-	351	-	188
Value adjustment recognised in the income statement	10	166	8	54
Other changes	-	-11	-	81
Fair value/revaluation at December 31	83	4,400	112	3,958

The value of real property is assessed by the Group's valuers.

Note	(DKr m)	2006	2005
13	**Other tangible assets**		
	Cost at January 1	5,600	4,982
	Foreign currency translation	5	-2
	Additions, including property improvement expenditure	1,691	1,568
	Disposals	958	948
	Transfers to other items	-	-
	Cost at December 31	6,338	5,600
	Depreciation and impairment charges at January 1	2,662	2,515
	Foreign currency translation	-1	-7
	Depreciation	777	706
	Impairment charges	-	-
	Depreciation of and impairment charges for assets sold	545	552
	Reversal of prior-year impairment charges	-	-
	Depreciation and impairment charges at December 31	2,893	2,662
	Carrying amount at December 31	3,445	2,938

14 **Change in deferred tax**

2006	At Jan. 1	Foreign currency translation	Recognised in profit for the year	Recognised in shareholders' equity	At Dec. 31
Intangible assets	158	-	78	-	236
Tangible assets	939	-	126	-	1,065
Securities	-183	-	-37	-	-220
Provisions for obligations	-353	-	119	-	-234
Tax loss carryforwards	-	-	-	-	-
Other	-62	-	28	-	-34
Total	499	-	314	-	813
including adjustment of prior-year tax charges	-	-	-22	-	-
2005					
Intangible assets	47	-	111	-	158
Tangible assets	382	-	557	-	939
Securities	-34	-	-149	-	-183
Provisions for obligations	-592	-	239	-	-353
Tax loss carryforwards	-	-	-	-	-
Other	-137	-	115	-40	-62
Total	-334	-	873	-40	499
including adjustment of prior-year tax charges	-	-	392	-	-

Deferred tax		
Deferred tax assets	-	41
Provisions for deferred tax	813	540
Deferred tax, net	813	499

15 **Bonds at amortised cost**

The fair value of held-to-maturity assets totals	224	224
The carrying amount of held-to-maturity assets totals	223	223

Notes – Danske Bank A/S

Note	(DKr m)	2006	2005
16	**Assets under pooled schemes**		
	Bonds at fair value	21,105	21,747
	Shares	12,962	12,123
	Unit trust certificates	4,718	2,643
	Cash deposits, etc.	1,261	1,208
	Total assets before elimination	40,046	37,721
	Own shares	826	599
	Other internal balances	958	957
	Total	38,262	36,165
17	**Other assets**		
	Positive fair value of derivatives	147,722	147,319
	Other assets	14,368	13,444
	Total	162,090	160,763
18	**Due to credit institutions and central banks**		
	Amounts payable on demand	47,042	41,609
	Up to 3 months	521,686	423,751
	From 3 months to 1 year	21,354	21,132
	From 1 to 5 years	129	537
	Over 5 years	-	4
	Total	590,211	487,033
	including repo transactions	139,130	86,346
19	**Deposits and other amounts due**		
	On demand	275,593	241,270
	Term deposits	5,393	6,527
	Time deposits	157,267	161,828
	Repo deposits	104,044	96,882
	Special deposits	18,427	18,150
	Total	560,724	524,657
	On demand	275,593	241,270
	Up to 3 months	249,033	263,563
	From 3 months to 1 year	24,837	9,131
	From 1 to 5 years	3,582	3,349
	Over 5 years	7,679	7,344
	Total	560,724	524,657
20	**Issued bonds at amortised cost**		
	On demand	-	-
	Up to 3 months	92,038	118,853
	From 3 months to 1 year	69,303	32,834
	From 1 to 5 years	106,123	73,597
	Over 5 years	10,384	9,835
	Total	277,848	235,119
21	**Other liabilities**		
	Negative fair value of derivatives	142,388	149,254
	Other liabilities	113,300	83,250
	Total	255,688	232,504

Note	(DKr m)

22 **Subordinated debt**

Subordinated debt consists of liabilities in the form of subordinated loan capital and hybrid core capital which, in the event of Danske Bank's voluntary or compulsory winding-up, will not be repaid until after the claims of ordinary creditors have been met. Subordinated debt is included in the capital base, etc. in accordance with sections 124, 132 and 136 of the Danish Financial Business Act.

Currency	Principal (million)	Interest rate	Issued	Maturity	Redemption price	2006 (DKr m)	2005 (DKr m)
Redeemed loans							1,897
JPY	10,000	6.300	1992	14.09.2010	100	475	537
USD	500	7.400	1997	15.06.2010	100	2,831	3,162
EUR	700	5.750	2001	26.03.1011	100	5,219	5,223
EUR	400	5.875	2002	26.03.2015	100	2,982	2,984
EUR	500	5.125	2002	12.11.2012	100	3,728	3,730
EUR	500	4.250	2003	20.06.2016	100	3,728	3,730
NOK	1,770	var.	2003	25.05.2014	100	1,602	1,654
GBP	350	5.375	2003	29.09.2021	100	3,886	3,810
NOK	500	var.	2003	15.02.2014	100	453	467
SEK	750	var.	2004	22.12.2013	100	619	596
EUR	700	4.100	2005	16.03.2018	100	5,219	5,223
EUR	500	var.	2005	09.09.2013	100	3,728	3,730
NOK	535	var.	2005	22.03.2014	100	484	500
Subordinated debt, excluding hybrid core capital						34,954	37,243
Hybrid core capital							
USD	750	5.914	2004	Perpetual	100	4,246	4,743
GBP	150	5.563	2005	Perpetual	100	1,666	1,633
GBP	500	5.684	2006	Perpetual	100	5,552	-
Total hybrid core capital						11,464	6,376
Nominal subordinated debt						46,418	43,619
Hedging of interest rate risk at fair value						-96	1,538
Holding of own bonds						-293	-1,320
Total subordinated debt						46,029	43,837

Interest, etc. on subordinated debt added during the year break down as follows	2006	2005
Interest	2,076	2,012
Extraordinary repayments	1,897	2,734
Establishment and repayment costs	22	39
Amount included in the capital base at December 31	46,126	42,329

The consolidated accounts (note 32) contain additional information about subordinated debt and terms of contract.

Note	(DKr m)	2006	2005
23	**Assets deposited as security**		

At the end of 2006, Danske Bank A/S had deposited securities worth DKr225,005m with Danish and international clearing centres, etc. as security. In 2005, the corresponding amount was DKr197,282m.

	2006	2005
Assets sold in repo transactions		
Bonds at fair value	238,852	179,888
Shares, etc.	194	15
Total	239,046	179,903
Total security deposited for subsidiary undertakings	5,431	5,725

24 **Contingent liabilities**

Owing to its size and business volume, Danske Bank A/S is continually a party to various lawsuits. The Bank does not expect the outcomes of the cases pending to have any material effect on its financial position.

The Bank is jointly and severally liable for the prior-year corporation tax of companies that were jointly taxed before January 1, 2005. With effect from January 1, 2005, the joint taxation comprises all Danish group companies. The Bank manages the joint taxation and is liable only for the tax payable by the Bank itself and amounts received from subsidiary undertakings in payment of the joint corporation tax. The Bank is registered jointly with all significant, wholly-owned Danish subsidiary undertakings for financial services employer tax and VAT for which it is jointly and severally liable.

Guarantees and other liabilities

	2006	2005
Guarantees, etc.		
Financial guarantees	16,116	15,289
Mortgage finance guarantees	42,484	40,101
Registration and remortgaging guarantees	15,243	16,537
Other guarantees	187,412	186,509
Total	261,255	258,436
Other liabilities		
Irrevocable loan commitments shorter than 1 year	140,253	96,029
Irrevocable loan commitments longer than 1 year	108,241	95,215
Sales with an option to repurchase	-	-
Other obligations	724	817
Total	249,218	192,061

The consolidated accounts contain additional information about contingent liabilities.

25 **Related parties**

	Associated undertakings		Subsidiary undertakings	
	2006	2005	2006	2005
Assets				
Due from credit institutions and central banks	1,905	33	108,265	120,722
Loans, advances and other amounts due at amortised cost	100	42	8,190	8,188
Bonds at fair value	-	-	103,020	75,509
Total	2,005	75	219,475	204,419
Liabilities				
Due to credit institutions and central banks	2,334	751	44,319	28,488
Deposits and other amounts due	138	17	310	1,099
Issued bonds	-	-	99,827	101,535
Total	2,472	768	144,456	131,122

Note	(DKr m)
25 (cont'd)	Danske Bank A/S acts as the bank of its subsidiary undertakings. Payment services, trading in securities, investment and placement of surplus liquidity and provision of short-term and long-term financing are the primary services provided by Danske Bank A/S. In addition, Danske Bank A/S and its subsidiary undertakings receive interest on holdings, if any, of listed bonds issued by Realkredit Danmark A/S. The accounts of the Danske Bank Group specifies the Group's holdings of own mortgage bonds.

Moreover, Danske Bank A/S handles IT operations and development, HR administration, logistics, marketing and other administrative activities for its subsidiary undertakings. The Bank received a fee of DKr1,247m for its services in 2006 (2005: DKr1,005m).

In 2006, Danske Bank A/S entered into the following significant transactions with its subsidiary undertakings:

- Sale of insurance policies and portfolio management on behalf of the Danica group for which Danske Bank A/S received a fee of DKr204m (2005: DKr203m).
- Arrangement of mortgage loans and provision of guarantees on behalf of the Realkredit Danmark group for which Danske Bank A/S received a fee of DKr767m (2005: DKr811m).
- Referral of customers and property assessments by Realkredit Danmark A/S for which Danske Bank A/S paid a fee of DKr116m (2005: DKr139m).
- In 2005, Danske Bank A/S sold real property, including owner-occupied flats, in the amount of DKr866m to Dantop Ejendomme ApS and DNP Ejendomme A/S, which are both associated undertakings of Danica Ejendomsselskab A/S.

Transactions with related parties, including subsidiary undertakings, are settled on market terms or on a cost-reimbursement basis.

The consolidated accounts include additional information about transactions with related parties.

26 **Loans, etc. to the management**

Loans, advances, loan commitments, pledges, sureties and guarantees	Avg. interest rate 2006	Avg. interest rate 2005	2006	2005
Executive Board	4.8	-	3	-
Board of Directors	5.6	5.5	73	23

27 **Hedging of risk**

	2006		2005	
	Carrying amount	Amortised/ notional value	Carrying amount	Amortised/ notional value
Assets				
Loans and advances	69,183	69,678	97,286	96,101
Financial instruments hedging interest rate risk				
Derivatives	-389	66,325	784	92,574
Liabilities				
Deposits	7,330	7,334	40,130	39,958
Due to credit institutions	327,217	327,391	252,794	252,867
Issued bonds	277,848	277,719	234,914	235,118
Subordinated debt	46,029	46,053	43,837	42,299
Total	658,424	658,497	571,675	570,242
Financial instruments hedging interest rate risk				
Derivatives	1,588	657,760	2,695	485,402

The consolidated accounts include additional information about the hedging of risk.

Notes – Danske Bank A/S

(DKr m)	2006	2005	2004	2003	2002
HIGHLIGHTS					
Net interest and fee income	18,431	20,461	18,832	19,927	18,994
Value adjustments	4,164	165	-56	-439	165
Staff costs and administrative expenses	11,297	11,144	11,436	11,420	11,547
Impairment charges for loans and advances, etc.	-207	-1,162	602	1,430	1,312
Income from associated and subsidiary undertakings	5,571	4,908	4,439	5,938	4,528
Net profit for the year	13,960	12,209	8,958	9,286	8,242
Loans and advances	818,530	641,307	509,061	442,428	404,387
Shareholders' equity	96,509	74,638	67,276	60,451	60,319
Total assets	1,869,507	1,638,126	1,378,952	1,187,506	1,139,742
RATIOS					
Solvency ratio, %	16.2	15.2	14.6	15.8	15.0
Core (tier 1) capital ratio, %	12.2	10.7	11.1	11.1	10.9
Return on equity before tax, %	20.0	21.8	16.5	21.6	19.0
Return on equity after tax, %	16.3	17.2	13.2	15.4	14.0
Cost/income ratio, DKr	2.35	2.35	1.84	1.98	1.83
Interest rate risk, %	-0.4	0.0	0.6	2.2	1.5
Foreign exchange position, %	0.5	1.6	2.2	8.2	3.7
Foreign exchange risk, %	0.0	0.0	0.0	0.1	0.1
Loans, advances and impairment charges as % of deposits	136.8	114.7	105.6	99.5	104.9
Gearing of loans and advances	8.5	8.6	7.6	7.3	6.7
Growth in loans and advances, %	27.6	26.0	14.1	9.4	-1.7
Excess cover relative to the statutory liquidity requirement, %	137.0	160.2	184.0	215.2	182.1
Total amount of large exposures, %	151.5	173.8	161.2	149.6	140.0
Impairment ratio, %	0.0	-0.1	0.0	0.2	0.2
Earnings per share, DKr	21.2	18.6	12.9	12.9	11.3
Book value per share, DKr	140	117	100	85	82
Proposed dividend per share, DKr	7.75	10.00	7.85	6.55	4.75
Share price at December 31/earnings per share	11.8	11.9	12.8	10.8	10.4
Share price at December 31/book value per share	1.78	1.89	1.67	1.63	1.43

For 2004-2006, items are valued in accordance with the executive order on financial reports issued by the Danish FSA on November 21, 2005. For 2002-2003, items are valued in accordance with the rules in force at that time. The ratios are defined in the executive order on financial reports of credit institutions, etc. issued by the Danish FSA.

Notes – Danske Bank A/S

(DKr m)

Group holdings and undertakings

		Share capital (thousands)	Net profit (DKr m)	Shareholders' equity (DKr m)	Share capital (%)
Danske Bank A/S, Copenhagen	DKK	6,988,043	13,960	96,509	
Credit institutions					
Realkredit Danmark A/S, Copenhagen	DKK	630,000	2,255	33,107	100
DDB Invest Limited, London	GBP	133,223	-23	76	100
Northern Bank Limited, Belfast	GBP	94,000	308	3,323	100
National Irish Bank Limited, Dublin	EUR	84,785	346	3,086	100
DDB Fokus Invest AS, Trondheim	NOK	2,050,000	968	7,122	100
Danske Bank International S.A., Luxembourg	EUR	90,625	330	1,367	100
Danske Bank Polska S.A., Warzaw	PLN	42,225	23	415	100
DDB Invest AB, Linköping	SEK	100,000	31	877	100
Insurance operations					
Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999, Copenhagen	DKK	1,000,000	1,215	16,674	100
Investment operations, etc.					
Danske Markets Inc., Delaware	USD	2,000	3	24	100
Nordania Finans A/S, Birkerød	DKK	10,000	178	875	100
Danske Corporation, Delaware	USD	4	-	1	100
Danske Private Equity A/S, Copenhagen	DKK	5,000	30	63	100
Danske Capital Finland Oy, Helsinki	EUR	1,000	41	81	100
KHB VI A/S, Copenhagen	DKK	111,700	47	233	100
Medicon Valley Capital II K/S, Copenhagen	SEK	54,178	-4	21	99
Ejendomsaktieselskabet Virum-Vang, Copenhagen	DKK	2,000	18	172	100
Danske Fund Plc., Dublin	EUR	300	-	-	100
The company has 6 funds					
Operations consolidated on a pro rata basis					
Danmarks Skibskredit A/S	DKK	333,333	79	2,164	24
LR Realkredit A/S	DKK	150,000	12	1,077	31

This Annual Report is available at
www.danskebank.com

Photos: Morten Larsen, Scanpix and Gettyimages

Printed by: Fr. G. Knudtzons Bogtrykkeri A/S

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