DANSKE BANK GROUP

RISK MANAGEMENT 2011

Danske Bank

The Danske Bank Group's business model

The Danske Bank Group is Denmark's largest financial services organisation and one of the largest in the Nordic region. The Group offers customers in Denmark and its other markets a broad range of services in banking, mortgage finance, life insurance, leasing, real estate agency and investment management.

Danske Bank is an international retail bank that operates in 15 countries with a focus on the Nordic region. It has a leading market position in Denmark; it is one of the larger banks in Northern Ireland and Finland; and it has a challenger position in the other markets: Sweden, Norway, Ireland and the Baltics.

The Group serves customers through various distribution channels, including nation-wide branch networks, contact centres, the Internet and mobile telephony, depending on the complexity of customers' needs. Its products are based on a shared IT and service platform that lays the foundation for an efficient centralisation of risk management, financial follow-up and product development.

The Group also has branches in London, Hamburg and Warsaw. A subsidiary in Luxembourg caters to private banking customers, and another in St. Petersburg serves corporate banking customers. In addition, the Group has offices in the major international financial centres and in Denmark's largest export markets.

The Group offers life insurance and pension products through Danica Pension and mortgage finance through Realkredit Danmark.

Altogether, the Group serves more than 5 million customers, including a significant number of public sector and institutional customers. More than 2.1 million customers take advantage of online self-service features, and there have been more than 578,000 downloads of mobile and tablet apps that enable a wide range of self-service options, such as securities trading.

The Group's professional, well-trained staff provides individualised service tailored to customers' needs and desires. The Group employs more than 21,000 people.

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The objective of Risk Management 2011 is to inform shareholders and other stakeholders of the Danske Bank Group's risk management, including policies, methodologies and practices.

Risk Management 2011 is a translation of the original document in the Danish language (Risikostyring 2011). In case of discrepancies, the Danish version prevails.

1. 2011 IN BRIEF

The Danske Bank Group assumes risks as an integral part of the business activities that its business model entails. The Group's risk profile reflects several types of risk, the most important being credit risk, including counterparty risk; market risk; liquidity risk; operational risk; and insurance risk.

The Group wishes to meet the highest and latest international standards and recommendations for banks' risk management in order to support its business model. The Group therefore devotes substantial resources to developing and maintaining procedures and tools to fulfil this ambition.

The Group's risk management is based on guidelines, policies and instructions set forth by the Board of Directors. On the basis of the Board of Directors' general instructions, the Group has prepared specific instructions on risk management for the individual business units. These instructions are used as the basis for business and control procedures, among other things, at the units.

The Group regularly monitors and assesses its current risk profile in the most important business areas and for the most important risk types. It also works to establish a more formalised process for its risk appetite in order to supplement the current risk management framework and to support the business model.

Capital and liquidity

In the spring of 2011, the Group strengthened its core tier 1 capital through a share offering with proceeds of DKK 20 billion. One of the purposes of the capital increase was to enable the Group to repay, as early as 2012, the hybrid capital raised from the Danish state in 2009. A financially satisfactory agreement on prepayment terms could not be reached, and therefore, in accordance with the loan agreement, the loan cannot be repaid until 2014.

At the end of 2011, the Group's core tier 1 capital amounted to DKK 106.8 billion (end-2010: DKK 85.1 billion), or 11.8% of risk-weighted assets (end-2010: 10.1%). The Group's total capital base stood at DKK 162.1 billion (end-2010: DKK 149.7 billion), yielding a total capital ratio of 17.9% (end-2010: 17.7%), and tier 1 capital stood at DKK 145.0 billion (end-2010: DKK 124.8 billion), or a tier 1 capital ratio of 16.0% (end-2010: 14.8%).

The size and quality of the Group's capital base make the Group one of the best-capitalised banks in Europe today. This was confirmed by the latest capital test of the European banks, the results of which was released by the European Banking Authority (the EBA) in December 2011. The purpose of the test was to determine whether the European banking sector needed recapitalisation. Danske Bank performed well on the test, with a result substantially above the EBA's requirement. The result matched the performance on the stress tests that the EBA held in the summer of 2011, when the Group also ranked among the best-capitalised banks in Europe.

At the end of 2011, the Group's risk-weighted assets (RWA) came to DKK 906.0 billion (end-2010: DKK 844.2 billion), with 83% related to credit risk, 7% to market risk and the rest to operational risk. The total rose 7.3% above the level at the end of 2010.

The Group uses mainly the internal ratings-based (IRB) approach to calculate RWA for credit risk. In 2011, it carried out a number of initiatives to strengthen its IRB apparatus. The measures included new and improved models for two parameters in the third quarter: loss given default (LGD) and through-the-cycle probability of default (PD). These initiatives increased RWA by a total of DKK 34 billion. The Group believes that its models are robust and sufficiently conservative. The Group monitors the models and their results continually, and, when necessary, makes adjustments for changes in economic, financial or regulatory conditions.

For market risk, the Group uses mainly an in-house Value at Risk (VaR) model to calculate RWA for general market risk. For specific market risk, the Group uses the standardised approach. New capital requirements (CRD III) that took effect at the end of 2011 include a requirement to use stressed VaR to calculate general market risk. Taken in isolation, the implementation of CRD III caused RWA to rise DKK 12 billion.

The Group's liquidity position remained strong throughout 2011. The Group's positive liquidity position was owing to its raising substantial long-term funding in recent years, including the issuance of covered bonds; an increase in shareholder's equity through a share offering; and a favourable trend in the loan-to-deposit ratio.

Banks' funding opportunities were adversely affected by the unrest in the financial markets in 2011. Funding costs rose, and opportunities to issue debt were limited. In mid-2011, the markets were generally closed to senior issues, while the market for covered bond issuance was open in certain periods.

The situation in Denmark was aggravated by the application of the Danish Bank Package 3 in the resolution of Amagerbanken. Danske Bank was subject to two rating downgrades that were based mainly on the weakening of systemic support by Bank Package 3.

With the political agreement on Bank Package 4 at the end of the summer, the pressure on Danish banks abated. This was partly a consequence of the expansion of the compensation scheme from Bank Package 3 that facilitated the process in which healthy banks can take over all or parts of a distressed bank. Another factor was the prospect that a committee set up under Bank Package 4 will designate a number of systemically important financial institutions (SIFIs) in Denmark.

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

Although Danske Bank was also affected by the difficult conditions in the funding markets in 2011, it succeeded in executing the planned senior funding for DKK 21 billion and covered bonds for DKK 38 billion. The Group's liquidity situation is thus satisfactory.

Credit risks
The Group's credit risks depend greatly on macroeconomic developments in its primary markets, including the trends in the housing and property markets and in unemployment. They also depend on developments in individual portfolio segments.

At the end of 2011, the Group's total credit exposure from lending activities amounted to DKK 2,299 billion, against DKK 2,363 billion at the end of 2010. This represents a decline of 2.7%. One reason for this decrease was that many customers had a good liquidity position because of low consumption and low investments. Good liquidity reduces the utilisation of credit facilities with access to variable utilisation. The decline in total exposure was also owing to the Group's reduction of its credit exposure to selected segments. The loan impairment charges for the year reduced the credit exposure as well.

In 2011, the credit quality of business customer exposure was generally unchanged, although business customers in Ireland continued to experience difficult conditions. At the end of 2011, credit exposure to business customers amounted to DKK 899 billion, or 39% of total credit exposure from lending activities.

The credit quality of loans to business customers secured on commercial property was hurt by the general downturn after the financial crisis. This is particularly true of the Irish segment of the portfolio, and high impairment charges have also been necessary in Northern Ireland and Denmark since the beginning of the crisis. In Ireland and Northern Ireland, the property sector has been hurt badly by falling property prices, and property developers in particular suffered from lower property values in 2011. The Group has made the credit policy for commercial property loans, including its ongoing monitoring, more stringent. At the end of 2011, credit exposure to the commercial property segment amounted to DKK 257 billion, or 11% of the Group's total credit exposure from lending activities. Of this amount, DKK 11 billion related to commercial property in Ireland, and DKK 8 billion related to commercial property in Northern Ireland.

Lending to business customers in the agricultural industry is one of the portfolios in which credit quality has declined the most in recent years. Land prices, which are the biggest factor in the trend, peaked in 2008 and have fallen by about one third since. This caused the portfolio's LTV ratios to increase. The trend in the portfolio reflects the industry's challenges. The latest accounting information shows generally improved earnings in the agricultural industry, however, and the outlook for its operating earnings in 2012 is a little brighter. Its sensitivity to sales prices and harvest quality is still great, however. The debt situation also makes it very sensitive to interest rates. The Group is generally very cautious about financing new projects, but it supports existing customers to some degree in their continuing operations. At the end of 2011, credit exposure to agricultural customers amounted to DKK 68 billion (3% of the Group's total credit exposure from lending activities), including DKK 45 billion in loans from Realkredit Danmark.

The shipping industry was under pressure at the end of 2011. Overcapacity and low freight rates put pressure on both collateral values and the companies' liquidity. This is critical for the highly leveraged companies in the industry. Demand for transport is expected to grow at a slower pace than supply again in 2012. Small companies in particular are vulnerable. At the end of 2011, credit exposure to the shipping industry amounted to DKK 48 billion, or 2.1% of the Group's total credit exposure from lending activities.

The credit quality of personal customers is particularly dependent on the trend in house prices, and the level of interest rates, disposable income and unemployment are also important. The average LTV ratio for personal customers' home mortgages rose from 67% at the end of 2010 to 70% at the end of 2011, mainly because of declining home prices and index adjustments. The Group has made its credit policy for home loans with high LTVs more stringent. At the end of 2011, total credit exposure to personal customers amounted to DKK 889 billion, or 39% of total credit exposure from lending activities. Credit exposure from residential property loans amounted to DKK 775 billion.

At the end of 2011, credit exposure to financial customers amounted to DKK 389 billion, or 17% of total credit exposure from lending activities. The credit quality of the segment remained good in 2011. Most of the exposure related to banking facilities with high collateral coverage. In recent years, the Group has worked actively to reduce its business activity with financial customers and has reduced the portfolio significantly since 2007.

Market-related risks

A number of events set their stamp on the financial markets in 2011, not least the worsening sovereign debt crisis in Europe. As a result of the debt crisis, large yield spreads developed, with German and Scandinavian yields falling further from the already low level in 2010 while yields in several other European countries – especially Ireland and southern European countries – rose to previously unseen levels towards the end of the year. The debt crisis also affected the volatility of both government and mortgage bond spreads during the year. The equity markets began the year with slight gains based on continued confidence in a global economic recovery, but they fell sharply during the summer and then were generally very volatile.

Despite these difficult conditions in the financial markets, the direct effects on market-related risks at Danske Bank were limited. The Group reduced its position-taking in listed shares significantly during the year. In addition, its exposure in the form of government bonds was limited mainly to bonds issued by the Nordic countries, Germany and the UK. The holdings of government bonds issued by Portugal, Italy, Ireland and Spain were very limited, at about DKK 1 billion at the end of 2011 (calculated at market value and including unsettled transactions and hedge transactions). The Group had no Greek government bonds.

The declining yields in the northern European markets in 2011 caused a rise in the value of derivatives. The rise in value occurred without a commensurate increase in risk. The Group makes extensive use of netting agreements under which contracts with positive and negative market values with the same counterparty can offset each other. The net exposure was limited and secured through collateral management agreements.

The difficult market conditions, especially in the second half of 2011, affected the risks at the Group's insurance subsidiary, Danica Pension. The falling interest rates during the year caused a large increase in life insurance provisions and a decline in Danica's capital buffers in the form of bonus potential. Danica hedges against changes in yields on an ongoing basis, but the great uncertainty in the financial markets caused substantial losses on equities and credit bonds. For this reason, Danica needed to introduce a charge on the transfer and surrender of pension savings for all interest rate groups and also reduce its risk exposure by selling both equities and credit bonds.

In the fourth quarter of 2011, the extraordinary market situation prompted the Danish FSA to allow the adjustment of a component of the discount curve; the spread between Danish and German government bonds may now be calculated as a 12-month moving average. Danica Pension began using the new discount curve, and the effect was a reduction of provisions of DKK 2.8 billion at 31 December 2011.

New regulations

In July 2011, the European Commission published its proposal for a major revision of the CRD (CRD IV). The proposal will implement the Basel III rules in the EU, among other things. The political negotiations will continue in 2012, so the final rules may differ from the current proposal. According to the proposal, the rules will come into force at the beginning of 2013. The details of the liquidity regulations, among other things, are expected to be determined later.

Danske Bank is generally in a strong position to accommodate the proposed future capital requirements in the EU. It believes that the European Commission's CRD IV proposal would not entail stricter capital requirements for the Group than does Basel III. The Group considers it important that the phasing-in of the new capital requirements in the EU does not deviate from the Basel III phasing-in period and that the capital requirements are as uniform as possible in all countries.

As regards liquidity, it is still too early to assess the implications of new regulations for the Group. The final definition of the short-term Liquidity Coverage Ratio (LCR) is not expected to be released until 2015. It is positive and of critical importance for the Group's calculation of LCR that, in the CRD IV proposal, most types of covered bonds will presumably be classified as level 1 assets (very liquid assets). The CRD IV proposal does not include a requirement for long-term stable funding, such as Basel III's Net Stable Funding Ratio (NSFR). According to the proposal, a political decision about the requirement will not be made until 2016, with a view to implementation in 2018.

2. RISK ORGANISATION

2.1 RISK ORGANISATION

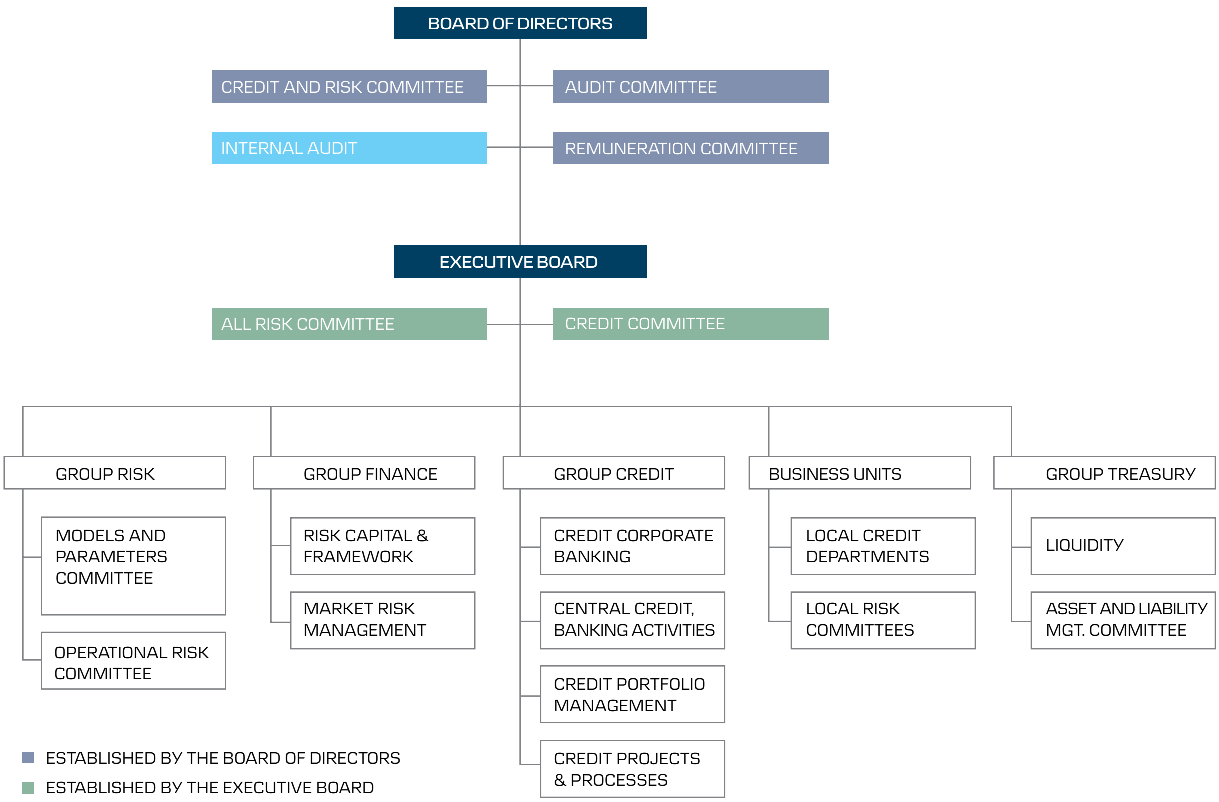
Danske Bank's rules of procedure for the Board of Directors and the Executive Board (the "Rules of Procedure") specify the responsibilities of the two boards and the division of responsibilities between them. The Rules of Procedure and the two-tier management structure, which were developed in accordance with Danish legislation, are central to the organisation of risk management and the policy on the delegation of authority in the Group.

The Board of Directors lays down overall policies, while the Executive Board is in charge of the Group's day-to-day management. The risk and capital management functions are separate from the credit assessment and credit-granting functions.

The Group's management structure reflects the statutory requirements governing listed Danish companies in general and financial services institutions in particular.

In December 2010, the Danish Financial Supervisory Authority issued an executive order on the governance and management of financial institutions. The executive order clarified boards of directors' obligations as presented in the Danish Financial Business Act and set forth requirements for effective corporate governance. For the Danske Bank Group, the executive order did not necessitate any significant changes in management or governance.

RISK ORGANISATION OF THE DANSKE BANK GROUP



2.1.1 Board of Directors

The Board of Directors must ensure that the Group is organised properly. As part of this duty, it appoints the members of the Executive Board, the group chief auditor and the secretary to the Board of Directors.

In accordance with Danske Bank's Rules of Procedure, the Board of Directors sets out the overall risk policies and limits for all material authorities. In addition, the largest credit facilities are submitted to the Board of Directors for approval. The Board also decides on general principles for managing and monitoring risk, and it reviews the risk and lending authority policies as well as overall risk lines annually.

Regular reporting enables the Board of Directors to monitor whether the overall risk policies and authorities are being complied with and whether they meet the Group's needs. In addition, the Board regularly reviews reports analysing the Group's portfolio, including data on industry concentrations.

The Board of Directors consists of six to ten members elected by the general meeting and a number of employee representatives as stipulated by Danish statutory rules. At the end of 2011, the Board consisted of 13 members, including five employee representatives.

The Board meets about 12 times a year according to a schedule that is set for each calendar year. Once or twice a year, the Board holds an extended meeting to discuss the Group's strategy.

The group chief auditor, who is head of the Group's Internal Audit department, reports directly to the Board of Directors. Internal Audit is responsible for determining whether the Group's administrative and accounting policies are satisfactory, that there are written business procedures for all areas of activity, that adequate internal control procedures are in place, and that IT use complies with the directions adopted.

2.1.2 Executive Board

The Executive Board is responsible for the day-to-day management of the Group as stated in the Rules of Procedure. The Executive Board sets forth specific risk instructions, supervises the Group's risk management practices, and approves credit applications up to a defined limit. It reports to the Board of Directors on the Group's risk exposure.

The Executive Committee, headed by the Group CEO, functions as a coordinating forum. Its purpose is to provide an overview of activities across the Group, including a focus on the collaboration between support functions and product suppliers on the one hand and customer-servicing units in the various countries on the other.

The Danske Bank Group has appointed a chief risk officer (CRO), who reports to the Group's CEO. The CRO has overall responsibility for monitoring the Group's risk policies and for maintaining an overview of the Group's risks across risk categories and types and organisational units.

2.2 RISK MONITORING

On the basis of the general risk policies and limits defined by the Board of Directors, specific risk instructions are prepared for the individual business units. These instructions are used for laying down business and control procedures for the various units and for the Group's system development work.

Every quarter, the Group assesses its risk profile to ensure that it matches the risk instructions for its major business units. The Group conducts risk management at the customer and industry levels as well as on the basis of geographical location and collateral type. Risk monitoring is based on the following central risk areas:

- Credit risk, including counterparty risk
- Market risk
- Liquidity risk
- Operational risk
- Insurance risk

2.3 RISK COMMITTEES

The Board of Directors has set up a number of committees to supervise specific areas and to prepare cases for consideration by the full Board. Under Danish law, board committees have no independent decision-making authority but solely a consulting role. The committees include the Credit and Risk Committee, the Remuneration Committee and the Audit Committee.

COMMITTEES ESTABLISHED BY THE BOARD OF DIRECTORS	
Credit and Risk Committee	This committee functions as a consulting panel on significant credit exposures submitted to the Board of Directors for approval. It also reviews trends in the credit quality of the Group's loan portfolio and evaluates special renewal applications and facilities. The committee has a consulting role on the management of all risks to which the Group is exposed and reviews the Group's risk management practices.
Remuneration Committee	This committee monitors trends in the Group's salary and bonus framework. It also monitors incentive programmes to ensure that they promote ongoing, long-term shareholder value creation. See Remuneration Report 2011 for a detailed description of the Group's remuneration policy and actual remuneration. The report is available at www.danskebank.com.
Audit Committee	This committee examines accounting, auditing and security issues. These are issues that the Board, the committee itself, the group chief auditor or the external auditors think deserve attention before they are brought before the full Board. The committee also reviews the internal control and risk management systems.

The Executive Board has established two committees that have overall responsibility for ongoing risk management: the All Risk Committee and the Credit Committee (see the table below).

COMMITTEES ESTABLISHED BY THE EXECUTIVE BOARD	
All Risk Committee	This committee is responsible for managing all risk types across the Group. Its responsibilities include the following: • Setting targets for key figures, including capital composition • Managing the balance sheet • The funding structure • General principles for measuring, managing and reporting the Group's risks • Risk policies for business units • The overall investment strategy • Capital deployment In addition, the committee evaluates risk reports to be submitted to the Board of Directors or one of its committees. The All Risk Committee consists of members of the Executive Board and the heads of Group Risk, Danske Markets, Group Treasury and Credit Portfolio Management (under Group Credit). It meets 10 to 12 times a year.
Credit Committee	Credit applications that exceed the lending authorities of the business units are submitted to the Credit Committee for approval. The local credit departments of the business units review these applications before the heads of the departments submit them to the Credit Committee. The Credit Committee consists of members of the Executive Board, the CRO and the management team of Group Credit. It is also in charge of approving operational credit policies and makes decisions on credit applications involving issues of principle. The Credit Committee participates in decisions on the valuation of the Group's loan portfolio in connection with the determination of loan impairment charges.

The Group has also set up various sub-committees for specific risk management areas, such as the Asset and Liability Management Committee, the Operational Risk Committee and the Models and Parameters Committee. The sub-committees consist mostly of senior staff in risk management functions.

The committees are intended to assist the Board of Directors and the Executive Board in ensuring strict risk management in the Group and to ensure that risk management and risk reporting always comply with statutory regulations and the Group's general principles for such practices.

There are local risk committees at the Group's subsidiaries and major business units to further strengthen risk management. Their purpose is to ensure compliance with the policy that the Board of Directors and the Executive Board have set.

The committees, which are chaired by the heads of the units in question, convene at least four times a year.

2.4 RISK MANAGEMENT

Responsibility for the day-to-day management of risks in the Group is divided between Group Risk, Group Finance, Group Credit and Group Treasury. The Group has established a segregation of duties between units that enter into business transactions with customers or otherwise expose the Group to risk on the one hand, and units in charge of risk management on the other.

2.4.1 Group Risk

Group Risk has overall responsibility for monitoring the Group's risk policies and for monitoring, following up on, and reporting on risks across risk types and organisational units. The head of Group Risk, the chief risk officer, reports directly to the Group CEO and is a member of the Executive Committee.

Group Risk supports the rest of the risk management organisation in risk management practices and reporting. Group Risk serves as the secretariat of the All Risk Committee, and the CRO chairs the Models and Parameters Committee, which monitors the Group's use of risk models, the results of backtests and changes to parameters. The CRO also chairs the Operational Risk Committee, which evaluates the management of the Group's key operational risks, and the Product Risk Review Committee, which assesses risk related to possible new products. A specialised department under Group Risk is responsible for the day-to-day monitoring of operational risks.

In addition, Group Risk serves as a referral resource for local risk committees and is responsible for the Group's relations with international rating agencies.

2.4.2 Group Finance

Group Finance oversees the Group's financial reporting, budgeting and strategic business analysis, including the tools used by the business units for performance follow-up and analysis.

The department is also in charge of the Group's investor relations, capital structure and M&A activities. In addition, it is responsible for the day-to-day monitoring and control of market risk as well as the compilation of risk-weighted assets and the Group's ICAAP.

Group Finance is responsible for developing credit classification and valuation models and for ensuring that they are available for day-to-day credit processing at the local units and fulfil statutory requirements. Group Finance is also responsible for backtesting and validating credit risk parameters in collaboration with the business units.

2.4.3 Group Credit

Group Credit has overall responsibility for the credit process at all of the Group's business units.

Group Credit is responsible for approvals that exceed the local lending authority, for setting cross-organisational credit policies, for controlling the ongoing approval and follow-up processes in the lending book, and for determining the portfolio limits for specific industries and countries as well as the quarterly process of calculating the impairment of exposures.

Group Credit reports to executive management on developments in the Group's credit risk. The department is also responsible for preparing management reporting on credits, on the monitoring of credit approvals at the individual branches, and on the determination of requirements for the Group's credit systems and processes.

2.4.4 Group Treasury

Group Treasury is responsible for determining liquidity risk and funding needs. It is also responsible for conducting liquidity stress testing for the purpose of assessing the Group's liquidity risks.

Group Treasury also ensures that the Group's structural liquidity profile makes it possible for the Group to comply with the limits and meet the targets set by the Board of Directors and the All Risk Committee, in the future as well as the present.

2.4.5 Business units

The business units' capacity to expose the Group to risks in their daily work is managed by risk policies, instructions and limits. The Group's risk culture is intended to ensure that the Group undertakes only the risks selected and agreed upon.

Risk areas such as market risk and liquidity risk are managed centrally in the organisation. New measures from local regulators, however, have led the Group to increase the degree of decentralisation, especially of liquidity risk management. For example, local asset and liability management committees have been set up in a number of business units.

Lending authority for specific customer segments and products has been granted to the individual business units. The business units carry out the fundamental tasks required for optimal risk management. These include updating the registrations about customers that are used in risk management tools and models as well as maintaining and following up on customer relationships.

Each business unit is responsible for preparing documentation before undertaking business transactions and for recording the transactions properly. Each unit is also required to update information on customer relationships and other issues as may be necessary.

The business units must also ensure that all risk exposures comply with specific risk limits as well as the Group's other guidelines.

2.5 REPORTING

The Group allocates considerable resources for ensuring ongoing compliance with the approved risk limits and for risk monitoring. It has set guidelines for reporting to relevant management bodies, including the Board of Directors and the Executive Board, on developments in risk measures, liquidity, the credit portfolio, non-performing loans and the like.

The Board of Directors receives risk reports quarterly (see the table below). The Group's ICAAP report is also submitted quarterly to the Board of Directors for approval. Once a year, an expanded ICAAP report is submitted for approval together with a thorough analysis of the Group's risk profile.

PRINCIPAL REPORTING TO THE BOARD OF DIRECTORS

ANNUAL REPORTING	
Risk policy	Review of the overall risk policy, including a consideration of whether any revisions are required.
ICAAP	Evaluation of the risk profile and the solvency need. The report contains the conclusions drawn from stress testing, including the effect of various scenarios on expected losses and capital needs. This report is an expanded version of the ICAAP report submitted quarterly.
Risk management framework	Thorough analysis of the Group's risk profile, including identification and description of the Group's risks and an update on the use of risk management models and parameters.
Operational risk	Overview of the Group's key operational risks and the measures undertaken to mitigate them.

QUARTERLY REPORTING	
ICAAP	Evaluation of the risk profile and the solvency need. The report contains the conclusions drawn from stress testing, including the effect of various scenarios on expected losses and capital needs.
Credit quality report	Analysis of impairment charges and losses by business unit and of portfolio breakdowns by rating category, size, business unit and the like.
Market risk	Analysis of the Group's current equity, fixed income and currency positions as well as reports on the utilisation of board-approved limits since the preceding report.
Large exposures	Overview of exposures equal to or exceeding 10% of the Group's capital base and the sum of these exposures, including the percentage of the capital base it represents.
Loan impairment charges	Report on the trend in collective and individual loan impairment charges.
Portfolio analyses	Analyses of selected industries and business areas. They include a review of relevant macroeconomic developments as well as the trends in individual portfolios.
Liquidity risk	Report on limits for operational liquidity risk.

The heads of Group Finance, Group Risk and Group Credit are members of the Executive Committee and also receive risk reports through their positions on the risk committees established by the Executive Board.

The All Risk Committee evaluates risk reports to be submitted to the Board of Directors or one of the Board's committees. It also receives periodic reports on the Group's liquidity and solvency and monitors risk trends at the group level and at the business units.

3. CAPITAL MANAGEMENT

The main purposes of the Danske Bank Group's capital management policies and practices are to support its business strategy and ensure that it is sufficiently capitalised to withstand even severe macroeconomic downturns.

At the end of 2011, the Group's core tier 1 capital amounted to DKK 106.8 billion, or 11.8% of risk-weighted assets (RWA). The Group's total capital base consists of tier 1 capital and tier 2 capital. At the end of 2011, the capital base amounted to DKK 162.1 billion and the total capital ratio was 17.9%, with DKK 145.0 billion deriving from tier 1 capital and thus giving a tier 1 capital ratio of 16.0%.

In the spring of 2011, Danske Bank strengthened its core tier 1 capital by means of a rights issue, partly for the purpose of prepaying in 2012 the hybrid capital it had borrowed from the Danish state. The Group did not succeed in reaching a financially acceptable agreement on early repayment; therefore, in accordance with the loan agreement, the loan therefore cannot be repaid until 2014.

At the end of 2011, the Group's solvency need – that is, a capital base that is adequate in terms of size, type and composition to cover the Group's risks – amounted to DKK 90.5 billion, or 10.0% of risk-weighted assets (RWA). The Group's actual capital base thus contains a capital buffer of DKK 71.6 billion.

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

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

Danske Bank, along with other major banks in the EU, took part in a capital exercise under the auspices of the European Banking Authority (EBA), and the results were released in December 2011. The exercise was intended to determine the European banking sector's need for recapitalisation. The Group performed well on the test, demonstrating capital substantially above the EBA's required level.

The result was consistent with that of the stress test that the EBA had conducted in the summer of 2011 that also placed Danske Bank among Europe's best-capitalised of the 89 participating banks.

The Group uses mainly the internal ratings-based (IRB) approach to calculate the RWA for credit risk. In 2011, it carried out a number of measures that strengthened its IRB apparatus. The measures include revisions and improvements to models and parameters, including a new approach to through-the-cycle (TTC) probability of default (PD). The Group believes that the model is robust and sufficiently conservative. It monitors its models and their results continually, and it makes adjustments for changes in financial and regulatory conditions when necessary.

3.1 CAPITAL MANAGEMENT

Credit institutions incur financial losses when risks materialise. The first line of defence against such losses is the institution's earnings. In a given year, if the earnings are not sufficient to cover the losses, the losses are covered from the capital buffer, that is, that part of the capital base that exceeds the instiution's solvency need.

The Group's practices ensure that it has sufficient capital to cover the risks associated with its activities. It uses methods that are adjusted on the basis of expert assessments, if necessary, to monitor all significant risks.

The Group's capital management is based on the internal capital adequacy assessment process (ICAAP). The Group's ICAAP, including the ICAAP for its subsidiaries, is the main capital management tool, and it gives a clear picture of the Group's capital and the risks throughout the entire Group.

As part of the ICAAP, management identifies the risks to which the Group is exposed for the purpose of assessing its risk profile.

The Group is involved in a number of business activities. These activities can be divided roughly into five segments for the purpose of risk identification: banking, market, asset management, insurance and group-wide activities. The latter category covers management activities that are not specific to any of the first four business segments but broadly support them all. Each of these activities entails various risks, which fall into the seven main categories of the Group's risk management framework.

RISK IDENTIFICATION ACROSS ACTIVITIES

	Danske Bank Group's risks						
Activities	Credit risk	Market risk	Operational risk	Pension risk	Insurance risk	Business risk	Liquidity risk
Banking activities	√	√	√			√	√
Market activities	√	√	√			√	√
Asset management			√			√	
Insurance (Danica)					√		
Group-wide activities			√	√		√	√

Note: Insurance risk in the Danske Bank Group is defined as all risks related to Danica Pension.

After the risks have been identified, the Group determines how and to what extent it will mitigate them. Mitigation usually takes place by means of business procedures, contingency plans and other measures. Finally, the Group determines what risks will be covered by capital. In the ICAAP, the Group also determines its solvency need on the basis of internal models for economic capital and other means, and it conducts stress tests to make certain that it always has sufficient capital to support its chosen business strategy, among other things.

The Group's ICAAP is also the basis for the supervisory review and evaluation process (SREP), which is a dialogue between an institution and the financial supervisory authority on the institution's risks and capital needs. Upon the latest SREP, the supervisory authority, like Danske Bank, considered that the Group's calculation of its solvency need ratio was satisfactory and that the Group's capital level was therefore sufficient.

According to special requirements in Danish law, the Group's solvency need and solvency need ratio must be published quarterly. See www.danskebank.com/ir for more information.

3.2 MINIMUM CAPITAL REQUIREMENT

The regulatory minimum capital requirement under Pillar I is defined as 8% of RWA for credit risk, market risk and operational risk (see the CRD). Besides being used to determine the Group's capital requirement, RWA are also used as the denominator in key risk measures such as the tier 1 capital ratio, the total capital ratio, and the solvency need ratio, which according to Danish law is the solvency need divided by RWA.

METHOD OF CALCULATING RWA	
Credit risk	To calculate RWA for credit risk, the Group uses mainly the advanced IRB approach with its own conservative risk parameters. It uses downturn parameters for loss given default (LGD) and the conversion factor (CF) as well as through-the-cycle probabillities of default (PD). For certain exposures, the Group makes an exception to the IRB approach and uses the standardised approach of the CRD.
Market risk	In calculating RWA for market risk, Danske Bank distinguishes between general and specific risk and between holdings in the trading book and holdings outside the trading book. It uses an internal VaR model to calculate RWA for general risk for items in the trading book and to calculate foreign exchange risk for items outside the trading book. Commodity risk is not covered by the internal model but is calculated according to the standardised approach of the CRD. The Group uses the standardised approach to calculate RWA for specific risk.
Operational risk	Danske Bank uses the standardised approach of the CRD to calculate RWA for operational risk. The calculation is based on a single indicator: income. RWA are calculated as a percentage of the average income in the past three years. The percentage ranges from 12% to 18%, depending on the rate for the various business activities defined in the CRD.

RWA for credit risk amounted to 83% of total RWA, making credit risk the single largest risk type. RWA for credit risk are based on uniform rules so that they cover the Group's risk under Pillar I in accordance with the CRD. In collaboration with other national financial supervisory authorities, the Danish FSA has approved Danske Bank's use of the advanced internal ratings-based (IRB) approach. The Group has an exemption from the advanced IRB approach for its exposure to government bonds and equities. The exemption also applies to the exposures at Northern Bank and Sampo Bank and to retail exposures at National Irish Bank. For these exposures, the Group uses the standardised approach.

RWA for market risk amounted to 7% of RWA. The Group uses an internal VaR model for general risk on items in the trading book and for foreign exchange risk on items outside the trading book. The Group uses the standardised approach for specific risk. As a step in its strategy to use more advanced methods for all the important risk areas, the Group is developing an internal model for specific risk.

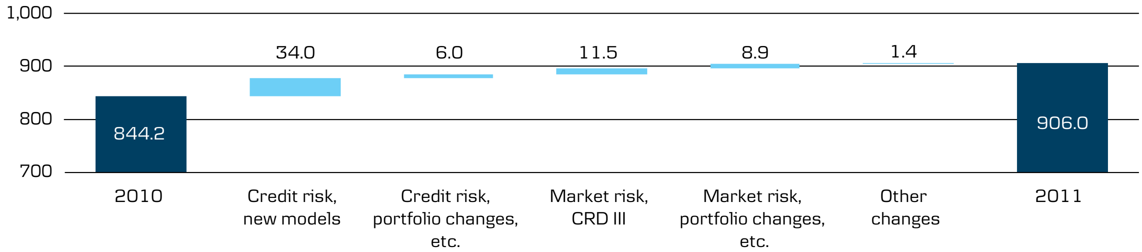
The table below shows RWA broken down by credit risk, market risk and operational risk. RWA for credit risk are broken down into segments for which the advanced IRB approach is used and segments for which standardised approach of the CRD is used. The table also includes the exposure-weighted average risk weights for each exposure class.

RISK-WEIGHTED ASSETS AND RISK WEIGHTS

At 31 December (DKK millions)	2011 Risk-weighted assets	2011 Average risk weights (%)	2010 Risk-weighted assets	2010 Average risk weights (%)
Credit risk				
IRB approach:				
Institutions	13,502	16	16,481	17
Corporate customers	281,317	37	273,895	34
Retail exposure secured by real property	114,934	17	86,446	13
Other retail exposure	34,051	25	26,681	17
Other	51,185	120	54,046	103
IRB approach, total	494,989	29	457,549	26
Standardised approach for credit risk, total	213,383	46	218,106	44
Counterparty risk	44,508		37,246	
Credit risk, total	752,880		712,901	
Market risk, total	63,686		43,284	
Operational risk, total	89,414		88,025	
Total risk-weighted assets	905,980		844,210	

At the end of 2011, the Group's RWA amounted to DKK 906.0 billion, against DKK 844.2 billion at the end of 2010. The factors behind the change in RWA in 2011 totalling DKK 61.8 billion are shown in the chart below:

CHANGE IN RWA IN 2011
(DKK billions)



Note: "Credit risk, portfolio changes, etc." includes, besides the effect of portfolio changes, the effect from updated credit risk parameters in the first quarter of 2011 of DKK 20 billion.

One of the main factors behind the trend in RWA in 2011 was the financial crisis, which presented challenges for Danske Bank's models and parameters, especially those for credit risk. This led the Group to give more attention to improving and further developing the model apparatus. In the third quarter of 2011, it introduced new models for calculating LGD and TTC PD that led to an increase in RWA of DKK 34 billion. The Group believes that the new model apparatus produces sufficiently conservative calculations.

Another important factor was new capital requirements for market risk that took effect at the end of 2011 (CRD III) and include a requirement to use stressed VaR to calculate market risk. Taken in isolation, CRD III caused a rise in RWA of DKK 11.5 billion.

MAIN CHANGES IN THE RWA MODELS IN 2011	
Loss given default (LGD)	This change ensures that the model uses recoveries in estimating the loss percentage. This increases the information value of incomplete default cases and makes it possible to assess whether the model is "on track" before the default cases are concluded.
Through-the-cycle probability of default (TTC PD)	This change is intended to reduce complexity and volatility: the new TTC PD model is based on a simple average of historical default rates. The levels are determined on the basis of data from the beginning of the 1990s to 2010. Previously, the levels were based on a "steady state" approach and used the historical relation between observed defaults and macroeconomic factors. This approach led to low comprehensibility and undesirably high volatility.
Stressed VaR for market risk	Because of stricter regulatory requirements (CRD III), the internal VaR model must now reflect a period of stress. In practice, the Group uses historical market data from 2008 because the financial markets were under great stress then.

3.3 INTERNAL ASSESSMENT OF THE SOLVENCY NEED

The ICAAP under Pillar II includes the Group's calculation of its solvency need and thus its solvency need ratio (defined as the solvency need as a percentage of RWA).

An important part of the process of determining the solvency need is evaluating whether the calculation takes into account all material risks to which the Group is exposed. The Group makes this evaluation in relation to both economic capital and Pillar I+ (see the detailed description below). It has established a process in which any add-ons are quantified on the basis of input from internal experts. The capital add-ons are additive, although they may overlap one another, and the process thus represents a conservative and careful assessment of the Group's solvency need.

The Group does not set aside capital to cover liquidity risk but rather mitigates it with liquid funds, contingency plans, stress test analyses and other measures. The Group does recognise, though, that a strong capital position is necessary for maintaining a strong liquidity position.

The Group assesses the overall capital need on the basis of internal models and ensures that it is using the proper risk management systems. The ICAAP also includes capital planning to ensure that the Group always has sufficient capital to support its chosen business strategy. Stress testing is an important tool for this objective.

An expanded ICAAP report is submitted to the Board of Directors for approval once a year, and the Board also receives quarterly ICAAP reports. As part of the ICAAP, the Board of Directors also evaluates an annual report that describes the Group's risk profile.

The solvency need

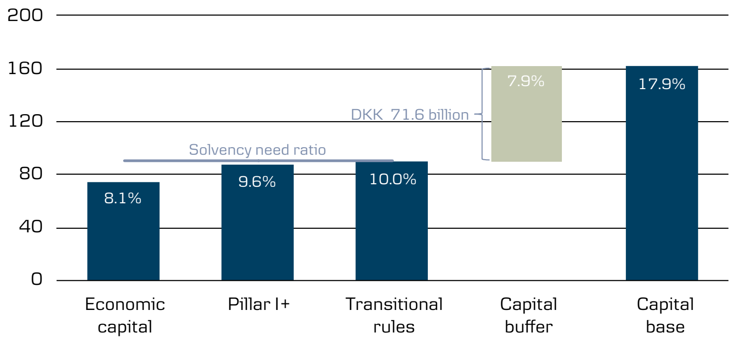
The solvency need is the capital base of the size, type and composition needed to cover the risks to which a credit institution is exposed. Danske Bank calculates it as the highest of the following measures:

- The capital need according to the Group's internal economic capital models
- The capital requirement under Pillar I plus a supplement to address the risks that are not covered by Pillar I (that is, Pillar I+)
- The capital requirement according to the Basel I transitional rules

At the end of 2011, the Group's solvency need was determined according to the capital requirement under the Basel I transitional rules and amounted to DKK 90.5 billion, or 10.0% of RWA. The capital base was DKK 162.1 billion, or 17.9% of RWA, which meant that the Group had a substantial capital buffer of DKK 71.6 billion.

According to the Basel I transitional rules, the capital requirement is 80% of the requirement under Basel I, or 6.4% of RWA calculated according to Basel I rules. The transitional rules are expected to be maintained in Denmark until the end of 2012.

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



Danske Bank's two main approaches to calculating its solvency need are based on economic capital, which is the Group's internal method of determining its capital need, and Pillar I+, which is based on the minimum regulatory capital requirements.

Economic capital is the capital necessary to cover unexpected losses in the coming year. To calculate it, the Group uses a 99.9% confidence level, which is the level used to calculate the minimum regulatory capital requirement for credit risk.

The regulatory approach to the calculation of the minimum capital requirement for credit risk ignores the actual composition of the Group's portfolio. In contrast, the internal credit risk model used to calculate economic capital takes into account correlations between portfolios. Correlations can reveal concentration risk, which increases overall risk, or diversification, which reduces risk. The internal model for economic capital identifies sector and geographical concentrations, while the regulatory approach assumes that the portfolio consists of small exposures to many debtors.

Economic capital is a point-in-time (PIT) estimate and thus reflects the Group's current risk, unlike the regulatory capital requirement, which is based on TTC and downturn parameters, which reflect an average over a macroeconomic cycle. Economic capital therefore tends to react more sharply to macroeconomic trends than the regulatory capital requirement does.

The Pillar I+ approach is based on the regulatory capital requirement, but it also takes into account other risks that are not included under Pillar I.

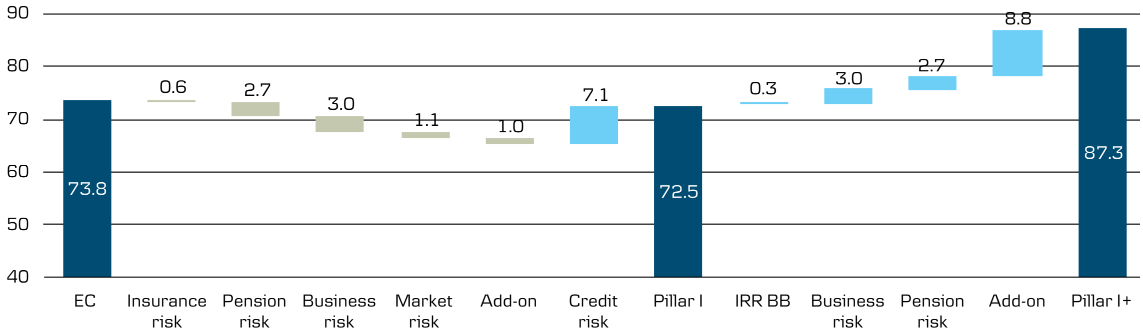
The other risks include pension risk, business risk and insurance risk (risk at Danica Pension), and they are included in the calculations of both economic capital and the Pillar I+ capital need. The Group uses internal models to calculate the capital need for these risk types. Insurance risk is covered partly by a deduction from the capital base. The table below shows the approaches for economic capital and Pillar I+ broken down by Pillar I risks and additional risks.

<table>
<tr><th></th><th></th><th>PILLAR I+</th><th>ECONOMIC CAPITAL</th></tr>
<tr><td rowspan="3">Pillar I risks</td><td>Credit risk</td><td>Internal model
Assumes granular portfolio
One-factor model</td><td>Internal model
Takes into account concentrations
Country-specific factors</td></tr>
<tr><td>Market risk</td><td>Internal model for general risk; standardised approach for specific risk and commodity risk</td><td>Internal model for general risk; standardised approach for specific risk and commodity risk</td></tr>
<tr><td>Operational risk</td><td colspan="2">Standardised approach</td></tr>
<tr><td rowspan="4">Other risks</td><td>Pension risk</td><td colspan="2">Internal model</td></tr>
<tr><td>Insurance risk</td><td>Part of credit risk</td><td>Internal model</td></tr>
<tr><td>Business risk</td><td colspan="2">Internal model</td></tr>
<tr><td>Interest rate risk outside the trading book</td><td>Internal model</td><td>Part of market risk</td></tr>
</table>

Note: Insurance risk under Pillar I+ is included indirectly in credit risk under Pillar I because the carrying amount of Danske Bank's holdings in Danica less the total deduction for Danica in the Group's capital base is included in the RWA calculation at a 100% weight.

When determining the capital need under economic capital and Pillar I+, if the results of the model calculations do not appear sufficiently conservative, the Group evaluates whether there is a need for capital add-ons. This may be the case, for example, if the Group believes that the result of the regulatory approach or economic capital calculation is not conservative enough or macroeconomic uncertainty raises similar doubts. At the end of 2011, the Group used capital add-ons primarily for the uncertainty about macroeconomic developments in Denmark, Ireland and Northern Ireland.

FROM ECONOMIC CAPITAL (EC) TO PILLAR I+
(DKK billions)



Note: "IRRBB" is interest rate risk on items outside the trading book. "Add-on" consists of possible capital supplements owing to model uncertainty or macroeconomic uncertainty, for example.

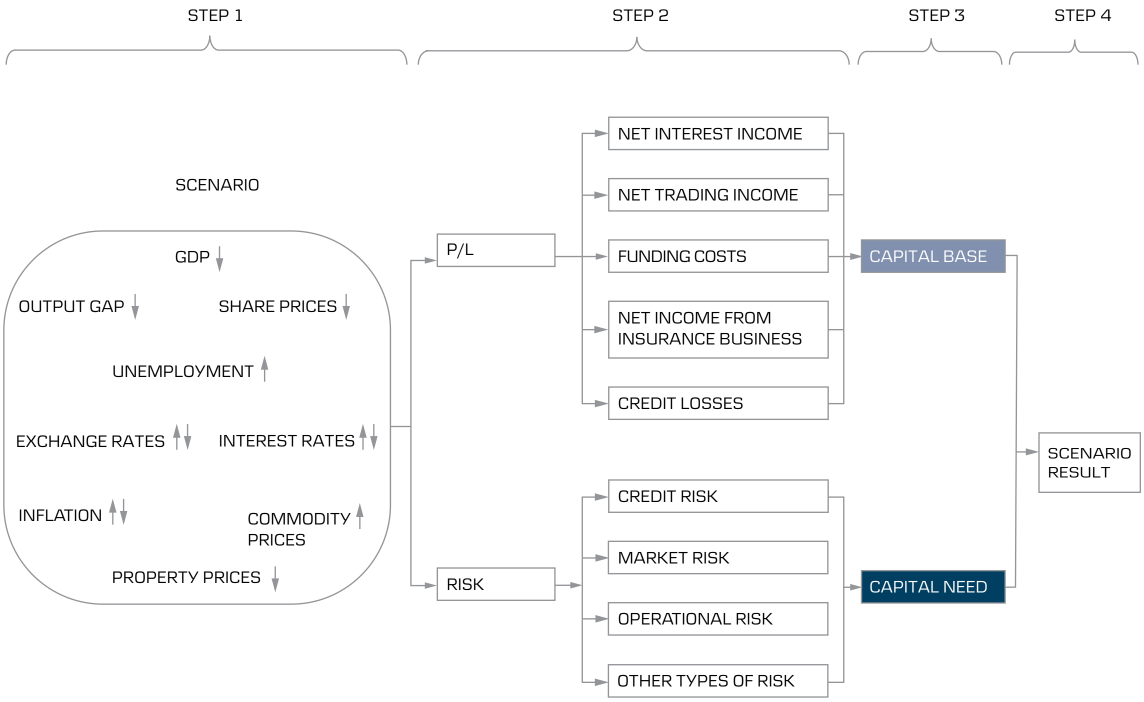
3.3.1 Stress testing

Danske Bank uses macroeconomic stress tests in the ICAAP in order to project its solvency need and actual capital in various unfavourable scenarios. Stress tests are an important means of analysing its risk profile since they give management a better understanding of how the Group's portfolios are affected by macroeconomic changes, including the effects of negative events on the Group's capital base. The tests support the Group's compliance with the regulatory capital requirement, and they are an important tool in internal capital planning. In 2011, the Group also took part in stress tests initiated by the EBA and the Danish FSA. The results showed that the Group had adequate capital in all the scenarios used.

Stress testing covers material risks and enables the Group to assess the effect that unfavourable economic trends will have on various risk types. The Group uses stress tests in the ICAAP and also for individual risk types (mainly in sensitivity analyses).

When the Group uses stress tests in capital planning, stress is applied to risks, income and cost structure. Stressing earnings affects the Group's capital base, while stressing risk exposures affects the solvency need. This means that the stress tests quantify the effect on the capital buffer. The stress test methodology consists of four parts.

EFFECT OF STRESS TEST SCENARIOS ON EARNINGS AND RISK



This first step is to define and prepare the relevant internal stress test scenarios. This is done by Group Finance and Danske Research. Each scenario consists of a set of macroeconomic variables. The scenarios are generally used both at the group level and for subsidiaries, and scenarios are also developed specifically for subsidiaries. The scenarios are submitted to the All Risk Committee and the Board of Directors' Credit and Risk Committee for approval. The Group also has a base case scenario that represents its forecast of financial trends in the years ahead. It carries out a number of regulatory stress tests, the most important of which are shown in the table below.

DANSKE BANK'S MOST IMPORTANT STRESS TEST SCENARIOS

SCENARIO	DESCRIPTION
Mild recession	A geopolitical crisis dampens global demand temporarily. This scenario assumes slight economic contraction in the first year followed by a recovery. In the subsequent years, growth will be lower than assumed in the base case scenario.
Severe recession	The scenario assumes a deep international recession with a significant slump in global trade that entails lower export demand. Domestic investment, consumption and house prices fall. Central banks around the world adopt an accommodating monetary policy.
Regulatory scenarios	Danish FSA: Base case + stress scenario. EBA: Base case + adverse scenario.

The next step is determining what effects the scenarios have on the various risk types. For credit risk, the Group uses statistical models that transform the macroeconomic scenarios into loss levels. The models are used to stress the PD for each customer, causing higher loan impairment charges and higher solvency need. The exposure is stressed further by subjecting customers' collateral to stress, that is, a reduction in value.

For other risk types, such as market risk, insurance risk and pension risk, the Group uses scenario-specific variables on the current market positions, and this can cause a decline in the market values. The changes in market value are considered losses that reduce the Group's earnings and capital base.

The Group takes a holistic approach to stress testing and sees the effect of a change in the variables on the Group's earnings and capital as a whole. For example, a rise in yields will have an adverse effect on the Group's bond holdings and will also cause credit losses. On the other hand, it will cause an increase in lending margins and therefore net interest income as well. The Group's stress tests entail an overall assessment of such contradictory effects.

When the scenarios have been translated, the results can be calculated. Risks, income and the cost structure are stressed, as described above. On the basis of the results, the Group can calculate its solvency need and capital base under each scenario. The results and the methodology are evaluated and discussed by the Group's experts and management in order to ensure consistency and reliability.

The financial crisis highlighted the need to further develop the stress test methodology. For example, Danske Bank's projections of loan impairment charges proved to be lower than the actual charges during the crisis. In the past year, the Group improved parts of the stress testing methodology, including the projection of loan impairment charges, losses on market risk and the stress applied to RWA, in order to improve the capital projections. The Group is also working to break down the results and thus improve the basis for management decisions and produce more detailed analyses.

Danske Bank uses the "Mild recession" scenario to determine whether the solvency need should be supplemented by an add-on because of business cycle fluctuations. If a negative macroeconomic trend indicates that the Group will incur a loss for the year, an add-on is included in the calculation of the solvency need. The add-on represents the Group's position on timely and conservative risk management.

In its capital considerations, the Group uses the "Severe recession" scenario to determine whether the capital level is satisfactory. If it concludes that in the scenario's worst year its capital buffer is too small, it will consider changing the risk profile or raising capital.

Besides these two main scenarios, Danske Bank also uses various specialised scenarios. These scenarios give management an understanding of how the Group will be affected by specific events. They have proven very relevant in the past year, for example regarding the US credit rating downgrade and the debt crisis in southern Europe.

The stress tests show that the Group is robust against the economic developments in the selected stress test scenarios.

Example: EBA's stress test

In the summer of 2011, Danske Bank, along with 89 other EU banks, took part in a stress test at the request of the EBA. The test contained two economic scenarios that were intended to test the European banking sector's robustness against an unexpected deterioration of market and macroeconomic conditions.

Danske Bank performed well on the stress test. In the "Adverse scenario", the Group ranked in the top 10% of the 89 banks. This result confirmed the Group's strong financial position.

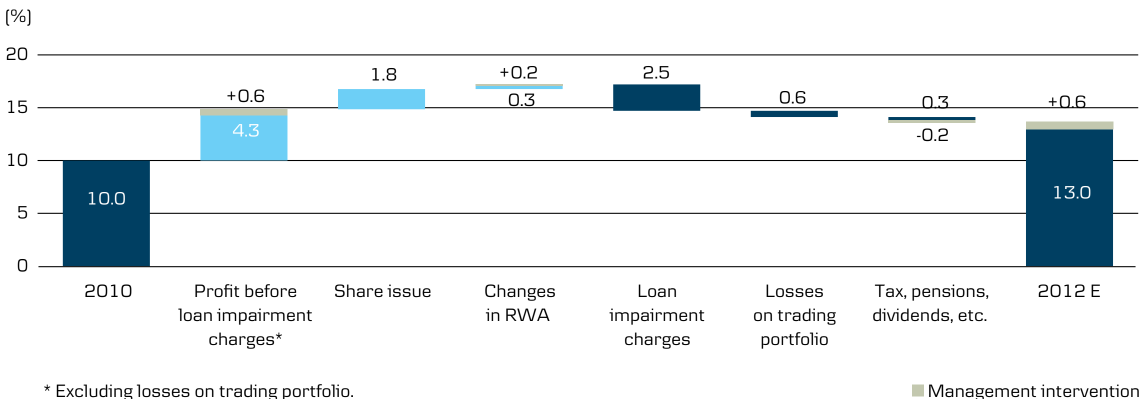
The Group's stress test scenarios do not take into account that in such situations management has opportunities to implement a number of measures to strengthen the Group's capital, including cost management, lending margin increases and capital contingency plans.

The Group believes that its result in the EBA's adverse scenario could be improved if the scenario took into account the possibility for management to take measures. The effects of increased lending margins and reduced lending are shown in the chart below, which depicts the change in the tier 1 capital ratio with management intervention under the EBA's "Adverse scenario".

An increase in lending margins raises the Group's profit before loan impairment charges. A reduction of lending volume causes a decline in the Group's RWA. Overall, such management measures could raise the Group's tier 1 capital in the scenario.

In addition to being able to influence income and reduce lending, Danske Bank could also choose to reduce expenses.

CHANGE IN TIER 1 CAPITAL RATIO UNDER EBA'S "ADVERSE SCENARIO", WITH MANAGEMENT INTERVENTION



Note: The tier 1 capital ratio is stated according to the guidelines for the EBA stress test on the basis of 80% of RWA under Basel I.

Reverse stress test

In addition to a macroeconomic stress test, the Group also conducts a so-called reverse stress test. In this test, the Group identifies types of event that can lead to a breakdown in the Group's business foundation. It then estimates the risk that such an event will take place and whether it accepts the risk in relation to its exposure to the event. If it considers the risk from an event unacceptable, it will initiate mitigation plans to reduce the risk to a satisfactory level.

As a financial business, Danske Bank depends on IT systems and access to liquidity. The Group assesses its IT risk and liquidity risk on an ongoing basis in order to monitor them and take mitigating actions, and on this basis, it estimates the risk of an IT breakdown or lack of liquidity as extremely small.

3.4 THE CAPITAL BASE

At the end of 2011, Danske Bank's capital base amounted to DKK 162.1 billion, and the total capital ratio was 17.9%. The capital base consists of tier 1 capital and tier 2 capital. On the same date, tier 1 capital amounted to DKK 145.0 billion, or 16.0% of RWA, and core tier 1 capital amounted to DKK 106.8 billion, or 11.8% of RWA.

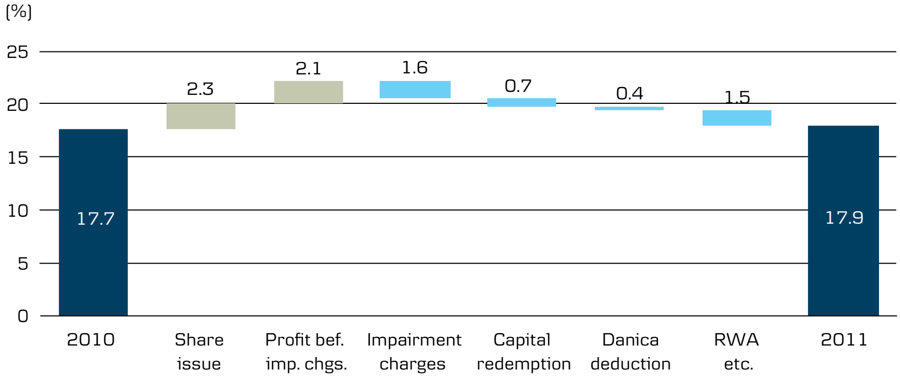
The various components of the capital base are shown below.

DANSKE BANK GROUP'S CAPITAL BASE

At 31 December (DKK millions)	2011	2010
Solvency calculations		
Shareholders' equity	125,855	104,742
Revaluation of domicile property	1,281	1,253
Pension liabilities at fair value	348	-73
Tax effect	-58	2
Reserves in pro rata consolidated companies	2,991	3,002
Shareholders' equity calculated in accordance with the rules of the Danish FSA	130,417	108,926
Expected dividends	-	-
Intangible assets of banking operations	-22,127	-22,666
Deferred tax assets	-1,600	-1,548
Deferred tax on intangible assets	923	1,069
Revaluation of real property	-743	-675
Other statutory deductions	-44	-
Core tier 1 capital	106,826	85,106
Hybrid capital	42,366	42,208
Difference between expected losses and impairment charges	-	-
Statutory deduction for insurance subsidiaries	-4,175	-2,422
Other statutory deductions	-	-55
Total tier 1 capital	145,017	124,837
Subordinated debt	20,480	26,710
Revaluation of real property	743	675
Difference between expected losses and impairment charges	-	-
Statutory deduction for insurance subsidiaries	-4,175	-2,422
Other statutory deductions	-	-55
Capital base	162,065	149,745
Risk-weighted assets	905,979	844,209
Core tier 1 capital ratio (%)	11.8	10.1
Tier 1 capital ratio (%)	16.0	14.8
Total capital ratio (%)	17.9	17.7

The Group's total capital ratio rose in 2011, mainly because of the share offering in the spring. Its earnings compensated for the relatively high level of loan impairment charges that continued during the year.

CHANGE IN TOTAL CAPITAL RATIO IN 2011



3.4.1 Core tier 1 capital

Tier 1 capital consists of core tier 1 capital and hybrid capital less statutory adjustments.

Starting with the Group's shareholders' equity calculated according to International Financial Reporting Standards (IFRSs), the Group makes several adjustments in order to determine its core tier 1 capital.

First, shareholders' equity is subject to the following adjustments in accordance with the Danish FSA's rules:

- Domicile property is recognised at estimated fair value. Revaluation to a value above the cost of acquisition is recognised as tier 2 capital.
- The corridor method for treating pension obligations in accordance with IAS 19 is not used in the capital base calculations. Instead, pension obligations are recognised as the present value of expected future payments calculated by external actuaries.

Shareholders' equity is then subject to certain deductions in accordance with the Danish Executive Order on the Calculation of the Capital Base that derive from the CRD. These are the main deductions:

- Proposed dividend
- Carrying amounts of intangible assets, including goodwill
- Deferred tax assets

The Group's core tier 1 capital also includes special reserve funds totalling DKK 3.0 billion in two companies (LR Realkredit A/S and Danmarks Skibskredit A/S) that are consolidated on a pro rata basis in the solvency calculations but included as associates in the Group accounts. These reserve funds cannot be distributed but can be used to cover any losses at the companies after their other reserves.

3.4.2 Statutory deductions from the capital base

The calculation of tier 1 and tier 2 capital also entails several additional deductions in accordance with the Danish Executive Order on the Calculation of the Capital Base (these deductions also derive from the CRD).

The Group's tier 1 and tier 2 capital are each subject to statutory deductions equal to half of the following (only the actual deductions in 2010 and 2011 are shown):

- Danica's capital requirement, less the difference between Danica's capital base and the carrying amount of Danske Bank's capital holdings in Danica.[1] This method ensures that the Group's capital base is reduced fully through a deduction from Danica's capital base, among other things.
- Capital holdings in other credit and finance institutions that represent more than 10% of the share capital of the institutions, excluding capital holdings in subsidiaries and associates (certain financial institutions).

The deduction for Danica rose in 2011, mainly because of the early redemption of DKK 3 billion of Danica's supplementary capital.

CAPITAL BASE DEDUCTIONS FOR INSURANCE SUBSIDIARIES AND OTHER DEDUCTIONS

At 31 December (DKK millions)	2011	2010
Capital requirement at Danica	8,503	7,987
Less the difference between		
Danica's capital base	19,095	22,078
Danske Bank's capital holding	19,193	19,221
Danica's holding of Danske Bank shares etc.	251	286
Deduction for insurance subsidiaries	8,350	4,844
Deductions for holdings in other credit institutions	-	110
Total deductions, divided equally between tier 1 and tier 2 capital	8,350	4,954

Note: Danske Bank's capital holding in Danica at the end of 2011 is reduced by a proposed dividend from Danica of DKK 550 million (end-2010: DKK 1,771 million).

3.4.3 Hybrid capital and subordinated debt

At the end of 2011, the Group's hybrid capital, which is included in tier 1 capital, amounted to DKK 42.4 billion.

The amount includes the hybrid capital that Danske Bank A/S and Realkredit Danmark A/S raised from the Danish state in May 2009: DKK 24.0 billion and DKK 2.0 billion, respectively. The loans can count as up to 35% of tier 1 capital calculated before the deduction for Danica. Danske Bank A/S's loan may not be redeemed early until 11 April 2014, and Realkredit Danmark A/S's loan may not be redeemed early until 11 May 2012. Until 10 May 2014, the loans can be redeemed at par, on the condition that the tier 1 capital ratio is at least 12.0% after the redemption or that the loans are replaced by other capital of the same or a higher loss-absorbing capacity. From 11 May 2014 to 10 May 2015, the loans can be redeemed early at a price of 105, and afterwards, at a price of 110.

The Group's other hybrid capital consists of loans of DKK 16.4 billion. These loans can be redeemed in 2014 and 2017 at the earliest, and they can be redeemed early only upon the Group's initiative. The loans entail moderate incentives for redemption. They can count as up to 15% of tier 1 capital before deductions from tier 1 capital, and they did not exceed this limit in 2010 and 2011.

Early redemption of the Group's hybrid capital in every case requires the Danish FSA's approval.

At the end of 2011 and 2010, all of the hybrid capital could count as tier 1 capital except for certain minor issues from Sampo Bank that were counted as tier 2 capital.

1 The carrying amount of Danske Bank's holdings in Danica less the total deduction for Danica in the Group's capital base is included in the RWA calculation at a 100% weight.

The Group's subordinated debt can be included in the capital base as tier 2 capital, as long as tier 2 capital does not exceed 50% of the capital base. At the end of 2011, subordinated debt amounted to DKK 20.5 billion.

According to the Danish Executive Order on the Calculation of the Capital Base, the most important differences between hybrid capital and subordinated debt included in tier 2 capital are as follows:

- Subordinated debt is senior to hybrid capital.
- Hybrid capital may not mature until at least 30 years after issuance and in practice usually has perpetual maturity. There is no minimum term for subordinated debt, but in practice the term is usually at least six years. The amount of subordinated debt that can count as tier 2 capital declines 25%, 50% and 75% when the time to maturity is less than three years, two years and one year, respectively.
- If a company does not have free reserves, interest accrual on hybrid capital ceases until free reserves are re-established.
- Hybrid capital may not be subject to early redemption until at least five years after disbursement, except for hybrid capital raised from the Danish state, which may be redeemed after three years. There is no minimum term for early redemption of subordinated debt, but in practice it is usually after at least three years.

In 2009, the EU introduced rules on hybrid capital in the CRD (CRD II). These stricter rules took effect in Denmark on 1 July 2010. The Danske Bank Group's existing hybrid capital instruments do not fulfil the provisions of the new rules but are covered by the transitional provisions in the Danish Executive Order on the Calculation of the Capital Base and must be phased out over a number of years. See also section 3.6 for a description of the coming EU regulations on capital instruments and the effects on Danske Bank.

For a further description of the conditions for the individual issues of the Group's hybrid capital and subordinated debt, see note 32 in Danske Bank's Annual Report 2011.

3.5 CONSOLIDATION METHODS

Risk Management 2011 is based on the definition of the Danske Bank Group used in Annual Report 2011. This definition complies with IFRSs. According to IFRSs, Danske Bank A/S's subsidiaries are the companies in which it has direct or indirect control over financial and operating policy decisions.

Danica is consolidated in the Group's accounts and is included in the consolidated supervision of the Group. According to EU rules, the Group is defined as a financial conglomerate because of its ownership of Danica. For this reason, the solvency calculations are consolidated according to the deduction method described in section 3.4.2.

In its solvency calculations, the Group consolidates Danmarks Skibskredit A/S and LR Realkredit A/S on a pro rata basis, whereas, for accounting purposes, it treats the two companies as associates, that is, in accordance with the equity method. The Group has holdings of 24% and 31%, respectively, in the two companies. Danmarks Skibskredit A/S offers shipowners and other shipping companies loans secured by mortgages on vessels. As of mid-2011, the company had total assets of DKK 82 billion and a total capital ratio of 16.6%. LR Realkredit A/S provides mortgage loans primarily for subsidised housing and other subsidised properties. As of mid-2011, the company had total assets of DKK 14 billion and a total capital ratio of 25.0%.

Companies that the Group has taken over because of defaulted obligations have been consolidated in the accounts and will be sold as soon as market conditions permit. They are not included in the calculation of the capital base, but the holdings are included in the calculation of RWA.

The table below shows the differences between the ordinary consolidation principles used in the financial statements and those used in solvency calculations for subsidiaries and associated credit institutions.

CONSOLIDATION PRINCIPLES FOR SUBSIDIARIES AND OTHER UNITS UNDER DANSKE BANK A/S

Subsidiaries and other holdings of Danske Bank A/S	Consolidation in solvency calculations			Consolidation in accounts	
	Full	Pro rata	Capital deduction	Full	Associates
Credit institutions	x			x	
Associated credit institutions		x			x
Insurance operations (consolidated according to capital deduction method)			x	x	
Investment and real property operations etc.	x			x	
Foreclosed companies (risk-weighted)				x	

3.6 NEW CAPITAL REGULATIONS

In July 2011, the European Commission released a proposal for a major revision of the CRD (CRD IV). The proposal implements Basel III in the EU, among other things. Political deliberations are taking place in the EU until 2013, so the rules in the proposal may have changed by that time.

The rules will take effect on 1 January 2013. According to the proposal, the details of the regulations on liquidity and other areas will be determined afterwards, and the member states must determine the degree of implementation of the capital requirements in the period until 2019.

The Group believes it is important that the implementation in the EU does not deviate from the implementation period in Basel III and that the capital adequacy rules are as nearly uniform as possible in all countries.

The Group does not think that the European Commission's proposal for CRD IV will entail stricter capital requirements for the Group than does Basel III.

The new capital standards will cause a sharp rise in the minimum capital requirement for credit institutions.

The minimum capital requirement for core tier 1 capital will be phased in gradually from the current 2% of RWA to 7%. The 7% requirement will include a "capital conservation buffer" of 2.5%, and if an institution does not maintain the buffer, restrictions will be placed on its dividend payments, among other things. In addition, the national supervisory authorities may make requirements for a countercyclical buffer of up to 2.5% that will function as an extension of the capital conservation buffer.

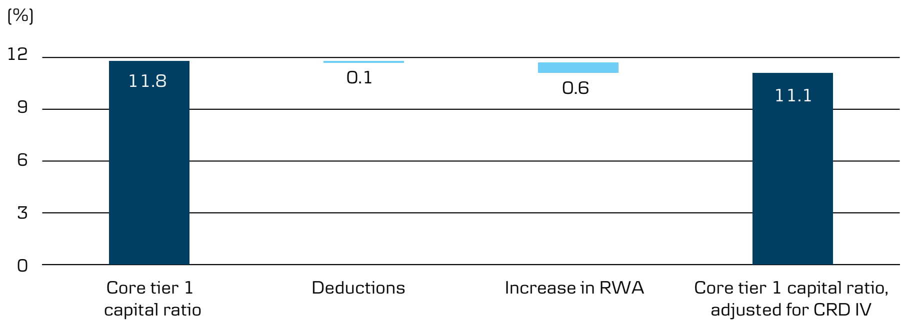
The proposal also contains stricter requirements for the quality of capital that may count as core tier 1 capital, and the rules for the calculation of RWA will become more stringent.

The Danske Bank Group estimates that its current core tier 1 capital ratio of 11.8% will be reduced by around 0.7 of a percentage point when calculated on the basis of the fully phased-in CRD IV proposal.

The Group estimates that 0.6 of a percentage point of the reduction will come from a rise in RWA that derives mainly from a higher requirement for counterparty risk. The estimated rise in RWA may be relatively volatile over time, however, because of changes in market conditions and market positions.

The rest of the reduction derives from deductions from core tier 1 capital related mainly to an expected deduction for net assets in defined benefit pension plans.

CORE TIER 1 CAPITAL RATIO, ADJUSTED FOR CRD IV



According to the EU rules, the Group is a financial conglomerate, and Danica is included in the consolidated supervision of the Group. The Group uses the EU rules for financial conglomerates implemented in the Executive Order on the Calculation of the Capital Base in its calculation of the deduction for Danica (see section 3.4.2). In CRD IV, the European Commission is proposing that the national supervisory authorities can permit financial institutions to continue to use the conglomerate rules instead of the coming CRD IV deduction rules. According to the CRD IV proposal, however, the EBA must present a proposal making the existing deduction rules in the EU directive on financial conglomerates more precise by the beginning of 2013. The EU Commission is expected to make a proposal for a major revision of the directive on financial conglomerates in 2013. In the future, this may cause changes in the Danish rules for financial conglomerates' treatment of insurance subsidiaries in their solvency calculations.

In the estimated effect of CRD IV, the Group has not taken into account any change in the treatment of capital for Danica as a result of more precise details from the EBA or changes in the directive on financial conglomerates. If the full current deduction for Danica of DKK 8.4 billion is to be taken from core tier 1 capital, the Group estimates that this in itself will reduce the core tier 1 capital ratio by a 0.9 of a percentage point. Under the current rules, half of the amount is deducted from core tier 1 capital and half from tier 2 capital.

The deduction rules for investments in insurance subsidiaries that are not part of a financial conglomerate in the CRD IV proposal and Basel III include a deduction for that part of the investment that exceeds 10% of the credit institution's core tier 1 capital. In addition, a 250% risk weight must be used for that part of the investment that is not deducted from core tier 1 capital. If the investment in Danica of DKK 18.9 billion at the end of 2011 were treated according to that method instead, the Group estimates that this in itself will reduce the core tier 1 capital ratio by 1.0 percentage point.

The CRD IV proposal also contains stricter criteria for the inclusion of a capital instrument in the capital base. The intention is to ensure higher loss absorption for these instruments. This applies particularly to instruments under tier 1 capital that can be included as hybrid tier 1 capital (called "additional tier 1 capital") and instruments that can be included as tier 2 capital.

According to the definitions of additional tier 1 capital and tier 2 capital, these instruments may not have incentives for the issuer to redeem them, among other things. Most of Danske Bank's current hybrid capital and subordinated debt has moderate incentives for redemption in the form of interest rate step-up clauses. Partly for that reason, the capital instruments would qualify under the transitional rules proposed in CRD IV.

According to the CRD proposal, instruments that do not qualify as additional tier 1 capital or tier 2 capital and that were issued before 20 July 2011 will be phased out over a 10-year period beginning on 1 January 2013, assuming that the individual member states do not choose to shorten the implementation period. In addition, instruments that carry an incentive for redemption will be phased out at their effective maturity dates. Issues covered by state support programmes issued before 20 July 2011 will be grandfathered until 31 December 2017.

Regarding the leverage ratio, CRD IV proposes that credit institutions' ratios must be covered under Pillar II in the dialogue between the supervisory authority and the institution on the institution's assessment of risks and its solvency need ratio. CRD IV proposes a definition of the leverage ratio as tier 1 capital as a percentage of total exposure. According to the proposal, political decisions on whether the leverage ratio should be a binding requirement under Pillar I beginning in 2018, for example, and whether the definition should be adjusted will not be made until after 2016. On the basis of the definition in CRD IV, Danske Bank estimates that its leverage ratio at the end of 2011 was 4.4%.

In November 2011, the G20 countries agreed on a set of international guidelines for the regulation and supervision of SIFIs.

The guidelines include a requirement that SIFIs have a higher loss-absorbing capacity than the minimum requirements in Basel III. A group of global SIFIs has been designated, and they will be subject to stricter supervision and higher capital buffer requirements than stipulated in Basel III.

As part of the political agreement on the Danish Bank Package 4 in August 2011, it was decided that a committee should determine, on the basis of the coming EU regulations, the criteria that an institution must fulfil in order to be considered a Danish SIFI. The committee will also set forth the requirements that will be placed on SIFIs in Denmark and the instruments that can be used with SIFIs that encounter difficulties.

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

4. CREDIT RISK

The Danske Bank Group offers loans, credits, guarantees and other products as part of its business model and thus undertakes credit risk.

Credit risk is the risk of losses arising because debtors or counterparties fail to meet all or part of their payment obligations. Included in credit risk is the risk of losses because an entire country may encounter financial difficulties or because of political decisions regarding such matters as nationalisation and expropriation.

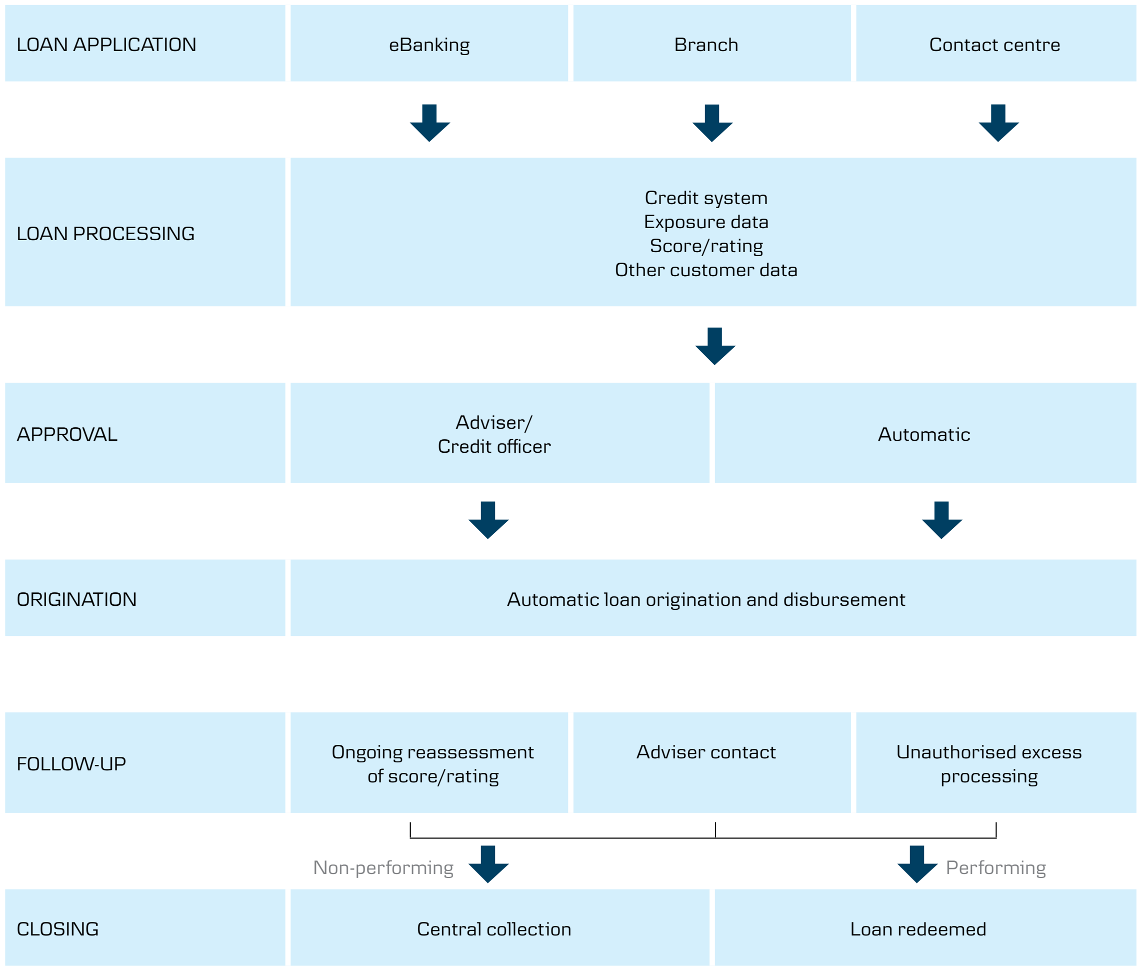
The risk of losses because of customers' default on derivatives transactions is called counterparty risk, and it is treated separately in section 5.

At the end of 2011, 83% of the Group's risk-weighted assets were allocated to credit risk. On the same date, the total credit exposure for accounting purposes amounted to DKK 3,611 billion (end-2010: DKK 3,402 billion), with DKK 2,299 billion coming from lending activities (end-2010: DKK 2,363 billion) and DKK 1,020 billion from trading and investing activities (end-2010: DKK 761 billion).

4.1 THE CREDIT PROCESS

The Group's credit management process is based on guidelines and policies set forth by the Board of Directors. The Group is working to establish a more formal process for its risk appetite to supplement the current credit management process. Credit management ensures a match between customers' creditworthiness and the lending authorities granted to credit officers, among other things. Thus, when a customer's creditworthiness declines, the lending authority is reduced. The Group's central monitoring of credit exposures is managed with the Group's credit system, which contains information on the creditworthiness, the size and utilisation of all facility types, and the estimated realisation value of collateral after a haircut.

DANSKE BANK GROUP'S CREDIT PROCESS



4.1.1 Credit policies

The Board of Directors sets the overall credit policies for the Group.

In its credit policies, the Group places an emphasis on building long-term relationships with its customers, among other things. Credits are generally granted on the basis of an understanding of customers' individual financial circumstances and of special assessments of market conditions.

The Group's ongoing monitoring of developments in the customers' financial situation enables it to assess whether the basis for granting the credit facility has changed. The facilities should match the customers' creditworthiness, capital position and assets to a reasonable degree, and customers should be able to substantiate their repayment ability. In order to reduce credit risk, the Group generally requires collateral that corresponds to the risk for the product segment. It normally requires collateral for credit facilities with a long maturity (over five years) and for the financing of fixed assets.

The guidelines from the Board of Directors are supplemented by more detailed credit-granting guidelines for various customer groups and products.

4.1.2 The approval process and lending authorities

Credit granting is operationalised by means of a hierarchical lending authority structure in which Group Credit, acting on behalf of the Executive Board, delegates lending authorities and sets credit-granting guidelines for the business units.

Lending authorities depend on the business unit, branch category, employee category and other factors. Lending authority limits at the individual business units are adjusted to market conditions.

When processing credit applications, the Group uses a group-wide credit system. For each application, the Group gathers various information that is used as the basis of decision. The information includes the following:

- Overview of facilities and collateral
- Financial analysis data or financial data from the annual tax assessments of personal customers
- Supplementary comments on the application
- Industry category
- Classification
- Company profile
- Internal risk profile of the customer
- Credit bureau information
- Overview of the Group's total exposure to the customer and the customer's group companies

4.1.3 Monitoring

The Group monitors credit facilities centrally through its credit systems, at the customer level as well as the portfolio level.

Monitoring at the customer level

The Group registers the customers' classifications, data on the limits and utilisation of all facility types, and information on the estimated realisation value of collateral after the deduction of a haircut. The Group sets limits for customers individually according to the customer classification and the collateral provided. At least once a year, it reviews all exposures above a certain amount and updates the files, usually with new financial information.

Customers that exhibit a weak financial performance are transferred to a watch list so that the Group can monitor them more closely and reduce the risk of losses. A watch list of large customers is reviewed regularly by the Board of Directors.

When a large customer shows signs of financial difficulty, one of the Group's workout functions takes over the credit process. The workout function prepares an action plan that must be carried out in order to address the challenges that the customer faces.

Because of the financial crisis, the Group has increased its monitoring of exposure to sovereign counterparties. The determination of limits for sovereigns is thus affected by the trend in the relevant CDS indices.

Monitoring at the portfolio level

The Group manages portfolios for individual industries by determining the credit appetite and limit for each industry on the basis of total exposure, credit quality and industry outlook. The portfolio monitoring and reporting system enables the Group to manage portfolios and to focus on specific industries and business units.

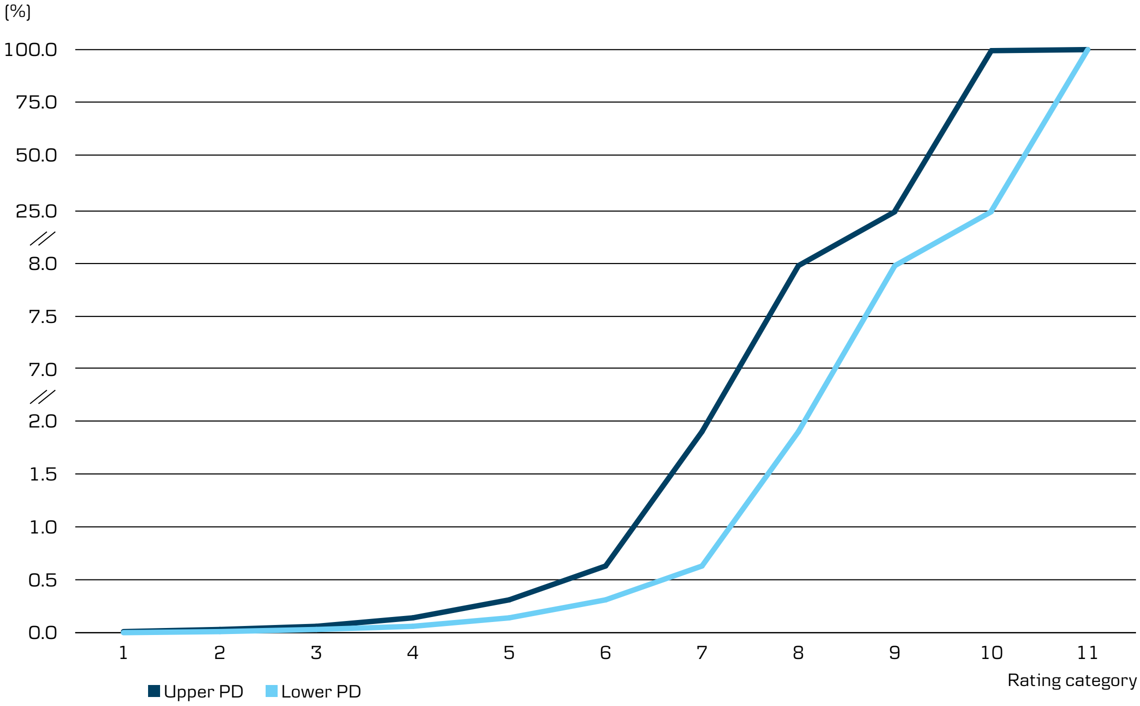
4.1.4 Risk classification

As part of the credit process, the Group classifies customers according to risk and updates the classification upon receipt of new information about them.

The main objectives of risk classification are to rank the Group's customer base according to risk and to estimate the probability of default (PD) of each customer. The risk classification process also ensures a shared understanding across the Group of the credit risk that customers pose.

The Group's overall classification scale consists of 11 main rating categories. Most of the categories are divided into two or three sub-categories, making a total of 26 rating categories. In the following section, the term "rating categories" refers to the 11 main categories of the overall scale, which covers both ratings and credit scores.

RATING CATEGORY AND PD BAND (PIT)



In its credit risk management process, the Group uses point-in-time (PIT) estimates for risk classification. These PIT PD estimates are based on inputs that are sensitive to the underlying business cycle, and the PD estimates will thus change over a business cycle. As the underlying PD bands of the overall scale are fixed, the percentage of customers within each PD band will vary in accordance with the effects of the business cycle. During a recessionary period, a customer's PIT PD will thus increase and the customer will migrate to a lower rating category. The migration effect of using the PIT PD will thus be larger than if the classification were based on the through-the-cycle (TTC) PD, which the Group uses to measure risk-weighted assets for credit risk.

Rating process

The Group uses a number of rating models that it has developed for classifying customers in various groups. Group Credit is responsible for the overall rating process, and Group Finance is responsible for the rating models and the validation of the rating process.

Customer ratings are reassessed periodically. The ratings of large business and financial customers are reassessed more frequently than those of smaller customers. The reassessments are based on new information, including financial statements, budgets and other information that affects customers' creditworthiness.

Group Credit rates the largest customers, while small customers are rated by the local units' credit departments. Group Credit ensures that the part of the process that is carried out locally follows the same overall guidelines as the process used at the head office for the largest customers. Two persons are always involved in a rating decision: a rating officer who recommends the rating and a senior rating officer with authority to approve the rating.

After a rating reassessment has been approved, the rating applies until new information is received and the rating is reassessed again.

4.1.5 Rating of customers

Business and financial customers are rated with a model that builds primarily on the customer's financial statements. An assessment of the customer's prospects and qualitative information such as the earnings outlook for the industry and an evaluation of the company's management are also considered. Customer advisers can provide factual information for the process but have no influence on the outcome. On the basis of this input, the model proposes a rating, but the final rating is based on input from expert assessments as well.

The Group rates sovereign counterparties and central banks by converting external ratings from international rating agencies. Ratings of local governments and other local authorities are based on expert assessments. The Group follows rules that it has defined for each country on the basis of local conditions.

Ratings of customers that apply for facilities that require the approval of the Board of Directors are submitted to a member of the Credit Committee for approval.

4.1.6 Credit scoring of customers

The Group assigns credit scores to customers that are not rated. These customers include personal customers and small business customers. The Group has developed statistical models based on the information it possesses about customers to predict the likelihood that a customer will default on payment obligations to the Group.

The credit score represents the risk of loss on an exposure on the basis of well-defined characteristics of the customer's financial situation. Customer advisers use the credit scores in granting loans and in pricing. Since the accessibility of data about personal customers varies from country to country, the Group has developed personal customer models for each market in which it operates.

The models ensure that the Group always has an updated credit score for each customer. The score is based on either application data (for new customers) or behavioural data (for existing customers). Customer downgrades are made in accordance with certain rules, for example after a specific period of arrears.

4.1.7 Risk mitigation

A key element in the Group's credit policy is reducing risks in the loan portfolio by entering various risk-mitigating agreements. For many loan products, collateral is required by statutory regulations, as in mortgage finance.

The most important means of mitigating risk that the Group uses are pledges, mortgages, sureties and guarantees. The most common types of collateral the Group receives, measured by volume, are mortgages on real property and financial assets in the form of shares or bonds.

The initial valuation of the collateral takes place during the credit approval process, when the Group collects information that enables it to make a sound valuation. The Group regularly reassesses the value of the collateral. The valuation is based on realisation values within a six-month time horizon.

For the most common collateral types, the Group uses models to estimate the value. For collateral types for which there is no valuation model, the Group calculates the value manually.

The current collateral value is subject to a haircut that represents the risk that the Group will not be able to obtain proceeds from a sale of the collateral equal to the expected market value.

The haircut thus includes maintenance costs in the period when the asset is for sale, fees for external advisory services and any loss in value. For real property, the haircut depends on the property type and usually ranges from 20% to 40%. The haircut includes the haircut made during the impairment process mentioned in section 4.1.8 below. For listed securities, the haircut is calculated with an internal model based on 20-day price volatility. For unlisted securities, the haircut is 100%.

In some cases, the Group receives guarantees or sureties for credit facilities. Many are provided by companies or persons related to the debtor. Because of the default correlation, no independent value is attached to such guarantees.

The Group conducts backtests of its valuation models annually and supplements them with quarterly follow-ups. The Group also regularly evaluates the validity of external inputs on which the valuation models are based.

4.1.8 The impairment process

The Group conducts impairment tests quarterly, assessing all credit facilities for objective evidence of impairment (OEI). The Group has defined a set of risk events that qualify as OEI.

Some risk events are registered automatically in the Group's systems, and others are registered manually by credit officers or customer advisers on a regular basis. Both local and central credit departments conduct OEI assessments.

Impairment charges are based on discounted cash flows. The Group's system calculates impairment charges for small loans automatically, taking into account the discounted market value of the collateral after the deduction of the costs of realising the assets (a haircut).

The accumulated impairment charges constitute the allowance account. Part of the allowance account is reserved for future interest income calculated according to the effective interest method.

The IASB is preparing a new set of rules on impairment charges for financial instruments. The Group is following this process, and the rules are expected to be announced in 2012 and to take effect in 2015. Because of the great uncertainty about the final form of the rules, it is still too early to assess their effect on the Group's future impairment charges.

Individual impairment charges

When OEI appears for a facility, the Group applies it to all the customer's facilities and calculates the impairment charge on the basis of the total exposure. In certain cases, OEI for one customer can spread to other customers when the customers have a "financial relationship", for example if they are part of the same customer group. Impairment charges for all medium and large exposures with OEI are assessed by a senior credit officer.

Customers with OEI are downgraded to category 11 when the customer is in default (that is, the customer's PD is set at 1). Even fully collateralised exposures are downgraded. For personal customers that are downgraded to category 11, OEI often consists of a facility's becoming 90 days past due. For business customers that are downgraded to category 11, OEI usually appears when the customer is undergoing financial restructuring or has gone bankrupt.

Customers with OEI that are not in default are automatically downgraded to category 10. The OEI for these customers consists of significant financial difficulties, for example cash flow that appears insufficient in relation to the servicing of the customer's obligations over a realistic period at the same time that the current capital situation is unsatisfactory and a restoration of earnings and capital cannot be expected.

Impairment charges against facilities to customers in rating category 11 are based on the exposure with a deduction of the present value of the expected proceeds from realising collateral and other assets. The collateral values are calculated as the estimated realisation value within a six-month time horizon less a haircut of 5-15% to cover the estimated realisation costs (this haircut is part of the general haircut to which collateral is subject and which is described in section 4.1.7 above).

The calculation of impairment charges against facilities to customers with significant financial difficulties (in rating category 10) is based on an expectation of either financial restructuring or bankruptcy. In the restructuring scenario, the Group assumes that the customer is a going concern, although the debt is too high in relation to the cash flow. The credit officer's best estimate of the amount of debt that the borrower will be able to service in a future financial restructuring serves as a foundation for the impairment charge. On the other hand, if restructuring is judged to be impossible, the credit officer assumes that bankruptcy will occur, and the impairment charge is based on the exposure less the present value of the expected proceeds from realising the collateral and other assets.

During the collection process, the Group may determine that a loss is unavoidable, and the loan in question will be written off, either partly or fully. If the Group later arranges a payment agreement for a loan that has been written off, the loan is recognised in the balance sheet as a new loan at a value equal to the present value of the payment agreement.

Collective impairment charges

Loans and advances without OEI are included in a collective assessment of the need for any impairment charges. Collective impairment charges are calculated for loans with similar credit characteristics when a deterioration of the expected cash flow from the group has occurred but without an adjustment of the credit margin. The charges are based on a degradation of customers' rating classifications over time (migration). Customers are divided into groups according to their current ratings. Groups of facilities whose ratings have improved are included in the calculations.

When external market information indicates that an impairment event has occurred, even though it has not yet materialised in ratings, the Group registers an "early event" impairment charge. Early events represent an expected rating change because of deteriorating market conditions in an industry. If a rating downgrade does not occur as expected, the charge is reversed.

Collective impairment charges are calculated as the difference between the carrying amounts of the loans and advances in the portfolio and the present value of estimated future cash flows. According to the amortised cost method, the value of a portfolio cannot exceed the value at the initial recognition less amounts repaid during the period from initial recognition to the balance sheet date. Collective impairment charges are calculated by Group Credit.

4.1.9 Customers in default and repossessed assets

The Group makes a special registration for customers in default (rating category 11).

A default situation in a group of related customers requires an individual assessment of whether default should be registered for each customer in the group.

If a personal customer has an unauthorised excess or is in arrears, a file is set up and the customer's adviser decides whether or not to accept the unauthorised excess or arrears. If the excesses or arrears are deemed unacceptable, a reminder procedure is initiated. The procedure may lead to debt recovery proceedings through the courts of the country in question within 90 days of the claim.

Repossessed assets

The Group generally has no interest in taking over assets from customers. If a customer shows signs of default, the Group will begin by seeking a solution that can improve the customer's financial situation, including restructuring the customer's finances and financing.

If it is not possible to improve the customer's financial situation, the Group assesses whether to subject the customer's assets to a forced sale or whether the assets could be realised later at higher net proceeds.

At the end of 2011, the Group's holdings of repossessed properties stood at 161 at Realkredit Danmark, 59 at Retail Banking Finland, 76 at Banking Activities Northern Ireland, and 301 at Banking Activities Baltics. Strictly speaking, the Group has no repossessed properties in Ireland. From a historical perspective, the level of repossessed assets remained very low. At the end of 2011, the value of properties repossessed in Denmark amounted to DKK 317 million, and the value of such properties outside Denmark amounted to DKK 344 million.

REPOSSESSED PROPERTIES

	Holdings				2011		
Number of properties	2007	2008	2009	2010	New	Closed	Holding
Retail Banking Denmark	5	23	38	167	220	222	165
Segment from Realkredit Danmark	5	23	37	164	217	220	161
Retail Banking Finland	-	-	110	96	1	38	59
Retail Banking Sweden	-	-	-	-	-	-	-
Retail Banking Norway	-	-	-	-	-	-	-
Banking Activities Ireland	-	-	-	-	-	-	-
Banking Activities Northern Ireland	-	-	26	62	49	35	76
Banking Activities Baltics	-	7	71	216	153	68	301
Danske Markets	-	-	151	114	9	28	95
Total	5	30	396	655	432	391	696

Note: In accordance with Irish law, 163 properties subject to suspension of payments are under administration but are not included in the Group's holdings of repossessed properties.

4.2 CREDIT PORTFOLIO

The Group's credit exposure shown in the tables below is defined as balance sheet items and off-balance-sheet items that carry credit risk, and the exposure is calculated net of accumulated loan impairment charges. Most of the exposure derives from lending activities in the form of loans with and without collateral. Positions managed by the Group's trading and investment units also involve credit risk. A segment of credit risk concerns OTC derivatives and securities financing instruments, and it is designated as counterparty risk. Counterparty risk is treated in section 5. The overall management of credit risk covers counterparty risk; the credit exposure from securities positions, mainly at trading and investment units; and the risk on direct lending to the counterparties. For capital adequacy purposes, credit risk on securities in the trading book is not treated as credit risk but as market risk (see section 6 on market risk).

At the end of 2011, the total carrying amount of the Group's exposure was DKK 3,611 billion. Some DKK 2,299 billion derived from lending activities both in and outside Denmark, DKK 551 billion derived from the carrying amount of derivatives, and DKK 469 billion derived from other trading and investing activities, such as trading in bonds and other financial instruments.

BREAKDOWN OF CREDIT EXPOSURE (CARRYING AMOUNTS)

At 31 December 2011 (DKK millions)	Total	Credit exposure, lending activities	Counterparty risk (derivatives)	Credit exposure, other trading and investing activities	Insurance risk	Contracts, full risk assumed by customers
Balance sheet items:						
Demand deposits with central banks	18,015	18,015	-	-	-	-
Due from credit institutions and central banks	74,041	74,041	-	-	-	-
Repo loans with credit institutions and central banks	106,829	106,829	-	-	-	-
Trading portfolio assets	909,755	-	550,970	358,785	-	-
Investment securities	109,264	-	-	109,264	-	-
Loans and advances at amortised cost	977,284	977,284	-	-	-	-
Repo loans	149,198	149,198	-	-	-	-
Loans and advances at fair value	720,741	720,741	-	-	-	-
Assets under pooled schemes and unit-linked investment contracts	61,888	-	-	-	-	61,888
Assets under insurance contracts	230,668	-	-	-	230,668	-
Off-balance-sheet items:						
Guarantees	83,131	83,131	-	-	-	-
Loan commitments < 1 year	63,013	63,013	-	-	-	-
Loan commitments > 1 year	106,459	106,459	-	-	-	-
Other unutilised commitments	942	-	-	942	-	-
Total	3,611,228	2,298,711	550,970	468,991	230,668	61,888

At 31 December 2010 (DKK millions)	Total	Credit exposure, lending activities	Counterparty risk (derivatives)	Credit exposure, other trading and investing activities	Insurance risk	Contracts, full risk assumed by customers
Balance sheet items:						
Demand deposits with central banks	25,662	25,662	-	-	-	-
Due from credit institutions and central banks	89,619	89,619	-	-	-	-
Repo loans with credit institutions and central banks	138,481	138,481	-	-	-	-
Trading portfolio assets	641,993	-	333,743	308,250	-	-
Investment securities	118,556	-	-	118,556	-	-
Loans and advances at amortised cost	978,250	978,250	-	-	-	-
Repo loans	168,481	168,481	-	-	-	-
Loans and advances at fair value	701,715	701,715	-	-	-	-
Assets under pooled schemes and unit-linked investment contracts	59,698	-	-	-	-	59,698
Assets under insurance contracts	217,515	-	-	-	217,515	-
Off-balance-sheet items:						
Guarantees	90,290	90,290	-	-	-	-
Loan commitments < 1 year	61,551	61,551	-	-	-	-
Loan commitments > 1 year	109,407	109,407	-	-	-	-
Other unutilised commitments	852	-	-	852	-	-
Total	3,402,070	2,363,456	333,743	427,658	217,515	59,698

The risk on assets under pooled schemes and unit-linked investment contracts is borne solely by customers, and the risk on assets under insurance contracts is borne primarily by customers. The Group's risk on insurance contracts is described in section 9, which treats insurance risk. In addition to the credit exposure from lending activities, the Group has made loan offers and granted revocable credit commitments for DKK 355 billion (2010: DKK 396 billion). These items are included in the calculation of risk-weighted assets in accordance with statutory regulations. See the section in the appendix on credit risk, which contains a bridge between the credit exposure from lending activities for accounting purposes and the exposure used in the calculation of RWA (exposure at default, or EAD).

4.2.1 Credit exposure from lending activities

At the end of 2011, the Group's total credit exposure from lending activities amounted to DKK 2,299 billion, against DKK 2,363 billion at the end of 2010. This represents a decline of 2.7%. There were three main reasons for this situation:

- Many customers had good liquidity because of low consumption and low investments. Good liquidity reduces the utilisation of credit facilities with access to variable utilisation.
- The Group reduced its credit exposure to counterparties in selected segments.
- Accumulated impairment charges rose from DKK 43.8 billion in 2010 to DKK 48.6 billion in 2011.

Since the beginning of the financial crisis, developments in the quality of the Group's credit portfolio have been very uneven. In certain segments, there was a decline in quality in 2008 and 2009 and a subsequent improvement. In other segments – including personal customers – the decline has not been as bad as originally feared.

Section 4.2.2 outlines the developments in credit quality in selected segments since the beginning of the crisis, while this section focuses on the business units.

KEY FIGURES BROKEN DOWN BY BUSINESS UNIT

At 31 December 2011	Retail Banking				Banking Activities				Danske Markets and Treasury	Other	Total
(DKK millions)	Denmark	Finland	Sweden	Norway	Northern Ireland	Ireland	Baltics	CIB			
Credit exposure	976,962	158,008	203,319	145,658	52,480	52,695	22,158	256,188	365,692	65,551	2,298,711
Loans and guarantees	969,908	155,148	189,703	140,601	52,393	50,407	18,849	132,138	187,856	33,352	1,930,355
Commercial property loans	116,047	14,143	56,715	30,566	7,704	11,398	1,776	14,846	2,796	1,276	257,267
Residential property loans	510,951	84,279	63,486	67,512	15,111	22,518	10,726	-	-	12	774,595
Past due loans (%)	0.8	1.3	0.1	2.1	0.8	1.7	3.1	-	-	-	0.7
Impaired loans (%)	3.6	2.5	1.1	2.5	5.8	24.6	8.8	0.7	1.1	0.8	3.0
Loans in default (%)	1.3	1.8	0.5	0.8	4.7	14.2	5.2	0.4	1.0	0.0	1.4
Impairment ratio (bp)	44	12	11	27	416	1,257	-135	56	-55	40	68

At 31 December 2010

(DKK millions)	Retail Banking Denmark	Retail Banking Finland	Retail Banking Sweden	Retail Banking Norway	Banking Activities Northern Ireland	Banking Activities Ireland	Banking Activities Baltics	CIB	Danske Markets and Treasury	Other	Total
Credit exposure	973,075	146,697	198,334	138,386	51,872	62,678	25,314	254,535	439,065	73,500	2,363,456
Loans and guarantees	967,585	145,143	182,964	134,232	51,649	60,806	21,455	128,578	208,817	37,507	1,938,736
Commercial property loans	109,918	10,254	55,561	28,685	9,406	15,569	2,029	12,793	168	1,076	245,459
Residential property loans	507,919	75,530	61,374	61,674	14,354	24,640	11,678	-	-	25	757,194
Past due loans (%)	0.4	1.4	0.2	0.7	0.7	1.2	3.6	0.2	-	0.6	0.5
Impaired loans (%)	2.9	2.4	1.0	2.2	6.8	21.8	8.2	1.0	1.1	1.0	2.7
Loans in default (%)	1.0	1.5	0.6	0.6	3.5	13.5	4.8	-	1.0	0.4	1.3
Impairment ratio (bp)	79	6	6	7	241	817	96	2	-30	10	71

Note: Past due loans, impaired loans and loans in default are shown as a percentage of credit exposure. Past due loans include exposures with excesses without individual impairment charges. Impaired loans include exposures that are individually impaired and for which the impairment charge is assessed individually, that is, exposures in rating category 10 (not in default) and category 11 (in default). The loan impairment ratio is defined as impairment charges for the year as a percentage of loans and guarantees at the end of the year. Loans and guarantees as well as the impairment ratios for the individual business units are calculated after adjusting for intra-group loans and therefore deviate from the information in Danske Bank's annual report.

In 2011, lower credit demand in Denmark led to a 5.3% decline in credit exposure at Retail Banking Denmark, excluding Realkredit Danmark. The low demand related to both personal and business customers. The increased percentage of impaired loans derived mainly from SMEs, and it caused an increase in impairment charges, particularly in the second half of 2011. At Retail Banking Denmark, the impairment ratio was 44 bp of loans and guarantees at the end of 2011 (end-2010: 79 bp). Excluding Realkredit Danmark, the level was 131 bp (end-2010: 257 bp).

In the other Nordic countries, credit demand remained good, and credit exposure at the Retail Banking units in Norway, Sweden and Finland rose 4.9% in 2011. At Retail Banking Finland, demand for residential property loans was especially strong. At the end of the year, the impairment ratio for all these units was 16 bp (end-2010: 7 bp).

The negative trend in the Irish property market continued in 2011. Higher required returns and low activity had an adverse effect on property prices. In the commercial property segment, persistently low occupancy rates caused a further deterioration of credit quality. The negative macroeconomic trend also had an adverse effect on personal customers. High unemployment and lower disposable incomes put additional pressure on households. The Group experienced rising arrears for personal customers, although they were lower than the market average. At the end of 2011, the impairment ratio at Banking Activities Ireland was 1,257 bp, against 817 bp at the end of 2010.

At Banking Activities Northern Ireland, credit quality was affected particularly by the trend in the commercial property and personal customer segments. Falling property prices hurt the commercial property development segment especially. Rising unemployment affected the credit quality of personal customers. The need for impairment charges at the unit rose during the year, and the impairment ratio was 416 bp, against 241 bp at the end of 2010.

Demand from large corporate customers at Corporate & Institutional Banking was limited in 2011. Although credit quality at the unit was adversely affected by the trend in the shipping industry, the general credit quality remained good. At the end of the year, the impairment ratio was 56 bp (end-2010: 2 bp).

The industry breakdown below shows the Group's credit exposure broken down by industry and customer segments. The breakdown follows the Global Industry Classification Standard (GICS), supplemented by the Personal Customers, Subsidised Housing and Central and Local Governments categories.

CREDIT EXPOSURE FROM LENDING ACTIVITIES BROKEN DOWN BY INDUSTRY

At 31 December 2011	Retail Banking				Banking Activities						
(DKK millions)	Denmark	Finland	Sweden	Norway	Northern Ireland	Ireland	Baltics	CIB	Danske Markets and Treasury	Other	Total
Central and local governments	15,060	4,674	2,170	1,818	9,982	2,241	1,120	4,580	61,679	19,171	122,495
Subsidised housing companies	102,994	6,978	6,642	2,340	799	204	-	293	2,729	182	123,161
Banks	15,174	1,666	5,359	952	61	23	1,011	15,354	130,502	8,676	178,778
Diversified financials	7,273	1,410	2,952	2,119	26	1,425	233	21,671	107,226	8,675	153,010
Other financials	1,293	177	222	530	418	63	37	2,407	50,551	1,217	56,915
Energy and utilities	7,447	2,405	1,175	5,019	71	591	1,595	20,552	1,441	402	40,698
Consumer discretionary	30,718	6,370	11,195	4,228	3,636	2,557	1,299	19,912	900	2,393	83,208
Consumer staples	64,866	4,488	4,277	7,101	6,008	5,265	835	19,453	2,354	3,019	117,666
Commercial property	116,047	14,143	56,715	30,566	7,704	11,398	1,776	14,846	2,796	1,276	257,267
Construction, engineering and building products	5,631	3,125	6,800	1,605	2,781	2,834	519	11,242	425	1,610	36,572
Transportation and shipping	6,865	2,418	2,965	2,026	703	223	843	52,894	775	2,112	71,824
Other industrials	21,764	3,451	9,681	6,879	1,348	586	809	25,859	1,024	6,594	77,995
IT	2,799	671	1,492	881	57	71	22	9,277	171	174	15,615
Materials	5,431	3,332	5,033	1,674	966	71	395	22,212	460	2,909	42,483
Health care	6,490	945	955	688	786	328	108	13,112	2,606	1,544	27,562
Telecommunication services	294	692	418	229	2	189	90	2,520	48	12	4,494
Personal customers	566,816	101,063	85,268	77,003	17,132	24,626	11,466	4	5	5,585	888,968
Total	976,962	158,008	203,319	145,658	52,480	52,695	22,158	256,188	365,692	65,551	2,298,711

At 31 December 2010	Retail Banking				Banking Activities						
(DKK millions)	Denmark	Finland	Sweden	Norway	Northern Ireland	Ireland	Baltics	CIB	Danske Markets and Treasury	Other	Total
Central and local governments	12,838	4,092	2,144	1,251	6,964	1,901	562	4,158	101,813	26,477	162,200
Subsidised housing companies	97,895	6,806	6,258	2,833	767	141	-	185	33	62	114,980
Banks	12,465	1,637	5,740	1,218	214	114	3,757	16,352	137,815	11,609	190,921
Diversified financials	6,763	2,324	3,536	2,532	53	1,503	605	25,507	136,040	7,311	186,174
Other financials	690	74	96	278	584	118	175	2,827	57,345	2,172	64,359
Energy and utilities	9,477	2,388	1,437	4,346	433	54	968	18,941	75	356	38,475
Consumer discretionary	35,422	6,432	10,746	5,442	3,904	3,391	855	20,183	508	2,105	88,988
Consumer staples	66,871	3,394	3,525	4,241	5,857	6,298	1,349	18,461	1,244	2,983	114,223
Commercial property	109,918	10,254	55,561	28,685	9,406	15,569	2,029	12,793	168	1,076	245,459
Construction, engineering and building products	6,305	2,375	3,889	2,308	3,968	3,241	416	12,024	131	1,772	36,429
Transportation and shipping	7,351	3,139	6,125	3,088	711	252	908	49,180	177	2,292	73,223
Other industrials	23,824	3,794	10,769	7,006	919	1,189	698	29,388	463	5,269	83,319
IT	2,743	661	1,243	1,850	50	84	30	8,688	36	256	15,641
Materials	6,990	2,702	5,332	2,016	1,099	1,256	423	23,246	570	2,588	46,222
Health care	6,598	895	1,613	763	549	342	103	9,644	2,631	1,522	24,660
Telecommunication services	150	650	446	117	3	265	232	2,953	10	10	4,836
Personal customers	566,775	95,080	79,874	70,412	16,391	26,960	12,204	5	6	5,640	873,347
Total	973,075	146,697	198,334	138,386	51,872	62,678	25,314	254,535	439,065	73,500	2,363,456

The pressure on collateral values continued in 2011, mainly because of falling property values in Denmark, Ireland and Northern Ireland. Property values in Norway, Sweden and Finland remained more stable.

COLLATERAL RECEIVED

At 31 December 2011 (DKK millions)	Collateral					
	Total	Real property	Other	Credit exposure	Total unsecured credit exposure	Unsecured portion (%)
Retail Banking Denmark	666,947	640,609	26,338	976,962	310,015	32
Segment from Realkredit Danmark	561,370	561,370	-	720,741	159,371	22
Retail Banking Finland	121,791	107,460	14,331	158,008	36,217	23
Retail Banking Sweden	155,987	116,236	39,751	203,319	47,332	23
Retail Banking Norway	108,396	97,444	10,952	145,658	37,262	26
Banking Activities Northern Ireland	31,164	29,414	1,750	52,480	21,316	41
Banking Activities Ireland	30,680	29,114	1,566	52,695	22,015	42
Banking Activities Baltics	13,590	11,479	2,111	22,158	8,568	39
Corporate & Institutional Banking	36,706	4,758	31,948	256,188	219,482	86
Other	289,440	2,254	287,186	431,243	141,803	33
Total	1,454,701	1,038,768	415,933	2,298,711	844,010	37

At 31 December 2010 (DKK millions)	Collateral					
	Total	Real property	Other	Credit exposure	Total unsecured credit exposure	Unsecured portion (%)
Retail Banking Denmark	711,000	684,268	26,732	973,075	262,075	27
Segment from Realkredit Danmark	597,842	597,842	-	702,412	104,570	15
Retail Banking Finland	111,886	98,227	13,659	146,697	34,811	24
Retail Banking Sweden	143,470	110,911	32,559	198,334	54,864	28
Retail Banking Norway	102,464	91,538	10,926	138,386	35,922	26
Banking Activities Northern Ireland	31,239	30,021	1,218	51,872	20,633	40
Banking Activities Ireland	40,221	38,974	1,247	62,678	22,457	36
Banking Activities Baltics	13,251	11,989	1,262	25,314	12,063	48
Corporate & Institutional Banking	34,898	4,114	30,784	254,535	219,637	86
Other	425,520	2,471	423,049	512,565	87,045	17
Total	1,613,949	1,072,513	541,436	2,363,456	749,507	32

Note: Collateral values reflect haircuts (see section 4.1.7). "Other" collateral consists mainly of custody accounts and securities.

Banking Activities Ireland

In the past few years, the Group's Banking Activities unit in Ireland has faced considerable challenges because of the downturn in the Irish economy. The Group therefore considers it appropriate to give more detailed information about its credit exposure in Ireland, especially property financing.

At the end of 2011, the credit exposure at Banking Activities Ireland amounted to DKK 52.7 billion, or 2.3% of the Group's total credit exposure from lending activities. Accumulated loan impairment charges and losses since 2008 amounted to DKK 18.5 billion.

In 2011, the credit quality of Banking Activities Ireland's lending portfolio was adversely affected by the trend in prices in the residential and commercial property markets. At the end of 2011, commercial property prices had fallen on average more than 60% from their peak in 2006-07. In 2011, there were very few commercial property sales.

During the economic boom, it was a market practice for personal customers to be active investors in the Irish housing and property markets as well. Personal customers' investment properties were mainly in the residential rental segment. The homes acquired did not serve as the customers' homes but were leased instead. These investment properties were also adversely affected by the trend in the Irish market.

The deterioration of the Irish commercial and residential property markets since the beginning of the financial crisis is reflected in the fact that credit exposure to customers in rating categories 10 and 11 represented 25% of Banking Activities Ireland's total credit exposure at the end of 2011, against 1% at the end of 2007.

Since 2008, the gross credit exposure (credit exposure plus the allowance account) at Banking Activities Ireland has declined DKK 14.7 billion, with recognised losses accounting for DKK 4.7 billion.

BANKING ACTIVITIES IRELAND'S CREDIT EXPOSURE BROKEN DOWN BY SECTOR

At 31 December 2011 (DKK millions)	Gross credit exposure	Allowance account	Credit exposure	Portion from categories 10 & 11
Personal customers	26,565	1,939	24,626	1,864
Commercial property	19,582	8,184	11,398	7,589
Consumer staples	6,015	750	5,265	738
Construction, engineering and building products	4,224	1,390	2,834	1,807
Consumer discretionary	3,445	888	2,557	697
Central and local governments	2,241	-	2,241	1
Finance	1,618	107	1,511	79
Energy and utilities	597	6	591	8
Other industrials	2,228	556	1,672	161
Total, 2011	66,515	13,820	52,695	12,944
Total, 2010	72,242	9,564	62,678	13,634
Total, 2009	79,944	7,002	72,942	11,958
Total, 2008	81,207	1,855	79,352	6,631
Total, 2007	69,619	186	69,433	396

Note: Gross credit exposure is defined as credit exposure plus the allowance account. The gross credit exposure to personal customers at the end of 2011 breaks down into DKK 6,152 million to investment property (residential rental), DKK 17,961 million to the financing of owner-occupied housing and other loans of DKK 2,452 million.

At the end of 2011, gross credit exposure related to development, investment property, personal customers' residential rental property and contractors amounted to DKK 30 billion, or 45% of Banking Activities Ireland's total gross credit exposure. The allowance account for the segment stood at DKK 10.1 billion, or 73% of the total Irish allowance account.

CREDIT EXPOSURE RELATED TO DEVELOPMENT, INVESTMENT PROPERTY, CONSTRUCTION, ETC., AT BANKING ACTIVITIES IRELAND

At 31 December 2011 (DKK millions)	Development	Investment property: Commercial rental	Investment property: Residential rental	Personal customers' investment housing loans (buy-to-let)	Construction and building materials	Total
Gross credit exposure	6,548	8,876	4,158	6,152	4,224	29,958
Allowance account	3,006	3,443	1,735	553	1,390	10,127
Credit exposure	3,542	5,433	2,423	5,599	2,834	19,831

At 31 December 2010 (DKK millions)	Development	Investment property: Commercial rental	Investment property: Residential rental	Personal customers' investment housing loans (buy-to-let)	Construction and building materials	Total
Gross credit exposure	7,313	9,731	3,995	6,796	4,337	32,172
Allowance account	2,476	1,882	1,111	819	1,131	7,419
Credit exposure	4,837	7,849	2,884	5,977	3,206	24,753

Note: Development (property under construction) covers loans for financing in the construction phase, including lot financing, while investment property generates cash flows, primarily from the payment of rent from properties that serve either a residential or commercial purpose (office buildings, industrial properties, etc.).

For facilities with OEI, the impairment charge reflects the gap between the debt and the market value of the mortgaged property after a deduction for realisation costs. When market prices peaked, the required return was about 3.5% for office property in a prime location in central Dublin. Today the required return has risen to about 7.5%. For less attractive types of property in rural areas, the rate is 13.5% or more. A sensitivity analysis indicates that the need for impairment charges against investment property loans (excluding personal customers' investment property) may rise about DKK 500 million if the average required return increases an additional 1 percentage point.

At the end of 2011, the gross credit exposure related to personal customers' financing of owner-occupied housing amounted to DKK 18 billion, or 27% of Banking Activities Ireland's total gross credit exposure. The allowance account for the segment stood at DKK 1 billion, or 8% of the total allowance account for Banking Activities Ireland.

PERSONAL CUSTOMERS' FINANCING OF OWNER-OCCUPIED PROPERTY AT BANKING ACTIVITIES IRELAND

At 31 December 2011 (DKK millions)	(%) 0-20	20-40	40-60	60-80	80-100	> 100	Gross credit exposure, total	Allowance account	Credit exposure, total
Residential mortgage loans	4,306	3,755	3,111	2,411	1,722	2,656	17,961	1,042	16,919
By region:									
Dublin	2,027	1,721	1,398	1,059	722	1,105	8,032	598	7,434
Rest of Ireland	2,279	2,034	1,713	1,352	1,000	1,551	9,929	444	9,485
By loan type:									
Principal payments	3,549	3,050	2,483	1,895	1,334	1,971	14,282	282	14,000
Interest only	757	705	628	516	388	685	3,679	760	2,919

At 31 December 2010 (DKK millions)	(%) 0-20	20-40	40-60	60-80	80-100	> 100	Gross credit exposure, total	Allowance account	Credit exposure, total
Residential mortgage loans	6,517	5,220	3,664	2,059	982	605	19,047	384	18,663
By region:									
Dublin	2,744	2,200	1,623	1,014	540	395	8,516	84	8,432
Rest of Ireland	3,773	3,020	2,041	1,045	442	210	10,531	300	10,231
By loan type:									
Principal payments	5,482	4,310	2,968	1,666	798	466	15,690	234	15,456
Interest only	1,035	910	696	393	184	139	3,357	150	3,207

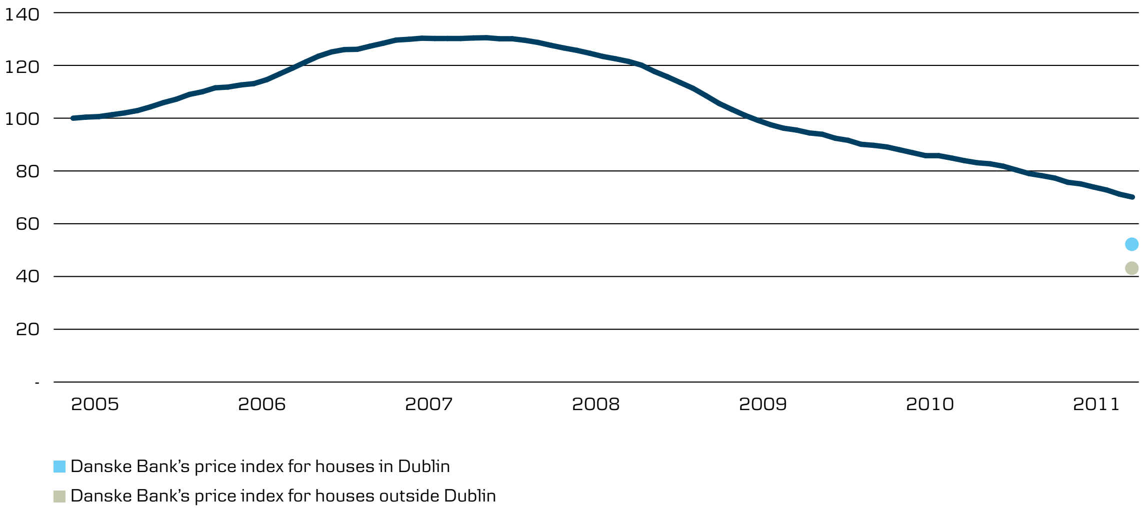
Note: In the breakdown, every krone lent is categorised according to its seniority in the total debt on the individual property. Gross credit exposure in the table excludes personal customers' investment housing (residential leasing), which at the end of 2011 amounted to DKK 6,152 million (end-2010: DKK 6,796 million).

Of the total gross credit exposure of DKK 18.0 billion, DKK 2.7 billion was above the 100% LTV ratio level. In 2011, the percentage of home mortgages that were more than 90 days past due rose from 1.7% to 3.0% (at the end of 2011). The trend was seen in the entire Irish market for home loans, where the percentage of loans past due rose from about 6% (at the end of 2010) to about 8% (at the end of the third quarter of 2011).

According to the general Irish price index (the CSO index), the average LTV ratio increased from 71% at the end of 2010 to 84% at the end of 2011.

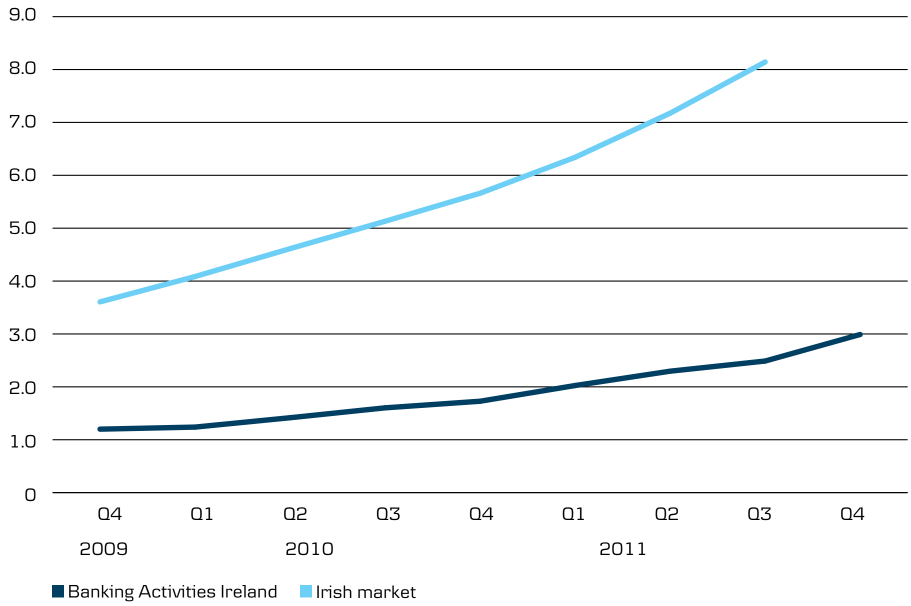
Because of the very low number of home sales, the Group decided in 2011 to stop using the general Irish price index for the valuation of owner-occupied housing. Combined with falling house prices, this caused the average LTV ratio to increase to 103% at the end of 2011, against 71% at the end of 2010.

HOUSE PRICE INDICES, IRELAND
Index 100 = March 2005



Source: Own data and Central Statistics Office (Ireland) (ESRI/CSO index).
Note: At Banking Activities Ireland, collateral is indexed on the basis of CSO values with a quarterly adjustment determined by Danske Bank.

RESIDENTIAL MORTGAGE LOANS IN IRELAND IN ARREARS > 90 DAYS
(%)



Source: Central Bank of Ireland and own reporting to the Central Bank of Ireland.

A geographical breakdown of the portfolio shows that almost half of the home mortgages are based on properties in Greater Dublin.

A segmentation of the portfolio according to the home mortgage debt-servicing profile shows higher LTV ratios for interest-only loans than for loans with repayment of principal. For interest-only loans, the allowance account represents 21% of the exposure, and for loans with repayment of principal, it represents only 2%. The latter account for 80% of the portfolio.

4.2.2 Trends in selected segments

This section describes developments in credit quality in selected other segments of the Group's lending portfolio since the beginning of the financial crisis. The tables show the trend in gross credit exposure, defined as credit exposure plus the allowance account, since 2007. They also show the unsecured segment and the Group's losses in each year. Next appears the part of the portfolio segment that has weak credit quality and is thus placed in rating categories 8 to 11 (see section 4.1.4 on the Group's risk classification). The Group subjects collateral to haircuts to take into account uncertainty about its future value (see section 4.1.7). A large portion of the unsecured exposure in categories 8-11 is owing to these haircuts.

Collateral values are calculated at values that the Group estimates could be realised within a six-month time horizon. In calculating impairment charges against assets with OEI, the Group makes a haircut of 5-15% to cover the costs of realisation (see also sections 4.1.7 and 4.1.8). In calculating RWA according to the CRD, the Group makes a haircut, usually of about 20-40%. This means that the unsecured amount calculated will be larger than the impairment charge against a given facility. In addition, for facilities with OEI that are not in default, the Group recognises an impairment charge according to a scenario which usually assumes a restructuring of the customer and in which the Group will not lose the full unsecured amount of the exposure. Because of these factors, the unsecured amounts in the tables will usually be higher than the sum of the impairment charges.

TREND IN THE TOTAL CREDIT PORTFOLIO

Year	Total portfolio			Portfolio categories 8-11				
(DKK millions)	Gross credit exposure	Unsecured	Actual loss for the year	Gross credit exposure	Unsecured	Portion from categories 8 & 9	Portion from categories 10 & 11	Allowance account
2007	2,684,674	962,490	1,242	178,505	61,629	54,327	7,302	4,900
2008	2,535,728	914,264	1,490	230,338	92,032	70,032	22,000	15,858
2009	2,338,515	845,294	5,291	320,096	155,756	108,608	47,148	37,095
2010	2,407,225	793,276	8,914	330,946	144,111	86,707	57,404	43,769
2011	2,347,315	892,613	11,166	319,542	146,432	82,419	64,013	48,604

Commercial property

The commercial property portfolio consists mainly of residential and commercial property leasing, construction projects and leasing administration. Commercial property values were hurt by the general downturn after the financial crisis, and since 2007 this portfolio has been subject to higher impairment charges than any other. This is particularly true of the Irish segment of the portfolio, and high charges were also necessary in Northern Ireland and Denmark.

In Ireland and Northern Ireland, the property sector has been hurt badly by falling property prices, and property developers in particular suffered from lower property values. Falling rental prices and occupancy rates in the property sector reduced the earnings capacity of leasing properties and hurt their credit quality. See the separate treatment of Banking Activities Ireland in section 4.2.1.

The market for residential and commercial property leasing in Denmark in 2011 saw falling occupancy rates, and retail sales were hurt especially badly by persistently low consumer spending.

COMMERCIAL PROPERTY PORTFOLIO BROKEN DOWN BY BUSINESS UNIT

Business unit	Total portfolio			Portfolio categories 8-11				
At 31 December 2011 (DKK millions)	Gross credit exposure	Unsecured	Actual loss for the year	Gross credit exposure	Unsecured	Portion from categories 8 & 9	Portion from categories 10 & 11	Allowance account
Retail Banking Denmark	119,538	38,616	538	33,916	14,077	7,765	6,313	3,490
Retail Banking Finland	14,201	2,363	3	3,258	686	611	75	58
Retail Banking Sweden	56,850	9,579	7	2,152	440	232	209	135
Retail Banking Norway	31,012	6,501	240	4,278	1,553	823	730	446
Banking Activities Ireland	19,582	12,231	1,477	19,026	12,134	1,550	10,584	8,184
Banking Activities Northern Ireland	10,349	3,779	64	7,790	3,328	1,144	2,184	2,645
Corporate & Institutional Banking	14,852	11,242	-	396	396	396	-	6
Other	4,097	183	2	69	52	25	28	26
Total	270,481	84,494	2,331	70,885	32,666	12,546	20,123	14,990

Note: Excluding Banking Activities Baltics.

TREND IN THE COMMERCIAL PROPERTY PORTFOLIO

Year	Total portfolio			Portfolio categories 8-11				
(DKK millions)	Gross credit exposure	Unsecured	Actual loss for the year	Gross credit exposure	Unsecured	Portion from categories 8 & 9	Portion from categories 10 & 11	Allowance account
2007	173,075	63,694	16	11,545	4,406	4,140	266	182
2008	207,759	66,439	34	26,125	9,397	5,686	3,711	2,913
2009	248,560	77,969	297	64,661	25,351	13,054	12,297	9,123
2010	254,580	78,696	1,888	69,857	29,239	13,075	16,164	11,150
2011	270,481	84,494	2,331	70,885	32,666	12,546	20,123	14,990

Note: Excluding Banking Activities Baltics.

The percentage of exposures in rating categories 8-11 in this segment rose sharply in the first years of the financial crisis, but it seems to have stabilised. The Group's allowance account for the segment has risen substantially in recent years. The segment remains sensitive to the economic climate, which in several markets means falling cash flow and increasing required returns.

The Group has become more stringent in both its credit policy on loans for commercial property and ongoing follow-up of these cases.

Personal customers

Most of the exposure to personal customers consists of loans secured on real property, and a small portion consists of consumer loans and credit facilities. The personal customer portfolio is well diversified by loan type, geography, amount and maturity. Total gross credit exposure to personal customers rose DKK 18.1 billion in 2011 to DKK 885.4 billion. At the end of 2011, total residential property loans, measured by gross credit exposure, amounted to DKK 790.3 billion, with DKK 421.3 billion issued by Realkredit Danmark. The losses are still relatively limited and involve mainly consumer loans and home loans that had high LTV ratios when they were approved. The Group has made its credit policy for home loans with high LTVs more stringent.

Considering the economic downturn since the financial crisis, the rise in losses on personal customers has been moderate. This is owing to diverse factors. In Denmark, unemployment has not risen much, and modest consumer spending has left a significant portion of personal customers with relatively good liquidity.

PERSONAL CUSTOMER PORTFOLIO BROKEN DOWN BY BUSINESS UNIT

Business unit	Total portfolio			Portfolio categories 8-11				
At 31 December 2011 (DKK millions)	Gross credit exposure	Unsecured	Actual loss for the year	Gross credit exposure	Unsecured	Portion from categories 8 & 9	Portion from categories 10 & 11	Allowance account
Retail Banking Denmark	571,360	162,768	828	63,136	27,062	20,853	6,209	4,544
Retail Banking Finland	101,787	9,866	76	15,934	3,657	2,701	955	724
Retail Banking Sweden	85,473	12,187	17	6,471	1,276	1,029	247	205
Retail Banking Norway	77,224	8,519	19	5,427	1,057	797	259	221
Banking Activities Ireland	26,565	9,059	12	8,168	3,728	2,008	1,720	1,939
Banking Activities Northern Ireland	17,359	3,607	9	3,982	1,187	950	237	227
Other	5,678	1,335	40	1,237	342	221	121	85
Total	885,446	207,341	1,001	104,355	38,309	28,559	9,748	7,945

Note: Excluding Banking Activities Baltics.

TREND IN THE PERSONAL CUSTOMER PORTFOLIO

Year	Total portfolio			Portfolio categories 8-11				
(DKK millions)	Gross credit exposure	Unsecured	Actual loss for the year	Gross credit exposure	Unsecured	Portion from categories 8 & 9	Portion from categories 10 & 11	Allowance account
2007	852,177	139,109	431	84,656	15,247	14,248	999	1,684
2008	835,168	150,546	732	74,677	21,699	19,257	2,443	1,425
2009	851,659	178,596	1,338	83,285	27,453	22,545	4,908	4,229
2010	867,321	172,333	1,601	110,117	34,418	28,716	5,702	6,178
2011	885,446	207,341	1,001	104,355	38,309	28,559	9,748	7,945

Note: Excluding Banking Activities Baltics.

Since 2007, the unsecured exposure in rating categories 8-11 has more than doubled. This trend derives mainly from Retail Banking Denmark, where the unsecured exposure rose DKK 15.9 billion. The negative trend was owing to falling house prices, which increased customers' sensitivity to events such as unemployment and divorce. The level of arrears at Realkredit Danmark remained low and declined in 2011, however. Higher unemployment and lower disposable income had an adverse effect on the credit quality of mortgage loans in Ireland and Northern Ireland, and house prices fell.

The credit quality of personal customers depends on several factors, particularly the level of interest rates, disposable income, unemployment and house prices. The unsecured exposure in rating categories 8-11 makes the portfolio sensitive to changes in these factors, with unemployment and property prices posing the most immediate risks. On the other hand, low interest rates have a positive effect on credit quality.

LTV RATIO: HOME LOANS TO PERSONAL CUSTOMERS BROKEN DOWN BY BUSINESS UNIT

At 31 December 2011 (DKK millions)	(%) 0-20	20-40	40-60	60-80	80-100	> 100	Gross credit exposure, total	Avg. LTV ratio 2011 (%)
Retail Banking Denmark	170,156	145,514	108,184	64,408	18,715	7,352	514,328	69
Segment from Realkredit Danmark	139,992	120,878	90,829	53,631	13,157	2,820	421,308	68
Retail Banking Finland	33,486	25,251	16,291	7,996	2,373	713	86,111	63
Retail Banking Sweden	21,549	18,009	13,061	7,463	2,177	1,280	63,539	70
Retail Banking Norway	27,462	23,691	16,027	6,508	1,122	1,044	75,853	64
Banking Activities Northern Ireland	5,481	3,945	2,662	1,657	901	1,001	15,648	78
Banking Activities Ireland	5,194	4,594	3,884	3,107	2,332	5,003	24,113	119
Banking Activities Baltics	2,992	2,548	1,994	1,387	879	925	10,726	84
Total	266,319	223,552	162,103	92,526	28,499	17,319	790,317	70

At 31 December 2010 (DKK millions)	(%) 0-20	20-40	40-60	60-80	80-100	> 100	Gross credit exposure, total	Avg. LTV ratio 2010 (%)
Retail Banking Denmark	176,837	147,904	105,907	59,127	18,114	3,390	511,277	67
Segment from Realkredit Danmark	144,251	122,645	88,996	49,176	13,318	-	418,386	66
Retail Banking Finland	30,155	22,607	14,573	7,018	2,069	637	77,059	62
Retail Banking Sweden	21,261	17,731	12,555	6,828	1,862	1,180	61,417	69
Retail Banking Norway	25,255	22,014	14,568	5,407	933	924	69,100	63
Banking Activities Northern Ireland	5,689	3,844	2,405	1,373	685	821	14,817	72
Banking Activities Ireland	7,959	6,534	4,801	2,979	1,667	1,903	25,843	84
Banking Activities Baltics	2,670	2,332	1,921	1,464	1,102	2,189	11,678	96
Total	269,826	222,966	156,729	84,196	26,431	11,043	771,190	67

Note: In the breakdown, every krone lent is categorised according to its seniority in the total debt on the individual property. For each property, the average LTV is calculated on the basis of the last krone lent. Collateral is incuded before haircuts.

The Group uses the loan-to-value (LTV) ratio, among other measures, to manage its credit exposure in the residential property loan portfolio. The total LTV ratio for personal customers rose from 50.3% at the end of 2007 to 69.9% at the end of 2011.

Agriculture

The agriculture portfolio represents 3% of the Group's total gross credit exposure, and it is one of the portfolios in which credit quality has declined the most. In Denmark, many farms are heavily indebted, and the unsecured segment in rating categories 8-11 has risen sharply since 2007.

The price of grains, like that of other commodities, rose sharply in the years preceding the crisis. The rise was followed by a sharp decline in 2008 that hurt agriculture badly. Since 2010, grain prices have risen significantly, and this has brought higher feed costs for pig farmers. Pork prices have not kept pace with the increase in costs, although they rose somewhat in 2011. Land prices, which are the biggest risk factor, peaked in 2008 and have fallen by about one third since then.

At the end of 2011, gross credit exposure at Retail Banking Denmark stood at DKK 56.2 billion, with exposure at Realkredit Danmark accounting for DKK 45.3 billion of this amount. Retail Banking Denmark had by far most of the Group's total agricultural portfolio. Gross credit exposure to pig farmers at the unit (excluding Realkredit Danmark) amounted to DKK 3.0 billion.

The trend in the portfolio in recent years reflects the challenges in the agricultural industry. The average LTV ratio rose from 49% at the end of 2007 to 74% at the end of 2011, and the allowance account rose from DKK 0.2 billion to DKK 3.0 billion. At the end of 2011, the allowance account at Retail Banking Denmark stood at DKK 2.6 billion, with the allowance account at Realkredit Danmark accounting for DKK 0.3 billion of this amount. Most of the impairment charges thus occurred at Retail Banking Denmark (excluding Realkredit Danmark), where 21% of total gross credit exposure to agriculture was impaired. The allowance account for pig farmers at Retail Banking Denmark (excluding Realkredit Danmark) stood at DKK 1.2 billion, yielding an accumulated impairment ratio of about 40%.

AGRICULTURE PORTFOLIO BROKEN DOWN BY BUSINESS UNIT

Business unit	Total portfolio			Portfolio categories 8-11				
At 31 December 2011 (DKK millions)	Gross credit exposure	Unsecured	Actual loss for the year	Gross credit exposure	Unsecured	Portion from categories 8 & 9	Portion from categories 10 & 11	Allowance account
Retail Banking Denmark	56,170	17,263	217	26,349	9,866	6,255	3,611	2,596
Retail Banking Finland	438	174	-	195	45	36	9	6
Retail Banking Sweden	1,349	228	1	152	92	91	1	2
Retail Banking Norway	1,155	88	-	605	21	20	1	3
Banking Activities Ireland	1,948	733	3	1,732	689	299	390	278
Banking Activities Northern Ireland	4,170	923	1	1,713	474	381	93	79
Corporate & Institutional Banking	4,702	4,475	-	-	-	-	-	-
Other	741	421	1	47	19	6	13	5
Total	70,673	24,305	223	30,793	11,206	7,088	4,118	2,969

Note: Excluding Banking Activities Baltics.

TREND IN THE AGRICULTURE PORTFOLIO

Year	Total portfolio			Portfolio categories 8-11				
(DKK millions)	Gross credit exposure	Unsecured	Actual loss for the year	Gross credit exposure	Unsecured	Portion from categories 8 & 9	Portion from categories 10 & 11	Allowance account
2007	62,825	17,175	50	8,798	3,244	2,969	275	220
2008	68,846	20,846	69	11,780	4,033	3,651	382	250
2009	72,124	21,070	40	25,271	8,259	6,493	1,766	1,159
2010	70,856	20,055	89	31,652	9,078	6,314	2,764	1,792
2011	70,673	24,305	223	30,793	11,206	7,088	4,118	2,969

Note: Excluding Banking Activities Baltics.

While the total debt of the Danish agricultural industry rose 21% in the period 2007-10, the Group's gross credit exposure rose only 13% (10% after the deduction of accumulated impairment charges). Both gross credit exposure and unsecured exposure in rating categories 8-11 rose. The need for impairment charges in the portfolio is therefore sensitive to changes in collateral values and to a further deterioration in credit quality. The Group recognised collective impairment charges for segments of rating categories 8 and 9 that were badly hurt.

The latest accounting information shows generally improved earnings in the agricultural industry, and the outlook for its operating earnings in 2012 is a little brighter. Its sensitivity to sales prices and harvest quality is still great, however. In 2013, the EU agricultural subsidy programme will change, and there is a risk that it will put additional pressure on the sector's earnings capacity. The debt situation also makes it very sensitive to interest rates, and collateral values are still under pressure.

The Group is generally very cautious about financing new projects, but it supports existing customers to some degree in their continuing operations. The agricultural property market is under great pressure, and forced sales usually result in large losses.

Financial customers

In this section, financial customers are understood to mean banks, investment banks, brokerages, mortgage credit institutions, insurance companies, pension companies and investment companies. The segment represents 12% of the Group's total gross credit exposure.

In the years preceding the financial crisis, the Group developed substantial business activity with a number of large international financial groups. The Group's business customers increased their exports significantly in this period. This trend supported business volume at Danske Markets.

From 2007 to the end of 2011, the Group reduced the portfolio by DKK 383 billion to DKK 287 billion. The exposure to customers in rating categories 8-11 peaked in 2008, and since then it has been reduced significantly. Although the credit quality of financial customers has declined since 2007, at the end of 2011 83% of the Group's portfolio had a rating that corresponded to an investment-grade rating, against 98% in 2007.

FINANCIAL CUSTOMER PORTFOLIO BROKEN DOWN BY SUBSEGMENT

Subsegments	Total portfolio			Portfolio categories 8-11				
At 31 December 2011 (DKK millions)	Gross credit exposure	Unsecured	Actual loss for the year	Gross credit exposure	Unsecured	Portion from categories 8 & 9	Portion from categories 10 & 11	Allowance account
Investment management companies	60,058	11,549	-	559	25	-	25	47
Banks	88,187	28,234	3,334	1,598	1,391	1,102	289	115
Life insurance and pension funds	39,020	1,378	-	11	11	-	11	50
Mortgage credit institutions	53,505	19,247	-	-	-	-	-	-
Broker-dealers	5,732	776	-	-	-	-	-	-
Insurance companies	4,540	683	-	2	2	2	-	-
Other	36,128	2,466	114	1,326	575	-	575	163
Total	287,170	64,333	3,448	3,496	2,004	1,104	900	375

Note: Excluding Banking Activities Baltics. The portfolio contains financial companies under supervision and companies whose credit matters the Group administers in a similar manner. The portfolio of financial customers indicated in Danske Bank's Annual Report 2011 and section 4.2.3 also contains conduits, corporate customers' financing companies and other entities.

TREND IN THE FINANCIAL CUSTOMER PORTFOLIO

Year	Total portfolio			Portfolio categories 8-11				
(DKK millions)	Gross credit exposure	Unsecured	Actual loss for the year	Gross credit exposure	Unsecured	Portion from categories 8 & 9	Portion from categories 10 & 11	Allowance account
2007	669,727	196,211	-	2,861	1,428	1,231	197	1
2008	500,112	125,027	37	32,639	20,146	15,008	5,138	1,539
2009	301,359	10,306	1,602	11,894	7,605	2,495	5,110	2,946
2010	353,360	46,574	641	8,215	6,921	1,761	5,160	3,918
2011	287,170	64,333	3,448	3,496	2,004	1,104	900	375

Note: Excluding Banking Activities Baltics. The portfolio contains financial companies under supervision and companies whose credit matters the Group administers in a similar manner. The portfolio of financial customers indicated in Danske Bank's Annual Report 2011 and section 4.2.3 also contains conduits, corporate customers' financing companies and other entities.

The Group's direct exposure to small Danish banks is limited. The Group's exposure to group 2-4 banks, as defined by the Danish FSA, stood at DKK 3.2 billion at the end of 2011. The Group's share of the total costs for participating in the unlimited guarantee under Bank Package 1 ended at DKK 8.3 billion. The expense for the first tranche of DKK 3.3 billion is recognised as a loss in 2011, while the remainder is treated as ongoing costs.The Group also has an indirect exposure to other Danish banks through its obligations to the Danish Guarantee Fund for Depositors and Investors in the case of drawings on the scheme because of the resolution or consolidation of distressed banks under Bank Packages 3 and 4.

In 2011, the resolution of Amagerbanken A/S, Fjordbank Mors A/S and Max Bank A/S led to a estimated total expense for the Group of DKK 0.7 billion, which was paid to the Danish Guarantee Fund.

Conduits

The portfolio represents 1% of the Group's total gross credit exposure. The Group acquired its entire portfolio in the period 2001-07, and the gross credit exposure at the end of 2008 amounted to DKK 56 billion. At the end of 2011, the Group had reduced the portfolio to DKK 31 billion. The percentage of the exposure in rating categories 8-11 was also reduced significantly in the period. The portfolio is managed with a view to closure, which can be expected to take several years.

TREND IN THE CONDUIT PORTFOLIO

Year	Total portfolio			Portfolio categories 8-11				
(DKK millions)	Gross credit exposure	Unsecured	Actual loss for the year	Gross credit exposure	Unsecured	Portion from categories 8 & 9	Portion from categories 10 & 11	Allowance account
2007	62,077	22,286	-	508	25	-	25	10
2008	56,498	25,231	66	18,809	13,034	13,027	7	-
2009	48,143	22,515	2	13,656	11,014	6,930	4,084	4,000
2010	40,373	16,346	1,123	8,052	3,437	1,034	2,403	2,473
2011	31,307	12,065	-	6,803	2,796	295	2,501	2,420

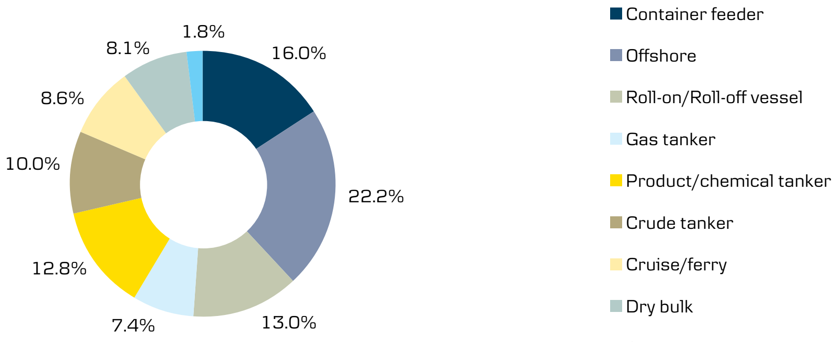
Note: Excluding Banking Activities Baltics.

The key risk on the portfolio is credit risk on the underlying assets. Previously, the Group's strategy was to acquire only securitisation assets that had (or could obtain) a triple-A rating from one of the major rating agencies. Although the credit quality of the portfolios of financed assets has declined in recent years, the Group has been fairly well protected against losses in most of the individual tranches.

Shipping

The shipping portfolio represents 2% of the Group's total gross credit exposure. The industry has been badly hurt by the financial crisis. Demand for transport fell sharply in 2008, and after several years of capacity build-up, this pressed freight rates to the bottom. Since then, freight rates have improved, but they are still at a level that puts pressure on many companies' earnings. The negative trend applies to the entire industry and not only to an individual subsegment.

SEGMENTATION OF THE SHIPPING PORTFOLIO



At the end of 2011, the gross credit exposure to shipping customers in rating categories 8-11 represented 20% of the total exposure to the industry. The portfolio was especially affected by the crisis in 2009. From 2007 to 2009, the gross credit exposure in rating categories 8-11 rose from 2% to 17%, and accumulated impairment charges rose to DKK 0.9 billion.

The exposure in rating categories 8-11 related mainly to limited partnerships. At the end of 2011, 46% of the gross credit exposure to limited partnerships was in categories 8-11.

SHIPPING PORTFOLIO BROKEN DOWN BY BUSINESS UNIT

Business unit	Total portfolio			Portfolio categories 8-11				
At 31 December 2011 (DKK millions)	Gross credit exposure	Unsecured	Actual loss for the year	Gross credit exposure	Unsecured	Portion from categories 8 & 9	Portion from categories 10 & 11	Allowance account
Retail Banking Denmark	1,692	990	272	1,256	732	199	532	353
Retail Banking Finland	273	72	-	217	43	33	11	6
Retail Banking Sweden	289	128	3	247	123	6	116	105
Retail Banking Norway	1,038	269	-	21	14	1	13	18
Banking Activities Northern Ireland	181	178	-	178	176	176	-	1
Corporate & Institutional Banking	45,997	21,444	175	7,770	3,192	2,145	1,047	674
Other	17	4	33	7	3	1	3	2
Total	49,487	23,085	483	9,696	4,283	2,561	1,722	1,159

Note: Excluding Banking Activities Baltics.

TREND IN THE SHIPPING PORTFOLIO

Year	Total portfolio			Portfolio categories 8-11				
(DKK millions)	Gross credit exposure	Unsecured	Actual loss for the year	Gross credit exposure	Unsecured	Portion from categories 8 & 9	Portion from categories 10 & 11	Allowance account
2007	33,896	17,808	2	533	346	337	8	8
2008	47,883	24,780	-	3,680	2,022	1,996	26	210
2009	44,876	21,291	69	7,739	3,321	2,106	1,215	916
2010	51,750	24,326	153	7,294	3,429	2,408	1,021	854
2011	49,487	23,085	483	9,696	4,283	2,561	1,722	1,159

Note: Excluding Banking Activities Baltics.

The table shows that the credit quality of the portfolio has worsened as market conditions have become more difficult. Unsecured exposure in rating categories 10 and 11 is limited because of the level of impairment charges. In recent years, however, there has been a rise in rating categories 8 and 9, increasing the portfolio's sensitivity to declining freight rates and ship prices.

The credit quality of the portfolio will be subject to challenges in 2012. Freight rates have not returned to the level before the financial crisis, and the trend was negative again at the end of 2011. Many new ships will be delivered in the years ahead, and this will put pressure on both freight rates and second-hand ship prices.

Because of the negative developments in the industry, the Group set up a credit department that specialises in shipping. Market conditions and customers are thus monitored closely. All credit applications from shipping customers are processed by this group.

4.2.3 Risk concentration

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

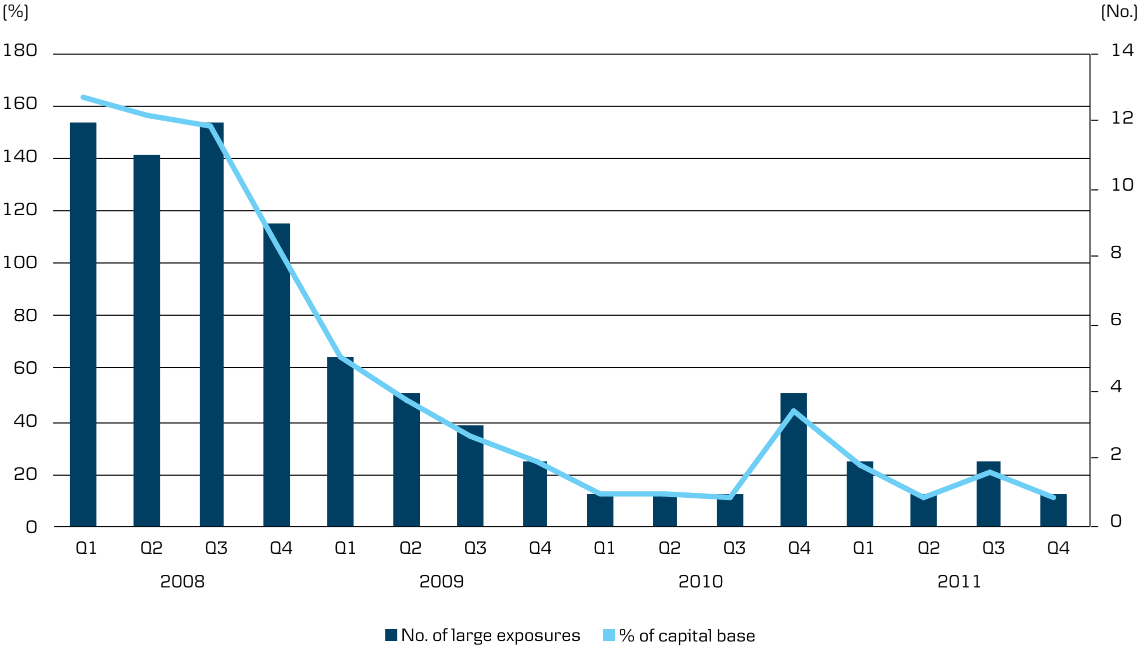
Individual customer concentrations

According to section 145 of the Danish Financial Business Act, exposure to a single customer or a group of related customers – after the deduction of particularly secure claims – may not exceed 25% of the capital base. In addition, according to the Danish FSA's supervisory diamond, the sum of exposures that each equal or exceed 10% of the capital base may not total more than 125% of the capital base.

The Group's All Risk Committee has introduced portfolio limits that are stricter than the statutory limits:

- 95% of the capital base for the sum of individual exposures that equal or exceed 10% of the capital base
- 150% of the capital base for the sum of exposures from 5% to 9.99% of the capital base – that is, the largest individual exposures that are not covered by the rules on large exposures.

LARGE EXPOSURES



Note: The rise at the end of 2010 was owing to changes in the rules for calculating large exposures. For example, the weight of exposures to credit institutions increased from 20% to 100%.

The Group's risk profile for large exposures is reported quarterly to the Board of Directors according to internal guidelines. Since the end of 2007, both the number and the sum of exposures that exceed 10% of the capital base have been substantially reduced.

Portfolio concentration

It is a logical consequence of the Group's business model that credit exposure from lending activities is concentrated especially in the personal customer and SME segments. At the end of 2011, lending to personal customers represented 39% of the Group's total credit exposure (end-2010: 38%), while lending to SMEs represented 27% (end-2010: 26%).

Most of the demand from personal customers is for home financing. Most of the Group's lending to personal customers is therefore lending secured on real property. At the end of 2011, property-related lending amounted to DKK 775 billion, with DKK 421 billion of the loans made through Realkredit Danmark.

Exposure to business customers amounted to 39% of the Group's total credit exposure. Most of the exposure to SMEs involved property financing. The rest usually involved operating financing.

GEOGRAPHICAL SEGMENTATION OF CREDIT EXPOSURE

At 31 December 2011 (DKK millions)	Personal customers	Business customers	Financial customers	Central and local governments	Total
Denmark	561,918	428,731	188,286	62,721	1,241,656
Sweden	85,567	158,662	27,727	16,812	288,768
Finland	100,937	88,684	4,369	6,800	200,790
Norway	77,395	104,493	8,062	8,930	198,880
UK	19,968	33,535	66,088	16,802	136,393
Ireland	24,543	25,169	9,966	7,430	67,108
North America	1,106	18,082	26,905	-	46,093
Luxembourg	272	316	27,957	151	28,696
Germany	545	12,389	2,180	390	15,504
Estonia	5,553	4,545	145	336	10,579
Other	11,164	23,939	27,018	2,123	64,244
Total	888,968	898,545	388,703	122,495	2,298,711

Customers domiciled in Denmark accounted for 54% of the Group's total credit exposure (2010: 53%), with much more than half of the loans made through Realkredit Danmark. Credit exposure to customers in the other Nordic countries accounted for 30% (end-2010: 29%).

Credit exposure to customers domiciled in Portugal, Italy, Greece and Spain amounted to DKK 1.9 billion (end-2010: DKK 2.7 billion). Most of it was exposure to personal customers. See section 6 on the Group's bond holdings in the trading book, including government bond holdings, broken down by country.

4.2.4 Migration analysis

The migration analysis in this section is based on the Group's classification scale and on PIT PD estimates. Since the PD bands on the scale are static, the migration effect increases during economic downturns. The migration analysis in the next section does not cover customers with evidence of impairment, that is, customers in rating categories 10 and 11.

At the end of 2011, the average exposure-weighted probability of default (PD), excluding public sector and financial customers, was 1.71% (2010: 1.63%).

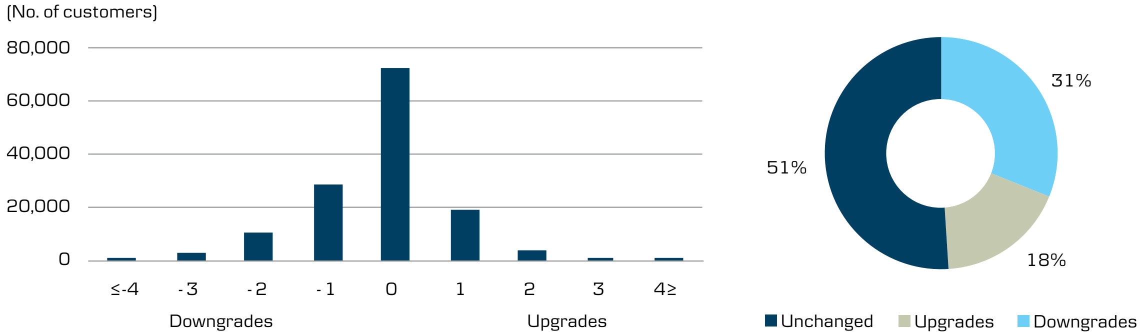
RATINGS BROKEN DOWN BY BUSINESS UNIT

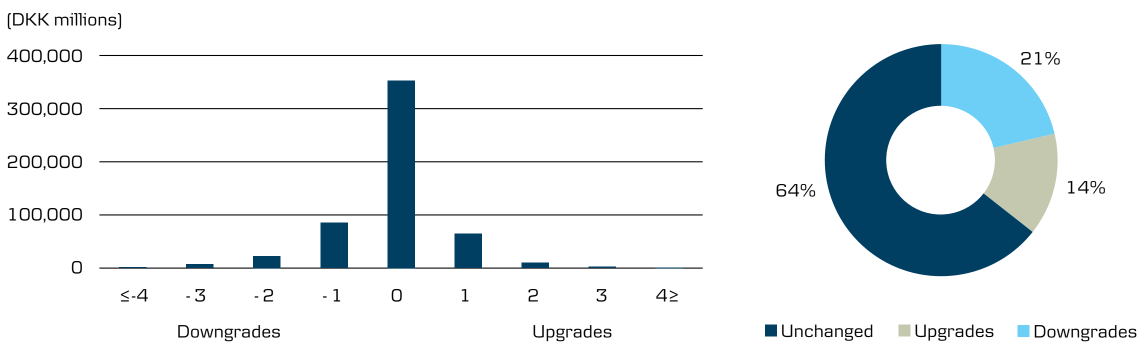
At 31 December 2011 (DKK millions)											
	Retail Banking				Banking Activities						
Rating category	Denmark	Finland	Sweden	Norway	Northern Ireland	Ireland	Baltics	CIB	Danske Markets and Treasury	Other	Total
1	5,961	2,971	153	156	8,939	-	-	2,979	56,577	12,486	90,222
2	76,301	4,689	11,608	8,768	3,259	123	708	14,528	38,605	6,164	164,753
3	138,036	15,926	24,207	20,790	1,932	2,290	506	43,351	115,042	8,724	370,804
4	156,468	21,146	34,998	26,653	3,921	3,519	3,027	66,454	58,259	11,367	385,812
5	176,012	25,951	52,023	39,806	5,397	6,685	3,444	67,668	27,546	12,189	416,721
6	151,572	28,986	38,465	20,947	5,451	8,804	2,166	26,661	52,310	7,168	342,530
7	130,284	32,423	28,130	16,286	8,079	6,760	2,753	22,186	6,737	3,296	256,934
8	77,683	18,366	9,516	7,347	9,135	8,058	5,154	7,880	4,090	3,079	150,308
9	29,821	3,593	1,963	1,307	3,331	3,511	2,457	2,717	2,544	583	51,827
10	22,616	1,136	1,154	2,392	574	5,439	783	801	267	472	35,634
11	12,208	2,821	1,102	1,206	2,462	7,506	1,160	963	3,715	23	33,166
Total	976,962	158,008	203,319	145,658	52,480	52,695	22,158	256,188	365,692	65,551	2,298,711

At 31 December 2010 (DKK millions)											
	Retail Banking				Banking Activities						
Rating category	Denmark	Finland	Sweden	Norway	Northern Ireland	Ireland	Baltics	CIB	Danske Markets and Treasury	Other	Total
1	24,210	578	1,100	85	5,808	-	-	2,376	107,350	17,250	158,757
2	78,512	5,541	15,734	5,959	1,101	404	1,528	12,843	58,237	5,601	185,460
3	127,149	15,378	23,404	18,436	1,458	2,632	205	37,020	157,727	4,878	388,287
4	116,108	18,275	31,179	22,051	3,746	3,054	3,861	69,112	31,931	12,856	312,173
5	168,231	23,969	43,595	30,584	6,746	12,731	3,513	63,531	30,750	16,149	399,799
6	163,565	26,313	41,053	30,182	7,720	7,595	1,518	29,889	38,909	6,834	353,578
7	143,799	32,862	27,177	18,105	10,646	7,138	3,174	25,071	5,996	4,257	278,225
8	92,004	16,712	11,063	7,726	8,785	10,934	5,942	8,037	1,822	4,118	167,143
9	31,391	3,557	2,100	2,244	2,343	4,556	3,495	4,058	1,518	824	56,086
10	18,684	1,360	741	2,150	1,688	5,198	855	2,592	321	413	34,002
11	9,422	2,152	1,188	864	1,831	8,436	1,223	6	4,504	320	29,946
Total	973,075	146,697	198,334	138,386	51,872	62,678	25,314	254,535	439,065	73,500	2,363,456

The ratings of 64% of the business customer portfolio (measured by volume) were unchanged during the year. Altogether, the percentage of upgrades was lower than the percentage of downgrades in the business customer portfolio, mainly because of the SME segment. At the end of 2011, the average exposure-weighted PD for business customers was 2.40% (end-2010: 2.27%). For SMEs, the average exposure-weighted PD was 2.94% (end-2010: 2.66%).

RATING MIGRATION OF BUSINESS CUSTOMERS IN 2011

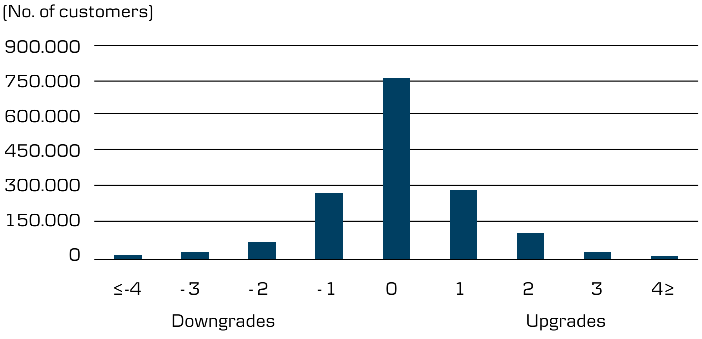


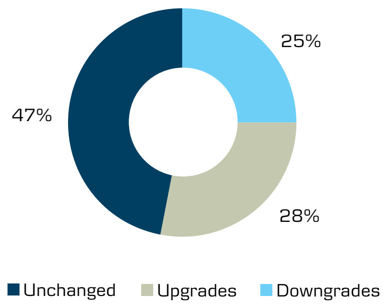


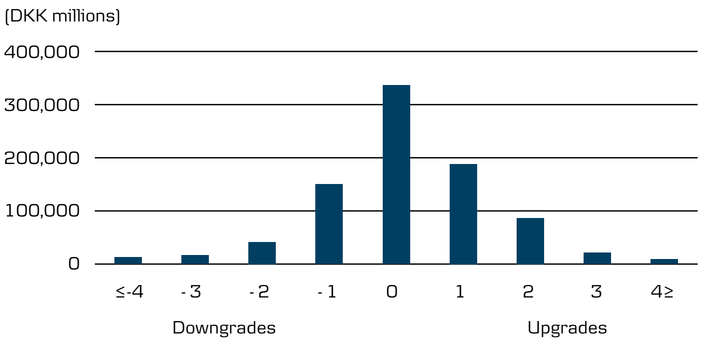
Note: The rating migration analysis covers active customers on 31 December 2011 which have drawn on a facility and for which there is no OEI for the individual facility. The chart shows changes in customers' classifications in the period 1 January 2011 to 31 December 2011.

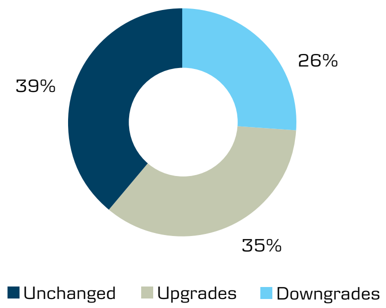
Altogether, the ratings of 35% of the personal customer portfolio were unchanged in 2011. At the end of 2011, the average exposure-weighted PD for personal customers was 1.04% (2010: 0.99%).

RATING MIGRATION OF PERSONAL CUSTOMERS IN 2011







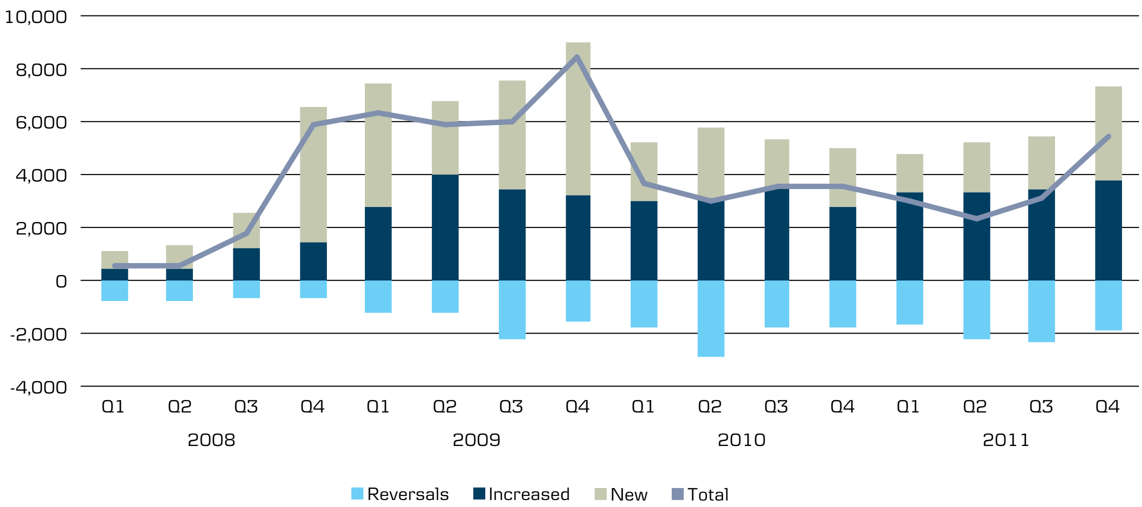


Note: The rating migration analysis covers active customers on 31 December 2011 which have drawn on a facility and for which there is no OEI for the individual facility. The chart shows changes in customers' classifications in the period 1 January 2011 to 31 December 2011.

4.2.5 Loan impairment charges

Loan impairment charges totalled DKK 13.2 billion in 2011, against DKK 13.8 billion in 2010. They related mainly to commercial property in Ireland and Northern Ireland and to agriculture, commercial property and personal customers in Denmark. At the other Nordic Retail Banking units, the level of charges remained low, although they were adversely affected by large individual exposures. At Corporate & Institutional Banking, impairment charges rose particularly because of an increased need in the shipping industry in the fourth quarter of the year.

INDIVIDUAL LOAN IMPAIRMENT CHARGES
(DKK millions)



Note: Individual impairment charges for Banking Activities Baltics are included only in the Total figures.

At the end of 2011, 96% of the portfolio consisted of claims that were neither past due nor impaired. The accumulated individual impairment charges amounted to DKK 44.5 billion, or 92% of the total allowance account.

ALLOWANCE ACCOUNT BROKEN DOWN INTO INDIVIDUAL AND COLLECTIVE CHARGES

(DKK millions)	Allowance account, total	Portion of impairment charges from: Individual	Collective
At 1 January 2010	37,095	32,681	4,414
New impairment charges	21,158	18,984	2,174
Reversals of impairment charges from previous periods	7,453	5,380	2,073
Write-offs debited to allowance account	7,969	7,969	-
Foreign currency translation	917	864	53
Other items	21	21	-
At 31 December 2010	43,769	39,201	4,568
New impairment charges	20,900	19,701	1,199
Reversals of impairment charges from previous periods	6,347	4,703	1,644
Write-offs debited to allowance account	10,151	10,151	-
Foreign currency translation	202	193	9
Other items	231	231	-
At 31 December 2011	48,604	44,472	4,132

LOAN IMPAIRMENT CHARGES BROKEN DOWN BY BUSINESS UNIT

	Credit exposure					
			Impaired			
At 31 December 2011 (DKK millions)	Total	Past due	Not in default	In default	Allowance account	Loan impairment charges, 2011
Retail Banking Denmark	976,962	7,736	22,616	12,208	18,180	4,316
Retail Banking Finland	158,008	2,061	1,136	2,821	1,974	186
Retail Banking Sweden	203,319	172	1,154	1,102	1,226	202
Retail Banking Norway	145,658	3,059	2,392	1,206	1,474	380
Banking Activities Northern Ireland	52,480	422	574	2,462	5,083	2,177
Banking Activities Ireland	52,695	905	5,439	7,506	13,820	6,334
Banking Activities Baltics	22,158	676	783	1,160	2,244	-254
Corporate & Institutional Banking	256,188	101	801	963	1,455	744
Other	431,243	290	739	3,738	3,148	-900
Total	2,298,711	15,422	35,634	33,166	48,604	13,185

	Credit exposure					
			Impaired			
At 31 December 2010 (DKK millions)	Total	Past due	Not in default	In default	Allowance account	Loan impairment charges, 2010
Retail Banking Denmark	973,075	3,916	18,684	9,422	19,088	7,649
Retail Banking Finland	146,697	1,967	1,360	2,152	2,036	91
Retail Banking Sweden	198,334	309	741	1,188	1,193	114
Retail Banking Norway	138,386	964	2,150	864	1,469	94
Banking Activities Northern Ireland	51,872	348	1,688	1,831	3,078	1,247
Banking Activities Ireland	62,678	751	5,198	8,436	9,565	4,969
Banking Activities Baltics	25,314	773	855	1,223	2,892	207
Corporate & Institutional Banking	254,535	249	2,592	6	935	25
Other	512,565	211	734	4,824	3,513	-579
Total	2,363,456	9,488	34,002	29,946	43,769	13,817

Note: "Impaired" exposures cover exposures that have occasioned individual impairment charges where the need for impairment is assessed individually – that is, exposures in rating categories 10 (not in default) and 11 (in default). "Past due" exposures contain exposures that have excesses but that have not occasioned individual impairment charges.

A breakdown of impairment charges by industry shows that accumulated impairment charges for customers in the commercial property segment rose DKK 3.7 billion to DKK 15.6 billion. The increase was owing mainly to falling commercial property values in Ireland.

The agricultural industry, which is part of the consumer staples segment, continued to face challenges. Especially in Denmark, it was subject to declining property prices and high debt.

LOAN IMPAIRMENT CHARGES BROKEN DOWN BY INDUSTRY

	Credit exposure					
			Impaired			
At 31 December 2011 (DKK millions)	Total	Past due	Not in default	In default	Allowance account	Loan impairment charges, 2011
Central and local governments	122,495	106	-	-	4	3
Subsidised housing companies	123,161	227	789	1,580	763	231
Banks	178,778	-	47	-	94	5
Diversified financials	153,010	402	1,540	3,901	3,872	-948
Other financials	56,915	33	2	186	136	7
Energy and utilities	40,698	24	100	28	62	24
Consumer discretionary	83,208	942	2,438	1,321	4,733	1,128
Consumer staples	117,666	745	5,381	1,770	3,867	1,392
Commercial property	257,267	1,775	10,823	10,382	15,614	6,370
Construction, engineering and building products	36,572	245	1,895	1,893	4,089	1,649
Transportation and shipping	71,824	336	941	2,019	1,682	788
Other industrials	77,995	397	3,505	1,654	2,857	782
IT	15,615	66	113	54	486	-93
Materials	42,483	138	358	-	1,253	46
Health care	27,562	144	80	39	136	36
Telecommunication services	4,494	3	550	15	114	43
Personal customers	888,968	9,839	7,072	8,324	8,842	1,722
Total	2,298,711	15,422	35,634	33,166	48,604	13,185

	Credit exposure					
			Impaired			
At 31 December 2010 (DKK millions)	Total	Past due	Not in default	In default	Allowance account	Loan impairment charges, 2010
Central and local governments	162,200	6	-	-	2	2
Subsidised housing companies	114,980	148	121	1,606	836	539
Banks	190,921	-	-	6	3,421	1,345
Diversified financials	186,174	165	1,045	4,524	4,310	-258
Other financials	64,359	12	-	627	124	140
Energy and utilities	38,475	14	59	30	23	-39
Consumer discretionary	88,988	645	4,447	987	3,963	1,106
Consumer staples	114,223	416	2,463	1,378	2,739	971
Commercial property	245,459	1,368	12,697	9,775	11,931	3,849
Construction, engineering and building products	36,429	185	1,856	1,974	2,862	1,126
Transportation and shipping	73,223	220	1,451	193	1,366	60
Other industrials	83,319	364	3,204	283	2,395	634
IT	15,641	83	90	72	514	133
Materials	46,222	271	2,139	627	1,894	672
Health care	24,660	67	43	40	110	25
Telecommunication services	4,836	1	-	8	73	-20
Personal customers	873,347	5,523	4,387	7,816	7,206	3,532
Total	2,363,456	9,488	34,002	29,946	43,769	13,817

Note: "Impaired" exposures contain exposures that have occasioned individual impairment charges where the need for impairment is assessed individually – that is, exposures in rating categories 10 (not in default) and 11 (in default). "Past due" exposures contain exposures that have excesses but that have not occasioned individual impairment charges.

5. COUNTERPARTY RISK

The Danske Bank Group enters into transactions involving OTC derivatives and securities financing instruments (for example, repurchase and reverse repurchase agreements, or repos) and thus takes on counterparty risk. Only 5% of the Group's risk-weighted assets (RWA) are allocated to counterparty risk.

The Group's counterparty risk management is intended to reduce the financial loss if the counterparty to a transaction goes bankrupt before the final settlement of the transaction.

Counterparty risk entails a risk of financial loss for both parties to a transaction. This is because the market value of a transaction changes over time with changes in underlying market factors. The market values can thus fluctuate between positive and negative amounts. The Group incurs a financial loss if the counterparty goes bankrupt and the value of the transactions, after netting and the realisation of collateral, is positive.

In the Group's financial statements, derivatives are measured at fair value in the trading portfolio, while repo and reverse repo agreements are treated as loans against collateral. In the credit exposure overviews in section 4, reverse repo agreements are thus treated as loans against collateral.

5.1 COUNTERPARTY RISK MANAGEMENT

The Group has a fully implemented system for internal counterparty risk management. The system covers many aspects of the risk management process: assignments of lines, monitoring and control of line utilisations, management of master agreements, management reporting, and so on.

The Group uses an internal simulation model to calculate counterparty risk exposure. The model runs a Monte Carlo simulation that simulates 1,000 scenarios of the changes in the market values of each customer's portfolio of transactions (in this section, "transactions" are to be understood as OTC-traded derivatives and repo and reverse repo agreements).

The netting of the market values and of the calculated changes in these values is based on legally binding master agreements that the Group has signed with counterparties. For master agreements that have an associated collateral management agreement, the expected value of the collateral provided or received is also included in the daily calculation of the current credit exposure.

Counterparty risk exposure, the potential future value of the netted market values and collateral, is expressed by the potential future exposure (PFE) measure. In the internal simulation model, PFE consists of the largest exposure that the Group can expect at the time of the calculation, at a confidence level of 97.5%. It assumes that all transactions remain in force until the original expiry date. The internal model is used for almost 90% of all transactions.

In calculating PFE on transactions in products for which the Group does not use the internal model, the potential change in market value is determined as a percentage (add-on) of the nominal principal amount. The add-ons represent a conservative margin in comparison with the risk that the internal simulation model would have calculated.

5.1.1 Risk mitigation

To mitigate counterparty risk, the Group generally requires closeout netting agreements. This enables the Group to net the positive and negative replacement values of contracts if the counterparty defaults. For professional counterparties, collateral management agreements are often attached to the master agreements as well, in order to reduce the counterparty risk on unsecured financial transactions. The Group's policy is to promote the use of closeout netting agreements and mutual collateral management agreements with an increasing number of products and counterparties in order to reduce counterparty risk.

Mutual collateral management agreements specify threshold amounts and a minimum amount for the transfer of collateral. Collateral to be provided or received is generally determined on a daily basis. The collateral takes the form of cash, government bonds or mortgage bonds with high ratings. At the end of 2011, more than 81% of the Group's collateral management agreement holdings consisted of cash. Of the remainder, bonds issued by PIIGS countries amounted to 0.2 of a percentage point, and the rest consisted of Danish and Swedish mortgage bonds and government bonds issued by Germany, France, Denmark, Belgium, the Netherlands and Sweden.

The Group's increased focus on counterparty risk management also includes ongoing changes and improvements in the collateral management system and processes.

The table below shows the effect of netting and collateral on the exposure (measured as PFE).

POTENTIAL FUTURE EXPOSURE (PFE) AFTER NETTING AND COLLATERAL

At 31 December 2011 (DKK millions)	2011	2010
PFE gross	876,335	639,034
PFE after netting	410,104	334,368
PFE after netting and collateral	142,506	121,247

Note: PFE is based on all derivatives, repos and reverse repos with counterparty risk.

5.2 SOLVENCY AND COUNTERPARTY RISK

The Group calculates the capital requirement for counterparty risk on derivatives according to the mark-to-market method. The exposure on a specific transaction thus equals the sum of the current exposure, which is defined as the higher of the replacement cost and zero, plus a supplementary regulatory measure of the PFE determined as a percentage of the notional value of the contract. The percentage is stipulated by the Danish FSA, and it depends on the product type and the time to maturity. If there is a master agreement, the positive and negative replacement costs are netted. And if there is a collateral agreement, the exposure can be further reduced.

In the financial statements, the positive market value of derivatives amounted to DKK 551 billion at the end of 2011 (end-2010: DKK 334 billion). The difference between this amount and the value of derivatives for solvency purposes is owing mainly to the PFE add-on that is included in the value of derivatives for solvency purposes.

The capital requirement for repo and reverse repo agreements is based on the carrying amount, in the form of the principal amount of the transaction less collateral value.

COUNTERPARTY RISK EXPOSURE (EAD)

	2011			2010		
At 31 December (DKK millions)	Derivatives	Repos	Total	Derivatives	Repos	Total
EAD before netting	837,609	749,755	1,587,364	612,560	609,024	1,221,584
Netting benefits	585,032	-	585,032	402,418	-	402,418
EAD after netting	252,577	749,755	1,002,332	210,142	609,024	819,166
Collateral received	48,289	635,721	684,010	32,222	566,370	598,592
EAD after netting and collateral	204,288	114,034	318,322	177,920	42,654	220,574

Note: Counterparty risk exposure (EAD) is based on derivatives, repos and reverse repos. "EAD" stands for "exposure at default".

The 20 largest counterparties, measured by EAD after netting, acounted for 11% of total EAD after netting for counterparty risk.

Measured by EAD after netting, counterparty risk for derivatives, repos and reverse repos amounted to 31% of total credit risk. Measured by RWA and taking into account netting agreements and collateral received, it amounted to 6% of total credit risk. See the appendix for further information about credit risk measured by EAD and RWA. Most of the Group's counterparties in derivatives trading have high ratings (see the table below).

COUNTERPARTY RISK EXPOSURE (EAD) AFTER NETTING FOR DERIVATIVES ACCORDING TO THE MARK-TO-MARKET METHOD, BY RATING CATEGORY

At 31 December (DKK millions)	2011	2010
1	18,817	19,409
2	57,626	55,519
3	111,425	91,472
4	28,152	21,622
5	15,411	11,814
6	13,751	4,855
7	4,496	3,185
8	1,580	1,415
9	427	327
10	659	431
11	233	93
Counterparty risk exposure (EAD) after netting	252,577	210,142

Note: The table does not include repos and reverse repos.

5.3 COUNTERPARTY RISK MANAGEMENT IN THE FUTURE

The Group has a fully implemented system for counterparty risk management from both the technical and the process perspectives. It is working on an application to the Danish FSA to use the internal simulation model for the capital requirement calculation for counterparty risk.

The increased focus on credit value adjustment (CVA) from a regulatory as well as a trading perspective will also have implications for future counterparty risk management at the Group. The CVA is influenced by two components:

- The credit quality of the counterparty and any changes in it
- Changes in the exposure owing to changes in the mark-to-market or the composition of the portfolio

CVA is already taken into consideration in the pricing of derivatives and in the fair value calculation for accounting purposes. The Group is reviewing the entire process from trading to counterparty risk management, taking CVA into consideration.

The Group is working on the infrastructure to use Central Clearing Parties (CCPs). In 2011, the Group increased the number of its memberships to include LCH SwapClear, among other CCPs.

6. MARKET RISK

The Group markets, trades and takes positions in products that entail a variety of market risk components. Most of the Group's trading and position-taking activities involve relatively simple products. Interest rate products represent the largest trading and position-taking volumes, followed by listed shares and foreign exchange instruments. Inflation-linked products and commodities are less significant asset classes in the Group's trading and position-taking activities.

At the end of 2011, 7% of the Group's risk-weighted assets related to market risk, mainly interest rate and equity market risk.

Many events affected the financial markets in 2011. One major theme was the European sovereign debt crisis.

In the beginning of the year, there was still a belief that the global economy was on the way to recovery and that the debt crisis could be contained. That was succeeded, however, by an eventful spring in which popular uprisings in several countries in North Africa and the Middle East as well as the earthquake in Japan caused anxiety and volatility in the financial markets. The debt crisis attracted attention again in April, when Portugal failed to convince the markets that it could manage its budget deficit and therefore had to ask the IMF and the EU for a rescue package. At the same time, the markets began discounting a restructuring of Greek government debt.

Around mid-year, the markets began to show concern about the large US national debt, and combined with another flare-up of the European debt crisis, this fuelled speculation that the global economy was on the way into another recession. Towards the end of the year, the European debt crisis was again the main object of attention in the markets after several countries, including Italy and Spain, were hit by doubts that they could contain their growing debt.

Under these macroeconomic conditions, yield levels diverged significantly in Europe, with German and Scandinavian yields continuing downwards from their already low levels in 2010 and yields in southern Europe, Ireland and many other European countries rising to their highest levels ever in the fourth quarter of 2011. The debt crisis also affected the volatility of both government and mortgage bond spreads during the year. The equity markets began the year with slight gains based on confidence in a global economic recovery, but they fell sharply during the summer and then were generally very volatile.

Despite these difficult conditions in the financial markets, the direct effect on market risks at Danske Bank was limited. During the year, the Group greatly reduced its position-taking in listed shares. In addition, the Group's holding of government bonds is limited mainly to bonds issued by the Nordic countries, Germany and the UK. The holding of bonds issued by Portugal, Italy, Ireland, Greece and Spain is very small; it amounted to a market value of DKK 1 billion at the end of 2011.

The Basel Committee's revisions to the guidelines for market risk in the Capital Requirements Directive (CRD III) were adopted by the EU in 2010 and took effect in Danish law at the end of 2011. The Directive requires banks to hold additional capital to cover market risks, including both general and specific market risks.

When an internal model is used for general market risk, there is a new capital requirement involving Value at Risk (VaR) calculations based on changes in market prices in a very volatile period. For specific market risk, for which the Group uses the standardised approach, the capital requirement for equities has been doubled. Overall, CRD III caused a rise in the Group's RWA for market risk of DKK 11.5 billion at the end of 2011, with only a small portion related to specific market risk.

6.1 POLICY AND AUTHORISATIONS

The Group's market risk management covers all of its assets, liabilities and off-balance-sheet items. The Board of Directors sets the overall risk policies for the Group's market risk exposures, including overall instructions and risk limits.

Taking on market risk is an integral part of the Group's business strategy. The activities that involve market risk derive mainly from the Group's focus on wholesale and retail banking and on providing all of its products to Nordic customers and core products to customers outside the Nordic region. Advanced products are traded mainly with professional customers.

Besides the exposure to market risk arising from servicing customers, the Board of Directors has set authorisations that allow the Group's trading units to take positions for their own accounts and at their own risk. The Group also takes on market risk as part of treasury management that supports the procurement and day-to-day management of liquidity.

On the basis of the overall risk limits, the Executive Board sets market risk limits for the Danske Markets and Group Treasury business units.

Market risk at Banking Activities units is either hedged by Danske Markets or calculated and managed as part of Group Treasury's risk positions.

The Group's overall market risk limits do not apply to the market risks associated with life insurance and pension plans. The market risk on the assets in which Danica Pension's equity is invested and on assets allocated to Danica's policyholders as well as the market risk relating to the Group's defined benefit pension plans is treated in sections 9 and 10.

6.2 MONITORING

Risk policies lay the foundation for business procedures as well as reconciliation and control procedures for the relevant business units.

The Group carries out market risk measurement, monitoring and management reporting on a daily basis. It also conducts intraday spot checks of the risks in the individual business units. The Group calculates current market risk exposures in internally developed systems that are linked to the trading systems and cover all of its risk positions.

Risk monitoring includes setting limits for business units and sub-units.

6.3 USE OF MODELS

The Group uses both conventional risk measures and mathematical and statistical measures, such as VaR, to calculate market risk exposures as well as economic and regulatory capital. The calculations are used for the following purposes:

- Reporting to Group management on a regular basis
- Reporting on the capital requirement for general risk and related backtest results to the Danish FSA
- Day-to-day management at the business units

The Group also develops in-house models that are used for pricing and risk management of financial products that cannot be valued directly on the basis of quoted market prices or standardised financial models. See section 6.11 for a description of the validation of these models.

6.4 MARKET RISK EXPOSURES

When calculating the capital requirement, the Group distinguishes between risk exposure in and outside the trading book. In day-to-day monitoring and risk management, the two segments are treated as a single portfolio.

The table below shows the Group's total market risk at the end of 2011 and the end of 2010 calculated according to conventional risk measures (except for foreign exchange risk, for which VaR is used).

MARKET RISK EXPOSURE, CONVENTIONAL MEASURES

At 31 December (DKK millions)	2011	2010
Interest rate risk (parallel shift of the yield curve of 1 percentage point)	870	496
Foreign exchange risk (VaR, confidence level of 95%, 10-day horizon)	24	23
Equity market risk, listed shares (net position)	252	1,131
Equity market risk, unlisted shares (net position)	3,921	3,886
Mortgage spread risk (basis point value)	67	68
Government spread risk (basis point value)	-2	4
Credit spread risk on corporate bonds (basis point value)	1	3
Inflation rate risk (change in traded inflation of 1 percentage point)	37	20
Commodity risk (10% change in commodity prices)	-	-

The table shows that the key risk exposures changed significantly from the end of 2010 to the end of 2011. Interest rate risk rose, while the net position in listed shares fell sharply. The overall bond spread risk (the sum of mortgage, government and credit spread risks) declined, mainly because of lower exposure to government bonds and corporate bonds.

6.5 INTEREST RATE RISK

Interest rate risk is the risk of losses caused by changing yields. It is calculated as the greatest loss upon a parallel shift in yields of 1 percentage point. Most of the Group's interest rate risk in the trading book derives from activities that involve marketing, trading and position-taking in a variety of interest-rate-related products in the Group's various local markets. Most of these activities involve relatively simple interest rate products such as swaps, bonds, futures and standard interest rate options. Most of the Group's interest rate risk derives from positions in Danish kroner and euros.

Interest rate risk outside the trading book is related to the Group's banking activities, which offer fixed rate deposits, loans and other interest-rate-related products. Much of the resulting interest rate risk is hedged and treated according to the rules of fair value hedge accounting. The interest rate risk on the following fixed rate items is not hedged in the accounts but is managed on a daily basis by Group Treasury:

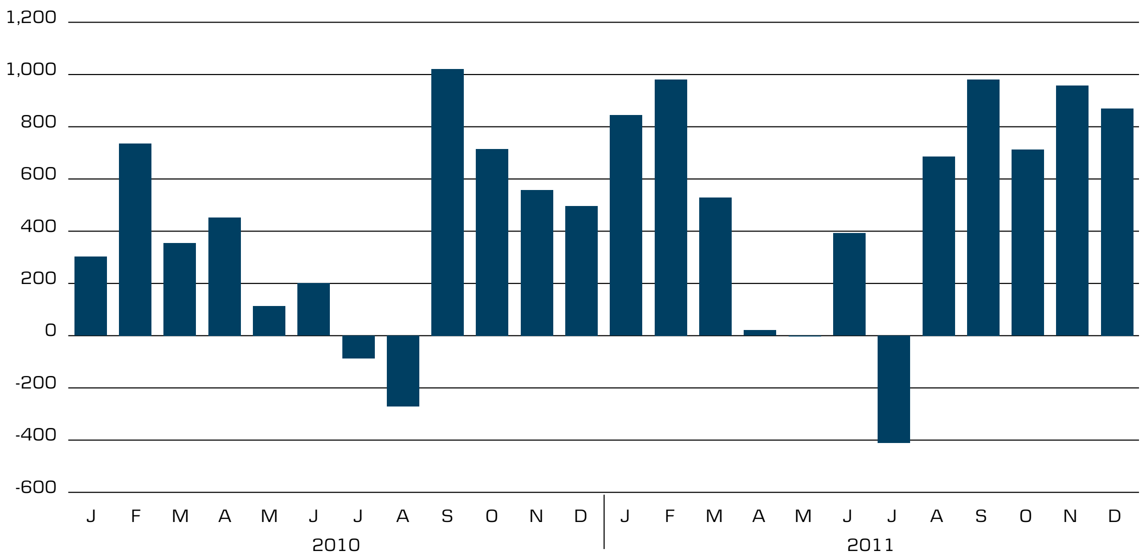
- A portfolio of fixed rate mortgage loans in Denmark
- Fixed rate loans and advances provided by Retail Banking Finland and Banking Activities units in Ireland, Northern Ireland and the Baltics
- Operating leasing
- Positions resulting from interest rate payments on Realkredit Danmark loans (monthly interest rate payments that are not passed on to bondholders until the end of the quarter or year)
- Positions related to asset/liability management
- Bonds in the held-to-maturity portfolio

In addition, the Group has structural interest rate risk exposure at Retail Banking Finland, at the Banking Activities units in Northern Ireland and Ireland, and to a limited extent in Estonia and Lithuania. This risk derives from demand deposits. The exposure has an element of fixed interest rate risk because the interest rates have been stable at a very low level for a long time. The portfolio has been stable and is expected to remain so. The Group models this risk as a liability that is generally amortised over a five-year period. This results in an implicit average duration for the deposits of 2.5 years. The risk is included in the Group's interest rate risk calculations and thus in day-to-day monitoring and risk management.

At the end of 2011, interest rate risk outside the trading book on a parallel shift in the yield curve of 1 percentage point amounted to DKK 25 million.

The chart below shows the monthly trend in the Group's interest rate risk, measured as the effect of a general rise in interest rates of 1 percentage point.

INTEREST RATE RISK AT GROUP LEVEL
(DKK millions)



When monitoring overall interest rate risk, the Group also measures yield curve risk, which is the risk of losses arising because yields for various maturities change independently of one another.

For units that trade in interest rate options, the measures mentioned above are supplemented with a number of key figures that express the sensitivity of option values to underlying parameters such as vega, which expresses the sensitivity of option values to changes in the expected future volatility of the underlying asset, and theta, which expresses sensitivity to changes in time to expiry.

Interest rate basis risk

The Group's trading activities involve various types of interest rate basis risk. Interest rate basis risk is the risk that, upon changes in yields, the market values of offsetting exposures used in a hedging strategy do not change to exactly the same degree.

Interest rate basis risk occurs mainly because of unequal shifts in various currencies' yield curves or unequal shifts in yield curves in one currency used to price financial instruments with differing interest reset dates.

The Group follows up on its interest rate basis risk in the trading portfolio on a daily basis. Interest rate basis risk is subject to limits. The Group calculates interest rate basis risk as changes in the market value of its positions because of unequal shifts in yield curves related to differing interest reset dates within a currency or across currencies. At the end of 2011, interest rate basis risk amounted to DKK 199 million.

Interest rate risk on shareholders' equity

The shareholders' equity is included in the consolidated financial statements as a non-interest-bearing liability. The derived theoretical interest rate sensitivity is symmetrical for rising and declining interest rates. This risk is not hedged and is not included in the calculation of the Group's interest rate risk. The implied interest rate on the liquidity from shareholders' equity is the Group's standard variable Danish kroner rate (comparable to the overnight rate).

6.6 BOND HOLDINGS AND SPREAD RISK

6.6.1 Bond holdings

At the end of 2011, the Group's bond holdings totalled DKK 465 billion (end-2010: DKK 422 billion), calculated as the carrying amount (including Danica Pension's own holdings).

In calculating its net risk on the bond holdings, the Group takes into account unsettled transactions and bond derivatives (CDSs and futures). Excluding the Group's holding of its own issues and Danica's own bond holdings, this results in a total exposure of DKK 286 billion (end-2010: DKK 274 billion).

Most of the bonds are covered bonds in the form of Danish mortgage bonds, Swedish covered bonds and other covered bonds under public supervision.

Government bond holdings amounted to about DKK -12 billion and consisted mainly of issues from the Nordic countries, Germany and the UK. The negative holding was owing to sold German government bond futures.

At the end of 2011, the Group's exposure to government bonds issued by Ireland, Portugal, Italy, Greece and Spain amounted to about DKK 1 billion (end-2010: DKK 5 billion).

About DKK 10 billion of the holdings consisted of short-dated instruments (commercial paper and the like) issued primarily by banks in Scandinavia and France.

About DKK 16 billion of the holdings were corporate bonds, including bonds issued by banks.

The tables below show the exposure from the bond holdings broken down by type, external rating and country. Altogether, the Group increased its exposure to bonds in 2011. The rise was owing mainly to a higher exposure to Swedish covered bonds, which was partly offset by a reduction of the exposure to other bond types.

BOND PORTFOLIO BROKEN DOWN BY TYPE AND EXTERNAL RATING CATEGORY

At 31 December 2011 (DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Short-dated bonds (CP etc.)	Corporate bonds	Total
AAA	-18,327	8,725	104,576	46,774	12,734	132	3,268	157,882
AA+	202	51	92,673	-	1,859	112	119	95,016
AA	645	-	-	-	1,315	972	791	3,723
AA-	432	-	23	-	107	1,538	956	3,056
A+	661	-	-	-	72	2,379	1,994	5,106
A	164	-	669	-	221	1,258	2,334	4,646
A-	33	-	-	-	1,478	28	1,398	2,937
BBB+	-	-	-	-	224	101	872	1,197
BBB	188	-	-	-	682	1,937	2,119	4,926
BBB-	-	-	-	-	90	-	96	186
Sub-investment-grade or not rated	3,752	15	-	-	157	1,659	1,885	7,468
Total	-12,250	8,791	197,941	46,774	18,939	10,116	15,832	286,143

At 31 December 2010 (DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Short-dated bonds (CP etc.)	Corporate bonds	Total
AAA	5,221	7,768	158,824	8,551	11,309	1,025	5,049	197,747
AA+	972	-	26,222	-	2,667	95	435	30,391
AA	1,487	-	-	-	1,563	860	1,950	5,860
AA-	1,985	-	10,402	-	12	530	2,150	15,079
A+	686	-	-	76	-	2,722	3,865	7,349
A	523	-	329	-	-	1,027	1,439	3,318
A-	264	-	-	-	-	28	1,639	1,931
BBB+	1,609	-	-	-	-	57	1,250	2,916
BBB	205	-	-	-	24	820	1,690	2,739
BBB-	316	-	-	-	-	-	562	878
Sub-investment-grade or not rated	1,957	164	238	5	-	1,470	2,065	5,899
Total	15,225	7,932	196,015	8,632	15,575	8,634	22,094	274,107

BOND PORTFOLIO BROKEN DOWN BY TYPE AND COUNTRY

At 31 December 2011 (DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Short-dated bonds (CP etc.)	Corporate bonds	Total
Denmark	9,989	-	197,941	-	-	1,061	1,785	210,776
Sweden	4,412	-	-	46,774	-	2,929	3,384	57,499
UK	5,669	33	-	-	6,929	301	762	13,694
Norway	3,333	-	-	-	3,533	2,653	2,760	12,279
USA	-316	4,716	-	-	233	-48	2,704	7,289
Spain	555	-	-	-	4,964	120	217	5,856
France	681	-	-	-	2,889	1,810	111	5,491
Luxembourg	-	4,041	-	-	-	-	558	4,599
Canada	2,836	-	-	-	-	-	52	2,888
Finland	1,306	1	-	-	105	199	446	2,057
Ireland	787	-	-	-	90	-	266	1,143
Italy	-	-	-	-	-	7	-	7
Portugal	4	-	-	-	-	-	-	4
Austria	304	-	-	-	-	-	-	304
The Netherlands	-1,980	-	-	-	238	628	1,844	730
Germany	-40,584	-	-	-	-80	420	870	-39,374
Other	754	-	-	-	38	36	73	901
Total	-12,250	8,791	197,941	46,774	18,939	10,116	15,832	286,143

At 31 December 2010 (DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Short-dated bonds (CP etc.)	Corporate bonds	Total
Denmark	9,522	-	196,015	-	-	608	2,577	208,722
Sweden	10,535	-	-	8,632	-	2,526	4,515	26,208
UK	3,964	2	-	-	7,693	113	1,792	13,564
Norway	2,841	-	-	-	888	3,149	3,421	10,299
USA	2,343	4,800	-	-	232	2	3,593	10,970
Spain	777	-	-	-	4,908	257	215	6,157
France	-7,343	-	-	-	1,811	674	704	-4,154
Luxembourg	-	1,095	-	-	-	-	567	1,662
Canada	836	-	-	-	-	12	54	902
Finland	4,152	1,235	-	-	164	249	1,109	6,909
Ireland	1,609	-	-	-	90	112	562	2,373
Italy	1,971	-	-	-	-	215	30	2,216
Portugal	201	-	-	-	224	-	-	425
Austria	503	-	-	-	-	-	-	503
The Netherlands	-1,284	-	-	-	-19	470	1,642	809
Germany	-16,998	800	-	-	-477	98	912	-15,665
Other	1,596	-	-	-	61	149	401	2,207
Total	15,225	7,932	196,015	8,632	15,575	8,634	22,094	274,107

The bond holdings constitute part of the Group's liquidity reserve, most of which can be used as collateral for loans provided by central banks.

6.6.2 Bond spread risk

Positions in bonds are exposed to spread risk. The bond spread reflects the additional net return that an investor requires on securities with a given credit quality and liquidity compared with the return on liquid securities without credit risk or a reference rate (such as a swap rate). Bond spread risk thus measures the change in value due to changes in the market's assessment of the credit quality and liquidity.

For internal management purposes, the Group divides bond spread risk into three sub-categories:

- Mortgage spread risk: bond spread risk on mortgage bonds and covered bonds
- Government spread risk: bond spread risk on government bonds and government-guaranteed bonds
- Credit spread risk: bond spread risk on corporate bonds

The mortgage bond market is one of the pillars of the financial markets in Denmark, and the Group has a relatively large holding of Danish mortgage bonds. It also has holdings of Swedish mortgage bonds and other European covered bonds. Most of the Group's bond spread risk can thus be attributed to bonds issued as financing secured on real property.

The Group's management of bond spread risk is based on the individual credit assessment and approval of issuer lines for nominal amounts of bond holdings. This is supplemented by limits on the price sensitivity to a change of 1 basis point in the bond spreads.

Besides the current rating, the Group's management of government spread risk includes an assessment of market information on expectations about future risk. Key factors are the rating agencies' expectations about future ratings (the rating outlook), the spread on credit default swaps for the issuer, and the spread to the yield on equivalent German government bonds. The assessment of government bond risk is thus based on additional criteria besides the current rating.

At the end of 2011, the total bond spread risk amounted to DKK 66 million and was thus lower than at the end of 2010. The decline was owing mainly to lower exposure to government spread risk and credit spread risk.

For capital requirement purposes, bond spread risk is part of specific risk, for which the Group uses the standardised approach.

6.7 FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk of losses on foreign currency positions caused by changes in exchange rates. The Group measures and manages foreign exchange risk at the group level on the basis of a VaR calculation incorporating all currency positions, including options. The VaR figure represents the maximum loss within 10 days at a confidence level of 95%, assuming unchanged positions. The calculations are made with the internal VaR model (see section 6.10).

At lower organisational levels in the Group, the risk is calculated and managed on the basis of the net exposure to each currency. For units that trade in currency options, the Group also calculates a number of key figures that express the sensitivity of option values to underlying parameters such as theta (time to expiry) and vega (volatility).

Earnings at units outside Denmark are denominated in local currency and are therefore subject to foreign exchange risk. The Group hedges this risk against Danish kroner on a monthly basis.

At the end of 2011, foreign exchange risk totalled DKK 24 million, against DKK 23 million at the end of 2010.

6.8 EQUITY MARKET RISK

Equity market risk is the risk of losses caused by changing equity prices. It is calculated as the net value of long and short positions in equities and equity-based instruments that are subject to various risk limits. In equity market risk monitoring, the Group distinguishes between risk on listed and unlisted shares. The risk on positions in individual companies is measured and monitored separately.

For units trading in equity options, the Group also calculates the maximum standardised loss due to equity price changes of up to +/- 20% as well as theta (time to expiry) and vega (volatility).

For unlisted shares, the Group distinguishes between ordinary open positions, unutilised commitments to private equity funds, and banking-related investments. Banking-related investments comprise equity holdings in financial infrastructure and payment service businesses.

The Group reduced its net position in listed and unlisted shares in 2011. While the position in unlisted shares rose modestly, the holding of listed shares was reduced sharply.

6.9 OTHER MARKET RISKS

In addition to the types of transactions subject to market risk listed above, the Group also trades and takes positions in inflation-linked products and to a limited extent in commodity instruments.

Inflation rate risk

Inflation rate risk is the risk of losses caused by changes in the traded future inflation rates. The value of a few of the Group's products depends on changes in inflation. The Group has therefore set limits on losses caused by changes in traded future inflation rates. Risk is measured as the loss caused by a change in traded future inflation rates of 100 basis points. At the end of 2011, inflation rate risk amounted to DKK 37 million, against DKK 20 million at the end of 2010.

Commodity risk

Commodity risk is also subject to limits and is measured as the expected loss on commodity instruments caused by changes of +/-10% in individual commodity indices. The Group's commodity risk is limited and relates primarily to energy products.

6.10 VALUE AT RISK

The Group uses an internal VaR model for the calculation and management of the following risk types: general interest rate, yield volatility, inflation rate, foreign exchange and equity market risks. The model does not cover commodity risk, to which the Group's exposure is very limited, as mentioned above.

The Group uses a historical simulation model to estimate VaR. The main advantages of this method are that it uses full revaluation and makes no assumptions regarding loss distribution. This gives more accurate results for non-linear products than simpler methods do. The Group's VaR model is based on two years' historical market data. Each calculation is based on one thousand scenarios representing possible future outcomes of the risk factors. On this basis, the Group calculates an empirical loss distribution that is used to determine the VaR. For example, a confidence level of 95% corresponds to the fiftieth-largest loss in the distribution.

The scenarios are generated by means of a so-called bootstrap method. To construct a ten-day scenario, ten independent drawings are made from a dataset of two years' historical daily returns. The drawings are generated at random, and 70% of the scenarios are based on the latest year of historical market data. Each outcome contains all the risk factors so that the correlation is maintained. The risk factors used are interest rates, yield volatilities, inflation rates, equity indices and exchange rates.

In the autumn of 2011, the Group expanded the model to include some new risk factors: interest rate basis risk, discount risk, yield volatility and inflation. The significance of risk factors for interest rate basis risk had become evident during the financial crisis, when the pricing of a number of interest rate derivatives changed. The conventional assumption behind the modelling of the risk on interest rate derivatives in which a single yield curve is used in both the calculation of future yields and for discounting was no longer sufficient. The very low interest rates, together with the Group's sometimes low interest rate risk, also made it more relevant to include yield volatility explicitly in the model.

The expanded model was approved by the Danish FSA in December 2011, and the Group began using it as its internal model for market risk.

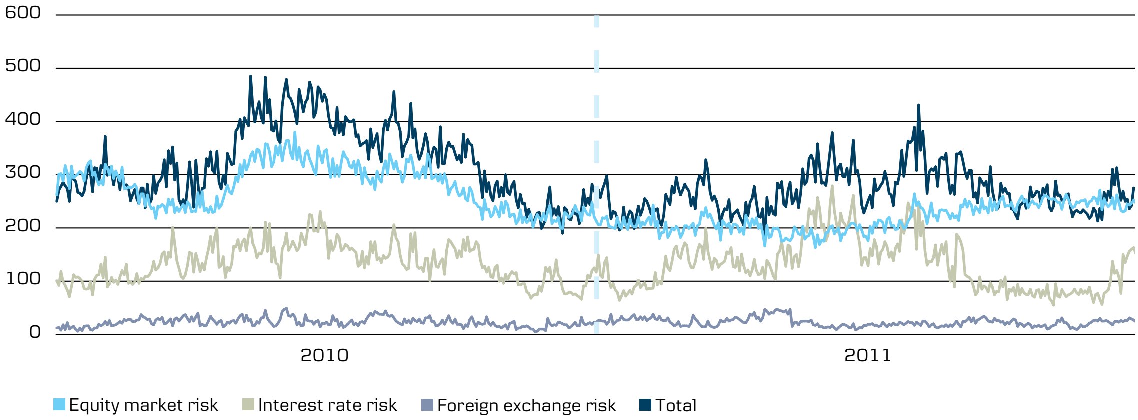
The internal VaR model is used for various purposes – risk monitoring, the calculation of the capital requirement for general market risk and the calculation of economic capital.

DANSKE BANK'S USE OF THE INTERNAL VAR MODEL

	Risk monitoring	Capital requirement	Economic capital
Horizon	10 days	10 days	1 year
Confidence level	95%	99%	99.9%

The Group's daily VaR in 2010 and 2011, calculated on positions both in and outside the trading book, is shown in the chart below. The rise in VaR for interest rate risk at the end of 2011 is related to the transition to the expanded VaR model. The effect on overall risk is limited because of the high diversification between interest rate risk and equity market risk outside the trading book.

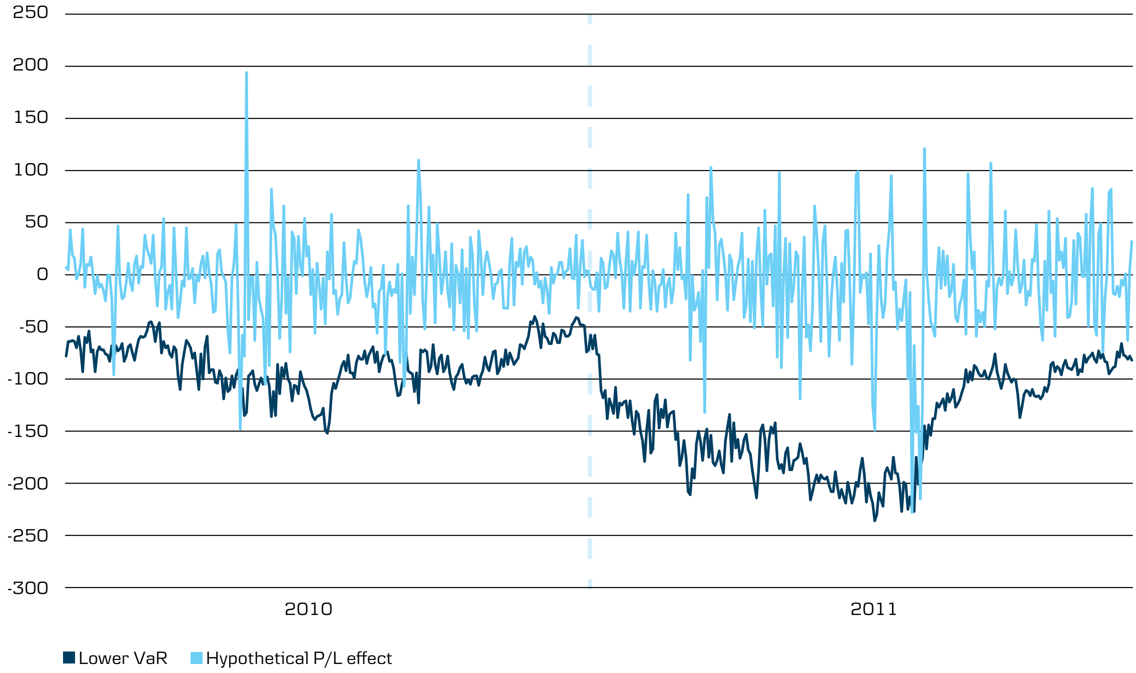
DAILY VaR 2010 AND 2011 (CONFIDENCE LEVEL OF 95%, 10-DAY HORIZON)
(DKK millions)



6.10.1 Backtesting

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

BACKTEST RESULTS, P/L EFFECT
(DKK millions)



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

6.10.2 Stress testing

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

Stress test scenarios feature changes in interest rates, exchange rates, equity prices, volatilities and bond spreads. Such changes affect the Group's earnings directly through value adjustments. The scenarios are often based on large changes in a single risk factor or on conditions that reflect historical periods of economic or financial crisis, combined with factors relevant under the current market conditions. In addition, some scenarios are constructed so that they are consistent with the set of scenarios that is applied across the Group's business units.

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

6.11 MODEL VALIDATION

Certain of the Group's financial instruments cannot be valued by means of market prices. Instead, they are valued on the basis of pricing models developed by Danske Markets. As shown in the table below, only a few types of financial instrument are measured on the basis of unobservable input.

FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

At 31 December 2011 (DKK millions)	Quoted prices	Observable input	Unobservable input	Total
Financial assets				
Derivatives	3,948	529,305	17,717	550,970
Trading portfolio, bonds	348,141	9,953	-	358,094
Trading portfolio, shares	348	-	343	691
Investment securities, bonds	86,374	8,772	-	95,146
Investment securities, shares	133	-	2,587	2,720
Loans and advances at fair value	-	720,741	-	720,741
Assets under pooled schemes and unit-linked investment contracts	61,888	-	-	61,888
Assets under insurance contracts	189,464	6,545	4,879	200,888
Total	690,296	1,275,316	25,526	1,991,138
Financial liabilities				
Derivatives	4,368	510,721	18,972	534,061
Obligations to repurchase securities	163,092	743	17	163,852
Bonds issued by Realkredit Danmark	557,699	-	-	557,699
Deposits under pooled schemes and unit-linked investment contracts	-	69,211	-	69,211
Total	725,159	580,675	18,989	1,324,823

At 31 December 2010 (DKK millions)	Quoted prices	Observable input	Unobservable input	Total
Financial assets				
Derivatives	4,117	321,236	8,390	333,743
Trading portfolio, bonds	286,270	20,490	-	306,760
Trading portfolio, shares	1,140	-	350	1,490
Investment securities, bonds	100,309	4,017	-	104,326
Investment securities, shares	1,010	-	2,363	3,373
Loans and advances at fair value	-	701,715	-	701,715
Assets under pooled schemes and unit-linked investment contracts	59,698	-	-	59,698
Assets under insurance contracts	184,650	4,028	4,410	193,088
Total	637,194	1,051,486	15,513	1,704,193
Financial liabilities				
Derivatives	3,859	305,969	9,108	318,936
Obligations to repurchase securities	158,981	445	24	159,450
Bonds issued by Realkredit Danmark	555,486	-	-	555,486
Deposits under pooled schemes and unit-linked investment contracts	-	67,277	-	67,277
Total	718,326	373,691	9,132	1,101,149

Group Finance is responsible for validating the models developed by Danske Markets. A model must be validated before Danske Markets can trade in new types of product that are priced and risk-managed with the model.

The purpose of the validation process is to evaluate, independently of the business unit, whether the stability and quality of the model are sufficient to enable the Group to price and risk-manage the financial products in question in a satisfactory manner.

Group Finance has established guidelines for quantifying the risk on valuation with models designed to handle various derivative products. This amount, which is called the model reserve, is recalculated on a regular basis.

In addition to this validation process, the Group has established procedures to monitor and validate the market data used to calculate market values and risk. Market data controls are carried out at the end of each month and once during the month.

The results and potential corrections from the market-data validation process are submitted to the managements of Group Finance and Danske Markets at the end of the month. At the end of each quarter, a more detailed report is submitted to the Executive Board.

6.12 NEW CAPITAL REQUIREMENTS

The implementation of the Basel Committee's revised guidelines for market risk (CRD III) were adopted by the EU in 2010. The rules took effect in Danish law at the end of 2011. The revisions will require banks to hold additional capital to cover their market risks, including both general and specific market risks.

In calculating the capital requirement for general market risk, the Group uses an internal VaR model. The most important change in the requirements for this calculation is the introduction of a supplementary capital requirement calculated on the basis of VaR calculations in situations of stress, specifically on the basis of historical data for a 12-month period with heavy volatility in the financial markets. The stressed VaR calculations, which are made weekly, cover positions in the trading book only, and for the Group they are based on market data from 2008. The period, which was approved by the Danish FSA, will be reconsidered periodically.

On 31 December 2011, the supplementary capital requirement was just under DKK 1 billion, or around 50% of the total capital requirement for general market risk.

For the calculation of the capital requirement for specific market risk, the Group uses the standardised approach. This involves an increase in the capital requirement for specific market risk for equities because the prescribed risk weight for equities has been raised from 50% to 100%. This change will have only a very modest effect on the Group's capital requirement for market risk, however.

After the expansion of the internal model according to the new capital requirements, the Group is working to develop the model further to include specific market risk as well.

7. LIQUIDITY RISK

Liquidity management at the Danske Bank Group is intended to ensure that the Group at all times has sufficient liquidity to meets its obligations. The Group has arranged its liquidity management structure to meet this objective by ensuring that its financing is robust and can withstand even less probable situations that would have a substantial adverse effect on its liquidity. Liquidity management at the group level does not include Realkredit Danmark and Danica Pension, which each manage their liquidity separately.

The Group's balance sheet structure, together with its centralised funding management at the head office, enables the Group to fund its activities at the lowest possible cost. The Group's substantial deposits from the retail market and its comprehensive and well-established funding programmes are key elements in this process.

The Danske Bank Group's liquidity position remains strong. For example, the survival horizon determined in the Group's 12-month liquidity calculations is very long – significantly beyond the Group's target. The Group has obtained this positive liquidity position by raising a substantial amount of long-dated financing in recent years (for example from the issuance of covered bonds), an increase in the Bank's shareholders' equity through a share issue, and a favourable trend in the loan/deposit ratio.

In 2011, the financial markets again exhibited high volatility because of the worsening debt crisis and a gradual reduction of economic growth estimates for both Europe and the US. One consequence of this situation was an adverse effect on the banking sector's funding opportunities in these regions. Funding costs rose, and opportunities to issue debt became limited. In the middle of 2011, the market for senior debt generally closed down, whereas the market for covered bond issues was open during certain periods.

The situation in Denmark was aggravated by the use of Bank Package 3 for the winding up of Amagerbanken. Danske Bank was subject to two rating downgrades that were based mainly on the weakening of systemic support by Bank Package 3. Upon the adoption of Bank Package 4 at the end of the summer, the pressure on Danish banks subsided. This was owing to the prospect of the designation of a number of systemically important institutions in Denmark and an expansion of the scheme under which sound banks can more easily take over parts or all of distressed banks with state support.

Although Danske Bank was also affected by the difficult conditions in the funding markets, the Bank succeeded in executing the planned issues in 2011, including senior bonds for DKK 21 billion and covered bonds for DKK 38 billion.

In the autumn, the Danish central bank expanded its lending to Danish banks by allowing them to borrow on the basis of collateral consisting of high-quality loans. A number of other European countries have similar programmes. The Danish central bank also followed the ECB by introducing an option to raise loans with a maturity of three years. The measures are expected to have a positive effect on the funding markets generally, and they present an opportunity for banks to optimise their liquidity management. At the end of 2011, the Group had used about DKK 11 billion from the ECB facility.

Banks' liquidity management continued to receive much attention in 2011 because of new regulations, both national and international, on the measurement and reporting of banks' liquidity risk.

Two of the main elements that are being considered in the new regulations are the liquidity requirements the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), which were introduced in the Basel Committee's recommendations in 2010. In mid-2011, the European Commission released a proposal for the calculation and reporting of liquidity. The proposal (CRD IV) is generally expected to take effect at the beginning of 2013 after final passage in the European Parliament and the European Council in 2012. The LCR and possibly the NSFR are expected to take effect as binding requirements at a later date, however.

The final forms of the LCR and the NSFR have not been settled at the EU level. But it is of great significance for the measurement of the Group's liquidity buffer under the LCR that the CRD IV proposal enables most of the Group's holdings of covered bonds, including Danish mortgage bonds, to be classified as level 1 assets, on par with Danish government bonds.

7.1 CONTROL AND MANAGEMENT

Taking on liquidity risks is an integral part of the Group's business strategy.

The Board of Directors determines the overall approach to liquidity risk, including the profile of the Group's liquidity risk exposure and liquidity risk limits. It also determines the overall calculation method and responsibilities for each segment of liquidity risk in accordance with the Group's established risk profile.

The All Risk Committee supplements limits set by the Board of Directors with further targets for liquidity risk management. The Asset and Liability Management Committee (ALCO) oversees liquidity risk management, and Danske Markets is responsible for day-to-day liquidity management.

Group Treasury ensures that the Group's structural liquidity profile enables the Group to comply with the limits set out by the Board and meet the targets set by the All Risk Committee. Group Treasury reports to ALCO, the All Risk Committee and the Board of Directors on the liquidity targets. Group Finance reports on the liquidity limits to ALCO, the All Risk Committee and the Board of Directors.

In calculating liquidity risks, the Group excludes Realkredit Danmark and Danica Pension. At Realkredit Danmark, the financing of mortgage loans by the issuance of listed mortgage bonds with matching conditions has eliminated liquidity risk in all material respects. Danica's balance sheet contains long-term life insurance liabilities and assets, much of which is invested in easily marketable bonds and shares. Both companies are subject to statutory limits on their exposures to Danske Bank A/S, and their liquidity is not included in group-level liquidity management.

At the group level, liquidity management is based on the monitoring and management of the Group's short-term and long-term liquidity risks, and it is organised around the four issues set out in the table below.

THE DANSKE BANK GROUP'S LIQUIDITY MANAGEMENT

	OPERATIONAL LIQUIDITY RISK MANAGEMENT	LIQUIDITY STRESS TESTING	12-MONTH LIQUIDITY	STRUCTURAL LIQUIDITY RISK
Objective	Ensure a liquidity buffer sufficient to absorb the net effects of current transactions	Identify and measure immediate liquidity risk	Measure the Group's dependence on the interbank and capital markets	Ensure that the Group does not create an unnecessarily large need for funding in future periods
	Be able to cover payments as they fall due	Ensure that there is sufficient time to respond to a crisis	Protect against market disruption and maintain the business model	Protect the Group by diversifying the funding sources
Management tool	Board limit	All Risk target	All Risk target	All Risk target
Monitoring / control	Group Finance	Group Treasury	Group Treasury	Group Treasury
Unit responsible	Danske Markets	ALCO	ALCO	ALCO
Model	Gap analysis	Gap analysis	Gap analysis	Ratio/Gap analysis

7.1.1 Operational liquidity risk

The Group's operational liquidity risk management is intended mainly to ensure that the Group always has a liquidity buffer that, in the short term, is sufficient to absorb the net effects of current transactions. For liquidity management purposes, the Group distinguishes between liquidity in Danish kroner and liquidity in other currencies. This is because of the Group's strong position in the Danish market and because the Group has a net deposit surplus in Danish kroner (deposits exceed lending) and a net deposit shortfall in other currencies (lending exceeds deposits). The net deposit surplus in Danish kroner is a valuable, stable funding source for the Group. Liquidity is calculated on the basis of known future receipts and payments from current transactions. The calculation includes the estimated effects on the Danish kroner liquidity of the Danish government's receipts and payments. Bond holdings that can be used in repo agreements with central banks are considered liquid assets. To take account of the potential risk of drawings under irrevocable loan commitments, the Group factors in the unutilised portion of the facilities in the calculation of liquidity risk.

The Group uses limits to manage operational liquidity risk. Separate limits are set for total liquidity and for liquidity in non-Danish currencies. In addition to the limits set by the Board of Directors and the All Risk Committee, the Asset and Liability Management Committee has set overnight targets for each key currency. The Group also monitors the maturity profiles of commercial paper, certificates of deposit and medium-term notes to ensure that the maturing liabilities do not become too large at any particular time.

7.1.2 Liquidity stress testing

The Group conducts stress tests to measure its immediate liquidity risk and to ensure that it has enough time to respond to potential crises. The stress testing, which is conducted monthly, covers a time horizon of up to six months. The tests estimate liquidity risk in various scenarios, including three standard scenarios: a scenario specific to the Group, a general market crisis and a combination of the two. It also conducts a "stress-to-fail" test.

The analyses are based on the assumption that the Group does not reduce its lending activities. This means that existing lending activities are maintained and require funding. Most of the Group's unencumbered bond holdings can be used as collateral for loan facilities with central banks and are thus considered liquid assets. Scenario-specific haircuts are used on the bond portfolio. Potential liquidity outflows from unutilised but irrevocable loan commitments are also factored in.

The degree of possible refinancing of the Group's funding sources varies depending on the scenario in question as well as on the specific funding source. To indicate the stability of the funding, the Group breaks down deposits into personal and business customers, core and non-core customers, and term and non-maturing products. It also breaks them down geographically according to the Group's position in each market.

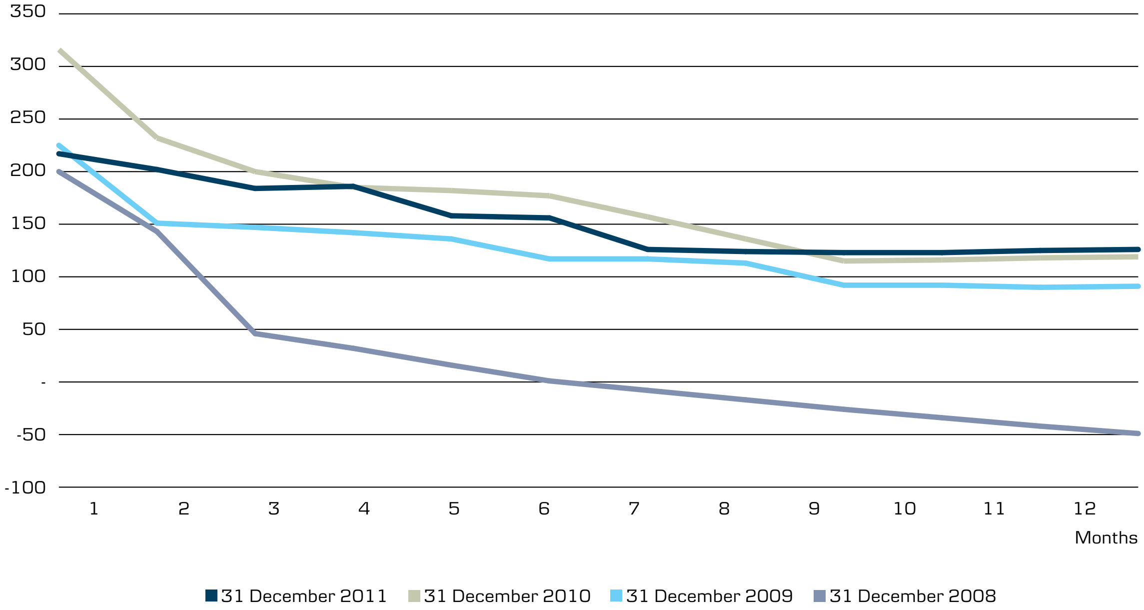
The Group monitors the diversification of funding sources by product, currency, maturity and counterparty to ensure that its funding base provides the best possible protection if the markets come under pressure.

7.1.3 Twelve-month liquidity

In its "Bank Financial Strength Ratings: Global Methodology", Moody's Investors Service has set various classification requirements for banks' liquidity management. One requirement is that a stress test of the 12-month liquidity curve must generally be positive. Liquidity calculations must assume, among other factors, that the Group is cut off from the capital markets and that refinancing in the markets is not possible. This means that net debt to credit institutions, issued bonds (including covered bonds), issued commercial paper and subordinated debt will not be refinanced at maturity. In contrast, the stable deposit base will remain an available funding source that can be rolled over when the loans mature. The analysis also assumes only a moderate reduction in business activities. The Group's liquidity buffer is included in the liquidity curve after haircuts that depend on the degree of the bonds' liquidity. Off-balance-sheet items are included at their actual maturity dates. The Group monitors its liquidity reserves to ensure that it is robust against a loss of access to the capital markets.

The Group's liquidity position, measured by the 12-month liquidity curve, has improved significantly since the end of 2008 and has been positive more than 12 months ahead since then. This means that the Group's liquidity buffer is large enough for the Group to survive at least 12 months without access to the capital markets. The improvement reflects better funding conditions and the funding initiatives the Group has taken to strengthen liquidity.

12-MONTH LIQUIDITY
(DKK billions)



7.1.4 Structural liquidity risk

In managing its structural liquidity risk, the Group takes account of its long-term liquidity mismatch. The aim is to avoid an unnecessarily large need for funding in the future. Quantifying structural liquidity risk is important when the Group plans its funding activities.

Structural liquidity risk management is based on a breakdown by maturity of the Group's assets, liabilities and off-balance-sheet items. The assumptions are generally the same as for the 12-month liquidity curve, except for the condition that it is not possible to reduce the Group's business activity, and this means that all loans must be extended. It is assumed that the Group is cut off from the capital markets so that refinancing is not possible and that the Group can continue to refinance stable deposits. The liquidity buffer is included in the liquidity curve after haircuts that depend on the degree of the bonds' liquidity, and off-balance-sheet items are listed at their actual maturities.

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

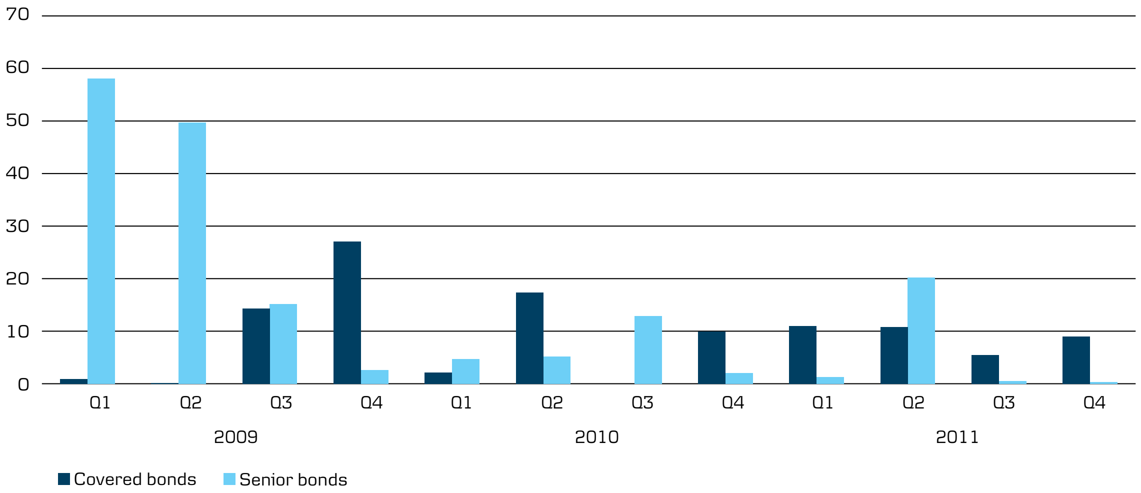
The Group's structural liquidity position is also characterised by a deposit surplus in Danish kroner and a deposit shortfall in other currencies. The shortfall is covered by long-dated bond issues.

7.1.5 Funding sources

The Group monitors its funding mix to make sure that it is well diversified in terms of funding sources, maturities and currencies, as shown in the tables below. A well-balanced portfolio of liabilities generates a stable flow of funding and provides protection against market disruptions.

Like the Group's substantial deposits from the retail market, its comprehensive and well-established funding programmes are essential to liquidity management. Covered bonds play an increasingly important role in the funding. At 31 December 2011, the Group had issued covered bonds (excluding Danish mortgage bonds) for an amount equivalent to DKK 148 billion. The bonds are currently based on Danish, Norwegian, Swedish and Finnish loans, and there is still substantial unexploited potential for covered bond issues. As part of its liquidity reserves, the Group has also issued covered bonds for DKK 11 billion based on Irish residential property loans.

BONDS ISSUED, BY QUARTER
(DKK billions)



Note: The covered bonds shown include issues from Sampo Bank, Finland, but exclude Cover Pool R (Ireland).

The tables below also include the match-funding of loans provided by Realkredit Danmark through the highly rated Danish mortgage finance system.

FUNDING SOURCES

(%)	2011	2010
Central banks	6	4
Credit institutions	6	5
Repo agreements	7	6
Short-dated bonds	3	7
Long-term bonds	7	8
Covered bonds	6	5
Danish mortgage bonds	24	24
Deposits (corporate)	19	20
Deposits (retail)	14	14
Subordinated debt	3	3
Shareholders' equity	5	4
Total	100	100

The Group monitors deposits and amounts due from credit institutions to ensure that exposures to individual counterparties are also acceptable from a liquidity perspective.

BREAKDOWN OF FUNDING BY CURRENCY

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

Danica's balance sheet items (long-term life insurance liabilities and assets, much of which is invested in easily marketable bonds and shares) are not included in the funding listed above.

7.2 RATINGS

Since the beginning of the 1990s, the Danske Bank Group has been given credit ratings by the three major international rating agencies: Standard & Poor's (S&P), Moody's and Fitch Ratings. The ratings help to ensure that banks have access to the international credit markets. They are also used as the basis for pricing banks' financing. At the end of 2011, the Danske Bank Group had the following credit ratings:

CREDIT RATING TYPE	Moody's	Standard & Poor's	Fitch Ratings
Short-term	P-1	A-1	F1
Long-term	A2	A	A
Covered bonds	Aaa	AAA	AAA

In the first half of 2011, Danske Bank and several other Danish banks were downgraded twice by Moody's. The first time was in February 2011, when the Group was downgraded from Aa3 to A1 and also placed under observation with the possibility of a further downgrade. The reason for the downgrade was the implementation of Bank Package 3 and Amagerbanken's winding up under the scheme. Moody's believed Bank Package 3 reduced the Danish state's systematic support for banks. In May 2011, the Group was downgraded by Moody's again, from A1 to A2, and the reason was also Bank Package 3 and reduced systemic support. Standard & Poor's maintained its A rating of Danske Bank in 2011. In December 2011, Fitch Ratings downgraded Danske Bank from A+ to A, thus bringing its rating in line with those of the other rating agencies.

The Group's long-term credit ratings were lower than those of its Nordic competitors because the rating agencies considered systemic support to be lower. The agencies' assessment of the Group's financial strength is in line with their assessment of its Nordic competitors', however.

7.3 COLLATERAL PROVIDED BY THE GROUP

Through a number of mutually binding agreements, the Group has undertaken to provide collateral if the fair value of current transactions changes to its detriment.

The Group has entered into other agreements in which the counterparty has made it a condition that the Group maintain its present rating. A downgrade could mean that the obligations under the contracts in question must be fulfilled or that collateral must be provided in the form of securities or cash. The table below shows the loss of liquidity for the Group under four scenarios involving downgrades of the Group's long- and short-term debt. It also shows how much the Group would have to repay under the contracts or provide in supplementary collateral under the scenarios. The number in parentheses after the rating indicates the number of notches by which the rating is reduced from its current level in the various scenarios.

LOSS OF LIQUIDITY IF THE GROUP'S PRESENT RATINGS ARE DOWNGRADED, AT 31 DECEMBER 2011

	Moody's (short-term)	S&P (short-term)	Moody's (long-term)	S&P (long-term)	Supplementary collateral (DKK billions)
Scenario 1	P-1	A-1	A3 (▼1)	A- (▼1)	2.9
Scenario 2	P-2 (▼1)	A-2 (▼1)	A3 (▼1)	A- (▼1)	13.9
Scenario 3	P-2 (▼1)	A-2 (▼1)	Baa1 (▼2)	BBB+(▼2)	19.3
Scenario 4	P-2 (▼1)	A-2 (▼1)	Baa2 (▼3)	BBB (▼3)	22.0

Realkredit Danmark's bond issues have a rating of AAA from Standard & Poor's. A rating downgrade could possibly affect Realkredit Danmark's position in the market but would not require an immediate provision of collateral.

7.4 REQUIREMENTS FROM SUPERVISORY AUTHORITIES

The external liquidity requirements that apply to the Group are set forth in section 152 of the Danish Financial Business Act, which states that a credit institution's liquidity must equal at least each of the following:

- 15% of the debt obligations that, regardless of any disbursement conditions, the institution must pay on demand or at less than one month's notice
- 10% of the institution's total debt and guarantee obligations, excluding subordinated loan capital infusions that can be counted as part of the capital base

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

In 2010, the Danish FSA introduced the so-called supervisory diamond, which includes targets for funding and liquidity. The benchmark for funding stipulates that a bank's loans may not exceed stable funding (deposits as well as issued bonds and subordinated debt with a maturity above one year). This means that banks must have a funding ratio of under 1.00. The liquidity benchmark states that banks must have excess liquidity coverage that is 50% above the regulatory requirement in section 152 of the Danish Financial Business Act.

The Group's liquidity was far above the FSA's requirement throughout 2011.

Two of the main elements that are being considered in the new regulations are the liquidity requirements the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), which were introduced in the Basel Committee's recommendations in 2010 (Basel III).

The LCR stipulates that banks must have a liquidity buffer that ensures a survival horizon of at least 30 days in the case of a seriously stressed liquidity situation. The NSFR is intended to ensure a sound funding structure by promoting more long-dated funding. The NSFR stipulates that banks must at all times have stable funding for one year ahead that equals the amount of their illiquid assets.

In mid-2011, the European Commission released a proposal for new liquidity requirements. The proposal (CRD IV) is expected to take effect at the beginning of 2013 after final passage in the European Parliament and the European Council in 2012, but the details of the liquidity regulations are not expected to be determined until later.

In September 2011, Danske Bank began reporting its LCR and NSFR, as defined in Basel III, to the Danish FSA on a monthly and quarterly basis, respectively. The final rules for the calculations have not been settled at either the EU level or the international level, since, according to the international agreement on Basel III, the two measures are being monitored during an observation phase that runs until 2015 for the LCR and until 2018 for the NSFR.

At the end of the observation periods, requirements for the LCR and possibly for stable funding, such as in the form of the NSFR, are expected to become binding in the EU.

Although the final forms of the rules have not been settled at the EU level, it is of great significance in the measurement of the Group's liquidity buffer with the LCR that the CRD IV proposal enables most of the Group's holdings of covered bonds, including Danish mortgage bonds, to be classified as liquid assets, on par with Danish government bonds.

8. OPERATIONAL RISK

The Danske Bank Group is exposed to operational risks in the form of possible losses resulting from inappropriate or inadequate internal procedures, human or system errors, or external events. Operational risks include legal risks.

Operational risks are often associated with one-off events, such as failure to observe business or working procedures, defects or breakdowns of the technical infrastructure, criminal acts, fire and storm damage, and litigation. Operational risks are thus non-financial risks.

The Group's operational risk management process involves a structured and uniform approach across the Group. It includes risk identification and assessments, the monitoring of risk indicators, controls and risk mitigation plans for key operational risks.

In its qualitative approach to operational risk management, the Danske Bank Group has chosen to include both indirect and direct effects, a probability assessment and an assessment of whether a given event affects Danske Bank's share price. This approach improves the basis for assigning priority to the key risks identified.

Direct effects are monetary losses, while indirect effects include effects on reputation from negative media coverage or the loss of customers, for example. The indirect effects have no influence on the Group's capital requirement, which is calculated according to the standardised approach, while the direct effects are used to validate the capital requirement determined by the standardised approach. At the end of 2011, operational risk accounted for 10% of the Group's risk-weighted assets.

In 2011, the Group continued to focus on mitigating group-wide operational risks and also expanded day-to-day operational risk management in all subsidiaries, business units and resource areas.

The Group's chief risk officer (CRO) is the chairman of the Operational Risk Committee. The committee's general responsibilities are, on behalf of the Executive Board, to issue guidelines and make decisions that support a group-wide operational risk management framework. Danske Bank's Board of Directors is involved in important decisions about operational risks, including instances of significant operational losses. The Board of Directors also receives reporting on the Group's operational risks at least once a year.

Each subsidiary, business unit and resource area is responsible for the day-to-day monitoring of its operational risks and for reducing and preventing losses caused by operational risks.

8.1 POLICY

The Group's operational risk policy covers the following activities:

- Identifying, monitoring and managing the Group's current and potential operational risk exposure.
- Handling critical events, that is, events that, in the view of business unit management or the Operational Risk Committee, require follow-up and further reporting.
- Following up on reports and visits from financial supervisory authorities and informing the Executive Board of issues that involve the Group's operational risks.
- Preparing management information on issues such as IT security, physical security, business continuity and outsourcing and ensuring compliance with legislation in these areas.

The Group also has other policies that treat security, control, outsourcing and compliance and support operational risk management.

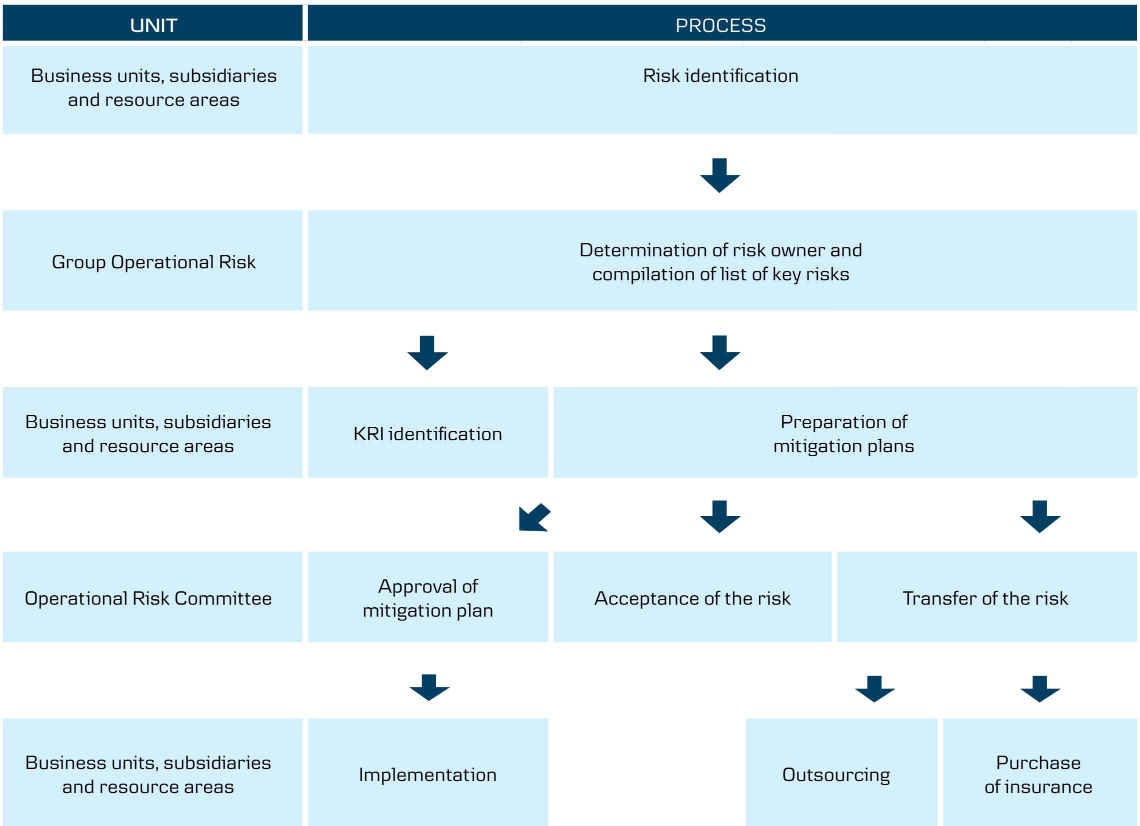
In addition, the Group has policies regulating other operational risk areas, such as a policy for using insurance as a risk mitigation measure.

8.2 PROCESS, MEASUREMENT AND CONTROL

Once a year, the Group conducts a risk identification survey at its subsidiaries, business units and resource areas and compiles a list of the key operational risks. The subsidiaries, business units and resource areas – in collaboration with the Group's Operational Risk department – assess the effect of each risk, including both direct and indirect effects, the probability of the occurrence of a given event, and the effect of such events on Danske Bank's share price. The Group includes indirect effects in the assessments because they can have significant long-term ramifications. Some of the largest risks fall into the categories of IT risks, internal and external fraud, liability for advisory services, and loss or theft of confidential data.

The Group manages its largest operational risks in a process that includes controls, risk mitigation and monitoring of risk indicators. Operational risk considerations are included in the Group's daily work, for example the work on the Group's business procedures. The chart below shows the process from risk identification to the implementation of mitigation plans for the Group's key operational risks. The process starts with risk identification and assessment, which lead to the compilation of a list of the Group's key risks. Then risk owners are determined, and the process of identifying the key risk indicators begins. Risk mitigation plans are prepared. When the risk owners complete their mitigation plans, they can recommend that the risks be accepted or mitigated or that the risk be transferred through outsourcing or the purchase of insurance. Afterwards, the Operational Risk Committee makes the final decision on how the risk will be mitigated.

RISK ASSESSMENT PROCESS FROM RISK IDENTIFICATION TO RESPONSE

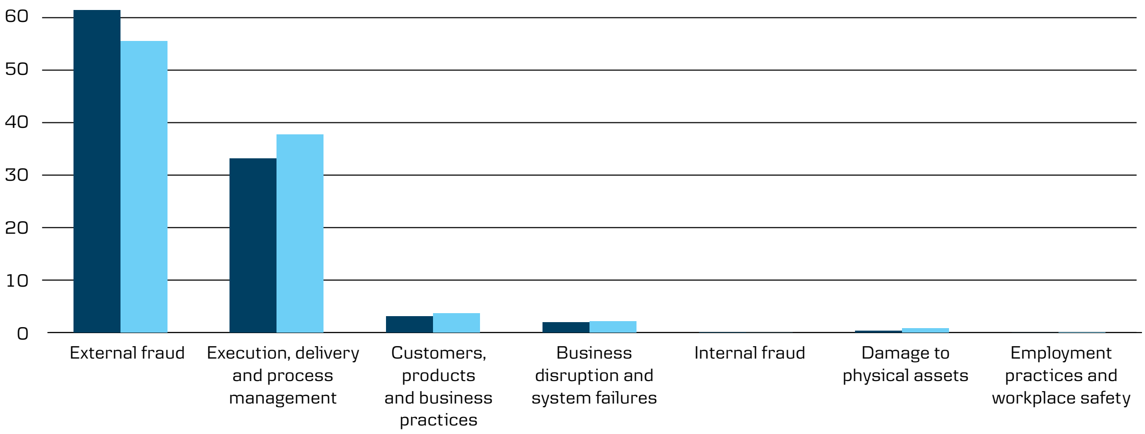


The risk identification and assessment processes are updated once a year. New operational risks are identified, and risks that have become irrelevant are removed from the list of key risks. All the key risks are monitored, and their status is documented in a quarterly report to the Operational Risk Committee that includes the most significant indicators for each of them, among other things. Risk indicators for the “rogue trading” risk, for example, are deviant dealer behaviour and significantly above-average dealer income.

The Group’s operational risk losses are registered in the Operational Risk Information System (ORIS). Losses are categorised according to the Basel II event categories for operational risk. Operational risk events that entail losses of DKK 25,000 or more are registered in ORIS.

Measured by the number of events, “external fraud” and “execution, delivery and process management” accounted for most of the losses in 2011. External fraud accounted for 61%, and execution, delivery and process management accounted for 33% of total loss events, respectively, against 56% and 38% in 2010. External fraud consists of events such as bank robberies, card skimming and document falsification. Execution, delivery and process management includes losses because of erroneously processed transactions and losses related to routine manual input.

BREAKDOWN OF NUMBER OF LOSS EVENTS
(%)

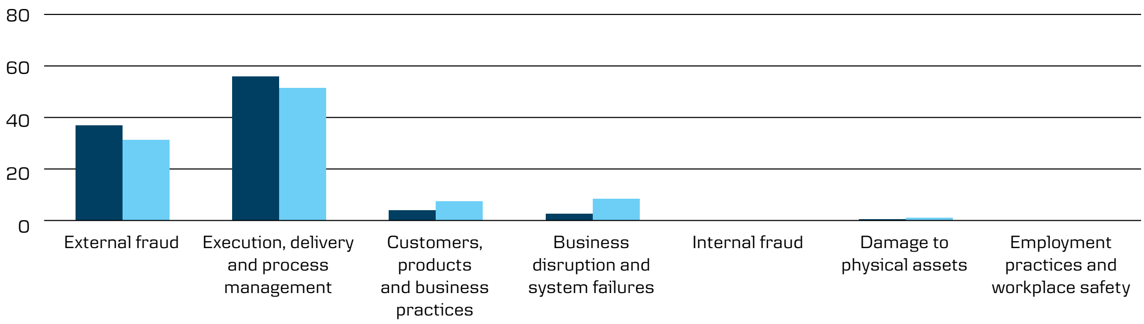


■ % of all loss events 2011 ■ % of all loss events 2010

Note: Based on Basel II event categories.

Measured by amount, external fraud accounted for 37% and execution, delivery and process management accounted for 56% of the total operational risk loss in 2011, against 31% and 52%, respectively, in 2010.

BREAKDOWN OF LOSS AMOUNTS
(%)



■ % of all loss amounts 2011 ■ % of all loss amounts 2010

Note: Based on Basel II event categories.

9. INSURANCE RISK

Insurance risk in the Danske Bank Group consists of all the risks at the companies in the Danica group. The main risks are market risk and life insurance risk. Market risk involves the risk of losses on the investments of Danica's own equity ("own investments") and the risk of losses on investments of customer funds from insurance policies with guaranteed returns. The risk of losses on policies concerns mainly Danica Traditionel insurance policies. Life insurance risk involves life insurance and pension products, and it is affected by changes in mortality, disability, critical illness and the like.

On 1 January 2011, the Danish Financial Supervisory Authority's (FSA) amended Executive Order on the Contribution Principle took effect. It follows from the amendment that Danica Traditionel insurance policies must be divided into groups with generally the same interest rates, insurance risk and expenses (the "interest rate groups"). In addition, the policyholders' capital buffer, also called the collective bonus potential, is divided among these groups. This increases the risk for the Group, other things being equal. Danica has therefore prepared new investment and hedging strategies for each group, limiting the rise in the Group's risk exposure. Finally, the risk allowance is determined for each group individually.

The decline in interest rates that the market experienced in 2011 led to a substantial rise in life insurance provisions and a decline in Danica's capital buffers, that is, the bonus potential. Danica hedges against changes in yields on an ongoing basis, but the great uncertainty in the financial markets has caused losses on equities, credit bonds and European government bonds. For this reason, on 31 December 2011 Danica introduced a charge on the transfer and surrender of pension savings for the New Customers and Low Guarantee groups, and it also reduced the risk exposure of all the interest rate groups by selling both equities and credit bonds. In addition, the interest on policyholders' savings for all interest rate groups was reduced to 1.8% before the tax on pension returns.

The extraordinary economic situation in the fourth quarter of 2011 prompted the Danish FSA to allow the adjustment of a component of the discount curve; the spread between Danish and German government bonds may now be calculated as a 12-month moving average. Danica Pension began using the new discount curve, and the effect was a reduction of provisions of DKK 2.8 billion at 31 December 2011.

9.1 HOW DANICA'S RESULTS AFFECT THE GROUP'S INCOME STATEMENT

Danica's financial result appears on the Group's income statement as the item "Net income from insurance business". It consists mainly of the return on Danica's own investments, the risk allowance for the interest rate groups and income from unit-linked products.

The risk allowance is the annual payment that Danica may book from Danica Traditionel. It is determined individually for each interest rate group and may be booked only if the technical basis permits and if the bonus potential of paid-up policies is not used to cover a lack of collective bonus potential. The technical basis for the risk allowance is essentially the investment return on policyholders' funds less the change in life insurance provisions. The investment return less interest accrual to customers, the risk allowance and changes in insurance provisions is transferred to the collective bonus potential. The latter is owned jointly by the customers in each interest rate group and serves as a risk buffer that can be used to cover possible losses. If the result is negative and cannot be covered by the bonus potential, the Group pays the remaining amount. If the full risk allowance cannot be booked or the Group needs to cover losses above what is covered by the bonus potential, the amount is transferred to a shadow account and can be booked in a financial year when the technical basis permits.

For further details on Danica's contribution to Danske Bank's income statement, please see Danske Bank's white paper on Danica Pension at www.danskebank.com.

9.2 KEY RISK FACTORS

As shown in the table below, the key risk factors for Danica are market risks, life insurance risks, operational risks and business risks. They are discussed in the section below.

MAIN RISK FACTORS AFFECTING THE DANICA GROUP

MARKET RISKS	LIFE INSURANCE RISKS	OPERATIONAL RISKS	BUSINESS RISKS
Interest rate Equity Credit spread FX Liquidity Counterparty Concentration	Longevity Mortality Disability Concentration	IT Legal Administrative Fraud Model	Reputation Strategy

Insurance risk at Danica is related mainly to life insurance and pension products and to a lesser extent to insurance against critical illness and health insurance. Most of the risk on life insurance and pension products derives from with-profits policies in Denmark, with unit-linked policies in Denmark, Sweden, Norway and Ireland accounting for a smaller share.

DANICA'S TWO TYPES OF LIFE INSURANCE AND PENSION PRODUCTS IN DENMARK

With-profits policies (Danica Traditionel)
A Danish with-profits policy has a guaranteed annual benefit upon retirement based on the technical rate of interest. The policyholders' savings earn a rate of interest that is set for each year at the discretion of Danica and that can be changed at any time. The difference between the technical rate of interest and the actual interest accrued on policyholders' savings is termed the "bonus". For policies with a technical rate of interest of 1.5% or below, the bonus entails guaranteed benefits, but the bonus for policies with higher technical rates of interest can subsequently be returned to Danica fully or partly. The technical rate of interest was set at 0.5% for new policies on 1 January 2012.

Unit-linked policies (Danica Link and Danica Balance)
A unit-linked policy is a policy under which the investments are linked to policyholders, who can decide how to invest their pension savings themselves or let the life insurance company invest the savings.

For unit-linked policies, the policyholder receives the actual return on the investments and bears all the investment risk, unless a guarantee is linked to the policy.

Danica offers two types of guarantee to unit-linked policyholders: for Danica Link, a watermark-based guaranteed benefit (based on 95% of all pension contributions and 95% of the positive investment return less expenses and insurance premiums); and for Danica Balance, a minimum 0% return guarantee.

Risks related to unit-linked business are considered minor because most of the risks are carried by the policyholders or hedged with financial derivatives.

Danica's foreign activities account for about 10% of its total provisions, and they offer mainly unit-linked products without guarantees. The risk on these activities is thus very small. The remainder of this section concerns Danica's activities in Denmark. The table below shows the trend in life insurance provisions.

DANICA'S POLICIES BROKEN DOWN BY BUSINESS SEGMENT

At 31 December 2011 (DKK billions)	With-profits policies				Unit-linked	Health and accident insurance	Other
	New customers	Low guarantee	Medium guarantee	High guarantee			
Collective bonus potential	-	-	0.1	0.1	-	-	0.2
Bonus potential of paid-up policies	3.6	-	0.2	0.2	-	-	-
Other provisions	46.1	22.1	15.7	92.5	51.8	8.4	1.5
Total provisions for insurance and investment contracts	49.7	22.1	16.0	92.8	51.8	8.4	1.7

At 31 December 2010 (DKK billions)	With-profits policies				Unit-linked	Health and accident insurance	Other
	New customers	Low guarantee	Medium guarantee	High guarantee			
Collective bonus potential	0.5	0.2	0.1	0.8	-	-	0.1
Bonus potential of paid-up policies	8.1	2.4	0.2	0.2	-	-	-
Other provisions	41.8	20.8	14.4	89.4	44.7	8.2	1.4
Total provisions for insurance and investment contracts	50.4	23.4	14.7	90.4	44.7	8.2	1.5

9.3 CONTROL AND MANAGEMENT

Danica's Board of Directors defines the overall principles for Danica's risk management, and the management monitors Danica's risks to ensure compliance with these principles. In addition, Danica's Board of Directors determines Danica's investment strategy and follows up on the results. The management prepares the specific investment plans.

9.3.1 Market risks

Market risk for the insurance business consists of the risk of losses on Danica's own investments and the risk of losses on policies with guarantees arising because the fair value of Danica's assets and liabilities changes. Such changes in value can be caused by changes in interest rates, exchange rates, equity prices, property values, credit spreads and market liquidity as well as by issuer or counterparty defaults. Liabilities carry interest rate risk owing to the guarantees issued. For example, if market interest rates drop, the market value of liabilities increases.

With-profits business

Danica's liabilities are calculated by discounting expected cash flows at a rate defined by the Danish Financial Supervisory Authority. The discount curve includes the following constituents: the euro swap curve, the Danish-German government yield spread, the spread between Danish and euro zone swap rates and an added spread for Danish mortgage bonds. It is not possible to hedge the liabilities without a significant element of basis risk.

Since the Danish bond market is not large enough and does not have the necessary duration to hedge the liabilities, Danica must invest in non-Danish interest rate instruments. The bond portfolio therefore consists of a broad range of interest-based assets: Danish and other European government bonds, Danish mortgage bonds, Danish index-linked bonds and a well-diversified portfolio of global credit bonds. Danica's ongoing risk management ensures that it is well protected against significant changes in interest rates, but Danica is also exposed to country spreads and credit spreads.

Danica conducts internal stress tests to ensure that it can withstand significant losses on its equity market and credit exposure and substantial changes in interest rates. Interest rate risk not covered by the bond portfolio is hedged with financial derivatives.

Credit spread risk is limited since at the end of 2011 about 71% of the bond portfolio consisted of government and mortgage bonds of high quality (AA to AAA ratings from the international rating agencies) or unrated mortgage bonds whose issuers have similarly high ratings. Only 9% of the portfolio was invested in non-investment-grade bonds. This risk is hedged and managed in the same way as equity market risk.

The exposure to government bonds issued by Ireland, Italy and Spain is managed on an ongoing basis. At the end of 2011, it amounted to DKK 7.3 billion (2010: DKK 6.6 billion). The bond portfolio contained no Greek or Portuguese government bonds.

BOND HOLDINGS BROKEN DOWN BY COUNTRY

At 31 December 2011 (DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Short-dated bonds (CP etc.)	Corporate bonds	Total
Denmark	10,341	26	56,598	-	5,112	-	681	72,758
Sweden	220	-	-	845	-	-	433	1,498
UK	-	-	-	-	1,399	-	1,456	2,855
Norway	-	-	-	-	372	-	156	528
USA	-	-	-	-	15	-	5,888	5,903
Spain	1,477	1,183	-	-	534	-	771	3,965
France	9,915	5	-	-	1,469	-	1,222	12,611
Luxembourg	26	2,066	-	-	-	-	716	2,808
Canada	-	-	-	-	36	-	165	201
Finland	653	-	-	-	486	-	62	1,201
Ireland	281	246	-	-	-	-	268	795
Italy	5,513	226	-	-	243	-	341	6,323
Portugal	-	-	-	-	-	-	33	33
Austria	-	-	-	-	-	-	70	70
The Netherlands	2,364	-	-	-	968	-	1,925	5,257
Germany	12,355	1,393	-	-	425	-	656	14,829
Other	6,642	93	-	-	185	-	7,136	14,056
Total	49,787	5,238	56,598	845	11,244	-	21,979	145,691

At 31 December 2010 (DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Short-dated bonds (CP etc.)	Corporate bonds	Total
Denmark	12,511	39	69,823	-	6,314	-	634	89,321
Sweden	282	-	-	785	-	-	507	1,574
UK	781	-	-	-	1,102	-	2,421	4,304
Norway	-	-	-	-	574	-	197	771
USA	1,035	-	-	-	32	-	1,074	2,141
Spain	793	49	-	-	230	-	520	1,592
France	5,092	-	-	-	1,292	-	1,897	8,281
Luxembourg	24	979	-	-	-	-	1,071	2,074
Canada	94	-	-	-	32	-	323	449
Finland	1,745	-	-	-	331	-	123	2,199
Ireland	884	235	-	-	95	-	543	1,757
Italy	4,464	233	-	-	29	-	528	5,254
Portugal	96	-	-	-	12	-	84	192
Austria	-	-	-	-	-	-	146	146
The Netherlands	2,100	6	-	-	466	-	2,735	5,307
Germany	6,526	915	-	-	137	-	772	8,350
Other	5,815	102	-	-	119	-	15,631	21,667
Total	42,242	2,558	69,823	785	10,765	-	29,206	155,379

BOND HOLDINGS BROKEN DOWN BY RATING

At 31 December 2011 (DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Short-dated bonds (CP etc.)	Corporate bonds	Total
AAA	38,850	4,010	32,606	845	8,180	-	384	84,875
AA+	1,628	-	5,870	-	126	-	81	7,705
AA	34	-	-	-	69	-	184	287
AA-	1,477	1,183	-	-	-	-	1,116	3,776
A+	5,513	8	-	-	-	-	588	6,109
A	565	11	-	-	2,869	-	1,302	4,747
A-	381	-	-	-	-	-	1,215	1,596
BBB+	414	-	-	-	-	-	1,267	1,681
BBB	228	-	-	-	-	-	2,133	2,361
BBB-	304	-	-	-	-	-	994	1,298
Sub-inv.-grade or unrated	393	26	18,122	-	-	-	12,715	31,256
Total	49,787	5,238	56,598	845	11,244	-	21,979	145,691

At 31 December 2010 (DKK millions)	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Short-dated bonds (CP etc.)	Corporate bonds	Total
AAA	32,405	2,375	37,239	785	6,629	-	759	80,192
AA+	965	46	7,365	-	117	-	96	8,589
AA	985	22	-	-	212	-	447	1,666
AA-	48	45	4,745	-	-	-	361	5,199
A+	4,684	16	-	-	6	-	962	5,668
A	1,204	-	-	-	3,801	-	1,684	6,689
A-	257	-	-	-	-	-	2,506	2,763
BBB+	24	-	-	-	-	-	1,551	1,575
BBB	148	11	38	-	-	-	2,228	2,425
BBB-	295	-	-	-	-	-	1,536	1,831
Sub-inv.-grade or unrated	1,227	43	20,436	-	-	-	17,076	38,782
Total	42,242	2,558	69,823	785	10,765	-	29,206	155,379

Concentration risk and counterparty risk are very limited because of internal investment restrictions and because of collateral management agreements for financial derivatives.

Danica hedges most of the foreign exchange risk. At the end of 2011, about 70% was hedged (end-2010: about 73%).

Early transfer or surrender by policyholders may require Danica to sell some of its holdings, thus exposing itself to the risk of a low sales price. Danica reduces this liquidity risk by investing much of its funds in liquid bonds and shares. Furthermore, liquidity risk is very modest, since the time of payment upon surrender and transfer can be adapted to the situation in the financial markets to some extent.

Unit-linked business

For about 85% of the unit-linked policies, the policyholders bear all the investment risk. The remaining 15% of policyholders have investment guarantees. The guarantees do not apply until the time of retirement and are paid for by an annual fee. Danica manages the risk on financial guarantees in Danica Link with financial derivatives and by adjusting the investment allocation during the last five years before maturity. It manages the risk on guarantees in Danica Balance by adjusting the investment allocation for the individual policies. Because of these hedging and risk management strategies, Danica considers the investment risk on guarantees in unit-linked products to be very minor.

Danica's own investments

In addition to market risk to which policyholders' savings are exposed, Danica's own investments are also exposed to market risk, as are investments related to health and accident insurance. Danica's Board of Directors has set a separate investment strategy for its equity, which is invested primarily in short-term Danish bonds.

The investments related to health and accident insurance follow essentially the same investment strategy as the one used for customers' funds allocated to with-profits policies, since the benefits are similar.

9.3.2 Life insurance risks

Life insurance risks are related to mortality, disability, illness and similar factors. For example, an increase in longevity lengthens the period during which benefits are payable under certain pension plans. Similarly, changes in mortality, illness and recoveries affect life insurance and disability benefits. Longevity, or increased life expectancy, is the most significant life insurance risk factor for Danica.

Danica subjects its life insurance risks to ongoing actuarial assessment and makes relevant business adjustments. For life insurance policies, Danica calculates the insurance liabilities according to expected mortality rates based on empirical data from its own insurance portfolio. These rates reflect a likely increase in life expectancy in the future.

For health and personal accident policies, Danica calculates insurance liabilities according to expectations for future recoveries and re-openings of old claims. The expectations are based on empirical data from Danica's own insurance portfolio, and they are updated regularly.

To mitigate life insurance risk, Danica uses reinsurance to cover a small portion of the risks related to mortality and disability. Danica also reinsures the risk of losses due to disasters.

9.3.3 Operational risks and business risks

Operational risks include risks of losses resulting from defects in IT systems, legal disputes, inadequate or erroneous procedures, and fraud. Danica limits its operational risks with business procedures and internal controls that are updated and adjusted to its current business conditions on an ongoing basis.

Business risks at Danica are defined as strategic risks, risks associated with reputation and other external factors. Danica seeks to adjust its business on an ongoing basis in order to ensure that it meets legal and industry standards. Danica also monitors competitors in the relevant markets in order to ensure that it has competitive prices and satisfied customers.

9.4 STRESS TESTING

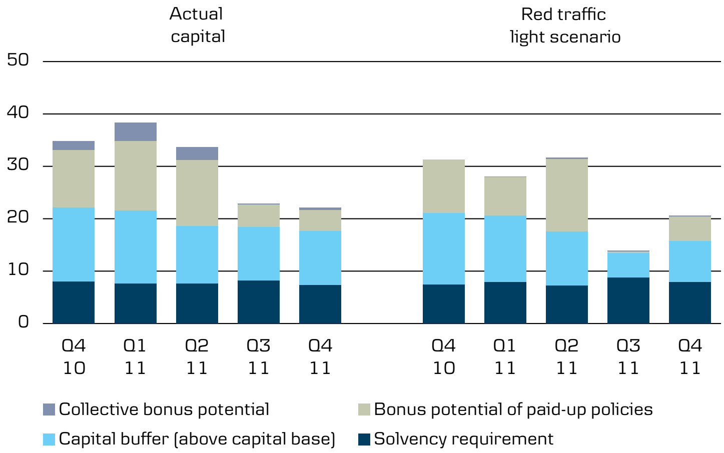
It is a regulatory requirement in Denmark that insurance companies report the results of a set of stress tests commonly known as the red traffic light scenario to the Danish Financial Supervisory Authority.

The red traffic light scenario tests the effect of changes in interest rates, equity prices, property prices, exchange rates and counterparty risk. A company is said to have red light status if it does not have sufficient capital to cover 1% of the life insurance provisions when stressed in the red traffic light scenario. Note that the red traffic light scenario is a combined scenario, meaning that all the stress factors occur at the same time. If a company is in red light status, the Danish FSA will become involved in its financial management.

Danica has never had red light status and has considerable capital strength, as shown in the chart below, which depicts the capital buffer above the solvency requirement before and under the red traffic light scenario, among other things.

Until the second quarter of 2011, Danica had a subordinated loan that was part of the capital base. It repaid the loan, and the capital base declined DKK 3 billion from the first quarter to the second.

RED TRAFFIC LIGHT SCENARIO FOR THE DANICA GROUP
(DKK billions)



The tables below show the effect on Danica's capital base, as well as on the collective bonus potential and the bonus potential of paid-up policies (the capital buffer), caused by each of the stress tests in the red traffic light scenario. (Credit spread risk and risks posed by changes in mortality and disability are not part of the scenario but are shown as supplementary information.)

SENSITIVITY ANALYSIS FOR DANICA

At 31 December 2011 (DKK billions)	Change in collective bonus potential	Change in bonus potential of paid-up policies	Change in capital base	Total
Interest rate increase of 0.7 of a percentage point	-0.2	3.1	-0.5	2.4
Interest rate decline of 0.7 of a percentage point	0.9	-2.5	0.1	-1.5
Decline in equity prices of 12%	-0.1	-0.8	-0.3	-1.2
Decline in property prices of 8%	-0.2	-0.5	-0.8	-1.5
Foreign exchange risk (VaR 99.5%)	-0.1	-0.1	-0.1	-0.3
Loss on counterparties of 8% of RWA	-0.2	-0.6	-1.2	-2.0
Increase in credit spreads of 1.0 percentage point	-0.1	-0.3	-0.4	-0.8
Decrease in mortality of 10%	-0.2	-0.2	-1.5	-1.9
Increase in mortality of 10%	1.6	0.1	-	1.7
Increase in disability of 10%	-0.1	-	-	-0.1

SENSITIVITY ANALYSIS FOR DANICA

At 31 December 2010 (DKK billions)	Change in collective bonus potential	Change in bonus potential of paid-up policies	Change in capital base	Total
Interest rate increase of 0.7 of a percentage point	-0.4	4.1	-0.3	3.4
Interest rate decline of 0.7 of a percentage point	-0.1	-4.1	0.4	-3.8
Decline in equity prices of 12%	-1.7	-0.1	-0.2	-2.0
Decline in property prices of 8%	-1.2	-	-0.2	-1.4
Foreign exchange risk (VaR 99.5%)	-0.3	-	-	-0.3
Loss on counterparties of 8% of RWA	-1.7	-0.6	-0.2	-2.5
Increase in credit spreads of 1.0 percentage point	-1.2	-	-	-1.2
Decrease in mortality of 10%	-1.5	-0.1	-	-1.6
Increase in mortality of 10%	1.4	0.1	-	1.5
Increase in disability of 10%	-0.1	-	-	-0.1

For example, a 12% decline in equity prices results in a total loss of DKK 1.2 billion, of which the buffer absorbs DKK 0.9 billion. The remaining loss of DKK 0.3 billion is covered by the equity.

9.5 CAPITAL REQUIREMENT

Danica is subject to the capital requirement in the solvency rules for insurance companies. At 31 December 2011, Danica's capital requirement was DKK 8.5 billion, against DKK 8.0 billion at the end of 2010.

In addition to the regulatory capital requirement, Danica must meet its solvency need, which is a risk-based capital requirement that supplements the regulatory capital requirement. All Danish insurance companies are required to maintain a capital base equal to or greater than the larger of the regulatory capital requirement and the solvency need.

Danica has developed a model for stress testing all relevant risk factors, including equity prices, property prices, interest rates and longevity. The solvency need is calculated as the total capital requirement after stress testing, adjusted for the use of the collective bonus potential and the bonus potential of paid-up policies. Because of Danica's decision to convert to the new discount curve, the Danish FSA requires that Danica's solvency need calculations also include stress testing for the Danish-German government yield spread. At 31 December 2011, the solvency need was DKK 9.4 billion.

Solvency II

Solvency II is the European risk-based solvency regime for insurance companies that is expected to take effect on 1 January 2014. The exact date of implementation and any transitional rules are still being debated, and there are still many issues that must be resolved. For example, the method of calculating life insurance provisions is still unclear, and a final decision has not been made on the choice of a discount curve. Both matters may have great significance for the calculation of the solvency requirement.

Solvency II also sets forth new rules defining capital for insurance companies. Danica has considerable capital strength and does not expect to need additional capital because of the implementation of Solvency II.

10. PENSION RISK

Pension risk consists of the risk that the Group will be liable for additional contributions to defined benefit pension plans for current and former employees. Valuation is uncertain because this type of pension plan entails protracted obligations and is based on actuarial assumptions. Pension risk includes risks of the following:

- Lower-than-expected returns on invested funds
- Changes in actuarial assumptions, including the assumptions about the discount rate and inflation, that cause an increase in the pension obligations because of higher wage growth and pension adjustments
- Longer-than-expected longevity among members

The Group's risk management is intended to reduce risk partly by defining the business objectives, including limits of exposure as measured by VaR.

For accounting purposes, defined benefit pension plans are valued according to IFRS (IAS 19).

Before making the year-end IFRS valuation of its pension obligations, the Danske Bank Group conducts a full review of the assumptions underlying the calculation. At the end of 2011, the Group made a revaluation of the parameters it uses, including inflation and the discount rate, so that they reflect the current market conditions.

10.1 PENSION PLANS

Basically, there are two types of pension plan:

Defined contribution pension plans
A defined contribution plan is a post-employment benefit plan under which the employer pays fixed contributions into a separate entity and has no further obligations. The pension entitlement accumulated by the employee depends on the size of the contributions agreed upon, the performance of invested pension funds and associated expenses. Accordingly, the employee bears the risk relating to the future pension benefits. The benefits may be influenced, for example, by unfavourable developments in the financial markets that affect the pension assets under management. The Group thus has no pension risk on defined contribution plans, and expenses for contributions to such plans are expensed at the time they are made.

Defined benefit pension plans
In defined benefit plans, the pension agreement contains a provision stipulating the pension benefit that the employee will be entitled to receive upon retirement. The benefit is typically stated as a percentage of the employee's salary immediately before retirement, but it can also be a percentage of the average salary during the entire period of employment. The pension benefit is typically payable for the rest of the employee's life, and this increases the employer's uncertainty about the amount of the future obligations. The employer's gross obligation, less the value of plan assets, is recognised as a net obligation. The obligation and pension expenses are measured actuarially.

The Group's defined benefit pension obligations consist of pension plans in pension funds in Northern Ireland, Ireland and Sweden as well as a number of small pension plans in Denmark. In addition, the Group has unfunded defined benefit pension plans that are recognised directly on the balance sheet and that are not managed by separate pension funds. All these plans are closed to new members except for the Swedish plan, which is a hybrid plan that limits the amount of the salary on which the benefit is based. The pension plan in Ireland is a so-called cash balance plan, in which the Group guarantees a minimum return on part of the members' pension contributions. The table below gives an overview of the various plans.

OVERVIEW OF THE GROUP'S PENSION PLANS

At 31 December 2011		Northern Ireland	Ireland	Denmark	Sweden
Pension plan for new employees		Defined contribution	Cash balance	Defined contribution	Hybrid
Status of defined benefit pension plan		Closed to new members in 2004	Closed to new members in 2008	Closed to new members	Open to new members
Gross liability (DKK billions)*		7.3	2.3	1.9	1.8
Assets at fair value		7.8	3.0	1.9	1.2
Net assets/net liabilities		0.5	0.7	0.0	-0.6
Number of members:	Active	1,428	504	7	1,307
	Deferred	2,076	739	-	1,112
	Pensioners	1,558	383	212	479
	Total	5,062	1,626	219	2,898

Note: Members in Sweden are covered by the occupational pension plan for the Swedish banking sector (the BTP plan). The plan is a collectively negotiated occupational pension plan established by the Swedish banking association (Bankinstitutens Arbetsgivareorganisation) and the employees' union (Finansförbundet). In Norway, Finland and the Baltics, the Group operates defined contribution plans.
*In Norway, after winding up the Norwegian defined benefit plan in 2005, the Group still has an early retirement pension obligation. The obligation amounted to DKK 0.1 billion at 31 December 2011.

10.2 CONTROL AND MANAGEMENT

The Group's defined benefit plans are funded mainly by ordinary contributions made by the Group and the employees in question to separate pension funds. The pension funds' boards of directors tend to the members' interests in accordance with the prevailing articles of association and provisions, and they manage the assets by investing the contributed amounts in such a way that the contributions and the expected returns cover future pension payments.

A key element of the Group's risk management strategy is using derivative instruments to mitigate interest rate and inflation risks. The Group minimises pension risk by matching expected future pension obligations with the return on derivatives and the associated underlying assets.

Because of the complexity of the pension obligations, the Group does not use its normal limit structure when monitoring pension risk. Instead, it manages market risk on pension plans according to special follow-up and monitoring principles called "business objectives".

The Group has established procedures to be followed in case of deviations from these objectives. The All Risk Committee has defined risk targets for the Group's pension funds. To follow up on the objectives, the Group uses quarterly risk reports that analyse the individual plans' net obligations calculated on the basis of swap rates, sensitivity analyses and the Value at Risk (VaR) measure. It sets specific limits for the acceptable levels of risk exposure.

At the end of 2011, VaR was DKK 2,966 million (end-2010: DKK 2,650 million). The main reason for the increase was lower pound sterling and euro swap rates.

On the basis of the average actuarial assumptions, the Group's net pension obligation at the end of 2011 according to IFRSs was an asset of DKK 0.2 billion, against a liability of DKK 0.2 billion a year before. The change was owing mainly to a rise in the value of the assets caused by higher values in the derivatives portfolio as well as the Group's contributions to the plans, which were offset mainly by lower equity prices. Gross liabilities rose because of a combination of several factors, including a falling average discount rate.

DEFINED BENEFIT PENSION PLANS

At 31 December (DKK millions)	2011	2010
Present value of unfunded pension liabilities	236	241
Present value of fully or partly funded pension liabilities	13,167	11,937
Fair value of plan assets	13,945	11,960
Net pension liabilities at 31 December	-542	218
Actuarial gains/losses not recognised in the net pension liabilities	387	-39
Net pension liabilities according to IFRSs at 31 December	-155	179

Average actuarial assumptions at 31 December (%)	2011	2010
Discount rate	4.7	5.2
Return on plan assets	4.8	5.8
Inflation rate	2.7	2.9
Salary adjustment rate	3.6	3.8
Pension adjustment rate	2.9	3.0

Note: Life expectancies of members at 31 December 2011 were assumed to be 86.6 years for a 60-year-old man (2010: 86.4 years) and 88.4 years for a 60-year-old woman (2010: 88.3 years).

The difference between the Group's net pension obligation (non-corridor) and the net pension obligation according to IFRSs was owing to accumulated positive market value adjustments of DKK 387 million (end-2010: DKK -39 million). These adjustments included changes in actuarial assumptions, such as a revised discount rate and new inflation and salary growth estimates, which are not taken into account in the IFRS obligation because the Group uses the corridor principle set out in IAS 19.

In June 2011, the IASB issued an amendment to IAS 19, "Employee Benefits". The change removes the possibility of using the corridor principle with the deferred recognition of actuarial fluctuations that affect defined benefit pension plans. Instead, the present value of pension obligations and the fair value of the plans' assets must be recognised as a net amount on the balance sheet. On 31 December 2011, the change, which has not yet been approved by the EU and is to be implemented by 2013, would have increased shareholders' equity by DKK 290 million, bringing it to the same level after tax as under the corridor principle. The change will not have a significant effect on the Group's net profit because the actuarial fluctuations will be recognised in the total other comprehensive income item. On the other hand, total other comprehensive income and shareholders' equity will be more volatile. The solvency calculation (the capital base) will not be affected because it is already made without the corridor principle.

10.3 USE OF MODELS

The Group's defined benefit pension obligation is calculated as the present value of the pension benefits earned to date. The calculation is based on several factors.

FACTORS USED TO CALCULATE DEFINED BENEFITS

Demographic factors	Financial factors
Mortality rate	Interest rates
Staff turnover rate	Future salary and benefit levels
Disability rate	Inflation rate
Early retirements	Expected returns on plan assets

Defined benefit plans are exposed particularly to interest rate and investment risks and increases in life expectancy because the benefits will typically be payable many years into the future.

The Group determines its pension obligations by using various calculation methods that each serve a specific purpose, for example compliance with the local authorities' minimum requirements and the compilation of the consolidated accounts according to IFRSs.

METHODS OF CALCULATING THE GROUP'S PENSION OBLIGATIONS

	THE PENSION FUND'S INTERNAL CALCULATION METHOD	IFRS RULES FOR CONSOLIDATED FINANCIAL STATEMENTS	CAPITAL MANAGEMENT PRINCIPLES	RISK MANAGEMENT PRINCIPLES
Purpose	Compliance with local funding requirements	Measurement of the operating effects and obligation included in consolidated accounts	Inclusion in solvency calculation	Follow-up on "business objectives" and monitoring
Discount factor	Primarily a differen-tiated discount rate	Yield on corporate bond with AA rating and the same duration as the pension obligation	Yield on corporate bond with AA rating and the same duration as the pension obligation	Swap curve
Comment	Provides basis for the amount of the Group's contributions	The net obligation is adjusted for the corridor	The net obligation is not adjusted for the corridor	VaR is used as an indicator

Actuarial assumptions other than the discount rate may vary from method to method.

The Group calculates market risk on defined benefit plans on a quarterly basis. The risk is expressed partly as VaR at a confidence level of 99.97% and a one-year horizon . In this scenario, equity price volatility (20%) and the correlation between interest rates and equity prices (25%) are set at values reflecting normal market data. The duration of the pension obligations is reduced by half since empirical data show that inflation risk reduces the interest rate risk on the obligations by about 50% over the long term. It has been established that the values of the volatility and correlation parameters are set appropriately.

In addition, for each pension plan, the calculations include the sensitivity of the net obligation to changes in interest rates, equity prices and life expectancy (see the table below).

SENSITIVITY ANALYSIS OF NET OBLIGATION

(DKK millions)	Change	Effect 2011	Effect 2010
Equity prices	-20%	-950	-995
Interest rates	+1/-1%	+798/-518	+1,144/-895
Life expectancy	+1 year	-379	-331

Follow-up and reporting are based on a model that Danske Markets also uses when advising customers in the life insurance and pension fields. The model includes assumptions about trends in the yield curve and equity prices and about the correlation between interest rates and equity prices. It also includes the value of pension obligations, which is calculated on the basis of assumptions about demographic and economic trends. Finally, it includes the assets in the pension plan portfolio, their duration and their convexity.

In accordance with the Danish FSA's rules, pension obligations are measured in the Group's solvency calculation at fair value. Accumulated actuarial gains or losses that are not included (according to the corridor method) are added to or deducted from shareholders' equity, after which the defined benefit pension obligations are included in the calculation as the net value of the obligations and associated assets. Pension risk is covered by the ICAAP (see section 3).

11. DEFINITIONS

ALCO
The Asset and Liability Management Committee (ALCO) is a forum for monitoring and discussing issues in the following areas:

- Asset and liability management: developments in the Group's balance sheet
- Liquidity risk: follow-up and models
- Funding: strategy, planning and decision making
- Market risk: reporting and follow-up on stress tests and backtests

To the extent necessary, ALCO refers these matters to the relevant bodies, such as the All Risk Committee. Group Credit, Group Finance, Danske Markets and Group Treasury are represented on ALCO.

All Risk Committee
The All Risk Committee is responsible for managing all risk types across the Group. Its responsibilities include the following:

- Setting targets for the capital ratios and capital composition
- Managing the balance sheet
- The overall funding structure
- Setting the general principles for measuring, managing and reporting the Group's risks
- Risk policies for business units
- The overall investment strategy
- Capital deployment

In addition, the committee evaluates risk reports to be submitted to the Board of Directors or one of its committees. The committee consists of members of the Executive Board and the heads of Group Risk, Danske Markets, Group Treasury and Credit Portfolio Management at Group Credit. It meets 10 to 12 times a year.

Business risk
Business risk is the risk of losses originating from changes in external or internal circumstances that harm the Group's reputation or profits without affording the opportunity for a compensatory adjustment in expenses. Business risk involves primarily events that are outside the control of the Group. This type of risk results in losses that are not related to other types of risk. Its effects take the form of an unexpected drop in earnings or an unexpected rise in expenses.

Capital base
The capital base consists of tier 1 and tier 2 capital (see section 3 for full descriptions of each capital type).

Capital requirement
The regulatory capital requirement is 8% of risk-weighted assets.

Commodity risk
Commodity risk is the risk of losses caused by changes in commodity prices.

Conversion factor
The conversion factor (CF) is the expected utilisation of a given facility at the time of default and is used in the calculation of the exposure at default (EAD). The CF estimates are based on in-house default data. As in the LGD estimation, the Group makes estimates of both point-in-time (PIT) and downturn parameters.

Core tier 1 capital
Core tier 1 capital consists of shareholders' equity after certain statutory supplements and deductions.

Core tier 1 capital ratio
The core tier 1 capital ratio is defined as core tier 1 capital as a percentage of risk-weighted assets.

Counterparty risk
Counterparty risk is the risk of losses resulting from a customer's default on over-the-counter (OTC) derivatives contracts and securities financing instruments.

Country risk
Country risk is the risk of losses arising from economic difficulties or political unrest in a country, including the risk of losses resulting from nationalisation, expropriation and debt restructuring.

CRD rules
The European Union's Capital Requirements Directives (2006/48/EC and 2006/49/EC), including amendments (CRD II and CRD III). In Denmark the rules are incorporated in the Danish Financial Business Act and associated executive orders, including the Executive Order on Capital Adequacy. The CRD rules are based on the Basel II guidelines. The rules are being revised (CRD IV) as a consequence of the implementation of Basel III and other factors, and they are expected to take effect in the EU on 1 January 2013.

Credit Committee
The Credit Committee consists of members of the Executive Board and the management team of Group Credit.

Credit applications that exceed the lending authorities of the business units must be submitted to the Credit Committee for approval. The local credit departments of the business units review these applications before the heads of the departments submit them to the Credit Committee.

The committee is also in charge of preparing operational credit policies and approving or rejecting credit applications involving issues of principle. The Board of Directors determines the lending authorities. In addition, the Credit Committee participates in decisions on the valuation of the Group's loan portfolio in connection with the determination of loan impairment charges.

Credit risk
Credit risk is the risk of losses arising because counterparties fail to meet all or part of their payment obligations to the Danske Bank Group. Credit risk includes country, dilution and settlement risks. The credit risk on (OTC) derivatives contracts, which is included in counterparty risk, is the risk of losses resulting from a customer's default on derivatives contracts with the Group.

Credit spread risk
Credit spread risk is the risk of losses caused by changes in spreads on corporate bonds.

Danica Group
The Danica Group conducts the Danske Bank Group's life insurance and pension activities.

Danske Markets
Danske Markets is responsible for the Danske Bank Group's activities in the financial markets.

Danske Research
Danske Research, the Danske Bank Group's research department, prepares analyses of economic and financial factors of importance to the Group and its customers.

Defined benefit pension plans

In defined benefit plans, the pension agreement contains a provision stipulating the pension benefit that the employee will be entitled to receive on retirement. The benefit is typically stated as a percentage of the employee's salary immediately before retirement, but it can also be a percentage of the average salary during the entire period of employment. The pension benefit will typically be payable for the rest of the employee's life, and this increases the employer's uncertainty about the amount of the future liabilities.

Defined contribution pension plans

A defined contribution plan is a post-employment benefit plan under which the employer pays fixed contributions into a separate entity and has no further obligations. The pension entitlement accumulated by the employee depends on the size of the contributions agreed upon, the performance of invested pension funds and associated expenses.

Economic capital

Economic capital is the amount of capital, calculated with the Group's own models, required to cover unexpected losses over the next year. The calculation of economic capital takes into account all relevant types of risk, including concentration and migration risks, as well as diversification within the individual risk types. The aggregation across risk types does not take into account the potential benefit from diversification among various risk types.

The calculation of economic capital to cover credit risk is based on point-in-time parameters for PD, LGD and CF, and it will therefore fluctuate with the business cycle. Stress tests are intended to identify the effects of such fluctuations.

Equity market risk

Equity market risk is the risk of losses caused by changes in equity prices.

Executive Committee

The Executive Committee constitutes the Group's day-to-day executive management. It is headed by the Chairman of the Executive Board. The Executive Committee functions as a co-ordinating forum whose principal objective is to take an overall view of activities across the Group with particular attention to the interaction between support functions and product suppliers on the one hand, and individual units and country organisations on the other.

The Executive Committee does not take part in the credit approval process.

Floor risk

Floor risk is the risk of a loss of earnings on deposits because market interest rates approach zero. It is measured as the effect of a 1 percentage point drop in rates on net interest income over a 12-month period. Floor risk is included in business risk.

Foreign exchange risk

Foreign exchange risk is the risk of losses on the Group's foreign currency positions caused by changes in exchange rates.

General risk

General risk is the risk of losses on trading book positions because of general changes in market prices or rates, including interest rates, exchange rates, equity prices and commodity prices.

Government spread risk

Government spread risk is the risk of losses arising because of changes in spreads on government bonds and other government-guaranteed bonds.

Group Credit
Group Credit has overall responsibility for the credit process at all of the Group's business units.

Group Credit is responsible for approvals that exceed the local lending authority, for setting cross-organisational credit policies, for controlling the ongoing approval and follow-up processes in the lending book, and for determining the portfolio limits for specific industries and countries as well as the quarterly process of calculating the impairment of exposures. Group Credit reports to executive management on developments in the Group's credit risk. The department is also responsible for preparing management reporting on credits, on the monitoring of credit approvals at the individual branches, and on the determination of requirements for the Group's credit systems and processes.

Group Finance
Group Finance oversees the Group's financial reporting, budgeting and strategic business analysis, including the tools used by the business units for performance follow-up and analysis. The department is also in charge of the Group's investor relations, capital structure and M&A activities. In addition, it is responsible for the day-to-day monitoring and control of market risk as well as the compilation of risk-weighted assets and the Group's ICAAP. Group Finance is responsible for developing credit classification and valuation models and for ensuring that they are available for day-to-day credit processing at the local units and fulfil statutory requirements. Group Finance is also responsible for backtesting and validating credit risk parameters in collaboration with the business units.

Group Risk
Group Risk has overall responsibility for monitoring the Group's risk policies and for monitoring, following up on, and reporting on risks across risk types and organisational units.

Group Risk also supports the rest of the risk management organisation in risk management practices and reporting. A specialised department under Group Risk is responsible for the day-to-day monitoring of operational risks. In addition, Group Risk is responsible for the Group's relations with international rating agencies and other matters.

Group Treasury
Group Treasury is responsible for determining liquidity risk and funding needs. It is also responsible for conducting liquidity stress testing for the purpose of assessing the Group's liquidity risks. Group Treasury also ensures that the Group's structural liquidity profile makes it possible for the Group to comply with the limits and meet the targets set by the Board of Directors and the All Risk Committee, in the future as well as the present.

ICAAP
The Group's Internal Capital Adequacy Assessment Process (ICAAP) includes an evaluation of the capital needed under Pillar II. In the ICAAP, the Group identifies and measures its risks and ensures that it has sufficient capital in relation to its risk profile. The process also ensures that adequate risk management systems are used and further developed. As part of the ICAAP, the Group calculates the solvency need, partly by means of internal models, and performs stress tests to ensure that it has sufficient capital to support the chosen business strategy. Once a year, the full ICAAP report is submitted to the Board of Directors for approval, and the report is updated quarterly in a condensed format.

IFRSs
International Financial Reporting Standards.

Inflation rate risk
Inflation rate risk is the risk of losses caused by changes in the traded future inflation rates.

Insurance risk
Insurance risk in the Danske Bank Group is defined as all types of risk in the Danica group, including market risk, life insurance risk, business risk and operational risk.

Interest rate risk
Interest rate risk is the risk of losses caused by changes in interest rates.

Leverage ratio
The leverage ratio is defined as tier 1 capital as a percentage of total assets and off-balance-sheet items calculated according to the provisional draft of the future EU rules (CRD IV), which will implement Basel III. In contrast to the Basel II approach to calculating RWA, the leverage ratio does not take into account the fact that different activities on credit institutions' balance sheets have different degrees of risk.

Liquidity risk
Liquidity risk is defined as the risk of losses arising because

- the Group's funding costs increase disproportionately
- lack of funding prevents the Group from establishing new business
- lack of funding ultimately prevents the Group from meeting its obligations

Loss given default
Loss given default (LGD) is the expected loss on an exposure calculated as the percentage of the expected facility utilisation that will be lost if a customer defaults. The Group makes a downturn adjustment to reflect the losses identified in a downturn period. The downturn adjustment reflects the most severe economic conditions in the estimation period, and these estimates are used in the calculation of the Group's risk-weighted assets.

Market risk
Market risk is the risk of losses caused by changes in the market value of financial assets, liabilities and off-balance-sheet items resulting from changes in market prices or rates.

Mortgage spread risk
Mortgage spread risk is the risk of losses arising because of changes in spreads on mortgage-related bonds.

Operational risk
Operational risk is the risk of losses resulting from inappropriate or inadequate internal procedures, human or system errors, or external events. It includes legal risk but not strategic and reputational risks.

Operational Risk Committee
The Operational Risk Committee assists the Executive Board in its functions and processes related to operational risk management. The committee's responsibilities include the following:

- Identifying, monitoring and managing the Group's current and potential operational risk exposure.
- Handling "critical exposures", that is, exposures that, in the view of business unit managements or the committee itself, require follow-up and further reporting.
- Following up on reviews by and reports from financial supervisory authorities and informing the Executive Board of issues that involve the Group's operational risks. Following up on reports prepared by Internal Audit and informing the Executive Board of unusual circumstances.
- Management reporting on issues such as IT security, physical security, business continuity and compliance.

ORIS
Operational Risk Information System.

Pension risk
Pension risk arises because of the Group's liability for defined benefit pension plans. Valuation is uncertain because this type of pension plan entails protracted liabilities and is based on actuarial assumptions. Pension risk includes risks of the following:

- Lower-than-expected returns on invested funds
- Changes in actuarial assumptions, including the assumptions about the discount rate and inflation, that cause an increase in the pension obligations
- Longer-than-expected longevity among members

Probability of default
Probability of default (PD) is a credit risk parameter. Point-in-time (PIT) PD represents the probability that a customer will default on a loan within the next 12 months. The prediction of default is based on inputs that are sensitive to the underlying business cycle. This produces PD estimates that reflect changes in general economic factors. In a given portfolio, the overall PIT PD level thus changes over time. In the rating categories of the Group's classification scale, the underlying PD bands defining each rating category are fixed, and over time the percentage of customers within each rating category will vary according to the effect of the business cycle on the model input. The calculated PIT PD is converted to a through-the-cycle (TTC) PD, which is used in the calculation of the Group's risk-weighted assets. The TTC PD level is based on the average PIT PD over a long period.

Risk policies
To ensure that the Group's business units comply with the approved risk limits, the Board of Directors has adopted overall risk policies regulating all risk taking by the Group. On the basis of the overall risk policies, operational risk policies are prepared for the main business units and submitted to the Group's All Risk Committee for approval.

RWA
Risk-weighted assets calculated for credit risk, market risk and operational risk.

Settlement risk
Settlement risk is the risk arising when payments are settled, for example payments for currency transactions and trades in financial instruments, including derivatives. The risk arises when the Group remits payments before it can ascertain that the counterparty has fulfilled its obligations.

Solvency II
The new risk-based solvency regime for European insurance companies.

Solvency need
The solvency need is a capital base that is adequate in terms of size, type and composition to cover the risks to which an institution is exposed. Danske Bank calculates it as the highest of the following measures:

- The capital requirement according to the Group's internal economic capital model
- The capital requirement under Pillar I plus a supplement to address risks that are not covered by Pillar I (that is, Pillar I+)
- The capital requirement under the transitional rules of the CRD (80% of the capital requirement under Basel I)

Solvency need ratio
The solvency need as a percentage of risk-weighted assets.

Specific risk
Specific risk is the risk of losses in the trading book portfolio that can be attributed to the specific issuer of a financial instrument.

SREP
Supervisory Review and Evaluation Process.

Tier 1 capital
Tier 1 capital consists of shareholders' equity after certain statutory supplements and deductions and hybrid capital less statutory deductions.

Tier 1 capital ratio
The tier 1 capital ratio is defined as tier 1 capital as a percentage of risk-weighted assets.

Tier 2 capital

Tier 2 capital consists of subordinated debt less statutory deductions.

VaR

Value at Risk. Used for calculating market risk, among other things.

APPENDIX
DISCLOSURES REQUIRED UNDER THE DANISH EXECUTIVE ORDER ON CAPITAL ADEQUACY (PILLAR III)

This appendix addresses the disclosure requirements stipulated by the Danish Executive Order on Capital Adequacy of 16 December 2011 (annex 20). The requirements stem from the EU Capital Requirements Directive (CRD), except for the requirements on the solvency need.

The organisation of the contents follows that of annex 20 of the Executive Order. For each item, a cross-reference to the corresponding requirement of the CRD is shown in parentheses. Each item contains either a reference to the section of Risk Management 2011, with the disclosure in question, or explanatory material.

1. GENERAL REQUIREMENTS

Section 1 (CRD, annex XII, part 2, point 1)
The Group's risk management objectives and policies are described in Risk Management 2011. The general risk management objectives and policies are described in sections 2 and 3 of Risk Management 2011, and the objectives and policies for each risk type are described in sections 5-10.

Section 2.a (CRD, annex XII, part 2, point 2(a))
The name of the credit institution to which the disclosure requirements apply is Danske Bank A/S.

The disclosures in this appendix and in Risk Management 2011 are based on Group figures, except the tables in sections 5-10 of this appendix, which are based on the relevant legal entity (Danske Bank A/S and Realkredit Danmark A/S).

Section 2.b (CRD, annex XII, part 2, point 2(b))
For information on the differences between the general consolidation principles and those used in the solvency calculations, see Risk Management 2011, section 3.5.

Section 2.c (CRD, annex XII, part 2, point 2(c))
Disclosure requirements concerning any impediments to the quick transfer of capital resources or repayment of debts between the parent company and its subsidiaries must be seen primarily in relation to cases where competent authorities in the EU have granted an exemption to a credit institution's exposure to a counterparty in the same group in the institution's calculation of risk-weighted assets (that is, the exposure can be given a zero weight). The Danish FSA does not permit zero-weighting of such exposures.

Forsikringsselskabet Danica Skadeforsikringsaktieselskab af 1999 is the parent company of Danica Pension. Danica Pension is a life insurance company. Statsanstalten for Livsforsikring, which was privatised in 1990, is now part of Danica Pension. Under the terms of the privatisation, Danica Pension must meet the legitimate bonus expectations of the policyholders. This entails an obligation to allocate part of the profits to policyholders who were previously policyholders of Statsanstalten for Livsforsikring if Danica Pension's equity exceeds its statutory solvency requirement by a certain amount. The obligation to distribute the special allotment will exist as long as policies established with Statsanstalten for Livsforsikring are effective at Danica Pension, but special allotments are expensed only in years in which the excess equity is of sufficient size. In addition, it is the intention not to distribute dividends for a period of at least 25 years from 1990. Paid-up capital and interest thereon may, however, be distributed.

2. CAPITAL BASE AND CAPITAL REQUIREMENTS

Section 3.a-e (CRD, annex XII, part 2, point 3(a)-(e)) and section 9.a (CRD, annex XII, part 2, point 9)
For information on the capital base, see Risk Management 2011, section 3.4.

Section 4.a (CRD, annex XII, part 2, point 4(a))
For information on the general methods of calculating the solvency need and solvency need ratio, see Risk Management 2011, section 3.3. See also the ICAAP report, which is updated quarterly and published at the same time as the Group's quarterly and annual reports at www.danskebank.com.

Section 4.b-e (CRD, annex XII, part 2, point 4(b)-(e)) and section 9.a-b (CRD, annex XII, part 2, point 9)

CAPITAL REQUIREMENT AND RISK-WEIGHTED ASSETS

	Capital requirements		Risk-weighted assets	
At 31 December (DKK millions)	2011	2010	2011	2010
Credit risk:				
IRB approach:				
Institutions	1,080	1,318	13,502	16,481
Corporate customers	22,505	21,912	281,317	273,895
Retail exposures secured by real property	9,195	6,916	114,934	86,446
Qualifying revolving retail exposures	351	330	4,382	4,131
Other retail exposures	2,374	1,804	29,669	22,550
Securitisation	2,799	3,006	34,987	37,572
Other non-credit-obligation assets	1,296	1,318	16,198	16,474
IRB approach, total	39,600	36,604	494,989	457,549
Standardised approach:				
Central governments and central banks	93	9	1,162	112
Regional governments and local authorities	66	66	825	831
Other public entities	25	25	310	314
Multilateral development banks	-	-	-	-
International organisations	-	-	-	-
Institutions	179	166	2,236	2,071
Corporate customers	9,516	10,131	118,953	126,634
Retail customers	3,286	3,071	41,086	38,390
Exposures secured by real property	2,904	3,054	36,304	38,170
Past due items and excesses	788	638	9,845	7,977
Covered bonds	-	-	-	-
Securitisation positions	-	37	-	464
Unit trusts	-	-	-	-
Other items and non-credit-obligation assets	213	251	2,662	3,143
Standardised approach, total	17,070	17,448	213,383	218,106
Counterparty risk	3,561	2,980	44,508	37,246
Credit risk, total	60,231	57,032	752,880	712,901
Market risk:				
Exposures with position risk: instruments of debt	3,110	2,645	38,878	33,057
Exposures with position risk: equities and the like	140	177	1,754	2,212
Exposures with position risk: commodities	18	30	226	378
Exposures with delivery and similar risks	1	6	13	78
Value at Risk (internal models)	1,825	605	22,815	7,559
Total foreign exchange position	-	-	-	-
Specific interest rate risk for securitisations	-	-	-	-
Market risk, total	5,094	3,463	63,686	43,284
Operational risk, total	7,153	7,042	89,414	88,025
Total risk-weighted assets	-	-	905,980	844,210
Total capital requirement	72,478	67,537	-	-

3. SOLVENCY NEED

(Disclosures not required by the CRD but pursuant to Danish legislation)

Section 5.a-b

For information on the general methods of calculating the solvency need and solvency need ratio, see Risk Management 2011, section 3.3. See also the ICAAP report, which is updated quarterly and published at the same time as the Group's quarterly and annual reports at www.danskebank.com/ir.

The general methodology for the Group is the same for the individual legal entities, including Danske Bank A/S and Realkredit Danmark A/S.

Sections 6-10

In compliance with the Danish Executive Order on Capital Adequacy, the solvency need and the solvency need ratio for the legal entities Realkredit Danmark A/S and Danske Bank A/S (the parent company of the Danske Bank Group) are shown in the table below. The other figures shown in this appendix are based on consolidated figures (for the Danske Bank Group).

BREAKDOWN OF DANSKE BANK'S SOLVENCY NEED

	Danske Bank Group		Danske Bank A/S	
At 31 December 2011	(DKK billions)	(% of RWA)	(DKK billions)	(% of RWA)
Credit risk	53.1	5.8	53.1	7.8
Market risk	7.2	0.8	7.2	1.1
Operational risk	7.1	0.8	7.1	1.0
Other factors	6.4	0.7	6.4	0.9
Internally estimated solvency need and solvency need ratio	73.8	8.1	73.8	10.8
Shortfall in relation to Pillar I+	13.5	1.5	-	-
Shortfall in relation to transitional floor	3.2	0.4	-	-
Solvency need and solvency need ratio	90.5	10.0	73.8	10.8
Capital base	162.1	17.9	158.0	23.1
Capital buffer	71.6	7.9	84.2	12.3

At 31 December 2011	Realkredit Danmark Group (DKK billions)	Realkredit Danmark Group (% of RWA)	Realkredit Danmark A/S (DKK billions)	Realkredit Danmark A/S (% of RWA)
Credit risk	14.4	11.2	14.4	11.1
Market risk	0.1	0.1	0.1	0.1
Operational risk	0.6	0.4	0.6	0.4
Other factors	0.4	0.3	0.4	0.3
Internally estimated solvency need and solvency need ratio	15.5	12.0	15.5	11.9
Shortfall in relation to Pillar I+	-	-	-	-
Shortfall in relation to transitional floor	10.2	7.8	10.2	7.9
Solvency need and solvency need ratio	25.7	19.8	25.7	19.8
Capital base	46.4	35.8	46.4	35.8
Capital buffer	20.7	16.0	20.7	16.0

Note: Solvency need calculations are made under the ICAAP. "Solvency need" corresponds to the Danish term "tilstrækkelig basiskapital", while "solvency need ratio" corresponds to "individuelt solvensbehov". Similarly, "internally estimated solvency need" and "internally estimated solvency need ratio" correspond to "internt opgjort tilstrækkelig basiskapital" and "internt opgjort individuelt solvensbehov", respectively. The Danish terms are used in the Danish Executive Order on Capital Adequacy. The internally estimated solvency need represents the Group's economic capital.

4. COUNTERPARTY RISK

In this appendix and section 5, counterparty risk covers derivatives and repo and reverse repo agreements after netting and collateral received. In Risk Management 2011, section 4, reverse repo agreements under credit exposure from lending activities are treated as loans against collateral.

Section 11.a (CRD, annex XII, part 2, point 5(a))

When calculating risk-weighted assets for counterparty risk for derivatives, the Group uses the mark-to-market method described in the Danish Executive Order on Capital Adequacy.

The Group also takes counterparty risk into account in its calculation of economic capital, which is included in the ICAAP under Pillar II (see Risk Management 2011, section 3.3). In economic capital, counterparty risk is calculated as the effective Expected Positive Exposure (eEPE), which is then multiplied by α. The multiplier α, which is set at 1.4, expresses the effect of using an expected exposure instead of the stochastic exposure in a full simulation of eEPE.

Counterparty risk is part of the general credit process, including the approval of lines (see Risk Management 2011, sections 4.2 and 5).

Section 11.b (CRD, annex XII, part 2, point 5(b))

For information on the policies, see Risk Management 2011, section 5.1.

Section 11.c (CRD, annex XII, part 2, point 5(c))

Information on the policies on wrong-way risk is not relevant because the Group uses the mark-to-market method.

Section 11.d (CRD, annex XII, part 2, point 5(d))

For information on the effect of the collateral that the company must provide if its credit rating is downgraded, see Risk Management 2011, section 7.3.

Section 11.e-f (CRD, annex XII, part 2, point 5(e)-(f))

For information on counterparty risk exposure (EAD), including netting benefits, netted current credit exposure and collateral, see Risk Management 2011, section 5.2.

For information on the gross value of derivatives with positive fair value, see Danske Bank's Annual Report 2011, note 16.

Section 11.g (CRD, annex XII, part 2, point 5(g))
The Group did not use credit derivative hedges for counterparty risk exposures in 2011.

Section 11.h (CRD, annex XII, part 2, point 5(h))
For a breakdown of credit derivatives into bought and sold derivatives, see Danske Bank's Annual Report 2011, note 16.

Section 11.i (CRD, annex XII, part 2, point 5(i))
Not relevant to the estimate of α, since the Group uses the mark-to-market method.

5. CREDIT RISK

In this appendix, the Group reports exposure values as Exposure at Default (EAD). Risk Management 2011, section 4, on the other hand, is based on accounting data. The table below shows the difference between credit exposure based on accounting data and credit exposure based on EAD at the end of the year.

FROM CREDIT EXPOSURE TO EXPOSURE AT DEFAULT (EAD)

At 31 December (DKK millions)	2011	2010
Credit exposure, lending activities	2,298,711	2,363,456
Shares and bonds, banking book	43,646	57,158
Offers and revocable loan commitments	355,313	395,752
Reverse repo agreements	-256,027	-306,962
LR Realkredit A/S and Danmarks Skibskredit A/S	17,899	18,950
Other	75,132	98,601
Unweighted exposure	2,534,674	2,626,955
Adjustment for CF	348,630	318,195
Credit exposure (EAD)	2,186,044	2,308,760
Breakdown by capital requirement approach:		
IRB approach	1,714,719	1,775,854
Standardised approach	471,325	532,906
Credit exposure (EAD)	2,186,044	2,308,760

Section 12.a (CRD, annex XII, part 2, point 6(a)-(b))
For accounting purposes, the definition of impaired debts follows sections 51-54 of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc.

Section 12.b-c (CRD, annex XII, part 2, point 6(c))

CREDIT EXPOSURE (EAD)

	2011		2010
(DKK millions)	At 31 December	Average	At 31 December
IRB approach:			
Institutions	84,416	85,489	95,628
Corporate customers	769,005	776,744	810,612
Retail exposures secured by real property	682,607	671,621	665,956
Qualifying revolving retail exposures	32,600	33,932	41,313
Other retail exposures	103,318	105,734	114,552
Securitisation	26,575	27,355	31,317
Other non-credit-obligation assets	16,198	15,555	16,476
IRB approach, total	1,714,719	1,716,430	1,775,854
Standardised approach for credit risk:			
Central governments and central banks	155,594	153,196	211,843
Regional governments and local authorities	4,126	3,897	4,156
Other public entities	1,552	1,697	1,573
Multilateral development banks	302	175	133
International organisations	-	-	-
Institutions	7,979	7,311	7,835
Corporate customers	130,349	132,286	133,902
Retail customers	64,333	64,384	60,092
Exposures secured by real property	96,011	95,158	102,015
Past due items and excesses	6,891	6,012	5,171
Covered bonds	-	-	-
Securitisation positions	-	458	1,089
Unit trusts	-	-	-
Other items and non-credit-obligation assets	4,188	4,540	5,097
Standardised approach for credit risk, total	471,325	469,114	532,906
Total credit exposure (EAD)	2,186,044	2,185,544	2,308,760

Note: Average exposure for 2011 is a simple average based on quarterly observations for each exposure category.

Section 12.d (CRD, annex XII, part 2, point 6(d))

GEOGRAPHICAL BREAKDOWN OF CREDIT EXPOSURE (EAD)

At 31 December 2011 (DKK millions)	Denmark	Finland	Sweden	Ireland
IRB approach:				
Institutions	27,587	170	9,829	2,943
Corporate customers	378,968	13,261	156,092	36,379
Retail exposures secured by real property	551,889	28	52,704	51
Qualifying revolving retail exposures	27,895	3	1,716	5
Other retail exposures	52,942	29	32,574	4
Securitisation	-	188	69	-
Other non-credit-obligation assets	-	-	-	-
IRB approach, total	1,039,281	13,679	252,984	39,382
Standardised approach for credit risk:				
Central governments and central banks	109,281	12,242	9,461	4,520
Regional governments and local authorities	-	-	-	105
Other public entities	-	1,547	-	-
Multilateral development banks	-	169	-	-
International organisations	-	-	-	-
Institutions	3,592	177	251	32
Corporate customers	35,235	64,190	923	17
Retail customers	2,991	31,212	7	11,860
Exposures secured by real property	6	70,883	4	12,650
Past due items and excesses	-	2,355	-	1,320
Covered bonds	-	-	-	-
Securitisation positions	-	-	-	-
Unit trusts	-	-	-	-
Other items and non-credit-obligation assets	-	-	-	-
Standardised approach for credit risk, total	151,105	182,775	10,646	30,504
Total credit exposure (EAD)	1,190,386	196,454	263,630	69,886

UK	Baltics	Norway	Rest of Europe	North America	Rest of world	No residence	Total
9,067	4	2,652	18,831	8,563	4,770	-	84,416
11,869	441	113,081	27,860	25,897	5,157	-	769,005
1,103	23	71,464	3,021	807	1,517	-	682,607
74	5	2,434	257	73	138	-	32,600
2,380	10	12,897	1,800	234	448	-	103,318
10,906	-	-	8,849	6,563	-	-	26,575
-	-	-	-	-	-	16,198	16,198
35,399	483	202,528	60,618	42,137	12,030	16,198	1,714,719
10,916	2,047	5,598	464	46	1,019	-	155,594
1,507	-	2,514	-	-	-	-	4,126
5	-	-	-	-	-	-	1,552
50	-	-	83	-	-	-	302
-	-	-	-	-	-	-	-
564	430	-	2,155	4	774	-	7,979
19,827	8,908	450	748	27	24	-	130,349
6,402	11,749	1	53	22	36	-	64,333
12,275	6	2	98	41	46	-	96,011
3,201	-	-	8	2	5	-	6,891
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	4,188	4,188
54,747	23,140	8,565	3,609	142	1,904	4,188	471,325
90,146	23,623	211,093	64,227	42,279	13,934	20,386	2,186,044

GEOGRAPHICAL BREAKDOWN OF CREDIT EXPOSURE (EAD)

At 31 December 2010 (DKK millions)	Denmark	Finland	Sweden	Ireland
IRB approach:				
Institutions	39,612	968	8,985	3,891
Corporate customers	401,233	13,793	154,287	42,161
Retail exposures secured by real property	543,283	26	49,647	38
Qualifying revolving retail exposures	35,751	4	1,851	5
Other retail exposures	67,063	4	31,725	6
Securitisation	-	337	73	-
Other non-credit-obligation assets	-	-	-	-
IRB approach, total	1,086,942	15,132	246,568	46,101
Standardised approach for credit risk:				
Central governments and central banks	156,698	12,858	19,427	2,264
Regional governments and local authorities	-	-	-	115
Other public entities	-	1,539	-	-
Multilateral development banks	-	-	-	-
International organisations	-	-	-	-
Institutions	4,483	1,280	16	-
Corporate customers	38,117	60,503	1,210	106
Retail customers	3,639	30,590	10	7,520
Exposures secured by real property	5	69,219	4	19,806
Past due items and excesses	-	2,051	-	1,109
Covered bonds	-	-	-	-
Securitisation positions	-	1,089	-	-
Unit trusts	-	-	-	-
Other items and non-credit-obligation assets	-	-	-	-
Standardised approach for credit risk, total	202,942	179,129	20,667	30,920
Total credit exposure (EAD)	1,289,884	194,261	267,235	77,021

UK	Baltics	Norway	Rest of Europe	North America	Rest of world	No residence	Total
9,825	3	2,469	19,347	5,773	4,755	-	95,628
15,325	749	119,329	32,424	26,717	4,594	-	810,612
901	16	67,117	3,016	687	1,225	-	665,956
85	6	3,046	315	92	158	-	41,313
2,077	10	11,165	1,770	302	430	-	114,552
12,790	-	-	9,731	8,351	35	-	31,317
-	-	-	-	-	-	16,476	16,476
41,003	784	203,126	66,603	41,922	11,197	16,476	1,775,854
7,328	3,225	7,818	2,076	45	104	-	211,843
1,481	-	2,560	-	-	-	-	4,156
34	-	-	-	-	-	-	1,573
50	-	-	83	-	-	-	133
-	-	-	-	-	-	-	-
275	331	-	853	1	596	-	7,835
22,745	9,692	389	1,054	56	30	-	133,902
5,294	12,960	1	39	14	25	-	60,092
12,755	6	2	102	54	62	-	102,015
1,991	4	-	11	1	4	-	5,171
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,089
-	-	-	-	-	-	-	-
-	-	-	-	-	-	5,097	5,097
51,953	26,218	10,770	4,218	171	821	5,097	532,906
92,956	27,002	213,896	70,821	42,093	12,017	21,573	2,308,760

Section 12.e (CRD, annex XII, part 2, point 6(e))

CREDIT EXPOSURE (EAD) BROKEN DOWN BY INDUSTRY

At 31 December 2011 (DKK millions)	Central and local governments	Subsidised housing companies	Banks	Diversified financials	Other financials	Energy and utilities	Consumer discretionary and consumer staples
IRB approach:							
Institutions	-	-	63,575	6,211	14,630	-	-
Corporate customers	-	69,077	-	42,020	9,112	35,406	61,220
Retail exposures secured by real property	-	5,899	-	560	27	49	3,669
Qualifying revolving retail exposures	-	-	-	-	-	-	-
Other retail exposures	-	403	-	552	43	120	5,000
Securitisation	-	-	-	16,991	9,584	-	-
Other non-credit-obligation assets	-	-	-	-	-	-	-
IRB approach, total	-	75,379	63,575	66,334	33,396	35,575	69,889
Standardised approach for credit risk:							
Central governments and central banks	111,804	-	752	75	-	240	132
Regional governments and local authorities	3,919	-	-	-	-	204	1
Other public entities	13	-	629	2	-	37	49
Multilateral development banks	-	-	50	83	169	-	-
International organisations	-	-	-	-	-	-	-
Institutions	-	-	3,656	47	4,276	-	-
Corporate customers	-	3,747	903	4,477	21,613	4,343	7,913
Retail customers	-	572	-	79	42	17	1,264
Exposures secured by real property	-	2,298	-	10	1	1	174
Past due items and excesses	-	21	2	8	13	-	368
Covered bonds	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-
Unit trusts	-	-	-	-	-	-	-
Other items and non-credit-obligation assets	-	-	-	-	-	-	-
Standardised approach for credit risk, total	115,736	6,638	5,992	4,781	26,114	4,842	9,901
Total credit exposure (EAD)	115,736	82,017	69,567	71,115	59,510	40,417	79,790

Commercial property	Construction, engineering and building products	Transportation and shipping	Other industrials	IT	Materials	Health care	Telecommunication services	Personal customers	Other	Total
-	-	-	-	-	-	-	-	-	-	84,416
214,910	62,213	58,285	153,317	12,170	28,824	19,967	2,484	-	-	769,005
5,460	1,227	360	3,810	198	329	488	8	660,523	-	682,607
-	-	-	-	-	-	-	-	32,600	-	32,600
742	2,165	1,174	3,960	604	710	827	22	86,996	-	103,318
-	-	-	-	-	-	-	-	-	-	26,575
-	-	-	-	-	-	-	-	-	16,198	16,198
221,112	65,605	59,819	161,087	12,972	29,863	21,282	2,514	780,119	16,198	1,714,719
-	521	583	41,072	1	-	413	1	-	-	155,594
-	-	-	2	-	-	-	-	-	-	4,126
577	3	5	141	3	92	1	-	-	-	1,552
-	-	-	-	-	-	-	-	-	-	302
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	7,979
20,539	10,419	3,035	43,102	641	6,512	2,280	825	-	-	130,349
625	578	184	4,927	84	123	153	4	55,681	-	64,333
266	140	33	112	12	7	74	-	92,883	-	96,011
1,890	1,003	42	266	12	89	22	-	3,155	-	6,891
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	4,188	4,188
23,897	12,664	3,882	89,622	753	6,823	2,943	830	151,719	4,188	471,325
245,009	78,269	63,701	250,709	13,725	36,686	24,225	3,344	931,838	20,386	2,186,044

CREDIT EXPOSURE (EAD) BROKEN DOWN BY INDUSTRY

At 31 December 2010 (DKK millions)	Central and local governments	Subsidised housing companies	Banks	Diversified financials	Other financials	Energy and utilities	Consumer discretionary and consumer staples
IRB approach:							
Institutions	-	-	72,306	8,794	14,528	-	-
Corporate customers	-	66,903	-	50,153	11,584	31,991	71,513
Retail exposures secured by real property	-	5,214	-	617	23	56	4,086
Qualifying revolving retail exposures	-	-	-	-	-	-	-
Other retail exposures	-	2,018	-	695	45	139	6,108
Securitisation	-	-	-	19,696	11,621	-	-
Other non-credit-obligation assets	-	-	-	-	-	-	-
IRB approach, total	-	74,135	72,306	79,955	37,801	32,186	81,707
Standardised approach for credit risk:							
Central governments and central banks	116,335	-	6,483	23	80	514	573
Regional governments and local authorities	3,795	-	-	-	2	357	-
Other public entities	8	-	744	2	-	-	47
Multilateral development banks	-	-	50	83	-	-	-
International organisations	-	-	-	-	-	-	-
Institutions	-	-	2,393	141	5,301	-	-
Corporate customers	-	3,537	901	4,851	21,249	5,982	7,187
Retail customers	-	809	-	98	46	18	1,340
Exposures secured by real property	-	2,257	-	13	5	1	180
Past due items and excesses	-	34	1	11	6	6	190
Covered bonds	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	1,089	-	-
Unit trusts	-	-	-	-	-	-	-
Other items and non-credit-obligation assets	-	-	-	-	-	-	-
Standardised approach for credit risk, total	120,138	6,637	10,572	5,222	27,778	6,878	9,517
Total credit exposure (EAD)	120,138	80,772	82,878	85,177	65,579	39,064	91,224

Commercial property	Construction, engi-neering and building products	Transportation and shipping	Other industrials	IT	Materials	Health care	Telecommunication services	Personal customers	Other	Total
-	-	-	-	-	-	-	-	-	-	95,628
212,903	71,068	61,755	158,478	14,794	35,445	20,928	3,097	-	-	810,612
5,421	1,312	393	4,061	195	359	535	7	643,677	-	665,956
-	-	-	-	-	-	-	-	41,313	-	41,313
1,056	2,678	1,335	4,770	712	810	999	31	93,156	-	114,552
-	-	-	-	-	-	-	-	-	-	31,317
-	-	-	-	-	-	-	-	-	16,476	16,476
219,380	75,058	63,483	167,309	15,701	36,614	22,462	3,135	778,146	16,476	1,775,854
-	422	552	86,496	-	-	364	1	-	-	211,843
-	-	-	2	-	-	-	-	-	-	4,156
567	4	26	82	3	89	1	-	-	-	1,573
-	-	-	-	-	-	-	-	-	-	133
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	7,835
20,086	11,746	2,990	44,411	840	7,394	1,891	837	-	-	133,902
636	639	202	5,674	81	132	149	3	50,265	-	60,092
273	153	29	125	11	8	80	-	98,880	-	102,015
1,279	393	30	202	36	37	18	-	2,928	-	5,171
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	1,089
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	5,097	5,097
22,841	13,357	3,829	136,992	971	7,660	2,503	841	152,073	5,097	532,906
242,221	88,415	67,312	304,301	16,672	44,274	24,965	3,976	930,219	21,573	2,308,760

Section 12.f (CRD, annex XII, part 2, point 6(f))

CREDIT EXPOSURE (EAD) BROKEN DOWN BY MATURITY

	2011					
At 31 December (DKK millions)	< 1 year	≥ 1 year < 2 years	≥ 2 years < 3 years	≥ 3 years < 4 years	≥ 4 years < 5 years	≥ 5 years
IRB approach:						
Institutions	5,397	45,339	1,194	616	75	31,795
Corporate customers	1,818	196,941	36,620	19,292	20,476	493,858
Retail exposures secured by real property	-	6,703	3,707	4,059	4,163	663,975
Qualifying revolving retail exposures	-	-	-	-	-	32,600
Other retail exposures	-	14,485	8,941	4,076	3,051	72,765
Securitisation	-	-	-	-	-	26,575
Other non-credit-obligation assets	-	-	-	-	-	-
IRB approach, total	7,215	263,468	50,462	28,043	27,765	1,321,568
Standardised approach for credit risk:						
Central governments and central banks	3,135	58,656	2,191	2,130	2,399	87,083
Regional governments and local authorities	-	58	775	20	-	3,273
Other public entities	-	343	175	79	73	882
Multilateral development banks	-	169	-	-	-	133
International organisations	-	-	-	-	-	-
Institutions	1,404	3,803	86	1	1	2,684
Corporate customers	-	29,063	8,155	5,196	6,445	81,490
Retail customers	-	17,277	2,530	1,265	1,315	41,946
Exposures secured by real property	-	39,982	4,005	2,048	2,589	47,387
Past due items and excesses	-	1,739	166	170	158	4,658
Covered bonds	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-
Unit trusts	-	-	-	-	-	-
Other items and non-credit-obligation assets	-	-	-	-	-	-
Standardised approach for credit risk, total	4,539	151,090	18,083	10,909	12,980	269,536
Total credit exposure (EAD)	11,754	414,558	68,545	38,952	40,745	1,591,104

		2010							
No maturity	Total	< 1 year	≥ 1 year < 2 years	≥ 2 years < 3 years	≥ 3 years < 4 years	≥ 4 years < 5 years	≥ 5 years	No maturity	Total
-	84,416	2,739	43,338	2,948	34	603	45,966	-	95,628
-	769,005	360	305,704	51,378	18,617	16,651	417,902	-	810,612
-	682,607	-	50,806	3,959	4,245	4,096	602,850	-	665,956
-	32,600	-	41,313	-	-	-	-	-	41,313
-	103,318	-	41,769	10,800	4,766	3,650	53,567	-	114,552
-	26,575	-	-	-	-	-	31,317	-	31,317
16,198	16,198	-	-	-	-	-	-	16,476	16,476
16,198	1,714,719	3,099	482,930	69,085	27,662	25,000	1,151,602	16,476	1,775,854
-	155,594	4,295	121,408	4,283	1,537	2,545	77,775	-	211,843
-	4,126	-	876	1,525	3	1	1,751	-	4,156
-	1,552	-	488	65	30	13	977	-	1,573
-	302	-	-	-	-	-	133	-	133
-	-	-	-	-	-	-	-	-	-
-	7,979	1,523	3,053	178	41	1	3,039	-	7,835
-	130,349	-	40,569	6,909	3,498	2,603	80,323	-	133,902
-	64,333	-	21,922	1,566	943	915	34,746	-	60,092
-	96,011	-	41,607	2,670	2,030	2,330	53,378	-	102,015
-	6,891	-	1,983	69	91	70	2,958	-	5,171
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,089	-	1,089
-	-	-	-	-	-	-	-	-	-
4,188	4,188	-	-	-	-	-	-	5,097	5,097
4,188	471,325	5,818	231,906	17,265	8,173	8,478	256,169	5,097	532,906
20,386	2,186,044	8,917	714,836	86,350	35,835	33,478	1,407,771	21,573	2,308,760

Section 12.g (CRD, annex XII, part 2, point 6(g))
For an industry breakdown of impaired loans and past due but not impaired loans, see Risk Management 2011, section 4.2.

Section 12.h (CRD, annex XII, part 2, point 6(h))
For a geographical breakdown of impaired loans and past due but not impaired loans, see Danske Bank's Annual Report 2011 (notes on risk management).

Section 12.i (CRD, annex XII, part 2, point 6(i))
For a specification of changes in the allowance account, including reversals and write-offs made during the year on loan impairment charges from earlier periods, see Risk Management 2011, section 4.2.5.

Disclosure requirements under the standardised approach
Section 13.a-b (CRD, annex XII, part 2, point 7(a)-(b))

RATING AGENCIES USED FOR VARIOUS EXPOSURE CATEGORIES

At 31 December 2011	Standard & Poor's	Moody's	Fitch Ratings
Regional governments and local authorities	x	x	x
Other public entities	x	x	x
Multilateral development banks			
Institutions	x	x	x
Corporate customers	x	x	x
Retail customers			
Exposures secured by real property			
Past due items and excesses			
Covered bonds			
Securitisation positions	x	x	x
Other items and non-credit-obligation assets			

Section 13.c (CRD, annex XII, part 2, point 7(c))
The Group follows the CRD rules on the use of credit assessments from external credit assessment institutes (ECAIs) for the determination of risk weights. These rules also apply to securitisation exposures for which the Group uses the ratings-based method (IRB approach).

If only one credit assessment is available from one of the Group's designated ECAIs for a rated exposure, the credit assessment is used to determine the risk weight of that exposure.

If there are two credit assessments available for a rated exposure from the Group's designated ECAIs and they result in differing risk weights, the higher risk weight is assigned.

If more than two credit assessments are available from designated ECAIs for a rated exposure, the two assessments generating the two lowest risk weights are used. If the two lowest risk weights differ, the higher of the two is assigned. If the two lowest risk weights are identical, this risk weight is assigned.

Section 13.d (CRD, annex XII, part 2, point 7(d))
Not relevant because the Group complies with the standard published by the Danish FSA for converting external credit assessments to the appropriate credit quality level.

Section 13.e (CRD, annex XII, part 2, point 7(e))

CREDIT EXPOSURE (EAD) TO COUNTERPARTIES WHEN EXTERNAL RATINGS ARE USED

At 31 December 2011 (DKK millions) Credit quality level	Central governments and central banks	Corporate customers	Total (after risk mitigation)	Collateral (risk mitigation)
1	26,642	-	26,642	-
2	240	2,785	3,024	-
3	-	529	529	-
4	5	-	6	-
5	87	-	87	-
6	-	-	-	-
Total	26,974	3,314	30,288	-

At 31 December 2010 (DKK millions) Credit quality level	Central governments and central banks	Corporate customers	Total (after risk mitigation)	Collateral (risk mitigation)
1	45	-	45	-
2	-	227	227	-
3	-	180	180	-
4	6	507	513	-
5	4	-	4	-
6	-	-	-	-
Total	55	914	969	-

CREDIT EXPOSURE (EAD) TO COUNTERPARTIES WHEN COUNTRY-RISK CLASSIFICATIONS ARE USED (OECD)

At 31 December 2011 (DKK millions) Country-risk classification	Central governments and central banks	Regional governments and local authorities	Other public entities	Institutions	Total (after risk mitigation)	Collateral (risk mitigation)
0	127,311	4,126	1,552	6,588	139,578	6
1	-	-	-	357	357	-
2	350	-	-	425	775	-
3	35	-	-	38	73	-
4	-	-	-	471	471	-
5	32	-	-	49	81	-
6	875	-	-	29	904	-
7	17	-	-	22	39	-
Total	128,620	4,126	1,552	7,979	142,278	6

CREDIT EXPOSURE (EAD) TO COUNTERPARTIES WHEN COUNTRY-RISK CLASSIFICATIONS ARE USED (OECD)

At 31 December 2010 (DKK millions) Country-risk classification	Central governments and central banks	Regional governments and local authorities	Other public entities	Institutions	Total (after risk mitigation)	Collateral (risk mitigation)
0	211,692	4,156	1,573	4,447	221,868	1
1	-	-	-	948	948	-
2	-	-	-	252	252	-
3	1	-	-	54	55	-
4	2	-	-	518	520	-
5	-	-	-	10	10	-
6	84	-	-	18	102	-
7	9	-	-	60	69	-
Total	211,788	4,156	1,573	6,307	223,824	1

Risk Management 2011, section 3.4, contains a more detailed presentation of deductions from the capital base. The exposures mentioned above occasion no deductions from the capital base.

Disclosure requirements under the internal ratings-based method

Section 14.a-b (CRD, annex XII, part 2, point 8)

The Group complies with the minimum requirements for using its own estimates of PDs for exposures under the advanced IRB approach, including specialised lending. The Group does not assign the risk weights for specialised lending referred to in section 82 of appendix 8 to the Danish Executive Order on Capital Adequacy (CRD, annex VII, part 1, point 6), and the disclosure requirement is not relevant.

The Danish FSA has granted the Group a permanent exemption from the advanced IRB approach for equities, and the disclosure requirement concerning individual risk-weighting methods for equities is not relevant.

6. OTHER RISKS

Market risk

Section 15 (CRD, annex XII, part 2, point 9)

For information on the capital requirement for market risk, see section 4.b-e (CRD, annex XII, part 2, point 4(b)-(e)). The Group uses an internal VaR model to calculate the capital requirement for general risk on items in the trading book and for foreign exchange risk on items outside the trading book. Since commodity risk is not covered by the internal VaR model, the Group uses the standardised approach for market risk.

The calculation of the capital requirement for specific risk, including bond spread risk, is based on the standardised approach for market risk.

Section 16.a.1-4 (CRD, annex XII, part 2, point 10(a)(i)-(iii))

For information on the VaR models, see Risk Management 2011, sections 6.3 and 6.10.

Section 16.b (CRD, annex XII, part 2, point 10(b))

For the calculation of general risk for interest rate risk, equity market risk and foreign exchange risk, the Group uses an internal model based on VaR. The Danish FSA approved the Group's parametric VaR model in 2004. In 2007, the Group was permitted to apply a more sophisticated method based on historical simulations.

Section 16.c (CRD, annex XII, part 2, point 10(c))

For information on validation and controls, see Risk Management 2011, section 6.11.

Section 16.d.1-2 (CRD, annex XII, part 2, point 10(d)(i)-(ii))

VALUE AT RISK (CONFIDENCE LEVEL OF 99%, 10-DAY HORIZON)

2011 (DKK millions) Risk category	Daily VaR Avg. VaR	Minimum VaR	Maximum VaR	31 Dec.	Stressed VaR 31 Dec.
Interest rate risk	196	87	390	246	268
Foreign exchange risk	37	11	110	39	59
Equity market risk	46	18	125	22	39
Diversification benefit	-68	-	-	-70	-104
Total VaR	211	92	406	237	262

2010 (DKK millions) Risk category	Daily VaR Avg. VaR	Minimum VaR	Maximum VaR	31 Dec.
Interest rate risk	206	85	360	169
Foreign exchange risk	36	7	76	29
Equity market risk	65	26	167	65
Diversification benefit	-80	-	-	-73
Total VaR	227	99	399	190

Note: The VaR figures above exclude the multiplier that is used to determine the capital requirement for general market risk.

Since the minimum and maximum readings for the various risk types do not occur on the same days, these values are not shown under the diversification benefit.

Section 16.d.3 (CRD, annex XII, part 2, point 10(d)(iii))

The Group does not use an internal model for specific risk or in the calculation of increased default and migration risks.

Section 16.e (CRD, annex XII, part 2, point 10(e))

The Group does not use an internal model for specific risk or in the calculation of increased default and migration risks.

Section 16.f (CRD, annex XII, part 2, point 10(f))

For any significant "exceptions" in the VaR model during the year and a comparison between the portfolio's daily VaR closing values and changes in the portfolio's closing values on the next business day, see Risk Management 2011, section 6.10.

Operational risk

Section 17.a (CRD, annex XII, part 2, point 11(a))
For information on methods of evaluating the solvency requirements, see Risk Management 2011, sections 3.2-3.3.

Section 17.b (CRD, annex XII, part 2, point 11(b))
Not relevant because the Group does not use the advanced approach for operational risk.

Equity exposures outside the trading book

Section 18.a (CRD, annex XII, part 2, point 12(a))
Equity exposures outside the trading book consist of long-term investments, unutilised commitments to private equity funds and banking-related investments.

Equities outside the trading book are valued at fair value, with value adjustment in the income statement. Associates, however, are recognised in accordance with the equity method.

Section 18.b-d (CRD, annex XII, part 2, point 12(b)-(e))

EXPOSURE TO EQUITIES OUTSIDE THE TRADING BOOK

At 31 December 2011 (DKK millions)	Balance sheet value	Fair value	Realised gains/ losses	Unrealised gains/ losses
Net position in listed equities	126	360	-	-15
Unlisted equities:				
Banking-related investments	2,218	2,218	-	462
Unutilised commitments, private equity	361	361	-	-
Other unlisted equities	1,328	1,328	20	138
Total	4,033	4,267	20	585

At 31 December 2010 (DKK millions)	Balance sheet value	Fair value	Realised gains/ losses	Unrealised gains/ losses
Net position in listed equities	118	118	-	8
Unlisted equities:				
Banking-related investments	1,924	1,924	6	869
Unutilised commitments, private equity	523	523	-	-
Other unlisted equities	1,426	1,426	49	27
Total	3,991	3,991	55	904

Interest rate risk on positions outside the trading book

Section 19.a (CRD, annex XII, part 2, point 13(a))
For a description of interest rate risk, see Risk Management 2011, section 6.5.

Section 19.b (CRD, annex XII, part 2, point 13(b))

GROUP INTEREST RATE RISK OUTSIDE THE TRADING BOOK (PARALLEL SHIFT IN YIELD CURVE OF 1 PERCENTAGE POINT)

At 31 December (DKK millions)	2011	2010
DKK	-382	229
EUR	392	-141
GBP	17	-64
NOK	-13	18
USD	13	3
EEK	0	-1
LTL	0	4
Other	-2	2
Total	25	50

Securitisation

Section 20.a (CRD, annex XII, part 2, point 14(a))
In the future, the Group does not want to assume the role of sponsor for securitisations but will consider selling credit risks through securitisation transactions if market conditions are sufficiently attractive. The Group is very reluctant to invest in securitisation assets from other financial institutions' transactions.

See also section 4.2.2 of Risk Management 2011 for a description of securitisation activities and similar activities.

Section 20.b-e (CRD, annex XII, part 2, point 14(b)-(e))
The Group's holding of securitisation assets derives from some of the transactions that were originally made through Polonius. The portfolio is managed with a view to phasing it out, which may take many years.

The most significant risk on the portfolio is the credit risk on the underlying assets. The Group's strategy to acquire only securitisation assets that had (or could obtain) a triple-A rating from one of the major rating agencies has left the Group in most cases reasonably well protected against losses, despite the fact that the credit quality of some of the financed asset portfolios has declined sharply in recent years.

The portfolio was originally acquired for the purpose of holding it until maturity. That is why it is booked at amortised cost and is considered investment holdings.

Transactions with super-senior status make up 53% of the total portfolio (see section 20.n.ii). These transactions consist of credit facilities that were not part of the original financing of the asset portfolio. The facilities functioned as committed overdraft facilities that ensured liquidity for the ongoing payment of interest, principal and costs. The repayment of drawings under these facilities ranked above the best tranche in the financing structure in question. In many cases, the original basis of the agreement contained a minimum requirement for the Group's rating. Several ratings triggers were set off because of the downgrading of the Group, and for this reason, the full commitment was drawn and placed in a deposit account at another bank.

The portfolio of resecuritisations appears in section 20.o.i. The Group has not yet had impairment charges for these assets.

Section 20.f (CRD, annex XII, part 2, point 14(f))

The Group monitors the credit quality of the underlying asset portfolios. It also follows external news about the individual transactions and asset classes. Together these two sources of information create a basis for an ongoing revaluation of the ratings of the transactions in question.

In most cases, there are larger losses on the underlying asset portfolio than had been assumed at the beginning of a transaction. Stress tests are included in the ongoing risk assessment, and an analysis of whether losses in the Group's assets can be expected in the period until the expected redemption.

In resecuritisation cases, the practice is to monitor only the trend in the transaction in which the Group participates and not that of the underlying resecuritisation transaction. The investment strategy mentioned earlier has also moderated the risk of losses to some degree.

Section 20.g (CRD, annex XII, part 2, point 14(g))

Not relevant because the Group does not have any unsettled securitisation exposures.

Section 20.h (CRD, annex XII, part 2, point 14(h))

Regarding the use of the advanced IRB approach, the Group uses external ratings for securitisations.

Section 20.i (CRD, annex XII, part 2, point 14(i))

The Group has not entered into transactions as the originator in a long time. The existing portfolio has been redeemed, and there are no securitisation assets on the books for which the Group is the originator.

Section 20.j (CRD, annex XII, part 2, point 14(j))

The portfolio of acquired securitisation assets was booked at amortised cost. When objective evidence of impairment is identified, the asset in question is written down to the discounted value of the expected future cash flows.

For accounting purposes, the Group treats exposure in the form of loan commitments to securitisation entities as lending activities. This means that, if it is likely that the loan commitment will be drawn, if the obligation can be reliably measured, and if the net present value of the expected payments discounted at the interest rates agreed upon is negative, then a liability equal to this amount is recognised.

For drawn loan commitments, the Group recognises an impairment charge if objective evidence of impairment appears after the commitment was made.

The table below shows the names of the credit rating agencies (ECAIs) used by the Group to rate its securitisation positions.

RATING AGENCIES USED FOR SECURITISATION POSITIONS

At 31 December 2011 Securitisation category	Moody's	Standard & Poor's	Fitch Ratings
Residential mortgages	x	x	x
Commercial mortgages	x	x	x
Credit card receivables	x	x	x
Leasing			
Loans to corporates and SMEs	x	x	
Consumer loans	x	x	x
Trade receivables			
Resecuritisations	x	x	x
Other assets	x	x	x

Section 20.l (CRD, annex XII, part 2, point 14(l))
Not relevant because the Group does not participate in ABCP programmes.

Section 20.m (CRD, annex XII, part 2, point 14(m))
Not relevant because there are no significant changes in the quantitative information.

Section 20.n.i (CRD, annex XII, part 2, point 14(n)(i))
Not relevant because the Group does not serve as the originator.

Section 20.n.ii (CRD, annex XII, part 2, point 14(n)(ii))

AGGREGATE AMOUNT OF RETAINED OR PURCHASED SECURITISATION POSITIONS (EAD)

At 31 December (DKK millions)		
Securitisation category	2011	2010
Residential mortgages	11,617	13,662
Commercial mortgages	11,652	12,858
Credit card receivables	-	108
Leasing	-	-
Loans to corporates and SMEs	926	1,544
Consumer loans	529	566
Trade receivables	-	-
Resecuritisations	916	1,600
Other assets	935	979
Total	26,575	31,317

At the end of 2011, a total of 53% of the securitisation positions had super-senior status.

Section 20.n.iii (CRD, annex XII, part 2, point 14(n)(iii))
Not relevant because the Group has no assets awaiting securitisation.

Section 20.n.iv (CRD, annex XII, part 2, point 14(n)(iv))
Not relevant because the Group has no securitisation facilities with the option of early redemption.

Section 20.n.v (CRD, annex XII, part 2, point 14(n)(v))
The Group's securitisation positions are not deducted from shareholders' equity. The table below shows the total amount of acquired securitisation positions (EAD).

RETAINED OR PURCHASED SECURITISATION POSITIONS (EAD) BROKEN DOWN BY RISK-WEIGHT BAND

At 31 December (DKK millions)		
Risk-weight band	2011	2010
≤ 10%	14,170	20,263
>10 ≤ 20%	3,165	1,856
>20 ≤ 50%	3,991	4,372
>50 ≤ 100%	482	81
>100 ≤ 650%	294	65
>650 < 1,250%	-	-
1,250% / deduction	4,474	4,680
Total	26,575	31,317

Section 20.n.vi (CRD, annex XII, part 2, point 14(n)(vi))
Not relevant because the Group has not made any sales.

Section 20.o.i (CRD, annex XII, part 2, point 14(o)(i))

RETAINED OR PURCHASED SECURITISATION POSITIONS (EAD) AND ASSOCIATED CAPITAL REQUIREMENT

(DKK millions) Risk-weight band	2011 EAD	2011 Capital requirement	2010 EAD	2010 Capital requirement
≤ 10%	11,796	76	16,727	102
>10 ≤ 20%	3,165	32	1,856	18
>20 ≤ 50%	3,949	82	3,991	79
>50 ≤ 100%	482	2	81	3
>100 ≤ 650%	290	104	32	11
>650 < 1,250%	-	-	-	-
1,250% / deduction	4,411	2,372	4,608	2,638
Total	24,093	2,668	27,295	2,852

RETAINED OR PURCHASED RESECURITISATION POSITIONS (EAD) AND ASSOCIATED CAPITAL REQUIREMENT

(DKK millions) Risk-weight band	2011 EAD	2011 Capital requirement	2010 EAD	2010 Capital requirement
≤ 10%	2,373	41	3,536	60
>10 ≤ 20%	-	-	-	-
>20 ≤ 50%	42	2	381	10
>50 ≤ 100%	-	-	-	-
>100 ≤ 650%	4	-	33	8
>650 < 1,250%	-	-	-	-
1,250% / deduction	63	66	72	76
Total	2,482	109	4,022	154

Section 20.o.ii (CRD, annex XII, part 2, point 14(o)(ii))
Not relevant to the Group's securitisation positions.

Section 20.p (CRD, annex XII, part 2, point 14(p))
At the end of 2011, the Group recognised a total of DKK 2,178 million in impairment charges for securitisation positions. Of this amount, DKK 23 million was booked to the income statement in 2011. No losses were recognised in 2011.

Section 20.q (CRD, annex XII, part 2, point 14(q))
Not relevant because the Group has no securitisation positions in the trading book.

7. THE USE OF SPECIAL INSTRUMENTS OR METHODOLOGIES

Section 21.a (CRD, annex XII, part 3, point 1(a))
For information on permission and exemptions, see Risk Management 2011, section 3.2.

Section 21.b.i (CRD, annex XII, part 3, point 1(b)(i))
For a description of internal credit assessment (risk classification), see Risk Management 2011, sections 4.1.4-4.1.6.

Section 21.b.ii (CRD, annex XII, part 3, point 1(b)(ii))
The Group uses internal estimates in its day-to-day credit management and for calculating economic capital. See also Risk Management 2011, sections 3.2-3.3.

Section 21.b.iii (CRD, annex XII, part 3, point 1(b)(iii))
The Group includes all collateral to which a value is assigned in accordance with its internal procedures. The internal procedures fulfil the minimum requirements under the CRD. Guarantees are included if they imply lower risk weights than the original exposure.

In addition, collateral is volatility-adjusted (by means of a haircut) in order to take into account price volatility and the expected costs of compulsory sales. See also Risk Management 2011, section 4.1.7, on risk mitigation.

Section 21.b.iv (CRD, annex XII, part 3, point 1(b)(iv))
The Group has determined an annual process for reviewing and following up on compliance with the minimum requirements under the IRB in relation to the rating system. This process includes reporting to management and Internal Audit. The rating system is also validated on a regular basis, independently from the rating process. For information on internal credit assessment (risk classification), see Risk Management 2011, sections 4.1.4-4.1.6.

Section 21.c.i-iv (CRD, annex XII, part 3, point 1(c)(i)-(iv))
For a description of internal credit assessment (risk classification), see Risk Management 2011, sections 4.1.4-4.1.6.

Section 21.c.v (CRD, annex XII, part 3, point 1(c)(v))
Not relevant because the Danish FSA has granted the Group a permanent exemption from the advanced IRB approach for equities.

Section 21.d (CRD, annex XII, part 3, point 1(d))
The Group does not use the foundation IRB approach (F-IRB) for any asset class. The exposures shown below are included in the Group's advanced IRB portfolio.

CREDIT EXPOSURE (EAD), IRB PORTFOLIO

At 31 December (DKK millions)	2011	2010
Institutions	84,416	95,628
Corporate customers	769,005	810,612
Retail exposures secured by real property	682,607	665,956
Qualifying revolving retail exposures	32,600	41,313
Other retail exposures	103,318	114,552
Securitisation	26,575	31,317
Non-credit-obligation assets	16,198	16,476
Total credit exposure (EAD)	1,714,719	1,775,854

Section 21.e.i (CRD, annex XII, part 3, point 1(e)(i))
The tables below show breakdowns by rating category.

CREDIT EXPOSURE (EAD) BY RATING CATEGORY

At 31 December 2011 (DKK millions)	Institutions	Corporate customers	Retail exposures secured by real property	Qualifying revolving retail exposures	Other retail exposures	Securitisation	Total
1	5,553	1,087	5,426	1,535	788	8,705	23,094
2	27,338	14,808	69,216	6,702	6,312	4,512	128,888
3	17,734	70,431	99,276	6,665	14,522	3,031	211,659
4	10,455	122,957	142,899	4,516	17,210	4,993	303,030
5	16,030	166,764	139,034	4,107	21,896	571	348,402
6	2,504	138,626	87,679	2,599	11,059	290	242,757
7	3,040	108,177	73,833	2,522	12,546	-	200,118
8	997	56,390	40,337	2,761	11,195	1,098	112,778
9	629	22,942	13,442	872	3,962	1,406	43,253
10	44	33,468	6,431	208	1,309	1,681	43,141
11	92	33,355	5,034	113	2,519	288	41,401
Total	84,416	769,005	682,607	32,600	103,318	26,575	1,698,521

At 31 December 2010 (DKK millions)	Institutions	Corporate customers	Retail exposures secured by real property	Qualifying revolving retail exposures	Other retail exposures	Securitisation	Total
1	5,381	472	20,539	4,138	3,916	17,455	51,901
2	35,212	17,712	70,809	9,025	9,685	3,709	146,152
3	21,756	71,611	80,692	8,123	16,510	2,079	200,771
4	9,596	126,761	100,644	4,856	16,853	2,961	261,671
5	18,736	164,227	129,088	4,182	15,679	368	332,280
6	1,760	147,682	109,273	3,003	11,975	65	273,758
7	1,745	123,437	87,954	3,735	18,237	-	235,108
8	1,231	64,712	49,287	3,392	14,768	310	133,700
9	74	34,180	8,944	638	3,744	2,287	49,867
10	-	32,388	3,589	92	974	2,069	39,112
11	137	27,430	5,137	129	2,211	14	35,058
Total	95,628	810,612	665,956	41,313	114,552	31,317	1,759,378

Section 21.e.ii (CRD, annex XII, part 3, point 1(e)(ii))

EXPOSURE-WEIGHTED (EAD) AVERAGE LGD BY RATING CATEGORY

At 31 December 2011 (%)	Institutions	Corporate customers	Retail exposures secured by real property	Qualifying revolving retail exposures	Other retail exposures	Total
1	20	21	7	29	27	16
2	25	26	10	29	19	17
3	29	19	11	30	18	16
4	27	21	13	32	21	17
5	27	23	15	38	29	21
6	38	23	16	40	29	21
7	40	21	18	42	31	21
8	34	23	18	52	37	24
9	35	24	24	49	43	27
10	32	33	24	49	44	32
11	65	50	34	85	87	50
Total	27	24	14	35	29	21

At 31 December 2010 (%)	Institutions	Corporate customers	Retail exposures secured by real property	Qualifying revolving retail exposures	Other retail exposures	Total
1	30	38	12	33	25	19
2	20	40	12	34	22	20
3	30	24	13	36	20	20
4	35	28	13	38	21	22
5	26	24	14	39	22	21
6	41	19	15	40	24	18
7	35	21	16	42	26	20
8	35	19	16	42	29	20
9	48	18	18	43	33	19
10	36	23	18	44	31	23
11	50	30	19	49	42	29
Total	26	23	14	37	24	20

Section 21.e.iii (CRD, annex XII, part 3, point 1(e)(iii))

EXPOSURE-WEIGHTED (EAD) AVERAGE RISK WEIGHT BY RATING CATEGORY

At 31 December 2011 (%)	Institutions	Corporate customers	Retail exposures secured by real property	Qualifying revolving retail exposures	Other retail exposures	Securitisation	Total
1	8	12	1	1	3	11	7
2	8	12	1	1	2	13	4
3	9	9	2	1	3	10	5
4	11	10	4	2	6	20	7
5	20	18	8	5	14	59	14
6	50	28	15	9	22	451	24
7	56	37	29	19	36	-	34
8	74	59	55	54	55	1,325	70
9	180	99	122	109	85	1,325	146
10	197	178	141	149	112	1,325	215
11	30	109	263	457	275	1,325	147
Total	16	37	17	13	29	240	30

At 31 December 2010 (%)	Institutions	Corporate customers	Retail exposures secured by real property	Qualifying revolving retail exposures	Other retail exposures	Securitisation	Total
1	9	19	1	1	3	9	5
2	9	15	1	1	2	9	5
3	13	13	2	1	3	10	7
4	15	17	4	2	5	22	11
5	23	21	6	5	10	41	15
6	76	26	11	9	17	357	19
7	75	38	21	20	29	-	31
8	92	52	43	42	43	1,325	51
9	207	77	98	105	68	1,325	138
10	198	122	108	138	81	1,325	183
11	251	81	159	298	100	1,325	95
Total	17	34	13	10	20	208	27

Section 21.e.iv (CRD, annex XII, part 3, point 1(e)(iv))

UNUTILISED COMMITMENTS BY RATING CATEGORY

At 31 December 2011 (DKK millions)	Institutions	Corporate customers	Retail exposures secured by real property	Qualifying revolving retail exposures	Other retail exposures	Securitisation	Total
1	3,607	513	388	2,940	943	4,076	12,467
2	16,493	28,230	3,212	12,657	3,019	2,037	65,648
3	17,805	60,507	5,023	12,107	5,523	1,771	102,736
4	7,613	86,715	4,955	6,752	6,220	2,472	114,727
5	10,185	78,994	5,991	4,760	8,447	85	108,462
6	2,665	40,810	2,052	2,355	4,404	290	52,576
7	2,497	24,717	1,447	2,056	4,473	-	35,190
8	573	5,753	849	2,788	3,229	-	13,192
9	2,019	1,634	361	406	636	-	5,056
10	76	1,815	82	72	146	-	2,191
11	150	663	29	63	128	-	1,033
Total	63,683	330,351	24,389	46,956	37,168	10,731	513,278

At 31 December 2010 (%)	Institutions	Corporate customers	Retail exposures secured by real property	Qualifying revolving retail exposures	Other retail exposures	Securitisation	Total
1	8,096	636	698	6,089	3,022	8,253	26,794
2	19,520	26,662	3,006	12,620	4,005	1,719	67,532
3	30,230	53,544	4,227	10,748	6,908	749	106,406
4	4,448	95,322	3,629	5,411	7,421	849	117,080
5	12,361	88,153	2,604	3,799	7,137	271	114,325
6	2,282	45,648	1,297	2,366	5,931	-	57,524
7	828	27,903	1,539	2,884	10,352	-	43,506
8	547	12,231	928	2,135	4,328	-	20,169
9	171	2,387	270	221	787	-	3,836
10	0	1,354	45	30	119	-	1,548
11	151	1,119	35	58	162	-	1,525
Total	78,634	354,959	18,278	46,361	50,172	11,841	560,245

EXPOSURE-WEIGHTED AVERAGE CONVERSION FACTORS BY RATING CATEGORY

At 31 December 2011 (%)	Institutions	Corporate customers	Retail exposures secured by real property	Qualifying revolving retail exposures	Other retail exposures	Securitisation	Total
1	49	49	55	50	47	100	66
2	31	42	54	50	39	100	43
3	23	48	53	47	34	100	44
4	41	50	53	45	37	100	50
5	50	46	52	44	43	100	47
6	42	48	50	44	38	100	47
7	33	47	48	41	41	-	45
8	37	47	47	39	37	-	42
9	29	42	48	46	41	-	38
10	35	46	49	45	39	-	46
11	-	-	-	-	-	-	-
Total	34	47	52	46	39	100	46

At 31 December 2010 (DKK millions)	Institutions	Corporate customers	Retail exposures secured by real property	Qualifying revolving retail exposures	Other retail exposures	Securitisation	Total
1	39	65	65	65	54	100	67
2	40	52	64	66	43	100	53
3	35	59	64	65	40	100	52
4	56	59	65	61	39	100	58
5	59	54	63	62	39	100	54
6	40	59	62	61	42	-	56
7	51	61	59	61	48	-	57
8	32	57	59	57	47	-	54
9	30	59	57	63	49	-	56
10	-	56	56	55	42	-	54
11	30	17	11	-	19	-	18
Total	42	57	63	64	43	100	56

Section 21.f (CRD, annex XII, part 3, point 1(f))
See section 21.e.i-iv. (CRD, annex XII, part 3, point 1(e)(i)-(iv)).

Section 21.g (CRD, annex XII, part 3, point 1(g))

ACTUAL VALUE ADJUSTMENTS (IRB PORTFOLIO)

At 31 December (DKK millions)	2011	2010
Institutions	122	1,509
Corporate customers	10,115	10,375
Retail exposures secured by real property	685	759
Qualifying revolving retail exposures	66	179
Other retail exposures	601	1,316
Securitisation	71	18
Total	11,660	14,156

Note: Actual value adjustments are defined as new individual impairment charges plus write-offs charged directly to the income statement. The portfolio is the IRB portfolio.

Section 21.h-i (CRD, annex XII, part 3, point 1(h)-(i))
For the purpose of calculating risk-weighted assets under the IRB approach, the Group uses parameter values (through-the-cycle PD and downturn LGD and CF parameters) based on historical data. The tables in this section are based on these parameters.

The asset class non-credit-obligation assets is not included in the tables in this section because the risk weight is set at 100% in accordance with the rules for the IRB approach. The securitisation asset class is not included either because the Group uses mainly the ratings-based method (using external ratings) for these exposures and therefore does not use internal estimates.

EXPECTED LOSSES VS. ACTUAL VALUE ADJUSTMENTS

At 31 December (DKK millions)	Institutions	Corporate customers	Retail exposures secured by real property	Qualifying revolving retail exposures	Other retail exposures	Total
2011						
Actual value adjustments	122	10,115	685	66	601	11,589
Expected loss (EL)	3,487	15,000	1,517	152	2,209	22,365
2010						
Actual value adjustments	1,509	10,375	759	179	1,316	14,138
Expected loss (EL)	2,096	13,476	875	226	1,916	18,589

Note: Actual value adjustments and Expected loss are not directly comparable. Actual value adjustments are defined as new individual impairment charges plus write-offs charged directly to the income statement. Expected loss is defined as the expected loss at the beginning of the period (1 January) on the basis of PD (through-the-cycle), LGD (downturn) and CF (downturn) for exposures that have not defaulted, For defaulted exposures, the expected loss equals the loan impairment charge.

The probability of default (PD) represents the probability that a customer will default on a loan within the next 12 months.

PROBABILITY OF DEFAULT (PD)

At 31 December (%)	Institutions	Corporate customers	Retail exposures secured by real property	Qualifying revolving retail exposures	Other retail exposures	Total
2011						
Outcome	0.53	2.64	0.86	0.73	1.89	1.00
Estimate	0.50	2.19	0.88	1.18	2.40	1.30
2010						
Outcome	0.27	2.81	0.64	0.89	2.08	1.09
Estimate	0.43	2.33	0.50	1.11	1.75	1.09

Note: Figures are simple averages based on the number of customers. Estimates are based on through-the-cycle parameters as estimated at the beginning of the year.

Loss given default (LGD) represents the loss on an exposure calculated as the percentage of the facility's expected utilisation that will be lost if a customer defaults.

LOSS GIVEN DEFAULT (LGD)

At 31 December (%)	Institutions	Corporate customers	Retail exposures secured by real property	Qualifying revolving retail exposures	Other retail exposures	Total
2011						
Outcome	5	28	20	40	35	32
Estimate	22	28	27	48	39	38
2010						
Outcome	26	22	14	47	45	40
Estimate	17	27	17	48	40	38

Note: Figures are simple averages based on the number of facilities. Estimates are based on downturn parameters as estimated at the beginning of the year for facilities defaulted during the year in question. Outcomes are based on defaults for the year in question and include write-offs on defaults that have been settled and individual impairment charges on defaults not yet settled.

The conversion factor (CF) represents the percentage of amounts not yet drawn that is expected to be drawn at default.

CONVERSION FACTOR (CF)

At 31 December (%)	Institutions	Corporate customers	Retail exposures secured by real property	Qualifying revolving retail exposures	Other retail exposures	Total
2011						
Outcome	-	38	58	52	45	51
Estimate	-	48	55	57	49	56
2010						
Outcome	-	43	61	58	54	57
Estimate	-	55	69	72	68	70

Note: Figures are simple averages based on the number of facilities. Estimates are based on downturn parameters as estimated at the beginning of the year for facilities defaulted during the year in question. Outcomes are based on defaulted facilities in the year in question.

Credit risk mitigation

Section 22.a (CRD, annex XII, part 3, point 2(a))

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.

Section 22.b (CRD, annex XII, part 3, point 2(b))

For information on valuation procedures, see Risk Management 2011, section 4.1.7.

Section 22.c (CRD, annex XII, part 3, point 2(c))

For a description of the main types of collateral received, see Risk Management 2011, section 4.1.7.

Section 22.d (CRD, annex XII, part 3, point 2(d))

CREDIT EXPOSURE (EAD) COVERED BY GUARANTORS OR CREDIT DERIVATIVES, BY RATING CATEGORY OF COUNTERPARTY

At 31 December 2011 (DKK millions)	1	2	3	4
IRB approach:				
Institutions	-	221	87	26
Corporate customers	135	14	806	-
Retail exposures secured by real property	-	-	-	-
Qualifying revolving retail exposures	-	-	-	-
Other retail exposures	-	-	-	-
Securitisation	-	-	-	-
Other non-credit-obligation assets	-	-	-	-
IRB approach, total	135	235	893	26
Standardised approach for credit risk:				
Central governments and central banks	22,479	21,764	432	-
Regional governments and local authorities	-	69	-	-
Other public entities	629	-	-	-
Multilateral development banks	-	-	-	-
International organisations	-	-	-	-
Institutions	-	6	-	-
Corporate customers	-	-	-	2,086
Retail customers	-	-	-	-
Exposures secured by real property	-	-	-	-
Past due items and excesses	-	-	-	-
Covered bonds	-	-	-	-
Securitisation positions	-	-	-	-
Unit trusts	-	-	-	-
Other items and non-credit-obligation assets	-	-	-	-
Standardised approach for credit risk, total	23,108	21,839	432	2,086
Total credit exposure (EAD)	23,243	22,074	1,325	2,112

	5	6	7	8	9	10	11	Total
	191	19	3	-	-	-	-	547
	-	-	-	-	-	-	-	955
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	191	19	3	-	-	-	-	1,502
	10,668	-	16	-	-	-	-	55,359
	-	-	-	-	-	-	-	69
	-	-	3	-	-	-	-	632
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	5	-	240	-	-	-	-	251
	-	-	-	-	-	-	-	2,086
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	10,673	-	259	-	-	-	-	58,397
	10,864	19	262	-	-	-	-	59,899

CREDIT EXPOSURE (EAD) COVERED BY GUARANTORS OR CREDIT DERIVATIVES, BY RATING CATEGORY OF COUNTERPARTY

At 31 December 2010 (DKK millions)	1	2	3	4
IRB approach:				
Institutions	787	256	129	24
Corporate customers	60	-	1,074	-
Retail exposures secured by real property	-	-	-	-
Qualifying revolving retail exposures	-	-	-	-
Other retail exposures	-	-	-	-
Securitisation	-	-	-	-
Other non-credit-obligation assets	-	-	-	-
IRB approach, total	847	256	1,203	24
Standardised approach for credit risk:				
Central governments and central banks	26,666	21,182	140	126
Regional governments and local authorities	-	74	5	-
Other public entities	650	-	-	-
Multilateral development banks	-	-	-	-
International organisations	-	-	-	-
Institutions	-	36	7	-
Corporate customers	-	-	-	-
Retail customers	-	-	-	-
Exposures secured by real property	-	-	-	-
Past due items and excesses	-	-	-	-
Covered bonds	-	-	-	-
Securitisation positions	-	-	-	-
Unit trusts	-	-	-	-
Other items and non-credit-obligation assets	-	-	-	-
Standardised approach for credit risk, total	27,316	21,292	152	126
Total credit exposure (EAD)	28,163	21,548	1,355	150

5	6	7	8	9	10	11	Total
21	19	42	-	-	-	-	1,278
-	-	-	-	-	-	-	1,134
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
21	19	42	-	-	-	-	2,412
815	-	6,406	4	-	-	-	55,339
-	-	-	-	-	-	-	79
-	-	-	-	-	-	-	650
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	1,329	-	-	-	-	1,372
-	-	150	-	-	-	-	150
-	-	9	-	-	-	-	9
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	1,089	-	-	-	-	1,089
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
815	-	8,983	4	-	-	-	58,688
836	19	9,025	4	-	-	-	61,100

Section 22.e-g (CRD, annex XII, part 3, point 2(e)-2(g))

CREDIT EXPOSURE (EAD) SECURED ON COLLATERAL RECEIVED (AFTER VOLATILITY ADJUSTMENT)

At 31 December 2011 (DKK millions)	Guarantees	Credit derivatives	Eligible financial collateral	Real property	Other eligible collateral	Total
IRB approach:						
Institutions	546	-	189	2,080	27	2,841
Corporate customers	955	-	13,421	231,195	42,280	287,852
Retail exposures secured by real property	-	-	-	495,677	-	495,677
Qualifying revolving retail exposures	-	-	-	-	-	-
Other retail exposures	-	-	6,230	-	33,871	40,101
Securitisation	-	-	-	-	-	-
Other non-credit-obligation assets	-	-	-	-	-	-
IRB approach, total	1,501	-	19,840	728,952	76,178	826,471
Standardised approach for credit risk:						
Central governments and central banks	55,359	-	6	-	-	55,366
Regional governments and local authorities	69	-	-	-	-	69
Other public entities	633	-	-	-	-	633
Multilateral development banks	-	-	-	-	-	-
International organisations	-	-	-	-	-	-
Institutions	251	-	-	-	-	251
Corporate customers	2,086	-	915	-	-	3,001
Retail customers	-	-	1,086	-	-	1,086
Exposures secured by real property	-	-	-	96,011	-	96,011
Past due items and excesses	-	-	20	2,800	-	2,820
Covered bonds	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-
Unit trusts	-	-	-	-	-	-
Other items and non-credit-obligation assets	-	-	-	-	-	-
Standardised approach for credit risk, total	58,398	-	2,027	98,811	-	159,236
Total credit risk (EAD)	59,899	-	21,867	827,764	76,178	985,707

At 31 December 2010 (DKK millions)	Guarantees	Credit derivatives	Eligible financial collateral	Real property	Other eligible collateral	Total
IRB approach:						
Institutions	1,278	-	222	2,025	1,888	5,413
Corporate customers	1,134	-	11,801	258,621	62,749	334,305
Retail exposures secured by real property	-	-	-	535,720	-	535,720
Qualifying revolving retail exposures	-	-	-	-	-	-
Other retail exposures	-	-	5,875	-	32,916	38,791
Securitisation	-	-	-	-	-	-
Other non-credit-obligation assets	-	-	-	-	-	-
IRB approach, total	2,412	-	17,898	796,366	97,553	914,229
Standardised approach for credit risk:						
Central governments and central banks	55,339	-	1	-	-	55,340
Regional governments and local authorities	79	-	-	-	-	79
Other public entities	650	-	-	-	-	650
Multilateral development banks	-	-	-	-	-	-
International organisations	-	-	-	-	-	-
Institutions	291	1,081	-	-	-	1,372
Corporate customers	-	150	1,670	-	-	1,820
Retail customers	-	9	992	-	-	1,001
Exposures secured by real property	-	-	-	102,015	-	102,015
Past due items and excesses	-	-	10	2,613	-	2,623
Covered bonds	-	-	-	-	-	-
Securitisation positions	-	1,089	-	-	-	1,089
Unit trusts	-	-	-	-	-	-
Other items and non-credit-obligation assets	-	-	-	-	-	-
Standardised approach for credit risk, total	56,359	2,329	2,673	104,628	-	165,989
Total credit risk (EAD)	58,771	2,329	20,571	900,994	97,553	1,080,218

Section 23 (CRD, annex XII, part 3, point 3)

Not relevant because the Group uses the standardised approach for operational risk.

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