Annual Report 2015

Danske Bank Group

Danske Bank

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Letter to our shareholders

2015 was another year of significant progress for Danske Bank. We are well on track to becoming a more customer-centric, simple and efficient bank to the benefit of all our stakeholders.

Net profit before goodwill impairments was DKK 17.7 billion for 2015 and the return on shareholders' equity before goodwill impairments was 11.6%, and we have thus delivered on the financial targets we have pursued since 2013. We maintained a strong capital position, and our credit ratings were improved.

At the same time, we made progress towards meeting our long-term ambition of becoming number one in customer experience. We are pursuing this objective by combining the financial expertise we have developed over more than 140 years of banking with our ability to turn technological advances into leading solutions for our customers.

Our increased focus on customer centricity has translated into positive developments in customer satisfaction at all of our business units, even though we have not yet reached all of our targets. Personal Banking is on target in one of five countries and made significant progress in our largest market, Denmark. Private Banking kept its leading position in Denmark. Business Banking is on target in three of five countries, while Corporates & Institutions is fully on target, maintaining its leading position as clients rank us number one in many key areas.

Moreover, in 2015 we continued to review and fine-tune our business model to maximise the value we create for both customers and shareholders:

To further strengthen our position in the attractive growth market for private banking, pension savings and asset management, we have decided to establish a new unit that will encompass our extensive expertise in this area. The objective of the new Wealth Management unit is to enable us to more rapidly respond to customer demand for investment solutions and high-quality proactive advisory services.

We also refocused our efforts in the Baltic region on business customers, divesting the personal customer business in Lithuania and Latvia. Pending approval by the Lithuanian competition authorities, the transaction is expected to be completed in the first half of 2016. In addition, we decided to run and report on our operations in Northern Ireland as a separate business unit to increase customer focus and to simplify operations.

In recent years, we have strengthened Danske Bank's leadership, in particular the leadership of support and staff functions. This work continued during 2015 with the overall objective of increasing our customer focus and becoming a more simple and efficient business. We have increased our focus on leadership development, succession planning and talent development. We have also initiated a cultural transformation process, which on the basis of value-based leadership promotes customer-centricity, performance management and empowerment of staff.

The journey ahead

Our 2015 results bring us a significant step closer to delivering on our target of a return on shareholders' equity above 12.5% by 2018 at the latest.

Although the interest rate environment remains challenging, our ambitions are intact. We have a solid platform to build on, with a strong position in the marketplace and a clear strategic direction for the next leg of our journey. We are confident that this will enable us to seize the opportunities and mitigate the risks arising from changes in the marketplace and macroeconomic conditions.

Our key priorities going forward include the continual development and optimisation of our customer offerings, seizing digital opportunities to provide innovative solutions, and our ongoing efforts to reap the full benefits of our Nordic platform. We will also continue our strong focus on becoming more efficient and reducing costs, while maintaining a prudent risk profile. In short, we will continue to adjust our business model in order to ensure that we reach our targets.

The progress we made in 2015, the value we created for our customers, and the financial results we delivered would not have been possible without the dedication and hard work of our more than 19,000 employees, and we would like to express our gratitude to all of them for their efforts.

Finally, on the basis of our solid capital position, the Board of Directors is pleased to propose a dividend of DKK 8.0 per share, or 46% of net profit for the year before goodwill impairments. Moreover, we have decided to conduct a share buy-back programme that will total DKK 9 billion and run for no more than 12 months, beginning on 4 February 2016.

Ole Andersen
Chairman of the Board of Directors

Thomas F. Borgen
Chief Executive Officer

Financial highlights – Danske Bank Group

Income statement (DKK millions)	2015	2014	Index 15/14	2013	2012	2011
Net interest income**	21,476	22,313	96	22,077	22,778	23,537
Net fee income**	12,122	11,154	109	9,468	8,866	8,298
Net trading income**	6,933	6,693	104	5,799	10,562	7,325
Other income	1,778	1,344	132	1,308	1,285	3,648
Net income from insurance business**	1,892	2,496	76	1,088	2,171	569
Total income**	44,201	44,000	100	39,740	45,662	43,377
Operating expenses	21,827	22,641	96	23,794	24,642	25,826
Goodwill impairment charges	4,601	9,099	51	-	-	161
Profit before loan impairment charges**	17,773	12,260	145	15,947	21,020	17,390
Loan impairment charges	57	2,788	2	4,111	7,680	13,185
Profit before tax, core**	17,716	9,472	187	11,836	13,340	-
Profit before tax, Non-core	46	-1,503	-	-1,777	-4,801	-
Profit before tax**	17,762	7,969	223	10,059	8,539	4,205
Tax**	4,639	4,020	115	2,944	3,814	2,482
Net profit for the year**	**13,123**	**3,948**	-	**7,115**	**4,725**	**1,723**
Net profit for the year before goodwill impairment charges**	**17,724**	**13,047**	**136**	**7,115**	**4,725**	**1,884**
Attributable to additional tier 1 etc.	607	261	-	0	4	11
Balance sheet (end of year) (DKK millions)						
Due from credit institutions and central banks	75,221	63,786	118	53,714	113,657	74,041
Repo loans	216,303	290,095	75	316,079	307,177	256,027
Loans	1,609,384	1,563,729	103	1,536,773	1,640,656	1,698,025
Trading portfolio assets	547,019	742,512	74	695,722	812,966	909,755
Investment securities	343,304	330,994	104	161,917	107,724	109,264
Assets under insurance contracts	265,572	268,450	99	246,484	241,343	230,668
Total assets in Non-core	24,236	32,329	75	41,837	33,100	-
Other assets	211,840	161,120	131	174,531	228,326	146,623
Total assets	**3,292,878**	**3,453,015**	**95**	**3,227,057**	**3,484,949**	**3,424,403**
Due to credit institutions and central banks	137,068	126,800	108	132,253	241,238	177,592
Repo deposits	177,456	400,618	44	331,091	359,276	269,515
Deposits	816,762	763,441	107	776,412	783,759	795,275
Bonds issued by Realkredit Danmark	694,519	655,965	106	614,196	614,325	557,699
Other issued bonds	363,931	330,207	110	310,178	340,005	366,920
Trading portfolio liabilities	471,131	550,629	86	435,183	531,860	697,913
Liabilities under insurance contracts	285,030	288,352	99	262,468	266,938	248,966
Total liabilities in Non-core	5,520	4,950	112	17,476	4,831	-
Other liabilities	140,640	138,642	101	135,924	136,928	117,340
Subordinated debt	39,991	41,028	97	66,219	67,785	67,328
Additional tier 1 etc.	11,317	5,675	199	-	4	60
Shareholders' equity	149,513	146,708	102	145,657	138,000	125,795
Total liabilities and equity	**3,292,878**	**3,453,015**	**95**	**3,227,057**	**3,484,949**	**3,424,403**
Ratios and key figures						
Dividends per share (DKK)	8.0	5.5		2.0	-	-
Earnings per share (DKK)***	12.8	3.8		7.1	5.0	1.9
Return on avg. shareholders' equity (%)***	8.5	2.5		5.0	3.6	1.4
Return before goodwill impairment charges on avg. shareholders' equity (%)***	11.6	8.6		5.0	3.6	2.1
Return on avg. tangible equity (%)***	12.9	10.5		6.4	5.3	2.6
Net interest income as % of loans and deposits	0.89	0.96		0.95	0.94	0.94
Cost/income ratio (%)	59.8	72.1		59.9	54.0	59.9
Cost/income ratio before goodwill impairment charges (%)	49.4	51.5		59.9	54.0	59.5
Total capital ratio (%)	21.0	19.3		21.4	21.3	17.9
Common equity tier 1 capital ratio (%)	16.1	15.1		14.7	14.5	11.8
Share price (end of year) (DKK)	185.2	167.4		124.4	95.7	73.0
Book value per share (DKK)***	153.2	146.8		145.6	138.0	135.7
Full-time-equivalent staff (end of year)	19,049	18,603		19,122	20,126	21,320

** See note 1 (c) to the financial statement for an explanation of differences in the presentation between IFRS and the financial highlights.*
*** Changes have been made to the highlights for 2014, as presented in note 2. Apart from 2011, the effect on the highlights for 2011-13 is not significant, and comparative figures for 2011-13 therefore have not been restated. A restatement of comparative figures for 2011 would have reduced net profit by DKK 387 million.*
**** Ratios are calculated as if the additional tier 1 capital were classified as a liability. Average shareholders' equity is calculated as a quarterly average.*

Executive summary

"In 2015, Danske Bank continued to progress and delivered strong results despite a challenging environment. The results are testament to the strength of our diversified business model as a Nordic universal bank and reflect our firm focus on executing our strategy of becoming a more customer-centric, simple and efficient bank," says Thomas F. Borgen, Chief Executive Officer.

"We continued to strengthen relations with our customers and launched a number of initiatives aimed at making daily banking and important financial decisions easier for our customers. We have a sound platform and a strong position in the marketplace as well as a clear strategic direction for the next part of our journey towards realising the full potential of Danske Bank."

- Danske Bank Group's net profit for 2015 was DKK 13.1 billion. The result was affected by goodwill impairments of DKK 4.6 billion. Net profit before goodwill impairments rose 36% to DKK 17.7 billion, against DKK 13.0 billion in 2014.

- The return on shareholders' equity after tax was 8.5%. The return before goodwill impairments was 11.6%, against 8.6% for 2014.

- Net interest income was down 4%. The negative short-term interest rates continued to put pressure on deposit margins and net interest income. Lending volume growth and lower funding costs partly offset this pressure.

- Net fee income totalled DKK 12.1 billion, which was 9% higher than the year-earlier level, mainly because of extensive mortgage refinancing in the first half of the year, stronger customer activity at the banking units and positive developments at Danske Capital.

- Net trading income increased 4% from the level in 2014, even though 2014 benefited from a one-off gain from the sale of shares in Nets. In the first half of 2015, trading income benefited from high client activity owing to volatility in the financial markets, whereas activity in the second half was somewhat lower.

- Net income from insurance business amounted to DKK 1.9 billion, against DKK 2.5 billion in 2014. It was possible to book the full risk allowance for all four interest rate groups and to book DKK 0.2 billion from the shadow account, against DKK 0.6 billion in 2014.

- Operating expenses fell 4% to DKK 21.8 billion, and the cost/income ratio before goodwill impairments improved 2.1 percentage points to 49.4%. We achieved this by continuing to implement efficiency initiatives.

- The goodwill impairments of DKK 4.6 billion were the result of assumptions about lower interest rates long-term than previously assumed and increased capital allocated to our activities in Finland and Northern Ireland. The goodwill impairments do not relate to the expected short-term developments at the units.

- Loan impairments in core activities amounted to DKK 57 million, or 0.00% of lending and guarantees, against 0.15% in 2014. The decline reflects our ongoing work to improve credit quality as well as improved macroeconomic conditions. This positive development took place at all business units.

- Non-core activities posted a profit before tax of DKK 46 million, against a loss of DKK 1.5 billion in 2014. The winding-up of our Irish Non-core portfolio continued, and most of the commercial property portfolio has now been sold.

- We reached our rating targets when Moody's upgraded our long-term rating to A2 and our short-term rating to P-1 in June, and S&P changed its outlook for our long-term A rating to stable in July. This was a very important milestone that is testament to the sustained effect of our strategic initiatives. The improvement in our ratings means that we are able to do more business with specific customer groups and that we can further optimise our funding.

- The common equity tier 1 capital ratio and the total capital ratio were 16.1% and 21.0%, respectively, at 31 December 2015, against 15.1% and 19.3% at 31 December 2014. Our capital base remained strong, also after deduction of the proposed dividends. With a liquidity coverage ratio (LCR) of 125% at 31 December 2015, our liquidity position also remained robust.

- The Board of Directors is proposing a dividend of DKK 8.0 per share, corresponding to 46% of net profit before goodwill impairments. In addition, the Board of Directors has decided to initiate a share buy-back programme of DKK 9 billion that will start on 4 February 2016 and run for no more than 12 months.

- For 2016, we expect the net profit to be in line with the net profit before goodwill impairments in 2015. We remain committed to our target of a return on equity above 12.5% in 2018 at the latest. See page 13 for our full outlook.

Strategy execution

In 2015, we made further progress on our journey to become a more customer-centric, simple and efficient bank for the benefit of customers and shareholders alike. The year also represented another step towards our goal of being recognised as the most trusted financial partner by consistently delivering long-term value for customers, investors and the societies where we operate.

Our underlying business remained robust, with good customer activity throughout the year. Lending volumes rose 3% from the end of 2014. Increased customer activity led, among other things, to an increase in net fee income of 9%. Personal Banking and Business Banking in particular benefited from good customer inflow in many markets.

Despite a challenging environment of negative short-term interest rates, our diversified business model enabled us to deliver satisfactory financial results: net profit before goodwill impairments of DKK 17.7 billion and a return before goodwill impairments on shareholders' equity of 11.6%. We thus achieved our ambition for 2015 by delivering a return on equity of above 9.5%.

In doing so, we also reached an important milestone by reaching each of our financial targets for 2015.

Financial targets	2015 ambition	Status at the end of 2015
Return on shareholders' equity	9.5%	11.6% before goodwill impairments
Ratings	S&P rating outlook improved to stable	S&P/Moody's/ Fitch A (stable)/A2 (stable)/A (stable)
Common equity tier 1 capital ratio	Around 14%	16.1%
Total capital ratio	Well above 17%	21.0%
Dividend payments	Payout of 40-50% of net profit	46% payout ratio for 2015 (proposed)

The solid improvement in return on equity was driven by a combination of factors. Higher customer activity, particularly in the beginning of the year, and our improved customer offerings increased both net fee income and net trading income, which more than offset the pressure on net interest income from the lower-than-expected short-term interest rates. Our tight cost control and a significant reduction in impairments, resulting both from our efforts to improve credit quality and from the general improvement in the economy, also contributed significantly.

We saw continued improvements in customer satisfaction across markets and customer segments, not least among our personal customers in our biggest market, Denmark. But we still have a way to go to reach our ambition of being ranked as number one or two in our focus segments in all our markets. This area still takes priority for us.

Effects of negative short-term interest rates

Short-term interest rates declined throughout 2015, falling much lower than we had expected at the beginning of the year. In Denmark, Sweden and the eurozone, monetary policy rates were negative, and higher rates appear to be a more distant prospect than previously expected.

Net interest income was challenging, but we managed to meet our expectations for total income for 2015 despite the negative short-term interest rates and pressure on margins. We held interest rates on personal customer current accounts at or above 0% and advised customers how to take advantage of the low rate environment. The low rates also led us to develop new loan products and investment solutions that will benefit customers.

Business reviews

Throughout the year, we continued to review and fine-tune our business to increase the value we create for customers and shareholders within our defined strategic core:

To be a modern bank for people and businesses across the Nordics with deep financial competence and leading, innovative solutions.

We completed two reviews: Wealth Management and Northern Ireland, and we executed on a previous business review by divesting part of the Non-core Baltic exposure.

Wealth Management

In order to strengthen our position further and expand our development capabilities within pensions and wealth management, we are establishing a new business unit, which organisationally will be in place from 1 April 2016. Financial reporting will take place from the first quarter of 2016. The new unit will encompass customers and expertise from Danica Pension, Danske Capital and Private Banking.

The objective is to ensure that we are well placed to capture the expected growth in the wealth management area. By combining three strong units in one, we will be able to ensure an even more rapid response to customer demand. We will continue to develop investment solutions and deliver high-quality, proactive advisory services. Danica Pension's new investment strategy supports this objective, and with the new Wealth Management unit, we will continue to advise and provide services to our various customer types.

Northern Ireland
Since 1 January 2016, our business in Northern Ireland has operated and reported as a separate unit. This organisational simplification enables us to develop our market position further, to increase the focus on creating value for customers, and to improve profitability.

Non-core
As part of our strategy, we refocused our efforts in the Baltics on our existing Business Banking operations. On 1 January 2015, we moved our Baltic Personal Banking activities to the Non-core unit because of the lack of scale to generate an acceptable return.

In the third quarter of 2015, we reached an agreement to sell our Non-core personal customer business in Lithuania and Latvia. Pending approval by the Lithuanian competition authorities, the transaction is expected to be completed in the first half of 2016.

The winding-up of our Irish Non-core portfolio continued throughout 2015, and the commercial exposure has now been almost run down.

The Danske Bank Group now has five business units:

Personal Banking

Serves personal and private banking customers. The unit focuses on providing proactive advice to customers and making day-to-day banking simple and efficient through innovative digital solutions.

Business Banking

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

Corporates & Institutions

Serves large Nordic corporate and institutional customers in the Nordic countries and beyond. This wholesale division of the bank provides strategic advice, financial solutions and products within Capital Markets, Fixed Income, Currencies and Commodities, and Transaction Banking.

Wealth Management

Serves the Group's entire customer base and encompasses expertise within pension savings, private banking, and wealth and asset management. The unit includes Danica Pension, Danske Capital and Private Banking customers with complex finances and will begin operating from 1 April 2016.

Northern Ireland

Serves personal and business customers through a network of branches in Northern Ireland and leading digital channels. Since 1 January 2016, Northern Ireland has operated as a separate business unit.

In addition to our five business units, we also have Non-core and Other Activities.

Our Non-core unit includes certain customer segments that are no longer considered part of the core business. The Non-core unit is responsible for the controlled winding-up and divestment of this part of the loan portfolio.

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

Status of strategic initiatives
In 2015, we made progress in a number of strategically important focus areas:

Nordic ambitions
We strengthened our position in Norway and Sweden. A number of initiatives ensured strong customer momentum resulting in a continued inflow of customers and profitable and healthy growth.

In Finland, we continued to develop our solid market position, building on our well-known brand, customer-centric organisation and strong product offerings. This is particularly appreciated by corporate customers, and customer satisfaction is high.

Digitalisation
Digitalisation remains a key part of our strategy because it allows us to continue to deliver superior customer experience while improving efficiency and agility.

We address digitalisation in a number of ways: We use it to make process improvements that make us more customer-centric; we digitalise existing processes to make our routine operations as efficient as possible; and we explore opportunities to use new technology to disrupt existing service models. Together, these efforts enable us to develop and protect our franchise, to solidify our position as a leading innovator in the Nordics, and to ensure our competitiveness against existing and new market players.

MobilePay became even more deeply ingrained in Danish consumers' banking and shopping habits, and we now offer the solution in Finland and Norway as well. All MobilePay business solutions showed significant growth in transactions and volume in 2015. We plan to continue the roll-out in Finland and Norway in 2016.

In September, we launched the first version of Sunday.dk, an online solution for Danish consumers that offers an entirely new way of searching the housing market and making a home purchase. At Sunday.dk, users can find homes that match their needs and financial capabilities and get an instant loan commitment, giving them the financial confidence to make a purchase offer. We will continue to develop new functionality in collaboration with our customers.

We also launched Danske In-house Bank as a pilot project for selected corporate clients. The solution enhances companies' treasury efficiency by optimising internal FX trades, payments and account structures across countries, currencies and subsidiaries. We expect to offer the solution to a wider range of clients in 2016.

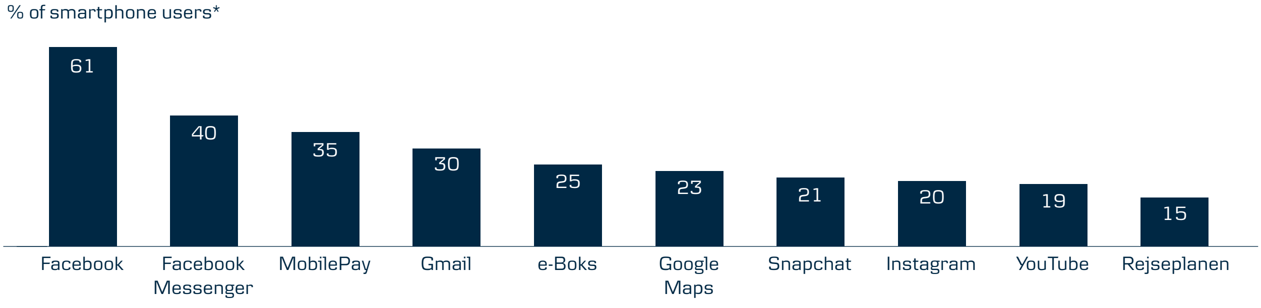
Since having highly talented IT staff is essential for delivering innovation at a competitive cost, we continued to expand our global IT development capabilities.

Compliance and risk management
The conventional banking model is undergoing tremendous changes because of new regulation, advanced analytics and game-changing digitalisation. Consequently, we are adjusting and fine-tuning the way we are running the bank.

As part of our ongoing work to ensure simplicity, efficiency and effectiveness in the operational risk management and compliance areas, we continue to invest in anti–money laundering measures, cyber security and fraud prevention. The supervisory authorities conduct ongoing inspections of Danske Bank's compliance with anti-money laundering legislation that could lead to supervisory actions. During 2015, we increased our resources within the antimoney-laundering area as part of our continuous effort to promote and ensure compliance with regulation and industry standards.

Our credit risk management policies and practices ensure regulatory compliance and alignment between our risk profile and risk appetite while supporting our strategy. Our focus on underwriting for profitability and targeting low-risk segments supports sustainable growth.

35% of smartphone users in Denmark use MobilePay at least once a week



** Men and women aged 15-75 who use the service/app at least once a week.*
Source: Mobile Device 2015 - TNS-Gallup, Danish Media and Creativity & Communication. Survey conducted from 27 April to 10 May 2015.

The approval of foundation IRB models for the corporate segment in Finland improved our capital ratios.

In September, we sent our Recovery Plan 2015, which SIFIs must have in place, to the Danish FSA.

The winding-up of Non-core activities contributed to a DKK 16 billion reduction in the risk exposure amount (REA), while lower risk positions at Corporates & Institutions, combined with a high degree of diversification and lower market volatility, led to a reduced REA for market risk.

The positive development in our ratings, improved asset quality, lower impairments as well as improved and stable earnings also contributed to our improved risk profile. With capital and liquidity ratios well above our 2015 targets, our risk resilience is strong.

Customer satisfaction

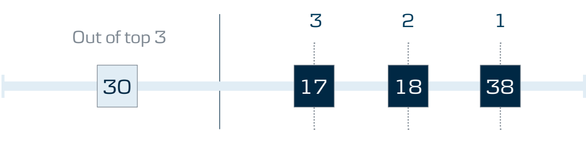
Improving customer satisfaction remains a key priority. We have not yet reached our overall target for Personal Banking and Business Banking of being ranked number one or two in our focus segments in all our markets. However, we did see a positive development in many areas as we continued to focus on improving customer relations. At Corporates & Institutions, our target remains to be in the top three of two thirds of all relevant surveys, and we remained on target in 2015.

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

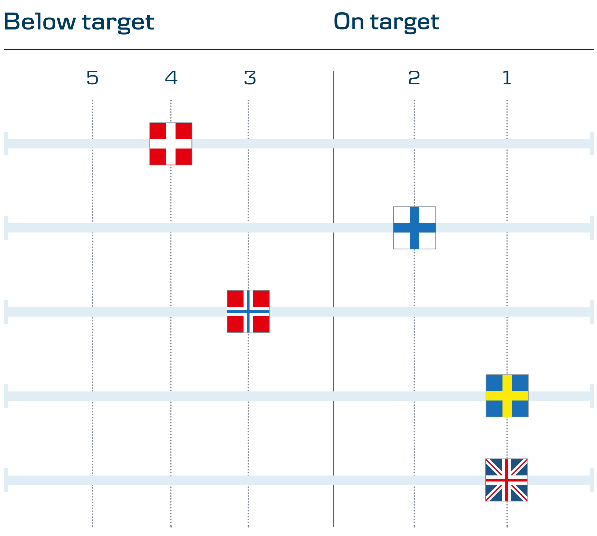
Customer satisfaction at Corporates & Institutions remained high and on target. Customers ranked us number one in many key areas such as corporate banking, fixed income, cash management, trade finance and institutional banking in the Nordics.

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

2015

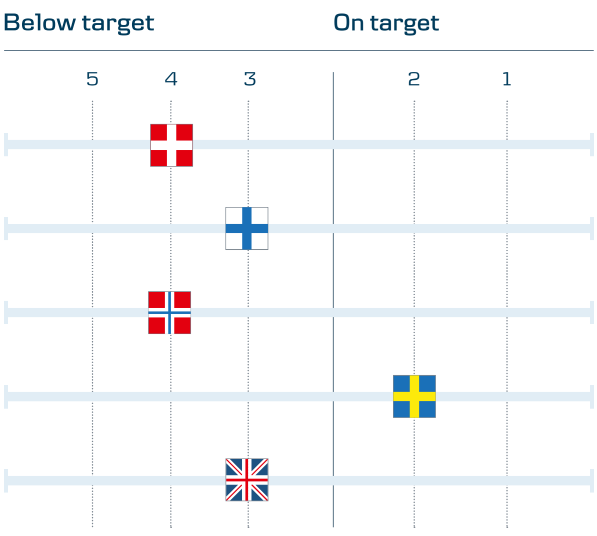


Business Banking customer satisfaction by ranking in top 2 or out of top 2



Source: BD Sales & Customer Engagement, Customer Insights

Personal Banking customer satisfaction by ranking in top 2 or out of top 2



Source: PB Strategy & Insights, Customer Insights

Business Banking saw good progress for customer satisfaction in all countries in 2015. We are on target in three of the five countries, as we are number two in Finland, and number one in Sweden and Northern Ireland. In Denmark, customer satisfaction improved throughout 2015, although we were ranked just below our peers towards the end of the year. In Norway, we were ranked between first and third position throughout the year.

At Personal Banking, customer satisfaction is on target in Sweden, where we were also named bank of the year by Privata Affärer, the largest Nordic personal finances magazine. In Finland, Northern Ireland, Denmark and Norway, we recorded solid improvements from the level a year ago and narrowed the gap to our peers significantly, but we remain below target. In Denmark, it was particularly encouraging that we improved our ranking to fourth place.

The upward trend reflects our commitment and hard work to constantly improve our services and solutions and to give our customers the best experience every time they are in touch with us. We are confident that we are moving in the right direction.

Satisfaction remained high among private banking customers. For the third consecutive year, we were named best private banking bank in Denmark by The Banker, and Euromoney named us best private banking bank in Denmark for the tenth time. Furthermore, Prospera's annual survey ranked Danske Bank first among private banking banks in Denmark and Norway.

Danske Capital ranks second in customer satisfaction in the Nordic institutional segment among bank peers across all client segments. Client surveys showed improvement in 2015, especially in Sweden. In Norway, we maintained our strong position, whereas we saw minor declines in average rankings in Denmark and Finland, albeit from strong levels.

The Aalund Business Research survey ranked Danica Pension third overall in Denmark. We saw positive development, especially among large customers, and enhancing customer satisfaction will remain a focus area for 2016 and the coming years.

Outlook

Outlook for 2016
For net interest income, we expect continued pressure on margins in 2016, while we will benefit from volume growth and lower funding costs.

We expect the underlying trend in net fee income that we saw in 2015 to continue, but we do not expect to repeat the high level of remortgaging activity.

Net trading income remains subject to customer activity and volatility in the financial markets.

Net income from insurance business is expected to be around the 2015 level.

Expenses are expected to decline from the level in 2015. We will continue our strong focus on costs to fuel investments in digitalisation and customer solutions. Costs will benefit from a lower net contribution to the resolution fund and the deposit guarantee fund, and from lower depreciation on intangible assets.

Loan impairments are expected to be at a low level because of our ongoing efforts to improve credit quality and expectations of a generally unchanged macroeconomic climate.

Profit before tax at Non-core is expected to be close to zero.

Net profit for 2016 is thus expected to be in line with net profit before goodwill impairments in 2015.

Outlook towards end-2018
Danske Bank is aiming for a return on shareholders' equity of at least 12.5% in 2018 at the latest. In 2015, the return on shareholders' equity, excluding goodwill impairments, was 11.6%.

Our outlook towards end-2018 is based on an assumption of largely unchanged macroeconomic conditions and persistently low interest rate levels. Consequently, we expect overall moderate credit demand, with low demand in Denmark. We expect the savings market to show healthy growth rates, however.

The key elements of our medium-term financial plan are income initiatives coupled with diligent cost and capital optimisation measures.

We expect income improvements to be achieved through moderate growth in lending volumes, as well as an increase in income from wealth management. Moreover, we will continue to optimise our pricing and product mix.

We will continue to pursue structural cost efficiencies through digitalisation, process improvements and organisational optimisation.

Loan impairments are expected to be at a low level.

Moreover, we will continue our strong focus on efficient capital use and will grow income in less capital-intensive areas.

To ensure continued access to competitive funding, we aim to maintain strong A ratings. With regard to funding costs, we assume that maturing funding will be refinanced at current market prices.

We intend to continue to return excess capital to our shareholders after we have paid out ordinary dividends of 40-50% of net profit. Our capital targets will be confirmed annually.

Financial review

Income statement
(DKK millions)

	2015	2014	Index 15/14	Q4 2015	Q3 2015	Index Q4/Q3	Q2 2015	Q1 2015
Net interest income	21,476	22,313	96	5,307	5,340	99	5,516	5,313
Net fee income	12,122	11,154	109	3,159	2,829	112	3,088	3,046
Net trading income	6,933	6,693	104	1,660	1,033	161	1,525	2,715
Other income	1,778	1,344	132	616	296	208	506	360
Net income from insurance business	1,892	2,496	76	447	335	133	333	777
Total income	44,201	44,000	100	11,189	9,833	114	10,968	12,211
Operating expenses	21,827	22,641	96	5,874	5,203	113	5,313	5,437
Goodwill impairment charges	4,601	9,099	51	4,601	-	-	-	-
Profit before loan impairment charges	17,773	12,260	145	714	4,630	15	5,655	6,774
Loan impairment charges	57	2,788	2	-139	-86	-	-219	502
Profit before tax, core	17,716	9,472	187	853	4,716	18	5,874	6,272
Profit before tax, Non-core	46	-1,503	-	13	3	-	-60	90
Profit before tax	**17,762**	**7,969**	**223**	**866**	**4,719**	**18**	**5,814**	**6,362**
Tax	4,639	4,020	115	831	1,051	79	1,346	1,411
Net profit for the period	**13,123**	**3,948**	**-**	**35**	**3,668**	**-**	**4,468**	**4,951**
Net profit for the period before goodwill impairment charges	**17,724**	**13,047**	**136**	**4,636**	**3,668**	**126**	**4,468**	**4,951**
Attributable to additional tier 1 etc.	607	261	233	164	164	100	161	118

In 2015, Danske Bank Group posted a net profit before goodwill impairments of DKK 17.7 billion, up DKK 36% from the level in 2014. Net profit was DKK 13.1 billion.

Income

Total income amounted to DKK 44.2 billion, the same level as in 2014.

Net interest income totalled DKK 21.5 billion, a decrease of 4%. The negative short-term interest rates continued to put pressure on deposit margins and net interest income. Lending volume growth and lower funding costs partly offset this pressure.

Net fee income amounted to DKK 12.1 billion and was up 9%. Net fee income benefited from increased customer activity at all banking units and positive developments at Danske Capital. Net fee income also benefited from a high level of mortgage refinancing in the first half of 2015, as many of our customers took advantage of the historically low interest rates.

Net trading income totalled DKK 6.9 billion, which represented an increase of 4% from the year-earlier level.

The insurance business posted income of DKK 1.9 billion, a decrease of 24% from the level in 2014 that was caused partly by higher special allotments. It was possible to book the full risk allowance for all four interest rate groups and to book DKK 0.2 billion from the shadow account, against DKK 0.6 billion in 2014.

Expenses

Operating expenses amounted to DKK 21.8 billion and were down 4% from the level in 2014. Despite the higher customer activity, the cost/income ratio before goodwill impairment charges improved 2.1 percentage points to 49.4% as we continued to implement efficiency initiatives.

The goodwill impairments are the result of assumptions about lower interest rates long-term and increased capital allocation to Finland and Northern Ireland.

Our contribution to the new Danish resolution fund amounted to DKK 194 million for 2015.

Expenses for VAT and payroll tax for 2015 amounted to DKK 1.9 billion, against DKK 2.2 billion in 2014.

Loan impairments

Loan impairments declined from the level in 2014 at all business units. The lower impairment level reflected general improvements in credit quality and collateral values. In the agricultural and oil sectors, impairments increased, reflecting weakened market conditions.

Loan impairment charges
(DKK millions)

	2015		2014	
	Charges	% of lending and guarantees	Charges	% of lending and guarantees
Personal Banking	332	0.04	1,412	0.17
Business Banking	-343	-0.05	1,007	0.17
C&I	65	0.01	372	0.07
Other	3	0.03	-2	0.00
Total	**57**	**0.00**	**2,788**	**0.15**

Tax

Tax on the profit for the year amounted to DKK 4.6 billion, or 20.7% of profit before goodwill impairments and tax. Tax was affected by net adjustments of DKK 0.3 billion regarding prior years.

Q4 2015 vs Q3 2015

In the fourth quarter of 2015, Danske Bank posted a net profit before goodwill impairments of DKK 4.6 billion.

Net interest income amounted to DKK 5.3 billion, and was thus unchanged from the level in the third quarter. Increased lending volumes and lower customer rates on deposits offset the pressure on lending margins.

Net fee income showed an increase of DKK 0.3 billion over the third quarter. The increase was driven by higher performance fees at Danske Capital.

Net trading income amounted to DKK 1.7 billion, against DKK 1.0 billion in the third quarter. The increase was due to increased client activity in the financial markets.

The insurance business generated net income of DKK 0.4 billion and was up 33% from the third quarter. The increase was due to the transfer of DKK 0.2 billion from the shadow account and a higher return on investments, although the payment of special allotments had an adverse effect.

In the fourth quarter, we recognised a DKK 4.6 billion goodwill impairment charge as a result of assumptions about lower interest rates long-term and increased capital allocation to Finland and Northern Ireland.

Loan impairments showed a net reversal of DKK 0.1 billion, matching the level in the third quarter. The level of reversals reflected increases in collateral values driven by improved economic conditions. In the agricultural and oil sectors, impairments increased owing to concerns about weaker market conditions.

Balance sheet

Lending (end of period)

(DKK billions)

	2015	2014	Index 15/14	Q4 2015	Q3 2015	Index Q4/Q3	Q2 2015	Q1 2015
Personal Banking	808.5	794.1	102	808.5	801.0	101	805.7	807.5
Business Banking	662.9	633.7	105	662.9	647.3	102	651.6	644.0
C&I	172.2	172.4	100	172.2	174.3	99	179.2	189.7
Other Activities incl. eliminations	-7.3	-4.1	-	-7.3	-4.5	-	-4.8	-3.7
Allowance account, lending	26.9	32.4	83	26.9	28.3	95	30.6	32.5
Total lending	**1,609.4**	**1,563.7**	**103**	**1,609.4**	**1,589.8**	**101**	**1,601.1**	**1,605.0**

Deposits (end of period)

(DKK billions)

	2015	2014	Index 15/14	Q4 2015	Q3 2015	Index Q4/Q3	Q2 2015	Q1 2015
Personal Banking	346.9	329.5	105	346.9	344.4	101	353.2	334.8
Business Banking	256.3	259.8	99	256.3	250.3	102	258.5	262.2
C&I	213.5	174.2	123	213.5	226.5	94	229.5	230.0
Other Activities incl. eliminations	0.1	-0.1	-	0.1	2.4	-	-1.5	-0.2
Total deposits	**816.8**	**763.4**	**107**	**816.8**	**823.6**	**99**	**839.7**	**826.8**

Bonds issued by Realkredit Danmark (end of period)

(DKK billions)

	2015	2014	Index 15/14	Q4 2015	Q3 2015	Index Q4/Q3	Q2 2015	Q1 2015
Bonds issued	694.5	656.0	106	694.5	687.6	101	691.5	678.9
Own holdings of bonds	56.6	88.5	64	56.6	55.2	103	48.6	69.8
Total Realkredit Danmark bonds	**751.1**	**744.5**	**101**	**751.1**	**742.8**	**101**	**740.2**	**748.7**
Other covered bonds	**188.9**	**211.7**	**89**	**188.9**	**224.8**	**84**	**219.5**	**218.1**
Total deposits and issued mortgage bonds etc.	**1,756.8**	**1,719.6**	**102**	**1,756.8**	**1,791.2**	**98**	**1,799.4**	**1,793.6**
Lending as % of deposits and issued mortgage bonds etc.	91.6	90.9		91.6	88.8		89.0	89.5

Lending

At the end of 2015, total lending was up 3% from the level at the end of 2014. Lending increased at almost all banking units.

In Denmark, new gross lending, excluding repo loans, amounted to DKK 78.6 billion. Lending to personal customers accounted for DKK 36.6 billion of this amount.

In Denmark, our market share of total lending, including repo loans, fell from 26.5% at the end of 2014 to 26.1%. In Finland, our market share of lending also fell. In Norway, our market share rose, and in Sweden, we maintained our market share of lending.

Market shares of lending
(%)

	31 December 2015	31December 2014
Denmark (excluding mortgage loans)	26.1	26.5
Finland*	9.6	9.8
Sweden*	4.9	4.9
Norway*	5.6	4.6

Source: Market shares are based on data from the central banks. Market shares include repo loans, with the exception of the market shares for Sweden.
** The market shares for Finland, Sweden and Norway are based on data from the central banks at 30 November 2015.*

Lending equalled 91.6% of the total amount of deposits, mortgage bonds and other covered bonds, against 90.9% at the end of 2014.

Deposits
At the end of 2015, total deposits were up 7% from the level at the end of 2014, with an increase recorded in particular at Corporates & Institutions.

Market shares of deposits
(%)

	31 December 2015	31 December 2014
Denmark	27.8	27.1
Finland*	12.9	11.9
Sweden*	3.9	4.2
Norway*	5.5	5.1

Source: Market shares are based on data from the central banks. Market shares include repo deposits, with the exception of the market shares for Sweden.
** The market shares for Finland, Sweden and Norway are based on data from the central banks at 30 November 2015.*

Credit exposure
Net credit exposure totalled DKK 3,600 billion, against DKK 3,722 billion at the end of 2014.

Risk Management 2015, chapter 4, which is available at danskebank.com/ir, provides details on Danske Bank's credit risks.

Credit quality
The general improvement in the economy, the low interest rate level and managerial efforts enabled us to improve credit quality during the year. Total gross non-performing loans (NPL) decreased, and the coverage ratio remained high.

The risk management notes on pp. 141-142 provide more information about non-performing loans.

Non performance loans (NPL)
(DKK millions)

	31 December 2015	31 December 2014
Gross NPL	47,820	58,439
Individual allowance account	23,151	29,049
Net NPL	**24,670**	**29,390**
Collateral (after haircut)	**19,848**	**24,722**
NPL coverage ratio (%)	82.8	86.2
NPL coverage ratio of which is in default (%)	92.8	95.5
NPL as percentage of total gross exposure	2.0	2.5

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

Accumulated individual impairments amounted to DKK 23.2 billion, or 1.2% of lending and guarantees. Accumulated collective impairments amounted to DKK 4.3 billion, or 0.2% of lending and guarantees. The corresponding figures at 31 December 2014 were DKK 29.0 billion and DKK 4.0 billion, respectively.

Allowance account by business units
(DKK millions)

	2015		2014	
	Accum. Impairm. charges*	% of lending and guarantees	Accum. Impairm. charges*	% of lending and guarantees
Personal Banking	7,601	0.93	8,382	1.03
Business Banking	17,524	2.56	21,493	3.28
C&I	2,369	0.59	3,157	0.54
Other Activities incl. eliminations	2	0.05	2	0.00
Total	**27,496**	**1.45**	**33,034**	**1.73**

Recognised losses amounted to DKK 6.8 billion. Of these losses, DKK 0.6 billion was attributable to facilities not already subject to impairment.

Trading and investment activities
Credit exposure from trading and investment activities amounted to DKK 891 billion at the end of 2015, against DKK 1,074 billion at the end of 2014.

The decrease in credit exposure from trading and investment activities was owing to a reduction of the bond portfolio.

Danske Bank has made netting agreements with many of its counterparties concerning positive and negative market values of derivatives. The net exposure was DKK 94 billion, against DKK 109 billion at the end of 2014, and it was mostly secured through collateral management agreements.

The value of the bond portfolio was DKK 537 billion. Of the total bond portfolio, 78% was recognised at fair value and 22% at amortised cost.

Bond portfolio
(%)

	31 December 2015	31 December 2014
Government bonds and bonds guaranteed by central or local governments	38	35
Bonds issued by quasi-government institutions	1	1
Danish mortgage bonds	46	45
Swedish covered bonds	9	11
Other covered bonds	3	3
Corporate bonds	3	5
Total holdings	100	100
Hold-to-maturity bonds included in total holdings	22	16
Available-for-sale bonds included in total holdings	9	9

Other balance sheet items
The financial highlights on page 6 provide information about our balance sheet.

The net position towards central banks, credit institutions and repo counterparties was reduced from a liability of DKK 174 billion at the end of 2014 to a liability of DKK 23 billion at the end of 2015, primarily because of a reduction in the bond portfolio, mainly at Corporates & Institutions, to improve the return on allocated capital. The reduction in the bond portfolio also included the holding of own bonds issued by Realkredit Danmark.

The reduction in the bond portfolio was also the main driver of the reduction in trading portfolio assets and trading portfolio liabilities from net assets of DKK 192 billion at the end of 2014 to net assets of DKK 76 billion at the end of 2015.

Total assets at Non-core fell DKK 8 billion from the end of 2014 because of the sale of the SME portfolio in Ireland and the continued winding-up of the Non-core conduits portfolio. However, the reduction was partly offset by the transfer of personal banking customers in the Baltics to Non-core from 1 January 2015. This transfer also caused the increase in Non-core liabilities from DKK 5 billion at the end of 2014 to DKK 6 billion at the end of 2015.

Other assets is the sum of several small line items, including cash in hand and demand deposits with central banks, intangible assets and tax assets. The increase of DKK 51 billion from the end of 2014 to the end of 2015 was caused by higher on-demand deposits with central banks.

Additional tier capital 1 doubled from the level at the end of 2014, as Danske Bank issued DKK 5.6 billion (EUR 750 million) in additional tier 1 capital in February 2015.

Personal Banking

Mortgage refinancing and investment activities were especially strong in the first half of the year and partly offset the adverse effect of the negative short-term interest rates in 2015. Along with tight cost control and lower impairments, this resulted in an increase in profit before tax and goodwill impairments of 11% and an improvement in the return on allocated capital.

Personal Banking
(DKK millions)

	2015	2014	Index 15/14	Q4 2015	Q3 2015	Index Q4/Q3	Q2 2015	Q1 2015
Net interest income	9,416	10,764	87	2,359	2,329	101	2,330	2,398
Net fee income	5,108	4,567	112	1,152	1,222	94	1,383	1,351
Net trading income	724	723	100	169	139	122	148	268
Other income	610	632	97	131	139	94	187	153
Total income	15,858	16,686	95	3,811	3,829	100	4,048	4,170
Operating expenses	10,389	10,626	98	2,741	2,424	113	2,597	2,627
Goodwill impairment charges	3,305	5,539	60	3,305	-	-	-	-
Profit before loan impairment charges	2,164	521	-	-2,235	1,405	-	1,451	1,543
Loan impairment charges	332	1,412	24	-56	13	-	131	245
Profit before tax	**1,832**	**-891**	-	**-2,179**	**1,392**	-	**1,322**	**1,298**
Profit before tax and goodwill impairment charges	**5,137**	**4,648**	**111**	**1,126**	**1,392**	**81**	**1,322**	**1,298**
Loans, excluding reverse trans. before impairments	808,453	794,063	102	808,453	801,003	101	805,726	807,549
Allowance account, loans	6,991	7,668	91	6,991	7,171	97	7,527	7,616
Deposits, excluding repo deposits	346,920	329,463	105	346,920	344,429	101	353,175	334,783
Bonds issued by Realkredit Danmark	424,255	426,203	100	424,255	420,264	101	420,259	425,741
Allowance account, guarantees	610	714		610	636	96	696	701
Allocated capital (average)	24,471	31,722	77	22,620	24,361	93	25,060	25,881
Net interest income as % p.a. of loans and deposits	0.82	0.96		0.82	0.82		0.81	0.85
Profit before goodwill and loan impairment charges as % p.a. of allocated capital	22.1	18.8		18.0	23.1		23.2	23.8
Profit before tax and goodwill impairment charges as % p.a. of allocated capital (ROAC)	20.8	14.4		19.0	22.9		21.1	20.1
Cost/income ratio before goodwill impairment charges (%)	65.5	63.7		71.9	63.3		64.2	63.0
Full-time-equivalent staff	6,491	6,673	97	6,491	6,527	99	6,695	6,713

Note 3 and Fact Book Q4 2015 provide financial highlights at the country level for Personal Banking. Fact Book Q4 2015 is available at danskebank.com/ir.

At Personal Banking, we aim to make daily banking and financial decisions easier and to create the best experience for our customers every time they are in touch with us.

In 2015, we continued to pursue these goals through innovative digital solutions, simplification of processes, freeing up more time for serving our customers, and further empowerment of the organisation. The aim is to create the best customer experience.

In Norway and Sweden, we strengthened our market positions, and we continued to expand our offerings in Denmark and Finland.

A strong Danish value proposition
In Denmark, the customer programme is an important part of our value proposition. In 2015, more customers gathered their banking business with us.

Over the years, digitalisation has transformed our intereaction with customers. Today, mobile solutions are the preferred way of banking for most customers, and e-meetings provide a convenient alternative to visiting a branch for advisory meetings.

Our ambition is to advise customers proactively on all life events and to be an agile partner that responds quickly to customer requests. We seek to put our customers at the centre of everything we do, for example by maximising the time advisers spend with them and by delegating decision-making.

In 2015, we continued to introduce new products and services in response to the low interest rate environment. For example, we introduced a new type of loan with a fixed interest rate option for home and auto financing.

Growing our business in Sweden and Norway
In Sweden, we introduced a transparent, competitive benefit programme and launched a flexible mortgage loan to fit the individual needs of our customers. Nearly 140,000 customers have registered for the customer programme, and the demand for mortgage loans grew. At the end of the year, Privata Affärer, the largest Nordic personal finances magazine, named us bank of the year, with reference, among other things, to the transparency and clarity of our benefit programme.

In Norway, the strong inflow of new customers from the Akademikerne agreement continued throughout the year. We saw satisfactory increases in business volume and cross-selling, while maintaining a strong credit quality and increasing our market share of lending. The initial investments and costs of welcoming the new customers impacted our profitability.

In 2015, we reached an agreement with Saco (a Swedish confederation of professional organisations) to offer our services to its more than 650,000 members. This agreement is expected to increase customer inflow from 2016.

Consolidating our position in Finland
Customers in Finland appreciate our benefit programme, and more than 280,000 have joined. We continued to add new benefits, most recently purchase and cash withdrawal protection insurance linked to Danske Bank MasterCard. We also developed new savings accounts to meet customer needs in collaboration with customers.

Private Banking maintained its strong position
We saw a net inflow of private banking customers during the year, and satisfaction among customers remained high. For the third consecutive year, we were named best private banking bank in Denmark by The Banker, owing to our customer-centric growth strategy and business model, which give us as a strong foundation for advising customers with complex finances. Euromoney named us best private banking bank in Denmark for the tenth time, and Prospera's annual survey ranked Danske Bank first among private banking banks in Denmark and Norway.

Banking made easy
MobilePay and Sunday.dk both exemplify our efforts to develop strong digital offerings that can form an integral part of people's lives.

With around 2.8 million regular users in Denmark and high business growth rates, MobilePay can now be used in more than 19,000 online and physical stores. To make MobilePay the logical choice in all payment situations, we continued to raise amount limits. And with value-adding services, such as MobilePay Bonus and electronic receipts, we not only meet user needs but also open the door to merchants and thus a large number of potential customers.

We launched MobilePay successfully in Norway, where it was rated the best payment app by kortogkontant.no. Together with REMA 1000, a large Norwegian supermarket chain, we are now implementing our MobilePay point-of-sale solution in more than 500 shops.

With Sunday.dk in Denmark, we launched a unique way for people to find a new home and get an instant loan commitment. We will continue to develop new functionality in collaboration with our customers.

We know that convenient access to banking services and advice is crucial for customers. By introducing chat, webinars, access to our apps with touch ID and through devices such as Apple Watch and a website based on major life events, we continued to expand and enhance the way in which customers can reach us when they need us.

With the launch of contactless cards, payment in shops has become even faster. And with MasterCard, customers can choose between debit and credit payment and even split up payments with the new instalment payment feature. In addition, the GeoControl feature enhances protection against international fraud.

2015 vs 2014

Profit before tax and goodwill impairments increased 11% to DKK 5.1 billion, and the return on allocated capital improved 6.4 percentage points to 20.8%. Negative short-term interest rates in Denmark, Finland and Sweden and a decline in rates in other markets continued to put pressure on net interest income. This negative impact was partially offset by a combination of higher net fee income and lower loan impairment charges.

Total income amounted to DKK 15.9 billion. The decline in short-term interest rates put considerable pressure on deposit margins, causing net interest income to fall 13% from the level in 2014.

Net fee income rose 12% while net trading income remained at the 2014 level. Keen customer interest in investment solutions, driven by the historically low deposit rates in all markets, had a positive effect on net trading income. We also saw very strong customer remortgaging activity in Denmark, and the high level of activity supported both net fee income and net trading income, in particular in the first half of the year.

We succeeded in bringing down back-office production costs, and this reduction more than offset the upward drift in costs resulting from the increase in customer activity. Overall, operating expenses fell 2%.

Loan impairments fell 76% to DKK 0.3 billion. The decline was driven by our continued efforts to improve credit quality, as well as lower LTV ratios in most markets, though particularly in Denmark and Sweden, where higher property prices acted as the main driver of this development.

Loan-to-value ratio, home loans

	31 December 2015		31 December 2014	
	LTV (%)	Credit exposure (DKK bn)	LTV (%)	Credit exposure (DKK bn)
Denmark	66.8	489	72.9	500
Finland	62.0	86	61.3	84
Sweden	62.2	67	65.8	61
Norway	64.0	84	63.5	65
Northern Ireland	66.2	18	71.3	17
Average	**65.5**		**70.1**	

Credit exposure

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

Total net credit exposure rose 2% in 2015 to DKK 828 billion, driven mainly by an increase in activity in Norway generated by the agreement with the Norwegian Akademikerne federation, as well as by the competitive benefit programme in Sweden. In Denmark, net credit exposure decreased, mainly because of fair value adjustments.

	Net credit exposure		Impairments (%)
(DKK millions)	31 December 2015	31 December 2014	31 December 2015
Denmark	526,105	538,980	0.06
Finland	93,680	92,234	0.05
Sweden	77,259	71,552	0.01
Norway	105,455	85,461	-0.01
Northern Ireland	19,413	18,499	-0.16
Other	6,275	5,631	-0.24
Total	**828,186**	**812,357**	**0.04**

Credit quality

Credit quality improved in most markets as a result of more favourable macroeconomic conditions.

The delinquency rate at Realkredit Danmark remained low and stable throughout the year.

Q4 2015 vs Q3 2015

Profit before tax and goodwill impairments fell 19% to DKK 1.1 billion in the fourth quarter of 2015.

Total income remained stable quarter-on-quarter. Net interest income increased 1%, however, primarily because of an increase in deposit margins.

Net fee income fell 6% because of lower remortgaging activity than in the third quarter.

Net trading income increased 22% as a consequence of higher refinancing income in Realkredit Danmark.

Operating expenses increased 13% quarter-on-quarter, reflecting the seasonality of expenses, and matched the level in the fourth quarter of 2014.

Loan impairments showed a net reversal and reflected the ongoing improvement in credit quality.

Business Banking

Profit before tax and goodwill impairments rose 32% as a result of strong business momentum in all markets and lower impairments. Business activity rose and, combined with tight cost control, this more than offset the effect of negative short-term interest rates. Impairments fell owing to our continued efforts to improve credit quality and because of more favourable market conditions.

Business Banking
(DKK millions)

	2015	2014	Index 15/14	Q4 2015	Q3 2015	Index Q4/Q3	Q2 2015	Q1 2015
Net interest income	9,091	8,978	101	2,309	2,245	103	2,313	2,224
Net fee income	2,109	2,082	101	480	490	98	567	572
Net trading income	665	637	104	150	73	205	230	212
Other income*	594	516	115	113	142	80	165	174
Total income	12,459	12,213	102	3,052	2,950	103	3,275	3,182
Operating expenses	5,211	5,473	95	1,362	1,239	110	1,288	1,322
Goodwill impairment charges	1,296	3,559	36	1,296	-	-	-	-
Profit before loan impairment charges	5,953	3,181	187	395	1,711	23	1,988	1,860
Loan impairment charges	-343	1,007	-	-150	-90	-	-194	91
Profit before tax	**6,296**	**2,174**	**290**	**545**	**1,801**	**30**	**2,182**	**1,769**
Profit before tax and goodwill impairment charges	**7,592**	**5,733**	**132**	**1,841**	**1,801**	**102**	**2,182**	**1,769**
Loans, excluding reverse trans. before impairments	662,924	633,746	105	662,924	647,279	102	651,572	644,031
Allowance account, loans	17,166	21,211	81	17,166	18,493	93	19,668	20,909
Deposits, excluding repo deposits	256,279	259,770	99	256,279	250,300	102	258,517	262,206
Bonds issued by Realkredit Danmark	301,799	294,661	102	301,799	299,852	101	297,092	300,035
Allowance account, guarantees	357	281	127	357	326	110	300	291
Allocated capital (average)	36,980	42,084	88	35,857	37,128	97	37,162	37,791
Net interest income as % p.a. of loans and deposits	1.01	1.03		1.02	1.02		1.04	1.00
Profit before goodwill and loan impairment charges as % p.a. of allocated capital	19.5	15.9		18.6	18.4		21.4	19.7
Profit before tax and goodwill impairment charges as % p.a. of allocated capital (ROAC)	20.5	13.5		20.3	19.4		23.5	18.7
Cost/income ratio before goodwill impairment charges (%)	41.8	44.8		44.6	42.0		39.3	41.5
Full-time-equivalent staff	2,943	3,663	80	2,943	2,955	100	3,065	3,115

**Operational leasing, excluding property leasing, is presented on a net basis under Other income.*
Note 3 and Fact Book Q4 2015 provide financial highlights at the country level for Business Banking. Fact Book Q4 2015 is available at danskebank.com/ir.

At Business Banking, we strive to deliver the best possible customer experience and to make banking as easy and efficient as possible. In 2015, we continued to strengthen our Nordic set-up and to optimise the value propositions for all segments in the Nordic countries.

The rise in profitability was driven to a large extent by a decline in costs because of more efficient processes and the continued effect of our strong value propositions. The latter brought an increase in fee income owing to higher activity and increased cross-selling. Net reversals of impairments also contributed to profitability.

Increased business momentum
Our customer-centric approach increased our business momentum, with positive trends in volume and cross-sales in all markets.

In Denmark, the combination of easy-to-use packaged solutions for small business customers and MobilePay Business caused a strong increase in customer inflow, and we saw positive trends in volumes in most segments in 2015.

In Norway and Sweden, we have strong value propositions for all segments but relatively low market shares. We continued to attract customers with complex needs, and our focus on cross-sales for these customers showed good progress. Our position enabled us to reach profitable growth above the market average.

In Finland, we continued to develop our offering and saw good progress in both fee income and business volume. This enabled us to grow with the market and consolidate our position as a leading bank for the SME segment.

New initiatives well received by customers
To further enhance the customer experience, we launched a wide range of new offerings while taking actions to become more efficient.

The tailor-made solutions we have offered since 2013 have proven very effective in attracting larger customers. With our new packages for smaller businesses, we now also have an efficient, simple and attractive offering for this segment in all of the Nordic countries. As a consequence, we saw a turnaround to a net inflow of customers in this segment.

In Norway and Denmark, we introduced a new digital portal that enables customers to sign agreements online. Digital signing makes it possible, for example, to sign an agreement to become a customer or buy and use our products and systems almost instantly. In addition, the digital portal will make us more efficient throughout the value chain. In 2016, we will implement the digital portal in Sweden and Finland.

MobilePay Business is now available in Denmark, Norway and Finland. The full range of solutions available in Denmark, which makes it easier for all types of business customers to receive payments and pay bills, is the market-leading offer in the area.

In Denmark, we co-created an online community with external partners and customers that is intended to help SMEs with good growth potential. The objective is to build relations with this important segment in the start-up phase.

2015 vs 2014
Profit before tax and goodwill impairments increased 32% to DKK 7.6 billion, and the return on allocated capital improved 7.0 percentage points to 20.5%. The improvement was driven by a positive development in income based on good business momentum, a 5% reduction in costs from the level in 2014 and significantly lower loan impairments.

All income lines increased. Strong lending growth and income initiatives more than offset the adverse effect on deposit margins of the negative short-term interest rates, resulting in an increase of 1% in net interest income.

A 1% rise in net fee income was the result of an increase in mortgage refinancing activity driven by the low interest rates in the first half of 2015, stronger demand from existing customers and a general increase in activity.

The increase in net trading income reflected higher mortgage refinancing activity, in particular in the first half of 2015.

Operating expenses fell 5% owing to increased efficiency and tight cost control in general.

Credit exposure

Net credit exposure amounted to DKK 766 billion at the end of 2015, against DKK 711 billion at the end of 2014.

	Net credit exposure		Impairments (%)
(DKK millions)	31 December 2015	31 December 2014	31 December 2015
Denmark	423,842	402,035	-0.08
Finland	67,766	63,422	0.26
Sweden	147,796	123,229	0.10
Norway	70,418	64,779	0.51
Northern Ireland	37,033	30,946	-1.88
Baltics	18,687	26,802	-0.24
Other	8	5	12.55
Total	**765,551**	**711,219**	**-0.05**

Credit quality improving

Our continual efforts to improve credit quality, combined with more stable macroeconomic conditions, led to better customer ratings and reductions in impairments.

Impairments thus showed a net reversal of DKK 0.3 billion in 2015, against charges of DKK 1.0 billion in 2014. The reversals occurred mainly in the commercial property segments in Denmark and Northern Ireland, while a decrease in oil prices led to an increase of collective loan impairment charges in Norway.

The outlook for the Danish agricultural sector remained weak in 2015, and we have provided for this in our allowance account.

Q4 2015 vs Q3 2015

Profit before tax and goodwill impairments amounted to DKK 1.8 billion in the fourth quarter of 2015, and the return on allocated capital increased from 19.4% to 20.3%, primarily because of the positive development in the top line and increased net impairment reversals in the fourth quarter.

Total income rose as the business momentum remained strong and because of seasonality in mortgage trading income.

Net interest income increased 3% as income initiatives compensated for the general price pressure in Denmark.

Net fee income was relatively flat while net trading income reflected the increase in mortgage income in the fourth quarter because of seasonality.

Operating expenses increased 10% quarter-on-quarter, reflecting the seasonality of expenses. Expenses were down 12% from the level in the fourth quarter of 2014, however.

Loan impairments showed a net reversal for the third consecutive quarter.

Corporates & Institutions

Corporates & Institutions saw increased client activity in most business areas and total income increased 8% from 2014 to 2015. Operating expenses continued to decrease, and impairments were significantly lower than in 2014, which resulted in an increase in profit before tax of 30%. The return on allocated capital rose 3.9 percentage points to 14.8%.

Corporates & Institutions
(DKK millions)

	2015	2014	Index 15/14	Q4 2015	Q3 2015	Index Q4/Q3	Q2 2015	Q1 2015
Net interest income	2,660	2,717	98	630	667	94	703	660
Net fee income	2,298	2,205	104	571	570	100	580	577
Net trading income*	4,909	4,192	117	1,139	798	143	1,240	1,732
Other income	7	7	100	3	1	231	-	2
Total income	9,873	9,121	108	2,343	2,036	115	2,523	2,971
Operating expenses	4,412	4,614	96	1,078	1,050	103	1,126	1,158
Profit before loan impairment charges	5,461	4,507	121	1,265	986	128	1,398	1,813
Loan impairment charges	65	372	17	65	-11	-	-153	164
Profit before tax	**5,396**	**4,135**	**130**	**1,200**	**997**	**120**	**1,551**	**1,649**
Loans, excluding reverse trans. before impairments	172,176	172,393	100	172,176	174,346	99	179,160	189,735
Allowance account, loans	2,155	2,782	77	2,155	2,066	104	2,758	3,193
Allowance account, credit institutions	6	91	7	6	67	9	67	91
Deposits, excluding repo deposits	213,532	174,221	123	213,532	226,505	94	229,522	229,998
Bonds issued by Realkredit Danmark	22,030	23,636	93	22,030	22,649	97	22,818	22,933
Allowance account, guarantees	208	285	68	208	241	86	239	270
Allocated capital (average)	36,466	37,789	96	33,554	35,710	94	38,455	38,061
Net interest income as % p.a. of loans and deposits	0.69	0.79		0.66	0.67		0.69	0.63
Profit before loan impairment charges as % p.a. of allocated capital	15.0	11.9		15.1	11.0		14.5	19.1
Profit before tax as % p.a. of allocated capital (ROAC)	14.8	10.9		14.3	11.2		16.1	17.3
Cost/income ratio (%)	44.7	50.6		46.0	51.6		44.6	39.0
Full-time-equivalent staff	1,832	1,646	111	1,832	1,811	101	1,832	1,826

Total income
(DKK millions)

	2015	2014	Index 15/14	Q4 2015	Q3 2015	Index Q4/Q3	Q2 2015	Q1 2015
FICC	4,049	3,196	127	896	720	124	1,014	1,419
Capital Markets	1,535	1,650	93	381	260	147	391	503
General Banking	4,289	4,275	100	1,066	1,056	101	1,118	1,049
Total income	**9,873**	**9,121**	**108**	**2,343**	**2,036**	**115**	**2,523**	**2,971**

** Net trading income comprises all income from FICC and trading income at Capital Markets.*

At Corporates & Institutions, we continued to strengthen our advisory services across business areas, to develop new, innovative client solutions, and to adapt our internal set-up to better cater for client needs. We also continued to allocate resources to less capital-intensive areas of the business while maintaining a strong focus on cost and capital consumption.

High client satisfaction
Our efforts to generate additional client value through customised solutions and a more strategic and holistic approach to advisory services paid off. Clients rewarded us with good results in a number of client satisfaction surveys (Prospera). Our clients thus ranked Danske Bank number one in Corporate Banking Nordic, in Institutional Banking Nordic, in Trade Finance and in Cash Management in the Nordics. Euromoney also once again named Danske Bank "Best Regional Cash Manager" in the Nordic and Baltic regions.

Transforming the business model
During 2015, we continued to adapt our business model to changes in the regulatory enviroment and the financial markets. This entailed a focus on capital optimisation, including increased attention to less capital-intensive activities and on lowering risks.

We continued to develop stronger capital markets and transaction banking operations on the basis of our good client relations and to offer additional services and opportunities in these areas. The aim is to develop a more balanced income distribution between areas with differing return dynamics.

New innovative solutions
In the autumn of 2015, we launched Danske In-house Bank for a few pilot clients. Danske In-house Bank helps clients increase treasury efficiency by combining a flexible real-time cash pool solution with automated internal FX trades.

We continued to develop our full-scale post-trade services solution, offering a customised, bundled service for individual clients.

Danske OneTrader, the electronic foreign exchange trading and market information platform, also continued to attract new clients in 2015.

Increased client activity
Strengthened strategic advisory services, closer cooperation between business areas and a generally improved holistic set-up around clients led to a satisfactory increase in client activity during the year, including within IPOs, M&A transactions, bond issues and transaction banking mandates.

Corporate Finance won several key mandates, including the sale of Fortum's Swedish energy distribution business, the IPOs of NNIT and Nobina and the acquisition of Mols-Linien by Polaris.

Equities further developed its franchise with higher activity in secondary and equity capital markets. This included a significant share placing for DSV.

Debt Capital Markets saw a high level of activity from core clients and a rise in new issue fees. This increased the market share and further consolidated our position as a leading Debt Capital Markets house.

There was high activity within corporate issues, including transactions for Volvo, Vattenfall, Finnair, and KLP.

2015 vs 2014
At DKK 5.4 billion, profit before tax was up 30% from the level in 2014. The main reasons were higher client activity and lower impairments. The return on allocated capital rose 3.9 percentage points to 14.8%.

Operating expenses were down 4% as cost efficiency gains more than offset an increase in performance-based compensation resulting from the strong performance in 2015.

In 2015, total loan impairments for Corporates & Institutions amounted to DKK 65 million and included both new impairments and reversals.

Accumulated impairments totalled DKK 2.4 billion and related to a small number of corporate clients. Impairments have fluctuated over the past quarters and are expected to continue to do so, given the nature of Corporates & Institutions' activities.

General Banking
General Banking income was on a par with 2014 despite the negative short-term interest rates. This was mainly because of increased volumes as well as increased client activity within transaction banking services.

Capital Markets
Client activity at Capital Markets increased satisfactorily throughout 2015. At DKK 1.5 billion,

Capital Markets income declined 7% from the level in 2014, however. This was because of a decline in trading income from Debt Capital Markets that was caused primarily by low liquidity in secondary markets.

Fee income from Corporate Finance and Debt Capital Markets activities and income from equity activities rose owing to strong growth in client activity. The increase in fee income from Debt Capital Markets was particularly satisfactory, driven by a high number of new issues.

Fixed Income, Currencies and Commodities
Fixed Income, Currencies and Commodities (FICC) benefited from increased client activity in 2015, which meant that income rose 27% from the level in 2014.

Activity was especially high in the first quarter, when the markets experienced significant volatility. This volatility was caused by a number of events, including the Swiss National Bank's abandoning its minimum target for EUR/CHF, the launch of a large QE programme by the European Central Bank, and a reduction of leading interest rates by the Danish central bank.

During 2015, income was adversely affected by credit value adjustments (CVA).

Credit quality
The loan portfolio quality at Corporates & Institutions is considered to be satisfactory. At the end of 2015, total credit exposure from lending activities, including repo transactions, amounted to DKK 667 billion. The total portfolio fell 6% from the level at year-end 2014. The fall was caused mainly by a decrease in exposure to financial institutions, whereas exposure to the corporate and sovereign segments increased during the year.

	Net credit exposure		Impairments (%)
(DKK millions)	31 December 2015	31 December 2014	31 December 2015
Sovereign	77,722	54,130	0.00
Financial institutions	256,758	342,672	0.00
Corporate	332,771	315,336	0.00
Other	31	98	0.00
Total	**667,283**	**712,236**	**0.00**

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

Q4 2015 vs Q3 2015

Profit before tax increased to DKK 1.2 billion, up 20% from the level in the third quarter, mainly because net trading income rose.

General Banking income increased 1%. The decrease in deposits from the level in the third quarter of 2015 had limited impact on income.

At Capital Markets, activity increased within Equities, Corporate Finance and Debt Capital Markets in the fourth quarter. Income from Debt Capital Markets was adversely influenced by low trading income in the third quarter.

At FICC, income rose because of increased client activity owing to uncertainty in the financial markets.

Operating expenses increased 3% from the level in the previous quarter.

Danske Capital

Driven by higher margins and performance fees, Danske Capital's profit before tax rose 17% from the level in 2014. Danske Capital benefited from an increased focus on alternative investments, with assets under management of DKK 67 billion, up 27% from the level at year-end 2014.

Danske Capital
(DKK millions)

	2015	2014	Index 15/14	Q4 2015	Q3 2015	Index Q4/Q3	Q2 2015	Q1 2015
Net interest income	-7	2	-	-3	-1	-	-1	-2
Net fee income	2,682	2,402	112	974	558	175	583	567
Other income	-12	1	-	-3	-10	-	-1	2
Total income	2,663	2,405	111	968	547	177	581	567
Operating expenses	1,014	999	102	307	230	133	233	244
Profit before tax	**1,649**	**1,406**	**117**	**661**	**317**	**209**	**349**	**323**
Loans, excluding reverse trans. before impairments	258	340	76	258	255	101	124	101
Deposits, excluding repo deposits	228	132	173	228	291	78	263	196
Allocated capital (average)	2,628	2,567	102	2,628	2,629	100	2,631	2,625
Cost/income ratio (%)	38.1	41.5		31.7	42.0		40.1	43.0
Assets under management (DKK billions)	714	795	90	714	759	94	803	813

Total income
(DKK millions)

	2015	2014	Index 15/14	Q4 2015	Q3 2015	Index Q4/Q3	Q2 2015	Q1 2015
Performance fees	440	328	134	404	2	-	19	14
Other fee income	2,241	2,074	108	570	556	103	564	553
Total net fee income	**2,682**	**2,402**	**112**	**974**	**558**	**175**	**583**	**567**

Danske Capital's strategy builds on our ambition to deliver substantial value to clients. We offer two types of asset management products: alpha investment components for investors in individual assets and full investment solutions for retail and institutional clients, who seek a more comprehensive offering.

In 2015, we put special focus on expanding our offering within alternative investments and on strengthening our market position outside Denmark.

Above-benchmark returns
Our priority remains to generate satisfactory investment returns for clients. The table below shows the percentage of our investment products with above-benchmark returns in various asset classes for 2015 and the 2013-2015 period.

% of investment products (GIPS composites) with above-benchmark returns (pre-costs)

	2015	2013-2015
All funds	71	76
Equity funds	78	71
Fixed-income funds	63	81
Balanced funds etc.	67	80

In 2015, 71% of Danske Capital's investment products generated above-benchmark returns. We were especially pleased that most equity and hedge fund products generated satisfactory returns.

On a three-year horizon, 76% of all Danske Capital investment products generated above-benchmark returns.

Morningstar rating

	2015	2014
Danske Invest, avg. all funds	3.29	3.38
European average	3.00	3.00

The average Morningstar rating of all Danske Invest funds for 2015 was 3.29, compared with the European average of 3.0. The rating is based on a comparison with similar European funds according to risk- and cost-adjusted returns achieved over the past three, five and ten years.

We were proud to receive various awards in 2015, the most important ones being the following:

- Morningstar: Danske Invest was named best in equities in Denmark for the seventh year running
- Nordic Hedge Award: Danske Invest Hedge Fixed Income Strategies ranked second

Growth in managed accounts
In recent years, we have introduced managed account products for retail clients. Personal Banking and Danske Capital have worked closely together to promote the products and ensure a good customer experience. Managed accounts offer a choice of risk profile and are a relevant alternative to ordinary savings products, especially in a low interest rate environment. The solution is now available in all Nordic countries and for private banking clients in Luxembourg. At the end of 2015, assets under management in managed account products amounted to DKK 145 billion, an increase of 14% from the end of 2014.

Alternative investment products
In early 2015, we successfully launched Danske Private Equity PEP VI, which contributed DKK 5.1 billion to the increase in assets under management. The fund is one of the largest private equity fund of funds raised in the world in 2015.

Our hedge fund offerings performed very well in 2015, particularly the Danske Invest Long Short Dynamic fund, which, besides posting an annual return of 13.5%, also demonstrated robust positive returns during the market turmoil in the third quarter. Another well-performing hedge fund in 2015 was Danske Invest European Equities Absolute, which posted an annual return of 17.6%.

Total assets under management in alternative investments amounted to DKK 67 billion at 31 December 2015, an increase of 27% from 31 December 2014.

Higher retail and institutional sales
Net sales totalled DKK 38 billion: DKK 10 billion to retail clients and DKK 28 billion to institutional clients. Sales to retail clients through Personal Banking and Business Banking consisted mainly of balanced products within the managed accounts concept. Total net sales rose DKK 4 billion from the level in 2014.

Net sales
(DKK billions)

	2015	2014
Retail customers	9.8	15.6
Third-party clients	1.6	1.0
Alpha clients incl. life insurance	20.0	7.0
Solution clients	6.1	10.1
Total	**37.6**	**33.7**

International activities
We continue to focus on raising our share of international clients, and in 2015, clients outside Denmark accounted for 20% of total net sales.

Danske Capital had a market share of 22.8% of total net sales in the Nordic fund market. We improved our position especially in Sweden and Norway, with net sales of DKK 6 billion in Sweden and DKK 3 billion in Norway. These gains resulted in a market share of net sales in Sweden of 8.7%, up from 6.7% in 2014, and in Norway of 35.7%, up from 9.7% in 2014.

Wealth Management
Danske Capital will be part of the new Wealth Management business unit, which organisationally will be in place from 1 April 2016, while financial reporting will take place from 1 January 2016. The new unit will also encompass customers and expertise from Danica Pension and Private Banking.

2015 vs 2014
Income rose 11%, from DKK 2.4 billion to DKK 2.7 billion. The increase came from higher assets under management (up 2% on average) and a rise in margins (excluding performance fees) from 0.27% to 0.28% that were driven by improvements in product mix.

Total operating expenses were up 2%.

Assets under management amounted to DKK 714 billion at the end of 2015, down DKK 81 billion from the level at the end of 2014 because of a new investment strategy at Danica Pension that entailed a transfer of DKK 130 billion in assets to Danica Pension. Moreover, developments on both the equity and fixed income markets led to a further increase of DKK 12 billion.

Assets under management

	(DKK billions)		Share of total (%)	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Equities	283	268	40	34
Alternatives	67	53	9	7
Bonds	344	450	48	56
Cash	20	24	3	3
Total	**714**	**795**	**100**	**100**

Q4 2015 vs Q3 2015

Total income excluding performance fees were up 4%. Income from performance fees amounted to DKK 404 million.

Total costs were up 33% primarily due to higher performance-based compensation driven by the higher performance fees and earnings in the fourth quarter of 2015.

Danica Pension

Net income from insurance business amounted to DKK 1.9 billion, against DKK 2.5 billion in 2014. It was possible to book the full risk allowance for all four interest rate groups and to book DKK 0.2 billion from the shadow account, against DKK 0.6 billion in 2014.

Danica Pension
(DKK millions)

	2015	2014	Index 15/14	Q4 2015	Q3 2015	Index Q4/Q3	Q2 2015	Q1 2015
Danica Traditionel	1,329	1,353	98	327	330	99	339	333
Unit-linked business	572	573	100	116	156	74	147	153
Health and accident business	-182	-302	-	-65	-36	-	-45	-36
Result from insurance business	1,719	1,624	106	378	450	84	441	450
Return on investments	283	459	62	44	-51	-	-70	360
Financing result	-61	-116	-	-16	-16	-	-17	-12
Special allotment	-270	-82	-	-207	-21	-	-21	-21
Change in shadow account	221	611	36	248	-27	-	-	-
Net income from insurance business	**1,892**	**2,496**	**76**	**447**	**335**	**133**	**333**	**777**
Premiums, insurance contracts	21,454	20,693	104	5,673	5,110	111	5,031	5,640
Premiums, investment contracts	8,119	6,129	132	1,881	1,434	131	2,091	2,713
Provisions, insurance contracts	275,026	277,807	99	275,026	274,155	100	279,761	292,610
Provisions, investment contracts	45,811	38,027	120	45,811	41,637	110	43,656	43,515
Customer funds, investment assets								
Danica Traditionel	160,542	176,505	91	160,542	163,950	98	166,774	181,220
Danica Balance	84,563	70,711	120	84,563	77,758	109	78,865	77,599
Danica Link	75,311	66,417	113	75,311	69,613	108	74,115	74,717
Allocated capital (average)	12,012	11,974	100	12,067	11,883	102	12,147	11,954
Net income as % p.a. of allocated capital	15.8	20.8		14.8	11.3	-	11.0	26.0

At Danica Pension, our ambition is to become the most trusted pension provider. We pursue this ambition by providing financial security for our customers. We make it easy for customers to make pension scheme decisions, and we focus on accessibility, clear recommendations and sound returns on customers' pension savings.

Collaboration with Personal Banking and Business Banking
We strengthened our collaboration across the bank in 2015 by working more closely together with both Personal Banking and Business Banking in particular, where Danica Pension advisers have joined the customer teams. With this setup, we have improved our ability to advise customers proactively, and we will benefit from synergies.

Digitalisation
In 2015, we introduced several new digital solutions for customers, including an app for tablets that enables customers to adjust their pension cover online and get an immediate overview of the effect. We also introduced Pension Start to give our customers a simple and easy solution for setting up new pension schemes and getting advice on the most appropriate cover.

Stronger health concept
In 2015, we strengthened our health offerings by introducing a new health package that includes a stress hotline, annual blood pressure and cholesterol checks, assistance in finding the right public health services and a second opinion from Best Doctors. Our work with Best Doctors is unique in Denmark, and only Danica Pension customers are covered. Moreover, in response to changes in the Danish public disability pension and sickness benefit systems, we changed our cover for loss of earning capacity for the benefit of customers who go through a work capability assessment.

Investments
In 2015, Danica Pension implemented a new investment strategy with the purpose of generating competitive long-term returns.

Important elements of that strategy are to build stronger and broader competencies in the investment department and to improve risk management across all asset classes through narrow and precise mandates for our investment partners. Our investment setup was also made more flexible, allowing us to use a larger variety of financial instruments to ensure that we have the right portfolio mix and can manage portfolio risk more effectively.

The new investment strategy also focuses on increasing the use of alternative investments, such as direct investments in sound companies in the Nordic countries. So far, we have invested more than DKK 2 billion in such companies.

As part of the new investment strategy, we have improved *Danica Balance* by introducing a fund that invests across asset classes and in attractive property developments. The fund's investment mix is flexible and varies over time depending on our expectations for market trends, which enables us to adjust customers' investment mix in response to market developments.

In 2015, *Danica Balance* customers with 30 years to retirement and a medium risk profile typically saw a return of 3.2% to 9.9%.

Norway and Sweden
In Sweden, we strengthened our position, and premiums increased 41% as a result, among other things, of a wider collaboration with Danske Bank in Sweden. Other areas, such as brokerage and labour market pensions, also increased in 2015.

The positive development continued in Norway, with a sound increase in contributions. In 2015, we implemented a new strategy, which entails closer collaboration with Danske Bank on personal and business customers to increase our advisory focus.

Tier II bond issue
To strengthen our capital structure and adjust it to reflect the capital structure in the European pension industry in general, Danica Pension issued Solvency II-compliant tier 2 capital in the form of a bond loan in the amount of EUR 500 million (DKK 3.73 billion). The issue was heavily oversubscribed, which is testament to investors' satisfaction with our results and confidence in our strategy.

Wealth Management
Danica Pension will be part of the new Wealth Management business unit, which organisationally will be in place from 1 April 2016, while financial reporting will take place from 1 January 2016. The new unit will also encompass customers and expertise from Danske Capital and Private Banking.

2015 vs 2014
Total premiums rose 11% to DKK 29.6 billion, driven by a 16% increase in premiums for the unit-linked products while premiums for *Danica Traditionel*, as expected, were 16% lower.

At the end of 2015, the collective bonus potential for the contribution groups was DKK 3.6 billion, up DKK 1.1 billion from the level at the end of 2014.

Income
Net income from insurance business amounted to DKK 1.9 billion, against DKK 2.5 billion in 2014. It was possible to book the full risk allowance for all four interest rate groups and to book DKK 0.2 billion from the shadow account, against DKK 0.6 billion in 2014. In addition, the result for 2015 was influenced

by payment of DKK 0.3 billion in special allotments triggered in particular by dividends of DKK 3.9 billion from Danica Pension to Danske Bank.

The technical result of *Danica Traditionel* was DKK 1,329 million, against DKK 1,353 million in 2014. The fall was caused partly by the transfer of business from *Danica Traditionel* to the unit-linked business. In addition, the result for 2014 increased DKK 116 million as a result of a correction made, in agreement with the Danish FSA, regarding the treatment of a pension scheme.

The technical result of the unit-linked business amounted to DKK 572 million, which is the same level as in 2014. Unit-linked business accounted for DKK 49 million in Sweden and DKK 73 million in Norway. The Swedish result was adversely affected by higher pension costs because of a lower discount yield curve.

The health and accident business posted a technical result of a negative DKK 182 million, against a negative DKK 302 million in 2014. The improvement was due to an additional provision made in 2014.

The return on investments fell to DKK 283 million, against DKK 459 million in 2014. The fall was the result of less positive financial markets in 2015 than in 2014.

Investment return on customer funds
The return on investments for customers with the *Danica Balance*, *Danica Link* and *Danica Select* unit-linked products was DKK 4.5 billion, or 4.8%, while the return on investments of *Danica Traditionel* customer funds was DKK 2.0 billion, or 1.0%. Including changes in technical provisions, the return on customer funds was 5.1%.

Q4 2015 vs Q3 2015

In the fourth quarter of 2015, net income from insurance business amounted to DKK 0.4 billion, which was DKK 0.1 billion more than in the third quarter. The increase was due to the booking of DKK 0.2 billion from the shadow account and a higher return on investments, although the payment of special allotments had an adverse effect of DKK 0.2 billion, mainly because a provision for dividends was made at the end of 2015.

The return on investments of *Danica Traditionel* customer funds was 0.4%, against 1.0% in the third quarter. Including changes in technical provisions, the return on customer funds was a negative 0.1%.

The return on investments for customers with *Danica Balance, Danica Link* and *Danica Select* totalled DKK 4.5 billion, or an average rate of return of 4.1%, against a negative 4.7% in the third quarter.

In Denmark, total premiums rose 13% to DKK 5.2 billion. Total premiums for all markets rose 15% and amounted to DKK 7.6 billion. The rise was owing mainly to higher unit-link premiums in all three countries in the fourth quarter of 2015.

Non-core

Profit before tax for 2015 was DKK 46 million, an increase of DKK 1.6 billion from the level in 2014. The improvement was driven by a combination of higher income, lower expenses and reversals of impairments as the Irish property portfolio continued to unwind satisfactorily.

Non-core
(DKK millions)

	2015	2014	Index 15/14	Q4 2015	Q3 2015	Index Q4/Q3	Q2 2015	Q1 2015
Total income	334	209	160	71	157	45	52	54
Operating expenses	405	782	52	94	98	96	113	100
Profit before loan impairment charges	-71	-573	-	-23	59	-	-61	-46
Loan impairment charges	-118	930	-	-37	56	-	-1	-136
Profit before tax	**46**	**-1,503**	-	**13**	**3**	-	**-60**	**90**
Loans, excluding reverse trans. before impairments	27,714	37,462	74	27,714	28,776	96	35,187	44,559
Allowance account, loans	3,870	7,853	49	3,870	4,018	96	5,040	7,705
Deposits, excluding repo deposits	3,735	4,331	86	3,735	6,975	54	5,525	6,719
Allowance account, guarantees	46	59	77	46	39	118	39	74
Allocated capital (average)	6,224	8,420	74	4,797	5,270	91	5,864	9,167
Net interest income as % p.a. of loans and deposits	1.06	0.55		0.94	1.70		0.48	0.44
Profit before loan impairment charges as % p.a. of allocated capital	-1.2	-6.8		-2.0	4.5		-4.2	-2.0
Profit before tax as % p.a. of allocated capital (ROE)	0.7	-17.9		1.1	0.2		-4.1	3.9
Cost/income ratio (%)	121.6	374.2	32	133.8	62.4	214	217.3	185.2
Full-time-equivalent staff	277	75	-	277	325	85	393	428

Loan impairment charges
(DKK millions)

	2015	2014	Index 15/14	Q4 2015	Q3 2015	Index Q4/Q3	Q2 2015	Q1 2015
Non-core banking*	-118	733	-	-40	53	-	-2	-130
Non-core conduits etc.	-	197	-	2	3	92	1	-6
Total	**-118**	**930**	-	**-38**	**56**	-	**-1**	**-136**

**Non-core banking encompasses Non-core Baltics (personal customers in the Baltics) and Non-core Ireland. Non-core Baltics is included in Non-core banking from 1 January 2015. Comparative figures for 2014 have not been restated.*

In 2015, we continued to focus on the controlled winding-up of the loan portfolio that is no longer considered part of Danske Bank's core activities. The reduction of loan volume progressed as expected over the year.

On 1 January 2015, all personal banking customers in the Baltics were transferred to the Non-core banking portfolio.

Reduced exposure and property sales
In the second quarter of 2015, the Group sold a portfolio of Irish SME loans with a nominal value of DKK 3.9 billion.

In the third quarter of 2015, the Group entered into an agreement to sell a residential mortgage loan portfolio relating to the Group's Non-core mass personal customer business in Lithuania and Latvia with a nominal value of DKK 4.8 billion. Pending approval by the Lithuanian competition authorities, the transaction is expected to be completed in the first half of 2016.

For accounting purposes, both portfolios were recognised under Assets held for sale and therefore were not included in the credit exposure since the end of 2014 and since the third quarter of 2015, respectively.

At the end of 2015, the Non-core Ireland portfolio consisted of a personal mortgage portfolio of DKK 15.9 billion and a small residual commercial portfolio. In 2015, we reduced the net exposure of the commercial portfolio from DKK 2.9 billion to DKK 0.5 billion, primarily through property sales.

2015 vs 2014
Profit before tax was DKK 46 million, against a loss of DKK 1.5 billion in 2014, with the increase coming mainly from a decline in impairments. Total income rose 60%, while operating expenses fell 48%.

Total income benefited from a rating upgrade in 2015 that allowed the release of interest accrued over several years on a number of collateralised liquidity facilities.

Operating expenses declined because 2014 included expenses for the settlement of an agreement on life insurance products in the Baltics.

Total lending, which amounted to DKK 27.7 billion, consisted mainly of exposure to personal mortgages and conduits. Personal mortgages in the Baltics (after the third quarter of 2015, only Estonia) and Ireland will mature according to contractual terms.

The winding-up of the Non-core Ireland portfolio is proceeding according to plan.

(DKK millions)	Net credit exposure		Accumulated impairment charges	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Non-core banking*	20,571	20,222	3,673	7,643
- portion relating to personal customers	20,035	17,351	2,560	3,024
Non-core conduits etc.	7,992	11,104	243	269
Total	**28,563**	**31,326**	**3,916**	**7,912**

**Non-core Baltics is included in Non-core banking from 1 January 2015 (from the end of the third quarter of 2015, only Estonia). Comparative figures for 2014 have not been restated*

The Non-core conduits portfolio amounted to DKK 8.0 billion, against DKK 11.1 billion in 2014. The portfolio consists mainly of liquidity facilities for conduits. The credit quality of the portfolio remained stable.

Total impairments improved to a net reversal of DKK 0.1 billion, against charges of DKK 0.9 billion for 2014. This development was driven by reversals of previously made impairments in Ireland as the property market continued to improve and collateral values rose.

Q4 2015 vs Q3 2015

Profit before tax amounted to DKK 13 million, up from DKK 3 million in the third quarter.

The third quarter result reflected the release of interest accrued over several years on a number of collateralised liquidity facilities after the rating upgrade earlier in 2015.

Loan impairment charges improved from DKK 56 million in the third quarter to a net reversal of DKK 38 million in the fourth quarter.

Other Activities

Profit before tax increased DKK 500 million because of gains on property sales and a refund of payroll tax paid in previous years.

Other Activites
(DKK millions)

	2015	2014	Index 15/14	Q4 2015	Q3 2015	Index Q4/Q3	Q2 2015	Q1 2015
Net interest income	316	-148	-	11	103	11	170	32
Net fee income	-75	-102	-	-17	-12	-	-25	-21
Net trading income	648	1,140	57	206	32	-	-90	499
Other income	569	189	-	369	13	-	152	35
Total income	1,457	1,079	135	569	136	-	207	545
Operating expenses	803	930	86	388	259	150	71	85
Profit before loan impairment charges	654	149	-	181	-123	-	136	460
Loan impairment charges	3	-2	-	-	2	-	-	1
Profit before tax	**651**	**151**	-	**181**	**-125**	-	**136**	**459**

Profit before tax
(DKK millions)

	2015	2014	Index 15/14	Q4 2015	Q3 2015	Index Q4/Q3	Q2 2015	Q1 2015
Group Treasury	486	1,010	48	25	14	179	-41	488
Own shares	-154	-196	-	56	-33	-	-78	-99
Group support functions	319	-663	-	100	-106	-	255	70
Total Other Activities	**651**	**151**	-	**181**	**-125**	-	**136**	**459**

Other Activities includes Group Treasury and Group support functions as well as eliminations, including the elimination of returns on own shares. Group Treasury is responsible for the Group's liquidity management and funding.

2015 vs 2014

Other Activities posted a profit before tax of DKK 651 million, against DKK 151 million in 2014.

The decline in interest rates caused an increase in the return on the liquidity portfolio because of positive mark-to-market effects, and this increased net trading income at Other Activities. In 2014, net trading income benefited from a one-off gain on the sale of the shares in Nets.

Other income amounted to DKK 569 million, against DKK 189 million in 2014. The increase was owing to a refund of payroll tax paid in previous years and gains on property sales.

Operating expenses were lower because of property write-downs in 2014.

Q4 2015 vs Q3 2015

In the fourth quarter of 2015, profit before tax was DKK 181 million, against a negative DKK 125 million in the third quarter.

Net interest income amounted to DKK 11 million, against DKK 103 million in the third quarter. The decline was driven by a widening of deposit spreads owing to market uncertainty in the fourth quarter.

Net trading income amounted to DKK 206 million, against DKK 32 million in the third quarter, mainly because of elimination of returns on own shares.

Other income amounted to DKK 369 million, against DKK 13 million in the third quarter. The increase was caused primarily by gains on property sales.

Operating expenses were DKK 129 million higher in the fourth quarter, partly because of our contribution to the new Danish resolution fund.

Capital and liquidity management

Capital and solvency
Our capital management policies and practices support our business strategy and ensure that we are sufficiently capitalised to withstand severe macroeconomic downturns.

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

At the end of December 2015, the total capital ratio was 21.0%, and the CET1 capital ratio was strong at 16.1%. The improvement from the level at the end of 2014 was driven by earnings and a decline in the total risk exposure amount (REA). The issuance of capital out of Danica also contributed to the improvement.

The total risk exposure amount (REA) decreased DKK 32 billion from the level at the end of December 2014. The REA for credit risk decreased DKK 11 billion, mainly because of F-IRB approval for the corporate segment in Finland and continued de-risking, while portfolio changes counteracted these effects. Market risk and counterparty risk REAs fell DKK 20 billion, mainly because of the implementation of an Internal Model Method (IMM) for counterparty risk and an extended Value-at-Risk model (VaR model) for market risk as well as lower positions and lower average market volatility.

In January 2016, the FSA approved our revised IRB models addressing the FSA orders from June 2013. The models will be implemented by the end of the first quarter of 2016.

In September 2015, Danica Pension issued Solvency II-compliant tier 2 capital in the form of a bond loan in the amount of EUR 500 million (DKK 3.7 billion). At the end of 2015, the effect on the CET1 capital ratio and the total capital ratio of Danske Bank Group was 0.07 and 0.24 of a percentage point, respectively. In 2018, following the implementation of Solvency II and CRD IV, the fully phased-in effect from the issue on the CET1 capital ratio is estimated to be approximately 0.38 of a percentage point.

At the end of December 2015, Danske Bank's solvency need amounted to DKK 89 billion, or 10.7% of the total REA. At the end of December 2015, total capital was thus DKK 86 billion in excess of the solvency need.

Total capital and risk exposure amount
(DKK billions)

	2015	2014
CET 1 capital	134	130
AT1 capital	20	14
T2 capital	21	23
Total capital	**175**	**167**
Solvency need	89	92
Risk exposure amount	834	865
CET 1 capital ratio (%)	**16.1**	**15.1**
Total capital ratio (%)	**21.0**	**19.3**

Capital distribution policy
Danske Bank's longer-term ambition is to provide shareholders with a competitive return through share price appreciation and ordinary dividend payments of 40-50% of net profit.

We intend to return excess capital to our shareholders if capital is available after we have met our capital targets and paid out ordinary dividends.

For 2014, Danske Bank paid a dividend of DKK 5.5 per share, representing a payout ratio of 43%, and we initiated a share buy-back programme of DKK 5 billion. The share buy-back programme was initiated on 30 March 2015 and ended on 2 November 2015 with a total buy-back of 24.9 million shares for a total purchase amount of DKK 5.0 billion. The Board of Directors is proposing to the annual general meeting in 2016 that the 24.9 million shares should be cancelled.

The Board of Directors is recommending that a dividend of DKK 8.0 per share be paid for 2015, representing a payout ratio of 46%.

Beginning on 4 February 2016, Danske Bank will initiate a new share buy-back programme that will total DKK 9 billion and run for no more than 12 months. We estimate that the planned share buy-back will reduce the CET1 capital ratio and the total capital ratio by 1.1percentage points.

Ratings
In June, Moody's raised Danske Bank's long-term rating to A2 from A3 and its short-term rating to P-1 from P-2. Moody's affirmed its stable outlook for the long-term rating.

In July, S&P changed its outlook for our long-term rating to stable.

Danske Bank's long- and short-term ratings from Fitch were unchanged.

Danske Bank's ratings

	Moody's	S&P	Fitch
Long-term	A2	A	A
Short-term	P-1	A-1	F1
Outlook	Stable	Stable	Stable

Danske Bank Plc's A2 long-term rating and its P-1 short-term rating were affirmed by Moody's despite expectations of reduced government support to banks. Both ratings have a stable outlook. S&P also affirmed its A long-term rating and its A-1 short-term rating but raised its outlook to stable.

Mortgage bonds and mortgage-covered bonds issued by Realkredit Danmark are rated AAA by S&P (stable outlook). In addition, bonds issued from capital centre S are rated AAA by Fitch, while bonds issued from capital centre T are rated AA+. Both ratings have a stable outlook.

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

The calculation of the solvency need for the Group and the parent company, Danske Bank A/S, is described in more detail in Risk Management 2015, chapter 3, which is available at danskebank.com/ir.

Funding and liquidity
In order to further support our growth ambitions in Sweden and Norway, we have decided to divide our international covered bond pool (I-Pool) into geographically separate cover pools and establish a local Swedish covered bond programme to ensure competitive funding. Further details are available on danskebank.com/ir.

With a liquidity buffer of DKK 452 billion at the end of December 2015, Danske Bank's liquidity position remains robust.

With effect from 1 October 2015, Danske Bank has had to comply with an LCR requirement as defined by the new EU standards under CRR/CRD IV. For Danish SIFI banks, Danish Bank Package 6 sets this LCR requirement at 100%. Danske Bank fully meets the requirement. Danske Bank's LCR as calculated according to the new EU standards was 125% at the end of December 2015.

Prior to October 2015, Danske Bank had to comply with an LCR requirement as defined by the Danish FSA. Danske Bank complied with this requirement and also complied with all other liquidity requirements.

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

In 2015, Danske Bank issued senior debt for DKK 38.0 billion, covered bonds for DKK 25.9 billion, and additional tier 1 capital for DKK 5.6 billion, totaling DKK 69.5 billion. We also redeemed long-term debt of DKK 61.9 billion.

Danske Bank further diversified its funding sources through USD domestic debt issues. In the second half of 2015, we increased our presence on the US commercial paper market and re-entered the professional investor market for long-term funding after a three-year absence.

At the end of 2015, the total amount of outstanding long-term funding, excluding additional tier 1 capital and debt issued by Realkredit Danmark, was DKK 342 billion, against DKK 330 billion at the end of 2014.

Danske Bank excluding Realkredit Danmark
(DKK billions)

	31 December 2015	31 December 2014
Covered bonds	190	186
Senior unsecured debt	112	103
Subordinated debt	40	41
Total	**342**	**330**

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

Supervisory Diamond
(%)

	Threshold value	2015	2014
Sum of large exposures	<125	-	-
Lending growth	<20	5	-
Real property exposure	<25	12	10
Funding ratio	<100	64	63
Surplus liquidity in relation to statutory liquidity requirements	>50	193	161

At 31 December 2015, Danske Bank was in compliance with all threshold values. A separate report is available at danskebank.com/ir.

The supervisory diamond for mortgage credit institutions will be implemented gradually in the period until 2020. Realkredit Danmark already complies with the threshold values for lending growth, borrower interest rate exposure, large exposures and interest-only lending. Realkredit Danmark expects to comply with the threshold value concerning short-term funding well ahead of 2020.

Capital regulation
We estimate that the remaining phase-in effect of CRR/CRD IV on our fully-loaded CET1 capital ratio in 2018 will be a reduction of about 0.7 of a percentage point.

The Danish FSA has approved Danske Bank's continued use of the financial conglomerate deduction method for equity holdings in Danica Pension. The deduction method is based on Danica Pension's solvency need less the difference between Danica Pension's capital base and Danske Bank's holdings. The non-deductible part of the holdings is risk-weighted at 100%.

CRR/CRD IV requires credit institutions to calculate, report, monitor and disclose their leverage ratios, defined as tier 1 capital as a percentage of total exposure. The Group's leverage ratio was 4.7% at 31 December 2015 when transitional rules are taken into account. Assuming fully phased-in tier 1 capital under CRR/CRD IV without taking into account any refinancing of non-eligible additional tier 1 instruments, the leverage ratio would be 4.2%.

Danske Bank is designated a SIFI in Denmark and is required to comply with an additional CET1 capital buffer requirement of 0.6%. The additional CET1 capital buffer requirement will increase gradually to 3% in 2019. Danske Bank's countercyclical buffer requirement was 0.3% at 31 December 2015 and related to its exposures in Sweden and Norway. The Group's combined buffer requirement was thus 0.9% or DKK 7.3 billion at 31 December 2015.

Bank Recovery and Resolution Directive
The Bank Recovery and Resolution Directive (including bail-in provisions) was implemented in Danish law with effect from 1 June 2015.

By law, every credit institution must have a minimum amount of "bail-in-able" liabilities. The Danish FSA is authorised to set the minimum amount for Danske Bank and is expected to do so during 2016.

Furthermore, a Danish resolution fund has been established. All Danish credit institutions must make contributions to the fund on the basis of their size and risks relative to other credit institutions in Denmark. The assets of the resolution fund must equal at least 1% of the covered deposits of all Danish credit institutions by 31 December 2024. The first contributions to the Danish fund were paid in the fourth quarter of 2015, with Danske Bank's and Realkredit Danmark's payment totalling DKK 194 million. Our contribution constituted 55% of the total sector contributions.

Solvency II
The Solvency II rules for insurance companies were implemented in Danish law with effect from 1 January 2016. This implies that Danica Pension includes expected future profit in its calculation of its capital base and solvency need. In total, the increase in the capital base will be partially offset by the increase in the solvency need.

New capital allocation framework
In the first quarter of 2016, a new, simplified and more transparent capital allocation framework will be implemented. The new framework will be based on a regulatory approach and will be in accordance with our CET1 capital target. This means that the capital consumption of the Group's individual business units will be aligned with the Group's total capital consumption.

Investor Relations

Investor Relations at Danske Bank contributes to the Group's pursuit of its strategic goals by ensuring that stakeholders receive correct and adequate information according to the best practices in proactive investor communications and consultation, including innovative digital solutions.

To maintain and build stakeholder relations, we hold roadshows after the release of our financial reports as well as roadshows on major transactions and other topics for debt investors.

Together with executive management, Investor Relations builds relations with analysts, shareholders and prospective investors by presenting and discussing current topics relevant to Danske Bank at seminars and conferences.

In 2015, investor events were held in the Nordic countries, other European countries and the US, with more than 537 investors attending.

Danske Bank shares

Danske Bank shares are listed on NASDAQ OMX Copenhagen and are included in a number of Danish and international equity indices, such as the OMX Copenhagen 20 CAP Index (OMXC20CAP). At the end of 2015, Danske Bank shares had an index weighting of about 12.7%.

Danske Bank's share price rose from DKK 167.4 at 31 December 2014 to DKK 185.2 at 31 December 2015, an increase of 10.6%. In comparison, the OMXC20CAP Index gained 29%, while the MSCI Europe Banks Index fell 6.7%.

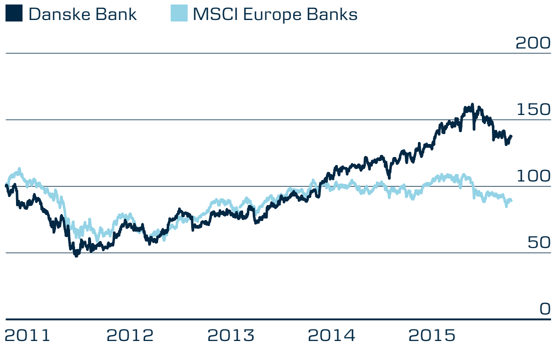
Danske Bank shares
(DKK)

	2015	2014
Share capital (millions)	10,086	10,086
Share price (end of year)	185.2	167.4
Total market capitalisation (end of year) (billions)	180.8	167.3
Earnings per share	12.8	3.8
Dividend per share	8.0	5.5
Book value per share	153.2	146.8
Share price/book value per share	1.2	1.1

At the end of 2015, 32 equity analysts covered Danske Bank.

The average daily trading volume of Danske Bank shares was 2.4 million. Danske Bank shares were the third most actively traded shares on NASDAQ OMX Copenhagen.

Danske Bank shares
Index 2011 = 100

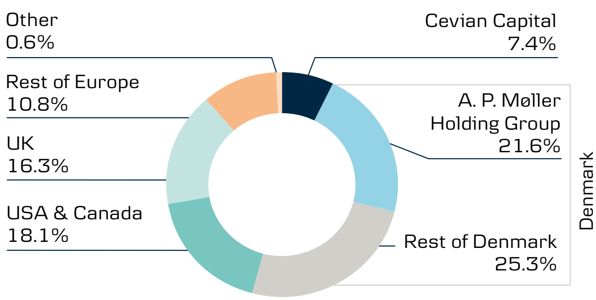


Shareholders

At the end of 2015, Danske Bank had about 279,000 shareholders. The 10 largest shareholders together owned about 41% of the share capital.

We estimate that shareholders outside Denmark, mainly in the UK and the US, hold almost 53% of the share capital.

Danske Bank shareholders 2015



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

- The A.P. Møller and Chastine Mc-Kinney Møller Foundation and companies of the A.P. Moller Holding Group, Copenhagen, hold 21.6% of the share capital.
- Cevian Capital II GP Limited, Jersey, holds 7.4% of the share capital.

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

At the end of 2015, Danske Bank held about 3.2% of its own share capital. These shares are held to compensate employees in the form of conditional shares granted under share programmes in previous years and for investments on behalf of Danica Pension policyholders and under pooled investment schemes. The portfolio also contains shares that have been bought back but have not yet been cancelled.

Corporate responsibility

Corporate responsibility
Corporate responsibility is an important part of Danske Bank's strategy. We want to create long-term value for all our stakeholders, and we want them to feel confident that we manage our business with proper attention to environmental, social, ethical and governance issues. This applies to credit granting, investing, responsible sourcing, and our contribution to financial stability and economic growth. We consider responsible business conduct a precondition for long-term value creation.

Reporting on corporate responsibility
We report on our corporate responsibility activities and performance in the independently assured Corporate Responsibility Report 2015. The report serves as our Communication on Progress as required by the UN Global Compact and ensures compliance with the requirements of the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Firms etc. (sections 135 and 135a) on corporate responsibility reporting. The report is available at danskebank.com/crreport.

The report is supplemented by our Corporate Responsibility Fact Book 2015. Our combined reporting offers a comprehensive and balanced view of material corporate responsibility matters relating to our business activities. These reports and further information about our CR initiatives and projects are available at danskebank.com /responsibility.

Organisation and management

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

In 2015, the annual general meeting was held on 18 March.

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

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

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

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

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

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

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

At the annual general meeting held on 18 March 2015, the incumbent members of the Board of Directors were re-elected.

Work of the Board of Directors in 2015
In the fourth quarter, the Board of Directors carried out its annual evaluation of the performance and achievements of its members, both individually and collectively. To ensure anonymity, the evaluation was facilitated by an external consulting firm. All members of the Board of Directors and the Executive Board answered a comprehensive questionnaire and were offered an interview with the consulting firm. The findings and conclusions were subsequently presented to and discussed by the full Board of Directors, and the chairman gave individual feedback to all board members.

Overall, the results of the 2015 evaluation were positive. The areas for improvement identified in the 2014 evaluation – particularly an adjustment of the balance between regulatory and strategic matters – were addressed in 2015, and the Board of Directors will continue to work on its performance in these areas. The 2015 evaluation identified only minor new areas in need of improvement, the most important one being the Board of Directors' visibility in succession planning and talent management, which the Board will address going forward.

Executive Board
The Executive Board consists of Thomas F. Borgen, Chief Executive Officer; Tonny Thierry Andersen, Head of Personal Banking; James Ditmore, Chief Operating Officer and Head of COO area; Gilbert Kohnke, Group Chief Risk Officer and Head of Group Risk Management; Lars Mørch, Head of Business Banking; Henrik Ramlau-Hansen, Chief Financial Officer and Head of CFO area; and Glenn Söderholm, Head of Corporates & Institutions.

CFO Henrik Ramlau-Hansen, who turns 60 in 2016, will vacate his position at the end of March 2016. He will be replaced as CFO and on the Executive Board by Jacob Aarup-Andersen, who has served as deputy CFO since 1 January.

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

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

The Corporate Governance Code of the Danish Bankers Association, which applies to all member institutions, can be found at danskebank.com/dba. All member institutions must comply with the recommendations or explain why they do not comply. Danske Bank complies with all recommendations set out in the code. Danske Bank's explanation of the status on all recommendations is included in section E of its Corporate Governance Report 2015.

Financial statements

Income statement – Danske Bank Group

Note	(DKK millions)	2015	2014
5	Interest income	59,666	66,951
5	Interest expense	26,333	32,344
	Net interest income	33,333	34,607
6	Fee income	15,566	14,585
6	Fee expenses	4,887	4,771
5	Net trading income	6,908	9,854
7	Other income	5,275	4,546
8	Net premiums	21,359	20,631
8	Net insurance benefits	30,468	33,024
9	Operating expenses	24,785	25,642
18	Impairment charges on goodwill and customers relations	4,601	9,099
	Profit before loan impairment charges	17,701	11,687
11	Loan impairment charges	-61	3,718
	Profit before tax	17,762	7,969
20	Tax	4,639	4,020
	Net profit for the year	**13,123**	**3,948**
	Portion attributable to		
	shareholders of Danske Bank A/S (the Parent Company)	12,516	3,687
	additional tier 1 capital holders	607	259
	non-controlling interests	-	2
	Net profit for the year	**13,123**	**3,948**
	Earnings per share (DKK)	12.8	3.8
	Diluted earnings per share (DKK)	12.8	3.8
	Proposed dividend per share (DKK)	8.0	5.5

Statement of comprehensive income – Danske Bank Group

Note	(DKK millions)	2015	2014
	Net profit for the year	13,123	3,948
	Other comprehensive income		
	Items that will not be reclassified to profit or loss		
	Remeasurement of defined benefit plans	568	157
20	Tax	-70	-9
	Items that will not be reclassified to profit or loss	**498**	**148**
	Items that are or may be reclassified subsequently to profit or loss		
	Translation of units outside Denmark	681	527
	Hedging of units outside Denmark	-797	-549
	Unrealised value adjustments of available-for-sale financial assets	-17	283
	Realised value adjustments of available-for-sale financial assets	-68	-37
20	Tax	176	43
	Items that are or may be reclassified subsequently to profit or loss	**-25**	**267**
	Total other comprehensive income	**473**	**415**
	Total comprehensive income for the year	**13,596**	**4,364**
	Portion attributable to		
	shareholders of Danske Bank A/S (the Parent Company)	12,989	4,103
	additional tier 1 capital holders	607	259
	non-controlling interests	-	2
	Total comprehensive income for the year	**13,596**	**4,364**

Balance sheet – Danske Bank Group

Note	(DKK millions)	2015	2014
	ASSETS		
	Cash in hand and demand deposits with central banks	76,837	33,876
14	Due from credit institutions and central banks	103,859	112,760
12	Trading portfolio assets	547,019	742,513
13	Investment securities	343,304	330,994
14	Loans at amortised cost	1,079,257	1,092,902
15	Loans at fair value	741,660	741,609
16	Assets under pooled schemes and unit-linked investment contracts	91,893	80,148
17	Assets under insurance contracts	265,572	268,450
18	Intangible assets	6,505	11,253
20	Tax assets	1,550	1,543
22	Other assets	35,422	36,966
	Total assets	**3,292,878**	**3,453,015**
	LIABILITIES		
19	Due to credit institutions and central banks	271,588	329,048
12	Trading portfolio liabilities	471,131	550,629
19	Deposits	863,474	966,197
15	Bonds issued by Realkredit Danmark	694,519	655,965
16	Deposits under pooled schemes and unit-linked investment contracts	96,958	86,433
17	Liabilities under insurance contracts	285,030	288,352
21	Other issued bonds	363,931	330,207
20	Tax liabilities	8,333	8,647
22	Other liabilities	37,093	44,126
21	Subordinated debt	39,991	41,028
	Total liabilities	**3,132,048**	**3,300,632**
	EQUITY		
	Share capital	10,086	10,086
	Foreign currency translation reserve	-593	-477
	Reserve for available-for-sale financial assets	-401	-316
	Retained earnings	132,352	131,868
	Proposed dividends	8,069	5,547
	Shareholders of Danske Bank A/S (the Parent Company)	149,513	146,708
	Additional tier 1 capital holders	11,317	5,673
	Non-controlling interests	-	2
23	**Total equity**	**160,830**	**152,384**
	Total liabilities and equity	**3,292,878**	**3,453,015**

Statement of capital – Danske Bank Group

Changes in equity

(DKK millions)	Shareholders of Danske Bank A/S (the Parent Company) Share capital	Foreign currency translation reserve	Reserve for available-for-sale assets	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Non-controlling interests	Total
Total equity at 1 January 2015	10,086	-477	-316	132,605	5,547	147,445	5,673	2	153,120
Changed recognition of pension scheme	-	-	-	-736	-	-736	-	-	-736
Restated total equity at 1 January 2015	10,086	-477	-316	131,869	5,547	146,709	5,673	2	152,384
Net profit for the year	-	-	-	12,516	-	12,516	607	-	13,123
Other comprehensive income									
Remeasurement of defined benefit plans*	-	-	-	568	-	568	-	-	568
Translation of units outside Denmark	-	681	-	-	-	681	-	-	681
Hedging of units outside Denmark	-	-797	-	-	-	-797	-	-	-797
Unrealised value adjustments	-	-	-17	-	-	-17	-	-	-17
Realised value adjustments	-	-	-68	-	-	-68	-	-	-68
Tax	-	-	-	106	-	106	-	-	106
Total other comprehensive income	-	-116	-85	674	-	473	-	-	473
Total comprehensive income for the year	**-**	**-116**	**-85**	**13,190**	**-**	**12,989**	**607**	**-**	**13,596**
Transactions with owners									
Issuance of additional tier 1 capital, net of transaction costs	-	-	-	-56	-	-56	5,583	-	5,527
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-529	-	-529
Dividends paid	-	-	-	53	-5,547	-5,494	-	-2	-5,496
Dividends proposed	-	-	-	-8,069	8,069	-	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-35,087	-	-35,087	-41	-	-35,128
Sale of own shares and additional tier 1 capital	-	-	-	30,119	-	30,119	24	-	30,143
Share-based payments	-	-	-	195	-	195	-	-	195
Tax	-	-	-	138	-	138	-	-	138
Total equity at 31 December 2015	**10,086**	**-593**	**-401**	**132,352**	**8,069**	**149,513**	**11,317**	**-**	**160,830**

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

Statement of capital – Danske Bank Group

Changes in equity

(DKK millions)	Share capital	Foreign currency translation reserve	Reserve for available-for-sale assets	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Non-controlling interests	Total
	Shareholders of Danske Bank A/S (the Parent Company)								
Total equity at 1 January 2014	10,086	-277	-562	134,393	2,017	145,657	-	-	145,657
Changed recognition of pension scheme	-	-	-	-839	-	-839	-	-	-839
Restated total equity at 1 January 2014	10,086	-277	-562	133,554	2,017	144,818	-	-	144,818
Net profit for the year	-	-	-	3,688	-	3,688	259	2	3,948
Other comprehensive income									
Remeasurement of defined benefit plans*	-	-	-	157	-	157	-	-	157
Translation of units outside Denmark	-	527	-	-	-	527	-	-	527
Hedging of units outside Denmark	-	-549	-	-	-	-549	-	-	-549
Unrealised value adjustments	-	-	283	-	-	283	-	-	283
Realised value adjustments	-	-	-37	-	-	-37	-	-	-37
Tax	-	-	-	34	-	34	-	-	34
Other changes	-	-178	-	178	-	-	-	-	-
Total other comprehensive income	-	-200	246	369	-	415	-	-	415
Total comprehensive income for the year	**-**	**-200**	**246**	**4,057**	**-**	**4,103**	**259**	**2**	**4,364**
Transactions with owners									
Issuance of additional tier 1 capital, net of transaction costs	-	-	-	-59	-	-59	5,597	-	5,538
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-183	-	-183
Dividends paid	-	-	-	17	-2,017	-2,000	-	-	-2,000
Dividends proposed	-	-	-	-5,547	5,547	-	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-25,702	-	-25,702	-53	-	-25,755
Sale of own shares and additional tier 1 capital	-	-	-	25,377	-	25,377	53	-	25,430
Share-based payments	-	-	-	123	-	123	-	-	123
Tax	-	-	-	49	-	49	-	-	49
Total equity at 31 December 2014	**10,086**	**-477**	**-316**	**131,869**	**5,547**	**146,709**	**5,673**	**2**	**152,384**

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

Statement of capital – Danske Bank Group

Dividend

The Board of Directors is proposing a dividend of DKK 8.00 per share of DKK 10 each (2014: DKK 5.50), or a total of DKK 8,069 million (2014: DKK 5,547 million) of which DKK 199 million relates to shares acquired under the share buy-back programme 2015, to be paid out of the net profit for the Parent Company of DKK 12,933 million (2014: DKK 4,034 million).

Earnings per share (DKK millions)	2015	2014
Net profit for the year attributable to the shareholders of the parent company	12,516	3,948
Number of shares issued at 1 January	1,008,620,000	1,008,620,000
Average number of own shares held by the Group	20,632,950	9,105,699
Average number of shares outstanding	987,987,050	999,514,301
Number of dilutive shares issued for share-based payments	1,304,948	1,058,008
Adjusted average number of shares outstanding after capital increase, including dilutive shares	**989,291,999**	**1,000,572,309**
Earnings per share (DKK)	12.8	3.8
Diluted earnings per share (DKK)	12.8	3.8

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

Number of shares outstanding (DKK millions)	2015	2014
Issued at 31 December	1,008,620,000	1,008,620,000
Holding of own shares	32,590,194	9,229,434
Shares outstanding at 31 December	**976,029,806**	**999,390,566**

Holding of own shares	Number 2015	Number 2014	Value 2015	Value 2014
Share buy-back programme	24,907,165	-	4,613	-
Trading portfolio	3,529,947	4,385,823	654	734
Investment on behalf of customers	4,153,082	4,843,611	770	811
Total	**32,590,194**	**9,229,434**	**6,037**	**1,545**

(DKK millions)	Share buy-back programme	Trading portfolio	Investment on behalf of customers	Total 2015	Total 2014
Holding at 1 January	-	734	811	1,545	1,020
Acquisition of own shares	5,000	29,703	384	35,087	25,702
Sale of own shares	-	29,579	541	30,119	25,377
Value adjustment	-387	-204	116	-476	199
Holding at 31 December	**4,613**	**654**	**770**	**6,037**	**1,545**

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

On 30 March 2015, the Group initiated a share buy-back programme of DKK 5 billion. Scheduled to end no later than 31 December 2015, the programme was completed on 2 November 2015.

Statement of capital – Danske Bank Group

(DKK millions)	2015	2014
Total capital and total capital ratio		
Total equity	160,830	152,384
Revaluation of domicile property at fair value	884	1,013
Tax effect of revaluation of domicile property at fair value	-172	-209
Reserves in undertakings consolidated on a pro rata basis	3,002	3,002
Total equity calculated in accordance with the rules of the Danish FSA	164,544	156,190
Additional tier 1 capital instruments included in total equity	-11,177	-5,597
Accrued interest on additional tier 1 capital instruments	-155	-77
Tax on accrued interest on additional tier 1 capital instruments	36	17
Common equity tier 1 capital instruments	153,248	150,533
Adjustment to eligible capital instruments	-154	-117
Prudential filters	-507	-315
Proposed dividends	-8,069	-5,547
Intangible assets of banking operations	-6,426	-11,169
Deferred tax on intangible assets	337	372
Deferred tax assets that rely on future profitability excluding temporary differences	-343	-465
Defined benefit pension fund assets	-808	-317
Statutory deduction for insurance subsidiaries	-2,885	-1,850
Other statutory deductions	-35	-722
Common equity tier 1 capital	**134,358**	**130,403**
Additional tier 1 capital instruments	22,338	17,434
Statutory deduction for insurance subsidiaries	-2,164	-3,701
Other statutory deductions	-7	-10
Tier 1 capital	**154,525**	**144,126**
Tier 2 capital instruments	22,782	26,310
Statutory deduction for insurance subsidiaries	-2,164	-3,701
Other statutory deductions	-7	-10
Total capital	**175,136**	**166,725**
Total risk exposure amount	**833,594**	**865,086**
Common equity tier 1 capital ratio (%)	16.1	15.1
Tier 1 capital ratio (%)	18.5	16.7
Total capital ratio (%)	21.0	19.3

Total capital and the total risk exposure amount are calculated in accordance with the rules applicable under CRR, taking transitional rules into account as stipulated by the Danish Financial Supervisory Authority. A new filter has been introduced for deduction from common equity tier 1 capital of additional value adjustments of assets and liabilities measured at fair value (prudent valuation). The European Commission has adopted a Delegated Regulation on regulatory technical standards for prudent valuation that will be effective from February 2016, at the latest. Implementation is expected to lead to a further reduction in common equity tier 1 capital of around DKK 1.2 billion.

The risk exposure amount calculated under the Basel I rules amounted to DKK 1,422,024 million at 31 December 2015 (31 December 2014: DKK 1,398,421 million). The capital need under the transitional rules was DKK 91,010 million, equal to 10.9% of the risk exposure amount under the Basel I rules (31 December 2014: DKK 89,499 million).

Risk Management 2015 provides more details about the Group's total capital and total risk exposure amount. Risk Management 2015 is not covered by the statutory audit.

Cash flow statement – Danske Bank Group

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

The list of Group holdings and undertakings in note 35 provides information about restrictions on the use of cash flows from Group undertakings.

The cash flow statement is prepared according to the indirect method. The statement is based on the pre-tax profit for the year and shows the cash flows from operating, investing and financing activities and the increase or decrease in cash and cash equivalents during the year. Cash and cash equivalents consists of cash in hand and demand deposits with central banks as well as amounts due from credit institutions and central banks with an original maturity shorter than three months.

Notes – Danske Bank Group

1. Basis of preparation

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

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

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

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

The significant accounting policies are incorporated into the notes to which they relate. Except for the changes implemented during the year and explained in note 2, Danske Bank has not changed its significant accounting policies from those applied in Annual Report 2014.

(a) Significant accounting estimates

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

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

Fair value measurement of financial instruments

Measurements of financial instruments that are only to a limited extent based on observable market data, such as the measurement of unlisted shares and certain bonds for which there is no active market, are subject to significant estimates. The estimated fair value of illiquid bonds significantly depends on the credit spread estimate. A credit spread widening of 50bp at the end of 2015 would have caused the fair value of the bonds to decrease DKK 65 million (2014: DKK 36 million). The Group makes fair value adjustments to cover changes in counterparty risk (CVA and DVA) on derivatives, bid-offer spreads on the net open position of the portfolio of assets and liabilities with offsetting market risk recognised at mid-market prices, and model risk on level 3 derivatives. During 2015, the CVA and DVA model was enhanced in a number of areas. Most importantly, the mapping of the probability of default to proxies was changed to a more advanced model. Further, a fair value adjustment to cover expected funding costs (FVA) was included at the end of 2015. At 31 December 2015, the adjustments totaled DKK 1.3 billion (31 December 2014: DKK 1.0 billion), including the adjustment for credit risk on derivatives with customers subject to objective evidence of impairment. Note 30 provides more details.

Measurement of loans

The Group makes impairment charges to account for any impairment of loans that occurs after initial recognition. Impairment charges consist of individual and collective charges and rely on a number of estimates, including identification of loans or portfolios of loans with objective evidence of impairment, expected future cash flows and the value of collateral. The Group determines the need for impairment charges on the basis of the customer's expected ability to repay debt. This ability depends on a number of factors, including the customer's earnings capacity and trends in general economic environment and unemployment. Expectations of deteriorating repayment ability reduce credit quality and lead to downgrading of the customer.

The losses incurred under non-performing loan agreements depend, among other factors, on the value of collateral received. If the value of collateral decreased 10%, individual impairment charges would increase by about DKK 2.8 billion (2014: DKK 2.9 billion). The collective impairment charges are sensitive to the credit rating of customers. If all customers were downgraded one rating category, collective impairment charges would increase by about DKK 3.0 billion (2014: DKK 3.9 billion). Further, a collective impairment charge of DKK 3.8 billion (2014: DKK 3.5 billion) has been recognised as a management judgement to reflect market conditions at the balance sheet date that are not fully reflected in the Group's models. Note 14 and the section on credit risk in the risk management notes provide more details on impairment charges for loans. At end-2015, loans accounted for about 55% of total assets (31 December 2014: 53%).

Notes – Danske Bank Group

(a) Significant accounting estimates continued

Measurement of goodwill

Goodwill on acquisition is tested for impairment once a year or more frequently if indications of impairment exist. Impairment testing requires management to estimate the future cash flows. A number of factors affect the value of such cash flows, including discount rates, changes in the economic outlook, customer behaviour and competition. The impairment test conducted in 2015 resulted in impairment charges on goodwill of DKK 4.1 billion (2014: DKK 9.1 billion) and on customer relations of DKK 0.5 billion (2014: DKK 0 billion) in the Group's banking units, mainly due to a further worsening of the long-term economic outlook and an increase in capital allocated to the banking units under the new capital allocation framework that will be implemented in the first quarter of 2016. At 31 December 2015, goodwill amounted to DKK 5.4 billion (31 December 2014: DKK 9.5 billion). Following the impairment charges made in 2015, no goodwill at the banking units remains. For Danske Capital, the carrying amount of goodwill is DKK 1.8 billion. The excess value (the amount by which the cash-generating unit's recoverable amount exceeds the carrying amount) in the impairment test 2015 for Danske Capital amounted to DKK 0.1 billion. If growth in the terminal period were lowered by 0.5 percentage points to 1.2%, or the discount rate were increased by 0.4 percentage points to 9.4%, the excess value would be zero. In 2014, as goodwill impairment charges were recognised against the Group's banking units, no excess value remained, and changes to the key assumptions applied in the test could cause further impairment, although the assumptions applied in the impairment test for 2014 included management judgements that, among others, reduced expectations for the interest level. Note 18 provides more information about impairment testing and sensitivity to changes in impairment test assumptions.

Measurement of liabilities under insurance contracts

Measurement of liabilities under insurance contracts is based on a number of actuarial computations that rely on assumptions about a number of variables, including mortality and disability rates. Assumptions of future mortality rates are based on the Danish FSA's benchmark, while other assumptions are based on data from the Group's own portfolio of insurance contracts. The liabilities also depend on the discount yield curve, which is fixed on the basis of a zero-coupon yield curve estimated on the basis of euro swap market rates to which is added the yield spread between Danish and German government bonds and a mortgage yield curve spread. Note 17 provides more information. The risk management notes contain a sensitivity analysis for life insurance. The Danish FSA's executive order on financial reports for insurance companies etc. has been changed. The changes must be implemented at 1 January 2016.Note 2(b) provides more information.

Recognition of deferred tax assets and liabilities

Recognition of deferred tax requires management to assess the probability and amount of future profit. Deferred tax assets arising from unused tax losses are recognised to the extent that such losses can be offset against tax on future profit. At end-2015 deferred tax assets from recognised tax loss carry-forwards amounted to DKK 0.3 billion (31 December 2014: DKK 0.5 billion). The tax base of unrecognised tax loss carry-forwards, relating primarily to the Group's banking operations in Ireland, amounted to DKK 3.2 billion (31 December 2014: DKK 3.5 billion). The full deferred tax liability arising from international joint taxation was recognised and amounted to DKK 5.9 billion (31 December 2014: DKK 6.4 billion). Note 20 provides more information about deferred tax.

Notes – Danske Bank Group

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

Financial instruments account for more than 94% of total assets and liabilities. A portion of financial assets relates to investments made under insurance contracts. The following sections provide a general description of the classification and measurement principles for financial instruments and obligations under insurance contracts.

Financial instruments – general

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

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

Financial instruments and obligations under insurance contracts, classification and measurement

	Fair value				Amortised cost			
	Directly through profit or loss							
(DKK billions)	Held-for-trading	Designated	Interest rate hedge*	Available-for-sale	Hold-to-maturity	Loans	Liabilities	Total
ASSETS								
Cash in hand and demand deposits with central banks	-	-	-	-	-	77	-	77
Due from credit institutions and central banks	-	-	-	-	-	104	-	104
Derivatives	314	-	17	-	-	-	-	331
Bonds	195	176	-	47	119	-	-	537
Shares	20	2	-	-	-	-	-	22
Loans at amortised cost	-	-	2	-	-	1,077	-	1,079
Loans at fair value	-	742	-	-	-	-	-	742
Assets under pooled schemes and unit-linked investment contracts	-	92	-	-	-	-	-	92
Assets under insurance contracts	-	240	-	-	-	-	-	240
Total financial assets, 2015	529	1,252	19	47	119	1,258	-	3,224
Total financial assets, 2014	723	1,227	21	59	105	1,237	-	3,372
LIABILITIES								
Due to credit institutions and central banks	-	-	-	-	-	-	272	272
Trading portfolio liabilities	468	-	3	-	-	-	-	471
Deposits	-	-	-	-	-	-	863	863
Bonds issued by Realkredit Danmark	-	695	-	-	-	-	-	695
Deposits under pooled schemes and unit-linked investment contracts	-	97	-	-	-	-	-	97
Liabilities under insurance contracts**	-	285	-	-	-	-	-	285
Other issued bonds	-	-	11	-	-	-	353	364
Subordinated debt	-	-	2	-	-	-	38	40
Loan commitments and guarantees	-	-	-	-	-	-	1	1
Total financial liabilities, 2015	468	1,077	16	-	-	-	1,527	3,088
Total financial liabilities, 2014	548	1,029	19	-	-	-	1,650	3,246

*The interest rate risk on fixed-rate financial assets and liabilities is hedged by derivatives (fair value hedging). The interest rate risk on fixed-rate bonds available for sale is also hedged by derivatives.

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

Notes – Danske Bank Group

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

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

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

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

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

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

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

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

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

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

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

Hedge accounting
The Group uses derivatives to hedge the interest rate risk on most fixed-rate assets and fixed-rate liabilities measured at amortised cost and available-for-sale financial assets. Hedged risks that meet the criteria for fair value hedge accounting are treated accordingly. The interest rate risk on the hedged assets and liabilities is measured at fair value through profit or loss. At end-2015, hedging derivatives measured at fair value accounted for about 0.1% of total assets and about 0.5% of total liabilities (31 December 2014: 0.6% and 0.2%, respectively).

Notes – Danske Bank Group

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

Insurance activities – general

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

Insurance contracts

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

IFRS 4, Insurance Contracts, includes an option to continue the accounting treatment of insurance contracts under local GAAP. The Group's life insurance provisions are therefore recognised at their present value in accordance with the Danish FSA's executive order on financial reports for insurance companies etc. The life insurance provisions are presented under Liabilities under insurance contracts.

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

Investment contracts

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

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

Assets funded by shareholders' equity

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

Income from insurance business

Insurance activities are consolidated in the various income statement items. Insurance premiums are recognised under Net premiums. Net insurance benefits in the income statement consists of benefits disbursed under insurance contracts and the annual change in insurance obligations not deriving from additional provisions for benefit guarantees. The return on earmarked assets is allocated to the relevant items in the income statement. The return to policyholders is recognised under Net trading income as are changes to additional provisions for benefit guarantees. Note 5 provides more information.

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

The risk allowance is determined in accordance with the Danish FSA's executive order on the contribution principle. If the technical basis for the conventional life insurance business for a given period is insufficient to allow booking of the risk allowance, the amount may be booked in later periods when the technical basis permits. Insurance contracts guarantee a certain long-term return on policyholders' funds. If the technical basis exceeds the interest accrual to policyholders and the risk allowance, the difference is allocated to the bonus potential. The bonus potential serves as a risk buffer. If the technical basis is insufficient to cover the interest accrual to policyholders, the shortfall is covered by the bonus potential. If the bonus potential is insufficient to cover the shortfall, the difference is paid by the Group. Similarly to the risk allowance, amounts paid by the Group are booked to the shadow account and may be recovered at a later date when the technical basis permits. However, as of 1 January 2016, a change of the executive order on the contribution principle implies that if the technical basis in a given year is insufficient to allow the booking of the risk allowance, the amount can no longer be recovered in later years. Under the transitional provisions, any unrecognised risk allowance amount at 31 December 2015 may be recovered over the next five years.

Notes – Danske Bank Group

(c) Financial highlights

The financial highlights shown in note 3 are used in the Management's report and represent the financial information regularly provided to management. The presentation in the financial highlights deviates from the presentation in the consolidated financial statements prepared under IFRS as follows:

Income contributed by Fixed Income, Currencies and Commodities (FICC) and trading income at Capital Markets (both part of C&I) is recognised as net interest income, net fee income, net trading income and other income in the consolidated income statement. Similarly, income at Group Treasury (part of Other Activities) is presented as net interest income, net trading income etc. in the consolidated income statement. As the distribution of income between the various income line items can vary considerably from year to year, depending on the underlying transactions and market conditions, income contributed by FICC, trading income at Capital Markets and income at Group Treasury (except income from the internal bank and the hold-to-maturity portfolio) are presented net in the financial highlights as net trading income.

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

The Non-core segment includes certain customer segments that are no longer considered part of the Group's core business. The profit or loss is therefore presented as a separate line item in the financial highlights Profit before tax, Non-core, whereas the individual income and expense items are included in the various line items in the consolidated income statements.

For operating leases, the gains or losses on the sale of lease assets at the end of the lease agreement are presented on a net basis under Other income in the financial highlights to better reflect the development in the cost base. In the consolidated income statement, gains or losses on the sale of operating lease assets, excluding properties, are recognised on a gross basis, i.e. the revenue on the sale of the assets are recognised under Other income and the carrying amount of the lease assets is recognised under Expenses.

Notes – Danske Bank Group

2. Changes and forthcoming changes to accounting policies and presentation

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

No new standards were applied during 2015. The Group applied the amendments to standards effective in the EU at 1 January 2015, i.e. the amendments to various standards included in the Annual Improvements to IFRS cycle 2011-2013. The application of these amendments had an insignificant effect on the financial statements.

Changes to the method of accounting for a pension scheme
The Group has a pension scheme for around 200 current and 1,100 former employees of Danske Bank held with Danica Pension. Danske Bank has guaranteed a real return on policyholders' savings. In continuation of a dialogue with the Danish FSA, Danica Pension changed the accounting treatment in the annual report 2014 from net presentation of the scheme and the financial guarantee to gross presentation with the financial guarantee recognised as an asset at an amount representing the expected payments. This change has reduced shareholders' equity at 1 January 2014 by DKK 839 million for Danske Bank Group. The end-2014 effect is an increase in insurance liabilities of DKK 1,037 million, a reduction of other liabilities of DKK 73 million, a reduction in tax liabilities of DKK 228 million and a reduction of shareholders' equity of DKK 736 million. The net profit for 2014 has been increased by DKK 103 million, comprising an increase in net trading income of DKK 134 million and a decrease in tax of DKK 31 million. The change increased earnings per share from DKK 3.6 to DKK 3.8 in 2014. The financial guarantee from Danske Bank to Danica Pension was settled in the third quarter of 2015. Danica Pension is thus now the only entity in the Group that is exposed to the risks related to the pension scheme. Further information on the changes to the method of the accounting for the pension scheme is available at danicapension.dk.

Changes to financial highlights and segment reporting
The liquidity portfolio was transferred from FICC at C&I to Group Treasury during the third quarter of 2014. At FICC, the cost of holding the liquidity portfolio was booked under net trading income. At Group Treasury, the cost has been borne by the internal bank and booked under net interest income from 1 January 2015 with restatement of the highlights for 2014. Further, the restatement covers a change in the disclosure of the internal bank result.

Brokerage and debt capital markets fees have so far been disclosed as net trading income. Income from these services is rightly net fee income and is disclosed as such from 1 January 2015.

We have decided to exit our personal banking operations in the Baltics. Consequently, Baltic personal banking customers have been transferred to the Non-core unit from 1 January 2015.

Comparative figures for 2014 have been restated, except for the transfer of the Baltic personal banking customers as the effect is immaterial.

The table below shows the effect on the highlights for 2014 from changes to the accounting for a pension scheme and from other changes to the financial highlights and segment reporting presented on the previous page.

Income statement (DKK millions)	Highlights 2014	Pension scheme	Internal Bank	Net fee income	Adjusted highlights 2014
Net interest income	23,107	-	-794	-	22,313
Net fee income	10,491	-	-	663	11,154
Net trading income	6,562	-	794	-663	6,693
Other income	1,344	-	-	-	1,344
Net income from insurance business	2,362	134	-	-	2,496
Total income	43,866	134	-	-	44,000
Operating expenses	22,641	-	-	-	22,641
Goodwill impairments	9,099	-	-	-	9,099
Profit before loan impairment charges	12,126	134	-	-	12,260
Loan impairment charges	2,788	-	-	-	2,788
Profit before tax, core	9,338	134	-	-	9,472
Profit before tax, Non-core	-1,503	-	-	-	-1,503
Profit before tax	7,835	134	-	-	7,969
Tax	3,989	31	-	-	4,020
Net profit for the period	**3,846**	**103**	**-**	**-**	**3,949**

Notes – Danske Bank Group

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

(b) Standards and interpretations not yet in force

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

IFRS 9, Financial Instruments

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

IFRS 9, which has not yet been adopted by the EU, is effective from 1 January 2018. The Group does not plan to adopt IFRS 9 before the effective date.

Classification and measurement

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

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

Provisioning for expected credit losses

Provisioning for expected credit losses on financial assets recognised at amortised cost in the income statement depends on whether the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly, the provision equals 12-month expected credit losses. If the credit risk has increased significantly, the provision equals the lifetime expected credit losses. Under IAS 39, only incurred credit losses are recognised.

Hedge accounting

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

Impact on the Group's financial statements

The Group is currently assessing the impact from IFRS 9 on the Group's financial statements. The implementation of the principles for classification and measurement in IFRS 9 is not expected to lead to significant reclassifications between fair value and amortised cost. The allowance account is expected to increase when provisions for expected credit losses on loans at amortised cost are to be recognised instead of provisions for incurred losses only. No firm decision has yet been taken on whether the Group should continue to apply the hedge accounting under IAS 39 (until the IASB's macro hedge accounting project is finalised) or not.

IFRS 9 introduces several new concepts etc., especially on the provisioning for expected credit losses. While it is the Group's ambition to leverage models from the IRB framework, these concepts require interpretation and internal model development. Further, it is expected that EBA will issue guidelines during 2016, and these guidelines may influence the Group's final choice of the definitions to be applied. During 2015, the Group started to analyse the changes that will have to be implemented to the Group's modelling framework and IT systems to cope with the provisioning for expected credit losses. The design of and changes to the Group's modelling framework and IT systems are expected to start in the first quarter of 2016 and stretch into 2017. It is not yet possible to give an estimate of the quantitative impact from the implementation of IFRS 9.

Notes – Danske Bank Group

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

IFRS 15, Revenue from Contracts with Customers

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

IFRS 15, which has not yet been adopted by the EU, is effective from 1 January 2018. Danske Bank is assessing the potential impact of the new standard on revenue recognition in the Group and the financial statements. It is not yet possible to give an estimate of the effect on the financial statements.

IFRS 16, Leases

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

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

Changes to the accounting for insurance activities

In July 2015, the Danish FSA issued changes to the executive order on financial reports for insurance companies etc. The changes were made to reflect the measurement of insurance liabilities under the Solvency II framework. The changes must be implemented at 1 January 2016. The implementation is expected to reduce shareholders' equity by around DKK 0.2 billion, and 2015 is expected to be restated in the interim report for the first quarter of 2016.

Forthcoming changes to financial highlights and segment reporting

As of 1 January 2016, Danske Bank in Northern Ireland will be disclosed as a separate business unit. In addition, a new wealth management business unit will be established and will be presented as a separate business unit in the financial reporting effective from the interim report for the first quarter of 2016. The Wealth Management unit will include Danica Pension, Danske Capital and parts of the private banking operations. Note 38 provides more information.

Notes – Danske Bank Group

3. Business model and business segmentation

Danske Bank is a Nordic universal bank with bridges to the rest of the world. The Group offers customers a wide range of services in the fields of banking, mortgage finance, insurance, pension, real-estate brokerage, asset management and trading in fixed income products, foreign exchange and equities.

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

Personal Banking serves personal and private banking customers. The unit focuses on providing proactive advice to customers and making day-to-day banking simple and efficient through innovative digital solutions.

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

Corporates & Institutions serves large Nordic corporate and institutional customers in the Nordic countries and beyond. This wholesale division of the bank provides strategic advice, financial solutions and products within Capital Markets, Fixed Income, Currencies and Commodities, and Transaction Banking.

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

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

Non-core includes certain customer segments that are no longer considered part of the core business. The Non-core unit is responsible for the controlled winding-up and divestment of this part of the loan portfolio. The portfolio consists of loans to customers in Ireland and liquidity back-up facilities for Special Purpose Vehicles (SPVs) and conduit structures. On 1 January 2015, all personal banking customers in the Baltics were transferred to the Non-core unit.

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

Accounting policy

Segment reporting complies with the significant accounting policies. The 'Reclassification' column shows adjustments made to the IFRS statements in the calculation of the financial highlights.

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

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

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

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

Notes – Danske Bank Group

3. Business model and business segmentation continued

(a) Business segments 2015

(DKK millions)	Personal Banking	Business Banking	C&I	Danske Capital	Danica Pension	Other Activities	Non-core	Eliminations	Total	Reclassification	Highlights
Net interest income	9,416	9,091	6,580	-7	4,422	3,506	291	35	33,333	-11,857	21,476
Net fee income	5,108	2,109	1,928	2,682	-1,114	-59	29	-4	10,679	1,443	12,122
Net trading income	724	665	1,360	-14	7,078	-2,682	12	-234	6,908	25	6,933
Other income	610	2,201	5	2	1,561	1,033	2	-138	5,275	-3,497	1,778
Net premiums	-	-	-	-	21,359	-	-	-	21,359	-21,359	-
Net insurance benefits	-	-	-	-	30,468	-	-	-	30,468	-30,468	-
Net income from insurance business	-	-	-	-	-	-	-	-	-	1,892	1,892
Total income	15,858	14,066	9,873	2,663	2,839	1,797	334	-343	47,086	-2,885	44,201
Operating expenses	10,389	6,817	4,412	1,014	947	990	406	-189	24,785	-2,958	21,827
Goodwill impairment charges	3,305	1,296	-	-	-	-	-	-	4,601	-	4,601
Profit before loan impairment charges	2,164	5,953	5,461	1,649	1,892	807	-72	-154	17,701	72	17,773
Loan impairment charges	332	-343	65	-	-	4	-118	-	-61	118	57
Profit before tax, core	1,832	6,296	5,396	1,649	1,892	802	46	-154	17,762	-46	17,716
Profit before tax, Non-core	-	-	-	-	-	-	-	-	-	46	46
Profit before tax	**1,832**	**6,296**	**5,396**	**1,649**	**1,892**	**802**	**46**	**-154**	**17,762**	**-**	**17,762**
								-			
Loans, excluding reverse transactions	801,462	645,758	170,021	258	-	22,224	23,844	-30,339	1,633,228	-23,844	1,609,384
Other assets	222,438	179,889	3,029,737	11,847	375,110	2,026,661	-10,318	-4,175,713	1,659,651	-392	1,659,259
Total assets in Non-core	-	-	-	-	-	-	-	-	-	24,236	24,236
Total assets	**1,023,900**	**825,647**	**3,199,758**	**12,105**	**375,110**	**2,048,885**	**13,526**	**-4,206,052**	**3,292,878**	**-**	**3,292,878**
Deposits, excluding repo deposits	346,920	256,279	213,532	228	-	9,684	3,735	-9,881	820,497	-3,735	816,762
Other liabilities	656,467	534,723	2,952,564	9,250	362,495	1,998,299	5,242	-4,196,171	2,322,869	-1,785	2,321,084
Allocated capital	20,513	34,645	33,661	2,628	12,615	40,902	4,549	-	149,513	-	149,513
Total liabilities in Non-core	-	-	-	-	-	-	-	-	-	5,520	5,520
Total liabilities and equity	**1,023,900**	**825,647**	**3,199,758**	**12,105**	**375,110**	**2,048,885**	**13,526**	**-4,206,052**	**3,292,878**	**-**	**3,292,878**
Profit before tax as % of allocated capital (avg.)	7.5	17.0	14.8	62.7	15.8	2.7	0.8	-	11.9		
Cost/income ratio before goodwill impairment charges (%)	65.5	48.5	44.7	38.1	33.3	55.1	121.3	-	52.6		
Full-time-equivalent staff, end of year	6,491	2,943	1,832	518	742	6,246	277	-	19,049		

Personal Banking customers in the Baltics were transferred to Non-core from 1 January 2015.

In the financial highlights, income contributed by FICC and trading income at Capital Markets (both part of C&I) is presented as Net trading income. Similarly, income at Group Treasury (part of Other Activities) is presented as Net trading income except for income at the internal bank and income on the hold-to-maturity portfolio. Income and expenses at Danica Pension are recognised as Net income from insurance business, and earnings from Non-core activities as Profit before tax, Non-core. For operating leases, the gains or losses on the sale of lease assets are presented on a net basis under Other income. The Reclassification column shows the adjustments made to the figures presented in the IFRS statements in the calculation of the Highlights.

Notes – Danske Bank Group

3. Business model and business segmentation continued

(a) Business segments 2014

(DKK millions)	Personal Banking	Business Banking	C&I	Danske Capital	Danica Pension	Other Activities	Non-core	Eliminations	Total	Reclassification	Highlights
Net interest income	10,764	8,978	7,966	2	4,824	1,756	187	130	34,607	-12,294	22,313
Net fee income	4,567	2,082	1,927	2,402	-1,091	-66	18	-25	9,814	1,340	11,154
Net trading income	723	637	-780	1	10,219	-623	3	-326	9,854	-3,162	6,693
Other income	632	1,884	8	-	1,787	369	1	-134	4,547	-3,203	1,344
Net premiums	-	-	-	-	20,631	-	-	-	20,631	-20,631	-
Net insurance benefits	-	-	-	-	33,024	-	-	-	33,024	-33,024	-
Net income from insurance business	-	-	-	-	-	-	-	-	-	2,496	2,496
Total income	16,686	13,581	9,121	2,405	3,347	1,435	209	-355	46,429	-2,429	44,000
Operating expenses	10,626	6,841	4,614	999	851	1,088	782	-159	25,642	-3,001	22,641
Goodwill impairment charges	5,539	3,559	-	-	-	-	-	-	9,099	-	9,099
Profit before loan impairment charges	521	3,181	4,507	1,406	2,496	345	-573	-196	11,688	572	12,260
Loan impairment charges	1,412	1,007	372	-	-	-	930	-	3,718	-930	2,788
Profit before tax, core	-891	2,174	4,135	1,406	2,496	345	-1,503	-196	7,969	1,503	9,472
Profit before tax, Non-core	-	-	-	-	-	-	-	-	-	-1,503	-1,503
Profit before tax	**-891**	**2,174**	**4,135**	**1,406**	**2,496**	**345**	**-1,503**	**-196**	**7,969**	**-**	**7,969**
Loans, excluding reverse transactions	786,395	612,479	169,611	340	-	24,633	29,609	-29,730	1,593,338	-29,609	1,563,729
Other assets	208,610	192,059	4,230,977	18,467	365,247	1,835,957	-4,881	-4,986,759	1,859,677	-2,720	1,856,957
Total assets in Non-core	-	-	-	-	-	-	-	-	-	32,329	32,329
Total assets	**995,005**	**804,538**	**4,400,588**	**18,807**	**365,247**	**1,860,591**	**24,728**	**-5,016,489**	**3,453,015**	**-**	**3,453,015**
Deposits, excluding repo deposits	329,463	259,770	174,221	132	-	9,778	4,331	-9,923	767,772	-4,331	763,441
Other liabilities	639,680	507,457	4,188,719	16,137	353,024	1,827,319	12,766	-5,006,566	2,538,535	-619	2,537,916
Allocated capital	25,862	37,311	37,648	2,538	12,223	23,494	7,631	-	146,708	-	146,708
Total liabilities in Non-core	-	-	-	-	-	-	-	-	-	4,950	4,950
Total liabilities and equity	**995,005**	**804,538**	**4,400,588**	**18,807**	**365,247**	**1,860,591**	**24,728**	**-5,016,489**	**3,453,015**	**-**	**3,453,015**
Profit before tax as % of allocated capital (avg.)	-2.8	5.2	10.9	54.8	20.8	2.9	-17.9	-	5.4		
Cost/income ratio before goodwill impairment charges (%)	63.7	50.4	50.6	41.5	25.4	75.6	-	-	55.2		
Full-time-equivalent staff, end of year	6,673	3,663	1,646	506	772	5,267	75		18,603		

Personal Banking and Business Banking customers in Ireland were transferred to Non-core with effect from 1 January 2014.

Notes – Danske Bank Group

3. Business model and business segmentation continued

Personal Banking by country, 2015

(DKK millions)	Denmark	Finland	Sweden	Norway	Northern Ireland	Other*	Total
Net interest income	5,968	877	640	1,173	714	44	9,416
Net fee income	3,271	921	349	165	243	159	5,108
Net trading income	598	39	22	-18	59	24	724
Other income	145	50	1	414	1	-1	610
Total income	9,982	1,887	1,012	1,734	1,017	226	15,858
Operating expenses	5,677	1,329	716	1,198	801	668	10,389
Goodwill impairment charges	-	3,155	-	-	150	-	3,305
Profit before loan impairment charges	4,305	-2,597	296	536	66	-442	2,164
Loan impairment charges	328	43	8	-4	-29	-14	332
Profit before tax	**3,977**	**-2,640**	**288**	**540**	**95**	**-428**	**1,832**
Loans, excluding reverse transactions	519,329	94,098	73,113	89,921	18,879	6,122	801,462
Deposits, excluding repo deposits	203,883	48,024	28,132	26,481	33,300	7,100	346,920
Net interest income as % p.a. of loans and deposits	0.83	0.62	0.63	1.01	1.37	0.33	0.82
Cost/income ratio before goodwill impairment charges (%)	56.9	70.4	70.8	69.1	78.8	-	65.5

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

Personal Banking by country, 2014

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

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

Notes – Danske Bank Group

3. Business model and business segmentation continued

Business Banking by country, 2015

(DKK millions)	Denmark	Finland	Sweden	Norway	Northern Ireland	Baltics	Other*	Total
Net interest income	4,708	789	1,683	962	782	292	-125	9,091
Net fee income	784	435	336	199	245	111	-1	2,109
Net trading income	336	44	111	68	59	48	-1	665
Other income	2,055	24	14	93	14	1	-	2,201
Total income	7,883	1,292	2,144	1,322	1,100	452	-127	14,066
Operating expenses	3,754	679	867	608	507	268	134	6,817
Goodwill impairment charges	-	1,296	-	-	-	-	-	1,296
Profit before loan impairment charges	4,129	-683	1,277	714	593	184	-261	5,953
Loan impairment charges	-300	135	112	292	-534	-49	1	-343
Profit before tax	**4,429**	**-818**	**1,165**	**422**	**1,127**	**233**	**-262**	**6,296**
Loans, excluding reverse transactions	371,489	50,820	122,230	58,580	30,600	12,026	13	645,758
Deposits, excluding repo deposits	84,569	44,434	42,298	39,566	30,316	15,096	-	256,279
Net interest income as % p.a. of loans and deposits	1.03	0.83	1.02	0.98	1.28	1.08	-	1.01
Cost/income ratio before goodwill impairment charges (%)	47.6	52.6	40.4	46.0	46.1	59.3	-	48.5

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

Business Banking by country, 2014

(DKK millions)	Denmark	Finland	Sweden	Norway	Northern Ireland	Baltics	Other*	Total
Net interest income	4,811	797	1,505	846	698	414	-93	8,978
Net fee income	733	421	318	194	223	194	-1	2,082
Net trading income	285	37	106	55	59	94	1	637
Other income	1,726	33	5	99	11	12	-3	1,884
Total income	7,555	1,288	1,934	1,194	991	714	-96	13,581
Operating expenses	3,486	730	875	617	544	465	123	6,841
Goodwill impairment charges	-	1,501	-	-	-	2,058	-	3,559
Profit before loan impairment charges	4,069	-943	1,059	577	447	-1,809	-219	3,181
Loan impairment charges	1,148	87	-3	99	-312	-12	-	1,007
Profit before tax	**2,921**	**-1,030**	**1,062**	**478**	**759**	**-1,797**	**-219**	**2,174**
Loans, excluding reverse transactions	360,690	47,017	106,367	52,035	27,603	18,823	-	612,535
Deposits, excluding repo deposits	82,769	45,726	40,454	39,519	26,242	25,060	-	259,770
Net interest income as % p.a. of loans and deposits	1.08	0.86	1.03	0.92	1.30	0.94	-	1.03
Cost/income ratio before goodwill impairment charges (%)	46.1	56.7	45.3	51.7	54.9	65.1	-	50.4

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

Notes – Danske Bank Group

3. Business model and business segmentation continued

(b) Total income broken down by type of product (DKK millions)	2015	2014
Business banking	12,188	12,224
Home finance and savings	11,385	10,464
Trading	7,366	6,426
Day-to-day banking	4,279	5,745
Wealth management	4,742	4,078
Leasing	2,805	3,041
Insurance	2,865	3,369
Other	1,457	1,081
Total	**47,087**	**46,428**

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

Danske Bank Group does not have any single customer that generates 10% or more of the Group's total income.

(c) Geographical segmentation

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

Total income from external customers (DKK millions)	2015	2014
Denmark	26,094	25,767
Finland	4,681	4,805
Sweden	6,392	6,132
Norway	5,127	4,935
Ireland	572	646
UK	2,831	2,629
Other	1,390	1,514
Total	**47,087**	**46,428**

Notes – Danske Bank Group

4. Activities by country

Under CRD IV, a financial institution must disclose, by country in which it operates through a subsidiary or a branch, information about income, number of employees, profit before tax, tax and public subsidies received. This information is not comparable to the geographical segmentation presented in note 3(c), in which segmentation is based on the customer's country of residence. The Group has not received any public subsidies that relate to the Group's activities as a financial institution. The goodwill impairment charge of DKK 4.1 billion is included in profit before tax in Denmark (2014: DKK9.1 billion).

2015	Income* (DKK millions)	Full-time-equivalent staff	Profit before tax (DKK millions)	Tax on profit (DKK millions)
Denmark	55,259	10,098	11,868	-2,508
Finland	6,226	2,021	-2,801	-199
Sweden	6,180	1,327	3,521	-731
Norway	7,522	1,379	2,138	-600
United Kingdom	2,826	1,384	1,553	-321
Ireland	528	56	930	37
Estonia	352	406	126	-226
Latvia	74	80	25	3
Lithuania	212	1,423	85	-18
Luxembourg	705	92	164	-48
Russia	144	47	49	-10
Germany	198	34	33	-5
Poland	93	41	49	-11
USA	189	24	23	5
India	-	637	-	-8
Total	**80,507**	**19,049**	**17,762**	**-4,639**

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

2014	Income* (DKK millions)	Full-time-equivalent staff	Profit before tax (DKK millions)	Tax on profit (DKK millions)
Denmark	54,872	10,567	8,296	-1,925
Finland	6,557	2,092	-3,236	-294
Sweden	9,651	1,277	3,490	-749
Norway	9,607	1,281	2,511	-637
United Kingdom	2,659	1,420	-914	-265
Ireland	703	101	-742	0
Estonia	400	489	-1,841	-61
Latvia	78	85	-18	14
Lithuania	247	994	66	-7
Luxembourg	746	92	128	-36
Russia	113	46	39	-8
Germany	256	32	110	-31
Poland	99	45	48	-9
USA	96	23	32	-9
India	-	59	-	-2
Total	**86,082**	**18,603**	**7,969**	**-4,020**

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

Notes – Danske Bank Group

4. Activities by country continued

Danske Bank carries out its activities in the countries listed below under a variety of names, of which the main ones are: Danske Bank (banking, trading and wealth management activities carried out in all countries, except for mortgage finance activities in Denmark, which are carried out under the Realkredit Danmark A/S name, Danica Pension (life insurance), and Danske Leasing A/S (leasing). Note 35 discloses the company names of the Group's significant subsidiaries.

Activities in the individual countries

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

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

Notes – Danske Bank Group

5. Net interest and net trading income

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

Accounting policy

Interest income and expenses

Interest income and expenses arising from interest-bearing financial instruments measured at amortised cost are recognised according to the effective interest rate method on the basis of the cost of the individual financial instrument. Interest includes amortised amounts of fees that are an integral part of the effective yield on a financial instrument, such as origination fees, and amortised differences between cost and redemption price, if any. Interest on loans subject to individual impairment is recognised on the basis of the impaired value. The interest rate risk on most financial portfolios recognised at amortised cost is hedged by derivatives using fair value hedge accounting. Note 13 provides more information on hedge accounting.

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

Net trading income

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

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

Notes – Danske Bank Group

5. Net interest and net trading income continued

2015 (DKK millions)	Interest income	Interest expense	Net interest income	Net trading income	Total
Financial portfolios at amortised cost					
Due from/to credit institutions and central banks	-121	706	-827	-8	-835
Repo and reverse transactions	-508	-392	-116	-	-116
Loans and deposits	22,183	2,592	19,591	-500	19,091
Hold-to-maturity investments	1,745	-	1,745	-	1,745
Other issued bonds	-	6,078	-6,078	3,192	-2,886
Subordinated debt	-	1,714	-1,714	526	-1,188
Other financial instruments	301	1,395	-1,094	-	-1,094
Total	**23,600**	**12,093**	**11,507**	**3,210**	**14,717**
Financial portfolios at fair value					
Loans at fair value and bonds issued by Realkredit Danmark	20,653	14,240	6,413	-	6,413
Trading portfolio and investment securities	11,923	-	11,923	-6,353	5,570
Assets and deposits under pooled schemes and unit-linked investment contracts	-	-	-	-146	-146
Assets and liabilities under insurance contracts	3,490	-	3,490	10,196	13,686
Total	**36,066**	**14,240**	**21,826**	**3,697**	**25,523**
Total net interest and net trading income	**59,666**	**26,333**	**33,333**	**6,908**	**40,240**

2014 (DKK millions)	Interest income	Interest expense	Net interest income	Net trading income	Total
Financial portfolios at amortised cost					
Due from/to credit institutions and central banks	179	412	-233	1	-232
Repo and reverse transactions	1,271	1,331	-60	-	-60
Loans and deposits	25,654	5,009	20,645	1,098	21,743
Hold-to-maturity investments	1,266	-	1,266	-	1,266
Other issued bonds	-	6,856	-6,856	-4,620	-11,476
Subordinated debt	-	2,512	-2,512	-1	-2,513
Other financial instruments	156	620	-464	-	-464
Total	**28,526**	**16,740**	**11,786**	**-3,522**	**8,264**
Financial portfolios at fair value					
Loans at fair value and bonds issued by Realkredit Danmark	22,584	15,604	6,980	-	6,980
Trading portfolio and investment securities	11,944	-	11,944	3,386	15,330
Assets and deposits under pooled schemes and unit-linked investment contracts	-	-	-	-210	-210
Assets and liabilities under insurance contracts	3,897	-	3,897	10,199	14,096
Total	**38,425**	**15,604**	**22,821**	**13,375**	**36,196**
Total net interest and net trading income	**66,951**	**32,344**	**34,607**	**9,854**	**44,460**

For 2015, negative interest income amounted to DKK 774 million (of which DKK 488 million relates to due from credit institutions and central banks and DKK 286 million relates to loans) and negative interest expenses to DKK 388 million (of which DKK 97 million relates to due to credit institutions and central banks and DKK 291 million relates to deposits). For 2014, negative interest income and expenses were negligible. The amounts are offset against interest income and interest expenses, respectively.

Changes to the hedged interest rate risk are recognised under net trading income and shown under the hedged balance sheet items in the table above, whereas value adjustments of hedging derivatives are recognised under net trading income under the trading portfolio. Net trading income includes dividends from shares of DKK 3,124 million (2014: DKK 3,423 million) and foreign exchange adjustments of DKK 1,487 million (2014: DKK 1,802 million).

Net trading income from insurance contracts includes the return on assets of DKK 8,498 million (2014: DKK 29,064 million), adjustment of additional provisions of DKK 3,942 million (2014: DKK -13,117 million), adjustment of the collective bonus potential of DKK -1,627 million (2014: DKK 1,487 million) and tax on pension returns of DKK -617 million (2014: DKK -4,261 million).

Interest on financial assets subject to individual impairment is recognised on the basis of the impaired value and amounted to DKK 1,291 million (2014: DKK 1,714 million).

Notes – Danske Bank Group

6. Fee income and expenses

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

Accounting policy

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

(a) Fee income (DKK millions)	2015	2014
Financing (loans and guarantees)	2,363	2,025
Investment (securities trading and advisory services)	2,551	2,549
Services (insurance and foreign exchange trading)	65	59
Fees generated by activities	**4,979**	**4,633**
Financing (guarantees)	659	639
Investment (asset management and custody services)	6,280	5,282
Services (payment services and cards)	3,648	4,032
Fees generated by portfolios	**10,587**	**9,953**
Total	**15,566**	**14,585**

(b) Fee expenses (DKK millions)	2015	2014
Financing (property valuation)	243	69
Investment (securities trading and advisory services)	833	1,275
Services (referrals)	68	69
Fees generated by activities	**1,144**	**1,413**
Financing (guarantees)	15	14
Investment (asset management and custody services)	1,364	1,246
Services (payment services and cards)	2,364	2,098
Fees generated by portfolios	**3,743**	**3,358**
Total	**4,887**	**4,771**

Fees for financial instruments not recognised at fair value, such as loans and issued bonds, are recognised as financing fee income or expenses. Such income amounted to DKK 2,520 million (2014: DKK 2,208 million), whereas expenses amounted to DKK 15 million (2014: DKK 14 million).

Notes – Danske Bank Group

7. Other income

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

Accounting policy

Income from lease assets and investment property

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

Income from real-estate brokerage

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

Income from associates

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

Other income (DKK millions)	2015	2014
Income from lease assets and investment property	2,876	2,540
Income from real-estate brokerage	587	596
Income from associates	491	107
Other income	1,321	1,303
Total	**5,275**	**4,546**

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

Other income includes a gain of DKK 0.3 billion on the sale of domicile properties.

Notes – Danske Bank Group

8. Insurance contracts

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

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

Accounting policy

Net premiums

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

Net insurance benefits

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

(a) Net premiums (DKK millions)	2015	2014
Regular premiums, life insurance	1,382	3,866
Single premiums, life insurance	232	416
Regular premiums, unit-linked products	8,962	8,452
Single premiums, unit-linked products	9,611	6,696
Premiums, health and accident insurance	1,266	1,263
Reinsurance premiums paid	-108	-102
Change in unearned premiums provisions	14	41
Total	**21,359**	**20,631**

(b) Net insurance benefits (DKK millions)	2015	2014
Benefits paid	24,691	23,989
Reinsurers' share received	-114	-191
Claims and bonuses paid	1,483	1,441
Change in outstanding claims provisions	-35	140
Change in life insurance provisions	-9,438	-8,930
Change in provisions for unit-linked contracts	13,881	16,576
Total	**30,468**	**33,024**

(c) Further explanation

Insurance premiums received are carried under Net premiums, whereas benefits paid and changes to insurance obligations, including an increase in provisions due to premiums received during the year, are carried under Net insurance benefits. Net premiums and insurance benefits do not include the entire income stream related to insurance contracts. Changes to provisions caused by fair value adjustment of expected payments are carried under Net trading income. The return on assets earmarked for insurance contracts is carried under Net interest income and Net trading income. The net interest income and trading income disclosed in note 5 contains DKK 13,689 million relating to insurance contracts (2014: DKK 13,962 million). DKK 2,294 million (2014: DKK -717 million) relate to net interest income on deposits and own issued bonds and fair value adjustments that are eliminated in the consolidated financial statements. Note 3 shows the effect on profit or loss of insurance activities (including from investment contracts) at Danica Pension.

Notes – Danske Bank Group

9. Operating expenses

Operating expenses includes staff costs, administrative expenses, depreciation, amortisation and impairment charges on tangible and intangible assets. However the impairment charge on goodwill and customer relations of DKK 4,601 million recognised in the fourth quarter of 2015 is, presented as a separate line item in the income statement. Note 18 provides more information about the impairment on goodwill and customer relations.

Accounting policy

Staff costs

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

Share-based payment

Part of the performance-based remuneration for the year is paid in the form of conditional shares. Rights to conditional shares vest up to four years after the grant date, provided that the employee, with the exception of retirement, has not resigned from the Group. In addition to this requirement, the vesting of rights is conditional on certain targets being met. Until 2008, part of the performance-based remuneration was paid in equity-settled options. The share options could be exercised within three to seven years after the grant date and were conditional on the employee's not having resigned. By the end of 2015, no share options were outstanding. The fair value of share-based payments at the grant date is expensed over the vesting period with the intrinsic value expensed in the year in which the share-based payments are earned, and the time value (if any) accrued over the remaining service period. Expenses are set off against shareholders' equity. Subsequent fair value adjustments are not recognised in the income statement.

Pension obligations

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

Amortisation, depreciation and impairment charges

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

(a) Staff costs, administrative expenses, depreciations and impairment charges (DKK millions)	2015	2014
Staff costs	13,938	14,192
Administrative expenses	8,177	8,839
Amortisation/depreciation of intangible and tangible assets	2,782	2,542
Impairment charges for intangible and tangible assets before goodwill impairment charges	-112	70
Total	**24,785**	**25,642**

Administrative expenses includes a preliminary contribution for 2015 to the new Danish resolution fund of DKK 194 million.

Staff costs	2015	2014
Salaries	10,222	10,448
Share-based payments	190	123
Pension, defined contribution plans	1,218	1,279
Pension, defined benefit plans	198	174
Severance payments	589	640
Financial services employer tax and social security costs	1,520	1,529
Total	**13,938**	**14,192**

Remuneration Report 2015, which is available at **www.danskebank.com/remuneration,** provides a detailed description of remuneration paid.

Total salary costs amounted to DKK 12.4 billion (2014: DKK 12.6 billion), with variable remuneration accounting for 6.3% of this amount (2014: 6.5%).
Note 33 provides more information on share-based payments.

Notes – Danske Bank Group

9. Operating expenses continued

(b) Pension plans

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

The present value of obligations under defined benefit plans less the fair value of pension assets is recognised for each plan under Other assets and Other liabilities. At 31 December 2015, the net present value of pension obligations was DKK 16,934 million (31 December 2014: DKK 18,121 million), and the fair value of plan assets was DKK 19,040 million (31 December 2014: DKK 19,533 million). The Group recognises the standard cost in the income statement, whereas actuarial gains or losses are recognised in Other comprehensive income.

The calculation of the net obligation is based on valuations made by external actuaries. These valuations rely on assumptions about a number of variables, including discount and mortality rates and salary increases. Pension asset ceiling constraints also apply when recognising the ultimate cost for the pension plans. Following a review of such constraints, the recognised net pension asset for the Group has been reduced by DKK 0.9 billion in 2014, based on management's best estimate of future economic benefits available. The measurement of the net obligation is particularly sensitive to changes in the discount rate. The discount rate is determined by reference to yields on high-quality corporate bonds with terms matching the terms of the pension obligations. If the discount rate were lowered half a percentage point, the gross pension obligation would increase DKK 1.5 billion (2014: DKK 1.6 billion). The amount would be recognised in Other comprehensive income.

Notes – Danske Bank Group

10. Audit fees

Audit fees (DKK millions)	2015	2014
Audit firms appointed by the general meeting		
Fees for statutory audit of the consolidated and parent company financial statements	16	4
Fees for other assurance engagements	4	1
Fees for tax advisory services	1	3
Fees for other services	14	1
Total	**35**	**9**
Other audit firms		
Fees for statutory audit of the consolidated and parent company financial statements	1	6
Fees for other assurance engagements	-	1
Fees for tax advisory services	-	1
Fees for other services	-	1
Total	**1**	**9**
Total audit fees	**36**	**18**

At the general meeting in 2015, Deloitte Statsautoriseret Revisionspartnerskab was appointed as external auditors and replaced Ernst & Young P/S. From 2015, the external auditors conduct the financial audit that was previously conducted by the internal audit department. Costs for the internal audit department are recognised under Operating expenses.

11. Loan impairment charges

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

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

Accounting policy

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

Loan impairment charges (DKK millions)	2015	2014
Due from credit institutions and central banks	-13	5
Loans at amortised cost	-435	2,516
Loans at fair value	432	1,262
Loan commitments and guarantees etc.	-47	-65
Total	**-61**	**3,718**
New and increased impairment charges	7,601	12,226
Reversals of impairment charges	7,224	9,300
Write-offs charged directly to income statement	835	2,198
Received on claims previously written off	980	966
Interest income, effective interest method	-294	-439
Total	**-61**	**3,718**

Notes – Danske Bank Group

12. Trading portfolio assets and liabilities

Trading portfolio assets comprise the equities and bonds held by the Group's trading departments at C&I and all derivatives with positive fair value. Trading portfolio liabilities consist of derivatives with negative fair value and obligations to deliver securities (obligati ons to repurchase securities).

Accounting policy

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

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

(a) Trading portfolio assets (DKK millions)	2015	2014
Derivatives with positive fair value	331,015	409,442
Listed bonds	193,421	324,573
Unlisted bonds	1,776	524
Listed shares	19,955	7,442
Unlisted shares	852	532
Total	**547,019**	**742,513**

(b)Trading portfolio liabilities (DKK millions)	2015	2014
Derivatives with negative fair value	320,270	389,746
Obligations to repurchase securities	150,861	160,883
Total	**471,131**	**550,629**

Notes – Danske Bank Group

12. Trading portfolio assets and liabilities continued

(c) Explanation of derivatives

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

- swaps
- forwards and futures
- options

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

The Group trades derivatives as part of servicing customers needs as individual transactions or as integral parts of other services, such as the issuance of bonds with yields that depend on developments in equity or currency indices. The Group also uses derivatives to manage the Group's own exposure to foreign exchange, interest rate, equity market and credit risks. The risk management notes provide additional information about the Group's risk management policy. C&I is responsible for the day-to-day management and hedging of the Group's market risks.

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

Derivatives	2015			2014		
(DKK millions)	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
Currency contracts						
Forwards and swaps	6,253,003	95,703	108,353	5,635,024	122,751	131,298
Options	118,115	732	629	185,794	1,890	1,883
Interest rate contracts						
Forwards/swaps/FRAs	11,620,672	175,946	168,885	12,938,852	218,279	209,161
Options	2,085,985	33,336	29,845	1,997,406	42,277	37,472
Equity contracts						
Forwards	126,037	1,295	1,476	92,692	1,262	1,303
Options	177,889	3,769	3,980	103,178	2,026	2,204
Other contracts						
Commodity contracts	23,897	3,211	3,230	27,556	2,545	2,661
Credit derivatives bought	20,948	195	584	9,889	95	542
Credit derivatives sold	9,087	239	152	7,707	353	83
Total derivatives held for trading purposes		**314,425**	**317,134**		**391,478**	**386,607**
Hedging derivatives						
Currency contracts	72,589	390	63	106,459	867	10
Interest rate contracts	441,698	16,198	3,074	497,087	17,099	3,128
Total derivatives		**331,013**	**320,270**		**409,442**	**389,746**

Notional amounts and positive and negative fair values of derivatives are offset if certain criteria are fulfilled. Note 29 provides more information. The increase in credit derivatives bought reflects the hedging of the counterparty credit risk (CVA) on derivatives.

Notes – Danske Bank Group

12. Trading portfolio assets and liabilities continued

(d) Explanation of hedge accounting

Hedge of interest rate risk

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

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

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

At the end of 2015, the carrying amounts of effectively hedged fixed-rate financial assets and liabilities were DKK 60,744 million (31 December 2014: DKK 60,260 million) and DKK 428,900 million (31 December 2014: DKK 502,402 million), respectively. The table below shows the value adjustments of these assets and liabilities and the hedging derivatives. The value adjustments have been recognised in the income statement as Net trading income.

Effect of interest rate hedging on profit (DKK millions)	2015	2014
Effect of fixed-rate asset hedging on profit		
Hedged amounts due from credit institutions	2	5
Hedged loans	-529	1,163
Hedged bonds available for sale	-23	460
Hedging derivatives	556	-1,624
Total	**6**	**4**
Effect of fixed-rate liability hedging on profit		
Hedged amounts due to credit institutions	-10	-4
Hedged deposits	29	-65
Hedged issued bonds	3,192	-4,620
Hedged subordinated debt	526	-1
Hedging derivatives	-3,735	4,700
Total	**2**	**10**

Hedge of foreign exchange risk of net investments in foreign entities

The Group hedges the foreign exchange risk of net investments in branches and subsidiaries outside Denmark by establishing financing arrangements in the matching currencies. The Group does not hedge the expected financial results of units outside Denmark or other future transactions. The foreign exchange adjustments of the investments are recognised in Other comprehensive income together with the foreign exchange adjustments of the financing arrangements designated as hedging of exchange rate fluctuations. The statement of comprehensive income shows the translation amounts. At the end of 2015, the carrying amount of financing arrangements in foreign currency used to hedge net investments in units outside Denmark amounted to DKK 40,344 million (31 December 2014: DKK 42,884 million).

Notes – Danske Bank Group

13. Investment securities

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

Investment securities includes the liquidity portfolio managed by Group Treasury. The liquidity portfolio is recognised at fair value through the use of the fair value option or is part of the hold-to-maturity portfolio. The Group has an available-for-sale bond portfolio. This portfolio was reclassified from the held-for-trading category in 2008 when the IASB changed the reclassification provisions of IAS 39 in response to the significant distortion of the pricing of bonds at the time.

Accounting policy

Financial assets designated at fair value

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

Available-for-sale financial assets

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

Hold-to-maturity financial assets

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

(a) Investment securities (DKK millions)	2015	2014
Financial assets at fair value through profit or loss		
Listed bonds	175,660	165,746
Unlisted bonds	25	25
Listed shares	105	53
Unlisted shares	1,542	1,772
Total financial assets designated at fair value through profit or loss	**177,332**	**167,596**
Available-for-sale financial assets		
Listed bonds	46,770	58,543
Total available-for-sale financial assets	**46,770**	**58,543**
Total at fair value	**224,102**	**226,139**
Hold-to-maturity financial assets		
Listed bonds	119,202	104,855
Unlisted bonds	-	-
Total investment securities	**343,304**	**330,994**

Notes – Danske Bank Group

13. Investment securities continued

(b) Further explanation

Financial assets designated at fair value through profit or loss

During 2014, the Group transferred the responsibility for the liquidity portfolio from FICC at C&I to Group Treasury. The liquidity portfolio is incorporated in the balance sheet management to optimise the balance sheet composition. The portfolio comprises primarily Danish mortgage bonds.

Available-for-sale financial assets

Part of the bond portfolio that was reclassified in 2008 from the trading portfolio to the available-for-sale portfolio due to significant distortion of the pricing of bonds has subsequently matured or been sold. For the part of the portfolio sold in 2015, the Group realised value adjustments of DKK 68 million (2014: DKK 37 million) that were reclassified from Other comprehensive income to the income statement. The portfolio comprises primarily Danish mortgage bonds and foreign covered bonds. Some 99% of the portfolio is rated AA or higher (2014: 97%), while the remaining portfolio has investment grade ratings.

In 2015, the Group recognised unrealised value adjustments of the reclassified bonds in the amount of DKK -72 million in the income statement, corresponding to the part of the interest rate risk that is hedged by derivatives (2014: DKK 460 million). The Group also recognised unrealised value adjustments of DKK -17 million (2014: DKK 283 million) in Other comprehensive income that would have been recognised in the income statement if reclassification had not taken place. The Group recognised interest income of DKK 368 million (2014: DKK 695 million) on the reclassified bonds.

Hold-to-maturity financial assets

Hold-to-maturity financial assets consists of bonds with quoted prices in an active market held for the purpose of generating a return until maturity.

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

Notes – Danske Bank Group

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

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

Accounting policy

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

Impairment

For significant loans for which default or other objective evidence of impairment exists, the Group determines the impairment charge individually. The impairment charge equals the difference between the carrying amount of the loan and the present value of the most likely future cash flows from the loan and is assessed by credit officers.

For non-significant loans for which default or other objective evidence of impairment is identified, the Group calculates the individual impairment charge statistically. Loans for which objective evidence of impairment has not been identified are included in an assessment of collective impairment at portfolio level. For individual impairment charges calculated statistically and for collectively assessed loans, the impairment charges are calculated as the difference between the carrying amount of the loans in a portfolio and the present value of expected future cash flows.

(a) Due from credit institutions and central banks (DKK millions)	2015	2014
Reverse transactions	28,614	48,922
Other amounts due	75,251	63,929
Allowance account	7	91
Total	**103,859**	**112,760**

Due from credit institutions and central banks includes amounts due within three months totalled DKK 101,998 million at the end of 2015 (31 December 2014: DKK 109,667 million). This amount is included as Cash and cash equivalents in the Cash flow statement.

(b) Loans at amortised cost (DKK millions)	2015	2014
Reverse transactions	187,689	241,173
Other loans	917,929	887,370
Allowance account	26,361	35,641
Total	**1,079,257**	**1,092,902**

Loans included payments due under finance leases of DKK 24,877 million at the end of 2015 (31 December 2014: DKK 24,960 million). The section on credit risk in the risk management notes provides information about the allowance account, including the reconciliation of changes in the allowance account during the year.

(c) Further explanation

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

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

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

Significant loans and amounts due are tested individually for impairment quarterly and the impairment charge is calculated individually. This is the case for around 50% of the exposure subject to objective evidence of impairment.

Notes – Danske Bank Group

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

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

The customer's debt is written down to the amount that the borrower is expected to be able to repay after financial restructuring. If financial restructuring is not possible, the debt is written down to the estimated recoverable amount in the event of bankruptcy, which depends, among other factors, on the value of the collateral received by the Group. If the borrower's ability to repay depends significantly on the assets that have been provided as collateral (asset financing), the customer's debt is written down to the fair value of the collateral. The impairment charges are therefore sensitive to changes to the estimated value of collateral received. If the value of collateral decreased 10%, individual impairment charges would increase by about DKK 2.5 billion (2014: DKK 2.4 billion).

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

Collective impairment charges are calculated for loans with similar credit risk characteristics to recognise the losses that occur when the expected cash flow from a group of customers deteriorates, i.e. when an increase in credit risk is not accompanied by adjustments to the interest rate charged to the customer to reflect the increase in credit risk. A charge is therefore recognised for customers that have been downgraded without changes being made to the credit margin. Charges are based on expectations of future changes in customers' rating classifications (which is called "migration") over time, represented by the emergence period. If all customers were downgraded one rating category, the collective impairment charge would increase about DKK 2.7 billion (2014: DKK 3.2 billion). The emergence period is assumed to be two years. If the emergence period is increased to three years, the collective impairment charge would increase DKK 0.3 billion.

When external market information indicates that an impairment event has occurred, even though it has not yet caused a change in rating, the Group registers an "early event" impairment charge. Early events represent an expected rating change because of deteriorating market conditions in an industry. If a rating downgrade does not occur as expected, the charge is reversed. A management judgement is therefore applied to adjust the collective impairment charge if the Group becomes aware of market conditions at the balance sheet date that are not fully reflected in the Group's models. By the end of 2015, such collective impairment charges amounted to DKK 3.8 billion (2014: DKK 3.5 billion).

Collective impairment charges are calculated as the difference between the carrying amount of the loans in the portfolio and the present value of expected future cash flows. The cash flows used to determine the present value of future cash flows are specified by means of parameters used for solvency calculations and historical loss data adjusted for use in the financial statements, for example. The adjustment reflects the loss identification period shown by the Group's empirical data. This period is the period from the first significant downgrade to the determination of a loss at customer level.

Impairment charges for loans and guarantees are booked in an allowance account and set off against loans or recognised as provisions for guarantees. Impairment charges for loans are recorded under Loan impairment charges in the income statement. If subsequent events show that impairment is not permanent, charges are reversed.

Loans that are considered uncollectible are written off. Write-offs are debited to the allowance account. Loans are written off once the usual collection procedure has been completed and the loss on the individual loan can be calculated. If the full loss is not expected to be realised until after a number of years, for example in the event of administration of complex estates, a partial write-off is recognised, reflecting the Group's claim less collateral, estimated dividend and other cash flows.

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

d) Reconciliation of total allowance account

The total allowance account below relates to the Due from credit institutions and central banks, Loans at amortised cost, Loans at fair value, and Loan commitments and guarantees balance sheet items.

(DKK millions)	2015	2014
Balance at 1 January	40,947	46,900
New and increased impairment charges	7,601	12,226
Reversals of impairment charges	7,224	9,300
Write-offs debited to the allowance account	9,716	7,322
Foreign currency translation	580	514
Other items*	-775	-2,070
Balance at 31 December	**31,412**	**40,947**

*Other items include changes from the presentation of some loan portfolios as held for sale in 2014 and 2015. Note 22, Other assets, provides more information.

Notes – Danske Bank Group

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

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

Accounting policy

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

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

Changes in fair value of credit risk

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

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

(a) Loans at fair value (DKK millions)	2015	2014
Nominal value	737,027	723,273
Fair value adjustment of underlying bonds	9,013	22,984
Adjustment for credit risk	4,380	4,648
Total	**741,660**	**741,609**

(b) Bonds issued by Realkredit Danmark (DKK millions)	2015	2014
Nominal value	841,264	852,614
Fair value adjustment of funding of current loans	10,140	25,274
Holding of own mortgage bonds	156,885	221,923
Total	**694,519**	**655,965**

(c) Further explanation

Measurement of loans at fair value is based on the quoted price of the underlying Realkredit Danmark bonds that borrowers use to repay the loans. Changes in the market value of the bonds will therefore result in a corresponding change in the value of loans, and profit or loss will therefore not be affected by current market value changes in respect of the interest rate and the credit risk on the issued bonds. The value of the loans is affected by changes in the credit risk on the loans. In 2015, the Group reversed DKK 172 million regarding changes in the credit risk on loans at fair value (2014: expensed DKK 656 million). At the end of 2015, the accumulated changes in the credit risk amounted to DKK 4,380 million (31 December 2014: DKK 4,648 million).

The holding of own mortgage bonds includes pre-issued bonds of DKK 68 billion (2014: DKK 73 billion) used for FlexLån® refinancing in January 2016 and bonds of DKK 31 billion (2014: DKK 26 billion) that relates to investments under insurance contracts, pooled schemes and unit-linked investment contracts where most of the risk is assumed by customers and most of the return on the assets accrues to customers.
The nominal value of bonds issued by Realkredit Danmark equals the amount to be redeemed on maturity.

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

Notes – Danske Bank Group

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

In 2015, the Danish mortgage bond yield spread widened, and the fair value of issued mortgage bonds thus decreased about DKK 3.9 billion. In 2014, a spread narrowing caused a fair value increase of about DKK 2.5 billion. In comparison with the fair value measured at the time of issue of the bonds, the fair value had decreased about DKK 5 billion at the end of 2015 (31 December 2014: increase of about DKK 5 billion). Net profit and equity remain unaffected because the spread widening decreased the fair value of mortgage loans correspondingly.

Fair value adjustment for the credit risk on issued mortgage bonds may also be calculated on the basis of changes in similar AAA-rated mortgage bonds offered by other Danish issuers. The market for such bonds is characterised by an absence of measurable price differences between bonds with similar characteristics from different issuers. Using this method, no fair value adjustment for credit risk in 2015 or the period since issuance has been required.

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

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

Accounting policy

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

	Pooled schemes		Unit-linked contracts		Total	
(DKK millions)	2015	2014	2015	2014	2015	2014
(a) Assets						
Bonds	18,352	18,130	-	-	18,352	18,130
Shares	10,612	12,287	-	-	10,612	12,287
Unit trust certificates	22,165	17,245	45,811	38,027	67,976	55,272
Cash deposits	18	745	-	-	18	745
Total	51,147	48,407	45,811	38,027	96,958	86,434
including						
own bonds	3,852	4,500	219	316	4,071	4,816
own shares	458	364	20	38	478	402
other intra-group balances	31	723	485	345	516	1,068
Total assets recognised in balance sheet	**46,806**	**42,820**	**45,087**	**37,328**	**91,893**	**80,148**
(b) Deposits	**51,147**	**48,407**	**45,811**	**38,026**	**96,958**	**86,433**

Notes – Danske Bank Group

17. Assets and liabilities under insurance contracts

Assets under insurance contracts comprise assets earmarked for policyholders because most of the return accrues to policyholders. As the assets can be used only for payment of insurance liabilities, they are presented as a single line in the balance sheet. Liabilities under insurance contracts comprise primarily life insurance provisions and obligations for guaranteed benefits under unit-linked insurance contracts. Assets include shares and bonds issued by the Group. The holding of those assets are deducted from equity or eliminated. Consequently, the value of Liabilities under insurance contracts exceeds Assets under insurance contracts.

Accounting policy

Assets include financial assets, investment property, tangible assets and associates. The valuation technique used matches the Group's accounting policy for similar assets with the exception of holdings in associates. Such holdings are treated as held by a venture capital organisation and measured at fair value.

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

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

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

(a) Assets under insurance contracts (DKK millions)	2015	2014
Due from credit institutions	1,635	8,100
Investment securities	268,042	263,726
Holdings in associates	1,059	870
Investment property	23,895	20,386
Tangible assets	415	410
Reinsurers' share of provisions	145	2,283
Other assets	3,377	3,555
Total	298,568	299,330
including		
own bonds	21,608	21,174
own shares	287	408
other intra-group balances	11,101	9,298
Total assets	**265,572**	**268,450**

Investment securities under insurance contracts (DKK millions)	2015	2014
Listed bonds	109,448	121,284
Listed shares	11,644	11,515
Unlisted shares	16,140	12,429
Unit trust certificates	114,062	99,102
Other securities	16,748	19,396
Total	**268,042**	**263,726**

Notes – Danske Bank Group

17. Assets and liabilities under insurance contracts continued

(b) Liabilities under insurance contracts (DKK millions)	2015	2014
Life insurance provisions	146,752	166,047
Provisions for unit-linked insurance contracts	114,817	99,370
Collective bonus potential	3,583	2,450
Other technical provisions	9,874	9,940
Total provisions for insurance contracts	275,026	277,807
Other liabilities	22,383	21,153
Intra-group balances	-12,379	-10,608
Total	**285,030**	**288,352**

Provisions for insurance contracts (DKK millions)	2015	2014
Balance at 1 January	277,807	258,745
Premiums paid	20,192	19,429
Benefits paid	-24,691	-23,989
Interest added to policyholders' savings	5,313	9,926
Fair value adjustment	-5,094	13,591
Foreign currency translation	-288	-1,167
Change in collective bonus potential	1,627	1,487
Other changes	160	-215
Balance at 31 December	**275,026**	**277,807**

(c) Further explanation

Life insurance provisions

Life insurance provisions comprise obligations towards policyholders to

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

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

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

Provisions for unit-linked insurance contracts

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

Collective bonus potential

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

Other technical provisions

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

Other liabilities

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

Notes – Danske Bank Group

18. Intangible assets

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

The Group did not make any acquisitions of undertakings in 2014 and 2015. In 2015, the Group recognised impairment charges of DKK 4.1 billion (2014: DKK 9.1 billion) on goodwill and DKK 0.5 billion (2014: DKK 0 billion) on customer relations in the banking units in Finland, see further below.

Accounting policy

Goodwill

Goodwill arises on the acquisition of an undertaking and is calculated as the difference between the cost (until 1 January 2010 including direct transaction costs) of the undertaking and the fair value of its net assets, including contingent liabilities, at the time of acquisition. Goodwill is allocated to cash-generating units at the level at which management monitors the investment.

Goodwill is not amortised; instead, each cash-generating unit is tested for impairment once a year, or more frequently if indications of impairment exist. Goodwill is written down to its recoverable amount through profit and loss if the carrying amount of the net assets of the cash-generating unit exceeds the higher of the assets' fair value less costs to sell and their value in use, which equals the present value of the future cash flows expected from the unit.

Goodwill on associates is recognised under Holdings in associates.

Other intangible assets

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

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

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

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

(a) Intangible assets (DKK millions)	2015	2014
Goodwill	5,363	9,453
Customer relations	25	909
Software, acquired or internaly developed	1,116	891
Total	**6,505**	**11,253**

In 2015, the Group recognised software development costs of DKK 611 million as an asset (2014: DKK 397 million) and expensed DKK 2,056 million (2014: DKK 2,080 million).

(b) Further explanation of impairment testing of goodwill and customer relations

The Group's goodwill is tested for impairment at least once a year by testing at the level of identifiable cash-generating units to which goodwill have been allocated. Further, if goodwill in a cash-generating unit is fully impaired a further impairment loss is recognised as an impairment loss on customer relations, if any.

The impairment test conducted in 2015 resulted in impairment charges of DKK 4,117 million on goodwill in the banking units in Finland and Northern Ireland and DKK 484 million on customer relations in the banking units in Finland. The reasons were a further worsening of the macroeconomic outlook, with expectations of even lower interest levels than those applied in the impairment test 2014, and an increase in the capital allocated to the banking units under the Group's new capital allocation framework that will be implemented in 2016. In 2014, goodwill impairment charges of DKK 9,099 million were recognised following a worsening of the long-term economic outlook and from Danske Bank's strategy of being a Nordic universal bank.

Notes – Danske Bank Group

18. Intangible assets continued

(DKK millions)	1 Jan. 2014 Goodwill	Reallocation	Impairment charges	Foreign currency translation	31 Dec. 2014 Goodwill	Impairment charges	Foreign currency translation	31 Dec. 2015 Goodwill
Retail Banking, Finland	-	-	-	-	-	-	-	-
Personal Banking, Finland	6,317	-	3,493	-17	2,807	2,814	7	-
Business Banking, Finland	2,656	-	1,501	-4	1,151	1,153	2	-
Business Banking, Estonia	2,062	-	2,058	-4	-	-	-	-
Personal Banking, Northern ireland	2,048	-	2,046	137	139	150	11	-
C&I, General Banking	507	-	-	-2	505	-	2	507
C&I, FICC and Capital Markets	2,905	-	-	-7	2,898	-	7	2,905
Danske Capital	1,836	-	-	-4	1,832	-	4	1,836
Others	130	-	-	-9	121	-	-6	115
Total	**18,461**	**-**	**9,099**	**90**	**9,453**	**4,117**	**27**	**5,363**

The development in the economic environment during 2015

The difficult macro economic conditions for the Group's banking units worsened further during 2015. Short-term interest rates decreased, with three-month EURIBOR becoming negative during 2015, especially in the fourth quarter of 2015. Economists continue to express concerns about deflationary pressures that translate into significantly lower interest levels in especially the eurozone for a longer period. Normalisation of interest levels and earnings is expected to take longer time in especially Finland. This has led to the use of a normalisation period of five years beyond the budget period for the banking units in Finland before interest levels are expected to have normalised in the impairment tests for 2015 and 2014. The Group expects a period of modest growth and low short-term rates before economies will normalise. When interest rate levels normalise, net profit is expected to have increased primarily from increasing deposit margins. Due to the continuing and even increased uncertainty about the macroeconomic development during 2015, the assumptions applied in estimating the expected future cash flows in the impairment test 2015 were lowered further than those used in the impairment test 2014 to reflect the increased uncertainty about the long-term cash flows projections for the individual cash-generating units.

Model applied in the goodwill impairment tests for 2015 and 2014

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

The carrying amount for each cash-generating unit is the aggregate of the cash-generating unit's goodwill and allocated capital. The cash-generating unit's allocated capital is derived using the Group's capital allocation framework. The Group's total capital excluding goodwill (as the goodwill is allocated to the relevant cash-generating units directly) is allocated to individual cash-generating units based on its share of the capital consumption. In the impairment test for 2015, the Group's new capital allocation framework that will be implemented in first quarter 2016 was used. The new framework is based on a regulatory approach to identifying the individual business unit's capital consumption and will be in accordance the Group's capital targets. The use of the framework led to an increase in the capital allocated to the cash-generating units covered by the impairment test 2015. In the impairment test for 2014, the capital allocated reflected the individual business unit's share of the risk combined with a management add-on to the banking units outside the Nordic region due to the bank's strategy of being a Nordic universal bank.

The expected future cash flows for each cash-generating unit are based on approved strategies and earnings estimates for the budget period representing the first five years. For Personal and Business Banking Finland, it is not expected that the interest level will have reached the normalised level within the first five years, and a normalisation period of further five years has been used in the impairment tests for 2015 and 2014. In the normalisation period, the estimated cash flows at the end of the budget period are projected on the basis of the expected development in a number of macroeconomic variables, including the interest level, until earnings reach the steady state normalised level. The normalisation period reflects the gradual transformation to this steady state normalised earnings level instead of assuming that this level is reached instantly in year six. For the terminal period, the steady state normalised level of earnings (expected dividend) is expected to grow at a constant growth rate equal to the expected real GDP growth. Cash flow estimates are post-tax, and the risks of the individual cash-generating units are reflected in the estimated earnings. Hence, the risk-adjusted cash flows carry a similar risk profile. The estimated cash flows are discounted at the Group's risk-adjusted required rates of return post-tax.

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

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

Notes – Danske Bank Group

18. Intangible assets continued

Key assumptions for goodwill impairment tests in 2015 and 2014

Cash flows until the terminal period

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

The *interest levels* used in the impairment test are based on Danske Research's expectations of developments in overnight money market interest rates. The expectations are based on expected future growth and inflation. Due to the severe uncertainty, a management judgement was applied, resulting in the interest rate estimates mainly in the terminal period being revised downwards in the impairment test 2015 combined with a further sensitivity analysis to consider the effect of using reasonably possible alternative assumptions for interest rates. Similarly, in the impairment test 2014 a management judgement was applied, and economists' expectations of the interest rate development were revised downwards.

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

The *deposit margin* reflects the excess earnings achieved by the fact that the customer rates are lower than alternative funding. Deposit margins are estimated based on actual deposit margins. Deposit margins are highly sensitive to changes in the interest level. How much of an increase in the interest rate that is transferred to the deposit margin depends on the type of deposit. In the impairment test for 2015 and 2014, it has been assumed that the majority of the core free funds (non-maturing deposits carrying a zero interest rate) will be substituted by other interest-bearing deposits when the interest level increases.

Expectations of *growth in lending and deposits* reflect the bank's estimates/budgets for the first two years and thereafter Danske Research's forecasts of real GDP growth for the relevant markets. Expectations of long-term GDP growth are unchanged from the impairment test in 2014.

The expectations of *credit losses* are for the budget period based on the bank's estimates/budgets for each year, reflecting historical data adjusted to reflect the current situation. Thereafter, expected credit losses are kept constant and reflect historical data for long-term annual credit losses. In the impairment test for 2015, the expected impairment levels have been adjusted upwards for Northern Ireland compared to the impairment test for 2014 following the merger of all units in Northern Ireland to a separate unit.

Earnings at *Danske Capital* depend primarily on the management fee on assets under management.Expected cash flows therefore depend on expectations of changes in assets under management and of the average margin on those assets. For the period until the terminal period, changes in assets under management depend on net sales and on the accumulation of market returns on the assets. In the impairment test 2015, net sales and market return are expected to be 2.7% and 3.2%, respectively (2014: 4.3% and 1.5%). The average margin on asset under management is expected to be 0.3% (2014: 0.4%). All assumptions reflect Management's expectations.

Cash flows in the terminal period

Cash flows in the terminal period reflect net earnings (dividend) in the preceding year growing at a constant rate. The growth estimates are determined on the basis of Danske Research's forecasts of real GDP growth for the relevant markets, which are unchanged from the impairment test for 2014 as described above. Around 71% of the net present value of future cash flows is expected to be generated in the terminal period (2014: 68%).

Discount rate

The discount rate used to calculate the present value of expected future cash flows is unchanged from the test in 2014 and is 9% after tax, representing 12% pre tax. The discount rate has been determined based on the Capital Asset Pricing Model and comprise a risk-free interest rate, the market risk premium and a factor covering the systematic market risk (beta factor). The values for the risk-free interest rate, the market risk premium and the beta factor are determined using external sources of information. The Group applies the same discount rate for all cash-generating units as the risks of the individual cash-generating units are reflected in their estimated cash flows.

Notes – Danske Bank Group

18. Intangible assets continued

Impairment test assumptions

2015	Annual growth			Money market rate	
(%)	until terminal period	in terminal period	Discount rate	until terminal period	in terminal period
Personal Banking, Finland	0.8-2.0	1.7	9.0	-0.1-2.1	2.1
Business Banking, Finland	0.8-2.0	1.7	9.0	-0.1-2.1	2.1
Personal Banking, Northern Ireland	2.0-2.3	2.0	9.0	0.9-2.7	2.7
Danske Capital	-	1.7	9.0	-	-

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

The expected cash flows in the impairment test for Danske Capital are not sensitive to changes in the overnight money market rate.

As mentioned above, significant uncertainty in the forecast of the future interest rate development exists. It is the Management's assessment that a scenario of lower interest rates over a longer time horizon is not unlikely. For Personal Banking and Business Banking Finland and Personal Banking Northern Ireland, the impairment test 2015 has therefore been combined with a sensitivity analysis to assess the impact of using reasonably possible alternative assumptions for interest rates. These interest rates are disclosed in the table above and are used in the goodwill impairment. Management assess that these assumptions are reasonably possible alternative assumptions and has concluded that goodwill and customer relations in these cash-generating units are fully impaired in 2015.

Sensitivity analysis, Danske Capital

For Danske Capital, the excess value (the amount by which the recoverable amount exceeds the carrying amount of goodwill) amounts to DKK 98 million. If growth in asset under management until the terminal period were lowered by 0.5 percentage points to 1.2%, or the discount rate were increased by 0.4 percentage points to 9.4%, the excess value would be zero.

Sensitivity analysis, impairment test 2014

If the expectation of the money market rate used in the impairment test 2014 were further decreased by 1 percentage point, representing a money market interest rate of 2.0% in the terminal period, a further impairment loss of DKK 2.0 billion relating to the banking units in Finland would have been recognised. If the discount rate were increased by 1 percentage point to 10%, the impairment loss would increase by DKK 1.3 billion. If the growth rate in the terminal period were reduced by 1 percentage point to 0.7%, a further impairment loss of DKK 0.7 billion would have been recognised. No other cash-generated units with significant goodwill recognised at the end of 2014 would be impaired if reasonable alternative key assumptions were used.

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

Notes – Danske Bank Group

18. Intangible assets continued

Personal Banking and Business Banking, Finland

In 2007, Danske Bank acquired the shares of the Sampo Bank group. The activities of the Sampo Bank group were incorporated into the business structure of Danske Bank Group at the beginning of 2007. With the acquisition, the Group strengthened its competitive position in the entire northern European market. In 2008, Banking Activities Finland migrated to the Group's platform. At the beginning of 2011, Corporate & Institutional Banking was separated from Banking Activities Finland, resulting in a reallocation of goodwill. At the same time, the name was changed to Retail Banking Finland. In 2012, rights to names were written down to zero when the Group decided to rebrand the banking units to Danske Bank. In 2013, goodwill at Retail Banking Finland was reallocated to Personal Banking Finland and Business Banking Finland as a result of the new organisational structure. In 2014, the Group recognised goodwill impairment charges of DKK 4,994 million against the Personal Banking and Business Banking units in Finland owing to a worsening of the long-term economic outlook in Finland. In 2015, an impairment charge on the remaining goodwill and the customer relations in these units of DKK 4,441 million was recognised. The impairment charge was recognised due to a further increase in the uncertainty about the long-term economic outlook and due to the increase in the allocated capital under the Group's new capital allocation framework that will be implemented in the first quarter of 2016.

Personal Banking, Northern Ireland

In 2005, Danske Bank acquired Northern Bank. The acquisition followed the Group's strategy of strengthening its competitive position in the northern European market. The launch of new product packages and other services supports Northern Bank's position as a leading retail bank in the highly competitive Northern Ireland market. In 2013, the goodwill in Banking Activities Northern Ireland was allocated to Personal Banking Northern Ireland as a result of the new organisational structure. In 2014, the Group recognised a goodwill impairment charge of DKK 2,046 million owing to a worsening of the economic situation in Northern Ireland and the positioning of the Group as a Nordic universal bank. In the impairment test 2015, the cash-generating unit includes both Personal and Business Banking as Northern Ireland is operated and reported as a separate business unit from 2016. An impairment charge on the remaining goodwill of DKK 139 million was recognised. The impairment reflects the further increase in the uncertainty about the long-term economic outlook and due to the increase in the allocated capital under the Group's new capital allocation framework that will be implemented in the first quarter of 2016.

Corporates & Institutions, General Banking

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

Corporates & Institutions, FICC and Capital Markets

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

Danske Capital

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

Notes – Danske Bank Group

19. Due to credit institutions and central banks and Deposits

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

Accounting policy

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

(a) Due to credit institutions and central banks (DKK millions)	2015	2014
Repo transactions	134,479	202,193
Other amounts due	137,109	126,855
Total	**271,588**	**329,048**

(b) Deposits (DKK millions)	2015	2014
Transaction accounts	699,313	619,923
Time deposits	105,054	128,994
Repo deposits	42,977	198,425
Pension savings etc.	16,130	18,853
Total	**863,474**	**966,197**

20. Tax

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

Accounting policy

Current tax

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

Deferred tax

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

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

Notes – Danske Bank Group

20. Tax continued

(a) Tax assets and liabilities (DKK millions)

	Tax assets		Tax liabilities	
	2015	2014	2015	2014
Current tax charge	1,021	1,142	637	494
Deferred tax	529	401	7,696	8,153
Total tax	**1,550**	**1,543**	**8,333**	**8,647**

(b) Change in deferred tax (DKK millions)

2015	1 Jan.	Foreign currency translation	Included in profit for the year	Included in shareholders' equity	31 Dec.
Intangible assets	192	-	-177	-	15
Tangible assets	2,195	-1	-313	-	1,881
Securities	44	-2	-44	-	-2
Provisions for obligations	107	9	49	70	235
Tax loss carryforwards	-465	-28	150	-	-343
Recapture of tax loss	6,428	-	-485	-	5,943
Other	-749	7	181	-	-561
Total	**7,752**	**-15**	**-639**	**70**	**7,168**
Adjustment of prior-year tax charges included in above item			**-656**		

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

Recognition of deferred tax requires management to assess the probability and amount of future profit. Deferred tax assets arising from unused tax losses are recognised to the extent that such losses can be offset against tax on future profit. The tax base of unrecognised tax loss carry-forwards, relating primarily to the Group's banking operations in Ireland, amounted to DKK 3.2 billion (31 December 2014: DKK 3.5 billion).

Recapture of tax loss consists of the full deferred tax liability arising from international joint taxation.

Notes – Danske Bank Group

20. Tax continued

(c) Tax expense

Tax 2015 (DKK millions)	Denmark	Finland	Sweden	Norway	UK	Ireland	Other	Total
Tax on profit for the year	2,318	376	734	604	322	-37	323	4,640
Tax on other comprehensive income	-171	-	76	-	-11	-	-	-106
Tax on changes in shareholders' equity	-138	-	-	-	-	-	-	-138
Tax on profit for the year								
Current tax charge	2,734	353	728	610	156	-	115	4,696
Transferred to other comprehensive income	176	-	-	-	-	-	-	176
Change in deferred tax	-197	6	-4	-18	197	-	20	4
Adjustment of prior-year tax charges	-356	17	9	1	-72	-37	188	-250
Change in deferred tax charge as a result of lowered tax rate	-40	-	-	11	42	-	-	13
Total	**2,318**	**376**	**734**	**604**	**323**	**-37**	**323**	**4,640**
Effective tax rate %								
Tax rate	23.5	20.0	22.0	27.0	20.3	12.5	22.3	22.4
Non-taxable income and non-deductible expenses*	15.2	-0.2	-1.4	-0.2	0.4	-12.5	1.1	5.1
Tax on profit for the year	**38.7**	**19.8**	**20.6**	**26.8**	**20.7**	**-**	**23.4**	**27.5**
Adjustment of prior-year tax charges	-5.1	1.0	0.3	0.1	-4.2	-4.0	34.6	-1.4
Change in deferred tax charge as a result of lowered tax rate	-0.6	-	-	0.5	2.5	-	-	0.1
Effective tax rate	**33.0**	**20.8**	**20.9**	**27.4**	**19.0**	**-4.0**	**58.0**	**26.2**
Tax on other comprehensive income								
Remeasurement of defined benefit plans	5	-	76	-	-11	-	-	70
Hedging of units outside Denmark	-156	-	-	-	-	-	-	-156
Unrealised value adjustments of available-for-sale financial assets	-4	-	-	-	-	-	-	-4
Realised value adjustments of available-for-sale financial assets	-16	-	-	-	-	-	-	-16
Total	**-171**	**-**	**76**	**-**	**-11**	**-**	**-**	**-106**

*Non-deductible expenses in Denmark consist primarily of goodwill impairment charges

Notes – Danske Bank Group

20. Tax continued

Tax 2014 (DKK millions)	Denmark	Finland	Sweden	Norway	UK	Ireland	Other	Total
Tax on profit for the year	1,847	381	749	638	265	-	140	4,020
Tax on other comprehensive income	-45	-	-15	-	26	-	-	-34
Tax on changes in shareholders' equity	-49	-	-	-	-	-	-	-49
Tax on profit for the year								
Current tax charge	1,259	370	762	637	36	-	145	3,209
Transferred to other comprehensive income	43	-	-	-	-	-	-	43
Change in deferred tax	526	15	-20	60	212	-	6	799
Adjustment of prior-year tax charges	80	-4	7	-59	32	-	-11	45
Change in deferred tax charge as a result of lowered tax rate	-61	-	-	-	-15	-	-	-76
Total	**1,847**	**381**	**749**	**638**	**265**	**-**	**140**	**4,020**
Effective tax rate %								
Tax rate	24.5	20.0	22.0	27.0	21.5	12.5	26.9	24.0
Non-taxable income and non-deductible expenses*	-234.2	0.8	-0.7	0.2	0.2	-12.5	-1.2	26.5
Tax on profit for the year	**-209.7**	**20.8**	**21.3**	**27.2**	**21.7**	**-**	**25.7**	**50.5**
Adjustment of prior-year tax charges	-9.0	-0.2	0.2	-2.3	2.8	-	-2.0	0.5
Change in deferred tax charge as a result of lowered tax rate	7.0	-	-	-	-1.3	-	-	-1.0
Effective tax rate	**-211.6**	**20.6**	**21.5**	**24.9**	**23.2**	**-**	**23.7**	**50.1**
Tax on other comprehensive income								
Remeasurement of defined benefit plans	-2	-	-15	-	26	-	-	9
Hedging of units outside Denmark	-106	-	-	-	-	-	-	-106
Unrealised value adjustments of available-for-sale financial assets	72	-	-	-	-	-	-	72
Realised value adjustments of available-for-sale financial assets	-9	-	-	-	-	-	-	-9
Total	**-45**	**-**	**-15**	**-**	**26**	**-**	**-**	**-34**

*Non-deductible expenses in Denmark consist primarily of goodwill impairment charges

Notes – Danske Bank Group

21. Issued bonds

The Issued bonds presented in this note consist of senior and senior secured and subordinated bonds issued by the Group, with the exception of bonds issued by Realkredit Danmark and additional tier 1 capital accounted for as equity. Note 15 provides more information about bonds issued by Realkredit Danmark and note 23 on the equity accounted additional tier 1 capital. Senior and senior secured bonds are presented under Other issued bonds, while subordinated bonds are presented in a separate line item. Subordinated bonds are liabilities in the form of subordinated loan capital and other capital instruments which, in case of the Group's voluntary or compulsory winding-up, will not be repaid until the claims of its ordinary creditors have been met.

Acconting policy

Issued bonds, both senior and senior secured and subordinated, are at initial recognition measured at fair value less transaction cost and subsequently measured at amortised cost plus the fair value of the hedged interest rate risk. Interest income is recognised according to the effective interest rate method, including amortisation of any difference between the amount received on issue and the redemption amount. However, a small part of the issued commercial paper and certificates of deposit is part of the trading portfolio and therefore recognised at fair value through profit or loss. Those issues are presented together with other issued bonds.

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

(a) Other issued bonds (DKK millions)	2015	2014
Commercial paper and certificates of deposit	60,839	25,673
Other	303,092	304,534
Total	**363,931**	**330,207**

Other includes covered bonds and other senior bonds. Commercial paper and certificates of deposit include DKK 3.6 billion (2014: DKK 5.3 billion) recognised at fair value.

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

Nominal value (DKK millions)	1 January 2015	Issued	Redeemed	Foreign currency translation	31 December 2015
Commercial paper and certificates of deposit	25,671	94,826	61,148	1,487	60,836
Other	342,520	82,414	78,861	4,707	350,780
Other issued bonds	**368,191**	**177,240**	**140,009**	**6,194**	**411,616**

Nominal value (DKK millions)	1 January 2014	Issued	Redeemed	Foreign currency translation	31 December 2014
Commercial paper and certificates of deposit	25,253	91,526	92,663	1,555	25,671
Other	317,231	95,522	70,394	161	342,520
Other issued bonds	**342,484**	**187,048**	**163,057**	**1,716**	**368,191**

Broken down by maturity	2015			2014
(DKK millions)	DKK	Other currency	Total	Total
Redeemed loans				88,598
2016	1,000	120,113	121,113	57,321
2017	12,000	64,215	76,215	55,154
2018	15,970	37,574	53,544	40,501
2019 eller senere	14,689	146,055	160,744	126,617
Nominal value of other issued bonds	43,659	367,957	411,616	368,191
Fair value hedging of interest rate risk			10,550	13,714
Premium/discount			-1,033	-1,544
Own holding of bonds issued	9,259	47,943	57,202	50,154
Total other issued bonds	**34,400**	**320,014**	**363,931**	**330,207**

Notes – Danske Bank Group

21. Issued bonds continued

(b) Subordinated debt

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

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

Nominal value (DKK millions)	1 Jan. 2015	Issued	Redeemed	Foreign currency translation	Other changes	31 Dec. 2015
Subordinated debt, excluding liabilty accounted additional tier 1 capital	26,025	3,731	5,211	378	-	24,923
Liability accounted additional tier 1 capital	13,128	-	-	456	-	13,584
Total subordinated debt	**39,153**	**3,731**	**5,211**	**834**	**-**	**38,507**

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

Currency	Borrower	Note	Nominal (millions)	Interest rate	Year of issue	Maturity	Redemption price	2015 (DKK m)	2014 (DKK m)
Subordinated debt, excluding liabilty accounted additional tier 1 capital									
Redeemed loans 2015									5,211
GBP	Danske Bank A/S	a	350	5.375	2003	29.09.2021	100	3,539	3,330
EUR	Danske Bank A/S	b	1,000	3.875	2013	04.10.2023	100	7,463	7,444
SEK	Danske Bank A/S	c	900	4.75	2013	05.06.2024	100	731	707
SEK	Danske Bank A/S	d	1,600	var.	2013	05.06.2024	100	1,300	1,257
NOK	Danske Bank A/S	e	700	var.	2013	06..12.2023	100	543	576
DKK	Danske Bank A/S	f	1,700	var.	2013	06.06.2024	100	1,700	1,700
DKK	Danske Bank A/S	g	1,150	4.125	2013	09.12.2025	100	1,150	1,150
CHF	Danske Bank A/S	h	150	3.125	2013	18.12.2025	100	1,035	928
EUR	Danske Bank A/S	i	500	2.750	2014	19.05.2026	100	3,731	3,722
EUR	Dannica Pension	j	500	4.375	2015	29.09.2045	100	3,731	0
Subordinated debt, excluding liabilty accounted additional tier 1 capital								**24,923**	**26,025**
Liabilty accounted additional tier 1 capital									
GBP	Danske Bank A/S	k	150	5.563	2005	Perpetual	100	1,517	1,427
GBP	Danske Bank A/S	l	500	5.684	2006	Perpetual	100	5,056	4,757
EUR	Danske Bank A/S	m	600	4.878	2007	Perpetual	100	4,478	4,466
SEK	Danske Bank A/S	n	1,350	var.	2007	Perpetual	100	1,096	1,061
SEK	Danske Bank A/S	o	650	5.119	2007	Perpetual	100	528	511
EUR	Danske Bank Oyj	q	22	var.	2005	Perpetual	100	163	162
EUR	Danske Bank Oyj	r	100	var.	2004	Perpetual	100	746	744
Liabilty accounted additional tier 1 capital								**13,584**	**13,128**
Nominal subordinated debt								38,507	39,153
Discount								-78	-100
Fair value hedging of interest rate risk								1,603	2,162
Own holding of subordinated debt								-42	-187
Total subordinated debt								**39,991**	**41,028**
Portion included in Total capital as additional tier 1 or tier 2 capital instruments								**33,943**	**38,259**

Total capital further includes DKK 11.1 billion from the additional tier 1 bond issues accounted for as equity, see note 23.

Notes – Danske Bank Group

21. Issued bonds continued

a Optional redemption from September 2018. If the loan is not redeemed, the annual interest rate will be 1.94 percentage points above 3-month GBP LIBOR.

b Optional redemption in October 2018. If the loan is not redeemed, the annual interest rate will be reset at 2.63 percentage points above the 5-year EUR swap rate for the remaining five years until maturity. CRR compliant Tier 2 capital.

c Optional redemption in June 2019. If the loan is not redeemed, the annual interest rate will be reset at 2.70 percentage points above the 5-year SEK swap rate for the remaining five years until maturity. CRR compliant Tier 2 capital.

d Interest is paid at an annual rate of 2.70 percentage points above 3-month STIBOR. Optional redemption from June 2019. CRR compliant Tier 2 capital.

e Interest is paid at an annual rate of 2.60 percentage points above 3-month NIBOR. Optional redemption from December 2018. CRR compliant Tier 2 capital.

f Interest is paid at an annual rate of 2.35 percentage points above 3-month CIBOR. Optional redemption from June 2019. CRR compliant Tier 2 capital.

g Optional redemption in December 2020. If the loan is not redeemed, the annual interest rate will be reset at 2.45 percentage points above the 5-year DKK swap rate for the remaining five years until maturity. CRR compliant Tier 2 capital.

h Optional redemption in December 2020. If the loan is not redeemed, the annual interest rate will be reset at 2.15 percentage points above the 5-year CHF swap rate for the remaining five years until maturity. CRR compliant Tier 2 capital.

i Optional redemption in May 2021. If the loan is not redeemed, the annual interest rate will be reset at 1.52 percentage points above the 5-year EUR swap rate for the remaining five years until maturity. CRR compliant Tier 2 capital.

j Optional redemption from September 2025. If the loan is not redeemed, the annual interest rate will be reset at 4.38 percentage points above the 10-year EUR swap rate every tenth year until maturity. Solvency II compliant Tier 2 capital and included in Danica's capital base.

k Optional redemption from March 2017. If the loan is not redeemed, the annual interest rate will be 1.44 percentage points above 3-month GBP LIBOR.

l Optional redemption from February 2017. If the loan is not redeemed, the annual interest rate will be 1.70 percentage points above 3-month GBP LIBOR.

m Optional redemption from May 2017. If the loan is not redeemed, the annual interest rate will be 1.62 percentage points above 3-month EURIBOR.

n Interest is paid at an annual rate of 0.65 of a percentage point above 3-month STIBOR. Optional redemption from February 2017. If the loan is not redeemed, the annual interest rate will be 1.65 percentage points above 3-month STIBOR.

o Optional redemption from August 2017. If the loan is not redeemed, the annual interest rate will be 1.65 percentage points above 3-month STIBOR.

p Interest is paid at an annual rate of 1.6 percentage points above 3-month EURIBOR. Optional redemption from December 2010. The loan is not included in the Group's total capital.

q Interest is paid at an annual rate of 0.3 of a percentage points above TEC 10. Optional redemption from October 2014. The loan is included in the Group's Tier 2 capital.

Notes – Danske Bank Group

22. Other assets and other liabilities

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

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

Accounting policy

Defined benefit pension plans

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

Investment property

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

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

Tangible assets

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

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

Assets held for sale

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

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

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

Loan commitments and guarantees

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

Other obligations

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

Notes – Danske Bank Group

22. Other assets and other liabilities continued

Other assets and other liabilities (DKK millions)	2015	2014
Other assets		
Accrued interest and commissions due	4,821	6,256
Prepayments, accruals and other amounts due	11,710	14,093
Defined benefit pension plan, net assets	2,336	1,861
Investment property	4,681	3,536
Tangible assets	5,082	6,625
Holdings in associates	1,209	1,318
Assets held for sale	5,582	3,278
Total	**35,422**	**36,966**

	2015	2014
Other liabilities		
Sundry creditors	18,904	26,296
Accrued interest and commissions due	12,569	13,323
Defined benefit pension plans, net liabilities	229	449
Other staff commitments	3,186	3,249
Loan commitments and guarantees etc.	611	495
Reserves subject to a reimbursement obligation	49	62
Liabilities in disposal groups held for sale	1,334	-
Other obligations	211	254
Total	**37,093**	**44,126**

(a) Further explanation

Investment property is recognised at fair value through profit or loss under Other income.

Tangible assets include domicile property of DKK 286 million (2014: DKK 2,656 million). If indications of impairment exist, domicile property is written down to the lower of the carrying amount and its value in use determined on the basis of the rate of return used for investment property. Note 31 provides more information. This caused a reversal of DKK 112 million relating to a previous write-down of domicile property (2014: write-down of DKK 77 million). In the fourth quarter 2015, domicile properties in Denmark were actively marketed for sale and transferred to Assets held for sale. At the time of reclassification, these properties were recognised at the lower of carrying amount and fair value less expected costs to sell. At the time of classification as held for sale, fair value less costs to sell was at or above the carrying amount of these properties. At the end of 2015, the fair value of domicile properties held for sale was DKK 1,929 million. The fair value of domicile properties not held for sale was DKK 503 million (31 December 2014: DKK 3,518 million). The required rate of return of 7.9% (2014: 6.8%) was determined in accordance with Danish FSA rules.

In the third quarter of 2015, the Group entered into an agreement to sell a residential mortgage loan portfolio in the Group's non-core segment relating to the mass personal customer business in Lithuania and Latvia. Pending approval by the Lithuanian competition authorities, the transaction is expected to be completed in the first half of 2016. The loans and deposits are presented as Assets held for sale and Liabilities in disposal groups held for sale, respectively. The loan portfolio has a nominal value of DKK 4.8 billion, and the deposit portfolio has a value of DKK 1.3 billion. Similarly, in 2014, Assets held for sale included a loan portfolio with a nominal amount of DKK 3.9 billion in the non-core segment that by the end of 2014 was marketed for sale and sold in April 2015. Further, assets held for sale includes the above-mentioned domicile properties in Denmark actively marketed for sale and lease assets put up for sale at the end of the lease. Assets held for sale also includes properties taken over by the Group under non-performing loan agreements. The Group expects to sell the properties through a real-estate agent within twelve months from the date of acquisition. The properties comprise properties in Denmark and properties in other countries.

Information on defined benefit plans and on investments in associates is provided in note 9 and note 36, respectively.

Notes – Danske Bank Group

23. Equity

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

In February 2015, Danske Bank A/S issued EUR 750 million (DKK 5,583 million) in additional tier 1 capital (2014: an issue of EUR 750 million equal to DKK 5,597 million). Danske Bank A/S may, at its sole discretion, omit interest and principal payments to bondholders. The issues are included in equity as a non-controlling interest. This means that equity was increased at the time of issue by the net proceeds received. When interest is paid, the amount paid to investors reduces equity at the time of payment and does not affect net profit. If the Group decides to repay the capital, equity will be reduced by the redemption amount at the time of redemption. The capital issued is included in tier 1 capital instruments in the Statement of capital as it meets the criteria of the Capital Requirements Regulation for such instruments.

Accounting policy

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

Own shares

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

Additional tier 1 capital

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

(a) Further explanation

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

Foreign currency translation reserve

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

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

Reserve for available-for-sale financial assets

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

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

Proposed dividends

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

Notes – Danske Bank Group

23. Equity continued

Share-based payments

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

Non-controlling interests

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

Additional tier 1 capital holders

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

As described above, Danske Bank A/S may, at its sole discretion, cancel interest payments to bond holders. Any interest payments must be paid out of retained earnings at Danske Bank A/S and Danske Bank Group. Retained earnings are disclosed separately in the balance sheet for both Danske Bank A/S and Danske Bank Group. The additional tier 1 capital will be written down temporarily if the common equity tier 1 ratio falls below 7% for Danske Bank A/S or Danske Bank Group. The ratio at year end-is disclosed in the Statement of capital.

Outstanding equity-accounted additional tier 1 capital

Currency	Borrower	Note	Norminal (million)	Interest rate	Year of issue	Maturity	2015 (DKK m)	2014 (DKK m)
Equity accounted additional tier 1 capital								
EUR	Danske Bank A/S	a	750	5.750	2014	Perpetual	5,597	5,583
EUR	Danske Bank A/S	b	750	5.875	2015	Perpetual	5,597	-
Equity accounted additional tier 1 capital							**11,194**	**5,583**

The amounts shown in the two last columns represent the nominal value translated into Danish kroner at the exchange rates at 31 December and equal the amounts included as tier 1 capital in the Statement of capital.

a. Interest is paid semi-annually at an annual rate of 5.750. If certain criteria are fulfilled, including approval by the Danish FSA, the bonds may be redeemed at par from April 2020. If the bonds are not redeemed, the annual interest rate will be reset at 4.64 percentage points above the 6-year EUR swap rate every sixth year. The instrument is included as a CRR-compliant additional tier 1 capital instrument in the Statement of capital.

b. Interest is paid semi-annually at an annual rate of 5.875. If certain criteria are fulfilled, including approval by the Danish FSA, the bonds may be redeemed at par from April 2022. If the bonds are not redeemed, the annual interest rate will be reset at 5.471 percentage points above the 7-year EUR swap rate every seventh year. The instrument is included as a CRR-compliant additional tier 1 capital instrument in the Statement of capital.

Notes – Danske Bank Group

24. Contingent liabilities

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

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

(a) Guarantees (DKK millions)	2015	2014
Financial guarantees	8,638	9,344
Mortgage finance guarantees	1,367	1,128
Other guarantees	71,750	66,958
Total	**81,755**	**77,430**

(b) Other contingent liabilities	2015	2014
Loan commitments shorter than 1 year	124,978	115,511
Loan commitments longer than 1 year	153,650	136,064
Other unutilised loan commitments	523	520
Total	**279,151**	**252,095**

In addition to credit exposure from lending activities, loan offers made and uncommitted lines of credit granted by the Group amounted to DKK 329 billion (31 December 2014: DKK 308 billion). These items are included in the calculation of the total risk exposure amount in accordance with the Capital Requirements Directive.

(c) Further explanation

Owing to its business volume, Danske Bank is continually a party to various lawsuits and disputes and has an ongoing dialogue with public authorities such as the Danish FSA. In view of its size, Danske Bank does not expect the outcomes of pending lawsuits and disputes or its dialogue with public authorities to have any material effect on its financial position. The Danish FSA has pending investigations regarding compliance with applicable anti-money laundering laws, which could lead to supervisory actions against Danske Bank.

A limited number of employees are employed under terms which grant them, if they are dismissed before reaching their normal retirement age, an extraordinary severance and/or pension payment in excess of their entitlement under ordinary terms of employment. As the sponsoring employer, the Group is also liable for the pension obligations of a number of company pension funds.

The revised Deposits Guarantee Scheme Directive and the Bank Recovery and Resolution Directive were implemented in Danish law with effect from 1 June 2015. Through participation in the new Deposit Guarantee Fund, Danish credit institutions undertake to cover losses incurred on covered deposits held with distressed credit institutions. The fund's capital must amount to at least 0.8% of the covered deposits of all Danish credit institutions. The capital of the previous Danish Deposit Guarantee Fund has been transferred to the new Deposit Guarantee Fund, and no significant underfunding is expected to exist at the end of 2015. From 2016, contributions to the fund, if any, will be calculated on the basis of the individual credit institution's covered deposits and risk relative to other credit institutions in Denmark. Extraordinary contributions of up to 0.5 percent of the individual institution's covered deposits may be required if the fund does not have sufficient means to make the required payments. Extraordinary contributions above this percentage rate require the consent of the Danish FSA. If the fund's capital falls below two thirds of the minimum amount (0.8 percent of covered deposits), the fund must be re-established within six years. Moreover, a Danish resolution fund has been established. Danske Bank A/S and Realkredit Danmark A/S must make contributions to the fund on the basis of their size and risk relative to other credit institutions in Denmark. The resolution fund's capital must amount to 1% of the covered deposits of all Danish credit institutions by 31 December 2024. The first contribution to the fund was made in December 2015 as a preliminary contribution. The intention is for losses to be covered by the annual contributions made by the participating credit institutions. Consequently, if the resolution fund does not have sufficient means, extraordinary contributions of up to three times the latest annual contributions may be required. Furthermore, Danish banks must, through participation in the Danish restructuring fund, reimburse creditors if the final dividend is lower than the interim dividend in respect of banks that were in distress before 1 June 2015. Similarly, Danish banks have made payment commitments (totalling DKK 1 billion) to cover losses incurred by the Danish restructuring fund for the withdrawal of distressed banks from data centres etc. Payments to the restructuring fund will be calculated on the basis of the individual credit institution's share of covered deposits relative to other credit institutions in Denmark, however, each institution's contribution to the restructuring fund may not exceed 0.2 % of its covered deposits.

The Group is a member of deposit guarantee schemes and other compensation schemes in Finland, Norway, the UK and Luxembourg. For Finland, the schemes are fully funded, and no further contributions are expected during 2016-2017. The contributions to the schemes in the other countries are annual contributions combined with extraordinary contributions if the means of the schemes are not sufficient to cover the required payments.

Notes – Danske Bank Group

24. Contingent liabilities continued

The Group is the lessee in a number of non-cancellable operating leases, involving mainly leasing of real property, equipment, furniture and fixtures. The Group recognises lease payments as an expense over the lease term but does not recognise the operating lease assets in its balance sheet. Such assets are recognised by lessors. At 31 December 2015, minimum lease payments under operating leases amounted to DKK 3,415 million (31 December 2014: DKK 2,801 million), with DKK 678 million (2014: DKK 533 million) relating to operating leases expiring within one year.

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

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

Notes – Danske Bank Group

25. Balance sheet items broken down by expected due date

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

	2015		2014	
(DKK millions)	Within 1 year	After 1 year	Within 1 year	After 1 year
Assets				
Cash in hand and demand deposits with central banks	76,837	-	33,876	-
Due from credit institutions and central banks	102,933	925	112,021	738
Trading portfolio assets	297,016	250,004	364,212	378,301
Investment securities	97,818	245,486	146,696	184,298
Loans at amortised cost	483,351	595,906	533,993	558,909
Loans at fair value	108,399	633,261	101,011	640,599
Assets under pooled schemes and unit-linked investment contracts	-	91,893	-	80,148
Assets under insurance contracts	6,462	259,110	19,444	249,006
Intangible assets	-	6,505	-	11,253
Tax assets	1,021	529	1,142	401
Other assets	22,114	13,308	23,627	13,340
Total	**1,195,952**	**2,096,927**	**1,336,022**	**2,116,993**
Liabilities				
Due to credit institutions and central banks	268,062	3,526	319,862	9,187
Trading portfolio liabilities	92,601	378,530	73,331	477,298
Deposits	96,904	766,570	297,650	668,546
Bonds issued by Realkredit Danmark	148,627	545,892	163,337	492,628
Deposits under pooled schemes and unit-linked investment contracts	8,284	88,674	7,072	79,361
Liabilities under insurance contracts	44,048	240,981	43,512	243,803
Other issued bonds	128,259	235,672	91,951	238,256
Tax liabilities	637	7,696	722	8,153
Other liabilities	36,816	278	43,687	511
Subordinated debt	944	39,047	6,410	34,618
Total	**825,182**	**2,306,866**	**1,047,534**	**2,252,361**

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

Notes – Danske Bank Group

26. Contractual due dates of financial liabilities

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

2015 (DKK millions)	0-1 month	1-3 months	3-12 months	1-5 years	> 5 years
Due to credit institutions and central banks	205,516	56,122	6,207	2,614	894
Deposits	797,048	25,194	17,672	15,527	8,239
Repurchase obligation under reverse transactions	150,861	-	-	-	-
Derivatives settled on a gross basis (cash outflows)	4,041,081	3,225,318	1,817,618	528,940	154,150
Derivatives settled on a gross basis (cash inflows)	4,044,577	3,224,351	1,819,569	530,860	157,432
Derivatives settled on a gross basis (net cash flows)	3,496	-967	1,951	1,920	3,282
Derivatives settled on a net basis	-31,225	-7,198	1,891	-6,420	-50
Bonds issued by Realkredit Danmark	41,677	-	115,141	371,032	263,499
Other issued bonds	26,814	42,862	60,174	206,858	48,418
Subordinated debt	133	266	1,213	22,125	34,436
Other financial liabilities	1,537	353	6,395	57,420	31,254
Financial and loss guarantees	81,755	-	-	-	-
Loan commitments shorter than 1 year	124,978	-	-	-	-
Loan commitments longer than 1 year	153,650	-	-	-	-
Other unutilised loan commitments	518	-	-	-	-
Total	**1,556,758**	**116,631**	**210,643**	**671,077**	**389,970**

2014 (DKK millions)	0-1 month	1-3 months	3-12 months	1-5 years	> 5 years
Due to credit institutions and central banks	247,208	62,183	10,725	2,706	6,559
Deposits	863,952	43,421	33,260	18,170	8,817
Repurchase obligation under reverse transactions	160,883	-	-	-	-
Derivatives settled on a gross basis (cash outflows)	3,274,332	2,408,733	1,407,221	250,739	62,160
Derivatives settled on a gross basis (cash inflows)	3,278,994	2,409,714	1,409,124	252,550	64,380
Derivatives settled on a gross basis (net cash flows)	4,662	981	1,903	1,811	2,220
Derivatives settled on a net basis	-12,104	-17,435	102	-3,937	50
Bonds issued by Realkredit Danmark	62,277	-	110,278	340,346	249,393
Other issued bonds	17,071	12,182	64,501	201,940	68,060
Subordinated debt	135	270	1,228	25,879	24,584
Other financial liabilities	1,643	343	5,086	49,889	29,472
Financial and loss guarantees	77,430	-	-	-	-
Loan commitments shorter than 1 year	115,511	-	-	-	-
Loan commitments longer than 1 year	136,064	-	-	-	-
Other unutilised loan commitments	517	-	-	-	-
Total	**1,675,249**	**101,945**	**227,083**	**636,804**	**389,155**

(a) Further explanation

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

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

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

Notes – Danske Bank Group

27. Transferred financial assets that are not derecognised

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

Trading portfolio (DKK millions)	2015 Bonds	2015 Shares	2014 Bonds	2014 Shares
Carrying amount of transferred assets	-	-	-	-
Repo transactions	161,165	-	386,797	-
Securities lending	-	6,817	-	721
Total transferred assets	**161,165**	**6,817**	**386,797**	**721**
Repo transactions, own issued bonds	12,487	-	11,480	-
Carrying amount of associated liabilities	177,456	7,158	400,618	757
Net positions	**3,804**	**341**	**2,341**	**36**

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

Notes – Danske Bank Group

28. Assets provided or received as collateral

At the end of 2015, Danske Bank A/S had deposited securities worth DKK 10.1 billion as collateral with Danish and international clearing centres and other institutions (31 December 2014: DKK 1.0 billion).

At the end of 2015, Danske Bank A/S had provided cash and securities worth DKK 80.7 billion as collateral for derivatives transactions (31 December 2014: DKK 85.0 billion).

At the end of 2015, the Group had registered assets (including bonds and shares issued by the Group) under insurance contracts worth DKK 326.9 billion (31 December 2014: DKK 320.3 billion) as collateral for policyholders' savings of DKK 320.8 billion (31 December 2014: DKK 315.8 billion).

At the end of 2015, the Group had registered loans at fair value and securities worth a total of DKK 743.0 billion (31 December 2014 DKK 743.3 billion) as collateral for bonds issued by Realkredit Danmark, including mortgage-covered bonds, worth a total of DKK 694.5 billion (31 December 2014: DKK 656.0 billion). Note 15 provides additional information. Similarly, the Group had registered loans and other assets worth DKK 273.1 billion (31 December 2014: DKK 270.8 billion) as collateral for covered bonds issued under Danish and Finnish law.

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

	2015			2014		
(DKK millions)	Repo	Other	Total	Repo	Other	Total
Due from credit institutions	-	33,800	33,800	-	32,353	32,353
Trading portfolio securities	161,165	63,108	224,273	386,797	66,063	452,860
Loans at fair value	-	741,660	741,660	-	741,609	741,609
Loans at amortised cost	-	281,721	281,721	-	275,923	275,923
Assets under insurance contracts	-	273,954	273,954	-	270,861	270,861
Other assets	-	105	105	-	166	166
Total	161,165	1,394,348	1,555,513	386,797	1,386,975	1,773,772
Own issued bonds	12,487	88,136	100,623	11,480	89,644	101,124
Total, including own issued bonds	**173,652**	**1,482,484**	**1,656,136**	**398,277**	**1,476,619**	**1,874,896**

Securities provided as collateral under agreements that entitle the counterparty to sell the securities or provide them as collateral for other loans amounted to DKK 161.2 billion at the end of 2015 (31 December 2014 DKK 386.8 billion).

At the end of 2015, the Group had received securities worth DKK 225.7 billion (31 December 2014: DKK 290.6 billion) as collateral for reverse repo transactions, securities lending, derivatives transactions and other transactions entered into on the standard terms for such transactions. As the party receiving the collateral, the Group is entitled in many cases to sell the securities or provide the securities as collateral for other loans in exchange for returning similar securities to the counterparty at the expiry of the transactions. At the end of 2015, the Group had sold securities or provided securities as collateral worth DKK 150.9 billion (31 December 2014: DKK 160.9 billion).

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

Notes – Danske Bank Group

29. Offsetting of financial assets and liabilities

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

Accounting policy

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

2015 (DKK millions)	Gross amount	Offsetting	Net amount presented in balance sheet	Further offsetting, master netting agreements	Collateral	Net amount
Financial assets						
Derivatives with positive market value	512,418	181,403	331,015	237,014	52,624	41,376
Reverse transactions	447,397	231,094	216,303	-	212,281	4,022
Other financial assets	6,065	2,815	3,250	-	-	3,250
Total	**965,880**	**415,312**	**550,568**	**237,014**	**264,,906**	**48,648**
Financial liabilities						
Derivatives with negative market value	501,673	181,403	320,270	237,014	66,688	16,568
Repo transactions	408,550	231,094	177,456	-	173,652	3,804
Other financial liabilities	12,111	2,815	9,296	-	-	9,296
Total	**922,334**	**415,312**	**507,022**	**237,014**	**240,340**	**29,668**

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

Notes – Danske Bank Group

30. Fair value information for financial instruments

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

(a) Financial instruments at fair value

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

The fair value hierarchy

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

If, at the balance sheet date, a financial instrument's classification differs from its classification at the beginning of the year, the classification of the instrument changes. Changes are considered to have taken place at the balance sheet date. Developments in the financial markets have resulted in reclassifications between the categories. Some bonds have become illiquid and have therefore been moved from the Quoted prices to the Observable input category, while other bonds have become liquid and have been moved from the Observable input to the Quoted prices category. The net amount transferred is insignificant. Furthermore, because of an improvement in the quality of market data input used for the valuation of primary interest rate swaps in a number of currencies, more than half of the derivatives previously included in the Non-observable input category were moved to the Observable input category in 2014.

Valuation techniques

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

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

The value of derivatives, primarily long-term contracts, is determined on observable yields extrapolated to yield curves for the full duration af the contracts. Moreover, the very limited portfolio of credit derivatives are valued on the basis of observable input as well as assumptions about the probability of default (recovery rate). Unlisted shares are measured at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines (IPEV) which are compliant with IFRS. IPEV guide the calculation of estimated fair value of unlisted shares as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation methods include discounted cash flow models and princing based on a multiply on earnings or equity.

Notes – Danske Bank Group

30. Fair value information for financial instruments continued

Fair value adjustments

Management estimates underlie the valuation of financial instruments for which the value is based on valuation techniques. The Group makes fair value adjustments to cover changes in counterparty risk (CVA and DVA) on derivatives, bid-offer spreads on the net open position of portfolios with offsetting market risk, and model risk on level 3 derivatives.

Credit value adjustment (CVA), debit value adjustment (DVA) and funding value adjustment (FVA)

The Group makes a fair value adjustment to cover the counterparty credit risk on derivatives with a positive fair value (CVA) for customers without objective evidence of impairment. For a given counterparty's portfolio of derivatives, CVA is calculated as a function of the probability of default (PD), the expected positive exposure (EPE) and the loss given default in the event of bankruptcy (LGD). The Group enters into derivatives transactions mainly with counterparties on the Scandinavian market.

The PDs used in the CVA model are derived from single name liquid CDS. If this is not available, the PDs are derived using proxy-mapping to a CDS index. This proxy-mapping was enhanced during 2015. For the calculation of EPE, the Group uses simulations to estimate the range of positive exposures to the counterparty's portfolio over the term of the derivatives. For the calculation of LGD, the Group uses market compliant LGD. However, for customers with objective evidence of impairment, CVA is calculated as if the derivatives were loans subject to impairment because of credit losses.

A fair value adjustment for derivatives with an expected negative exposure is made to cover the counterparty's credit risk on Danske Bank (DVA), with PD calculated according to principles similar to CVA. The Group uses PD values derived from Danske Bank's liquid CDS spread.

The Group has included a fair value adjustment for derivatives to cover expected funding costs (FVA) by end of 2015. FVA primarily arises from the cost of funding uncollaterialised derivatives. The adjustment is a function of the unsecured funding curve and expected future exposures.

At the end of 2015, CVA, DVA and FVA came to a net amount of DKK 1.2 billion, including the adjustment for credit risk on derivatives with customers subject to objective evidence of impairment. At the end of 2014, the net amount of CVA and DVA amounted at DKK 0.9 billion.

Bid-offer spread

For portfolios of assets and liabilities with offsetting market risk, the Group bases its measurement of the portfolios on mid-market prices and makes fair value adjustments to recognise net assets at the bid price and net liabilities at the offer price (exit prices). At the end of 2015, these fair value adjustments totalled DKK 131 million (31 December 2014: DKK 101 million).

Model risk

To account for the uncertainty associated with measuring the value of derivatives on the basis of non-observable input (level 3 in the fair value hierarchy), the Group has established guidelines to quantify risk. The Group calculates and monitors the reserve on an ongoing basis. At the end of 2015, the reserve totalled DKK 5 million (31 December 2014: DKK 5 million).

Amortisation of initial margin

If, at the time of acquisition, a difference arises between the model value of a financial instrument, calculated on the basis of non-observable input and actual cost (day-one profit or loss), and the difference is not the result of transaction costs, the Group adjusts model parameters to actual cost to take account of the initial margin. The valuation of derivatives thus includes amortisation of the value of initial margins over the remaining term to maturity. The initial margins relate to elements not covered by the above CVA, DVA and FVA adjustments, such as future administrative expenses and capital consumption. At 31 December 2015, the value of unamortised initial margins was DKK 1,256 million (2014: DKK 935 million).

(DKK millions)	2015	2014
Unamortised initial margins at 1 January	935	1,133
Amortised to the income statement during the year	-637	-628
Initial margins on new derivatives contracts	1,084	542
Terminated derivatives contracts	-126	-112
Unamortised initial margins at 31 December	**1,256**	**935**

Notes – Danske Bank Group

30. Fair value information for financial instruments continued

31 December 2015 (DKK millions)	Quoted prices	Observable input	Non-observable input	Total
Financial assets				
Derivatives				
Interest rate contracts	4,147	216,507	4,825	225,479
Currency contracts etc.	171	103,929	1,436	105,536
Trading portfolio bonds				
Government bonds and other bonds	80,123	1,007	-	81,130
Danish mortgage bonds	35,863	7,953	-	43,816
Other covered bonds	37,670	830	-	38,500
Other bonds	28,190	3,561	-	31,751
Trading portfolio shares	19,955	-	852	20,807
Investment securities, bonds	181,776	40,679	-	222,455
Investment securities, shares	106	-	1,542	1,648
Loans at fair value	-	741,660	-	741,660
Assets under pooled schemes and unit-linked investment contracts	91,893	-	-	91,893
Assets under insurance contracts, bonds				
Danish mortgage bonds	52,379	2,137	-	54,516
Other bonds	86,307	1,070	3,170	90,547
Assets under insurance contracts, shares	70,826	-	16,140	86,966
Assets under insurance contracts, derivatives	26	7,808	-	7,834
Total	**689,432**	**1,127,141**	**27,965**	**1,844,538**
Financial liabilities				
Derivatives				
Interest rate contracts	4,253	191,721	5,828	201,802
Currency contracts etc.	883	116,091	1,494	118,468
Obligations to repurchase securities	149,509	1,334	18	150,861
Bonds issued by Realkredit Danmark	694,519	-	-	694,519
Deposits under pooled schemes and unit-linked investment contracts	-	96,958	-	96,958
Total	**849,164**	**406,104**	**7,340**	**1,262,608**

Notes – Danske Bank Group

30. Fair value information for financial instruments continued

2014 (DKK millions)	Quoted prices	Observable input	Non-observable input	Total
Financial assets				
Derivatives				
Interest rate contracts	3,807	269,285	4,562	277,654
Currency contracts etc.	127	130,860	801	131,788
Trading portfolio bonds				
Government bonds and other bonds	143,749	-	-	143,749
Danish mortgage bonds	74,695	3,188	-	77,883
Other covered bonds	57,776	2,077	-	59,853
Other bonds	33,780	9,832	-	43,612
Trading portfolio shares	7,442	-	532	7,974
Investment securities, bonds	186,024	38,264	25	224,313
Investment securities, shares	53	-	1,772	1,825
Loans at fair value	-	741,609	-	741,609
Assets under pooled schemes and unit-linked investment contracts	80,148	-	-	80,148
Assets under insurance contracts, bonds				
Danish mortgage bonds	37,357	2,703	-	40,060
Other bonds	105,021	26	1,610	106,657
Assets under insurance contracts, shares	64,464	453	12,429	77,346
Assets under insurance contracts, derivatives	44	12,996	-	13,040
Total	**794,487**	**1,211,293**	**21,731**	**2,027,511**
Financial liabilities				
Derivatives				
Interest rate contracts	4,221	239,798	5,743	249,762
Currency contracts etc.	543	138,609	832	139,984
Obligations to repurchase securities	160,707	117	59	160,883
Bonds issued by Realkredit Danmark	655,965	-	-	655,965
Deposits under pooled schemes and unit-linked investment contracts	-	86,433	-	86,433
Total	**821,436**	**464,957**	**6,634**	**1,293,027**

At 31 December 2015, financial instruments valued on the basis of non-observable input comprised unlisted shares of DKK 18,516 million (2014: DKK 14,674 million), illiquid bonds of DKK 3,170 million (2014: DKK 1,610 million) and derivatives with a net market value of DKK -1,061 million (2014: DKK -1,211 million).

Unlisted shares of DKK 16,140 million (2014: DKK 12,429 million) are allocated to insurance contract policyholders, and the policyholders assume most of the risk on the shares. Changes in the fair value of those shares will only to a limited extent affect the Group's net profit. The remaining portfolio of unlisted shares of DKK 2,376 million (2014: DKK 2,245 million) consists primarily of banking related investments and holdings in private equity funds. A 10% increase or decrease in the fair value would amount to DKK 238 million (2014: DKK 224 million). Under the current market conditions, a 10% decrease in the fair value is considered to be below a possible alternative estimate of the fair value at the end of the year. In 2015, the Group recognised DKK 146 million in unrealised gains (2014: DKK 272 million) and DKK 74 million in realised gains (2014: DKK 1,271 million) on those share. The unrealised adjustments in 2015 and 2014 were attributable to various unlisted shares. For shares allocated to insurance contract policyholders, the unrealised gains in 2015 amounted to DKK 1,292 million (2014: DKK 1,225 million) and the realised gains to DKK 1,137 million (2014: DKK 595 million).

The estimated fair value of illiquid bonds depends significantly on the estimated credit spread. If the credit spread widens 50bp, fair value will decrease DKK 65 million (2014: DKK 36 million). If the credit spread narrows 50bp, fair value will increase DKK 67 million (2014: DKK 37 million).

A substantial number of derivatives valued on the basis of non-observable input are hedged by similar derivatives or are used for hedging the credit risk on bonds also valued on the basis of non-observable input. Changing one or more of the non-observable inputs to reflect reasonably possible alternative assumptions would not change the fair value of the derivatives significantly above what is already covered by the reserve related to fair value adjustment for model risk.

Notes – Danske Bank Group

30. Fair value information for financial instruments continued

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

Shares, bonds and derivatives valued on the basis of non-observable input	2015			2014		
(DKK millions)	Shares	Bonds	Derivatives	Shares	Bonds	Derivatives
Fair value at 1 January	14,674	1,610	-1,211	12,500	674	1,591
Value adjustment through profit or loss	2,649	125	-148	3,362	61	-51
Acquisitions	4,704	1,520	-670	3,957	1,335	-1,726
Sale and redemption	-3,511	-85	837	-5,145	-460	275
Transferred from quoted prices and observable input	-	-	-	-	-	659
Transferred to quoted prices and observable input	-	-	131	-	-	-1,959
Fair value 31 December	**18,516**	**3,170**	**-1,062**	**14,674**	**1,610**	**-1,211**

The value adjustment through profit or loss is recognised under Net trading income. The transfer of derivatives to the Observable input category consists primarily of maturity reductions, implying that the yield curves have become observable. However, in 2014 the quality of the market data input used improved, and this resulted in a further transfer of derivatives to the Observable input category.

(b) Financial instruments at amortised cost

In this section, the fair value of financial instruments recognised at amortised cost is presented. The fair value is based on quoted market prices, if available. If quoted prices are not available, the value is approximated to reflect the price that would have been fixed, had the terms been agreed at the balance sheet date.

The fair values disclosed below are determined on the basis of the following principles:

Investment securities (bonds classified as held-to-maturity), other issued bonds and subordinated debt
Quoted prices in an active market exist for a significant part of these financial instruments. If quoted prices in an active market do not exist, the Group uses an estimate of the current return required by the market to estimate the fair value.

Other financial instruments
The determination of the fair value of financial instruments recognised at amortised cost is based on the following preconditions relating to interest rate risk:

- For a significant number of the Group's deposits and loans, the interest rate depends on the standard variable rate fixed by the Group. The rate is adjusted only upon certain changes in market conditions. Such deposits and loans are considered to carry interest at a variable rate, as the standard variable rate fixed by the Group at any time applies to both new and existing arrangements.
- The interest rate risk on fixed-rate financial assets and liabilities is generally hedged by derivatives. The interest rate risk on fixed-rate loans extended by the Group's operations in Finland, Northern Ireland and Ireland is, however, hedged by hedging the interest rate risk on core free funds. Any interest rate risk not hedged by core free funds is hedged by derivatives. The hedges are accounted for as fair value hedges, and value adjustments are recognised in the hedged financial instruments. Consequently, only fair value changes in fixed-rate loans in Finland, Northern Ireland and Ireland are unhedged. The presented fair values include these unhedged changes.

For financial instruments that are only to a limited extent influenced by changes in credit risk, the amortised cost, including the adjustment for the fair value hedge accounting of the interest rate risk, is a reasonable approximation of fair value. This is the case for Due from/to credit institutions and central banks and Deposits.

For loans, the following adjustments are made to reach a fair value of the credit risk:
- The fair value of the Group's syndicated loans etc. is estimated on the basis of the Group's current required rate of return on similar transactions.
- As regards other loans, impairment charges are assumed to equal the fair value of the credit risk with the following adjustments:
    - The calculation of impairment charges for loans subject to individual impairment is based on the most likely outcome, and loans that are considered asset finance are written down to the fair value of collateral provided, i.e. assuming that restructuring is not possible. The fair value is adjusted by weighting all possible outcomes. For other loans, impairment charges are recognised if a customer is downgraded to reflect a change in the probability of default.
    - The credit margins on individual risks are accounted for by adjusting the fair value for the difference between the current credit premium and the credit premium demanded at the balance sheet date.

Notes – Danske Bank Group

30. Fair value information for financial instruments continued

In the table below, fair value is presented for classes of financial financial instruments for which the carrying amount is not a reasonable approximation of fair value.

2015 (DKK millions)	Carrying amount	Fair value	Quoted prices	Observable input	Non-observable input
Financial assets					
Investment securities	119,202	120,951	120,457	494	-
Loans at amortised cost	1,079,257	1,068,188	-	59,174	1,009,014
Financial liabilities					
Other issued bonds	363,931	366,469	195,573	141,160	29,735
Subordinated debt	39,991	39,495	24,088	15,318	90

2014 (DKK millions)					
Financial assets					
Investment securities	104,855	106,782	105,942	840	-
Loans at amortised cost	1,092,902	1,081,097	-	55,062	1,026,035
Financial liabilities					
Other issued bonds	330,207	334,713	220,186	83,793	30,734
Subordinated debt	41,028	40,773	38,141	2,632	-

Notes – Danske Bank Group

31. Non-financial assets recognised at fair value

Non-financial assets are recognised at fair value on a recurring or non-recurring basis after initial recognition. Investment property is measured at fair value on a recurring basis, and assets that are marketed for sale and expected to be sold within one year is written down to fair value less expected costs to sell, i.e. measured at fair value on a non-recurring basis.

Accounting policy

Investment property (fair value on recurring basis)

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

The fair value is assessed by the Group's valuers at least once a year on the basis of a discounted cash flow model.

Assets held for sale (fair value on non-recurring basis)

Assets held for sale are measured at the lower of cost and fair value less expected costs to sell and are no longer depreciated.

(a) Investment property (DKK millions)	2015	2014
Fair value at 1 January	3,535	3,200
Value adjustment through profit or loss	76	-37
Acquisitions and improvements	1,287	729
Sale	217	357
Fair value at 31 December	**4,681**	**3,535**

Valuations of investment property rely substantially on non-observable input. Valuations are based on cash flow estimates and on the required rate of return calculated for each property that reflects the price at which the property can be exchanged between knowledgeable, willing parties under current market conditions. The cash flow estimates are determined on the basis of the market rent for each property. The required rate of return on a property is determined on the basis of its location, type, possible uses, layout and condition as well as on the terms of lease agreements, rent adjustment and the credit quality of lessees. The required rate of return ranged between 3.0-10.0% (2014: 4.0-10.0%) and averaged 6.0% (2014: 6.5%). An increase in the required rate of return of 1.0 percentage point would reduce fair value at end-2015 by DKK 332 million.

(b) Assets held for sale

Assets held for sale are measured at the lower of cost and fair value less expected costs to sell. Assets held for sale are recognised under Other assets. Assets held for sale include domicile properties in Denmark that were actively marketed for sale during the fourth quarter of 2015. At the time of classification as held for sale, fair value less costs to sell was at or above the carrying amount of these properties, and no gain or loss was recognised. Note 22 provides more information. No significant changes in the fair value of non-financial assets held for sale occured during 2014.

Notes – Danske Bank Group

32. Related parties

Danske Bank A/S acts as the bank of a number of its related parties. Payment services, trading in securities and other instruments, depositing of surplus liquidity, and provision of short- and long-term financing are the primary services provided by Danske Bank A/S.

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

Accounting policy

A related party to the Group is either a party over which the Group has control or significant influence or a party that has control or significant influence over the Group. All entities over which the Group has control are consolidated and are therefore not considered a related party in relation to the Group.

Entities that are related parties to the Group are shareholders that have a significant holding of shares (significant influence over the Group), associates, joint venture partners or defined benefit pension plan providers (the Group has significant influence over the entity). Further, key management personnel is defined members of the Board of Directors and the Executive Board and are related parties to the Group.

Transactions with related parties are settled on an arm's-length basis and recognised in the financial statements at the same accounting policy as for similar transactions with unrelated parties.

(a) Related parties	Parties with significant influence		Associates		Board of Directors		Executive Board	
(DKK millions)	2015	2014	2015	2014	2015	2014	2015	2014
Loans and loan commitments	6,081	5,524	3,927	3,669	15	16	16	18
Securities and derivatives	1,392	1,825	9,595	10,215	-	-	-	-
Deposits	975	1,551	461	917	20	13	12	9
Derivatives	114	129	946	966	-	-	-	-
Pension obligation	-	-	-	-	-	-	-	-
Guarantees issued	847	882	-	3	-	-	-	-
Guarantees and collateral received	901	211	740	1,155	14	12	15	17
Interest income	23	33	205	209	-	-	-	-
Interest expense	-	75	-	26	-	-	-	-
Fee income	10	19	7	4	1	1	-	-
Dividend income	7	35	546	153	-	-	-	-
Other income	-	22	1	1	-	-	-	-
Trade in Danske Bank shares								
Acquisitions	-	-	-	-	4	3	-	6
Sales	-	-	-	-	1	-	3	2

The Group is a listed company, with no shareholder having control over the Group. Related parties with significant influence include shareholders with holdings exceeding 20% of Danske Bank A/S's share capital. The A.P. Møller and Chastine Mc-Kinney Møller Foundation and companies of A.P. Møller Holding Group, Copenhagen, hold 21.6% of the share capital. Note 35 lists significant holdings in associates. The Board of Directors and Executive Board columns list the personal facilities, deposits, etc. held by members of the Board of Directors and the Executive Board and their dependants, and facilities with businesses in which these parties have a controlling or significant influence.

In 2015, the average interest rates on credit facilities granted to members of the Board of Directors and the Executive Board were 1.7% (2014: 2.5%) and 1.8% (2014: 2.3%), respectively. Notes 33 and 34 specify the remuneration and shareholdings of management.

Pension funds set up for the purpose of paying out pension benefits to employees of Danske Bank Group are also considered related parties. Danske Bank Group has entered into transactions with these funds. Such transactions are not eliminated in the consolidated financial statements. Transactions with pension funds comprised loans in the amount of DKK 9 million (2014: DKK 9 million), deposits in the amount of DKK 146 million (2014: DKK 144 million), bonds issued worth DKK 277 million (2014: DKK 286 million), derivatives with a positive fair value of DKK 52 million (2014: DKK 0 million), derivatives with a negative fair value of DKK 1,200 million (2014: DKK 1,859 million), interest expenses of DKK 7 million (2014: DKK 16 million), fee income of DKK 1 million (2014: DKK 1 million) and pension contributions of DKK 145 million (2014: DKK 181 million).

The figures above do not include debt to related parties in the form of issued notes or bonds. Such notes or bonds are bearer securities, which means that Danske Bank does not know the identity of the holders. Danske Bank shares may be registered by name. Related parties' holdings of Danske Bank shares equalling 5% or more of Danske Bank's share capital are determined on the basis of the most recent reporting of holdings to Danske Bank.

Notes – Danske Bank Group

33. Remuneration of management and material risk takers

This note gives information on the remuneration of the management of the Group in the form of the Board of Directors and the Executive Board, and of other material risk takers. This note further includes information on the Group's share-based payment.

(a) Remuneration of the Board of Directors

Danske Bank's directors receive fixed remuneration only and are not covered by incentive programmes. Directors also receive a fee for board committee membership. The Board of Directors is remunerated by the Parent Company, Danske Bank A/S. No director has received remuneration for membership of the Executive Board or the Board of Directors in any of the Group's subsidiaries. The Group has no pension obligations towards the directors.

Remuneration of the Board of Directors (DKK thousands)	2015	2014
Ole Andersen	2,002	1,931
Trond Ø. Westlie	1,040	907
Urban Bäckström	793	767
Lars Förberg	621	617
Jørn P. Jensen	713	657
Rolv Erik Ryssdal [1]	493	354
Carol Sergeant	886	807
Jim Hagemann Snabe	621	617
Kirsten Ebbe Brich [1]	493	354
Carsten Eilertsen	493	467
Charlotte Hoffmann	621	579
Steen Lund Olsen [1]	493	354
Niels B. Christiansen [2]	-	300
Susanne Arboe [2]	-	113
Helle Brøndum [2]	-	113
Per Alling Toubro [2]	-	113
Total remuneration	**9,268**	**9,048**
Remuneration for committee work included in total remuneration	**2,118**	**2,110**

1) From 18 March 2014
2) Until 18 March 2014

Notes – Danske Bank Group

33. Remuneration of management and material risk takers continued

(b) Remuneration of the Executive Board

For the Executive Board a total remuneration of DKK 69.0 million for 2015 (2014: DKK 70.0 million) has been expensed, with fixed remuneration amounting to DKK 58.3 million (2014: DKK 60.6 million) and variable remuneration amounting to DKK 10.8 million (2014: DKK 9.4 million). 1/11 of the fixed base salary of the Executive Board is paid as shares (fixed salary shares). Variable remuneration cannot exceed 50% of the fixed salary, not including value of benefits. Part of the variable remuneration of the Executive Board is provided as a Long Term Incentive Programme based on Total Shareholder Return performance, relative to peers over a 3 year performance period. The first payment is to be paid in 2018, based on performance in 2015, 2016 and 2017. Variable share-based payment for 2015 includes deferred variable share-based payments to be paid in later financial years according to EBA regulations, and provisions for the Long Term Incentive Programme. "Total paid" comprises fixed salary, 2015 payments to pension plans, variable cash payment for 2014 and exercised rights to conditional shares for previous financial years.

Membership of the Board of Directors in one or more of the Group's subsidiaries is not remunerated separately but considered part of the Executive Board responsibilities hence part of the remuneration of the Executive Board.

Remuneration of the Executive Board

2015 (DKK millions)	Thomas F. Borgen	Tonny Thierry Andersen	James Ditmore	Lars Mørch	Henrik Ramlau-Hansen	Glenn Söderholm	Gilbert. Kohnke
Fixed salary*	11.5	6.9	7.6	6.1	6.6	6.5	5.7
Pension	2.2	1.3	-	1.2	1.4	1.3	-
Variable cash payment	0.7	0.4	0.5	0.4	0.4	0.3	0.3
Variable share-based payment	1.8	1.0	1.2	1.0	1.0	0.9	0.8
Total expensed	**16.2**	**9.6**	**9.3**	**8.7**	**9.4**	**9.0**	**6.8**
Total paid	**15.5**	**9.3**	**8.0**	**8.2**	**8.8**	**8.3**	**5.7**

*Fixed salary includes fixed cash salary, fixed salary shares and other benefits

On 1th April 2015, Gilbert Kohnke joined the Executive Board.

2014 (DKK millions)	Thomas F. Borgen	Tonny Thierry Andersen	James Ditmore	Lars Mørch	Henrik Ramlau-Hansen	Glenn Söderholm
Fixed salary*	11.2	6.9	10.0	5.9	6.9	6.4
Pension	2.2	1.0	-	0.9	1.1	1.0
Variable cash payment	2.2	1.2	0.6	1.1	1.0	0.6
Variable share-based payment	0.6	0.4	0.3	0.3	0.3	0.2
Total expensed	**16.2**	**9.5**	**10.9**	**8.2**	**9.3**	**8.2**
Total paid	**13.8**	**8.2**	**5.3**	**7.1**	**8.2**	**7.5**

*Fixed salary includes fixed cash salary, fixed salary shares and other benefits

Robert Endersby resigned from his position as member of the Executive Board on 30 November 2014 (remuneration earned in 2014 amounted to DKK 7.7 million). James Ditmore joined the Executive Board on 21 April 2014 and was granted a sign-on fee of DKK 4.8 million in the form of conditional shares. This fee is included in his contractual remuneration and falls due for payment in instalments over a four-year period from the employment date.

Under the Danish Act on State-Funded Capital Injections into Credit Institutions, only 50% of the Executive Board's salaries is tax deductible until hybrid capital raised was repaid in April 2014. In 2014, this deduction amounted to DKK 60 million.

Notes – Danske Bank Group

33. Remuneration of management and material risk takers continued

Pension and termination

(end of 2015)	Thomas F. Borgen	Tonny Thierry Andersen	James Ditmore	Lars Mørch	Henrik Ramlau-Hansen	Glenn Söderholm	Gilbert Kohnke
Annual contribution	Bank contributes 20% of salary p.a.	Bank contributes 20% of salary p.a.	-	Bank contributes 20% of salary p.a.	Bank contributes 22% of salary p.a.	Bank contributes 20% of salary p.a.	-
Notice of termination by Danske Bank	18 months	18 months	18 months	18 months	18 months	18 months	18 months
Notice of termination by the board member	12 months	9 months	9 months	9 months	9 months	9 months	9 months
Non-competition clause	24 months	12 months	12 months	12 months	12 months	12 months	12 months

(c) Remuneration of other material risk takers

In accordance with the Danish Financial Business Act and the accompanying order, Danske Bank Group is required to identify all employees whose professional activities could have a material impact on the risk profile of Danske Bank. EBA issued a Regulatory Technical Standard (RTS) that came into effect on 26 June 2014 and outlines prescriptive qualitative and quantitative criteria for identifying other material risk takers. This standard has been adopted by the Danish FSA during 2014.

At the end of 2015, 876 other material risk takers are designated while 883 full-time equivalents (FTE) were designated as material risk takers during 2015 (as of 31 December 2014: designated 718 other material risk takers corresponding to 475 FTE as the majority was designated as material risk takers on the implementation of the new RTS in June 2014). The 883 (FTE) designated as other material risk takers earned remuneration of DKK 1,552 million (2014: 475 (FTE) other material risk takers earned remuneration of DKK 949 million), with fixed remuneration amounting to DKK 1,169 million and variable remuneration amounting to DKK 383 million (2014: DKK 742 million and DKK 207 million, respectively).

Of the above remuneration for 2015, 430 (FTE) other material risk takers at the Parent Company, Danske Bank A/S, earned DKK 1,054 million (2014: DKK 707 million to 276 (FTE) other material risk takers), with fixed remuneration amounting to DKK 738 million and variable remuneration amounting to DKK 316 million (2014: DKK 521 million and DKK 186 million, respectively).

The Group's pension obligations towards other material risk takers amounted to DKK 964 million to 157 employees at year-end 2015 (31 December 2014: DKK 886 million and 130 employees).

Variable payment for other material risk takers is split into cash and equity shares according to EBA regulations. Further, 40-60% of variable payments are deferred minimum 3 years. All variable payments are subject to claw back provisions if granted on the basis of data which has subsequently proven to be manifestly misstated or inaccurate.

(d) Share-based payment

Until 2008, the Group offered senior staff and selected employees incentive programmes in the form of share-based payment, that included share options. During 2015, the last share options were exercised.

Effective from 2010, the Group has granted rights to conditional shares – under the bonus structure for material risk takers – for part of their variable remuneration. Rights to Danske Bank shares for material risk takers vest up to four years after being granted (four years for the Executive Board), provided that the employee, with the exception of retirement, has not resigned from the Group. In addition to this requirement and before pay-out of deferred shares, back testing is conducted to assess whether the initial criteria for granting the bonus still are considered fulfilled, whether the banks economic situation has deteriorated significantly and whether the individual has proven fit and proper. The fair value of the conditional shares is calculated as the share price at grant date less the payment made by the employee, if any.

Notes – Danske Bank Group

33. Remuneration of management and material risk takers continued

Share options

	Number				Fair value (FV)	
	Executive Board	Other staff	Total	Exercise price (DKK)	At issue (DKK m)	End of year (DKK m)
Granted in 2007-2008						
1 January 2014	277,973	4,146,923	4,424,896	181,1 - 272,2	118.0	2.0
Exercised 2014	-	-	-	-		
Forfeited 2014	-118,437	-2,464,427	-2,582,864			
Other changes 2014	-	-	-			
31 December 2014	159,536	1,682,496	1,842,032	181.1	40.5	3.5
Exercised 2015	-	-				
Forfeited 2015	-159,536	-1,682,496	-1,842,032			
Other changes 2015	-	-	-			
31 December 2015	-	-	-	-	-	-

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

Holdings of the Executive Board and fair value at 31 December 2014

Grant year (DKK millions)	2008 Number	FV
Thomas F. Borgen	54,400	0.1
Tonny Thierry Andersen	51,093	0.1
Lars Mørch	34,386	-
Henrik Ramlau-Hansen	19,657	-

Share options were granted in 2008 or earlier. No share options were exercised in 2015 and 2014.

Notes – Danske Bank Group

33. Remuneration of management and material risk takers continued

Conditional shares	Number				Fair value (FV)	
	Executive Board	Other staff	Total	Employee payment price (DKK)	At issue (DKK m)	End of year (DKK m)
Granted in 2012						
1 January 2014	40,488	1,180,505	1,220,993	0,0 - 0,9	112.1	150.8
Vested 2014	-	-5,640	-5,640	0.9	-	-
Forfeited 2014	-	-20,167	-20,167	-	-	-
Other changes 2014	-	1,133	1,133	-	-	-
31 December 2014	40,488	1,155,831	1,196,319	0,0-0,9	109.8	199.2
Vested 2015	-33,005	-1,147,981	-1,180,986	0,0-0,9	-	-
Forfeited 2015	-	-7,939	-7,939	-	-	-
Other changes 2015	-	4,655	4,655	-	-	-
31 December 2015	7,483	4,566	12,049	0,0-0,9	1.1	2.2
Granted in 2013						
1 January 2014	26,232	1,839,799	1,866,031	0,0-1,1	199.2	230.2
Vested 2014	-	-89,163	-89,163	1.1	-	-
Forfeited 2014	-584	-152,761	-153,345	-	-	-
Other changes 2014	-	300,634	300,634	-	-	-
31 December 2014	25,648	1,898,509	1,924,157	0,0-1,1	205.5	320.1
Vested 2015	-	-104,592	-104,592	1.1	-	-
Forfeited 2015	-	-33,415	-33,415	-	-	-
Other changes 2015	-	5,328	5,328	-	-	-
31 December 2015	25,648	1,765,830	1,791,478	0,0-1,1	191.3	329.9
Granted in 2014						
1 January 2014	39,451	996,155	1,035,606	0,0-1,4	140.4	172.0
Vested 2014	-2,560	-143,791	-146,351	0,0-1,4	-	-
Forfeited 2014	-1,288	-17,222	-18,510	-	-	-
Other changes 2014	10,374	-10,374	-	-	-	-
31 December 2014	45,977	824,768	870,745	0,0-1,4	118.1	144.6
Vested 2015	-	-6,311	-6,311	1.4	-	-
Forfeited 2015	-	-20,585	-20,585	-	-	-
Other changes 2015	-	6,566	6,566	-	-	-
31 December 2015	45,977	804,438	850,415	0,0-1,4	115.3	156.4
Granted in 2015						
Granted in 2015	12,697	932,134	944,831	0,0-1,7	159.0	175.3
Vested 2015	-	-255,068	-255,068	1.7	-	-
Forfeited 2015	-	-27,302	-27,302	-	-	-
Other changes 2015	-	-	-	-	-	-
31 December 2015	12,697	649,764	662,461	0,0-1,7	111.3	121.6

Other staff includes material risk takers and other employees eligible for share-based payment.

Notes – Danske Bank Group

33. Remuneration of management and material risk takers continued

Holdings of the Executive Board and fair value at 31 December 2015

Grant year (DKK millions)	2012-2015 Number	FV
Thomas F. Borgen	9,190	1.7
Tonny Thierry Andersen	7,018	1.3
James Ditmore	36,545	6.8
Gilbert Kohnke	-	-
Lars Mørch	6,112	1.1
Henrik Ramlau-Hansen	5,874	1.1
Glenn Söderholm	27,066	5.0

Holdings of the Executive Board and fair value at 31 December 2014

Grant year (DKK millions)	2012-2014 Number	FV
Thomas F. Borgen	5,395	0.9
Tonny Thierry Andersen	4,885	0.8
James Ditmore	34,699	5.8
Lars Mørch	12,390	2.1
Henrik Ramlau-Hansen	3,984	0.7
Glenn Söderholm	50,760	8.5

In 2015, the average price at the vesting date for rights to conditional shares was DKK 179.8 (2014: DKK 142.0).

Notes – Danske Bank Group

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

(DKK millions)	Beginning of 2015	Upon appointment/ retirement	Additions	Disposals	End of 2015
Board of Directors					
Ole Andersen	31,199	-	22,000	-	53,199
Rolv Erik Ryssdal	-	-	-	-	-
Urban Bäckström	11,000	-	-	-	11,000
Kirsten Ebbe Brich	2,208	-	-	-	2,208
Steen Lund Olsen	788	-	-	-	788
Jørn P. Jensen	2,098	-	-	-	2,098
Trond Ø Westlie	7,000	-	-	-	7,000
Carsten Eilertsen	120	-	-	-	120
Charlotte Hoffmann	5,175	-	-	3,000	2,175
Lars Förberg	5,000	-	-	-	5,000
Carol Sergeant	5,073	-	-	-	5,073
Jim Hagemann Snabe	2,645	-	-	-	2,645
Total	**72,306**	**-**	**22,000**	**3,000**	**91,306**
Executive Board					
Thomas F. Borgen	20,452	-	6,440	-	26,892
Tonny Thierry Andersen	22,338	-	3,625	-	25,963
James Ditmore	2,000	-	3,206	-	5,206
Lars Mørch	18,333	-	11,372	4,140	25,565
Henrik Ramlau-Hansen	24,505	-	3,821	-	28,326
Glenn Söderholm	18,864	-	28,045	15,000	31,909
Gilbert Kohnke	-	-	2,219	-	2,219
Total	**106,492**	**-**	**58,728**	**19,140**	**146,080**

Under the Danish Securities Trading Act, the acquisition and sale of Danske Bank shares by members of the Board of Directors and the Executive Board and related parties must be reported to the Danish FSA and be publicly disclosed when transactions exceed EUR 5,000 per calendar year. Danske Bank discloses all additions, disposals and total holdings of members of the Board of Directors and the Executive Board and related parties. Holdings of share options and conditional shares of the members of the Executive Board are disclosed in note 33.

Notes – Danske Bank Group

35. Group holdings and undertakings

This note provides information on subsidiaries.

Accounting policy

The financial statements consolidate Danske Bank A/S and group undertakings in which the Group has control over financial and operating policy decisions. Control is said to exist if Danske Bank A/S, directly or indirectly, is exposed, or has rights, to variable returns from the involvement with the entity and has the ability to affect those returns through the power over the entity. Power exists if Danske Bank A/S, directly or indirectly, holds more than half of the voting rights in an undertaking or otherwise has power to control management and operating policy decisions. Operating policy control may be exercised through agreements about the undertaking's activities. In the rare situations where potential voting rights exists, these are taken into account if Danske Bank has the practical ability to exercise those rights.

When assessing whether to consolidate investment funds, the Group reviews all facts and circumstances to determine whether the Group, as fund manager, is acting as agent or principal. The Group is deemed to be a principal, and hence controls and consolidates a fund, when the Group acts as fund manager and cannot be removed without cause (i.e. when kick-out rights are weak), has variable returns through significant holdings, and is able to influence the returns of the funds by exercising its power. Holdings where all returns belongs to customers (pooled schemes and unit link investment contracts) are not considered as exposure to variable returns, whereas holdings where the majority of the return belongs to customers (holdings related to insurance contracts) are only considered limited exposure to variable returns.

The consolidated financial statements are prepared by consolidating items of the same nature and eliminating intra-group transactions, balances and trading profits and losses.

Undertakings acquired are included in the financial statements at the time of acquisition. The net assets of such undertakings (assets, including identifiable intangible assets, less liabilities and contingent liabilities) are measured at fair value at the date of acquisition according to the acquisition method.

If the cost of acquisition (until 1 January 2010 including direct transaction costs) exceeds the fair value of the net assets acquired, the excess amount is recognised as goodwill. Goodwill is recognised in the functional currency of the undertaking acquired. The portion of the acquisition that is attributable to non-controlling interests does not include goodwill.

Divested undertakings are included in the financial statements until the transfer date.

Held-for-sale group undertakings

Companies taken over by the Group under non-performing loan agreements and actively marketed for sale and expected to be sold within 12 months of classification are recognised as held-for-sale. Asets and liabilities in such companies are presented under Other assets and Other liabilities. The assets are recognised at the lower of cost and fair value less expected costs to sell.

(a) Further explanation

All credit institutions and insurance companies supervised by national FSAs are subject to local statutory capital requirements. These requirements restrict intra-group facilities and dividend payouts.

Danica Pension has an obligation to allocate part of the margin by which Danica Pension's equity exceeds the statutory solvency requirement to certain policyholders who were previously policyholders of Statsanstalten for Livsforsikring (now part of Danica Pension). This applies only if the margin exceeds the margin in Statsanstalten for Livsforsikring before the privatisation in 1990 and relates to any excess included in the shareholders' equity or paid out as dividend. Such special allotments are expensed and recognised under Net insurance benefits.

Restrictions impacting the Group's ability to use assets are disclosed in note 28 and include, among others, assets pledged as collateral under repo transactions, loans behind covered bonds and assets held by insurance subsidiaries that are primarily held to satisfy obligations to policyholders' savings.

The Group has established a number of investment funds in which the Group acts as fund manager. The Group has consolidated investment funds of DKK 3,928 million (2014: DKK 15,672 million) as the Group is deemed to be acting as principal rather than agent in its role as fund manager and as the Group is the sole investor. The investments are held to satisfy obligations towards insurance policyholders and are recognised under Assets under insurance contracts. The Group does not have consolidated structured entities in the form of securitisation vehicles or asset-backed financing vehicles.

Notes – Danske Bank Group

35. Group holdings and undertakings continued

		Share capital (thousands)	Net profit (DKK m)	Shareholders' equity (DKK m)	Share capital (%)
Danske Bank A/S, Copenhagen	DKK	10,086,200	13,123	160,830	
Credit institutions					
Realkredit Danmark A/S, Copenhagen	DKK	630,000	3,056	47,871	100
Danske Bank plc, Helsinki	EUR	106,000	1,263	18,674	100
Northern Bank Limited, Belfast	GBP	218,170	961	7,755	100
Danske Bank International S.A., Luxembourg	EUR	90,625	71	1,191	100
AO Danske Bank, St. Petersborg	RUB	1,075,404	22	180	100
Insurance operations					
Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999, Copenhagen	DKK	1,000,000	2,003	20,056	100
Danica Pension, Livsforsikringsaktieselskab, Copenhagen	DKK	1,100,000	2,002	20,031	100
Danica Pension Försäkringsaktiebolag, Stockholm	SEK	100,000	45	247	100
Danica Pensjonsforsikring AS, Trondheim	NOK	106,344	64	135	100
Investment and real property operations etc.					
Danica Ejendomsselskab ApS, Copenhagen	DKK	2,628,000	1,212	22,912	100
Danske Capital AS, Tallinn	EUR	3,003	8	132	100
Danske Capital AS, Oslo	NOK	6,000	28	109	100
DDB Invest AB, Stockholm	SEK	100,000	31	392	100
Danske Corporation, Delaware	USD	4	-	2	100
Danske Invest Management A/S, Copenhagen	DKK	118,000	94	269	100
Danske IT and Support Services India Private Limited, Bangalore	INR	3,278	7	11	100
Danske Leasing A/S, Copenhagen	DKK	10,000	161	1,986	100
Danske Markets Inc., Delaware	USD	1	48	132	100
Danske Private Equity A/S, Copenhagen	DKK	5,000	25	41	100
Eiendomsmegler Krogsveen AS, Trondheim	NOK	25,000	35	111	100
home a/s, Åbyhøj	DKK	15,000	15	129	100
National Irish Asset Finance Ltd., Dublin	EUR	32,383	-1	174	100
UAB Danske Lizingas, Vilnius	LTL	4,000	-	84	100

The list above includes significant active subsidiary operations only. The Group's ownership share of the subsidiaries is unchanged from 2014 to 2015. The financial information above is extracted from the companies' most recent annual reports prior to 2 February 2016.

Notes – Danske Bank Group

36. Interests in associates and joint arrangements

This note provides information about the Group's interests in associates and joint arrangements.

Accounting policy

Joint ventures and associates are entities, other than group undertakings, in which the Group has holdings and joint control with one or more parties or significant but not controlling influence, respectively. The Group generally classifies entities as joint ventures/associates if Danske Bank A/S, directly or indirectly, holds 20-50% of the share capital and has influence over management and operating policy decisions. Holdings in joint ventures and associates are recognised at cost at the date of acquisition and are subsequently measured according to the equity method. The proportionate share of the net profit or loss of the individual entity is included under Other income. The share is calculated on the basis of data from financial statements with balance sheet dates no earlier than three months before the Group's balance sheet date. If objective evidence of impairment exists, the investment is recognised at the lower of carrying amount and present value of future cash flows. A few property holdings are jointly owned and consolidated in the financial statements on a pro rata basis as joint operations.

The proportionate share of the profit or loss on transactions between associates/joint ventures and group undertakings is eliminated.

Ownership shares held by the Group's insurance business are treated as held by a venture capital organisation and measured at fair value.

		Share capital (thousands)	Net profit (DKK m)	Shareholders' equity (DKK m)	Share capital (%)
Significant associates					
Danmarks Skibskredit A/S, Copenhagen	DKK	333,000	1,568	11,146	24
LR Realkredit A/S, Copenhagen	DKK	70,000	145	3,418	31
Sanistål A/S, Ålborg	DKK	11,924	51	762	44

The total carrying amount of holdings in associates amounted to DKK 1,209 million (2014: DKK 1,318 million) and is presented under Other assets in note 22. The list above includes significant associates. The information is extracted from the companies' most recent annual reports. Danmarks Skibskredit A/S and LR Realkredit A/S are credit institutions engaging in industry-specific financing. The Group's ownership share of the entities is the result of the conversion from fund-owned entities into limited companies. Danske Bank's shares in each of the entities can be sold subject to certain conditions. Shareholders' equity in each of the entities includes significant reserves held by the entities, which were established at the time of incorporation. The entities are consolidated on a pro rata basis for capital adequacy purposes, and the entity-owned reserves are included on a pro rata basis in the Group's common equity tier 1 capital. Sanistål, which was taken over by the Group under a non-performing loan agreement, is the only listed company. The investment had a market value of DKK 246 million at 31 December 2015 (2014: DKK 211 million). Following a prolonged decline in the market value of the investment during 2014, the carrying amount of the investment was written down to the present value of the expected cash flows.

The Group does not have significant holdings in joint ventures or joint operations.

Apart from the fact that Danmarks Skibskredit A/S and LR Realkredit A/S as credit institutions are supervised by national FSAs and subject to local statutory capital requirements, there are no other significant restrictions on the ability of associates to transfer funds to Danske Bank Group in the form of dividends or to repay loans granted.

37. Interests in unconsolidated structured entities

The Group has established a number of investment funds in which the Group act as fund manager. The Group is entitled to receive management fees based on the assets under management. The Group may also retain units in these funds. The assets in unconsolidated investment funds managed by the Group totalled DKK 663.9 billion (2014: DKK 584.4 billion). The Group retained holdings of DKK 112.9 billion (2014: DKK 91.7 billion) in those funds. Substantially all of those holdings are related to pooled schemes, unit link investment contracts and insurance contracts. Income generated to the Group in the form of management fees amounted to DKK 4.3 billion (2014: DKK 3.9 billion). Further, the Group has holdings in private equity investment funds of DKK 0.6 billion (2014: DKK 0.7 billion).

The Group has limited exposure to structured securitisation entities. The exposure dates back to the period between 2001-2007 when the Group acted as an investor. This involved the purchase of bonds and entering into facilities to securitisation assets that were either structurally senior or triple A rated by at least one of the major rating agencies. The Group has not acted as a sponsor or an orginator, and none of the assets of the structured entities were previously held on the Group's balance sheet. The remaining exposure consists mainly of liquidity facilities and is reported as part of the credit exposure in the Non-core segment. At end 2015, the exposure amounted to DKK 8.2 billion (2014: DKK 11.1 billion). During the year, the Group did not provide any non-contractual financial or other support to any of the structural entities. The key risk on the portfolio relates to the underlying securitisation transactions, which consist mainly of commercial and residential mortgage loans originated in the UK and Germany.

Notes – Danske Bank Group

38. Transfer of Personal Banking and Business Banking customers in Northern Ireland to the new Northern Ireland segment.

Income statement

(DKK millions)	Highlights 2015	Change: Personal Banking Northern Ireland	Change: Business Banking Northern Ireland	Change: Other Activities Northern Ireland	Change: Northern Ireland	Change: Equity finance	Adjusted highlights 2015
Net interest income	21,476	-714	-782	-124	1,620	-	21,476
Net fee income	12,122	-243	-245	-	487	110	12,232
Net trading income	6,933	-59	-59	-	118	-110	6,823
Other income	1,778	-1	-13	1	14	-	1,778
Net income from insurance business	1,892	-	-	-	-	-	1,892
Total income	44,201	-1,017	-1,100	-122	2,239	-	44,201
Operating expenses	21,827	-802	-507	-60	1,369	-	21,827
Impairment charges on goodwill and customers relations	4,601	-	-	-	-	-	4,601
Profit before loan impairment charges	17,773	-215	-593	-62	870	-	17,773
Loan impairment charges	58	-29	-534	2	561	-	58
Profit before tax, core	17,715	-244	-1,128	-60	1,431	-	17,715
Profit before tax, Non-core	47	-	-	-	-	-	47
Profit before tax	17,762	-244	-1,128	-60	1,431	-	17,762
Tax	4,639	-	-	-266	266	-	4,639
Net profit for the year	**13,123**	**-244**	**-1,128**	**206**	**1,165**	**-**	**13,123**

The table below shows the effect on the Group's business units for 2015 of the transfer of Personal Banking and Business Banking customers in Northern Ireland to the new Northern Ireland segment.

(DKK millions)	Personal Banking Before	Personal Banking Transfer	Personal Banking After	Business Banking Before	Business Banking Transfer	Business Banking After	Other area Before	Other area Transfer	Other area After
Net interest income	9,416	-714	8,702	9,091	-782	8,309	316	-124	192
Net fee income	5,108	-243	4,865	2,109	-245	1,864	-75	-	-75
Net trading income	724	-59	665	665	-59	606	648	-	648
Other income	610	-1	609	2,201	-13	2,188	569	1	570
Total income	15,858	-1,017	14,841	14,066	-1,100	12,966	1,457	-122	1,335
Operating expenses	10,389	-802	9,587	6,817	-507	6,311	803	-60	743
Impairment charges on goodwill and customers relations	3,305	-	3,305	1,296	-	1,296	-	-	-
Profit before loan impairment charges	2,164	-215	1,949	5,953	-593	5,360	654	-62	592
Loan impairment charges	332	-29	303	-343	-534	-877	3	2	1
Profit before tax, core	1,832	-244	1,588	6,296	-1,128	5,168	651	-60	591
Profit before tax, Non-core	-	-	-	-	-	-	-	-	-
Profit before tax	**1,832**	**-244**	**1,588**	**6,296**	**-1,128**	**5,168**	**651**	**-60**	**591**

Notes – Danske Bank Group – Risk Management

Risk exposure

Danske Bank Group is exposed to a number of risks and manages them at various organisational levels.

The main categories of risk are the following:

- Credit risk: The risk of losses because debtors or counterparties fail to meet all or part of their payment obligations to the Group.
- Market risk: The risk of losses because the fair value of the Group's assets, liabilities and off-balance-sheet items varies with changes in market conditions.
- Liquidity risk: The risk of losses because funding costs become excessive, lack of funding prevents the Group from maintaining its business model, or lack of funding prevents the Group from fulfilling its payment obligations.
- Insurance risk: All types of risk at Danica Pension, including market risk, life insurance risk and operational risk.

Danica Pension is a wholly-owned subsidiary of Danske Bank. As required by Danish law and the Executive Order on the Contribution Principle, Danica Pension has notified the Danish FSA of its profit policy. The contribution principle and the profit policy mean that policyholders assume the risks and receive the returns on assets allocated to them. Assets are allocated to policyholders to secure their guaranteed benefits. Market risk and other risks on assets and liabilities allocated to policyholders are therefore not consolidated in the tables of this section, but are treated in the section on insurance risk.

The management's report and Risk Management 2015 provide a detailed description of Danske Bank Group's risk management practices. Risk Management 2015 is available at danskebank.com/ir. The publication is not covered by the statutory audit.

Total capital

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

Danske Bank is a licensed financial services provider and must therefore comply with the capital requirements of the Capital Requirements Regulation (CRR) and the Danish Financial Business Act. The Danish rules are based on the EU Capital Requirements Directive (CRD IV) and apply to both Danske Bank A/S (the Parent Company) and the Group. Similarly, the Group's financial subsidiaries in and outside Denmark must comply with local capital requirements. The regulatory requirements stipulate a minimum capital level of 8% of the total risk exposure amount (REA) under Pillar I (risk exposure amounts for credit risk (including counterparty risk), market risk and operational risk). In addition, financial institutions are required to calculate their solvency need under Pillar II to reflect all relevant risks. The Bank was designated a systemically important financial institution (SIFI) in Denmark in 2014. This means that the Group is subject to stricter requirements than non-SIFI banks. Danske Bank's SIFI buffer requirement is set at an additional 3% above the regulatory requirements for common equity tier 1 (CET1) capital. The SIFI buffer requirement phase-in began on 1 January 2015 and will be completed by 2019. The Group's SIFI buffer requirement is currently 0.6%.

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

The Group's CET1 capital is based on the carrying amount of shareholders' equity with the following adjustments: domicile property revalued at its estimated fair value and proposed dividends; intangible assets of banking operations; statutory deductions for insurance companies; and deferred tax assets that rely on future profitability, etc. The presentation of the Group's total capital in the statement of capital shows the difference between the carrying amount of shareholders' equity and CET1 capital.

The Group's additional tier 1 capital and tier 2 capital may, subject to certain conditions, be included in total capital. The conditions are described in the CRR. Until the CRR is fully phased in, transitional rules apply to instruments which do not qualify for inclusion according to the CRR. Notes 21 and 23(b) show additional tier 1 capital and tier 2 capital. At the end of 2015, the Group's total capital was DKK 175.1 billion (2014: DKK 166.7 billion), and the total capital ratio was 21.0% (2014: 19.3%). Tier 1 capital was DKK 154.5 billion (2014: DKK 144.1 billion), and the tier 1 capital ratio was 18.5% (2014: 16.7%).

Risk Management 2015 provides a description of the Group's solvency need.

The Group's capital considerations are based on an assessment of the capital requirements under the rules on the transition from current regulations to the CRR and CRD IV and on the requirements for SIFIs.

The Group has set capital targets that are in accordance with its business strategy: a total capital ratio of at least 17% and a CET1 capital ratio of at least 13%.

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

Notes – Danske Bank Group – Risk Management

Credit risk

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

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

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

Credit exposure

Credit exposure consists of balance sheet items and off-balance-sheet items that carry credit risk. Most of the exposure derives from lending activities in the form of secured and unsecured loans. The Non-core business unit is not considered part of Danske Bank's core activities and is stated separately. Securities positions taken by the Group's trading and investment units also entail credit risk and are presented as credit exposure from trading and investment securities. One segment of credit risk concerns OTC derivatives. This is presented as counterparty risk.

The overall management of credit risk thus covers credit risk from direct lending activities, including repo transactions, counterparty risk on OTC derivatives, and credit risk from securities positions.

The Group's exposure to the risk on some balance sheet items is limited. This is the case for assets under customer-funded investment pools, unit-linked investment contracts and insurance contracts. The risk on assets under pooled schemes and unit-linked investment contracts is assumed solely by the customers, while the risk on assets under insurance contracts is assumed primarily by the customers. The section on insurance risk describes the Group's credit risk on insurance contracts.

Notes – Danske Bank Group – Risk Management

Credit exposure continued

Breakdown of credit exposure

(DKK billions) 2015	Total	Lending activities Core	Lending activities Non-core	Counterparty risk (derivatives)	Trading and investment securities	Customer-funded investments
Balance sheet items						
Demand deposits with central banks	66.2	66.2	-	-	-	-
Due from credit institutions and central banks	75.2	75.2	-	-	-	-
Repo loans with credit institutions and central banks	28.6	28.6	-	-	-	-
Trading portfolio assets	547.0	-	-	331.0	216.0	-
Investment securities	343.3	-	-	-	343.3	-
Loans at amortised cost	891.6	867.7	23.8	-	-	-
Repo loans	187.7	187.7	-	-	-	-
Loans at fair value	741.7	741.7	-	-	-	-
Assets under pooled schemes and unit-linked investment contracts	91.9	-	-	-	-	91.9
Assets under insurance contracts	265.6	-	-	-	-	265.6
Off-balance-sheet items						
Guarantees	81.8	81.7	-	-	-	-
Loan commitments shorter than 1 year	125.0	121.0	4.0	-	-	-
Loan commitments longer than 1 year	153.6	153.0	0.7	-	-	-
Other unutilised commitments	0.5	-	-	-	0.5	-
Total	**3,599.7**	**2,322.8**	**28.6**	**331.0**	**559.8**	**357.5**

2014	Total	Lending activities Core	Lending activities Non-core	Counterparty risk (derivatives)	Trading and investment securities	Customer-funded investments
Balance sheet items						
Demand deposits with central banks	23.3	23.3	-	-	-	-
Due from credit institutions and central banks	63.8	63.7	0.1	-	-	-
Repo loans with credit institutions and central banks	48.9	48.9	-	-	-	-
Trading portfolio assets	742.5	-	-	409.4	333.1	-
Investment securities	331.0	-	-	-	331.0	-
Loans at amortised cost	851.7	822.1	29.6	-	-	-
Repo loans	241.2	241.2	-	-	-	-
Loans at fair value	741.6	741.6	-	-	-	-
Assets under pooled schemes and unit-linked investment contracts	80.1	-	-	-	-	80.1
Assets under insurance contracts	268.5	-	-	-	-	268.5
Off-balance-sheet items						
Guarantees	77.4	76.2	1.2	-	-	-
Loan commitments shorter than 1 year	115.5	115.1	0.4	-	-	-
Loan commitments longer than 1 year	136.1	136.1	-	-	-	-
Other unutilised commitments	0.5	-	-	-	0.5	-
Total	**3,722.2**	**2,268.2**	**31.3**	**409.4**	**664.6**	**348.6**

In addition to credit exposure from lending activities, Danske Bank had made loan offers and granted uncommitted lines of credit of DKK 329 billion at 31 December 2015 (2014: DKK 308 billion). These items are included in the calculation of the total risk exposure amount in accordance with the Capital Requirements Directive.

Notes – Danske Bank Group – Risk Management

Credit exposure continued

Credit exposure from core lending activities

Credit exposure from lending activities in the Group's core banking business includes loans, amounts due from credit institutions and central banks, guarantees and irrevocable loan commitments. The exposure is measured net of accumulated impairment charges and includes repo loans. For reporting purposes, all collateral values are net of haircuts and capped at the exposure amount. The credit exposure from Non-core lending activities is disclosed later in these notes.

Classification of customers

The main objectives of risk classification are to rank the Group's customers according to risk and to estimate each customer's probability of default (PD). As part of the credit process, the Group classifies customers according to risk and updates their classifications upon receipt of new information. Risk classification comprises rating and credit scoring of customers.

The Group has developed a number of classification models to assess customer PD and to classify customers in various segments. Large business and financial customers are classified on the basis of rating models, while small business and personal customers are classified by means of scoring models.

In its credit risk management, the Group uses point-in-time (PIT) PD estimates for risk classification. These PIT PD estimates express a customer's probability of default in the current economic situation. The Group's classification scale consists of 11 main rating categories with fixed PD bands. During a downturn, a customer's PIT PD may increase, and the customer may migrate to a lower rating category. The effect from a downturn is thus larger when PIT PD is used than if the classification were based on through-the-cycle (TTC) PD, which the Group uses to calculate the risk exposure amount for credit risk.

Loans to customers for which objective evidence of impairment exists are placed in rating category 10 or 11, including loans for which no impairment charges have been recognised, for example because adequate collateral has been provided.

At the end of 2015, the exposure-weighted average PD was 1.00%, against 1.09% in 2014.

Credit portfolio in core activities broken down by rating category

			2015				2014			
	PD level		Gross exposure	Acc. individual impairment charges	Net exposure	Net exposure, ex collateral	Gross exposure	Acc. individual impairment charges	Net exposure	Net exposure, ex collateral
(DKK billions)	Upper	Lower	a	b	=a-b		a	b	=a-b	
1	0.00	0.01	99.3	-	99.3	83.1	69.4	-	69.4	52.0
2	0.01	0.03	248.1	-	248.1	118.5	184.8	-	184.8	75.1
3	0.03	0.06	382.2	-	382.2	126.5	394.1	-	394.1	117.5
4	0.06	0.14	458.5	-	458.5	162.4	447.2	-	447.2	153.4
5	0.14	0.31	494.5	-	494.5	158.8	510.2	-	510.2	171.0
6	0.31	0.63	302.5	-	302.5	81.8	289.3	-	289.3	79.6
7	0.63	1.90	195.7	-	195.7	50.1	213.5	-	213.5	60.2
8	1.90	7.98	70.2	-	70.2	20.5	82.2	-	82.2	25.1
9	7.98	25.70	16.1	-	16.1	4.5	21.9	-	21.9	6.8
10	25.70	99.99	44.3	7.0	37.3	10.9	47.7	10.1	37.6	11.0
11 (default)	100.00	100.00	34.7	16.2	18.5	1.8	37.0	18.9	18.0	1.9
Total before collective impairment charges			**2,345.9**	**23.2**	**2,322.8**	**818.8**	**2,297.3**	**29.0**	**2,268.2**	**753.7**
Collective impairment charges			4.3	-	-	-	4.0	-	-	-
Total gross exposure			**2,350.3**	-	-	-	**2,301.3**	-	-	-

Notes – Danske Bank Group – Risk Management

Credit exposure continued

Credit portfolio in core activities broken down by industry (NACE)

The table below breaks down credit exposure by industry. The industry segmentation follows the classification principles of the Statistical Classification of Economic Activities in the European Community (NACE) standard.

(DKK billions)	2015 Gross exposure a	2015 Acc. individual impairment charges b	2015 Net exposure =a-b	2015 Net exposure, ex collateral	2014 Gross exposure a	2014 Acc. individual impairment charges b	2014 Net exposure =a-b	2014 Net exposure, ex collateral
Public institutions	166.4	-	166.4	143.9	100.1	-	100.1	77.4
Banks	78.2	0.1	78.1	63.2	86.4	0.1	86.3	63.3
Credit institutions	8.8	-	8.8	2.8	30.7	-	30.7	11.5
Insurance	58.4	-	58.4	8.8	50.7	-	50.7	7.4
Investment funds	82.9	0.4	82.5	13.5	105.9	0.5	105.5	14.7
Other financials	65.1	-	65.1	36.7	98.8	0.1	98.6	11.2
Agriculture	66.4	2.7	63.7	12.5	65.8	2.5	63.3	13.1
Commercial property	289.1	4.8	284.3	51.7	268.6	7.4	261.2	49.4
Construction, engineering and building products	37.8	1.4	36.4	26.3	37.5	2.1	35.3	27.0
Consumer discretionary	91.8	1.9	89.9	47.7	85.4	2.5	82.9	48.2
Consumer staples	55.9	0.2	55.7	36.9	58.7	0.4	58.3	37.6
Energy and utilities	45.0	0.1	44.9	37.2	38.9	0.2	38.7	30.9
Health care	35.6	0.1	35.5	25.5	30.9	0.1	30.8	22.2
Industrial services, supplies and machinery	85.6	1.3	84.3	63.8	84.9	1.5	83.4	66.8
IT and telecommunication services	26.2	0.2	26.0	22.9	21.6	0.2	21.4	19.1
Materials	44.7	1.1	43.5	33.4	44.0	1.3	42.7	31.8
Non-profits and other associa-tions	142.0	0.9	141.0	23.6	134.5	1.2	133.2	21.1
Other commercial	44.7	0.3	44.5	28.5	49.2	0.3	48.9	40.3
Shipping	44.5	1.1	43.4	19.2	39.3	1.8	37.5	17.9
Transportation	19.5	0.2	19.3	9.9	17.7	0.2	17.5	9.1
Personal customers	857.4	6.2	851.2	110.8	847.6	6.6	841.0	133.6
Total before collective impairment charges	**2,345.9**	**23.2**	**2,322.8**	**818.8**	**2,297.3**	**29.0**	**2,268.2**	**753.7**
Collective impairment charges	4.3	-	-	-	4.0	-	-	-
Total gross exposure	**2,350.3**	**-**	**-**	**-**	**2,301.3**	**-**	**-**	**-**

Notes – Danske Bank Group – Risk Management

Credit exposure continued

Credit portfolio in core activities broken down by business unit

The table below breaks down credit exposure by core business unit and underlying segment.

(DKK billions)	2015 Gross exposure a	2015 Acc. individual impairment charges b	2015 Net exposure =a-b	2015 Net exposure, ex collateral	2014 Gross exposure a	2014 Acc. individual impairment charges b	2014 Net exposure =a-b	2014 Net exposure, ex collateral
Denmark	530.8	4.7	526.1	66.4	544.6	5.6	539.0	89.2
Finland	94.1	0.4	93.7	5.3	92.8	0.6	92.2	5.6
Sweden	77.4	0.1	77.3	10.5	71.6	0.1	71.6	10.4
Norway	105.6	0.1	105.5	21.3	85.6	0.1	85.5	20.7
Northern Ireland	19.8	0.4	19.4	2.2	18.7	0.2	18.5	2.5
Other	6.4	0.1	6.3	2.5	5.7	0.1	5.6	2.4
Personal Banking	**834.0**	**5.8**	**828.2**	**108.1**	**819.1**	**6.7**	**812.4**	**130.9**
Denmark	434.1	10.2	423.8	103.7	413.5	11.4	402.0	95.3
Finland	68.8	1.0	67.8	32.0	64.3	0.9	63.4	29.8
Sweden	148.4	0.6	147.8	50.1	123.9	0.6	123.2	42.1
Norway	71.2	0.7	70.4	25.0	65.5	0.7	64.8	27.1
Northern Ireland	39.3	2.3	37.0	18.1	35.6	4.7	30.9	14.9
Baltics	19.0	0.3	18.7	10.4	27.5	0.7	26.8	11.8
Other	-	-	-	-	-	-	-	-
Business Banking	**780.8**	**15.2**	**765.6**	**239.3**	**730.3**	**19.1**	**711.2**	**220.9**
C&I*	**669.4**	**2.1**	**667.3**	**413.7**	**715.3**	**3.1**	**712.2**	**372.8**
Other	**61.8**	**-**	**61.8**	**57.7**	**32.6**	**0.1**	**32.4**	**29.1**
Total before collective impairment charges	**2,345.9**	**23.2**	**2,322.8**	**818.8**	**2,297.3**	**29.0**	**2,268.2**	**753.7**
Collective impairment charges	4.3	-	-	-	4.0	-	-	-
Total gross exposure	**2,350.3**	**-**	**-**	**-**	**2,301.3**	**-**	**-**	**-**

*The Corporates & Institutions (C&I) segment comprises large corporate customers and financial institutions. As these customers typically have business activities in multiple countries, a geographical split is not applicable.

Notes – Danske Bank Group – Risk Management

Concentration risk

The Group has implemented a set of frameworks to manage concentration risk encountered by the Group. These frameworks cover single-name concentrations, industry concentrations and geographical concentrations.

Industry concentrations

The Industry Concentration Framework outlines the principles of managing industry exposures. A portfolio committee consisting of industry experts, risk representatives and business unit representatives proposes industry limits based on scorecards, tailored analytics and expert knowledge.

Geographical concentrations

Credit reporting includes a breakdown by region. Limits are set on exposures outside the Group's home markets (sovereigns, financial institutions and counterparties in derivatives trading). A country portfolio committee proposes limits based on expected business volume and an assessment of the specific country risk. The committee then submits the proposed limits to the Executive Board.

Single-name concentrations

Single-name concentrations are managed according to two frameworks:

Single-name concentration framework: This risk-sensitive internal framework specifies limits on exposure, expected loss (EL) and loss given default (LGD) in order to limit potential losses on single-name exposures. Single-name concentrations are monitored and reported on a monthly basis to the All Risk Committee and the Credit & Risk Committee.

Large exposures framework: This framework is based on the regulatory definition of large exposures as specified in article 395 of the CRR (Regulation (EU) No. 575/2013).

The Group has also defined stricter internal limits for managing single-name concentrations, including the following:

- absolute limit on single-name exposures
- the sum of single-name exposures larger than 10% of the total adjusted capital may not exceed a portfolio limit of 95% of the total adjusted capital
- the sum of single-name exposures equal to 5% to 10% of the total adjusted capital may not exceed 150% of the total adjusted capital

The largest single-name exposures are monitored daily under the large exposures framework. Large exposures are reported on a monthly basis to the All Risk Committee and the Credit & Risk Committee and on a quarterly basis to the Board of Directors. At the end of 2015, the Group was well within the regulatory limits for large exposures.

The Group has reduced single-name exposures substantially in recent years.

Collateral

The Group uses a number of measures to mitigate credit risk, including collateral, guarantees and covenants. The main method is obtaining collateral.

The market value of collateral is monitored and evaluated by advisers, internal or external assessors, or automatic valuation models. Automatic valuation models are validated annually and monitored quarterly. The Group regularly evaluates the validity of external inputs on which the valuation models are based. The Collateral System supports the process of reassessing the market value to ensure that the Group complies with regulatory requirements.

The market value of collateral is subject to a haircut. The haircut reflects the risk that the Group will not be able to obtain the estimated market value upon the sale of the individual asset in a distressed situation and thus includes forced sale reduction, price volatility during the sales period, realisation costs and maintenance costs. The haircut applied depends on the type of collateral. For regulatory purposes, the Group also applies a downturn haircut.

The composition of the Group's collateral base reflects the product composition of the credit portfolio. The most important collateral types, measured by volume, are real property and financial assets in the form of shares and bonds. For reporting purposes, all collateral values are net of haircut and capped by the exposure amount at facility level.

Notes – Danske Bank Group – Risk Management

Collateral continued

Type of collateral in core activities (after haircut)

	Personal Banking		Business Banking		C&I		Other		Total	
(DKK billions)	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Real property	705.1	667.2	443.4	416.5	24.0	28.6	0.1	0.2	1,172.6	1,112.5
Personal	704.0	665.5	16.5	24.5	-	-	0.1	-	720.6	690.0
Commercial	1.1	1.6	380.7	346.8	22.1	26.5	-	0.1	403.8	375.1
Agricultural	-	0.1	46.3	45.2	1.9	2.1	-	-	48.2	47.5
Bank accounts	0.6	0.7	0.6	0.7	0.1	0.2	-	-	1.2	1.6
Custody accounts and securities	7.3	6.4	5.6	5.8	190.3	281.7	3.9	3.2	207.1	297.1
Vehicles	2.3	2.4	14.5	11.8	0.5	0.4	-	-	17.3	14.7
Equipment	-	0.1	22.2	20.5	1.5	0.8	-	-	23.7	21.4
Vessels and aircraft	0.1	0.1	2.7	2.4	25.5	20.7	-	-	28.2	23.2
Guarantees	4.3	4.1	2.7	2.6	5.9	2.5	-	-	12.9	9.3
Amounts due	0.2	0.1	5.0	4.9	0.2	0.5	-	-	5.4	5.5
Other assets	0.1	0.2	29.7	25.2	5.8	3.9	0.1	-	35.7	29.2
Total collateral	720.1	681.5	526.2	490.3	253.6	339.4	4.1	3.3	1,504.0	1,514.5
Total unsecured credit exposure	108.1	130.9	239.3	220.9	413.7	372.8	57.7	29.1	818.8	753.7
Unsecured portion of credit exposure (%)	13.1	16.1	31.3	31.1	62.0	52.3	93.4	89.8	35.3	33.2

Notes – Danske Bank Group – Risk Management

Past due amounts in core activities (no objective evidence of individual impairment)

Past due amounts (no evidence of impairment)

	Personal Banking		Business Banking		C&I		Other		Total past due amounts		Total due under loans	
(DKK millions)	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
6-30 days	59	64	40	63	2	1	-	-	101	128	1,756	2,246
31-60 days	36	16	17	8	-	4	-	-	53	28	897	738
> 60 days	40	36	28	16	-	-	-	-	68	52	585	816
Total past due amounts	**134**	**115**	**85**	**87**	**2**	**6**	**-**	**-**	**222**	**207**	**-**	**-**
Total due under loans	**2,280**	**2,541**	**910**	**1,249**	**45**	**10**	**3**	**-**	**-**	**-**	**3,238**	**3,799**

The average unsecured portion of the claims recorded as past due amounts with no evidence of impairment was 24.5% at the end of 2015 (2014: 31.1%). Real property accounted for 86.0% of collateral provided (2014: 90.6%).

Forbearance practices and repossessed assets

The Group adopts forbearance plans to assist customers in financial difficulty. Concessions granted to customers include interest-reduction schedules, interest-only schedules, temporary payment holidays, term extensions, cancellation of outstanding fees, waiver of covenant enforcement and settlements.

Forbearance plans must comply with the Group's Credit Policy. They are used as an instrument to retain long-term business relationships during economic downturns if there is a realistic possibility that the customer will be able to meet obligations again, or are used for minimising loss in the event of default.

If it proves impossible to improve the customer's financial situation by forbearance measures, the Group will consider whether to subject the customer's assets to a forced sale or whether the assets could be realised later at higher net proceeds. At the end of 2015, the Group recognised properties taken over in Denmark at a carrying amount of DKK 76 million (2014: DKK 106 million) and properties taken over in other countries at DKK 388 million (2014: DKK 520 million). The properties are held for sale and included under Other assets in the balance sheet.

Forbearance leads to objective evidence of impairment, and impairments relating to forborne exposures are handled according to the principles described in Note 1, Basis of preparation - Measurement of loans.

The Group has implemented the European Banking Authority's (EBA's) definition of loans subject to forbearance measures. The table below is based on the EBA's definition, which states that a minimum two-year probation period must pass from the date forborne exposures are considered to be performing again. Such exposures are included in the Under Probation category in the table below. Exposures with forbearance measures are divided into performing and non-performing loans. The Group's definition of non-performing loans is described in the next section. The increase in forborne exposures to the refinancing segment relates to pro-active forbearance measures taken by the Bank to improve the financial position of weak customers.

Exposures subject to forbearance measures

	2015		2014	
(DKK millions)	Performing	Non-performing	Performing	Non-performing
Modification	36	1,347	163	1,394
Refinancing	1,848	9,150	789	3,884
Under probation	5,312	-	2,657	-
Total	**7,196**	**10,497**	**3,609**	**5,278**

Notes – Danske Bank Group – Risk Management

Non-performing loans

The Group defines non-performing loans as facilities with objective evidence of impairment and for which individual impairment charges have been booked. For non-retail exposures with any non-performing loans, the entire amount of the customer's exposure is considered to be non-performing. For retail exposures, only impaired facilities are included in non-performing loans. The Group's definition of non-performing loans differs from the EBA's definition by excluding fully covered exposures to customers in default and previously forborne exposures that are now performing and are under probation.

Non-performing loans in core activities

(DKK millions)	2015	2014
Total non-performing loans	24,670	29,390
-portion in default	10,469	10,573
Coverage ratio (default) (%)	93	96
Coverage ratio (non-default) (%)	66	73
Coverage ratio (total non-perfoming loans) (%)	83	86
Non-performing loans as a percentage of total gross exposure (%)	2.0	2.5

From 2015, a data improvement has been made in relation to how facility level data from a subsidiary is aggregated into the Group's non-perfoming loans data affecting primarily Personal Banking Denmark. Comparative figures have not been restated.

Non-performing loans in core activities broken down by industry (NACE)

	2015				2014			
(DKK millions)	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral
Public institutions	1	1	1	1	1	1	1	1
Banks	142	142	-	-	246	91	155	155
Credit institutions	-	-	-	-	-	-	-	-
Insurance	30	9	21	-	30	12	18	-
Investment funds	604	434	170	74	1,574	462	1,112	-
Other financials	25	9	16	-	142	142	-	-
Agriculture	3,845	2,733	1,111	591	3,434	2,529	906	377
Commercial property	10,756	4,763	5,993	421	16,714	7,386	9,328	850
Construction, engineering and building products	1,990	1,378	612	119	2,744	2,135	608	186
Consumer discretionary	3,005	1,891	1,114	187	3,799	2,463	1,337	169
Consumer staples	384	220	164	39	712	386	325	119
Energy and utilities	288	145	144	8	596	171	425	374
Health care	128	75	53	10	129	91	38	1
Industrial services, supplies and machinery	2,515	1,332	1,184	304	2,559	1,491	1,068	383
IT and telecommunication services	216	151	66	15	247	206	41	-
Materials	1,744	1,144	600	209	1,849	1,304	545	68
Non-profits and other associations	2,441	945	1,497	190	3,808	1,237	2,571	-
Other commercial	303	253	50	3	336	336	-	-
Shipping	2,816	1,134	1,682	-	4,486	1,797	2,689	794
Transportation	312	186	126	12	362	241	121	-
Personal customers	16,273	6,207	10,066	2,639	14,671	6,569	8,102	1,191
Total non-perfoming loans	**47,820**	**23,151**	**24,670**	**4,822**	**58,439**	**29,049**	**29,390**	**4,668**

The average unsecured portion of non-performing exposures was 19.5% at the end of 2015 (31 December 2014: 15.9%). Real property accounted for 80.1% of collateral provided (31 December 2014: 80.9%). From 2015, a data improvement has been made in relation to how facility level data from a subsidiary is aggregated into the Group's non-perfoming loans data affecting primarily Personal Banking Denmark. Comparative figures have not been restated.

Notes – Danske Bank Group – Risk Management

Non-performing loans continued

Non-performing loans in core activities broken down by business unit

	2015				2014			
(DKK millions)	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral	Gross exposure a	Acc.individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral
Denmark	11,646	4,681	6,966	2,837	9,426	5,603	3,823	1,295
Finland	1,863	412	1,451	18	1,996	560	1,436	-
Sweden	592	141	451	19	594	79	515	132
Norway	322	102	220	23	371	107	264	29
Northern Ireland	1,093	356	737	7	1,178	239	939	169
Other	224	87	138	54	216	108	108	4
Personal Banking	**15,740**	**5,778**	**9,962**	**2,959**	**13,782**	**6,696**	**7,086**	**1,629**
Denmark	19,356	10,246	9,110	1,410	24,156	11,415	12,741	74
Finland	1,939	1,028	911	238	1,857	905	952	133
Sweden	1,164	614	549	-	1,348	632	716	148
Norway	1,362	743	620	4	1,542	735	807	-
Northern Ireland	3,526	2,286	1,240	-	6,074	4,688	1,387	-
Baltics	625	316	309	22	1,870	738	1,132	175
Other	8	6	2	2	3	-	2	-
Business Banking	**27,980**	**15,239**	**12,741**	**1,677**	**36,850**	**19,114**	**17,736**	**530**
C&I*	**4,088**	**2,132**	**1,955**	**183**	**7,680**	**3,112**	**4,568**	**2,510**
Other	**13**	**2**	**11**	**3**	**127**	**127**	**-**	**-**
Total non-performing loans	**47,820**	**23,151**	**24,670**	**4,822**	**58,439**	**29,049**	**29,390**	**4,668**

From 2015, a data improvement has been made in relation to how facility level data from a subsidiary is aggregated into the Group's non-perfoming loans data affecting primarily Personal Banking Denmark. Comparative figures have not been restated.

Impairment charges

Rating categories 10 (non-default) and 11 (default) include customers with exposures for which objective evidence of impairment exists. Exposure to customers in the other rating categories is subject to collective impairment testing. Note 14 in the consolidated financial statements for 2015 provides more details.

Notes – Danske Bank Group – Risk Management

Allowance account in core activities

Allowance account in core activities broken down by segment

(DKK millions)	Personal Banking	Business Banking	C&I	Other	Allowance account total	Impairment Individual	Impairment Collective
1 January 2014	8,319	23,655	2,774	-	34,748	31,464	3,284
New and increased impairment charges	3,401	4,997	999	24	9,421	7,728	1,694
Reversals of impairment charges from previous periods	1,851	3,996	660	3	6,510	5,508	1,002
Write-offs debited to allowance account	1,298	3,035	149	22	4,503	4,503	-
Foreign currency translation	7	285	193	1	486	477	9
Other items	-196	-413	-1	2	-608	-608	-
31 December 2014	8,382	21,493	3,157	2	33,034	29,049	3,985
New and increased impairment charges	2,089	3,614	558	1	6,261	5,161	1,100
Reversals of impairment charges from previous periods	1,599	3,819	432	-	5,850	5,197	654
Write-offs debited to allowance account	1,021	4,083	1,150	-	6,254	6,254	-
Foreign currency translation	35	313	175	-	523	503	20
Other items	-285	7	61	-1	-218	-113	-106
31 December 2015	**7,601**	**17,524**	**2,369**	**2**	**27,496**	**23,151**	**4,345**

Collective impairment charges include charges that reflect the migration of customers from one rating category to another without changes' being made to the credit margin to reflect the increase in credit risk. If all customers were downgraded one rating category with no corresponding change in the interest rate charged to the customers, collective impairment charges would increase by about DKK 2.7 billion (2014: about DKK 3.2 billion). The migration impairment charges also depend on the emergence period, i.e. the period over which rating migrations are considered. An increase in this period from 2 to 3 years would increase the collective impairment charges by DKK 0.3 billion.

If the value of collateral provided by customers in rating categories 10 and 11 decreased 10%, individual impairment charges would increase by about DKK 2.5 billion (2014: about DKK 2.4 billion).

Allowance account in core activities broken down by balance sheet items

(DKK millions)	2015	2014
Due from credit institutions and central banks	7	91
Loans at amortised cost	22,490	27,787
Loans at fair value	4,380	4,648
Loan commitments and guarantees	619	508
Total	**27,496**	**33,034**

Notes – Danske Bank Group – Risk Management

Credit exposure from Non-core lending activities

The Non-core business unit is responsible for the controlled winding-up and divestment of exposures that are no longer considered part of the Group's core activities. The portfolio consists of the Non-core exposures in Ireland, the Baltics and conduits etc.

In the first quarter of 2015, the Group entered into a binding agreement on the sale of a portfolio of SME loans with a nominal value of DKK 3.9 billion. The transaction was settled in April 2015. For accounting purposes, the portfolio was recognised under Assets held for sale and therefore not included in the credit exposure at the end of 2014. In the third quarter of 2015, the Group entered into an agreement to sell a residential mortgage loan portfolio relating to the Group's Non-core mass personal customer business in Lithuania and Latvia with a nominal value of DKK 4.8 billion. Pending approval by the Lithuanian competition authorities, the transaction is expected to be completed in the first half of 2016. The portfolio has been recognised under Assets held for sale and therefore not included in the credit exposure since the third quarter of 2015.

Credit portfolio in Non-core activities broken down by industry (NACE)

	2015				2014			
(DKK millions)	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral
Personal customers	21,879	1,844	20,035	1,093	19,830	2,479	17,351	1,312
Consumer discretionary	191	129	61	12	551	477	74	-
Commercial property	752	445	307	-	3,415	2,733	682	-
Other	556	389	167	-	3,266	1,151	2,115	1,748
Non-core banking	**23,378**	**2,807**	**20,570**	**1,105**	**27,062**	**6,840**	**20,222**	**3,060**
Non-core conduits etc.	**8,235**	**243**	**7,992**	**3,109**	**11,362**	**259**	**11,104**	**2,858**
Total Non-core before collective impairment charges	**31,613**	**3,050**	**28,563**	**4,214**	**38,425**	**7,099**	**31,326**	**5,917**
Collective impairment charges	**865**	-	-	-	**813**	-	-	-
Total Non-core exposure	**32,479**	-	-	-	**39,238**	-	-	-

Credit portfolio in Non-core activities broken down by rating category

	PD level		2015				2014			
(DKK millions)	Upper	Lower	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral
1	0.00	0.01	208	-	208	-	996	-	996	-
2	0.01	0.03	2,398	-	2,398	-	3,109	-	3,109	435
3	0.03	0.06	1,447	-	1,447	864	1,494	-	1,494	548
4	0.06	0.14	2,704	-	2,704	1,028	1,698	-	1,698	583
5	0.14	0.31	490	-	490	113	2,271	-	2,271	632
6	0.31	0.63	680	-	680	-	840	-	840	-
7	0.63	1.90	13,142	-	13,142	1,177	9,843	-	9,843	1,510
8	1.90	7.98	1,194	-	1,194	-	3,424	-	3,424	1,161
9	7.98	25.70	716	-	716	54	791	-	791	306
10	25.70	99.99	3,570	640	2,929	978	3,720	676	3,044	743
11 (default)	100.00	100.00	5,063	2,410	2,653	-	10,238	6,423	3,815	-
Total before collective impairment charges			**31,613**	**3,050**	**28,563**	**4,214**	**38,425**	**7,099**	**31,326**	**5,917**
Collective impairment charges			865	-	-	-	813	-	-	-
Total gross exposure			**32,479**	-	-	-	**39,238**	-	-	-

Notes – Danske Bank Group – Risk Management

Credit exposure from Non-core lending activities continued

Non-performing loans in Non-core activities broken down by industry (NACE)

	2015				2014			
(DKK millions)	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral	Gross exposure a	Acc. individual impairment charges b	Net exposure =a-b	Net exposure, ex collateral
Personal customers	5,998	1,844	4,153	265	6,706	2,479	4,227	37
Consumer discretionary	180	129	51	10	545	477	68	-
Commercial property	746	445	302	18	3,492	2,733	759	-
Other	544	389	155	8	1,412	1,151	261	-
Non-core banking	7,468	2,807	4,661	300	12,154	6,840	5,315	37
Non-core conduits etc.	893	243	650	650	1,410	259	1,151	660
Total non-performing exposure in Non-core	**8,361**	**3,050**	**5,311**	**950**	**13,564**	**7,099**	**6,466**	**698**

The average unsecured portion of non-performing loans was 18.0% at the end of 2015 (2014: 10.8%). Real property accounted for 99.7% of collateral provided (2014: 93.1%).

Counterparty risk

Exposure to counterparty risk (derivatives) and credit exposure from trading and investment securities

(DKK billions)	2015	2014
Counterparty risk		
Derivatives with positive fair value	331.0	409.4
Credit exposure from other trading and investment securities		
Bonds	535.9	654.2
Shares	22.5	9.8
Other unutilised commitments	0.5	0.5
Total	**889.8**	**1,073.9**

Other unutilised commitments comprises private equity investment commitments and other obligations.

Notes – Danske Bank Group – Risk Management

Counterparty credit risk continued

Counterparty risk (derivatives)

Derivatives are subject to credit risk. Positive and negative fair values of derivatives with the same counterparty are offset in the balance sheet if certain conditions are fulfilled. The Group has entered into master netting or similar agreements that include rights to additional set-off in the event of default by a counterparty. Such agreements reduce the exposure further, but they do not qualify for offsetting under IFRSs. The net current exposure to derivatives with positive market value after offsetting under master netting agreements amounted to DKK 94.0 billion (2014: DKK 109.2 billion) (see note 29). The exposure is broken down by rating category in the table below.

Net current exposure broken down by category (DKK millions)	2015	2014
1	7,793	10,510
2	9,513	13,513
3	30,733	34,185
4	18,622	23,426
5	18,497	19,186
6	5,518	4,542
7	1,967	1,988
8	628	675
9	225	241
10	322	441
11	184	530
Total	**94,001**	**109,236**

The counterparty credit risk on derivatives is managed by PFE (potential future exposure) lines on a set of maturity buckets. Pre-deal line checks are performed prior to trading. The Group carries out counterparty credit risk measurement and monitoring as well as intraday line utilisation monitoring on a daily basis. Consolidated counterparty credit risk exposure is reported to senior management. The Group uses a simulation model to calculate counterparty credit risk exposure for the majority of its portfolio.

The Group makes fair value adjustments to cover the credit risk on derivatives with positive fair value (CVA) that are recognised in the financial statements, see further in note 30.

Bond portfolio

Bond portfolio (DKK millions) 2015	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
Held-for-trading	90,321	4,506	49,781	30,637	6,633	13,319	195,197
Designated at fair value	41,298	2,207	108,442	16,844	5,008	1,886	175,685
Available-for-sale	150	-	45,534	-	1,085	-	46,770
Hold-to-maturity	68,899	1,325	45,863	545	1,925	645	119,202
Total	**200,668**	**8,038**	**249,620**	**48,027**	**14,651**	**15,850**	**536,854**
2014							
Held-for-trading	155,750	6,346	78,356	50,684	9,461	24,500	325,097
Designated at fair value	22,455	1,214	112,689	20,024	3,793	5,596	165,771
Available-for-sale	156	676	55,103	-	2,608	-	58,543
Hold-to-maturity	53,628	1,324	47,679	-	1,487	738	104,856
Total	**231,989**	**9,560**	**293,827**	**70,708**	**17,349**	**30,834**	**654,267**

At 31 December 2015, the Group had an additional bond portfolio worth DKK 145,063 million (31 December 2014: DKK 146,717 million) recognised as assets under insurance contracts and thus not included in the table above. The section on insurance risk provides more information. For bonds classified as hold-to-maturity, fair value exceeded amortised cost at the end of 31 December 2015 and 31 December 2014.

Notes – Danske Bank Group – Risk Management

Bond portfolio continued

Bond portfolio broken down by geographical area

(DKK millions) 2015	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
Denmark	22,345	-	249,620	-	-	1,652	273,618
Sweden	27,285	-	-	48,027	-	3,719	79,031
UK	19,548	135	-	-	2,224	1,121	23,027
Norway	5,763	-	-	-	6,914	1,287	13,964
USA	8,081	1,132	-	-	-	771	9,984
Spain	9,502	-	-	-	917	-	10,418
France	20,846	-	-	-	1,123	528	22,497
Luxembourg	-	6,502	-	-	-	11	6,513
Finland	14,593	247	-	-	1,849	1,927	18,616
Ireland	4,618	-	-	-	90	48	4,756
Italy	7,194	-	-	-	-	-	7,194
Portugal	1,506	-	-	-	-	-	1,506
Austria	7,626	-	-	-	224	-	7,850
Netherlands	11,069	-	-	-	86	2,751	13,906
Germany	31,001	-	-	-	589	754	32,344
Belgium	8,873	-	-	-	333	-	9,206
Other	817	23	-	-	302	1,282	2,424
Total	**200,668**	**8,038**	**249,620**	**48,027**	**14,651**	**15,850**	**536,854**
2014							
Denmark	16,835	-	293,827	-	1,508	6,748	318,919
Sweden	24,794	-	-	70,708	-	7,191	102,692
UK	17,434	102	-	-	3,443	1,667	22,646
Norway	8,556	-	-	-	6,741	3,138	18,435
USA	2,486	1,264	-	-	-	1,586	5,336
Spain	7,750	-	-	-	2,380	-	10,130
France	24,753	-	-	-	1,146	1,778	27,676
Luxembourg	-	8,133	-	-	-	49	8,182
Finland	18,406	60	-	-	1,525	2,566	22,557
Ireland	11,469	-	-	-	112	29	11,610
Italy	10,587	-	-	-	-	-	10,587
Portugal	2,123	-	-	-	-	-	2,123
Austria	8,876	-	-	-	-	3	8,878
Netherlands	14,986	-	-	-	171	3,375	18,533
Germany	50,644	-	-	-	233	1,458	52,335
Belgium	10,865	-	-	-	89	-	10,954
Other	1,425	2	-	-	0	1,248	2,675
Total	**231,989**	**9,560**	**293,827**	**70,708**	**17,349**	**30,834**	**654,267**

Risk Management 2015 provides additional details about the risk on the Group's bond portfolio. The publication is not covered by the statutory audit.

Notes – Danske Bank Group – Risk Management

Bond portfolio continued

Bond portfolio broken down by external ratings

(DKK millions) 2015	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
AAA	103,778	4,814	249,578	48,027	12,403	849	419,448
AA+	40,696	2,064	-	-	1,249	464	44,474
AA	25,435	1,160	-	-	346	529	27,470
AA-	7,118	-	-	-	-	1,186	8,304
A+	4,769	-	-	-	273	2,602	7,644
A	41	-	-	-	188	4,046	4,275
A-	600	-	-	-	186	1,077	1,863
BBB+	9,288	-	-	-	-	1,709	10,997
BBB	7,412	-	41	-	-	2,136	9,589
BBB-	1	-	-	-	-	346	347
BB+	1,499	-	-	-	-	270	1,769
BB	7	-	-	-	-	366	373
BB-	-	-	-	-	-	33	33
Sub-inv. grade or unrated	25	-	-	-	8	236	269
Total	**200,668**	**8,038**	**249,620**	**48,027**	**14,651**	**15,850**	**536,854**
2014							
AAA	129,636	5,477	290,763	64,717	13,067	518	504,179
AA+	48,303	1,146	-	-	59	957	50,465
AA	15,207	2,937	-	5,990	1,473	934	26,542
AA-	6,426	-	199	-	-	3,852	10,477
A+	156	-	2,643	-	-	8,076	10,874
A	209	-	1	-	231	8,329	8,769
A-	3	-	-	-	1,466	2,315	3,784
BBB+	16,362	-	2	-	185	1,419	17,969
BBB	13,358	-	220	-	2	2,982	16,562
BBB-	34	-	-	-	401	343	778
BB+	2,157	-	-	-	184	249	2,590
BB	-	-	-	-	254	566	820
BB-	-	-	-	-	8	26	35
Sub-inv. grade or unrated	137	-	-	-	18	267	422
Total	**231,989**	**9,560**	**293,827**	**70,708**	**17,349**	**30,834**	**654,267**

Notes – Danske Bank Group – Risk Management

Market risk

Market risk is the risk of losses or gains caused by changes in the market values of the Group's financial assets, liabilities and off-balance-sheet items resulting from changes in market prices or rates. The Group's market risk originates from trading-related positions at C&I or as part of treasury management at Group Treasury. Market risk associated with activities at Personal Banking and Business Banking is either hedged by C&I or managed as part of Group Treasury's market risk positions.

The Market Risk Policy set by the Board of Directors lays out the overall framework for market risk management and identifies the boundaries within which the Group's market risk profile and business strategy are defined. The Market Risk Policy is supported by the Market Risk Instructions, which defines the overall limits for various market risk factors and additional boundaries within which the trading activities operate. The Market Risk Policy and the Market Risk Instructions form the basis of written business procedures and daily control procedures for the Group's market risk management.

The Group operates with a market risk appetite for its trading-related activities. The market risk appetite is expressed as a risk mandate assessment that is based on the business strategy and the market environment expected in the near future. The purpose of the risk mandate assessment is to measure the effect of proposed limits by quantifying the expected upside of using the limits (that is, expected earnings) and the potential downside (that is, the potential loss if the expectations are not realised).

The Group's market risk management is designed to ensure proper oversight of all market risks, both trading-related market risk and non-trading-related market risk. Market risk stemming from activities at Danica Pension and from the Group's defined benefit pension plans is managed separately. The market risk on assets in which the shareholders' equity of Danica Pension is invested and on assets allocated to Danica Pension's policyholders is treated as an insurance risk. The market risk on defined benefit pension plans is treated as a pension risk.

Risk measures

The Group uses a range of measures to create a framework that captures the material market risks to which the Group is exposed – both conventional risk measures, such as sensitivities and market value, and mathematical and statistical measures, such as Value-at-Risk (VaR). The Group also develops and maintains internal models that are used for the pricing and risk management of financial products that cannot be valued directly or risk-managed on the basis of quoted market prices.

The Group uses VaR to calculate and manage market risk at the portfolio level in day-to-day risk management. In June 2015, the Danish FSA approved an extension of the Group's internal VaR model for calculating the capital requirement for market risk to include bond spread risk and company-specific equity risk (i.e., specific market risk) and also approved the Group's incremental risk model. The following risk types are now included in the Group's internal VaR model: interest rate, bond spread, interest rate options, inflation rate, foreign exchange, equity market and company-specific equity risks.

The Group uses a historical simulation model to estimate VaR on the basis of two years' historical market data. The main advantage of this method is that it makes no assumptions regarding loss distribution. The simulation uses one thousand scenarios to generate the loss distribution. To construct the scenarios, independent drawings are made from a data set 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 constructed scenarios are used for calculating the market value of the trading portfolio through a full revaluation of each position. Consequently, the model incorporates both linear and non-linear effects. The model does not cover commodity risk, to which the exposure is very limited.

One of the major strengths of VaR is that it provides an aggregate measure of all risk types included in the model and factors in the correlation structure of the financial markets. Furthermore, it takes portfolio diversification or hedging activities into account. However, the VaR measure assumes that the recent history is a good projection of the future. If this assumption does not hold, VaR does not provide a satisfactory estimate of the future potential loss.

For regulatory purposes, the Group has a separate internal model designed to measure incremental risk. The incremental risk model captures the potential loss resulting from downgrades (or upgrades for short positions) and defaults of bond issuers and underlying securities in CDSs. The incremental risk model is a Monte Carlo simulation model featuring correlations between the underlying issuers. The correlations are introduced into the model by means of a Gaussian copula with one systemic factor and one idiosyncratic factor. Key inputs to the model are default and migration probabilities, recovery rates, asset correlations and scenario spread changes. The liquidity horizon is fixed at one year for all asset classes, implying a one-year constant position approach.

In the Group's day-to-day risk management, rating migration risk is captured in the VaR measure and supplemented by limits on rating categories, whereas default risk is limited by individual credit assessments and credit lines for bond holdings and CDS positions.

Risk monitoring and reporting

Market risk limits are established on various metrics so that activities subject to market risk are covered from several perspectives. The Group operates with three levels in the limit hierarchy for market risk (encompassing trading-related and non-trading-related market risks):

1. Board limits
2. All Risk Committee limits
3. Detailed operational limits

Notes – Danske Bank Group – Risk Management

Risk monitoring and reporting continued

Board limits are set by the Board of Directors in the Market Risk Instructions, in which overall limits are defined for specific major risk factors and are supplemented by an overall VaR limit. The All Risk Committee delegates the Board limits to the business areas (C&I and Group Treasury) and assigns additional limits for less significant risk factors. Detailed operational limits are set at the desk level for relevant risk categories and metrics. The operational limit structure is sufficiently granular to facilitate an effective control of market risk and to provide a continuous overview and understanding of activities undertaken by the various business units.

Market risk controlling and reporting take place on a daily basis. The controlling process is embedded in continuous intraday monitoring of sensitivity measures that are recalculated with a full portfolio update every 30 minutes. The monitoring system is linked directly to front office trading systems and automatically flags limit excesses, ensuring a high standard of limit monitoring and follow-up. Business units must comply with limits at all times. In the event of a limit excess, the business unit responsible must document the reason for the excess and submit a plan of action to rectify the situation. All limit breaches are reported to the relevant party within the limit structure.

Trading-related market risk

Trading-related activities at C&I cover trading in fixed income, derivatives, foreign exchange, money markets, debt capital markets, equities and commodities as well as emerging markets. C&I acts mainly as a market maker processing large client flows. Fixed income products represent by far the largest notional-trading and position-taking volumes. C&I is the leading Nordic provider in this segment, with a strong presence in Scandinavian and northern European products in both primary and secondary markets. The market-making activities entail keeping an inventory of assets to support the secondary market and short-term holdings of new issues in Capital Markets. As a result, the market-making activities involve both outright market risk exposure and spread risk from imperfect hedges.

The table below shows the VaR calculated at a 95% confidence level and a one-day horizon for the trading-related activities at C&I. The VaR estimates for the various risk types are calculated on a stand-alone basis, while the total VaR includes diversification effects.

Value-at-Risk for trading-related activities at C&I (confidence level of 95% 1-day horizon)

(DKK millions)	2015	2014
Bond spread risk	51	56
Interest rate risk	60	32
Foreign exchange risk	2	4
Equity risk	7	14
Diversification effects	-62	-35
Total VaR	**58**	**71**

The Group reduced its trading-related market risk from DKK 71 million at the end of 2014 to DKK 58 million at the end of 2015. Throughout the period, the risk related mainly to fixed income products, giving rise to interest rate risk and bond spread risk. Because of substantial diversification, however, the two main risk factors hedged each other, resulting in a total VaR that was less than the sum of the stand-alone estimates.

Stand-alone interest rate risk rose in 2015, owing mainly to significantly higher market volatility during the first part of the year. Although market volatility increased, bond spread risk declined marginally because of a considerable reduction in bond holdings over the year. Foreign exchange risk and equity risk also fell because of reduced risk taking.

Non-trading-related market risk

Most of the Group's exposure to non-trading-related market risk originates from the Group's funding and liquidity management activities at Group Treasury. In addition, the Group holds a portfolio of unlisted shares (for more information, see note 30(d)). These activities involve mainly interest-rate risk and bond spread risk as well as risk on unlisted shares.

Interest rate risk in the banking book

Non-trading-related interest rate risk is included in the Group's overall interest rate risk calculations and thus in day-to-day monitoring and risk management. Non-trading-related interest rate risk is related primarily to the Group's funding activities, and it is hedged and treated according to fair value hedge accounting rules. The interest rate risk derives, to a lesser extent, from the Group's banking activities, which offer fixed rate deposits, loans and other interest rate products. The interest rate risk on the following remaining fixed rate items is thus not hedged in the accounting process but is managed on a daily basis:

- A legacy portfolio of fixed rate mortgage loans in Denmark (estimated using historical prepayment rates)
- Fixed rate loans and advances provided by Personal Banking and Business Banking in Finland, Northern Ireland and the Baltics
- Operating leases
- Positions resulting from payments in advance on Realkredit Danmark loans (monthly payments that are not passed on to bondholders until the end of the quarter or year)
- Positions related to asset/liability management
- Bonds in the hold-to-maturity portfolios
- Interest rate risk exposure on demand deposits (unencumbered core funds are modelled with an average maturity of 2.5 years)

Notes – Danske Bank Group – Risk Management

Interest rate risk in the banking book continued

The Group's total interest rate sensitivity in the banking book is shown in the table below.

Interest rate risk in the banking book (parallel shift in yield curve of 100 basis points)

	2015		2014	
(DKK millions)	+100 bp	-100 bp	+100 bp	-100 bp
DKK	-1,903	1,975	-1,105	1,155
EUR	-1,004	1,033	-1,308	1,360
SEK	-150	156	-10	10
GBP	20	-20	-12	15
NOK	-4	4	-8	8
USD	-1	1	1	-1
Other	-2	2	-1	1
Total	**-3,044**	**3,151**	**-2,443**	**2,548**

The interest rate risk in the banking book increased in 2015, mainly because of the acquisition of longer-dated bonds in order to increase the average maturity of the hold-to-maturity bond portfolio to match the risk on the liabilities more closely. The Group established this portfolio in 2013 in order to stabilise the Group's net interest income by hedging its liabilities.

At the end of 2015, the book value of the hold-to-maturity bond portfolio totalled DKK 100 billion, against DKK 92 billion at the end of 2014. After the increase in average maturity, the interest rate risk in the portfolio rose to DKK 2.8 billion assuming a 100 basis point increase in the yield curve at the end of 2015.

Notes – Danske Bank Group – Risk Management

Value-at-Risk for capital requirement purposes

The Group uses its internal VaR model to calculate the capital requirement for market risk on positions in the trading book (the Group uses the standardised approach to calculate regulatory capital for commodity risk).

The tables below show the VaR figures calculated at a confidence level of 99% and a 10-day horizon used for calculating the capital requirement for market risk. The figures for 2015 and 2014 are not directly comparable because bond spread risk was not implemented in the internal VaR model until after the extension approved by the FSA at the end of June 2015:

2015	Daily VaR				Stressed VaR			
Risk category	Avg. VaR	Minimum VaR	Maximum VaR	31 Dec.	Avg. VaR	Minimum VaR	Maximum VaR	31 Dec.
Interest rate risk	471	106	903	575	461	179	705	476
Bond spread risk	314	225	488	325	850	617	1,259	824
Foreign exchange risk	16	5	67	8	39	3	96	12
Equity market risk	27	4	185	18	56	9	321	39
Diversification benefit	-402	-	-	-369	-644	-	-	-518
Total VaR	**426**	**112**	**788**	**557**	**762**	**176**	**1,223**	**833**

2014	Daily VaR				Stressed VaR			
Risk category	Avg. VaR	Minimum VaR	Maximum VaR	31 Dec.	Avg. VaR	Minimum VaR	Maximum VaR	31 Dec.
Interest rate risk	219	138	387	160	343	279	413	296
Foreign exchange risk	32	8	73	22	68	14	126	46
Equity market risk	28	5	92	10	94	18	266	24
Diversification benefit	-63	-	-	-36	-167	-	-	-73
Total VaR	**216**	**126**	**379**	**156**	**338**	**273**	**427**	**293**

In connection with the extension of the internal VaR model in June 2015, the Group implemented a separate internal model designed to calculate the incremental risk charge for regulatory purposes. The incremental risk is calculated with a one-year horizon at a 99.9% confidence level on positions in the trading book. The table below shows the average, minimum, maximum and end-period values of the incremental risk for the period Q2-Q4 2015:

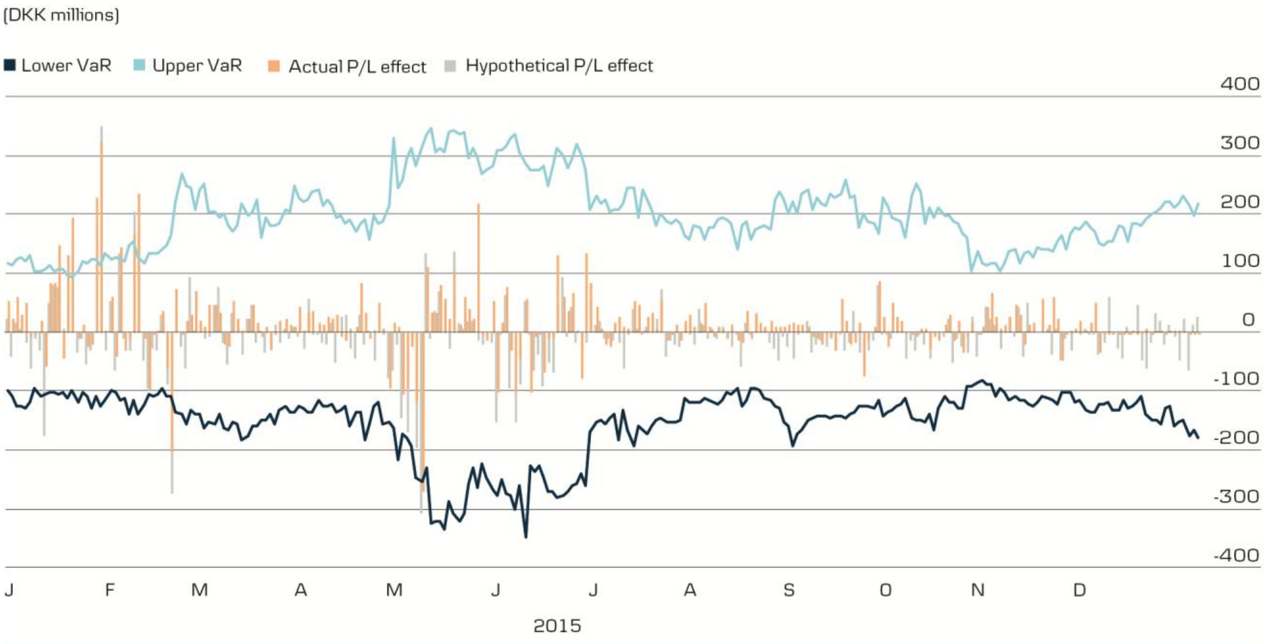
	Avg.	Minimum	Maximum	31 Dec.
Incremental risk charge	938	558	1,399	698

Notes – Danske Bank Group – Risk Management

Backtesting and stress testing

The Group conducts daily backtests to document the accuracy of the internal VaR model. Backtesting compares 1-day VaR calculated on trading book positions with the actual and hypothetical profit or loss. For the latter, positions are assumed to be unchanged until the following business day (no intra-day trading is included). If the hypothetical or actual loss exceeds the predicted possible loss (VaR), an exception has occurred. Since the VaR figures used for backtesting are based on a confidence level of 99% (as in the calculation of the capital requirement), the expected number of exceptions per year is two to three. The backtest results for 2015 are shown in the chart below.

Backtest results and P/L effect



The backtest of the internal VaR model showed two exceptions in the actual P/L in 2015 and three exceptions in the hypothetical P/L. All the exceptions occurred in the first half of 2015 before the internal VaR model was extended to include bond spread risk.

The exception in the hypothetical P/L in January was caused by the Swiss National Bank's removal of the 1.20 CHF/EUR cap, which sent the CHF 17% higher against the EUR. The exceptions in the actual and hypothetical P/L in February were caused by a combination of widening spreads between DKK and EUR rates and widening credit spreads on bonds. The exceptions in the actual and hypothetical P/L in May were caused by a combination of relatively large increases at the long end of the yield curves for EUR, NOK, SEK and DKK and widening credit spreads in the Danish mortgage bond market.

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.

The Group's stress testing framework also includes scenarios with extreme market developments, such as hypothetical scenarios involving extreme financial or macroeconomic events. This includes scenarios periodically defined by the European Banking Authority (EBA) or the Danish FSA as well.

Notes – Danske Bank Group – Risk Management

Liquidity risk

Liquidity risk is the risk of losses because funding costs become excessive, lack of funding prevents the Group from maintaining its business model, or lack of funding prevents the Group from fulfilling its payment obligations.

Taking on liquidity risk is an integral part of the Group's business strategy. Realkredit Danmark and Danica Pension each manage their liquidity separately and are thus not included in the Group's general liquidity reporting. At Realkredit Danmark, the financing of mortgage loans through the issuance of listed mortgage bonds with matching conditions has eliminated liquidity risk in all material respects. Danica Pension's balance sheet contains long-term life insurance liabilities and assets, most of which are invested in easily marketable bonds and shares. Both companies are subject to statutory limits on their exposures to Danske Bank A/S. In the following, references to the Group's liquidity thus exclude Realkredit Danmark and Danica Pension with the exception of the Group's LCR, which includes Realkredit Danmark data.

After a strong start in the financial markets in 2015, sentiment deteriorated somewhat in the second quarter of 2015 because of the Greek situation, jittery Chinese equity markets and uncertainty about regulation. Monetary policy and buying programmes at central banks continued to support liquidity in the market, and all funding markets were open to Danske Bank. In order to prepare for new regulation, Danske Bank increased its new issuance volumes in 2015. In spite of the increase in volumes, Danske Bank yield spreads in covered and senior bonds continued to tighten. Rating improvements and monetary policy initiatives from the ECB, such as the targeted longer-term refinancing operations (TLTRO) and the purchase programme for covered bonds (CBPP3), contributed to sustained positive market conditions for Danske Bank. The Group has grown its liquidity reserves throughout 2015 and adhered to its funding plan, including for subordinated debt.

At the end of 2015, the Group's LCR was 125% calculated on the basis of the EBA's rules.

Internal measures

At the group level, internal liquidity management is based on the monitoring and management of short- and long-term liquidity risks. Liquidity triggers make up a vital part of daily liquidity management since they are used as early warnings of a potential liquidity crisis. The triggers are monitored by various functions across the Group, depending on the type of trigger. Liquidity management is organised according to the framework described in the following sections, although it is not limited to that framework.

Survival horizon

The principal aim of the Group's short-term risk management is to ensure that, in the short term, the liquidity buffer is always sufficient to absorb the net effects of known future receipts and payments from current transactions. Bond holdings that can be used in repo agreements with central banks are considered liquid assets. To take account of the potential risk of drawings under loan commitments, the Group factors in the unutilised portion of the facilities in the calculation of liquidity risk.

For liquidity management purposes, the Group distinguishes between liquidity in Danish kroner and liquidity in other currencies. This is because of the Group's strong position in the Danish market and because the Group has a net deposit surplus in Danish kroner (deposits exceed lending) and a net deposit shortfall in other currencies (lending exceeds deposits). The net deposit surplus in Danish kroner is a valuable, stable funding source for the Group.

The Group uses limits for total liquidity and for liquidity in currencies other than Danish kroner to manage its short-term liquidity risk. In addition to limits set by the Board of Directors and the All Risk Committee, the Group Liquidity Risk Committee has set overnight targets for each key currency.

Survival horizon under stress

The Group conducts stress tests to measure its immediate liquidity risk and to ensure that it has sufficient time to respond to potential crises. The stress tests estimate liquidity risk in various scenarios, including three standard scenarios: a scenario specific to the Group, a general market crisis scenario and a combination of the two. It also conducts a stress-to-fail test.

All stress tests are based on the assumption that the Group does not reduce its lending activities. This means that existing lending activities are maintained and require funding. The degree of possible refinancing varies, depending on the scenario in question and the specific funding source. To assess the stability of the funding, the Group considers maturity as well as behavioural assumptions.

Most of the Group's unencumbered bond holdings can be used as collateral for loan facilities with central banks and are thus considered liquid assets. Scenario-specific haircuts are applied to the bond portfolio.

Market reliance

Retail deposits are a valuable, stable funding source for the Group. Most of the retail deposits are covered by a deposit insurance scheme, and analyses indicate that they are indeed stable over time.

Wholesale funding is another important funding source. This type of funding is less stable, especially when the markets are strained.

Stress tests show that the Group's liquidity buffer is sufficient to close any liquidity gap if all capital markets are closed and refinancing is impossible. The liquidity buffer is monitored continuously to ensure a minimum survival period of 12 months in such a scenario.

Notes – Danske Bank Group – Risk Management

Liquidity risk continued

Funding sources

The Group monitors its funding mix to ensure that it is well-diversified in terms of funding sources, maturities and currencies. A well-balanced portfolio of liabilities is intended to generate a stable flow of funding and provides protection against market disruptions. The tables below break down funding sources by type of liability and currency, excluding funding in the form of bonds issued by Realkredit Danmark.

Funding sources by type of liability (%)	2015	2014
Central banks/credit institutions	8	7
Repo transactions	10	21
Short-term bonds	3	1
Long-term bonds	6	5
Other covered bonds	12	11
Deposits (business)	27	23
Deposits (personal)	22	20
Subordinated debt	2	2
Shareholders' equity	9	8
Total	**100**	**100**

Funding sources by currency (%)	2015	2014
DKK	31	32
EUR	37	39
USD	11	6
SEK	6	9
GBP	6	6
CHF	1	1
NOK	7	6
Other	1	1
Total	**100**	**100**

Liquidity buffer

The Group manages its liquidity buffer to ensure compliance with international and national regulatory requirements and internal limits determined by stress tests.

The Group's liquidity buffer is defined as the assets available to Group Treasury in a stressed scenario. All assets must be unencumbered, and securities received in reverse repo transactions are included, while securities used as collateral for repo transactions are not. The table below shows the nominal value of the Group's liquidity buffer without haircuts. The haircuts applied to determine liquidity values for regulatory purposes are defined by regulators, while the haircuts used for internal stress testing purposes are defined on the basis of a set of parameters specific to each scenario. The Group's bond holdings are considered to be highly liquid, not least because most of them can be used in repo agreements with central banks. Central bank eligibility is vital for intra-day liquidity management and overnight liquidity facilities and also for determining liquidity in markets during stressed periods. While central bank eligibility is a positive indicator, it is not necessarily the only parameter used for defining the liquidity value of a buffer. External credit rating performance is another parameter.

Nominal value of the liquidity buffer available to the group

(DKK billions)	2015	2014
Cash and holdings at central banks	55	21
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	124	66
Covered bonds (including mortgage bonds)	242	289
Issued by other institutions	209	224
Own issued	33	65
Other	31	23
Total	**452**	**399**

Notes – Danske Bank Group – Risk Management

Regulatory measures

The Basel Committee has defined new liquidity standards in the form of the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The LCR stipulates that banks must have a liquidity buffer that ensures a survival horizon of at least 30 calendar days in case of a seriously stressed liquidity situation. The NSFR is intended to ensure a sound funding structure by promoting an increase in the amount of long-dated funding. The NSFR stipulates that banks must at all times have stable funding equal to the amount of their illiquid assets for one year ahead.

The European Commission has now finalised the LCR legislation package. Danish mortgage bonds will be assigned the highest qualification if they meet certain criteria, and they may account for up to 70% of a bank's liquidity portfolio.

Danske Bank was designated a SIFI in Denmark in 2014. Under the Danish Bank Package 6, Danish SIFI banks must have an LCR of 100%. The LCR requirement entered into force on 1 October 2015.

Danske Bank no longer has to meet the Danish liquidity requirement set forth in section 152 of the Danish Financial Business Act because Danske Bank is committed to having an LCR of at least 100%. However, since the excess liquidity coverage requirement of the Supervisory Diamond is set as a percentage above the requirement in section 152, Danske Bank must still calculate and report a liquidity ratio. Section 152 states that a credit institution's liquidity must equal at least

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

The liquidity benchmark in the Supervisory Diamond states that banks must have excess liquidity coverage 50% above the regulatory requirements stated in section 152 of the Danish Financial Business Act. At the end of 2015, Danske Bank A/S's excess liquidity coverage ratios were 214% and 193%, respectively, above the regulatory requirements.

The funding benchmark stipulates that lending may not exceed stable funding (deposits as well as issued bonds and subordinated debt with a maturity of more than one year). This means that banks must have a funding ratio of less than 1.00. At the end of 2015, the Group's ratio was 0.64%.

Notes – Danske Bank Group – Risk Management

Insurance risk

The Group's insurance risk consists of all risks related to its investment in Danica Pension, including market risk and life insurance risks.

Net income from insurance business is derived primarily from

- the risk allowance from conventional life insurance business with guaranteed benefits
- unit-linked business
- health and accident business
- return on assets in which the shareholders' equity of Danica Pension is invested

The risk allowance is the annual return that Danica Pension may book from its conventional life insurance business (*Danica Traditionel*), and it currently amounts to 0.60-0.90% of technical provisions (depending on the interest rate group). The risk allowance is governed by the Danish FSA's Executive Order on the Contribution Principle and can be booked only if the technical basis permits and if the bonus potential of paid-up policies is not used for loss absorption. The technical basis for the risk allowance is essentially the investment return on policyholders' funds less the change in life insurance provisions. If the risk allowance cannot be booked, in whole or in part, or the Group must cover losses that cannot be absorbed by the collective bonus potential or the bonus potential of paid-up policies, the amount may be transferred to a shadow account and booked at a later date when the technical basis so permits. All profits and losses after interest payments to policyholders, risk allowance and changes in insurance provisions are transferred to the collective bonus potential. Beginning on 1 January 2016, new accounting rules apply to life insurance companies in Denmark. As a result, going forward, the risk allowance can be booked if it does not exceed the sum of all individual and collective buffers. If the risk allowance for the year cannot be booked, it is lost – that is, from 2016 it can no longer be transferred to the shadow account. The remaining balance on the shadow account at year-end 2015 may still be booked to income over a five-year period. If it cannot be booked, it will be written off over the next five years.

According to the Danish FSA's Executive Order on the Contribution Principle, policyholders' funds in *Danica Traditionel* must be ring-fenced in groups with generally the same technical rate of interest, insurance risk and expenses. Danica Pension has individual investment and hedging strategies for each group. Furthermore, the collective bonus potential, the risk allowance, etc., are also determined for each group individually.

In 2015, the financial markets generally saw rising equity prices and volatile interest rates. Low interest rates kept Danica's bonus potential of paid-up policies low and left little room for risky assets in Danica's investment portfolio. To improve its investment returns, Danica changed its investment approach, implementing a new strategy that included managing much of the investment portfolio in-house. Danica's Risk Management staff monitors and conducts stress tests involving interest rates as well as equities, bond spreads and other factors on a daily basis to manage the risk of losses for Danica's own equity.

Financial risks

Market risk involves the risk of losses on assets in which the shareholders' equity of Danica Pension is invested and the risk of losses on policies with guaranteed benefits because the fair value of assets and liabilities allocated to these contracts changes. Such changes in fair value can be caused by changes in interest rates, exchange rates, equity prices, property prices, credit spreads and market liquidity and also by issuer or counterparty defaults. Insurance obligations carry interest rate risk owing to the guarantees issued. For example, if market interest rates drop, the fair value of insurance obligations increases.

The Group monitors the market risk on an ongoing basis and has set maximum risk targets for each asset class. Danica Pension conducts internal stress tests to ensure that it can withstand significant losses on its equity and credit exposure and substantial changes in interest rates.

The risk relating to the relationship between investment assets and guaranteed benefits is managed by keeping the interest rate sensitivity of the bond and derivatives portfolios at a suitable level. The bond spread risk is limited since, at end-2015, 71% (2014: 72%) of the portfolio consisted of government and mortgage bonds of high quality (AA-AAA ratings from the international rating agencies) or unrated mortgage bonds issued by institutions with similarly high ratings, and only 11% (2014: 10%) of the portfolio was invested in sub-investment grade bonds.

Notes – Danske Bank Group – Risk Management

Insurance risk continued

Bond portfolio (insurance business) broken down by geographical area

(DKK millions) 2015	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
Denmark	13,972	744	54,516	-	2,834	8,354	80,420
Sweden	6	-	-	5	-	4,065	4,076
UK	245	-	-	-	187	2,327	2,759
Norway	410	203	-	-	57	3,645	4,315
USA	151	-	-	-	9	13,162	13,322
Spain	3,663	23	-	-	200	502	4,388
France	1,640	266	-	-	153	993	3,052
Luxembourg	-	379	-	-	-	1,352	1,731
Canada	11	-	-	-	14	589	614
Finland	59	-	-	-	14	110	183
Ireland	2,992	19	-	-	26	600	3,637
Italy	5,027	-	-	-	85	478	5,590
Portugal	677	-	-	-	21	30	728
Austria	-	-	-	-	-	29	29
Netherlands	341	-	-	-	14	1,751	2,106
Germany	8,606	2,470	-	-	-	798	11,874
Other	3,468	140	-	-	24	2,606	6,238
Total	**41,268**	**4,244**	**54,516**	**5**	**3,638**	**41,391**	**145,062**

2014							
Denmark	17,668	673	40,060	-	3,499	3,878	65,778
Sweden	24	-	-	495	-	3,704	4,223
UK	279	-	-	-	1,204	1,809	3,292
Norway	-	206	-	-	854	2,791	3,851
USA	221	-	-	-	10	11,407	11,638
Spain	2,613	288	-	-	1,219	856	4,976
France	7,955	812	-	-	1,602	1,344	11,713
Luxembourg	-	1,421	-	-	-	1,047	2,468
Canada	18	-	-	-	14	219	251
Finland	150	-	-	-	185	46	381
Ireland	1,611	108	-	-	1,632	968	4,319
Italy	8,166	-	-	-	540	738	9,444
Portugal	12	-	-	-	112	44	168
Austria	559	-	-	-	78	20	657
Netherlands	3,448	-	-	-	287	1,884	5,619
Germany	7,103	599	-	-	466	491	8,659
Other	5,187	90	-	-	215	3,788	9,280
Total	**55,014**	**4,197**	**40,060**	**495**	**11,917**	**35,034**	**146,717**

Concentration risk and counterparty risk are limited because of internal investing restrictions and the use of collateral management agreements for derivatives.

Danica Pension hedges most of its foreign exchange risk. At the end of 2015, 64% was hedged (2014: 69%)

Early surrender by policyholders may force Danica Pension to sell some of its investment assets at a low price. Danica Pension reduces this liquidity risk by investing a substantial portion of funds in liquid bonds and shares. The liquidity risk is also modest since Danica Pension can, to some extent, adapt the timing of payment upon surrender of pension schemes to the situation in the financial markets.

Notes – Danske Bank Group – Risk Management

Insurance risk continued

Bond portfolio (insurance business) broken down by external ratings

(DKK millions) 2015	Central and local government bonds	Quasi-government bonds	Danish mortgage bonds	Swedish covered bonds	Other covered bonds	Corporate bonds	Total
AAA	23,684	3,546	45,959	5	455	8,729	82,378
AA+	117	63	-	-	36	133	349
AA	3,011	254	-	-	151	741	4,157
AA-	6	11	19	-	81	328	445
A+	2,992	-	-	-	97	472	3,561
A	377	-	-	-	55	767	1,199
A-	177	22	-	-	1	715	915
BBB+	8,858	23	-	-	-	927	9,808
BBB	224	37	-	-	2,759	934	3,954
BBB-	474	1	-	-	-	930	1,405
Sub-inv. grade or unrated	1,348	287	8,538	-	3	26,715	36,891
Total	**41,268**	**4,244**	**54,516**	**5**	**3,638**	**41,391**	**145,062**

2014							
AAA	29,294	1,681	30,903	495	3,989	1,822	68,184
AA+	8,118	1,289	-	-	823	168	10,398
AA	1,268	641	-	-	428	432	2,769
AA-	7	-	-	-	127	267	401
A+	72	-	47	-	1,509	719	2,347
A	2,381	-	-	-	1,223	3,377	6,981
A-	461	3	-	-	266	846	1,576
BBB+	11,569	317	-	-	-	1,435	13,321
BBB	615	12	-	-	3,534	1,383	5,544
BBB-	528	7	-	-	13	1,245	1,793
Sub-inv. grade or unrated	701	247	9,110	-	5	23,340	33,403
Total	**55,014**	**4,197**	**40,060**	**495**	**11,917**	**35,034**	**146,717**

Policyholders assume the risk on investment assets under unit-linked contracts (*Danica Link, Danica Balance and Danica Select*) with the exception of policies with investment guarantees. At the end of 2015, about 19% of policyholders had investment guarantees, mainly related to *Danica Balance*. The guarantees cannot be exercised until the time of retirement and are paid for by an annual fee. Danica Pension manages the risk on *Danica Link* guarantees with derivatives, for example, and by adjusting the investment allocation over the last five years before disbursement. It manages the risk on *Danica Balance* guarantees by adjusting the investment allocation for the individual policies. Because of these hedging and risk management strategies, Danica Pension considers the investment risk on guarantees in unit-linked products to be minor.

Danica Pension has set a separate investment strategy for assets in which its shareholders' equity is invested.

Notes – Danske Bank Group – Risk Management

Insurance risk continued

Life insurance risks

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

The various risk elements are subject to ongoing actuarial assessment for the purpose of calculating insurance obligations and making relevant business adjustments. Life insurance obligations are calculated on the basis of expected future mortality rates. Estimates are based on the Danish FSA's benchmark. The rates reflect a likely increase in future life expectancy.

For health and personal accident policies, insurance obligations are calculated on the basis of expected future recoveries and reopenings of old claims. Estimates are based on empirical data from Danica Pension's own portfolio of insurance contracts and are updated regularly.

To mitigate life insurance risk, Danica Pension reinsures large individual policy exposures. Danica Pension also reinsures the risk of losses due to disasters.

Sensitivity analysis for life insurance

The sensitivity indicators show the effect of separate changes in interest rates, equity prices, real property prices and actuarial assumptions on the collective bonus potential, the bonus potential of paid-up policies and shareholders' equity. If the bonus potential is insufficient to cover policyholders' share of the effect, the shortfall will be covered by funds allocated from shareholders' equity.

Of the two interest rate scenarios, the rate increase is the most severe for Danica Pension. The effect of an increase of 0.7-1.0 percentage points in interest rates would decrease the collective bonus potential by DKK 0.9 billion and decrease shareholders' equity by DKK 0.1 billion. A 10% fall in mortality, equal to a one-year increase in life expectancy, would increase the insurance obligations by DKK 1.6 billion and reduce shareholders' equity by DKK 0.1 billion.

(DKK billions) 2015	Change in collective bonus potential	Change in bonus potential of paid-up policies	Change in equity
Interest rate increase of 0.7 of a percentage point	-0.9	1.5	-0.1
Interest rate decrease of 0.7 of a percentage point	-0.5	-0.7	0.1
Decline in equity prices of 12%	-1.7	-	-0.1
Decline in property prices of 8%	-1.2	-	-0.3
Foreign exchange risk (VaR 99.0%)	-0.2	-	-
Loss on counterparties of 8%	-1.3	-	-0.2
Increase in credit spreads of 1.0 percentage point	-	-	-
Decrease in mortality of 10%	-1.6	-	-0.1
Increase in mortality of 10%	1.6	-	-
Increase in disability of 10%	-0.1	-	-

2014			
Interest rate increase of 0.7 of a percentage point	0.1	1.6	-0.1
Interest rate decrease of 0.7 of a percentage point	1.9	-0.1	-
Decline in equity prices of 12%	-1.3	-0.5	-0.1
Decline in property prices of 8%	-1.3	-	-0.3
Foreign exchange risk (VaR 99.0%)	-0.3	-	-
Loss on counterparties of 8%	-1.3	-0.1	-0.3
Increase in credit spreads of 1.0 percentage point	-	-	-
Decrease in mortality of 10%	-1.0	-	-1.0
Increase in mortality of 10%	1.8	-	-
Increase in disability of 10%	-0.1	-	-

Notes – Danske Bank Group

(DKK millions)	2015	2014	2013	2012	2011
Highlights					
Net interest and fee income	45,090	45,713	43,650	43,659	41,215
Value adjustments	5,831	8,563	6,718	12,361	-3,474
Staff costs and administrative expenses	22,093	23,001	23,997	23,629	22,774
Loan impairment charges etc.	61	3,718	5,420	12,529	13,185
Income from associates and group undertakings	502	107	358	172	141
Net profit for the year	13,123	3,948	7,115	4,725	1,723
Loans	1,820,918	1,834,511	1,816,809	1,894,578	1,847,223
Total equity	160,830	152,384	145,657	138,004	125,855
Total assets	3,292,878	3,453,015	3,227,057	3,484,949	3,424,403
Ratios and key figures					
Total capital ratio (%)*	21.0	19.3	21.4	21.3	17.9
Tier 1 capital ratio (%)*	18.5	16.7	19.0	18.9	16.0
Return on equity before tax (%)	11.3	5.2	7.1	6.5	3.6
Return on equity after tax (%)	8.4	2.6	5.0	3.7	1.5
Income/cost ratio (%)	160.7	120.4	130.0	121.0	110.0
Interest rate risk (%)*	2.2	2.2	1.7	0.2	0.6
Foreign exchange position (%)*	0.3	3.2	5.5	1.7	2.6
Foreign exchange risk (%)*	-	-	-	-	-
Loans plus impairment charges as % of deposits	204.1	178.1	181.6	192.6	206.4
Gearing of loans	11.3	12.0	12.5	13.7	14.7
Growth in loans (%)	2.4	0.9	-5.7	-1.4	1.1
Surplus liquidity in relation to statutory liquidity requirement (%)*	151.9	117.8	156.1	140.7	85.5
Sum of large exposures as % of total capital*	-	-	-	11.6	21.9
Impairment ratio (%)	0.0	0.2	0.3	0.6	0.7
Return on assets (%)	0.4	0.1	0.3	0.2	0.1
Earnings per share (DKK)**	12.8	3.8	7.1	5.0	1.9
Book value per share (DKK)**	153.2	146.8	145.6	138.0	135.7
Proposed dividend per share (DKK)	8.00	5.50	2.00	-	-
Share price/earnings per share (DKK)**	14.5	44.6	17.5	18.9	34.4
Share price/book value per share (DKK)**	1.21	1.14	0.85	0.69	0.54

The ratios and key figures are calculated in accordance with definitions in the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc., and on the basis of IFRS figures with the exception of ratios and key figures marked with an asterisk (*). These are calculated in accordance with Danish FSA rules. Ratios marked with two asterisk (**) are calculated as if the additional tier I capital is classified as a liability. Share ratios have been divided by an adjustment factor to reflect the share capital increase in April 2011.

Notes – Danske Bank Group

Definitions of ratios and key figures

Ratios and key figures	Definition
Earnings per share (DKK)	Net profit for the year divided by the average number of shares outstanding during the year. Net profit is stated after the deduction of interest net of tax on equity-accounted additional tier 1 capital.
Diluted earnings per share (DKK)	Net profit for the year divided by the average number of shares outstanding during the year, including the dilutive effect of share options and conditional shares granted as share-based payments. Net profit is stated after the deduction of interest net of tax on equity-accounted additional tier 1 capital.
Return on average equity (%)	Net profit for the year divided by the quarterly average of the average shareholders' equity. Net profit is stated after the deduction of interest net of tax on equity-accounted additional tier 1 capital.
Cost/income ratio (%)	Expenses, including goodwill impairment charges, divided by total income.
Common equity tier 1 capital	Primarily paid-up share capital and retained earnings.
Additional tier 1 capital	Loans that form part of tier 1 capital. This means that additional tier 1 capital is used for covering losses if equity is lost.
Tier 1 capital	Common equity tier 1 capital and additional tier 1 capital, less certain deductions, such as intangible assets.
Tier 2 capital	Subordinated loan capital subject to certain restrictions. For example, if the Group defaults on its payment obligations, lenders cannot claim early redemption of the loan capital.
Total capital	Tier 1 capital and tier 2 capital, less certain deductions.
Risk exposure amount	Total risk exposure amount and off-balance-sheet items that involve credit risk, market risk and operational risk as calculated in accordance with the Capital Requirements Regulation (CRR).
Common equity tier 1 capital ratio	Common equity tier 1 capital divided by the total risk exposure amount.
Tier 1 capital ratio	Tier 1 capital divided by the total risk exposure amount.
Total capital ratio	Total capital divided by the total risk exposure amount.
Dividend per share (DKK)	Proposed dividend on the net profit for the year divided by the number of issued shares at the end of the year.
Share price at 31 December	Closing price of Danske Bank shares at the end of the year.
Book value per share (DKK)	Shareholders' equity at 31 December divided by the number of shares outstanding at the end of the year.
Number of full-time-equivalent staff at 31 December	Number of full-time-equivalent staff (part-time staff translated into full-time staff) at the end of the year. The figure does not include the staff of businesses held for sale.
Funding ratio	Lending divided by working capital less bond issues with a term to maturity shorter than one year. Working capital comprises deposits, issued bonds, subordinated debt and shareholders' equity. Lending and deposit figures do not include repo transactions.
Lending growth	Growth in lending from the beginning to the end of the year, excluding repo.
Real property exposure	Share of total lending and guarantees to the Real property and Building projects industry segments as defined by Statistics Denmark.

Financial statements – Danske Bank A/S

The financial statements of the Parent Company, Danske Bank A/S, are prepared in accordance with the Danish Financial Business Act and the Danish FSA's Executive Order No. 281 of 26 March 2014 on Financial Reports for Credit Institutions and Investment Companies, etc.

The rules are identical to the Group's IFRS-compliant valuation and measurement principles with the following exceptions:

- Domicile property is measured (revalued) at its estimated fair value through Other comprehensive income.
- The available-for-sale financial assets category is not used.

The estimated fair value of domicile property is determined in accordance with the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc. Available-for-sale financial assets are measured at fair value through profit or loss.

Holdings in subsidiaries are measured on the basis of the equity method, and tax payable by these undertakings is expensed under Income from associates and group undertakings.

The format of the Parent Company's financial statements is not identical to the format of the consolidated financial statements prepared in accordance with IFRSs.

The table below shows the differences in net profit and shareholders' equity between the IFRS consolidated financial statements and the Parent Company's financial statements presented in accordance with Danish FSA rules.

	Net profit		Total equity	
(DKK millions)	2015	2014	2015	2014
Consolidated financial statements (IFRSs)	13,123	3,949	160,830	152,384
Domicile property	-159	-97	884	1,013
Available-for-sale financial assets	-85	246	-	-
Tax effect	53	-62	-172	-209
Reserves in undertakings consolidated on a pro rata basis	-	-	3,002	3,002
Consolidated financial statements (Danish FSA rules)	12,933	4,036	164,544	156,190
Non-controlling interests	-	2	-	2
Reserves in undertakings consolidated on a pro rata basis	-	-	3,002	3,002
Parent Company financial statements (Danish FSA rules)	**12,933**	**4,034**	**161,542**	**153,186**

Note 35 to the consolidated financial statements lists the Group's holdings and undertakings.

The method of accounting for a pension scheme for a number of employees of Danske Bank held with Danica Pension was changed in 2015. The end-2014 effect was a decrease in holdings in group undertakings and in shareholders' equity of DKK 736 million and an increase in the net profit for 2014 of DKK 103 million. Note 1 to the consolidated financial statements provides more information.

Income statement – Danske Bank A/S

Note	(DKK millions)	2015	2014
2	Interest income	27,297	33,896
3	Interest expense	10,258	15,837
	Net interest income	17,039	18,059
	Dividends from shares etc.	1,075	1,236
4	Fee and commission income	11,778	11,100
	Fees and commissions paid	2,343	2,450
	Net interest and fee income	27,549	27,945
5	Value adjustments	-880	-653
6	Other operating income	1,822	1,361
7	Staff costs and administrative expenses	15,562	16,386
8	Amortisation, depreciation and impairment charges	5,761	10,877
	Other operating expenses	18	29
	Loan impairment charges etc.	-50	2,745
	Income from associates and group undertakings	8,018	7,301
	Profit before tax	15,218	5,917
10	Tax	2,285	1,883
	Net profit for the year	**12,933**	**4,034**
	Proposed profit allocation		
	Equity method reserve	594	4,792
	Dividends for the year	8,069	5,547
	Additional tier 1 capital holders	607	259
	Retained earnings	3,663	-6,564
	Total	**12,933**	**4,034**

Statement of comprehensive income – Danske Bank A/S

Note	(DKK millions)	2015	2014
	Net profit for the year	12,933	4,034
	Other comprehensive income		
	Items that will not be reclassified to profit or loss		
	Fair value adjustment of domicile property	2	-82
	Remeasurement of defined benefit plans	568	157
10	Tax	-70	-9
	Items that will not be reclassified to profit or loss	**500**	**148**
	Items that are or may be reclassified subsequently to profit or loss		
	Translation of units outside Denmark	673	537
	Hedging of units outside Denmark	-797	-549
10	Tax	178	127
	Items that are or may be reclassified subsequently to profit or loss	**54**	**115**
	Total other comprehensive income	**554**	**263**
	Total comprehensive income for the year	**13,487**	**4,297**
	Portion attributable to		
	Shareholders of Danske Bank A/S (the Parent Company)	12,880	4,038
	Additional tier 1 capital holders	607	259
	Total comprehensive income for the year	**13,487**	**4,297**

Balance sheet – Danske Bank A/S

Note	(DKK millions)	2015	2014
	Assets		
	Cash in hand and demand deposits with central banks	30,948	16,789
11	Due from credit institutions and central banks	122,470	127,570
12	Loans and other amounts due at amortised cost	878,321	901,168
	Bonds at fair value	383,052	557,128
14	Bonds at amortised cost	80,371	67,377
	Shares etc.	21,657	8,867
	Holdings in associates	860	1,004
	Holdings in group undertakings	104,529	102,981
15	Assets under pooled schemes	50,658	47,320
	Intangible assets	6,345	10,201
	Land and buildings	375	3,247
16	Investment property	301	301
16	Domicile property	74	2,946
17	Other tangible assets	3,214	2,709
	Current tax assets	901	1,189
18	Deferred tax assets	181	441
19	Assets held for sale	5,482	2,562
20	Other assets	346,425	424,170
	Prepayments	1,401	989
	Total assets	**2,037,190**	**2,275,712**
	Liabilities and equity		
	Amounts due		
21	Due to credit institutions and central banks	304,731	381,372
22	Deposits and other amounts due	665,115	794,027
	Deposits under pooled schemes	51,147	48,407
23	Issued bonds at amortised cost	311,166	268,892
	Current tax liabilities	688	751
19	Liabillities in disposal groups held for sale	1,334	-
24	Other liabilities	497,802	579,539
	Deferred income	951	1,026
	Total amounts due	**1,832,934**	**2,074,014**
	PROVISIONS FOR LIABILITIES		
	Provisions for pensions and similar obligations	289	449
18	Provisions for deferred tax	5,861	6,609
	Provisions for losses on guarantees	1,097	1,201
	Other provisions for liabilities	95	110
	Total provisions for liabilities	**7,342**	**8,369**
	Subordinated debt		
25	Subordinated debt	35,372	40,144
	Equity		
	Share capital	10,086	10,086
	Accumulated value adjustments	-169	33
	Equity method reserve	30,475	29,881
	Retained earnings	101,764	101,965
	Proposed dividends	8,069	5,547
	Shareholders of Danske Bank A/S (the Parent Company)	150,225	147,512
	Additional tier 1 etc.	11,317	5,673
	Total equity	**161,542**	**153,185**
	Total liabilities and equity	**2,037,190**	**2,275,712**

Statement of capital – Danske Bank A/S

Changes in equity

(DKK millions)	Share capital	Foreign currency translation reserve	Revaluation reserve	Equity method reserve	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Total
Total equity at 1 January 2015	10,086	-469	502	30,617	101,965	5,547	148,248	5,673	153,921
Changed recognition of defined benefit plans	-	-	-	-736	-	-	-736	-	-736
Restated total equity at 1 January 2015	10,086	-469	502	29,881	101,965	5,547	147,512	5,673	153,185
Net profit for the year	-	-	-	594	11,732	-	12,326	607	12,933
Other comprehensive income									
Remeasurement of defined benefit plans	-	-	-	-	568	-	568	-	568
Translation of units outside Denmark	-	673	-	-	-	-	673	-	673
Hedging of units outside Denmark	-	-797	-	-	-	-	-797	-	-797
Fair value adjustment of domicile property	-	-	2	-	-	-	2	-	2
Sale of domicile property	-	-	-102	-	102	-	-	-	-
Tax	-	-	22	-	86	-	108	-	108
Total other comprehensive income	**-**	**-124**	**-78**	**-**	**756**	**-**	**554**	**-**	**554**
Total comprehensive income for the year	**-**	**-124**	**-78**	**594**	**12,488**	**-**	**12,880**	**607**	**13,487**
Transactions with owners									
Issuance of additional tier 1 capital, net of transaction costs	-	-	-	-	-56	-	-56	5,583	5,527
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-	-529	-529
Dividends paid	-	-	-	-	53	-5,547	-5,495	-	-5,495
Dividends proposed	-	-	-	-	-8,069	8,069	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-	-35,087	-	-35,087	-41	-35,128
Sale of own shares and additional tier 1 capital	-	-	-	-	30,119	-	30,119	24	30,143
Share-based payments	-	-	-	-	195	-	195	-	195
Tax	-	-	-	-	157	-	157	-	157
Total equity at 31 December 2015	**10,086**	**-593**	**424**	**30,475**	**101,764**	**8,069**	**150,225**	**11,317**	**161,542**

At the end of 2015, the share capital consisted of 1,008,620 shares of a nominal value of DKK 10 each. All shares carry the same rights; there is thus only one class of shares.

Statement of capital – Danske Bank A/S

Changes in equity

(DKK millions)	Share capital	Foreign currency translation reserve	Revaluation reserve	Equity method reserve	Retained earnings	Proposed dividends	Total	Additional tier 1 capital	Total
Total equity at 1 January 2014	10,086	-434	596	25,928	108,410	2,017	146,603	-	146,603
Changed recognition of defined benefit plans	-	-	-	-839	-	-	-839	-	-839
Restated total equity at 1 January 2014	10,086	-434	596	25,089	108,410	2,017	145,764	-	145,764
Net profit for the year	-	-	-	4,792	-1,017	-	3,775	259	4,034
Other comprehensive income									
Remeasurement of defined benefit plans	-	-	-	-	157	-	157	-	157
Translation of units outside Denmark	-	537	-	-	-	-	537	-	537
Hedging of units outside Denmark	-	-549	-	-	-	-	-549	-	-549
Fair value adjustment of domicile property	-	-	-38	-	-44	-	-82	-	-82
Sale of domicile property	-	-	-99	-	99	-	-	-	-
Tax	-	-	43	-	75	-	118	-	118
Other changes	-	-23	-	-	23	-	-	-	-
Total other comprehensive income	**-**	**-35**	**-94**	**-**	**310**	**-**	**181**	**-**	**181**
Total comprehensive income for the year	**-**	**-35**	**-94**	**4,792**	**-707**	**-**	**3,956**	**259**	**4,215**
Transactions with owners									
Issuance of additional tier 1 capital, net of transaction costs	-	-	-	-	-59	-	-59	5,597	5,538
Paid interest on additional tier 1 capital	-	-	-	-	-	-	-	-183	-183
Dividends paid	-	-	-	-	17	-2,017	-2,000	-	-2,000
Dividends proposed	-	-	-	-	-5,547	5,547	-	-	-
Acquisition of own shares and additional tier 1 capital	-	-	-	-	-25,702	-	-25,702	-53	-25,755
Sale of own shares and additional tier 1 capital	-	-	-	-	25,377	-	25,377	53	25,430
Share-based payments	-	-	-	-	123	-	123	-	123
Tax	-	-	-	-	53	-	53	-	53
Total equity at 31 December 2014	**10,086**	**-469**	**502**	**29,881**	**101,965**	**5,547**	**147,512**	**5,673**	**153,185**

At the end of 2014, the share capital consisted of 1,008,620 shares of a nominal value of DKK 10 each. All shares carry the same rights; there is thus only one class of shares.

Statement of capital – Danske Bank A/S

Holding of own shares, Danske Bank A/S	Number of shares	Nominal value (DKK m)	Percentage of share capital	Sales/purchase price (DKK m)
Holding at 1 January 2014	5,601,501	56	0.56	
Acquired in 2014	172,118,508	1,721	17.06	25,615
Sold in 2014	171,159,529	1,712	16.97	25,293
Holding at 31 December 2014	**6,560,480**	**65**	**0.65**	
Acquired in 2015	183,322,221	1,833	18.18	34,863
Sold in 2015	158,971,857	1,590	15.76	29,697
Holding at 31 December 2015	**30,910,844**	**308**	**3.07**	

Acquisitions in 2015 and 2014 comprised shares acquired under the share buy-back programme, shares acquired for the trading portfolio and shares acquired on behalf of customers.

Danske Bank shares held by subsidiares	Number of shares	Nominal value (DKK m)	Percentage of share capital	Sales/purchase price (DKK m)
Holding at 1 January 2014	2,601,121	26	0.26	
Acquired in 2014	631,445	6	0.06	87
Sold in 2014	563,612	6	0.06	83
Holding at 31 December 2014	**2,668,954**	**27**	**0.26**	
Acquired in 2015	1,209,679	12	0.12	223
Sold in 2015	2,199,283	22	0.22	423
Holding at 31 December 2015	**1,679,350**	**17**	**0.16**	

Acquisitions in 2015 and 2014 comprised shares acquired on behalf of customers.

Statement of capital – Danske Bank A/S

(DKK millions)	2015	2014
Total capital and total capital ratio		
Total equity	161,542	153,184
Additional tier 1 capital instruments included in total equity	-11,177	-5,597
Accrued interest on additional tier 1 capital instruments	-155	-77
Tax on accrued interest on additional tier 1 capital instruments	36	17
Common equity tier 1 capital instruments	150,246	147,527
Adjustment to eligible capital instruments	-154	-117
Prudential filters	-418	-255
Proposed dividends	-8,069	-5,547
Intangible assets of banking operations	-6,345	-10,201
Deferred tax assets on intangible assets	243	190
Deferred tax assets that rely on future profitability, excluding temporary differences	-40	-53
Defined benefit pension fund assets	-356	-113
Statutory deduction for insurance subsidiaries	-2,885	-1,850
Other statutory deductions	-35	-721
Common equity tier 1 capital	**132,187**	**128,860**
Additional tier 1 capital instruments	22,338	17,434
Statutory deduction for insurance subsidiaries	-2,164	-3,701
Other statutory deductions	-7	-10
Tier 1 capital	**152,354**	**142,583**
Tier 2 capital instruments	22,067	25,599
Statutory deduction for insurance subsidiaries	-2,164	-3,701
Other statutory deductions	-7	-10
Total capital	**172,250**	**164,471**
Total risk exposure amount	**676,723**	**677,156**
Common equity tier 1 capital ratio (%)	19.5	19.0
Tier 1 capital ratio (%)	22.5	21.2
Total capital ratio (%)	25.5	24.4

The total capital and tier 1 capital ratios are calculated in accordance with the Danish Financial Business Act and applicable executive orders.

Internal Capital Adequacy Assessment 2015 (not covered by the statutory audit) provides more details on the solvency need of Danske Bank A/S. The section on risk exposure for Danske Bank Group in the risk management notes provides information about the Group's financial risks and financial risk management.

Notes – Danske Bank A/S

1. Net interest and fee income and value adjustments broken down by business segment

(DKK millions)

	2015	2014
Personal Banking	9,597	9,886
Business Banking	6,382	6,958
C&I	8,933	8,179
Danske Capital	1,767	1,546
Other Activities	275	723
Total	**26,954**	**27,292**
Geographical segmentation		
Denmark	13,980	14,592
Finland	504	523
Ireland	576	645
Norway	4,437	4,222
UK	481	542
Sweden	6,156	5,862
Baltics	587	665
Germany	138	154
Poland	96	87
Total	**26,954**	**27,292**

Geographical segmentation is based on the location in which the individual transaction is recorded. The figures for Denmark include financing costs related to investments in activities outside Denmark.

2. Interest income (DKK millions)

	2015	2014
Reverse transactions with credit institutions and central banks	-152	173
Other transactions with credit institutions and central banks	89	620
Reverse loans	-385	994
Loans and other amounts due	17,332	20,780
Bonds	5,822	7,936
Derivatives, total	4,414	3,386
Currency contracts	-445	-2,031
Interest rate contracts	4,859	5,416
Other interest income	177	8
Total	**27,297**	**33,896**

3. Interest expense (DKK millions)

	2015	2014
Repo transactions with credit institutions and central banks	-258	405
Other transactions with credit institutions and central banks	1,455	1,510
Repo deposits	-152	885
Deposits and other amounts due	2,224	4,496
Issued bonds	5,363	6,103
Subordinated debt	1,510	2,363
Other interest expenses	116	75
Total	**10,258**	**15,837**

4. Fee and commission income (DKK millions)

	2015	2014
Securities trading and custody account fees	6,274	5,545
Payment services fees	1,231	1,271
Origination fees	2,022	1,836
Guarantee commissions	899	861
Other fees and commissions	1,352	1,587
Total	**11,778**	**11,100**

Notes – Danske Bank A/S

5. Value adjustments (DKK millions)	2015	2014
Loans at fair value	-175	1,026
Bonds	-3,215	682
Shares etc.	886	996
Investment property	-15	97
Currency	1,867	2,291
Derivatives	-3,362	-1,671
Assets under pooled schemes	1,805	4,169
Deposits under pooled schemes	-1,871	-4,249
Other liabilities	3,200	-3,994
Total	-880	-653

6. Other operating income

Other operating income includes a refund of excess taxes and duties paid of DKK 151 million (2014: DKK 13 million), and gain of DKK 285 million on the sale of domicile properties.

7. Staff costs and administrative expenses (DKK millions)	2015	2014
Remuneration of the Executive Board and the Board of Directors		
Executive Board	69	70
Board of Directors	9	9
Total	78	79

The remuneration of the Executive Board includes remuneration for membership of the board of directors of one or more of the Group's subsidiaries. Such remuneration is deducted from the contractual remuneration. See note 33 of the consolidated financial statements for Remuneration of material risk takers of Danske Bank Group and Danske Bank A/S.

Staff costs (DKK millions)	2015	2014
Salaries	8,567	8,804
Pensions	997	1,048
Financial services employer tax and social security costs	1,297	1,310
Total	10,861	11,162
Other administrative expenses	4,621	5,145
Total staff costs and administrative expenses	15,562	16,386
Number of full-time-equivalent staff (avg.)	13,886	14,041

Note 33 of the consolidated financial statements contains additional information about the remuneration of the Board of Directors, the Executive Board, and other material risk takers.

8. Amortisation, depreciation and impairment charges

This item includes an impairment charge relating to goodwill and customer relations of DKK 4.6 billion for 2015. Note 18 of the consolidated financial statements contains additional information.

Notes – Danske Bank A/S

9. Audit fees (DKK millions)

	2015	2014
Audit firms appointed by the general meeting		
Fees for statutory audit of the parent company financial statements	7	3
Fees for other assurance engagements	2	1
Fees for tax advisory services	1	2
Fees for other services	11	1
Total	**21**	**7**
Other audit firms		
Fees for statutory audit of the parent company financial statements	-	1
Fees for other assurance engagements	-	-
Fees for tax advisory services	-	1
Fees for other services	-	-
Total	**-**	**2**
Total audit fees	**21**	**9**

At the general meeting in 2015, Deloitte Statsautoriseret Revisionspartnerskab was appointed as external auditors and replaced Ernst & Young P/S. From 2015 the external auditors conduct the financial audit that was previously conducted by the internal audit department.

10. Tax (DKK millions)

	2015	2014
Calculated tax charge for the year	2,826	1,318
Deferred tax	-305	586
Adjustment of prior-year tax charges	-226	32
Lowering of tax rate	-10	-53
Total	**2,285**	**1,883**
Effective tax rate	(%)	(%)
Danish tax rate	23.5	24.5
Non-taxable income and non-deductible expenses	13.1	-157.8
Difference between tax rates of units outside Denmark and Danish tax rate	-1.6	-4.1
Adjustment of prior-year tax charges	-3.2	-2.3
Lowering of tax rate	-0.1	3.8
Effective tax rate	31.7	-135.9
Portion included under Income from associates and group undertakings	-16.7	168.3
Total	**15.0**	**32.4**
Tax on other comprehensive income		
Remeasurement of defined benefit plans	70	9
Hedging of units outside Denmark	-156	-106
Fair value adjustment of domicile property	-22	-21
Total	**-108**	**-118**

11. Due from credit institutions and central banks (DKK millions)

	2015	2014
On demand	22,596	12,799
Up to 3 months	96,383	109,918
From 3 months to 1 year	1,545	2,432
From 1 to 5 years	907	1,321
Over 5 years	1,039	1,100
Total	**122,470**	**127,570**
Due from credit institutions	87,821	106,980
Term deposits with central banks	34,649	20,590
Total	**122,470**	**127,570**
Reverse transactions included in above item	**45,414**	**56,548**

Notes – Danske Bank A/S

12. Loans and other amounts due at amortised cost (DKK millions)

	2015	2014
On demand	61,375	57,125
Up to 3 months	345,699	396,916
From 3 months to 1 year	119,287	120,609
From 1 to 5 years	115,239	97,620
Over 5 years	236,720	228,898
Total	**878,321**	**901,168**
Reverse transactions included in above item	**194,926**	**248,320**

	2015	2014
Loans and guarantees broken down by sector and industry (%)		
Public sector	3.6	7.6
Business customers		
Agriculture, hunting, forestry and fisheries	1.5	1.2
Manufacturing industries and extraction of raw materials	8.7	7.2
Energy and utilities	1.2	0.9
Building and construction	1.5	1.1
Trade	4.0	3.2
Transport, hotels and restaurants	4.5	3.4
Information and communication	0.8	0.8
Finance and insurance	30.1	34.4
Property administration	12.0	9.8
Other	2.9	2.2
Total business customers	67.2	64.3
Personal customers	29.2	28.1
Total	**100.0**	**100.0**

13. Impairment charges for loans and guarantees

(DKK millions)	Loans and guarantees, individual impairment	Loans and guarantees, collective impairment	Other amounts due, individual impairment	Other amounts due, collective impairment	Total
Impairment charges at 1 January 2015	25,671	3,514	92	-	29,277
Impairment charges during the period	4,193	1,464	-	-	5,657
Reversals of impairment charges from previous periods	4,422	732	11	2	5,167
Other changes	-6,639	-529	-74	20	-7,222
Impairment charges at 31 December 2015	**18,803**	**3,718**	**7**	**18**	**22,545**
Value adjustment of assets taken over	-	-	-	-	-
Impairment charges at 1 January 2014	31,673	2,624	88	-	34,385
Impairment charges during the year	6,896	2,316	2	-	9,214
Reversals of impairment charges from previous years	11,596	804	2	-	12,402
Other changes	-1,302	-622	4	-	-1,920
Impairment charges at 31 December 2014	**25,671**	**3,514**	**92**	**-**	**29,277**
Value adjustment of assets taken over	-	-	-	-	-

	2015		2014	
(DKK millions)	Individual	Collective	Individual	Collective
Total loans and other amounts due, with objective evidence of impairment before impairment charges. The amount does not include loans and other amounts due recognised at nil	36,008	1,246,311	41,552	1,248,449
Carrying amount net of impairment charges	26,464	1,242,578	30,440	1,244,999

Notes – Danske Bank A/S

14. Bonds at amortised cost (DKK millions)

	2015	2014
Fair value of hold-to-maturity assets	81,703	68,874
Carrying amount of hold-to-maturity assets	80,371	67,377

15. Assets under pooled schemes (DKK millions)

	2015	2014
Bonds at fair value	18,352	18,130
Shares	10,612	12,287
Unit trust certificates	22,165	17,245
Cash deposits etc.	18	745
Total assets before elimination	51,147	48,407
Own shares	458	364
Other internal balances	31	723
Total	**50,658**	**47,320**

16. Investment and domicile property

(DKK millions)	2015 Investment property	2015 Domicile property	2014 Investment property	2014 Domicile property
Fair value/revaluation at 1 January	301	2,946	371	3,245
Additions, including property improvement expenditure	27	28	7	3
Disposals	18	188	40	138
Depreciation charges	-	21	-	30
Value adjustment recognised through other comprehensive income	-	7	-	-74
Value adjustment recognised through profit or loss	5	-3	-19	-58
Other changes including properties moved to Assets held for sale	-13	-2,696	-18	-1
Fair value/revaluation at 31 December	**301**	**74**	**301**	**2,946**
Required rate of return for calculation of fair value/revaluation (% p.a.)	4.8-6.0	5.0-10.0	4.8-6.0	5.0-10.0

Fair value and revaluations are assessed by the Group's valuers.

17. Other tangible assets (DKK millions)

	2015	2014
Cost at 1 January	6,493	6,278
Foreign currency translation	-4	-54
Additions, including leasehold improvements	1,670	1,382
Disposals	1,072	1,113
Cost at 31 December	**7,087**	**6,493**
Depreciation and impairment charges at 1 January	3,784	3,763
Foreign currency translation	5	-35
Depreciation charges	848	834
Depreciation and impairment charges for assets sold	764	778
Depreciation and impairment charges at 31 December	**3,873**	**3,784**
Carrying amount at 31 December	**3,214**	**2,709**

Notes – Danske Bank A/S

18. Change in deferred tax

2015 (DKK millions)	At 1 Jan.	Foreign currency translation	Recognised in profit for the year	Recognised in shareholders' equity	At 31 Dec.
Intangible assets	8	-	-	-	8
Tangible assets	647	-5	-487	-2	153
Securities	30	-1	-37	-	-8
Provisions for obligations	-291	-2	31	245	-17
Tax loss carryforwards	-52	-1	13	-	-40
Recapture of tax loss	6,428	-	-485	-	5,943
Other	-602	13	229	-	-360
Total	**6,168**	**4**	**-736**	**243**	**5,680**
Adj. of prior-year tax charges included in above item			**-421**		

2014 (DKK millions)	At 1 Jan.	Foreign currency translation	Recognised in profit for the year	Recognised in shareholders' equity	At 31 Dec.
Intangible assets	8	-	-	-	8
Tangible assets	797	-17	-90	-43	647
Securities	18	-1	13	-	30
Provisions for obligations	-109	4	-14	-172	-291
Tax loss carryforwards	-42	-	-10	-	-52
Recapture of tax loss	5,904	-	524	-	6,428
Other	-589	18	-31	-	-602
Total	**5,987**	**4**	**392**	**-215**	**6,168**
Adj. of prior-year tax charges included in above item			**-141**		

Unrecognised tax loss carryforwards amounted to DKK 3.2 billion at the end of 2015 (31 December 2014: DKK 3.5 billion).

Deferred tax (DKK millions)	2015	2014
Deferred tax assets	181	441
Provisions for deferred tax	5,861	6,609
Deferred tax, net	**5,680**	**6,168**

19. Assets held for sale and liabilities in disposal groups held for sale

In the third quarter of 2015, the Group entered into an agreement to sell a loan portfolio relating to the Group's personal customer business in Lithuania and Latvia. Pending approval by the Lithuanian competition authorities, the transaction is expected to be completed in the first half of 2016. The loans and deposits are presented as Asset held for sale and Liabilities held for sale, respectively. The loan portfolio has a nominal value of DKK 4.8 billion, and the deposit portfolio has a value of DKK 1.3 billion. In 2014, Assets held for sale included a loan portfolio at Non-core with a nominal value of DKK 3.9 billion that was marketed for sale by the end of 2014 and sold during the first half of 2015.

Assets held for sale also includes domicile properties amounting to DKK 1,844 million classified as held for sale.

20. Other assets (DKK millions)

	2015	2014
Positive fair value of derivatives	335,306	409,635
Other assets	11,119	14,535
Total	**346,425**	**424,170**

Notes – Danske Bank A/S

21. Due to credit institutions and central banks (DKK millions)

	2015	2014
On demand	37,054	39,356
Up to 3 months	258,492	329,896
From 3 months to 1 year	8,263	11,157
From 1 to 5 years	23	74
Over 5 years	898	888
Total	**304,731**	**381,372**
Repo transactions included in above item	159,649	227,491

22. Deposits and other amounts due (DKK millions)

	2015	2014
On demand	523,348	472,851
Term deposits	27,082	29,831
Time deposits	55,577	75,672
Repo deposits	42,977	198,425
Special deposits	16,130	17,248
Total	**665,115**	**794,027**
On demand	523,348	472,851
Up to 3 months	107,906	268,303
From 3 months to 1 year	11,524	27,562
From 1 to 5 years	14,284	16,984
Over 5 years	8,052	8,327
Total	**665,115**	**794,027**

23. Issued bonds at amortised cost (DKK millions)

	2015	2014
On demand	-	-
Up to 3 months	67,338	24,915
From 3 months to 1 year	48,263	48,909
From 1 to 5 years	161,347	147,972
Over 5 years	34,218	47,096
Total	**311,166**	**268,892**

24. Other liabilities (DKK millions)

	2015	2014
Negative fair value of derivatives	328,793	393,767
Other liabilities	169,009	185,772
Total	**497,802**	**579,539**

Notes – Danske Bank A/S

25. Subordinated debt

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

Subordinated debt is included in the capital base in accordance with section 128 of the Danish Financial Business Act.

Currency	Nominal (millions)	Interest rate	Year of issue	Maturity	Redemption price	2015 (DKK m)	2014 (DKK m)
Subordinated debt, excluding liabilty accounted additional tier 1 capital							
Redeemed loans 2015							5,211
GBP	350	5.375	2003	29.09.2021	100	3,539	3,330
EUR	1,000	3.875	2013	04.10.2023	100	7,463	7,444
SEK	900	4.750	2013	05.06.2024	100	731	707
SEK	1,600	var.	2013	05.06.2024	100	1,300	1,257
NOK	700	var.	2013	06.12.2023	100	543	576
DKK	1,700	var.	2013	06.06.2024	100	1,700	1,700
DKK	1,150	4.125	2013	09.12.2025	100	1,150	1,150
CHF	150	3.125	2013	18.12.2025	100	1,035	928
EUR	500	2.75	2014	19.05.2026	100	3,731	3,722
Subordinated debt, excluding liabilty accounted additional tier 1 capital						**21,192**	**26,025**
Liabilty accounted additional tier 1 capital							
GBP	150	5.563	2005	Perpetual	100	1,517	1,427
GBP	500	5.684	2006	Perpetual	100	5,056	4,757
EUR	600	4.878	2007	Perpetual	100	4,478	4,466
SEK	1,350	var.	2007	Perpetual	100	1,096	1,061
SEK	650	5.119	2007	Perpetual	100	528	511
Liabilty accounted additional tier 1 capital						**12,675**	**12,222**
Nominal subordinated debt						33,867	38,247
Fair value hedging of interest rate risk and discount						1,528	2,062
Own holding of subordinated debt						-23	-166
Total subordinated debt						**35,372**	**40,144**
Interest on subordinated debt and related items							
Interest						1,510	2,363
Extraordinary repayments						5,211	28,052
Portion included in Total capital as additional tier 1 or tier 2 capital instruments						**33,228**	**37,549**

In addition, total capital includes DKK 11.1 billion of additional tier I bonds accounted for as equity.

Note 21 to the consolidated financial statements contains additional information about subordinated debt and contractual terms.

Notes – Danske Bank A/S

26. Assets deposited as collateral

At the end of 2015, Danske Bank A/S had deposited securities worth DKK 16,388 million as collateral with Danish and international clearing centres and other institutions (31 December 2014: DKK 2,693 million). In addition, the Group had deposited own bonds worth DKK 0 million (31 December 2014: DKK 0 million). The amount has been eliminated in the balance sheet.

In repo transactions, which involve selling securities to be repurchased at a later date, the securities remain in the balance sheet, and the amounts received are recognised as deposits. Repo transaction securities are treated as assets provided as collateral for liabilities. Counterparties are entitled to sell the securities or deposit them as collateral for other loans.

Assets sold in repo transactions (DKK millions)	2015	2014
Bonds at fair value	184,788	423,576
Shares etc.	-	-
Total	**184,788**	**423,576**
Total collateral deposited for subsidiaries	-	3,256

In addition, the Group had deposited own bonds worth DKK 14,034 million as collateral for repo transactions and securities lending (31 December 2014: DKK 0 million). The amount has been eliminated in the balance sheet.

At the end of 2015, Danske Bank A/S had provided cash and securities worth DKK 83,305 million as collateral for derivatives transactions (31 December 2014: DKK 93,055 million).

Danske Bank A/S had registered loans and advances worth DKK 215,703 million and other assets worth DKK 8,387 million as collateral for covered bonds at the end of 2015 (31 December 2014: DKK 210,171 million and DKK 14,216 million, respectively).

Notes – Danske Bank A/S

27. Contingent liabilities

The Group uses a variety of loan-related financial instruments to meet the financial requirements of its customers. These include loan offers and other credit facilities, guarantees and instruments that are not recognised in the balance sheet.

Guarantees and other liabilities (DKK millions)	2015	2014
Guarantees etc.		
Financial guarantees	6,406	6,658
Mortgage finance guarantees	59,858	54,333
Registration and remortgaging guarantees	6,952	7,878
Other guarantees	85,296	61,160
Total	**158,512**	**130,028**
Other liabilities		
Loan commitments shorter than 1 year	84,066	78,859
Loan commitments longer than 1 year	138,750	125,422
Other obligations	110	110
Total	**222,927**	**204,392**

In addition to credit exposure from lending activities, loan offers made and uncommitted lines of credit granted by the Group amounted to DKK 318,445 million (2014: DKK 275,547 million). These items are included in the calculation of the total risk exposure amount in accordance with the Capital Requirements Directive.

Owing to its business volume, Danske Bank is continually a party to various lawsuits and disputes and has an ongoing dialogue with public authorities such as the Danish FSA. In view of its size, Danske Bank does not expect the outcomes of pending lawsuits and disputes or its dialogue with public authorities to have any material effect on its financial position. The Danish FSA has pending investigations regarding compliance with applicable anti-money laundering laws, which could lead to supervisory actions against Danske Bank.

A limited number of employees are employed under terms which grant them, if they are dismissed before reaching their normal retirement age, an extraordinary severance and/or pension payment in excess of their entitlement under ordinary terms of employment. As the sponsoring employer, Danske Bank is also liable for the pension obligations of a number of company pension funds.

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

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

Note 24 of the consolidated financial statements contains additional information about contingent liabilities.

Notes – Danske Bank A/S

28. Related parties

	Parties with significant influence		Associates		Group undertakings		Board of Directors		Executive Board	
(DKK millions)	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Loans and loan commitments	6,076	5,524	3,322	3,032	48,537	38,929	11	11	7	8
Securities and derivatives	1,028	1,258	4,318	4,150	140,531	181,332	-	-	-	-
Deposits	975	1,551	367	836	50,984	74,158	20	13	12	9
Derivatives	114	129	946	965	20,320	15,000	-	-	-	-
Issued bonds	-	-	-	-	19,249	306	-	-	-	-
Pension obligation	-	-	-	-	-	-	-	-	-	-
Guarantees issued	847	882	-	3	78,129	53,812	-	-	-	-
Guarantees and collateral received	882	210	620	1,070	2,194	1,694	11	9	7	7
Interest income	23	33	46	64	580	1,435	-	-	-	-
Interest expense	-	75	-	25	463	251	-	-	-	-
Fee income	10	19	7	4	1,092	1,003	1	1	-	-
Dividend income	-	25	337	123	6,344	3,218	-	-	-	-
Other income	-	22	-	1	23	14	-	-	-	-
Loan impairment charges	-	-	2	-	-	-	-	-	-	-
Trade in Danske Bank shares										
Acquisitions	-	-	-	-	-	-	4	3	-	6
Sales	-	-	-	-	-	-	1	-	3	2

Related parties with significant influence include shareholders with holdings exceeding 20% of Danske Bank A/S's share capital. The A.P. Møller and Chastine Mc-Kinney Møller Foundation and companies of A.P. Møller Holding Group, Copenhagen, hold 21.6% of the share capital. The consolidated financial statements specify significant group holdings and holdings in associates under Group holdings and undertakings. The Board of Directors and Executive Board columns list the personal facilities, deposits, etc. held by members of the Board of Directors and the Executive Board and their dependants, and facilities with businesses in which these parties have a controlling or significant influence.

In 2015, the average interest rates on credit facilities granted to members of the Board of Directors and the Executive Board were 1.1% (2014: 1.9%) and 2.3% (2014: 2.5%), respectively. Notes 33 and 34 of the consolidated financial statements specify the remuneration and shareholdings of management.

Pension funds set up for the purpose of paying out pension benefits to employees of Danske Bank A/S are also considered related parties. In 2015, transactions with these funds comprised loans and advances in the amount of DKK 3 million (2014: DKK 3 million), deposits in the amount of DKK 123 million (2014: DKK 119 million), derivatives with a positive fair value of DKK 0 million (2014: DKK 0 million), derivatives with a negative fair value of DKK 332 million (2014: DKK 666 million), interest expenses of DKK 2 million (2014: DKK 2 million), and pension contributions of DKK 23 million (2014: DKK 35 million).

Danske Bank A/S acts as the bank of a number of its related parties. Payment services, trading in securities and other instruments, depositing of surplus liquidity, and provision of short- and long-term financing are the primary services provided by Danske Bank A/S. In addition, Danske Bank A/S and group undertakings receive interest on holdings, if any, of listed bonds issued by Realkredit Danmark A/S. Note 15 of the consolidated financial statements specifies the Group's holdings of own mortgage bonds.

Danske Bank A/S handles a number of administrative functions, such as IT operations and development, HR management, procurement and marketing activities for group undertakings. Danske Bank A/S received a total fee of DKK 1,809 million for services provided in 2015 (2014: DKK 1,778 million).

The figures above do not include debt to related parties in the form of issued notes or bonds. Such notes or bonds are bearer securities, which means that Danske Bank does not know the identity of the holders. Danske Bank shares may be registered by name. Related parties' holdings of Danske Bank shares equalling 5% or more of Danske Bank's share capital are determined on the basis of the most recent reporting of holdings to Danske Bank.

Transactions with related parties are settled on an arm's-length basis, whereas transactions with group undertakings are settled on a cost-reimbursement basis.

Notes – Danske Bank A/S

29. Hedging of risk

(DKK millions)	2015 Carrying amount	2015 Amortised/ notional value	2014 Carrying amount	2014 Amortised/ notional value
Assets				
Due from credit institutions	849	836	4,614	4,604
Loans	49,424	47,458	42,853	40,581
Total	**50,273**	**48,294**	**47,467**	**45,185**
Financial instruments hedging interest rate risk				
Derivatives	-4,090	48,992	-4,952	64,959
Liabilities				
Deposits	11,450	11,365	49,069	48,955
Due to credit institutions	7,049	7,044	51,001	50,990
Issued bonds	271,690	312,676	271,866	297,310
Subordinated debt	35,372	33,866	40,144	38,247
Total	**325,561**	**364,951**	**412,081**	**435,502**
Financial instruments hedging interest rate risk				
Derivatives	15,455	379,051	16,914	451,982

Note 12 of the consolidated financial statements includes additional information about hedge accounting.

30. Group holdings and undertakings

Note 35 of the consolidated financial statements lists the Group's major holdings and undertakings as well as associates.

Notes – Danske Bank A/S

(DKK millions)	2015	2014	2013	2012	2011
Highlights					
Net interest and fee income	27,549	27,945	25,259	25,607	25,328
Value adjustments	-595	-653	254	4,758	1,491
Staff costs and administrative expenses	15,562	16,386	17,186	17,038	15,702
Loan impairment charges etc.	-50	2,745	3,545	9,308	9,725
Income from associates and group undertakings	8,018	7,199	4,957	4,333	2,309
Net profit for the year	12,933	3,931	7,802	5,148	1,324
Loans	878,321	901,168	899,572	957,971	917,201
Total equity	161,542	153,921	146,603	138,973	127,390
Total assets	2,037,190	2,276,448	2,126,382	2,357,319	2,426,635

	2015	2014	2013	2012	2011
Ratios and key figures					
Total capital ratio (%)	25.5	24.4	27.2	27.9	23.1
Tier 1 capital ratio (%)	22.5	21.2	24.3	25.1	20.9
Return on equity before tax (%)	9.6	3.9	6.4	5.7	2.5
Return on equity after tax (%)	8.2	2.6	5.5	3.9	1.1
Income/cost ratio (%)	171.5	119.0	141.0	127.0	110.0
Interest rate risk (%)	1.5	1.6	1.1	0.1	0.4
Foreign exchange position (%)	1.2	3.4	5.9	2.1	2.5
Foreign exchange risk (%)	-	-	-	-	-
Loans plus impairment charges as % of deposits	125.6	110.3	113.7	122.3	130.6
Gearing of loans	5.4	5.9	6.1	6.9	7.2
Growth in loans (%)	4.7	-	-10.7	-4.0	-1.2
Surplus liquidity in relation to statutory liquidity requirement (%)	192.8	141.0	199.6	166.5	107.4
Sum of large exposures as % of total capital	-	-	-	11.8	32.6
Funding ratio	0.6	0.6	0.6	0.7	0.7
Real property exposure	12	10	10	12	13
Impairment ratio (%)	0.0	0.3	0.3	0.8	0.9
Return on assets (%)	0.6	0.4	0.4	0.2	0.1
Earnings per share (DKK)	12.8	3.8	7.7	5.3	1.6
Book value per share (DKK)	165.2	153.6	146.2	138.5	137.0
Proposed dividend per share (DKK)	8.00	5.50	2.00	-	-
Share price end of period/earnings per share (DKK)	14.4	43.0	16.1	18.0	44.7
Share price end of period/book value per share (DKK)	1.12	1.09	0.85	0.69	0.53

The ratios are defined by the Danish FSA in, for example, its Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc.

Changes have been made to the highlights for 2014, as presented in note 1. Apart from 2011, the effect on the highlights for 2011-13 is not significant, and comparative figures for 2011-13 therefore have not been restated. A restatement of comparative figures for 2011 would have reduced net profit by DKK 387 million.

Statement by the management

The Board of Directors and the Executive Board (the management) have considered and approved the annual report of Danske Bank A/S for the financial year 2015.

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

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, shareholders' equity and financial position at 31 December 2015 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 2015. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's and the Parent Company's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group and the Parent Company.

The management will submit the annual report to the general meeting for approval.

Copenhagen, 2 February 2016

Executive Board

Thomas F. Borgen
CEO

Tonny Thierry Andersen

James Ditmore

Gilbert Kohnke

Lars Mørch

Henrik Ramlau-Hansen

Glenn Söderholm

Board of Directors

Ole Andersen
Chairman

Trond Ø. Westlie
Vice Chairman

Urban Bäckström

Lars Förberg

Jørn P. Jensen

Rolv Erik Ryssdal

Carol Sergeant

Jim Hagemann Snabe

Kirsten Ebbe Brich
Elected by the employees

Carsten Eilertsen
Elected by the employees

Charlotte Hoffmann
Elected by the employees

Steen Lund Olsen
Elected by the employees

Independent Auditors' Report

To the shareholders of Danske Bank A/S

Report on the consolidated financial statements and parent financial statements
We have audited the consolidated financial statements and parent financial statements of Danske Bank A/S for the financial year 1 January 2015 to 31 December 2015, pp 46-183 which comprise the income statement, statement of comprehensive income, balance sheet, statement of capital and notes, including the accounting policies, for the Group as well as the Parent, and the cash flow statement of the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial companies, and the parent financial statements are prepared in accordance with the Danish Financial Business Act.

Management's responsibility for the consolidated financial statements and parent financial statements
Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial companies as well as the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Business Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on the consolidated financial statements and parent financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and parent financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the consolidated financial statements and parent financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and parent financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the consolidated financial statements and parent financial statements.

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

Our audit has not resulted in any qualification.

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2015, and of the results of its operations and cash flows for the financial year 1 January 2015 to 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial companies.

Further, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31 December 2015, and of the results of its operations for the financial year 1 January 2015 to 31 December 2015 in accordance with the Danish Financial Business Act.

Statement on the management report
Pursuant to the Danish Financial Business Act, we have read the management report. We have not performed any further procedures in addition to the audit of the consolidated financial statements and parent financial statements.

On this basis, it is our opinion that the information provided in the management report is consistent with the consolidated financial statements and parent financial statements.

Copenhagen, 2 February 2016
Deloitte
Statsautoriseret Revisionspartnerselskab

Erik Holst Jørgensen	Jens Ringbæk
State-Authorised	State-Authorised
Public Accountant	Public Accountant

Management and directorships – Board of Directors

Ole Andersen
Chairman
Elected by the general meeting

Born on 11 July 1956
Nationality: Danish
Gender: Male
Joined the Board on 23 March 2010 and was appointed Chairman in December 2011
Most recently re-elected in 2015
Term expires in 2016
Independent

Chairman of the Remuneration Committee and the Nomina-tion Committee and member of the Credit and Risk Committee

Competencies:
- Professional experience in leading and developing large financial and non-financial international companies
- Setting of corporate strategy, budgets and targets
- Financial and economic expertise
- General risk management experience

Directorships and other offices:
Bang & Olufsen A/S (chairman)
Chr. Hansen Holding A/S (chairman)
EQT Partners (senior adviser)
NASDAQ Nordic Ltd.
(member of the nomination committee)
The Danish Committee on Corporate Governance (member)
Copenhagen Business School (adjunct professor)

Trond Ø. Westlie
Vice Chairman
Elected by the general meeting

Group Chief Financial Officer and member of the executive board of A.P. Møller-Mærsk A/S

Born on 8 June 1961
Nationality: Norwegian
Gender: Male
Joined the Board on 27 March 2012
Most recently re-elected in 2015
Term expires in 2016
Independent

Member of the Audit Committee and the Nomination Committee

Competencies:
- Long executive experience in managing overall corporate financial affairs
- Funding of international companies requiring significant investments through debt and equity markets
- Strategic and business development expertise
- Experience in managing substantial international operations
- General risk management experience

Directorships and other offices:
A.P. Moller - Maersk Group (chairman or member of the boards of directors of 12 subsidiaries)
Shama AS (chairman)
VimpelCom Ltd. (member of the board of directors and chairman of the audit committee)

Urban Bäckström
Elected by the general meeting

Born on 25 May 1954
Nationality: Swedish
Gender: Male
Joined the Board on 27 March 2012
Most recently re-elected in 2015
Term expires in 2016
Independent

Member of the Credit and Risk Committee and the Nomination Committee

Competencies:
- Broad and in-depth experience with economics and finance
- Leading major financial companies and not-for-profit institutions
- Insight into the Swedish business sector and international influence on this
- Experience with and knowledge of sophisticated risk models

Directorships and other offices:
Rederiaktiebolaget Gotland and a subsidiary (chairman)
Lancelot Holding AB and a subsidiary (member of the board of directors)
Stiftelsen Fritt Näringsliv/Timbro (member of the board of directors)
Jönköping University (honorary doctor)

Lars Förberg
Elected by the general meeting

Managing Partner at Cevian Capital AG

Born on 30 November 1965
Nationality: Swedish
Gender: Male
Joined the Board on 18 March 2013
Most recently re-elected in 2015
Term expires in 2016
Independent

Member of the Remuneration Committee

Competencies:
- Extensive board and investment experience across multiple industries (including financial services) and geographies, in particular with companies managing strategic, operational and organisational change

Directorships and other offices:
Alent Plc. (member of the board of directors)
AB Volvo (member of the nomination committee)
Cevian Capital Ltd. (member of the board of directors)
Cevian Capital AG (chairman)

Jørn P. Jensen
Elected by the general meeting

Born on 2 January 1964
Nationality: Danish
Gender: Male
Joined the Board on 27 March 2012
Most recently re-elected in 2015
Term expires in 2016
Independent

Chairman of the Audit Committee

The Board of Directors considers Jørn P. Jensen to fulfill the requirements to be the independent qualified member of the Audit Committee. Jørn P. Jensen's qualifications and expertise within accountancy and auditing is based on his education as master of Science in Economics and Business Administration and his long career as Chief Financial Officer of Carlsberg A/S, Carlsberg Breweries A/S and other Danish companies.

Moreover, as Chairman of the Audit Committee since 2012, Jørn P. Jensen has proven his ability to make independent assessments on Danske Bank Group's financial reporting, internal controls, risk management and statutory audit.

Competencies:
- Broad experience in international business operations and solid understanding of Danish and international financial reporting practices
- Funding of international companies requiring significant investments through debt and equity markets
- Knowledge of cultures and economic/political conditions in Danske Bank's markets
- General risk management experience

Directorships and other offices:
Carlsberg Byen P/S and six subsidiaries (vice chairman or member of the boards of directors)
The Danish Committee on Corporate Governance (member)

Rolv Erik Ryssdal
Elected by the general meeting

CEO, Schibsted ASA

Born on 7 November 1962
Nationality: Norwegian
Gender: Male
Joined the Board on 18 March 2014
Most recent re-elected in 2015
Term expires in 2016
Independent

Competencies:
- Extensive consumer business experience, including experience with communication strategies.
- In-depth knowledge of digital business models and transformation processes.

Directorships and other offices:
Schibsted Media Group (chairman of the boards of directors of five subsidiaries)
J.E. Pedersen & Co. (member of the board of directors)

Carol Sergeant
Elected by the general meeting

Born on 7 August 1952
Nationality: British
Gender: Female
Joined the Board on 18 March 2013
Most recently re-elected in 2015
Term expires in 2016
Independent

Chairman of the Credit and Risk Committee and member of the Audit Committee

Competencies:
- Senior management experience from the public and private financial services sectors in the UK
- Broad and in-depth knowledge of credit and risk management and regulatory issues in the UK and Europe
- Significant change management experience

Directorships and other offices:
Private sector directorships:
Tullett Prebon plc. (member of the board of directors, chairman of the risk committee and member of the audit committee)

Public policy, charity and academic positions:
Public Concern at Work (UK whistleblowing charity) (chairman)
Cass Business School (member of the advisory board)
British Standards Institute Policy and Strategy Committee (chairman)
The Lloyds Register Foundation (trustee)
The Governing Council of the Centre for the Study of Financial Innovation (CSFI) (member)

Jim Hagemann Snabe
Elected by the general meeting

Born on 27 October 1965
Nationality: Danish
Gender: Male
Joined the Board on 18 March 2013
Most recently re-elected in 2015
Term expires in 2016
Independent

Member of the Remuneration Committee

Competencies:
- In-depth knowledge of IT systems and solutions
- High-level management experience from large international organisation
- Experience in strategy development and execution
- Understanding of banking and financial services sector

Directorships and other offices:
Allianz SE (member of the supervisory board)
Bang & Olufsen A/S (vice chairman)
SAP SE (member of the supervisory board)
Siemens AG (member of the supervisory board)
World Economic Forum (member of the Foundation Board and chair of the Forum's Centre for Global Industries)

Kirsten Ebbe Brich
Elected by the employees

Board member of Danske Kreds

Born on 15 July 1973
Nationality: Danish
Gender: Female
Joined the Board on 18 March 2014
Term expires in 2018

Carsten Eilertsen
Elected by the employees

Vice Chairman of Danske Kreds

Born on 17 September 1949
Nationality: Danish
Gender: Male
Joined the Board on 23 March 2010
Most recently re-elected in 2014
Term expires in 2018

Directorships and other offices:
Apostelgaardens Fond (vice chairman)
Danske Unions
The Parish Church Council of Sct. Mortens Church, Næstved (treasurer)
The Næstved Cemeteries

Danske Banks Pensionskasse for medarbejdere med tilsagnsordning i Danica (member of the board of directors)

Charlotte Hoffmann
Elected by the employees

Senior Personal Adviser

Born on 8 October 1966
Nationality: Danish
Gender: Female
Joined the Board on 14 March 2006
Most recently re-elected in 2015
Term expires in 2018

Member of the Remuneration Committee

Steen Lund Olsen
Elected by the employees

Chairman of Danske Kreds

Born on 21 February 1972
Nationality: Danish
Gender: Male
Joined the Board on 18 March 2014
Term expires in 2018

Directorships and other offices:
Danske Unions (chairman)
Finansforbundet (Financial Services Union Denmark) (member of the executive committee)
Danske Bank Pensionskasse for førtidspensionister (member of the board of directors)
Danske Bank Velfærdsfond af 1993 (member of the board of directors)

Management and directorships – Executive Board

Thomas F. Borgen
Chief Executive Officer

Born on 27 March 1964
Joined the Board on 1 September 2009

Directorships and other offices:
Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999 (chairman)
Danica Pension, Livsforsikringsaktieselskab (chairman)
Kong Olav V's Fond

Tonny Thierry Andersen
Head of Personal Banking

Born on 30 September 1964
Joined the Board on 1 September 2006

Directorships and other offices:
Bankernes Kontantservice A/S
FRI af 16. september 2015 A/S (chairman)
Danske Bank International S.A. (chairman)
Danske Bank Oyj (chairman)
Realkredit Danmark A/S (chairman)
The Danish Bankers Association (chairman)
The Private Contingency Association for the Winding up of Distressed Banks, Savings Banks and Cooperative Banks (chairman)
YPO, Danmark (CFO)
Værdiansættelsesrådet
ICC Danmark
Danish Economic Council

James Ditmore
Head of Group Services & Group IT (COO)

Born on 10 July 1960
Joined the Board on 21 April 2014

Directorships and other offices:
ITPeopleNetwork
Northern Bank Limited

Gilbert Kohnke
Head of Group Risk

Born on 20 June 1958
Joined the Board on 1 April 2015

Lars Mørch
Head of Business Banking

Born on 11 May 1972
Joined the Board on 1 June 2012

Directorships and other offices:
Northern Bank Limited (chairman)
Danske Leasing A/S (chairman)
Realkredit Danmark A/S (vice chairman)
Grænsefonden (member of the board of directors)
Dagmar Marshalls Fond (member of the board of directors)

Henrik Ramlau-Hansen
Chief Financial Officer

Born on 2 October 1956
Joined the Board on 1 January 2011

Directorships and other offices:
Forsikringsselskabet Danica,
Skadeforsikringsaktieselskab af 1999 (vice chairman)
Danica Pension, Livsforsikringsaktieselskab
(vice chairman)
Kreditforeningen Danmarks Pensionsafviklingskasse
(chairman)
LR Realkredit A/S (member of the board of directors)
Realkredit Danmark A/S (member of the board of
directors)

Glenn Söderholm
Head of Corporates & Institutions

Born on 26 July 1964
Joined the Board on 1 November 2013

Directorships and other offices:
Danish Ship Finance A/S (Danmarks Skibskredit A/S)
(member of the board of directors and of the audit
committee)
NASDAQ Nordic Ltd. (member of the board of directors)

Supplementary information

Financial calendar

17 March 2016	Annual General Meeting
29 April 2016	Interim report - first quarter 2016
21 July 2016	Interim report - first half 2016
28 October 2016	Interim report - first nine months 2016

Contacts

Henrik Ramlau-Hansen Chief Financial Officer	+45 45 14 06 66
Claus Ingar Jensen Head of Investor Relations	+45 45 12 84 83

Links

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Danske Bank's financial statements are available online at danskebank.com/Reports.

Other Danske Bank Group publications, available at danskebank.com/ir:

Corporate Responsibility 2015

Risk Management 2015

Danske Bank A/S
Holmens Kanal 2-12
DK-1092 København K

Tel. +45 33 44 00 00
CVR No. 611262 28-København
danskebank.com