

Annual Report

1999

Den Danske Bank Group



The Bank's Annual General Meeting will be held at 2.00pm on Tuesday, March 28, 2000, at the Bella Center, 5 Center Boulevard, Copenhagen S, Denmark.

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BOARD OF DIRECTORS

POUL J. SVANHOLM General Manager / CHAIRMAN

PALLE MARCUS General Manager / VICE CHAIRMAN

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ALF DUCH-PEDERSEN Chief Executive of Danisco A/S

BENT M. HANSEN General Manager

NIELS EILSCHOU HOLM Private Secretary to Her Majesty the Queen of Denmark

KJELD KIRK KRISTIANSEN President and CEO of LEGO Company

PETER MICHAELSEN Assistant Vice President *

HENNING MIKKELSEN Assistant Vice President *

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TORBEN PEDERSEN Assistant Vice President *

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VERNER USBECK Assistant Vice President *

CLAUS VASTRUP Professor of Economics, Ph.D. **

BIRGIT AAGAARD-SVENDSEN Executive Vice President, CFO, of J. Lauritzen A/S

* Elected by the Bank's staff

** Appointed by the Minister of Economic Affairs

EXECUTIVE BOARD

PETER STRAARUP / CHAIRMAN

JAKOB BROGAARD

JEPPE CHRISTIANSEN

KARSTEN KNUDSEN

SØREN MØLLER NIELSEN

Den Danske Bank aims to be a leader in its Nordic home markets. It is the Bank's policy to exploit that position to maximise the return to shareholders.

Den Danske Bank has built a strong platform. The Group works constantly to make its operations more effective and to expand business volume in its chosen markets. In the pursuit of this aim, Den Danske Bank has created one of the most efficient infrastructures in Europe, not least in the field of information technology.

To meet its objectives, Den Danske Bank must continually offer customers the best service and the financial products that create the most value for them. In doing so, the Bank draws on its competent and quality-conscious staff.

Den Danske Bank will fortify its position on the Nordic financial markets by always putting its capital resources to optimal use and making consistent use of information technology, for example when building new distribution channels.

Den Danske Bank pursues its objectives with respect for the influence it has on the communities in which it operates.

DEN DANSKE BANK GROUP FINANCIAL HIGHLIGHTS

| CORE EARNINGS AND NET PROFIT FOR THE YEAR (DKr million) | 1999 | 1998 | 1997 | 1996 | 1995 |
|--|---------------|--------|--------|--------|--------|
| Net interest income, excluding income from investment portfolios | 8,593 | 7,911 | 7,085 | 6,543 | 7,312 |
| Fee and commission income (net) | 3,749 | 2,984 | 2,443 | 2,035 | 1,694 |
| Trading income | 967 | 366 | -413 | 559 | 1,048 |
| Other core income | 537 | 479 | 383 | 313 | 247 |
| Core insurance income | 975 | 920 | 698 | 594 | 213 |
| Total core income | 14,821 | 12,660 | 10,196 | 10,044 | 10,514 |
| Operating expenses and depreciation | 9,173 | 7,645 | 7,081 | 6,960 | 7,258 |
| Core earnings before provisions | 5,648 | 5,015 | 3,115 | 3,084 | 3,256 |
| Provisions for bad and doubtful debts | 489 | 511 | 614 | 637 | 1,254 |
| Core earnings | 5,159 | 4,504 | 2,501 | 2,447 | 2,002 |
| Profit on sale of subsidiaries | 703 | - | - | - | 1,132 |
| Earnings from investment portfolios | 459 | 738 | 2,133 | 2,195 | 1,954 |
| Profit on ordinary operations before tax | 6,321 | 5,242 | 4,634 | 4,642 | 5,088 |
| Tax | 1,293 | 1,292 | 429 | 989 | 1,457 |
| Net profit for the year | 5,028 | 3,950 | 4,205 | 3,653 | 3,631 |

The division between core earnings and earnings from investment portfolios is based in part on estimates for the period from 1995 up to and including 1997

| BALANCE SHEET HIGHLIGHTS AT DECEMBER 31 (DKr billion) | 1999 | 1998 | 1997 | 1996 | 1995 |
|--|--------------|-------|-------|-------|-------|
| Loans and advances | 381.0 | 303.1 | 290.7 | 232.5 | 194.4 |
| Bonds and shares, etc. | 147.1 | 140.0 | 136.2 | 117.6 | 110.3 |
| Due to credit institutions and central banks | 157.6 | 140.4 | 138.5 | 130.6 | 114.8 |
| Deposits | 266.1 | 213.5 | 225.2 | 195.9 | 172.4 |
| Issued bonds | 149.7 | 107.5 | 78.6 | 54.0 | 44.2 |
| Subordinated debt | 21.4 | 16.6 | 18.4 | 13.4 | 11.3 |
| Shareholders' equity | 30.5 | 30.4 | 27.5 | 25.9 | 23.1 |
| Total assets | 701.4 | 592.8 | 554.8 | 451.8 | 390.0 |

| Ratios and key figures | 1999 | 1998 | 1997 | 1996 | 1995 |
|--|---------------|--------|--------|--------|--------|
| Net profit for the year per share, DKr | 95.0 | 74.6 | 79.5 | 69.0 | 68.6 |
| Net profit for the year as % of average shareholders' equity | 16.5 | 13.6 | 15.7 | 14.9 | 16.7 |
| Core earnings as % of average shareholders' equity | 16.9 | 15.6 | 9.4 | 10.0 | 9.2 |
| Cost/core income ratio, % | 61.9 | 60.4 | 69.4 | 69.3 | 69.0 |
| Solvency ratio, % | 11.0 | 10.4 | 10.2 | 9.8 | 10.0 |
| Core (tier 1) capital ratio, % | 7.4 | 7.7 | 7.2 | 7.7 | 8.7 |
| Dividend per share, DKr | 25 | 18 | 18 | 16 | 16 |
| Share price at December 31, DKr | 809 | 857 | 914 | 473 | 383 |
| Book value per share, DKr | 577 | 574 | 520 | 489 | 436 |
| Number of full-time employees at December 31: | | | | | |
| Den Danske Bank and consolidated subsidiaries | 12,397 | 11,691 | 11,365 | 11,111 | 11,514 |
| Non-consolidated subsidiaries (insurance companies) | 1,128 | 1,451 | 1,442 | 1,642 | 1,621 |

Den Danske Bank Group had a strong year in 1999. Earnings surpassed the level the Group had expected at the beginning of the year. Core earnings before provisions rose by 13% to Dkr5,648m. Provisions for bad and doubtful debts remained low. After-tax profit was up by Dkr1,078m to Dkr5,028m. The return on equity increased to 16.5%.

The Group reinforced its position on its Nordic home markets by acquisitions and organic growth. Moreover, non-core insurance operations were sold off, which contributed Dkr703m in one-off income to profit. Although the Group invested heavily in expanding its activities in the Nordic financial markets, it had a core (tier 1) capital ratio of 7.4% at the end of the year.

Den Danske Bank Group raised core income by Dkr2,161m to Dkr14,821m in 1999. Much of the improvement came from an increase in net interest and commission income of Dkr1,447m and from higher trading income.

Expenses in 1999 mirrored the continuing expansion of chosen business areas. Moreover, the Group incurred substantial IT costs as it continued to enhance information technology, including Internet services. Expenses rose by 20% to Dkr9,173m. Expenses rose by 10% not counting the cost increases related to the acquisition of new operations, including Fokus Bank, which has been included in the Accounts since June 1, 1999.

The total charge for bad and doubtful debts was virtually unchanged, at Dkr489m for 1999, against Dkr511m the year before. Provisioning needs remained modest because of the Bank's continuing efforts to maintain the high quality of its loan portfolio and because of generally favourable economic conditions. The international economy, in particular, proved in better shape than had been expected at the beginning of the year.

Investment portfolios generated earnings of Dkr459m for 1999, against Dkr738m the year before.

Den Danske Bank Group's total risk-weighted items amounted to Dkr411bn at the end of 1999, up Dkr21bn on a year earlier. Fokus Bank accounted for Dkr30bn.

Den Danske Bank spent a total of Dkr5.6bn on acquiring financial services firms in 1999 as it continued to expand activities in its Nordic home markets. Of this amount, goodwill accounted for Dkr3.6bn, which was written off against equity capital in accordance with Group accounting policies. At the year-end, the Group had a solvency ratio of 11.0%, of which core capital accounted for 7.4% against 7.7% a year earlier. Hence, the core capital ratio was consistent with the Bank's long-term objective despite the substantial acquisitions made during the year.

Den Danske Bank's shares traded at a price of Dkr809 at the end of the year, against Dkr857 a year earlier. With a dividend of Dkr18 per share, the Bank's shareholders did not

achieve a satisfactory return on their investment in 1999. The Bank aims to optimise the return to shareholders, but general movements in stock markets may render the return less satisfactory if viewed over a shorter period. Over a five-year period, the shares have yielded a return, including dividends, of more than 22% p.a.

Den Danske Bank works continually to strengthen its position on the Nordic financial markets. Therefore, the Bank welcomed the permission granted by the Norwegian authorities on May 7 to take over Fokus Bank, Norway's fourth-largest bank. Fokus Bank has a nation-wide network of 65 branches and had 976 staff members at the end of the year. Fokus Bank made a satisfactory contribution to the Group's pre-provision core earnings from the outset. Fokus Bank will reinforce its position on the Norwegian banking market by widening its product range and setting up new branches.

In June, the Group entered into an agreement to take over the Swedish mortgage finance company, Bokredit AB. This acquisition will sup-

port Den Danske Bank's activities on the Swedish residential mortgage finance market.

Den Danske Bank significantly reinforced its position on the Danish credit and payment cards market in 1999, when it bought the franchising rights for the American Express card in Denmark. This has given Den Danske Bank the most extensive range of credit and payment cards in Denmark for Danish personal and business customers and leaves the Bank well equipped to meet the increasing competition on the Danish cards market in the years ahead.

In November, the Bank sold its non-life insurance operation to Topdanmark, a Danish insurer. The sales proceeds of Dkr1.3bn produced a net gain of Dkr703m after provision for restructuring associated with the sale. It was agreed at the same time that the Bank would market non-life products on behalf of Topdanmark under the brand name of Danske Forsikring, for which it will charge a commission. Den Danske Bank's life and pensions activities will continue without any changes.

The reasons for the sale were that Den Danske Bank does not consider non-life insurance a core activity and that quality and competitiveness in non-life insurance require operations of scale and market share beyond what the Bank could reasonably expect to attain. Therefore, the non-life business could not be expected to yield a satisfactory long-term return on allocated capital.

After its expansion in recent years, Den Danske Bank Group now conducts business under a number of separate corporate identities, even when the Group's products are marketed to the same group of customers. As from the autumn of 2000, Den Danske Bank will adopt a unified identity for all its products on all markets.

The unified corporate identity will be signalled by a new design and by extensive use of the name "Danske", which is what the Bank is called for short in the international financial markets. Consequently, a proposal to change Den Danske Bank's name into Danske Bank will be submitted for the approval of the Annual General Meeting of Shareholders. Some

operations, such as Danica, Fokus Bank, Östgöta Enskilda Bank and Provinsbanken, will retain their present names but their affiliation to the Group will be signalled by overall branding and the new design.

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In 1999, the Group again expanded the range of products it offers via the Internet. Den Danske Bank will not confine the use of the Internet to selected business areas, but intends to integrate the net in all its activities. The Bank wants Internet distribution to compete with and partly replace the traditional outlets. There was a sharp increase in the number of transactions carried out via the Group's net banking services in 1999. Payment transfers and securities recorded the largest increases.

Den Danske Bank has a total of 200,000 net banking customers in Denmark, Norway and Sweden. In 1999, new services were launched to both the personal and business customer segments. The Bank stimulates customer interest through easy-to-access solutions and attractive pricing compared with traditional services.

Den Danske Bank became the first bank in Denmark to offer customers on-line buying and selling of international equities. This easy-to-use and fairly priced service met with strong interest from the outset. Den Danske Bank was also the first to provide Surf and Call facilities to Danish Internet banking customers.

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The year 1999 began and ended with events that were of importance for the financial markets.

Europe's new currency, the euro, was launched on foreign exchange markets at the beginning of the year. The euro encountered no material technical problems at its launch. Den Danske Bank's systems were fully prepared to handle the new electronic currency from the outset.

Ahead of the turn from 1999 to 2000, financial market participants were uncertain about whether IT systems could cope with the millennium change. Den Danske Bank's IT and other systems completed the turn of the year without problems.

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Stricter taxation of pension assets introduced in 1998 has prompted uncertainty about the ability of the Danish life insurance industry to meet the minimum return criteria attached to some insurance policies. This is because taxes are being raised in a low interest rate environment and because the insurance policies concerned provide for a minimum net return without reservations for the payment of present and future taxes. The government was aware of the risk that the minimum return criteria might pose difficulties to the life industry at the time it introduced the higher taxes. In December, the Ministry of Economic Affairs published a report in which the government declined to modify the new pension taxes, but suggested instead that life and pensions companies should have a chance of safeguarding against further falls in interest rates by acquiring interest rate options issued by the government. The government has not elaborated on its ideas. Therefore, Den Danske Bank has not decided whether it will take advantage of interest rate options to hedge Danica's life insurance portfolio.

Amid financial market turbulence in 1992, Den Danske Bank was re-

quested by a group of Danish financial institutions to manage and participate in underwriting an equity issue for Hafnia Holding A/S. The company suspended payments soon after and subsequently went bankrupt. Some private investors who had bought shares for a total of Dkr27,000 in Hafnia Holding A/S in the summer of 1992 then brought actions against Hafnia, its management, its auditors and Den Danske Bank. In September 1999, the Copenhagen Maritime and Commercial Court passed judgement in the Hafnia case. Den Danske Bank, the auditors and Hafnia-in-bankruptcy were ordered to pay damages. An appeal has been lodged against the decision of the court. A number of institutional investors, including some of the initiators of the equity issue, who bought shares for a total of Dkr1,023m, have since brought actions for damages against the Bank.

Den Danske Bank Group expects business volume to show generally good growth and core earnings to be on a rising track in 2000. Fokus Bank will be included for a full operating year, and this will add to

Group core earnings. Expenses and depreciation should rise slightly. The Group expects to reduce staff numbers in Denmark at the same rate as in 1999, but to increase staffing levels in the other Nordic countries. Spending on information technology will remain at a high level. The Group expects to maintain the charge for bad and doubtful debts at its 1999 level.

At the threshold of a new decade, Den Danske Bank is well placed to generate a competitive return for its shareholders. The Bank works constantly to enhance and expand the already-extensive distribution network on its Nordic home markets. The Internet is a key priority.

Den Danske Bank will continue to manage carefully the allocation of capital among its business areas in order to create a satisfactory and gradually increasing return on equity.

THE GROUP'S BUSINESS AREAS

In 1999, Den Danske Bank continued to organise its activities into business areas around the needs of customers.

Retail Banking provides services to personal customers and small and medium-sized business customers served by the Nordic branch network. Retail Banking offers a range of standardised and competitive financial products of high quality. This business area encompasses the Group's leasing and factoring operations.

Wholesale Banking serves the Group's large corporate and institutional clients. This division is responsible for the Group's global trading activities on interest rate and foreign exchange markets.

Danske Securities, the Group's investment banking division, is responsible for corporate finance activities and the sales and trading of equities and equity-related products. Danske Securities is active on four Nordic stock exchanges.

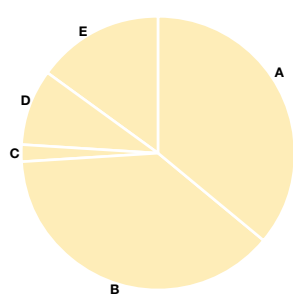
Asset Management provides investment portfolio services to institutional clients and other large investors, primarily in the Nordic region. Moreover, Asset Management provides private banking services and unit trust products in the

Nordic and other European markets.

Life and Pensions services are provided by Danica, which targets personal and business customers and also markets its products through Retail Banking's outlets.

The activities of these five business areas are supported by a number of central and head office functions. Administrative routines are widely centralised and the Group's IT systems are run and developed centrally. The management of credits, investment portfolios and capital is in the hands of three separate head office departments. Group head office functions also comprise communications and human resources.

Core earnings before provisions



- A Retail Banking
- B Wholesale Banking
- C Danske Securities
- D Asset Management
- E Life and Pensions

The Group allocates its capital to the various business areas to be able to measure profitability. This is done on the basis of each area's average share in risk-weighted items, calculated according to the Capital Adequacy Executive Order issued by the Danish Financial Supervisory Authority.

Den Danske Bank Group's business areas

| Retail Banking | Wholesale Banking | Danske Securities | Asset Management | Life and Pensions |
|--|--|--|--|---|
| <p>Denmark 410 branches Danske Kredit Danske Bo Forenede Factors KortFinans Nordania</p> <p>Norway 65 branches Fokus Finans</p> <p>Sweden 39 branches BoKredit Nordania</p> | <p>Corporate & Institutional Banking</p> <p>Trading, Financial Markets</p> <p>Denmark Finland Norway Sweden Germany Hong Kong Singapore UK USA</p> | <p>Corporate Finance</p> <p>Equity Sales & Trading</p> <p>Equity Research</p> <p>Denmark Finland Norway Sweden UK</p> | <p>Asset Management</p> <p>Denmark Norway Sweden Luxembourg</p> <p>Private Banking</p> <p>Luxembourg Denmark</p> <p>Investment Services – Branches</p> <p>Denmark</p> | <p>Denmark 21 offices</p> <p>Sweden Danica Fond-försäkring</p> <p>Luxembourg Danica Life and Pension</p> |

The table shows financial highlights for the five business areas. Transactions among the business areas are settled at market prices. The costs of support functions are allocated to the individual business areas according to an assessment based on their proportionate share in the Group's activities.

Core earnings before provisions

| (DKr m) | 1999 | 1998 |
|----------------------------|--------------|-------|
| Retail Banking | 2,077 | 1,661 |
| Wholesale Banking | 2,178 | 2,217 |
| Danske Securities | 122 | 51 |
| Asset Management | 506 | 277 |
| Life and Pensions | 832 | 755 |
| Other areas | -67 | 54 |
| Total core earnings | 5,648 | 5,015 |

The breakdown of comparative figures for 1998 is based in part on estimates

R E T A I L B A N K I N G



| (DKr m) | 1999 | 1998 | Difference in % |
|-------------------------------------|----------------|---------|-----------------|
| Core income | 8,613 | 7,385 | 17 |
| Operating expenses and depreciation | 6,536 | 5,724 | 14 |
| Core earnings before provisions | 2,077 | 1,661 | 25 |
| Risk-weighted items | 138,612 | 103,204 | 34 |
| Allocated capital | 9,703 | 7,224 | 34 |

MANAGEMENT

SVEN E. LYSTBÆK

Member of the Executive Board
(from April 1, 2000)

Denmark

EJVIND HANSEN

Senior Executive Vice President

Norway

SVEIN SIVERTSEN

Managing Director

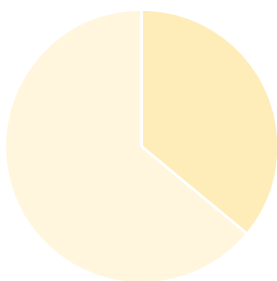
Sweden

ULF LUNDAHL

Senior Executive Vice President

Staff: 7,423

Share of Group
core earnings
before provisions



 Retail Banking

Retail Banking generated core earnings before provisions of DKr2,077m in 1999, against DKr1,661m the year before. Profit and activity trends were thus satisfactory on Den Danske Bank's three principal markets in the Nordic region.

Activity increased in the Danish branch network, but core earnings declined because low interest rate levels led to narrower interest margins. Fokus Bank, which was included in the Annual Accounts from June 1, 1999, contributed to earnings and helped to raise the potential for future growth. Retail Banking continued its expansion in Sweden and achieved good results there.

The Retail Banking division incurred higher costs from the expansion of the IT platform of its branches, the enlargement of the Swedish branch network, and the consolidation with Fokus Bank, Norway. Moreover, Retail Banking incurred costs related to the acquisition of the Danish franchising rights for the American Express card.

Retail Banking returned 21.4% on capital (before provisions), which is not considered entirely satisfactory.

In **Denmark**, Retail Banking serves more than 1½ million personal customers and 100,000 business customers. There was satisfactory growth in both the personal and business customer base.

In 1999, Retail Banking divided its Danish branch network into regional units. This enables cost savings and makes it possible to centralise administrative routines. Moreover, investment and pension experts at the branch network are being gathered in central regional units. Danica, the Group's insurance arm, similarly divided its activities by region and achieved significant economies of scale. Cross-selling of banking and insurance products will be strengthened as experts covering a wide range of lines are brought together.

By the end of 2000, all branches will have been linked up to the central call centre, DIALog. The call centre offers customers telephone advisory services within all Den Danske Bank's lines of business and handles telephone calls for the branches. DIALog expects to increase opening hours from 18 to 24 hours a day in 2000.

Den Danske Bank had more than 150,000 Danish net banking customers at the end of 1999 and the volume of transactions with this customer segment rose sharply during the year. The Internet bank, Danske NetBank, attracted a large number of new customers.

Sales of retail investment products continued to grow at a satisfactory rate, as they had done in previous years. There was strong customer demand for the unit trust investments marketed by Danske Invest, and assets under management by Danske Invest rose to Dkr66bn at the year-end.

The Danish branch network increased its sales of Danske Kredit mortgage loans. Danske Kredit's total loan portfolio rose to Dkr73bn. It had a market share of net lending of 19.4%.

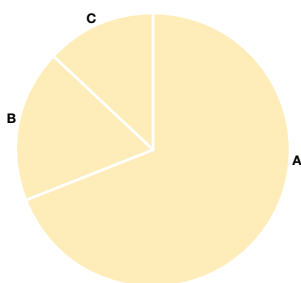
Danske Bo, Den Danske Bank's new residential real estate agency business, got off to a good start, helped along by a generally buoyant housing market in Denmark. Danske Bo established 11 outlets in major Danish towns and recorded a favourable trend in the number of homes sold. The intention is to more than double the number of Danske Bo outlets in 2000.

Den Danske Bank strengthened its offering of debit and credit cards – to both the personal and business customer segments – when it bought the franchising rights for the American Express card in Denmark.

The integrated office banking system, DanskeBank TeleService (DBTS), offers customers in the Nordic countries, Germany and the UK a choice of on-line payments and real-time account information. The system is very popular with the Bank's customers because of its good functionality. In 1999, it became possible for customers to access DBTS via the Internet. In the segment of business customers employing over 10 people, more than half avail themselves of DBTS.

The leasing market expanded rapidly in 1999, and Den Danske Bank captured a satisfactory share of the new business as leasing volume rose more than Dkr1.5bn, or 21%. Nordania, the Group's leasing business, achieved satisfactory earnings despite increased competition. Car-fleet management, staff PC schemes and property leasing recorded the strongest growth. Forenede Factors, the Group's factoring company, maintained its prominent position in the factoring market.

Retail loans and guarantees by country



- A Denmark
- B Norway
- C Sweden

In **Norway**, Den Danske Bank Group provides banking products through Fokus Bank, which had satisfactory growth in activities in 1999. Earnings, however, were influenced by an increase in provisions.

At Fokus Bank, widely centralised administrative routines provide a basis for cost-effective operations.

Fokus Bank has 185,000 personal customers. Moreover, its 20,000-strong business client base gives it a good platform in the market for small and middle market businesses. Den Danske Bank is planning to establish branches in Norwegian towns that have the economic potential to sustain across-the-board sales of the Group's financial products.

Fokus Bank has made Internet distribution an integral part of its strategy. A new version of the Internet bank, Fokus Nettbank, was launched in 1999. Fokus Nettbank had more than 12,000 customers at the end of the year.

Increased sales of investment products were a key priority at Fokus Bank in 1999. The bank kept in close contact with customers through investment experts assigned to regional centres. A number of

new investment products were introduced.

In **Sweden**, Östgöta Enskilda Bank continued to open new branches in the major towns, bringing its total number of branches to 39 by the end of the year. Östgöta Enskilda Bank serves about 130,000 personal and 20,000 business customers. It gained a satisfactory number of new clients, particularly in the business banking segment.

The expansion of the branch network in southern Sweden, including the Malmö area, has helped to strengthen the Group's position in the Øresund region. Towards the end of 1999, Den Danske Bank launched the most flexible account and payment products so far made available to customers who commute across the Øresund.

Östgöta Enskilda Bank's Internet bank, Hembanken, which is the oldest Internet bank in Sweden, won a number of new customers and now has a customer base of more than 16,000.

Den Danske Bank has gradually expanded its residential mortgage activities. The Bank reinforced its position on the Swedish home loan market further in 1999, when it

bought the mortgage finance company, Bokredit.

In 1999, Östgöta Enskilda Bank recorded particularly strong sales of investment products, including not least equities and equity-related products.

Östgöta Enskilda Bank's offering to the business customer segment met with increasing interest. There was particular demand for the Group's office banking products, which come with state-of-the-art functionality – also in Sweden.

Nordania entered the Swedish leasing market in 1999.

With the acquisition of Fokus Bank and its expansion in Sweden, Den Danske Bank has created an extensive distribution network in the Nordic retail banking markets. Add to this its broad product range and Internet activities, and the Bank has built a strong platform for continued growth. Den Danske Bank expects to achieve increased profitability in the coming year as it continues to streamline operations in Denmark and expands its activities in Norway and Sweden. ■

W H O L E S A L E B A N K I N G



| (DKr m) | 1999 | 1998 | Difference in % |
|-------------------------------------|----------------|---------|-----------------|
| Core income | 3,786 | 3,561 | 6 |
| Operating expenses and depreciation | 1,608 | 1,344 | 20 |
| Core earnings before provisions | 2,178 | 2,217 | -2 |
| Risk-weighted items | 223,387 | 241,237 | -7 |
| Allocated capital | 15,637 | 16,887 | -7 |

MANAGEMENT

SØREN MØLLER NIELSEN

Member of the Executive Board

Corporate & Institutional Banking, Copenhagen

PER SKOVHUS

Senior Executive Vice President

Corporate & Institutional Banking, London

ANGUS MACLENNAN

Senior Executive Vice President &

General Manager

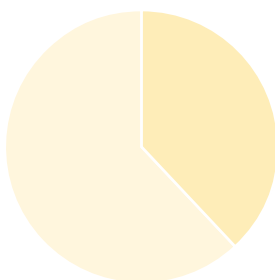
Trading, Financial Markets

MADS JACOBSEN

Senior Executive Vice President

Number of staff: 789

**Share of Group
core earnings
before provisions**



Wholesale Banking

Wholesale Banking generated core earnings before provisions of DKr2,178m in 1999, against DKr2,217m the year before. The charge for bad and doubtful debts was held at an acceptable level due to generally favourable economic conditions and the good quality of the corporate loan portfolio. The cost/income ratio increased to 42.5% from 37.7% the year before.

Wholesale Banking returned 13.9% on capital in 1999, against 13.1% in 1998. This was not entirely satisfactory, so it remains an important goal for Wholesale Banking to raise its return on capital.

In 1999, Wholesale Banking focused on the earnings potential of each individual client relationship. Total risk-weighted items declined by DKr18bn to DKr223bn. Despite a slight fall in market share in Denmark, Den Danske Bank remained the first-choice financial partner of Danish corporates. The Group noticeably increased business volume in the other Nordic markets.

The Bank will continue to monitor the profitability of clients individu-

ally in order to optimise the return on allocated capital.

Den Danske Bank maintained its prominent position as an arranger of syndicated loans and credits on the northern European banking markets. Wholesale Banking activities at the Bank's foreign branches advanced well and generated an increased return on capital.

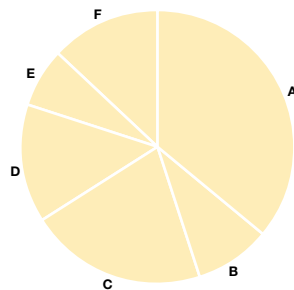
Den Danske Bank successfully rolled out its cash management product to a range of corporate clients of the foreign branches. Moreover, the Bank entered into agreements with major European banks to make its Nordic cash management infrastructure available to their customers.

All the Group's activities on fixed income, money and foreign exchange markets are organised under a Global Treasury concept. Market-making of products is centralised, while the products are delivered to customers through decentralised trading desks in the Nordic region and internationally. A significant share of customer trading is done by regional customer desks at the Retail Banking division, which

helps to reinforce Den Danske Bank's competitive position in local banking markets.

Den Danske Bank's trading activities on interest rate and currency markets showed a generally positive trend in 1999. The launch of the euro at the beginning of the year did not hamper earnings from currency trading. As in previous years, more than half of turnover was with non-Danish clients.

Wholesale loans and guarantees by country
Excluding repos



- A Denmark
- B Norway, Sweden and Finland
- C UK
- D USA
- E Germany and Benelux
- F Others

Fokus Bank was fully integrated within the Global Treasury concept from the outset and hence took over responsibility for Group market-making of interest rate and currency products denominated in Norwegian kroner.

Den Danske Bank fortified its position as a leading Nordic bond trader in 1999 and now holds significant market shares in both Denmark and Sweden. In the coming years, the Bank intends to expand corporate bond trading in order to enhance its product range.

Wholesale Banking will continue its efforts to optimise the balance between earnings and risk over the next year. This should reduce risk-weighted items further and increase the return on capital. At the same time, the Bank expects to maintain and extend client relationships by tuning its products and advisory services to the changing needs of clients. ■

D A N S K E S E C U R I T I E S



| (DKr m) | 1999 | 1998 | Difference in % |
|-------------------------------------|------------|------|-----------------|
| Core income | 606 | 314 | 93 |
| Operating expenses and depreciation | 484 | 263 | 84 |
| Core earnings before provisions | 122 | 51 | 139 |
| Risk-weighted items | 385 | 784 | -51 |
| Allocated capital | 27 | 55 | -51 |

MANAGEMENT

KARSTEN KNUDSENMember of the Executive Board

Corporate Finance

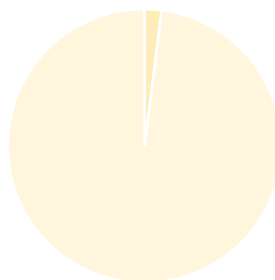
JENS PETER TOFTGlobal Head of Corporate Finance

Equities

ERIK WENNGRENGlobal Head of Equities

Number of staff: 242

**Share of Group
core earnings
before provisions**



 **Danske Securities**

Danske Securities, Den Danske Bank's investment banking division, achieved core earnings before provisions of DKr122m in 1999, which was a significant improvement on the year before. A sharp rise in core income could be attributed to generally higher activity and the acquisitions made in 1998. Expenses increased because of the expansion of activities in the Bank's chosen markets. Earnings trends were as expected.

Danske Securities was created in November 1999, when the Group gathered the three Nordic stock-broking companies it had acquired in 1998 and its Copenhagen and London-based investment banking operations under a single brand. Danske Securities has developed a fully co-ordinated pan-Nordic product and business strategy that takes into account the specific characteristics of the individual markets.

Located in four Nordic capitals and London, Danske Securities equity analysts cover stocks accounting for more than 80% of market capitalisation on the Nordic stock exchanges.

Equity analysts draw on common databases and pursue a sector-based pan-Nordic strategy.

Equity trading volume was on a rising track in the first half of 1999. Turbulent interest rate markets dampened activity for a while in the third quarter, but stock markets ended the year on a stronger note as trading activity picked up. Technology shares, in particular, were heavily traded and prices rose in this segment. Danske Securities benefited from the increasing activity level.

The improvement in earnings from equity sales and trading was overwhelmingly generated by growth in customer trading. Danske Securities' trading portfolio, which mainly supports its market-making activities, averaged about Dkr225m.

At Corporate Finance – which provides advice on equity capital market transactions and mergers and acquisitions – business progressed well on the back of generally benign economic conditions and growing demand for equity finance from the corporate sector.

Corporate Finance lead and co-lead managed a number of transactions, including the equity offering in connection with the Finnish government's latest privatisation in the telecom sector. Moreover, Corporate Finance was an adviser on several transactions. Danske Securities participated in equity issues totalling Dkr8.2bn.

Rapid globalisation and more open markets prompted many corporate clients to put the spotlight on strategic development in 1999. Danske Securities provided advice on a number of major acquisitions and divestments and helped company owners to develop profit-maximising strategies.

Corporate Finance activity is expected to remain high in the coming year. ■

A S S E T M A N A G E M E N T



| (DKr m) | 1999 | 1998 | Difference in % |
|-------------------------------------|--------------|-------|-----------------|
| Core income | 958 | 655 | 46 |
| Operating expenses and depreciation | 452 | 378 | 20 |
| Core earnings before provisions | 506 | 277 | 83 |
| Risk-weighted items | 4,591 | 2,792 | 64 |
| Allocated capital | 321 | 195 | 64 |

MANAGEMENT

JEPPE CHRISTIANSEN

Member of the Executive Board

Private Banking, Luxembourg

PEER KIERSTEIN NIELSEN

Managing Director

Private Banking, Copenhagen

KLAUS MØNSTED PEDERSEN

Senior Vice President

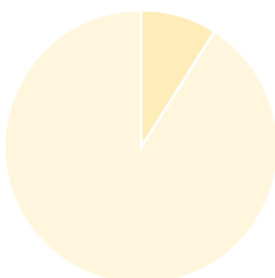
Investment Services – Branches

MOGENS HOLM

Senior Vice President

Number of staff: 315

Share of Group
core earnings
before provisions



 Asset Management

Asset Management recorded an increase in core earnings of more than 80% to Dkr506m in 1999.

Earnings from commissions showed satisfactory growth as a result of higher activity. Expenses rose because of the expansion of activities, but the cost/income ratio nonetheless improved from 57.7% in 1998 to 47.2% in 1999.

Client funds under management totalled Dkr289bn at the end of 1999, against Dkr238bn a year earlier. The increase of 21% was generated by new client funds and a satisfactory return on investments.

Danske Invest – the largest unit trust in Denmark – offers a broad range of unit trust investments to Danish customers. In 1999, Danske Invest introduced a new web site facility that investors can use to calculate the return and risk on actual or potential investments. Danske Invest recorded very satisfactory growth in new client funds under management.

In Norway, Den Danske Bank significantly expanded its distribution network – also in the sphere of asset management services – by its acquisition of Fokus Bank. Norwegian cus-

tomers can access the Asset Management division's international expertise through Fokus Bank and the unit trust, Fokus Forvaltning, as a supplement to the investments in the Norwegian stock and bond markets offered by Fokus Bank.

In Sweden, Asset Management also recorded strong growth, not least because of a satisfactory increase in client funds managed by the unit trust, Östgöta Enskilda Fond, which expanded its offering to Swedish customers.

The Private Banking unit at the Copenhagen head office provides services to clients domiciled in Denmark, with a special emphasis on tailored asset management products. Clients showed strong interest in asset management services. One of the reasons was that they focused on the new opportunities of investing in euro bonds. Another was a growing client appetite for investments in Danish and international equities.

International private banking clients are served by the Bank's Luxembourg-based subsidiary, Den Danske Bank International. Investments through Danske Fund, an open-ended investment fund, is an

important activity for the Luxembourg subsidiary. Like Den Danske Bank's other unit trust partners, Danske Fund grew significantly in 1999. There was an increase in both the client base and funds from existing clients.

In 1999, Den Danske Bank International launched a new unit-linked pension savings product that had been developed in collaboration with Danica's Luxembourg-based subsidiary company, Danica Life and Pension.

Late in the year, Danica established a Swedish subsidiary company that markets a unit-linked product to clients domiciled in Sweden. The new product offers clients an option of investing *inter alia* through Den Danske Bank's Swedish unit trust partner, Östgöta Enskilda Fond, and through Danica Funds Sweden, which was set up late in 1999 in Luxembourg. The new product sold well from the outset.

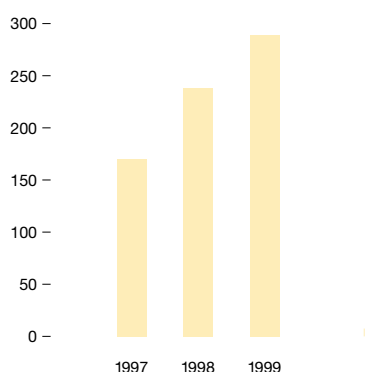
After quite some turbulence on stock markets amid fears of a global increase in interest rates and uncertainty in the run-up to the millennium change, stock markets began to rally towards the end of the year.

The increase in equity prices varied substantially from one sector to another, however. Equity investors generally achieved very satisfactory returns for 1999 as a whole.

Bond yields, which had started 1999 at generally low levels, showed a rising trend during the year. As a result, some bond investors suffered price falls, but most achieved a positive return for the year as a whole.

Den Danske Bank expects Asset Management, including private banking advisory services, to continue to make progress in the coming year, not least through rising sales of investment products. Hence, client funds under management are expected to increase further. Growth in business should be supported by the expansion of distribution channels and the launch of new asset management products in Norway and Sweden. ■

Funds under management
DKr bn



L I F E A N D P E N S I O N S



| (DKr m) | 1999 | 1998 | Difference in % |
|-------------------------------------|--------------|-------|-----------------|
| Profit from life insurance | 797 | 707 | 13 |
| Non-life technical result | 45 | 10 | 350 |
| Net interest from investments, etc. | 133 | 203 | -34 |
| Core insurance income | 975 | 920 | 6 |
| Funding costs, net | 143 | 165 | -13 |
| Core earnings before provisions | 832 | 755 | 10 |
| Allocated capital | 5,411 | 5,313 | 2 |

MANAGEMENT

ERIK BONNERUP

Chief Executive of Danica
(retiring on March 31, 2000)

HENRIK RAMLAU-HANSEN

Chief Executive of Danica
(as from April 1, 2000)

ULLA PLESNER

Member of Danica's Executive Board

OLAV WILHELM ÅNERUD

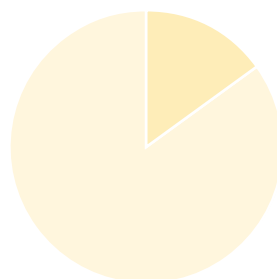
Member of Danica's Executive Board
(as from February 15, 2000)


Number of staff: 1,128

Life and Pensions, which is run by the Danica group, raised core earnings by DKr55m to DKr975m in 1999. As expected, gross premium income did not reach the level attained the year before, when income benefited from very large single premiums, in part because policyholders received a high return at the time. Regular-premium business with company pension clients showed a satisfactory trend in 1999, unlike business with personal customers. Health insurance premiums continued to grow at a brisk rate, as they had done in previous years.

Earnings from life insurance were negatively affected by a significant fall in the return to policyholders. Nonetheless, profit from life insurance improved from the previous year. Life profit was influenced by tax changes in 1999. In response to new tax laws, Den Danske Bank Group changed the method whereby taxes are allocated among its jointly-taxed subsidiaries. The jointly-taxed subsidiaries now record their proportionate share in the tax charge for the year in their own profit and loss accounts. This added DKr273m to pre-tax profit from life insurance. As in previous years, net profit from life insurance represented a return on the equity of the life companies equal to that paid to policyholders plus two percentage points.

**Share of Group
core earnings
before provisions**



 **Life and Pensions**

Moreover, because of the changes in tax allocation, the deferred taxes of Danica in respect of prior years previously provided for by Den Danske Bank are now provided for by Danica. The transfer of deferred taxes caused an exceptional tax charge of DKr631m at Danica. As a consequence, Danica had a net loss of DKr75m.

Non-life business trends were satisfactory – considering the intense competition – and the Danica group achieved a satisfactory non-life technical result for 1999 of DKr45m. This was DKr35m more than the year before.

In 1999, Den Danske Bank reshaped its insurance operations when it sold its non-life business to Topdanmark, a Danish insurer.

The company Danica Forsikring, Skadeforsikringsaktieselskab was transferred to Topdanmark after the activities and staff that were to remain in Den Danske Bank Group had been segregated into a new company: Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999. This company is wholly owned by Den Danske Bank and is now the parent company of the Danica group. The sale of the non-life business brought a net gain of DKr703m.

The sale took effect on December 31, 1999, so the Group Annual Accounts include the full 1999 results of the divested operations.

Gross premium income from the divested operations accounted for 97% of total gross premium income from non-life business in 1999.

In connection with the sale, it was agreed that the Bank would market non-life products on behalf of Topdanmark.

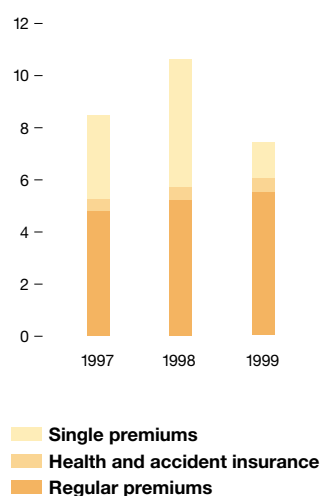
Den Danske Bank Group will still carry on life and pensions business and has therefore retained those segments of non-life business that are naturally associated with life business, such as group accident, private health care, critical illness and alcohol insurance. The Group will also retain a portfolio of loss-of-wage-earning-capacity insurance policies that is being run off.

At the end of 1999, Danica merged its two sales organisations Danica Sales (sales to personal and small business customers) and Company Pension Sales. The new sales organisation has been regionalised to mirror the structure of Den Danske Bank's branch network. Where appropriate, Danica's and the Bank's regional offices will be located in the same premises. As part of the

reorganisation, Danica assumed responsibility for company pension schemes throughout Den Danske Bank Group.

Life and Pensions is expected to contribute more to Group core earnings in the coming year, for the following reason: Danica's contribution to Group earnings, which, in 1999, equalled the rate of return on policyholders' savings plus two percentage points of beginning-of-year equity will, in future, be the rate of return to policyholders plus three percentage points of beginning-of-year equity. In addition, to reflect business developments at Danica in Group earnings, the Bank will, in future, add or subtract a variable amount from Danica's earnings contribution so as to account for risk and cost trends at Danica.

Gross premiums
DKr bn



MANAGEMENT OF RISK AND CAPITAL

Risk-taking is an integral part of the business of Den Danske Bank Group. Managing risk is therefore an important activity. Risk-management methods and techniques are constantly refined to match best practice in the financial sector.

It is the Bank's fundamental policy to monitor the risks associated with its activities closely and to hold these risks within pre-determined limits. To this end, Den Danske Bank Group combines a relatively cautious risk profile with intensive use of information technology.

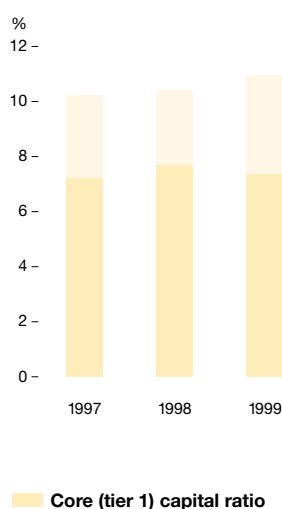
Responsibility for monitoring risks and observing allocated limits rests with central head office functions that are strictly segregated from the functions which sell the Group's products or provide advisory services to customers. Risk management and monitoring encompass all the activities the Group's business areas engage in.

The types of risk to which the Group is exposed are credit, market, operational and insurance risk.

Credit risk reflects the risk that counterparties may fail to meet all or part of their obligations. Credit risk includes country and settlement risk.

Market risk is the risk that the market value of the portfolios of assets, liabilities and other financial instruments will vary with changes in market conditions, such as interest rates or exchange rates. Liquidity risk, which is part of the Group's overall market risk, is the risk of being unable to meet cash obligations from normal liquidity reserves.

Solvency ratio



Operational risk is the risk remaining when the financial risks (credit and market risk) have been accounted for. This includes business risk and event risk, i.e. risks emanating from specific events that may cause unforeseen expenses or protracted business disruptions.

Insurance risk reflects the risk associated with the uncertain size of claims that an insurance company has to pay out each year.

Capital requirements for the Group and its business areas

The overall management of Group capital aims *inter alia* to optimise the allocation of capital within the Group.

Naturally, the Group does not know ahead of an accounting year how the various types of risk will affect its earnings. The Group allows for this uncertainty when determining its total capital adequacy needs so as to ensure that it always holds sufficient capital to cover any losses arising from unforeseen events. In practice, it is the Group's objective to maintain core capital at a minimum of

7% of risk-weighted items. The statutory minimum requirement is 4%.

Den Danske Bank's capital base – the regulatory capital – includes supplementary capital in addition to core capital. The capital base is required by law to be at least 8% of risk-weighted items. It is Den Danske Bank's objective to maintain this capital adequacy measure in the 9-10% range for the Group as a whole.

The Bank has set these safety margins in part because, in accordance with Danish accounting standards, all the Group's securities portfolios are marked to market in the financial statements and consequently vary with movements in the financial markets. This tends to cause the financial results and hence the solvency ratio to fluctuate somewhat.

As appears from the review above of the Group's business areas, all risk-weighted items are allocated to the business areas. Similarly, Group equity capital is allocated to the business areas at a ratio of 7% of their risk-weighted items. For this purpose, investments at the Group

Treasury are treated as a business area. The allocated equity figures shown under the review of business areas represent annual averages.

Insurance companies are subject to specific statutory capital adequacy rules. Consequently, the equity capital allocated to the insurance business represents the statutory minimum solvency margin.

To ensure consistency with the Group's total net interest income when the results of the business areas are consolidated, the Group allocates interest income to each business area representing the benefit of holding equity. This equity benefit is calculated by reference to the short-term money market rate.

In accordance with the full-allocation principle, all costs incurred centrally, including the costs of management support, administrative and back-office functions, are allocated to the business areas. This is done on the basis of market prices where applicable. Where no market prices are available, costs are allocated on the basis of activity levels.

Raroc

In 1999, Den Danske Bank introduced a Raroc-based risk management and reporting system as a supplement to statutory requirements.

Raroc, which is short for risk adjusted return on capital, is a cornerstone of risk management at Den Danske Bank and hence is also important for the management of the Group's business activities.

The Raroc framework has been incorporated into the Group's budget for the year 2000 and is used when the Group contemplates the pricing of products and individual facilities.

Raroc seeks to quantify the risks incurred in the ordinary course of business. All types of risk are quantified using statistical methods and techniques. This makes it possible to calculate the **economic capital** – the amount of capital the Bank needs to meet its chosen risk objective. Economic capital is thus a very broad risk measure that accounts for all types of risk.

It is Den Danske Bank Group's objective to maintain a cautious risk profile and to maintain capital adequacy at a level that matches this profile. Consequently, Group economic capital must always be large enough to cover the maximum potential loss with a 99.97% probability (confidence level). This corresponds to the confidence level required to obtain an AA rating with Standard & Poor's.

The second element in the Raroc framework is the calculation of risk-adjusted earnings. When the earnings of each business area are calculated, the loss expected to arise in the ordinary course of business is deducted. The expected loss can be attributed mainly to credit risk and it takes account of the quality of the loan portfolio and the security provided for each loan commitment. The expected loss is the amount the Bank expects to lose on average each year over a full business cycle, typically 7-12 years.

Risk-adjusted earnings can then be measured against the economic capital needed by each business area

and the Group as a whole. Raroc is the ratio of risk-adjusted earnings to economic capital.

Risk management at Den Danske Bank thus accounts for both the statutory capital adequacy requirements and the need for economic capital calculated under the Raroc framework. The same is true when capital is allocated among the Group's business areas.

The Bank for International Settlements (BIS) and the EU are in the process of revising present bank capital adequacy rules. This is partly because the current rules for calculating risk-weighted items are relatively simple and account only for credit and market risk. In the case of credit risk, the current rules recognise only four categories of risk and give very little consideration to the security provided. There are many indications that banks' own rating systems may come to play a part in this context, and Den Danske Bank introduced Raroc and economic capital as risk management tools also to prepare for the ex-

pected changes in capital adequacy regulations.

Organisation of risk and capital management

The Bank has been organised and its business procedures arranged to ensure that risk and capital management is monitored and co-ordinated on a continuing basis. This ensures that the risks the Group takes on are always consistent with the capital resources maintained to meet Den Danske Bank's chosen risk profile. The Bank takes an overall portfolio approach to credit and market risk monitoring.

The head office departments responsible for risk and capital management are segregated from those responsible for customer relationships.

Responsibility for risk and capital management is shared by three head office departments – the Finance Department, Credit & Market Risks and the Group Treasury – which report directly to the Executive Board.

The **Finance Department** coordinates the reporting of relevant data on all types of risk. It monitors the quality of the methods the Group applies to measure risk and helps to develop risk-measuring methods on a continuing basis.

Credit & Market Risks is responsible for the administration of credit risk within the Group. The department approves credit risk limits, monitors credit risk and reports it to the Bank's management on a current basis. Moreover, Credit & Market Risks controls compliance with market risk limits and policies and reports on this to the management.

The **Group Treasury** manages the Group's substantial investment portfolios of bonds, equities and other financial instruments denominated in Danish kroner and foreign currency and it recommends market risk policies and limits. Its responsibilities include overseeing that market risk limits are allocated to business areas which are exposed to market risk because they engage in customer trading (see section on market risk).

Credit risk

When extending credits, Den Danske Bank assesses the individual customers and their financial position.

Credits are approved at different organisational levels, depending on the size of the credit.

Data on credits, loans and other customer-related risks – including risks that arise from trading in securities, currencies and financial derivatives – are registered in Den Danske Bank's central credit system. This applies to credits and loans

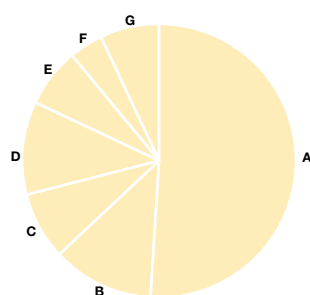
granted in Denmark as well as those granted abroad. Central monitoring of credit commitments provides the management with an overview that enables it to closely manage Group credit risk.

In addition, overall credit quality is monitored by an internal credit rating system for large corporates. Ratings are fixed on the basis of the circumstances of individual companies, industry-specific conditions and overall economic conditions.

A change in the economic or political situation of a country may influence customers' ability to fulfil their obligations regardless of their willingness to do so. As a consequence, limits have been set for the Group's overall loan exposure to individual non-OECD countries and certain OECD member countries.

Den Danske Bank not only incurs credit risk when granting credits and loans, but also when trading securities, currencies and financial derivatives. This risk arises because a counterparty may be unable to honour a transaction entered into with Den Danske Bank, so the Bank might incur a loss when closing its

Group loans and guarantees by country
Excluding repos



- A Denmark
- B Norway and Finland
- C Sweden
- D UK
- E USA
- F Germany and Benelux
- G Others

position. The central credit system sets exposure limits for each customer or counterparty in the financial markets. The individual trading functions of the Group can monitor the utilisation of these limits continuously via a real-time line system.

They can also use the system to calculate the current market value of transactions on Den Danske Bank's books. The credit risk on the transactions is represented by the differences that may occur between the market value and the booked value of transactions plus a conservatively-estimated margin to cushion any further fluctuations.

Because of time differences and different clearing systems in financial centres across the world, the Bank often incurs credit risk when settling, say, currency transactions. The reason is that payments are typically remitted before the Bank knows if the countervalue has been transferred to one of its accounts abroad. The credit system also sets individual limits for this risk and hence calculates and controls counterparty settlement risk.

Credit risk at the Bank's subsidiaries is controlled and monitored accord-

ing to the same principles as apply in the Parent Bank.

Credit risk at the 1999 year-end

All major corporate clients are assigned a rating in the Group's internal rating system. Rated companies account for just over 80% of total credit exposure to the business customer segment in terms of approved limits. Non-rated enterprises are mainly business customers in the local communities, such as tradesmen, small industrial undertakings, partnerships and professional firms.

The Bank does not aim for all its clients to be assigned a top rating. The objective is to ensure that pricing and hence earnings within all rating categories reflect the risk inherent in doing business. The Bank has thus made it an aim that commitments within all rating categories should yield a satisfactory return on capital after accounting for differences in the potential loss (see section on Raroc).

Den Danske Bank uses credit derivatives to manage its overall credit risk. In November 1999, the Bank thus bought a credit guarantee with

a high-rated bank as the counterparty. The agreement, which comprises loans and approvals totalling Dkr27bn, has reduced the equity capital requirement of Wholesale Banking.

The Bank finds it important that its counterparties in the financial markets should maintain high credit standings. Credit limits for financial institutions are set in part on the basis of external ratings.

In the Danish personal banking market, Den Danske Bank makes increasing use of scoring models to smooth credit work. This also helps to enhance the quality of customer services.

Market risk

Den Danske Bank Group as a whole and its individual trading units, both in Denmark and abroad, have been allocated limits for market risk. Market risk is monitored and reported to management daily.

Current market risk is calculated on the basis of a joint database that is integrated with the business systems of the Group. First, this makes risk reporting highly reliable; and, second, it enables the Bank to simulate how potential future movements in interest rates, exchange rates and equity prices will affect its earnings.

The Bank has ensured an extensive segregation of functions.

Market risk is monitored by Credit & Market Risks, which is segregated from the departments responsible for financial market trading and investment portfolios. Similarly, the departments that trade in the financial markets and those responsible for settling and controlling transactions are segregated from one another.

Moreover, responsibility for customer trading and investment port-

folios has been placed in segregated departments.

The Group's portfolios of securities and other financial instruments are composed to form part of overall liquidity contingency. Another important factor is the potential for a satisfactory return. Moreover, portfolio composition plays an important part in the overall management of Group risk. Not only is the risk inherent in portfolios substantial, but the composition of portfolios also serves risk management purposes in itself. All decisions regarding market risk are managed centrally and the risk is treated in accordance with the overall risk profile of the Group.

Den Danske Bank aims to generate the highest possible return on its portfolios of securities and other financial instruments, while, at the same time, keeping market risk within well-defined limits. It is the responsibility of the Group Treasury to forecast future market trends and to use its forecasts to establish an appropriate balance between the market risk it takes on within its approved limits and expected earnings.

In addition, the insurance activities at Danica expose the Group to market risk. A greater and greater share of this risk can be attributed to Danica's growing portfolio of equities. Moreover, there is a certain risk attached to the insurance policies with minimum return criteria held by the life companies (see discussion earlier in this report). If the return on Danica's investments falls to a persistently low level, minimum return guarantees granted earlier may be invoked, and this will adversely affect profits.

Other market risk emanating from the life business is limited.

Market risk at the 1999 year-end

In 1999, the Group generated earnings of DKr459m from its investment portfolios of securities and other financial instruments, against DKr738m the year before. The portfolios totalled DKr67bn at the end of the year (excluding the assets attributable to pooled pension fund schemes).

The bond portfolio amounted to DKr134bn at the end of the year.

The interest rate sensitivity of the bond portfolio and other fixed rate assets, liabilities and financial instru-

ments totalled DKr1,135m at the year-end. This was an increase of DKr194m on a year earlier. Interest rate sensitivity represents the estimated loss the Group would incur on its portfolios of fixed rate instruments in the event of a one percentage point increase in interest rates across the yield curve.

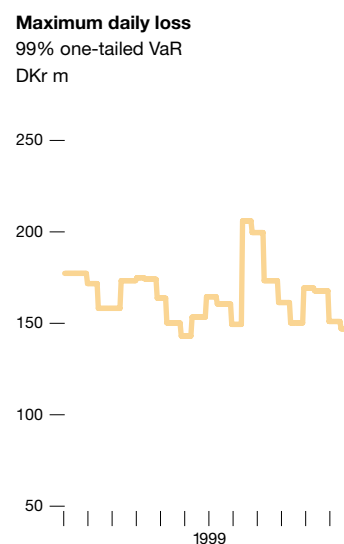
The Group has a modest exposure to exchange rate risk. At the end of 1999, the risk amounted to DKr35.3m, or 0.12% of core capital, if measured according to the Financial Supervisory Authority exchange rate indicator 2.

Again in 1999, Den Danske Bank reduced its investment portfolio of equities and hence the related capital requirement, in part because the Group does not want to tie up significant amounts of capital outside its core businesses. Den Danske Bank takes an overall portfolio approach to equity investments and the equity portfolio is maintained at a level of not more than 10% of the Bank's equity capital.

The chart shows the development in total market risk inherent in the Group's investment portfolios of

bonds, equities and currencies on a value-at-risk basis. Value-at-risk is a statistical measure of the maximum potential daily loss. It is calculated on the basis of historical fluctuations in the prices of securities and derivative financial instruments and their co-variation. Den Danske Bank uses value-at-risk as an indicator of market risk, and the chart shows the maximum potential loss the Group might incur at any time with a 99% probability. Day-to-day fluctuations in losses or profits in 1999 did not, at any time, exceed the value-at-risk measure shown in the chart.

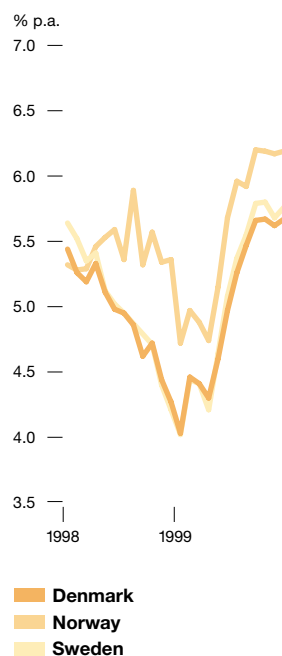
Ahead of the millennium change, Den Danske Bank established facil-



ities to accommodate the cash needs of domestic customers. In addition, the Bank put special liquidity contingency plans in place to account for the risk that customers might make exceptional drawings under foreign currency credit facilities. To this end, the Bank built up bond portfolios that could serve as collateral if it should need to draw on the liquidity facilities that a number of central banks made available to the financial services industry through the rollover to the new millennium.

Through its New York Branch, Den Danske Bank obtained access to drawing under the special unlimited liquidity facilities the Federal Reserve Bank in New York had established to cover liquidity risks arising from the uncertainty surrounding the millennium change. To maximise its potential collateral, the Bank entered into bilateral agreements with the New York Fed that allowed it to provide Danish krone and euro-denominated government bonds as collateral. Den Danske Bank did not need to take advantage of the special facilities since customer demand did not prompt exceptional liquidity pressures over the turn of the year.

Bond yields
10-year government bonds



Operational risk

Operational risk splits into two main categories that are monitored and managed separately.

Business risk represents fluctuations in the net income of a business area that cannot be ascribed directly to credit or market risk. The volume of business risk is estimated using statistical models that take the structure and organisation of an activity or business area as their starting point. The models are based on data col-

lected from comparable activities outside the Group.

Event risk is operational risk that can be attributed to specific, single events. This type of risk is calculated by way of data that have influenced the banking sector during the past ten years. The data are used to estimate Den Danske Bank Group's exposure to comparable risks. Estimates are supported by a number of other controls within the Bank. Further, experience gained from the internal audit work may play a part in the assessment of event risk.

Operational risk at the 1999 year-end

The most significant operational risk that Den Danske Bank Group faced in 1999 was the potential for encountering IT and other systems disruptions at the change-over to the new millennium. In recent years, the Bank has undertaken a number of activities to head off potential Year 2000 problems. All its systems and other functions, both internal and customer-related ones, completed the turn of the year without problems.

No other significant operational risks were identified in 1999.

Insurance risk

Group insurance risk can be attributed to the life and non-life business conducted by Danica.

Risk associated with non-life business emanates mainly from claims costs. The claims Danica will have to pay out will be uncertain even in normal or typical years. In addition, exceptional events may occur. After the sale of most of the Group's non-life operations as at the end of 1999, future insurance risk encountered by Den Danske Bank Group will come mainly from life business.

Risk inherent in life insurance emanates mainly from the expected trends in mortality and average life expectancy. These types of risk are relatively stable elements and their importance should be viewed in conjunction with the degree of insurance cover provided by individual policies. The Group makes continuing actuarial calculations of life insurance risk to ensure that prudent provisions are made against its commitments. Moreover, the Group makes use of reinsurance arrangements. Only half of Danica's life business portfolio carries insurance cover. The remaining portfolio represents pension savings.

Insurance risk in 1999

The hurricane that hit Denmark in December 1999 resulted in a limited claims pay-out of Dkr3m after accounting for reinsurance. No other significant, single events affected the claims pay-out in 1999. ■

R E S O U R C E S



| Full-time staff numbers at year-end | 1999 | 1998 | Change |
|-------------------------------------|---------------|--------|--------|
| Denmark | 9,926 | 10,351 | -425 |
| Non-Denmark | 2,471 | 1,340 | 1,131 |
| Insurance | 1,128 | 1,451 | -323 |
| Total | 13,525 | 13,142 | 383 |

Staff

Den Danske Bank needs committed, competent and flexible staff to continue to develop its business.

To support the commitment of the staff, the management seeks to provide timely information on the Bank's circumstances and future plans. Moreover, bonus schemes have been introduced for almost all staff to link remuneration more closely with performance.

After the expansion in recent years into new spheres of business and acquisitions in the Nordic financial markets, Den Danske Bank's staff members represent a diversity of financial services traditions. Diversity is a strength in today's financial markets, which are changing at great speed. But the management has also made it an important aim to ensure that staff members work on the basis of central values common to the entire Group. Den Danske Bank will apply its core values to current planning, quality control and training activities in order to maintain the desired quality and conduct.

The Bank expects its staff to be ready and able to adjust to changing job requirements. This, in turn, obliges the Bank to employ sufficient resources on staff training so the staff can meet the Bank's demands for updated working, co-operative and managerial skills.

Time spent on staff training in 1999 averaged four working days per employee. Moreover, staff members could avail themselves of personal computer-aided training at their discretion. The Bank expects staff training activity to increase in the coming years.

Restructuring of Den Danske Bank's organisation made administrative routines more effective in 1999. Hence, the Bank cut staff numbers in Denmark by about 500, or 5%, over the year. Staffing levels were reduced both in the branch network and in central functions. The staff cuts were achieved mainly by natural wastage supplemented by redundancy schemes. Because of the reduction in staffing levels, the turnover of staff was relatively high.

In view of the need for general staff cuts, Den Danske Bank recruited only 140 new trainees, against 200 in previous years.

Den Danske Bank recruits new staff from an increasingly diversified background. Staff who have completed the traditional banking education programme are supplemented by people trained in clerical work and graduates and other specialists. The Bank will make more and more use of special trainee programmes to introduce new staff members to its organisation, both in the branch network and at the head office.

Den Danske Bank does not expect the dwindling number of young people coming onto the labour mar-

ket in the coming years to create difficulties in attracting qualified new staff.

Staffing levels in the Danish banking business fell by 425 to 9,926. The number of staff employed outside Denmark rose by 1,131 to 2,471, which was mostly attributable to the acquisition of Fokus Bank.

Staff numbers in Danica, the Group's insurance business, fell by 323 to 1,128. The main reason was the sale of the non-life business since 306 staff members remained in the divested operation and 66 were

transferred to Den Danske Bank. 69 employees were made redundant because of restructuring.

At the end of the year, a total of 3,577 staff members were employed in Group functions supporting the activities of the five business areas.

Management

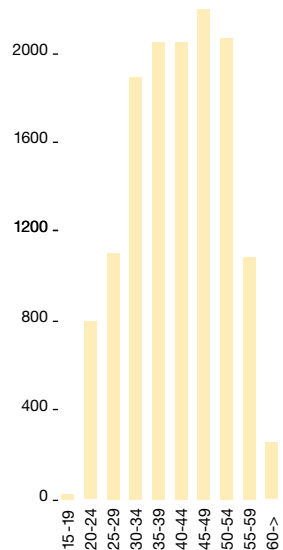
At the Annual General Meeting of Shareholders on March 23, 1999, Alf Duch-Pedersen was elected to the Board of Directors. Bent M. Hansen and Henning Christophersen were re-elected to the Board. Jess Søderberg resigned from the Board.

At a subsequent meeting of the Board of Directors, Poul J. Svanholm was re-elected Board Chairman and Palle Marcus Vice Chairman.

Employee representative Inge Withen Nielsen left the Board as at September 1. She was replaced by Torben Pedersen.

In February 2000, Sven E. Lystbæk, Deputy Chief Executive of Danica, was appointed a member of Den Danske Bank's Executive Board. Sven E. Lystbæk will take up his position on April 1, 2000.

Staff specified by age



Advisory Board, Regional Boards and Branch Boards

Jess Søderberg joined the Advisory Board in 1999. Alf Duch-Pedersen left the Advisory Board on joining the Board of Directors. A. Torp-Pedersen left the Advisory Board having reached the retirement age for Board members.

Peter Straarup, Chairman of Den Danske Bank's Executive Board, took over as Chairman of the Board of Directors of Fokus Bank after Den Danske Bank's acquisition of Fokus Bank.

The management of Den Danske Bank's Swedish operation, Östgöta Enskilda Bank, meets regularly with a Central Branch Board that has a broad-based membership and is chaired by Peter Straarup. The Central Branch Board discusses business developments and strategies.

Den Danske Bank has 116 Regional Boards across Denmark. The Regional Boards consist of 1,100 business and personal customers, who help to forge closer links between the Bank and local communities. The Junior Boards set up in previous years, which comprise

young people aged 18 to 27, have proved a success. In response, the Bank increased the number of Junior Boards to four in 1999.

Regional Branch Boards at a number of Den Danske Bank's Swedish branches help to maintain close contact with local communities, including towns in which the Bank can trace its roots back more than 150 years.

Information technology

Den Danske Bank considers extensive use of information technology vital for the Group's competitiveness in the financial markets; it is also a precondition for realising economies of scale and cost savings.

The Group's IT systems are developed and run by Danske Data and DMdata, respectively. The Bank's wholly-owned subsidiary company, Danske Data, had 855 staff members at the year-end.

Internal systems

After the successful conversion of the London Branch to Den Danske Bank's mainframe business systems, the Bank went on to integrate the Hamburg Branch in 1999. In 2000, the computer systems of Den Danske Bank's Swedish operation

will become fully integrated with the mainframe systems, and this will give business and personal customers in Sweden access to an extensive range of products and services matching that provided to customers in Denmark. Moreover, systems integration will reduce the administrative workload and costs. It is the intention to similarly integrate the systems of Fokus Bank in Norway.

The integration of computer systems across borders is all the easier because the Bank's mainframe systems operate on a multi-currency principle permitting items to be recorded in all currencies.

In 1999, Den Danske Bank completed the renewal of computer workstations and the underlying network and server systems. The computer platform is based on market standards, which makes it possible to use standard applications and easy to recruit computer specialists. It also makes the training of users more effective and minimises IT operating costs. The Bank will expand its computer platform further to be ready to meet new challenges, such as the integration of the Nordic operations.

Den Danske Bank will continue to utilise computer technology to help the staff make competent and value-creating decisions. The Bank will thus extend its data warehousing again in 2000 and use it as a basis for systems to support customer advisory services.

Internet and intranet

Along with the renewal of computer workstations, the Bank introduced Danske Intranet in 1999. This gave all the Group's staff easy access to relevant data both within the Group and on the Internet.

Moreover, the scope for communicating across the Group has been enhanced by e-mailing, video-conferencing and virtual meeting rooms. The Bank's business procedures have been brought on to the new medium and hence will be a strong vehicle for further improving administrative efficiency. Moreover, electronic files can replace large amounts of paper printouts.

Den Danske Bank will continue to take advantage of new technologies to become more competitive and more efficient and to enhance the quality of its products and the quali-

fications of its staff. In 1999, the Bank gave its customers the option of accessing account information via mobile telephones. This service will be extended to include the new opportunities offered by WAP mobile telephony.

With Danske NetBank, Den Danske Bank has created a solid foundation for developing systems based on the Internet technology. Customers now have access to virtually the same services electronically as they can get by approaching a branch directly. In 2000, the Bank will build on this foundation to bring all its systems – including the older ones – on to the Internet-based platform. The staff and customers can then use systems that are basically the same, but have different functionality.

Service Centre

In 1999, the Bank continued to centralise and automate the functions servicing the branch network and certain head office functions, such as securities and foreign exchange trading.

All manual and automated functions related to the settlement of bond, foreign exchange, equity and deriv-

atives transactions and to domestic and international payment transfers, deposit and loan administration, custodian services and trade finance will be transferred to a central service centre with just over 500 staff members. This will bring substantial economies of scale.

As the Bank moves to centralise these routines in 2000, staff at the branch network will be freed of a considerable administrative workload and paper files can be abolished. This will leave staff members more time to concentrate on customer services and sales. Moreover, centralisation provides a basis for continued reduction in staffing levels.

The environment

It is the Bank's policy to take the protection of the environment into consideration when assessing customer credits. To approve a credit, the Bank will normally ask the customer to state in writing that he intends to comply with legal and regulatory environmental requirements.

Den Danske Bank has incorporated environmental considerations into

its credit procedures to ensure that it always takes account of national and international recommendations regarding the environment.

Den Danske Bank Group seeks to adopt good environmental practices in respect of its premises and consumption of resources. ■

CAPITAL AND SHAREHOLDERS

Capital

Den Danske Bank's capital base – the regulatory capital measure used for calculating the Group's solvency ratio – comprises core capital and supplementary capital.

Core capital amounted to Dkr30,252m at the end of 1999, excluding own shares, etc. Supplementary capital amounted to Dkr14,867m.

In April 1999, Den Danske Bank raised £100 million of supplementary capital by an issue of six-year floating rate notes under its European Medium Term Note Programme. The coupon will be fixed each quarter at LIBOR plus a margin of 0.35 percentage points until May 2002, when the margin will increase by 1.5 percentage points. Also from May 2002, the Bank may redeem the notes early. Borrowing

in capital markets helps the Bank to establish an appropriate match between the currency composition of its capital resources and that of its activities.

Den Danske Bank's debt ratings with international rating agencies were unchanged in 1999. The ratings appear from the table below.

Shareholders

Den Danske Bank's shares are held by approximately 200,000 shareholders.

Two shareholders – *Arbejdsmarkedets Tillægspension*, Hillerød, and *Tank- og Ruteskibe i Interessentskab*, Copenhagen – had notified the Bank by the year-end that they each held more than 5% of its share capital.

The Annual General Meeting was held on March 23, 1999, in Copenhagen. Moreover, the Bank held 23 shareholder meetings in major Danish towns, which were attended by more than 16,000 shareholders.

Information on the financial results, etc., was relayed to all registered shareholders through the Bank's shareholder magazine (available only in Danish). The shareholder magazine was published after the release of the financial results for 1998, and again after the publication of the 1999 Interim Report.

DEN DANSKE BANK'S RATINGS, END-1999

| | Short-term | Long-term |
|-------------------|------------|-----------|
| Moody's | P-1 | Aa3 |
| Standard & Poor's | A-1 | A+ |
| FITCH IBCA | F1+ | AA- |
| Thomson Bankwatch | TBW-1 | AA- |

Den Danske Bank's shares

Den Danske Bank's share capital is 52,925,000 shares of Dkr100 each. All shares carry the same rights, and the Bank's Articles of Association contain no restrictions on voting rights.

The shares are quoted on the Copenhagen Stock Exchange and are included in the KFX index of the 20 most liquid shares. The Bank's market capitalisation was Dkr42.9bn at the 1999 year-end, making it the fifth-largest company quoted on the Copenhagen Stock Exchange.

The volume of Den Danske Bank shares traded on the Stock Exchange in 1999 totalled Dkr20bn. Den Danske Bank's shares were the fifth-most traded on the Exchange (in terms of market value).

The price of the shares fell from Dkr857 at the beginning of the year to Dkr809 at the year-end. The share price bottomed in March, at Dkr700, and peaked in January, at Dkr890.

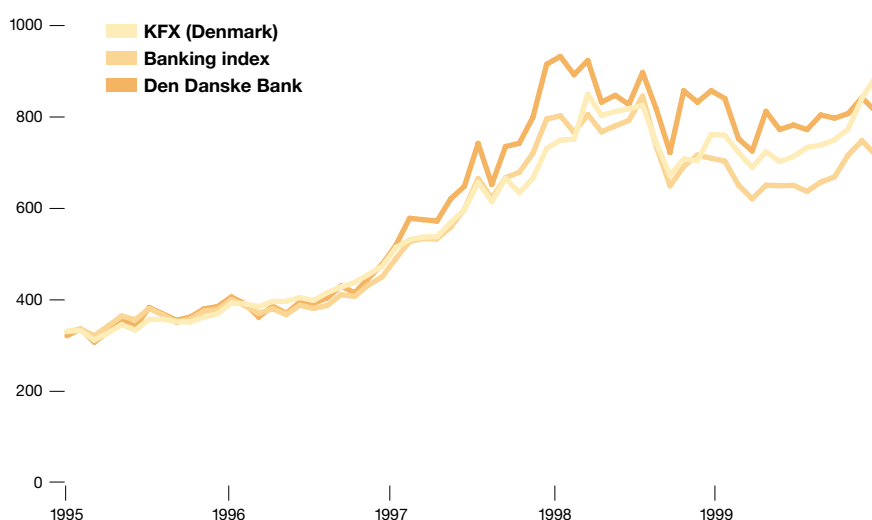
Important stock exchange announcements in 1999

| | |
|--------------------|---|
| February 25 | Den Danske Bank reports pre-tax profit of Dkr5,242m |
| March 25 | Den Danske Bank takes full ownership of Saga Securities |
| April 22 | Den Danske Bank issues sterling-denominated notes |
| May 7 | Offer to purchase all outstanding shares in Fokus Bank ASA |
| June 22 | Den Danske Bank acquires Swedish mortgage finance company |
| August 19 | Den Danske Bank reports interim profit of Dkr2,913m |
| September 2 | Den Danske Bank finds Hafnia judgement unexpected and harsh |
| September 8 | Den Danske Bank issues new bonds based on Japanese stock index |
| October 28 | Den Danske Bank appeals against Hafnia judgement |
| November 1 | Den Danske Bank to sell non-life insurance business to Topdanmark |
| December 31 | Sale to Topdanmark in place |

The following announcement was made in 2000 after the Balance Sheet date:

| | |
|-------------------|---|
| February 2 | New Executive Board Member in Den Danske Bank – Management changes in Danica Forsikring |
|-------------------|---|

Share prices
Copenhagen Stock Exchange,
end-1994=331



Den Danske Bank Group recorded a pre-tax profit of Dkr6,321m for 1999, against Dkr5,242m for 1998. After-tax profit was Dkr5,028m, against Dkr3,950m the year before.

Core earnings rose by Dkr655m to Dkr5,159m, while earnings from investment portfolios fell from Dkr738m to Dkr459m. Moreover, the sale of the non-life business produced a net gain of Dkr703m.

Core earnings were in line with the forecast presented by the Group at the release of the 1999 Interim Report.

The Board of Directors is proposing a dividend of Dkr25 per share for the 1999 accounting year, against Dkr18 per share in 1998.

Goodwill on acquisitions during the year totalled Dkr3.6bn and was written off against equity capital. Most of this amount related to the acquisition of Fokus Bank.

The Group's solvency ratio stood at 11.0% and the core (tier 1) capital ratio at 7.4% at the end of 1999.

Core earnings and earnings from investment portfolios

Core earnings are presented in the same way as in the Interim Report; core earnings hence include trading income, but exclude gains on investment portfolios. Note 1 provides an overview of core earnings, earnings from investment portfolios and the statutory presentation of accounting figures in accordance with the guidelines of the Danish Financial Supervisory Authority.

Core earnings, which were Dkr5,159m in 1999, against Dkr4,504m in 1998, were influenced by the following trends:

Net interest income rose by Dkr682m to Dkr8,593m.

Fees and commissions grew by Dkr765m to Dkr 3,749m.

Trading income was up by Dkr601m.

Table 1

| CORE EARNINGS AND NET PROFIT FOR THE YEAR (DKr m) | 1999 | 1998 |
|--|---------------|-------------|
| Net interest income, excluding income from investment portfolios | 8,593 | 7,911 |
| Share dividends | 90 | 87 |
| Fee and commission income (net) | 3,749 | 2,984 |
| Trading income | 967 | 366 |
| Other operating income | 447 | 392 |
| Core insurance income | 975 | 920 |
| Total core income | 14,821 | 12,660 |
| Operating expenses and depreciation | 9,173 | 7,645 |
| Core earnings before provisions | 5,648 | 5,015 |
| Provisions for bad and doubtful debts | 489 | 511 |
| Core earnings | 5,159 | 4,504 |
| Profit on sale of subsidiaries | 703 | - |
| Earnings from investment portfolios | 459 | 738 |
| Profit before tax | 6,321 | 5,242 |
| Tax | 1,293 | 1,292 |
| Net profit for the year | 5,028 | 3,950 |

Other operating income increased from Dkr392m to Dkr447m in 1999. In 1998, this item included Dkr121m in one-off income relating to an exceptional refund of valued-added tax.

Core insurance income included Dkr273m of income relating to changes in the method whereby taxes are allocated among jointly-taxed subsidiaries.

Expenses rose by Dkr1,528m to Dkr9,173m. The cost/core income ratio increased from 60.4% to 61.9%.

The charge for bad and doubtful debts, at Dkr489m, was at a similar level to 1998.

Fokus Bank's core earnings were Dkr227m from June 1 to December 31 before accounting for the cost of funding the acquisition.

Higher fee and commission income stemmed mainly from the expansion in the Nordic financial markets, which raised securities trading activity at Retail Banking. Moreover, the expansion of investment banking activities at Danske Securities brought a higher volume of equity trading with institutional clients. There was significant mortgage refinancing activity, particularly in the first half of the year.

The increase in expenses and depreciation had been anticipated. The acquisition of Fokus Bank added Dkr587m to costs. Moreover, higher costs were incurred from IT, expansion at Danske Securities and the enlargement of the Swedish operation. In addition, the cost of acquiring the franchising rights for the American Express card in Denmark was written off on acquisition. Expenses rose by 10% not counting the cost increases associated with new acquisitions. The Group's total IT costs were in the region of Dkr1.8bn.

The cost/core income ratio rose from 60.4% to 61.9%. The cost/core income ratio stayed in the 60% region not counting the acquisition of the franchising rights for the American Express card and costs associated with the creation of a unified corporate identity for the Group, a significant share of which was expensed in 1999.

Table 2 specifies core earnings before provisions by business area.

The charge for bad and doubtful debts remained low owing to the general economic conditions.

Earnings from investment portfolios, which comprise the gains on the investment portfolios of the banking group and securities valuation adjustments at non-life companies, showed a decline from Dkr738m in 1998 to Dkr459m in 1999.

The total interest rate risk of the Group increased in 1999. This meant that a one percentage point rise in interest rates across the yield curve would have caused a valuation loss of Dkr1,135m at the end of 1999, against Dkr941m a year earlier.

The sale of the non-life insurance business produced a net gain of Dkr703m after provision for restructuring.

Table 2

| CORE EARNINGS BEFORE PROVISIONS (DKr m) | 1999 | 1998 |
|--|--------------|-------------|
| Retail Banking | 2,077 | 1,661 |
| Wholesale Banking | 2,178 | 2,217 |
| Danske Securities | 122 | 51 |
| Asset Management | 506 | 277 |
| Life and Pensions | 832 | 755 |
| Other areas | -67 | 54 |
| Total Group | 5,648 | 5,015 |

Pre-tax profit rose from Dkr5,242m to Dkr6,321m.

The **tax** charge of the Group, including the insurance business, totalled Dkr1,293m, against Dkr1,292m for 1998. The main reason why the realised tax rate, at 20%, was lower than the expected one of 32% was that net gains on the sale of a number of equity holdings, including Danica Forsikring, were not taxable.

Net profit was Dkr5,028m for 1999, against Dkr3,950m for 1998.

Table 3 shows the statutory presentation of accounts in accordance with the guidelines of the Danish Financial Supervisory Authority.

Table 3

| SUMMARY PROFIT AND LOSS ACCOUNT (DKr m) | 1999 | 1998 |
|--|---------------|--------|
| Net interest income | 9,738 | 8,512 |
| Dividends from shares, etc. | 195 | 175 |
| Fee and commission income (net) | 3,731 | 2,972 |
| Net interest and fee income | 13,664 | 11,659 |
| Securities and foreign exchange income | 255 | 294 |
| Other operating income | 1,206 | 392 |
| Operating expenses and depreciation | 9,255 | 7,702 |
| Other operating expenses | 2 | 2 |
| Provisions for bad and doubtful debts | 489 | 511 |
| Income from associated and subsidiary undertakings | 942 | 1,112 |
| Profit before tax | 6,321 | 5,242 |
| Tax | 1,293 | 1,292 |
| Net profit for the year | 5,028 | 3,950 |

Group balance sheet, solvency and equity

The total assets of the consolidated Group were Dkr701bn at the end of 1999, against Dkr593bn a year earlier. Fokus Bank accounted for Dkr39bn of Group assets at the 1999 year-end. The assets of the insurance companies, which are not consolidated in the Group accounts, amounted to Dkr163bn. Hence, the Group held total assets worth Dkr864bn.

Loans and advances grew by Dkr78bn to Dkr381bn, while deposits rose by Dkr52bn to Dkr266bn. Dkr34bn of the increase in loans and advances and Dkr21bn of that in deposits could be attributed to the consolidation of Fokus Bank. Mortgage lending grew by Dkr11bn.

The shareholders' equity of Den Danske Bank Group amounted to Dkr30.5bn at the end of 1999, against Dkr30.4bn a year earlier. The write-off of goodwill on acquisitions during the year reduced equity capital by Dkr3.6bn.

The Group's solvency ratio stood at 11.0% at the end of 1999, of which 7.4 percentage points came from core capital. At the end of 1998, the

solvency ratio was 10.4% and the core capital ratio 7.7%.

The acquisition of Fokus Bank cut the core capital ratio to the 5.9% region. Since then, the Group has increased its core capital ratio to the level mentioned above. The Group has mainly done so by way of current earnings and by reducing business volume at Corporate Banking. Moreover, Den Danske Bank Group has taken advantage of credit derivatives to transfer the credit risk inherent in a credit portfolio of Dkr27bn to another bank, which reduced the related capital requirement to 20%.

Subordinated debt rose from Dkr16.7bn to Dkr21.4bn. On May 10, 1999, Den Danske Bank raised £100m nominal value of supplementary capital by an issue of six-year notes.

The Board of Directors is proposing a dividend of Dkr25 per share. In 1998, the dividend pay-out was Dkr18 per share.

Transactions with related parties

No related parties exercise significant influence over Den Danske Bank. Apart from intra-group

restructuring at market prices, no unusual transactions took place with associated or subsidiary undertakings in 1999.

Outlook for 2000

The Group expects the international economic climate to be generally favourable in 2000 although it is uncertain whether the buoyant American economy will begin to run out of steam. The economic recovery in Europe is forecast to gather further momentum. On its Nordic home markets, the Group expects strong economic growth in Sweden and – if oil prices remain high – also in Norway. In Denmark, the slowdown that hit the domestic economy in the second half of 1999 may make itself felt also in 2000.

Core income is expected to show continued improvement.

Fokus Bank will be included for a full year in the 2000 Accounts, against seven months in 1999.

Nonetheless, expenses and depreciation are forecast to rise only slightly from 1999.

Hence, the cost/core income ratio should decline from its 1999 level of 61.9%.

The Group expects the charge for bad and doubtful debts to be at a similar level to 1999.

Against this background, core earnings are forecast to exceed their 1999 level of Dkr5,159m.

The ratio of core earnings to equity capital is expected to go up. The Group will continue its efforts to optimise capital allocation.

Earnings from investment portfolios in 2000 will, as usual, depend significantly on the level of securities prices at the year-end.

The Group expects its tax charge for 2000 to increase to a level equal to the Danish corporation tax rate.

The Group will publish quarterly financial reports as from the first quarter of 2000. Financial data are expected to be released on the following dates:

Quarterly Report, First Quarter,
May 11, 2000

Half-Year Report, August 17, 2000

Quarterly Report, Third Quarter,
November 16, 2000

ACCOUNTING POLICIES

General

The Consolidated Accounts and the Annual Accounts have been prepared in compliance with the Danish Banking Act, the Executive Order on Bank Accounts, the Copenhagen Stock Exchange guidelines for issuers of listed securities and Danish accounting standards, except where otherwise provided by Danish banking regulations.

The accounting policies are unchanged from previous years.

With effect from 1999, the method of allocating the year's tax within the jointly taxed Group has been changed from the parent company method to the full allocation method. The reason is that the taxation rules applying to insurance companies were revised significantly in 1998. In the Accounts, the change means that jointly taxed subsidiaries, including subsidiaries in the insurance group, will themselves carry the tax charge. Previously, the Parent Bank carried the tax charge on behalf of the jointly taxed subsidiaries.

As a consequence of the change of method, the "Profit before tax" of the subsidiaries will be included in "Income from associated and subsidiary undertakings" in the Parent Company's Accounts, while the tax for the year is carried under the item "Tax".

Principles of consolidation

The Consolidated Accounts comprise the accounts of Den Danske Bank and of companies in which the Group holds more than 50% of the voting rights, apart from the insurance subsidiaries, which according to

Danish legislation may not be consolidated. Companies acquired in the course of participation in restructuring are not consolidated.

The Consolidated Accounts are prepared by consolidating items of the same nature and eliminating intra-group income and expenses, share holdings and accounts. Consolidated accounts are prepared in accordance with the Group's accounting policies. The accounts of the insurance group are prepared in accordance with the Danish Insurance Business Act and the executive orders on insurance group and non-life accounts. The "Profit before tax" of the insurance group is included in the Consolidated Accounts in the item "Income from associated and subsidiary undertakings", while the tax for the year is carried under the item "Tax".

Companies acquired are included in the Consolidated Accounts as from the acquisition date. New acquisitions are made up at their net asset value at the date of acquisition in compliance with the Group's accounting policies. If the purchase price exceeds the net asset value, remaining positive differences (goodwill on acquisition) are charged directly against shareholders' equity in the year of acquisition.

The profit or loss of subsidiaries disposed of is included in the Profit and Loss Account until the date of disposal. Any gains or losses on sales of subsidiaries are calculated as the difference between the sales amount and the value at which they are recorded in the subsidiary undertakings at the date of disposal with the addition of any

goodwill on acquisition charged directly against shareholders' equity in the year of acquisition.

Translation of foreign currencies

Assets and liabilities in foreign currencies are expressed in Danish kroner at the rates of exchange published by Danmarks Nationalbank at the end of the year. Currencies for which Danmarks Nationalbank does not publish rates of exchange are stated at estimated rates of exchange.

Income and expenses in foreign currencies are translated into Danish kroner using the exchange rates prevailing at the time of booking such income and expenses. The income and expenses of Den Danske Bank's foreign branches and subsidiaries are translated into Danish kroner at the rates prevailing at the end of the year.

Income recognition

Income and expenses are accrued over the lifetime of the transactions and included in the Profit and Loss Account with the amounts relevant to the accounting period. Fees are normally taken to income when received.

Interest on non-performing loans is not booked as income if the interest is considered to be irrecoverable.

Loans and advances, guarantees, and amounts due from other credit institutions

These assets, including mortgage credit loans, lease assets and derivative financial instruments, are subject to continuous crit-

ical evaluation to identify potential risks.

Identified losses, including those relating to payment problems in heavily indebted and politically unstable countries, are charged to expense in the Profit and Loss Account under "Provisions for bad and doubtful debts" either as realised losses or as loss provisions. When a loss is considered to be realised, the corresponding provisions are transferred from the provisions account and the loss is written off.

Fixed rate uncalled loans and amounts due to the Bank are stated in the Balance Sheet at the lower of market values prevailing at the balance sheet date or their current outstanding amounts. Certain loans on which the interest rate risk has been hedged by corresponding fixed rate liabilities or by derivative financial instruments are, however, not market value adjusted.

The market value adjustment of fixed rate loans and amounts due to the Bank is incorporated in the Profit and Loss Account under "Securities and foreign exchange income".

Mortgage credit loans

Mortgage credit loans are booked in the Balance Sheet under the item "Loans and advances" at nominal value, i.e. inclusive of the amortisation account for cash loans.

Mortgage credit bonds issued in relation to mortgage credit loans are booked in the Balance Sheet under the item "Issued bonds, etc.", also at nominal value.

Mortgage credit loans and mortgage credit bonds are not market value adjusted.

Lease assets

Lease assets are included in the Balance Sheet under "Loans and advances" and are valued at cost less depreciation. Depreciation is computed, using the actuarial method taking into account the residual useful life of each asset. Thus, the acquisition price less any estimated residual value is written off over the lease period. In addition, property leases are valued on the basis of the current value of the relevant property.

Current income from lease assets (lease rentals less depreciation) is stated under "Interest income". Profits or losses on the sale of lease assets at expiry are booked under "Other operating income". Value adjustment of property leases is booked under "Securities and foreign exchange income".

Securities (current investments)

Listed securities, including the Group's holdings of own bonds and shares, are stated at the market value at the end of the year.

Unlisted securities are stated at the lower of cost or market value at the balance sheet date. Unlisted units of unit trusts are stated at the net asset value calculated by the unit trust.

The calculated value adjustments are included in the Profit and Loss Account under "Securities and foreign exchange income" and specified in the Notes.

Holdings in associated undertakings and other significant holdings

Holdings in associated undertakings comprise shares and other holdings constituting

shareholders' equity in companies where the Group holds not less than 20% and not more than 50% of the voting rights of the company and also has a significant influence on the company's financial management and operations.

Other significant holdings comprise holdings representing an interest of not less than 20% and not more than 50% in companies that are not associated undertakings due to limitations on voting rights, etc.

Holdings in associated undertakings and other significant holdings are, as a general rule, valued using the equity method. The proportionate share of the profit after tax of the individual undertakings is taken up under "Income from associated and subsidiary undertakings". However, some holdings are assessed at a lower value on the basis of a conservative estimate.

Holdings in subsidiaries

Holdings in subsidiary undertakings comprise shares in companies in which the Group holds more than 50% of the voting rights.

Shares in subsidiary undertakings are valued using the equity method. The proportionate share of the pre-tax profit or loss of the individual companies is included under "Income from associated and subsidiary undertakings". The proportionate tax charge from the undertakings is included under "Tax".

Danica Liv I is included in the accounts of Forsikringselskabet Danica, Skadeforsikringsaktieselskab af 1999 in accordance with the equity method. Danica Liv I is a life insur-

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

Intangible and tangible assets

Intangible assets, including lease premiums, franchise rights and leasehold improvements, are charged fully to expense in the year of acquisition.

Property and property improvements are stated at cost less any depreciation and write-downs.

Properties whose market value, at a conservative estimate, is considerably higher than the cost price are revalued to the higher price if this higher value is considered to be of a permanent nature and does not exceed the public valuation. The revaluation is recorded as a revaluation reserve under shareholders' equity.

Properties taken over in connection with the settlement of a debt, and other properties whose market value must be considered to be permanently lower than the cost price, are written down to the lower value.

Property is written off using the straight-line method on the basis of the property's

expected scrap value and its estimated useful life, 20-50 years. Residential properties and listed buildings are, however, written off over 75 years.

A few properties are held under long-term leases. These properties are depreciated annually on a progressive scale.

Machinery and equipment, etc., is included in the Balance Sheet at cost less depreciation using the straight-line method based on estimated useful life up to a maximum of five years.

Derivative financial instruments

Forward transactions are entered at the forward rates prevailing at the end of the year.

Accruals of premiums on securities and forward exchange transactions are stated under the item "Interest income".

The calculated changes in the market value of forward securities transactions and forward exchange transactions derived from changes in interest rates and foreign exchange rates are included in the Profit and Loss Account under "Securities and foreign exchange income" and specified in the Notes.

Interest rate and currency swaps are generally entered at the market values prevailing at the end of the year. Swaps hedging the interest rate risk on fixed rate liabilities, or on a portfolio of fixed rate assets, are not market value adjusted.

The market value adjustment of interest rate and currency swaps is entered in the Profit and Loss Account under "Securities and foreign exchange income".

Interest relating to interest rate and currency swaps is accrued over the life of each contract and recognised net under "Interest income".

Forward rate agreements, options and futures are stated at the market values prevailing at the end of the year. The related profit or loss and any interest differences received or paid in respect of settled forward rate agreements are included in the Profit and Loss Account under "Securities and foreign exchange income".

Tax

Den Danske Bank is taxed jointly with the majority of those of its subsidiaries that have been wholly owned for the full year.

The calculated Danish tax on the profit for the year is allocated to the jointly-taxed Danish companies in accordance with the full allocation method. The expected tax on the profit for the year in Denmark and abroad is expensed under "Tax".

The jointly taxed companies pay Danish corporation tax under the scheme for payment of tax on account.

Deferred taxes resulting from timing differences between the booking of income/charges for tax and for accounting purposes, as the case may be, are posted to the Balance Sheet and shown as a liability under "Provisions for obligations" or as an asset under "Other assets". Deferred taxes include both Danish and foreign tax liabilities, and are based on current tax rates. Changes in deferred taxes during the year are expensed or recorded as income, as appropriate, in the Profit and Loss Account.

Pension commitments

The Group's pension commitments are covered by payments made to insurance companies, pension funds, etc. Such payments are expensed when they are made. Certain foreign pension commitments are not covered, but provisions are made on the basis of an actuarial calculation.

Cash flow statement

The cash flow statement shows cash flows for the year and the Group's cash and cash equivalents at the beginning of the year and at the end of the year. The cash flow statement is presented using the indirect method and based on the net profit for the year.

Cash flows include securities and foreign exchange income.

The cash flows from operating activities are made up as the net profit for the year adjusted for non-cash items in the Profit and Loss Account and increases/decreases in the working capital.

Cash flows from investing activities include acquisitions and disposals of fixed assets, companies and securities, etc. Cash flows from financing include dividend payments and movements in shareholders' equity and subordinated debt.

Cash and cash equivalents include marketable securities adjusted for bonds bought and sold in connection with repo transactions (cf. section 28 of the Danish Banking Act).

Intra-group trading

Den Danske Bank Group consists of a number of independent legal entities. Intra-group

transactions and services are settled on market terms or on a cost reimbursement basis.

With the exception of insignificant transactions, all transactions are based on contracts entered into between the companies.

Segmental reporting

The Annual Accounts disclose information on the Group's primary segments, which are the business areas into which the Group is organised and which are the subject of independent management reporting. Segmental information is disclosed in accordance with the Group's accounting policies and comprises the Group's core earnings before provisions, risk-weighted items and allocated capital.

Inter-segmental transactions and services are settled at market prices. Costs incurred centrally, including the cost of management support, administrative and back-office functions, are allocated to the business areas on the basis of market prices, where available. Other costs, including common costs, are allocated according to an assessment of each business area's proportionate share in the Group's activities.

Group equity capital is allocated to individual business areas at a ratio of 7% of their average risk-weighted items, calculated in accordance with the regulations of the Danish Financial Supervisory Authority. Insurance companies are subject to specific statutory capital adequacy rules. Consequently, the equity capital allocated to the insurance business represents the statutory minimum solvency margin. The Group allocates inter-

est income to each business area representing the benefit of holding equity. This equity benefit is calculated by reference to the short-term money market rate.

The management of the Group's investment portfolios is considered an independent segment, which is made up in accordance with the principles stated above. Earnings from investment portfolios are not included in core earnings.

Moreover, the Group's gross income, core earnings before provisions, total assets and number of staff are segmented by geographical region. Geographical segmentation is made on the basis of the location where the individual transactions are recorded, as provided for in Danish accounting legislation. This secondary segmentation is not based on the principles of allocated capital.

PROFIT AND LOSS ACCOUNT FOR DEN DANSKE BANK GROUP

| | | DEN DANSKE BANK GROUP | |
|------|--|-----------------------|---------------|
| Note | | 1999 DKr m | 1998 DKr m |
| 2 | Interest income | 34,594 | 32,883 |
| 3 | Interest expense | 24,856 | 24,371 |
| | Net interest income | 9,738 | 8,512 |
| | Dividends from shares, etc. | 195 | 175 |
| 4 | Fee and commission income | 4,369 | 3,454 |
| | Fees and commissions paid | 638 | 482 |
| | Net interest and fee income | 13,664 | 11,659 |
| 5 | Securities and foreign exchange income | 255 | 294 |
| 6 | Other operating income | 1,206 | 392 |
| 7-9 | Staff costs and administrative expenses | 8,566 | 7,167 |
| 10 | Depreciation | 689 | 535 |
| | Other operating expenses | 2 | 2 |
| | Provisions for bad and doubtful debts | 489 | 511 |
| 11 | Income from associated and subsidiary undertakings | 942 | 1,112 |
| | Profit on ordinary operations before tax | 6,321 | 5,242 |
| 12 | Tax | 1,293 | 1,292 |
| | Net profit for the year | 5,028 | 3,950 |
| | Attributable to minority interests | 43 | -1 |
| | Attributable to shareholders of Den Danske Bank | 4,985 | 3,951 |

BALANCE SHEET FOR DEN DANSKE BANK GROUP

| DEN DANSKE BANK GROUP | | |
|--------------------------------|--|---------------|
| Note | 1999 DKr m | 1998 DKr m |
| ASSETS | | |
| | 5,498 | 2,788 |
| | 88,499 | 64,738 |
| 14, 30-31 | Due from credit institutions and deposits with central banks | 88,499 |
| 15, 30-32 | Loans and advances | 380,956 |
| 17, 31-32 | Bonds | 134,105 |
| 18, 19 | Shares, etc. | 12,773 |
| 19 | Holdings in associated undertakings, etc. | 723 |
| 19 | Holdings in subsidiary undertakings | 7,934 |
| 21 | Tangible assets | 4,293 |
| 22 | Own shares | 239 |
| 23 | Other assets | 65,867 |
| | Prepayments and accrued income | 529 |
| 13 | Total assets | 701,416 |
| LIABILITIES | | |
| 24, 30-31 | Due to credit institutions and central banks | 157,617 |
| 25, 30-32 | Deposits | 266,095 |
| 26, 31-32 | Issued bonds | 149,651 |
| 27 | Other liabilities | 75,213 |
| | Accruals and deferred income | 391 |
| 28 | Provisions for obligations | 494 |
| 29, 32 | Subordinated debt | 21,413 |
| | Shareholders' equity | |
| | Share capital | 5,293 |
| | Revaluation reserve | 52 |
| | Reserves | - |
| | Brought forward from prior years | 21,492 |
| | Appropriated from net profit for the year | 3,705 |
| | Total shareholders' equity | 30,542 |
| | Attributable to minority interests | 130 |
| | Attributable to shareholders of Den Danske Bank | 30,412 |
| | Total liabilities | 701,416 |
| OFF-BALANCE-SHEET ITEMS | | |
| 33 | Guarantees, etc. | 69,069 |
| 34 | Other commitments | 93,330 |
| | Total off-balance-sheet items | 162,399 |

PROFIT AND LOSS ACCOUNT FOR DEN DANSKE BANK

| | | DEN DANSKE BANK | |
|------|--|-----------------|---------------|
| Note | | 1999 DKr m | 1998 DKr m |
| 2 | Interest income | 27,123 | 27,533 |
| 3 | Interest expense | 19,196 | 20,244 |
| | Net interest income | 7,927 | 7,289 |
| | Dividends from shares, etc. | 184 | 170 |
| 4 | Fee and commission income | 4,072 | 3,242 |
| | Fees and commissions paid | 553 | 491 |
| | Net interest and fee income | 11,630 | 10,210 |
| 5 | Securities and foreign exchange income | 122 | 165 |
| 6 | Other operating income | 972 | 302 |
| 7-9 | Staff costs and administrative expenses | 7,565 | 6,645 |
| 10 | Depreciation | 548 | 451 |
| | Other operating expenses | 2 | 1 |
| | Provisions for bad and doubtful debts | 311 | 413 |
| 11 | Income from associated and subsidiary undertakings | 1,980 | 1,962 |
| | Profit on ordinary operations before tax | 6,278 | 5,129 |
| 12 | Tax | 1,293 | 1,178 |
| | Net profit for the year | 4,985 | 3,951 |

PROPOSAL FOR ALLOCATION OF PROFITS

| | | |
|----------------------------------|-------|-------|
| Net profit for the year | 4,985 | 3,951 |
| Brought forward from prior years | - | - |
| Total amount to be allocated | 4,985 | 3,951 |
| Dividends | 1,323 | 953 |
| Profit retained | 3,662 | 2,998 |
| Total allocation | 4,985 | 3,951 |

BALANCE SHEET FOR DEN DANSKE BANK

| | | | DEN DANSKE BANK | |
|--------------------------------|--|--|-----------------|----------------|
| Note | | | 1999 DKr m | 1998 DKr m |
| ASSETS | | | | |
| | Cash in hand and demand deposits with central banks | | 4,313 | 2,784 |
| 14, 30-31 | Due from credit institutions and deposits with central banks | | 132,543 | 100,210 |
| 15, 30-32 | Loans and advances | | 238,346 | 212,942 |
| 17, 31-32 | Bonds | | 123,340 | 119,831 |
| 18, 19 | Shares, etc. | | 11,544 | 10,206 |
| 19 | Holdings in associated undertakings, etc. | | 559 | 521 |
| 19 | Holdings in subsidiary undertakings | | 17,217 | 16,094 |
| 21 | Tangible assets | | 3,570 | 3,621 |
| 22 | Own shares | | 226 | 226 |
| 23 | Other assets | | 65,176 | 66,868 |
| | Prepayments and accrued income | | 502 | 443 |
| | Total assets | | 597,336 | 533,746 |
| LIABILITIES | | | | |
| 24, 30-31 | Due to credit institutions and central banks | | 166,154 | 151,322 |
| 25, 30-32 | Deposits | | 241,868 | 210,663 |
| 26, 31-32 | Issued bonds | | 65,157 | 42,771 |
| 27 | Other liabilities | | 72,849 | 80,701 |
| | Accruals and deferred income | | 364 | 290 |
| 28 | Provisions for obligations | | 229 | 1,035 |
| 29, 32 | Subordinated debt | | 20,303 | 16,652 |
| | Shareholders' equity | | | |
| | Share capital | | 5,293 | 5,293 |
| | Revaluation reserve | | 52 | 52 |
| | Reserves | | - | 1,090 |
| | Brought forward from prior years | | 21,405 | 21,821 |
| | Appropriated from net profit for the year | | 3,662 | 2,056 |
| | Total shareholders' equity | | 30,412 | 30,312 |
| | Total liabilities | | 597,336 | 533,746 |
| OFF-BALANCE-SHEET ITEMS | | | | |
| 33 | Guarantees, etc. | | 127,799 | 104,829 |
| 34 | Other commitments | | 89,632 | 91,250 |
| | Total off-balance-sheet items | | 217,431 | 196,079 |

MOVEMENTS IN CAPITAL

MOVEMENTS IN THE CAPITAL OF DEN DANSKE BANK IN 1999

| DKr m | Beginning of year | Other additions | Other disposals | End of year |
|--|-------------------|-----------------|-----------------|-------------|
| Share capital | 5,293 | – | – | 5,293 |
| Revaluation reserve | 52 | – | – | 52 |
| Non-distributable reserve relating to subsidiaries | 1,090 | – | 1,090 | – |
| Profit brought forward | 23,877 | 4,752 | 3,562 | 25,067 |
| Total shareholders' equity | 30,312 | 4,752 | 4,652 | 30,412 |

Shareholders' equity

The share capital is made up of 52,925,000 shares, totalling DKr5,293m. All shares carry the same rights. Consequently, there is only one class of shares.

| | 1999 DKr m | 1998 DKr m |
|--|---------------|---------------|
| Movements in Den Danske Bank Group's shareholders' equity | | |
| Shareholders' equity at January 1 | 30,312 | 27,524 |
| Net profit for the year | 4,985 | 3,951 |
| Dividends | 1,323 | 953 |
| Goodwill fully written off at the time of acquisition | 3,562 | 210 |
| Shareholders' equity, Den Danske Bank, at December 31 | 30,412 | 30,312 |
| Minority interests at January 1 | 54 | 14 |
| Foreign exchange revaluation | 3 | – |
| Net profit for the year | 43 | –1 |
| Addition of minority interests | 74 | 41 |
| Redemption of minority interests | 44 | – |
| Minority interests at December 31 | 130 | 54 |
| Shareholders' equity, Den Danske Bank Group, at December 31 | 30,542 | 30,366 |

SOLVENCY

| | DEN DANSKE BANK GROUP | | DEN DANSKE BANK | |
|---|-----------------------|---------------|-----------------|---------------|
| | 1999 DKr m | 1998 DKr m | 1999 DKr m | 1998 DKr m |
| Capital base and solvency ratio | | | | |
| Capital base | | | | |
| Core capital, less statutory deduction for own shares | 30,252 | 30,078 | 30,134 | 30,035 |
| Eligible subordinated debt and revaluation reserve | 20,341 | 16,040 | 19,601 | 16,040 |
| Statutory deduction for insurance subsidiaries | –5,374 | –5,313 | –5,374 | –5,313 |
| Other statutory deductions | –100 | –100 | –100 | –100 |
| Supplementary capital, less statutory deductions | 14,867 | 10,627 | 14,127 | 10,627 |
| Total capital base, less statutory deductions | 45,119 | 40,705 | 44,261 | 40,662 |
| Weighted items outside trading portfolio | 364,527 | 335,796 | 320,250 | 319,305 |
| Weighted items with market risk included in trading portfolio | 46,819 | 54,736 | 45,267 | 52,330 |
| Total weighted items | 411,346 | 390,532 | 365,517 | 371,635 |
| Solvency ratio (%) | 10.97 | 10.42 | 12.11 | 10.94 |
| – based on core (tier 1) capital alone (%) | 7.35 | 7.70 | 8.24 | 8.08 |
| The solvency ratio is subject to a statutory minimum requirement of (%) | 8.00 | 8.00 | 8.00 | 8.00 |

The solvency ratio is calculated in accordance with the rules on capital adequacy for banks and certain credit institutions.

The rules also stipulate that the Group's insurance subsidiaries are not to be consolidated into the Group accounts. Hence, the solvency margin of these companies is deducted from the Bank's capital base before the capital base is included in the calculation of the Group's solvency ratio. The consequent reduction in the solvency ratio is 1.3 percentage points for 1999, and it was 1.4 percentage points at the end of 1998.

CASH FLOW STATEMENT

| DEN DANSKE BANK GROUP | | |
|---|----------------|---------------|
| Note | 1999 DKr m | 1998 DKr m |
| | 5,028 | 3,950 |
| 37 | -13 | 1,242 |
| | 5,015 | 5,192 |
| Increase/decrease in working capital | | |
| | -51,135 | -26,368 |
| | 51,273 | -9,768 |
| | 42,177 | 28,870 |
| | -8,124 | -6,337 |
| | 34,191 | -13,603 |
| | 39,206 | -8,411 |
| Cash flow from investing activities | | |
| | 1,181 | -122 |
| 38 | -5,613 | -252 |
| | 1,325 | - |
| | -491 | -474 |
| | -3,598 | -848 |
| Cash flow from financing | | |
| | 3,153 | -1,736 |
| | -953 | -953 |
| | 2,200 | -2,689 |
| 39 | 123,131 | 134,942 |
| | 1,358 | 137 |
| | 37,808 | -11,948 |
| 39 | 162,297 | 123,131 |

CREDIT RISK

| LOANS, ADVANCES AND GUARANTEES BY SECTOR AND INDUSTRY | DEN DANSKE BANK GROUP | | | | DEN DANSKE BANK | | | |
|---|-----------------------|-------|---------|-------|-----------------|-------|---------|-------|
| | 1999 | | 1998 | | 1999 | | 1998 | |
| | DKr m | % | DKr m | % | DKr m | % | DKr m | % |
| Public sector | 10,489 | 2.3 | 8,925 | 2.5 | 8,820 | 2.4 | 8,135 | 2.6 |
| Business sector: | | | | | | | | |
| Agriculture, hunting and forestry | 6,579 | 1.5 | 4,734 | 1.3 | 3,291 | 0.9 | 2,955 | 0.9 |
| Fisheries | 1,502 | 0.3 | 397 | 0.1 | 261 | 0.1 | 254 | 0.1 |
| Manufacturing industries, extraction of raw materials, utilities | 78,175 | 17.4 | 68,982 | 19.1 | 64,564 | 17.6 | 61,584 | 19.4 |
| Building and construction | 8,665 | 2.0 | 7,119 | 2.0 | 6,588 | 1.8 | 5,974 | 1.9 |
| Trade, hotels and restaurants | 43,042 | 9.6 | 37,761 | 10.5 | 32,106 | 8.8 | 31,237 | 9.8 |
| Transport, mail and telephone | 29,249 | 6.5 | 26,342 | 7.3 | 22,331 | 6.1 | 21,322 | 6.7 |
| Credit, finance and insurance | 61,830 | 13.7 | 50,228 | 13.9 | 126,589 | 34.5 | 97,079 | 30.5 |
| Property administration, purchase and sale, business services | 44,490 | 9.9 | 31,112 | 8.6 | 30,662 | 8.4 | 24,564 | 7.7 |
| Others | 32,167 | 7.1 | 28,258 | 7.8 | 23,189 | 6.3 | 23,801 | 7.5 |
| Total business sector | 305,699 | 68.0 | 254,933 | 70.6 | 309,581 | 84.6 | 268,770 | 84.5 |
| Personal customers | 133,837 | 29.7 | 97,492 | 26.9 | 47,744 | 13.0 | 40,866 | 12.9 |
| Total | 450,025 | 100.0 | 361,350 | 100.0 | 366,145 | 100.0 | 317,771 | 100.0 |

ACCUMULATED PROVISIONS

| | | | | | | | | |
|--|--------|--|--------|--|--------|--|--------|--|
| Provisions against loans, advances and guarantees at December 31 | 10,377 | | 8,801 | | 8,624 | | 8,567 | |
| Provisions at December 31 against amounts due from credit institutions and other items involving a credit risk | 1,634 | | 1,712 | | 1,479 | | 1,602 | |
| Total accumulated provisions | 12,011 | | 10,513 | | 10,103 | | 10,169 | |
| Accumulated provisions against loans, advances and guarantees as a percentage of loans, advances and guarantees at December 31 | 2.3 | | 2.4 | | 2.4 | | 2.7 | |
| Non-accrual loans and advances to customers and non-accrual amounts due from credit institutions at December 31 | 2,486 | | 1,899 | | 1,508 | | 1,803 | |

| SUBORDINATED CLAIMS | DEN DANSKE BANK GROUP | | DEN DANSKE BANK | |
|--------------------------------|-----------------------|-------|-----------------|-------|
| | 1999 | 1998 | 1999 | 1998 |
| | DKr m | DKr m | DKr m | DKr m |
| Subsidiary undertakings | | | | |
| Credit institutions | - | - | 700 | 700 |
| Loans and advances | - | - | 7 | 3 |
| Bonds | - | - | 555 | - |
| Other undertakings | | | | |
| Loans and advances | 4 | 36 | 4 | 36 |
| Bonds | 47 | 164 | 47 | 164 |

LIQUIDITY RISK

| | DEN DANSKE BANK GROUP | | DEN DANSKE BANK | |
|---|-----------------------|---------------|-----------------|---------------|
| | 1999 DKr m | 1998 DKr m | 1999 DKr m | 1998 DKr m |
| LOANS AND DEPOSITS, ETC., BY TIME TO MATURITY | | | | |
| Due from credit institutions and deposits with central banks | | | | |
| On demand | 3,811 | 3,077 | 3,907 | 3,280 |
| Up to and including 3 months | 69,034 | 48,860 | 104,589 | 79,207 |
| Over 3 months and up to and including 1 year | 12,662 | 9,347 | 18,936 | 14,370 |
| Over 1 year and up to and including 5 years | 1,724 | 2,666 | 3,845 | 2,621 |
| Over 5 years | 1,268 | 788 | 1,266 | 732 |
| Total | 88,499 | 64,738 | 132,543 | 100,210 |
| Loans and advances | | | | |
| On demand | 14,576 | 9,346 | 16,376 | 9,037 |
| Up to and including 3 months | 105,496 | 93,797 | 85,112 | 86,565 |
| Over 3 months and up to and including 1 year | 72,302 | 77,130 | 64,505 | 68,471 |
| Over 1 year and up to and including 5 years | 66,731 | 40,249 | 47,838 | 31,144 |
| Over 5 years | 121,851 | 82,610 | 24,515 | 17,725 |
| Total | 380,956 | 303,132 | 238,346 | 212,942 |
| Due to credit institutions and central banks | | | | |
| On demand | 38,058 | 12,671 | 38,486 | 12,538 |
| Up to and including 3 months | 99,130 | 101,236 | 109,052 | 114,053 |
| Over 3 months and up to and including 1 year | 19,698 | 21,423 | 17,885 | 20,342 |
| Over 1 year and up to and including 5 years | 353 | 4,526 | 353 | 4,296 |
| Over 5 years | 378 | 527 | 378 | 93 |
| Total | 157,617 | 140,383 | 166,154 | 151,322 |
| Deposits | | | | |
| On demand | 135,877 | 98,851 | 112,600 | 97,173 |
| Up to and including 3 months | 81,559 | 72,594 | 80,620 | 71,077 |
| Over 3 months and up to and including 1 year | 19,139 | 10,940 | 19,063 | 10,856 |
| Over 1 year and up to and including 5 years | 8,916 | 8,238 | 9,116 | 8,569 |
| Over 5 years | 20,604 | 22,937 | 20,469 | 22,988 |
| Total | 266,095 | 213,560 | 241,868 | 210,663 |
| Issued bonds, etc. | | | | |
| Up to and including 3 months | 45,272 | 26,738 | 42,477 | 26,738 |
| Over 3 months and up to and including 1 year | 22,803 | 12,899 | 20,825 | 12,899 |
| Over 1 year and up to and including 5 years | 5,004 | 2,072 | 1,059 | 2,072 |
| Over 5 years | 76,572 | 65,764 | 796 | 1,062 |
| Total | 149,651 | 107,473 | 65,157 | 42,771 |

MARKET RISK

| | DEN DANSKE BANK GROUP | | DEN DANSKE BANK | |
|--|-----------------------|---------------|-----------------|---------------|
| | 1999 DKr m | 1998 DKr m | 1999 DKr m | 1998 DKr m |
| Outstanding amounts in foreign currency | | | | |
| Total assets in foreign currency | 357,071 | 253,814 | 323,100 | 260,804 |
| Total liabilities in foreign currency | 347,617 | 242,512 | 313,640 | 249,408 |
| Exchange rate indicator 1 | 1,497 | 2,639 | 1,498 | 2,639 |
| Exchange rate indicator 1 as percentage of core capital less statutory deductions | 4.95 | 8.77 | 4.97 | 8.79 |
| Indicator 1 represents the sum of the Group's long currency positions or short currency positions, whichever is the larger. | | | | |
| Exchange rate indicator 2 | 35.3 | 20.4 | 35.3 | 20.4 |
| Exchange rate indicator 2 as percentage of core capital less statutory deductions | 0.12 | 0.07 | 0.12 | 0.07 |
| Indicator 2 is a more accurate measure of the Group's exchange rate risk than indicator 1 because indicator 2 takes into account the volatility and correlation of the currencies. Thus, indicator 2 represents the maximum amount that the Group has a 99% probability of losing in the course of the following 10 days, provided that the currency position remains unchanged. | | | | |
| Interest rate risk | | | | |
| Total interest rate risk on debt instruments, etc. | | | | |
| Interest rate risk (according to size) broken down by currency: | | | | |
| DKK | 744 | 714 | 715 | 616 |
| USD | 142 | 33 | 140 | 35 |
| EUR | 124 | 107 | 120 | 103 |
| SEK | 60 | 17 | 60 | 18 |
| GBP | 44 | 75 | 43 | 77 |
| Others | 21 | -5 | 6 | -5 |
| Total | 1,135 | 941 | 1,084 | 844 |

Den Danske Bank Group's total interest rate sensitivity — as measured according to the guidelines laid down by the Danish Financial Supervisory Authority — was DKr1,135m at the end of 1999, or 3.8% of the Group's core capital after deduction of holdings of own shares. Interest rate sensitivity represents the interest rate risk on short-term and long-term fixed rate krone and foreign currency assets and liabilities, including mortgages.

In 1998, Den Danske Bank Group's interest rate sensitivity was DKr941m, or 3.1% of the Group's core capital after deduction of holdings of own shares.

MARKET RISK

DERIVATIVE FINANCIAL INSTRUMENTS

Specified by remaining life

| Den Danske Bank Group DKr m | Three months and below | | Over 3 months to 1 year | | Over 1 year to 5 years | | Over 5 years | |
|--------------------------------|------------------------|------------------|-------------------------|------------------|------------------------|------------------|-----------------|------------------|
| | Notional amount | Net market value | Notional amount | Net market value | Notional amount | Net market value | Notional amount | Net market value |
| Currency contracts | | | | | | | | |
| Forwards/futures bought | 616,943 | 2,750 | 361,298 | 2,269 | 10,179 | 200 | 42 | -1 |
| Forwards/futures sold | 511,629 | -2,646 | 337,208 | 51 | 6,291 | -28 | 42 | 1 |
| Swaps | 17,015 | 156 | 47,233 | 40 | 51,859 | -862 | 29,236 | -646 |
| Options bought | 14,646 | 246 | 11,633 | 196 | 74 | 1 | - | - |
| Options written | 16,916 | -214 | 13,602 | -171 | 67 | -1 | - | - |
| Interest rate contracts | | | | | | | | |
| Forwards/futures bought | 29,661 | -31 | 39,038 | -29 | 283 | - | - | - |
| Forwards/futures sold | 21,904 | 19 | 27,762 | 18 | 12,657 | 6 | - | - |
| FRAs bought | 384,264 | 129 | 644,571 | 505 | 193,063 | 76 | - | - |
| FRAs sold | 392,946 | -169 | 641,486 | -556 | 203,385 | -92 | - | - |
| Swaps | 188,369 | -105 | 356,652 | 295 | 665,594 | 113 | 298,301 | -65 |
| Options bought | 20,887 | 76 | 13,008 | 144 | 34,758 | 375 | 18,256 | 205 |
| Options written | 16,894 | -55 | 4,672 | -70 | 28,047 | -416 | 12,809 | -191 |
| Equity contracts | | | | | | | | |
| Forwards/futures bought | 54 | 198 | 99 | - | - | - | - | - |
| Forwards/futures sold | 981 | -156 | 99 | - | - | - | - | - |
| Options bought | 60 | 37 | 150 | 137 | 511 | 161 | - | - |
| Options written | 89 | -63 | 269 | -255 | 632 | -205 | - | - |

| Den Danske Bank Group DKr m | Total 1999 | | Total 1998 | | Total 1999 | | Total 1998 | |
|--------------------------------|------------------|------------------|-----------------|------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Notional amount | Net market value | Notional amount | Net market value | Market value Positive | Market value Negative | Market value Positive | Market value Negative |
| Currency contracts | | | | | | | | |
| Forwards/futures bought | 988,462 | 5,218 | 787,781 | -988 | 17,484 | 12,266 | 11,104 | 12,092 |
| Forwards/futures sold | 855,170 | -2,622 | 679,816 | 1,530 | 11,459 | 14,081 | 9,558 | 8,028 |
| Swaps | 145,343 | -1,312 | 96,657 | 77 | 4,101 | 5,413 | 4,147 | 4,070 |
| Options bought | 26,353 | 443 | 35,572 | 495 | 443 | - | 495 | - |
| Options written | 30,585 | -386 | 36,698 | -483 | - | 386 | - | 483 |
| Interest rate contracts | | | | | | | | |
| Forwards/futures bought | 68,982 | -60 | 34,461 | 40 | 8 | 68 | 55 | 15 |
| Forwards/futures sold | 62,323 | 43 | 21,401 | -156 | 88 | 45 | 6 | 162 |
| FRAs bought | 1,221,898 | 710 | 1,017,754 | -1,729 | 1,174 | 464 | 406 | 2,135 |
| FRAs sold | 1,237,817 | -817 | 1,003,809 | 1,681 | 435 | 1,252 | 2,079 | 398 |
| Swaps | 1,508,916 | 238 | 1,223,561 | -561 | 20,869 | 20,631 | 31,987 | 32,548 |
| Options bought | 86,909 | 800 | 47,374 | 491 | 800 | - | 491 | - |
| Options written | 62,422 | -732 | 41,102 | -429 | - | 732 | - | 429 |
| Equity contracts | | | | | | | | |
| Forwards/futures bought | 153 | 198 | 14 | -12 | 312 | 114 | 2 | 14 |
| Forwards/futures sold | 1,080 | -156 | 52 | -4 | 117 | 273 | 1 | 5 |
| Options bought | 721 | 335 | 509 | 136 | 335 | - | 136 | - |
| Options written | 990 | -523 | 328 | -97 | - | 523 | - | 97 |
| Total | | 1,377 | | -9 | 57,625 | 56,248 | 60,467 | 60,476 |

MARKET RISK

DERIVATIVE FINANCIAL INSTRUMENTS

Specified by remaining life

| Den Danske Bank DKr m | Three months and below | | Over 3 months to 1 year | | Over 1 year to 5 years | | Over 5 years | |
|--------------------------------|------------------------|------------------|-------------------------|------------------|------------------------|------------------|-----------------|------------------|
| | Notional amount | Net market value | Notional amount | Net market value | Notional amount | Net market value | Notional amount | Net market value |
| Currency contracts | | | | | | | | |
| Forwards/futures bought | 611,356 | 2,707 | 344,536 | 2,141 | 10,168 | 200 | 42 | -1 |
| Forwards/futures sold | 506,202 | -2,704 | 320,928 | -122 | 6,270 | -28 | 42 | 1 |
| Swaps | 5,605 | 15 | 44,035 | 36 | 50,389 | -801 | 29,236 | -646 |
| Options bought | 14,624 | 246 | 11,589 | 195 | 74 | 1 | - | - |
| Options written | 16,894 | -213 | 13,557 | -172 | 67 | -1 | - | - |
| Interest rate contracts | | | | | | | | |
| Forwards/futures bought | 29,716 | -21 | 38,968 | -28 | 283 | - | - | - |
| Forwards/futures sold | 21,739 | 10 | 27,754 | 18 | 12,657 | 6 | - | - |
| FRAs bought | 381,727 | 120 | 644,802 | 514 | 193,063 | 76 | - | - |
| FRAs sold | 390,502 | -161 | 641,578 | -563 | 203,385 | -92 | - | - |
| Swaps | 186,748 | -131 | 353,098 | 274 | 656,248 | 85 | 292,434 | -111 |
| Options bought | 20,891 | 76 | 13,019 | 144 | 34,971 | 382 | 18,256 | 205 |
| Options written | 16,898 | -55 | 4,683 | -69 | 28,094 | -418 | 12,809 | -191 |
| Equity contracts | | | | | | | | |
| Forwards/futures bought | 21 | 198 | - | - | - | - | - | - |
| Forwards/futures sold | 949 | -156 | - | - | - | - | - | - |
| Options bought | 53 | 37 | 130 | 137 | 511 | 161 | - | - |
| Options written | 83 | -63 | 249 | -255 | 632 | -205 | - | - |

| Den Danske Bank DKr m | Total 1999 | | Total 1998 | | Total 1999 | | Total 1998 | |
|--------------------------------|-----------------|------------------|-----------------|------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Notional amount | Net market value | Notional amount | Net market value | Market value Positive | Market value Negative | Market value Positive | Market value Negative |
| Currency contracts | | | | | | | | |
| Forwards/futures bought | 966,102 | 5,047 | 777,409 | -1,000 | 16,943 | 11,896 | 11,129 | 12,129 |
| Forwards/futures sold | 833,442 | -2,853 | 669,471 | 1,588 | 11,506 | 14,359 | 9,392 | 7,804 |
| Swaps | 129,265 | -1,396 | 96,664 | 77 | 4,068 | 5,464 | 4,147 | 4,070 |
| Options bought | 26,287 | 442 | 35,571 | 494 | 442 | - | 494 | - |
| Options written | 30,518 | -386 | 36,696 | -483 | - | 386 | - | 483 |
| Interest rate contracts | | | | | | | | |
| Forwards/futures bought | 68,967 | -49 | 32,016 | 17 | 8 | 57 | 32 | 15 |
| Forwards/futures sold | 62,150 | 34 | 19,608 | -136 | 76 | 42 | 9 | 145 |
| FRAs bought | 1,219,592 | 710 | 1,018,003 | -1,729 | 1,173 | 463 | 406 | 2,135 |
| FRAs sold | 1,235,465 | -816 | 1,003,809 | 1,681 | 435 | 1,251 | 2,079 | 398 |
| Swaps | 1,488,528 | 117 | 1,233,490 | -534 | 20,892 | 20,775 | 32,017 | 32,551 |
| Options bought | 87,137 | 807 | 47,374 | 491 | 807 | - | 491 | - |
| Options written | 62,484 | -733 | 41,102 | -428 | - | 733 | 1 | 429 |
| Equity contracts | | | | | | | | |
| Forwards/futures bought | 21 | 198 | 13 | -12 | 313 | 115 | 2 | 14 |
| Forwards/futures sold | 949 | -156 | 43 | -4 | 117 | 273 | 1 | 5 |
| Options bought | 694 | 335 | 487 | 136 | 335 | - | 136 | - |
| Options written | 964 | -523 | 302 | -95 | - | 523 | 2 | 97 |
| Total | | 778 | | 63 | 57,115 | 56,337 | 60,338 | 60,275 |

MARKET RISK

| Den Danske Bank Group DKr m | 1999 Average market value | | 1999 Market value of non-guaranteed contracts | | 1998 Market value of non-guaranteed contracts | |
|--------------------------------|---------------------------------|----------|---|----------|---|----------|
| | Positive | Negative | Positive | Negative | Positive | Negative |
| Currency contracts | | | | | | |
| Forwards/futures bought | 15,092 | 11,208 | 17,484 | 12,266 | 11,104 | 12,092 |
| Forwards/futures sold | 10,000 | 12,080 | 11,459 | 14,082 | 9,559 | 8,028 |
| Swaps | 3,268 | 4,696 | 4,101 | 5,413 | 4,147 | 4,070 |
| Options bought | 1,373 | - | 438 | - | 494 | - |
| Options written | - | 436 | - | 380 | - | 483 |
| Interest rate contracts | | | | | | |
| Forwards/futures bought | 17 | 60 | 6 | 14 | 38 | 1 |
| Forwards/futures sold | 76 | 167 | 37 | 42 | - | 154 |
| FRAs bought | 497 | 1,194 | 1,174 | 464 | 406 | 2,135 |
| FRAs sold | 1,639 | 381 | 435 | 1,252 | 2,079 | 398 |
| Swaps | 27,881 | 27,825 | 20,869 | 20,631 | 31,987 | 32,548 |
| Options bought | 503 | - | 800 | - | 486 | - |
| Options written | - | 480 | - | 733 | - | 425 |
| Equity contracts | | | | | | |
| Forwards/futures bought | 82 | 40 | 4 | - | 1 | 14 |
| Forwards/futures sold | 44 | 74 | 3 | 2 | 1 | 1 |
| Options bought | 201 | - | - | - | 136 | - |
| Options written | - | 226 | - | - | - | 84 |
| Total market value | 60,673 | 58,867 | 56,810 | 55,279 | 60,438 | 60,433 |
| After netting | | | 21,533 | | 26,050 | |

| Den Danske Bank DKr m | 1999 Average market value | | 1999 Market value of non-guaranteed contracts | | 1998 Market value of non-guaranteed contracts | |
|--------------------------------|---------------------------------|----------|---|----------|---|----------|
| | Positive | Negative | Positive | Negative | Positive | Negative |
| Currency contracts | | | | | | |
| Forwards/futures bought | 14,552 | 10,838 | 16,943 | 11,895 | 11,129 | 12,129 |
| Forwards/futures sold | 10,047 | 12,357 | 11,506 | 14,359 | 9,393 | 7,804 |
| Swaps | 3,235 | 4,747 | 4,067 | 5,464 | 4,147 | 4,070 |
| Options bought | 1,373 | 435 | 438 | - | 494 | - |
| Options written | - | - | - | 379 | - | 483 |
| Interest rate contracts | | | | | | |
| Forwards/futures bought | 17 | 50 | 7 | 4 | 17 | - |
| Forwards/futures sold | 63 | 164 | 24 | 39 | - | 136 |
| FRAs bought | 496 | 1,193 | 1,173 | 463 | 406 | 2,135 |
| FRAs sold | 1,639 | 380 | 435 | 1,252 | 2,079 | 398 |
| Swaps | 27,905 | 27,970 | 20,892 | 20,776 | 32,017 | 32,551 |
| Options bought | 510 | - | 807 | - | 486 | - |
| Options written | - | 482 | - | 733 | - | 425 |
| Equity contracts | | | | | | |
| Forwards/futures bought | 82 | 40 | 4 | - | 1 | 14 |
| Forwards/futures sold | 45 | 74 | 3 | 2 | 1 | 1 |
| Options bought | 201 | - | - | - | 136 | - |
| Options written | - | 226 | - | - | - | 84 |
| Total market value | 60,165 | 58,956 | 56,299 | 55,366 | 60,306 | 60,230 |
| After netting | | | 21,837 | | 25,920 | |

MARKET RISK

OUTSTANDING SPOT TRANSACTIONS

| Den Danske Bank Group DKr m | Notional amount | Market value | | Total 1999 |
|--------------------------------------|-----------------|--------------|------------|------------------|
| | | Positive | Negative | Net market value |
| Foreign exchange transactions bought | 7,311 | 5 | 61 | -56 |
| Foreign exchange transactions sold | 2,900 | 1 | 49 | -48 |
| Interest rate transactions bought | 1,139 | - | 12 | -12 |
| Interest rate transactions sold | 866 | - | - | 0 |
| Equity transactions bought | 863 | 27 | 19 | 8 |
| Equity transactions sold | 922 | 22 | 27 | -5 |
| Total | 14,001 | 55 | 168 | -113 |
| Total 1998 | | | | -78 |

| Den Danske Bank DKr m | Notional amount | Market value | | Total 1999 |
|--------------------------------------|-----------------|--------------|------------|------------------|
| | | Positive | Negative | Net market value |
| Foreign exchange transactions bought | 7,161 | 6 | 61 | -55 |
| Foreign exchange transactions sold | 2,750 | - | 48 | -48 |
| Interest rate transactions bought | 1,514 | - | 2 | -2 |
| Interest rate transactions sold | 1,246 | 2 | - | 2 |
| Equity transactions bought | 191 | 25 | 19 | 6 |
| Equity transactions sold | 443 | 22 | 24 | -2 |
| Total | 13,305 | 55 | 154 | -99 |
| Total 1998 | | | | -102 |

CREDIT RISK ON DERIVATIVE FINANCIAL INSTRUMENTS

| | DEN DANSKE BANK GROUP | | DEN DANSKE BANK | |
|--|-----------------------|---------------|-----------------|---------------|
| | 1999 DKr m | 1998 DKr m | 1999 DKr m | 1998 DKr m |
| Positive market value specified by counterparty risk | | | | |
| Positive market value after netting: | | | | |
| Counterparty with risk weighting of 0% | 409 | 498 | 389 | 488 |
| Counterparty with risk weighting of 20% | 15,579 | 18,505 | 15,929 | 18,422 |
| Counterparty with risk weighting of 100% | 5,545 | 7,047 | 5,519 | 7,010 |

NOTES TO THE PROFIT AND LOSS ACCOUNT

CORE EARNINGS AND EARNINGS FROM INVESTMENT PORTFOLIOS OF DEN DANSKE BANK GROUP AND THE STATUTORY PRESENTATION OF ACCOUNTS

| Note | 1999 DKr m | | | | 1998 DKr m | | |
|------|--|---------------------------------|---|---------|------------------|---|---------|
| | Core earnings | Profit on sale ¹⁾ | Earnings from investment portfolios | Total * | Core earnings | Earnings from investment portfolios | Total * |
| 1 | Net interest income | 8,593 | 1,145 | 9,738 | 7,911 | 601 | 8,512 |
| | Dividends from shares, etc. | 90 | 105 | 195 | 87 | 88 | 175 |
| | Fee and commission income | 3,749 | -18 | 3,731 | 2,984 | -12 | 2,972 |
| | Net interest and fee income | 12,432 | 1,232 | 13,664 | 10,982 | 677 | 11,659 |
| | Securities and foreign exchange income | 967 | -712 | 255 | 366 | -72 | 294 |
| | Other operating income | 447 | 703 | 1,206 | 392 | - | 392 |
| | Staff costs and administrative expenses | 8,482 | 84 | 8,566 | 7,108 | 59 | 7,167 |
| | Depreciation | 689 | - | 689 | 535 | - | 535 |
| | Other operating expenses | 2 | - | 2 | 2 | - | 2 |
| | Provisions for bad and doubtful debts | 489 | - | 489 | 511 | - | 511 |
| | Income from associated and subsidiary undertakings | 975 | -33 | 942 | 920 | 192 | 1,112 |
| | Profit before tax | 5,159 | 703 | 6,321 | 4,504 | 738 | 5,242 |

* The statutory presentation of accounts of the Danish Financial Supervisory Authority

¹⁾ Profit on sale of subsidiaries

Core earnings comprise the result of customer-related activities, including the trading portfolio and life and non-life business. Earnings from investment portfolios comprise the profits on the investment portfolios of the banking group and the non-life business. Shareholders' equity is allocated to core earnings and earnings from investment portfolios in proportion to their capital requirement.

NOTES TO THE PROFIT AND LOSS ACCOUNT

| Note | DEN DANSKE BANK GROUP | | DEN DANSKE BANK | | |
|----------|--|---------------|-----------------|---------------|---------------|
| | 1999 DKr m | 1998 DKr m | 1999 DKr m | 1998 DKr m | |
| 2 | Interest income | | | | |
| | Repo transactions with central banks | 3 | 10 | 3 | 10 |
| | Central banks | 600 | 720 | 600 | 720 |
| | Repo transactions with credit institutions | 1,757 | 878 | 1,786 | 907 |
| | Credit institutions | 1,909 | 3,112 | 3,170 | 4,147 |
| | Mortgage credit loans | 4,470 | 3,985 | - | - |
| | Repo loans and advances | 1,223 | 1,264 | 1,223 | 1,264 |
| | Loans and advances | 16,596 | 14,825 | 13,255 | 13,007 |
| | Bonds | 7,335 | 7,661 | 6,563 | 7,136 |
| | Derivative financial instruments | | | | |
| | Currency contracts | 1,022 | 499 | 688 | 360 |
| | Interest rate contracts | -340 | -82 | -183 | -27 |
| | Total derivative financial instruments | 682 | 417 | 505 | 333 |
| | Other interest income | 19 | 11 | 18 | 9 |
| | Total | 34,594 | 32,883 | 27,123 | 27,533 |
| 3 | Interest expense | | | | |
| | Repo transactions with central banks | 98 | 254 | 98 | 254 |
| | Central banks | 847 | 437 | 847 | 437 |
| | Repo transactions with credit institutions | 1,725 | 751 | 1,778 | 915 |
| | Credit institutions | 4,984 | 6,281 | 4,854 | 6,188 |
| | Repo deposits | 296 | 247 | 296 | 247 |
| | Deposits | 8,220 | 9,199 | 7,446 | 9,026 |
| | Mortgage credit bonds issued | 4,422 | 4,009 | - | - |
| | Other bonds issued | 2,899 | 1,833 | 2,575 | 1,831 |
| | Subordinated debt | 1,342 | 1,307 | 1,280 | 1,294 |
| | Other interest expense | 23 | 53 | 22 | 52 |
| | Total | 24,856 | 24,371 | 19,196 | 20,244 |
| 4 | Fee and commission income | | | | |
| | Guarantee commission | 337 | 321 | 537 | 473 |
| | Securities and custody commission | 2,030 | 1,537 | 1,799 | 1,279 |
| | Payment services | 678 | 554 | 668 | 551 |
| | Remortgaging and loan fees | 640 | 545 | 561 | 501 |
| | Other commission | 684 | 497 | 507 | 438 |
| | Total | 4,369 | 3,454 | 4,072 | 3,242 |

NOTES TO THE PROFIT AND LOSS ACCOUNT

| Note | DEN DANSKE BANK GROUP | | DEN DANSKE BANK | | |
|------|---|---------------|-----------------|---------------|--------------|
| | 1999 DKr m | 1998 DKr m | 1999 DKr m | 1998 DKr m | |
| 5 | Securities and foreign exchange income | | | | |
| | Bonds | -2,293 | 497 | -2,198 | 404 |
| | Shares | 3,035 | 778 | 2,799 | 760 |
| | Fixed rate loans and advances | -146 | 95 | 24 | 79 |
| | Foreign exchange income | 900 | 269 | 872 | 256 |
| | Derivative financial instruments | | | | |
| | Currency contracts | -38 | 83 | -7 | 104 |
| | Interest rate contracts | 527 | -908 | 283 | -937 |
| | Equity contracts | -2 | 48 | -2 | 48 |
| | Total derivative financial instruments | 487 | -777 | 274 | -785 |
| | Adjustment for pooled pension fund deposits | -1,728 | -568 | -1,649 | -549 |
| | Total | 255 | 294 | 122 | 165 |
| | Securities and foreign exchange income | | | | |
| | After adjustment for pooled pension fund deposits, securities and foreign exchange income totals: | | | | |
| | Bonds | -1,883 | 386 | | |
| | Shares | 1,343 | 196 | | |
| | Fixed rate loans and advances | -146 | 95 | | |
| | Foreign exchange income | 454 | 394 | | |
| | Derivative financial instruments | 487 | -777 | | |
| | Total | 255 | 294 | | |
| 6 | Other operating income | | | | |
| | Net operating income from property | 225 | 172 | 140 | 131 |
| | Profit on sale of subsidiaries | 703 | - | 703 | - |
| | VAT refund for previous accounting years concerning activities outside the EU, etc. | 25 | 121 | 25 | 121 |
| | Other | 253 | 99 | 104 | 50 |
| | Total | 1,206 | 392 | 972 | 302 |
| 7 | Staff costs and administrative expenses | | | | |
| | Salaries and remuneration of Board of Directors and Executive Board | | | | |
| | Executive Board | 13 | 13 | 13 | 13 |
| | Board of Directors | 5 | 4 | 5 | 4 |
| | Total | 18 | 17 | 18 | 17 |
| | Staff costs | | | | |
| | Wages and salaries | 4,503 | 3,933 | 3,650 | 3,264 |
| | Pension costs | 375 | 385 | 306 | 332 |
| | Financial services employer tax, etc. | 510 | 417 | 426 | 359 |
| | Total | 5,388 | 4,735 | 4,382 | 3,955 |
| | Other administrative expenses, gross | | | | |
| | Consideration for administrative services from non-consolidated subsidiaries has been deducted from other administrative expenses | -337 | -300 | -337 | -300 |
| | Other administrative expenses, net | 3,160 | 2,415 | 3,165 | 2,673 |
| | Total staff costs and administrative expenses | 8,566 | 7,167 | 7,565 | 6,645 |

NOTES TO THE PROFIT AND LOSS ACCOUNT

| Note | DEN DANSKE BANK GROUP | | DEN DANSKE BANK | |
|------|--|---------------|-----------------|---------------|
| | 1999 DKr m | 1998 DKr m | 1999 DKr m | 1998 DKr m |
| 8 | Audit fees | | | |
| | Aggregate fees to the auditors elected by the Annual General Meeting, which perform the statutory audit | | | |
| | 11 | 11 | 7 | 7 |
| | Of which in respect of services other than auditing | | | |
| | 2 | 3 | 2 | 3 |
| | In addition to these fees, considerable costs were incurred in operating the Bank's internal audit department. | | | |
| 9 | Number of employees | | | |
| | Average number of employees for the accounting year, full-time equivalent | | | |
| | Consolidated companies | | | |
| | 12,068 | 11,557 | 9,896 | 9,834 |
| | Non-consolidated companies | | | |
| | 1,374 | 1,385 | | |
| | Total | | | |
| | 13,442 | 12,942 | 9,896 | 9,834 |
| 10 | Amortisation and depreciation | | | |
| | Intangible assets | | | |
| | 153 | 54 | 148 | 54 |
| | Tangible assets | | | |
| | 536 | 481 | 400 | 397 |
| | Total | | | |
| | 689 | 535 | 548 | 451 |
| 11 | Income from associated and subsidiary undertakings | | | |
| | Income from associated undertakings, etc. | | | |
| | 121 | 118 | 98 | 111 |
| | Income before tax from subsidiary undertakings, etc. | | | |
| | 821 | 994 | 1,882 | 1,851 |
| | Total | | | |
| | 942 | 1,112 | 1,980 | 1,962 |

NOTES TO THE PROFIT AND LOSS ACCOUNT

| Note | DEN DANSKE BANK GROUP | | DEN DANSKE BANK | | |
|------|---|---------------|-----------------|---------------|--------------|
| | 1999 DKr m | 1998 DKr m | 1999 DKr m | 1998 DKr m | |
| 12 | Tax (minus denotes an income) | | | | |
| | Estimated tax charge on the profit for the year | 1,138 | 1,678 | 1,138 | 1,580 |
| | Deferred taxes | 219 | -259 | 219 | -272 |
| | Adjustment of prior-year tax charge | -64 | -127 | -64 | -130 |
| | Total | 1,293 | 1,292 | 1,293 | 1,178 |
| | Effective tax rate | % | % | | |
| | The current tax rate of Den Danske Bank Group | 32.0 | 34.0 | | |
| | Tax-exempt profit on sale of shares, subsidiary and associated undertakings | -5.2 | - | | |
| | Non-liable value adjustment of shares | - | -16.5 | | |
| | Other non-liable income and non-deductible expenses | -2.1 | -1.8 | | |
| | Difference in tax rate of foreign units from Danish tax rate | 0.5 | 0.1 | | |
| | Loss relief limitations imposed by the 1998 fiscal measures | - | 12.0 | | |
| | Readjustment of prior-year tax charge | -1.0 | -2.4 | | |
| | Adjustment of prior-year deferred taxes | -3.5 | - | | |
| | Other | -0.2 | -0.8 | | |
| | Effective tax rate | 20.5 | 24.6 | | |

The tax charge is allocated as follows:

| | Den Danske Bank | Consolidated subsidiaries | Non-consolidated subsidiaries | Total |
|---|--------------------|------------------------------|----------------------------------|--------------|
| Calculated tax on the profit for the year | 944 | 165 | 29 | 1,138 |
| Deferred taxes | -23 | 6 | 236 | 219 |
| Readjustment of prior-year tax charge | -64 | - | - | -64 |
| Allocation of deferred taxes at January 1 | -643 | 12 | 631 | - |
| Total | 214 | 183 | 896 | 1,293 |

13 Geographical segments

| | Gross income | | Core earnings before provisions | | Total assets | | Number of employees | |
|----------------|---------------|---------------|---------------------------------|---------------|---------------|---------------|---------------------|--------|
| | 1999 DKr m | 1998 DKr m | 1999 DKr m | 1998 DKr m | 1999 DKr m | 1998 DKr m | 1999 | 1998 |
| Denmark | 19,645 | 20,892 | 3,368 | 3,756 | 317,238 | 290,966 | 11,058 | 11,757 |
| Finland | 468 | 240 | -20 | -25 | 11,542 | 10,305 | 63 | 55 |
| Hong Kong | 950 | 894 | 228 | 184 | 12,232 | 10,025 | 45 | 48 |
| Luxembourg | 2,272 | 2,096 | 247 | 247 | 54,302 | 47,016 | 114 | 116 |
| Norway | 2,676 | 327 | 386 | 10 | 44,952 | 5,964 | 1,047 | 65 |
| Singapore | 544 | 534 | 36 | -40 | 10,777 | 11,085 | 36 | 41 |
| United Kingdom | 7,071 | 6,779 | 750 | 473 | 111,737 | 108,855 | 161 | 153 |
| Sweden | 2,869 | 1,912 | 325 | 151 | 53,088 | 37,940 | 887 | 717 |
| Germany | 467 | 538 | 55 | 47 | 6,280 | 14,690 | 47 | 48 |
| United States | 3,657 | 2,986 | 273 | 213 | 79,268 | 55,989 | 67 | 72 |

Geographical segmentation is based on the location where the individual transactions are recorded.

The figures for Denmark include funding costs related to investments in foreign activities. For 1999 core earnings before provisions in Denmark were affected particularly by the taking to expense the amount paid for the franchising rights for the American Express card and the creation of a unified corporate identity.

Total gross income comprises interest income, dividends, fees and commission income, securities and foreign exchange income (net) and other operating income.

NOTES TO THE BALANCE SHEET

| Note | DEN DANSKE BANK GROUP | | DEN DANSKE BANK | | |
|------|---|----------------|-----------------|----------------|----------------|
| | 1999 DKr m | 1998 DKr m | 1999 DKr m | 1998 DKr m | |
| 14 | Due from credit institutions and deposits with central banks | | | | |
| | Repo transactions with central banks | – | 829 | – | 829 |
| | Other deposits with central banks | 32,555 | 5,164 | 32,555 | 5,164 |
| | Repo transactions with credit institutions | 33,508 | 34,722 | 33,605 | 35,043 |
| | Other amounts due from credit institutions | 22,436 | 24,023 | 66,383 | 59,174 |
| | Total | 88,499 | 64,738 | 132,543 | 100,210 |
| 15 | Loans and advances | | | | |
| | Mortgage credit loans | 72,723 | 61,907 | – | – |
| | Repo loans and advances | 29,763 | 9,520 | 29,763 | 10,149 |
| | Leases | 10,967 | 8,447 | 7,321 | 6,125 |
| | Other loans and advances through foreign units | 185,966 | 137,678 | 117,919 | 109,426 |
| | Other loans and advances | 81,537 | 85,580 | 83,343 | 87,242 |
| | Total | 380,956 | 303,132 | 238,346 | 212,942 |
| 16 | Loans to management | | | | |
| | Loans, loan commitments, pledges, sureties or guarantees established for members of | | | | |
| | Executive Board | 2 | 1 | 2 | 1 |
| | Board of Directors | 10 | 26 | 7 | 25 |
| 17 | Bonds | | | | |
| | Own bonds | 4,120 | 3,141 | 1,030 | 834 |
| | Other listed bonds | 110,134 | 104,549 | 102,459 | 97,617 |
| | Other bonds | 19,851 | 21,459 | 19,851 | 21,380 |
| | Total | 134,105 | 129,149 | 123,340 | 119,831 |
| | Market value of listed bonds exceeds the cost of these bonds by a net amount of | | | | |
| | | – | 841 | – | 796 |
| | Market value of unlisted bonds exceeds the cost of these bonds by a net amount of | | | | |
| | | – | 92 | – | 92 |
| | At the end of 1999, the Group had deposited securities for an amount of DKr44,264m with Danish and international clearing centres, etc., as security. In 1998, the corresponding amount was DKr13,449m. | | | | |
| 18 | Shares, etc. | | | | |
| | Current investments: | | | | |
| | Listed shares | 11,980 | 9,820 | 11,045 | 9,361 |
| | Other shares and holdings | 784 | 382 | 494 | 382 |
| | Total current investments | 12,764 | 10,202 | 11,539 | 9,743 |
| | Market value of listed shares exceeds the cost of these shares by a net amount of | | | | |
| | | 954 | 667 | 755 | 628 |
| | Fixed investments: | | | | |
| | Listed shares | – | 458 | – | 458 |
| | Other shares and holdings | 9 | 13 | 5 | 5 |
| | Total fixed investments | 9 | 471 | 5 | 463 |
| | Total shares, etc. | 12,773 | 10,673 | 11,544 | 10,206 |

NOTES TO THE BALANCE SHEET

| Note | Shares | Subsidiary | Associated undertakings and | |
|------|---|--------------|-----------------------------|------------|
| | Fixed investments | undertakings | other significant holdings | |
| | DKr m | DKr m | DKr m | |
| 19 | Den Danske Bank Group's financial fixed assets in 1999 | | | |
| | Cost, beginning of year | 471 | 6,781 | 582 |
| | Additions | - | 20 | 454 |
| | Disposals | 462 | 654 | 354 |
| | Cost, end of year | 9 | 6,147 | 682 |
| | Revaluation and write-downs, beginning of year | - | 2,728 | 93 |
| | Result | - | -75 | 121 |
| | Dividends | - | 866 | 121 |
| | Difference in value at the time of acquisition | - | - | 19 |
| | Reversal of revaluation and write-downs | - | - | 33 |
| | Holdings in parent companies | - | - | - |
| | Book value, end of 1999 | 9 | 7,934 | 723 |
| | of which credit institutions | - | - | - |
| | Book value, end of 1998 | 471 | 9,509 | 675 |
| | of which credit institutions | 458 | - | - |
| | Den Danske Bank's financial fixed assets in 1999 | | | |
| | Cost, beginning of year | 463 | 15,294 | 367 |
| | Exchange rate adjustment | - | 367 | - |
| | Additions | - | 5,841 | 267 |
| | Disposals | 458 | 987 | 211 |
| | Cost, end of year | 5 | 20,515 | 423 |
| | Revaluation and write-downs, beginning of year | - | 800 | 154 |
| | Exchange rate adjustment | - | -235 | - |
| | Result | - | 810 | 98 |
| | Dividends | - | 1,172 | 97 |
| | Difference in value at the time of acquisition | - | 3,512 | - |
| | Reversal of revaluation and write-downs | - | - | -19 |
| | Holdings in parent companies | - | - | - |
| | Book value, end of 1999 | 5 | 17,217 | 559 |
| | of which credit institutions | - | 7,476 | - |
| | Book value, end of 1998 | 463 | 16,094 | 521 |
| | of which credit institutions | 458 | 4,945 | - |

NOTES TO THE BALANCE SHEET

| Note | DEN DANSKE BANK GROUP | | DEN DANSKE BANK | |
|------|--|-------------------|----------------------------|----------------------------|
| | Intangible assets DKr m | Goodwill DKr m | Intangible assets DKr m | Goodwill DKr m |
| 20 | Intangible assets | | | |
| | | | | |
| | Total cost, beginning of year | - | - | - |
| | Additions | - | 3,561 | 3,561 |
| | Disposals | - | 3,561 | 3,561 |
| | Total cost, end of year | - | - | - |
| | Amortisation, end of year | - | - | - |
| | Book value, end of 1999 | - | - | - |
| | Book value, end of 1998 | - | - | - |
| | Furthermore, the amounts fully written off at the time of acquisition during the accounting year total | 153 | 3,561 | 148 3,561 |
| | In 1998, the total amount fully written off at the time of acquisition was | 54 | 210 | 54 210 |

| Note | DEN DANSKE BANK GROUP | | DEN DANSKE BANK | |
|------|--|-------------------------------|-----------------------------|-------------------------------|
| | Land and buildings DKr m | Machinery, equipment DKr m | Land and buildings DKr m | Machinery, equipment DKr m |
| 21 | Tangible assets | | | |
| | | | | |
| | Cost, beginning of year | 4,610 | 2,210 | 4,000 |
| | Other additions | 282 | 153 | - |
| | Additions during year | 60 | 293 | 49 |
| | Disposals during year | 372 | 487 | 147 |
| | Exchange rate adjustment | 45 | 26 | - |
| | Cost, end of year | 4,625 | 2,195 | 3,902 |
| | Revaluation, beginning of year | 450 | - | 450 |
| | Other additions | 75 | - | - |
| | Reversal of revaluation during year | 2 | - | 2 |
| | Revaluation, end of year | 523 | - | 448 |
| | Depreciation and write-downs, beginning of year | 1,259 | 1,832 | 1,138 |
| | Other additions | 89 | 85 | - |
| | Depreciation during year | 42 | 254 | 26 |
| | Write-downs during year | 9 | - | - |
| | Reversal of depreciation and write-downs | 126 | 417 | 80 |
| | Exchange rate adjustment | 10 | 13 | - |
| | Depreciation and write-downs, end of year | 1,283 | 1,767 | 1,084 |
| | Book value, end of 1999 | 3,865 | 428 | 3,266 |
| | Book value, end of 1998 | 3,801 | 378 | 3,312 |
| | Latest public land assessment (non-assessed properties included at cost) | 4,118 | | 3,495 |
| | Furthermore, machinery and equipment, etc. , acquired during the accounting year were fully written off at the time of acquisition by a total amount of | | 231 | 175 |
| | In 1998, the total amount fully written off at the time of acquisition was | | 197 | 183 |

NOTES TO THE BALANCE SHEET

| Note | DEN DANSKE BANK GROUP | | DEN DANSKE BANK | | |
|------|--|----------------|-----------------|----------------|----------------|
| | 1999 DKr m | 1998 DKr m | 1999 DKr m | 1998 DKr m | |
| 22 | Own shares | | | | |
| | Own shares in lots of 1,000 | 295 | 276 | 280 | 263 |
| | Nominal holding of own shares | 30 | 28 | 28 | 26 |
| | Book value | 239 | 237 | 226 | 226 |
| 23 | Other assets | | | | |
| | Positive market value of derivative financial instruments | 57,680 | 60,600 | 57,170 | 60,447 |
| | Interest and commission due | 4,342 | 5,583 | 4,027 | 5,376 |
| | Other assets | 3,845 | 1,100 | 3,979 | 1,045 |
| | Total | 65,867 | 67,283 | 65,176 | 66,868 |
| 24 | Due to credit institutions and central banks | | | | |
| | Repo transactions with central banks | - | 829 | - | 829 |
| | Due to central banks | 29,423 | 14,521 | 29,423 | 14,521 |
| | Repo transactions with credit institutions | 28,016 | 32,482 | 30,369 | 36,058 |
| | Due to credit institutions | 100,178 | 92,551 | 106,362 | 99,914 |
| | Total | 157,617 | 140,383 | 166,154 | 151,322 |
| 25 | Deposits | | | | |
| | On demand | 130,141 | 99,312 | 112,600 | 97,654 |
| | At notice | 1,096 | 1,240 | 1,096 | 1,204 |
| | Time deposits | 93,910 | 72,742 | 87,929 | 72,416 |
| | Repo deposits | 5,464 | 6,640 | 5,458 | 6,339 |
| | Special deposits | 35,484 | 33,626 | 34,785 | 33,050 |
| | Total | 266,095 | 213,560 | 241,868 | 210,663 |
| 26 | Issued bonds | | | | |
| | Mortgage credit bonds issued | 74,509 | 64,702 | - | - |
| | Other bonds issued | 75,142 | 42,771 | 65,157 | 42,771 |
| | Total | 149,651 | 107,473 | 65,157 | 42,771 |
| 27 | Other liabilities | | | | |
| | Negative market value of derivative financial instruments | 56,416 | 60,687 | 56,491 | 60,485 |
| | Accrued interest and commission | 3,666 | 5,120 | 2,360 | 4,127 |
| | Dividends from the share capital for the year | 1,323 | 953 | 1,323 | 953 |
| | Other liabilities | 13,808 | 16,204 | 12,675 | 15,136 |
| | Total | 75,213 | 82,964 | 72,849 | 80,701 |
| 28 | Provisions for obligations | | | | |
| | Provisions for pensions and similar obligations | 344 | 212 | 175 | 212 |
| | Provisions for deferred taxes | 150 | 826 | 54 | 735 |
| | Other provisions for obligations: | | | | |
| | Provisions for costs and investments related to information technology | - | 88 | - | 88 |
| | Total | 494 | 1,126 | 229 | 1,035 |

NOTES TO THE BALANCE SHEET

Note

29 **Subordinated debt**
Subordinated debt consists of liabilities in the form of subordinated loan capital and other capital instruments which, in case of the Bank's voluntary or compulsory winding-up, will not be repaid until after the claims of ordinary creditors have been met. The capital base ("liable capital"), as calculated in accordance with sections 21a and 22 of the Danish Banking Act, includes subordinated debt.

Subordinated loan capital:

| Nominal amount | Rate of interest | Issued | Maturity | Redemption price | 1999 DKr m | 1998 DKr m |
|---|------------------|------------|-----------|------------------|---------------|---------------|
| USD 75 m | floating | 8/11 1984 | perpetual | 100 | 555 | 479 |
| USD 25 m | floating | 8/5 1985 | perpetual | 100 | 185 | 160 |
| Total subordinated loan capital issued by Den Danske Bank | | | | | 740 | 639 |
| Subordinated loan capital issued by subsidiaries: | | | | | | |
| USD 50 m | floating | 12/6 1996 | 2006 | 100 | 370 | - |
| HKD 1 m | floating | 28/2 1995 | perpetual | 100 | - | 1 |
| HKD 2 m | floating | 21/12 1993 | perpetual | 100 | - | 1 |
| Total subordinated loan capital issued by Den Danske Bank Group | | | | | 1,110 | 641 |

Capital instruments included in the capital base

| | | | | | | |
|---|----------|------------|------|-----|--------|--------|
| USD 200 m | 6.55 | 23/9 1993 | 2003 | 100 | 1,480 | 1,277 |
| DKK 1,200 m | 9.75 | 16/12 1991 | 2004 | 100 | 1,200 | 1,200 |
| USD 200 m | 7.25 | 21/6 1995 | 2005 | 100 | 1,480 | 1,277 |
| USD 100 m | floating | 14/7 1995 | 2005 | 100 | 740 | 639 |
| GBP 100 m | floating | 10/5 1999 | 2005 | 100 | 1,194 | - |
| USD 300 m | floating | 4/6 1996 | 2006 | 100 | 2,220 | 1,916 |
| JPY 10,000 m | 6.30 | 14/9 1992 | 2007 | 100 | 722 | 562 |
| GBP 125 m | floating | 22/7 1996 | 2007 | 100 | 1,493 | 1,323 |
| GBP 75 m | floating | 22/10 1996 | 2007 | 100 | 895 | 794 |
| USD 300 m | 6.375 | 17/6 1998 | 2008 | 100 | 2,220 | 1,916 |
| USD 300 m | floating | 4/4 1997 | 2009 | 100 | 2,220 | 1,916 |
| USD 500 m | 7.40 | 11/6 1997 | 2010 | 100 | 3,699 | 3,193 |
| Total value of capital instruments constituting supplementary capital issued by Den Danske Bank | | | | | 19,563 | 16,013 |

Capital instruments issued by subsidiaries included in the Group's capital base

| | | | | | | |
|--|----------|----------|-----------|-----|--------|--------|
| USD 100 m | floating | 3/3 1997 | perpetual | 100 | 740 | - |
| Total subordinated debt of Den Danske Bank Group | | | | | 21,413 | 16,654 |

The capital base includes subordinated debt in the amount of

| | | |
|-----------------------|--------|--------|
| Den Danske Bank Group | 20,289 | 15,988 |
| Den Danske Bank | 19,549 | 15,988 |

The cost of repaying and issuing subordinated debt amounts to DKr4m in 1999.

In 1998, the corresponding amount was DKr2m.

NOTES TO THE BALANCE SHEET

| Note | DEN DANSKE BANK GROUP | | DEN DANSKE BANK | | |
|------|--|---------------|---|---------------|------------|
| | 1999 DKr m | 1998 DKr m | 1999 DKr m | 1998 DKr m | |
| 30 | Genuine sale and repurchase transactions as well as genuine purchase and resale transactions (repo/reverse transactions) | | | | |
| | Of the asset items below, genuine purchase and resale transactions constitute: | | | | |
| | Due from credit institutions and deposits with central banks | 33,508 | 35,551 | 33,605 | 35,872 |
| | Loans and advances | 29,763 | 9,520 | 29,763 | 10,149 |
| | Of the liability items below, genuine sale and repurchase transactions constitute: | | | | |
| | Due to credit institutions and central banks | 28,016 | 33,311 | 30,369 | 36,887 |
| | Deposits | 5,464 | 6,640 | 5,458 | 6,339 |
| | Assets sold in the context of genuine sale and repurchase transactions: | | | | |
| | Bonds | 32,305 | 39,225 | 34,652 | 42,544 |
| | Outstanding genuine purchase and resale transactions | 606 | – | 606 | – |
| | Outstanding genuine sale and repurchase transactions | 1,811 | – | 1,811 | – |
| 31 | Amounts due from and due to subsidiary and associated undertakings, etc. | | Associated undertakings and other significant holdings | | |
| | Subsidiary undertakings | | | | |
| | Amounts due to Den Danske Bank from subsidiary and associated undertakings, etc., and amounts due from the Bank to these undertakings break down as follows: | | | | |
| | 1999 DKr m | 1998 DKr m | 1999 DKr m | 1998 DKr m | |
| | Due from credit institutions and deposits with central banks | 45,107 | 36,218 | – | – |
| | Loans and advances | 4,665 | 3,822 | 18 | 157 |
| | Bonds | 2,566 | 1,983 | – | – |
| | Total assets | 52,338 | 42,023 | 18 | 157 |
| | Due to credit institutions | 14,753 | 16,199 | – | – |
| | Deposits | 2,382 | 2,506 | 332 | 207 |
| | Issued bonds *) | 24,897 | 16,094 | – | – |
| | Total liabilities | 42,032 | 34,799 | 332 | 207 |

*) This amount represents funds from Den Danske Corporation resulting from the sale of commercial paper notes in the US market.

NOTES TO THE BALANCE SHEET

Note

32 Market value adjustment

Den Danske Bank Group continuously monitors the hedging of the interest rate risk on the Group's portfolio of fixed rate assets and liabilities. The portfolio of assets and the liabilities are hedged in full or in part by means of derivative financial instruments so that, for each currency, the interest rate risk on the hedged portfolio of assets and the liabilities corresponds to the interest rate risk, for each currency, on the derivative financial instruments employed for hedging them.

Under Danish accounting regulations applying to banks and savings banks, part of the Group's fixed rate assets (loans and advances as well as unlisted bonds) must be valued at cost or lower. Revaluation to a market value in excess of cost is consequently not allowed. For some of these assets, the interest rate risk has been hedged by derivative financial instruments (swaps) and, in accordance with the accounting regulations, no value adjustment of these instruments has been made. Consequently, the Group did not take to income DKr177m in 1999 and did not expense DKr1,274m in 1998.

The interest rate risk on the fixed rate liabilities, which are not value adjusted under Danish accounting regulations, is hedged by derivative financial instruments (swaps) in respect of long-term liabilities. Value adjustment of these derivative financial instruments employed for hedging purposes is not allowed. Consequently, the Group did not take to income DKr575m in 1999 and DKr1,327m in 1998.

| | 1999 | | | | 1998 | | |
|---|----------------|------------|--------------|--------------------------|------------|--------------|--------------------------|
| | DKr m | | | | DKr m | | |
| | Purchase price | Book value | Market value | Nominal/ Notional amount | Book value | Market value | Nominal/ Notional amount |
| Den Danske Bank Group | | | | | | | |
| Assets | | | | | | | |
| Loans and advances | 34,753 | 34,753 | 34,505 | 34,753 | 25,488 | 26,415 | 25,488 |
| Bonds | 7,471 | 7,471 | 7,542 | 8,050 | 7,092 | 7,439 | 7,671 |
| Total assets | 42,224 | 42,224 | 42,047 | 42,803 | 32,580 | 33,854 | 33,159 |
| Derivative financial instruments hedging interest rate risks | | | | | | | |
| Swaps | | | 177 | 41,807 | | 1,274 | 35,941 |
| Liabilities | | | | | | | |
| Deposits | - | 2,004 | 2,061 | 2,004 | 3,649 | 4,000 | 3,649 |
| Issued bonds, etc. | - | 4,753 | 4,879 | 4,753 | 2,668 | 2,924 | 2,668 |
| Subordinated debt | - | 10,801 | 11,193 | 10,801 | 7,510 | 8,230 | 7,510 |
| Total liabilities | - | 17,558 | 18,133 | 17,558 | 13,827 | 15,154 | 13,827 |
| Derivative financial instruments hedging interest rate risks | | | | | | | |
| Swaps | | | 575 | 17,581 | | 1,327 | 13,827 |
| Danse Kredit's fixed rate loans are funded through the issue of mortgage bonds, which are not value adjusted. In accordance with a ruling given by the Danish Financial Supervisory Authority, fixed rate mortgage loans are not value adjusted either. Therefore, fixed rate assets and liabilities listed above do not include fixed rate mortgage loans and mortgage bonds issued. | | | | | | | |
| Den Danske Bank | | | | | | | |
| Assets | | | | | | | |
| Loans and advances | 21,556 | 21,556 | 21,423 | 21,556 | 16,262 | 16,829 | 19,963 |
| Bonds | 7,471 | 7,471 | 7,542 | 8,050 | 7,092 | 7,439 | 7,671 |
| Total assets | 29,027 | 29,027 | 28,965 | 29,606 | 23,354 | 24,268 | 27,634 |
| Derivative financial instruments hedging interest rate risks | | | | | | | |
| Swaps | | | 62 | 28,608 | | 914 | 26,714 |
| Liabilities | | | | | | | |
| Deposits | - | 1,438 | 1,490 | 1,438 | 3,649 | 4,000 | 3,649 |
| Issued bonds, etc. | - | 2,397 | 2,484 | 2,397 | 2,668 | 2,924 | 2,668 |
| Subordinated debt | - | 10,801 | 11,193 | 10,801 | 7,510 | 8,230 | 7,510 |
| Total liabilities | - | 14,636 | 15,167 | 14,636 | 13,827 | 15,154 | 13,827 |
| Derivative financial instruments hedging interest rate risks | | | | | | | |
| Swaps | | | 531 | 14,636 | | 1,327 | 13,827 |

NOTES TO OFF-BALANCE-SHEET ITEMS

| Note | DEN DANSKE BANK GROUP | | DEN DANSKE BANK | | |
|------|------------------------------------|---------------|-----------------|----------------|----------------|
| | 1999 DKr m | 1998 DKr m | 1999 DKr m | 1998 DKr m | |
| 33 | Guarantees, etc. | | | | |
| | Financial guarantees | 20,532 | 16,492 | 54,567 | 46,539 |
| | Other guarantees | 44,037 | 36,408 | 68,812 | 52,972 |
| | Acceptances and endorsements, etc. | 4,500 | 5,318 | 4,420 | 5,318 |
| | Total | 69,069 | 58,218 | 127,799 | 104,829 |
| 34 | Other commitments | | | | |
| | Irrevocable loan commitments | 92,725 | 88,730 | 89,196 | 86,035 |
| | Other commitments | 605 | 5,240 | 436 | 5,215 |
| | Total | 93,330 | 93,970 | 89,632 | 91,250 |

35 **Contingent liabilities**

Owing to its size and business volume Den Danske Bank Group is continually a party to various lawsuits.

Legal proceedings have, for example, been initiated against the Bank as a result of the so-called tax stripping cases raised against certain customers of the Bank. Moreover, some investors who subscribed for shares when Hafnia Holding A/S carried out a share issue in July 1992 or who bought shares in the summer of 1992 have brought actions for damages against the Bank, among others, totalling DKr1,142m. The Bank has signed declarations lifting, for the future, the time-bar applicable to claims in respect of the Hafnia issue for an additional amount of DKr31m.

Proceedings have been instituted against Den Danske Bank in "the Faroese banking affair" with claims for compensation of approximately DKr1.5bn.

The outcome of the cases pending is not expected to have a material effect on the financial position of Den Danske Bank Group.

The Group's pension commitments are covered by payments made to insurance companies, pension funds, etc. In a few cases, however, the Group may, following an actuarial calculation, be ordered to make further payments. Certain foreign pension commitments are not covered, but provisions are made on the basis of an actuarial calculation.

The Bank is jointly and severally liable for the corporation tax of the jointly taxed companies. The Bank is registered jointly with all its significant Danish subsidiaries in relation to financial services employer tax and VAT for which it is jointly and severally liable.

In addition to the deferred taxes provided for in the Balance Sheet, the Bank is liable for deferred taxes of DKr192m regarding shares in subsidiary companies held for less than three years. In 1998 the corresponding amount was DKr385m.

36 **Related parties**

Den Danske Bank has no related parties with a significant influence on the Group. Apart from intra-group restructurings effected at market price, no unusual transactions have taken place with associated or subsidiary undertakings in 1999.

Den Danske Bank handles computer administration and development, portfolio management and property administration for Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999. Den Danske Bank also handles a substantial portion of that company's securities trading.

NOTES TO THE CASH FLOW STATEMENT

| DEN DANSKE BANK GROUP | | |
|------------------------------|--|----------------|
| Note | 1999 DKr m | 1998 DKr m |
| 37 | Adjustment for non-cash items in the Profit and Loss Account, provisions for bad and doubtful debts | |
| | 238 | 1,219 |
| | 689 | 535 |
| | 489 | 511 |
| | -942 | -1,112 |
| | -321 | 174 |
| | -166 | -85 |
| | -13 | 1,242 |
| 38 | Acquisition of business | |
| | In 1999, the Group acquired businesses in the Nordic countries. | |
| | The value of the assets and liabilities acquired is made up as follows: | |
| | 29,728 | 113 |
| | -18,496 | - |
| | 3,138 | 15 |
| | -10,713 | -86 |
| | -1,605 | - |
| | 2,052 | 42 |
| | 3,561 | 210 |
| | 5,613 | 252 |
| 39 | Cash and cash equivalents | |
| | Cash and cash equivalents, beginning of year | |
| | 2,332 | 1,658 |
| | 13,305 | 18,534 |
| | 107,494 | 114,750 |
| | 123,131 | 134,942 |
| | Cash and cash equivalents, end of year | |
| | 3,297 | 2,332 |
| | 36,260 | 13,305 |
| | 122,740 | 107,494 |
| | 162,297 | 123,131 |

PROFIT AND LOSS ACCOUNT EXCLUDING POOLED PENSION FUND DEPOSITS

| | DEN DANSKE BANK GROUP | | DEN DANSKE BANK | |
|--|-----------------------|---------------|-----------------|---------------|
| | 1999 DKr m | 1998 DKr m | 1999 DKr m | 1998 DKr m |
| Interest income | 34,059 | 32,353 | 26,600 | 27,015 |
| Interest expense | 24,253 | 23,777 | 18,608 | 19,664 |
| Net interest income | 9,806 | 8,576 | 7,992 | 7,351 |
| Dividends from shares, etc. | 127 | 111 | 119 | 108 |
| Fee and commission income | 4,369 | 3,454 | 4,072 | 3,242 |
| Fees and commissions paid | 638 | 482 | 553 | 491 |
| Net interest and fee income | 13,664 | 11,659 | 11,630 | 10,210 |
| Securities and foreign exchange income | 255 | 294 | 122 | 165 |
| Other operating income | 1,206 | 392 | 972 | 302 |
| Staff costs and administrative expenses | 8,566 | 7,167 | 7,565 | 6,645 |
| Depreciation and amortisation | 689 | 535 | 548 | 451 |
| Other operating expenses | 2 | 2 | 2 | 1 |
| Provisions for bad and doubtful debts | 489 | 511 | 311 | 413 |
| Income from associated and subsidiary undertakings | 942 | 1,112 | 1,980 | 1,962 |
| Profit on ordinary operations before tax | 6,321 | 5,242 | 6,278 | 5,129 |
| Tax | 1,293 | 1,292 | 1,293 | 1,178 |
| Net profit for the year | 5,028 | 3,950 | 4,985 | 3,951 |
| Notes | | | | |
| Interest income | | | | |
| Due from credit institutions and deposits with central banks | 4,269 | 4,720 | 5,559 | 5,784 |
| Loans and advances | 22,289 | 20,074 | 14,478 | 14,271 |
| Bonds | 6,799 | 7,131 | 6,039 | 6,618 |
| Total derivative financial instruments | 683 | 417 | 505 | 333 |
| Other | 19 | 11 | 19 | 9 |
| Total | 34,059 | 32,353 | 26,600 | 27,015 |
| Interest expense | | | | |
| of which: | | | | |
| Interest on deposits | 7,913 | 8,852 | 7,154 | 8,693 |
| Securities and foreign exchange income | | | | |
| Bonds | -1,883 | 386 | -1,797 | 300 |
| Shares | 1,342 | 196 | 1,185 | 193 |
| Fixed rate loans and advances | -146 | 95 | 24 | 79 |
| Foreign exchange income | 455 | 394 | 436 | 378 |
| Derivative financial instruments | 487 | -777 | 274 | -785 |
| Total | 255 | 294 | 122 | 165 |

BALANCE SHEET EXCLUDING POOLED PENSION FUND DEPOSITS

| | DEN DANSKE BANK GROUP | | DEN DANSKE BANK | |
|--|-----------------------|----------------|-----------------|----------------|
| | 1999 DKr m | 1998 DKr m | 1999 DKr m | 1998 DKr m |
| ASSETS | | | | |
| Cash in hand and demand deposits with central banks | 5,498 | 2,788 | 4,313 | 2,784 |
| Due from credit institutions and deposits with central banks | 88,499 | 64,738 | 132,543 | 100,210 |
| Loans and advances | 380,956 | 303,133 | 238,346 | 212,942 |
| Bonds | 123,871 | 119,987 | 113,378 | 110,903 |
| Shares, etc. | 5,009 | 5,765 | 4,106 | 5,501 |
| Holdings in associated undertakings, etc. | 723 | 675 | 559 | 521 |
| Holdings in subsidiary undertakings | 7,923 | 9,500 | 17,217 | 16,094 |
| Tangible assets | 4,293 | 4,179 | 3,570 | 3,621 |
| Own shares | 50 | 43 | 37 | 32 |
| Other assets | 65,675 | 67,152 | 64,990 | 66,742 |
| Prepayments and accrued income | 529 | 472 | 502 | 443 |
| Total assets | 683,026 | 578,432 | 579,561 | 519,793 |
| LIABILITIES | | | | |
| Due to credit institutions and central banks | 157,617 | 140,383 | 166,154 | 151,322 |
| Deposits ¹⁾ | 247,978 | 199,517 | 224,271 | 197,037 |
| Issued bonds | 149,651 | 107,473 | 65,157 | 42,771 |
| Other liabilities | 74,940 | 82,605 | 72,671 | 80,375 |
| Accruals and deferred income | 392 | 308 | 364 | 289 |
| Provisions for obligations | 494 | 1,126 | 229 | 1,035 |
| Subordinated debt | 21,412 | 16,654 | 20,303 | 16,652 |
| Shareholders' equity | 30,542 | 30,366 | 30,412 | 30,312 |
| Total liabilities | 683,026 | 578,432 | 579,561 | 519,793 |
| OFF-BALANCE-SHEET ITEMS | | | | |
| Guarantees, etc. | 69,069 | 58,218 | 127,799 | 104,829 |
| Other commitments | 93,330 | 93,970 | 89,632 | 91,249 |
| Total off-balance-sheet items | 162,399 | 152,188 | 217,431 | 196,078 |
| ¹⁾ Of which cash deposits from pooled pension fund deposits | 488 | 426 | 447 | 396 |

POOLED PENSION FUND DEPOSITS

| | DEN DANSKE BANK GROUP | | DEN DANSKE BANK | |
|--|-----------------------|---------------|-----------------|---------------|
| | 1999 DKr m | 1998 DKr m | 1999 DKr m | 1998 DKr m |
| PROFIT AND LOSS ACCOUNT | | | | |
| Interest income | | | | |
| Cash deposits | 14 | 11 | 13 | 10 |
| Index-linked bonds | 103 | 119 | 99 | 114 |
| Other bonds | 432 | 411 | 424 | 404 |
| Total | 549 | 541 | 536 | 528 |
| Dividends | | | | |
| Shares, etc. | 68 | 64 | 64 | 62 |
| Unit trust holdings | 0 | 0 | 0 | - |
| Total | 68 | 64 | 64 | 62 |
| Securities and foreign exchange income | | | | |
| Index-linked bonds | -54 | 24 | -52 | 21 |
| Other bonds, etc. | -356 | 86 | -349 | 83 |
| Shares, etc. | 1,675 | 581 | 1,614 | 567 |
| Unit trust holdings | 19 | 2 | - | - |
| Foreign exchange income | 445 | -125 | 436 | -122 |
| Total | 1,729 | 568 | 1,649 | 549 |
| Fees and commissions paid | 147 | 116 | 144 | 113 |
| Profit for the year | 2,199 | 1,057 | 2,105 | 1,026 |
| BALANCE SHEET | | | | |
| Assets | | | | |
| Cash deposits | 488 | 426 | 447 | 396 |
| Index-linked bonds | 2,742 | 2,627 | 2,622 | 2,517 |
| Other bonds | 7,492 | 6,535 | 7,340 | 6,410 |
| Own shares | 200 | 203 | 189 | 194 |
| Other shares, etc. | 7,706 | 4,891 | 7,438 | 4,706 |
| Unit trust holdings | 57 | 17 | - | - |
| Holdings in associated and subsidiary undertakings | 0 | - | - | - |
| Other assets | 192 | 130 | 186 | 125 |
| Total | 18,877 | 14,829 | 18,222 | 14,348 |
| Liabilities | | | | |
| Total deposits | 18,604 | 14,470 | 18,044 | 14,022 |
| Other liabilities | 273 | 359 | 178 | 326 |
| Total | 18,877 | 14,829 | 18,222 | 14,348 |
| Average deposits | 15,056 | 12,876 | 14,542 | 12,465 |

MORTGAGE DEPARTMENT

KEY FIGURES FOR DEN DANSKE BANK'S MORTGAGE DEPARTMENT

| | 1999 DKr1,000 | 1998 DKr1,000 |
|---|------------------|------------------|
| PROFIT AND LOSS ACCOUNT | | |
| Net interest income | 200 | 254 |
| Fee and commission income (net) | 13 | 15 |
| Net interest and fee income | 213 | 269 |
| Staff costs and administrative expenses | 250 | 238 |
| Net profit for the year | -37 | 31 |
| BALANCE SHEET AT DECEMBER 31 | | |
| Assets | | |
| Due from credit institutions | 4,328 | 10,708 |
| Loans and advances | | |
| Mortgage loans and advances | 7,730 | 8,978 |
| Municipal loans and advances | 17,604 | 30,606 |
| Total | 25,334 | 39,584 |
| Bonds | 8 | - |
| Other assets | 172 | 160 |
| Total assets | 29,842 | 50,452 |
| Liabilities | | |
| Bonds issued | | |
| Mortgage bonds | 7,647 | 8,974 |
| Municipal bonds | 17,603 | 30,602 |
| Total | 25,250 | 39,576 |
| Bonds called | | |
| Called on January 2 the following year | 3,575 | 9,192 |
| Called in previous years | 7 | 7 |
| Total | 3,582 | 9,199 |
| Other liabilities | 1,010 | 1,677 |
| Total liabilities | 29,842 | 50,452 |

The above Profit and Loss Account and Balance Sheet give a summary of the 1999 Annual Accounts of the Mortgage Department. The complete and audited accounts are available at Den Danske Bank's head office, 2-12 Holmens Kanal, DK-1092 Copenhagen K.

HIGHLIGHTS

| DEN DANSKE BANK GROUP HIGHLIGHTS | US\$ | | € | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 1999 Million | 1998 Million | 1999 Million | 1998 Million |
| SUMMARY PROFIT AND LOSS ACCOUNT | | | | |
| Interest income | 4,676 | 5,149 | 4,648 | 4,408 |
| Interest expense | 3,359 | 3,816 | 3,339 | 3,267 |
| Net interest income | 1,317 | 1,333 | 1,309 | 1,141 |
| Dividends from shares, etc. | 26 | 28 | 26 | 24 |
| Fee and commission income (net) | 504 | 465 | 501 | 398 |
| Net interest and fee income | 1,847 | 1,826 | 1,836 | 1,563 |
| Securities and foreign exchange income | 34 | 46 | 34 | 39 |
| Other operating income | 163 | 61 | 162 | 53 |
| Staff costs and administrative expenses | 1,158 | 1,122 | 1,151 | 961 |
| Depreciation and amortisation | 93 | 84 | 93 | 72 |
| Other operating expenses | 0 | 0 | 0 | 0 |
| Provisions for bad and doubtful debts | 66 | 80 | 66 | 68 |
| Income from associated and subsidiary undertakings | 127 | 174 | 127 | 149 |
| Profit on ordinary operations before tax | 854 | 821 | 849 | 703 |
| Tax | 175 | 202 | 174 | 173 |
| Net profit for the year | 679 | 619 | 675 | 530 |
| SUMMARY BALANCE SHEET AT DECEMBER 31 (billion) | | | | |
| Assets | | | | |
| Cash in hand and due from credit institutions, etc. | 12.7 | 10.6 | 12.6 | 9.1 |
| Loans and advances | 51.5 | 47.4 | 51.2 | 40.6 |
| Securities | 21.0 | 23.5 | 21.0 | 20.1 |
| Other assets | 9.6 | 11.3 | 9.5 | 9.7 |
| Total assets | 94.8 | 92.8 | 94.3 | 79.5 |
| Liabilities | | | | |
| Due to credit institutions | 21.3 | 22.0 | 21.2 | 18.8 |
| Deposits | 36.0 | 33.4 | 35.8 | 28.6 |
| Issued bonds, etc. | 20.2 | 16.8 | 20.1 | 14.4 |
| Other liabilities | 10.3 | 13.2 | 10.2 | 11.4 |
| Subordinated debt | 2.9 | 2.6 | 2.9 | 2.2 |
| Shareholders' equity | 4.1 | 4.8 | 4.1 | 4.1 |
| Total liabilities | 94.8 | 92.8 | 94.3 | 79.5 |
| Off-balance-sheet items | | | | |
| Guarantees, etc. | 9.3 | 9.1 | 9.3 | 7.8 |
| Other commitments | 12.6 | 14.7 | 12.5 | 12.6 |
| Total off-balance-sheet items | 21.9 | 23.8 | 21.8 | 20.4 |

The exchange rates prevailing at the end of 1999 have been used for translation:

US\$ 7.3988

€ 7.4432

End-1998:

US\$ 6.3865

€ 7.4594

GROUP STRUCTURE

| | | Share capital December 31 (thousands) | Net profit for the year DKr m | Shareholders' equity December 31 DKr m | Share capital held by the Group (%) |
|--|-----|---|-------------------------------------|---|--|
| Den Danske Bank Aktieselskab, Copenhagen | DKK | 5,292,500 | 4,985 | 30,412 | |
| CONSOLIDATED SUBSIDIARIES | | | | | |
| Den Danske Bank International S.A., Luxembourg | LUF | 3,625,000 | 163 | 1,157 | 100 |
| Danske Fund Management Company S.A., Luxembourg | | | | | |
| Danske Finance Company S.A., Luxembourg | | | | | |
| Danske Kredit Realkreditaktieselskab, Copenhagen | DKK | 1,000,000 | 253 | 3,687 | 100 |
| Danica Bank A/S, Copenhagen | DKK | 165,000 | 8 | 391 | 100 |
| Nordania A/S, Birkerød | DKK | 5,600 | -3 | 105 | 100 |
| Nordania Finans A/S, Birkerød | | | | | |
| Forenede Factors A/S, Glostrup | DKK | 9,000 | -1 | 72 | 100 |
| KortFinans A/S, Copenhagen | DKK | 65,000 | -4 | 116 | 100 |
| Danske Bo A/S, Copenhagen | DKK | 25,500 | -31 | 55 | 100 |
| Den Danske Corporation, Delaware, USA | USD | 4 | - | 1 | 100 |
| KHB VI A/S, Copenhagen | DKK | 111,700 | 20 | 183 | 100 |
| Danske Data A/S af 1996, Copenhagen | DKK | 13,000 | 29 | 25 | 100 |
| Danske Ejendomme A/S, Copenhagen | DKK | 6,500 | 16 | 11 | 100 |
| DDB-Ejendomsselskab af 1. januar 1990 A/S, Copenhagen | DKK | 35,700 | 4 | 54 | 100 |
| Pro Finance (Asia) Ltd., Hong Kong | HKD | 1,000 | 20 | 54 | 100 |
| Danske Institutional, Sicav, Luxembourg | EUR | 36,986 | 99 | 393 | 67 |
| Danske Bank Global, Sicav, Luxembourg | SEK | 11,313 | 5 | 15 | 100 |
| Oy BAGG Holding Ab in the process of being wound up, Finland | FIM | 800 | 9 | 26 | 100 |
| DDB Invest AB, Sweden | SEK | 600,100 | 51 | 821 | 100 |
| U. Myrberg AB in the process of being wound up, Sweden | | | | | |
| Myrberg Fondkommission AB, Sweden | | | | | |
| Östgöta Enskilda CFK AB, Sweden | | | | | |
| Östgöta Enskilda Fond AB, Sweden | | | | | |
| Östgöta Enskilda Fastighets AB, Sweden | | | | | |
| Art Depot 1837 AB, Sweden | | | | | |
| Byggnads AB Slaget, Sweden | | | | | |
| Östgöta Enskilda BFH AB, Sweden | | | | | |
| Östgöta Enskilda Fin AB, Sweden | | | | | |
| Östgöta Enskilda Lager II AB, Sweden | | | | | |
| Östgöta Enskilda Lager III AB, Sweden | | | | | |
| Bokredit i Sverige AB | | | | | |
| BK Fri AB | | | | | |
| DDB Fokus Invest AS, Norway | NOK | 6,000,0000 | 277 | 2,240 | 100 |
| Fokus Bank ASA, Norway | | | | | |
| Fokus Finans AS, Norway | | | | | |
| Central Finans AS, Norway | | | | | |
| Eikeveien 3 AS, Norway | | | | | |
| Fokus Forvaltning AS, Norway | | | | | |
| Fokus Eiendomsmegling Telemark AS, Norway | | | | | |
| Fokus Kredittforsikring AS, Norway | | | | | |
| Roby ANS, Norway | | | | | |
| Danske Securities ASA, Norway | | | | | |
| Skårersletta Eiendom AS, Norway | | | | | |
| DDB I A/S, Copenhagen | DKK | 500 | - | 1 | 100 |
| DDB II A/S, Copenhagen | DKK | 500 | - | 1 | 100 |
| DDB III A/S, Copenhagen | DKK | 500 | - | 1 | 100 |
| DDB IV A/S, Copenhagen | DKK | 500 | - | 1 | 100 |
| DDB V A/S, Copenhagen | DKK | 500 | - | 1 | 100 |
| DDB VI A/S, Copenhagen *) | DKK | 500 | - | 1 | 100 |
| DDB XII A/S, Copenhagen | DKK | 500 | - | 1 | 100 |
| | | | 5,901 | 39,823 | |
| Adjustments | | | | | |
| Income from subsidiaries included above | | | 884 | | |
| Subsidiaries sold in 1999 | | | 11 | | |
| Den Danske Bank's share of the equity of subsidiaries | | | | 9,281 | |
| Den Danske Bank Group total | | | 5,028 | 30,542 | |

*) In 1999, the company changed its name from Danske Securities A/S to DDB VI A/S.

| | Share capital December 31 (thousands) | Result for the year DKr m | Shareholders' equity December 31 DKr m | Share capital held by the Group (%) |
|--|---|---------------------------------|---|--|
|--|---|---------------------------------|---|--|

NON-CONSOLIDATED SUBSIDIARIES

Insurance companies

| | | | | |
|---|---------------|-----|-------|-----|
| Forsikringselskabet Danica, Skadeforsikringsaktieselskab af 1999, Copenhagen | DKK 1,000,000 | -75 | 7,934 | 100 |
| Danica Liv og Pension, Livsforsikringsaktieselskab | | | | |
| The company has 26 subsidiaries | | | | |

The result stated above comprises Den Danske Bank's share of the Danica Group's 1999 result. The amount includes DKr11m regarding the non-life business sold as at December 31, 1999.

Amount owed by the consolidated Group to the company: DKr184m; amount owed to the consolidated Group by the company: DKr31m.

ASSOCIATED UNDERTAKINGS

| | Share capital December 31 (thousands) | | Capital held by the consolidated Group (%) |
|---|---|--|--|
| DMdata a/s, Copenhagen | DKK 50,000 | | 50.0 |
| Ejendomsaktieselskabet af 22. juni 1966, Copenhagen | DKK 500 | | 50.0 |
| Interessentskabet af 23. december 1991, Århus | DKK 714,100 | | 30.0 |
| Info Kredit A/S, Copenhagen | DKK 600 | | 25.0 |
| Danske Obligationer A/S, Copenhagen | DKK 50,000 | | 26.8 |
| Danske Obligationer II A/S, Copenhagen | DKK 17,500 | | 28.0 |
| Nordenfjeldske Livsforsikring AS, Norway | NOK 100,000 | | 39.0 |
| Meglerhuset Nylander AS, Norway | NOK 300 | | 40.0 |

Amount owed by the consolidated Group to associated undertakings: DKr326m. No amount is owed to the consolidated Group by the associated undertakings.

OTHER SIGNIFICANT HOLDINGS

| | Share capital December 31 (thousands) | Net profit for the year*) DKr m | Capital held by the consolidated Group (%) |
|---|---|---------------------------------------|--|
| Vejen Centret A/S, Vejen | DKK 510 | - | 33.3 |
| Scandinavian Link Danmark ApS, Copenhagen | DKK 125 | - | 32.7 |
| Det Berlingske Officin A/S, Copenhagen | DKK 216,566 | 114 | 28.1 |
| PBS Holding A/S, Ballerup | DKK 200,915 | 193 | 25.9 |
| Aalborg Tegl A/S, Aalborg | DKK 5,000 | - | 25.0 |
| Ejendomsaktieselskabet Rugvangen, Copenhagen | DKK 1,200 | - | 24.6 |
| Consolidated Aircraft Corporation, Copenhagen | DKK 20,000 | -4 | 23.1 |
| Taulov Transit Center A/S, Taulov | DKK 1,000 | - | 25.0 |

Amount owed by the consolidated Group to other significant holdings: DKr65m; amount owed to the consolidated Group by other significant holdings: DKr18m.

The commitments of the consolidated Group to other significant holdings, listed under off-balance-sheet items: DKr257m.

OTHER COMPANIES IN WHICH THE GROUP HOLDS MORE THAN 10% OF THE SHARE CAPITAL

| | Share capital December 31 (thousands) | Net profit for the year*) DKr m | Capital held by the consolidated Group (%) |
|---|---|---------------------------------------|--|
| GrønlandsBANKEN, Aktieselskab, Nuuk | DKK 191,813 | 52 | 18.4 |
| Dansk Kapitalanlæg Aktieselskab, Copenhagen | DKK 422,000 | 69 | 17.9 |
| P-LP 1999 A/S, Copenhagen | DKK 35,100 | - | 13.5 |
| P-LR 1999 A/S, Copenhagen | DKK 5,400 | - | 13.5 |
| Interdan A/S, Kvistgård | DKK 31,669 | -5 | 13.3 |
| Copenhagen Stock Exchange, Copenhagen | DKK 40,000 | 20 | 12.1 |
| Bella Center A/S, Copenhagen | DKK 129,884 | 4 | 12.0 |
| Polaris Management A/S, Copenhagen | DKK 4,000 | - | 11.0 |

Amount owed by the consolidated Group to the companies: DKr24m; amount owed to the consolidated Group by the companies: DKr114m.

*) Net profit for the year according to the latest annual accounts of the company.

In addition, Den Danske Bank Group holds at least 10% of the share capital of eight companies, where its shareholding has no real book value.

RATIOS

| | 1999 | 1998 | 1997 | 1996 | 1995 |
|--|--------------|-------|-------|-------|-------|
| | % | % | % | % | % |
| Den Danske Bank Group | | | | | |
| 1. Solvency ratio | 11.0 | 10.4 | 10.2 | 9.8 | 10.0 |
| 2. Solvency ratio based on core (tier 1) capital | 7.4 | 7.7 | 7.2 | 7.7 | 8.7 |
| 3. Return on equity before tax | 20.8 | 18.1 | 18.1 | 22.0 | 27.8 |
| 4. Return on equity after tax | 16.5 | 13.6 | 15.7 | 14.9 | 16.7 |
| 5. Income/cost ratio | 1.65 | 1.64 | 1.60 | 1.61 | 1.59 |
| 6. Interest rate risk | 3.8 | 3.1 | 2.9 | 3.3 | 3.3 |
| 7. Foreign exchange position | 4.9 | 8.8 | 7.5 | 5.4 | 6.1 |
| 8. Foreign exchange risk | 0.1 | 0.1 | 0.1 | 0.0 | 0.1 |
| 9. Excess cover relative to the statutory liquidity requirements | 125.5 | 103.6 | 152.6 | 168.0 | 214.5 |
| 10. Total amount of large exposures | 255.0 | 332.9 | 634.2 | 450.7 | 439.8 |
| 11. Provisioning ratio | 2.3 | 2.4 | 2.7 | 3.4 | 4.2 |
| 12. Write-offs for the year and provisioning ratio | 0.1 | 0.1 | 0.0 | 0.1 | 0.5 |
| 13. Annual growth in loans and advances | 25.7 | 4.3 | 25.0 | 19.6 | 13.6 |
| 14. Gearing of loans and advances | 12.5 | 10.0 | 10.6 | 9.0 | 8.4 |
| Den Danske Bank | | | | | |
| 1. Solvency ratio | 12.1 | 10.9 | 11.1 | 10.3 | 10.6 |
| 2. Solvency ratio based on core (tier 1) capital | 8.2 | 8.1 | 7.8 | 8.1 | 9.1 |
| 3. Return on equity before tax | 20.7 | 17.7 | 16.9 | 18.5 | 23.2 |
| 4. Return on equity after tax | 16.4 | 13.7 | 15.7 | 14.9 | 16.7 |
| 5. Income/cost ratio | 1.75 | 1.68 | 1.65 | 1.62 | 1.62 |
| 6. Interest rate risk | 3.6 | 2.8 | 2.6 | 3.1 | n/a |
| 7. Foreign exchange position | 5.0 | 8.8 | 7.5 | 5.5 | 8.4 |
| 8. Foreign exchange risk | 0.1 | 0.1 | 0.1 | 0.0 | 0.1 |
| 9. Loans and advances, plus provisions in relation to deposits | 101.9 | 104.9 | 99.5 | 92.4 | 91.2 |
| 10. Excess cover relative to the statutory liquidity requirements | 122.0 | 92.1 | 151.3 | 170.6 | 216.4 |
| 11. Total amount of large exposures | 268.1 | 332.1 | 613.5 | 450.0 | 437.2 |
| 12. Share of amounts due on which interest rates have been reduced | 0.4 | 0.7 | 0.8 | 1.1 | 1.6 |
| 13. Provisioning ratio | 2.3 | 2.6 | 2.9 | 3.7 | 4.5 |
| 14. Write-offs for the year and provisioning ratio | 0.1 | 0.0 | 0.0 | 0.1 | 0.6 |
| 15. Annual growth in loans and advances | 11.9 | 5.6 | 19.0 | 16.6 | 10.4 |
| 16. Gearing of loans and advances | 7.8 | 7.0 | 7.3 | 6.6 | 6.3 |
| 17. Earnings per share | 94.2 | 74.6 | 79.4 | 69.0 | 68.6 |
| 18. Book value per share | 575 | 573 | 520 | 489 | 436 |
| 19. Dividend per share, DKr | 25 | 18 | 18 | 16 | 16 |
| 20. Share price at December 31/earnings per share | 8.6 | 11.5 | 11.5 | 6.9 | 5.6 |
| 21. Share price at December 31/book value per share | 1.41 | 1.50 | 1.76 | 0.97 | 0.88 |

The ratios are defined in the Executive Order on Bank Accounts issued by the Danish Financial Supervisory Authority.

Copenhagen, February 24, 2000

EXECUTIVE BOARD

Peter Straarup
Chairman

Jakob Brogaard

Jeppe Christiansen

Karsten Knudsen

Søren Møller Nielsen

BOARD OF DIRECTORS

Poul J. Svanholm
Chairman

Palle Marcus
Vice Chairman

Jens Elton Andersen

Henning Christophersen

Alf Duch-Pedersen

Bent M. Hansen

Niels Eilschou Holm

Kjeld Kirk Kristiansen

Peter Michaelsen

Henning Mikkelsen

Niels Chr. Nielsen

Torben Pedersen

Sten Scheibye

Verner Usbeck

Claus Vastrup

Birgit Aagaard-Svendsen

AUDIT REPORTS

Report of Den Danske Bank's Audit Department

We have audited the financial statements presented by the Board of Directors and the Executive Board for the year 1999 of Den Danske Bank Group and Den Danske Bank Aktieselskab (the Parent Company).

Basis of opinion

We have conducted our audit on the basis of the executive order of the Danish Financial Supervisory Authority on the performance of the audit in financial groups and in accordance with generally accepted auditing standards as applied in Denmark. Based on an evaluation of materiality and risk, we assessed procedures and tested the basis for the amounts and disclosures in the financial statements.

Our audit has not resulted in any qualifications.

Opinion

In our opinion, the financial statements have been prepared in accordance with the accounting provisions of Danish legislation, and give a true and fair view of assets and liabilities, financial position and results for the year 1999.

Copenhagen, February 24, 2000

Jens Peter Thomassen
Group Chief Auditor

Erik Fosgrau
Deputy Group Chief Auditor

Report of the auditors elected at the general meeting

We have audited the financial statements presented by the Board of Directors and the Executive Board for the year 1999 of Den Danske Bank Group and Den Danske Bank Aktieselskab (the Parent Company).

Basis of opinion

We planned and conducted our audit in accordance with the auditing standards generally accepted in Denmark to obtain reasonable assurance that the financial statements are free of material misstatements. Based on an evaluation of materiality and risk, we have tested the basis and documentation for the amounts and disclosures in the financial statements. Our audit included an assessment of the accounting policies applied and estimates made. In addition, we have evaluated the overall adequacy of the presentation of information in the financial statements.

Our audit has not resulted in any qualifications.

Opinion

In our opinion, the financial statements have been prepared in accordance with the accounting provisions of Danish legislation, and give a true and fair view of assets and liabilities, financial position and results for the year 1999.

Copenhagen, February 24, 2000

Grothen & Perregaard
Statsautoriseret Revisionsaktieselskab

KPMG C. Jespersen

Jørgen Frank Jakobsen Svend Ørjan Jensen
State Authorized Public Accountants

A. Sivertsen Birger Kjerri Hansen
State Authorized Public Accountants

DEN DANSKE BANK GROUP'S BUSINESS AREAS AND MANAGEMENT SUPPORT FUNCTIONS

AUDIT DEPARTMENT

Jens Peter Thomassen, Group Chief Auditor

OFFICE OF THE COMPANY SECRETARY

Tommy Hansen, Senior Vice President

ADMINISTRATION

Jørgen Klejnstrup, Executive Vice President

Information Systems Security

Carsten Stenstrøm, Head of Group IT Security

e-Finance

John Andersen, Senior Vice President

Business Development

Carsten Høegh, First Vice President

Logistics

Udo Christiansen, Senior Vice President

Help Desk

Jens Erik Hansen, Vice President

Organisation

Einar Rud Pedersen, First Vice President

Service Centre

Bjarne Helvig Nielsen, Senior Vice President

ASSET MANAGEMENT

Jeppe Christiansen, Member of the Executive Board

Private Banking, Luxembourg

Peer Kierstein Nielsen, Managing Director

Private Banking, Copenhagen

Klaus Mønsted Pedersen, Senior Vice President

Investment Services – Branches

Mogens Holm, Senior Vice President

COMMUNICATIONS

Steen Reeslev, Senior Vice President

Press & Public Relations

Søren P. Espersen, First Vice President

Marketing

Søren Biune, First Vice President

Media & Language Services

Lisbeth Vedel, First Vice President

CREDIT & MARKET RISKS

Jakob Brogaard, Member of the Executive Board

Domestic Credits

Peter Fløe, Senior Vice President

Credits Secretariat

Bo Sonne Ravn, Executive Vice President

Major Corporate Credits

Leo E. Yde, First Vice President

DANSKE DATA

Hans E. Mork, General Manager

DANSKE EJENDOMME

Søren Rose, General Manager

DANSKE SECURITIES

Karsten Knudsen, Member of the Executive Board

Corporate Finance

Jens Peter Toft, Global Head of Corporate Finance

Equities

Erik Wenngren, Global Head of Equities

Equity Sales & Trading

Flemming Barleth, Senior Vice President

Equity Research

Torben Vangstrup, Senior Vice President

EXECUTIVE BOARD SECRETARIAT

Erik Sevaldsen, Executive Vice President

FINANCE DEPARTMENT

Jesper Ovesen, Chief Financial Officer

External Accounting & Tax

Inge Beicher, Senior Vice President

Management Information & Controlling

Tonny Thierry Andersen, First Vice President

IT-Finance

Thomas Johansen, First Vice President

Accounting

Lars Andreasen, First Vice President

Strategy & Investor Relations

Leonhardt Pihl, Senior Vice President

GROUP TREASURY

Henrik Olejasz Larsen, Senior Executive Vice President

Administration & Research

Cato Baldvinsson, Senior Vice President

Economics Department

Jørgen Birger Christensen, Chief Economist

HUMAN RESOURCES

Steen Hjort, Executive Vice President

Human Resource Administration

Bent Jespersen, First Vice President

Human Resource Development

Knud H. Andersen, First Vice President

LIFE AND PENSIONS (DANICA)

Henrik Ramlau-Hansen, Chief Executive Officer of Danica

Sales

Ulla Plesner, Member of Danica's Executive Board

Administration and IT

Olav Wilhelm Ånerud, Member of Danica's Executive Board

RETAIL BANKING

Sven E. Lystbæk, Member of the Executive Board

Denmark

Ejvind Hansen, Senior Executive Vice President

Danske Kredit

Peter Hinrichsen, General Manager

Danske Bo

Steen Hansen, General Manager

Forenede Factors

Flemming Bugge Vegger, General Manager

KortFinans

Flemming Duus, General Manager

Nordania

Henning Hürdum, General Manager

Norway

Svein Sivertsen, Managing Director

Fokus Finans

Jarl Erik Riise, Managing Director

Fokus Kreditt

Jan Hunsbedt, Managing Director

Sweden

Ulf Lundahl, Senior Executive Vice President

Bokreditt

Hans Ottozon, General Manager

WHOLESALE BANKING

Søren Møller Nielsen, Member of the Executive Board

Corporate & Institutional Banking, Copenhagen

Per Skovhus, Senior Executive Vice President

Export/Import Finance

Ivan Nymann, First Vice President

Cash Management

Claus Johansen, First Vice President

Corporate & Institutional Banking, London

Angus MacLennan, Senior Executive Vice President & General Manager

Debt Markets

David Roberts, Assistant General Manager

Trading, Financial Markets

Mads Jacobsen, Senior Executive Vice President

Institutional/Corporate Clients & Research

Henrik Normann, Executive Vice President

Foreign Exchange & Money Markets

John Michael Jensen, Senior Vice President

Fixed Income & Market Making

Michael Nørgaard, Senior Vice President

OUTSIDE DIRECTORSHIPS HELD BY DIRECTORS AND MEMBERS OF THE EXECUTIVE BOARD

Under section 33(3) of the Danish Banking Act, the annual reports of listed financial institutions must contain information about the directorships held in Danish companies by directors and members of the Executive Board (with the exception of wholly-owned subsidiaries).

Under section 31(7) of the Danish Banking Act, the annual reports must also contain information about certain of the directorships in Danish companies which members of the Executive Board have held during the accounting year.

At the time of going to press, the following directorships were on record.

DIRECTORS

POUL J. SVANHOLM

General Manager

Director of:

Aktieselskabet Dampskibsselskabet Svendborg

PALLE MARCUS

General Manager

Director of:

Coloplast A/S

Novo A/S

Novo Nordisk A/S

Carlsberg A/S

HENNING CHRISTOPHERSEN

Managing Director of EPSILON, S.P.R.L.

Director of:

KREAB/KS Consult A/S

ALF DUCH-PEDERSEN

Chief Executive of Danisco A/S

Director of:

Falck A/S

BENT M. HANSEN

General Manager

Director of:

Dansk Kapitalanlæg Aktieselskab

KIL Shipping A/S

NIELS EILSCHOU HOLM

Private Secretary to Her Majesty the Queen of Denmark

Director of:

Aktieselskabet Københavns Sommer-Tivoli

KJELD KIRK KRISTIANSEN

President and CEO of LEGO Company

Director of:

Kirkbi A/S

Kirkbi Invest A/S

Creativity Corporation A/S

Dansk Varmblod og Ridesport A/S

IDO Systems A/S

Investeringselskabet af 29/10 1944 A/S

K.G. Hansen & Sønner a/s

Stifinder A/S

NIELS CHR. NIELSEN

Professor of Economics, Ph.D.

Director of:

COWI Rådgivende Ingeniører A/S

A/S Dansk Shell

A/S Dampskibsselskabet Torm

Ejendomsselskabet Norden A/S

Grundfos A/S

Grundfos Management A/S

Otto Mønsted A/S

STEN SCHEIBYE

Chief Executive of Coloplast A/S

Director of:

Danisco A/S

Aktieselskabet Th. Wessel & Vett,
Magasin du Nord

BIRGIT AAGAARD-SVENDSEN

Executive Vice President, CFO, of J. Lauritzen A/S

Director of:

DFDS A/S

Columbus IT Partner A/S

MEMBERS OF THE EXECUTIVE BOARD

PETER STRAARUP**Chairman of the boards of:**

Forsikringsselskabet Danica, Skadeforsikrings-aktieselskab af 1999

Danica Liv & Pension, Livsforsikrings-aktieselskab

Danica B II, Livsforsikringsaktieselskab

Danica B III, Livsforsikringsaktieselskab

Danica Liv, Livsforsikringsaktieselskab

Danica Liv I, Livsforsikringsaktieselskab

Danica Liv III, Livsforsikringsaktieselskab

Danica Pension, Livsforsikringsaktieselskab

Danske Forsikring, Liv, Forsikringsaktieselskab

Danica Forsikring Skadeforsikringsaktieselskab (until December 31, 1999)

Danske Forsikring, Skade, Forsikrings-aktieselskab (until December 31, 1999)

DDB Fokus Invest AS, Norway

Fokus Bank ASA, Norway

DDB Invest AB, Sweden

Chairman of the board of Danske Capital Management until the merger with Den Danske Bank

Director of:

Finance Company Viking, Switzerland

JAKOB BROGAARD**Chairman of the boards of:**

Forenede Factors A/S

Nordania A/S

Nordania Finans A/S

GrønlandsBANKEN, Aktieselskab

Vice Chairman of the boards of:

Fokus Bank ASA, Norway

DDB Invest AB, Sweden

Alternate member of the boards of:

PBS Holding A/S

PBS Data A/S

PBS International A/S

PBS Finans A/S

PBS Danmark A/S

PBS Multidata A/S

KARSTEN KNUDSEN**Chairman of the board of:**

Danske Securities ASA, Norway

Chairman of the boards until transfer of activities to Den Danske Bank:

AG Bankirfirma Ab, Finland

BAGG Holding Ab, Finland

U. Myrberg AB, Sweden

Myrberg Fondkommission AB, Sweden

Resigned from the boards at the annual general meetings in 1999:

Danica Forsikring Skadeforsikringsaktieselskab

Danica B I, Livsforsikringsaktieselskab

Danica B II, Livsforsikringsaktieselskab

Danica B III, Livsforsikringsaktieselskab

Danica Liv, Livsforsikringsaktieselskab

Danica Liv I Holding A/S

Danica Liv I, Livsforsikringsaktieselskab

Danica Liv III, Livsforsikringsaktieselskab

Danica Pension, Livsforsikringsaktieselskab

Danske Forsikring, Liv, Forsikringsaktieselskab

Danske Forsikring, Skade, Forsikringsaktieselskab

Vice Chairman of the board of Danske Capital Management until the merger with Den Danske Bank

SØREN MØLLER NIELSEN**Chairman of the boards of:**

Danica Bank A/S

Danske Bo A/S

Danske Kredit Realkreditaktieselskab

Den Danske Bank International S.A., Luxembourg

KortFinans A/S

HandelsFinans A/S until the merger with KortFinans A/S

PBS Holding A/S

PBS Data A/S

PBS International A/S

PBS Finans A/S

PBS Danmark A/S

PBS Multidata A/S

Vice Chairman of the boards of:

Forsikringsselskabet Danica, Skadeforsikrings-aktieselskab af 1999

Danica Liv & Pension, Livsforsikrings-aktieselskab

Danica B II, Livsforsikringsaktieselskab

Danica B III, Livsforsikringsaktieselskab

Danica Liv, Livsforsikringsaktieselskab

Danica Liv I, Livsforsikringsaktieselskab

Danica Liv III, Livsforsikringsaktieselskab

Danica Pension, Livsforsikringsaktieselskab

Danske Forsikring, Liv, Forsikringsaktieselskab

Danica Forsikring Skadeforsikringsaktieselskab (until December 31, 1999)

Danske Forsikring, Skade, Forsikrings-aktieselskab (until December 31, 1999)

Resigned from the board at the annual general meeting in 1999:

Europay International S.A., Belgium

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Senior Executive Vice President

Östgöta Enskilda Bank has 39
branches throughout Sweden.

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& General Manager

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James Stewart
General Manager

ADVISORY BOARD

POUL J. SVANHOLM /Chairman

PALLE MARCUS /Vice Chairman

GERHARD ALBRECHTSEN

PAUL BUNDGAARD

OLE A. BUSCK

ASBJØRN BØRSTING

JØRGEN MAD S CLAUSEN

STEEN ENGEL

JØRGEN ENNGAARD

BENT FLYVHOLM

KARIN HAMMER

HANS HOLM HANSEN

KIRSTEN HARBO

ARNE VILLY JENSEN

K. KOCH JENSEN

NIELS DUE JENSEN

BENT NYLØKKE JØRGENSEN

LARS KOLIND

TOM KÄHLER

HENNING LEHMANN

FLEMMING LINDELØV

KRISTIAN MAY

ANNEMETTE MØLLER

TOVE NIELSEN

FREDERIK CHR. OBEL

PETER SKAK OLUFSEN

EIGIL STEEN PEDERSEN

BIRGER RIISAGER

BENT SLOTH

NIELS JØRGEN SOLDBRO

JESS SØDERBERG

IVER TESDORPF

HANS WERDELIN

MADS ØVLISEN

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