Annual Report 2013
Nordea Bank Danmark

Business registration number 13522197

Nordea Bank Danmark A/S is part of the Nordea Group. Nordea's vision is to be a Great European bank, acknowledged for its people, creating superior value for customers and shareholders. We are making it possible for our customers to reach their goals by providing a wide range of products, services and solutions within banking, asset management and insurance. Nordea has around 11 million customers, approximately 800 branch office locations and is among the ten largest universal banks in Europe in terms of total market capitalisation. The Nordea share is listed on the NASDAQ OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen.

Content

Key financial figures, Group

Income, profit and business volumes, key items (DKKm)	2013	2012	Change %	2011	2010
Total operating income	17,428	16,622	5	16,090	18,291
Total operating expenses	-10,072	-10,322	-2	-10,480	-10,335
Profit before loan losses	7,356	6,300	17	5,610	7,956
Net loan losses	-2,694	-4,264	-37	-2,761	-3,399
Operating profit	4,662	2,036	129	2,849	4,557
Net profit for the year	3,664	1,514	142	2,188	3,480
Loans to the public, DKKbn	601	609	-1	607	679
Deposits and borrowings from the public, DKKbn	313	319	-2	313	347
Equity, DKKbn	41	37	10	32	33
Total assets[4], DKKbn	826	819	1	834	969

Ratios and key figures					
Return on equity, %[3]	9.4	4.4		6.8	11.0
Cost/income ratio	58	62		65	57
Loan loss ratio, basis points	44.8	70.0		45.5	50.0
Tier 1 capital ratio[1]	14.0	12.1		10.1	8.9
Total capital ratio[1, 2]	20.5	18.2		17.0	15.4
Tier 1 capital[1], DKKbn	36	34		29	28
Risk-weighted assets[1], DKKbn	258	280		289	310
Number of employees[1] (full-time equivalents)	6,440	6,584		7,885	7,968

1 End of the year.
2 Total capital ratio for 2010 includes a subordinated loan of EUR 1.45bn (tier 2 capital) issued in February 2011. Excluding this subordinated loan the ratio amounted to 11.9%.
3 2012 (but not 2010-2011) restated due to the amendment to IAS 19, see Note G1.
4 2012-2010 restated due to change in recognition of interest-bearing securities in forward transactions, see Note G1.

Nordea Bank Danmark Board of Directors' report

Financial review

Throughout this report the terms "Nordea Bank Danmark" and "NBD" refer to Nordea Bank Danmark A/S and its subsidiaries. Nordea Bank Danmark A/S is a wholly-owned subsidiary of Nordea Bank AB (publ), the parent company of the Nordea Group. The Nordea Bank AB Group is referred to as "Nordea".

Nordea Bank Danmark A/S is domiciled in Copenhagen and its business registration number is 13522197.

Group organisation

As part of Nordea, NBD operates in the banking business. All the operations of NBD are integrated in the operations of the Nordea Group, whose annual report, with activities and earnings reported by the customer areas, encompasses the operations of NBD in their entirety.

Subsidiaries and foreign branches

NBD's most significant subsidiaries are Nordea Kredit Realkreditaktieselskab, through which the bank carries out mortgage lending activities, and Nordea Finans Danmark A/S, through which the bank carries on financing, leasing and factoring activities.

NBD has no foreign branches.

Comments on the income statement (NBD Group)

Business development in NBD was solid in 2013, despite the general moderate activity level in the Danish economy. Customer interaction remained at a high level and the relationship banking model continued to attract customers. The number of externally acquired Gold and Premium customers was more than 30,500 in 2013. NBD strengthened its position in the household lending market showing higher market share for housing/mortgage loans. Furthermore, customer activity and sales of investment products have in 2013 increased to a higher level.

NBD's total operating income increased by DKK 0.8bn to DKK 17.4bn (DKK 16.6bn) (the comparative figures in brackets refer to 2012), up by 5% compared to 2012. The increase was related to net interest income, up by DKK 0.2bn, net fee and commission income, up by DKK 0.4bn, and net result from items at fair value, up by DKK 0.2bn. Total operating expenses were down by 2% to DKK 10.1bn (DKK 10.3bn). Profit before loan losses increased 17% to DKK 7.4bn (DKK 6.3bn). Net loan losses decreased DKK 1.6bn to DKK 2.7bn (DKK 4.3bn).

NBD's operating profit increased by DKK 2.7bn to DKK 4.7bn (DKK 2.0bn). Net profit for the year increased to DKK 3.7bn (DKK 1.5bn). Net profit for 2013 was in line with expectations in the annual report 2012. Return on equity was 9.4% (4.4%).

Operating income

Total operating income increased 5% to DKK 17.4bn (DKK 16.6bn) due to higher net interest income and fee and commission income as well as an improved net result from items at fair value.

Net interest income increased 2% to DKK 11.7bn (DKK 11.5bn) driven by interest rate positions in Treasury and higher lending margins for household and corporate customers. The margins on mortgage loans widened due to changes to administration and reserve fees, which were introduced in January 2013. The increase was partly offset by lower deposit margins due to the continued low interest rate level in the market. Loans to the public decreased 1% and deposits from the public decreased 2%.

Net fee and commission income increased 9% to DKK 4.9bn (DKK 4.5bn) driven by higher savings-related commissions. Savings-related commissions increased 14% to DKK 3.4bn (DKK 3.0bn) mainly due to higher asset management commissions and trading commissions in Markets. Income from payment-related commissions was slightly up, while lending-related commissions were down by 4% due to lower commissions on guarantees and documentary payments.

Net result from items at fair value increased to DKK 0.3bn (DKK 0.1bn). The net result of the unlisted private equity portfolio improved significantly and was mainly related to the investment in Axcel III. The 2013 result on Axcel III included realised gains from partly sale of shares in Pandora. In Retail Banking income from refinancing of mortgage loans increased due to the new fee structure implemented in January 2013. The result from Markets' customer-driven activities was primarily driven by equity trading.

Profit from companies accounted for under the equity method was DKK 0.2bn (DKK 0.2bn) and was primarily related to the associated companies Nets Holding A/S and LR Realkredit A/S.

Operating expenses

Total operating expenses improved 2% to DKK 10.1bn (DKK 10.3bn). Cost efficiency has been high on the agenda and the initiatives have delivered as expected.

Staff costs improved by 5% to DKK 5.6bn (DKK 5.9bn) due to a reduction in the number of employees as a result of the continued focus on cost efficiency and the outsourcing of around 800 IT employees to Nordea Bank AB at 1 May 2012. At year-end the number of full-time employees (FTEs) was down by 2% to 6,440 (6,584). The average number of full-time equivalent positions in 2013 was 6,538 (7,091).

Other expenses amounted to DKK 4.0bn (DKK 3.9bn). IT costs were up by 7% affected by the increased IT cost from Nordea Bank AB following the outsourcing of IT activities. Furthermore, other expenses included increased payments to the bank department of the Danish Deposit Guarantee Fund. The annual contribution was DKK 0.4bn (DKK 0.2). In 2012 payments to the bank department of the Danish Deposit Guarantee Fund were reduced due to the offsetting of net assets in the old scheme.

Depreciation, amortisation and impairment charges of tangible and intangible assets were down by DKK 0.1bn to DKK 0.4bn (DKK 0.5bn) mainly due to lower impairment of software developed in-house.

Other operating expenses were DKK 0.1bn (DKK 0.1bn). In 2013 (and 2012) other operating expenses covered NBD's share of losses of the winding-up and restructuring department of the Danish Deposit Guarantee Fund primarily relating to Fjordbank Mors's operating losses.

The cost/income ratio improved to 58% compared to 62% last year.

Loan losses

Net loan losses decreased as expected, but remained at an elevated level in 2013. Net loan losses were down to DKK 2.7bn compared to DKK 4.3bn in 2012. Net loan losses on individually assessed loans decreased to DKK 2.5bn (DKK 4.8bn), while losses on collectively assessed loans were DKK 0.2bn (reversal of DKK 0.5bn). The loan loss ratio decreased to 45 bp (70 bp). Increasing prises on houses and apartments around the larger cities, fewer bankruptcies within SME´s and increased or stabilised collateral values in shipping were the primary reasons for the lower net loan losses in 2013.

Taxes

Income tax expense was DKK 1.0bn (DKK 0.5bn). The effective tax rate of 21% (26%) was positively affected by non-taxable gains on unlisted equities and the impact on the deferred tax liability from the reduction of the corporation tax rate. The Danish parliament has adopted a gradual reduction of the corporation tax over a three-year period from 25% in 2013 to 22% in 2016. As a result, NBD's deferred tax liabilities, net were reduced by DKK 61m at 31 December 2013.

The payroll tax rate gradually increased from 9.13% in 2010 to 10.9% in 2013 and would have increased further to 12.3% in 2021. However, with the lower corporation tax, a gradual increase of an additional 3% over a six-year period in the payroll tax rate for banks was introduced. The increase is 0.5% in 2014. When fully implemented in 2021, the total payroll tax rate for banks will be 15.3%, and this will result in additional tax of around DKK 0.2bn annually compared to 2013.

In addition to corporate income tax, the payroll tax expense in 2013 amounted to DKK 0.5bn (DKK 0.6bn). Moreover, NBD's costs were adversely affected by DKK 0.3bn (DKK 0.4bn) as financial institutions cannot deduct VAT.

Net profit

Net profit for the year increased to DKK 3.7bn (DKK 1.5bn). Return on equity was 9.4% (4.4%).

Comments on the balance sheet (NBD Group)

Total assets increased to DKK 826bn in 2013 (DKK 819bn).

All balance sheet items in foreign currencies are translated into DKK at the actual year-end currency exchange rates. See Note G1 for more information regarding accounting policies.

Assets
Cash and balances with central banks and *Loans to central banks* increased, taken together, to DKK 84bn (DKK 77bn) due to an increase in certificates of deposit. The increase was partly offset by lower on demand balances with the Danish central bank.

Loans to credit institutions decreased to DKK 12bn (DKK 13bn) due to a decline in reverse repurchase agreements.

Loans to the public decreased to DKK 601bn (DKK 609bn). Lending to the public sector was up by DKK 4bn while lending to household customers and corporate customers was down by DKK 4bn and DKK 8bn, respectively.

Interest-bearing securities increased to DKK 78bn (DKK 62bn) primarily relating to the portfolio of mortgage bonds. *Financial instruments pledged as collateral* decreased DKK 5bn to DKK 1bn (DKK 6bn) relating to a decline in repurchase agreements under Deposits by credit institutions. NBD's own portfolio of interest-bearing securities consists of listed high-grade securities.

Shares increased to DKK 29bn (DKK 25bn) mainly relating to an increase in equity positions in Markets.

Investments in associated undertakings were unchanged at DKK 1bn.

Liabilities
Deposits by credit institutions declined to DKK 112bn (DKK 119bn) mainly due to a decline in repurchase agreements.

Deposits and borrowings from the public declined to DKK 313bn (DKK 319bn) mainly due to a decline in corporate deposits. Household deposits continued to increase during 2013.

Debt securities in issue increased to DKK 305bn (DKK 287bn) due solely to the subsidiary Nordea Kredit Realkreditaktieselskab's issuance of securities in the NBD Group. The increase was attributable to bond issuance as a result of the growth in mortgage lending and to some extent the elimination of own bonds.

Provisions
Provisions decreased to DKK 0.3bn (DKK 0.5bn). The decline was mainly related to provisions regarding individually assessed guarantees.

Equity
Shareholders' equity amounted to DKK 41bn (DKK 37bn) at the end of 2013. Net profit for the year was DKK 3.7bn (DKK 1.5bn).

Distribution of profit
Shareholders' equity for the parent company amounted to DKK 41bn at the end of 2013. The profit of the parent company for the year was DKK 3.80bn.

It is proposed that DKK 1.75bn of the net profit of DKK 3.80bn is distributed as dividend and the remaining amount of DKK 2.05bn is transferred to retained earnings and reserves in equity. The proposed dividend payment of DKK 1.75bn is equivalent to DKK 35 (DKK 0) per share.

Off-balance sheet commitments (NBD Group)

The bank's business operations include a large proportion of off-balance sheet items. These include commercial products such as guarantees, documentary credits and credit commitments.

Credit commitments and unutilised credit lines amounted to DKK 175bn (DKK 180bn), while guarantees and granted but not utilised documentary credits as well as other off-balance sheet commitments totalled DKK 28bn (DKK 26bn).

NBD guarantees some 20% of losses on the winding-up of distressed banks towards the winding-up and restructuring department of the Danish Deposit Guarantee Fund.

Branch regions in Banking Denmark

Taking effect at 1 October 2013, the number of branch regions was reduced from 19 to 12 in order to increase critical mass, strengthen the advisory competencies and increase efficiency across the regions.

New loan type and new fee structure

Nordea Kredit introduced a new mortgage named "Kort Rente" in the third quarter of 2013 with the interest rate based on the 6-month CITA rate. The "Kort Rente" product, an alternative to 1-year adjustable-rate mortgages, was well received by customers and is an integrated part of the individual advisory services to customers.

Alongside the introduction of "Kort Rente" a revised fee structure was announced for new and existing loans with adjustable rates and interest-only periods. One of the purposes was to give customers an incentive to amortise their mortgage loans. With this initiative Nordea Kredit also aims to reduce the share of loans with frequent refinancing to mitigate its refinancing risk.

As a result of the revised fee structure, administration and reserve fees on adjustable-rate mortgages and loans with interest-only periods were increased at 1 January 2014. The bond price spread charged to borrowers when refinancing all types of adjustable-rate mortgages was increased.

Customers affected by the price increases have been offered a fee-free switch to other loan types with a longer refinancing frequency or loans with amortisation.

Supervisory Diamond

NBD A/S has also throughout 2013 complied with the requirements of the Supervisory Diamond.

Pct.	31. dec 2013	31. dec 2012
Large exposure (max 125%)	10	12
Increase in lending (max 20%)	-6	-6
Real estate exposure (max 25%)	8	8
Stable funding ratio (max 1)	0.68	0.73
Liquidity excess coverage (min 50%)	182	180

NBD continues to have a strong funding position with a surplus of deposits. At 31 December 2013 the stable funding ratio excluding group internal subordinated loans and equity was 0.82 (0.87).

The liquidity excess coverage was 182% (180% at end-2012). The liquidity buffer primarily consists of demand accounts and certificates of deposit with the Danish central bank and high-grade liquid securities.

Capital adequacy

At year-end the NBD Group's risk-weighted assets (RWA) totalled DKK 258bn (DKK 280bn). The decline was primarily due to lower RWA from credit risk covered by the Internal Rating Based approach.

At year-end the NBD Group's total capital ratio increased to 20.5% (18.2%) and the tier 1 capital ratio rose to 14.0% (12.1%). The corresponding 2013 figures for NBD A/S were 21.6% (19.2%) and 14.5% (12.6%).

The Board of Directors confirms the assumption that the bank is a going concern and that the consolidated financial statements and the annual financial statements have been prepared based on this assumption.

Regulation of SIFIs

The Danish parliament reached an agreement on 10 October 2013 concerning the regulation of systemically important financial institutions (SIFIs) as well as requirements imposed on all banks and mortgage institutions to have more capital and capital of a higher quality as well as higher liquidity. The new regulation of SIFIs is expected to come into force on 31 March 2014.

The Danish FSA calculates a measure of "systemic importance", which determines the size of the SIFI capital requirement. The Danish FSA identifies the SIFIs on 30 June every year based on the latest financial statements with the first identification taking place in 2014. The SIFI capital requirement will be phased in gradually during the period 2015 to 2019.

From 2019, a combined capital requirement of at least 11.5-13.5% of risk-weighted assets will be required of Danish SIFIs, depending on the individual institution's systemic importance. The capital requirement for Danish SIFIs will comprise both the minimum capital requirement of 8% (pillar I requirement) and a combined buffer requirement, which will consist of a capital conservation buffer of 2.5% as well as the unique SIFI capital requirement ranging from 1% to 3%. Based on existing data, Nordea Bank Danmark will be identified as a Danish SIFI on 30 June 2014 with a SIFI capital requirement of 2% and thereby a combined capital requirement of at least 12.5%.

In addition, there will be a possible pillar II requirement (individual solvency requirement) to reflect the institution's risk profile, and finally, it will be possible to set a countercyclical capital buffer, which could amount to up to 2.5% in 2019. It is expected that a crisis management buffer will be introduced and that the final Danish regulation will reflect the final EU directive on restoration and liquidation of banks.

Ratings

The ratings of NBD are unchanged compared to January 2013.

Rating, Januar 2014	Short	Long
Moody's	P-1	A1
S&P	A-1+	AA-
Fitch	F1+	AA-
DBRS	R-1 (high)	AA

Risk, liquidity and capital management

Risk, liquidity and capital management are key success factors in the financial services industry. The maintaining of risk awareness in the organisation is ingrained in the business strategies. Nordea has clearly defined risk, liquidity and capital management frameworks, including policies and instructions for different risk types, capital adequacy and for the capital structure.

Management principles and control

Board of Directors and Board Risk Committee within the Nordea Group

The Nordea Group Board has the ultimate responsibility for limiting and monitoring Nordea's risk exposure as well as for setting the targets for the capital ratios. Risk is measured and reported according to common principles and policies approved by the Nordea Group Board , which also decides on policies for credit risk, counterparty risk, market risk, liquidity risk and operational risk management as well as the Internal Capital Adequacy Assessment Process (ICAAP).All policies are reviewed at least annually.

In the credit instructions, the Nordea Group Board decides on powers to act for credit committees at different levels within the business areas. These authorisations vary for different decision-making levels, mainly in terms of size of limits, and are also dependent on the internal rating of customers. The Nordea Group Board also decides on the limits for market and liquidity risk in Nordea.

The Nordea Board Risk Committee assists the Nordea Group Board in fulfilling its oversight responsibilities concerning management and control of the risks, risk frameworks, controls and processes associated with Nordea's operations.

CEO and GEM

The Chief Executive Officer (CEO) has the overall responsibility for developing and maintaining effective risk, liquidity and capital management principles and control.

The CEO in Group Executive Management (GEM) decides on the Group's earnings volatility measurement framework(s) and targets for these, such as the Structural Interest Income Risk (SIIR).

The CEO and GEM regularly review reports on risk exposures and have established a number of committees for risk, liquidity and capital management:

- The Asset and Liability Committee (ALCO), chaired by the Chief Financial Officer (CFO), prepares issues of major importance concerning Nordea's financial operations and balance sheet risks as well as capital management either for decision by the CEO in GEM or for recommendation by the CEO in GEM and for decision by the Group Board.

- The Risk Committee, chaired by the Chief Risk Officer (CRO), oversees the management and control of Nordea's risks on an aggregate level and evaluates the sufficiency of the risk frameworks, controls and processes associated with these risks. Further, the Risk Committee decides, within the scope of resolutions adopted by the Board of Directors of Nordea the allocation of the market risk limits as well as liquidity risk limits to the risk-taking units Group Treasury and Markets. The limits are set in accordance with the business strategies and are reviewed at least annually. The heads of the units allocate the respective limits within the unit and may introduce more detailed limits and other risk mitigating techniques such as stop-loss rules. The Risk Committee has established sub-committees for its work and decision-making within specific risk areas. Minutes of the meetings in sub-committees are distributed to the members of the Risk Committee.

- The Group Executive Management Credit Committee (GEM CC) and the Executive Credit Committee (ECC) are chaired by the CRO and the Group Credit Committee Retail Banking (GCCR) and the Group Credit Committee Wholesale Banking (GCCW) by the Chief Credit Officer (CCO). These credit committees decide on major credit facilities and industry policies for Nordea. Credit risk limits are granted as individual limits for customers or consolidated customer groups and as industry limits for certain defined industries.

Group Risk Management and Group Corporate Centre

Within the Group, two units, Group Risk Management and Group Corporate Centre, are responsible for risk, capital, liquidity and balance sheet management. Group Risk Management, headed by the CRO, is responsible for the risk management framework and processes. Group Corporate Centre, headed by the CFO, is responsible for the capital policy, the composition of the capital base, the capital adequacy framework and for management of liquidity risk.

Each business area and Group Function are primarily responsible for managing the risks in its operations within the applicable limits and framework, including identification, control and reporting.

Management principles and control within NBD

As in all other subsidiaries within Nordea the Board of Directors of NBD is responsible for monitoring the bank´s risk exposure as well as for approving the setting of targets for capital ratios and the individual solvency need. This is in line with the above mentioned Nordea Group instructions.

In accordance with the Executive Order on Management and Control of Banks etc. NBD has appointed a Chief Risk Officer (CRO). The CRO reports to the Executive Management of NBD and is responsible for the overall risk management coordination in NBD.

The NBD Risk Management Charter for the CRO defines the role, responsibilities, tasks and mandate of the CRO and forms part of Nordea's risk management framework.

All risk management functions report to Nordea's pan-Nordic risk management organisation. The risk management functions of NBD are represented by independent risk management units which are responsible for risk management in the individual areas.

To ensure prudent risk management in NBD the role of the CRO is to provide an overview of NBD's risks. The interaction between the individual risk management units and the CRO includes credit risk, counterparty credit risk, market risk, liquidity risk and operational risk.

The interaction is to ensure clear communication channels to the CRO so that critical events are reported efficiently and rapidly to the Executive Management. Moreover, the CRO is to ensure that the individual risk management functions prepare reports that sum up the risk picture of NBD. On the back of the reports, the CRO prepares an overall assessment of the risk picture of NBD and points out any other risks. The assessment is submitted to the Executive Management and the Board of Directors quarterly.

The CRO is furthermore responsible for preparing quarterly proposals to the Executive Management and the Board of Directors concerning individual solvency needs and for ensuring that documentation to this effect is incorporated into the ICAAP report.

NBD has appointed a Country Risk and Compliance Officer (Country RCO) as of January 2014. The Country RCO will be responsible for the overall operational risk, compliance and AML coordination in NBD and will report to the Executive Management of NBD.

Risk appetite

Risk appetite within Nordea is defined as the level and nature of risk that the bank is willing to take in order to pursue the articulated strategy on behalf of our shareholders, and is defined by constraints reflecting the views of shareholders, debt holders, regulators and other stakeholders.

The Board of Directors of Nordea are ultimately responsible for the overall risk appetite for Nordea and for setting the principles for how risk appetite is managed. The Board Risk Committee assists the Board of Directors of Nordea in fulfilling these responsibilities by reviewing the development of the risk profile in relation to risk appetite and making recommendations regarding changes to the Nordea's risk appetite.

Nordea's risk appetite framework is based on explicit top-down risk appetite statements ensuring comprehensive coverage of key risks faced by Nordea. These statements collectively define the boundaries for Nordea's risk-taking activities and will also help identify areas with scope for potential additional risk taking. The statements are approved by the Board of Directors of Nordea, and set the basis for a new risk reporting structure. Moreover, the framework supports management decision processes such as planning and target setting.

The Risk Appetite framework considers key risks relevant to Nordea's business activities and on an aggregate level is represented in terms of credit risk, market risk, operational risk, solvency, compliance/non-negotiable risks, and liquidity risk.

The Risk Appetite framework is further presented in the Capital and Risk management Report (Pillar III report).

Monitoring and reporting

The control environment in Nordea is based on the principles of segregation of duties and independence. Monitoring and reporting of risk is conducted on a daily basis for market and liquidity risk, on a monthly and quarterly basis for credit and operational risk.

Risk reporting including reporting of the development of RWA is regularly made to GEM and the Board of Directors for both Nordea and NBD.

Disclosure requirements of the CRD – Capital and risk management report 2013

Additional and more detailed information on risk and capital management is presented in the Capital and Risk Management Report 2013, in accordance with the national capital adequacy legislation which is based on the EU commonly referred to as the Capital Requirements Directive (the CRD), which in turn is based on the Basel II framework issued by the Basel Committee on Banking Supervision. The report is available at www.nordea.com.

Risk management

Credit risk management

Group Risk Management is responsible for the credit process and the credit risk management framework, consisting of policies, instructions and guidelines for Nordea. Group Risk Management is responsible for controlling and monitoring the quality of the credit portfolio and the credit process. Each customer area and product area are primarily responsible for managing the credit risks in its operations within the applicable framework and limits, including identification, control and reporting. Within the powers to act, granted by the Board of Directors of Nordea, credit risk limits are approved by decision-making authorities on different levels in the organisation. The rating of the customer and the amount decide at which level the decision will be made. Responsibility for a credit exposure lies with the customer responsible unit. Customers are assigned a rating or score in accordance with the Nordea framework for quantification of credit risk.

Credit risk definition and identification

Credit risk is defined as the risk of loss if counterparts fail to fulfil their agreed obligations and the pledged collateral does not cover the claims. Credit risk stems mainly from various forms of lending, but also from guarantees and documentary credits, counterparty credit risk in derivatives contracts, transfer risk attributable to the transfer of money from another country and settlement risk. For monitoring the distribution of a portfolio, improving the risk management and defining a common strategy towards specific industries there are specific industry credit principles and industry credit policies in place establishing requirements and caps.

Individual and collective assessment of impairment

Throughout the process of identifying and mitigating credit impairments, Nordea continuously reviews the quality of credit exposures. Weak and impaired exposures are closely and continuously monitored and reviewed at least on a quarterly basis in terms of current performance, business outlook, future debt service capacity and the possible need for provisions.

A provision is recognised if there is objective evidence of impairment based on loss events or observable data and that the customer's future cash flow has weakened to the extent that full repayment is unlikely, collateral included. Exposures with provision are considered as impaired. The size of the provision is equal to the estimated loss being the difference between the carrying amount of the outstanding exposure and the discounted value of the future cash flow, including the value of pledged collateral. Impaired exposures can be either performing or non-performing. Exposures that have been past due more than 90 days are automatically regarded as non-performing, and reported as non-performing and impaired or not impaired depending on the deemed loss potential.

In addition to individual impairment testing of all individually significant customers, collective impairment testing is performed for groups of customers that have not been found to be impaired on individual level. The collective impairment is based on the migration of rated and scored customers in the credit portfolio as well as management judgement. The assessment of collective impairment reacts to up- and downratings of customers as well as new customers and customers leaving the portfolio. Also customers going to and from default affect the calculation. Collective impairment is assessed quarterly for each legal unit. The rationale for this two-step procedure with both individual and collective assessment is to ensure that all incurred losses are accounted for up to and including each balance sheet day.

Further information on credit risk is presented in Note G44.

Credit portfolio

Credit risk is measured, monitored and segmented in different ways. On-balance lending constitutes the major part of the credit portfolio and the basis for impaired loans and loan losses. Credit risk in lending is measured and presented as the principal amount of on-balance sheet claims, ie loans to credit institutions and the public, and off-balance sheet potential claims on customers and counterparts, net after allowances. Credit risk exposure also includes the risk related to derivatives contracts and securities financing. NBD's total credit risk exposure decreased by 0.2% to DKK 894bn during 2013 (DKK 896bn). The largest credit risk exposure is loans to the public, which in 2013 decreased by 1.3% to DKK 601bn (DKK 609bn).

Nordea Bank Danmark Group

Credit risk exposure and loans
(excluding cash and balances at central banks and settlement risk exposure)

DKKm	31 Dec 2013	31 Dec 2012
Loans to credit institutions	**11,525**	**13,063**
Loans to the public		
- of which corporate	285,495	293,739
- of which household	302,577	306,282
- of which public sector	12,791	8,919
Loans to the public	**600,863**	**608,940**
Off-balance credit exposure[1]	202,940	206,021
Counterparty risk exposure[2]	416	142
Interest-bearing securities[3]	78,299	67,629
Total credit risk exposure	**894,043**	**895,795**

[1] Of which for corporate customers approximately 90% (94%).
[2] After close-out netting and collateral agreements, including current market value exposure as well as potential future exposure.
[3] Includes interest-bearing securities pledged as collateral in repurchase agreements.

Loans to corporate customers at the end of 2013 amounted to DKK 285bn (DKK 294bn), a decrease of 3%, while lending to household customers decreased by 1% to DKK 303bn (DKK 306bn). The portion of total lending to the public going to corporate customers was 48% (48%) and to household customers 50% (50%). Loans to credit institutions, mainly in the form of interbank deposits, amounted to DKK 12bn at the end of 2013 (DKK 13bn).

Loans to corporate customers

The main decreases in the lending portfolio were in the sectors ”Retail trade”, ”Financial institutions”, “Other, public and organisations” as well as in ”Shipping and offshore”.

Most corporates are financially strong with relatively good outlook, but companies dependent on the domestic market (especially retailers and wholesalers) are being challenged.

The distribution of loans to corporates by size of loan shows a high degree of diversification where approx 69% (67%) of the corporate volume is for loans on a scale of up to EUR 50m per customer. See Note G44.

Credit risk mitigation is an inherent part of the credit decision process. In every credit decision and review the valuation of collateral is considered as well as the adequacy of covenants and other risk mitigations.

Pledging of collateral is the main credit risk mitigation technique. In corporate exposures, the main collateral types are real estate mortgages, floating charges and leasing objects. Collateral coverage is higher for exposures to financially weaker customers than for those who are financially strong.

Regarding large exposures, syndication of loans is the primary tool for managing concentration risk while credit risk mitigation by the use of credit default swaps has been applied to a limited extent.

Covenants in credit agreements do not substitute collaterals but are an important complement to both secured and unsecured exposures. Most exposures of substantial size and complexity include appropriate covenants. Financial covenants are designed to react to early warning signs and are carefully monitored.

Nordea Bank Danmark Group
Loans to the public by industry

DKKm	31 Dec 2013	31 Dec 2012
Energy (oil, gas etc)	31	34
Metals and mining materials	172	151
Paper and forest materials	2,666	2,585
Other materials (chemical, building mat etc)	4,057	4,411
Industrial capital goods	2,723	3,226
Industrial commercial services etc	43,174	41,390
Construction and engineering	8,620	8,736
Shipping and offshore	4,927	7,055
Transportation	4,969	5,817
Consumer durables (cars, appliances etc)	2,455	3,448
Media and leisure	6,727	6,964
Retail trade	28,083	31,091
Consumer staples (food, agriculture etc)	60,114	57,993
Health care and pharmaceuticals	4,244	4,184
Financial institutions	23,549	25,989
Real estate management and investment	60,099	58,836
IT software, hardware and services	5,623	5,555
Telecommunication equipment	31	84
Telecommunication operators	422	962
Utilities (distribution and production)	11,358	11,353
Other, public and organisations	11,450	13,877
Corporate	**285,495**	**293,739**
Household mortgages	215,208	216,216
Household consumer	87,369	90,066
Public sector	12,791	8,919
Total	**600,863**	**608,940**

Loans to household customers

In 2013, mortgage loans decreased to DKK 215bn (DKK 216bn) and consumer loans decreased to DKK 87bn (DKK 90bn). The proportion of mortgage loans of total household loans was 71% (71%). The degree of collateral coverage is high for mortgage loans to household customers, whereas consumer loans to this segment have a lower degree of collateral.

Geographical distribution

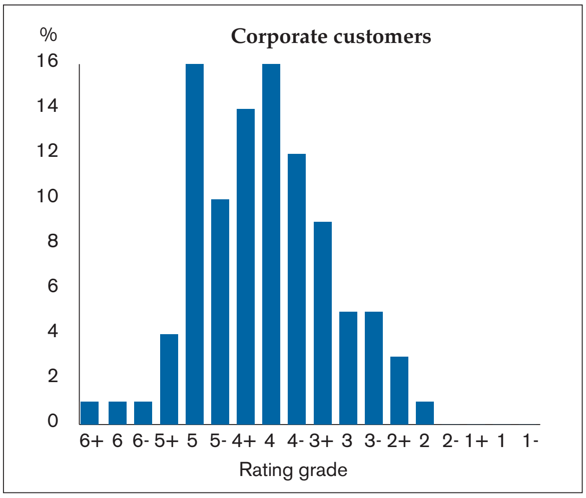
Lending to the public distributed by borrower domicile shows that Denmark accounts for 96% (96%).

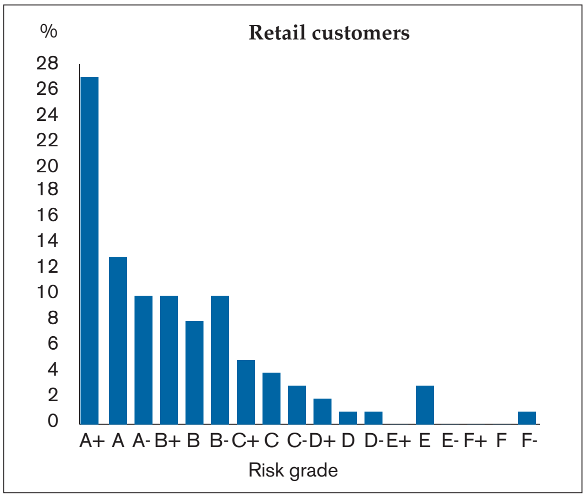
Rating and scoring distribution

One way in which credit quality can be assessed is through analysis of the distribution across rating grades, for rated corporate customers, as well as risk grades for scored household and small business customers, ie retail exposures.

Improving credit quality was seen in 2013, mainly in the corporate credit portfolio. 76% (75%) of the corporate exposure was rated 4– or higher. Defaulted loans are not included in the rating/scoring distributions.

Nordea Bank Danmark Group
Exposure 31 Dec 2013, distributed by rating/risk grades





The rating scale consists of 18 grades from 6+ to 1- for non-defaulted customers and three grades from 0+ to 0- for defaulted customers. Rating grades 4- and better are comparable to investment grades as defined by rating agencies such as Moody's and Standard & Poor's (S&P). Rating grades 2+ and lower are considered as weak or critical, and require special attention.

The risk grade scale used for scored customers in the retail portfolio in order to represent the scores, consists of 18 grades; A+ to F- for non defaulted customers and three grades from 0+ to 0- for defaulted customers.

Nordea Bank Danmark Group
Loans to the public, impaired loans gross and allowances, by industry

DKKm, 31 Dec 2013	Impaired loans	Allowances	Provisioning ratio %
Energy (oil, gas etc)	-	-	-
Metals and mining materials	8	3	36.4%
Paper and forest materials	37	15	41.7%
Other materials (chemical, building materials etc)	437	143	32.7%
Industrial capital goods	45	34	76.2%
Industrial commercial services etc	1,839	514	27.9%
Construction and engineering	1,007	293	29.1%
Shipping and offshore	1,235	699	56.6%
Transportation	262	104	39.9%
Consumer durables (cars, appliances etc)	291	392	-
Media and leisure	454	208	45.9%
Retail trade	1,338	680	50.8%
Consumer staples (food, agriculture etc)	5,807	1,807	31.1%
Health care and pharmaceuticals	123	34	27.5%
Financial institutions	1,595	719	45.1%
Real estate management and investment	2,898	1,052	36.3%
IT software, hardware and services	218	77	35.2%
Telecommunication equipment	0	0	60.3%
Telecommunication operators	4	3	81.5%
Utilities (distribution and production)	50	36	71.3%
Other, public and organisations	713	378	53.0%
Corporate	**18,361**	**7,191**	**39.2%**
Household mortgages	4,405	487	11.1%
Household consumer	4,665	3,217	69.0%
Public sector	-	-	-
Total	**27,431**	**10,895**	**39.7%**
31 Dec. 2012	**28,042**	**10,421**	**37.0%**

Impaired loans

Impaired loans gross decreased during the year to DKK 27,431m from DKK 28,042m, corresponding to 4% (4%) of total loans. 68% (72%) of impaired loans gross were performing loans and 32% (28%) are non-performing loans. Impaired loans net after allowances for individually assessed impaired loans decreased to DKK 17,597m (DKK 18,462m), corresponding to 3% of total loans. Allowances for individually assessed loans increased to DKK 9,834m from DKK 9,581m. Allowances for collectively assessed loans increased to DKK 1,061m from DKK 840m. The provisioning ratio was 40% (37%). The sectors with the largest increases in impaired loans were ”households”, ”financial institutions” and “real estate management and investment” whereas the largest decreases were in “shipping”, “consumer staples” and “other, public and organisations.

Past due loans to corporate customers that are not considered impaired decreased to DKK 5,206m (DKK 8,636m). The volume of past due loans to household customers decreased to DKK 2,517m (DKK 2,807m) in 2013, see Note G44.

Net loan losses

Net loan losses declined 37% to DKK 2,694m in 2013 compared to 2012 (DKK 4,264m). This corresponds to a loan loss ratio of 45bp (70bp). DKK 1,636m (DKK 2,607m) relates to corporate customers and DKK 1,059m (DKK 1,657m) relates to household customers. The main losses were in the corporate sectors ”real estate management and investment”, ”consumer staples”and ”retail trade”. The loan loss ratio in NBD Retail Banking was 42 bp (60 bp). Net loan losses as well as impaired loans continue to stem from a large number of smaller and medium-sized exposures rather than from a few large exposures.

Counterparty credit risk

Counterparty credit risk is the risk that Nordea’s counterpart in a FX, interest, commodity, equity or credit derivative contract defaults prior to the maturity of the contract and that Nordea at that time has a claim on the counterpart. Counterparty credit risk can also exist in repurchasing agreements and other securities financing transactions. The presettlement risk (current exposure and potential future exposure) at the end of 2013 was DKK 416m (DKK 142m), of which the current exposure net (after close-out and collateral reduction) represents DKK 23m. 100% of the presettlement risk was towards Financial institutions.

Nordea Bank Danmark Group
Impaired loans, allowances and ratios

DKKm	2013	2012
Gross impaired loans	27,431	28,042
of which performing	18,610	20,265
of which non-performing	8,821	7,777
Total allowance rate	1.6%	1.5%
Provisioning ratio	39.7%	37.2%

Nordea Bank Danmark Group
Net loan losses and loan loss ratios, bp

DKKm	2013	2012
Loan losses	2,694	4,264
Loan loss ratio	44.8	70.0
of which individual	41.3	77.7
of which collective	3.5	-7.7
Loan loss ratio, Retail Banking	42.2	59.9

Market risk

Market risk is defined as the risk of loss on NBD’s holdings and transactions as a result of changes in market rates and parameters that affect the market value, for example changes in interest rates, credit spreads, FX rates, equity prices, commodity prices and option volatilities.

Markets and Group Treasury are the key contributors to market risk in NBD. Markets are responsible for customer-driven trading activities whereas Group Treasury is responsible for funding activities, asset and liability management, liquidity portfolios and investment for NBD’s own account. For all other banking activities, the basic principle is that market risks

Nordea Bank Danmark Group
Consolidated market risk figures

DKKm	Measure	31 Dec 2013	2013 high	2013 low	2013 avg	31 Dec 2012
Total Risk	VaR	121.2	174.8	51.0	92.2	128.3
- Interest rate risk	VaR	122.2	168.8	23.5	78.1	105.9
- Equity risk	VaR	11.3	95.9	9.6	33.8	85.8
- Foreign exchange risk	VaR	9.2	14.2	5.1	7.3	5.2
Diversification effect (%)	VaR	16	42	12	24	35

are transferred to Group Treasury, where the risks are managed.

Measurement of market risk

NBD calculates VaR using historical simulation. This implies that the current portfolio is revaluated using the daily changes in market prices and parameters observed during the last 500 trading days, thus generating a distribution of 499 returns based on empirical data. From this distribution, the expected shortfall method is used to calculate a VaR figure, meaning that the VaR figure is based on the average of the worst outcomes from the distribution. The 1-day VaR figure is subsequently scaled to a 10-day figure using the "square-root of time" assumption. The 10-day VaR figure is used to limit and measure market risk at all levels both in the trading book and in the banking book.

Separate VaR figures are calculated for interest rate, credit spread, foreign exchange rate and equity risks. The total VaR includes all these risk categories and allows for diversification among them. The VaR figures include both linear positions and options. The model has been calibrated to generate a 99% VaR figure. This means that the 10-day VaR figure can be interpreted as the loss that will statistically be exceeded in one of hundred 10-day trading periods.

It is important to note that while a lot has been done to make the VaR model as realistic as possible, all VaR models are based on assumptions and approximations that have significant effect on the risk figures produced. While historical simulation has the advantage of not being dependent on a specific assumption regarding the distribution of returns, it should be noted that the historical observations of the market variables that are used as input, may not give an adequate description of the behaviour of these variables in the future. The choice of the time period used is also important. While using a longer time period may enhance the model's predictive properties and lead to reduced cyclicality, using a shorter time period increases the model's responsiveness to sudden changes in the volatility of financial markets. The choice of using the last 500 days of historical data has thus been made with the aim to strike a balance between the pros and cons from using longer or shorter time series in the calculation of VaR.

Market risk analysis

The consolidated market risk for NBD includes both the trading book and the banking book. The total VaR was DKK 121m at the end of 2013 (DKK 128m at the end of 2012). The main contributor to total VaR was interest rate risk. The diversification effect between different risk categories decreased.

The total interest rate VaR was DKK 122m (DKK 106m). The most significant part of NBD's interest rate risk stemmed from interest rate positions denominated in Danish kroner, US Dollar and Euro. The net interest rate sensitivity was DKK -44m (DKK -793m). The total gross sensitivity to a 1 percentage point parallel shift, which measures the development in the market value of NBD's interest rate sensitive positions if interest rates denominated in different currencies were to move in adverse directions for NBD, was DKK 115m (DKK 2,323m) at the end of 2013 (indicating decreased spread positions in NBD's portfolio between interest rates denominated in different currencies).

The fair value of the portfolio of illiquid alternative investments was DKK 3,516m (DKK 4,148m), of which private equity funds DKK 1,916, hedge funds DKK 875m and credit funds DKK 725m. All three types of investments are spread over a number of funds.

Operational risk

Operational risk is defined as the risk of direct or indirect loss, or damaged reputation, resulting from inadequate or failed internal processes, from people and systems, or from external events. Operational risk includes compliance risk which is the risk of business not being conducted according to legal and regulatory requirements, market standards and business ethics. Managing operational risk is part of the management's responsibilities. In order to manage these risks, a common set of standards and a sound risk management culture are aimed for with the objective to follow best practice regarding market conduct and ethical standards in all business activities. The key principle of operational risk in Nordea is the three lines of defence. The first line of defence is represented by the business organisation, which includes the risk and compliance officer network. The risk and compliance officers ensures that operational and compliance risk is managed effectively within the business organisation and consequently they are located in the first line of defence but performing second line of defence tasks. Group Operational Risk and Compliance, representing the second line of defence, has defined a common set of standards (Group Directives, processes and reporting) in order to manage these risks.

The key process for active risk management is the annual risk and control self-assessment process, which puts focus on identifying key risks as well as ensuring fulfilment of requirements specified in the group directives. Key risks are identified both through top-down division management involvement and through bottom-up analysis of result from control questions as well as existing information from processes such as incident reporting, scenario analyses, quality and risk analyses and product approvals. The timing of this process is synchronised with the annual planning process to be able to ensure adequate input to the Group's overall prioritisations.

Group Internal Audit, representing the third line of defence, provides assurance to the Board of Directors on the risk management, control and governance processes.

Liquidity management

Liquidity risk

Key Issues during 2013

During 2013 Nordea continued to benefit from its focus on prudent liquidity risk management, in terms of maintaining a diversified and strong funding base. Nordea had access to all relevant financial markets and was able to actively use all of its funding programmes.

Management principles and control

Group Treasury is responsible for pursuing the Group's liquidity strategy, managing the liquidity of the Group and for compliance with the group-wide limits set by the Group Board of Directors and the Risk Commitee. Furthermore Group Treasury develops the liquidity risk management frameworks, which consist of policies, instructions and guidelines for the whole Group as well as the principles for pricing the liquidity risk.

The Board of Directors of Nordea defines the liquidity risk appetite by setting limits for applied liquidity risk measures. The most central measure is survival horizon, which defines the risk appetite by setting the minimum survival of one month under institution-specific and marketwide stress scenarios with limited mitigation actions.

Liquidity risk management

Liquidity risk is the risk of being able to meet liquidity commitments only at increased cost or, ultimately, being unable to meet obligations as they fall due. Nordea's liquidity management and strategy is based on policy statements resulting in various liquidity risk measures, limits and organisational procedures.

Policy statements stipulate that Nordea's liquidity management reflects a conservative attitude towards liquidity risk. Nordea strives to diversify the Group's sources of funding and seeks to establish and maintain relationships with investors in order to ensure market access. The broad and diversified funding structure is reflected by the strong presence in Nordea's four domestic markets in the form of a strong and stable retail customer base and the variety of funding programmes. Funding programmes are both short-term (US commercial paper, European commercial paper, commercial paper, certificates of deposits) and long-term (covered bonds, European medium term notes, medium term notes) and cover a range of currencies.

Nordea's liquidity risk management includes stress testing and a business continuity plan for liquidity management. Stress testing is defined as the evaluation of potential effects on a bank's liquidity situation under a set of exceptional but plausible events. The stress testing framework includes survival horizon metrics (see below), which represent a combined liquidity risk scenario (idiosyncratic and market-wide stress).

Liquidity risk measurement methods

The liquidity risk management focuses on both short-term liquidity risk and long-term structural liquidity risk. In order to manage short-term funding positions, Nordea measures the funding gap risk, which expresses the expected maximum accumulated need for raising liquidity in the course of the next 30 days. Cash flows from both on-balance sheet and off-balance sheet items are included. The funding gap risk is measured and limited for each currency and as a total figure for all currencies combined. The total figure for all currencies combined is limited by the Board of Directors of Nordea. To ensure funding in situations where Nordea is in urgent need of cash and the normal funding sources do not suffice, Nordea holds a liquidity buffer. The buffer minimum level is set by the Board of Directors of Nordea. The liquidity buffer consists of central bank eligible high-grade liquid securities held by Group Treasury that can be sold or used as collateral in funding operations.

During 2011 the survival horizon metric was introduced. It is conceptually similar to Basel Liquidity Coverage Ratio. The metric is composed of liquidity buffer and funding gap risk cash flows, and includes expected behavioural cash flows from contingent liquidity drivers. Survival horizon defines the short-term liquidity risk appetite of the Group and expresses the excess liquidity after a 30-day period without access to market funding.

The Board of Directors of Nordea has set a limit for the minimum survival horizon without access to market funding during 30 days.

The structural liquidity risk of Nordea is measured and limited by the Board of Directors of Nordea through the net balance of stable funding, which is defined as the difference between stable liabilities and stable assets. These liabilities primarily comprise retail deposits, bank deposits and bonds with a remaining term to maturity of more than 12 months, as well as shareholders' equity, while stable assets primarily comprise retail loans, other loans with a remaining term to maturity longer than 12 months and committed facilities. The CEO in GEM has set as a target that the net balance of stable funding should be positive, which means that stable assets must be funded by stable liabilities.

Liquidity risk analysis
The short-term liquidity risk remained at moderate levels throughout 2013. The average funding gap risk, ie the average expected need for raising liquidity in the course of the next 30 days, was DKK 6bn (DKK 8bn). NBD's liquidity buffer was in the DKK 138-203bn (DKK 155-233bn) range throughout 2013 with an average of DKK 166bn (DKK 180bn). NBD's liquidity buffer is highly

Nordea Bank Danmark Group

SIIR Risk, Gap analysis, 31 Dec 2013
Re-pricing gap for increasing interest rates

Interest Rate Fixing Period DKKm	Balance sheet	Within 3 months	3-6 months	6-12 months	1-2 years	2-5 years	>5 years	Non re-pricing	Total
Assets									
Interest-bearing assets	774,554	376,095	33,172	42,390	50,655	119,555	152,214	474	774,555
Non-interest-bearing assets	51,646	-	-	-	-	-	-	51,646	51,646
Total assets	**826,200**	**376,095**	**33,172**	**42,390**	**50,655**	**119,555**	**152,214**	**52,120**	**826,200**
Liabilities									
Interest-bearing liabilities	748,143	265,571	36,178	44,925	70,776	77,110	96,449	157,134	748,143
Non-interest-bearing liabilities and equity	78,057	-	-	-	-	-	-	78,057	78,057
Total liabilities and equity	**826,200**	**265,571**	**36,178**	**44,925**	**70,776**	**77,110**	**96,449**	**235,191**	**826,200**
Off-balance sheet items, net		**88,944**	**-24,412**	**-14,132**	**-5,298**	**-34,741**	**-10,367**	**-**	
Exposure		**199,467**	**-27,418**	**-16,666**	**-25,419**	**7,703**	**45,399**	**-183,071**	
Cumulative exposure			**172,050**	**155,383**	**129,964**	**137,667**	**183,066**	**-**	

SIIR impact of increasing interest rates for the year 2013

Impact[1]	**1,745**	**-126**	**-42**
Cumulative SIIR impact	**0**	**1,620**	**1,578**

[1] Impact is calcated based on +100bps on exposure

liquid, consisting of only central bank eligible securities held by Group Treasury. The survival horizon was in DKK 115-199bn (84-209bn) range throughout 2013 with an average of DKK 170bn (DKK 135bn). The aim of always maintaining a positive net balance of stable funding was fully achieved throughout 2013. The yearly average for the net balance of stable funding was DKK 108bn (DKK 99bn).

Structural Interest Income Risk (SIIR)

Structural Interest Income Risk (SIIR) is the amount Nordea's accumulated net interest income would change in the next 12 months if all interest rates changed by one percentage-point. SIIR reflects the mismatch in the balance sheet items and the off-balance-sheet items when the interest rate repricing periods, volumes or reference rates of assets, liabilities and derivatives do not correspond exactly.

Nordea's SIIR management is based on policy statements resulting in different SIIR measures and organisational procedures. Policy statements focus on optimising financial structure, balanced risk taking and reliable earnings growth, identification of all significant sources of SIIR, measurement under stressful market conditions and adequate public information. Group Treasury is responsible for the operational management of SIIR.

SIIR measurement methods

Nordea's SIIR is measured through dynamic simulations by calculating several net interest income scenarios and comparing the difference between these scenarios. Several interest rate scenarios are applied, but the basic measures for SIIR are the two scenarios (increasing rates and decreasing rates) measuring the effect on Nordea's net interest income for a 12-month period of a one percentage point increase, respectively decrease, in all interest rates. The balance sheet is assumed to be constant over time. The main elements of customer behaviour and Nordea's decisionmaking process concerning Nordea's own rates are, however, taken into account.

SIIR analysis

At the end of the year, the SIIR for increasing rates was DKK 1,578m (DKK 1,239m) and the SIIR for decreasing market rates was DKK -581m (DKK -313m) for NBD. These figures imply that net interest income would increase if interest rates rise and decrease if interest rates fall.

Capital management

Capital management

Nordea strives to be efficient in its use of capital and therefore actively manages its balance sheet with respect to assets, liabilities and risk. The goal is to enhance returns to the shareholder while maintaining a prudent capital structure.

Individual solvency need

Information regarding the individual solvency need for the NBD Group and NBD A/S can be found at the investor relation webpage at www.nordea.com

Capital governance

The Board of Directors of Nordea decides ultimately on the targets for capital ratios and the capital policy of Nordea, while the CEO in GEM decides on the overall framework of capital management.

The ability to meet targets and to maintain minimum capital requirements is reviewed regularly within ALCO and the Risk Committee.

The capital requirement and the capital base described in this section follow the Capital Requirements Directive (CRD) rules and not accounting standards, see note G36 for further details.

Minimum capital requirements

Risk-weighted assets (RWA) are calculated in accordance with requirements in the CRD. NBD had 84% (86%) of the exposure covered by Internal Rating Based (IRB) approaches by the end of 2013. Beginning of January 2014 Nordea has been approved to use Advanced Internal Rating Based (AIRB) for corporate portfolio.

NBD is approved to use its own internal Value-at-Risk (VaR) models to calculate capital requirements for a significant part of the market risk in the trading books.

For operational risk, the standardised approach is applied.

Internal capital assessment

Nordea bases the internal capital requirements under the Internal Capital Adequacy Assessment Process (ICAAP) on risks defined by CRD and risks internally defined under Pillaer II. The following major risk types are included in the internal capital requirement: credit risk, market risk, operational risk and business risk. Additionally, interest rate risk in the banking book, risk in Nordea's sponsored defined benefit pension plans, real estate risk and concentration risk are explicitly accounted for.

In addition to calculating risk capital for its various risk types, Nordea conducts a comprehensive capital adequacy stress test to analyse the effects of a series of global and local shock scenarios. The results of stress testing are considered, along with potential management intervention in Nordea's internal capital requirement, as buffers for economic stress. The internal capital requirement is a key component of Nordea's capital ratio target setting.

The ICAAP describes Nordea's management, mitigation and measurement of material risks and assesses the adequacy of internal capital by defining an internal capital requirement reflecting the risk of the institution.

CRD IV and CRR

The CRD IV/CRR is intended to set a single rule book for all banks in all EU Member States in order to avoid divergent national rules. The CRD IV/CRR includes several key initiatives, which change the current requirements. The regulation requires higher and better quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirement, measures to promote the build-up of capital that can be drawn down in periods of stress, and the introduction of liquidity standards.

The CRD IV/CRR requires banks to comply with the following minimum capital ratios.

- Common equity tier 1 (CET1) capital ratio of 4.5%
- Tier 1 capital ratio of 6%
- Total capital ratio of 8%

The CRD IV also introduces a number of additional capital buffers. All buffers are to be expressed in relation to RWA and to be covered by CET1. The buffers are a capital conservation buffer of 2.5% and a countercyclical capital buffer in the range 0-2.5%. Breaching of these buffer requirements will restrict banks' capital distribution, such as dividend.

RWA will also be affected by additional requirements for counterparty credit risk.

CRD IV/CRR introduces two new quantitative liquidity standards; liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). LCR requires that a bank hold liquidity buffers which are adequate to face stressed conditions over a period of 30 days while NSFR requires that a bank shall ensure that long term obligations are adequately funded. LCR is expected to be phased in from January 2015 while NSFR might be introduced by January 2018.

Economic Capital (EC)

Nordea's Economic Capital model is based on the same risk components as the ICAAP. EC is calculated for the conglomerate whereas the ICAAP, which is governed by the CRD, covers only the financial group. EC was during 2013 further aligned to core tier 1 capitalisation requirements anticipated in forthcoming regulation.

Economic Capital for NBD was at the end of 2013 DKK 33.6bn (DKK 36.6bn as of 2012, restated).

Capital adequacy ratios

Group

DKKbn	31 Dec 2013	31 Dec 2012
RWA Basel II (Pillar 1) excluding transition rules	258	280
RWA including transition rules	387	404
Regulatory capital requirement including transition rules	31	32
Tier 1 capital	36	34
Capital base	53	51
Core tier 1 ratio excluding transition rules (%)	14.0	12.1
Tier 1 ratio excluding transition rules (%)	14.0	12.1
Total capital ratio excluding transition rules (%)	20.5	18.2
Capital base / Regulatory capital requirement excluding transition rules (%)	256.5	226.9

Parent company

DKKbn	31 Dec 2013	31 Dec 2012
RWA Basel II (Pillar 1) excluding transition rules	248	266
RWA including transition rules	325	341
Regulatory capital requirement including transition rules	26	27
Tier 1 capital	36	34
Capital base	54	51
Core tier 1 ratio excluding transition rules (%)	14.5	12.6
Tier 1 ratio excluding transition rules (%)	14.5	12.6
Total capital ratio excluding transition rules (%)	21.6	19.2
Capital base / Regulatory capital requirement excluding transition rules (%)	270.4	240.3

Capital base
Capital base (referred to as own funds in the CRD) is the sum of tier 1 capital and tier 2 capital after deductions.

Tier 1 capital is defined as capital of the same or close to the character of paid-up, capital-eligible reserves and a limited portion of hybrid capital loan (perpetual loans) instruments (maximum up to 50% of tier 1). Profit may only be included after deduction of proposed dividend. Goodwill and deferred tax assets, IRB shortfall as well as investment in credit institutions are deducted from tier 1 and tier 2 (50%/50%).

Tier 2 comprises dated subordinated loans. The total tier 2 amount may not exceed tier 1. The limits are set after deductions, i.e. investments in credit institutions.

Further information
Further information on capital management and capital adequacy is presented in Note G36 Capital adequacy and in the Capital and Risk Management report at www.nordea.com.

Corporate Social Responsibility

Nordea issues a Corporate Social Responsibility (CSR) report for 2013 based on the United Nations Principles for Responsible Investments. The report serves as Nordea's annual Progress Report to the United Nations Global Compact and includes NBD.

The CSR report is available on nordea.com/csr.

Balanced gender composition

The Board of Directors' split of men and women complies with the requirements of the Danish Financial Business Act regarding balanced gender composition as the Board of Directors consists of three men and two women.

In 2013 the Nordea Group Board approved a policy to promote gender balance. The Board of Directors of NBD has endorsed the policy. According to the policy, Nordea strives to secure that the right person is employed for the right job at the right time, while ensuring the right mix of competencies needed, including an appropriate gender composition in leading positions.

To ensure focus on a balanced gender composition, Nordea is relying on its Recruitment Policy and People Processes, continuously reviewing them to identify improvement areas, and launches new initiatives when deemed necessary. HR initiatives to support an equal gender composition in leading positions include, but are not limited to, diversity efforts to identify barriers preventing female employees from taking on leading positions.

Nordea publishes on a regular basis a follow-up on the diversity measures by including selected information in its CSR report with regard to social data and diversity. For further information, see nordea.com/csr.

Corporate governance

Nordea Bank AB (publ) complies with the Swedish Corporate Governance Code. Information on corporate governance including Corporate Social Responsibility (CSR) in the Nordea Group is available on nordea.com.

The Danish Bankers Association recommends that its member companies consider all the recommendations from the Danish Committee on Corporate Governance by applying the "comply or explain" approach. The recommendations are aimed at Danish companies with shares admitted to trading on a regulated market. As NBD is a wholly-owned subsidiary of Nordea Bank AB (publ) and has not issued any listed securities, the Danish recommendations on corporate governance are not aimed at NBD. However, NBD in all material respects complies with the recommendations relevant to a bank with one shareholder and which is thereby a subsidiary in a major group. It should be noted that there are areas where the legislation applicable to financial institutions in all material respects regulates the same matters. The Danish Bankers Association has moreover prepared a further 12 recommendations on corporate governance in financial institutions. NBD complies with these recommendations.

For further information see nordea.dk

Human resources

Working at Nordea is working at a relationship bank in which everybody is responsible for supporting great customer experiences. It is our skilled and dedicated employees that make us stand out from our competitors and make Nordea Great. This is why attracting, developing and maintaining highly motivated people are among our main priorities.

People Strategy

Our People Strategy is based on our values and the needs of our business to achieve the ambitious goal of building the future relationship bank. The People Strategy emphasises that Nordea can reach its goals only if its employees reach theirs, which is why we provide opportunities for our people to develop and live well-balanced lives. Teamwork is an integral part of working at Nordea and a key to our success.

Great leaders build the right team

Our values are incorporated into all our people processes, our training and everyday leadership, and are the foundation for our leadership competencies. Our values and leadership are the strongest drivers for both performance and building our corporate culture. It takes great leaders to build a Great European bank. Great leadership at Nordea is the ability to engage and motivate people to reach out for our vision, and the ability to create the right team to make it happen.

Competence development is crucial for our business. At Nordea, we believe that performance provides the opportunity to learn, and learning provides the capability to perform. Nordea provides group-wide leadership and employee development. The business areas provide training in specific skills and knowledge developed for ensuring common competence in a market area. Development is the joint responsibility of the manager and the employee.

A company with many possibilities

Mobility is key to competence development. We advertise our vacancies internally and strive to find candidates among our colleagues. One way to learn about jobs and competence needs within the Group is to join our career days, which are run on a country basis. Nordea's Graduate Programme plays an important role in bringing new talents into the bank. The programme is in high demand, and hence a measure of our ability to attract some of the best young talents.

Remuneration

Nordea offers competitive, but not market-leading compensation packages. Nordea has a total remuneration approach to compensation that recognises the importance of well-balanced but varied remuneration structures based on business and local market needs, and of compensation being consistent with and promoting sound and effective risk management, and not encouraging excessive risk-taking or counteracting Nordea's long-term interests.

Nordea remuneration components – purpose and eligibility

Fixed Salary remunerates employees for full satisfactory performance. The individual salary is based on three cornerstones: job complexity and responsibility, performance and local market conditions.

Profit Sharing aims to stimulate value creation for the customers and shareholders and is offered to all employees. The performance criteria for the 2013 programme reflect Nordea's long-term targets: return on equity (ROE) and customer satisfaction.

Variable Salary Part (VSP) is offered to selected managers and specialists to reward strong performance. Individual performance is assessed based on a predetermined set of well-defined financial and non-financial success criteria, including Nordea Group criteria.

Bonus scheme is offered only to selected groups of employees in specific business areas or units. The aim is to ensure strong performance and maintain cost flexibility for Nordea. Assessment of individual performance will be based on a predetermined set of well-defined financial and non-financial success criteria, including Nordea Group criteria.

One Time Payment (OTP) can be granted to employees in the event of extraordinary performance that exceeds requirements or expectations, or in connection with temporary project work.

Executive Incentive Programme (EIP) may be offered to recruit, motivate and retain selected managers and key employees and aims to reward strong performance and efforts. The EIP contains predefined financial and non-financial performance criteria at group, BA/GF/division and unit/individual level. The group performance criteria for EIP 2013 are Nordea's internal version of ROE being risk adjusted return on capital at risk (RAROCAR), operating profit and Customer Satisfaction Index (CSI).

Legal proceedings

Within the framework of the normal business operations, the Group faces a number of claims in lawsuits and other disputes, most of which involve relatively limited amounts. None of these disputes are considered likely to have any significant adverse effect on the Group or its financial position.

Changes on the Board of Directors

The Executive Management and the Board of Directors of NBD were changed when CEO Michael Rasmussen left NBD in March 2013. Anders Jensen was appointed CEO. Jørgen Høholt, Head of Corporate & Institutional Banking in NBD, joined the Executive Management. Peter Nyegaard was appointed member of the Board of Directors and resigned from the Executive Management. The Board of Directors appointed Peter Nyegaard as chairman. After the change the Executive Management consists of Anders Jensen, Peter Lybecker and Jørgen Høholt. The Board of Directors consists of Peter Nyegaard, Torsten Hagen Jørgensen, Gunn Wærsted, Ari Kaperi and Anne Rømer.

Subsequent events

No events have occurred after the balance sheet date which may affect the assessment of the annual financial statements.

Outlook for 2014

Despite macroeconomic challenges NBD achieved increased income, lower costs, a stronger capital position and an improved profit before loan losses in 2013.

Although activity has picked up somewhat during 2013, growth is still subdued and NBD now foresee a prolonged period of low-growth environment with lower than normal interest rates. As a consequence NBD accelerate and expand the existing cost efficiency programme. This will enable NBD to adjust the capacity to the lower activity level and to maintain our position as a strong bank.

Financial statements, Group – Contents

Income statement, Group

DKKm	Note	2013	2012
Operating income			
Interest income		22,913	24,431
Interest expense		-11,204	-12,963
Net interest income	G2	**11,709**	**11,468**
Fee and commission income		5,447	5,026
Fee and commission expense		-530	-499
Net fee and commission income	G3	**4,917**	**4,527**
Net result from items at fair value	G4	289	119
Profit from companies accounted for under the equity method	G17	196	155
Other operating income	G5	317	353
Total operating income		**17,428**	**16,622**
Operating expenses			
General administrative expenses:			
Staff costs	G6	-5,573	-5,890
Other expenses	G7	-4,040	-3,929
Depreciation, amortisation and impairment charges of tangible and intangible assets	G8, G18, G19	-397	-451
Other operating expenses		-62	-52
Total operating expenses		**-10,072**	**-10,322**
Profit before loan losses		**7,356**	**6,300**
Net loan losses	G9	-2,694	-4,264
Operating profit		**4,662**	**2,036**
Income tax expense	G10	-998	-522
Net profit for the year		**3,664**	**1,514**
Attributable to			
Shareholder of Nordea Bank Danmark A/S		3,664	1,514
Non-controlling interests		-	-
Total		**3,664**	**1,514**

Statement of comprehensive income

DKKm	2013	2012
Net profit for the year	**3,664**	**1,514**
Items that may be reclassified subsequently to the income statement		
Currency translation differences during the year	-1	3
Available-for-sale investments:		
Valuation gains/losses during the year	150	-17
Tax on valuation gains/losses during the year	-37	4
Items that may not be reclassified subsequently to the income statement		
Defined benefit plans:		
Remeasurement of defined benefit plans	-20	139
Tax on remeasurement of defined benefit plans	2	-35
Other comprehensive income, net of tax	**94**	**94**
Total comprehensive income	**3,758**	**1,608**
Attributable to		
Shareholder of Nordea Bank Danmark A/S	3,758	1,608
Non-controlling interests	-	-
Total	**3,758**	**1,608**

Balance sheet, Group

DKKm	Note	31 Dec 2013	31 Dec 2012	1 Jan 2012
Assets				
Cash and demand balances with central banks		15,859	32,390	7,863
Loans to central banks	G11	68,009	44,811	54,126
Loans to credit institutions	G11	11,525	13,063	30,024
Loans to the public	G11, G20	600,863	608,940	607,082
Interest-bearing securities	G12	77,749	61,802	85,799
Financial instruments pledged as collateral	G13	550	5,827	12,928
Shares	G14	29,348	25,358	14,116
Derivatives	G15	543	3,066	4,272
Fair value changes of the hedged items in portfolio hedge of interest rate risk	G16	282	501	423
Investments in associated undertakings	G17	1,004	967	909
Intangible assets	G18	2,768	2,925	3,040
Property and equipment	G19	746	697	763
Investment property	G21	121	151	342
Deferred tax assets	G10	79	86	116
Current tax assets	G10	-	129	101
Retirement benefit assets	G30	126	136	10
Other assets	G22	14,671	16,004	9,490
Prepaid expenses and accrued income	G23	1,956	1,709	1,909
Total assets		**826,200**	**818,562**	**833,313**
Liabilities				
Deposits by credit institutions	G24	111,944	118,541	145,349
Deposits and borrowings from the public	G25	312,642	319,220	313,122
Debt securities in issue	G26	305,468	287,205	272,972
Derivatives	G15	2,171	3,874	7,922
Fair value changes of the hedged items in portfolio hedge of intrest rate risk	G16	85	212	180
Current tax liabilities	G10	217	201	199
Other liabilities	G27	27,572	26,571	33,831
Accrued expenses and prepaid income	G28	6,155	6,154	6,300
Deferred tax liabilities	G10	747	917	804
Provisions	G29	269	512	655
Retirement benefit liabilities	G30	16	21	30
Subordinated liabilities	G31	18,089	18,093	20,258
Total liabilities		**785,374**	**781,521**	**801,622**
Equity				
Non-controlling interests		10	10	10
Share capital		5,000	5,000	5,000
Other reserves		222	122	28
Proposed dividends		1,750	-	-
Retained earnings		33,844	31,909	26,653
Total equity		**40,826**	**37,041**	**31,691**
Total liabilities and equity		**826,200**	**818,562**	**833,313**
Assets pledged as security for own liabilities	G32	368,319	370,310	363,582
Other assets pledged	G33	-	-	-
Contingent liabilities	G34	27,674	26,378	28,187
Credit commitments[1]	G35	175,266	179,642	180,215
Other commitments	G35	-	-	-

[1] Including unutilised portion of approved overdraft facilities of DKK 136,406m (DKK 142,945m).

Statement of changes in equity, Group

	Attributable to the shareholder of Nordea Bank Danmark A/S								
		Other reserves							
DKKm	Share capital	Translation of foreign operations	Available-for-sale invest-ments	Defined benefit plans	Proposed dividends[1]	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 Jan 2013	**5,000**	**6**	**12**	**104**	**-**	**31,909**	**37,031**	**10**	**37,041**
Net profit for the year	-	-	-	-	-	3,664	3,664	-	3,664
Items that may be reclassified subsequently to the income statement									
Currency translation differences during the year	-	-1	-	-	-	-	-1	-	-1
Available-for-sale investments:									
Valuation gains/losses during the year	-	-	150	-	-	-	150	-	150
Tax on valuation gains/losses during the year	-	-	-37	-	-	-	-37	-	-37
Items that may not be reclassified subsequently to the income statement									
Defined benefit plans:									
Remeasurement of defined benefit plans	-	-	-	-20	-	-	-20	-	-20
Tax on remeasurement of defined benefit plans	-	-	-	8	-	-6	2	-	2
Other comprehensive income, net of tax	**-**	**-1**	**113**	**-12**	**-**	**-6**	**94**	**-**	**94**
Total comprehensive income	**-**	**-1**	**113**	**-12**	**-**	**3,658**	**3,758**	**-**	**3,758**
Share-based payments	-	-	-	-	-	27	27	-	27
Dividends paid	-	-	-	-	-	-	-	-	-
Proposed dividends	-	-	-	-	1,750	-1,750	-	-	-
Balance at 31 Dec 2013	**5,000**	**5**	**125**	**92**	**1,750**	**33,844**	**40,816**	**10**	**40,826**

Statement of changes in equity, Group

	Attributable to the shareholder of Nordea Bank Danmark A/S								
		Other reserves							
DKKm	Share capital	Translation of foreign operations	Available-for-sale invest-ments	Defined benefit plans	Proposed dividends[1]	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 Jan 2012	**5,000**	**3**	**25**	**-**	**-**	**26,816**	**31,844**	**10**	**31,854**
Restatement due to changed accounting policy[3]	-	-	-	-	-	-163	-163	-	-163
Restated opening balance at 1 Jan 2012	**5,000**	**3**	**25**	**-**	**-**	**26,653**	**31,681**	**10**	**31,691**
Net profit for the year	-	-	-	-	-	1,514	1,514	-	1,514
Items that may be reclassified subsequently to the income statement									
Currency translation differences during the year	-	3	-	-	-	-	3	-	3
Available-for-sale investments:									
Valuation gains/losses during the year	-	-	-17	-	-	-	-17	-	-17
Tax on valuation gains/losses during the year	-	-	4	-	-	-	4	-	4
Items that may not be reclassified subsequently to the income statement									
Defined benefit plans:									
Remeasurement of defined benefit plans	-	-	-	139	-	-	139	-	139
Tax on remeasurement of defined benefit plans	-	-	-	-35	-	-	-35	-	-35
Other comprehensive income, net of tax	**-**	**3**	**-13**	**104**	**-**	**-**	**94**	**-**	**94**
Total comprehensive income	**-**	**3**	**-13**	**104**	**-**	**1,514**	**1,608**	**-**	**1,608**
Capital contribution[2]	-	-	-	-	-	3,725	3,725	-	3,725
Share-based payments	-	-	-	-	-	17	17	-	17
Dividends paid	-	-	-	-	-	-	-	-	-
Proposed dividends	-	-	-	-	-	-	-	-	-
Balance at 31 Dec 2012	**5,000**	**6**	**12**	**104**	**-**	**31,909**	**37,031**	**10**	**37,041**

[1] The proposed divident payment of DKK 1,750m (DKK 0) is equivalent to DKK 35 (DKK 0) per share.
[2] Capital contribution made by Nordea Bank AB (publ) on 21 December 2012.
[3] Related to the amended IAS 19. See Note 1 for more information.

See statement of changes in equity, parent company at page 105 regarding share capital etc.

Reporting to the Danish Financial Supervisory Authority

	Result		Equity	
DKKm	2013	2012	31 Dec 2013	31 Dec 2012
Annual report according to IFRS	**3,664**	**1,514**	**40,826**	**37,041**
- Non-controlling interests[1]	-	-	1,255	1,255
- Fair value adjustment of owner occupied property	-	-	20	20
- Financial assets available for sale net of tax	113	-13	-	-
Reported to the Danish FSA	**3,777**	**1,501**	**42,101**	**38,315**

[1] Non-controlling interests relate to a restricted reserve in an associated undertaking.

Cash flow statement, Group

DKKm	2013	2012
Operating activities		
Operating profit	4,662	2,036
Adjustments for items not included in cash flow	3,212	4,738
Income taxes paid	-1,009	-490
Cash flow from operating activities before changes in operating assets and liabilities	**6,865**	**6,284**
Changes in operating assets		
Change in loans to central banks and credit institutions	7,341	25,642
Change in loans to the public	5,251	-6,150
Change in interest-bearing securities	-15,947	23,997
Change in financial assets pledged as collateral	5,277	7,101
Change in shares	-3,990	-11,242
Change in derivatives, net	820	-2,842
Change in investment properties	30	191
Change in other assets	1,305	-6,392
Changes in operating liabilities		
Change in deposits by credit institutions	-6,597	-26,808
Change in deposits and borrowings from the public	-6,578	6,098
Change in debt securities in issue	18,262	14,233
Change in other liabilities	875	-7,374
Change in provisions	-111	-115
Cash flow from operating activities	**5,938**	**16,339**
Investing activities		
Acquisition of investments in associated undertakings	-58	-20
Sale of investments in associated undertakings	19	-
Acquisition of property and equipment	-226	-118
Sale of property and equipment	20	14
Acquisition of intangible assets	-83	-166
Sale of intangible assets	-	-
Cash flow from investing activities	**-328**	**-290**
Financing activities		
Issued/redeemed/amortised subordinated liabilities	-4	-2,165
Capital contribution	-	3,725
Dividend paid	-	-
Cash flow from financing activities	**-4**	**1,560**
Cash flow for the year	**12,471**	**23,893**
Cash and cash equivalents at the beginning of year	77,933	54,040
Cash and cash equivalents at the end of year	90,404	77,933
Change	**12,471**	**23,893**

Comments on the cash flow statement
The cash flow statement has been prepared in accordance with IAS 7. The cash flow statement shows inflows and outflows of cash and cash equivalents during the year. NBD's cash flow statement has been prepared in accordance with the indirect method, whereby operating profit is adjusted for effects of non-cash transactions such as depreciation and loan losses. The cash flows are classified by operating, investing and financing activities.

Operating activities
Operating activities are the principal revenue-producing activities and cash flows are mainly derived from the operating profit for the year with adjustment for items not included in cash flow and income taxes paid. Adjustment for non-cash items includes:

DKKm	2013	2012
Depreciation	383	385
Impairment charges	14	66
Loan losses	2,694	4,264
Change in provisions	5	-135
Profit from associated and group undertakings net of deducted dividends	3	-38
Other	114	196
Total	**3,212**	**4,738**

Changes in operating assets and liabilities consist of assets and liabilities that are part of normal business activities, such as loans, deposits and debt securities in issue. Changes in derivatives are reported net.

Cash flow from operating activities includes interest payments received and interest expenses paid with the following amounts:

DKKm	2013	2012
Interest payments received	22,902	24,641
Interest expenses paid	-11,391	-13,357

Investing activities
Investing activities include acquisitions and disposals of non-current assets, like property and equipment, intangible and financial assets.

Financing activities
Financing activities are activities that result in changes in equity and subordinated liabilities, such as new issues of shares, dividends and issued/redeemed/amortised subordinated liabilities.

Cash and cash equivalents
The following items are included in cash and cash equivalents assets:

DKKm	31 Dec 2013	31 Dec 2012
Cash and balances with central banks	83,750	73,891
Loans to credit institutions, payable on demand	6,654	4,042
Total	**90,404**	**77,933**

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks and postal giro systems under government authority, where the following conditions are fulfilled;
- the central bank or the postal giro system is domiciled in the country where the institution is established
- the balance on the account is readily available any time.

Loans to credit institutions, payable on demand include liquid assets not represented by bonds or other interest-bearing securities.

5-year overview, Group

Income statement (DKKm)	2013	2012	2011	2010	2009
Net interest income	11,709	11,468	11,131	11,641	11,395
Net fee and commission income	4,917	4,527	4,236	4,029	3,609
Net result from items at fair value	289	119	38	1,628	1,888
Profit form companies accounted for under the equity method	196	155	103	219	250
Other income	317	353	582	774	630
Total operating income	**17,428**	**16,622**	**16,090**	**18,291**	**17,772**
General administrative expenses:					
Staff costs	-5,573	-5,890	-6,427	-6,001	-5,978
Other expenses	-4,040	-3,929	-3,352	-3,086	-2,979
Depreciation, amortisation and impairment charges of tangible and intangible assets	-397	-451	-269	-235	-159
Other operating expenses	-62	-52	-432	-1,013	-1,342
Total operating expenses	**-10,072**	**-10,322**	**-10,480**	**-10,335**	**-10,458**
Profit before loan losses	**7,356**	**6,300**	**5,610**	**7,956**	**7,314**
Net loan losses	-2,694	-4,264	-2,761	-3,399	-5,113
Operating profit	**4,662**	**2,036**	**2,849**	**4,557**	**2,201**
Income tax expense	-998	-522	-661	-1,077	-751
Net profit for the year	**3,664**	**1,514**	**2,188**	**3,480**	**1,450**

Balance sheet (DKKm)[3]	2013	2012	2011	2010	2009
Interest-bearing securities	77,749	61,802	85,799	128,754	106,404
Loans to central banks and credit institutions	79,534	57,874	84,150	77,898	97,826
Loans to the public	600,863	608,940	607,082	679,315	669,735
Other assets	68,054	89,946	56,499	83,135	135,680
Total assets	**826,200**	**818,562**	**833,530**	**969,102**	**1,009,645**
Deposits by credit institutions	111,944	118,541	145,349	239,805	322,816
Deposits and borrowings from the public	312,642	319,220	313,122	346,942	323,894
Debt securities in issue	305,468	287,205	272,972	253,822	233,179
Subordinated liabilities	18,089	18,093	20,258	9,504	9,488
Other liabilities	37,231	38,462	49,975	86,047	90,047
Equity	40,826	37,041	31,854	32,982	30,221
Total liabilities and equity	**826,200**	**818,562**	**833,530**	**969,102**	**1,009,645**

Ratios and key figures	2013	2012	2011	2010	2009
Return on equity, %[4]	9.4	4.4	6.8	11.0	4.8
Cost/income ratio	58	62	65	57	59
Tier 1 capital ratio[1]	14.0	12.1	10.1	8.9	8.9
Total capital ratio[1]	20.5	18.2	17.0	11.9	12.0
Total capital ratio including subordinated loan[1, 2]	20.5	18.2	17.0	15.4	12.0
Tier 1 capital[1], DKKm	36,064	34,009	29,312	27,621	27,885
Risk-weighted assets[1], DKKbn	258	280	289	310	312
Loan loss ratio, basis points	44.8	70.0	45.5	50.0	76.3
Number of employees (full-time equivalents)[1]	6,440	6,584	7,885	7,968	7,964
Average number of employees	6,538	7,091	8,036	7,949	7,785

1 End of year.
2 Total capital ratio for 2010 includes a subordinated loan of EUR 1.45bn (tier 2 capital) issued in February 2011.
3 2012-2009 restated due to change in recognition of interest-bearing securities in forward transactions, see Note G1.
4 2012 (but not 2009-2011) restated due to the amendment to IAS 19, see Note G1.

The Danish Financial Supervisory Authority's ratio system is shown in note G45.

Business definitions

These definitions apply to the descriptions in the Annual Report.

Return on equity
Net profit for the year excluding non-controlling interests as a percentage of average equity for the year. Average equity including net profit for the year and dividend until paid, non-controlling interests excluded.

Tier 1 capital
The proportion of the capital base, which includes shareholders' equity excluding proposed dividend, deferred tax assets, intangible assets and half of the expected shortfall deduction – the negative difference between expected losses and recognised provisions. Subsequent to the approval of the supervisory authorities, tier 1 capital also includes qualified forms of subordinated loans (tier 1 capital contributions and hybrid capital loans). The core tier 1 capital constitutes the tier 1 capital excluding hybrid capital loans.

Capital base
The capital base includes the sum of the tier 1 capital and the supplementary capital consisting of subordinated loans, after deduction for expected shortfall.

Risk-weighted assets
Total assets and off-balance sheet items valued on the basis of the credit and market risks as well as operational risks of the Group's undertakings, in accordance with regulations governing capital adequacy, excluding carrying amount of shares, intangible assets and deferred tax, which have been deducted from the capital base.

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

Total capital ratio
Capital base as a percentage of risk-weighted assets.

Loan loss ratio
Net loan losses divided by closing balance of loans to the public (lending).

Impairment rate, gross
Individually assessed impaired loans before allowances divided by total loans before allowances.

Impairment rate, net
Individually assessed impaired loans after allowances divided by total loans before allowances.

Total allowance rate
Total allowances divided by total loans before allowances.

Allowances in relation to impaired loans
Allowances for individually assessed impaired loans divided by individually assessed impaired loans before allowances.

Total allowances in relation to impaired loans (provisioning ratio)
Total allowances divided by total impaired loans before allowances.

Non-performing, not impaired
Non-performing, not impaired due to future cash flows (included in Loans, not impaired).

Cost/income ratio
Total operating expenses divided by total operating income.

Notes to the financial statements

Note G1
Accounting policies

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1. Basis for presentation

The consolidated annual report for NBD Group are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of such standards by the International Financial Reporting Standards Interpretations Committee (IFRS IC), as endorsed by the EU Commission and additional Danish disclosure requirements.

The disclosures, required in the standards, recommendations and legislation above, have been included in the notes, the Risk, Liquidity and Capital management section or in other parts of the "Financial statements".

On 5 February 2014 the Board of Directors approved the annual report, subject to final approval of the Annual General Meeting on 18 March 2014.

The annual report are prepared in Danish millions Kroner (DKKm), the presentation currency of the parent company Nordea Bank Danmark A/S.

2. Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2012 Annual Report, except for the change to the basis for recognition of actuarial gains/losses on defined benefit pension plans and the changed presentation of interest-bearing securities in forward transactions. These changes are further described below.

The new standard IFRS 13 "Fair Value Measurement" which was implemented 1 January 2013 has not had significant impact on the measurement of assets and liabilities in NBD. IFRS 13 clarifies how to measure fair value but does not change the requirements regarding which items should be measured at fair value. In addition IFRS 13 requires additional disclosures about fair value measurements. The additional disclosures required by IFRS 13 are presented in Note G38 "Assets and liabilities at fair value".

IAS 32 "Financial Instruments: Presentation" and IFRS 7 "Financial Instruments: Disclosures" have been amended as regards offsetting of financial assets and financial liabilities. NBD implemented these changes in 2013 (IAS 32 early adopted). The amendments intend to clarify the criteria for offsetting financial assets and financial liabilities and to add disclosures. NBD's principles for offsetting are already in accordance with the clarified requirements and therefore there was no impact from the amendments in IAS 32. The additional disclosures required by IFRS 7 are presented in Note G39 "Financial instruments set off on the balance sheet or subject to netting agreements".

In 2013 the IASB published a narrow scope amendment to IAS 39 "Financial Instruments: Recognition and Measurement". NBD implemented these changes in 2013 (early adopted). The amendment allows hedge accounting to be continued if a derivative designated as a hedging instrument is replaced with a new hedging instrument, where a clearing party replaces the original counterparty, as a consequence of laws or regulations. The amendment has not had any significant impact on the financial statements in NBD.

IAS 19 "Employee Benefits"

The amended IAS 19 "Employee Benefits" was implemented 1 January 2013.

The amended standard has had an impact on the financial statements related to defined benefit pension plans. The amended IAS 19 states that actuarial gains/losses shall be recognised immediately in equity through other comprehensive income, which leads to higher volatility in equity compared to the earlier so called "corridor approach". Consequently no actuarial gains/losses are recognised in the income statement, compared with the earlier rules where actuarial gains/losses outside the corridor were amortised through the income statement. The amended IAS 19 furthermore states that the expected return on plan assets shall be recognised using a return rate equal to the discount rate used when measuring the pension obligation. Any difference between the actual return and the expected return is a part of the actuarial gains/losses recognised immediately in equity through other comprehensive income without recycling to the income statement.

The comparative figures on the balance sheet have been restated accordingly and are disclosed in the below table. The impact on the comparative figures in the income statement was not significant and the income statement has therefore not been restated.

DKKm	31 Dec 2012 New policy	31 Dec 2012 Old policy	1 Jan 2012 New policy	1 Jan 2012 Old policy
Retirement benefit assets	136	215	10	227
Deferred tax liabilities	917	937	804	858
Other reserves[1]	122	18	28	28
Retained earnings	31,909	32,072	26,653	26,816

[1] Impact through "Other comprehensive income". The direct impact from defined benefit plans was DKK 104m at 31 December 2012.

At transition the 1 January 2013 the negative impact on equity was DKK 59m, after income tax (DKK 79m before income tax). As actuarial losses were included in the capital adequacy at 31 December 2012, the amendments did not have any impact on capital adequacy.

See Note G30 "Retirement benefit assets and obligations", for more information on defined benefit pension plans.

Forward transactions on interest-bearing securities
Previously, interest-bearing securities in forward transactions were recognised and derecognised three days before settlement date with a corresponding settlement amount on other liabilities and other assets, respectively. As from 2013 interest-bearing securities in forward transactions are recognised/derecognised in the balance sheet at settlement date. The reason behind the change is that the timing of recognition and derecognition of bonds is better aligned and the new principle thus gives a more true and fair picture of the financial position. The comparable figures in the balance sheet has been restated accordingly and are disclosed in the below table.

DKKm	31 Dec 2012 New policy	31 Dec 2012 Old policy	1 Jan 2012 New policy	1 Jan 2012 Old policy
Interest-bearing securities	61,802	82,249	85,799	100,557
Other assets	16,004	22,110	9,490	63,126
Other liabilities	26,571	49,904	33,831	87,940
Debt securities in issue	287,205	290,425	272,972	287,257

The change in recognition of interest-bearing securities did not have any significant impact on capital adequacy.

3. Relevant changes in IFRSs not yet applied by NBD

IFRS 9 "Financial Instruments" (Phase 1)
In 2009 the IASB published a new standard on financial instruments containing requirements for financial assets. Requirements for financial liabilities were added to this standard in 2010. The standard is the first step in the replacement of IAS 39 "Financial Instruments: Recognition and Measurement" and this first phase covers the classification and measurement of financial assets and liabilities. The effective date has been postponed from the earlier communicated date 1 January 2015, without any new effective date communicated. Earlier application is permitted. The EU commission has not yet endorsed this standard and is not expected to do so until all phases of IFRS 9 have been finalised. IFRS 9 "Financial Instruments" (Phase I) is not expected to have a significant impact on NBD's income statement and balance sheet as the mixed measurement model will be maintained. Significant reclassifications between fair value and amortised cost or impact on the capital adequacy and large exposures are not expected, but this is naturally dependent on the financial instruments on NBD's balance sheet at transition and the final standard. It is expected that changes will be made to the standard before the standard becomes effective.

NBD has, due to the fact that the standard is not yet endorsed by the EU commission and as changes before the effective date are likely, not finalised the investigation of the impact on the financial statements in the period of initial application or in subsequent periods.

IFRS 9 "Financial Instruments" (Phase 3)
The IASB have during 2013 amended IFRS 9 "Financial Instruments" and added new requirements for general hedge accounting, so called one-to-one hedges (Phase 3).

The main change is that the standard aligns hedge accounting more closely with the risk management activities. As NBD only uses macro (portfolio) hedge accounting NBD´s assessment is that the new requirements will not have any significant impact on NBD´s financial statement, capital adequacy or large exposures.

IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosures of Interests in Other Entities", IAS 27 "Separate Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"
The IASB has published three new standards relating to consolidation, IFRS 10, IFRS 11 and IFRS 12, as well as amended IAS 27 and IAS 28. The effective date for these standards and amendments is as from 1 January 2013, but earlier application is permitted. The EU commission endorsed these standards and amendments during 2012. In contrast to IFRS, the EU commission requires the standards to be applied for financial statements starting on or after 1 January 2014. NBD will apply these standards as from 1 January 2014.

NBD's assessment is that IFRS 10 "Consolidated Financial Statements" will not have any significant impact on NBD's income statement or balance sheet at transition. In future periods NBD may have to consolidate some mutual funds, which can have an impact on the balance sheet and on equity if those entities hold NBD shares that will have to be eliminated in the NBD Group. It is not expected that mutual funds will be consolidated for capital adequacy purposes and there would consequently not be any impact on the capital adequacy or large exposures.

It is not expected that IFRS 11 will have any significant impact on NBD, while IFRS 12 is expected to add disclosures.

Annual Improvements to IFRSs
The IASB has published minor amendments to IFRSs by issuing "Annual Improvements to IFRSs, 2010-2012 Cycle" and "Annual Improvements to IFRSs, 2011-2013 Cycle". Most of the amendments are effective for annual periods beginning on or after 1 July 2014, but earlier application is permitted. The EU commission is expected to endorse these amendments during the third quarter 2014. NBD´s assessment is that the new requirements will not have any significant impact on NBD´s financial statements, capital adequacy or large exposures.

IFRIC 21 "Levies"
The IASB has published IFRIC 21 "Levies". The effective date is as from 1 January 2014. The EU commission expects to endorse IFRIC 21 in the beginning of 2014. NBD will apply IFRIC 21 as from 1 January 2014, if endorsed by the EU commission.

IFRIC 21 is an interpretation of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". IFRIC 21 clarifies that if a levy is triggered by operating as a bank at the end of the reporting period, the liability for the levy is not recognised prior to that date. The assessment is that the new interpretation will not have any significant impact on NBD's financial statements, capital adequacy or large exposures.

4. Critical judgements and estimation uncertainty

The preparation of annual reports in accordance with generally accepted accounting principles requires, in some cases, the use of judgements and estimates by management. These judgements and actual outcomes can later, to some extent, differ from the estimates and the assumptions made.

In this section a description is made of:

- the sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year, and
- the judgements made when applying accounting policies (apart from those involving estimations) that have the most significant effect on the amounts recognised in the financial statements.

When NBD applies accounting policies management judgement is required, apart from those involving estimations. The judgements made when applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below.

Critical judgements and estimates are in particular associated with:

- the fair value measurement of certain financial instruments.
- the impairment testing of:
  - goodwill and
  - loans to the public/credit institutions.
- the classification of leases
- the valuation of deferred tax assets
- claims in civil lawsuits.

Fair value measurement of certain financial instruments

NBD's accounting policy for determining the fair value of financial instruments is described in section 10 "Determination of fair value of financial instruments" and Note G38 "Assets and liabilities at fair value". Critical judgements that have a significant impact on the recognised amounts for financial instruments is exercised when determining fair value of OTC derivatives and other financial instruments that lack quoted prices or recently observed market prices. Those judgements relate to the following areas:

- The choice of valuation techniques
- The determination of when quoted prices fail to represent fair value (including the judgement of whether markets are active)
- The construction of fair value adjustments in order to incorporate relevant risk factors such as credit risk, model risk and liquidity risk
- The judgement of which market parameters are observable

When determining fair value of financial instruments that lack quoted prices or recently observed market prices there is also a high degree of estimation uncertainty. That estimation uncertainty is mainly a result of the judgement management exercises when:

- selecting an appropriate discount rate for the instrument and
- determining expected timing of future cash flows from the instruments.

In all of these instances, decisions are based upon professional judgement in accordance with NBD's accounting and valuation policies. In order to ensure proper governance, Nordea has a Group Valuation Committee that on an ongoing basis reviews critical judgements that are deemed to have a significant impact on fair value measurements.

The fair value of financial assets and liabilities measured at fair value using a valuation technique, levels 2 and 3 in the fair value hierarchy, was DKK 401bn (DKK 382bn) and DKK 48bn (DKK56bn) respectively at the end of the year.

Sensitivity analysis disclosures covering fair values of financial instruments with significant unobservable inputs can be found in Note G38 "Assets and liabilities at fair value".

Estimation uncertainty also arises at initial recognition of financial instruments that are part of larger structural transactions. Although subsequently not necessarily held at fair value such instruments are initially recognised at fair value and as there is normally no separate transaction price or active market for such individual instruments the fair value has to be estimated.

Impairment testing of goodwill

NBD's accounting policy for goodwill is described in section 15 "Intangible assets", Note G18 "Intangible assets" lists the cash generating units to which goodwill has been allocated. NBD's total goodwill amounted to DKK 1,312m (DKK 1,312m) at the end of the year.

The estimation of future cash flows and the calculation of the rate used to discount those cash flows are subject to estimation uncertainty. The forecast of future cash flows is sensitive to the cash flow projections for the near future (2-3 years) and to the estimated sector growth rate for the period beyond 2-3 years. The growth rates are based on historical data, updated to reflect the current situation, which implies estimation uncertainty.

The rates used to discount future expected cash flows are based on the long-term risk free interest rate plus a risk premium (post tax). The risk premium is based on external information of risk premiums.

For information on the sensitivity to changes in relevant parameters, see Note G18 "Intangible assets".

Impairment testing of loans to the public/credit institutions

NBD's accounting policy for impairment testing of loans is described in section 13 "Loans to the public/credit institutions".

Management is required to exercise critical judgements and estimates when calculating loan impairment allowances on both individually assessed and collectively assessed loans.

NBD's total lending before impairment allowances was DKK 691,292m (DKK 677,235m) at the end of the year. For more information, see Note G11 "Loans and impairment".

The most judgemental area is the calculation of collective impairment allowances. When testing a group of loans collectively for impairment, judgement has to be exercised when identifying the events and/or the observable data that indicate that losses have been incurred in the group of loans. NBD monitors its portfolio through rating migrations and a loss event is an event resulting in a negative rating migration. Assessing the net present value of the cash flows generated by the customers in the group of loans also includes estimation uncertainty. This includes the use of historical data on probability of default and loss given default supplemented by acquired experience when adjusting the assumptions based on historical data to reflect the current situation.

Classification of leases

NBD's accounting policies for leases are described in section 14 "Leasing".

Critical judgement has to be exercised when classifying lease contracts. A lease is classified as a finance lease if it transfers substantially all the risks and rewards related to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards related to ownership. More information on lease contracts can be found in Note G20 "Leasing".

Valuation of deferred tax assets

NBD's accounting policy for the recognition of deferred tax assets is described in section 18 "Taxes" and Note G10 "Taxes".

The valuation of deferred tax assets is influenced by management's assessment of NBD's future profitability and sufficiency of future taxable profits and future reversals of existing taxable temporary differences. These assessments are updated and reviewed at each balance sheet date, and are, if necessary, revised to reflect the current situation.

The carrying amount of deferred tax assets was DKK 79m (DKK 86m) at the end of the year.

5. Principles of consolidation

Consolidated entities

The consolidated financial statements include the accounts of the parent company NBD and those entities that the parent company controls. Control is generally achieved when the parent company owns, directly or indirectly through group undertakings, more than 50 per cent of the voting rights or otherwise has the power to govern the financial and operating policies of the entity.

All group undertakings are consolidated using the acquisition method. Under the acquisition method, the acquisition is regarded as a transaction whereby the parent company indirectly acquires the group undertaking´s assets and assumes its liabilities and contingent liabilities. The Group's acquisition cost is established in a purchase price allocation analysis. In such analysis, the cost of the business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer, in exchange for the identifiable net assets acquired. Costs directly attributable to the business combination are expensed.

As at the acquisition date NBD recognises the identifiable assets acquired and the liabilities assumed at their acquisition date fair values.

For each business combination NBD measures the non-controlling interests in the acquired business either at fair value or at their proportionate share of the acquired identifiable net assets.

When the aggregate of the consideration transferred in a business combination and the amount recognised for non-controlling interest exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities, the excess is reported as goodwill. If the difference is negative, such difference is recognised immediately in the income statement.

Equity and net income attributable to non-controlling interests are separately disclosed on the balance sheet, income statement and statement of comprehensive income.

Intra-group transactions and balances between consolidated group undertakings are eliminated.

The group undertakings are included in the consolidated accounts as from the date on which control is transferred to NBD and are no longer consolidated as from the date on which control ceases.

In the consolidation process the reporting from the group undertakings is adjusted to ensure consistency with the IFRS principles applied by NBD.

Investments in associated undertakings
The equity method of accounting is used for associated undertakings where the share of voting rights is between 20 and 50 per cent and/or where NBD otherwise has significant influence.

Significant influence is the power to participate in the financial and operating decisions of the investee but is not control over those policies. Investments within NBD's investment activities, which are classified as a venture capital organisation within NBD, are measured at fair value in accordance with the rules set out in IAS 28 and IAS 39. Further information on the equity method is disclosed in section 6 "Recognition of operating income and impairment".

Profits from companies accounted for under the equity method are reported post-taxes in the income statement. Consequently, the tax expense related to these profits is not included in the income tax expense for NBD.

Internal transactions, in the income statement, between NBD and its associated undertakings are not eliminated. NBD does not have any sales of assets to or from associated undertakings.

Special Purpose Entities (SPE)
A SPE is an entity created to accomplish a narrow and well defined objective. Often legal arrangements impose strict limits on the decision making powers of the management over the on-going activities of the SPE.

NBD does not consolidate SPEs' assets and liabilities beyond its control. In order to determine whether NBD controls a SPE or not, NBD has to make judgements about risks and rewards and assess the ability to make operational decisions for the SPE in question.

When assessing whether NBD should consolidate a SPE, a range of factors are evaluated. These factors include whether the activities of the SPE are being in substance conducted on NBD's behalf or if NBD has in substance the decision making powers, the rights to obtain the majority of the benefits or the majority of the residual- or ownership risks. NBD consolidates all SPEs where NBD has retained the majority of the risks and rewards. For the SPEs that are not consolidated the rationale is that NBD does not have any significant risks or rewards in connection to these assets and liabilities.

NBD has created a number of SPEs to allow clients to invest in assets invested in by the SPEs. Some SPEs invest in tradable financial instruments, such as shares and bonds (mutual funds). Other SPEs invest in structured credit products or acquire assets from customers of NBD. NBD is generally the investment manager and has sole discretion about investments and other administrative decisions. Typically, NBD will receive service and commission fees in connection to the creation of the SPEs, or because it acts as investment manager, custodian or in some other function. This in itself does not constitute a beneficial interest triggering consolidation. In some SPEs NBD has also supplied substantial parts of the funding in the form of fund units, loans or credit commitments. In these SPEs NBD has a beneficial interest and retains the majority of the risks and rewards, which is why these SPEs are consolidated. Note P14 "Investments in group undertakings" of the parent company lists the consolidated SPEs.

Currency translation of foreign entities

The consolidated financial statements are prepared in Danish millions Kroner (DKKm), the presentation currency of the parent company Nordea Bank Danmark A/S. The assets and liabilities of foreign entities have been translated at the closing rates, while items in the income statements and statements of comprehensive income are translated at the average exchange rate, which is approximately equal to the spot rate. Translation differences are accounted for in other comprehensive income and are accumulated in the translation reserve in equity.

Goodwill and fair value adjustments arising from the acquisition of group undertakings are treated as items in the same functional currency as the cash generating unit to which they belong and are also translated at the closing rate.

6. Recognition of operating income and impairment

Net interest income

Interest income and expense are calculated and recognised based on the effective interest rate method or, if considered appropriate, based on a method that results in an interest income or interest expense that is a reasonable approximation of using the effective interest rate method as basis for the calculation. The effective interest includes fees considered to be an integral part of the effective interest rate of a financial instrument (generally fees received as compensation for risk). The effective interest rate equals the rate that discounts the contractual future cash flows to the carrying amount of the financial asset or financial liability.

Interest income and expenses from financial instruments are, with the exceptions described below, classified as "Net interest income".

Interest income and interest expense related to all balance sheet items held at fair value in Markets are classified as "Net result from items at fair value" in the income statement. Also the interest on the net funding of the operations in Markets is recognised on this line.

The interest component in FX swaps, and the interest paid and received in interest rate swaps plus changes in accrued interest, is classified as "Net result from items at fair value", apart for derivatives used for hedging, where such components are classified as "Net interest income".

Net fee and commission income

NBD earns commission income from different services provided to its customers. The recognition of commission income depends on the purpose for which the fees are received. Fees are either recognised as revenue when services are provided or in connection to the execution of a significant act. Fees received in connection to performed services are recognised as income in the period these services are provided. A loan syndication fee received as payment for arranging a loan as well as other fees received as payments for certain acts are recognised as revenue when the act has been completed, i.e. when the syndication has been finalised.

Commission expenses are transaction based and recognised in the period when the services are received.

Income from issued financial guarantees and expenses from bought financial guarantees, are amortised over the duration of the instruments and classified as "Fee and commission income" and "Fee and commission expense" respectively.

Net result from items at fair value

Realised and unrealised gains and losses on financial instruments measured at fair value through profit or loss are recognised in the item "Net result from items at fair value".

Realised and unrealised gains and losses derive from:
- Shares/participations and other share-related instruments
- Interest-bearing securities and other interest-related instruments
- Other financial instruments, including credit derivatives as well as commodity instruments/derivatives
- Foreign exchange gains/losses
- Investment properties, which include realised and unrealised income, for instance revaluation gains and losses. This line also includes realised results from disposals as well as the running property yield stemming from the holding of investment properties.

Interest income and interest expense related to all balance sheet items in Markets, including the net funding of the operations in Markets, are classified as "Net result from items at fair value".

Also the ineffective portion of cash flow hedges and net investment hedges as well as recycled gains and losses on financial instruments classified into the category Available for sale are recognised in "Net result from items at fair value".

This item also includes realised gains and losses from financial instruments measured at amortised cost, such as interest compensation received and realised gains/losses on buy-backs of issued own debt.

“Net result from items at fair value” includes also losses from counterparty risk on instruments classified into the category `”Financial assets at fair value through profit or loss” as well as impairment on instruments classified into the category “Available for sale”. However, the fair value adjustments of credit risk on loans granted in accordance with the mortgage finance law (see section 12 “Financial instruments” and Note G38 “Assets and liabilities at fair value”) are reported under “Net loan losses”. Impairment losses from instruments within other categories are recognised in the items “Net loan losses” or “Impairment of securities held as financial non-current assets” (see also the sub-sections “Net loan losses” and “Impairment of securities held as financial non-current assets” below).

Dividends received are recognised in the income statement as “Net result from items at fair value” and classified as “Shares/participations and other share-related instruments” in the note. Income is recognised in the period in which the right to receive payment is established.

Profit from companies accounted for under the equity method

The profit from companies accounted for under the equity method is defined as the post-acquisition change in NBD’s share of net assets in the associated undertakings. NBD’s share of items accounted for in other comprehensive income in the associated undertakings is accounted for in other comprehensive income in NBD. Profits from companies accounted for under the equity method are, as stated in section 5 “Principles of consolidation” reported in the income statement post-taxes. Consequently, the tax expense related to these profits is excluded from the income tax expense for NBD.

Fair values are, at acquisition, allocated to the associated undertakings identifiable assets, liabilities and contingent liabilities. Any difference between NBD’s share of the fair values of the acquired identifiable net assets and the purchase price is goodwill or negative goodwill. Goodwill is included in the carrying amount of the associated undertaking. Subsequently the investment in the associated undertaking increases/decreases with NBD’s share of the post-acquisition change in net assets in the associated undertaking and decreases through received dividends and impairment. An impairment charge can be reversed in a subsequent period.

The change in NBD´s share of the net assets is generally based on quarterly reporting from the associated undertakings. For some associated undertakings not individually significant the change in NBD’s share of the net assets is based on the external reporting of the associated undertakings and affects the financial statements of NBD in the period in which the information is available. The reporting from the associated undertakings is, if applicable, adjusted to comply with NBD’s accounting policies.

Other operating income

Net gains from divestments of shares in group undertakings and associated undertakings and net gains on sale of tangible assets as well as other operating income, not related to any other income line, are generally recognised when it is probable that the benefits associated with the transaction will flow to NBD and if the significant risks and rewards have been transferred to the buyer (generally when the transactions are finalised).

Other operating expenses

Other operating expenses consist of losses to the Danish Deposit Guarantee Fund excluding the fixed annual payment to the bank department of the Danish Deposit Guarantee Fund recognised under General administrative expenses, Other expenses.

Net loan losses

Impairment losses from financial assets classified into the category Loans and receivables (see section 12 “Financial instruments”), in the items “Loans to credit institutions” and “Loans to the public” on the balance sheet, are reported as “Net loan losses”, together with losses from financial guarantees. Also the fair value adjustments of credit risk on loans granted in accordance with the mortgage finance law (see section 12 “Financial instruments” and Note G38 “Assets and liabilities at fair value”) are reported under “Net loan losses”. Losses are reported net of any collateral and other credit enhancements. NBD’s accounting policies for the calculation of impairment losses on loans can be found in section 13 “Loans to the public/credit institutions”.

Counterparty losses on instruments classified into the category “Financial assets at fair value through profit or loss”, including credit derivatives, but apart from loans held at fair value as described above, as well as impairment on financial assets classified into the category “Available for sale” are reported under “Net result from items at fair value”.

Impairment of securities held as financial non-current assets

Impairment on investments in interest-bearing securities, classified into the categories “Loans and receivables” or” Held to maturity”, and on investments in associated undertakings is classified as “Impairment of securities held as financial non-current assets” in the income statement. The policies covering impairment of financial assets classified into the categories “Loans and receivables” and “Held to maturity” are disclosed in section 12 “Financial instruments” and section 13 “Loans to the public/credit institutions”.

Investments in associated undertakings are assessed for impairment annually. If observable indicators (loss events) indicate that an associated undertaking is impaired, an impairment test is performed to assess whether there is objective evidence of impairment. The carrying amount of the investment in the associate is compared with the recoverable amount (higher of value in use and fair value less cost to sell) and the carrying amount is written down to the recoverable amount if required.

Impairment losses are reversed if the recoverable amount increases. The carrying amount is then increased to the recoverable amount, but cannot exceed the carrying amount that would have been determined had no impairment loss been recognised.

7. Recognition and derecognition of financial instruments on the balance sheet

Derivative instruments, quoted securities and foreign exchange spot transactions are recognised on and derecognised (reclassified to the items “Other assets” or “Other liabilities”on the balance sheet between trade date and settlement date) from the balance sheet on the trade date.

Other financial instruments are recognised on the balance sheet on the settlement date.

Financial assets, other than those for which trade date accounting is applied, are derecognised from the balance sheet when the contractual rights to the cash flows from the financial asset expire or are transferred to another party. The rights to the cash flows normally expire or are transferred when the counterpart has performed by e.g. repaying a loan to NBD, i.e. on the settlement date.

In some cases, NBD enters into transactions where it transfers assets that are recognised on the balance sheet, but retains either all or a portion of risks and rewards from the transferred assets. If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the balance sheet. If NBD's counterpart can sell or repledge the transferred assets, the assets are reclassified to the item "Financial instruments pledged as collateral" on the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include e.g. security lending agreements and repurchase agreements.

Financial liabilities are derecognised from the balance sheet when the liability is extinguished. Normally this occurs when NBD performs, for example when NBD repays a deposit to the counterpart, i.e. on settlement date. Financial liabilities under trade date accounting are generally reclassified to "Other liabilities" on the balance sheet on the trade date.

For further information, see sections "Securities borrowing and lending agreements" and "Repurchase and reverse repurchase agreements" within 12 "Financial instruments", as well as Note G40 "Transferred financial assets and obtained collaterals".

8. Translation of assets and liabilities denominated in foreign currencies

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised translation differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement in the item "Net result from items at fair value".

9. Hedge accounting

NBD applies the EU carve out version of IAS 39 for portfolio hedges of both assets and liabilities. The EU carve out macro hedging enables a group of derivatives (or proportions thereof) to be viewed in combination and designated as the hedging instrument and removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies.

NBD uses hedge accounting in order to have a symmetrical accounting treatment of the changes in fair value of the hedged item and changes in fair value of the hedging instruments as well as to hedge the exposure to variability in future cash flows and the exposure to net investments in foreign operations.

There are three forms of hedge accounting:
- Fair value hedge accounting
- Cash flow hedge accounting
- Hedges of net investments in foreign operations

Fair value hedge accounting

Fair value hedge accounting is used when derivatives are hedging changes in fair value of a recognised asset or liability attributable to a specific risk. The risk of changes in fair value of assets and liabilities in NBD's financial statements originates mainly from loans, securities and deposits with a fixed interest rate, causing interest rate risk. Changes in fair value from derivatives as well as changes in fair value of the hedged item attributable to the risks being hedged will be recognised separately in the income statement in the item "Net result from items at fair value". Given an effective hedge, the two changes in fair value will more or less balance, meaning the net result will be close to zero. The changes in fair value of the hedged item attributable to the risks hedged with the derivative instrument are reflected in an adjustment to the carrying amount of the hedged item, which is also recognised in the income statement. The fair value change of the hedged item in a portfolio hedge of interest rate risks is reported separately from the portfolio in the item "Fair value changes of the hedged items in portfolio hedge of interest rate risk" in the balance sheet.

Fair value hedge accounting in NBD is performed mainly on a portfolio basis. Any ineffectiveness is recognised in the income statement under the item "Net result from items at fair value".

The fair value change of the hedged items held at amortised cost in a portfolio hedge of interest rate risks is reported separately from the portfolio in the item "Fair value changes of the hedged items in portfolio hedge of interest rate risk" on the balance sheet.

Hedged items

A hedged item in a fair value hedge can be a recognised single asset or liability, an unrecognised firm commitment, or a portion thereof. The hedged item can also be a group of assets, liabilities or firm commitments with similar risk characteristics. Hedged items in NBD consist of portfolios of assets and/or liabilities.

Hedging instruments

The hedging instruments used in NBD are predominantly interest rate swaps and cross-currency interest rate swaps, which are always held at fair value. Cash instruments are only used in a few transactions as hedging instruments when hedging currency risk.

Cash flow hedge accounting

NBD does not use cash flow hedge accounting.

Hedges of net investments

NBD does not use hedges of net investments.

Hedge effectiveness

The application of hedge accounting requires the hedge to be highly effective. A hedge is regarded as highly effective if at inception and throughout its life it can be expected that changes in fair value of the hedged item as regards the hedged risk can be essentially offset by changes in fair value of the hedging instrument. The result should be within a range of 80–125 per cent.

When assessing hedge effectiveness retrospectively NBD measures the fair value of the hedging instruments and compares the change in fair value of the hedging instrument to the change in fair value of the hedged item. The effectiveness measurement is made on a cumulative basis. The hypothetical derivative method is used when measuring the effectiveness of cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows on the hedged transaction (the currency component).

If the hedge relationship does not fulfil the requirements, hedge accounting is terminated. For fair value hedges the hedging instrument is reclassified to a trading derivative and the change in the fair value of the hedged item, up to the point when the hedge relationship is terminated, is amortised to the income statement on a straight-line basis over the remaining maturity of the hedged item.

10. Determination of fair value of financial instruments

Financial assets and liabilities classified into the categories Financial assets and financial liabilities at fair value through profit or loss (including derivative instruments) are recorded at fair value on the balance sheet with changes in fair value recognised in the income statement in the item "Net result from items at fair value".

Fair value is defined as the price that at the measurement date would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants under current market conditions in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The existence of published price quotations in an active market is the best evidence of fair value and when they exist they are used to measure financial assets and financial liabilities.

An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis. The absolute level for liquidity and volume required for a market to be labelled active vary with the instrument classes. For some classes low price volatility is seen, also for those instruments within the class where the frequency is high. For instruments in such a class the liquidity requirements are lower and correspondingly, the age limit for the prices used for establishing fair value is higher.

The labelling of markets to be active or non-active is assessed regularly. The trade frequency and volume are monitored daily.

NBD is predominantly using published price quotations to establish fair value for items disclosed under the following balance sheet items:
- Interest-bearing securities
- Shares (listed)
- Derivatives (listed)
- Debt securities in issue (issued mortgage bonds in Nordea Kredit Realkreditaktieselskab)

If quoted prices for a financial instrument fail to represent actual and regularly occurring market transactions or if quoted prices are not available, fair value is established by using an appropriate valuation technique.

The adequacy of the valuation technique, including an assessment of whether to use quoted prices or theoretical prices, is monitored on a regular basis.

Valuation techniques can range from simple discounted cash flow analysis to complex option pricing models. Valuation models are designed to apply observable market prices and rates as input whenever possible, but can also make use of unobservable model parameters.

The adequacy of the valuation model is assessed by measuring its capability to hit market prices. This is done by comparison of calculated prices to relevant benchmark data, e.g. quoted prices from exchange, the counterparty´s valuations, price data from consensus services etc.

NBD is predominantly using valuation techniques to establish fair value for items disclosed under the following balance sheet items:
- Loans to the public (mortgage loans in the subsidiary Nordea Kredit Realkreditaktieselskab)
- Interest-bearing securities (when quoted prices in an active market are not available)
- Shares (when quoted prices in an active market are not available)
- Derivatives (OTC-derivatives)

Fair value is calculated as the theoretical net present value of the individual contracts, based on independently sourced market parameters and assuming no risks and uncertainties. This calculation is supplemented by a portfolio adjustment. The portfolio adjustment covers uncertainties associated with the valuation techniques, model assumptions and unobservable parameters as well as the portfolio's counterparty credit risk and liquidity risk. An important part of the portfolio adjustment serves to adjust the net open market risk exposures from mid-prices to ask or bid prices (depending on the net position). For different risk categories, exposures are aggregated and netted according to internal guidelines and aggregated market price information on bid-ask spreads are applied in the calculation.

The portfolio adjustment for uncertainties associated with model assumptions comprises two components (the calculation principles are defined as part of the internal approval process for valuation models):
- Benchmarking of the model output (market values) against market information or against results from alternative models, where available.
- Sensitivity calculations where unobservable parameters are changed to other reasonable values.

The portfolio adjustment for counterparty risk in OTC-derivatives is based on the current exposure towards each counterpart, the estimated potential future exposure as well as an estimate of the cost of hedging the counterparty risk. This cost of hedging is either based directly on market prices (where available) or on a theoretical calculation based on the internal credit rating of the counterpart.

For financial instruments, where fair value is estimated by a valuation technique, it is investigated whether the variables used in the valuation model are predominantly based on data from observable markets. By data from observable markets, NBD considers data that can be collected from generally available external sources and where these data are judged to represent realistic market prices. If non-observable data have a significant impact on the valuation, the instrument cannot be recognised initially at the fair value estimated by the valuation technique and any upfront gains are thereby deferred and amortised through the income statement over the contractual life of the instrument. The deferred upfront gains are subsequently released to income if the non-observable data become observable.

Note G38 "Assets and liabilities at fair value" provides a breakdown of fair values of financial instruments measured on the basis of:
- quoted prices in active markets for the same instrument (level 1)
- valuation techniques using observable data (level 2)
- valuation techniques using non-observable data (level 3).

The valuation models applied by NBD are consistent with accepted economic methodologies for pricing financial instruments and incorporate the factors that market participants consider when setting a price.

New valuation models are subject to approval by Model Risk Management Committee and all models are reviewed on a regular basis.

For further information, see Note G38 "Assets and liabilities at fair value".

11. Cash and cash equivalents

Cash and cash equivalents consist of cash and balances with central banks where the following conditions are fulfilled:
- The central bank is domiciled in a country where NBD is operating under a banking licence
- The balance is readily available at any time

Cash and cash equivalents are financial instruments classified into the category "Loans and receivables", see section 12 "Financial instruments".

Loans to credit institutions payable on demand are also recognised as "Cash and cash equivalents" in the cash flow statement.

12. Financial instruments

Classification of financial instruments

Each financial instrument has been classified into one of the following categories:

Financial assets:
- Financial assets at fair value through profit or loss:
  - Held for trading
  - Designated at fair value through profit or loss (Fair Value Option)
- Loans and receivables
- Held to maturity
- Available for sale

Financial liabilities:
- Financial liabilities at fair value through profit or loss:
  - Held for trading
  - Designated at fair value through profit or loss (Fair Value Option)
- Other financial liabilities

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised. In Note G37 "Classification of financial instruments" the classification of the financial instruments in NBD's balance sheet into different categories is presented.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, excluding transaction costs. All changes in fair values are recognised directly in the income statement in the item "Net result from items at fair value".

The category consists of two sub-categories: "Held for trading" and "Designated at fair value through profit or loss" (Fair Value Option).

The sub-category Held for trading mainly contains derivative instruments that are held for trading purposes, interest-bearing securities and shares within Markets and Treasury. It also contains trading liabilities such as short-selling positions.

The major parts of the financial assets/ liabilities classified into the category "Designated at fair value through profit or loss" are mortgage loans and related issued bonds in the subsidiary Nordea Kredit Realkreditaktieselskab. Assets and liabilities in Nordea Kredit Realkreditaktieselskab are classified into the category "Designated at fair value through profit or loss" to eliminate or significantly reduce an accounting mismatch. When NBD grants mortgage loans to customers in accordance with the mortgage finance law NBD at the same time issues bonds with matching terms, so called "match funding". The customers can repay the loans either through repayments of the principal or by purchasing the issued bonds and return them as a settlement of the loan. The bonds play an important part in the Danish money market and NBD consequently buys and sells own bonds in the market. If the loans and bonds were measured at amortised cost such buy-backs of bonds would give rise to an accounting mismatch as any gains or losses would have to be recognised immediately in the income statement. If such bonds are subsequently sold in the market any premium or discount would be amortised over the expected maturity, which would also create an accounting mismatch. To avoid such an accounting mismatch NBD measures both the loans and bonds at fair value.

NBD also applies the Fair Value Option on certain financial assets and financial liabilities related to Markets. The classification stems from the fact that Markets is managing and measuring its financial assets and liabilities at fair value. Consequently, the majority of financial assets and financial liabilities in Markets are classified into the categories "Financial assets/Financial liabilities at fair value through profit or loss".

Loans and receivables

Loans and receivables are non-derivative financial assets, with fixed or determinable payments, that are not quoted in an active market. These assets and their impairment are further described in the separate section 13 "Loans to the public/credit institutions".

Held to maturity

Financial assets that NBD has chosen to classify into the category "Held to maturity" are non-derivative financial assets with fixed or determinable payments and fixed maturity that NBD has the positive intent and ability to hold to maturity. Financial assets classified into the category

"Held to maturity" are initially recognised on the balance sheet at the acquisition price, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method.

If more than an insignificant amount of the Held-to-maturity portfolio is sold or transferred, the Held-to-maturity category is tainted, except if the sale or transfer occurs close to maturity, after substantially all of the original principal has already been collected or is due to an isolated non-recurring event beyond the control of NBD.

NBD assesses at each reporting date whether there is any objective evidence that the asset is impaired. If there is such evidence, an impairment loss is recorded. The loss is calculated as the difference between the carrying amount and the present value of estimated future cash flows is recognised as "Impairment of securities held as financial non-current assets" in the income statement. See section 13 "Loans to the public/credit institutions" for more information on the identification and measurement of objective evidence of impairment, which is also applicable for interest-bearing securities classified into the category Held to maturity.

Available for sale
Financial instruments classified into the category "Available for sale" are measured at fair value. Changes in fair values, except for interest, foreign exchange effects and impairment losses, are recognised in the fair value reserve in equity through other comprehensive income. Interest is recognised in the item "Interest income" and foreign exchange effects and impairment losses in the item "Net result from items at fair value" in the income statement.

When an instrument classified into the category "Available for sale" is disposed of, the fair value changes that have previously been accumulated in the fair value reserve (related to Available-for-sale investments) in other comprehensive income are recycled from equity and recognised in the income statement in the item "Net result from items at fair value".

Financial assets classified into the category Available for sale are assessed at least annually in order to determine any need for impairment losses. If there is objective evidence of impairment, the accumulated loss that has been recognised in other comprehensive income is recycled from equity and recognised as "Net result from items at fair value" in the income statement. The amount of the accumulated loss that is recycled from equity is the difference between the asset's acquisition cost and current fair value. For equity investments a prolonged or significant decline in the fair value, compared to the acquisition cost, is considered to be objective evidence of impairment. Objective evidence of impairment for a debt instrument is rather connected to a loss event, such as an issuer's financial difficulty.

Other financial liabilities
Financial liabilities, other than those classified into the category "Financial liabilities at fair value through profit or loss", are initially recognised in the balance sheet at fair value less transaction cost. Subsequent to initial recognition, the financial liabilities are measured at amortised cost. Interest from Other financial liabilities is recognised in the item "Interest expense" in the income statement.

Repurchase and reverse repurchase agreements
Securities delivered under repurchase agreements and securities received under reverse repurchase agreements are not derecognised from or recognised on the balance sheet. In the cases where the counterpart has the right to resell or repledge the securities, the securities are reclassified to the balance sheet line "Financial instruments pledged as collateral".

Securities delivered under repurchase agreements are also disclosed in the item "Assets pledged as security for own liabilities".

Cash received under repurchase agreements is recognised on the balance sheet as "Deposits by credit institutions" or as "Deposits and borrowings from the public". Cash delivered under reverse repurchase agreements is recognised on the balance sheet as "Loans to credit institutions" or as "Loans to the public".

Additionally, the sale of securities received in reverse repurchase agreements trigger the recognition of a trading liability (short sale).

Derivatives
All derivatives are recognised on the balance sheet and measured at fair value. Derivatives with total positive fair values, including any accrued interest, are recognised as assets in the item "Derivatives" on the asset side. Derivatives with total negative fair values, including any accrued interest, are recognised as liabilities in the item "Derivatives" on the liability side.

Realised and unrealised gains and losses from derivatives are recognised in the income statement in the item "Net result from items at fair value".

Offsetting of financial assets and liabilities
NBD offsets financial assets and liabilities on the balance sheet if there is a legal right to offset, in the ordinary course of business and in case of bankruptcy, and if the intent is to settle the items net or realise the asset and settle the liability simultaneously. This is generally achieved through the central counterparty clearing houses that NBD has agreements with.

Exchanged traded derivatives are generally accounted for as settled on a daily basis when cash is paid or received and the instrument is reset to market terms. Derivative assets and liabilities against central counterparty clearing houses are, as mentioned above, generally set off on the balance sheet, but net cash collateral received or paid is generally accounted for separately as cash collateral paid (asset) or received (liability), which is also the case for cash collateral paid or received in bilateral OTC derivative transactions.

13. Loans to the public/credit institutions
Financial instruments classified as "Loans to the public/credit institutions" on the balance sheet and into the category "Loans and receivables" are measured at amortised cost (see also the separate section 7 "Recognition and derecognition of financial instruments on the balance sheet" as well as Note G37 "Classification of financial instruments").

NBD monitors loans as described in the separate section on Risk, liquidity and capital management. Loans attached to individual customers or groups of customers are identified as impaired if the impairment tests indicate objective evidence of impairment.

Also interest-bearing securities classified into the categories" Loans and receivables" and "Held to maturity" are held at amortised cost and the description below is valid also for the identification and measurement of impairment of these assets. Possible impairment losses on interest-bearing securities classified into the categories "Loans and receivables" and "Held to maturity" are recognised as "Impairment of securities held as non-current financial assets" in the income statement.

Impairment test of individually assessed loans
NBD tests all loans for impairment on an individual basis. The purpose of the impairment tests is to find out if the loans have become impaired. As a first step in the identification process for impaired loans, NBD monitors whether there are indicators of impairment (loss event) and whether these loss events represent objective evidence of impairment. More information on the identification of loss events can be found in the Risk, liquidity and capital management section.

Loans that are not individually impaired will be transferred to a group of loans with similar risk characteristics for a collective impairment test.

Impairment test of collectively assessed loans
Loans not impaired on an individual level are collectively tested for impairment. These loans are grouped on the basis of similar credit risk characteristics that are indicative of the debtors´ ability to pay all amounts due according to the contractual terms. NBD monitors its portfolio through rating migrations and the credit decision and annual review process supplemented by quarterly risk reviews. Through these processes NBD identifies loss events indicating incurred losses in a group. A loss event is an event resulting in a deterioration of the expected future cash flows. Only loss events incurred up to the reporting date are included when performing the assessment of the group.

The objective of the group assessment process is to evaluate if there is a need to make a provision due to the fact that a loss event has occurred, which has not yet been identified on an individual basis. This period between the date when the loss event occurred and the date when it is identified on an individual basis is called "Emergence period". The impairment remains related to the group of loans until the losses have been identified on an individual basis. The identification of the loss is made through a default of the engagement or by other indicators.

For corporate customers and bank counterparts, NBD uses the existing rating system as a basis when assessing the credit risk. NBD uses historical data on the probability of default to estimate the risk of default in a rating class. These loans are rated and grouped mostly based on the type of industry and/or sensitivity to certain macro parameters, eg. dependency on oil prices etc.

Personal customers and small corporate customers are monitored through scoring models. These are based mostly on historical data, as default rates and loss rates given a default, and experienced judgement performed by management. Rating and scoring models are described in more detail in the separate section on Risk, liquidity and capital management.

The collective assessment is performed through a netting principle, ie when rated engagements are up-rated due to estimated increases in cash flows, this improvement will be netted against losses on loans that are down-rated due to estimated decreases in cash-flows. Netting is only performed within groups with similar risk characteristics where NBD assesses that the customers' future cash flows are insufficient to service the loans in full.

Impairment loss
If the carrying amount of the loans is higher than the sum of the net present value of the estimated cash flows (discounted with original effective interest rate), including the fair value of the collaterals and other credit enhancements, the difference is the impairment loss.

For significant loans that have been individually identified as impaired the measurement of the impairment loss is made on an individual basis.

For insignificant loans that have been individually identified as impaired and for loans not identified as impaired on an individual basis the measurement of the impairment loss is measured using portfolio based expectation of the future cash flows.

If the impairment loss is not regarded as final, the impairment loss is accounted for on an allowance account representing the accumulated impairment losses. Changes in the credit risk and accumulated impairment losses are accounted for as changes in the allowance account and as "Net loan losses" in the income statement (see also section 6 "Recognition of operating income and impairment").

If the impairment loss is regarded as final, it is reported as a realised loss and the value of the loan and the related allowance for impairment loss are derecognised. An impairment loss is regarded as final when bankruptcy proceedings are taken against the obligor and the administrator has declared the financial outcome of the bankruptcy proceedings, or when NBD waives its claims either through a legally based or voluntary reconstruction or when NBD, for other reasons, deem it unlikely that the claim will be recovered.

Discount rate
The discount rate used to measure impairment is the original effective interest rate for loans attached to an individual customer or, if applicable, to a group of loans. If considered appropriate, the discount rate can be based on a method that results in impairment that is a reasonable approximation of using the effective interest rate method as the basis for the calculation.

Restructured loans
In this context a restructured loan is defined as a loan where NBD has granted concessions to the obligor due to its deteriorated financial situation and where this concession has resulted in an impairment loss for NBD. After a reconstruction the loan is normally regarded as not impaired if it performs according to the new conditions. Concessions made in reconstructions are regarded as final losses unless NBD retains the possibility to regain the loan losses incurred. In the event of a recovery the payment is reported as a recovery of realised loan losses.

Assets taken over for protection of claims

In a financial reconstruction the creditor may concede loans to the obligor and in exchange for this concession acquires an asset pledged for the conceded loans, shares issued by the obligor or other assets. Assets taken over for protection of claims are reported on the same balance sheet line as similar assets already held by NBD. For example a property taken over, not held for NBD's own use, is reported together with other investment properties.

At initial recognition, all assets taken over for protection of claims are recognised at fair value and the possible difference between the carrying amount of the loan and the fair value of the assets taken over is recognised as "Net loan losses". The fair value of the asset on the date of recognition becomes its cost or amortised cost value, as applicable. In subsequent periods, assets taken over for protection of claims are valued in accordance with the valuation principles for the appropriate type of asset. Investment properties are then measured at fair value. Financial assets that are foreclosed are generally classified into the categories Available for sale or Designated at fair value through profit or loss (Fair Value Option) (see section 12 "Financial instruments") and measured at fair value. Changes in fair values are recognised in other comprehensive income for assets classified into the category Available for sale. For assets classified into the category Designated at fair value through profit or loss, changes in fair value are recognised in the income statement under the line "Net result from items at fair value".

Any change in value, after the initial recognition of the asset taken over, is presented in the income statement in line with the Group's presentation policies for the appropriate asset. "Net loan losses" in the income statement is, after the initial recognition of the asset taken over, consequently not affected by any subsequent remeasurement of the asset.

14. Leasing

NBD as lessor

Finance leases

NBD's leasing operations mainly comprise finance leases. A finance lease is reported as a receivable from the lessee on the balance sheet item "Loans to the public" at an amount equal to the net investment in the lease. The lease payment, excluding cost of services, is recorded as repayment of principal and interest income. The income allocation is based on a pattern reflecting a constant periodic return on the net investment outstanding in respect of the finance lease.

Operating leases

Assets subject to operating leases on the balance sheet are reported in accordance with the nature of the assets, in general as property and equipment. Leasing income is recognised as income on a straight-line basis over the lease term and classified as "Net interest income". The depreciation of the leased assets is calculated on the basis of NBD's depreciation policy for similar assets and reported as "Depreciation, amortisation and impairment charges of tangible and intangible assets" in the income statement.

NBD as lessee

Finance leases

Finance leases are recognised as assets and liabilities on the balance sheet at the amount equal to the fair value, or if lower, the present value of the minimum lease payments of the leased assets at the inception of the lease. The assets are reported in accordance with the nature of the assets. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. A finance lease also gives rise to a depreciation expense for the leased asset. The depreciation policy is consistent with that of the assets in own use. Impairment testing of leased assets is performed following the same principles as for similar owned assets.

Operating leases

Operating leases are not recognised in Nordea's balance sheet. For operating leases the lease payments are recognised as expenses in the income statement on a straight-line basis over the lease term unless another systematic way better reflects the time pattern of Nordea's benefit. The original lease terms range between 3 and 25 years.

Operating leasing is mainly related to office premises contracts and office equipment contracts normal to the business.

Embedded leases

Agreements can contain a right to use an asset in return for a payment, or a series of payments, although the agreement is not in the legal form of a leasing contract. If applicable, these assets are separated from the contract and accounted for as leased assets.

15. Intangible assets

Intangible assets are identifiable, non-monetary assets without physical substance. The assets are under NBD's control, which means that NBD has the power and rights to obtain the future economic benefits flowing from the underlying resource. The intangible assets in NBD mainly consist of goodwill, IT development/computer software and customer-related intangible assets.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of NBD's share of net identifiable assets of the acquired group undertaking/associated undertaking at the date of acquisition. Goodwill on acquisition of group undertakings is included in "Intangible assets". Goodwill on acquisitions of associates is not recognised as a separate asset, but included in "Investments in associated undertakings". Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill cannot be reversed in subsequent periods. Goodwill related to associated undertakings is not tested for impairment separately, but included in the total carrying amount of the associated undertaking. The policies covering impairment testing of associated undertakings are disclosed in section 6 "Recognition of operating income and impairment".

IT development/Computer software

Costs associated with maintaining computer software programs are expensed as incurred. Costs directly associated with major software development investments, with a useful life of three years or more and the ability to generate future economic benefits, are recognised as intangible assets. These costs include software development staff costs and overhead expenditures directly attributable to preparing the asset for use. Computer software includes also acquired software licences not related to the function of a tangible asset.

Amortisation is calculated on a straight-line basis over the useful life of the software, generally a period of 3 to 10 years.

Customer-related intangible assets

In business combinations a portion of the purchase price is normally allocated to a customer-related intangible asset, if the asset is identifiable and under NBD's control. An intangible asset is identifiable if it arises from contractual or legal rights, or could be separated from the entity and sold, transferred, licenced, rented or exchanged. The asset is amortised over its useful life, generally over 10 years.

Impairment

Goodwill are not amortised but tested for impairment annually irrespective of any indications of impairment. Impairment testing is also performed more frequently if required due to any indication of impairment. The impairment charge is calculated as the difference between the carrying amount and the recoverable amount.

At each balance sheet date, all intangible assets with definite useful lives are reviewed for indications of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the intangible asset is fully recoverable.

The recoverable amount is the higher of fair value less costs to sell and the value in use of the asset or the cash-generating unit, which is defined as the smallest identifiable group of assets that generates largely independent cash inflows in relation to other assets. For goodwill, the cash-generating units are defined as the operating segments. The value in use is the present value of the cash flows expected to be realised from the asset or the cash-generating unit. The cash flows are assessed based on the asset or cash-generating unit in its current condition and discounted at a rate based on the long-term risk-free interest rate plus a risk premium (post tax). If the recoverable amount is less than the carrying amount, an impairment loss is recognised. See Note G18 "Intangible assets" for more information on the impairment testing.

16. Property and equipment

Property and equipment includes own-used properties, leasehold improvements, IT equipment, furniture and other equipment. Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment comprises its purchase price, as well as any directly attributable costs of bringing the asset to the working condition for its intended use. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items.

Property and equipment is depreciated on a straight-line basis over the estimated useful life of the assets. The estimates of the useful life of different assets are reassessed on a yearly basis. Below follows the current estimates:

Buildings	30–75 years
Equipment	3–5 years
Leasehold improvements	Changes within buildings the shorter of 10 years and the remaining leasing term. New construction the shorter of the principles used for owned buildings and the remaining leasing term. Fixtures installed in leased properties are depreciated over the shorter of 10-20 years and the remaining leasing term.

At each balance sheet date, NBD assesses whether there is any indication that an item of property and equipment may be impaired. If any such indication exists, the recoverable amount of the asset is estimated and any impairment loss is recognised.

Impairment losses are reversed if the recoverable amount increases. The carrying amount is then increased to the recoverable amount, but cannot exceed the carrying amount that would have been determined had no impairment loss been recognised.

17. Investment property

Investment properties are properties held to earn rent and capital appreciation. NBD applies the fair value model for subsequent measurement of investment properties. The best evidence of a fair value is normally given by quoted prices in an active market for similar property in the same location and condition. As these prices are rarely available, discounted cash flow projections models based on reliable estimates of future cash flows are also used.

Net rental income, gains and losses as well as fair value adjustments are recognised directly in the income statement as "Net result from items at fair value".

18. Taxes

The item "Income tax expense" in the income statement comprises current and deferred income tax. The income tax expense is recognised in the income statement, except to the extent the tax effect relates to items recognised in other comprehensive income or directly in equity, in which case the tax effect is recognised in other comprehensive income or in equity respectively.

Current tax is the expected tax expense on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised, using the balance sheet method, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for the carry forward of unused tax losses. Deferred tax is not recognised for temporary differences arising on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, nor for differences relating to investments in group undertakings and associated undertakings to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, tax losses carry forward and unused tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax assets and current tax liabilities are offset when the legal right to offset exists and NBD intends to either settle the tax asset and the tax liability net or to recover the asset and settle the liability simultaneously. Deferred tax assets and deferred tax liabilities are generally offset if there is a legally enforceable right to offset current tax assets and current tax liabilities.

19. Employee benefits

All forms of consideration given by NBD to its employees as compensation for services performed are employee benefits. Short-term benefits are to be settled within 12 months after the reporting period when the services have been performed. Post-employment benefits are benefits payable after the termination of the employment. Post-employment benefits in NBD consist only of pensions. Termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy.

Short-term benefits

Short-term benefits consist mainly of fixed and variable salary. Both fixed and variable salaries are expensed in the period when the employees have performed services to NBD. NBD has also issued share-based payment programmes, which are further described in section 22 “Share-based payment”.

More information can be found in Note G6 “Staff costs”.

Post-employment benefits

Pension plans

The companies within NBD have various pension plans, consisting of both defined benefit pension plans and defined contribution pension plans.

The major defined benefit pension plans are funded schemes covered by assets in pension funds/foundations. If the fair value of plan assets, associated with a specific pension plan, is lower than the gross present value of the defined benefit liability, the net amount is recognised as a liability (defined benefit liability). If not, the net amount is recognised as an asset (defined benefit asset). Non-funded pension plans are recognised as defined benefit liabilities.

Most pensions in NBD are based on defined contribution arrangements that hold no pension liability for NBD. NBD also contributes to public pension systems.

Pension costs

Liabilities for defined contribution pension plans are recognised as an expense as the employee renders services to the entity and the contribution payable in exchange for that service becomes due. NBD’s net liabilities for defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned for their service in the current and prior periods. That benefit is discounted to determine its present value. Actuarial calculations are applied to assess the present value of defined benefit liabilities and related costs, based on several actuarial and financial assumptions (as disclosed in Note G30 “Retirement benefit assets and obligations”).

When establishing the present value of the obligation and the fair value of any plan assets, actuarial gains and losses may arise as a result of changes in actuarial assumptions and experience effects (actual outcome compared to assumptions). The actuarial gains and losses are recognised immediately in equity through other comprehensive Income.

When the calculation results in a benefit the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

Social security contribution is calculated and accounted for based on the net recognised surplus or deficit by plan and is included in the “Retirement benefit liabilities” or in the »Retirement benefit asset«

Discount rate in defined benefit plans

The discount rate is determined by reference to high-quality corporate bonds, where a deep enough market for such bonds exists. Covered bonds are in this context considered to be corporate bonds.

Termination benefits

As mentioned above, termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy. Termination benefits do not arise if the employees have to continue performing services and the termination benefits can be considered to be normal compensation for those services.

Termination benefits are expensed when NBD has an obligation to make the payment. An obligation arises when there is a formal plan committed to on the appropriate organisational level and when Nordea is without realistic possibility of withdrawal, which normally occurs when the plan has been communicated to the group affected or to their representatives.

Termination benefits can include both short-term benefits, for instance a number of months’ salary, and post-employment benefits, normally in the form of early retirement. Short-term benefits are classified as “Salaries and remuneration” and post-employment benefits as “Pension costs” in Note G6 “Staff costs”.

20. Equity

Non-controlling interests

Non-controlling interests comprise the portion of net assets of group undertakings not owned directly or indirectly by Nordea Bank Danmark A/S.

For each business combination, NBD measures the non-controlling interests in the acquiree either at fair value or at their proportionate share of the acquiree’s identifiable net assets.

Other reserves

Other reserves comprise income and expenses, net after tax effects which are reported in equity. These reserves include reserve for financial assets classified into the category Available for sale and accumulated remeasurements of defined benefit pension plans as well as a reserve for translation differences.

Retained earnings

Retained earnings comprise undistributed profits from previous years.

In addition, NBD's share of the earnings in associated undertakings, after the acquisition date, that have not been distributed is included in retained earnings.

21. Financial guarantee contracts and credit commitments

Upon initial recognition, premiums received on issued financial guarantee contracts and credit commitments are recognised as prepaid income on the balance sheet. The guarantees and irrevocable credit commitments are subsequently measured, and recognised as a provision on the balance sheet, at the higher of either the received fee less amortisation or an amount calculated as the discounted best estimate of the expenditure required to settle the present obligation. Changes in provisions are recognised in the income statement in the item "Net loan losses".

Premiums received for financial guarantees are, as stated in section 6 "Recognition of operating income and impairment", amortised over the guarantee period and recognised as "Fee and commission income" in the income statement. Premiums received on credit commitments are generally amortised over the loan commitment period. The contractual amounts are recognised off-balance sheet, financial guarantees in the item "Contingent liabilities" and irrevocable credit commitments in the item "Other commitments".

22. Share-based payment

Equity-settled programmes

Nordea has annually issued Long Term Incentive Programmes from 2007 through 2012. Employees participating in these programmes are granted share-based equity-settled rights, ie. rights to receive shares for free or to acquire shares in Nordea at a significant discount compared to the share price at grant date. The value of such rights is expensed. The expense is based on the estimated fair value of each right at grant date. The total fair value of these rights is determined based on the Group's estimate of the number of rights that will eventually vest, which is reassessed at each reporting date. The fair value is expensed on a straight-line basis over the vesting period. The vesting period is the period that the employees have to remain in service in Nordea in order for their rights to vest. Market performance conditions in D-rights/Performance Share II are reflected as a probability adjustment to the initial estimate of fair value at grant date. There is no adjustment (true-up) for differences between estimated and actual vesting due to market conditions.

For more information see Note G6 "Staff costs".

Cash-settled programmes

NBD has to defer payment of variable salaries under the FSA's regulations and general guidelines, as is also the case with the Executive Incentive Programme (EIP). The deferred amounts are to some extent indexed using Nordea's TSR (Total Shareholders' Return) and these "programmes" are cash-settled share-based programmes under IFRS. These programmes are fully vested when the payments of variable salaries are initially deferred and the fair value of the obligation is remeasured on a continuous basis. The remeasurements are, together with the related social charges, recognised in the income statement in the item "Net result from items at fair value".

23. Related-party transactions

NBD defines related parties as
- shareholders with significant influence
- other undertakings of the Nordea Group
- associated undertakings
- key management personnel
- other related parties.

All transactions with related parties are made on an arm's length basis.

Shareholders with significant influence

Shareholders with significant influence are shareholders that have in one way or another significant influence on NBD. Nordea Bank AB has a significant influence over Nordea Bank Danmark A/S.

Other undertakings of the Nordea Group

Other undertakings of the Nordea Group consist of subsidiaries of Nordea Bank AB and do not form part of the NBD Group.

Intra-group transactions between legal entities are performed according to the arm's length principle in compliance with the OECD transfer pricing requirements.

Associated undertakings

For the definition of associated undertakings see section 5 "Principles of consolidation".

Further information on the associated undertakings included in the NBD Group is found in Note G17 "Investments in associated undertakings".

Key management personnel

Key management personnel includes the following positions:
- The Board of Directors
- The Group Executive Management.
- The Executive Management

For information about compensation, pensions and other transactions with key management personnel, see Note G6 "Staff costs"

Other related parties

Other related parties comprise close family members to individuals in key management personnel. Other related parties also include companies significantly influenced by key management personnel in the NBD Group as well as companies significantly influenced by close family members to these key management personnel. Other related parties also include NBD's pension foundations.

Information concerning transactions between Nordea Bank Danmark A/S and other related parties is found in Note G43 "Related-party transactions".

24. Segment reporting

Nordea Bank Danmark A/S does not have debt instruments traded in a public market. Segment reporting in accordance with IFRS 8 is therefore not required for Nordea Bank Danmark Group. For segment reporting for Nordea Bank AB Group see Note G2 in the financial statements for Nordea Bank AB.

Note G2
Net interest income

DKKm	2013	2012
Interest income		
Loans to central banks and credit institutions	-6	134
Loans to the public	18,794	20,135
Interest-bearing securities	1,075	1,442
Other interest income	3,050	2,720
Total interest income[1]	**22,913**	**24,431**
Interest expense		
Deposits by credit institutions	-150	-591
Deposits and borrowings from the public	-2,621	-2,963
Debt securities in issue	-7,824	-8,366
Subordinated liabilities	-379	-491
Other interest expenses	-231	-552
Total interest expense[2]	**-11,204**	**-12,963**
Net interest income	**11,709**	**11,468**

[1] Of which negative interest income amounted to DKK 104m (DKK 52m).
[2] Of which positive interest expense amounted to DKK 21m (DKK 13m).

Interest income from financial instruments not measured at fair value through profit or loss amounts to DKK 10,179m (DKK 13,365m). Interest expenses from financial instruments not measured at fair value through profit or loss amount to DKK -3,439m (DKK -4,527m). Interest on impaired loans amounts to an insignificant portion of interest income.

Net interest income		
Interest income	22,708	24,206
Leasing income[1]	205	225
Interest expense	-11,204	-12,963
Total	**11,709**	**11,468**

[1] Of which contingent leasing income amounts to DKK 9m (DKK 17m). Contingent leasing income in NBD consist of variable interest rates, excluding the fixed margin. If the contingent leasing income decreases there will be an offsetting impact from lower funding expenses.

Note G3
Net fee and commission income

DKKm	2013	2012
Asset management commissions	1,277	1,000
Life insurance	23	23
Brokerage, securities issues and corporate finance	1,834	1,763
Custody and issuer services	234	182
Deposits	30	23
Total savings related commissions	3,398	2,991
Payments	417	418
Cards	341	332
Total payment commissions	758	750
Lending	639	637
Guarantees and documentary payments	328	369
Total lending related to commissions	967	1,006
Other commission income	324	279
Fee and commission income	**5,447**	**5,026**
Savings and investments	-124	-118
Payments	-143	-126
Cards	-176	-138
Other commission expenses	-87	-117
Fee and commission expenses	**-530**	**-499**
Net fee and commission income	**4,917**	**4,527**

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amounts to DKK 663m (DKK 660m). The corresponding amount for fee expenses is DKK 0m (DKK 0m).

Fee income, not included in determining the effective interest rate, from fiduciary activities that result in the holding or investing of assets on behalf of customers amounts to DKK 3,074m (DKK 2,745m). The corresponding amount for fee expenses is DKK 0m (DKK 0m).

Note G4
Net result from items at fair value

DKKm	2013	2012
Shares/participations and other share-related instruments	2,333	714
Interest-bearing securities and other interest-related instruments	-710	-1,943
Other financial instruments	-1,374	1,161
Foreign exchange gains/losses	35	182
Investment properties	5	5
Total	**289**	**119**
Net result from categories of financial instruments		
Available for sale assets, realised	-15	15
Financial instruments designated at fair value through profit or loss	153	-33
Financial instruments held for trading	151	148
Financial instruments under fair value hedge accounting	12	-27
of which net result on hedging instruments	296	-87
of which net result on hedged items	-284	60
Financial assets measured at amortised cost[1]	5	11
Financial liabilities measured at amortised cost	-	-
Other	-17	5
Total	**289**	**119**

[1] Of which DKK 5m (DKK 11m) related to instruments classified into the category "Loans and receivables" and DKK 0m related to instruments classified into the category "Held to maturity".

Note G5
Other operating income

DKKm	2013	2012
Income from group companies	152	226
Income from real estate	14	9
Disposals of tangible and intangible assets	6	3
Other	145	115
Total	**317**	**353**

Note G6
Staff costs

DKKm	2013	2012
Salaries and remuneration (specification below)	-4,423	-4,625
Pension costs (specification below)	-424	-470
Social security contributions	-556	-632
Other staff costs	-170	-163
Total	**-5,573**	**-5,890**

Salaries and remuneration		
To the Board of Directors		
- Fixed salary and benefits	0	0
- Performance-related compensation	-	-
To the Executive Management[1]		
- Fixed salary and benefits	-11	-11
- Performance-related compensation[2]	-3	-1
Total	**-14**	**-12**
To other employees[3]	-4,409	-4,613
Total	**-4,423**	**-4,625**

[1] The Executive Management (including former members of the Executive Management) included in 2013 12 (12) individuals.
[2] The Executive Management participates in the incentive programmes. These programmes are described in the Remuneration section in the Board of Directors' report and on page 51-55. The amounts include allotment value in 2013 from LTIP. No LTIP allotted in 2012.
[3] Salaries and remuneration to employees that have significant influence on NBD's risk profile amount to DKK 460m (DKK 365m). Salaries and remuneration are split between fixed salary and benefits DKK 341m (DKK 318m) and paid performance-related compensation DKK 119m (DKK 47m) earned in the period 2009-2013 (2009-2012). Employees that have significant influence on NBD's risk profile included in 2013 370 individuals (363 individuals).

Pension costs		
Defined benefits plans (Note G30)	4	-13
Defined contribution plans:		
- The Executive Management[1,2]	-7	-6
- Other employees[3]	-421	-451
Total	**-424**	**-470**

[1] The Executive Management (including former members of the Executive Management) included in 2013 12 (12) individuals.
[2] Including former executive management members DKK 4m (DKK 1m).
[3] Pension costs to employees that have significant influence on NBD's risk profile amount to DKK 36m (DKK 33m).

Compensation including pension		
The Board of Directors[1]	0	0
The Executive Management[2]	-21	-18
Total	**-21**	**-18**

[1] The Board of Directors included in 2013 unchanged 5 individuals.
[2] The Executive Management (including former members of the Executive Management) included in 2013 12 (12) individuals.

Further information about NBD's salary policy and practice is available on www.nordea.com/remuneration.

Note G6
Staff costs *(cont.)*

Commitments with the Board of Directors and the Executive Management

Loans to and charges or guarantees issued established for the members of the bank's Executive Management and Board of Directors and their family members:

DKKm	31 Dec 2013	31 Dec 2012
Loans etc		
The Executive Management	2	7
The Board of Directors	4	-

Interest income on these loans to members of the bank's Executive Management and Board af Directors amounts to DKK 0.1m (DKK 0.2m). The Executive Management consist of 3 members (4 members).

Loans to members of the bank's Executive Management and Board of Directors consist of current accounts with overdraft facilities and mortgage loans with Nordea Kredit on terms based on market conditions. At the end of 2013 interest on the loans was payable at the rate of 1.1% and 1.1-1.6% per year, respectively. Loans to family members of the Executive Management and the Board of Directors are granted on the same terms.

Loans etc. to members of the Executive Management and the Board of Directors in the parent company Nordea Bank AB consist of current accounts with overdraft facilities and mortgage loans with Nordea Kredit on terms based on market conditions. At the end of 2013 the loans amounted to DKK 4m (DKK 12m) and interest on the loans was payable at a rate of 1.1-1.6%.

NBD has not pledged any assets or other collateral or committed to contingent liabilities on behalf of any member of the Executive Management and Board of Directors and their family members.

Note G6
Staff costs *(cont.)*

Long Term Incentive Programmes

Conditional Rights LTIP 2012	2013 Matching Share	2013 Performance Share I	2013 Performance Share II	2012 Matching Share	2012 Performance Share I	2012 Performance Share II
Outstanding at the beginning of year	278,012	701,229	278,012	-	-	-
Granted[1]	10,582	25,388	10,582	273,003	691,211	273,003
Transfer during the year	-	-	-	5,009	10,018	5,009
Forfeited	-2,582	-52,075	-2,582	-	-	-
Outstanding at end of year	**286,012**	**674,542**	**286,012**	**278,012**	**701,229**	**278,012**
Of which currently exercisable	-	-	-	-	-	-

Conditional Rights LTIP 2011	2013 Matching Share	2013 Performance Share I	2013 Performance Share II	2012 Matching Share	2012 Performance Share I	2012 Performance Share II
Outstanding at the beginning of year	198,362	396,724	198,362	209,434	418,868	209,434
Granted[1]	7,549	15,098	7,549	7,271	14,542	7,271
Transfer during the year	-	-	-	-17,069	-34,138	-17,069
Forfeited	-1,882	-3,764	-1,882	-1,274	-2,548	-1,274
Outstanding at end of year	**204,029**	**408,058**	**204,029**	**198,362**	**396,724**	**198,362**
Of which currently exercisable	-	-	-	-	-	-

Rights LTIP 2010	2013 Matching Share	2013 Performance Share I	2013 Performance Share II	2012 Matching Share	2012 Performance Share I	2012 Performance Share II
Outstanding at the beginning of year	204,614	409,228	204,614	219,808	439,616	219,808
Transfer during the year	-	-	-	-15,194	-30,388	-15,194
Forfeited	-	-193,052	-112,537	-	-	-
Allotted	-177,697	-187,738	-79,964	-	-	-
Outstanding at end of year	**26,917**	**28,438**	**12,113**	**204,614**	**409,228**	**204,614**
Of which currently exercisable	-	-	-	-	-	-

[1] Granted rights are compensation for dividend on the underlying Nordea share during 2012.
[2] Weighted average share price during the period amounted to EUR 8.63 (EUR 6.88).

Note G6
Staff costs *(cont.)*

Participation in the Long Term Incentive programmes (LTIPs) requires that the participants take direct ownership by investing in Nordea shares.

	LTIP 2012			LTIP 2011		
	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Ordinary share per right	1.00	1.00	1.00	1.00	1.00	1.00
Exercise price, EUR	0.00	0.00	0.00	0.00	0.00	0.00
Grant date	13 May 2012	13 May 2012	13 May 2012	13 May 2011	13 May 2011	13 May 2011
Vesting period, months	36	36	36	36	36	36
Contractual life, months	36	36	36	36	36	36
First day of exercise	May 2015	May 2015	May 2015	May 2014	May 2014	May 2014
Fair value at grant date, EUR[1]	6.31	6.31	2.28	7.61	7.61	2.75

[1] The fair value has been recalculated due to dividend during the vesting period which the participants are compensated for through additional Matching and Performance Shares.

	LTIP 2010		
	Matching Share	Performance Share I	Performance Share II
Ordinary share per right	1.00	1.00	1.00
Exercise price, EUR	0.00	0.00	0.00
Grant date	13 May 2010	13 May 2010	13 May 2010
Vesting period, months	36	36	36
Contractual life, months	36	36	36
First day of exercise	May 2013	May 2013	May 2013
Fair value at grant date, EUR	6.75	6.75	2.45

Conditions and requirements
For each ordinary share the participants lock into the LTIPs, they are granted a conditional A-right/Matching Share to acquire or receive ordinary shares based on continued employment and the conditional B-D-rights/Performance Share I and II to acquire or receive additional ordinary shares based on fulfilment of certain performance conditions. The performance conditions for B- and C-rights and for Performance Share I comprise a target for growth in risk-adjusted profit per share (RAPPS) or a target in risk-adjusted return on capital risk (RAROCAR). Should the reported earnings per share (EPS) be lower than a predetermined level, the participants are not entitled to exercise any B- or C-rights or Performance Share I. The performance condition for D-rights and for Performance Share II is market related and comprises growth in total shareholder return (TSR) in comparison with a peer group's TSR or a target in RAROCAR and in P/B-ranking compared to a peer group.

When the performance conditions are not fully fulfilled, the rights that are no longer exercisable are shown as forfeited in the previous tables, as well as shares forfeited due to participants leaving the Nordea Group.

The exercise price, where applicable, for ordinary shares is adjusted for dividends, however, never adjusted below a predetermined price. Furthermore, the profit for each right is capped.

Note G6
Staff costs *(cont.)*

	LTIP 2012	LTIP 2011	LTIP 2010
Service condition, Matching Share/ Performance Share I and II	Employed, with certain exemptions, within the Nordea Group during the three-year vesting period.	Employed, with certain exemptions, within the Nordea Group during the three-year vesting period.	Employed, with certain exemptions, within the Nordea Group during the three-year vesting period.
Performance condition, Performance Share I	Average RAROCAR during the period 2012 up to and including 2014. Full right to exercise will be obtained if the RAROCAR amounts to 17%.	Compound Annual Growth Rate in RAPPS from year 2010 (base year) to and including year 2013. Full right to exercise will be obtained if the Compound Annual Growth Rate amounts to or exceeds 10%.	Compound Annual Growth Rate in RAPPS from year 2009 (base year) to and including year 2012. Full right to exercise will be obtained if the Compound Annual Growth Rate amounts to or exceeds 9%.
EPS knock-out, Performance Share I	-	Average reported EPS for 2011-2013 lower than EUR 0.26.	Average reported EPS for 2010-2012 lower than EUR 0.26.
Performance conditions, Performance Share II	RAROCAR during the period 2012 up to and including 2014 and P/B-ranking year-end 2014 compared to a peer group. Full right to exercise will be obtained if the RAROCAR amounts to 14% and if Nordea's P/B-ranking is 1-5.	TSR during 2011-2013 in comparison to a peer group. Full right to exercise will be obtained if Nordea is ranked number 1-5.	TSR during 2010-2012 in comparison to a peer group. Full right to exercise will be obtained if Nordea is ranked number 1-5.
Cap	The market value of the allotted shares is capped to the participant's annual salary for year-end 2011.	The market value of the allotted shares is capped to the participant's annual salary for year-end 2010.	The market value of the allotted shares is capped to the participant's annual salary for year-end 2009.
Dividend compensation	The number of Matching Shares and Performance Shares will be adjusted for dividends on the underlying Nordea share during the vesting period, as if assuming that each dividend was used to immediately invest in additional Nordea shares.		-

Note G6
Staff costs *(cont.)*

Fair value calculations
The fair value is measured through the use of generally accepted valuation models with the following input factors:

	LTIP 2012	LTIP 2011	LTIP 2010
Weighted average share price, EUR	6.70	8.39	6.88
Right life, years	3.0	3.0	3.0
Deduction of expected dividends	No	No	No
Risk free rate, %	Not applicable	Not applicable	Not applicable
Expected volatility, %	Not applicable	Not applicable	Not applicable

Expected volatility is based on historical values. As the exercise price (zero for LTIP 2010, LTIP 2011 and LTIP 2012) is significantly below the share price at grant date, the value has a limited sensitivity to expected volatility and risk-free interest. The fair value calculations are also based on estimated early exercise behaviour during the programme's exercise windows, however, not applicable for LTIP 2009.

The value of the D-rights/Performance Share II is based on market-related conditions and fulfilment of the TSR, RAROCAR and P/B targets have been taken into consideration when calculating the right's fair value at grant. When calculating the impact from the market conditions, it has been assumed that all possible outcomes have equal possibilities. Also the caps in each programme have been taken into consideration when calculating the rights' fair value at grant. The adjustment to fair value is approximately 2-3% of the weighted average share price.

Expenses for equity-settled share-based payment programmes[1]

DKKm	LTIP 2012	LTIP 2011	LTIP 2010	Total
Expected expense	32	34	25	
Maximum expense	52	39	25	
Total expense 2013[2]	10	12	5	27
Total expense 2012	7	7	3	17

1 All amounts excluding social security contribution.
2 Of which DKK 1.3m (DKK 0.4m) is related to the executive management and DKK 0.0m (DKK 0.0m) is related to the Board of Directors.

When calculating the expected expense an expected annual employee turnover of 5% has been used. The expected expense is recognised over the vesting period of 36 months (LTIP 2010, 2011 and 2012).

Note G6
Staff costs *(cont.)*

Cash-settled share-based payment transaction
Nordea operates share-linked deferrals on parts of variable compensation for certain employee categories, indexed with Nordea Total Shareholder Returns (TSR) and either vesting after three years or vesting in equal instalments over a three to five year period. Since 2011 Nordea also operates TSR-linked retention on part of variable compensation for certain employee categories. The below table only includes deferred amounts indexed with Nordea TSR. Due to that the allocation of variable compensation is not finally decided during the current year, the deferred amount during the year in the table below relates to variable compensation earned the previous year.

In addition Nordea has during 2013 introduced the Executive Incentive Programme 2013 ("EIP 2013") which aims to strengthen Nordea's capability to retain and recruit the best talents. The aim is further to stimulate the managers and key employees whose efforts have direct impact on Nordea's result, profitability and long term value growth. EIP reward performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. The EIP shall not exceed the fixed salary. EIP shall be paid in the form of cash and be subject to TSR-indexation, deferral, forfeiture clauses and retention as per relevant remuneration regulations. The main part of EIP 2013 is paid no earlier than autumn 2017. Participation in the programme is offered to up to 400 managers and key employees within the Nordea Group. EIP 2013 is offered instead of Nordea's LTIP and VSP for the invited employees, except GEM who are instead offered a GEM EIP, within the Nordea Group. EIP is offered instead of Nordea's LTIP and VSP for the invited employees. The allocation of the EIP 2013 is decided during spring 2014, and a reservation of DKK 61m incl. social costs is made in 2013. 80% of the allocated amount will be subject to TSR-indexation.

	Share linked deferrals	
DKKm	2013	2012
Opening balance	68	29
Deferred/earned during the year	59	41
TSR indexation during the year	28	12
Payments during the year[1]	-69	-14
Translation differences	0	0
Deferred TSR-linked compensation at end of year	**86**	**68**

[1] There have been no adjustments due to forfeitures in 2013.

Note G7
Other expenses

DKKm	2013	2012
Information technology	-1,603	-1,495
Marketing and representation	-172	-161
Postage, transportation, telephone and office expenses	-363	-391
Rents, premises and real estate	-743	-801
Other[1]	-1,159	-1,081
Total	**-4,040**	**-3,929**

[1] Including DKK 384m to the Danish Guarantee Scheme (DKK 240m).

Note G8
Depreciation, amortisation and impairment charges of tangible and intangible assets

Depreciation/amortisation

DKKm	2013	2012
Property and equipment (Note G19)		
Equipment	-156	-169
Buildings	-1	-1
Intangible assets (Note G18)		
Computer software	-178	-163
Other intangible assets	-49	-52
Total	**-384**	**-385**

Impairment charges/reversed impairment charges

DKKm	2013	2012
Property and equipment (Note G19)		
Equipment	-	-
Intangible assets (Note G18)		
Computer software	-14	-66
Other intangible assets	-	-
Total	**-14**	**-66**
Total	**-397**	**-451**

Note G9
Net loan losses

Divided by class

DKKm	2013	2012
Loans to central banks and credit institutions	0	0
- of which provisions	0	0
- of which write-offs	-	-
- of which allowances used for covering write-offs	-	-
- of which reversals	-	-
Loans to the public	-2,826	-4,294
- of which provisions	-4,975	-6,670
- of which write-offs	-2,476	-2,164
- of which allowances used for covering write-offs	2,088	1,820
- of which reversals	2,374	2,579
- of which recoveries	163	141
Off-balance sheet items[1]	132	31
- of which provisions	-36	-124
- of which write-offs	-	-
- of which allowances used for covering write-offs	-	-
- of which reversals	168	155
Total	**-2,694**	**-4,264**
Specification		
Changes of allowance accounts in the balance sheet	-2,470	-4,060
- of which Loans, individually assessed[2]	-2,380	-4,567
- of which Loans, collectively assessed[2]	-221	476
- of which Off-balance sheet items, individually assesed[1]	120	40
- of which Off-balance sheet items, collectively assessed[1]	11	-9
Changes directly recognised in the income statement	-224	-203
- of which realised loan losses, individually assessed	-388	-344
- of which realised recoveries, individually assessed	164	141
Total	**-2,694**	**-4,264**

[1] Included in Note G29 Provisions as “Transfer risk, off-balance” and “Individually assessed guarantees and other commitments”.
[2] Included in Note G11 Loans and impairment.

Note G10
Taxes

Income tax expense

DKKm	2013	2012
Current tax[1]	-1,155	-466
Deferred tax[1]	157	-56
Total	**-998**	**-522**

[1] Including adjustments relating to prior years (see below).

Current and deferred tax recognised in Other comprehensive income/Retained earnings		
Current tax relating to available-for-sale investments	-37	4
Deferred tax on remeasurement of defined benefit plans	2	-35
Total	**-35**	**-31**

The tax on the operating profit differs from the theoretical amount that would arise using the tax rate of Denmark as follows:

Profit before tax	4,662	2,036
Tax calculated at a tax rate of 25%	-1,166	-509
Tax-exempt income	71	47
Adjustment of tax assets related to tax losses	16	-10
Non-deductible expenses	-48	-20
Adjustments relating to prior years	117	-10
Change of tax rate	61	-
Not creditable foreign taxes	-49	-20
Tax charge	**-998**	**-522**
Average effective tax rate, %	21	26

	Deferred tax assets		Deferred tax liabilities	
DKKm	2013	2012	2013	2012
Deferred tax related to:				
Tax losses carry forward	79	92	-	-
Loans to the public	-	-	390	464
Shares	-	-	23	145
Intangible assets	-	-	451	486
Property and equipment	13	23	-	-
Retirement benefit assets	-	-	32	34
Liabilities/provisions	136	183	-	-
Netting of deferred tax assets and liabilities	-149	-212	-149	-212
Total	**79**	**86**	**747**	**917**

Note G10
Taxes *(cont.)*

DKKm	2013	2012
Movements in deferred tax assets/liabilities, net are as follows:		
Amount at beginning of year (net)	-831	-687
Deferred tax relating to items recognised in other comprehensive income	2	-35
Reclassifications	4	-53
Deferred tax in the income statement	157	-56
Amount at end of year (net)	**-668**	**-831**
Current tax assets	**-**	**129**
Of which expected to be settled after more than 1 year	-	-
Current tax liabilities	**217**	**201**
Of which expected to be settled after more than 1 year	199	201
Unrecognised deferred tax assets		
Unused tax losses carry forward	332	397
Unused tax credits	-	-
Total	**332**	**397**

There is no deferred tax relating to temporary differences associated with investments in group undertakings and associated undertakings except from a private equity investment.

Deferred income tax assets are recognised for tax loss carry forwards only to the extent that realisation of the related benefit is probable. The tax asset recognised relates to Fionia Asset Company A/S.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same fiscal authority.

Note G11
Loans and impairment

	Central banks and credit institutions[2]		The public[1]		Total	
DKKm	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Loans, not impaired	79,534	57,874	584,327	591,319	663,861	649,193
Impaired loans:	-	-	27,431	28,042	27,431	28,042
- of which performing	-	-	18,610	20,265	18,610	20,265
- of which non-performing	-	-	8,821	7,777	8,821	7,777
Loans before allowances	**79,534**	**57,874**	**611,758**	**619,361**	**691,292**	**677,235**
Allowances for individually assessed impaired loans	-	-	-9,834	-9,581	-9,834	-9,581
- of which performing	-	-	-6,083	-5,986	-6,083	-5,986
- of which non-performing	-	-	-3,751	-3,595	-3,751	-3,595
Allowances for collectively assessed impaired loans	0	0	-1,061	-840	-1,061	-840
Allowances	**0**	**0**	**-10,895**	**-10,421**	**-10,895**	**-10,421**
Loans, carrying amount	**79,534**	**57,874**	**600,863**	**608,940**	**680,397**	**666,814**

[1] Finance leases, where NBD is a lessor, are included in Loans to the public, see Note G20 Leasing.
[2] Consists of loans to central banks of DKK 68,009m (DKK 44,811m) and loans to credit institutions of DKK 11,525m (DKK 13,063m).

Note G11
Loans and impairment *(cont.)*

Reconciliation of allowance accounts for impaired loans[1]

	Central banks and credit institutions			The public		
DKKm	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2013	**-**	**0**	**0**	**-9,581**	**-840**	**-10,421**
Provisions	-	-	-	-4,283	-692	-4,975
Reversals	-	0	0	1,903	471	2,374
Changes through the income statement	**-**	**0**	**0**	**-2,380**	**-221**	**-2,601**
Allowances used to cover write-offs	-	-	-	2,088	-	2,088
Translation differences	-	-	-	39	-	39
Closing balance at 31 Dec 2013	**-**	**0**	**0**	**-9,834**	**-1,061**	**-10,895**
Opening balance at 1 Jan 2012	**-**	**0**	**0**	**-6,839**	**-1,316**	**-8,155**
Provisions	-	-	-	-6,321	-349	-6,670
Reversals	-	0	0	1,754	825	2,579
Changes through the income statement	**-**	**0**	**0**	**-4,567**	**476**	**-4,091**
Allowances used to cover write-offs	-	-	-	1,820	-	1,820
Translation differences	-	-	-	5	-	5
Closing balance at 31 Dec 2012	**-**	**0**	**0**	**-9,581**	**-840**	**-10,421**

	Total	Total	
DKKm	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2013	**-9,581**	**-840**	**-10,421**
Provisions	-4,283	-692	-4,975
Reversals	1,903	471	2,374
Changes through the income statement	**-2,380**	**-221**	**-2,601**
Allowances used to cover write-offs	2,088	-	2,088
Translation differences	39	-	39
Closing balance at 31 Dec 2013	**-9,834**	**-1,061**	**-10,895**
Opening balance at 1 Jan 2012	**-6,839**	**-1,316**	**-8,155**
Provisions	-6,321	-349	-6,670
Reversals	1,754	825	2,579
Changes through the income statement	**-4,567**	**476**	**-4,091**
Allowances used to cover write-offs	1,820	-	1,820
Translation differences	5	-	5
Closing balance at 31 Dec 2012	**-9,581**	**-840**	**-10,421**

[1] See Note G9 Net loan losses.

Note G11
Loans and impairment *(cont.)*

Allowances and provisions

DKKm	Central banks and credit institutions 31 Dec 2013	31 Dec 2012	The public 31 Dec 2013	31 Dec 2012	Total 31 Dec 2013	31 Dec 2012
Allowances for items in the balance sheet	0	0	-10,895	-10,421	-10,895	-10,421
Provisions for off-balance sheet items	-8	-22	-163	-280	-171	-302
Total allowances and provisions	**-8**	**-22**	**-11,058**	**-10,701**	**-11,066**	**-10,723**

Key ratios (basis points)[1]	31 Dec 2013	31 Dec 2012
Impairment rate, gross	396.8	414.1
Impairment rate, net	254.6	272.6
Total allowance rate	157.6	153.9
Allowance in relation to impaired loans, %	35.9	34.2
Total allowances in relation to impaired loans, %	39.7	37.2
Non-performing loans, not impaired, DKKm	1,795	1,672

[1] For definitions, see Business definitions on page 31.

Note G12
Interest-bearing securities

DKKm	31 Dec 2013	31 Dec 2012
State and sovereigns	13,198	25,480
Mortgage institutions	59,611	39,758
Other credit institutions	5,248	2,114
Corporates	242	277
Total	**78,299**	**67,629**
of which financial instruments pledge as collateral (Note G13)	-550	-5,827
Total	**77,749**	**61,802**

NBD's portfolio of interest-bearing securities consists of high graded securities.

Note G13
Financial instruments pledged as collateral

Financial instruments pledged as collateral
In repurchase transactions and in securities lending transactions, non-cash assets are transferred as collateral. When the counterpart receiving the collateral has the right to sell or repledge the assets, the assets are reclassified in the balance sheet to the item Financial instruments pledged as collateral.

DKKm	31 Dec 2013	31 Dec 2012
Interest bearing securities	550	5,827
Shares	-	-
Total	**550**	**5,827**

For information on transferred assets, see Note G40.

Note G14
Shares

DKKm	31 Dec 2013	31 Dec 2012
Shares	11,189	6,782
Shares taken over for protection of claims	184	128
Fund units, equity related	13,766	13,911
Fund units, interest related	4,209	4,537
Total	**29,348**	**25,358**
Of which financial instruments pledged as collateral (Note G13)	-	-
Total	**29,348**	**25,358**

Note G15
Derivatives and hedge accounting

	Fair value		Total nom
DKKm, 31 Dec 2013	Positive	Negative	amount
Derivatives held for trading			
Interest rate derivatives			
Interest rate swaps	124	221	96,925
Futures and forwards	101	17	3,199
Options	0	0	7
Total	**225**	**238**	**100,131**
Equity derivatives			
Futures and forwards	1	1	2
Options	0	0	0
Total	**1**	**1**	**2**
Foreign exchange derivatives			
Currency and interest rate swaps	20	10	14,391
Total	**20**	**10**	**14,391**
Credit derivatives			
Credit default swaps	-	1,452	3,730
Total	**-**	**1,452**	**3,730**
Total derivatives held for trading	**246**	**1,701**	**118,254**
Derivatives used for hedge accounting			
Interest rate derivatives			
Interest rate swaps	297	469	145,222
Total	**297**	**469**	**145,222**
Foreign exchange derivatives			
Currency and interest rate swaps	-	-	-
Total	**-**	**-**	**-**
Total derivatives used for hedge accounting	**297**	**469**	**145,222**
Total derivatives	**543**	**2,171**	**263,476**

Note G15
Derivatives and hedge accounting *(cont.)*

DKKm, 31 Dec 2012	Fair value Positive	Fair value Negative	Total nom amount
Derivatives held for trading			
Interest rate derivatives			
Interest rate swaps	533	1,112	123,679
Futures and forwards	2,042	1,776	310,350
Options	55	55	33
Total	**2,630**	**2,943**	**434,062**
Equity derivatives			
Futures and forwards	67	87	620
Options	14	14	0
Total	**81**	**101**	**620**
Foreign exchange derivatives			
Currency and interest rate swaps	17	6	44,466
Total	**17**	**6**	**44,466**
Credit derivatives			
Credit default swaps	-	71	3,730
Total	**-**	**71**	**3,730**
Total derivatives held for trading	**2,728**	**3,121**	**482,878**
Derivatives used for hedge accounting			
Interest rate derivatives			
Interest rate swaps	299	750	144,092
Total	**299**	**750**	**144,092**
Foreign exchange derivatives			
Currency and interest rate swaps	39	3	65,644
Total	**39**	**3**	**65,644**
Total derivatives used for hedge accounting	**338**	**753**	**209,736**
Total derivatives	**3,066**	**3,874**	**692,614**

Note G16
Fair value changes of the hedged items in portfolio hedge of interest rate risk

Assets

DKKm	31 Dec 2013	31 Dec 2012
Carrying amount at beginning of year	501	423
Changes during the year:		
Revaluation of hedged items	-219	78
Carrying amount at end of year	**282**	**501**

Liabilities

Carrying amount at beginning of year	212	180
Changes during the year:		
Revaluation of hedged items	-127	32
Carrying amount at end of year	**85**	**212**
Net carrying amount at end of year	**197**	**289**

The carrying amount at end of year represents accumulated changes in the fair value for those repricing time periods in which the hedged item is an asset or a liability. When the hedged item is an asset, the change in the fair value of the hedged item is presented within assets and when the hedged item is a liability, the change is presented as a liability.

Note G17
Investments in associated undertakings

DKKm	31 Dec 2013	31 Dec 2012
Acquisition value at beginning of year	967	909
Acquisitions during the year	58	20
Sales/disposals during the year	-19	-
Share in earnings	196	155
Dividend received	-198	-117
Reclassifications	-	-
Translation differences	-	-
Acquisition value at end of year	**1,004**	**967**
Accumulated impairment charges at beginning of year	-	-
Impairment charges during the year	-	-
Accumulated impairment charges at end of year	**-**	**-**
Total	**1,004**	**967**

NBD's share of the associated undertakings' aggregated balance sheets and income statements can be summarised as follows:

DKKm	31 Dec 2013	31 Dec 2012
Total assets	9,693	8,148
Total liabilities	7,766	6,215
Operating income	436	444
Operating profit	208	291

31 Dec, DKKm	Registration number	Domicile	Carrying amount 2013	Carrying amount 2012	Ownership 2013, %	Ownership 2012, %
Credit institutions						
LR Realkredit A/S	26045304	Copenhagen	76	96	39	39
Total			**76**	**96**		
Other						
Fleggaard Busleasing GmbH	134650777	Harrislee	5	7	39	39
Agro & Ferm A/S	29636672	Esbjerg	0	0	34	34
Ejendomsselskabet Axelborg I/S	79334413	Copenhagen	64	65	33	33
Axcel IKU Invest A/S	24981800	Copenhagen	0	5	33	33
Bluegarden Holding A/S	27226027	Ballerup	23	0	29	29
KIFU-AX II A/S	25893662	Copenhagen	-	20	-	25
Nets Holding A/S	27225993	Ballerup	809	738	21	21
E-nettet Holding A/S	28308019	Copenhagen	13	11	20	20
Nordea Fleet (NF-fleet A/S)	29185263	Taastrup	7	3	20	20
Bankernes Kontantservice A/S	33077599	Copenhagen	6	22	20	20
Total			**928**	**871**		
Total			**1,004**	**967**		

Note G18
Intangible assets

DKKm	31 Dec 2013	31 Dec 2012
Goodwill[1, 2]		
Roskilde Bank	135	135
Fionia Bank	1,177	1,177
Goodwill, total	**1,312**	**1,312**
Computer software	1,182	1,291
Other intangible assets	274	323
Other intangible assets, total	**1,456**	**1,614**
Total	**2,768**	**2,925**
Goodwill		
Acquisition value at beginning of year	1,312	1,312
Acquisitions during the year	-	-
Acquisition value at end of year	**1,312**	**1,312**
Accumulated impairment charges at beginning of year	-	-
Impairment charges during the year	-	-
Accumulated impairment charges at end of year	**-**	**-**
Total	**1,312**	**1,312**
Computer software[3]		
Acquisition value at beginning of year	1,780	1,613
Acquisitions during the year	83	167
Sales/disposals during year	-3	-
Acquisition value at end of year	**1,860**	**1,780**
Accumulated amortisation at beginning of year	-402	-239
Amortisation according to plan for the year	-178	-163
Accumulated amortisation on sales/disposals during the year	3	-
Accumulated amortisation at end of year	**-577**	**-402**
Accumulated impairment charges at beginning of year	-87	-21
Impairment charges during the year	-14	-66
Accumulated impairment charges at end of year	**-101**	**-87**
Total	**1,182**	**1,291**

[1] The goodwill has been allocated to the cash generating unit Retail Banking Denmark.
[2] Excluding goodwill in associated undertakings.
[3] Mainly internally developed software.

Note G18
Intangible assets *(cont.)*

DKKm	31 Dec 2013	31 Dec 2012
Other intangible assets		
Acquisition value at beginning of year	495	495
Acquisitions during the year	-	-
Sales/disposals during the year	-	-
Acquisition value at end of year	**495**	**495**
Accumulated amortisation at beginning of year	-172	-120
Amortisation according to plan for the year	-49	-52
Accumulated amortisation on sales/disposals during the year	-	-
Accumulated amortisation at end of year	**-221**	**-172**
Accumulated impairment charges at beginning of year	-	-
Impairment charges during the year	-	-
Accumulated impairment charges at end of year	**-**	**-**
Total	**274**	**323**

Impairment test
A cash-generating unit, defined as the operating segment, is the basis for the goodwill impairment test.

The impairment test is performed for each cash-generating unit by comparing the carrying amount of the net assets, including goodwill, with the recoverable amount. The recoverable amount is the value in use and is estimated based on discounted cash flows. Cash flows have been estimated for 30 years.

Cash flows in the near future (between 2 and 3 years) are based on financial forecasts, derived from forecast margins, volumes, sales and cost development. These input variables are based on historical data adjusted to reflect Nordea's assumptions about the future. Cash flows for the period beyond the forecasting period are based on estimated sector growth rates. For impairment testing, a growth rate of 2.5% (2.5%) has been used for all cash-generating units. Growth rates are based on historical data, updated to reflect the current situation.

Cash flows are risk adjusted using normalised loan losses.

The derived cash flows are discounted at a rate based on the long-term risk-free interest rate plus a risk premium. The post-tax discount rate used for the impairment test 2013 is 8.5% (8.5%), which equals a pre-tax rate of 11.3% (11.3%).

The impairment tests conducted in 2013 did not indicate any need for goodwill impairment. See Note G1 section 15 for more information.

A reasonably possible change in key assumptions, an increase in the discount rate of 1 percentage point or a reduction in the future growth rate of 1 percentage points, would not result in an impairment in any of the cash-generating units.

Note G19
Property and equipment

DKKm	31 Dec 2013	31 Dec 2012
Property and equipment	**746**	**697**
of which buildings for own use	287	292
Total	**746**	**697**
Equipment		
Acquisition value at beginning of year	1,314	1,245
Acquisitions during the year[1]	224	117
Sales/disposals during the year	-63	-48
Acquisition value at end of year	**1,475**	**1,314**
Accumulated depreciation at beginning of year	-908	-775
Accumulated depreciation on sales/disposals during the year	48	35
Depreciations according to plan for the year	-156	-169
Accumulated depreciation at end of year	**-1,016**	**-908**
Accumulated impairment charges at beginning of year	-	-
Impairment charges during the year	-	-
Accumulated impairment charges at end of year	**-**	**-**
Total	**459**	**405**

[1] No acquisitions through business combinations.

DKKm	31 Dec 2013	31 Dec 2012
Land and buildings		
Acquisition value at beginning of year	297	297
Acquisitions during the year	1	1
Sales/disposals during the year	-5	-1
Reclassifications	-	-
Acquisition value at end of year	**293**	**297**
Accumulated depreciation at beginning of year	-5	-4
Accumulated depreciation on sales/disposals during the year	-	-
Reclassifications	-	-
Depreciation according to plan for the year	-1	-1
Accumulated depreciation at end of year	**-6**	**-5**
Accumulated impairment charges at beginning of year	-	-
Impairment charges during the year	-	-
Accumulated impairment charges at end of year	**-**	**-**
Total	**287**	**292**

Note G20
Leasing

Nordea as a lessor

Finance leases

NBD owns assets leased to customers under finance lease agreements. Finance lease agreements are reported as receivables from the lessee included in "Loans to the public" (see Note G11) at an amount equal to the net investment in the lease. The leased assets mainly comprise vehicles, machinery and other equipment.

Reconciliation of gross investments and present value of future minimum lease payments:

DKKm	31 Dec 2013	31 Dec 2012
Gross investments	6,711	6,810
Less unearned finance income	-540	-501
Net investments in finance leases	**6,171**	**6,309**
Less unguaranteed residual values accruing to the benefit of the lessor	-	-
Present value of future minimum lease payments receivable	**6,171**	**6,309**
Accumulated allowance for uncollectible minimum lease payments receivable	-	-

As of 31 December 2013 the gross investment and the net investment by remaining maturity were distributed as follows:

31 Dec 2013, DKKm	Gross investment	Net investment
0-1 year	932	874
1-5 years	4,488	4,147
> 5 years	1,291	1,150
Total	**6,711**	**6,171**

Operating leases

NBD has only to a minor extent entered into operating lease agreements.

Nordea as a lessee

Finance leases

NBD has only to a minor extent entered into finance lease agreements.

Operating leases

NBD has entered into operating lease agreements for premises and office equipment.

Leasing expenses during the year, DKKm	31 Dec 2013	31 Dec 2012
Leasing expenses during the year	438	395
of which minimum lease payments	438	389
of which contingent rents	-	6
Leasing income during the year regarding sub-lease payments	82	54

Future minimum lease payments under non-cancellable operating leases amounted to and are distributed as follows:

0-1 year	236	180
1-5 years	838	593
> 5 years	85	121
Total	**1,159**	**894**

Total sub-lease payments expected to be received under non-cancellable sub-leases amount to DKK 0m.

Note G21
Investment property

Movement in the balance sheet

DKKm	31 Dec 2013	31 Dec 2012
Carrying amount at beginning of year	151	342
Acquisitions during the year	137	227
Sales/disposals during the year	-166	-418
Net result from fair value adjustments	-	-
Carrying amount at end of year	**121**	**151**

Amounts recognised in the income statement[1]

Rental income	-	-
Direct operating expenses that generate rental income	-	-
Direct operating expenses that did not generate rental income	5	5
Total	**5**	**5**

[1] Together with fair value adjustments included in Net result from items at fair value.

Investment properties consist of the portfolio of repossessed properties. The method applied when calculating fair value is a rate of return calculation based on internal models. As a supplement to these values, appraisals were obtained from independent external valuers for parts of the investment property.

Note G22
Other assets

Claims on securities settlement proceeds[1]	13,804	13,662
Other	867	2,342
Total	**14,671**	**16,004**

[1] The amount reflects trade date accounting and primarily relates to receivables on sold bonds at year-end.

Note G23
Prepaid expenses and accrued income

Accrued interest income	1,057	1,046
Prepaid expenses	899	663
Total	**1,956**	**1,709**

Note G24
Deposits by credit institutions

Central banks	6,474	1,672
Other banks	100,198	108,672
Other credit institutions	5,272	8,197
Total	**111,944**	**118,541**

Note G25
Deposits and borrowings from the public

DKKm	31 Dec 2013	31 Dec 2012
Deposits from the public	310,696	318,925
Borrowings from the public	1,946	295
Total	**312,642**	**319,220**

Deposits are defined as funds in deposit accounts covered by the government deposit guarantee but also including amounts in excess of the individual amount limits. Individual pension savings (IPS) are also included. Portfolio schemes in Nordea Bank Danmark A/S of DKK 32,189m (DKK 31,948m) are also included in Deposits.

Note G26
Debt securities in issue

Bond loans issued by Nordea Kredit	305,468	287,205
Total	**305,468**	**287,205**

Note G27
Other liabilities

Liabilities on securities settlement proceeds[1]	13,765	14,177
Sold, not held, securities	1,226	854
Other	12,581	11,540
Total	**27,572**	**26,571**

[1] The amount reflects trade date accounting and primarily relates to payables on purchased bonds at year-end.

Note G28
Accrued expenses and prepaid income

Accrued interest	3,834	4,021
Other accrued expenses	2,116	1,976
Prepaid income	205	157
Total	**6,155**	**6,154**

Note G29
Provisions

DKKm	31 Dec 2013	31 Dec 2012
Reserve for restructuring costs	71	135
Transfer risk, off-balance	11	22
Individually assessed guarantees and other commitments	160	280
Other	27	75
Total	**269**	**512**

Movement in the balance sheet

DKKm, 31 Dec 2013	Restructuring	Transfer risk	Off-balance sheet	Other	Total
At beginning of year	135	22	280	75	512
New provisions made	-	-	36	-	36
Provisions utilised	-41	-	-	-35	-76
Reversals	-23	-12	-156	-13	-204
Reclassifications	-	-	-	-	-
At end of year	**71**	**11**	**160**	**27**	**269**

Provision for restructuring costs amounts to DKK 71m (DKK 135m) and covers termination benefits and other provisions mainly related to redundant premises. The restructuring activities have mainly been launched to reach the anticipated cost efficiency and profitability, and as a part of this NBD's plans to reduce the number of employees, partly through close down of branches. The majority of the provision is expected to be used during 2014 and 2015. As with any other provision there is an uncertainty around timing and amount, which is expected to be decreased as the plan is being executed during 2014 and 2015.

NBD's transfer risk exposure is dominated by a few countries and is primarily short term and trade related. Provision for Transfer risk of DKK 11m (DKK 22m) is related to off-balance sheet items. Transfer risk relating to loans is included in the item Allowances for collectively assessed impaired loans in Note G11. Provision for Transfer risk is depending on the volume of business with different countries.

Loan loss provisions for individually assessed guarantees and other commitments amounted to DKK 160m (DKK 280m).

Provisions of DKK 21m for the winding-up unit of the Danish Deposit Guarantee Fund are included under the item Other. The provision will be settled in 2014.

Note G30
Retirement benefit assets and liabilities

Net retirement benefit liability/asset

DKKm	31 Dec 2013	31 Dec 2012
Liabilities	849	867
Plan assets	959	982
Net liability(-)/asset(+)	**110**	**115**
- of which retirement benefit liabilities	16	21
- of which retirement benefit assets	126	136
Changes in the Liabilities		
Opening balance	867	991
Current service cost	-	-
Interest cost	30	30
Pensions paid	-62	-65
Past service cost	-	-
Settlements	-	-
Recognised actuarial gains(-)/losses	14	-89
Closing balance	**849**	**867**
Changes in the fair value of plan assets		
Opening balance	982	954
Expected return on assets	34	32
Pensions paid	-51	-54
Contributions	-	-
Recognised actuarial gains/losses(-)	-6	50
Closing balance	**959**	**982**

The defined benefit plans in NBD are structured in accordance with Danish regulations and practice. The DBPs are final salary and service based pension plans providing pension benefits on top of the statutory systems. The DBPs are closed for new entrants, new employees are offered DCPs. Plan assets are generally held in a separate pension foundation. Minimum funding requirements differ between the plans. Some pension plans are not covered by funding requirements and are unfunded. Quarterly assessments are made to secure the level of future contributions. The average duration of the PBO is 11 years based on discounted cash flows. The fact that all DBPs are closed for new entrants and that there are no active members leads to a lower duration.

Defined benefit plans may impact NBD via changes in the net present value of obligations and/or changes in the market value of plan assets. Changes in the obligation are most importantly driven by changes in assumptions on discount rates (interest rates and credit spreads), salary increases, turnover and mortality as well as relevant experience adjustments where the actual outcome differs from the assumption. Assets are invested in diversified portfolies with bond exposures mitigating the interest rate risk in the obligations and a fair amount of real assets (inflation protected) to reduce the long term inflationary risk in liabilities.

Note G30
Retirement benefit assets and liabilities *(cont.)*

IAS 19 pension calculations and assumptions

Calculations on major plans are performed by external liability calculators and are based on different actuarial assumptions.

Assumptions[1] (%)	2013	2012
Discount rate[2]	3.5	3.5
Salary increase	2.5	2.5
Inflation	2.0	2.0

[1] The assumptions disclosed for 2013 have an impact on the liability calculation by year-end 2013, while the assumptions disclosed for 2012 are used for calculating the pension expense in 2013.
[2] More information on the discount rate can be found in Note G1, section 19.

Defined benefit pension cost
The total net pension cost related to defined benefit plans recognised in the NBD's income statement (as staff costs) for the year is DKK 4m (DKK -13m). Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans. (See specification in Note G6).

Key management NBD personnel
Nordea Bank Danmark has pension obligations regarding present and former members of the Executive Management. Defined benefit plans for the Executive Management are funded, meaning that these obligations are backed with plan assets with fair value generally on a similar level as obligations except for DKK 16m (DKK 21m) booked as Retirement benefit obligations in the bank at the end of the year. NBD has no pensions obligations related to the Board of Directors and the employees that have significant influence on NBD's risk profile.

Note G31
Subordinated liabilities

DKKm	31 Dec 2013	31 Dec 2012
Hybrid capital loans	-	-
Other subordinated loans	18,089	18,093
Total	**18,089**	**18,093**

Subordinated loans are subordinated to other liabilities.

Pursuant to the Danish Financial Business Act repayment of subordinated loans may not take place at the initiative of the lender nor without the approval of the Danish Financial Supervisory Authority.

See Note P22 for a specification of subordinated loans.

Note G32
Assets pledged as security for own liabilities

DKKm	31 Dec 2013	31 Dec 2012
Assets pledged for own liabilities		
Securities related to repurchase agreements and securities lending[1]	550	5,827
Loans to the public	363,749	358,371
Other pledged assets[2]	4,020	6,112
Total	**368,319**	**370,310**
The above pledges pertain to the following liabilities		
Deposits by credit institutions	3,083	9,580
Deposits and borrowings from the public	-	-
Derivatives	1,196	1,733
Debt securities in issue after eliminations	305,458	290,264
Other liabilities	-	190
Total	**309,737**	**301,767**

[1] Relates only to securities recognised in the balance sheet. Securities borrowed or bought under repurchase agreements are not recognised in the balance sheet and thus not included in the amount. Such transactions are disclosed in Note G40 Transferred financial assets and obtained collaterals.

[2] Other pledged assets mainly relating to bonds and cash had been transferred to the FUTOP Clearing Centre and clearing centres outside Denmark pursuant to margin requirements.

Assets pledged for own liabilities contain securities pledged as security in a repurchase agreement. The transactions are conducted under standard agreements employed by financial markets participants. Counterparts in those transactions are credit institutions and the public. The transactions are typically short term with maturity within three months.

Loans to the public have been registered as collateral for issued mortgage bonds in line with legislation. In the event of the company´s insolvency, the holders of these bonds have priority to the assets registered as collateral.

Note G33
Other assets pledged

DKKm	31 Dec 2013	31 Dec 2012
Other assets pledged[1]		
Lease agreements	-	-
Securities etc	-	-
Other assets pledged	-	-
Total	**-**	**-**

[1] Collaterals pledged on behalf of other items other than the company’s own liabilities, eg, on behalf of a third party or on behalf of the company’s own contingent liabilities are accounted for under this item.

Note G34
Contingent liabilities

DKKm	31 Dec 2013	31 Dec 2012
Guarantees:		
Loan guarantees	8,777	8,037
Other guarantees	16,309	15,232
Documentary credits	2,565	3,053
Other contingent liabilities	22	56
Total	**27,674**	**26,378**

In the normal business of NBD, the bank issues various forms of guarantees in favour of the bank's customers. Loan guarantees are given for customers to guarantee obligations in other credit and pension institutions. Other guarantees consist mainly of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export related guarantees. Contingent liabilities also include unutilised irrevocable import documentary credits and confirmed export documentary credits. These transactions are part of the bank services and support the bank's customers. Guarantees and documentary credits are considered as off-balance-sheet items, unless there is a need for a provision to cover a probable loan loss that arises from the judgement that reimbursement will not be received.

NBD A/S is jointly taxed with the Danish companies, branches etc. of Nordea.The companies etc. included in the joint taxation have joint several unlimited liability for Danish corporation taxes and withholding taxes on dividends and interest. At 31 december 2013, the net taxes payable to the Danish Central Tax Administration by the companies included in the joint taxation amounted to DKK 93m. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc, may entail that the companies' liability will increase. The Danish Group as a whole is not liable to others.

In terms of payroll tax and VAT, NBD is registered jointly with Nordea, Branch of Nordea Bank AB, Sweden, the Danish PE agency of Nordea Bank Finland and with the majority of the Danish subsidiary undertakings in the Nordea Bank AB Group and these companies are jointly and severally liable for such taxes.

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age.

Other guarantees include guarantees to the Danish Guarantee Scheme.

Legal proceedings
Within the framework of the normal business operations, the NBD faces claims in civil lawsuits and other disputes, most of which involve relatively limited amounts. None of these disputes is considered likely to have any significant adverse effect on the NBD or its financial position.

Note G35
Commitments

DKKm	31 Dec 2013	31 Dec 2012
Credit commitments[1]	175,266	179,642
Other commitments	-	-
Total	**175,266**	**179,642**

[1] Including unutilised portion of approved overdraft facilities of DKK 136,406m (DKK 142,945m).

For information about derivatives, see Note G15 and about reverse repos, see Note G40.

Note G36
Capital adequacy

Capital adequacy is a measure of the financial strength of a bank, usually expressed as a ratio of capital to assets. There is a worldwide capital adequacy standard (Basel II) drawn up by the Basel Committee on Banking Supervision. Within the EU, the capital adequacy requirements are outlined in the CRD.

Over the years, amendments have been made to the first version of the CRD regulation. The amendments were implemented at the end of 2010 and 2011 and strengthened the large exposure regime, increased the quality of the capital base and added stricter securitisation regulation. The final version of the Capital Requirement Regulation (CRD IV) and Capital Requirement Regulation (CRR) which was published in June 2013, require higher capitalization levels and better quality of capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk based requirement, measures to promote the build-up of capital that can be drawn in periods of stress and the introduction of liquidity standards. The Directive will be implemented through national law within all EU countries during 2014, while the Regulation will be applicable in all EU countries from 1 January 2014.

The Basel II framework is built on three Pillars:

- Pillar 1 – requirements for the calculation of RWA and capital requirements
- Pillar 2 – rules for the Supervisory Review Process (SRP), including the ICAAP
- Pillar 3 – rules for the disclosure on risk and capital management, including capital adequacy

NBD performs an ICAAP with the purpose to review the management, mitigation and measurement of material risks within the business environment in order to assess the adequacy of capitalisation and to determine an internal capital requirement reflecting the risk appetite of the bank.

The ICAAP is a continuous process within NBD which increases awareness of NBD's capital requirements and exposure to material risks throughout the organisation, in both the business area and legal entity dimensions. Stress tests are important drivers of risk awareness, looking at capital and risk from a firm-wide perspective and on an ad-hoc basis, on more specific areas or segments. The process includes a regular dialogue with NBD's supervisory authorities, rating agencies and other external stakeholders with respect to capital management, measurement and mitigation techniques used within NBD.

NBD's capital levels continue to be adequate to support the risks taken from an internal perspective as well as from the perspective of supervisors. Heading into 2014, Nordea will continue to closely follow the development of the new capital requirement regime as well as maintain its open dialogue with the supervisory authorities.

Key capital adequacy figures see page 19.

Calculation of total capital base

DKKm	31 Dec 2013	31 Dec 2012
Equity	40,826	37,041
Minority interest	1,255	1,255
Equity method	-	-
Fair value adjustment of owner occupied property	20	20
Equity reported to the Danish FSA	**42,101**	**38,315**
Proposed/actual dividend	-1,750	-
Deferred tax assets	-79	-86
Intangible assets	-2,768	-2,925
IRB provisions excess (+)/shortfall (–)	-1,277	-1,268
Defined benefit plans	-138	-
Transferred to Tier 2 capital	-20	-20
Other items, net	-5	-7
Tier 1 capital (net after deduction)	**36,064**	**34,009**
– of which hybrid capital	-	-
Tier 2 capital	**18,109**	**18,113**
– of which perpetual subordinated loans	-	-
IRB provisions excess (+)/shortfall (–)	-1,277	-1,268
Other deduction	-	-
Total capital base	**52,896**	**50,854**

Note G36
Capital adequacy *(cont.)*

Capital requirement and RWA

DKKm	31 Dec 2013 Capital requirement	31 Dec 2013 RWA	31 Dec 2012 Capital requirement	31 Dec 2012 RWA
Credit risk	**17,709**	**221,360**	**18,850**	**235,611**
IRB foundation	16,430	205,372	17,589	219,854
- of which corporate	10,657	133,214	10,968	137,095
- of which institutions	340	4,249	335	4,190
- of which retail	5,268	65,848	5,988	74,848
- of which retail SME	111	1,388	161	2,019
- of which retail real estate	2,588	32,344	2,918	36,474
- of which retail other	2,569	32,116	2,908	36,355
- of which other	165	2,061	298	3,721
Standardised	1,279	15,987	1,261	15,757
- of which sovereign	31	391	38	471
- of which retail	383	4,788	318	3,971
- of which other	865	10,808	905	11,315
Market risk[1]	**515**	**6,437**	**1,140**	**14,254**
- of which trading book, Internal Approach	301	3,765	450	5,627
- of which trading book, Standardised Approach	214	2,672	690	8,627
- of which banking book, Standardised Approach	0	0	0	0
Operational risk	**2,401**	**30,019**	**2,424**	**30,304**
- of which standardised	2,401	30,019	2,424	30,304
Total	**20,625**	**257,815**	**22,414**	**280,169**
Adjustment for transition rules				
Additional capital requirement according to transition rules	10,320	128,993	9,913	123,915
Total	**30,945**	**386,808**	**32,327**	**404,084**

[1] The comparison figures are not restated with respect to CRD III.

Capital situation

Generally, Nordea has the ability to transfer capital within its legal entities without material restrictions. International transfers of capital between legal entities are normally possible after approval by the local regulator and are of importance when governing the capital position within the Group. The guarantee shemes introduced within EU during 2008 has under certain circumstances limited the transferability of capital with impact on cross border financial groups. There are no such restrictions directly affecting NBD as per end of 2013.

More Capital Adequacy information for the NBD can be found in the Risk, liquidity and capital management section pages 8-20.

Note G37
Classification of financial instruments

DKKm, 31 Dec 2013	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets								
Cash and demand balances with central banks	15,859	-	-	-	-	-	-	15,859
Loans to credit institutions and central banks	75,184	-	4,037	313	-	-	-	79,534
Loans to the public	231,303	-	-	369,560	-	-	-	600,863
Interest-bearing securities[1]	-	-	32,017	-	-	45,732	-	77,749
Financial instruments pledged as collateral	-	-	550	-	-	-	-	550
Shares[1]	-	-	29,164	184	-	-	-	29,348
Derivatives	-	-	246	-	297	-	-	543
Fair value changes of the hedged items in portfolio hedge of interest rate risk	282	-	-	-	-	-	-	282
Investments in associated undertakings	-	-	-	-	-	-	1,004	1,004
Intangible assets	-	-	-	-	-	-	2,768	2,768
Property and equipment	-	-	-	-	-	-	746	746
Investment property	-	-	-	-	-	-	121	121
Deferred tax assets	-	-	-	-	-	-	79	79
Current tax assets	-	-	-	-	-	-	-	-
Retirement benefit assets	-	-	-	-	-	-	126	126
Other assets	14,671	-	-	-	-	-	-	14,671
Prepaid expenses and accrued income	1,186	-	770	-	-	-	-	1,956
Total	**338,485**	**-**	**66,784**	**370,057**	**297**	**45,732**	**4,844**	**826,200**

DKKm, 31 Dec 2013	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	1,580	4,378	-	105,986	-	111,944
Deposits and borrowings from the public	-	36,523	-	276,119	-	312,642
Debt securities in issue	-	305,468	-	-	-	305,468
Derivatives	1,701	-	470	-	-	2,171
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	85	-	85
Current tax liabilities	-	-	-	-	217	217
Other liabilities	1,226	-	-	23,979	2,367	27,572
Accrued expenses and prepaid income	-	3,592	-	447	2,116	6,155
Deferred tax liabilities	-	-	-	-	747	747
Provisions	-	-	-	-	269	269
Retirement benefit liabilities	-	-	-	-	16	16
Subordinated liabilities	-	-	-	18,089	-	18,089
Total	**4,507**	**349,961**	**470**	**424,705**	**5,732**	**785,374**

[1] Interest-bearing securities and shares in customers' portfolio schemes are classified as Held for Trading. See Note G41 Investments, customer bearing the risk.

Note G37
Classification of financial instruments *(cont.)*

DKKm, 31 Dec 2012	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets								
Cash and demand balances with central banks	32,390	-	-	-	-	-	-	32,390
Loans to credit institutions and central banks	49,745	-	7,737	392	-	-	-	57,874
Loans to the public	246,971	-	86	361,883	-	-	-	608,940
Interest-bearing securities[1]	-	-	31,978	-	-	29,824	-	61,802
Financial instruments pledged as collateral	-	-	5,827	-	-	-	-	5,827
Shares[1]	-	-	25,230	128	-	-	-	25,358
Derivatives	-	-	2,728	-	338	-	-	3,066
Fair value changes of the hedged items in portfolio hedge of interest rate risk	501	-	-	-	-	-	-	501
Investments in associated undertakings	-	-	-	-	-	-	967	967
Intangible assets	-	-	-	-	-	-	2,925	2,925
Property and equipment	-	-	-	-	-	-	697	697
Investment property	-	-	-	-	-	-	151	151
Deferred tax assets	-	-	-	-	-	-	86	86
Current tax assets	-	-	-	-	-	-	129	129
Retirement benefit assets	-	-	-	-	-	-	136	136
Other assets	16,004	-	-	-	-	-	-	16,004
Prepaid expenses and accrued income	880	-	829	-	-	-	-	1,709
Total	**346,491**	**-**	**74,415**	**362,403**	**338**	**29,824**	**5,091**	**818,562**

DKKm, 31 Dec 2012	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	7,412	4,638	-	106,491	-	118,541
Deposits and borrowings from the public	-	36,140	-	283,080	-	319,220
Debt securities in issue	-	287,044	-	161	-	287,205
Derivatives	3,121	-	753	-	-	3,874
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	212	-	212
Current tax liabilities	-	-	-	-	201	201
Other liabilities	854	-	-	25,717	-	26,571
Accrued expenses and prepaid income	1	3,905	-	280	1,968	6,154
Deferred tax liabilities	-	-	-	-	917	917
Provisions	-	-	-	-	512	512
Retirement benefit liabilities	-	-	-	-	21	21
Subordinated liabilities	-	-	-	18,093	-	18,093
Total	**11,388**	**331,727**	**753**	**434,034**	**3,619**	**781,521**

[1] Interest-bearing securities and shares in customers' portfolio schemes are classified as Held for Trading. See Note G41 Investments, customer bearing the risk.

Note G37
Classification of financial instruments *(cont.)*

Loans designated at fair value through profit or loss

DKKm	31 Dec 2013	31 Dec 2012
Carrying amount	370,057	362,403
Maximum exposure to credit risk	370,057	362,403
Carrying amount of credit derivatives used to mitigate the credit risk	-	-

Financial liabilities designated at fair value through profit or loss

Changes in fair values of financial liabilities attributable to changes in credit risk
The financial liabilities designated at fair value through profit or loss exposed to changes in credit risk are issued bonds in the subsidiary Nordea Kredit Realkreditaktieselskab, DKK 349bn (DKK 336bn) and the funding of the Markets operation, DKK 41bn (DKK 41bn). The funding of Markets is generally of such a short-term nature that the effect of changes in own credit risk is not significant. For the issued mortgage bonds in Nordea Kredit Realkreditaktieselskab a change in the liability's credit risk and price will have a corresponding effect on the value of the loan. The reason is that a change in the price of the bonds will be offset by the opposite change in the value of the prepayment option of the loan.

The fair value of bonds issued in Nordea Kredit Realkreditaktieselskab increased in 2013 by approximately DKK 0.2bn (increase of approximately DKK 0.7bn) due to changes in own credit risk. The cumulative change since designation was a decrease of approximately DKK 5bn (decrease of approximately DKK 5bn). The calculation method of the estimated fair value changes attributable to changes in market conditions is based on relevant benchmark interest rates, which are the average yield on Danish and German government bonds and for variable rate loans, the swap rate. The calculation method is subject to uncertainty related to a number of assumptions and estimates.

Changes in fair values of financial assets attributable to changes in credit risk
Lending designated at fair value through profit or loss exposed to changes in credit risk consist of lending in the Danish subsidiary Nordea Kredit Realkreditaktieselskab, DKK 364bn (DKK 358bn) and lending in the Markets operation, DKK 6bn (DKK 4bn). The fair value of lending in Nordea Kredit Realkreditaktieselskab decreased by DKK 0.3bn (decreased DKK 0.9bn) in 2013 due to changes in credit risk. The cumulative change since designation is a decrease of DKK 1.2bn (decrease DKK 1.3bn). The method used to estimate the amount of change in the fair value attributable to changes in credit risk is simular to the incurred loss impairment model for amortised cost assets under IAS 39. The lending in Markets is generally of such a short-term nature (mainly overnight deposits) that the effect of changes in credit risk is not significant. Also instruments classified as "Other assets" and "Prepaid expenses and accrued income" are of such a short-term nature that the impact from changes in credit risk is not significant.

Comparison of carrying amount and contractual amount to be paid at maturity

DKKm, 31 Dec 2013	Carrying amount	Amount to be paid at maturity
Financial liabilities at fair value through profit or loss	349,961	345,019

DKKm, 31 Dec 2012		
Financial liabilities at fair value through profit or loss	331,727	322,477

Note G38
Assets and liabilities at fair value

Assets and liabilities at fair value on the balance sheet

Categorisation into the fair value hierarchy

DKKm, 31 Dec 2013	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Loans to central banks and credit institutions	-	4,350	-	4,350
Loans to the public	-	369,560	-	369,560
Interest-bearing securities	55,731	21,960	58	77,749
Financial instruments pledged as collateral	547	3	-	550
Shares	25,518	-	3,829	29,347
Derivatives	-	543	-	543
Other assets	-	770	121	891
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	-	5,958	-	5,958
Deposits and borrowings from the public	-	36,523	-	36,523
Debt securities in issue	305,468	-	-	305,468
Derivatives	-	2,171	-	2,171
Other liabilities	1,226	3,592	-	4,818

[1] All items are measured at fair value on a recurring basis at the end of each reporting period.

DKKm, 31 Dec 2012	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Loans to central banks and credit institutions	-	8,129	-	8,129
Loans to the public	-	361,969	-	361,969
Interest-bearing securities	58,052	3,691	59	61,802
Financial instruments pledged as collateral	5,827	-	-	5,827
Shares	20,954	-	4,404	25,358
Derivatives	-	3,066	-	3,066
Other assets	-	829	151	980
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	-	12,050	-	12,050
Deposits and borrowings from the public	-	36,140	-	36,140
Debt securities in issue	287,044	-	-	287,044
Derivatives	-	3,874	-	3,874
Other liabilities	854	3,906	-	4,760

[1] All items are measured at fair value on a recurring basis at the end of each reporting period.

Note G38
Assets and liabilities at fair value *(cont.)*

Determination of fair value for items measured at fair value on the balance sheet
Fair value measurements of assets and liabilities carried at fair value have been categorised under the three levels of the IFRS fair value hierarchy that reflects the observability and significance of inputs. The categorisation of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 in the fair value hierarhy consist of assets and liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.This category includes listed derivatives, listed equities, government bonds in developed countries, and most liquid mortgage bonds and corporate bonds where direct tradable price quotes exist.

Level 2 in the fair value hierarhy consists of assets and liabilities that do not have directly quoted market prices available from an active market. The fair values are estimated using a valuation technique or valuation model based on market prices or rates prevailing at the balance sheet date and any unobservable inputs have had insignificant impact on the fair values. This is the case for the majority of NBD's OTC derivatives, securities purchased/sold under resale/repurchase agreements, securities borrowed/lent and other instruments where active markets supply the input to the valuation technique or model.

Level 3 in the fair value hierarhy consists of those types of assets and liabilities which fair values cannot be obtained directly from quoted market prices or indirectly using valuation techniques or models supported by observable market prices or rates. This is generally the case for private equity instruments in unlisted securities, private equity funds, hedge funds, and both more complex or less active markets supplying input to the technique or model for OTC derivatives, certain complex or structured financial instruments such as CLNs and illiquid bonds.

All valuation models, both complex and simple models, make use of market parameters. These parameters comprise interest rates, volatilities, correlations etc. Some of these parameters are observable while others are not. For non-exotic currencies the interest rates are all observable, and the volatilities and the correlations on the interest rates and FX rates are observable up to a certain maturity. Volatilities and correlations are also observable for the most liquid equity instruments in the short end. For less liquid equity instruments, and for commodities, the option market is fairly illiquid, and hence the volatilities and correlations are unobservable. For each instrument the sensitivity towards unobservable parameters is measured. If the impact from unobservable parameters on the valuation is significant the instrument is categorised as Level 3 in the fair value hierarchy.

For interest-bearing securities the categorisation into the three levels are based on the internal pricing methodology. These instruments can either be directly quoted in active markets (Level 1) or measured using a methodology giving a quote based on observable inputs (Level 2). Level 3 bonds are characterised by illiquidity.

For OTC derivatives valuation models are used for establishing fair value. For collateralised contracts OIS interest rates are used for discounting. These rates are observable in the market. The valuation is in addition based on several other market parameters, depending on the nature of the contract. Complex valuation models are used for more exotic OTC derivates. The models are usually in-house developed, and based on assumptions about the behaviuor of the underlying asset and statistical scenario analysis. As mentioned above OTC derivatives are generally categorised as Level 2 in the fair value hierarchy and all significant model parameters are thus observabe in active markets. For vanilla derivatives standard models like e.g. Black-Scholes are used for valuation.

Valuations of Private Equity Funds (PEF) and unlisted equity instruments are by nature more uncertain than valuations of more actively traded equity instruments. Emphasis is put on using a consistent approach across all assets and over time. The methods used are consistent with the guideline "International Private Equity and Venture Capital Valuation Guidelines" issued by EVCA (European Venture Capital/Association). The EVCA guidelines are considered as best practice in the PEF industry. For US based funds, similar methods are applied.

Note G38
Assets and liabilities at fair value *(cont.)*

NBD holds loans and issued debt securities in the subsidiary Nordea Kredit Realkreditaktieselskab at fair value. When NBD grants mortgage loans to borrowers, in accordance with the Danish mortgage finance law, NBD at the same time issues debt securities with matching terms, so called “match funding”. Fair value of the issued debt securities is based on quoted prices and thus categorised as Level 1 in the fair value hierarchy. As the borrowers have the right to purchase debt securities issued by NBD in the market and return these as repayment for their loans, the fair value of the loans is the same as the fair value of the issued bonds (due to the revaluation of the repayment option embedded in the loan) adjusted for changes in the credit risk of the borrower. The credit risk adjustment is calculated based on an incurred loss model.

Fair value is generally calculated as the theoretical net present value of the individual instruments, based on independently sourced market parameters as described above, and assuming no risks and uncertainties. This calculation is supplemented by a portfolio adjustment. The portfolio adjustment covers uncertainties associated with the valuation techniques, model assumptions and unobservable parameters as well as the portfolio’s counterparty credit risk and liquidity risk. An important part of the portfolio adjustment serves to adjust the net open market risk exposures from mid-prices to ask or bid prices (depending on the net position). For different risk categories, exposures are aggregated and netted according to internal guidelines and aggregated market price information on bid-ask spreads are applied in the calculation. Spreads are updated on a regular basis.

The portfolio adjustment for uncertainties associated with model assumptions comprises two components (the calculation principles are defined as part of the internal approval process for valuation models):
- Benchmarking of the model output (market values) against market information or against results from alternative models, where available.
- Sensitivity calculations where unobservable parameters are changed to other reasonable values.

The portfolio adjustment for counterparty risk in OTC-derivatives is based on the current exposure towards each counterpart, the estimated potential future exposure as well as an estimate of the cost of hedging the counterparty risk. This cost of hedging is either based directly on market prices (where available) or on a theoretical calculation based on the internal credit rating of the counterpart.

Transfers between level 1 and 2
During the year, NBD transferred interest-bearing securities of DKK 0.4bn from level 1 to level 2 of the fair value hierarchy. The transfer was an outcome of a further developed fair value hierarchy classification due to a more detailed assessment of the liquidity in the market. The fair values were consequently obtained using valuation techniques using observable market inputs.

Note G38
Assets and liabilities at fair value *(cont.)*

Movements in level 3 shares

DKKm, 31 Dec 2013	At 1 Jan 2013	Reclassification	Fair value gains/losses recognised in the income statement during the year: Realised	Fair value gains/losses recognised in the income statement during the year: Unrealised[1]
Shares	4,404	-	261	183

DKKm, 31 Dec 2013 *(cont.)*	Purchases	Sales	Transfers into level 3	Transfers out from level 3	Translation differences	At 31 Dec 2013
Shares	906	-1,928	-	-	3	3,829

DKKm, 31 Dec 2012	At 1 Jan 2012	Reclassification	Fair value gains/losses recognised in the income statement during the year: Realised	Fair value gains/losses recognised in the income statement during the year: Unrealised[1]
Shares	5,894	-	74	321

DKKm, 31 Dec 2012 *(cont.)*	Purchases	Sales	Transfers into level 3	Transfers out from level 3	Translation differences	At 31 Dec 2012
Shares	495	-2,354	-	-	-26	4,404

[1] Relates to those assets and liabilities held at the end of the reporting period.

Fair value gains/losses recognised in the income statement during the year are included in net result from items at fair value, see Note G4.

The valuation processes for fair value measurements in Level 3 shares
Financial instruments
Valuation principles in Nordea are determined in and approved by the Group Valuation Committee (GVC). GVC issues guiding policies to the business units on how to establish a robust valuation process and minimise the valuation uncertainty. The GVC also serves as escalation point.

The valuation process in Nordea consists of several steps. The first step is the initial end of day (EOD) marking of mid-prices. The mid-prices are either fixed by front office or received from external sources. The second step is the control part, which is performed by independent control units. The cornerstone in the control is the independent price verification (IPV). The IPV test comprises verification of the correctness of prices and other parameters used in the net present value (NPV) calculation, the adequacy of the valuation models, including an assessment of whether to use quoted prices or valuation models, and the reliability of the assumptions and parameters used in the fair value adjustments (FVA) covering mainly liquidity (bid/offer spread) model and credit risk adjustments.

The verification of the correctness of prices and other parameters is carried out daily. Third-party information, such as broker quotes and pricing services, is used as benchmark data in the verification. The quality of the benchmark data is assessed on a regular basis. This quality assessment is used in the measurement of the valuation uncertainty.

The FVAs and the deferrals of day 1 P/L on Level 3 trades are calculated and reported on a monthly basis. The actual assessment of instruments in the fair value hierarchy is performed on a continuous basis.

Note G38
Assets and liabilities at fair value *(cont.)*

Valuation techniques and inputs used in the fair value measurements in Level 3 shares

DKKm, 31 Dec 2013	Fair value[1]	Valuation techniques
Shares		
Private equity funds	1,916	Adjusted net asset value[1]
Hedge funds	875	Net asset value[1]
Credit Funds	725	Net asset value[1]
Other funds	208	Net asset value/Fund prices[1]
Other	105	-
Total[2]	**3,829**	

1 The fair values are based on prices and net assets values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methology used by the suppliers/custodians, is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by the EVCA (European Venture Capital Association). The private equity fund investment are internally adjusted/valued based the IPEV guidelines. These carrying amounts are in a range of -10% to +6% compared to the values received from suppliers/custodians.

2 Effects of reasonalbly possible alternative assumptions are DKK 333/-333.

Fair value of assets and liabilities in level 3 are estimated using valuation techniques based on assumptions that are not supported by market observable prices or rates. There may be uncertainty about a valuation, resulting from the choice of valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a result of other elements affecting the valuation technique. For financial instruments portfolio adjustments are applied to reflect such uncertainties and are deducted from the fair values produced by the models or other valuation techniques (for further information see Note G1 section 10 “Determination of fair value of financial instruments”).

The footnote 2 in the table above shows the sensitivity of the fair values of level 3 financial instruments to changes in key assumptions. Where the exposure to an unobservable parameter is offset across different instruments then only the net impact is disclosed in the table. The range disclosed are likely to be greater than the true uncertainty in fair value of these instruments, as it is unlikely in practice that all unobservable parameters would be simultaneously at the extremes of their ranges of reasonably possible alternatives. The disclosure is neither predictive nor indicative of future movements in fair value.

In order to calculate the sensitivity (range) in fair value of shares the fair value was increased and decreased within a range of 5-10 percentage units which are assessed to be reasonable changes in market movements.

Deferred Day 1 profit

The transaction price for financial instruments in some cases differs from the fair value at initial recognition measured using a valuation model, mainly due to that the transaction price is not established in an active market. If there are significant unobservable inputs used in the valuation technique (level 3), the financial instrument is recognised at the transaction price and any difference between the transaction price and fair value at initial recognition measured using a valuation model (day 1 profit) is deferred. For more information see, Note G1 “Accounting policies”.

At 31 Dec 2013 deferred Day-1 profit amounted to DKK 0m (DKK 0m).

Note G38
Assets and liabilities at fair value *(cont.)*

Determination of fair values for items not measured at fair value on the balance sheet

Cash and balances with central banks
The fair value of "Cash and balances with central banks" is the same as the carrying amount. The fair value is based on quoted prices in active markets for relevant currencies and therefore the fair value measurement is categorised into Level 1 in the fair value hierarchy.

Loans
The total fair value of "Loans to central banks", "Loans to credit institutions" and "Loans to the public" is not significantly different from the carrying amount. The fair value has been calculated as the carrying amount adjusted for fair value changes in interest rate risk. The fair value changes related to interest rate risk is based on changes in relevant interest rates compared with corresponding nominal interest rates in the portfolios. No adjustment has been made for changes in fair value of credit risk. The fair value measurement is categorised into Level 3 in the fair value hierarchy.

Other assets and prepaid expenses and accrued income
The balance sheet items "Other assets" and "Prepaid expenses and accrued income" consist of short-term receivables and accrued interest receivables. The fair value is therefore considered to be equal to the carrying amount and categorised into Level 3 in the fair value hierarchy.

Deposits and debt instruments
The total fair value of "Deposits by credit institutions", "Deposits and borrowings from the public" and "Subordinated liabilities" is not significantly different from the carrying amount. The fair value has been calculated as the carrying amount adjusted for fair value changes in interest rate risk and in own credit risk. The fair value changes related to interest rate risk is based on changes in relevant interest rates compared with corresponding nominal interest rates in the portfolios. The fair value changes in the credit risk are calculated as the difference between the credit spreads in the nominal interest rates compared with current spreads. As the contractual maturity is short for "Deposits and credit institutions" and "Deposits and borrowing from the public" the changes in NBD's own credit risk related to these items is assumed not to be significant. The fair value measurement is categorised into Level 3 in the fair value hierarchy.

Other liabilities and accrued expenses and prepaid income
The balance sheet items "Other liabilities" and "Accrued expenses and prepaid income" consist of short-term payables, mainly payables on securities settlement. The fair value is therefore considered to be equal to the carrying amount and is categorised into Level 3 in the fair value hierarchy.

Note G39
Financial instruments set off on balance or subject to netting agreements

31 Dec 2013, DKKm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			Net amount
				Financial instruments	Financial collateral received	Cash collateral received	
Assets							
Derivatives	503	-2	501	-475	-	-	26
Reverse repurchase agreements	4,037	-	4,037	-	-4,037	-	-
Total	**4,540**	**-2**	**4,538**	**-475**	**-4,037**	**-**	**26**

31 Dec 2013, DKKm	Gross recognised financial assets[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			Net amount
				Financial instruments	Financial collateral received	Cash collateral received	
Liabilities							
Derivatives	2,170	-2	2,168	-475	-	-95	1,598
Repurchase agreements	1,580	-	1,580	-	-1,580	-	-
Total	**3,750**	**-2**	**3,748**	**-475**	**-1,580**	**-95**	**1,598**

[1] All amounts are measured at fair value.
[2] Reverse repurchase agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements are on the balance sheet classified as Deposits by credit institution or as Deposits and borrowings from the public.

Note G39
Financial instruments set off on balance or subject to netting agreements *(cont.)*

31 Dec 2012, DKKm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	1,760	-	1,760	-1,599	-	-	161
Reverse repurchase agreements	7,823	-	7,823	-	-7,823	-	-
Total	**9,583**	**-**	**9,583**	**-1,599**	**-7,823**	**-**	**161**

31 Dec 2012, DKKm	Gross recognised financial assets[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Liabilities							
Derivatives	2,716	-	2,716	-1,599	-	-238	879
Repurchase agreements	7,412	-	7,412	-	-7,412	-	-
Total	**10,128**	**-**	**10,128**	**-1,599**	**-7,412**	**-238**	**879**

1 All amounts are measured at fair value.
2 Reverse repurchase agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements are on the balance sheet classified as Deposits by credit institution or as Deposits and borrowings from the public.

Enforceable master netting arrangements and similar agreements
The fact that financial instruments are being accounted for on a gross basis on the balance sheet, would not imply that the financial instruments are not subject to master netting agreements or similar arrangements. Generally financial instruments (derivatives, repos and securities lending transactions), would be subject to master netting agreements, and as a consequence NBD would be allowed to benefit from netting both in the ordinary course of business and in the case of default towards its counter parties, in any calculations involving counterparty credit risk. The reason why the netted exposures are not reflected under assets and liabilities on the balance sheet, would in most instances depend on the limited application of net settlement of financial transactions.

Note G40
Transferred financial assets and obtained collaterals

Transferred assets that are still recognised on the balance sheet and associated liabilities

All assets transferred continue to be recognised on the balance sheet if NBD is still exposed to changes in the fair value of the assets. This is the case for repurchase agreements and securities lending transactions.

Repurchase agreements are a form of collateralised borrowing where NBD sells securities with an agreemement to repurchase them at a later date at a fixed price. The cash received is recognised as a deposit (liability). Securities delivered under repurchase agreements are not derecognised from the balance sheet.

Securities lending transactions are transactions where NBD lends securities it holds to a counterpart and receives a fee.

As both repurchase agreements and securities lending transactions results in the securities are returned to NBD, all risks and rewards of the instruments transferred is retained by NBD, although they are not available for NBD during the period during which they are transferred. The counterpart in the transactions holds the securities as collateral, but has no recourse to other assets in NBD.

Securitisation consists of a Special Purpose Entity, that NBD has established to allow customers to invest in structured products.

DKKm	31 Dec 2013	31 Dec 2012
Repurchase agreements		
Interest-bearing securities	550	5,827
Shares	-	-
Securities lending agreements		
Interest-bearing securities	-	-
Shares	-	-
Securitisations		
Interest-bearing securities	10	171
Other	-	-
Total	**560**	**5,998**

Liabilities associated with the assets

DKKm	31 Dec 2013	31 Dec 2012
Repurchase agreements		
Deposits by credit institutions	557	5,872
Deposits and borrowings from the public	-	-
Other	-	-
Securities lending agreements		
Deposits by credit institutions	-	-
Deposits and borrowings from the public	-	-
Other	-	-
Securitisations		
Debt securities in issue	-	161
Other	-	-
Total	**557**	**6,033**
Net	**3**	**-35**

For information on financial instruments pledged as collateral, see Note G13.

Note G40
Transferred financial assets and obtained collaterals *(cont.)*

Obtained collaterals which are permitted to be sold or repledged

Nordea Bank Danmark obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial markets participants. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level. Under standard terms for most repurchase transactions, the recipient of collateral has an unrestricted right to sell or repledge it, subject to returning equivalent securities on settlement of the transactions. The fair value of the securities obtained as collateral under reverse repurchase and securities borrowing agreements is disclosed below.

DKKm	31 Dec 2013	31 Dec 2012
Reverse repurchase agreements		
Received collaterals which can be repledged or sold	2,726	6,060
of which repledged or sold	2,438	4,752
Securities borrowing agreements		
Received collaterals which can be repledged or sold	-	-
of which repledged or sold	-	-
Total	**2,726**	**6,060**

Note G41
Investments, customer bearing the risk

Nordea Bank Danmark A/S's assets and liabilities include customers' portfolio schemes, the return on which correlates directly with the assets financed by these portfolio schemes. Since the assets and liabilities legally belong to Nordea Bank Danmark, these assets and liabilities are included in the bank's balance sheet. A breakdown is shown below:

DKKm	31 Dec 2013	31 Dec 2012
Assets		
Interest-bearing securities	13,318	13,710
Shares	16,715	16,477
Other assets	135	159
Total assets[1]	**30,169**	**30,346**
Liabilities		
Deposits and borrowings from the public	32,089	31,948
Total liabilities	**32,089**	**31,948**

[1] In addition, cash deposits amounted to DKK 1,921m (DKK 1,602m).

Note G42
Maturity analysis for assets and liabilities

Expected maturity

31 Dec 2013, DKKm	Note	Expected to be recovered or settled: Within 12 months	After 12 months	Total
Cash and balances with central banks		15,859	-	15,859
Loans to credit institutions and central banks	G11	79,258	276	79,535
Loans to the public	G11	97,778	503,085	600,863
Interest-bearing securities	G12	27,610	50,139	77,749
Financial instruments pledged as collateral	G13	550	-	550
Shares	G14	27,507	1,842	29,348
Derivatives	G15	266	277	543
Fair value changes of the hedged items in portfolio hedge of interest rate risk	G16	20	261	282
Investments in associated undertakings	G17	-	1,004	1,004
Intangible assets	G18	-	2,769	2,768
Property and equipment	G19	-	746	746
Investment property	G21	121	-	121
Deferred tax assets	G10	-	79	79
Current tax assets	G10	-	-	-
Retirement benefit assets	G30	-	126	126
Other assets	G22	14,566	106	14,671
Prepaid expenses and accrued income	G23	1,754	202	1,956
Total assets		**265,288**	**560,912**	**826,200**
Deposits by credit institutions	G24	111,944	-	111,944
Deposits and borrowings from the public	G25	261,088	51,554	312,642
Debt securities in issue	G26	67,289	238,179	305,468
Derivatives	G15	1,647	524	2,171
Fair value changes of the hedged items in portfolio hedge of interest rate risk	G16	40	44	85
Current tax liabilities	G10	19	198	217
Other liabilities	G27	27,249	323	27,572
Accrued expenses and prepaid income	G28	6,008	147	6,155
Deferred tax liabilities	G10	19	728	747
Provisions	G29	114	154	269
Retirement benefit liabilities	G30	-	16	16
Subordinated liabilities	G31	3,543	14,546	18,089
Total liabilities		**478,961**	**306,414**	**785,374**
Equity		**1,750**	**39,075**	**40,826**
Total liabilities and equity		**480,711**	**345,489**	**826,200**

Note G42
Maturity analysis for assets and liabilities *(cont.)*

Expected maturity

31 Dec 2012, DKKm	Note	Expected to be recovered or settled: Within 12 months	After 12 months	Total
Cash and balances with central banks		32,390	-	32,390
Loans to credit institutions and central banks	G11	57,280	594	57,874
Loans to the public	G11	101,684	507,256	608,940
Interest-bearing securities	G12	38,464	23,338	61,802
Financial instruments pledged as collateral	G13	5,827	-	5,827
Shares	G14	24,341	1,017	25,358
Derivatives	G15	2,306	760	3,066
Fair value changes of the hedged items in portfolio hedge of interest rate risk	G16	16	485	501
Investments in associated undertakings	G17	-	967	967
Intangible assets	G18	-	2,925	2,925
Property and equipment	G19	-	697	697
Investment property	G21	151	-	151
Deferred tax assets	G10	-	86	86
Current tax assets	G10	129	-	129
Retirement benefit assets	G30	-	136	136
Other assets	G22	15,899	105	16,004
Prepaid expenses and accrued income	G23	1,575	134	1,709
Total assets		**280,062**	**538,500**	**818,562**
Deposits by credit institutions	G24	108,673	9,868	118,541
Deposits and borrowings from the public	G25	266,795	52,425	319,220
Debt securities in issue	G26	94,712	192,493	287,205
Derivatives	G15	2,422	1,452	3,874
Fair value changes of the hedged items in portfolio hedge of interest rate risk	G16	13	199	212
Current tax liabilities	G10	-	201	201
Other liabilities	G27	26,325	246	26,571
Accrued expenses and prepaid income	G28	6,031	123	6,154
Deferred tax liabilities	G10	-	917	917
Provisions	G29	225	287	512
Retirement benefit liabilities	G30	-	21	21
Subordinated liabilities	G31	-	18,093	18,093
Total liabilities		**505,196**	**276,325**	**781,521**
Equity		**-**	**37,041**	**37,041**
Total liabilities and equity		**505,196**	**313,366**	**818,562**

Note G42
Maturity analysis for assets and liabilities *(cont.)*

Contractual undiscounted cash flow

31 Dec 2013, DKKm	Within 3 months	3-12 months	1-5 years	>5 years	Total
Interest-bearing financial assets	234,510	34,150	182,817	594,775	1,046,252
Non-interest-bearing financial assets and non-financial assets	-	-	-	51,646	51,646
Total financial assets	**234,510**	**34,150**	**182,817**	**646,421**	**1,097,898**
Interest-bearing financial liabilities	352,574	88,251	197,392	184,870	823,087
Non-interest-bearing financial liabilities and non-financial liabilities and equity	-	-	-	78,057	78,057
Unrecognised guarantees and documentary credits	27,674	-	-	-	27,674
Unrecognised credit commitments	175,266	-	-	-	175,266
Total financial liabilities	**555,514**	**88,251**	**197,392**	**262,927**	**1,104,084**
Derivatives, cash inflow	63,764	7,982	2,295	833	74,874
Derivatives, cash outflow	63,892	8,109	2,200	629	74,830
Net exposure	**-128**	**-127**	**95**	**204**	**44**
Exposure	**-321,132**	**-54,228**	**-14,480**	**383,698**	**-6,142**
Cumulative exposure	**-321,132**	**-375,360**	**-389,840**	**-6,142**	

31 Dec 2012, DKKm	Within 3 months	3-12 months	1-5 years	>5 years	Total
Interest-bearing financial assets	298,087	32,124	147,604	482,078	959,893
Non-interest-bearing financial assets and non-financial assets	-	-	-	71,266	71,266
Total financial assets	**298,087**	**32,124**	**147,604**	**553,344**	**1,031,159**
Interest-bearing financial liabilities	417,143	69,542	155,167	184,690	826,542
Non-interest-bearing financial liabilities and non-financial liabilities and equity	-	-	-	72,283	72,283
Unrecognised guarantees and documentary credits	26,378	-	-	-	26,378
Unrecognised credit commitments	179,642	-	-	-	179,642
Total financial liabilities	**623,163**	**69,542**	**155,167**	**256,973**	**1,104,845**
Derivatives, cash inflow	108,071	563	1,477	622	110,733
Derivatives, cash outflow	108,386	740	1,857	672	111,655
Net exposure	**-315**	**-177**	**-380**	**-50**	**-922**
Exposure	**-325,391**	**-37,595**	**-7,943**	**296,321**	**-74,608**
Cumulative exposure	**-325,391**	**-362,986**	**-370,929**	**-74,608**	

The table is based on contractual maturities for on-balance-sheet financial instruments. For derivatives, the expected cash inflows and outflows are disclosed for both derivative assets and derivative liabilities, as derivatives are managed on a net basis. Interest-bearing financial assets and liabilities include interest on cash flows.

Note G43
Related-party transactions

The information below is presented from a NBD Group perspective, meaning that the information shows the effect from related-party transactions on the NBD Group.

	Shareholders with significant influence		Other Nordea Group Companies		Associated undertakings		Other related parties[1]	
DKKm	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Assets								
Loans	352	181	7,867	10,524	976	950	-	-
Interest-bearing securities	-	-	4,102	1,467	-	-	-	-
Shares	-	-	-	-	-	-	-	-
Derivatives	1	-	403	708	-	-	-	-
Other assets	159	28	2,538	51	-	-	-	-
Total assets	**513**	**209**	**14,910**	**12,750**	**976**	**950**	**-**	**-**
Liabilities								
Deposits	53,061	53,267	28,063	31,615	225	580	78	83
Debt securities in issue	-	1,306	43,489	55,618	-	-	-	-
Derivatives	9	4	1,988	1,466	-	-	-	-
Other liabilities	362	172	4,132	439	-	-	-	-
Subordinated liabilities	18,089	18,093	-	-	-	-	-	-
Total liabilities	**71,521**	**72,842**	**77,672**	**89,138**	**225**	**580**	**78**	**83**
Off balance								
Contingent liabilities	-	-	-	-	77	10	-	-

	Shareholders with significant influence		Other Nordea Group Companies		Associated undertakings		Other related parties[1]	
DKKm	2013	2012	2013	2012	2013	2012	2013	2012
Net interest income	-405	-614	-678	-1,411	24	16	-1	-1
Net fee and commission income	13	10	1,088	1,080	15	10	-	-
Net result from items at fair value	12	-1	-956	317	1	0	-	-
Other operating income	97	42	54	183	0	0	-	-
Total operating expenses	-1,451	-915	-46	-46	-217	-182	-	-
Profit before loan losses	**-1,734**	**-1,478**	**-538**	**123**	**-178**	**-156**	**-1**	**-1**

[1] Close family members to key management personnel in NBD as well as companies significantly influenced by key management personnel or by close family members to key management personnel in NBD are considered to be related parties to NBD. If transactions with these related parties are made in NBD's and the related parties' ordinary course of business and on the same criteria and terms as those for comparable transactions with parties of similar standing, and if they did not involve more than normal risk-taking, the transactions are not included in the table.

Related-party transactions (arms length basis)
Material transactions recognised during 2013 between Nordea Bank Danmark Group and other group companies in Nordea include the following:

- Services rendered to Nordea Bank Finland Plc regarding trading, sale, controlling and settlement of financial instruments.
- Derivates with Nordea Bank Finland Plc for hedging market and credit risk.
- Services regarding IT activities and liquidity management with Nordea Bank AB (publ.), Nordea Bank Norge ASA and Nordea Bank Finland Plc.
- Services rendered from Nordea Bank AB regarding IT operation and development.

Otherwise, Nordea Bank Danmark's activities with companies in the Nordea Group include lending, deposits, interest-bearing securities, trading in securities, derivatives, etc as part of its normal banking business.

Compensation to and commitments with Board of Directors and the Executive Management (Key management personnel)
Compensation to and commitments with Board of Directors and the Executive Management are specified in Note G6.

Note G44
Credit risk disclosures

Group
Credit risk management and credit risk analysis etc is described in the Risk, liquidity and capital management section pages 8-20 of the Directors´ report. Additional information on credit risk is also disclosed in the Capital and Risk management Report (Pillar 3) 2013, which is available at www.nordea.com. Much of the information in this note is collected from the Pillar 3 report in order to fulfill the disclosure requirement regarding credit risk in the Annual Report.

The Pillar 3 report contains the disclosures required by the Capital Requirements Directive (CRD), which is based on the Basel II framework. The pillar 3 disclosure is aligned to how NBD manages credit risk and is believed to be the best way to explain the credit risk exposures in NBD. Credit risk exposures occur in different forms and are divided into the following types:

Exposure types

DKKm	31 Dec 2013	31 Dec 2012
On-balance sheet items	773,083	769,670
Off-balance sheet items	69,921	70,712
Securities financing	489	-
Derivatives	627	2,835
Exposure At Default (EAD)	**844,120**	**843,217**

Tables presented in this note, containing exposure, are presented as Exposure At Default (EAD). EAD is the exposure after applying credit conversion factors (CCF).

Link between credit risk exposure and the balance sheet
This section discloses the link between the loan portfolio as defined by accounting standards and exposure as defined in CRD II. The main differences are outlined in this section to illustrate the link between the different reporting methods.

Original exposure is the exposure before taking into account substitution effects stemming from credit risk mitigation, credit conversion factors (CCFs) for off-balance exposure and allowances within the standardised approach. In this note, however, exposure is defined as exposure at default (EAD) for IRB exposure and exposure value for standardised exposure unless otherwise stated. In accordance with the CRD, credit risk exposure presented in this report, is divided between exposure classes where each exposure class is divided into exposure types as follows:

- On-balance sheet items
- Off-balance sheet items (e.g. guarantees and unutilised amounts of credit facilities)
- Securities financing (e.g. reversed repurchase agreements and securities lending)
- Derivatives

Items presented in the Annual Report, are divided as follows, in accordance with the accounting standards:

- On-balance sheet items (e.g. loans to credit institutions, loans to the public, reversed repurchase agreements, positive fair value for derivatives, treasury bills and interest-bearing securities)
- Off-balance sheet items (e.g. guarantees and unutilised lines of credit)

Note G44
Credit risk disclosures *(cont.)*

On-balance sheet items

31 Dec 2013, DKKm	Original exposure	Items related to market risk	Repos, derivatives	Other	Balance sheet
Cash and balances with central banks	83,868	-	-	-	83,868
Interest-bearing securities and pledged instruments	61,604	16,695	-	-	78,299
Loans to central banks and credit institutions	7,488	-	4,037	-	11,525
Loans to the public	611,758	-	-	-10,895	600,863
Derivatives[1]	-	-	825	-	825
Intangible assets	-	-	-	2,768	2,768
Other assets and prepaid expenses	8,437	25,732	-	13,883	48,052
Total assets	**773,155**	**42,427**	**4,862**	**5,756**	**826,200**
Exposure at default[2]	**773,083**				

31 Dec 2012, DKKm	Original exposure	Items related to market risk	Repos, derivatives	Other	Restatement[3]	Balance sheet
Cash and balances with central banks	77,200	-	-	-	-	77,200
Interest-bearing securities and pledged instruments	57,461	30,615	-	-	-20,447	67,629
Loans to central banks and credit institutions	5,325	-	7,737	-	-	13,063
Loans to the public	619,275	-	86	-10,421	-	608,940
Derivatives[1]	-	-	3,567	-	-	3,567
Intangible assets	-	-	-	2,925	-	2,925
Other assets and prepaid expenses	10,541	21,028	-	19,854	-6,185	45,237
Total assets	**769,803**	**51,643**	**11,390**	**12,358**	**-26,632**	**818,562**
Exposure at default[2]	**769,670**					

[1] Derivatives are included in banking and trading books, but not at carrying amounts. Counterparty risk in trading derivatives is included in the credit risk.

[2] The on-balance exposures have a CCF of 100% but can still have a lower EAD due to allowances in the standardised approach, that are deducted from the original exposure when calculating EAD.

[3] The change in presentation of forward starting bonds has impacted the balance sheet (see Note G1), but has not impacted the capital adequacy calculations.

Note G44
Credit risk disclosures *(cont.)*

Off-balance sheet items

31 Dec 2013, DKKm	Credit risk in Basel II calculation	Included in derivatives and securities financing	Off-balance sheet
Contingent liabilities	27,674	-	27,674
Commitments	175,266	-	175,266
Total off-balance sheet items	**202,940**	**-**	**202,940**

31 Dec 2013, DKKm	Credit risk in Basel II calculation	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities and checking accounts	169,769	-	169,769	29%	49,231
Loan commitments	5,481	-	5,481	49%	2,704
Guarantees	24,709	-	24,709	72%	17,784
Other	2,981	-	2,981	7%	202
Total	**202,940**	**-**	**202,940**		**69,921**

31 Dec 2012, DKKm	Credit risk in Basel II calculation	Included in derivatives and securities financing	Off-balance sheet
Contingent liabilities	26,378	-	26,378
Commitments	179,642	-	179,642
Total off-balance sheet items	**206,021**	**-**	**206,021**

31 Dec 2012, DKKm	Credit risk in Basel II calculation	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities and checking accounts	176,852	-	176,852	29%	51,052
Loan commitments	2,790	-	2,790	100%	2,782
Guarantees	22,745	-	22,745	66%	15,061
Other	3,633	-	3,633	50%	1,817
Total	**206,021**	**-**	**206,021**		**70,712**

Note G44
Credit risk disclosures *(cont.)*

Exposure classes split by exposure type

31 Dec 2013, DKKm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	102,552	1,021	-	-	103,573
Institutions	50,133	951	489	627	52,200
Corporate	237,571	41,789	-	-	279,360
Retail	362,389	25,518	-	-	387,907
Other	20,438	642	-	-	21,080
Total exposure	**773,083**	**69,921**	**489**	**627**	**844,120**

31 Dec 2012, DKKm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	90,783	1,149	-	-	91,932
Institutions	49,023	878	-	2,833	52,735
Corporate	245,162	43,308	-	-	288,470
Retail	363,885	24,857	-	1	388,742
Other	20,818	520	-	-	21,338
Total exposure	**769,670**	**70,712**	**-**	**2,835**	**843,217**

Exposure secured by collaterals, guarantees and credit derivatives

31 Dec 2013, DKKm	Original exposure	EAD	- of which secured by guarantees and credit derivatives	- of which secured by collateral
Government, local authorities and central banks	104,420	103,573	2,489	-
Institutions	54,362	52,200	329	15
Corporate	393,868	279,360	6,011	117,738
Retail	397,063	387,908	1,977	287,550
Other	27,424	21,080	-	-
Total exposure	**977,137**	**844,121**	**10,806**	**405,303**

31 Dec 2012, DKKm	Original exposure	EAD	- of which secured by guarantees and credit derivatives	- of which secured by collateral
Government, local authorities and central banks	93,857	91,932	2,788	-
Institutions	54,326	52,735	297	1
Corporate	403,712	288,470	5,921	114,188
Retail	399,043	388,742	2,257	281,234
Other	27,721	21,338	-	-
Total exposure	**978,658**	**843,217**	**11,263**	**395,422**

Note G44
Credit risk disclosures *(cont.)*

Collateral distribution

	31 Dec 2013	31 Dec 2012
Other physical collateral	2%	2%
Receivables	0%	0%
Residential real estate	71%	71%
Commercial real estate	26%	26%
Financial collateral	1%	1%

Restructured loans

DKKm	31 Dec 2013	31 Dec 2012
Loans before restructuring, carrying amount	54	88
Loans after restructuring, carrying amount	0	37

Assets taken over for protection of claims[1]

DKKm	31 Dec 2013	31 Dec 2012
Current assets, carrying amount:		
Land and buildings	121	151
Shares and other participations	184	128
Total	**305**	**279**

[1] In accordance with NBD's policy for taking over assets for protection of claims, which is in compliance with the local Banking Business Act. Assets, used as collateral for the loan, are generally taken over when the customer is not able to fulfil its obligations to NBD. The assets taken over are at the latest disposed when full recovery is reached.

Past due loans, excl. impaired loans

	31 Dec 2013		31 Dec 2012	
DKKm	Corporate customers	Household customers	Corporate customers	Household customers
6-30 days	3,139	1,525	5,852	1,754
31-60 days	1,415	135	1,154	119
61-90 days	157	121	290	175
>90 days	495	736	1,340	758
Total	**5,206**	**2,517**	**8,636**	**2,807**
Past due not impaired/loans in %	2.21	0.83	2.94	0.92

Loans to corporate customers, by size of loan

DKKm		31 Dec 2013	%	31 Dec 2012	%
0-10	(EURm)	150,938	52.8	147,441	50.2
10-50	(EURm)	46,540	16.3	48,954	16.7
50-100	(EURm)	21,650	7.6	24,319	8.3
100-250	(EURm)	37,069	13.0	39,263	13.4
250-500	(EURm)	26,154	9.2	29,024	9.9
500-	(EURm)	3,145	1.1	4,738	1.6
Total		**285,496**	**100**	**293,739**	**100.0**

Note G45
The Danish Financial Supervisory Authority's ratio system

%	2013	2012	2011	2010	2009
Capital ratios					
Total capital ratio	20.5	18.2	17.0	11.9	12.0
Tier 1 capital ratio	14.0	12.1	10.1	8.9	8.9
Earnings					
Pre-tax return on equity[1]	12.0	5.9	8.8	14.4	7.3
Post-tax return on equity[1]	9.4	4.4	6.8	11.0	4.8
Income/cost ratio (not %)	1.4	1.1	1.2	1.3	1.1
Market risk					
Interest rate risk	0.1	2.3	1.2	1.9	5.3
Foreign exchange position	6.9	7.6	3.7	2.2	2.3
Currency risk	0.0	0.0	0.0	0.0	0.0
Liquidity					
Excess cover relative to statutory liquidity requirements	139.0	138.9	85.3	84.6	128.2
Credit risk					
Total amount of large exposures	10.1	11.4	26.0	73.6	91.0
Impairment ratio for the year	0.4	0.7	0.5	0.4	0.5
Growth in loans and receivables for the year	-1.3	0.3	-10.6	1.4	9.2
Loans and receivables relative to equity	14.7	16.4	19.1	20.6	22.2

1 2012 (but not 2009-2011) restated due to the amendment to IAS 19, see note G1 for more information.

See definitions on page 107.

Financial statements, Parent company – Content

Income statement, parent company

DKKm	Note	2013	2012
Interest income		10,732	12,295
Interest expenses		-3,109	-4,070
Net interest income	P3	**7,623**	**8,225**
Dividends on shares etc		746	637
Fee and commission income	P4	5,933	5,349
Fees and commissions paid		-450	-400
Net interest and fee income		**13,851**	**13,811**
Value adjustments	P5	383	-114
Other operating income		313	391
Staff and administrative expenses	P6	-9,236	-9,472
Amortisation and depreciation as well as impairment losses on tangible and intangible assets		-384	-436
Other operating costs		-62	-52
Impairment losses on loans and guarantees etc	P7	-2,252	-3,704
Profit from equity investments in associates and group undertakings	P13, P14	1,753	1,178
Profit before tax		**4,366**	**1,602**
Tax	P8	-589	-101
Net profit for the year		**3,777**	**1,501**

Statement of comprehensive income, parent company

DKKm	2013	2012
Net profit for the period	**3,777**	**1,501**
Items that may be reclassified subsequently to the income statement		
Currency translation differences during the period	-1	3
Items that may not be reclassified subsequently to the income statement		
Defined benefit plans:		
Remeasurement of defined benefit plans	-20	139
Tax on remeasurement of defined benefit plans	2	-35
Other comprehensive income, net of tax	**-19**	**107**
Total comprehensive income	**3,758**	**1,608**

Balance sheet, parent company

DKKm	Note	31 Dec 2013	31 Dec 2012
Assets			
Cash in hand and demand deposits with central banks		15,609	32,020
Receivables from credit institutions and central banks	P9	127,495	105,112
Loans and other receivables at fair value	P10	-	86
Loans and other receivables at amortised cost	P11	236,780	251,304
Bonds at fair value		119,308	108,603
Bonds at amortised cost	P12	-	3,750
Shares etc		12,272	8,565
Equity investments in associates	P13	978	946
Equity investments in group undertakings	P14	27,968	26,793
Assets linked to pooled schemes	P15	30,169	30,346
Intangible assets		2,738	2,891
Total land and buildings		32	33
Owner-occupied properties	P16	32	33
Other tangible assets	P17	449	387
Current tax assets	P8	14	120
Assets held temporarily		57	66
Other assets	P18	16,383	18,655
Prepaid expenses and accrued income		643	446
Total assets		**590,895**	**590,123**
Equity and liabilities			
Debt			
Debt to credit institutions and central banks	P19	113,067	113,594
Deposits and other debt	P20	289,459	289,616
Deposits with pooled schemes	P15	32,089	31,948
Other non-derivative financial liabilities at fair value		52,950	49,663
Current tax liabilities	P8	199	201
Other liabilities	P21	42,652	48,092
Accrued expenses and prepaid income		65	45
Total debts		**530,481**	**533,159**
Provisions			
Provisions for pensions and similar liabilities		16	21
Provisions for deferred tax	P8	331	425
Provisions for losses on guarantees		1,046	1,168
Other provisions		97	207
Total provisions		**1,490**	**1,821**
Subordinated debt			
Subordinated debt	P22	18,089	18,093
Equity			
Share capital		5,000	5,000
Accumulated value changes		25	26
Reserve for net revaluation under the equity method		11,750	10,614
Retained earnings		22,310	21,410
Proposed dividend		1,750	-
Total equity		**40,835**	**37,050**
Total equity and liabilities		**590,895**	**590,123**
Contingent liabilities	P23	326,942	333,011

Statement of changes in equity, parent company

DKKm	Share-capital[1,2]	Accumulated value changes: Translation of foreign operations	Accumulated value changes: Revaluation-reserves	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend[4]	Total equity
Balance at 1 Jan 2013	**5,000**	**6**	**20**	**10,614**	**21,410**	**-**	**37,050**
Net profit for the year	-	-	-	1,136	2,641	-	3,777
Other comprehensive income	-	-1	-	-	-	-	-1
Remeasurement of defined benefit plans	-	-	-	-	-18	-	-18
Share-based payments[3]	-	-	-	-	27	-	27
Dividends paid	-	-	-	-	-	-	-
Proposed dividend	-	-	-	-	-1,750	1,750	-
Balance at 31 Dec 2013	**5,000**	**5**	**20**	**11,750**	**22,310**	**1,750**	**40,835**
Balance at 1 Jan 2012	**5,000**	**3**	**20**	**9,748**	**16,930**	**-**	**31,701**
Capital contribution	-	-	-	-	3,725	-	3,725
Net profit for the year	-	-	-	866	635	-	1,501
Other comprehensive income	-	3	-	-	-	-	3
Remeasurement of defined benefit plans	-	-	-	-	104	-	104
Share-based payments[3]	-	-	-	-	16	-	16
Dividends paid	-	-	-	-	-	-	-
Proposed dividend	-	-	-	-	-	-	-
Balance at 31 Dec 2012	**5,000**	**6**	**20**	**10,614**	**21,410**	**-**	**37,050**

1 Share capital was at 31 Dec 2013 DKK 5,000m (DKK 5,000m). Unrestricted capital was at 31 Dec 2013 DKK 24,060m (DKK 21,410m).

2 Total shares registered were 50 million (50 million) owned by Nordea Bank AB, Stockholm, Sweden. Nominal amount per share is DKK 100. All issued shares are fully paid. All shares are of the same class and hold equal rights. The annual report for Nordea Bank AB is available on www.nordea.com.

3 Refers to the Long Term Incentive Programme (LTIP).

4 The proposed dividend payment of DKK 1,750m is equivalent to DKK 35 (DKK 0) per share.

5-year overview, parent company

Financial and operating data (DKKm)	2013	2012	2011	2010	2009
Net interest and fee income	13,851	13,811	13,332	15,692	16,085
Value adjustments	383	-114	310	-1,120	-873
Staff and administrative expenses	-9,236	-9,472	-9,618	-8,663	-8,651
Impairment losses on loans and guarantees etc	-2,252	-3,704	-2,380	-3,172	-4,815
Profit from equity investments in associates and group undertakings	1,753	1,178	925	1,814	1,006
Net profit for the year	3,777	1,501	2,103	3,456	1,423
Loans	236,780	251,390	267,433	361,419	369,073
Equity[1]	40,835	37,050	31,701	32,924	30,186
Total assets[1,2]	590,895	590,123	611,492	750,643	794,904

[1] The comparative figures for 2012 (but not for 2009-2011) have been restated due to the amendment to IAS 19, see Note P1.
[2] 2012-2009 restated due to change in recognition of interest-bearing securities in forward transactions, see Note P1.

Financial ratios (%)	2013	2012	2011	2010	2009
Solvency ratio	21.6	19.2	17.7	12.0	13.2
Core capital ratio	14.5	12.6	10.3	8.8	9.7
Return on equity before tax[1]	11.2	4.7	7.8	13.3	6.3
Return on equity after tax[1]	9.7	4.4	6.5	11.0	4.7
Ratio of operating income to operating expenses	1.4	1.1	1.2	1.3	1.1
Interest-rate risk	0.1	2.4	-0.2	2.0	5.2
Currency position	7.3	8.0	3.6	2.7	1.8
Exchange-rate risk	0.0	0.0	0.0	0.1	0.0
Loans related to deposits	76.5	80.9	87.3	120.3	134.1
Loans related to equity	5.8	6.8	8.4	11.0	12.2
Growth in loans for the year	-5.8	-6.0	-26.0	-2.1	5.8
Excess liquidity in relation to statutory requirements for liquidity	182.4	179.8	121.5	107.5	128.2
The sum of large exposures	10.3	11.7	26.1	69.4	82.9
Write-down ratio for the year	0.6	1.0	0.6	0.6	1.0
Average number of employees	6,227	6,770	7,707	7,523	7,441

[1] 2012 (but not for 2009-2011) have been restated due to the amendment to IAS 19, see note P1 for more information.

The financial ratios are calculated in accordance with the definitions of the Danish Financial Supervisory Authority's Executive Order on Financial Reports for Credit Institutions and Investment Firms etc.

Solvency ratio
Base capital as a percentage of risk-weighted assets.

Core capital ratio
Tier 1 capital net after deduction as a percentage of risk-weighted assets.

Return on equity before tax
Profit before tax as a percentage of average equity. Average equity is calculated as the simple average of equity at the beginning and at the end of the year.

Return on equity after tax
Profit after tax as a percentage of average equity. Average equity is calculated as the simple average of equity at the beginning and at the end of the year.

Ratio of operating income to operating expenses
Net interest and fee income, Value adjustments, Other operating income and Profit from equity investments in associates and group undertakings as a percentage of Staff and administrative expenses, Amortisation and depreciation as well as impairment losses on tangible and intangible assets, Other operating costs and Impairment losses on loans and guarantees etc.

Interest-rate risk
Interest-rate risk as a percentage of tier 1 capital net after deduction.

Currency position
Currency indicator 1 as a percentage of tier 1 capital net after deduction.

Exchange-rate risk
Currency indicator 2 as a percentage of tier 1 capital net after deduction.

Loans related to deposits
Loans as a percentage of deposits.

Loans related to equity
Loans/equity.

Growth in loans for the year
Growth in loans from the beginning to the end of the year in per cent.

Excess liquidity in relation to statutory requirements
Cash in hand, demand deposits with the Danish central bank, fully secure and liquid demand deposits with credit institutions, certificates of deposit issued by the Danish central bank and not used as collateral as well as secure, easily realisable (listed) securities not used as collateral as a percentage of 10 per cent of reduced debt and guarantee commitments.

The sum of large exposures
The sum of large exposures as a percentage of the base capital, adjusted for exposures with credit institutions etc below DKK 1bn net after deduction of specifically secure components and obtained collaterals, guarantees etc.

Write-down ratio for the year
Impairment losses on loans and guarantees etc. during the year as a percentage of loans and guarantees etc before impairment losses on loans and guarantees.

Note P1
Accounting policies

Basis for presentation

The financial statements for the parent company Nordea Bank Danmark A/S are prepared in accordance with the Danish Financial Business Act, including the Danish Financial Supervisory Authority's Executive Order on Financial Reports for Credit Institutions and Investment Firms etc (the Danish Financial Supervisory Authority's Executive Order on the Presentation of Financial Statements).

The accounting policies applied by the Group, described in Note G1, are, in consideration of the following, also applicable to the parent company.

Financial assets available for sale
In accordance with the IFRS, financial assets categorised as being available for sale are measured at fair value, and changes in fair value are recognised directly in equity through the statement of comprehensive income. The category Financial assets available for sale is not applied in the Danish Financial Supervisory Authority's Executive Order on the Presentation of Financial Statements, so value adjustments are recognised in the income statement.

Equity investments in group undertakings and associates
Equity investments in group undertakings and associates are measured at equity value. Profit from equity investments in group undertakings and associates includes tax on profit for the year.

Owner-occupied properties
Owner-occupied properties are measured at estimated fair value (remeasured value).

Presentation of income statement and balance sheet
The income statement and balance sheet are prepared in accordance with the formats of the Danish Financial Supervisory Authority's Executive Order on the Presentation of Financial Statements.

Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the Annual Report 2012, except for the presentation of defined benefit plans and the changed presentation of interest-bearing securities in forward transactions.

Defined benefit plans
Remeasurement of the amount of the net assets must from 2013 be recognised in equity through other comprehensive income instead of the income statement. The comparative figures in the income statement and other comprehensive income have been restated accordingly and disclosed in the below table. The comparative figures in the balance sheet were not affected.

	2012	
DKKm	New policy	Old policy
Staff and administrative expenses	9,472	9,334
Tax	101	136
Other comprehensive income, net of tax	107	3

The change in accounting policies does not have any effect on the equity and the statement of capital adequacy of the parent company as actuarial losses were already included in equity and capital adequacy.

Note P1
Accounting policies *(cont.)*

Forward transactions on interest-bearing securities
Previously, interest-bearing securities in forward transactions were recognised and derecognised three days before settlement date with a corresponding settlement amount on other liabilities and other assets, respectively. As from 2013 interest-bearing securities in forward transactions are recognised/derecognised in the balance sheet at settlement date. The reason behind the change is that the timing of recognition and derecognition of bonds is better aligned and the new principle thus gives a more true and fair picture of the financial position. The comparable figures in the balance sheet has been restated accordingly and are disclosed in the below table.

	31 Dec 2012		1 Jan 2012	
DKKm	New policy	Old policy	New policy	Old policy
Interest-bearing securities	108,603	173,926	116,896	195,605
Other assets	18,655	51,970	14,285	99,204
Other liabilities	48,092	146,730	67,339	230,967

The change in recognition of interest-bearing securities did not have significant impact on capital adequacy.

Differences between Group IFRS financial statements and parent company financial statements determined in accordance with the Danish Financial Supervisory Authority's Executive Order on the Presentation of Financial Statements

The principles of measurement and recognition of the Danish Financial Supervisory Authority's Executive Order on the Presentation of Financial Statements are in accordance with the Group principles pursuant to the IFRS, the exceptions being:
- The category Financial assets available for sale is not applied
- Owner-occupied properties are measured at fair value (remeasured value)

Furthermore, differences exist between the parent company and the Group in the presentation of income statement, balance sheet etc.

The difference in amounts in the income statement and equity between the Group and the parent company has been determined below:

	Net profit for the year		Equity	
DKKm	2013	2012	31 Dec 2013	31 Dec 2012
Group determined in accordance with the IFRS	3,664	1,514	40,826	37,041
Differences between the IFRS and the Danish Financial Supervisory Authority's Executive Order on the Presentation of Financial Statements:				
- Financial assets available for sale	150	-17	-	-
- Tax effect	-37	4	-	-
- Fair value adjustment of owner-occupied properties	-	-	20	20
- Minority interests[1]	-	-	1,255	1,255
Group determined in accordance with the Danish Financial Supervisory Authority's Executive Order on the Presentation of Financial Statements	3,777	1,501	42,101	38,315
Minority interests	-	-	-1,265	-1,265
Parent company determined in accordance with the Danish Financial Supervisory Authority's Executive Order on the Presentation of Financial Statements	3,777	1,501	40,835	37,050

[1] Minority interests relate to pro rata consolidation of a restricted reserve in a pro rata consolidated undertaking.

Note P2
Net interest and fee income as well as value adjustments, broken down by categories of activity and into geographical markets

Activities

DKKm	2013	2012
Retail	11,787	12,044
Wholesale	2,918	2,988
Treasury	1,216	717
Wealth	-1,019	-896
Other	-668	-1,156
Total	**14,234**	**13,697**

Geographical markets
Pursuant to section 119 of the Danish Financial Supervisory Authority's Executive Order on the Presentation of Financial Statements, NBD's net interest and fee income as well as value adjustments must be broken down into geographical markets if the markets deviate from each other. NBD only conducts activities to a minor extent outside Denmark, and, consequently, information is not disclosed about geographical markets.

Note P3
Net interest income

DKKm	2013	2012
Interest income		
Receivables from credit institutions and central banks	277	336
Reverse repurchase agreements, credit institutions and central banks	4	45
Loans and other receivables	9,174	9,931
Reverse repurchase agreements, loans	0	22
Bonds	1,081	2,084
Derivatives	-265	-604
Other interest income	461	481
Total interest income	**10,732**	**12,295**
Interest expenses		
Credit institutions and central banks	-152	-553
Repurchase agreements, credit institutions and central banks	59	-66
Deposits and other debt	-2,637	-2,959
Repurchase agreements, deposits and other debt	0	-1
Subordinated debt	-379	-491
Other interest expenses	0	0
Total interest expenses	**-3,109**	**-4,070**
Net interest income	**7,623**	**8,225**

Note P4
Fee and commission income

DKKm	2013	2012
Securities trading and custody accounts	1,789	1,714
Payment services	459	456
Arrangement fees	517	451
Guarantee commission	987	946
Other fees and commissions	2,181	1,782
Total fee and commission income	**5,933**	**5,349**

Note P5
Value adjustments

DKKm	2013	2012
Other loans and receivables at fair value	0	-3
Bonds	46	-362
Shares etc	1,585	238
Currency	65	163
Derivatives	-1,326	-167
Assets linked to pooled schemes	1,869	2,264
Deposits with pooled schemes	-1,869	-2,264
Other assets	-	-
Other liabilities	13	17
Total value adjustments	**383**	**-114**

Note P6
Staff and administrative expenses

DKKm	2013	2012
Salaries and remuneration (specification below)	-4,234	-4,440
Pension costs (specification below)	-405	-451
Social insurance contributions	-544	-621
Other staff expenses	-182	-178
Other administrative expenses	-3,871	-3,782
Total	**-9,236**	**-9,472**

Salaries and remuneration		
To the Board of Directors		
- Fixed salary and benefits	0	0
- Performance-related compensation	-	-
To the Executive Management[1]		
- Fixed salary and benefits	-11	-11
- Performance-related compensation[2]	-3	-1
Total	**-14**	**-12**
To other employees[3]	-4,220	-4,428
Total	**-4,234**	**-4,440**

[1] The Executive Management (including former members of the Executive Management) included in 2013 12 (12) individuals.
[2] The Executive Management participates in incentive programmes. These programmes are described in the Remuneration section in the Board of Directors' report and in Note G6. Including allotment value in 2013 from LTIP. No LTIP allotted in 2012.
[3] Salaries and remuneration to employees that have significant influence on NBD's risk profile amount to DKK 450m (DKK 355m). Salaries and remuneration are split between fixed salary and benefits DKK 332m (DKK 309m) and paid performance-related compensation DKK 118m (DKK 46m) earned in the period 2009-2013 (2009-2012). Employees that have significant influence on NBD's risk profile included 362 (355) individuals.

Pension costs		
Defined benefit plans	4	-13
Defined contribution plans:		
- The Executive Management[1,2]	-7	-6
- Other employees[3]	-402	-432
Total	**-405**	**-451**

[1] The Executive Management (including former members of the Executive Management) included in 2013 12 (12) individuals.
[2] Including former executive management members DKK 4m (DKK 1m).
[3] Pension costs to employees that have significant influence on NBD's risk profile amount to DKK 36m (DKK 32m).

Compensation including pension		
The Board of Directors[1]	0	0
The Executive Management[2]	-21	-18
Total	**-21**	**-18**

[1] The Board of Directors included unchanged 5 individuals.
[2] The Executive Management (including former members of the Executive Management) included in 2013 12 (12) individuals.

Note P6
Staff and administrative expenses *(cont.)*

Share-based payment is described in the Board of Directors' report on page 21 as well as in Note G6 and the total pension obligations are described in Note G30 to the consolidated financial statements. Further information about NBD's salary policy and practice is available on www.nordea.com/remuneration.

Disclosure according to section 77d (3) of the Financial Business Act[1]
The total remuneration to the Board of Directors and the Executive Management paid by the Nordea Bank AB Group is disclosed below according to section 77d (3) of the Financial Business Act.

DKKm	2013[8]	2012
Board of Directors		
Peter Nyegaard[3,5]	8.6	7.1
Torsten Hagen Jørgensen[3,4]	8.5	-
Ari Kaperi[3]	7.7	6.8
Gunn Wærsted[3,6]	12.1	13.4
Fredrik Rystedt[3,4]	0.3	8.5
Anne Rømer[7]	0.2	0.2

DKKm	2013[8]	2012
Executive Management[2]		
Anders Jensen[5]	4.9	4.0
Peter Lybecker	7.3	6.3
Jørgen Høholt[5]	3.1	-
Michael Rasmussen[5]	1.9	9.9

According to section 77d (3) of the Financial Business Act, NBD is required to disclose the total remuneration for members of the Board of Directors and the Executive Management, including the remuneration the person has received as a member of the Board of Directors and/or the Executive Management in companies within the Nordea Bank AB Group.

1 Total remuneration includes fixed salary, benefits and pension (pension premiums paid in defined contribution plans and pension rights earned during the year in defined benefit plans in accordance with IAS 19) for the year, variable salary earned as a member of Executive Management and paid during the year and Long Term Incentive Programmes allotment during the year.
2 The notice period from the employer for members of Executive management is 12 months. The severance pay is subject to years in service and maximised to 24 months salary.
3 Peter Nyegaard, Torsten Hagen Jørgensen, Ari Kaperi, Gunn Wærsted and Fredrik Rystedt earn no remuneration as members of the Board of Directors in Nordea Bank Denmark A/S.
4 On 28 January 2013 Torsten Hagen Jørgensen replaced Fredrik Rystedt as member of Board of Directors in Nordea Bank Denmark A/S.
5 On 18 March 2013 CEO Michael Rasmussen left the Group. Anders Jensen was appointed CEO. Jørgen Höholt joined the Executive Management. Peter Nyegaard was appointed member of the Board of Directors and resigned from the Executive Management. Total remuneration for Peter Nyegaard relates to both positions.
6 More than 40% of total remuneration is pension service costs, i.e. service cost, past service cost and curtailments and settlements as defined in IAS 19 as well as changed actuarial assumptions.
7 Anne Rømer is an external member of the Board of Directors. Total Remuneration relates to Board and Audit Committee fee.
8 Total remuneration has increased from 2012 to 2013 due to:
- Non-deferred part of LTIP 2010 was allotted in 2013 while there was no LTIP allotted in 2012.
- 2013 contains paid deferrals from variable salary earned for four years (2009-2012) while 2012 contains paid deferrals earned for three years (2009-2011).
- Part of the paid deferrals are indexed with total shareholders return (TSR), which in 2013 was 26% higher compared to 2012.
- The retention period for risk takers has been reduced from twelve to six months resulting in more payments of retained variable remuneration in 2013 compared to 2012.

Note P7
Impairment losses on loans and guarantees etc

DKKm	Loans and guarantees, individual impairment losses	Loans and guarantees, group impairment losses	Other receivables, individual impairment losses	Other receivables, group impairment losses	Total
Balance at 1 Jan 2013	**9,140**	**789**	**20**	**-**	**9,949**
Impairment losses during the year	2,564	247	-	-	2,811
Reversal of impairment losses effected in previous financial years	-699	-63	-12	-	-774
Other changes	-45	-	-	-	-45
Finally lost, previously individually written down	-1,566	-	-	-	-1,566
Balance at 31 Dec 2013	**9,394**	**973**	**8**	**-**	**10,375**
Balance at 1 Jan 2012	**6,623**	**1,247**	**13**	**-**	**7,883**
Impairment losses during the year	5,276	326	9	-	5,611
Reversal of impairment losses effected in previous financial years	-1,580	-784	-2	-	-2,366
Other changes	-	-	-	-	-
Finally lost, previously individually written down	-1,179	-	-	-	-1,179
Balance at 31 Dec 2012	**9,140**	**789**	**20**	**-**	**9,949**

The amount finally lost (written off) not previously individually written down/provided for was DKK 362m (DKK 584m). Recoveries amounted to DKK -148m (DKK -125m).

Note P8
Tax

Income tax expense

DKKm	2013	2012[1]
Current tax	-684	-96
Deferred tax	95	-4
Total	**-589**	**-101**

[1] Including adjustments relating to prior years (see below).

The tax on NBD's operating profit differs from the theoretical amount that would arise using the tax rate of Denmark as follows:

DKKm	2013	2012
Profit before tax	4,366	1,602
Tax calculated at a tax rate of 25%	-1,092	-401
Tax-exempt income	439	302
Non-deductible expenses	-44	-14
Adjustments relating to prior years	120	32
Change of tax rate	37	-
Not creditable foreign taxes	-49	-20
Tax charge	**-589**	**-101**
Average effective tax rate	13%	6%

	Deferred tax assets		Deferred tax liabilities	
DKKm	2013	2012	2013	2012
Deferred tax related to:				
Shares etc	-	-	-	116
Intangible assets	-	-	451	483
Tangible assets	19	23	-	-
Retirement benefit assets	-	-	32	34
Liabilities/provisions	133	185	-	-
Net statement of deferred tax assets and liabilities	-152	-208	-152	-208
Total	**-**	**-**	**331**	**425**
Of which expected to be settled after more than 1 year			331	425

DKKm	2013	2012
Movements in deferred tax assets/liabilities, net are as follows:		
Amount at beginning of year (net)	-425	-271
Deferred tax relating to items recognised in other comprehensive income	-	-
Reclassifications	-	-116
Deferred tax on remeasurement of defined benefit plans	2	-35
Deferred tax in the income statement	92	-4
Amount at end of year (net)	**-331**	**-425**

	2013	2012
Current tax assets	**14**	**120**
Of which expected to be settled after more than 1 year	-	-
Current tax liabilities	**199**	**201**
Of which expected to be settled after more than 1 year	199	201

There is no deferred tax relating to temporary differences associated with equity investments in group undertakings and associates.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same fiscal authority.

Note P9
Receivables from credit institutions and central banks

DKKm	31 Dec 2013	31 Dec 2012
Receivables with notice from central banks	68,009	41,511
Receivables from credit institutions	59,486	63,601
Total	**127,495**	**105,112**
Of which genuine purchase and resale transactions	28,296	43,753

Note P10
Loans and other receivables at fair value

DKKm	31 Dec 2013	31 Dec 2012
Loans and other receivables at fair value	**-**	**86**
Of which genuine purchase and resale transactions	-	86

Loans and other receivables at fair value grouped by sectors and industries

Pct.	2013	2012
Public authorities	-	-
Trade and industry		
- Agriculture, hunting, forestry and fisheries	-	-
- Industry and extraction of raw materials	-	-
- Energy supply	-	-
- Building and construction	-	-
- Trade	-	-
- Transport, hotels and restaurants	-	-
- Information and communication	-	-
- Finance and insurance	-	-
- Real property	-	-
- Other trades and industries	-	100.0
Trade and industry, total	-	100.0
Private individuals	-	-
Total	**-**	**100.0**

Note P11
Loans and other receivables at amortised cost

DKKm	31 Dec 2013	31 Dec 2012
Loans and other receivables at amortised cost	**236,780**	**251,304**

Loans and guarantees grouped by sectors and industries

Pct.		
Public authorities	3.3	2.2
Trade and industry:		
- Agriculture, hunting, forestry and fisheries	7.7	6.7
- Industry and extraction of raw materials	4.1	4.4
- Energy supply	3.1	2.6
- Building and construction	1.4	1.4
- Trade	6.9	7.2
- Transport, hotels and restaurants	2.4	2.9
- Information and communication	1.1	1.2
- Finance and insurance	11.1	11.7
- Real property	7.6	7.6
- Other trades and industries	14.5	15.2
Trade and industry, total	59.9	60.9
Private individuals	36.8	36.9
Total	**100.0**	**100.0**

Loans and receivables, with objective evidence of impairment

Loans and receivables subject to individual impairment and provisioning amount to DKK 18bn (DKK 15bn) before allowance and DKK 10bn (DKK 9bn) after allowance.

Loans and receivables subject to collective impairment and provisioning, amount to DKK 133bn (DKK 178bn) before allowance and DKK 132bn (DKK 177bn) after allowance.

Note P12
Bonds at amortised cost

DKKm	31 Dec 2013	31 Dec 2012
Carrying amount of held-to-maturity bonds	-	3,750
Fair value of held-to-maturity bonds	-	3,750

Note P13
Equity investments in associates

DKKm	31 Dec 2013	31 Dec 2012
Acquisition value at beginning of year	552	533
Additions during the year	58	21
Disposals during the year	-19	-2
Acquisition value at end of year	**591**	**552**
Accumulated impairment losses and revaluations at beginning of year	394	357
Net profit for the year	191	153
Dividends	-198	-117
Exchange-rate differences	-	1
Accumulated impairment losses and revaluations at end of year	**387**	**394**
Total	**978**	**946**
Of which listed shares	-	-

Associates

	CVR number	Registered office	Profit DKKm[1]	Equity DKKm [1]	Ownership %
Credit institutions					
LR Realkredit A/S	26045304	Copenhagen	238	3,512	39
Other					
Agro & Ferm A/S	29636672	Esbjerg	0	0	34
Ejendomsselskabet Axelborg I/S	79334413	Copenhagen	6	51	33
Axcel IKU Invest A/S	24981800	Copenhagen	-54	3	33
Bluegarden Holding A/S	27226027	Ballerup	-309	-121	29
KIFU-AX II A/S	25893662	Copenhagen	-10	168	-
Nets Holding A/S	27225993	Ballerup	682	2,319	21
Bankernes Kontantservice A/S	33077599	Copenhagen	-65	112	20

[1] Net profit for the period and equity of equity investments in associates in accordance with the latest published financial statements.

Note P14
Equity investments in group undertakings

DKKm	31 Dec 2013	31 Dec 2012
Acquisition value at beginning of year	16,629	16,623
Acquisitions during the year	6	6
Acquisition value at end of year	**16,635**	**16,629**
Accumulated impairment losses and revaluations at beginning of year	10,163	9,349
Net profit or loss for the year	1,563	1,025
Dividends	-392	-213
Exchange-rate differences	-	2
Accumulated impairment losses and revaluations at end of year	**11,334**	**10,163**
Total	**27,968**	**26,793**
Of which listed shares	-	-

Group companies

	Number of shares	Profit DKKm	Equity DKKm	Owner-ship %	Registered office	CVR number
Fionia Asset Company A/S	148,742,586	63	8,741	100	Copenhagen	31934745
Nordea Finans Danmark A/S	20,006	261	1,443	100	Høje-Taastrup	89805910
Nordea Kredit Realkreditaktieselskab	17,172,500	1,037	17,498	100	Copenhagen	15134275
Danbolig A/S	1	-2	11	100	Copenhagen	13186502
Structured Finance Servicer A/S	2	2	7	100	Copenhagen	24606910
NJK1 ApS	34,562,926	203	268	100	Copenhagen	32771610
Nordea Finance Ltd.	2	0	-	100	London	1654761
Nordea Trade Services Ltd.	2	-	-	100	Hong-Kong	04548614-003-10-09-7
Total		**1,563**	**27,968**			

Special Purpose Entity (SPE) – consolidated

DKKm	Purpose	Duration	Nordea's investment	Total assets
Kalmar Structured Finance A/S	Credit Linked Note	Between 1-5 years	10	10
Total			**10**	**10**

Note P15
Assets linked to pooled schemes

The assets and liabilities of Nordea Bank Danmark A/S include customers' pooled schemes, the return on which correlates directly with the return on the assets financed by these pooled schemes. Since the assets and liabilities legally belong to Nordea Bank Danmark, these assets and liabilities are included in the bank's balance sheet. A breakdown is shown below:

DKKm	31 Dec 2013	31 Dec 2012
Assets		
Interest-bearing securities	13,318	13,710
Shares etc.	16,715	16,477
Other assets	135	159
Total assets[1]	**30,169**	**30,346**
Liabilities		
Deposits and other debt	32,089	31,948
Total liabilities	**32,089**	**31,948**
Return to participants in pooled schemes	1,999	2,658

1 In addition cash balances amount to DKK 1,921m (DKK 1,602m).

Note P16
Owner-occupied properties

DKKm	31 Dec 2013	31 Dec 2012
Revalued amount at beginning of year	33	34
Additions during the year	-	-
Disposals during the year	-	-
Depreciation for the year	-1	-1
Revalued amount at end of year	**32**	**33**

Note P17
Other tangible assets

DKKm	31 Dec 2013	31 Dec 2012
Acquisition value at beginning of year	1,255	1,172
Additions during the year	217	114
Disposals during the year	-26	-31
Exchange-rate differences	-	-
Acquisition value at end of year	**1,446**	**1,255**
Accumulated depreciation at beginning of year	-868	-729
Accumulated depreciation on sales/disposals during the year	23	22
Depreciation for the year	-152	-161
Exchange-rate differences	-	-
Accumulated depreciation at end of year	**-997**	**-868**
Accumulated impairment losses at beginning of year	-	-
Impairment losses during the year	-	-
Exchange-rate differences	-	-
Accumulated impairment losses at end of year	**-**	**-**
Total	**449**	**387**

Note P18
Other assets

DKKm	31 Dec 2013	31 Dec 2012
Claims on securities settlement proceeds[1]	13,804	13,662
Derivatives	543	3,066
Other	2,036	1,927
Total	**16,383**	**18,655**

[1] The amount reflects trade date accounting and primarily relates to receivables on sold bonds at year-end.

Note P19
Debt to credit institutions and central banks

DKKm	31 Dec 2013	31 Dec 2012
Debt to credit institutions and central banks	**113,067**	**113,594**

Note P20
Deposits and other debt

DKKm	31 Dec 2013	31 Dec 2012
Demand	212,007	207,994
With notice period	2,538	2,410
Time deposits	50,594	54,238
Special types of deposit	24,320	24,974
Total	**289,459**	**289,616**

Note P21
Other liabilities

DKKm	31 Dec 2013	31 Dec 2012
Liabilities on securities settlement proceeds[1]	13,765	14,177
Sold, not held, securities	11,958	17,451
Derivatives	2,171	3,874
Other	14,758	12,590
Total	**42,652**	**48,092**

[1] The amount reflects trade date accounting and primarily relates to receivables on bought bonds at year-end.

Note P22
Subordinated debt

DKKm	31 Dec 2013	31 Dec 2012
Hybrid capital loans	-	-
Other subordinated debt	18,089	18,093
Total	**18,089**	**18,093**

Subordinated debt is subordinated to other liabilities.

Pursuant to the Danish Financial Business Act repayment of subordinated debt may not take place at the initiative of the lender nor without the approval of the Danish Financial Supervisory Authority.

Note P22
Subordinated debt *(cont.)*

At 31 December 2013 five loans – with terms specified below – were outstanding:

Issued by	Year of issue/ maturity	Call date	Nom. value EURm	Carrying amount DKKm	Interest rate (coupon)
Nordea Bank Danmark A/S	2009/2017	28 May 2014	275	2,051	Floating rate
Nordea Bank Danmark A/S	2009/2017	17 December 2014	200	1,492	Floating rate
Nordea Bank Danmark A/S	2010/2018	24 June 2015	200	1,492	Floating rate
Nordea Bank Danmark A/S	2011/2019	14 February 2016	1,450	10,816	Floating rate
Nordea Bank Danmark A/S	2011/2019	26 May 2016	300	2,238	Floating rate
Total				**18,089**	

DKKm	2013	2012
Interest etc for the year amounted to:		
Interest	-379	-491
Costs of increases in and repayments of subordinated debt	-	-
Amount included in the capital base at end of year	18,089	18.093

Note P23
Contingent liabilities

DKKm	31 Dec 2013	31 Dec 2012
Guarantees and other liabilities		
Guarantees:		
- Loan guarantees	111,975	104,588
- Other guarantees	16,499	15,155
Other liabilities:		
- Credit commitments[1]	195,881	210,159
- Documentary credits	2,565	3,053
- Other contingent liabilities	22	56
Total	**326,942**	**333,011**

[1] Including unutilised portion of approved overdraft facilities.

In the normal business of NBD, the bank issues various forms of guarantees in favour of the bank's customers. Loan guarantees are given for customers to guarantee obligations in other credit and pension institutions. Other guarantees consist mainly of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export related guarantees. Contingent liabilities also include unutilised irrevocable import documentary credits and confirmed export documentary credits. These transactions are part of the bank services and support the bank's customers. Guarantees and documentary credits are considered as off-balance-sheet items, unless there is a need for a provision to cover a probable loan loss that arises from the judgement that reimbursement will not be received.

NBD A/S is jointly taxed with the Danish companies, branches etc. of Nordea.The companies etc. included in the joint taxation have joint several unlimited liability for Danish corporation taxes and withholding taxes on dividends and interest. At 31 december 2013, the net taxes payable to the Danish Central Tax Administration by the companies included in the joint taxation amounted to DKK 93 mio. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc, may entail that the companies' liability will increase. The Danish Group as a whole is not liable to others.
In terms of payroll tax and VAT, NBD is registered jointly with Nordea, Branch of Nordea Bank AB, Sweden, the Danish PE agency of Nordea Bank Finland and with the majority of the Danish subsidiary undertakings in the Nordea Bank AB Group and these companies are jointly and severally liable for such taxes.

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age.

Other guarantees include guarantees to the Danish guarantee scheme.

Legal proceedings
Within the framework of the normal business operations, NBD faces claims in civil lawsuits and other disputes, most of which involve relatively limited amounts. None of these disputes is considered likely to have any significant adverse effect on NBD or its financial position.

Note P24
Assets pledged as security for own liabilities

DKKm	31 Dec 2013	31 Dec 2012
Assets pledged for own liabilities		
Securities related to repurchase agreements and securities lending[1]	38,892	34,513
Other pledged assets[2]	4,020	6,112
Total	**42,912**	**40,625**
The above pledges pertain to the following liability and commitment items		
Debt to credit institutions	44,065	38,612
Deposits and other debt	-	-
Derivatives	1,196	1,733
Other liabilities and commitments	-	-
Total	**45,261**	**40,345**

[1] Relates only to securities recognised in the balance sheet. Securities borrowed or bought under repurchase agreements are not recognised in the balance sheet and thus not included in the amount.
[2] Other pledged assets mainly relating to bonds and cash had been transferred to the FUTOP Clearing Centre and clearing centres outside Denmark pursuant to margin requirements.

Assets pledged for own liabilities contain securities pledged as security in repurchase agreements and in securities lending. The transactions are conducted under standard agreements employed by financial market participants. Counterparts in those transactions are credit institutions and the public. The transactions are typically short term with maturity within three months.

Note P25
Hedge accounting

Derivatives used for hedging

	2013			2012		
	Fair value		Total nom.	Fair value		Total nom.
DKKm	Positive	Negative	amount	Positive	Negative	amount
Derivatives						
Interest rate derivatives	297	469	145,222	299	750	144,092
Foreign exchange derivatives	-	-	-	39	3	65,644
Total derivatives used for hedge accounting	**297**	**469**	**145,222**	**338**	**753**	**209,736**
Of which						
- Fair value hedges	297	469	145,222	338	753	209,736
- Cash flow hedges	-	-	-	-	-	-

Fair value changes of the hedged items in portfolio hedge of interest rate risk

DKKm	31 Dec 2013	31 Dec 2012
Assets		
Carrying amount at beginning of year	501	423
Revaluation of hedged items during the year	-219	78
Carrying amount at end of year	282	501
Liabilities		
Carrying amount at beginning of year	212	180
Revaluation of hedged items during the year	-127	32
Carrying amount at end of year	85	212
Net carrying amount at end of year	**197**	**289**

The carrying amount at end of year represents accumulated changes in the fair value for those repricing time periods in which the hedged item is an asset or a liability.

Note P26
Capital adequacy

Calculation of total capital base

DKKm	31 Dec 2013	31 Dec 2012
Equity	40,835	37,050
Proposed/actual dividend	-1,750	-
Intangible assets	-2,738	-2,891
IRB provisions excess (+)/shortfall (-)	-319	-531
Defined benefit plans	-138	-
Transferred to Tier 2 capital	-20	-20
Other items, net	-5	-7
Tier 1 capital (net after deduction)	**35,866**	**33,600**
- of which hybrid capital	-	-
Tier 2 capital	**18,109**	**18,113**
- of which perpetual subordinated loans	-	-
IRB provisions excess (+)/shortfall (-)	-319	-531
Other deduction	-	-
Total capital base	**53,656**	**51,182**

See capital adequacy ratios on page 19 of the annual report.

Note P27
Maturity analysis for selected assets and liabilities

Remaining maturity

31 Dec 2013	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Receivables from credit institutions and central banks	99,849	27,262	107	115	162	127,495
Loans and other receivables at fair value	-	-	-	-	-	-
Loans and other receivables at amortised cost	80,141	18,529	4,117	36,966	97,027	236,780
Debt to credit institutions and central banks	55,376	56,249	1,442	-	-	113,067
Deposits and other debt	199,018	30,771	8,072	475	51,123	289,459

Remaining maturity

31 Dec 2012	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Receivables from credit institutions and central banks	61,607	42,896	15	384	210	105,112
Loans and other receivables at fair value	-	86	-	-	-	86
Loans and other receivables at amortised cost	80,274	13,244	9,672	47,244	100,870	251,304
Debt to credit institutions and central banks	47,813	45,800	10,113	6,726	3,142	113,594
Deposits and other debt	195,278	33,609	8,335	595	51,799	289,616

Note P28
Related-party transactions

DKKm	Group undertakings 31 Dec 2013	Group undertakings 31 Dec 2012	Other Nordea Group Companies[1] 31 Dec 2013	Other Nordea Group Companies[1] 31 Dec 2012	Associated undertakings 31 Dec 2013	Associated undertakings 31 Dec 2012	Other related parties 31 Dec 2013	Other related parties 31 Dec 2012
Assets								
Loans	61,209	64,398	7,237	9,768	766	653	-	-
Interest-bearing securities	43,606	42,009	4,104	1,467	-	-	-	-
Shares etc	-	-	-	-	-	-	-	-
Derivatives	-	-	403	708	-	-	-	-
Other assets	309	185	2,681	62	-	-	-	-
Total assets	**105,124**	**106,592**	**14,425**	**12,006**	**766**	**653**	**-**	**-**
Liabilities								
Deposits	63,054	46,851	80,965	84,879	221	564	78	83
Derivatives	-	-	1,997	1,469	-	-	-	-
Other liabilities	10,786	16,597	4,087	171	-	-	-	-
Subordinated debt	-	-	18,089	18,093	-	-	-	-
Total liabilities	**73,840**	**63,448**	**105,138**	**104,612**	**221**	**564**	**78**	**83**
Off balance[2]								
Contingent liabilities	103,548	96,679	-	-	77	10	-	-

DKKm	Group undertakings 31 Dec 2013	Group undertakings 31 Dec 2012	Other Nordea Group Companies 31 Dec 2013	Other Nordea Group Companies 31 Dec 2012	Associated undertakings 31 Dec 2013	Associated undertakings 31 Dec 2012	Other related parties 31 Dec 2013	Other related parties 31 Dec 2012
Net interest income	1,596	1,471	-741	-1,249	18	7	-1	-1
Net fee and commission income	753	695	1,100	1,090	11	9	-	-
Value adjustments	-	0	-1,095	316	1	0	-	-
Other operating income	59	94	152	226	0	0	-	-
Total operating costs	-15	-16	-1,424	-916	-223	-177	-	-
Profit before impairment losses	**2,393**	**2,244**	**-2,008**	**-533**	**-193**	**-161**	**-1**	**-1**

1 Including figures for shareholders with significant influence.
2 Nordea Bank Danmark A/S provides on an ongoing basis 5-year and 10-year guarantees in favour of its wholly-owned mortgage banking subsidiary Nordea Kredit Realkreditaktieselskab, typically to cover the top 25% of the principal of mortgage loans disbursed. This guarantee commitment is computed on the basis of the remaining cash balance and amounted to DKK 87,750m at end 2013 (DKK 81,557m).

Compensation and loans to Board of Directors and the Executive Management (Key management personnel)
Compensation to Board of Directors and the Executive Management is specified in Note P6.
Loans to Board of Directors and the Executive Management and their family members are specified in Note G6 of the consolidated financial statements.

Related-party transactions (arms length basis)
Related-party transactions are described in Note G43 of the consolidated financial statements.

Otherwise, Nordea Bank Danmark's activities with companies in the Nordea Group include lending, deposits, debt securities in issue, trading in securities, derivative financial instruments, guarantees etc as part of its normal banking business.

Note P29
Risk disclosures

NBD's financial risks and policies as well as financial risk management targets are described in the Risk, liquidity and capital management section on page 8-20 in the Board of Directors' report.

Proposed distribution of earnings

According to the parent company's balance sheet, the following amount is available for distribution by the Annual General Meeting of Shareholders:

DKKm	
Retained earnings	21,419
Net profit for the year	3,777
Transferred to reserves	-1,136
Total	**24,060**

The Board of Directors proposes that the 2013 earnings are distributed as follows:

DKKm	
Dividends paid to the shareholder	1,750
To be carried forward	22,310
Total	**24,060**

The parent company's distributable earnings amount to DKK 24,060m. After the proposed distribution of earnings, the parent company's unrestricted shareholders' equity amounts to DKK 22,310m.

Statement by the Board of Directors and the Executive Management

The Board of Directors and the Executive Management have today discussed and approved the Annual Report of NBD Group and Nordea Bank Danmark A/S for the financial year 2013.

The annual report for the group has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and the annual report for the parent company has been prepared in accordance with the Financial Business Act. The annual report for the group has furthermore been prepared in accordance with additional Danish disclosure requirements for annual reports of financial companies. It is our opinion that the consolidated financial statements and parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2013 and of the results of the Group's and the parent company's operations and the Group's cash flows for the financial year 1 January – 31 December 2013.

Further, in our opinion, the Board of Directors' report provides a fair review of the development in the Group's and the parent company's operations and financial matters, the results of the Group's and the parent company's operations and financial position and describes the material risks and uncertainties affecting the Group and the parent company.

We propose to the Annual General Meeting that the annual report should be adopted.

Stockholm, 5 February 2014

Board of Directors

Peter Nyegaard (Chairman)

Torsten Hagen Jørgensen

Gunn Wærsted

Ari Kaperi

Anne Rømer

Executive Management

Anders Jensen (CEO)

Peter Lybecker

Jørgen Høholt

Independent auditors' report

To the shareholders of Nordea Bank Danmark A/S

Independent auditors' report on the consolidated financial statements and the parent company financial statements
We have audited the consolidated financial statements and the parent company financial statements of Nordea Bank Danmark A/S for the financial year 1 January – 31 December 2013, page 23-126. The consolidated financial statements and parent company financial statements comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies for the Group as well as for the parent company and consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the parent company financial statements are prepared in accordance with the Danish Financial Business Act. Further, the consolidated financial statements are prepared in accordance with Danish disclosure requirements for financial institutions.

Management's responsibility for the consolidated financial statements and the parent company financial statements
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU (the consolidated financial statements), the Danish Financial Business Act (the parent company financial statements) and Danish disclosure requirements for financial institutions and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and parent company financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

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

Our audit has not resulted in any qualification.

Opinion
In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2013 and of the results of the Group's and the parent company's operations and the Group's cash flows for the financial year 1 January – 31 December 2013 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for financial institutions in respect of the consolidated financial statements and in accordance with the Danish Financial Business Act in respect of the parent company financial statements.

Statement on the Management's review
Pursuant to the Danish Financial Business Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Copenhagen, 5 February 2014

KPMG
Statsautoriseret Revisionspartnerselskab

Finn L. Meyer
State Authorised Public Accountant

Henrik Barner Christiansen
State Authorised Public Accountant

Management

Board of Directors of Nordea Bank Danmark

Peter Nyegaard
(Chairman)
Position in Nordea: Executive Vice President,
Chief Operating Officer of Wholesale Banking
Born 1963 (50 years)
Shareholding: 40,081 Nordea[1]

External assignments
None.

Torsten Hagen Jørgensen
(Vice chairman and chairman of the audit committee)
Position in Nordea: Executive Vice President, CFO,
Head of Group Corporate Centre
Born 1965 (48 years)
Shareholding: 44,569 Nordea[1]

External assignments
None.

Ari Kaperi
Position in Nordea: Executive Vice President, CRO,
Head of Group Risk Management
Born 1960 (53 years)
Shareholding: 49,323 Nordea[1]

External assignments
Chairman of the Board of The Federation of Finnish Financial Services.
Vice chairman of the Board of The Confederation of Finnish Industries EK.
Member of the board of Varma Mutual Pension Insurance Company.
Member of the Advisory Board of Central Chamber of Commerce.
Member of the Advisory Board of Finnish Business and Policy Forum Eva/ETLA.
Member of the Advisory Board of Turku University Foundation.
Member of the board of Art Foundation Merita.
Member of the board of Foundation for Economic Education.

Gunn Wærsted
Position in Nordea: Executive Vice President,
Head of Wealth Management
Born 1955 (58 years)
Shareholding: 77,159 Nordea[1]

External assignments
Member of the Board of Finance Norway (FNO)
Member of the Board of Petoro AS
Member of the Nomination Committee of Schibsted ASA
Member of the Council of Det Norske Veritas (DnV)

Anne Rømer[2] (Member of the audit committee)
Born 1966 (47 years)
Shareholding: None.
Independent board member

External assignments
None.

Executive Management of Nordea Bank Danmark

Anders Jensen
Internal assignments
Head of Banking Denmark.
Chairman of the Board of Directors of Nordea Kredit Realkreditaktieselskab.
Member of the Boards of Directors of Nordea Liv & Pension and Fionia Asset Company A/S.

External assignments
Vice chairman and member of the Board of Directors of the Danish Bankers Association.
Vice Chairman of the Board of Directors of Finanssektorens Arbejdsgiverforening.
Member of the Board of Directors of LR Realkredit A/S.
Member of the Board of Directors of Danish Society for Education and Business and Erhvervsakademiet Copenhagen Business Academy.

Peter Lybecker
Internal assignments
Head of Finance & Strategy in Retail Banking.
Chairman of the Board of Directors of Fionia Asset Company A/S.
Vice chairman of the Board of Directors of Nordea Kredit Realkreditaktieselskab.
Member of the Boards of Directors of Nordea Finans Danmark A/S, Nordea Finans Sverige AB and Nordea Finance Finland Ltd.
Member of the Board of Directors of OJSC Nordea Bank Russia.

External assignments
Chairman of the Board of Directors of Nets Holding A/S.
Chairman of the Boards of Directors of Bluegarden Holding A/S and Bluegarden A/S.
Chairman of the Board of Directores of Bankernes Kontant Service A/S.
Chairman of the Board of Directors of VP Securities A/S.
Vice chairman of the Board of Directors of Danmarks Skibskredit A/S.

Jørgen Høholt
Internal assignments
Head of Corporate & Institutional Banking Denmark.
Member of the Board of Directors of NJK1 ApS.

External assignments
None.

1 Shareholdings as of 31 December 2013 also include shares heldt by family members and closely affiliated legal entities.
2 Independent member of the audit committee having special qualifications within accounting and audit. Educated as State Authorised Public Accountant and is working as senior director for Reporting, Consolidation and Controlling at Maersk Line.

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