SOLVENCY NEED RATIO (THE ICAAP RESULT) AT END-MARCH 2013

The Bank's calculation method and model for calculating the solvency need ratio (the ICAAP result) are unchanged compared with end-2012.

Process and methodology for calculating the solvency need ratio

Towards the end of 2012, amendments to the Danish Financial Business Act were adopted, the effect being that the solvency need ratio (the ICAAP result) (the Pillar 2 capital requirement) was redefined so as to serve as an add-on to the 8% requirement. To follow up on the amendments, the Danish Financial Supervisory Authority issued new guidelines specifying the requirements as to an adequate capital base and the solvency need ratio (the ICAAP Result), based on the 8+ method.

The 8+ method is based on the statutory minimum requirement of 8.0% of the risk-weighted items (Pillar 1) plus add-ons for risks and matters not fully reflected in the calculation of risk-weighted items. In other words, ordinary risks are assumed to be covered by the 8% requirement, and, consequently a position has to be taken as to the extent to which an institution has additional risks that necessitate an add-on to the solvency need ratio (the ICAAP result) (Pillar 2).

In the guidelines issued by the Danish Financial Supervisory Authority, benchmarks have been introduced within a number of risk areas determining when the Authority basically finds that Pillar 1 is insufficient, and that an add-on to the solvency need ratio (the ICAAP result) is required. In addition, to the extent possible methods have been introduced for calculating the amount of the add-on within the individual risk areas.

The Bank's calculation method follows the guidelines issued by the Danish Financial Supervisory Authority and is based on an assessment of the Bank's risks within the following seven key areas, of which the first six are directly addressed in the guidelines:

1. Earnings
2. Lending growth
3. Credit risks
4. Market risks
5. Liquidity risks
6. Operational risks
7. Other risks

Solvency need (ICAAP result)

The adequate capital base at end-March 2013 has been calculated at DKK 4,550 million, and is thus DKK 80 million lower than in the statement at end-December 2012.

The Group's risk-weighted items dropped from DKK 46.3 billion at end-2012 to DKK 45.1 billion at end-March 2013, for which reason the solvency need ratio rose from 10.0% at end-2012 to 10.1% at end-March 2013.

SOLVENCY NEED RATIO BY RISK AREA, END-MARCH 2013

Risk area	The Group Adequate capital base DKK m	The Group Solvency need in %	Parent Comp. Adequate capital base DKK m	Parent Comp. Solvency need in %
Credit risks	3,370	7.5	3,420	7.6
Market risks	585	1.3	589	1.3
Operational risks	445	1.0	398	0.9
Other risks	150	0.3	150	0.3
Any add-on, if required by law	0	0.0	0	0.0
Total	**4,550**	**10.1**	**4,557**	**10.1**

Excess coverage relative to the statutory requirement and internal capital targets

At end-March 2013, the Group's solvency ratio stood at 16.2%, corresponding to an excess coverage of 6.1 percentage points relative to the solvency need ratio.

Thus, the excess coverage rose relative to end-2012, when the excess coverage was calculated at 5.5 percentage points.

EXCESS COVERAGE RELATIVE TO THE STATUTORY REQUIREMENT, END-MARCH 2013

	The Group	Parent Company
Core capital after deductions (DKK m)	7,287	7,159
Adequate capital base (DKK m)	4,550	4,557
Excess coverage (DKK m)	2,737	2,602
Solvency ratio (%)	16.2	15.9
Solvency need ratio (%)	10.1	10.1
Excess coverage (percentage points)	6.1	5.8

The internal capital targets are that the solvency ratio must at least be 3.0 percentage points above the solvency need ratio (the ICAAP result). Given the excess coverage of 6.1 percentage points at end-March 2013, the Bank's excess coverage is thus comfortably above the target.

Measured in amounts, the Bank had an excess coverage in terms of solvency of DKK 2.7 billion at end-March 2013.