INDIVIDUAL SOLVENCY NEED AT END-SEPTEMBER 2015

The Bank's calculation method and model for calculating the individual solvency need are unchanged compared with end-December 2014.

Methodology for calculating the individual solvency need ratio

Towards the end of 2012, amendments to the Danish Financial Business Act were adopted, the effect being that the individual solvency need ratio (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 regarding an adequate capital base and the solvency need ratio, based on the 8+ method.

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

The impact of the individual areas on the capital need has been calculated directly using the methods designated by the Danish Financial Supervisory Authority in its guidelines, and by making supplementary calculations. Management has made an estimate in a few risk areas.

In the Bank's opinion, the risk factors included in the model cover all the risk areas required by legislation to be taken into consideration by the Bank's Management in determining the solvency need and the risks that the Management finds the Bank has assumed.

Individual solvency need

The adequate own funds at end-September 2015 have been calculated at DKK 4,522 million, and are thus DKK 243 million lower than at end-December 2014.

The Group's total risk exposure dropped from DKK 49.0 billion in December 2014 to DKK 47.5 billion at end-September 2015, and the solvency need ratio has declined from 9.7% to 9.5 %.

SOLVENCY NEED BROKEN DOWN INTO RISK CATEGORIES END-SEPTEMBER 2015

	The Group	The Group	Parent Comp.	Parent Comp.
Risk area	Adequate own funds DKK m	Solvency need in %	Adequate own funds DKK m	Solvency need in %
Credit risks	3,567	7.5	3,663	7.6
Market risks	392	0.8	393	0.8
Operational risks	463	1.0	436	0.9
Other risks	100	0.2	100	0.2
Any add-on, if required by law	0	0.0	0	0.0
Total	**4,522**	**9.5**	**4,592**	**9.5**

Excess coverage relative to statutory requirement

At end-September 2015, the Group's total capital ratio stood at 16.5%, corresponding to an excess coverage of 7.0 percentage points relative to the individual solvency need.

Thus, the excess coverage rose relative to end-December 2014, when the excess coverage was calculated at 5.3 percentage points.

EXCESS COVERAGE RELATIVE TO STATUTORY REQUIREMENT END-SEPTEMBER 2015

	The Group	Parent Company
Own funds (DKK m)	7,825	7,891
Adequate own funds (DKK m)	4,522	4,592
Excess coverage (DKK m)	3,303	3,298
Capital (%)	16.5	16.3
Individual solvency need ratio (%)	9.5	9.5
Excess coverage (percentage points)	7.0	6.8

In monetary terms, the Bank had an excess capital coverage of DKK 3.3 billion at end-September 2015.