

Solvency assessment by 30 June 2023

ASSESSMENT METHOD

The bank bases the internal capital adequacy assessment on guidelines issued by the Danish FSA in December 2021¹.

The assessment of capital requirements applies an 8+ methodology as suggested by the Danish FSA. This method implies that the minimum capital requirement of 8% of the total risk exposure amount is applied as a starting point under Pillar I, with Pillar II capital add-ons for risks and conditions that are not fully reflected in the calculation of the total risk exposure.

The assessment of the capital requirement thereby assumes that ordinary risks to the bank are covered by the 8% requirement, while the additional capital requirements under Pillar II reflect the result of an assessment of extraordinary risks facing the bank which are not covered by the 8% under Pillar I.

CAPITAL ASSESSMENT

The bank's own funds requirement has been determined to be DKKm 145.4 by the end of June 2023. With a total risk exposure amount of DKKm 868.2, the own funds requirement ratio is 16.7%.

Specification of own funds requirement:

	DKKm	%
Credit risk	93.6	10.8
Market risk	24.2	2.8
Liquidity risk	5.2	0.6
Operational risk	10.3	1.2
Other risks	12.1	1.4
Total	145.4	16.7

CAPITAL COVERAGE

By the end of June 2023, the bank's total capital was DKKm 208.5 and the capital ratio was 24.0%. This provides a capital buffer of DKKm 63.2, which is considered sufficient to support the further development of the bank.

The Danish FSA has set the minimum requirement for own funds and eligible liabilities (MREL) to the bank's required own funds and 3% of the bank's total risk measure by October 2022. The MREL requirement is 16.1% by June 2023.

Specification of capital coverage:

	DKKm
Capital	208.5
Own funds requirement	145.4
Combined buffer requirement	39.0
Total requirement	184.4
Coverage	24.1

¹ 'Vejledning om tilstrækkeligt kapitalgrundlag og solvensbehov for kreditinstitutter' (VEJ nr 10069 af 16/12/2021).