

ICAAP Q4 2014

Saxo Bank A/S

Saxo Bank Group

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1. Introduction

The purpose of the Saxo Bank Group's (hereafter Group) and Saxo Bank A/S's (hereafter Bank) Internal Capital Adequacy Assessment Process (ICAAP) is to ensure that the Group and Bank have sufficient capital at all times to cover the risks associated with its activities.

The regulatory framework for the ICAAP is rooted in the Danish implementation of Capital Requirement Directive's (CRD IV), including "ICAAP guideline issued by DFSA" which has applied from December 2014, (Guideline number 9026 of 19/01/2015) and the Danish Financial Business Act.

According to the Danish Executive Order of 27 March 2014 on Calculation of Risk Exposures, Own Funds and Solvency Need and the Danish Financial Business Act, Saxo Bank must publish the results of the Internal Capital Adequacy Assessment process (ICAAP) at least quarterly.

1.1 The three Pillars from the Basel Committee

Pillar I contains a set of formulas listed in the Capital Requirements Regulation (CRR) for calculating the minimum capital requirements for credit, market and operational risks. Pillar II describes the framework for the Group's and Bank's Internal Capital Adequacy Assessment Process (ICAAP) and the supervisory review. Pillar III contains the disclosure aspect and is covered by the Bank's and Group's Risk Report 2014 and this ICAAP Q4 Report.

1.2 Events after the reporting period

The rate of the Swiss franc increased significantly when the Swiss National Bank on the 15th of January 2015 decided to remove the fixed floor between the euro and the Swiss franc, and a number of Saxo Bank's clients ended up with insufficient margin collateral to cover their losses on positions in the Swiss franc.

The Group estimates the maximum loss that the Group can incur in relation to the sudden significant move of the Swiss Franc to be DKK 0.7 billion on a net basis. The loss is recognised in the financial statement for 2015 as it reflects circumstances that have arisen after the reporting date. The ICAAP 2014 will therefore both present the results in Q4 2014 and in January 2015.

1.3 Board of Management approval of the ICAAP Q4 2014

This ICAAP Q4 Report has been approved by the board of Directors in Saxo Bank A/S in connection with the approval of the Saxo Bank Group Annual Report 2014. The current board of Directors and the Annual Report are available at www.saxobank.com/investor-relations.

This ICAAP Report is an annex to the Annual Report 2014 for Saxo Bank and Saxo Bank Group. Any information after the publish date of the Annual Report is not covered by this ICAAP Report.

2. Regulatory Landscape

The Fourth edition of the Capital Requirements Directive (CRD IV) and Capital Requirements Regulation (CRR) were approved by the EU Council of Ministers end of June 2013 and have been applicable from beginning of year 2014. The CRR introduces the first single set of prudential rules for banks across the EU, and applies directly to all banks in the EU member states. It should help to ensure that the Basel III international standards for bank capital adequacy are fully respected in all EU member states. EU Banks are supervised by EU member states' competent authorities, in collaboration with the European Banking Authority (EBA), whose supervisory powers have been expanded.

2.1 Additional buffer requirements

According to CRD IV the Bank will also be required to hold a capital conservation buffer to absorb losses and protect the capital, and a countercyclical capital buffer to ensure that in times of economic growth, the Bank accumulates a sufficient capital base to enable it to continue supplying a stable supply of credit in stress periods. In Denmark the capital conservation buffer will be phased in from 2016 and the countercyclical capital buffer from 2015. In addition, member states may require additional buffers. If a bank does not maintain these buffers restrictions will be placed on its ability to pay dividends etc. until the buffers are rebuilt.

As of 31 December 2014, the countercyclical capital buffer requirement is 0 % of the Risk Exposure Amounts and assumed to be 0% January 2015. Currently, Denmark has not published a countercyclical capital buffer against Danish Exposures. Since the Bank and Group have credit risk exposures in several countries it is likely that the bank in the future should hold a countercyclical capital buffer above 0 % if local member states decide to set a countercyclical capital buffer requirement against local exposures.

The CET1 Buffer, T1 Buffer and Total Capital Buffer disclosed in this report do not include any of the additional buffer requirements.

2.2 Transition rules and regulation landscape

CRR and CRD IV were implemented in the Danish legislation, including the Danish transitional rules, end of March 2014. The estimated ICAAP Q4 2014 is disclosed according to final and draft regulation standards (Implementing Technical Standards and Regulatory Technical Standards) issued by EBA, and the Danish transitional rules.

The assumptions and methodology in the capital calculations are disclosed in the Risk Report 2014. The Risk Report 2014 is available at www.saxoworld.com/investorrelations. The calculated Total Capital and Risk Exposure Amounts (REA) may change due to final regulation standards and issue of guidelines from EBA and Danish FSA including pending final standards regarding Prudent Valuation Adjustments in Common Equity Tier 1 Capital. In addition the expected forthcoming regulations listed in the Risk Report may impact the ICAAP requirement.

3. Internal Capital Adequacy Assessment Process (ICAAP)

The Group's and Bank's ICAAP process follows six steps:

Step 1: Capital requirement according to the new regulation CRR/CRD IV (Pillar I)

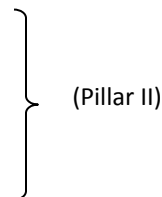
Step 2: Self assessed capital requirement using a quantitative approach

Step 3: Capital requirements using the 8+ methodology

Step 4: Self assessed capital requirement using a scenario based approach

Step 5: Capital adequacy determination, based on the 4 previous steps

Step 6: Disclosure (Pillar III)



See further details in section 5.

3.1 Business Activities

The Group and Bank carry out the following main activities:

- **Online trading and investment and other investment services** within capital markets to retail clients, corporations, financial institutions and white label clients. These activities are driven through Saxo Bank A/S and subsidiaries in Singapore, Swiss, France, UK etc. These subsidiaries must comply with local capital and liquidity requirements on individual level. Only Saxo Bank A/S and the subsidiary in France with bank license apply CRR on an individual level.
- **Classic bank services** primarily in Denmark through the subsidiary Saxo Privatbank A/S, primarily to retail clients, hereunder bank accounts and debit/credit cards, mortgage credit, bank advice services and pension products. Saxo Privatbank A/S activities include professional **portfolio, fund and asset management** to retail and professional clients. Saxo Privatbank A/S applies CRR.
- Group Services, a **property company** in Denmark with the sole purpose of owning the Bank's headquarter and an IT and service company in India with the purpose to service the Bank.
- 25 % **holdings in Banco Best** (associated company) and a 51% of **Saxo Payments** (subsidiary) with payment services activities.

The Group and Bank are exposed to a number of risk categories stemming from these activities, which can be categorised as follows:

Market Risk: The risk of loss due to movements in market risk factors.

Credit Risk: The risk that counterparties or clients of the Group and Bank fail to fulfil their obligations.

Operational Risk: The risk of loss resulting from inadequate or failed processes, people or systems, inaccuracy and improper disclosure of data, (including Legal and Information security risk)

Liquidity Risk: The risk of the Group not being able to fulfil their obligations due to lack of liquidity in stressed circumstances.

Leverage Risk: The risk of loss resulting from high leverage.

Business Risk: Reflects the risk of direct or indirect loss, or damaged reputation as a result of changes in external circumstances or events.

Other Risks: Other risk covers strategic risk, and risk not included in the previous categories.

Each risk category is described in details in the coming sections including a description of the measurement methods.

3.2 Capital planning and Capital Contingency Plan

Part of the ICAAP is planning future capital needs in relation to the business environment, growth and strategic plans in the years to come. Potential major changes to the risk profile, and thereby the future change in capital requirements, are estimated. These could be changes in the business strategy or competitive landscape, significant increases in traded volumes, fundamental changes in the market conditions, changes in the internal organisation, M&A activity, material changes in regulatory requirements or introductions of new products. This input is used in the strategic decision-making process by the Board of Directors and the Board of Management. Furthermore the result of the ICAAP is used as input to the capital plan and the capital contingency plan.

The capital plan is a function of the estimated (budgeted) forecast of capital, risk and earnings.

The result of the ICAAP step four (scenario based approach) is used as input to the capital contingency plan. The financial consequences following the various scenarios and potential management actions are estimated using the methodology described under the ICAAP step two - whereby the most likely net financial consequences from a scenario appear. The potential management actions are revised should the estimated net financial consequences bring the Group and/or Bank below the required ICAAP level.

A full ICAAP is performed as often as required, but at least once a year and reported to Danish FSA quarterly (KSBC and KSBC template developed by Danish FSA).

4. Results

4.1 Saxo Bank Group Q4 2014

Capital Requirement - Saxo Group - Q4 2014							
Risk Type	Internal Quantitative			Scenario Based		ICAAP	REA %
	Pillar I	Approach	8+ Method	Approach			
Credit Risk	368.1	514.2	514.2			514.2	3.6%
Market Risk	293.7	65.2	293.7			293.7	2.1%
Operational Risk	482.2	421.8	482.2			482.2	3.4%
Business Risk	0.0	295.9	295.9			295.9	2.1%
Liquidity Risk	0.0	0.0	0.0			0.0	0.0%
Other	0.0	150.0	150.0			150.0	1.0%
Wide Market Turbulance				356.0		0.0	0.0%
Capital Requirement	1,144.0	1,447.1	1,736.0	356.0		1,736.0	12.1%
% of REA	8.0%	10.1%	12.1%	2.5%		12.1%	
Risk Exposure Amounts (REA)	14,300.0						

Capital - Saxo Group - Q4 2014	
CET1	2,285.3
T1	2,622.6
Total Capital	2,822.2

Buffers - Saxo Group - Q4 2014	
CET1 Buffer	1,086.2
T1 Buffer	1,086.2
Total Capital Buffer	1,086.2

Table 1: Capital adequacy, capital and buffers for Saxo Group Q4 2014

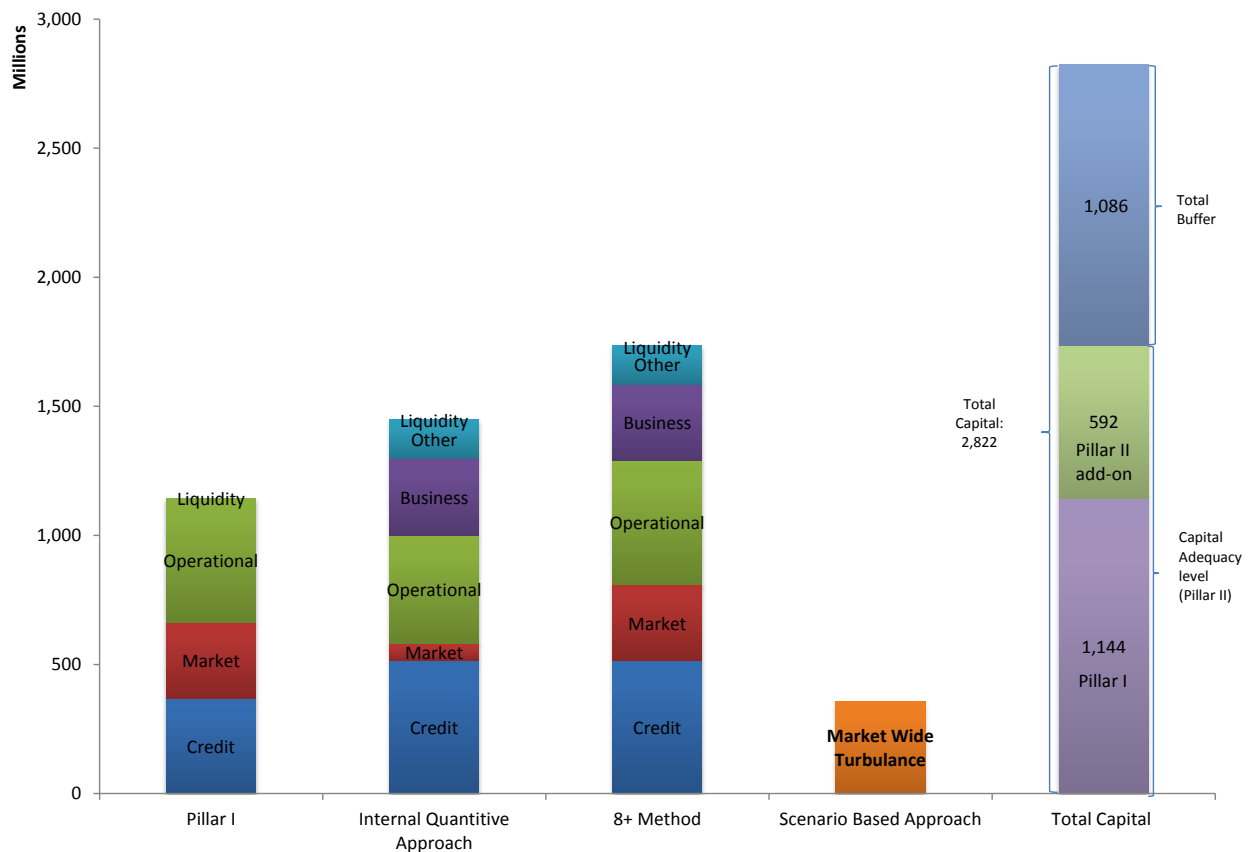


Figure 1: Capital adequacy, capital and buffers for Saxo Group Q4 2014

4.2 Saxo Bank A/S Q4 2014

Capital Requirement - Saxo Bank A/S - Q4 2014						
Risk Type	Pillar I	Internal Quantitative		Scenario Based Approach	ICAAP	REA %
		Approach	8+ Method			
Credit Risk	344.9	343.5	344.9		344.9	2.9%
Market Risk	263.2	55.0	263.2		263.2	2.2%
Operational Risk	337.5	391.2	391.2		391.2	3.3%
Business Risk	0.0	295.2	295.2		295.2	2.5%
Liquidity Risk	0.0	0.0	0.0		0.0	0.0%
Other	0.0	150.0	150.0		150.0	1.3%
Counterparty default				356.0	0.0	0.0%
Capital Requirement	945.6	1,234.9	1,444.5	356.0	1,444.5	12.2%
% of REA	8.0%	10.4%	12.2%	3.0%	12.2%	
Risk Exposure Amounts (REA)	11,820.1				0.0%	
Capital - Saxo Bank A/S - Q4 2014						
CET1					2,084.5	
T1					2,419.3	
Total Capital					2,608.6	
Buffers - Saxo Bank A/S - Q4 2014						
CET1 Buffer					1,112.8	
T1 Buffer					1,164.1	
Total Capital Buffer					1,164.1	

Table 2: Capital adequacy, capital and buffers for Saxo Bank A/S Q4 2014

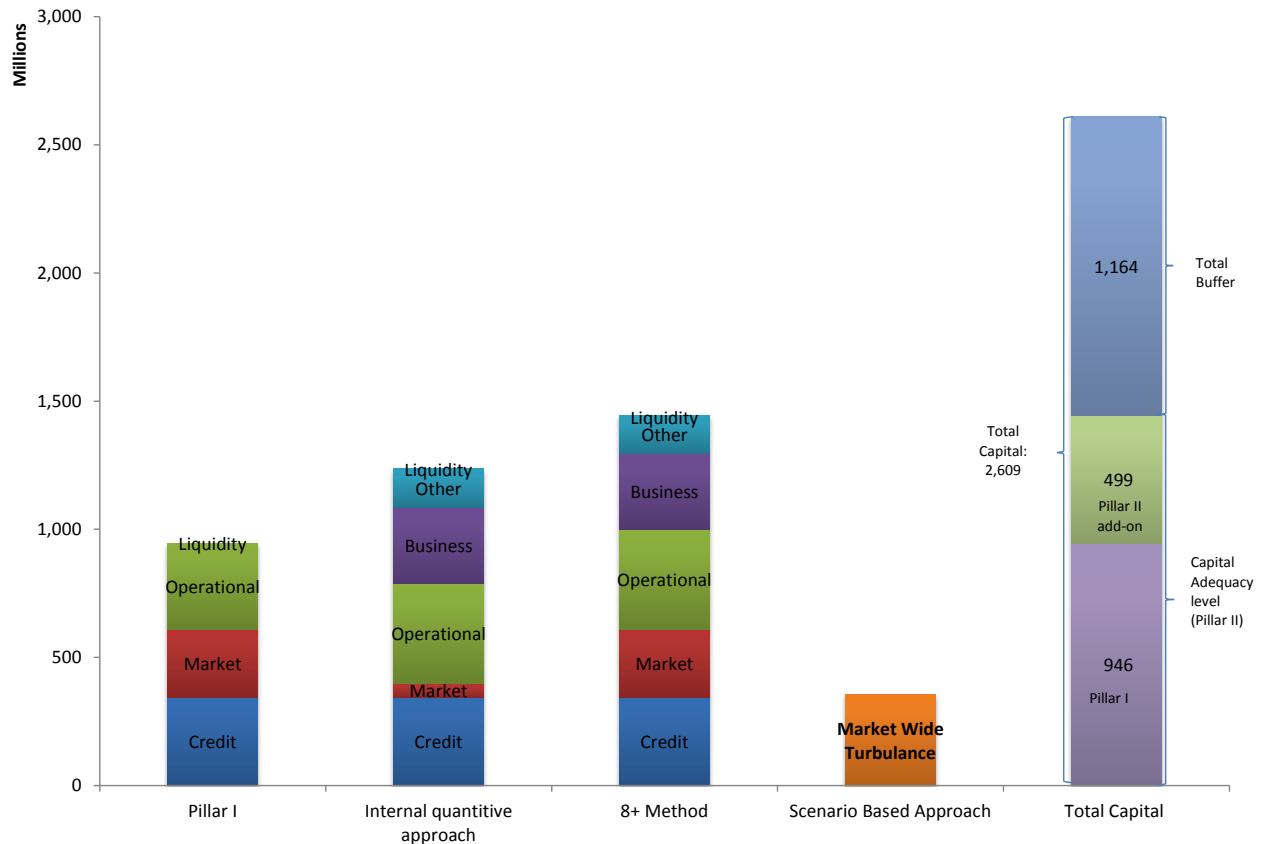


Figure 2: Capital requirements, capital and buffers for Saxo Bank A/S Q4 2014

4.3 Saxo Bank Group January 2015

Capital Requirement - Saxo Group - JAN 2015						
Risk Type	Pillar I	Internal Quantitative		Scenario Based	ICAAP	REA %
		Approach	8+ Method	Approach		
Credit Risk	415.4	537.2	537.2		537.2	3.7%
Market Risk	279.0	114.5	279.0		279.0	1.9%
Operational Risk	456.3	412.2	456.3		456.3	3.2%
Business Risk	0.0	195.5	195.5		195.5	1.4%
Liquidity Risk	0.0	52.9	52.9		52.9	0.4%
Other	0.0	350.0	350.0		350.0	2.4%
Wide Market Turbulance				548.0	0.0	0.0%
Capital Requirement	1,150.7	1,662.4	1,870.9	548.0	1,870.9	13.0%
% of REA	8.0%	11.6%	13.0%	3.8%	13.0%	
Risk Exposure Amount (REA)	14,383.2					

Capital - Saxo Group - JAN 2015	
CET1	1,610.1
T1	1,949.4
Total Capital	2,115.9

Buffers - Saxo Group - JAN 2015	
CET1 Buffer	242.6
T1 Buffer	244.9
Total Capital Buffer	244.9

Table 3: Capital adequacy, capital and buffers for Saxo Bank Group January 2015

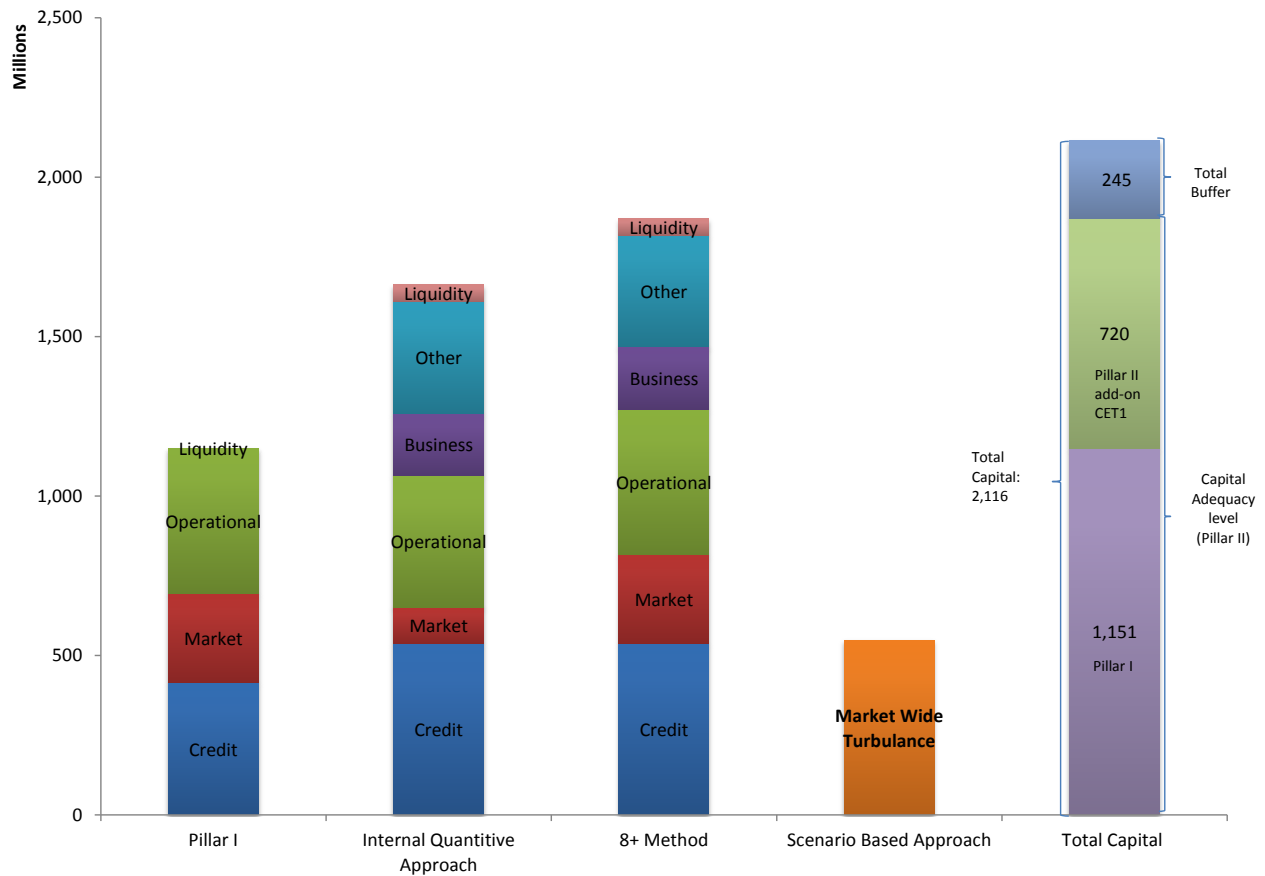


Figure 3: Capital requirements, capital and buffers for Saxo Bank Group January 2015

4.4 Saxo Bank A/S January 2015

Capital Requirement - Saxo Bank A/S - JAN 2015						
Risk Type	Pillar I	Internal	8+	Scenario	ICAAP	REA %
		Quantitative Approach	Method	Based Approach		
Credit Risk	344.8	344.5	344.8		344.8	3.1%
Market Risk	256.1	104.3	256.1		256.1	2.3%
Operational Risk	297.9	380.4	380.4		380.4	3.4%
Business Risk	0.0	192.7	192.7		192.7	1.7%
Liquidity Risk	0.0	74.4	74.4		74.4	0.7%
Other	0.0	350.0	350.0		350.0	3.1%
Wide Market Turbulance				548.0	0.0	0.0%
Capital Requirement	898.8	1,446.3	1,598.4	548.0	1,598.4	14.2%
% of REA	8.0%	12.9%	14.2%	4.9%	14.2%	
Risk Exposure Amount (REA)	11,235.3				0.0%	

Capital - Saxo Bank A/S - JAN 2015	
CET1	1,496.6
T1	1,831.4
Total Capital	1,984.9

Buffers - Saxo Bank A/S - JAN 2015	
CET1 Buffer	291.4
T1 Buffer	386.5
Total Capital Buffer	386.5

Table 4: Capital adequacy, capital and buffers for Saxo Bank A/S January 2015

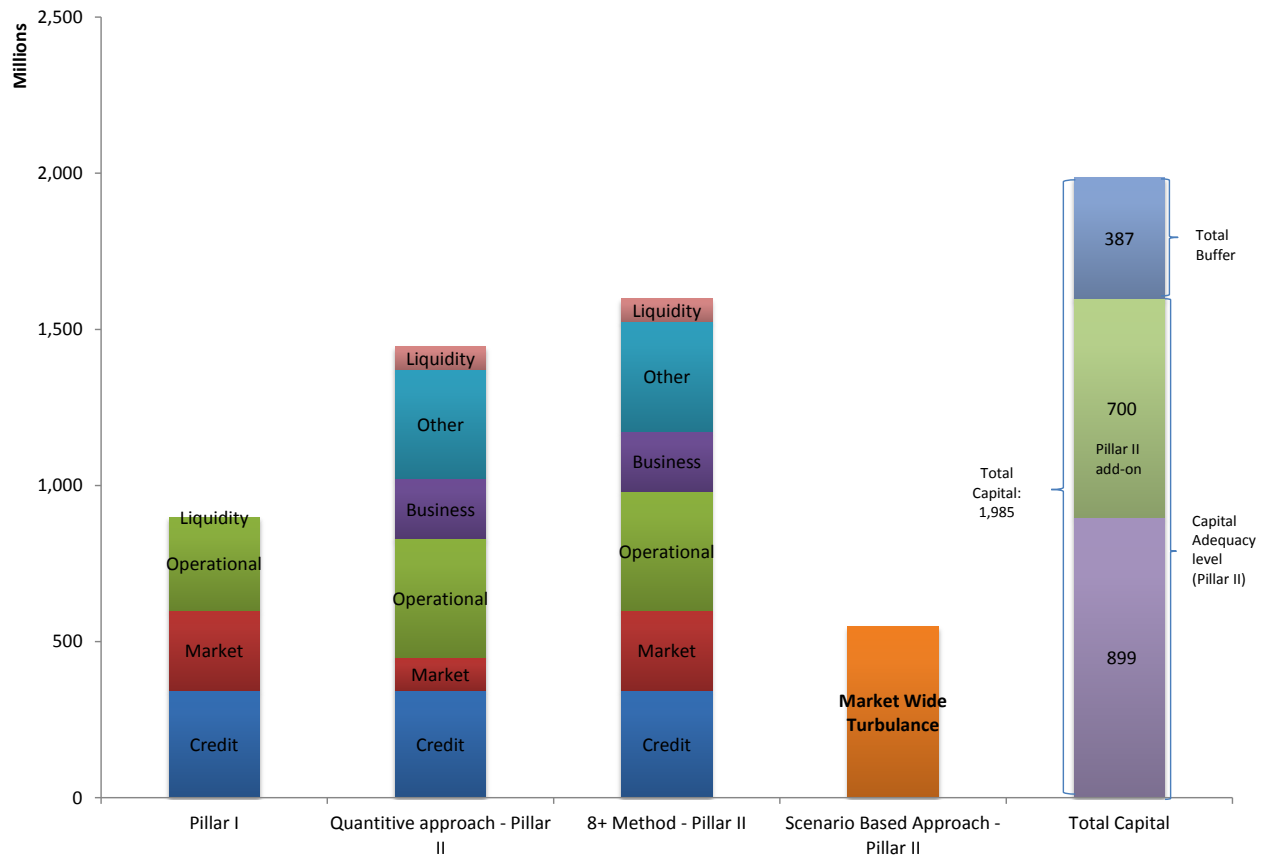


Figure 4: Capital requirements, capital and buffers for Saxo Bank A/S January 2015

5. Capital requirements, Pillar I

This first step calculates the minimum capital using the Danish implementation of the Capital Requirements Regulation (CRR), Pillar I.

To calculate the minimum capital requirements, Pillar I, the Bank applies the following methods according to the Capital Requirements Regulation (CRR) to calculate the Risk Exposure:

Credit Risk: The Standard Method

- Counterparty Risk: Marked to market Method
- Credit Risk Mitigation: Financial Collateral Comparative Method

Market Risk: Standard Methods

- Share Price Risk: The Standardized Approach
- Currency Risk: The Standardized Approach
- Interest Rate Risk: The Standardized Approach
- Option Risk (gamma, vega): The Scenario Approach
- Commodity Risk: The Maturity Ladder Method

Operational risk: Basic Indicator Method

The Group and Bank do not take diversification effects between the risk categories into account. The capital charge for each risk category is simply aggregated.

Table 1-4 and Figure 1-4 present the capital requirements for Pillar I and furthermore the split between the different risk categories, both for the Bank and the Group.

6. Risk self-assessment, Pillar II

The second step is to assess the actual risks to which the Group and Bank are exposed and calculate the self-assessed capital charge for each risk category.

The different risk types, the Group and Bank are exposed to, have been examined and split into ICAAP risk categories as shown in Table 5 on next page. Different methods are applied to assess the Group's and Bank's capital need in each category, which are described in the following sections.

CRD IV and CRR require the Group and Bank to report and monitor their leverage ratios. From 2014 the leverage ratios have been assessed under Pillar II (ICAAP requirement).

Risk Types/Risk categories	Credit Risk	Market Risk	Operational Risk	Business Risk	Liquidity Risk	Leverage Risk
General	√	√	√	√	√	√
Earnings				√		
Growth				√		
Credit risk	√					
Market risk		√				
Concentration risk	√	√		√		
Group risks	√	√	√	√	√	√
Liquidity risk					√	
Leverage risk						√
Operational risk			√			
Control risk			√			
Business size				√		
Settlement risk	√		√			
Strategic risk				√		
Reputational risk			√	√		
Non-trading interest rate risk		√				
External risk	√		√	√	√	√
Other conditions	√			√		
Stress testing	√	√	√	√	√	

Table 5: Risk types mapped into risk categories

6.1 Credit Risk

To assess the credit risk the Group and Bank are exposed to, the different counterparty types have been examined, and the outstanding counterparty risk has been determined in each case or each segment.

For retail and institutional clients, credit exposure at default (EAD) is estimated based on derived client loss distributions (across actual daily individual client portfolios). EAD is calculated as the average of losses exceeding the collateral placed for margin. For banks and brokers the exposure is the outstanding cash and unrealized profit amount on open positions. For credit lines it is the issued line.

For retail and institutional clients, exposure at default is used as a conservative capital measure, for all others the risk has been assessed using impact and likelihood, based on empirical data, expert judgement and credit ratings wherever applicable.

A Monte Carlo simulation has been utilized, running a statistically significant number of simulations with a 30% event correlation on bank and broker counterparties, and full event correlation on trading clients, to determine the loss distribution of credit risk events. Correlation is applied to simulate a stressed credit environment. The Group and Bank use expected shortfall, less expected loss (average of events greater than VaR) with a 99.9% confidence level on a one year time horizon. This means that all events in the tail of the distribution are considered when determining the adequate capital level. Credit risk outside the traded portfolio, domicile building, tangible assets and off balance sheet items, have been added using the standard method under the CRR.

Subsidiaries' credit risk has been included based on the underlying business activity. Subsidiaries within online trading and investment and other investment services within capital markets, are included using the same approach, in essence running simulations on the group's combined portfolio. Domicile buildings, tangible assets and off balance sheet items, are included using the standard method under the CRR. Saxo Privatbank offers classic bank services that have been included using their respective individual capital adequacy numbers, using simple addition, offering no diversification effects.

In addition the board sets additional adjustments to cover exposures not reflected in the credit adjustment on the balance sheet and risks on large or otherwise non-standardised customers, as well as other risks not covered by the above calculations.

6.2 Market Risk

The market risk in the Group has been determined using an exponentially weighted moving average VaR approximation to derive Expected Shortfall (ES) on the Group's and Bank's actual outstanding exposures. To better reflect the Group's and Bank's risk appetite the most recent monthly and weekly averages are compared and the largest number is selected as being representative of the Group's and Bank's current market risk appetite. The model uses actual correlations within the traded portfolio. ES is determined with 99.97% confidence, and a one day time horizon on OTC products, and a two day time horizon for products traded on an exchange, as the vast majority of the trading exposure can be eliminated within one or two days respectively.

Subsidiaries market risk has been included based on the underlying business activity. Subsidiaries within online trading and investment and other investment services within capital markets, are included using the same approach. Results are aggregated at a group level using simple addition. Classic bank services have been included using their respective individual capital adequacy numbers. These have been aggregated at a group level using simple addition, offering no diversification effects.

To cater for concentration risk in the trading portfolio, if appropriate, a buffer consisting of a 2% USD stress is added to offset for price moves beyond what is embedded in the market risk ES calculation.

6.3 Operational, Compliance and Legal Risk

The Group has established an operational risk management framework to understand the business' exposures to operational risk. Operational risk self- assessments are conducted across the Group on a regular basis. This activity ensures that all material operational risks inherent in the Group's products, activities, processes and systems are captured in a systematic and timely manner. Third party risk experts carry out an assessment of external risk events in order to identify potential gaps in the Group's risk landscape. The outcome of the assessment is captured in combined event scenarios which are reviewed and evaluated with internal parties and added to the Group's risk landscape.

The assessment includes a systematic evaluation of operational risk events in terms of likelihood and impact. Each risk event is evaluated in light of implemented mitigating measures/controls. Control failures are captured and evaluated similar to other risk events. Combined event scenarios consider severe impacts, setting impact and probability levels at; average, worst out of 20 occurrences and worst out of 100 occurrences.

The operational risk in the Group has been determined using a portfolio approach and Monte Carlo simulation with a 0% event correlation. The identified risk events with insurance effect are used as input to the calculations. A one-year time horizon and expected shortfall, less expected loss, with a 99.9% confidence level has been applied.

Subsidiaries' operational risks have been included based on the underlying business activity. Subsidiaries within online trading and investment and other investment services within capital markets, is included using the same simulation approach, in essence running simulations on the Group's combined portfolio. Saxo Privatbank offers classic bank services that have been included using their respective individual capital adequacy numbers, using simple addition, offering no diversification effects.

In addition the board sets additional adjustments to cover operational risk on large or otherwise non-standardised customers and model risk, as well as other risks not covered by the above calculations.

6.4 Business Risk

The key potential business risks are identified as a part of the budgeting process. The outcome of this process forms the basis for sensitivity analyses of the net income, which is included in the annual budget report. Business risk is covered by the budgeted income and budgeted change in CET₁ according to the capital plan a year forward. However, if the expected income or capital change is not sufficient, capital must explicitly be set aside. Throughout the year the performance is evaluated to determine whether capital should be set aside.

Furthermore capital is set aside in recognition of the granted, unutilized, market risk exposure limits, not included under the current positions included in the Pillar I requirement.

6.5 Liquidity Risk

According to CRR/CRD IV the Group is required to calculate a short-term Liquidity Coverage Ratio (LCR). During 2014 the European Commission issued a delegated act on the liquidity coverage requirement that sets out detailed quantitative liquidity rules. These determine how to calculate net cash outflows expected in times of crisis, and what liquid assets banks must hold to meet them. Banks will be required to constitute a buffer of liquid assets as a percentage of net cash outflows in stressed conditions over a 30-day period.

In Denmark, the LCR will be phased in, i.e. a gradual phasing-in of 60% of the full requirement in October 2015, 70% in 2016, 80% in 2017 and 100% in 2018.

The LCR requirement is more restrictive than the current Danish regulation due to higher liquidity requirements on investment bank activities which are Saxo Bank's core business. Some RTS and ITS related to liquidity are not final including "Additional collateral outflows on derivatives contracts".

Saxo Bank is monitors the development in liquidity regulation and interpretations closely and has taken action based on the estimated impact on the future liquidity regulation.

The liquidity risk in the ICAAP is determined as the risk of increased cost of raising additional liquidity in a regulatory scenario. Other liquidity risk is covered by the Bank and the Groups Internal Liquidity Adequacy Assessment Process (ILAAP).

6.6 Leverage Risk

CRD IV and CRR require the Bank and Group to report and monitor their leverage ratios. From 2014 leverage ratios have been assessed under Pillar II (ICAAP requirement).

CRD IV and CRR require Saxo Bank to report and monitor their leverage ratios. The leverage ratio is defined as Tier 1 capital divided by a non-risk-based measure of an institution's on- and off-balance sheet items (the "exposure measure"). From 2014, leverage ratios will be assessed under Pillar II (ICAAP requirement).

The leverage ratio will have to be disclosed from 1 January 2015. Saxo Bank expects the European Commission to Council and Parliament to issue a report by the end of 2016 which will include a legislative proposal to introduce the leverage ratio of 3% as introduced by the Basel Committee as a binding measure as of 2018. The Bank and Group are currently expected to fulfil this requirement from 2014 and so no additional capital requirement is added.

6.7 Other risk

Other risk covers strategic risk, and risk not included in the previous categories. Methodologies for assessing capital requirement vary depending on the underlying risk event type. In addition the board sets additional adjustments to cover other risks not covered by the above calculations.

6.8 Total self-assessed requirement

The capital needs for each risk category are aggregated using simple addition, without considering potential diversification benefits from portfolio effects and before using the 8 + method.

The results of Pillar II; capital requirements for each risk category, the overall capital requirements and those in proportion of the risk exposure amounts from Pillar I, are presented in Table 1 and 3 and Figure 1 and 3 for the Group and in Table 2 and 4 and Figure 2 and 4 for the Bank.

7. Capital requirements, 8+ methodology

The third step calculates the capital requirement in line with the requirements of the Danish Financial Supervisory Authorities capital adequacy requirement guideline (referred to as 8+).

Each defined risk category is examined, in order to determine whether additional capital beyond the Pillar I requirement should be set aside, and as determined by the internal Pillar II calculation.

The results of 8+Method; capital requirements for each risk category, the overall capital requirements and those in proportion of the risk exposure amounts from Pillar I, are presented in Table 1 and 3 and Figure 1 and 3 for the Group, but in Table 2 and 4 and Figure 2 and 4 for the Bank.

8. Scenario based approach

The fourth step in the ICAAP estimates the capital and earnings effects of stress test scenarios regardless of the previous capital adequacy levels.

Stress tests are developed on the basis of the risk register. One or more stress scenarios in the major categories, consist of one or more events from the register in the applicable risk category. Furthermore, the Group and Bank use a number of combined stress scenarios, combining multiple events across risk categories. One of the combined events entails a close to unlikely chain of events, in order to ensure the utmost degree of stress. Where applicable, the stress test takes insurance coverage into account.

The stress scenarios are updated and reviewed according to changes in the market and economic environment, and at least once a year.

The results of the Scenario based approach; the overall capital requirements and those in proportion of the risk exposure amounts from Pillar I, are presented in Table 1 and 3 and Figure 1 and 3 for the Group, but in Table 2 and 4 and Figure 2 and 4 for the Bank.

9. Capital adequacy determination

To determine the appropriate level of capital, the results of the four steps are compared – both in nominal terms and as percentages. The percentage is determined by using the risk exposure amounts calculated in step one as

denominator. This represents the minimum regulatory required 8% of the risk exposure amounts.

The largest percentage is determined and is considered as the capital level within which the Group should operate.

The difference between the ICAAP requirement and the 8 % minimum requirement is the Pillar II add-on requirement.

As is presented in Table 1-4 the method that gave the largest capital requirement was the 8+ methodology for both the Bank and the Group. Interim profits are included in the capital numbers as those have been audited and permission has been given by Danish FSA.