Risk Management 2023

Danske Bank Group

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RISK MANAGEMENT 2023

This report (Risk Management 2023) provides information about the Danske Bank Group's risk management practices, including its Pillar III disclosures, to enable investors and other market participants to assess the Group's risk profile.

The regulatory requirements addressed in Risk Management 2023 are stipulated in part 8 of the Capital Requirements Regulation (Regulation (EU) No 575/2013). As from 2023, the Group's Pillar III disclosures have been integrated into the report and have been prepared in accordance with the Capital Requirements Regulation (CRR).

Together with the Group's Annual Report 2023 and the quarterly, semi-annual and annual Pillar III disclosures (available at Danske Bank's website at www.danskebank.com), Risk Management 2023 provides information about the Group's material risks, including details on the Group's risk profile, that form the basis for the calculation of capital requirements. Risk Management 2023 supplements Annual Report 2023 with additional information and should be read in conjunction with the Risk Management notes in Annual Report 2023.

Risk Management 2023 adheres to the regulatory scope of consolidation as stipulated in the CRR whereas Annual Report 2023 adheres to the scope of consolidated financial statements. The relationship between the Group's consolidation under the CRR and under the scope of consolidated financial statements is outlined in section 2 of this report (table EU LI1-EU LI3).

The Board of Directors of Danske Bank approves Risk Management 2023 prior to publication. The report is not subject to external audit and does not form part of Danske Bank's audited financial statements.

The following Pillar III disclosures have not been included in Risk Management 2023:

Template	Reason
EU INS2	The table is not relevant as the Danish implementation of the Financial Conglomerates Directive does not consider the Danish deduction of insurance activities.
EU MR1	The template is not relevant because the Group's capital requirement calculated using the standardised approach is insignificant.
EU CR2a, EU CQ2, EU CQ6 and EU CQ8	The templates are only applicable to institutions with a threshold ratio on non-performing loans and advances (NPL ratio) of 5% or above. The Group's NPL ratio is below 5%.
EU CR9.1	The template is applicable to institutions that map their internal grades to the scale used by an ECAI or a similar organisation and then attribute the default rate observed for the external organisation's grades to the institution's grades. The Group does not use default rates from external rating scales in its internal rating models.
EU CR10	The template is not relevant as the Group does not use the simple risk-weighted approach.
EU SEC2	The Group does not have any securitisation exposures in the trading book.
EU SEC3	The Group does not have any securitisation exposures for which the Group is an originator or a sponsor.
EU SEC5	The template is not relevant as the Group has not originated any securitisation transactions.
EU REM1 to EU REM5	Covered in Danske Bank's Remuneration 2023 report.
Table 1 to Table 3 (ESG)	The qualitative information on environmental, social and governance risks is covered in the Excel spreadsheet 'Additional Pillar 3 disclosures Q42023'.

Pillar III disclosures

Table 1
EU KM1 – Comparison of own funds, capital and leverage ratios in regards to IFRS 9 (IFRS 9-FL)

(DKK millions)

		31 Dec 2023	30 Sep 2023	30 Jun 2023	31 Mar 2023	30 Dec 2022
Available capital (amounts)						
1	Common Equity Tier 1 (CET1) capital	155,308	154,586	149,385	147,745	149,197
2	Tier 1 capital	170,113	169,496	164,474	162,828	164,497
3	Total capital	190,902	190,342	185,225	183,609	185,261
Risk-weighted assets (amounts)						
4	Total risk-weighted exposure amount	827,882	820,923	825,516	822,031	838,193
Capital ratios						
5	Common Equity Tier 1 (as a percentage of risk exposure amount)	18.8%	18.8%	18.1%	18.0%	17.8%
6	Tier 1 (as a percentage of risk exposure amount)	20.5%	20.6%	19.9%	19.8%	19.6%
7	Total capital (as a percentage of risk exposure amount)	23.1%	23.2%	22.4%	22.3%	22.1%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.7%	2.9%	2.9%	2.7%	2.6%
EU 7b	*of which: to be made up of CET1 capital (percentage points)*	*1.7%*	*1.8%*	*1.7%*	*1.7%*	*1.6%*
EU 7c	*of which: to be made up of Tier 1 capital (percentage points)*	*2.1%*	*2.2%*	*2.2%*	*2.1%*	*2.0%*
EU 7d	Total SREP own funds requirements (%)	10.7%	10.9%	10.9%	10.7%	10.6%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2.5%	2.5%	2.5%	2.5%	2.5%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)					
9	Institution specific countercyclical capital buffer (%)	2.0%	2.0%	2.0%	1.8%	1.5%
EU 9a	Systemic risk buffer (%)	0.5%	0.5%			
10	Global Systemically Important Institution buffer (%)					
EU 10a	Other Systemically Important Institution buffer	3.0%	3.0%	3.0%	3.0%	3.0%
11	Combined buffer requirement (%)	8.0%	8.0%	7.5%	7.3%	7.0%
EU 11a	Overall capital requirements (%)	18.7%	18.9%	18.3%	18.0%	17.6%
12	CET1 available after meeting the total SREP own funds requirements (%)	12.6%	12.6%	11.8%	11.8%	11.7%
Leverage ratio						
13	Leverage ratio total exposure measure	3,326,961	3,348,032	3,291,420	3,346,408	3,284,815
14	Leverage ratio	5.1%	5.0%	4.9%	4.8%	4.9%
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.0%	0.0%	0.0%	0.0%	0.0%
EU 14b	*of which: to be made up of CET1 capital (percentage points)*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
EU 14c	Total SREP leverage ratio requirements (%)	3.0%	3.0%	3.0%	3.0%	3.1%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)						
EU 14d	Leverage ratio buffer requirement (%)	0.0%	0.0%	0.0%	0.0%	0.0%
EU 14e	Overall leverage ratio requirements (%)	3.0%	3.0%	3.0%	3.0%	3.0%
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value – average)	614,637	603,448	551,135	610,890	569,646
EU 16a	Cash outflows – Total weighted value	482,105	474,114	470,874	458,627	485,634
EU 16b	Cash inflows – Total weighted value	121,429	125,089	97,904	97,893	108,485
16	Total net cash outflows (adjusted value)	360,676	349,025	372,969	360,734	377,149
17	Liquidity coverage ratio (%)	170.4%	172.9%	147.8%	169.3%	151.0%
Net Stable Funding Ratio						
18	Total available stable funding	1,280,476	1,278,058	1,242,460	1,287,694	1,264,811
19	Total required stable funding	1,016,970	1,004,267	1,005,700	1,021,263	1,029,314
20	NSFR ratio (%)	125.9%	127.3%	123.5%	126.1%	122.9%

Risk management in 2023

MAINTAINING A STABLE RISK PROFILE IN AN UNCERTAIN ENVIRONMENT

The year of 2023 was characterised by uncertainty about macroeconomic developments and ongoing geopolitical turmoil. Central banks battled high inflation by hiking interest rates at an unprecedented pace, resulting in economic slowdown and putting significant pressure on vulnerable sectors. In the first quarter of the year, the collapse of some regional banks in the US and a rescue takeover of Credit Suisse sparked widespread worries about a new financial crisis. Although confidence in financial stability was quickly restored and a soft landing remains the most plausible scenario, the development is uncertain as both the risk of a major economic crisis and the risk of persistent high inflation linger.

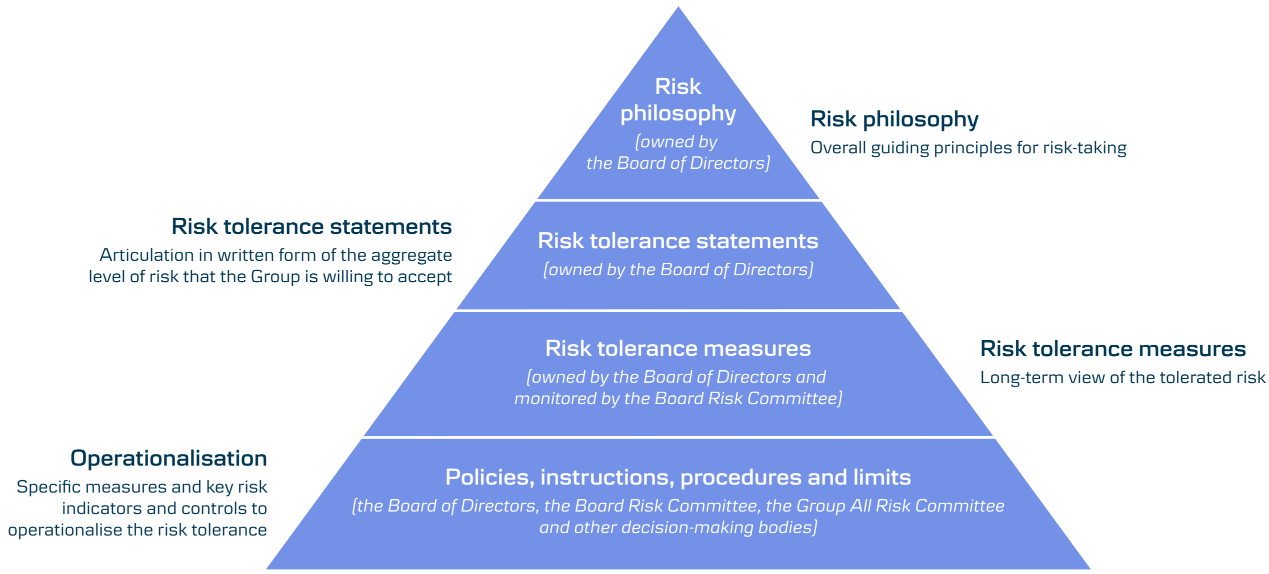
At the end of 2023, Danske Bank maintained a robust credit portfolio with strong credit quality. Throughout the year, the effects of high inflation and interest rates became more visible in certain segments of the corporate portfolio (the commercial real estate, construction and building materials, and consumer discretionary segments). The development was expected, and no changes were made to the already strengthened identification process for weak customers. In addition, several initiatives were undertaken in 2023 to identify vulnerable customers and segments. These initiatives included annual risk days in all markets and business units, detailed customer reviews and quarterly portfolio updates in the commercial real estate portfolio as well as a number of industry deep dives presented to the Board of Directors. Danske Bank continued its efforts to enhance the framework to manage the risk of not treating customers fairly by strengthening the credit worthiness processes to protect customers from excessive borrowing. In addition, the bank has been updating both processes and control frameworks to ensure that customers receive suitable investment advice.

Facing volatile financial markets, Danske Bank maintained a robust trading portfolio and a stable market risk within the set limits. At the end of 2023, Danske Bank's liquidity position was strong, and the quality of the liquidity reserve was considered high. In an environment characterised by increased geopolitical tensions, Danske Bank's non-financial risk profile remained stable, and the elevated cyber threats were addressed by enhanced security controls. In 2023, Danske Bank further matured its environmental, social and governance (ESG) risk management frameworks to support the targets set in its Climate Action Plan.

DANSKE BANK'S RISK PHILOSOPHY AND TOLERANCE FRAMEWORK

Risk management is at the core of banking, and Danske Bank's risk management framework aims to protect the bank from excessive risk, uphold a sound risk culture and enable sustainable business. Danske Bank's overall guiding principles for risk-taking are summarised in its risk philosophy statements.

The risk tolerance statements, owned by the Board of Directors, are the articulation of the aggregate level and types of risk that Danske Bank is willing to accept to achieve its business objectives. Danske Bank has risk tolerance statements for all significant risk types, such as credit risk, market risk, liquidity risk and operational risk. To ensure adherence to the risk tolerance statements, the Board of Directors owns and monitors a set of risk tolerance measures. Danske Bank's risk tolerance is further operationalised via limits and key risk indicators included in policies, instructions and business procedures and cascaded to business units, branches and subsidiaries.



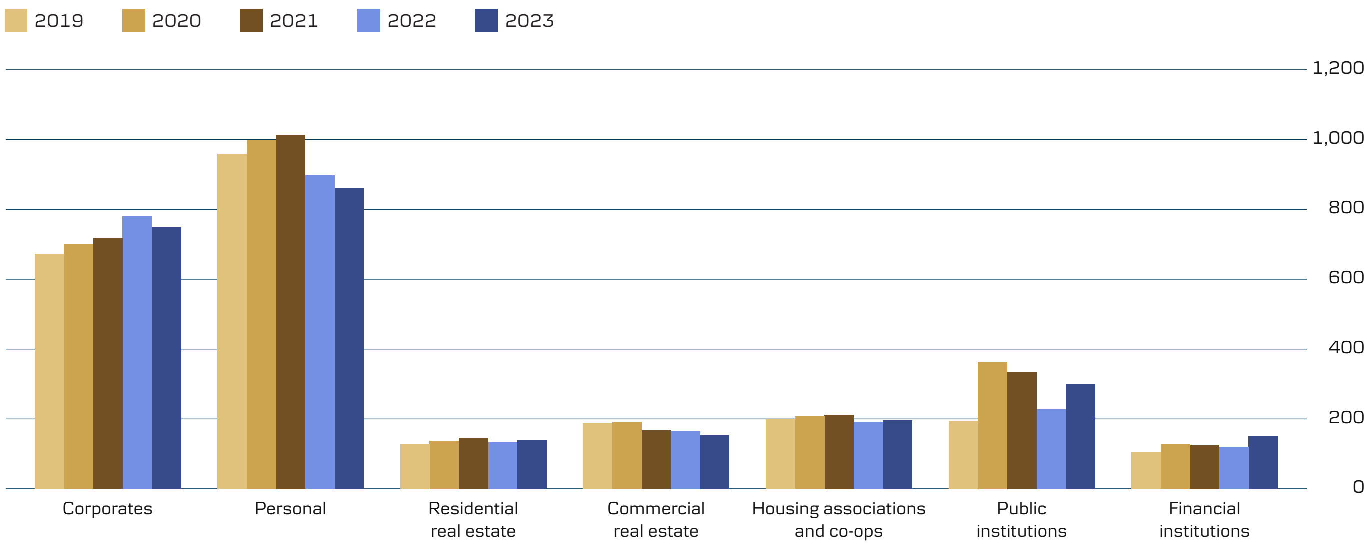
A RESILIENT CREDIT PORTFOLIO WITH STRONG CREDIT QUALITY, BUT SOME CORPORATE SEGMENTS UNDER PRESSURE

Danske Bank's total net credit exposure in core segments was DKK 2,548 billion at the end of 2023 (DKK 2,513 billion at the end 2022) and included exposures to the following segments: corporates, personal customers, residential real estate, commercial real estate, housing associations and co-ops, public institutions, and financial institutions.

The credit quality was strong, with a low level of loan impairments, amounting to DKK 0.3 billion in 2023 (DKK 1.6 billion in 2022). Some credit deterioration was seen in certain segments, and stage 3 gross exposure totalled DKK 33 billion in 2023 (DKK 32 billion in 2022), or 1.3% (1.3% in 2022) of total gross exposure. The increase in 2023 was driven by single names.

Development in credit exposure in core segments

(DKK billions)



A well-diversified corporate customer credit portfolio facing macroeconomic headwinds

The corporate customer credit portfolio amounted to DKK 748 billion at the end of 2023 (DKK 779 billion at the end of 2022) and included exposures to large, medium and small corporates at the Large Corporates & Institutions (LC&I) and Business Customers (BC) business units. Danske Bank's corporate exposure has gradually increased in recent years, but saw a 4% decrease in 2023. The portfolio is well diversified across geographies and industries in the Nordic countries, with the Danish and Swedish markets being the largest.

Overall credit quality is strong, and the portfolio has proven to be resilient to the external economic shocks in recent years from COVID-19, the Russia-Ukraine war and most recently the low growth environment. However, the effects of high cost inflation and high interest rates are gradually appearing in certain pockets of the corporate portfolios. This also implies that the positive trend in customer rating migrations in 2021 and the first half of 2022 changed into negative migrations in the second half of 2022 and 2023.

Increasing costs of living and rising interest rates are putting pressure on consumer spending. This is particularly challenging for consumer-related segments. The Swedish market is the market most affected by the macroeconomic situation in the Nordic region.

Similarly, the construction and building materials value chain is under pressure from rising interest rates because the effects of weakening new housing construction activity are spreading. The rapid decline in new residential housing sales from the high levels in 2021 has severely affected all residential housing construction activity, which recently accounted for up to 60% of total construction output. New housing building permits issued across the Nordic countries have declined by close to 50% or more from 2021 levels. This shift in activity has affected contractors and craftsmen, but has also hit adjacent segments such as sawmills. New residential housing in Sweden appears to be the industry most affected by the situation. Some weakness is also seen in the commercial and office construction segments.

The share of stage 3 loans for corporate customers increased slightly in 2023. This increase was largely driven by single names. The share of stage 3 loans is still low and below pre-COVID-19 levels. Although certain segments were challenged, other segments, such as agriculture and oil/gas activities, benefitted over the past year from the current economic environment.

A stable and high-quality personal customer portfolio

The personal customer portfolio amounted to DKK 861 billion at the end of 2023 (DKK 897 billion at the end of 2022). It consists mainly of mortgage loans at 84% (2022: 83%). In 2023, the exposure to personal customers decreased by 4%. This development was driven by rising interest rates causing a net negative effect of fair value adjustments of mortgage bonds in the Realkredit Danmark portfolio. Lending volumes in Sweden and Norway saw a negative effect from the depreciation of currencies and the general slowdown in the Nordic housing markets. The activity in Norway slowed down due to Danske Bank's announced exit from the Norwegian personal customer market as part of the Forward '28 strategy.

The credit quality of the portfolio remains stable. The impact from rising interest rates and increased costs of living is to a large extent mitigated by household savings and strong labour markets. In 2022, housing prices started to decline across all Nordic countries, and average loan-to-value levels increased as a consequence. However, following a long period of rising housing prices when interest rates were low, average loan-to-value levels are still low. While housing prices seem to have stabilised, there is still a clear risk of further price decreases across markets and increases in average loan-to-value levels.

Strong residential and commercial real estate portfolios under pressure

The combined portfolios of residential real estate and commercial real estate companies amounted to DKK 292 billion at the end of 2023, or about 14% of Danske Bank's exposure (excluding financial and public institutions). Residential real estate accounted for 48% and commercial real estate for 52% of the portfolio credit exposure.

The residential real estate and commercial real estate portfolios consist mainly of strong counterparties in the Nordic region with sound financing structures and diversified property portfolios. Denmark and Sweden are the largest single markets. The demand for residential real estate property is typically more stable and non-cyclical than the demand for commercial real estate property, and the share of residential real estate properties gradually increased from about 41% in 2019 to 48% in 2023.

High interest rates and cost inflation impose significant additional costs on real estate companies, and the current environment has had a negative impact on the market outlook for both commercial and residential real estate, putting pressure on property values and cash flows. In addition, credit spreads for real estate companies have widened substantially, especially in the capital markets, severely affecting real estate companies that rely on this type of funding.

The rising interest rates have a lagging effect on the sector because real estate companies have hedging arrangements and can transfer some of the costs to tenants over time. The property transaction market has slowed down significantly as real estate investors are testing the new market price equilibrium for properties.

Representing a small part of the real estate and housing co-ops portfolios, pure real estate developers make up the segment that has been most impacted, and new construction activity has slowed down significantly. A meaningful increase in property vacancies cannot yet be observed, and vacancies are expected to remain low as long as unemployment is low.

At the end of 2023, stage 3 gross exposure amounted to 1.6% of the total commercial property portfolio (2022: 1.2%). Stage 3 gross exposure is increasing for both the residential real estate and commercial real estate portfolios. The trend varies significantly across the Nordic region with Sweden and Finland hit harder than Denmark and Norway.

A ROBUST TRADING PORTFOLIO AND STABLE MARKET RISK AMIDST HIGH MARKET VOLATILITY

The high volatility in financial markets of 2022 continued into 2023 as central banks kept tightening monetary policy to curb inflationary pressures. Volatility spiked in March following the collapse of Silicon Valley Bank and Credit Suisse. In general, interest rates rose throughout the year whereas credit markets remained stable. The stock markets ended the year on a high note with the rise of stocks where the artificial intelligence theme supports performance.

The Value-at-Risk metric used by Danske Bank to measure its market risk shows, with a 95% probability, the maximum potential loss that Danske Bank may suffer within 1 day. The turbulence in markets caused average trading-related market risk in 2023 to increase to DKK 49 million (DKK 48 million in 2022). Danske Bank maintained a robust trading portfolio according to all indicators. Non-trading-related market risk measured as a drop of 100 basis points in interest rates was a loss of DKK 0.1 billion at the end of 2023 (a loss of DKK 0.4 billion at the end of 2022).

A CONTINUED STRONG LIQUIDITY POSITION WITH A STABLE AND DIVERSIFIED FUNDING PROFILE

The overall purpose of Danske Bank's liquidity management practices is to have a prudent liquidity position to ensure that Danske Bank can always meet its payment obligations on an intraday basis and across market cycles. To achieve this, Danske Bank manages its liquidity and funding to ensure a sufficient distance to non-viability and limited market reliance through an adequate liquidity reserve of high-quality assets and a diversification of funding sources in terms of currencies, maturities and investor types.

The Board of Directors defines the overall liquidity and funding risk tolerance through limits on a set of different metrics, including the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR). In 2023, key metrics increased and remained well above the limits set by the Board of Directors and the regulatory requirements. Danske Bank's LCR was 170% at the end of 2023 (151% at the end of 2022), and the NSFR was 126% at the end of 2023, (123% at the end of 2022).

Deposits declined but stayed well above pre-COVID-19 levels. The deposit concentration risk is considered low. Danske Bank's long-term debt issuance amounted to DKK 95 billion (DKK 61 billion in 2022). For the year, new debt issued was higher than maturing debt, and the net deposit-loan balance rose, which caused surplus liquidity to increase. At the end of 2023, Danske Bank's liquidity reserve (LCR definition) amounted to DKK 615 billion after haircuts (DKK 570 billion at the end of 2022). The quality of the liquidity reserve is considered high, with more than 35% in cash and a large majority of the bonds usable as collateral to obtain funding in the repo market.

A STABLE NON-FINANCIAL RISK PROFILE WITH A FOCUS ON CYBER THREATS

Danske Bank mitigates non-financial risk in its daily operations and business by ensuring well-embedded non-financial risk practices and clear responsibilities for managing risk across the three lines of defence.

Danske Bank's non-financial risk loss profile showed no significant changes in 2023. Total losses from operational risk events amounted to DKK 629 million in 2023 (463 million in 2022), impacted by one large event at Danica Pension related to insufficient implementation of tax rules in 2015 and 2020. The majority of the loss events fell into two broad categories: *Execution, delivery and process management* and *External fraud*.

The cyber threat level was elevated in 2023 due to increased geopolitical tensions and cyber-related crime. Danske Bank has been addressing the cyber threats by applying enhanced security controls as part of internally run improvement programmes, enhanced security management skills, regulatory data and system backups as well as investments in employee training.

On 1 September 2023, Danske Bank formally began a strategic partnership with Infosys that included the sale of Danske IT India to Infosys as part of Danske Bank's Forward '28 strategy. Commitments to strengthen first-line-of-defence non-financial risk management and second-line-of-defence oversight for the Infosys arrangement were established as business-as-usual activities.

SUSTAINABILITY RISK ASSESSED ON A PORTFOLIO AND INDIVIDUAL BASIS IN RELATION TO CREDITS AND INVESTMENTS

In 2023, further developments were made to the customer-based ESG risk assessment of Danske Bank's credit exposure in the form of an increase in the rates of assessments and a refinement of methodology. In 2023, around 87% of Danske Bank's business exposure in scope was assessed for ESG risk, and the share of high-risk customers remained low.

Climate risk is the key ESG-related driver affecting Danske Bank's credit risk. In 2023, Danske Bank published its Climate Action Plan, whose long-term targets serve to manage climate transition risk at the portfolio level. At the customer level, Danske Bank developed a methodology used for assessing the transition risk of customers with significant exposure in high-risk sectors. Results from 2023 show that the majority of assessed customers have started their transition. In regard to physical climate risk, additional flooding risk analysis performed in 2023 concluded that Danske Bank's exposure was limited, with a large part of the portfolio being subject to minor or low flooding risk only.

In regard to investment products, Danske Bank continues to increase the oversight of risks related to sustainability disclosures, positioning, marketing and communication activities and is making progress with the implementation and integration of its principal adverse impact (PAI) framework as part of the Sustainable Finance Disclosure Regulation (SFDR).

Finally, with the announcement of Danske Bank's Forward '28 strategy in 2023, in which sustainability was identified as a key pillar, ongoing risk assessments and reviews were made during the year to ensure that strategic and execution risks would be effectively managed.

STABLE RISKS IN PENSION AND INSURANCE BUSINESS, BUT HEALTH AND ACCIDENT CLAIMS ON THE INCREASE

Danica Pension's life insurance business consists of unit-linked products, with-profits products and other products with direct equity exposure. In unit-linked products, which in 2023 accounted for about 65% of Danica Pension's life insurance provisions, the market risk is primarily borne by customers. Danica Pension's most significant financial risk is the market risk relating to its with-profits pension product, *Danica Traditionel*, which is a run-off portfolio closed for new business. The difference between investments returns and guaranteed benefits is the collective bonus potential, and it serves as a buffer against negative returns. During the first months of 2023, the collective bonus potential was under pressure due to financial market volatility. The development in health and accident business was adversely affected by a higher number of new claims. The market risk related to other products with direct equity exposure is primarily associated with the investment results for Danica Pension's health and accident products and some life insurance products with investment guarantees.

Furthermore, Danica is exposed to insurance risk. For example, an increase in longevity lengthens the period during which benefits are payable under certain pension plans. Similarly, trends in mortality, sickness and recovery affect life insurance and disability benefits. Danica mitigates part of the risk related to longevity and disability by entering into reinsurance contracts.

1.
Risk management framework and governance

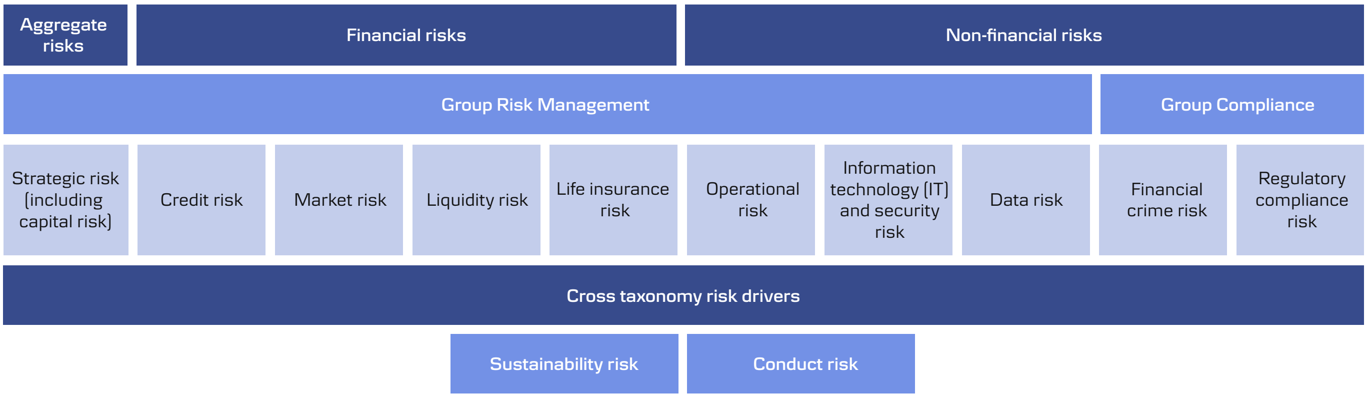
1.1 RISK MANAGEMENT FRAMEWORK

The Danske Bank Group assumes risks to support the activities of its customers, while ensuring the stability of its financial position to the benefit of shareholders, society, customers and employees.

The Group applies an enterprise risk management (ERM) approach in which long-term risk tolerance statements and analytics-based risk assessments support the Group in protecting its long-term financial stability, risk-informed commercial planning and strategic allocation of capital. The Group's ERM Policy also sets common standards for how the Group manages risk across all risk types and organisational entities. Supported by policies approved by the Board of Directors, the ERM defines the Group's risk taxonomy, risk roles and responsibilities, risk governance, approach to risk tolerance and risk appetite, risk philosophy, and risk culture. The Group continuously monitors its internal and external environment to identify and manage any emerging risks that could have a material impact on its performance and that need to be captured under this policy.

1.2 RISK TAXONOMY

The risk taxonomy organises and visualises the most material risk types applicable to the Group and is intended to ensure effective risk identification and ownership across the Group. The risk types cover aggregate, financial and non-financial risks. The taxonomy is reviewed on an annual basis to ensure its relevance.



1.3 RISK MANAGEMENT ORGANISATION

The Group's risk management practices are organised in line with the principles of the three-lines-of-defence model. The three lines of defence segregate duties between 1) units that enter into business transactions with customers or otherwise expose the Group to risk (risk ownership), 2) units in charge of risk oversight and challenge in respect of risk owners (risk oversight), and 3) Group Internal Audit (risk assurance).

1.3.1 Three lines of defence

The first line of defence owns and manages the business activities and related risks. It consists of business units and support functions. These entities are responsible for establishing the appropriate controls to ensure that risks are identified, assessed, managed, and reported on appropriately.

Risks must be managed in line with delegated responsibilities and policies as set by the second line of defence and approved by the Board of Directors. The mandates of the business units and support functions are governed by policies, instructions and risk committees and by risk tolerance, risk limits and risk appetite.

The second line of defence consists of Group Risk Management and Group Compliance. These units set policies and the overall risk management framework. The second line of defence supports, challenges and is responsible for the risk oversight of the first line of defence and operates independently of the first line of defence.

The chief risk officer (CRO) as the head of Group Risk Management and the chief compliance officer (CCO) as the head of Group Compliance are responsible for the independent risk and compliance functions. Both are members of the Executive Leadership Team. In cooperation with and under the responsibility of the chief executive officer (CEO) of Danske Bank, the CRO and the CCO submit risk and compliance reports to the Executive Leadership Team and the Board of Directors. The CRO and the CCO may file reports to and contact the Board of Directors directly. The second line of defence has the authority to veto any decisions proposed by the first line of defence that fall outside the set risk tolerance or are not aligned with agreed policies.

Group Risk Management is organised in risk functions with group-wide risk type oversight responsibility. As an independent second-line-of-defence function, Group Risk Management has the responsibility to (i) promote a sound risk culture, (ii) set standards for effective management of the risks to which the Group is exposed, (iii) ensure that material risks are identified, assessed, measured, monitored, controlled/mitigated and reported on correctly, (iv) maintain oversight of risk exposure at all Group entities and check that the Group stays within the tolerance and limits set by the Board of Directors, and (v) report risk exposure and risk-related concerns independently to the Executive Leadership Team and the Board of Directors.

Group Compliance is responsible for monitoring and assessing the Group's compliance with applicable laws, rules and regulations and maintains the governance framework for regulatory compliance risk, conduct risk and financial crime risk. Group Compliance undertakes compliance oversight assessments to evaluate the adequacy and effectiveness of other risk management frameworks and owns the Group's whistleblowing system.

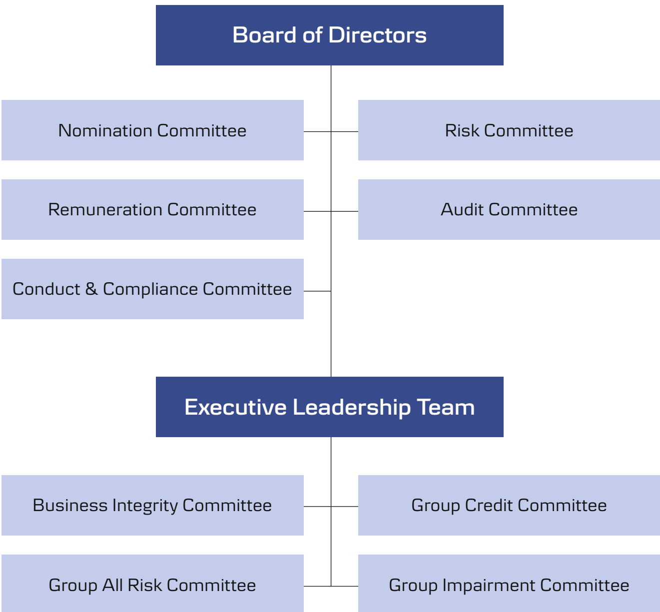
Group Compliance has specific second-line-of-defence responsibility for organising compliance training; providing independent advice, guidance and challenge; undertaking risk assessments and risk-based monitoring; and providing independent reporting to senior management and the Board of Directors on compliance risks and issues.

The third line of defence consists of the Group Internal Audit (GIA) function. GIA is an independent and objective assurance entity that assists the Board of Directors and the Executive Leadership Team in protecting the assets, reputation and sustainability of the Group by evaluating the effectiveness of processes used for risk management, controls, and governance. GIA is headed by the chief audit executive (CAE), who reports directly to the Board of Directors.

1.4 RISK GOVERNANCE

The Group's risk governance structure includes five Board of Directors and four Executive Leadership Team committees that cover all significant risks and perform control and oversight of the Group's risk exposure. This committee structure is designed to support effective information, discussion and escalation paths to the Group's senior management while also providing a consistent approach to risk management and decision-making.

Risk governance: two-tier management and committee structures



The Group has principles and standards for escalating matters to the Executive Leadership Team and the Board of Directors in respect of the size and affairs of the Group and the potential impact of such matters. These principles are communicated through relevant policies, and the Executive Leadership Team must ensure that the day-to-day management of the Group is undertaken in accordance with these policies and that all decisions of the Board of Directors are executed and implemented.

1.4.1 Board of Directors and Executive Leadership Team

The Group's Rules of Procedure for the Board of Directors and the Executive Leadership Team specify the responsibilities of the two bodies and the division of responsibilities between them. The two-tier management structure and the Rules of Procedure, developed in accordance with Danish law, regulations and relevant corporate governance recommendations, are central to the organisation of risk management and the delegation of authorities across the Group.

The Board of Directors appoints members to the Executive Leadership Team and the CAE. In accordance with the Rules of Procedure, the Board of Directors sets the Group's overall business model, the Group's strategic and financial targets, and the mandates of the Executive Leadership Team. It also approves the Group's risk tolerance and policies on the basis of recommendation of the Executive Leadership Team. In addition, the Board of Directors receives regular reports, oversees the main risks, and reviews the largest credit exposures. The Board of Directors has established five committees to provide effective oversight of risks and prepare matters for consideration by the Board. For more Information about the Board of Directors' committees and the number of meetings, see Danske Bank's Annual Report 2023 and Corporate Governance Report 2023.

The Executive Leadership Team is responsible for the Group's day-to-day management. It supervises the Group's risk management practices, oversees developments in Group Compliance's methods, approves credit applications up to a defined limit, and ensures that bookkeeping and asset management are both sound and consistent with the Group's strategy and in compliance with applicable legislation. The Executive Leadership Team consists of the CEO and the heads of the following entities: the three business units, CFO Area, Technology & Services, Group Risk Management, Group Compliance, and Group HR.

The Executive Leadership Team has established four committees that act on its behalf with respect to risk monitoring and decision-making of matters within their mandate and responsibility: i) the Group All Risk Committee, ii) the Impairment Committee, iii) the Group Credit Committee, and iv) the Business Integrity Committee.

In particular, the Group All Risk Committee makes decisions on and monitors all material risks associated with the Group's business model and activities. It covers all risks across risk types, business units, functions and geographical regions in alignment with the Group's ERM Policy.

All members of the Executive Leadership Team are permanent members of the Group All Risk Committee, and the committee met 14 times in 2023.

The Group All Risk Committee has established and delegated parts of its responsibilities to a number of sub-committees. Each sub-committee oversees a specific risk type or all risks related to a specific business area. Delegation of responsibilities does not relieve the Group All Risk Committee of its responsibilities, and the sub-committees must report any decisions and issues to the Group All Risk Committee.

Specific reviews on compliance-related risks are managed directly by the Executive Leadership Team and not by the Group All Risk Committee. The other Executive Leadership Team committees have a narrower risk scope.

1.5 THE GROUP'S RISK TOLERANCE

The Group's risk tolerance specifies the overall level of risks that the Group is willing to assume, or avoid, in order to achieve its long-term strategic ambitions of serving its customers and ensuring the stability of its financial position. This includes supporting customers through the economic cycle and the Group's performance at all times, also during an economic downturn.

The Group's risk tolerance is owned by the Board of Directors and sets the direction for the Group's overall risk-taking by formulating group-wide qualitative statements and quantitative measures while taking aggregated financial, non-financial and sustainability risk impacts into consideration.

The Group's risk tolerance forms an integral part of its financial and strategic planning processes for the purpose of ensuring that both risks and opportunities are considered during the strategic decision-making processes. In addition, group-wide limits or tolerance levels exist for credit, market, liquidity, and non-financial risks, all of which are specified in related documents, policies and instructions.

1.6 RISK CULTURE

The Group is committed to building and maintaining a strong risk culture in day-to-day activities to ensure that Danske Bank creates value for all stakeholders and lives up to its societal responsibilities as one of the leading financial institutions in the Nordic region. This includes ensuring a high level of risk awareness and making sure that risk-taking is aligned with the Group's risk tolerance. Every employee plays a vital role in maintaining a strong risk culture while the Board of Directors and the Executive Leadership Team act as role models to set the tone from the top. This work is underpinned by the Group's purpose and culture commitments and by governance documents, communications, the remuneration structure and staff training.

The performance agreements of the Executive Leadership Team members and managers covered by management bonus programmes specify risk and compliance performance targets. As part of the year-end review, all employees of the Group are evaluated in terms of compliance-related performance.

1.7 RISK MONITORING AND REPORTING

The Group has an enterprise-wide approach to risk reporting. This approach is supported by a wide range of reporting that covers analyses across risk types, core geographical regions and key subsidiaries.

2.
Strategic risk and capital risk

Pillar III disclosures

2.1 STRATEGIC RISK MANAGEMENT

As part of the annual review of the Danske Bank Group's risk taxonomy and oversight functions, strategic risk was identified and introduced as a new material risk type at the end of 2022.

Strategic risk is an aggregate risk defined as the risk of not achieving strategic business objectives such as profit/loss targets due to either internal factors (such as forecasting or execution capabilities, failure to manage trade-offs between risk and opportunities, and ineffective capital planning) or external factors (such as changes in customer preferences, competition, macroeconomy, political climate and regulation).

The Group focuses on managing and mitigating strategic risks, for example through strategic risk reviews of strategic initiatives, strategy execution monitoring, including workforce planning, financial management, a strong oversight of capital planning.

2.2 CAPITAL RISK MANAGEMENT

Capital risk is the risk of not having enough capital to cover all material risks arising from the Group's chosen business strategy and is a sub-type of strategic risk.

The Group manages its capital risks through prudent planning to support its growth ambitions and absorb unexpected losses even in severe downturns without breaching regulatory capital requirements. The Group's capital management practices are designed to support its rating ambitions, while ensuring access to funding markets under all market conditions.

The Group's capital management practices involve the Internal Capital Adequacy Assessment Process (ICAAP), setting capital targets and dividend ambitions, capital planning, performing stress tests, allocating capital as well as monitoring and reporting.

The Group's Capital Policy set by the Board of Directors lays the foundation for the Group's capital management practices. The Capital Policy contains the Group's overall principles and standards for capital management.

2.2.1 Risk governance and responsibilities

The Group's capital management practices are organised in line with the principles of the three-lines-of-defence model. Group Finance constitutes the first line of defence and is responsible for monitoring and managing the Group's capital position. Group Finance is also responsible for the annual ICAAP. The Group's funding plan is implemented by Group Treasury.

Subsidiaries have local responsibility for capital management but work closely with Group functions to ensure consistent application of methodologies and principles.

2.2.2 Monitoring and reporting

The Group monitors risks related to its capital position and submits risk reports to the CFO, the CRO and the Board of Directors. Capital management risk reporting consists of a monthly report on the Group's capital position (the Capital & REA Report) and an overview of the Group's capital position against trigger levels (the Indicator Dashboard). In addition, the Group prepares quarterly reports on its capital position (on a short- and long-term basis) measured against its risk and business strategy as part of the ICAAP.

2.2.3 ICAAP

The ICAAP is an integral part of the Group's capital management practices. The purpose of the process is to assess, on an ongoing basis, all material risks inherent in the Group's business activities that arise from the chosen strategy and business model. As part of the ICAAP, the Group's Pillar II capital need is quantified to determine its solvency need, and this ensures adequate capitalisation based on the Group's risk profile. The Group uses internal models as well as expert judgement and regulatory benchmarks to quantify whether the regulatory framework indicates that additional capital is needed under Pillar II.

Forward-looking by nature, the ICAAP also includes both group-wide and portfolio-specific stress testing for further insights into the Group's capitalisation in stressed environments and for setting prudent capital targets for all relevant capital measures. The conclusions from the ICAAP serve as input for the Supervisory Review and Evaluation Process (SREP), and relevant documentation of the process is submitted to the supervisory authorities once a year.

2.2.4 Stress testing

The Group uses macroeconomic stress tests in the ICAAP for the purpose of projecting its capital levels and requirements under various unfavourable scenarios. Stress tests are an important means of analysing the risk profile since they give management a better understanding of how the Group's portfolios are affected by macroeconomic changes, including the effects of undesirable events on the Group's capital position and capital requirements.

When the Group performs stress testing, it applies stress to risks, income and the cost structure. Stressing income and costs affects the Group's capital, while stressing risk exposures affects its capital requirement.

Results from stress testing are used as input for setting capital targets, and they ultimately feed into the Group's capital planning.

Internal stress test

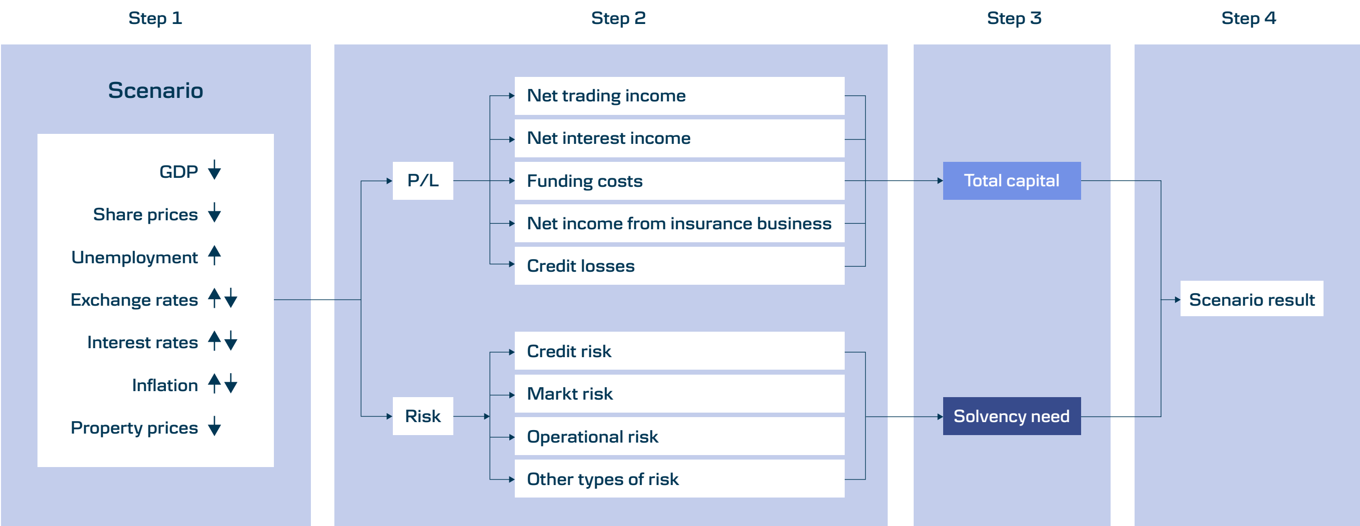
The Group's internal stress test forms an integral part of the capital assessment performed in the ICAAP. The stress test is based on various scenarios consisting of a set of macroeconomic variables for each of the Group's core markets. The Group assesses the effect of an interest rate environment with both high interest rates and low interest rates as part of its internal stress testing programme. The scenarios are generally used both at the group level and for subsidiaries, but specific scenarios are developed for subsidiaries if deemed necessary. The Group evaluates the main scenarios and their relevance on an ongoing basis and at least once a year. New scenarios are added when deemed relevant on the basis of the Group's ongoing monitoring of its risk profile. The scenarios are ultimately approved by the Board of Directors.

Regulatory stress tests

The Group has permission to use internal ratings-based (IRB) models and therefore participates in the annual macroeconomic stress test conducted by the Danish Financial Supervisory Authority (the Danish FSA).

The Group also participates in the EU-wide stress test conducted by the European Banking Authority (EBA) every second year. The purpose of the EBA stress test is to assess the robustness of the European banking sector in the event of a very severe economic setback.

Effects of stress scenarios on earnings and risk



2.2.5 Capital planning

The Group's ongoing capital planning takes into account both short-term and long-term horizons in order to give the Board of Directors a comprehensive view of current and future capital levels. The capital plan includes a forecast of the Group's expected capital performance based on budgets and takes pending regulation into account when future capital requirements are assessed. The Group's capital planning is also based on stress tests and takes rating ambitions into consideration. The Group's capital and funding planning processes are integrated into one process.

2.2.6 Capital allocation

The Group makes a full internal allocation of its total equity across business units on the basis of each unit's contribution to the Group's total risk as estimated by means of regulatory models. The capital use of the Group's individual business units is closely aligned with the Group's total capital use.

2.2.7 Danica Pension

An integral part of the Group's capital management practices is the process of monitoring the capital implications of the Group's ownership of Danica Pension. The prudential supervision of Danica Pension is governed by the Solvency II framework, which provides for EU-harmonised solvency rules in the insurance sector. The Danske Bank Group is designated as a financial conglomerate, and a statutory deduction for Danica Pension is made in the Group's regulatory capital. The deduction is calculated as Danica Pension's solvency capital requirement (SCR) less the difference between Danica Pension's basic own funds and the carrying amount of Danske Bank's capital holdings in Danica Pension. This method ensures that the Group's total capital is reduced fully by deductions made from Danica Pension's total capital. The carrying amount of Danske Bank's capital holdings in Danica Pension less the total deduction for Danica Pension from the Group's total capital is included in the total REA calculations at a weight of 100%.

2.2.8 Risk of excessive leverage

The CRR stipulates that financial institutions maintain a minimum leverage ratio of 3%. In addition, the CRR/CRD rules require a credit institution to calculate, monitor and report on its leverage ratio (defined as tier 1 capital as a percentage of total leverage exposure). The leverage ratio represents a non-risk-adjusted capital requirement that is implemented as a further backstop measure for risk-based capital.

The Group takes the leverage ratio into consideration in its capital management process. The Group's overall monitoring of leverage risk is performed in the ICAAP, which also includes an assessment of changes in the leverage ratio under stressed scenarios. On a monthly basis, the Group determines and monitors its leverage ratio. To ensure sound monitoring, the Group has set forth policies for the management and control of each component that contributes to leverage risk.

2.2.9 Minimum requirement for own funds and eligible liabilities

A significant objective of the Group's capital management practices is to ensure fulfilment of its minimum requirement for own funds and eligible liabilities (MREL). The purpose of the MREL is to ensure that institutions can absorb potential losses and be recapitalised with no recourse to public funds.

The national resolution authorities are required to set an MREL for each institution on the basis of its institution-specific resolution plan. The Group's resolution plan is based on a single-point-of-entry (SPE) approach at the group level. The requirement for the Group is calibrated in accordance with the Danish FSA's resolution strategy. This strategy states that a systemically important financial institution (SIFI) is to be recapitalised in order for the entire institution to be able to continue its activities post resolution. The MREL is set on an annual basis by the Danish FSA.

Certain mortgage credit institutions (financed by covered bonds and not allowed to receive deposits under national law) are exempt from the MREL. Realkredit Danmark is therefore not part of the Group MREL that applies on a consolidated basis at the level of the resolution group. Instead, Realkredit Danmark is subject to a separate debt buffer requirement of 2% of its loans.

For Danish SIFIs, a 'risk-based' MREL is set at two times the solvency need plus one time the SIFI buffer, one time the capital conservation buffer and one time the systemic risk buffer. The combined buffer requirement (CBR) must be met in addition to the MREL. In addition to the 'risk-based' MREL, the Group is also subject to a 'leverage-based' MREL determined by the total non-weighted exposure measure of the resolution group. The MREL is to be met with eligible instruments as defined in the CRR, which includes equity, subordinated debt, non-preferred senior debt, and preferred senior debt. Capital and liabilities used for covering capital requirements and the debt buffer requirement applicable to Realkredit Danmark cannot be used to cover the Group's MREL.

Part of the MREL must be met with own funds and liabilities capable of bearing losses before unsecured claims. This is known as the subordination requirement and can be met with subordinated debt, which includes non-preferred senior debt but excludes preferred senior debt. The subordination requirement for Danish SIFIs is calibrated as the higher of 8% of total liabilities and own funds (TLOF) and two times the solvency need plus one time the combined buffer requirement, where the latter is currently binding. The Group is currently not subject to a subordination requirement in respect of the 'leverage-based' MREL.

The Danish approach to calibrating the MREL and the subordination requirement implies higher requirements for Danish systemic institutions, including Danske Bank, than for institutions within the eurozone, in particular with regards to the subordination requirement.

Pillar III disclosures

Table 2.1
EU CC1 – Composition of capital (Own Funds Disclosure)

At 31 December 2023
(DKK millions)

		31 Dec 2023	Regulation (EU) No 575/2013 Article reference
Common Equity Tier 1 capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	8,622	26 (1), 27, 28, 29
	of which: Instrument type 1	-	*EBA list 26 (3)*
	of which: Instrument type 2		*EBA list 26 (3)*
	of which: Instrument type 3		*EBA list 26 (3)*
2	Retained earnings	146,044	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves)	-4	26 (1)
3a	Funds for general banking risk		26 (1) (f)
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		486 (2)
5	Minority interests (amount allowed in consolidated CET1)		84
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	14,795	26 (2)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**169,457**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-890	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-5,374	36 (1) (b), 37
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-733	36 (1) (c), 38
11	Fair value reserves related to gains or losses on cash flow hedges	-	33 (1) (a)
12	Negative amounts resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159
13	Any increase in equity that results from securitised assets (negative amount)		32 (1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33 (1) (b)
15	Defined-benefit pension fund assets (negative amount)	-845	36 (1) (e), 41
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-914	36 (1) (f), 42
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36 (1) (g), 44
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (2) (3), 79
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47 48 (1) (b), 49 (1) to (3), 79
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)
20b	*of which: qualifying holdings outside the financial sector (negative amount)*		*36 (1) (k) (i), 89 to 91*
20c	*of which: securitisation positions (negative amount)*		*36 (1) (k) (ii), 243 (1) (b) 244 (1) (b), 258*
20d	*of which: free deliveries (negative amount)*		*36 (1) (k) (iii), 379 (3)*
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a)
22	Amount exceeding the 17,65% threshold (negative amount)		48 (1)
23	*of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities*		*36 (1) (i), 48 (1) (b)*
25	*of which: deferred tax assets arising from temporary difference*		*36 (1) (c), 38, 48 (1) (a)*
25a	Losses for the current financial year (negative amount)		36 (1) (a)
25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)		36 (1) (l)
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)		36 (1) (j)
27a	Other regulatory adjusments (including IFRS 9 transitional adjustments when relevant)	-5,393	473a
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-14,149**	
29	**Common Equity Tier 1 (CET1) capital**	**155,308**	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	15,174	51, 52
31	*of which: classified as equity under applicable accounting standards*	-	
32	*of which: classified as liabilities under applicable accounting standards*	-	

> Table 2.1 (continued)
EU CC1 – Composition of capital (Own Funds Disclosure)

33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR	-	486 (3)
33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1		
33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1		
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties		85, 86
35	*of which: instruments issued by subsidiaries subject to phase-out*		*486 (3)*
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**15,174**	
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-369	52 (1) (b), 56 (a), 57
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56 (b), 58
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		56 (d), 59, 79
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		
42a	Other regulatory adjustments to AT1 capital		56 (e)
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-369**	
44	**Additional Tier 1 (AT1) capital**	**14,805**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**170,113**	
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	21,169	62, 63
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR	-	486 (4)
47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2		
47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2		
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party	-	87, 88
49	*of which: instruments issued by subsidiaries subject to phase-out*	-	*486 (4)*
50	Credit risk adjustments		62 (c) & (d)
51	**Tier 2 (T2) capital before regulatory adjustment**	**21,169**	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-379	63 (b) (i), 66 (a), 67
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		66 (b), 68
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		66 (c), 69, 70, 79
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		66 (d), 69, 79
56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)		
56b	Other regulatory adjustments to T2 capital		
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-379**	
58	**Tier 2 (T2) capital**	**20,790**	
59	**Total capital (TC = T1 + T2)**	**190,902**	
60	**Total risk exposure amount**	**827,882**	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	18.8%	92 (2) (a)
62	Tier 1 (as a percentage of total risk exposure amount)	20.5%	92 (2) (b)
63	Total capital (as a percentage of total risk exposure amount)	23.1%	92 (2) (c)
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	14.2%	CRD 128, 129, 130, 131, 133
65	*of which: capital conservation buffer requirement*	*2.5%*	
66	*of which: countercyclical buffer requirement*	*2.0%*	
67	*of which: systemic risk buffer requirement*	*0.5%*	

> Table 2.1 (continued)
EU CC1 – Composition of capital (Own Funds Disclosure)

67a	*of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer*	*3.0%*	
67b	*of which: additional own funds requirements to address the risks other than the risk of excessive leverage*	*1.7%*	
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**	**12.6%**	**CRD 128**
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions	1,533	36 (1) (h), 45, 46 56 (c), 59, 60, 66 (c), 69, 70
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-	36 (1) (i), 45, 48
75	Deferred tax assets arising from temporary difference (amount below 17.65% threshold , net of related tax liability where the conditions in Article 38 (3) are met)	513	36 (1) (c), 38, 48
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	2,042	62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	5,008	62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	3,120	62

Table 2.2
EU CC2 – Reconciliation of regulatory own funds to balance sheet in the audited financial statements

At 31 December 2023
(DKK millions)

		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		As at period end	**As at period end**	
Assets – *Breakdown by asset clases according to the balance sheet in the published financial statements*				
1	Cash in hand and demand deposits with central banks	259,156	259,156	
2	Due from credit institutions and central banks	114,813	114,813	
3	Trading portfolio assets	548,189	573,296	
4	Investment securities	283,914	267,110	
5	Loans at amortised cost	918,628	920,936	
6	Loans at fair value	928,239	928,239	
7	Assets under pooled schemes and unit-linked investment contracts	72,132	47,876	
8	Assets under insurance contracts	494,799	-	
9	Assets held for sale	110,704	110,704	
10	Holdings in group undertakings	-	20,366	
11	Intangible assets	6,064	6,064	
12	Tax assets	3,264	4,033	10
13	Other assets	31,079	31,580	
	Total Assets	**3,770,981**	**3,284,174**	
Liabilities – *Breakdown by liability clases according to the balance sheet in the published financial statements*				
1	Due to credit institutions and central banks	154,608	154,608	
2	Trading portfolio liabilities	454,487	464,059	
3	Deposits	1,222,203	1,229,338	
4	Issued bonds at fair value	748,780	754,764	
5	Issued bonds at amortised cost	214,234	214,234	
6	Deposits under pooled schemes and unit-linked investment contracts	71,253	48,140	
7	Liabilities under insurance contracts	482,630	-	
8	Liabilities in disposal groups held for sale	56,476	56,476	
9	Tax liabilities	1,557	1,307	
10	Other liabilities	57,046	56,957	
11	Non-preferred senior bonds	93,194	93,194	
12	Subordinated debt	38,774	35,174	30, 46
	Total liabilities	**3,595,242**	**3,108,251**	
Shareholders' Equity				
1	Share capital	8,622	8,622	
2	Foreign currency translation reserve	-2,639	-2,639	
3	Reserve for bonds at fair value (OCI)	-306	-306	
4	Retained earnings	170,062	170,246	
5	Proposed dividends	-	-	
6	**Shareholders of Danske Bank A/S (the Parent Company)**	**175,739**	**175,923**	
7	Additional tier 1 capital holders	-	-	
	Total shareholders' equity	**175,739**	**175,923**	
	Total liabilities and shareholders' equity	**3,770,981**	**3,284,174**	

Note
In the 'Balance sheet as in published financial statements' column, the insurance operations are consolidated.

Table 2.3
EU KM2 – Key metrics – MREL and, where applicable, G-SII requirement for own funds and eligible liabilities

At 31 December 2023
(DKK millions)

		Minimum requirement for own funds and eligible liabilities (MREL)
Own funds and eligible liabilities, ratios and components		
1	Minimum requirement for own funds and eligible liabilities (MREL)	288,472
EU-1a	*of which own funds and subordinated liabilities*	*239,029*
2	Total risk exposure amount of the resolution group (TREA)	690,792
3	Own funds and eligible liabilities as a percentage of TREA	41.76%
EU-3a	*of which own funds and subordinated liabilities*	*34.60%*
4	Total exposure measure (TEM) of the resolution group	2,591,914
5	Own funds and eligible liabilities as percentage of the TEM	11.13%
EU-5a	*of which own funds or subordinated liabilities*	*9.22%*
6a	Does the subordination exemption in Article 72b(4) of the CRR apply? (5% exemption)	
6b	Aggregate amount of permitted non-subordinated eligible liabilities instruments if the subordination discretion in accordance with Article 72b(3) of Regulation (EU) No 575/2013 is applied (max 3,5 % exemption)	
6c	If a capped subordination exemption applies in accordance with Article 72b (3) of Regulation (EU) No 575/2013 the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised under row 1, divided by funding issued that ranks pari passu with excluded Liabilities and that would be recognised under row 1 if no cap was applied (%)	
Minimum requirement for own funds and eligible liabilities (MREL)		
EU-7	MREL expressed as a percentage of the TREA	26.70%
EU-8	*of which to be met with own funds or subordinated liabilities*	*28.50%*
EU-9	MREL expressed as percentage of the TEM	6.00%
EU-10	*of which to be met with own funds or subordinated liabilities*	

Note
The difference between the disclosed own funds amount and the IFRS 9 fully loaded amount is shown in the statement of capital in the Group's Annual Report 2023.

Table 2.4
EU TLAC1 – Composition – MREL and, where applicable, the G-SII Requirement for own funds and eligible liabilities

At 31 December 2023
(DKK millions)

		Minimum requirement for own funds and eligible liabilities (MREL)
Own funds and eligible liabilities and adjustments		
1	Common Equity Tier 1 capital (CET1)	124,771
2	Additional Tier 1 capital (AT1)	14,805
6	Tier 2 capital (T2)	20,790
11	Own funds for the purpose of Articles 92a CRR and 45 BRRD	160,366
Own funds and eligible liabilities: Non-regulatory capital elements		
12	Eligible liabilities instruments issued directly by the resolution entity that are subordinated to excluded liabilities (not grandfathered)	79,163
EU-12a	Eligible liabilities instruments issued by other entities within the resolution group that are subordinated to excluded liabilities (not grandfathered)	
EU-12b	Eligible liabilities instruments that are subordinated to excluded liabilities, issued prior to 27 June 2019 (subordinated grandfathered)	
EU-12c	Tier 2 instruments with a residual maturity of at least one year to the extent they do not qualify as Tier 2 items	
13	Eligible liabilities that are not subordinated to excluded liabilities (not grandfathered pre cap)	50,143
EU-13a	Eligible liabilities that are not subordinated to excluded liabilities issued prior to 27 June 2019 (pre-cap)	
14	Amount of non subordinated instruments eligible, where applicable after application of Article 72b (3) CRR	50,143
17	Eligible liabilities items before adjustments	128,106
EU-17a	*of which subordinated*	*78,663*
Own funds and eligible liabilities: Adjustments to non-regulatory capital elements		
18	Own funds and eligible liabilities items before adjustments	288,472
19	(Deduction of exposures between MPE resolution groups)	
20	(Deduction of investments in other eligible liabilities instruments)	
22	Own funds and eligible liabilities after adjustments	288,472
EU-22a	*of which: own funds and subordinated*	*239,029*
Risk-weighted exposure amount and leverage exposure measure of the resolution group		
23	Total risk exposure amount	690,792
24	Total exposure measure	2,591,914
Ratio of own funds and eligible liabilities		
25	Own funds and eligible liabilities (as a percentage of total risk exposure amount)	41.76%
EU-25a	*of which: own funds and subordinated*	*34.60%*
26	Own funds and eligible liabilities (as a percentage of total exposure measure)	11.13%
EU-26a	*of which own funds and subordinated*	*9.22%*
27	CET1 (as a percentage of TREA) available after meeting the resolution group's requirements	15.06%
28	Institution-specific combined buffer requirement	
29	*of which: capital conservation buffer requirement*	
30	*of which: countercyclical buffer requirement*	
31	*of which: systemic risk buffer requirement*	
EU-31a	*of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer*	
Memorandum items		
EU-32	Total amount of excluded liabilities referred to in Article 72a(2) CRR	

Table 2.5
EU TLAC3b – Creditor ranking – resolution entity*

At 31 December 2023
(DKK millions)

		Insolvency ranking					
		1	2	3	7	8	
	Description of insolvency rank (free text)	Common equity CET1	Additional Tier 1	Tier 2 instruments	Non-preferred Senior Bonds	Preferred Senior Bonds, Structured Notes, Large Corporate Deposits, Commercial Papers	Total
5	Own funds and liabilities potentially eligible for meeting MREL	125,790	14,916	20,940	79,163	50,143	290,951
6	*of which residual maturity ≥ 1 year < 2 years*				*18,539*	*14,938*	*33,477*
7	*of which residual maturity ≥ 2 year < 5 years*				*44,547*	*28,842*	*73,389*
8	*of which residual maturity ≥ 5 years < 10 years*			*20,940*	*15,361*	*6,363*	*42,664*
9	*of which residual maturity ≥ 10 years, but excluding perpetual securities*				*715*		*715*
10	*of which perpetual securities*	*125,790*	*14,916*				*140,706*

* The resolution entity is Danske Bank A/S.

Table 2.6
EU INS1 – Participation in insurance undertakings

At 31 December 2023
(DKK millions)

		Exposure value	Risk-weighted exposure amount
1	Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds	14,255	14,255

Note
The exposure originates from Danske Bank's full ownership of Danica Pension.

Table 2.7
EU OV1 – Overview of risk weighted exposure amounts

At 31 December 2023
(DKK millions)

		Risk-weighted assets		Minimum capital requirements
		31 Dec 2023	**30 Sep 2023**	**31 Dec 2023**
1	Credit risk (excluding CCR)	659,772	656,151	52,782
2	*of which: the standardised approach*	*163,345*	*162,575*	*13,068*
3	*of which: the foundation IRB (FIRB) approach*	*26,954*	*27,070*	*2,156*
4	*of which slotting approach*			
EU 4a	*of which equities under the simple riskweighted approach*			
5	*of which: the advanced IRB (AIRB) approach*	*469,473*	*466,506*	*37,558*
6	Counterparty credit risk – CCR	25,962	24,588	2,077
7	*of which: the standardised approach*	*3,377*	*3,452*	*270*
8	*of which: internal model method (IMM)*	*16,111*	*14,469*	*1,289*
EU 8a	*of which exposures to a CCP*	*628*	*393*	*50*
EU 8b	*of which credit valuation adjustment – CVA*	*2,994*	*3,012*	*240*
9	*of which: other CCR*	*2,851*	*3,262*	*228*
15	Settlement risk	-	-	-
16	Securitisation exposures in the banking book (after the cap)	886	910	71
17	*of which: IRB approach*	-	-	-
18	*of which SEC-ERBA (including IAA)*	*886*	*910*	*71*
19	*of which: Of which SEC-SA approach*	-	-	-
EU 19a	*of which 1250%/ deduction*	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	38,172	41,401	3,054
21	*of which: the standardised approach*	*645*	*524*	*52*
22	*of which: IMA*	*37,527*	*40,877*	*3,002*
EU 22a	Large exposures		-	
23	Operational risk	79,555	73,836	6,364
EU 23a	*of which: basic indicator approach*		-	-
EU 23b	*of which: standardised approach*	*79,555*	*73,836*	*6,364*
EU 23c	*of which: advanced measurement approach*	-	-	-
24	Amounts below the threshold for deduction (subject to 250% risk weight)	1,281	3,477	102
29	Floor adjustment[1]	-	-	-
30	Other risk exposure amounts[2]	22,254	20,559	1,780
31	**Total**	**827,882**	**820,923**	**66,231**

[1] The floor adjustment is not the binding constraint on the capital requirement.
[2] The REA add-on is mainly due to the risk weight floor of 25% on Swedish mortgage lending.

Table 2.8
EU LI1 – Differences between accounting and regulatory scope of consolidation and mapping of financial statements with regulatory risk categories

At 31 December 2023
(DKK millions)

			Carrying values of items				
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash in hand and demand deposits with central banks	259,156	259,156	259,156				
Due from credit institutions and central banks	114,813	114,813	9,237	105,577		92,981	
Trading portfolio assets	548,189	573,296		360,026		573,296	
Investment securities	283,914	267,110	266,617			4,487	
Loans at amortised cost	918,628	920,936	880,517	39,250	1,535		
Loans at fair value	928,239	928,239	753,276	174,963		174,963	
Assets under pooled schemes and unit-linked investment contracts	72,132	47,876					47,876
Assets under insurance contracts	494,799	-					
Assets held for sale	110,704	110,704	110,704				
Holdings in group undertakings	-	20,366	14,255				6,111
Intangible assets	6,064	6,064	517				
Tax assets	3,264	4,033	3,404				
Others assets	31,079	31,580	30,652				928
Total assets	**3,770,981**	**3,284,174**	**2,328,335**	**679,815**	**1,535**	**845,727**	**54,915**
Liabilities							
Due to credit institutions and central banks	154,608	154,608		116,063		85,547	
Trading portfolio liabilities	454,487	464,059		350,491		464,059	
Deposits	1,222,203	1,229,338		129,818		-	
Issued bonds at fair value	748,780	754,764				120,213	
Issued bonds at amortised cost	214,234	214,234				7,983	
Deposits under pooled schemes and unit-linked investment contracts	71,253	48,140					
Liabilities under insurance contracts	482,630	-					
Liabilities in disposal groups held for sale	56,476	56,476					
Tax liabilities	1,557	1,307					
Other liabilities	57,046	56,957					
Non-preferred senior bonds	93,194	93,194					
Subordinated debt	38,774	35,174					
Total liabilities	**3,595,242**	**3,108,251**		**596,371**		**677,802**	
Total shareholders' equity	175,739	175,923					
Total liabilities and shareholders' equity	**3,770,981**	**3,284,174**					

Note
The carrying values under the scope of regulatory consolidation do not always equal the sum of the amounts shown under the individual risk frameworks because there are items that have capital charges under more than one risk framework.

Table 2.9
EU LI2 – Main sources of differences between regulatory exposure amount and carrying values in financial statements

At 31 December 2023 (DKK millions)			Items subject to			
			Credit risk framework	CCR framework	Securitisation framework	Market risk framework[4]
1	**Assets carrying value amount under the scope of regulatory consolidation**	**3,284,174**	**2,328,335**	**679,815**	**1,535**	**845,727**
2	Liabilities carrying value amount under the regulatory scope of consolidation	3,108,251	-	596,371	-	677,802
3	Total net amount under the regulatory scope of consolidation	175,923	-	83,444	-	-
4	Differences due to provisions on IRB approach[1]	13,683	13,683	-	-	-
5	Differences due to financial collateral on SA[2]	-23	-23	-	-	-
6	Differences due to off-balance items after CCF[3]	344,474	343,539	-	935	-
7	Differences due to use of CRR netting rules	-	-	12,776	-	-
8	Differences due to Potential future exposure, collateral and specific wrong-way-risk	-	-	53,356		
9	Difference due to other items	77,863	77,863			
10	**Exposure amounts considered for regulatory purposes**	**2,915,076**	**2,763,031**	**149,575**	**2,470**	**-**

Note
On the basis of EBA guidelines, Danske Bank made a change for SFTs not covered by the IMM model in 2023. The received collateral eligible for netting is now used for downscaling the EAD rather than downscaling the LGD. The change significantly reduced the EAD for these products, while risk weights increased in 2023.

CCR regulatory netting is made under legal master netting agreements while IFRS netting is more restrictive in that netting is allowed only when there is a legal right to setoff at any time (not only at the time of default) and when net cashflows are settled during the normal course of business.

Furthermore, collateral is used under the CRR for further mitigation of exposures.

Finally, potential future exposures and specific wrong-way risk exposures are also included for the regulatory exposures.

1 Provisions not deducted from IRB exposures constitute a difference as these are used for reducing the balances for accounting purposes.
2 Financial collateral under the standardised approach is deducted from exposures to calculate the EAD amount for risk weighting. This is not the case for accounting purposes.
3 Off-balance-sheet items included under the credit risk and securitisation frameworks after the application of CCF and credit mitigation techniques.
4 Figures have not been stated because the exposure at default (EAD) is not calculated under the market risk framework.

Table 2.10
EU LI3 – Outline of the differences in the scopes of consolidation

At 31 December 2023

		Method of regulatory consolidation					
Name of the entity	Method of accounting consolidation	Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	Description of the entity
Bankomat AB	Neither consolidated nor deducted				X		Financial institution (payment institution)
Danica Pension Livsforsikringsaktieselskab	Equity			X			Life insurance undertaking
Danske Bank A/S	Full consolidation	X					Credit institution
Danske Hypotek AB	Full consolidation	X					Credit institution
Danske Invest Asset Management AS	Full consolidation	X					Financial institution (asset management company)
Danske Invest Fund Management Ltd	Full consolidation	X					Financial institution (asset management company)
Danske Invest Management A/S	Full consolidation	X					Financial institution (asset management company)
Danske Leasing A/S	Full consolidation	X					Financial institution (lending/ consumer credit)
Danske Markets Inc.	Full consolidation	X					Investment firm (brokerage firm, 3rd country)
Danske Mortgage Bank Plc	Full consolidation	X					Credit institution
Danske Private Equity A/S	Full consolidation	X					Financial institution (asset management company)
Danske Renting AB	Full consolidation	X					Financial institution (holding company)
E-Nettet A/S	Neither consolidated nor deducted				X		Ancillary services undertaking (data centre for financial undertakings)
HOME A/S	Full consolidation	X					Ancillary services undertaking (real estate agent, ancillary to the principal activity of Realkredit Danmark)
National Irish Bank Financial Services Limited	Full consolidation	X					Other (authorised as a trust or company service provider, corporate trustee)
NIBDAN Limited	Full consolidation	X					Other (executing documentation relating to historic charges and remediating defective title deeds, formerly National Irish Bank Limited)
Northern Bank Factors Limited	Full consolidation	X					Other (dormant, cf. Companies Act 2006, sec. 1169)
Northern Bank Limited	Full consolidation	X					Credit institution/banking (3rd country)
Realkredit Danmark A/S	Full consolidation	X					(Mortgage) Credit institution
Tyssekraft AS	Full consolidation	X					Other, Production of renewable energi (fallrettigheter)
DDB AS	Full consolidation	X					Financial institution
Vipps MobilePay AS	Neither consolidated nor deducted				X		Financial institution (payment institution/electronic money institution)
DDB Invest AB	Full consolidation	X					Financial institution (asset management company)
Danske Bank (Ireland) Pensions Designated Activity Company	Full consolidation	X					Other (authorised as a Trust or Company Service Provider, pension scheme trusteee)
Danske Bank (Ireland) Pension Trust Designated Activity Company	Full consolidation	X					Other (authorised as a Trust or Company Service Provider, pension scheme trusteee)
Northern Bank Executor and Trustee Company Limited	Full consolidation	X					Other (dormant, cf. Companies Act 2006, sec. 1169, financial intermediation not elsewhere classified)
Northern Bank Nominees Limited	Full consolidation	X					Other (dormant, cf. Companies Act 2006, sec. 1169, financial intermediation not elsewhere classified)
Northern Bank Pension Trust Limited	Full consolidation	X					Other (dormant company, pension scheme trustee)

Table 2.11
EU CCA – Capital instruments' main features

At 31 December 2023
(DKK millions)

1	Issuer	Danske Bank A/S	Danske Bank A/S	Danske Bank A/S	Danske Bank A/S	Danske Bank A/S	Danske Bank A/S	Danske Bank A/S	Danske Bank A/S
2	Unique identifier (eg. CUSIP, ISIN or Bloomberg identifier for private placement)	XS1586367945	XS1825417535	XS2343014119	XS2079696998	XS2078761785	XS1967697738	XS2225893630	XS2299135819
3	Governing law(s) of the instrument	English/Danish	English/Danish	English/Danish	English/Danish	English/Danish	English/Danish	English/Danish	English/Danish
Regulatory treatment									
4	Transitional CCR rules	Additional tier 1	Additional tier 1	Additional tier 1	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Additional tier 1	Additional tier 1	Additional tier 1	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-) consolidated/ solo & (sub-) consolidated	Solo and (sub-) Consolidated	Solo and (sub-) Consolidated	Solo and (sub-) Consolidated	Solo and (sub-) Consolidated	Solo and (sub-) Consolidated	Solo and (sub-) Consolidated	Solo and (sub-) Consolidated	Solo and (sub-) Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (as of most recent reporting date)	5057.85	5057.85	5057.85	672.20	5589.90	5589.90	3726.60	5589.90
9	Nominal amount of instrument	USD 750,000,000	USD 750,000,000	USD 750,000,000	SEK1,000,000,000	EUR 750,000,000	EUR 750,000,000	EUR 500,000,000	EUR 750,000,000
9a	Issue price	100.00	100.00	100.00	100.00	99..46	99..429	99..814	99..879
9b	Redemption price	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	28.03.2017	26.06.2018	18.05.2021	14.11.2019	12.11.2019	22.03.2019	02.09.2020	15.02.2021
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	Perpetual	Perpetual	Perpetual	14.11.2029	02.12.2030	21.06.2029	02.09.2030	15.05.2031
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contigent call dates and redemption amount	28-03-2024 100 per cent of Nominal amount In addition Tax/Regulatory call	26-06-2025 100 per cent of Nominal amount In addition Tax/Regulatory call	18-05-2026 to 18-11-2026 100 per cent of Nominal amount In addition Tax/Regulatory call	1-11-2024 100 per cent of Nominal amount In addition Tax/Regulatory call	2-12-2025 100 per cent of Nominal amount In addition Tax/Regulatory call	21-06-2024 100 per cent of Nominal amount In addition Tax/Regulatory call	02-09-2025 100 per cent of Nominal amount In addition Tax/Regulatory call	16-02-2026 to 15-05-2026 100 per cent of Nominal amount In addition Tax/Regulatory call
16	Subsequent call dates, if applicable	Subsequent coupon days	Subsequent coupon days	Subsequent coupon days	Subsequent coupon days	N/A	N/A	N/A	N/A
Coupons / dividends									
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Fixed 6.125 per cent per annum semiannually paid to call date, thereafter reset to 7Y USD SWAP rate + 3.896 per cent per annum.	Fixed 7.00 per cent per annum semiannually paid to call date, thereafter reset to 7Y US Treasury rate + 4.130 per cent per annum.	Fixed 4.375 per cent per annum semiannually paid to call date, thereafter reset to 5Y US Treasury rate + 3.380 per cent per annum.	Floating 3M Stibor + 1.90 per cent per annum, payable quarterly.	Fixed 1.375 per cent per annum to call date, thereafter reset to 5Y EUR SWAP rate +1.70 per cent per annum.	Fixed 2.50 per cent per annum to call date, thereafter reset to 5Y EUR SWAP rate +2.50 per cent per annum.	Fixed 1.50 per cent per annum to call date, thereafter reset to 5Y EUR SWAP rate +1.90 per cent per annum.	Fixed 1.00 per cent per annum to call date, thereafter reset to 5Y EUR SWAP rate +1.40 per cent per annum.
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No

> Table 2.11 (continued)
EU CCA – Capital instruments' main features

20a	Fully discretionary, partially or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Fully discretionary	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
				-					
20b	Fully discretionary, partially or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Fully discretionary	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative					
23	Convertible or non-convertible	Convertible	Convertible	Convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	7% Solo and Consolidated	7% Solo and Consolidated	7% Solo and Consolidated	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	Fully	Fully	Fully					
26	If convertible, conversion rate	Greater of Current Market Price and USD 23.97 (Floor Price)	Greater of Current Market Price and USD 23.97 (Floor Price)	Greater of Current Market Price and USD 23.97 (Floor Price)					
27	If convertible, mandatory or optional conversion	Mandatory	Mandatory	Mandatory					
28	If convertible, specify instrument type convertible into	Ordinary shares	Ordinary shares	Ordinary shares					
29	If convertible, specify issuer of instrument it converts into	Danske Bank A/S	Danske Bank A/S	Danske Bank A/S					
30	Write-down features	No	No	No	Yes	Yes	Yes	Yes	Yes
31	If write-down, features, write down trigger(s)	N/A	N/A	N/A	Only applicable if the bank is in recapitalisation or discontinues its business w/o loss to its non-subordinated creditors	Only applicable if the bank is in recapitalisation or discontinues its business w/o loss to its non-subordinated creditors	Only applicable if the bank is in recapitalisation or discontinues its business w/o loss to its non-subordinated creditors	Only applicable if the bank is in recapitalisation or discontinues its business w/o loss to its non-subordinated creditors	Only applicable if the bank is in recapitalisation or discontinues its business w/o loss to its non-subordinated creditors
32	If write-down, full or partial				Fully or partially	Fully or partially	Fully or partially	Fully or partially	Fully or partially
33	If write-down, permanent or temporary				Permanent	Permanent	Permanent	Permanent	Permanent
34	If temporary write-down, description of write-down mechanism								
35	Positionin subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to Tier 2	Subordinated to Tier 2	Subordinated to Tier 2	Subordinated to Senior	Subordinated to Senior	Subordinated to Senior	Subordinated to Senior	Subordinated to Senior
36	Non-compliant transitioned features	No	No	No	No	No	No	No	No
37	If yes, specify non-compliant features								

Table 2.12
EU LR1 – Leverage ratio common disclosure

At 31 December 2023
(DKK millions)

		Applicable amount
1	Total assets as per published financial statements	3,284,174
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-17,173
8	Adjustments for derivative financial instruments	-214,311
9	Adjustment for securities financing transactions (SFTs)	11,601
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	314,745
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
EU-11a	Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12	Other adjustments	-52,075
13	**Total exposure measure**	**3,326,961**

Table 2.13
EU LR2 – Leverage ratio common disclosure

At 31 December 2023
(DKK millions)

		CRR leverage ratio exposures	
		31 Dec 2023	30 Juni 2023
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	2,639,119	2,586,246
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-45,747	-38,283
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	-13,259	-11,614
7	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)**	**2,580,113**	**2,536,349**
Derivative exposures			
8	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	32,621	61,552
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	112,886	106,490
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	-	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-741	-50
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	12,130	12,960
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-11,182	-9,420
13	**Total derivatives exposures**	**145,714**	**171,533**
SFT exposures			
14	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	489,559	426,909
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-214,772	-165,439
16	Counterparty credit risk exposure for SFT assets	11,601	5,963
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	**Total securities financing transaction exposures**	**286,388**	**267,433**
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	739,025	739,025
20	(Adjustments for conversion to credit equivalent amounts)	-424,280	-422,920
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)		
22	**Other off-balance sheet exposures**	**314,745**	**316,105**
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)			
EU-22a	(Exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	-	-
EU-22c	(-) Excluded exposures of public development banks (or units) – Public sector investments	-	-
EU-22d	(Excluded exposures of public development banks (or units) – Promotional loans):	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units)	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
Capital and total exposure measure			
23	**Tier 1 capital**	**168,479**	**162,736**
24	**Total exposure measure**	**3,326,961**	**3,291,420**
Leverage ratio			
25	Leverage ratio	5.1%	4.9%
EU-25	Leverage ratio (without the adjustment due to excluded exposures of public development banks – Public sector investments) (%)	5.1%	4.9%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	5.1%	4.9%
26	Regulatory minimum leverage ratio requirement (%)	3.0%	3.0%

> Table 2.13 (continued)
EU LR2 – Leverage ratio common disclosure

EU-26	Additional leverage ratio requirements (%)	0.0%	0.0%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.0%	0.0%
EU-26b	*of which: to be made up of CET1 capital (percentage points)*	*0.0%*	*0.0%*
EU-27	Leverage ratio buffer requirement (%)	0.0%	0.0%
EU-27a	Overall leverage ratio requirement (%)	3.0%	3.0%
Choice on transitional arrangements and amount of derecognised fiduciary items			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Transitional	Transitional
Disclosure of mean values			
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	288,810	-
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	274,787	-
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	3,340,984	-
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	3,340,984	-
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.0%	-
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.0%	-

Table 2.14
EU LR3 – Split-up of on balance sheet exposures

At 31 December 2023
(DKK millions)

		CRR leverage ratio exposires
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	2,649,361
EU-2	Trading book exposures	239,435
EU-3	Banking book exposures, of which:	2,409,926
EU-4	Covered bonds	199,596
EU-5	Exposures treated as sovereigns	457,484
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	2,676
EU-7	Institutions	10,257
EU-8	Secured by mortgages of immovable properties	1,145,637
EU-9	Retail exposures	87,847
EU-10	Corporate	377,280
EU-11	Exposures in default	20,412
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	108,737

Table 2.15
EU CCyB1 – Geographical distribution of relevant credit exposures

At 31 December 2023
(DKK millions)

	General credit exposure*		Relevant credit exposures – Market risk*		Securitisation exposure*			Own funds requirements						
	Exposure value for SA	Exposure value for IRB	Sum of long and short positions of trading book exposures for SA	Value of trading book exposure for internal models	Exposure value for SA	Exposue value for IRB	Total exposure value	Relevant credit risk exposures – credit risk	Relevant credit risk exposures – market risk	Relevant credit risk exposures – Securitisation in the non-trading book	Total	Risk-weighted exposure amounts	Own funds requirement weights	Countercyclical capital buffer rate
Denmark	255,082	1,004,229	3	34,275	-		1,293,591	28,543	186	-	28,729	359,116	0.5117	2.50%
Sweden	23,731	370,682	-	11,174	-	-	405,588	9,786	189	-	9,975	124,691	0.1777	2.00%
Norway	24,689	257,681	-	6,035	-		288,406	6,203	26	-	6,229	77,868	0.1110	2.50%
Finland	26,915	193,392	-	2,596	-	-	222,904	6,502	38		6,540	81,750	0.1165	0.00%
United Kingdom	56,434	10,679	1	417	-	2,190	69,720	2,647	7	65	2,719	33,987	0.0484	2.00%
Iceland	-	1,742	-	-	-	-	1,742	37	-	-	37	467	0.0067	2.00%
Czech republic	-	571	-	-	-	-	571	12	-	-	12	156	0.0002	2.00%
Hong Kong	-	299	-	-	-	-	299	10	-	-	10	127	0.0002	1.00%
Lithuania	-	535	-	-	-	-	535	35	-	-	35	434	0.0006	1.00%
Luxembourg	143	11,427	-	-	-	-	11,570	244	-	-	244	3,054	0.0044	0.50%
Germany	251	17,854	-	1,027	-	-	19,132	254	102	-	356	4,450	0.0063	0.75%
France	158	1,290	2	489	-	-	1,939	28	6	-	34	423	0.0006	0.50%
Ireland	684	13,416	-	-	-	-	14,100	275	-	-	275	3,441	0.0049	1.00%
Cyprus	-	63	-	-	-	-	63	4	-	-	4	47	0.0000	0.50%
Estonia	-	693	-	-	-	-	693	15	-	-	15	193	0.0003	1.50%
Netherlands	-	3,581	-	537	-	280	4,398	94	39	6	139	1,742	0.0025	1.00%
Other countries	771	31,696	6	578	-	1	33,052	770	16	-	786	9,805	0.0081	0.00%
Total	**388,858**	**1,919,831**	**12**	**57,128**	**-**	**2,471**	**2,368,300**	**55,460**	**609**	**71**	**56,140**	**701,750**	**1.0000**	

* The countercyclical capital buffer is calculated only for the relevant credit exposure classes as defined in article 140(4) of the Capital Requirement Directive. Exposure classes not included in the calculation are exposures to a) central governments or central banks, b) regional governments or local authorities, c) public sector entities, d) multilateral development banks, e) international organisations and f) institutions.

Table 2.16
EU CCyB2 – Amount of institution-specific countercyclical capital buffer

At 31 December 2023
(DKK millions)

		RWA amounts
1	Total risk exposure amount	827,882
2	Institution specific countercyclical capital buffer rate	2.03%
3	Institution specific countercyclical capital buffer requirement	16,779

Table 2.17
EU PV1 – Prudent validation adjustment

At 31 December 2023
(DKK millions)

		Risk category					Category level AVA – Valuation uncertainty			Total category level post-diversification	
		Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA		Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
1	Market price uncertainty	3	506	11	8	-	16	9	276	151	125
3	Close-out cost	5	611	2	12	-	-	-	315	169	146
4	Concentrated positions	-	102	-	-	-			102	51	51
5	Early termination	-	-	-	-	-			-	-	-
6	Model risk	19	44	-	-	-	8	-	36	36	-
7	Operational risk	-	57	1	1	-			59	33	27
10	Future administrative costs	-	99	-	1	-			101	57	43
12	**Total Additional Valuation Adjustments (AVAs)**								**890**	**498**	**392**

3.
Credit risk

Pillar III disclosures

3.1 CREDIT RISK MANAGEMENT

Credit risk is the risk of losses when debtors fail to meet all or part of their payment obligations to the Danske Bank Group. Credit risk includes counterparty credit risk.

The Group manages credit risk in accordance with its Credit Policy, credit risk tolerance and related governance documents. The purpose of these elements is twofold: 1) to ensure a consistent approach to credit risk management as well as clear roles and responsibilities across markets and business units and 2) to make sure that risk-taking remains supportive of the Group's business strategy, including sustainable finance.

The Group ensures compliance with the Credit Policy and related governance documents through the credit control environment (includes both system-supported controls and manual controls), while portfolio monitoring ensures alignment with the Group's credit risk tolerance.

3.1.1 Risk governance and responsibilities

Credit risk is managed in line with the principles of the three-lines-of-defence model. Business-facing units and direct support functions make up the first line of defence.

Delegated lending authorities

The mandate for approving credit risk is cascaded from the Board of Directors to the Executive Leadership Team and further down the organisation through lending authorities that are delegated on the basis of qualifications and need, for example. If a credit application exceeds the delegated lending authority of the individual mandate holder, the application will be submitted to a lending officer with the necessary authority. The second line of defence must be involved in the credit sanctioning process for credit applications and renewals above a certain materiality threshold, while both the Executive Leadership Team and the Board of Directors are involved in the approval process for credit applications of a reputational or material financial nature.

3.1.2 Monitoring and reporting

At the group level, Group Risk Management oversees the Group's credit activities and reports on developments in the credit portfolios. Portfolio reports are presented to the Executive Leadership Team's Group All Risk Committee and the Board of Directors' Risk Committee on a monthly basis and to the Board of Directors on a quarterly basis.

3.1.3 Credit risk tolerance and concentration frameworks

The Group's credit risk tolerance specifies the level of credit risk that the Group is willing to assume, or avoid, in pursuit of its long-term strategic objectives in its strategic core markets. The Board of Directors articulates the long-term view of the boundaries within which the Group is expected to operate.

Managing credit concentrations

The Group has implemented a set of frameworks to manage credit risk concentration. The frameworks cover the following:

- Single-name concentrations and large exposures: Limits are set on credit risk exposures to single names, thus protecting the Group from excessive losses resulting from the default of a single customer group. The limits on large exposures are defined within the large exposure restrictions of article 391 of the Capital Requirements Regulation (EU) No 575/2013 (CRR). The limits on single-name concentrations are as follows:
  - an absolute limit on the largest single aggregate exposure
  - the sum of the 20 largest exposures
- Industry concentrations
- Geographical concentrations

3.1.4 Risk identification and assessment

The Group's credit process ensures that loans are granted to customers within their financial capacity. This is a key element in the credit approval process. Close collaboration with specialised units ensures that weak customers are identified as soon as possible. This takes place through ongoing credit assessment, controlling and monitoring of customers when early warning signals are observed or significant deteriorations in performance, ratings or downgrades are detected.

The Group has a high focus on early collection activities for personal and small business customers, and early signs of inability to repay are addressed by dedicated teams specialised in identifying and mitigating such issues. This allows the Group to work with customers to remediate issues in a timely manner and to reduce the volume of non-performing loans to personal and small business customers.

Similarly, the Group uses early warning indicators for business customers that show poor performance. This enables relationship managers to be more proactive at an earlier stage, thus providing better outcomes for the Group and customers.

The Group engages in work-out processes with customers in order to minimise losses and help healthy customers in temporary financial difficulty. During the work-out process, the Group makes use of forbearance measures to assist non-performing customers.

3.1.5 Stress testing

To set the overall credit risk tolerance at group and business unit levels, the Group stress-tests the total portfolio using the severe recession scenario used as the foundation for the ICAAP stress tests. The Group's credit risk tolerance is thus based on forward-looking parameters.

The Group conducts bottom-up stress tests on selected industries. These stress tests form part of extensive sector and portfolio reviews, and they are used for the assessment of specific risk strategies for individual sectors. These portfolio reviews are presented to the Executive Leadership Team and to the Board of Directors' Risk Committee. For relevant sectors, stress tests using climate scenarios are performed to assess climate risk exposure at the portfolio level.

3.1.6 Rating and scoring processes

Group Risk Management is responsible for the overall rating and scoring processes, including the underlying rating and scoring models.

The ratings of large customers are reassessed periodically on the basis of new information that affects a customer's creditworthiness.

For small customers, such as personal customers and small businesses, the Group uses fully automated and statistically based scoring models. Credit scores are updated monthly in a process subject to automated controls.

Both rating and scoring models are validated annually by an independent unit (Model Risk Management) to assess their performance and highlight any deficiencies that need to be addressed.

Risk classification distribution

Both the scoring and the rating of customers are integral elements of the credit approval and overall credit risk management processes. The Group's internal classifications are based on point-in-time (PIT) parameters and reflect the probability of default within a year.

The Group's classification scale consists of 11 main categories. Categories 1-5 apply to investment grade customers, categories 6-7 apply to non-investment grade customers, and categories 8, 9 and 10 cover vulnerable customers while category 11 covers customers in default.

3.1.7 Risk mitigation and collateral management

The Group uses several measures to mitigate credit risk, including collateral, guarantees and covenants. Measured by volume, the main types of collateral are properties, guarantees, vehicles and vessels.

The value of collateral is monitored and reassessed by advisers, internal or external assessors, and automatic valuation models to ensure that it reflects current market prices. The Group's Collateral System supports this process by accepting only up-to-date values, thus ensuring that the Group complies with regulatory requirements.

The validity of the internal and external input on which the valuation models depend is assessed regularly, and the performance of the models themselves is validated annually by Model Risk Management to assess their performance and highlight any deficiencies that need to be addressed.

The market value of collateral is subject to a haircut to reflect the fact that the Group may not be able to obtain the estimated market value upon the sale of the individual asset in a distressed situation. Hence, the haircut includes a forced sale reduction, price volatility during the sales period, realisation costs and maintenance costs. The haircut applied depends on the type of collateral. For regulatory purposes, the Group also applies more conservative haircuts in order to capture the risk of an economic downturn.

3.1.8 Support systems

The Group has a number of systems for measuring and controlling credit risk. Among the most important systems are the Credit System, the Collateral System, the Rating/Scoring System and a number of follow-up systems.

The Credit System is the foundation of the credit process. It contains all relevant details about credit facilities, financial circumstances and customer relations. The system is used for all customer segments and products across all sales channels. It ensures that the basis for decision-making is established and stored properly.

Pillar III disclosures

Table 3.1
EU CQ1 – Credit quality of forborne exposure

At 31 December 2023
(DKK millions)

		Gross carrying amount of forborne exposures / Nominal amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
			Non-performing forborne						
		Performing forborne		Of which: Defaulted	Of which: Impaired	On performing forborne exposures	On non-performing forborne exposures		Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures
005	**Cash balances at central banks and other demand deposits**	-	-	-	-	-	-	-	-
010	**Loans and advances**	**5,210**	**9,107**	**9,107**	**7,828**	**-525**	**-2,361**	**7,117**	**4,825**
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	112	112	3	-	-4	74	74
040	Credit institutions	-	-	-	-	-	-	-	1
050	Other financial corporations	4	14	14	12	0	-2	16	11
060	Non-financial corporations	3,549	6,730	6,730	6,322	-415	-1,609	4,414	3,538
070	Households	1,657	2,251	2,251	1,490	-109	-745	2,613	1,202
080	**Debt Securities**	-	-	-	-	-	-	-	-
090	**Loan commitments given**	**1,618**	**1,292**	**1,292**	**1,286**	**243**	**232**	**261**	**170**
100	**Total**	**6,828**	**10,399**	**10,399**	**9,114**	**-768**	**-2,593**	**7,378**	**4,996**

Table 3.2
EU CQ3 – Credit quality of performing and non-performing exposures by past due days

At 31 December 2023
(DKK millions)

		Performing exposures			Non-performing exposures							
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which: Defaulted
005	**Cash balances at central banks and other demand deposits**	**256,318**	**256,318**	**0**	**4**	**4**	**-**	**-**	**-**	**-**	**-**	**-**	**4**
010	**Loans and advances**	**1,946,132**	**1,943,861**	**2,271**	**30,421**	**29,041**	**490**	**529**	**223**	**114**	**17**	**6**	**30,421**
020	Central banks	28,311	28,311	-	-	-	-	-	-	-	-	-	-
030	General governments	55,208	55,162	46	946	946	-	-	-	-	-	-	946
040	Credit institutions	32,901	32,897	4	3	3	-	-	-	-	-	-	3
050	Other financial corporations	280,763	280,762	1	182	177	-	-	0	5	0	-	182
060	Non-financial corporations	795,198	794,290	908	16,486	16,100	130	140	87	28	1	0	16,486
070	*of which: SMEs*	*367,270*	*366,729*	*541*	*8,575*	*8,195*	*130*	*133*	*87*	*28*	*1*	*0*	*8,575*
080	Households	753,752	752,440	1,312	12,803	11,814	360	390	136	81	16	6	12,803
090	**Debt securities**	**284,746**	**284,746**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	53,494	53,494	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	226,890	226,890	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	2,280	2,280	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	2,082	2,082	-	-	-	-	-	-	-	-	-	-
150	**Off-balance-sheet exposures**	**792,803**			**6,052**								**6,052**
160	Central banks	4			-								-
170	General governments	63,407			8								8
180	Credit institutions	61,077			5								5
190	Other financial corporations	57,227			8								8
200	Non-financial corporations	490,436			5,574								5,574
210	Households	120,652			457								457
220	Total	3,279,998	2,484,925	2,271	36,477	29,045	490	529	223	114	17	6	36,477

Note
The gross carrying amount for Norway declined from 2022 levels due to Danske Bank's announced exit from the Norwegian personal customer market.

Table 3.3
EU CQ4 – Quality of non-performing exposures by geography

At 31 December 2023
(DKK millions)

		Gross carrying/Nominal amount				Accumulated impairment		
			Of which: non-performing					
				Of which: defaulted	Of which: subject to impairment		Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
010	**On balance sheet exposures**	**2,261,298**	**30,421**	**30,421**	**1,218,317**	**-13,735**		**-989**
020	Denmark	1,256,404	14,623	14,623	389,752	-5,518		-988
030	Sweden	342,550	4,699	4,699	326,025	-3,873		-
040	Norway	128,497	2,379	2,379	119,751	-1,083		-
050	Finland	205,132	5,009	5,009	204,949	-2,447		-
060	United Kingdom	93,828	1,656	1,656	83,639	-525		-
070	Other countries	234,887	2,055	2,055	94,201	-289		-1
080	**Off balance sheet exposures**	**798,855**	**6,052**	**6,052**			**3,161**	
090	Denmark	269,398	1,373	1,373			919	
100	Sweden	175,067	2,186	2,186			1,317	
110	Norway	100,626	896	896			315	
120	Finland	94,265	1,205	1,205			460	
130	United Kingdom	36,455	224	224			43	
140	Other countries	123,044	168	168			107	
150	**Total**	**3,060,153**	**36,473**	**36,473**	**1,218,317**	**-13,735**	**3,161**	**-989**

Note
The gross carrying amount for Norway declined from 2022 levels due to Danske Bank's announced exit from the Norwegian personal customer market.

Table 3.4
EU CQ5 – Credit quality of loans and advances to non-financial corporations by industry

At 31 December 2023
(DKK millions)

		Gross carrying amount					
			Of which: non-performing				
				Of which: defaulted	Of which: loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
010	Agriculture, forestry and fishing	23,670	529	529	17,194	-357	-3
020	Mining and quarrying	2,203	24	24	2,081	-14	
030	Manufacturing	91,641	1,843	1,843	86,138	-1,138	-4
040	Electricity, gas, steam and air conditioning supply	27,786	1	1	17,207	-24	
050	Water supply	6,107	78	78	5,973	-38	
060	Construction	21,959	1,355	1,355	16,514	-1,033	-1
070	Wholesale and retail trade	62,405	2,698	2,698	56,405	-1,454	-3
080	Transport and storage	34,376	2,670	2,670	31,868	-533	
090	Accommodation and food service activities	8,486	376	376	3,876	-101	
100	Information and communication	23,316	789	789	19,343	-362	
110	Financial and insurance actvities	24,769	403	403	21,147	-246	
120	Real estate activities	416,665	4,407	4,407	163,617	-2,271	-187
130	Professional, scientific and technical activities	36,665	699	699	35,487	-561	
140	Administrative and support service activities	15,600	263	263	14,949	-256	
150	Public administration and defense, compulsory social security	3,843	0	0	3,843		
160	Education	1,360	28	28	706	-18	
170	Human health services and social work activities	6,342	119	119	4,965	-51	-23
180	Arts, entertainment and recreation	1,422	133	133	1,021	-69	-15
190	Other services	3,071	70	70	1,624	-45	-24
200	**Total**	**811,684**	**16,486**	**16,486**	**503,958**	**-8,570**	**-262**

Note
The total gross carrying amount declined slightly from 2022 levels, reflecting a minor decrease in corporate lending.

In 2022, the energy sector witnessed an extraordinary need for liquidity, which stabilised to more normal levels in 2023.

Table 3.5
EU CQ7 – Collateral obtained by taking possession and execution processes

At 31 December 2023
(DKK millions)

		Collateral obtained by taking possession	
	Name of the entity	Value at initial recognition	Accumulated negative changes
010	Property, plant and equipment (PP&E)		
020	Other than PP&E	17	1
030	*Residential immovable property*	*14*	*1*
040	*Commercial Immovable property*	*3*	
050	*Movable property (auto, shipping, etc.)*		
060	*Equity and debt instruments*		
070	*Other collateral*		
080	**Total**	**17**	**1**

Table 3.6
EU CR1 – Performing and non-performing exposures and related provisions

At 31 December 2023
(DKK millions)

		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
			Of which: Stage 1	Of which: Stage 2		Of which: Stage 2	Of which: Stage 3		Of which: Stage 1	Of which: Stage 2		Of which: Stage 2	Of which: Stage 3	Accumu-lated partial write-off	On performing exposures	On non-performing exposures
005	**Cash balances at central banks and other demand deposits**	**256,318**	**256,290**	**27**	**4**	**-**	**-**	**-6**	**-4**	**-2**	**-2**	**-**	**-**	**-**	**-**	**-**
010	**Loans and advances**	**1,946,132**	**845,131**	**83,584**	**30,421**	**943**	**14,640**	**-7,627**	**-1,863**	**-5,679**	**-7,097**	**-77**	**-4,552**	**-1,873**	**1,504,540**	**18,497**
020	Central banks	28,311	1,597	-	-	-	-	-	-	-	-	-	-	-	26,714	-
030	General governments	55,208	45,559	33	946	569	267	-2	-1	-	-48	-	-10	-	15,063	896
040	Credit institutions	32,901	18,965	47	3	-	-	-7	-4	-2	-2	-	-	-	17,782	-
050	Other financial corporations	280,763	52,075	1,301	182	0	157	-66	-13	-53	-28	-	-26	-	235,775	85
060	Non-financial corporations	795,198	425,696	60,746	16,486	175	9,116	-4,848	-734	-4,066	-3,984	-55	-2,692	-1,705	528,407	8,811
070	*of which: SMEs*	*367,270*	*137,442*	*26,063*	*8,575*	*159*	*4,029*	*-2,111*	*-322*	*-1,761*	*-2,532*	*-53*	*-1,554*	*-754*	*317,808*	*4,263*
080	Households	753,752	301,239	21,457	12,803	199	5,100	-2,705	-1,111	-1,557	-3,035	-23	-1,825	-168	680,800	8,705
090	**Debt securities**	**284,746**	**264,132**	**-**	**0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-186**	**-**
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	53,494	52,485	-	-	-	-	-	-	-	-	-	-	-	0	-
120	Credit institutions	226,890	207,285	-	-	-	-	-	-	-	-	-	-	-	-186	-
130	Other financial corporations	2,280	2,280	-	-	-	-	-	-	-	-	-	-	-	0	-
140	Non-financial corporations	2,082	2,082	-	0	-	-	-	-	-	-	-	-	-	0	-
150	**Off-balance-sheet exposures**	**792,803**	**760,742**	**32,060**	**6,052**	**37**	**6,015**	**1,624**	**312**	**1,312**	**1,537**	**2**	**1,535**	**-**	**85,627**	**1,434**
160	Central banks	4	4	-	-	-	-	-	-	-	-	-	-	-	1	-
170	General governments	63,407	63,370	38	8	6	2	2	0	1	-	-	-	-	3,491	6
180	Credit institutions	61,077	60,658	418	5	-	5	8	5	3	-	-	-	-	887	-
190	Other financial corporations	57,227	55,591	1,636	8	-	8	23	14	10	1	-	1	-	3,960	6
200	Non-financial corporations	490,436	464,301	26,134	5,574	22	5,552	1,192	174	1,019	1,395	1	1,394	-	56,746	1,363
210	Households	120,652	116,818	3,834	457	8	449	398	120	279	141	1	140	-	20,542	59
220	**Total**	**3,279,998**	**2,126,296**	**115,672**	**36,477**	**979**	**20,656**	**-6,004**	**-1,551**	**-4,367**	**-5,560**	**-75**	**-3,017**	**-1,873**	**1,589,981**	**19,931**

Note
In terms of credit exposure, the Group's Pillar III disclosures meet the Capital Requirements Regulation whereas the Group's Annual Report 2023 includes loans, amounts due from credit institutions and central banks, guarantees and irrevocable loan commitments. This causes differences between the Pillar III disclosures and Annual Report 2023.

The performing exposures for households declined from 2022 levels due to Danske Bank's announced exit from the Norwegian personal customer market.

The definition of SMEs has been redefined, affecting the total exposure to SMEs in the EU CR1 table.

Table 3.7
EU CR1-A – A Maturity of exposures

At 31 December 2023
(DKK millions)

		Net exposure value					
		On demand	≤ 1 year	> 1 year ≤ 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	108,150	626,316	155,088	1,071,320	955	1,961,829
2	Debt Securities	0	75,234	168,690	40,823	-2	284,746
3	**Total**	**108,150**	**701,550**	**323,778**	**1,112,142**	**954**	**2,246,574**

Table 3.8
EU CR2 – Changes in the stock of non-performing loans and advances

At 31 December 2023
(DKK millions)

		Gross carrying amount
010	**Initial stock of non-performing loans and advances**	**32,257**
020	Inflows to non-performing portfolios	13,205
030	Outflows from non-performing portfolios	-15,041
040	Outflows due to write-offs	-992
050	Outflow due to other situations	-14,049
060	**Final stock of non-performing loanss and advances**	**30,421**

Table 3.9
EU CR3 – Credit risk mitigation techniques

At 31 December 2023
(DKK millions)

			Secured carrying amount			
					Of which secured by financial guarantees	
		Unsecured carrying amount		Of which secured by collateral		Of which secured by credit derivatives
1	Loans and advances	**709,841**	**1,523,034**	**1,468,912**	**54,122**	**-**
2	Debt securities	284,746	-	-	-	-
3	**Total exposures**	**994,586**	**1,523,034**	**1,468,912**	**54,122**	**-**
4	*of which non-performing exposures*	*11,927*	*18,494*	*15,954*	*2,540*	
5	*of which defaulted*					

Note
The market value of collateral is subject to a haircut. The haircut reflects the risk that the Group will not be able to obtain the estimated market value upon the sale of the individual asset in a distressed situation and thus includes forced sale reduction, price volatility during the sales period, realisation costs and maintenance costs. The haircut applied depends on the type of collateral. For regulatory purposes, the Group also applies a downturn haircut.

3.1.9 Securitisation activities

The Group books its portfolio of securitisation assets at amortised cost. When objective evidence of impairment is identified, the asset in question is written down to the discounted value of expected future cash flows.

For accounting purposes, the Group treats the exposure in the form of loan commitments to securitisation entities as lending activities. This means that, if it is likely that a loan commitment will be drawn, if the obligation can be reliably measured, and if the net present value of the expected payments discounted at the interest rates agreed upon is negative, then a liability equal to this amount will be recognised.

For drawn loan commitments, the Group recognises impairment charges if objective evidence of impairment is identified after the commitment was made.

The Group has no intention of assuming the role of sponsor for securitisation transactions but will consider selling credit risks through securitisation transactions if market conditions are sufficiently attractive. The Group remains reluctant to invest in securitisation bonds. There are no simple, transparent and standardised securitisations, and no re-securitisation cases are held.

The most significant risk on the portfolio is the credit risk associated with the underlying assets. The Group's strategy to acquire only securitisation assets that had (or could obtain) a triple-A rating from one of the major rating agencies has protected the Group reasonably well from losses in most cases although the credit quality of some of the financed asset portfolios has declined since inception.

The portfolio was originally acquired for the purpose of holding it until maturity. That is why it is booked at amortised cost and is considered to be investment holdings.

Super senior transactions make up 99% of the total portfolio. These transactions consist of credit facilities that were not part of the original financing of the asset portfolio. The facilities acted as committed overdraft facilities to ensure liquidity for the ongoing payment of interest, principal and costs. The repayment of drawings under these facilities ranked above the best tranches in the financing structure in question. In many cases, the original basis of the agreement specified a minimum requirement for the Group's rating.

The Group monitors the credit quality of the underlying asset portfolios. It also follows external news about the individual transactions and asset classes. Together, these two sources of information create a basis for an ongoing revaluation of the ratings of the transactions in question.

In most cases, losses on the underlying asset portfolio are larger than assumed at the beginning of a transaction. The ongoing risk assessment includes stress tests and an analysis of whether losses on the Group's assets can be expected in the period until the expected time of redemption.

When calculating the REA for securitisations, the Group uses the ratings-based method for IRB institutes. This means that the Group uses external ratings.

The Group has not entered into transactions as the originator for a long time. The existing portfolio has been redeemed, and there are no securitisation assets on the books for which the Group is the originator.

Table 3.10
EU SEC1 – Securitisation exposures in the non-trading book

At 31 December 2023
(DKK millions)

		Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
		Traditional				Synthetic			Traditional				Traditional			
		STS		Non-STS												
			Of which SRT		Of which SRT		Of which SRT	Sub-total	STS	Non-STS	Synthetic	Sub-total	STS	Non-STS	Synthetic	Sub-total
1	**Total exposures**													**2470**	**0**	**2470**
2	**Retail (total)**													**2470**	**0**	**2470**
3	*of which: residential mortgage*													*2468*	*0*	*2468*
4	*of which: credit card*													*0*		*0*
5	*of which: other retail exposures*													*2*		*2*
6	*of which: re-securitisation*															
7	**Wholesale (total)**															
8	*of which: loans to corporates*															
9	*of which: commercial mortgage*															
10	*of which: lease and receivables*															
11	*of which: other wholesale*															
12	*of which: re-securitisation*															

Table 3.11
EU SEC4 – Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as investor

At 31 December 2023
(DKK millions)

		Collateral obtained by taking possession					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
1	**Total exposures**	**-**	**1,588**	**882**	**-**			**2,470**				**886**				**71**		
2	Traditional securitisation	-	1,588	882	-			2,470				886				71		
3	Securitisation	-	1,588	882	-			2,470				886				71		
4	Retail underlying																	
5	*of which STS*																	
6	Wholesale																	
7	*of which STS*																	
8	Re-securitisation																	
9	Synthetic securitisation																	
10	Securitisation																	
11	Retail underlying																	
12	Wholesale																	
13	Re-securitisation																	

3.2 IRB FRAMEWORK AND MODEL DEVELOPMENT

In 2008, the Danish Financial Supervisory Authority (the Danish FSA) approved the Group's application to use the advanced internal ratings-based (A-IRB) approach for calculating the total risk exposure amount (REA). The Group is currently applying the A-IRB approach for the majority of the Group's exposures, the foundation IRB (F-IRB) approach for a small portfolio in Finland and the standardised approach for IRB exemptions.

3.2.1 Organisation of the IRB framework

The IRB framework is organised in teams dedicated to specific roles. This means that there are specific teams that consider the following:

- IRB model development:
  - probability of default (PD) model development (for scoring and rating models, respectively)
  - loss given default (LGD) and conversion factor (CF) model development
  - asset valuation model (AVM) development
- IRB framework maintenance and governance
- rating of large customers
- credit REA calculations

These teams are anchored in organisational units that have no direct involvement in credit granting. Control mechanisms are incorporated in their processes. Deep-dive controls are described in section 3.3.4.

3.2.2 IRB exemptions

The Danish FSA has granted the Group exemptions for the following exposure types:

- sovereigns, regional authorities and central banks
- local authorities treated as institutions and public-sector entities
- equity exposures
- exposure to covered bonds in the banking book
- exposures to Danica Group companies
- equity and other exposures to subsidiaries
- exposures held by Danske Capital A/S
- exposures consisting of purchased receivables
- housing companies in Finland
- retail exposures held by Danske Finance and through the branch in the Republic of Ireland
- exposures originated by the legal entity Northern Bank Limited (Northern Ireland)
- Danske Bank Group internal exposures
- corporate and institutional exposures held by the legal entities Danske Hypotek AB and Danske Mortgage Bank

3.2.3 Models in the IRB framework

The Group classifies customers by means of PD models and uses LGD models to estimate the loss on facilities in case of default. The CF models express an EAD (exposure at default) estimate for off-balance exposures.

The Group uses the PD models to assess the probability of default of customers in various segments. Business and financial customers[1] are classified by rating models, while small business customers and personal customers are classified by scoring models. The rating models rely mainly on financial data and qualitative company characteristics. Rating officers may choose to adjust the modelled ratings if they have relevant information that is not covered by the models. In contrast, behavioural data is, to a wider extent, used as input in scoring models, which are therefore updated at a higher frequency than rating models.

The general drivers for differences observed between PD and actual default rates include changes in economic conditions and model drivers, portfolio population changes, and increased uncertainty surrounding low default or low customer count portfolios.

For regulatory purposes in relation to the REA, in the majority of the models, point-in-time (PIT) PDs are converted into through-the-cycle (TTC) PDs by means of a scaling mechanism that ensures fixed-target levels while preserving the customer rankings. TTC PDs take into account regulatory floors where applicable.

IRB PD models by exposure class

Exposure class	Classification process	Key model segmentation
Central governments and central banks	Permanent exemption from IRB	Permanent exemption from IRB
Institutions	1 rating model (hybrid)	Bank
Corporates excluding SMEs	1 scoring and 13 rating models (1 hybrid)	Several sub-segments with different characteristics; e.g. models differentiate between agriculture, non-profit customers, large corporates, insurance and property rental
Corporate SMEs	2 rating models	Sole proprietorships are handled separately from other corporate SME customers
Retail SMEs	10 scoring models	Country-specific models for new and existing customers
Retail Personal	10 scoring models	
Equities	Permanent exemption from IRB	Permanent exemption from IRB

1 Customers with facilities exceeding DKK 2 million and customer groups with facilities exceeding DKK 7 million.

Two models use a hybrid PD approach in which PDs are not scaled to fixed-target levels – the hybrid models serve specifically to accommodate the low-default characteristics of banks and large corporates.

The Group's LGD models are primarily statistically driven models, but parameters for low-default portfolios rely to a high degree on benchmarks, external data and expert opinions. CF models are statistically driven for the credit cards and credits portfolios, including student loans, while other portfolios are based on expert opinions and relevant input. Downturn LGDs and downturn CFs are used for regulatory purposes, and they include regulatory floors and additional prudential margins. The downturn LGD parameter incorporates ongoing adjustments from collateral movements to ensure a stable level that reflects downturn conditions. LGD and CF model estimates are used only for exposures for which the Group is allowed to use the advanced IRB approach.

3.2.4 IRB framework monitoring

Group Risk Management reviews and follows up on compliance with the IRB minimum requirements of the Capital Requirements Regulation/Capital Requirements Directive.

The IRB governance structure and the modelling framework are evaluated regularly.

Reports on all changes and ongoing activities as well as reports on model performance and model risk status in relation to the IRB framework are prepared and shared with internal committees. Independent units monitor the IRB framework.

Validation of credit risk models

Model validation is the main component for identifying model risk in the IRB framework. The Group has an internal framework for validating models. Model Risk Management owns the validation process and methodology and has a reporting line that is separate from the teams that develop, maintain and run IRB models.

All new models included in the validation scope are subject to initial validation, while models in the production environment are validated at least once a year, independently of the business units and the team that develops the models. The current validation scope encompasses PD models for the rating and scoring of customers as well as LGD, CF and collateral value models. The validation scope also includes the framework across models, such as TTC calibration and downturn adjustment. As part of the validation, certain models are also assessed for purposes other than the IRB framework where this is relevant, such as expected credit loss and risk tolerance calculations.

Changes to the IRB framework and the IRB audit process

The Group has a governance structure for all changes made to the IRB framework to ensure the right level of management attention. Depending on the materiality of the individual changes, a minimum level of evaluation, challenge and signoff is required from management and the relevant control units in the second and third lines of defence.

Group Internal Audit, the Group's third line of defence, performs the independent audit of the IRB framework. The audit scope is determined from a risk- and control-based approach set out by Group Internal Audit. In respect of material changes to the IRB framework, Group Internal Audit performs a review of the documentation describing the changes and assesses the completeness of the application before it is submitted to the competent authority for approval.

The Danish FSA and/or the local supervisory authorities approve material changes to the IRB framework. The Group is required to notify authorities of less material changes.

Table 3.12
EU CR4 – Credit risk exposure and credit risk mitigation effects under standardized approach

At 31 December 2023
(DKK millions)

		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWAs	RWA density (%)
1	Central governments or central banks	332,256	28,091	400,166	24,143	300	0.1
2	Regional governments or local authorities	37,064	16,419	47,049	8,774	448	0.8
3	Public sector entities	614	840	1,101	411	286	18.9
4	Multilateral development banks	11,829	106	11,829	50		-
5	International organisations						
6	Institutions	774	66	753	7	155	20.4
7	Corporates	15,982	14,103	15,638	2,176	15,260	85.7
8	Retail	13,667	6,574	12,448	676	9,089	69.3
9	Secured by mortgages on immovable property	59,140	2,774	59,140	372	18,776	31.5
10	Exposures in default	3,120	172	1,776	1	2,221	125.0
11	Higher-risk categories	125	124	104	35	208	150.0
12	Covered bonds	199,596	-	199,596	-	19,960	10.0
13	Institutions and corporates with a short-term credit assessment	-	-	-	-		
14	Collective investment undertakings	61	49	61	24	1,070	1,250.0
15	Equity	17,629	-	17,629	-	17,629	100.0
16	Other items	77,969	-	77,969	-	77,944	100.0
17	**Total**	**769,827**	**69,318**	**845,259**	**36,670**	**163,345**	**18.5**

Note
Exposures post CCF and CRM are higher than exposures before CCF and CRM due to substitution effects.

Table 3.13
EU CR5 – Exposures by asset classes and risk weights under standardized approach

At 31 December 2023
(DKK millions)

		Risk weight																
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Total	Of which unrated
1	Central governments or central banks	424,009	-	-	-	-	-	-	-	-	300	-	-	-	-	-	424,309	328,668
2	Regional governments or local authorities	53,931	-	-	-	1,804	-	-	-	-	88	-	-	-	-	-	55,823	42,974
3	Public sector entities	83	-	-	-	1,429	-	-	-	-	-	-	-	-	-	-	1,512	1,512
4	Multilateral development banks	11,879	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,879	333
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	750	-	10	-	-	-	-	-	-	-	-	760	211
7	Corporates	-	-	-	-	-	-	1,812	-	-	16,002	-	-	-	-	-	17,814	15,977
8	Retail	-	-	-	-	-	-	-	-	13,124	-	-	-	-	-	-	13,124	13,124
9	Secured by mortgages on immovable property	-	-	-	-	-	59,353	8	-	-	152	-	-	-	-	-	59,513	59,513
10	Exposures in default	-	-	-	-	-	-	-	-	-	889	888	-	-	-	-	1,777	1,776
11	Higher-risk categories	-	-	-	-	-	-	-	-	-	-	139	-	-	-	-	139	139
12	Covered bonds	-	-	-	199,596	-	-	-	-	-	-	-	-	-	-	-	199,596	35,260
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	86	-	86	86
15	Equity	-	-	-	-	-	-	-	-	-	17,629	-	-	-	-	-	17,629	17,021
16	Other items	0	-	-	-	3	-	44	-	-	77,921	-	-	-	-	3	77,969	77,960
17	**Total**	**489,902**	**0**	**0**	**199,596**	**3,986**	**59,353**	**1,874**	**0**	**13,124**	**112,980**	**1,026**	**0**	**0**	**86**	**3**	**881,929**	**594,552**

Table 3.14
AIRB CR6 – Credit risk exposures by exposure classes and PD range

At 31 December 2023
(DKK millions)

	PD range	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF (%)	EAD post CRM and post CCF	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity	RWAs	RWA density (%)	EL	Value adjustments and provisions
Institutions													
	0.00 to < 0.15	3,987	10,878	25.6	6,829	0.0	166	33.5	2.0	987	14.4	1	-1
	0.00 to <0.10	3,841	10,598	25.6	6,614	0.0	145	32.9	2.1	916	13.8	1	-1
	0.10 to <0.15	146	279	24.6	215	0.1	21	52.8	1.4	71	33.1	0	-0
	0.15 to < 0.25	4,345	7,185	75.5	9,770	0.2	54	27.3	0.8	2,079	21.3	6	-1
	0.25 to < 0.50	532	736	23.0	702	0.3	45	58.3	0.8	452	64.5	1	-3
	0.50 to < 0.75	40	128	19.7	65	0.7	13	58.2	1.6	72	109.8	0	-0
	0.75 to < 2.50	141	1,306	24.8	459	1.6	49	36.0	2.6	460	100.2	3	-6
	0.75 to <1.75	77	1,252	24.8	386	1.5	36	31.4	3.0	349	90.6	2	-2
	1.75 to <2.50	65	54	25.0	73	2.4	13	60.1	0.7	110	150.8	1	-4
	2.50 to < 10.00	10	13	23.8	13	3.1	11	63.0	0.6	24	184.2	0	-1
	2.50 to <5	10	10	20.0	12	2.8	10	63.3	0.2	21	176.4	0	-1
	5 to <10	-	3	35.8	1	5.9	1	60.1	5.0	3	266.0	0	-
	10.00 to < 100.00	0	237	21.0	50	28.4	6	7.2	0.5	19	37.2	1	-1
	10 to <20	0	10	44.1	5	13.6	5	56.4	4.2	14	287.9	0	-0
	20 to <30	-	227	20.0	45	30.0	1	2.1	0.1	5	11.0	0	-0
	30.00 to <100.00	-	227	0.0	-					-	0.0	-	-
	100.00 (Defaulted)	4	1	10.0	5	100.0	4	45.0	0.2	1	12.0	2	-2
	Subtotal	**9,060**	**20,483**	**42.8**	**17,894**	**0.3**	**348**	**31.2**	**1.3**	**4,092**	**22.9**	**15**	**-15**
Corporates – Specialised lending													
	0.00 to < 0.15	21	2	88.2	23	0.1	1	9.5	5.0	2	9.4	0	-0
	0.00 to <0.10	-	-	0.0	-					-	0.0	-	-
	0.10 to <0.15	21	2	88.2	23	0.1	1	9.5	5.0	2	9.4	0	-0
	0.15 to < 0.25	-	-	0.0	-					-	0.0	-	-
	0.25 to < 0.50	69	0	93.4	69	0.4	4	6.9	3.7	7	10.1	0	-0
	0.50 to < 0.75	26	2	83.0	27	0.6	4	10.0	5.0	5	17.7	0	-0
	0.75 to < 2.50	4	1	74.8	4	2.1	11	37.1	2.1	3	74.3	0	-0
	0.75 to <1.75	0	-	0.0	0	1.1	2	8.4	4.2	0	18.8	0	-0
	1.75 to <2.50	3	1	74.8	4	2.2	9	39.5	2.0	3	79.0	0	-0
	2.50 to < 10.00	8	3	80.5	10	4.9	14	16.1	4.8	6	57.0	0	-0
	2.50 to <5	4	1	67.6	4	4.0	8	9.4	4.5	1	30.0	0	-0
	5 to <10	4	2	83.5	6	5.6	6	20.9	5.0	5	76.7	0	-0
	10.00 to < 100.00	-	-	0.0	-					-	0.0	-	-

> Table 3.14 (continued)
AIRB CR6 – Credit risk exposures by exposure classes and PD range

	PD range	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF (%)	EAD post CRM and post CCF	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity	RWAs	RWA density (%)	EL	Value adjustments and provisions
	10 to <20	-	-	0.0	-					-	0.0	-	-
	20 to <30	-	-	0.0	-					-	0.0	-	-
	30.00 to <100.00	-	-	0.0	-					-	0.0	-	-
	100.00 (Defaulted)	108	0	16.9	108	100.0	4	36.9	5.0	88	81.4	33	-33
	Subtotal	**235**	**8**	**81.9**	**241**	**45.2**	**38**	**21.8**	**4.6**	**111**	**45.9**	**33**	**-33**
Corporates – SMEs													
	0.00 to < 0.15	27,535	13,927	46.9	33,677	0.1	1,244	12.0	3.3	2,441	7.2	4	
	0.00 to <0.10	5,116	11,065	44.6	10,181	0.1	177	17.3	2.7	755	7.4	1	
	0.10 to <0.15	22,418	2,862	55.9	23,496	0.1	1,067	9.7	3.6	1,686	7.2	3	-3
	0.15 to < 0.25	68,703	14,669	45.9	47,384	0.2	1,079	16.3	3.8	6,839	14.4	15	-9
	0.25 to < 0.50	92,260	14,673	45.9	77,692	0.4	1,945	18.2	3.9	18,921	24.4	56	-79
	0.50 to < 0.75	52,484	11,753	42.9	51,254	0.6	1,628	18.1	3.7	14,355	28.0	57	-118
	0.75 to < 2.50	101,255	18,843	43.9	105,335	1.2	4,597	19.2	3.8	40,731	38.7	251	-1,197
	0.75 to <1.75	87,165	16,759	42.3	90,176	1.1	3,501	19.1	3.8	33,822	37.5	188	-694
	1.75 to <2.50	14,091	2,084	57.3	15,158	2.1	1,096	19.7	4.0	6,909	45.6	63	-503
	2.50 to < 10.00	14,609	1,542	59.4	15,155	4.2	1,282	19.3	4.0	7,967	52.6	126	-1,000
	2.50 to <5	10,961	939	60.5	11,449	3.6	891	17.8	4.1	5,360	46.8	71	-575
	5 to <10	3,648	603	57.7	3,706	6.1	391	24.0	3.9	2,607	70.3	55	-424
	10.00 to < 100.00	4,632	481	53.7	4,830	27.6	300	21.4	3.5	4,132	85.6	295	-650
	10 to <20	2,170	271	51.1	2,300	11.5	130	19.8	2.8	1,565	68.0	53	-410
	20 to <30	144	22	60.3	156	24.3	31	28.2	3.4	199	126.9	10	-60
	30.00 to <100.00	2,318	189	56.6	2,374	43.5	139	22.4	4.1	2,369	99.8	232	-180
	100.00 (Defaulted)	6,680	792	48.9	6,831	100.0	557	38.3	4.1	9,903	145.0	1,822	-1,881
	Subtotal	**368,159**	**76,680**	**45.5**	**342,158**	**3.2**	**12,632**	**18.1**	**3.8**	**105,290**	**30.8**	**2,625**	**-4,938**
Corporates – Other													
	0.00 to < 0.15	159,850	265,831	50.2	289,004	0.1	587	29.0	2.5	49,410	17.1	67	-119
	0.00 to <0.10	104,076	214,033	50.5	207,776	0.1	408	30.0	2.5	32,962	15.9	41	-77
	0.10 to <0.15	55,774	51,798	49.1	81,228	0.1	179	26.4	2.7	16,447	20.2	26	-42
	0.15 to < 0.25	57,145	48,595	52.1	81,503	0.2	305	26.5	2.9	23,120	28.4	40	-102
	0.25 to < 0.50	106,299	60,526	50.4	136,329	0.3	513	23.7	3.1	48,804	35.8	110	-265
	0.50 to < 0.75	40,543	14,224	54.8	48,341	0.6	291	24.2	3.1	22,818	47.2	73	-224
	0.75 to < 2.50	46,342	17,477	49.9	54,964	1.2	668	24.4	2.9	32,575	59.3	158	-705
	0.75 to <1.75	42,118	16,633	50.2	50,371	1.1	476	24.6	2.9	29,852	59.3	137	-548
	1.75 to <2.50	4,225	844	43.6	4,593	2.2	192	21.7	2.6	2,723	59.3	22	-157
	2.50 to < 10.00	4,405	3,445	50.1	6,130	4.8	522	24.1	2.4	5,484	89.5	72	-700

> Table 3.14 (continued)
AIRB CR6 – Credit risk exposures by exposure classes and PD range

	PD range	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF (%)	EAD post CRM and post CCF	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity	RWAs	RWA density (%)	EL	Value adjustments and provisions
	2.50 to <5	2,144	1,636	45.0	2,881	3.4	321	26.1	3.0	2,681	93.1	26	-323
	5 to <10	2,261	1,810	54.6	3,249	6.1	201	22.4	1.9	2,803	86.3	46	-377
	10.00 to < 100.00	5,985	2,041	52.0	7,019	29.7	124	27.8	2.2	11,226	159.9	565	-961
	10 to <20	1,378	62	44.1	1,392	18.3	54	29.5	2.1	2,233	160.4	76	-256
	20 to <30	2,747	1,669	52.9	3,630	29.5	26	33.1	2.2	6,978	192.2	354	-618
	30.00 to <100.00	1,860	309	48.6	1,997	38.3	44	17.0	2.2	2,016	100.9	135	-88
	100.00 (Defaulted)	6,054	3,677	48.2	7,063	100.0	64	34.1	2.0	5,377	76.1	1,979	-2,155
	Subtotal	**426,623**	**415,815**	**50.6**	**630,353**	**1.8**	**3,074**	**26.7**	**2.8**	**198,813**	**31.5**	**3,064**	**-5,232**
Retail – Immov prop/SME													
	0.00 to < 0.15	974	390	75.3	1,193	0.1	1,256	14.3	-	33	2.8	0	-0
	0.00 to <0.10	890	238	77.7	1,000	0.1	778	12.3	-	21	2.1	0	-0
	0.10 to <0.15	84	152	71.5	193	0.1	478	24.9	-	12	6.1	0	-0
	0.15 to < 0.25	677	226	71.0	830	0.2	1,328	21.0	-	59	7.2	0	-1
	0.25 to < 0.50	4,623	233	66.7	4,670	0.4	3,500	14.1	-	357	7.6	2	-3
	0.50 to < 0.75	5,270	133	61.5	5,147	0.6	3,521	12.7	-	488	9.5	4	-5
	0.75 to < 2.50	5,314	283	63.0	5,396	1.3	4,126	13.3	-	905	16.8	9	-40
	0.75 to <1.75	4,209	212	60.6	4,257	1.1	3,260	13.3	-	637	15.0	6	-18
	1.75 to <2.50	1,105	71	70.4	1,139	2.1	866	13.3	-	268	23.5	3	-22
	2.50 to < 10.00	2,319	113	53.9	2,326	4.4	1,566	13.3	-	817	35.1	14	-76
	2.50 to <5	1,573	51	62.7	1,577	3.7	1,179	12.0	-	450	28.5	7	-33
	5 to <10	746	62	46.7	749	5.9	387	15.8	-	367	49.0	7	-43
	10.00 to < 100.00	429	34	68.6	449	26.5	450	17.8	-	341	76.1	21	-58
	10 to <20	234	25	68.6	252	14.0	279	17.9	-	191	75.8	6	-41
	20 to <30	48	5	54.5	50	25.3	59	18.2	-	191	381.3	2	-6
	30.00 to <100.00	148	4	57.0	147	48.3	112	17.6	-	107	72.8	13	-11
	100.00 (Defaulted)	711	51	61.8	729	100.0	904	39.1	-	1,602	219.6	157	-160
	Subtotal	**20,318**	**1,463**	**67.4**	**20,740**	**5.2**	**16,651**	**14.7**	**-**	**4,602**	**22.2**	**209**	**-343**
Retail – immov prop/ non SME													
	0.00 to < 0.15	124,611	2,826	36.4	125,593	0.1	146,915	13.9	-	4,425	3.5	15	-32
	0.00 to <0.10	64,886	2,265	36.7	65,697	0.1	91,316	14.9	-	1,889	2.9	6	-17
	0.10 to <0.15	59,724	560	35.3	59,896	0.1	55,599	12.7	-	2,536	4.2	10	-15
	0.15 to < 0.25	133,469	6,784	36.1	135,832	0.2	98,409	13.9	-	8,640	6.4	37	-31
	0.25 to < 0.50	148,240	3,590	39.5	149,450	0.4	106,908	13.4	-	14,145	9.5	72	-57
	0.50 to < 0.75	85,686	1,731	44.5	86,367	0.6	58,455	13.7	-	12,300	14.2	73	-52
	0.75 to < 2.50	160,453	1,965	44.9	161,045	1.3	94,259	14.0	-	37,758	23.4	293	-244

> Table 3.14 (continued)
AIRB CR6 – Credit risk exposures by exposure classes and PD range

	PD range	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF (%)	EAD post CRM and post CCF	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity	RWAs	RWA density (%)	EL	Value adjustments and provisions
	0.75 to <1.75	131,770	1,688	45.2	132,288	1.1	78,453	14.0	-	28,616	21.6	211	-165
	1.75 to <2.50	28,684	277	43.1	28,756	2.1	15,806	13.9	-	9,141	31.8	83	-80
	2.50 to < 10.00	45,167	494	39.2	45,257	4.4	28,211	13.6	-	21,488	47.5	268	-521
	2.50 to <5	31,388	378	38.1	31,478	3.5	19,888	13.7	-	13,595	43.2	149	-316
	5 to <10	13,779	116	43.0	13,779	6.5	8,323	13.3	-	7,893	57.3	119	-204
	10.00 to < 100.00	12,605	109	52.3	12,639	32.9	10,761	15.5	-	11,491	90.9	672	-581
	10 to <20	4,434	49	41.6	4,450	13.6	2,381	13.7	-	3,480	78.2	84	-159
	20 to <30	4,008	16	51.3	4,014	28.6	3,620	15.2	-	4,206	104.8	176	-116
	30.00 to <100.00	4,163	44	64.4	4,174	57.5	4,760	17.5	-	3,805	91.2	412	-307
	100.00 (Defaulted)	8,246	47	55.3	8,258	100.0	9,042	27.8	-	14,916	180.6	1,106	-1,109
	Subtotal	**718,478**	**17,547**	**38.9**	**724,441**	**2.5**	**552,960**	**14.0**	**-**	**125,162**	**17.3**	**2,537**	**-2,627**
Retail – other SME													
	0.00 to < 0.15	151	824	54.6	601	0.1	3,811	51.0	-	55	9.1	0	-1
	0.00 to <0.10	69	586	53.5	383	0.1	2,787	53.9	-	29	7.6	0	-0
	0.10 to <0.15	82	238	57.2	218	0.1	1,024	45.9	-	26	11.8	0	-0
	0.15 to < 0.25	222	565	59.9	559	0.2	3,574	46.8	-	93	16.7	1	-1
	0.25 to < 0.50	641	1,089	50.5	1,179	0.4	7,122	42.0	-	257	21.8	2	-4
	0.50 to < 0.75	538	628	53.7	868	0.6	4,478	40.5	-	245	28.3	2	-6
	0.75 to < 2.50	1,481	1,324	49.8	2,104	1.4	11,882	40.7	-	849	40.4	12	-80
	0.75 to <1.75	1,012	1,003	49.1	1,472	1.1	7,905	41.4	-	563	38.3	7	-38
	1.75 to <2.50	469	321	52.2	632	2.1	3,977	39.1	-	286	45.3	5	-43
	2.50 to < 10.00	1,222	1,134	40.2	1,665	4.4	12,809	36.0	-	766	46.0	27	-124
	2.50 to <5	811	769	35.7	1,076	3.5	8,350	33.9	-	461	42.8	13	-67
	5 to <10	411	366	49.9	588	6.2	4,459	39.7	-	305	51.9	15	-56
	10.00 to < 100.00	356	133	53.5	420	21.4	2,977	39.9	-	297	70.6	36	-88
	10 to <20	212	92	56.5	261	13.5	2,097	40.4	-	168	64.2	14	-57
	20 to <30	62	22	46.1	71	25.1	425	37.5	-	52	74.1	7	-13
	30.00 to <100.00	82	20	47.8	88	42.0	455	40.3	-	76	86.9	15	-19
	100.00 (Defaulted)	519	222	42.4	591	100.0	3,817	73.6	-	935	158.3	360	-366
	Subtotal	**5,130**	**5,919**	**50.0**	**7,986**	**10.0**	**50,470**	**43.5**	**-**	**3,498**	**43.8**	**440**	**-670**
Retail – other non-SME													
	0.00 to < 0.15	10,270	34,096	32.0	21,129	0.1	496,265	50.4	-	2,251	10.7	6	-17
	0.00 to <0.10	7,417	28,286	32.4	16,577	0.0	426,608	52.8	-	1,551	9.4	4	-11
	0.10 to <0.15	2,854	5,810	29.8	4,551	0.1	69,657	41.7	-	700	15.4	2	-5
	0.15 to < 0.250	6,956	12,049	29.0	10,337	0.2	124,207	30.3	-	1,541	14.9	6	-12

> Table 3.14 (continued)
AIRB CR6 – Credit risk exposures by exposure classes and PD range

	PD range	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF (%)	EAD post CRM and post CCF	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity	RWAs	RWA density (%)	EL	Value adjustments and provisions
	0.25 to < 0.50	6,793	13,396	27.5	10,145	0.4	128,719	30.0	-	2,190	21.6	11	-24
	0.50 to < 0.75	7,689	8,736	30.4	9,620	0.6	68,728	29.7	-	2,834	29.5	17	-28
	0.75 to < 2.50	11,560	12,427	27.0	13,240	1.3	170,438	25.8	-	4,358	32.9	44	-144
	0.75 to <1.75	9,488	10,239	27.3	10,888	1.2	136,998	25.8	-	3,442	31.6	32	-86
	1.75 to <2.50	2,072	2,188	25.3	2,352	2.1	33,440	25.8	-	916	38.9	13	-57
	2.50 to < 10.00	6,480	5,998	27.0	7,623	4.0	215,394	25.6	-	3,491	45.8	81	-344
	2.50 to <5	5,567	4,296	26.2	6,482	3.5	119,662	24.0	-	2,798	43.2	55	-226
	5 to <10	913	1,701	29.0	1,141	6.7	95,732	34.5	-	693	60.7	26	-118
	10.00 to < 100.00	1,026	452	35.3	944	32.4	27,144	34.8	-	923	97.7	105	-207
	10 to <20	405	211	34.2	394	14.0	11,539	30.5	-	253	64.3	17	-89
	20 to <30	100	56	27.0	72	24.0	3,730	34.8	-	67	93.1	6	-22
	30.00 to <100.00	521	185	39.2	478	48.7	11,875	38.4	-	602	125.9	82	-95
	100.00 (Defaulted)	1,584	279	50.3	1,569	100.0	39,972	75.8	-	675	43.0	1,137	-1,155
	Subtotal	**52,359**	**87,433**	**29.7**	**74,607**	**3.3**	**1,270,867**	**35.6**	**-**	**18,261**	**24.5**	**1,407**	**-1,929**
Total (all portfolios)		**1,600,360**	**625,347**	**41.0**	**1,818,419**	**7.1**	**1,907,040**	**20.6**	**1.7**	**459,829**	**25.3**	**10,329**	**-15,787**

Note
Some obligors can be assigned to several exposure classes.

Table 3.15
FIRB CR6 – Credit risk exposures by exposure classes and PD range

At 31 December 2023
(DKK millions)

	PD range	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF (%)	EAD post CRM and post CCF	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity	RWAs	RWA density (%)	EL	Value adjustments and provisions
Institutions													
	0.00 to < 0.15	65	1,527	22.6	412	0.0	36	45.0	2.5	103	24.9	0	-0
	0.00 to <0.10	62	1,511	22.1	398	0.0	33	45.0	2.5	98	24.5	0	-0
	0.10 to <0.15	2	16	71.1	14	0.1	3	45.0	2.5	5	35.4	0	-0
	0.15 to < 0.25	326	17	20.0	329	0.2	10	26.7	2.5	101	30.8	0	-0
	0.25 to < 0.50	4	12	20.0	6	0.3	7	45.0	2.5	4	68.7	0	-0
	0.50 to < 0.75	-	-	0.0	-					-	0.0	-	-
	0.75 to < 2.50	5	202	20.0	45	1.7	14	45.0	2.5	60	134.6	0	-2
	0.75 to <1.75	4	147	20.0	33	1.5	11	45.0	2.5	43	128.1	0	-1
	1.75 to <2.50	1	54	20.0	11	2.4	3	45.0	2.5	18	153.7	0	-1
	2.50 to < 10.00	0	1	31.0	0	3.6	3	45.0	2.5	1	155.8	0	-0
	2.50 to <5	0	1	28.3	0	3.1	2	45.0	2.5	1	152.8	0	-0
	5 to <10	-	0	75	0	6.5	1	45.0	2.5	0	174.0	0	-0
	10.00 to < 100.00	-	3	20	1	10.9	1	45.0	2.5	1	211.2	0	-0
	10 to <20	-	3	20	1	10.9	1	45.0	2.5	1	211.2	0	-0
	20 to <30	-	-	-	-					-	0.0	-	-
	30.00 to <100.00	-	-	-	-					-	0.0	-	-
	100.00 (Defaulted)	3	-	-	3	100.0	1	45.0	2.5	-	-	1	-2
	Subtotal	**402**	**1,762**	**22.3**	**796**	**0.6**	**72**	**37.4**	**2.5**	**270**	**34.0**	**2**	**-4**
Corporates – Specialised lending													
	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.00 to <0.10	-	-	-	-	-	-	-	-	-	-	-	-
	0.10 to <0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	2	1	50.0	2	0.6	1	0.0	2.5	-	0.0	-	-
	0.75 to < 2.50	13	0	75.0	13	1.1	3	38.5	2.5	8	62.4	-	-
	0.75 to <1.75	13	0	75.0	13	1.1	3	38.5	2.5	8	62.4	-	-
	1.75 to <2.50	-	-	0.0	-					-	0.0	-	-
	2.50 to < 10.00	0	-	0.0	0	4.0	1		2.5	0	120.3	-	-
	2.50 to <5	0	-	0.0	0	4.0	1	45.0	2.5	0	120.3	-	-
	5 to <10	-	-	-	-					-	-		
	10.00 to < 100.00	-	-	-	-					-	-		

> Table 3.15 (continued)
FIRB CR6 – Credit risk exposures by exposure classes and PD range

	PD range	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF (%)	EAD post CRM and post CCF	Average PD (%)	Number of obligors	Average LGD(%)	Average maturity	RWAs	WA density (%)	EL	Value adjustments and provisions
	10 to <20	-	-	-	-					-	-		
	20 to <30	-	-	-	-					-	-		
	30.00 to <100.00	-	-	-	-					-	-		
	100.00 (Defaulted)	-	-	-	-					-	-		
	Subtotal	**15**	**2**	**51.9**	**16**	**-**	**5**	**32.9**	**2.5**	**8**	**53.3**	**-**	**-**
Corporates – SMEs													
	0.00 to < 0.15	2,435	1,773	53.7	2,509	0.1	135	41.8	2.5	468	18.7	1	-1
	0.00 to <0.10	2,065	1,110	66.5	2,047	0.1	94	42.1	2.5	366	17.9	1	-1
	0.10 to <0.15	371	663	32.1	461	0.1	41	40.2	2.5	102	22.2	0	-0
	0.15 to < 0.25	1,963	376	66.3	1,903	0.2	83	39.5	2.5	552	29.0	1	-1
	0.25 to < 0.50	1,192	516	64.3	1,469	0.4	156	40.4	2.5	586	39.9	2	-2
	0.50 to < 0.75	2,173	714	67.8	2,593	0.6	130	41.5	2.5	1,303	50.3	7	-5
	0.75 to < 2.50	4,884	1,788	50.9	5,368	1.3	412	42.1	2.5	3,560	66.3	29	-71
	0.75 to <1.75	4,110	1,156	59.2	4,471	1.1	330	41.9	2.5	2,848	63.7	21	-38
	1.75 to <2.50	773	632	35.5	897	2.1	82	43.1	2.5	712	79.3	8	-33
	2.50 to < 10.00	1,543	433	48.2	1,622	4.4	177	42.4	2.5	1,496	92.2	30	-130
	2.50 to <5	1,010	293	46.7	1,076	3.3	123	42.3	2.5	909	84.4	15	-72
	5 to <10	533	140	51	546	7	54	43	2.5	587	108	15	-58
	10.00 to < 100.00	322	103	48	357	31	39	42	2.5	594	166	46	-38
	10 to <20	60	19	61	63	15	15	42	2.5	82	130	4	-8
	20 to <30	105	38	41	120	29	7	38	2.5	210	174	13	-15
	30.00 to <100.00	157	46	48	174	38	17	45	2.5	302	174	30	-16
	100.00 (Defaulted)	1,273	181	13	1,194	100	107	45	2.5	-	-	536	-464
	Subtotal	**15,784**	**5,884**	**54.5**	**17,014**	**8.6**	**1,239**	**41.8**	**2.5**	**8,559**	**50.3**	**653**	**-711**
Corporates – Other													
	0.00 to < 0.15	9,713	12,424	55.0	16,092	0.1	243	44.2	2.5	4,114	25.6	5	-3
	0.00 to <0.10	6,879	10,112	52.9	11,797	0.1	177	43.9	2.5	2,630	22.3	3	-2
	0.10 to <0.15	2,834	2,312	63.9	4,295	0.1	66	44.9	2.5	1,484	34.5	2	-1
	0.15 to < 0.25	1,950	1,904	64.5	3,019	0.2	77	44.4	2.5	1,367	45.3	3	-2
	0.25 to < 0.50	3,397	3,033	52.7	4,908	0.3	115	44.3	2.5	3,035	61.8	8	-5
	0.50 to < 0.75	2,421	2,451	67.7	4,047	0.6	74	42.5	2.5	3,083	76.2	11	-9
	0.75 to < 2.50	2,772	835	50.0	3,023	1.4	103	41.5	2.5	3,061	101.3	18	-32
	0.75 to <1.75	1,735	512	42.1	1,857	0.9	73	40.4	2.5	1,653	89.0	7	-13
	1.75 to <2.50	1,036	323	62.5	1,166	2.2	30	43.4	2.5	1,408	120.7	11	-19
	2.50 to < 10.00	441	432	59.8	645	3.4	72	43.2	2.5	884	137.0	10	-16

> Table 3.15 (continued)
FIRB CR6 – Credit risk exposures by exposure classes and PD range

	PD range	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF (%)	EAD post CRM and post CCF	Average PD (%)	Number of obligors	Average LGD(%)	Average maturity	RWAs	WA density (%)	EL	Value adjustments and provisions
	2.50 to <5	406	363	61.8	584	3.2	62	43.3	2.5	779	133.4	8	-13
	5 to <10	35	69	49	61	6	10	42.6	2.5	105	171	2	-3
	10.00 to < 100.00	651	583	69	1,050	37	25	43.2	2.5	2,573	245	168	-87
	10 to <20	28	14	32	32	12	8	44.6	2.5	69	216	2	-7
	20 to <30	43	166	73	165	30	6	42.4	2.5	410	249	21	-6
	30.00 to <100.00	580	403	68	853	40	11	43.3	2.5	2,094	246	146	-74
	100.00 (Defaulted)	586	658	-	563	100	23	45.0	2.5	-	-	253	-158
	Subtotal	**21,931**	**22,320**	**55.5**	**33,346**	**3.2**	**732**	**43.7**	**2.5**	**18,117**	**54.3**	**475**	**-312**
Total (all portfolios)		**38,131**	**29,967**	**37.0**	**51,172**	**2.7**	**2,048**	**31.2**	**2.5**	**26,954**	**52.7**	**1,131**	**-1,027**

Note
Some obligors can be assigned to several exposure classes.

Table 3.16
EU CR6A – Scope of the use of IRB and SA approaches

At 31 December 2023
(DKK millions)

		Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to a roll-out plan (%)	Percentage of total exposure value subject to IRB Approach (%)
1	Central governments or central banks	-	425,142	100.0%	0.0%	0.0%
1.1	*of which Regional governments or local authorities*		*53,484*	*100.0%*	*0.0%*	*0.0%*
1.2	*of which Public sector entities*		*1,453*	*100.0%*	*0.0%*	*0.0%*
2	Institutions	31,707	235,436	1.5%	85.0%	13.5%
3	Corporates	1,353,453	1,400,949	2.6%	0.8%	96.6%
3.1	*of which Corporates – Specialised lending, excluding slotting approach*	*259*	*261*	*0.7%*	*0.0%*	*99.3%*
3.2	*of which Corporates – Specialised lending under slotting approach*					
4	Retail	908,646	976,362	6.9%	0.1%	93.1%
4.1	*of which Retail – Secured by real estate SMEs*	*21,781*	*39,962*	*44.4%*	*1.1%*	*54.5%*
4.2	*of which Retail – Secured by real estate non-SMEs*	*736,024*	*764,046*	*3.7%*	*0.0%*	*96.3%*
4.3	*of which Retail – Qualifying revolving*					
4.4	*of which Retail – Other SMEs*	*11,049*	*22,716*	*51.3%*	*0.1%*	*48.6%*
4.5	*of which Retail – Other non-SMEs*	*139,792*	*149,637*	*6.4%*	*0.2%*	*93.4%*
5	Equity	-	17,994	100.0%	0.0%	0.0%
6	Other non-credit obligation assets	11,513	89,483	87.0%	0.2%	12.9%
7	**Total**	**2,305,318**	**3,145,365**	**20.0%**	**6.8%**	**73.3%**

Table 3.17
EU CR7 – Effect on risk-weighted assets of credit derivatives used as CRM techniques under internal risk-based approach

At 31 December 2023
(DKK millions)

		Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount
1	**Exposures under FIRB**	**26,954**	**26,954**
2	Central governments and central banks		
3	Institutions	270	270
4	Corporates	26,684	26,684
4.1	*of which SMEs*	*8,559*	*8,559*
4.2	*of which Specialised lending*	*8*	*8*
5	**Exposures under AIRB**	**459,829**	**459,829**
6	Central governments and central banks		
7	Institutions	4,092	4,092
8	Corporates	304,214	304,214
8.1	*of which Corporates – SMEs*	*105,290*	*105,290*
8.2	*of which Corporates – specialised lending*	*111*	*111*
9	Retail	151,523	151,523
9.1	*of which Retail – SMEs – Secured by immovable property collateral*	*4,602*	*4,602*
9.2	*of which Retail – non-SMEs – Secured by immovable property collateral*	*125,162*	*125,162*
9.3	*of which Retail – Qualifying revolving*		
9.4	*of which Retail – SMEs – Other*	*3,498*	*3,498*
9.5	*of which Retail – Non-SMEs – Other*	*18,261*	*18,261*
10	**Total (including FIRB exposures and AIRB exposures)**	**486,784**	**486,784**
	Securitisations	886	886
	Other non-credit obligation assets	10,925	10,925
	Total (including FIRB exposures and AIRB exposures)	**498,595**	**498,595**

Table 3.18
EU CR7-A – Disclosure of the extent of the use of CRM techniques

At 31 December 2023
(DKK millions)

			Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs	
			Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)			
A-IRB		Total exposures	Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)	Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)	Part of exposures covered by Other funded credit protection (%)	Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)	Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and sustitution effects)
1	Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Institutions	17,894	0.3%	0.1%	0.0%	-	0.1%	-	-	-	-	-	-	4,081	4,092
3	Corporates	972,752	2.1%	38.5%	27.9%	-	10.6%	-	-	-	-	-	-	328,781	304,214
3.1	*of which Corporates – SMEs*	*342,158*	*2.8%*	*62.3%*	*53.5%*	-	*8.8%*	-	-	-	-	-	-	*127,569*	*105,290*
3.2	*of which Corporates – Specialised lending*	*241*	*0.7%*	*70.1%*	*55.7%*	-	*14.4%*	-	-	-	-	-	-	*111*	*111*
3.3	*of which Corporates – Other*	*630,353*	*1.7%*	*25.6%*	*14.0%*	-	*11.6%*	-	-	-	-	-	-	*201,101*	*198,813*
4	Retail	827,773	0.5%	74.8%	71.6%	-	3.2%	-	-	-	-	-	-	153,174	151,523
4.1	*of which Retail – Immovable property SMEs*	*20,740*	*0.1%*	*80.4%*	*76.1%*	-	*4.2%*	-	-	-	-	-	-	*4,746*	*4,602*
4.2	*of which Retail – Immovable property non-SMEs*	*724,441*	*0.1%*	*80.1%*	*79.6%*	-	*0.5%*	-	-	-	-	-	-	*124,496*	*125,162*
4.3	*of which Retail – Qualifying revolving*		-	-	-	-	-	-	-	-	-	-	-		
4.4	*of which Retail – Other SMEs*	*7,986*	*2.9%*	*24.7%*	*0.0%*	-	*24.7%*	-	-	-	-	-	-	*3,618*	*3,498*
4.5	*of which Retail – Other non-SMEs*	*74,607*	*5.1%*	*26.7%*	*0.0%*	-	*26.7%*	-	-	-	-	-	-	*20,314*	*18,261*
5	**Total**	**1,818,419**	**1.4%**	**54.6%**	**47.5%**	**-**	**7.1%**	**-**	**-**	**-**	**-**	**-**	**-**	**486,036**	**459,829**

F-IRB															
1	Central governments and central banks		-	-	-	-	-	-	-	-	-	-	-	-	-
2	Institutions	796	-	-	-	-	-	-	-	-	-	0.0%	-	268	270
3	Corporates	50,376	19.6%	140.9%	135.5%	-	5.4%	-	-	-	-	20.7%	-	28,272	26,684
3.1	*of which Corporates – SMEs*	*17,014*	*2.7%*	*34.6%*	*33.3%*	-	*1.3%*	-	-	-	-	*14.6%*	-	*9,516*	*8,559*
3.2	*of which Corporates – Specialised lending*	*16*	*16.5%*	*86.2%*	*86.2%*	-	*0.0%*	-	-	-	-	*0.0%*	-	*8*	*8*
3.3	*of which Corporates – other*	*33,346*	*0.3%*	*20.2%*	*16.0%*	-	*4.2%*	-	-	-	-	*6.0%*	-	*18,749*	*18,117*
4	**Total**	**51,172**	**1.1%**	**24.7%**	**21.6%**	**-**	**3.1%**	**-**	**-**	**-**	**-**	**8.8%**	**-**	**28,540**	**26,954**

Table 3.19
EU CR8 – Risk-weighted assets flow statements of credit exposures under internal risk-based approach

At 31 December 2023
(DKK millions)

		RWA amounts	Capital requirements
1	**RWAs as at 30 September 2023**	**515,044**	**41,204**
2	Asset size	-1,237	-99
3	Asset quality	2,332	187
4	Model updates	6,349	508
5	Methodology and policy		-
6	Acquisitions and disposals	2,104	168
7	Foreign exchange movements		-
8	Other	-3,744	-300
9	**RWAs as at 31 December 2023**	**520,848**	**41,668**

Table 3.20
AIRB CR9 – Back-testing of PD per exposure class (fixed PD scale)

At 31 December 2023
(DKK millions)

A-IRB Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
Institutions							
	0.00 to < 0.15	414	1	0.0024	0.0004	0.0006	0.0012
	0.00 to < 0.10	367	1	0.0027	0.0004	0.0005	0.0014
	0.10 to < 0.15	47	0	0	0.0012	0.0012	0.0000
	0.15 to < 0.25	55	0	0	0.0024	0.0019	0.0000
	0.25 to < 0.50	74	0	0	0.0035	0.0034	0.0214
	0.50 to < 0.75	29	0	0	0.0073	0.0070	0.0000
	0.75 to <2.50	85	1	0.0118	0.0165	0.0145	0.0195
	0.75 to <1.75	69	0	0	0.0151	0.0126	0.0000
	1.75 to <2.50	16	1	0.0625	0.0237	0.0220	0.0767
	2.50 to <10.00	22	0	0	0.0308	0.0433	0.1842
	2.50 to <5	20	0	0	0.0281	0.0344	0.0417
	5 to <10	2	0	0	0.0587	0.0585	0.4286
	10.00 to <100.00	4	1	0.2500	0.2844	0.2477	0.3750
	10 to <20	2	0	0	0.1361	0.1955	0.0000
	20 to <30	2	1	0.5000	0.2999	0.2999	0.5833
	30.00 to <100.00	0	0	0	0.0000	0.0000	0.0000
	100.00 (Default)	6	6	1	1.0000	1.0000	1.0000
	Subtotal	**689**	**9**	**-**	**0.0032**	**-**	**-**
	Subtotal (excl. Default)	**683**	**3**	**0.0044**	**-**	**0.0054**	**0.0137**
Corporates – Specialised Lending							
	0.00 to < 0.15	3	0	0	0.0012	0.0011	0.0000
	0.00 to < 0.10	1	0	0	0.0000	0.0006	0.0000
	0.10 to < 0.15	2	0	0	0.0012	0.0013	0.0000
	0.15 to < 0.25	1	0	0	0.0000	0.0015	0.0000
	0.25 to < 0.50	5	0	0	0.0040	0.0039	0.0000
	0.50 to < 0.75	3	0	0	0.0063	0.0060	0.5000
	0.75 to <2.50	14	0	0	0.0209	0.0199	0.0179
	0.75 to <1.75	3	0	0	0.0111	0.0096	0.0294
	1.75 to <2.50	11	0	0	0.0218	0.0217	0.0000
	2.50 to <10.00	15	0	0	0.0489	0.0536	0.0000
	2.50 to <5	11	0	0	0.0399	0.0382	0.0000
	5 to <10	4	0	0	0.0556	0.0730	0.0000
	10.00 to <100.00	2	0	0	0.0000	0.3272	0.2500
	10 to <20	0	0	0	0.0000	0.1105	0.0000
	20 to <30	0	0	0	0.0000	0.0000	0.2500
	30.00 to <100.00	2	0	0	0.0000	0.4355	0.0000
	100.00 (Default)	4	4	1	1.0000	1.0000	1.0000
	Subtotal	**47**	**4**	**-**	**0.4523**	**-**	**-**
	Subtotal (excl. Default)	**43**	**0**	**0**	**-**	**0.0433**	**0.0400**
Corporates - SME							
	0.00 to < 0.15	1,761	0	0	0.0010	0.0010	0.0002
	0.00 to < 0.10	1,336	0	0	0.0005	0.0009	0.0002
	0.10 to < 0.15	425	0	0	0.0012	0.0012	0.0002
	0.15 to < 0.25	3,824	3	0.0008	0.0019	0.0018	0.0006
	0.25 to < 0.50	4,392	5	0.0011	0.0039	0.0039	0.0022
	0.50 to < 0.75	3,393	7	0.0021	0.0062	0.0061	0.0045
	0.75 to <2.50	8,651	72	0.0083	0.0123	0.0132	0.0114
	0.75 to <1.75	7,129	52	0.0073	0.0108	0.0116	0.0086
	1.75 to <2.50	1,522	20	0.0131	0.0209	0.0204	0.0222
	2.50 to <10.00	2,728	71	0.0260	0.0420	0.0408	0.0238
	2.50 to <5	2,156	38	0.0176	0.0360	0.0336	0.0195
	5 to <10	572	33	0.0577	0.0606	0.0665	0.0400

> Table 3.20 (continued)
AIRB CR9 – Back-testing of PD per exposure class (fixed PD scale)

A-IRB Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
	10.00 to <100.00	511	80	0.1566	0.2760	0.2922	0.4136
	10 to <20	216	11	0.0509	0.1148	0.1402	0.2933
	20 to <30	35	7	0.2000	0.2427	0.2590	0.4841
	30.00 to <100.00	260	62	0.2385	0.4345	0.4258	0.4244
	100.00 (Default)	948	947	0.9989	1.0000	1.0000	0.9995
	Subtotal	**26,208**	**1,185**	-	**0.0317**	-	-
	Subtotal (excl. Default)	**25,260**	**238**	**0.0094**	-	**0.0166**	**0.0220**
Corporates – Others							
	0.00 to < 0.15	2,506	5	0.0020	0.0008	0.0008	0.0011
	0.00 to < 0.10	1,770	4	0.0023	0.0007	0.0006	0.0011
	0.10 to < 0.15	736	1	0.0014	0.0012	0.0012	0.0012
	0.15 to < 0.25	1,136	5	0.0044	0.0019	0.0018	0.0022
	0.25 to < 0.50	1,745	9	0.0052	0.0035	0.0035	0.0033
	0.50 to < 0.75	798	7	0.0088	0.0062	0.0061	0.0072
	0.75 to <2.50	1,516	33	0.0218	0.0117	0.0141	0.0135
	0.75 to <1.75	1,155	22	0.0190	0.0107	0.0115	0.0126
	1.75 to <2.50	361	11	0.0305	0.0216	0.0210	0.0169
	2.50 to <10.00	907	6	0.0066	0.0482	0.0471	0.0056
	2.50 to <5	583	5	0.0086	0.0341	0.0345	0.0076
	5 to <10	324	1	0.0031	0.0607	0.0676	0.0015
	10.00 to <100.00	150	21	0.1400	0.2974	0.2765	0.3486
	10 to <20	55	0	0	0.1825	0.1333	0.0417
	20 to <30	28	3	0.1071	0.2946	0.2657	0.3580
	30.00 to <100.00	67	18	0.2687	0.3826	0.4906	0.4960
	100.00 (Default)	149	148	0.9933	1.0000	1.0000	0.9966
	Subtotal	**8,907**	**234**	-	**0.0178**	-	-
	Subtotal (excl. Default)	**8,758**	**86**	**0.0098**	-	**0.0138**	**0.0143**
Retail – Other SME							
	0.00 to < 0.15	4,231	21	0.0050	0.0008	0.0007	0.0042
	0.00 to < 0.10	3,164	15	0.0047	0.0006	0.0005	0.0036
	0.10 to < 0.15	1,067	6	0.0056	0.0012	0.0013	0.0062
	0.15 to < 0.25	3,857	15	0.0039	0.0020	0.0020	0.0055
	0.25 to < 0.50	7,688	44	0.0057	0.0037	0.0037	0.0080
	0.50 to < 0.75	4,516	49	0.0109	0.0060	0.0060	0.0160
	0.75 to <2.50	12,931	328	0.0254	0.0142	0.0151	0.0246
	0.75 to <1.75	8,247	171	0.0207	0.0114	0.0121	0.0217
	1.75 to <2.50	4,684	157	0.0335	0.0206	0.0216	0.0296
	2.50 to <10.00	13,910	633	0.0455	0.0444	0.0484	0.0512
	2.50 to <5	9,459	360	0.0381	0.0346	0.0363	0.0452
	5 to <10	4,451	273	0.0613	0.0623	0.0699	0.0656
	10.00 to <100.00	3,124	421	0.1348	0.2144	0.1880	0.3154
	10 to <20	2,165	225	0.1039	0.1352	0.1285	0.1039
	20 to <30	466	72	0.1545	0.2509	0.2514	0.4405
	30.00 to <100.00	493	124	0.2515	0.4201	0.4303	0.4253
	100.00 (Default)	3,834	3,823	0.9971	1.0000	1.0000	0.9944
	Subtotal	**54,091**	**5,334**	-	**0.0997**	-	-
	Subtotal (excl. Default)	**50,257**	**1,511**	**0.0301**	-	**0.0307**	**0.0403**
Retail – Secured by immovable property SME							
	0.00 to < 0.15	1,264	1	0.0008	0.0009	0.0009	0.0025
	0.00 to < 0.10	804	1	0.0012	0.0009	0.0007	0.0027
	0.10 to < 0.15	460	0	0	0.0013	0.0013	0.0023
	0.15 to < 0.25	1,552	6	0.0039	0.0020	0.0020	0.0055
	0.25 to < 0.50	3,907	11	0.0028	0.0037	0.0036	0.0088
	0.50 to < 0.75	3,593	17	0.0047	0.0058	0.0059	0.0169

> Table 3.20 (continued)
AIRB CR9 – Back-testing of PD per exposure class (fixed PD scale)

A-IRB Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
	0.75 to <2.50	4,473	47	0.0105	0.0130	0.0133	0.0228
	0.75 to <1.75	3,505	28	0.0080	0.0108	0.0109	0.0210
	1.75 to <2.50	968	19	0.0196	0.0212	0.0217	0.0296
	2.50 to <10.00	1,766	54	0.0306	0.0441	0.0436	0.0557
	2.50 to <5	1,347	33	0.0245	0.0370	0.0365	0.0446
	5 to <10	419	21	0.0501	0.0591	0.0658	0.1071
	10.00 to <100.00	532	58	0.1090	0.2648	0.2196	0.3630
	10 to <20	352	26	0.0739	0.1398	0.1236	0.1139
	20 to <30	46	6	0.1304	0.2534	0.2589	0.4906
	30.00 to <100.00	134	26	0.1940	0.4832	0.4517	0.3842
	100.00 (Default)	997	995	0.9980	1.0000	1.0000	0.9990
	Subtotal	**18,084**	**1,189**	-	**0.0516**	-	-
	Subtotal (excl. Default)	**17,087**	**194**	**0.0114**	-	**0.0170**	**0.0310**
Retail – Other non-SME							
	0.00 to < 0.15	519,524	473	0.0009	0.0007	0.0005	0.0011
	0.00 to < 0.10	446,225	321	0.0007	0.0005	0.0004	0.0009
	0.10 to < 0.15	73,299	152	0.0021	0.0012	0.0012	0.0027
	0.15 to < 0.25	126,013	286	0.0023	0.0020	0.0020	0.0028
	0.25 to < 0.50	139,740	579	0.0041	0.0036	0.0035	0.0050
	0.50 to < 0.75	72,627	486	0.0067	0.0060	0.0061	0.0074
	0.75 to <2.50	183,307	1976	0.0108	0.0132	0.0134	0.0130
	0.75 to <1.75	146,231	1362	0.0093	0.0116	0.0117	0.0100
	1.75 to <2.50	37,076	614	0.0166	0.0207	0.0206	0.0185
	2.50 to <10.00	231,444	4869	0.0210	0.0401	0.0463	0.0211
	2.50 to <5	132,223	2793	0.0211	0.0353	0.0337	0.0194
	5 to <10	99,221	2076	0.0209	0.0672	0.0634	0.0263
	10.00 to <100.00	27,727	2964	0.1069	0.3236	0.2933	0.2131
	10 to <20	12,405	881	0.0710	0.1404	0.1381	0.0719
	20 to <30	3,517	377	0.1072	0.2404	0.2468	0.1533
	30.00 to <100.00	11,805	1706	0.1445	0.4870	0.4512	0.3074
	100.00 (Default)	41,311	41129	0.9956	1.0000	1.0000	0.9935
	Subtotal	**1,341,693**	**52,762**	-	**0.0333**	-	-
	Subtotal (excl. Default)	**1,300,382**	**11,633**	**0.0089**	-	**0.0175**	**0.0122**
Retail – Secured by immovable property non-SME							
	0.00 to < 0.15	156,278	201	0.0013	0.0009	0.0008	0.0019
	0.00 to < 0.10	96,440	125	0.0013	0.0006	0.0005	0.0015
	0.10 to < 0.15	59,838	76	0.0013	0.0013	0.0013	0.0025
	0.15 to < 0.25	105,053	129	0.0012	0.0020	0.0020	0.0028
	0.25 to < 0.50	119,934	232	0.0019	0.0036	0.0036	0.0047
	0.50 to < 0.75	63,170	215	0.0034	0.0062	0.0061	0.0073
	0.75 to <2.50	108,941	537	0.0049	0.0130	0.0128	0.0121
	0.75 to <1.75	90,165	402	0.0045	0.0113	0.0112	0.0100
	1.75 to <2.50	18,776	135	0.0072	0.0207	0.0207	0.0207
	2.50 to <10.00	32,029	782	0.0244	0.0439	0.0420	0.0386
	2.50 to <5	22,983	479	0.0208	0.0347	0.0337	0.0343
	5 to <10	9,046	303	0.0335	0.0649	0.0632	0.0526
	10.00 to <100.00	11,331	1,022	0.0902	0.3288	0.3497	0.1992
	10 to <20	2,621	187	0.0713	0.1365	0.1394	0.0952
	20 to <30	3,797	284	0.0748	0.2858	0.2922	0.2421
	30.00 to <100.00	4,913	551	0.1122	0.5752	0.4979	0.2349
	100.00 (Default)	10,044	9,995	0.9951	1.0000	1.0000	0.9828
	Subtotal	**606,780**	**13,113**	-	**0.0248**	-	-
	Subtotal (excl. Default)	**596,736**	**3,118**	**0.0052**	-	**0.0132**	**0.0103**

Note
The number of defaults and the observed default rate generally tended to exhibit a decreasing trend in 2023. Subtotal rows have been adjusted to reflect data before the inclusion of the '100.00 (Default)' category. The average historical annual default rate includes two years of default data following the implementation of the EBA's new Definition of Default (DoD) requirements.

Table 3.21
FIRB CR9 – Back-testing of PD per exposure class (fixed PD scale)

At 31 December 2023
(DKK millions)

F-IRB Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
Institutions							
	0.00 to < 0.15	60	0	0	0.0004	0.0005	0.0000
	0.00 to < 0.10	53	0	0	0.0004	0.0005	0.0000
	0.10 to < 0.15	7	0	0	0.0012	0.0012	0.0000
	0.15 to < 0.25	6	0	0	0.0024	0.0019	0.0000
	0.25 to < 0.50	9	0	0	0.0030	0.0035	0.0833
	0.50 to < 0.75	2	0	0	0.0000	0.0065	0.0000
	0.75 to <2.50	22	0	0	0.0171	0.0158	0.0000
	0.75 to <1.75	18	0	0	0.0148	0.0139	0.0000
	1.75 to <2.50	4	0	0	0.0240	0.0240	0.0000
	2.50 to <10.00	9	0	0	0.0358	0.0473	0.2000
	2.50 to <5	9	0	0	0.0311	0.0359	0.0833
	5 to <10	0	0	0	0.0648	0.0587	0.3750
	10.00 to <100.00	0	0	0	0.1089	0.0000	0.5000
	10 to <20	0	0	0	0.1089	0.0000	0.0000
	20 to <30	0	0	0	0.0000	0.0000	0.5000
	30.00 to <100.00	0	0	0	0.0000	0.0000	0.0000
	100.00 (Default)	0	0	0	0.0000	0.0000	0.0000
	Subtotal	**108**	**0**	-	**0.0063**	-	-
	Subtotal (excl. Default)	**108**	**0**	**0**	-	**0.0074**	**0.0294**
Corporates – Specialised Lending							
	0.00 to < 0.15	0	0	0	0.0000	0.0000	0.0000
	0.00 to < 0.10	0	0	0	0.0000	0.0000	0.0000
	0.10 to < 0.15	0	0	0	0.0000	0.0000	0.0000
	0.15 to < 0.25	0	0	0	0.0000	0.0000	0.0000
	0.25 to < 0.50	0	0	0	0.0000	0.0000	0.0000
	0.50 to < 0.75	1	0	0	0.0065	0.0061	0.0000
	0.75 to <2.50	5	0	0	0.0109	0.0145	0.0000
	0.75 to <1.75	3	0	0	0.0109	0.0102	0.0000
	1.75 to <2.50	2	0	0	0.0000	0.0211	0.0000
	2.50 to <10.00	1	0	0	0.0403	0.0418	0.0000
	2.50 to <5	1	0	0	0.0403	0.0418	0.0000
	5 to <10	0	0	0	0.0000	0.0000	0.0000
	10.00 to <100.00	0	0	0	0.0000	0.0000	0.5000
	10 to <20	0	0	0	0.0000	0.0000	0.0000
	20 to <30	0	0	0	0.0000	0.0000	0.0000
	30.00 to <100.00	0	0	0	0.0000	0.0000	0.5000
	100.00 (Default)	0	0	0	0.0000	0.0000	0.0000
	Subtotal	**7**	**0**	-	**0.0103**	-	-
	Subtotal (excl. Default)	**7**	**0**	**0**	-	**0.0172**	**0.0714**
Corporates – SME							
	0.00 to < 0.15	174	1	0.0057	0.0008	0.0006	0.0029
	0.00 to < 0.10	145	0	0.0000	0.0007	0.0005	0.0000
	0.10 to < 0.15	29	1	0.0345	0.0012	0.0013	0.0172
	0.15 to < 0.25	88	0	0.0000	0.0019	0.0019	0.0000
	0.25 to < 0.50	173	0	0.0000	0.0038	0.0039	0.0000
	0.50 to < 0.75	161	0	0.0000	0.0064	0.0062	0.0048
	0.75 to <2.50	588	11	0.0187	0.0126	0.0129	0.0158
	0.75 to <1.75	462	5	0.0108	0.0109	0.0112	0.0124
	1.75 to <2.50	126	6	0.0476	0.0213	0.0206	0.0284
	2.50 to <10.00	201	12	0.0597	0.0439	0.0383	0.0563
	2.50 to <5	163	10	0.0614	0.0332	0.0324	0.0532

> Table 3.21 (continued)
FIRB CR9 – Back-testing of PD per exposure class (fixed PD scale)

A-IRB Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
	5 to <10	38	2	0.0526	0.0650	0.0653	0.0819
	10.00 to <100.00	56	13	0.2321	0.3091	0.2877	0.2161
	10 to <20	25	1	0.0400	0.1502	0.1346	0.0400
	20 to <30	4	1	0.2500	0.2864	0.2620	0.2917
	30.00 to <100.00	27	11	0.4074	0.3825	0.4250	0.3704
	100.00 (Default)	128	128	1.0000	1.0000	1.0000	0.9877
	Subtotal	**1,569**	**165**	-	**0.0865**	-	-
	Subtotal (excl. Default)	**1,441**	**37**	**0.0257**	-	**0.0239**	**0.0231**
Corporates – Others							
	0.00 to < 0.15	483	0	0.0000	0.0008	0.0008	0.0000
	0.00 to < 0.10	335	0	0.0000	0.0006	0.0006	0.0000
	0.10 to < 0.15	148	0	0.0000	0.0012	0.0012	0.0000
	0.15 to < 0.25	128	0	0.0000	0.0020	0.0020	0.0000
	0.25 to < 0.50	231	5	0.0216	0.0035	0.0037	0.0108
	0.50 to < 0.75	129	2	0.0155	0.0062	0.0059	0.0078
	0.75 to <2.50	203	2	0.0099	0.0143	0.0114	0.0146
	0.75 to <1.75	176	2	0.0114	0.0093	0.0103	0.0169
	1.75 to <2.50	27	0	0.0000	0.0222	0.0203	0.0000
	2.50 to <10.00	107	7	0.0654	0.0343	0.0403	0.0327
	2.50 to <5	93	2	0.0215	0.0316	0.0361	0.0108
	5 to <10	14	5	0.3571	0.0602	0.0682	0.1786
	10.00 to <100.00	19	4	0.2105	0.3720	0.3085	0.2303
	10 to <20	4	1	0.2500	0.1208	0.1297	0.1250
	20 to <30	6	1	0.1667	0.2980	0.2993	0.0833
	30.00 to <100.00	9	2	0.2222	0.3957	0.4024	0.3838
	100.00 (Default)	37	37	1.0000	1.0000	1.0000	0.8966
	Subtotal	**1,337**	**57**	-	**0.0323**	-	-
	Subtotal (excl. Default)	**1,300**	**20**	**0.0154**	-	**0.0115**	**0.0115**

Note
The number of defaults and the observed default rate were affected by fewer additional defaults in the Corporates (SMEs/Other) categories in 2023 than in 2022, while a decreasing trend was seen for Specialised Lending and Institutions exposures. Subtotal rows have been adjusted to reflect data before the inclusion of the '100.00 (Default)' category. The average historical annual default rate includes two years of default data following the implementation of the EBA's new Definition of Default (DoD) requirements.

Table 3.22
AIRB LGD – Exposure-weighted LGD and PD under AIRB approach by geography

At 31 December 2023
(DKK millions)

	Loss given default (LGD)								
	Denmark	Sweden	Norway	Finland	United Kingdom	Baltics	Rest of Europe	Other	Total
Central governments or central banks	-	-	-	-	-	-	-	-	-
Institutions	31%	25%	25%	26%	29%	26%	30%	49%	36%
Corporates	20%	25%	24%	31%	39%	16%	30%	26%	24%
Retail	15%	14%	19%	17%	16%	28%	22%	23%	16%
Secured by mortgages on immovable property	13%	12%	20%	15%	15%	21%	15%	14%	14%
Other retail exposures	43%	32%	15%	43%	44%	57%	62%	79%	35%
Equity	-	-	-	-	-	-	-	-	-
Securitisations	-	-	-	-	-	-	-	-	-
Other non credit-obligation assets	-	-	-	-	-	-	-	-	-
Total AIRB approach	**18%**	**22%**	**22%**	**23%**	**37%**	**16%**	**30%**	**31%**	**20%**

	Probability of default (PD)								
	Denmark	Sweden	Norway	Finland	United Kingdom	Baltics	Rest of Europe	Other	Total
Central governments or central banks	-	-	-	-	-	-	-	-	-
Institutions	0.16%	0.04%	0.03%	0.03%	0.18%	0.03%	0.36%	0.56%	0.33%
Corporates	0.79%	1.29%	0.73%	0.45%	0.37%	1.86%	0.26%	0.33%	0.85%
Retail	1.30%	0.97%	1.53%	1.93%	3.73%	3.50%	2.13%	1.66%	1.37%
Secured by mortgages on immovable property	1.32%	0.88%	1.51%	1.94%	3.80%	3.74%	2.18%	1.83%	1.36%
Other retail exposures	1.14%	1.84%	1.68%	1.78%	2.27%	2.40%	1.81%	0.57%	1.39%
Equity	-	-	-	-	-	-	-	-	-
Securitisations	-	-	-	-	-	-	-	-	-
Other non credit-obligation assets	-	-	-	-	-	-	-	-	-
Total AIRB approach	**1.06%**	**1.19%**	**1.13%**	**1.33%**	**0.61%**	**1.92%**	**0.33%**	**0.51%**	**1.09%**

Note
Exposure-weighted PD differences (compared with data from previous years) were due to few customers with significantly changed PDs or a significant number of customers with minor PD changes or changes in exposure (EAD).

Table 3.23
FIRB LGD – Exposure-weighted LGD and PD under FIRB approach by geography

At 31 December 2023
(DKK millions)

	Probability of default (PD)								
	Denmark	Sweden	Norway	Finland	United Kingdom	Baltics	Rest of Europe	Other	Total
Central governments or central banks	-	-	-	-	-	-	-	-	-
Institutions	-	-	0.01%	0.07%	-	-	1.28%	0.17%	0.23%
Corporates	0.22%	4.24%	0.16%	1.63%	3.85%	0.73%	0.86%	0.35%	1.63%
Retail	-	-	-	-	-	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-
Other retail exposures	-	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-	-	-
Securitisations	-	-	-	-	-	-	-	-	-
Other non credit-obligation assets	-	-	-	-	-	-	-	-	-
Total FIRB approach	**0.22%**	**4.24%**	**0.16%**	**1.63%**	**3.85%**	**0.73%**	**0.94%**	**0.17%**	**1.62%**

Note
Exposure-weighted PD differences (compared with data from previous years) were due to few customers with significantly changed PDs or a significant number of customers with minor PD changes or changes in exposure (EAD).

3.3 COUNTERPARTY CREDIT RISK MANAGEMENT

Counterparty credit risk is the risk that the counterparty to a transaction defaults on obligations before the final settlement of the transaction's cash flows. Counterparty credit risk is a combination of credit risk (a deterioration in the creditworthiness of a counterparty) and market risk (the potential value of derivatives contracts).

The Danske Bank Group takes on counterparty credit risk when it enters into over-the-counter derivative contracts, securities financing transactions and exchange-traded derivative contracts.

The transaction types derive their value from the performance of an underlying asset and have an associated future market value that may generate an exchange of payments or financial instruments depending on the terms of the transaction.

The Group mitigates counterparty credit risk through pre-deal controls, post-deal monitoring, clearing, close-out netting agreements and collateral agreements. The Group incurs a financial loss if a counterparty defaults on obligations and the market value of the derivatives transactions is not covered after netting and the realisation of collateral.

At the customer level, counterparty credit risk is managed by means of PFE lines on a set of maturity buckets. Prior to trading, PFE lines are approved by the relevant credit unit. At the portfolio level, the Group uses additional metrics to help set and monitor counterparty credit risk tolerance, including current exposure and exposure at default.

The Group has set limitations and introduced portfolio-level monitoring mechanisms. This includes monitoring wrong-way risk (the risk that arises when credit exposure to a counterparty increases while the counterparty's creditworthiness deteriorates), concentration risk and stress tests. The limitations cover the product range, the individual counterparty rating and the rating of the underlying securities.

The Group also manages its exposure to the market risk on fair value adjustments (xVA), including credit value adjustments (CVA), under separate limits in the xVA framework as described in section 5, Market risk.

3.3.1 Risk governance and responsibilities

The Group organises its counterparty credit risk activities in line with the principles of the three-lines-of-defence model.

Senior management oversees all financial risks in relation to trading activities and ensures that these risks remain within the Group's tolerance. Furthermore, senior management serves as a platform between the first and the second lines of defence to discuss and escalate to the Board of Directors financial risks if necessary.

3.3.2 Methodologies and models

The Group uses a number of metrics to capture counterparty credit risk, including current exposure (CE), potential future value (PFE) and exposure at default (EAD).

CE is a simple measure of counterparty credit risk exposure that takes into account only current mark-to-market values and collateral.

For risk management purposes, counterparty credit risk is measured as PFE at the 97.5% percentile for a set of future time horizons. All transactions are assumed to be held to contractual maturity.

The Group uses simulation-based models to calculate potential future counterparty credit risk exposure. The models simulate the potential future market value of each counterparty portfolio of transactions while taking netting and collateral management agreements into account. For transactions not included in the internal simulation model (about 6%), the potential change in market value is determined as a percentage (add-on) of the nominal principal amount. The size of the add-on depends on the transaction type, maturity, currency and collateral coverage and is determined using a conservative approach to ensure estimation adequacy.

The Danish Financial Supervisory Authority (the Danish FSA) approved the Group's simulation model for calculating the regulatory capital requirement for counterparty credit risk in 2015.

More advanced measures such as EAD, which is a regulatory measure, express potential future losses and are based on internal models for future scenarios of market data.

3.3.3 Monitoring and reporting

The Group carries out daily counterparty credit risk measurement and monitoring as well as intraday line utilisation monitoring. An overview of counterparty credit risk exposures is reported to the Executive Leadership Team and other senior management on a monthly basis.

The internal simulation model is subject to quarterly backtesting of the underlying risk factors and resulting exposures. A key control activity is model risk management, which includes independent validation of models.

3.3.4 Data and systems

The Group has a system covering all aspects of counterparty credit risk management. The system is integrated with all trading systems, the master agreement management system, the collateral management system and market data systems.

Internal management and monitoring of counterparty credit risk are processes that are performed in the Group's line system. The system covers all aspects of the internal counterparty credit risk management process, including the assignment of lines, monitoring and control of line utilisations, registration of master agreements, measurement, and management reporting.

3.3.5 Product composition

At the end of 2023, in trade count terms, the Group's non-cleared OTC derivatives were concentrated in interest rates and foreign exchange contracts, with foreign exchange forwards accounting for just above half of the trade count, cross currency swaps for 9% and interest rate swaps for about 16%. The remainder consisted of a broad range of primarily other plain vanilla products. The distribution was similar to the levels seen at the end of 2022.

Trade count of the portfolio's trading book by product type

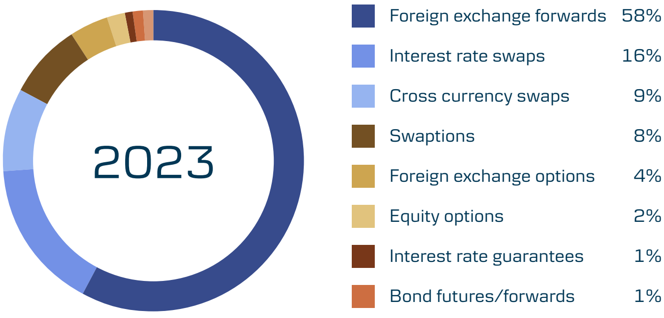


Table 3.24
EU CCR1 – Analysis of counterparty credit risk exposure by approach

At 31 December 2023
(DKK millions)

		Replacement cost (RC)	Potential future credit exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU1	EU - Original Exposure Method (for derivatives)	-	-		1.4	-	-	-	-
EU2	EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
1	SA-CCR (for derivatives)	1,098	5,689		1.4	29,312	9,678	9,678	3,377
2	IMM (for derivatives and SFTs)			44,281	1.4	104,810	61,993	61,993	16,111
2a	*of which securities financing transactions netting sets*			*653*		*2,167*	*914*	*914*	*268*
2b	*of which derivatives and long settlement transactions netting sets*			*43,628*		*102,642*	*61,080*	*61,080*	*15,843*
2c	*of which from contractual cross-product netting sets*					-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					419,301	59,170	59,170	2,851
5	VaR for SFTs					-	-	-	-
6	**Total**					**553,422**	**130,841**	**130,841**	**22,339**

Table 3.25
EU CCR2 – CVA capital charge

At 31 December 2023
(DKK millions)

		Exposure value	RWAs
1	Total portfolios subject to the advanced method	27,537	2,618
2	(i) VaR component (including the 3x multiplier)		791
3	(ii) SVaR component (including the 3x multiplier)		1,827
4	All portfolios subject to the standardised method	11,080	376
EU 4	Based on the original exposure method		-
5	**Total subject to the CVA capital charge**	**38,617**	**2,994**

Table 3.26
EU CCR3 – CCR exposures by asset classes and risk weights under standardised approach

At 31 December 2023
(DKK millions)

		Risk weight												
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total	Of which unrated
1	Central governments or central banks	46,561	-	-	-	-	-	-	-	-	-	-	46,561	45,097
2	Regional governments or local authorities	1,337	-	-	-	104	-	-	-	-	-	-	1,441	745
3	Public sector entities	227	-	-	-	-	-	-	-	-	-	-	227	10
4	Multilateral development banks	1,730	-	-	-	-	-	-	-	-	-	-	1,730	210
5	International organisations	210	-	-	-	-	-	-	-	-	-	-	210	730
6	Institutions	-	-	-	-	1,071	32	-	-	-	-	-	1,103	108
7	Corporates	-	-	-	-	-	1,121	-	-	108	-	-	1,229	-
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total**	**50,065**	**-**	**-**	**-**	**1,175**	**1,153**	**-**	**-**	**108**	**-**	**-**	**52,501**	**46,900**

Table 3.27
AIRB CCR4 – CCR exposures by portfolio and PD scale

At 31 December 2023
(DKK millions)

	PD scale	EAD post CRM	Average PD (%)	Number of obligors	Average LGD (%)	Exposure weighted average maturity (years)	RWAs	RWA density (%)
Institutions								
	0.00 to < 0.15	37,870	0.05	181	46.02	1	6,531	17
	0.15 to < 0.25	963	0.21	11	48.04	2	492	51
	0.25 to < 0.50	6	0.36	5	48.03	0	2	40
	0.50 to < 0.75	27	0.57	2	48.05	2	29	107
	0.75 to < 2.50	57	0.91	1	48.05	1	47	84
	2.50 to < 10.00						-	
	10.00 to < 100.00							
	100.00 (Defaulted)							
	Subtotal	**38,923**	**0.06**	**200**	**46.08**	**1**	**7,102**	**299**
Corporates								
	0.00 to < 0.15	42,602	0.13	470	105.05	2	6,072	27
	0.15 to < 0.25	6,696	0.43	194	109.00	2	2,722	82
	0.25 to < 0.50	3,262	0.68	299	100.36	5	1,953	123
	0.50 to < 0.75	2,061	1.28	191	111.70	2	1,689	164
	0.75 to < 2.50	1,405	2.59	369	106.26	3	1,558	220
	2.50 to < 10.00	103	8.48	54	96.47	6	147	295
	10.00 to < 100.00	42	69.19	20	96.08	4	92	428
	100.00 (Defaulted)	56	200.00	25	0.00	4	-	-
	Subtotal	**56,227**	**0.29**	**1,622**	**53.21**	**1**	**14,233**	**1,340**
Retail								
	0.00 to < 0.15	2	0.11	38	96.10	-	0	15
	0.15 to < 0.25	1	0.40	25	96.10	-	0	40
	0.25 to < 0.50	2	0.71	43	96.10	-	1	57
	0.50 to < 0.75	3	1.12	34	107.33	-	1	92
	0.75 to < 2.50	5	2.10	46	96.13	-	2	104
	2.50 to < 10.00	2	8.58	32	96.76	-	2	148
	10.00 to < 100.00	-	55.83	2	96.10	-		246
	100.00 (Defaulted)	-	200.00	5	0.00	-		-
	Subtotal	**16**	**3.63**	**225**	**48.89**	**-**	**6**	**702**
Total (all portfolios)		**95,166**	**1.30**	**2,047**	**54.80**	**2**	**21,341**	**3,511**

Note
Some obligors can be assigned to several exposure classes.

Table 3.28
FIRB CCR4 – CCR exposures by portfolio and PD scale

At 31 December 2023
(DKK millions)

	PD scale	EAD post CRM	Average PD (%)	Number of obligors	Average LGD (%)	Exposure weighted average maturity (years)	RWAs	RWA density (%)
Institutions								
	0.00 to < 0.15							
	0.15 to < 0.25	59		3	45.00	3	11	0.00
	0.25 to < 0.50							
	0.50 to < 0.75							
	0.75 to < 2.50							
	2.50 to < 10.00							
	10.00 to < 100.00							
	100.00 (Defaulted)							
	Subtotal	**59**	**0.04**	**3**	**45.00**	**3**	**11**	**0.00**
Corporates								
	0.00 to < 0.15	800	0.13	86	90.00	5	179	41.70
	0.15 to < 0.25	178	0.33	32	90.00	5	75	83.80
	0.25 to < 0.50	64	0.64	39	90.00	5	37	100.50
	0.50 to < 0.75	26	1.13	28	90.00	5	20	126.20
	0.75 to < 2.50	48	3.41	51	135.00	8	49	242.70
	2.50 to < 10.00	27	7.97	15	90.00	5	40	291.80
	10.00 to < 100.00	17	30.68	4	45.00	3	43	263.20
	100.00 (Defaulted)	1	200.00	10	90.00	5	-	0.00
	Subtotal	**1,161**	**0.84**	**265**	**45.00**	**3**	**443**	**1,150.00**
Total (all portfolios)		**1,220**	**0.80**	**268**	**45.00**	**3**	**454**	**0.00**

Note
Some obligors can be assigned to several exposure classes.

Table 3.29
EU CCR5 – Composition of collateral for CCR exposures

At 31 December 2023
(DKK millions)

		Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash - domestic currency	-	2,198	-	2,762	-	36,816	-	133,470
2	Cash - other currencies	-	82,795	572	51,686	-	132,860	-	119,089
3	Domestic sovereign debt	-	11,779	1,361	14,138	-	133,290	-	102,658
4	Other sovereign debt	760	7,303	13,500	4,553	-	124,893	402	90,929
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	-	2	-	-	-	8,314	-	3,914
7	Equity securities	-	-	-	-	-	230	-	2,330
8	Other collateral	-	422	977	1,646	-	75,662	-	64,945
9	**Total**	**760**	**104,498**	**16,411**	**74,785**	**-**	**512,065**	**402**	**517,337**

Table 3.30
EU CCR6 – Credit derivative exposures under CCR framework

At 31 December 2023
(DKK millions)

	Credit derivative hedges	
	Protection bought	Protection sold
Notionals		
Single-name credit default swaps	171	188
Index credit default swaps	15,908	11,943
Total return swaps	3,433	12,322
Credit options	-	-
Other credit derivatives	-	-
Total notionals	**19,512**	**24,453**
Fair values		
Positive fair value (asset)	*200*	*541*
Negative fair value (liability)	*-377*	*-621*

Table 3.31
EU CCR7 – Risk-weighted assets flow statement of CCR exposures under IMM

At 31 December 2023
(DKK millions)

		RWA amounts	Capital requirements
1	**RWAs as at 30 September 2023**	**14,634**	**1,171**
2	Asset size	2,212	177
3	Credit quality of counterparties	-614	-49
4	Model updates (IMM only)	106	8
5	Methodology and policy (IMM only)	-	-
6	Acquisitions and disposals	-	-
7	Foreign exchange movements	-	-
8	Other	-	-
9	**RWAs as at 31 December 2023**	**16,338**	**1,307**

Table 3.32
EU CCR8 – Exposures to CCPs

At 31 December 2023
(DKK millions)

		EAD post CRM	RWAs
1	**Exposured to QCCPs (total)**		**628**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	11,418	242
3	(i) OTC derivatives	2,554	65
4	(ii) Exchange-traded derivatives	3,763	75
5	(iii) SFTs	5,101	102
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	11,515	
8	Non-segregated initial margin	6,627	133
9	Prefunded default fund contributions	689	254
10	Alternative calculation of own funds requirements for exposures		-
11	**Exposured to non-QCCPs (total)**		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

4. Sustainability risk

Pillar III disclosures

4.1 SUSTAINABILITY RISK MANAGEMENT

The Group may be exposed to sustainability risk through its own operations and strategic commitments and from the activities of its customers, the companies in which it invests on behalf of its customers, its suppliers and other third-party business partners. Especially climate change and the transition to a low-carbon economy are the defining challenges of this century. Managing transition-related risks is therefore key to the Group's strategy and purpose, and the Group remains committed to supporting and financing customers undertaking the necessary transition in the Nordic economies.

The Group defines sustainability risk as the risk of a significant negative impact on the Group's performance – including financial and reputational impacts – as a result of current or future environmental, social and governance (ESG) events or conditions. Sustainability risk is considered a cross-taxonomy driver in the Group's risk taxonomy. This means that relevant ESG events or conditions are factors capable of further driving or intensifying the Group's current risks as identified in the Group's taxonomy.

4.1.1 Governance and responsibilities

Sustainability risk is managed and governed in line with the principles of the Group's three-lines-of-defence model. The potential impacts from sustainability risk have to be identified, assessed, monitored and mitigated as part of the existing management of the Group's various risk categories. The group-level principles for sustainability risk management are outlined in the Group's enterprise risk management framework, and specifications are provided in and governed through relevant risk policies to enable the consideration of sustainability factors in the existing risk management processes across the Group's business activities.

For example, sustainability is integrated into the governance frameworks and policies for credit risk management. The Group publishes its viewpoints on a number of sustainability themes in the form of position statements. These outline the Group's expectations and, in some cases, list restrictions on loans granted to and investments made on behalf of customers that are particularly exposed to sustainability risks. Restrictions are integrated into the Group's Credit Risk Policy to allow for proper governance of the Group's due diligence to identify, assess and manage the relevant risks in credit processes at both customer and portfolio levels.

4.1.2 Monitoring and reporting

In order to determine the areas in which the Group is most materially exposed to sustainability risk, the Group continuously assesses and reviews the ways in which ESG events and conditions can increase financial and non-financial risks. Taking a risk-based approach, the Group prioritises its efforts to manage sustainability risk where the negative impact on the Group is deemed to be high.

4.2 SUSTAINABILITY AND FINANCIAL RISKS

From a group perspective, credit risk is deemed to be the risk type most materially affected by sustainability risk. Other financial risks are mostly deemed to be of low or medium materiality at the moment, and they are incorporated into relevant processes such as climate stress testing in respect of market risk.

4.2.1 Sustainability and credit risk

Sustainability risks are identified, assessed and monitored at the portfolio level as part of the annual sector reviews, which include an in-depth assessment of sub-sectors and the largest customers. This enables the Group to map the most material sustainability risks facing the individual portfolios, monitor aggregate risk levels on an ongoing basis, and identify additional Credit Risk Policy requirements. When deemed necessary, the sustainability risk findings are integrated into the Group's credit risk tolerance to allow for portfolio management.

Relationship managers use a digital system to identify and assess each customer's sustainability risk level through a set of sector-specific ESG questions for both new and existing business customers. The customer-level sustainability risk assessments serve as input factors in the overall credit decision process and also enable the Group to monitor the overall sustainability risk level. On the back of the results, relationship managers are required to engage with customers with a significant exposure and a high level of identified risks in order to agree on a future action plan to mitigate these risks.

In 2023, around 87% of the Group's business exposure in scope was assessed for sustainability risk. The Group implemented functional enhancements to facilitate customer engagement in human rights and a more in-depth analysis of drivers of customers' ESG risk levels. These bottom-up customer assessments will increasingly be tied to the top-down portfolio risk management efforts. This will ensure a consistent feedback loop between strategic and customer considerations in the Group's sustainability risk management.

Climate risk management

Climate risk is currently the most urgent of all ESG-related drivers capable of affecting the Group's credit risk, and risk practices are being enhanced in accordance with regulatory and industry developments.

Climate risk pertains to transition risks, which are risks associated with the shift to a low-carbon economy, and to physical risks arising from projected climate changes, including both long-term shifts (chronic changes) and event-driven changes (acute changes) to weather patterns. Credit risk will be affected by both of these climate-related risks in the medium and long-term, and efforts are being made to obtain improved climate data to refine the long-term view of climate risk across sectors.

At the portfolio level, the Group's exposure to sectors defined as facing high climate transition and physical risk is outlined in the Group's Pillar III disclosures along with an overview of actions and metrics for risk exposure mitigation.

The Group has identified flooding risk (river and coastal flooding) as the key physical hazard applicable to the portfolio on the basis of the report on high confidence of hazard increase in Northern Europe issued by the Intergovernmental Panel on Climate Change. The current mapping of exposures subject to the risk of flooding focuses on residential and commercial property and forms part of the Pillar III disclosures.

The Group discloses its financed emissions and energy efficiency of collateral in accordance with the Pillar III transition-risk disclosure requirements. The Group has taken into consideration the financed emissions of the sector portfolios identified as climate change contributors and has identified that most of the emissions are attributable to only a few sectors, which the Group actively monitors and manage. For instance, this is evidenced by the decline in the oil and gas books in recent years.

Moreover, the Group performs ad-hoc climate stress tests to assess physical and transition risks of climate changes. Stress tests in relation to physical risks cover collateral-related exposures and are based on expected loss calculations related to river and coastal flooding. Stress tests in relation to transition risks are based on expected loss calculations with respect to an introduction of carbon taxes on all relevant portfolios.

Customer transition risk assessments
Managing transition risks takes place at both portfolio and customer levels. At the portfolio level, the Group sets long-term targets for sectors with high financed emissions like shipping, utilities etc. These sectors and targets are further detailed in the Group's Climate Action Plan. Climate risks are also taken into consideration when the Group determines its risk tolerance process for high-risk segments to further manage the portfolios.

The Group has developed a methodology to assess transition risks at the customer level to gain a more granular overview of transition risks in relevant high-emitting sectors. The methodology considers the customers' current performance as well as their short-, medium-, and long-term ambitions and plans to meet their decarbonisation strategy and targets. In addition, the assessments include an evaluation of the customers' risk of not executing on their strategies because of external factors that affect their ability to transition, i.e. technology and government support factors.

Alignment to net-zero pathway + Technology availability + Government incentives = Transition assessment score

On the basis of alignment assessment, technology and government factors, it is possible to break down transition risk assessment scores into four categories. The following table shows both assessment scores and assessment criteria. The transition risk assessments contribute to the overall credit evaluation of customers. This means that the monitoring of the individual portfolio's transition risk is also compared against an estimated average of the credit ratings of customers assessed in each of the transition assessment categories.

Customer transition risk assessments – criteria and scoring

Assessment score	Assessment criteria	% of assessed exposure	Average rating*
Transitioned	• Current emissions are at or close to the 2050 net-zero level. • Investment plan/business model in line with the net-zero pathway.	17%	A4-1
Transitioning	• Fulfilment of all criteria on ambitions, targets, emissions, decarbonisation and CAPEX/OPEX, and technological elements exist or some government incentives are needed.	28%	A4-1
Start of transition	• Fulfilment of all criteria on ambitions, targets, emissions, decarbonisation and CAPEX/OPEX, but the necessary technology does not exist or depends to a large extent on government incentives. • Or, partial fulfilment of criteria on ambitions, targets, emissions, decarbonisation and CAPEX/OPEX, and technological elements exist or some government incentives are needed.	44%	A4-2
Lagging transition	• Poor alignment for any criteria on ambitions, targets, emissions, decarbonisation and CAPEX/OPEX. • Or, partial fulfilment of criteria on ambitions, targets, emissions, decarbonisation and CAPEX/OPEX, but the necessary technology does not exist or depends to a large extent on government incentives.	12%	B1-2
Assessment rate		**2022**	**2023**
		43%	78%

*Average credit rating of assessed customers.

The Group has an intensified focus on customers that are considered to be lagging in the transition process but have started from weak financial positions. For these customers, the Group has identified relevant mitigating actions, including increased recognition of the expected credit loss to anticipate losses during the transition phase. From the initial assessment of customers subject to high transition risk, the exposure to the lagging transition category remains limited but will be monitored on an ongoing basis.

4.3 SUSTAINABILITY AND NON-FINANCIAL RISKS

The Group's non-financial risks most materially affected by sustainability drivers relate specifically to regulatory compliance risk, i.e. the risk of not treating customers fairly, including in relation to marketing, branding and communications, and to operational risk, i.e. practices and arrangements for product governance and product and service practices related to investment products.

4.3.1 Sustainability and treating customers fairly

The standards for treating customers fairly are laid out in the Group's relevant policy, underlying frameworks and processes that address customer needs, profiling and information. In addition, the Group increased the oversight of positioning and marketing activities in 2023 to ensure a fair representation of the Group's sustainability products and activities and to maintain a balance between risk and opportunities. This includes the Group's overall sustainability strategy, targets and commitments.

4.3.2 Sustainability and product practices

For product governance practices and arrangements, the Group's management of sustainability risk is laid out in frameworks and procedures subject to the Group's New & Amended Product Approval Policy and Product Governance Instructions. In this process, sustainability risks and factors have been incorporated into the screening processes for new product proposals and all stages of the product approval and review process.

Sustainability risks have an impact on a company's business and ability to deliver attractive returns to asset management customers and investors. Various tools and analysis are applied in order to determine the right approach for a given investee. This includes a digital system for determining each customer's sustainability preferences as part of the suitability assessment through a set of questions based on the MiFID II and the Insurance Distribution Directive regulatory requirements for sustainability preferences. To ensure a product match between customer sustainability preferences and product recommendation, the Group's sustainability preferences approach is designed to ensure a link between the individual customer's sustainability preferences and the Group's product offerings.

The identification and assessment of sustainability risks in investment decisions are governed by the Group's Responsible Investment Policy. The Group has developed a proprietary model to screen areas and companies exposed to most material sustainability risks and to assess the financial significance. The Group also applies investment restrictions in order to reduce exposure to investments that are involved in activities with a conduct harmful to society, are involved in activities with a negative climate impact or are involved in non-ethical and/or controversial activities. Furthermore, as part of the Group's implementation of the Sustainable Finance Disclosure Regulation, the Group includes principle adverse impact considerations as part of the investment process. This ensures that sustainable investments meet 'do no significant harm' criteria for sustainability-related objectives such as climate change.

Table 4.1
Template 1: Banking book – Indicators of potential climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity

At 31 December 2023
(DKK millions)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Sector/Subsector	Gross carrying amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mln)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with Article 12(1) points (d) to (g) and Article 12(2) of Regulation (EU) 2020/1818	Of which environ-mentally sustain-able (CCM)	Of which stage 2 exposures	Of which non-per-forming exposures		On non-per-forming forborne exposures	Of which non-per-forming exposures		Of which Scope 3 financed emissions						
1	Exposures towards sectors that highly contribute to climate change*	695,532	13,617	3,218	57,357	13,982	-7,162	-3,434	-3,151	6,782,529	2,110,141	8.88	315,533	33,941	110,270	235,788	10.61
2	A - Agriculture, forestry and fishing	23,670	-	24	1,853	529	-360	-181	-156	676,393	0	20.02	11,764	1,707	1,461	8,739	8.70
3	B - Mining and quarrying	2,203	1,139	0	49	24	-14	-1	-12	1,507,988	1,373,567	58.21	1,640	91	-	472	2.95
4	*B.05 - Mining of coal and lignite*	-	-		-	-	-	-	-			-	-	-	-	-	-
5	*B.06 - Extraction of crude petroleum and natural gas*	551	551	-	2	0	-1	-0	-0	1,414,754	1,373,566	100.00	551	-	-	1	0.11
6	*B.07 - Mining of metal ores*	207	-	-	-	0	-0	-	-0	0	0	-	2	-	-	205	4.97
7	*B.08 - Other mining and quarrying*	843	-	-	40	12	-3	-1	-2	37,985	0	20.14	503	89	-	252	6.06
8	*B.09 - Mining support service activities*	601	587	0	7	12	-11	-0	-10	55,249	1	93.36	584	2	-	15	0.50
9	C - Manufacturing	91,643	1,898	1,783	8,528	1,843	-1,142	-479	-563	1,683,257	736,574	35.43	69,021	3,099	4,775	14,748	2.42
10	*C.10 - Manufacture of food products*	15,694		7	1,380	435	-223	-99	-114	139,659	0	16.70	8,116	704	2,750	4,124	4.60
11	*C.11 - Manufacture of beverages*	2,841	-	-	7	2	-4	-1	-1	11,972	0	33.95	2,349	33	-	459	1.27
12	*C.12 - Manufacture of tobacco products*	1	-	-	0	-	-0	-0	-	0	0	94.16	1	-	-	0	1.86
13	*C.13 - Manufacture of textiles*	395	-	-	42	1	-7	-7	-0	2,059	0	0.42	79	28	148	141	8.47
14	*C.14 - Manufacture of wearing apparel*	497	-	-	16	5	-5	-3	-3	1,948	0	-	127	3	29	338	4.77
15	*C.15 - Manufacture of leather and related products*	29	-	-	17	0	-1	-1	-0	43	0	-	9	19	-	1	5.38
16	*C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials*	2,836	-	-	387	264	-95	-21	-73	42,206	0	10.81	1,883	425	155	372	3.64
17	*C.17 - Manufacture of paper and paper products*	5,413	-	169	442	1	-8	-5	-0	96,856	0	73.70	5,027	85	78	223	0.79
18	*C.18 - Printing and reproduction of recorded media*	356	-		52	53	-21	-2	-18	1,204	0	0.03	245	22	-	89	3.24
19	*C.19 - Manufacture of coke and refined petroleum products*	1,898	1,898	542	0	-	-0	-0	-	779,529	736,574	98.73	1,893	-	-	5	0.51
20	*C.20 - Manufacture of chemicals and chemical products*	4,501	-	15	429	488	-148	-17	-121	90,322	0	40.08	3,051	53	171	1,227	3.68

> Table 4.1 (continued)
Template 1: Banking book – Indicators of potential climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Sector/Subsector	Gross carrying amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mln)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with Article 12(1) points (d) to (g) and Article 12(2) of Regulation (EU) 2020/1818	Of which environ-mentally sustain-able (CCM)	Of which stage 2 exposures	Of which non-per-forming exposures		On non-per-forming forborne exposures	Of which non-per-forming exposures		Of which Scope 3 financed emissions						
21	*C.21 - Manufacture of basic pharmaceutical products and pharmaceutical preparations*	6,024	-	-	3	1	-5	-0	-0	9,834	0	41.94	5,326	191	198	309	1.02
22	*C.22 - Manufacture of rubber products*	4,924	-	264	303	52	-97	-51	-25	18,824	0	24.11	4,367	120	117	319	1.28
23	*C.23 - Manufacture of other non-metallic mineral products*	1,910			346	51	-63	-44	-13	263,748	0	27.70	1,314	283	81	232	3.50
24	*C.24 - Manufacture of basic metals*	644		0	105	1	-1	-1	-0	16,863	0	0.26	348	137	102	57	5.11
25	*C.25 - Manufacture of fabricated metal products, except machinery and equipment*	6,027		99	855	62	-57	-27	-20	16,529	0	8.45	4,347	279	299	1,102	3.29
26	*C.26 - Manufacture of computer, electronic and optical products*	11,019		50	1,077	51	-55	-17	-32	66,267	0	54.59	9,848	26	66	1,079	0.86
27	*C.27 - Manufacture of electrical equipment*	5,637		43	697	62	-39	-8	-24	65,538	0	0.02	4,896	279	69	393	1.70
28	*C.28 - Manufacture of machinery and equipment n.e.c.*	13,170		509	885	183	-141	-62	-64	42,288	0	49.94	10,788	223	209	1,949	1.84
29	*C.29 - Manufacture of motor vehicles, trailers and semi-trailers*	586			129	8	-9	-8	-1	3,060	0	0.85	224	90	123	149	5.67
30	*C.30 - Manufacture of other transport equipment*	997			501	31	-43	-31	-12	866	0	0.01	464	4	44	486	3.74
31	*C.31 - Manufacture of furniture*	886			472	74	-69	-35	-34	3,866	0	20.69	425	64	99	299	4.56
32	*C.32 - Other manufacturing*	4,142			277	7	-41	-36	-3	8,086	0	63.12	2,804	11	20	1,307	1.99
33	*C.33 - Repair and installation of machinery and equipment*	1,218			107	11	-9	-4	-4	1,690	0	62.44	1,092	19	17	90	1.58
34	D - Electricity, gas, steam and air conditioning supply	27,786	1,223	876	970	1	-24	-11	-1	668,155	0	7.43	14,501	1,186	3,666	8,433	9.55
35	*D35.1 - Electric power generation, transmission and distribution*	25,212	1,019	874	873	1	-19	-8	-1	565,456	0	8.10	13,980	745	3,156	7,330	9.28
36	*D35.11 - Production of electricity*	13,370	1,019	788	775	1	-14	-5	-1	520,756	0	13.91	9,998	492	1,250	1,630	3.75
37	*D35.2 - Manufacture of gas; distribution of gaseous fuels through mains*	411	204	2	52	0	-1	-1	-	20,150	0	0.83	156	238	-	17	4.51
38	*D35.3 - Steam and air conditioning supply*	2,163	-	-	46	0	-4	-2	-0	82,549	0	0.92	364	203	509	1,086	13.67
39	E - Water supply; sewerage, waste management and remediation activities	6,107	1	183	758	78	-38	-16	-19	29,332	0	0.24	3,624	921	272	1,290	3.84
40	F - Construction	21,959	-	293	3,103	1,355	-1,034	-601	-334	39,780	0	3.89	11,934	1,254	888	7,883	8.33
41	*F.41 - Construction of buildings*	11,681	-	24	1,159	834	-354	-203	-109	17,041	0	1.14	3,867	350	610	6,854	12.72
42	*F.42 - Civil engineering*	2,548	-	115	466	216	-260	-165	-78	7,733	0	19.44	2,238	127	19	164	2.58
43	*F.43 - Specialised construction activities*	7,730	-	155	1,478	305	-420	-233	-147	15,006	0	2.93	5,830	777	259	865	3.59
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	62,405	2,574	8	7,954	2,698	-1,457	-536	-873	407,190	0	8.60	36,722	2,293	3,739	19,651	4.07

> Table 4.1 (continued)
Template 1: Banking book – Indicators of potential climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Sector/Subsector	Gross carrying amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mln)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with Article 12(1) points (d) to (g) and Article 12(2) of Regulation (EU) 2020/1818	Of which environ-mentally sustain-able (CCM)	Of which stage 2 exposures	Of which non-per-forming exposures		Of which stage 2 exposures On non-per-forming forborne exposures	Of which non-per-forming exposures		Of which Scope 3 financed emissions						
45	H - Transportation and storage	34,600	6,691	-	2,456	2,670	-533	-167	-335	1,576,556	0	39.75	26,047	4,882	1,226	2,445	3.57
46	*H.49 - Land transport and transport via pipelines*	*10,857*		*1*	*1,530*	*250*	*-154*	*-73*	*-67*	*14,750*	*0*	*0.79*	*6,232*	*3,755*	*211*	*658*	*4.48*
47	*H.50 - Water transport*	*16,491*	*6,691*	*125*	*513*	*2,350*	*-329*	*-64*	*-254*	*1,543,878*	*0*	*75.38*	*16,349*	*0*	*0*	*141*	*0.19*
48	*H.51 - Air transport*	*57*	-	-	*2*	*0*	*-10*	*-9*	*-0*	*1,004*	*0*	*0.62*	*55*	-	*1*	*0*	*2.41*
49	*H.52 - Warehousing and support activities for transportation*	*6,961*	-	*0*	*402*	*69*	*-39*	*-20*	*-14*	*16,019*	*0*	*16.18*	*3,300*	*1,068*	*947*	*1,645*	*10.02*
50	*H.53 - Postal and courier activities*	*235*	-	*11*	*8*	*0*	*-1*	*-1*	*-0*	*905*	*0*	*47.01*	*111*	*59*	*66*	*-0*	*7.92*
51	I - Accommodation and food service activities	8,486	-	-	817	376	-101	-9	-89	18,773	0	1.08	3,258	458	2,369	2,400	11.22
52	L - Real estate activities	416,675	91	50	30,870	4,407	-2,458	-1,433	-770	175,105	0	0.28	137,022	18,050	91,875	169,727	14.39
53	**Exposures towards sectors other than those that highly contribute to climate change***	**118,334**	**10**	**255**	**13,158**	**2,522**	**-1,670**	**-740**	**-833**	**229,206**	**1**	**14.78**	**86,704**	**7,308**	**3,688**	**20,635**	**3.04**
54	K - Financial and insurance activities	26,640	0	90	1,557	403	-246	-137	-86	53,419	0	3.11	19,410	241	451	6,537	2.55
55	Exposures to other sectors (NACE codes J, M - U)	91,694	10	165	11,601	2,119	-1,423	-603	-746	175,787	1	18.17	67,294	7,067	3,236	14,098	3.19
56	Total	813,866	13,627	3,473	70,515	16,504	-8,832	-4,174	-3,984	7,011,735	2,110,142	9.74	402,237	41,249	113,957	256,423	9.51

* In accordance with the Commission Delegated Regulation EU) 2020/1818 supplementing Regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks – Climate Benchmark Standards Regulation – Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006.

Note
Sector classifications used in this template are based on sector classifications defined for regulatory reporting purposes, such as FINREP, and may differ from those used in other external reporting published by the Group.

Companies excluded from EU PAB (column b)
To identify counterparties excluded from the EU Paris-aligned benchmarks as specified in article 12(1)(d)-(g) and article 12(2) of Delegated Regulation (EU) 2020/1818, the Group has identified exposures to customers with activities within relevant sectors, i.e. oil and gas, mining, and power generation. Due to the lack of data on revenue from activities mentioned in article 12(1)(d)-(f), especially in respect of non-listed companies, the template includes all customers operating within these sectors. For the purposes of article 12(1)(g), the template includes power generation customers whose emission intensities are above 100gCO2/kWh using the most recent available data.

Financed emissions (columns i, j and k)
Financed emissions for the Group's lending portfolio are calculated using the standards set by the Partnership for Carbon Accounting Financials (PCAF) and additional guidance developed by Finance Denmark and Finance Norway. Scope 3 emissions are calculated only for segments within oil and gas upstream and oil and gas refining. Calculations of financed emissions are highly dependent on company disclosures – both financial and ESG-related disclosures – and the calculated financed emissions are thus end-2022 figures. In this template, the Group's 2022 financed emissions are mapped to the Group's portfolio at end-2023. Furthermore, this template covers only exposures and financed emissions related to non-financial corporates as defined in FINREP. Therefore, total financed emissions disclosed in this template will deviate from financed emissions shown in other reporting published by the Group. For more detailed information about the methodology for emission calculations and the Group's total financed emissions, see the Group's Climate Action Plan Progress Update, which is available at www.danskebank.com.

Table 4.2
Template 2: Banking book – Indicators of potential climate change transition risk: Loans collateralised by immovable property – Energy efficiency of the collateral

At 31 December 2023
(DKK millions)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Counterparty/sector	Total gross carrying amount															
			of which exposures sensitive to impact from climate change physical events														
			Level of energy efficiency (EP score in kWh/m² of collateral)						Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
			0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G		Of which level of energy efficiency (EP score in kWh/m² of collateral) estimated
1	**Total EU area**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	*of which Loans collateralised by commercial immovable property*	1,126,237	287,724	450,803	60,153	5,272	409	6	83,012	43,792	138,628	105,627	59,284	26,580	12,109	657,207	335,383
3	*of which Loans collateralised by residential immovable property*	240,031	32,383	58,806	20,269	711	308	-	7,919	10,634	18,117	12,978	9,791	6,210	3,333	171,049	43,495
4	*of which Collateral obtained by taking possession: residential and commercial immovable properties*	18	2	8	6	-	-	-	-	2	4	-	3	4	-	5	3
5	*of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated*	335,383	59,724	238,792	35,753	989	125	-								335,383	335,383
6	**Total non-EU area**	**92,960**	**230**	**384**	**126**	**45**	**-**	**-**	**161**	**5,332**	**3,784**	**3,316**	**2,046**	**925**	**229**	**77,168**	**314**
7	*of which Loans collateralised by commercial immovable property*	50,778	-	-	6	2	-	-	1	5	3	7	2	23	6	50,733	8
8	*of which Loans collateralised by residential immovable property*	42,182	230	384	119	43	-	-	161	5,328	3,781	3,309	2,043	902	223	26,435	306
9	*of which Collateral obtained by taking possession: residential and commercial immovable properties*																
10	*of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated*	314	37	188	74	14	-	-								314	314

Note
This template shows gross carrying amounts of loans secured by commercial and residential property and gross carrying amounts of repossessed real estate collateral for all counterparty sectors, including non-financial corporates and households.

Energy efficiency (columns b-g)
Where possible, the level of energy efficiency is estimated. The level of energy efficiency is included only if the energy efficiency can be estimated using either an actual EPC or from the distribution of EPCs.

EPC label of collateral (columns h-n)
For collateral where the EPC label is available, the latest available and valid EPC label is used. When a property or a loan covers multiple buildings with different EPC labels, the lowest performing EPC label is applied.

Table 4.3
Template 3: Banking book – Indicators of potential climate change transition risk: Alignment metrics

At 31 December 2023
(DKK millions)

	a	b	c	d	e	f	g
	Sector	NACE Sectors (a minima)	Portfolio gross carrying amount (Mn DKK)	Alignment metric	Year of reference	Distance to IEA NZE2050 in % *	Target (year of reference + 3 years)
1	Power	-	25,857	kgCO2/MWh	2022	-51%	56
2	Fossil fuel combustion	-	9,507	-	-	-	-
3	Automotive	-	708	-	-	-	-
4	Aviation	-	2,577	-	-	-	-
5	Maritime transport	-	20,677	-	-	-	-
6	Cement, clinker and lime production	-	1,648	tCO2/t	2022	39%	0.57
7	Iron and steel, coke, and metal ore production	-	2,655	tCO2/t	2022	9%	0.93

* Point-in-time (PIT) distance to 2030 NZE2050 scenario in % (for each metric).

Note
The Group has committed to becoming a net-zero bank by 2050 or sooner as part of accelerating its sustainability efforts and managing climate change.

Disclosures included in this template relate to the Group's 2030 climate targets for its lending portfolio that can be measured against the Net Zero Emissions by 2050 Scenario as put forward by the International Energy Agency (IEA NEZ2050), covering the power generation, steel and cement sectors. The targets are set against a 2020 baseline. In this template, reference year (2022) intensities are measured against the IEA NEZ2050 pathways calculated using data provided by IEA (the Net Zero by 2050 dataset). Targets (year of reference + 3 years) are estimated using a linear trajectory between the reference year intensities and the Group's 2030 targets.

The Group has set climate targets for more sectors that are not measured against IEA NEZ2050. For more information about methodology and climate targets, see the Group's Climate Action Plan Progress Update, which is available at www.danskebank.com.

Table 4.4
Template 4: Banking book – Indicators of potential climate change transition risk: Exposures to top 20 carbon-intensive firms

At 31 December 2023
(DKK millions)

a	b	c	d	e
Gross carrying amount (aggregate)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)*	Of which environmentally sustainable (CCM)	Weighted average maturity	Number of top 20 polluting firms included
10	0.000445%	-	2.20	2

* For counterparties among the top 20 carbon-emitting companies in the world.

Note
To identify the top 20 carbon-intensive firms in the world, the publicly available update on Carbon Majors from Climate Accountability Institute is used as a source (from 2020).

All exposures related to the Group are included if companies are on the list.

Table 4.5
Template 5: Banking book – Indicators of potential climate change physical risk: Exposures subject to physical risk

At 31 December 2023
(DKK millions)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Total gross carrying amount													
			Of which exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket					Of which exposures sensitive to impact from chronic climate change events	Of which exposures sensitive to impact from acute climate change events	Of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							Of which Stage 2 exposures	Of which non-performing exposures
1	A - Agriculture, forestry and fishing	23,670	15	-	13	16	23.03	12	32	-	-	-0	-	-	-
2	B - Mining and quarrying	2,203	-	-	-	-		-	-	-	-	-	-	-	-
3	C - Manufacturing	91,643	126	23	97	39	13.32	20	265	12	-	-0	-0	-	-
4	D - Electricity, gas, steam and air conditioning supply	27,786	-	-	-	2,975	20.48	-	-	-	-	-	-	-	-
5	E - Water supply; sewerage, waste management and remediation activities	6,107	18	-	-	-		-	18	-	-	-0	-	-	-
6	F - Construction	21,959	45	-	43	365	26.72	36	392	16	2	-6	-6	-0	-0
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	62,405	70	-	32	13	20.82	24	89	37	-	-1	-1	-	-
8	H - Transportation and storage	34,600	52	33	18	1,183	17.61	15	1,271	45	-	-0	-0	-	-
9	L - Real estate activities	416,675	5,650	192	2,913	7,402	21.69	3,335	10,020	1,300	60	-32	-16	-9	-9
10	Loans collateralised by residential immovable property	928,370	2,607	535	3,671	22,535	23.85	7,272	17,571	1,305	242	-62	-20	-34	-32
11	Loans collateralised by commercial immovable property	290,809	4,267	193	2,144	8,376	19.95	2,347	7,566	1,045	14	-28	-20	-2	-19
12	Repossessed collaterals	18	-	-	-	-		-	-	-	-	-	-	-	-

Note
Rows 10-12 in this template show gross carrying amounts of loans secured by commercial and residential property and gross carrying amounts of repossessed real estate collateral for all counterparty sectors, including non-financial corporates and households.

Gross carrying amount (column b)
All geographic areas are covered, i.e. EU and non-EU countries. Row 13 shows no exposures as exposures mapped to physical risk are disclosed in rows 10-11, and most of the exposures to non-financial corporates are included in rows 1-9.

Of which exposures sensitive to impact from climate change physical events (columns c-o)
To identify exposures subject to physical risks, the Group uses the latest IPCC report as a starting point to look at hazards of high confidence of increases/decreases in Northern Europe. Of hazards with high confidence, the Group identifies the risks of flooding, including rising sea levels (both acute and chronic hazards), as the most material hazards in the Nordic region. The Group uses geospatial data and local hazard maps, where available, to map exposure at risk. For this reporting, the Group maps residential and commercial real estate in Denmark, Finland and Northern Ireland as well as residential real estate in Norway and Sweden.

The Group has not yet been able to apply location-specific hazard maps to other sectors. Thus, exposures disclosed as being at risk in rows 1-9 cover loans within the sectors secured by commercial or residential real estate. Other hazards and sectoral impacts are still to be explored, pending granular enough climate data.

The methodology for defining acute and chronic physical risk events is selected separately for each country due to inherent differences in the hazard maps for each country. In Denmark, maps prepared by the Danish Coastal Authority are used for 14 high-risk areas. Acute risk events refer to coastal and river floods with a return period of 1 in 1,000 years, whereas chronic risk events are identified as 1 in-100-year coastal and river floods projected for the year 2115. Projections are based on the high-emissions RCP 8.5 global warming scenario.

To identify the areas at risk of river and coastal water flooding in Northern Ireland, maps provided by the Northern Ireland Department for Infrastructure are used. Acute risk events refer to 1-in-200-year river and tidal/coastal floods, whereas chronic risk events refer to 1-in-200-year coastal floods projected for the year 2080, thus taking into account the effects of climate change (a specific climate and socioeconomic emissions scenario is not provided by the authorities).

Flooding analysis in Finland is performed by using maps provided by the Finnish Environment Institute (SYKE) and the Finnish Flood Centre. In total, around 100 river basin and coastal areas are investigated to estimate hazard levels (the probability of flooding) across the country. Flooding maps for return periods of 1 in 1,000 years and 1 in 100 years are selected to represent acute and chronic physical risk events respectively. Only basic scenarios based on current climate are available.

Analysis in Norway is based on (1) river flood maps prepared by the Norwegian Water Resources and Energy Directorate and on (2) coastal hazard maps prepared by the Norwegian Mapping Authority. River floods are modelled for flood-prone areas only, whereas coastal hazard maps cover approximately 80% of the coast and consider regional variations in land uplift and sea level rise. Acute risk events refer to river and coastal floods with a return period of 1 in 1,000 years. Chronic risk events refer to 1-in-200-year river floods projected for the year 2100 in areas where climate projections predict a 20% increase in water discharge over the next 20-100 years as well as 1-in-20-year coastal floods predicted for the year 2090 (based on the high-emissions RCP 8.5 global warming scenario).

Analysis in Sweden is based on (1) river and coastal flood risk mapping for significant risk areas and on (2) coastal floods assessed by the Swedish Civil Contingencies Agency (MSB) and the Swedish Meteorological and Hydrological Institute (SMHI). The assessment of coastal and river floods identified 29 urban areas subject to significant flood risk, taking into account climate change projections. The identified significant risk zones are small, however, and located in the most densely populated geographical areas. The SMHI predicts a median sea levels rise for 87 coastal municipalities on the basis of projections for five different IPCC emissions scenarios, taking into account local land uplift. The MSB provides nine shoreline projection maps for sea level rise from 1 m up to 5 m. On the basis of results from both the MSB and the SMHI, the flooding analyses (scenario SSP5-8.5) consider a sea level rise of 1.5 m in the south of Sweden and a sea level rise of 1 m in the rest of the country. Acute risks refer to 1-in-200-year coastal and river floods. Chronic risks refer to 1-in-100-year coastal and river floods for climate-adjusted projection for the year 2100 and to a median sea level rise in coastal municipalities for the year 2120.

Impairments (columns m, n, o)
As regards property-related exposures, the residual risk from physical hazards is currently considered to be sufficiently captured through existing credit parameters, such as haircuts and post-model adjustments.

Table 4.6
Template 6 – Summary of key performance indicators (KPIs) on the Taxonomy-aligned exposures

At 31 December 2023

	KPI			
	Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)	% coverage (over total assets)
GAR stock	1.24	-	1.24	0.88
GAR flow	3.35	-	3.35	0.16

Note
Templates 6-8 reflect the Group's EU taxonomy reporting with regard to the environmental objectives of climate change mitigation and climate change adaptation as referred to in article 9(a) (b) of Regulation (EU) 2020/852. The templates include GARs (green asset ratios) based on turnover alignment only. The Group's entire EU taxonomy reporting is included in the Group's Sustainability Factbook, which is available at www.danskebank.com.

Table 4.7
Template 7 – Mitigating actions: Assets for the calculation of GAR

At 31 December 2023
(DKK millions)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)			
		Total [gross] carrying amount			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
	GAR – Covered assets in both numerator and denominator															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	930,059	667,852	29,142		25,679	1,132	12	-			667,863	29,142		25,679	1,132
2	**Financial undertakings**	**74,892**	**30,032**	**-**		**-**	**-**	**-**	**-**			**30,032**	**-**		**-**	**-**
3	Credit institutions	68,899	26,837	-		-	-	-	-			26,837	-		-	-
4	Loans and advances	9,265	2,544	-		-	-	-	-			2,544	-		-	-
5	Debt securities, including UoP	59,634	24,293	-		-	-	-	-			24,293	-		-	-
6	Equity instruments															
7	Other financial corporations	5,993	3,195	-		-	-	-	-			3,195	-		-	-
8	*of which investment firms*	*138*	*51*	-		-	-	-	-			*51*	-		-	-
9	Loans and advances	138	51	-		-	-	-	-			51	-		-	-
10	Debt securities, including UoP															
11	Equity instruments															
12	*of which management companies*	*23*	-	-		-	-	-	-			-	-		-	-
13	Loans and advances	23	-	-		-	-	-	-			-	-		-	-
14	Debt securities, including UoP															
15	Equity instruments															
16	*of which insurance undertakings*	*4,969*	*2,754*	-		-	-	-	-			*2,754*	-		-	-
17	Loans and advances	4,969	2,754	-		-	-	-	-			2,754	-		-	-
18	Debt securities, including UoP															
19	Equity instruments															
20	**Non-financial undertakings**	**88,594**	**24,023**	**3,613**		**150**	**1,132**	**12**	**-**			**24,035**	**3,613**		**150**	**1,132**
21	Loans and advances	88,594	24,023	3,613		150	1,132	12	-			24,035	3,613		150	1,132
22	Debt securities, including UoP															
23	Equity instruments															
24	**Households**	**766,555**	**613,797**	**25,529**		**25,529**						**613,797**	**25,529**		**25,529**	
25	*of which loans collateralised by residential immovable property*	*666,479*	*613,231*	*25,529*		*25,529*						*613,231*	*25,529*		*25,529*	
26	*of which building renovation loans*															
27	*of which motor vehicle loans*	*13,100*	*566*									*566*				
28	**Local governments financing**															
29	Housing financing															
30	Other local government financing															
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	**18**														
32	**Assets excluded from the numerator for GAR calculation (covered in the denominator)**	**1,416,211**														
33	**Financial and Non-financial undertakings**		**1,182,944**													
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	1,089,052														

> Table 4.7
Template 7 – Mitigating actions: Assets for the calculation of GAR

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)			
		Total [gross] carrying amount			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
35	Loans and advances	932,321														
36	*of which loans collateralised by commercial immovable property*	*216,957*														
37	*of which building renovation loans*															
38	Debt securities	156,310														
39	Equity instruments	421														
40	Non-EU country counterparties not subject to NFRD disclosure obligations	93,892														
41	Loans and advances	89,077														
42	Debt securities	4,744														
43	Equity instruments	71														
44	**Derivatives**	**6,294**														
45	**On demand interbank loans**	**3,001**														
46	**Cash and cash-related assets**	**6,420**														
47	**Other categories of assets (e.g. Goodwill, commodities etc.)**		**217,552**													
48	**Total GAR assets**	**2,346,270**	**667,852**	**29,142**		**25,679**	**1,132**	**12**	**-**			**667,863**	**29,142**		**25,679**	**1,132**
49	**Assets not covered for GAR calculation**	**953,035**														
50	**Central governments and Supranational issuers**	**235,681**														
51	**Central banks exposure**	**290,560**														
52	**Trading book**	**426,793**														
53	**Total assets**	**3,299,304**	**667,852**	**29,142**		**25,679**	**1,132**	**12**	**-**			**667,863**	**29,142**		**25,679**	**1,132**
	Off-balance sheet exposures Undertakings subject to NFRD disclosure obligations															
54	Financial guarantees	5,488	33	-		-	-	-	-			33	-		-	-
55	Assets under management	697,060	52,290	8,084		665	4,593	5,502	3			57,792	8,087		665	4,596
56	*of which debt securities*	*268,004*	*8,162*	*1,560*		*39*	*666*	*405*	*2*			*8,567*	*1,563*		*39*	*668*
57	*of which equity instruments*	*349,228*	*44,122*	*6,522*		*626*	*3,925*	*5,097*	*1*			*49,219*	*6,522*		*626*	*3,926*

Note
Templates 6-8 reflect the Group's EU taxonomy reporting with regard to the environmental objectives of climate change mitigation and climate change adaptation as referred to in article 9(a) (b) of Regulation (EU) 2020/852. The templates include GARs (green asset ratios) based on turnover alignment only. The Group's entire EU taxonomy reporting is included in the Group's Sustainability Factbook, which is available at www.danskebank.com.

Table 4.8
Template 8 – GAR (%)

At 31 December 2023

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Stock (% (compared to total covered assets in the denominator)														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total assets covered
GAR – Covered assets in both numerator and denominator																
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	71.81	3.13		2.76	0.12	-	-		-	71.81	3.13		2.76	0.12	28.19
2	**Financial undertakings**	**40.1**	**-**		**-**	**-**	**-**	**-**		**-**	**40.1**	**-**		**-**	**-**	**2.27**
3	Credit institutions	38.95	-		-	-	-	-		-	38.95	-		-	-	2.09
4	Loans and advances	27.46	-		-	-	-	-		-	27.46	-		-	-	0.28
5	Debt securities, including UoP	40.74	-		-	-	-	-		-	40.74	-		-	-	1.81
6	Equity instruments															
7	Other financial corporations	53.31	-		-	-	-	-		-	53.31	-		-	-	0.18
8	*of which investment firms*	*37*	-		-	-	-	-		-	*37*	-		-	-	-
9	Loans and advances	37	-		-	-	-	-		-	37	-		-	-	-
10	Debt securities, including UoP															
11	Equity instruments															
12	*of which management companies*	*1.96*	*0.01*		-	-	-	-		-	*1.96*	*0.01*		-	-	-
13	Loans and advances	1.96	0.01		-	-	-	-		-	1.96	0.01		-	-	-
14	Debt securities, including UoP															
15	Equity instruments															
16	*of which insurance undertakings*	*55.41*	-		-	-	-	-		-	*55.41*	-		-	-	*0.15*
17	Loans and advances	55.41	-		-	-	-	-		-	55.41	-		-	-	0.15
18	Debt securities, including UoP															
19	Equity instruments															
20	**Non-financial undertakings**	**27.12**	**4.08**		**0.17**	**1.28**	**0.01**	**-**		**-**	**27.13**	**4.08**		**0.17**	**1.28**	**2.69**
21	Loans and advances	27.12	4.08		0.17	1.28	0.01	-		-	27.13	4.08		0.17	1.28	2.69
22	Debt securities, including UoP															
23	Equity instruments															
24	**Households**	**80.07**	**3.33**		**3.33**						**80.07**	**3.33**		**3.33**		**23.23**
25	*of which loans collateralised by residential immovable property*	*92.01*	*3.83*		*3.83*						*92.01*	*3.83*		*3.83*		*20.2*
26	*of which building renovation loans*															
27	*of which motor vehicle loans*	*4.32*														
28	**Local governments financing**															
29	Housing financing															
30	Other local government financing															
31	**Collateral obtained by taking possession: residential and commercial immovable properties**															-
32	Total GAR assets	28.46	1.24		1.09	0.05	-	-		-	28.46	1.24		1.09	0.05	71.11

> Table 4.8 (continued)
Template 8 – GAR (%)

		p	q	r	s	t	u	v	w	x	y	z	aa	ab	ac	ad
		Flow (% (compared to flow of total eligible assets)														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total new assets covered
GAR – Covered assets in both numerator and denominator																
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	57.52	3.35		2.69	0.31	-	-		-	57.52	3.35		2.69	0.31	100
2	**Financial undertakings**	**42**	**-**		**-**	**-**	**-**	**-**		**-**	**42**	**-**		**-**	**-**	**7.12**
3	Credit institutions	32.35	-		-	-	-	-		-	32.35	-		-	-	4.06
4	Loans and advances	25.3	-		-	-	-	-		-	25.3	-		-	-	2.3
5	Debt securities, including UoP	41.52	-		-	-	-	-		-	41.52	-		-	-	1.76
6	Equity instruments															
7	Other financial corporations	54.79	-		-	-	-	-		-	54.79	-		-	-	3.06
8	*of which investment firms*															
9	Loans and advances															
10	Debt securities, including UoP															
11	Equity instruments															
12	*of which management companies*	*50.41*	*0.43*		-	-	-	-		-	*50.41*	*0.43*		-	-	-
13	Loans and advances	50.41	0.43		-	-	-	-		-	50.41	0.43		-	-	-
14	Debt securities, including UoP															
15	Equity instruments															
16	*of which insurance undertakings*	*57.03*	-		-	-	-	-		-	*57.03*	-		-	-	*2.94*
17	Loans and advances	57.03	-		-	-	-	-		-	57.03	-		-	-	2.94
18	Debt securities, including UoP															
19	Equity instruments															
20	**Non-financial undertakings**	**27.26**	**2.95**		**0.28**	**1.25**	**-**	**-**		**-**	**27.26**	**2.95**		**0.28**	**1.25**	**24.74**
21	Loans and advances	27.26	2.95		0.28	1.25	-	-		-	27.26	2.95		0.28	1.25	24.74
22	Debt securities, including UoP															
23	Equity instruments															
24	**Households**	70.12	3.85		3.85						70.12	3.85		3.85		68.14
25	*of which loans collateralised by residential immovable property*	*88.09*	*4.86*		*4.86*						*88.09*	*4.86*		*4.86*		*54.02*
26	*of which building renovation loans*															
27	*of which motor vehicle loans*	*6.99*									*6.99*					*2.8*
28	**Local governments financing**															
29	Housing financing															
30	Other local government financing															
31	**Collateral obtained by taking possession: residential and commercial immovable properties**															
32	**Total GAR assets**	**57.52**	**3.35**		**2.69**	**0.31**	**-**	**-**		**-**	**57.52**	**3.35**		**2.69**	**0.31**	**100**

Note
Templates 6-8 reflect the Group's EU taxonomy reporting with regard to the environmental objectives of climate change mitigation and climate change adaptation as referred to in article 9(a) (b) of Regulation (EU) 2020/852. The templates include GARs (green asset ratios) based on turnover alignment only. The Group's entire EU taxonomy reporting is included in the Group's Sustainability Factbook, which is available at www.danskebank.com.

Table 4.9
Template 10 – Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852

At 31 December 2023
(DKK millions)

	a	b	c	d	e	f
	Type of counterparty	Type of counterparty	Gross carrying amount	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
1	Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	9,660	Yes	No	Green bonds held in Danske Bank's green bond portfolio, fund activities within the following categories: Renewable energy, energy smart technologies and energy efficiency, green buildings and infrastructure, clean transportation, sustainable water management, pollution prevention and control, agriculture and forestry, climate change adaptation, eco-efficient products and production technologies and processes.
2		Non-financial corporations	-	N/A	N/A	N/A
3		*of which Loans collateralised by commercial immovable property*	-	*N/A*	*N/A*	*N/A*
4		Other counterparties	3,078	Yes	No	Green bonds held in Danske Bank's green bond portfolio, fund activities within the following categories: Renewable energy, energy smart technologies and energy efficiency, green buildings and infrastructure, clean transportation, sustainable water management, pollution prevention and control, terrestrial and aquatic biodiversity conservation, agriculture and forestry, climate change adaptation, eco-efficient products, production technologies and processes.
5	Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	5,315	Yes	No	
6		Non-financial corporations	83,356	Yes	No	Majority of green loans issued by Danske Bank finance green buildings, renewable energy such as hydro, wind, bio and solar, and low carbon vehicles. The sustainability linked loans included, are linked to at least one Climate Change related KPI, such as emission reductions and regarding renawble energy.
7		*of which Loans collateralised by commercial immovable property*	32,187	Yes	No	
8		Households	2,069	Yes	No	
9		*of which Loans collateralised by residential immovable property*	*192*	*Yes*	*No*	
10		*of which building renovation loans*	-	*N/A*	*N/A*	*N/A*
11		Other counterparties	1,420	Yes	No	

Note
The objective of template 10 is to cover exposures to actions that are not covered in Regulation (EU) 2020/852, but which still support counterparties in the transition and adaptation process for the objectives of climate change mitigation and climate change adaptation. Exposures in scope for the GAR calculation, i.e. eligible exposures, are therefore excluded from this template.

Green loans disclosed in the template include issued loans that qualify for funding under the Group's Green Bond Framework from 2019. The framework was relaunched in 2022 as the Green Finance Framework and forms the basis for future green loans. The Group issues loans that promote the transition to low-carbon, climate-resilient and sustainable economies – each individual case is determined by the Group in accordance with the Green Loan categories: clear transportation, renewable energy, transmission and energy storage, green and energy efficient buildings, environmentally sustainable management of living natural resources and land use, sustainable water and wastewater management, pollution prevention and control, and climate change adaptation. For more information about criteria and processes, see the Group's Green Bond Framework and Danske Bank's Green Financing Framework.

Sustainability-linked loans disclosed in the template include bilateral or syndicated committed loans with large corporate customers. Exposures represented are specific to the Group's share of syndicated loan transactions if such transactions are not bilateral transactions. The exposures encompass actual drawdowns on committed sustainability-linked loans associated with deals featuring one or multiple key performance indicators (KPIs) pertaining to climate change. It is important to note that a borrower may have multiple KPIs linked to the same loan, and not all of them are necessarily related to climate change. Currently, there is no established methodology to determine the weight of each KPI for a given exposure. Therefore, the entire exposure relating to revolving credit facilities and term loan facilities is considered to be related to climate change as long as there is at least one KPI and target linked to climate change (e.g., scope 1, scope 2, or scope 3 emissions, renewable energy etc.).

Green bonds disclosed in the template cover the Group's Green Bond Portfolio, i.e. the Group's treasury funds placed in bonds that contribute to the UN sustainable development goals. To be accepted in the Green Bond Portfolio, bonds require a second opinion from a recognised provider such as Cicero, Oekom or Sustainalytics. Moreover, the Group identifies green bonds using the green flag provided by Refinitiv.

It should be noted that there are differences when sustainable financing volumes are compared across the Group's sustainability-related disclosures. Disclosures in this template include on-balance exposures only.

5.
Market risk

Pillar III disclosures

5.1 MARKET RISK MANAGEMENT

Market risk is defined as the risk of losses arising from adverse movements in market prices affecting on-balance-sheet and off-balance-sheet positions. The Group's market risk management is intended to ensure proper oversight of all market risks, including both trading-related market risk and non-trading-related market risk as well as market risk in relation to fair value adjustments. The market risk framework is designed to systematically identify, assess, measure, monitor, control, and report on market risk.

5.1.1 Risk governance and responsibilities

The Market Risk Policy set by the Board of Directors lays out the overall framework for market risk management and identifies the boundaries, which define the Group's market risk profile and business strategy. The Market Risk Policy also defines the overall limits for various market risk factors and additional boundaries within which trading activities are performed.

Market risks are managed by Large Corporates & Institutions, Group Treasury and Group Finance (the first line of defence) through implementation of the Market Risk Policy into standard operating procedures and the control environment. Interest rate risks in relation to other business units are transferred to and managed by Group Treasury. The units own, identify, and manage the market risks and perform operational and managerial controls in the day-to-day risk management.

Large Corporates & Institutions manages the market risk (such as interest rate risk, equity risk and foreign exchange risk) associated with the Group's trading activities in the financial markets. Group Treasury manages the interest rate risk, credit spread risk and structural foreign exchange risk associated with the assets and liabilities of the non-trading portfolio. Group Treasury also monitors the risks associated with the Group's legacy defined benefit pension plans. The equity risk in relation to the non-trading portfolio is managed by Group Strategic Steering.

The Market & Counterparty Credit Risk Committee discusses and challenges risk management practices and risk-taking related to the Group's trading activities, including discussing and endorsing matters of principle. The Group Asset & Liability Committee (Group ALCO) monitors and oversees the Group's management of interest rate risk in the banking book. The Group Balance Sheet Risk Committee discharges the second-line-of-defence obligations in overseeing the implementation and maintenance of the group-wide framework for managing the non-trading book. In the day-to-day management of activities, Group Risk Management (the second line of defence) owns the market risk framework and is in charge of market risk oversight and control of the units in the first line of defence. It also maintains the limit framework and monitors adherence to limits.

Oversight and control processes encompass current and emerging risk monitoring, limit control, portfolio analysis, stress testing, reporting to senior management and challenging the risk management practices performed by the units in the first line of defence. Group Finance is accountable for the independent price verification (IPV) framework, prudent valuation, and profit and loss (P/L) control.

Market risk tolerance

The Group has set risk tolerances for its trading portfolio covering trading-related market risk and xVA-related market risk. They determine how much the Group is prepared to lose on its exposure over a period of one year in a severely stressed market environment. The risk tolerance is based on the Group's business strategy, the expected future market environment, and the expected earnings.

The Group's exposure to market risks in the non-trading portfolio is managed according to a set of risk tolerances for interest rate risk in the non-trading book (both economic value and net interest income), credit spread risk in the non-trading book, structural foreign exchange risk, and defined benefit pension plan risk.

The market risk tolerance is approved by the Board of Directors and reassessed at least once a year. In addition, the Board of Directors has defined limits that support daily market risk management in keeping with the above-mentioned risk tolerance.

Limit framework

Market risk limits are set in terms of various metrics so that activities subject to market risk are covered from several perspectives. The Group operates with three levels in the limit hierarchy for market risk (encompassing trading-related, xVA-related, and non-trading portfolio market risks):

1. Board of Directors limits
2. All Risk Committee limits
3. Detailed operational limits

Limits set by the Board of Directors in the Market Risk Policy cover material risk factors and are supplemented by Value-at-Risk (VaR) and Stressed Value-at-Risk (SVaR) limits for trading-related market risk. The Group All Risk Committee delegates the Board limits to business units and assigns additional limits for less material risk factors. Detailed operational limits are sufficiently granular and are set at business unit and trading section levels. Stop-loss limits for trading-related market risk supplement the forward-looking market risk limits.

5.1.2 Monitoring and reporting

The Group carries out daily market risk controlling and reporting. The controlling process involves continuous intraday monitoring of limit utilisations with a full portfolio update every 30 minutes. Limit breaches are reported to the relevant authority within the limit structure.

Another important control activity is model risk management, which includes independent validation of models.

The Board of Directors and senior management regularly receive reports that provide an overview of the Group's portfolios, main risk drivers and stress testing results for decision-making purposes. Furthermore, detailed reporting provides granular metrics to senior management at Large Corporates & Institutions and Group Treasury for day-to-day risk management purposes.

Stress testing
The Group performs stress testing on a regular basis and in relation to specific events in the trading and financial markets. Efforts are made to ensure that the outcome under various stressed conditions is taken into consideration in the risk assessment and monitoring processes.

The stress testing programme provides additional perspectives on market risk by applying multiple methodologies with various severities. In general, the Group's stress testing practices can be divided into the following three categories: 1) scenario analysis, which stresses risk factors on an individual and collective basis without relating the change(s) to a specific event (single-factor and multiple-factor stress tests); 2) scenario stress testing, which assesses the consequences of specific events covering hypothetical and historical shocks to multiple risk factors simultaneously; and 3) reverse stress testing, which identifies extreme but plausible single- or two-factor scenarios that could result in significant adverse outcomes that may potentially threaten the viability of the business model or the set market risk tolerance.

5.1.3 Methodologies and models

The Group uses a range of measures forming a framework that captures the material market risks to which the Group is exposed. Both conventional risk measures, such as sensitivity and market value, and mathematical and statistical measures, such as VaR, are used in day-to-day market risk management.

The Group also develops and maintains internal models that are used for the pricing and risk management of financial products that cannot be valued directly or risk-managed on the basis of quoted market prices.

Value-at-Risk
The current internal market risk model was approved by the Danish Financial Supervisory Authority (the Danish FSA) in 2007 and has since then been used for the calculation of regulatory capital for the Danske Bank Group and Danske Bank A/S. The model covers interest rate risk, equity market risk, and exchange rate risk. At the end of 2011, the model was approved to cover interest rate basis risk, interest rate volatility risk and inflation risk. In 2015, the model was further approved to include bond-specific risk and equity-specific risk. At the same time, the Group's incremental risk model (see section 5.2.2) was significantly enhanced and subsequently included in the framework. Consequently, the Group's internal model is enhanced on an ongoing basis to cater for new risk factors and products.

In general, VaR is a quantitative measure that shows, with a certain probability, the maximum potential loss that the Group may suffer within a specified holding period. A VaR model estimates a portfolio's aggregate market risk by incorporating a range of risk factors and assets. All figures are calculated daily using full revaluations. The SVaR measure used for risk monitoring and capital requirement calculations is calculated using a holding period and historical data from a continued 12-month period of significant financial stress. The periods since 2008 with the highest level of stress are identified and analysed to determine the period to be used for calculating SVaR for capital requirements. In addition to the SVaR measure for capital requirements, the Group also calculates SVaR for internal limit purposes on the basis of the financial crisis period.

The following table provides an overview of the VaR and SVaR measures used for risk monitoring and capital requirement calculations.

Value-at-Risk model

Value-at-Risk	Risk monitoring: VaR limit	Risk monitoring: SVaR limit	Capital requirement: SVaR	Capital requirement: SVaR	Backtesting
Percentile	95	95	99	99	99
Holding period	1 day	1 day	10 days	10 days	1 day
Historical data used	2 years	1 year	2 years	1 year	1 year
Period	Recent	Financial crisis (2008-2009)	Recent	1-year period of significant financial stress relevant to the Group's trading book	Recent

Backtesting of the internal VaR model
Regulatory backtesting is conducted daily to document the performance of the internal VaR model. The backtesting procedure compares calculated the one-day VaR on trading book positions with actual and hypothetical P/L results.

Definition of actual and hypothetical profit and loss

Actual P/L is defined as the loss or gain from actual changes in the market value of the trading book when daily closing values are compared with the subsequent business day's closing values (that is, intraday trades on the subsequent business day are included).

Hypothetical P/L is defined as the loss or gain calculated within the model framework as a result of keeping the portfolio unchanged for one business day (that is, no intraday trades are included although market prices change).

If the hypothetical or actual loss exceeds the predicted possible loss (VaR), an exception has occurred. Since the VaR figures used for backtesting are based on a confidence level of 99% (as in the calculation of regulatory capital), the expected number of exceptions per year is two or three.

Incremental risk
The incremental risk model captures rating migration and default risk on a one-year horizon for all instruments subject to specific interest rate risk. The model applies Monte Carlo simulations of credit events in respect of all issuers based on transition matrices.

Ratings and transition matrices used in the model are based on information from the major rating agencies. A constant liquidity horizon of one year is used for all instruments. A cross-sectional model including factors such as rating, sector, region and maturity is used for the translation of simulated rating migrations to corresponding spread changes.

Regulatory capital for market risk
The minimum capital requirement for market risk is measured on the basis of positions in the trading book.

The Group uses mainly the internal model approach (IMA) to measure the risk exposure amount (REA) used for determining the minimum capital requirement for market risk in the trading book. The IMA comprises the VaR capital charge, the SVaR capital charge and the incremental risk charge (IRC). The Group uses the internal VaR model to calculate the VaR and SVaR capital charges, whereas the IRC is calculated on the basis of the incremental risk model. No diversification effects between capital charges are considered.

The VaR and SVaR components of the REA are multiplied by a VaR multiplier. The VaR multiplier is dependent on the number of backtesting exceptions in the preceding 250-business-day window. The Danish FSA has set a model multiplier of 0.5 that must be added to the VaR multiplier to allow for any uncertainties or imperfections in the Group's internal VaR model. The REA for the Group's minor exposures to commodity risk and collective investment undertakings is calculated according to the standardised approach.

The REA for credit value adjustment (CVA) risk is measured mainly on the basis of the internal VaR model using exposure calculations from the counterparty risk exposure model and allocated credit default swap (CDS) spread hedges. The risk exposure amount for CVA risk from the Group's minor exposures to transactions not included in the counterparty credit risk exposure model is calculated according to the standardised approach.

5.2 MARKET RISK PROFILE
Taking on market risk in relation to the Group's trading and Group Treasury activities is an integral part of the Group's business.

5.2.1 Trading-related market risk at Large Corporates & Institutions
The strategic focus is to provide global fixed income, currency, and capital market products to institutional and corporate customers in the Nordic countries and to offer local Nordic products to global customers. Principal risk-taking takes place mainly in fixed income products.

The Group's business activities involve a natural flow of various currencies. These are primarily currencies related to the Group's domestic markets in the Nordic region. However, taking on foreign exchange risk is limited relative to the market risk derived from interest rates.

The Group provides liquidity and engages in market-making in equity-related assets. The Group's equity market risk is limited as compared with the market risk derived from interest rates. The exposure to commodity market risk is insignificant since the Group does not want to take on material commodity market risk. However, a very small amount of market risk in respect of oil futures may be assumed as a hedging tool for the inflation trading book.

5.2.2 Market risk in relation to fair value adjustments
The Group's fair value accounting includes various valuation adjustments (referred to as xVA) inherent in the Group's derivatives portfolio – specifically credit value adjustments (CVA), funding value adjustments (FVA) and collateral value adjustments (ColVA). The Group applies a market-implied approach that is in line with industry best practice. Hence, these valuation adjustments are sensitive to market risks that materialise due to changes in interest rates, funding spreads and credit spreads. These market risks can give rise to volatility in the fair value adjustments.

Credit, funding and collateral valuation adjustments are substantial because of the size and nature of the Group's derivatives portfolio, and the associated market risks are similarly of a considerable size. The strategy is therefore to hedge large parts of the market risks, while the default risks are capitalised in accordance with regulation. When managing xVA, the Group focuses on managing economic risk rather than regulatory capital. This means that the Group also manages market risks originating from counterparties outside the scope of the CVA risk charge.

The Group manages all xVAs of the derivatives trading books centrally according to a clearly defined hedging strategy for each risk type associated with the xVA portfolio. The credit spread risk of CVA is significantly hedged using credit default swaps based on liquid indices or selected single-name CDS contracts. Funding spread risk is a key risk factor for xVA and is managed collectively with credit spread risk. Overall, foreign exchange risks and interest rate risks from the xVA positions are almost fully hedged, with a very limited residual P/L effect.

In addition to the fair value adjustment, further adjustments are made to ensure that prices are not only fair but also prudent. The applied methodology and the adjustments based on the methodology ensure that positions can be exited at a given price at a confidence level of 90%. Adjustments are made for multiple sources of uncertainty such as market price uncertainty, close-out costs, model risk, unearned credit spreads, concentrated positions, future administrative expenses, and operational risk. Whenever possible, the calculation of the adjustments is based entirely on market data, but when such data is insufficient, individual input may be based on expert opinions. When market data is unavailable in their entirety, the application of methodologies such as the costs of hedging and generic haircuts will ensure prudence in prices as well as compliance with regulatory standards.

5.2.3 Market risk in relation to the non-trading portfolio

The Group's exposure to market risk in the non-trading portfolio originates mainly from interest rate risk in the banking book, credit spread risk in the banking book and, to a far lesser extent, from the equity risk associated with a small portfolio of equity investments.

Furthermore, the Group is exposed to market risk arising from the hedge of structural foreign exchange risk.

Interest rate risk in the banking book

Interest rate risk in the banking book (IRRBB) derives from providing the Group's core banking customers with conventional banking products and from the Group's funding and liquidity management activities at Group Treasury. IRRBB arises from adverse movements in interest rates, and in turn they change the underlying value of Group's assets, liabilities and off-balance sheet items and its economic value.

This means that IRRBB is driven by several factors: repricing mismatches between assets and liabilities, customer behaviour optionality within customer products booked within the non-trading book, and interest rate floors and options on assets and liabilities held by the Group. Consequently, IRRBB covers interest rate risk, yield curve risk as well as option risk and behavioural characteristics risk.

The Group hedges its debt issuance programmes back to a short floating rate. For the purpose of preventing accounting mismatches, the hedged positions are treated using fair value hedge accounting. Moreover, the risk on material fixed-rate items is managed daily in accordance with the limit framework.

The level of IRRBB is monitored using several risk measures, such as prescribed regulatory metrics, the risk tolerances set by the Board of Directors, and other risk measures that are considered appropriate.

The economic value (EV) risk metric is used for measuring the long-term effect of movements in interest rates by discounting future cash flows using relevant interest rate swap curves. In the modelling of future cash flows, an overnight duration is used for own equity, while commercial margins are excluded. Allowance is made for contractual interest rate floors on customer products. In addition, debt issued by the Group and customer behaviour are taken into consideration when future cash flows are determined. The latter is an important component and encompasses the ongoing assessment of non-maturing deposits (NMDs). The volume of NMDs is recalibrated monthly, while the duration is reviewed annually. The assumed average duration of the full amount of the aggregate portfolio of NMDs is 1.6 years, and the longest repricing maturity is 14 years. The Group ALCO approves the assumption made with respect to NMDs and endorses the sensitivity of the duration (any increase or decrease).

For regulatory purposes, the Group calculates EV under six regulatory stress scenarios (Economic Value of Equity or EVE): a short interest rate up shock, a short interest rate down shock, a parallel upward shift in interest rates, a parallel downward shift in interest rates, a non-parallel flattener shift in interest rates and a non-parallel steepener shift in interest rates. In these regulatory EV calculations, the maturity of NMDs is capped to five years in compliance with regulatory requirements.

The net interest income (NII) risk metric is used for measuring the change in net interest income over a forecast horizon of 12 months in several different scenarios. In the modelling of future cash flows, an overnight duration continues to be used for own equity, while commercial margins are included in the NII calculations. Furthermore, a constant balance-sheet approach is used for creating a base scenario over a 12-month time horizon. This means that maturing and amortising positions within the 12-month time horizon are replaced with new positions that have identical features (such as amount, duration, and margins).

The sensitivity in NII is assessed under the six regulatory stress scenarios mentioned above and under two additional scenarios in which interest rates experience an unfloored parallel +/-100 basis point shift, respectively. In the six regulatory scenarios, additional artificial interest rate floors are implemented in the NII calculations so that DKK and EUR rates are floored at -200 basis points, while SEK, NOK, GBP, and USD rates are floored at -100 basis points.

In the day-to-day risk management of IRRBB, the Group uses an EV risk metric based on unfloored parallel +/-100 basis point shifts in interest rates. These EV measures are calculated and evaluated against limits on an intraday basis by Group Treasury. Group Treasury also tracks and comments and reports on the daily, monthly, quarterly and annual changes in EV. This also includes monitoring the development in interest rate floor risk due to instantaneous interest rate shocks. The regulatory EV calculations (EVE) are performed daily and evaluated monthly, while NII is calculated and evaluated once a month.

The Group ALCO reviews IRRBB-related issues and monitors the development in EV and NII monthly. Any strategies proposed will be submitted to the Group ALCO for approval.

Credit spread risk in the non-trading book

Credit spread risk in the banking book (CSRBB) derives from bond positions related primarily to the Group's funding and liquidity management activities at Group Treasury. The day-to-day management of the credit spread risk associated with the Group's banking book activities is overseen by Group Treasury. The Group ALCO reviews CSRBB-related issues and monitors the levels of risk utilisation against the set tolerance. As the second line of defence, Market, Liquidity & Non-Financial Risk monitors adherence to the tolerance and associated limits.

Equity investments

The equity investments are divided into core and non-core investments. Core investments comprise investments that are of strategic value to the Group. That is, the Group is often a shareholder, and the target companies provide services to the Group that are needed for operational purposes. Non-core investments are investments of a non-strategic nature, such as equity for debt-converted credit facilities, and the Group is actively seeking to divest such investments.

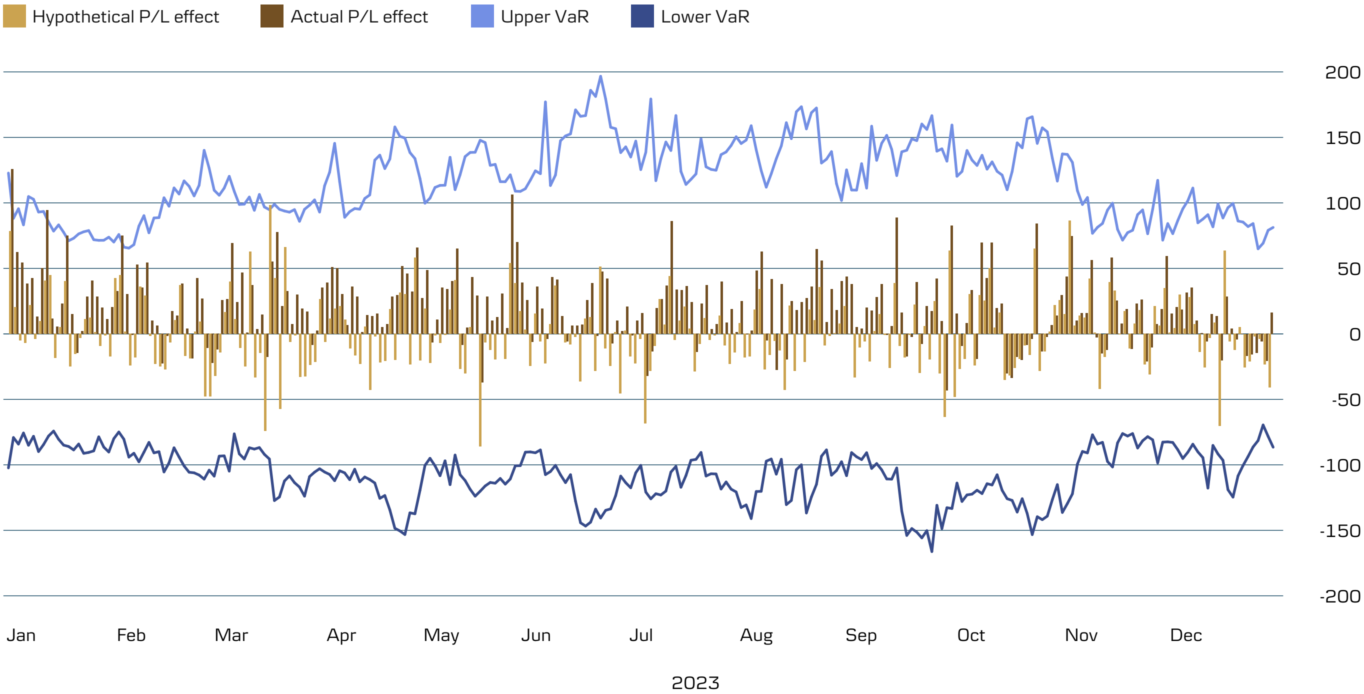
Structural foreign exchange risk

Structural foreign exchange risk arises as the Group's CET1 capital is denominated in its domestic currency (DKK), while some of its assets and liabilities are denominated in foreign currencies. Although a fully matched foreign currency position will protect Danske Bank against losses from movements in exchange rates, the Group's CET1 capital ratio will fall if the domestic currency depreciates because of the imbalance between the CET1 capital in a particular foreign currency and the CET1 capital required to support the REA denominated in that same currency. This risk is labelled structural foreign exchange risk.

The Group's objective is to manage structural foreign exchange risk to reduce the potential effect of fluctuations in exchange rates on the CET1 capital ratio in a manner that avoids income statement volatility, while at the same time acknowledging potential increased volatility in other comprehensive income. The Group pursues a strategy of hedging the foreign exchange sensitivity of the CET1 capital ratio stemming from the allocated capital that reflects credit and operational risk REAs in the three most significant balance sheet currencies (NOK, SEK and EUR). By nature, structural foreign exchange (hedge) positions are long-term and non-trading positions, and they also remain relatively stable over time.

Chart 5.1
EU MR4 – Comparison of VaR estimates with gains/losses

(DKK millions)



Note
Daily end-of-day VaR figures relative to one-day changes of the portfolio's value by the end of the subsequent business day as well as an analysis of any important overshooting during the reporting period.

The backtesting of the internal VaR model showed no regulatory exceptions in 2023.

Table 5.2
EU MR2-A – Market risk under internal model approach

At 31 December 2023
(DKK millions)

		RWAs	Capital requirements
1	**VaR (higher of values a and b)**	**12,492**	**999**
(a)	Previous day's VaR (Article 365(1) of the CRR (VaRt-1))	3,229	258
(b)	Average of the daily VaR (Article 365(1)) of the CRR on each of the preceding 60 business days (VaRavg) x multiplication factor (mc) in accordance with Article 366 of the CRR	12,492	999
2	**SVaR (higher of values a and b)**	**18,214**	**1,457**
(a)	Latest SVaR (Article 365(2) of the CRR (SVaRt-1))	4,010	321
(b)	Average of the SVaR (Article 365(2) of the CRR) during the preceding 60 business days (SVaRavg) x multiplication factor (mc) (Article 366 of the CRR)	18,214	1,457
3	**IRC (higher of values a and b)**	**6,822**	**546**
(a)	Most recent IRC value (incremental default and migration risks calculated in accordance with Article 370 and Article 371 of the CRR)	6,781	542
(b)	Average of the IRC number over the preceding 12 weeks	6,822	546
4	**Comprehensive risk measure (higher of values a, b and c)**	**-**	**-**
(a)	Most recent risk number for the correlation trading portfolio (Article 377 of the CRR)	-	-
(b)	Average of the risk number for the correlation trading portfolio over the preceding 12 weeks	-	-
(c)	8% of the own funds requirement in the standardised approach on the most recent risk number for the correlation trading portfolio (Article 338(4) of the CRR)	-	-
5	**Other**	**-**	**-**
6	**Total**	**37,527**	**3,002**

Note
The total REA decreased by DKK 3.3 billion or 8.2% from the level in the previous quarter primarily due to the VaR measure. The REAs for the SVaR and IRC measures increased slightly during the period.

Table 5.3
EU MR2-B – Risk-weighted assets flow statements of market risk exposures under the internal model approach

At 31 December 2023
(DKK millions)

		VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWAs	Total capital requirements
1	**RWAs at 30 September 2023**	**15,028**	**18,989**	**6,860**	**-**	**-**	**40,877**	**3,270**
1a	*Regulatory adjustment*	*11,189*	*13,687*	*0*	-	-	*24,876*	*1,990*
1b	*RWAs at the previous year-end (end of the day)*	*3,839*	*5,302*	*6,860*	-	-	*16,001*	*1,280*
2	Movement in risk levels	-610	-1,292	-79	-	-	-1,982	-159
3a	*Model updates/changes - model change*	-	-	-	-	-	-	-
3b	*Model updates/changes - update SVaR period*	-	-	-	-	-	-	-
4	Methodology and policy	-	-	-	-	-	-	-
5	Acquisitions and disposals	-	-	-	-	-	-	-
6	Foreign exhange movements	-	-	-	-	-	-	-
7	Other	-	-	-	-	-	-	-
8a	*RWAs at the end of the reporting period (end of the day)*	*3,229*	*4,010*	*6,781*	-	-	*14,019*	*1,121*
8b	*Regulatory adjustment*	*9,263*	*14,204*	*41*	-	-	*23,508*	*1,881*
8	**RWAs as at 31 December 2023**	**12,492**	**18,214**	**6,822**	**-**	**-**	**37,527**	**3,002**

Table 5.4
EU MR3 – IMA values for trading portfolios

At 31 December 2023
(DKK millions)

VaR (10 day 99%)		
1	Maximum value	453
2	Average value	285
3	Minimum value	198
4	Period end	258
SVaR (10 day 99%)		
5	Maximum value	750
6	Average value	412
7	Minimum value	284
8	Period end	321
IRC (99.9%)		
9	Maximum value	605
10	Average value	547
11	Minimum value	519
12	Period end	542
Comprehensive risk capital charge (99.9%)		
13	Maximum value	0
14	Average value	0
15	Minimum value	0
16	Period end	0

Note
The average VaR decreased by 17.7% from the previous quarter due to a lower interest rate risk.
The average SVaR decreased by 6.5% from the previous quarter due to a lower interest rate risk.
The average IRC increased by 7.9% from the previous quarter due to bond portfolio changes.

Table 5.5
IRRBB1 – Interest rate risks of non-trading book activities

At 31 December 2023
(DKK millions)

		Changes of the economic value of equity		Changes of the net interest income	
Supervisory shock scenarios		Current period	Last period	Current period	Last period
1	Parallel up	-1,410	-2,542	2,972	3,261
2	Parallel down	-1,478	-162	-4,208	-3,670
3	Steepener	3,366	2,436		
4	Flattener	-3,941	-3,413		
5	Short rates up	-3,743	-3,819		
6	Short rates down	1,474	1,774		

Note
In Denmark, EUR hedging products are typically used for hedging DKK positions. This is driven by the lack of availability of suitable DKK hedging products. As the above figures only allow for 80% of any positive EUR-denominated positions to be included, the full impact of the Group's hedging will not be considered.

5.3 DEFINED BENEFIT PENSION PLAN RISK MANAGEMENT

Defined benefit pension plan risk is the risk in relation to legacy defined benefit pension plans resulting from changes in market prices or interest rates.

Due to the overall size and maturity of the underlying liabilities (defined benefit pension plans closed to new members), this risk is now considered a legacy risk that the Group expects to be reduced going forward.

For accounting purposes, defined benefit pension plans are valued in accordance with IFRSs (IAS 19). The Group's defined benefit pension plans are funded by contributions from the Group and by individual contributions from employees. Each pension plan is controlled by a separate board that consists of current and former employees as well as independent members. These boards are independent and manage the full operations of each pension plan.

The Group All Risk Committee has defined risk targets for the Group's pension plans. To follow up on the objectives, the Group prepares quarterly risk reports to stress the pension plans. This process uses the Group's VaR model to stress interest rates and risk assets. In addition, the liabilities are calculated on the basis of swap rates rather than actuarial discount rates. The quarterly VaR model outputs are compared against the risk targets, and follow-up takes place if certain thresholds are exceeded.

The interest rate and inflation risk hedging levels of each pension plan are constantly monitored. The Group's ambition is to externalise risks wherever possible through the purchase of bulk annuity buy-in policies. To date, such transactions have been executed for the liabilities in Northern Ireland and for a proportion of the liabilities in Ireland and Denmark.

5.3.1 Group pension plans

The Group's defined benefit pension obligations consist of pension plans in Northern Ireland, the Republic of Ireland and Sweden as well as a number of small pension plans in Denmark. In addition, the Group has unfunded defined benefit pension plans that are recognised directly on the balance sheet. All plans are closed to new members.

At the end of December 2023, the VaR for defined benefit pension plan risk was DKK 636 million (2022: DKK 1,016 million).

5.3.2 Liability recognition

The Group's defined benefit pension plans are recognised as a balance-sheet liability subject to valuation. As the pension benefits will typically be payable for the rest of the individual employee's life, this increases the Group's uncertainty about the amount of future obligations since the liability and pension expenses are measured actuarially.

Various assumptions need to be made. Some are financial (such as the discount rate used for calculating the net present value of the pension cash flows and rates of salary and pension increases), while some are demographic (such as rates of mortality, ill health, early retirement and resignation).

The Group calculates the market risk on defined benefit plans on a quarterly basis. The risk is expressed as VaR at a confidence level of 99.97% and on a one-year horizon. In this scenario, equity price volatility and the correlation between interest rates and equity prices are set at values reflecting normal market data. The duration of the pension obligations is reduced by half to take inflation risk into account.

Overview of the Group's pension plans

At 31 December 2023

Exposure class	Northern Ireland	Ireland	Denmark	Sweden
Pension plan for new employees	Defined contribution	Cash balance	Defined contribution	Defined contribution
Status of defined benefit pension plan (DKK millions)	Closed to new members in 2004	Closed to new members in 2008	Closed to new members	Closed to new members in 2013
Gross liabilities	6,580	2,878	699	1711
Assets at fair value	6,622	3,460	457	1,846
Net assets (net liabilities)	41	582	-242	136

Note
In Norway, Finland and the Baltic states, the Group operates defined contribution plans under which it pays fixed contributions into separate, legally independent entities but subsequently has no further obligations. The Group wound up its Norwegian defined benefit plan in 2005, but still has an early retirement pension obligation. The obligation amounted to DKK 12 million at 31 December 2023.

6.
Liquidity risk

Pillar III disclosures

6.1 LIQUIDITY RISK MANAGEMENT

Liquidity risk arises from the basic activities of banks such as deposit-taking and lending. Liquidity risk is the risk that a lack of funding leads to excessive costs or prevents the Group from maintaining its business model or fulfilling its payment obligations. The Group manages liquidity risk by holding sufficient liquidity reserves to meet its obligations and to support its strategies, business plans and rating ambitions even in stressed situations.

6.1.1 Risk governance and responsibilities

The Board of Directors sets the overall principles and standards for managing liquidity and funding across the Group in the Group's Liquidity Policy. It defines the overall liquidity risk profile and outlines the supporting principles and related governance, including for the funding plan, internal allocation of liquidity costs, monitoring and reporting, the Internal Liquidity Adequacy Assessment Process (ILAAP), and the contingency plan for funding and liquidity. The Liquidity Policy also includes limits and guidelines set by the Board of Directors for the Executive Leadership Team to ensure that liquidity and funding risks are adequately captured, managed and mitigated.

Like other risk types, liquidity risk is governed in line with the principles of the three-lines-of-defence model. Group Treasury and Group Finance make up the first line of defence for liquidity risk. With the support of Group Finance, Group Treasury is responsible for managing overall liquidity and ensures compliance with limits. Group Finance is in charge of the capital and funding planning process.

Group Risk Management acts as the second line of defence. Liquidity Risk Management reviews and challenges the methodologies and metrics applied in order to manage liquidity and funding and has oversight responsibility for monitoring compliance with limits and for reporting on liquidity risk indicators to the relevant parties and committees.

The Group All Risk Committee has established two sub-committees to address liquidity and funding risks: the Group Asset & Liability Committee (Group ALCO) and the Group Balance Sheet Risk Committee (Group BSRC). The Group ALCO is anchored in the first line of defence and is chaired by the CFO, while the Group BSRC is anchored in the second line of defence and is chaired by the CRO.

The Group ALCO has a strategic focus on asset and liability management components, such as net interest income, capital allocation, funds transfer pricing as well as interest and FX risks on the balance sheet. The committee includes members from business units and CFO Area and observers from Group Risk Management.

The Group BSRC oversees the risk framework for liquidity and funding risks at the group level. It monitors and challenges the management of those risks. The committee includes members from Group Risk Management and observers from business units and CFO Area. The Group BSRC also sets further limits and thresholds to ensure awareness and timely action if the Group's liquidity position deteriorates.

Liquidity management is coordinated centrally to ensure regulatory compliance at the group level and compliance with internal requirements. Regulatory compliance and the maintenance of adequate liquidity reserves at subsidiaries are managed locally, but subject to coordination to ensure consistency across the Group.[1]

Liquidity management objectives and limit framework

The overall purpose of the Group's liquidity management is to have a prudent liquidity position to enable the Group to meet its payment obligations at all times. The following liquidity risk management objectives are pivotal for the Group to ensure a prudent liquidity position:

Key element	Objectives
Distance to non-viability	A sufficient distance to non-viability should be maintained at all times: in the event of a crisis, there must be sufficient time to respond to events and avoid bankruptcy or closure due to regulatory compliance failure.
Market reliance	Market reliance should be limited: if the Group relies on its ability to issue debt at all times, it becomes vulnerable to investor sentiments, market stress and market dysfunctionalities. The volume and maturity profile of debt instruments must therefore be prudently managed.

If given sufficient time to respond to a crisis, the Group[2] will be able to adapt to the situation and thus avoid abrupt or costly reactions to short-term market volatility. Having a prudent liquidity position protects against the effects of market volatility and ensures the sustainability of the Group's long-term business model to enable the Group to serve its customers also during severe market conditions.

In the Liquidity Policy, the Board of Directors has set limits for various metrics and indicators to ensure that the objectives stated above are achieved, including limits on regulatory metrics such as the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR). The overall principles and standards set out in the Liquidity Policy are further specified in other governance documents, including the Group's funding plan and the Group's contingency funding plan, which both are approved by the Board of Directors.

The Group's funding plan seeks to balance long-term commitments with stable funding in each of the relevant currencies. To achieve this, Danske Bank has a number of wholesale funding programmes that can be used along with strategic cross-currency swaps to obtain additional funding in specific currencies. As such, stable sources provide all the necessary funding, and no gaps need to be filled on an ongoing basis by the use of short-term instruments. Each wholesale

1 Realkredit Danmark and Danica Pension manage their own liquidity risks. Realkredit Danmark is subject to special legislation on mortgage credit institutions and is largely self-financing. Danica Pension's balance sheet includes assets and long-term life insurance liabilities. A large part of Danica Pension's assets are readily marketable securities. Both companies are subject to statutory limits on their exposures to Danske Bank A/S.

2 For liquidity management purposes, the term 'Group' (the Danske Bank Group) does not include Danica Pension because it is not a credit institution. This means that Danica Pension is excluded from the prudential consolidation because it is not subject to the same liquidity regulations as credit institutions. Realkredit Danmark is included in the prudential consolidation and recognised in Group aggregates unless explicitly stated otherwise.

funding programme is approved by the Board of Directors along with a limit. Additionally, overall limits are set to ensure that the portions of long-term funding maturing within a year and within a quarter are maintained at acceptable levels.

Realkredit Danmark's funding

Realkredit Danmark funds its mortgage lending activities by issuing covered bonds. Mortgage finance in Denmark is subject to asset-liability balance requirements, and Realkredit Danmark complies with these requirements by applying a strict pass-through structure. This implies that

- all mortgages are funded by means of covered bonds with a matching cash flow
- all funding costs are absorbed by borrowers
- payments of interest, redemptions and margins from borrowers fall due in advance of interest payments and principal repayments to bondholders
- covered bonds are issued on tap when mortgages are originated

The pass-through structure allows for interest-reset loans with maturities ranging up to 30 years, while the underlying bonds are typically issued with maturities ranging from one to five years. The refinancing risk is mitigated by regulatory and internal caps on the volume of interest-reset loans to be refinanced each quarter and each year. As a last resort, Realkredit Danmark is required by law to extend the maturity of maturing covered bonds in the following situations: 1) failed refinancing or 2) the yield to maturity achieved at the time of refinancing has increased by more than 500 bps since the completion of the previous refinancing transaction.

The contingency funding plan outlines a process for proactively identifying a situation of stress by monitoring early warning indicators. These are defined in addition to the liquidity metrics and indicators set in the Liquidity Policy. The contingency funding plan also includes an overview of the division of roles and responsibilities as well as escalation procedures to ensure timely and sufficient information to management. Additionally, it provides an overview of instruments available for improving the Group's liquidity and capital position, including testing requirements.

Other governance documents set additional limits and thresholds, including more detailed operational limits and thresholds on currencies and the funding profile.

6.1.2 Monitoring and reporting

Liquidity management encompasses monitoring, managing and reporting on short- and long-term liquidity risks. Adherence to all limits and thresholds is monitored on an ongoing basis at internally set frequencies. All limit breaches are reported to the relevant body within the governance structure.

The Board of Directors and senior management regularly receive reports that provide an overview of the Group's current liquidity risk profile and outlines the drivers for changes in liquidity and funding. Furthermore, regular detailed reporting provides more granular information to the Group ALCO and the Group BSRC.

Monitoring and reporting are conducted separately in line with the principles of the three-lines-of-defence model. As the first line of defence, Group Finance calculates and reports on risk measures. The second line of defence, Group Risk Management, monitors compliance with internal limits.

ILAAP

The ILAAP is a process that evaluates the adequacy of the Group's and Danske Bank A/S's liquidity profile, liquidity risk and governance framework.

The process highlights key developments during the past year and identifies new or changed risk drivers. Detailed quantitative analyses of liquidity and funding risks are performed and presented in an ILAAP report. The Executive Leadership Team is responsible for the ILAAP report and submits it to the Board of Directors for approval.

The ILAAP reports of the Group and relevant subsidiaries are the basis for dialogue with the supervisory authorities on the Group's liquidity risks in the annual Supervisory Review and Evaluation Process (SREP). The ILAAP report is submitted annually to the supervisory authorities along with the Group's ICAAP report.

6.1.3 Methodologies and models

The Group applies a range of methodologies, risk metrics, indicators and triggers in day-to-day liquidity risk management. This includes regulatory defined metrics, projected cash flows, what-if analysis and observable market prices.

Liquidity curves and intraday liquidity management

Liquidity curves based on contractual liquidity flows are monitored against limits on a daily basis. Intraday liquidity is monitored and reported by currency in accordance with the guidelines issued by the Basel Committee.

LCR

The LCR is based on a fixed 30-day stress scenario defined by regulators. This includes liquidity reservations for stipulated deposit outflows and other outflows related to adverse market and credit events, among other things. The potential outflows related to an adverse market scenario on derivatives is calculated using the historical kook back-approach (HLBA). The potential additional collateral requirements are estimated as an effect of a 3-notch rating downgrade of the Group.

The LCR regulation requires the denomination of high-quality liquid assets (HQLA) in the liquidity reserve to be consistent with the currency distribution of the potential net liquidity outflows. Consequently, the actual and forecast developments in the overall LCR and the LCRs for significant currencies are monitored daily and lay the foundation for the Group's liquidity management. As a SIFI in Denmark, Danske Bank is subject to currency-specific liquidity requirements for EUR and USD and have internal monitoring and reporting on other main currencies, including SEK and NOK. In addition, a 90-day modified version of the LCR is also calculated as part of the supervisory process in Denmark.

NSFR

While the LCR focuses on short-term liquidity risk, the NSFR addresses the balance between the funding needs for assets and the stability of funding sources. The NSFR applies to all individual banking units within the Group and to the Group as a whole. The risk indicator is an effective management tool to ensure an appropriate level of market reliance in order to reduce any pressure on the Group to fund large amounts during a liquidity crisis. The NSFR is measured and monitored monthly.

Stress testing
Stress tests are a core element of managing liquidity risk. Monthly stress tests are carried out for the Group and for Danske Bank A/S to measure the stressed liquidity survival horizon and to detect signs of possible vulnerabilities to different adverse events. The stressed liquidity survival horizon is defined as the period during which the liquidity reserve remains positive in a stress scenario. The stress tests estimate liquidity risk in various scenarios, including three standard scenarios: a scenario specific to Danske Bank, a general market crisis scenario and a combination of the two scenarios. Stress-to-failure and LCR-in-stress calculations are also performed as part of the Group's stress testing.

All stress tests assume that the Group continues to serve its customers and does not reduce its lending activities. This means that an unchanged volume of lending will continue to require funding. The availability of funding varies depending on the scenario and the type of funding source. The assessment of funding stability is based on the maturity structure for debt and behavioural data for deposits.

FTP framework
The funds transfer pricing (FTP) framework is the Group's central management tool to adjust and manage the balance-sheet composition of its business units. Through the FTP framework, business unit activities are managed by assigning internal funding prices based on the matched-maturity principle. The FTP framework applies charges to loans and credits to deposits and other funding on the basis of the characteristics of the individual balance-sheet items, such as product type, customer type, maturity, currency, amortisation profile, modelled behaviour and interest rate risk as well as LCR and NSFR impact.

The FTP framework links the balance-sheet composition directly to the income statement, and it is a key component in determining the Group's overall funding position. As such, it links the Group's liquidity risk assessment, product pricing, balance-sheet valuation, and profitability analysis.

Pillar III disclosures

Table 6.1
EU LIQ1 – Liquidity coverage ratio

(DKK millions)

Scope of consolidation (consolidated)		Total unweighted value (average)				Total weighted value (average)			
		31 Dec 2023	30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2023	30 Sep 2023	30 Jun 2023	31 Mar 2023
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
High-quality liquid assets									
1	Total high-quality liquid assets (HQLA)					591,490	589,078	588,042	596,249
Cash – outflows									
2	Retail deposits and deposits from small business customers, of which:	556,392	560,522	565,571	569,935	40,207	41,102	42,021	42,916
3	*Stable deposits*	372,971	378,214	383,380	386,969	18,649	18,911	19,169	19,348
4	*Less stable deposits*	164,804	169,501	174,246	178,980	21,480	22,142	22,827	23,552
5	Unsecured wholesale funding	586,376	603,039	620,570	636,951	235,502	242,790	250,092	255,779
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	306,905	312,129	316,162	320,420	74,800	76,085	77,079	78,122
7	*Non-operational deposits (all counterparties)*	268,763	281,146	295,784	309,210	149,993	156,942	164,389	170,337
8	*Unsecured debt*	10,708	9,763	8,624	7,320	10,708	9,763	8,624	7,320
9	Secured wholesale funding					22,304	20,753	19,908	18,261
10	Additional requirements	350,627	350,025	353,243	352,169	89,811	89,652	91,952	91,059
11	*Outflows related to derivative exposures and other collateral requirements*	46,139	47,750	54,156	54,577	39,548	40,989	45,585	46,216
12	*Outflows related to loss of funding on debt products*		-	-	-		-	-	-
13	*Credit and liquidity facilities*	304,488	302,276	299,087	297,592	50,263	48,663	46,367	44,843
14	Other contractual funding obligations	49,200	50,594	48,217	46,564	12,004	15,936	14,168	13,649
15	Other contingent funding obligations	737,808	742,247	750,574	738,982	70,351	72,068	70,412	69,980
16	**Total cash outflows**					**470,179**	**482,301**	**488,553**	**491,644**
Cash – inflows									
17	Secured lending (e.g. reverse repos)	384,334	378,109	393,579	392,686	59,268	58,148	56,720	54,941
18	Inflows from fully performing exposures	22,225	22,691	23,626	23,923	16,192	16,287	17,195	17,456
19	Other cash inflows	83,161	81,497	79,776	81,677	36,911	36,436	37,858	37,264
EU-19a	*(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)*					-	-	-	-
EU-19b	*(Excess inflows from a related specialised credit institution)*						-	-	-
20	**Total cash inflows**	489,720	482,297	496,981	498,287	112,371	110,871	111,772	109,661
EU-20a	*Fully exempt inflows*		-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*		-	-	-	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	489,720	482,297	496,981	498,287	112,371	110,871	111,772	109,661
Total adjusted value									
EU-21	**Liquidity buffer**					591,490	589,078	588,042	596,249
22	**Total net cash outflows**					357,808	371,430	376,781	381,983
23	**Liquidity coverage ratio (%)**					166%	159%	156%	156%

Note
The Group maintained a prudent liquidity position throughout 2023. The Group's LCR increased from 151% at the end of 2022 to 170% at the end of 2023.

The Group's liquidity surplus increased mainly due to lower net lending and higher wholesale funding. The decrease in net lending was the result of lower lending volumes, but the effect was partly offset by lower deposit volumes. Issued new long-term debt was slightly higher than maturing long-term debt, and short-term funding was higher at the end of 2023 than at the end of 2022. In addition, the liquidity surplus was adversely affected by a repayment of the Group's TLTRO (Targeted Longer-Term Refinancing Operations)loans and positively affected by an increase in other inflows.

The rise in the liquidity surplus lifted the holdings of high-quality liquid assets (HQLA) with an increase in central bank reserves and a decrease in central government debt holdings. More than 95% of the HQLA holdings continued to be composed of level 1 assets, with central bank reserves and extremely high-quality covered bonds accounting for the majority.

The disclosure template captures all material items affecting the Group's LCRs.

Table 6.2
EU LIQ2 – Net Stable Funding Ratio

At 31 December 2023
(DKK millions)

		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
Available stable funding (ASF) Items						
1	**Capital items and instruments**	**163,555**	**10,648**	**672**	**14,690**	**178,245**
2	*Own funds*	*163,555*	*10,648*	*672*	*14,690*	*178,245*
3	*Other capital instruments*		-	-	-	-
4	**Retail deposits**		**548,271**	**6,335**	**6,423**	**524,618**
5	*Stable deposits*		*378,018*	*2,965*	*3,239*	*365,173*
6	*Less stable deposits*		*170,254*	*3,370*	*3,184*	*159,445*
7	**Wholesale funding:**		**1,048,782**	**67,327**	**256,549**	**576,112**
8	*Operational deposits*		*304,832*	-	-	*38,724*
9	*Other wholesale funding*		*743,950*	*67,327*	*256,549*	*537,388*
10	Interdependent liabilities		**79,080**	**61,249**	**621,286**	
11	**Other liabilities:**	**12,787**	**191,688**	-	**1,502**	**1,502**
12	*NSFR derivative liabilities*	*12,787*				
13	*All other liabilities and capital instruments not included in the above categories*		*191,688*	-	*1,502*	*1,502*
14	**Total available stable funding (ASF)**					**1,280,476**
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**					**22,853**
EU-15a	**Assets encumbered for more than 12m in cover pool**		**8,232**	**12,151**	**201,664**	**188,740**
16	Deposits held at other financial institutions for operational purposes		**5,215**			**2,608**
17	**Performing loans and securities:**		**506,605**	**74,505**	**742,312**	**710,766**
18	*Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut*		*147,727*	-	-	*866*
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		*235,934*	*13,624*	*27,418*	*46,298*
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		*114,430*	*55,123*	*420,940*	*550,866*
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*8,648*	*13,924*	*86,388*	*170,291*
22	*Performing residential mortgages, of which:*		*4,159*	*3,316*	*177,285*	-
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*3,472*	*2,921*	*151,199*	-
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		*4,355*	*2,442*	*116,669*	*112,736*
25	**Interdependent assets**		**9,062**	**10,123**	**736,595**	
26	**Other assets:**		**82,858**	**2,130**	**64,581**	**70,002**
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	*21,866*	*18,586*
29	*NSFR derivative assets*					
30	*NSFR derivative liabilities before deduction of variation margin posted*		*68,418*	-	-	*3,421*
31	*All other assets not included in the above categories*		*14,440*	*2,130*	*42,715*	*47,995*
32	**Off-balance sheet items**		**26,889**	**22,860**	**279,572**	**22,003**
33	**Total RSF**					**1,016,970**
34	**Net Stable Funding Ratio (%)**					**125.90%**

Note
The Group's NSFR increased from 123% at the end of 2022 to 126% at the end of 2023. The increase was driven mainly by a decrease in lending reducing the amount of required stable funding and an increase in long-term debt issues increasing the amount of available stable funding. This was partly offset by a decline in deposits and by changes in the composition of the HQLA holdings.

Deposits remained the Group's main funding source. At the end of 2023, deposits constituted 70% of the Group's total funding and issued equity amounted to 10%. Senior debt comprised 9%, covered bonds came to 8%, and subordinated debt amounted to 2%. The remaining 2% came from commercial paper and certificates of deposit. The Group continues to pay attention to deposit deficits in the NOK and SEK markets. The deposit deficits in these currencies are covered primarily by long-term funding and cross-currency swaps. In 2024, the deposit deficit in NOK is expected to change to a deposit surplus due to the sale of the Norwegian personal customer business.

During 2023, the Group issued long-term debt in the amount of DKK 95 billion, up from DKK 61 billion in 2022. Covered bonds were issued primarily through the SEK and EUR markets, with Danske Hypotek AB issuing covered bonds in SEK and Danske Mortgage Bank Plc. Issuing covered bonds in EUR. The Group issued non-preferred senior debt in the form of green benchmark bonds for EUR 1.5 billion and non-preferred senior debt and preferred senior debt primarily in EUR and USD, but also in GBP and Nordic currencies. Total issues of non-preferred senior debt and preferred senior debt amounted to DKK 22.5 billion and DKK 39.7 billion, respectively.

The Group increased the issuance of certificates of deposit. However, the levels of issued CDs are still significantly below those seen before the Estonia case. In general, the short-term funding programmes (funding instruments with a maturity of less than a year) currently see a lower level of utilisation than the levels mandated by the Board of Directors. This is primarily due to the lack of investment opportunities that are both profitable and consistent with the Group's Liquidity Policy and its focus on stable funding.

The Group's credit ratings affect its ability to obtain market funding and the costs of such funding. Changes in credit ratings may also have liquidity implications through changes in the amount of collateral needed in certain transactions. In 2023, the Group's credit ratings improved with Fitch raising its long-term rating one notch. More information is available in Danske Bank's Annual Report 2023.

Table 6.3
EU AE1 – Encumbered and unencumbered assets

At 31 December 2023
(DKK millions)

		Carrying amount of encumbered assets		Fair value of encumbered assets		Fair value of encumbered assets		Fair value of unencumbered assets	
			Of which: notionally elligible EHQLA and HQLA		Of which: notionally elligible EHQLA and HQLA		Of which: EHQLA and HQLA		Of which: EHQLA and HQLA
10	**Assets of the reporting institution**	**1,228,144**	**209,920**			**2,066,027**	**431,677**		
30	Equity instruments	1,779	-	1,779	-	10,929	-	10,927	-
40	Debt securities	204,852	194,008	198,711	194,008	260,306	*169,777*	*260,306*	*169,777*
50	*of which: covered bonds*	94,254	85,977	88,112	85,977	141,178	*129,732*	*141,178*	*129,732*
60	*of which: asset-backed securities*	-	-	-	-	-	-	-	-
70	*of which: issued by general governments*	107,639	107,585	107,639	107,585	39,284	39,227	39,284	39,227
80	*of which: issued by financial corporations*	95,931	86,070	89,789	86,070	201,416	*130,433*	*201,416*	*130,433*
90	*of which: issued by non-financial corporations*	1,283	353	1,283	353	4,860	117	4,860	117
100	Other assets	1,021,513	15,912			1,794,792	261,899		

Table 6.4
EU AE2 – Asset emcumbrance – collateral received

At 31 December 2023
(DKK millions)

		Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance	
			Of which: notionally eligible EHQLA and HQLA		Of which: EHQLA and HQLA
130	**Collateral received by the dislosing institution**	**193,984**	**189,010**	**294,654**	**277,799**
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	191,941	189,010	288,141	277,799
170	*of which: covered bonds*	67,919	65,015	115,816	105,813
180	*of which: asset-backed securities*	-	-	-	-
190	*of which: issued by general governments*	123,992	123,991	172,051	171,792
200	*of which: issued by financial corporations*	67,942	65,015	115,876	105,813
210	*of which: issued by non-financial corporations*	7	3	214	194
220	Loans and advances other than loans on demand	-	-	-	-
230	Other collateral received	*2,044*	-	*6,514*	-
240	Own debt securities issued other than own covered bonds or ABSs	-	-	-	-
241	Own covered bonds and securitisation issued and not yet pledged			*100,737*	*13,427*
250	**Total collateral received and own debt securities issued**	**1,422,129**	**398,929**		

Table 6.5
EU AE3 – Sources of encumbrance

At 31 December 2023
(DKK millions)

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	1,332,130	1,416,160

Note
Amounts are median values based on end-of-period carrying amounts of asset encumbrance reporting for each of the latest four quarters and are determined by interpolation.

Note to tables EU AE1, EU AE2 and EU AE3

The Group's reporting follows the method set out in the EBA's implementing standard on asset encumbrance. All figures are stated for the Danske Bank Group excluding Danica Pension.

Asset encumbrance remained at the same year-end level for 2023 as for 2022. Asset encumbrance from banking activities excluding mortgage banks is considered to be at a comfortable level.

The Group's asset encumbrance has three main sources:

- loans and securities serving as collateral for covered bond issuance
- securities provided as collateral in repo and securities-lending transactions
- cash and securities provided as collateral for derivatives and clearing transactions in which pledging or mortgaging collateral is an operational requirement to support business activities and secure counterparty credit risk mitigation

By their nature as specialised mortgage institutions, the Group's subsidiaries that provide mortgage loans are almost entirely encumbered, and this contributes significantly to the Group's total encumbrance. Issuance of covered and mortgage bonds is a strategic long-term funding measure that entails ring-fencing assets according to statutory regulation. Portions of the covered bond issues are retained by the issuing entity and also purchased by other entities within the Group. All of the issued covered bonds have a minimum overcollateralisation in line with legal requirements. Furthermore, the maintained level of overcollateralisation is commensurate with highly rated covered bond issues.

The Group's repo activities consist of business-driven transactions that can be wound up relatively quickly and transactions for short- or long-term funding purposes. In repo transactions, the securities remain on the Group's balance sheet, and the amounts received are recognised as deposits. The Group's repo and reverse repo exposures are collateralised by high-quality collateral (mostly AAA) and are mostly short-dated (maturing within one month). Additionally, the repo agreements may have overcollateralisation in the form of a haircut, meaning that the amount of collateral pledged or mortgaged exceeds the amount borrowed. However, the large majority of repos have a small haircut. The Group engages in repo transactions between Danske Bank A/S and its subsidiaries, particularly Realkredit Danmark.

Standard CSA agreements are used for collateralising most of the derivatives exposures.

With respect to the items included in the EU AE1 table (column 060, 'Carrying amount of unencumbered assets', and row 120, 'Other assets'), most of this amount is not considered available for encumbrance with the exception of loans eligible for encumbrance through covered bond issuance.

7.
Life insurance risk

7.1 LIFE INSURANCE RISK MANAGEMENT

The Danske Bank Group's life insurance risk consists of risks originating from its ownership of Danica Pension. This includes pension-related market risk and insurance risk. In addition, the operations of Danica Pension are exposed to non-financial risk and ESG risk. The Group runs its life insurance operations with the aim of providing best-in-class services to customers, while at the same time maintaining a predictable risk profile.

Danske Bank's financial results are affected by Danica Pension's financial position. Earnings from Danica Pension consist mainly of the risk allowance from with-profits policies, earnings from unit-linked products and from health and accident products, and the investment return on Danica Pension's equity capital.

Furthermore, Danica Pension has a financial impact on the Group's capital through a capital deduction from its CET1 capital. The deduction is driven by Danica Pension's solvency capital requirement and basic own funds, which again are driven primarily by pension-related market risk, insurance risk and the size of the buffers for with-profits products.

The life insurance risk framework is governed by Danica Pension's Board of Directors. On a daily basis, Danica Pension's risk management function monitors both the risk and the asset-liability management (ALM) limits set by its Board of Directors, including limits set for the solvency coverage ratio, basic own funds in excess of the solvency capital requirement (SCR), and the own funds loss exposure in a risk scenario defined by Danica Pension's Board of Directors. The risk management function also follows up on investment limits and calculates key risk figures for ALM purposes.

Danica Pension's CRO reports to Danica Pension's CEO and to the Group's Large Corporates & Institutions CRO at Group Risk Management. Group Risk Management thus has oversight of Danica Pension's life insurance risk.

For more information about Danica Pension's risk management practices, see Danica Pension's annual and interim reports.

8.
Non-financial risk

Pillar III disclosures

8.1 INTRODUCTION TO NON-FINANCIAL RISK

Non-financial risk is defined as the risk of financial losses or gains, regulatory impact, reputational impact or customer impact resulting from inadequate or failed internal processes or from people, systems or external events, including legal and compliance risks.

8.1.1 Non-financial risk management

The Group's risk taxonomy is set out in its Enterprise Risk Management policy, and non-financial risk consists of the following five risk types:

Non-financial risk types

- Operational risk
- Information technology (IT) and security risk
- Data risk
- Financial crime risk
- Regulatory compliance risk

The Group's approach to non-financial risk management is laid out in a number of governance documents. The Group Non-Financial Risk Policy is the overarching policy and lays down the principles and responsibilities for managing non-financial risk across the three lines of defence. Supplementary policies are in place and reviewed annually to ensure alignment with regulatory developments. Implementation of the non-financial risk management framework is linked to the process of maintaining a strong risk and compliance culture across the Group.

The Group has a continued focus on identifying, assessing, mitigating and reporting on all five risk types in accordance with the Group's taxonomy for non-financial risks. The Group also conducts scenario analyses to understand exposure to low-frequency high-severity events. Results from risk assessments and stress tests are used as input for the Group's Internal Capital Adequacy Assessment Process.

The Group takes mitigating actions and learns from materialised non-financial risk events in order to reduce the likelihood and impact of such events in future and to avoid breaches of the risk tolerance threshold.

The non-financial risk tolerance threshold is set for net losses after recoveries for events that occur in the current calendar year. Compliance with this tolerance threshold is monitored and reported in accordance with internal procedures.

The first module of the Governance, Risk and Compliance (GRC) platform was launched in 2021 and additional modules are included on an ongoing basis. The GRC platform helps the Group identify actions to ensure regulatory compliance on the basis of increased quality information and process optimisation. Using a shared data model, the platform spans all three lines of defence.

8.1.2 Risk governance and responsibilities

Non-financial risk is managed in line with the principles of the three-lines-of-defence model, and business units and support functions constitute the first line of defence.

The Group ensures compliance with the Non-Financial Risk Policy and related governance documents through continuous oversight and monitoring by a number of sub-committees and councils, including the Non-Financial Risk Committee (NFRC), the Compliance Risk Committee and the Model Risk Committee.

8.1.3 Risk assessment and risk event management

It is a prerequisite for non-financial risk management that the Group understands and maintains an overview of its organisation and takes ownership of its activities.

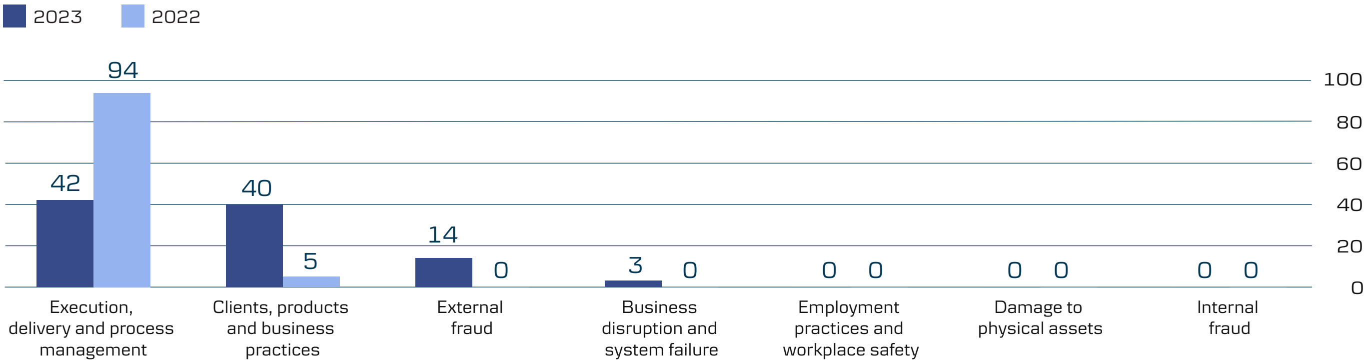
The Group's standard approach to risk assessment of its non-financial risks and controls is in line with industry standards and comprises the following steps:

1. Scoping
2. Risk idenfication
3. Inherent risk assessment
4. Control assessment
5. Residual risk assessment
6. Mitigation actions/issues management

Risk event management aims to ensure timely and appropriate handling of detected events in order to minimise the potential impact on the Group and its stakeholders and to prevent reoccurrence.

The following chart provides an overview of the Group's materialised losses broken down into seven Basel II event type categories.

Gross losses broken down by Basel event type category
(%)



Note
The chart shows gross losses (actual losses sustained by the Group excluding any recovery) for non-financial risks broken down by Basel II event type category, as reported for COREP reporting.

In 2023, the majority of the loss events fell into two broad categories: *Execution, delivery and process management* and *Clients, products and business practices*. There were losses relating to legacy systems and limitations in manual processes as well as product and services-related events.

8.1.4 Monitoring and reporting

The Group monitors trends in risk performance data to identify changes in non-financial risk management that may require further analysis and mitigation and/or support risk profile conclusions and managerial decisions. Non-financial risks are continuously monitored where relevant against risk tolerance thresholds.

Non-financial risks are reported on a monthly basis to the Executive Leadership Team and on a quarterly basis to the Board of Directors. In addition, compliance-related risks are reported quarterly to the Executive Leadership Team, the Conduct & Compliance Committee, and the Board of Directors.

Semi-annually, the Group's non-financial risk loss events are reported to the Danish Financial Supervisory Authority (the Danish FSA) on the basis of the EBA standards for common reporting (COREP). Operational risk is assessed annually within the scope of the Group's Internal Capital Adequacy Assessment Process (ICAAP).

8.2 NON-FINANCIAL RISK TYPES

In addition to the Group's general approach to non-financial risk management, each non-financial risk type, as defined by the Group's risk taxonomy, is managed in accordance with specific regulatory requirements and business objectives.

8.2.1 Operational risk management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes or from people, systems or external events, including legal risks. Operational risk is inherent in the Group's day-to-day operations and may occur in relation to the Group's products and services, reporting procedures, employment practices, workplace safety, damage to physical assets, outsourcing agreements, third parties dealing with the Group, mismanagement of legal disputes or contractual rights and obligations, or as the result of business continuity events (such as natural disasters, pandemics or power outages).

Risk event management: Risk event awareness is a focus area across the Group, and ensuring coverage remains a priority with timely registration, approval and escalation processes in place. All employees are instructed and required to register risk events in the Group's risk event registration system. This information is analysed to identify root causes, estimate the exposure and perform the remediation actions needed. Where the level of impact exceeds agreed thresholds, risk events are escalated to the relevant internal and external bodies.

Risk and control self-assessment: The risk and control self-assessment procedures facilitate the evaluation of risks associated with end-to-end business processes through perspectives of likelihood, non-financial/ financial impact, and control design and operating effectiveness. The Group's approach to risk assessment provides a common methodology for all business units and subsidiaries to apply in a broad range of contexts and to potentially identify opportunities to improve existing processes.

Control management: Effective control management is critical to risk management practices. The instructions provide a standardised and unified framework to identify, design, document, manage, evaluate, remediate, and report on controls to meet regulatory requirements and the objectives of the Group's Non-Financial Risk Management Policy.

New and amended product approval (NAPA): The NAPA process ensures that the products and services offered by the Group are in the interests of customers and comply with relevant regulations. The NAPA Policy defines roles and responsibilities, including but not limited to those of the product managers, the manufacturing and distributing business units, and the approving body. The policy requires the product managers to consider all relevant risks in line with the Group's enterprise risk management framework.

For investment products manufactured for and/or distributed to customers requesting financial instruments with a sustainability-related profile, the underlying instructions for the NAPA Policy require consideration of sustainability factors such as environmental, social and employee-related matters, respect for human rights, anti-corruption and anti-bribery matters.

Business continuity risk

Business continuity risk management is a holistic approach resulting in proactive measures that enable the Group to identify potential threats and their impacts on business operations, effectively respond to them, and continue the delivery of its products and services supported by functions at acceptable predefined levels following a disruption. The Business Continuity & Crisis Management Policy sets control requirements for business continuity risk.

Third-party risk

Third-party risk management (TPRM) is the process of managing the risks associated with processes, services or activities provided to the Group by third parties. The purpose of TPRM is to identify, manage and mitigate non-financial risks when the Group engages with a third party. Third-party arrangements classified as *outsourcing* or *critical or important outsourcing* are subject to specific regulatory requirements listed in the EBA Guidelines on Outsourcing and the Danish Executive Order on Outsourcing. Outsourcing arrangements are to be managed in accordance with the Group's TPRM Policy.

As part of the Group's strategy, the Board of Directors approved the critical/important outsourcing arrangement for Danske IT India in June 2023. The change involved the divestment of Danske IT India and the outsourcing of people services to Infosys.

Model risk

Models form a key part of the Group's core business processes and play a critical role in the day-to-day delivery of services to customers and in the processes that the Group uses to manage its risks. Models are also essential to the Group's ambition of improving customer experience and driving efficiency and agility. The use of models generates model risk, which is the potential risk of adverse consequences resulting from decisions based on incorrect or misused model output and reports.

The Group manages model risk in accordance with its Model Risk Policy. The Model Risk Policy sets out standards and principles for the identification, management and governance of model risk.

Each model identified is assigned a risk tier based on its size and significance as well as a model owner. The model owner has the primary responsibility for managing model risk. This includes identification of new models in the individual area, implementation of new models, adherence to the model risk tolerance statement, maintenance of data quality, development of model risk instructions, validation of new models and significant changes, implementation of model performance controls, risk tier updates where relevant, and reaffirmation that models are suitable for ongoing use on a periodic basis.

The Model Risk Management (MRM) function is responsible for developing and maintaining the Model Risk Policy and for model risk oversight, which includes independent model validation. The MRM function acts as the second line of defence within Group Risk Management and thus has a separate reporting line from model owners and the teams that develop and run models.

A key component of second-line-of-defence oversight is the independent validation of existing and new models to verify that the models perform as expected.

The scope of independent validation covers all capital models in the IRB, market risk and credit counterparty risk areas as well as liquidity risk models, as required by regulation. In other areas that are not subject to explicit regulation, models with a 'high' risk tier are validated annually. Along with the overall status of the Group's model risk and the results of model validation, information is stored in a model inventory repository and is reported on a periodic basis. Reports are submitted monthly to the Executive Leadership Team and quarterly to the Board of Directors.

8.2.2 Information technology and security risk management

Information technology (IT) and security risk is the risk of losses due to the breach of confidentiality, the failure of integrity of systems and data or the inappropriateness or unavailability of systems and data. This includes security risks resulting from inadequate or failed internal processes or external events, including cyber-related attacks or inadequate physical security.

Requirements for the management of technology and data risk are documented in the Group's Non-Financial Risk Policy, IT Risk Management Policy and Security Policy.

Business units are responsible for managing their own IT and security risks, while the Security, Resilience and Controls function provides support in identifying, assessing and tracking IT and security risks. The Security, Resilience and Controls function, which reports to the chief security officer (CSO), submits monthly security risk updates to the chief risk officer (CRO). On a quarterly basis, Market, Liquidity and Non-Financial Risk undertakes a review of IT risks to assess the completeness and accuracy of the Group's risk profile and the effectiveness of the risk management activities performed. An update on the IT risk profile is provided to the Non-Financial Risk Committee on a regular basis.

Various forums discuss and decide on technology risk matters. These forums include councils that are specific to technology-related teams and the Technology & Services Risk Committee. If required by Group policies, matters are escalated to the Group All Risk Committee. Oversight is provided through the Non-Financial Risk Committee (in the second line of defence).

Although individual business units are responsible for control management activities as part of their standard operations, there are known deficiencies in control activities and gaps in the IT and security risk profile. This is consistent with the IT inspection conducted by the Danish FSA in 2019. The inspection observed material gaps in the Group's IT risk framework and control activity, and they are being addressed through ongoing enhancements.

In addition, the Group has minimised customer impact across all critical services by managing system availability supported by the introduction of formal service continuity governance for critical IT services and the establishment of failover capabilities. The Group's ability to respond to cyber risk events is regularly assessed and was recently the subject of the 2023 Danish FSA cyber stress test.

Cyber-related risk

The Board of Directors and the Executive Leadership Team acknowledge the materiality of the risk posed by cyber-related attacks and continue to invest in the Group's capabilities to prevent, detect, respond to and recover from cyber-related attacks.

The management of cyber-related risk is covered within the Group's overall risk management framework since such risk may prevent the Group from achieving its objectives. Governance structures and methods to oversee, prioritise and undertake risk mitigation activities related to cyber-attacks are in place to ensure that the focus remains on the area.

8.2.3 Data risk management

Data risk is the risk of losses due to untimely or flawed decision-making based on insufficient or inappropriate data.

Data risk management was identified as a key risk focus area and was introduced as a separate risk type in the Group's Enterprise Risk Management Policy at the end of 2022. The Data Risk Management Policy was introduced in June 2023 along with supporting data management instructions. The policy defines key principles to manage risks associated with data and its use, and these principles are applied to ongoing key data management implementation initiatives across the Group.

8.2.4 Financial crime risk management

Financial crime risk is the risk that internal or external parties misuse the Group's infrastructure and services to steal, defraud, manipulate, or circumvent established rules, laws and regulations through money laundering, terrorist financing, sanctions violations, bribery and corruption, tax evasion or fraud. The Group's financial crime risk is managed and monitored through the Group's three lines of defence, and Financial Crime Compliance (Group Compliance) acts as the second line of defence.

Financial Crime Compliance Enhancement Programme

The key purpose of the enhancement programme was to ensure that the Group operates a financial crime control framework that meets the regulatory requirements in the jurisdictions in which the Group operates and manages the Group's inherent financial crime risk in line with the Group's risk tolerance.

The Group has now completed the multi-year enhancement programme and significantly expanded its financial crime risk management capabilities. The programme included controls to prevent financial crime such as money laundering, terrorist financing, sanctions violations, fraud, tax evasion, and bribery and corruption. In addition, it reinforces already existing financial crime prevention and assessment processes, leveraging data and data analysis, internal and external reporting, and employee training. Frequent status updates were provided to the Executive Leadership Team, the Conduct & Compliance Committee, the Board of Directors and the Danish FSA.

Obligations to the US Department of Justice

In December 2022, the Group entered into final resolutions with the US Department of Justice, the US Securities and Exchange Commission and the Danish Special Crime Unit following the investigations into failings and misconduct related to the non-resident portfolio at the Group's former Estonia branch. This resulted in a total settlement of DKK 15.3 billion. As part of Danske Bank's agreement with the US Department of Justice, Danske Bank was placed on corporate probation for three years from 13 December 2022 until 13 December 2025.

The Group has taken extensive remediation actions (for example, through its remediation programme) to address those failings to prevent any repeat. In 2023, the Group established a dedicated Post-Resolution Programme to ensure that the Group delivers on its post-resolution obligations.

Business-as-usual financial crime compliance

In addition to its remediation programme, the Group continues to mature its business-as-usual risk management practices. The Group has thus improved the formalised governance structure by making greater use of data-based key risk indicators to systematically oversee business-as-usual risk management.

The fight against financial crime remains a key priority for the Group, and it has made significant investments to ensure that dedicated functions are in place to effectively combat financial crime. The Group's enhancements to its sanctions violation programme have made it possible to manage the increased inherent risk following the sanctions against Russia and Belarus in recent years.

Technology and tools

The Group seeks to leverage technological innovation as part of its financial crime transformation and risk control infrastructure. Recent technology solutions, such as robots and artificial intelligence, are being deployed to increase the speed at which certain high-volume, repeatable, and consistent controls are executed. The Group has implemented further analytical software solutions and enhanced its use of the solutions in place. The use of technology supports the Group's financial crime prevention, detection and investigation activities such as suspicious activity investigations, transaction monitoring, customer screening and Know Your Customer processes.

Industry collaboration

Effectively combatting financial crime requires strong industry collaboration to ensure the safety and soundness of the entire financial system. In 2023, the Group actively participated in public-private partnerships across the Nordic region. The objective of these initiatives is to increase the effectiveness of the public and private sectors in reaching the common goal.

8.2.5 Regulatory compliance risk management

Regulatory compliance risk is defined as the risk that the Group receives regulatory, criminal, or administrative sanctions, incurs material financial losses, or suffers a loss of reputation as a result of its failure to comply with laws, rules and regulations applicable to the Group's activities in the areas of fair treatment of customers, market integrity, data protection and confidentiality or because of the Group's breach of licensing, accreditation and/or individual registration requirements.

Group Compliance is responsible for designing frameworks, setting policies and providing independent oversight, challenge and advice to ensure that regulatory compliance risks are identified and managed effectively.

In 2023, the Group continued to improve its regulatory compliance risk management framework with important enhancements in the following areas:

- **Treating customers fairly:** The Group improved its internal complaints handling standards, and Group Compliance continued providing advice in respect of the Group's customer remediation cases with a focus on the debt collection case.

- **Market integrity:** The Group made significant progress in enhancing its trading and communication surveillance capabilities. A group-wide risk assessment for market integrity was also completed in 2023. The outcome of the risk assessment exercise highlights the identification and prioritisation of control enhancements by senior management across the Group.

- **Data protection and confidentiality:** The Board of Directors approved a new version of the Group's Personal Data Protection Policy. The policy sets out the principles and standards for managing data protection and confidentiality risks. The Group has a high focus on data protection regulatory compliance risks and is undertaking significant enhancements to develop the risk management framework in this area. Danske Bank A/S still awaits the outcome of the case from 2022 in which the Danish Data Protection Agency reported Danske Bank A/S to the police for violations of the GDPR and recommended a fine of DKK 10 million.

- **Licensing, accreditation and registration:** The Group's framework was improved with the addition of new standards outlining the internal control framework for the management of requirements related to employees who perform regulated roles.

- **Additional framework enhancements:** As part of the process to mature its product governance framework, the Group introduced additional product governance standards for investment products to define obligations for manufacturers and distributors of investment products. The standards also cover requirements in relation to sustainability.

Pillar III disclosures

Table 8.1
EU OR1 – Operational risk own funds requirements and risk-weighted exposure amounts

At 31 December 2023
(DKK millions)

		Relevant indicator				
		2020	**2021**	**2022**	Own funds requirements	Risk exposure amount
Banking activities						
1	Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	42,136	42,194	51,490	6,364	79,555
3	*Subject to TSA*	*42,136*	*42,194*	*51,490*	-	-
4	*Subject to ASA*	-	-	-	-	-
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

9.
Conduct risk

9.1 CONDUCT RISK MANAGEMENT

Conduct risk is defined as the risk that the Group's behaviour in providing financial services causes customer detriment and/or damages the integrity of financial markets. Conduct risk may arise as part of the management of other risk types.

The Group has established a conduct risk framework supported by policy standards, training, advisory support, oversight activities and reporting to enable the effective identification and management of conduct risk.

In 2023, the Group improved its conduct risk management framework in the following key areas:

- **Group Conduct Programme:** The completed programme establishes the foundation for the organisation to further embed good conduct throughout processes, systems and controls.
- **Training and advice:** In addition to the mandatory Group training, targeted training was provided to enhance the knowledge and awareness of employees to support risk management practices for identifying, assessing and managing conduct risk.
- **Risk management:** The processes of identifying and assessing conduct risk were further embedded into the Group's risk and control self-assessment (RCSA) methodology and process.
- **Reporting:** Improvements were made to the conduct risk reporting prepared by the first and second lines of defence.

9.1.1 Governance and responsibilities

Conduct risk is managed in line with the principles of the three-lines-of-defence mode. Business units and Group functions own their respective conduct risks and are accountable for establishing measures and controls to identify and mitigate these risks within their respective units and areas of responsibility. Group Compliance sets the policy standards, provides training and advice and also performs oversight of conduct risk.

9.1.2 Monitoring and reporting

Conduct risk reporting is provided to senior management in the first and second lines of defence via formalised reporting and governance processes. This includes the Group Compliance Quarterly Report, which is submitted to the Executive Leadership Team, the Conduct & Compliance Committee, and the Board of Directors. The Regulatory Compliance & Conduct Council also supports the processes in strengthening the governance and aggregated second-line-of-defence oversight in relation to conduct risk management.

Group Compliance expects the oversight of the Group's conduct risk profile to mature further in 2024 following significant enhancements in 2023:

- Conduct risk measurement and reporting: The measurement and reporting of conduct risk will continue to improve as existing indicators are enhanced and new indicators are developed. This will also support the Group's prioritisation of risk management decisions and mitigating activities.
- Conduct risk oversight and advice: Group Compliance continues to focus on its conduct risk oversight and advisory activities to help enhance risk identification and management (including controls and risk mitigating activities). Some of the activities include providing guidance in relation to new and amended product approvals, RCSAs and whistleblowing cases.

Management declaration

MANAGEMENT DECLARATION

As stated in article 435(1) (e-f) of the Capital Requirements Regulation (CRR), Danske Bank must publish a declaration and a risk statement approved by its management body (the Board of Directors):

- Board declaration: a declaration approved by the management body on the adequacy of the risk management arrangements of the institution providing assurance that the risk management systems put in place are adequate with regard to the institution's profile and strategy
- Risk statement: a concise risk statement approved by the management body succinctly describing the institution's overall risk profile associated with the business strategy. This statement must include
  - key ratios and figures providing external stakeholders with a comprehensive view of the institution's management of risk, including how the risk profile of the institution interacts with the risk tolerance set by the management body
  - information on intragroup transactions and transactions with related parties that may have a material impact on the risk profile of the consolidated group

Board declaration

In accordance with the responsibilities placed on a company's board of directors as stipulated in the Danish Executive Order on Management and Control of Banks etc., Danske Bank's Board of Directors assesses the Group's individual and overall risks on an ongoing basis and at least once a year in the form of a comprehensive report from the Executive Leadership Team. The Board of Directors finds that the Group has adequate risk management arrangements in place with regard to the Group's risk profile and strategy.

Risk statement

Key ratios, figures and risk profile

Danske Bank is a Nordic universal bank offering a full range of financial and banking services to personal, business and institutional customers across the Group's home markets. The Group has a diversified business model that spreads across various industries, customer types and countries.

At the end of December 2023, the Group's solvency need ratio was 10.7%.

The target for the Group's CET1 capital ratio of above 16% was re-affirmed at the Group's Investor Update on 7 June 2023 and ensures a sufficiently prudent buffer in relation to the capital requirements. At the end of December 2023, the Group's CET1 capital ratio was 18.8%.

Credit risk is managed in accordance with the Group's Credit Policy, credit risk tolerance and related governance documents. The Group operates with a credit risk tolerance to achieve its long-term strategic ambitions and to ensure the stability of its financial position by limiting impairment volatility through the business cycle and managing credit risk concentrations (including limits on single names, industries and geographical regions). Risk reporting enables ongoing monitoring of the Group's credit risk profile to ensure that it remains in line with the credit risk tolerance.

The Group's market risk comprises three separate frameworks for the following areas: trading-related activities at Large Corporates & Institutions, fair value adjustments (xVA) at Large Corporates & Institutions, and the non-trading portfolio at Group Treasury. Market risk is managed in accordance with the Group's Market Risk Policy. The Group operates with a market risk tolerance for the various areas.

The Group manages its liquidity on a daily basis by using risk indicators and limits as defined in the Group's Liquidity Policy and related governance documents. The policy documents define the limits and methods for calculating liquidity risk and set the overall principles and standards for the Group's liquidity management. At the end of December 2023, the Group's liquidity coverage ratio was 170.4% and its net stable funding ratio was 125.9% – well above the internal limits set by the Board of Directors. The long-term issuer credit rating of Danske Bank A/S was 'A+'/'A+'/'A3' (S&P Global/Fitch Ratings/Moody's Investors Service) at the end of December 2023.

Non-financial risk, which covers operational risk, information technology and security risk, data risk, financial crime risk and regulatory compliance risk, is managed in accordance with the overarching Group Non-Financial Risk Policy and a number of supplementary policies and instructions. The Group monitors non-financial risk tolerance limits to ensure that the Group pursues its business strategy according to its risk tolerance.

Intragroup transactions and transactions with related parties

The Group conducts intragroup transactions with its undertakings and foreign branches, and they cover mainly provision of short- and long-term financing in relation to lending activities, depositing of surplus liquidity, guarantees, payment services, and trading in securities and other instruments. The Group conducts such transactions on the basis of market conditions, applied limits and risk tolerances/appetites in order to set a sufficient level of risk-taking. The undertakings and foreign branches operate mainly in the Group's strategic core markets. This limits the Group's risk since the Group has detailed knowledge of these markets and holds a diversified portfolio and collateral assets. As a result, intragroup transactions are not considered to have any material impact on the Group's risk profile.

The Group conducts transactions with related parties. Related parties with a significant influence are shareholders with holdings exceeding 20% of Danske Bank A/S's share capital. Between them, the A.P. Møller and Chastine Mc-Kinney Møller Foundation and the companies of the A.P. Møller Holding group hold 21.3% of the share capital. The Group's other related parties comprise associates and key management personnel defined as members of the Board of Directors and the Executive Leadership Team. The consolidated financial statements specify holdings in associates. Transactions with the members of the Board of Directors and the Executive Leadership Team and their dependants cover personal facilities, deposits, etc. and facilities with businesses on which these parties have a controlling or significant influence. Transactions with related parties are settled on an arm's-length basis and are not considered to have any material impact on the Group's risk profile.

Moreover, the Group does not conduct business with any single customer generating 10% or more of the Group's total income, and the Group is not financially dependent of any of its single customers.

For more information about intragroup transactions and transactions with related parties, see notes G3b, G34, G37, G38 and P27 of the Group's Annual report 2023 as well as the annual reports of the Group's individual undertakings.

Board of Directors

Martin Blessing Chairman	Jan Thorsgaard Nielsen Vice Chairman	Lars-Erik Brenøe
Jacob Dahl	Raija-Leena Hankonen-Nybom	Allan Polack
Carol Sergeant	Helle Valentin	Bente Bang Elected by the employees
Kirsten Ebbe Brich Elected by the employees	Aleksandras Cicasovas Elected by the employees	Louise Aggerstrøm Hansen Elected by the employees

Other Danske Bank Group publication,
available at danskebank.com/reports:

Annual Report 2023

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