



# Risk Management 2025

Danske Bank Group

Danske Bank

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The objective of Risk Management 2025 is to provide information to Danske Bank's shareholders and other stakeholders about the Group's risk management, including policies, methodologies and practices.

Additional Pillar 3 disclosures required under the Capital Requirements Regulation and the Danish Executive Order on Calculation of Risk Exposure, Own Funds and Solvency Need can be downloaded from [www.danskebank.com/investor-relations](http://www.danskebank.com/investor-relations).

# About the report

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## About Risk Management 2025

This report (Risk Management 2025) provides information about the Danske Bank Group's risk management practices to enable investors and other market participants to assess the Group's risk profile. The Group's Pillar 3 tables disclosing risk exposure and capital adequacy data for 2025 are available on the Group's website. As from 2026, the Group's Pillar 3 tables will be uploaded to the EBA's Pillar 3 data hub.

The regulatory requirements addressed in Risk Management 2025 are stipulated in part 8 of the Capital Requirements Regulation (CRR) (EU) No 575/2013).

Together with the Group's Annual Report 2025 and the quarterly, semi-annual and annual Pillar 3 disclosures (available on Danske Bank's website at [www.danskebank.com](http://www.danskebank.com)), Risk Management 2025 provides detailed information about the Group's risk management practices. Risk Management 2025 supplements Annual Report 2025 with additional information and should be read in conjunction with the Risk Management notes in Annual Report 2025.

Risk Management 2025 adheres to the regulatory scope of consolidation as stipulated in the CRR, whereas Annual Report 2025 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 tables EU LI1-EU LI3.

The Board of Directors of Danske Bank approves Risk Management 2025 prior to publication. The report is not subject to external audit and does not form part of the Group's audited financial statements.

The following Pillar 3 disclosures have not been uploaded to the EBA's Pillar 3 data hub or included for presentation on Danske Bank's website:

Template	Reason
EU INS2	The table is not relevant because the Danish implementation of the Financial Conglomerates Directive does not consider the Danish practice of deducting insurance activities.
EU MR1	The template is not relevant because the Group's capital requirement calculated using the standardised approach is insignificant.
EU CR2a and EU CQ2	The templates are applicable only to institutions with a threshold ratio for non-performing loans and advances (NPL ratio) of 5% or above. The Group's NPL ratio is below 5%.
EU CQ6 and EU CQ8	The templates are applicable only to institutions with a threshold ratio for 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 external credit assessment institution (ECAI) or a similar organisation and attribute the default rates 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 because 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 because the Group has not originated any securitisation transactions.
EU REM1 to EU REM5	Remuneration information is provided in the Group's Remuneration 2025 report.
Tables 1 to Table 3 (ESG)	Qualitative information about environmental, social and governance risks is provided in the Excel spreadsheet 'Additional Pillar 3 disclosures Q4 2025'.
EU CAE1	Exposures to crypto-assets. The Group does not have any crypto-assets.
EU OR2	Business indicator, components and sub-components. Data is not disclosed due to the EBA's postponement of a number of CRR reports.

# 1. Risk management framework and governance

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## 1.1 Risk management framework

The Danske Bank Group assumes risk 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) framework 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 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 Group's ERM framework defines its risk taxonomy, risk roles and responsibilities, risk governance, approach to risk

tolerance and risk appetite, risk philosophy, and risk culture. All policies apply to the Group's activities regardless of business line or company. The Group consistently monitors its internal and external environments to identify and manage any emerging risks that could have a material effect on its performance and which need to be captured under the ERM 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, and cross taxonomy risk drivers (such as sustainability risk) are integrated in the risk types. 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 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 tolerances, risk limits and risk appetites.

**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) formulate the Group's risk tolerance statements
- (v) maintain oversight of risk exposure at all Group entities and check that the Group stays within the tolerance levels and limits set by the Board of Directors
- (vi) undertake stress tests for the Group as a whole and for portfolios and themes such as sustainability-linked risks
- (vii) 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 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 the Executive Leadership Team and the Board of Directors on compliance risks and issues.

**The third line of defence** consists of Group Internal Audit (GIA). 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, who reports directly to the Board of Directors.

#### 1.4 Risk governance

The Group's risk governance structure consists of five Board of Directors committees 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.



\* The Conduct & Compliance Committee was discontinued as of 31 December 2025.

##### 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 effect 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 Rules of Procedure of 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 as well as the chief audit executive. 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 of significant importance on the 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 to prepare matters for consideration by the Board of Directors. For more information about the Board of Directors' committees and the number of meetings, see the Group's Annual Report 2025 and Corporate Governance Report 2025.

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 the Group's compliance 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 individual mandates and responsibilities: i) the Business Integrity Committee, ii) the Group All Risk Committee, iii) the Group Credit Committee, and iv) the Group Asset & Liability Committee. Quarterly impairment reports are considered at separate Group All Risk Committee meetings.

The Business Integrity Committee makes decisions on the management of sustainability-related commercial opportunities, business risks and societal impacts associated with the Group's business model and activities, and it ensures that such decisions are aligned with and integrated into the Group's business strategies. The scope of the committee's mandate encompasses all sustainability-related aspects of the Group's business model and activities – across risk categories, business units, functions and geographies – except for items that fall within the scope and responsibilities of other Executive Leadership Team committees, such as the Group All Risk Committee or the Group Asset & Liability Committee. As stated in the Group's Sustainability Policy, the Board of Directors approves the overall strategic direction, principles and relevant policies with regard to sustainability.

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 2025.

The Group All Risk Committee has established and delegated some of its responsibilities to a number of sub-committees. Each subcommittee 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 subcommittees must report any decisions and issues to the Group All Risk Committee.

## 1.5 The Group's risk tolerance

The Group's risk tolerance specifies the overall level of risk 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 of the Group's overall risk-taking by formulating group-wide qualitative statements and quantitative measures while taking aggregated financial, non-financial and sustainability risk effects into consideration.

The Group's risk tolerance forms an integral part of its financial and strategic planning processes to ensure that both risks and opportunities are considered during the strategic decision-making processes, and the Board of Directors receives reports on the status of the Group's risks and opportunities on a quarterly basis. 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 and compliance culture

The Group is committed to building and maintaining a strong risk and compliance 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 and compliance culture, and 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 overarching policies and guidelines (the Group's Code of Conduct, Group Internal Governance Policy, Compliance Policy, Enterprise Risk Management Policy and Risk Tolerance Guidelines), other governance documents, communications, the remuneration structure and staff training.

## 1.7 Risk and compliance 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.

Risk reporting	Frequency	Submitted to
AML RCO report	Annually	<ul style="list-style-type: none"> <li>Group All Risk Committee</li> </ul>
Biannual updates on model risk	Biannually	<ul style="list-style-type: none"> <li>Group All Risk Committee</li> <li>Risk Committee (Board of Directors)</li> </ul>
Capital and REA report	Monthly	<ul style="list-style-type: none"> <li>Chief financial officer</li> <li>Chief risk officer</li> </ul>
Code of Conduct report	Annually	<ul style="list-style-type: none"> <li>Executive Leadership Team</li> <li>Conduct &amp; Compliance Committee (Board of Directors)</li> <li>Board of Directors</li> </ul>
Country reports (Denmark, Sweden, Norway, Finland and the UK)	Annually	<ul style="list-style-type: none"> <li>Group All Risk Committee</li> <li>Risk Committee (Board of Directors)</li> </ul>
CRO letter	Monthly (quarterly in respect of the Board of Directors)	<ul style="list-style-type: none"> <li>Group All Risk Committee</li> <li>Risk Committee (Board of Directors)</li> <li>Board of Directors</li> </ul>
Group Compliance quarterly report	Quarterly	<ul style="list-style-type: none"> <li>Group All Risk Committee</li> <li>Conduct &amp; Compliance Committee (Board of Directors)</li> <li>Board of Directors</li> </ul>
Group DPO annual report	Annually	<ul style="list-style-type: none"> <li>Executive Leadership Team</li> <li>Conduct &amp; Compliance Committee (Board of Directors)</li> <li>Board of Directors</li> </ul>
ICAAP report	Annually (reports on capital levels are regularly submitted outside the ICAAP reporting cycle)	<ul style="list-style-type: none"> <li>Executive Leadership Team</li> <li>Risk Committee (Board of Directors)</li> <li>Board of Directors</li> <li>Danish FSA</li> </ul>
ILAAP report	Annually (reports on liquidity are regularly submitted outside the ILAAP reporting cycle)	<ul style="list-style-type: none"> <li>Executive Leadership Team</li> <li>Risk Committee (Board of Directors)</li> <li>Board of Directors</li> <li>Danish FSA</li> </ul>
Impairment report	Quarterly	<ul style="list-style-type: none"> <li>Group All Risk Committee</li> <li>Audit Committee (Board of Directors)</li> <li>Risk Committee (Board of Directors)</li> <li>Board of Directors</li> </ul>
Industry reviews	At varying intervals	<ul style="list-style-type: none"> <li>Group All Risk Committee</li> </ul>
NFR annual report	Annually	<ul style="list-style-type: none"> <li>Group All Risk Committee</li> <li>Risk Committee (Board of Directors)</li> </ul>
Risk Management report	Annually	<ul style="list-style-type: none"> <li>Group All Risk Committee</li> <li>Risk Committee (Board of Directors)</li> <li>Board of Directors</li> <li>Public audience</li> </ul>
Risk profiles	At varying intervals	<ul style="list-style-type: none"> <li>Group All Risk Committee</li> <li>Risk Committee (Board of Directors)</li> <li>Board of Directors</li> </ul>
Security and Resilience report	Biannually	<ul style="list-style-type: none"> <li>Group All Risk Committee</li> <li>Risk Committee (Board of Directors)</li> <li>Board of Directors</li> </ul>
Sustainability Risk report	Quarterly (annually in respect of the Board of Directors)	<ul style="list-style-type: none"> <li>Executive Leadership Team</li> <li>Risk Committee (Board of Directors)</li> <li>Board of Directors</li> </ul>
Whistleblowing report	Annually	<ul style="list-style-type: none"> <li>Conduct &amp; Compliance Committee (Board of Directors)</li> </ul>

## 2. Strategic risk and capital risk

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## 2.1 Strategic risk management

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

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

## 2.2 Capital risk management

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

The Group manages its capital risks through prudent planning to support its growth ambitions and to 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 Treasury is part of the first line of defence and is responsible for monitoring and managing the Group's capital position. Group Treasury is also responsible for the annual ICAAP and for implementing the Group's funding plan.

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 chief financial officer (CFO), the chief risk officer (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 risk tolerance trigger levels monitored on a quarterly basis (the Indicator Dashboard).

### 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 all material risks inherent in the Group's business activities that arise from the chosen strategy and business model, including ESG-related risks. As part of the ICAAP, the Group's Pillar 2 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 a need for additional capital under Pillar 2.

Forward-looking by nature, the ICAAP also includes both groupwide 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 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. This includes sustainability-related risks. For more information, see section 4, Sustainability risk.

When the Group performs stress testing, it applies stress to material 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

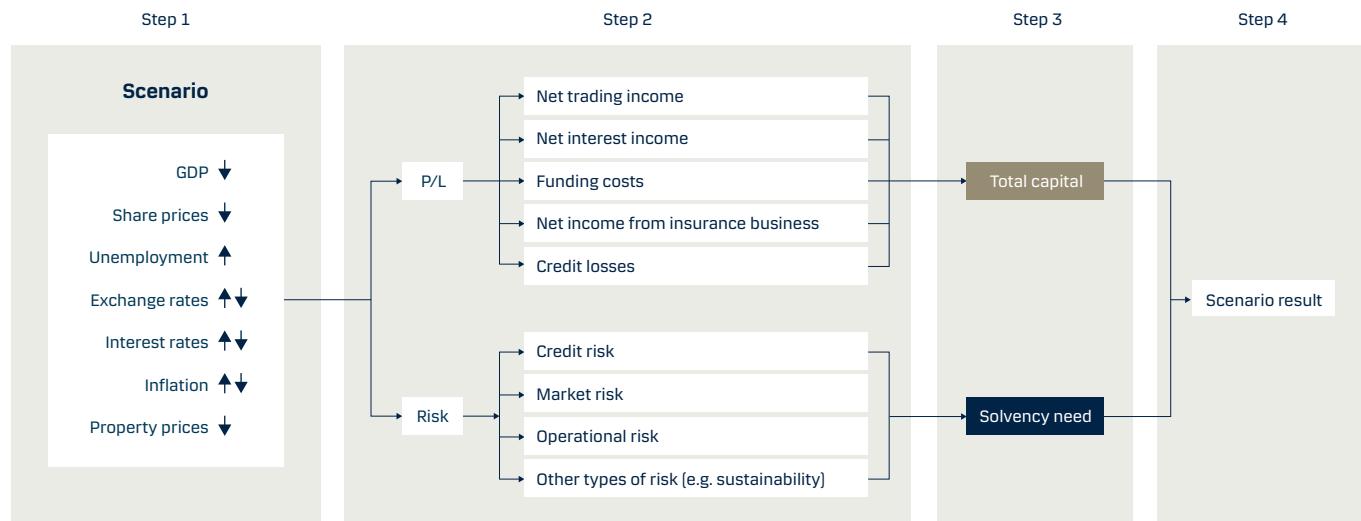
The Group's internal stress test forms an integral part of the capital assessment performed in the ICAAP. The stress test is based on various scenarios consisting of a set of macroeconomic variables for each of the Group's core markets. The Group assesses the effects of an environment with both high and low interest rates in 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 approved by the Executive Leadership Team.

#### 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 biennial EU-wide stress test conducted by the European Banking Authority (the EBA). 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. The Board of Directors approves the Group's funding and capital plan at least annually.

### 2.2.6 Capital allocation

The Group allocates its total equity across business units on the basis of each unit's contribution to the Group's total risk and requirements as estimated by means of regulatory models and capital regulation. The capital used by the Group's individual business units is aligned with the Group's total capital use.

### 2.2.7 Danica

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. The prudential supervision of Danica is governed by the Solvency II framework, which provides EU-harmonised solvency rules in the insurance sector. Danica publishes its own risk assessment in its annual report on solvency and financial conditions (available in Danish only). The Danske Bank Group is designated as a financial conglomerate, and a statutory deduction for Danica is made from the Group's regulatory capital. The deduction is calculated as Danica's solvency capital requirement (SCR) less the difference between Danica's basic own funds and the carrying amount of Danske Bank's capital holdings in Danica. This method ensures that the Group's total capital is reduced fully by deductions made from Danica's total capital. The carrying amount of Danske Bank's capital holdings in Danica less the total deduction for Danica from Danske Bank's total capital is included in the total REA calculations at a weight of 100%. In addition, the SCR is included as a key metric for quarterly reporting and monitoring as part of the Group's risk management practices, thus helping provide a strategic view of the risk that the Group is willing to take.

### 2.2.8 Risk of excessive leverage

The Capital Requirements Regulation (the CRR) stipulates that financial institutions maintain a minimum leverage ratio of 3%. In addition, the CRR 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. The Group determines and monitors its leverage ratio on a monthly basis. To ensure sound monitoring, the Group has 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

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

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 subject to the Group MREL that applies on a consolidated basis at the resolution group level. 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 on the basis of 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 to cover 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 it must be met with subordinated debt instruments (including non-preferred senior debt but excluding 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.

# 3. Credit risk

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### 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 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 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 via lending authorities that are delegated on the basis of e.g. qualifications/seniority of the individual adviser as well as industry and customer segments. If a credit application exceeds the delegated lending authority, the application will be considered by a decision-making body with the required authority. The second line of defence (Group Risk Management) approves new credit applications and renewals or existing limits above a certain materiality threshold, while it endorses applications approved by either the Executive Leadership Team or the Board of Directors. 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

Group Risk Management oversees the Group's credit risk and reports on developments in credit portfolios. Portfolio reports are presented to the Group All Risk Committee (an Executive Leadership Team committee) on a monthly basis and to the Risk Committee (a Board of Directors committee) 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 sets the long-term 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 CRR (EU) No 575/2013.

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 helps minimise the negative impact on customers and the financial risks for the Group. 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 weak 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 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 Risk Committee (a Board of Directors 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 the individual 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 as well as the rating process are validated annually by an independent unit (Model Risk Management) to assess model performance and highlight any deficiencies that need to be addressed in the models or in relation to the use of such models.

Sustainability is an important factor in the overall credit work, including the rating of customers, but the Group has no procedures for the approval of formal rating impacts relating to sustainability. A decision has now been made to the effect that, as from 1 January 2026, all agriculture and commercial real estate customers with an exposure above DKK 50 million must be screened for ESG factors such as energy consumption, environmental risks and upside potential. Large corporate customers are generally screened for ESG factors even though no formal classification impact has been set.

### 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 rely 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 applied haircut 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 Systems and several 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.

### 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, 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 in relation to 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 institutions. 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.

### 3.2 IRB framework and model development

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

#### 3.2.1 Organisation of the IRB framework

Group Risk Analytics launched the Credit Analytics Transformation (CAT) programme to accelerate IRB redevelopment, ensure IRB compliance and meet the Group's commitments to the college of supervisors.

Group Risk Analytics has organised the IRB tasks in teams dedicated to

- model development, including governance related to application for new models and
- model maintenance, including governance related to changes to existing models

While the models are owned by Group Risk Management, the teams developing and operating the models are independent from the credit granting process.

The IRB framework is subject to control mechanisms incorporated in their processes.

#### 3.2.2 IRB exemptions

The Group holds permanent exemptions for the following exposure types:

- Sovereigns, regional authorities and central banks
- Local authorities treated as institutions and public-sector entities
- Exposures to/consisting of
  - housing companies in Finland
  - pools of purchased receivables
  - covered bonds in the banking book
- Danske Bank Group internal exposures
- Exposures held by Danske Bank UK, Northern Bank
- Corporate and institutional exposures held by
  - Danske Hypotek AB
  - Danske Mortgage Bank OY
- Retail exposures (personal and SME)
  - Exposures held by Danske Bank A/S (from Danske Finance OY)
  - Remaining retail exposures from National Irish Bank
- Retail SME exposures held by Danske Hypotek AB
- Exposures through/held by
  - Danske Capital A/S
  - Danica Pension companies

#### 3.2.3 Models in the IRB framework

The Group classifies customer credit risks by means of probability of default (PD) models and uses loss given default (LGD) models to estimate losses on facilities in the event of default. Credit conversion factor (CF) models express exposure at default (EAD) estimates for off-balance exposures.

The Group uses the PD models to assess the probability of default of customers in various segments. Large business and financial customers<sup>1</sup> are classified by rating models, whereas 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 used to a wider extent as input in scoring models, which are therefore updated automatically and 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, point-in-time (PIT) PDs are converted into through-the-cycle (TTC) PDs in the majority of the models by means of a scaling mechanism that ensures fixed-target levels while preserving the customer rankings. TTC PDs consider regulatory floors where applicable.

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.

<sup>1</sup> Customers with facilities exceeding DKK 2 million and customer groups with facilities exceeding DKK 7 million.

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, whereas 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 validation and review

Group Risk Management reviews and follows up on compliance with the IRB minimum requirements set out in the CRR.

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. The Group's independent second and third lines of defence regularly oversee and assess the IRB framework.

#### Validation of credit risk models

Model validation is the key control used in the IRB framework, and the Group has frameworks in place for monitoring and validating credit risk models.

Model Risk Management, the Group's second line of defence, 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, whereas models in the production environment are validated at least once a year. The current validation scope encompasses PD models for the rating and scoring of customers as well as LGD, CF and asset valuation models/collateral value models. The validation scope also includes the framework across models, such as TTC calibration and downturn adjustment. Where relevant, other models or parameters, such as expected credit loss and risk tolerance calculations, are also validated.

#### Changes to the IRB framework and the IRB audit process

The Group has a governance structure in place 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 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. For material changes to the IRB framework, Model Risk Management and Group Internal Audit review and challenge the documentation describing changes and assess if a change application is complete and compliant before submission to the competent authority for approval.

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

### 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 Group takes on counterparty credit risk when it enters into over-the-counter derivatives contracts, securities financing transactions and exchange-traded derivatives 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 potential future exposure (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 tolerances, including current exposure (CE) and exposure at default (EAD).

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 market risk on fair value adjustments (xVAs), including credit value adjustments (CVAs), 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 financial risks to the Board of Directors if necessary.

### 3.3.2 Methodologies and models

The Group uses a number of metrics to capture counterparty credit risk, including CE, PFE and 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 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 submitted 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 2025, in trade count terms, the Group's non-cleared OTC derivatives were concentrated in interest rates and foreign exchange contracts, with foreign exchange derivatives accounting for more than half of the trade count, interest rate swaps for about 15% and cross currency swaps for 9%. 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 2024.

### Trade count of the portfolio's trading book by product type 2025



Foreign exchange derivatives	65%
Interest rate swaps	15%
Cross currency swaps	9%
Swaptions	7%
Equity derivatives	1%
Interest rate options	1%
Bond options and futures	1%
Other structured products	1%
Inflation swaps	1%

# 4.

# Sustainability risk

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## 4.1 Sustainability risk management

The Danske Bank 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 upstream and downstream in the value chain. Climate change and the transition to a low-carbon economy are the defining challenges of this decade. Managing transition-related risks is therefore key to the Group's strategy and purpose, and the Group remains committed to supporting and financing Nordic customers undertaking the necessary transition.

The Group defines sustainability risk as the risk of a significant negative effect on the Group's performance – including financial and reputational effects – due to 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 effects from sustainability risk must be identified, assessed, monitored and mitigated as part of the existing management of the Group's risk types as outlined in the Group's risk taxonomy. The group-level principles for sustainability risk management are outlined in the Group's Enterprise Risk Management Policy, 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.

Sustainability principles are incorporated into the governance frameworks of the Group's Credit Policy and Responsible Investment Policy. This integration specifies the Group's expectations and incorporates sustainability as a key factor in credit applications and outlines restrictions on both loans granted 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 customer and portfolio levels across all business units.

### 4.1.2 Monitoring and reporting

To determine the areas in which the Group is most materially exposed to sustainability risk, the Group consistently assesses and reviews the ways in which ESG events and conditions may increase financial and non-financial risks. Taking a risk-based approach, the Group prioritises its efforts to manage sustainability risk where the negative effect on the Group is deemed to be high. Sustainability risk reports are presented to the Executive Leadership Team on a quarterly basis. An annual report on sustainability risk is also submitted to the Board of Directors, and, where relevant, sustainability risk is also reported on through credit risk reports.

## 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. Currently, other financial risks are mostly deemed to be of low or medium materiality, and they are incorporated into relevant processes. For example, market risk is included as an element in climate stress testing.

### 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 customers with the largest exposures. 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 framework for the purpose of adjusting 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 enable the Group to monitor the overall sustainability risk level. All counterparties with a total exposure exceeding the threshold are in scope for assessment across business units. The scope of analysis is adjusted to capture the size and complexity of the individual counterparty, with a higher level of risk and exposure requiring a more detailed analysis. This requirement applies to business counterparties in all of the Group's business units, i.e. small and medium-sized businesses as well as mid-sized and large corporates. 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 to agree on a future action plan to mitigate these risks. This type of analysis is also an integral part of Danske Asset Management's and Danica's investment decisions.

At the end of 2025, 92% of the Group's total business exposure in scope was assessed for sustainability risk, and the Group implemented a more in-depth analysis of drivers of customers' ESG risk levels. These bottom-up customer assessments will increasingly be tied to top-down portfolio risk management efforts at the group level. 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 identified as the predominant ESG-related factor influencing the Group's credit risk, and risk practices are being enhanced in accordance with regulatory and industry developments.

Climate risk is primarily categorised into transition risks associated with moving towards a low-carbon economy and into physical risks stemming from projected climate changes, including both long-term shifts (chronic changes) and event-driven changes (acute changes) to weather patterns. Both types of climate-related risk will affect credit risk in the medium and long term. To address these risks, the Group is actively improving its climate data collection to refine the long-term view of climate-related risks across sectors.

At the portfolio level, the Group's exposure to sectors that face high climate transition and physical risks is outlined in the Pillar 3 disclosures, such as the disclosure of the energy efficiency of collateral.

On the basis of the latest Intergovernmental Panel on Climate Change (IPCC) report on Europe, the Group has identified flooding risk (river and coastal flooding) as the most important physical hazard applicable to the portfolio. The current mapping of exposures subject to flooding risk focuses on commercial and residential real estate and forms part of the Pillar 3 disclosures.

In accordance with Pillar 3 transition risk disclosure requirements, the Group reports on its financed emissions and the energy efficiency of collateral. The Group has considered the financed emissions of the sector portfolios identified as climate change contributors and finds that the majority of emissions are attributable to only a few industries, specifically agriculture, shipping, and oil and gas. The Group actively monitors and manages these industries at customer and portfolio levels. For instance, this is evidenced by the reduction of the Group's oil and gas portfolio in recent years.

The Group performs quantitative climate scenario analyses, including bottom-up climate stress tests to assess the effects of both physical and transition climate-related risks over short-, medium- and long-term horizons. Stress tests related to physical risks focus on collateral-related exposures based on expected loss calculations related to river and coastal flooding. In relation to transition risks, the Group has analysed scenarios for carbon taxes as a key driver for this transition in different sectors. The Group has a special focus on transition-risk scenario analyses covering the Danish agricultural sector, and the Danish government plans to introduce a carbon tax in this sector by 2030. For the sector, the stress testing analysis results

are directly used in the impairment post-model adjustment process. Moreover, the Group performs detailed bottom-up climate analyses of the commercial real estate sector, which constitutes a large part of the total Group's exposure, with a focus on the EU's Energy Performance of Buildings Directive. Additional climate transition-risk analyses include transition risks for customers considered to be lagging in the Group's transition risk assessments because of factors related to technology risks.

#### Customer transition risk assessments

Managing climate transition risks takes place at portfolio and customer levels. At the portfolio level, the Group sets long-term targets for sectors with high financed emissions, such as oil and gas, as outlined in the Group's Sustainability Statement in the Group's Annual Report 2025. 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.

Transition risk assessment scores are divided into four categories on the basis of alignment assessment, technology and government factors. The transition risk assessments contribute to the overall credit evaluation of customers.

#### Customer transition risk assessment - criteria and scoring

Assessment score	Assessment criteria	2024	2025
		% of assessed exposure	% of assessed exposure
Transitioned	<ul style="list-style-type: none"> <li>• Current emissions are at or close to the 2050 net-zero level.</li> <li>• Investment plan/business model in line with the net-zero pathway.</li> </ul>	17%	19%
Transitioning	<ul style="list-style-type: none"> <li>• Fulfilment of all criteria on ambitions, targets, emissions, decarbonisation and CAPEX/OPEX, and technological elements exist or some government incentives are needed.</li> </ul>	24%	27%
Start of transition	<ul style="list-style-type: none"> <li>• 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.</li> </ul> <p>or</p> <ul style="list-style-type: none"> <li>• Partial fulfilment of criteria on ambitions, targets, emissions, decarbonisation and CAPEX/OPEX, and technological elements exist or some government incentives are needed.</li> </ul>	48%	47%
Lagging transition	<ul style="list-style-type: none"> <li>• Poor alignment for any criteria on ambitions, targets, emissions, decarbonisation and CAPEX/OPEX.</li> </ul> <p>or</p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>	10%	7%
		91%	98%

The Group focuses on financially weak laggards in the transition process since they are subject to an increased risk of impairment. For these customers, the Group has identified mitigating actions, which include collaborating to develop a transition plan that ensures alignment with established standards. Financially weak transition laggards represent approximately 7% of the Group's assessed credit exposure, and they 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 by misselling and/or misinforming customers. This includes risks in relation to marketing, branding and communications as well as operational risk, i.e. practices and arrangements for product governance and product and service practices associated with investment products.

#### 4.3.1 Sustainability and treating customers fairly

The Group's Treating Customers Fairly Policy defines the principles, and they are further detailed in the Group's instructions and standard operating procedures 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 ESG-related products and service offerings and to maintain a balance between risks related to fair representation and opportunities to communicate the Group's efforts. This includes the Group's sustainability strategy, targets and commitments.

#### 4.3.2 Sustainability and product practices

In relation to the Group's asset management, sustainability risks are integrated into product practices because sustainability impacts, risks and opportunities may affect customer and investor returns. Various tools and analyses 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 Group's Responsible Investment Policy and Sustainability Risk Integration Instruction govern the identification and assessment of sustainability risks in investment decisions.

Sustainability risks can be addressed through inclusions, active ownership and exclusions as further detailed in the Group's Responsible Investment Policy and Sustainability Risk Integration Instruction with other instructions supplementing the Responsible Investment Policy.

# 5. Market risk

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## 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

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

The Market Risk Policy set by the Board of Directors lays out the overall framework for market risk management and identifies the boundaries that 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.

Large Corporates & Institutions manages the market risks (such as interest rate risk, equity risk and foreign exchange risk) associated with the Group's trading activities in the financial markets. The xVA desk manages all xVA positions. CFO Area manages the interest rate risk, equity risk and structural foreign exchange risk associated with the assets and liabilities of the non-trading portfolio. CFO Area also monitors the credit spread risk of the non-trading portfolio and the risk associated with the Group's legacy defined benefit pension plans.

The Market & Counterparty Credit Risk Committee gains assurance that both risk-taking and the risk framework are prudent. The Group Asset & Liability Committee ensures that balance-sheet risks are aligned with the Group's tolerances and facilitates a coordinated approach to asset and liability management.

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 at Group Risk Management 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. CFO Area 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 a risk tolerance for its trading portfolio covering trading-related market risk and xVA-related market risk that determines how much the Group is prepared to lose on its exposure over a 12-month period of severe stress.

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 banking book (both economic value (EV) and net interest income), bond portfolio risk and structural foreign exchange risk.

The market risk tolerances are 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 tolerances.

### 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. Executive Leadership Team 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 Executive Leadership Team delegates the Board of Directors limits to business units and assigns additional limits for less material risk factors. Business units and trading sections set detailed operational limits and targets at sufficiently granular levels. Stop-loss triggers for trading-related market risk supplement the forward-looking market risk limits.

## 5.2 Market risk profile

Taking on market risk in relation to the Group's trading and treasury activities is an integral part of the Group's business.

### 5.2.1 Market risk in relation to the trading portfolio

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.

### 5.2.2 Market risk in relation to fair value adjustments

The Group's fair value accounting includes various valuation adjustments (referred to as xVAs) inherent in the Group's derivatives portfolio – specifically credit value adjustments (CVAs), funding value adjustments (FVAs) and collateral value adjustments (ColVAs). 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 xVAs, the Group focuses on managing economic risk and regulatory capital. This means that the Group also manages market risks originating from counterparties outside the scope of the CVA market risk charge.

CVA risk is identified before trading since this type of risk forms part of the pricing of credit, funding, collateral and capital components (collectively known as xVAs). Most CVA risks are considered even before any trading takes place, as part of the negotiation of master netting agreements and, if relevant, at the establishment of credit support annexes (CSAs); the latter two act as significant risk mitigants and credit enablers. After trading, CVAs (and other types of valuation adjustment) are integrated into the valuation framework and recorded both at the trade level and in the P/L statements for the xVA desk. CVA risk is monitored from various perspectives, including in P/L and market risk terms, as changes in CVA (and xVA) positions affect the sensitivity to underlying market risk factors. CVA risk is managed at the master netting agreement level, at the individual counterparty level and across the broader portfolio.

Expected exposures for CVA calculation are simulated on the basis of underlying risk factors. A pricing rule is assigned to every counterparty to determine which credit spread curve to use for the calculation of CVAs. The xVA desk uses a standardised approach combined with expert judgement to assign pricing rules to new and existing derivatives counterparties. Because CVAs and FVAs depend directly on credit default swaps (CDSs) and funding spreads, this requires market data for daily pricing and valuation. Some data is directly observable (e.g. single name CDSs), while other data is calculated on the basis of other input such as proxy credit curves.

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 CVAs is significantly hedged using CDSs based on liquid indices or selected single-name CDS contracts. In 2025, the xVA hedging strategy contributed to a reduction of 57% in actual daily income volatility as compared with the volatility of an unhedged portfolio. Funding spread risk is a key risk factor for xVAs 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.

### Prudent value adjustments

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 completely unavailable, 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 the Group's activities in providing core banking customers with conventional banking products and from the Group's funding and liquidity management activities at CFO Area. IRRBB arises from adverse movements in interest rates, and in turn they change the underlying value of the 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 portfolio, 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-term 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.

#### Credit spread risk in the banking book

Credit spread risk in the banking book (CSRRB) derives from bond positions related primarily to the Group's funding and liquidity management activities at CFO Area. As the second line of defence, Group Risk Management monitors adherence to 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 common equity tier 1 (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 the Group 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 risk exposure amount (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.

### 5.3 Monitoring and reporting

The Group carries out daily market risk monitoring, control and reporting. The control process involves continuous intraday monitoring of limit utilisations with a full portfolio update every 30 minutes. xVA risk is assessed daily across all relevant risk factors and is systematically monitored using a multidimensional data cube. This approach enables the xVA desk to effectively segment, filter and aggregate risk data, facilitating analysis from the overall portfolio level down to individual counterparties. Limit breaches are reported to the relevant units within the limit structure without undue delay.

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

The Group also conducts P/L analyses to challenge various risk drivers. The purpose of P/L versus risk analysis is to explain trading income attribution.

The Board of Directors and the Executive Leadership Team receive regular 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 management at Large Corporates & Institutions and CFO Area for day-to-day risk management purposes.

### 5.4 Risk methodologies

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 trading portfolio market risk management.

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. 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. This EV metric is calculated and evaluated against limits on an intraday basis. CFO Area also tracks and comments and reports on daily, monthly, quarterly and annual changes in EV measures.

### Stress testing

The Group supplements risk measurement with regular stress testing. Ad hoc stress testing is performed 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 that have various levels of severity. In general, the Group's stress testing practices can be divided into the following three categories: 1) sensitivity analysis (which examines the effect of market movements in one, two or more specific risk factors at various levels of severity without relating the change(s) to a specific event); 2) scenario analysis (which assesses the consequences of specific events covering hypothetical and historical shocks to multiple risk factors simultaneously. A number of scenarios are in place to encompass various levels of severity and events such as economic, ESG and technological changes); and 3) reverse stress testing (which identifies extreme but plausible single- or multi-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).

### 5.5 Risk models

#### Value-at-Risk model

The current internal market risk model was approved by 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 measures used for risk monitoring and capital requirement calculations are 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: VaR	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	1 year	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 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 model

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 into corresponding spread changes.

### IRRBB models

The 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 in the non-trading portfolio, an overnight duration is used for own equity, but commercial margins are excluded.

The Earnings-at-Risk (EaR) model is used for measuring the change in net interest income (NII) over a forecast horizon of 12 months in several different scenarios. From a modelling perspective, 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 the most recent margins originated).

The sensitivity of NII is assessed under the six regulatory stress scenarios mentioned below and under two additional scenarios in which interest rates experience unfloored parallel +/-100 basis point shifts. 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, whereas SEK, NOK, GBP, and USD rates are floored at -100 basis points.

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.

## Product models

For the trading portfolio, the Group also develops and maintains internal valuation models for the pricing and risk management of financial products that cannot be valued directly or risk-managed on the basis of quoted market prices.

In relation to non-trading portfolio products, 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, whereas the duration is reviewed annually. For internal risk management purposes, the assumed average duration of the full amount of the aggregate portfolio of NMDs is 2.17 years, and the longest repricing maturity is 14 years. In the regulatory EVE calculations, the longest repricing maturity of NMDs is ten years.

Because non-trading portfolio risk models are highly sensitive to behavioural assumptions (duration, market price and prepayment), Group Risk Management performs an impact assessment of EV risk on a quarterly basis. This approach enables Group Risk Management to evaluate and monitor the potential impact of changes in key assumptions on EV, including factors such as the weighted average life of deposits, loan prepayment rates and pricing sensitivities for both deposits and loans.

## 5.6 Regulatory capital models 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 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 Group uses the standardised approach to calculate the REA for the Group's minor exposures to commodity risk and collective investment undertakings.

The Group has implemented new models for estimating the REA for CVA risk in accordance with the CRR3 regulatory framework. The primary model, the Standardised Approach for Credit Value Adjustments (SA-CVA), covers most of the portfolio and is based on sensitivities derived from the CVA accounting framework. To ensure comprehensive coverage, the Group has also adopted the Basic Approach for Credit Value Adjustments (BA-CVA); this model is a standardised approach that utilises exposures estimated by the exposure models for the default risk charge and addresses exposures that are not included in the SA-CVA model.

## 5.7 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.

### 5.7.1 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.

### 5.7.2 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 2025  
[DKK millions]

Exposure class	Northern Ireland	Ireland	Denmark	Sweden
Pension plan for new employees	Defined contribution	Cash balance	Defined contribution	Defined contribution
Gross liabilities	5,823	2,327	623	1,651
Assets at fair value	5,883	2,912	424	1,914
Net assets (net liabilities)	60	585	-198	264

**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 11 million at 31 December 2025 and is included in the data for Denmark.

# 6. Liquidity risk

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## 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 Danske Bank 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 support customers through business cycles.

### 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 guidelines and limits set by the Board of Directors 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 makes up the first line of defence for liquidity risk and is responsible for the capital and funding planning process, manages overall liquidity and ensures compliance with limits.

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 oversees the framework for liquidity and funding risks at the group level, and it monitors and challenges the management of those risks. The Group All Risk Committee outlines operational standards for the risk framework in the Liquidity Instruction, in which the committee also sets further limits and thresholds to ensure awareness and timely action if the Group's liquidity position deteriorates. All members of the Executive Leadership Team, including the CRO, sit on the committee, and it is chaired by the CEO.

The Group Asset & Liability Committee 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 majority of the members of the Executive Leadership Team, including the CRO, sit on the committee, and it is chaired by the CFO. The Group Asset & Liability Committee has established a sub-committee (the Liquidity & Funding Committee) to oversee liquidity management at the group level, including the execution and oversight of the Group's liquidity and funding strategy.

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.<sup>1</sup>

### Liquidity management objectives and limit framework

The overall purpose of the Group's liquidity management is to have a prudent liquidity position to ensure that the Group is always in a position to meet its payment obligations. The following liquidity risk management objectives are pivotal:

Key element	Objectives
Distance to non-viability	A sufficient distance to non-viability should always be maintained: In 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 market stress. The volume and maturity profile of debt instruments must therefore be prudently managed.

With sufficient preparation for a crisis, the Group<sup>2</sup> is able to adapt effectively to market volatility, to preserve its long-term business model and to provide continued services to its customers, even during severe market conditions.

In the Group's Liquidity Policy, the Board of Directors has set limits for key metrics 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). Additional limits, thresholds and indicators are set by the Group All Risk Committee in the Liquidity Instruction to further ensure awareness and timely action.

The overall principles and standards set out in the Liquidity Policy and the Liquidity Instruction are further specified in other governance documents, including the Group's contingency funding plan, which is 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, the Group 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 funding programme is approved by the Board of Directors along with a limit.

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

<sup>2</sup> For liquidity management purposes, the term 'Group' (the Danske Bank Group) does not include Danica because it is not a credit institution. This means that Danica 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.

## 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-term 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 second line of defence, Group Risk Management, monitors compliance with internal limits.

The Board of Directors and senior management regularly receive reports that provide an overview of the Group's current liquidity risk profile and outline the drivers for changes in liquidity and funding. Furthermore, regular detailed reporting provides more granular information to the Liquidity & Funding Committee (a sub-committee of the Group Asset & Liability Committee).

#### 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 second line of defence, Group Risk Management, 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 Group's 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. The potential outflow related to an adverse market scenario on derivatives is calculated using the historical look-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 composition 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 has internal liquidity limits for 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 effects.

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.

# 7. Life insurance risk

35 7.1

Life insurance risk management

## 7.1 Life insurance risk management

The Danske Bank Group's life insurance risk consists of risks originating from its ownership of Danica. This includes pension-related market risk and insurance risk. In addition, Danica's operations are exposed to non-financial risks, and sustainability risks are considered an indirect driver of the primary risk types identified in the Group's risk taxonomy. 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's financial position. Earnings from Danica and their underlying volatility 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's equity capital.

Furthermore, Danica has a financial effect on the Group's capital through a capital deduction from the Group's CET1 capital. The deduction is driven by Danica's solvency capital requirement and basic own funds, which again are driven primarily by expected future profitability, 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's Board of Directors. Danica's risk management function monitors various risk types and limits on a daily basis. Items monitored include limits set by Danica's Board of Directors for its asset-liability management (ALM), solvency position and own funds loss exposure in a risk scenario defined by Danica's Board of Directors. The risk management function also follows up on investment limits, calculates key risk figures/ratios for ALM purposes and performs capital projections for Danica.

The head of Danica's risk management function reports to Danica's CEO and to the Group's head of Market and Liquidity Risk at Group Risk Management. Group Risk Management thus has oversight of Danica's life insurance risk.

For more information about Danica's risk management practices, see Danica's annual and interim reports as well as its annual report on solvency and financial conditions (available in Danish only).

# 8. Non-financial risk

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## 8.1 Non-financial risk management

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

Non-financial risk consists of five risk types in the Group's risk taxonomy as set out in the Group's Non-Financial Risk Policy: operational risk, information technology (IT) and security risk, data risk, financial crime risk and regulatory compliance risk. Risks related to artificial intelligence (AI) are integrated into the existing risk types in the taxonomy.

The Group's non-financial risk management is based on the three-lines-of-defence model. Business units and support functions constitute the first line of defence with day-to-day responsibility for all risks as outlined in the Group's Enterprise Risk Management Policy. Group Risk Management (Non-Financial Risk) and Group Compliance constitute the second line, and Group Internal Audit acts as the third line of defence.

The Group's Non-Financial Risk Policy is the overarching policy and defines the principles and responsibilities for managing non-financial risk, including risks related to AI, across the Group. This is supplemented by the Group's Compliance Policy and associated policies/instructions and standard operating procedures.

Identifying, assessing, mitigating and reporting on all five risk types in accordance with the Group's Non-Financial Risk Policy is key to the Group's non-financial risk management, and the implementation of the framework is linked to the process of maintaining a strong risk and compliance culture across the Group.

### 8.1.1 Risk governance and responsibilities

The Board of Directors is responsible for establishing a group-wide framework for managing non-financial risk. Non-financial risk policies are approved by the Board of Directors. The only exception is the Group's Model Risk Policy, which is approved by the Executive Leadership Team. The framework is supplemented with risk-specific policies, instructions and procedures to ensure implementation into day-to-day non-financial risk management practices across the Group. These are reviewed annually to ensure relevance and alignment with regulatory standards.

Compliance with the Group's non-financial risk policies and related governance documents is ensured through continuous oversight and monitoring by the Group All Risk Committee and its sub-committees and councils, including the Non-Financial Risk Committee, the Reputational Risk Committee and the Model Risk Committee. If required by the Group's policies, matters are escalated to the Group All Risk Committee and to the Conduct & Compliance Committee and the Risk Committee (the latter two are Board of Directors committees). Non-financial risks must be managed within the Group's risk tolerances and in line with a sound risk and compliance culture. The overarching non-financial risk tolerance threshold for loss exposure is set for net losses after recoveries for events that occur in the current calendar year. Where individual boundaries are set for non-financial risk types, these are outlined in the respective policies and instructions. Adherence to these tolerances is monitored and reported on in accordance with internal procedures.

### 8.1.2 Risk assessment and risk event management

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:



**Risk and control self-assessment:** The risk and control self-assessment procedures facilitate the assessment of risks associated with end-to-end critical and important 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.

**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 Policy.

**Risk event management:** Risk event awareness is a focus area across the Group, and effective event management 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 event management aims to ensure timely and appropriate handling of detected events to control the associated risks and impacts on the Group and its stakeholders and to prevent recurrence.

## New and amended product approval process governed by the NAPA instruction

The Board of Directors ensures governance for product approvals by delegating authority to product committees and product decision desks. Composed of representatives from both the first and second lines of defence, these bodies act on behalf of the Executive Leadership Team to approve new or amended products, reviews and closures on the basis of information provided by product managers.

### 8.1.3 Monitoring and reporting

The purpose of the Group's weekly/monthly/quarterly monitoring is to identify trends in risk performance data that may require further analysis, mitigation and/or managerial intervention. The Group's risk tolerance is expressed as tolerance limits that ensure timely intervention if exceeded.

In addition, reports on compliance-related risks are submitted quarterly to the Group All Risk Committee, the Conduct & Compliance Committee (a Board of Directors committee) and the Board of Directors.

Reports on the Group's non-financial risk loss events are submitted annually to the Danish FSA on the basis of the EBA standards for common reporting (COREP).

Results from risk assessments and stress tests are used as input for the Group's ICAAP.

## 8.2 Non-financial risk types

### 8.2.1 Operational risk management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, from people and systems or from 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).

### Business continuity risk management

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 such threats and continue the delivery of products and services supported by functions at acceptable predefined levels following a disruption. The Group's Business Continuity & Crisis Management Policy sets control requirements for business continuity risk.

### Third-party risk management

Third-party risk management is the process of identifying, analysing and controlling risks arising from engaging with third parties. Third-party arrangements are to be managed in accordance with the Group's Non-Financial Risk Policy and the underlying Third-Party Risk Management Instruction.

### Model risk management

Model risk is the 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 approved by the Executive Leadership Team. The policy sets out standards and principles for the identification, management and governance of model risk throughout the model life cycle.

The model owner has the primary responsibility for managing model risk and adhering to the principles of the Model Risk Policy. The Model Risk Management (MRM) function acts as the second line of defence within Group Risk Management and is responsible for developing and maintaining the Model Risk Policy and for overseeing all aspects of model risk, including independent model validation.

Key information is included in biannual reporting submitted to the Executive Leadership Team and to the Risk Committee (a Board of Directors committee) to ensure that all stakeholders are well informed and engaged in the model risk management process.

## 8.2.2 Information technology and security risk management

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

The requirements for managing IT and security risk are integrated into the Group's Non-Financial Risk Policy, IT Risk Management Policy and Security Policy. The objective of the IT Risk Management Policy is to set out the principles for managing IT and security risks, while the objective of the Security Policy is to set control requirements for managing such risks.

The Group's ability to respond to cyber risk events and major IT disruptions is assessed on a regular basis, and the Group also participates in the Danish FSA's annual cyber stress test. The management of cyber-related risk is covered within the Group's risk management framework.

## 8.2.3 Data risk management

Data risk is defined as the risk of loss due to untimely or flawed decision-making based on insufficient or inappropriate data. The Group's Non-Financial Risk Policy and Data Risk Management Policy are the tools used by the Board of Directors to regulate and delegate mandates for data risk management. The Non-Financial Risk Policy and the Data Risk Management Policy are owned by the Group's chief risk officer and approved by the Board of Directors.

Group functions and business units are primarily responsible for identifying and managing their data risks with the support of local data officers. The Data Management and Data Protection Programmes have each established a quarterly council, the Data Management Council and the Data Protection Council respectively, and both are chaired and governed by the Group's chief data officer. If required by Group policies, matters are escalated to the Group All Risk Committee and to the Risk Committee (a Board of Directors committee). In addition, both programmes deliver a quarterly update to the Group All Risk Committee. The chief risk officer receives monthly updates on the Group's risk profile, including data risk.

The Data Management Programme is key in the implementation of the principles of the Data Risk Management Policy introduced in June 2023, and data management remains a key focus area for the Group.

## 8.2.4 Financial crime risk management

Financial crime risk is defined as the risk of internal or external parties using the Group's infrastructure, products and services to move and conceal the proceeds of criminal conduct or to defraud, manipulate or circumvent established rules, laws and regulations, particularly in the areas of money laundering, terrorist financing, sanction violations as well as bribery and corruption, fraud and tax evasion/facilitation of tax evasion.

The Group's management of financial crime risk is governed by the Financial Crime Policy and its underlying instructions. These internal governance documents address financial crime risks and incorporate cross-risk measures such as financial crime data and technology management. They embed legal, regulatory and industry standards into the governance framework and enforce them across the Group.

### 8.2.4.1 Risk governance and responsibilities

The Board of Directors is accountable for overseeing the management of the Group's financial crime risks. It approves the Financial Crime Policy, which, along with its underlying instructions, defines the Group's risk strategy and risk tolerance in regard to financial crime risks.

The Executive Leadership Team manages day-to-day activities within the framework set by the Board of Directors, ensuring that systems, processes and controls are in place to manage financial crime risks and compliance obligations. The Executive Leadership Team acts on recommendations from the chief compliance officer (CCO) and ensures adherence to the Financial Crime Policy with support from Group Compliance.

The first line of defence manages financial crime risks related to its activities, ensuring compliance with the Group's financial crime risk framework and regulations. This includes implementing effective procedures and controls to mitigate risks.

As the second line of defence, Group Compliance oversees, advises on and challenges the first line of defence's management of financial crime risks to ensure adherence to requirements set out in internal governance documents and/or risk tolerances. Appointed by the Board of Directors, the CCO heads Group Compliance and reports to the CEO and has the authority to report directly to the Board of Directors when needed. The CCO may veto significant decisions and escalate them to the Board of Directors for approval.

### 8.2.4.2 Risk identification and assessment

Under the Group's three-lines-of-defence model, the first line of defence must maintain an effective control framework to identify, assess, monitor and manage financial crime risks in line with internal policies and regulations. This includes monitoring and reporting on their adherence with standards and documenting compliance with applicable laws.

Group Compliance oversees and advises on the suitability of methods and procedures to manage financial crime risks, tests control effectiveness and ensures that deficiencies are addressed.

Additionally, Group Compliance conducts annual financial crime group-wide risk assessments to evaluate inherent risks, assess control effectiveness and quantify residual risks. These assessments identify areas where residual risks exceed the tolerance level, thus supporting a risk-based approach and compliance activity planning.

#### 8.2.4.3 Monitoring and reporting

Group Compliance oversees the Group's management of financial crime risks and provides independent quarterly reporting to the Executive Leadership Team and the Board of Directors on the Group's financial crime compliance risk profile. Such reporting describes the implementation and effectiveness of the control environment and provides a summary of breaches, issues and risks as well as measures required to mitigate any impacts. It also outlines forthcoming risks.

In addition, the Group has processes in place to manage financial crime risks in alignment with the financial crime risk tolerances approved by the Board of Directors. The measures specify acceptable risk levels for achieving business targets and outline how these are set and monitored. Group Compliance provides quarterly reporting to the Executive Leadership Team and the Board of Directors on the financial crime risk tolerance measures.

#### 8.2.4.4 Effective and sustainable Financial Crime Programme [FC Programme]

In 2023, the Group completed its comprehensive multi-year transformation programme covering several aspects of financial crime risk – the Group Financial Crime Plan (GFCP) – to enhance its FC Programme following the Estonia matter. Maintaining a sustainable FC Programme continues to be one of the Group's strategic priorities. In 2024, the Group focused on ensuring that the controls implemented through the GFCP were fully embedded and operating effectively. The Group successfully completed the testing of the GFCP at the end of March 2025, and the test results underlined the effectiveness and sustainability of the GFCP to manage financial crime risks and ensure overall compliance, although areas requiring adjustment were also identified. All identified areas and residual risks are being addressed as part of the FC Programme's business-as-usual activities.

#### 8.2.4.5 Obligations to the US Department of Justice

In December 2022, Danske Bank entered into final coordinated resolutions with the US Department of Justice (the DoJ), 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 Danske Bank's former Estonia branch. The coordinated resolutions marked the end of the criminal and regulatory investigations into Danske Bank by Danish and US authorities. As part of the agreement with the DoJ, Danske Bank was placed on corporate probation for three years from 13 December 2022 until 13 December 2025, and Danske Bank committed to continue improving its compliance programmes. Danske Bank has taken extensive remediation action to address those failings to prevent any similar occurrences, and Danske Bank remains in contact with the DoJ as a matter of post-resolution obligations set forth in the agreement.

#### 8.2.5 Regulatory compliance risk management

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

##### 8.2.5.1 Risk governance and responsibilities

The Board of Directors is accountable for overseeing the management of the Group's compliance risks as set out in the Compliance Policy, which is approved by the Board of Directors. The Executive Leadership Team retains managerial responsibility for implementing appropriate systems, processes and controls to identify and manage compliance obligations and manage compliance risks, including associated reporting. Approved by the Board of Directors, the Group's tolerance statement sets regulatory compliance risk levels and is supported by underlying measures and reporting to ensure that risk-taking does not exceed the set level of tolerance.

Group Compliance is responsible for challenging the units in the first line of defence if decisions, actions or activities are not aligned with existing requirements in internal governance documents and/or risk tolerances. The CCO may veto any significant decision and demand escalation and/or final approval from the Board of Directors.

##### 8.2.5.2 Identification and assessment

Group Compliance designs and maintains methodologies for compliance risk assessment as well as appropriate tools to ensure effective assessment of regulatory compliance risk. Group Compliance performs independent regulatory compliance risk assessments using such methodologies and tools.

Regulatory compliance risk assessments are used to prioritise the focus of monitoring, testing, training and managing governance documents and advisory activities performed by Group Compliance. The assessment results are used for the purpose of informing the design, development, maintenance and implementation of the Group's control framework.

##### 8.2.5.3 Monitoring and reporting

In line with the principles of the Group's three-lines-of-defence model, the first line of defence consistently monitors and tests relevant processes, systems and controls to maintain an effective control framework for regulatory compliance risks.

Group Compliance undertakes independent monitoring and oversight and provides advice as to whether the Group's methods and procedures are suitable for identifying, managing and reducing the risk of non-compliance. Group Compliance is also responsible for testing whether the Group has sufficient and effective controls in place and that measures taken to address deficiencies are effective.

Group Compliance provides quarterly reporting to the Executive Leadership Team and the Board of Directors on the Group's regulatory compliance risk profile across all non-financial risk types in the Group's risk taxonomy.

#### 8.2.5.4 Treating customers fairly [TCF]

TCF risk is the risk of not treating customers fairly or failing to act with integrity by breaching financial services rules and regulations. TCF risk includes conduct risk and the risk that the Group's behaviour in providing financial services could compromise the delivery of good customer outcomes. Additionally, it covers the risk of failing to fulfil fiduciary duties during investment management on behalf of customers.

In alignment with Danske Bank's Forward '28 Strategy to become a simple, efficient and secure bank, conduct risk is now fully embedded within the TCF framework and is no longer a cross-taxonomy risk driver. The Group's risk management approach to conduct risk has been simplified by integrating this type of risk into existing governance documents and processes.

Group Compliance submits reports on TCF risk to senior management. This includes Group Compliance's reporting to the Executive Leadership Team, the Conduct & Compliance Committee (a Board of Directors committee), and the Board of Directors.

In 2025, the TCF framework was further enhanced to include requirements related to fiduciary risk, accessibility and dormant customers. Furthermore, Group Compliance developed additional guidance on MiFID requirements for customer categorisation and for suitability and appropriateness.

#### 8.2.5.5 Data protection and confidentiality

The Group's Personal Data Protection Policy sets the principles and standards for managing personal data protection and confidentiality risk across the Group's activities.

The policy is designed to facilitate compliance with relevant data protection laws, including article 8(1) of the Charter of Fundamental Rights and article 16(1) of the Treaty on the Functioning of the European Union, the General Data Protection Regulation (EU) 2016/679 (the GDPR), and national data protection laws.

The Group's privacy notices are public documents that explain how personal data is processed in line with GDPR requirements. They also cover the rights of data subjects, including, but not limited to, data access, automated decision-making, data erasure and data correction.

Data subjects can exercise their rights by sending an email to [GDPRinsight@danskebank.dk](mailto:GDPRinsight@danskebank.dk), by contacting their advisers or by sending a message in Danske eBanking or Danske Mobile Banking.

In the event of a data breach, the Group adheres to a protocol for managing such incidents. This involves documenting the incident in a specialised internal tool supported by a standard operating procedure. Additionally, predefined escalation channels are used to ensure a structured and effective response process.

The Group applies a streamlined approach to data privacy and has defined data protection and confidentiality risk as a risk type in its enterprise risk management framework. Furthermore, in addition to the data protection officer function, the Group has a specific centre of excellence for data protection embedded in Group Legal and Group Compliance.

The Group has a set of controls and technical and organisational measures for managing the risks to data subjects arising from the Group's data processing activities. These measures are aligned with the Security Policy and the IT Risk Management Policy. Data protection and intrusion countermeasures also take into account the nature, scope, context and purpose of personal data processing.

The Group uses customer personal data for the purposes for which such data is collected. The Group does not rent, sell or provide personal data to third parties. Further considerations are outlined in the Group's privacy notices, which are available on the Group's websites.

All the Group's employees (including temporary staff and consultants) are required to complete mandatory personal data protection and security training within two weeks of starting their employment with the Group and subsequently once a year. Additional training is available in the form of advanced eLearning for employees based on their individual roles.

#### 8.2.6 AI as a risk driver

AI is integrated as a risk driver into existing risk management frameworks. The methodology in the Group's Non-Financial Risk Policy and in supporting policies (such as the Model Risk Policy and the IT Risk Management Policy) therefore underpins the management of risks related to AI. Relevant policies and instructions incorporate appropriate considerations for AI-related risks, and an AI Instruction has been introduced. The Group has established a dedicated committee, the AI Committee, and continues to adjust processes to ensure effective oversight and risk management throughout the lifecycle of AI.

# Management declaration

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## Management declaration

As stated in article 435(1)(e) and (f) of CRR (EU) No 575/2013, 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, as set out in the Rules of Procedure of the Board of Directors, oversees the risk management arrangements of the Group and is supported in its oversight by information supplied by the independent control functions, auditors and, where relevant, external regulators. Such information provides the Board of Directors with a comprehensive understanding of the risk management arrangements in place and their performance and enables the Board of Directors to identify areas where improvements are necessary. On that basis, the Board of Directors is satisfied that the overall risk management arrangements are adequate 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 2025, the Group's solvency need ratio was 11.4%.

The target for the Group's CET1 capital ratio of above 16% was reaffirmed 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 2025, the Group's CET1 capital ratio was 17.3%.

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 (xVAs) 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 2025, the Group's liquidity coverage ratio was 155.9% and its net stable funding ratio was 120.5% – 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+/A1' (S&P Global/Fitch Ratings/Moody's Investors Service) at the end of December 2025.

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 include 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% of the share capital. The Group's other related parties comprise associates and key management staff 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 G33, G36, G37 and P27 of the Group's Annual report 2025 as well as the annual reports of the Group's individual undertakings.

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