Jyske Bank Group

Capital requirement

First quarter of 2017

To comply with Danish financial legislation, this report discloses the capital requirement of the Jyske Bank Group for the first quarter of 2017.

The report serves as a quarterly follow-up to the publication "Risk and Capital Management 2016" which was published along with the annual report of the Group in February 2017.

Capital requirement, 2017 1st quarter	Jyske Bank Group		Jyske Bank A/S	
DKKm/pct.				
	Capital requirement	**Pct. of REA**	**Capital requirement**	**Pct. of REA**
Credit risk	13,832	7.5%	10,217	7.8%
Market risk	2,581	1.4%	2,611	2.0%
Operational risk	1,754	1.0%	1,327	1.0%
Other	52	0.0%	52	0.0%
Capital requirement	**18,220**	**9.9%**	**14,208**	**10.8%**
Capital requirement + combined buffer requirement	**22,177**	**12.1%**	**17,056**	**13.0%**
Capital requirement incl. transitional provisions	18,583	10.1%	10,628	8.1%
Capital base	32,265	17.6%	32,604	24.8%
Capital buffer	10,088	5.5%	15.548	11.8%

The capital requirement makes up 9.9% of the risk exposure (REA).

To complete the capital requirement regulatory buffers must be added in a capital requirement of the Group of 12.1%. Given a capital ratio of 17.6%, the Group has a capital buffer of 5.5% at the end of first quarter of 2017.

The capital requirement expresses Jyske Bank's assessment of the capital requirement given the Group's risk profile. The capital requirement is based on normal pillar I risk (8% of REA) with capital additions for above normal risk (pillar II).

The capital requirement of the parent company (Jyske Bank A/S) is based on 8% of REA of the parent company. As a conservative assumption the pillar II risk capital additions of the parent company are assumed identical to those of the Group, as the parent is liable for all risk in the subsidiaries. However, a small technical correction is made to the credit risk. At the end of first quarter of 2017 the capital requirement of the parent is 10.8%.

Capital additions

In respect of credit risk, a precautionary buffer is added in connection with weak exposures. This buffer is calculated on the basis of an extra cautious assessment of elements forming part of the measurement of these exposures. Moreover, capital additions are made for concentration risk and for the uncertainty relating to the determination of maturities for corporate clients with poor credit quality. Precautionary additions are made to allow for uncertainty in the credit models.

To address the risk of an adverse development in the interest rate spread on Danish covered bonds a market risk capital addition is made on the basis of a stress scenario.

A capital addition is made to allow for additional expenses relating to the provision of unsecured capital market funding and money market funding from professional counterparties under a stress scenario.

The calculation of capital for operational risk is based on the REA value of operational risk with an addition for higher than normal risk. Capital additions are made for the uncertainty relating to the outcome of pending court cases.