

**MEMORANDUM**

Finanstilsynet  
(The Danish  
Financial  
Supervisory  
Authority)

11 February 2015

## **Report on inspection of Jyske Bank A/S (liquidity area)**

### **Introduction**

In November 2014, the Danish Financial Supervisory Authority (FSA) conducted an inspection at Jyske Bank A/S. The objective of the inspection was to assess liquidity and funding risks relating to the group's banking activities. In connection with the inspection, the FSA focused especially on the so-called 'joint funding' model between Jyske Bank and BRFkredit on the basis of which home loans issued by the bank are financed by the mortgage credit institution.

### **Summary and risk assessment**

Generally, the FSA found the bank's liquidity management to be sound and its funding structure to be well-diversified.

In connection with the inspection, the FSA examined the bank's liquidity policy, limits and business procedures in the liquidity and funding area as well as its contingency plan to be implemented in the event of inadequate liquidity or lack of liquidity.

In this connection, the FSA assessed that the bank's contingency plan for liquidity was not sufficiently detailed and exhaustive. The FSA ordered the bank to remedy this issue. Other policies and business procedures were assessed to be satisfactory.

In connection with the introduction of the LCR requirement of the bank's liquidity in autumn 2015, it will be necessary for the bank to make minor portfolio adjustments. In this connection, the FSA pointed out to the bank the importance of making such adjustments well in advance of the time when the requirement takes effect.

As at 30 September 2014, the Jyske Bank Group stated its solvency requirement at 10.7 per cent. At 30 September 2014, the actual solvency ratio was 16.7 per cent. The inspection did not give rise to any change in the FSA's assessment of the Group's solvency need.