

Risk and Capital Management

Jyske Bank 2008



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1. Introduction

The object of this risk management report is to give the reader insight into the Jyske Bank Group's risk and capital management procedures and the regulatory capital requirements.

First the report describes the Group's risk management organisation and approach to risk followed by a description of the risk and capital management procedures. The description introduces the risks to which the Group is exposed, dealing in detail with the following risks: credit risk, market risk, liquidity risk and operational risk.

As will be evident, the advanced internal ratings-based risk management approach and a strong capital base are essential to the Group, so risk management is an integral part of the Group's day-to-day management and its strategic decision-making.

Appendix 1 is a glossary with brief definitions of the main concepts used in the report. Appendix 2 sets out supplementary information and tables.

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2. The risk and capital management organisation at Jyske Bank

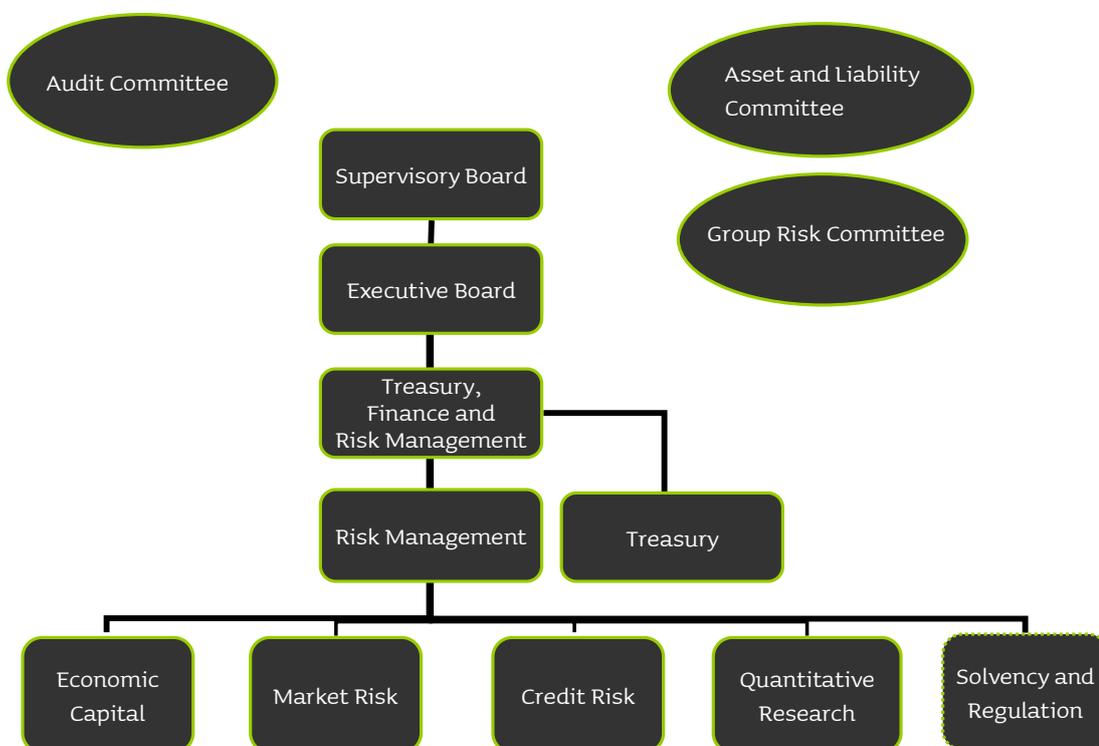
2.1. Overall responsibility

The Supervisory Board lays down and regularly reviews the overall policies, guidelines and principles for risk and capital management and regularly receives reports on exposure and the utilisation of allocated risk limits.

Treasury, Finance and Risk Management is in charge of overall financial and risk management as well as asset and liability management. The business unit consists of:

- functions responsible for the Group's own securities portfolio and asset and liability management (Treasury);
- functions responsible for Group financial management and for the implementation of adviser-oriented financial and risk management tools (Finance);
- functions whose task is to measure, monitor, analyse, model and report Group risk exposure and capital position (Risk Management).

Jyske Bank's risk management organisation



The functions which enter into transactions and assume risk are segregated from those which are in charge of overall risk management.

2.2. Risk management

The business unit Risk Management checks that the Group's exposure does not exceed the limits laid down by the Supervisory Board.

Risk Management also submits new risk management principles and policies to the Executive Board and the Supervisory Board for approval. Moreover, Risk Management is responsible for the implementation of these principles and policies with a view to improving both risk management and capital allocation.

Day-to-day management of Group credit risk is undertaken by account managers and the central credit department, whereas the overall monitoring of the Group's aggregate credit exposure is undertaken by Risk Management.

Treasury is responsible for the day-to-day management of Group market risk. Investments made by Treasury are in general based on macroeconomic principles and are thus of a long-term nature.

Treasury undertakes strategic liquidity management.

Heads of units are responsible for operational risk management in their own unit. The management of significant Group operational risks is monitored by Risk Management.

At quarterly meetings of the Group Risk Committee, subjects with relation to the following are discussed:

- regulatory requirements for capital-adequacy calculation;
- internal procedures for risk measurement and management;
- the Group's capital base, the solvency requirement, and capital and liquidity reserves (with attached contingency plans);
- allocation of risk capital to business units and risk types;
- material changes of the model set-up for risk management, and the annual re-estimate and validation of this setup.

Group market risk positions are assessed at monthly meetings of the Asset and Liability Committee. The Committee must ensure that the Group's actual market risk profile coincides with the intended market risk profile.

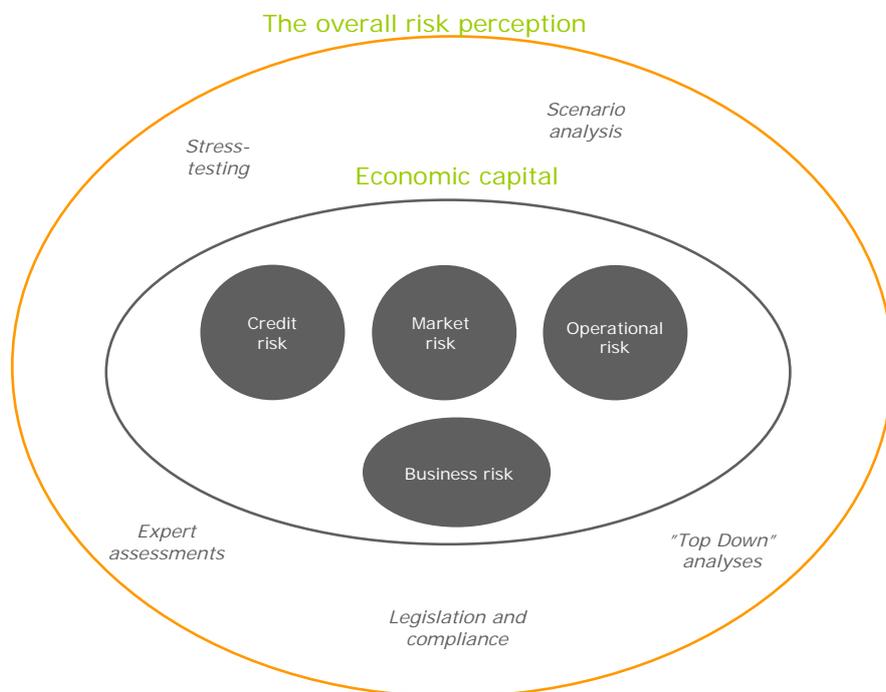
2.3. The business unit Risk Management

Risk Management's organisation is illustrated in the below chart.

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■ The Division's view on risk



The core element of the view on risk is the Group setup for economic capital, which is described in more detail later in the report. In general terms, economic capital expresses the maximum probable loss over a given period with a given probability. Economic capital is thus a VaR setup (over a 1-year horizon) for those risk types to which the Group wishes to apply quantitative modelling; that is, all main risk types.

However, the risks extend beyond the next twelve months, and there are elements which the VaR setup does not take into account. To get an overview of the Group's aggregate risk profile, the Group setup for economic capital is therefore supplemented with macroeconomic stress tests, partial sensitivity analyses, top-down analyses, expert assessments, etc.

Day-to-day operations and the overall picture of risk are subject to monitoring and reporting, and the underlying quantitative models are constantly reviewed, validated and improved.

The business unit thus consists of five functions

Credit Risk

Credit Risk is responsible for monitoring the Group's credit risk exposure of every kind. Monitoring involves

- credit reviews of the Group's domestic and international units and the Group's financial subsidiaries as well as reviews of data quality at the Group's domestic units and Jyske Finans;

- monitoring of Group credit risk and reporting to management and external interested parties (including the Danish Financial Supervisory Authority) of impairment charges/provisions;
- assignment of credit ratings made by experts and monitoring of credit ratings and the collateral values of specific asset types.

Market Risk

Market Risk is responsible for ensuring ongoing development of the Group's risk measurement and risk management tools in relation to market risk and counterparty risk. Market Risk monitors and reports on the utilisation of market risk limits at division and Group level.

Moreover, the department ascertains whether the Group's financial risk can safely be limited, either by quantification (applying fair risk calculation principles) or by the formulation of qualitative limitation possibilities.

Economic Capital

Economic Capital is responsible for the development and operation of, and reporting on, the Group's aggregate economic capital. This comprises

- the integration of all material risk types contained in the setup for economic capital;
- Jyske Bank's credit portfolio model with its attached pricing and risk tools;
- the operation and development of the Group's setup for operational risk.

Quantitative Research

Quantitative Research is responsible for developing, maintaining, re-estimating, and validating the quantitative models used for quantification and structuring the various risk types which make up the Group's overall risk.

The result of this work is evidenced in re-estimation and validation documentation which is sent to the Group Risk Committee.

Solvency and Regulation

Solvency and Regulation is responsible for supervising the above-mentioned validation and re-estimation processes and thus acts as a control unit in relation to the Group's AIRB setup under the Capital Requirement Directive.

In addition, the function is responsible for Group ICAAP. Against that background, the Treasury Division prepares solvency proposals for the Supervisory Board. Finally, the function is responsible for stress-testing and compliance with risk-related regulations - including the conceptual responsibility for the Group's setup for impairment charges, large commitments and regulatory capital.

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3. Capital management

The objective of capital management is to manage the Group's aggregate risk in relation to the capital available to the Group. The description below is based on the Group's overall capital management objectives and on the capital measurements used for the purpose.

In the following section about economic capital we describe the quantitative methods used to reach Jyske Bank's own assessment of the most important risks.

3.1. Capital management objective

Jyske Bank's capital management objective is a solvency ratio sufficient for the Group to continue its lending activities during a period of difficult business conditions. The available capital must be such that regulatory capital requirements are met during such a situation, and it must be possible to weather heavy unexpected losses. For that purpose, a higher capital reserve is held than required by law.

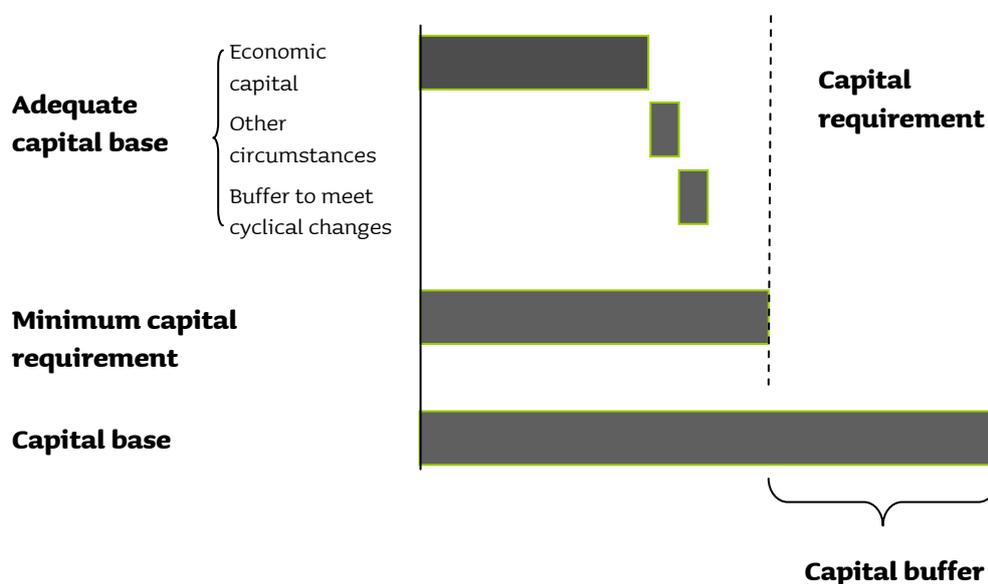
The Group's capital planning and capital management objective are adapted to the prevailing economic situation and to the legislation in force, under which share buy-back is prohibited and Danish banks are subject to a number of quantitative restrictions with regard to lending etc. The Group therefore focuses on the following objectives:

- maximum consolidation
- optimisation of risk-adjusted items with due regard to the business strategy, the risk targets of the Group and the economic situation

3.2. Capital management concepts

This section describes the concepts used in the calculation of Jyske Bank's capital. Basically, the Group's activities generate a requirement for capital. The requirement is determined partly by regulation, partly by the Group's capital objective. The requirement for capital and the capital available to the Group, i.e., the capital base, are balanced and matched in the capital planning of the Group. The chart below illustrates the most important capital concepts.

Capital concepts



The *capital base* reflects the capital available to the Group; it must at all times be higher than the adequate capital base and the minimum capital requirement.

The *minimum capital required* is the amount of capital that the Group must hold to maintain its banking licence. The calculation of the minimum capital requirement is based on regulatory formulas which prescribe how risk-adjusted assets must be calculated. The minimum capital requirement is 8% of the risk-adjusted assets.

The *adequate capital base* expresses the Group's own assessment of the capital requirement given the Group's risk profile. This calculation rests on three elements:

1. the first element is a model which calculates risk for a one-year horizon for the Group's most important risks;
2. the second element is an evaluation of other circumstances - such as the need for a precautionary buffer, and risks which the model for economic capital is deemed unable to quantify appropriately;
3. the third element is a buffer to meet cyclical changes, which should look at a wider horizon and at the effects on risk as well as earnings.

The capital concepts are described in more detail in the following sections.

In addition to the three capital concepts, *capital requirement* is often mentioned. The capital requirement is the bigger of the adequate capital base and the minimum capital requirement. Currently the minimum capital requirement is higher than the adequate capital base of the Group. The *capital buffer* is the difference between the capital requirement and the capital base. Finally, the *solvency need* describes the adequate capital base in per cent of risk-adjusted assets.

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3.3. Capital base

The capital base consists of core capital and supplementary capital. The size of the core capital depends, among other things, on the profit for the year, subordinated loan capital and the Group's dividend and share buy-back policies. The Group's solvency ratio is the capital base in per cent of risk-adjusted assets.

Capital base - DKKm

	2008 (CRD)	2007 (CRD)	2007 (CAD)
Share capital	540	560	560
Retained loss	9,864	8,826	8,826
Minority share holders	45	49	49
Intangible assets	-284	-291	-291
Deferred tax assets	-41	-25	-25
Core capital excluding hybrid core capital	10,124	9,119	9,119
Hybrid core capital	1,643	1,609	1,609
Diff. between expected loss and impairment charges	-121	-312	0
Deduction for investments above 10%	-27	-24	-24
Deduction for delivery risk	0	-22	-22
Core capital	11,619	10,370	10,682
Subordinated debt (excluding hybrid core capital)	1,639	1,640	1,640
Hybrid core capital		68	68
Revaluation reserves	279	272	272
Diff. between expected loss and impairment charges	-121	-312	0
Deduction for investments above 10%	-27	-24	-24
Deduction for delivery risk	0	-22	-22
Capital base	13,389	11,992	12,616

The consolidation basis for accounting objectives meets the provisions about consolidation laid down in S.12 of the Danish Financial Business Act. Fast transfer of capital resources or repayment of claims between the parent and its subsidiaries can be made, to the extent allowed by the solvency and liquidity situation of the subsidiaries.

3.4. Minimum capital requirement

The calculation of the minimum capital requirement rests on the risk types credit, market and operational risk. At Jyske Bank the minimum capital requirement to cover credit risk accounts for by far the greatest part, cf. the table below.

Minimum capital requirement for credit, market and operational risk

Minimum capital requirement	2008 (CRD)	2007 (CAD)
Credit risk	6,919	9,344
Market risk	722	1,259
Operational risk	803	0
Total	8,444	10,603

Jyske Bank has been approved for the advanced internal rating-based method. The approval includes the application of advanced methods for calculating the minimum capital requirement for the bulk of the Group's credit portfolio.

Minimum capital requirement by exposure category, credit (CRD) - DKKm

Exposure category	8% of risk-adjusted assets	
	31/12/2008	31/12/2007
Central governments	0	3
Institutions	343	310
Corporate customers	4,713	5,155
Retail, total	1,440	1,550
(1) Real property	425	0
(2) Qualified revolving	48	47
(3) Other retail	967	1,503
Equities	37	35
Securitisations	120	0
Assets without counterparties	266	253
Total	6,919	7,306

The comparatively big changes in the distribution of retail exposures on sub-categories is mainly due to a change in the distribution methodology in 2008, so the changes do not reflect actual shifts in the credit portfolio composition. Moreover, the increase under securitisation was solely caused by a re-classification of part of the Group's trading portfolio in 2008. The rise was thus not caused by new positions.

Credit exposure calculated according to the AIRB approach accounts for 67%, while 33% is calculated according to the standard approach, cf. the chart below. 70% of the exposure according to the standard approach refers to exposure to central governments and institutions.

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Exposure by approach - DKKm

Exposure category	31/12/2008				31/12/2007	
	Advanced IRB		Standard		Advanced IRB	Standard
	DKKm	%	DKKm	%	%	%
Central governments	0	0	14,756	20	0	30
Institutions	0	0	36,849	50	0	24
Corporate customers	89,499	59	14,501	19	58	32
Retail, total	56,012	37	8,310	11	40	14
(1) Real property	31,374	21	0	0		
(2) Qualified revolving	5,907	4	0	0		
(3) Other retail	18,731	12	8,310	11		
Equities	458	0	0	0	0	0
Securitisations	2,592	2	0	0	0	0
Assets without counterparties	3,330	2	0	0	2	0
Total	151,891	100	74,416	100	100	100

Note: Out of Real property (AIRB), retail exposure accounts for DKK 22,922m (73%) and small corporates for DKK 8,452m (27%), and out of Other retail (AIRB), retail exposure accounts for DKK 12,554m (67%) and small corporates for DKK 6,177m (33%).

The application of the advanced approach means that the capital calculation reflects to a higher degree than earlier the credit risk that applies specifically to Jyske Bank's credit portfolio. Switching to the AIRB approach caused a reduction of 29% in Jyske Bank's minimum capital requirement for credit risk by end-2008. Among other things, this is because by far the largest part of the Jyske Bank Group's credit exposure is to customers with high credit ratings, cf. the chart below. Moreover, Jyske Bank's credit portfolio has a high proportion of personal customers, and extensive collateral has been provided. Jyske Bank's credit portfolio is described in detail in the section about credit risk.

Exposure by credit ratings - DKKm

Rating class	31/12/2008			
	EAD	Undrawn	Average LGD %	Average RW
Corporate customers				
a) 1-5	47,330	16,251	42	0.30
b) 6-10	34,788	7,166	42	0.70
c) 11-14	5,230	680	35	0.94
Corporate customers, total	87,348	24,097		
Retail				
a) 1-5	42,609	3,357	33	0.13
b) 6-10	11,296	780	40	0.45
c) 11-14	1,350	65	40	0.99
Retail customers, total	55,255	4,202		
Total	142,603	28,299		

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31/12/2007				
Rating class	EAD	Undrawn	Average LGD %	Average RW
Corporate customers				
a) 1-5	49,117	9,018	48	0.40
b) 6-10	28,651	3,831	51	0.83
c) 11-14	3,245	339	54	1.48
Corporate customers, total	81,013	13,188		
Retail				
a) 1-5	44,354	6,880	36	0.14
b) 6-10	10,584	1,354	44	0.44
c) 11-14	1,125	122	46	0.79
Retail customers, total	56,063	8,356		
Total	137,076	21,544		

Note: the creditworthiness of Jyske Bank's customers is rated on a scale from 1 to 14.

For additional exposure statements we refer to Appendix 2.

Plans have been agreed with the Danish Financial Supervisory Authority about the gradual implementation of the AIRB approach for the credit portfolio of the subsidiary Jyske Finans, which accounts for 5.1% (EAD) of the Jyske Bank Group's exposure.

Market risk is calculated according to the standard approach for calculating the minimum capital requirement and operational risk according to the standard indicator approach. Additional internal advanced methods have been prepared for the calculation of both of these risk types. These methods are used, inter alia, for calculating the adequate capital base.

3.5. Adequate capital base

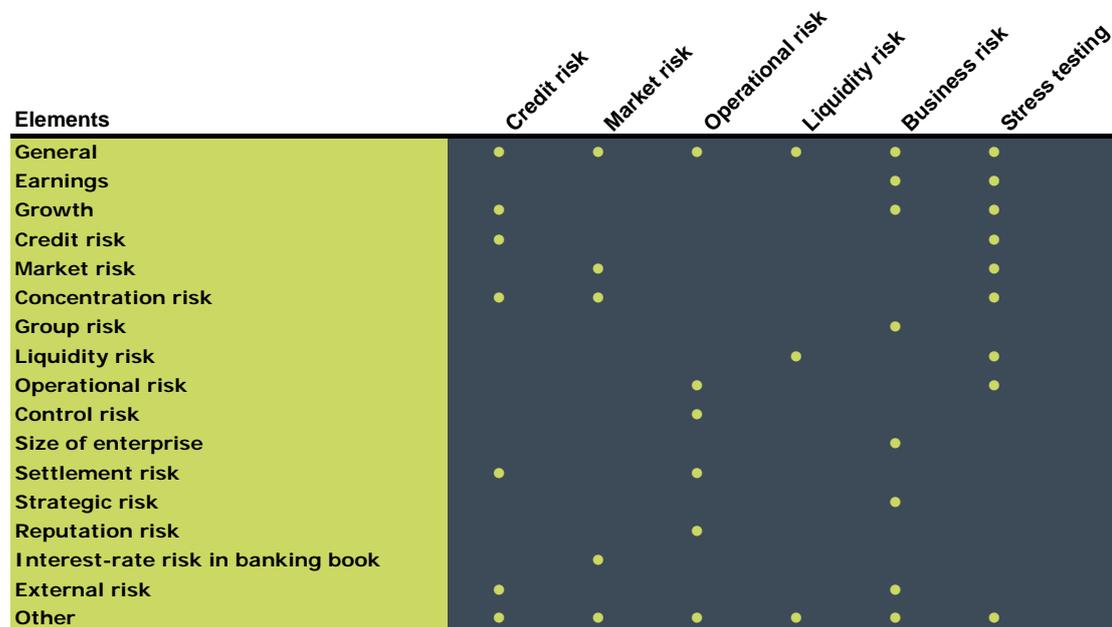
Because of the new Capital Requirement Directive (CRD), Jyske Bank has initiated an Internal Capital Adequacy Assessment Process (ICAAP) which rests on and challenges existing risk valuations, measurements and assessments. The objective is to determine Jyske Bank's adequate capital base. This means that all material risks must be considered, including risks beyond the one-year horizon used for determining economic capital, and stress scenarios for the economic development should also be considered.

Under current regulation, Group exposure must be assessed in relation to seventeen risk types. The mapping between those seventeen risk types and the five risk types which Jyske Bank uses is illustrated in the chart below.

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Chart of risk types



Every year an exhaustive assessment of the seventeen risk types is made with the object of determining Jyske Bank's adequate capital base. The results are summarised in an ICAAP report. Re-assessment is made at least every quarter.

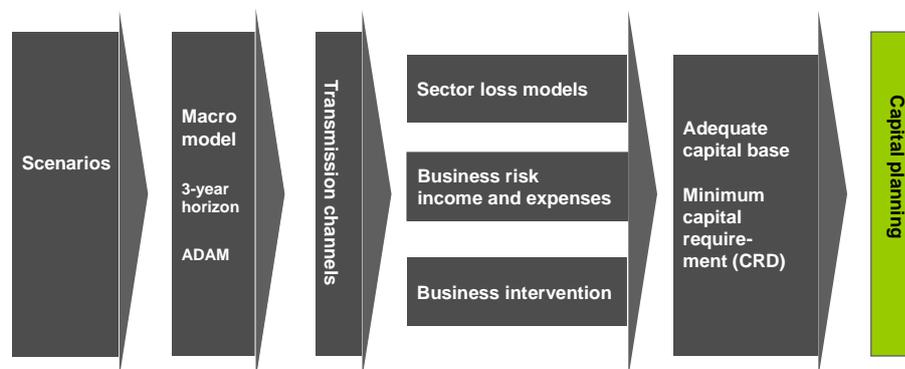
The use of the economic capital model and the need for an additional buffer for changes in the business cycle are described below.

3.6. Stress-testing and the need for an additional buffer for business-cycle changes

Jyske Bank uses stress-testing in a number of respects: stress-tests which can be characterised as analyses of the impact on the risk calculation of various parameters as well as extensive scenario-based stress-tests of, e.g., the impact of changes in the business cycle. Exactly scenario-based stress-testing forms the basis for determining whether an additional buffer in addition to the adequate capital base is necessary. Stress-testing is also used intensively in capital planning analyses.

The processes involved in scenario-based stress-testing are illustrated in the chart below. Projections of economic indicators are made on the basis of the macroeconomic model ADAM (Statistics Denmark). Moreover, Jyske Bank has developed a number of models which translate developments in macroeconomic indicators into consequences for loss, earnings and balance-sheet items.

Model for scenario-based stress-testing



The stress-test analyses rest on a number of relevant macroeconomic scenarios which often reflect recession-like conditions for the Danish economy. The choice of recession themes rests on an assessment of the areas deemed to be most at risk and the circumstances which are of the highest importance for the Group's exposure to risk at the time.

The stress-test scenarios have been divided into two types:

1. recession scenarios used for an evaluation of whether a buffer over and above the adequate capital base to offset cyclical changes is required;
2. deep-recession scenarios are used for determining the Group's capital target for the short and long term.

Scenarios applied by Jyske Bank

	2009 - 2011	Purpose
Recession	Stagnating demand at home and abroad and falling asset values	Additional buffer over and above the adequate capital base to offset the effect of cyclical changes
Deep recession	The same as above with more deeply negative projections for the Danish economy. Such an adverse scenario is estimated to exist once in 25 years	Capital planning analyses

The objective of the stress-test analyses is to determine whether the risk level in a recession can be covered by capital, given the Group's earnings, capital policy and objective as well as its risk targets. It is therefore crucial to determine the circumstances for which the Group wishes to hold capital. For this purpose, regulation requires the application of stress-testing for a mild recession scenario as a minimum.

The regulatory recession scenario is defined at Jyske Bank as a year of zero GDP growth within a projection horizon of four years.

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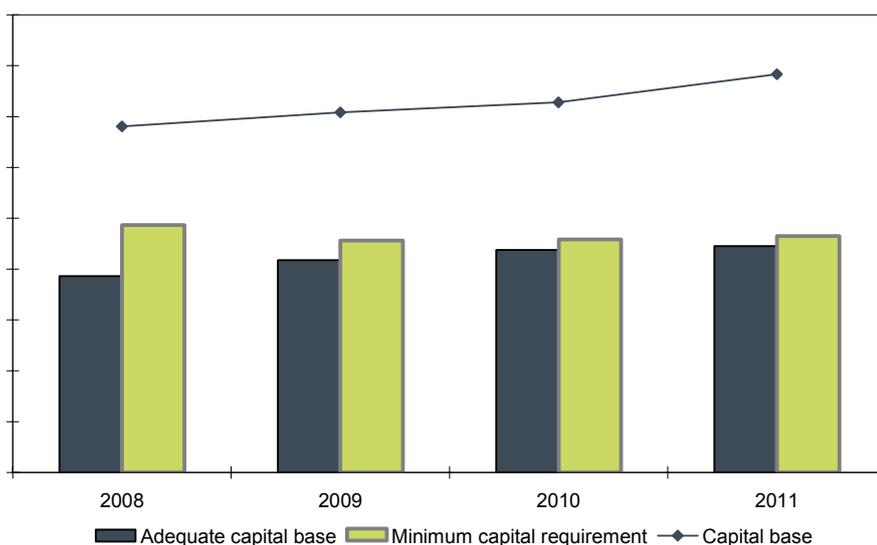
Real GDP growth



The stress-test scenarios typically reveal a need for higher economic capital as a natural consequence of the expected credit quality deterioration in a stress situation. Moreover, earnings in the scenarios must be expected to fall resulting in poorer consolidation capability for the Group.

The chart below illustrates the economic capital, the minimum capital requirement and the capital base (assuming that expected profits are consolidated in full) in a stress scenario. It will be evident that the projected capital base of all the years is considerably higher than the economic capital.

Minimum capital requirement, adequate capital base, and capital base



Note: *) inclusive of interim rules for the Capital Requirement Directive

As described earlier, the adequate capital base reflects Jyske Bank's own assessment of the minimum capital required for the Group to continue in business at the current activity level, in view of one-year horizons and the stress scenarios.

The adequate capital base is thus determined on the basis of the Group's economic capital (inclusive of additional amounts for other risks and a precautionary buffer). Whether this capital level is adequate, is tested by considering the consequences for the Group of a recession scenario. If the economic capital plus a buffer is a sufficient capital level, the Group must not become insolvent at this capital level within the analysis horizon of four years. Such an analysis must therefore address the consequences for earnings as well as the economic capital within the analysis horizon.

The chart below illustrates such an analysis.

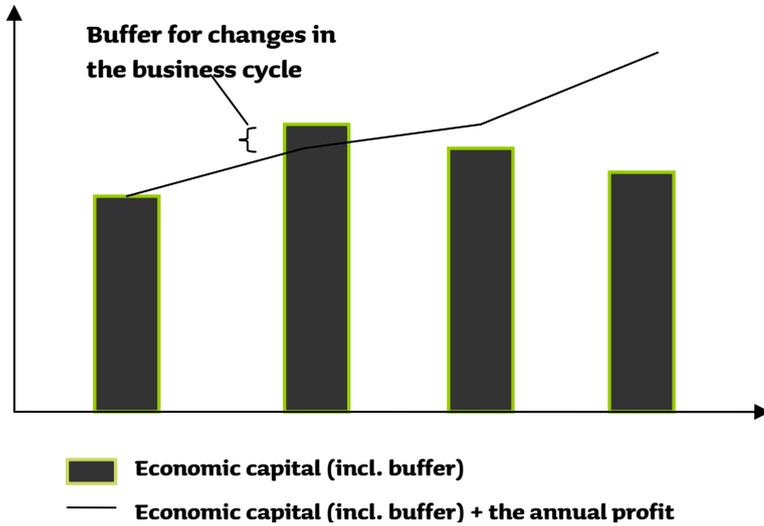
The capital base (which for the first year amounts to economic capital plus buffers) is projected by adding the profit for the year under the recession scenario. This is illustrated by the line. Then the economic capital is projected under the recession scenario (illustrated by the columns).

Should the economic capital plus a precautionary buffer, if any, at any time within the analysis horizon exceed the projected capital base, it is necessary to add a buffer for changes in the business cycle to the adequate capital base. This is the case in the chart below, where the capital base during the period 2009-2010 drops below the projected economic capital during a recession scenario.

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■ Buffer to meet changes in the business cycle



Note: exclusive of buffer for changes in the business cycle

The final assessment of adequate core capital is consequently:

Adequate capital base = economic capital + precautionary buffer + buffer for cyclical changes

4. Economic Capital

As described earlier, economic capital is the core element in the management of the Group's risk and capital structure and is a central element of day-to-day risk management

Economic capital is the minimum capital required to support the level of risk assumed by the Group at a 12-month horizon. For the Group, economic capital covers 99.97% of unexpected losses over a 12-month horizon, corresponding to the level of AA-rated banks.

One of the benefits of economic capital is the fact that it comes up with an aggregate figure for all risk types, products and business units, which takes into consideration correlation effects at various levels. It thus produces one unified risk figure expressed in a single unit of value.

Since 2002 when economic capital and RAROC principles were introduced in the Group, we have made amendments to address the changed risk circumstances and know-how in that respect. The main point is that the capital reflects the Group's risk for the next year.

4.1. The overall risk position of the Group

The Group pursues the objective that the economic capital must accommodate all material risks. The risk picture of the Group is therefore assessed continuously, and it is considered whether additional risks should be quantified in the economic capital. Moreover, all risks expressed in the capital are tested and validated to ensure that risk is at all times reflected accurately.

Economic capital includes advanced quantification of the four main risk types which the Group is exposed to: credit risk, market risk, operational risk and business risk. Each main type comprises various other risk types. Credit risk includes concentration risk, migration risk as well as counterparty risk, and market risk covers interest-rate, currency, commodity and equity risk. Under operational risk, the Group's image and control risks are dealt with.

Diversification is taken into account within individual risk types and between risk types. However, the calculation of the Group's adequate capital base does not yet take into account diversification between risk types.

4.2. Risk management and capital management

RAROC is the Group's principal performance measurement tool. It is also a management tool for calculating the risk-adjusted return on capital, economic capital being used as a measure of risk.

The Group now uses RAROC-based methodology at all levels, from profitability assessment of single transactions to profitability assessment at customer, branch, division, business unit and Group level.

4.2.1. Reporting

Economic capital is allocated to the Group's various divisions and business units with due respect for the overall management of Group activities.

RAROC statements give a strategic overview of the risk and profitability involved in the Group's various activities. Developments in the general credit quality of the portfolio, concentration risk, collateral values etc. are examined carefully in this regard.

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Economic capital and RAROC at division and business unit level are calculated quarterly and reported to the Group Risk Committee and to the managements of business units which determine activities for follow-up and any initiatives to reduce risk. If Group risk changes materially, this is reported immediately to the Executive Board or the Group Risk Committee.

4.2.2. Customer profitability

RAROC is also applied at customer and product level to measure profit, to assess profitability as well as for pricing new loans. It is therefore essential that the Group is able to calculate economic capital at customer and facility level.

RAROC calculations and the facilities for price fixing are made available in a customer profitability system where relevant employees and managers have access to current risk-adjusted profitability calculations at various levels.

The profitability system takes into account the composition of the Group's credit portfolio, which means that concentration effects and diversification effects are reflected direct in the profitability calculations of new loans. If the Group grants loans to customers in sectors and countries which are already strongly represented in the Group's credit portfolio, a higher economic capital and therefore lower profitability will, other things being equal, be assigned.

Moreover, the system incorporates fixed and variable costs as well as funding costs. The funding costs depend, among other things, on the term of the loan.

4.3. Development in economic capital

Group economic capital at end-2008 was calculated at DKK 6.8bn against DKK 6.2bn at the end -2007, up by 10%. The capital consisted of 74% for credit risk, 13% for market risk, 4% for operational risk and 9% for business risk.

Economic capital (diversified) by risk type - DKKm

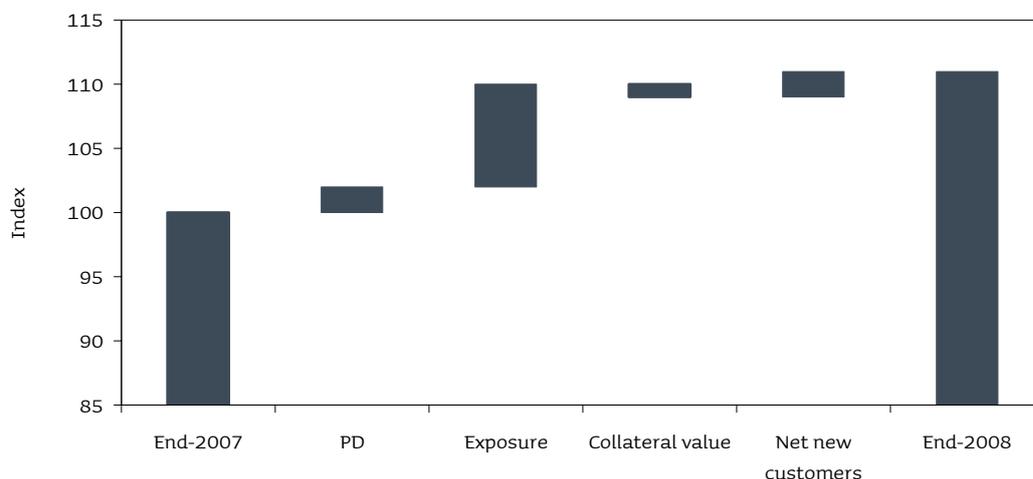
Risk type	2008		2007		2006	
	DKKm	%	DKKm	%	DKKm	%
Credit risk	4,988	74	4,502	73	4,375	76
Market risk	891	13	771	13	639	11
Operational risk	288	4	340	6	302	5
Business risk	589	9	540	8	470	8
Total	6,756	100	6,153	100	5,788	100

The increase in the economic capital was mainly caused by higher credit and market risks, primarily due to the financial turbulence which prevailed during the second half of 2008.

The financial turbulence has affected credit risk in three respects. First, the general credit quality has deteriorated (rising PD), secondly the value of collateral has fallen - particularly the collateral value of financial instruments - and finally the credit exposure (measured by EAD) has risen, mainly because of rising counterparty risk and the calculated exposure to loan commitments. Moreover, the development of the economic credit capital for credit risk was affected by the fact that Jyske Bank implemented a new advanced model setup in the fourth quarter, for the purpose of determining the value of guarantees. Guarantees are now recognised as collateral and their collateral value is determined under consideration of the merits of each guarantee and the relevant guarantor's

circumstances. The effect of this has offset the fall in the value of other collateral types. Therefore the aggregate value of the Group's collateral rose slightly in 2008.

■ Development in economic capital, credit exposure



Note: index 100: economic credit capital, end-2007

The market risk capital rose by 16% in 2008 as a result of the strong increase in market volatility. For equity and currency risk the risk level has been lowered, while the risk level for interest rates remained moderate.

Group operational risk fell in the course of 2008. However, the fall masks changes in the model basis which, in isolation, caused a reduction in the economic capital. Moreover, the capital fell thanks to improved controls and bought insurance cover. In certain areas, operational risk rose because of market developments and stricter rules about the provision of advisory service.

4.4. Modelling of risk types in relation to economic capital

The various risks covered by economic capital make very different demands on portfolio risk modelling. The system which makes the calculations therefore features various models specifically designed to reflect the characteristics of individual risk types.

The Group's credit portfolio model is handled by means of "Moody's KMV's Portfolio Manager" which is fully integrated in the Group. For market risk a parametric VaR setup is used which, together with operational risk and business risk, is based on internally-developed models.

The various models are described below and under the individual risk sections later in this report.

4.4.1. Credit Risk

To support the objective of managing Group credit risk at portfolio level, Jyske Bank uses an advanced credit portfolio model across all business units and customer segments.

The model is based on a Merton setup with customer credit quality measured as the ratio between the value of a customer's assets and liabilities, relative to asset value volatility. 'Default' occurs if the value of assets is lower than the value of the liabilities.

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The model quantifies capital for default risk as well as for the risk of loss of value due to deteriorating customer credit quality. The latter risk is called migration risk and expresses the probable migration of customer credit quality until maturity. Such a model setup is typically referred to as 'mark-to-market-based'. Models which exclusively quantify default risk are termed 'default-only'.

All the credit exposure of the Group is included straight into the model's calculation, including guarantees, bonds and derivatives. For derivatives whose future credit exposure is stochastic, a set-up for determining the expected positive exposure (EPE) is used.

In its calculations, the portfolio model takes into account the specific characteristics of individual customers and exposures. The basic elements in that respect are PD, LGD, EAD, maturity, expected cash flow profiles and uncertainty about loss in case of default. The correlation between the customers in the portfolio is modelled by means of a factor model using information about customers' activities in countries and sectors as well as sensitivity to general systematic risk.

The loss distribution is addressed by 'Monte Carlo simulation'.

Based on the simulated loss distribution, economic capital is determined and allocated to each facility of the portfolio.

4.4.2. Market Risk

The Group uses Value at Risk to quantify risk on its market risk positions.

Value at Risk expresses the maximum loss that the Group is likely to suffer over a given period at a certain level of probability. For the economic capital a horizon of one year and a probability of 99.97% are used.

The model is parametric and is based on an enhanced Risk Metrics setup. All positions are translated into a number of risk factors for equity, interest-rate and currency risk, and volatilities and correlations for those risk factors are calculated daily. The VaR approach is specially modified to reflect the embedded prepayment risk of Danish mortgage bonds.

4.4.3. Operational risk

Operational risk is monitored and managed and capital provided for it on the basis of a scenario approach with focus on large exposures of material importance to the Group.

The portfolio model uses Monte Carlo simulation which, in the calculations, uses data from the scenario analyses in the form of assessments of the severity and frequency of loss for each risk scenario. The model is based on the assumption of independent risk scenarios ensured in the scenario definitions.

The model calculates the amount of economic capital to be held for each risk scenario. Capital is allocated to the business units according to an internally-developed allocation model.

4.4.4. Business risk

Jyske Bank calculates economic capital in connection with business risk on the basis of an internally-developed model.

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Risk materialises as an unexpected loss of earnings. Losses may be caused by various events, for instance new legislation and keener competition which damages business or causes the business foundation to dwindle or disappear.

Economic capital is calculated on the basis of a mapping of Group activities against benchmark companies whose activities extend only to business risk. Assuming that the capital held by those benchmark units reflects the risk assumed by the units, the corresponding economic capital for business risk is calculated for the Group.

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5. Credit Risk

Credit risk is the risk of loss arising from customers' or counter-parties' failure to meet their payment obligations towards the Group.

Credit risk is managed on the basis of the Group's credit risk models which include PD, LGD and EAD modelling. The models are used intensively for various purposes, e.g. in connection with advisory service provided to customers, and in management reporting. This will be described in more detail below.

5.1. Credit policy

Credit risk is managed through Jyske Bank's credit policy whose objective is to keep Group losses at an acceptable level in relation to the capital base and business volume of the Group, given the general trend in the Danish economy. Customer transactions with the Group must generate a satisfactory long-term return according to RAROC principles.

Specific credit policies have been formulated for all areas in which the Group assumes credit risk, and credit risk levels and undesirable types of business have been identified. The central element in the assessment of the creditworthiness of corporate customers is their ability to service debt out of cash flow from operations in combination with their financial strength. For personal customers, factors such as net income, expenses and assets are important. The policies are regularly adjusted to meet current requirements and adapted to the management tools available to account managers and the monitoring functions.

Group commitments by size, sector and geographical area are constantly monitored and analysed with a view to reducing the risk associated with specific high-risk sectors and geographical areas.

5.2. Credit organisation

Jyske Bank attaches great importance to its decentralised credit-granting process. Lending limits have been delegated to account managers so that the majority of decisions are made decentrally. Limits are delegated to account managers individually on the basis of perceived competence and requirement. Decisions about commitments exceeding the limits granted to account managers are made centrally.

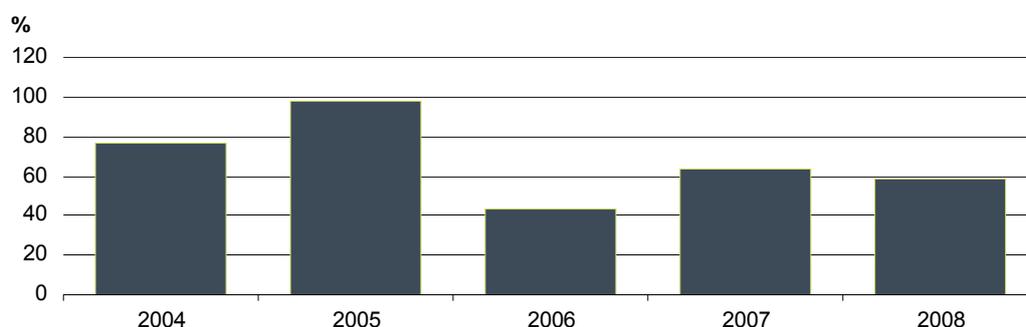
Group credit quality in terms of overall risk, single commitment risk and satisfactory risk diversification is monitored on the basis of quantitative models as well as on the credit quality of each department and on the basis of a review of selected large commitments. Moreover, risk monitoring includes qualitative as well as quantitative control of data used in risk and RAROC calculations.

5.3. Large exposures

Large commitments are monitored currently in accordance with S.145 of the Danish Financial Business Act. They may not exceed 22% of the Group's capital base (the regulatory maximum is 25%).

Commitments larger than 10% of Group capital base are monitored currently. Under the Act, the sum of commitments which individually exceed 10% of the Group's capital base may not exceed 800% of the capital base. Currently the ratio is 58.9 (63.7 at end-2007), and the development bears out the Group's desire to reduce the number of large exposures. The Group has five exposures which exceed 10% of the capital base.

Exposures in excess of 10% of the capital base



5.4. The credit-rating process

Credit procedures are adjusted to match the level of risk on individual commitments. Two central elements in the credit-granting procedure are PD and credit rating.

PD reflects the probability of a customer defaulting in the course of the next twelve months. 'Default' occurs when the obligor is considered unlikely to pay his obligations. By far the most customers are awarded a PD on the basis of statistical credit scoring models developed internally in the Group.

Very large enterprises and enterprises within special sectors are, however, awarded a PD on the basis of an assessment by an independent expert. Examples are real property companies, financing companies, financial institutions and central governments. In those cases external ratings, if available, will be taken into account in the internal credit rating of the customer. Jyske Bank has therefore developed its own mapping between external ratings and the Group's own ratings, which takes into account differences in risk methodologies and definitions.

Many factors are relevant for the calculation of a customer's PD. Specific factors are considered, but we also take into account economic factors external to the customer. The calculation of PD therefore takes into account financial data, changes in transaction data, management and market circumstances, industrial assessments, etc. Also included are specific warning signs in relation to the credit of the customer, his payment profile and history.

In order to reach the best possible overview of customer credit quality, PD is mapped into internal credit ratings. Jyske Bank's credit ratings are on a scale from 1 to 14, 1 being the highest credit quality (the lowest PD) and 14 the lowest credit quality (the highest PD). The scale is constant over time so that customers migrate up or down depending on their current PD. PD is calibrated to the long-term level of default rates measured back to the mid-eighties when the latest major recession began.

If the credit rating calculated by the model is considered to be inadequate, independent credit experts may review the credit rating at the request of the relevant account manager.

5.5. Credit exposure

Credit exposures are quantified by means of EAD. EAD reflects the exposure at default, should the customer default in the course of the next twelve months. A customer's EAD depends on customer-

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specific factors and the specific products held by the customer. For most product types, EAD is calculated on the basis of statistical models, but a few product types are based on expert models.

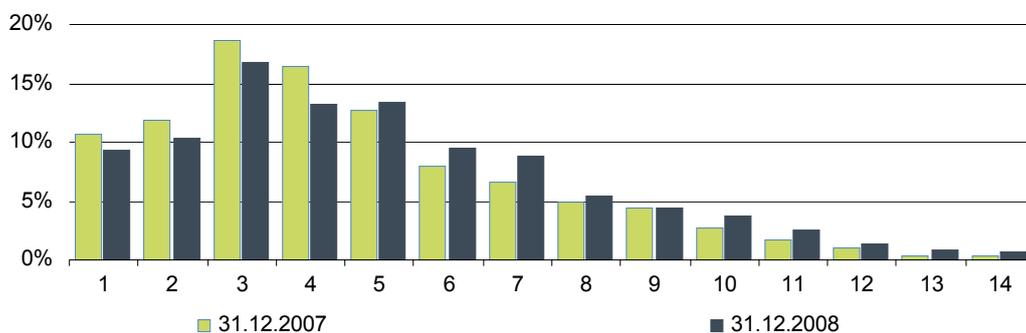
For loans and advances, the only element of uncertainty is the time until possible default. Uncertainty is higher, however, for credit facilities under which the customer may draw up to a maximum. In those cases the amount drawn by the customer at the time of loss is estimated. This can be modelled by customer-specific factors and the circumstances of the commitment and the outstanding balance.

Guarantees and credit commitments are special products in that a certain event must take place before the product is utilised. It is therefore material to assess the probability of the product being utilised and the extent to which it is likely to be utilised within the next twelve months. In this regard, the EAD parameters are based mainly on expert assessments. The Group's customers have experienced very few default events over time, so the record is too meagre for statistical modelling.

For derivatives, EAD is calculated according to the EPE method. Please read about this under counterparty risk.

Below is shown Jyske Bank's credit exposure measured as EAD broken down on a number of characteristics.

Exposure by credit rating



Note: exposure is stated as the expected exposure at default (EAD). The chart is for Jyske Bank and is exclusive of exposures with banks and central governments whose rating is typically 1 or 2. EAD for defaulted customers classified by Jyske Bank as representing high or full risk is not distributed on the 14 rating classes. Exposure to those customers accounts for 1.8% of Jyske Bank's aggregate exposure. The unrated part of the exposure (not shown) at Jyske Bank accounts for 4.0%.

Average exposure by categories of exposures - DKKm

Exposure category	31/12/2008	31/12/2007
Central governments	14,584	24,164
Institutions	26,581	19,320
Corporate customers	114,575	108,241
Retail, total	66,678	67,881
(1) Real property	31,914	
(2) Qualified revolving	5,914	
(3) Other retail	28,850	
Equities	420	438
Securitisations	648	0
Assets without counterparties	3,267	3,163
Total	226,753	223,207

Note: average exposure is calculated on the basis of quarterly observations made in 2008. Exposure for 2007 is stated at end-2007 since no historical data were gathered for 2007.

Lending growth slowed throughout 2008 and was negative in the fourth quarter. The development was most pronounced for the two major exposure categories, corporate and retail exposure.

Exposure by residual maturity - DKKm

Exposure category	31/12/2008			Total
	< 1 yr	1-5 yrs	> 5 yrs	
Central governments	14,263	471	22	14,756
Institutions	32,805	3,590	454	36,849
Corporate customers	80,376	16,111	7,512	103,999
Retail, total	24,532	14,768	25,023	64,323
Equities	0	0	458	458
Securitisations	0	230	2,362	2,592
Assets without counterparties	0	0	3,330	3,330
Total at 31 December 2008	151,976	35,170	39,161	226,307
Total at 31 December 2007	145,216	40,546	37,445	223,207

The proportion of loans and advances with more than one year to maturity was reduced over 2008, and at end-2008 it was 33.0% which compares with 34.9% at end-2007. Residual maturities were reduced, particularly for exposure to institutions and corporate customers.

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Exposure by sector - DKKm

	31/12/2008					
	Central governments	Institutions	Corporate customers	Equities	Assets without counterparties	Securitisations
Central governments	12,870	0	0	0	0	0
Public authorities	1,776	0	1,012	0	0	0
Banks	40	36,742	1	0	0	37
Agriculture, forestry, etc	0	0	6,680	0	0	0
Fishing industry	0	0	1,515	0	0	0
Manufacturing and mining, etc.	12	0	16,414	0	0	0
Construction	0	0	3,487	0	0	0
Commerce and hotel	0	0	11,129	0	0	0
Transport	0	0	3,765	0	0	0
Finance and insurance	0	104	26,079	0	0	2,511
Property admin. and service	7	3	29,112	0	0	22
Other sectors	51	0	4,805	458	3,330	22
Total at 31 December 2008	14,756	36,849	103,999	458	3,330	2,592
Total at 31 December 2007	24,164	19,320	108,241	438	3,162	0

Exposure by sector (retail) - DKKm

	31/12/2008		
	Real property	Qualified revolving	Other
Central governments	0	0	0
Public authorities	0	0	0
Banks	0	0	0
Agriculture, forestry, etc	3,161	1	2,243
Fishing industry	17	0	51
Manufacturing and mining, etc.	191	0	509
Construction	209	0	394
Commerce and hotel	702	0	932
Transport	113	0	619
Finance and insurance	0	0	84
Property admin. and service	235	0	436
Other sectors	198	0	354
Private customers	26,548	5,906	21,419
Total at 31 December 2008	31,374	5,907	27,041
Total at 31 December 2007	19,609	5,746	42,526

The sector breakdown of the portfolio has been largely unchanged for the past twelve months. There have been minor shifts: among other things, the exposure to the sectors "Finance and insurance" and "Property admin. and service" was marginally reduced.

In Appendix 2, supplementary tables show credit risk broken down in various respects - including geographical breakdown. The appendix also shows the Group's exposure to specialised lending.

5.6. Counterparty risk

Counterparty risk is the risk of loss due to a counterparty failing to fulfil his obligations. Counterparty risk is generated when the Group trades derivatives with customers.

The Group's policy for managing counterparty risk distinguishes between small and large counterparties. The latter group includes financial institutions. The basic principles for measuring risk for these customer types are identical, yet the management of large counterparty risk has been extended with additional management parameters.

5.6.1. Principles of measurement and credit granting

The Group's counterparty risk is measured for the risk types interest-rate, equity, currency and commodity risk. The principles for these are described in the section about market risk.

In its management and monitoring of large counterparty exposures, the Group also calculates settlement risk. This risk arises in connection with settlement of derivatives transactions when one party performs under a contract whereas the other party fails to perform. To reduce settlement risk, all transactions will as far as possible take place through CLS (Continuous Linked Settlement), some form of clearing centre, or via individual netting agreements.

Jyske Bank calculates its daily exposure to individual counterparties within the Group's counterparty management systems, and these exposures are included in risk management in line with other credit exposures. Counterparties are granted lines after risk assessment of the individual counterparty; the current utilisation is calculated from the customer's exposure to individual risks. The lines awarded are reviewed at least once a year or in case of a change in the creditworthiness of the respective counterparty.

5.6.2. Contractual basis

For its lines for transactions involving derivatives, the Group endeavours to reduce risk by means of

- ISDA or other agreement which gives the Group the right of netting market values of derivatives trades
- CSA or other agreement which entitles the Group to additional security, should the negative market value of the counterparty (debt to Jyske Bank) exceed an agreed maximum
- CLS, in which case settlement risk is eliminated, clearing being effected through a third party which guarantees settlement

Agreements with financial counterparties will most often be reciprocal, which means that Jyske Bank must put up security for the counterparty if the market value in favour of the counterparty exceeds an agreed limit.

Where only short-term derivatives are traded (term up to six months) an agreement about additional security may be waived after individual assessment.

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5.6.3. Counterparty risk on derivatives and the calculation of economic capital

Capital must be set aside for counterparty risk on derivatives in accordance with regulatory requirements (the Capital Requirement Directive) as well as in connection with internal risk management (the Bank's economic capital model).

The regulatory minimum capital is calculated according to the mark-to-market approach with attached netting method. The method involves the calculation of a credit equivalent corresponding to the positive market values after netting plus a weighting for the underlying instrument or commodity.

Group counterparty exposure according to the mark-to-market method is shown in the table below.

Counterparty exposure by sector - DKKm

	31/12/2008	31/12/2007
Exposure to central governments	46	52
Exposure to institutions	7,973	8,701
Exposure to corporate customers	5,174	2,318
Exposure to retail customers	744	250
Total	13,937	11,321

Within the Group's internal risk management, another and more nuanced setup is used. Derivatives are complex because their future cash flow profile is unknown. The model used has the basic objective of estimating future cash flow and exposure profiles, given market values and the volatility of counterparty products. The method is called the EPE (Expected Positive Exposure) method. Naturally, netting is taken into account in these measurements.

5.7. Collateral

In support of the credit assessment and to limit risk, it will be considered whether to demand collateral. As a main rule, customers are required to provide full or partial collateral for their commitments. Collateral is therefore a main element of the Group's assessment of loss in case a customer defaults (LGD).

LGD is the part of the Group's total exposure to a customer which the Group expects to lose if the customer defaults within the next twelve months. A customer's LGD depends on specific factors concerning the customer, but also on the commitment and the collateral provided. Overall, LGD also depends on Jyske Bank's ability to collect receivables and liquidate collateral.

The modelling of LGD at Jyske Bank is divided into two main areas: secured and unsecured debt. With unsecured debt the proportion of a customer's unsecured debt which the Group will be able to collect is estimated. Customer-specific circumstances and other circumstances with regard to the commitment are decisive for the size of LGD. With secured debt the expected proceeds from liquidation of collateral is estimated. Here the type of collateral held by Jyske Bank is decisive as well as the liquidity of the assets. With rare assets Jyske Bank obtains an expert estimate of the proceeds, whereas statistical estimates are used for more frequent asset classes such as vehicles, real property and financial securities.

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The models relating to real property and vehicles include on-going updating of the collateral value taking into account, among other things, market-related changes in value, and wear and tear. Listed securities are measured daily.

In the calculation of economic capital we use LGD estimates which reflect the Group's long-term loss rates. In the calculation of the minimum capital requirement LGD estimates are used which reflect the expected loss rates in case of an economic downturn.

The LGD estimates are based on the value of collateral provided. The value of collateral provided, which reduces credit risk, is set out below.

Collateral by type - DKKm

	31/12/2008	31/12/2007
Securities, cash balances etc.	35,927	50,388
Real property	37,433	49,823
Instruments of assignment	0	0
Personal property	3,592	3,389
Leases	0	0
Securities, cash balances etc. with other financial institutions	179	156
Guarantees	7,350	0
Other collateral	0	0
Total	84,481	103,756

In addition to the above values, collateral has been provided for loans and advances of DKK 4,047m under a number of other guarantee types.

In 2008 a new system was developed for the calculation of the collateral value of guarantees. Consequently no comparative data for 2007 are available. In 2007, loans and advances totalling DKK 35,463m had been guaranteed, and loans and advances totalling DKK 2,188m were supported by bank guarantees.

The proportion of the Group's exposure covered by guarantees is set out below. The values stated are the exposures for which guarantees have been provided and are not to be confused with the realisation value of the guarantees in question.

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Exposure secured by guarantees

Exposure category	31/12/2008		31/12/2007	
	EAD partial cover	EAD full cover	EAD partial cover	EAD full cover
Central governments	0	0	0	30
Institutions	0	11	0	16
Corporate customers	9,739	28,882	9,725	30,004
Retail customers, total	2,081	950	1,753	895
Equities	0	0	0	0
Securitisations	0	0	0	0
Assets without counterparties	0	0	0	0
Total	11,820	29,843	11,478	30,945

5.8. Re-estimation and validation of credit-risk models

Whether based on statistical models or on expert opinions, the models behind the calculations of PD, LGD and EAD are as a minimum re-estimated and validated once annually. The re-estimation ensures that the models will continue to reflect the latest changes in data so that they yield as exact and updated information as possible. The validation includes stability testing, back-testing and benchmarking, and its objective is to reveal any areas which require special attention.

The purpose of stability testing is to monitor whether the estimated parameters of the models are stable over time. The identification of structural breaks and systematic parameter changes is an important aspect when the models are applied to such long-time horizons as is the case with credit risk.

The purpose of back-testing is to compare a model's predictions with what actually happened. It is important to adjust for the fact that it is often necessary to compare long-term estimates with short-term realisations. For example, PD for a given credit rating category is calibrated to a long-term level, whereas realisations are measured for the short term (1-year horizon). The analysis is therefore dependent on the point in the business cycle at which the short-term realisations are measured.

Benchmarking is necessary for comparing the models with other models. Where external models can meaningfully be compared with the internally-developed models, those external models are used in the benchmarking analysis. Alternatively, internally-developed benchmarks are used for testing and monitoring the models.

5.9. Impairment charges for loans and advances

Jyske Bank recognises impairment of loans and advances where there is objective evidence of impairment in accordance with IFRS. On an ongoing basis – at least once a quarter - account managers assess the need for risk codes to be applied.

5.9.1. Individual loan impairment

Jyske Bank divides individual loan impairment into two: impairment of significant and of non-significant loans and advances. Impairment is recognised as the difference between the carrying amount before impairment and the present value of anticipated future payments. The estimated future cash flow for significant loans and advances is based on an assessment of the likely outcome.

5.9.2. Collective loan impairment

Collective loan impairment is calculated in a rating-based impairment setup, where all customers not treated individually are grouped for collective impairment on the basis of, among other things, their credit ratings at the time of calculation. Jyske Bank's models for calculating collective impairment use adjusted loss parameters developed for use in the Group's economic-capital model. For the purpose of calculating impairment, the parameters have been adjusted in a number of respects to comply with IFRS.

The calculation of impairment is based on the net deterioration of credit quality at the portfolio level since the time of establishment of the relevant commitments. The net increase is used in the calculation of collective impairment at Jyske Bank, and for each impairment group, impairment is calculated on the basis of the net decrease in future cash flows since establishment.

Objective evidence of collective impairment is deemed present when data are observed for a segment which indicate a decline in the future payments from that segment. In those cases, collective impairment is calculated as the discounted extraordinary expected net loss on that segment.

5.10. Provisions for guarantees and other liabilities

A provision is made when it is deemed likely that a commitment will cause a drain on the Group's resources and the liability can be measured reliably.

Jyske Bank's provisions for guarantees and other liabilities include guarantees in favour of business partners or at the request of customers of the Group, derivatives, and undrawn credit commitments.

On the basis of historical loss experience, the Group makes an estimate of the costs involved in meeting claims under guarantees or costs caused by customers defaulting on their obligations under transactions involving derivatives. The estimate includes an assessment of the risk associated with relevant types of guarantees and the current risk of loss on uniform segments of customers.

Provisions are made for the estimated loss.

5.11. Write-offs

When a loss is deemed unavoidable, the estimated loss is written off immediately.

5.12. Risk categories

Jyske Bank's exposures at risk are broken down into three categories: low-, high- and full-risk exposures. The two last-mentioned risk categories represent defaulted customers who are no longer deemed capable of meeting their obligations towards the Group in full. Therefore they are no longer awarded a credit rating. The risk categories are used in the Group's assessment for impairment process.

The Group's impairment charges, provisions and write-offs recognised in accordance with the Danish Executive Order on the Presentation of Financial Statements are stated in the following tables.

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Loan impairment charges, provisions for guarantees, and write-offs - DKKm

	2008	2007
Individual loan impairment charges		
Significant loans and advances	805	506
Non-significant loans and advances	250	122
Total	1,055	628
Collective loan impairment charges	303	178
Impairment charges, total	1,358	806
Provisions for guarantees and liabilities	179	72
Impairment charges and provisions, total	1,537	878
Loss, recoveries and interest adjustment		
Loss on loans and advances, guarantees and liabilities, etc.	662	176
Recoveries of claims previously written off	186	163
Interest-rate adjustment	53	51
Total	423	-38
Net effect on the Income Statement	1,082	74

A net amount of DKK 1,082m was charged as write-offs, loan impairment charges and provisions for guarantees; the item in 2007 was positive at DKK 74m. The rise mainly reflects the change in the economic trends in Denmark, just as also the global financial crisis has had a negative effect on developments. Yet the overall effect on operations has been modest in comparison with earlier changes in economic trends.

Under core earnings, a net amount of DKK 975m was charged as write-offs, loan impairment charges and provisions for guarantees; in 2007 the item was positive at DKK 74m. Under Impairment charges for loans and advances, and provisions for guarantees, DKK 109m was charged in relation to the Danish Private Contingency Association.

The Group's total loan impairment allowance amounts to DKK 1.537m which, in a historical perspective, is still low. The allowance amounts to 1.1% of the Group's total loans, advances and guarantees.

The Group's total EAD, impairment charges and provisions - DKKm

	31/12/2008	31/12/2007
EaD before impairment charges	226,307	223,207
Impairment charges and provisions	1,537	878

Note: in accordance with IFRS, loan impairment and provisions at DKK 1,537m was calculated on the basis of loans and advances with objective evidence of impairment, including collective impairment of loans and advances with objective evidence of impairment. Since the impairment process includes exposures which are not defaulted or past due, the impairment charges and provisions for loss on guarantees in CRD relation account for only DKK 1,169m, as will be evident from the below tables.

Sector breakdown of defaulted exposures including past due exposures

Exposure category	31/12/08			
	EAD on impaired claims	Value adjustment / impairment charges	Operating item for the year	Losses recorded
Central governments	0	0	0	0
Public authorities	0	0	0	0
Banks	0	0	42	24
Agriculture, forestry, etc	130	29	18	6
Fishing industry	33	13	7	0
Manufacturing and mining, etc.	416	156	67	162
Construction	210	61	27	17
Commerce and hotel	428	169	58	49
Transport	73	22	3	0
Finance and insurance	511	167	106	35
Property admin. and service	897	317	70	267
Other sectors	142	54	39	9
Private individuals	805	181	50	93
Total at 31 December 2008	3,645	1,169	487	662
Total at 31 December 2007	2,379	685	265	176

Note: the operating item over the year broken down by sector refers to exposures subject to individual impairment in accordance with IFRS, which are considered to be defaulted for the purposes of calculating the Group's capital requirement. The operating item for the Group's other value adjustments / impairment charges was negative at DKK 173m over the year and the total operating item for the year was DKK 660m.

As was the case for the value adjustment, defaulted exposures increased in the course of 2008, reflecting the trend of the Danish economy.

Geographical breakdown is shown in Appendix 2, which also sets out information about country distribution, undrawn commitments etc. for defaulted exposures.

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6. Market Risk

Market risk is the risk of loss as a consequence of a change in the market value of the Group's assets and liabilities caused by price changes in the financial markets.

Jyske Bank assumes market risk as a result of position-taking in the financial markets and usual banking operations such as deposit-taking and lending. The calculation of Jyske Bank's market risk includes all products which involve one or more of the undermentioned risks.

- Interest-rate risk is the risk of loss caused by changing interest rates
- Currency risk is the risk of loss caused by changing exchange rates
- Equity risk is the risk of loss caused by changing equity prices
- Commodity risk is the risk of loss caused by changing commodity prices
- Volatility risk is the risk of loss caused by changing volatilities

Certain financial instruments include elements of credit risk. This type of credit risk is managed and monitored in parallel with market risk.

6.1. Policy and responsibility

The Supervisory Board of Jyske Bank lays down the overall guidelines for market risk and delegates authority to the Executive Board. The guidelines support the overall strategic guidelines of the Supervisory Board's risk profile within market risk. The authority is further limited before being delegated to the heads of Treasury and Jyske Markets, which are the sole units of Jyske Bank that may assume significant market risk.

The limits delegated to Jyske Markets are such that they mainly support the daily trading volume. Strategic positions are mainly taken in Treasury as reflected by the limit delegated to the unit.

Operations in accordance with the respective limits are supported by detailed procedures for both Jyske Markets and Treasury.

To be able to follow market developments closely and adjust for any discrepancies between the Group's actual risk profile and the desired risk profile, monthly meetings are held by the Group Asset and Liability Committee. The meetings are attended by several members of the Executive Board and by representatives from Treasury and Jyske Markets.

6.2. Monitoring and reporting

All risk positions are monitored daily by the Market Risk department, which is a function separate from customer-oriented functions. The Executive Board is immediately notified of any positions which exceed the pre-determined limits or are in conflict with the risk management policy. The Supervisory Board and Internal Audit are notified immediately if positions exceed the overall authority of the Executive Board.

The utilisation ratios of the various units are reported monthly to the Executive Board and the Supervisory Board.

6.3. Market risk types

Jyske Bank handles several types of market risk every day. Every risk type has its own special characteristics and is managed by means of individual risk measurements as well as overall through the Group's VaR model. To hedge market risk derivatives are used which cannot solely be managed under the above-mentioned risk measurements. For instance, it does not hold for non-linear products such as currency and interest-rate options. The management of those is therefore supplemented by risk measurements developed in accordance with conventional option theory.

6.3.1. Interest-rate risk

Interest-rate risk is measured daily on the basis of duration. This measurement is defined as the interest-rate risk resulting from a general one percentage point increase in interest rates (Interest-rate risk 1). Duration denotes the percentage gain or loss if all rates of interest (across all currencies and all yield curves) simultaneously rose by one percentage point. The calculation is based on the entire portfolio of interest-rate-related instruments of both Treasury and Jyske Markets.

Because of Jyske Bank's exposure to Danish mortgage bonds, an advanced risk management model has been developed, which takes into account the embedded prepayment option. Danish mortgage bonds are widely issued with an embedded right of prepayment at par. Consequently, standard risk indicators such as duration are not optimal unless adjusted for this embedded prepayment right. Risk management includes the calculation of and limits to OAS (Option-Adjusted Spreads) positions.

Interest-rate risk is calculated on the basis of agreed payments. The customer and the Group are assumed to make the agreed contractual payments, although certain fixed-rate loans may be prepaid. Interest-rate risk 1 is adjusted for this option element. Jyske Bank has no fixed-rate balances without an agreed due date.

In addition to Interest-rate risk 1, Jyske Bank calculates a Jyske Bank-specific Interest-rate risk 2. This is because Interest-rate risk 1 is in several respects deemed to be too simplistic. For instance, Interest-rate risk 1 does not take into account risk attached to spread transactions involving interest-rate positions in various instruments and currencies. Interest-rate risk 2 is calculated as Interest-rate risk 1 plus an addition for yield curve risks, volatility risks, country risks, and basis risks.

6.3.2. Currency risk

Currency risk is calculated in accordance with the rules on capital adequacy laid down by the Danish Financial Supervisory Authority. Currency indicator 1 is calculated as the sum of the numerically higher of long or short positions in each currency, translated into DKK. Exposures in respect of indicator 1 are reported to the authorities on a quarterly basis.

Currency indicator 1 does not take into account the fact that some currencies are more volatile and perhaps less liquid than others. For management purposes Jyske Bank therefore uses a weighted currency indicator 1 (Jyske Currency Indicator).

6.3.3. Equity risk

Equity risk is calculated as a risk A and a risk B.

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Equity risk A is put at 10% of net equity exposure; net exposure is calculated as positive exposure less negative exposure. Equity risk A is therefore an indication of the loss/gain in the event of a 10% change in global equity prices.

Equity risk B is calculated as 10% of the numerical equity exposure. This risk measurement thus expresses the gross exposure, as it shows the loss at a 10% negative price change on total positive exposure and a simultaneous 10% positive price change on total negative exposure.

The Jyske Bank share and other financial sector shares etc. are not included in equity risks A and B. Besides equity risk A and B, the Jyske Bank group applies limits to individual exposures to shares with the objective of limiting concentration risk. The proportion of Jyske Bank shares is also limited.

6.3.4. Commodity risk

Commodity risk is calculated as a risk A and a risk B.

Commodity risk A is calculated as the net commodity exposure; net exposure is calculated as positive exposure less negative exposure. There is thus a right of set-off across commodity types and due dates.

Commodity risk B is calculated as the aggregate numerical commodity exposure. This risk measurement thus states gross exposure; the right of set-off applies only to contracts for the same underlying commodity with the same due date.

6.3.5. Derivatives and embedded options

The use of derivatives plays an important role in market risk calculation and management, both to the Bank's customers and the Bank itself. Market risk on these instruments is included in the Group's recognition of market risk.

The risk on non-linear derivatives and products with embedded options cannot be stated adequately by means of the above-mentioned risk measurements - the instruments involved are primarily interest-rate and currency options and mortgage bonds. Instead delta, gamma and/or vega risk of those positions is calculated.

6.3.6. Exposure to credit risk on financial instruments

Exposure to credit risk on financial instruments relates to the Group's bond holdings. The credit element is not reflected in the market risk measurements and must therefore be managed apart.

Jyske Bank manages its exposure to credit risk on financial instruments by means of a pre-defined concentration risk limit expressed as the credit quality of the instruments as defined by ratings awarded by recognised international rating agencies. On the basis of the credit quality of the paper, concentration risk is calculated for rating classes and bond types. This means that there are different limits dependent on whether the paper is a government or corporate bond or a structured bond (CLO/CDO).

Finally, a concentration risk limit has been defined for individual exposures.

6.4. Value at Risk

The calculation and monitoring of market risk is based on the Value-at-Risk model. Value at Risk expresses the anticipated maximum risk of loss over a period based on historical price and correlation developments. Risk limits for VaR have been defined and delegated.

The model is a parametric VaR based on an enhanced Risk Metrics model. Volatilities and covariances in the model are estimated on the basis of data going back six months. The data are weighted so that the latest observations carry the highest weight. The VaR approach has been modified to reflect the embedded prepayment risk involved in Danish mortgage bonds.

VaR is calculated with a time frame of one day, and with 99% probability, and is defined as Daily Earnings at Risk (DEaR). A DEaR of 99% indicates a 1% probability of a day's actual market value adjustments exceeding the DEaR value. There is a statistical chance of 2-3 days in the course of the year when the Group's market value adjustments exceed the DEaR estimated by the VaR model. Such an occurrence is termed an outlier.

6.4.1. Back-testing

To assess the accuracy of the VaR model, daily back-testing is conducted where estimated VaR is compared with the actual daily market value adjustment of market risk-related positions. Back-testing is conducted and reported for 99% DEaR.

Jyske Bank has applied VaR in its risk calculations since 2001. Since then there has been an average of 2 outliers annually within a band of 1-3 outliers, which substantiates the validity of Jyske Bank's VaR model.

6.5. Scenario-based stress-testing

For its monthly paper for the Asset and Liability Committee, Treasury prepares scenario-based stress tests of its positions. However, these tests do not have any direct influence on the calculation of the economic capital and are not applied directly in the limit structure.

6.6. Sensitivity analyses

Jyske Bank extensively holds offsetting positions across markets. The worst-case scenario is that the prices of all long (positive) positions decline whereas the prices of short (negative) positions increase. The effect on the Income Statement of such a negative price trend, calculated at a negative interest-rate change of 0.5 percentage point, is shown in the table below. The table also shows the Group's sensitivity to a one percentage point rise in the interest-rate level as well as its sensitivity to a global 10% fall in equity prices. The sensitivity analyses express an other-things-being-equal situation, which is unlikely to occur in reality.

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Sensitivity analyses - DKKm

Risk variable	Effect on Income Statement
A 1 percentage point increase in interest rates*	-155
A negative change of 0.5 percentage point	-135
A general 10% fall in equity prices	-116
A negative 5% change in equity prices	-26
A negative 5% change in commodity prices	-2
A negative 5% change in exchange rates**	-60

*The scenario corresponds to the Group's 'Interest-rate risk 1'

**EUR are not included in the calculation

This is a mild stress scenario. "Negative" means that the prices of long positions fall, while those of short positions rise. All calculated per currency.

6.7. Solvency requirement

The table below shows the solvency requirement for the Group with regard to market-risk positions.

Solvency requirement, market risk - DKKm

	31-12-2008		31/12/2007	
	Risk-adjusted amounts	Solvency requirement	Risk-adjusted amounts	Solvency requirement
Debt instruments	7,650	612	12,503	1,000
Equities, etc.	279	22	431	34
Commodities	80	6	92	7
Option premium	0	0	0	0
FX position	1,020	82	2,709	217
Total	9,029	722	15,735	1,259

6.8. Shares not held for trading

The shares not included in the trading portfolio are not included in the calculation of equity risk A and B. The shares are primarily financial-sector shares relating to the ordinary operating activities of the Group. There are no plans of a resale.

Shares not held for trading - DKKm

	31/12/2008	31/12/2007	Unrealised gain
Total	507	481	27

Shares not held for trading form part of the basis for Jyske Bank's ordinary business activities.

The shares are stated at fair value as described in the accounting policies of the Group's annual report. Unrealised capital gains/losses have influenced the operating income of the year.

7. Liquidity risk and liquidity management

Liquidity risk is the risk of Jyske Bank not being able to generate or obtain sufficient liquidity at a reasonable price to meet its payment obligations or ultimately being unable to meet its obligations as they fall due.

Liquidity risk occurs when there is a maturity mismatch between the Group's liabilities and assets. Management determines the liquidity risk acceptable to the Group, expressed as the balance between the risk level and Jyske Bank's costs of managing liquidity risk.

7.1. Objective and overall setup

The overall objective of Jyske Bank's liquidity management is to ensure adequate liquidity for the timely fulfilment of Jyske Bank's payment obligations at reasonable funding costs. The fulfilment of this overall objective is ensured by compliance with the following sub-objectives and policies:

1. a strong and stable deposit basis which ensures stable long-term funding of the Group's lending activities;
2. high credit ratings at international rating agencies;
3. active participation in the international money markets and access to international capital markets through borrowing programmes; this and high credit ratings ensure that the Group has access at all times to a highly diversified and professional funding base;
4. maintenance of a considerable buffer of highly liquid securities which, together with prudent management of the outflow of capital market funding, ensures that the Group can operate over a one-year period without being dependent on funding in the capital markets. For the short and medium term, the buffer can thus eliminate the effect of an adverse liquidity situation.

In line with the guidelines of the Basel Committee, the Group's liquidity management is built on

- gap analysis of future cash flows;
- stress tests integrated in the limit structure;
- Liquidity contingency plan.

7.2. Management and monitoring

The Supervisory Board has adopted a liquidity policy which, among other things, defines a specific critical survival horizon for the Group during an adverse stress scenario. On the basis of the pre-set limits, the Executive Board has defined specific operational limits for Jyske Markets and Treasury. Jyske Markets and Treasury are responsible for monitoring and managing liquidity on a daily basis in compliance with the delegated limits and guidelines which ensure that the liquidity policy and risk profile adopted are observed. In addition, Treasury must ensure that specific guidelines and limits governing the liquidity of assets are adhered to and that the Group's sources of funding are diversified.

Liquidity positions are monitored on a daily basis for observance of the delegated limits. Liquidity positions that exceed authorised limits are promptly reported to the Executive Board.

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7.2.1. Short-term liquidity management

Short-term liquidity management is undertaken by Jyske Markets. Jyske Markets is an active player in the international money markets of all major currencies and related derivatives. Moreover, Jyske Markets is a market-maker in the Scandinavian inter-bank money markets. Jyske Markets has been granted specific limits for short-term funding in the interbank and wholesale fixed-term markets and for the maximum placement of longer-term deposits in the same markets.

7.2.2. Strategic liquidity management

Treasury undertakes strategic liquidity management. Strategic management rests on measurements of the Group's liquidity position in various stress scenarios. The measurements are based on gap analyses of individual payments. The financial asset side of the liquidity balance is broken down and grouped in order of liquidity, whereas the financial liabilities side is grouped according to expected run-off risk in various scenarios.

While the gap analyses basically build on the contractual maturity of each individual payment, allowance is made for the fact that the actual maturities of part of the balance deviate from the contractual maturities. The gap analyses therefore apply scenario-specific expectations of customer behaviour in those cases where contractual maturities are not considered to give a true and fair view of the actual maturities of deposits or loans. In relevant stress scenarios the liquidity reserves are used as a buffer to cover negative payment gaps.

The purpose of integrating stress scenarios into the limit structure of delegated authority is to ensure that the Group can at all times meet its obligations and pursue its operations for a specific time horizon, in case a crisis occurs during which the Group is unable to use a material part of its normal funding sources.

Treasury is responsible for ensuring that the Group can at all times meet the critical survival horizon in the three scenarios used in strategic management.

Scenario 1 - hard Jyske Bank-specific stress scenario which is monitored daily

- A hard Jyske Bank-specific stress scenario with a short critical survival horizon: the Group must be able to withstand non-market access to a broad part of its price- and credit-sensitive funding sources. In addition to failure to obtain refinancing in the capital markets, the scenario assumes a run-off of all large wholesale and retail deposits on demand as well as fixed term.

Scenario 2 - broad sector stress scenario which is monitored currently

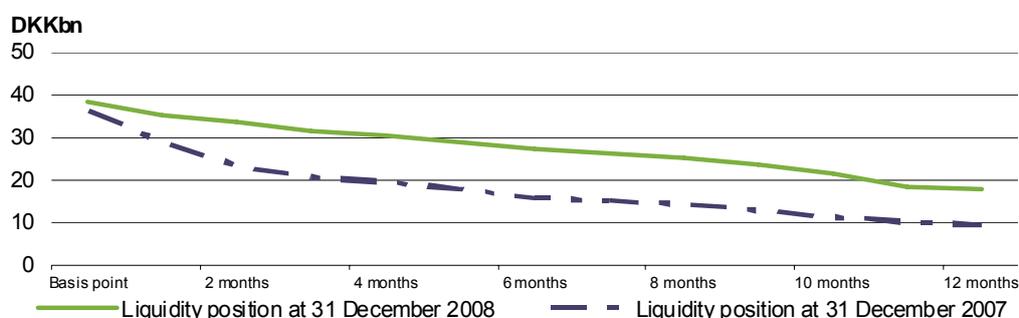
- A broad general capital and money-market crisis which to a certain extent spreads to retail customers and results in drawdown by large corporate customers of unutilised lines and commitments. At the same time, growth in deposits is assumed to stagnate and possibilities of obtaining refinancing in the international capital markets to dry out. The target is a horizon of six months, during which time basic banking activities must be maintained.

Scenario 3 - soft sector stress scenario which is monitored currently

- A soft non-Jyske Bank-specific capital market crisis with a survival horizon of at least one year. The Group must be able to withstand non-market access to the capital markets defined as the

inter-bank, commercial paper and EMTN markets, while at the same time funding normal growth of the loan portfolio.

Liquidity position and run-off



7.3. Liquidity contingency plan

The liquidity contingency plan comes into force if the Group can only meet the internally delegated limits at very high costs or is ultimately unable to do so within the critical horizons. The contingency plan stipulates a detailed set of management reports, and it determines a broad range of initiatives that might strengthen the Group's liquidity position.

In the course of 2008, Jyske Bank at no time had any difficulty in meeting the stress-based internally delegated limits and guidelines.

7.4. The Group's liquidity reserve

Jyske Bank's total holdings of securities consist of a trading portfolio held by Jyske Markets, and Treasury's portfolio of securities. The trading portfolio is a function of the customer-related business of Jyske Markets and ultra-short operational liquidity management. Treasury's holding of securities consists of a portfolio of securities with market risk positions and a strategic portfolio of liquid securities. The liquidity portfolio is to ensure that the Group's strategic liquidity risk profile is observed and to even out swings in the Group's market risk positions.

In the fourth quarter of 2008, Jyske Bank made use of the possibility of re-classifying parts of the trading portfolio at amortised cost instead of market value, cf the Corporate Announcement of 3 November 2008.

The Bank's liquidity reserve consists solely of assets which are not pledged as security or used in the day-to-day operations of the Group. Such assets may be sold immediately or pledged as security for loans and are therefore a swift and efficient source of liquidity. The availability of secured funding does not depend on Jyske Bank's creditworthiness, but solely on the quality of the assets that can be offered as security. The measurement of the Group's liquidity reserve takes into account any impairment of the relevant assets.

Jyske Bank's holding of securities is divided into five groups in order of liquidity:

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1. ultra-liquid assets (DKK-denominated assets which can be used in repo transactions with the Danish central bank): certificates of deposit with the Danish central bank, Danish government and mortgage bonds;
2. very liquid assets (EUR-denominated assets which can be used in repo transactions with the European Central Bank (EUR): European government and mortgage bonds and senior financial instruments;
3. liquid assets: as 2., but denominated in currencies other than EUR;
4. other liquid assets: other low-risk liquid bonds;
5. relatively illiquid assets: emerging-market bonds, corporate and mortgage bonds, and shares.

Jyske Bank has adopted a general policy for the size and quality of its liquidity reserve, which is adjusted to suit the Group's balance sheet composition and risk profile. Specific guidelines have been laid down for the securities which are included in the strategic portfolio of liquid securities.

In practice, the liquidity reserve policy means that the large majority of the reserve consists of assets from liquidity group 1, alternatively group 2. It is thus the Group's policy that it must be possible to meet the limit of the survival horizon of stress scenario 1 merely by freeing assets from liquidity groups 1 and 2.

At end-2008 the Group's liquidity reserve amounted to almost DKK 38bn inclusive of the Group's syndicated loan facility of EUR 500m - at end-2007 the reserve was DKK 36bn. Certificates of deposit with the Danish central bank amounted to DKK 12bn; and the remainder of the reserve consisted of highly liquid Danish mortgage bonds.

The Group's liquidity reserve according to S.152(1)(2) of the Danish Financial Business Act has constantly been high. At the end of December, the liquidity ratio was 19.9%, corresponding to a liquidity surplus of 99.9%; at end-2007 the surplus was 102.1%.

7.5. Funding

Jyske Bank's primary source of funding is deposits from customers. The Group has a sound and well-diversified customer deposit base, and at the end of December 2008 bank deposits funded 89% of the bank loans against 78% at end-2007.

The Group's sources of funding include the inter-bank market, the wholesale fixed-term market, bilateral agreements, the markets for commercial paper and European medium-term notes.

Funding via the inter-bank and wholesale fixed-term markets is obtained through Jyske Markets as part of the short-term operational liquidity management. In addition, Jyske Markets funds its own wholesale-related activities by taking up unsecured loans in the wholesale fixed-term and inter-bank markets. Continued activity in the above-mentioned markets enhances the possibility of refinancing short-term positions and is a natural part of Jyske Markets' business.

In 2006, Jyske Bank established a EUR 500m revolving syndicated loan facility with Citigroup Corporate and Investment Banking, Deutsche Bank AG, London Branch, J.P. Morgan plc and SOCIÉTÉ GÉNÉRALE Corporate & Investment Banking acting as Lead Managers. Fifteen banks committed themselves under the facility. Aligned to Moody's rating scale on a conservative basis, the weighted credit rating of the facility at end-2008 was Aa2. The facility will be used as a standby source of immediate funding, also under unfavourable market conditions.

7.5.1. Capital market funding through capital market programmes

Treasury is responsible for the Group's long-term structural liquidity risk profile, which includes the management of the Group's overall balance sheet structure. The Group's balance sheet is monitored daily by Treasury. So as to meet both the internal limits and the longer-term strategic guidelines, monitoring aims to prevent a build-up of funding mismatches in the balance sheet. To manage the long-term strategic risk profile, two capital market programmes are utilised, which ensure flexibility with regard to maturity, currency, interest rate (fixed/floating) and investor base.

Capital market programmes - figures in billions

Capital market programmes	Limit
French Commercial Paper (CP)	EUR 3
European Medium Term Note (EMTN)	USD 8

The French-regulated CP programme was established to strengthen the diversification and depth of our short- and medium-term liquidity procurement so as to meet the Group's liquidity target. Funding under the facility will typically have a maturity of 3-6 months. The maximum maturity is one year. At end-2008, funds drawn under the facility amounted to DKK 8.9bn (EUR 1.2bn). Since the programme was launched, Jyske Bank has generated a wide knowledge of the Group's CP programme among investors. The general CP market was hit by the crisis in the international financial and money markets. Even so, the Group's funding under the programme was maintained at a satisfactory level during 2008.

CP programme



For long-term funding in the international capital markets, the Group has utilised a Euro Medium Term Note Programme (EMTN) since 1999. The typical maturity of senior debt is between two and ten years. At end-2008, the Group had issued notes for a total of DKK 30.6bn (USD 5.6bn) under the programme. The primary investor segment for bonds issued under the Bank's EMTN programme is well diversified throughout Europe. The Group works continuously to maintain its investor base and to increase investor awareness of Jyske Bank well in advance of a possible need to raise funds. At end-2008, Jyske Bank had five outstanding benchmark bonds in the market:

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Benchmark issues at 31.12.2008

Currency and issue size	Maturity
USD 750m	16.12.2009
USD 500m	06.06.2011
USD 500m	04.04.2012
EUR 500m	06.06.2013
EUR 600m	31.03.2014

Despite the money-market crisis in 2008, Jyske Bank has been able to use the EMTN programme for long- and medium-term funding in the international capital markets. In 2008, the Group's funding requirement in the international capital markets was fully covered by means of minor private placements.

7.5.2. Credit ratings

The Group's credit ratings are material to the price of liquidity and capital as well as to funding flexibility in the form of access to a broad investor base. Standard and Poor's as well as Moody's left the Group's ratings unchanged in 2008, although they changed the outlook from stable to negative in September and November, respectively, mainly as a result of their view on the Danish economy.

Credit ratings

	Long-term debt	Short-term debt	Individual
Moody's			
1993	A3	P-2	-
1997	A2	P-1	C+
1999	A1	P-1	C+
2001	A1	P-1	B-
2007	Aa2	P-1	B-
2008	Aa2	P-1	B-
Standard & Poor's			
2006	A	A-1	-
2007	A+	A-1	-
2008	A+	A-1	-

8. Operational risk

Jyske Bank monitors and actively manages operational risk to reduce the risk of operational events resulting in material loss. Focus is mainly on the Group's largest risks involving high potential losses.

Operational risk is defined as the risk of loss caused by

- inadequate or failed internal processes;
- human errors or system failure;
- external events.

8.1. Identification, assessment and monitoring of risk

Jyske Bank has adopted a scenario-based method of analysis. Analyses are prepared by a function under Risk Management that is separate from customer-oriented functions.

Scenario analyses chart the Group's largest operational risks by analysing central processes and events that could cause loss. An assessment of the effectiveness of the control environment will reveal risks which are insufficiently covered by existing controls. Moreover, the scenario analyses propose ways in which operational risks can be reduced, and they are therefore efficient tools which management and the responsible units can use in risk management.

All the risk scenarios which may cause direct or indirect loss of more than DKK 5m or which could materially damage the Group's image are analysed. The scenarios are identified in cooperation with management, with reference to internal and external events.

Currently 50-60 scenarios have been defined, which cover all the Group's business areas. The scenarios cover a broad range of risks such as the provision of incorrect advice, trading errors, errors in models or in internal and external reporting. Also, the risk of internal fraud including rogue trading and external fraud is analysed. Operational risks at important business partners are also covered, including the risk of discontinuation of IT operations at JN Data or breakdown at clearing partners.

Developments in operational risk are monitored continuously to ensure the best possible basis for risk management, including the calculation of the appropriate economic capital. Monitoring rests on the following elements:

- on-going dialogue with management to ensure that all the material operational risks of the Group are reflected in the risk scenarios;
- evaluation of existing risk scenarios, risk exposure and control environments in co-operation with experts from the business units;
- monitoring of risk indicators which reflect developments in individual risk scenarios;
- losses exceeding DKK 5,000 caused by operational errors or events are registered, monitored, analysed and reported regularly for the purpose of optimising processes and reducing future losses.

Extraordinary evaluations of existing risk scenarios are made at the request of management or when deemed relevant because of extraordinary internal or external events.

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8.2. Management of operational risk

The Executive Board and the relevant business unit directors are in charge of operational risk management, which is an integral part of daily operations and proceeds through a system of comprehensive policies and controls established with the object of securing the best possible processing environment. On the basis of regular scenario reporting of the Group's operational risks, management considers the Group's exposure on an ongoing basis and decides whether to introduce initiatives to reduce operational risks.

In addition to in-depth scenario reports, management receives six-monthly evaluations of the risk scenarios accompanied by error statistics and a description of relevant internal and external events. Extraordinary evaluations are reported as required.

Appendix 1: Glossary

<i>AIRB</i>	The Advanced Internal Rating Based approach.
<i>Advanced IRB approach</i>	See AIRB.
<i>Back-testing</i>	An ex-post comparison of forecast and realised values with the object of assessing the absolute precision of the relevant models.
<i>Benchmarking</i>	A management tool used for comparing the accuracy of the model under review with the accuracy of alternative models.
<i>CAD</i>	The Capital Adequacy Directive. The capital adequacy directive applied to credit risk until 31 December 2007 when Jyske Bank became subject to the CRD.
<i>Calibration</i>	Adjustment of a given model to bring it to an intended level.
<i>CLS</i>	Continuous Linked Settlement is a settlement system linking "payment to payment", which reduces the settlement risk of FX transactions made between participants of the CLS system. Jyske Bank is a third-party member.
<i>Commodity risk</i>	The risk of loss caused by changing commodity prices.
<i>Country risk</i>	The risk of loss due to the economic and political conditions in a given country.
<i>CRD</i>	<i>The Capital Requirement Directive.</i>
<i>CSA</i>	<i>Credit support Annex</i> - an annex to an ISDA contract, under which Jyske Bank is entitled to collateral if a counterparty's negative market values exceed an agreed maximum.
<i>Currency risk</i>	The risk of loss caused by changing exchange rates.
<i>Default</i>	An exposure is termed 'defaulted' if the borrower is expected not to meet all his obligations towards the Group (risk categories 2 and 3 - high and full risk).
<i>EAD</i>	Exposure at Default reflects the expected exposure, should the customer default in the course of the next twelve months.
<i>EPE</i>	<i>Expected Positive Exposure</i> - a method for estimating EAD for derivatives.
<i>Equity risk</i>	The risk of loss caused by changing equity prices.

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<i>ICAAP</i>	<i>Internal Capital Adequacy Assessment Process.</i>
<i>IFRS</i>	International Financial Reporting Standards.
<i>Interest-rate risk</i>	The risk of loss caused by changing market rates.
<i>JB credit rating</i>	A rating on a scale from 1 to 14, where 1 is the highest credit quality (the lowest PD) and 14 the lowest credit quality (the highest PD).
<i>LGD</i>	Loss Given Default - the proportion of a given exposure which is expected to be lost if the customer defaults in the course of the next twelve months.
<i>Market Risk</i>	The risk of loss arising out of a change in the market value of the Group's assets and liabilities caused by price changes in the financial markets.
<i>OEI</i>	Objective Evidence of Impairment - a concept used in the calculation of impairment charges under IFRS.
<i>Past Due</i>	Exposures which have been in default for 90 days on end or more.
<i>PD</i>	<i>Probability of Default</i> - the probability of a given customer defaulting with the next year.
<i>RAROC</i>	Risk Adjusted Return on Capital.
<i>Retail</i>	In relation to the CRD, the customer category 'Retail' covers personal customers and small corporates. The latter must meet certain criteria to rank as retail customers.
<i>Risk category</i>	Jyske Bank's exposures at risk are broken down into three categories: low (1), high (2) and full (3) risk. Exposures in risk categories 2 and 3 are regarded as defaulted. The risk categories are also included in the Group's impairment set-up.
<i>RW</i>	Risk weighting according to the capital adequacy regulations in force. Risk weightings are applied to reach the risk-weighted assets.

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<i>RWA</i>	Risk-weighted assets calculated in accordance with the capital adequacy regulations in force. Jyske Bank's capital base must at all times correspond to at least 8% of this amount.
<i>Value added</i>	A risk-adjusted return measurement where earnings are reduced by expenses to the expected loss and economic capital.
<i>VaR</i>	Value at Risk expresses the anticipated maximum risk of loss over a period based on historical price and correlation developments

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Appendix 2: supplementary tables

■ Specification of exposure to unrated counterparties and counterparties under the standard approach (2008) - DKKm

Exposure category	31/12/08			
	EAD	Undrawn	Average LGD %	Average RW
Central governments	14,756	77	0	0.00
Institutions	36,849	11,083	0	0.12
Corporate customers	13,993	996	0	0.80
Retail customers, total	9,011	47	0	0.55
Equities	458	0	0	1.00
Securitisations	2,592	0	0	0.58
Assets without counterparty	3,330	0	0	1.00
Total	80,989	12,203		

■ Specification of exposure to unrated counterparties and counterparties under the standard approach (2007) - DKKm

Exposure category	31/12/2007			
	EAD	Undrawn	Average LGD %	Average RW
Central governments	24,164	180	0	0.00
Institutions	19,178	12,410	0	0.19
Corporate customers	25,770	10,701	0	0.47
Retail customers, total	11,040	44	0	0.43
Equities	438	0	0	1.00
Securitisations	0	0	0	0.00
Assets without counterparty	3,162	0	0	1.00
Total	83,752	23,335		

■ Specification of exposure to defaulted counterparties (2008) - DKKm

Exposure category	31/12/2008			
	EAD	Undrawn	Average LGD %	Average RW
Central governments	0	0	0	0.36
Institutions	0	0	0	0.00
Corporate customers	2,658	62	39	1.67
Retail customers, total	987	38	35	1.94
Equities	0	0	0	0.00
Securitisations	0	0	0	0.00
Assets without counterparty	0	0	0	0.00
Total	3,645	100		

■ Specification of exposure to defaulted counterparties (2007) - DKKm

Exposure category	31/12/2007			
	EAD	Undrawn	Average LGD %	Average RW
Central governments	0	0	0	1.50
Institutions	142	0	0	1.50
Corporate customers	1,458	74	57	2.95
Retail customers, total	779	82	42	3.92
Equities	0	0	0	0.00
Securitisations	0	0	0	0.00
Assets without counterparty	0	0	0	0.00
Total	2,379	156		

Risk and Capital Management

Jyske Bank

Geographical exposure by sector - DKKm

31/12/2008							
Exposure category	Denmark (zone A)	The EU (zone A)	Other Euro- pean zone A countries	The US + Canada (zone A)	Other zone A countries	South America	Rest of the world
Central governments	14,702	4	50	0	0	0	0
Institutions	23,020	10,795	727	1,826	267	0	215
Corporate customers	94,372	6,973	1,671	122	18	10	834
Retail customers, total	59,211	4,206	343	152	43	41	325
(1) Real property	30,653	509	80	30	9	29	64
(2) Qualified revolving	5,833	46	10	8	2	1	8
(3) Other retail	22,725	3,651	253	115	32	11	253
Equities	458	0	0	0	0	0	0
Securitisations	0	1,778	21	428	0	0	365
Assets without counterparties	3,216	97	16	0	0	0	0
Total at 31 December 2008	194,979	23,853	2,828	2,529	328	51	1,739
Total at 31 December 2007	192,752	21,565	3,091	2,801	194	73	2,730

The above geographical breakdown of exposure also applies to the geographical breakdown of defaulted exposures. However, the value adjustment for exposure abroad is proportionately smaller, since exposure abroad is widely covered by collateral.

Geographical breakdown of defaulted exposures - DKKm

31/12/2008	
	Value adjust- EAD on default ment/impair- ment/impair-ment customers charges
Denmark (zone A)	3,046
The EU (zone A)	579
Other European zone A - countries	7
The US + Canada (zone A)	7
Other zone A countries	0
South America	0
Rest of the world	6
Total at 31 December 2008	3,645
Total at 31 December 2007	2,379

■ Exposure to specialised lending distributed on risk weightings - DKKm

	31/12/2008 Term to maturity > 2½ years	31/12/2007 Term to maturity > 2½ years
Risk weighting 50%	2	0
Risk weighting 70%	136	444
Risk weighting 90%	0	5,152
Risk weighting 115%	59	5,348
Risk weighting 250%	6	546
Defaulted exposures (risk weighting 0)	0	16
Total	203	11,506

Specialised lending has been reduced thanks to the improved method of selection of exposures for this category, where the Group has adopted the table setup proposed by the Capital Requirement Directive.