

Jyske Bank Group
Capital requirement
Second quarter of 2019

To comply with Danish financial legislation, this report discloses the capital requirement of the Jyske Bank Group for the second quarter of 2019.

The report serves as a quarterly follow-up to the publication "Risk and Capital Management 2018" which was published along with the annual report of the Group in February 2019.

| Capital requirement, 2019 2 nd quarter | Jyske Bank Group | | Jyske Bank A/S | |
|---|---------------------|--------------|---------------------|--------------|
| DKKm/pct. | Capital requirement | Pct. of REA | Capital requirement | Pct. of REA |
| Credit risk | 16,920 | 8.7% | 12,368 | 9.2% |
| Market risk | 2,264 | 1.2% | 2,314 | 1.7% |
| Operational risk | 1,635 | 0.8% | 1,279 | 1.0% |
| Capital requirement | 20,819 | 10.7% | 15,962 | 11.9% |
| Capital requirement + combined buffer requirement* | 29,601 | 15.2% | 22,012 | 16.4% |
| Capital base | 38,636 | 19.8% | 38,644 | 28.8% |
| Capital buffer | 9,034 | 4.6% | 16,632 | 12.4% |

* Combined buffer requirement: Systemic risk buffer 1.5% + Capital conservation buffer 2.5% + Countercyclical buffer 0.5%

The capital requirement makes up 10.7% of the risk exposure (REA).

To complete the capital requirement regulatory buffers of 4.5% must be added to the capital requirement of the Group. Therefore, given a capital ratio of 19.8%, the Group has a capital buffer of 4.6% at the end of the second quarter of 2019.

The capital requirement expresses Jyske Bank's assessment of the capital requirement given the Group's risk profile. The capital requirement is based on normal pillar 1 risk (8% of REA) with capital additions for above normal risk (pillar 2).

The capital requirement of the parent company (Jyske Bank A/S) is based on 8% of REA of the parent company. As a conservative assumption the pillar 2 risk capital additions of the parent company are assumed identical to those of the Group, as the parent is liable for all risk in the subsidiaries. At the end of the second quarter of 2019 the capital requirement of the parent is 11.9%.

Capital additions

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

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

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