Jyske Bank Group
Capital Requirement
First quarter of 2020

To comply with Danish financial legislation, this report discloses the capital requirement of the Jyske Bank Group for the first quarter of 2020.

The report serves as a quarterly follow-up to the publication "Risk and Capital Management 2019", which was published along with the annual report of the Group in February 2020.

Capital requirement, 2020 1st quarter	Jyske Bank Group		Jyske Bank A/S	
DKKm/pct.				
	Capital requirement	Pct. of REA	Capital requirement	Pct. of REA
Credit risk	16,475	9.0%	12,343	9.7%
Market risk	2,030	1.1%	2,058	1.6%
Operational risk	1,565	0.9%	1,269	1.0%
Capital requirement	20,071	11.0%	15,670	12.3%
Capital requirement + combined buffer requirement*	27,392	15.0%	20,790	16.3%
Capital Base	39,323	21.5%	39,145	30.6%
Capital buffer	11,931	6.5%	18,355	14.4%
Core tier 1 capital buffer	11,988	6.6%	16,485	12.9%
Additional tier 1 capital buffer	11,621	6.4%	16,272	12.7%

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

The individual capital requirement makes up 11% of the risk exposure assets (REA). Moreover, the total capital requirement encompasses the regulatory buffers, which due to the release of the countercyclical capital buffer decreased from 5% to 4% of REA. Hence, the total capital requirement of the Group amounts to 15% of REA. However, due to changes of the capital structure, the binding requirement has shifted towards the Additional Tier 1 capital requirement, since this requirement currently is more constraining in terms of the capital buffer. The Tier 1 capital requirement amounts to 12.2% of REA, which entails a capital buffer of 6.4% of REA.

The Capital requirement expresses Jyske Bank's assessment of the capital requirement given the Group's risk profile. The total capital requirement is based on normal pillar 1 risk (8% of REA), with 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, representing pillar 1 requirements. As a conservative assumption, the pillar 2 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 first quarter of 2020 the Additional Tier 1 capital buffer of the parent company amounted to 12,7% of REA.

Capital additions

Regarding credit risk, a precautionary buffer is applied for weak exposures. Moreover, capital additions are imposed for concentration risks and uncertainty relating to corporate clients with poor credit quality. Hereto, precautionary addition are made to allow for uncertainty associated with the credit models.

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

Lastly, capital additions are made regarding higher than normal operational risk and the outcome of pending court cases.