Translation from Danish prepared by Jyske Bank of a statement dated 11 May 2022 issued by the Danish Financial Supervisory Authority (Finanstilsynet). In the event of any discrepancy between the Danish version and the English version, the Danish version shall prevail.

Report on inspection of management of operational risk at Jyske Bank

Introduction

In December 2021, The Danish Financial Supervisory Authority (the FSA) conducted an inspection of the management of operational risk at Jyske Bank A/S.

The purpose of the inspection was to assess whether Jyske Bank's management of operational risk was up to the FSA's Executive Order on the management and control of banks etc. and whether it was efficient with respect to determining the Bank's risk appetite and monitoring risk exposure.

Summary and risk assessment

The FSA reviewed the Bank's policies, guidelines, business procedures, organisation, job descriptions, management reporting etc. The inspection was carried out through meetings with the Bank's risk management function and its Internal Audit Department.

The FSA ascertained shortcomings in the Bank's operational risk policy:

- The risk appetite in the operational risk policy did not to a sufficient degree include the Bank's strategic targets and limitation of the operational risks which the Bank wishes to assume.
- In practice, the Bank considers very serious risks (red risks) and serious risks (amber risks) being outside the risk appetite. However, the Supervisory Board was not involved in the assessment of red and amber risks whereas the Executive Board was alone involved in the assessment of red risks.
- The Bank's classification of operational risks made it impossible for risks with a frequency occurring less that every ten years to turn red regardless of the possible consequences and hence qualify to the most comprehensive risk reaction.
- The classification only comprised the assessed residual risk. By avoiding to include inherent risk in the risk classification, the Supervisory Board and managers at other levels were not given an opportunity to consider the efficiency of risk-mitigating measures. In other connections, the assessment of inherent risk, residual risk and the control efficiency is, however, a regular element in scenario analyses of the most important IT risks.

The FSA has ordered the Bank to adjust its operational risk policy to the effect that it comprises the Supervisory Board's strategic targets of operational risk and actually identifies and limits the operational risks which the Bank wishes to assume.

The Bank did not to a sufficient degree document the risk officer's assessments and recommendations of operational risk in connection with material decisions. In its report from

November 2021 on inspection of the Bank's compliance function and risk management function, the FSA pointed to similar shortcomings in the risk management function's documentation of the follow-up on recommendations. At this inspection, the Bank stated that it is addressing the shortcomings. Consequently, the FSA did not find it necessary to make any further reactions.