Translation from Danish prepared by Jyske Bank of a statement dated 9 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 thematic inspection of Jyske Bank (management of counterparty credit risk)

Introduction

In October 2021, the Danish Financial Supervisory Authority (the FSA) conducted an inspection of Jyske Bank's management of counterparty credit risk.

The inspection comprised a review of the Bank's management documents, organisation, tasks and allocation of responsibility among the departments. In addition, the FSA reviewed the Bank's controls, approach to approval of exposures with counterparty credit risk, reporting and ad hoc analyses.

Summary

The FSA assesses that the Bank – among SIFIs – has an average counterparty credit risk.

During the inspection, the FSA ascertained that the Bank in connection with approval and monitoring of counterparty risk uses internal risk levels for the counterparty credit risk. However, the Bank did not have a regular approach to the determination of the risk levels. Therefore, the Bank was ordered to ensure a clear approach to the determination of the internal risk levels.

Moreover, the FSA ascertained that for individual types of counterparties sufficient control of for instance the handling of excesses of the internally determined risk levels, the determination and registration of risk levels had not been established. The Bank was therefore ordered to ensure sufficient, efficient control of these types of counterparties.

The FSA found that in the Bank's process for collateral exchange, triviality limits have been determined in relation to the monitoring of disputes. The determination of such limits requires, however, that powers have in this respect been sub-delegated, to the effect that the determined risk profile is observed. The Bank had not established such powers and was therefore ordered to do so.

The Bank had not taken any measures to ensure that the model risk from the model for the calculation of counterparty credit risk was handled sufficiently. Consequently, the FSA has ordered the Bank to ensure sufficient handling of the model risk from the model for calculation of counterparty credit risk.

The inspection did not give rise to any changes to the solvency requirement calculated by the Bank at 11.2% as of 31 December 2021.