Calculation of risk on derivative financial instruments

The risk calculation is based on a calculation of the market value (unrealised loss/gain) of your positions in derivative financial instruments as well as the market risk which expresses the potential future loss on such positions.

Market value + Market risk = Credit risk

Calculation of market value
We calculate daily values of the transactions you have concluded with Jyske Bank. The calculation shows whether you have an unrealised loss or an unrealised gain. The calculation is a point in time and not a value at which you can realise the loss or the gain.

Calculation of market risk
The market risk is calculated for the future.
The market risk expresses the loss potential which under normal circumstances is involved in the transaction or transactions entered into with Jyske Bank.
Nobody can predict the exact development in the financial markets, and therefore the market risk is a qualified estimate of what you risk losing on your transactions at Jyske Bank.

Our calculation of market risk is based on two general principles:

- Probability calculation based on historical prices and the price development of FX, equities and commodities.
- Sensitivity analysis based on interest-rate changes (interest-rate risk)

<u>Probability calculation</u>
On the basis of the development in prices and rates over a period of time, Jyske Bank calculates an estimate of the fluctuations over the coming period of time. The coming period of time is in this context the time it takes to execute a transaction.

This principle is used for the calculation of market risk on FX, equities and commodities.

<u>Sensitivity analysis</u>
Interest-rate risk expresses how much you risk losing on your positions if the interest-rate level changes.
The interest-rate risk shows how much the market value of your positions will change when the interest rate changes by one percentage point.

The calculation of the interest-rate risk is based on a global interest-rate change by one percentage point as well as a number of spreads depending on your positions.

This principle is used for the calculation of interest-rate risk on derivative financial instruments where the market value is affected by the interest rate.

In general, the market risk does not express the maximum amount that you as a client risk losing on your positions at Jyske Bank but is an estimate of how large the loss risks to be within the risk horizon determined by the Bank. The actual loss may therefore in some instances turn out to be larger than calculated.