Translation from Danish prepared by Jyske Bank of a statement dated 16 November 2021 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 Jyske Bank (compliance and risk management)

Introduction

In June 2021, the Danish Financial Supervisory Authority (FSA) conducted an inspection of the Jyske Bank Group's compliance function and risk management function.

The purpose of the inspection was to evaluate whether the two functions were up to the FSA's Executive Order on the management and control of banks, etc., whether the Bank complied with the FSA's paper on good practice for compliance and risk management in credit institutions and whether the functions acted appropriately and efficiently.

Summary and risk assessment

The Bank has adopted a risk management function and a compliance function which together constitute the Bank's second line of defence.

Handling and reporting of IT risks were not sufficiently integrated in the risk management function. The FSA has ordered the Bank to ensure that the risk management function has sufficient competencies in the IT area, has business and working procedures for control of the IT area and that the assessment and reporting by the risk management function of the total risk level to the Supervisory Board and the Executive Board on the IT area are satisfactory, clear and independent of the first line of defence.

The FSA also ordered the Bank to ensure that the chief compliance officer and the risk officer have sufficient impact and influence and that there is sufficient clarity about work-sharing and documentation of processes of importance to the chief compliance officer and the risk officer. The order mirrors that

- the Bank's process for product approvals did not secure sufficient involvement of the chief compliance officer and the risk officer.
- As opposed to comparable institutions, the compliance function had reduced the scope of compliance investigations after a reduction of staff.
- The risk officer's work with credit inspections had been reduced.
- There was no documented work-sharing between the compliance function and risk management function or between the Group's risk officer and the risk officer of Jyske Realkredit.

In addition, the FSA ascertained the following:

- The chief compliance officer was generally not involved in important decisions.
- The chief compliance officer was only in dialogue with Supervisory Board members at the Supervisory Board meetings.

- The risk management function was considerably less systematic in its preparation of and follow-up on recommendations to the organisation than were the Bank's compliance function and Internal Audit Department.
- The risk management function did not use wheel of the year and multiyear plans.