Translation from Danish prepared by Jyske Bank of a decision dated 26 February 2019 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.

Determination of the minimum requirement for own funds and eligible liabilities, cf. S.266 of the Danish Financial Business Act

1. Decision

For Jyske Bank A/S as the parent company, the Danish Financial Supervisory Authority (FSA) determines the minimum requirement for own funds and eligible liabilities (MREL), at a consolidated level, at 12.9% of Jyske Bank's total liabilities and own funds at the end of 2017. This corresponds to 28.9% of the risk-weighted exposures. At the end of 2017, this corresponded to DKK 33 bn.

Jyske Realkredit A/S is exempt from the MREL and is not included in the consolidation, neither in respect of the calculation of the risk-weighted exposures, on the basis of which the requirement is calculated nor in the statement of the liabilities and own funds of which the requirement is expressed as a percentage.

The MREL requirement must be fully met by 1 July 2019. On 30 September 2019, the MREL requirement will increase to 13.1% of Jyske Bank’s total liabilities and capital base at consolidated level (29.4% of risk-weighted exposures calculated as at the end of 2017) on the basis of the increase in the contra-cyclical buffer.

The MREL is determined annually by the FSA on the basis of the group’s resolution plan. The MREL can be met through capital instruments and liabilities other than provisions, which in the event of resolution and bankruptcy are written down and converted before unsecured claims, and otherwise meet the minimum requirement for own funds and eligible liabilities. Debt instruments issued before 1 January 2018 that in the event of resolution and bankruptcy are not written down and converted before other unsecured claims, but otherwise meet the minimum requirement for own funds and eligible liabilities may until 1 January 2022 be included in order to meet the MREL.

Equity and liabilities applied to meet the consolidated MREL may not at the same time be applied in order to meet or finance equity and liabilities that are included in order to meet the capital and debt buffer requirements applicable to Jyske Realkredit A/S.

2. Legal basis

According to S.266(1) of the Danish Financial Business Act, the FSA will following a hearing by Finansiel Stabilitet (the Danish resolution authority) determine the requirement of the size of a financial institution's own funds and eligible liabilities.

Pursuant to S.266(3) of the Danish Financial Business Act, parent companies covered by S.266(1), which are subject to consolidated supervision must also meet the requirement of S.266(1) at a consolidated level.

Pursuant to S.268(1) of the Danish Financial Business Act, the requirements according to S.266(1) and (3) are determined on the basis of a specific assessment of the following criteria:

1) The group can be resolved through the use of resolution tools.
2) If bail-in is applied, the group has sufficient own funds and eligible liabilities to ensure that the losses can be absorbed and the Common Equity Tier 1 capital can be restored to a level at which the undertaking can continue to meet the requirements for a licence, and to sustain sufficient market confidence.
3) The group has sufficient own funds and eligible liabilities to ensure that, if certain categories of own funds and eligible liabilities are excluded from bail-in, the losses can be absorbed and an undertaking's Common Equity Tier 1 capital can be restored to a level at which the undertaking can continue to meet the requirements for a licence.
4) The group's size, business model, funding model and risk profile.
5) The extent to which the depositor and investor guarantee scheme can help finance the resolution in accordance with S.2a of the Act on a Depositor and Investor Guarantee Scheme (lov om en indskyder- og investorgarantiordning).
6) To which extent the group is in distress, has a negative effect on financial stability, including spillover effects on other financial services companies/groups.

The Commission Delegated Regulation (EU) 2016/1450[1] (the regulation), which specifies the criteria relating to the method applied when determining the minimum requirement of own funds and eligible liabilities, further specifies the criteria stated in S.268(1) of the Danish Financial Act.

The regulation states that the requirement must be met as a percentage of the company's total liabilities and own funds, cf. Art.7(2) (see also S.266(1) of the Danish Financial Business Act.

According to the regulation, the minimum requirement for own funds and eligible liabilities consists of a loss absorption amount, cf. Art.1, and a recapitalisation amount, cf. Art.2 with the necessary adjustments as appear from Art. 3-6, cf. Art.7(1).

The loss absorption amount is generally determined according to the company's solvency requirement plus the combined capital buffer requirement, cf. Art.1(4).

The recapitalisation amount is determined on the basis of the expected resolution strategy identified in the institution's resolution plan. The recapitalisation amount is generally determined at 0 if the resolution strategy is bankruptcy, cf. Art.2(2). If the resolution strategy is not bankruptcy, the recapitalisation amount is generally determined at the solvency requirement plus capital buffers, cf. Art.2(5)(7) and (8).

The FSA may decide to adjust the loss absorption and the recapitalisation amount upwards as well as downwards, cf. Art.1(5) and Art.2(3) and (9). Moreover, the FSA may make adjustments according to Art. 3-6 of the regulation.

[1] The Commission Delegated Regulation (EU) 2016/1450 of 23 May 2016 on supplementary rules on the European Parliament's and the Council's regulation 2014/59/EU on regulatory technical standards specifying the criteria applicable to the method of determining the minimum requirements of own funds and eligible liabilities.

If follows from Art.8(1) of the regulation that the FSA may determine an appropriate transitional period to reach the final MREL. The transitional period must be as short as possible.

According to Art.8(2), the FSA must determine a planned MREL for each 12-month period during the transitional period. By the end of the transitional period, the final MREL must be met.

According to S.266(1) of the Danish Financial Business Act, mortgage credit institutions are exempt from MREL, and according to S.125, they must meet a debt buffer requirement. According to the Danish Act on Restructuring and Resolution of Certain Financial Enterprises, it is a condition for the restructuring or resolution that the interest of the general public necessitates the use of resolution measures, cf. S.4(1)(iii) of the Danish Act on Restructuring and Resolution of Certain Financial Enterprises. Pursuant to S.5 of the Danish Act on Restructuring and Resolution of Certain Financial Enterprises, to secure the interest of the general public, the following resolution objectives are taken into consideration:

1. to ensure the continuity of critical functions, the discontinuance of which is likely to lead to the disruption of services that are essential to the real economy or likely to disrupt financial stability;
2. to avoid a significant adverse effect on the financial stability, in particular by preventing contagion, including to market infrastructures, and by maintaining market discipline;
3. to protect public funds by minimising reliance on extraordinary public financial support;
4. to protect depositors and investors covered by the Act on a Depositor and Investor Guarantee Scheme;
5. to protect client funds and client assets.

Moreover, it is a condition that the resolution objectives in question cannot be met to the same extent in the event of liquidation or bankruptcy proceedings.

3. The assessment of the FSA

As a group, Jyske Bank A/S has been designated a SIFI, and the group is exercising critical functions in both Denmark and Gibraltar.

Therefore the resolution plan assesses that if it is necessary in the interest of the general public, one or more resolution measures must be initiated if the Jyske Bank Group should be in distress, cf. S.4(1)(iii) of the Danish Act on Restructuring and Resolution of Certain Financial Enterprises.

The resolution strategy of the Jyske Bank Group is that of single-point-ofentry, where the group is seen as one unit in the event of resolution. Basically, it is assumed that the group should stay in the market and be re-established as a viable enterprise. This will be ensured through recapitalisation of Jyske Bank A/S at consolidated level through write-downs and refinancing of the claims of the bank's creditors.

For Jyske Bank A/S, the loss absorption amount of the MREL is determined at the solvency requirement plus the combined capital buffer requirement. The recapitalisation amount is determined at the solvency requirement plus the combined capital buffer requirement expect for the contra-cyclical buffer. As a result of the international development, the FSA has

changed its method for the calculation of MREL to the effect that the contra-cyclical buffer is no longer included in the recapitalisation amount.

Due to the fact that the Jyske Bank Group is basically to be re-established as a viable entity by Finansiel Stabilitet (the Danish resolution authority), the MREL will therefore be twice the solvency requirement plus twice the combined capital buffer requirement, however, the contra-cyclical capital buffer is only included once in the calculation of the MREL.

On the basis of the above, the FSA assesses that the MREL must be determined so that it corresponds to 28.9% of the risk-weighted exposures calculated as at the end of 2017.

As mortgage credit institutions are exempt from the MREL, Jyske Realkredit is not included in the consolidation on the basis of which the consolidated MREL for Jyske Bank A/S is determined. Hence the MREL is calculated at 28.9% of the risk-weighted exposures for Jyske Bank A/S at consolidated level exclusive of Jyske Realkredit. Based on data at the end of 2017 and with capital buffers and debt buffers phased in at their level on 1 July 2019, the risk-weighted exposure amount (REA) comes to DKK 116 bn. Below this calculation is specified in detail.

	REA, DKKbn
Total group, REA	188
Jyske Realkredit contribution to REA	-74
Jyske Bank A/S exposures to Jyske Realkredit:	2
REA for the group exclusive of Jyske Realkredit	**116**

On the basis of the above, the FSA assesses that the MREL requirement is to be determined at 12.9% of Jyske Bank's total liabilities and capital base at consolidated level, exclusive of Jyske Realkredit, cf. S.266(3) of the Danish Financial Business Act. This corresponds to 28.9% of the risk-weighted exposures calculated as at the end of 2017. At the end of 2017, this corresponded to DKK 33 bn. The requirement must be fully met by 1 July 2019.

On 30 September 2019, the requirement will increase to 13.1% of Jyske Bank's total liabilities and capital base at consolidated level (29.4% of riskweighted exposures calculated as at the end of 2017) on the basis of the increase in the contra-cyclical buffer.

The MREL is determined annually by the FSA and can be met through capital instruments and liabilities, which in the event of resolution and bankruptcy are written down and converted before unsecured claims, and otherwise meet the minimum requirement for own funds and eligible liabilities. Debt instruments issued before 1 January 2018 that in the event of resolution and bankruptcy are not written down and converted before other unsecured claims, but otherwise meet the minimum requirement for own funds and eligible liabilities may until 1 January 2022 be included in order to meet the MREL.

Equity and liabilities applied to meet the consolidated MREL may not at the same time be applied in order to meet or finance equity and liabilities that are included in order to meet the capital and debt buffer requirements applicable to Jyske Realkredit.

Based on data reported at the end of 2017, these amount to DKK 15 bn when the calculation assumes that the capital buffer and the debt buffer are phased in on 1 July 2019.

4. Complaints

The decision of the FSA can, no later than four weeks after the decision has been received, be brought before the Danish Commerce and Companies Appeal Board by email to the address ean@naevneneshus.dk or by post to Nævnenes Hus, Toldboden 2, DK-8800 Viborg, cf. S.372(1) of the Danish Financial Business Act.

It follows from S.7(2) of the Danish Executive Order on the Commerce and Companies Appeal Board of the Danish Ministry of Business and Industry that a fee of DKK 4,000 is payable for filing a complaint with the Commerce and Companies Appeal Board. Pursuant to S.15(4) of the above Executive Order, the Commerce and Companies Appeal Board or the Chairman can on its behalf make a decision about full or partial repayment of the fee paid if the complaint is sustained in part or in full. The fee will be repaid if the complaint is rejected.