Translation from Danish prepared by Jyske Bank of a statement 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's impairment charges on loans to corporate clients

1. Introduction

In February-April 2024, the Danish Financial Supervisory Authority (the FSA) conducted an inspection of Jyske Bank's loan impairment charges for exposures to corporate clients.

The purpose of the inspection was to assess whether the loan impairment charges of Jyske Bank as of 31 December 2023 were sufficient.

The inspection therefore included an assessment of whether Jyske Bank correctly identifies objective evidence of impairment (OEI), whether clients are placed in the appropriate stage, and whether the loan impairment charges are sufficient.

2. Summary and risk assessment

The FSA examined spot checks of 93 corporate clients, including 14 leveraged finance.

For more than half of the 27 clients with OEI, Jyske Bank had not succeeded in recording the specific reasons for OEI so that these were clearly visible.

Floating charges were included in the impairment calculations based on an average assessment without due regard to the length of the realization period or the scenario in which it was included.

For some clients with OEI, the FSA found that the loan impairment charges as of 31 December 2023 were too small. The reasons were among others that:

- the positive scenarios were given too much weight
- holding companies were rated too positively
- haircuts for real estate were too small
- EAD (Exposure At Default) was recognized with too small an amount
- cash flow recognition up to the time of bankruptcy was too optimistic.

Additionally, there were some exposures for which Jyske Bank had recognised slightly higher impairment charges than strictly necessary because the Bank had not registered its collateral correctly in the impairment calculations.

Overall, the FSA has no basis for concluding that Jyske Bank's impairments are insufficient. This should also be seen in light of the limited number of exposures reviewed.

The inspection did not result in any changes to Jyske Bank's solvency requirement.