

Jyske Bank Group
Capital requirement
Third quarter of 2018

To comply with Danish financial legislation, this report discloses the capital requirement of the Jyske Bank Group for the third quarter of 2018.

The report serves as a quarterly follow-up to the publication “Risk and Capital Management 2017” which was published along with the annual report of the Group in February 2018.

Capital requirement, 2018 3 rd quarter	Jyske Bank Group		Jyske Bank A/S	
DKKm/pct.	Capital requirement	Pct. of REA	Capital requirement	Pct. of REA
Credit risk	15,090	8.2%	10,880	8.6%
Market risk	1,922	1.1%	1,975	1.6%
Operational risk	1,728	0.9%	1,332	1.1%
Other	74	0.0%	74	0.1%
Capital requirement	18,815	10.3%	14,262	11.3%
Capital requirement + combined buffer requirement*	24,469	13.4%	18,163	14.4%
Capital base	37,136	20.3%	37,163	29.5%
Capital buffer	12,667	6.9%	19,000	15.1%

* Combined buffer requirement: Systemic risk buffer 1.2% + Capital conservation buffer 1.9 + Countercyclical buffer 0.0%

The capital requirement makes up 10.3% of the risk exposure (REA).

To complete the capital requirement regulatory buffers of 3.1% must be added to the capital requirement of the Group. Therefore, given a capital ratio of 20.3%, the Group has a capital buffer of 6.9% at the end of third quarter of 2018.

The capital requirement expresses Jyske Bank's assessment of the capital requirement given the Group's risk profile. The capital requirement is based on normal pillar 1 risk (8% of REA) with capital additions for above normal risk (pillar 2).

The capital requirement of the parent company (Jyske Bank A/S) is based on 8% of REA of the parent company. As a conservative assumption the pillar 2 risk capital additions of the parent company are assumed identical to those of the Group, as the parent is liable for all risk in the subsidiaries. At the end of third quarter of 2018 the capital requirement of the parent is 11.3%.

Capital additions

In respect of credit risk, a precautionary buffer is added in connection with weak exposures. This buffer is calculated on the basis of an extra cautious assessment of elements forming part of the measurement of these exposures. Moreover, capital additions are made for concentration risk and for the uncertainty relating to the determination of maturities for corporate clients with poor credit quality. Precautionary additions are made to allow for uncertainty in the credit models.

To address the risk of an adverse development in the interest rate spread on Danish covered bonds a market risk capital addition is made on the basis of a stress scenario. Furthermore, a capital addition for interest rate risk in the banking book is made.

A capital addition is made to allow for additional expenses relating to the provision of unsecured capital market funding and money market funding from professional counterparties under a stress scenario.

The calculation of capital for operational risk is based on the REA value of operational risk with an addition for higher than normal risk. Capital additions are made for the uncertainty relating to the outcome of pending court cases.