Jyske Bank Group

Solvency requirement

Third quarter of 2016

To comply with Danish financial legislation, this report discloses the solvency requirement of the Jyske Bank Group for the third quarter of 2016.

The report serves as a quarterly follow-up to the publication “Risk and Capital Management 2015” which was published along with the annual report of the Group in February 2016.

Jyske Bank applies its own, internal model to determine the individual solvency requirement and the following table presents the solvency requirement grouped by risk category.

Solvency requirement, 2016 3rd quarter	**Jyske Bank Group**		**Jyske Bank A/S**	
DKKm/pct.				
	Solvency requirement	**Pct. of REA**	**Solvency requirement**	**Pct. of REA**
Credit risk	13,854	7.6%	10,520	7.9%
Market risk	2,637	1.4%	2,669	2.0%
Operational risk	1,754	1.0%	1,341	1.0%
Other	39	0.0%	39	0.0%
Individual solvency requirement	18,283	10.1%	14,569	11.0%
Individual solvency requirement + regulatory buffers	20,534	11.3%	16,221	12.2%
Capital requirement incl. transitional provisions	18,063	9.9%	10,643	8.0%
Capital base	32,403	17.8%	32,729	24.6%
Capital buffer	11,869	6.5%	16,508	12.4%

The individual solvency requirement makes up 10.1 % of the risk exposure (REA), which is higher than the legislative capital requirement incl. transitional provisions.

To complete the solvency requirement regulatory buffers must be added to the individual solvency requirement resulting in a solvency requirement of the Group of 11.3 %. Given a capital ratio of 17.8 %, the Group has a capital buffer of 6.5 % at the end of third quarter of 2016.

The individual solvency requirement expresses Jyske Bank's assessment of the capital requirement given the Group's risk profile. The individual solvency requirement is based on normal pillar I risk (8 % of REA) with capital additions for higher than normal risk (pillar II).

The individual solvency 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 II 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. However, a small technical correction is made to the credit risk. At the end of third quarter of 2016 the individual solvency requirement of the parent is 11.0 %.

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 the uncertainty relating to the determination of maturities for corporate clients with poor credit quality.

According to the CRR, the difference between the accounting-related provisions and value adjustments, on one hand, and the expected loss on the AIRB portfolio calculated by the model, on the other, is added.

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

Capital additions are 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.

Capital additions are made for the uncertainty relating to the outcome of pending court cases.

The calculation of capital for operational risk is based on the REA value of operational risk with an addition for higher than normal risk.

A precautionary addition is made to allow for uncertainty in the models.