Jyske Bank Group
Capital Requirement
Second quarter of 2020

To comply with Danish financial legislation, this report discloses the capital requirement of the Jyske Bank Group for the second quarter of 2020.

The report serves as a quarterly follow-up to the publication "Risk and Capital Management 2019", which was published along with the annual report of the Group in February 2020.

Capital requirement, 2020 2nd quarter	Jyske Bank Group		Jyske Bank A/S	
DKKm/pct.				
	Capital requirement	Pct. of REA	Capital requirement	Pct. of REA
Credit risk	16,629	9.1%	12,396	9.9%
Market risk	2,012	1.1%	2,037	1.7%
Operational risk	1,565	0.9%	1,269	1.0%
Other	35	0.0%	35	0,0%
Capital requirement	20,241	11.1%	15,738	12.6%
Capital requirement + combined buffer requirement*	27,515	15.1%	20,760	16.6%
Capital Base	40,291	22.2%	40,237	32.1%
Capital buffer	12,776	7.0%	19,477	15.5%
Core tier 1 capital buffer	12,815	7.1%	17,546	14.0%
Additional tier 1 capital buffer	12,495	6.9%	18,070	14.4%

*Combined buffer requirement: Systemic risk buffer 1.5% + Capital conservation buffer 2.5%

The individual capital requirement makes up 11.1% of the risk exposure assets (REA). Moreover, the total capital requirement encompasses the regulatory buffers, which due to the release of the countercyclical capital buffer remains 4% of REA. Hence, the total capital requirement of the Group amounts to 15,1% of REA. However, the Additional Tier 1 capital requirement endures as the binding requirement. The Tier 1 capital requirement amounts to 12.4% of REA, which results in a capital buffer of 6.9% of REA.

The Capital requirement of the parent company (Jyske Bank A/S) is based on 8% of REA of the parent company, representing pillar 1 requirements. As a conservative assumption, the pillar 2 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 the second quarter of 2020 the core tier 1 capital buffer of the parent company amounted to 14,0% of REA.

Capital additions

Regarding credit risk, a precautionary buffer is applied for weak exposures. Moreover, capital additions are imposed for concentration risks and uncertainty relating to corporate clients with poor credit quality. Hereto, a precautionary addition is established to allow for uncertainty associated with the credit models.

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

Lastly, capital additions have been applied addressing the higher than normal operational risk and the outcome of pending court cases.