

# 2014

## Risk and Capital Management



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## Introduction

The object of this report is to offer the reader insight into Jyske Bank's internal risk and capital management procedures and the regulatory capital requirements. The report starts out describing the Jyske Bank Group's business model and the general principles governing the Group's risk management. Then the Group's capital management and capital structure are described, after which more detailed information is given about the most material risks to which the Group has exposure: credit risk, counterparty risk, market risk, liquidity risk and operational risk.

The report describes the capital and risk structure of the entire Jyske Bank Group (hereinafter called the Group or Jyske Bank). The BRFkredit Group is included in the figures at end-2014, but not in the comparative figures from 2013. Exceptions to this are some of the report's appendices and also the section on mortgage loans, which show selected tables for the BRFkredit companies with figures for both 2014 and 2013.

In 2014, the new capital adequacy rules took effect, and figures for 2014 have been stated accordingly. Comparative figures for 2013 have not been adjusted.

### The year 2014

The year 2014 saw progress in the global economy. Yet, it was a varied picture, where in the Danish economy by itself only modest progress was recorded, and GDP growth of less than 1% is expected for 2014.

In 2014, the US and the UK reported the strongest economic growth among Denmark's most important trading partners. The global economy is growing slowly, but the activity level and economic growth are affected by geopolitical circumstances and important programmes of government and mortgage bond purchases implemented by the US, the Japanese and the European central banks as well as a very low and still dropping level of interest rates.

The European economy in particular, but also the Danish economy, is fragile and in 2014 it was characterised by uncertainty and lack of indications of actual progress.

Political challenges, for instance in the form of lack of implementation of reforms in major European economies, a continuing high level of debts, the conflict with Russia and the circumstances relating to the Ukraine are factors that throughout 2014 put a damper on an actual economic recovery in the European as well as the Danish economies.

An increase in private-sector employment, rising housing prices in some parts of the country as well as falling oil prices were stabilising factors with a positive effect on the Danish economy. However, for several years, the Danish economy has been affected by moderate growth, and in 2014 growth could primarily be attributed to public spending and, to a lesser degree, to exports, while consumer spending and investments are still at a very low level, as has been the case since 2008.

The first half of the year was a historic period for Jyske Bank as the merger with the mortgage credit institution BRFkredit became a reality. The merger was based on both expectations of growth in business volume and cost synergies.

The integration process will take place over the coming years, and a number of initiatives have been and will be launched to optimize and develop the potential offered by the merger.

Jyske Bank's long-term capital management objective is a capital ratio of 17.5% and a Common Equity Tier 1 capital ratio of 14%. At these levels, Jyske Bank will have a safe distance to the capital base requirements and will at the same time have the required strategic scope in respect of its capital structure. At end-2014, the Group met both of these targets due to its Common Equity Tier 1 capital ratio of 15.3% and a capital ratio of 16.4% in the light of the economic situation without a countercyclical buffer of 2.5%.

In 2014, Jyske Bank was designated a systemically important financial institution (SIFI). The designation entails the phasing in of a SIFI buffer to the capital base requirement that reflects the Group's systemic importance. When fully phased in, the requirement will amount to 1.5% for the Group.

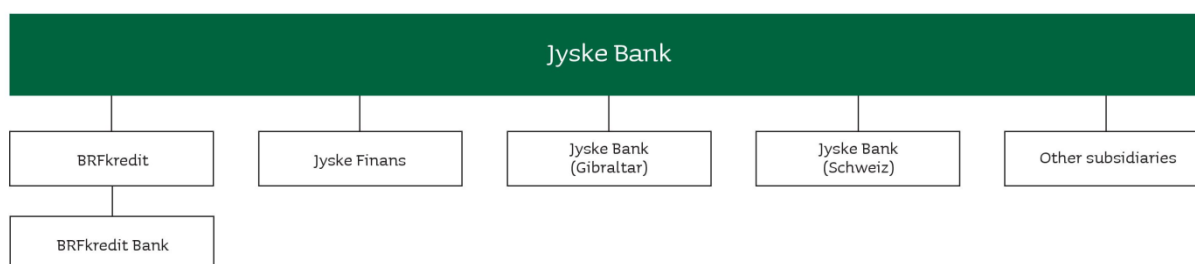
In 2014, the new capital requirements regulation, CRD IV/CRR took effect. The general purpose of CRR is to strengthen the capital structure of the European credit institutions. Even though the rules include a large number of transitional provisions in effect until 2022, Jyske Bank does already today meet all material new capital adequacy requirements.

In addition to Basel III, the Bank for International Settlements in Basel continues its work to ensure further strengthening of the capital structure of the institutions. It is still too early to estimate to which degree it will increase the capital requirements of the credit institutions.

In the course of 2014, the Danish FSA conducted a number of inspections at Jyske Bank. Jyske Bank has adjusted its risk management to the extent necessitated by the FSA's reports.

- Capital ratio: 16.4% (2013: 16.0%)
- Common Equity Tier 1 capital ratio: 15.3% (2013: 15.3%)
- Capital base: DKK 29.0bn (2013: DKK 17.8bn).
- EAD: DKK 493.8bn (2013: DKK 241.1bn).
- Total risk-weighted exposure: DKK 176.4bn (2013: DKK 111.3bn).
- Individual solvency requirement: 10.9% (2013: 9.8%)

## Business model



The Jyske Bank Group is a financial group, in which Jyske Bank being the parent company conducts banking activities, and subsidiaries conduct other financial or accessory activities<sup>1</sup>. The Group conducts mortgage-credit activities through BRFkredit.

Jyske Bank offers advice about and delivers products that meet the clients' requirements in relation to financial assets and liabilities as well as the resultant cash flows and risks.

An important part of Jyske Bank's business model is to grant loans against security in real property. The Group's mortgage loans are primarily funded through the issue of covered bonds (SDO) and secondarily through the issue of mortgage bonds, governed by the balance principle in Danish mortgage legislation. It is the aim of the Group that the bonds are granted an AAA rating.

Jyske Bank offers pension and life insurance products, investment and asset management products, payment services products as well as advisory services from sub-contractors, including jointly owned sector companies.

Jyske Bank's international subsidiaries (Jyske Bank Gibraltar and Jyske Bank Schweiz) and branches can to a limited extent offer ordinary banking services to local enterprises and personal clients.

Jyske Bank owns and operates accessory activities, including the leasing company Jyske Finans, that support the Group's business model and contribute to fulfilling the financial objectives.

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<sup>1</sup> A complete list of consolidated subsidiaries is available in Jyske Bank's Annual Report. There are no differences between the consolidation basis for accounting objectives and for supervisory objectives.

The Group cooperates with other financial institutions about the delivery or distribution of the Group's products to the relevant businesses and/or their clients.

Jyske Bank assumes financial risks within established limits and to the extent the risk-adjusted return in this way contributes to the Group's financial goal. On the other hand, it is to the greatest possible extent attempted to minimise operational risks considering the related costs.

Jyske Bank's financial risks consist mainly of credit risks. The Group assumes credit risks if, through individual credit processing, it can be substantiated that the debtor has the necessary ability to service debts and that it can be rendered probable that the debtor has the will and the ability to repay the credit granted. Failing that, the subject matter of the charge must have sufficient value as well as stability of value, and it must be substantiated that the subject matter of the charge can be realised and pay off the remaining credit. Finally it is a requirement that the Group's earnings must match the associated credit risk and capital charge.

Moreover, Jyske Bank assumes market risks when a return matching the involved risk can be rendered probable. The Group's market risk consists chiefly of interest-rate risk. Market risks are managed on the basis of a portfolio approach across instruments and types of risk and hence in consideration of the correlation or lack of correlation for which there is empirical evidence and that is expressed through the risk measurement Value at Risk (VaR). To a lesser degree, the Group assumes financial option risks. During periods with high market volatility, positions involving market risk are reduced so the stated VaR will still be at an acceptable level.

As a consequence of the Group's activities, liquidity risk arises when there is a funding mismatch in the balance sheet because the loan portfolio has a longer duration than its average funding sources. Active liquidity management will ensure that there is sufficient liquidity in the short and long term to meet the Group's payment obligations.

In addition to credit, market, operational and liquidity risks, the Group's activities also involve business risks. Business risks are linked to the volatility in the Group's earnings capacity.

At any time, the total risks are adjusted to the Group's risk profile and capital structure according to the Group's capital management objective. This will ensure that Jyske Bank is a trustworthy, long-term business partner for its clients.

## Risk management

Risk management is a key element in the Group's daily operations and is anchored in the Group Supervisory Board and the Group Executive Board.

### Risk organisation

The Group Supervisory Board lays down the general principles for risk and capital management as well as for the Group's risk profile, and implements these in the Group by adopting a number of risk policies and instructions. Together with the Group Executive Board, the Group Supervisory Board is responsible for ensuring that the Group has an organisational structure that will secure a distinct allocation of responsibility and include an appropriate separation of functions between development units, operating units and control units in the daily monitoring and management of the Group's risks.

The Group Executive Board is responsible for the day-to-day risk management and the management of the Group and will ensure that policies and instructions are operationalized and complied with.

The Group Executive Board has appointed a group chief risk officer, who is the director for the unit Finance and Risk Management. The responsibilities of the unit include activities involving risks across areas of risk and organisational units. The unit is responsible for:

- presentation of risk policies and risk-management principles to the Group Executive Board and the Group Supervisory Board;
- implementation of risk management principles and policies in order to improve risk management on an on-going basis;
- quantification of the Group's risk exposure as well as monitoring and reporting to ascertain that the Group's risk exposure does not exceed the limits defined by the Group Supervisory Board;
- recognition, measurement and financial reporting in the Group as well as the implementation of adviser-oriented financial and risk-management tools.

To achieve efficient risk management close to the mortgage credit business, the Group has chosen to appoint a risk officer at BRFkredit. The risk officer and his employees form an integral part of the unit Finance and Risk Management to ensure that the group chief risk officer has a complete overview of the entire Group's risks.

The organisational structure of the Group, in which Finance and Risk Management is separate from the risk-taking units, will ensure that the unit is independent of business-oriented activities.

Day-to-day management of credit risk is undertaken by account managers as well as the Credit Division with due regard to credit policies and credit instructions.

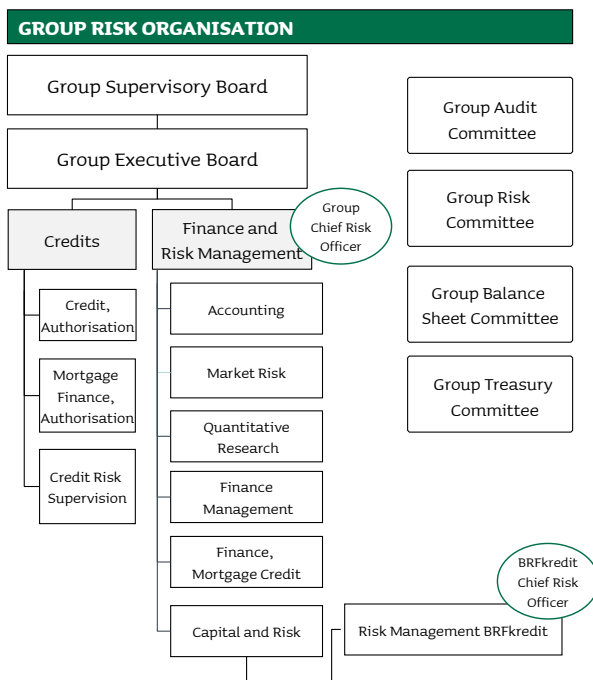
Jyske Bank has three business areas that manage market risk. Strategic market risks are managed by Treasury, and investments are in general based on macroeconomic principles and thus of a long-term nature. Markets and BRFkredit manage short-term market risks as part of the servicing of clients' trades with financial instruments and in the mortgage credit business.

Similarly, the strategic liquidity risks are managed by Treasury, and the short-term operational liquidity is managed at Markets and BRFkredit.

The day-to-day management of operational risk is undertaken by the individual units of the Group.

Risk management of the specific risks is described in detail in the chapters on the individual risks.





Several committees consider and process risk-related issues.

Members of the Group Audit Committee are appointed from the members of the Group Supervisory Board. The committee checks whether the Group's internal management and risk management systems function effectively. These tasks are carried out, amongst other things, through written and oral reporting to the committee as well as the committee's consideration of the relevant audit reports.

The Group Risk Committee is a Group Supervisory Board committee that carries out the preliminary consideration of risk-related issues before the final consideration by the Group Supervisory Board. At quarterly meetings, subjects with relation to the following are discussed:

- the Group's risk profile and the implementation of this in the organisation;
- the Group's capital base as well as capital base requirements;
- the Group's adequate capital base as well as individual solvency requirements;
- capital and liquidity buffer with related contingency plans;
- material changes of the model set-up for risk management, and the annual re-estimation and validation of models;
- internal procedures for risk measurement and management;

- assessment of material products earnings and risk profiles;
- new legislation relating to capital structure or risk management.

The main task of the Group Treasury Committee is to ensure that the Group's actual market risk profile is in line with the assessment of market expectations and the intended risk profile. The participants at the monthly meetings are the members of the Group Executive Board responsible for Jyske Markets and also Finance and Risk Management, the member of the Executive Board for BRFkredit responsible for securities, the heads of Jyske Markets and Treasury as well as risk-taking employees in Treasury and BRFkredit.

The Group's liquidity risk profile, balance-sheet development and financial structure are assessed by the Group Balance Sheet Committee, which at its quarterly meetings ensures a continuously adequate liquidity-risk profile and balance-sheet structure according to the general guidelines. The participants at the monthly meetings are the members of the Group Executive Board responsible for Jyske Markets and Retail & Commercial Banking, Denmark, the member of the Executive Board for BRFkredit responsible for securities, the heads of Retail & Commercial Banking, Denmark, Jyske Markets and Treasury as well as other key employees of Retail & Commercial Banking, Denmark and risk-taking employees in Finance.

## Risk reporting

The Group Supervisory Board and the Group Executive Board receive regular reports on the risk development and the utilisation of the allocated risk limits and can therefore monitor whether the risk limits are adhered to and whether they are still appropriate for the Group.

The risk-management function continuously focuses on securing a qualified basis for decisions for management and works on an on-going basis to optimise managerial reporting.

Risk reporting is submitted to the Group Supervisory Board, the Group Executive Board, the Group Supervisory Board Committee and also relevant business areas, depending on the relevance of the contents of the report. The overview on the subsequent page specifies the regular risk reporting that is submitted to the Group Executive Board, the Group Supervisory Board or the Group Supervisory Board Committees. The Group Supervisory Board has access to all material submitted to the board committees.

Moreover, risk reporting is prepared for the Supervisory Boards and Executive Boards of the individual subsidiaries. Hence, at the BRFkredit Group, risk reporting is continuously prepared on the development of material risks.

REPORTING TO THE GROUP SUPERVISORY BOARD , GROUP EXECUTIVE BOARD AND GROUP SUPERVISORY BOARD COMMITTEES				
	Report	Frequency	Recipient	Contents
OVERALL PICTURE OF RISK	ICAAP with risk report	Annually	Group Supervisory Board and Group Executive Board	In-depth description of the Group's statement of adequate capital base based on both the internal method and the Danish Financial Supervisory Authority's 8+ method. Explanation of the development of the Group's risks. Future implications of the Group's capital structure on the basis of sensitivity analyses and projections under various scenarios.
	Group solvency recommendation	Quarterly	Group Supervisory Board and Group Executive Board	Statement of the Group's adequate capital base and individual solvency requirements.
	Selected audit reports	On-going	Group Audit Committee	Audit reports from Internal Audit and external auditors.
	Financial and risk reporting	Quarterly	Group Supervisory Board and Group Executive Board	Reports on the development of the business units' risk-adjusted results, etc.
	Group balance sheet draft	Quarterly	Group Executive Board	Information about the development of the Group's balance sheet, solvency, risk profile, liquidity as well as funding structure and funding requirements. Overview of supervisory diamond and gearing ratio, etc.

REPORTING TO THE GROUP SUPERVISORY BOARD , GROUP EXECUTIVE BOARD AND GROUP SUPERVISORY BOARD COMMITTEES				
	Report	Frequency	Recipient	Contents
CREDIT RISK	Quarterly credit report	Quarterly	Group Supervisory Board and Group Executive Board	Quarterly credit reports are prepared for Jyske Bank as well as BRFKredit. In respect of Jyske Bank, the credit quality in the portfolios is being explained, including the development of credit quality, overdraft and risk exposures, and also the concentration risk is being assessed. In respect of BRFKredit, the development in credit quality, arrears, impairment charges and losses is being explained.
	Annual credit report	Annually	Group Supervisory Board and Group Executive Board	Annual credit reports are prepared for all business units that assume credit risk. In respect of Jyske Bank, the annual credit report explains the credit quality in the portfolios, including the development of credit quality, overdraft and risk exposures and also the concentration risk for individual clients as well as for sectors. Moreover, benchmarks for relevant key figures in the sector are set up. Also, the annual credit report includes relevant themes that may change from year to year. In respect of BRFKredit, the development in credit quality, arrears, impairment charges and losses is being explained. For other subsidiaries, the development in credit quality and also circumstances specifically relevant to these are explained.
	Review of exposures	Annually	Group Supervisory Board and Group Executive Board	Review of the Group's most material credit risks at client level, where all major cases are reported, and selected cases are reviewed with a view to ensuring that the risk has been measured correctly.
	Development in credit inspections	Monthly	Group Executive Board	Overview of the development of the completed credit inspections in the Group stating the status relative to the Group's target.
	Impairment report	Quarterly	Group Audit Committee	The report is prepared for Jyske Bank and for BRFKredit and covers the development of the calculated impairment charges and also the validation of the calculated results. Validation takes place in the form of sampling among exposures with and without impairment charges and parallel calculations of collective impairment charges. Also the report gives information about any weak S.78 exposures.
	CRD development	Quarterly	Group Risk Committee	Review of the development in regulatory capital and documentation of discussions of initiatives affecting solvency.
	Validation and re-estimation of credit models	Annually	Group Supervisory Board, Group Executive Board and Group Risk Committee	Adjustment of re-estimation of all statistical models and parameters defined by experts for the calculation of credit risk, where development and results are examined.
MARKET RISK	Market risk report	Monthly	Group Supervisory Board, Group Executive Board and Group Risk Committee	The report describes the Group's overall market risk exposure based on authority granted for both the Group and the three acting units - Treasury, Markets and BRFKredit. Moreover the report includes a description of liquidity positions that exceed the authorised limits as well as changes in authority granted.
LIQUIDITY RISK	Draft for the Group's own securities portfolio	Quarterly	Group Executive Board	Information about the Group's market risk and utilisation of authority.
	ILAAP	Annually	Group Supervisory Board and Group Executive Board	Annual assessment of the Group's funding and liquidity adequacy profile with the Group's liquidity status, managerial initiatives throughout the year as well as the development of important key figures.
OPERATIONAL RISK	Operational risk annual report	Annually	Group Supervisory Board and Group Executive Board	Annual report on the development in the Group's operational risk with the Group's largest risks as well as realised operational losses over the recent period.

## Internal risk management

In the Group's internal risk management, risk-adjusted target returns are used in the form of RAROC as a general management tool. RAROC calculations give an overview of the risk and profitability of the various activities of the Group. RAROC calculations are based on economic capital, and the development in the general credit quality of the portfolio, concentration risk and other capital elements are included in the assessment.

RAROC at division and business unit level forms an integral part of the reporting to the managements of business units, who determine activities for follow-up and any initiatives to reduce risk.

RAROC is also applied at client and product level to measure results, to assess profitability as well as for pricing new loans. RAROC calculations and the facilities for pricing are made available in profitability systems where employees and managers have access to current risk-adjusted profitability calculations at various levels. The profitability systems allow for expenses, including expenses relating to the financing of the loan. In connection with BRFkredit, also expenses relating to covered bonds (SDO) as well as expenses relating to rating requirements are included.

The profitability systems take into account the composition of the Group's credit portfolio, which means that concentration effects and diversification effects are reflected directly in the profitability calculations of new loans. If loans are granted to clients in sectors, for instance, which are already strongly represented in the Group's credit portfolio, this will, all other things being equal, result in higher capital base requirements and therefore lower profitability.

## Economic capital

Economic capital is a key element in the management of the Group's risk and capital structure as well as in the day-to-day financial management. Economic capital is the capital required to cover the Group's unexpected loss one year into the future. One of the benefits of economic capital is the fact that it comes up with an aggregate figure for all risk types.

In connection with BRFkredit, economic capital is still not calculated in the same way as is the case for the rest of the Group. BRFkredit's calculation of economic capital for credit risk is based on the regulatory capital base requirement with the addition of concentration risk.

In connection with the rest of the Group, a number of internal models are used for the calculation of economic capital. The models are based on a VaR setup over a 1-year horizon for those risk types to which the Group wishes to apply quantitative modelling: credit risk, market risk, operational risk and business risk.

The various risks covered by economic capital make varied demands on the technical portfolio risk modelling. Various sub-models are used that are specifically designed to reflect the characteristics of individual risk types.

To manage the Group's credit risk at portfolio level and set prices at client level, Jyske Bank uses an advanced credit portfolio model across all business units and client segments. The credit portfolio model, CreditRisk+, is based on a portfolio approach for the measurement of credit risk that allows for the size of the exposure, the client's credit quality, the uncertainty related to the client's credit quality as well as the client's systematic risk. The term and repayment profile of the individual exposures are also included in Jyske Bank's model - yet outside the CreditRisk+ model - in a set-up that is derived from the CRR rules.

Economic capital for credit risk on clients in default is calculated in a set-up developed in-house, which to a great extent is based on the same parameters as CreditRisk+.

For the determination of counterparty risk, a set-up is used reflecting the fact that future cash-flow profiles for derivatives are unknown. The model used has the basic objective of estimating future cash flow and exposure profiles, given market values and the volatility of counterparty products. The method is called the EPE (Expected Positive Exposure) method. Netting also forms part of these calculations and allowances are made for general wrong way risk in the calculation.

To determine and monitor the economic capital in Jyske Bank's market-risk positions, a parametric Value-at-Risk (VaR) approach is used, based on an improved RiskMetrics model. In addition to its trading portfolio, Jyske Bank holds a number of equity portfolios primarily relating to financial-sector shares within mortgage credit, financial infrastructure and payment services. The economic capital for these positions is calculated according to a method analogue to the PD/LGD method, known from the CRR rules.

For operational risk, a portfolio model is used that is based on Monte Carlo simulation. The calculations make use of data from scenario analyses in the form of assessments of loss frequency and size/distribution of losses for each scenario.

Jyske Bank applies an own-developed model for calculation of economic capital for business risk. The model is based on Jyske Bank's past earnings capacity and provides a picture of risk on the basis of the environment that Jyske Bank operates in at the given time. The model involves risk factors that are presumed to affect the general business conditions in the sector and at the same time it allows for the possibility that the Group's position in the market may change.

## Remuneration

The pay policy at Jyske Bank is based on common sense and efficient risk management and applies to all companies in the Group. Jyske Bank has therefore opted out of using actual bonus schemes with variable salaries.

The Group's remuneration policy, annual report on remuneration, policy on human diversity and also its report on corporate governance are available at [investor.jyskebank.com/investorrelations/governance](http://investor.jyskebank.com/investorrelations/governance). The number of directorships of the Supervisory Board and the Executive Board appears from Jyske Bank's Annual Report.

## Reports from the Danish Financial Supervisory Authority

In the course of 2014, the Danish FSA conducted a number of inspections at Jyske Bank. Jyske Bank has adjusted its risk management to the extent necessitated by the FSA's reports.

### INSPECTIONS FROM THE DANISH FSA IN 2014

Risk weighting of special loans to personal clients.	The FSA assesses that preconditions for the use of the special risk weighting for QRRE are not met. This assessment applies generally to all Danish IRB banks, and subsequently Jyske Bank has given up the use of special risk weighting in the area.
Joint funding	The FSA inspected Jyske Bank's joint funding with BRFkredit focusing on compliance with the rules on placement, control of separation and settlement of incoming payments. The inspection did not give rise to any reactions on the part of the FSA.
Asset quality review and stress testing	At the request of the European Banking Authority (EBA), the FSA carried out, over the first nine months of 2014, an Asset Quality Review – AQR at Jyske Bank and a related stress test. For a more detailed description of the results of the AQR, please see the section on credit risk. Moreover, the FSA ordered Jyske Bank to expand its business procedures for the valuation of commercial property. The Group has taken note of the order.
Thematic inspection in respect of market risk	The FSA conducted a thematic inspection at Jyske Bank A/S on the bank's calculation and reporting of earnings and risk in its business areas in respect of market risk. It is the assessment of the FSA that Jyske Bank A/S in a satisfactory manner calculates earnings and risk in respect of market risk and that information of earnings relative to risk forms part of the periodic management reporting in a satisfactory manner.
Inspection in respect of liquidity	The FSA conducted an inspection of Jyske Bank A/S with a view to assessing liquidity and funding risks in relation to the Group's banking activities. The FSA found that generally Jyske Bank A/S' liquidity management is sound and its funding structure is well-diversified. The FSA did, however, assess that the bank's contingency plan for liquidity was not sufficiently detailed and exhaustive. The Group has taken note of the order.

## Supervisory diamond

The supervisory diamond defines a number of special risk areas including specified limits that institutions should generally not exceed. The supervisory diamond limits applicable to Jyske Bank A/S and BRFKredit a/s are shown below.

THE SUPERVISORY DIAMOND FOR JYSKE BANK A/S		
	2014	2013
Sum of large exposures < 125% of the adjusted capital base	0%	0%
Increase in loans and advances < 20% annually	9%	5%
Exposures to property administration and property transactions < 25% of total loans and advances	7%	8%
Stable funding < 1	0.72	0.73
Liquidity surplus > 50%	129%	150%

At end-2014, Jyske Bank A/S met all the benchmarks of the supervisory diamond.

THE SUPERVISORY DIAMOND FOR BRFKREDIT A/S	
	2014
<b>Concentration risk &lt; 100%</b>	76.4%
<b>Increase in loans and advances &lt; 15% annually in the segment:</b>	
Owner-occupied homes and vacation homes	9.1%
Residential rental property	4.0%
Agriculture	-6.9%
Other sectors	2.7%
<b>Borrower's interest-rate risk &lt; 25%</b>	
Residential property	27.0%
<b>Interest-only schemes &lt; 10%</b>	
Owner-occupied homes and vacation homes	11.5%
<b>Loans with frequent interest-rate fixing:</b>	
Refinancing (annually) < 25%	27.5%
Refinancing (quarterly) < 12.5%	19.4%

At end-2014, BRFKredit a/s met the supervisory diamond's benchmarks for lending growth and concentration risk. As a whole, the sector exceeds the mean value for the three benchmarks mentioned last. On an on-going basis, BRFKredit a/s reviews the institution's positions relative to the benchmarks before they take effect in 2018 and 2020. The benchmark for loans with a short-term interest rate is described further in the chapter on liquidity risk.

## Capital management

The objective of capital management is to optimise the Group's capital structure given the adopted risk profile.

### Capital management objective and capital structure

On 1 January 2014, the capital requirement regulation, CRR, replaced the former capital adequacy rules. The CRR means the phasing in of increasing capital base requirements over the coming years. The table below shows the phasing in of the capital base requirements.

CAPITAL BASE REQUIREMENTS					
%	2015	2016	2017	2018	2019
Common Equity Tier 1 capital	4.5	4.5	4.5	4.5	4.5
Hybrid core capital	1.5	1.5	1.5	1.5	1.5
Supplementary capital	2.0	2.0	2.0	2.0	2.0
SIFI	0.3	0.6	0.9	1.2	1.5
Pillar II	2.5	2.5	2.5	2.5	2.5
Capital conservation buffer	0.0	0.6	1.3	1.9	2.5
Countercyclical buffer	0.5	1.0	1.5	2.0	2.5
<b>Total</b>	<b>11.3</b>	<b>12.7</b>	<b>14.2</b>	<b>15.6</b>	<b>17.0</b>

In 2014, Jyske Bank was designated a systemically important financial institution (SIFI). The designation entails the phasing in of a SIFI buffer to the capital base requirement that reflects the Group's systemic importance. When fully phased in, the requirement will amount to 1.5% for the Group, cf. the table.

The Pillar II requirement of 2.5% is not statutory but institution specific. Jyske Bank estimates that the requirement will be in the range of 1.5% to 3.0% over the coming years.

The countercyclical buffer is stated in the form of the highest possible requirement. For 2015 and 2016, the Danish Ministry of Business and Growth has set a countercyclical buffer of 0%.

Jyske Bank's capital management objective as well as its risk appetite is to reach a solvency ratio sufficient for the Group to continue its lending activities during a period of difficult business conditions. Solvency adequacy is assessed on the basis of both internal and statutory capital base requirements.

Jyske Bank's long-term capital management objective is a capital ratio of 17.5% and a Common Equity Tier 1 capital ratio of 14%. At these levels, Jyske Bank will have a safe distance to the capital base requirements and will at the same time have the required strategic scope in respect of its capital structure. At end-2014, the Group met both of these targets due to its Common Equity Tier 1 capital ratio of 15.3% and a capital ratio of 16.4% in the light of the economic situation without a countercyclical buffer of 2.5%.

CAPITAL AND CORE CAPITAL RATIOS		
%	2014	2013
Capital ratio (%)	16.4	16.0
Core capital ratio (%)	15.8	15.9
Common Equity Tier 1 capital ratio (%)	15.3	15.3

### Capital base

At end-2014, the Common Equity Tier 1 capital amounted to 93% of the capital base against 96% at end-2013. The continued high proportion of Common Equity Tier 1 capital in the capital base is in line with Jyske Bank's wish to achieve the highest quality possible of its capital base.

CAPITAL BASE		
DKKm	2014	2013
Equity	27,561	17,479
Revaluation reserve	-	-361
Intangible assets	-113	-71
Deferred tax assets relating to intangible assets	26	-
Cautious valuation	-256	-
Deferred tax assets	-198	-
Other deductions	-64	-
<b>Common Equity Tier 1 capital</b>	<b>26,956</b>	<b>17,047</b>
Hybrid core capital	993	1,303
Diff. between expected losses and impairment charges	-	-55
Deduction for equity investments above 10%	-	-550
Other deductions	-57	-3
<b>Core capital</b>	<b>27,892</b>	<b>17,742</b>
Subordinated loan capital	324	336
Revaluation reserve	-	361
Diff. between expected losses and impairment charges	709	-
Collective impairment under the standard approach	65	-
Deduction for equity investments above 10%	-	-550
Other deductions	-	-3
<b>Capital base</b>	<b>28,990</b>	<b>17,831</b>
<b>Total risk-weighted exposure</b>	<b>176,433</b>	<b>111,276</b>

Situations may arise necessitating a transfer of capital between the companies in the Group. The only limitation preventing a quick transfer of capital base from subsidiaries to the parent company is the circumstance that BRFKredit and the foreign subsidiaries are subject to CRR. Therefore the transfer of capital base must take place subject to the capital base requirements of the individual subsidiaries and a transfer of capital base may require the prior approval by the FSA. There are no obstacles for a quick repayment of claims between parent company and subsidiaries.

The capital base is specified in further detail according to the requirements as per the CRR on [investor.jyskebank.com/investorrelations/capitalstructure](http://investor.jyskebank.com/investorrelations/capitalstructure).

## Capital base requirements

The capital base requirements in the table below express the regulatory requirements and rest on the risk types credit, market and operational risk. Jyske Bank has been approved to apply the advanced internal rating-based approach (AIRB) to the measurement of credit risk. The approval extends to the application of advanced methods for calculation of the capital base requirement for the main part of the Group's credit portfolio.

The capital base requirements for market risk and operational risk are stated according to the standardised approaches.

The development of the capital base requirements for credit risk, market risk and operational risk is outlined in the table below and described in the chapters on the individual risks. The capital base requirements amount to 8% of the total risk-weighted exposure (REA).

CAPITAL BASE REQUIREMENTS BY RISK TYPE		
DKKm	2014	2013
Credit risk	11,038	6,488
Market risk	1,713	1,415
Operational risk	1,364	999
Capital base requirement, Pillar I	14,115	8,902
Capital base requirement, transitional rules	2,111	79
<b>Total</b>	<b>16,226</b>	<b>8,981</b>

Due to the transitional rules that are still applicable and that relate to the former capital adequacy rules, the capital base requirement increased by DKK 2,111m in 2014 due to the portfolio mix after the merger with BRFKredit.

## Leverage ratio

A high leverage may cause the Group to be exposed to risks linked to sudden changes in market conditions and significant price falls on assets with ensuing losses. The CRR introduces the leverage ratio, which is a risk-neutral measure for the maximum extent of the balance-sheet leverage.

The leverage ratio is calculated as core capital relative to the Group's total non-weighted exposures.



At this point in time, no statutory requirement has been established based on the leverage ratio, but the decision on such a requirement must be taken by the end of 2016. A requirement of a maximum leverage ratio will, if necessary, be introduced to take effect as of 2018. So far, an indicative benchmark of 3% has been stated, corresponding to a maximum leverage of 33 times the Group's core capital.

The Group Supervisory Board has adopted a policy for maximum leverage. To ensure a satisfactory development of the balance sheet, the Group's balance sheet is considered in two sub-portfolios as it is assessed that the Group's banking and mortgage activities have different adequate leverage levels. The banking activities of the Group involve a higher risk in respect of liquidity and capital than do the Group's mortgage activities, and therefore a higher acceptable leverage is applied to the mortgage activities than to the banking activities.

Jyske Bank monitors the leverage with a view to avoiding excessive leverage risk. The development of the leverage ratio is determined monthly and any adjusting actions are discussed with due regard to the Group's strategy and capital structure. The development of the levels of leverage in the Group is reported on a quarterly basis to the Group Supervisory Board and the Group Risk Committee.

At the end of the fourth quarter of 2014, the leverage ratio for the Group was at 5.0%. The calculation of the leverage ratio was made according to current guidelines in the CRR at the end of 2014 and was based on end-of-year figures.

Due to the strategic focus on home loans, the leverage ratio in the Group has been decreasing over the past year. There is, however, still a satisfactory distance to the Group's lower limit for the leverage ratio.

### **ICAAP and individual solvency requirement**

Jyske Bank's ICAAP (Internal Capital Adequacy Assessment Process) forms the basis of the assessment of Jyske Bank's capital structure and hence the determination of the Group's adequate capital base as well as its individual solvency requirement. The assessment is based on the current relation between the Group's risk profile and capital structure as well as forward-looking considerations that may affect this.

Stress tests are used to model the micro- and macro-economic factors to which Jyske Bank is exposed.

### **Internally calculated adequate capital base**

The internally calculated adequate capital base expresses Jyske Bank's own assessment of the capital requirement given the Group's risk profile. Measurement of the internally calculated adequate capital base rests on Jyske Bank's internal models for measuring economic capital, which comprise the risk types for which the Group wishes to set capital aside: credit risk, market risk, operational risk and business risk. In this way, the Group's own data, experience and management are reflected.

Throughout the ICAAP, analyses are carried out for each risk type addressing qualitative as well as quantitative elements with regard to monitoring and ongoing quality assurance, including extensive evaluation of model assumptions. The analyses cover relevant risk factors within each risk type in accordance with current legislation.

Based on the calculation of economic capital, it is also assessed whether any considerable circumstances have not been addressed by the calculation model or for which, by way of precaution, funding is desirable. In that case, additional capital will be set aside. The additional capital addresses the uncertainty relating to specific circumstances and the model setup.

In respect of credit risk, a precautionary buffer will be 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.

In connection with Jyske Bank's agricultural portfolio a capital addition will be made to allow for the uncertainty in the sales conditions due to the Russian embargo. Moreover, capital additions are made for the uncertainty relating to the determination of maturities for corporate clients with poor credit quality.

To cover any potential future CVA losses, capital additions are made for future deterioration of credit quality among counterparties as this issue is not covered by the economic capital model.

As the fair value of the held-to-maturity bonds exceeds the amount recognised, a deduction is calculated in the internally calculated adequate capital base.

According to the CRR, the difference between the accounting-related provisions and value adjustments, on the one hand, and the expected loss on the AIRB portfolio calculated by the model, on the other, is added. The currently positive difference can primarily be ascribed to the clarification of the impairment rules resulting in an increase in the indication of impairment. However, the rules have not per se affected Jyske Bank's risk, but as the Group's solvency should take the current accounting principles into consideration, corrections are made for this in the internally calculated adequate capital base.

The capital additions for market risk relate to circumstances that are not addressed by the applicable model as well as circumstances addressing the uncertainty in the model.

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.

As a forerunner to the CRR counter-cyclical buffer, capital additions are made in good times and are applied in bad times. This capital addition is phased out as the counter-cyclical buffer is phased in.

Moreover, capital additions are made for BRFkredit, which is not yet included in economic capital. The capital addition is identical to BRFkredit's solvency requirement adjusted for inter-company eliminations. BRFkredit applies the 8+ method when determining the institution's solvency requirement.

A precautionary addition is made to allow for uncertainty in the general assessment of the adequate capital base.

Finally, Jyske Bank's ability to generate a profit is also considered when assessing the internally calculated adequate capital base. The reason is that the on-going earnings are the first line of defence against investors suffering losses.

On the whole, the internally calculated adequate capital base mirrors the negative retained earnings/profit in a most extreme situation.

## Adequate capital base according to the 8+ method

The FSA assesses an institution's adequate capital base on the basis of the so-called 8+ method. This approach is based on the assumption that the requirement of 8% of the risk-weighted exposure will cover the institute's ordinary risks. In a number of respects, benchmarks are defined for the assessment of whether additional capital in excess of 8% is necessary, and also in some respects methods are stated for the calculation of the additional capital.

As a supplement to Jyske Bank's internally calculated adequate capital base, Jyske Bank calculates the adequate capital base according to the 8+ method. The calculation is shown below.

ADEQUATE CAPITAL BASE ACCORDING TO THE 8+ METHOD				
DKKm	2014	% of REA	2013	% of REA
Credit risk	15,051	8.5	8,350	7.5
Market risk	1,813	1.0	1,515	1.4
Operational risk	1,364	0.8	999	0.9
Other	313	0.2	89	0.1
<b>Total</b>	<b>18,541</b>	<b>10.5</b>	<b>10,953</b>	<b>9.8</b>

It appears from the table that capital additions corresponding to 2.5% of the total risk-weighted exposure have been made. The table below shows which capital additions have been made.

## CAPITAL ADDITIONS ACCORDING TO THE 8+ METHOD

### Credit risk

- Credit risk for clients with financial problems
- Excessive impairment charges relative to expected loss
- CVA risk (non-financial counterparties)
- Credit risk concentration on individual exposures
- Credit risk concentration on adjustable-rate loans
- Model uncertainty

### Market risk

- Volatility addition

### Liquidity risk

- Funding in a stress situation

### Other

- Lending growth

## Individual solvency requirement and capital buffer

The individual solvency requirement for Jyske Bank is determined as the higher of the requirements based on Jyske Bank's internally calculated adequate capital base, the adequate capital base according to the FSA's 8+ method as well as statutory limits. At end-2014, the Group determined an individual solvency requirement of 10.9%, equalling the solvency requirement according to the method of internal calculation.

The table below shows the contributions of the individual risk types to the adequate capital base.

DETERMINATION OF INDIVIDUAL SOLVENCY REQUIREMENT				
DKKm	2014	% of REA	2013	% of REA
Credit risk	15,587	8.8	8,894	8.0
Market risk	1,673	0.9	770	0.7
Operational risk	981	0.6	506	0.4
Other	1,063	0.6	783	0.7
<b>Total</b>	<b>19,304</b>	<b>10.9</b>	<b>10,953</b>	<b>9.8</b>

The adequate capital base for Jyske Bank A/S, BRFKredit a/s and BRFKredit Bank a/s is stated in appendices.

The capital buffer denotes the maximum sustainable loss without the need for additional capital. Jyske Bank's large proportion of Core Tier 1 capital cements the quality of the total capital. The capital buffer of 5.5 percentage points offers a satisfactory basis for continuing growth.

ADEQUATE CAPITAL BASE AND CAPITAL BUFFER				
DKKm	2014	% of REA	2013	% of REA
Capital base	28,990	16.4	17,831	16.0
a) Core capital	27,892	15.8	17,742	15.9
Of which hybrid capital	993	0.6	1,303	1.2
Of which hybrid capital after deductions	936	0.5	695	0.6
b) Supplementary capital	1,098	0.6	89	0.1
Adequate capital base	19,304	10.9	10,953	9.8
<b>Capital buffer</b>	<b>9,686</b>	<b>5.5</b>	<b>6,878</b>	<b>6.2</b>

## Capital contingency plan

Jyske Bank's capital contingency plan has two main purposes:

- To identify indicators that the Group is in a situation where additional capital is required.
- To outline possible actions if this situation should arise.

Jyske Bank's capital contingency plan includes indicators such as the Group's rating, the solvency development in stress scenarios as well as the Group's solvency compared to the solvency requirements and capital buffers set out in the CRR. Jyske Bank's management has accepted the obligation to define the level of solvency, should one or more of the indicators exceed a critical level. This might be reduction of risk and/or increase in capital base.

## Stress test

Stress testing is an important element in Jyske Bank's approach to projecting the adequate capital base and relevant individual solvency requirements. Moreover, stress tests are suitable to assess the Group's capital management objective in a future perspective.

Stress testing is used in a number of respects. Stress testing characterised as sensitivity analyses of the impact on the risk measurement from various parameters is applied as is extensive scenario-based stress-testing of the importance of cyclical changes. Furthermore, reverse stress testing is carried out with a view to testing the Group's capacity for loss.

An objective of the stress-test analyses is to gauge whether the future risk level of a certain scenario can be covered by capital, given the Group's earnings, capital policy and management objective as well as its risk profile. The results of the stress-test analyses are also used, for instance, to assess whether the capital level and the quality of the capital suffice and consequently whether it is necessary to implement the Group's capital contingency plan.

# Capital management

It is therefore crucial to determine the circumstances against which the Group wishes to hold capital. Another objective is to estimate the individual solvency requirement. In accordance with regulation, the estimate must at the least be made following stress tests based on a mild recession scenario.

## Scenarios

The stress-test analyses rest on various macroeconomic scenarios. These include a scenario of the expected development as well as scenarios of various stages of recession in the Danish economy. The definition of recession scenarios rests on assessments of the areas deemed to be most at risk and on the circumstances that are of the highest importance for the Group's exposure to risk at the time. Examples of scenarios applied appear below.

## Processes and models

The scenarios play a key role in the projection of the consolidated profit, balance sheet and capital structure. The scenario projections are based on model-based calculations as well as expert assessments. Hence interaction of the methods is ensured, as past experience from the model-based approach is combined with considerations about Jyske Bank's current business structure and risk profile. The scenario projections offer a broader overview of the Group's sensitivity to the economic development.

Reverse stress testing is applied as an important supplement and in order to put the regular stress tests into perspective. Contrary to regular stress tests, reverse stress testing is not based on a scenario, instead it assesses how strong an economic downturn the Group can withstand, in respect of its solvency.

APPLIED SCENARIOS		2015 - 2017
Expected scenario	The expected scenario describes a development of slow growth. The Danish economy is improving slowly, but an actual recovery is not the case. It is expected that unemployment will fall slightly over the coming three years and house prices will increase moderately. Interest rates are expected to stay at a low level.	
Stress scenario	The stress scenario implies that the economy slides into a deep recession. A significant weakening of the confidence among Danish enterprises and households will result in a decrease in private consumption and the housing market will be affected by steep price drops. Another setback in the global economy will also reduce demand, leading to falling exports. Interest rates are expected to stay at low levels.	

DEVELOPEMENT IN KEY MACROECONOMIC VARIABLES (DENMARK)							
	Expected scenario			Stress scenario			
	2015	2016	2017	2015	2016	2017	
GDP	1.2%	1.6%	1.7%	-4.4%	-0.9%	1.5%	
Private consumption	1.0%	1.4%	1.8%	-3.5%	-2.7%	1.4%	
Unemployment rate (gross)	4.6%	4.4%	4.0%	6.3%	9.5%	9.5%	
Housing prices	3.0%	3.5%	4.0%	-12.5%	-8.0%	0.0%	
Money-market rate (average for the year)	0.3%	0.4%	0.5%	0.2%	0.2%	0.3%	
Bond yield (average for the year)	1.0%	1.5%	2.0%	1.3%	1.6%	1.7%	

## Processing of results

The stress scenario results in deterioration of the earnings capacity and in a higher level of risk. Either of these elements reduces the gap between the actual and the adequate capital base in relation to the expected scenario.

In spite of recent years' crisis, core earnings, and particularly the interest income, showed robust development and were able to absorb large loan impairment charges and provisions for guarantees.

Despite the large impairment charges under the stress scenario, the outcome of the analyses of the stress scenario shows that both solvency and core capital will remain at a satisfactory level even under a very tough stress scenario.

## External stress testing

Stress testing of credit institutions is used to an increasing degree, both nationally as well as internationally. In addition to the stress testing applied internally, Jyske Bank also participates in stress testing facilitated by the FSA, the EBA and the International Monetary Fund. In 2014, Jyske Bank participated in the most comprehensive EBA stress test so far. In addition to the actual stress test, this test also included an assessment of the quality of Jyske Bank's assets. As expected, the Danish banks that participated in the stress test did well. In terms of core capital ratio in the stress scenario, Jyske Bank came out best among the Danish participants, which confirms the Group's sound capital structure.

## New legislation

In 2014, the new capital requirements regulation, CRD IV/CRR took effect. CRR is a comprehensive set of rules that implements the Basel III rules in Europe, and it includes a large number of clarifications and tightening of the former capital adequacy rules. The general purpose of CRR is to strengthen the capital structure of the European credit institutions. Even though the rules include a large number of transitional provisions in effect until 2022, Jyske Bank does already today meet all material new capital adequacy requirements. In addition to Basel III, the Bank for International Settlements continues its work to ensure further strengthening of the capital structure of the institutions. At this point in time, Jyske Bank is cognisant of the following material initiatives:

- MREL (minimum requirement for own funds and eligible liabilities) and TLAC (Total Loss Absorbency Capacity) are both concepts introduced to ensure that financial institutions in crisis can be wound up without losses for the tax payers. Both concepts imply that financial institutions must have sufficient equity and liabilities that can be converted into new share capital in the event of a situation where the institution cannot survive without a new capital injection. Hence, in such a bail-in situation, senior lenders will have their loans converted to new shares in the credit institution. Depending on the wording of the new requirements, they may result in minor changes to Jyske Bank's capital and funding structure.
- A debt buffer of 2% of the total non-weighted loans will mid-2015 be a requirement for mortgage credit institutions, however with a phase-in period until 2020. The debt buffer requirement will ensure better possibilities for a mortgage credit institution to handle crises. The requirement will be met through Common Equity Tier 1 capital, Additional Tier 1 Capital, Tier 2 Capital and unsecured senior debt that has not already been applied to meet the requirement of the capital base, the individual solvency requirement or the combined capital buffer requirement.
- Several proposals have gone out for consultation regarding the new method for the calculation of market risk, but it is still premature to know which proposals will be adopted and which effects these will then have for Jyske Bank.
- The Bank for International Settlements has submitted for consultation a first draft for a new standardised approach for the determination of credit risk. The new standardised approach will only be of indirect importance to Jyske Bank, which is approved to use the advanced approach, as the so-called Basel I floor, which is a capital base requirement applying to all advanced banks, must in future perhaps be calculated on the basis of the new standardised approach. As the new standardised approach has only been submitted for consultation, it is still too early to know to which extent it will increase Jyske Bank's capital requirement.
- Liquidity Coverage Ratio is a new minimum requirement to be used when determining the ratio between short-term assets and equity and liabilities in order to secure a satisfactory liquidity ratio.
- Net Stable Funding Ratio or the requirement for stable funding is a new key ratio with the purpose of ensuring that the credit institutions meet certain minimum requirements in connection with their long-term provision of liquidity.

Already today, Jyske Bank meets the majority of the known new initiatives and needless to say the Group follows closely the work to complete further initiatives so that the Group can take due care to adjust its liquidity and capital structure to new future requirements.

## Credit risk

- The total exposure is doubled, chiefly due to the merger with BRFKredit and also due to the continuing positive development in respect of the new home loans.
- Due to the new capital adequacy rules, the capital base requirement for credit risk has increased significantly, which in respect of solvency is offset by the improved capital base.
- In 2014, the capital base requirement for credit risk rose by 68%.

### Credit policy and responsibility

Jyske Bank's Group Supervisory Board lays down the overall guidelines for credit granting within the Group, and the largest exposures are presented to the Group Supervisory Board for approval. The Group Supervisory Board delegates limits to the members of the Group Executive Board.

Credit risk is managed through Jyske Bank's credit policy, of which the objective is to keep Group risk at an acceptable level in relation to the capital base and business volume of the Group, given the general trend in the Danish economy. Client transactions with the Group must generate a satisfactory long-term return according to RAROC principles.

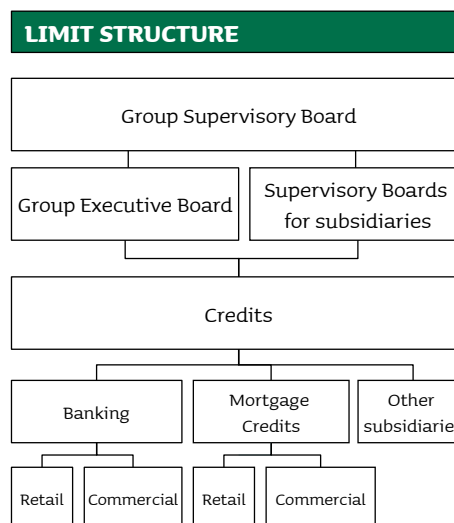
Specific credit policies have been formulated for all areas in which the Group assumes credit risk, and credit risk levels and undesirable types of business have been identified. The policies are regularly adjusted to meet current requirements and adapted to the management tools available to account managers and the monitoring functions.

Credit risk is managed on the basis of the Group's credit risk models which are used for various purposes, for instance in connection with the advisory services offered to the Group's clients, and in management reporting.

### Limits and authorisation

Jyske Bank attaches great importance to its decentralised credit-authorisation process.

The limit structure is in line with the below hierarchy, where for each level it is clearly stated which amounts, instances and segments are covered by the limit. The main principle is that regularly occurring credit cases can be authorised decentrally, whereas credit-related decisions for major or more complicated cases are authorised centrally - in respect of bank loans as well as mortgage loans.



Limits are delegated to account managers individually on the basis of perceived competence and need. Decisions about applications over and above the limits delegated to account managers are made by the Credit unit. Credit-related decisions above Credit's limits are made by the Group Executive Board for credit cases at Jyske Bank A/S, whereas the Supervisory Boards of the individual subsidiaries authorise cases involving clients of the subsidiaries.

### The credit process and monitoring

Together with policies and business procedures, the credit processes form the basis ensuring that the granting of credit is based on sound risk taking and the highest degree of loss minimisation.

The basis of each authorisation of credit is the client's ability to repay the loan. A central element in the assessment of the creditworthiness of corporate clients is their ability to service debt out of cash flows from operations in combination with their financial strength. In respect of personal clients, their debt servicing ability, as reflected in budgets and disposable income (before and after the raising of the loan), is decisive.

The extent of data and analyses depends on the client's financial situation and the complexity of the case and may therefore vary from case to case.

The provision of collateral is a material element in credit granting in order to minimise the Group's future losses. In respect of mortgage loans, real property is always mortgaged.

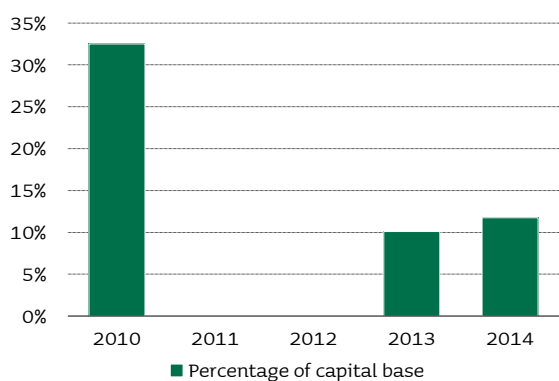
All the Group's credit risk positions are monitored by two departments, Capital and Risk as well as Credit Risk Supervision. Both of these are departments separate from client-oriented functions. The exposure of the Group by size, sector and geographical area is monitored and analysed on an on-going basis with a view to reducing the risk associated with specific high-risk sectors and geographical areas and ensuring satisfactory diversification of the portfolio.

Monitoring is executed by means of quantitative models: the credit quality of each branch is monitored, and selected large commitments are reviewed. Moreover, risk monitoring includes qualitative as well as quantitative control of data used in risk and RAROC calculations.

### Large exposures

Large exposures are monitored on a regular basis in accordance with CRR, including exposures larger than 10% of the Group's capital base. At end-2014, the Group had one exposure amounting to more than 10% of the capital base. This was an exposure to one large Danish financial group and amounted to 10.7%. Two exposures amounted to between 5% and 7.5% and one exposure between 7.5% and 10% of the capital base.

#### Sum of exposures in excess of 10% of the capital base



### Risk models

Jyske Bank as well as BRFkredit have been approved to use the advanced AIRB approach for credit risk and have since 2008 used the advanced approach to calculate the capital base requirement for the majority of the Group's credit portfolio. The Group makes exceptions for exposures to governments and public sector entities, central banks and institutions, which are therefore processed according to the standardised approach. In connection with the merger of Jyske Bank and BRFkredit, an on-going adjustment of the AIRB risk models across the Group will take place if this is expedient on the basis of a business assessment or due to statutory requirements.

In the credit modelling, key parameters are the client's probability of default as well as the extent of the client's exposure and collateral provided at the time of default.

### Credit assessment and PD

Credit procedures are adjusted to match the level of risk on individual exposures. The key element is the client's credit quality, referred to as credit rating at Jyske Bank and rating at BRFkredit, as this expresses the probability of the client defaulting over the coming year (PD). 'Default' occurs when an obligor is considered unlikely to meet his obligations to the Group. By far, most clients are awarded a PD on the basis of statistical credit scoring models developed internally in the Group. Very large enterprises and enterprises within special sectors are, however, awarded a PD on the basis of an assessment by an independent expert. Examples are financing companies, financial institutions and central governments. In those cases, external ratings, if available, will primarily form the basis of the internal credit rating of the client.

Many factors are relevant for the calculation of a client's PD. Specific factors relating to the client are considered, but factors relating to the situation of the client are also taken into account. The calculation of PD therefore takes into account financial data, changes in transaction data, management and market circumstances, industrial assessments, etc. Also included are specific danger signals in relation to the client's credit quality, payment profile and loss history.

In order to reach the best possible overview of client credit quality, PD is mapped into internal credit ratings at Jyske Bank. Jyske Bank's credit ratings are on a scale from 1 to 14, 1 being the highest credit quality (the lowest PD) and 14 the lowest credit quality (the highest PD). The scale is constant over time so that clients migrate up or down depending on their PD.

PD-level adjustments relative to the actual development of the default rate are made quarterly. The adjustment is made partially relative to the long-term average, which method is termed a PD hybrid model.

At BRFkredit, the PD is translated into 9 rating classes, where rating class 9 designates clients in default. Work is undergoing to harmonise the number of rating classes in the Group.

Below is shown the mapping between credit ratings, BRF rating, PD as well as external ratings at end-2014.

INTERNAL RATINGS AND PD BAND			
JB Credit rating	BRF rating	PD band (%)	External rating equivalence
1		0.00 - 0.10	Aaa-A3
2	1	0.10 - 0.15	Baa1
3		0.15 - 0.22	Baa2
4		0.22 - 0.33	Baa3
5	2	0.33 - 0.48	Ba1
6		0.48 - 0.70	Ba2
7	3	0.70 - 1.02	Ba3
8		1.02 - 1.48	B1
9	4	1.48 - 2.15	B1-B2
10	5	2.15 - 3.13	B2
11		3.13 - 4.59	B3
12	6	4.59 - 6.79	Caa1
13		6.79 - 10.21	Caa2
14	7 and 8	10.21 - 20.00	Ca / C

Note: BRF's rating class 8 may include PDs above 20%.

The Group's internal credit ratings and the mapped BRF ratings aim to assess the credit risk in a one-year perspective, while external ratings (Aaa - C) aim to assess the credit risk in a longer perspective. The mapping between the internal credit ratings, BRF rating and the external credit ratings is based on the currently observed default frequency for companies rated by BRFkredit and Moody's. The mapping between JB credit rating, BRF rating and external ratings is therefore dynamic. Observations are made on at least a quarterly basis to determine whether changes are to be made in the mapping.

If the credit rating calculated by the model is considered to be inadequate, independent credit experts may review the credit rating of corporate clients at the request of the relevant account manager.

## Credit exposure

Credit exposures are quantified by means of EAD. EAD reflects the exposure at default in the event of the client defaulting in the course of the next twelve months. A client's overall EAD depends on client-specific factors and the specific products held by the client. For most product types, EAD is calculated on the basis of statistical models, while a few product types are based on expert models.

For loans with a fixed principal, the only element of uncertainty is the time until possible default. Uncertainty is higher, however, for credit facilities under which the client may draw up to a maximum. In those cases the amount drawn by the client at the time of loss is decisive. This can be modelled by means of client-specific factors and the circumstances surrounding the exposure.

Guarantees and credit commitments are special products inasmuch as a certain event must take place before they are utilised. It is therefore material to assess the probability and the extent of utilisation of the product in the event of the client defaulting within the next twelve months. In this regard, the EAD parameters are based mainly on expert assessments: the Group has recorded very few default events over time, so the available data are too meagre for statistical modelling as such. In respect of guarantees, there is a sufficient body of data for statistical modelling.

In respect of financial instruments, EAD is measured according to the market-value method for regulatory calculation, while for internal management purposes, the more advanced EPE method is used - for further details about both methods, please see the section on counterparty risk.



### Collateral

With the objective of limiting credit risk, the need to demand collateral will be considered for each exposure on its merits. As a main rule, clients are required to provide full or partial collateral for their exposures. The Group's mortgage loans are always secured by mortgages on immovable property, and also in a large number of cases, guarantees are provided by third parties in connection with cooperation with other financial institutions. In connection with loans for social housing, guarantees are provided by municipalities and the state.

Collateral received is a main element of the Group's assessment of Loss Given Default (LGD). LGD is the part of the Group's total exposure to a client which the Group expects to lose in the event of the client defaulting within the next twelve months. A client's LGD depends on specific factors concerning the client, but also on the commitment and the collateral provided. Overall, LGD also depends on Jyske Bank's ability to collect receivables and liquidate collateral.

The modelling of LGD at the Group is divided into two main areas: The part of the account that is secured by collateral and the unsecured part. With unsecured debt, the proportion of a client's unsecured debt which the Group will be able to collect is estimated. Client-specific circumstances and other circumstances with regard to the commitment are decisive for LGD. For the secured debt, the expected proceeds from liquidation of collateral are estimated. Here the type of collateral held by Jyske Bank is decisive as well as the liquidity of the assets. Where comparatively rare assets are concerned, an expert estimate of the proceeds is obtained, whereas statistical estimates are used for more frequent asset classes such as vehicles, real estate and securities. Also, on-going adjustments are taking place of the risk models for calculation of the expected proceeds on the basis of business requirements or due to new statutory requirements.

The models relating to real property and vehicles include on-going updating of the collateral value, taking into account, among other things, market-related changes in value, ranking of the loan and wear and tear. The on-going updating of the values of real property will also ensure compliance with the requirements relating to the monitoring of LTV limits of the SDO loans according to the rules on possible, further supplementary capital.

In the calculation of the capital base requirement, LGD estimates are used which reflect the expected loss rates of the Group in the event of an economic slowdown. The levels of loss have been calibrated to the period at the end of the 1980s and the beginning of the 1990s. LGD estimates are calculated on the value of the collateral applied to lower credit risk.

### Development in capital base requirements

The development in the exposures and hence the risk-weighted exposure for credit risk at Jyske Bank was in 2014 affected by several circumstances:

- The merger with BRFkredit.
- Implementation of new capital adequacy rules - including totally new capital-intensive issues.
- Continuing growth in new home loans.

EAD AND RISK-WEIGHTED EXPOSURE FOR CREDIT RISK			
DKKm	2014	2013	Change in percentage
EAD	495,031	241,092	105%
Risk-weighted exposure for credit risk	136,113	81,105	68%

Note: The risk-weighted exposure is exclusive of CVA risk, which at end-2014 amounted to DKK 1,860m.

The merger with BRFkredit has doubled the total exposures of the Group, but as mortgage loans are characterised by a high degree of provision of collateral, the risk-weighted exposure has not increased correspondingly.

The implementation of new capital adequacy rules has affected the calculation of the risk-weighted exposure in several ways. The most material changes relate to:

- The requirement to use external ratings for the measuring of risk for exposures to government and institutions.
- Changed set-up for the processing of shares outside the trading portfolio.
- Discount to exposures to small and medium-sized enterprises (SME) where risk-weights are revised down.

On the whole, the new capital adequacy rules have resulted in an increase of the risk-weighted exposure, yet this has, in respect of solvency, been more than offset by an improved capital base, chiefly due to changed rules for deductions of material holdings in other financial enterprises.

The successful sale of new home loans in 2014 contributed to an increase of almost 12% in the exposures of the Group. Sales took place through Jyske Bank's branches, but the subsequent funding took place at BRFkredit through the joint funding agreement. This growth is reflected in the total value of collateral provided for home loans granted by the Group as the home loans are established against security in the properties in question.

The capital base requirement has increased by 72% on the basis of the AIRB approach and by almost 37% based on the standardised approach.

Below is shown the development of the Group's capital base requirements broken down by the exposure classes that were introduced in the new capital adequacy rules. Because of the new exposure classes and also the changed risk weighting, a comparison with 2013 is difficult, and therefore the 2013 figures are shown in aggregate form.

<b>CAPITAL BASE REQUIREMENT (STANDARDISED APPROACH)</b>	
DKKm	<b>2014</b>
Central governments or central banks	-
Regional governments or local authorities	-
Public sector entities	0
Multilateral development banks	-
International organisations	-
Institutions	434
Corporates	187
Retail	216
Secured by mortgages on immovable property	104
In default	57
Exposures associated with particularly high risk	1
Covered bonds	47
Institutions with a short-term credit assessment	10
Equity	408
<b>Total 2014</b>	<b>1,464</b>
Total 2013	1,070

The standardised approach is very much affected by the new capital adequacy rules - both in respect of new exposure category divisions and the changed risk weighting. In addition to the previously mentioned changed weighting of governments, institutions and shares outside the trading portfolio, an extended definition of default has also resulted in a considerable increase in the capital base requirement according to the standardised approach.

The merger with BRFkredit resulted in an increase of DKK 226m in the capital base requirement according to the standardised approach for coverage of BRFkredit Bank a/s. The opposite effect was seen from Spar Lolland, which in the course of 2014 adopted Bankdata's IT platform, and as agreed with the FSA it could be processed according to the AIRB approach. Therefore the capital base requirement according to the standardised approach fell by almost DKK 300m and contributed to an increase by almost this amount in the capital base requirement according to the AIRB approach.

Measured according to the AIRB approach, the merger with BRFkredit is even more pronounced than according to the standardised approach as the majority of BRFkredit's mortgage loans are processed according to the AIRB approach. Therefore, BRFkredit contributes with capital base requirements in the amount of about DKK 3.7bn at end-2014, broken down by DKK 2.3bn on Corporates and DKK 1.4bn on Retail.

The new capital adequacy rules have resulted in changes to the capital base requirement according to the AIRB approach through which the so-called SME discount meant a considerable reduction in the capital base requirement for the clients in question.

<b>CAPITAL BASE REQUIREMENTS (AIRB APPROACH)</b>	
DKKm	<b>2014</b>
Corporates, total	6,386
<i>Large corporate clients</i>	3,586
<i>Specialised lending</i>	10
<i>SME corporates</i>	2,790
Retail, total	2,589
<i>Real property, personal</i>	1,673
<i>Real property, SMEs</i>	202
<i>Other retail, private</i>	455
<i>Other retail, SMEs</i>	259
Securitisations	22
Assets without counterparties	429
<b>Total 2014</b>	<b>9,425</b>
Total 2013	5,418

In the course of 2014, decisions by the FSA affected the capital base requirement according to the AIRB approach. After lengthy discussions, the FSA ordered Jyske Bank - and also all other AIRB banks in Denmark - no longer to use the special QRRE risk weighting. At Jyske Bank, this meant an increase in the capital base requirement of DKK 88m. Also, following its asset quality review, the FSA established an additional indication of impairment<sup>2</sup>.

## **Development in exposures and collateral provided**

The following tables show the breakdown of exposures, collateral provided and also risk-weighted exposure according to the standardised approach and the AIRB approach.

For the standardised approach, the development of exposures can essentially be explained through the development of products and also the addition of BRFkredit Bank a/s and the conversion of Spar Lolland. Therefore, primarily certificates of deposit with Nationalbanken, the Danish central bank, add to the exposure, however, reduced by the extent of outstanding accounts with other financial institutions and money-market transactions. The extent of financial collateral provided has been reduced over the year due to reductions in safe-custody accounts (primarily less CSA collateral provided) and also a temporary loss of collateral in connection with the transition to a new IT set-up, and hence they have increased the risk-weighted exposure. The main explanation of the increase in the risk-weighted exposure is, however, to be found in the circumstances recapitulated on the previous page in connection with the description of the development of capital base requirements.

For the AIRB approach, the development of collateral provided was primarily affected by the merger with BRFkredit and the continued progress in respect of new home loans, which led to a multiplication of property-related collateral.

The development of financial collateral provided must be seen in the context that repo exposures according to the AIRB approach have increased by DKK 8.8bn in the course of 2014, which took place on a covered basis.

The reduction in the collateral value of the physical collateral provided (primarily chattels personal and floating company charges) and guarantees can chiefly be attributed to changes in models and methods resulting in a more conservative approach to the determination of the collateral value. One reason for this is the clarifications in the new capital adequacy rules and also the FSA's on-going announcements to the sector. The Group's average risk weight according to the AIRB approach fell from about 41% to 27% over the year, which is a natural consequence of the relatively higher degree of collateral for loans secured against real property added from BRFkredit.

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<sup>2</sup> See also the overview of the FSA's reports in the chapter on Risk management.

## BREAKDOWN OF COLLATERAL BY EXPOSURE TYPE ACCORDING TO THE STANDARDISED APPROACH

DKKmn	Exposure	Financial collateral	Total Risk-weighted exposure
Central governments or central banks	19,631	1,650	-
Regional governments or local authorities	7,037	3,450	-
Public sector entities	198	189	2
Multilateral development banks	-	-	-
International organisations	0	-	-
Institutions	25,177	10,617	5,429
Corporates	3,727	890	2,334
Retail	5,462	908	2,704
Secured by mortgages on immovable property	3,045	-	1,032
In default	2,255	61	981
Exposures associated with particularly high risk	6	1	6
Institutions with a short-term credit assessment	241	-	120
Covered bonds	5,126	-	592
Equity	5,099	-	5,099
<b>Total 2014</b>	<b>77,004</b>	<b>17,766</b>	<b>18,299</b>
Total 2013	73,814	32,123	13,960

Note: It should be noted that exposures to central banks, central governments and government units are risk-weighted by 0%, and therefore financial collateral does not in actual fact have any effect for these counterparties. The risk weighting for defaulted clients is very much affected by the relevant impairment charges. Real property collateral according to the standardised approach equals the exposure class Secured by mortgages on immovable property and is not shown explicitly.

## BREAKDOWN OF COLLATERAL BY COLLATERAL TYPE FOR EXPOSURE ACCORDING TO THE AIRB APPROACH

DKKmn	Exposure	Collateral					Total risk-weighted exposure
		Real property collateral	Financial collateral	Physical collateral	Other Funded collateral	Guarantee collateral	
Corporates, total	241,640	122,781	48,674	6,975	17	2,508	79,821
<i>Large corporate clients</i>	185,419	116,187	42,566	1,101	15	640	44,822
<i>Specialised lending</i>	159	-	-	-	-	-	119
<i>SME corporates</i>	56,062	6,594	6,108	5,874	2	1,868	34,880
Retail, total	170,297	133,903	2,034	4,707	2	86	32,363
<i>Real property, personal</i>	135,420	128,296	-	-	-	-	20,908
<i>Real property, SMEs</i>	8,679	5,607	-	-	-	-	2,522
<i>Other retail, private</i>	17,095	-	1,322	3,035	0	40	5,694
<i>Other retail, SMEs</i>	9,103	-	712	1,672	2	46	3,239
<b>Total 2014</b>	<b>411,937</b>	<b>256,684</b>	<b>50,707</b>	<b>11,682</b>	<b>19</b>	<b>2,594</b>	<b>112,184</b>
Total 2013	162,121	26,609	37,700	12,739	19	3,130	67,145

Note: The above does not include collateral of DKK 7.2bn at end-2014 recognised with a direct substitution impact, where exposures are transferred to other counterparties. The table does not include securitisations and assets without counterparties.

## EXPOSURES BROKEN DOWN BY SECTOR

DKKm	Exposures according to the AIRB method	Exposures according to the standardised approach	Total 2014	Total 2013
Banks and mortgage credit institutions	-	34,713	34,713	38,926
Construction	4,158	13	4,171	3,979
Energy supply	6,176	6	6,182	6,145
Real property	113,475	132	113,607	13,406
Finance and insurance	59,538	4,993	64,530	46,044
Manufacturing, mining, etc.	11,360	146	11,506	11,919
Commerce	12,941	27	12,968	12,436
Information and communication	826	2	828	862
Agriculture, hunting, forestry and fishing	12,386	88	12,475	12,720
Public authorities	391	11,177	11,568	10,376
Governments	-	13,650	13,650	7,210
Transport, hotels and restaurants	5,835	111	5,946	5,732
Other sectors	17,450	3,835	21,285	17,109
Personal clients	167,401	8,111	175,512	54,228
<b>Total</b>	<b>411,937</b>	<b>77,004</b>	<b>488,941</b>	<b>241,092</b>

Note: The table does not include securitisations (DKK 732m) and assets without counterparties (DKK 5,358m).

The table above shows a statement of exposures by sector<sup>3</sup>. Broken down by sectors, the merger with BRFkredit is particularly evident in respect of Personal clients where exposure has more than tripled, while BRFkredit's corporate clients are distributed on the other sectors; yet, primarily Real property. Mainly Personal clients are affected by the continuing sales of home loans that take place at Jyske Bank and are subsequently funded at BRFkredit.

<sup>3</sup> The sector breakdown is specified by exposure class in appendix 1.

## Development in bank loans

Exposures at Jyske Bank A/S increased in 2014 by DKK 50bn (+22%). New home loans increased exposures by DKK 17bn, while the extent of repo exposures increased by DKK 17bn (+50%), and the extent of financial instruments doubled to DKK 11bn.

Following the shift to the AIRB approach, the Spar Lolland clients were given a credit rating. In respect of corporate clients, the credit quality was, as expected, slightly poorer than that for Jyske Bank's existing portfolio, while there was no big difference in respect of personal clients.

The charts below show non-defaulted exposures broken down by credit rating, for Corporates and Retail.

The breakdown of clients according to credit rating shows that over the year more clients have obtained a better rating than the opposite. The most shifts to better JB credit ratings are seen among retail clients, while among corporate clients there are more shifts to a poorer than a better JB credit rating. In respect of the size of the exposure for clients who shift to another class of JB credit rating, there are, in particular for corporates, a larger shift of exposure amount to a poorer JB credit rating (almost DKK 32bn) than to a better rating (almost DKK 18bn).

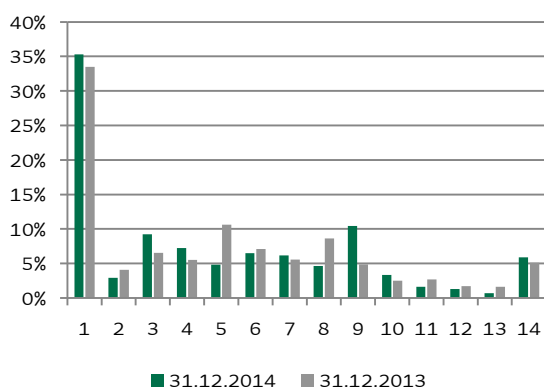
In line with general announcements from the FSA to the Danish banking sector relating to the processing of OEI clients, these were at the beginning of 2014 ranked in the poorest class of JB credit ratings (credit rating 14). This resulted in a larger proportion of exposures in this rating class compared to end-2013 for both Corporates and Retail.

In respect of corporates, a change in repo exposures to a few large clients had a relatively heavy impact on the distribution of exposures across the JB credit rating classes. For instance, repo transactions with one client caused the change in the JB credit ratings 8 and 9. As repo exposures are covered by collateral, the risk impact is minimal.

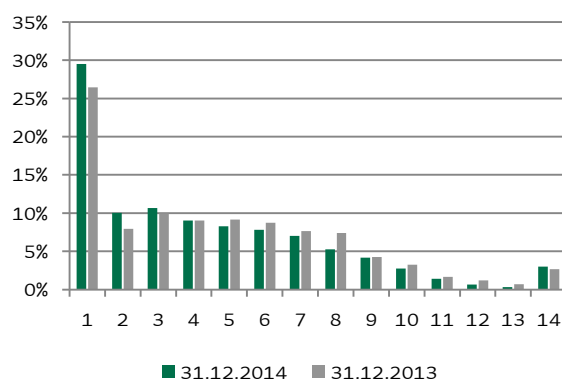
The change for corporate clients with the JB credit rating 5 was caused by a few individual clients who had their JB credit rating changed or the exposure was reduced.

In respect of Retail, a shift towards better JB credit ratings is seen. One precondition for being able to raise a home loan with Jyske Bank is that the client must be ranked in the better end of the JB credit rating scale, which through the growing amount of new home loans contributed to an increase in exposures with the best ratings.

**Corporate-client exposure by credit rating**



**Retail-client exposure by credit rating**



### Development in mortgage loans

BRFkredit is not included in the Group until April 2014, but this section includes figures for BRFkredit's portfolio for 2013 and earlier in order to illustrate the development of the portfolio.

The Group's mortgage loans calculated at a fair value amounted to DKK 220.3bn at end-2014, which is an increase of DKK 20bn since end-2013. The portfolio has an acceptable diversification in respect of property categories, geography and loan types.

Mortgage loans consist of loans for private clients, loans for general building and construction, loans for private property rental, including cooperative housing as well as office and business properties. The remaining part of the mortgage loans is primarily granted to industrial properties, workshops, etc. On the whole, loans for housing account for 85% of the mortgage loans.

The breakdown of loans on property categories did practically not change relative to end-2013, however the transfer of home loans from Jyske Bank A/S to BRFkredit a/s through joint funding caused a minor increase in the proportion of loans to private individuals. It is expected that this proportion will increase further in the years to come.

#### LOANS BROKEN DOWN BY PROPERTY CATEGORY

%	2014	2013
Private (owner-occupied homes & vacation homes)	46	45
General building and construction	20	19
Private property rental	19	20
Office and business properties	13	14
Other	2	2
<b>Total</b>	<b>100</b>	<b>100</b>

#### LOAN-TO-VALUE BROKEN DOWN BY LTV RANGES (%)

%	0-19.9	20-39.9	40-59.9	60-69.9	70-79.9	80-89.9	90-99.9	> 100	Av. LTV
Private (owner-occupied homes & vacation homes)	29	28	23	9	6	3	1	1	70
General building and construction	65	17	11	2	1	1	1	2	49
Private property rental	28	24	20	9	7	5	3	4	74
Office and business properties	31	29	24	7	4	3	1	1	66
Other	44	28	19	5	2	1	1	0	59
<b>Total loan portfolio</b>	<b>37</b>	<b>25</b>	<b>20</b>	<b>7</b>	<b>5</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>66</b>

In respect of geographic breakdown, half of the mortgage loans are concentrated around the Greater Copenhagen area. The rest of the mortgage loans are spread over the rest of the country, with the largest concentrations around the major provincial cities. A minor part of mortgage loans have been granted in connection with homes on the Faroe Islands and in Sweden.

The proportion of mortgage loans is increasing in areas where home loans granted by Jyske Bank A/S are transferred to BRFkredit a/s through joint funding.

#### GEOGRAPHIC BREAKDOWN OF LOANS

%	2014	2013
Greater Copenhagen region	47	47
Zealand region	14	14
Northern Jutland region	6	6
Central Jutland region	17	16
Southern Denmark region	15	16
Outside Denmark	1	1
<b>Total</b>	<b>100</b>	<b>100</b>

Mortgage credit loan amounts are determined at the time of approval based on the estimated market value of the property and the statutory lending limits. The relation between the remaining debt of the borrower calculated at market value and the estimated market value of the property is called LTV (loan-to-value). After the loan has been paid to the client, the LTV relation will change. This can happen due to payments of instalments, to changes in interest-rate levels (bond prices) or to increasing or decreasing property values. Among other things, LTV is used to calculate whether additional collateral is required for individual loans based on the issuance of covered bonds (SDOs).

The issuance of covered bonds (SDOs) to fund lending takes place via Capital Centre E. These bonds must be constantly monitored to make sure that the LTV limit is observed for each individual property irrespective of the price development. If the LTV is exceeded, the Group is required to provide additional collateral.

The need for supplementary collateral is continuously assessed on the basis of expectations to the development in property prices, lending activity, refinancing activity, etc. In order to provide supplementary collateral, Senior Secured Bonds (SSB) can be issued where the funds thus raised are placed in covered bonds (SDOs) so that they may be used as collateral with Danmarks Nationalbank, the central bank of Denmark.

Due to the development in property prices in recent years, the requirement for supplementary collateral has increased slightly. At end-2014, supplementary collateral in the amount of DKK 9.2bn was required against DKK 8.8bn the previous year to cover the loans that were no longer secured within the LTV limits.

BRFkredit has issued SSB in the amount of DKK 1.5bn as well as senior debt in the amount of DKK 4.3bn, which together with BRFkredit's equity form the collateral basis.

The majority of the mortgage loans consists of adjustable-rate loans, which at end-2014 amounted to 59% of the total mortgage loans. Over the past year, the proportion of fixed-rate loans and guarantee loans has increased considerably and amounted to 36% of mortgage loans at end-2014.

In connection with about half of the mortgage loans, borrowers have the possibility of opting for interest-only schemes. Borrowers with adjustable-rate loans are more likely to choose loans with an interest-only period than borrowers with guarantee loans and fixed-rate loans.

The number of clients in BRFkredit's loan portfolio whose interest-only period expires is increasing towards 2019 when about 6,000 clients must decide what to do when their interest-only period expires.

The development in arrears continues to show a positive tendency for corporate as well as private clients. In recent years, arrears have generally been decreasing despite the low economic growth or the absence of economic growth. The historically very low interest rates, which improved the liquidity situation of businesses and personal clients alike, constituted one of the reasons behind the non-existing coupling between the development in arrears and in economic and business conditions.

For further details on the Group's mortgage loans, please see BRFkredit's Cover Pool Report at [brf.dk/investors](http://brf.dk/investors).

## LOANS BROKEN DOWN BY TYPE OF LOAN AND PROPERTY CATEGORY

%	Adjustable-rate loans		Fixed-rate loans		Guarantee loans		Other
	Repayment	Interest only	Repayment	Interest only	Repayment	Interest only	
Private (owner-occupied homes & vacation homes)	11	13	9	3	3	7	0
General building and construction	9	0	6	0	0	0	4
Private property rental	2	10	3	1	0	1	1
Office and business properties	3	9	1	0	0	1	0
Other	1	1	0	0	0	0	0
<b>Total</b>	<b>26</b>	<b>33</b>	<b>19</b>	<b>4</b>	<b>3</b>	<b>9</b>	<b>6</b>



DEVELOPMENT OF ARREARS RATE							
%	Period	Q4 2014	Q3 2014	Q2 2014	Q1 2014	2013	2012
Private (owner-occupied homes & vacation homes)	½ mth.	1.9	1.9	1.8	1.9	2.1	2.5
	3 mths.		0.6	0.6	0.6	0.6	0.7
	3½ mths.		0.5	0.5	0.5	0.4	0.5
	6½ mths.			0.2	0.2	0.2	0.2
	12½ mths.					0.1	0.0
Subsidised housing (rental housing)	½ mth.	0.1	0.2	0.9	0.2	0.2	0.4
	3 mths.		0.1	0.1	0.0	0.2	0.2
	3½ mths.		0.0	0.0	0.0	0.1	0.2
	6½ mths.			0.0	0.1	0.1	0.1
	12½ mths.					0.0	0.0
Private rental properties (rental housing)	½ mth.	5.0	2.7	2.6	4.0	3.9	3.4
	3 mths.		1.4	1.2	1.2	1.1	1.6
	3½ mths.		1.3	1.1	1.0	1.0	1.5
	6½ mths.			1.0	0.6	0.5	0.2
	12½ mths.					0.4	0.0
Office and business properties	½ mth.	2.6	1.7	1.4	1.6	1.7	3.3
	3 mths.		1.2	0.1	0.7	1.3	2.4
	3½ mths.		1.2	0.1	0.5	1.2	2.4
	6½ mths.			0.0	0.1	0.9	2.3
	12½ mths.					0.6	2.0
Cooperative housing	½ mth.	0.1	0.2	0.4	0.5	0.7	0.3
	3 mths.		0.1	0.1	0.1	0.2	0.2
	3½ mths.		0.1	0.1	0.1	0.1	0.2
	6½ mths.			0.1	0.1	0.1	0.1
	12½ mths.					0.0	0.0
Other (agriculture, industry & crafts, etc.)	½ mth.	0.5	0.6	0.5	0.3	1.6	0.5
	3 mths.		0.0	0.0	0.1	0.0	0.0
	3½ mths.		0.0	0.0	0.1	0.0	0.0
	6½ mths.			0.0	0.0	0.0	0.0
	12½ mths.					0.0	0.0
Total loan portfolio	½ mth.	1.4	1.4	1.4	1.5	1.4	1.7
	3 mths.		0.5	0.4	0.5	0.5	0.7
	3½ mths.		0.5	0.3	0.4	0.4	0.6
	6½ mths.			0.2	0.2	0.2	0.4
	12½ mths.					0.1	0.2

## **Loan impairment charges and provisions for guarantees**

At Jyske Bank, all loans and advances are assessed for impairment. Objective evidence of impairment exists if one or more of the following events have occurred:

- The borrower is facing considerable financial difficulties;
- The borrower is in breach of contract;
- The borrower is granted easier terms that would not be considered if the borrower was not facing financial difficulties;
- The borrower will go bankrupt or undergo some other financial restructuring.

On an on-going basis - and at least quarterly - the Group assesses whether objective evidence of impairment charges relating to the Group's clients have emerged.

## **Risk categories**

At Jyske Bank (exclusive of BRFkredit), exposures with objective evidence of impairment are divided into three categories: exposures with low, high and full risk. The latter two risk categories consist of defaulted clients.

At BRFkredit, exposures with objective evidence of impairment are divided into two categories: exposures with low and high risk, where the latter risk category consists of defaulted clients.

## **Impairment process**

Significant loans and advances as well as loans and advances for which loss has been identified are assessed individually for impairment, and other loans and advances subject to uniform characteristics (credit quality) are reviewed collectively. Where on the basis of actual events, objective evidence of impairment is found, and those events affect the size of anticipated future payments, an impairment charge is made.

## **Loan impairment charges - individual exposures**

If the borrower cannot or only to a limited extent is able to make payments on the loan independently of the assets that have been provided as collateral for the loan, the impairment charge is recognised as the difference between the carrying amount of the loan and the fair value of the collateral less all expenses.

In respect of other clients, impairment is recognised as the difference between the carrying amount before impairment and the present value of anticipated future payments. The estimated future cash flow for significant loans and advances is based on an assessment of the likely outcome.

## **Loan impairment charges – collective recognition**

At Jyske Bank (exclusive of BRFkredit), collective loan impairment is calculated in a rating-based impairment set-up, where all clients not treated individually are grouped for collective impairment on the basis of their credit ratings and the risk categories they belong to. Jyske Bank's models for calculating collective impairment use adjusted loss parameters developed for use in the Group's economic-capital model. For the purpose of calculating impairment, the parameters have been adjusted in a number of respects to comply with IFRS.

In connection with exposures, for which indications of objective evidence of impairment have been established, the calculation of impairment is based on the experience from the individually calculated impairment.

For other exposures, a net approach is used when calculating collective impairment at Jyske Bank. For each impairment group, impairment is calculated on the basis of the net decrease in future cash flows since establishment.

Objective evidence of collective impairment is deemed present when observable data for a segment indicate a decrease in the future payments from that segment. In those cases, collective impairment is calculated as the discounted expected net loss on that segment.

At BRFkredit, collective loan impairment is calculated according to a segmentation model where an initial segmentation is made with a view to dividing the portfolio into groups with similar credit characteristics. A review for impairment of the respective segments is primarily made on the basis of an 'arrears model' and, alternatively, against the background of an assessment of whether the trend in various macro-variables has provided an objective indication of impairment.

Moreover, in the Group a management's estimate is made to determine whether or not the impairment charges according to the above-mentioned guidelines are sufficient, and further impairment charges are recognised if so deemed.

#### Provisions for guarantees and other liabilities

A provision is made when it is deemed likely that a commitment will cause a drain on the Group's resources, and the liability can be measured reliably.

The Group's provisions for guarantees and other liabilities include guarantees in favour of business partners and guarantees provided at the request of clients of the Group.

On the basis of historical loss experience, the Group makes an estimate of the costs involved in meeting claims under guarantees or costs caused by clients defaulting on their obligations under transactions involving derivatives. The estimate includes an assessment of the risk associated with relevant types of guarantees and the current risk of loss on uniform segments of clients.

Provisions equal the estimated loss.

#### AQR at Jyske Bank

At the request of the European Banking Authority (EBA), the FSA carried out, over the first nine months of 2014, an asset quality review at Jyske Bank<sup>4</sup>. On the basis of the inspection, the FSA ordered Jyske Bank to ensure that individual and collective impairments do not underestimate the indication of impairment and also to ensure sufficient description of the basis of the calculation of impairment charges.

On the whole, the FSA concluded that at end-2013 impairment charges should have been DKK 456m higher. Jyske Bank recognised this additional indication of impairment in the first three quarters of 2014.

#### Trend in loan impairment charges and provisions for guarantees

The total balance of loan impairment charges and provisions for guarantees stood at DKK 6.3bn at end-2014 (2013: DKK 4.7bn). The breakdown of the loan impairment charges by individually and collectively assessed loans appears from the following table.

Moreover, the discount balance from acquired assets at end-2014 amounts to DKK 2.6bn against DKK 907m at end-2013. The increase in the discount balance can be attributed to the merger with BRFkredit (DKK 2,717m on the day of the merger). In addition to this, the discount consists of reservations for clients of the former Spar Lolland. Hence the total balance of impairment charges and provisions inclusive of discount amounts to DKK 9.0bn (2013: DKK 5.6bn).

Provisions for financial instruments are recognised in the item value adjustments, and as the negative market value of financial instruments is included in the statement of EAD, the balance of these value adjustments is also shown in the table below. At end-2014, the balance of value adjustments amounted to DKK 757m (2013: DKK 216m).

IMPAIRMENT CHARGES AND PROVISIONS FOR GUARANTEES		
DKKm	2014	2013
Balance of impairment charges for individually-assessed loans and advances	4,233	3,386
Balance of impairment charges for collectively-assessed loans and advances	1,570	863
Balance of provisions for guarantees and liabilities	558	444
<b>Balance of loan impairment charges and provisions for guarantees</b>	<b>6,361</b>	<b>4,693</b>
Balance of discounts	2,624	907
<b>Balance of loan impairment charges and provisions for guarantees incl. balance of discounts</b>	<b>8,985</b>	<b>5,600</b>
Balance of value adjustments	757	216
<b>Balance of loan impairment charges and provisions for guarantees incl. balance of discounts and balance of value adjustments</b>	<b>9,742</b>	<b>5,816</b>

The development in the item Loan impairment charges and provisions for guarantees amounted in 2014 to DKK 2,538m (2013: DKK 1,147m) and also Jyske Bank recognised as interest income DKK 587m from the discount balance. Hence the total net effect recognised in the income statement came to DKK 1,951m (2013: DKK 930m). The high level in 2014 was caused by the negative development of the bank's agricultural portfolio due to falling settling prices and the Russian trade boycott.

The effect from value adjustments on financial instruments came to DKK -541m in 2014 (2013: DKK 249m). The reason for this development was falling interest rates over the year.

<sup>4</sup> See also the overview of the FSA's reports in the chapter on Risk management.

<b>NET EFFECT FROM IMPAIRMENT CHARGES, ETC.</b>		
DKKm		
	<b>2014</b>	<b>2013</b>
Change in balance of loan impairment charges	-1,666	-47
Recognised as a loss, covered by impairment charges/provisions	-571	-822
Recognised as a loss, not covered by loan impairment charges/provisions	-569	-509
Recoveries	98	128
Interest-rate adjustment of impairment charges	170	103
<b>Loan impairment charges and provisions for guarantees</b>	<b>-2,538</b>	<b>-1,147</b>
Recognised discount for assets taken over	585	217
<b>Net effect on income statement</b>	<b>-1,953</b>	<b>-930</b>
Value adjustments for financial instruments	-541	249
<b>Net effect on income statement, inclusive of value adjustments</b>	<b>-2,494</b>	<b>-681</b>

<b>IMPAIRED AND PAST DUE EXPOSURES BROKEN DOWN BY SECTOR</b>					
DKKm	EAD for impaired exposures	EAD for past due exposures	EAD, both past due and impaired	Balance of loan impairment charges and provisions for guarantees incl. discounts and value adjustment	Net effect from impairment charges and provisions for guarantees
Banks and mortgage credit institutions	19	-	-	15	-
Construction	887	7	7	124	-22
Energy supply	838	-	-	31	-1
Real property	16,140	1,575	1,575	3,459	-881
Finance and insurance	3,514	25	17	1,068	-243
Manufacturing, mining, etc.	2,821	16	5	252	-93
Commerce	3,284	4	4	343	-155
Information and communication	329	0	-	25	-13
Agriculture, hunting, forestry and fishing	3,703	2	1	1,422	-492
Transport, hotels and restaurants	1,399	4	3	136	-17
Public authorities	0	0	0	0	-
Other sectors	4,372	568	567	866	-216
Personal clients	11,880	1,873	1,761	2,001	-361
<b>Total 2014</b>	<b>49,186</b>	<b>4,074</b>	<b>3,940</b>	<b>9,742</b>	<b>-2,494</b>
Total 2013	30,640	163	73	5,816	-681

Agriculture, hunting, forestry and fishing make up the most risky sector for the Group in terms of balance of impairment charges as a percentage of EAD (11.4%). In particular the segments pig farming and milk producers were challenged. The situation for the segments has deteriorated further due to lower sales prices and the Russian trade boycott.

The sector Real property accounts for the biggest absolute impairment charges. Balance of impairment charges as a percentage of EAD amounted to 3.0%. The impairment charges are driven by lower prices of commercial properties throughout the crisis as well as negative market values of financial instruments, including interest-rate swaps.

The Balance of impairment charges was still relatively low for personal clients (1% of exposure).

## Re-estimation and validation of credit models

On an on-going basis the credit risk models are adjusted with a view to quality improvement and to ensuring compliance with current and future legislation. Therefore, whether based on statistical models or on expert opinions, the models behind the calculations of PD, LGD and EAD are re-estimated and validated at least annually. The re-estimation ensures that the models will continue to reflect the latest changes in data so that they yield as exact and updated information as possible. The validation includes stability testing and back-testing, and its objective is to reveal any areas which require special attention. Validation is carried out quantitatively as well as qualitatively.

The purpose of stability testing is to monitor whether the estimated parameters of the models are stable over time. The identification of structural breaks and systematic parameter changes is an important aspect when the models are applied to such long-time horizons as are involved in credit risk. The purpose of back-testing is to compare a model's predictions with what actually happened.

The AIRB parameters used for the calculation of the capital base requirement are compared below to the corresponding realised figures. These various measurements are conceptually different and cannot be compared directly. For instance, the AIRB parameters for LGD are based on recession estimates. Also, the PD estimates are so-called hybrid parameters that are expected to be between the actual and the long-term default levels.

The realised figure for defaulted clients in 2014 was lower than the estimated loss. The default ratio for exposures to corporate clients was higher than estimated, while the reverse situation was the case in respect of exposures to retail clients. For exposures to corporate clients as well as exposures to retail clients the realised LGD numbers were lower than estimated.

In 2014, the FSA assessed for the Danish banking sector that the preconditions for the use of special risk-weighting for qualified, revolving exposures were no longer met. Subsequently Jyske Bank abandoned the use of special risk weighting in the area, but as the exposure category was in use in early 2014, it has been included in the tables below.

PD					
	Exposure to corporates	Qualified revolving retail exposures	Exposure to retail clients secured against real property	Other retail exposures	Total
<b>2014</b>					
Realised	3.48%	0.55%	0.57%	0.94%	0.84%
Estimated	2.69%	0.65%	0.80%	1.43%	1.02%
<b>2013</b>					
Realised	3.05%	0.43%	0.65%	0.92%	0.75%
Estimated	2.89%	0.72%	0.86%	1.46%	1.06%
<b>2012</b>					
Realised	3.28%	0.54%	0.72%	0.94%	0.86%
Estimated	3.13%	0.71%	0.87%	1.42%	1.08%
<b>2011</b>					
Realised	3.66%	0.60%	0.84%	1.21%	0.99%
Estimated	3.08%	0.72%	0.94%	1.49%	1.10%

# Credit risk

## EXPECTED LOSSES

	Exposure to corporates	Qualified revolving retail exposures	Exposure to retail clients secured against real property	Other retail exposures	Total
<b>2014</b>					
Realised	0.48%	0.19%	0.17%	0.42%	0.41%
Estimated	0.68%	0.36%	0.28%	0.78%	0.60%
<b>2013</b>					
Realised	0.63%	0.17%	0.22%	0.40%	0.52%
Estimated	0.58%	0.37%	0.34%	0.79%	0.54%
<b>2012</b>					
Realised	0.60%	0.24%	0.25%	0.56%	0.52%
Estimated	0.57%	0.35%	0.30%	0.71%	0.53%
<b>2011</b>					
Realised	0.80%	0.27%	0.31%	0.61%	0.65%
Estimated	0.79%	0.39%	0.38%	0.73%	0.67%

## LGD

	Exposure to corporates	Qualified revolving retail exposures	Exposure to retail clients secured against real property	Other retail exposures	Total
<b>2014</b>					
Realised	27%	50%	21%	38%	37%
Estimated	38%	58%	22%	51%	44%
<b>2013</b>					
Realised	27%	58%	15%	37%	37%
Estimated	37%	59%	25%	49%	43%
<b>2012</b>					
Realised	30%	54%	19%	36%	37%
Estimated	39%	58%	25%	49%	43%
<b>2011</b>					
Realised	35%	51%	19%	36%	38%
Estimated	40%	60%	26%	47%	44%

Note: The figures concern AIRB clients with Jyske Bank A/S not defaulted at the beginning of the year. In this connection, the currently expected loss is applied as realised in respect of the defaulted clients who are not settled as a loss. Expected losses have been calculated as a proportion of EAD. PD and LGD are averages based on the number of clients.

## Counterparty risk

- Jyske Bank's counterparty risk increased considerably in 2014, which can primarily be attributed to clients' hedging of exposures in USD.
- CVA risk charge was stable in the range of DKK 145m-155m after the merger with BRFkredit.

Counterparty risk is the risk of loss due to a counterparty failing to fulfil his obligations. Counterparty risk is generated when the Group trades derivatives with clients.

Counterparty risk is calculated as the sum of the market value and the market risk on derivatives traded between the Group and the counterparty. Market risk on the Group's counterparties is measured for the risk types interest-rate, equity, currency and commodity risk. The principles for these are described in the section about market risk.

### Policy and management

Jyske Bank's policy for managing counterparty risk distinguishes between small and large counterparties, where the latter include financial institutions. The basic principles for measuring risk for the two client types are identical, yet the management of risk on large counterparties has been extended with additional management parameters.

To manage and monitor large counterparty exposures, the Group also calculates settlement risk. To reduce settlement risk, all transactions will to the extent possible take place through CLS, through some other form of clearing centre, or under individual netting agreements. Jyske Bank is a third-party member of the CLS system where settlement is based on the principle of "payment to payment", which thus reduces the settlement risk of FX transactions made between participants of the CLS system.

Jyske Bank calculates its daily exposure to individual counterparties within the Group's counterparty risk management systems, and these exposures are included in credit risk management in line with other credit exposures. Counterparties are granted lines in accordance with the instructions in force after risk assessment of the individual counterparty; the current utilisation is calculated from the client's exposure to individual risks.

The lines awarded are reviewed at least once a year or in case of a change in the creditworthiness of the respective counterparty.

### Risk reduction

For its lines for transactions involving derivatives, the Group endeavours to reduce risk by means of:

- Clearing via Central Counterparty (CCP).
- ISDA, GMRA, Danish framework agreements or service agreements which give the Group the right of netting market values of derivatives trades.
- Service, GMRA and CSA agreements, which entitle Jyske Bank to additional collateral, should the counterparty's debt to Jyske Bank exceed an agreed maximum.
- CLS, in which case settlement risk is eliminated, as clearing is effected through a third party who guarantees settlement.

The table below shows to which extent the Group clears derivatives via CCP. Of the total amount of principals not cleared on the basis of CCP, 96% was covered by a bilateral CSA agreement. The remaining 4% was covered by netting agreements.

OTC DERIVATIVES 2014 (JYSKE BANK A/S)		
DKKm	Principal amount	Market values
CCP	150,786	72
Non-CCP	1,608,694	13,396
<b>Total</b>	<b>1,759,480</b>	<b>13,468</b>

It is still the intension of the Group to backload the remaining part of the clearing-eligible interest-rate swaps via CCP. In 2014, the process was delayed as the Group's clearing brokers needed to reduce their balance sheets for the determination of the leverage ratio. Therefore the Group initiates a process in 2015 with the aim of compressing the clearing-eligible portfolio of interest-rate swaps before the portfolio is back-loaded.

# Counterparty risk

Agreements on collateral with financial counterparties and large corporate clients are mutual agreements, which means that Jyske Bank must put up margin for the counterparty if the market value in favour of the counterparty exceeds an agreed limit.

Where only short-term derivatives are traded (term up to six months), agreements about additional margin may be waived after individual assessment.

The table below shows the Group's counterparty risk after netting and offsetting of collateral.

COUNTERPARTY RISK		
DKKm	2014	2013
Derivatives with positive market value	40,493	25,813
Netting	27,855	20,236
Exposure after netting	12,638	5,577
Collateral received	5,368	1,686
Exposure after netting and collateral	7,270	3,891

A very small proportion of the Group's bilateral agreements on provision of collateral includes rating-dependent parameters that trigger requirements for further provision of collateral in the form of lower minimum transfer amount or higher independent amounts. Jyske Bank will in particular be affected if the Group's rating hits BB+, but it is assessed that the requirement for further collateral is limited.

Jyske Bank has acceded to the ISDA protocol "Portfolio Reconciliation and Dispute Resolution", as a "Sending Entity". This means that Jyske Bank is under the obligation to send portfolio statements to the Group's counterparties. Jyske Bank calculates daily new market values for all trades, and for small clients these statements are available electronically.

## Wrong-way risk

Wrong-way risk occurs when exposure increases because the credit quality of the counterparty deteriorates. General wrong-way risk occurs when the probability that a counterparty's PD will deteriorate is positively correlated with general market factors. Similarly, specific wrong-way risk occurs when the future exposure is positively correlated with the counterparty's PD because of the type of transactions that the Group has with the counterparty.

In the event of specific wrong-way risk, there is a legal relationship between the counterparty and the issuer of the underlying OTC derivative or securities-financing transactions. An example of a specific wrong-way risk would be if the Group receives collateral from a counterparty which was issued by this very counterparty. This could be the case if the Group enters into repo transactions with a counterparty and the underlying paper was issued by this counterparty. It is Jyske Bank's policy not to assume considerable specific wrong-way risk and the Group has procedures to monitor this.

## Capital base requirements

Capital must be set aside for counterparty risk on derivatives in accordance with CRR by using the so-called mark-to-market approach (CEM method) with attached netting method. The method involves the calculation of a credit equivalent corresponding to the positive market values after netting plus a weighting for the underlying instrument or commodity.

Group counterparty exposure according to the mark-to-market method is shown in the table below. The counterparty risk on the corporate segment increased significantly, which was primarily caused by the pension funds' and the life insurance companies' hedging of risk against USD. A major part of the exposure is covered by CSA agreements, and therefore the actual counterparty risk is lower. The capital base requirement forms part of the capital base requirement for credit risk.

EXPOSURES RELATING TO COUNTERPARTY RISK		
DKKm	2014	2013
Exposure to governments	703	699
Exposure to institutions	8,148	6,123
Exposure to corporate clients	13,813	4,581
Exposure to retail clients	831	575
<b>Total</b>	<b>23,495</b>	<b>11,978</b>

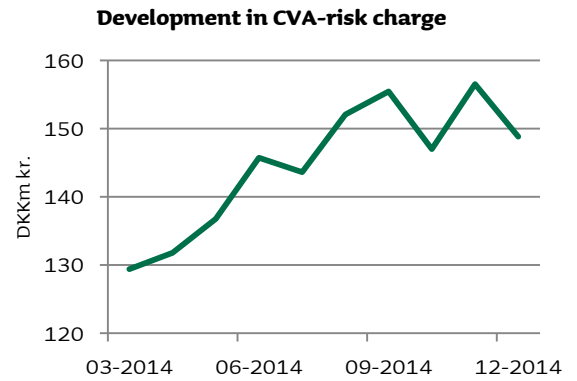
The counterparty risk at BRFKredit is modest, and at end-2014 it amounted to less than 1% of BRFKredit's total risk exposure, which level was unchanged relative to end-2013. Moreover, a large proportion of BRFKredit's securities portfolio consists of own bonds, and therefore the counterparty risk is limited further.



The portfolio of Credit Default Swaps (CDSs) was increased marginally relative to 2013 and consists at end-2014 of 9 CDSs, of which 7 are sold CDSs and 2 are bought CDSs. Likewise, the total nominal exposure was increased marginally and amounts to DKK 700m. Underlying exposures are individual credits and consist primarily of exposures to governments.

## CVA Risk Charge

Credit valuation adjustment (CVA) risk charge was introduced in 2014 as part of the CRR. CVA is a measurement of the credit risk that the Group assumes when trading derivatives. The CVA calculation covers only the Group's exposure to financial counterparties as other clients are excepted by the CRR. Moreover, the Group makes a capital addition to cover the risk that PDs of non-financial counterparties deteriorate.



CVA risk charge has been stable in the range of DKK 145m-155m after the merger with BRFkredit in the second quarter of 2014 and amounted at end-2014 to DKK 149m.

## Market risk

- Interest-rate risk is still Jyske Bank's primary market risk, and in terms of net interest-rate risk it fell throughout 2014.
- Jyske Bank's successful home loans increased the interest-rate risk, but continuous strategic adjustment to the market risk strategy has the opposite effect.
- The merger with BRFkredit only affected the total interest-rate risk to a modest degree as the activities of BRFkredit are close to being interest-rate risk neutral due to match funding of mortgage loans and an interest-risk averse investment strategy.

Jyske Bank assumes market risk as a result of position-taking in the financial markets and general banking and mortgage banking operations.

Market risk is the risk that Jyske Bank will incur losses due to one or more of the risks stated below.

*Interest-rate exposure:* The risk of loss caused by changing interest rates.

*Exchange-rate risk:* The risk of loss caused by changing exchange rates.

*Equity risk:* The risk of loss caused by changing equity prices.

*Commodity risk:* The risk of loss caused by changing commodity prices.

*Volatility risk:* The risk of loss caused by changing volatility.

Certain financial instruments include elements of credit risk. This type of credit risk is managed and monitored in parallel with market risk.

### Policy and responsibility

The Group Supervisory Board lays down the market risk policy and relevant guidelines stating the Group Supervisory Board's risk profile for the area of market risk. The policy is specified in a number of limits delegated to the Group Executive Board.

The limits are further limited before being delegated to the three heads of Markets, Treasury and BRFkredit, respectively. Those three business units are the sole units of the Jyske Bank Group that may assume significant market risk.

The limits delegated to Markets and BRFkredit have been adjusted in such a way that they primarily support the daily trade volume and the clients' repayment and raising of mortgage loans. Strategic positions are mainly taken by Treasury as reflected by the limit delegated to the unit.

Operations in accordance with the respective limits are supported by detailed procedures.

The Group Treasury Committee follows market developments closely and is therefore able to adjust for any discrepancies between the Group's actual risk profile and its desired risk profile.

### Monitoring and reporting

All risk positions are monitored daily. The Group Executive Board is notified immediately of any positions which exceed the pre-determined limits or are in conflict with the risk management policy. The Group Supervisory Board and Internal Audit are notified immediately if positions exceed the overall authority of the Group Executive Board.

The development of the market risk exposure of the various units is reported monthly to the Group Executive Board and the Group Supervisory Board.

Monitoring and reporting of market risk take place through a risk-management system which is developed by Jyske Bank and integrated with Jyske Bank's trading systems as well as other systems for the handling of Jyske Bank's regular banking and mortgage operations.

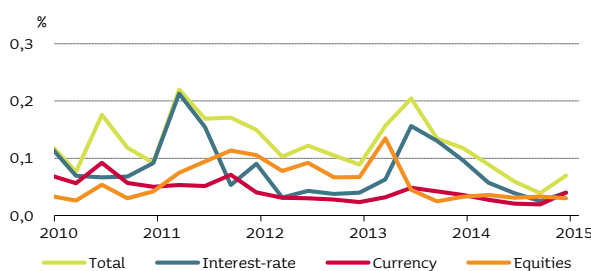
## Developments in market risk

The merger with BRFkredit was the most important event in 2014. BRFkredit's market risk profile is primarily limited to fixed-income products. The lending activities of BRFkredit are, however, close to not being affected by general interest rate changes due to match funding of mortgage loans and a risk-averse investment strategy.

In terms of Value-at-Risk (VaR), Jyske Bank's market risk came to DKK 19m at end-2014 against DKK 21m at end-2013, and therefore, on the whole, the exposure decreased marginally in 2014.

The merger with BRFkredit affected VaR in the second quarter, but considering the Group's higher equity, the merger resulted in a considerable decrease as the risk from market-risk related assets and liabilities are relatively smaller.

### Value-at-Risk as a percentage of equity



Volatility in, particularly, the FX markets rose considerably in the fourth quarter, which caused VaR to increase to the level seen at the beginning of the year.

Jyske Bank's net interest-rate risk fell in the course of 2014. The development was affected by several conflicting circumstances, of which the growth in Jyske Bank's home loans increased the interest-rate risk. The on-going hedging and strategic adjustment of the market risk strategy, on the other hand, had the opposite effect.

In addition to the core business in the form of deposits and loans, the interest-rate risk was dominated by exposures to Danish and international mortgage bonds as well as covered bonds with short and medium maturities. The merger with BRFkredit strengthened this profile due to an investment portfolio concentrated on Danish mortgage bonds. The Group's exposure to yield spreads relating to mortgage bonds was primarily increased in the short-term interest-rate segments, which affected Jyske Bank's return on securities as Danish mortgage bonds were affected by widening yield spreads in the fourth quarter.

Throughout 2014, Jyske Bank's exposure to equity and foreign currency risks was slightly increasing and almost unchanged, respectively. Increasing activity in Markets is the reason for the development in equity risk. The underlying equity portfolio and also the currency portfolio are characterised by being well-diversified, and at end-2014 both market risks were at moderate levels relative to Jyske Bank's desired risk profile.

In 2012, a small strategic commodity portfolio was established and this was closed in 2014.

In 2014, Jyske Bank found the market for securitisations attractive and increased the exposure primarily through investment in US and European CLOs with high credit quality and senior status.

## Capital base requirements for market risk

For the calculation of the capital base requirements for market risk, the standardised approach is applied.

The capital base requirement for market risk increased in 2014. The reason was partly Jyske Bank's increased exposure to Danish mortgage bonds due to the merger with BRFkredit, and partly the increased activity at Markets, which led to a larger trading portfolio of equities.

### CAPITAL BASE REQUIREMENT FOR MARKET RISK

DKKm	2014		2013	
	Risk-weighted exposure	Capital base requirements	Risk-weighted exposure	Capital base requirements
Debt instruments	17,186	1,375	14,955	1,196
Shares, etc.	3,038	243	1,590	127
Commodities	-	-	33	3
Currency position	1,185	95	1,109	89
<b>Total</b>	<b>21,409</b>	<b>1,713</b>	<b>17,687</b>	<b>1,415</b>

## Market risk types

Jyske Bank handles several types of market risk every day. Every risk type has its own characteristics and is managed by means of individual risk measurements as well as through the Group's VaR model. To hedge market risk, derivatives are used. The management of those is supplemented by risk measurements developed in accordance with conventional option theory, i.e. by calculating the delta, gamma and vega risks of the positions.

The measurement of Jyske Bank's market risk takes into account all products; products in as well as outside the trading portfolio.

## Interest-rate risk

Interest-rate risk is measured on the basis of duration measurements. This measurement is defined as the interest-rate risk resulting from a general rise in interest rates of 1 percentage point (Interest-rate risk 1). Duration expresses the percentage gain or loss generated by a simultaneous 1-percentage point shift in all yield curves. When determining interest-rate risk, no distinction is made between interest-rate risk inside or outside the trading portfolio.

Interest-rate risk is calculated on the basis of agreed payments. Jyske Bank has no fixed-rate balances without an agreed due date. Certain loans are fixed-rate loans and can be prepaid. Interest-rate risk 1 is adjusted for this option element.

Jyske Bank has developed a risk-management model that adjusts the risk key figures for mortgage bonds for the built-in option element of the bonds. Therefore callable mortgage bonds are included in the interest-rate risk with the option-adjusted duration. Risk management of the Group's portfolio of mortgage bonds is supplemented with limits for and measurement of OAS (option-adjusted spread) positions.

Interest-rate risk 1 is supplemented with further management tools, which take into account risks attached to having interest-rate positions in various instruments and currencies. These risks are determined through an independent risk measurement (Interest-rate risk 2) and by applying a management tool that determines the spread risk between product-specific yield curves.

## Currency risk

Jyske Bank's currency risk indicators are calculated on the basis of Currency indicator 1 in accordance with the Danish Executive Order on the Presentation of Financial Statements laid down by the FSA. Currency indicator 1 is calculated as the sum of the numerically higher of long or short positions in each currency, measured in DKK.

Currency indicator 1 does not take into account the fact that some currencies are more volatile and perhaps less liquid than others. For management purposes Jyske Bank therefore uses a weighted currency indicator 1 (Jyske Currency Indicator). VaR is furthermore used as a management instrument in respect of currency exposure.

## Equity price risk

The daily measuring of equity price risk distinguishes between equities in and outside the trading portfolio.

The exposure of the trading portfolio is measured on the basis of the physical equity holdings as well as equity-based instruments. The equity price risk is determined through risk measurements that indicate the maximum loss that Jyske Bank may incur in the event of simultaneous changes in the underlying equity prices of +/-10%.

Moreover, Jyske Bank limits individual exposures to equities in order to limit the concentration risk.

Sector shares, etc. are not managed according to the principles applying to the trading portfolio but individual approval is granted.

## Shares not held for trading

The shares not included in the trading portfolio are primarily financial-sector shares relating to the ordinary operating activity of the Group.

SHARES NOT HELD FOR TRADING				
DKKm	2014	2013	Unrealised gain	Realised gain
Total	1,677	1,254	185	212

The holding increased in 2014, which could be attributed to positive value adjustments and also new holdings primarily due to the merger with BRFkredit. The realised gain can be ascribed to the sale of Nets in January 2014 and the unrealised gain to general value increases in the portfolio.

Shares not held for trading form part of the basis for Jyske Bank's ordinary business activities. The shares are stated at fair value as described in the accounting policies set out in the Group's annual report. Unrealised capital gains/losses have influenced the operating income.

### Commodity risk

Jyske Bank's exposure to commodities is modest, and the commodity risk is determined and limited according to two simple risk measurements. The one risk measurement determines Jyske Bank's net exposure to commodities and the other risk measurement determines Jyske Bank's gross exposure.

### Exposure to credit risk on financial instruments

Exposure to credit risk on financial instruments relates to Jyske Bank's bond holdings. The credit element is not reflected in the interest risk measurements and must therefore be managed separately.

Jyske Bank manages its exposure to credit risk on financial instruments by limiting concentration risk expressed as the credit quality of the instruments as defined by ratings awarded by recognised international rating agencies. On the basis of the credit quality of the instruments, concentration risk is calculated for rating classes and bond types. This means that there are different limits depending on whether the instrument is a government, a corporate bond or a securitisation.

Finally, a concentration risk limit has been defined geographically and for individual exposures.

### Securitisations

Jyske Bank's activities within securitisation are linked to investment in tranches issued by other institutions and legal entities. Thus Jyske Bank acts neither as an issuer nor as an exposure provider. Investment is made in traditional securitisations and distributed on the following securitisation types:

- RMBS (Residential Mortgage Backed Securities), primarily consisting of AAA-rated senior tranches.
- CLOs/CDOs:
  - senior tranches rated AAA or AA
  - mezzanine tranches with a wide rating spread. The portfolio has gradually been redeemed.

No investments are made in re-securitisations.

The level of the underlying market and credit risks in securitisations is followed continuously and is analysed at least every quarter. The analyses are based on trustee reports and also information from rating agencies or other external sources.

The securitisation types and the geographical exposure of the underlying assets of the portfolio are shown in the table below, from which it appears that the exposure is concentrated in Europe.

EXPOSURE TYPES FOR SECURITISATIONS				
DKKm	European	American	Other	Total
RMBSs	3,625	-	-	3,625
CLO	970	1,373	-	2,343
ABS and CDO	68	11	-	79
<b>Total 2014</b>	<b>4,663</b>	<b>1,384</b>	<b>-</b>	<b>6,047</b>
Total 2013	5,166	436	113	5,716

In 2014, Jyske Bank pursued an active investment strategy in respect of CLOs, resulting in increased exposure to these. Investments were primarily made in US CLOs of good credit quality and with senior status according to the risk-management policy.

The development is shown in the table below where it appears that the most important changes took place in top-rating securitisations.

BREAKDOWN OF RATINGS (Standard & Poor's / Moody's)		
DKKm	2014	2013
AAA / Aaa	4,711	4,105
AA / Aa	579	830
A / A	586	593
BBB / Baa	138	104
BB / Ba	-	-
Lower or no rating	33	84
<b>Total</b>	<b>6,047</b>	<b>5,716</b>

The main underlying investments of the tranches are US and European bank and housing loans.

# Market risk

## Capital base requirements for securitisations

Both the AIRB approach for credit risk and the standardised approach for market risk are used for determining the capital base requirement for the portfolio of securitisations, because the portfolio breaks down into two sub-portfolios, one that is placed in and one outside the trading portfolio.

Despite the increased exposure, the capital base requirement for securitisations fell in 2014, and the reason for this is that the above-mentioned increase of the exposure primarily took place within high-grade senior issues. The capital base requirement according to risk weights appears below.

Both sub-portfolios were characterised by high concentration in the low risk weights.

CAPITAL BASE REQUIREMENTS FOR SECURITISATIONS				
DKKm	2014		2013	
Risk weight - ranges	Non-weighted items	Capital base requirements	Non-weighted items	Capital base requirements
< 20%	5,713	44	5,331	39
≤ 20% < 50%	163	4	221	4
≤ 50% < 100%	47	2	11	1
≤ 100% < 1,250%	91	8	93	22
1,250%	33	33	60	60
<b>Total</b>	<b>6,047</b>	<b>91</b>	<b>5,716</b>	<b>126</b>
Of which in the trading portfolio	5,315	69	4,456	80

## Liquidity risk

- The merger with BRFkredit in 2014 markedly changed the Group's balance sheet structure and central key figures and resulted in stronger dependence on capital market funding at SDO basis. The portfolio of bank loans alone is still fully financed by bank deposits.
- Considering the fact that LCR will be effective as from 1 October 2015, a significant focus area in the liquidity management will in 2015 be a change in the Group's liquidity reserves. The holding of government bonds must be increased and the holding of own BRFkredit SDOs must be reduced.
- To ensure compliance with the future supervisory diamond for mortgage credit institutions, there will be strong focus on reduction of the refinancing requirement at BRFkredit in the coming years.
- Despite the increasing market turmoil in the second half of 2014, credit spreads for senior debt remained at a low level throughout the year. Under the EMTN programme, Jyske Bank issued in 2014 public benchmark bonds in the amount of EUR 500m with a time to maturity of three years as well as SEK 1.25bn in private placements with times to maturity of three and four years.

Liquidity risk occurs due to funding mismatch in the balance sheet. The Group's liquidity risk can primarily be attributed to its bank lending activities as the Group's bank loan portfolio has a longer contractual duration than its average funding sources. The liquidity risk at BRFkredit is very limited as BRFkredit's liquidity flows are very limited by the balance principle of the mortgage legislation for SDO issues.

### Objective and overall setup

The Group Supervisory Board determines the liquidity profile expressed as the balance between the risk level and the Group's costs of managing liquidity risk.

The risk levels are re-assessed on an on-going basis in consideration of the current market-related and economic conditions in Denmark and the financial sector. The overall development in lending and deposits in the Danish banking sector, the rating agencies' assessment of the Group's liquidity and funding risks as well as changes in statutory requirements will of course cause to re-assess which risk levels can be deemed satisfactory.

Jyske Bank's liquidity management must ensure adequate short- and long-term liquidity so the Group can in due time honour its payment obligations by having reasonable funding costs. This is ensured through the following sub-objectives and policies:

1. a strong and stable deposit basis which ensures stable long-term funding of the Group's lending activities;
2. continued high credit ratings by international rating agencies;
3. active participation in the international money markets and permanent access to international capital markets through capital market programmes which give access to a diversified and professional funding base;
4. maintenance of a considerable buffer of highly liquid securities reflecting the run-off risk of more volatile price and credit sensitive funding sources. The liquidity buffer ensures that Jyske Bank can eliminate the effect of an adverse liquidity situation.

### Management and monitoring

The Group Supervisory Board has adopted a liquidity policy which, among other things, defines a specific critical survival horizon for the Group during an adverse stress scenario. On the basis of these general limits, the Group Executive Board has defined specific operational limits for Markets as well as Treasury, which monitor and manage liquidity on a daily basis in accordance with the limits and liquidity policies adopted.

# Liquidity risk

The effect on liquidity from the limited amount of 'free' liquidity flows at BRFkredit is included in the group internal control at Treasury. BRFkredit is subject to liquidity-related restrictions in respect of investment profile in the securities portfolio, repo lending as well as money-market placements away from the parent company to ensure that transactions of BRFkredit are in line with statutory requirements and also BRFkredit's and the Group's risk profile. These restrictions have been coordinated with the department Market Risk and entered into BRFkredit's liquidity instructions.

Liquidity positions are monitored daily by Market Risk for observance of the delegated limits. Liquidity positions that exceed the authorised limits are reported immediately according to the business procedure relating to market risks.

## Liquidity flow from mortgage activities

The liquidity flow at BRFkredit takes place predominantly in a closed circuit linked to the balance principle and the statutory protection of SDOs. The clients' choices of mortgage loans determine which bonds BRFkredit issues. The balance principle means that the borrowers' payments of interest and instalments match the payments on the bonds issued to fund the mortgage loan.

The dates on which the borrower pays interest, instalment and contributions have been planned in such a way that, when paid on time, BRFkredit receives the funds at the latest concurrently with the dates on which bond investors receive their payments. In this way liquidity risk will generally not occur in connection with the continuous servicing of bond investors. Moreover, BRFkredit may give notice of changes to the contribution that clients pay according to BRFkredit's general terms and conditions.

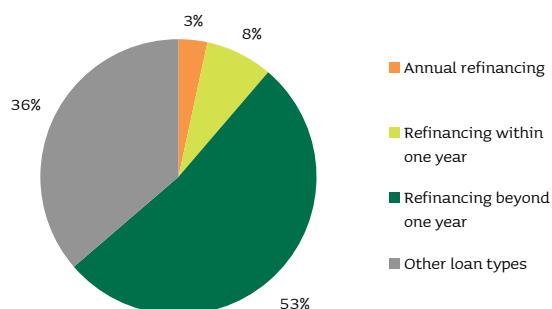
It applies that for the proportion of Jyske Bank's loans that are covered by joint funding at BRFkredit, there is a similar match of borrowers' incoming payments and the outgoing payments on the bonds issued. This part of the balance sheet is covered by the mortgage credit balance principle in line with the Group's other mortgage loans.

## Refinancing risk in mortgage activities

The greatest liquidity effect from BRFkredit on the Group's liquidity risk is the refinancing risk. To reduce this refinancing risk, refinancing has been spread out over three annual settling periods, and with the intention that the individual series must be so large that they can be included in the credit institutions' liquidity buffers in the upcoming LCR requirements (Liquidity Coverage Ratio).

Moreover, in the course of 2014, BRFkredit financed and re-financed the so-called F1 loans and joint funding bank loans through a new type of bonds RTL F (pre-financed). The RTL F bonds are fixed-rate, callable bonds with an original time to maturity of 3 years against 1 year for traditional short-term RTL bonds. After 1 year, new bonds are offered. If the bonds issued are sold in the market, the proceeds will be used for prepayment of old RTL F bonds at par. If the bonds issued are not sold in the market, the old RTL F bonds will not be prepaid at par but will continue with unchanged coupon.

Breakdown of BRFkredit's loan portfolio by loan type



The change in funding means that the re-financing risk will continuously be postponed by 2-3 years and that, in a scenario without sufficient sales of bonds offered, BRFkredit will still have at least 2 years to renew the funding without having to extend the maturity of the bonds according to the Danish Refinancing Act. If, within this 2-year period, there are still no buyers for the bonds issued, the maturities of the old RTL F bonds are to be extended by 12 months at a time according to the Re-Financing Act. This extension of maturities shall provide additional statutory protection against re-financing risk and prevent suspension of payments.

The table below gives a comprehensive overview of both planned re-financing of mortgage bonds as well as the breakdown of the principal still owed by type of mortgage loan.



PLANNED RE-FINANCING AND BREAKDOWN OF PRINCIPAL STILL OWED							
	Planned re-financing amount (amount offered)	Funding			Loan		
		Maturities per re-financing dates	Maturities per re-financing dates + 2 years (RTL F)	F1	F3	F5	Other
Repayment dates	DKKbn						
Apr. 15	7.4	7.4	0.0	6.7	0.5	0.0	0.1
Oct. 15	11.3	3.6	7.6	7.6	1.6	0.8	1.2
Jan. 16	45.9	12.1	33.8	33.8	5.0	4.0	3.1
Other 2016	8.8	8.8	0.0	1.3	2.1	2.0	3.4
2017	27.2	27.2	0.0	0.0	7.7	7.2	12.2
2018	23.8	23.8	0.0	0.0	6.0	14.2	3.6
2019	11.9	11.9	0.0	0.0	0.0	10.4	1.5
2020	2.1	2.1	0.0	0.0	0.0	1.5	0.6

Note: The table does not include fixed-rate loans.

The new supervisory diamond for mortgage credit institutions, CRR's potential future key figure Net Stable Funding Ratio (NSFR) and also S&P's Stable Funding Ratio (SFR) all indicate the same and on the whole they necessitate a reduction in the quarterly supply of bonds behind loans with long-term credit commitments.

### Short-term funding in the supervisory diamond for mortgage credit institutions

The benchmark of the supervisory diamond relating to loans with short-term funding must be met as of 2020. The benchmark does not consider future re-financing risk, but is determined backwards based on actually completed bond issues per quarter, including re-financing completed well in advance of the maturity of the old bonds. To comply with this, the proportion of loans that are re-financed per quarter must be less than 12.5% of the total loan portfolio, and annually the proportion must amount to less than 25% of the loan portfolio. The time of the auction determines the time when refinancing is considered as taking place, and the cash debt outstanding is measured. The benchmark can be met both by reducing the volume of loans with frequent re-financing and by spreading the re-financing auctions over the year.

At Group level, there is strong focus on a reduction of the proportion of short-term adjustable-rate loans and an increase of the maturity of BRFKredit's issues of mortgage bonds.

A change in the structure of contributions and implementation of larger and more differentiated spreads between market prices and clients' prices are the most important initiatives that the Group has taken at present in order to comply with these key figures and statutory benchmarks in future.

The price changes will give clients the incentive to raise loans with instalments and longer financing and a fixed-rate period, for instance, in the form of 30-year fixed-rate bond loans, 3- or 5-year fixed-rate periods for adjustable-rate loans or floating-rate bond loans based on longer-term Cita or Cibor bonds. Also, the current trend in interest rates, with still falling long-term interest-rates, will most likely entice clients to select products with re-financing at longer intervals and increase the proportion of fixed-rate mortgage loans with long maturities.

### Senior as well as senior unsecured at BRFKredit

During the years prior to the merger, BRFKredit issued Senior Secured Bonds and raised senior debt to be used for supplementary collateral and compliance with the over-collateralization requirements (OC requirements) of S&P at the capital centres. Over the past couple of years, the OC requirement of S&P has fallen considerably.

After the merger, the group responsibility for issuing bonds in the capital market (senior debt as well as capital base) has been centralized in Treasury in the Group, which can then, when necessary, distribute liquidity or capital to BRFKredit.

BRFkredit may need to have liquidity injected into its capital centres from Jyske Bank. This may be the case if a continued high surplus is required at the maturity of outstanding senior or senior secured bonds at BRFkredit's capital centres.

## Short-term liquidity management

Short-term operational liquidity is managed by Markets, which is active in the international money markets as a trader in all major currencies and related derivatives and as a market-maker in the Nordic inter-bank money markets. Markets has been granted specific limits for the maximum placement of longer-term deposits in the same markets. Short-term funding in these markets form part of the overall Group limits for short-term funding within strategic liquidity management.

## Strategic liquidity management

Strategic liquidity management at Treasury is based on measurement of the Group's liquidity position in various stress scenarios. The asset side of the liquidity balance is broken down and grouped in order of liquidity, whereas the financial liabilities side is grouped according to expected run-off risk in various scenarios.

The analyses are based on the contractual maturity of each individual payment, but they make allowance for the fact that the actual maturities of a large part of the balance sheet deviate from the contractual maturities. The analyses therefore apply scenario-specific expectations of client behaviour in those cases where contractual maturities are not considered to give a true and fair view of the actual maturities of deposits or loans. In relevant stress scenarios, the liquidity buffer is used to cover negative payment gaps.

Treasury is responsible for ensuring that the Group can at all times meet the critical survival horizons in the three scenarios used in strategic management:

**Scenario 1** is a severe Jyske Bank-specific stress scenario which is monitored daily and is included as the key ratio in the limit structure. The scenario is a severe stress scenario with a short critical survival horizon of 35 days: the Group must hold a sufficient liquidity buffer to be able to withstand non-market access to a broad part of its price- and credit-sensitive funding sources. In addition to failure to obtain refinancing in the capital markets through inter-bank loans, CP and EMTN issues (senior issues as well as senior secured), run-off of all large demand and term deposits from the corporate and retail client segments is assumed.

**Scenario 2** is a broad sector stress scenario which is monitored on a regular basis as part of the internal liquidity management: The scenario also includes a widespread, general capital and money-market crisis that entails the situation that the Group cannot refinance on the capital markets in the form of inter-bank loans, CP and EMTN issues (both senior issues as well as senior-secured). To some extent, the crisis spreads to personal and corporate clients and results, among other things, in drawdown by large corporate clients of unutilised lines and commitments. Jyske Bank also sees stagnation in deposit growth. The target is a horizon of six months, during which time basic banking activities must be maintained.

**Scenario 3** is a capital market stress scenario which is monitored on a regular basis as part of the internal liquidity management. The scenario presupposes a non-Jyske Bank-specific capital market crisis with a survival horizon of at least one year. The Group must be able to withstand run-off of money-market and capital-market funding in the form of funding in the interbank market as well as CP and EMTN issues (both senior issues and senior secured). Based on the scenario of low economic growth in Denmark resulting in higher savings in the private sector, an unchanged volume of deposits as well as loans and advances is presumed.

The purpose of integrating stress scenario 1 into the limit structure of delegated authority is to ensure that the Group can at all times meet its obligations and pursue its operations for a specific time horizon, in case a crisis occurs during which the Group is unable to use a substantial part of its normal funding sources.

## Liquidity contingency plan

The liquidity contingency plan comes into force if the Group can only meet the internally delegated limits at very high costs or is ultimately unable to do so within the critical horizons. The contingency plan stipulates a detailed set of management reports, and it determines a broad range of initiatives that can be used to strengthen the Group's liquidity position.

In 2014, Jyske Bank had a very high degree of excess coverage in respect of the stress-based internally delegated limits and guidelines.

## The Group's liquidity buffer

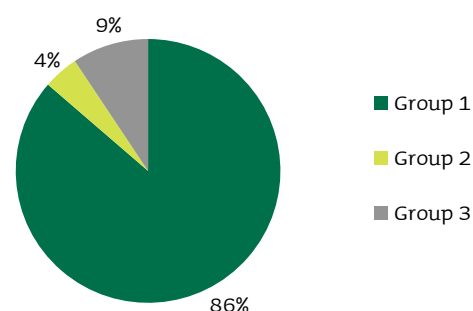
Jyske Bank's liquidity buffer consists solely of assets which are not pledged as collateral or used in the day-to-day operations of the Group. Such assets may be sold immediately or pledged as collateral for loans and are therefore a swift and efficient source of liquidity. The procurement of secured funding does not depend on Jyske Bank's creditworthiness, but solely on the quality of the assets that can be offered as collateral. The measurement of the Group's liquidity buffer takes into account haircuts of the relevant assets.

Jyske Bank's holding of securities is divided into three groups in order of liquidity:

1. **Ultra-liquid assets denominated in DKK**, which can be used in repo transactions with the Danish central bank: certificates of deposit with the Danish central bank, Danish government and mortgage bonds and covered bonds;
2. **Very liquid assets denominated in EUR**, which can be used in repo transactions with the European Central Bank: European mortgage bonds, government bonds, and senior financial instruments;
3. **Assets on which loans cannot be raised with central banks**. Other negotiable securities with a realisation time frame longer than groups 1 and 2. Securities in this group consist primarily of assets denominated in currencies other than DKK and EUR as well as Emerging Market bonds, corporate and structured bonds and shares.

Jyske Bank has adopted a general policy for the size and quality of its liquidity buffer, which is adjusted to suit the Group's balance sheet composition and risk profile. In practice, the liquidity buffer policy implies that the liquidity buffer consists predominantly of assets from liquidity groups 1 and 2. It is thus Jyske Bank's policy that it must be able to meet the limit of the survival horizon of stress scenario 1 merely by freeing assets from liquidity groups 1 and 2.

At end-2014, Jyske Bank had a definite overweight of ultra-liquid assets as illustrated by the chart.



The table below shows the development of Jyske Bank's liquidity buffer over a 12-month period under stress scenario 3. At end-2014, the Group's liquidity buffer amounted to DKK 55bn against DKK 50bn at end-2013. The reserve consists mainly of Danish mortgage bonds and covered bonds. DKK 50bn of the buffer is eligible at either the Danish central bank or the ECB.

LIQUIDITY RESERVE AND RUN-OFF		
(DKKbn)	2014	2013
Beginning of period	55.1	49.9
3 months	48.2	30.1
6 months	42.4	29.5
9 months	39.7	28.2
12 months	30.3	26.9

At end-2014, the liquidity ratio according to S.152(1)(2) of the Danish Financial Business Act was 24.4%, corresponding to a liquidity surplus of 144%; at end-2013 the surplus was 151%.

## Funding

From the perspective of liquidity risk, Jyske Bank's overall balance sheet structure is reflected in the next chart.

**Balance sheet structure**



The merger with BRFKredit led to a significantly stronger dependency on capital market funding at SDO basis, and the chart shows how BRFKredit's mortgage credit activities are reflected in the Group balance sheet in the form of mortgage loans funded by issued SDO mortgage bonds.

In addition to mortgage bonds, the Group's primary source of funding is deposits from clients, and it has a sound and well-diversified client deposit base. As reflected in the chart, deposits funded 106% of the bank loans at end-2014, against 104% the previous year. The funding through bank deposits rose due to the considerable growth in deposits throughout 2014 while at the same time bank loans exclusive of the new home loan products decreased slightly.

The chart also shows that the Group's net holdings of securities<sup>5</sup> are primarily funded through a deposit surplus and also through the issue of bonds in the capital market under a CP as well as an EMTN programme. A part of the net holdings of securities is a function of Market's activities in the interbank and wholesale fixed-term market carried out as part of the short-term operational liquidity management in the Group.

In addition, Markets funds its own wholesale-related activities by taking up unsecured loans in the wholesale fixed-term and inter-bank markets. Continuous activity in the above-mentioned markets enhances the possibility of refinancing short-term positions and is a natural part of the business of Markets.

## Capital market funding

To manage the long-term strategic liquidity risk profile, two different capital market programmes are utilised to ensure maximum flexibility with regard to maturity, currency, interest rate (fixed/floating) and investor base.

CAPITAL MARKET PROGRAMMES	
	Limit
French commercial Paper (CP)	EUR 5bn
European Medium Term Note (EMTN)	USD 8bn

The French-regulated CP programme ensures diversification and depth in the Group's short- and medium-term liquidity management so as to comply with the limit structure of the Group. Funding under the programme may have a term of up to one year, but will typically have a term of 3 months.

<sup>5</sup> Repo holdings have been netted, i.e. repo has been deducted and repo reverse added. Adjustments have been made for loans with central banks. Holdings of certain values for free reserves (before haircuts and other deductions, which apply in the statement of the Group's internal liquidity buffer).

Since the programme was launched in 2006, Jyske Bank has continuously worked to build strong investor recognition of the Group's CP programme both in and outside France. At end-2014, liquidity procured under the CP programme amounted to DKK 20.6bn (EUR 2.8bn) against DKK 10.7bn (EUR 1.4bn) at end-2013. Moreover, the very low interest-rate level has boosted French and other Continental-European investors' interest in the Group's A-2 rated CP considerably.

For long-term funding in the international capital markets, the Group has utilised a Euro Medium Term Note Programme (EMTN) since 1999. The typical maturity of senior debt is between two and ten years. At end-2014, senior issues under the programme amounted to DKK 15.6bn against DKK 18.5bn at end-2013.

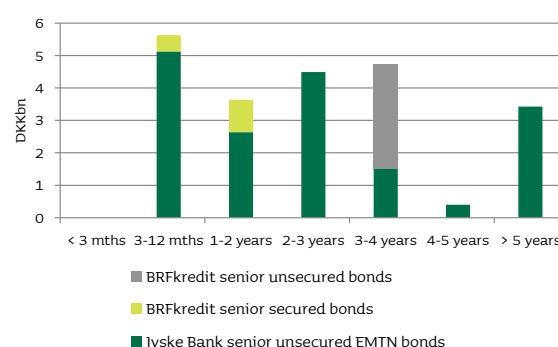
The primary investor segment for EMTN bonds is well diversified throughout Europe. Over the past couple of years, Jyske Bank has, due to its increasing deposit surplus, only had limited activity in the private placement market. However, it is an integral part of the Group's risk management to maintain on-going activities in the market for major public benchmark issues, and the Group's funding plan includes an annual issue of one major benchmark bond (EUR 500m).

In 2014, the capital markets continued to be attractive. Despite the increasing political unrest and volatility in the second half of 2014, the credit spreads for senior debt remained low, particularly in respect of Scandinavian banks.

Jyske Bank took advantage of the attractive market conditions to issue a 3-year public benchmark bond in the amount of EUR 500m in June 2014 and the distribution shows that Jyske Bank has built up strong access to the European investor base. Over the past four years, Jyske Bank has had on-going activities with issues in SEK, and in 2014 the bank fetched SEK 1.25bn in private placements under the EMTN programme.

In 2012, Jyske Bank entered into an agreement with BRFKredit on joint funding of the part of Jyske Bank's mortgage loans that meet the requirements of SDO funding. At end-2013, Jyske Bank launched new home loan products. In the course of 2014, the product range was extended with Jyske F3, Jyske F5 and Jyske Lang Rente (long term fixed rate) due to demand on the part of clients. The majority of Jyske Bank's new bank loan products are funded under the joint funding agreement. At end-2014, under the joint funding agreement, funding amounted to DKK 14.1bn, against DKK 4.7bn at end-2013.

The run-off profile of the Group's senior debt as well as senior secured issues through BRFKredit's capital centre is illustrated by the chart below.



At end-2014, in the course of the ordinary management of the run-off profile, Jyske Bank bought back EMTN issues with a shorter time to maturity in the amount of DKK 840m.

## New liquidity risk legislation

Since 2007, Jyske Bank's internal liquidity risk management has been based on stress scenarios that were considerably stricter than the statutory liquidity requirements.

The CRR requirement, Liquidity Coverage Ratio (LCR), will take effect as of 1 October 2015. LCR is a short-term (30 days) stress scenario. In the wake of the implementation of the LCR as a statutory requirement, the plan is that stress scenario 1 shall in the long term be replaced by an adjusted version of LCR on a daily basis with the aim of achieving unambiguously in the monitoring and in the limits set.

Being a Danish SIFI, the Group must 100% meet the LCR requirement as of 1 October 2015. If all mortgage bonds could be recognised in the so-called high-quality group (Level 1a), Jyske Bank would in 2014 have been able to meet the LCR requirement with a satisfactory surplus. However, the final calibration in autumn 2014 had the result that the LCR requirement must be met by at least 30% government bonds. The rest of the reserve may consist of mortgage bonds, of which the most liquid ones in 'Level 1b' are included with a haircut of 7%. At end-2014, the Group's liquidity buffer consisted predominantly of mortgage bonds, and therefore at end-2014, the Group was not able to meet LCR. The non-compliance with the LCR requirement can solely be ascribed to the composition of the liquidity buffer as the sum of LCR eligible reserves result in a LCR considerably above the statutory requirement.

In 2015, the Group will gradually increase the holding of Level 1a assets to ensure that the Group will be able to comply with the LCR requirement as per 1 October 2015. As the average maturity on the Group's holdings of mortgage bonds is short, a conversion will take place gradually and be completed well in advance of the deadline, 1 October 2015. It is still the Group's policy to focus on the overall holding of Level 1 and Level 2 assets in the LCR liquidity buffer on which loans can be raised with central banks. The total volume of these LCR assets must be so that they result in an satisfactory pro forma<sup>6</sup> surplus of the LCR requirement.

BRFkredit will, by itself, not have any major challenges meeting the LCR requirement as the re-financing of issued mortgage bonds is scheduled at more than 30 days before the due date.

It has still not been clarified whether Net Stable Funding Ratio will be a statutory requirement as of 2018. If the Group is to comply with NSFR as of 2018, it will most likely require a slight increase in volume and maturity of the senior issues from Jyske Bank in the years 2016-2017. It is expected that the mortgage activities will become NSFR conform through funding of short-term fixed income products with longer-term RTL F, Cita and Cibar bonds.

## Asset encumbrance

Asset encumbrance is a natural and inevitable part of the Group's daily activities. A large asset encumbrance of the Group's assets will, however, entail a structural subordination of the Group's unsecured creditors. To ensure that the Group at all times has access to unsecured funding, a policy has been established in the area to ensure that asset encumbrance is not extended to any inexpedient extent.

At Jyske Bank, the following types of asset encumbrance of material extent have been identified:

- Issuance of SDOs
- Periodical funding at Danmarks Nationalbank and the ECB
- Repo financing
- Derivatives and clearing activities

Issuance of SDOs constitutes the most material asset encumbrance. Right now the encumbrance takes place at the Group's subsidiary BRFkredit a/s, partly due to loans granted directly by BRFkredit a/s, partly due to home loans granted by Jyske Bank A/S through subsequent joint funding. Issuance of SDOs is a long-term and strategically important instrument to ensure stable and attractive funding.

The Group does not wish to be structurally dependent on funding of its activities from central banks. On the other hand, periodically Jyske Bank raises loans with Danmarks Nationalbank, the central bank of Denmark, and the ECB to level out sector drawings and other large and short-term shifts in the liquidity position.

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<sup>6</sup> By pro forma is meant without regard to the relationship and the weighting between government bonds and other bonds, i.e. no attention is paid to the requirement of at least 30% in Level 1a and the limitation of maximum 70% of the LCR reserve in mortgage bonds (Level 1b as well as 2a and 2b).

Participation in the repo market for institutional clients and other financial institutions forms an integral part of the business model of Jyske Markets. It is the policy that such repo transactions are covered by collateral agreements so the Group does not assume credit risk through such transactions. Repo transactions are solely carried out on liquid assets where the market price can be observed in the market. Also, repo transactions are included as a natural element of the management of the Group's liquidity buffer. Even though repo transactions form an important element in Jyske Markets, these can fairly quickly be scaled up or down.

Derivatives and clearing activities involve asset encumbrance via agreements on provision of financial collateral. The Group strives to ensure that collateral is primarily received and given through cash deposits but includes also provision of collateral in the form of bonds.

Figures relating to the Group's asset encumbrance at end-2014 are shown in appendix 1.

## Credit ratings

The Group's credit ratings are material to the price of funding and capital as well as to the funding flexibility in the form of access to a broad investor base.

The Jyske Bank Group is being rated by Standard & Poor's (S&P). Jyske Bank's S&P senior rating was unchanged at A-/A-2 with "stable outlook" throughout 2014. After the merger with Jyske Bank, BRFkredit 'inherits' Jyske Bank's rating and therefore it saw a shift from negative outlook to stable outlook in 2014. Despite S&P's announcement of expected abolishment of government aid as of end-2015, Jyske Bank is still given 'stable outlook'. S&P finds it very likely that the end to the one notch government aid for the Group's long-term senior rating will be offset by a one-notch upgrade of Jyske Bank's Bank Financial Strength Rating.

An upgrade is, according to S&P, likely due to strengthening of earnings and stability in earnings after the merger with BRFkredit, which is expected to bring Jyske Bank's Risk Adjusted Capital Ratio (RAC) up to a stable level above 10% by end-2015. However, a continued high level of impairment charges and/or too short funding of BRFkredit's loans would cause S&P to change their view of Jyske Bank's rating. A sufficiently long maturity of BRFkredit's mortgage bond issues is necessary for the Group as a whole to maintain a high rating on S&P's short- and long-term liquidity ratios.

All new mortgage loans at BRFkredit and the majority of Jyske Bank's new home loans, according to the agreement on joint funding, are funded through the issuance of mortgage bonds from BRFkredit's Capital Centre E (SDO) and B (RO - mortgage bonds), which are both rated AAA. It is a key objective of the Group to maintain S&P's AAA rating for BRFkredit's capital centres.

The capital base requirement to maintain the AAA rating for BRFkredit's capital centres is assessed continuously by S&P, among other things on the basis of BRFkredit's issuer rating as well as the growth and composition of the loan portfolio at the capital centres. At end-2014, the capital base requirement from S&P totalled DKK 11.4bn against DKK 11.7bn at end-2013. The reduction in the capital base requirement from S&P could primarily be attributed to the fact that when calculating WALs (LGD), S&P allows for the effect from guarantees for loans to general building and construction, that S&P has changed the weighting of WALs for corporate and personal clients, improvement of data quality as well as changes in the client mix.

# Liquidity risk

## STANDARD & POOR'S CREDIT RATINGS

	Long term	Short term	Individual
<b>Jyske Bank - issuer rating</b>			
2006	A (positive outlook)	A-1	-
2007	A+ (stable outlook)	A-1	-
2008	A+ (stable outlook)	A-1	-
2009	A (negative outlook)	A-1	-
2010	A (negative outlook)	A-1	-
2011	A- (stable outlook)	A-2	bbb+ (stable outlook)
2012	A- (stable outlook)	A-2	bbb+ (stable outlook)
2013	A- (stable outlook)	A-2	bbb+ (stable outlook)
<b>2014</b>	<b>A- (stable outlook)</b>	<b>A-2</b>	<b>bbb+ (stable outlook)</b>
<b>BRFkredit - issuer rating</b>			
<b>2014</b>	<b>A- (stable outlook)</b>	<b>A-2</b>	<b>bbb+ (stable outlook)</b>
<b>BRFkredit - mortgage bond ratings</b>			
	<b>2014</b>		
Covered bonds, Capital Centre E	<b>AAA (stable outlook)</b>		
Mortgage bonds, Capital Centre B	<b>AAA (stable outlook)</b>		
Mortgage bonds, General Capital Centre	<b>AAA (stable outlook)</b>		



## Operational risk

- Operational risks have increased due to the merger with BRFKredit as new cooperation interfaces and processes are to be incorporated.
- The strategic focus on home loans increases also the operational risks as manual routines in combination with a strong work pressure increase the risk of errors.
- The operational risks are still at an acceptable level and subject to continuous managerial attention.

Jyske Bank is exposed to potential losses as a result of operational risks, including inexpedient processes, human errors, IT errors as well as fraud. Operational risk relates to all internal processes and can therefore not be eliminated, yet attempts are made to minimise this risk.

The Group monitors and actively manages operational risk to reduce the risk of operational events resulting in material loss and damage to reputation.

### Policy

Jyske Bank's Group Supervisory Board sets out a policy for operational risk, which states the framework for identification, assessment, monitoring and management of the operational risk as well as the Group Supervisory Board's risk profile for the area.

The purpose of the policy is to keep operational risks at an acceptable level in respect of the Group's overall objectives and the cost associated with reducing the risks. Therefore the Group Supervisory Board has laid down a number of principles for the set-up and management of the Group where, among other things, attention must be paid to sufficient resources, IT support of material work processes, due separation of functions as well as stable development and operational processes.

In the policy, the Group Supervisory Board has decided an upper limit to how many large risks the Group may assume. This limit was observed throughout 2014 and it is not expected to be breached in 2015.

### Risk identification and assessment

In the internal risk management, scenario analysis is used that support the reduction of risk and a higher awareness about operational risks in the organisation.

Scenario analyses chart the Group's largest operational risks by analysing central processes and events that could cause loss. An assessment of the effectiveness of the control environment will reveal risks that are insufficiently covered by existing controls. The scenario analyses propose ways in which operational risks can be reduced.

Jyske Bank analyses all risk scenarios that may cause direct or indirect loss of more than DKK 5m or which could materially damage the Group's reputation. The scenarios are identified in cooperation with management, with reference to internal and external events.

The risk scenarios cover all business areas in the Group and a broad range of risks such as the provision of incorrect advice, trading errors, errors in models as well as errors in internal and external reporting. Also the risk of fraud is analysed. Operational risks at important business partners are included in the scenario analysis, including errors in IT development or IT failure. The scenario analyses are prepared in cooperation with the external parties.

Scenario analyses of BRFKredit's operational risks will be carried out in 2015. Also in 2014, the BRFKredit Group established the Group's most material risks and it has therefore an overview of risky processes and areas.

### Management and monitoring

Developments in operational risk are monitored to ensure the best possible basis for risk management. Monitoring is based on continuous dialogue with management to ensure that all the material operational risks of the Group are reflected in the risk scenarios. Risk scenarios, risk exposure and control environment are evaluated annually in cooperation with the business units.

# Operational risk

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In addition to the monitoring of potential risks in the form of the risk scenarios, registration takes place in the Group of all operational errors or incidents that caused losses or gains in excess of DKK 5,000. Each registration includes information about the incident, for instance about product, work process and cause of error. Data are used for analysis and reporting with a view to optimising processes and reducing future losses.

The Group Executive Board and the relevant business unit directors are in charge of operational risk management. This management is an integral part of daily operations through policies and controls established with the object of securing the best possible processing environment. On the basis of scenario analyses and regular reporting of the Group's operational risks, management considers the Group's risk exposure on an ongoing basis and decides whether to introduce initiatives to reduce operational risks.

Every year, the Group Executive Board and the Group Supervisory Board receive a comprehensive report that describes the development of the Group's operational risks accompanied by error statistics from the error registry.

If the Group's operational risks change materially, this is reported immediately to the Group Executive Board. Transgressions of defined risk targets are also reported to the Group Executive Board and the Group Supervisory Board.

## Development in operational risks

Throughout 2014, operational risks increased in the Group.

The merger with BRFkredit resulted in new cooperation interfaces and requires changes to work processes in several areas, which right now increases the risk of operational errors. The merger contributes to a continuation of the work pressure at a high level in some areas, which increases the risk of errors. A successful integration of BRFkredit is of high priority in the entire Group, where all inexpediencies are quickly addressed.

Jyske Bank's branch network was throughout 2014 subject to an organisational change with specialisation in corporate client and personal client branches, which process took place in a satisfactory way.

The professionalism of the account managers is targeted to their clients' needs and requirements, which reduces the risk of rendering wrong advice. The bank's efforts within home loan products do, however, increase the work pressure, and they still need to be fully supported by systems, which increases the risks in the short term.

The conversion of Spar Lolland to Bankdata's platform has been successfully completed, and the conversion in relation to BRFkredit Bank is proceeding according to plan.

Jyske Bank still experiences many attempts of external fraud, of which the greater part is prevented through an extensive control environment and vigilance on the part of the employees. Despite the focused efforts, it is difficult to eliminate the risk, particularly because communication between clients and account managers to an increasing degree takes place electronically.

Based on the scenario analyses, the economic capital for operational risk is calculated. Economic capital increased throughout 2014, which in addition to the above-mentioned development can also be attributed to the fact that Spar Lolland is now included in the basis. It is expected that in the course of 2015, calculation of economic capital for BRFkredit can begin. For periods where units are not included in economic capital, additions are made for this in the adequate capital base.

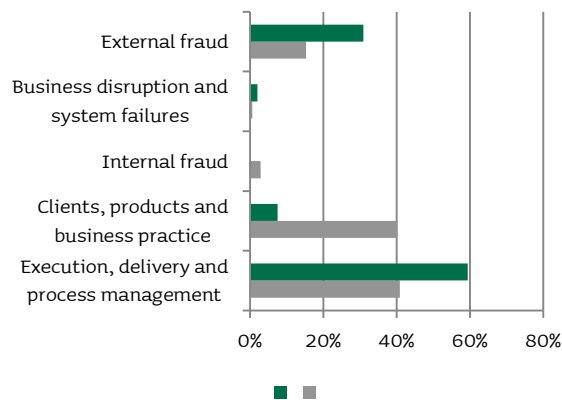
## Breakdown of losses

The breakdown of operational losses registered in 2014 by category shows that most errors occur due to manual errors when executing orders and agreements. Continuous follow-up takes place to determine whether particularly inexpedient work processes cause many errors.

The errors that were generally most expensive related to advisory services rendered to clients as well as the development and administration of the Group's products.

External fraud accounts for almost a third of the incidents in 2014 and can to a great extent be ascribed to payment card fraud. The majority of the losses are, however, of a limited size.

**Breakdown of losses**



The specification of errors only includes direct losses that are recognised separately, for instance, compensation to clients, loss of means and extra expenses. Therefore a category such as 'Business breakdowns and system errors' ranks low on the list as such incidents will primarily result in loss of working hours.

## Capital base requirement for operational risk

The capital base requirement for Jyske Bank exclusive of the BRFkredit Group is determined by means of the standardised approach. At end-2014, the BRFkredit Group used the basic indicator approach but will in early 2015 apply the standardised approach as does the rest the Group.

At end-2014, the overall capital base requirement for the Group amounted to DKK 1,364m against DKK 999m at end-2013. The increase reflects to some extent the merger with BRFkredit, amounting to DKK 252m of the capital base requirement at end-2014, and to some extent the takeover of Spar Lolland. Rising net income in the three years covered by the statement also contributes to the increase in the capital base requirement.

# Appendix 1: Supplementary tables for the Group

## Appendix 1: Supplementary tables for the Group

EXPOSURE TO SPECIALISED LENDING BROKEN DOWN BY RISK WEIGHTING				
DKKm	2014		2013	
	Time to maturity < 2½ years	Time to maturity > 2½ years	Time to maturity < 2½ years	Time to maturity > 2½ years
Risk weighting 50%	9	-	10	-
Risk weighting 70%	22	42	3	6
Risk weighting 115%	10	7	32	28
Risk weighting 250%	9	11	5	7
Defaulted exposures (risk weight 0)	49	-	60	-
<b>Total</b>	<b>99</b>	<b>60</b>	<b>110</b>	<b>41</b>

EXPOSURES ACCORDING TO THE STANDARDISED APPROACH WITH IMPAIRMENT CHARGES AND COLLATERAL			
DKKm	EAD after value adjustments but before credit reductions	Balance of loan impairment charges and provisions for guarantees, inclusive of discount and value adjustment	Collateral
Central governments or central banks	19,601	-	1,650
Regional governments or local authorities	7,037	-	3,450
Public sector entities	198	-	189
Multilateral development banks	0	-	-
International organisations	0	-	-
Institutions	28,873	15	10,617
Corporates	3,587	9	890
Retail	4,585	38	908
Secured by mortgages on immovable property	3,030	16	-
In default	1,345	1,249	61
Exposures associated with particularly high risk	6	-	1
Covered bonds	5,126	-	-
Institutions with a short-term credit assessment	241	-	-
Equity	5,099	-	-
<b>Total 2014</b>	<b>78,728</b>	<b>1,327</b>	<b>17,766</b>
Total 2013	78,971	617	32,123

Note: Real property collateral according to the standardised approach equals the exposure class Secured by mortgages on immovable property and is not shown explicitly.

# Appendix 1: Supplementary tables for the Group

## EXPOSURES ON THE AIRB APPROACH WITH IMPAIRMENT CHARGES AND COLLATERAL

DKKm	EAD after value adjustments but before credit reductions	Balance of loan impairment charges and provisions for guarantees, inclusive of discount and value adjustment	Collateral
Corporates, total	241,640	7,096	180,956
<i>Large corporate clients</i>	185,419	1,658	160,508
<i>Specialised lending</i>	159	15	-
<i>SME corporates</i>	56,062	5,423	20,448
Retail, total	170,596	1,319	140,731
<i>Real property, personal</i>	135,420	536	128,296
<i>Real property, SMEs</i>	8,978	137	5,607
<i>Other retail, private</i>	17,095	309	4,397
<i>Other retail, SMEs</i>	9,103	337	2,431
Securitisations	732	-	-
Assets without counterparties	5,358	-	-
<b>Total 2014</b>	<b>418,026</b>	<b>8,415</b>	<b>321,687</b>
Total 2013	162,121	5,199	80,198

Note: The above does not include collateral of DKK 7.2bn at end-2014 recognised with a direct substitution impact, where exposures are transferred to other counterparties.

## AVERAGE EXPOSURES BROKEN DOWN BY EXPOSURE CATEGORY

DKKm	2014
Exposures according to the standardised approach	
Central governments or central banks	13,261
Regional governments or local authorities	5,881
Public sector entities	193
Multilateral development banks	1
International organisations	0
Institutions	25,852
Corporates	3,675
Retail	5,124
Secured by mortgages on immovable property	2,810
In default	1,270
Exposures associated with particularly high risk	6
Covered bonds	8,813
Institutions with a short-term credit assessment	196
Equity	4,355
Exposures according to the AIRB method	
Corporates, total	207,894
<i>Large corporate clients</i>	152,115
<i>Specialised lending</i>	194
<i>SME corporates</i>	55,585
Retail, total	143,285
<i>Real property, personal</i>	100,539
<i>Real property, SMEs</i>	7,869
<i>Other retail, private</i>	16,689
<i>Other retail, SMEs</i>	9,222
<i>Qualified, revolving retail exposures</i>	8,967
Securitisations	946
Assets without counterparties	4,927
<b>Total 2014</b>	<b>428,488</b>
Total 2013	232,293

Note: The exposure category Qualified, Revolving Retail Exposures was only used in the first quarter of 2014.

# Appendix 1: Supplementary tables for the Group

GEOGRAPHICAL BREAKDOWN OF EXPOSURES				
DKKm	Denmark	Rest of the EU	Rest of the world	Total 2014
Exposures according to the standardised approach				
Central governments or central banks	17,542	189	1,899	19,631
Regional governments or local authorities	7,037	-	-	7,037
Public sector entities	198	-	-	198
Multilateral development banks	-	0	-	0
International organisations	-	-	-	-
Institutions	9,887	5,355	9,935	25,177
Corporates	2,810	198	719	3,727
Retail	3,044	786	1,633	5,463
Secured by mortgages on immovable property	865	1,155	1,025	3,045
In default	1,261	623	371	2,255
Exposures associated with particularly high risk	0	0	5	6
Covered bonds	3,874	934	318	5,126
Institutions with a short-term credit assessment	-	-	241	241
Equity	5,099	-	-	5,099
Exposures according to the AIRB method				
Corporates, total	225,451	2,090	14,099	241,640
<i>Large corporate clients</i>	170,892	1,237	13,290	185,419
<i>Specialised lending</i>	159	-	-	159
<i>SME corporates</i>	54,400	853	809	56,062
Retail, total	169,530	358	409	170,296
<i>Real property, personal</i>	134,982	203	235	135,420
<i>Real property, SMEs</i>	8,646	21	12	8,679
<i>Other retail, private</i>	16,842	108	145	17,095
<i>Other retail, SMEs</i>	9,061	26	16	9,103
Securitisations	275	457	-	732
Assets without counterparties	5,358	-	-	5,358
<b>Total 2014</b>	<b>452,232</b>	<b>12,144</b>	<b>30,655</b>	<b>495,031</b>
Total 2013	202,788	27,573	11,085	241,092

GEOGRAPHICAL BREAKDOWN OF EXPOSURE-WEIGHTED AVERAGES OF PD AND LGD						
	Denmark		Rest of the EU		Rest of the world	
	Av. PD	Av. LGD	Av. PD	Av. LGD	Av. PD	Av. LGD
Large corporate clients	5.69	11.05	8.91	53.61	1.41	6.39
SME corporates	16.07	38.24	20.71	33.83	15.92	54.53
Real property, personal	3.15	10.59	17.02	23.71	9.23	19.62
Real property, SMEs	7.01	20.04	1.76	15.02	1.38	23.84
Other retail, private	4.21	42.58	12.92	52.36	17.23	49.78
Other retail, SMEs	9.18	39.12	4.25	42.87	4.84	34.28
<b>Total 2014</b>	<b>6.31</b>	<b>16.83</b>	<b>13.76</b>	<b>43.74</b>	<b>2.51</b>	<b>9.77</b>
Total 2013	7.09	31.64	4.43	44.63	2.60	17.70

Note: The table does not include securitisations and assets without counterparties.

# Appendix 1: Supplementary tables for the Group

	Central governments or central banks	Regional governments or local authorities	Public sector entities	International organisations	Institutions	Corporates	Retail	Secured by mortgages on immovable property	In default	Exposures associated with particularly high risk	Covered bonds	Institutions with a short-term credit assessment	Equity	Total 2014
DKKm														
Banks and mortgage credit institutions	-	-	-	-	24,477	-	-	-	5	-	5,126	241	4,864	<b>34,713</b>
Construction	-	-	-	-	-	5	0	6	2	-	-	-	-	<b>13</b>
Energy supply	-	-	-	-	-	5	-	1	0	-	-	-	-	<b>6</b>
Real property	-	-	-	-	-	44	0	63	25	-	-	-	-	<b>132</b>
Finance and insurance	1,524	318	-	-	700	1,685	3	450	307	6	-	-	-	<b>4,993</b>
Manufacturing, mining, etc.	-	-	-	-	-	134	0	5	6	-	-	-	-	<b>146</b>
Commerce	-	-	-	-	-	21	0	1	4	-	-	-	-	<b>27</b>
Information and communication	-	-	-	-	-	2	-	-	0	-	-	-	-	<b>2</b>
Agriculture, hunting, forestry and fishing	-	-	-	-	-	2	84	0	2	-	-	-	-	<b>88</b>
Public authorities	4,273	6,706	198	-	-	0	-	-	-	-	-	-	-	<b>11,177</b>
Governments	13,650	-	-	-	-	-	-	-	-	-	-	-	-	<b>13,650</b>
Transport, hotels and restaurants	91	4	-	-	-	12	0	0	3	-	-	-	-	<b>111</b>
Other sectors	93	9	0	0	-	1,810	677	406	605	-	-	-	235	<b>3,835</b>
Personal clients	0	-	-	-	0	6	4,697	2,112	1,296	-	-	-	-	<b>8,111</b>
<b>Total 2014</b>	<b>19,631</b>	<b>7,037</b>	<b>198</b>	<b>0</b>	<b>25,177</b>	<b>3,727</b>	<b>5,463</b>	<b>3,045</b>	<b>2,255</b>	<b>6</b>	<b>5,126</b>	<b>241</b>	<b>5,099</b>	<b>77,004</b>

# Appendix 1: Supplementary tables for the Group

## SECTOR BREAKDOWN OF EXPOSURES ACCORDING TO THE AIRB APPROACH BROKEN DOWN BY EXPOSURE CATEGORY (2014)

	Large corporate clients	Specialised lending	SME corporates	Real property, personal	Real property, SMEs	Other retail, private	Other retail, SMEs	Total 2014
DKKm								
Construction	961	-	2,394	0	185	1	617	<b>4,158</b>
Energy supply	2,729	-	3,327	-	46	0	74	<b>6,176</b>
Real property	98,654	159	13,718	5	483	0	457	<b>113,475</b>
Finance and insurance	51,517	-	7,984	-	0	-	36	<b>59,538</b>
Manufacturing, mining, etc.	5,695	-	5,235	-	74	1	355	<b>11,360</b>
Commerce	5,138	-	6,689	0	400	1	713	<b>12,941</b>
Information and communication	151	-	624	0	8	-	44	<b>826</b>
Agriculture, hunting, forestry and fishing	121	-	7,697	1	1,701	18	2,848	<b>12,386</b>
Public authorities	389	-	3	-	-	-	0	<b>391</b>
Transport, hotels and restaurants	2,806	-	2,183	-	146	0	699	<b>5,835</b>
Other sectors	12,181	-	4,216	5	228	6	814	<b>17,450</b>
Personal clients	5,078	-	1,992	135,408	5,408	17,068	2,446	<b>167,401</b>
<b>Total 2014</b>	<b>185,419</b>	<b>159</b>	<b>56,062</b>	<b>135,420</b>	<b>8,679</b>	<b>17,095</b>	<b>9,103</b>	<b>411,937</b>

Note: The table does not include securitisations and active counterparties.

## EXPOSURE BY TIME TO MATURITY

	< 1 year	1 - 5 years	> 5 years	Total
DKKm				
Exposures according to the standardised approach				
Central governments or central banks	19,433	6	193	19,631
Regional governments or local authorities	3,165	3,872	0	7,037
Public sector entities	198	0	0	198
Multilateral development banks	0	0	0	0
International organisations	0	0	0	0
Institutions	16,738	7,010	1,430	25,177
Corporates	3,019	223	485	3,727
Retail	3,425	494	1,543	5,463
Secured by mortgages on immovable property	2,231	313	500	3,045
In default	1,450	233	572	2,255
Exposures associated with particularly high risk	6	0	0	6
Covered bonds	0	0	5,126	5,126
Institutions with a short-term credit assessment	241	0	0	241
Equity	0	0	5,099	5,099
Exposures according to the AIRB method				
Corporates, total	50,682	90,803	100,155	241,640
<i>Large corporate clients</i>	45,405	43,672	96,343	185,419
<i>Specialised lending</i>	13	113	33	159
<i>SME corporates</i>	5,265	47,018	3,779	56,062
Retail, total	1,271	56,795	112,230	170,296
<i>Real property, personal</i>	261	26,013	109,146	135,420
<i>Real property, SMEs</i>	192	6,690	1,797	8,679
<i>Other retail, private</i>	494	15,787	813	17,095
<i>Other retail, SMEs</i>	325	8,305	473	9,103
Securitisations			732	732
Assets without counterparties			5,358	5,358
<b>Total 2014</b>	<b>101,860</b>	<b>159,749</b>	<b>233,422</b>	<b>495,031</b>
Total 2013	165,435	43,245	32,412	241,092

Note: The table does not include securitisations and active counterparties.



# Appendix 1: Supplementary tables for the Group

## GEOGRAPHICAL BREAKDOWN OF IMPAIRED AND PAST DUE EXPOSURES

DKKkm	EAD for impaired exposures	EAD for past due exposures	EAD, both past due and impaired	Development in loan impairment charges and provisions over the year inclusive of discount and value adjustment
Denmark	48,330	4,006	3,939	3,470
Rest of the EU	520	62	1	336
Rest of the world	336	6	0	120
<b>Total 2014</b>	<b>49,186</b>	<b>4,074</b>	<b>3,940</b>	<b>3,926</b>
Total 2013	30,640	163	73	1,099

## OVERVIEW OF EXPOSURES BROKEN DOWN BY QUALITY STEP BEFORE AND AFTER CREDIT RISK REDUCTION (2014)

DKKkm	Covered bonds		Institutions with a short-term credit assessment		Institutions		Public sector entities		Regional governments or local authorities	
	Before	After	Before	After	Before	After	Before	After	Before	After
Step 1	1,960	1,960	-	-	4,341	3,010	198	8	7,037	3,588
Step 2	497	497	241	241	9,444	4,316	-	-	-	-
Step 3	2,668	2,668	-	-	5,647	3,650	-	-	-	-
Step 4	-	-	-	-	460	939	-	-	-	-
Step 5	-	-	-	-	32	50	-	-	-	-
Step 6	-	-	-	-	-	-	-	-	-	-

Note: Jyske Bank uses external ratings from Moody's when calculating the capital base requirement for the credit risk on governments and credit institutions. The external ratings are being mapped to credit quality steps based on instructions from the EBA and according to the CRR. The ratings used are delivered on a daily basis and are automatically updated in the central systems that form the basis of determination of the capital base requirement.

## SPECIFICATION OF EXPOSURES TO LOANS AND GUARANTEES FOR AIRB CORPORATES (2014)

DKKkm	EAD	Undrawn	Average RW	Collateral	Impairment charges and provisions
Credit rating class					
Rating 1-5	51,240	5,379	0.14	38,091	0
Rating 6-10	76,167	5,544	0.29	60,491	9
Rating 11-14	40,194	1,687	0.79	34,663	1,682
Default	10,408	493	0.61	5,369	4,084
<b>Total 2014</b>	<b>178,009</b>	<b>13,103</b>	<b>0.34</b>	<b>138,614</b>	<b>5,775</b>

Note: The impairment charges and provisions item includes value adjustments but not management's estimates and discount.

## SPECIFICATION OF EXPOSURES TO LOANS AND GUARANTEES FOR RETAIL CLIENTS WITH PROPERTY EXPOSURES (2014)

DKKkm	EAD	Undrawn	Average RW	Collateral	Impairment charges and provisions
Credit rating class					
Rating 1-5	28,349	456	0.05	63,218	0
Rating 6-10	9,750	362	0.15	58,861	3
Rating 11-14	1,639	81	0.84	9,477	46
Default	842	58	0.89	2,219	506
<b>Total 2014</b>	<b>40,580</b>	<b>957</b>	<b>0.16</b>	<b>133,775</b>	<b>555</b>

Note: The impairment charges and provisions item includes value adjustments but not management's estimates and discount.

# Appendix 1: Supplementary tables for the Group

## SPECIFICATION OF EXPOSURES TO LOANS AND GUARANTEES FOR RETAIL CLIENTS WITHOUT PROPERTY EXPOSURES (2014)

DKKm	EAD	Undrawn	Average RW	Collateral	Impairment charges and provisions
Credit rating class					
Rating 1-5	9,745	885	0.17	1,976	0
Rating 6-10	9,771	373	0.45	3,295	6
Rating 11-14	3,897	96	0.61	1,377	125
Default	974	16	0.76	76	479
<b>Total 2014</b>	<b>24,387</b>	<b>1,370</b>	<b>0.37</b>	<b>6,724</b>	<b>610</b>

Note: The impairment charges and provisions item includes value adjustments but not management's estimates and discount.

## MAIN TYPES OF GUARANTORS AND THEIR CREDITWORTHINESS (2014)

	Type	Collateral (DKKm)	Av. Credit rating
Corporates	Surety	1,350	4.8
Retail	Surety	838	3.9
Governments	Guarantee	7,913	1.0
<b>Total 2014</b>		<b>10,101</b>	

## BREAKDOWN OF EXPOSURES FOR CLIENTS WITH COLLATERAL ACCORDING TO THE STANDARDISED APPROACH

DKKm	EAD	Collateral
Central governments or central banks	1,765	1,650
Regional governments or local authorities	5,119	3,450
Public sector entities	196	190
Institutions	13,004	10,617
Corporates	1,171	869
Retail	4,698	841
Secured by mortgages on immovable property	471	87
In default	967	61
Exposures associated with particularly high risk	6	1
<b>Total 2014</b>	<b>27,397</b>	<b>17,766</b>
Total 2013	28,145	25,844

## BREAKDOWN OF EXPOSURES FOR CLIENTS WITH COLLATERAL PROVIDED IN THE FORM OF GUARANTEES

DKKm	EAD	Collateral
Corporates, total	8,514	2,508
<i>Large corporate clients</i>	2,068	640
<i>Specialised lending</i>	-	-
<i>SME corporates</i>	6,446	1,868
Retail, total	157	8
<i>Real property, personal</i>	-	-
<i>Real property, SMEs</i>	-	-
<i>Other retail, private</i>	64	40
<i>Other retail, SMEs</i>	93	46
<b>Total 2014</b>	<b>8,670</b>	<b>2,594</b>
Total 2013	13,950	3,130

Note: The above does not include collateral of DKK 7.2bn at end-2014 recognised with a direct substitution impact, where exposures are transferred to other counterparties.

# Appendix 1: Supplementary tables for the Group

## ENCUMBERED AND UNENCUMBERED ASSETS (2014)

DKKm	Encumbered assets		Unencumbered assets	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets	322,876		218,802	
of which equity instruments	-	-	3,716	17,266
of which debt instruments	58,685	58,685	43,344	43,622
of which other assets	32,892	-	19,887	-

## COLLATERAL PROVIDED AND OWN ISSUED DEBT INSTRUMENTS (2014)

DKKm	Collateral provided	
	Encumbered	Available for encumbrance
Collateral provided	-	32,405
of which equity instruments	-	-
of which debt instruments	-	30,612
of which other collateral	-	1,731
Own issued debt instruments exclusive of covered bonds	-	324

## LIABILITIES AND ENCUMBERED ASSETS (2014)

DKKm	Liabilities	Encumbered assets/collateral received
Carrying amount	241,156	232,152

### Appendix 2: Supplementary tables for Jyske Bank A/S

<b>CAPITAL BASE</b>		
DKKm	2014	2013
Equity	27,561	17,446
Revaluation reserve	-	-322
Intangible assets	-58	-69
Deferred tax assets relating to intangible assets	13	-
Cautious valuation	-190	-
Deferred tax assets	-205	-2
Other deductions	-64	-
<b>Common Equity Tier 1 capital</b>	<b>27,057</b>	<b>17,053</b>
Hybrid core capital	993	1,303
Diff. between expected losses and impairment charges	-	-7
Deduction for equity investments above 10%	-	-341
Other deductions	-56	-18
<b>Core capital</b>	<b>27,994</b>	<b>17,990</b>
Subordinated loan capital	324	336
Revaluation reserve	-	322
Diff. between expected losses and impairment charges	433	-7
Deduction for equity investments above 10%	-	-341
Other deductions	-	-17
<b>Capital base</b>	<b>28,751</b>	<b>18,283</b>
<b>Total risk-weighted exposure</b>	<b>133,435</b>	<b>111,368</b>

<b>CAPITAL BASE REQUIREMENTS BY RISK TYPE</b>		
DKKm	2014	2013
Credit risk	8,050	6,634
Market risk	1,664	1,408
Operational risk	961	867
Capital base requirement, Pillar I	10,675	8,909
Capital base requirement, transitional provisions	0	57
<b>Total</b>	<b>10,675</b>	<b>8,966</b>

Note: The capital base requirement for credit risk includes CVA requirements of DKK 138m

<b>CAPITAL BASE REQUIREMENT (STANDARDISED APPROACH)</b>	
DKKm	2014
Central governments or central banks	-
Regional governments or local authorities	-
Public sector entities	0
Multilateral development banks	-
International organisations	-
Institutions	310
Corporates	184
Retail	114
Secured by mortgages on immovable property	43
In default	56
Exposures associated with particularly high risk	0
Covered bonds	59
Institutions with a short-term credit assessment	10
Equity	1,363
<b>Total</b>	<b>2,139</b>

## Appendix 2: Supplementary tables for Jyske Bank A/S

### CAPITAL BASE REQUIREMENTS (AIRB APPROACH)

DKKm	2014
Exposure category	
Corporates, total	4,152
Corporates	1,526
Specialised lending	9
SME corporates	2,617
Retail, total	1,016
Real property, personal	290
Real property, SMEs	211
Other retail, private	321
Other retail, SMEs	194
Equity	376
Securitisations	22
Assets without counterparties	207
<b>Total 2014</b>	<b>5,773</b>

### CAPITAL BASE REQUIREMENT FOR MARKET RISK

DKKm	2014	
Risk type	Risk-weighted exposure	Capital base requirements
Debt instruments	16,627	1,330
Shares, etc.	3,038	243
Commodities	-	-
Currency position	1,139	91
<b>Total</b>	<b>20,804</b>	<b>1,664</b>

Note: The capital base requirement for securitisations for Jyske Bank A/S is identical to the capital base requirement for securitisations for the Group as appears from the chapter on Market risk.

### INTERNALLY DETERMINED ADEQUATE CAPITAL BASE AND SOLVENCY REQUIREMENT

DKKm	2014	% of REA	2013	% of REA
Credit risk	15,312	11.5	8,901	8.0
Market risk	1,674	1.3	771	0.7
Operational risk	980	0.7	506	0.4
Other	1,063	0.8	784	0.7
<b>Total</b>	<b>19,029</b>	<b>14.3</b>	<b>10,962</b>	<b>9.8</b>

The adequate capital base of the parent company, Jyske Bank A/S, is conservatively set to be identical to that of the Group as the parent company is liable for all the risks of the subsidiaries. However, adjustment is made for the difference in the statement of excessive impairment charges relative to expected losses as the capital addition is truncated by 0.6% of the overall risk exposure that is lower at the parent company than in the Group. Apart from this adjustment, the only difference between the Group's and the parent company's solvency requirements can be attributed to differences in risk exposure.

### EXPOSURE TO SPECIALISED LENDING BROKEN DOWN BY RISK WEIGHTING (2014)

DKKm	Time to maturity < 2½ years	Time to maturity > 2½ years
Risk weighting 50%	9	-
Risk weighting 70%	22	42
Risk weighting 115%	10	7
Risk weighting 250%	9	11
Defaulted exposures (risk weight 0)	49	-
<b>Total</b>	<b>99</b>	<b>60</b>

## Appendix 2: Supplementary tables for Jyske Bank A/S

### EXPOSURES ACCORDING TO THE STANDARDISED APPROACH WITH IMPAIRMENT CHARGES AND COLLATERAL (2014)

DKKm	EAD after value adjustments but before credit reductions	Balance of loan impairment charges and provisions for guarantees inclusive of discount and value adjustments	Collateral
Central governments or central banks	18,239	-	1,650
Regional governments or local authorities	7,007	-	3,450
Public sector entities	198	-	190
Multilateral development banks	-	-	-
International organisations	0	-	-
Institutions	24,680	15	14,099
Corporates	3,387	-	793
Retail	2,547	-	623
Secured by mortgages on immovable property	1,627	-	-
In default	1,024	33	55
Exposures associated with particularly high risk	0	-	0
Covered bonds	6,569	-	-
Institutions with a short-term credit assessment	241	-	-
Equity	17,034	-	-
<b>Total 2014</b>	<b>82,553</b>	<b>48</b>	<b>20,860</b>

### EXPOSURES ACCORDING TO THE AIRB APPROACH WITH IMPAIRMENT CHARGES AND COLLATERAL (2014)

DKKm	EAD after value adjustments but before credit reductions	Balance of loan impairment charges and provisions for guarantees inclusive of discount and value adjustments	Collateral
Exposure category			
Corporates, total	131,263	5,268	63,127
<i>Corporates</i>	79,133	341	44,753
<i>Specialised lending</i>	159	15	-
<i>SME corporates</i>	51,971	4,912	18,374
Retail, total	64,789	865	38,602
<i>Real property, personal</i>	36,925	113	29,804
<i>Real property, SMEs</i>	9,345	138	6,100
<i>Other retail, private</i>	12,423	283	1,777
<i>Other retail, SMEs</i>	6,096	331	921
Equity	1,272	-	-
Securitisations	732	-	-
Assets without counterparties	2,586	-	-
<b>Total 2014</b>	<b>200,642</b>	<b>6,133</b>	<b>101,729</b>

Note: Because impairment charges are not included in EAD according to the AIRB approach, EAD after value adjustment but before credit reductions in the table above is identical to the non-adjusted EAD amount in other AIRB tables. The above does not include collateral recognised with a direct substitution impact, where exposures are transferred to other counterparties. This only applies to the end-2014 where it amounts to DKK 7.2bn.

## Appendix 2: Supplementary tables for Jyske Bank A/S

AVERAGE EXPOSURES BROKEN DOWN BY EXPOSURE CATEGORY	
DKKm	<b>2014</b>
Exposures according to the standardised approach	
Central governments or central banks	12,438
Regional governments or local authorities	5,865
Public sector entities	193
Multilateral development banks	1
International organisations	0
Institutions	27,980
Corporates	2,995
Retail	2,533
Secured by mortgages on immovable property	1,679
In default	997
Exposures associated with particularly high risk	0
Covered bonds	9,892
Institutions with a short-term credit assessment	196
Equity	6,958
Exposures according to the AIRB method	
Corporates, total	128,098
<i>Large corporate clients</i>	76,354
<i>Specialised lending</i>	193
<i>SME corporates</i>	51,551
Retail, total	64,113
<i>Real property, personal</i>	28,459
<i>Real property, SMEs</i>	8,251
<i>Other retail, private</i>	12,262
<i>Other retail, SMEs</i>	6,174
<i>Qualified, revolving retail exposures</i>	8,967
Equity	1,229
Securitisations	394
Assets without counterparties	2,637
<b>Total 2014</b>	<b>266,968</b>

## Appendix 2: Supplementary tables for Jyske Bank A/S

GEOGRAPHICAL BREAKDOWN OF EXPOSURES				
DKKm	Denmark	Rest of the EU	Rest of the world	Total 2014
Exposures according to the standardised approach				
Central governments or central banks	16,568	189	1,524	18,281
Regional governments or local authorities	7,007	-	-	7,007
Public sector entities	198	-	-	198
Institutions	9,667	5,314	9,942	24,923
Corporates	2,728	115	543	3,387
Retail	1,372	494	681	2,547
Secured by mortgages on immovable property	101	1,072	453	1,627
In default	140	648	270	1,057
Covered bonds	5,316	934	318	6,569
Institutions with a short-term credit assessment	-	-	241	241
Equity	17,034	-	-	17,034
Exposures according to the AIRB method				
Corporates, total	114,894	2,132	14,237	131,263
<i>Large business enterprises</i>	64,481	1,247	13,405	79,133
<i>Specialised lending</i>	159	-	-	159
<i>SME corporates</i>	50,254	885	832	51,971
Retail, total	63,996	349	444	64,789
<i>Real property, personal</i>	36,461	209	255	36,925
<i>Real property, SMEs</i>	9,306	21	18	9,345
<i>Other retail, private</i>	12,166	103	154	12,423
<i>Other retail, SMEs</i>	6,064	16	16	6,096
Equity	1,272	-	-	1,272
Securitisations	275	457	-	732
Assets without counterparties	2,586	-	-	2,586
<b>Total 2014</b>	<b>243,156</b>	<b>11,704</b>	<b>28,652</b>	<b>283,512</b>

GEOGRAPHICAL BREAKDOWN OF EXPOSURE-WEIGHTED AVERAGES (2014)						
Exposure category	Denmark		Rest of the EU		Rest of the world	
	Av. PD	Av. LGD	Av. PD	Av. LGD	Av. PD	Av. LGD
Large corporate clients	1.49	28.55	8.83	53.72	1.40	6.70
SME corporates	16.92	39.12	19.43	38.03	15.59	54.64
Real property, personal	1.64	10.65	16.55	23.10	8.89	18.40
Real property, SMEs	6.62	19.67	1.72	16.38	1.37	19.37
Other retail, private	4.61	47.33	9.90	51.78	17.16	50.73
Other retail, SMEs	10.43	47.52	1.24	55.38	4.84	34.28
<b>Total 2014</b>	<b>6.67</b>	<b>29.32</b>	<b>13.20</b>	<b>45.16</b>	<b>2.50</b>	<b>10.13</b>

Note: The table does not include equities, securitisations and assets without counterparties.



## Appendix 2: Supplementary tables for Jyske Bank A/S

### SECTOR BREAKDOWN OF EXPOSURES ACCORDING TO THE STANDARDISED APPROACH BROKEN DOWN BY EXPOSURE CATEGORY (2014)

	Central governments or central banks	Regional governments or local authorities	Public sector entities	Institutions	Corporates	Retail	Secured by mortgages on immovable property	In default	Covered bonds	Institutions with a short-term credit assessment	Equity	Total 2014
DKKm												
Banks and mortgage credit institutions	-	-	-	24,223	-	-	-	-	6,569	241	17,034	<b>48,066</b>
Construction	-	-	-	-	0	-	0	-	-	-	-	<b>0</b>
Energy supply	-	-	-	-	4	-	1	-	-	-	-	<b>5</b>
Real property	-	-	-	-	42	-	20	25	-	-	-	<b>87</b>
Finance and insurance	1,524	318	-	700	1,887	3	451	307	-	-	-	<b>5,189</b>
Manufacturing, mining, etc.	-	-	-	-	3	-	0	1	-	-	-	<b>5</b>
Commerce	-	-	-	-	3	-	0	0	-	-	-	<b>4</b>
Information and communication	-	-	-	-	0	-	-	-	-	-	-	<b>0</b>
Agriculture, hunting, forestry and fishing	-	-	-	-	0	84	0	-	-	-	-	<b>85</b>
Public authorities	4,268	6,686	198	-	0	-	-	-	-	-	-	<b>11,152</b>
Governments	12,319	-	-	-	-	-	-	-	-	-	-	<b>12,319</b>
Transport, hotels and restaurants	91	4	-	-	6	-	0	-	-	-	-	<b>102</b>
Other sectors	79	-	-	-	1,434	1	14	-36	-	-	-	<b>1,492</b>
Personal clients	0	-	-	0	6	2,460	1,139	760	-	-	-	<b>4,365</b>
<b>Total 2014</b>	<b>18,281</b>	<b>7,007</b>	<b>198</b>	<b>24,923</b>	<b>3,387</b>	<b>2,547</b>	<b>1,627</b>	<b>1,057</b>	<b>6,569</b>	<b>241</b>	<b>17,034</b>	<b>82,870</b>

## Appendix 2: Supplementary tables for Jyske Bank A/S

### SECTOR BREAKDOWN OF EXPOSURES ACCORDING TO THE AIRB APPROACH BROKEN DOWN BY EXPOSURE CATEGORY (2014)

	Large corporate clients	Specialised lending	SME corporates	Real property, personal	Real property, SMEs	Other retail, private	Other retail, SMEs	Total 2014
DKKm								
Construction	224	-	2,069	0	184	1	112	<b>2,591</b>
Energy supply	2,660	-	3,234	-	46	0	49	<b>5,989</b>
Real property	481	159	13,837	1	482	-	421	<b>15,381</b>
Finance and insurance	62,332	-	7,880	-	0	-	7	<b>70,218</b>
Manufacturing, mining, etc.	5,366	-	4,514	-	74	1	75	<b>10,031</b>
Commerce	3,836	-	5,847	0	427	1	365	<b>10,476</b>
Information and communication	97	-	541	0	8	-	17	<b>662</b>
Agriculture, hunting, forestry and fishing	25	-	7,145	1	1,787	18	2,155	<b>11,133</b>
Public authorities	-	-	3	-	-	-	0	<b>3</b>
Transport, hotels and restaurants	2,309	-	1,339	-	153	0	161	<b>3,961</b>
Other sectors	1,569	-	3,607	1	227	2	383	<b>5,789</b>
Personal clients	234	-	1,955	36,922	5,956	12,400	2,352	<b>59,819</b>
<b>Total 2014</b>	<b>79,133</b>	<b>159</b>	<b>51,971</b>	<b>36,925</b>	<b>9,345</b>	<b>12,423</b>	<b>6,096</b>	<b>196,052</b>

Note: The table does not include equities, securitisations and assets without counterparties.

### EXPOSURE BY MATURITY (2014)

DKKm	< 1 year	1 - 5 years	> 5 years	Total 2014
Exposures according to the standardised approach				
Central governments or central banks	18,276	5	-	18,281
Regional governments or local authorities	3,136	3,872	-	7,007
Public sector entities	198	-	-	198
Institutions	15,020	9,872	30	24,923
Corporates	3,347	39	-	3,387
Retail	2,547	-	-	2,547
Secured by mortgages on immovable property	1,615	12	-	1,627
In default	1,056	0	-	1,057
Covered bonds	-	-	6,569	6,569
Institutions with a short-term credit assessment	241	-	-	241
Equity	-	-	17,034	17,034
Exposures according to the AIRB method				
Corporates, total	51,836	75,278	4,150	131,263
Large business enterprises	45,820	33,024	288	79,133
Specialised lending	13	113	33	159
SME corporates	6,003	42,140	3,828	51,971
Retail, total	1,229	47,571	15,989	64,789
Real property, personal	259	24,125	12,542	36,925
Real property, SMEs	216	7,012	2,117	9,345
Other retail, private	443	11,131	849	12,423
Other retail, SMEs	311	5,304	481	6,096
Equity	-	-	1,272	1,272
Securitisations	-	-	732	732
Assets without counterparties	-	-	2,586	2,586
<b>Total 2014</b>	<b>98,501</b>	<b>136,650</b>	<b>48,361</b>	<b>283,512</b>

## Appendix 2: Supplementary tables for Jyske Bank A/S

### IMPAIRED AND PAST DUE EXPOSURES BROKEN DOWN BY SECTOR

DKKm	EAD for impaired claims	EAD for past due exposures	EAD, both past due and impaired	Balance of loan impairment charges and provisions for guarantees incl. discounts and value adjustment	Net effect from impairment charges and provisions for guarantees
Banks and mortgage credit institutions	19	-	-	-	-
Construction	790	3	3	112	-21
Energy supply	801	-	-	32	-1
Real property	7,615	-	-	2,536	-840
Finance and insurance	3,031	8	-	1,009	-243
Manufacturing, mining, etc.	2,706	11	-	256	-94
Commerce	3,147	0	0	353	-155
Information and communication	273	-	-	26	-13
Agriculture, hunting, forestry and fishing	3,596	-	-	1,489	-492
Transport, hotels and restaurants	1,218	-	-	134	-17
Other sectors	1,702	0	0	243	-210
Personal clients	7,186	64	13	899	-342
<b>Total 2014</b>	<b>32,084</b>	<b>86</b>	<b>16</b>	<b>7,089</b>	<b>-2,428</b>

### IMPAIRMENT CHARGES AND PROVISIONS

DKKm	2014	2013
Balance of impairment charges for individually-assessed loans and advances	3,907	3,219
Balance of impairment charges for collectively-assessed loans and advances	1,465	854
Balance of provisions for guarantees and liabilities	552	433
<b>Balance of loan impairment charges and provisions for guarantees</b>	<b>5,924</b>	<b>4,506</b>
Balance of discounts	408	907
<b>Balance of loan impairment charges and provisions for guarantees incl. balance of discounts</b>	<b>6,332</b>	<b>5,413</b>
Balance of value adjustments	757	216
<b>Balance of loan impairment charges and provisions for guarantees incl. balance of discounts and value adjustments</b>	<b>7,089</b>	<b>5,629</b>

### NET EFFECT FROM IMPAIRMENT CHARGES, ETC.

DKKm	2014	2013
Change in balance of loan impairment charges	-1,420	-41
Recognised as a loss, covered by impairment charges / provisions	-524	-772
Recognised as a loss, not covered by loan impairment charges / provisions	-390	-530
Recoveries	82	124
Interest-rate adjustment of impairment charges	157	105
<b>Loan impairment charges and provisions for guarantees</b>	<b>-2,095</b>	<b>-1,114</b>
Recognised discount for assets taken over	208	217
<b>Net effect on income statement</b>	<b>-1,887</b>	<b>-897</b>
Value adjustments for financial instruments	-541	249
<b>Net effect on income statement, inclusive of value adjustments</b>	<b>-2,428</b>	<b>-648</b>

## Appendix 2: Supplementary tables for Jyske Bank A/S

### GEOGRAPHICAL BREAKDOWN OF IMPAIRED AND PAST DUE EXPOSURES

DKK m	EAD for impaired exposures	EAD for past due exposures	EAD, both past due and impaired	Development in loan impairment charges and provisions over the year inclusive of discount balance and value adjustment
Denmark	31,231	19	16	1,391
Rest of the EU	517	62	0	37
Rest of the world	336	5	0	32
<b>Total 2014</b>	<b>32,084</b>	<b>86</b>	<b>16</b>	<b>1,460</b>

### BREAKDOWN OF COLLATERAL BY TYPE OF COLLATERAL FOR EXPOSURE ACCORDING TO THE STANDARDISED APPROACH (2014)

DKK m	Exposure	Financial collateral	Total risk-weighted exposure
Central governments or central banks	18,281	1,650	-
Regional governments or local authorities	7,007	3,450	-
Public sector entities	198	190	2
Multilateral development banks	-	-	-
International organisations	0	-	-
Institutions	24,923	14,099	3,879
Corporates	3,387	793	2,297
Retail	2,547	623	1,431
Secured by mortgages on immovable property	1,627	-	536
In default	1,057	55	696
Exposures associated with particularly high risk	0	0	0
Covered bonds	6,568	-	737
Institutions with a short-term credit assessment	241	-	120
Equity	17,034	-	17,034
<b>Total 2014</b>	<b>82,870</b>	<b>20,860</b>	<b>26,732</b>

### BREAKDOWN OF COLLATERAL BY TYPE OF COLLATERAL FOR EXPOSURE ACCORDING TO THE AIRB APPROACH (2014)

DKK m	Exposure	Collateral					Total risk-weighted exposure
		Real property collateral	Financial collateral	Physical collateral	Other funded collateral	Guarantee collateral	
Corporates, total	131,263	7,506	48,652	4,445	17	2,507	51,903
<i>Large corporate clients</i>	79,133	821	42,564	714	15	639	19,070
<i>Specialised lending</i>	159	-	-	-	-	-	119
<i>SME corporates</i>	51,971	6,685	6,088	3,731	2	1,868	32,714
Retail, total	64,789	35,904	2,055	555	2	86	12,697
<i>Real property, personal</i>	36,925	29,804	-	-	-	-	3,620
<i>Real property, SMEs</i>	9,345	6,100	-	-	-	-	2,641
<i>Other retail, private</i>	12,423	-	1,322	415	0	40	4,010
<i>Other retail, SMEs</i>	6,096	-	733	140	2	46	2,426
<b>Total 2014</b>	<b>196,052</b>	<b>43,410</b>	<b>50,707</b>	<b>5,000</b>	<b>19</b>	<b>2,593</b>	<b>64,600</b>

Note: The above does not include collateral recognised with a direct substitution impact, where exposures are transferred to other counterparties. This only applies to the end-2014 where it amounts to DKK 3.2bn. The table does not include equities, securitisations and assets without counterparties.

## Appendix 2: Supplementary tables for Jyske Bank A/S

### MAIN TYPES OF GUARANTORS AND THEIR CREDITWORTHINESS (2014)

	Type	Collateral (DKKm)	Av. Credit rating
Corporates	Surety	1,337	4.8
Retail	Surety	838	3.9
Governments	Guarantee	4,113	1.0
<b>Total 2014</b>		<b>6,288</b>	

### BREAKDOWN OF EXPOSURES FOR CLIENTS WITH COLLATERAL ACCORDING TO THE STANDARDISED APPROACH (2014)

DKKm	EAD	Collateral
Central governments or central banks	115	1,650
Regional governments or local authorities	1,669	3,450
Public sector entities	6	190
Institutions	2,587	14,099
Corporates	240	778
Retail	389	564
Secured by mortgages on immovable property	337	74
In default	321	55
Exposures associated with particularly high risk	-	0
<b>Total 2014</b>	<b>5,664</b>	<b>20,860</b>

### BREAKDOWN OF EXPOSURES FOR CLIENTS WITH COLLATERAL PROVIDED IN THE FORM OF GUARANTEES (2014)

DKKm	EAD	Collateral
Corporates, total	8,151	2,507
<i>Large corporate clients</i>	2,038	639
<i>Specialised lending</i>	-	-
<i>SME corporates</i>	6,113	1,868
Retail, total	155	86
<i>Real property, personal</i>	-	-
<i>Real property, SMEs</i>	-	-
<i>Other retail, private</i>	63	40
<i>Other retail, SMEs</i>	92	46
<b>Total 2014</b>	<b>8,306</b>	<b>2,593</b>

Note: The above does not include collateral recognised with a direct substitution impact, where exposures are transferred to other counterparties. This only applies to the end-2014 where it amounts to DKK 3.2bn.

### Appendix 3: Supplementary tables for BRFkredit a/s

The tables in the appendix only show the exposure categories, sectors and geographical areas to which BRFkredit a/s has exposure. Figures for 2013 and also the average figures and the development over the year relate to the period before BRFkredit became part of the Jyske Bank Group, and hence they differ from the tables in the actual report.

<b>CAPITAL BASE</b>		
DKKm	<b>2014</b>	<b>2013</b>
Equity	11,084	10,362
Revaluation reserve	0	-26
Intangible assets	-9	-16
Cautious valuation	-66	0
Deferred tax assets	-198	-140
<b>Common Equity Tier 1 capital</b>	<b>10,811</b>	<b>10,180</b>
Hybrid core capital	0	0
Diff. between expected losses and impairment charges	0	-197
Excess deductions	0	-169
<b>Core capital</b>	<b>10,811</b>	<b>9,815</b>
Supplementary capital	0	2
Revaluation reserve	0	26
Diff. between expected losses and impairment charges	53	-197
Collective impairment under the standard approach	65	0
Offsetting of excess deductions	0	169
<b>Capital base</b>	<b>10,929</b>	<b>9,815</b>
<b>Total risk-weighted exposure</b>	<b>61,845</b>	<b>59,227</b>

<b>CAPITAL BASE REQUIREMENTS BY RISK TYPE</b>		
DKKm	<b>2014</b>	<b>2013</b>
Credit risk	4,188	3,653
Market risk	318	678
Operational risk	240	213
Minimum capital base requirement, Pillar I	4,746	4,545
Capital base requirement, transitional provisions	2,143	2,161
<b>Total</b>	<b>6,889</b>	<b>8,966</b>

Note: The capital base requirement for credit risk includes CVA requirements of DKK 10m

## Appendix 3: Supplementary tables for BRFkredit a/s

### CAPITAL BASE REQUIREMENT (STANDARDISED APPROACH)

DKKm	2014
Central governments or central banks	-
Regional governments or local authorities	-
Public sector entities	-
Multilateral development banks	-
International organisations	-
Institutions	248
Corporates	-
Retail	-
Secured by mortgages on immovable property	4
In default	-
Exposures associated with particularly high risk	-
Covered bonds	-
Institutions with a short-term credit assessment	-
Equity	97
<b>Total 2014</b>	<b>349</b>

### CAPITAL BASE REQUIREMENTS (AIRB APPROACH)

DKKm	2014
Corporates, total	2,343
<i>Large corporate clients</i>	2,343
<i>Specialised lending</i>	-
<i>SME corporates</i>	-
Retail, total	1,399
<i>Real property, personal</i>	1,399
<i>Real property, SMEs</i>	-
<i>Other retail, private</i>	-
<i>Other retail, SMEs</i>	-
Securitisations	-
Assets without counterparties	87
<b>Total 2014</b>	<b>3,829</b>

### CAPITAL BASE REQUIREMENT FOR MARKET RISK (2014)

DKKm		
Risk type	Risk-weighted exposure	Capital base requirements
Debt instruments	3,930	314
Shares, etc.	-	-
Commodities	-	-
Currency position	50	4
<b>Total</b>	<b>3,980</b>	<b>318</b>

## Appendix 3: Supplementary tables for BRFkredit a/s

ADEQUATE CAPITAL BASE AND SOLVENCY REQUIREMENT FOR BRFkredit a/s				
DKKm	2014	% of REA	2013	% of REA
Credit risk	5,422	9.2	4,740	8.3
Market risk	318	0.5	678	1.2
Operational risk	240	0.4	213	0.4
Other	320	0.5	0	0
<b>Total</b>	<b>6,300</b>	<b>10.6</b>	<b>5,632</b>	<b>9.9</b>

The determination of the adequate capital base for BRFkredit a/s takes place according to the 8+ method based on the capital base requirement of 8% of the total risk-weighted exposure with additions to cover further risks that are assessed not to be covered by the capital base requirement. These may be risks that are assessed not to be covered by the capital base requirement or risks that are assessed to be above normal in relation to the capital base requirement for the risk type on question.

When assessing the adequate capital base, all circumstances as mentioned in appendix 1 in the Executive Order on Calculation of Risk Exposures, Own Funds and Solvency Need are included. Based on BRFkredit's business model and risk profile, the importance of the individual circumstances on BRFkredit's capital structure is assessed, and for important circumstances, the size of the capital addition is quantified based on the guidelines in the instructions on adequate capital base and solvency requirements.

### *Credit risks*

BRFkredit a/s has assumed credit risks necessitating separate additions for the capital base requirement for credit risk. These additions cover

- Credit risk for large clients with financial problems
- Credit risk for weak clients in the remaining credit portfolio
- Credit risk concentration on individual exposures
- Credit risk concentration on clients with adjustable-rate loans
- Excessive impairment charges relative to expected losses
- Model uncertainty

### *Market risks*

BRFkredit a/s has not assumed market risks necessitating any separate addition for the capital base requirement for market risk.

### *Operational risks*

BRFkredit a/s has not assumed operational risks necessitating any separate addition for the capital base requirement for operational risk.

### *Other risks*

BRFkredit a/s budgets for lending growth exceeding the limits of the instructions for allocation of additions, and therefore separately capital is reserved to cover this risk. In addition to this, BRFkredit a/s has no other risks, including the risk of low earnings, liquidity risk and re-financing risk that will necessitate separate initiatives.

### *Adequate capital base*

The adequate capital base for BRFkredit a/s amounted to DKK 6.3bn at end-2014, corresponding to an individual solvency requirement of 10.6%. The capital base requirement, inclusive of the transitional rules for the determination of credit risk according to the IRB approach amounts to DKK 6.9bn (11.6%). The capital base for BRFkredit a/s amounted to DKK 11.0bn at end-2014, corresponding to a capital ratio of 10.6%.



## Appendix 3: Supplementary tables for BRFKredit a/s

### EXPOSURES ACCORDING TO THE STANDARDISED APPROACH WITH IMPAIRMENT CHARGES AND COLLATERAL (2014)

DKKkm	EAD after value adjustments but before credit reductions	Impairment charges and provisions	Collateral
Central governments or central banks	697	-	-
Regional governments or local authorities	-	-	-
Public sector entities	-	-	-
Multilateral development banks	-	-	-
International organisations	-	-	-
Institutions	13,307	-	-
Corporates	-	-	-
Retail	-	-	-
Secured by mortgages on immovable property	125	-	-
In default	-	-	-
Exposures associated with particularly high risk	-	-	-
Covered bonds	-	-	-
Institutions with a short-term credit assessment	-	-	-
Equity	1,211	-	-
<b>Total 2014</b>	<b>15,340</b>	<b>-</b>	<b>-</b>

### EXPOSURES ACCORDING TO THE AIRB APPROACH WITH IMPAIRMENT CHARGES AND COLLATERAL (2014)

DKKkm	EAD after value adjustments but before credit reductions	Impairment charges and provisions	Collateral
Corporates, total	118,381	1,271	115,344
<i>Large corporate clients</i>	118,381	1,271	115,344
<i>Specialised lending</i>	-	-	-
<i>SME corporates</i>	-	-	-
Retail, total	102,181	313	101,710
<i>Real property, personal</i>	102,181	313	101,710
<i>Real property, SMEs</i>	-	-	-
<i>Other retail, private</i>	-	-	-
<i>Other retail, SMEs</i>	-	-	-
Securitisations	-	-	-
Assets without counterparties	1,095	-	-
<b>Total 2014</b>	<b>221,657</b>	<b>1,584</b>	<b>217,054</b>

Note: Because impairment charges are not included in EAD according to the AIRB approach, EAD after value adjustment but before credit reductions in the table above is identical to the non-adjusted EAD amount in other AIRB tables.

## Appendix 3: Supplementary tables for BRFkredit a/s

AVERAGE EXPOSURES BROKEN DOWN BY EXPOSURE CATEGORY	
DKKm	<b>2014</b>
Exposures according to the standardised approach	
Central governments or central banks	350
Regional governments or local authorities	-
Public sector entities	-
Multilateral development banks	-
International organisations	-
Institutions	9,574
Corporates	-
Retail	-
Secured by mortgages on immovable property	86
In default	-
Exposures associated with particularly high risk	-
Covered bonds	-
Institutions with a short-term credit assessment	-
Equity	361
Exposures according to the AIRB method	
Corporates, total	115,932
<i>Large corporate clients</i>	115,932
<i>Specialised lending</i>	-
<i>SME corporates</i>	-
Retail, total	97,097
<i>Real property, personal</i>	97,097
<i>Real property, SMEs</i>	-
<i>Other retail, private</i>	-
<i>Other retail, SMEs</i>	-
<i>Qualified, revolving retail exposures</i>	-
Securitisations	-
Assets without counterparties	1,722
<b>Total 2014</b>	<b>225,122</b>

## Appendix 3: Supplementary tables for BRFkredit a/s

<b>GEOGRAPHICAL BREAKDOWN OF EXPOSURES</b>			
DKKm	Denmark	Rest of the EU	Total 2014
Exposures according to the standardised approach			
Central governments or central banks	697	-	697
Regional governments or local authorities	-	-	-
Public sector entities	-	-	-
Multilateral development banks	-	-	-
International organisations	-	-	-
Institutions	13,307	-	13,307
Corporates	-	-	-
Retail	-	-	-
Secured by mortgages on immovable property	56	69	125
In default	-	-	-
Exposures associated with particularly high risk	-	-	-
Covered bonds	-	-	-
Institutions with a short-term credit assessment	-	-	-
Equity	1,211	-	1,211
Exposures according to the AIRB method			
Corporates, total	118,381	-	118,381
<i>Large corporate clients</i>	118,381	-	118,381
<i>Specialised lending</i>	-	-	-
<i>SME corporates</i>	-	-	-
Retail, total	102,181	-	102,181
<i>Real property, personal</i>	102,181	-	102,181
<i>Real property, SMEs</i>	-	-	-
<i>Other retail, private</i>	-	-	-
<i>Other retail, SMEs</i>	-	-	-
Securitisations	-	-	-
Assets without counterparties	1,095	-	1,095
<b>Total 2014</b>	<b>236,928</b>	<b>69</b>	<b>236,997</b>

<b>GEOGRAPHICAL BREAKDOWN OF EXPOSURE-WEIGHTED AVERAGES</b>						
Exposure category	Denmark		Rest of the EU		Rest of the world	
	Av. PD	Av. LGD	Av. PD	Av. LGD	Av. PD	Av. LGD
Large corporate clients	7.41	6.49	-	-	-	-
Specialised lending	-	-	-	-	-	-
SME corporates	-	-	-	-	-	-
Real property, personal	3.59	10.44	-	-	-	-
Real property, SMEs	-	-	-	-	-	-
Other retail, private	-	-	-	-	-	-
Other retail, SMEs	-	-	-	-	-	-
Securitisations	-	-	-	-	-	-
Assets without counterparties	-	-	-	-	-	-
<b>Total 2014</b>	<b>5.64</b>	<b>8.32</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Appendix 3: Supplementary tables for BRFkredit a/s

### SECTOR BREAKDOWN OF EXPOSURES ACCORDING TO THE STANDARDISED APPROACH BROKEN DOWN BY EXPOSURE CATEGORY

	Central governments or central banks	Regional governments or local authorities	Public sector entities	Multilateral development banks	International organisations	Institutions	Corporates	Retail	Secured by mortgages on immovable property	In default	Exposures associated with particularly high risk	Covered bonds	Institutions with a short-term credit assessment	Equity	Total
DKKm															
Banks and mortgage credit institutions	-	-	-	-	-	13,307	-	-	-	-	-	-	-	887	14,194
Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Energy supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Real property	-	-	-	-	-	-	-	-	125	-	-	-	-	-	125
Finance and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing and mining, etc.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commerce	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Information and communication	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agriculture, hunting, forestry and fishing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public authorities	195	-	-	-	-	-	-	-	-	-	-	-	-	-	195
Governments	502	-	-	-	-	-	-	-	-	-	-	-	-	-	502
Transport, hotels and restaurants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other sectors	-	-	-	-	-	-	-	-	-	-	-	-	-	324	324
Personal clients	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total 2014</b>	<b>697</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,307</b>	<b>-</b>	<b>-</b>	<b>125</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,211</b>	<b>15,340</b>

## Appendix 3: Supplementary tables for BRFkredit a/s

### SECTOR BREAKDOWN OF EXPOSURES ACCORDING TO THE AIRB APPROACH BROKEN DOWN BY EXPOSURE CATEGORY

	Large corporate clients	Specialised lending	SME corporates	Real property, personal	Real property, SMEs	Other retail, private	Other retail, SMEs	Total 2014
DKKm								
Construction	680	-	-	-	-	-	-	680
Energy supply	1	-	-	-	-	-	-	1
Real property	98,171	-	-	4	-	-	-	98,175
Finance and insurance	2,190	-	-	-	-	-	-	2,190
Manufacturing, mining, etc.	186	-	-	-	-	-	-	186
Commerce	939	-	-	-	-	-	-	939
Information and communication	37	-	-	-	-	-	-	37
Agriculture, hunting, forestry and fishing	95	-	-	-	-	-	-	95
Public authorities	389	-	-	-	-	-	-	389
Transport, hotels and restaurants	356	-	-	-	-	-	-	356
Other sectors	10,492	-	-	4	-	-	-	10,497
Personal clients	4,844	-	-	102,172	-	-	-	107,017
<b>Total 2014</b>	<b>118,381</b>	-	-	<b>102,181</b>	-	-	-	<b>220,562</b>

Note: The table does not include securities and assets without counterparties.

### EXPOSURE BY TIME TO MATURITY

DKKm	< 1 year	1 - 5 years	> 5 years	Total
Exposures according to the standardised approach				
Central governments or central banks	502	-	195	697
Regional governments or local authorities	-	-	-	-
Public sector entities	-	-	-	-
Multilateral development banks	-	-	-	-
International organisations	-	-	-	-
Institutions	8,035	-	5,272	13,307
Corporates	-	-	-	-
Retail	-	-	-	-
Secured by mortgages on immovable property	-	-	125	125
In default	-	-	-	-
Exposures associated with particularly high risk	-	-	-	-
Covered bonds	-	-	-	-
Institutions with a short-term credit assessment	-	-	-	-
Equity	-	-	1,211	1,211
Exposures according to the AIRB method				
Corporates, total	-	22,326	96,054	118,381
<i>Large corporate clients</i>	-	22,326	96,054	118,381
<i>Specialised lending</i>	-	-	-	-
<i>SME corporates</i>	-	-	-	-
Retail, total	-	3,056	99,125	102,181
<i>Real property, personal</i>	-	3,056	99,125	102,181
<i>Real property, SMEs</i>	-	-	-	-
<i>Other retail, private</i>	-	-	-	-
<i>Other retail, SMEs</i>	-	-	-	-
Securitisations	-	-	-	-
Assets without counterparties	-	-	1,095	1,095
<b>Total 2014</b>	<b>8,537</b>	<b>25,382</b>	<b>203,078</b>	<b>236,997</b>

## Appendix 3: Supplementary tables for BRFkredit a/s

### IMPAIRED AND PAST DUE EXPOSURES BROKEN DOWN BY SECTOR

DKKmn	EAD for impaired exposures	EAD for past due exposures	EAD, both past due and impaired	Balance of loan impairment charges and provisions for guarantees	Net effect from impairment charges, etc.
Banks and mortgage credit institutions	-	-	-	-	-
Construction	34	1	1	10	-10
Energy supply	-	-	-	-	-
Real property	8,522	1,575	1,575	1,008	-461
Finance and insurance	482	17	17	51	-28
Manufacturing, mining, etc.	0	0	0	0	6
Commerce	2	2	2	0	1
Information and communication	-	-	-	-	-
Agriculture, hunting, forestry and fishing	-	-	-	-	-
Transport, hotels and restaurants	1	1	1	0	-0
Other sectors	1,241	565	565	159	-70
Personal clients	2,330	1,798	1,739	358	-281
<b>Total 2014</b>	<b>12,613</b>	<b>3,959</b>	<b>3,900</b>	<b>1,585</b>	<b>-843</b>

### GEOGRAPHICAL BREAKDOWN OF IMPAIRED AND PAST DUE EXPOSURES

DKKmn	EAD for impaired exposures	EAD for past due exposures	EAD, both past due and impaired	Impairment charges and provisions of the year
Denmark	12,613	3,960	3,900	484
Rest of the EU	-	-	-	-
Rest of the world	-	-	-	-
<b>Total 2014</b>	<b>12,613</b>	<b>3,960</b>	<b>3,900</b>	<b>484</b>

Note: Reconciliation of charges for impairments is stated in the Annual Report for BRFkredit (Note 12) at [brf.dk/investors](http://brf.dk/investors).

### BREAKDOWN OF COLLATERAL BY TYPE OF COLLATERAL FOR EXPOSURE ACCORDING TO THE AIRB APPROACH (2014)

DKKmn	Exposure		Collateral					Total risk-weighted exposure
	Real property collateral	Financial collateral	Physical collateral	Other funded collateral	Guarantee collateral	Other collateral		
Corporates, total	118,381	115,344	-	-	-	-	-	29,287
Large corporate clients	118,381	115,344	-	-	-	-	-	29,287
Specialised lending	-	-	-	-	-	-	-	-
SME corporates	-	-	-	-	-	-	-	-
Retail, total	102,181	101,710	-	-	-	-	-	17,485
Real property, personal	102,181	101,710	-	-	-	-	-	17,485
Real property, SMEs	-	-	-	-	-	-	-	-
Other retail, private	-	-	-	-	-	-	-	-
Other retail, SMEs	-	-	-	-	-	-	-	-
<b>Total 2014</b>	<b>220,562</b>	<b>217,054</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,772</b>

## Appendix 3: Supplementary tables for BRFkredit a/s

### BREAKDOWN OF COLLATERAL BY TYPE OF COLLATERAL FOR EXPOSURE ACCORDING TO THE STANDARDISED APPROACH (2014)

DKKm	Exposure	Financial collateral	Total risk-weighted exposure
Central governments or central banks	697	-	-
Regional governments or local authorities	-	-	-
Public sector entities	-	-	-
Multilateral development banks	-	-	-
International organisations	-	-	-
Institutions	13,307	-	3,104
Corporates	-	-	-
Retail	-	-	-
Secured by mortgages on immovable property	125	-	44
In default	-	-	-
Exposures associated with particularly high risk	-	-	-
Covered bonds	-	-	-
Institutions with a short-term credit assessment	-	-	-
Equity	1,211	-	1,211
<b>Total 2014</b>	<b>15,340</b>	<b>-</b>	<b>4,359</b>

### MAIN TYPES OF GUARANTORS AND THEIR CREDITWORTHINESS

	Type	Collateral (DKKm)	Av. Credit rating
Corporates	Surety	-	-
Retail	Surety	-	-
Governments	Guarantee	3,796	1.0
<b>Total 2014</b>		<b>3,796</b>	

### Appendix 4: Supplementary tables for BRFkredit Bank a/s

ADEQUATE CAPITAL BASE AND SOLVENCY REQUIREMENT FOR BRFkredit Bank a/s				
DKKm	2014	% of REA	2013	% of REA
Credit risk	435	11.8	472	12
Market risk	28	0.8	26	0.7
Operational risk	16	0.4	16	0.4
Other	18	0.5	44	1.1
<b>Total</b>	<b>497</b>	<b>13.5</b>	<b>558</b>	<b>14.2</b>

The determination of the adequate capital base for BRFkredit Bank a/s takes place according to the 8+ method based on the capital base requirement of 8% of the total risk exposure with additions to cover further risks that are assessed not to be covered by the capital base requirement. These may be risks that are assessed not to be covered by the capital base requirement or risks that are assessed to be above normal in relation to the capital base requirement for the risk type on question.

When assessing the adequate capital base, all circumstances as mentioned in appendix 1 in the Executive Order on Calculation of Risk Exposures, Own Funds and Solvency Need are included. Based on BRFkredit Bank's business model and risk profile, the importance of the individual circumstances on BRFkredit Bank's capital structure is assessed, and for important circumstances, the size of the capital addition is quantified based on the guidelines in the instructions on adequate capital base and solvency requirements.

#### *Credit risks*

BRFkredit Bank has assumed credit risks necessitating separate additions for the capital base requirement for credit risk. These additions cover

- Credit risk for large clients with financial problems
- Credit risk for weak clients in the remaining credit portfolio
- Credit risk concentration on individual exposures
- Credit risk concentration on sectors

#### *Market risks*

BRFkredit Bank a/s has not assumed market risks necessitating any separate addition for the capital base requirement for market risk.

#### *Operational risks*

BRFkredit Bank a/s has not assumed operational risks necessitating any separate addition for the capital base requirement for operational risk.

#### *Other risks*

BRFkredit Bank a/s budgets for earnings exceeding the limits of the instructions for allocation of additions, and therefore separately capital is reserved to cover this risk. In addition to this, BRFkredit Bank a/s has no other risks, including the risk of lending growth and liquidity risk that will necessitate separate initiatives.

#### *Adequate capital base*

The adequate capital base for BRFkredit Bank a/s amounted to DKK 497m at end-2014, corresponding to a solvency requirement of 13.5%. The capital base requirement for BRFkredit Bank a/s amounted to DKK 295m. The capital base for BRFkredit a/s amounted to DKK 745m at end-2014, corresponding to a capital ratio of 20.2%.



## Appendix 5: Definitions

<i>ABS</i>	Asset Backed Security. A general term for claims whose value is determined by a pool of specified underlying assets such as a certain type of loan.
<i>Adequate capital base</i>	The Group's own assessment of its capital requirements due to the risks assumed by the Group.
<i>AIRB</i>	The Advanced Internal Rating Based approach. A method under the CRR for determining the minimum capital base requirement to cover credit risk.
<i>Back-testing</i>	An ex-post comparison of forecast and realised values with the object of assessing the absolute precision of the relevant models.
<i>Benchmarking</i>	A management tool used for comparing the accuracy of the model under review with the accuracy of alternative models.
<i>Business risk</i>	The risk of unexpected fluctuations in earnings capacity or level of expenses, for instance due to falling trading activity, falling deposits or loans and advances or reductions in prices.
<i>Calibration</i>	Adjustment of a given model to bring it to an intended level.
<i>Capital base</i>	The capital base consists of core capital and subordinated debt; it must at all times be higher than the adequate capital base and the capital base requirement.
<i>Capital base requirements</i>	The minimum capital requirement is the amount of capital that the Group must hold to maintain its banking licence. The determination is based on statutory formulas which prescribe how the total risk exposure must be measured. The capital base requirement is 8% of this.
<i>Capital centre</i>	Covered bonds (SDO) and mortgage bonds (RO) are issued by capital centres with separate individual capital base requirements. At BRFKredit, SDOs are issued at Capital Centre E and RO at Capital Centre B.
<i>Capital conservation buffer</i>	A capital base requirement of 2.5% of the total risk exposure. To be phased in gradually. To be accumulated as protection against crisis.
<i>Capital ratio (%)</i>	The capital base divided by the total risk exposure.
<i>CDO</i>	Collateralised Debt Obligations. Bonds whose value is determined by the value of pools of underlying claims which are typically not commercial loans or real property.
<i>CLS</i>	Continuous Linked Settlement. A settlement system linking "payment to payment", which reduces the settlement risk of FX transactions made between participants of the CLS system. Jyske Bank is a third-party member.
<i>Commodity risk</i>	The risk of loss caused by changing commodity prices.
<i>Common Equity Tier 1 capital</i>	Equity less a number of deductions (Common Equity Tier 1).

## Appendix 5: Definitions

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<i>Core capital</i>	The sum of Common Equity Tier 1 capital and hybrid core capital / Additional Tier 1 Capital.
<i>Countercyclical buffer</i>	A capital base requirement of up to 2.5% of the total risk exposure. This is determined by the authorities taking into account the current economic situation.
<i>Counterparty risk</i>	The risk of loss due to a counterparty failing to fulfil his obligations.
<i>Country risk</i>	The risk of loss caused by the economic and political conditions in a given country.
<i>CP</i>	Commercial Paper. Short-term debt instruments which may be, but are not necessarily, zero-coupon instruments with maturities up to a year.
<i>CRD IV</i>	The Capital Requirements Directive is an EU directive, which through the Danish Financial Business Act, was implemented directly in Danish legislation with effect as of 1 April 2014.
<i>Credit risk</i>	The risk of loss caused by clients' or counter-parties' failure to meet their payment obligations. Credit risk extends to loans and advances, committed credit facilities and guarantees, market values of derivatives and equity investments.
<i>CRR</i>	The Capital requirements regulation is an EU regulation that lays down the rules for capital adequacy of credit institutions with effect as of 1 January 2014.
<i>CSA</i>	Credit support Annex. An annex to an ISDA contract, under which Jyske Bank is entitled to collateral if a counterparty's negative market values exceed an agreed maximum.
<i>Currency risk</i>	The risk of loss caused by changing exchange rates.
<i>CVA Risk Charge</i>	Credit Value Adjustment risk charge. The potential net loss that may occur in the portfolio of derivatives if in future the credit quality among counterparties deteriorates.
<i>Default</i>	An exposure is termed 'defaulted' if the borrower is expected not to meet all his obligations towards the Group (risk categories 2 and 3 - high and full risk).
<i>Defaulted exposures</i>	Defaulted clients and past due exposures.
<i>EAD</i>	Exposure At Default. The estimated exposure, should the client default in the course of the next twelve months.
<i>EBA</i>	European Banking Authority.
<i>ECB</i>	European Central Bank.
<i>Economic capital</i>	Economic capital is the capital required to cover the Group's unexpected loss one year into the future. Economic capital covers credit risk, market risk, operational risk and business risk.
<i>EMTN</i>	European Medium Term Notes. Typically with maturities of between two and ten years.
<i>EPE</i>	Expected Positive Exposure. A method for estimating EAD for derivatives.
<i>Equity price risk</i>	The risk of loss caused by changing equity prices.

<i>FiL</i>	Lov om Finansiell Virksomhed (the Danish Financial Business Act).
<i>GMRA</i>	Global Master Repo Agreement. A standardised agreement entered with a counterparty to a repo agreement. The agreement stipulates the trading conditions between the parties, including the right to demand additional margin if the value of the bond put up as collateral falls.
<i>Hybrid core capital</i>	Part of the core capital. A hybrid of share capital and loan capital, and therefore its capital quality is lower than that of Common Equity Tier 1 capital.
<i>ICAAP</i>	Internal Capital Adequacy Assessment Process. The process used when assessing the adequate capital base.
<i>IFRS</i>	International Financial Reporting Standards.
<i>ILAAP</i>	Internal Liquidity Adequacy Assessment Process. The Group's own determination and assessment of liquidity position and liquidity risk.
<i>Impaired exposures</i>	Impaired exposures are defined as exposures for which impairment charges have been made individually.
<i>Individual solvency requirement</i>	The adequate capital base relative to the total risk exposure.
<i>Interest-rate risk</i>	The risk of loss caused by changing market rates.
<i>ISDA</i>	International Swap and Derivative Association. The Association has formulated standardised agreements to be entered with a counterparty. Under such agreements Jyske Bank has the right to apply netting to derivatives transactions.
<i>JB credit rating</i>	A rating on a scale from 1 to 14, where 1 is the highest credit quality (the lowest PD) and 14 the lowest credit quality (the highest PD).
<i>Joint funding</i>	A financial institution may fund loans secured against real property through covered bonds issued by another financial institution or mortgage credit institution.
<i>Leverage ratio</i>	The leverage ratio is core capital relative to the Group's total non-weighted exposures.
<i>LGD</i>	Loss Given Default. The proportion of a given exposure which is expected to be lost if the client defaults in the course of the next twelve months.
<i>Liquidity risk</i>	The risk of Jyske Bank not being able to generate or obtain sufficient liquidity at a reasonable price to meet its payment obligations or ultimately being unable to meet its obligations as they fall due.
<i>LTV</i>	Loan-to-value. The relation between the remaining debt of the borrower calculated at market value and the estimated market value of the property.
<i>Market risk</i>	The risk of loss caused by a change in the market value of the Group's assets and liabilities caused by price changes in the financial markets.

## Appendix 5: Definitions

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<i>Monte Carlo simulation</i>	A method for analysing models which are too complex for analytical solution. A large number of potential scenarios are simulated, resulting in a precise and detailed description of a range of outcomes.
OAS	Options-Adjusted Spread. A measure of the yield premium of a mortgage bond over a given benchmark such as, e.g., the swap yield curve.
OEI	Objective Evidence of Impairment. A concept applied in the measurement of impairment charges under IFRS.
<i>Operational risk</i>	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.
<i>Past Due</i>	Exposures which have been in default for 90 days or longer.
PD	Probability of Default. The probability of a given client defaulting within the next twelve months.
<i>Pillar II</i>	The part of the Group's adequate capital base that exceeds the capital base requirements.
REA	Risk Exposure Amount. The risk-weighted exposure.
<i>Retail</i>	In relation to the CRD, the 'Retail' category covers private clients and small and medium-sized enterprises. The latter must meet certain criteria to rank as retail clients.
<i>Risk category</i>	Jyske Bank's exposures at risk are broken down into three categories: low (1), high (2) and full (3) risk. Risk categories 2 and 3 are termed defaulted. The risk categories are also applied in the Group's set-up for impairment recognition.
<i>Risk-weighted exposure</i>	The risk-weighted exposure is calculated according to the capital requirements regulation. Jyske Bank's capital base must correspond to at least 8% of this amount.
RMBS	Residential Mortgage Backed Securities.
RW	Risk weighting according to the capital requirement regulations in force. Risk weightings are applied to the assets to reach the risk-weighted exposure.
<i>Settlement risk</i>	The risk of loss caused by the non-fulfilment of payment obligations agreed between Jyske Bank and its counterparties.
SDO	CRD-compliant covered bonds. Loans secured against real property.
SIFI	Systemically important financial institutions
SSB	Senior Secured Bonds. Capital instrument used to meet the requirement of supplementary collateral.
<i>Supplementary collateral</i>	For loans funded through the issue of SDO, supplementary collateral must be provided if LTV exceeds the loan-to-value limit as individual loans must at all times comply with the established loan-to-value limits for the type of real property in question.

<i>Trustee report</i>	A status report from the securitisation's trustee describing the underlying loan portfolio of the securitisation and the development of this to be used by investors, among others,
VaR	Value at Risk expresses the anticipated maximum risk of loss over a given period based on historical price and correlation developments.
S.78 exposures	Exposures to members of the supervisory boards and executive officers of the financial enterprise or enterprises in which such a person is a member of the supervisory board or an executive officer. In addition to this, persons related to executive officers of the financial enterprise through marriage, cohabitation or as relatives in lineal ascent and descent (children/parents) or as siblings, and to enterprises of which they are executive officers.





