2016

Annual Report

JYSKE BANK

Annual Report 2016

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The Jyske Bank Group

CORE PROFIT AND NET PROFIT FOR THE YEAR DKKm	2016	2015	Index 16/15	2014	2013	2012
Net interest income	5,748	5,886	98	5,315	4,438	4,471
Net fee and commission income	1,531	1,834	83	1,761	1,731	1,652
Value adjustments	781	381	205	-42	410	66
Other income	257	239	108	3,074	561	402
Income from operating lease (net)	44	93	47	78	65	58
Core income	**8,361**	**8,433**	**99**	**10,186**	**7,205**	**6,649**
Core expenses	5,108	5,322	96	5,231	4,469	4,568
Core profit before loan impairment charges	**3,253**	**3,111**	**105**	**4,955**	**2,736**	**2,081**
Loan impairment charges and provisions for guarantees	-149	347	-	1,953	930	1,842
Core profit	**3,402**	**2,764**	**123**	**3,002**	**1,806**	**239**
Investment portfolio earnings	504	440	115	101	495	612
Pre-tax profit	**3,906**	**3,204**	**122**	**3,103**	**2,301**	**851**
Tax	790	728	109	14	493	255
Profit for the year	**3,116**	**2,476**	**126**	**3,089**	**1,808**	**596**

SUMMARY OF BALANCE SHEET, END OF PERIOD DKKm						
Loans and advances	422,445	396,176	107	361,799	131,378	118,554
- of which mortgage loans	277,016	249,467	111	218,864	0	0
- of which loans and advances, traditional loans and advances	94,151	93,215	101	102,331	110,667	105,947
- of which loans and advances, new home loans	17,427	11,968	146	18,092	448	0
- of which repo loans	33,851	41,526	82	22,512	20,263	12,607
Bonds and shares, etc.	89,929	76,527	118	92,309	74,853	78,195
Total assets	586,703	543,399	108	541,679	262,004	258,247
Due to credit institutions and central banks	19,941	39,211	51	49,885	43,936	38,818
Deposits	154,648	144,920	107	152,693	131,424	120,977
- of which bank deposits	134,194	128,995	104	133,198	121,249	103,015
- of which repo deposits and tri-party deposits	20,454	15,925	128	19,495	10,175	17,962
Issued bonds at fair value	271,212	231,167	117	208,539	0	0
Issued bonds at amortised cost	51,028	48,226	106	43,413	27,760	34,921
Subordinated debt	2,131	1,354	157	1,355	1,649	2,742
Holders of hybrid core capital	1,476	0	-	0	0	0
Shareholders' equity	31,038	30,040	103	27,561	17,479	15,642

SELECTED DATA AND FINANCIAL RATIOS						
Earnings per share (DKK)*	33.5	26.1	-	35.1	25.4	8.5
Profit for the year, per share (diluted) (DKK)*	33.5	26.1	-	35.1	25.4	8.5
Pre-tax profit as a percentage of opening equity*	13.0	11.6	-	17.8	14.7	6.1
Net profit as a percentage of opening equity*	10.3	9.0	-	17.7	11.6	4.3
Expenses as a percentage of income	61.1	63.1	-	51.4	62.0	68.7
Capital ratio (%)	18.3	17.0	-	16.4	16.0	17.3
Common Equity Tier 1 capital ratio (CET1 %)	16.5	16.1	-	15.3	15.3	14.2
Individual solvency requirement (%)	10.0	10.5	-	10.9	9.8	10.2
Capital base (DKKm)	33,354	30,088	-	28,990	17,831	18,603
Weighted risk exposure (DKKm)	182,195	176,904	-	176,433	111,276	107,636
Share price at end of period (DKK)	337	312	-	313	293	157
Book value per share (DKK)*	348	317	-	290	245	220
Price/book value per share (DKK)*	1.0	1.0	-	1.1	1.2	0.7
Number of full-time employees, year-end	3,981	4,021	-	4,191	3,774	3,574

Relationships between income statement items under 'The Jyske Bank Group' (key financial data) and the income statement page 45 appear from page 21 in the Management's review.

*Financial ratios are calculated as if hybrid core capital is recognised as a liability.

Summary

SUMMARY

- **Profit for the year: DKK 3,116m (2015: DKK 2,476m)**
- **Profit for the year corresponded to an annualised return of 10.3% on opening equity (2015: 9.0%)**
- **Loan impairment charges and provisions for guarantees under core profit: DKK -149m (2015: DKK 347m)**
- **Capital ratio 18.3%, of which Common Equity Tier 1 capital ratio of 16.5% (2015: 17.0% and 16.1%)**
- **The launch of a share buy-back programme in the equivalent value of up to DKK 500m to run over the period from 1 March up to and including 29 September 2017**
- **The Supervisory Board will make a motion at the Annual General Meeting in March 2017 for the distribution of ordinary dividend in the amount of about DKK 500m for the financial year 2016**

COMMENTS BY MANAGEMENT

In connection with the publication of Jyske Bank's Annual Report 2016, Anders Dam, Jyske Bank's CEO and Managing Director states:

"In 2016, Jyske Bank achieved a return on equity after tax of 10.3%. The profit reflects an improvement of the pre-tax profit from mortgage activities of 45%, an improvement in banking activities of 15% and a practically unchanged pre-tax profit from leasing activities. The Group's balance sheet increased by 8%. The objective is still a return on equity after tax of 8-12%.

At the end of 2016, home loans in the amount of about DKK 80bn had been granted, and as at today's date, home loans have been granted in the amount of about DKK 83bn. The objective is still an addition of housing-related loans in the amount of DKK 100bn. The Group will constantly offer clients competitive products and terms and conditions. The development of property-related commercial loans follows the 5-year strategy of obtaining new loans of DKK 20bn, and at the end of 2016 new loans had been established in the amount of DKK 12.4bn.

The credit quality of the Group's portfolios of both personal clients and corporate clients improved in 2016. As a result, net reversals of impairment charges amounted to DKK 149m. The development in agriculture also resulted in a net reversal of impairment charges in the fourth quarter, while for other clients, net reversals of impairment charges have taken place for six quarters in a row. The Group's credit policy, the low interest rates, the high and increasing employment rate, the increase in real earnings and moderate economic growth in Denmark are all factors supporting a continued stable development of the credit quality.

Jyske Bank's gradual adjustment of the capital structure continued with the issue of both subordinated loans and hybrid loans in 2016. Due to the adjustment as well as the delay of the implementation of the new capital adequacy rules - now estimated to take effect in 2025 - the capacity for both continued growth and capital distribution increases. The Supervisory Board will make a motion at the Annual General Meeting for the distribution of ordinary dividend in the amount of about DKK 500m for the financial year 2016. Also, a new share buy-back programme in the amount of DKK 500m, running from 1 March to 29 September 2017, will be initiated. The long-term capital targets for the capital ratio and the Common Equity Tier 1 capital ratio are still 17.5% and 14%, respectively. Over the coming years, Jyske Bank will continue to accumulate capital levels above the long-term objectives in order to meet future regulatory requirements", concludes Anders Dam.

The year 2016

Economic trends
The moderate improvement of the global economy in recent years slowed down slightly in 2016 as, for instance, the US saw a bit of a slowdown in activities, but on the whole the recovery of the global economy continued.

Interest rates fell further over the first three quarters of the year, and negative market rates became even more widespread. In the fourth quarter, long-term interest rates rose, particularly in the US, in anticipation of a future expansive fiscal policy on the part of the newly elected US president, Donald Trump. The oil price rose markedly over the year, but the underlying inflation performance was still modest, particularly in Europe.

In Denmark, the moderate recovery continued for the fourth year in a row. Consumer spending was the primary growth engine. Consumer demand was supported by several circumstances, including continuing increases in housing prices in most parts of the country, the extremely low interest-rate level as well as increases in real wages. Exports, on the other hand, saw a fairly weak development and, on the whole, investing activity stayed at a modest level. The private savings surplus was still high, and credit growth was only slightly positive.

In January, Danmarks Nationalbank, the central bank of Denmark, unilaterally changed its rate of interest on certificates of deposit from -0.75% to -0.65%, and in March the ECB changed its deposit rate from -0.3% to -0.4%, yet Danmarks Nationalbank did not make any changes to its interest rates. Hence the interest-rate differential between Danmarks Nationalbank and the ECB narrowed. The signals from the ECB indicated that the deposit rate of the ECB and hence also the rate of interest on certificates of deposit of Danmarks Nationalbank will be negative for the entire year 2017.

The Danish banking and mortgage credit sector
The Danish financial sector was characterised by the following general trends in 2016:
- Very modest growth in total loans and advances.
- The lending of mortgage credit institutions to corporate clients and private clients accounted for 75% and a still increasing proportion of total loans and advances. A continuation of the trend that has existed for the past ten years.
- Margins in the banking sector are under pressure due to the generally low level of interest rates and competition driven by the wish to attract and retain clients and business volumes in a market where total lending, as stated before, only grows moderately.
- Focus on contribution rates in the mortgage credit sector. Most providers raised their contribution rates in the spring of 2016. BRFkredit was an exception.
- Due to the continued low interest-rate level, the deposit surplus is growing. Negative deposit rates on demand deposits for all major corporate clients are becoming increasingly widespread in the market.
- Danish agriculture, especially dairy farmers and pig farmers were challenged by falling settlement prices in the first half of the year. Rising prices over the second half of the year improved profitability, but the sector is still structurally challenged with a high debt level and, in many places, run-down production facilities.

The Jyske Bank Group
The activities of the Jyske Bank Group (hereinafter referred to as the Group) are divided into three segments: banking, mortgage credit and leasing.

The Group comprises the financial institution Jyske Bank, the mortgage credit institution BRFkredit, the leasing company Jyske Finans, as well as international activities in the form of a branch in Hamburg, a subsidiary in Gibraltar, which offers regular banking products to clients in Gibraltar, as well as investment advice services to international private banking clients in Gibraltar and Copenhagen.

At the end of 2016, the Group had 3,981 full-time employees, about 192,000 shareholders and shareholders' equity amounted to DKK 31.0bn.

Jyske Bank was established in 1967 and is domiciled in Silkeborg. The primary objective of Jyske Bank is to supply personal clients, private banking clients and the business sector with financial solutions. In respect of banking activities in Denmark, Jyske Bank operates 95 personal client branches, 30 corporate client branches and 10 private banking centres. In addition, there are special branches catering to corporate clients.

Having a market share of about 10%, Jyske Bank is the third largest bank in the Danish market and the second largest Danish-owned bank.

Having a market share of 11%, BRFkredit is the fourth largest mortgage credit institution in the Danish market, and its activities date back to the establishment of Byggeriets Realkreditfond in 1959.

In 1975, BRFkredit merged with the oldest mortgage credit institution in Denmark, Husejernes Kreditkasse, which was founded by wealthy citizens in Copenhagen following the great fire in 1795.

The main activity of BRFkredit is mortgage lending secured against real property in Denmark. At the end of 2016, 87% of the portfolio was granted to real property for housing purposes. Less than 1% of the loans in the portfolio were secured against real property outside Denmark.

BRFkredit is divided into three different business areas:

- Personal clients
- Corporate clients
- Subsidised Housing (rental housing)

Jyske Finans was established in 1959 under the name of A/S Jydsk-Fynsk Diskonteringsselskab. In 1986, A/S Jyske Leasing was established with the objective of delivering custom-made financing arrangements to the corporate sector. In 1991, the activities of the two companies were merged, and in 2001 the company was named Jyske Finans A/S.

Jyske Finans offers financial solutions in the form of leasing and financing within car financing as well as leasing and financing of equipment for the corporate sector. The activities primarily target Danish personal and corporate clients as well as dealer cooperation schemes and partnerships.

In addition to the above-mentioned companies and activities, the Group comprises small subsidiaries, including investment and property companies.

Strategy

The Group caters to the needs of private individuals, businesses and institutions - and hence also society - for financial services. The financial products and other related products and services are offered primarily in Denmark.

The strategy is to focus on the core business, which comprises commercial banking, trading activities based on client transactions, asset management and international private banking activities as well as mortgage operations and leasing.

In respect of products and services that the Group does not produce itself, but which are considered important to the Group's clients, strategic partnership agreements are concluded, including life insurance through PFA Pension, property and casualty insurance through GF Forsikring, mortgage products relating to agriculture through DLR Kredit as well as payment cards through SEB. Similarly, the Group participates in Bankdata, which delivers essential parts of Jyske Bank's IT development and IT solutions, and Jyske Bank's IT operations are performed at JN Data.

Since the financial crisis in 2008, the strategic initiatives have focused on strengthening of the income base through organic growth, selective acquisitions and cost reductions. Since the merger with BRFkredit in the spring of 2014, the strategic focus has been on the financing of real property by means of new home loan products and direct mortgage activities to personal as well as corporate clients. The objective is for the Group to generate home loans for personal clients in the amount of DKK 100bn and mortgage loans in the amount of DKK 20bn to corporate clients.

Capital

The Group's aim is to deliver a long-term attractive return to its shareholders. The return must rank among the best generated by comparable companies and reflect the risks and earnings of the Group. The long-term objective is a return on equity after tax of 8-12%.

The Group will still pay dividend and make share buybacks. This will take place provided that known or probable future capital requirements from the authorities, including capital requirements for the fulfilment of stress scenarios, are met. Moreover, capital requirements from the rating agencies must be met, and the necessary capital must be available for organic growth and growth through minor acquisitions.

The Group will meet capital requirements through an appropriate combination of equity and loan capital. Issues of subordinated loans as well as issues of hybrid loans in 2016 took place as part of the gradual adjustment of the capital structure to a long-term objective of a capital ratio of 17.5% and a Common Equity Tier 1 capital ratio of 14%.

Long-term risk management and capital planning will ensure competitive and high ratings for Jyske Bank as well as a strong position in the capital market.

Management, organisation and employees

Common values and value-based management establish the basis for organisational cohesion and agility as well as the ability to develop and retain dedicated, competent, dynamic and responsible employees who are necessary in order to fulfil the company's strategies and objectives.

In the fourth quarter of 2016, an employee survey was conducted in the entire Group focusing on employees' dedication, including in particular the factors job satisfaction and loyalty.

The purpose of the employee survey was to strengthen the business development by raising consciousness about and develop the factors that spur and support employee dedication in the short as well as the long term. An important focus of the survey was to clarify what is most important for the dedication of the employees.

The survey showed that the employees' dedication is at a very high level, which is among the highest levels in the sector. Particularly job content and the bank's reputation carry a heavy weight and are assessed as being very important by the employees. Moreover, it is very satisfactory that a very large number of employees consider themselves enthusiastic, twice as many employees as in the sector in general. The survey also showed that the Group has some scope for improvement, particularly in respect of working conditions and processes - particularly in the branch network where compliance-related tasks, such as measures to prevent money laundering take up many resources. At group level, a series of initiatives have been launched to solve the challenges.

Prices and products

Jyske Bank stands out through its development of products, advisory services and client servicing that offer clients the experience of a bank that differs in a positive way in terms of such parameters. The development of the new Jyske Bank home loan products is an example of this. Through the super loan Jyske Renteloft (Jyske Interest Rate Ceiling) CIBOR3, the product range was extended with a product that offers the possibility of benefiting from the low short-term interest rate at this time while, at the same time, having a ceiling over the base rate for either 5 or 8 years.

The Group offers a wide range of home loans for personal clients, consisting of traditional mortgage loans from BRFkredit and bank mortgage loans from Jyske Bank. Focus is constantly on the ability to be competitive both as regards product range and pricing. Hence the Group chose to maintain its contribution rates and interest rate premium unchanged in 2016.

In the autumn of 2016, Jyske Bank was for the second year in a row named best in test by the consumer magazine TÆNK, which substantiates that generally the Group offers banking products at competitive prices.

The Group is on a continuous basis working on its pricing. Examples of this is that, in December 2016, a negative deposit rate of 0.40% was introduced on demand deposits of corporate clients. In addition to this, considering to which extent clients have their banking business with Jyske Bank, payment for a number of services will be introduced to personal clients, who previously could use these services free of charge. Payment for services will take effect as of 1 June 2017.

Status of the merger with BRFkredit

Since the merger of Jyske Bank and BRFkredit in the spring of 2014, the Group has made targeted efforts to fulfil the growth potential and obtain synergies.

The target of synergies of at least DKK 600m annually was realised at the end of the first half of 2016, i.e. 18 months earlier than expected.

At the end of the first half of 2016, net interest income on the new home loans amounted to almost DKK 500m annualised. To this is to be added net interest income from mortgage loans to corporate clients in the amount of about DKK 40m as well as a reduction of BRFkredit's capital charges of more than DKK 100m. Less the lost fee income from Totalkredit of about DKK 300m, the realised earnings synergies exceeded DKK 300m annually. The total synergies will be increased on an on-going basis due to the continuing sales of home loans and mortgage loans to corporate clients.

With respect to costs, synergies totalling about DKK 330m were achieved, primarily because of lower employee costs following the reduction in the number of employees. At the end of the first half of 2016, the Group had 3,977 full-time employees against 4,444 full-time employees at the time of the merger on 30 April 2014. The number of employees was stable throughout the year, and at the end of 2016 it was 3,981.

Thanks to the merger, the Group was able to generate organic growth in a market characterised by low demand. At the end of 2016, new home loans had been granted in the amount of about DKK 80bn. The proportion of home loans granted to new clients increased over the year and accounted for 29% of new sales in 2016. At the end of 2016, mortgage loans to corporate clients had grown by DKK 12.4bn since the time of the merger.

The objective is still to increase the Group's housing-related loans by DKK 100bn. In respect of corporate clients, the objective is that the Group will see an addition of mortgage loans in the amount of DKK 20bn over a 5-year period.

The objective is to establish as many full-service clients in the Group as possible. Active efforts are made to achieve this through the dual-brand strategy.

On the whole, during the integration process, integration costs of DKK 110m were paid, namely DKK 47m in 2014 and DKK 63m in 2015. No integration costs were incurred in 2016. The majority of the integration costs related to severance costs. Total integration costs were in line with the most recent announcement of expected integration costs in the range of DKK 100m-150m.

In future, efforts will still be made to integrate the Group's banking and mortgage activities, including optimization of joint processes. Costs for this purpose will be regarded operating costs.

Offer to buy all shares in Jyske Invest Fund Management A/S

On 21 February 2017, Jyske Bank has made an offer to buy all shares in Jyske Invest Fund Management A/S from the shareholders: Investeringsforeningen Jyske Invest, Investeringsforeningen Jyske Invest International, Kapitalforeningen Jyske Invest Institutional and Kapitalforeningen Jyske Portefølje.

The offer was made on the basis of the initial discussions that Jyske Bank has had with representatives of the supervisory boards of the investment associations. The offer is conditional, and a takeover of the company is subject, among other things, to the associations' general meetings.

Jyske Invest Fund Management A/S is the administration company of the Associations in Jyske Invest. The activities of the company chiefly relate to statutory and administrative processes, monitoring and reporting.

A takeover will increase the number of full-time employees of the Jyske Bank Group by about 30.

Profit for the year

CORE PROFIT AND NET PROFIT FOR THE YEAR DKKm	2016	2015	Index 16/15	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Net interest income	5,748	5,886	98	1,457	1,393	1,448	1,450	1,567
Net fee and commission income	1,531	1,834	83	501	363	343	324	495
Value adjustments	781	381	205	232	170	169	210	112
Other income	257	239	108	79	48	73	57	59
Income from operating lease (net)	44	93	47	-27	21	28	22	25
Core income	**8,361**	**8,433**	**99**	**2,242**	**1,995**	**2,061**	**2,063**	**2,258**
Core expenses	5,108	5,322	96	1,335	1,275	1,230	1,268	1,369
Core profit before loan impairment charges	**3,253**	**3,111**	**105**	**907**	**720**	**831**	**795**	**889**
Loan impairment charges	-149	347	-	-293	77	-105	172	-34
Core profit	**3,402**	**2,764**	**123**	**1,200**	**643**	**936**	**623**	**923**
Investment portfolio earnings	504	440	115	303	258	88	-145	152
Pre-tax profit	**3,906**	**3,204**	**122**	**1,503**	**901**	**1,024**	**478**	**1,075**
Tax	790	728	109	301	180	215	94	238
Profit for the year	**3,116**	**2,476**	**126**	**1,202**	**721**	**809**	**384**	**837**

Profit for the year

The Group realised a pre-tax profit of DKK 3,906m. Calculated tax amounted to DKK 790m, and after tax the profit amounted to DKK 3,116m. The post-tax profit corresponded to a return of 10.3% on opening equity against 9.0% in 2015. The return on opening equity is in line with the objective of a return after tax of 8-12% stated at the beginning of 2016.

Core profit

Core profit amounted to DKK 3,402m against DKK 2,764m in 2015.

Investment portfolio earnings representing the Group's return on its own securities portfolio after finance cost amounted to DKK 504m against DKK 440m in 2015.

Core profit before loan impairment charges and provisions for guarantees amounted to DKK 3,253m against DKK 3,111m for 2015.

Net interest income under core income amounted to DKK amounted to DKK 5,748m, corresponding to a decline of 2% relative to 2015.

For mortgage and leasing activities, there was underlying growth in net interest income fuelled by increasing business volume. Net interest income from banking activities are still supported by the continuing growth in home loans. The year 2016 also saw a stable development in the volume of traditional bank loans and advances.

However, the very low interest-rate level and the competition-driven pressure on lending margins still affected the development of net interest income for banking activities.

As of 1 January 2016, the home loan products were recognised at fair value at the first recognition. Therefore, issues at a discount solely affect value adjustments. All other things being equal, the change from amortised cost to fair value results in lower net interest income and higher value adjustments. Compared with 2015, net interest income was adversely affected in an amount in excess of DKK 100m.

In the fourth quarter of 2016, a positive one-off effect of DKK 52m was recognised under net interest income; this effect related to the changed management's estimate on actual contractual maturities under leasing activities.

At DKK 501m in the fourth quarter of 2016, net fee and commission income ended the year in line with the level for the fourth quarter of 2015. The favourable development can primarily be attributed to the positive development in the financial markets, which resulted in higher investment-related product fees and realised performance-related fees.

On the whole, net fee and commission income for the full year fell by 17% relative to 2015. The most important reasons for this were:

- In the first quarter of 2015, compensation from Nykredit in the amount of DKK 84m was recognised as income under guarantee commission.
- Absence of performance-related fees in the first nine months of 2016 and lower brokerage income.
- Lower refinancing activity under mortgage activities and discounts on transfers of mortgage loans to BRFkredit.

FEE AND COMMISSION INCOME		
DKKm	2016	2015
Securities trading and custody services	1,218	1,377
Money transfers and card payments	209	182
Loan application fees	291	310
Guarantee commission	97	181
Other fees and commissions	165	196
Total	**1,980**	**2,246**

Value adjustments under core profit amounted to DKK 781m against DKK 381m in 2015. Throughout 2016, the financial markets were affected by volatility relating to political events, the UK referendum on EU membership, the Italian election and the US presidential election. The latter resulted at the end of the year in significant increases in long-term market rates.

The volatility in the financial markets resulted in a higher activity level on the part of institutional clients within foreign exchange and Danish mortgage bonds, in particular.

Transactions relating to clients' interest-rate hedging affected value adjustments favourably with an unrealised gain of DKK 243m, which is a consequence of falling long-term market rates and the improving credit quality of the clients. In 2015, the effect from these transactions was a positive value adjustment of DKK 298m.

In 2016, the narrowing of credit spreads on Danish mortgage bonds had a positive effect on value adjustments of the Group's bond holdings.

Value adjustment of sector shares affected value adjustments positively by about DKK 130m.

Under other income, an amount of DKK 36m relating to the sale of an owner-occupied property was recognised as income in the fourth quarter.

Income from operating lease (net) was an expense of DKK 27m in the fourth quarter 2016 due to an extraordinary impairment charge of DKK 53m on the residual value of operating lease agreements. Please see Leasing activities for further comments.

Core expenses amounted to DKK 5,108m against DKK 5,322m in 2015. When disregarding integration costs and costs for the winding up of Jyske Bank Schweiz in 2015, the development of core expenses was as expected based on a lower average number of full-time employees and the lower payment to the Resolution Fund. In 2016, the annual contribution to the Resolution Fund was DKK 45m, which is slightly lower than the previous estimate of DKK 50-60m. In 2015, totals costs for the Guarantee Fund for Depositors and Investors and the Resolution Fund amounted to DKK 168m.

Compared to the third quarter, expenses rose in the fourth quarter of 2016 by DKK 60m. The most important reasons for this were expenses for MobilePay and adjustment of other provisions, etc.

OPERATING EXPENSES AND DEPRECIATION AND AMORTISATION		
DKKm	2016	2015
Employee expenses	2,994	3,041
IT	1,212	1,210
Rent, etc.	140	154
Amortisation, depreciation and impairment	96	122
Other operating expenses	666	795
Total	**5,108**	**5,322**

Due to the lower average number of employees, employee costs fell by about DKK 70m. This saving was offset by the increase in salaries prescribed by the collective agreement and an increase in payroll tax, totalling 3.2%. In 2017, the payroll tax rate will increase to 14.1% from 13.6% in 2016.

At the beginning of 2016, the number of employees in terms of full-time employees was close to the objective of a reduced number at 4,000. This objective was realised in in the first quarter of 2016, and the number of employees was stable over the rest of the year. At the end of 2016, the Group had 3,981 full-time employees against 4,021 full-time employees at the end of 2015.

SUMMARY OF BALANCE SHEET, END OF PERIOD DKKm	2016	2015	Index 16/15	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Loans and advances	422,445	396,176	107	422,445	410,328	406,910	410,591	396,176
- of which mortgage loans	277,016	249,467	111	277,016	275,267	267,568	257,909	249,467
- of which loans and advances, traditional loans and advances	94,151	93,215	101	94,151	93,984	96,454	93,811	93,215
- of which loans and advances, new home loan products	17,427	11,968	146	17,427	13,917	11,369	11,220	11,968
- of which repo loans	33,851	41,526	82	33,851	27,160	31,519	47,651	41,526
Bonds and shares, etc.	89,929	76,527	118	89,929	88,868	76,771	80,933	76,527
Total assets	586,703	543,399	108	586,703	562,477	564,450	558,925	543,399
Due to credit institutions and central banks	19,941	39,211	51	19,941	10,690	30,350	43,891	39,211
Deposits	154,648	144,920	107	154,648	152,592	147,921	143,673	144,920
- of which bank deposits	134,194	128,995	104	134,194	132,384	128,769	125,416	128,995
- of which repo deposits and tri-party deposits	20,454	15,925	128	20,454	20,208	19,152	18,257	15,925
Issued bonds at fair value	271,212	231,167	117	271,212	264,793	256,357	241,095	231,167
Issued bonds at amortised cost	51,028	48,226	106	51,028	50,564	45,674	47,510	48,226
Subordinated debt	2,131	1,354	157	2,131	2,134	2,146	1,357	1,354
Holders of hybrid core capital	1,476	0	-	1,476	1,471	0	0	0
Shareholders' equity	31,038	30,040	103	31,038	30,404	30,091	29,680	30,040

Business volume and financial position

The total lending growth of 7% comprised stable traditional bank loans and advances and continued growth in home loans. At the end of 2016, mortgage loans accounted for 66% of total loans and advances. Growth in home loan products increased over the year, among other things, due to the fact that other providers of mortgage loans raised their prices over the first half of 2016. At the end of 2016, new home loans had been granted in the amount of about DKK 80bn against DKK 57.5bn at the end of 2015.

Traditional bank loans and advances were marginally above the level at the end of 2015, and hence the downward trend seen in recent years was broken. At sector level, mortgage loans accounted for a still increasing proportion of total loans and advances.

Bank deposits increased by 4% to DKK 134bn, and after a small decline in the first quarter of 2016, they increased steadily over the year. Moreover, demand deposits tended to account for an increasing proportion of total bank deposits.

At the end of 2016, bank deposits amounted to about DKK 23bn more than bank loans and advances, corresponding to about 20%. The development reflects the still large savings surplus in society.

The business volume within asset management had increased to DKK 127bn at the end of 2016 as compared to DKK 118bn at the end of 2015. The increase in business volume could be attributed to the moderate to decent inflow across most client segments as well as the fair returns to the clients after the strong end to the year.

After share buy-backs and the strengthening of retained earnings over the year, the shareholders' equity amounted to DKK 31.0bn at the end of the year against DKK 30.0bn at the end of 2015.

The capital base amounted to DKK 33.4bn against DKK 30.1bn at the end of 2015, and the capital ratio and the Common Equity Tier 1 capital ratio amounted to 18.3% and 16.5%, respectively, at the end of the year against 17.0% and 16.1%, respectively, at the end of 2015. The issue of subordinated loans in the amount of SEK 1bn and hybrid Tier 1 capital totalling DKK 1.5bn made a positive contribution to the capital ratio and the Common Equity Tier 1 capital ratio.

At the end of the year, the Group calculated its individual solvency requirement at 10.0% against 10.5% at the end of 2015. To this must be added a combined buffer requirement of 1.2%.

On the whole, the Group's financial position is robust and satisfactory.

Loan impairment charges and provisions for guarantees and value adjustments of acquired loans and advances

Under core profit, an amount of DKK 149m was recognised as an income under loan impairment charges and provisions for guarantees against and expense of DKK 347m in 2015. In the statutory reporting format, an amount of DKK 201m was recognised as an expense under loan impairment charges and provisions for guarantees. The difference relative to impairment charges under core profit can be attributed to redesignation relating impairment charges for impaired loans and advances taken over.

LOANS, ADVANCES AND GUARANTEES AS WELL AS VALUE ADJUSTMENTS OF LOANS AND ADVANCES, ETC. DKKm	2016	2015	Index 16/15	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Loans, advances and guarantees	438,592	410,030	107	438,592	426,124	422,554	424,423	410,030
Balance of loan impairment charges and provisions for guarantees	5,937	6,713	88	5,937	6,482	6,716	6,924	6,713
Individual impairment charges and provisions for guarantees	4,640	4,934	94	4,640	4,806	5,107	5,199	4,934
Collective impairment charges and provisions for guarantees	1,297	1,779	73	1,297	1,676	1,609	1,725	1,779
Value adjustments of acquired loans:								
Balance of discounts for acquired loans and advances, beginning of period	1,548	2,625	59	1,145	1,238	1,420	1,548	1,878
Other additions	0	46	-	0	0	0	0	0
Positive value adjustments (interest income)	350	1,025	34	100	91	97	62	321
Negative value adjustments (loss)	319	98	326	166	2	85	66	9
Balance of discounts for acquired loans and advances, end of period	879	1,548	57	879	1,145	1,238	1,420	1,548
Total balance for loan impairment charges and provisions for guarantees and balance of discounts for acquired loans and advances	6,816	8,261	83	6,816	7,627	7,954	8,344	8,261
Non-performing loans and guarantees:								
Loans and advances before impairment charges and provisions, inclusive of discounts	22,936	26,128	88	22,936	22,747	24,939	25,027	26,128
Impairment charges and provisions	5,730	6,233	92	5,730	6,048	6,290	6,491	6,233
Discounts on acquired loans	857	1,415	61	857	1,118	1,203	1,320	1,415
Loans, advances and guarantees after impairment charges	16,349	18,480	88	16,348	15,581	17,446	17,216	18,480
NPL ratio	3.7%	4.5%		3.7%	3.6%	4.1%	4.1%	4.5%
NPL contribution ratio	28.7%	29.3%		28.7%	31.5%	30.0%	31.2%	29.3%
Non-performing loans and past due exposures								
Past due exposures	2,281	2,961	77	2,281	2,841	2,835	2,826	2,961
Operational loan impairment charges and provisions for guarantees	201	1,372	15	-193	168	-8	234	287
Operating loss	1,296	1,362	95	445	456	269	126	423

Under core profit, loan impairment charges and provisions for guarantees of DKK 149m were reversed against the recognition of an expense of DKK 347m in 2015, and losses in the amount of 1,296m were recognised against DKK 1,362m in 2015.

At the end of 2016, management's estimates amounted to DKK 471m, of which DKK 235m related to agricultural clients against DKK 462m and DKK 285m, respectively, at the end of 2015.

The Group's balance of loan impairment charges and provisions for guarantees amounted to 1.3% of loans, advances and guarantees at the end of the year against 1.6% at the end of 2015.

Total balance for loan impairment charges and provisions for guarantees and balance of discounts for acquired loans and advances amounted to DKK 6,816m, against DKK 8,261m at the end of 2015, corresponding to 1.5% and 2.0% of the total balance of loans, advances and guarantees. The increase in home loans with low credit risk fuelled the increase in loans and advances and guarantees, and as a consequence of this, the percentage falls.

In 2016, generally both corporate and personal clients still saw improvement, which resulted in low individual and collective impairment charges and, in respect of many sectors, reversals. In respect of agricultural clients, 2016 saw a need to make further individual impairment charges as well as management's estimates. Seen in isolation, in the fourth quarter of 2016, reversals relating to agricultural clients were also made.

The number of new impaired exposures relating to personal clients was unchanged at a low level. For corporate clients, exclusive of agricultural clients, the number of new impaired exposures fell over the year.

At the end of the year, the Group had registered assets provided as collateral in the amount of DKK 354bn compared to DKK 322bn at the end of 2015. Relative to loans and advances and guarantees, the value of the collateral increased due to the increase in home loans.

A breakdown of loans, advances and loan impairment charges and provisions for guarantees is shown in the table below.

DISTRIBUTION DKKm	**Loans, advances and guarantees** **2016**	**2015**	**Balance of loan impairment charges and provisions for guarantees** **2016**	**2015**
Ratings 1-5	229,982	202,122	0	1
Ratings 6-11	170,279	161,319	31	24
Ratings 12-14	20,877	24,166	37	70
Other	1,106	3,943	139	385
Non performing loans	16,348	18,480	5,730	6,233
Total	**438,592**	**410,030**	**5,937**	**6,713**

Rating: Credit rating where 1 reflects the highest rating.
Non performing loans: The definition is based on the EBA's technical standards.

The category "Other" comprises clients for which a credit rating had not yet been established.

The table shows general improvement of the credit quality of the portfolio. At the end of 2016, 52% was in the credit rating classes 1-5 (STY 1-5) against 50% at the end of 2015.

The improvement can primarily be attributed to the fact that 85% of the clients being granted new home loans had an internal rating within the range of credit rating classes 1-5 (STY 1-5).

Over the last part of the year, settlement prices for both milk and pigs increased considerably, which improved the situation for pig and dairy farmers even though many of these are still challenged in respect of generating profitable operations. Hence, 'Agriculture, hunting, forestry and fishing' still made up the most risky sector for the Group in terms of impairment charges as a percentage of loans and advances.

At the end of 2016, the overall impairment ratio relating to dairy farmers amounted to 45% of loans, advances and guarantees, and 26% related to pig farming. The total impairment ratio for dairy farmers and pig farming was therefore 35%, which was in line with the ratio at the end of 2015.

BALANCE OF LOAN IMPAIRMENT CHARGES AND PROVISIONS FOR GUARANTEES / LOANS, ADVANCES AND GUARANTEES

DKKm/%	**Loans, advances and guarantees** **2016**	**2015**	**Balance of loan impairment charges and provisions for guarantees** **2016**	**2015**	**Impairment ratio** **2016**	**2015**
Dairy farmers	889	1,154	722	710	45%	38%
Pig farming	1,237	1,365	431	605	26%	31%
Total	**2,126**	**2,519**	**1,153**	**1,315**	**35%**	**34%**

Due to still increasing prices of and sales of commercial property, considerable net reversals were made for the sector "Real property" in 2016. However, "Real property" still accounted for the biggest absolute balance of impairment charges.

In certain situations, the Group has to ease terms and conditions agreed for clients in financial problems to minimise the Group's loss (forbearance). Forbearance measures are based on the condition that the client is in financial trouble. Irrespective of the client's subsequent compliance with the terms and conditions, the client will be subject to forbearance for at least two years. The definition of forbearance is based on the EBA's technical standards. At the end of 2016, loans and advances subject to forbearance amounted to 4.7% against 6.9% at the end of 2015. The decline is to be seen in connection with the fact that a large number of clients was released after having been subject to forbearance since the third quarter of 2014 when Jyske Bank began to report these.

Non-performing loans comprise exposures with individually assessed impairment charges and exposures with high or full risk as well as past due exposures. If criteria for non-performing exposures are no longer present, and if previously credit easing measures have been granted, clients are still subject to the criterion for non-performing exposures for at least a year after the credit easing was granted. The definition of non-performing exposures is based on the EBA's technical standards. At the end of 2016, non-performing loans and advances amounted to 3.7% against 4.5% at the end of 2015.

At the end of 2016, the Group had no exposures amounting to more than 7.5% of the adjusted capital base.

The Group had four exposures amounting to between 5% and 7.5% of the adjusted capital base.

At the end of 2015, the Group had five exposures between 5% and 7.5%, one exposure between 7.5% and 10% and no exposure above 10%.

Investment portfolio earnings

INVESTMENT PORTFOLIO EARNINGS DKKm	2016	2015	Index 16/15	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Net interest income	417	628	66	91	105	107	114	133
Net fee and commission income	-3	-2	150	0	-1	-1	-1	-1
Value adjustments	87	-190	-	217	157	-20	-267	22
Other income	30	13	231	1	3	10	16	2
Income	**531**	**449**	**118**	**309**	**264**	**96**	**-138**	**156**
Expenses	27	9	300	6	6	8	7	4
Investment portfolio earnings before loan impairment charges	**504**	**440**	**115**	**303**	**258**	**88**	**-145**	**152**
Loan impairment charges	0	0	-	0	0	0	0	0
Investment portfolio earnings	**504**	**440**	**115**	**303**	**258**	**88**	**-145**	**152**

Investment portfolio earnings amounted to DKK 504m against DKK 440m in 2015. The profit was favourably affected primarily by Danish mortgage bonds, yet also the foreign exchange and credit portfolio yielded considerable positive returns.

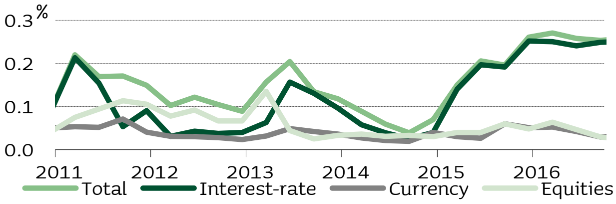
Assessed on the basis of the chosen risk profile, earnings from investment portfolios were satisfactory in 2016.

The investment policy applied to the Group's own securities portfolio rests on a long-term view of risk-return and takes into account an assessment of the total risk positions with special focus on stabilisation of the Group’s aggregate earnings.

Market risk

The main focus in 2016 was the risk management relating to the increased portfolio of home loans and the risk management of the changing trends in interest rates during the year. Significant political events during the year attracted massive attention in the months up to the various events resulting in generally high volatility in the financial markets and fluctuations in positions. The market reactions in the aftermath of the events were more modest.

Value-at-Risk as a percentage of equity



In terms of Value-at-Risk (VaR), Jyske Bank's estimated market risk is at DKK 77m at the end of 2016, practically unchanged relative to the end of 2015. During the first quarter of 2016, VaR increased partly related to increased volatility in the financial markets and partly due to nonparallel developments in interest rates in DKK and EUR. Markets calmed down in the second half of 2016, and the level of VaR was at the end of the year close to the level at the end of 2015.

VaR is at a moderate level in a group risk perspective and relative to Jyske Bank’s desired risk profile.

The Group's interest-rate risk fell slightly in the course of 2016. The development was affected by changing interest-rate environments throughout the year.

The increase in the volumes of the new Jyske home loans indicates a permanently high OAS risk. The interest-rate risk from these is hedged on a continuous basis.

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 Group’s OAS exposure is primarily found in the short-term segments.

Throughout 2016, the Group's exposure to equities was reduced due to sale of equities by both Group Treasury and Jyske Markets.

The portfolio of foreign currency risks was slightly reduced due to reduced positioning in EUR/DKK. The underlying equity portfolio as well as the currency portfolio are characterised by being well-diversified, and at the end of 2016 market risks for both portfolios were at moderate levels relative to the desired risk profile. For further details, please see note 57.

Credit risk relating to securities
Credit risk on securities relates to the Group's bond holdings.

The Group had a positive view on the market for securitisations in 2016, and for that reason investments in US and European CLOs were increased. The investments were made in the form of securitisations with high credit quality and senior status.

The overall credit portfolio developed favourably in 2016 and yielded therefore a satisfactory return.

In line with 2015, the Group's portfolio of bonds under "Held to maturity" amounted to DKK 3.9bn at the end of 2016. The portfolio is still dominated by highly rated and highly liquid securities. At the end of 2016, the fair value was DKK 102m higher than the recognised carrying amount, against DKK 145m at the end of 2015.

Banking activities

SUMMARY OF INCOME STATEMENT DKKm	2016	2015	Index 16/15	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Net interest income	3,489	3,793	92	841	838	886	924	1,036
Net fee and commission income	1,414	1,639	86	451	318	339	306	424
Value adjustments	735	490	150	228	160	153	194	94
Other income	193	193	100	66	31	55	41	46
Core income	**5,831**	**6,115**	**95**	**1,586**	**1,347**	**1,433**	**1,465**	**1,600**
Core expenses	4,103	4,249	97	1,073	1,015	988	1,027	1,114
Core profit before loan impairment charges	**1,728**	**1,866**	**93**	**513**	**332**	**445**	**438**	**486**
Loan impairment charges	-122	248	-	-276	74	-125	205	-113
Core profit	**1,850**	**1,618**	**114**	**789**	**258**	**570**	**233**	**599**
Investment portfolio earnings	424	351	121	267	236	57	-136	115
Pre-tax profit	**2,274**	**1,969**	**115**	**1,056**	**494**	**627**	**97**	**714**

SUMMARY OF BALANCE SHEET, END OF PERIOD DKKm								
Loans and advances	130,564	133,028	98	130,564	120,573	125,036	138,822	133,028
- of which bank loans	96,713	91,502	106	96,713	93,413	93,517	91,171	91,502
- of which repo loans	33,851	41,526	82	33,851	27,160	31,519	47,651	41,526
Total assets	262,151	257,679	102	262,151	240,577	253,883	261,994	257,679
Deposits	154,428	144,670	107	154,428	152,164	147,495	143,223	144,670
- of which bank deposits	133,974	128,745	104	133,974	131,956	128,343	124,966	128,745
- of which repo deposits and tri-party deposits	20,454	15,925	128	20,454	20,208	19,152	18,257	15,925
Issued bonds	49,016	43,507	113	49,016	46,846	41,964	42,795	43,507

Banking activities cover advisory services relating to traditional financial solutions targeting personal and private banking clients as well as corporate clients and trading and investment activities targeting large corporate clients and institutional clients, including trading in interest-rate products, currencies, equities, commodities and derivatives. Finally, Banking activities cover private banking activities targeting foreign clients.

The strategic balance sheet and risk management as well as earnings from investment portfolios in Jyske Bank are allocated also to Banking activities.

Core profit

Core profit from banking activities came to DKK 1,850m against DKK 1,618m in 2015. The improvement can be attributed to net reversals of impairment charges at DKK 122m compared to impairment charges of DKK 248m in 2015. General improvement was seen in respect of both personal and corporate clients. In respect of agricultural clients, it was also necessary to recognise new impairment charges in 2016. Increasing settlement prices for milk and pigs at the end of the year were a contributing factor why reversals relating to agricultural clients were also made in the fourth quarter of 2016.

Net interest income was 8% lower than in 2015, without taking into consideration that as of 1 January 2016 home loans are recognised at fair value as of the first recognition.

With respect to personal clients, focus was on home loans, and continued growth in volume was seen. The proportion of new clients increased over the year and accounted for 29% of new sales in 2016.

Hence the new home loan products still make positive contributions to the net interest income.

The volume in traditional bank loans and advances stabilised, but the pressure on margins continued. This circumstance was most noticeable for corporate clients.

Deposits were still affected by negative interest rates. Bank deposit increased by 4% compared to the level at end of 2015. The increase related to both personal and corporate clients. Moreover, a shift took place from fixed-term deposits to demand deposits.

The strategic balance sheet and risk management as well as the trading activities of Jyske Markets yielded a satisfactory return in 2016. The return is reflected as net interest income and value adjustments under core profit. Compared with 2015, net interest income was lower and value adjustments were higher in 2016.

Net fee and commission income amounted to DKK 1,414m, i.e. 14% below the level in 2015. If adjustments are made for the compensation in the amount of DKK 84m received from Nykredit relating to the exit from the Totalkredit cooperation, which amount was recognised as income as guarantee commission in the first quarter of 2015, net fee and commission income was 9% below the level in 2015.

A significant reason for this is lower investment-related fees due to the absence of performance-related fees in the first nine months of the year and lower brokerage income due to the lower level of activity on the part of retail clients and lower reallocation activity in the bank's pools and portfolio-management products.

Seen in isolation, the net fee and commission income in the fourth quarter of 2016 was in line with the fourth quarter of 2015, which can primarily be attributed to rising equity markets and a resulting positive development in investment-related product fees and realised performance-related fees.

Value adjustments amounted to DKK 735m against DKK 490m in 2015. Falling long-term market rates were offset by the improvement of the clients' credit quality, which had a positive effect of DKK 243m on clients' transactions relating to interest-rate hedging against DKK 298m in 2015.

Uncertainty prior to the UK EU referendum resulted in volatility in the financial markets in the first half of the year. In the second half of the year, the volatility related to the US presidential election, and Trump's victory resulted in an increase in long-term market rates. In respect of trading activities, this meant that institutional clients increased their activity level particularly within foreign exchange and Danish mortgage bonds.

In addition, value adjustment of sector shares affected value adjustments positively by about DKK 130m.

Strategic balance sheet and risk management covers a portfolio consisting predominantly of interest-bearing instruments, of which the liquidity buffer, by far, accounts for the largest proportion. The liquidity buffer is mainly invested in rather short-term Danish mortgage bonds. In addition to the liquidity buffer, financial instruments are used for hedging. On the whole, the portfolio has limited interest rate sensitivity.

In 2016, the liquidity buffer was favourably affected by narrowing of credit spreads on Danish mortgage bonds. In comparison with 2015, core expenses fell by 3% to DKK 4,103m. The development was as expected due to the lower expense for the Resolution Fund: DKK 29m against DKK 161m for the Resolution Fund and the Guarantee Fund for Depositors and Investors in 2015. The saving was to some extent offset by an increase in employee costs relating to the increase in salaries prescribed by the collective agreement and the increasing payroll tax.

Business volume

Demand for traditional bank loans and advances was still modest, even though the volume of traditional bank loans and advances stabilised in 2016. At sector level, the year 2016 was yet another year that saw a shift from traditional bank loans to mortgage loans, and therefore the market was still characterised by fierce competition.

Great demand for new home loan products was still recorded. For information about growth in the business volume, please see Mortgage activities.

Trading and investing activities increased and therefore an increasing business volume was reported. Competition in the market place was on the increase.

Outlook 2017

It is expected that the economic recovery will continue in 2017. Stability is expected in respect of traditional bank loans and advances as is growth of DKK 10-15bn in home loan products. It is expected that business activities relating to deposits will still be affected by the propensity to save in society.

Mortgage activities

SUMMARY OF INCOME STATEMENT DKKm	2016	2015	Index 16/15	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Contribution income, etc.[1]	1,785	1,687	106	456	451	444	434	432
Other net interest income	-53	-45	118	-15	-16	0	-22	-13
Net fee and commission income	207	256	81	79	66	27	35	83
Value adjustments	34	-120	-	4	10	4	16	18
Other income	52	39	133	11	14	15	12	14
Core income	**2,025**	**1,817**	**111**	**535**	**525**	**490**	**475**	**534**
Core expenses	837	908	92	217	219	198	203	211
Core profit before loan impairment charges	**1,188**	**909**	**131**	**318**	**306**	**292**	**272**	**323**
Loan impairment charges	-32	103	-	-12	-1	16	-35	82
Core profit	**1,220**	**806**	**151**	**330**	**307**	**276**	**307**	**241**
Investment portfolio earnings	80	89	90	36	22	31	-9	37
Pre-tax profit	**1,300**	**895**	**145**	**366**	**329**	**307**	**298**	**278**

[1] Contribution income, etc. covers contribution income as well as interest rate margin on jointly funded loans.

SUMMARY OF BALANCE SHEET, END OF PERIOD DKKm								
Mortgage loans	277,016	249,467	111	277,016	275,267	267,568	257,909	249,467
Total assets	307,037	269,794	114	307,037	304,664	293,633	280,687	269,794
Issued bonds	273,224	235,886	116	273,224	268,511	260,067	245,810	235,886

Mortgage activities comprise financial solutions for the financing of real property carried out by BRFkredit. Mortgage activities are aimed mainly at Danish personal clients, corporate clients and subsidised rental housing. Investment portfolio earnings of BRFkredit a/s are allocated to Mortgage activities.

Pre-tax profit

The pre-tax profit from mortgage activities amounted to DKK 1,300m against DKK 895m in 2015.

In 2016, core profit before loan impairment charges and provisions for guarantees amounted to DKK 1,188m, i.e. an increase by 31% compared to 2015.

Core income consists primarily of contribution income, brokerage and fee income from mortgage activities and amounted to DKK 2,025m in 2016 against DKK 1,817m in 2015.

In 2016, contribution income amounted to DKK 1,785m against DKK 1,687m in 2015. The increase can primarily be attributed to the larger portfolio, particularly within the Personal client area.

Other net interest income was positively affected by a fall in interest expenses for senior loans issued to meet, among other things, covered bond (SDO) and rating requirements, of which interest amounted to DKK 116m in 2016 compared to DKK 133m in 2015. On the other hand, the item was adversely affected by the sale of the banking activities in May 2015 to Jyske Bank, which had an effect of DKK 36m in 2015. The item consists primarily of interest expenses for supplementary capital incurred in relation to compliance with SDO and rating requirements (issued senior loans, etc.) as well as various interest income, among others, from other loans and advances.

In 2016, net fee and commission income amounted to DKK 207m against DKK 256m in 2015, which period was affected by an extraordinarily high level of refinancing activity in the first half of the year. The decline in fee income can also be attributed to the fact that in 2016 BRFkredit offered discounts on transfers of mortgage loans from other providers. Fee income increased in the second half of 2016 due to the higher lending activity.

Value adjustments amounted to an income of DKK 34m compared to an expense of DKK 120m in 2015, which period was affected by a one-off loss of DKK 101m relating to the sale of the banking operations. In addition, the increase of DKK 154m can be attributed, among other things, to the positive value adjustment of the core portfolio of bonds as well as the shareholdings.

Core income then rose by 11% and amounted to DKK 2,025m in 2016 compared to DKK 1,817m in 2015.

Core expenses fell by 8% and amounted to DKK 837m compared to DKK 908m in 2015. The decline can be attributed to falling employee as well as administrative costs.

Core profit before loan impairment charges and provisions for guarantees then amounted to DKK 1,220m against DKK 806m for 2015.

In 2016, total loan impairment charges and provisions for guarantees amounted to an income of DKK 32m against an expense of DKK 103m in 2015.

Relative to total loans, the effect from the impairment charges on the income statement amounted to -0.01% in 2016 against 0.04% in 2015.

The effect on the income statement was in 2016 distributed with an expense of DKK 158m on personal clients and an income of DKK 190m on corporate clients, compared to an expense of DKK 231m and an income of DKK 128m, respectively, in 2015.

Rising property prices in major urban areas had a positive effect on the Group's collateral. The number of credit events observed are still falling, both in the personal client as well as the commercial segment.

Investment portfolio earnings amounted in 2016 to an income of DKK 80m against an income of DKK 89m in 2015. Investment portfolio earnings were satisfactory considering the low interest-rate level in 2016.

Business volume

Mortgage activities continued the positive development since the merger of Jyske Bank and BRFkredit. In 2016, mortgage activities rose from DKK 249.5bn to DKK 277.0bn, corresponding to an increase of 11.0%.

The development can primarily be attributed to personal clients, but also in the corporate client segment the loan portfolio increased appreciably. Throughout the year, BRFkredit was to an increasing degree contacted by clients, and the activity level increased due to BRFkredit's decision not to raise its contribution rates for personal clients in 2016, among other things, as well as the historically low interest rates.

Outlook 2017

For 2017, a positive development is expected for the portfolio in the Personal Clients and Commercial Segments. The extent of refinancing is assumed to be lower in 2017 than in 2016.

For further details about BRFkredit, please see BRFkredit's annual report for 2016.

Leasing activities

SUMMARY OF INCOME STATEMENT DKKm	2016	2015	Index 16/15	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Net interest income	527	451	117	175	120	118	114	112
Net fee and commission income	-90	-61	148	-29	-21	-23	-17	-12
Value adjustments	12	11	109	0	0	12	0	0
Other income	12	7	171	2	3	3	4	-1
Income from operating lease (net)	44	93	47	-27	21	28	22	25
Core income	**505**	**501**	**101**	**121**	**123**	**138**	**123**	**124**
Core expenses	168	165	102	45	41	44	38	44
Core profit before loan impairment charges	**337**	**336**	**100**	**76**	**82**	**94**	**85**	**80**
Loan impairment charges	5	-4	-	-5	4	4	2	-3
Pre-tax profit	**332**	**340**	**98**	**81**	**78**	**90**	**83**	**83**

SUMMARY OF BALANCE SHEET, END OF PERIOD DKKm								
Loans and advances	14,865	13,681	109	14,865	14,488	14,306	13,860	13,681
Total assets	17,515	15,926	110	17,515	17,236	16,934	16,244	15,926
Deposits	220	250	88	220	428	426	450	250

Leasing activities cover financial solutions in the form of leasing and financing within car financing as well as leasing and financing of equipment for the corporate sector. The activities primarily target Danish personal and corporate clients as well as dealer cooperation schemes and partnerships.

Pre-tax profit

The pre-tax profit from leasing activities amounted to DKK 332m against DKK 340m for the year before. The results were satisfactory and were achieved due to an increasing business volume.

The increasing use of contracts with dealer bonus affected net fee and commission income adversely.

Core expenses increased by 2% relative to last year due to the high activity level.

The level of loan impairment charges was in 2016 below the expected long-term level.

The profit in the fourth quarter of 2016 was affected by management's estimates for actual contractual maturities and residual values of operating lease agreements.

Due to the changed management's estimates on actual contractual maturities, the accrual basis of accounting for front-end fees, among other things changed, which - seen in isolation - affected net interest income positively by DKK 52m, but this was partially offset by a negative effect under net fee and commission income.

The residual value of operating lease agreements was extraordinarily written down by DKK 53m. The effect of the impairment of the residual values was recognised under the income statement item "Income from operating lease (net)".

The residual value of operating lease agreements was set at the market value that the object is expected to have at the lapse of the agreement. The impairment can be attributed to an imbalance between the residual values determined and the expected market values according to some models, among other things, due to changes in the vehicle registration tax and the consequences for the price formation in the Danish market.

Business volume

Loans and advances grew by 9% due to the good development in new sales in 2016.

Outlook 2017

A positive development of the business volume is still expected.

Core profit and investment portfolio earnings

The pre-tax profit for 2016 broken down by core earnings and investment portfolio earnings is stated below:

BREAKDOWN OF THE PROFIT FOR THE YEAR	2016				2015			
DKKm	Core profit	Investment portfolio earnings	Reclassification	Total	Core profit	Investment portfolio earnings	Reclassification	Total
Net interest income	5,748	417	408	6,573	5,886	628	1,190	7,704
Net fee and commission income	1,531	-3	0	1,528	1,834	-2	0	1,832
Value adjustments	781	87	-58	810	381	-190	-165	26
Other income	257	30	0	287	239	13	0	252
Income from operating lease (net)	44	0	486	530	93	0	334	427
Income	**8,361**	**531**	**836**	**9,728**	**8,433**	**449**	**1,359**	**10,241**
Expenses	5,108	27	486	5,621	5,322	9	334	5,665
Profit before loan impairment charges	**3,253**	**504**	**350**	**4,107**	**3,111**	**440**	**1,025**	**4,576**
Loan impairment charges	-149	0	350	201	347	0	1,025	1,372
Pre-tax profit	**3,402**	**504**	**0**	**3,906**	**2,764**	**440**	**0**	**3,204**

Alternative performance measures

Jyske Bank is of the opinion that the alternative performance measures applied in the management's review constitute valuable information for readers of financial statements as they provide a more uniform basis for comparison of accounting periods.
No adjusting entries are made, and therefore the net profit or loss for the year will be the same in the alternative performance measures of the management's review and in the IFRS financial statements.

Core profit is defined as the pre-tax profit exclusive of investment portfolio earnings. Hence earnings from clients are expressed better than in the IFRS financial statements.

Investment portfolio earnings are defined as the return on the Group's portfolio of shares, bonds, derivatives and equity investments, yet exclusive of the liquidity buffer and certain strategic equity investments. Investment portfolio earnings are calculated after expenses for funding and attributable costs.

The above table illustrates relationships between income statement items under 'The Jyske Bank Group' (key financial data), page 3, and income statement items in the IFRS financial statements, page 45.

Reclassification relates to the following:

- Income of DKK 350m (2015: DKK 1,025m) from impaired loans and advances taken over was reclassified from interest income to loan impairment charges.
- Income of DKK 58m (2015: income of DKK 165m) due to value adjustments relating to the balance principle at BRFkredit was reclassified from interest income to value adjustments.
- Depreciation and amortisation of DKK 486m (2015: DKK 334m) were reclassified from expenses to income from operating lease (net).

Please see below for definitions of the additional financial ratios stated under the Jyske Bank Group, page 3.

"Earnings per share", "Earnings per share (diluted)", "Pre-tax profit as a percentage of opening equity" and "Net profit as a percentage of opening equity" are calculated as if hybrid core capital is recognised as a liability. In the numerator, the profit is less interest expenses of DKK 23m (previous years: 0). The denominator is calculated as equity exclusive of hybrid core capital of DKK 1,476m (previous years: 0)

"Expenses as a percentage of income" is calculated as Core expenses divided by Core income.

Capital structure and capital management

CAPITAL RATIOS	2016	2015	Index 16/15	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Capital ratio (%)	18.3	17.0	108	18.3	17.8	17.0	16.7	17.0
Tier 1 capital ratio (%)	17.7	16.5	107	17.7	17.1	16.2	16.3	16.5
Common Equity Tier 1 capital ratio (CET 1) (%)	16.5	16.1	102	16.5	15.9	15.8	15.9	16.1

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

Capital management objective and capital structure
The CRR (Capital Requirements Regulation) means phasing in of increasing capital requirements over the coming years. The table below shows the phasing in of the capital requirements. The figures for 2016 include the realised countercyclical buffer and the realised pillar II requirement for Jyske Bank.

CAPITAL REQUIREMENTS INCL. COMBINED BUFFER REQUIREMENT %	2016	2017	2018	2019+
Common Equity Tier 1 capital	4.5	4.5	4.5	4.5
Additional Tier 1 capital	1.5	1.5	1.5	1.5
Tier 2 capital	2.0	2.0	2.0	2.0
SIFI	0.6	0.9	1.2	1.5
Pillar II	2.0	2.0	2.0	2.0
Capital conservation buffer	0.6	1.3	1.9	2.5
Countercyclical buffer	0.0	1.5	2.0	2.5
Total	**11.3**	**13.7**	**15.1**	**16.5**

Jyske Bank is designated a systemically important financial institution (SIFI). Therefore, in 2016, the Group was subject to an additional capital requirement of 0.6%. The capital requirement will increase to 0.9% in 2017. When fully phased in, the requirement will amount to 1.5% for the Group, cf. the table.

The Pillar II requirement of 2.0% is not statutory but institution specific. Jyske Bank estimates that the requirement will be in the range of 1.5% to 2.5% over the coming years.

As of 1 January 2017, a capital conservation buffer of 1.25% is to be added to the capital base requirement, cf. the table.

The countercyclical buffer is stated in the form of the highest possible requirement. On 21 December 2016, the Minister for Industry, Business and Financial Affairs determined a countercyclical buffer of 0%. However, Jyske Bank is subject to requirements of countercyclical buffers in the countries in which the Group has counterparties. Due to the low level of foreign exposures, the countercyclical buffer for Jyske Bank is insignificant.

Jyske Bank's capital management objective as well as its risk appetite is to reach a capital ratio sufficient for the Group to continue its lending activities during a period of difficult business conditions. Capital requirement is assessed on the basis of both internal and statutory capital 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 meets the capital requirements including combined buffer and will at the same time have the required strategic scope in respect of its capital structure.

At the end of 2016, the Group met both of these targets with a Common Equity Tier 1 capital ratio of 16.5% and a capital ratio of 18.3%. Over the coming years, the Group will continue to accumulate capital levels above the long-term objectives in order to meet all known and expected future regulatory requirements.

Capital base

CAPITAL BASE AND WEIGHTED RISK EXPOSURE DKKm	2016	2015
Shareholders' equity	31,038	30,040
Intangible assets	-71	-88
Deferred tax assets relating to intangible assets	15	20
Prudent valuation	-268	-345
Difference between expected loss and the carrying amount of impairment charges	-89	-
Share buy-back programme, non-utilised limit	-	-644
Proposed dividend	-499	-499
Other deductions	-31	-81
Common Equity Tier 1 capital	**30,095**	**28,403**
Additional Tier 1 Capital	2,250	907
Other deductions	-69	-98
Core capital	**32,276**	**29,212**
Subordinated loan capital	1,298	403
Diff. between expected losses and impairment charges	-	665
Other deductions	-220	-192
Capital base	**33,354**	**30,088**
Total risk-weighted exposure	**182,195**	**176,904**

At the end of 2016, the Common Equity Tier 1 capital amounted to 90% of the capital base against 94% at the end of 2015. The continued high proportion of Common Equity Tier 1 capital in the capital base demonstrates the high quality of the capital base.

Considering the strong capital position, Jyske Bank will continue its capital adjustment with a view to optimising and balancing the capital structure and the capital levels in line with the long-term capital management objective and capital policy. The larger part of the adjustment is expected to be completed by the end of 2017, and Jyske Bank will in 2017 still explore, on an on-going basis, the possibilities in the market for issuing supplementary capital instruments.

Jyske Bank has now concluded the share buy-back programme that ran over the period 1 July 2016 - 31 December 2016 Over this period, Jyske Bank bought back 3,238,215 of its own shares at a value of DKK 1bn.

At Jyske Bank's annual general meeting in March 2017, the Supervisory Board will propose that 5,880,955 shares be cancelled to the effect that the number of shares will be reduced from 95,039,999 to 89,159,044.

The Supervisory Board will propose to the Annual General Meeting in March 2017 a motion for the distribution of ordinary dividend in the amount of DKK 500m.

The capital base is specified in further detail according to the requirements as per the CRR on investor.jyskebank.com/investorrelations/capitalstructure.

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 leverage ratio is a risk-neutral measure for the maximum extent of the balance-sheet leverage and is calculated as core capital relative to the Group's total non-weighted exposures.

The EU recommends that a requirement of a binding leverage ratio of at least 3% be introduced as of 31 December 2019. This corresponds 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 prudent 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 levels of leverage in the Group as well as the projection of these are reported on a quarterly basis to the Group Supervisory Board and the Group Risk Committee.

At the end of 2016, the leverage ratio for the Group was at 5.4%. Despite the strategic focus on home loans, which results in an increase in the leverage ratio balance, the leverage ratio of the Group was stable over the past year due to strengthening of retained earnings.

LEVERAGE RATIO %	2016	2015
The Jyske Bank Group	5.4	5.3

ICAAP and capital 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 macroeconomic factors to which Jyske Bank is exposed.

Capital requirement

The capital requirement consists of the Pillar 1 requirement of 8% of the risk-weighted exposure with an add-on for above-normal risk under Pillar 2. The capital requirement thus expresses the Group's own assessment of the necessary capital level given the Group's risk profile and is based on the Group's own data, experience and management.

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 requirement for the main part of the Group's credit portfolio.

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

The development of the capital requirement for credit risk, market risk and operational risk is outlined in the table below.

CAPITAL REQUIREMENT BY RISK TYPE DKKm	2016	2015
Pillar 1		
Credit risk	11,246	11,119
Market risk	1,967	1,689
Operational risk	1,363	1,344
Capital requirement, Pillar 1	14,576	14,152
Pillar 2		
Credit risk	2,383	3,475
Market risk	821	130
Operational risk	435	371
Other	66	456
Capital requirement, Pillar 2	3,705	4,432
Total	**18,281**	**18,584**
Capital requirement, transitional provisions	18,571	16,860

The capital requirement under Pillar 1 increased slightly in 2016 while the requirement under Pillar 2 were lowered. In total, the capital requirement fell by about DKK 300m in 2016. The capital requirement according to the transitional provisions exceeds the capital requirement exclusive of the combined buffer requirement. The capital requirement according to the transitional provisions increased substantially from the end of 2015 to the end of 2016 as a result of the increase in home loans.

As of mid-2016, Jyske Bank applied the 8+ method when determining the capital requirement. Previously an approach based on calculations of economic capital was used.

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

Capital buffer

The capital buffer denotes the maximum sustainable loss without the need for additional capital. The capital buffer of 7.0 percentage points offers a satisfactory basis for continuing growth.

CAPITAL BUFFER DKKm/%	2016	%	2015	%
Capital base	33,354	18.3	30,088	17.0
a) Tier 1 capital	32,276	17.7	29,212	16.5
Of which hybrid capital	2,250	1.2	907	0.5
Of which hybrid capital after deductions	2,181	1.2	809	0.5
b) Tier 2 capital	1,078	0.6	876	0.5
Capital requirement	18,281	10.0	18,584	10.5
Capital conservation buffer	1,139	0.6	-	-
SIFI	1,093	0.6	531	0.3
Countercyclical buffer	15	0.0	28	0.0
Capital requirement + combined buffer requirement	20,528	11.3	19,143	10.8
Capital buffer	**12,826**	**7.0**	**10,945**	**6.2**

Group recovery plan

The EU's Bank Recovery and Resolution Directive (BRRD) stipulates that credit institutions and investment firms prepare recovery plans that can be applied in the event that institutions face severe financial problems. The recovery plan is structured in such a way that it will support continuation of the Group's critical business processes in a situation of significant financial stress. The recovery plan identifies a number of recovery options that can be undertaken. These have been tested in various stress scenarios to ensure that the Group can recover under various circumstances.

The recovery options can be divided into three different types of recovery options:

- Recovery options that improve the solvency of the Group
- Recovery options that improve the liquidity of the Group
- Recovery options that focus on improvement of profitability by reducing the Group's costs, either through divestment or cost reductions.

The recovery plan includes recovery indicators that are quantitative and qualitative indicators monitoring the development of the Group's capital, liquidity, profitability and asset quality as well as relevant macro-economic and market-based indicators. The indicators serve as warnings that, at an early stage, will identify an adverse development for the Group. As an integrated part of the Group's risk management, the indicators are, on a quarterly basis, monitored and reported to the Group Supervisory Board, the Group Executive Board and the Group Risk Committee, which will consider and act on a critical development.

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 forward-looking 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 excess capital, given the Group's earnings, capital policy and capital objective as well as its risk objectives. 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 recovery plan.

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. Expected consequences of future regulation will also be assessed.

External stress testing

Stress testing financial institutions is becoming an increasingly important aspect of both national and international authorities' efforts to ensure integrity of financial markets and stability in the financial markets.

In 2016, the Jyske Bank Group participated in a comprehensive EBA stress test of a number of financial institutions across the EU. Measured by Common Equity Tier 1 capital ratio, the Group was among the best performing institutions both nationally and internationally. The results of the stress test confirmed the robust capital structure of the Group.

New legislation

Currently a large number of new legislative initiatives or revisions of existing regulatory requirements are being prepared both by the Basel Committee and within the European Union legislative system. Below is a brief description of the most important legislative changes that are expected to impact Jyske Bank the most in the years to come.

In addition to the requirement of recovery planning, the BRRD also sets minimum requirements for own funds and eligible liabilities (MREL). The concept has been introduced to ensure that resolution of financial institutions in crisis can take place without losses for the taxpayers. MREL implies that financial institutions must have sufficient equity and liabilities that can be converted into new equity in the event of a situation where the institution cannot survive without a new capital injection. This is often referred to as a bail-in situation, where senior lenders will have their loans converted to new shares in the distressed credit institution.

The Danish FSA has announced that the MREL will be determined in the course of 2017 and then be phased in over a period of 5 years.

Based on the previous announcements from the Danish FSA, Jyske Bank does not envision that it will be in need of any further amount of capital, supplementary capital or senior debt due to future MREL requirements. However, the current senior debt will most likely have to be replaced by subordinated eligible senior debt when it matures.

Mortgage credit institutions are exempt from MREL but must instead hold capital for a debt buffer of 2% of their total unweighted loans. The requirement must be met within a 4-year period that began on 1 July 2015. Currently the debt buffer requirement is 0.8% and will increase to 1.2% as of 1 July 2017.

The debt buffer requirement will ensure better possibilities for a mortgage credit institution to handle crises. Currently, BRFkredit meets the debt buffer requirement, and future requirements will be met by a combination of Common Equity Tier 1 capital, hybrid core capital, supplementary capital and unsecured senior debt or by means of subordinated loans from Jyske Bank A/S.

New capital requirement regulation by the EU
CRR is a comprehensive set of rules that implements the Basel III rules in Europe. The general purpose of CRR is to strengthen the capital structure of the European credit institutions and to ensure a level playing field among European financial institutions.

The CRR is currently being revised and the main change will be the introduction of the revised requirements for the calculation of capital requirements in the trading book (FRTB). Jyske Bank expects that the revised CRR will take effect from 2018 and the new trading book requirements will be applicable from 2020.

The new FRTB requirements will most likely necessitate changes to the current definition of the banking book exposures and the trading book exposures.

Another significant change to CRR will be the introduction of the Net Stable Funding Ratio (NSFR). The NSFR or the requirement for stable funding is a new key ratio with the purpose of ensuring that credit institutions meet certain minimum requirements in connection with their long-term provision of liquidity. The European Commission has proposed to make the NSFR a binding requirement from 2020.

New guidelines from the Bank for International Settlements (BIS)
The Bank for International Settlements (BIS) continues its work on its declared objective to ensure a further strengthening of the capital structure of the institutions - often referred to as Basel IV requirements.

Jyske Bank is actively monitoring the regulatory developments and on a regular basis it comments publicly on newly drafted laws.

During 2016, Jyske Bank participated in a number of quantitative impact studies from the Basel Committee, the EBA and the Danish FSA.

New future regulation includes:

- Limitations on the use of the Internal Rating Based method for calculation of capital requirements for credit risk. The Basel Committee has proposed to introduce certain limitations on the use of internal models. The most significant requirement is the so-called input floor, which is a minimum requirement of the calculated *loss given default (LGD)*. This is a requirement that may potentially increase the capital requirements for mortgage loans with low loan–to-value ratios significantly.

- A new standardised approach for the determination of credit risk is expected to be finalised during the first quarter of 2017. The new standardised approach will only be of indirect importance to Jyske Bank, as the Group has been approved to use the advanced approach for credit risk. Jyske Bank will be affected through the so-called output floor, which is a capital requirement applicable to all advanced banks. In future, the revised floor has to be calculated on the basis of the new standardised approach as opposed to the current floor where calculation of the requirement is based on the old Basel I approach. As the new standardised approach has not been finalised and because the size of the output floor is still being discussed it is too early to estimate, to what extent the new output floor will increase the Group's capital requirements.

With respect to capital, Jyske Bank has a robust position to meet all future, known and expected regulatory requirements. Jyske Bank monitors closely the international work on the completion of further capital requirement initiatives to ensure that the Group can, with due care and diligence, meet all new requirements well before their implementation deadlines.

Risk and Capital Management 2016
Additional information about the Group's internal risk and capital management as well as the regulatory capital requirements is available in the report 'Risk and Capital Management 2016', available on investor.jyskebank.com/investorrelations/capitalstructure.

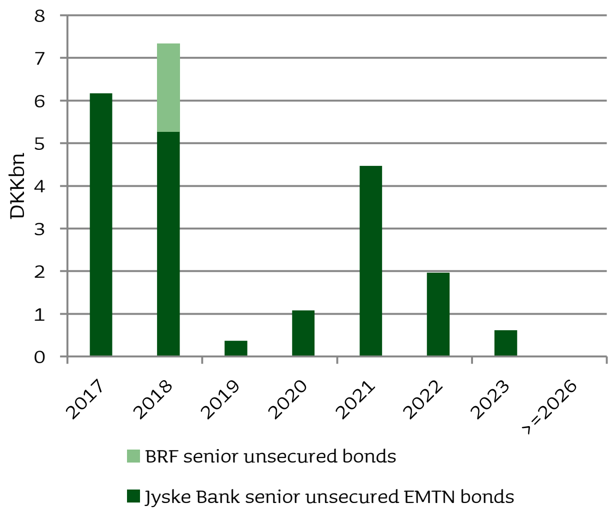
Liquidity management

LIQUIDITY RESERVE AND RUN-OFF DKKbn	2016	2015	Index 16/15	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
End of period	76.9	72.6	106	76.9	74.8	71.3	68.1	72.6
3 mths.	55.1	51.1	108	55.1	55.2	52.3	39.0	51.1
6 mths.	45.5	46.8	97	45.5	43.1	48.2	32.3	46.8
9 mths.	42.3	40.9	103	42.3	36.3	41.4	29.5	40.9
12 mths.	37.3	39.0	96	37.3	33.8	34.6	23.7	39.0

The Group's funding profile

In addition to mortgage bonds, the Group's primary source of funding is deposits from clients, which is a sound and well-diversified client deposit base. Client deposits funded 116% of the bank loans and advances at the end of 2016, against 118% the preceding year. Interest rates remained in negative territory during 2016 and put a dampening effect on fixed term deposits, which remained at a structurally low level. However, demand deposits increased, which more than offset the decline in term deposits. To reflect the negative interest rate environment and to avoid arbitrage between demand deposits and fixed term deposits Jyske Bank has as of December 2016 introduced negative rates for deposits on demand for corporate clients

The run-off profile for the Group's senior debt is shown in the chart below.



In 2016, in the course of the ordinary management of the run-off profile, Jyske Bank bought back EMTN issues with a shorter time to maturity (inclusive of BRFkredit senior) in the amount of DKK 1,665m.

The Group's liquidity buffer

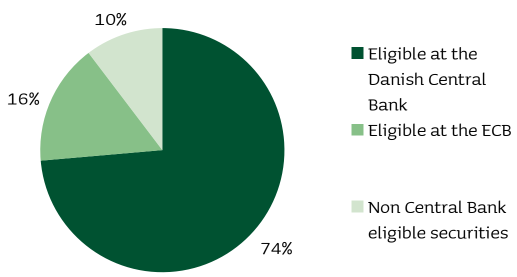
Jyske Bank's liquidity buffer consists solely of assets which are not pledged as collateral or used in the day-to-day operations of the Group. Such assets may be sold immediately or pledged as collateral for loans and are therefore a swift and efficient source of liquidity. The procurement of secured 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.

In the internal liquidity management, Jyske Bank's securities portfolio is divided into two groups according to liquidity ratio:

1. Eligible for repo transactions with Danmarks Nationalbank, the central bank of Denmark, or the ECB
2. Non-eligible for repo transactins with central banks

Jyske Bank has adopted a general policy for the size and quality of its total 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 group 1. 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 group 1.

At the end of 2016, Jyske Bank had a definite overweight of ultra-liquid assets as illustrated by the chart.



At the end of 2016, the Group's liquidity buffer amounted to DKK 77bn against DKK 73bn at the end of

2015. The buffer consists mainly of Danish mortgage bonds and covered bonds, of which the amount of DKK 69bn is eligible with either the Danmarks Nationalbank, the central bank of Denmark or the ECB.

The table at top of page 27 shows the development of Jyske Bank's liquidity buffer over a 12-month period under a stress scenario assuming that Jyske Bank is precluded from re-financing in the international money markets for unsecured senior debt.

Capital market funding

To manage the Group's 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 - which was established in 2006 - 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 maturity of up to one year. In 2016, the outstanding volume under the CP programme amounted to DKK 27.6bn (EUR 3.7bn) against DKK 23.9bn (EUR 3.2bn) at the end of 2015. At the end of 2016, the outstanding volume under the programme averaged DKK 25.8bn (EUR 3.5bn). At the end of December, the weighted remaining maturity of the outstanding volume under the CP programme was 4 months as compared to 3.7 months at the end of 2015.

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. The issue of subordinated Tier 2 capital can be covered by the programme. At the end of 2016, senior issues under the programme amounted to DKK 18.3bn against DKK 17.4bn at the end of 2015. The issue of subordinated Tier 2 capital amounted to DKK 1.3bn compared with DKK 0.3bn at the end of 2015.

Due to its high deposit surplus, Jyske Bank has over the last couple of years only had limited private placement activities. 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 at least one annual issue of a major benchmark bond (EUR 500m).

Except for the first quarter, the year 2016 was characterised by favourable conditions for issues, and the Group completed 6 benchmark issues in the capital market. In addition to 3 covered bonds (SDO) in EUR, a 5-year fixed-rate senior bond in the amount of EUR 500m was issued followed by a Tier 2 bond in the amount of SEK 1bn, and AT1 capital corresponding to DKK 1.5bn.

In order to asses the Group's future need to issue senior debt, the Group awaits the FSA's final announcement of the minimum requirement for own funds and eligible liabilities. Moreover, the final legislative clarification of the legal format required for eligible liabilities must be in place before the Group can begin to issue subordinated senior debt.

Refinancing risk in mortgage activities

The re-financing risk from mortgage activities was reduced considerably over the year 2016 to ensure compliance with the expected NSFR requirements as well as the requirements of the Danish FSA's supervisory diamond. The table overleaf gives a comprehensive overview of planned re-financing of mortgage bonds as well as a breakdown of outstanding debt by type of mortgage loan at the end of 2016.

Several initiatives were implemented to reduce the re-financing risk related to mortgage activities.

First and foremost, to reduce this refinancing risk, BRFkredit has spread refinancing and auctions of mortgage bonds out over four annual settling periods, with the intention that the individual series must be so large that they can be included in the credit institutions' liquidity buffers in the LCR requirements (Liquidity Coverage Ratio).

Secondly, BRFkredit introduced RTL F (pre-financed bonds) in 2014. In 2016, they were still part of BRFkredit's financing toolbox, and depending on the market conditions, the RTL F bonds were used to finance and refinance 1- and 2-year floating-rate mortgage loans as well as jointly funded bank mortgage loans. RTL F will continuously postpone the re-financing risk by 2 - 3 years.

PLANNED RE-FINANCING AND BREAKDOWN OF DEBT OUTSTANDING DKKbn							
Repayment dates	**Planned re-financing amount** (amount offered)	**Funding** Maturities per re-financing dates	Maturities per re-financing dates + 2 years (RTL F)	**Loan** F1	F3	F5	Other
Apr. 17	14.7	4.4	10.2	9.8	3.2	1.1	0.5
July 17	12.4	12.4	0.0	0.0	0.0	0.0	12.4
Oct. 17	19.4	10.1	9.4	9.1	1.7	3.2	5.4
Jan. 18	21.6	19.1	2.5	11.6	5.2	2.7	2.1
Other							
2018	22.9	21.9	1.1	0.4	7.9	10.2	4.5
2019	34.3	34.3	0.0	3.9	10.9	11.4	8.2
2020	16.1	16.1	0.0	2.0	0.1	8.9	5.1
2021	17.7	17.7	0.0	5.1	0.0	8.8	3.8
2022	1.4	1.4	0.0	0.0	0.0	0.3	1.1
2023	6.9	6.9	0.0	5.6	0.0	0.0	1.3
2024	0.8	0.8	0.0	0.0	0.0	0.0	0.8
2025	2.4	2.4	0.0	0.0	0.0	0.0	2.4
2026	7.0	7.0	0.0	5.6	0.0	0.0	1.4

In addition, the Group began in 2015 to finance and re-finance specific sub-portfolios of mortgage loans with long-term credit commitments, yet short adjustable-rate loans such as F-1 loans with longer-term bond issues to reduce the Group's refinancing risk.

The Group has used both EUR covered bonds, fixed-rate bonds with longer maturities in DKK as well as Cibor floaters to extend the maturity of the funding, particularly in connection with the F1 portfolio, which is still at a high level due to the increase in Jyske Bank's home loan products.

In BRFkredit's sub-portfolios, where either the interest rate and/or the currency of the underlying loans differ from the bonds used to finance the loans, the balance principle is complied with through BRFkredit's hedging of all market risks through matching swaps. The swap agreements are based on CSA agreements with unilateral collateral in favour of BRFkredit.

Liquidity legislation and the supervisory diamond

The LCR requirement took effect on 1 October 2015. LCR is a short-term (30 days) stress scenario. The critical survival horizon for the Group's stress scenario 1 has been the cornerstone of the Group's limit structure on a daily basis since 2007.

Stress scenario 1 is still an important short-term liquidity target and part of the overall liquidity risk management. However, as of 2017, stress scenario 1 will be supplemented with an adjusted version of LCR with a view to achieving unambiguous monitoring and unambiguous fixed targets on a daily basis.

Being a Danish SIFI, the Group had to meet the requirement 100% as of 1 October 2015. Due to the LCR requirement, at least 30% of the total liquid LCR buffer must be in the form of government bonds. The remaining maximum 70% of the LCR buffer may consist of mortgage bonds, of which the most liquid ones (Level 1b) are included subject to a 7% haircut.

At the end of 2016, the Group's LCR was at 193% compared to 149% at the end of 2015.

The Group's LCR buffer after haircuts at the end of 2016 is shown below:

GROUP LCR BUFFER		
Assets	**DKKbn**	**%**
Level 1a	35.6	50
Level 1b	31.5	45
Level 2a + 2b	3.8	5
Total	**70.9**	**100**

The Group's internal guideline for LCR is a total LCR of at least 150% with flexibility in respect of the actual composition of the buffer. The management of the Group's LCR buffer primarily focuses on the total amount of Level 1 and Level 2 assets to comply with the LCR requirement, whereas the split between Level 1a and other eligible LCR assets is of secondary importance as long as overall compliance is achieved.

Being a Danish systemically important financial institution, Jyske Bank must meet a modified LCR requirement in EUR. The modification consists of three essential elements:

1. There is no maximum to the amount of level 1b and level 2 assets in EUR
2. There is no limitation as to the recognition of incoming asset flows from derivatives in EUR.
3. There is no requirement of holding EUR reserves to cover possible outgoing cash flows from derivatives.

The requirement took effect on 1 October 2016 (60%) and must be fully phased in by October 2017. At the end of 2016, Jyske Bank meets the requirement in full with a significant buffer.

It is expected that the Net Stable Funding Ratio requirement (the so-called NSFR) will be a statutory requirement over the coming years. In the EU Commission's first draft on NSFR at the end of 2016, Danish mortgage bonds that are subject to "the legislation on mandatory extension" are recognised as "closely related to the loans", which means that it will be easier for BRFkredit to comply with the NSFR requirement. At group level Jyske Bank met the NSFR requirement in full in 2016 according to the current tighter Basel guidelines, and at the end of 2016 the Group's NSFR was 102.3%.

Funding in the supervisory diamond

The benchmark of the supervisory diamond for mortgage credit institutions relating to loans with short-term funding must be met as of 2020. The benchmark does not allow for future re-financing risk, but is determined retrospectively based on actual completed bond issues per quarter, including re-financing completed well in advance before the old bonds mature. To comply with this, the proportion of loans that is 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 the end of 2016, BRFkredit already met the funding requirements of the supervisory diamond due to the previously mentioned initiatives made to term out BRFkredit's funding.

Debt buffer requirement of BRFkredit

The EU's Bank Recovery and Resolution Directive (BRRD) was implemented in Denmark in 2015. Mortgage credit institutions are exempt from the 'bail-in' and MREL requirements as they can be resolved through insolvency procedures. As part of the Danish BRRD rules, mortgage credit institutions have to establish a debt buffer of 2% of their total unweighted mortgage loans to facilitate a more flexible resolution process. The debt buffer must represent an extra buffer on top of current capital requirements but debt buffer proceeds can be used to fund potential OC-requirements related to high LTV loans and requirements from rating institutions.

The buffer may consist of excess capital relative to current capital requirements and capital buffers. Mortgage institutions may use core capital, hybrid capital, subordinated Tier 2 debt or senior unsecured debt to fulfil the debt buffer requirement. The debt instruments must have an original maturity of at least two years and appropriate maturity diversification. The debt buffer requirement will be gradually implemented from 2016 until 2020, with 60% as of 2017, 80% in 2018, 90% in 2019 and the full 100% in 2020. At the end of 2016, BRFkredit fully complied with the debt buffer requirement based on their high capitalisation. BRFkredit will at any given time have access to capital to fulfil the debt buffer requirement.

STANDARD & POOR'S CREDIT RATINGS Issuer / Issue	Long term	Short term	Individual
Jyske Bank	A- (stable outlook)	A-2	A- (stable outlook)
BRFkredit	A- (stable outlook)	A-2	A- (stable outlook)
Capital centre E, covered bonds (SDO)	AAA (stable outlook)	-	-
Capital centre B, Mortgage bonds	AAA (stable outlook)	-	-
General Capital Centre, Mortgage bonds	AAA (stable outlook)	-	-

Credit rating

The Jyske Bank Group is being rated by Standard & Poor's (S&P). Jyske Bank's senior rating has been at A- with "stable outlook" since 2011. BRFkredit has the same credit rating as Jyske Bank.

The rating of subordinated Tier 2 capital is BBB as the Tier 2 rating is two notches below the stand-alone credit profile (SACP).

In November 2016, S&P published an updated rating report on Jyske Bank. S&P acknowledges Jyske Bank's efforts to enhance stability in long term earnings via successful growth in the bank's home loan products, which have provided a much higher diversification in the loan book and an overall reduction in the risk profile. Considering the uncertainty relating to future legislation (Basel IV), S&P also recognises the flexibility in Jyske Bank's capital adjustment process in relation to capital redistribution, and S&P projects Jyske Bank's RAC to remain between 10.5-11% over the next two years. The stronger RAC is expected to be supported by stronger and more stable earnings.

All new mortgage loans at BRFkredit and the majority of Jyske Bank's new home loans are funded through the issuance of mortgage bonds from BRFkredit's Capital Centre E (SDO), which is 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 the end of 2016, the capital base requirement from S&P totalled DKK 10.8bn against DKK 13.9bn at the end of 2015.

The Jyske Bank share

At the end of 2016, the share capital amounted to the nominal amount of DKK 950m. It consisted of 95.0 million shares at a nominal value of DKK 10 in one class of shares.

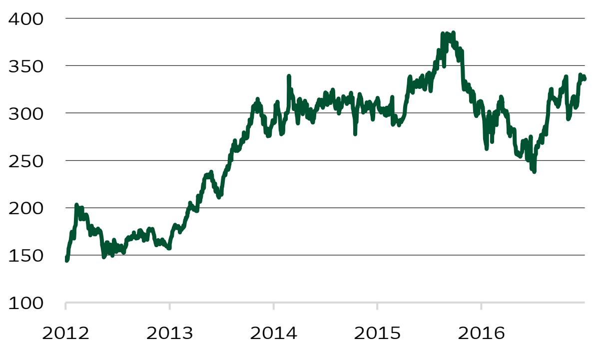
All the shares are listed on NASDAQ OMX Copenhagen A/S. The shares are freely transferable, always provided that the transfer of shares to an acquirer who holds or by the acquisition obtains 10% or more of the Bank's share capital shall require the consent of the Bank, cf. Art.3 of Jyske Bank's Articles of Association.

Each share represents one vote. No shareholder can cast more than 4,000 votes on his own behalf. Subject to a resolution passed at the Annual General Meeting, Jyske Bank's Supervisory Board is authorised to acquire Jyske Bank shares for a sum not exceeding 1/10 of the share capital.

THE JYSKE BANK SHARE	2016	2015
Share capital (DKKm)	950	950
Share price end of period (DKK per share)	337	312
Market value, end of period (DKKbn)	32.0	29.7
Earnings per share (DKK)	33.5	26.1
Book value per share (DKK)	348	317
Price/book value per share (DKK)	1.0	1.0

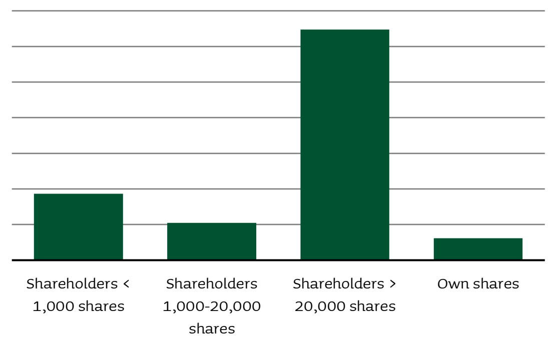
Price development

In 2016, the Jyske Bank share price increased from 312 to 337, i.e. an increase of 8%. The share is listed on Nasdaq OMX Copenhagen and is included in the C20 index. At the end of 2016, the Jyske Bank share was covered by 11 analysts.



Breakdown of share capital

At the end of 2016, the number of shareholders was 192,180. It is characteristic of the Jyske Bank shares that they are distributed among many shareholders, including many Jyske Bank clients. Broken down by geographical area, 65% of the share capital is held by Danish investors.



At the end of 2016, the Bank held 5,840,112 of its own shares corresponding to a market value of DKK 1,966m.

On 3 November 2016, BRFholding a/s, Kgs. Lyngby, Danmark informed Jyske Bank that it owns 24.00% of the share capital.

On 19 October 2012, MFS Investment Management, USA reported that it owns 5.14% of the share capital.

According to Jyske Bank's Articles of Association, BRF-holding a/s and MFS Investment Management have 4,000 votes each.

Capital distribution

In 2016, Jyske Bank bought back 5,574,955 own shares with a view to reducing the share capital. The buy-back took place in connection of the completed share buy-back programmes with limits totalling DKK 1,750m, of which the last programme was completed on 31 December 2016. At Jyske Bank's annual general meeting, the Supervisory Board will propose that 5,880,955 own shares be cancelled through a capital reduction.

The Supervisory Board proposes to the general meeting that a dividend of DKK 5.25 be paid per share of the nominal value of DKK 10 corresponding to a total dividend amount of about DKK 500m.

Annual General Meeting

The Annual General Meeting of Jyske Bank will be held in Silkeborg on Tuesday 21 March 2017.

Other information

Supervisory diamond

The supervisory diamond defines a number of special risk areas including specified limits that financial 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	2016	2015
Sum of large exposures < 125% of the adjusted capital base	0%	0%
Increase in loans and advances < 20% annually	6%	-10%
Exposures to property administration and property transactions < 25% of total loans and advances	8%	7%
Stable funding < 1	0.58	0.63
Liquidity surplus > 50%	213%	204%

As at 31 December 2016, Jyske Bank A/S met all the benchmarks of the supervisory diamond.

THE SUPERVISORY DIAMOND FOR BRFkredit a/s	2016	2015
Concentration risk < 100%	65.3%	81.1%
Increase in loans and advances < 15% annually in the segment:		
Owner-occupied homes and vacation homes	12.7%	27.4%
Residential rental property	7.5%	7.8%
Agriculture	-	-
Other sectors	6.2%	6.4%
Borrower's interest-rate risk < 25%		
Residential property	24.5%	23.5%
Interest-only schemes < 10%		
Owner-occupied homes and vacation homes	9.2%	10.3%
Loans with frequent interest-rate fixing:		
Refinancing (annually) < 25%	16.2%	22.4%
Refinancing (quarterly) < 12.5%	10.3%	15.7%

At the end of 2016, BRFkredit a/s met all benchmarks of the supervisory diamond.

Additional information

For further information, please see www.jyskebank.info. Here you will find an interview with Anders Dam, detailed financial information as well as the Group's Annual Report 2016 and Risk and Capital Management 2016, which give further information about the Group's internal risk and capital management as well as regulatory issues, including a description of the most important risks and elements of uncertainty that may affect the Group.

Also, please see www.brf.dk. BRFkredit's Annual report 2016 and detailed financial information about BRFkredit are available on that website.

Financial calendar 2017

Jyske Bank anticipates releasing financial statements on the following dates in 2017:

FINANCIAL CALENDAR 2017	
2 May	Interim Financial Report, first quarter of 2017
22 August	Interim Financial Report, first half of 2017
25 October	Interim Financial Report, first nine months of 2017

Events after the balance sheet date

After the end of the financial year, no material events have been established that are assessed to effect the financial statement user's view of the annual report 2016.

Outlook

The Group expects 2017 to be yet another year with economic growth where consumer spending and investments will still be modest and propensity to save will be strong.

It is anticipated that the low level of interest rates and activity will affect the earnings capacity of the Group, and in 2017 there will still be focus on organic growth and realisation of the full sales potential in the Group. With respect to home loans, net lending growth of DKK 10-15bn is expected.

In 2017, the Group will still focus on the adjustment of the capital structure to the Group's long-term capital target of a capital ratio of 17.5% and a Common Equity Tier 1 capital ratio of 14%.

It is the objective of the Group to generate a return on opening equity in the range of 8-12% after tax.

Organisation and management

The organisation and management of Jyske Bank reflect the general requirements under the Danish legislation governing financial markets and companies as well as the special requirements ensuing from financial legislation and Jyske Bank's Articles of Association.

Management is undertaken by
- the Annual General Meeting
- the Shareholders' Representatives
- the Supervisory Board and the Executive Board.

The Supervisory Board and the Executive Board are independent of each other and no person is a member of both the Supervisory Board and the Executive Board.

Annual General Meeting
Shareholders' right to pass resolutions shall be exercised at the Annual General Meeting. Jyske Bank's Articles of Association contain information about notice of the general meeting, the right to propose resolutions to the general meeting and right to participate and vote. The Articles of Association are available at investor.jyskebank.com/investorrelations/generalmeetings.

Motions to amend the Articles of Association can only be adopted when 90% of the voting share capital is represented at the Annual General Meeting and the motion is adopted by ¾ of the votes cast at the Annual General Meeting as well as by ¾ of the voting share capital represented at the Annual General Meeting. Where less than 90% of the voting share capital is represented at the Annual General Meeting, but the motion obtained both ¾ of the votes cast and ¾ of the voting capital represented at the meeting, and provided the motion was proposed by the Shareholders' Representatives and/or the Supervisory Board of Jyske Bank, the motion can be adopted at an extraordinary general meeting by the said qualified majority irrespective of the proportion of the share capital represented. Such an extraordinary general meeting shall be convened at the usual notice within 14 days after the first Annual General Meeting. Only the rules applying to amendments of the Articles of Association shall apply to motions to wind up Jyske Bank voluntarily or merge it with other financial institutions where Jyske Bank will not be the surviving company.

Shareholders' Representatives
The Shareholders' Representatives elect the members of the Group Supervisory Board according to the provisions of the Articles of Association on number, term of office and re-election, and on the basis of the Group Supervisory Board's nomination of candidates.

In addition to that, the task of the Shareholders' Representatives in general and each Representative in particular shall be to work for the prosperity and positive development of Jyske Bank and each individual branch - in accordance with Jyske Bank's values and views.

Shareholders' representatives shall be elected at the Annual General Meeting. Shareholders' Representatives shall be elected for terms of three years. Members can be re-elected.

Supervisory Board
The Supervisory Board shall be in charge of the overall management of the Group and supervise the decisions and arrangements made by the Executive Board.

The Supervisory Board shall on behalf of the shareholders determine the overall strategy and contribute actively to maintaining and developing Jyske Bank's position in the financial sector.

The Supervisory Board consists of
- Six members elected by and among the members of the Shareholders' Representatives
- up to two members for election by members in general meeting and who meet the requirements of the Danish FSA in respect of relevant knowledge and experience of supervisory board members of banks, and
- any additional members as required by law.

The six members who are elected by and among the Shareholders' Representatives are elected for a three-year period. Additional members elected by members in general meeting to meet the requirements of the FSA in respect of relevant knowledge and experience of supervisory board members are elected for a one-year period. Members can be re-elected. Supervisory Board members elected by the Shareholders' Representatives must, however, retire at the next elections of Shareholders Representatives after the calendar year when such member has attained the age of 70. Employee-elected members of the Supervisory board are elected for a term of four years.

The Supervisory Board considers the seven board members elected by the shareholders to be independent, and the three board members elected by the employees to be non-independent.

Committees under the Supervisory Board

The Supervisory Board has established four committees to supervise certain fields or prepare cases to be decided on subsequently by the entire Supervisory Board.

According to the requirements of the Danish FSA, it is the duty of the Nomination committee to nominate candidates for the Supervisory Board and the Shareholders' Representatives. The Nomination Committee shall solve tasks ensuing from statutory requirements relating to the Supervisory Board's knowledge and experience, including expectations of the composition of the Supervisory Board, and the Committee shall be responsible for overseeing that the Supervisory Board is evaluated.

The Remuneration Committee is commissioned on behalf of the Supervisory Board to determine the pay and pension conditions of the Executive Board and the Head of Internal Audit, and the Committee is also responsible for the pay to the risk officer and the chief compliance officer. The Remuneration Committee prepares the Group's pay policy, which is submitted for adoption by the Annual General Meeting.

The Audit Committee supervises the financial reporting and internal control and risk-management systems; it also checks the independence of the auditors as well as their qualifications.

The Risk Committee carries out the preliminary consideration of risk-related issues before the final consideration by the Supervisory Board. This comprises, among other things, regulatory requirements for capital-adequacy calculation, the Group's capital base, individual solvency requirement, and capital and liquidity buffer, material changes to the model set-up for risk management, and the re-estimation and validation of models.

Executive Board

The Executive Board has five members. The number of members is determined by the Supervisory Board. The Executive Board undertakes the day-to-day management of the Group.

Without having the right to vote, the Executive Board attends the meetings of the Shareholders' Representatives and the Supervisory Board.

Further information about the Group's organisation and management is available at investor.jyske-bank.com/about/Organisation.

Management's remuneration and remuneration policy

The Supervisory Board has decided on a remuneration policy and had it adopted most recently at the Annual General Meeting in March 2015. It is the responsibility of the Supervisory Board to adjust and present anew the remuneration policy to the Annual General Meeting.

DUTY TO DISCLOSE INFORMATION ABOUT REMUNERATION

DKKm	2016	2015
Remuneration of the Supervisory Board		
Sven Buhrkall	0.9	0.8
Kurt Bligaard Pedersen	0.5	0.5
Rina Asmussen	0.4	0.4
Philip Baruch	0.5	0.5
Jens A. Borup	0.5	0.5
Keld Norup	0.5	0.5
Peter Schleidt (joined on 1.4.2016)	0.2	0.0
Oluf Engell (resigned on 31.03.2016)	0.1	0.3
Haggai Kunisch	0.3	0.3
Marianne Lillevang	0.3	0.3
Christina Lykke Munk (joined on 1.7.2016)	0.1	0.0
Jesper Holbøll (resigned on 30.06.2016)	0.1	0.3
Total	**4.4**	**4.4**

In addition to the fixed remuneration, the members of the committees under the Supervisory Board receive a committee remuneration. Of the total remuneration to the Supervisory Board, committee remuneration and Shareholders' Representatives' remuneration totalled DKK 1.6m in 2016 against DKK 1.6m in 2015, which amount is included in the above amounts.

Remuneration of the Executive Board	2016	2015
Anders Dam*	7.2	7.5
Sven A. Blomberg	6.9	6.7
Niels Erik Jakobsen	6.0	5.8
Leif F. Larsen	6.0	5.8
Per Skovhus	6.0	5.8

Remuneration to the Executive Board includes the value of company car, etc.

*In 2015, Anders Dam received an anniversary bonus of DKK 0.5m.

Jyske Bank A/S's Pensionstilskudsfond is a fund which offers supplementary pensions to current and former members of Jyske Bank's Executive Board and their surviving relatives, cf. notes 38 and 67.

Further information about the Group's work on management's remuneration and remuneration policy is available at investor.jyskebank.com/investorrelations/governance.

Corporate governance

In the Group's opinion, the way the Group is managed and controlled as well as the overall principles and policies that ensure balance between shareholders, clients and employees constitute corporate governance.

According to NASDAQ OMX Copenhagen A/S' "Rules for issuers" paragraph 4.3, Jyske Bank is under the obligation to give an account of Jyske Bank's and hence the Group's view of the Recommendations for good corporate governance issued by the Committee for good corporate governance. The Group's Supervisory Board has assessed and monitors the development in the Recommendations for good corporate governance. Further information about the Group's work on corporate governance is available at investor.jyskebank.com/investorrelations/governance .

Gender composition of management

In 2013, pursuant to new legislation, the Group adopted an equal opportunities policy entailing an annual follow up on gender representation in managerial positions. Moreover, the Group follows the recommendation from the Committee on Corporate Governance to discuss annually activities to ensure diversity relevant for the company, for instance, in respect of age and gender at the managerial levels in the Group. At the end of 2016, three out of ten board members were women. Further information about the gender composition of management and the Group's work on equal opportunities and diversity policy is available at investor.jyskebank.com/investorrelations/governance .

Corporate social responsibility

Being one of the largest financial groups in Denmark and having 3,981 employees, Jyske Bank has, as a business enterprise, a natural obligation to society. Jyske Bank attempts to run a responsible, orderly and proper business in accordance with our values and with regard to clients, employees, shareholders and society at large. It is the ambition of the Group to integrate responsibility in its business and to run and develop an enterprise promoting sustainability. Therefore, Jyske Bank will work to:

- ensure a sustainable and responsible business through our advice, investments and credit policy;
- establish a place of work that ensures job satisfaction, opportunities of development and equal rights for the employees;
- reduce the Group's negative effect on climate and environment;
- assume corporate social responsibility through social initiatives, particularly in urban areas.

In 2016, the Group launched a number of initiatives and processes to further strengthen the anchoring of corporate social responsibility in the Group. In accordance with S.135 of the Danish Executive Order on the Preparation of Financial Statements, policies have been prepared within the areas of climate and environment, social and employee conditions, anti-corruption and bribery as well as human rights. Moreover, the Group has also established a policy for social initiatives setting the framework for CSR projects.

Also in 2016, the Group intensified its international involvement through its membership of the UN Global Compact, which took effect in December 2016. In addition, the Group has actively chosen to work with the UN's 17 Global Goals, with particular focus on 5 out of the 17 goals. These additions to the Group's international involvement must be seen in conjunction with the membership of PRI, where the ESG principles are used as a point of departure for investment decisions.

Over the year, the Group successfully implemented a climate and environmental awareness campaign actively involving the employees. Also, a CSR steering committee was established, broadly representing the organisation. The objective of the CSR steering committee is to investigate possibilities of strengthening CSR initiatives across the Group's functions and business areas. These two initiatives were followed up by new internal communication initiatives, where Group CSR once every quarter issues newsletters on CSR efforts and initiatives, especially targeting the Group management and the Group's trade union representatives.

Last but not least, in 2016, the Group intensified its focus on social initiatives in connection with which housing and urban areas are of special importance. The focus of the initiatives is community spirit, embellishment of the urban landscape and neighbourliness. This is always achieved by listening to inhabitants, and in cooperation with other players results are obtained that generate more than is contributed by each individual player. One of the results achieved was Northern Europe's largest mural in the Port of Aalborg, where through the process, internships and apprenticeships were established for young people attending vocational schools. Another example is the 'Projekt NaboRum', a project involving the neighbourhood and local community, and in Aarhus the

Group launched three such projects where the achievement of a neighbourly spirit and embellishment of the urban landscape in cooperation with the local inhabitants was a key objective. These projects are examples of how the Group will in future work with external projects.

Read more about the Jyske Bank Group's sustainability efforts and strategy in the reporting year 2016 at investor.jyskebank.com/investorrelations/governance. Here readers can also learn about the projects that the Group will be involved in in 2017.

Internal control and risk-management systems

The overall responsibility for the Group's internal control and risk-management systems in connection with the financial reporting rests with the Supervisory Board and the Executive Board. The process has been planned with a view to preparing and presenting an annual report in agreement with the regulatory requirements as well as preparing and presenting an annual report that is free from material misstatement, whether due to fraud or error. Further information about internal control and risk management systems is available at investor.jyskebank.com/investorrelations/governance.

Statement by the Management and Supervisory Boards on the Annual Report

We have today discussed and approved the Annual Report of Jyske Bank A/S for the accounting year 1 January to 31 December 2016.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent's financial statements have been prepared in accordance with the Danish Financial Business Act. Further, the Annual Report has been prepared in accordance with the additional Danish disclosure requirements for listed financial companies.

In our opinion, the consolidated financial statements and the Parent's financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2016 and of their financial performance and cash flows for the financial year 1 January to 31 December 2016.

In our opinion, the Management's Review gives a fair presentation of the development in the Group's and the Parent's performance and financial position, the net profit or loss for the year and the Group's and the Parent's financial position as a whole as well as a description of the most material risks and elements of uncertainty that may affect the Group and the Parent.

The Annual Report is recommended for adoption at the Annual General Meeting.

Silkeborg, 21 February 2017

EXECUTIVE BOARD

ANDERS DAM
Managing Director and CEO

SVEN A. BLOMBERG
Managing Director and Deputy Chief Executive

NIELS ERIK JAKOBSEN

LEIF F. LARSEN

PER SKOVHUS

/JENS BORUM
Director, Finance

SUPERVISORY BOARD

SVEN BUHRKALL
Chairman

KURT BLIGAARD PEDERSEN
Deputy Chairman

RINA ASMUSSEN

PHILIP BARUCH

JENS A. BORUP

KELD NORUP

PETER SCHLEIDT

HAGGAI KUNISCH
Employee Representative

MARIANNE LILLEVANG
Employee Representative

CHRISTINA LYKKE MUNK
Employee Representative

Internal Auditors' Report

Audit opinion
In our opinion, the consolidated financial statements and the Parent's financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2016 and of the Group's and the Parent's financial performance and the Group's cash flows for the financial year 1 January to 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial companies in regard to the consolidated financial statements and in accordance with the Danish Financial Business Act in regard to the Parent's financial statements.

Basis of opinion
We have audited the consolidated financial statements and the financial statements of Jyske Bank A/S for the financial year 1 January - 31 December 2016. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial companies. The financial statements have been prepared in accordance with the Danish Financial Business Act.

We conducted our audit in accordance with the Executive Order of the Danish Financial Supervisory Authority on Auditing Financial Enterprises, etc. as well as Financial Groups and in accordance with international auditing standards on planning and performance of the audit.

We have planned and performed our audit with an objective of obtaining a high level of assurance and audit evidence that the consolidated financial statements and the Parent's financial statements do not contain any material misstatements. We participated in the audit of significant and risky areas.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Statement on the Management's Review
We have read the Management's Review pursuant to the Danish Financial Business Act. We did not perform any procedures other than those performed during the audit of the consolidated financial statements and the Parent's financial statements.

Based on this, we believe that the Management's Review has been prepared in accordance with the Danish Financial Business Act and the disclosures in the Management's Review are consistent with the consolidated financial statements and the Parent's financial statements.

Silkeborg, 21 February 2017

Henning Sørensen
Head of the Audit Division

Independent Auditors' Report

To the shareholders of Jyske Bank A/S

Audit opinion
We have audited the consolidated financial statements and the financial statements for Jyske Bank A/S for the financial year 1 January – 31 December 2016 comprising the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, capital statement and notes, including accounting policies, for the Group as well as the Parent and the consolidated cash flow statement for the Group. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the EU and also in accordance with additional Danish disclosure requirements for listed financial companies, and the Parent's financial statements were prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2016 and of its financial performance and cash flows for the financial year 1 January – 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial companies.

In addition, in our opinion, the financial statements give a true and fair view of the Parent's financial position at 31 December 2016 and of the company's financial performance for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Business Act.

Basis of the audit opinion
We conducted our audit in accordance with the International Standards on Auditing and the additional requirements applicable in Denmark. Our responsibility according to these standards and requirements are described in detail in the auditors' report under the heading "The auditor's responsibility for the audit of the consolidated financial statements and the Parent's financial statements". We are independent of the Group in accordance with the code of ethics of the International Ethics Standard Board for Accountants (IESBA) and also in accordance with the additional requirements applicable in Denmark; also, we have met our ethical obligations according to this code of ethics and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters
Key audit matters are the matters that in our professional opinion were the most important ones in connection with our audit of the consolidated financial statements and the Parent's financial statements for the financial year 1 January – 31 December 2016. These matters were discussed in the course of our audit of the consolidated financial statements and the Parent's financial statements as a whole and the preparation of our audit opinion. We do not issue a separate audit opinion about these matters.

Loan impairment charges
As at 31 December 2016, loans and advances amounted to DKK 422,445m, and for the Group impairment charge on these amounted to DKK 5,503m as at 31 December 2016. Determination of the indication of loan impairment is associated with considerable uncertainty and to some extent based on the management's estimate. Due to the materiality of these estimates and the volume of lending by the Group and the Parent, the audit of loan impairment charges is a key audit matter.

The principles for the determination of the indication of impairment is described under accounting policies, and the management has described in detail the handling of credit risks as well as the assessment of the indication of impairment in notes 50-56.

The Group has considerable exposure to loans financing properties, including agricultural properties. Due to the material degree of estimate in the valuation of properties provided as security for these loans, we have in our audit particularly focused on this category of loans.

The areas involving the highest degree of estimate and which therefore call for extra attention during the audit are:
- Assessment whether loans and advances have been impaired.
- Measurement of collateral and future cash flows included in the calculation of the indication of impairment for impaired loans and advances.
- Management supplements

The audit has dealt with the matter in this way
Based on our risk assessment, we have examined relevant business procedures, tested controls and analysed the extent of the impairment charges.

Our audit procedures also included specifically:
- An examination and assessment of the Group's and the Parent's general methods for monitoring of credit risk on loans and advances, including special focus on credit risk supervision.
- Tests of the Group's and the Parent's internal controls for identification of loans and advances with indication of risk of loss, including the annual risk code review as well as credit reviews of the branches.
- For loans and advances with objective evidence of impairment we have through sampling tested whether the established indication of impairment is in line with the guidelines of the legislation as well as those of the Group and the Parent.

- Reviews based on random samples of other loans and advances with indication of weakness to assess whether, in our opinion, an assessment of impairment should have been conducted.
- For loans and advances secured against property, we have, with a view to the determination of a possible indication of impairment on impaired loans and advances, compared the Group's and the Parent's principles for the appraisal of residential, commercial as well as agricultural properties, including required rate of return and rent levels as well land prices per hectare, with reports from estate agency chains, current asking prices as well as announcements from the FSA, etc.
- Spot testing to ascertain that the models used for the determination of collective impairment charges make correct calculations and are based on the model assumptions stipulated by management.
- Challenging of management supplements with special focus on consistency as well as objectivity on the part of management, including special focus on the documentation of management supplements relating to agriculture.

Statement on the Management's Review

The management is responsible for the Management's Review.

Our audit opinion on the consolidated financial statements and the Parent's financial statements does not cover the Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the Parent's financial statements, it is our responsibility to read the Management's Review and in that connection consider whether the Management's Review is materially inconsistent with the consolidated financial statements or the Parent's financial statements or our knowledge attained through the audit or in other ways seems to contain any material misstatement.

In addition, it is our responsibility to consider whether the Management's Review contains the required information according to the Danish Financial Business Act.

Based on the work performed, we believe that the Management's Review is consistent with the consolidated financial statements and the Parent's financial statements and that it has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not find any material misstatement in the Management's Review.

Management's responsibility for the consolidated financial statements and the Parent's financial statements

Management is responsible for the preparation of consolidated financial statements that offer a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and in accordance with the additional Danish disclosure requirements for listed financial companies as well as the preparation of the Parent's financial statements that offer a true and fair view according to the Danish Financial Business Act. Moreover, management is responsible for the internal control that management finds necessary to prepare consolidated financial statements and the Parent's financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the consolidated financial statements and the Parent's financial statements, management is responsible for assessing the Group's and the Parent's ability to continue operations, and for disclosing circumstances relating to the continued operations, where relevant, and to prepare the consolidated financial statements and the Parent's financial statements on the basis of the accounting principle on continued operations, unless management intends to wind up the Group or the Parent, discontinue operations or does not have any other realistic alternative than doing so.

The auditor's responsibility for the audit of the consolidated financial statements and the Parent's financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

In the course of the audit that is performed in accordance with the International Standards on Auditing and the additional requirements applicable in Denmark, we make professional assessments with an attitude of professional scepticism during the audit. In addition:

- We identify and assess the risk of material misstatements in the consolidated financial statements and the Parent's financial statements, whether or not such misstatements are due to fraud or error; we design and perform audit procedures in reaction to these risks and also obtain audit evidence sufficient and suitable for the basis of our audit opinion. The risk of not detecting any material misstatement due to fraud is higher than that in connection with material misstatements caused by error, as fraud may comprise conspiracy, forgery, conscious omissions, misrepresentation or disregard of internal control.
- We gain an understanding of the internal control relevant for the audit in order to prepare audit procedures that are

appropriate under the circumstances, but not to express an audit opinion on the efficiency of the Group's and the Parent's internal control.
- We make a decision wither the accounting policies applied by management are suitable, and whether the accounting estimates and relevant information that management has prepared are reasonable.
- We determine whether management's preparation of the consolidated financial statements and the Parent's financial statements on the basis the of accounting principle on going concern is suitable, as well as whether, on the basis of the audit evidence obtained, there is any material uncertainty linked to events or circumstances that may result in considerable doubt as to the Group's or the Parent's ability to continue operations. If we determine that there is material uncertainty, we must in our auditors' report draw attention to information of this in the consolidated financial statements and the Parent's financial statements, or if such information is not sufficient modify our audit opinion. Our audit opinion is based on the audit evidence that is obtained until the date of our auditors' report. However, future events or circumstances may result in the Group and the Parent not being able to continue operations any longer.
- We decide on the overall presentation, structure and contents of the consolidated financial statements and the Parent's financial statements, including disclosures in the notes, and whether the consolidated financial statements and the Parent's financial statements reflect the underlying transactions and events in such a way that they render a true and fair view of these.
- We obtain a sufficient and suitable audit evidence of the financial information in the companies or the business activities in the Group to express an audit opinion on the consolidated financial statements. We are responsible for directing, supervising and performing the consolidated financial statements audit. We are solely responsible for the audit opinion.

We communicate with senior management, among other things, on the planned extent and the timing of the audit as well as considerable audit observations, including any considerable shortcomings in the internal control that we identify during our audit.

We also make a statement to senior management to the effect that we comply with relevant ethical requirements as to independence and disclose to senior management all relations and other circumstances that may reasonably affect our independence and, where relevant, related security measures.

Based on the circumstances communicated to senior management, we establish the circumstances that were of greatest importance during our audit of the consolidated financial statements and the Parent's financial statements covering the relevant period and therefore constituted key audit matters. We describe these circumstances in our auditors' report, unless acts of law or other regulation preclude publication of the circumstance, or in the most rare cases where we establish that the circumstance is not to be communicated in our auditors' report because the negative consequences from this could reasonably be expected to carry a heavier weight than the benefit from such communication that would be in the public interest.

Silkeborg, 21 February 2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Reg. No. 33 96 35 56

Hans Trærup	Kasper Bruhn Udam
State-Authorised Public Accountant	State-Authorised Public Accountant

Contents

Income statement and statement of comprehensive income

Note	DKKm	The Jyske Bank Group 2016	2015
	INCOME STATEMENT		
6, 7	Interest income	**11,652**	13,628
6, 8	Interest expenses	**5,079**	5,924
	Net interest income	**6,573**	7,704
9	Fees and commission income	**1,980**	2,246
	Fees and commission expenses	**452**	414
	Net interest and fee income	**8,101**	9,536
10	Value adjustments	**810**	26
11	Other income	**817**	679
12	Employee and administrative expenses	**5,039**	5,209
31, 32	Amortisation, depreciation and impairment charges	**582**	456
14	Loan impairment charges and provisions for guarantees	**201**	1,372
	Pre-tax profit	**3,906**	3,204
15	Tax	**790**	728
	Profit for the year	**3,116**	2,476
	Distributed to:		
	Jyske Bank A/S shareholders	**3,093**	2,476
	Holders of hybrid core capital	**23**	0
	Total	**3,116**	2,476
	Earnings per share for the year		
16	Earnings per share, DKK	**33.49**	26.07
16	Earnings per share for the year, DKK, diluted	**33.49**	26.07
	Proposed dividend per share, DKK	**5.25**	5.25
	STATEMENT OF COMPREHENSIVE INCOME		
	Profit for the year	**3,116**	2,476
	Other comprehensive income:		
	Items that cannot be recycled to the income statement:		
	Revaluation of real property	**72**	110
	Tax on property revaluations over the year	**-9**	-17
	Actuarial losses and gains	**-21**	-25
	Tax on actuarial losses and gains	**5**	6
	Items that can be recycled to the income statement:		
	Foreign currency translation adjustment of international units	**-111**	117
	Hedge accounting of international units	**109**	-117
	Tax on hedge accounting	**-24**	27
	Other comprehensive income after tax	**21**	101
	Comprehensive income for the year	**3,137**	2,577
	Distributed to:		
	Jyske Bank A/S shareholders	**3,114**	2,577
	Holders of hybrid core capital	**23**	0
	Total	**3,137**	2,577

Balance sheet at 31 December

Note	DKKm	The Jyske Bank Group 2016	2015
	BALANCE SHEET		
	ASSETS		
	Cash balance and demand deposits with central banks	**2,068**	2,825
18	Due from credit institutions and central banks	**18,018**	20,858
19, 20	Loans and advances at fair value	**292,049**	249,467
21	Loans and advances at amortised cost	**130,396**	146,709
25	Bonds at fair value	**81,770**	68,597
26	Bonds at amortised cost	**3,949**	3,884
28	Shares, etc.	**4,210**	4,046
31	Intangible assets	**71**	88
32	Property, plant and equipment	**5,186**	4,360
	Tax assets	**22**	461
33	Other assets	**48,964**	42,104
	Total assets	**586,703**	543,399
	EQUITY AND LIABILITIES		
	Liabilities		
34	Due to credit institutions and central banks	**19,941**	39,211
35	Deposits	**154,648**	144,920
36	Issued bonds at fair value	**271,212**	231,167
	Issued bonds at amortised cost	**51,028**	48,226
37	Other liabilities	**53,504**	46,781
38	Provisions	**1,725**	1,700
39	Subordinated debt	**2,131**	1,354
	Liabilities, total	**554,189**	513,359
	Equity		
40	Share capital	**950**	950
	Revaluation reserve	**538**	499
	Currency translation reserve	**-2**	0
	Retained profit	**29,053**	28,092
	Proposed dividend	**499**	499
	Jyske Bank A/S shareholders	**31,038**	30,040
	Holders of hybrid core capital	**1,476**	0
	Equity, total	**32,514**	30,040
	Total equity and liabilities	**586,703**	543,399
	OFF-BALANCE SHEET ITEMS		
42	Guarantees, etc.	**16,147**	13,854
43	Other contingent liabilities, etc.	**22,627**	17,745
	Total guarantees and other contingent liabilities	**38,774**	31,599

The Jyske Bank Group

DKKm

	Share capital	Revaluation reserves	Currency translation reserve	Retained profit	Proposed dividend	Jyske Bank A/S shareholders	Hybrid core capital*	Total equity capital
Equity at 1 January 2016	950	499	0	28,092	499	30,040	0	30,040
Profit for the year	0	0	0	3,093	0	3,093	23	3,116
Other comprehensive income:								
Foreign currency translation for international units	0	0	-111	0	0	-111	0	-111
Hedge of international units	0	0	109	0	0	109	0	109
Revaluation of real property	0	72	0	0	0	72	0	72
Other movements	0	-24	0	24	0	0	0	0
Actuarial losses and gains	0	0	0	-21	0	-21	0	-21
Tax on other comprehensive income	0	-9	0	-19	0	-28	0	-28
Other comprehensive income after tax	0	39	-2	-16	0	21	0	21
Comprehensive income for the year	0	39	-2	3,077	0	3,114	23	3,137
Hybrid core capital issue	0	0	0	0	0	0	1,476	1,476
Transaction costs	0	0	0	-15	0	-15	0	-15
Interest paid on hybrid capital	0	0	0	0	0	0	-20	-20
Currency translation adjustment	0	0	0	3	0	3	-3	0
Tax	0	0	0	8	0	8	0	8
Dividends paid	0	0	0	0	-499	-499	0	-499
Dividends, own shares	0	0	0	5	0	5	0	5
Proposed dividend	0	0	0	-499	499	0	0	0
Acquisition of own shares	0	0	0	-3,084	0	-3,084	0	-3,084
Sale of own shares	0	0	0	1,466	0	1,466	0	1,466
Transactions with owners	0	0	0	-2,116	0	-2,116	1,453	-663
Equity at 31 December 2016	**950**	**538**	**-2**	**29,053**	**499**	**31,038**	**1,476**	**32,514**

	Share capital	Revaluation reserves	Currency translation reserve	Retained profit	Proposed dividend	Jyske Bank A/S shareholders	Hybrid core capital*	Total equity capital
Equity at 1 January 2015	950	380	0	26,231	0	27,561	0	27,561
Profit for the year	0	0	0	2,476	0	2,476	0	2,476
Other comprehensive income:								
Foreign currency translation for international units	0	0	117	0	0	117	0	117
Hedge of international units	0	0	-117	0	0	-117	0	-117
Revaluation of real property	0	110	0	0	0	110	0	110
Other movements	0	26	0	-26	0	0	0	0
Actuarial losses and gains	0	0	0	-25	0	-25	0	-25
Tax on other comprehensive income	0	-17	0	33	0	16	0	16
Other comprehensive income after tax	0	119	0	-18	0	101	0	101
Comprehensive income for the year	0	119	0	2,458	0	2,577	0	2,577
Proposed dividend	0	0	0	-499	499	0	0	0
Acquisition of own shares	0	0	0	-2,370	0	-2,370	0	-2,370
Sale of own shares	0	0	0	2,272	0	2,272	0	2,272
Transactions with owners	0	0	0	-597	499	-98	0	-98
Equity at 31 December 2015	950	499	0	28,092	499	30,040	0	30,040

*Hybrid core capital has no maturity. Payment of interest and repayment of principal are voluntary. Therefore hybrid core capital (additional Tier 1 Capital) is recognised as equity. In September 2016, Jyske Bank made an issue amounting to SEK 1.25bn and DKK 500m with the possibility of early redemption in September 2021 at the earliest. The interest rates applicable to the hybrid core capital until September 2021 are STIBOR+5.80% and CIBOR+5.30%, respectively. If the Common Equity Tier 1 capital of Jyske Bank A/S or the Jyske Bank Group falls below 7%, the loan will be written down.

Capital statement

DKKm	The Jyske Bank Group 2016	2015
Shareholders' equity	**31,038**	30,040
Share buy-back programme, non-utilised limit	**0**	-644
Proposed dividend	**-499**	-499
Intangible assets	**-71**	-88
Deferred tax liabilities relating to intangible assets	**15**	20
Prudent valuation	**-268**	-345
Difference between expected loss and the carrying amount of impairment charges	**-89**	0
Other deductions	**-31**	-81
Common Equity Tier 1 capital	**30,095**	28,403
Additional Tier 1 Capital after reduction	**2,250**	907
Other deductions	**-69**	-98
Core capital	**32,276**	29,212
Subordinated loan capital after reduction	**1,298**	403
Difference between expected loss and the carrying amount of impairment charges	**0**	665
Other deductions	**-220**	-192
Capital base	**33,354**	30,088
Weighted risk exposure involving credit risk etc.	**140,577**	138,987
Weighted risk exposure involving market risk	**24,586**	21,110
Weighted risk exposure involving operational risk	**17,032**	16,807
Total weighted risk exposure	**182,195**	176,904
Capital requirement, Pillar I	**14,576**	14,152
Capital requirement, transitional provisions	**3,995**	2,708
Capital requirement, total	**18,571**	16,860
Capital ratio (%)	**18.3**	17.0
Core Tier 1 Capital ratio (%)	**17.7**	16.5
Common Equity Tier 1 capital ratio (%)	**16.5**	16.1

Over the period 2008-2013, capital ratios were calculated in accordance with the CRD III (Basel II). At the end of 2016, the total risk-weighted exposure according to Basel I amounted to DKK 290,178m for the Jyske Bank Group. The capital requirement according to the transitional provisions was for 80% of the capital requirement of 8% of the total weighted risk exposure corresponding to DKK 18,571m for the Jyske Bank Group. At the end of 2015, the transitional provisions resulted in a capital requirement of DKK 16,860m for the Jyske Bank Group. The transitional rules applying to total weighted risk exposure will still apply in the coming years.

For a statement of the individual solvency requirement, please see Risk and Capital Management 2016 or investor.jyskebank.com/investorrelations/capitastructure.

Risk and Capital Management 2016 was not covered by the audit.

DKKm	The Jyske Bank Group 2016	2015
Profit for the year	**3,116**	2,476
Adjustment for non-cash operating items, etc.		
Loan impairment charges and provisions for guarantees	**201**	1,372
Amortisation, depreciation and impairment charges	**582**	456
Unrealised value adjustment of securities	**-148**	-78
Unrealised value adjustment of investments	**-4**	-3
Interest not paid and received	**-398**	16
Other outstanding operating items	**-288**	-173
Tax charged to the income statement	**790**	728
Tax paid	**-331**	-479
Total	**3,520**	4,315
Change in working capital		
Loans and advances	**-26,470**	-35,749
Deposits	**9,728**	-7,774
Issued bonds	**42,847**	27,441
Due from credit institutions	**335**	-228
Due to credit institutions	**-19,270**	-10,674
Other assets and liabilities	**-12,826**	14,305
Total	**-5,656**	-12,679
Cash flows from operating activities	**-2,136**	-8,364
Dividend received	**79**	78
Acquisition of property, plant and equipment	**-1,318**	-890
Acquisition of intangible assets	**-1**	-3
Cash flows from investment activities	**-1,240**	-815
Hybrid core capital issue	**1,449**	0
Dividends paid	**-494**	0
Acquisition of own shares	**-3,084**	-2,370
Sale of own shares	**1,466**	2,272
Addition and repayment of subordinated debt	**777**	0
Cash flows from financing activities	**114**	-98
Cash flow for the year	**-3,262**	-9,277
Cash and cash equivalents, beginning of period	**23,250**	32,527
Cash and cash equivalents, end of period	**19,988**	23,250
Cash and cash equivalents, end of period, comprise:		
Cash in hand, etc.	**2,068**	2,825
Due in less than three months from credit institutions and central banks	**17,920**	20,425
Cash and cash equivalents, end of period	**19,988**	23,250

Notes

The Jyske Bank Group

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Note		The Jyske Bank Group				
		2016	2015	2014	2013	2012
1	**Financial ratios and key figures**					
	Pre-tax profit, per share (DKK)*	**42.04**	33.74	35.25	32.30	12.17
	Earnings per share (DKK)*	**33.49**	26.07	35.07	25.38	8.48
	Earnings per share (diluted) (DKK)*	**33.49**	26.07	35.07	25.38	8.48
	Core profit per share (DKK)*	**36.58**	29.11	34.09	27.45	4.96
	Share price at end of period (DKK)	**337**	312	313	293	157
	Book value per share (DKK)*	**348**	317	290	245	220
	Price/book value per share (DKK)*	**0.97**	0.98	1.08	1.19	0.71
	Price/earnings per share*	**10.1**	12.0	8.9	11.5	18.5
	Proposed dividend per share (DKK)	**5.25**	5.25	0	0	0
	Outstanding shares in circulation ('000)	**89,200**	94,669	94,988	71,214	71,000
	Average number of shares in circulation ('000)	**92,388**	94,958	88,053	71,220	69,777
	Capital ratio (%)	**18.3**	17.0	16.4	16.0	17.3
	Core Tier 1 Capital ratio (%)	**17.7**	16.5	15.8	15.9	15.3
	Common Equity Tier 1 capital ratio (%)	**16.5**	16.1	15.3	15.3	14.2
	Pre-tax profit as a pct. of average equity	**12.7**	11.1	13.8	13.9	5.8
	Net profit as a percentage of average equity*	**10.1**	8.6	13.7	10.9	4.0
	Income/cost ratio (%)	**1.7**	1.5	1.4	1.4	1.1
	Interest-rate risk (%)	**1.0**	1.4	-0.5	1.9	1.1
	Currency position	**4.0**	5.4	8.9	6.3	6.4
	Currency risk (%)	**0.0**	0.1	0.0	0.1	0.0
	Excess liquidity relative to statutory requirement for liquidity in previous S.152 of the Danish Financial Business Act (%)	**171.0**	191.0	144.3	151.1	127.1
	Total large exposures (%)	**0.0**	0.0	10.7	10.1	0.0
	Accumulated impairment ratio (%)	**1.3**	1.6	1.7	3.1	3.4
	Impairment ratio for the year (%)	**0.0**	0.3	0.7	0.8	1.4
	Increase in loans and advances for the year, excl. repo loans (%)	**9.6**	4.5	205.3	4.9	-2.4
	Loans and advances in relation to deposits	**2.8**	2.8	2.4	1.0	1.0
	Loans relative to equity	**13.0**	13.2	13.1	7.5	7.6
	Return on capital employed	**0.6**	0.5	0.8	0.7	0.2
	Number of full-time employees, year-end	**3,981**	4,021	4,191	3,774	3,574
	Average number of full-time employees in year	**3,997**	4,119	4,147	3,796	3,728

Reference is made to definitions of financial ratios, cf. note 73.

*Financial ratios are calculated as if hybrid core capital is recognised as a liability.

Note	DKKm				The Jyske Bank Group

2 **Segmental financial statements**

	Banking activities	Mortgage activities	Leasing activities	The Jyske Bank Group *
2016				
Net interest income	3,489	1,732	527	5,748
Net fee and commission income	1,414	207	-90	1,531
Value adjustments	735	34	12	781
Other income	193	52	12	257
Income from operating lease (net)	0	0	44	44
Core income	**5,831**	**2,025**	**505**	**8,361**
Core expenses	4,103	837	168	5,108
Core profit before loan impairment charges and provisions for guarantees	**1,728**	**1,188**	**337**	**3,253**
Loan impairment charges and provisions for guarantees	-122	-32	5	-149
Core profit	**1,850**	**1,220**	**332**	**3,402**
Investment portfolio earnings	424	80	0	504
Pre-tax profit	**2,274**	**1,300**	**332**	**3,906**
Loans and advances	130,564	277,016	14,865	422,445
- of which mortgage loans	0	277,016	0	277,016
- of which bank loans	96,713	0	14,865	111,578
- of which repo loans	33,851	0	0	33,851
Total assets	262,151	307,037	17,515	586,703
Deposits	154,428	0	220	154,648
- of which bank deposits	133,974	0	220	134,194
- of which repo deposits and tri-party deposits	20,454	0	0	20,454
Issued bonds	49,016	273,224	0	322,240
2015				
Net interest income	3,793	1,642	451	5,886
Net fee and commission income	1,639	256	-61	1,834
Value adjustments	490	-120	11	381
Other income	193	39	7	239
Income from operating lease (net)	0	0	93	93
Core income	**6,115**	**1,817**	**501**	**8,433**
Core expenses	4,249	908	165	5,322
Core profit before loan impairment charges and provisions for guarantees	**1,866**	**909**	**336**	**3,111**
Loan impairment charges and provisions for guarantees	248	103	-4	347
Core profit	**1,618**	**806**	**340**	**2,764**
Investment portfolio earnings	351	89	0	440
Pre-tax profit	**1,969**	**895**	**340**	**3,204**
Loans and advances	133,028	249,467	13,681	396,176
- of which mortgage loans	0	249,467	0	249,467
- of which bank loans	91,502	0	13,681	105,183
- of which repo loans	41,526	0	0	41,526
Total assets	257,679	269,794	15,926	543,399
Deposits	144,670	0	250	144,920
- of which bank deposits	128,745	0	250	128,995
- of which repo deposits and tri-party deposits	15,925	0	0	15,925
Issued bonds	43,507	235,886	0	279,393

* The relationship between income statement items under 'The Jyske Bank Group' and the income statement page 45 appears from page 21 in the Management's review.

Note	DKKm	The Jyske Bank Group

2 **Segmental financial statements, cont.**

Banking activities

Banking activities cover advisory services relating to traditional financial solutions targeting personal and private banking clients as well as corporate clients and trading and investment activities targeting large corporate clients and institutional clients, including trading in interest-rate products, currencies, equities, commodities and derivatives. Investment portfolio earnings of Jyske Bank A/S are allocated to Banking activities.

Mortgage activities

Mortgage activities comprise financial solutions for the financing of real property carried out by BRFkredit. Mortgage activities are aimed mainly at Danish personal clients, corporate clients and subsidised housing and construction. Investment portfolio earnings of BRFkredit a/s are allocated to Mortgage activities.

Leasing activities

Leasing activities cover financial solutions in the form of leasing and financing within car financing as well as leasing and financing of equipment for the corporate sector. The activities primarily target Danish personal and corporate clients as well as dealer cooperation schemes and partnerships.

Internal allocation

Internal transactions are based on market conditions, and services are allocated according to agreed volume of consumption and under reference to calculated unit prices in accordance with the rules about transfer pricing. Cash transactions are settled via intercompany accounts, follow the money-market rate and are adjusted accordingly.

Assets and liabilities are presented in the segments that obtain or lose the relevant financial advantages.

		The Jyske Bank Group	
	DKKm	**2016**	2015
3	**Segment information, income by product**		
	Corporate clients	**2,838**	3,126
	Private clients	**2,788**	3,209
	Trading income	**2,802**	2,429
	Other	**1,300**	1,477
	Total	**9,728**	10,241

The item Corporate clients consists of interest and fee income from activities with corporate clients. The item Private clients consists of interest and fee income from activities with personal clients. Trading income consists of earnings from interest-rate and currency products as well as brokerage.

The Group has no single client who contributes 10% or more of the total income.

Note		The Jyske Bank Group
	DKKm	

4 **Segmental financial statements, geographical**[1]

2016	**Denmark**[2]	**Inter-national**	**The Jyske Bank Group**
Net interest income	6,483	90	6,573
Net fee and commission income	1,457	71	1,528
Value adjustments	789	21	810
Other income	816	1	817
Income	**9,545**	**183**	**9,728**
Expenses	5,480	141	5,621
Profit before loan impairment charges and provisions for guarantees	**4,065**	**42**	**4,107**
Loan impairment charges and provisions for guarantees	198	3	201
Pre-tax profit	**3,867**	**39**	**3,906**
Loans and advances	419,994	2,451	422,445
Bonds and shares	89,500	429	89,929
Total assets	579,599	7,104	586,703
Deposits, exclusive of pooled deposits	144,847	5,290	150,137
Guarantees	15,772	375	16,147
2015			
Net interest income	7,607	97	7,704
Net fee and commission income	1,755	77	1,832
Value adjustments	1	25	26
Other income	676	3	679
Income	10,039	202	10,241
Expenses	5,404	261	5,665
Profit before loan impairment charges and provisions for guarantees	4,635	-59	4,576
Loan impairment charges and provisions for guarantees	1,373	-1	1,372
Pre-tax profit	3,262	-58	3,204
Loans and advances	393,575	2,601	396,176
Bonds and shares	76,076	451	76,527
Total assets	535,184	8,215	543,399
Deposits, exclusive of pooled deposits	134,949	5,362	140,311
Guarantees	13,434	420	13,854

1) Geographical segments are listed according to where transactions are booked.
2) Intra-group income statements, assets and liabilities are eliminated under the respective segments.

Note		The Jyske Bank Group
	DKKm	

5 **Segment information, revenue by country**

2016	**Revenue**	**Pre-tax profit**	**Tax**	**Profit for the year**	**Public subsidies**	**Full-time employees end of period**
Denmark	14,173	3,867	780	3,087	0	3,875
Switzerland	0	-4	5	-9	0	0
Gibraltar	155	49	5	44	0	97
Germany	37	1	0	1	0	9
Spain	0	-7	0	-7	0	0
Total	**14,365**	**3,906**	**790**	**3,116**	**0**	**3,981**

2015						
Denmark	16,284	3,262	740	2,522	0	3,899
Switzerland	49	-76	-15	-61	0	21
Gibraltar	91	26	3	23	0	92
Germany	47	1	0	1	0	9
Spain	1	-9	0	-9	0	0
Total	16,472	3,204	728	2,476	0	4,021

Revenue is defined as interest income, fee and commission income and also other operating income.

Jyske Bank has activities in the countries stated below in the form of subsidiaries or branches. The names of the subsidiaries appear from the group chart.

Activities in individual countries:
Denmark. The Jyske Bank Group has activities within banking and mortgage banking, trading and wealth management advice as well as leasing.
Switzerland. Until 2015, the Jyske Bank Group had activities within banking as well as trading and wealth management advice.
Gibraltar. The Jyske Bank Group has activities within banking as well as trading and wealth management advice.
Germany. The Jyske Bank Group has activities within banking.
Spain. The Jyske Bank Group has activities within properties.

Note	DKKm						The Jyske Bank Group
6	**Net interest income and value adjustments**	**Interest income**	**Interest expenses**	**Net interest income**	**Divi-dends**	**Value adjust-ments**	**Total**
	2016						
	Financial portfolios at amortised cost						
	Due from and to credit institutions and central banks	33	57	-24	0	-958	-982
	Loans, advances and deposits	3,878	152	3,726	0	-264	3,462
	Bonds	118	0	118	0	-64	54
	Issued bonds	0	200	-200	0	354	154
	Subordinated debt	0	38	-38	0	20	-18
	Other financial instruments	6	0	6	0	0	6
	Total	4,035	447	3,588	0	-912	2,676
	Financial portfolios at fair value and financial instruments designated at fair value						
	Loans and advances	6,663	0	6,663	0	2,464	9,127
	Bonds	777	0	777	0	613	1,390
	Shares, etc.	0	0	0	79	550	629
	Issued bonds	0	4,573	-4,573	0	-2,318	-6,891
	Derivatives	177	59	118	0	413	531
	Total	7,617	4,632	2,985	79	1,722	4,786
	Total net interest income and value adjustments	**11,652**	**5,079**	**6,573**	**79**	**810**	**7,462**
	2015						
	Financial portfolios at amortised cost						
	Due from and to credit institutions and central banks	-52	-56	4	0	190	194
	Loans, advances and deposits	4,979	333	4,646	0	-591	4,055
	Bonds	235	0	235	0	-105	130
	Issued bonds	0	298	-298	0	-365	-663
	Subordinated debt	0	27	-27	0	-1	-28
	Other financial instruments	12	0	12	0	0	12
	Total	5,174	602	4,572	0	-872	3,700
	Financial portfolios at fair value and financial instruments designated at fair value						
	Loans and advances	7,251	0	7,251	0	-4,813	2,438
	Bonds	936	0	936	0	370	1,306
	Shares, etc.	0	0	0	78	699	777
	Issued bonds	0	5,168	-5,168	0	4,813	-355
	Derivatives	267	154	113	0	-171	-58
	Total	8,454	5,322	3,132	78	898	4,108
	Total net interest income and value adjustments	13,628	5,924	7,704	78	26	7,808

Under Value adjustments, foreign exchange adjustment has been distributed on asset and liability classes. All asset and liability classes form part of day-to-day management of currency risk. Currency translation adjustments, inclusive of trading income, for 2016 amounted to DKK 362m (2015: DKK 315m).

Note	DKKm	The Jyske Bank Group 2016	2015
7	**Interest income**		
	Due from credit institutions and central banks	**33**	-52
	Loans and advances	**8,919**	10,661
	Contribution	**1,622**	1,569
	Bonds	**1,357**	1,835
	Derivatives, total	**177**	267
	Of which currency contracts	**167**	357
	Of which interest-rate contracts	**10**	-90
	Other	**6**	12
	Total	**12,114**	14,292
	Interest on own mortgage bonds, set off against interest on issued bonds	**462**	664
	Interest income, total	**11,652**	13,628
8	**Interest expenses**		
	Due to credit institutions and central banks	**57**	-56
	Deposits	**152**	333
	Issued bonds	**5,235**	6,130
	Subordinated debt	**38**	27
	Other	**59**	154
	Total	**5,541**	6,588
	Interest on own mortgage bonds, set off against interest on issued bonds	**462**	664
	Interest expenses, total	**5,079**	5,924
9	**Fees and commission income**		
	Securities trading and custody services	**1,218**	1,377
	Money transfers and card payments	**209**	182
	Loan application fees	**291**	310
	Guarantee commission	**97**	181
	Other fees and commissions	**165**	196
	Total	**1,980**	2,246
10	**Value adjustments**		
	Loans and advances at fair value	**2,464**	-4,813
	Bonds	**216**	-429
	Other investment securities	**200**	307
	Currency	**362**	315
	Currency, interest-rate, share, commodity and other contracts as well as other derivatives	**-178**	334
	Issued bonds	**-2,314**	4,847
	Other assets and liabilities	**60**	-535
	Total	**810**	26
11	**Other income**		
	Income on real property	**71**	73
	Income from operating lease[1]	**530**	427
	Dividends, etc.	**79**	78
	Profit on investments in associates and group enterprises	**5**	3
	Other income	**132**	98
	Total	**817**	679

[1]) Expenses relating to operating leases affected the item Amortisation, depreciation and impairment charges in the amount of DKK 486m in 2016 against DKK 334m in 2015.

Notes

Note	DKKm	The Jyske Bank Group 2016	2015
12	**Employee and administrative expenses**		
	Employee expenses		
	Wages and salaries, etc.	**2,361**	2,422
	Pensions	**288**	304
	Social security	**316**	286
	Total	**2,965**	3,012
	Salaries and remuneration to management bodies		
	Executive Board *	**32**	32
	Supervisory Board	**4**	4
	Shareholders' Representatives	**3**	4
	Total	**39**	40

*Salaries and remuneration to the Executive Board include value of company car, etc. Variable remuneration to the Executive Board totalled DKK 0.5m (2015: DKK 0)

		2016	2015
	Other administrative expenses		
	IT	**1,212**	1,210
	Other operating expenses	**265**	398
	Other administrative expenses	**558**	549
	Total	**2,035**	2,157
	Employee and administrative expenses, total	**5,039**	5,209
	Average number of employees for the financial year (full-time employees)	**3,997**	4,119
	Average number of members of the Executive Board	**5.0**	5.0
	Average number of members of the Supervisory Board	**9.0**	9.0

For remuneration and pension liabilities to the Executive Board we refer to notes 38 and 67. Remuneration for the Supervisory Board includes remuneration due to the individual members in their capacity as Shareholders' Representatives. The Supervisory Board does not receive variable remuneration. Information about management's remuneration appears from the Management's Review, page 36.

		2016	2015
	Specification of wages and salaries, etc.		
	Wages and salaries and other short-term employee benefits	**2,356**	2,418
	Other long-term employee benefits	**5**	4
	Total	**2,361**	2,422
	Remuneration of risk takers		
	Number of members	**119**	119
	Contractual remuneration	**132**	125
	Variable remuneration	**2**	1
	Pension	**15**	14
	Pension obligation	**4**	4

The group comprises employees (exclusive of the Executive Board) with a special impact on the Group's risk profile.
The group does not participate in any incentive schemes. Remuneration is included in the period during which the employee was a material risk taker.

		2016	2015
13	**Audit fees**		
	Total fees to Jyske Bank A/S's auditors elected at the Annual General Meeting and to auditors in the subsidiaries in and outside Denmark	**5**	7
	Breakdown of audit fees:		
	Fee for statutory audit of the financial statements	**3**	5
	Fee for other assurance services	**1**	1
	Fee for tax advice	**1**	0
	Fee for other services	**0**	1

In addition to fees to the auditors elected at the Annual General Meeting, expenses were recognised for Internal Audit.

Note	DKKm	The Jyske Bank Group 2016	2015
14	**Loan impairment charges and provisions for guarantees, incl. balance of discounts**		
	Balance of loan impairment charges and provisions for guarantees incl. balance of discounts, beginning of period	**8,261**	8,985
	Loan impairment/provisions for the year	**-30**	927
	Recognised as a loss, covered by impairment charges/provisions	**-843**	-712
	Other additions of discount for acquired loans	**0**	46
	Recognised losses covered by discounts for acquired loans	**-319**	-98
	Recognised discount for acquired loans	**-350**	-1,025
	Other movements	**97**	138
	Balance of loan impairment charges and provisions for guarantees incl. balance of discounts, end of period	**6,816**	8,261
	Loan impairment charges	**5,503**	6,238
	Provisions for guarantees	**434**	475
	Balance of loan impairment charges and provisions, end of period	**5,937**	6,713
	Balance of discounts for acquired loans	**879**	1,548
	Balance of loan impairment charges and provisions for guarantees incl. balance of discounts, end of period	**6,816**	8,261
	Loan impairment/provisions for the year	**-30**	927
	Recognised as a loss, not covered by loan impairment charges/provisions	**453**	650
	Recoveries	**-222**	-205
	Loan impairment charges and provisions for guarantees recognised in the income statement	**201**	1,372
	Recognised discount for acquired loans	**350**	1,025
	Net effect on income statement	**-149**	347
	Individual loan impairment charges, beginning of period	**4,551**	4,232
	Loan impairment for the year	**484**	909
	Recognised as a loss, covered by impairment charges/provisions	**-833**	-695
	Other movements	**74**	105
	Individual loan impairment charges, end of period	**4,276**	4,551
	Individual provisions for loss on guarantees, beginning of period	**383**	474
	Provisions for the year	**-9**	-74
	Recognised as a loss, covered by provisions	**-10**	-17
	Individual provisions for loss on guarantees, end of period	**364**	383
	Collective loan impairment charges, beginning of period	**1,687**	1,570
	Loan impairment for the year	**-483**	84
	Other movements	**23**	33
	Collective loan impairment charges, end of period	**1,227**	1,687
	Collective provisions for loss on guarantees, beginning of period	**92**	84
	Provisions for the year	**-22**	8
	Collective provisions for loss on guarantees, end of period	**70**	92
	Impairment charges on balances due from credit institutions		
	Individual impairment charges on balances due from credit institutions, beginning of period	**15**	15
	Loan impairment for the year	**0**	0
	Individual impairment charges on balances due from credit institutions, end of period	**15**	15

The regulatory balance of loan impairment charges and provisions for guarantees does not include the discount balance for acquired loans and advances.

Note	DKKm	The Jyske Bank Group 2016	2015
15	**Tax**		
	Current tax	**741**	342
	Change in deferred tax	**45**	386
	Adjustment of tax for previous years	**4**	0
	Total	**790**	728
	Effective tax rate		
	Danish tax rate	**22.0**	23.5
	Adjustments as regards previous years	**-0.8**	0.0
	Non-taxable income and non-deductible expenses, etc.	**-1.2**	-0.8
	Other	**0.2**	0.0
	Effective tax rate	**20.2**	22.7
16	**Earnings per share**		
	Profit for the year	**3,116**	2,476
	Holders of hybrid core capital	**23**	0
	Proportion attributable to shareholders of Jyske Bank A/S	**3,093**	2,476
	Average number of shares, 1,000 shares	**95,040**	95,040
	Average number of own shares, 1,000 shares	**-2,652**	-82
	Average number of shares in circulation, 1,000 shares	**92,388**	94,958
	Number of shares in circulation at end of period, 1,000 shares	**89,200**	94,669
	Earnings per share (EPS) DKK	**33.49**	26.07
	Earnings per share diluted (EPS-D) DKK	**33.49**	26.07
	Core earnings per share		
	Core profit	**3,402**	2,764
	Average number of shares in circulation, 1,000 shares	**92,388**	94,958
	Core earnings (DKK) per share	**36.58**	29.11

Note	DKKm						The Jyske Bank Group
17	**Contractual time to maturity, 2016**	**On demand**	**Up to 3 months**	**3 months -1 year**	**1-5 years**	**Over 5 years**	**Total**
	Assets						
	Due from credit institutions and central banks	1,038	16,882	60	0	38	18,018
	Loans and advances at fair value	0	2,269	6,701	35,144	247,935	292,049
	Loans and advances at amortised cost	27	63,328	28,093	23,258	15,690	130,396
	Bonds at fair value	0	7,479	21,763	39,262	13,266	81,770
	Bonds at amortised cost	0	52	550	2,282	1,065	3,949
	Liabilities						
	Due to credit institutions and central banks	5,648	13,847	275	95	76	19,941
	Deposits, exclusive of pooled deposits	96,362	22,200	24,902	2,232	4,440	150,136
	Issued bonds at fair value	0	5,357	25,948	131,937	107,970	271,212
	Issued bonds at amortised cost	0	16,627	21,017	10,795	2,589	51,028
	Subordinated debt	0	0	11	356	1,764	2,131

	Contractual time to maturity, 2015	**On demand**	**Up to 3 months**	**3 months -1 year**	**1-5 years**	**Over 5 years**	**Total**
	Assets						
	Due from credit institutions and central banks	1,437	18,988	428	0	5	20,858
	Loans and advances at fair value	0	1,816	5,263	30,633	211,755	249,467
	Loans and advances at amortised cost	96	71,137	24,740	25,049	25,687	146,709
	Bonds at fair value	0	1,564	15,339	37,519	14,175	68,597
	Bonds at amortised cost	0	2	541	2,842	499	3,884
	Liabilities						
	Due to credit institutions and central banks	5,017	33,337	642	100	115	39,211
	Deposits, exclusive of pooled deposits	85,563	33,938	13,385	3,103	4,322	140,311
	Issued bonds at fair value	0	2,422	9,332	139,870	79,543	231,167
	Issued bonds at amortised cost	0	17,087	10,701	17,876	2,562	48,226
	Subordinated debt	0	0	0	45	1,309	1,354

The above amounts are exclusive of interest.

Note		The Jyske Bank Group

17 **Contractual time to maturity – cont.**

Standard terms

Personal clients
Jyske Bank can call in floating-rate loans and credit facilities with a reasonable or usual notice of termination according to the rules on good business practice. Fixed-rate loans are non-callable. Clients can terminate their commitment with Jyske Bank without notice or, in the case of fixed-rate credit facilities, at two business days' notice. In case of default, Jyske Bank can terminate an agreement without notice.
As a main rule, the debtor undertakes to disclose financial information. Jyske Bank may dispense with such undertaking where other information on the commitment, the repayment record and the collateral provided is deemed adequate to assess the credit risk.

Small and medium-sized corporate clients
Jyske Bank can call in floating-rate loans and credit facilities without notice. In respect of old agreements, a term of notice of four weeks may apply on the part of Jyske Bank. Fixed-rate loans are non-callable. In case of default, a client relationship can be terminated without notice.
Unless collateral has been provided in full, the borrower is obliged to submit financial information to the Bank.
It is Jyske Bank's policy that the majority shareholder personally guarantees commitments in part or in full.

Large corporate clients
Terms of notice are agreed upon on an individual basis and may correspond to the standard notice applicable to other corporate clients. For facilities that cannot be terminated at short notice, covenants regarding financial ratios and material changes in the position of the client are standard.
Generally, financial information is submitted quarterly.
Typically, close-out netting agreements, negative pledge or pari passu agreements are entered into.

Note		The Jyske Bank Group	
	DKKm	**2016**	2015
18	**Due from credit institutions and central banks**		
	At notice with central banks	**1,943**	0
	Due from credit institutions	**16,075**	20,858
	Total	**18,018**	20,858

Note	DKKm	The Jyske Bank Group 2016	2015
19	**Loans and advances at fair value**		
	Mortgage loans, nominal value	**271,299**	246,518
	Adjustment for interest-rate risk, etc.	**6,171**	3,751
	Adjustment for credit risk[1]	**-1,076**	-1,412
	Mortgage loans at fair value, total	**276,394**	248,857
	Arrears before loan impairment charges	**111**	61
	Outlays before loan impairment charges	**79**	4
	Impairment charges for arrears and outlays	**-93**	-7
	Arrears and outlays, total	**97**	58
	Other loans and advances	**15,558**	552
	Loans and advances at fair value, total	**292,049**	249,467

[1] Adjustment for credit risk is calculate so it allows for objective evidence whether loans and advances are impaired compared to the time of the establishment of the loans and advances.

Note	DKKm	2016	2015
20	**Loans and advances at fair value broken down by property category**		
	Owner-occupied homes	**152,597**	120,915
	Vacation homes	**6,920**	6,411
	Subsidised housing (rental housing)	**48,754**	45,351
	Cooperative housing	**15,371**	14,815
	Private rental properties (rental housing)	**32,108**	28,334
	Industrial properties	**1,260**	1,389
	Office and business properties	**31,481**	29,362
	Agricultural properties, etc.	**46**	49
	Properties for social, cultural and educational purposes	**3,437**	2,783
	Other properties	**75**	58
	Total	**292,049**	249,467

Note	DKKm	The Jyske Bank Group 2016	2015
21	**Loans and advances at amortised cost and guarantees broken down by sector**		
	Public authorities	**6,149**	6,740
	Agriculture, hunting, forestry, fishing	**6,827**	7,780
	Manufacturing, mining, etc.	**9,759**	7,048
	Energy supply	**4,066**	4,313
	Building and construction	**3,681**	3,077
	Commerce	**8,998**	8,405
	Transport, hotels and restaurants	**3,534**	3,695
	Information and communication	**609**	607
	Finance and insurance	**40,565**	48,338
	Real property	**11,914**	10,842
	Other sectors	**6,519**	6,495
	Corporates, total	**96,472**	100,600
	Personal clients, total	**43,922**	53,223
	Total	**146,543**	160,563

Note	DKKm	2016	2015
22	**Loans and advances showing objective evidence of impairment**		
	Individually-assessed loans and advances before loan impairment charges	**21,789**	27,683
	Individually-assessed loans and advances recognised at nil	**733**	788
	Total of individually assessed loans and advances before loan impairment charges (less loans and advances recognised at nil)	**21,056**	26,895
	Loan impairment charges for individually-assessed loans and advances:		
	Total impairment charges for loans and advances assessed individually	**4,276**	4,552
	Loan impairment charges for individually-assessed loans and advances recognised at nil	**733**	788
	Total impairment charges for loans and advances assessed individually (less loans and advances recognised at nil)	**3,543**	3,764
	Recognised value of individually-assessed loans and advances which show objective evidence of impairment	**17,513**	23,131
	Impairment charges on individually assessed loans to individually assessed loans	**20%**	16%

As at 31 December 2016, loans and advances assessed collectively for impairment amounted to DKK 35,212m before impairment charges and DKK 33,985m after impairment charges against DKK 18,393m and DKK 16,707m, respectively, in 2015.
The increase can primarily be attributed to mortgage loans not previously recognised and for which an impairment increase was recognised.
The impairment ratio at 31 December 2016 was 3.5% and 9.2% at the end of 2015.
Non-accrual loans and advances amounted to DKK 1,649m against DKK 1,938m at the end of 2015.
Non-accrual loans and past due exposures (by more than 90 days) amounted to DKK 2,281m against DKK 2,961m at the end of 2015.
Interest on loans and advances assessed individually and collectively was DKK 1,558m against DKK 1,452m at the end of 2015.

Note	DKKm	The Jyske Bank Group 2016	2015
23	**Value of securities realised during the financial year**		
	Real property, residential	**79**	83
	Real property, commercial	**525**	274
	Movable property, cars and rolling stock	**51**	57
	Other movable property	**137**	133
	Other collateral	**159**	100
	Amounts received under guarantees	**165**	86
	Total	**1,116**	733

Conditions for satisfaction by repossession

Failing an agreement to enforce realisation, the client is given adequate notice in the event of default – typically at least eight days – unless there is a risk of irretrievable impairment. Where collateral has been provided for loans and credit facilities whose proceeds are invested in securities, individual limits are agreed upon for the provision of additional collateral or for a forced sale of assets. Typically a forced sale will be made where the market value of the collateral amounts to 105%-110% of the credit risk. The Group's strategy is to convert repossessed assets into cash as soon as possible.

Note	DKKm	2016	2015
24	**Fair value of collateral for loans, advances and guarantees**		
	Cash balances	**3,644**	2,868
	Securities	**7,338**	7,347
	Guarantees made out directly to the Group	**31,240**	30,179
	Real property, residential	**177,475**	155,742
	Real property, commercial	**116,962**	108,464
	Movable property, cars and rolling stock	**7,954**	7,390
	Other movable property	**6,792**	6,840
	Other collateral	**149**	742
	Guarantees whereby the guarantors assume primary liability	**2,788**	2,359
	Total	**354,342**	321,931
	Collateral has been received for loans and advances under a number of other guarantee types.	**1,982**	1,984

The type of collateral are ranked with the most liquid types at the top. The collateral values have been reduced in order of priority according to liquidity if the collateral values exceed loans, advances and guarantees at client level. Collateral values are recognised according to the following principles:

Real property, residential

The collateral value of a charge on real property is calculated on the basis of the market value of the property less sales costs and any senior mortgages. The value of real property is regularly assessed on the basis of the price trend of comparable real property, among other things. Collateral values are assessed individually depending on the characteristics of the real property in question, inter alia, the type of property in question, its location and size less expenses for realisation.

Real property, commercial

The collateral value of a charge on real property is calculated on the basis of the market value of the property less sales costs and any senior mortgages. The value of real property is regularly assessed on the basis of the price trend of comparable real property, among other things. Collateral values are assessed individually depending on the characteristics of the real property in question, inter alia, the type of property in question, or by an independent assessment or the public land assessment.

Movable property

Jyske Bank's model is based on our historical loss experience of various asset types. Collateral value is reduced in accordance with the diminishing-balance method, which involves write-off of typically 10%-50% on acquisition and annual depreciation, typically of 10%-50% of the asset value, during the useful life of the asset.

Highly liquid securities

Basically, Jyske Bank applies the official listed price, adjusted where necessary for marketability, currency of denomination, maturity, etc.

Guarantees

The value of guarantees is calculated by means of a 'double-default' model which takes into account that Jyske Bank only risks a loss if both the debtor and the guarantor default. The effect of this is recognised by calculating an equivalent collateral value.

Note	DKKm	The Jyske Bank Group 2016	2015
25	**Bonds, total, at fair value**		
	Own mortgage bonds	**62,853**	78,038
	Other mortgage bonds	**70,762**	59,127
	Government bonds	**2,037**	3,056
	Other bonds	**13,022**	10,443
	Total before offsetting of own mortgage bonds	**148,674**	150,664
	Own mortgage bonds offset against issued bonds	**62,853**	78,038
	Bonds, total, at fair value	**85,821**	72,626
26	**Bonds at amortised cost**		
	Carrying amount of bonds at amortised cost	**3,949**	3,884
	Fair value of portfolio of held-to-maturity bonds	**4,051**	4,029
	Fair value of bonds at amortised cost relative to carrying amount	**102**	145

Owing to a considerable distortion of the pricing of a number of bonds, bonds of a fair value of DKK 4,464m were reclassified in 2008 from the trading portfolio to held-to-maturity. Subsequently no reclassification has taken place. At the end of 2016, the reclassified portfolio was recognised in the balance sheet at DKK 621m (2015: DKK 867m), the fair value being DKK 643m (2015: DKK 914m). If the reclassification had not been made, profit before tax for 2016 would have been DKK 25m lower (2015: DKK 28m). The effective yield on the reclassified portfolio and the expected cash flow from the portfolio from the time of reclassification were 6% and DKK 7,637m, respectively.

Fair value of the "held-to-maturity portfolio" was higher than the carrying amount by DKK 102m against a fair value of DKK 145m above the carrying amount at the end of 2015.

Note		2016	2015
27	**Bonds provided as security**		
	The Jyske Bank Group has deposited bonds with central banks and clearing houses, etc. in connection with clearing and settlement of securities and currency transactions as well as tri-party repo transactions totalling a market value of	**29,467**	4,843

Repo transactions involve an arrangement where bonds are provided as collateral for the amount borrowed. See note 41 for further details.

Note		2016	2015
28	**Shares, etc.**		
	Shares/investment fund units listed on NASDAQ OMX Copenhagen A/S	**1,635**	1,660
	Shares/mutual fund certificates listed on other exchanges	**394**	370
	Unlisted shares are stated at fair value.	**2,181**	2,016
	Total	**4,210**	4,046

Note	DKKm	The Jyske Bank Group 2016	2015
29	**Jyske Bank Treasury shares**		
	Own shares ('000)	**5,840**	371
	Nominal value of own shares	**58,401**	3,711
	Portfolio of own shares as a percentage of the share capital	**6.15**	0.39
	Acquisition of own shares		
	Own shares ('000)	**10,510**	7,466
	Nominal value of own shares	**105,102**	74,656
	Portfolio of acquired own shares as a percentage of the share capital	**11.06**	7.86
	Sale of own shares		
	Own shares ('000)	**5,041**	7,147
	Nominal value of own shares	**50,412**	71,466
	Portfolio of sold own shares as a percentage of the share capital	**5.30**	7.52
	Total purchase price	**3,084**	2,370
	Total selling price	**1,466**	2,272

The acquisition of own shares is primarily explained by the buy-back programme and transactions involving clients and other investors wishing to trade Jyske Bank shares.

Note	DKKm	2016	2015
30	**Subordinated receivables**		
	Loans and advances	**35**	76
	Bonds	**987**	956
	Total	**1,022**	1,032

Note	DKKm	2016	2015
31	**Intangible assets**		
	Total cost, beginning of period	**304**	301
	Additions	**1**	3
	Disposals	**8**	0
	Total cost, end of period	**297**	304
	Amortisation and impairment charges, beginning of period	**216**	188
	Amortisation for the year	**18**	28
	Reversed depreciation and impairment	**8**	0
	Amortisation and impairment charges, end of period	**226**	216
	Recognised value, end of period	**71**	88

Note	DKKm	The Jyske Bank Group 2016	2015
32	**Property, plant and equipment**		
	Total cost, beginning of period	**5,394**	4,828
	Currency translation adjustment	**-10**	6
	Additions	**1,825**	1,329
	Disposals	**772**	769
	Total cost, end of period	**6,437**	5,394
	Revaluations, beginning of period	**579**	469
	Currency translation adjustment	**-7**	0
	Revaluations for the year	**78**	113
	Reversed revaluations for the year	**34**	3
	Revaluations, end of period	**616**	579
	Amortisation and impairment charges, beginning of period	**1,613**	1,509
	Currency translation adjustment	**-1**	0
	Amortisation for the year	**500**	396
	Impairment charges for the year	**62**	30
	Reversed depreciation and impairment	**307**	322
	Amortisation and impairment charges, end of period	**1,867**	1,613
	Recognised value, end of period	**5,186**	4,360
	Specification of property, plant and equipment, owner-occupied property		
	Restated value, beginning of period	**2,791**	2,645
	Currency translation adjustment	**-16**	5
	Additions during the year, including improvements	**55**	78
	Disposals for the year	**75**	10
	Depreciation	**14**	14
	Positive changes in values recognised in other comprehensive income in the course of the year	**78**	113
	Negative changes in values recognised in other comprehensive income in the course of the year	**6**	3
	Positive changes in value recognised directly in the income statement during the year	**5**	3
	Negative changes in value recognised directly in the income statement during the year	**2**	26
	Restated value, end of period	**2,816**	2,791
	Cost less accumulated depreciation and impairment charges	**2,232**	2,241
	For mortgage credit institutions, collateral has been provided in land and buildings, the carrying amount of which is	**0**	0
	Required rate of return	**2.25%-10%**	2.25%-10%
	Weighted average return applied	**5.89%**	6.20%
	Specification of property, plant and equipment, other property, plant and equipment		
	Total cost, beginning of period	**2,875**	2,381
	Additions	**1,765**	1,251
	Disposals	**712**	757
	Total cost, end of period	**3,928**	2,875
	Amortisation and impairment charges, beginning of period	**1,306**	1,238
	Amortisation for the year	**486**	382
	Impairment charges for the year	**59**	3
	Reversed amortisation and impairment charges	**292**	317
	Amortisation and impairment charges, end of period	**1,559**	1,306
	Recognised value, end of period	**2,370**	1,569

Note	DKKm	The Jyske Bank Group 2016	2015
32	**Property, plant and equipment, cont.**		
	Specification of property, plant and equipment, other property, plant and equipment		
	Other property, plant and equipment consists of equipment and leasehold improvements.		
	Operating lease activities are recognised at	**2,218**	1,475
	Breakdown of minimum lease payments on lease terms		
	0-1 years	**902**	679
	1-5 years	**1,316**	794
	Over 5 years	**0**	2
	Total	**2,218**	1,475

Leases for which the Group acts as the lessor have been entered for machinery and equipment, including cars, vans and lorries.

Note	DKKm	2016	2015
33	**Other assets**		
	Positive fair value of derivatives	**41,325**	33,936
	Assets in pooled deposits	**4,397**	4,435
	Interest and commission receivable	**583**	678
	Investments in associates	**344**	337
	Assets held temporarily	**635**	519
	Prepayments	**283**	300
	Investment properties	**32**	32
	Other assets	**1,365**	1,867
	Total	**48,964**	42,104
	Netting		
	Positive fair value of derivatives, etc., gross	**48,068**	38,911
	Netting of positive and negative fair value	**6,743**	4,975
	Total	**41,325**	33,936

Netting of fair value can be attributed to clearing of derivatives through a central clearing house (CCP clearing).

		2016	2015
	Specification of other assets, assets in pooled deposits		
	Cash	**114**	175
	Bonds	**1,219**	1,322
	Equities	**1,848**	1,889
	Investment fund certificates	**1,317**	1,208
	Other assets	**13**	16
	Assets	**4,511**	4,610
	Elimination of cash	**-114**	-175
	Total assets	**4,397**	4,435
	Specification of other assets, investments in associates		
	Total cost, beginning of period	**312**	546
	Additions	**2**	10
	Disposals	**0**	244
	Total cost, end of period	**314**	312
	Revaluations and impairment charges, beginning of period	**25**	207
	Revaluations and impairment charges for the year	**5**	3
	Reversed revaluations and impairment charges	**0**	185
	Revaluations and impairment charges, end of period	**30**	25
	Recognised value, end of period	**344**	337

See The Jyske Bank Group – overview, note 70.

Note	DKKm	The Jyske Bank Group 2016	2015
34	**Due to credit institutions and central banks**		
	Due to central banks	**65**	19
	Due to credit institutions	**19,876**	39,192
	Total	**19,941**	39,211
35	**Deposits**		
	Demand deposits	**99,009**	89,933
	Term deposits	**3,617**	4,503
	Time deposits	**40,227**	38,636
	Special deposits	**7,284**	7,239
	Pooled deposits	**4,511**	4,609
	Total	**154,648**	144,920
36	**Issued bonds at fair value**		
	Issued bonds at fair value, nominal value	**327,401**	306,339
	Adjustment to fair value	**6,357**	4,291
	Own mortgage bonds, fair value	**-62,546**	-79,463
	Total	**271,212**	231,167
	Pre-issued	**38,791**	46,843
	Drawn for redemption at next repayment date	**38,724**	48,555
37	**Other liabilities**		
	Set-off entry of negative bond holdings in connection with repos/reverse repos	**3,966**	3,477
	Negative fair value of derivatives, etc.	**40,612**	33,436
	Interest and commission payable	**2,490**	2,983
	Deferred income	**137**	340
	Other liabilities	**6,299**	6,545
	Total	**53,504**	46,781
	Netting		
	Negative fair value of derivatives, etc., gross	**47,355**	38,411
	Netting of positive and negative fair value	**6,743**	4,975
	Total	**40,612**	33,436

Netting of fair value can be attributed to clearing of derivatives through a central clearing house (CCP clearing).

Note	DKKm	2016	2015
38	**Provisions**		
	Provisions for pensions and similar liabilities	**562**	538
	Provisions for guarantees	**434**	475
	Other provisions	**200**	207
	Provisions for deferred tax	**529**	480
	Total	**1,725**	1,700

Note	DKKm	The Jyske Bank Group 2016	2015
38	**Provisions, cont.**		
	Specification of provisions for pensions and similar liabilities		
	Provisions for pensions and similar liabilities		
	Provisions for defined benefit plans	**511**	488
	Provisions for long-term employee benefits	**51**	50
	Recognised in the balance sheet, end of period	**562**	538
	Provisions for defined benefit plans		
	Present value of pension plan obligations	**617**	595
	Fair value of pension plan assets	**106**	107
	Net liability recognised in the balance sheet	**511**	488
	Change in provisions for defined benefit plans		
	Provisions, beginning of period	**595**	565
	Costs for the current financial year	**11**	18
	Calculated interest expenses	**13**	15
	Actuarial losses/gains	**21**	23
	Pension payments	**-23**	-26
	Provisions, end of period	**617**	595
	Change in the fair value of pension plan assets		
	Assets, beginning of period	**107**	111
	Calculated interest on assets	**2**	3
	Return ex calculated interest on assets	**1**	-2
	Contributions, etc.	**1**	0
	Pension payments	**-5**	-5
	Assets, end of period	**106**	107
	Pension costs recognised in the income statement		
	Costs for the current financial year	**11**	18
	Calculated interest related to liabilities	**13**	15
	Calculated interest on assets	**-2**	-3
	Total recognised defined benefit plans	**22**	30
	Total recognised defined contribution plans	**266**	274
	Recognised in the income statement	**288**	304

The expense is recognised under Employee and administrative expenses.

		2016	2015
	Pension plan assets:		
	Equities	**15**	15
	Bonds	**46**	46
	Liquidity, etc.	**45**	46
	Pension plan assets, total	**106**	107

Pension plan assets include 45,000 Jyske Bank A/S shares (2015: 50,000 shares).
Measurement of all pension assets is based on quoted prices in an active market.

Note	DKKm	2016	2015	2014	2013	2012
						The Jyske Bank Group
38	**Provisions, cont.**					
	Specification of provisions for pensions and similar liabilities, cont.					
	The Group's pension plan liabilities					
	Present value of pension plan obligations	**617**	595	565	511	504
	Fair value of pension plan assets	**106**	107	111	113	97
	Surplus/deficit	**511**	488	454	398	407
	Actuarial assumptions					
	Defined benefit plans					
	Retirement remuneration					
	Discount rate	**2.25%**	2.75%	3.25%	4.00%	3.75%
	Future rate of wage increase	**2.00%**	2.00%	2.00%	2.00%	2.00%
	Jyske Banks Pensionstilskudsfond					
	Discount rate	**2.25%**	2.75%	3.25%	4.00%	3.75%
	Future rate of wage increase	**2.00%**	2.00%	2.00%	2.00%	2.00%
	Calculated interest on pension plan assets	**2.25%**	2.75%	3.25%	4.00%	5.00%
	Long-term employee benefits					
	Discount rate	**2.25%**	2.75%	3.25%	4.00%	3.75%
	Future rate of wage increase	**2.00%**	2.00%	2.00%	2.00%	2.00%

The most important actuarial assumptions in the calculation of pension liabilities relate to interest rate level and wage increases. If the discount rate fall by 0.25% to 2.00%, the pension provisions increase by DKK 11m. If the rate of wage increases rise by 0.25% to 2.25%, the pension provisions increase by DKK 11m.

For 2017, payments to defined contribution and defined benefit pension plans are expected to be DKK 294m.

Defined contribution pension plans
A large part of the Group's pension plans are defined contribution plans under which payments are made into pension funds, primarily PFA Pension. These payments are charged to the income statement as they occur.

Defined benefit plans
Retirement remuneration equalling a maximum of one year's salary is paid to employees on retirement. In 2016, a total of DKK 470m (2015: DKK 446m) was recognised in the balance sheet, this being the present value of the overall liability relating to the employees' term of employment with the Group. Employees recruited not later than on 31 August 2005 are offered participation in the retirement remuneration plan.

Jyske Bank A/S's Pensionstilskudsfond is a fund which offers supplementary pensions to current and former members of Jyske Bank's Executive Board and their surviving relatives. At the end of 2016, provisions amounting to DKK 41m (2015: DKK 42m) were recognised, this being the present value of liabilities, DKK 147m (2015: DKK 149m), less the fair value of the assets, DKK 106m (2015: DKK 107m).

Long-term employee benefits
An anniversary bonus equalling one month's salary is paid when an employee has worked for the Group for 25 years and 40 years. At the end of 2016, provisions amounted to DKK 46m (2015: DKK 44m), this being the present value of the aggregate liability.

Other long-term employee benefits relate to other salary- and pension-related benefits paid to employees on retirement. Total provisions amounted to DKK 5m (2015: DKK 6m).

Note	DKKm	The Jyske Bank Group 2016	2015
38	**Provisions, cont.**		

Specification of provisions for guarantees

	2016	2015
Individual provisions for guarantees	**364**	383
Collective provisions for guarantees	**70**	92
Total	**434**	475

Specification of other provisions

	2016	2015
Provisions, beginning of period	**207**	262
Additions	**56**	42
Disposals inclusive of consumption	**53**	82
Disposals exclusive of consumption	**10**	15
Provisions, end of period	**200**	207

The provisions are expected, in essence, to be reduced to zero within a year.

Specification of deferred tax

Deferred tax	2016	2015
Deferred tax assets	**0**	0
Deferred tax liabilities	**529**	480
Net deferred tax	**529**	480

Change in deferred tax 2016	**Beginning of period**	**Recognised in the profit for the year**	**Recognised in other comprehen-sive income**	**Other adjust-ments**	**End of pe-riod**
Bonds at amortised cost	-40	11	0	0	-29
Intangible assets	18	-3	0	0	15
Property, plant and equipment	307	28	8	0	343
Loans and advances, etc.	346	5	0	0	351
Issued bonds at amortised cost	15	-3	0	0	12
Provisions for pensions	-128	2	-4	0	-130
Tax loss	-12	12	0	0	0
Other	-26	-7	0	0	-33
Total	**480**	**45**	**4**	**0**	**529**
Change in deferred tax 2015					
Bonds at amortised cost	-62	22	0	0	-40
Intangible assets	23	-5	0	0	18
Property, plant and equipment	259	30	16	2	307
Loans and advances, etc.	335	12	0	-1	346
Issued bonds at amortised cost	-30	-9	0	54	15
Provisions for pensions	-108	-1	-5	-14	-128
Tax loss	-321	349	0	-40	-12
Other	-14	-12	0	0	-26
Total	82	386	11	1	480

Note	DKKm	The Jyske Bank Group 2016	2015
39	**Subordinated debt**		
	Supplementary capital:		
	Var. % bond loan SEK 600m 19.05.2026	**467**	0
	3.25% bond loan SEK 400m 19.05.2026	**311**	0
	6.73% bond loan EUR 15m 2017-2026	**112**	112
	Var. % bond loan EUR 10m 13.02.2023	**75**	75
	5.65% bond loan EUR 10 m 27.03.2023	**74**	75
	5.67% bond loan EUR 10 m 31.07.2023	**74**	74
		1,113	336
	Hybrid Tier 1 capital:		
	Var. % bond loan EUR 72.8m Perpetual	**541**	541
	Var. % bond loan EUR 60.7m Perpetual	**451**	452
		992	993
	Subordinated debt, nominal	**2,105**	1,329
	Hedging of interest-rate risk, fair value	**26**	25
	Total	**2,131**	1,354
	Subordinated debt included in the capital base	**2,062**	1,295

The above-mentioned issues of additional Tier 1 Capital do not meet the conditions for additional Tier 1 Capital in the Capital Requirements Regulation, CRR. The issues are recognised under liability other than provision according to IAS 32.

The above issues of hybrid core capital have no contractual maturity date. Subject to the approval of the Danish Financial Supervisory Authority, the notes may be redeemed by Jyske Bank, but not earlier than ten years after the date of issue. The holders have no right to call for the redemption of the notes. Interest payments will cease in the event that the issuer does not meet the solvency requirements. Under such circumstances, dividend payments and buy-back of issued shares are subject to certain restrictions. The rate of interest is floating, but capped at 9% per annum for the EUR 72.8m loan and at 8% per annum for the EUR 60.7m loan. The rate is calculated as EUR CMS10 + 0.15% per annum.

Note	DKKm	2016	2015
40	**Share capital**		
	Opening share capital, 1,000 shares.	**95,040**	95,040
	Closing share capital, 1,000 shares	**95,040**	95,040
41	**Transferred financial assets still recognised in the balance sheet**		
	Carrying amount of transferred financial assets		
	Bonds in repo transactions	**12,407**	42,104
	Transferred financial assets, total	**12,407**	42,104
	Repo transactions are included in the following liability items as follows:		
	Debt to credit institutions in repo transactions	**10,958**	25,722
	Deposits and other debts in repo transactions	**1,504**	15,925
	Total	**12,462**	41,647
	Net positions	**-55**	457

Jyske Bank has lent bonds in the amount of DKK 1,447m (2015: DKK 1,464m), which are still recognised in the balance sheet. Also, Jyske Bank has borrowed bonds in the amount of DKK 1,520m (2015: DKK 1,450m), which are not recognised in the balance sheet.

Jyske Bank enters into transactions transferring the ownership to financial assets to the counterparty, yet Jyske Bank maintains the material part of the risks on the assets in question. When the most material risks are maintained, the asset is still recognised in Jyske Bank's balance sheet. Such transactions include repo transactions. Repo transactions are sales of bonds where at the time of a sale an agreement is made on the repurchase at some later point in time at a certain price.

Jyske Bank has not entered into agreements on the transfer of financial assets, where the assets sold no longer are recognised in the balance sheet, but where after the sale material risk and continued involvement exist.

Note	DKKm	The Jyske Bank Group

42 **Contingent liabilities**

General
Jyske Bank's credit review of guarantee applicant takes into consideration the risk on guarantees. For about 82% of the Jyske Bank Group’s guarantees, the contractual term is below one year; for about 13%, the contractual terms is between 1 and 5 years; and for about 5%, the contractual term is above 5 years, compared to 82%, 12% and 6%, respectively, in 2015.

Financial guarantees are primarily payment guarantees, and the risk equals that involved in credit facilities.

Guarantees for losses on mortgage loans are typically provided as security for the most risky part of mortgage loans granted to personal clients and to a limited extent for loans secured on commercial real property. Guarantees for residential real property are within 80% and for commercial real property within 60%-80%, of the property value as assessed by a professional expert.

Registration and refinancing guarantees are provided in connection with the registration of new and refinanced mortgages. Such guarantees involve insignificant risk.

Other contingent liabilities include other forms of guarantees at varying degrees of risk, including performance guarantees. The risk involved is deemed to be less than the risk involved in, e.g., credit facilities subject to flexible drawdown.

The Group is also a party to a number of legal disputes arising from its business activities. The Group estimates the risk involved in each individual case and makes any necessary provisions which are recognised under contingent liabilities. The Group does not expect such liabilities to have material influence on the Group’s financial position.

Because of its statutory participation in the deposit guarantee scheme, the sector has paid an annual contribution of 2.5‰ of the covered net deposits until Pengeinstitutafdelingen (the financial institution fund) exceeds 1% of the total net deposits covered, which level has been reached. According to Bank Package 3 and Bank Package 4, Pengeinstitutafdelingen bears the immediate losses attributable to covered net deposits and relating to the winding up of financial institutions in distress. Any losses in connection with the final winding up are covered by the Guarantee Fund's Afviklings- og Restruktureringsafdeling (settlement and restructuring fund), where Jyske Bank currently guarantees 7.91% of any losses.

The statutory participation in the resolution financing arrangements (Resolution Fund) as of June 2015 entailed that credit institutions pay an annual contribution over a 10-year period to a Danish national fund with a target size totalling 1% of the covered deposits. Credit institutions are to contribute according to their relative sizes and risk in Denmark, and the first contributions to the Resolution Fund were paid at the end of 2015. The Jyske Bank Group expects having to pay a total of about DKK 500m over a 10-year period.

Jyske Bank is a management company under Danish joint taxation. Therefore, according to the provisions of the Danish Company Taxation, Jyske Bank is liable as of the accounting year 2013 for corporation tax, etc. for the jointly taxed companies and as of 1 July 2012 for any liabilities to withhold tax on interest and dividends for the jointly taxed companies.

	2016	2015
Guarantees		
Financial guarantees	**11,108**	9,098
Guarantee for losses on mortgage credits	**1,880**	2,105
Registration and refinancing guarantees	**1,098**	863
Other contingent liabilities	**2,061**	1,788
Total	**16,147**	13,854

43 **Other contingent liabilities**

	2016	2015
Irrevocable credit commitments	**22,531**	17,612
Other	**96**	133
Total	**22,627**	17,745

Note		The Jyske Bank Group
	DKKm	

44 **Offsetting**

2016	**Carrying amount before offsetting**	**Financial instruments offset**	**Carrying amount after offsetting**	**Further offsetting, master netting agreement**	**Collateral**	**Net value**
Financial assets						
Derivatives with positive fair value	48,068	6,743	41,325	28,067	8,423	4,835
Reverse repo transactions	38,209	0	38,209	0	38,209	0
Total	**86,277**	**6,743**	**79,534**	**28,067**	**46,632**	**4,835**
Financial liabilities						
Derivatives with negative fair value	47,355	6,743	40,612	28,067	12,140	405
Repo transactions	12,462	0	12,462	0	12,462	0
Total	**59,817**	**6,743**	**53,074**	**28,067**	**24,602**	**405**
2015						
Financial assets						
Derivatives with positive fair value	38,911	4,975	33,936	24,459	3,806	5,671
Reverse repo transactions	47,428	0	47,428	0	47,428	0
Total	86,339	4,975	81,364	24,459	51,234	5,671
Financial liabilities						
Derivatives with negative fair value	38,411	4,975	33,436	24,459	8,383	594
Repo transactions	41,647	0	41,647	0	41,647	0
Total	80,058	4,975	75,083	24,459	50,030	594

On the balance sheet, reverse repo transactions are classified as claims on credit institutions or loans at amortised cost. On the balance sheet, repo transactions are classified as debt to credit institutions or deposits.

Financial assets and liabilities are offset on the balance sheet when the Group and the counterparty has a legal right to offset and have also agreed to settle net or realise the asset and the liability at the same time. Positive and negative fair values of derivative financial instruments with the same counterparty are offset if net settlement of the contractual payments has been agreed and daily cash payments or provision of collateral for changes in the fair value take place. The Group's netting of positive and negative fair values of derivative financial instruments can be referred to clearing through a central clearing house (CCP clearing).

Master netting agreements and similar agreements entitles a party to further offsetting if a counterparty is in default, which lowers the exposure further when a counterparty is in default, but does not meet the conditions for accounting offsetting on the balance sheet.

Note | The Jyske Bank Group

45 **Notes on fair value**

Methods for measuring fair value

Fair value is the price that, at the time of measurement, would be obtained by selling an asset or paid for by transferring a liability in an ordinary transaction between independent market participants. The fair value may equal the book value where book value is recognised on the basis of underlying assets and liabilities measured at fair value.

For all assets listed on active markets, fair values are measured at official prices (the category "Quoted prices". Where no price is quoted, a different official price is used which is taken to reflect most closely the fair value (category: "Observable prices". Financial assets and liabilities of which quoted prices or other official prices are not available or are not taken to reflect the fair value are measured at fair value according to other evaluation techniques and other observable market information. In those cases where observable prices based on market information are not available or are not taken to be useful for measuring fair value, the fair value is measured by recognised techniques, including discounted future cash flows, and own expertise (category "non-observable prices"). The basis of the measurement may be recent transactions involving comparable assets or liabilities, interest rates, exchange rates, volatility, credit spreads, etc. Generally, the Group's unlisted shares are placed in this category.

Generally, quoted prices and observable input are obtained in the form of interest rates and equity and bond prices, exchange rates, forward premiums, volatilities, etc. from recognised stock exchanges and providers.

Specific details on methods for measuring fair value

Bonds at fair value, shares, assets linked to pooled deposits, and derivatives are measured at fair value in the accounts to the effect that the carrying amounts equal fair values.

Generally bonds are measured at prices quoted on a recognised stock exchange. Alternatively, prices are applied that are calculated on the basis of Jyske Bank's own measurement models based on a yield curve with a credit spread. Essentially, the calculated prices are based on observable input.

Generally equities, etc. are measured at prices quoted on a recognised stock exchange. Alternatively, prices are applied that are calculated on the basis of Jyske Bank's own measurement models based on observable input, shareholders' agreements, executed transactions, etc. Unlisted equities are measured on the basis of discounted cash flow models (DCF).

Derivatives are measured on the basis of the following measurement techniques.

- Forward exchange transactions are measured on the basis of forward premiums as well as exchange rates obtained.
- Interest-rate and currency swaps are measured on the basis of exchange rates, interest points, interpolation between these, as well as correction of credit risk (CVA). Client margins are amortised over the remaining time to maturity. Present value calculations with discounting is applied.
- Futures are measured on the basis of prices obtained in the market for stock-exchange traded futures.
- Options are measured on the basis of volatilities, correlation matrices, prices of underlying assets and exercise prices. For this purpose, option models, such as Black-Scholes, are applied.

Assets related to pooled deposits are measured according to the above principles.

Information about differences between recognised value and measurement of fair value

Loans and advances exclusive of mortgage loans and certain other home loans are recognised at amortised cost. The difference to fair value is assumed to be fees and commission received, costs defrayed in connection with lending, plus interest-rate-dependent value adjustment calculated by comparing current market rates with market rates at the time when the loans and advances were established. Changes in credit quality are assumed to be included under impairment charges both for carrying amounts and fair values.

Subordinated debt and issued bonds exclusive of issues of mortgage bonds are recognised at amortised cost supplemented with the fair value of the hedged interest-rate risk. The difference to fair value was calculated on the basis of own-issue prices obtained externally.

Deposits are recognised at amortised cost. The difference to fair value is assumed to be the interest-rate dependent value adjustment calculated by comparing current market rates with market rates at the time when the deposits were made.

Balances with credit institutions are recognised at amortised cost. The difference to fair value is assumed to be the interest-rate dependent value adjustment calculated by comparing current market rates with market rates at the time when the transactions were established. Changes in the credit quality of balances with credit institutions are assumed to be included under impairment charges for loans, advances, and receivables. Changes in the fair values of balances due to credit institutions because of changes in Jyske Bank's own credit rating are not taken into account.
The calculated fair values of financial assets and liabilities recognised at amortised cost are materially non-observable prices (level 3) in the fair value hierarchy.

Note	DKKm	The Jyske Bank Group

45 **Notes on fair value, cont.**

Information about changes in credit risk on derivatives with positive fair value.

In order to allow for the credit risk on derivatives for clients without objective evidence of impairment (OEI), the fair value is adjusted (CVA). Adjustments will also be made for clients with OEI, but on an individual basis.

For any given counterparty's total portfolio of derivatives, CVA is a function of the probability of the counterparty's probability of default (PD), the expected positive exposure (EPE) as well as the loss given default (LGD). Credit default swaps (CDS) spreads should be used as the primary source for the probability of default in the CVA calculation. However, the Jyske Bank Group enters primarily to derivatives transactions with unlisted Danish counterparties, for which there only to a most limited extent exist CDS or CDS proxy spreads. As CDS spreads are not available for the majority of the portfolio of derivatives counterparties, risk-neutral PDs are used instead. The risk-neutral PDs are calculated on the basis of IRB PDs that are adjusted for the observable price of risk in the market (Sharpe Ratio measured on the basis of the OMX C20 index). By using risk-neutral PDs, it is achieved that the CVA gets closer to the value it would have had if it had been calculated on the basis of market observable PDs. The calculation of CVA also allows for the expected development of the rating over time. This takes place on the basis of historical rating migrations. When determining the EPE, a model is used to establish the expected positive exposure to the counterparty's portfolio over the maturity of the derivatives. For LGD, internal estimates are used for the individual counterparty, adjusted for any collateral received as well as CSA agreements concluded.

In addition to CVA, also an adjustment is made of the fair value of derivatives that have an expected future negative fair value. This takes place to allow for changes in the counterparties' credit risk against the Jyske Bank Group (debt valuation adjustment - DVA). The DVA takes place according to the same principles that apply to the CVA, yet PD for Jyske Bank is determined on the basis of Jyske Bank's external rating by Standard & Poor's. At the end of 2016, CVA and DVA amounted net to DKK 62m, which amount was recognised as an expense under value adjustment against DKK 53m at the end of 2015.

46 **Fair value of financial assets and liabilities**

The recognised value and fair value of assets classified as held-for-trading amounted to DKK 169.9bn at the end of 2016; at the end of 2015 the figure was DKK 158.4bn. The recognised value and fair value of liabilities classified as trading portfolio amounted to DKK 53.1bn at the end of 2016 against DKK 75.1bn at the end of 2015. The recognised value and fair value of assets classified as held-to-maturity amounted to DKK 3.9bn and DKK 4.1bn, respectively, at the end of 2016 against DKK 3.9bn and 4.0bn at the end of 2015. The Group does not hold any assets classified as available-for-sale. The table shows the fair value of financial assets and liabilities and the carrying amounts.

The re-statement at fair value of financial assets and liabilities shows a total non-recognised unrealised loss of DKK 367m at the end of 2016 against a gain of DKK 257m at the end of 2015. Unrealised gains and losses caused by changes in the fair values of shares in sector-owned undertakings are recognised in the income statement by use of the fair value option. The recognised amount of those shares in the balance sheet at the end of 2016 amounted to DKK 1,645m (2015: DKK 1,481m), and the recognised value adjustment in the income statement amounted to DKK 130m (2015: DKK 95m).

		2016		2015
	Recognised amount	**Fair value**	Recognised amount	Fair value
FINANCIAL ASSETS				
Cash balance and demand deposits with central banks	**2,068**	**2,068**	2,825	2,825
Due from credit institutions and central banks	**18,018**	**18,020**	20,858	20,858
Loans and advances at fair value	**292,049**	**292,049**	249,467	249,467
Loans and advances at amortised cost	**130,396**	**130,563**	146,709	146,755
Bonds at fair value	**81,770**	**81,770**	68,597	68,597
Bonds at amortised cost	**3,949**	**4,051**	3,884	4,029
Shares, etc.	**4,210**	**4,210**	4,046	4,046
Assets in pooled deposits	**4,397**	**4,397**	4,435	4,435
Derivatives	**41,325**	**41,325**	33,936	33,936
Total	**578,182**	**578,453**	534,757	534,948
FINANCIAL LIABILITIES				
Due to credit institutions and central banks	**19,941**	**19,974**	39,211	39,234
Deposits	**150,137**	**150,170**	140,311	140,370
Pooled deposits	**4,511**	**4,511**	4,609	4,609
Issued bonds at fair value	**271,212**	**271,212**	231,167	231,167
Issued bonds at amortised cost	**51,028**	**51,201**	48,226	48,925
Subordinated debt	**2,131**	**1,796**	1,354	1,021
Derivatives	**40,612**	**40,612**	33,436	33,436
Total	**539,572**	**539,476**	498,314	498,762

Note	DKKm	The Jyske Bank Group

47 **The fair value hierarchy**

2016 **Financial assets**	**Quoted prices**	**Observable prices**	**Non-observable prices**	**Fair value total**	**Recognised amount**
Loans and advances at fair value	0	292,049	0	292,049	292,049
Bonds at fair value	68,147	13,623	0	81,770	81,770
Shares, etc.	2,186	0	2,024	4,210	4,210
Assets in pooled deposits	2,880	1,517	0	4,397	4,397
Derivatives	260	41,065	0	41,325	41,325
Total	**73,473**	**348,254**	**2,024**	**423,751**	**423,751**
Financial liabilities					
Pooled deposits	0	4,511	0	4,511	4,511
Issued bonds at fair value	258,614	12,598	0	271,212	271,212
Derivatives	247	40,365	0	40,612	40,612
Total	**258,861**	**57,474**	**0**	**316,335**	**316,335**
2015					
Financial assets					
Loans and advances at fair value	0	249,467	0	249,467	249,467
Bonds at fair value	47,682	20,915	0	68,597	68,597
Shares, etc.	2,252	0	1,794	4,046	4,046
Assets in pooled deposits	3,049	1,386	0	4,435	4,435
Derivatives	350	33,586	0	33,936	33,936
Total	53,333	305,354	1,794	360,481	360,481
Financial liabilities					
Pooled deposits	0	4,609	0	4,609	4,609
Issued bonds at fair value	222,091	9,076	0	231,167	231,167
Derivatives	326	33,112	0	33,438	33,438
Total	222,417	46,797	0	269,214	269,214

The above table shows the fair value hierarchy for financial assets and liabilities recognised at fair value.
It is the practice of the Group that if prices are not updated for two days, transfers will take place between the categories quoted prices and observable prices.

NON-OBSERVABLE PRICES	**2016**	2015
Fair value, beginning of period	**1,794**	1,631
Transfers for the year	**135**	0
Capital gain and loss for the year reflected in the income statement under value adjustments	**46**	79
Sales for the year	**69**	25
Purchases and additions during the year	**118**	109
Fair value, end of year	**2,024**	1,794

Non-observable prices

Non-observable prices at the end of 2016 referred to unlisted shares recognised at DKK 2,024m against unlisted shares recognised at DKK 1,794m in 2015.
These are primarily sector shares. The measurements, which are associated with some uncertainty, are made on the basis of the shares' book value, market trades as well as own assumptions and extrapolations, etc. In the cases where Jyske Bank calculates the fair value on the basis of the company's expected future earnings, a required rate of return of 15% p.a. before tax is applied. A change in the required rate of return of 1 percentage point will result in a change of the fair value of about DKK 35m. Capital gain and loss for the year on illiquid bonds and unlisted shares referred to assets held at the end of 2016. Jyske Bank finds it of little probability that the application of alternative prices in the measurement of fair value would result in a material deviation from the recognised fair value.

Non-financial assets recognised at fair value

Investment properties were recognised at a fair value of DKK 32m (2015: DKK 32m). Fair value belongs to the category of non-observable prices calculated on the basis of a required rate of return of 7% (2015: 7%)
Assets held temporarily comprise repossessed properties, equity investments and cars, etc. Assets held temporarily are recognised at the lower of cost and fair value less costs of sale. Assets held temporarily are recognised at DKK 635m (2015: DKK 519m). Fair value belongs to the category of non-observable prices.

Note	The Jyske Bank Group

48 **Risk exposure**

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.

49 **Risk management and risk organisation**

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.

The Group Supervisory Board lays down the general principles for risk and capital management as well as for the Group's risk profile, and implement 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 also the director for the unit Finance and Risk Management. The responsibilities of the unit include assets involving risks across areas of risk and organisational units, including:

- 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 also appointed 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.

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 Group Treasury, and investments are in general based on macroeconomic principles and thus of a long-term nature. Jyske 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.

49 **Risk management and risk organisation, cont.**

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

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

50 **Credit risk**

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

Credit policy and responsibility

The 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 the 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

The Group attaches great importance to its decentralised credit-authorisation process. The limit structure states which amounts, instances and segments are covered by the limit The main principle is that regularly occurring credit cases can be authorised, and 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 relating to Credit's limits are made by the Group Executive Board for credit cases at Jyske Bank, whereas the Supervisory Boards for the individual subsidiaries authorise cases involving clients of the subsidiaries, including and primarily BRFkredit and Jyske Finans. The Group Executive Board is represented on the Supervisory Boards of the individual 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, Risk Management and Credit Risk Supervision. Both of these are departments separate from client-oriented functions. Risk Management is responsible for the ongoing monitoring and analysis of the exposures of the Group, by size, sector and geographical area with the main focus on reducing the risk and ensuring satisfactory diversification of the portfolio in accordance with the Group's risk targets. Monitoring takes place through quantitative models at portfolio level. Credit Risk Supervision is responsible for monitoring the credit quality of the portfolio, which takes place at several levels (client groups, sectors, product groups, etc.). Moreover, risk monitoring includes qualitative as well as quantitative control of data and risk categories, for instance.

50 **Credit risk, cont.**

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 in full 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 ("STY") at Jyske Bank and Jyske Finans. 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.

The PD level is monitored quarterly relative to the actual development of the default rate. The necessary adjustments are 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 the end of 2016.

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 BRF 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.

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[1]	10.21 - 20.0	Caa3/Ca/C

1) BRF rating 8 includes PDs above 20%.

Note | The Jyske Bank Group

50 **Credit risk, cont.**

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 customer 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.

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 customer'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. With comparatively rare assets an expert estimate of the proceeds is obtained, whereas statistical estimates are used for more frequent asset classes such as vehicles, real property 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 as well as 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 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.

Note	The Jyske Bank Group

50 **Credit risk, cont.**

Risk categories
At Jyske Bank and Jyske Finans (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.

Loan impairment charges and provisions for guarantees
The Group recognises impairment of loans and advances where events indicate objective evidence of impairment which will affect the size of anticipated future payments.

On an on-going basis, and at least quarterly, account managers assess whether objective evidence of impairment charges relating to the Group's clients have emerged. Where easier conditions have been granted to clients with financial problems, this will be regarded as individual objective evidence of impairment and impairment charges will be recognised.

At the Group, 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.

Note	DKKm	The Jyske Bank Group 2016	2015
51	**Maximum credit exposure**		
	Loans and advances at fair value	**292,049**	249,467
	Loans and advances at amortised cost	**130,396**	146,709
	Guarantees	**16,147**	13,854
	Irrevocable credit commitments	**22,530**	17,612
	Loans, advances and guarantees, etc.	**461,122**	427,642
	Demand deposits at central banks	**1,476**	2,191
	Due from credit institutions and central banks	**18,018**	20,858
	Bonds at fair value	**81,770**	68,597
	Bonds at amortised cost	**3,949**	3,884
	Positive fair values of derivatives	**41,325**	33,936
	Total	**607,660**	557,108
52	**Impaired credit exposures, individual impairment charges and provisions**		
	Balance before impairment charges:		
	Loans and advances	**9,249**	12,668
	Guarantees	**753**	954
	Total	**10,002**	13,622
	Collateral (not specified separately for loans, advances and guarantees)		
	Cash balances	**221**	203
	Highly liquid securities	**84**	83
	Guarantees made out directly to the Group	**1**	1
	Real property, residential	**3,424**	1,595
	Real property, commercial	**4,160**	5,659
	Movable property, cars and rolling stock	**39**	45
	Other movable property	**200**	360
	Other collateral	**0**	16
	Guarantees whereby the guarantor assumes primary liability	**85**	40
	Total collateral	**8,214**	8,002

Note	Maturity matrix, irrevocable credit commitments, floating rate	Up to 3 months	3 months - 1 year	1-5 years	Over 5 years	Total
53	**2016**					
	Loans and advances at fair value	7,744	8,584	2,908	0	19,236
	Loans and advances at amortised cost	0	0	3,295	0	3,295
	Total	**7,744**	**8,584**	**6,203**	**0**	**22,531**
	2015					
	Loans and advances at fair value	8,349	7,138	0	0	15,487
	Loans and advances at amortised cost	0	0	2,125	0	2,125
	Total	8,349	7,138	2,125	0	17,612

Note	DKKm				The Jyske Bank Group
54	**Credit exposures neither overdue nor impaired, broken down by rating**	**Ratings 1-5**	**Ratings 6-11**	**Ratings 12-14**	**Other**
	2016				
	Loans and advances	214,749	152,847	21,941	7,261
	Guarantees	7,156	5,641	419	505
	Total	**221,905**	**158,488**	**22,360**	**7,766**
	2015				
	Loans and advances	188,175	150,812	25,705	9,131
	Guarantees	4,961	5,199	840	483
	Total	193,136	156,011	26,545	9,614

The carrying amount of credit exposures which would have been overdue or impaired if the attached terms and conditions had not been renegotiated, amounted to DKK 1,035m (2015: DKK 633m).

Note					
55	**Due, yet not impaired claims**	**Ratings 1-5**	**Ratings 6-11**	**Ratings 12-14**	**Other**
	2016				
	Overdue 0-90 days	430	219	68	56
	Overdue > 90 days	1	1	0	11
	Overdue, total	**431**	**220**	**68**	**67**
	Collateral				
	Cash balances	3	2	0	0
	Securities	1	2	1	2
	Guarantees made out directly to Jyske Bank	0	0	0	0
	Real property, residential	17	11	5	20
	Real property, commercial	20	19	11	13
	Movable property, cars and rolling stock	2	0	0	0
	Other movable property	0	4	5	0
	Other collateral	0	0	0	0
	Guarantees whereby the guarantors assume primary liability	4	7	7	0
	Total collateral	**47**	**45**	**29**	**35**
	2015				
	Overdue 0-90 days	335	269	93	86
	Overdue > 90 days	1	1	0	36
	Overdue, total	336	270	93	123
	Collateral				
	Cash balances	0	8	21	1
	Securities	0	0	0	0
	Guarantees made out directly to Jyske Bank	0	0	0	0
	Real property, residential	8	14	7	9
	Real property, commercial	11	24	5	47
	Movable property, cars and rolling stock	8	28	2	3
	Other movable property	1	4	1	5
	Other collateral	0	1	0	0
	Guarantees whereby the guarantors assume primary liability	1	17	1	5
	Total collateral	29	96	37	70

Note	%				The Jyske Bank Group

				Central	
56	**Loans and guarantee debtors by country and client segment**	**Clients**	**Banks**	**govts, etc.**	**Total**
	2016				
	Denmark	88	23	100	81
	The EU	8	72	0	15
	Rest of Europe	4	1	0	4
	USA + Canada	0	3	0	0
	Other zone-A countries	0	0	0	0
	South America	0	0	0	0
	Rest of the world	0	1	0	0
	Total	**100**	**100**	**100**	**100**
	2015				
	Denmark	79	19	100	74
	The EU	16	60	0	20
	Rest of Europe	5	21	0	6
	USA + Canada	0	0	0	0
	Other zone-A countries	0	0	0	0
	South America	0	0	0	0
	Rest of the world	0	0	0	0
	Total	100	100	100	100

Note		The Jyske Bank Group
	DKKm	

57 **Market risk**

Jyske Bank assumes market risk as a result of position-taking in the financial markets and general banking and mortgage banking operations. The measurement of market risk includes all products which involve interest-rate, currency, equity, commodity or volatility risk. Certain financial instruments include elements of credit risk. This type of credit risk is managed and monitored in parallel with market risk. Every risk type has its own characteristics and is managed and monitored by means of individual risk measurements as well as through the Group's Value-at-Risk (VaR). Value at Risk expresses the maximum risk of loss over a period based on historical price and correlation developments of individual business types.

Sensitivity analyses

Jyske Bank extensively holds offsetting positions across markets. The worst-case scenario is one where the prices of all long (positive) positions decline, while the prices of short (negative) positions increase. A sensitivity analysis of the balance sheet at the end of the period is shown in the table below, from which the earnings impact from the stated negative development in prices and rates for the Group appears. The sensitivity analyses are based on 'other things being equal' observations and do not take into account changes in the balance sheet due to changes in the market development.

The sensitivity analysis for 2016 reflected essentially the previously described development of Jyske Bank's market risk. In 2016, the primary focus was on risk management relating to the increased portfolio of home loans as well as risk management in connection with the significant macro-political events in the course of the year. Over the first nine months of 2016, Jyske Bank's interest-rate risk was reduced considerably, but it increased in the course of the fourth quarter, for instance, due to rising interest rates. The interest-rate risk from home loans is hedged on a continuous basis.

Sensitivity analyses – effect on Income Statement	**2016**	**2015**
A 1 percentage-point increase in interest rates	**-324**	-414
A negative 0.5 percentage-point change in interest rates	**-571**	-459
A general fall of 10% in equity prices	**-66**	-75
A negative 2% change in equity prices	**-44**	-59
A negative 5% change in commodity prices	**0**	0
A negative 5% change in exchange rates*	**-79**	-69

Note: This is a mild stress scenario. "Negative" means that the prices of long positions fall, while those of short positions rise. All calculated per currency. Equity risk was calculated for the trading portfolio.
The impact on equity is as outlined above, yet less tax.
*EUR is not included in the calculation.

Note	DKKm	The Jyske Bank Group

58 **Interest-rate risk by currency and duration**

	<= 1 year	2 year	5 year	>= 10 years	Total	Of which interest-rate risk outside trading portfolio
2016						
CHF	4	-2	-3	4	3	1
DKK	76	438	-36	264	742	427
EUR	-131	-26	81	-412	-488	-116
GBP	5	-2	18	7	28	3
SEK	2	-1	4	5	10	-3
USD	9	13	-8	7	21	-3
Other	5	0	0	3	8	-1
Total	**-30**	**420**	**56**	**-122**	**324**	**308**
2015						
CHF	5	-8	-16	14	-5	3
DKK	-62	-54	203	521	608	231
EUR	-70	201	-26	-350	-245	-149
GBP	0	1	5	13	19	5
SEK	0	0	-6	6	0	-10
USD	17	-6	-23	44	32	-1
Other	2	0	2	1	5	0
Total	-108	134	139	249	414	79

59 **Interest-rate risk by product and duration**

	<= 1 year	2 year	5 year	>= 10 years	Total	Of which interest-rate risk outside trading portfolio
2016						
Assets						
Due from credit institutions and central banks	-24	-27	92	11	52	51
Loans and advances	115	173	430	889	1,607	1,607
Bonds	244	250	565	387	1,446	6
Liabilities						
Due to credit institutions and central banks	-16	-18	0	0	-34	-33
Deposits	-106	-5	34	-16	-93	-94
Issued bonds	-52	-6	-226	-333	-617	-618
Subordinated debt	-6	0	0	0	-6	-6
Joint funding	-26	-44	-331	-582	-983	-983
Derivatives						
Interest-rate and currency swaps	-163	98	-423	-368	-856	378
Other derivatives	-9	1	-4	-3	-15	0
Futures	13	-2	-81	-107	-177	0
Total	**-30**	**420**	**56**	**-122**	**324**	**308**
2015						
Assets						
Due from credit institutions and central banks	-8	-56	79	2	17	17
Loans and advances	38	122	263	1,255	1,678	1,678
Bonds	283	217	682	649	1,831	-17
Liabilities						
Due to credit institutions and central banks	-52	-1	0	0	-53	-53
Deposits	-46	-19	4	7	-54	-54
Issued bonds	-52	17	-91	-315	-441	-441
Subordinated debt	0	-1	-1	-6	-8	-8
Joint funding	-31	-36	-185	-1,027	-1,279	-1,279
Derivatives						
Interest-rate and currency swaps	-230	-151	-460	-187	-1,028	236
Other derivatives	-30	38	1	-6	3	0
Futures	20	4	-153	-123	-252	0
Total	-108	134	139	249	414	79

Note	DKKm	The Jyske Bank Group 2016	2015
60	**FX risk**		
	Total foreign-currency assets	**48,565**	54,535
	Total foreign-currency liabilities	**101,949**	80,541
	Currency-exposure indicator 1	**1,287**	1,586
	Currency-exposure indicator 1 as a percentage of core capital	**4.0**	5.4
	Exposure by currency		
	EUR	**-1,356**	-1,353
	SEK	**292**	44
	CAD	**9**	0
	GBP	**-16**	-97
	JPY	**-44**	9
	CHF	**-102**	-87
	NOK	**457**	547
	USD	**-101**	-18
	Other, long	**530**	494
	Other, short	**-35**	-31
	Total	**-366**	-492

Note		2016	2015
61	**Equity risks**		
	Equity risk A		
	Listed shares and derivatives	**94**	105
	Unlisted shares	**229**	213
	Total	**323**	318
	Equity risk B		
	Listed shares and derivatives	**248**	260
	Unlisted shares	**229**	213
	Total	**477**	473

Equity risk A is put at 10% of net equity exposure, net exposure being calculated as positive exposure less negative exposure. Equity risk A is therefore an indication of the loss/gain in the event of a 10% change in global equity prices.

Equity risk B is put at 10% of the numerical equity exposure. This risk measurement thus expresses the gross exposure, as it shows the loss at a 10% negative price change on total positive exposure and a simultaneous 10% positive price change on total negative exposure.

Besides equity risks A and B, the Jyske Bank group applies limits to individual exposures to shares with the objective of limiting concentration risk. There is also a limit to the proportion of Jyske Bank shares held.

Note	DKKm	The Jyske Bank Group 2016	2015
62	**Hedge accounting**		
	Issued bonds		
	Amortised / Nominal value	**7,083**	3,373
	Carrying amount	**7,311**	3,604
	Subordinated debt		
	Amortised / Nominal value	**460**	149
	Carrying amount	**486**	174
	Hedging, financial instruments - swaps		
	Nominal value	**7,543**	3,523
	Carrying amount	**284**	299
	Profit/loss for the year on hedging instruments	**-15**	-40
	Profit/loss for the year on hedged items	**2**	36

Interest-rate risk
Jyske Bank applies the rules for hedge accounting of fair value. The hedging instruments used are typically interest-rate swaps, which are used for hedging against changes in the interest-rate level. Only interest rates are hedged and therefore not credit margins, etc. The above items are subject to hedging.

Hedge accounting of currency risk on investments in subsidiaries
Jyske Bank hedges the currency risk on net investments in international subsidiaries. The risk is hedged using forward exchange contracts. In 2016, revaluation of the contracts amounted to DKK 109m (2015: DKK -117m) which was recognised under other comprehensive income. At the end of 2016, the fair value of the open forward exchange contracts amounted to DKK 0m (2015: DKK 33m).

Note	DKKm	The Jyske Bank Group

63 **Derivatives**

Both its clients and the Group use derivatives to hedge against and manage market risk. Market risk on derivatives is included in the Group's measurement of market risk. Credit risk in connection with derivatives is calculated for each counterparty and is included in Jyske Bank's overall credit risk management. Subject to specific bilateral agreement, netting of the credit risk associated with derivatives is undertaken for each counterparty.

2016	**Net fair value**				**Fair value**			**Principal amount total**
	Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Assets	Liabilities	Net	Nominal value
Currency contracts								
Forwards/futures, bought	-1,426	3,186	-176	-24	8,977	7,417	1,560	519,005
Forwards/futures, sold	2,108	22	60	0	7,157	4,967	2,190	362,034
Swaps	-963	-221	-728	-1	1,583	3,496	-1,913	161,657
Options, acquired	14	33	10	0	57	0	57	9,617
Options, issued	-21	-47	-14	0	0	82	-82	9,170
Total	**-288**	**2,973**	**-848**	**-25**	**17,774**	**15,962**	**1,812**	**1,061,483**
Interest-rate contracts								
Forwards/futures, bought	56	1	1	0	62	4	58	16,447
Forwards/futures, sold	-73	0	-1	0	1	75	-74	24,199
Forward Rate Agreements, bought	0	7	0	0	7	0	7	9,717
Forward Rate Agreements, sold	0	0	0	0	0	0	0	1,000
Swaps	-194	-63	-272	-482	29,723	30,734	-1,011	1,283,044
Options, acquired	0	0	246	0	252	6	246	11,071
Options, issued	-102	0	-252	-1	2	357	-355	10,550
Total	**-313**	**-55**	**-278**	**-483**	**30,047**	**31,176**	**-1,129**	**1,356,028**
Share contracts								
Forwards/futures, bought	19	0	0	0	29	10	19	2,306
Forwards/futures, sold	-19	0	0	0	16	35	-19	3,081
Options, acquired	3	3	0	0	6	0	6	93
Options, issued	-3	-3	0	0	0	6	-6	93
Total	**0**	**0**	**0**	**0**	**51**	**51**	**0**	**5,573**
Commodity contracts								
Forwards/futures, bought	17	28	-1	0	64	20	44	1,726
Forwards/futures, sold	-14	-29	1	0	21	63	-42	1,729
Options, acquired	0	-11	22	0	28	17	11	149
Options, issued	0	11	-21	0	16	26	-10	150
Total	**3**	**-1**	**1**	**0**	**129**	**126**	**3**	**3,754**
	-							
Total	**-598**	**2,917**	**-1,125**	**-508**	**48,001**	**47,315**	**686**	**2,426,838**
Outstanding spot transactions					67	40	27	54,740
CCP netting					**-6,743**	**-6,743**	**0**	**0**
Total after CCP netting					**41,325**	**40,612**	**713**	**2,481,578**

Note | DKKm | The Jyske Bank Group

63 **Derivatives Instruments, cont.**

2015	Net fair value: Up to 3 months	Net fair value: Over 3 months and up to 1 year	Net fair value: Over 1 year and up to 5 years	Net fair value: Over 5 years	Fair value: Assets	Fair value: Liabilities	Fair value: Net	Principal amounts, total: Nominal value
Currency contracts								
Forwards/futures, bought	453	300	2,503	0	6,855	3,599	3,256	471,474
Forwards/futures, sold	-350	-224	240	0	2,789	3,123	-334	321,880
Swaps	-168	-294	-869	-11	1,015	2,357	-1,342	96,995
Options, acquired	73	18	17	0	108	0	108	10,462
Options, issued	-96	-24	-17	0	0	137	-137	9,555
Total	-88	-224	1,874	-11	10,767	9,216	1,551	910,366
Interest-rate contracts								
Forwards/futures, bought	-4	0	3	0	11	12	-1	14,271
Forwards/futures, sold	37	0	-2	-1	51	17	34	50,359
Forward Rate Agreements, bought	0	-2	0	0	1	3	-2	13,059
Forward Rate Agreements, sold	0	0	0	0	0	0	0	1,493
Swaps	-6	-49	-419	-474	27,533	28,481	-948	1,138,995
Options, acquired	1	0	194	0	201	6	195	16,108
Options, issued	-117	-1	-203	0	2	323	-321	16,466
Total	-89	-52	-427	-475	27,799	28,842	-1,043	1,250,751
Share contracts								
Forwards/futures, bought	4	0	0	0	9	5	4	1,500
Forwards/futures, sold	-12	0	0	0	7	19	-12	2,221
Options, acquired	1	1	0	0	2	0	2	71
Options, issued	-1	-1	0	0	0	2	-2	71
Total	-8	0	0	0	18	26	-8	3,863
Commodity contracts								
Forwards/futures, bought	-73	-122	-21	0	6	222	-216	2,535
Forwards/futures, sold	81	127	23	0	235	4	231	2,550
Options, acquired	-4	-31	-21	0	0	56	-56	124
Options, issued	4	31	21	0	56	0	56	125
Total	8	5	2	0	297	282	15	5,334
Total	-635	-271	1,449	-28	38,881	38,366	515	2,170,314
Outstanding spot transactions					30	45	-15	40,078
CCP netting					-4,975	-4,975	0	0
Total after CCP netting					33,936	33,436	500	2,210,392

Note | **The Jyske Bank Group**

64 **Liquidity risk**

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. Liquidity risks at BRFkredit are limited due to compliance with the balance principle for SDO issues as set out in the mortgage legislation. Note 17 states the remaining time to maturity for a number of assets and liabilities.

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 Jyske Bank 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 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 withstand the effect of several adverse liquidity scenarios.

Organisation, management and monitoring

The Group Supervisory Board has adopted a liquidity policy which 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 Jyske Bank, Jyske Markets as well as Jyske Bank, Group Treasury, which monitor and manage liquidity on a daily basis in accordance with the limits and liquidity policies adopted. Group liquidity management is performed by Group Treasury of Jyske Bank A/S.

BRFkredit is subject to liquidity-related restrictions in respect of investment profile in the securities portfolio, repo lending as well as money-market placements outside the Group to ensure that transactions at BRFkredit are in line with statutory requirements as well as internal guidelines at BRFkredit's and at Group level.

These restrictions have been coordinated with the department Risk Management and entered into BRFkredit's liquidity instructions.

Liquidity positions are monitored daily by Risk Management 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.

Short-term liquidity management

Short-term operational liquidity is managed by Jyske Bank, Jyske 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. Jyske Bank, Jyske 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.

64 **Liquidity risk, cont.**

Strategic liquidity management

Strategic liquidity management is performed by Group Treasury and 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.

Group 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 60 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, run-off of all large demand and term deposits from the corporate and personal client segments is assumed.

- **Scenario 2** 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 re-finance on the capital markets in the form of inter-bank loans, CP and EMTN issues. 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 inter-bank market as well as CP and EMTN issues. 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 establishes a wide range of possible actions to strengthen the Group's liquidity situation.

In 2016, Jyske Bank had a very high degree of excess coverage in respect of the stress-based internally delegated limits and guidelines.

64 **Liquidity risk, cont.**

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 securities portfolio is, in the internal liquidity management, divided into three groups according to liquidity ratio:

1. Assets eligible for repo transactions with central banks:
    a. Ultra-liquid assets denominated in DKK, which can be used in repo transactions with the Danish central bank: Certificates of deposit with Danmarks Nationalbank, Danish government and mortgage bonds and covered bonds;
    b. Very liquid assets in EUR, which can be applied in repo transactions with the European central bank: European mortgage bonds, government bonds, and senior financial instruments;
2. 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 group 1. 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 group 1.

Additional information about liquidity risk is provided in the section 'Liquidity management' in the Management's review.

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 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 short-term financing from 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 financing of its activities with central banks, and appropriate liquidity management takes place to avoid such financing. On the other hand, short-term loans cannot be ruled out in the event of major unexpected shifts in liquidity and are considered a natural last resort.

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 (CSA) 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 but includes also provision of collateral in the form of bonds.

Note	The Jyske Bank Group

65 **Operational risk**

The Group 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.

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

Objective and overall setup

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.

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.

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 quarter, 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. Non-compliance with established risk targets will also be reported.

66 **Business risk**

The Group applies an own-developed model for calculation of economic capital for business risk. The model is based on past earnings capacity and provides a picture of risk on the basis of the environment that the Group 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.

Note	DKKm	The Jyske Bank Group 2016	2015
67	**Transactions involving related parties**		
	Transactions with associates		
	Other liabilities	**142**	139
	Employee and administrative expenses	**551**	536
	Transactions with joint ventures		
	Deposits	**32**	56
	Interest income	**0**	11
	Other operating income	**17**	18
	Employee and administrative expenses	**122**	137

	Supervisory Board and related parties		**Executive Board and related parties**	
	2016	2015	**2016**	2015
Short-term consideration	**4**	4	**32**	32
Guarantees provided	**2**	2	**0**	0
Collaterals received	**29**	31	**15**	20
Debt of the Jyske Bank Group	**44**	49	**16**	22
Account receivable, the Jyske Bank Group, amount drawn down	**34**	35	**15**	20
Account receivable, the Jyske Bank Group, credit facility	**43**	38	**15**	20
Interest income of the Jyske Bank Group	**1**	1	**0**	0
Changes in the present value of the pension liability	**-**	-	**2**	4
Interest rates for loans and advances (%)	**0.5-3.8**	0.8-7.7	**0.7-1.0**	0.5-1.8

Group enterprises and associates as well as joint ventures are considered related parties. Please see the Group chart.

Jyske Bank's Executive Board and Supervisory Board as well as their related parties are also considered related parties.

Transactions between related parties are characterised as ordinary financial transactions and services of an operational nature. Jyske Bank A/S and BRFkredit a/s have entered into an agreement on joint funding. Transactions related to this agreement are eliminated in the Group.

Transactions between Jyske Bank and group enterprises and associates as well as joint ventures are entered into on an arm's length or at cost. The transactions are eliminated upon consolidation. Transactions between Jyske Bank and other related parties were executed on an arm's length basis. This also holds for the rates of interest and commission charges.

Jyske Bank A/S's Pensionstilskudsfond is a fund which offers supplementary pensions to current and former members of Jyske Bank's Executive Board and their surviving relatives. Pension liabilities are actuarial items based on a number of assumptions, cf. Note 38. Therefore changes in pension liabilities cannot meaningfully be added to the annual remuneration.

The members of the Executive Board are not offered any incentive programmes. No member of the Executive Board or the Supervisory Board is specifically remunerated as a member of the board in any associated undertaking or group enterprise. Members of the Executive Board as well as Jyske Bank can mutually terminate the employment subject to a term of notice of six months. However, for Sven A. Blomberg, 12 months and 24 months, respectively. In addition, where Jyske Bank terminates the employment a severance pay equalling two years' pay will be given. At the termination of his employment, Sven A. Blomberg shall receive a severance pay corresponding to 1 year's salary.

For Jyske Bank A/S' related party transactions, please see note 36 in Jyske Bank' A/S' financial statements.

Note		The Jyske Bank Group 2016	2015
68	**Operating leases**		
	Jyske Bank holds a number of operating leases. The leases are primarily on premises, equipment, tools and equipment and are not recognised in Jyske Bank's balance sheet.		
	Operating lease commitments		
	0-1 years	21	25
	1-5 years	20	19
	> 5 years	1	3
	Total	42	47
	The minimum lease payment is recognised in the net profit for the year	26	39
69	**Finance leases by remaining contractual term**		
	Finance leases, gross investments		
	Lease term of less than 1 year	2,567	2,609
	Lease term of 1-5 years	4,841	4,616
	Lease term of more than 5 years	433	348
	Total	7,841	7,573
	of which un-earned, future financial income	407	421
	Finance leases, net investment	7,434	7,152
	Finance leases, net investment		
	Lease term of less than 1 year	2,405	2,438
	Lease term of 1-5 years	4,606	4,375
	Lease term of more than 5 years	423	339
	Total	7,434	7,152
	Finance leasing is recognised under loans and advances.		
	Of the net investment, the non-guaranteed residual value, which accrues to the Group, amounts to (open residual value)	0	0
	Impairment charge, finance leases	45	56

Leases for which the Group acts as the lessor have mainly been contracted for equipment and to a lesser extent for commercial real property. Cars and lorries are the main object types, and the non-guaranteed residual value stated refers to those agreements. To a certain extent, agreements have been entered into through the agency of distributors who guarantee the residual value.

Note **The Jyske Bank Group**

DKKm

70 **The Jyske Bank Group - overview**

31 December 2016	Activity*	Currency	Share capital 1.000 units	Owner.ship share (%)	Voting share %	Assets (DKKm)	Liabilities DKKm	Total equity (DKKm)	Earnings (DKKm)	Profit or loss, DKKm
Jyske Bank A/S	a	DKK	950,400			318,452	285,938	32,514	6,283	3,116
Subsidiaries										
BRFkredit a/s, Kgs. Lyngby	b	DKK	1,306,480	100	100	307,037	294,225	12,812	2,105	1,015
Investeringsselskabet af 18. maj 2015 A/S, Lyngby-Taarbæk	d	DKK	225,000	100	100	234	0	234	0	0
Ejendomsselskabet Nørreport 26, 8000 Århus C. A/S, Silkeborg	e	DKK	4,600	100	100	99	6	93	5	3
Ejendomsselskabet Nørgaardsvej, 37-41, 2800 Lyngby A/S, Silkeborg	e	DKK	2,600	100	100	7	0	7	0	1
Jyske Bank (Gibraltar) Ltd.	a	GBP	26,500	100	100	5,596	4,983	613	169	44
Jyske Bank (Gibraltar) Nominees Ltd.	d	GBP	0	100	100	0	0	0	0	0
Jyske Bank (Gibraltar) Management Ltd.	d	GBP	0	100	100	0	0	0	0	0
Jyske Bank (Gibraltar) Secretaries Ltd.	d	GBP	0	100	100	0	0	0	0	0
Trendsetter, S.L., Spain	e	EUR	706	100	100	15	0	15	0	0
Jyske Bank Nominees Ltd., London	d	GBP	0	100	100	0	0	0	0	0
Jyske Verwaltnung AG, Schweiz	d	CHF	1,000	100	100	29	12	17	0	-9
Inmobiliaria Saroesma S.L., Spain	e	EUR	803	100	100	74	68	6	-1	-8
Jyske Finans A/S, Silkeborg	c	DKK	100,000	100	100	17,389	16,119	1,270	992	297
Gl. Skovridergaard A/S, Silkeborg	e	DKK	500	100	100	32	25	7	19	-2
Sundbyvesterhus A/S, Silkeborg	e	DKK	518	100	100	108	17	91	6	3
Ejendomsselskabet af 1.10.2015 ApS, Silkeborg	c	DKK	500	100	100	126	124	2	2	1
Bytorv Horsens ApS, Gentofte (temporarily acquired)	e	DKK	1,080	100	100	352	426	-74	20	-59
Gallerierne Hillerød A/S, Lyngby (temporarily acquired)	e	DKK	500	100	100	158	587	-429	10	-14

* Activity:
a: Bank
b: Mortgage credit
c: Leasing, financing and factoring
d: Investment and financing
e: Properties and course activities

All banks and mortgage credit institutions supervised by national financial supervisory authorities are subject to statutory capital requirements. Such capital requirements may limit intra-group facilities and dividend payments.

Associates**	Activity	Currency	Share capital 1.000 units	Owner.ship share (%)	Voting share %	Assets (DKKm)	Liabilities DKKm	Total equity (DKKm)	Earnings (DKKm)	Profit or loss, DKKm
Foreningen Bankdata, Fredericia		DKK	476,104	42	42	700	156	544	1,161	-54
JN Data A/S, Silkeborg		DKK	97,500	50	50	767	560	207	1,944	6
Carhub A/S, Glostrup		DKK	502	50	50	5	2	3	0	-4
CAPNOVA A/S, Aarhus		DKK	10,870	21	21	56	10	46	41	5
JSNA Holding A/S i likv., Aalborg		DKK	2,000	33	33	6	0	6	3	3
Semler Bilfinans A/S, Brøndby		DKK	4,600	25	32	43	4	39	1	1

From associates, the Jyske Bank Group recognised a total of DKK 174m (2015: DKK 195m) under liabilities, DKK 17m (2015: DKK 29) under income, and DKK 673m (2015: DKK 675m) under expenses.
** Accounting figures according to the latest published Annual Report.

Note	DKKm	The Jyske Bank Group

71 **Investments in associates and jointly controlled enterprises**

	Associated enterprises		Jointly controlled enterprises	
	Foreningen Bankdata		JN Data A/S	
	2016	2015	**2016**	2015
Equity interest	**42**	42	**50**	50
Dividend received	**0**	0	**0**	0
Income statement and comprehensive income				
Revenue	**1,161**	1,260	**1,944**	1,701
Expenses	**1,143**	1,093	**1,744**	1,491
Amortisation, depreciation and impairment	**69**	69	**190**	203
Financial income	**2**	1	**0**	1
Financial expenses	**3**	1	**3**	2
Tax on profit for the year	**2**	3	**1**	1
Profit for the year	**-54**	95	**6**	5
Other comprehensive income	**0**	0	**0**	0
Comprehensive income	**-54**	95	**6**	5
Balance sheet				
Property, plant and equipment	**169**	168	**277**	299
Intangible assets	**18**	0	**44**	46
Investments	**182**	182	**0**	0
Cash and cash equivalents	**3**	130	**57**	117
Other current assets	**328**	386	**389**	333
Total assets	**700**	736	**767**	678
Equity	**544**	598	**207**	202
Long-term liabilities	**0**	0	**282**	291
Short-term liabilities	**156**	138	**278**	185
Total equity and liabilities	**700**	736	**767**	678

Financial information for the Jyske Bank Group's individual material associates and jointly controlled enterprises. The amounts stated are the latest published total accounting figures of the individual associates' and jointly controlled enterprises.

The Group's strategy includes strategic partnerships in key areas, including IT development through the Association Bankdata and IT-operations through JN Data A/S. Jyske Bank owns 50% of JN Data A/S, and Nykredit owns 50% of JN Data, and the company is operated jointly by the owners and therefore it is considered a jointly controlled entity.

Information on non-material associates	**Book value by the equity method**	**Profit from continuing operation**	**Results discontinued operation**	**Other comprehensive income**	**Total income**
According to the Group's stake in each company in 2016	**23**	**0**	**0**	**0**	**0**
According to 100% in the individual companies in 2016	**94**	**5**	**0**	**0**	**5**
According to the Group's stake in each company in 2015	21	0	0	0	0
According to 100% in the individual companies in 2015	86	1	0	0	1

Accounting figures according to the latest published Annual Report.

72 **Accounting Policies**

Basis of accounting
The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements of the parent company have been presented in accordance with the Danish Financial Business Act, including the Danish Executive Order on Financial Reports for Credit Institutions, Stockbrokers, etc. Furthermore, the Annual Report has been prepared in accordance with the Danish disclosure requirements for annual reports of listed financial institutions.

Additional Danish reporting requirements for the consolidated financial statements are laid down in the executive order on IFRS relating to financial institutions in accordance with the Danish Financial Business Act and the rules laid down by NASDAQ OMX Copenhagen A/S, and for the Parent's financial statements in accordance with the Danish Financial Business Act and the rules laid down by NASDAQ OMX Copenhagen A/S.

The rules applying to recognition and measurement at the Parent are consistent with IFRS.

Figures in the Annual Report are in Danish kroner, rounded to the nearest million in Danish kroner.

The accounting policies are identical to those applied to and described in the annual report 2015.

Future standards and interpretations
At the time of publication of this Annual Report, a number of new or amended standards and interpretations had not come into force or been approved for use in the EU. In the following are set out the standards which are expected to have a material effect on the financial reporting of the Jyske Bank Group.

- IFRS 9 on financial assets covers classification and measurement of financial assets and liabilities, impairment of financial assets as well as hedge accounting. IFRS 9 replaces IAS 39 and will take effect on 1 January 2018.

  Classification and measurement
  According to IFRS 9, classification and measurement of financial assets are made on the basis of the business model for the financial assets and the contractual cash flows that relate to the financial assets. Financial assets that are held to generate the contractual cash flows and where the contractual cash flows solely consist of interest and instalments on the outstanding amounts are measured after the time of the first recognition at amortised cost. As a typical example, the measurement category comprises loans and advances and bonds in an investment portfolio. Financial assets that are held in a mixed business model and where some financial assets are held with a view to generating the contractual cash flows and other financial assets are sold, and where the contractual cash flows on the financial assets in the mixed business model solely consist of interest and instalments on the outstanding amount, are measured after the time of the first recognition at fair value through other comprehensive income. Following subsequent sale, recirculation of the change in fair value will take place to the income statement. As a typical example, this measurement category comprises bonds included in the day-to-day liquidity management. Financial assets that do not meet the above-mentioned criteria for business model or where the contractual cash flows do not solely consist of interest and instalments on the outstanding amounts are measured after the time of the first recognition at fair value through the income statement. As a typical example, this measurement category comprises financial assets in a trading portfolio. The application of IFRS 9 measurement category for financial assets on the basis of the business model is not expected to result in material changes to measuring principles for Jyske Bank.

Impairment charges
IFRS 9 will entail earlier recognition of impairment charges for financial assets at amortised cost, as already at the time of the first recognition, impairment charges corresponding to the expected credit loss over 12 months must be recognised (phase 1). If, subsequently, the probability of loss on the asset increases materially, recognition of the expected credit loss over the remaining life of the loan will take place (phase 2). If an impairment on an asset is established, the value of the asset will be impaired unchanged with an amount corresponding to the expected credit loss over the remaining life of the asset, but based on a higher probability of loss (phase 3). For financial assets recognised at fair value, the impairment model is very much expected to follow the principles described above fro financial assets recognised at amortised cost.

Development efforts are made in the Jyske Bank Group with a view to developing a joint impairment model for all entities in the Group. The model will be based on the Jyske Bank Group's approved advanced risk management set-up, adjusted to IFRS 9 in a number of specific areas. The purpose of the adjustment is to ensure that input variables applied express a true and fair view comprising all available information and expectations of the future. The model under development is expected to be applied to all clients / facilities in the Group, of which a significant subset is in numerical terms expected to be impaired via a model calculation, while a minor, yet significant part of the weakest clients / facilities is expected to be impaired on the basis of an individual assessment.

It is not possible at this point in time to make a reasonable assessment of the accounting outcome of the first application of IFRS 9 as regards the rules on impairment. However, it is generally expected that the new rules on impairment will on the whole result in higher impairment charges and hence a larger provisions account as all loans, advances and guarantees will be given an impairment amount corresponding to the expected credit loss over 12 months or the expected credit loss over the remaining life of the asset in the event of a material increase in the probability of loss on the asset. Collective impairment according to the current rules will be discontinued, and it is only expected to reduce the impact from IFRS 9 to a minor degree. To this must be added that the special Danish accounting rules in Appendix 10 to the Danish Executive Order on the Preparation of Financial Statements, which the Jyske Bank Group applies to comply with the general impairment principles in the IFRS rules, move forward the impairments and therefore discount in part the effect of the upcoming IFRS 9 impairment rules.

Note | The Jyske Bank Group

72 **Accounting Policies, cont.**

A negative accounting outcome from the new expectations-based IFRS 9 impairment rules will basically have a corresponding effect on the capital position. To avoid any unintended effect on the capital position and hence the credit institution's possibility of supporting the granting of credit, the European Commission has proposed a 5-year transitional arrangement so that any negative effect from the new IFRS 9 impairment rules will only take full effect after five years. On the whole, Jyske Bank assesses the effect from IFRS 9 on overcollateralisation to be insignificant when the rules take effect in 2018, while the future overcollateralisation will be adversely affected as the effect of the transitional arrangement is phased out.

Hedge accounting

The new rules on hedge accounting will ensure application of the hedging rules and then to a higher degree bring the companies' financial reporting in line with the companies' actual risk management.

The changed rules on hedge accounting are not expected to affect Jyske Bank as the existing hedging relationship also qualify as effective hedging relationship according to the new rules.

Recognition and measurement

Assets under the control of the Jyske Bank Group as a result of past events are recognised in the balance sheet when it is deemed probable that future economic benefits will flow to the Group and the asset value can be measured reliably. Liabilities as a result of past events are recognised in the balance sheet when it is deemed that redemption will result in the relinquishment of future economic benefits and the amount of the liability can be measured reliably.

At initial recognition, assets and liabilities are measured at fair value. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account gains, losses and risks which occurred prior to the presentation date of the Annual Report and which confirm or disprove conditions which existed on the balance sheet date.

Income is recognised in the income statement as earned. Incurred expenses which relate directly to the generation of the year's earnings are recognised in the income statement. Value adjustment of financial assets, liabilities and derivatives is recognised in the income statement with the exception of value adjustment of instruments entered into with a view to hedging net investment in associates and group enterprises abroad. The latter value adjustment is recognised in other comprehensive income.

Financial instruments are recognised at the date of settlement, and the recognition ceases when the right to receive or deliver cash flows from the financial instrument has expired, or if the financial instrument has been transferred, and the Group has essentially transferred all risks and returns associated with the ownership.

Accounting estimates

Measurement of the carrying value of certain assets and liabilities requires the management's estimate of the influence of future events on the value of such assets and liabilities on the balance sheet date. Estimates of material importance to the presentation of the accounts are, among other things, based on

- loans, including loan impairment charges
- fair value of financial instruments
- fair value of acquired enterprises and activities
- provisions, including provisions for defined benefit liabilities, losses on guarantees, lawsuits, etc.

The estimates are based on assumptions which management finds reasonable, but which are inherently uncertain. Besides, the Group is subject to risks and uncertainties which may cause results to differ from those estimates. Key assumptions and any specific risks to which the Group is exposed are stated in the Management's Review and the notes.

Loan impairment charges and provisions for guarantees are subject to significant estimates as regards the quantification of the risk that future payments may not all be received. Where it is established that not all future payments will be received, anticipated payments, including the estimated realisable value of security provided and anticipated dividend payments by estates are also subject to significant estimates.

The measurement of the fair value of financial instruments is subject to significant estimates of the fair value in a non-active market. Fair value is recognised on the basis of observable market data and recognised value assessment techniques, which include discounted cash flow models and models for the pricing of options. Input variables include observable market data, including non-listed yield curves, exchange rates and volatility curves. Unlisted shares are recognised at an estimated fair value on the basis of the available budget and accounting figures of the issuer in question or at management's best estimate.

The measurement of the fair value of acquired enterprises and activities is subject to significant estimates. Management makes estimates of future cash flows from the acquired enterprise and activity. The present value of future cash flows is subject to a number of factors, including the discount rate applied, the real-economic development, development and behaviour of clients. All identifiable assets and liabilities are measured at fair value at the time of acquisition. Fair value is determined, among other things, on the basis of market value, present value, estimates or the amount that an independent third party would pay or demand as remuneration.

Provisions for defined benefit pension plans, etc. are subject to significant estimates with regard to the determination of future employee turnover, discount rate, the rate of wage and salary increase, and the return on associated assets. Provisions for pension liabilities, etc. are based on actuary calculations and estimates. Moreover, provisions for losses on guarantees are subject the uncertainty of assessing the extent to which guarantees may be called upon as a consequence of the financial collapse of the guarantee applicant.

Note	The Jyske Bank Group

72 **Accounting Policies, cont.**

The calculation of other provisions are subject to significant estimates with regard to the determination of the probability and to which extent a possible obligating event may and will result in a future drain on Jyske Bank's economic resources.

Hedge accounting
The Group hedges the interest-rate risk on a portfolio of liabilities as well as the foreign currency translation risk of its subsidiaries.

The fair value and subsequent value adjustments of derivatives, which are classified as and meet the requirements for hedging the fair value of a recognised fixed-rate liability, are recognised in the income statement together with the value adjustment of the hedged liability, independent of interest rate levels. If the criteria for hedging are no longer met, the accumulated valuation of the hedged item is amortised over the remaining maturity period.

The fair value and the subsequent value adjustment of derivatives applied towards the hedging of net investments in international subsidiaries, and which effectively offer protection against exchange rate fluctuations in respect of those enterprises, are recognised in other comprehensive income under a separate currency translation reserve. The inefficient part is recognised in the income statement at once. If the foreign enterprise is disposed of, the accumulated changes in value are transferred to the income statement.

The consolidated financial statements
The consolidated financial statements cover the financial statements for Jyske Bank A/S and the companies controlled by Jyske Bank A/S. Control is achieved when Jyske Bank A/S
- has control of another company
- has the possibility of or the has the right to a variable return on its investment, and
- is able to use its control to obtain such return.

The Group reassesses whether it controls a company if the situation and circumstances indicate changes to one or more of the three above elements.

The consolidated financial statements have been prepared by adding up the financial statements of Jyske Bank A/S and those of its subsidiaries, which were prepared in accordance with the Group's accounting policies. Intra-group credit and debit items, intra-group share holdings, commitments and guarantees have been eliminated.

Intra-group transactions
Intra-group transactions are entered into on an arm's length basis or at cost.

Business combinations
Assets, including identifiable intangible assets, liabilities and contingent liabilities are measured at fair value on the date of acquisition. A positive difference between the cost and the fair value of the identifiable net assets is recognised as goodwill. A negative difference between the cost and the fair value of the identifiable net assets is recognised as negative goodwill under Other operating income in the income statement.
The results of subsidiaries acquired or disposed of are recognised in the consolidated income statement at the time when the controlling interest is transferred to the Group, and cease to be consolidated from the time when the controlling interest ceases to exist. Transaction costs are recognised in the income statement.

Translation of foreign currency amounts at consolidation
Balance-sheet items relating to the Bank's foreign subsidiaries are translated at year-end exchange rates for balance sheet items and at average exchange rates for income statement items. Changes in the value of opening equity due to exchange-rate movements during the year are recognised in other comprehensive income under currency translation reserve. Differences between translation at year-end and at average exchange rates are included in other comprehensive income under currency translation reserve.

Foreign currency transactions
Transactions in currencies other than Danish kroner are translated at the official exchange rates on the day of the transactions. Unsettled monetary transactions in foreign currencies on the balance-sheet date are translated at the official exchange rates on the balance sheet date. For listed currencies, the published bid and offer prices from external suppliers will be applied.

Non-monetary assets and liabilities acquired in a foreign currency, which are not restated at fair value, are not subject to translation adjustments. In connection with a non-monetary asset, the fair value of which exceeds that stated in the income statement, unrealised translation adjustments are recognised in the income statement.

Foreign exchange gains and losses are included in the profit of the year, with the exception of exchange-rate adjustments related to non-monetary assets and liabilities, where changes in the fair value are recognised in other comprehensive income, and exchange rate hedging of net investments in international subsidiaries where the exchange rate adjustment is recognised in other comprehensive income as well.

Offsetting
Assets and liabilities are offset when the Jyske Bank Group has a legal right to offset the recognised amounts and also intends to net or realise the asset and settle the liability at the same time.

72 **Accounting Policies, cont.**

Leases
Leases are classified as finance leases when substantially all risks and rewards of ownership of an asset are transferred to the lessee. All other leases are classified as operating leases.

Amounts due from lessees under finance leases, the Group being the lessor, are recognised as advances equal to the Group’s net investment in the leases. Income from finance leases is recognised regularly over the term of a lease to reflect a continual periodic return on the Group’s outstanding net investment in the leases.

Leased assets under operating leases where the Group acts as the lessor are recognised under equipment and depreciated along with the Group's other equipment. Income from operational leases is recognised on a straight-line basis over the relevant leasing period under Other operating income.

Tax
Jyske Bank A/S is assessed for Danish tax purposes jointly with its Danish subsidiaries. Tax on the year’s income is divided among the Danish enterprises according to the full costing method. Domestic corporation tax is paid in accordance with the Danish tax prepayment scheme.

Tax comprises calculated tax and any change in deferred tax as well as the readjustment of tax for previous years. Calculated tax is based on the year’s taxable income. Deferred tax is recognised and measured in accordance with the balance-sheet liability method on the basis of the differences between the carrying amounts and tax values of assets and liabilities. Overall, deferred tax liabilities are recognised on the basis of temporary differences, and deferred tax assets are recognised to the extent that it is deemed probable that taxable income exists against which deductible temporary differences may be offset. Such assets and liabilities are not recognised where the temporary difference is due to goodwill. Provisions are not made in the balance sheet for tax payable on the sale of an investment in subsidiaries or associates, if the investment is not expected to be disposed of within a short period of time, or if a sale is planned so that there is no tax liability.

Deferred tax is calculated at the tax rates applicable during the financial year in which the liability is settled, or the asset is realised. Deferred tax is recognised in the income statement, unless it is associated with items which are carried as expenses or income directly in other comprehensive income, in which case deferred tax is recognised in other comprehensive income as well. Deferred tax assets and liabilities are offset where attributable to tax levied by the same tax authority, and where it is the intention of the Group to net its current tax assets and liabilities.

Financial guarantees
Financial guarantees are contracts according to which the Group must pay certain amounts to the holder of the guarantee as compensation for a loss incurred, because a certain debtor did not make a payment on time according to the terms and conditions of the debt instrument.

Financial guarantee obligations are the first time recognised at fair value, and the initial fair value is accrued over the lifetime of the guarantee. Subsequently, the guarantee obligation will be recognised at the higher one of the value on an accrual basis or the present value of expected payments (when a payments under the guarantee has become likely).

Note	The Jyske Bank Group

72 **Accounting Policies, cont.**

Balance sheet

Due from credit institutions and central banks
Initially, balances due from credit institutions and central banks are recognised at fair value plus directly attributable transaction costs less fees and commissions received which are directly associated with the amount due. Subsequently, balances due from banks and central banks are measured at amortised cost in accordance with the effective interest method.

Loans and advances at fair value
Mortgage loans are recognised according to the trade date approach and classified as 'Loans and advances at fair value'. Mortgage loans are measured at fair value on initial and subsequent recognition. Index-linked loans are measured on the basis of the index value at the end of the year. The fair value is determined on the basis of the closing price at the balance sheet date of the underlying issued bonds or, if such price is not available for the past month, a price calculated on the basis of the market rate. The closing price is regarded as the best bid for the fair value of Danish mortgage bonds. If derivatives are included in the financing of the mortgage loans, the value of these will also be included in the fair value of the mortgage loans.

To the extent that there is an objective indication of impairment, mortgage loans are written down in relation to the value at the establishment of the loan. A review for impairment includes an assessment of the value of the mortgaged properties, the realisable value of the claim, time-on-market expenses in an estimated settlement period and sales costs. The indication of impairment is determined on the basis of a calculation of the net present value of anticipated future payments.

Mortgage loans for which no individual impairment has been made are included in a model assessing the need for statistical impairment. The statistical impairment model is 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'.Moreover, a management estimate is applied to determine whether the impairment charges recognised in accordance with the guidelines set out above are sufficient, and an additional impairment charge is made if required.

Loans and advances at amortised cost
Initially, loans and advances are recognised at fair value plus directly attributable transaction costs, less fees and commission received which are directly associated with the granting of loans. Subsequently, loans and advances are measured at amortised cost in accordance with the effective interest method.

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;
- Jyske Bank grants the borrower 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.

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.

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 of the loan and the present value of anticipated future payments. The estimated future cash flow is based on an assessment of the likely outcome. Probability weightings are updated regularly so that they reflect, at every financial reporting date, the estimated loss to the Group of individual commitments, and the time horizon of the risk is estimated. The probability weightings are distributed on a number of scenarios and are determined on the basis of an expert opinion which, in addition to the risk profile, also estimates the influence of various future events on the risk.

Subsequent changes of amounts and timing of anticipated future payments compared with previous assessments are recognised under impairment charges for loans and advances, and provisions. Where a loan or advance is deemed to be uncollectible or is cancelled in part or in full, the uncollectible part of it is written off.

Bonds at fair value
Bonds are recognised at fair value, which is the amount at which the bonds can be bought or sold in a transaction between independent parties. In an active market, the fair value is expressed in the form of a listed price. In a less active or inactive market, the fair value is determined on the basis of a value calculated by a model based on observable market data and recognised models, alternatively on the basis of the management's estimate corresponding to this.

Bonds at amortised cost, held-to-maturity investments
Held-to-maturity investments include investments whose prices are listed in an active market and which were acquired with the object of earning a return until maturity. Held-to-maturity investments are measured the first time at fair value corresponding to the sum paid plus directly attributable transaction costs and are subsequently measured at amortised cost.

Impairment charges are made in the same way as for loans and advances. If impairment charges cannot be measured reliably, fair value in the form of an observed market price is chosen.

Held-to-maturity investments include both a reclassified trading portfolio at 1 July 2008 and investments made after 1 July 2008.

72 **Accounting Policies, cont.**

Repos and reverse repos
Securities sold under repurchase agreements (repos) remain in the balance sheet under securities, carry interest and are subject to value adjustment. Amounts received are recognised as balances due to or from credit institutions.

Securities bought under reverse repurchase agreements (reverse repos) are recognised as loans and advances or balances due from credit institutions, and interest income and dividends are recognised under interest income.

Financial instruments, trading portfolio
Financial instruments included in the trading portfolio are instruments which have been acquired with a view to generating a profit from short-term price or margin fluctuations, or instruments included in a portfolio characterised by short-term profit-taking. Assets in the trading portfolio comprise money-market instruments, other instruments of debt including acquired loans and equity instruments held by the Group. Liabilities in the trading portfolio comprise liabilities to deliver money market instruments, other debt instruments and equity instruments sold short by the Group to a third party. Upon initial recognition, financial instruments are measured at fair value with subsequent value adjustment in the Profit and Loss Account.

For initial and subsequent recognition, shares in sector-owned companies are measured at fair value. In compliance with the Group's investment strategy, unrealised gains and losses caused by changes in fair values are recognised at fair value in the income statement in accordance with the IAS 39 fair value option.

Shares whose fair value cannot be reliably measured are recognised at cost less any impairment. Gains and losses upon disposal or repayment and unrealised gains and losses are recognised in the income statement.

Derivatives are recognised initially and subsequently at fair value. The positive and negative fair value of derivatives is recognised under Other assets/Other liabilities. The fair value of derivatives is calculated on the basis of market data and generally accepted valuation models. Certain contracts are subject to terms and conditions similar to those of derivatives. Such embedded derivatives are under specific assumptions recognised separately at fair value.

Shares, etc.
Upon initial as well as subsequent recognition, shares are recognised at fair value, which is the amount at which the shares can be bought or sold in a transaction between independent parties.

In an active market, the fair value is expressed in the form of a listed price. In a less active or inactive market, the fair value is determined on the basis of a value calculated by a model based on observable market data and recognised models, alternatively on the basis of the management's estimate corresponding to this.

The fair value of unlisted shares and other equity investments is calculated on the basis of available information about transactions, expected cash flows, etc. If a reliable fair value cannot be determined, shares will be recognised at cost less any impairment.

Investments in associates
An associate is an enterprise in which the Group holds a significant but not controlling interest, by participating in the company's financial and operational decision-making process, and which does not qualify as a subsidiary. Enterprises in which the Group holds between 20% and 50% of the voting rights are regarded as associates.

Equity investments in associates are recognised and measured in the consolidated accounts and the accounts of the parent company according to the equity method. Accordingly, the equity investments are measured at the pro rata share of the associates' equity value calculated in accordance with the Group's accounting policies with deduction or addition of unrealised intra-group profits and losses, respectively, and with the addition of the carrying amount of goodwill.

The pro rata share of the associates' results after tax and elimination of unrealised intra-group profit and loss less write-down for impairment of goodwill is recognised in the income statement. The pro rata share of all transactions and events recognised in the equity of the relevant associate is recognised in Group's and parent company's other comprehensive income.

Equity investments in group enterprises
A group enterprise is an enterprise in which the Group holds a controlling interest, cf. the paragraph on the consolidated financial statements.

Investments in group enterprises are recognised in the parent company's financial statements according to the equity method. A positive difference between cost and the fair value of net assets at the time of acquisition of a group enterprise is recognised as goodwill under intangible assets.

72 **Accounting Policies, cont.**

Investments in joint ventures
A joint venture is a contractual relationship whereby the Group and other interested parties undertake a commercial activity of which they have joint control.

Investments in associates are recognised and measured in the consolidated accounts and the financial statements of the parent company according to the equity method, cf. the section on investments in associates.

Where the Group trades with a joint venture, any unrealised gains and losses compared with the Group's interest in the relevant joint venture are eliminated, except in the event that unrealised losses reflect an impairment of the assets transferred.

Assets in pooled deposits
Assets linked to pooled deposits comprise the assets in which the customers' deposits are invested. The assets are measured at fair value according to the principles described under bonds recognised at fair value and shares.

Intangible assets
IT development costs are recognised at cost less accumulated amortisation and impairment. Amortisation is provided on a straight-line basis over an estimated useful life of maximum three years.

Identifiable intangible assets acquired in connection with acquisitions are recognised at fair value at the time of acquisition and subsequently amortised over the expected useful life, typically 3 to 10 years.

Other internally generated intangible assets are charged in the year of acquisition, as the conditions for capitalisation are not deemed to be fulfilled.

Land and buildings
Investment properties
Investment properties held for rental income and/or capital gain are recognised at fair value on the balance sheet date. Gains and losses attributable to changes in the fair value of investment properties are included in the result for the period during which they arise. Fair value is measured on the basis of the return method, where the measurement of fair value is carried out with the assistance of external experts.

Owner-occupied properties
Land and buildings for own use are recognised in the balance sheet at the restated value corresponding to the fair value on the date of the revaluation less subsequent depreciation and impairment. Revaluation is made at a frequency deemed adequate to ensure that the carrying amount is not materially different from the presumed fair value on the balance sheet date. A reduction in the carrying amount as a result of the revaluation of land and buildings is charged to the income statement to the extent that the amount exceeds revaluation reserves under equity attributable to past revaluation of the asset. Any increase in value at revaluation of land and buildings is included in other comprehensive income, unless the increase offsets an impairment charge made earlier for the same asset which was previously recognised as an expense.

The valuation of selected land and buildings is carried out with the assistance of external experts. At the regular valuation of land and buildings, the value of a building is recognised on the basis of the return method in accordance with generally accepted standards. The value of the building is recognised at cash value before interest and depreciation. The operating income from the property includes rental income less maintenance costs, administrative costs and other operating costs. The required rate of return on a property is determined to best reflect the transactions undertaken until the date of valuation, and allowances are made for the individual property's location and level of maintenance as well as sales efforts within a reasonable time horizon. The required rate of return on property is discussed with local and national estate agents.

Once a year, spot checks are made of a number of properties with the assistance of an external appraiser.

The depreciation of revalued buildings is recognised in the income statement. Upon the subsequent sale of a revalued building, any relevant revaluation reserves are transferred to Retained earnings.

Owner-occupied properties are depreciated on a straight-line basis over the estimated useful lives of the assets to the estimated residual value. Land is not depreciated. The following depreciation periods apply:

Buildings	max. 50 year
Residual value of buildings	max. 75%

Methods of depreciation, useful lives, residual values and indication of impairment are reviewed annually.

Other property, plant and equipment
Operating equipment, cars, tools and equipment and leasehold improvements are recognised at cost less accumulated impairment and depreciation. Depreciation is provided on a straight-line basis over an estimated useful life of typically three years. Leasehold improvements are depreciated over the lease term, yet not more than five years.

Methods of depreciation, useful lives, residual values and indication of impairment are reviewed annually. In the event of indications of impairment, depreciation is provided at the recoverable amount, which is the higher of that asset's value in use and its selling price.

Assets held temporarily
Assets held temporarily comprise repossessed real estate, equity investment and cars, etc. intended for sale shortly, a sale being very likely.

Assets held temporarily are recognised at the lower of cost and fair value less costs of sale. No depreciation is recognised on the assets from the time when they are classified as assets held temporarily.

Note | The Jyske Bank Group

72 **Accounting Policies, cont.**

Other assets
Other assets comprise assets not recognised under other asset items, including positive fair value of derivatives as well as interest and commission receivable, etc.

Due to credit institutions and central banks
Balances due to credit institutions and central banks are recognised at fair value equal to payments received less directly attributable transaction costs incurred. Subsequently, the item is measured at amortised cost according to the effective interest method.

Deposits
Deposits comprise amounts received, including liabilities relating to genuine repos from counterparties who are not credit institutions or central banks. Deposits are recognised at fair value equal to payments received less directly attributable transaction costs incurred. Subsequently, deposits are measured at amortised cost according to the effective interest method.

Issued bonds at fair value
Issued mortgage bonds recognised according to the ownership-settlement approach and measured at fair value on initial and subsequent recognition. The fair value is determined on the basis of the closing price at the balance sheet date or, if such price is not available for the past month, a price calculated on the basis of the official market rate.

Mortgage bonds drawn for redemption and repayable immediately after the financial year-end are, however, measured at par, whereas mortgage bonds drawn for redemption and repayable at a later repayment date are measured at a calculated fair value.

The portfolio of own mortgage bonds is deducted.

Issued bonds and subordinated debt at amortised cost
Issued bonds and subordinated debt are recognised at fair value equal to payments received less directly attributable transaction costs incurred. Subsequently, issued bonds and subordinated debt are measured at amortised cost according to the effective interest method. When the interest-rate risk on fixed-rate issued bonds and subordinated debt has been hedged efficiently through derivatives, the amortised cost is supplemented with the fair value of the hedged interest-rate risk.

Other liabilities
Other liabilities comprise liabilities not recognised under other items under equity and liabilities, including liabilities from finance leases with lessees, acceptance of long-term letters of credit, negative fair value of derivatives as well as interest and commission payable, etc.

Provisions
Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, where resources embodying financial benefits are required to settle an obligation, and where a reliable estimate of the obligation can be made.

Provisions are measured as the best estimates of the cost of meeting liabilities on the balance sheet date. Provisions for debt expected to be payable later than 12 months after the balance sheet date are measured at present value, if of material importance, otherwise at cost.

Provisions for pension liabilities and the like are based on the actuarial present value of the expected benefit payments. The present value is calculated, among other things, on the basis of expected employee turnover, discount rate and rate of wage increase as well as the return on associated assets. The difference between the expected and the actual development in pension benefits will generate actuarial loss and gain which will be recognised under other comprehensive income.

Equity
Share capital is classified as equity where there is no obligation to transfer cash or other assets.

A proposed dividend is recognised as a liability when the motion has been approved at the Annual General Meeting. Dividend for the year is stated separately under equity.

The currency translation reserve includes translation differences which are the result of translating results and net investments in foreign units into Danish kroner. It also includes the foreign currency translation adjustment of financial liabilities for the hedging of net investments in international units.

The revaluation reserve relates to the revaluation of property, plant and equipment less deferred tax on the revaluation. A reserve is dissolved once the assets are sold or lapse.

Reserves according to the equity method include value adjustment of investments in associates and group enterprises. The reserve is reduced by the distribution of dividend to the parent company and by other changes in equity in associates and group enterprises.

Retained earnings include non-distributed dividends from previous years.

Additional Tier 1 Capital with no maturity and with voluntary repayment of interest and principal is recognised under equity. Likewise, interest expenses relating to the issue are considered dividend. Interest is deducted from equity at the time of payment.

Own shares
Acquisition costs, consideration and dividend on own shares are recognised in retained earnings under equity. Capital reduction by cancellation of own shares reduces the share capital by an amount equal to the nominal value of the cancelled shares at the time of the registration of the capital reduction.

72 **Accounting Policies, cont.**

Contingent assets and contingent liabilities
Contingent assets and contingent liabilities comprise possible assets and liabilities originating from past events and the existence of which depends on the occurrence of future uncertain events not entirely within the control of the Jyske Bank Group.

Contingency assets are disclosed when the occurrence of an economic benefit is likely.

Contingency liabilities that can but most likely will not require a drain on the resources of the Jyske Bank Group are disclosed. Moreover, current liabilities that are not recognised as they are unlikely to cause a drain on the resources of the Jyske Bank Group or the extent of the liability cannot be measured reliably are disclosed.

Income statement

Interest income and interest expenses
Interest income and expenses on all interest-bearing instruments are recognised in the income statement according to the accruals principle at the effective interest rate based on the expected useful life of the relevant financial instrument. For floating-rate assets and liabilities the rate of interest applied is the rate that applies until the next interest-fixing date.

Interest includes amortised fees which are an integral part of the effective return on a financial instrument, including front-end fees.

Interest income includes administrative contributions from mortgage loans.

Loans and advances are written down to the recoverable amount, and interest income is then recognised in proportion to the rate of interest at which future cash flows were discounted for the purpose of measuring the recoverable amount.

Fees received and paid
Income related to services rendered over a given period of time accrues over the service period. This includes guarantee commission and portfolio management fees. Other fees are recognised in the income statement once the transaction has been completed. This includes securities transaction and safe-custody fees as well as money transfer fees.

Value adjustments
All realised and unrealised value adjustments of assets, liabilities and derivatives measured at fair value as well as value adjustments of assets in held-to-maturity investments are recognised under value adjustments. Exempt from these are value adjustment of credit risk on loans and advances recognised under loan impairment charges and provisions for guarantees. Furthermore the earnings impact of exchange rate adjustments and hedge accounting of fair value is recognised.

Other operating income
Other income not attributable to other income statement items, inclusive of income relating to operational leases, selling price obtained when selling leased assets and negative goodwill arisen in connection with business combinations, is recognised under Other operating income.

Employee and administrative expenses
Salaries and remuneration, etc. to employees and management as well as administrative expenses, including rent for leased premises, are recognised under Employee and administrative expenses. The expenses comprise among other things salaries, holiday payments and retirement remuneration, anniversary bonuses, pension plans and other long-term employee benefits.

Pension plans and other long-term employee benefits
The Group has entered into defined contribution pension plans with the majority of its employees.

Under defined contribution pension plans, the Group makes fixed contributions to an independent pension fund, etc. The Group is under no obligation to make further contributions. Contributions are included in the income statement over the vesting period.

Under defined benefit pension plans, the Group is obliged to pay a certain benefit when an employee retires. Liabilities in connection with defined benefit plans are automatically calculated by actuarially discounting pension liabilities to present value. The present value is calculated on the basis of assumptions relating to the future trend in interest rates, inflation, mortality and disablement.

Anniversary bonuses are recognised as the present value of the part of the overall liability which relates to the term during which the employees have been employed with the Group. Due consideration is paid to staff turnover, etc. The liability is recognised under Provisions for pensions and similar liabilities.

Other operating expenses
Other expenses not attributable to other income statement items, inclusive of Jyske Bank's proportionate share of statutory expenses for the Guarantee Fund for Depositors and Investors as well as the Resolution Fund, are recognised under Other operating expenses.

Earnings per share
This ratio is calculated by dividing the profit for the year exclusive of minority shareholders' interests by the weighted average number of shares in circulation during the financial year.

Diluted earnings per share are calculated in the same manner as earnings per share, but the decisive factors are adjusted to reflect the effect of all diluted share capital.

Comprehensive income
Comprehensive income comprises the profit for the period plus other comprehensive income relating to currency translation and hedge accounting of international units, property revaluations, actuarial loss and gain and tax adjustments.

Note	The Jyske Bank Group

72 **Accounting Policies, cont.**

Segment information
Information is stated for business sectors identified on the basis of internal management reports and accounting policies in accordance with IFRS 8. The segment information is based on the information used by the Group's highest-ranking decision-making officer for assessing results and allocating resources. Internal management reporting comprises the segments Banking activities, Mortgage activities, Leasing activities. Jyske Bank operates in the following geographical areas: Denmark, Germany, France and Gibraltar. The geographical areas are divided into Denmark and International.

Core profit
Core profit is defined as the pre-tax profit exclusive of earnings from investment portfolios.

Investment portfolio earnings
Investment portfolio earnings are defined as the return on the Group's portfolio of shares, bonds, derivative financial instruments and equity investments, Investment portfolio earnings are calculated after expenses for funding and directly attributable costs.

Cash flow statement
The cash flow statement shows Group cash flows relating to operating, investing and financing activities for the year, changes in cash and cash equivalents for the financial year, and cash and cash equivalents at the beginning and end of the year. The Cash Flow Statement is presented in accordance with the indirect method based on the profit for the year.

Cash flows derived from operating activities are calculated as the profit for the year adjusted for non-cash operating items, changes in operating capital and paid corporate tax. Cash flows relating to investing activities include the purchase and sale of enterprises and non-current assets. Cash flows relating to financing activities include distribution and movements in equity and subordinated debt.

Cash and cash equivalents include cash and free balances due from credit institutions and central banks with an original time to maturity of less than three months.

Note | **The Jyske Bank Group**

73 **Definitions of financial ratios**

Financial ratios and key figures	**Definition**
Pre-tax profit, per share (DKK)	Pre-tax profit divided by the average number of outstanding shares during the year
Earnings per share (DKK)	Profit for the year divided by the average number of shares outstanding during the year
Profit for the year, per share (diluted) (DKK)	Profit for the year divided by the average number of shares outstanding during the year adjusted for the dilution effect of share options and conditional shares under share-based payment
Core profit per share (DKK)	Pre-tax profit, exclusive of the investment portfolio earnings, divided by the average number of outstanding shares during the year
Share price at year-end (DKK)	The closing price of the Jyske Bank share at year-end
Book value per share (DKK)	Equity at year-end exclusive of non-controlling interests divided by the number of shares outstanding at year-end
Price/book value per share (DKK)	The closing price of the Jyske Bank share at year-end divided by the book value per share at year-end.
Price/earnings per share	The closing price of the Jyske Bank share at year-end divided by the earnings per share at year-end
Proposed dividend per share (DKK)	Proposed dividend divided by number of shares, year-end
Capital ratio (%)	Capital base divided by weighted risk exposure
Core Tier 1 Capital ratio (%)	Core capital including hybrid core capital after deductions divided by weighted risk exposure.
Common Equity Tier 1 capital ratio (%)	Core capital excluding hybrid core capital after deductions divided by weighted risk exposure.
Pre-tax profit as a pct. of average equity	Pre-tax profit divided by average equity during the year
Net profit as a percentage of average equity	Net profit divided by average equity during the year
Income/cost ratio (%)	Income divided by expenses inclusive of loan impairment charges and provisions for loss on guarantees
Interest-rate risk (%)	Interest-rate risk at year-end divided by core capital at year-end
Foreign-currency position (%)	Currency exposure indicator 1 at year-end divided by core capital after deductions at year-end
Currency risk (%)	Currency exposure indicator 2 at year-end divided by core capital after deductions at year-end
Excess liquidity (%)	The excess liquidity over and above the 10% liquidity requirement in previous S.152 of the Danish Financial Business Act at year-end divided by the 10% liquidity requirement at year-end
Total large exposures (%)	The sum of exposures at year-end, each of which exceeds 10% of the capital base, divided by the capital base at year-end
Accumulated impairment ratio (%)	Total of loan impairment charges and provisions for loss on guarantees at year-end divided by total loans, advances, guarantees, provisions and impairment charges at year-end Discount for acquired loans and advances is not included.
Impairment ratio for the year (%)	The year's loan impairments charges and provisions for loss on guarantees divided by total loans, advances, guarantees, provisions and impairment charges at year-end
Increase in loans and advances for the year, excl. repo loans (%)	The increase in loans and advances divided by opening loans and advances. Recognised exclusive of repo loans.
Loans and advances in relation to deposits	Total loans and advances divided by total deposits.
Loans relative to equity	Loans and advances at year-end divided by equity at year-end
Return on capital employed	Net profit for the year divided by average total average assets
Number of full-time employees, year-end	The number of full-time employees (part-time employees translated into full-time employees) at year-end.
Number of full-time employees, average for the year	The average number of full-time employees (part-time employees translated into full-time employees) determined on the basis of the end-of-quarter statements.

The financial ratios are based on the definitions and guidelines laid down by the Danish Financial Supervisory Authority.
*Financial ratios are calculated as if hybrid core capital is recognised as a liability.

Directorships held by members of the Supervisory Board in other commercial enterprises at 31 December 2016

Sven Buhrkall, Consultant, Fanø, Chairman

- Board member of H.P. Therkelsen A/S, Padborg
- Board member, Hirtshals Havn, (foundation/independent institution)
- Board member, ApS Gram Færdig-beton, Holger Kudsk
- Chairman of the supervisory board, Fonden for H.K. Samuelsen Shipping og International Spedition, Sønderborg, and on the board of two fully owned subsidiaries
- Board member, Generalkonsulinde Anna Hedorf og generalkonsul Frode Hedorfs Fond, Vallensbæk, and chairman of the supervisory board of a fully owned subsidiary
- Board member, FDE Fonden

Kurt Bligaard Pedersen, Director, London, deputy chairman

- Board member, BRFfonden and on the board of a fully owned subsidiary
- Board member, Noordgastransport B.V., the Netherlands
- General manager and board member, Gazprom Marketing & Trading Retail Ltd., Great Britain

Rina Asmussen, Partner, Klampenborg

- Board member, PFA Invest
- Board member (Deputy Chairman), BRFfonden, and on the board of a fully owned subsidiary

Philip Baruch, Attorney-at-Law, Charlottenlund

- Chairman of the supervisory board, Zimmer Group A/S
- Chairman of the supervisory board, Ottensten A/S
- Board member, Melitek A/S

Jens A. Borup, Fishing Vessel Master, Skagen

- Board member/chairman of and general manager of a subsidiary in FF Skagen-gruppen including
  - Board member, FF Skagen Fond
  - Chairman of the supervisory board, FF Skagen A/S, and also on the board of four fully owned subsidiaries
  - Board member, Swe-Dan Seafood AB, Sweden, and also on the board of a fully owned subsidiary
  - Managing director, Hirtshals Tanklager ApS and FF Handelsafdeling ApS
- Managing director, Starholm Holding ApS, Skagen

Keld Norup, Attorney-at-Law, Vejle

- Chairman of the supervisory board/board member, Holmskov-gruppen, Vejle including
  - Chairman of the supervisory board, Holmskov & Co. A/S
  - Chairman of the supervisory board, Holmskov Finans A/S
  - Chairman of the supervisory board, Holmskov Invest A/S
- Board member, H & P Frugtimport A/S, Vejle
- Chairman of the supervisory board/board member, Clausen-gruppen, Vejle including
  - Chairman of the supervisory board, GV-Holding A/S
  - Chairman of the supervisory board, VAC Holding ApS
  - Chairman of the supervisory board, VHF Holding ApS
- Board member, Sole-gruppen, Vejle, including
  - Board member, Sole Holding ApS, Vejle, and also on the board of six fully owned subsidiaries
  - Board member, Tage Pedersen Holding ApS
  - Board member, TP Family ApS/II ApS
  - Board member, Hølgaard Ejendomme ApS
  - Board member, Solbjerg Ejendomme ApS
  - Board member, Jørgen G. Pedersen Holding ApS
  - Board member, Vesterby Minkfarm ApS
  - Board member, Solskov Minkfarm A/S
  - Board member, Thyra Mink Holding ApS and on the board of a fully owned subsidiary
- Chairman of the supervisory board, Skov Advokater Advokataktieselskab

Directorships held by members of the Supervisory Board in other commercial enterprises at 31 December 2016

Peter Schleidt, Managing Director, Birkerød

- Chairman of the supervisory board, Dansk Kabel TV A/S
- Managing director and on the boards of three fully owned subsidiaries

Directorships held by members of the Executive Board in other commercial enterprises at 31 December 2016

Anders Dam

- Chairman of the Supervisory Board of Jyske Banks Almennyttige Fond as well as the fully owned subsidiary Jyske Banks Almennyttige Fonds Holdingselskab
- Board member (deputy chairman), DLR Kredit A/S
- Board member (deputy chairman), Foreningen Bankdata F.m.b.a.
- Board member, FR I af 16. september 2015 A/S

Sven Blomberg

- Board member, Soldaterlegatet (Fonden til Støtte for Danske Veteraner i Internationale Missioner)

Niels Erik Jakobsen

- Board member (deputy chairmen), Letpension A/S
- Board member, BI Holding A/S as well as the fully owned BI Asset Management Fondsmæglerselskab A/S

Leif F. Larsen

- Chairman of the Supervisory Board of Jyske Banks Medarbejderfond as well as the fully owned subsidiary Jyske Banks Medarbejderfond Holdingselskab
- Chairman of the supervisory board, JN Data A/S
- Board member, Finanssektorens Uddannelsescenter (the financial sector's training centre)

Directorships

Members of the Supervisory Board at 31 December 2016

Name	Age	Appointed a Board member	Expiry of term of office	Audit committee	Nomination committee	Remuneration committee	Risk committee
Sven Buhrkall, Consultant, Chairman	67 year	1998	2019	Member	Chairman	Member	Member
Kurt Bligaard Pedersen, Managing Director, Deputy Chairman	57 year	2014	2017	Chairman	Member	Member	
Rina Asmussen, Partner	57 year	2014	2019				Chairman
Philip Baruch, Attorney-at-Law	63 year	2006	2018		Member		
Jens A. Borup, Fishing Vessel Master	61 year	2005	2017		Member		Member
Keld Norup, Attorney-at-Law	63 year	2007	2019	Member			
Peter Schleidt, Managing Director	52 year	2016	2017				Member
Employee representatives:							
Haggai Kunisch, District Chairman	65 year	2002	2018			Member	Member
Marianne Lillevang, Deputy District Chairman	51 year	2006	2018	Member			
Christina Lykke Munk, Portfolio Management Adviser	38 year	2016	2018				

	Number of Jyske Bank shares		Participation and number of meetings 2016				
Name	End-2016	End-2015	Board meeting	Audit committee	Nomination committee	Remuneration committee	Risk committee
Sven Buhrkall, Consultant, Chairman	**2,980**	1,980	38/39	7/7	4/4	2/2	7/7
Kurt Bligaard Pedersen, Managing Director, Deputy Chairman	**1,150**	1,150	38/39	7/7	4/4	2/2	
Rina Asmussen, Partner	**927**	611	34/39				7/7
Philip Baruch, Attorney-at-Law	**2,893**	2,893	36/39		4/4		
Jens A. Borup, Fishing Vessel Master	**5,093**	5,093	38/39		4/4		6/7
Keld Norup, Attorney-at-Law	**1,100**	1,100	39/39	7/7			
Peter Schleidt, Managing Director	**902**	902	23/29				5/5
Employee representatives:							
Haggai Kunisch, District Chairman	**2,911**	2,911	31/39			2/2	4/7
Marianne Lillevang, Deputy District Chairman	**2,328**	2,328	37/39	7/7			
Christina Lykke Munk, Portfolio Management Adviser	**460**	568	19/20				

The board members' participation in meetings appear above.

Jyske Bank A/S

DKKm						Jyske Bank
SUMMARY OF INCOME STATEMENT	**2016**	**2015**	**Index 16/15**	**2014**	**2013**	**2012**
Net interest income	**3,600**	4,446	81	4,187	4,565	4,383
Dividends, etc.	**71**	69	103	77	52	30
Net fee and commission income	**1,526**	1,661	92	1,524	1,587	1,454
Net interest and fee income	**5,197**	**6,176**	**84**	**5,788**	**6,204**	**5,867**
Value adjustments	**857**	270	317	-242	512	198
Other operating income	**229**	209	110	2,945	320	222
Operating expenses, depreciation and amortisation	**4,068**	4,069	100	4,218	3,926	4,045
Of which staff and administrative expenses	**3,937**	3,809	103	3,881	3,779	3,606
Loan impairment charges and provisions for guarantees	**26**	703	4	2,095	1,114	1,805
Profit on investments in associates and group enterprises	**1,377**	1,048	131	732	283	338
Pre-tax profit	**3,566**	**2,931**	**122**	**2,910**	**2,279**	**775**
Tax	**450**	455	99	-178	472	183
Profit for the year	**3,116**	**2,476**	**126**	**3,088**	**1,807**	**592**
BALANCE SHEET, END OF PERIOD						
Loans and advances	**147,241**	148,093	99	140,780	128,861	116,040
- bank loans	**113,390**	106,567	106	118,268	108,598	103,433
- repo loans	**33,851**	41,526	82	22,512	20,263	12,607
Deposits	**149,784**	139,893	107	142,828	127,724	116,800
- bank deposits	**124,819**	119,359	105	118,443	112,146	93,255
- repo deposits and tri-party deposits	**20,454**	15,925	128	19,495	10,175	17,962
- pooled deposits	**4,511**	4,609	98	4,890	5,403	5,583
Issued bonds	**47,619**	42,023	113	36,682	27,760	34,921
Subordinated debt	**2,131**	1,354	158	1,355	1,649	2,742
Holders of hybrid core capital	**1,476**	0	-	0	0	0
Shareholders' equity	**31,038**	30,040	103	27,561	17,446	15,606
Total assets	**318,452**	309,928	103	316,258	260,222	258,242
SELECTED DATA AND FINANCIAL RATIOS						
Pre-tax profit, per share (DKK)*	**38.36**	30.87	-	33.04	32.00	11.11
Earnings per share (DKK)*	**33.49**	26.07	-	35.07	25.38	8.48
Earnings per share (diluted) (DKK)*	**33.49**	26.07	-	35.07	25.38	8.48
Core profit per share (DKK)*	**36.58**	29.11	-	34.09	27.45	4.96
Share price at end of period (DKK)	**337**	312	-	313	293	157
Book value per share (DKK)*	**348**	317	-	290	245	220
Price/book value per share (DKK)*	**0.97**	0.98	-	1.08	1.19	0.71
Price/earnings per share (DKK)*	**10.1**	12.0	-	8.9	11.5	18.5
Proposed dividend per share (DKK)	**5.25**	5.25	-	0	0	0
Capital ratio (%)	**25.0**	22.2	-	21.5	16.4	16.9
Core Tier 1 Capital ratio (%)	**24.0**	21.7	-	21.0	16.2	15.0
Common Equity Tier 1 capital ratio (%)	**22.4**	21.1	-	20.3	15.3	13.8
Pre-tax profit as a pct. of average equity	**11.6**	10.2	-	12.9	13.8	5.3
Net profit as a percentage of average equity*	**10.1**	8.6	-	13.7	10.9	4.0
Income/cost ratio (%)	**1.9**	1.6	-	1.5	1.5	1.1
Interest-rate risk (%)	**0.8**	1.1	-	0.6	1.8	1.0
Foreign-currency position (%)	**4.0**	7.3	-	4.7	6.1	6.3
Currency risk (%)	**0.0**	0.1	-	0.0	0.1	0.0
Excess liquidity (S.152 of the Danish Financial Business Act) (%)	**212.5**	203.8	-	129.3	149.9	122.4
Total large exposures (%)	**0.0**	0.0	-	0.0	0.0	0.0
Accumulated impairment ratio (%)	**3.0**	3.5	-	3.6	3.0	3.3
Impairment ratio for the year (%)	**0.0**	0.4	-	1.3	0.8	1.3
Increase in loans and advances for the year, excl. repo loans (%)	**6.4**	-9.9	-	8.9	5.0	9.2
Loans and advances in relation to deposits	**1.0**	1.1	-	1.0	1.0	1.0
Loans relative to equity	**4.5**	4.9	-	5.1	7.4	7.4
Return on capital employed	**1.0**	0.8	-	1.0	0.7	0.2
Number of full-time employees, year-end	**2,982**	3,018	-	3,075	3,223	3,060
Average number of full-time employees in year	**3,003**	3,056	-	3,141	3,234	3,221

The financial ratios are based on the definitions and guidelines laid down by the Danish Financial Supervisory Authority, cf. note 73 to the consolidated financial statements. *Financial ratios are calculated as if hybrid core capital is recognised as a liability.

Note	DKKm	Jyske Bank 2016	2015
	INCOME STATEMENT		
2	Interest income	**4,034**	5,095
3	Interest expenses	**434**	649
	Net interest income	**3,600**	4,446
	Dividends, etc.	**71**	69
4	Fees and commission income	**1,660**	1,793
	Fees and commission expenses	**134**	132
	Net interest and fee income	**5,197**	6,176
5	Value adjustments	**857**	270
6	Other operating income	**229**	209
7	Employee and administrative expenses	**3,937**	3,809
22-24	Amortisation, depreciation and impairment charges	**72**	85
	Other operating expenses	**59**	175
9	Loan impairment charges and provisions for guarantees	**26**	703
12	Profit on investments in associates and group enterprises	**1,377**	1,048
	Pre-tax profit	**3,566**	2,931
13	Tax	**450**	455
	Profit for the year	**3,116**	2,476
	Proposal for the distribution of profit for the year		
	Proposed dividend	**499**	499
	Total appropriation to shareholders' equity	**2,594**	1,977
	Holders of hybrid core capital	**23**	0
	Total	**3,116**	2,476
	STATEMENT OF COMPREHENSIVE INCOME		
	Profit for the year	**3,116**	2,476
	Other comprehensive income:		
	Items that cannot be recycled to the income statement:		
	Revaluation of real property	**72**	110
	Tax on property revaluations over the year	**-9**	-17
	Actuarial losses and gains	**-21**	-25
	Tax on actuarial losses and gains	**5**	6
	Items that can be recycled to the income statement:		
	Foreign currency translation adjustment of international units	**-111**	117
	Hedge accounting of international units	**109**	-117
	Tax on hedge accounting	**-24**	27
	Other comprehensive income after tax	**21**	101
	Comprehensive income for the year	**3,137**	2,577

Note	DKKm	Jyske Bank 2016	2015
	BALANCE SHEET AT 31 DECEMBER		
	ASSETS		
	Cash balance and demand deposits with central banks	**1,903**	2,443
16	Due from credit institutions and central banks	**16,787**	16,593
	Loans and advances at fair value	**15,033**	0
10	Loans and advances at amortised cost	**132,208**	148,093
17	Bonds at fair value	**78,620**	76,005
17	Bonds at amortised cost	**5,351**	5,296
19	Shares, etc.	**3,927**	3,765
20	Investments in associates	**333**	326
21	Equity investments in group enterprises	**14,733**	14,425
	Assets in pooled deposits	**4,397**	4,435
22	Intangible assets	**40**	48
	Land and buildings, total	**2,122**	2,109
23	of which owner-occupied properties	**2,122**	2,109
24	Other property, plant and equipment	**143**	84
	Current tax assets	**305**	480
	Assets held temporarily	**60**	44
25	Other assets	**42,412**	35,704
	Prepayments	**78**	78
	Total assets	**318,452**	309,928
	EQUITY AND LIABILITIES		
	Debt and payables		
26	Due to credit institutions and central banks	**35,615**	52,793
27	Deposits	**145,273**	135,284
	Pooled deposits	**4,511**	4,609
	Issued bonds at amortised cost	**47,619**	42,023
28	Other liabilities	**49,633**	42,664
	Deferred income	**19**	19
	Total debt	**282,670**	277,392
	Provisions		
29	Provisions for pensions and similar liabilities	**528**	506
	Provisions for deferred tax	**31**	29
30	Provisions for guarantees	**429**	468
31	Other provisions	**149**	139
	Provisions, total	**1,137**	1,142
33	**Subordinated debt**	**2,131**	1,354
	Equity		
	Share capital	**950**	950
	Revaluation reserve	**400**	381
	Currency translation reserve	**-2**	0
	Reserve according to the equity method	**2,964**	2,170
	Retained profit	**26,227**	26,040
	Proposed dividend	**499**	499
	Jyske Bank A/S shareholders	**31,038**	30,040
	Holders of hybrid core capital	**1,476**	0
	Equity, total	**32,514**	30,040
	Total equity and liabilities	**318,452**	309,928
	OFF-BALANCE SHEET ITEMS		
34	Guarantees, etc.	**18,201**	15,965
35	Other contingent liabilities	**3,340**	2,173
	Total guarantees and other contingent liabilities	**21,541**	18,138

Jyske Bank

DKKm

STATEMENT OF CHANGES IN EQUITY

	Share capital	Revaluation reserve	Currency translation reserve	Reserve according to the equity method	Retained profit	Proposed dividend	Jyske Bank A/S shareholders	Hybrid core capital*	Total equity
Equity at 1 January 2016	950	381	0	2,170	26,040	499	30,040	0	30,040
Profit for the year	0	0	0	770	2,323	0	3,093	23	3,116
Other comprehensive income	0	19	-2	24	-20	0	21	0	21
Comprehensive income for the year	0	19	-2	794	2,303	0	3,114	23	3,137
Hybrid core capital issue	0	0	0	0	0	0	0	1,476	1,476
Transaction costs	0	0	0	0	-15	0	-15	0	-15
Interest paid on hybrid capital	0	0	0	0	0	0	0	-20	-20
Currency translation adjustment	0	0	0	0	3	0	3	-3	0
Tax	0	0	0	0	8	0	8	0	8
Dividends paid	0	0	0	0	0	-499	-499	0	-499
Dividends, own shares	0	0	0	0	5	0	5	0	5
Proposed dividend	0	0	0	0	-499	499	0	0	0
Acquisition of own shares	0	0	0	0	-3,084	0	-3,084	0	-3,084
Sale of own shares	0	0	0	0	1,466	0	1,466	0	1,466
Transactions with owners	0	0	0	0	-2,116	0	-2,116	1,453	-663
Equity at 31 December 2016	**950**	**400**	**-2**	**2,964**	**26,227**	**499**	**31,038**	**1,476**	**32,514**

	Share capital	Revaluation reserve	Currency translation reserve	Reserve according to the equity method	Retained profit	Proposed dividend	Jyske Bank A/S shareholders	Hybrid core capital*	Total equity
Equity at 1 January 2015	950	325	0	1,559	24,727	0	27,561	0	27,561
Profit for the year	0	0	0	574	1,902	0	2,476	0	2,476
Other comprehensive income	0	56	0	37	8	0	101	0	101
Comprehensive income for the year	0	56	0	611	1,910	0	2,577	0	2,577
Proposed dividend	0	0	0	0	-499	499	0	0	0
Acquisition of own shares	0	0	0	0	-2,370	0	-2,370	0	-2,370
Sale of own shares	0	0	0	0	2,272	0	2,272	0	2,272
Transactions with owners	0	0	0	0	-597	499	-98	0	-98
Equity at 31 December 2015	950	381	0	2,170	26,040	499	30,040	0	30,040

*Hybrid core capital has no maturity. Payment of interest and repayment of principal are voluntary. Therefore hybrid core capital (additional Tier 1 Capital) is recognised as equity. In September 2016, Jyske Bank made an issue amounting to SEK 1.25bn and DKK 500m with the possibility of early redemption in September 2021 at the earliest. The interest rates applicable to the hybrid core capital until September 2021 are STIBOR+5.80% and CIBOR+5.30%, respectively. If the Common Equity Tier 1 capital of Jyske Bank A/S or the Jyske Bank Group falls below 7%, the loan will be written down.

DKKm	Jyske Bank 2016	2015
CAPITAL STATEMENT		
Shareholders' equity	**31,038**	30,040
Share buy-back programme, non-utilised limit	**0**	-644
Proposed dividend	**-499**	-499
Intangible assets	**-40**	-48
Deferred tax liabilities relating to intangible assets	**9**	11
Prudent valuation	**-251**	-251
Other deductions	**-30**	-81
Common Equity Tier 1 capital	**30,227**	28,528
Additional Tier 1 Capital after reduction	**2,250**	907
Other deductions	**-69**	-98
Core capital	**32,408**	29,337
Subordinate loan capital after reduction	**1,298**	403
Difference between expected loss and the carrying amount of impairment charges	**203**	418
Other deductions	**-220**	-192
Capital base	**33,689**	29,966
Weighted risk exposure involving credit risk etc.	**97,297**	100,486
Weighted risk exposure involving market risk	**25,658**	22,955
Weighted risk exposure involving operational risk	**11,870**	11,829
Total weighted risk exposure	**134,825**	135,270
Capital requirement, Pillar I	**10,786**	10,822
Capital requirement, transitional provisions	**277**	0
Capital requirement, total	**11,063**	10,822
Capital ratio (%)	**25.0**	22.2
Core Tier 1 Capital ratio (%)	**24.0**	21.7
Common Equity Tier 1 capital ratio (%)	**22.4**	21.1

Over the period 2008-2013, capital ratios were calculated in accordance with the CRD III (Basel II). At the end of 2016, the total risk-weighted exposure according to Basel I amounted to DKK 172,854m for Jyske Bank. The capital requirement according to the transitional provisions was for 80% of the capital requirement of 8% of the total weighted risk exposure corresponding to DKK 11,063m for Jyske Bank. At the end of 2015, the transitional provisions resulted in a capital requirement of DKK 10,382m for Jyske Bank. The transitional rules applying to total weighted risk exposure will still apply in the coming years.

For a statement of the individual solvency requirement, please see Risk and Capital Management 2016 or investor.jyskebank.com/investorrelations/capitalstructure.

Risk and Capital Management 2016 was not covered by the audit.

TABLE OF CONTENTS, NOTES SECTION

Note		Jyske Bank 2016	2015

NOTES

1 **Accounting Policies**

Basis of accounting

The financial statements of Jyske Bank A/S have been prepared in accordance with the Danish Financial Business Act, including the Danish Executive Order on Financial Reports for Credit Institutions, Stock-brokers, etc.
The rules applying to recognition and measurement at Jyske Bank A/S are consistent with IFRS.

With respect to classification and extent, the preparation for Jyske Bank A/S differs from the preparation for the Group. Please thee the full description of accounting policies in note 73.

Figures in the financial statements are in Danish kroner, rounded to the nearest million in Danish kroner.

Changes to accounting policies

The accounting policies are identical to those applied to and described in the financial statements 2015.

Financial situation and risk information

Jyske Bank A/S is affected by the financial situation and the risk factors that are described in the management's review for the Group and reference is made to this.

Note		2016	2015
2	**Interest income**		
	Due from credit institutions and central banks	**12**	-19
	Loans and advances	**2,912**	3,795
	Bonds	**1,032**	1,161
	Derivatives, total	**71**	148
	Of which currency contracts	**167**	357
	Of which interest-rate contracts	**-96**	-209
	Other	**7**	10
	Total	**4,034**	5,095
	Of which interest income on reverse repos carried under:		
	Due from credit institutions and central banks	**-16**	-29
	Loans and advances	**-85**	-90
3	**Interest expenses**		
	Due to credit institutions and central banks	**53**	18
	Deposits	**142**	305
	Issued bonds	**200**	298
	Subordinated debt	**38**	27
	Other	**1**	1
	Total	**434**	649
	Of which expenses on reverse repos carried under:		
	Due to credit institutions and central banks	**-83**	-108
	Deposits	**-54**	-73
4	**Fees and commission income**		
	Securities trading and custody services	**989**	1,088
	Money transfers and card payments	**168**	163
	Loan application fees	**67**	81
	Guarantee commission	**97**	178
	Other fees and commissions	**339**	283
	Total	**1,660**	1,793

Note	DKKm	Jyske Bank 2016	2015
	NOTES		
5	**Value adjustments**		
	Loans and advances at fair value	**34**	0
	Bonds	**280**	-220
	Shares, etc.	**177**	312
	Currency	**346**	288
	Currency, interest-rate, share, commodity and other contracts as well as other derivatives	**-43**	388
	Assets in pooled deposits	**180**	230
	Pooled deposits	**-180**	-230
	Other assets	**61**	-534
	Issued bonds	**3**	34
	Other liabilities	**-1**	2
	Total	**857**	270
6	**Other operating income**		
	Income on real property	**67**	67
	Profit on the sale of property, plant and equipment	**45**	3
	Other ordinary income	**117**	139
	Total	**229**	209
7	**Employee and administrative expenses**		
	Employee expenses		
	Wages and salaries, etc.	**1,765**	1,748
	Pensions	**221**	226
	Social security	**241**	209
	Total	**2,227**	2,183
	Salaries and remuneration to management bodies		
	Executive Board	**32**	32
	Supervisory Board	**4**	4
	Shareholders' Representatives	**3**	4
	Total	**39**	40

For further details on and remuneration to the Supervisory Board and the Executive Board, please see note 12 in the consolidated financial statements.

Note	DKKm	2016	2015
	Other administrative expenses		
	IT	**1,074**	1,012
	Other operating expenses	**150**	154
	Other administrative expenses	**447**	420
	Total	**1,671**	1,586
	Total	**3,937**	3,809
	Wages and salaries, etc.		
	Wages and salaries and other short-term employee benefits	**1,761**	1,743
	Other long-term employee benefits	**4**	5
	Total	**1,765**	1,748
	Number of employees		
	Average number of employees for the financial year (full-time employees)	**3,003**	3,056

Note	DKKm	Jyske Bank 2016	2015
	NOTES		
7	**Employee and administrative expenses, cont.**		
	Remuneration of risk takers		
	Number of members	**89**	86
	Contractual remuneration	**92**	86
	Variable remuneration	**2**	0
	Pension	**11**	10
	Pension obligation	**3**	3

The group comprises employees (exclusive of the Executive Board) with a special impact on the bank's risk profile.
The group does not participate in any incentive schemes. Remuneration is included in the period during which the employee was a material risk taker.

Note	DKKm	2016	2015
8	**Audit fees**		
	Total fee to Jyske Bank A/S's auditors elected at the Annual General Meeting	**3**	3
	Breakdown of audit fees:		
	Fee for other assurance services	**1**	0
	Fee for statutory audit of the financial statements	**2**	2
	Fee for tax advice	**0**	0
	Fee for other services	**0**	1

In addition to fees to the auditors elected at the Annual General Meeting, expenses were recognised for Internal Audit.

Note DKKm		Jyske Bank 2016	2015

NOTES

9 **Loan impairment charges and provisions for guarantees, incl. balance of discounts**

	2016	2015
Balance of loan impairment charges and provisions for guarantees incl. balance of discounts, beginning of period	**6,703**	6,317
Loan impairment/provisions for the year	**-165**	544
Recognised as a loss, covered by impairment charges/provisions	**-823**	-642
Discount for acquired loans in connection with business combinations	**0**	850
Recognised losses covered by discounts for acquired loans	**-152**	-52
Recognised discount for acquired loans	**-150**	-453
Other movements	**101**	139
Balance of loan impairment charges and provisions for guarantees incl. balance of discounts, end of period	**5,514**	6,703

	2016	2015
Loan impairment charges	**4,634**	5,482
Provisions for guarantees	**429**	468
Balance of loan impairment charges and provisions, end of period	**5,063**	5,950
Balance of discounts for acquired loans	**451**	753
Balance of loan impairment charges and provisions for guarantees incl. balance of discounts, end of period	**5,514**	6,703

	2016	2015
Loan impairment/provisions for the year	**-165**	544
Recognised as a loss, not covered by loan impairment charges/provisions	**327**	301
Recoveries	**-136**	-142
Loan impairment charges and provisions for guarantees recognised in the income statement	**26**	703
Recognised discount for acquired loans	**150**	453
Net effect on income statement	**-124**	250

	2016	2015
Individual loan impairment charges, beginning of period	**4,157**	3,892
Loan impairment for the year	**108**	784
Recognised as a loss, covered by impairment charges/provisions	**-812**	-625
Other movements	**78**	106
Individual loan impairment charges, end of period	**3,531**	4,157

	2016	2015
Individual provisions for loss on guarantees, beginning of period	**377**	468
Provisions for the year	**-7**	-74
Recognised as a loss, covered by provisions	**-11**	-17
Individual provisions for loss on guarantees, end of period	**359**	377

	2016	2015
Collective loan impairment charges, beginning of period	**1,325**	1,465
Loan impairment for the year	**-245**	-173
Other movements	**23**	33
Collective loan impairment charges, end of period	**1,103**	1,325

	2016	2015
Collective provisions for loss on guarantees, beginning of period	**91**	84
Provisions for the year	**-21**	7
Collective provisions for loss on guarantees, end of period	**70**	91

Impairment charges on balances due from credit institutions

	2016	2015
Individual impairment charges on balances due from credit institutions, beginning of period	**15**	15
Loan impairment for the year	**0**	0
Individual impairment charges on balances due from credit institutions, end of period	**15**	15

The regulatory balance of loan impairment charges and provisions for guarantees does not include the discount balance for acquired loans and advances.

Note	DKKm	Jyske Bank 2016	2015

NOTES

Note		2016	2015
10	**Loans and advances showing objective evidence of impairment**		
	Individually-assessed loans and advances before loan impairment charges	**8,926**	11,773
	Individually-assessed loans and advances recognised at nil	**689**	748
	Total of individually assessed loans and advances before loan impairment charges (less loans and advances recognised at nil)	**8,237**	11,025
	Loan impairment charges for individually-assessed loans and advances:		
	Total impairment charges for loans and advances assessed individually	**3,530**	4,157
	Loan impairment charges for individually-assessed loans and advances recognised at nil	**689**	748
	Total impairment charges for loans and advances assessed individually (less loans and advances recognised at nil)	**2,841**	3,409
	Recognised value of individually-assessed loans and advances which show objective evidence of impairment	**5,396**	7,616
	Impairment charges on individually assessed loans to individually assessed loans	**40%**	35%

11 **Loans, advances and guarantees as well as loan impairment charges and provisions for guarantees by sector**

Sector	Loans, advances and guarantees				Balance of loan impairment charges and provisions for guarantees		Loan impairment charges and provisions for guarantees for the year		Losses for the year	
	% 2016	% 2015	**End 2016**	End 2015	**End 2016**	End 2015	**2016**	2015	**2016**	2015
Public authorities	**4**	4	**6,134**	6,726	**0**	0	**0**	0	**0**	0
Agriculture, hunting, forestry, fishing	**4**	5	**5,787**	6,546	**1,375**	1,503	**292**	364	**501**	367
Fishing	**1**	*1*	**1,297**	*1,624*	**4**	*4*	**0**	*-1*	**0**	1
Dairy farmers	**0**	*1*	**794**	*1,016*	**721**	*709*	**182**	*153*	**214**	212
Plant farming	**1**	*1*	**1,483**	*1,591*	**118**	*75*	**41**	*25*	**3**	16
Pig farming	**1**	*1*	**1,133**	*1,237*	**431**	*605*	**39**	*154*	**238**	117
Other agriculture	**1**	*1*	**1,080**	*1,078*	**101**	*110*	**30**	*33*	**46**	21
Manufacturing, mining, etc.	**5**	4	**8,254**	5,743	**199**	306	**-89**	80	**28**	49
Energy supply	**2**	3	**3,860**	4,156	**30**	32	**-3**	2	**0**	1
Building and construction	**2**	1	**2,502**	2,056	**116**	113	**34**	6	**33**	1
Commerce	**4**	4	**7,245**	6,992	**154**	262	**-72**	10	**51**	85
Transport, hotels and restaurants	**1**	1	**1,896**	2,098	**89**	130	**-9**	25	**37**	18
Information and communication	**0**	0	**514**	515	**68**	46	**23**	20	**3**	7
Finance and insurance	**33**	38	**55,078**	63,659	**769**	924	**-27**	129	**158**	100
Real property	**8**	7	**12,243**	11,101	**966**	1,309	**-275**	-105	**101**	98
Lease of real property	**5**	*5*	**8,017**	*8,038*	**771**	*1,020*	**-191**	*-105*	**85**	77
Buying and selling of real property	**1**	*1*	**1,337**	*1,058*	**60**	*114*	**-55**	*14*	**3**	18
Other real property	**2**	*1*	**2,889**	*2,005*	**135**	*175*	**-29**	*-14*	**13**	3
Other sectors	**4**	2	**6,675**	4,222	**177**	204	**16**	15	**53**	43
Corporate clients	**63**	65	**104,054**	107,088	**3,943**	4,829	**-110**	546	**965**	769
Private individuals	**33**	31	**55,254**	50,244	**1,120**	1,121	**136**	157	**185**	174
Total	**100**	100	**165,442**	164,058	**5,063**	5,950	**26**	703	**1,150**	943

Note	DKKm	Jyske Bank 2016	2015
	NOTES		
12	**Profit on investments in associates and group enterprises**		
	Profit/loss on investments in associates	**5**	5
	Profit/loss on investments in group enterprises	**1,372**	1,043
	Total	**1,377**	1,048
13	**Tax**		
	Current tax	**446**	300
	Change in deferred tax	**6**	155
	Adjustment of tax for previous years	**-2**	0
	Total	**450**	455
	Effective tax rate		
	Danish tax rate	**22.0**	23.5
	Non-taxable income and non-deductible expenses, etc.	**-1.0**	-0.4
	Other	**-8.4**	-7.6
	Effective tax rate	**12.6**	15.5
14	**Earnings per share**		
	Profit for the year	**3,116**	2,476
	Holders of hybrid core capital	**23**	0
	Proportion attributable to shareholders of Jyske Bank A/S	**3,093**	**2,476**
	Average number of shares, 1,000 shares	**95,040**	95,040
	Average number of own shares, 1,000 shares	**-2,652**	-82
	Average number of shares in circulation, 1,000 shares	**92,388**	94,958
	Number of shares in circulation at end of period, 1,000 shares	**89,200**	94,669
	Earnings per share (EPS) DKK	**33.49**	26.07
	Earnings per share diluted (EPS-D) DKK	**33.49**	26.07
	Core earnings per share		
	Core profit	**3,402**	2,764
	Average number of shares in circulation, 1,000 shares	**92,388**	94,958
	Core earnings (DKK) per share	**36.58**	29.11

Note	DKKm	Jyske Bank

NOTES

15 **Contractual time to maturity, 2016**

	On demand	Up to 3 months	3 months -1 year	1-5 years	Over 5 years	Total
Assets						
Due from credit institutions and central banks	0	16,715	34	0	38	16,787
Loans and advances at fair value	0	69	210	1,198	13,556	15,033
Loans and advances at amortised cost	103	64,068	39,669	14,350	14,018	132,208
Bonds at fair value	0	1,955	19,629	40,854	16,182	78,620
Bonds at amortised cost	0	52	550	3,684	1,065	5,351
Liabilities						
Due to credit institutions and central banks	7,038	26,721	1,251	529	76	35,615
Deposits	96,362	21,627	20,611	2,232	4,441	145,273
Issued bonds	0	16,627	17,261	11,142	2,589	47,619
Subordinated debt	0	0	11	356	1,764	2,131

Contractual time to maturity, 2015

	On demand	Up to 3 months	3 months -1 year	1-5 years	Over 5 years	Total
Assets						
Due from credit institutions and central banks	0	16,303	285	0	5	16,593
Loans and advances at amortised cost	81	81,141	25,438	17,020	24,413	148,093
Bonds at fair value	0	1,478	13,789	42,304	18,434	76,005
Bonds at amortised cost	0	2	541	4,254	499	5,296
Liabilities						
Due to credit institutions and central banks	6,063	44,279	2,237	99	115	52,793
Deposits	85,563	33,386	8,909	3,103	4,323	135,284
Issued bonds	0	17,087	10,610	11,764	2,562	42,023
Subordinated debt	0	0	0	45	1,309	1,354

The above amounts are exclusive of interest.

Note	DKKm	Jyske Bank 2016	Jyske Bank 2015
	NOTES		
16	**Due from credit institutions and central banks**		
	At notice with central banks	**0**	0
	Due from credit institutions	**16,787**	16,593
	Total	**16,787**	16,593
17	**Bonds, total, at fair value**		
	Mortgage credit bonds	**69,929**	68,971
	Government bonds	**1,326**	2,068
	Other bonds	**12,848**	10,443
	Total	**84,103**	81,482
	Of which recognised at amortised cost.	**5,351**	5,296
18	**Bonds provided as security**		
	Jyske Bank has deposited bonds with central banks and clearing houses, etc. in connection with clearing and settlement of securities and currency transactions as well as tri-party repo transactions totalling a market value of	**29,310**	4,673
	Repo transactions involve an arrangement where bonds are provided as collateral for the amount borrowed. See note 41 in the consolidated financial statements for further details.		
19	**Shares, etc.**		
	Shares/investment fund units listed on NASDAQ OMX Copenhagen A/S	**1,636**	1,660
	Shares/mutual fund certificates listed on other exchanges	**394**	370
	Unlisted shares are stated at fair value.	**1,897**	1,735
	Total	**3,927**	3,765

Note	DKKm	Jyske Bank 2016	2015
	NOTES		
20	**Investments in associates**		
	Total cost, beginning of period	**305**	543
	Additions	**2**	6
	Disposals	**0**	244
	Total cost, end of period	**307**	305
	Revaluations and impairment charges, beginning of period	**21**	201
	Revaluations and impairment charges for the year	**5**	5
	Reversed revaluations and impairment charges	**0**	185
	Revaluations and impairment charges, end of period	**26**	21
	Recognised value, end of period	**333**	326
	of which credit institutions	**0**	0
21	**Equity investments in group enterprises**		
	Total cost, beginning of period	**12,939**	12,790
	Currency translation adjustment	**-127**	149
	Disposals	**397**	0
	Total cost, end of period	**12,415**	12,939
	Revaluations and impairment charges, beginning of period	**1,486**	818
	Currency translation adjustment	**15**	-32
	Profit/loss	**1,372**	941
	Dividend	**606**	287
	Other capital movements	**51**	46
	Revaluations and impairment charges, end of period	**2,318**	1,486
	Recognised value, end of period	**14,733**	14,425
	of which credit institutions	**13,340**	13,057

Note	DKKm	Jyske Bank 2016	2015
	NOTES		
22	**Intangible assets**		
	Total cost, beginning of period	**228**	228
	Total cost, end of period	**228**	228
	Amortisation and impairment charges, beginning of period	**180**	170
	Amortisation for the year	**8**	10
	Amortisation and impairment charges, end of period	**188**	180
	Recognised value, end of period	**40**	48
23	**Owner-occupied properties**		
	Restated value, beginning of period	**2,109**	2,006
	Additions during the year, including improvements	**53**	73
	Disposals for the year	**75**	10
	Depreciation	**10**	9
	Positive changes in values recognised in other comprehensive income in the course of the year	**48**	75
	Negative changes in values recognised in other comprehensive income in the course of the year	**4**	3
	Positive changes in value recognised directly in the income statement during the year	**3**	2
	Negative changes in value recognised directly in the income statement during the year	**2**	25
	Restated value, end of period	**2,122**	2,109
	Cost less accumulated depreciation and impairment charges	**1,630**	1,634
	For mortgage credit institutions, collateral has been provided in land and buildings, the carrying amount of which is	**1,871**	1,889
	Required rate of return	**2.25%-10%**	2.25%-10%
	Weighted average return applied	**5.92%**	6.31%
24	**Other property, plant and equipment**		
	Total cost, beginning of period	**779**	736
	Additions	**114**	47
	Disposals	**1**	4
	Total cost, end of period	**892**	779
	Amortisation and impairment charges, beginning of period	**695**	657
	Amortisation for the year	**55**	42
	Reversed depreciation and impairment	**1**	4
	Amortisation and impairment charges, end of period	**749**	695
	Recognised value, end of period	**143**	84

Note	DKKm	Jyske Bank 2016	2015
	NOTES		
25	**Other assets**		
	Positive fair value of derivatives	**41,455**	33,911
	Interest and commission receivable	**547**	630
	Other assets	**410**	1,163
	Total	**42,412**	35,704
	Netting		
	Positive fair value of derivatives, etc., gross	**48,198**	38,886
	Netting of positive and negative fair value	**6,743**	4,975
	Total	**41,455**	33,911

Netting of fair value can be attributed to clearing of derivatives through a central clearing house (CCP clearing).

Note	DKKm	2016	2015
26	**Due to credit institutions and central banks**		
	Due to central banks	**65**	19
	Due to credit institutions	**35,550**	52,774
	Total	**35,615**	52,793
27	**Deposits**		
	Demand deposits	**94,462**	85,329
	Term deposits	**3,617**	4,504
	Time deposits	**39,910**	38,213
	Special deposits	**7,284**	7,238
	Total	**145,273**	135,284
28	**Other liabilities**		
	Set-off entry of negative bond holdings in connection with repos/reverse repos	**3,966**	3,478
	Negative fair value of derivatives	**40,487**	33,251
	Other liabilities	**5,180**	5,935
	Total	**49,633**	42,664
	Netting		
	Negative fair value of derivatives, etc., gross	**47,230**	38,226
	Netting of positive and negative fair value	**6,743**	4,975
	Total	**40,487**	33,251

Netting of fair value can be attributed to clearing of derivatives through a central clearing house (CCP clearing).

Note	DKKm	Jyske Bank 2016	2015
	NOTES		
29	**Provisions for pensions and similar liabilities**		
	Provisions for pensions and similar liabilities		
	Provisions for defined benefit plans	**488**	468
	Provisions for long-term employee benefits	**40**	38
	Recognised in the balance sheet, end of period	**528**	506
	Provisions for defined benefit plans		
	Present value of pension plan obligations	**594**	575
	Fair value of pension plan assets	**106**	107
	Net liability recognised in the balance sheet	**488**	468
	Change in provisions for defined benefit plans		
	Provisions, beginning of period	**575**	546
	Costs for the current financial year	**9**	16
	Calculated interest expenses	**13**	15
	Actuarial losses/gains	**20**	23
	Pension payments	**-23**	-25
	Provisions, end of period	**594**	575
	Change in the fair value of pension plan assets		
	Assets, beginning of period	**107**	111
	Calculated interest on assets	**2**	3
	Return ex calculated interest on assets	**1**	-2
	Contributions, etc.	**1**	0
	Pension payments	**-5**	-5
	Assets, end of period	**106**	107
	Pension costs recognised in the income statement		
	Costs for the current financial year	**9**	16
	Calculated interest related to liabilities	**13**	15
	Calculated interest on assets	**-2**	-3
	Total recognised defined benefit plans	**20**	28
	Total recognised defined contribution plans	**201**	198
	Recognised in the income statement	**221**	226

The expense is recognised under Employee and administrative expenses.

		2016	2015
	Pension plan assets:		
	Equities	**15**	15
	Bonds	**46**	46
	Cash and cash equivalents	**45**	46
	Pension plan assets, total	**106**	107

Pension plan assets include 45,000 Jyske Bank shares (2015: 50,000 shares).
Measurement of all pension assets is based on quoted prices in an active market.

For further details, please see note 38 in the consolidated financial statements.

Note	DKKm	Jyske Bank 2016	2015

NOTES

Note	Provisions for guarantees	2016	2015
30	**Provisions for guarantees**		
	Individual provisions for guarantees	**359**	377
	Collective provisions for guarantees	**70**	91
	Total	**429**	468

Note	Other provisions	2016	2015
31	**Other provisions**		
	Provisions for litigation, beginning of period	**139**	170
	Additions	**38**	27
	Disposals inclusive of consumption	**23**	51
	Disposals exclusive of consumption	**5**	7
	Provisions for litigation, end of period	**149**	139

The provisions are expected, in essence, to be reduced to zero within a year.

Note	Provisions for deferred tax	2016	2015
32	**Provisions for deferred tax**		
	Deferred tax		
	Deferred tax assets	**0**	0
	Deferred tax liabilities	**31**	29
	Net deferred tax	**31**	29

Change in deferred tax 2016	**Beginning of period**	**Recognised in the profit for the year**	**Recognised in other comprehen-sive income**	**Other adjust-ments**	**End of year**
Bonds at amortised cost	-40	11	0	0	-29
Intangible assets	11	-2	0	0	9
Property, plant and equipment	226	3	5	-4	230
Loans and advances, etc.	-26	-4	0	0	-30
Provisions for pensions	-112	0	-4	0	-116
Tax loss	0	0	0	0	0
Other	-30	-2	0	-1	-33
Total	**29**	**6**	**1**	**-5**	**31**
Change in deferred tax 2015					
Bonds at amortised cost	-63	23	0	0	-40
Intangible assets	13	-2	0	0	11
Property, plant and equipment	207	2	17	0	226
Loans and advances, etc.	-32	6	0	0	-26
Provisions for pensions	-104	-2	-6	0	-112
Tax loss	-195	124	0	71	0
Other	-31	4	0	-3	-30
Total	-205	155	11	68	29

Note	DKKm	Jyske Bank 2016	2015
	NOTES		
33	**Subordinated debt**		
	Supplementary capital:		
	Var. % bond loan SEK 600m 19.05.2026	**467**	0
	3.25% bond loan SEK 400m 19.05.2026	**311**	0
	6.73% bond loan EUR 15m 2017-2026	**112**	112
	Var. % bond loan EUR 10m 13.02.2023	**75**	75
	5.65% bond loan EUR 10 m 27.03.2023	**74**	75
	5.67% bond loan EUR 10 m 31.07.2023	**74**	74
		1,113	336
	Hybrid Tier 1 capital:		
	Var. % bond loan EUR 72.8m Perpetual	**541**	541
	Var. % bond loan EUR 60.7m Perpetual	**451**	452
		992	993
	Subordinated debt, nominal	**2,105**	1,329
	Hedging of interest-rate risk, fair value	**26**	25
	Total	**2,131**	1,354
	Subordinated debt included in the capital base	**2,062**	1,295

The above-mentioned issues of additional Tier 1 Capital do not meet the conditions for additional Tier 1 Capital in the Capital Requirements Regulation, CRR. The issues are recognised under liability other than provision according to IAS 32.

The above issues of hybrid core capital have no contractual maturity date. Subject to the approval of the Danish Financial Supervisory Authority, the notes may be redeemed by Jyske Bank, but not earlier than ten years after the date of issue. The holders have no right to call for the redemption of the notes. Interest payments will cease in the event that the issuer does not meet the solvency requirements. Under such circumstances, dividend payments and buy-back of issued shares are subject to certain restrictions. The rate of interest is floating, but capped at 9% p.a. for the EUR 72.8m loan and at 8% p.a. for the EUR 60.7m loan. The rate is calculated as EUR CMS10 + 0.15% per annum.

Note	DKKm	Jyske Bank

NOTES

34 **Contingent liabilities**

General
Jyske Bank's credit review of guarantee applicant takes into consideration the risk on guarantees. For about 82% of Jyske Bank's guarantees, the contractual term is below one year; for about 13%, the contractual terms is between 1 and 5 years; and for about 5%, the contractual term is above 5 years, compared to 82%, 12% and 6%, respectively, in 2015.

Financial guarantees are primarily payment guarantees, and the risk equals that involved in credit facilities.

Guarantees for losses on mortgage loans are typically provided as security for the most risky part of mortgage loans granted to personal clients and to a limited extent for loans secured on commercial real property. Guarantees for residential real property are within 80% and for commercial real property within 60%-80%, of the property value as assessed by a professional expert.

Registration and refinancing guarantees are provided in connection with the registration of new and refinanced mortgages. Such guarantees involve insignificant risk.

Other contingent liabilities include other forms of guarantees at varying degrees of risk, including performance guarantees. The risk involved is deemed to be less than the risk involved in, e.g., credit facilities subject to flexible drawdown.

Jyske Bank is also a party to a number of legal disputes arising from its business activities. Jyske Bank estimates the risk involved in each individual case and makes any necessary provisions which are recognised under contingent liabilities. Jyske Bank does not expect such liabilities to have material influence on Jyske Bank's financial position.

Because of its statutory participation in the deposit guarantee scheme, the sector has paid an annual contribution of 2.5‰ of the covered net deposits until the assets of Pengeinstitutafdelingen (the financial institution fund) exceed 1% of the total net deposits covered, which level has been reached. According to Bank Package 3 and Bank Package 4, Pengeinstitutafdelingen bears the immediate losses attributable to covered net deposits and relating to the winding up of financial institutions in distress. Any losses in connection with the final winding up are covered by the Guarantee Fund's Afviklings- og Restruktureringsafdeling (settlement and restructuring fund), where Jyske Bank currently guarantees 7.91% of any losses.

The statutory participation in the resolution financing arrangements (Resolution Fund) as of June 2015 entailed that credit institutions pay an annual contribution over a 10-year period to a Danish national fund with a target size totalling 1% of the covered deposits. Credit institutions are to contribute according to their relative sizes and risk in Denmark, and the first contributions to the Resolution Fund were paid at the end of 2015. Jyske Bank expects having to pay a total of about DKK 300m over a 10-year period.

Jyske Bank is a management company under Danish joint taxation. Therefore, according to the provisions of the Danish Company Taxation, Jyske Bank is liable as of the accounting year 2013 for corporation tax, etc. for the jointly taxed companies and as of 1 July 2012 for any liabilities to withhold tax on interest and dividends for the jointly taxed companies.

	2016	2015
Guarantees		
Financial guarantees	**13,163**	11,203
Guarantee for losses on mortgage credits	**1,906**	2,140
Registration and refinancing guarantees	**1,098**	863
Other contingent liabilities	**2,034**	1,759
Total	**18,201**	15,965

35 **Other contingent liabilities**

	2016	2015
Irrevocable credit commitments	**3,295**	2,125
Other	**45**	48
Total	**3,340**	2,173

Note	DKKm	Jyske Bank 2016	2015

NOTES

36 **Transactions involving related parties**

	2016	2015
Transactions with group enterprises and associates		
Guarantees provided	**2,091**	2,160
Due from credit institutions	**943**	129
Loans and advances	**15,087**	13,231
Bonds	**14,771**	17,180
Due to credit institutions	**13,036**	10,656
Deposits	**312**	342
Other liabilities	**153**	150
Derivatives	**473**	29
Interest income	**124**	334
Interest expenses	**53**	56
Fee income	**224**	135
Fee expenses	**32**	18
Other operating income	**108**	107
Employee and administrative expenses	**551**	537
Transactions with joint ventures		
Deposits	**32**	56
Interest income	**0**	11
Other operating income	**17**	18
Employee and administrative expenses	**122**	137

Group enterprises and associates as well as joint ventures are considered related parties. Please see the Group chart.

Jyske Bank's Executive Board and Supervisory Board as well as their related parties are also considered related parties.

Jyske Bank is the banker of a number of related parties, and Jyske Bank is part of a joint funding cooperation scheme with BRFkredit a/s. Other transactions between related parties are characterised as ordinary financial transactions and services of an operational nature.

Transactions between Jyske Bank and group enterprises and associates as well as joint ventures are entered into on an arm's length or at cost.

Transactions between Jyske Bank and other related parties were executed on an arm's length basis. This also holds for the rates of interest and commission charges.

Jyske Bank A/S's Pensionstilskudsfond is a fund which offers supplementary pensions to current and former members of Jyske Bank's Executive Board and their surviving relatives. Pension liabilities are actuarial items based on a number of assumptions, cf. Note 38 to the consolidated financial statements. Therefore changes in pension liabilities cannot meaningfully be added to the annual remuneration.

The members of the Executive Board are not offered any incentive programmes. No member of the Executive Board or the Supervisory Board is specifically remunerated as a member of the board in any associated undertaking or group enterprise. Members of the Executive Board as well as Jyske Bank can mutually terminate the employment subject to a term of notice of six months. However, for Sven A. Blomberg, 12 months and 24 months, respectively. In addition, where Jyske Bank terminates the employment a severance pay equalling two years' pay will be given. At the termination of his employment, Sven A. Blomberg shall receive a severance pay corresponding to 1 year's salary.

For transactions with management, please see note 67 in the consolidated financial statements.

Note	DKKm	Jyske Bank 2016	2015
	NOTES		
37	**Hedge accounting**		
	Issued bonds		
	Amortised / Nominal value	**7,083**	3,373
	Carrying amount	**7,311**	3,604
	Subordinated debt		
	Amortised / Nominal value	**460**	149
	Carrying amount	**486**	174
	Hedging, financial instruments - swaps		
	Nominal value	**7,543**	3,523
	Carrying amount	**284**	299
	Profit/loss for the year on hedging instruments	**-15**	-40
	Profit/loss for the year on hedged items	**2**	36

Interest-rate risk

Jyske Bank applies the rules for hedge accounting of fair value. The hedging instruments used are typically interest-rate swaps, which are used for hedging against changes in the interest-rate level. Only interest rates are hedged and therefore not credit margins, etc. The above items are subject to hedging.

Hedge accounting of currency risk on investments in subsidiaries

Jyske Bank hedges the currency risk on net investments in international subsidiaries. The risk is hedged using forward exchange contracts. In 2016, revaluation of the contracts amounted to DKK 109m (2015: DKK -117m) which was recognised under other comprehensive income. At the end of 2016, the fair value of the forward exchange contracts applied amounted to DKK 0m (2015: DKK 33m).

Note		Jyske Bank
	DKKm	

NOTES

38 **Note on derivatives**

Both its clients and Jyske Bank itself use derivatives to hedge against and manage market risk. Market risk on derivatives is included in the Group's measurement of market risk. Credit risk in connection with derivatives is calculated for each counterparty and is included in Jyske Bank's overall credit risk management. Subject to specific bilateral agreement, netting of the credit risk associated with derivatives is undertaken for each counterparty.

Derivatives	**Net fair value**				**Fair value**			**Principal amount total**
	Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Assets	Liabilities	Net	Nominal value
2016								
Currency contracts	-285	2,973	-849	-21	17,788	15,970	1,818	1,072,295
Interest-rate contracts	-293	-50	-291	-245	30,165	31,044	-879	1,383,196
Share contracts	0	0	0	0	51	51	0	5,573
Commodity contracts	3	-1	1	0	129	126	3	3,754
Total	**-575**	**2,922**	**-1,139**	**-266**	**48,133**	**47,191**	**942**	**2,464,818**
Outstanding spot transactions					**65**	**39**	**26**	**51,153**
CCP netting					**-6,743**	**-6,743**	**0**	**0**
Total after CCP netting					**41,455**	**40,487**	**968**	**2,515,971**
2015								
Currency contracts	-89	-223	1,890	-11	10,761	9,194	1,567	906,142
Interest-rate contracts	-106	-18	-405	-388	27,780	28,697	-917	1,182,539
Share contracts	-8	0	0	0	18	26	-8	3,863
Commodity contracts	8	5	2	0	297	282	15	5,334
Total	-195	-236	1,487	-399	38,856	38,199	657	2,097,878
Outstanding spot transactions					30	27	3	39,087
CCP netting					-4,975	-4,975	0	0
Total after CCP netting					33,911	33,251	660	2,136,965