2016

Risk and Capital Management

JYSKE BANK

Contents

CONTENTS 1
INTRODUCTION 2
BUSINESS MODEL 3
RISK MANAGEMENT 5
CAPITAL MANAGEMENT 11
CREDIT RISK 18
COUNTERPARTY CREDIT RISK 33
MARKET RISK 36
LIQUIDITY RISK 41
OPERATIONAL RISK 52
APPENDIX 1: SUPPLEMENTARY TABLES FOR THE GROUP 55
APPENDIX 2: SUPPLEMENTARY TABLES FOR JYSKE BANK A/S 63
APPENDIX 3: SUPPLEMENTARY TABLES FOR BRFKREDIT A/S 73
APPENDIX 4: DEFINITIONS 83

Jyske Bank A/S
Vestergade 8-16
DK-8600 Silkeborg
Tel: +45 89 89 89 89
E-mail:
jyskebank@jyskebank.dk
www.jyskebank.dk
Business Reg. No.: 17 61 66 17
Prepress and printing:
Jyske Bank

Introduction

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

The report describes the capital and risk structure of the entire Jyske Bank Group (hereinafter called the Group or Jyske Bank).

The year 2016

The moderate progress in the global economy in recent years slowed down a bit in 2016 when in the US, among other places, the development of activities lost some momentum, but generally the economic recovery continues in the global economy.

Interest rates decreased further in the three first quarters where negative market rates became even more widespread. In Q4, long-term interest rates increased, particularly in the US, in anticipation of an expansive fiscal policy to be pursued by the newly elected president Donald Trump. The oil price increased significantly 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 various factors, including continuing increases in house prices in most of the country, the extremely low interest-rate level as well as increases in real wages. The development of exports, on the other hand, was relatively weak, and, on the whole, investing activity remained modest. The private savings surplus was still high, and credit growth was only slightly positive.

In January, Danmarks Nationalbank, the central bank of Denmark, changed its rate of interest on certificates of deposit unilaterally 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 would be negative throughout 2017.

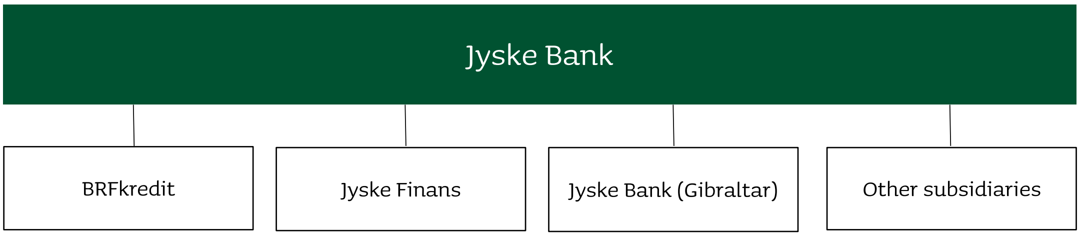
In 2016, Jyske Bank's status as a systemically important financial institution (O-SII) was confirmed. Consequently the Group was subject to an additional capital buffer requirement of 0.6% throughout 2016. The requirement will increase to 0.9% in 2017. When fully phased in, the requirement will amount to 1.5%. From 1 January 2017 a capital conservation buffer of 1.25% must be added to the capital requirement.

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 and will at the same time have the required strategic scope in respect of its capital structure. At end-2016, the Group met both of these targets due to its Common Equity Tier 1 capital ratio of 16.5% and a capital ratio of 18.3%.

Jyske Bank will in the coming years strengthen the ratios above the targets in order to meet the future regulatory requirements. Jyske Bank monitors closely the international work on the completion of further capital requirement initiatives to ensure, with due care and diligence, that the Group can meet all new requirements well before their implementation deadlines.

- Capital ratio: 18.3% (2015: 17.0%)
- Common Equity Tier 1 capital ratio: 16.5% (2015: 16.1%)
- Capital base: DKK 33.4bn (2015: DKK 30.1bn).
- EAD: DKK 559.8bn (2015: DKK 535.3bn).
- REA: DKK 182.2bn (2015: DKK 176.9bn).
- Capital requirement ratio: 10.0% (2015: 10.5%)

Business model



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

The Jyske Bank Group supports the needs of private individuals, businesses and institutions - and hence also society - for financial services that are simple, forward-looking and responsible.

The Jyske Bank Group's business area is to offer financial products and other related products and services, primarily in Denmark. Products and services that the Group does not produce itself, yet considered important to the Group's clients, are distributed from long-term partners.

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

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

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

Jyske Bank's international subsidiary Jyske Bank Gibraltar offers ordinary banking services to local enterprises and personal clients.

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

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

Jyske Bank assumes financial risks within established limits and to the extent the risk-adjusted return 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 collateral must have sufficient value as well as stability of value, and it must be substantiated that the collateral 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.

Business model

Moreover, Jyske Bank assumes market risks when the expected return matches the risk. The Group's market risk consists mainly 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 option risks.

During periods with high market volatility, positions involving market risk are reduced to the extent necessary for the stated VaR to remain within an acceptable level.

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

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

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

Risk management

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

Risk organisation

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

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

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

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

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

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

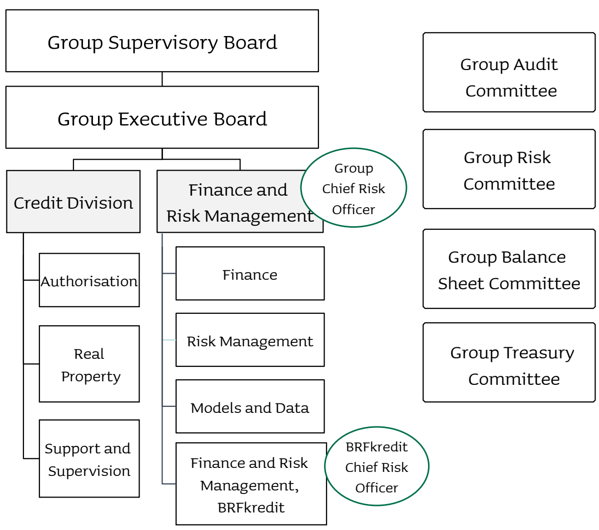
Jyske Bank has three business areas that manage market risk. Strategic market risks are managed by Group Treasury, and investments are in general based on macroeconomic principles and thus of a long-term nature. Jyske Markets and BRFkredit manage short-term market risks as part of the servicing of clients'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

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.

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

GROUP RISK ORGANISATION



Several committees consider and process risk-related issues:

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

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

- the Group's risk profile and the implementation of this in the organisation;
- the Group's capital base as well as capital requirements;
- capital and liquidity buffers with related contingency plans including the Group recovery plan;
- material changes of the model set-up for risk management as well as re-estimation and validation of models;
- internal procedures for risk measurement and management;
- assessment of material products earnings and risk profiles;
- new legislation relating to capital structure or risk management;
- topics of strategic relevance for the Group's overall risk management.

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

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

Risk reporting

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

Finance and Risk Management continuously focuses on securing a qualified basis for decisions for management and works on an on-going basis to optimise management reporting.

Risk reporting is submitted to the Group Supervisory Board, the Group Executive Board, the group supervisory board committees and relevant business areas, depending on the relevance of the contents of the report. The overview on the subsequent pages specifies the regular risk reporting that is submitted to the Group Executive Board and the Group Supervisory Board.

Moreover, risk reporting is prepared for the supervisory boards and executive boards of the individual subsidiaries.

REPORTING TO THE GROUP SUPERVISORY BOARD AND THE GROUP EXECUTIVE BOARD				
	Report	**Frequency**	**Recipient**	**Contents**
OVERALL PICTURE OF RISK	ICAAP report	Annually	Group Supervisory Board, Group Executive Board	In-depth description of the Group's statement of the capital requirements based on the 8+ method of the Danish FSA. Future implications of the Group's capital structure based on sensitivity analyses and projections under various stress scenarios.
	Group capital requirement statement	Quarterly	Group Supervisory Board, Group Executive Board	Statement of the Group's capital requirement and development in risk exposure.
	Group risk report	Quarterly	Group Supervisory Board, Group Executive Board	Information on the quarterly development in the Group's risk along with the status of established risk targets and recovery indicators. The report includes capital projections encompassing all risks in different scenarios. • The credit quality of the BRFkredit and Jyske Bank portfolios is explained, including the development of credit quality and overdraft and risk exposures along with an assessment of concentration risk. • The Group's overall market risk exposure based on authority granted at group level is described. The reporting emphasizes the key strategic risk positions at Group Treasury but also includes overall numbers for Jyske Markets and BRFkredit. • The overall balance sheet development is reported with emphasis on funding structure, refinancing risk and liquidity reserves relative to run off profiles. • For operational risk, the development in the Group's largest risks as well as realised operational losses over the recent period are reported.
	Financial and risk reporting	Quarterly	Group Supervisory Board, Group Executive Board	Reports on the development of the business units' risk-adjusted results, etc.
	Group balance sheet and liquidity report	Quarterly	Group Supervisory Board, Group Executive Board	Information about the development of the Group's balance sheet, capital, risk profile, liquidity as well as funding structure and funding requirements. Overview of supervisory diamond and leverage ratio, etc.
CREDIT RISK	Annual credit report	Annually	Group Supervisory Board, Group Executive Board	Annual credit reports are prepared for all business units that assume credit risk. In respect of Jyske Bank and BRFkredit, the annual credit report explains the credit quality in the portfolios, including the development of credit quality, overdraft, risk exposures, impairments and the concentration risk for individual clients as well as for sectors. Moreover, benchmarks for relevant key figures in the sector are set. Also, the annual credit report includes relevant themes that may change from year to year. For subsidiaries, the development in credit quality and circumstances specifically relevant to these are explained. The annual credit reports are included in the Group risk report.
	Review of exposures	Annually	Group Supervisory Board, Group Executive Board	Review of the Group's most material credit risks at client level, where all major cases are reported, and selected cases are reviewed with a view to ensuring that the risk has been measured correctly.
	Credit inspections	Monthly	Group Executive Board	Overview of the development of the completed credit inspections in the Group stating the status relative to the Group's target.
	Validation of credit models	Annually	Group Supervisory Board, Group Executive Board	Validation of all statistical models and parameters defined by experts for the calculation of credit risk, where development and results are examined.
MARKET RISK	Market risk report	Monthly	Group Executive Board	The report describes the Group's overall market risk exposure based on authority granted for both the Group and the three acting units – Group Treasury, Jyske Markets and BRFkredit. Moreover the report includes a description of liquidity positions that exceed the authorised limits as well as changes in authority granted.
LIQUIDITY RISK	Balance sheet, liquidity and funding profile	Monthly	Group Executive Board	Information about the balance sheet development including changes in the deposits and lending components; the funding structure, refinancing risk and liquidity reserves relative to run off profile. Access to and pricing of capital markets funding are also reported.
	ILAAP	Annually	Group Supervisory Board, Group Executive Board	Annual assessment of the Group's funding and liquidity adequacy profile with focus on the Group's liquidity status, managerial initiatives throughout the year as well as the development of important key figures.

Internal risk management

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

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

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

The profitability systems take into account the composition of the Group's credit portfolio, which means that concentration effects and diversification effects are reflected directly in the profitability calculations of new loans. If loans are granted to clients in sectors, for instance, which are highly correlated with the market, this will result in higher capital requirements and therefore lower profitability.

Economic capital

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

A number of internal models are used for the calculation of economic capital. The models are based on a VaR setup over a 1-year horizon for those risk types to which the Group wishes to apply quantitative modelling. The various risks covered by economic capital make varied demands on the technical portfolio risk modelling. Various sub-models are used that are specifically designed to reflect the characteristics of individual risk types.

Remuneration

The pay policy at Jyske Bank is based on common sense and efficient risk management and applies to all companies in the Group. Jyske Bank has therefore opted out of using actual bonus schemes with variable salaries. The Group's remuneration policy[1], annual report on remuneration, policy on diversity and report on corporate governance are available at www.investor.jyskebank.com/investorrelations/governance.

Reports from the Danish FSA

The Danish FSA conducts risk-related inspections at Jyske Bank. Jyske Bank has adjusted its risk management to the extent necessitated by the FSA's reports.

[1] The number of directorships of the Group Supervisory Board and the Group Executive Board appears from Jyske Bank's Annual Report.

RISK-RELATED INSPECTION REPORTS FROM THE DANISH FSA IN 2016	
Inspection of operational risks	The Danish FSA conducted an inspection of Jyske Bank's handling of operational risks. One element of the bank's management of operational risk is the registration of operational risk events that have caused the bank a loss. The bank was ordered methodically to register errors in connection with which losses have not been established but that could have resulted in losses. The bank has identified the risk scenarios in connection with which it assesses the risk to be particularly high. The FSA finds that the bank has conducted some relevant analyses. However, the Supervisory Board and the Executive Board must explicitly decide whether there is a need to prepare actions plans for these risks, or whether the Supervisory Board and the Executive Board can accept that the bank assumes the risks. Therefore the bank was ordered to make a decision on this issue. Considering that the bank is a systemically important financial institution, the FSA finds there is a need for more frequent internal reporting on operational risk and enhanced documentation of the bank's discussions of this, and therefore the bank was ordered to rectify these issues. Jyske Bank has adjusted its error registration and operational risk analysis setup according to the above. Reporting on operational risk now takes place quarterly.
Thematic inspection of market risk	In March 2016, the FSA conducted a thematic inspection at Jyske Bank A/S on the bank's management of interest-rate risk with focus on hedging transaction in respect of market risk. Through the thematic inspection, the FSA assessed the management of interest-rate risk in the trading portfolio as conducted by management and also as conducted by the acting units. The FSA found that Jyske Bank A/S' management of interest-rate risk in connection with the bank's trading portfolio is essentially in compliance with the statutory requirements in the area. The FSA found, however, that there is a risk that the bank's own limits will be exceeded in the course of the day, and therefore the bank has been ordered to introduce further measures to ensure a continuously updated picture of risk so that this risk is reduced. Jyske Bank has incorporated additional monitoring measures for interest-rate risk 2 in situations where limits are at the risk of being exceeded.
Thematic inspection of new loans for owner-occupied and cooperative housing in growth areas	In the first half of 2016, the Danish FSA conducted a thematic inspection at Jyske Bank A/S. The purpose was to examine the bank's risk tolerance in respect of new loans for financing of owner-occupied and cooperative housing in growth areas and to assess the bank's basis for decisions and compliance with credit policy and business procedures. The FSA assessed that the bank's risk tolerance was lower than the average for the inspected banks. Generally, the bank's credit policy and business procedures had not defined explicit requirements of the clients' financial ratios, but contained relevant general rules in respect of defining the risk profile wanted. The FSA established that there were many errors or omissions in the basis for decisions and that these were material in 28% of the loan authorisations. The errors and omissions concerned, for instance, the calculation of the disposable income, the assets and the debt-to-income ratio. Therefore the bank was ordered to ensure that the basis for decisions is improved to the effect that credit decisions are made on a true and fair and adequate basis. Due to the order, the bank has launched a number of initiatives, of which the two most important are: • Systems support through which the most material credit data on the client are gathered and of which the adviser will get an easy overview. • Focus on meticulousness and attitude training of both managers and advisers through meetings and webinars on the importance of having a true and fair basis for decisions and on typical sources of errors.

Supervisory diamond

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

THE SUPERVISORY DIAMOND FOR JYSKE BANK A/S	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%

At end-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%	10.5%
Loans with frequent interest-rate fixing:		
Refinancing (annually) < 25%	16.2%	22.4%
Refinancing (quarterly) < 12.5%	10.3%	15.7%

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

Disclosure

The 2016 report on risk and capital management serves as the Group's main medium for disclosure of the information required in CRR. In addition to the report a number of tables on www.investor.jyske-bank.com/investorrelations/capitalstructure provides further details on a number of areas as per the transparency requirements from the CRR. The Group assesses the need for more frequent disclosure on an ongoing basis. The need for disclosure is assessed with a view to the materiality of the information.

Capital management

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

The CRR implies the phasing in of increasing capital requirements over the coming years. The table below shows the phasing in of the capital requirements. The 2016 figures include the realised countercyclical buffer and pillar II requirement for Jyske Bank.

CAPITAL REQUIREMENT 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
O-SII buffer	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	0.0	2.0	2.5
Total	**11.3**	**12.2**	**15.1**	**16.5**

In 2016, Jyske Bank was again confirmed to be a systemically important financial institution (O-SII). Consequently the Group was subject to an additional capital buffer requirement of 0.6% throughout 2016. The 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 1.3% must be added to the capital requirement, cf. the table.

The countercyclical buffer is stated in the form of the highest possible requirement. As of December 2016 the Danish Minister of Industry, Business and Financial Affairs has set a countercyclical buffer of 0%. Jyske Bank is however still subject to countercyclical buffers in the foreign countries in which the Group has exposures. Due to a low level of foreign exposures, the current 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 requirements and will at the same time have the required strategic scope in respect of its capital structure. At end-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%. Jyske Bank will in the coming years strengthen the ratios above the targets in order to meet the regulatory requirements.

CAPITAL RATIOS		
%	**2016**	**2015**
Capital ratio (%)	18.3	17.0
Tier 1 capital ratio (%)	17.7	16.5
Common Equity Tier 1 capital ratio (%)	16.5	16.1

Capital base

At end-2016, the Common Equity Tier 1 capital amounted to 90% of the capital base against 94% at end-2015. The continued high proportion of Common Equity Tier 1 capital in the capital base demonstrates Jyske Bank's high quality capital base. The capital base is stated in the subsequent table[2].

Considering the strong capital position of the Group, Jyske Bank will continue to conduct a 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 finalised its share buy-back programme applicable during the period 1 July 2016 - 31 December 2016. During this period of time, Jyske Bank bought back 3,238,215 shares worth DKK 1bn.

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

Capital management

At Jyske Bank's annual general meeting in March 2017, the Supervisory Board proposes that 5,880,955 shares be cancelled to the effect that the number of shares are reduced from 95,040,000 to 89,159,045.
The Group Supervisory Board will in March 2017 propose to the Annual General Meeting a motion for the distribution of ordinary dividend in the amount of DKK 499m.

CAPITAL BASE		
DKKm	**2016**	**2015**
Equity	31,038	30,040
Intangible assets	-71	-88
Deferred tax assets relating to intangible assets	15	20
Cautious valuation	-268	-345
Diff. between expected losses and impairment charges	-89	-
Share-buyback programme	-	-644
Expected 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
Tier 1 capital	**32,276**	**29,212**
Tier 2 capital	1,298	403
Diff. between expected losses and impairment charges	-	665
Other deductions	-220	-192
Capital base	**33,354**	**30,088**
Risk Exposure Amount	**182,195**	**176,904**

Situations may arise necessitating a transfer of capital between the companies in the Group. The only limitation preventing a quick transfer of capital from subsidiaries to the parent company is the circumstance that BRFkredit and Jyske Bank Gibraltar are subject to CRR. Therefore the transfer of capital must take place subject to the capital requirements of the individual subsidiaries. There are no obstacles for a quick repayment of claims between parent company and subsidiaries.

Leverage ratio

A high leverage may cause the Group to be exposed to risks linked to sudden changes in market conditions and decreasing asset values with ensuing losses. The leverage ratio is a risk-neutral measure for the maximum extent of the balance-sheet leverage and is calculated as recommended by The Basel Committee as Tier 1 capital relative to the Group's total non-weighted exposures.

The EU has suggested a binding leverage ratio requirement of minimum 3% to be obtained by 31 December 2019. This corresponds to a maximum leverage of 33 times the Group's Common Equity Tier 1 capital.

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

Jyske Bank monitors the leverage with a view to avoiding excessive leverage risk. The development of the levels of leverage in the Group along with forward looking predictions are reported on a quarterly basis to the Group Supervisory Board and the Group Risk Committee.

At end-2016, the leverage ratio for the Group was at 5.4%[3]. In spite of the strategic focus on home loans, which cause an increase in the leverage ratio balance, the leverage ratio in the Group has increased slightly over the past year due to consolidation.

LEVERAGE RATIO		
%	**2016**	**2015**
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 the Group's capital structure and hence the determination of the Group's capital 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.

[3] The leverage ratio is specified in further detail according to the requirements as per the CRR on www.investor.jyskebank.com/investorrelations/capitalstructure.

Capital requirement

The capital requirement expresses the Pillar I regulatory requirements of 8% of the total risk exposure amount with additions for above normal risk under Pillar II. It thus expresses Jyske Bank's own assessment of the capital requirement given the Group's risk profile and reflects 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 calculated according to the standardised approaches.

The development of the capital requirements for credit risk, market risk and operational risk is outlined in the table below and described in the chapters covering the individual risks.

CAPITAL REQUIREMENTS BY RISK TYPE

DKKm	2016	% of REA	2015	% of REA
Pillar I				
Credit risk	11,246	6.2	11,119	6.3
Market risk	1,967	1.1	1,689	1.0
Operational risk	1,363	0.7	1,344	0.8
Capital requirement, Pillar I	14,576	8.0	14,152	8.0
Pillar II				
Credit risk	2,383	1.3	3,475	2.0
Market risk	821	0.5	130	0.1
Operational risk	435	0.2	371	0.2
Other	66	0.0	456	0.3
Capital requirement, Pillar II	3,705	2.0	4,432	2.5
Total	**18,281**	**10.0**	**18,584**	**10.5**
Capital requirement according to the transitional provisions	18,571	10.2	16,860	9.5

The Pillar I capital requirement end-2016 is slightly increased compared to end-2015 while the Pillar 2 requirement has decreased substantially. In total, the capital requirements have decreased about DKK 300m in 2016. The capital requirement according to the transitional provisions are higher than the total capital requirement excluding the combined buffer requirement as of end-2016. The capital requirement according to the transitional provisions has increased substantially from end-2015 to end-2016 as a result of the increase in home loans.

From mid-2016, Jyske Bank applies a 8+ setup when determining the capital requirement as opposed to an earlier approach with a bottom up method based on economic capital calculations.

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

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

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

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

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

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 REQUIREMENT AND CAPITAL BUFFER				
DKKm	**2016**	**% of REA**	**2015**	**% of REA**
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	-	0.0
O-SII buffer	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 recovery and resolution of credit institutions and investment firms' directive (BRRD) requires financial institutions to draw up recovery plans, which should be used in the unlikely event that the institution should be in serious financial trouble. The Jyske Bank Group is designed to facilitate the continuity of the Group's critical business processes in the event of significant financial stress.

The recovery plan contains a number of recovery options that can be undertaken. These have been tested against different stress scenarios to ensure that the Group is able to recover under different circumstances.

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

- Recovery options aiming to improve the capital ratio of the Group.
- Recovery options aiming to improve the liquidity of the Group.
- Recovery options of which the focus is to improve the profitability by reducing the cost base of the Group either through disposal or cost reductions.

The recovery plan includes recovery indicators, which are quantitative and qualitative indicators that monitor the development in capital, liquidity, profitability and asset quality of the Group and in relevant macroeconomic and market-based indicators. The indicators serve as potential warnings to allow early identification of an adverse development in the Group. As an integrated part of risk management of the Group, the indicators are monitored and reported quarterly to the Group Supervisory Board, the Group Executive Board and the Group Risk Committee, who will consider and act upon adverse developments.

The recovery plan contains a detailed mapping of business lines, departments and functions within the Jyske Bank Group enabling the Danish FSA to get a complete picture of all the activities within Jyske Bank.

Stress test

Stress testing is an important element in Jyske Bank's approach to projecting the capital base and relevant capital 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 test 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 management objective as well as its risk profile. The results of the stress test analyses are also used, for instance, to assess whether the capital level and the quality of the capital suffice and consequently whether it is necessary to implement measures from 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 are also taken into account. Examples of scenarios applied appear below.

Processes and models

The scenarios play a key role in the projection of the consolidated profit, balance sheet and capital structure. The scenario projections are based on model-based calculations as well as expert assessments.

Interaction of the methods is ensured, as past experience from the model-based approach is combined with considerations about Jyske Bank's current business structure and risk profile. The scenario projections offer a broader overview of the Group's sensitivity to the economic development.

Reverse stress testing is applied as an important supplement and in order to put the regular stress tests into perspective. Reverse stress testing enables a better understanding of the current and potential vulnerabilities of the Group, as well as circumstances under which the Group's business model would become unviable.

Processing of results

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

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

APPLIED SCENARIOS	2017 – 2019
Expected scenario	The expected scenario describes the most likely scenario for the Danish economy. The recovery in the Danish economy will continue in the coming years with steady growth. It is expected that unemployment will remain at low levels over the coming three years and house prices will increase moderately. Interest rates are expected to stay at a low level in the coming years.
Stress scenario	The stress scenario implies that the economy slides into a deep recession. A significant weakening of the confidence among Danish enterprises and households will result in a decrease in private consumption and the housing market will be affected by steep price drops. Another setback in the global economy will also reduce demand, leading to falling exports. Interest rates are expected to remain at the current low levels.

DEVELOPEMENT IN KEY MACROECONOMIC VARIABLES (DENMARK)	Expected scenario			Stress scenario		
	2017	2018	2019	2017	2018	2019
GDP	1.6%	1.7%	1.3%	-4.4%	-0.9%	1.5%
Private consumption	1.6%	1.8%	1.5%	-3.6%	-1.8%	1.0%
Unemployment rate (gross)	3.5%	3.3%	3.4%	5.6%	8.9%	8.0%
House prices	3.5%	3.0%	2.0%	-12.3%	-7.0%	2.0%
Money-market rate (average for the year)	-0.2%	-0.2%	-0.2%	-0.2%	-0.3%	-0.2%
Bond yield (average for the year)	0.5%	0.5%	0.5%	-0.1%	-0.1%	0.2%

External stress tests

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 of the financial system.

The Group participates in external stress testing exercises facilitated by the Danish FSA as well as by the EBA. The Danish FSA conducts annual macroeconomic stress testing exercises and a larger EBA stress testing exercise is conducted at least every second year.

In 2016, Jyske Bank 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[4]. The results of the stress test confirmed the robust capital structure of the Group.

New legislation

Currently there is a high number of new regulatory requirements or revisions to existing regulatory requirements, which are being processed both in the Basel Committee and within the European Union legislative system. Below is a short description of the legal changes, which is expected to impact Jyske Bank the most over the coming years.

In addition to the requirement of recovery planning, the BRRD also sets minimum requirements for own funds and eligible liabilities (MREL). MREL is the EU version of the TLAC (Total Loss Absorbency Capacity) from the Financial Stability Board in Basel. Both concepts were introduced to ensure that financial institutions in financial troubles can be winded up without losses for the taxpayers. Both concepts imply 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 new capital. This process is often referred to as a bail-in situation where senior lenders will have their loans converted into equity in the distressed credit institution or the debt will be written down. The Danish FSA has announced that the MREL requirement will be set during 2017 followed by a 5-year build-up phase.

Based on the previous announcements from the Danish FSA, Jyske Bank does not envision that it will be in need of any significant amount of neither capital, nor subordinated loans or senior debt due to future MREL requirements. However, the current senior debt will most likely have to be replaced by subordinated bail-inable senior debt when the current senior debt matures. Mortgage credit institutions are exempt from the MREL requirement, but instead they have to hold a debt buffer of 2% of the total non-weighted loans.

New capital requirement regulation by the EU

CRD IV/CRR is the 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 financial institutions and to ensure a level playing field among European financial institutions. The CRR is currently under revision and the main change will be the introduction of the revised requirements for the calculation of capital requirements in the trading book (FRTB). It is expected 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 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), which is a 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.

[4] https://www.finanstilsynet.dk/en/Tilsyn/Resultater-af-EU-tests/EU-stresstest-2016

New guidelines from 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 (this work is often referred to as Basel IV requirements). Jyske Bank is actively monitoring the regulatory developments and regularly publicly comments 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 known as Basel IV includes:

- Limitations on the use of the internal rating based method for calculation of own funds 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 on the estimated loss given default (LGD). This is a requirement, which potentially can increase the own funds requirements for mortgage loans with low loan–to-value 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, due to the so-called output floor, which is a requirement applying to all advanced banks. In the future, the revised floor has to be calculated on the basis of the new standardised approach as opposed to currently where it is calculated 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 Jyske Bank's capital requirements.

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

Credit risk

- In 2016 the exposure increased by 5% and the own funds requirement for credit risk increased by 1%.
- Continued growth in home loans increased exposures as well as the own funds requirement.
- Exposure in repo products decreased without any significant effect on the own funds requirement.

Credit policy and responsibility

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

Credit risk is managed through Jyske Bank's credit policy with the objective 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 undertakes credit risk, and credit risk levels and undesirable types of business have been identified. The policies are regularly adjusted to meet current requirements and adapted to the management tools available to account managers and the monitoring functions.

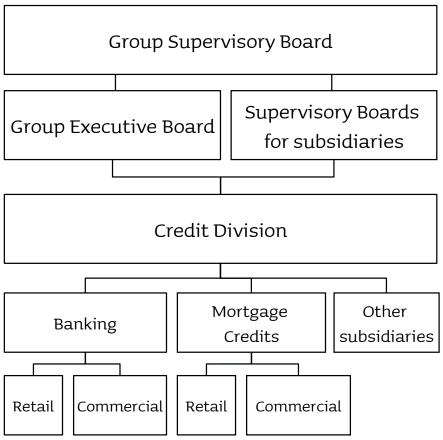
Credit risk is managed on the basis of the Group's credit risk models which are used for various purposes, for instance in connection with the advisory services offered to the Group's clients, and in management reporting.

Limits and authorisation

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

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

LIMIT STRUCTURE



Limits are delegated to account managers individually. Decisions about applications over and above the limits delegated to account managers are made by the Credit Division. Credit-related decisions above the limits of the Credit Division are made by the Group Executive Board for credit cases at Jyske Bank A/S, whereas the supervisory boards of the individual subsidiaries authorise cases involving clients of the subsidiaries. The Group Executive Board is represented in the supervisory Board of the subsidiaries.

The credit process and monitoring

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

Monitoring of the credit risk positions of the Group is carried out by two departments, Risk Management and Credit Risk Supervision. Both of these departments are separated from client-oriented functions.

Large exposures

Large exposures are monitored on a regular basis in accordance with CRR, including exposures larger than 10% of the Group's capital base. At end-2016, no exposures exceeded 10% of the capital base. Four exposures amounted to between 5% and 7.5% of the capital base and no exposures were between 7.5% and 10% of the capital base.

Risk models

The Group applies the advanced approach to calculate the own funds requirement for the majority of the Group's credit portfolio. The Group makes exceptions for exposures to governments and public sector entities, central banks and institutions, which are consequently processed according to the standardised approach. In connection with the merger of Jyske Bank and BRFkredit, an on-going adjustment of the AIRB risk models across the Group will take place if this is considered appropriate on the basis of a business assessment or due to statutory requirements.

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

Credit assessment and PD

Credit procedures are adjusted to match the level of risk on individual exposures. The key element is the client’s credit quality, referred to as credit rating, as this expresses the likelihood of the client defaulting during the coming year (PD). 'Default' occurs when an obligor is considered unlikely to meet his obligations to the Group. By far, most clients are awarded a PD on the basis of statistical credit scoring models developed internally in the Group. Very large enterprises and enterprises within special sectors are, however, awarded a PD on the basis of an assessment by an independent expert.

Examples are financing companies, financial institutions and 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 warning signals in relation to the client’s credit quality, payment profile and loss history.

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

The subsequent table shows the mapping between credit ratings, PD and external ratings at end-2016.

INTERNAL RATINGS AND PD BAND

JB Credit rating	BRFkredit Credit rating	PD band (%)	External rating equivalence
1		0.00 - 0.10	Aaa-A3
2	1	0.10 - 0.15	Baa1
3		0.15 - 0.22	Baa2
4		0.22 - 0.33	Baa3
5	2	0.33 - 0.48	Ba1
6		0.48 - 0.70	Ba2
7	3	0.70 - 1.02	Ba3
8		1.02 - 1.48	B1
9	4	1.48 - 2.15	B1-B2
10	5	2.15 - 3.13	B2
11		3.13 - 4.59	B3
12	6	4.59 - 6.79	Caa1
13		6.79 - 10.21	Caa2
14	7 and 8	10.21 - 20.0	Caa3/Ca / C

Note: BRFkredit's rating class 8 includes PDs above 20%.

The Group's internal credit ratings and the mapped BRFkredit credit 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, BRFkredit credit rating and the external credit ratings is based on the currently observed default frequency for companies rated by BRFkredit and Moody's. The mapping between JB credit rating, BRFkredit credit rating and external ratings is therefore dynamic. Observations are made on at least a quarterly basis to determine whether changes are to be made in the mapping.

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

Credit exposure

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

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

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

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

Collateral

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

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 Banks ability to collect receivables and liquidate collateral.

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

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

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

Development in REA

The Group’s risk-weighted exposure amount (REA) for credit risk increased by 1% in 2016, which is the result of an increase by 2% related to the AIRB approach and a 7% decrease related to the standardised approach. At the same time, the exposures increased by 5%. The increased exposure level is primarily associated to the increased volume of fully collateralised mortgage loans.

EAD AND RISK-WEIGHTED EXPOSURE FOR CREDIT RISK

DKKm	2016	2015	Change
EAD	559,827	535,283	5%
REA for credit risk	138,923	137,325	1%

Note: The risk-weighted exposure amount is exclusive of CVA risk, which at end-2016 amounted to DKK 1,654m compared to DKK 1,662m at end-2015.

Development in exposures and collateral

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

For the standardised approach, the development in exposures can essentially be attributed to the increase in exposures by DKK 10bn to multilateral development banks and the decrease in exposures to institutions (DKK -2bn) and central banks (DKK -2bn). The developments for multilateral development banks are mainly related to repo product covered by collateral. Multilateral development banks receive a 0% risk weight according to CRR.

Institutions are affected by several effects. The exposure change is the result of a decrease in repos and a slightly smaller increase in financial instruments. The effect on REA is reduced throughout 2016 due to the following factors.

- Jyske Bank began to identify short-term products (< 3 months residual maturity) that qualify for reduced risk weighting compared to other institutional exposures;
- Better credit quality of new repos compared to expired repos;
- An overall decrease in business volume to institutions in BRFkredit.

In addition to the REA development described for institutions, REA related to the equity exposure class increased in 2016 because of increased holdings as well as higher stock values.

The increase in financial collateral in 2016 can almost entirely be attributed to collateral related to the repo increase for multilateral development banks and the decrease related to institutions.

The Group's average risk weight according to the standardised approach decreased from 20.8% to 17.9% throughout 2016, which can primarily be attributed to the development for institutions described previously.

BREAKDOWN OF COLLATERAL BY EXPOSURE TYPE ACCORDING TO THE STANDARDISED APPROACH

DKKm	Exposure	Financial collateral	REA 2016	REA 2015
Central governments or central banks	4,933	48	-	-
Regional governments or local authorities	8,357	2,882	0	0
Public sector entities	259	197	12	0
Multilateral development banks	9,708	6,407	-	-
International organisations	-	-	-	-
Institutions	46,805	31,205	4,501	6,086
Corporates	3,018	1,130	1,648	1,743
Retail	1,159	851	230	400
Secured by mortgages on immovable property	2,078	-	716	797
In default	1,456	134	705	630
Exposures associated with particularly high risk	1	1	-	-
Institutions with a short-term credit assessment	340	-	170	153
Covered bonds	2,310	-	231	267
Equity	3,024	-	6,727	6,064
Total 2016	**83,447**	**42,853**	**14,939**	
Total 2015	77,645	39,493		16,140

Note: It should be noted that exposures to central banks, central governments and government units are risk-weighted by 0%, and therefore financial collateral does not provide any credit risk mitigating effect for these counterparties. The risk weighting for defaulted clients are highly correlated with the level of provisions associated. According to the standardised approach, real property collateral equals the exposure class secured by mortgages on immovable property and are therefore not shown explicitly.

In connection with the AIRB approach, the exposure development (DKK 17bn) can be attributed to a slight decrease in the exposures to corporate clients (DKK -3bn) and a considerable increase for the retail exposure class (DKK 20bn).

For corporate clients the development related to the following factors:

- Increased mortgage lending to corporate clients in BRFkredit (DKK 12bn), which is associated with an almost similar increase in real property collaterals.
- A large decrease in repo exposures (DKK -23bn) with an associated decrease in financial collaterals.
- An increase in exposures to financial instruments (DKK 5bn), of which a fair share can be attributed to the USD appreciation during 2016. These exposures are largely covered by financial collaterals, and therefore do not add significantly to REA.
- Increased exposures to corporate clients in Jyske Bank A/S for which the collateralisation coverage was increased (DKK 3bn); hence REA was not affected considerably.

.

The increase in the retail exposure class related primarily to the continuous sales of home loans in Jyske Bank A/S, which were subsequently transferred to BRFkredit a/s.

In total the AIRB portfolio REA has increased by DKK 1.8bn compared to end-2015, of which corporates decreases by DKK 0.8bn and retail increases by DKK 2.6bn.

The Group’s average risk weight according to the AIRB approach decreased from 25.5% to 25.0% over the year, which is a natural consequence of the high degree of collateralisation for the increased exposure level.

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

DKKm	Exposure	Collateral: Real property collateral	Collateral: Financial Collateral	Collateral: Physical collateral	Collateral: Other Funded collateral	Collateral: Guarantee collateral	REA 2016	REA 2015
Corporates, total	260,294	140,467	43,873	8,296	4	2,562	77,340	78,096
Large corporate clients	*204,578*	*134,719*	*37,023*	*2,112*	*3*	*741*	*51,299*	*45,131*
Specialised lending	*412*	-	-	-	-	-	*326*	*275*
SME corporates	*55,305*	*5,748*	*6,850*	*6,184*	*1*	*1,821*	*25,716*	*32,689*
Retail, total	208,327	173,268	1,630	5,362	6	56	39,728	37,187
Real property, personal	*174,270*	*167,640*	-	-	-	-	*29,463*	*26,126*
Real property, SMEs	*8,531*	*5,628*	-	-	-	-	*2,392*	*2,508*
Other retail, private	*17,799*	-	*1,097*	*3,770*	*2*	*30*	*5,310*	*5,797*
Other retail, SMEs	*7,727*	-	*533*	*1,592*	*3*	*26*	*2,563*	*2,756*
Total 2016	**468,620**	**313,736**	**45,503**	**13,658**	**10**	**2,618**	**117,068**	
Total 2015	451,552	281,607	64,263	12,599	5	2,520		115,283

Note: The above does not include collateral of DKK 1.9bn at end-2016 recognised with a direct substitution impact, where exposures are transferred to other counterparties. The table does not include securitisations and assets without counterparties.

The table below shows an overview of exposures by sectors. The increase in the corporate exposure class relates primarily to the real property sector with a great deal of new clients in BRFkredit. The decrease in the finance and insurance sector relates to an overall decrease in repo exposures. The overall decrease in repo exposures should be seen in the context of the continuous regulatory restraints relating to these kind of exposures.

The continued success of home loans results in an increase in exposure in the personal clients sector. The reduction of certificates of deposits with Danmarks Nationalbank is the primary reason for the decrease in exposure to the governments sector.

A new large client accounts for the main part of the increase in exposures to the public authorities sector. This had no effect on the risk weighted exposure amounts, as it is a client with a 0% risk weight.

EXPOSURES BROKEN DOWN BY SECTOR

DKKm	Exposures according to the AIRB method	Exposures according to the standardised approach	Total 2016	Total 2015
Banks and mortgage credit institutions	-	52,831	52,831	51,402
Construction	5,763	29	5,792	4,531
Energy supply	5,534	20	5,554	5,775
Real property	131,411	246	131,657	119,170
Finance and insurance	53,763	11,148	64,911	80,410
Manufacturing, mining, etc.	13,753	168	13,921	13,094
Commerce	13,976	44	14,020	13,153
Information and communication	1,093	4	1,097	1,013
Agriculture, hunting, forestry and fishing	11,017	30	11,047	11,530
Public authorities	367	10,361	10,727	8,405
Governments	-	3,864	3,864	5,405
Transport, hotels and restaurants	5,739	166	5,905	5,624
Other sectors	20,413	1,123	21,536	20,298
Personal clients	205,791	3,415	209,205	189,388
Total	**468,620**	**83,447**	**552,068**	**529,197**

Note: The table does not include securitisations (DKK 990m) and assets without counterparties (DKK 6,769m).

Credit Risk

Development in bank loans

Exposures in Jyske Bank A/S decreased in 2016 by DKK 2bn (-0.6%), which was primarily a result of a decrease in repo exposures. There were increased exposures in most of the other product categories. Home loan exposures increased by DKK 7bn in Jyske Bank A/S.

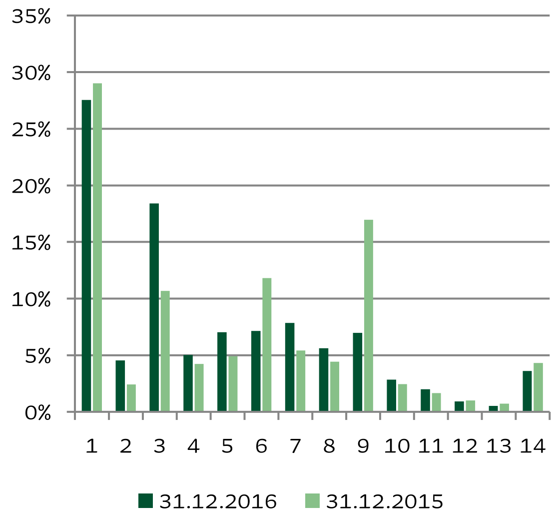
The charts below show non-defaulted exposures broken down by credit rating, for corporates and retail exposure classes respectively.

The breakdown of the corporate exposure class by credit rating shows that over the year the percentage of clients in the best rating class increased. The decrease in STY 9 exposures relates to the decrease in repo exposures, which also is the case for the STY 1 change. The increases in the best rating classes relates primarily to improved credit ratings and increased exposures to clients within the best rating classes.

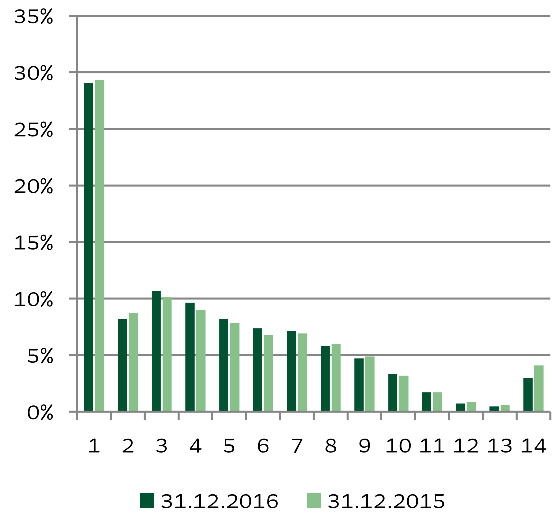
The decrease in the lowest rating class (STY 14) related primarily to improvements in credits ratings, e.g. after improved fiscal results. At the same time, there was a decrease in exposures for existing clients within the STY 14 rating class. Some of these clients have defaulted.

For the retail exposure class only small changes were observed. The decrease in the rating class with the lowest credit quality (STY 14) related to a shift towards the better rating classes. The majority of clients with home loans have a good credit rating, so the increase in exposure due to home loans resulted in a movement towards better ratings as seen in the chart below.

Corporate exposure class by credit rating



Retail exposure class by credit rating



Development in mortgage loans

The Group's mortgage loans calculated at fair value amounted to DKK 278.4bn at end-2016, which is an increase of nearly DKK 30bn since end-2015. The portfolio has an acceptable diversification in respect of property categories, geography and loan types.

Mortgage loans consist of loans for private clients, subsidised housing, private property rental, including cooperative housing as well as office and business properties. The remaining part of the mortgage loans is primarily granted to industrial properties, workshops, etc. On the whole, loans to housing account for more than 86% of the mortgage loans.

The increase in mortgage loans caused a minor increase in the proportion of loans to private individuals. It is expected that this proportion will increase further in 2017.

LOANS BROKEN DOWN BY PROPERTY CATEGORY

%	2016	2015
Private (owner-occupied homes & vacation homes)	52	51
Subsidised housing	17	18
Private property rental	12	11
Cooperative housing	6	6
Office and business properties	12	12
Other	2	2
Total	**100**	**100**

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

GEOGRAPHIC BREAKDOWN OF LOANS

%	2016	2015
Greater Copenhagen region	47	46
Zealand region	13	13
Northern Jutland region	7	7
Central Jutland region	19	19
Southern Denmark region	14	15
Outside Denmark	1	1
Total	**100**	**100**

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

LOAN-TO-VALUE BROKEN DOWN BY LTV RANGES

%	0-19.9	20-39.9	40-59.9	60-79.9	80-89.9	90-99.9	> 100	Avg. LTV
Private (owner-occupied homes & vacation homes)	33	30	24	12	1	0	0	64
Subsidised housing	67	17	10	3	1	1	1	45
Private property rental	27	27	24	16	3	1	1	70
Cooperative housing	34	26	19	13	3	2	3	62
Office and business properties	32	30	26	8	1	1	1	62
Other	39	30	20	9	2	1	1	55
Total loan portfolio 2016	**38**	**27**	**21**	**10**	**1**	**1**	**1**	**61**
Total loan portfolio 2015	38	26	21	11	2	1	1	63

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

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

Due to the development in property prices over the past year, the requirement for supplementary collateral decreased slightly. At end-2016, supplementary collateral in the amount of DKK 8.4bn was required against DKK 9.0bn the previous year to cover the loans that were no longer secured within the LTV limits.

BRFkredit issued senior debt in the amount of EUR 500m, which together with BRFkredit's equity form the collateral basis.

The majority of the mortgage loans consists of adjustable-rate loans, which at end-2016 amounted to 60% of all mortgage loans. Over the past year, the proportion of loans with repayment increased considerably and amounted to 58% of all mortgage loans at end-2016.

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

The development in arrears continued to show a positive trend for personal clients. For corporate clients, arrears increased slightly for some property categories. This was not caused by any general turn for the worse in connection with corporate clients as the increasing arrears related to a few corporate clients. In recent years, arrears have generally decreased despite the low economic growth or the absence of economic growth. The historically low interest rates improved the liquidity situation of corporate and personal clients.

LOANS BROKEN DOWN BY TYPE OF LOAN AND PROPERTY CATEGORY

	Adjustable-rate loans		**Fixed-rate loans**		**Guarantee loans**		**Other**
%	**Repayment**	**Interest only**	**Repayment**	**Interest only**	**Repayment**	**Interest only**	
Private (owner-occupied homes & vacation homes)	12	18	13	4	2	3	0
Subsidised housing	6	0	8	0	0	0	3
Private property rental	3	7	1	0	0	0	0
Cooperative housing	1	2	2	0	0	0	1
Office and business properties	3	7	1	0	0	0	0
Other	1	0	1	0	0	0	0
Total 2016	**26**	**34**	**26**	**5**	**2**	**3**	**4**
Total 2015	22	34	20	9	3	8	5

DEVELOPMENT OF ARREARS							
%	**Period (days)**	**Q4 2016**	**Q3 2016**	**Q2 2016**	**Q1 2016**	**2015**	**2014**
Private (owner-occupied homes & vacation homes)	15	1.2	1.3	1.3	1.4	1.4	1.8
	45		0.6	0.6	0.6	0.7	0.9
	90		0.4	0.4	0.4	0.4	0.5
	105		0.3	0.3	0.3	0.3	0.4
	195			0.1	0.1	0.1	0.2
Subsidised housing (rental housing)	15	0.2	0.0	0.3	1.1	0.2	0.1
	45		0.0	0.0	0.0	0.0	0.1
	90		0.0	0.0	0.0	0.0	0.0
	105		0.0	0.0	0.0	0.0	0.0
	195			0.0	0.0	0.0	0.0
Private rental properties (rental housing)	15	4.4	3.5	0.6	0.8	0.7	4.9
	45		3.0	0.3	0.4	0.4	3.9
	90		2.8	0.2	0.2	0.3	0.7
	105		2.7	0.2	0.2	0.2	0.7
	195			0.2	0.2	0.2	0.3
Office and business properties	15	1.5	0.9	2.0	0.5	1.0	2.6
	45		0.3	1.0	0.2	0.4	2.4
	90		0.0	0.9	0.2	0.2	1.2
	105		0.0	0.9	0.2	0.2	0.5
	195			0.0	0.0	0.1	0.0
Cooperative housing	15	0.1	0.7	0.8	1.2	0.0	0.1
	45		0.3	0.6	0.9	0.0	0.1
	90		0.3	0.4	0.2	0.0	0.1
	105		0.2	0.4	0.2	0.0	0.1
	195			0.3	0.0	0.0	0.0
Other (agriculture, industry & crafts, etc.)	15	2.3	0.2	1.4	1.7	0.3	0.4
	45		0.1	0.1	0.1	0.0	0.1
	90		0.0	0.0	0.0	0.0	0.0
	105		0.0	0.0	0.0	0.0	0.0
	195			0.0	0.0	0.0	0.0
Total loan portfolio	15	1.1	1.1	1.0	1.1	0.8	1.4
	45		0.6	0.4	0.4	0.4	0.9
	90		0.4	0.3	0.2	0.2	0.4
	105		0.4	0.2	0.2	0.2	0.3
	195			0.1	0.1	0.1	0.1

Loan impairment charges and provisions for guarantees

Jyske Bank evaluates all loans and advances for impairment. Objective evidence of impairment is identified if one or more of the following events have occurred:

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

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

Risk categories

The Group divides exposures with objective evidence of impairment into up to three categories: exposures with low, high and full risk. The latter two risk categories consist of defaulted clients.

Impairment process

Significant loans and advances as well as loans and advances for which loss has been identified are evaluated 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 expected future payments, an impairment charge is made.

Loan impairment charges - individual exposures

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

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

Loan impairment charges – collective recognition

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

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

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

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

BRFkredit evaluates loans which are not individual impaired in a statistical model. Statistic impairments are calculated according to a segmentation model where an initial segmentation is made with a view to dividing the portfolio into groups with similar credit characteristics. A review for impairment of the respective segments is primarily made on the basis of an arrears model and, alternatively, against the background of an assessment of whether the trend in various macrovariables has provided an objective indication of impairment.

Moreover, in the Group a management's estimate is made to determine whether the impairment charges according to the above-mentioned guidelines are sufficient, and further impairment charges are recognised if necessary.

Provisions for guarantees and other liabilities
A provision is made when it is considered likely that a commitment will cause a drain on the Group's resources, and the liability can be measured reliably.

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

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

Provisions equal the estimated loss.

New regulations
On 1 January 2018 new impairment rules, based on IFRS 9 will replace the existing rules, IAS 39. The new impairment rules under IFRS 9 will change the impairment model from the existing incurred-loss model to a model based on expected loss.

It is not possible at this stage to make a reasonable estimate of the effect on impairments following the initial application of IFRS 9. However, it is generally expected that the new impairment rules for banks will, on the whole, lead to increased provisions.

A negative net impact of the new expectations-based IFRS 9 impairment rules will initially have similar effect on the capital base. To counter an adverse effect on their capital base and the financial institution's opportunities to support credit approvals, the European Commission proposed a 5-year transition period as an element of a reform package.

Overall, Jyske Bank assesses the impact of IFRS 9 on the capital reserves to be insignificant at the commencement of the rules in 2018, while the impact on the capital reserves in the future will be negatively affected as the impact of transitional period is phased out.

Trend in loan impairment charges and provisions for guarantees
The total balance of loan impairment charges and provisions for guarantees stood at DKK 6.0bn at end-2016 (end-2015: DKK 6.7bn). The breakdown of the loan impairment charges by individually and collectively assessed loans appears from the following table. Moreover, the discount balance from acquired assets at end-2016 amounts to DKK 0.9bn against DKK 1.5bn at end-2015. Hence the total balance of impairment charges and provisions inclusive of discount amounts to DKK 6.8bn (end-2015: DKK 8.3bn).

Provisions for financial instruments are recognised in the item value adjustments, and as the negative market value of financial instruments is included in the statement of EAD, the balance of these value adjustments is also shown in the table below. At end-2016, the balance of value adjustments amounted to DKK 216m (2015: DKK 458m).

IMPAIRMENT CHARGES AND PROVISIONS FOR GUARANTEES

DKKm	2016	2015
Balance of impairment charges for individually-assessed loans and advances	4,291	4,567
Balance of impairment charges for collectively-assessed loans and advances	1,227	1,686
Balance of provisions for guarantees and liabilities	434	475
Balance of loan impairment charges and provisions for guarantees	**5,952**	**6,728**
Balance of discounts	879	1,548
Balance of loan impairment charges and provisions for guarantees incl. balance of discounts	**6,831**	**8,276**
Balance of value adjustments	216	458
Balance of loan impairment charges and provisions for guarantees incl. balance of discounts and balance of value adjustments	**7,047**	**8,734**

The development in loan impairment charges and provisions for guarantees amounted in 2016 to DKK -202m (2015: DKK -1,372m) and Jyske Bank recognised as interest income DKK 350m (2015: DKK 1,025m) from the discount balance. Hence the total net effect recognised in the income statement came to DKK 149m (2015: DKK -347m).

The effect from value adjustments on financial instruments came to DKK 243m in 2016 (2015: DKK 298m).

NET EFFECT FROM IMPAIRMENT CHARGES, ETC.		
DKKm	**2016**	**2015**
Loan impairment charges and 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	**-202**	**-1,372**
Recognised discount for assets taken over	350	1,025
Net effect on income statement	**149**	**-347**
Value adjustments for financial instruments	243	298
Net effect on income statement, inclusive of value adjustments	**391**	**-48**

IMPAIRED AND PAST DUE EXPOSURES BROKEN DOWN BY SECTOR

DKKm	EAD for impaired exposures	EAD for past due exposures	EAD, both past due and impaired	Balance of loan impairment charges and provisions for guarantees incl. discounts and value adjustment	Net effect from impairment charges and provisions for guarantees
Banks and mortgage credit institutions	16	-	-	15	-
Construction	674	35	33	142	-50
Energy supply	636	-	-	32	2
Real property	10,231	1,486	1,210	2,030	791
Finance and insurance	1,481	27	11	840	39
Manufacturing, mining, etc.	1,474	1	-	211	87
Commerce	2,172	21	1	164	74
Information and communication	205	-	-	68	-23
Agriculture, hunting, forestry and fishing	4,284	21	17	1,466	-314
Transport, hotels and restaurants	483	2	1	102	9
Public authorities	-	-	-	-	-
Other sectors	1,100	76	23	258	21
Personal clients	6,995	1,269	1,137	1,719	-246
Total 2016	**29,750**	**2,938**	**2,433**	**7,047**	**391**
Total 2015	38,412	2,828	2,616	8,735	-48

Agriculture, hunting, forestry and fishing make up the most risky sector for the Group in terms of balance of impairment charges as a percentage of total EAD amounted to 13.3% end-2016 (end-2015: 13.6%). The sector experienced minor improvements due to increasing sales prices, however, going forward the situation is still expected to be critical.

Real property accounts for the largest absolute impairment charges. The balance of impairment charges as a percentage of total EAD amounted to 1.5% at end-2016 (end-2015: 2.6%). Improvements in the sector were due to higher prices of commercial properties and increases in the market value of financial instruments, including interest-rate swaps.

The balance of impairment charges for personal clients as a percentage of total EAD was still relatively low and amounted to 0.8% at end-2016 (end-2015: 0.9%).

Re-estimation and validation of models

On an on-going basis the credit risk models are adjusted to improve quality and to ensure compliance with current and future legislation. Therefore, whether based on statistical models or on expert opinions, the models behind the calculations of PD, LGD and EAD are validated at least annually. The validation includes stability testing and back-testing, and its objective is to reveal any areas which require special attention. Validation is carried out quantitatively as well as qualitatively.

Re-estimation and model improvements of the credit risk models are undertaken when needed due to the validation results, changing business requirements or significant changes in the legal requirements.

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

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

The figures relate to AIRB clients with Jyske Bank A/S. Following the merger of Jyske Bank and BRFkredit in 2014, the AIRB risk models will be adjusted over the coming years to cover both companies. The realised figures were lower than or at level with the estimated figures for PD, LGD and expected loss.

PD

	Exposure to corporates	Qualified revolving retail exposures	Exposure to retail clients secured against real property	Other retail exposures	Total
2016					
Realised	1.85%		0.47%	0.61%	0.65%
Estimated	2.96%		0.91%	1.18%	1.22%
2015					
Realised	3.08%		0.63%	1.07%	1.07%
Estimated	3.33%		0.76%	1.07%	1.13%
2014					
Realised	3.48%	0.55%	0.57%	0.94%	0.84%
Estimated	2.69%	0.65%	0.80%	1.43%	1.02%
2013					
Realised	3.05%	0.43%	0.65%	0.92%	0.75%
Estimated	2.89%	0.72%	0.86%	1.46%	1.06%
2012					
Realised	3.28%	0.54%	0.72%	0.94%	0.86%
Estimated	3.13%	0.71%	0.87%	1.42%	1.08%
2011					
Realised	3.66%	0.60%	0.84%	1.21%	0.99%
Estimated	3.08%	0.72%	0.94%	1.49%	1.10%

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

EXPECTED LOSS	Exposure to corporates	Qualified revolving retail exposures	Exposure to retail clients secured against real property	Other retail exposures	Total
2016					
Realised	0.19%		0.11%	0.40%	0.19%
Estimated	0.51%		0.24%	0.82%	0.49%
2015					
Realised	0.30%		0.11%	0.64%	0.29%
Estimated	0.65%		0.17%	0.68%	0.54%
2014					
Realised	0.48%	0.19%	0.17%	0.42%	0.41%
Estimated	0.68%	0.36%	0.28%	0.78%	0.60%
2013					
Realised	0.63%	0.17%	0.22%	0.40%	0.52%
Estimated	0.58%	0.37%	0.34%	0.79%	0.54%
2012					
Realised	0.60%	0.24%	0.25%	0.56%	0.52%
Estimated	0.57%	0.35%	0.30%	0.71%	0.53%
2011					
Realised	0.80%	0.27%	0.31%	0.61%	0.65%
Estimated	0.79%	0.39%	0.38%	0.73%	0.67%

LGD	Exposure to corporates	Qualified revolving retail exposures	Exposure to retail clients secured against real property	Other retail exposures	Total
2016					
Realised	26%		17%	47%	38%
Estimated	39%		23%	48%	42%
2015					
Realised	28%		16%	45%	38%
Estimated	40%		22%	48%	43%
2014					
Realised	27%	50%	21%	38%	37%
Estimated	38%	58%	22%	51%	44%
2013					
Realised	27%	58%	15%	37%	37%
Estimated	37%	59%	25%	49%	43%
2012					
Realised	30%	54%	19%	36%	37%
Estimated	39%	58%	25%	49%	43%
2011					
Realised	35%	51%	19%	36%	38%
Estimated	40%	60%	26%	47%	44%

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

Counterparty credit risk

- The level of counterparty credit risk has increased in 2016 due to increased business volume and strengthening of USD.
- The CVA risk charge level at end-2016 is almost unchanged compared to end-2015 but has fluctuated throughout the year, especially around Brexit and most recently around the US presidential election.

Counterparty credit risk is the risk of loss due to a counterparty failing to fulfil its obligations. Counterparty credit risk is generated when Jyske Bank trades derivatives or securities-financing instruments (STFs) with clients.

Jyske Bank calculates counterparty credit risk as the sum of market values and market risk on derivatives traded between the Group and the counterparty. Market risk on the Group's counterparties is measured for the risk types interest-rate, equity, currency and commodity risk. The principles behind these are described in the section on market risk.

Policy and management

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

To manage and monitor large counterparty exposures, the Group calculates settlement risk. To reduce settlement risk, transactions will, to the extent possible, take place through a Continuous Linked Settlement (CLS) system. Jyske Bank is a third-party member of the CLS system in which settlement is based on the principle of "payment to payment", thus reducing the settlement risk of FX transactions made between participants of the system.

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

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

Risk reduction

For its transactions involving derivatives, the Group seeks to mitigate risk by:

- Clearing through a Central Counterparty (CCP).
- Requiring master netting agreements, which give the Group the right of netting market values of derivatives trades in case of counterparty default.
- Attaching collateral management agreements to the master agreements, which entitles the Group to additional collateral, in case the counterparty's debt to Jyske Bank exceeds an agreed amount.

The table below shows to which extent the Group clears derivatives through a CCP. Of the total amount of principals not centrally cleared in 2016, 93% was covered by a collateral agreement. The remaining 7% was covered by netting agreements.

OTC DERIVATIVES (JYSKE BANK A/S)

	2016		2015*	
DKKm	Notional amount	Exposure after netting	Notional amount	Exposure after netting
CCP	825,773	0	607,269	60
Non-CCP	1,571,823	13,331	1,462,486	9,365
Total	**2,397,595**	**13,331**	**2,069,755**	**9,426**

*Comparative figures for 2015 have been adjusted.

In 2016, the share of derivatives cleared through CCPs, measured by notional amount, increased by 5% compared to 2015.

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

Counterparty credit risk

Where only short-term derivatives are traded (term up to six months), agreements about additional margin may be waived after individual assessment. Looking into 2017, new rules on margins for non-centrally cleared OTC derivatives will take effect in March 2017, making it mandatory for all financial counterparties to have agreements on collateral covering short-term derivatives as well (spot transactions exempted). Currently Jyske Bank is going through all collateral agreements to ensure compliance with the coming rules.

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

COUNTERPARTY CREDIT RISK

DKKm	2016	2015*
Gross exposure	48,133	39,109
Effect of netting	34,803	29,684
Exposure after netting	13,331	9,426
Effect of collateral	4,059	1,703
Exposure after netting and collateral	9,272	7,723

*Comparative figures for 2015 have been adjusted.

A small proportion of the Group's bilateral agreements on provision of collateral includes rating-dependent parameters that trigger requirements for further provision of collateral in the form of lower minimum transfer amount or higher independent amounts. Jyske Bank will be affected if the Group's rating hits BBB-, but the requirement for further collateral at this rating is very limited. A further downgrade to BB+ will result in a larger, however still limited, collateral requirement.

Wrong-way risk

Wrong-way risk occurs when the exposure to a counterparty is negatively correlated with the credit quality of that counterparty. General wrong way risk (GWWR) occurs when the credit quality of a counterparty is correlated with specific macroeconomic factors that also affect the value of the derivative transaction. Specific wrong way risk (SWWR) arises when the exposure to a counterparty is positively correlated with the probability of default of that counterparty due to the type of transaction with the counterparty.

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

Own funds requirements

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

Group counterparty exposure at default according to the mark-to-market method is shown in the table below. The counterparty credit exposure increased by DKK 5bn in 2016 primarily due to increased business volume and strengthening of the USD. A large part of the exposure is covered by CSA agreements, and therefore the actual counterparty credit exposure is lower. The own funds requirement forms part of the own funds requirement for credit risk.

EXPOSURES RELATING TO COUNTERPARTY RISK

DKKm	2016	2015*
Exposure to governments	59	56
Exposure to institutions	20,511	14,951
Exposure to corporate clients	5,236	4,944
Exposure to retail clients	97	112
Total	**25,903**	**20,063**

*Comparative figures for 2015 have been adjusted.

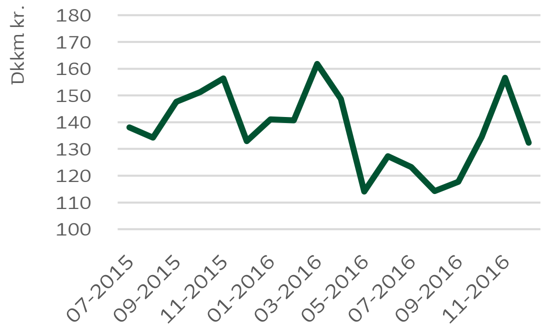
The counterparty credit risk at BRFkredit is modest, and at end-2016 it amounted to less than 1% of BRFkredit's total risk exposure, which level was unchanged relative to end-2015. Moreover, a large proportion of BRFkredit's securities portfolio consists of AAA-rated Danish Covered Bonds, and therefore the counterparty credit risk is limited further.

The portfolio of Credit Default Swaps (CDSs) has changed marginally relative to 2015 and consisted at end-2016 of 12 CDSs, of which 6 were sold and 6 were bought. The total nominal exposure decreased marginally due to the change of the portfolio and amounts to DKK 655m. The underlying exposures for the sold CDSs were individual credits and consisted of exposures to governments. For the bought CDSs the exposures were mainly towards credit indices.

CVA Risk Charge

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

Development in CVA-risk charge



The CVA risk charge level at end-2016 was almost unchanged compared to end-2015 and amounted to DKK 132m. Throughout the year however, the level fluctuated, especially around Brexit and most recently around the US presidential election.

Market risk

- Interest-rate risk and OAS risk from Danish mortgage bonds make up Jyske Bank's two primary market risks. The net interest-rate risk and the OAS risk are marginally lower at end-2016 compared to end-2015.
- The first half of 2016 was characterised by falling interest rates which resulted in lower interest-rate risk, whereas the second half of 2016 reflected a reversal of interest rates and an increase in the net interest-rate risk, as a result of which the interest-rate risk turned out to be marginally lower end-2016 compared to end-2015.
- The activities of BRFkredit only contributed marginally to the net-interest-risk due to match funding of mortgage loans.
- The prevailing market trends in 2016 were the market's expectations of and subsequent reactions to macro-political events. As a result, the year was one of increasing volatility and fluctuations in the positioning.

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

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

Interest-rate exposure:	The risk of loss caused by changing interest rates.
OAS Risk	The risk of loss caused by changing interest-rate spreads in Danish mortgage bonds.
Exchange-rate risk:	The risk of loss caused by changing exchange rates.
Equity risk:	The risk of loss caused by changing equity prices.
Commodity risk:	The risk of loss caused by changing commodity prices.
Volatility risk:	The risk of loss caused by changing volatility.

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

Policy and responsibility

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

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

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

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

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

Monitoring and reporting

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

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

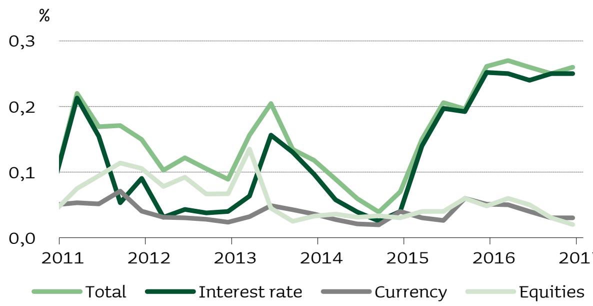
Monitoring and reporting of market risk take place through a risk-management system which is developed by Jyske Bank and integrated with Jyske Bank's trading systems as well as other systems for the handling of Jyske Bank's regular banking and mortgage operations.

Developments in market risk

The 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 positioning. The actual effects in the aftermath were more balanced.

In terms of Value-at-Risk (VaR), Jyske Bank's estimated market risk is at DKK 77m at end-2016, practically unchanged from end-2015. During the first quarter of 2016, however, VaR increased partly related to increased volatility in general 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 ended the year close to the level at end-2015.

Value-at-Risk as a percentage of equity



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

Jyske Bank's net interest-rate was reduced marginally in the course of 2016. The development was affected by changing interest-rate environments throughout the year.

The increase in Jyske Bank's home loans indicates a permanently high OAS risk. The general interest-rate risk from home loans 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 with short and medium maturities. The Group's OAS exposure relating to the Danish mortgage bonds is primarily found in the short-term segments.

Throughout 2016, Jyske Bank's exposure to equities was reduced due to realisation of equities in both the Group Treasury and Markets function. The portfolio of foreign currency risks was slightly reduced due to reduced positioning in EUR / DKK. Both the underlying equity portfolio and the currency portfolio are characterised by being well-diversified, and at end-2016 both market risks were at moderate levels relative to Jyske Bank's desired risk profile.

Jyske Bank had a positive view on the market for securitisations in 2016. For that reason Jyske Bank increased the investments in US and European CLOs. The investments are in the form of securitisations with a high credit quality and senior status.

Own funds requirements for market risk

For the calculations of the own funds requirements for market risk, the standardised approach is applied. The own funds requirement for market risk increased in 2016. The reason was mainly the higher general risk in the portfolio of debt instruments due to larger exposures in DKK and EUR compared to end-2015.

OWN FUNDS REQUIREMENT FOR MARKET RISK

DKKm	**2016**		**2015**	
Risk type	REA	Own funds requirements	REA	Own funds requirements
Debt instruments	19,559	1,565	16,398	1,312
Shares, etc.	3,424	274	3,440	275
Commodities	-	-	-	-
Currency position	1,603	128	1,272	102
Total	**24,586**	**1,967**	**21,110**	**1,689**

Market risk

Market risk types

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

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

Interest-rate risk

Interest-rate risk is measured on the basis of duration measurements. This measurement is defined as the interest-rate risk resulting from a general rise in interest rates of 1 percentage point (Interest-rate risk 1). Duration expresses the percentage gain or loss generated by a simultaneous 1-percentage point shift in all yield curves.

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

Jyske Bank has developed a risk-management model that adjusts the key risk figures for mortgage bonds for the built-in option element of the bonds. Therefore callable mortgage bonds are included in the interest-rate risk with the option-adjusted duration.

Risk management of the Group’s portfolio of mortgage bonds is supplemented with limits for and measurement of OAS (option-adjusted spread) positions.

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

Currency risk

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

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

Equity price risk

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

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

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

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

Shares not held for trading

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

SHARES NOT HELD FOR TRADING

DKKm	2016	2015	Unrealised gain	Realised gain
Total	2,776	2,572	4	3

The holding increased in 2016 primarily due to increased holdings and positive value adjustments.

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

Commodity risk

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

Exposure to credit risk on financial instruments

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

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

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

Securitisations

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

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

No investments are made in re-securitisations.

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

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

EXPOSURE TYPES FOR SECURITISATIONS

DKKm	European	American	Other	Total 2016	Total 2015
RMBSs	1,321	-	-	1,321	1,803
CLO	303	2,110	861	3,274	2,809
ABS and CDO	57	4	0	68	127
Total 2016	**1,681**	**2,114**	**868**	**4,663**	4,739
Total 2015	3,115	888	736	4,739	

In 2016, Jyske Bank pursued an active investment strategy in respect of American CLOs, resulting in increased holdings. Investments were made in US and European CLOs of good credit quality and with senior status according to the risk-management policy. In the course of 2016, the RMBS portfolio was reduced by half, mainly through redemptions.

It appears from the table below that the most important changes took place in top-rating securitisations. The main underlying investments of the tranches are US and European bank and housing loans.

BREAKDOWN OF RATINGS (Standard & Poor's / Moody's)

DKKm	2016	2015
AAA / Aaa	3,947	3,812
AA / Aa	577	808
A / A	134	102
BBB / Baa	-	-
BB / Ba	-	-
Lower or no rating	5	17
Total	**4,663**	**4,739**

Own funds requirements for securitisations

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

The own funds requirement for securitisations decreased in 2016, partly due to a reduction in the portfolio of RMBS's and partly due to the fact that the above-mentioned increase of the exposure in CLO's primarily took place within high-grade senior issues. The own funds requirement according to risk weights appears below.

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

OWN FUNDS REQUIREMENT FOR SECURITISATIONS				
DKKm	**2016**		**2015**	
Risk weight - ranges	Fair value	Own funds requirements	Fair value	Own funds requirements
< 20%	4,577	28	4,629	34
≤ 20% < 50%	81	2	96	2
≤ 50% < 100%	-	-	-	-
≤ 100% < 1,250%	-	-	-	-
1,25%	5	5	14	14
Total	**4,663**	**35**	**4,739**	**50**
Of which in the trading portfolio	3,672	23	4,419	34

Liquidity risk

- A key focus area in the Group's liquidity risk management during 2016 was the reduction of refinancing risk at BRFkredit. Refinancing risk has been reduced significantly during 2016, primarily through terming out the funding of mortgage loans with long commitments. One of the tools used was the issuance of EUR covered bonds, and a full EUR covered bond benchmark curve was established during 2016.
- In addition to compliance with the LCR in DKK Jyske Bank was required to comply with a modified version of the LCR in EUR in 2016. Compliance has been attained with a substantial buffer.
- During 2016 deposit and money market rates remained negative and continued to drive up demand deposits whereas the volume of fixed term deposits has decreased. To reflect the persistent negative interest rate environment and to avoid inoptimal arbitrage Jyske Bank introduced negative deposit rates for demand deposits for SMEs and corporates in December 2016.
- Except for the first quarter, 2016 was characterized by favourable issuing conditions and the Group issued six capital market benchmark transactions. In addition to three EUR covered bond issues, a 5 year fixed senior bond of EUR 500m was issued followed by a Tier 2 bond of SEK 1.25bn and AT1 capital equivalent to a total of DKK 1.5bn.

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

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 in 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 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 in due time can 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 eliminate the effect of multiple adverse liquidity scenarios.

Organization, 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. Based on these general limits, the Group Executive Board has defined specific operational limits for Jyske Markets as well as Group Treasury, which monitor and manage liquidity on a daily basis in accordance with the limits and liquidity policies adopted. Group liquidity management is conducted in Group Treasury in Jyske Bank A/S.

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

Liquidity risk

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.

The Group's responsibility for issuing bonds in the capital market (senior debt as well as subordinated and hybrid capital) is centralized in Group Treasury. When necessary liquidity or capital can be distributed from Jyske Bank A/S to BRFkredit and other financial subsidiaries. Jyske Bank provides liquidity commitment to Jyske Bank Gibraltar and Jyske Finans at an unsecured level. As a mortgage credit institution, BRFkredit must comply with mandatory overcollateralization within the scope of the privileged position of covered bond investors in a bankruptcy scenario. In a scenario with declining house prices, BRFkredit may need to have liquidity injected into its capital centres from Jyske Bank to fund supplementary collateral and to ensure the capital centres' compliance with S&P's over-collateralization requirements (OC requirements).

Debt buffer requirement in BRFkredit

The BRRD framework was implemented in Denmark in June 2015. Mortgage credit institutions are exempt from bail-in and the MREL requirement as they can be resolved through insolvency procedures specially provided in the Mortgage-Credit Loans Mortgage-Credit Bonds Acts. As part of the Danish BRRD framework, mortgage credit institutions are however required to establish a debt buffer equal to 2% of their total (unweighted) mortgage lending 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 equity, 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 is gradually implemented from 2016 until 2020, with 60% as of 2017, 80% in 2018, 90% in 2019 and the full 100% in 2020 representing 2% of total (unweighted) mortgage lending.

As of end-2016 BRFkredit fully complies with the debt buffer requirement based on their high capitalisation. BRFkredit will at any given time have adequate access to capital to fulfil the debt buffer requirement.

Group liquidity flows

Short-term liquidity management

Short-term operational liquidity is managed by 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 Markets has been granted specific limits for the maximum placement of longer-term deposits in the same markets. Short-term funding in these markets form part of the overall Group limits for short-term funding within strategic liquidity management.

Strategic liquidity management

Strategic liquidity is managed by Group Treasury 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 are grouped according to expected run-off risk in various scenarios. The analyses apply scenario-specific expectations of client behaviour in those cases where contractual maturities are considered not 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 retail client segments is assumed.

Scenario 2 is a broad sector stress scenario which is monitored on a regular basis as part of the internal liquidity management. The scenario also includes a widespread, general capital and money-market crisis that entails the situation that the Group cannot 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 assumes a non-Jyske Bank-specific capital market crisis with a survival horizon of at least one year. The Group must be able to withstand run-off of money-market and capital-market funding in the form of funding in the interbank market as well as CP and EMTN issues. 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.

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 plan determines a broad range of initiatives that can be used to strengthen the Group's liquidity position.

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

Group funding structure

From the perspective of liquidity risk, Jyske Bank's overall balance sheet structure is reflected in the following chart. The chart shows how BRFkredit's mortgage activities are reflected in the Group balance sheet in the form of mortgage loans funded by issued covered bonds.

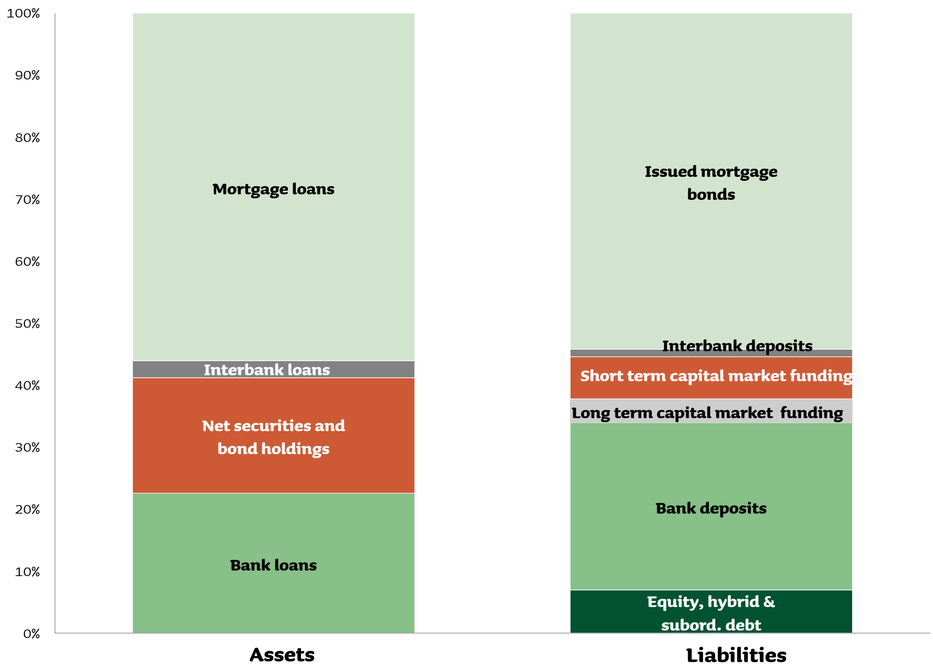
In addition to mortgage bonds, the Group’s primary source of funding is deposits from clients, and it has a sound and well-diversified client deposit base. As reflected in the chart, client deposits funded 116% of the bank loans[5] at end-2016, against 118% the previous year. Interest rates remained in negative territory during 2016 and put a dampening effect on fixed term deposits, which remained at a structurally low level. Demand deposits increased, however, and more than offset the decline in fixed term deposits. To reflect the persistent 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 and SME clients.

The Group's net holdings of securities[6] are primarily funded through the deposit surplus as well as through the issue of bonds in the capital market (either CP or the EMTN programme). In addition, Jyske Markets funds its own wholesale-related activities by taking up unsecured loans in the wholesale fixed-term and interbank markets. Continuous activity in the above-mentioned markets enhances the possibility of refinancing short-term positions and is a natural part of the business of Jyske Markets.

[5] Incl. of new home loan products on the balance sheet of Jyske Bank A/S.

[6] Repo holdings have been netted, i.e. repo has been deducted and repo reverse added. Adjustments have been made for loans with central banks.

Liquidity risk



Group refinancing risk

Refinancing risk is the risk of a financial institution not being able to refinance maturing deposits, senior debt, covered bonds or other liabilities, or the risk that the refinancing cost will be so high that it will adversely affect net interest income.

The refinancing risk of deposits and senior unsecured funding in Jyske Bank is addressed, monitored and managed via the Group's internal limits and the integration of stress scenarios in daily liquidity risk management.

The Group's refinancing risk measured by volume is dominated by BRFkredit's mortgage bonds. Through BRFkredit the Group has a high dependency on secured capital market funding on an covered bonsd basis. BRFkredit funds the majority of Jyske Bank's home loan products under the joint funding agreement between BRFkredit and Jyske Bank in addition to their own direct mortgage lending activities.

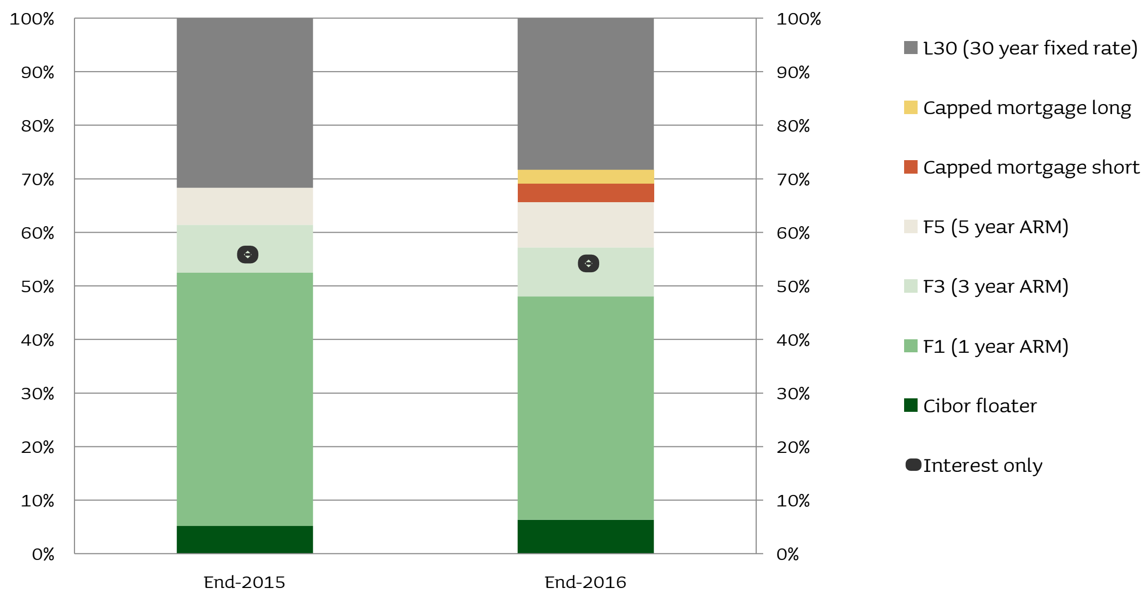
Joint funding of Jyske home loan products

Jyske Bank has an extensive range of bank home loan products comprising variable rate products as well as capped loan products, long-term fixed rate and convertible products.

All Jyske Bank home loans are granted on the basis of mortgage deeds and prepared to be financed on covered bonds terms.

The home loan portfolio and the development in the various products from end-2015 until end-2016 are reflected in the next chart.

End-2016 funding amounted to DKK 52.4bn, against DKK 41.2bn at end-2015.



Refinancing risk in BRFkredit

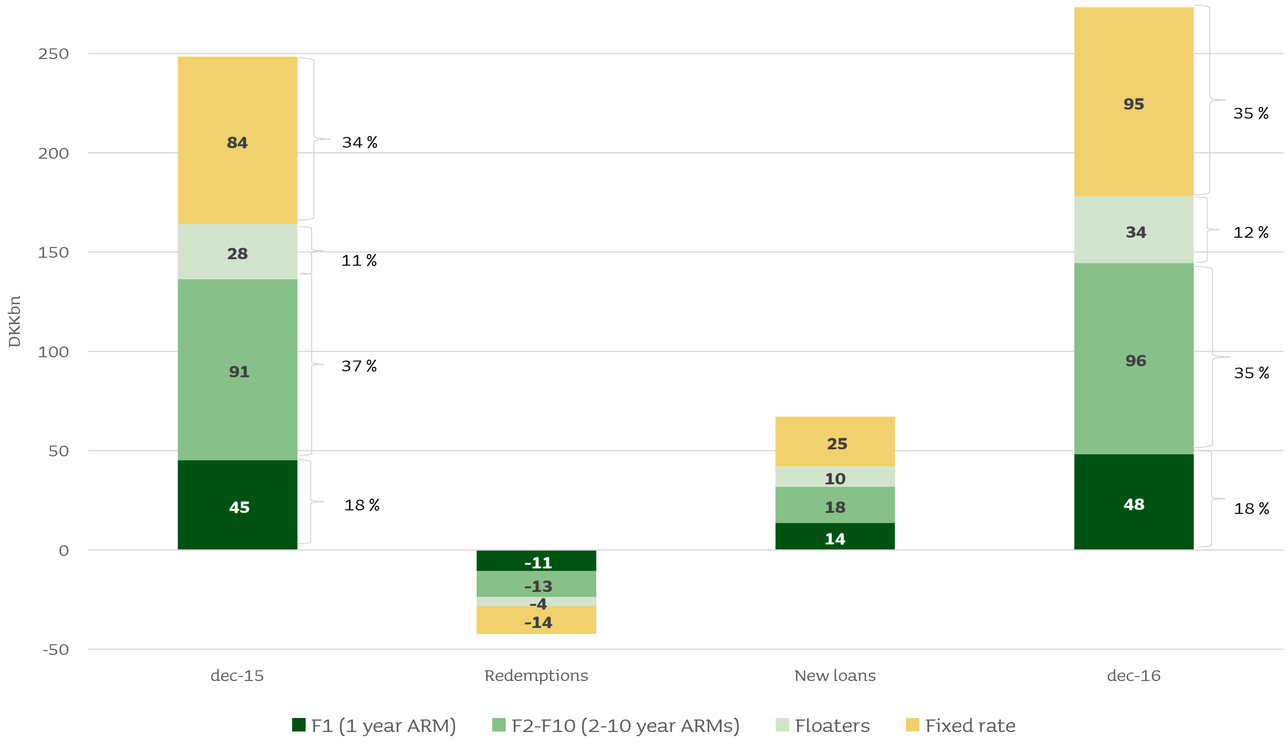
The refinancing risk from mortgage activities has been reduced significantly during 2016 ensuring Group compliance with the (expected) NSFR as well as the Danish FSA's Supervisory Diamond.

The following table gives a comprehensive overview of both planned re-financing of mortgage bonds as well as a breakdown of the principal still owed by type of mortgage loan as of end-2016:

PLANNED RE-FINANCING AND BREAKDOWN OF PRINCIPAL STILL OWED

	Planned re-financing amount	**Funding**		**Loan**			
	(amount offered)	Maturities per re-financing dates	Maturities per re-financing dates + 2 years (RTL F)	F1	F3	F5	Other
Repayment dates	DKKbn						
Apr. 17	14.7	4.4	10.2	9.8	3.2	1.1	0.5
Jul. 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
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

Liquidity risk



The chart above shows the overall distribution of BRFkredit's loan portfolio from end-2015 to end-2016 broken down by the different underlying mortgage loan products. It reveals that the demand for longer term refinancing periods have increased including the introduction of variable interest rate loans with a capped interest rate risk. Several initiatives have been taken in order to reduce the refinancing risk in connection with the mortgage activities.

First of all BRFkredit has spread out the refinancing and the mortgage bond auctions 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, during 2014 BRFkredit introduced the RTL F[7] (pre-financed) bonds. During 2016, they remained part of the BRFkredit funding toolbox and, depending on market conditions, RTL F bonds are used to finance and re-finance 1- and 2- year ARM loans and joint funding bank home loans. The RTL F continuously postpones the re-financing risk by 2-3 years.

Furthermore in 2015 BRFkredit began financing and refinancing specific sub-portfolios of mortgage loans with long-term credit commitments but short term interest reset periods such as the F1 with issuance of mortgage bonds with longer maturities to reduce the Group's refinancing risk.

The Group has used both EUR covered bond, DKK denominated longer term fixed rate bonds as well as Cibor floaters to increase the duration of the funding, especially related to the F1 loan portfolio, which has remained high over the last years due to the strong growth in the Jyske Bank home loan products.

In the BRFkredit 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 upheld by BRFkredit's hedge of all risks with matching swaps. The swap agreements are based on CSA agreements with unilateral collateral in favor of BRFkredit.

[7] RTL F bonds are fixed-rate, callable bonds with a legal time to maturity of 3 years. After 1 year, new bonds are offered, and if the bonds issued are sold in the market, the proceeds will be used for prepayment of old RTL F bonds at par, but if the bonds issued are not sold in the market, the old RTL F bonds will not be prepaid at par but will continue with unchanged coupon.

EUR covered bond funding in BRFkredit

During 2016 a full EUR covered bond benchmark curve was established through issuance of a 5-year fixed-rate bond of EUR 500m, a 7-year fixed-rate bond of EUR 750m and a 10 year fixed-rate bond of EUR 750m. The majority of these three EUR covered bond issues were sold to capital market investors outside Denmark and have thus enhanced the diversification in the investor base.

Having established its presence in the EUR covered bond market during 2016 the Group remains dedicated to maintaining the strategic EUR market access via regular issuance activity. At least one annual EUR covered benchmark bond is to be expected in the coming years.

Refinancing and run-off profile of Jyske Bank

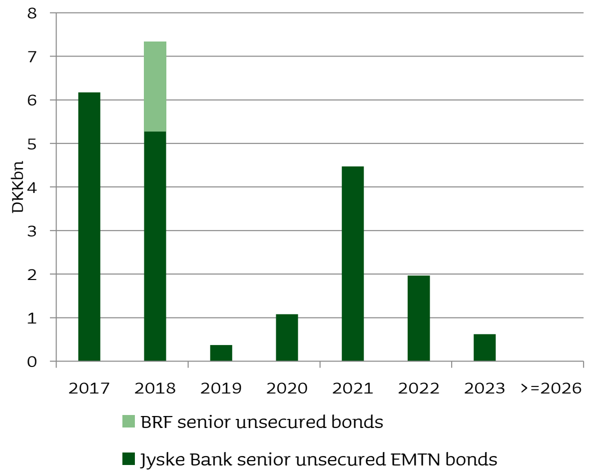
Refinancing risk at Jyske Bank A/S is related to the wholesale fixed term market, the interbank market and the CP and senior bond markets. Furthermore, monitoring and assessing the structure and quality of the deposits base is imperative to assess the overall need for longer dated funding to hedge overall refinancing risk.

The Jyske Bank Group has a high quality deposit base and as of end-2016, more than 80% of the bank loan portfolio (excl. of home loans funded via BRFkredit) is funded by small deposit from SMEs and private individuals.

The run-off of wholesale fixed term deposits, interbank deposits, CP and EMTN issues is monitored and managed via the internal stress scenario 1. In addition hereto, the Group has limits on the maximum funding in each separate short term funding market and a rolling 12 month guideline on the maximum amount of senior debt maturing within a 12 month horizon.

The run-off profile of the Group's senior debt is illustrated by the next chart.

At end-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 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.

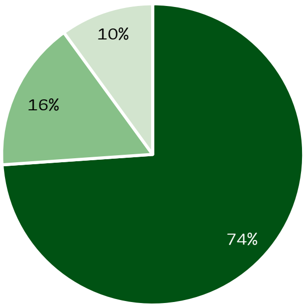
Jyske Bank’s holding of securities is divided into two groups in the internal liquidity management in order of liquidity:

1) **Eligible for borrowing transactions in central banks:**
    a) **The Danish Central Bank:** Ultra-liquid assets denominated in DKK, which can be used in repo transactions with the Danish central bank: certificates of deposit with the Danish central bank, Danish government and mortgage bonds and covered bonds;
    b) **The European Central Bank:** Very liquid assets denominated in EUR, which can be used in repo transactions with the ECB: European mortgage bonds, government bonds, and senior financial instruments;
2) **Non central bank eligible assets:** Other negotiable securities with a longer realisation time frame. 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 equities.

Liquidity risk

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.

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



The table below shows the development of Jyske Bank's liquidity buffer over a 12-month period under stress scenario 3. At end-2016, the Group's liquidity buffer amounted to DKK 77bn against DKK 73bn at end-2015. The reserve consists mainly of Danish mortgage bonds and covered bonds. DKK 69bn of the buffer is eligible at either the Danish central bank or the ECB.

LIQUIDITY RESERVE AND RUN-OFF

(DKKbn)	2016	2015
Beginning of period	76.9	72.6
3 months	55.1	51.1
6 months	45.5	46.8
9 months	42.3	40.9
12 months	37.3	39.0

Capital market funding

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

The French-regulated CP programme, set up 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 term of up to one year. At end-2016, outstanding bonds under the CP programme amounted to DKK 27.6bn (EUR 3.7bn) against DKK 23.9bn (EUR 3.2bn) at end-2015. In 2016, the program outstandings averaged DKK 25.8bn (EUR 3.5bn). The weighed residual maturity of the CP outstandings as of end-2016 was 4 months compared to 3.7 months end-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. Issuance of subordinated Tier 2 notes can be covered by the program. At end-2016, senior issues under the programme amounted to DKK 18.3bn against DKK 17.4bn at end-2015. Outstanding issues of subordinated Tier 2 notes amounted to DKK 1.3bn compared to 0.3bn end-2015.

CAPITAL MARKET PROGRAMMES

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

Over the past couple of years, Jyske Bank has, due to its high deposit surplus, only had limited activity in the private placement market. However, it is an integral part of the Group's risk management to maintain ongoing access to the market for public benchmark issues, and the Group's funding plan includes at least one annual public benchmark bond (EUR 500m) issue.

The first months of 2016 saw high yield volatility, continued geopolitical unrest as well as the implementation of both the LCR and the BRRD, which increased credit spread volatility and resulted in widening credit spreads for senior debt and also, not least, for supplementary capital. The ECB's comprehensive new stimulus package was however a catalyst to reduce the risk aversion characterising the first quarter and resulted in improvement of issue conditions.

The positive market sentiment continued over the summer, and the credit spreads narrowed significantly over the third quarter. Underlying geopolitical unrest has resulted in some volatility, but markets were on the whole constructive, and spreads at end-2016 were significantly lower than at the beginning of the year in respect of supplementary capital as well as senior and covered bonds.

The Group issued a 5-year senior fixed-rate EUR 500m bond in mid-April. The 5-year issue was the Group's first fixed-rate senior issue in benchmark format.

The Group has been active in issuance of SEK senior bonds since from 2011. In mid-May, the Group issued subordinated loans in the amount of SEK 1bn in the form of 10-year bonds with the possibility of early redemption after five years. The Tier 2 issue in SEK was the Group's first issue of supplementary capital since 2006 and was an integrated part of the adjustment of the Group's capital structure. In September 2016, the adjustment process continued with issuance of SEK 1.25bn and DKK 500m AT1 capital. The AT1 issue is perpetual and offers the possibility of early redemption after 5 years. Adjusted for cross-currency basis swaps, the investor return was, on the day of issue, practically identical for the two AT1 bonds.

In relation to assessing the Group's future requirements for issuance of senior debt, the Group awaits the final FSA's announcement about minimum requirements for own funds and eligible liabilities (MREL). Furthermore the final regulatory clarification on the legal format required for MREL eligible liabilities is necessary for the Group to initiate any issuance of so-called senior non-preferred bonds.

Liquidity risk legislation and supervisory diamond

The LCR is a short-term (30 days) stress scenario. The critical survival horizon for the Group's stress scenario 1 has been the anchor in the Groups limit structure on a daily basis since 2007. Stress scenario 1 remains a key short term limit and part of overall liquidity risk management, but from 2017 it will be supplemented by an adjusted version of the LCR on a daily basis to achieve unambiguousness in the monitoring and in the limits set.

Being a Danish O-SII, the Group was required to be 100% compliant with the LCR requirement from 1 October 2015. The LCR requires that at least 30% of the total liquid LCR reserves must be government bonds. The remaining part of the LCR reserve (max. 70%) may consist of mortgage bonds, of which the most liquid ones in 'Level 1b' are included with a haircut of 7%.

As of end-2016, the Group's LCR was 193% compared to 149% as of end-2015.

The composition of the Groups LCR buffer net of haircuts as of end-2016 is shown below:

GROUP LCR BUFFER

	Dkkbn	%
Level 1a	35.6	50
Level 1b	31.5	45
Level 2a + 2b	3.8	5
Total	**70.9**	**100**

Currently the Group's minimum target for the LCR is a Group LCR of 150%, with some flexibility regarding the actual composition of the buffer. The primary focus in the management of the Group's LCR buffer is on the total amount of LCR eligible Level 1 and Level 2 assets whereas the split between Level 1a and other eligible LCR assets is of secondary importance as far as overall compliance is achieved.

As a Danish O-SII Jyske Bank has been instructed to comply with a modified LCR requirement in EUR. The modification consists of three essential elements:

1) There is no cap on the amount of EUR Level 1b and Level 2 assets.
2) There is no limit to the recognition of inflow from derivatives in EUR.
3) There is no requirement to keep EUR reserves for potential cash outflow from derivatives.

The regulatory requirement came into force on 1 October 2016 (by 60%) to be fully phased in by October 2017. Jyske Bank is fully compliant with a substantial buffer to the 100% requirement as of end-2016.

Liquidity risk

It is expected that the Net Stable Funding Ratio will be a statutory requirement within the coming years. In the first draft of the NSFR from EU Commission late 2016, Danish Mortgage bonds governed by the "extension trigger" are recognised as "closely related to the loans" which means, that the NSFR compliance in BRFkredit will be easier to achieve. At group level Jyske Bank has been fully NSFR compliant throughout 2016 with the current tougher Basel guidelines and the Group NSFR as of end-2016 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 consider future re-financing risk, but is determined backwards based on actually completed bond issues per quarter, including re-financing completed well in advance of the maturity of the old bonds. To comply with this, the proportion of loans that 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.

Compliance with the funding requirements in the Supervisory Diamond was reached at end-2016 through the previously mentioned initiatives to term out the funding of BRFkredit.

Asset encumbrance

Asset encumbrance is a natural and inevitable part of the Group's daily activities. However, a large asset encumbrance on the Group's assets will entail a structural subordination of the Group's unsecured creditors. To ensure that the Group at all times has access to unsecured funding, a policy has been established 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. The primary sources of asset encumbrance stem from the following:

- Issuance of covered bonds
- Periodical short term funding in central banks (Danmarks Nationalbank and the ECB)
- Repo financing
- Derivatives and clearing activities

ASSET ENCUMBRANCE		
DKKbn	**2016**	**2015**
Total encumbered assets	367	333
- *of which: derivatives collateral*	47	37
- *of which: REPO*	32	42
- *of which: Central Bank funding*	0	0
- *of which: covered bonds-issuance*	288	250
- *of which: other assets*	0	5
Total assets	**587**	**543**
Encumbrance ratio	**63%**	**61%**

As the amounts in the above table[8] suggest, the issuance of covered bonds is by far the most substantial source of encumbrance. Encumbrance occurs through BRFkredit both as mortgages provided directly by BRFkredit and as mortgages provided by Jyske Bank with a subsequent joint funding. Issuance of covered bonds is a long-term and strategically important instrument to ensure stable and attractive funding.

The Group does not wish to be structurally dependent on funding its activities from central banks and liquidity management is performed at a prudent level trying to avoid such funding. On the other hand, in case of larger unexpected flows, periodically short term borrowing cannot be ruled out and is regarded as a natural tool for borrowing of 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.

[8] Asset encumbrance is specified in further detail according to the requirements as per the CRR on www.investor.jyskebank.com/investorrelations/capitalstructure.

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.

Credit ratings

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

The rating of subordinated Tier 2 capital is BBB as the Tier 2 rating is notched down two notches from the SACP.

In November 2016, S&P published an updated rating report on Jyske Bank. All in all, S&P acknowledges Jyske Bank's efforts to enhance stability in long term earnings via the 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.

S&P also recognises the flexibility in Jyske Bank's capital adaption process in relation to capital redistribution in the light of future regulatory uncertainties (Basel IV) and 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 requirement to maintain the AAA rating for BRFkredit's capital centres is assessed continuously by S&P, among other things on the basis of BRFkredit's issuer rating as well as the growth and composition of the loan portfolio at the capital centres. At end-2016, the capital requirement from S&P totalled DKK 10.8bn against DKK 13.9bn at end-2015.

STANDARD & POOR'S CREDIT RATINGS

	Long term		Short term	Individual (SACP)
Jyske Bank - issuer rating				
2006	A	(positive outlook)	A-1	-
2007 - 2008	A+	(stable outlook)	A-1	-
2009 - 2010	A	(negative outlook)	A-1	-
2011 - 2014	A-	(stable outlook)	A-2	bbb+ (stable outlook)
2015 - 2016	**A-**	**(stable outlook)**	**A-2**	**A- (stable outlook)**
BRFkredit - issuer rating				
2014	A-	(stable outlook)	A-2	bbb+ (stable outlook)
2015 - 2016	**A-**	**(stable outlook)**	**A-2**	**A- (stable outlook)**
BRFkredit - mortgage bond ratings		**2016**		
Covered bonds, Capital Centre E		**AAA (stable outlook)**		
Mortgage bonds, Capital Centre B		**AAA (stable outlook)**		
Mortgage bonds, General Capital Centre		**AAA (stable outlook)**		

Operational risk

- The overall level of operational risks is unchanged this last year.
- Following the merger with BRFkredit in 2014, relevant processes have on an on-going basis been integrated, and in step with this, the operational risks relating to the merger have been reduced.
- Cyber risk, external fraud and a vast amount of new or changed legislation are external factors that contribute to increasing risk.
- The operational risks are at an acceptable level and subject to continuous managerial attention.

Jyske Bank is exposed to potential losses as a result of operational risks, including inexpedient processes, human errors, IT errors as well as fraud. Operational risk relates to all internal processes and can therefore not be eliminated. The Group monitors and actively manages operational risk to reduce the risk of operational events resulting in material loss and damage to reputation.

Policy

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

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

In the policy, the Group Supervisory Board has decided an upper limit to how many large risks the Group may assume. This limit was not breached throughout 2016 and it is not expected to be breached in 2017.

Risk identification and assessment

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

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

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

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

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 analysis 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.

The Group Executive Board and the Group Supervisory Board receive a quarterly report that describes the development of the Group's operational risks accompanied by error statistics from the error registry. Transgressions of defined risk targets are also reported.

Development in operational risks

The overall level of operational risks is unchanged this last year. Following the merger with BRFkredit in 2014, relevant processes have on an on-going basis been integrated, and in step with this, the operational risks relating to the merger have been reduced. Continuous focus is on improving the quality of the working processes and IT solutions for handling home loans as these are essential in enabling the Group to cope with the high level of activity in the area

Bankdata, which provides IT solutions to Jyske Bank, is currently working with new capital market IT solutions. This increases the operational risks for the coming years in Jyske Bank as a large number of critical systems used for trading, position management, risk management and settling will be changed. The project risk has increased, as has the risk of errors in the organisation due to the increased resource demand during the project period. Once implemented, the new IT solutions are expected to decrease the operational risks.

Just as other financial institutions, Jyske Bank is affected by a large number of new and changed legislative requirements, which adds to the pressure on the Jyske Bank Group.

The threat from cyber risk is continuously increasing with more advanced threats and the growing dependency on digitalization. Jyske Bank, JN Data and Bankdata are focusing on maintaining the protection against cyber-attacks along with the detection and response capabilities.

Jyske Bank still experiences many attempts of external fraud, of which the greater part is prevented through an extensive control environment and vigilance on the part of the employees. Despite the focused efforts, it is impossible to eliminate the risk.

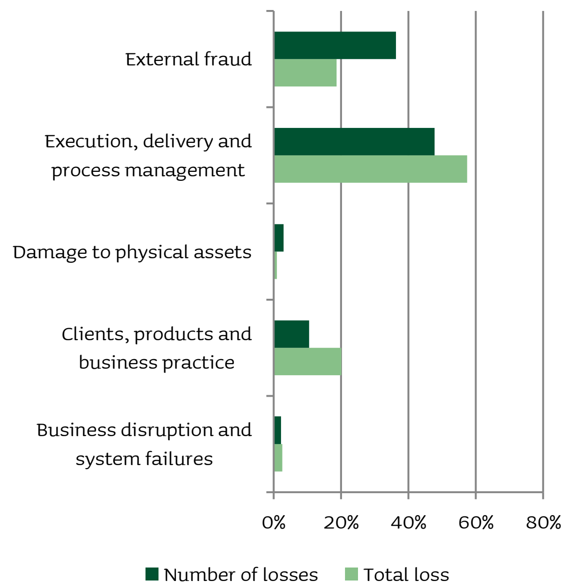
Breakdown of losses

The breakdown of operational losses registered in 2016 by category shows that most errors occur due to manual errors when executing orders and agreements. Continuous follow-up takes place to determine whether particularly inexpedient work processes cause many errors. The majority of the errors happens when handling home loans. The home loan working processes will continuously be analysed to ensure further optimisation.

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

External fraud accounts for more than a third of the incidents in 2016 and can to a great extent be ascribed to payment card fraud. The majority of the losses are, however, of a limited size.

Breakdown of losses



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

Own funds requirement for operational risk

The own funds requirement for Jyske Bank is determined by means of the standardised approach. At end-2016, the overall own funds requirement for the Group amounted to DKK 1,363m against DKK 1,344m at end-2015. The marginal increase in the own funds requirement is due to rising net income in the three years covered by the calculation.

The Bank for International Settlements has submitted a draft for a new standardised approach for operational risk. It is still too early to know to which extent it will change Jyske Bank's own funds requirement.

Appendix 1: Supplementary tables for the Group

OWN FUNDS REQUIREMENT (STANDARDISED APPROACH)		
DKKm	**2016**	**2015**
Central governments or central banks	-	-
Regional governments or local authorities	0	0
Public sector entities	1	0
Multilateral development banks	-	-
International organisations	-	-
Institutions	360	487
Corporates	132	139
Retail	18	32
Secured by mortgages on immovable Property	88	92
In default	25	22
Exposures associated with particularly high risk	-	-
Covered bonds	18	21
Institutions with a short-term credit assessment	14	12
Equity	538	485
Total	**1,195**	**1,291**

OWN FUNDS REQUIREMENT (AIRB APPROACH)		
DKKm	**2016**	**2015**
Corporates, total	6,187	6,248
Large corporate clients	*4,104*	*3,611*
Specialised lending	*26*	*22*
SME corporates	*2,057*	*2,615*
Retail, total	3,178	2,975
Real property, personal	*2,357*	*2,090*
Real property, SMEs	*191*	*201*
Other retail, private	*425*	*464*
Other retail, SMEs	*205*	*221*
Securitisations	12	11
Assets without counterparties	542	461
Total	**9,919**	**9,695**

EXPOSURE TO SPECIALISED LENDING BROKEN DOWN BY RISK WEIGHTING				
	2016		**2015**	
DKKm	**Time to maturity < 2½ years**	**Time to maturity > 2½ years**	**Time to maturity < 2½ years**	**Time to maturity > 2½ years**
Risk weighting 50%	19	-	1	-
Risk weighting 70%	220	35	51	31
Risk weighting 115%	104	16	90	1
Risk weighting 250%	18	-	42	3
Defaulted exposures (risk weight 0)	-	-	98	63
Total	**360**	**51**	**281**	**98**

Appendix 1: Supplementary tables for the Group

EXPOSURES ACCORDING TO THE STANDARDISED APPROACH WITH IMPAIRMENT CHARGES AND COLLATERAL			
DKKm	**EAD after value adjustments but before credit reductions**	**Balance of loan impairment charges and provisions for guarantees, inclusive of discount and value adjustment**	**Collateral**
Central governments or central banks	4,933	-	48
Regional governments or local authorities	8,357	-	2,882
Public sector entities	259	-	197
Multilateral development banks	9,582	-	6,407
International organisations	-	-	-
Institutions	46,605	15	31,205
Corporates	2,999	7	1,130
Retail	1,158	14	851
Secured by mortgages on immovable property	2,078	-	-
In default	1,423	538	134
Exposures associated with particularly high risk	1	-	1
Covered bonds	2,310	-	-
Institutions with a short-term credit assessment	340	-	-
Equity	3,024	-	-
Total 2016	**83,070**	**575**	**42,853**
Total 2015	79,688	432	39,493

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

EXPOSURES ON THE AIRB APPROACH WITH IMPAIRMENT CHARGES AND COLLATERAL			
DKKm	**EAD after value adjustments but before credit reductions**	**Balance of loan impairment charges and provisions for guarantees, inclusive of discount and value adjustment**	**Collateral**
Corporates, total	260,294	4,778	195,202
Large corporate clients	*204,578*	*1,014*	*174,597*
Specialised lending	*412*	*13*	-
SME corporates	*55,305*	*3,751*	*20,605*
Retail, total	208,327	1,694	180,322
Real property, personal	*174,270*	*598*	*167,640*
Real property, SMEs	*8,531*	*192*	*5,628*
Other retail, private	*17,799*	*460*	*4,899*
Other retail, SMEs	*7,727*	*445*	*2,155*
Securitisations	990	-	-
Assets without counterparties	6,769	-	-
Total 2016	**476,380**	**6,472**	**375,525**
Total 2015	457,638	8,303	360,994

Note: The above does not include collateral of DKK 1.9bn at end-2016 recognised with a direct substitution impact, where exposures are transferred to other counterparties.

AVERAGE EXPOSURES BROKEN DOWN BY EXPOSURE CATEGORY		
DKKm	**2016**	**2015**
Exposures according to the standardised approach		
Central governments or central banks	5,794	10,571
Regional governments or local authorities	7,750	7,819
Public sector entities	210	194
Multilateral development banks	2,990	-
International organisations	0	0
Institutions	39,770	50,939
Corporates	3,755	3,912
Retail	1,306	2,725
Secured by mortgages on immovable property	2,166	2,470
In default	1,373	1,354
Exposures associated with particularly high risk	1	2
Covered bonds	2,535	3,159
Institutions with a short-term credit assessment	441	326
Equity	2,818	4,381
Exposures according to the AIRB method		
Corporates, total	264,876	249,427
Large corporate clients	*206,199*	*190,543*
Specialised lending	*454*	*389*
SME corporates	*58,224*	*58,494*
Retail, total	200,554	183,421
Real property, personal	*166,472*	*148,545*
Real property, SMEs	*7,845*	*8,127*
Other retail, private	*18,341*	*18,215*
Other retail, SMEs	*7,896*	*8,534*
Securitisations	769	520
Assets without counterparties	6,469	5,497
Total	**543,576**	**526,719**

Appendix 1: Supplementary tables for the Group

GEOGRAPHICAL BREAKDOWN OF EXPOSURES				
DKKm	**Denmark**	**Rest of the EU**	**Rest of the world**	**Total 2016**
Exposures according to the standardised approach				
Central governments or central banks	4,748	184	1	4,933
Regional governments or local authorities	8,357	-	0	8,357
Public sector entities	259	-	-	259
Multilateral development banks	2,947	6,762	-	9,708
International organisations	-	-	-	-
Institutions	29,587	9,182	8,036	46,805
Corporates	1,551	365	1,102	3,018
Retail	17	354	788	1,159
Secured by mortgages on immovable property	137	842	1,099	2,078
In default	92	1,005	359	1,456
Exposures associated with particularly high risk	1	-	-	1
Covered bonds	2,052	204	54	2,310
Institutions with a short-term credit assessment	-	-	340	340
Equity	3,024	-	-	3,024
Exposures according to the AIRB method				
Corporates, total	255,846	2,009	2,438	260,294
Large corporate clients	201,246	1,165	2,166	204,578
Specialised lending	412	-	-	412
SME corporates	54,189	844	272	55,305
Retail, total	207,424	382	521	208,327
Real property, personal	173,783	199	288	174,270
Real property, SMEs	8,500	19	11	8,531
Other retail, private	17,461	123	215	17,799
Other retail, SMEs	7,680	41	7	7,727
Securitisations	211	780	-	990
Assets without counterparties	6,769	-	-	6,769
Total 2016	**523,020**	**22,069**	**14,738**	**559,827**
Total 2015	453,842	13,084	68,358	535,283

GEOGRAPHICAL BREAKDOWN OF EXPOSURE-WEIGHTED AVERAGES OF PD AND LGD						
	Denmark		**Rest of the EU**		**Rest of the world**	
	Av. PD	**Av. LGD**	**Av. PD**	**Av. LGD**	**Av. PD**	**Av. LGD**
Large corporate clients	3.90	10.93	0.83	51.76	0.14	54.84
SME corporates	11.95	38.61	13.74	35.97	0.95	27.87
Real property, personal	2.60	10.28	16.85	20.82	8.12	20.11
Real property, SMEs	8.29	18.84	1.74	4.34	0.64	10.22
Other retail, private	5.13	38.42	11.01	50.63	31.93	55.29
Other retail, SMEs	10.74	38.26	4.85	34.47	3.10	46.02
Total 2016	**4.60**	**15.59**	**7.32**	**42.89**	**3.30**	**48.82**
Total 2015	5.55	16.36	9.90	42.14	1.79	5.44

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

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

DKKm	**Central governments or central banks**	**Regional governments or local authorities**	**Public sector entities**	**Multilateral development banks**	**International organisations**	**Institutions**	**Corporates**	**Retail**	**Secured by mortgages on immovable property**	**In default**	**Exposures associated with particularly high risk**	**Covered bonds**	**Institutions with a short-term credit assessment**	**Equity**	**Total 2016**	Total 2015
Banks and mortgage credit institutions	64	-	-	6,762	-	40,670	-	-	-	-	-	2,183	340	2,813	**52,831**	51,402
Construction	-	-	-	-	-	-	2	0	24	2	-	-	-	-	**29**	14
Energy supply	-	13	-	-	-	-	6	-	1	-	-	-	-	-	**20**	26
Real property	-	-	-	-	-	-	93	0	85	9	-	-	-	59	**246**	351
Finance and insurance	-	1,974	-	-	-	6,135	1,926	4	382	447	1	128	-	151	**11,148**	7,098
Manufacturing, mining, etc.	-	-	-	-	-	-	146	1	20	1	-	-	-	-	**168**	182
Commerce	-	-	-	-	-	-	9	0	34	0	-	-	-	-	**44**	71
Information and communication	-	-	-	-	-	-	3	-	-	0	-	-	-	0	**4**	5
Agriculture, hunting, forestry and fishing	-	-	-	-	-	-	26	3	-	2	-	-	-	-	**30**	3
Public authorities	905	6,250	259	2,947	-	-	-	-	-	-	-	-	-	-	**10,361**	8,009
Governments	3,864	-	-	-	-	-	-	-	-	-	-	-	-	-	**3,864**	5,405
Transport, hotels and restaurants	36	117	-	-	-	-	6	0	5	2	-	-	-	-	**166**	220
Other sectors	65	2	0	-	-	-	795	1	240	19	-	-	-	-	**1,123**	1,162
Personal clients	-	-	-	-	-	0	5	1,149	1,287	974	-	-	-	-	**3,415**	3,697
Total 2016	**4,933**	**8,357**	**259**	**9,708**	**0**	**46,805**	**3,018**	**1,159**	**2,078**	**1,456**	**1**	**2,310**	**340**	**3,024**	**83,447**	
Total 2015	6,897	7,236	197	0	0	48,739	3,777	1,422	2,335	1,312	1	2,663	307	2,758		77,645

Appendix 1: Supplementary tables for the Group

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

DKKm	Large corporate clients	Specialised lending	SME corporates	Real property, personal	Real property, SMEs	Other retail, private	Other retail, SMEs	Total 2016	Total 2015
Construction	1,633	-	3,246	64	173	0	646	**5,763**	4,517
Energy supply	2,654	380	2,366	-	28	-	105	**5,534**	5,749
Real property	116,626	-	14,004	7	467	4	304	**131,411**	118,818
Finance and insurance	44,332	-	9,410	-	1	-	19	**53,763**	73,312
Manufacturing, mining, etc.	9,028	18	4,326	-	62	1	320	**13,753**	12,912
Commerce	6,054	-	6,934	-	337	1	650	**13,976**	13,082
Information and communication	264	-	793	-	4	1	31	**1,093**	1,008
Agriculture, hunting, forestry and fishing	165	14	6,759	1	1,921	2	2,156	**11,017**	11,526
Public authorities	364	-	3	-	-	-	0	**367**	396
Transport, hotels and restaurants	2,794	-	2,206	-	122	2	615	**5,739**	5,404
Other sectors	15,400	-	3,688	307	204	48	766	**20,413**	19,136
Personal clients	5,263	-	1,569	173,890	5,211	17,742	2,114	**205,791**	185,691
Total 2016	**204,578**	**412**	**55,305**	**174,270**	**8,531**	**17,799**	**7,727**	**468,620**	
Total 2015	201,125	379	61,909	153,916	7,752	18,348	8,123		451,552

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

EXPOSURE BY TIME TO MATURITY

DKKm	**< 1 year**	**1 - 5 years**	**> 5 years**	**Total**
Exposures according to the standardised approach				
Central governments or central banks	4,925	8	-	4,933
Regional governments or local authorities	5,169	2,980	208	8,357
Public sector entities	259	-	-	259
Multilateral development banks	317	9,391	-	9,708
International organisations	-	-	-	-
Institutions	39,341	6,753	711	46,805
Corporates	2,912	96	9	3,018
Retail	1,129	30	-	1,159
Secured by mortgages on immovable property	1,885	174	20	2,078
In default	1,398	58	-	1,456
Exposures associated with particularly high risk	1	-	-	1
Covered bonds	-	-	2,310	2,310
Institutions with a short-term credit assessment	0	340	-	340
Equity	-	-	3,024	3,024
Exposures according to the AIRB method				
Corporates, total	41,400	96,893	122,001	260,294
Large corporate clients	*37,098*	*47,583*	*119,897*	*204,578*
Specialised lending	*-*	*411*	*0*	*412*
SME corporates	*4,302*	*48,900*	*2,103*	*55,305*
Retail, total	629	53,461	154,237	208,327
Real property, personal	*149*	*23,383*	*150,738*	*174,270*
Real property, SMEs	*110*	*6,398*	*2,023*	*8,531*
Other retail, private	*219*	*16,507*	*1,073*	*17,799*
Other retail, SMEs	*150*	*7,174*	*403*	*7,727*
Securitisations	-	-	990	990
Assets without counterparties	-	-	6,769	6,769
Total 2016	**99,365**	**170,184**	**290,279**	**559,827**
Total 2015	128,454	149,459	257,370	535,283

GEOGRAPHICAL BREAKDOWN OF IMPAIRED AND PAST DUE EXPOSURES				
DKKm	EAD for impaired exposures	EAD for past due exposures	EAD, both past due and impaired	Development in loan impairment charges and provisions over the year inclusive of discount and value adjustment
Denmark	29,292	2,850	2,428	-1,650
Rest of the EU	309	81	0	-23
Rest of the world	149	7	4	-15
Total 2016	**29,750**	**2,938**	**2,433**	**-1,688**
Total 2015	38,412	2,828	2,614	-1,007

OVERVIEW OF EXPOSURES BROKEN DOWN BY QUALITY STEP BEFORE AND AFTER CREDIT RISK REDUCTION (2016)										
DKKm	Covered bonds		Institutions with a short-term credit assessment		Institutions		Public sector entities		Regional governments or local authorities	
	Before	After	Before	After	Before	After	Before	After	Before	After
Step 1	280	280	-	-	2,749	3,144	259	62	8,149	5,267
Step 2	138	138	340	340	16,521	16,361	-	-	-	-
Step 3	1,892	1,892	-	-	13,179	8,244	-	-	-	-
Step 4	-	-	-	-	2,932	491	-	-	-	-
Step 5	-	-	-	-	-	-	-	-	-	-
Step 6	-	-	-	-	-	-	-	-	-	0

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

SPECIFICATION OF EXPOSURES TO LOANS AND GUARANTEES FOR AIRB CORPORATES					
DKKm	EAD	Undrawn	Average RW	Collateral	Impairment charges and provisions
Credit rating class					
Rating 1-5	62,353	6,576	0.15	45,868	0
Rating 6-10	102,789	7,389	0.28	86,740	3
Rating 11-14	26,076	2,395	0.86	22,023	819
Default	6,940	397	0.53	3,216	3,269
Total 2016	**198,157**	**16,756**	**0.30**	**157,848**	**4,091**

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

SPECIFICATION OF EXPOSURES TO LOANS AND GUARANTEES FOR RETAIL CLIENTS WTIH PROPERTY EXPOSURES					
DKKm	EAD	Undrawn	Average RW	Collateral	Impairment charges and provisions
Credit rating class					
Rating 1-5	27,219	693	0.03	23,351	0
Rating 6-10	136,887	1,096	0.15	134,362	2
Rating 11-14	14,234	107	0.60	13,655	36
Default	2,159	59	0.85	1,783	533
Total 2016	**180,499**	**1,954**	**0.18**	**173,151**	**571**

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

Appendix 1: Supplementary tables for the Group

SPECIFICATION OF EXPOSURES TO LOANS AND GUARANTEES FOR RETAIL CLIENTS WTIHOUT PROPERTY EXPOSURES					
DKKm	**EAD**	**Undrawn**	**Average RW**	**Collateral**	**Impairment charges and provisions**
Credit rating class					
Rating 1-5	7,829	1,636	0.16	1,760	0
Rating 6-10	8,656	844	0.40	3,040	3
Rating 11-14	5,009	127	0.48	2,127	90
Default	1,121	18	0.48	69	745
Total 2016	**22,614**	**2,625**	**0.33**	**6,996**	**839**

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

MAIN TYPES OF GUARANTORS AND THEIR CREDITWORTHINESS			
	Type	**Collateral (DKKm)**	**Av. Credit rating**
Corporates	Surety	1,550	4.8
Retail	Surety	782	3.7
Governments	Guarantee	2,197	1.0
Total 2016		**4,529**	
Total 2015		**5,481**	

BREAKDOWN OF EXPOSURES FOR CLIENTS WITH COLLATERAL ACCORDING TO THE STANDARDISED APPROACH		
DKKm	**EAD**	**Collateral**
Central governments or central banks	48	48
Regional governments or local authorities	4,476	2,882
Multilateral development banks	6,740	6,407
Public sector entities	202	197
Institutions	33,199	31,205
Corporates	1,516	1,112
Retail	1,016	835
Secured by mortgages on immovable property	297	33
In default	598	134
Exposures associated with particularly high risk	1	1
Total 2016	**48,092**	**42,853**
Total 2015	47,415	39,493

BREAKDOWN OF EXPOSURES FOR CLIENTS WITH COLLATERAL PROVIDED IN THE FORM OF GUARANTEES		
DKKm	**EAD**	**Collateral**
Corporates, total	8,635	2,562
Large corporate clients	2,187	741
Specialised lending	-	-
SME corporates	6,447	1,821
Retail, total	85	56
Real property, personal	-	-
Real property, SMEs	-	-
Other retail, private	41	30
Other retail, SMEs	44	26
Total 2016	**8,720**	**2,618**
Total 2015	8,211	2,520

Note: The above does not include collateral of DKK 1.9bn at end-2016 recognised with a direct substitution impact, where exposures are transferred to other counterparties.

Appendix 2: Supplementary tables for Jyske Bank A/S

CAPITAL BASE		
DKKm	**2016**	**2015**
Equity	31,038	30,040
Intangible assets	-40	-48
Deferred tax assets relating to intangible assets	9	11
Cautious valuation	-251	-251
Deferred tax assets		-
Share-buyback programme	-	-644
Expected dividend	-499	-499
Other deductions	-30	-81
Common Equity Tier 1 capital	**30,227**	**28,528**
Additional Tier 1 capital	2,250	907
Other deductions	-69	-98
Tier 1 capital	**32,408**	**29,337**
Tier 2 capital	1,298	403
Diff. between expected losses and impairment charges	203	418
Other deductions	-220	-192
Capital base	**33,689**	**29,966**
Total risk-weighted exposure	**134,825**	**135,270**

CAPITAL REQUIREMENTS BY RISK TYPE				
DKKm	**2016**	**% of REA**	**2015**	**% of REA**
Pillar I				
Credit risk	7,784	5.8	8,039	5.9
Market risk	2,053	1.5	1,836	1.4
Operational risk	950	0.7	946	0.7
Capital requirement, Pillar I	10,786	8.0	10,822	8.0
Pillar II				
Credit risk	2,587	1.9	6,308	4.7
Market risk	821	0.6	130	0.1
Operational risk	435	0.3	769	0.6
Liquidity risk	66	0.0	88	0.1
Capital requirement, Pillar II	3,909	2.9	7,663	5.7
Total	**14,695**	**10.9**	**18,485**	**13.7**
Capital requirement according to the transitional provisions	11,063	8.2	10,382	7.7

Note: The own funds requirement for credit risk includes CVA requirements of DKK 130m in 2016 and 131m in 2015.

The own funds requirement of the parent company (Jyske Bank A/S) is based on 8% of REA of the parent company. As a conservative assumption the pillar II risk capital additions of the parent company are assumed identical to those of the Group, as the parent is liable for all risk in the subsidiaries. However, a small technical correction is made to the credit risk. As of end-2016 the capital requirement of the parent is 10.9%. Up until mid-2016 the capital requirement was set conservatively as equalling the capital requirement of the Group with a small technical correction made to the credit risk. The switch to an 8+ setup thus explains the large decrease in the capital requirement of the parent from end-2015 to end-2016.

Appendix 2: Supplementary tables for Jyske Bank A/S

OWN FUNDS REQUIREMENT (STANDARDISED APPROACH)		
DKKm	**2016**	**2015**
Central governments or central banks	-	-
Regional governments or local authorities	-	-
Public sector entities	1	0
Multilateral development banks	-	-
International organisations	-	-
Institutions	317	409
Corporates	190	192
Retail	70	85
Secured by mortgages on immovable property	37	42
In default	53	46
Exposures associated with particularly high risk	-	-
Covered bonds	30	33
Institutions with a short-term credit assessment	14	12
Equity	1,598	1,520
Total	**2,309**	**2,339**

OWN FUNDS REQUIREMENTS (AIRB APPROACH)		
DKKm	**2016**	**2015**
Exposure category		
Corporates, total	3,836	3,992
Corporates	*1,918*	*1,521*
Specialised lending	*26*	*22*
SME corporates	*1,891*	*2,450*
Retail, total	896	977
Real property, personal	*237*	*249*
Real property, SMEs	*197*	*206*
Other retail, private	*306*	*356*
Other retail, SMEs	*155*	*165*
Equity	376	378
Securitisations	12	11
Assets without counterparties	225	211
Total	**5,344**	**5,569**

OWN FUNDS REQUIREMENT FOR MARKET RISK				
DKKm	**2016**		**2015**	
Risk type	REA	Own funds requirements	REA	Own funds requirements
Debt instruments	20,628	1,650	18,266	1,461
Shares, etc.	3,424	274	3,440	275
Commodities	-	-	-	-
Currency position	1,607	129	1,249	100
Total	**25,658**	**2,053**	**22,955**	**1,836**

Note: The own funds requirement for securitisations for Jyske Bank A/S is identical to the own funds requirement for securitisations for the Group as appears from the chapter on market risk.

EXPOSURE TO SPECIALISED LENDING BROKEN DOWN BY RISK WEIGHTING				
	2016		**2015**	
DKKm	**Time to maturity < 2½ years**	**Time to maturity > 2½ years**	**Time to maturity < 2½ years**	**Time to maturity > 2½ years**
Risk weighting 50%	19	-	1	0
Risk weighting 70%	220	35	51	31
Risk weighting 115%	104	16	90	1
Risk weighting 250%	18	-	42	3
Defaulted exposures (risk weight 0)	-	-	98	63
Total	**360**	**51**	**281**	**98**

EXPOSURES ACCORDING TO THE STANDARDISED APPROACH WITH IMPAIRMENT CHARGES AND COLLATERAL			
DKKm	**EAD after value adjustments but before credit reductions**	**Balance of loan impairment charges and provisions for guarantees inclusive of discount and value adjustments**	**Collateral**
Central governments or central banks	2,900	-	48
Regional governments or local authorities	8,136	-	2,882
Public sector entities	259	-	197
Multilateral development banks	9,582	-	6,407
International organisations	-	-	-
Institutions	47,419	15	34,736
Corporates	3,642	-	1,045
Retail	1,736	-	575
Secured by mortgages on immovable property	1,382	-	-
In default	1,334	24	123
Exposures associated with particularly high risk	1	-	1
Covered bonds	3,733	-	-
Institutions with a short-term credit assessment	340	-	-
Equity	16,270	-	-
Total 2016	**96,733**	**39**	**46,014**
Total 2015	86,521	58	39,171

EXPOSURES ACCORDING TO THE AIRB APPROACH WITH IMPAIRMENT CHARGES AND COLLATERAL			
DKKm	**EAD after value adjustments but before credit reductions**	**Balance of loan impairment charges and provisions for guarantees inclusive of discount and value adjustments**	**Collateral**
Exposure category			
Corporates, total	131,197	5,305	58,826
Corporates	*80,071*	*1,810*	*40,618*
Specialised lending	*411*	*13*	0
SME corporates	*50,714*	*3,482*	*18,207*
Retail, total	58,939	1,832	35,231
Real property, personal	*33,059*	*82*	*27,014*
Real property, SMEs	*8,991*	*191*	*5,991*
Other retail, private	*11,824*	*1,114*	*1,512*
Other retail, SMEs	*5,065*	*445*	*714*
Equity	1,264	-	0
Securitisations	990	-	-
Assets without counterparties	2,810	-	-
Total 2016	**195,200**	**7,137**	**94,056**
Total 2015	204,754	7,119	107,531

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

Appendix 2: Supplementary tables for Jyske Bank A/S

AVERAGE EXPOSURES BROKEN DOWN BY EXPOSURE CATEGORY		
DKKm	**2016**	**2015**
Exposures according to the standardised approach		
Central governments or central banks	5,259	8,403
Regional governments or local authorities	7,523	7,799
Public sector entities	209	194
Multilateral development banks	2,990	0
International organisations	0	0
Institutions	40,319	49,095
Corporates	4,402	4,204
Retail	1,919	2,342
Secured by mortgages on immovable property	1,460	1,550
In default	1,282	1,171
Exposures associated with particularly high risk	1	1
Covered bonds	3,958	4,592
Institutions with a short-term credit assessment	441	326
Equity	15,851	16,981
Exposures according to the AIRB method		
Corporates, total	139,182	135,132
Large corporate clients	*84,962*	*80,337*
Specialised lending	*453*	*389*
SME corporates	*53,767*	*54,406*
Retail, total	55,898	60,715
Real property, personal	*29,953*	*33,391*
Real property, SMEs	*8,314*	*8,728*
Other retail, private	*12,517*	*13,037*
Other retail, SMEs	*5,113*	*5,558*
Qualified, revolving retail exposures	*0*	*0*
Equity	1,160	1,053
Securitisations	769	520
Assets without counterparties	2,547	2,617
Total	**285,168**	**296,695**

GEOGRAPHICAL BREAKDOWN OF EXPOSURES				
DKKm	**Denmark**	**Rest of the EU**	**Rest of the world**	**Total 2016**
Exposures according to the standardised approach				
Central governments or central banks	2,716	184	0	2,900
Regional governments or local authorities	8,136	-	-	8,136
Public sector entities	259	-	-	259
Multilateral development banks	2,947	6,762	-	9,708
Institutions	30,765	8,909	8,024	47,698
Corporates	2,442	352	848	3,642
Retail	947	226	563	1,736
Secured by mortgages on immovable property	135	751	497	1,382
In default	83	1,020	255	1,358
Exposures associated with particularly high risk	1	0	0	1
Covered bonds	3,475	204	54	3,733
Institutions with a short-term credit assessment	-	-	340	340
Equity	16,270	-	-	16,270
Exposures according to the AIRB method				
Corporates, total	126,695	2,063	2,438	131,197
Large business enterprises	76,740	1,165	2,166	80,071
Specialised lending	411	-	-	411
SME corporates	49,544	899	272	50,714
Retail, total	58,044	367	528	58,939
Real property, personal	32,557	206	296	33,059
Real property, SMEs	8,959	19	13	8,991
Other retail, private	11,493	118	213	11,824
Other retail, SMEs	5,035	23	6	5,065
Equity	1,264	-	-	1,264
Securitisations	990	-	-	990
Assets without counterparties	2,810	-	-	2,810
Total 2016	**257,977**	**20,838**	**13,547**	**292,362**
Total 2015	212,703	12,400	66,985	292,088

GEOGRAPHICAL BREAKDOWN OF EXPOSURE-WEIGHTED AVERAGES						
	Denmark		**Rest of the EU**		**Rest of the world**	
Exposure category	**Av. PD**	**Av. LGD**	**Av. PD**	**Av. LGD**	**Av. PD**	**Av. LGD**
Large corporate clients	1.14	27.36	0.82	51.79	0.14	54.84
SME corporates	12.71	39.74	12.89	38.40	0.95	27.87
Real property, personal	1.81	10.04	16.25	20.07	7.96	19.64
Real property, SMEs	7.93	18.48	1.74	4.34	0.82	8.93
Other retail, private	5.79	48.46	9.52	50.33	32.11	55.56
Other retail, SMEs	12.94	48.65	1.41	51.68	2.74	48.17
Total 2016	**5.31**	**29.13**	**7.03**	**43.70**	**3.29**	**48.69**
Total 2015	7.13	30.55	9.62	43.41	1.79	5.44

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

Appendix 2: Supplementary tables for Jyske Bank A/S

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

DKKm	Central governments or central banks	Regional governments or local authorities	Public sector entities	Multilateral development banks	Institutions	Corporates	Retail	Secured by mortgages on immovable property	In default	Exposures with high risk	Covered bonds	Institutions with a short-term credit assessment	Equity	Total 2016	Total 2015
Banks and mortgage credit institutions	64	-	-	6,762	41,563	-	-	-	-	-	3,605	340	16,270	**68,604**	64,194
Construction	-	-	-	-	-	0	-	-	-	-	-	-	-	**0**	1
Energy supply	-	13	-	-	-	6	-	1	-	-	-	-	-	**20**	25
Real property	0	-	-	-	-	168	-	40	8	-	-	-	-	**216**	237
Finance and insurance	-	1,974	-	-	6,135	1,923	4	383	447	1	128	-	-	**10,994**	6,943
Manufacturing, mining, etc.	-	-	-	-	-	6	1	0	-	-	-	-	-	**8**	11
Commerce	-	-	-	-	-	2	-	0	-	-	-	-	-	**3**	8
Information and communication	-	-	-	-	-	1	-	-	-	-	-	-	-	**1**	1
Agriculture, hunting, forestry and fishing	-	-	-	-	-	1	-	-	-	-	-	-	-	**1**	0
Public authorities	899	6,032	259	2,947	-	-	-	-	-	-	-	-	-	**10,136**	7,769
Governments	1,846	-	-	-	-	-	-	-	-	-	-	-	-	**1,846**	2,476
Transport, hotels and restaurants	36	117	-	-	-	17	-	0	0	-	-	-	-	**170**	218
Other sectors	55	-	-	-	-	1,512	1	13	-64	-	-	-	-	**1,517**	1,488
Personal clients	-	-	-	-	0	5	1,730	945	967	-	-	-	-	**3,646**	3,962
Total 2016	**2,900**	**8,136**	**259**	**9,708**	**47,698**	**3,642**	**1,736**	**1,382**	**1,358**	**1**	**3,733**	**340**	**16,270**	**97,163**	
Total 2015	3,734	7,218	197	0	46,956	4,345	2,027	1,571	1,202	0	4,096	307	15,681		87,334

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

DKKm	**Large corporate clients**	**Specialised lending**	**SME corporates**	**Real property, personal**	**Real property, SMEs**	**Other retail, private**	**Other retail, SMEs**	**Total 2016**	Total 2015
Construction	872	-	2,858	-	173	0	78	**3,981**	3,010
Energy supply	2,446	380	2,272	-	28	-	81	**5,206**	5,497
Real property	4,622	-	14,007	0	469	3	269	**19,370**	16,850
Finance and insurance	54,589	-	9,342	-	1	-	0	**63,933**	83,406
Manufacturing, mining, etc.	8,349	18	3,435	-	62	1	56	**11,920**	11,364
Commerce	4,558	-	5,971	-	355	1	368	**11,254**	10,589
Information and communication	223	-	711	-	4	1	10	**949**	841
Agriculture, hunting, forestry and fishing	62	14	6,149	1	1,988	2	1,689	**9,903**	10,327
Public authorities	0	-	3	-	-	-	0	**3**	3
Transport, hotels and restaurants	2,007	-	1,232	-	127	2	92	**3,458**	3,288
Other sectors	2,125	-	3,201	18	204	46	381	**5,976**	5,904
Personal clients	219	-	1,534	33,040	5,580	11,769	2,041	**54,183**	50,722
Total 2016	**80,071**	**411**	**50,714**	**33,059**	**8,991**	**11,824**	**5,065**	**190,136**	
Total 2015	88,207	379	57,663	29,199	8,215	12,906	5,231		201,800

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

EXPOSURE BY MATURITY

DKKm	**< 1 year**	**1 - 5 years**	**> 5 years**	**Total 2016**
Exposures according to the standardised approach				
Central governments or central banks	2,892	8	-	2,900
Regional governments or local authorities	5,156	2,980	-	8,136
Public sector entities	259	-	-	259
Multilateral development banks	317	9,391	-	9,708
Institutions	35,969	11,728	-	47,698
Corporates	3,626	16	-	3,642
Retail	1,736	-	-	1,736
Secured by mortgages on immovable property	1,370	12	-	1,382
In default	1,357	1	-	1,358
Exposures associated with particularly high risk	1	-	-	1
Covered bonds	-	-	3,733	3,733
Institutions with a short-term credit assessment	0	340	-	340
Equity	-	-	16,270	16,270
Exposures according to the AIRB method				
Corporates, total	44,038	83,549	3,610	131,197
Large business enterprises	*37,724*	*40,816*	*1,531*	*80,071*
Specialised lending	*-*	*410*	*0*	*411*
SME corporates	*6,313*	*42,322*	*2,079*	*50,714*
Retail, total	1,386	42,690	14,862	58,939
Real property, personal	*522*	*21,240*	*11,296*	*33,059*
Real property, SMEs	*283*	*6,648*	*2,060*	*8,991*
Other retail, private	*344*	*10,380*	*1,100*	*11,824*
Other retail, SMEs	*238*	*4,422*	*405*	*5,065*
Equity	-	-	1,264	1,264
Securitisations	-	-	990	990
Assets without counterparties	-	-	2,810	2,810
Total 2016	**98,107**	**150,716**	**43,539**	**292,362**
Total 2015	126,091	126,583	39,414	292,088

Appendix 2: Supplementary tables for Jyske Bank A/S

IMPAIRED AND PAST DUE EXPOSURES BROKEN DOWN BY SECTOR					
DKKm	**EAD for impaired claims**	**EAD for past due exposures**	**EAD, both past due and impaired**	**Balance of loan impairment charges and provisions for guarantees incl, discounts and value adjustment**	**Net effect from impairment charges and provisions for guarantees**
Banks and mortgage credit institutions	16	-	-	15	-
Construction	574	-	-	116	-33
Energy supply	635	-	-	30	3
Real property	5,044	-	-	1,399	633
Finance and insurance	1,277	1	-	788	49
Manufacturing, mining, etc,	1,286	-	-	201	88
Commerce	1,987	-	-	157	73
Information and communication	202	0	0,0	68	-23
Agriculture, hunting, forestry and fishing	4,094	0	-	1,454	-313
Transport, hotels and restaurants	415	-	-	101	9
Other sectors	934	0	-	198	-9
Personal clients	5,469	94	8,5	1,218	-110
Total 2016	**21,932**	**96**	**9**	**5,745**	**367**
Total 2015	27,457	174	11	7,177	49

IMPAIRMENT CHARGES AND PROVISIONS FOR GUARANTEES		
DKKm	**2016**	**2015**
Balance of impairment charges for individually-assessed loans and advances	3,545	4,172
Balance of impairment charges for collectively-assessed loans and advances	1,103	1,325
Balance of provisions for guarantees and liabilities	429	468
Balance of loan impairment charges and provisions for guarantees	**5,077**	**5,965**
Balance of discounts	451	753
Balance of loan impairment charges and provisions for guarantees incl. balance of discounts	**5,528**	**6,718**
Balance of value adjustments	216	458
Balance of loan impairment charges and provisions for guarantees incl. balance of discounts and balance of value adjustments	**5,744**	**7,176**

NET EFFECT FROM IMPAIRMENT CHARGES, ETC.		
DKKm	**2016**	**2015**
Loan impairment charges and provisions for the year	166	-544
Recognised as a loss, not covered by loan impairment charges/provisions	-327	-301
Recoveries	135	142
Loan impairment charges and provisions for guarantees	**-26**	**-703**
Recognised discount for assets taken over	150	453
Net effect on income statement	**124**	**-250**
Value adjustments for financial instruments	243	298
Net effect on income statement, inclusive of value adjustments	**367**	**48**

GEOGRAPHICAL BREAKDOWN OF IMPAIRED AND PAST DUE EXPOSURES

DKKm	EAD for impaired exposures	EAD for past due exposures	EAD, both past due and impaired	Development in loan impairment charges and provisions over the year inclusive of discount balance and value adjustment
Denmark	21,476	8	4	-1,394
Rest of the EU	307	81	0	-23
Rest of the world	149	7	4	-15
Total 2016	**21,932**	**96**	**9**	**-1,432**
Total 2015	27,457	174	11	88

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

DKKm	Exposure	Financial collateral	REA
Central governments or central banks	2,900	48	-
Regional governments or local authorities	8,136	2,882	-
Public sector entities	259	197	12
Multilateral development banks	9,708	6,407	-
International organisations	-	-	-
Institutions	47,698	34,736	3,959
Corporates	3,642	1,045	2,381
Retail	1,736	575	870
Secured by mortgages on immovable property	1,382	-	460
In default	1,358	123	663
Exposures associated with particularly high risk	1	1	-
Covered bonds	3,733	-	373
Institutions with a short-term credit assessment	340	-	170
Equity	16,270	-	19,980
Total 2016	**97,163**	**46,014**	**28,868**
Total 2015	87,335	39,171	29,244

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

DKKm	Exposure	Collateral					REA
		Real property collateral	Financial collateral	Physical collateral	Other funded collateral	Guarantee collateral	
Corporates, total	131,197	7,425	43,850	4,984	4	2,562	47,950
Large corporate clients	*80,071*	*1,754*	*37,023*	*1,098*	*3*	*741*	*23,980*
Specialised lending	*411*	-	-	-	-	-	*325*
SME corporates	*50,714*	*5,671*	*6,828*	*3,886*	*1*	*1,821*	*23,644*
Retail, total	58,939	33,005	1,654	510	6	56	11,198
Real property, personal	*33,059*	*27,014*	-	-	-	-	*2,968*
Real property, SMEs	*8,991*	*5,991*	-	-	-	-	*2,465*
Other retail, private	*11,824*	-	*1,098*	*382*	*2*	*30*	*3,825*
Other retail, SMEs	*5,065*	-	*556*	*128*	*3*	*26*	*1,941*
Total 2016	**190,136**	**40,430**	**45,504**	**5,494**	**10**	**2,617**	**59,148**
Total 2015	201,800	35,681	64,264	5,062	5	2,520	62,114

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

Appendix 2: Supplementary tables for Jyske Bank A/S

MAIN TYPES OF GUARANTORS AND THEIR CREDITWORTHINESS			
	Type	**Collateral (DKKm)**	**Av. Credit rating**
Corporates	Surety	1,550	4.8
Retail	Surety	782	3.8
Governments	Guarantee	317	1.0
Total 2016		2,649	
Total 2015		2,539	

BREAKDOWN OF EXPOSURES FOR CLIENTS WITH COLLATERAL ACCORDING TO THE STANDARDISED APPROACH		
DKKm	**EAD**	**Collateral**
Central governments or central banks	48	48
Regional governments or local authorities	4,476	2,882
Public sector entities	202	197
Multilateral development banks	6,740	6,407
Institutions	37,049	34,736
Corporates	1,381	1,033
Retail	704	563
Secured by mortgages on immovable property	201	25
In default	587	123
Exposures associated with particularly high risk	1	1
Total 2016	**51,388**	**46,014**
Total 2015	7,675	39,171

BREAKDOWN OF EXPOSURES FOR CLIENTS WITH COLLATERAL PROVIDED IN THE FORM OF GUARANTEES		
DKKm	**EAD**	**Collateral**
Corporates, total	8,006	2,562
Large corporate clients	2,062	741
Specialised lending	-	-
SME corporates	5,945	1,821
Retail, total	82	56
Real property, personal	-	-
Real property, SMEs	-	-
Other retail, private	41	30
Other retail, SMEs	42	26
Total 2016	**8,089**	**2,617**
Total 2015	7,721	2,520

Appendix 3: Supplementary tables for BRFkredit a/s

CAPITAL BASE		
DKKm	**2016**	**2015**
Equity	12,812	11,781
Intangible assets	-1	-3
Cautious valuation	-17	-94
Diff. between expected losses and impairment charges	-201	-
Deferred tax assets	-	-
Common Equity Tier 1 capital	**12,593**	**11,684**
Additional Tier 1 capital	-	-
Excess deductions	-	-
Tier 1 capital	**12,593**	**11,684**
Tier 2 capital	-	-
Diff. between expected losses and impairment charges	-	135
Collective impairment under the standard approach	-	-
Offsetting of excess deductions	-	-
Capital base	**12,593**	**11,820**
REA	**66,426**	**62,033**

CAPITAL REQUIREMENTS BY RISK TYPE				
DKKm	**2016**	**% of REA**	**2015**	**% of REA**
Pillar I				
Credit risk	4,940	7.4	4,559	7.3
Market risk	132	0.2	173	0.3
Operational risk	242	0.4	231	0.4
Capital requirement, Pillar I	5,314	8.0	4,963	8.0
Pillar II				
Credit risk	704	1.1	1,010	1.6
Market risk	137	0.2	0	0.0
Operational risk	20	0.0	0	0.0
Liquidity risk	0	0.0	0	0.0
Capital requirement, Pillar II	861	1.3	1,010	1.6
Total	**6,175**	**9.3**	**5,973**	**9.6**
Capital requirement according to the transitional provisions	8,845	13.3	7,797	12.6

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

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

Credit risks

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

- credit risk for large clients with financial problems,
- credit risk for weak clients in the remaining credit portfolio,

Appendix 3: Supplementary tables for BRFkredit a/s

- credit risk concentration on individual exposures
- model uncertainty.

Market risks
BRFkredit a/s has assumed market risks necessitating a separate addition for the own funds requirement for market risk.

Operational risks
BRFkredit a/s has assumed operational risks necessitating a separate addition for the own funds requirement for operational risk.

Other risks
BRFkredit a/s has no other risks, including the risk of low earnings, lending growth, liquidity risk and re-financing risk that will necessitate separate initiatives.

Capital requirement
The capital requirement for BRFkredit a/s amounts to DKK 6.2bn at Q4 2016, corresponding to a capital requirement ratio of 9.3%. The own funds requirement, inclusive of the transitional rules for the determination of credit risk according to the IRB approach, amounts to DKK 8.8bn (13.3%).

The capital base for BRFkredit a/s amounts to DKK 12.6bn at Q4 2016, corresponding to a capital ratio of 19.0%.

Appendix 3: Supplementary tables for BRFkredit a/s

OWN FUNDS REQUIREMENT (STANDARDISED APPROACH)		
DKKm	**2016**	**2015**
Central governments or central banks	-	-
Regional governments or local authorities	-	-
Public sector entities	-	-
Multilateral development banks	-	-
International organisations	-	-
Institutions	205	209
Corporates	5	-
Retail	-	-
Secured by mortgages on immovable property	0	2
In default	-	-
Exposures associated with particularly high risk	-	-
Covered bonds	-	-
Institutions with a short-term credit assessment	-	-
Equity	44	60
Total	**254**	**271**

OWN FUNDS REQUIREMENTS (AIRB APPROACH)		
DKKm	**2016**	**2015**
Corporates, total	2,458	2,365
Large corporate clients	*2,458*	*2,365*
Specialised lending	-	-
SME corporates	-	-
Retail, total	2,121	1,845
Real property, personal	*2,121*	*1,845*
Real property, SMEs	-	-
Other retail, private	-	-
Other retail, SMEs	-	-
Securitisations	-	-
Assets without counterparties	105	76
Total	**4,684**	**4,286**

OWN FUNDS REQUIREMENT FOR MARKET RISK				
DKKm	**2016**		**2015**	
Risk type	REA	Own funds requirements	REA	Own funds requirements
Debt instruments	1,566	125	2,020	162
Shares, etc.	-	-	-	-
Commodities	-	-	-	-
Currency position	83	7	140	11
Total	**1,649**	**132**	**2,160**	**173**

Appendix 3: Supplementary tables for BRFkredit a/s

EXPOSURES ACCORDING TO THE STANDARDISED APPROACH WITH IMPAIRMENT CHARGES AND COLLATERAL			
DKKm	**EAD after value adjustments but before credit reductions**	**Impairment charges and provisions**	**Collateral**
Central governments or central banks	2,018	-	-
Regional governments or local authorities	208	-	-
Public sector entities	-	-	-
Multilateral development banks	-	-	-
International organisations	-	-	-
Institutions	7,998	-	-
Corporates	76	-	-
Retail	-	-	-
Secured by mortgages on immovable property	2	-	-
In default	-	-	-
Exposures associated with particularly high risk	-	-	-
Covered bonds	-	-	-
Institutions with a short-term credit assessment	-	-	-
Equity	545	-	-
Total 2016	**10,847**	**-**	**-**
Total 2015	14,719	-	-

EXPOSURES ACCORDING TO THE AIRB APPROACH WITH IMPAIRMENT CHARGES AND COLLATERAL			
DKKm	**EAD after value adjustments but before credit reductions**	**Impairment charges and provisions**	**Collateral**
Corporates, total	137,433	758	132,955
Large corporate clients	*137,433*	*758*	*132,955*
Specialised lending	-	0	-
SME corporates	-	0	-
Retail, total	143,594	322	142,897
Real property, personal	*143,594*	*322*	*142,897*
Real property, SMEs	-	-	-
Other retail, private	-	-	-
Other retail, SMEs	-	-	-
Securitisations	-	-	-
Assets without counterparties	1,307	-	-
Total 2016	**282,334**	**1,079**	**275,852**
Total 2015	253,648	1,425	248,727

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

AVERAGE EXPOSURES BROKEN DOWN BY EXPOSURE CATEGORY		
DKKm	**2016**	**2015**
Exposures according to the standardised approach		
Central governments or central banks	916	1,693
Regional governments or local authorities	0	0
Public sector entities	0	0
Multilateral development banks	0	0
International organisations	0	0
Institutions	10,512	10,826
Corporates	18	0
Retail	0	0
Secured by mortgages on immovable property	31	71
In default	0	0
Exposures associated with particularly high risk	0	0
Covered bonds	0	0
Institutions with a short-term credit assessment	0	0
Equity	546	1,086
Exposures according to the AIRB method		
Corporates, total	133,830	122,259
Large corporate clients	*133,830*	*122,259*
Specialised lending	0	0
SME corporates	0	0
Retail, total	139,041	118,071
Real property, personal	*139,041*	*118,071*
Real property, SMEs	0	0
Other retail, private	0	0
Other retail, SMEs	0	0
Qualified, revolving retail exposures	0	0
Securitisations	0	0
Assets without counterparties	1,249	1,249
Total	**286,143**	**255,254**

Appendix 3: Supplementary tables for BRFkredit a/s

GEOGRAPHICAL BREAKDOWN OF EXPOSURES				
DKKm	**Denmark**	**Rest of the EU**	**Rest of the world**	**Total 2015**
Exposures according to the standardised approach				
Central governments or central banks	2,018	-	-	2,018
Regional governments or local authorities	208	-	-	208
Public sector entities	-	-	-	-
Multilateral development banks	-	-	-	-
International organisations	-	-	-	-
Institutions	9,625	250	2	9,878
Corporates	58	-	-	58
Retail	-	-	-	-
Secured by mortgages on immovable property	2	-	-	2
In default	-	-	-	-
Exposures associated with particularly high risk	-	-	-	-
Covered bonds	-	-	-	-
Institutions with a short-term credit assessment	-	-	-	-
Equity	545	-	-	545
Exposures according to the AIRB method				
Corporates, total	137,268	115	49	137,433
Large corporate clients	*137,268*	115	49	*137,433*
Specialised lending	-	-		-
SME corporates	-	-		-
Retail, total	143,000	259	335	143,594
Real property, personal	*143,000*	259	335	*143,594*
Real property, SMEs	-	-	-	-
Other retail, private	-	-	-	-
Other retail, SMEs	-	-	-	-
Securitisations	-	-	-	-
Assets without counterparties	1,307	-	-	1,307
Total 2016	**294,031**	**624**	**386**	**294,776**
Total 2015	267,302	621	443	268,366

GEOGRAPHICAL BREAKDOWN OF EXPOSURE-WEIGHTED AVERAGES						
	Denmark		**Rest of the EU**		**Rest of the world**	
Exposure category	**Av. PD**	**Av. LGD**	**Av. PD**	**Av. LGD**	**Av. PD**	**Av. LGD**
Large corporate clients	5.06	6.53	1.24	8.25	3.92	7.37
Specialised lending	-	-	-	-	-	-
SME corporates	-	-	-	-	-	-
Real property, personal	2.73	10.21	6.33	10.10	4.71	7.19
Real property, SMEs	-	-	-	-	-	-
Other retail, private	-	-	-	-	-	-
Other retail, SMEs	-	-	-	-	-	-
Securitisations	-	-	-	-	-	-
Assets without counterparties	-	-	-	-	-	-
Total 2016	**3.87**	**8.41**	**4.77**	**9.53**	**4.61**	**7.22**
Total 2015	4.15	8.50	10.73	11.09	12.81	20.64

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

DKKm	Central governments or central banks	Regional governments or local authorities	Public sector entities	Multilateral development banks	International organisations	Institutions	Corporates	Retail	Secured by mortgages on immovable property	In default	Exposures associated with particularly high risk	Covered bonds	Institutions with a short-term credit assessment	Equity	Total
Banks and mortgage credit institutions	-	-	-	-	-	9,878	-	-	-	-	-	-	-	-	9,878
Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Energy supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Real property	-	-	-	-	-	-	44	-	2	-	-	-	-	59	106
Finance and insurance	-	-	-	-	-	-	13	-	-	-	-	-	-	151	164
Manufacturing and mining, etc.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commerce	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Information and communication	-	-	-	-	-	-	1	-	-	-	-	-	-	0	1
Agriculture, hunting, forestry and fishing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public authorities	-	208	-	-	-	-	-	-	-	-	-	-	-	-	208
Governments	2,018	-	-	-	-	-	-	-	-	-	-	-	-	-	2,018
Transport, hotels and restaurants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other sectors	-	-	-	-	-	-	-	-	-	-	-	-	-	333	333
Personal clients	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total 2016	**2,018**	**208**	**-**	**-**	**-**	**9,878**	**58**	**-**	**2**	**-**	**-**	**-**	**-**	**545**	**12,708**
Total 2015	3,087	-	-	-	-	10,815	-	-	71	-	-	-	-	745	14,719

Appendix 3: Supplementary tables for BRFkredit a/s

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

DKKm	Large corporate clients	Specialised lending	SME corporates	Real property, personal	Real property, SMEs	Other retail, private	Other retail, SMEs	Total 2015
Construction	679	-	-	64	-	-	-	**743**
Energy supply	87	-	-	-	-	-	-	**87**
Real property	112,002	-	-	7	-	-	-	**112,009**
Finance and insurance	4,642	-	-	-	-	-	-	**4,642**
Manufacturing, mining, etc.	385	-	-	-	-	-	-	**385**
Commerce	843	-	-	-	-	-	-	**843**
Information and communication	26	-	-	-	-	-	-	**26**
Agriculture, hunting, forestry and fishing	103	-	-	-	-	-	-	**103**
Public authorities	364	-	-	-	-	-	-	**364**
Transport, hotels and restaurants	645	-	-	-	-	-	-	**645**
Other sectors	12,613	-	-	289	-	-	-	**12,902**
Personal clients	5,044	-	-	143,234	-	-	-	**148,278**
Total 2016	**137,433**	**-**	**-**	**143,594**	**-**	**-**	**-**	**281,027**
Total 2015	125,256	-	-	127,446	-	-	-	252,701

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

EXPOSURE BY TIME TO MATURITY

DKKm	**< 1 year**	**1 - 5 years**	**> 5 years**	**Total**
Exposures according to the standardised approach				
Central governments or central banks	2,018	-	208	2,226
Regional governments or local authorities	-	-	-	-
Public sector entities	-	-	-	-
Multilateral development banks	-	-	-	-
International organisations	-	-	-	-
Institutions	6,544	-	3,334	9,878
Corporates	6	45	8	58
Retail	-	-	-	-
Secured by mortgages on immovable property	-	-	2	2
In default	-	-	-	-
Exposures associated with particularly high risk	-	-	-	-
Covered bonds	-	-	-	-
Institutions with a short-term credit assessment	-	-	-	-
Equity	-	-	545	545
Exposures according to the AIRB method				
Corporates, total	-	19,213	118,220	137,433
Large corporate clients	-	*19,213*	*118,220*	*137,433*
Specialised lending	-	-	-	-
SME corporates	-	-	-	-
Retail, total	-	3,871	139,723	143,594
Real property, personal	-	3,871	139,723	143,594
Real property, SMEs	-	-	-	-
Other retail, private	-	-	-	-
Other retail, SMEs	-	-	-	-
Securitisations	-	-	-	-
Assets without counterparties	-	-	1,307	1,307
Total 2016	**8,567**	**23,128**	**263,347**	**295,042**
Total 2015	9,385	24,155	234,826	268,366

IMPAIRED AND PAST DUE EXPOSURES BROKEN DOWN BY SECTOR

DKKm	EAD for impaired exposures	EAD for past due exposures	EAD, both past due and im-paired	Balance of loan impairment charges and provisions for guarantees	Net effect from impairment charges, etc.
Banks and mortgage credit institutions	-	-	-	-	-
Construction	32	32	32	11	2
Energy supply	-	-	-	-	-
Real property	5,183	1,486	1,210	616	-157
Finance and insurance	204	26	11	49	11
Manufacturing, mining, etc.	-	0	0	-	-
Commerce	-	20	-	-	-2
Information and communication	-	-	-	-	-
Agriculture, hunting, forestry and fishing	15	18	15	0	-0
Transport, hotels and restaurants	-	1	-	-	-0
Other sectors	130	75	23	38	-31
Personal clients	1,506	1,165	1,120	457	134
Total 2016	**7,069**	**2,823**	**2,411**	**1,172**	**-43**
Total 2015	10,347	2,627	2,581	1,425	-186

GEOGRAPHICAL BREAKDOWN OF IMPAIRED AND PAST DUE EXPOSURES

DKKm	EAD for impaired exposures	EAD for past due exposures	EAD, both past due and impaired	Impairment charges and provisions of the year
Denmark	7,059	2,813	2,401	-46
Rest of the EU	8	8	8	2
Rest of the world	2	2	2	0
Total 2016	**7,069**	**2,823**	**2,411**	**-43**
Total 2015	10,347	2,627	2,581	-186

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

DKKm	Exposure	Collateral						Total risk-weighted exposure
		Real property collateral	Financial collateral	Physical collateral	Other funded collateral	Guarantee collateral	Other collateral	
Corporates, total	137,433	132,955	-	-	-	-	-	30,729
Large corporate clients	*137,433*	*132,955*	-	-	-	-	-	*30,729*
Specialised lending	-	-	-	-	-	-	-	-
SME corporates	-	-	-	-	-	-	-	-
Retail, total	143,594	142,897	-	-	-	-	-	26,516
Real property, personal	*143,594*	*142,897*	-	-	-	-	-	*26,516*
Real property, SMEs	-	-	-	-	-	-	-	-
Other retail, private	-	-	-	-	-	-	-	-
Other retail, SMEs	-	-	-	-	-	-	-	-
Total 2016	**281,027**	**275,852**	**-**	**-**	**-**	**-**	**-**	**57,245**
Total 2015	252,701	248,727	-	-	-	-	-	52,625

Appendix 3: Supplementary tables for BRFkredit a/s

BREAKDOWN OF COLLATERAL BY TYPE OF COLLATERAL FOR EXPOSURE ACCORDING TO THE STANDARDISED APPROACH			
DKKm	**Exposure**	**Financial collateral**	**REA**
Central governments or central banks	2,018	-	-
Regional governments or local authorities	208	-	-
Public sector entities	-	-	-
Multilateral development banks	-	-	-
International organisations	-	-	-
Institutions	276	-	431
Corporates	72	-	54
Retail	545	-	44
Secured by mortgages on immovable property	2	-	1
In default	2,568	-	205
Exposures associated with particularly high risk	-	-	-
Covered bonds	1	-	0
Institutions with a short-term credit assessment	-	-	-
Equity	211	-	211
Total 2016	**5,900**	**-**	**946**
Total 2015	14,719	-	3,385

MAIN TYPES OF GUARANTORS AND THEIR CREDITWORTHINESS			
	Type	**Collateral (DKKm)**	**Average Credit rating**
Corporates	Surety	-	-
Retail	Surety	-	-
Governments	Guarantee	1,880	1.0
Total 2016		**1,880**	
Total 2015		2,942	

Appendix 4: Definitions

ABS	Asset Backed Security. A general term for claims whose value is determined by a pool of specified underlying assets such as a certain type of loan.
AIRB	The Advanced Internal Rating Based approach. A method under the CRR for determining the minimum own funds requirement to cover credit risk.
ARM	Adjustable-Rate Mortgage.
AT1 capital	Additional Tier 1 capital.
Back-testing	An ex-post comparison of forecast and realised values with the object of assessing the absolute precision of the relevant models.
Balance principle	The balance principle means that the borrowers' payments of interest and instalments match the payments on the bonds issued to fund the mortgage loan.
Benchmarking	A management tool used for comparing the accuracy of the model under review with the accuracy of alternative models.
BIS	Bank for International Settlements, an international organisation which fosters international monetary and financial cooperation and serves as a bank for central banks.
BRRD	Bank Recovery and Resolution Directive, a common approach within the EU to the recovery and resolution of banks and investment firms.
Business risk	The risk of unexpected fluctuations in earnings capacity or level of expenses, for instance due to falling trading activity, falling deposits or loans and advances or reductions in prices.
Calibration	Adjustment of a given model to bring it to an intended level.
Capital base	The capital base consists of Tier 1 capital and subordinated debt; it must at all times be higher than the capital requirement.
Capital centre	Covered bonds and mortgage bonds are issued by capital centres with separate individual own funds requirements. At BRFkredit, covered bonds are issued at Capital Centre E and RO at Capital Centre B.
Capital conservation buffer	A capital requirement of 2.5% of the total risk exposure. Is being phased in gradually. To be accumulated as protection against crisis.
Capital ratio (%)	The capital base divided by the total risk exposure.
CDO	Collateralised Debt Obligations. Bonds whose value is determined by the value of pools of underlying claims which are typically not commercial loans or real property.
CLO	Collaterized Loan Obligation. An asset-backed security backed by the receivables on loans.

Appendix 4: Definitions

CLS	Continuous Linked Settlement. A settlement system linking "payment to payment", which reduces the settlement risk of FX transactions made between participants of the CLS system. Jyske Bank is a third-party member.
Commodity risk	The risk of loss caused by changing commodity prices.
Common Equity Tier 1 capital	Equity less a number of deductions.
Countercyclical buffer	A capital requirement of up to 2.5% of the total risk exposure. This is determined by the authorities taking into account the current economic situation.
Counterparty credit risk	The risk of loss due to a counterparty failing to fulfil his obligations.
Country risk	The risk of loss caused by the economic and political conditions in a given country.
CP	Commercial Paper. Short-term debt instruments (which may be, but are not necessarily, zero-coupon instruments) with maturities up to a year.
CRD IV	The Capital Requirements Directive is an EU directive, which through the Danish Financial Business Act, was implemented directly in Danish legislation with effect as of 1 April 2014.
Credit risk	The risk of loss caused by clients' or counter-parties' failure to meet their payment obligations. Credit risk extends to loans and advances, committed credit facilities and guarantees, market values of derivatives and equity investments.
CRR	The Capital requirements regulation is an EU regulation that lays down the rules for capital requirements of credit institutions.
CSA	Credit support annex. An annex to an ISDA contract, under which Jyske Bank is entitled to collateral if a counterparty's negative market values exceed an agreed maximum. Jyske Bank must put up margin for the counterparty if the market value in favour of the counterparty exceeds an agreed limit.
Currency risk	The risk of loss caused by changing exchange rates.
CVA Risk Charge	Credit Value Adjustment risk charge. The potential net loss that may occur in the portfolio of derivatives if in future the credit quality among counterparties deteriorates.
Default	An exposure is termed 'defaulted' if the borrower is expected not to meet all his obligations towards the Group (high and full risk).
Defaulted exposures	Defaulted clients and past due exposures.
EAD	Exposure At Default. The estimated exposure, should the client default in the course of the next twelve months.
EBA	European Banking Authority.
ECB	European Central Bank.

Economic capital	The capital required to cover the Group's unexpected loss one year into the future. Economic capital covers credit risk, market risk and business risk.
EMTN	European Medium Term Notes. Typically with maturities of between two and ten years.
EPE	Expected Positive Exposure. A method for estimating EAD for derivatives.
Equity price risk	The risk of loss caused by changing equity prices.
ICAAP	Internal Capital Adequacy Assessment Process. The process used when assessing the capital requirement.
IFRS	International Financial Reporting Standards.
ILAAP	Internal Liquidity Adequacy Assessment Process. The Group's own determination and assessment of liquidity position and liquidity risk.
Impaired exposures	Exposures for which impairment charges have been made individually.
Interest-rate risk	The risk of loss caused by changing market rates.
ISDA	International Swap and Derivative Association. The Association has formulated standardised agreements to be entered with a counterparty. Under such agreements Jyske Bank has the right to apply netting to derivatives transactions.
JB credit rating	A rating on a scale from 1 to 14, where 1 is the highest credit quality (the lowest PD) and 14 the lowest credit quality (the highest PD).
Joint funding	A financial institution may fund loans secured against real property through covered bonds issued by another financial institution or mortgage credit institution.
Leverage ratio	The leverage ratio is Tier 1 capital relative to the Group's total non-weighted exposures.
LGD	Loss Given Default. The proportion of a given exposure which is expected to be lost if the client defaults in the course of the next twelve months.
Liquidity risk	The risk of Jyske Bank not being able to generate or obtain sufficient liquidity at a reasonable price to meet its payment obligations or ultimately being unable to meet its obligations as they fall due.
Market risk	The risk of loss caused by a change in the market value of the Group's assets and liabilities caused by price changes in the financial markets.
MREL	Minimum requirements for own funds and eligible liabilities.
O-SII	Other systemically important institutions, the systemic importance classification of Jyske Bank.
OAS risk	Option Adjusted Spread, the interest rate spread defined as the risk premium related to investing in a mortgage bond compared to the equivalent swap-rate. The risk premium can be related to credit risk, illiquidity and for convertible bonds the conversion right.

Appendix 4: Definitions

Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.
Own funds requirements	The own funds requirement is the amount of capital that the Group must hold to maintain its banking licence. The determination is based on statutory formulas which prescribe how the total risk exposure must be measured. The own funds requirement is 8% of this.
Past Due	Exposures which have been in default for 90 days or longer.
PD	Probability of Default. The probability of a given client defaulting within the next twelve months.
Pillar II	The part of the Group's capital requirements that exceeds the own funds requirements.
RAC	Risk-adjusted capital.
REA	Risk Exposure Amount or Risk-weighted Exposure Amount.
Retail	In relation to the CRD, the 'Retail' category covers personal clients and small and medium-sized enterprises. The latter must meet certain criteria to rank as retail clients.
Risk category	Jyske Bank's exposures at risk are broken down into three categories: low (1), high (2) and full (3) risk. Risk categories 2 and 3 are termed defaulted. The risk categories are also applied in the Group's set-up for impairment recognition.
Risk-weighted exposure amount	The risk-weighted exposure amount or the risk exposure amount is calculated according to the capital requirements regulation. Jyske Bank's capital base must correspond to at least 8% of this amount.
RMBS	Residential Mortgage Backed Securities.
RW	Risk weighting according to the capital requirement regulations in force. Risk weightings are applied to the assets to reach the risk-weighted exposure amount.
SACP	Stand-alone credit profile.
Settlement risk	The risk of loss caused by the non-fulfilment of payment obligations agreed between Jyske Bank and its counterparties.
SDO	CRD-compliant covered bonds. Loans secured against real property.
SSB	Senior Secured Bonds. Capital instrument used to meet the requirement of supplementary collateral.
Supplementary collateral	For loans funded through the issue of covered bonds, supplementary collateral must be provided if LTV exceeds the loan-to-value limit as individual loans must at all times comply with the established loan-to-value limits for the type of real property in question.
Tier 1 capital	The sum of Common Equity Tier 1 capital and additional Tier 1 capital.
Trustee report	A status report from the securitisation's trustee describing the underlying loan portfolio of the securitisation and the development of this to be used by investors, among others.

VaR	Value at Risk expresses the anticipated maximum risk of loss over a given period based on historical price and correlation developments.