



Annual Report 2017

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Core profit and net profit for the year (DKKm)

	2017	2016	Index 17/16	2015	2014	2013
Net interest income	5,674	5,748	99	5,886	5,315	4,438
Net fee and commission income	1,957	1,531	128	1,834	1,761	1,731
Value adjustments	577	781	74	381	-42	410
Other income	207	257	81	239	3,074	561
Income from operating lease (net)	-54	44	-	93	78	65
Core income	8,361	8,361	100	8,433	10,186	7,205
Core expenses	5,374	5,108	105	5,322	5,231	4,469
Core profit before loan impairment charges	2,987	3,253	92	3,111	4,955	2,736
Loan impairment charges	-453	-149	304	347	1,953	930
Core profit	3,440	3,402	101	2,764	3,002	1,806
Investment portfolio earnings	562	504	112	440	101	495
Pre-tax profit	4,002	3,906	102	3,204	3,103	2,301
Tax	859	790	109	728	14	493
Profit for the year	3,143	3,116	101	2,476	3,089	1,808

Summary of balance sheet, end of period (DKKbn)

Loans and advances	447.7	422.4	106	396.2	361.8	131.4
- of which mortgage loans	306.8	277.0	111	249.5	218.9	0
- of which traditional bank loans and advances	101.3	94.1	108	93.2	102.3	110.7
- of which new home loans	12.2	17.4	70	12.0	18.1	0.4
- of which repo loans	27.4	33.9	81	41.5	22.5	20.3
Bonds and shares, etc.	79.1	89.9	88	76.5	92.3	74.9
Total assets	597.4	586.7	102	543.4	541.7	262.0
Deposits	160.0	154.6	103	144.9	152.7	131.4
- of which bank deposits	139.9	134.2	104	129.0	133.2	121.2
- of which repo deposits and tri-party deposits	20.1	20.4	99	15.9	19.5	10.2
Issued bonds at fair value	302.6	271.2	112	231.2	208.5	0
Issued bonds at amortised cost	38.9	51.0	76	48.2	43.4	27.8
Subordinated debt	4.3	2.1	205	1.4	1.4	1.6
Holders of additional tier 1 capital	2.6	1.5	173	0	0	0
Shareholders' equity	32.0	31.0	103	30.0	27.6	17.5

Financial ratios and key figures

Earnings per share (DKK)*	34.7	33.5	-	26.1	35.1	25.4
Profit for the year, per share (diluted) (DKK)*	34.7	33.5	-	26.1	35.1	25.4
Pre-tax profit as a pct. of average equity	12.4	12.7	-	11.1	13.8	13.9
Net profit as a percentage of average equity*	9.7	10.1	-	8.6	13.7	10.9
Expenses as a percentage of income	64.2	61.1	-	63.1	51.4	62.0
Capital ratio (%)	19.8	18.3	-	17.0	16.4	16.0
Common Equity Tier 1 capital ratio (CET1 %)	16.4	16.5	-	16.1	15.3	15.3
Individual solvency requirement (%)	10.2	10.0	-	10.5	10.9	9.8
Capital base (DKKbn)	37.3	33.4	-	30.1	29.0	17.8
Weighted risk exposure (DKKbn)	188.0	182.2	-	176.9	176.4	111.3
Share price at end of period (DKK)	353	337	-	312	313	293
Book value per share (DKK)*	374	348	-	317	290	245
Price/book value per share (DKK)*	0.9	1.0	-	1.0	1.1	1.2
Number of full-time employees, year-end**	3,932	3,981	-	4,021	4,191	3,774

Relationships between income statement items under 'The Jyske Bank Group key financial data' and the income statement page 36 appear from note 2. *Financial ratios are calculated as if AT1 capital is recognised as a liability, cf. note 72. ** The number of employees at the end of 2017 was reduced by 39 employees for whom costs were covered externally.

Summary

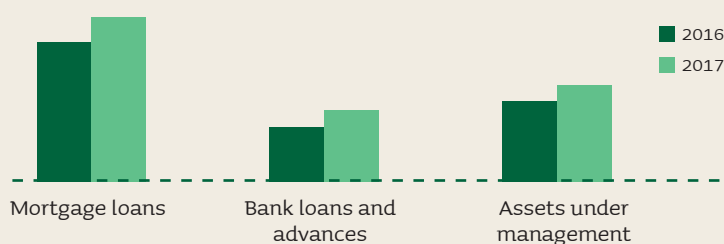
Return on equity



Post-tax profit of DKK 3,143m.

Return on equity of 9.7% is in line with the announced expectations.

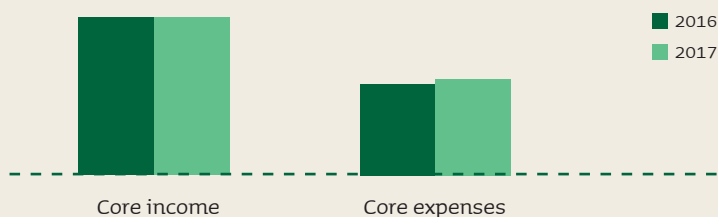
Growth in business volume



Growth of 11% and 8% for mortgage loans and bank loans, respectively.

Assets under management grew by 14%.

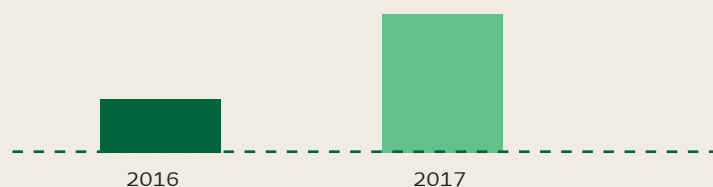
Core income and expenses



Core income in 2017 was kept at the 2016 level due to the rising activity level.

Core expenses exclusive of one-off expenses were in line with the level in 2016

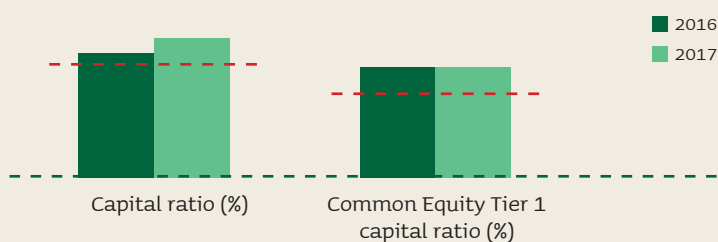
Reversal of impairment charges



Impairment charges in the amount of DKK 453m were reversed against DKK 149m in 2016.

The reason was improving credit quality due to the general improvement of the Danish economy.

Capital ratios



The capital ratio increased due to retained earnings as well as the issue of AT1 and Tier 2 capital.

Common Equity Tier 1 capital ratio in line with 2016.

Both ratios exceed the Group's long-term capital targets.

Comments by Management

In connection with the publication of Jyske Bank's Annual Report 2017, Anders Dam, Jyske Bank's CEO and Managing Director states:

Profit for the year

"Jyske Bank generated a pre-tax profit of DKK 4,002m, corresponding to an annual return on equity of 12.4%. This profit was achieved thanks to increasing business volumes in all segments. The post-tax profit amounted to DKK 3,143m, corresponding to a return on equity of 9.7%, which is satisfactory and in line with the target of a return on equity in the range of 8-12%.

Market areas

With respect to mortgage lending to personal clients, we have over the past almost four years increased our market share. In 2017, total mortgage loans increased by 30bn, and since the merger with BRFKredit, mortgage loans have increased by DKK 100bn. This is evidence of the Group's strong market position with respect to products and prices. The target of Jyske Bank being able to add new home loans in the amount of DKK 100bn to the Group will be reached at the end of February 2018. Loans for commercial property have increased by DKK 19.3bn, and the target of growth of DKK 20bn over five years is expected to be met in the first half of 2018 - about a year before originally expected.

As of mid-2018, only the Jyske brand will be used in the area of home financing as, at this time, Jyske Realkredit will be launched as the name of the mortgage activities. Provided that economic growth in Denmark remains stable, it is the ambition of the Group that the portfolio of home loans will grow by DKK 20bn-25bn and commercial property loans by DKK 15bn-20bn over the coming three years. The aim is to achieve a total loan balance of DKK 350bn for Jyske Realkredit.

In addition to growth in the mortgage activities, progress was also recorded in respect of the business volume for leasing activities. In respect of capital market activities, an inflow of clients as well as business volume was recorded. Also, the business volume of private banking clients is improving, and it is expected that these trends will continue in 2018.

The organisation

In 2017, the Group united and strengthened the client-oriented functions through the establishment of three new client units, Personal Clients, Corporate Clients and Private Banking. Due to the increased integration between banking and mortgage activities, corporate clients are to a higher degree experiencing the advantages from the Group being able to offer both banking and mortgage products.

Thanks to the establishment of an even stronger development organisation across the Group, the first visible results will be seen in mid-2018, externally in the form of a simpler product range and internally in the form of improved processing of loans.

The organisational changes implemented and the technological development support the Group's on-going focus on the cost level. Hence, the target is that five years after the merger with BRFKredit the number of employees will, all other things being equal, be back at about the level at the end of 2013. At today's date, the number of full-time employees is about 3,900 less the employees for whom costs were covered externally. At this point in time, notices have been received from and retirement agreements have been reached for a total of about 50 employees to take effect until mid-2019.

Client satisfaction

The employees of the Jyske Bank Group strive continuously to meet the ambition of making a positive difference for the clients, and the Voxmeter study in 2017 showed that Jyske Bank has the most satisfied private clients in Denmark, and the report from Aalund showed that Jyske Bank has the most satisfied corporate clients in Denmark. For two consecutive years, we were named "Best in Test" by the Danish Consumer Council, and again in 2017 we ranked ahead of other national financial institutions and received the distinction of 'Anbefalet' (Recommended), particularly in respect of clients with a high level of home equity.

We are the only Danish financial institution that offers our clients mobile payments with 'Apple Pay'. The number of clients wishing to use Apple Pay is increasing steadily. It is expected that various functionalities in the payment and card area will become more widely used and be expanded over the coming years. The possibility of issuing 'Jyske VISA mobil' without issuing a physical card is the most recent example of that development.

Capital structure and dividend

In 2017, the Group made a gradual adjustment of its capital structure. At 19.8% and 16.4%, respectively, both the capital ratio and the Common Equity Tier 1 capital ratio are above the long-term targets of 17.5% and 14%, respectively. It is expected that Basel IV will result in an increased capital requirement, corresponding to a change of 3 percentage points in the capital ratio, i.e. about 1 percentage point below the level announced previously. It is the ambition of the Jyske Bank Group to meet these requirements at the beginning of the phase-in period starting in 2022. In the short term, S&P's risk-adjusted capital ratio (Risk Adjusted Capital) is a governing factor. For the long term, the Jyske Bank Group aims for a RAC ratio at the level of 10.5%. At the end of 2017, the RAC ratio was 10.2%.

The Supervisory Board will, at the Annual General Meeting in March 2018, make a motion for the distribution of ordinary dividend of DKK 5.85 per share. The aim is to generate a stable dividend level. Additional dividends and share buy-backs will be measures taken to the extent made possible by the development, particularly in the RAC requirements", ends Anders Dam.

Vision and Mission

The Jyske Bank Group supports private individuals, companies and institutions - hence also society – through financial services that are simple, forward-looking and responsible.

It is our vision that, when they bank with the Jyske Bank Group, our clients experience a positive difference and that generally we are among the best financial services companies in Denmark.

The business area of the Jyske Bank Group is to offer financial products and other related products and services, primarily in Denmark.

Products and services that the Group does not produce itself but which are considered important to the Group's clients are distributed through partners.

To the Jyske Bank Group, shareholders, clients and employees are, each in their own right, the most important stakeholders - and these three groups must be in balance.

Such balance is established when ...



Shareholders receive an attractive, risk-adjusted, long-term return



The clients receive advice, products, services and prices that are among the best on the market



The employees have an attractive workplace with opportunities for development

Strategy

”We are where the client is”

The Jyske Bank Group's strategy for the coming years rests on the intention that through our activities we will meet our clients and **make a difference for them, wherever they are** - geographically, in the digital world, in their life, in their financial situation, etc.

We are an advisory and relations bank offering the clients the opportunity over time, in an easy and simple way, to choose among the Group's channels, advisory concepts and service offers and through these have access to the Group's products in a way that creates value for both the clients and the bank.

The Group's strategy sets the direction of the development and the activities that are launched to meet our mission, vision and objectives. Working with strategies is a dynamic process, and adjustments are made continuously reflecting changes in the surrounding environment.

One brand, one product portfolio and one process

We wish to have the simplest possible set-up for our clients and the Group, and we think this is best achieved by having one brand, Jyske, one product portfolio and one process across the channels.

Therefore we have chosen to change the Group's brand strategy from a two-brand strategy to a one-brand strategy. Therefore, all home loan products for personal clients and corporate products will in future be branded Jyske "(X)".

The efforts to establish the Jyske Bank Group's future home loan process for personal clients will focus on simplification and streamlining of the product range, client registration as well as sales and advisory procedures. The efforts will aim to establish an increasingly automated process to the benefit of both clients and advisers.

New growth area: Investment/trading/wealth

The Jyske Bank Group intends to turn trading, investment and wealth management into a significant area of focus and growth.

The increased focus will, among other things, be based on the upgrade of the capital market platform that is taking place in cooperation with Bankdata and the adjustment of investment products to MiFID II-compliant solutions that was carried out in 2017. Jyske Bank continuously focuses on the development of good solutions for both clients and the bank. In 2018, the Group will initiate further efforts in the area and still be determined to maintain its market position and do its utmost to be worthy of the clients' confidence.



See much more about Jyske Bank's view of strategic themes such as digitization, differentiation and regulation on:

jyskebank.dk/2018

Outlook

The Group anticipates that the economic upturn will continue in 2018 and that competition will still intensify. Economic growth is still favourable, yet the goods and wage inflation is still low.

Continued growth in bank loans and advances, primarily for corporate clients, is expected.

The target of Jyske Bank being able to add new home loans in the amount of DKK 100bn to the Group will be reached at the end of February 2018. Likewise, it is expected that the target of growth in loans for commercial property by DKK 20bn will be met in the first half of 2018.

Provided that the economic growth in Denmark remains stable, it is the ambition of the Group that the portfolio of home loans will grow by DKK 20bn-25bn and commercial property loans by DKK 15bn-20bn over the coming three years. The aim is to achieve a total loan balance of DKK 350bn for Jyske Realkredit.

The Group is continuously focusing on the cost development. Hence, it is the target of the Group that five years after the merger with BRFkredit the number of employees will, all other things being equal, be back at about the level at the end of 2013.

In 2017, the Group made an adjustment of its capital structure to the Group's long-term capital targets. It is now expected that the Basel IV recommendations will affect the capital ratio by 3 percentage points against the previous expectations of 4 percentage points. Therefore, over the period 2018-2021, the gradual build-up of capital is expected to continue with a view to complying with the Basel IV recommendations at the beginning of the phase-in period in 2022.

In the shorter term, Standard & Poor's risk-adjusted capital ratio will be a governing factor for dividends and share buy-backs.

It is still the objective of the Group to generate a return on the average equity in the range of 8 to 12% p.a. after tax, exclusive of the effect from IFRS 9.

Based on equity at the end of 2017, this objective corresponds to a post-tax profit in the range of DKK 2.6bn-3.8bn.

Highlights in 2017

Organisation



New client-focused organisation

Jyske Bank has strong focus on new growth area

Prices

Prices:

1. Clients with mortgage loans in JB have not seen 'increases in administration margins' since the introduction in 2002
2. We do not increase the price due to expected legislation
3. We do not increase the price in order, for a short while, to pay it back in part of in full
4. We make no price guarantees

Home loans



Holmens Kanal – Copenhagen

Home loans:

- Number of home appraisals ordered:
2016: 112.8 each banking day
2017: 108.4 each banking day
2018: 130.4 each banking day over the first six weeks
- Home loans of DKK 96bn at the end of 2017 and DKK 100bn at the end of February 2018

Client satisfaction



OCTOBER 2017

- "Affluent Danes say: This is the best bank" *finans.dk*, on 22 April 2017
- Jyske Bank has the most satisfied corporate clients, *Aalunds bankbarometer*, October 2017
- Ranked second best of the eight largest banks by Voxmeter's satisfaction survey of personal clients

Innovation



- Thousands of clients have Apple Pay after one week
- Jyske Bank thinks the dankort will be a thing of the past
- Jyske Visa Mobil for Apple Pay

Contribution to society (Tax)

Jyske Bank was the ninth largest contributor of corporation taxes in Denmark in the income year 2016

Danish Minister for Taxation, Karsten Lauritzen, personally acknowledges Jyske Bank for the big contribution that Jyske Bank makes

Financial Review

Core profit and net profit for the year (DKKm)

	2017	2016	Index 17/16	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Net interest income	5,674	5,748	99	1,537	1,381	1,386	1,370	1,457
Net fee and commission income	1,957	1,531	128	654	436	420	447	501
Value adjustments	577	781	74	38	96	97	346	232
Other income	207	257	81	-29	29	147	60	79
Income from operating lease (net)	-54	44	-	-6	-43	-21	16	-27
Core income	8,361	8,361	100	2,194	1,899	2,029	2,239	2,242
Core expenses	5,374	5,108	105	1,326	1,270	1,388	1,390	1,335
Core profit before loan impairment charges	2,987	3,253	92	868	629	641	849	907
Loan impairment charges	-453	-149	304	-139	-194	-75	-45	-293
Core profit	3,440	3,402	101	1,007	823	716	894	1,200
Investment portfolio earnings	562	504	112	-30	135	108	349	303
Pre-tax profit	4,002	3,906	102	977	958	824	1,243	1,503
Tax	859	790	109	197	210	185	267	301
Profit for the year	3,143	3,116	101	780	748	639	976	1,202

Profit for the year

The Group realised a pre-tax profit of DKK 4,002m. Calculated tax amounted to DKK 859m, and after tax the profit amounted to DKK 3,143m. The post-tax profit corresponded to a return of 9.7% on average equity against 10.1% in 2016. The return on equity is in line with the objective of a return after tax of 8 to 12% stated at the beginning of 2017.

Core profit

Core profit amounted to DKK 3,440m against DKK 3,402m in 2016.

Core profit before loan impairment charges and provisions for guarantees amounted to DKK 2,987m against DKK 3,253m for 2016. Adjusted for one-off expenses, core profit before impairment charges was in line with that of 2016.

Core income

Net interest income under core income amounted to DKK 5,674m, i.e. in line with 2016. Exclusive of one-off income due to the end to eased terms of interest in the amount of about DKK 100m, net interest income would have been 3% below the level in 2016, which can primarily be attributed to less net interest

income from the strategic balance sheet and risk management and coupon income on bonds in the trading portfolio. Both reasons must be seen in the context of the reduced bond portfolios. In addition, interest expense on Tier 2 capital increased by almost DKK 50m.

Earnings saw a stable underlying development within all three areas of activity, banking, mortgage and leasing, where volume growth compensated for the pressure on margins.

On the whole, net fee and commission income increased by 28% compared to 2016. Adjusted for other fee income of about DKK 60m relating to Jyske Invest Fund Management and DKK 50m relating to changes in the practice of recognising DLR guarantee commission as income, net fee and commission income was 21% above the level in 2016.

The most important reasons for this were:

- Exemption from fees when transferring home loans as well as discounts in connection with transfers of mortgage loans to BRFkredit were discontinued

- Increasing client portfolio values
- Performance fees

To this must be added an effect in the amount of about DKK 15m due to the change in fees in the personal client area introduced in mid-2017.

Fee and commission income (DKKm)

	2017	2016
Securities trading and custody services	1,383	1,218
Money transfers and card payments	199	209
Loan application fees	389	291
Guarantee commission	116	97
Other fees and commissions	293	165
Total	2,380	1,980

Value adjustments under core profit amounted to DKK 577m against DKK 781m in 2016.

The first quarter of 2017 saw a substantial narrowing of the credit spread for Danish mortgage bonds, which resulted in significant, positive value adjustments. For the remaining part of 2017, the credit spreads were more stable, and, also, the Group reduced both the trading portfolio of bonds and the liquidity portfolio.

Value adjustment of sector shares affected value adjustments positively by about DKK 125m against DKK 130m in 2016.

Compared to 2016, the year 2017 saw less volatility in the financial markets. All the same, the activity level on the part of institutional clients was high, and the year saw an increasing inflow of clients and transactions.

Transactions relating to clients' interest-rate hedging affected value adjustments favourably in the amount of DKK 134m, which was a consequence of the improving credit quality. In 2016, the effect from these transactions was a positive value adjustment of DKK 243m. As credit quality improved, sensitivity to this type of transactions was reduced in the course of 2017. Therefore, in future, changes to long-term market interest rates will have a more limited effect.

Income from operating lease (net) amounted to an expense of DKK 54m against an income of DKK 44m in 2016. This decline can be attributed to the extraordinary impairment of residual values on operating lease agreements. Please see Leasing activities for further comments.

Core expenses

Core expenses amounted to DKK 5,374m against DKK 5,108m in 2016. Less one-off expenses totalling DKK 237m paid in the first half of 2017, core expenses amounted to DKK 5,137m, i.e. an increase of 0.6%. The underlying trend in core expenses was in line with expectations and based on a practically unchanged average number of full-time employees and general spending restraint in connection with other operating expenses. Due to this, it was possible to compensate for the upward pressure on employee costs of about 2.25% due to the increase in salaries prescribed by the collective agreement and an increase in the payroll tax rate.

Core expenses (DKKm)

	2017	2016
Employee expenses	3,122	2,994
IT	1,221	1,212
Rent, etc.	139	140
Amortisation, depreciation and impairment	154	96
Other operating expenses	738	666
Total	5,374	5,108

At the end of 2017, the Group had 3,932 full-time employees against 3,981 full-time employees at the end of 2016. At the end of 2017, the number of employees was reduced by 39 employees for whom costs were covered externally.

Impairment charges

Under core profit, loan impairment charges and provisions for guarantees of DKK 453m were reversed against DKK 149m in 2016, and losses in the amount of 1,005m were recognised against DKK 1,296m in 2016.

The addition of new impaired exposures continued to be at a low level for both corporate and personal clients, and a lower indication of impairment was seen for existing non-performing loans.

In connection with clients of banking activities, general improvement was seen across industries.

The biggest improvements were seen within Agriculture and Real property where amounts of DKK 172m and DKK 229m, respectively, were reversed in 2017.

In connection with corporate clients with mortgage loans, the impairment charges for 2017 amounted to DKK 10m compared to a reversal of DKK 190m in 2016. At the beginning of 2017, the impairment charges were characterised by increases in impairment charges for hard-to-sell mortgaged properties.

In the fourth quarter of 2017, the Group's loss models were aligned, which resulted in an increase of DKK 175m in collective impairment charges, of which DKK 169m related to personal clients within mortgage activities.

Investment portfolio earnings

Investment portfolio earnings in 2017 came to DKK 562m against DKK 504m in 2016.

Investment portfolio earnings (DKKm)

	2017	2016	Index 17/16
Net interest income	330	417	79
Net fee and commission income	-3	-3	100
Value adjustments	219	87	252
Other income	47	30	157
Income	593	531	112
Expenses	31	27	115
Investment portfolio earnings	562	504	112

The narrowing of credit spreads resulted in material, positive value adjustments relating to Danish mortgage bonds. In addition, yet, to a lesser degree, positive value adjustments relating to the bank's portfolio of other securitizations had an effect. Moreover, value adjustments were affected positively by DKK 106m due to the holding of shares in Nordjyske Bank.

Net interest income was lower compared to 2016. This can primarily be attributed to smaller bond holdings.

Q4 of 2017 compared to Q3 2017

In the fourth quarter of 2017, a post-tax profit of DKK 780m was achieved compared to DKK 748m for the third quarter of 2017. In the fourth quarter of 2017, a one-off income of about DKK 100m was recognised under net interest income; this effect related to the end of eased terms of interest.

Net fee and commission income for the fourth quarter amounted to DKK 654m, corresponding to an increase of 50% relative to the third quarter. When disregarding the effect from the changed practice relating to commission from DLR and Jyske Invest Fund Management, the increase in the fourth quarter was driven by annual investment-related product and custody fees. Moreover, in the fourth quarter of 2017, performance fees of DKK 31m were recognised due to a positive development in the financial markets.

In the fourth quarter of 2017, an amount of DKK 43m relating to income from the sale of an owner-occupied property in the second quarter of 2017 was deducted under other income. Instead the amount of DKK 43m was recognised under equity.

Income from operating lease (net) was an expense of DKK 6m in the fourth quarter 2017 compared to DKK 43m in the third quarter. As was the case in the third quarter, the fourth quarter was negatively affected - albeit to a lesser degree - by an extraordinary impairment of the residual value of operating lease agreements. This was a consequence of political decisions to reduce registration taxes on new cars.

Expenses rose in the fourth quarter of 2017 by DKK 56m. The most important reasons for this increase was IT-related costs and annual payments to the Danish Financial Supervisory Authority. Core expenses in the fourth quarter were reduced by DKK 34m due to the fact that costs relating to 39 employees were covered externally.

Impairment charges in the amount of DKK 139m were reversed against DKK 194m in the third quarter. In the fourth quarter, collective impairment charges increased by DKK 175m due to the alignment of the Group's loss models.

Summary of balance sheet, end of period (DKKbn)

	2017	2016	Index 17/16	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Loans and advances	447.7	422.4	106	447.7	441.0	435.0	424.9	422.4
- of which mortgage loans	306.8	277.0	111	306.8	303.0	295.8	287.4	277.0
- of which traditional bank loans and advances	101.3	94.1	108	101.3	99.1	98.6	96.3	94.1
- of which new home loans	12.2	17.4	70	12.2	11.0	11.7	14.2	17.4
- of which repo loans	27.4	33.9	81	27.4	27.9	28.9	27.0	33.9
Bonds and shares, etc.	79.1	89.9	88	79.1	75.2	76.0	84.4	89.9
Total assets	597.4	586.7	102	597.4	584.7	579.9	570.2	586.7
Deposits	160.0	154.6	103	160.0	154.9	157.2	155.5	154.6
- of which bank deposits	139.9	134.2	104	139.9	134.0	134.1	132.5	134.2
- of which repo deposits and tri-party deposits	20.1	20.4	99	20.1	20.9	23.1	23.0	20.4
Issued bonds at fair value	302.6	271.2	112	302.6	295.2	285.5	276.5	271.2
Issued bonds at amortised cost	38.9	51.0	76	38.9	38.8	42.0	45.7	51.0
Subordinated debt	4.3	2.1	205	4.3	4.3	4.3	2.1	2.1
Holders of hybrid core capital	2.6	1.5	173	2.6	2.6	1.5	1.5	1.5
Shareholders' equity	32.0	31.0	103	32.0	31.8	31.3	31.4	31.0

Business volume

The Group's total loans and advances increased by 6% due to increases in both bank loans and advances and mortgage loans.

At the end of 2017, new home loans had been granted through Jyske Bank in the amount of DKK 96.0bn against DKK 79.5bn at the end of 2016. The increase in new home loans by DKK 16.5bn was evenly distributed over the year with net new loans of about DKK 4bn in each quarter.

In 2017, traditional bank loans and advances increased quarter by quarter, and at the end of the year they were 8% above the level at the end of 2016 and were for the first time since 2014 above DKK 100bn. The increase can primarily be attributed to large corporate clients and public authorities. At sector level, the trend seen over the past ten years continued, and mortgage loans accounted for a still increasing proportion of total loans and advances. At the end of 2017, mortgage loans accounted for 69% of the Group's total loans and advances.

Bank deposits rose by 4% to DKK 139.9bn. The increase can in particular be attributed to deposits from public authorities in the fourth quarter. Demand deposits ex repo and tri-party deposits

amounted to 78% and accounted for an increasing proportion of total bank deposits.

The savings surplus in society is still high and reflected by the fact that, at the end of 2017, bank deposits were about DKK 26bn higher than bank loans and advances.

The business volume within asset management had increased to DKK 145bn at the end of 2017 as compared to DKK 127bn at the end of 2016. The positive development in the business volume can be attributed to positive returns for the clients and increasing net inflow of new funds from most client segments.

After share buy-backs and the strengthening over the year, shareholders' equity amounted to DKK 32.0bn at the end of the year against DKK 31.0bn at the end of 2016.

Credit quality

The Group's total balance of loan impairment charges and provisions as well as its discount balance amounted to DKK 5.7bn, against DKK 6.8bn at the end of 2016, corresponding to 1.2% and 1.5% of the total balance of loans, advances and guarantees. The quality of the portfolio has continuously improved supported by the increase in home loans with low credit risk.

Loans, advances and guarantees (DKKbn)

	2017	2016
Loans, advances and guarantees	466.4	438.6
Balance of loan impairment charges and provisions for guarantees	5.2	5.9
Individual impairment charges	4.1	4.6
Collective impairment charges	1.1	1.3
Value adjustments of acquired loans		
Discount on acquired loans and advances, beginning of period	0.9	1.5
Positive value adj. (interest income)	0.3	0.3
Negative value adj. (recognised as losses)	0.1	0.3
Discount on acquired loans, end of period	0.5	0.9
Impairment charges and provisions for guarantees and discount balance for acquired loans and advances	5.7	6.8
Non-accrual loans and past due exposures		
Past due exposures	1.8	2.3

At the end of 2017, management's estimates amounted to DKK 466m, of which DKK 75m related to agricultural clients against DKK 471m and DKK 235m, respectively, at the end of 2016.

Non-performing loans comprise exposures with individually assessed impairment charges and exposures with high or full risk as well as past due exposures. At the end of 2017, non-performing loans and advances amounted to 2.9% against 3.7% at the end of 2016.

Non performing loans (DKKbn)

	2017	2016
Loans, advances and guarantees	466.4	438.6
Non-performing loans and guarantees	18.7	22.9
Impairment charges and provisions	4.7	5.7
Discounts on acquired loans	0.5	0.9
Loans, advances and guarantees after impairment charges	13.5	16.3
NPL ratio	2.9%	3.7%
NPL coverage ratio	28.0%	28.7%

At the end of the year, the Group had registered assets provided as collateral in the amount of DKK 374bn compared to DKK 354bn at the end of 2016. Relative to loans and advances and guarantees, the value of the collateral was unchanged compared to 2016.

At the end of 2017, loans and advances subject to forbearance amounted to 3.2% against 4.7% at the end of 2016.

At the end of 2017, a breakdown of loans, advances and loan impairment charges and provisions for guarantees was as shown in the table below.

Loans, advances and guarantees - by internal rating

DKKbn

	Loans, advances and guarantees		Balance of impairment charges	
	2017	2016	2017	2016
Ratings 1-5	246.0	230.0	0	0
Ratings 6-11	186.3	170.3	0.0	0.0
Ratings 12-14	15.3	20.9	0.0	0.0
Other	5.3	1.1	0.4	0.2
Non performing loans	13.5	16.3	4.8	5.7
Total	466.4	438.6	5.2	5.9

Rating: Credit rating where 1 reflects the highest rating.

Non performing loans: The definition is based on the EBA's technical standards.

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

Generally, the credit quality of the portfolio improved slightly. At the end of 2017, 53% was in the credit rating classes 1-5 (STY 1-5) against 52% at the end of 2016.

The improvement can primarily be attributed to the fact that more than 80% of the clients being granted new home loans had an internal rating within the range of credit rating classes 1 - 5 (STY 1-5).

At the end of 2017, Corporate Clients accounted for 51%, Personal clients for 47% and Public authorities for 2% of total loans, advances and guarantees. Compared to 2016, the distribution was unchanged.

Loans, advances and guarantees - by sector

DKKbn

	Loans, advances and guarantees		Balance of impairment charges	
	2017	2016	2017	2016
Public authorities	9.8	6.7	0	0
Agriculture, hunting, forestry and fishing	7.3	6.9	1.1	1.4
Manufacturing industry and mining	8.1	10.3	0.2	0.2
Energy supply	5.1	4.2	0.0	0.0
Construction	4.2	4.2	0.1	0.1
Commerce	13.5	10.0	0.2	0.2
Transport, hotels and restaurants	4.7	4.1	0.1	0.1
Information and communication	1.2	0.6	0.0	0.1
Finance and insurance	40.1	44.8	0.7	0.8
Real property	134.0	121.2	1.2	1.5
Other sectors	18.6	18.7	0.3	0.3
Corporate clients	236.8	225.0	3.9	4.7
Personal clients	219.8	206.9	1.3	1.2
Total	466.4	438.6	5.2	5.9

In connection with Corporate Clients, the balance of impairment charges was falling in all sectors.

In connection with Personal Clients, a minor increase was recognised in the balance of impairment charges relating to personal clients within mortgage activities due to the alignment of the Group's loss models, resulting in an increase in collective impairment charges.

Agriculture

Pig and dairy farmers are still facing a challenging situation. At the end of 2017, the settlement prices for pigs were 10% below the level at the end of 2016 and 22% below the level in the spring. The settlement price for milk was back at the level at the end of

2016 and hence significantly below the level in the autumn of 2017.

Loans, advances and guarantees for pig and dairy farmers amounted to 0.4% of the Group's total loans, advances and guarantees and to 17% of total impairment charges, which was one reason why, in terms of impairment charges as a percentage of loans, advances and guarantees, 'Agriculture, hunting, forestry and fishing' was still the sector involving the highest risk to which the Group is exposed.

Dairy farmers and pig farming (DKKbn/%)

	Loans, advances and guarantees		Balance of impairment charges		Impairment ratio	
	2017	2016	2017	2016	2017	2016
Milk	917	889	529	722	37%	45%
Pigs	1,161	1,237	329	431	22%	26%
Total	2,078	2,126	858	1,153	29%	35%

At the end of 2017, the overall impairment ratio relating to dairy farmers amounted to 37% of loans, advances and guarantees, and 22% related to pig farming. The total impairment ratio for dairy farmers and pig farming was therefore 29%, which was lower than the ratio at the end of 2016.

Capital and liquidity management

Capital base

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

Jyske Bank's long-term capital management objective after the implementation of the new Basel recommendations is a capital ratio of 17.5% and a Common Equity Tier 1 capital ratio of 14%. At these levels, Jyske Bank will have a safe distance to the capital base requirements and will at the same time have the required strategic scope. At the end of 2017, the Group more than met both targets due to its capital ratio of 19.8% and its Common Equity Tier 1 capital ratio of 16.4%.

Due to the issue of Tier 2 capital and Additional Tier 1 (AT1) capital, the Group considered its capital structure cost efficient at the end of 2017. Only minor adjustments of AT1 and Tier 2 capital are expected in 2018.

Capital ratios (%)			
	2017	2016	Change 17/16
Capital ratio	19.8	18.3	1.5
CET1	16.4	16.5	-0.1

Over the coming years, Jyske Bank will seek to maintain capital ratios above the targets in order to be prepared in due time for the requirements under the revised Basel recommendations to be implemented on 1 January 2022.

On the basis of the Basel recommendations published in December 2017, Jyske Bank now assesses that an increase by three percentage points relative to the capital targets will be necessary to meet the Group's long-term target when the revised Basel recommendations have been fully phased in. Previously an increase by about four percentage points was expected.

Moreover, the Group aims to ensure a risk-adjusted capital ratio (RAC) determined by S&P at the level of

10.5% in order to maintain the score 'strong' in the category 'Capital and Earnings'. At the end of 2017, the RAC ratio was calculated at 10.2%. In 2018, the Group's RAC will be adversely affected by the new financial reporting standards for impairment, IFRS 9.

Capital requirement

The adequate capital base requirement consists of the Pillar I requirement of 8% of the risk-weighted exposure with an add-on for above-normal risk under Pillar II. At the end of 2017, the institution-specific Pillar II requirement was at 2.2%. Jyske Bank estimates that the requirement will be in the range of 2.2% to 2.5% over the coming years.

As illustrated in the below table, the capital base requirements will increase over the coming years. This is a consequence of the CRR (Capital Requirements Regulation).

Capital requirement (%)

	Capital ratio (%)		Common Equity Tier 1 capital ratio (%)	
	2017	2019+	2017	2019+
Capital requirement:				
Pillar I	8.0	8.0	4.5	4.5
Pillar II	2.2	2.2	1.2	1.2
SIFI	0.9	1.5	0.9	1.5
Capital conservation buffer	1.3	2.5	1.3	2.5
Countercyclical buffer	0.0	0.5	0.0	0.5
Overall capital requirement	12.4	14.7	7.9	10.2
Current level / target	19.8	17.5	16.4	14.0

Jyske Bank has been designated a systemically important financial institution (SIFI). Therefore the Group was subject to a further capital requirement of 0.9% in 2017. This requirement will increase to 1.2% in 2018 and be fully phased in at 1.5% in 2019.

The Danish countercyclical buffer was not activated at the end of 2017. In December 2017, the Systemic Risk Council recommended that the countercyclical buffer be fixed at 0.5% as of 31 March 2019.

Moreover, Jyske Bank is subject to countercyclical buffers in the countries in which the bank has exposures. Due to the limited loans and advances granted outside Denmark, the contributions from these to the countercyclical buffer are insignificant.

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

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

The Jyske Bank Group participates in external stress tests initiated by both the Danish Financial Supervisory Authority and the EBA. The FSA conducts annual macroeconomic stress tests, while the EBA's stress test takes place at least every second year. The results of the EBA stress test 2018 will be published in November 2018.

The capital base is specified further in the Jyske Bank Risk and Capital Management 2017 on investor.jyskebank.com/investorrelations/capital-structure.

Capital buffer

The capital buffer denotes the maximum sustainable loss without the need for additional capital. The capital buffer of 7.4 percentage points offers a satisfactory basis for continuing growth.

Capital buffer (%)

	2017	2016
Capital ratio	19.8	18.3
Overall capital requirement	12.4	11.3
Capital buffer	7.4	7.0

Capital distribution

Over the period 1 March 2017 to 28 March 2018, Jyske Bank carries out a share buy-back programme

of up to a maximum value of DKK 1.5bn. At the end of 2017, 3,421,700 own shares at a value of DKK 1.2bn had been bought back under the current share buy-back programme.

At the Annual General Meeting in March 2018, the Group Supervisory Board will make a motion for the distribution of ordinary dividend of DKK 5.85 per share for the financial year 2017 compared to DKK 5.25 per share for the financial year 2016.

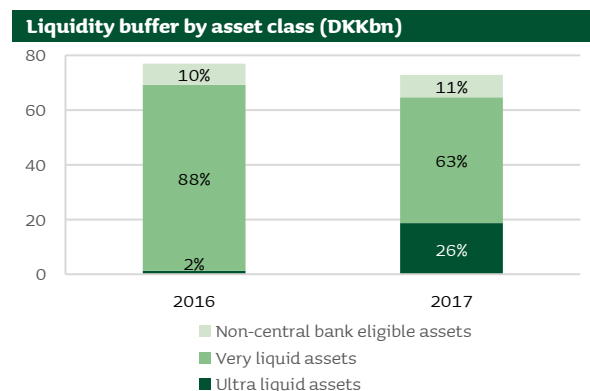
As long as the Group is on track to fulfil the target to meet the revised Basel recommendations on 1 January 2022 and until a RAC ratio at the level of 10.5% is achieved, the target is to maintain stable distribution of dividends and to use additional dividends and share buy-backs when the current profit and the capital structure provide the opportunity for this.

Liquidity management

The Group's biggest source of funding is covered bonds (SDO) and mortgage bonds, which amount to DKK 303bn and 51% of the balance sheet at the end of 2017. The second-largest source of funding (DKK 136bn, corresponding to 23%) is client deposits, of which a high proportion of deposits stems from small and medium-sized enterprises as well as personal clients. The strong deposit base ensures long-term stability in the Group's funding of bank loans and advances, which supports the maintenance of a strong profile both in respect of statutory financial ratios and internally delegated limits and guidelines.

Liquidity reserve

At the end of 2017, the Group's liquidity buffer amounted to DKK 73bn against DKK 77bn at the end of 2016.



As shown in the chart above, the buffer consists mainly of ultra-liquid and very liquid assets in the form of deposits with central banks as well as government bonds and SDOs.

The proportion of ultra-liquid assets increased significantly in 2017 due to the fact that the proceeds from the reduction of the portfolio of SDOs were to a great extent deposited as cash with the ECB.

Under a stress scenario assuming that the Group is precluded from re-financing in the international financial markets for unsecured senior debt, the reserve will after a 12-month period amount to DKK 43bn.

Liquidity buffer and run-off (DKKbn)			
	2017	2016	Index 17/16
End of period	72.8	76.9	95
3 mths.	54.2	55.1	98
6 mths.	49.6	45.5	109
9 mths.	47.8	42.3	113
12 mths.	42.8	37.3	115

As the Group has limited senior debt maturing in 2019, the buffer will still amount to DKK 42bn after 24 months.

Capital markets and issuance activity

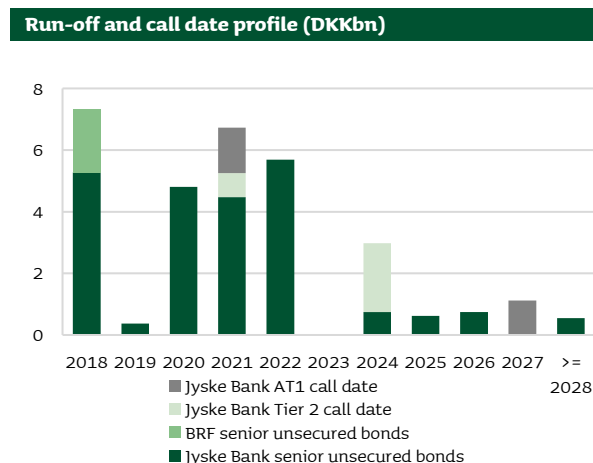
In the course of 2017 the Group issued five new public bond issues denominated in EUR. The high activity level reinforced the Group's strong access to the international capital markets.

The Group is on an on-going basis active in the French CP market. At the end of 2017, the outstanding volume under the CP programme amounted to DKK 16bn against DKK 27.6bn at the end of 2016. The steep decline was primarily caused by a client-driven reduction of the Group's reverse repo loans. The Group's requirement for short-term senior funding was generally reduced, among other things, due to an increasing deposit surplus, but it is still strategically important for the Group to maintain liquidity in the CP programme.

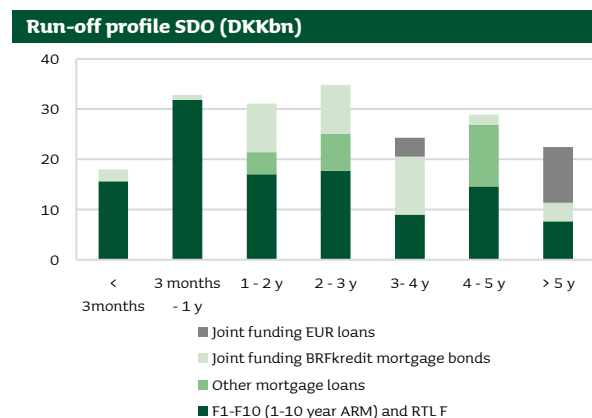
Refinancing profile

At the end of 2017, outstanding unsecured senior debt and Tier 2 capital under the Group's EMTN programme amounted to DKK 15.8bn and DKK 3.3bn, respectively, against DKK 18.3bn and DKK 1.1bn, respectively, at the end of 2016.

The run-off profile for the Group's unsecured senior debt as well as issuer call profile for Basel III-compliant capital instruments as at the end of 2017 are illustrated below.



Calculated at the end of 2017, SDOs with a re-financing risk amounted to DKK 192.2bn, and the run-off profile of these is illustrated in the below chart.



Funding plans

It is an integrated part of the Group's strategic liquidity management to maintain on-going activities in the international capital markets in order to ensure strong access to a diversified investor base. The Group's funding plan in the international capital markets will in future include an annual senior non-preferred benchmark bond (EUR 500m) as well as a SDO benchmark bond denominated in EUR from BRFkredit/Jyske Realkredit.

Liquidity Coverage Ratio (LCR)

At the end of 2017, the Group's LCR was at 189% compared to 193% at the end of 2016. The Group's internal guideline for LCR is an overall group LCR of at least 150%. The Group's LCR buffer after haircuts at the end of 2017 is shown below:

The Group's LCR buffer		
	DKKbn	%
Level 1a assets	38.4	51
Level 1b assets	33.0	44
Level 2a + 2b assets	3.4	5
Total	74.8	100

Being a Danish systemically important financial institution, Jyske Bank must meet a modified LCR requirement in EUR. At the end of 2017, Jyske Bank meets the requirement in full with a significant buffer.

Credit rating

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

The credit rating of Tier 2 is BBB and of additional tier 1 capital (AT1) BB+, as the Tier-2 assessment and the AT1 credit rating are two and four notches, respectively, below the stand-alone credit profile at A-.

S&P credit rating

Jyske Bank issuer rating

Long term	A-
Short term	A-2
Individual	A-
Outlook	Stable

BRFkredit mortgage bond issues

Capital centre E, covered bonds (SDO)	AAA
Capital centre B, mortgage bonds	AAA

In January 2018, S&P published an updated rating report on Jyske Bank. S&P's rating reflects expectations that over the next two years the Group can maintain a risk-adjusted capital ratio ("RAC") above 10%. The rating is supported by the S&P's recognition of the flexibility in the Group's capital adjustment policy. In S&P's view Jyske Bank has great flexibility to reduce dividends and share buy-backs if this becomes necessary to support the Group's rating. In addition, the rating reflects that S&P acknowledges the Group's efforts to enhance stability in long term earnings via successful growth in the bank's home loan products, which have provided a much higher diversification in the loan book and an overall reduction in the risk profile.

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

The capital base requirement to maintain the AAA rating for BRFkredit's capital centres is assessed continuously by S&P, among other things on the basis of BRFkredit's issuer rating as well as the growth and

composition of the loan portfolio at the capital centres. At the end of 2017, the capital base requirement from S&P totalled DKK 11.3bn against DKK 10.8bn at the end of 2016.

New legislation

Jyske Bank is well prepared to comply with all known future statutory requirements. Jyske Bank monitors closely the international work on the completion of further capital requirement initiatives to ensure that the Group can, with due care and diligence, meet all new requirements well before their implementation deadlines.

Below is a brief description of the most important legislative changes that are expected to impact Jyske Bank the most in the years to come.

New impairment rules (IFRS 9)

New impairment rules based on IFRS 9 took effect on 1 January 2018. As a consequence of the new rules, impairment charges are to be calculated as the expected loss on all loans, advances and guarantees. In comparison with the previous rules, the implication is that the balance of impairment charges will increase. It is expected that impairment charges on non-performing clients will be at the same level as today, while loans and advances with a lower credit risk will be the primary reason for the increase. The implementation of the new impairment models is expected increase the Group's balance of impairment charges by an amount in the range of DKK 1,000m - 1,200m.

Jyske Bank has chosen not to make use of the EU Commission's proposal of a 5-year phase-in period for the effects on capital from IFRS 9. Therefore, in the first quarter of 2018, equity is expected to be reduced by a post-tax amount in the range of DKK 800m - 1,000m. The change in the practice in relation to loans and advances measured at amortised cost, DKK 700m - 800m at Jyske Bank A/S, will after tax effect alone be recognised in equity on 1 January 2018, while adjustments of loans and advances measured at fair value, DKK 300m - 400m at BRFkredit a/s, are accounted for as a changed estimate and will therefore be recognised in the income statement for the first quarter of 2018. For further

information on the new rules, please see note 71 on accounting policies.

Minimum requirement for own funds and eligible liabilities (MREL)

In the autumn of 2017, the FSA informed the Group that unsecured senior debt (senior preferred) issued before 1 January 2018 can be included in the Group's MREL when it takes effect on 1 July 2019 and up to and including the end of 2021 ('grandfathering').

In February 2018, the FSA confirmed that Jyske Bank's MREL amounted to 28.1% of the total weighted risk exposure (exclusive of BRFkredit a/s), corresponding to DKK 33bn as calculated at the end of 2016.

The Group anticipates that over the years 2018-2021, the Group's current outstanding senior preferred debt will be gradually replaced by contractual subordinated debt (senior non-preferred) so that, as of 2022, the Group will meet the MREL with the new asset class, senior non-preferred.

Mortgage credit institutions are exempt from MREL but must instead hold capital for a debt buffer of 2% of their total unweighted loans. The requirement must be met within a 4-year period that began on 1 July 2015. At the end of 2017, BRFkredit fully complied with the debt buffer requirement based on the high capitalisation.

New capital adequacy rules from the EU

CRR is a comprehensive set of rules that implements the Basel III recommendations in Europe, and it includes a large number of clarifications and tightening of the former capital adequacy rules.

The general purpose of CRR is to strengthen the capital structure of the European credit institutions.

The CRR is currently being revised and the main change will be the introduction of fundamentally revised requirements for the calculation of capital requirements in the trading book (FRTB).

Jyske Bank anticipates that the revised CRR will be completed in the course of 2018 and that the new

FRTB requirements will take effect as of 2021, yet with a phase-in period of two or three years.

Another material change to the CRR will be the introduction of a Net Stable Funding Ratio (NSFR) with the purpose of securing that credit institutions meet certain minimum requirements of the long-term funding of loans and other assets. The European Commission has proposed to make the NSFR a binding requirement from 2021. At Group level, Jyske Bank met the NSFR requirement with the current tighter Basel guidelines in 2017. At the end of 2017, the Group's NSFR was 103.6%.

Leverage ratio

The EU has proposed the introduction of a binding leverage ratio (core capital relative to the Group's total unweighted exposures) of at least 3% as of 31 December 2019.

At the end of 2017, the Group's LR was at 5.4% compared to 5.4% at the end of 2016.

New recommendations from Basel (BIS)

In December 2017, the Bank for International Settlements (BIS) completed what is often referred to as the new Basel IV recommendations. Even though the recommendations have now been completed by the Basel Committee, a number of issues are still unresolved, and these are important to Jyske Bank, particularly in respect of the calculation of 'mortgage lending values' (MLV).

Jyske Bank assesses that an increase by three percentage points of the capital ratio relative to the capital targets will be necessary to meet the Group's long-term capital targets when the revised Basel recommendations have been fully phased in.

Jyske Bank expects that in the course of 2018 it will contribute to consequence calculations relating to the sector conducted by both the EBA and the FSA, and it is expected that the outcome of these will reduce the uncertainty about the final consequences of the new Basel recommendations.

Supervisory diamond

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

The supervisory diamond for Jyske Bank A/S

	2017	2016
Sum of large exposures <125% of the adjusted capital base	0%	0%
Increase in loans and advances <20% annually	2%	6%
Exposures to property administration and property transactions <25% of total loans and advances	9%	8%
Stable funding <1	0.56	0.58
Liquidity surplus >50%	228%	213%

At the end of 2017, Jyske Bank A/S met all the benchmarks of the supervisory diamond.

The supervisory diamond for BRFKredit a/s

	2017	2016
Concentration risk <100%	47.5%	65.3%
Increase in loans and advances <15% annually in the segment:		
Owner-occupied homes and vacation homes	11.7%	15.7%
Residential rental property	6.6%	6.7%
Agriculture	-	-
Other sectors	5.2%	6.7%
Borrower's interest-rate risk <25%		
Residential property	20.8%	24.2%
Interest-only schemes <10%		
Owner-occupied homes and vacation homes	7.9%	8.3%
Loans with frequent interest-rate fixing:		
Refinancing (annually) <25%	19.9%	16.2%
Refinancing (quarterly) <12.5%	4.7%	10.3%

At the end of 2017, BRFKredit a/s met all benchmarks of the supervisory diamond.

Risk and Capital Management 2017

Additional information about the Group's internal risk and capital management as well as the regulatory capital requirements is available in the report 'Risk and Capital Management 2017', available on investor.jyskebank.com/investorrelations/capital-structure.

Corporate social responsibility

The difference is in the cracks

A large number of needs and tasks in society are not necessarily met or solved, respectively, by either the public sector, the private sector or NGOs. On the contrary, it has been proven that such tasks are best solved when we join forces. When cooperating with other organisations, we create the innovative solutions that can really make a difference.

We think the winners of tomorrow will be the companies that see the opportunities offered by new forms of cooperation and which in this way contribute to the solution of both small and big social problems. Because in the 'cracks' between the civil society and the public sector the business community can really orchestrate themselves.

In relation to our surroundings, we see the core of modern CSR. Actually, this is another way of saying that we listen to the clients - clients in a wide sense. Our CSR activities are based on our special competences and where they fit in with our business activities.

Social Initiative Policy

Our external CSR strategy is based on "Huset og det bebyggede område" (the house and the built-up area). This is to be understood in a wide sense and it comprises houses in the form of private homes, commercial properties and non-profit housing associations.

The strategy relates clearly to mortgage and banking products. In actual practice, this is reflected in our contributions to the creation of a better urban space and local environments and hence, hopefully, also improvements for the individual citizen. In this way, we can contribute to boosting various areas in cooperation with citizens and other players. Overall, our social initiatives have three dimensions: A social dimension, a partnership dimension and an urban renewal dimension.

Being a member of the UN Global Compact, we would also like to play a role here and in connection with the work to achieve the UN's Sustainable Development Goals. Both initiatives will help create a sustainable global society for the next generations.

CSR as a pro-active initiative

We have chosen a pro-active approach in connection with both our internal as well as external initiatives. CSR helps to make our strategies concrete and tangible internally in the company. Externally, our CSR initiatives add to our legitimacy and offer us the right to conduct business, hire the best employees and attract investors.

Internal implementation

In the course of 2017, the Jyske Bank Group has actively involved employees at all levels to take part in a series of initiatives in order to strengthen the ownership of CSR. Four times a year, the CSR steering group - representing various levels of management - meets to discuss CSR policies and potential CSR initiatives for the Group. All managers and shop stewards receive four times a year a CSR newsletter on the Group's intranet offering the possibility of a direct dialogue.

Tax

Paying taxes in Denmark is part of the Group's corporate social responsibility. The table below shows the tax payments over the past five years.

The Jyske Bank Group's tax payments (DKKm)

	2013	2014	2015	2016	2017
Expensed corporation tax	426	0	342	745	833
Payroll tax	176	244	263	296	312
VAT	94	117	123	119	128
Real property tax	15	17	16	17	16
Total	711	378	744	1,177	1,289

Additional information on the Jyske Bank Group's sustainability initiatives and report on corporate social responsibility for the 2017 reporting year is available on investor.jyskebank.com/investorrelations/governance.

CSR at Jyske Bank

The purpose is ...

- to ensure a sustainable and responsible business through our advisory services, investments and credit policy
- to create a workplace that ensures welfare and equal rights for our employees
- to reduce the Group's negative impact on the climate and environment
- to assume corporate social responsibility through social initiatives focusing particularly on the 'house' and the 'built-up area'.

by ...

- contributing the resources that we have available in the company and involve ourselves in a process that can contribute to improvement for individuals as well as local communities / society
- ensuring that our involvement makes a considerable difference to the project we get involved in
- cooperating with our clients and stakeholders in areas where we already operate professionally
- entering into unconventional partnerships with other companies, the public sector and players from local communities.

We prioritize five of the UN's sustainable development goals



Decent work and economic growth

- Employee terms and conditions
- Gender equality
- 'Kloge hænder' (Wise Hands)
- Entrepreneur of the Year
- Support for start-ups
- Credit policy



Zero hunger

- Food waste conscious canteens and employees
- Partnership with 'FødevareBanken' (Food Bank)



Sustainable cities and communities

- 'MurMal' (Project MurMal)
- 'NaboRum' (Project Neighborhood)
- 'Ud af Boligblokken' (Project 'Out of the Housing Block')
- 'Folkebevægelsen mod Ensomhed' (the People's Movement Against Loneliness)



Peace, justice and strong institutions

We continuously strive to fight:

- Money laundering
- Financing of terrorism
- Tax shelter
- Bribery
- Corruption



Partnerships for the goals

- Civil
- Public
- Private
- PRI - Principles for Responsible Investment
- UN's Global Compact

Governance

Organisation and management

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

Annual General Meeting

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

Motions to amend the Articles of Association can only be adopted when 90% of the voting share capital is represented at the Annual General Meeting and the motion is adopted by $\frac{3}{4}$ of the votes cast at the Annual General Meeting as well as by $\frac{3}{4}$ of the voting share capital represented at the Annual General Meeting. Where less than 90% of the voting share capital is represented at the Annual General Meeting, but the motion obtained both $\frac{3}{4}$ of the votes cast and $\frac{3}{4}$ of the voting capital represented at the meeting, and provided the motion was proposed by the Shareholders' Representatives and/or the Supervisory Board of Jyske Bank, the motion can be adopted at an extraordinary general meeting by the said qualified majority irrespective of the proportion of the share capital represented. Such an extraordinary general meeting shall be convened at the usual notice within 14 days after the first Annual General Meeting. Only the rules applying to amendments of the Articles of Association shall apply to motions to wind up Jyske Bank voluntarily or merge it with other financial institutions where Jyske Bank will not be the surviving company.

Shareholders' Representatives

The Shareholders' Representatives elect the members of the Group Supervisory Board according to the provisions of the Articles of Association on

number, term of office and re-election, and on the basis of the Group Supervisory Board's nomination of candidates.

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

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

Supervisory Board

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

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

The Supervisory Board consists of

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

The six members who are elected by and among the Shareholders' Representatives are elected for a three-year period. Additional members elected by members in general meeting to meet the requirements of the FSA in respect of relevant knowledge and experience of supervisory board members are elected for a one-year period. Mem-

bers can be re-elected. Supervisory Board members elected by the Shareholders' Representatives must, however, retire at the next elections of Shareholders Representatives after the calendar year when such member has attained the age of 70. Employee-elected members of the Supervisory board are elected for a term of four years.

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

Executive Board

The Executive Board consists of five members and, as of 1 May 2018, of four members. The number of members is determined by the Supervisory Board. The Executive Board undertakes the day-to-day management of the Group.

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

Further information about the Group's organisation and management is available at investor.jyskebank.com/about/organisation.

Corporate governance

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

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

Reports

See investor.jyskebank.com/investorrelations/governance for the Jyske Bank Group's report on corporate social responsibility and other reports on issues such as gender composition of management, internal control and risk management systems, management's remuneration and remuneration policy and the Group's work on equal opportunities and diversity policy.

The Jyske Bank share

At the end of 2017, the share capital amounted to the nominal amount of DKK 892m. It consisted of 89.2 million shares at a nominal value of DKK 10 each in one class of shares.

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

Each share represents one vote. No shareholder can cast more than 4,000 votes on his own behalf.

Subject to a resolution passed at the Annual General Meeting, Jyske Bank's Supervisory Board is authorised to acquire Jyske Bank shares for a sum not exceeding 1/10 of the share capital.

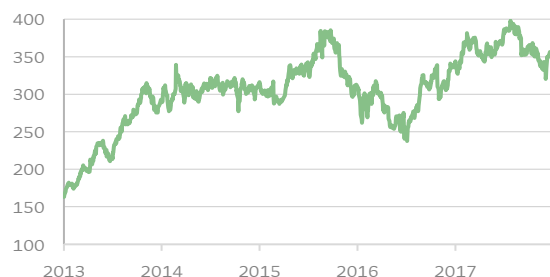
The Jyske Bank share

	2017	2016
Share capital (DKKm)	892	950
Share price end of period (DKK per share)	353	337
Market value, end of period (DKKbn)	31.5	32.0
Earnings per share (DKK)	34.7	33.5
Book value per share (DKK)	374	348
Price/book value per share (DKK)	0.9	1.0

Price development and return

In 2017, the Jyske Bank share price increased from DKK 337 to 353, i.e. an increase of 5%. Inclusive of distributed extraordinary and proposed dividend, the return was about 8%.

Price development of the Jyske Bank share

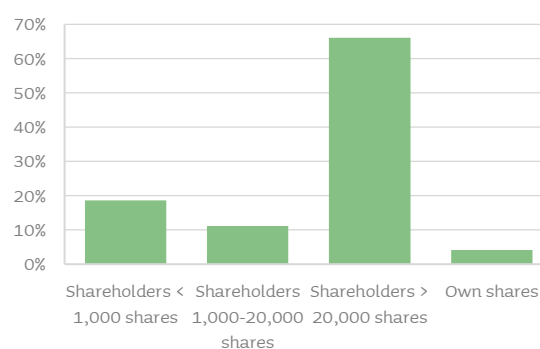


The share is listed on Nasdaq Copenhagen and is included in the C25 index. At the end of 2017, the Jyske Bank share was covered by 11 analysts.

Breakdown of share capital

At the end of 2017, the number of shareholders was 185,063. It is characteristic of Jyske Bank shares that they are distributed among many shareholders, including many Jyske Bank clients. About 62% of the share capital is held by Danish investors.

Shareholders by number of shares



At the end of 2017, Jyske Bank has two shareholders holding more than 5% of the share capital.

BRFholding a/s, Kgs. Lyngby, Denmark owns 20.25% of the share capital (BRFholding A/S is a fully owned subsidiary of BRFFonden).

MFS Investment Management, USA, owns 5.14% of the share capital.

Annual General Meeting

The Annual General Meeting of Jyske Bank will be held in Silkeborg on Tuesday 20 March 2018.

Other information

For further information, please see www.jyske-bank.info. Here you will find an interview with Anders Dam, detailed financial information as well as the Group's Annual Report 2017 and Risk and Capital Management 2017, which give further information about the Group's internal risk and capital management as well as regulatory issues, including a description of the most important risks and elements of uncertainty that may affect the Group.

Also, please see www.brf.dk. BRFkredit's Annual report 2017 and detailed financial information about BRFkredit are available on that website.

Financial calendar 2018

Jyske Bank anticipates releasing financial statements on the following dates in 2018:

FINANCIAL CALENDAR 2018	
9 May	Interim Financial Report, first quarter of 2018
21 August	Interim Financial Report, first half of 2018
30 October	Interim Financial Report, first nine months of 2018

Banking activities

Summary of income statement (DKKm)

	2017	2016	Index 17/16	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Net interest income	3,357	3,489	96	938	815	800	804	841
Net fee and commission income	1,768	1,414	125	572	391	393	412	451
Value adjustments	534	735	73	13	97	82	342	228
Other income	170	193	88	-34	21	136	47	66
Core income	5,829	5,831	100	1,489	1,324	1,411	1,605	1,586
Core expenses	4,350	4,103	106	1,083	1,014	1,117	1,136	1,073
Core profit before loan impairment charges	1,479	1,728	86	406	310	294	469	513
Loan impairment charges	-696	-122	570	-239	-201	-113	-143	-276
Core profit	2,175	1,850	118	645	511	407	612	789
Investment portfolio earnings	513	424	121	-16	136	88	305	267
Pre-tax profit	2,688	2,274	118	629	647	495	917	1,056

Summary of balance sheet, end of period (DKKbn)

Loans and advances	124.6	130.6	95	124.6	122.0	123.5	122.2	130.6
- of which traditional bank loans and advances	85.0	79.3	107	85.0	83.1	82.9	81.0	79.3
- of which new home loans	12.2	17.4	70	12.2	11.0	11.7	14.2	17.4
- of which repo loans	27.4	33.9	81	27.4	27.9	28.9	27.0	33.9
Total assets	240.4	262.2	92	240.4	238.5	242.9	244.6	262.2
Deposits	159.8	154.4	103	159.8	154.6	157.0	155.3	154.4
- of which bank deposits	139.7	134.0	104	139.7	133.7	133.9	132.3	134.0
- of which repo deposits and tri-party deposits	20.1	20.4	98	20.1	20.9	23.1	23.0	20.4
Issued bonds	37.0	49.0	76	37.0	35.9	38.3	42.0	49.0

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

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

Core profit

Core profit from banking activities came to DKK 2,175m against DKK 1,850m in 2016. The reason for the increase was that net reversals of impairment charges of DKK 696m (against DKK 122m in 2016) more than offset the increase in core expenses due to one-off expenses. The trend seen in recent years with

general improvement of credit quality of both personal and corporate clients continued in 2017.

Core income

Net interest income was 4% lower than in 2016. Exclusive of one-off interest income of about DKK 100m, net interest income would have been 7% lower than in 2016. The decline can primarily be attributed to a fall in net interest income from the strategic balance sheet and risk management and the trading portfolio of bonds as well as increasing interest expenses for Tier 2 capital.

In respect of personal clients, growth is still seen in the new home loans distributed via the bank. Hence the new home loans still make positive contributions to the net interest income.

As in 2016, the proportion of new clients and first-time borrowers accounted for about 30% of new sales in 2017.

The volume of traditional bank loans and advances increased, driven by corporate clients and public authorities. Due to the competitive situation, the margins are still under pressure.

Deposits were still affected by negative interest rates. Bank deposit increased by 4% compared to the level at end of 2016. The increase related primarily to corporate clients and public authorities. Moreover, a shift took place from fixed-term deposits to demand deposits.

Net fee and commission income amounted to DKK 1,768m against DKK 1,414m in 2016, i.e. an increase by 25%. Adjusted for other fee income of about DKK 60m relating to Jyske Invest Fund Management and DKK 50m relating to changes in the practice of recognising DLR guarantee commission as income, which affected guarantee commission by DKK 40m and other fees by DKK 10m, net fee and commission income was 17% above the level in 2016.

The most important reasons for the increase were the discontinuation of the exemption from fees when transferring home loans in combination with a continued high activity level within home loans as well as an increase in investment-related fees. Including DKK 71m in performance fees against DKK 16m in 2016.

Value adjustments amounted to DKK 534m against DKK 735m in 2016.

Value adjustment of sector shares affected value adjustments positively by about DKK 125m.

Transactions relating to clients' interest-rate hedging affected value adjustments favourably in the amount of DKK 134m, which was a consequence of the improving credit quality. In 2016, the effect from these transactions was a positive value adjustment of DKK 243m. As credit quality improved, sensitivity to this type of transactions was reduced in the course of 2017. Therefore, in future, changes to long-term market rates will have a limited effect. The strategic balance sheet and risk management affected net interest income and value adjustments positive by DKK 316m and DKK 4m, respectively. In

2016, the positive effect on net interest income came to DKK 406m, whereas value adjustments were affected negatively by DKK 46m.

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

At the end of 2017, the liquidity portfolio amounted to DKK 39bn. Due to a changed portfolio composition, the average coupon have increased. Therefore - all other things being equal - net interest income is expected to increase by about DKK 20m per quarter.

Core expenses

Core expenses rose by 6% to DKK 4,350m. This amount included DKK 215m in one-off expenses relating to intangible assets, anniversary activities and provisions for a court case in Gibraltar. Exclusive of one-off expenses, core expenses rose by 0.8% relative to 2016. Hence the underlying development is as expected, given the stable number of employees and the upward pressure on employee costs due to the increase in salaries prescribed by the collective agreement and increasing payroll taxes.

Business volume

The volume in traditional bank loans and advances rose by 7% relative to 2016. The increase can primarily be attributed to large corporate clients and public authorities. The decline in traditional bank loans and advances to personal clients continued.

Demand for new home loans from Jyske Bank continued and given the strong net growth of DKK 16.5bn, expectations pointing to DKK 10bn-15bn for the year were exceeded. For information about growth in the business volume, please see Mortgage activities.

Bank deposit increased by 4% compared to 2016. The increase can primarily be attributed to public authorities and demand deposits on the part of large corporate clients.

The business volume of asset management rose from DKK 127bn to DKK 145bn, corresponding to an increase of 14%. The increase can be attributed to positive returns for the clients and the increasing growth in the inflow of new funds from most client segments.

Compared to 2016, the year 2017 saw less volatility in the financial markets. All the same, the activity level on the part of institutional clients was high, and the year saw an increasing inflow of clients and transactions.

As part of the adjustment to new regulation, for instance, MiFID II, a new service and advisory concept aimed at personal and private banking clients has been developed and implemented. The new solutions were met with a positive reception on the part of the clients and made positive contributions to the activity level and business volume under asset management.

Q4 2017 compared to Q3 2017

The pre-tax profit for the fourth quarter of 2017 amounted to DKK 629m and was in line with the pre-tax profit for the third quarter of 2017, which amounted to DKK 647m. However, there were a series of differences in the composition of earnings.

Net interest income amounted to DKK 938m against DKK 815m in the third quarter. The increase can primarily be attributed to a one-off income of about DKK 100m relating to the end of eased terms of interest and, to a lesser degree, an increase in net interest income from, the strategic balance sheet and risk management and the trading portfolio of bonds of about DKK 20m.

Net fee and commission income increased to DKK 572m against DKK 391m in the third quarter. The increase can primarily be attributed to investment-related fees, including DKK 31m in the form of performance fees. The unchanged level of activity in connection with home loans supported the continued increase in loan application fees.

Other income was adversely affected in the amount of DKK 43m as a gain relating to the sale of an owner-occupied property in the second quarter of 2017 previously recognised as income was now recognised directly in equity.

Core expenses amounted to DKK 1,083m against DKK 1,014m in the third quarter. The increase can primarily be attributed to IT-related expenses and the annual payment to the FSA. Core expenses in the fourth quarter were reduced by DKK 34m due to the external cost recovery for 39 employees.

As in the third quarter of 2017, impairment charges were also reversed in the fourth quarter - DKK 239m against DKK 201m in the third quarter.

Mortgage activities

Summary of income statement (DKKm)

	2017	2016	Index 17/16	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Administration margin income, etc. ¹	1,881	1,785	105	481	468	474	458	456
Other net interest income	-61	-53	115	4	-31	-19	-15	-15
Net fee and commission income	262	207	127	77	69	53	63	79
Value adjustments	29	34	85	24	0	2	3	4
Other income	26	52	50	4	5	8	9	11
Core income	2,137	2,025	106	590	511	518	518	535
Core expenses	848	837	101	199	212	225	212	217
Core profit before loan impairment charges	1,289	1,188	109	391	299	293	306	318
Loan impairment charges	202	-32	-	102	-20	28	92	-12
Core profit	1,087	1,220	89	289	319	265	214	330
Investment portfolio earnings	49	80	61	-14	-1	20	44	36
Pre-tax profit	1,136	1,300	87	275	318	285	258	366

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

Summary of balance sheet (DKKbn)

Mortgage loans	306.8	277.0	111	306.8	303.0	295.8	287.4	277.0
Total assets	337.8	307.0	110	337.8	327.1	318.1	307.5	307.0
Issued bonds	304.5	273.2	111	304.5	298.1	289.2	280.2	273.2

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

Core profit

Core profit from mortgage activities came to DKK 1,087m against DKK 1,220m in 2016.

Core income

Administration margin income, etc. amounted to DKK 1,881m against DKK 1,785m in 2016. The increase can be attributed to the growing portfolio, particularly within the Personal client area, but also decent growth was seen in the Corporate client area. The increase in administration margin income, etc. was proportionally smaller than the increase in the loan portfolio. The primary reason for this was the improving credit quality of the portfolio of corporate clients, yet this also led to a falling average admin-

istration margin rate. Likewise, in the personal client area, a minor decline of the average administration margin rate was recorded, primarily in the first half of 2017, which could be attributed to a shift to fixed-rate loans, etc. and/or amortised loans, for which administration margins are lower.

Other net interest income amounted to a negative amount of DKK 61m against the negative amount of DKK 53m in 2016. The increased interest expense can, to some extent, be attributed to the short-term negative interest rate, as a result of which the internal interest rate from the portfolio of securities fell and, on the other hand, savings in connection with an early buyback of senior debt. The other net interest income consists primarily of interest expenses for senior debt incurred in order to comply with SDO and rating requirements (issued senior loans, etc.), internal interest on the portfolio of securities as well as various interest income, among others, from other loans and advances.

Net fee and commission income amounted to DKK 262m against DKK 207m in the corresponding period of 2016. The increase can be attributed to the discontinuation of discounts on fees in connection with refinancing of existing loans to loans with BRFkredit in early 2017. BRFkredit distributed the refinancing dates for adjustable-rate loans more evenly over the year, and this resulted in an increasingly even distribution of fee and commission income over the quarters of the year.

Value adjustments, etc. amounted to an income of DKK 29 in 2017. The positive value adjustments in 2017 related primarily to the value adjustment of a subsidiary as well as the value adjustment of unlisted shares, whereas an investment loss was recorded in connection with an early buyback of senior debt. In 2016, value adjustments, etc. primarily related to the company's core portfolio of bonds as well as the portfolio of unlisted shares.

Core expenses

Core expenses amounted to DKK 848m against DKK 837m in 2016. The difference can mainly be attributed to severance costs of DKK 22m in connection with the organisational adjustment in May 2017.

In 2017, core profit before loan impairment charges and provisions for guarantees amounted to DKK 1,289m against DKK 1,188m in 2016.

Impairment charges

Total loan impairment charges and provisions for guarantees for 2017 amounted to an expense of DKK 202m against an income of DKK 32m in 2016. The effect on the income statement can be broken down into an expense of DKK 192m (2016: an expense of DKK 158m) on personal clients and an expense of DKK 10m (2016: an income of DKK 190m) on corporate clients.

Rising property prices in the major urban areas have a positive effect on BRFkredit's collateral. In the personal as well as the commercial client segment, a decline was still observed in the number of credit events observed. It is assessed that the observed

credit events are getting close to the expected average seen over an economic cycle. The alignment of the Group's loss models resulted in an increase in collective impairment charges from DKK 116m at the end of 2016 to DKK 291m at the end of 2017. Of the increase, DKK 169m could be attributed to the personal client segment.

Relative to total loans, the effect from the impairment charges on the income statement amounted to 0.07% in 2017 against -0.01% in 2016.

Investment portfolio earnings

Investment portfolio earnings amounted to an income of DKK 49m in 2017 against an income of DKK 80m in 2016.

The securities portfolio, which predominantly consisted of interest-bearing instruments, was mainly in the form of mortgage bonds with a short time to maturity and a limited interest rate sensitivity as well as derivatives for risk hedging.

Business volume

The positive trend in the business volume of mortgage activities continued in 2017 as the volume grew from DKK 277.0bn at the end of 2016 to DKK 306.8bn, corresponding to 10.8% growth.

Of this, DKK 20.6bn can be attributed to the personal client segment, including the Group's home loan products, while DKK 9.2bn can be attributed to the corporate client segment.

For further details about BRFkredit, please see BRFkredit's annual report for 2017.

Q4 2017 compared to Q3 2017

The profit before tax for the fourth quarter amounted to DKK 275m against DKK 318m for the third quarter of 2017. The primary reason for the decline was losses and impairment charges, amounting to an expense of DKK 102m in the fourth quarter against an income of DKK 20m in the third quarter. The above-mentioned alignment of the Group's loss models was made in the fourth quarter.

The increase in administration margin income from DKK 468m in the third quarter to DKK 481m in the fourth quarter could be attributed to a one-off income due to the end to eased terms of interest. Exclusive of this one-off income, the level of administration margin income, etc. in the fourth quarter of 2017 was in line with the third quarter of 2017.

Other interest income amounted to an income of DKK 4m in the fourth quarter against an expense of DKK 31m in the third quarter. The difference related primarily to fluctuations in funding costs for mortgage loans as well as interest savings in connection with an early buyback of senior debt.

The value adjustment of DKK 24m in the fourth quarter of 2017 related primarily to an adjustment of the value of a subsidiary that is expected to be sold in early 2018.

Core expenses fell from DKK 212m to DKK 199m, primarily due to realised synergies in the Group.

Leasing activities

Summary of income statement (DKKm)

	2017	2016	Index 17/16	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Net interest income	497	527	94	114	129	131	123	175
Net fee and commission income	-73	-90	81	5	-24	-26	-28	-29
Value adjustments	14	12	117	1	-1	13	1	0
Other income	11	12	92	1	3	3	4	2
Income from operating lease (net)	-54	44	-	-6	-43	-21	16	-27
Core income	395	505	78	115	64	100	116	121
Core expenses	176	168	105	44	44	46	42	45
Core profit before loan impairment charges	219	337	65	71	20	54	74	76
Loan impairment charges	41	5	820	-2	27	10	6	-5
Pre-tax profit	178	332	54	73	-7	44	68	81

Summary of balance sheet, end of period (DKKbn)

Loans and advances	16.2	14.9	109	16.2	16.0	15.7	15.3	14.9
Total assets	19.3	17.5	110	19.3	19.1	18.8	18.1	17.5
Deposits	0.2	0.2	100	0.2	0.2	0.2	0.2	0.2

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

Pre-tax profit

In 2017, core income amounted to DKK 395m, corresponding to index 78 relative to 2016.

Net interest income was below the level for 2016, the reason for which is a one-off income of DKK 52m in the fourth quarter of 2016.

In 2017, net fee and commission income was positively affected by one-off effects due to accruals amounting to DKK 12m.

In 2017, operating lease was subject to a negative development due to the increased indication of impairment on the residual value of the object portfolio. This can be attributed to poorer realised and expected realisable values of the objects from operating lease agreements.

Business volume

The business volume continued to develop positively as loans and advances increased by 9% in 2017.

Q4 2017 compared to Q3 2017

The fourth quarter of 2017 was affected by year-end effects, including in particular recalculation of accruals. The effect from this affected net interest income adversely by DKK 16m in the fourth quarter in isolation. On the other hand, net fee and commission income was affected positively by a total of DKK 20m, of which DKK 12m in the form of a one-off effect.

Income from operating lease (net) was an expense of DKK 6m in the fourth quarter 2017 compared to DKK 43m in the third quarter. As was the case in the third quarter, the fourth quarter was negatively affected - albeit to a lesser degree - due to an extraordinary impairment of the residual value of operating lease agreements. This was a consequence of political decisions to reduce registration taxes on new cars.

The Jyske Bank Group

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Note		The Jyske Bank Group	
	DKKm	2017	2016
Income statement			
6, 7	Interest income	11,219	11,922
6, 8	Interest expenses	4,931	5,349
	Net interest income	6,288	6,573
9	Fees and commission income	2,380	1,980
	Fees and commission expenses	426	452
	Net interest and fee income	8,242	8,101
10	Value adjustments	786	810
11	Other income	822	817
12	Employee and administrative expenses	5,285	5,039
31, 32	Amortisation, depreciation and impairment charges	742	582
14	Loan impairment charges and provisions for guarantees	-179	201
	Pre-tax profit	4,002	3,906
15	Tax	859	790
	Profit for the year	3,143	3,116
Distributed to:			
	Jyske Bank A/S shareholders	3,051	3,093
	Holders of additional tier 1 capital	92	23
	Total	3,143	3,116
Earnings per share for the year			
16	Earnings per share, DKK	34.66	33.49
16	Earnings per share for the year, DKK, diluted	34.66	33.49
	Proposed dividend per share, DKK	5.85	5.25
Statement of Comprehensive Income			
	Profit for the year	3,143	3,116
	Other comprehensive income:		
	<i>Items that cannot be recycled to the income statement:</i>		
	Revaluation of real property	131	72
	Tax on property revaluations over the year	-12	-9
	Actuarial losses and gains	-10	-21
	Tax on actuarial losses and gains	2	5
	<i>Items that can be recycled to the income statement:</i>		
	Foreign currency translation adjustment of international units	-21	-111
	Hedge accounting of international units	21	109
	Tax on hedge accounting	-5	-24
	Other comprehensive income after tax	106	21
	Comprehensive income for the year	3,249	3,137
Distributed to:			
	Jyske Bank A/S shareholders	3,157	3,114
	Holders of additional tier 1 capital	92	23
	Total	3,249	3,137

Note		The Jyske Bank Group	
	DKKm	2017	2016
BALANCE SHEET			
ASSETS			
	Cash balance and demand deposits with central banks	19,347	2,068
18	Due from credit institutions and central banks	13,046	18,018
19, 20	Loans and advances at fair value	316,998	292,049
21	Loans and advances at amortised cost	130,675	130,396
25	Bonds at fair value	69,846	81,770
26	Bonds at amortised cost	4,280	3,949
28	Shares, etc.	4,972	4,210
31	Intangible assets	13	71
32	Property, plant and equipment	5,114	5,186
	Tax assets	212	22
33	Other assets	32,937	48,964
	Total assets	597,440	586,703
EQUITY AND LIABILITIES			
Liabilities			
34	Due to credit institutions and central banks	17,959	19,941
35	Deposits	160,023	154,648
36	Issued bonds at fair value	302,601	271,212
	Issued bonds at amortised cost	38,920	51,028
37	Other liabilities	37,238	53,504
38	Provisions	1,772	1,725
39	Subordinated debt	4,323	2,131
	Liabilities, total	562,836	554,189
Equity			
40	Share capital	892	950
	Revaluation reserve	516	538
	Currency translation reserve	0	-2
	Retained profit	30,093	29,053
	Proposed dividend	522	499
	Jyske Bank A/S shareholders	32,023	31,038
	Holders of additional tier 1 capital	2,581	1,476
	Equity, total	34,604	32,514
	Equity and liabilities, total	597,440	586,703
OFF-BALANCE SHEET ITEMS			
42	Guarantees, etc.	18,729	16,147
43	Other contingent liabilities, etc.	22,256	22,627
	Total guarantees and other contingent liabilities	40,985	38,774

The Jyske Bank Group

DKKm

	Share capital	Revaluation reserves	Currency translation reserve	Retained profit	Proposed dividend	Jyske Bank A/S share-holders	Additional tier 1 capital*	Total equity capital
Equity at 1 January 2017	950	538	-2	29,053	499	31,038	1,476	32,514
Profit for the year	0	0	2	3,049	0	3,051	92	3,143
Other comprehensive income:								
Foreign currency translation for international units	0	0	-21	0	0	-21	0	-21
Hedge of international units	0	0	21	0	0	21	0	21
Revaluation of real property	0	131	0	0	0	131	0	131
Other movements	0	-141	0	141	0	0	0	0
Actuarial losses and gains	0	0	0	-10	0	-10	0	-10
Tax on other comprehensive income	0	-12	0	-3	0	-15	0	-15
Other comprehensive income after tax	0	-22	0	128	0	106	0	106
Comprehensive income for the year	0	-22	2	3,177	0	3,157	92	3,249
Additional tier 1 (AT1) capital issue	0	0	0	0	0	0	1,117	1,117
Transaction costs	0	0	0	-12	0	-12	0	-12
Interest paid on AT1 capital	0	0	0	0	0	0	-77	-77
Currency translation adjustment	0	0	0	27	0	27	-27	0
Tax	0	0	0	17	0	17	0	17
Dividends paid	0	0	0	-532	-499	-1,031	0	-1,031
Dividends, own shares	0	0	0	70	0	70	0	70
Proposed dividend	0	0	0	-522	522	0	0	0
Reduction of share capital	-58	0	0	58	0	0	0	0
Acquisition of own shares	0	0	0	-4,635	0	-4,635	0	-4,635
Sale of own shares	0	0	0	3,392	0	3,392	0	3,392
Transactions with owners	-58	0	0	-2,137	23	-2,172	1,013	-1,159
Equity at 31 December 2017	892	516	0	30,093	522	32,023	2,581	34,604

*Additional tier 1 capital (AT1) has no maturity. Payment of interest and repayment of principal are voluntary. Therefore AT1 capital is recognised as equity. In September 2016, Jyske Bank issued AT1 amounting to SEK 1.25bn and DKK 500m. The AT1 issue with the possibility for the bank of early redemption in September 2021 at the earliest. The interest rates applicable to the issue until September 2021 are STIBOR+5.80% and CIBOR+5.30%, respectively. In September 2017, Jyske Bank made an issue amounting to EUR 150bn, AT1, with the possibility for the bank of early redemption in September 2027 at the earliest. The issue has a coupon of 4.75% until September 2027. It applies to all AT1 issues, that if the Common Equity Tier 1 capital of Jyske Bank A/S or the Jyske Bank Group falls below 7%, the loans will be written down.

The Jyske Bank Group

DKKm

	Share capital	Revalua- tion re- serves	Cur- rency transla- tion re- serve	Re- tained profit	Pro- posed divi- dend	Jyske Bank A/S share- holders	Addi- tional tier 1 capital	Total equity capital
Equity at 1 January 2016	950	499	0	28,092	499	30,040	0	30,040
Profit for the year	0	0	0	3,093	0	3,093	23	3,116
Other comprehensive income:								
Foreign currency translation for interna- tional units	0	0	-111	0	0	-111	0	-111
Hedge of international units	0	0	109	0	0	109	0	109
Revaluation of real property	0	72	0	0	0	72	0	72
Other movements	0	-24	0	24	0	0	0	0
Actuarial losses and gains	0	0	0	-21	0	-21	0	-21
Tax on other comprehensive income	0	-9	0	-19	0	-28	0	-28
Other comprehensive income after tax	0	39	-2	-16	0	21	0	21
Comprehensive income for the year	0	39	-2	3,077	0	3,114	23	3,137
Additional tier 1 (AT1) capital issue	0	0	0	0	0	0	1,476	1,476
Transaction costs	0	0	0	-15	0	-15	0	-15
Interest paid on AT1 capital	0	0	0	0	0	0	-20	-20
Currency translation adjustment	0	0	0	3	0	3	-3	0
Tax	0	0	0	8	0	8	0	8
Dividends paid	0	0	0	0	-499	-499	0	-499
Dividends, own shares	0	0	0	5	0	5	0	5
Proposed dividend	0	0	0	-499	499	0	0	0
Acquisition of own shares	0	0	0	-3,084	0	-3,084	0	-3,084
Sale of own shares	0	0	0	1,466	0	1,466	0	1,466
Transactions with owners	0	0	0	-2,116	0	-2,116	1,453	-663
Equity at 31 December 2016	950	538	-2	29,053	499	31,038	1,476	32,514

The Jyske Bank Group		
DKKm	2017	2016
Shareholders' equity	32,023	31,038
Share buy-back programme, non-utilised limit	-281	0
Proposed dividend	-522	-499
Intangible assets	-13	-71
Deferred tax liabilities relating to intangible assets	3	15
Deferred tax assets	-10	0
Prudent valuation	-271	-268
Difference between expected loss and the carrying amount of impairment charges	-174	-89
Other deductions	-14	-31
Common Equity Tier 1 capital	30,741	30,095
Additional Tier 1 capital after reduction	3,209	2,250
Other deductions	-27	-69
Core capital	33,923	32,276
Subordinated loan capital after reduction	3,631	1,298
Difference between expected loss and the carrying amount of impairment charges	0	0
Other deductions	-248	-220
Capital base	37,306	33,354
Weighted risk exposure involving credit risk etc.	149,906	140,577
Weighted risk exposure involving market risk	21,355	24,586
Weighted risk exposure involving operational risk	16,737	17,032
Total weighted risk exposure	187,998	182,195
Capital requirement, Pillar I	15,040	14,576
Capital requirement, transitional provisions	4,204	3,995
Capital requirement, total	19,244	18,571
Capital ratio (%)	19.8	18.3
Core Tier 1 Capital ratio (%)	18.0	17.7
Common Equity Tier 1 capital ratio (%)	16.4	16.5

Over the period 2008-2013, capital ratios were calculated in accordance with the CRD III (Basel II). At the end of 2017, the total risk-weighted exposure according to Basel I amounted to DKK 300,687m for the Jyske Bank Group. The capital requirement according to the transitional provisions was for 80% of the capital requirement of 8% of the total weighted risk exposure corresponding to DKK 19,244m for the Jyske Bank Group. At the end of 2016, the transitional provisions resulted in a capital requirement of DKK 18,571m for the Jyske Bank Group. The transitional rules applying to the total weighted risk exposure expired at the end of 2017.

For a statement of the individual solvency requirement, please see Risk and Capital Management 2017 or investor.jyskebank.com/investorrelations/capitalstructure.

Risk and Capital Management 2017 was not covered by the audit.

The Jyske Bank Group		
DKKm	2017	2016
Profit for the year	3,143	3,116
Adjustment for non-cash operating items, etc.		
Loan impairment charges and provisions for guarantees	-179	201
Amortisation, depreciation and impairment charges	742	582
Unrealised value adjustment of securities	-237	-148
Unrealised value adjustment of investments	-9	-4
Interest not paid and received	-45	-398
Other outstanding operating items	-215	-288
Tax charged to the income statement	859	790
Tax paid	-1,000	-331
Total	3,059	3,520
Change in working capital		
Loans and advances	-25,049	-26,470
Deposits	5,375	9,728
Issued bonds	19,281	42,847
Due from credit institutions	-40	335
Due to credit institutions	-1,982	-19,270
Other assets and liabilities	10,904	-12,826
Total	8,489	-5,656
Cash flows from operating activities	11,548	-2,136
Dividend received	76	79
Acquisition of property, plant and equipment	-1,410	-1,825
Sale of property, plant and equipment	937	507
Acquisition of intangible assets	-8	-1
Cash flows from investment activities	-405	-1,240
Hybrid core capital issue	1,105	1,449
Dividends paid	-1,031	-499
Dividends, own shares	70	5
Acquisition of own shares	-4,635	-3,084
Sale of own shares	3,392	1,466
Addition and repayment of subordinated debt	2,223	777
Cash flows from financing activities	1,124	114
Cash flow for the year	12,267	-3,262
Cash and cash equivalents, beginning of period	19,988	23,250
Cash and cash equivalents, end of period	32,255	19,988
Cash and cash equivalents, end of period, comprise:		
Cash in hand, etc.	19,347	2,068
Due in less than three months from credit institutions and central banks, cf. Note 17	12,908	17,920
Cash and cash equivalents, end of period	32,255	19,988
Liabilities due to financing activities	Subordinated debt	
Recognised amount at beginning of 2017	2,131	
Change in exchange rates	-20	
Change in fair value of the hedged interest-rate risk	-11	
Cash flow from additions	2,234	
Cash flow from repayments	-11	
Recognised amount at the end of 2017	4,323	

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Note	The Jyske Bank Group				
	2017	2016	2015	2014	2013
1 Financial ratios and key figures					
Pre-tax profit, per share (DKK)*	44.42	42.04	33.74	35.25	32.30
Earnings per share (DKK)*	34.66	33.49	26.07	35.07	25.38
Earnings per share (diluted) (DKK)*	34.66	33.49	26.07	35.07	25.38
Core profit per share (DKK)*	38.03	36.58	29.11	34.09	27.45
Share price at end of period (DKK)	353	337	312	313	293
Book value per share (DKK)*	374	348	317	290	245
Price/book value per share (DKK)*	0.95	0.97	0.98	1.08	1.19
Price/earnings per share*	10.2	10.1	12.0	8.9	11.5
Proposed dividend per share (DKK)	5.85	5.25	5.25	0	0
Outstanding shares in circulation ('000)	85,705	89,200	94,669	94,988	71,214
Average number of shares in circulation ('000)	88,010	92,388	94,958	88,053	71,220
Capital ratio (%)	19.8	18.3	17.0	16.4	16.0
Core Tier 1 Capital ratio (%)	18.0	17.7	16.5	15.8	15.9
Common Equity Tier 1 capital ratio (%)	16.4	16.5	16.1	15.3	15.3
Pre-tax profit as a pct. of average equity	12.4	12.7	11.1	13.8	13.9
Net profit as a percentage of average equity*	9.7	10.1	8.6	13.7	10.9
Income/cost ratio (%)	1.7	1.7	1.5	1.4	1.4
Interest-rate risk (%)	0.8	1.0	1.4	-0.5	1.9
Currency position	4.6	4.0	5.4	8.9	6.3
Currency risk (%)	0.1	0.0	0.1	0.0	0.1
Excess liquidity relative to statutory requirement for liquidity in previous S.152 of the Danish Financial Business Act (%)	130.2	171.0	191.0	144.3	151.1
Total large exposures (%)	0.0	0.0	0.0	10.7	10.1
Accumulated impairment ratio (%)	1.1	1.3	1.6	1.7	3.1
Impairment ratio for the year (%)	0.0	0.0	0.3	0.7	0.8
Increase in loans and advances for the year, excl. repo loans (%)	8.1	9.6	4.5	205.3	4.9
Loans and advances in relation to deposits	2.8	2.8	2.8	2.4	1.0
Loans relative to equity	12.9	13.0	13.2	13.1	7.5
Return on capital employed	0.5	0.6	0.5	0.8	0.7
Number of full-time employees, year-end	3,932	3,981	4,021	4,191	3,774
Average number of full-time employees in year **	3,986	3,997	4,119	4,147	3,796

Reference is made to definitions of financial ratios, cf. note 72.

*Financial ratios are calculated as if AT1 capital is recognised as a liability.

** The number of employees at the end of 2017 was reduced by 39 employees for whom costs were covered externally.

Note	The Jyske Bank Group			
DKKm				
2	Segmental financial statements			The Jyske Bank Group*
		Banking activities	Mortgage activities	Leasing activities
2017				
Net interest income	3,357	1,820	497	5,674
Net fee and commission income	1,768	262	-73	1,957
Value adjustments	534	29	14	577
Other income	170	26	11	207
Income from operating lease (net)	0	0	-54	-54
Core income	5,829	2,137	395	8,361
Core expenses	4,350	848	176	5,374
Core profit before loan impairment charges	1,479	1,289	219	2,987
Loan impairment charges	-696	202	41	-453
Core profit	2,175	1,087	178	3,440
Investment portfolio earnings	513	49	0	562
Pre-tax profit	2,688	1,136	178	4,002
Loans and advances	124,586	306,844	16,243	447,673
- of which mortgage loans	0	306,844	0	306,844
- of which bank loans	97,167	0	16,243	113,410
- of which repo loans	27,419	0	0	27,419
Total assets	240,394	337,754	19,292	597,440
Deposits	159,800	0	223	160,023
- of which bank deposits	139,749	0	223	139,972
- of which repo deposits and tri-party deposits	20,051	0	0	20,051
Issued bonds	37,048	304,473	0	341,521
2016				
Net interest income	3,489	1,732	527	5,748
Net fee and commission income	1,414	207	-90	1,531
Value adjustments	735	34	12	781
Other income	193	52	12	257
Income from operating lease (net)	0	0	44	44
Core income	5,831	2,025	505	8,361
Core expenses	4,103	837	168	5,108
Core profit before loan impairment charges	1,728	1,188	337	3,253
Loan impairment charges	-122	-32	5	-149
Core profit	1,850	1,220	332	3,402
Investment portfolio earnings	424	80	0	504
Pre-tax profit	2,274	1,300	332	3,906
Loans and advances	130,564	277,016	14,865	422,445
- of which mortgage loans	0	277,016	0	277,016
- of which bank loans	96,713	0	14,865	111,578
- of which repo loans	33,851	0	0	33,851
Total assets	262,151	307,037	17,515	586,703
Deposits	154,428	0	220	154,648
- of which bank deposits	133,974	0	220	134,194
- of which repo deposits and tri-party deposits	20,454	0	0	20,454
Issued bonds	49,016	273,224	0	322,240

* The relationship between income statement items under 'The Jyske Bank Group key financial data' and the income statement page 36 appears from the next page.

Note

The Jyske Bank Group

DKKm

2 Segmental financial statements, cont.

Banking activities

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

Mortgage activities

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

Leasing activities

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

Internal allocation

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

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

Core profit and investment portfolio earnings

The pre-tax profit for 2017 broken down by core earnings and investment portfolio earnings is stated below:

Breakdown of the profit for the year

DKKm

	2017				2016			
	Core profit	Investment portfolio earnings	Reclassification	Total	Core profit	Investment portfolio earnings	Reclassification	Total
Net interest income	5,674	330	284	6,288	5,748	417	408	6,573
Net fee and commission income	1,957	-3	0	1,954	1,531	-3	0	1,528
Value adjustments	577	219	-10	786	781	87	-58	810
Other income	207	47	34	288	257	30	0	287
Income from operating lease (net)	-54	0	588	534	44	0	486	530
Income	8,361	593	896	9,850	8,361	531	836	9,728
Expenses	5,374	31	622	6,027	5,108	27	486	5,621
Profit before loan impairment charges	2,987	562	274	3,823	3,253	504	350	4,107
Loan impairment charges	-453	0	274	-179	-149	0	350	201
Pre-tax profit	3,440	562	0	4,002	3,402	504	0	3,906

Alternative performance measures

The alternative performance measures applied in the management's review constitute valuable information for readers of financial statements as they provide a more uniform basis for comparison of accounting periods.

Note**The Jyske Bank Group****2 Segmental financial statements, cont.**

No adjusting entries are made, and therefore the net profit or loss for the year will be the same in the alternative performance targets of the management's review and in the IFRS financial statements.

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

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

The above table illustrates relationships between income statement items under 'The Jyske Bank Group key financial data', page 2, and income statement items in the IFRS financial statements, page 36.

Reclassification relates to the following:

- Income of DKK 274m (2016: DKK 350m) from impaired loans and advances taken over was reclassified from interest income to loan impairment charges.
- Expenses of DKK 10m (2016: DKK 58m) due to value adjustments relating to the balance principle at BRFKredit was reclassified from value adjustments to interest income.
- Income of DKK 34m (2016: 0m) from external sales was reclassified from income to offsetting against expenses.
- Depreciation and amortisation of DKK 588m (2016: DKK 486m) were reclassified from expenses to income from operating lease (net).

Please see below for definitions of the additional financial ratios stated under the Jyske Bank Group key financial data, page 2.

"Earnings per share", "Earnings per share (diluted)", "Pre-tax profit as a percentage of average equity" and "Net profit as a percentage of average equity" are calculated as if hybrid core capital is recognised as a liability. In the numerator, the profit is less interest expenses of DKK 92m (2016: DKK 23m) for hybrid core capital, and the denominator is calculated as equity exclusive of hybrid core capital of DKK 2,581m (2016: DKK 1,476m).

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

"Book value per share" and "Price/book value per share" are calculated as if AT1 capital is recognised as a liability. Book value has been calculated exclusive of AT1 capital of DKK 2,581m (2016: DKK 1,476m).

Note		The Jyske Bank Group	
	DKKm	2017	2016
3	Segment information, income by product		
	Corporate clients	3,080	2,838
	Private clients	2,628	2,788
	Trading income	2,901	2,802
	Other	1,241	1,300
	Total	9,850	9,728

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

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

Note	The Jyske Bank Group
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DKKm

4 Segmental financial statements, geographical¹

	Denmark ²	Inter-national	The Jyske Bank Group
2017			
Net interest income	6,205	83	6,288
Net fee and commission income	1,901	53	1,954
Value adjustments	761	25	786
Other income	821	1	822
Income	9,688	162	9,850
Expenses	5,782	245	6,027
Profit before loan impairment charges	3,906	-83	3,823
Loan impairment charges	-193	14	-179
Pre-tax profit	4,099	-97	4,002
Loans and advances	445,473	2,200	447,673
Bonds and shares	78,690	408	79,098
Total assets	571,093	26,347	597,440
Deposits, exclusive of pooled deposits	149,746	5,909	155,655
Guarantees	18,369	360	18,729
2016			
Net interest income	6,483	90	6,573
Net fee and commission income	1,457	71	1,528
Value adjustments	789	21	810
Other income	816	1	817
Income	9,545	183	9,728
Expenses	5,480	141	5,621
Profit before loan impairment charges	4,065	42	4,107
Loan impairment charges	198	3	201
Pre-tax profit	3,867	39	3,906
Loans and advances	419,994	2,451	422,445
Bonds and shares	89,500	429	89,929
Total assets	579,599	7,104	586,703
Deposits, exclusive of pooled deposits	144,847	5,290	150,137
Guarantees	15,772	375	16,147

1) Geographical segments are listed according to where transactions are booked.

2) Intra-group income statements, assets and liabilities are eliminated under the respective segments.

Note

The Jyske Bank Group

DKKm

5 Segment information, revenue by country

					Public	Full-time employ- ees end of period
	Revenue	Pre-tax profit	Tax	Profit for the year	subsidies	
2017						
Denmark	14,197	4,098	872	3,226	0	3,829
Switzerland	0	0	0	0	0	0
Gibraltar	136	-94	-13	-81	0	94
Germany	4	2	0	2	0	9
Spain	0	-4	0	-4	0	0
Total	14,337	4,002	859	3,143	0	3,932
2016						
Denmark	14,443	3,867	780	3,087	0	3,875
Switzerland	0	-4	5	-9	0	0
Gibraltar	155	49	5	44	0	97
Germany	37	1	0	1	0	9
Spain	0	-7	0	-7	0	0
Total	14,635	3,906	790	3,116	0	3,981

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

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

Activities in individual countries:

Denmark: The Jyske Bank Group has activities within banking and mortgage banking, trading and wealth management advice as well as leasing.

Switzerland: The Jyske Bank Group had activities within banking as well as trading and wealth management advice. The activities were discontinued at the end of 2015 and the company was wound up in 2017.

Gibraltar: The Jyske Bank Group has activities within banking as well as trading and wealth management advice.

Germany: The Jyske Bank Group has activities within banking.

Spain: The Jyske Bank Group has activities within properties.

Note	The Jyske Bank Group						
	DKKm						
6	Net interest income and value adjustments	Interest income	Interest expenses	Net interest income	Dividends	Value adjustments	Total
2017							
Financial portfolios at amortised cost							
	Due from and to credit institutions and central banks	-6	81	-87	0	209	122
	Loans, advances and deposits	3,583	-54	3,637	0	147	3,784
	Bonds	101	0	101	0	-150	-49
	Issued bonds	0	149	-149	0	199	50
	Subordinated debt	0	87	-87	0	11	-76
	Other financial instruments	3	0	3	0	0	3
	Total	3,681	263	3,418	0	416	3,834
Financial portfolios at fair value and financial instruments designated at fair value							
	Loans and advances	6,322	0	6,322	0	3,103	9,425
	Bonds	544	0	544	0	-33	511
	Investment properties	0	0	0	0	21	21
	Shares, etc.	0	0	0	76	910	986
	Issued bonds	0	4,281	-4,281	0	-2,906	-7,187
	Derivatives	352	67	285	0	-725	-440
	Total	7,218	4,348	2,870	76	370	3,316
Total net interest income and value adjustments		10,899	4,611	6,288	76	786	7,150
2016							
Financial portfolios at amortised cost							
	Due from and to credit institutions and central banks	33	57	-24	0	-958	-982
	Loans, advances and deposits	3,878	152	3,726	0	-264	3,462
	Bonds	118	0	118	0	-64	54
	Issued bonds	0	200	-200	0	354	154
	Subordinated debt	0	38	-38	0	20	-18
	Other financial instruments	6	0	6	0	0	6
	Total	4,035	447	3,588	0	-912	2,676
Financial portfolios at fair value and financial instruments designated at fair value							
	Loans and advances	6,663	0	6,663	0	2,464	9,127
	Bonds	777	0	777	0	613	1,390
	Shares, etc.	0	0	0	79	550	629
	Issued bonds	0	4,573	-4,573	0	-2,318	-6,891
	Derivatives	177	59	118	0	413	531
	Total	7,617	4,632	2,985	79	1,722	4,786
Total net interest income and value adjustments		11,652	5,079	6,573	79	810	7,462

Interest income and interest expenses were calculated before adjustment of negative interest, cf. notes 7 and 8.

Under Value adjustments, foreign exchange adjustment has been distributed on asset and liability classes. All asset and liability classes form part of day-to-day management of currency risk. Currency translation adjustments, inclusive of trading income, for 2017 amounted to DKK 132m (2016: DKK 362m).

Note	The Jyske Bank Group	
	DKKm	
	2017	2016
7	Interest income	
	Due from credit institutions and central banks	-6 33
	Loans and advances	8,235 8,919
	Contribution	1,670 1,622
	Bonds	966 1,357
	Derivatives, total	352 177
	Of which currency contracts	164 167
	Of which interest-rate contracts	188 10
	Other	3 6
	Total	11,220 12,114
	Interest on own mortgage bonds, set off against interest on issued bonds	321 462
	Total after offsetting of negative interest income	10,899 11,652
	Negative interest income set off against interest income	165 115
	Negative interest expenses set off against interest expenses	155 155
	Total before offsetting of negative interest income	11,219 11,922
Negative interest income amounted to DKK 165m (2016: DKK 115m) and related primarily to repo transactions. In the above table, negative interest income is set off against interest income. In the income statement, negative interest income is listed as interest expenses, and negative interest expenses are listed as interest income.		
8	Interest expenses	
	Due to credit institutions and central banks	81 57
	Deposits	-54 152
	Issued bonds	4,751 5,235
	Subordinated debt	87 38
	Other	67 59
	Total	4,932 5,541
	Interest on own mortgage bonds, set off against interest on issued bonds	321 462
	Total after offsetting of negative interest expenses	4,611 5,079
	Negative interest expenses set off against interest expenses	155 155
	Negative interest income set off against interest income	165 115
	Total before offsetting of negative interest income	4,931 5,349
Negative interest expenses amounted to DKK 155m (2016: DKK 155m) and related primarily to repo transactions. In the above table, negative interest expenses are set off against interest expenses. In the income statement, negative interest expenses are listed as interest income, and negative interest income is listed as interest expenses.		
9	Fees and commission income	
	Securities trading and custody services	1,383 1,218
	Money transfers and card payments	199 209
	Loan application fees	389 291
	Guarantee commission	116 97
	Other fees and commissions	293 165
	Total	2,380 1,980

Note		The Jyske Bank Group	
	DKKm	2017	2016
10	Value adjustments		
	Loans and advances at fair value	3,103	2,464
	Bonds	-126	216
	Other investment securities	473	200
	Investment properties	21	0
	Currency	132	362
	Currency, interest-rate, share, commodity and other contracts as well as other derivatives	4	-178
	Issued bonds	-2,838	-2,314
	Other assets and liabilities	17	60
	Total	786	810
11	Other income		
	Income on real property	66	71
	Profit on the sale of property, plant and equipment	63	46
	Income from operating lease ¹	534	530
	Dividends, etc.	76	79
	Profit on investments in associates and group enterprises	9	5
	Other income	74	86
	Total	822	817

¹) Expenses relating to operating leases affected the item Amortisation, depreciation and impairment charges in the amount of DKK 588m in 2017 against DKK 486m in 2016.

Note		The Jyske Bank Group	
	DKKm	2017	2016
12	Employee and administrative expenses		
	Employee expenses		
	Wages and salaries, etc.	2,440	2,361
	Pensions	326	288
	Social security	316	316
	Total	3,082	2,965
	Salaries and remuneration to management bodies		
	Executive Board *	47	32
	Supervisory Board	4	4
	Shareholders' Representatives	3	3
	Total	54	39
	*Salaries and remuneration to the Executive Board include value of company car, etc. as well as the retirement remuneration earned over the year in the amount of DKK 6.6m (2016: DKK 0m), cf. subsequent information in the note. Variable remuneration to the Executive Board totalled DKK 0.6m (2016: DKK 0.5m).		
	Remuneration of the Supervisory Board		
	Sven Buhrkall	0.9	0.9
	Kurt Bligaard Pedersen	0.5	0.5
	Rina Asmussen	0.4	0.4
	Philip Baruch	0.5	0.5
	Jens A. Borup	0.5	0.5
	Keld Norup	0.5	0.5
	Peter Schleidt (joined on 1.4.2016 and resigned on 30.05.2017)	0.2	0.2
	Oluf Engell (resigned on 31.03.2016)	0.0	0.1
	Haggai Kunisch	0.4	0.3
	Marianne Lillevang	0.3	0.3
	Christina Lykke Munk (joined on 1.7.2016)	0.3	0.1
	Jesper Holbøll (resigned on 30.06.2016)	0.0	0.1
	Total	4.5	4.4

In addition to the fixed remuneration, the members of the committees under the Supervisory Board receive a committee remuneration. Of the total remuneration to the Supervisory Board, committee remuneration and Shareholders' Representatives' remuneration totalled DKK 1.8m in 2017 against DKK 1.6m in 2016, which amount is included in the above amounts. The Supervisory Board does not receive variable remuneration

Remuneration paid to the Executive Board

Anders Dam	8.1	7.2
Sven A. Blomberg (resigned on 31.07.2017)	10.6	6.9
Niels Erik Jakobsen	6.6	6.0
Leif F. Larsen	6.2	6.0
Peter Schleidt (joined on 01.09.2017)	2.6	0.0
Per Skovhus	6.7	6.0
Total	40.8	32.1

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

*In 2017, Sven A. Blomberg received retirement remuneration of DKK 6.5m in connection with his retirement.

In 2017, the Executive Board earned further retirement remuneration from Jyske Bank's Pensionstilskudsfond, which will be paid out upon retirement.

Note

The Jyske Bank Group

DKKm

12 Employee and administrative expenses, cont.

Total remuneration of the Executive Board

	Anders Dam	Sven A. Blomberg	Niels Erik Jakobsen	Leif F. Larsen	Peter Schleidt	Per Skovhus	Total
2017							
Remuneration paid	8.1	10.6	6.6	6.2	2.6	6.7	40.8
Retirement remuneration earned over the year	2.2	0.0	1.4	0.3	0.2	2.5	6.6
Total	10.3	10.6	8.0	6.5	2.8	9.2	47.4
2016							
Remuneration paid	7.2	6.9	6.0	6.0	0.0	6.0	32.1
Total	7.2	6.9	6.0	6.0	0.0	6.0	32.1

The members of the Supervisory Board and the Executive Board are not offered any incentive programmes. No member of the Supervisory Board or the Executive Board is specifically remunerated as a member of the board in any group enterprise. Members of the Executive Board are not separately remunerated as members of supervisory boards or board of directors outside the Group (for instance, sector companies). Alternatively, any such remuneration will be set off against the salary of the individual member of the Executive Board.

Members of the Executive Board as well as Jyske Bank can mutually terminate the employment subject to a term of notice of six months. Where Jyske Bank terminates the employment a severance pay equalling the past 24 months' pay, inclusive of any retirement remuneration from Jyske Bank's Pensionstilskudsfond will also be given.

The Group does not pay any separate pension contribution for the members of the Supervisory Board and the Executive Board in addition to the remuneration stated in the financial statements.

Jyske Bank's Pensionstilskudsfond is a fund which offers supplementary pensions to current and former members of the Executive Board and their surviving relatives, if any. Payment will commence upon the resignation of the individual member of the Executive Board. Since 1 January 2011, members of the Executive Board do not qualify for any further rights to pension supplements from Jyske Bank's Pensionstilskudsfond apart from a one-off payment in the form of a seniority-dependent retirement remuneration not exceeding 83.33% of the annual salary at the time of resignation, cf. the above table showing the total remuneration of the Executive Board. The retirement remuneration will be maximised when a member reaches 25 years of seniority, however, as regards Peter Schleidt and Per Skovhus when they reach 10 years of seniority. In the event of lower seniority at the time of resignation, the retirement remuneration will be reduced proportionally according to the shorter seniority. The pension liabilities of Jyske Bank's Pensionstilskudsfond are calculated actuarially and based on a number of assumptions. To the extent the value of Jyske Bank's Pensionstilskudsfond's assets does not match the net present value of the liabilities, the remaining amount has been recognised as a liability in the financial statements. See notes 38 and 66 for further details.

Note		The Jyske Bank Group	
	DKKm		
		2017	2016
12	Employee and administrative expenses, cont.		
	Other administrative expenses		
	IT	1,221	1,212
	Other operating expenses	358	265
	Other administrative expenses	576	558
	Total	2,155	2,035
	Employee and administrative expenses, total	5,285	5,039
	Average number of employees for the financial year (full-time employees)	3,932	3,997
	Average number of members of the Executive Board	4.9	5.0
	Average number of members of the Supervisory Board	9.4	10.0
	Specification of wages and salaries, etc.		
	Wages and salaries and other short-term employee benefits	2,436	2,356
	Other long-term employee benefits	4	5
	Total	2,440	2,361
	Remuneration of risk takers		
	Number of members	123	119
	Contractual remuneration	141	132
	Variable remuneration	1	2
	Pension	15	15
	Pension obligation	5	4
	The group comprises employees (exclusive of the Executive Board) with a special impact on the Group's risk profile.		
	The group does not participate in any incentive schemes. Remuneration is included in the period during which the employee was a material risk taker.		
13	Audit fees		
	Total fees to Jyske Bank A/S's auditors elected at the Annual General Meeting and to auditors in the subsidiaries in and outside Denmark	5	5
	Breakdown of audit fees:		
	Fee for statutory audit of the financial statements	3	3
	Fee for other assurance services	1	1
	Fee for tax advice	1	1
	Fee for other services	0	0
	In addition to fees to the auditors elected at the Annual General Meeting, expenses were recognised for Internal Audit.		

Note	The Jyske Bank Group	
	2017	2016
DKKm		
14 Loan impairment charges and provisions for guarantees, incl. balance of discounts		
Balance of loan impairment charges and provisions for guarantees incl. balance of discounts, beginning of period	6,816	8,261
Loan impairment/provisions for the year	-160	-30
Recognised as a loss, covered by impairment charges/provisions	-687	-843
Recognised losses covered by discounts for acquired loans	-106	-319
Recognised discount for acquired loans	-274	-350
Other movements	67	97
Balance of loan impairment charges and provisions for guarantees incl. balance of discounts, end of period	5,656	6,816
Loan impairment charges	4,815	5,503
Provisions for guarantees	342	434
Balance of loan impairment charges and provisions, end of period	5,157	5,937
Balance of discounts for acquired loans	499	879
Balance of loan impairment charges and provisions for guarantees incl. balance of discounts, end of period	5,656	6,816
Loan impairment/provisions for the year	-160	-30
Impairment charges on balances due from credit institutions in the year	-15	0
Recognised as a loss, not covered by loan impairment charges/provisions	318	453
Recoveries	-322	-222
Loan impairment charges and provisions for guarantees recognised in the income statement	-179	201
Recognised discount for acquired loans	274	350
Net effect on income statement	-453	-149
Individual loan impairment charges, beginning of period	4,276	4,551
Loan impairment for the year	128	484
Recognised as a loss, covered by impairment charges/provisions	-676	-833
Other movements	53	74
Individual loan impairment charges, end of period	3,781	4,276
Individual provisions for loss on guarantees, beginning of period	364	383
Provisions for the year	-88	-9
Recognised as a loss, covered by provisions	-11	-10
Individual provisions for loss on guarantees, end of period	265	364
Collective loan impairment charges, beginning of period	1,227	1,687
Loan impairment for the year	-207	-483
Other movements	14	23
Collective loan impairment charges, end of period	1,034	1,227
Collective provisions for loss on guarantees, beginning of period	70	92
Provisions for the year	7	-22
Collective provisions for loss on guarantees, end of period	77	70
Impairment charges on balances due from credit institutions		
Individual impairment charges on balances due from credit institutions, beginning of period	15	15
Loan impairment for the year	-15	0
Individual impairment charges on balances due from credit institutions, end of period	0	15
The regulatory balance of loan impairment charges and provisions for guarantees does not include the discount balance for acquired loans and advances.		

Note		The Jyske Bank Group	
	DKKm	2017	2016
15	Tax		
	Current tax	838	741
	Change in deferred tax	25	45
	Adjustment of tax for previous years	-4	4
	Total	859	790
	Effective tax rate		
	Danish tax rate	22.0	22.0
	Adjustments as regards previous years	0.0	-0.8
	Non-taxable income and non-deductible expenses, etc.	-1.4	-1.2
	Other	0.9	0.2
	Effective tax rate	21.5	20.2
16	Earnings per share		
	Profit for the year	3,143	3,116
	Holders of AT1 capital	92	23
	Proportion attributable to shareholders of Jyske Bank A/S	3,051	3,093
	Average number of shares, 1,000 shares	93,324	95,040
	Average number of own shares, 1,000 shares	-5,314	-2,652
	Average number of shares in circulation, 1,000 shares	88,010	92,388
	Average number of shares in circulation at end of period, 1,000 shares	85,705	89,200
	Earnings per share (EPS) DKK	34.66	33.49
	Earnings per share diluted (EPS-D) DKK	34.66	33.49
	Core earnings per share		
	Core profit	3,440	3,402
	Holders of AT1 capital	92	23
	Core profit ex holders of AT1 capital	3,348	3,379
	Average number of shares in circulation, 1,000 shares	88,010	92,388
	Core earnings (DKK) per share	38.03	36.58

Note	The Jyske Bank Group
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DKKm

17 **Contractual time to maturity, 2017**

	On de- mand	Up to 3 months	3 months 1 year	1-5 years	Over 5 years	Total
Assets						
Due from credit institutions and central banks	794	12,114	103	0	35	13,046
Loans and advances at fair value	0	2,030	6,592	35,737	272,639	316,998
Loans and advances at amortised cost	114	64,131	27,481	23,258	15,691	130,675
Bonds at fair value	0	4,519	14,836	40,685	9,806	69,846
Bonds at amortised cost	0	101	1,950	318	1,911	4,280
Liabilities						
Due to credit institutions and central banks	4,898	10,079	942	1,269	771	17,959
Deposits, exclusive of pooled deposits	96,363	19,841	32,588	2,479	4,384	155,655
Issued bonds at fair value	0	8,488	23,217	151,908	118,988	302,601
Issued bonds at amortised cost	0	12,682	10,234	15,385	619	38,920
Subordinated debt	0	0	11	347	3,965	4,323

Contractual time to maturity, 2016

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

The above amounts are exclusive of interest.

Note		The Jyske Bank Group	
	DKKm	2017	2016
19	Loans and advances at fair value		
	Mortgage loans, nominal value	298,239	271,299
	Adjustment for interest-rate risk, etc.	9,189	6,171
	Adjustment for credit risk ¹	-1,139	-1,076
	Mortgage loans at fair value, total	306,289	276,394
	Arrears before loan impairment charges	85	111
	Outlays before loan impairment charges	71	79
	Impairment charges for arrears and outlays	-55	-93
	Arrears and outlays, total	101	97
	Other loans and advances	10,608	15,558
	Loans and advances at fair value, total	316,998	292,049
¹ Adjustment for credit risk is calculate so it allows for objective evidence whether loans and advances are impaired compared to the time of the establishment of the loans and advances.			
20	Loans and advances at fair value broken down by property category		
	Owner-occupied homes	167,351	152,597
	Vacation homes	7,699	6,920
	Subsidised housing (rental housing)	50,167	48,754
	Cooperative housing	15,893	15,371
	Private rental properties (rental housing)	37,225	32,108
	Industrial properties	1,156	1,260
	Office and business properties	33,356	31,481
	Agricultural properties, etc.	56	46
	Properties for social, cultural and educational purposes	4,041	3,437
	Other properties	54	75
	Total	316,998	292,049

Note	The Jyske Bank Group	
	2017	2016
DKKm		
21 Loans and advances at amortised cost and guarantees broken down by sector		
Public authorities	9,275	6,149
Agriculture, hunting, forestry, fishing	7,203	6,827
Manufacturing, mining, etc.	7,649	9,759
Energy supply	4,980	4,066
Building and construction	3,494	3,681
Commerce	11,984	8,998
Transport, hotels and restaurants	3,832	3,534
Information and communication	1,114	609
Finance and insurance	35,714	40,565
Real property	14,244	11,914
Other sectors	7,464	6,519
Corporates, total	97,678	96,472
Personal clients, total	42,451	43,922
Total	149,404	146,543
22 Loans and advances showing objective evidence of impairment		
Individually-assessed loans and advances before loan impairment charges	15,805	20,783
Individually-assessed loans and advances recognised at nil	915	799
Total of individually assessed loans and advances before loan impairment charges (less loans and advances recognised at nil)	14,890	19,984
Loan impairment charges for individually-assessed loans and advances:		
Total impairment charges for loans and advances assessed individually	3,782	4,276
Loan impairment charges for individually-assessed loans and advances recognised at nil	915	799
Total impairment charges for loans and advances assessed individually (less loans and advances recognised at nil)	2,867	3,477
Recognised value of individually-assessed loans and advances which show objective evidence of impairment	12,023	16,507
Impairment charges on individually assessed loans to individually assessed loans	24%	21%

As at 31 December 2017, loans and advances assessed collectively for impairment amounted to DKK 41,020m before impairment charges and DKK 39,787m after impairment charges against DKK 35,212m and DKK 33,985m, respectively, in 2016..

The impairment ratio at 31 December 2017 was 2.5% and 3.5% at the end of 2016.

Non-accrual loans and advances amounted to DKK 1,290m against DKK 1,649m at the end of 2016.

Non-accrual loans and past due exposures (by more than 90 days) amounted to DKK 1,836m against DKK 2,281m at the end of 2016.

Interest on loans and advances assessed individually and collectively was DKK 1,339m against DKK 1,558m at the end of 2016.

Comparative figures for 2016 have been adjusted.

Note	The Jyske Bank Group	
	DKKm	
	2017	2016
23	Value of securities realised during the financial year	
	Real property, residential	98 79
	Real property, commercial	244 525
	Movable property, cars and rolling stock	67 51
	Other movable property	127 137
	Other collateral	104 159
	Amounts received under guarantees	99 165
	Total	739 1,116
	Conditions for satisfaction by repossession	
	Failing an agreement to enforce realisation, the client is given adequate notice in the event of default – typically at least eight days – unless there is a risk of irretrievable impairment. Where collateral has been provided for loans and credit facilities whose proceeds are invested in securities, individual limits are agreed upon for the provision of additional collateral or for a forced sale of assets. Typically a forced sale will be made where the market value of the collateral amounts to 105%-110% of the credit risk. The Group's strategy is to convert repossessed assets into cash as soon as possible.	
24	Fair value of collateral for loans, advances and guarantees	
	Cash balances	2,598 3,644
	Securities	6,694 7,338
	Guarantees made out directly to the Group	31,727 31,240
	Real property, residential	187,803 177,105
	Real property, commercial	123,609 115,426
	Movable property, cars and rolling stock	8,647 7,954
	Other movable property	7,618 6,792
	Other collateral	897 149
	Guarantees whereby the guarantors assume primary liability	1,776 2,788
	Total	371,369 352,436
	Collateral has been received for loans and advances under a number of other guarantee types.	2,382 1,982

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

Real property, residential

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

Real property, commercial

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

Note	The Jyske Bank Group	
	2017	2016
DKKm		
24 Fair value of collateral for loans, advances and guarantees, cont.		
Movable property		
Jyske Bank's model is based on our historical loss experience of various asset types. Collateral value is reduced in accordance with the diminishing-balance method, which involves write-off of typically 10%-50% on acquisition and annual depreciation, typically of 10%-50% of the asset value, during the useful life of the asset.		
Highly liquid securities		
Basically, Jyske Bank applies the official listed price, adjusted where necessary for marketability, currency of denomination, maturity, etc.		
Guarantees		
The value of guarantees is calculated by means of a 'double-default' model which takes into account that Jyske Bank only risks a loss if both the debtor and the guarantor default. The effect of this is recognised by calculating an equivalent collateral value.		
25 Bonds, total, at fair value		
Own mortgage bonds	37,884	62,853
Other mortgage bonds	61,482	70,762
Government bonds	1,628	2,037
Other bonds	11,071	13,022
Total before offsetting of own mortgage bonds	112,065	148,674
Own mortgage bonds offset against issued bonds	37,884	62,853
Bonds, total, at fair value	74,181	85,821
26 Bonds at amortised cost		
Carrying amount of bonds at amortised cost	4,280	3,949
Fair value of portfolio of held-to-maturity bonds	4,335	4,051
Fair value of bonds at amortised cost relative to carrying amount	55	102

Owing to a considerable distortion of the pricing of a number of bonds, bonds of a fair value of DKK 4,464m were reclassified in 2008 from the trading portfolio to held-to-maturity. Subsequently no reclassification has taken place. At the end of 2017, the reclassified portfolio was recognised in the balance sheet at DKK 58m (2016: DKK 621m), the fair value being DKK 61m (2016: DKK 643m). If the reclassification had not been made, profit before tax for 2017 would have been DKK 19m lower (2016: DKK 25m). The effective yield on the reclassified portfolio and the expected cash flow from the portfolio from the time of reclassification were 6% and DKK 7,637m, respectively.

Fair value of the "held-to-maturity portfolio" was higher than the carrying amount by DKK 55m against a fair value of DKK 102m above the carrying amount at the end of 2016.

Note**The Jyske Bank Group****27 Security**

The Jyske Bank Group receives and provides collateral in connection with money and securities clearing, outstanding accounts with central banks, repo and reverse repo transactions, tri-party agreements as well as fair value of derivatives covered by CSA agreements.

Provision of collateral is a regular part of business transactions and are carried out at market-consistent terms and conditions. Collateral is increased and reduced on an on-going basis as liabilities change.

Depending on agreements entered, collateral is provided and received with an owner's rights so that the recipient of collateral can sell this or use it to provide security for loans and other outstanding accounts.

The Jyske Bank Group has deposited bonds with central banks and clearing houses, etc. in connection with clearing and settlement of securities and currency transactions as well as tri-party repo transactions totalling a market value of DKK 17,012m at the end of 2017 (2016: DKK 21,701m).

In addition, the Jyske Bank Group has provided cash collateral in connection with CSA agreement in the amount of DKK 5,224m (2016: DKK 11,865m) as well as bonds in the amount of DKK 1,470m (2016: 3,118m).

Due to repo transactions, i.e. sale of securities involving agreements to repurchase them at a later point in time, bonds in the amount of DKK 11,725m (2016: DKK 9,674m) were provided as security for the amount that was borrowed. See note 41 for further details.

Mortgage loans in the amount of DKK 306,289m (2016: DKK 276,394m) and other assets of DKK 22,176m (2016: 19,701m) were at the end of 2017 registered as collateral for issued mortgage bonds, including covered bonds. According to the Danish mortgage legislation, the issued mortgage bonds, including covered bonds, are secured against the underlying mortgage loans.

Due to reverse repos, i.e. purchase of securities involving agreements to resell them at a later point in time, the Jyske Bank Group received the sold bonds as security for the amounts that was lent. At the end of 2017, reverse repos amounted to DKK 28,674m (2016: DKK 37,432m).

In addition, the Jyske Bank Group has received cash collateral in connection with CSA agreement in the amount of DKK 1,510m (2016: DKK 2,112m) as well as bonds in the amount of DKK 1,571m (2016: 8,514m).

Note	The Jyske Bank Group		
	DKKm		
28	Shares, etc.		
	Shares / investment fund units listed on NASDAQ OMX Copenhagen A/S	1,736	1,635
	Shares / mutual fund certificates listed on other exchanges	409	394
	Unlisted shares are stated at fair value.	2,827	2,181
	Total	4,972	4,210

Note	The Jyske Bank Group	
	2017	2016
DKKm		
29 Jyske Bank Treasury shares		
Own shares ('000)	3,454	5,840
Nominal value of own shares	34,539	58,401
Portfolio of own shares as a percentage of the share capital	3.87	6.15
Acquisition of own shares		
Own shares ('000)	13,052	10,510
Nominal value of own shares	130,514	105,102
Portfolio of acquired own shares as a percentage of the share capital	14.64	11.06
Sale of own shares		
Own shares ('000)	9,857	5,041
Nominal value of own shares	98,566	50,412
Portfolio of sold own shares as a percentage of the share capital	11.06	5.30
Cancellation of own shares		
Own shares ('000)	5,581	0
Nominal value of own shares	55,810	0
Total purchase price	4,635	3,084
Total selling price	3,392	1,466
The acquisition of own shares is primarily explained by the buy-back programme and transactions involving clients and other investors wishing to trade Jyske Bank shares.		
30 Subordinated receivables		
Loans and advances	35	35
Bonds	981	987
Total	1,016	1,022
31 Intangible assets		
Total cost, beginning of period	297	304
Additions	8	1
Disposals	0	8
Total cost, end of period	305	297
Amortisation, depreciation and impairment charges, beginning of period	226	216
Amortisation for the year	66	18
Reversed amortisation, depreciation and impairment	0	8
Amortisation, depreciation and impairment charges, end of period	292	226
Recognised value, end of period	13	71

Note	The Jyske Bank Group	
	DKKm	
	2017	2016
32	Property, plant and equipment	
	Total cost, beginning of period	6,437 5,394
	Currency translation adjustment	-13 -10
	Additions	1,410 1,825
	Disposals	1,108 772
	Total cost, end of period	6,726 6,437
	Revaluations, beginning of period	616 579
	Currency translation adjustment	-1 -7
	Revaluations for the year	105 78
	Reversed revaluations for the year	147 34
	Revaluations, end of period	573 616
	Amortisation, depreciation and impairment charges, beginning of period	1,867 1,613
	Currency translation adjustment	-1 -1
	Amortisation for the year	570 500
	Impairment charges for the year	104 62
	Reversed amortisation, depreciation and impairment	355 307
	Amortisation, depreciation and impairment charges, end of period	2,185 1,867
	Recognised value, end of period	5,114 5,186
	Specification of property, plant and equipment, owner-occupied property	
	Restated value, beginning of period	2,816 2,791
	Currency translation adjustment	-3 -16
	Additions during the year, including improvements	55 55
	Disposals for the year	308 75
	Depreciation	14 14
	Positive changes in values recognised in other comprehensive income in the course of the year	84 78
	Negative changes in values recognised in other comprehensive income in the course of the year	1 6
	Positive changes in value recognised directly in the income statement during the year	28 5
	Negative changes in value recognised directly in the income statement during the year	0 2
	Restated value, end of period	2,657 2,816
	Cost less accumulated amortisation, depreciation and impairment charges	2,114 2,232
	For mortgage credit institutions, collateral has been provided in land and buildings, the carrying amount of which is	0 0
	Required rate of return	3.5%-10% 2.25%-10%
	Weighted average return applied	5.96% 5.89%
	Specification of property, plant and equipment, other property, plant and equipment	
	Total cost, beginning of period	3,928 2,875
	Currency translation adjustment	-10 0
	Additions	1,356 1,765
	Disposals	927 712
	Total cost, end of period	4,347 3,928
	Amortisation, depreciation and impairment charges, beginning of period	1,558 1,306
	Amortisation for the year	557 486
	Impairment charges for the year	104 59
	Reversed amortisation, depreciation and impairment	329 293
	Amortisation, depreciation and impairment charges, end of period	1,890 1,558
	Recognised value, end of period	2,457 2,370

Note	The Jyske Bank Group		
	DKKm	2017	2016
32	Property, plant and equipment, cont.		
	Specification of property, plant and equipment, other property, plant and equipment		
	Other property, plant and equipment consists of equipment and leasehold improvements.		
	Operating lease activities are recognised at	2,324	2,218
	Breakdown of minimum lease payments on lease terms		
	0-1 years	789	902
	1-5 years	1,533	1,316
	Over 5 years	2	0
	Total	2,324	2,218
	Leases for which the Group acts as the lessor have been entered for machinery and equipment, including cars, vans and lorries.		
33	Other assets		
	Positive fair value of derivatives	25,632	41,325
	Assets in pooled deposits	4,208	4,397
	Interest and commission receivable	464	583
	Investments in associates	417	344
	Assets held temporarily	577	635
	Prepayments	328	283
	Investment properties	29	32
	Other assets	1,282	1,365
	Total	32,937	48,964
	Netting		
	Positive fair value of derivatives, etc., gross	31,941	48,068
	Netting of positive and negative fair value	6,309	6,743
	Total	25,632	41,325
	Netting of fair value can be attributed to clearing of derivatives through a central clearing house (CCP clearing).		
	Specification of other assets, assets in pooled deposits		
	Cash	161	114
	Bonds	902	1,219
	Shares	1,583	1,848
	Investment fund certificates	1,715	1,317
	Other assets	8	13
	Assets	4,369	4,511
	Elimination of cash	-161	-114
	Total assets	4,208	4,397
	Specification of other assets, investments in associates		
	Total cost, beginning of period	314	312
	Additions	73	2
	Disposals	19	0
	Total cost, end of period	368	314
	Revaluations and impairment charges, beginning of period	30	25
	Revaluations and impairment charges for the year	9	5
	Reversed revaluations and impairment charges	-10	0
	Revaluations and impairment charges, end of period	49	30
	Recognised value, end of period	417	344
	See The Jyske Bank Group – overview, note 69.		

Note	The Jyske Bank Group	
	2017	2016
DKKm		
34 Due to credit institutions and central banks		
Due to central banks	172	65
Due to credit institutions	17,787	19,876
Total	17,959	19,941
35 Deposits		
Demand deposits	109,334	99,009
Term deposits	2,950	3,617
Time deposits	36,333	40,227
Special deposits	7,038	7,284
Pooled deposits	4,368	4,511
Total	160,023	154,648
36 Issued bonds at fair value		
Issued bonds at fair value, nominal value	332,462	327,401
Adjustment to fair value	9,300	6,357
Own mortgage bonds, fair value	-39,161	-62,546
Total	302,601	271,212
Pre-issued	20,944	38,791
Drawn for redemption at next repayment date	22,383	38,724
37 Other liabilities		
Set-off entry of negative bond holdings in connection with repos / reverse repos	3,695	3,966
Negative fair value of derivatives, etc.	25,776	40,612
Interest and commission payable	2,221	2,490
Deferred income	135	137
Other liabilities	5,411	6,299
Total	37,238	53,504
Netting		
Negative fair value of derivatives, etc., gross	32,085	47,355
Netting of positive and negative fair value	6,309	6,743
Total	25,776	40,612
Netting of fair value can be attributed to clearing of derivatives through a central clearing house (CCP clearing).		
38 Provisions		
Provisions for pensions and similar liabilities	602	562
Provisions for guarantees	342	434
Other provisions	252	200
Provisions for deferred tax	576	529
Total	1,772	1,725

Note	The Jyske Bank Group	
	2017	2016
DKKm		
38 Provisions, cont.		
Specification of provisions for pensions and similar liabilities		
Provisions for pensions and similar liabilities		
Provisions for defined benefit plans	552	511
Provisions for long-term employee benefits	50	51
Recognised in the balance sheet, end of period	602	562
Provisions for defined benefit plans		
Present value of pension plan obligations	657	617
Fair value of pension plan assets	105	106
Net liability recognised in the balance sheet	552	511
Change in provisions for defined benefit plans		
Provisions, beginning of period	617	595
Costs for the current financial year	40	11
Calculated interest expenses	12	13
Actuarial losses/gains	11	21
Pension payments	-23	-23
Provisions, end of period	657	617
Change in the fair value of pension plan assets		
Assets, beginning of period	106	107
Calculated interest on assets	2	2
Return ex calculated interest on assets	2	1
Contributions, etc.	0	1
Pension payments	-5	-5
Assets, end of period	105	106
Pension costs recognised in the income statement		
Costs for the current financial year	40	11
Calculated interest related to liabilities	12	13
Calculated interest on assets	-2	-2
Total recognised defined benefit plans	50	22
Total recognised defined contribution plans	277	266
Recognised in the income statement	327	288
The expense is recognised under Employee and administrative expenses.		
Pension plan assets:		
Equities	14	15
Bonds	58	46
Liquidity, etc.	33	45
Pension plan assets, total	105	106

Pension plan assets include 40,000 Jyske Bank A/S shares (2016: 45,000 shares).
Measurement of all pension assets is based on quoted prices in an active market.

Note	The Jyske Bank Group				
	2017	2016	2015	2014	2013
DKKm					
38 Provisions, cont.					
Specification of provisions for pensions and similar liabilities, cont.					
The Group's pension plan liabilities					
Present value of pension plan obligations	657	617	595	565	511
Fair value of pension plan assets	105	106	107	111	113
Surplus/deficit	552	511	488	454	398
Actuarial assumptions					
Defined benefit plans					
Retirement remuneration					
Discount rate	2.00%	2.25%	2.75%	3.25%	4.00%
Future rate of wage increase	2.00%	2.00%	2.00%	2.00%	2.00%
Jyske Banks Pensionstilskudsfond					
Discount rate	2.00%	2.25%	2.75%	3.25%	4.00%
Future rate of wage increase	2.00%	2.00%	2.00%	2.00%	2.00%
Calculated interest on pension plan assets	2.00%	2.25%	2.75%	3.25%	4.00%
Long-term employee benefits					
Discount rate	2.00%	2.25%	2.75%	3.25%	4.00%
Future rate of wage increase	2.00%	2.00%	2.00%	2.00%	2.00%

The most important actuarial assumptions in the calculation of pension liabilities relate to interest rate level and wage increases. If the discount rate fall by 0.25% to 1.75%, the pension provisions increase by DKK 10m. If the rate of wage increases rise by 0.25% to 2.25%, the pension provisions increase by DKK 10m.

For 2018, payments to defined contribution and defined benefit pension plans are expected to be DKK 333m.

Defined contribution pension plans

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

Defined benefit plans

Retirement remuneration equalling a maximum of one year's salary is paid to employees on retirement. In 2017, a total of DKK 498m (2016: DKK 470m) was recognised in the balance sheet, this being the present value of the overall liability relating to the employees' term of employment with the Group. Employees recruited not later than on 31 August 2005 are offered participation in the retirement remuneration plan. Please see note 12 for details on the terms and conditions for retirement remuneration for the Executive Board.

Jyske Bank A/S's Pensionstilskudsfond is a fund which offers supplementary pensions to current and former members of Jyske Bank's Executive Board and their surviving relatives. At the end of 2017, provisions amounting to DKK 54m (2016: DKK 41m) were recognised, this being the present value of liabilities, DKK 159m (2016: DKK 147m), less the fair value of the assets, DKK 105m (2016: DKK 106m).

Long-term employee benefits

An anniversary bonus equalling one month's salary is paid when an employee has worked for the Group for 25 years and 40 years. At year-end 2017, provisions amounted to DKK 47m (2016: DKK 46m), this being the present value of the expected future anniversary bonus payments.

Other long-term employee benefits relate to other salary- and pension-related benefits paid to employees on retirement. Total provisions amounted to DKK 3m (2016: DKK 5m)

Note	The Jyske Bank Group		
	DKKm	2017	2016
38	Provisions, cont.		
	Specification of provisions for guarantees		
	Individual provisions for guarantees	265	364
	Collective provisions for guarantees	77	70
	Total	342	434
	Specification of other provisions		
	Provisions, beginning of period	200	207
	Additions	108	56
	Disposals inclusive of consumption	12	53
	Disposals exclusive of consumption	44	10
	Provisions, end of period	252	200
	Other provisions relate to lawsuits.		
	The provisions are expected, in essence, to be reduced to zero within a year.		
	Specification of deferred tax		
	Deferred tax		
	Deferred tax assets, recognised under tax assets	10	0
	Deferred tax liabilities	576	529
	Net deferred tax	566	529

Note	The Jyske Bank Group	
	2017	2016
DKKm		
39 Subordinated debt		
Supplementary capital:		
Var. % bond loan EUR 300m 05.04.2029	2,234	0
Var. % bond loan SEK 600m 19.05.2026	454	467
3.25% bond loan SEK 400m 19.05.2026	303	311
6.73% bond loan EUR 13.5m 2018-2026	101	112
Var. % bond loan EUR 10m 13.02.2023	74	75
5.65% bond loan EUR 10 m 27.03.2023	74	74
5.67% bond loan EUR 10 m 31.07.2023	74	74
	3,314	1,113
Hybrid core capital:		
Var. % bond loan EUR 72.8m Perpetual	542	541
Var. % bond loan EUR 60.7m Perpetual	452	451
	994	992
Subordinated debt, nominal	4,308	2,105
Hedging of interest-rate risk, fair value	15	26
Total	4,323	2,131
Subordinated debt included in the capital base	4,278	2,062
<p>The above-mentioned issues of hybrid core capital do not meet the conditions for additional Tier 1 capital in the Capital Requirements Regulation, CRR. The issues are recognised under liability other than provision according to IAS 32.</p> <p>The above issues of hybrid core capital have no contractual maturity date. Subject to the approval of the Danish Financial Supervisory Authority, the notes may be redeemed by Jyske Bank, but not earlier than ten years after the date of issue. The holders have no right to call for the redemption of the notes. Interest payments will cease in the event that the issuer does not meet the solvency requirements. Under such circumstances, dividend payments and buy-back of issued shares are subject to certain restrictions. The rate of interest is floating, but capped at 9% per annum for the EUR 72.8m loan and at 8% per annum for the EUR 60.7m loan. The rate is calculated as EUR CMS10 + 0.15% per annum.</p>		
40 Share capital		
Opening share capital, 1,000 shares.	95,040	95,040
Capital reduction through cancellation of own shares	-5,881	0
Closing share capital, 1,000 shares	89,159	95,040
41 Transferred financial assets still recognised in the balance sheet		
Carrying amount of transferred financial assets		
Bonds in repo transactions	11,661	9,619
Transferred financial assets, total	11,661	9,619
Repo transactions are included in the following liability items as follows:		
Debt to credit institutions in repo transactions	8,685	8,170
Deposits and other debts in repo transactions	3,040	1,504
Total	11,725	9,674
Net positions	-64	-55

Note

The Jyske Bank Group

41 Transferred financial assets still recognised in the balance sheet, cont.

Jyske Bank has lent bonds in the amount of DKK 0m (2016: DKK 1,447m), which are still recognised in the balance sheet. Also, Jyske Bank has borrowed bonds in the amount of DKK 0m (2016: DKK 1,520m), which are not recognised in the balance sheet.

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

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

Note	The Jyske Bank Group
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DKKm

42 **Contingent liabilities**

General

Jyske Bank's credit review of guarantee applicant takes into consideration the risk on guarantees. For about 80% of the Jyske Bank Group's guarantees, the contractual term is below one year; for about 13%, the contractual terms is between 1 and 5 years; and for about 7%, the contractual term is above 5 years, compared to 82%, 13% and 5%, respectively, in 2016.

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

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

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

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

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

Because of its statutory participation in the deposit guarantee scheme, the sector has paid an annual contribution of 2.5% of the covered net deposits until the assets of Pengeinstitutafdelingen (the financial institution fund) exceed 1% of the total net deposits covered, which level has been reached. According to Bank Package 3 and Bank Package 4, Pengeinstitutafdelingen bears the immediate losses attributable to covered net deposits and relating to the winding up of financial institutions in distress. Any losses in connection with the final winding up are covered by the Guarantee Fund's Afviklings- og Restruktureringsafdeling (settlement and restructuring fund), where Jyske Bank currently guarantees 9.93% of any losses.

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

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

	2017	2016
Guarantees		
Financial guarantees	14,169	11,108
Guarantee for losses on mortgage credits	1,712	1,880
Registration and refinancing guarantees	926	1,098
Other contingent liabilities	1,922	2,061
Total	18,729	16,147
Other contingent liabilities		
Irrevocable credit commitments	22,151	22,531
Other	105	96
Total	22,256	22,627

43 **Other contingent liabilities**

Note	The Jyske Bank Group					
	DKKmn					
44	Offsetting					
		Carrying amount be- fore offsetting	Financial instru- ments offset	Carrying amount af- ter offsetting	Further off- setting, master net- ting agree- ment	
	2017				Collateral	Net value
	Financial assets					
	Derivatives with positive fair value	31,941	6,309	25,632	18,580	2,417
	Reverse repo transactions	28,674	0	28,674	0	28,674
	Total	60,615	6,309	54,306	18,580	31,091
	Financial liabilities					
	Derivatives with negative fair value	32,085	6,309	25,776	18,580	4,505
	Repo transactions	11,725	0	11,725	0	11,725
	Total	43,810	6,309	37,501	18,580	16,230
	2016					
	Financial assets					
	Derivatives with positive fair value	48,068	6,743	41,325	28,067	8,423
	Reverse repo transactions	37,432	0	37,432	0	37,432
	Total	85,500	6,743	78,757	28,067	45,855
	Financial liabilities					
	Derivatives with negative fair value	47,355	6,743	40,612	28,067	12,140
	Repo transactions	9,674	0	9,674	0	9,674
	Total	57,029	6,743	50,286	28,067	21,814

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

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

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

45 Notes on fair value**Methods for measuring fair value**

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

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

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

Specific details on methods for measuring fair value

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

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

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

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

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

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

Information about differences between recognised value and measurement of fair value

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

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

Note**The Jyske Bank Group****45 Notes on fair value, cont.**

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

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

The calculated fair values of financial assets and liabilities recognised at amortised cost are materially non-observable prices (level 3) in the fair value hierarchy.

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

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

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

In addition to CVA, also an adjustment is made of the fair value of derivatives that have an expected future negative fair value. This takes place to allow for changes in the counterparties' credit risk against the Jyske Bank Group (debt valuation adjustment - DVA). The DVA takes place according to the same principles that apply to the CVA, yet PD for Jyske Bank is determined on the basis of Jyske Bank's external rating by Standard & Poor's. At the end of 2017, CVA and DVA amounted net to DKK 70m, which accumulated amount was recognised as an expense under value adjustment against an accumulated amount of DKK 62m at the end of 2016.

Note

The Jyske Bank Group

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46 Fair value of financial assets and liabilities

At the end of 2017, the recognised value and fair value of assets classified as held-for-trading amounted to DKK 134.1bn against DKK 169.9bn at the end of 2016. The recognised value and fair value of liabilities classified as trading portfolio amounted to DKK 38.6bn at the end of 2017 against DKK 53.1bn at the end of 2016. The recognised value and fair value of assets classified as held-to-maturity amounted to DKK 4.3bn and DKK 4.3bn, respectively, at the end of 2017 against DKK 3.9bn and 4.1bn at the end of 2016. The Group does not hold any assets classified as available-for-sale. The table shows the fair value of financial assets and liabilities and the carrying amounts.

The re-statement at fair value of financial assets and liabilities shows a total non-recognised unrealised loss of DKK 319m at the end of 2017 against a gain of DKK 367m at the end of 2016. Unrealised gains and losses caused by changes in the fair values of shares in sector-owned undertakings are recognised in the income statement by use of the fair value option. The recognised amount of those shares in the balance sheet at the end of 2017 amounted to DKK 1,936m (2016: DKK 1,645m), and the recognised value adjustment in the income statement amounted to DKK 121m (2016: DKK 130m).

	Recognised amount	2017 Fair value	Recognised amount	2016 Fair value
FINANCIAL ASSETS				
Cash balance and demand deposits with central banks	19,347	19,347	2,068	2,068
Due from credit institutions and central banks	13,046	13,045	18,018	18,020
Loans and advances at fair value	316,998	316,998	292,049	292,049
Loans and advances at amortised cost	130,675	130,831	130,396	130,563
Bonds at fair value	69,846	69,846	81,770	81,770
Bonds at amortised cost	4,280	4,336	3,949	4,051
Shares, etc.	4,972	4,972	4,210	4,210
Assets in pooled deposits	4,208	4,208	4,397	4,397
Derivatives	25,632	25,632	41,325	41,325
Total	589,004	589,215	578,182	578,453
FINANCIAL LIABILITIES				
Due to credit institutions and central banks	17,959	17,963	19,941	19,974
Deposits	155,655	155,674	150,137	150,170
Pooled deposits	4,368	4,368	4,511	4,511
Issued bonds at fair value	302,601	302,601	271,212	271,212
Issued bonds at amortised cost	38,920	39,376	51,028	51,201
Subordinated debt	4,323	4,374	2,131	1,796
Derivatives	25,776	25,776	40,612	40,612
Total	549,602	550,132	539,572	539,476

Note	The Jyske Bank Group
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DKKm

47 The fair value hierarchy

2017	Quoted prices	Observable prices	Non-observable prices	Fair value total	Recognised amount
Financial assets					
Loans and advances at fair value	0	316,998	0	316,998	316,998
Bonds at fair value	55,412	14,434	0	69,846	69,846
Shares, etc.	1,978	739	2,255	4,972	4,972
Assets in pooled deposits	2,398	1,810	0	4,208	4,208
Derivatives	367	25,265	0	25,632	25,632
Total	60,155	359,246	2,255	421,656	421,656
Financial liabilities					
Pooled deposits	0	4,368	0	4,368	4,368
Issued bonds at fair value	283,416	19,185	0	302,601	302,601
Derivatives	303	25,473	0	25,776	25,776
Total	283,719	49,026	0	332,745	332,745
2016					
Financial assets					
Loans and advances at fair value	0	292,049	0	292,049	292,049
Bonds at fair value	68,147	13,623	0	81,770	81,770
Shares, etc.	2,186	0	2,024	4,210	4,210
Assets in pooled deposits	2,880	1,517	0	4,397	4,397
Derivatives	260	41,065	0	41,325	41,325
Total	73,473	348,254	2,024	423,751	423,751
Financial liabilities					
Pooled deposits	0	4,511	0	4,511	4,511
Issued bonds at fair value	258,614	12,598	0	271,212	271,212
Derivatives	247	40,365	0	40,612	40,612
Total	258,861	57,474	0	316,335	316,335

The above table shows the fair value hierarchy for financial assets and liabilities recognised at fair value.

It is the practice of the Group that if prices are not updated for two days, transfers will take place between the categories quoted prices and observable prices.

NON-OBSERVABLE PRICES	2017	2016
Fair value, beginning of period	2,024	1,794
Transfers for the year	-73	135
Capital gain and loss for the year reflected in the income statement under value adjustments	149	46
Sales for the year	30	69
Purchases made over the year	185	118
Fair value, end of year	2,255	2,024

Note**The Jyske Bank Group****47 The fair value hierarchy, cont.****Non-observable prices**

Non-observable prices at the end of 2017 referred to unlisted shares recognised at DKK 2,255m against unlisted shares recognised at DKK 2,024m in 2016.

These are primarily sector shares. The measurements, which are associated with some uncertainty, are made on the basis of the shares' book value, market trades, shareholders' agreements as well as own assumptions and extrapolations, etc. In the cases where Jyske Bank calculates the fair value on the basis of the company's expected future earnings, a required rate of return of 15% p.a. before tax is applied. A change in the required rate of return of 1 percentage point will result in a change of the fair value of about DKK 35m. Capital gain and loss for the year on unlisted shares referred to assets held at the end of 2017. Jyske Bank finds it of little probability that the application of alternative prices in the measurement of fair value would result in a material deviation from the recognised fair value.

Non-financial assets recognised at fair value

Investment properties were recognised at a fair value of DKK 29m (2016: DKK 32m). Fair value belongs to the category of non-observable prices calculated on the basis of a required rate of return of 7% (2016: 7%)

Assets held temporarily comprise repossessed properties, equity investments and cars, etc. Assets held temporarily are recognised at the lower of cost and fair value less costs of sale. Assets held temporarily were recognised at DKK 577m (2016: DKK 635m). Fair value belongs to the category of non-observable prices.

Owner-occupied properties are recognised at the restated value corresponding to the fair value on the date of the revaluation less subsequent amortization, depreciation and impairment. The valuation of selected land and buildings is carried out with the assistance of external experts. Based on the returns method, the measurement takes place in accordance with generally accepted standards and with a weighted average required rate of return of 5.96% (2016: 5.89%) Owner-occupied properties were recognised at a fair value of DKK 2,657m (2016: DKK 2,816m). See note 32 for further details. The revalued amount belongs to the category of non-observable prices.

Note**The Jyske Bank Group****48 Risk exposure**

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

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

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

As a consequence of the Group's activities, liquidity risks arise 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.

At any time, the total risks are adjusted to the Group's risk profile and capital structure according to the Group's capital management objective.

49 Risk management and risk organisation

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

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

The Group Executive Board is responsible for the day-to-day risk management and the management of the Group and will ensure that policies and instructions are operationalized and complied with. The Group Executive Board has appointed a group chief risk officer, who is also the director for the unit Finance and Risk Management. The responsibilities of the unit include assets involving risks across areas of risk and organisational units, including:

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

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

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

Note**The Jyske Bank Group****49 Risk management and risk organisation, cont.**

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 a long-term perspective on the financial markets. 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.

50 Credit risk

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

Credit policy and responsibility

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

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

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

Limits and authorisation

The Group attaches great importance to its decentralised credit-authorisation process. The limit structure states which amounts, instances and segments are covered by the limit. The main principle is that regularly occurring credit cases can be authorised, and credit-related decisions for major or more complicated cases are authorised centrally - in respect of bank loans as well as mortgage loans.

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

The credit process and monitoring

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

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

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

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

Note**The Jyske Bank Group****50 Credit risk, cont.**

All the Group's credit risk positions are monitored by two departments, Risk Management and Credit Risk Supervision. Both of these are departments separate from client-oriented functions. Risk Management is responsible for the ongoing monitoring and analysis of the exposures of the Group, by size, sector and geographical area with the main focus on reducing the risk and ensuring satisfactory diversification of the portfolio in accordance with the Group's risk targets. Monitoring takes place through quantitative models at portfolio level.

Credit Risk Supervision is responsible for monitoring the credit quality of the portfolio, which takes place at several levels (client groups, sectors, product groups, etc.). Moreover, risk monitoring includes qualitative as well as quantitative control of data and risk categories, for instance.

Credit assessment and PD

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

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

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

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

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

Note

The Jyske Bank Group

50 Credit risk, cont.

Below is shown the mapping between credit ratings, BRF rating, PD as well as external ratings at the end of 2017.

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

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

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

1) BRF rating 8 includes PDs above 20%.

Note**The Jyske Bank Group****50 Credit risk, cont.****Credit exposure**

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

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

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

In respect of financial instruments, EAD is measured according to the market-value method for regulatory calculation, while for internal management purposes, the more advanced EPE method is used.

Collateral

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

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

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

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

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

Note**The Jyske Bank Group****50 Credit risk, cont.*****Risk categories***

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

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

Loan impairment charges and provisions for guarantees

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

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

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

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

Note	The Jyske Bank Group					
	DKKm	2017	2016			
51	Maximum credit exposure					
	Loans and advances at fair value	316,998	292,049			
	Loans and advances at amortised cost	130,675	130,396			
	Guarantees	18,729	16,147			
	Irrevocable credit commitments	22,151	22,531			
	Loans, advances and guarantees, etc.	488,553	461,123			
	Demand deposits at central banks	18,801	1,476			
	Due from credit institutions and central banks	13,046	18,018			
	Bonds at fair value	69,846	81,770			
	Bonds at amortised cost	4,280	3,949			
	Positive fair values of derivatives	25,632	41,325			
	Total	620,158	607,661			
52	Impaired credit exposures, individual impairment charges and provisions					
	Balance before impairment charges:					
	Loans and advances	8,800	9,249			
	Guarantees	589	753			
	Total	9,389	10,002			
	Collateral (not specified separately for loans, advances and guarantees)					
	Cash balances	397	221			
	Highly liquid securities	236	84			
	Guarantees made out directly to the Group	1	1			
	Real property, residential	3,224	3,424			
	Real property, commercial	4,660	4,160			
	Movable property, cars and rolling stock	39	39			
	Other movable property	389	200			
	Other collateral	1	0			
	Guarantees whereby the guarantor assumes primary liability	60	85			
	Total collateral	9,007	8,214			
53	Maturity matrix, irrevocable credit commitments, floating rate					
		Up to 3 months	3 months - 1 year	1-5 years	Over 5 years	Total
	2017					
	Loans and advances at fair value	5,440	10,520	3,142	0	19,102
	Loans and advances at amortised cost	0	0	3,049	0	3,049
	Total	5,440	10,520	6,191	0	22,151
	2016					
	Loans and advances at fair value	7,744	8,584	2,908	0	19,236
	Loans and advances at amortised cost	0	0	3,295	0	3,295
	Total	7,744	8,584	6,203	0	22,531

Note

The Jyske Bank Group

DKKm

54 Credit exposures neither overdue nor impaired, broken down by rating

	Ratings 1-5	Ratings 6-11	Ratings 12-14	Other
2017				
Loans and advances	229,996	169,622	13,874	6,466
Guarantees	9,869	5,240	389	459
Total	239,865	174,862	14,263	6,925
2016				
Loans and advances	214,749	152,847	21,941	7,261
Guarantees	7,156	5,641	419	505
Total	221,905	158,488	22,360	7,766

The carrying amount of credit exposures which would have been overdue or impaired if the attached terms and conditions had not been renegotiated, amounted to DKK 277m (2016: DKK 1,035m)

55 Due, yet not impaired claims

	Ratings 1-5	Ratings 6-11	Ratings 12-14	Other
2017				
Overdue 0-90 days	190	287	54	60
Overdue > 90 days	0	0	0	6
Overdue, total	190	287	54	66
Collateral				
Cash balances	2	3	0	4
Securities	2	5	1	1
Guarantees made out directly to Jyske Bank	0	0	0	0
Real property, residential	29	15	4	15
Real property, commercial	19	32	18	19
Movable property, cars and rolling stock	1	2	2	0
Other movable property	1	12	7	1
Other collateral	0	0	0	0
Guarantees whereby the guarantors assume primary liability	0	3	1	0
Total collateral	54	72	33	40
2016				
Overdue 0-90 days	430	219	68	56
Overdue > 90 days	1	1	0	11
Overdue, total	431	220	68	67
Collateral				
Cash balances	3	2	0	0
Securities	1	2	1	2
Guarantees made out directly to Jyske Bank	0	0	0	0
Real property, residential	17	11	5	20
Real property, commercial	20	19	11	13
Movable property, cars and rolling stock	2	0	0	0
Other movable property	0	4	5	0
Other collateral	0	0	0	0
Guarantees whereby the guarantors assume primary liability	4	7	7	0
Total collateral	47	45	29	35

Note**The Jyske Bank Group**

%

			Central	
56	Loans and guarantee debtors by country and client segment	Clients	Banks govts, etc.	Total
	2017			
	Denmark	92	22	100
	The EU	7	71	0
	Rest of Europe	1	2	0
	USA + Canada	0	3	0
	Other zone-A countries	0	1	0
	South America	0	0	0
	Rest of the world	0	1	0
	Total	100	100	100
	2016			
	Denmark	88	23	100
	The EU	8	72	0
	Rest of Europe	4	1	0
	USA + Canada	0	3	0
	Other zone-A countries	0	0	0
	South America	0	0	0
	Rest of the world	0	1	0
	Total	100	100	100

Note**The Jyske Bank Group**

DKKm

57 Market risk

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

Sensitivity analyses

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

In 2017, the primary focus was on risk management relating to the increased portfolio of home loans as well as risk management in connection with the extremely low interest rate environment. Announcements from central banks and the QE programme of the ECB were strongly affected by low inflation expectations throughout the year, and therefore Jyske Bank's interest-rate risk was reduced in 2017.

Exposures to shares and foreign exchange rose modestly due to Jyske Bank's flow of clients.

Sensitivity analyses – effect on Income Statement	2017	2016
A 1 percentage-point increase in interest rates	-277	-324
A negative 0.5 percentage-point change in interest rates	-416	-571
A general fall of 10% in equity prices	-90	-66
A negative 2% change in equity prices	-56	-44
A negative 5% change in commodity prices	0	0
A negative 5% change in exchange rates*	-101	-79

Note: This is a mild stress scenario. "Negative" means that the prices of long positions fall, while those of short positions rise. All calculated per currency. Equity risk was calculated for the trading portfolio. The impact on equity is as outlined above, yet less tax.

*EUR is not included in the calculation

Note**The Jyske Bank Group**

DKKm

58 Interest-rate risk by currency and duration

	<= 1 year	2 year	5 year	>= 10 years	Total	Of which interest- rate risk outside trading portfolio
2017						
CHF	4	3	-8	6	5	1
DKK	43	156	248	14	461	312
EUR	-135	66	-64	-54	-187	-195
GBP	-1	0	4	-43	-40	5
SEK	-2	-2	16	0	12	10
USD	3	-10	15	4	12	-1
Other	5	-2	2	9	14	-1
Total	-83	211	213	-64	277	131
2016						
CHF	4	-2	-3	4	3	1
DKK	76	438	-36	264	742	427
EUR	-131	-26	81	-412	-488	-116
GBP	5	-2	18	7	28	3
SEK	2	-1	4	5	10	-3
USD	9	13	-8	7	21	-3
Other	5	0	0	3	8	-1
Total	-30	420	56	-122	324	308

Note

The Jyske Bank Group

DKKm

59 Interest-rate risk by product and duration

	<= 1 year	2 year	5 year	>= 10 years	Total	Of which interest- rate risk outside trading portfolio
2017						
Assets						
Due from credit institutions and central banks	-27	-67	97	10	13	13
Loans and advances	134	205	490	634	1,463	1,463
Bonds	223	231	446	304	1,204	12
Liabilities						
Due to credit institutions and central banks	-18	-1	0	0	-19	-19
Deposits	-32	-6	32	-19	-25	-25
Issued bonds	-52	0	-246	-417	-715	-715
Subordinated debt	-4	0	0	0	-4	-4
Joint funding	-70	-60	-412	-491	-1,033	-1,033
Derivatives						
Interest-rate and currency swaps	-291	-60	-158	-9	-518	439
Other derivatives	26	1	5	-58	-26	0
Futures	28	-32	-41	-18	-63	0
Total	-83	211	213	-64	277	131
2016						
Assets						
Due from credit institutions and central banks	-24	-27	92	11	52	51
Loans and advances	115	173	430	889	1,607	1,607
Bonds	244	250	565	387	1,446	6
Liabilities						
Due to credit institutions and central banks	-16	-18	0	0	-34	-33
Deposits	-106	-5	34	-16	-93	-94
Issued bonds	-52	-6	-226	-333	-617	-618
Subordinated debt	-6	0	0	0	-6	-6
Joint funding	-26	-44	-331	-582	-983	-983
Derivatives						
Interest-rate and currency swaps	-163	98	-423	-368	-856	378
Other derivatives	-9	1	-4	-3	-15	0
Futures	13	-2	-81	-107	-177	0
Total	-30	420	56	-122	324	308

Note		The Jyske Bank Group	
		2017	2016
	DKKm		
60	FX risk		
	Total foreign-currency assets	63,626	48,565
	Total foreign-currency liabilities	92,119	101,949
	Currency-exposure indicator 1	1,567	1,287
	Currency-exposure indicator 1 as a percentage of core capital	4.6	4.0
	Exchange rate indicators are calculated according to FSA guidelines.		
	Exposure by currency		
	EUR	-835	-1,356
	SEK	559	292
	CAD	25	9
	GBP	-85	-16
	JPY	-58	-44
	CHF	-28	-102
	NOK	611	457
	USD	3	-101
	Other, long	481	530
	Other, short	-34	-35
	Total	639	-366
61	Equity risks		
	Equity risk A		
	Listed shares and derivatives	96	94
	Unlisted shares	259	229
	Total	355	323
	Equity risk B		
	Listed shares and derivatives	285	248
	Unlisted shares	259	229
	Total	544	477

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

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

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

Note		The Jyske Bank Group	
	DKKm	2017	2016
62	Hedge accounting		
	Issued bonds		
	Amortised / Nominal value	7,020	7,083
	Carrying amount	7,179	7,311
	Subordinated debt		
	Amortised / Nominal value	2,685	460
	Carrying amount	2,700	486
	Hedging, financial instruments - swaps		
	Nominal value	9,705	7,543
	Carrying amount	176	284
	Profit/loss for the year on hedging instruments	-108	-15
	Profit/loss for the year on hedged items	80	2

Interest-rate risk

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

Hedge accounting of currency risk on investments in subsidiaries

Jyske Bank hedges the currency risk on net investments in international subsidiaries. The risk is hedged using forward exchange contracts. In 2017, revaluation of the contracts amounted to DKK 21m (2016: DKK 109m), which was recognised under other comprehensive income. At the end of 2017, the fair value of the open forward exchange contracts amounted to DKK -5m (2016: DKK 0m).

Note

The Jyske Bank Group

DKKm

63 Derivatives

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

2017	Net fair value				Fair value			Principal amount total
	Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Assets	Liabilities	Net	Nominal value
Currency contracts								
Forwards/futures, bought	-571	-539	-139	-40	2,263	3,552	-1,289	492,563
Forwards/futures, sold	641	617	46	0	2,763	1,459	1,304	318,058
Swaps	-124	333	470	29	1,997	1,289	708	168,301
Options, acquired	29	19	3	0	51	0	51	4,107
Options, issued	-7	-17	-1	0	0	25	-25	3,384
Total	-32	413	379	-11	7,074	6,325	749	986,413
Interest-rate contracts								
Forwards/futures, bought	23	1	6	11	58	17	41	16,193
Forwards/futures, sold	2	0	0	0	6	4	2	20,058
Forward Rate Agreements, bought	0	0	0	0	0	0	0	0
Forward Rate Agreements, sold	0	-1	0	0	0	1	-1	800
Swaps	-186	20	-96	-597	24,208	25,067	-859	1,260,265
Options, acquired	1	148	91	0	246	6	240	11,032
Options, issued	-96	-148	-97	2	3	342	-339	10,298
Total	-256	20	-96	-584	24,521	25,437	-916	1,318,646
Share contracts								
Forwards/futures, bought	-41	0	0	0	7	48	-41	3,110
Forwards/futures, sold	41	0	0	0	53	12	41	4,047
Options, acquired	4	2	0	0	6	0	6	93
Options, issued	-4	-2	0	0	0	6	-6	93
Total	0	0	0	0	66	66	0	7,343
Commodity contracts								
Forwards/futures, bought	19	53	4	0	121	45	76	2,451
Forwards/futures, sold	-16	-50	-2	0	51	119	-68	2,463
Options, acquired	9	23	5	0	37	0	37	244
Options, issued	-8	-22	-5	0	0	35	-35	244
Total	4	4	2	0	209	199	10	5,402
Total	-284	437	285	-595	31,870	32,027	-157	2,317,804
Outstanding spot transactions					71	58	13	47,443
CCP netting					-6,309	-6,309	0	0
Total after CCP netting					25,632	25,776	-144	2,365,247

Note

The Jyske Bank Group

DKKm

63 Derivatives, cont.

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

Note**The Jyske Bank Group****64 Liquidity risk**

Liquidity risk occurs due to funding mismatch in the balance sheet. The Group's liquidity risk can primarily be attributed to its bank lending activities as the Group's bank loan portfolio has a longer contractual duration than its average funding sources. Liquidity risks at BRFKredit are limited due to compliance with the balance principle for SDO issues as set out in the mortgage legislation. Note 17 states the remaining time to maturity for a number of assets and liabilities.

Objective and overall setup

The Group Supervisory Board determines the liquidity profile expressed as the balance between the risk level and the Group's costs of managing liquidity risk. The risk levels are re-assessed on an on-going basis in consideration of the current market-related and economic conditions in Denmark and the financial sector.

The overall development in lending and deposits in the Danish banking sector, the rating agencies' assessment of the Group's liquidity and funding risks as well as changes in statutory requirements will of course cause Jyske Bank to re-assess which risk levels can be deemed satisfactory.

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

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

Organisation, management and monitoring

The Group Supervisory Board has adopted a liquidity policy which defines a specific critical survival horizon for the Group during an adverse stress scenario. On the basis of these general limits, the Group Executive Board has defined specific operational limits for Jyske Bank, Jyske Markets as well as Jyske Bank, Group Treasury, which monitor and manage liquidity on a daily basis in accordance with the limits and liquidity policies adopted. Group liquidity management is performed by Group Treasury of Jyske Bank A/S.

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

These restrictions have been coordinated with the department Market Risk and Models and entered into BRFKredit's liquidity instructions.

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

Short-term liquidity management

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

64 **Liquidity risk, cont.****Strategic liquidity management**

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

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

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

- **Scenario 1** is a severe Jyske Bank-specific stress scenario which is monitored daily and is included as the key ratio in the limit structure. The scenario is a severe stress scenario with a short critical survival horizon of 90 days: the Group must hold a sufficient liquidity buffer to be able to withstand non-market access to a broad part of its price- and credit-sensitive funding sources. In addition to failure to obtain refinancing in the capital markets through inter-bank loans, CP and EMTN issues, run-off of all large demand and term deposits from the corporate and personal client segments is assumed.
- **Scenario 2** 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 presupposes a non-Jyske Bank-specific capital market crisis with a survival horizon of at least one year. The Group must be able to withstand run-off of money-market and capital-market funding in the form of funding in the interbank market as well as CP and EMTN issues. Based on the scenario of low economic growth in Denmark resulting in higher savings in the private sector, an unchanged volume of deposits as well as loans and advances is presumed.

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

Liquidity contingency plan

The liquidity contingency plan comes into force if the Group can only meet the internally delegated limits at very high costs or is ultimately unable to do so within the critical horizons. The contingency plan establishes a wide range of possible actions to strengthen the Group's liquidity situation.

In 2017, Jyske Bank had a very high degree of excess coverage in respect of the stress-based internally delegated limits and guidelines.

Note

The Jyske Bank Group

64 **Liquidity risk, cont.****The Group's liquidity buffer**

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

Jyske Bank's securities portfolio is, in the internal liquidity management, divided into three groups according to liquidity:

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

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

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

Asset encumbrance

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

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

- Issuance of SDOs
- Periodical short-term financing from Danmarks Nationalbank and the ECB.
- Repo financing
- Derivatives and clearing activities

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

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

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

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

Note**The Jyske Bank Group****65 Operational risk**

The Group is exposed to potential losses as a result of operational risks, including inexpedient processes, human errors, IT errors as well as fraud. Operational risk relates to all internal processes and can therefore not be eliminated.

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

Objective and overall setup

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

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

In the policy, the Group Supervisory Board has decided an upper limit to how many large risks the Group may assume.

Management and monitoring

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

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

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

Every quarter, the Group Executive Board and the Group Supervisory Board receive a comprehensive report that describes the development of the Group's operational risks accompanied by error statistics from the error registry. Non-compliance with established risk targets will also be reported.

Note		The Jyske Bank Group			
		2017		2016	
	DKKm				
66	Transactions involving related parties				
	Transactions with associates				
	Loans and advances	103		0	
	Deposits	7		12	
	Other liabilities	146		142	
	Interest income	2		0	
	Employee and administrative expenses	606		551	
	Transactions with joint ventures				
	Deposits	77		32	
	Interest income	1		0	
	Other operating income	23		17	
	Employee and administrative expenses	124		122	
		Supervisory Board and related parties		Executive Board and related parties	
		2017	2016	2017	2016
	Short-term consideration	4	4	41	32
	Guarantees provided	2	2	0	0
	Collaterals received	33	29	18	15
	Debt of the Jyske Bank Group	45	44	18	16
	Account receivable, the Jyske Bank Group, amount drawn down	37	34	18	15
	Account receivable, the Jyske Bank Group, credit facility	46	43	18	15
	Interest income of the Jyske Bank Group	0	1	0	0
	Changes in the present value of the pension liability	-	-	11	2
	Interest rates for loans and advances (%)	0.4-3.9	0.5-3.8	0.5-1.0	0.7-1.0

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

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

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

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

Jyske Bank A/S's Pensionstilskudsfond is a fund which offers supplementary pensions to current and former members of Jyske Bank's Executive Board and their surviving relatives. Pension liabilities are actuarial items based on a number of assumptions, cf. Note 38. In 2017, Jyske Bank's Executive Board earned further retirement remuneration of DKK 6m (2016: DKK 0m), cf. note 12.

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

Note		The Jyske Bank Group	
		2017	2016
	DKKm		
67	Operating leases		
	Jyske Bank holds a number of operating leases.		
	The leases are primarily on premises, equipment, tools and equipment and are not recognised in Jyske Bank's balance sheet.		
	Operating lease commitments		
	0-1 years	33	21
	1-5 years	40	20
	> 5 years	0	1
	Total	73	42
	The minimum lease payment is recognised in the net profit for the year	31	26
68	Finance leases by remaining contractual term		
	Finance leases, gross investments		
	Lease term of less than 1 year	2,599	2,567
	Lease term of 1-5 years	4,916	4,841
	Lease term of more than 5 years	561	433
	Total	8,076	7,841
	of which un-earned, future financial income	401	407
	Finance leases, net investment	7,675	7,434
	Finance leases, net investment		
	Lease term of less than 1 year	2,444	2,405
	Lease term of 1-5 years	4,680	4,606
	Lease term of more than 5 years	551	423
	Total	7,675	7,434
	Finance leasing is recognised under loans and advances.		
	Of the net investment, the non-guaranteed residual value, which accrues to the Group, amounts to		
	(open residual value)	0	0
	Impairment charge, finance leases	73	45
	Leases for which the Group acts as the lessor have mainly been contracted for equipment and to a lesser extent for commercial real property. Cars and lorries are the main object types, and the non-guaranteed residual value stated refers to those agreements. To a certain extent, agreements have been entered into through the agency of distributors who guarantee the residual value.		

Note	The Jyske Bank Group									
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69	The Jyske Bank Group - overview									
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31 December 2017		Currency	Share capital 1.000 units	Own-er-ship share (%)	Voting share %	Assets DKKm	Liabilities DKKm	Total equity DKKm	Earnings DKKm	Profit or loss, DKKm
Jyske Bank A/S	a	DKK	891,590			295,738	261,134	34,604	6,604	3,143
Subsidiaries										
BRFkredit a/s, Kgs. Lyngby	b	DKK	3,306,480	100	100	337,754	322,023	15,731	2,186	886
Ejendomsselskabet Nørreport 26, 8000 Århus C. A/S, Silkeborg	e	DKK	4,600	100	100	146	14	132	49	38
Jyske Bank (Gibraltar) Ltd.	a	GBP	26,500	100	100	6,501	5,987	514	149	-81
Jyske Bank (Gibraltar) Nominees Ltd.	d	GBP	0	100	100	0	0	0	0	0
Jyske Bank (Gibraltar) Management Ltd.	d	GBP	0	100	100	0	0	0	0	0
Jyske Bank (Gibraltar) Secretaries Ltd.	d	GBP	0	100	100	0	0	0	0	0
Trendsetter, S.L., Spain	e	EUR	706	100	100	16	0	16	0	0
Jyske Bank Nominees Ltd., London	d	GBP	0	100	100	0	0	0	0	0
Inmobiliaria Saroesma S.L., Spain	e	EUR	803	100	100	77	74	3	0	-4
Jyske Finans A/S, Silkeborg	c	DKK	100,000	100	100	19,167	18,017	1,150	983	145
Ejendomsselskabet af 01.11.2017 A/S, Silkeborg	e	DKK	500	100	100	10	9	1	0	0
Gl. Skovridergaard A/S, Silkeborg	e	DKK	500	100	100	31	26	5	18	-2
Sundbyvesterhus A/S, Silkeborg	e	DKK	518	100	100	113	17	96	6	2
Ejendomsselskabet af 1.10.2015 ApS, Silkeborg	c	DKK	500	100	100	125	123	2	1	1
Jyske Invest Fund Management A/S, Silkeborg	d	DKK	76,000	100	100	357	72	285	362	5
Bytorv Horsens ApS, Gentofte (temporarily acquired)	e	DKK	1,080	100	100	286	423	-137	19	-62

* Activity:

a: Bank

b: Mortgage credit

c: Leasing, financing and factoring

d: Investment and financing

e: Properties and course activities

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

Associates**

Foreningen Bankdata, Fredericia	DKK	476,104	41	41
Sanistål A/S, Aalborg	DKK	11,924	12	12
JN Data A/S, Silkeborg	DKK	97,500	50	50
CAPNOVA A/S, Aarhus	DKK	10,870	21	21
Semler Bilfinans A/S, Brøndby	DKK	4,600	25	32

From associates, the Jyske Bank Group recognised a total of DKK 103m (2016: DKK 0m) under assets, DKK 230m (2016: DKK 186m) under liabilities, DKK 26m (2016: DKK 17'm) under income, and DKK 730m (2016: DKK 673m) under expenses.

** Accounting figures according to the latest published Annual Report.

Note

The Jyske Bank Group

DKKm

70 Investments in associates and jointly controlled companies

	Associated enterprises		Jointly controlled enterprises			
	Foreningen Bankdata		Sanistål A/S		JN Data A/S	
	2017	2016	2017	2016	2017	2016
Equity interest	41	41	12	12	50	50
Dividend received	0	0	0	0	0	0
Income statement and comprehensive income						
Revenue	1,223	1,161	4,374	4,178	1,956	1,944
Expenses	1,185	1,143	4,190	3,987	1,763	1,744
Amortisation, depreciation and impairment	69	69	65	59	179	190
Financial income	2	2	5	4	0	0
Financial expenses	3	3	27	43	6	3
Tax on profit for the year	2	2	20	9	1	1
Profit for the year	-34	-54	77	84	7	6
Other comprehensive income	0	0	-1	1	0	0
Comprehensive income	-34	-54	76	85	7	6
Balance sheet						
Property, plant and equipment	174	169	611	686	304	277
Intangible assets	160	18	264	208	45	44
Investments	182	182	55	467	0	0
Cash and cash equivalents	1	3	7	9	32	57
Other current assets	198	328	1,273	1,157	465	389
Total assets	715	700	2,210	2,527	846	767
Equity	510	544	917	848	214	207
Long-term liabilities	0	0	30	48	355	282
Short-term liabilities	205	156	1,263	1,631	277	278
Equity and liabilities, total	715	700	2,210	2,527	846	767

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

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

Information on non-material associates

	Carrying amount according to the equity method	Profit or loss continuing operation	Profit or loss discontinued operation	Other comprehensive income	Comprehensive income
According to the Group's stake in each company in 2017	20	1	0	0	1
According to 100% in the individual companies in 2017	88	3	0	0	3
According to the Group's stake in each companies in 2016	23	0	0	0	0
According to 100% in the individual companies in 2016	94	5	0	0	5

Accounting figures according to the latest published Annual Report.

71 Accounting Policies**Basis of accounting**

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

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

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

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

No new standards took effect for 2017. The Jyske Bank Group has implemented the changes to accounting standards and new interpretations that took effect in the EU for 2017, which did not affect recognition or measurement.

Also, the accounting policies are identical to those applied to and described in the annual report 2016.

Future standards and interpretations

At the time of publication of this Financial Report, a number of new or amended standards and interpretations had been adopted yet not come into force or been approved for use in the EU. Below the expected effects from the new standards IFRS 9, *Financial Instruments*, IFRS 15, *Revenue from Contracts with Customers*, IFRS 13, *Leases* are outlined. It is not expected that new or changed standards nor interpretations will have any material effect on Jyske Bank's financial reporting.

IFRS 9 Financial Instruments.

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

In accordance with the transitional provisions of IFRS 9, no adjustment of comparative figures will be made, as it is not possible to apply the impairment provisions to previous financial years without any subsequent rationalisation.

Classification and measurement

According to IFRS 9, classification and measurement of financial assets are based on the business model for the financial assets and related contractual cash flows. In consequence of this, financial assets must be classified as one of the following categories:

- Financial assets that are held to generate the contractual cash flows and where the contractual cash flows solely consist of interest and instalments on the outstanding amounts are measured after the time of the first recognition at amortised cost. As a typical example, this measurement category comprises loans, advances and bonds included in an investment portfolio that is in general held to maturity.
- Financial assets held in a mixed business model where financial assets are held both with a view to generating the contractual cash flows and returns on sales and where the contractual cash flows on the financial assets in the mixed business model solely consist of interest and instalments on the outstanding amount are measured after the time of the first recognition at fair value through other comprehensive income. In connection with a subsequent sale, recirculation of the change in fair value will take place to the income statement. As a typical example, this measurement category comprises bonds included in the day-to-day liquidity management, unless they are used by a risk management system or an investment strategy based on fair values, cf. below.
- Financial assets that do not belong under one of the above-mentioned business models or where the contractual cash flows do not solely consist of interest and instalments on the outstanding amounts are measured after the time of the first recognition at fair value through the income statement. As a typical example, this measurement category comprises shares, derivatives and financial assets, which are otherwise included in the trading portfolio or in a risk management system or an investment strategy based on fair values and, on this basis, are included in the bank's internal management reporting. Moreover, financial assets can be measured at fair value through the income statement, if the measurement according to the two above-mentioned business models results in a recognition or accounting mismatch.

Based on Jyske Bank's assessment of the business models in IFRS 9, it is not expected that any material changes to classification and measuring will take place.

Note**The Jyske Bank Group****71 Accounting Policies, cont.**

Therefore, mortgage loans and certain other home loans will still be measured at fair value through the income statement, and other loans and advances will still be measured at amortised cost. Jyske Bank does not expect to have financial assets that fall under the new measurement category with recognition of financial assets at fair value through Other comprehensive income. Instead, Jyske Bank's bond portfolio will be measured at fair value through the income statement either because they are included in a trading portfolio or because they are used by a risk management system or an investment strategy based on fair values and, on this basis, are included in the bank's internal management reporting, except for a minor holding of bonds that is kept under a business model where the bonds will be measured at amortised cost.

Impairment charges

IFRS 9 implies earlier recognition of impairment charges on financial assets at amortised cost and provisions for losses on guarantees, as the existing impairment model, which is based on losses incurred, will be replaced by an impairment model based on expected losses. Therefore, already at the first recognition, impairment charges corresponding to a 12-month expected credit loss must be recognised. If, subsequently, the credit risk on the asset increases materially, the expected credit loss over the remaining life of the loan will be recognised.

According to the new rules, financial assets must be divided into three categories/stages depending on any deterioration of the debtor's credit rating relative to the first recognition. Stage 1 covers exposures without material deterioration in credit quality, while stage 2 covers assets with significant deterioration in credit quality, and stage 3 covers exposures in default. The ranking in the various stages will affect the calculation method applied, and it is determined, among other things, on the basis of the change in the probability of default (PD) over the expected remaining life of the exposure. The definition of default applied is the same as the one applied in the Group's advanced IRB set-up. One characteristic of this is that it is assessed to be most probable that liabilities relating to assets cannot be honoured on the agreed terms and conditions. Please see note 50 for further details on the rating classes used, including classification of default. Assessment of whether any material increase in credit risk has taken place will be based on the following circumstances:

- a) An increase in the PD for the expected remaining life of the financial asset by 100% and an increase in the 12-month PD of 0.5 percentage point when, at the first recognition, the 12-month PD was below 1.0%.
- b) An increase in the PD for the expected remaining life of the financial asset by 100% or an increase in the 12-month PD of 2.0 percentage points when, at the first recognition, the 12-month PD was 1.0% or above.

- c) The account manager's risk assessment, which among other things is based on an assessment of the client's ability and will to honour his payment obligations, possibly arrears and/or changes to the initial assumptions on which the client relationship rests.

The expected future loss is calculated on the basis of the probability of default (PD), the exposure at default (EaD) and the loss given default (LGD). These parameters are based on the Group's advanced IRB set-up, which, in turn, is based on the bank's experience of loss history and early repayment, among other things.

For exposures in stage 1, impairment charges corresponding to probability-weighted losses expected over the following 12 months are recognised, while for exposures in stages 2 and 3 impairment charges corresponding to losses expected over the remaining life of the exposures are recognised.

The assessment of the indication of impairment for stage 3 exposures is based on individual expert assessments of the probability-weighted expected loss. The new rules have not resulted in any material changes in the extent of impairment of these exposures.

For financial assets measured at fair value, the expected element of credit exposure in the determination of fair value is very much expected to follow the principles of the impairment model as described above for financial assets recognised at amortised cost.

Implementation at Jyske Bank

Development efforts have been made in the Jyske Bank Group with a view to developing a joint impairment model for all entities in the Group. The model is based on the Jyske Bank Group's approved advanced risk management set-up, adjusted to IFRS 9 in a number of specific areas. The purpose of the adjustment is to ensure that input variables applied express a true and fair view comprising all available information and expectations of the future.

The most important adjustments relate to the development of models for the projection of credit parameters with a longer time horizon where forward-looking information on client-specific, sector as well as macroeconomic issues is included. Advanced quantitative credit models are applied to all clients/facilities in stage 1 and 2 of which the credit quality is not materially deteriorated.

Based on preliminary calculations, it is expected that the implementation of the new impairment models will result in an increase of the balance of impairment charges of the

71 Accounting Policies, cont.

Jyske Bank Group by DKK 1bn to DKK 1.2bn. The amount includes both loans and advances, etc. at amortised cost, guarantees issued and loans and advances at fair value.

The effect on loans and advances, etc. at amortised cost and guarantees is expected to amount to DKK 0.7bn - 0.8bn. The amount will be accounted for as a change in practice and, after the tax effect, be recognised in equity as at 1 January 2018.

The effect on loans and advances at fair value is expected to amount to DKK 0.3bn - 0.4bn. The amount will be accounted for as a changed estimate and will be recognised in the income statement for the first quarter of 2018.

A negative accounting outcome from the new expectations-based IFRS 9 impairment rules will basically have a corresponding effect on the capital position. To soften the potential, negative effect on and hence credit institutions' possibility of supporting the granting of credit, the European Commission has proposed a 5-year transitional arrangement so that any negative effect from the new IFRS 9 impairment rules will only take full effect after five years. Jyske Bank has chosen not to make use of the possibility of a 5-year transition period.

Hedge accounting

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

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

IFRS 15, Revenue from Contracts with Customers

IFRS 15 is a new standard that has been approved for use in the EU and will take effect on 01 January 2018. The standard prescribes a five-step model, which is a process to ensure a systematic assess of all elements in contracts with clients.

It is not expected that the standard will have any material impact on Jyske Bank's financial statements.

IFRS 16, Leases.

IFRS 16 is a new standard that has been approved for use in the EU and will take effect on 1 January 2019. In consequence of the standard, practically all lease agreements must be recognised in the balance sheet of the lessee's financial statements in the form of a lease liability and an asset representing the lessee's right of use of the underlying asset. A distinction will no longer be made between operating and financial leases. The accounting treatment of leasing in the lessor's financial statements is practically unchanged.

It is not expected that the standard will have any material impact on Jyske Bank's financial statements.

Recognition and measurement

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

At the first recognition, assets and liabilities are measured at fair value, and to assets and liabilities that subsequently are measured at amortised cost, directly attributable transaction costs received will be added, and directly attributable transaction costs incurred will be deducted. Subsequently, assets and liabilities are measured as described for each item below.

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

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

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

Accounting estimates

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

- loans, including loan impairment charges
- fair value of financial instruments
- fair value of acquired enterprises and activities

71 Accounting Policies, cont.

- provisions, including provisions for defined benefit liabilities, losses on guarantees, lawsuits, etc.

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

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

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

The measurement of the fair value of acquired enterprises and activities is subject to significant estimates. Management makes estimates of future cash flows from the acquired enterprise and activity. The present value of future cash flows is subject to a number of factors, including the discount rate applied, the real-economic development, development and behaviour of clients. All identifiable assets and liabilities are measured at fair value at the time of acquisition.

Fair value is determined, among other things, on the basis of market value, present value, estimates or the amount that an independent third party would pay or demand as remuneration.

Provisions for defined benefit pension plans, etc. are subject to significant estimates with regard to the determination of future employee turnover, discount rate, the rate of wage and salary increase, and the return on associated assets. Provisions for pension liabilities, etc. are based on actuarial calculations and estimates. Moreover, provisions for losses on guarantees are subject to the uncertainty of assessing the extent to which guarantees may be called upon as a consequence of the financial collapse of the guarantee applicant. The calculation of other provisions are subject to significant estimates with regard to the determination of the probability and to which extent a possible obligating event may and will result in a future drain on Jyske Bank's economic resources.

Hedge accounting

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

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

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

The consolidated financial statements

The consolidated financial statements cover the financial statements for Jyske Bank A/S and the companies controlled by Jyske Bank A/S. Control is achieved when Jyske Bank A/S

- has control of another company
- has the possibility of or the has the right to a variable return on its investment, and
- is able to use its control to obtain such return.

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

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

Intra-group transactions

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

Business combinations

Assets, including identifiable intangible assets, liabilities and contingent liabilities are measured at fair value on the date of acquisition. A positive difference between the cost and the fair value of the identifiable net assets is recognised as goodwill. A negative difference between the cost and the fair value of the

Note**The Jyske Bank Group****71 Accounting Policies, cont.**

identifiable net assets is recognised as negative goodwill under Other operating income in the income statement.

The results of subsidiaries acquired or disposed of are recognised in the consolidated income statement at the time when the controlling interest is transferred to the Group, and cease to be consolidated from the time when the controlling interest ceases to exist. Transaction costs are recognised in the income statement.

Translation of foreign currency amounts at consolidation

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

Foreign currency transactions

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

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

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

Offsetting

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

Leases

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

Amounts due from lessees under finance leases, the Group being the lessor, are recognised as advances equal to the Group's net

investment in the leases. Income from finance leases is recognised regularly over the term of a lease to reflect a continual periodic return on the Group's outstanding net investment in the leases.

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

Tax

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

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

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

Financial guarantees

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

Financial guarantee obligations are the first time recognised at fair value, and the initial fair value is accrued over the lifetime of the guarantee. Subsequently, the guarantee obligation will be

Note**The Jyske Bank Group****71 Accounting Policies, cont.**

recognised at the higher one of the value on an accrual basis or the present value of expected payments (when a payments under the guarantee has become likely).

Balance sheet**Due from credit institutions and central banks**

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

Loans and advances at fair value

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

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

Mortgage loans for which no individual impairment has been made are included in a model assessing the need for statistical impairment. The statistical impairment model is a segmentation model where an initial segmentation is made with a view to dividing the portfolio into groups with similar credit characteristics. A review for impairment of the respective segments is primarily made on the basis of an 'arrears model'. Moreover, a management judgement is applied to determine whether the impairment charges recognised in accordance with the guidelines set out above are sufficient, and an additional impairment charge is made if required.

Loans and advances at amortised cost

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

All loans and advances are assessed for impairment. Objective evidence of impairment exists if one or more of the following events have occurred:

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

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

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

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

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

Bonds at fair value

Bonds are recognised at fair value, which is the amount at which the bonds can be bought or sold in a transaction between independent parties. In an active market, the fair value is expressed in the form of a listed price. In a less active or inactive market, the fair value is determined on the basis of a value calculated by

Note**The Jyske Bank Group****71 Accounting Policies, cont.**

a model based on observable market data and recognised models, alternatively on the basis of the management's estimate corresponding to this.

Bonds at amortised cost, held-to-maturity investments

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

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

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

Repos and reverse repos

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

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

Financial instruments, trading portfolio

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

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

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

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

Shares, etc.

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

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

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

Investments in associates

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

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

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

71 Accounting Policies, cont.**Equity investments in group enterprises**

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

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

Investments in joint ventures

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

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

Intangible assets

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

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

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

Land and buildings**Investment properties**

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

Owner-occupied properties

Land and buildings for own use are recognised in the balance sheet at the restated value corresponding to the fair value on the date of the revaluation less subsequent depreciation and impairment. Revaluation is made at a frequency deemed adequate to ensure that the carrying amount is not materially different from the presumed fair value on the balance sheet date. A reduction in the carrying amount as a result of the revaluation of land and buildings is charged to the income statement to the extent that

the amount exceeds revaluation reserves under equity attributable to past revaluation of the asset. Any increase in value at revaluation of land and buildings is included in other comprehensive income, unless the increase offsets an impairment charge made earlier for the same asset which was previously recognised as an expense.

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

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

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

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

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

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

Other property, plant and equipment

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

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

71 Accounting Policies, cont.**Assets held temporarily**

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

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

Other assets

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

Due to credit institutions and central banks

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

Deposits

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

Issued bonds at fair value

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

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

The portfolio of own mortgage bonds is deducted.

Issued bonds and subordinated debt at amortised cost

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

Other liabilities

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

Provisions

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

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

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

Equity

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

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

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

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

Reserves according to the equity method include value adjustment of investments in associates and group enterprises.

Note**The Jyske Bank Group****71 Accounting Policies, cont.**

The reserve is reduced by the distribution of dividend to the parent company and by other changes in equity in associates and group enterprises.

Retained earnings include non-distributed dividends from previous years.

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

Own shares

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

Contingent assets and contingent liabilities

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

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

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

Income statement**Interest income and interest expenses**

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

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

Interest income includes administrative contributions from mortgage loans.

Loans and advances are written down to the recoverable amount, and interest income is then recognised in proportion to

the rate of interest at which future cash flows were discounted for the purpose of measuring the recoverable amount.

Fees received and paid

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

Value adjustments

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

Other operating income

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

Employee and administrative expenses

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

Pension plans and other long-term employee benefits

The Group has entered into defined contribution pension plans with the majority of its employees.

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

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

Note**The Jyske Bank Group****71 Accounting Policies, cont.**

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

Other operating expenses

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

Earnings per share

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

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

Comprehensive income

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

Segment information

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

Core profit

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

Investment portfolio earnings

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

Cash flow statement

The cash flow statement shows Group cash flows relating to operating, investing and financing activities for the year, changes

in cash and cash equivalents for the financial year, and cash and cash equivalents at the beginning and end of the year. The Cash Flow Statement is presented in accordance with the indirect method based on the profit for the year.

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

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

Note**The Jyske Bank Group**72 **Definitions of financial ratios****Financial ratios and key figures****Definition**

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

The financial ratios are based on the definitions and guidelines laid down by the Danish Financial Supervisory Authority.

*Financial ratios are calculated as if AT1 capital is recognised as a liability.

Jyske Bank A/S

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DKKm

SUMMARY OF INCOME STATEMENT	2017	2016	Index 17/16	2015	2014	2013
Net interest income	3,343	3,600	93	4,446	4,187	4,565
Dividends, etc.	72	71	101	69	77	52
Net fee and commission income	1,912	1,526	125	1,661	1,524	1,587
Net interest and fee income	5,327	5,197	103	6,176	5,788	6,204
Value adjustments	822	857	96	270	-242	512
Other operating income	455	229	199	209	2,945	320
Operating expenses, depreciation and amortisation	4,391	4,068	108	4,069	4,218	3,926
Of which staff and administrative expenses	4,227	3,937	107	3,809	3,881	3,779
Loan impairment charges	-536	26	-	703	2,095	1,114
Profit on investments in associates and group enterprises	976	1,377	71	1,048	732	283
Pre-tax profit	3,725	3,566	104	2,931	2,910	2,279
Tax	582	450	129	455	-178	472
Profit for the year	3,143	3,116	101	2,476	3,088	1,807

BALANCE SHEET, END OF PERIOD						
Loans and advances	142,739	147,241	97	148,093	140,780	128,861
- bank loans	115,320	113,390	102	106,567	118,268	108,598
- repo loans	27,419	33,851	81	41,526	22,512	20,263
Deposits	154,303	149,784	103	139,893	142,828	127,724
- bank deposits	129,884	124,819	104	119,359	118,443	112,146
- repo deposits and tri-party deposits	20,051	20,454	98	15,925	19,495	10,175
- pooled deposits	4,368	4,511	97	4,609	4,890	5,403
Issued bonds	35,776	47,619	75	42,023	36,682	27,760
Subordinated debt	4,323	2,131	203	1,354	1,355	1,649
Holders of AT1capital	2,581	1,476	175	0	0	0
Shareholders' equity	32,023	31,038	103	30,040	27,561	17,446
Total assets	295,738	318,452	93	309,928	316,258	260,222

SELECTED DATA AND FINANCIAL RATIOS	2017	2016	2015	2014	2013
Pre-tax profit, per share (DKK)*	41.64	38.36	30.87	33.04	32.00
Earnings per share (DKK)*	34.66	33.49	26.07	35.07	25.38
Earnings per share (diluted) (DKK)*	34.66	33.49	26.07	35.07	25.38
Core profit per share (DKK)*	38.03	36.58	29.11	34.09	27.45
Share price at end of period (DKK)	353	337	312	313	293
Book value per share (DKK)*	374	348	317	290	245
Price/book value per share (DKK)*	0.95	0.97	0.98	1.08	1.19
Price/earnings per share (DKK)*	10.2	10.1	12.0	8.9	11.5
Proposed dividend per share (DKK)	5.85	5.25	5.25	0	0
Capital ratio (%)	28.6	25.0	22.2	21.5	16.4
Core Tier 1 Capital ratio (%)	26.0	24.0	21.7	21.0	16.2
Common Equity Tier 1 capital ratio (%)	23.5	22.4	21.1	20.3	15.3
Pre-tax profit as a pct. of average equity	11.5	11.6	10.2	12.9	13.8
Net profit as a percentage of average equity*	9.7	10.1	8.6	13.7	10.9
Income/cost ratio (%)	2.0	1.9	1.6	1.5	1.5
Interest-rate risk (%)	0.8	0.8	1.1	0.6	1.8
Foreign-currency position (%)	5.3	4.0	7.3	4.7	6.1
Currency risk (%)	0.1	0.0	0.1	0.0	0.1
Excess liquidity relative to statutory requirement for liquidity in previous S.152 of the Danish Financial Business Act (%)	227.8	212.5	203.8	129.3	149.9
Total large exposures (%)	0.0	0.0	0.0	0.0	0.0
Accumulated impairment ratio (%)	2.5	3.0	3.5	3.6	3.0
Impairment ratio for the year (%)	-0.3	0.0	0.4	1.3	0.8
Increase in loans and advances for the year, excl. repo loans (%)	1.7	6.4	-9.9	8.9	5.0
Loans and advances in relation to deposits	0.9	1.0	1.1	1.0	1.0
Loans relative to equity	4.1	4.5	4.9	5.1	7.4
Return on capital employed	1.1	1.0	0.8	1.0	0.7
Number of full-time employees, year-end	3,388	2,982	3,018	3,075	3,223
Average number of full-time employees in year	3,167	3,003	3,056	3,141	3,234

The financial ratios are based on the definitions and guidelines laid down by the Danish Financial Supervisory Authority, cf. note 72 to the consolidated financial statements.

*Financial ratios are calculated as if AT1 capital is recognised as a liability.

Note		Jyske Bank	
	DKKm	2017	2016
Income statement			
2	Interest income	3,947	4,304
3	Interest expenses	604	704
	Net interest income	3,343	3,600
	Dividends, etc.	72	71
4	Fees and commission income	2,037	1,660
	Fees and commission expenses	125	134
	Net interest and fee income	5,327	5,197
5	Value adjustments	822	857
6	Other operating income	455	229
7	Employee and administrative expenses	4,227	3,937
22-24	Amortisation, depreciation and impairment charges	115	72
	Other operating expenses	49	59
9	Loan impairment charges and provisions for guarantees	-536	26
12	Profit on investments in associates and group enterprises	976	1,377
	Pre-tax profit	3,725	3,566
13	Tax	582	450
	Profit for the year	3,143	3,116
Proposal for the distribution of profit for the year			
	Proposed dividend	522	499
	Total appropriation to shareholders' equity	2,529	2,594
	Holders of AT1 capital	92	23
	Total	3,143	3,116
Statement of Comprehensive Income			
	Profit for the year	3,143	3,116
	Other comprehensive income:		
	Items that cannot be recycled to the income statement:		
	Revaluation of real property	131	72
	Tax on property revaluations over the year	-12	-9
	Actuarial losses and gains	-10	-21
	Tax on actuarial losses and gains	2	5
	Items that can be recycled to the income statement:		
	Foreign currency translation adjustment of international units	-21	-111
	Hedge accounting of international units	21	109
	Tax on hedge accounting	-5	-24
	Other comprehensive income after tax	106	21
	Comprehensive income for the year	3,249	3,137

Note		Jyske Bank	
	DKKm	2017	2016
Balance sheet at 31 December			
ASSETS			
	Cash balance and demand deposits with central banks	19,244	1,903
16	Due from credit institutions and central banks	9,532	16,787
	Loans and advances at fair value	10,154	15,033
10	Loans and advances at amortised cost	132,585	132,208
17	Bonds at fair value	62,030	78,620
17	Bonds at amortised cost	5,672	5,351
19	Shares, etc.	4,674	3,927
20	Investments in associates	407	333
21	Equity investments in group enterprises	17,731	14,733
	Assets in pooled deposits	4,208	4,397
22	Intangible assets	1	40
	Land and buildings, total	2,020	2,122
23	of which owner-occupied properties	2,020	2,122
24	Other property, plant and equipment	126	143
	Current tax assets	436	305
	Assets held temporarily	48	60
25	Other assets	26,782	42,412
	Prepayments	88	78
	Total assets	295,738	318,452

Note	Jyske Bank	
	2017	2016
DKKm		
Balance sheet at 31 December		
EQUITY AND LIABILITIES		
Debt and payables		
26 Due to credit institutions and central banks	31,379	35,615
27 Deposits	149,935	145,273
Pooled deposits	4,368	4,511
Issued bonds at amortised cost	35,776	47,619
28 Other liabilities	34,251	49,633
Deferred income	18	19
Total debt	255,727	282,670
Provisions		
29 Provisions for pensions and similar liabilities	568	528
Provisions for deferred tax	25	31
30 Provisions for guarantees	338	429
31 Other provisions	153	149
Provisions, total	1,084	1,137
33 Subordinated debt	4,323	2,131
Equity		
Share capital	892	950
Revaluation reserve	339	400
Currency translation reserve	0	-2
Reserve according to the equity method	4,406	2,964
Retained profit	25,864	26,227
Proposed dividend	522	499
Jyske Bank A/S shareholders	32,023	31,038
Holders of AT1 capital	2,581	1,476
Equity, total	34,604	32,514
Equity and liabilities, total	295,738	318,452
OFF-BALANCE SHEET ITEMS		
34 Guarantees, etc.	19,226	18,201
35 Other contingent liabilities	3,103	3,340
Total guarantees and other contingent liabilities	22,329	21,541

DKKm

Statement of changes in equity

	Share capital	Revalu- ation reserves	Cur- rency trans- lation reserve	Reserve accord- ing to the eq- uity method	Retained profit	Pro- posed divi- dend	Jyske Bank A/S share- holders	Addi- tional Tier 1 capi- tal*	Total equity
Equity at 1 January 2017	950	400	-2	2,964	26,227	499	31,038	1,476	32,514
Profit for the year	0	0	2	1,405	1,644	0	3,051	92	3,143
Other comprehensive income	0	-61	0	37	130	0	106	0	106
Comprehensive income for the year	0	-61	2	1,442	1,774	0	3,157	92	3,249
Additional tier 1 capital issue	0	0	0	0	0	0	0	1,117	1,117
Transaction costs	0	0	0	0	-12	0	-12	0	-12
Interest paid on AT1 capital	0	0	0	0	0	0	0	-77	-77
Currency translation adjustment	0	0	0	0	27	0	27	-27	0
Tax	0	0	0	0	17	0	17	0	17
Dividends paid	0	0	0	0	-532	-499	-1,031	0	-1,031
Dividends, own shares	0	0	0	0	70	0	70	0	70
Proposed dividend	0	0	0	0	-522	522	0	0	0
Reduction of share capital	-58	0	0	0	58	0	0	0	0
Acquisition of own shares	0	0	0	0	-4,635	0	-4,635	0	-4,635
Sale of own shares	0	0	0	0	3,392	0	3,392	0	3,392
Transactions with owners	-58	0	0	0	-2,137	23	-2,172	1,013	-1,159
Equity at 31 December 2017	892	339	0	4,406	25,864	522	32,023	2,581	34,604

* Additional tier 1 (AT1) capital has no maturity. Payment of interest and repayment of principal are voluntary. Therefore AT1 is recognised as equity. In September 2016, Jyske Bank issued AT1 amounting to SEK 1.25bn and DKK 500m. The AT1 issue with the possibility for the bank of early redemption in September 2021 at the earliest. The interest rates applicable to the issue until September 2021 are STIBOR+5.80% and CIBOR+5.30%, respectively. In September 2017, Jyske Bank made an issue amounting to EUR 150bn, AT1, with the possibility for the bank of early redemption in September 2027 at the earliest. The issue has a coupon of 4.75% until September 2027. It applies to all AT1 issues, that if the Common Equity Tier 1 capital of Jyske Bank A/S or the Jyske Bank Group falls below 7%, the loans will be written down.

DKKm

Statement of changes in equity

	Share capital	Revalu- ation reserves	Cur- rency trans- lation reserve	Reserve accord- ing to the eq- uity method	Retained profit	Pro- posed divi- dend	Jyske Bank A/S share- holders	Addi- tional tier 1 capital	Total equity
Equity at 1 January 2016	950	381	0	2,170	26,040	499	30,040	0	30,040
Profit for the year	0	0	0	770	2,323	0	3,093	23	3,116
Other comprehensive income	0	19	-2	24	-20	0	21	0	21
Comprehensive income for the year	0	19	-2	794	2,303	0	3,114	23	3,137
AT1 capital issue	0	0	0	0	0	0	0	1,476	1,476
Transaction costs	0	0	0	0	-15	0	-15	0	-15
Interest paid on AT1 capital	0	0	0	0	0	0	0	-20	-20
Currency translation adjustment	0	0	0	0	3	0	3	-3	0
Tax	0	0	0	0	8	0	8	0	8
Dividends paid	0	0	0	0	0	-499	-499	0	-499
Dividends, own shares	0	0	0	0	5	0	5	0	5
Proposed dividend	0	0	0	0	-499	499	0	0	0
Acquisition of own shares	0	0	0	0	-3,084	0	-3,084	0	-3,084
Sale of own shares	0	0	0	0	1,466	0	1,466	0	1,466
Transactions with owners	0	0	0	0	-2,116	0	-2,116	1,453	-663
Equity at 31 December 2016	950	400	-2	2,964	26,227	499	31,038	1,476	32,514

Jyske Bank		
DKKm	2017	2016
Capital statement		
Shareholders' equity	32,023	31,038
Share buy-back programme, non-utilised limit	-281	0
Proposed dividend	-522	-499
Intangible assets	-1	-40
Deferred tax liabilities relating to intangible assets	0	9
Prudent valuation	-251	-251
Other deductions	-14	-30
Common Equity Tier 1 capital	30,954	30,227
Additional Tier 1 Capital after reduction	3,209	2,250
Other deductions	-27	-69
Core capital	34,136	32,408
Subordinated loan capital after reduction	3,631	1,298
Difference between expected loss and the carrying amount of impairment charges	77	203
Other deductions	-248	-220
Capital base	37,596	33,689
Weighted risk exposure involving credit risk etc.	99,523	97,297
Weighted risk exposure involving market risk	20,553	25,658
Weighted risk exposure involving operational risk	11,400	11,870
Total weighted risk exposure	131,476	134,825
Capital requirement, Pillar I	10,518	10,786
Capital requirement, transitional provisions	276	277
Capital requirement, total	10,794	11,063
Capital ratio (%)	28.6	25.0
Core Tier 1 Capital ratio (%)	26.0	24.0
Common Equity Tier 1 capital ratio (%)	23.5	22.4

Over the period 2008-2013, capital ratios were calculated in accordance with the CRD III (Basel II). At the end of 2017, the total risk-weighted exposure according to Basel I amounted to DKK 168,654m for Jyske Bank. The capital requirement according to the transitional provisions was for 80% of the capital requirement of 8% of the total weighted risk exposure corresponding to DKK 10,794m for Jyske Bank. At the end of 2016, the transitional provisions resulted in a capital requirement of DKK 11,063m for Jyske Bank. The transitional rules applying to the total weighted risk exposure expired at the end of 2017.

For a statement of the individual solvency requirement, please see Risk and Capital Management 2017 or investor.jyskebank.com/investorrelations/capitalstructure.

Risk and Capital Management 2017 was not covered by the audit.

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Note	Jyske Bank	
	2017	2016
DKKm		
1 Accounting Policies		
Basis of accounting		
The financial statements of Jyske Bank A/S have been prepared in accordance with the Danish Financial Business Act, including the Danish Executive Order on Financial Reports for Credit Institutions, Stockbrokers, etc.		
The rules applying to recognition and measurement at Jyske Bank A/S are consistent with IFRS.		
With respect to classification and extent, the preparation for Jyske Bank A/S differs from the preparation for the Group. Please see the full description of accounting policies in note 71.		
Figures in the financial statements are in Danish kroner, rounded to the nearest million in Danish kroner.		
For a 5-year summary of financial ratios and key figures, please see pages 120-121.		
Changes to accounting policies		
The accounting policies are identical to those applied to and described in the financial statements 2016.		
Financial situation and risk information		
Jyske Bank A/S is affected by the financial situation and the risk factors that are described in the management's review for the Group and reference is made to this.		
2 Interest income		
Due from credit institutions and central banks	10	12
Loans and advances	2,663	2,912
Bonds	713	1,032
Derivatives, total	238	71
Of which currency contracts	164	167
Of which interest-rate contracts	74	-96
Other	3	7
Total after offsetting of negative interest income	3,627	4,034
Negative interest income set off against interest income	165	115
Negative interest expenses set off against interest expenses	155	155
Total before offsetting of negative interest income	3,947	4,304
Of which interest income on reverse repos carried under:		
Due from credit institutions and central banks	-20	-16
Loans and advances	-96	-85
Negative interest income amounted to DKK 165m (2016: DKK 115m) and related primarily to repo transactions. In the above table, negative interest income is set off against interest income. In the income statement, negative interest income is listed as interest expenses, and negative interest expenses are listed as interest income.		

Note		Jyske Bank	
	DKKm	2017	2016
3	Interest expenses		
	Due to credit institutions and central banks	112	53
	Deposits	-64	142
	Issued bonds	149	200
	Subordinated debt	87	38
	Other	0	1
	Total after offsetting of negative interest	284	434
	Negative interest expenses set off against interest expenses	155	155
	Negative interest income set off against interest income	165	115
	Total before offsetting of negative interest income	604	704
	Of which expenses on reverse repos carried under:		
	Due to credit institutions and central banks	-41	-83
	Deposits	-17	-54
	Negative interest expenses amounted to DKK 155m (2016: DKK 155m) and related primarily to repo transactions. In the above table, negative interest expenses are set off against interest expenses. In the income statement, negative interest expenses are listed as interest income, and negative interest income is listed as interest expenses.		
4	Fee and commission income		
	Securities trading and custody services	1,120	989
	Money transfers and card payments	183	168
	Loan application fees	167	67
	Guarantee commission	115	97
	Other fees and commissions	452	339
	Total	2,037	1,660
5	Value adjustments		
	Loans and advances at fair value	113	34
	Bonds	-97	280
	Shares, etc.	443	177
	Currency	113	346
	Currency, interest-rate, share, commodity and other contracts as well as other derivatives	166	-43
	Assets in pooled deposits	200	180
	Pooled deposits	-200	-180
	Other assets	1	61
	Issued bonds	68	3
	Other liabilities	15	-1
	Total	822	857
6	Other operating income		
	Income on real property	61	67
	Profit on the sale of property, plant and equipment	62	45
	Other ordinary income	332	117
	Total	455	229

Note	Jyske Bank		
DKKm	2017	2016	
7 Employee and administrative expenses			
Employee expenses			
Wages and salaries, etc.	1,944	1,765	
Pensions	274	221	
Social security	257	241	
Total	2,475	2,227	
Salaries and remuneration to management bodies			
Executive Board	47	32	
Supervisory Board	4	4	
Shareholders' Representatives	3	3	
Total	54	39	
For further details on and remuneration to the Supervisory Board and the Executive Board, please see note 12 in the consolidated financial statements, including the comments to the retirement remuneration for the Executive Board earned over the year.			
Other administrative expenses			
IT	1,091	1,074	
Other operating expenses	142	150	
Other administrative expenses	471	447	
Total	1,704	1,671	
Total	4,227	3,937	
Wages and salaries, etc.			
Wages and salaries and other short-term employee benefits	1,940	1,761	
Other long-term employee benefits	4	4	
Total	1,944	1,765	
Number of employees			
Average number of employees for the financial year (full-time employees)	3,167	3,003	
Remuneration of risk takers			
Number of members	97	89	
Contractual remuneration	105	92	
Variable remuneration	1	2	
Pension	12	11	
Pension obligation	4	3	
The group comprises employees (exclusive of the Executive Board) with a special impact on the bank's risk profile. The group does not participate in any incentive schemes. Remuneration is included in the period during which the employee was a material risk taker.			
8 Audit fees			
Total fee to Jyske Bank A/S's auditors elected at the Annual General Meeting	3	3	
Breakdown of audit fees:			
Fee for other assurance services	1	1	
Fee for statutory audit of the financial statements	2	2	
Fee for tax advice	0	0	
Fee for other services	0	0	
In addition to fees to the auditors elected at the Annual General Meeting, expenses were recognised for Internal Audit.			

Note	Jyske Bank	
	2017	2016
DKKm		
9 Loan impairment charges and provisions for guarantees, incl. balance of discounts		
Balance of loan impairment charges and provisions for guarantees incl. balance of discounts, beginning of period	5,514	6,703
Loan impairment/provisions for the year	-456	-165
Recognised as a loss, covered by impairment charges/provisions	-580	-823
Recognised losses covered by discounts for acquired loans	-88	-152
Recognised discount for acquired loans	-173	-150
Other movements	69	101
Balance of loan impairment charges and provisions for guarantees incl. balance of discounts, end of period	4,286	5,514
Loan impairment charges	3,758	4,634
Provisions for guarantees	338	429
Balance of loan impairment charges and provisions, end of period	4,096	5,063
Balance of discounts for acquired loans	190	451
Balance of loan impairment charges and provisions for guarantees incl. balance of discounts, end of period	4,286	5,514
Loan impairment/provisions for the year	-456	-165
Impairment charges on balances due from credit institutions in the year	-15	0
Recognised as a loss, not covered by loan impairment charges/provisions	126	327
Recoveries	-191	-136
Loan impairment charges and provisions for guarantees recognised in the income statement	-536	26
Recognised discount for acquired loans	173	150
Net effect on income statement	-709	-124
Individual loan impairment charges, beginning of period	3,531	4,157
Loan impairment for the year	6	108
Recognised as a loss, covered by impairment charges/provisions	-570	-812
Other movements	55	78
Individual loan impairment charges, end of period	3,022	3,531
Individual provisions for loss on guarantees, beginning of period	359	377
Provisions for the year	-88	-7
Recognised as a loss, covered by provisions	-10	-11
Individual provisions for loss on guarantees, end of period	261	359
Collective loan impairment charges, beginning of period	1,103	1,325
Loan impairment for the year	-381	-245
Other movements	14	23
Collective loan impairment charges, end of period	736	1,103
Collective provisions for loss on guarantees, beginning of period	70	91
Provisions for the year	7	-21
Collective provisions for loss on guarantees, end of period	77	70
Impairment charges on balances due from credit institutions		
Individual impairment charges on balances due from credit institutions, beginning of period	15	15
Loan impairment for the year	-15	0
Individual impairment charges on balances due from credit institutions, end of period	0	15

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

Note	Jyske Bank										
	DKKm									2017	2016
10	Loans and advances showing objective evidence of impairment										
	Individually-assessed loans and advances before loan impairment charges								6,841	7,920	
	Individually-assessed loans and advances recognised at nil								835	756	
	Total of individually assessed loans and advances before loan impairment charges (less loans and advances recognised at nil)								6,006	7,164	
	Loan impairment charges for individually-assessed loans and advances:										
	Total impairment charges for loans and advances assessed individually								3,022	3,530	
	Loan impairment charges for individually-assessed loans and advances recognised at nil								835	756	
	Total impairment charges for loans and advances assessed individually (less loans and advances recognised at nil)								2,187	2,774	
	Recognised value of individually-assessed loans and advances which show objective evidence of impairment										
									3,819	4,390	
	Impairment charges on individually assessed loans to individually assessed loans								44%	45%	
	Comparative figures for 2016 have been adjusted.										
11	Loans, advances and guarantees as well as loan impairment charges and provisions for guarantees by sector										
Sector	Loans, advances and guarantees				Balance of impairment charges		Loan impairment charges and provisions for guarantees for the year		Losses for the year		
	%	%	End of	End of	End of	End of	2017	2016	2017	2016	
	2017	2016	2017	2016	2017	2016					
Public authorities	6	4	9,265	6,134	0	0	0	0	0	0	
Agriculture, hunting, forestry, fishing	4	4	6,248	5,787	1,085	1,375	-172	292	194	501	
Fishing	1	1	1,663	1,297	1	4	-4	0	0	0	
Dairy farmers	0	0	838	794	528	721	-110	182	124	214	
Plant farming	1	1	1,498	1,483	122	118	23	41	21	3	
Pig farming	1	1	1,069	1,133	329	431	-100	39	29	238	
Other agriculture	1	1	1,180	1,080	105	101	19	30	20	46	
Manufacturing, mining, etc.	4	5	6,091	8,254	197	199	-16	-89	11	28	
Energy supply	3	2	4,776	3,860	36	30	5	-3	0	0	
Building and construction	1	2	2,262	2,502	93	116	-6	34	22	33	
Commerce	6	4	9,987	7,245	160	154	29	-72	30	51	
Transport, hotels and restaurants	1	1	2,065	1,896	82	89	0	-9	14	37	
Information and communication	1	0	1,018	514	29	68	-40	23	0	3	
Finance and insurance	33	33	52,748	55,078	716	769	-74	-27	44	158	
Real property	9	8	14,399	12,243	555	966	-229	-275	213	101	
Lease of real property	5	5	8,469	8,017	484	771	-189	-191	114	85	
Buying and selling of real property	2	1	2,438	1,337	44	60	-24	-55	0	3	
Other real property	2	2	3,492	2,889	27	135	-16	-29	99	13	
Other sectors	3	4	5,884	6,675	153	177	-32	16	15	53	
Corporate clients	65	63	105,478	104,054	3,106	3,943	-535	-110	543	965	
Private individuals	29	33	47,222	55,254	990	1,120	-1	136	163	185	
Total	100	100	161,965	165,442	4,096	5,063	-536	26	706	1,150	

Note		Jyske Bank	
		2017	2016
	DKKm		
12	Profit on investments in associates and group enterprises		
	Profit/loss on investments in associates	9	5
	Profit/loss on investments in group enterprises	967	1,372
	Total	976	1,377
13	Tax		
	Current tax	593	446
	Change in deferred tax	-8	6
	Adjustment of tax for previous years	-3	-2
	Total	582	450
	Effective tax rate		
	Danish tax rate	22.0	22.0
	Non-taxable income and non-deductible expenses, etc.	-1.3	-1.0
	Other	-5.1	-8.4
	Effective tax rate	15.6	12.6
14	Earnings per share		
	Profit for the year	3,143	3,116
	Holders of AT1 capital	92	23
	Proportion attributable to shareholders of Jyske Bank A/S	3,051	3,093
	Average number of shares, 1,000 shares	93,324	95,040
	Average number of own shares, 1,000 shares	-5,314	-2,652
	Average number of shares in circulation, 1,000 shares	88,010	92,388
	Average number of shares in circulation at end of period, 1,000 shares	85,705	89,200
	Earnings per share (EPS) DKK	34.66	33.49
	Earnings per share diluted (EPS-D) DKK	34.66	33.49
	Core earnings per share		
	Core profit	3,440	3,402
	Holders of AT1 capital	92	23
	Core profit ex holders of AT1 capital	3,348	3,379
	Average number of shares in circulation, 1,000 shares	88,010	92,388
	Core earnings (DKK) per share	38.03	36.58

Note	Jyske Bank
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DKKm

15 **Contractual time to maturity, 2017**

	On de- mand	Up to 3 months	3 months 1 year	1-5 years	Over 5 years	Total
Assets						
Due from credit institutions and central banks	0	9,475	22	0	35	9,532
Loans and advances at fair value	0	47	142	809	9,156	10,154
Loans and advances at amortised cost	53	73,918	27,328	18,110	13,176	132,585
Bonds at fair value	0	88	6,891	42,130	12,921	62,030
Bonds at amortised cost	0	101	3,342	318	1,911	5,672
Liabilities						
Due to credit institutions and central banks	6,042	20,718	2,160	1,689	770	31,379
Deposits	107,167	19,192	16,713	2,479	4,384	149,935
Issued bonds	0	10,811	10,234	14,112	619	35,776
Subordinated debt	0	0	11	347	3,965	4,323

Contractual time to maturity, 2016

	On de- mand	Up to 3 months	3 months 1 year	1-5 years	Over 5 years	Total
Assets						
Due from credit institutions and central banks	0	16,715	34	0	38	16,787
Loans and advances at fair value	0	69	210	1,198	13,556	15,033
Loans and advances at amortised cost	103	64,068	39,669	14,350	14,018	132,208
Bonds at fair value	0	1,955	19,629	40,854	16,182	78,620
Bonds at amortised cost	0	52	550	3,684	1,065	5,351
Liabilities						
Due to credit institutions and central banks	7,038	26,721	1,251	529	76	35,615
Deposits	96,362	21,627	20,611	2,232	4,441	145,273
Issued bonds	0	16,627	17,261	11,142	2,589	47,619
Subordinated debt	0	0	11	356	1,764	2,131

The above amounts are exclusive of interest.

Note	Jyske Bank	
	2017	2016
DKKm		
16 Due from credit institutions and central banks		
At notice with central banks	0	0
Due from credit institutions	9,532	16,787
Total	9,532	16,787
17 Bonds, total, at fair value		
Mortgage credit bonds	55,928	69,929
Government bonds	1,084	1,326
Other bonds	10,752	12,848
Total	67,764	84,103
Of which recognised at amortised cost.	5,672	5,351
18 Security		
Jyske Bank receives and provides collateral in connection with money and securities clearing, outstanding accounts with central banks, repo and reverse repo transactions, tri-party agreements as well as fair value of derivatives covered by CSA agreements.		
Provision of collateral is a regular part of business transactions and are carried out at market-consistent terms and conditions. Collateral is increased and reduced on an on-going basis as liabilities change.		
Depending on agreements entered, collateral is provided and received with an owner's rights so that the recipient of collateral can sell this or use it to provide security for loans and other outstanding accounts.		
Jyske Bank has deposited bonds with central banks and clearing houses, etc. in connection with clearing and settlement of securities and currency transactions as well as tri-party repo transactions totalling a market value of DKK 17,012m at the end of 2017 (2016: DKK 21,701m).		
In addition, Jyske Bank has provided cash collateral in connection with CSA agreement in the amount of DKK 5,118m (2016: DKK 11,720m) as well as bonds in the amount of DKK 1,470m (2016: 3,118m).		
At the end of 2017, due to repo transactions, i.e. sale of securities involving agreements to repurchase them at a later point in time, bonds with a market value of DKK 12,867m (2016: DKK 12,462m) were provided as security for the amount that was borrowed.		
Jyske Bank funds certain mortgage loans with BRFKredit. The loans are still recognised in Jyske Bank's balance sheet, but in actual fact they are provided as collateral for the funding, which is recognised under Due to credit institutions. At the end of 2017, the funded mortgage loans amounted to DKK 2,339m (2016: DKK 2,683m).		
For mortgage credit loans with BRFKredit, collateral has been provided in Jyske Bank's land and buildings, the carrying amount of which is DKK 1,734m (2016: 1,871m).		
Due to reverse repos, i.e. purchase of securities involving agreements to resell them at a later point in time, Jyske Bank received the sold bonds as security for the amounts that was lent. At the end of 2017, reverse repos amounted to DKK 29,409m (2016: DKK 38,209m).		

Note		Jyske Bank	
	DKKm	2017	2016
19	Shares, etc.		
	Shares/investment fund units listed on NASDAQ OMX Copenhagen A/S	1,736	1,636
	Shares/mutual fund certificates listed on other exchanges	409	394
	Unlisted shares are stated at fair value.	2,529	1,897
	Total	4,674	3,927
20	Investments in associates		
	Total cost, beginning of period	307	305
	Additions	74	2
	Disposals	15	0
	Total cost, end of period	366	307
	Revaluations and impairment charges, beginning of period	26	21
	Revaluations and impairment charges for the year	9	5
	Reversed revaluations and impairment charges	-6	0
	Revaluations and impairment charges, end of period	41	26
	Recognised value, end of period	407	333
	of which credit institutions	0	0
21	Equity investments in group enterprises		
	Total cost, beginning of period	12,415	12,939
	Currency translation adjustment	-63	-127
	Additions	2,280	0
	Disposals	498	397
	Total cost, end of period	14,134	12,415
	Revaluations and impairment charges, beginning of period	2,318	1,486
	Currency translation adjustment	42	15
	Profit/loss	967	1,372
	Dividend	266	606
	Other capital movements	54	51
	Reversed revaluations and impairment charges	-482	0
	Revaluations and impairment charges, end of period	3,597	2,318
	Recognised value, end of period	17,731	14,733
	of which credit institutions	16,191	13,340

Note	Jyske Bank	
	2017	2016
DKKm		
22 Intangible assets		
Total cost, beginning of period	228	228
Total cost, end of period	228	228
Amortisation, depreciation and impairment charges, beginning of period	188	180
Amortisation for the year	39	8
Amortisation, depreciation and impairment charges, end of period	227	188
Recognised value, end of period	1	40
23 Owner-occupied properties		
Restated value, beginning of period	2,122	2,109
Additions during the year, including improvements	45	53
Disposals for the year	188	75
Depreciation	10	10
Positive changes in values recognised in other comprehensive income in the course of the year	44	48
Negative changes in values recognised in other comprehensive income in the course of the year	1	4
Positive changes in value recognised directly in the income statement during the year	8	3
Negative changes in value recognised directly in the income statement during the year	0	2
Restated value, end of period	2,020	2,122
Cost less accumulated amortisation, depreciation and impairment charges	1,600	1,630
For mortgage credit institutions, collateral has been provided in land and build-ings, the carrying amount of which is	1,734	1,871
Required rate of return	3.5%-10%	2.25%-10%
Weighted average return applied	6.06%	5.92%
24 Other property, plant and equipment		
Total cost, beginning of period	892	779
Additions	58	114
Disposals	5	1
Total cost, end of period	945	892
Amortisation, depreciation and impairment charges, beginning of period	749	695
Amortisation for the year	75	55
Reversed amortisation, depreciation and impairment	5	1
Amortisation, depreciation and impairment charges, end of period	819	749
Recognised value, end of period	126	143

Note		Jyske Bank	
		2017	2016
	DKKm		
25	Other assets		
	Positive fair value of derivatives	25,896	41,455
	Interest and commission receivable	369	547
	Other assets	517	410
	Total	26,782	42,412
	Netting		
	Positive fair value of derivatives, etc., gross	32,205	48,198
	Netting of positive and negative fair value	6,309	6,743
	Total	25,896	41,455
	Netting of fair value can be attributed to clearing of derivatives through a central clearing house (CCP clearing).		
26	Due to credit institutions and central banks		
	Due to central banks	171	65
	Due to credit institutions	31,208	35,550
	Total	31,379	35,615
27	Deposits		
	Demand deposits	104,521	94,462
	Term deposits	2,950	3,617
	Time deposits	35,427	39,910
	Special deposits	7,037	7,284
	Total	149,935	145,273
28	Other liabilities		
	Set-off entry of negative bond holdings in connection with repos/ reverse repos	3,696	3,966
	Negative fair value of derivatives	25,745	40,487
	Other liabilities	4,810	5,180
	Total	34,251	49,633
	Netting		
	Negative fair value of derivatives, etc., gross	32,054	47,230
	Netting of positive and negative fair value	6,309	6,743
	Total	25,745	40,487
	Netting of fair value can be attributed to clearing of derivatives through a central clearing house (CCP clearing).		

Note	Jyske Bank	
	2017	2016
DKKm		
29 Provisions for pensions and similar liabilities		
Provisions for pensions and similar liabilities		
Provisions for defined benefit plans	523	488
Provisions for long-term employee benefits	45	40
Recognised in the balance sheet, end of period	568	528
Provisions for defined benefit plans		
Present value of pension plan obligations	628	594
Fair value of pension plan assets	105	106
Net liability recognised in the balance sheet	523	488
Change in provisions for defined benefit plans		
Provisions, beginning of period	594	575
Disposals	-4	0
Costs for the current financial year	38	9
Calculated interest expenses	12	13
Actuarial losses/gains	10	20
Pension payments	-22	-23
Provisions, end of period	628	594
Change in the fair value of pension plan assets		
Assets, beginning of period	106	107
Calculated interest on assets	2	2
Return ex calculated interest on assets	2	1
Contributions, etc.	0	1
Pension payments	-5	-5
Assets, end of period	105	106
Pension costs recognised in the income statement		
Costs for the current financial year	38	9
Calculated interest related to liabilities	12	13
Calculated interest on assets	-2	-2
Total recognised defined benefit plans	48	20
Total recognised defined contribution plans	226	201
Recognised in the income statement	274	221
The expense is recognised under Employee and administrative expenses.		
Pension plan assets:		
Equities	14	15
Bonds	58	46
Cash and cash equivalents	33	45
Pension plan assets, total	105	106

Pension plan assets include 40,000 Jyske Bank shares (2016: 45,000 shares).
Measurement of all pension assets is based on quoted prices in an active market.

For further details, please see note 38 in the consolidated financial statements.

Note		Jyske Bank	
	DKKm	2017	2016
30	Provisions for guarantees		
	Individual provisions for guarantees	261	359
	Collective provisions for guarantees	77	70
	Total	338	429
31	Other provisions		
	Provisions for litigation, beginning of period	149	139
	Additions	12	38
	Disposals inclusive of consumption	6	23
	Disposals exclusive of consumption	2	5
	Provisions for litigation, end of period	153	149
	Other provisions relate to lawsuits.		
	The provisions are expected, in essence, to be reduced to zero within a year.		
32	Provisions for deferred tax		
	Deferred tax		
	Deferred tax assets	0	0
	Deferred tax liabilities	25	31
	Net deferred tax	25	31

Note		Jyske Bank	
	DKKm	2017	2016
33	Subordinated debt		
	Supplementary capital:		
	Var. % bond loan EUR 300m 05.04.2029	2,234	0
	Var. % bond loan SEK 600m 19.05.2026	454	467
	3.25% bond loan SEK 400m 19.05.2026	303	311
	6.73% bond loan EUR 13.5m 2018-2026	101	112
	Var. % bond loan EUR 10m 13.02.2023	74	75
	5.65% bond loan EUR 10 m 27.03.2023	74	74
	5.67% bond loan EUR 10 m 31.07.2023	74	74
		3,314	1,113
	Hybrid core capital:		
	Var. % bond loan EUR 72.8m Perpetual	542	541
	Var. % bond loan EUR 60.7m Perpetual	452	451
		994	992
	Subordinated debt, nominal	4,308	2,105
	Hedging of interest-rate risk, fair value	15	26
	Total	4,323	2,131
	Subordinated debt included in the capital base	4,278	2,062

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

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

Note

Jyske Bank

DKKm

34 **Contingent liabilities****General**

Jyske Bank's credit review of guarantee applicant takes into consideration the risk on guarantees. For about 80% of Jyske Bank's guarantees, the contractual term is below one year; for about 13%, the contractual terms is between 1 and 5 years; and for about 7%, the contractual term is above 5 years, compared to 82%, 13% and 5%, respectively, in 2016.

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

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

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

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

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

Because of its statutory participation in the deposit guarantee scheme, the sector has paid an annual contribution of 2.5% of the covered net deposits until the assets of Pengeinstitutafdelingen (the financial institution fund) exceed 1% of the total net deposits covered, which level has been reached. According to Bank Package 3 and Bank Package 4, Pengeinstitutafdelingen bears the immediate losses attributable to covered net deposits and relating to the winding up of financial institutions in distress. Any losses in connection with the final winding up are covered by the Guarantee Fund's Afviklings- og Restruktureringsafdeling (settlement and restructuring fund), where Jyske Bank currently guarantees 9.93% of any losses.

The statutory participation in the resolution financing arrangements (Resolution Fund) as of June 2015 entailed that credit institutions pay an annual contribution over a 10-year period to a Danish national fund with a target size totalling 1% of the covered deposits. Credit institutions are to contribute according to their relative sizes and risk in Denmark, and the first contributions to the Resolution Fund were paid at the end of 2015. Jyske Bank expects having to pay a total of about DKK 300m over a 10-year period.

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

	2017	2016
Guarantees		
Financial guarantees	14,252	13,163
Guarantee for losses on mortgage credits	2,134	1,906
Registration and refinancing guarantees	926	1,098
Other contingent liabilities	1,914	2,034
Total	19,226	18,201
Other contingent liabilities		
Irrevocable credit commitments	3,049	3,295
Other	54	45
Total	3,103	3,340

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Note		Jyske Bank	
		2017	2016
	DKKm		
36	Transactions involving related parties		
	Transactions with group enterprises and associates		
	Guarantees provided	515	2,091
	Due from credit institutions	993	943
	Loans and advances	17,071	15,087
	Bonds	12,427	14,771
	Due to credit institutions	11,406	13,036
	Deposits	100	324
	Other liabilities	157	153
	Derivatives	781	473
	Interest income	-22	124
	Interest expenses	49	53
	Fee income	594	224
	Fee expenses	31	32
	Other operating income	311	108
	Employee and administrative expenses	606	551
	Transactions with joint ventures		
	Deposits	77	32
	Interest income	1	0
	Other operating income	23	17
	Employee and administrative expenses	124	122

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

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

Jyske Bank is the banker of a number of related parties, and Jyske Bank is part of a joint funding cooperation scheme with BRFKredit a/s. Other transactions between related parties are characterised as ordinary financial transactions and services of an operational nature.

Transactions between Jyske Bank and group enterprises and associates as well as joint ventures are entered into on an arm's length or at cost.

Transactions between Jyske Bank and other related parties were executed on an arm's length basis. This also holds for the rates of interest and commission charges.

For transactions with management, please see note 66 in the consolidated financial statements.

Note		Jyske Bank	
	DKKm	2017	2016
37	Hedge accounting		
	Issued bonds		
	Amortised / Nominal value	7,020	7,083
	Carrying amount	7,179	7,311
	Subordinated debt		
	Amortised / Nominal value	2,685	460
	Carrying amount	2,700	486
	Hedging, financial instruments - swaps		
	Nominal value	9,705	7,543
	Carrying amount	176	284
	Profit/loss for the year on hedging instruments	-108	-15
	Profit/loss for the year on hedged items	80	2

Interest-rate risk

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

Hedge accounting of currency risk on investments in subsidiaries

Jyske Bank hedges the currency risk on net investments in international subsidiaries. The risk is hedged using forward exchange contracts. In 2017, foreign currency translation adjustment of the contracts amounted to DKK 21m (2016: DKK 109m), which was recognised under other comprehensive income. At the end of 2017, the fair value of the forward exchange contracts applied amounted to DKK -5m (2016: DKK 0m).

Note

Jyske Bank

DKKm

38 Note on derivatives

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

Derivatives	Net fair value				Fair value			Principal amount total
	Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Assets	Liabilities	Net	Nominal value
2017								
Currency contracts	-21	412	360	-66	7,071	6,386	685	1,001,082
Interest-rate contracts	-266	23	-51	-260	24,789	25,343	-554	1,376,821
Share contracts	0	0	0	0	66	66	0	7,343
Commodity contracts	4	4	2	0	209	199	10	5,402
Total	-283	439	311	-326	32,135	31,994	141	2,390,648
Outstanding spot transactions					70	60	10	47,247
CCP netting					-6,309	-6,309	0	0
Total after CCP netting					25,896	25,745	151	2,437,895
2016								
Currency contracts	-285	2,973	-849	-21	17,788	15,970	1,818	1,072,295
Interest-rate contracts	-293	-50	-291	-245	30,165	31,044	-879	1,383,196
Share contracts	0	0	0	0	51	51	0	5,573
Commodity contracts	3	-1	1	0	129	126	3	3,754
Total	-575	2,922	-1,139	-266	48,133	47,191	942	2,464,818
Outstanding spot transactions					65	39	26	51,153
CCP netting					-6,743	-6,743	0	0
Total after CCP netting					41,455	40,487	968	2,515,971

Statement by the Management and Supervisory Boards on the Annual Report

We have today discussed and approved the Annual Report of Jyske Bank A/S for the accounting year 1 January to 31 December 2017.

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

In our opinion, the consolidated financial statements and the Parent's financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2017 and of their financial

performance and cash flows for the financial year 1 January to 31 December 2017.

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

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

Silkeborg, 20 February 2018

EXECUTIVE BOARD

ANDERS DAM
Managing Director and CEO

NIELS ERIK JAKOBSEN

LEIF F. LARSEN

PETER SCHLEIDT

PER SKOVHUS

/JENS BORUM
Director, Finance

SUPERVISORY BOARD

SVEN BUHRKALL
Chairman

KURT BLIGAARD PEDERSEN
Deputy Chairman

RINA ASMUSSEN

PHILIP BARUCH

JENS A. BORUP

KELD NORUP

HAGGAI KUNISCH
Employee Representative

MARIANNE LILLEVANG
Employee Representative

CHRISTINA LYKKE MUNK
Employee Representative

Internal Auditors' Report

Audit opinion

In our opinion, the consolidated financial statements and the Parent's financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2017 and of the Group's and the Parent's financial performance and the Group's cash flows for the financial year 1 January to 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial companies in regard to the consolidated financial statements and in accordance with the Danish Financial Business Act in regard to the Parent's financial statements.

Basis of opinion

We have audited the consolidated financial statements and the financial statements of Jyske Bank A/S for the financial year 1 January - 31 December 2017. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial companies. The financial statements have been prepared in accordance with the Danish Financial Business Act.

We conducted our audit in accordance with the Executive Order of the Danish Financial Supervisory Authority on Auditing Financial Enterprises, etc. as well as Financial

Groups and in accordance with international auditing standards on planning and performance of the audit.

We have planned and performed our audit with a view to obtaining a high degree of certainty that the consolidated financial statements and the Parent's financial statements do not contain any material misstatements. We participated in the audit of significant and risky areas.

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

Statement on the Management's Review

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

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

Silkeborg, 20 February 2018

Henning Sørensen
Head of the Audit Division

Independent Auditors' Report

To the shareholders of Jyske Bank A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Jyske Bank A/S for the financial year 01.01.2017 to 31-12-2017, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including the summary of significant accounting policies, for the Group as well as the Parent and the consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for financial companies, and the parent financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31-12-2017 and of its financial performance and cash flows for the financial year 01-01-2017 to 31-12-2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for financial companies.

Also, in our opinion, the parent financial statements give a true and fair view of the financial position of the Parent at 31-12-2017 and of its financial performance for the financial year 01-01-2017 to 31-12-2017 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements and*

the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the IESBA Code of Ethics for Professional Accountants and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of Jyske Bank A/S before 1995. We have been reappointed annually by decision of the general meeting for a more than 23 years up to and including the financial year 2017.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1.1.2017 to 31-12-2017. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Loan impairment charges

Loans amounted to DKK 447,673m on 31 December 2017 (DKK 422,445m on 31 December 2016) and impairment charges on these amounted to DKK 4,815m on 31 December 2017 (DKK 5,503m on 31 December 2016). Determination of the indication of loan impairment for loans to corporate clients is associated with considerable uncertainty and to some extent based on management's estimate. Due to the significance of these estimates and the volume of lending to corporate clients by the Group and the Parent, the audit of loan impairment charges is a key audit matter.

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

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

The areas involving the highest degree of judgement and which therefore call for extra attention during the audit of loans to corporate clients are:

- Assessment whether loans and advances have been impaired.
- Measurement of collateral and future cash flows included in the calculation of the impairment for impaired loans and advances.
- Management's judgement in connection with the determination of expected losses, including the assessment of the extent of management's add-ons for collective impairment charges.

How the matter was addressed in our audit

Based on our risk assessment, the audit included an examination of relevant business procedures for impairment charges for loans to corporate clients, tests of relevant controls and analysis of the development of the credit quality of loans and advances, etc., including the extent of the impairment charges.

Our audit procedures also included specifically:

- An examination and assessment of the Group's and the Parent's general methods for monitoring of credit risk on loans to corporate clients, including special focus on the work performed by the credit risk function.
- Review of the Group's and the Parent's internal controls for identification of loans to corporate clients with indication of risk of loss, as well as tests of controls of impairment calculations.
- For loans and advances to corporate clients with objective evidence of impairment we have through sampling tested whether the

established indication of impairment is in line with the guidelines of the legislation as well as those of the Group and the Parent.

- Reviews based on random samples of other loans and advances with indication of weakness to assess whether, in our opinion, an assessment of impairment should have been conducted.
- For loans and advances secured against property, we have viewed the determination of a possible indication of impairment on impaired loans and advances, and compared it to the Group's and the Parent's principles for the appraisal of commercial as well as agricultural properties, including required rate of return, rent levels as well land prices per hectare, with reports from estate agency chains, current asking prices as well as announcements from the FSA, etc.
- Challenging of management add-ons with special focus on consistency as well as managements objectivity, including special focus on the documentation of management add-ons relating to agriculture.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement of the management commentary.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Business Act, and for the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Business Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in the preparation of the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Parent or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional

requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

As part of an audit in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in the preparation of the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the

related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We communicate with those charged with governance regarding, among other matters, the planned

Silkeborg, 20 February 2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Reg. No. 33 96 35 56

Hans Trærup
State-Authorised Public Accountant
MNE No. 10648

Kasper Bruhn Udam
State-Authorised Public Accountant
MNE No. 29421

Directorships held by members of the Supervisory Board in other commercial enterprises at 31 December 2017

Sven Buhrkall, Consultant, Fanø, Chairman

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

Kurt Bligaard Pedersen, Director, London, Deputy Chairman

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

Rina Asmussen, Partner, Klampenborg

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

Philip Baruch, Attorney-at-Law, Charlottenlund

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

Jens A. Borup, Fishing Vessel Master, Skagen

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

Keld Norup, Attorney-at-Law, Vejle

- Chairman of the supervisory board / board member, Holmskov-gruppen, Vejle including
 - Chairman of the supervisory board, Holmskov & Co. A/S
 - Chairman of the supervisory board, Holmskov Finans A/S
 - Chairman of the supervisory board, Holmskov Invest A/S
 - Board member, H & P Frugtimport A/S
- Chairman of the supervisory board / board member, Clausen-gruppen, Vejle including
 - Chairman of the supervisory board, GV-Holding A/S
 - Chairman of the supervisory board, VAC Holding ApS
 - Chairman of the supervisory board, VHF Holding ApS
- Board member, Sole-gruppen, Vejle, including
 - Board member, Sole Holding ApS, Vejle, and also on the board of four fully owned subsidiaries
 - Board member, Sole Invest Aps, Hedensted and also on the board of a fully owned subsidiary
 - Board member, Tage Pedersen Holding ApS, Board member, TP Family Aps /II Aps
 - Board member, Hølggaard Ejendomme ApS
 - Board member, Solbjerg Ejendomme A/S
 - Board member, Jørgen G. Pedersen Holding ApS
 - Board member, Vesterby Minkfarm A/S
 - Board member, Solskov Minkfarm A/S
 - Board member, Thyra Mink af 1996 ApS and on the board of a fully owned subsidiary
- Chairman of the supervisory board, Skov Advokater Advokataktieselskab
- Managing director, Keld Norup Holding Aps

Directorships held by members of the Executive Board in other commercial enterprises at 31 December 2017

Anders Dam

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

Niels Erik Jakobsen

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

Leif F. Larsen

- Chairman of the supervisory board, Jyske Banks Medarbejderfond Holdingselskab A/S
- Board member (Deputy Chairman), Jyske Banks Almennyttige Fond
- Board member, Finanssektorens Uddannelsescenter (the financial sector's training centre)

Peter Schleidt

- Board member (deputy chairman), JN Data A/S

Members of the Supervisory Board at 31 December 2017

Name	Age	Ap- pointed a Board member	Expiry of term of office	Audit Commit- tee	Nomina- tion Commit- tee	Remune- ration Commit- tee	Risk Commit- tee	Digitiza- tion and Techno- logy Com- mittee
Sven Buhrkall, Consultant, Chairman	68	1998	2019	Member	Chairman	Chairman	Member	Member
Kurt Bligaard Pedersen, Managing Director, Deputy Chairman	58	2014	2020	Chairman	Member	Member		
Rina Asmussen, Partner	58	2014	2019				Chairman	Chairman
Philip Baruch, Attorney-at-Law	64	2006	2018		Member			
Jens A. Borup, Fishing Vessel Master	62	2005	2020		Member		Member	
Keld Norup, Attorney-at-Law	64	2007	2019	Member				
Employee representatives:								
Haggai Kunisch, District Chairman	66	2002	2018			Member	Member	Member
Marianne Lillevang, Deputy District Chairman	52	2006	2018	Member				
Portfolio management adviser								
Christina Lykke Munk	39	2016	2018					

Name	Number of Jyske Bank shares		Participation and number of meetings 2017					Digitiza- tion and Techno- logy Com- mittee
	End- 2017	End- 2016	Board meeting	Audit Commit- tee	Nomina- tion Commit- tee	Remune- ration Commit- tee	Risk Commit- tee	
Sven Buhrkall, Consultant, Chairman	2,580	2,980	34/34	5/5	3/3	2/2	7/7	6/6
Kurt Bligaard Pedersen, Managing Director, Deputy Chairman	1,150	1,150	31/34	5/5	3/3	2/2		
Rina Asmussen, Partner	927	927	32/34				7/7	6/6
Philip Baruch, Attorney-at-Law	2,893	2,893	31/34		3/3			
Jens A. Borup, Fishing Vessel Master	3,970	5,093	30/34		2/3		6/7	
Keld Norup, Attorney-at-Law	1,100	1,100	34/34	5/5				
Employee representatives:								
Haggai Kunisch, District Chairman	2,331	2,911	26/34			2/2	6/7	6/6
Marianne Lillevang, Deputy District Chairman	2,348	2,328	30/34	3/5				
Portfolio management adviser								
Christina Lykke Munk	359	460	33/34					

The board members' participation in meetings appear above.