

Corporate Announcement

Preliminary announcement of financial statements 2018

Summary

- Profit before tax and effects derived from IFRS 9: DKK 3,547m (2017: DKK 4,002m), corresponding to a return on equity of 10.8% (2017: 12.4%)
- Profit after tax and before effects derived from IFRS 9: DKK 2,817m (2017: DKK 3,143m), corresponding to a return on equity of 8.6% (2017: 9.7%)
- Profit before tax: DKK 3,140m (2017: DKK 4,002m), corresponding to a return on equity of 9.5% (2017: 12.4%)
- Profit after tax: DKK 2,500m (2017: DKK 3,143m), corresponding to a return on equity of 7.6% (2017: 9.7%)
- Core income: DKK 7,999m (2017: DKK 8,361m)
- Core expenses: DKK 4,896m (2017: DKK 5,374m)
- Impairment charges: DKK 468m (2017: reversal of impairment charges DKK 453m)
 - Exclusive of effects derived from IFRS 9, impairment charges amounted to DKK 61m
- Capital ratio of 20.0% and Common Equity Tier 1 capital ratio of 16.4% (2017: 19.8% and 16.4%, respectively)
- At the Annual General Meeting in March 2019, the Supervisory Board will make a motion for the distribution of ordinary dividend of DKK 6.12 per share for the financial year 2018 compared to DKK 5.85 per share for the financial year 2017

Comments by Management

In connection with the publication of Jyske Bank's Annual Report 2018, Anders Dam, Jyske Bank's CEO and Managing Director states:

Profit for the year

"Jyske Bank generated a profit after tax and before effects derived from IFRS 9 of DKK 2.8bn. This corresponds to a return on equity of 8.6%, which is in line with the target of a return on equity in the range of 8-12% after tax and before effects derived from IFRS 9.

Client and employee satisfaction

Also in 2018, Jyske Bank achieved high ratings in client satisfaction surveys within the areas of Personal Clients, Corporate Clients and Private Banking. To this must be added that the most recent internal employee survey showed not only great but also increased job enthusiasm and satisfaction on the part of the bank's employees. Most recently, a sector survey named Jyske Bank the most popular bank among employees in the financial sector. This survey was based on replies from both employees and non-employees.

Business activity

The activity level with respect to home loan products is still high, and since the end of the first half of 2018 the home loans are issued by Jyske Realkredit as part of the phasing out of the name of BRFKredit. Also property financing for

corporate clients increased in 2018, and mortgage loans amounted to DKK 326bn at the end of 2018. The aim is still to achieve a total loan balance of DKK 350bn for Jyske Realkredit at the end of 2020.

At the beginning of 2018, the target was that, five years after the merger with BRFKredit, the number of employees should, all other things being equal, be back at the 2013 level, at which time the bank had 3,774 employees. This target was realised in mid-2018, i.e. a year earlier than expected. At the end of 2018, the Jyske Bank Group had almost 3,700 employees, i.e. a decline by about 240 employees compared to the level at the end of 2017 and hence 76 employees below the level at the end of 2013.

In 2018, a series of new payment solutions were offered to our clients. For instance, personal clients can now - in addition to MobilePay and Apple Pay - use mobile payment solutions on Android phones with Google Pay, and also they can use Garmin Pay and FitBit Pay. Also, clients can now easily establish a 100% electronic payment card - VISA Mobil, which in combination with the mobile payments solutions offer the client increased security in connection with electronic payments.

Jyske Bank (Gibraltar) was put up for sale in January 2019.

Liquidity and capital

In 2018 the Group focused on the gradual replacement of the Group's old preferred senior bonds with new non-preferred senior ("NPS") bonds with the aim of meeting the Group's MREL requirement after 2021. Two NPS bonds were issued in the course of 2018. Jyske Bank anticipates to issue NPS bonds totalling EUR 2.5bn (DKK 19bn) by the end of 2021.

The long-term capital management objectives for a capital ratio and a Common Equity Tier 1 capital ratio of 17.5% and 14% are unchanged. At the end of 2018, they amounted to 20.0% and 16.4%, respectively, and hence they practically meet the long-term capital management objectives when allowing for the expectations that the new statutory requirements are expected to reduce the capital ratios by up to a maximum of 3 percentage points. At the end of 2018, Standard & Poor's risk-adjusted capital ratio was calculated at 10.3%, and a RAC at about 10.5% is still the target.

It is the intention of the Supervisory Board that, at the Annual General Meeting in March 2019, a motion be made for the distribution of ordinary dividend of DKK 6.12 per share for the financial year 2018. The ordinary dividend for 2017 was DKK 5.85 per share.

At the Annual General Meeting in March 2019, the Supervisory Board will further propose that own shares that were acquired through the recently completed share buy-back programme of up to DKK 1bn be cancelled.

Considering the current market conditions in 2019, the Jyske Bank Group aims to deliver a return on the average equity of 6-10% after tax", concludes Anders Dam.

Outlook

The Jyske Bank Group anticipates that in 2019 economic growth in Denmark will continue at a moderate level. Continued keen competition is expected.

It is the target of the Group that, at the end of 2020, Jyske Realkredit is to have an overall balance of loans and advances of DKK 350bn. At the end of 2018, mortgage loans amounted to DKK 326bn. It is expected that over the coming years, growth will increasingly stem from financing of commercial properties and to a lesser degree from private properties.

The Group is continuously focusing on the cost development, and in mid-2018 - i.e. one year ahead of expectations - its number of employees was in line with that at the end of 2013. Attention will still be on the cost development in 2019.

It is expected that the Basel IV recommendations will reduce the capital ratio by up to maximum 3 percentage points. Jyske Bank expects to meet these requirements in full at the beginning of the phase-in period in 2022.

In the short term, Standard & Poor's risk-adjusted capital ratio will be the factor that most governs dividends and share buy-backs.

Considering the current market conditions in 2019, the Jyske Bank Group aims to deliver a return on the average equity of 6-10% after tax.

Based on equity at the end of 2018, the objective corresponds to a post-tax profit in the range of DKK 2.0bn – 3.3bn.

Annual General Meeting

The Annual General Meeting of Jyske Bank will be held in Silkeborg on Tuesday 26 March 2019.

Financial calendar 2019

Jyske Bank anticipates releasing financial statements on the following dates in 2019:

Financial calendar 2019	
8 May	Interim Financial Report, first quarter of 2019
20 August	Interim Financial Report, first half of 2019
30 October	Interim Financial Report, first nine months of 2019

Other information

For further information, please see www.jyskebank.info. Here you will find an interview with Anders Dam, detailed financial information as well as the Group's Annual Report 2018 and Risk and Capital Management 2018, 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.jyskerealkredit.com. Jyske Realkredit's Annual Report 2018 and detailed financial information about Jyske Realkredit are available on that website.

Yours faithfully,

Jyske Bank

Contact persons:

CEO and Managing Director, Anders Dam, phone: +45 89 89 89 89

CFO, Birger Krøgh Nielsen, phone +45 89 89 64 44

Core profit and net profit for the year (DKKm)

	2018	2017	Index 18/17	2016	2015	2014
Net interest income	5,624	5,674	99	5,748	5,886	5,315
Net fee and commission income	1,854	1,957	95	1,531	1,834	1,761
Value adjustments	-23	577	-	781	381	-42
Other income	463	207	224	257	239	3,074
Income from operating lease (net)	81	-54	-	44	93	78
Core income	7,999	8,361	96	8,361	8,433	10,186
Core expenses	4,896	5,374	91	5,108	5,322	5,231
Core profit before loan impairment charges	3,103	2,987	104	3,253	3,111	4,955
Loan impairment charges*	468	-453	-	-149	347	1,953
Core profit	2,635	3,440	77	3,402	2,764	3,002
Investment portfolio earnings	505	562	90	504	440	101
Pre-tax profit	3,140	4,002	78	3,906	3,204	3,103
Tax	640	859	75	790	728	14
Profit for the year	2,500	3,143	80	3,116	2,476	3,089

Summary of balance sheet, end of period (DKKbn)

Loans and advances	462.8	447.7	103	422.4	396.2	361.8
- of which mortgage loans	326.3	306.8	106	277.0	249.5	218.9
- of which traditional bank loans and advances	104.1	101.3	103	94.1	93.2	102.3
- of which new home loans	6.3	12.2	52	17.4	12.0	18.1
- of which repo loans	26.1	27.4	95	33.9	41.5	22.5
Bonds and shares, etc.	83.2	79.1	105	89.9	76.5	92.3
Total assets	599.9	597.4	100	586.7	543.4	541.7
Deposits	148.7	160.0	93	154.6	144.9	152.7
- of which bank deposits	135.7	139.9	97	134.2	129.0	133.2
- of which repo deposits and tri-party deposits	13.0	20.1	65	20.4	15.9	19.5
Issued bonds at fair value	324.7	302.6	107	271.2	231.2	208.5
Issued bonds at amortised cost	35.0	38.9	90	51.0	48.2	43.4
Subordinated debt	4.3	4.3	100	2.1	1.4	1.4
Holders of hybrid core capital	2.5	2.6	96	1.5	0	0
Shareholders' equity	31.8	32.0	99	31.0	30.0	27.6

Financial ratios and key figures

Earnings per share (DKK)**	28.2	34.7	-	33.5	26.1	35.1
Profit for the year, per share (diluted) (DKK)**	28.2	34.7	-	33.5	26.1	35.1
Pre-tax profit as a pct. of average equity**	9.5	12.4	-	12.7	11.1	13.8
Net profit as a percentage of average equity**	7.6	9.7	-	10.1	8.6	13.7
Expenses as a percentage of income	61.2	64.2	-	61.1	63.1	51.4
Capital ratio	20.0	19.8	-	18.3	17.0	16.4
Common Equity Tier 1 capital ratio (CET1 %)	16.4	16.4	-	16.5	16.1	15.3
Individual solvency requirement (%)	10.8	10.2	-	10.0	10.5	10.9
Capital base (DKKbn)	37.7	37.3	-	33.4	30.1	29.0
Weighted risk exposure (DKKbn)	188.4	188.0	-	182.2	176.9	176.4
Share price at end of period (DKK)	235	353	-	337	312	313
Distributed dividend per share (DKK)	11.7	10.9	-	5.3	0	0
Book value per share (DKK)**	390	374	-	348	317	290
Price/book value per share (DKK)**	0.6	0.9	-	1.0	1.0	1.1
Number of full-time employees, year-end***	3,698	3,932	-	3,981	4,021	4,191

* In 2018, loan impairment charges amounted to DKK 468m, of which DKK 407m relate to effects derived from IFRS 9 on mortgage lending.

** Financial ratios are calculated as if hybrid core capital (AT1) is recognised as a liability.

*** The number of employees at the end of 2018 and at the end of 2017 were reduced by 25 and 40 employees, respectively, for whom costs were covered externally.

Core profit and net profit for the year (DKKm)

	2018	2017	Index 18/17	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Net interest income	5,624	5,674	99	1,371	1,407	1,439	1,407	1,537
Net fee and commission income	1,854	1,957	95	506	443	399	506	654
Value adjustments	-23	577	-	-49	132	-38	-68	38
Other income	463	207	224	32	127	239	65	-29
Income from operating lease (net)	81	-54	-	8	26	21	26	-6
Core income	7,999	8,361	96	1,868	2,135	2,060	1,936	2,194
Core expenses	4,896	5,374	91	1,232	1,249	1,143	1,272	1,326
Core profit before loan impairment charges	3,103	2,987	104	636	886	917	664	868
Loan impairment charges	468	-453	-	29	104	27	308	-139
Core profit	2,635	3,440	77	607	782	890	356	1,007
Investment portfolio earnings	505	562	90	-11	-20	129	407	-30
Pre-tax profit	3,140	4,002	78	596	762	1,019	763	977
Tax	640	859	75	95	184	208	153	197
Profit for the year	2,500	3,143	80	501	578	811	610	780

Summary of balance sheet, end of period (DKKbn)

	2018	2017	Index 18/17	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Loans and advances	462.8	447.7	103	462.8	457.7	455.4	447.7	447.7
- of which mortgage loans	326.3	306.8	106	326.3	318.8	314.4	309.4	306.8
- of which traditional bank loans and advances	104.1	101.3	103	104.1	104.5	104.4	102.5	101.3
- of which new home loans	6.3	12.2	52	6.3	9.4	12.2	13.3	12.2
- of which repo loans	26.1	27.4	95	26.1	25.0	24.4	22.5	27.4
Bonds and shares, etc.	83.2	79.1	105	83.2	74.7	81.0	75.1	79.1
Total assets	599.9	597.4	100	599.9	596.9	593.0	593.2	597.4
Deposits	148.7	160.0	93	148.7	150.9	155.1	155.1	160.0
- of which bank deposits	135.7	139.9	97	135.7	136.6	135.3	136.4	139.9
- of which repo deposits and tri-party deposits	13.0	20.1	65	13.0	14.3	19.8	18.7	20.1
Issued bonds at fair value	324.7	302.6	107	324.7	316.7	308.9	307.9	302.6
Issued bonds at amortised cost	35.0	38.9	90	35.0	33.3	31.2	30.1	38.9
Subordinated debt	4.3	4.3	100	4.3	4.3	4.3	4.3	4.3
Holders of hybrid core capital	2.5	2.6	96	2.5	2.5	2.5	2.5	2.6
Shareholders' equity	31.8	32.0	99	31.8	31.9	32.3	31.5	32.0

The Jyske Bank Group		
DKKm	2018	2017
Capital statement		
Shareholders' equity	31,786	32,023
Share buy-back programme, non-utilised limit	0	-281
Proposed dividend	-520	-522
Intangible assets	-5	-13
Deferred tax liabilities relating to intangible assets	1	3
Deferred tax assets	0	-10
Prudent valuation	-296	-271
Difference between expected loss and the carrying amount of impairment charges	0	-174
Other deductions	-18	-14
Common Equity Tier 1 capital	30,948	30,741
Additional Tier 1 Capital (AT1) after reduction	3,047	3,209
Other deductions	0	-27
Core capital	33,995	33,923
Subordinated loan capital after reduction	3,699	3,631
Other deductions	0	-248
Capital base	37,694	37,306
Weighted risk exposure involving credit risk etc.	158,390	149,906
Weighted risk exposure involving market risk	13,156	21,355
Weighted risk exposure involving operational risk	16,887	16,737
Total weighted risk exposure	188,433	187,998
Capital requirement, Pillar I	15,075	15,040
Capital requirement, transitional provisions	0	4,204
Capital requirement, total	15,075	19,244
Capital ratio	20.0	19.8
Core Tier 1 Capital ratio (%)	18.0	18.0
Common Equity Tier 1 capital ratio (%)	16.4	16.4

Transitional rules for capital requirements according to Basel I ended at the end of 2017.

For a statement of the individual solvency requirement, please see Risk and Capital Management 2018 or investor.jyskebank.com/investorrelations/capitalstructure and [Investor.jyskebank.com/investorrelations/debt](http://investor.jyskebank.com/investorrelations/debt).

Risk and Capital Management 2018 was not covered by the audit.