

Corporate Announcement

Jyske Bank Interim Financial Report Q1-Q3 2019

Summary

- Pre-tax profit: DKK 1,853m (Q1 - Q3 2018: DKK 2,544m) corresponding to a return of 7.3% p.a. on average equity (Q1 - Q3 2018: 10.3% p.a.)
- Post-tax profit: DKK 1,474m (Q1 - Q3 2018: DKK 1,999m) corresponding to a return of 5.7% p.a. on average equity (Q1 - Q3 2018: 8.1% p.a.)
- Core income: DKK 5,829m (Q1 - Q3 2018: DKK 6,131m)
- Core profit: DKK 2,050m (Q1 - Q3 2018: DKK 2,028m)
- Expected profit after tax for 2019 is approximately DKK 2.0 bn compared with previous expectations of DKK 2.0 bn - 3.3 bn, corresponding to a return on equity after tax of approximately 6%, compared with the previous expectations of 6% - 10%
- Capital ratio: 20.2%, of which the Common Equity Tier 1 capital ratio was 16.3% (end of 2018: 20.0% and 16.4%, respectively)
- The existing share buyback programme in the amount of DKK 500m is raised to DKK 1 bn and extended until 31 March 2020. In consequence of this, the Supervisory Board will present to the Annual General Meeting a motion for the distribution of an ordinary dividend of DKK 0 per share for the financial year 2019
- In October, Standard & Poor's upgraded Jyske Bank's senior rating to A from A- and Jyske Bank's short-term senior rating to A-1 from A-2 with stable outlook. At the end of the third quarter of 2019, Jyske Bank's RAC was calculated at approximately 11.9%.

Comments by Management

In connection with the publication of the interim financial report for the first nine months of 2019, Anders Dam, CEO and Managing Director, states:

"In recent years, Jyske Bank's net interest income has been under pressure. This can chiefly be attributed to the negative interest rate environment, resulting in large expenses relating to a deposit base that now amounts to DKK 130 bn, of which about half is exempt from negative interest rates until 1 December 2019. In addition, competition in respect of bank loans and advances resulting in falling margins had a similar effect as had compliance with the MREL requirements.

As of 1 December 2019, Jyske Bank's deposits from corporate clients will be interest rate neutral. In addition, the bank has about 11,000 personal clients who as of 1 December 2019 will be affected by negative interest rates on their deposits in excess of DKK 750,000, which on the whole amount to almost DKK 10 bn. The bank has been in touch with a large part of these clients. Generally the clients are very sympathetic towards the introduction of negative interest rates in a situation where short term market rates and the interest rate on government bonds have been negative for quite some time.

Based on the feedback from the clients so far and their transactions, we assess that the clients will invest, will accept the standard terms, will restructure their deposits and possibly reduce debt or increase spending. In consequence of this, a decline in deposits of DKK 3 bn - 4 bn is to be expected.

Jyske Bank has since 2012 accumulated a large deposit surplus, cf. the below table. Growth in respect of deposits amounts to DKK 40 bn, while bank loans and advances have stagnated. As of 1 December 2019, Jyske Bank has deposits of almost DKK 50 bn from personal clients, which will not be subject to negative interest rates and, in the current interest rate environment, will impose a considerable expense on Jyske Bank", ends Anders Dam.

Bank deposits and traditional bank loans and advances, Jyske Bank A/S (DKK bn)

	Q3 2019	Q4 2018	Q4 2017
Bank deposits	130.2	126.8	90.1
Traditional bank loans and advances	102.0	104.4	101.5

Yours faithfully,

Jyske Bank

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