

Corporate Announcement

## Preliminary announcement of financial statements 2019

### Summary

- Earnings per share DKK 29.0 (2018: DKK 28.2)
- Profit before tax DKK 3,079m, corresponding to a return on equity of 9.1% (2018: DKK 3,140m and 9.5%)
- Profit after tax DKK 2,440m, corresponding to a return on equity of 7.1% (2018: DKK 2,500m and 7.6%)
- Core income: DKK 8,060m (2018: DKK 7,999m)
- Core profit: DKK 3,132m (2018: DKK 2,635m)
- Capital ratio of 21.5% and Common Equity Tier 1 ratio of 17.4% (2018: 20.0% and 16.4%)
- The current share buy-back programme is raised by DKK 500m and extended until 31 July 2020
- It is the intention of the Supervisory Board that, at the Annual General Meeting in March 2020, a motion be made for the cancellation of 3,651,372 shares
- A DKK 250,000 limit for zero interest on the balance of personal clients' NemKonto is set from 1 May 2020
- Profit after tax is expected to be in the range of DKK 1.8 bn-2.2 bn for 2020.

### Comments by management

#### Profit for the year

"In 2019, Jyske Bank generated a profit per share of DKK 29.0 and a profit after tax of DKK 2,440m, compared to DKK 28.2 per share and DKK 2,500m, respectively, in 2018. Due to buybacks of own shares in recent years and expectations that this line will continue in the coming years, earnings per share will be a relevant measure for shareholders' return.

The year 2019 was characterised by continuing progress in the Danish economy and a favourable trend in the financial markets. The financial situation of the clients was generally at a satisfactory level, and the falling interest rates supported high refinancing activity. The robust financial situation of the clients was reflected in reversal of impairment charges despite the higher management's estimates in consequence of the sector-wide information letter from the Danish Financial Supervisory Authority. On the other hand, the pressure on net interest income increased, particularly due to the lower interest rates and customers' high propensity to save.

#### Negative interest rates

After 1 December 2019, almost half of Jyske Bank's deposits are still not subject to negative interest rates. Over the past five years, the negative interest rate environment, which has been prevalent almost without interruption since 2012, has contributed to the decline in Jyske Bank's net interest income of DKK 650m despite the increase in lending (excl. repo) by about DKK 100 bn over the same period.

As it is expected that the negative interest-rate environment will continue for several years, Jyske Bank finds it necessary - as from 1 May 2020 - to set a DKK 250,000 limit for zero interest on the balance of personal clients' NemKonto. For deposit accounts for children, the limit for zero interest will be DKK 100,000.

So far, our experience rendering advice to clients who are affected by negative interest rates has been positive. The advice offers the clients one or more ways to avoid being affected by the negative interest rates. This is expected still to be the case even when the exemption limit for zero interest is lowered.

### **Business activity**

Over the year, the extension of negative deposit rates and a positive development in the financial markets resulted in increasing demand for investment products. In combination with the very high refinancing activity, this secured a high level of activity in 2019. Mortgage loans grew moderately, while bank loans and advances faced challenges in the form of a low demand for investments and lending.

It is Jyske Bank's aim that its power consumption, inclusive of the bank's share of JN Data's and Bankdata's power consumption, should be carbon neutral through its own production of renewable energy as from 2021, rather than through the current carbon compensation obtained through purchases of green power certificates. In this connection, the Group wishes to acquire a land-based wind turbine that produces about 16 GWh per year.

Jyske Bank has changed its terms of business so that, as of the beginning of 2020, the bank can require all corporate clients to use an auditor approved by the bank. The experience gained throughout 2019 proves a positive effect on the efforts to prevent money laundering.

### **Capital structure, etc.**

Given the capital ratio of 21.5%, Jyske Bank already at the end of 2019 met the capital level target intended for 2022. Due to the raising of Tier 2 capital in the amount of about DKK 1.5 bn in January 2020, the capital structure offers scope for an increase by DKK 500m and an extension until 31 July 2020 of the current share buy-back programme.

Considering the current market conditions, it is the aim of the bank to deliver a profit after tax in the range of DKK 1.8bn-2.2 bn for 2020," ends Anders Dam.

## **Outlook**

Jyske Bank anticipates that economic growth in Denmark will continue at a moderate level in 2020.

It is the aim of the bank still to generate moderate growth in the balance of loans of Jyske Realkredit. At the end of 2019, the balance of loans amounted to DKK 338 bn. It is expected that in 2020, growth will to a higher degree stem from financing of commercial properties rather than from owner-occupied properties.

It is expected that core income will be realised at a lower level in 2020.

Jyske Bank has a continuous focus on costs and achieved a practically flat underlying cost development in 2019. It is still the ambition to keep underlying costs under control in 2020.

It is expected that loan impairment charges and provisions for guarantees will be at a low level in 2020.

In 2020, Jyske Bank will continue the gradual replacement of its old senior debt with new non-preferred senior debt to be used to meet the Group's minimum requirement for own funds and eligible liabilities as of 2021. Jyske Bank expects to issue non-preferred senior debt in the order of EUR 750m in 2020.

Jyske Bank has an objective of a capital ratio of 20%-22% and a CET1 ratio of 15%-17% for the next 2-3 years.

Considering the current market conditions, it is the aim of the Group to deliver a profit after tax in the range of DKK 1.8bn-2.2bn for 2020.

Jyske Bank's return on equity depends in particular on the interest-rate level and the level of economic activity.

## Annual General Meeting

The Annual General Meeting of Jyske Bank will be held in Silkeborg on Tuesday 24 March 2020.

## Financial calendar 2020

Jyske Bank anticipates releasing financial statements on the following dates in 2020:

Finanskalender 2020	
5 May	Interim Financial Report, first quarter of 2020
18 August	Interim Financial Report, first half of 2020
3 November	Interim Financial Report, first nine months of 2020

## Other information

For further information, please see [www.investor.jyskebank.com/investorrelations](http://www.investor.jyskebank.com/investorrelations). Here you will find an interview with Anders Dam, detailed financial information as well as the Group's Annual Report 2019 and Risk and Capital Management 2019, 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](http://www.jyskerealkredit.com). Jyske Realkredit's Annual Report 2019 and detailed financial information about Jyske Realkredit are available on that website.

Yours faithfully,

Jyske Bank

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**Core profit and net profit for the year (DKKm)**

	2019	2018	Index 19/18	2017	2016	2015
Net interest income	5,152	5,505	94	5,585	5,625	5,806
Net fee and commission income	2,311	1,973	117	2,046	1,654	1,914
Value adjustments	342	-23	-	577	781	381
Other income	154	463	33	207	257	239
Income from operating lease (net)	101	81	125	-54	44	93
<b>Core income</b>	<b>8,060</b>	<b>7,999</b>	<b>101</b>	<b>8,361</b>	<b>8,361</b>	<b>8,433</b>
Core expenses	5,029	4,896	103	5,374	5,108	5,322
<b>Core profit before loan impairment charges</b>	<b>3,031</b>	<b>3,103</b>	<b>98</b>	<b>2,987</b>	<b>3,253</b>	<b>3,111</b>
Loan impairment charges	-101	468	-	-453	-149	347
<b>Core profit</b>	<b>3,132</b>	<b>2,635</b>	<b>119</b>	<b>3,440</b>	<b>3,402</b>	<b>2,764</b>
Investment portfolio earnings	-53	505	-	562	504	440
<b>Pre-tax profit</b>	<b>3,079</b>	<b>3,140</b>	<b>98</b>	<b>4,002</b>	<b>3,906</b>	<b>3,204</b>
Tax	639	640	100	859	790	728
<b>Profit for the year</b>	<b>2,440</b>	<b>2,500</b>	<b>98</b>	<b>3,143</b>	<b>3,116</b>	<b>2,476</b>

**Summary of balance sheet, end of period (DKKbn)**

Loans and advances	485.9	462.8	105	447.7	422.4	396.2
- of which mortgage loans	337.5	326.3	103	306.8	277.0	249.5
- of which traditional loans and advances	98.7	104.1	95	101.3	94.1	93.2
- of which new home loans	3.4	6.3	54	12.2	17.4	12.0
- of which repo loans	46.3	26.1	177	27.4	33.9	41.5
Bonds and shares, etc.	91.9	83.2	110	79.1	89.9	76.5
Total assets	649.7	599.9	108	597.4	586.7	543.4
Deposits	140.2	148.7	94	160.0	154.6	144.9
- of which bank deposits	126.9	135.7	94	139.9	134.2	129.0
- of which repo deposits and tri-party deposits	13.3	13.0	102	20.1	20.4	15.9
Issued bonds at fair value	357.0	324.7	110	302.6	271.2	231.2
Issued bonds at amortised cost	38.6	35.0	110	38.9	51.0	48.2
Subordinated debt	4.3	4.3	100	4.3	2.1	1.4
Holders of AT1 capital	3.3	2.5	132	2.6	1.5	0
Shareholders' equity	32.5	31.8	102	32.0	31.0	30.0

**Financial ratios and key figures**

Earnings per share (DKK)*	29.0	28.2		34.7	33.5	26.1
Profit for the year, per share (diluted) (DKK)*	29.0	28.2		34.7	33.5	26.1
Pre-tax profit as a pct. of average equity	9.1	9.5		12.4	12.7	11.1
Net profit as a percentage of average equity*	7.1	7.6		9.7	10.1	8.6
Expenses as a percentage of income	62.4	61.2		64.2	61.1	63.1
Capital ratio (%)	21.5	20.0		19.8	18.3	17.0
Common Equity Tier 1 capital ratio (CET1 %)	17.4	16.4		16.4	16.5	16.1
Individual solvency requirement (%)	11.2	10.8		10.2	10.0	10.5
Capital base (DKKbn)	39.0	37.7		37.3	33.4	30.1
Weighted risk exposure (DKKbn)	181.4	188.4		188.0	182.2	176.9
Share price at end of period (DKK)	243	235		353	337	312
Distributed dividend per share (DKK)	0	11.7		10.9	5.3	0
Book value per share (DKK)*	434	390		374	348	317
Price/book value per share (DKK)*	0.6	0.6		0.9	1.0	1.0
Number of full-time employees, year-end**	3,593	3,698		3,932	3,981	4,021

\* Financial ratios are calculated as if Additional Tier 1 Capital (AT1) is recognised as a liability.

\*\* The number of employees at the end of 2019, at the end of 2018 and at the end of 2017 less 21, 25 and 40 employees, respectively, who are financed externally.

**Core profit and net profit for the year (DKKm)**

	2019	2018	Index 19/18	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Net interest income	5,152	5,505	94	1,270	1,279	1,309	1,294	1,341
Net fee and commission income	2,311	1,973	117	653	611	554	493	536
Value adjustments	342	-23	-	252	-95	-8	193	-49
Other income	154	463	33	41	7	59	47	32
Income from operating lease (net)	101	81	125	15	28	34	24	8
<b>Core income</b>	<b>8,060</b>	<b>7,999</b>	<b>101</b>	<b>2,231</b>	<b>1,830</b>	<b>1,948</b>	<b>2,051</b>	<b>1,868</b>
Core expenses	5,029	4,896	103	1,213	1,275	1,256	1,285	1,232
<b>Core profit before loan impairment charges</b>	<b>3,031</b>	<b>3,103</b>	<b>98</b>	<b>1,018</b>	<b>555</b>	<b>692</b>	<b>766</b>	<b>636</b>
Loan impairment charges	-101	468	-	-64	-30	9	-16	29
<b>Core profit</b>	<b>3,132</b>	<b>2,635</b>	<b>119</b>	<b>1,082</b>	<b>585</b>	<b>683</b>	<b>782</b>	<b>607</b>
Investment portfolio earnings	-53	505	-	144	-136	-50	-11	-11
<b>Pre-tax profit</b>	<b>3,079</b>	<b>3,140</b>	<b>98</b>	<b>1,226</b>	<b>449</b>	<b>633</b>	<b>771</b>	<b>596</b>
Tax	639	640	100	260	84	134	161	95
<b>Profit for the year</b>	<b>2,440</b>	<b>2,500</b>	<b>98</b>	<b>966</b>	<b>365</b>	<b>499</b>	<b>610</b>	<b>501</b>

**Summary of balance sheet, end of period (DKKbn)**

	2019	2018	Index 19/18	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Loans and advances	485.9	462.8	105	485.7	483.8	479.9	470.5	462.8
- of which mortgage loans	337.5	326.3	103	337.5	338.7	336.9	333.3	326.3
- of which traditional loans and advances	98.7	104.1	95	98.5	101.7	103.3	104.2	104.1
- of which new home loans	3.4	6.3	54	3.4	4.0	4.7	4.9	6.3
- of which repo loans	46.3	26.1	177	46.3	39.4	35.0	28.1	26.1
Bonds and shares, etc.	91.9	83.2	110	91.9	94.8	98.6	94.8	83.2
Total assets	649.7	599.9	108	649.6	662.5	646.4	627.5	599.9
Deposits	140.2	148.7	94	140.2	157.9	152.7	154.2	148.7
- of which bank deposits	126.9	135.7	94	126.9	138.2	139.4	141.0	135.7
- of which repo deposits and tri-party deposits	13.3	13.0	102	13.3	19.7	13.3	13.2	13.0
Issued bonds at fair value	357.0	324.7	110	357.0	359.5	350.7	334.4	324.7
Issued bonds at amortised cost	38.6	35.0	110	38.6	39.4	38.4	38.2	35.0
Subordinated debt	4.3	4.3	100	4.3	4.3	4.3	4.3	4.3
Holders of AT1 capital	3.3	2.5	132	3.3	3.2	3.2	2.5	2.5
Shareholders' equity	32.5	31.8	102	32.5	32.0	32.2	32.4	31.8

**The Jyske Bank Group**

DKKm	2019	2018
<b>Capital Statement</b>		
Shareholders' equity	32,453	31,786
Share buy-back programme, non-utilised limit	-404	0
Proposed dividend	0	-520
Intangible assets	-1	-5
Deferred tax liabilities relating to intangible assets	0	1
Prudent valuation	-366	-296
Other deductions	-27	-18
<b>Common Equity Tier 1 capital</b>	<b>31,655</b>	<b>30,948</b>
Additional Tier 1 Capital (AT1) after reduction	3,619	3,047
<b>Core capital</b>	<b>35,274</b>	<b>33,995</b>
Subordinated loan capital after reduction	3,763	3,699
<b>Capital base</b>	<b>39,037</b>	<b>37,694</b>
Weighted risk exposure involving credit risk etc.	153,912	158,390
Weighted risk exposure involving market risk	11,606	13,156
Weighted risk exposure involving operational risk	15,930	16,887
<b>Total weighted risk exposure</b>	<b>181,448</b>	<b>188,433</b>
Capital requirement, Pillar I	14,516	15,075
Capital ratio (%)	21.5	20.0
Tier 1 Capital ratio (%)	19.4	18.0
Common Equity Tier 1 capital ratio (%)	17.4	16.4

For a statement of the individual solvency requirement, please see Risk and Capital Management 2019 or [www.investor.jyskebank.com/investorrelations/capitalstructure](http://www.investor.jyskebank.com/investorrelations/capitalstructure) and [www.investor.jyskebank.com/investorrelations/debt](http://www.investor.jyskebank.com/investorrelations/debt).

Risk and Capital Management 2019 was not covered by the audit.