

Interim Financial Report, First Quarter of 2020

- **Profit exclusive of a management's estimate for impairment charges, sale of Jyske Bank (Gibraltar), hedging of currency risk on AT 1 issues and before tax DKK 194m (Q1 2019: DKK 877m).**
 - Net profit: DKK -780m (Q1 2019: DKK 610m).
- **Impairment charges DKK 1,003m (Q1 2019: DKK -16m).**
 - Including management's estimate of DKK 1 bn due to the COVID-19 outbreak. The estimate is based on the experience Jyske Bank gained from the financial crisis in 2008. The total management's estimate now amounts to DKK 1,609m. Over the past five financial years, the average annual impairment charges amounted to DKK 22m.
 - In the first quarter, individual impairment charges came to about DKK 0, and the proportion of non-performing loans and advances continued to fall.
 - Low exposure to industries that are particularly affected by the COVID-19 outbreak.
- **Value adjustments and investment portfolio earnings, exclusive of AT1 hedging DKK -471m (Q1 2019: DKK 193m).**
 - Additionally, in the first quarter, investment portfolio earnings were affected in the amount of DKK -92m due to the currency hedging of AT1 issues in Swedish kronor. Pursuant to the accounting rules, a corresponding adjustment is recognised in shareholders' equity.
 - Since the beginning of the new quarter, value adjustments and investment portfolio earnings have improved by DKK 150m-200m.
- **Net interest and fee income DKK 1,878m (Q1 2019: DKK 1,787m).**
 - The increase was driven by the significant increase by 32% in net fee and commission income.
- **Core expenses exclusive of the sale of Jyske Bank (Gibraltar) DKK 1,268m (Q1 2019: DKK 1,285m).**
 - A decline by 1%, exclusive of extraordinary expenses relating to the sale of Jyske Bank (Gibraltar) Ltd. Adjusted for items of a one-off nature, core expenses fell by 4% relative to the fourth quarter of 2019.
 - The lower number of full-time employees countered, among other things, increases in salaries prescribed by the collective agreement, increasing payroll tax as well as contributions to the Resolution Fund under Finansiell Stabilitet (the Danish resolution authority).
- **Capital ratio 21.5% (Q1 2019: 20.1%), of which the Common Equity Tier 1 capital ratio was 16.7% (Q1 2019: 16.6%).**
 - The capital buffer was at 6.5 percentage points, corresponding to DKK 12 bn.

Summary

"The first quarter of 2020 was to a great extent affected by the outbreak of COVID-19, which has considerably worsened the macroeconomic outlook and added to uncertainty in the financial markets," states Anders Dam, CEO and Managing Director.

Pre-tax profit excl. of management's estimate for impairment charges DKK 24m

The net profit for the period came to DKK -780m, among other things due to an increased management's estimate for impairment charges in the amount of DKK 1 bn due to the COVID-19 outbreak. The estimate is based on the experience Jyske Bank gained from the financial crisis in 2008. In the first quarter of 2020, individual impairment charges came to about DKK 0, and the proportion of non-performing loans and advances continued to fall in the first quarter. Jyske Bank's direct exposure to industries especially affected by COVID-19, such as the airline industry, shipping, retail, the hotel and

restaurant business as well as the leisure industry is estimated to be smaller than would be implied by the bank's normal market share.

In the first quarter, value adjustments and investment portfolio earnings amounted to DKK -563m. Since the beginning of the second quarter, these items have improved by DKK 150m-200m due to a positive market development. Volatility is expected to remain elevated in the coming quarters.

In the first quarter, net interest income fell, primarily due to lower income from the strategic balance sheet and risk management as well as changes in the lending mix. However, in March 2020, net interest income was at the highest level since October 2019 and supports our expectations that net interest income will increase in the coming quarters.

In the first quarter, the deposit surplus increased by DKK 4 bn to DKK 29 bn despite the introduction of negative deposit rates for personal clients as of December 2019. As of 1 May 2020, Jyske Bank has raised the deposit rate on clients' deposits, for instance in NemKonto, to -0.60% from -0.75%.

As in the preceding quarter, net fee and commission income was at a satisfactory level and grew considerably, namely by 32%, compared to the first quarter of 2019. The increase was, among other things, caused by performance fees and high remortgaging and refinancing activities.

In the first quarter, core expenses rose compared to the same period in 2019 due to extraordinary expenses relating to the sale of Jyske Bank (Gibraltar), increased payroll tax as well as higher payments to the Resolution Fund under Finansielt Stabilitet (the Danish resolution authority). The number of full-time employees still fell. Adjusted for items of a one-off nature, core expenses fell by 1% relative to the first quarter of 2019 and by 4% relative to the fourth quarter of 2019.

The solvency remains at a solid level with a capital ratio of 21.5% and a Common Equity Tier 1 capital ratio of 16.7% at the end of the first quarter of 2020.

Capital structure and liquidity position

Jyske Bank's Supervisory Board has as of 1 April 2020 cancelled the remaining part of the earlier share buy-back programme in the amount of DKK 1.5 bn. Buybacks in the amount of DKK 412m were outstanding under the share buy-back programme, under which a total of 4,992,980 shares had been bought back before the cancellation.

At the end of the first quarter of 2020, Jyske Bank had a capital buffer of DKK 12 bn and a liquidity coverage (LCR) of DKK 58 bn. It is still expected that the current capital and liquidity buffer can withstand even severe scenarios.

On 21 January 2020, Jyske Bank issued new tier 2 capital in the amount of EUR 200m at an interest rate corresponding to 3-month CIBOR + 1.3% and an annual interest expense of close to DKK 20m.

Jyske Bank sold DLR kredit shares in the equivalent value of DKK 155m as part of the ordinary reallocation of shares in DLR kredit. Hence Jyske Bank's equity interest fell to DKK 935m and 6.9% against DKK 1,832m and 15.7% at the end of 2017.

The release of the countercyclical buffer and Jyske Bank's tier 2 issue has reduced the Group's need to issue new non-preferred senior debt. On an ongoing basis, Jyske Bank assesses the need for issues subject to regulatory and market-related circumstances.

Jyske Bank (Gibraltar) Ltd.

The sale of Jyske Bank (Gibraltar) Ltd. to Rooke Investments Ltd. was completed on 3 April 2020. Jyske Bank (Gibraltar)'s equity amounted to DKK 686m, loans and advances to DKK 1.4 bn, and deposits to DKK 4.0 bn at the end of 2019. Also, the company had 81 full-time employees.

In the first quarter of 2020, the completion of the sale resulted in total expenses of DKK 78m. In the first quarter, the earnings of Jyske Bank (Gibraltar) amounted to about DKK 4m, which are included in the ordinary income statement items.

Outlook

Jyske Bank anticipates that the economic activity level in Denmark will fall significantly in 2020 in annual terms, but Jyske Bank also anticipates that the level will bottom out in the second quarter in a year-to-year comparison.

It is expected that a lower level of core income will be generated than in 2019 due to moderating fee income in the next quarters, while it is expected that net interest income will increase over the next quarters.

It is the ambition of the Jyske Bank Group to keep the underlying costs under control, also entailing that the number of full-time employees will continue to fall over the next quarters.

It is expected that the individual loan impairment charges and provisions for guarantees will be at a significantly higher level in 2020 with a gradual increase over the year against a decline in the balance of the management's estimate as per the end of the first quarter.

For 2020, a net profit of DKK 0.0 bn - 1.5 bn is expected. The earnings expectations are subject to great uncertainty.

Yours faithfully,
Jyske Bank

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