

Corporate Announcement

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Preliminary announcement of financial statements 2017

Summary

- Pre-tax profit: DKK 4,002m (2016: DKK 3,906m), corresponding to a return on equity of 12.4% (2016:12.7%)
- Post-tax profit: DKK 3,143m (2016: DKK 3,116m), corresponding to a return on equity of 9.7% (2016: 10.1%)
- Core income: DKK 8,361m (2016: DKK 8,361m)
- Core expenses: DKK 5,374m (2016: DKK 5,108m)
Less one-off expenses of DKK 237m, core expenses rose by 0.6%
- Reversal of impairment charges: DKK 453m (2016: DKK 149m)
- Capital ratio of 19.8% and Common Equity Tier 1 capital ratio of 16.4% (2016: 18.3% and 16.5%)
- 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 for the financial year 2017 compared to DKK 5.25 per share for the financial year 2016

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 re-cent 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.

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.

Annual General Meeting

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

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

Additional information

For further information, please see www.jyskebank.info. Here you will find an inter-view 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.

Yours faithfully,

Jyske Bank

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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

*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.

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

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
Holder 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

