Jyske Bank

Interim Financial Report

H1 2018

Interim Financial Report, first half of 2018

Jyske Bank A/S
Vestergade 8-16
DK-8600 Silkeborg
Tel.: +45 89 89 89 89
www.jyskebank.dk
E-mail: jyskebank@jyskebank.dk
Business Reg. No. 17616617

The Jyske Bank Group

Core profit and net profit for the period (DKKm)

	H1 2018	H1 2017	Index 18/17	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Full year 2017
Net interest income	2,846	2,756	103	1,439	1,407	1,537	1,381	1,386	5,674
Net fee and commission income	905	867	104	399	506	654	436	420	1,957
Value adjustments	-106	443	-	-38	-68	38	96	97	577
Other income	304	207	147	239	65	-29	29	147	207
Income from operating lease (net)	47	-5	-	21	26	-6	-43	-21	-54
Core income	**3,996**	**4,268**	**94**	**2,060**	**1,936**	**2,194**	**1,899**	**2,029**	**8,361**
Core expenses	2,415	2,778	87	1,143	1,272	1,326	1,270	1,388	5,374
Core profit before loan impairment charges	**1,581**	**1,490**	**106**	**917**	**664**	**868**	**629**	**641**	**2,987**
Loan impairment charges	335	-120	-	27	308	-139	-194	-75	-453
Core profit	**1,246**	**1,610**	**77**	**890**	**356**	**1,007**	**823**	**716**	**3,440**
Investment portfolio earnings	536	457	117	129	407	-30	135	108	562
Pre-tax profit	**1,782**	**2,067**	**86**	**1,019**	**763**	**977**	**958**	**824**	**4,002**
Tax	361	452	80	208	153	197	210	185	859
Net profit for the period	**1,421**	**1,615**	**88**	**811**	**610**	**780**	**748**	**639**	**3,143**

Summary of balance sheet, end of period (DKKbn)

	H1 2018	H1 2017	Index 18/17	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Full year 2017
Loans and advances	455.4	435.0	105	455.4	447.7	447.7	441.0	435.0	447.7
- of which mortgage loans	314.4	295.8	106	314.4	309.4	306.8	303.0	295.8	306.8
- of which traditional bank loans and advances	104.4	98.6	106	104.4	102.5	101.3	99.1	98.6	101.3
- of which new home loans	12.2	11.7	104	12.2	13.3	12.2	11.0	11.7	12.2
- of which repo loans	24.4	28.9	84	24.4	22.5	27.4	27.9	28.9	27.4
Bonds and shares, etc.	81.0	76.0	107	81.0	75.1	79.1	75.2	76.0	79.1
Total assets	593.0	579.9	102	593.0	593.2	597.4	584.7	579.9	597.4
Deposits	155.1	157.2	99	155.1	155.1	160.0	154.9	157.2	160.0
- of which bank deposits	135.3	134.1	101	135.3	136.4	139.9	134.0	134.1	139.9
- of which repo deposits and tri-party deposits	19.8	23.1	86	19.8	18.7	20.1	20.9	23.1	20.1
Issued bonds at fair value	308.9	285.5	108	308.9	307.9	302.6	295.2	285.5	302.6
Issued bonds at amortised cost	31.2	42.0	74	31.2	30.1	38.9	38.8	42.0	38.9
Subordinated debt	4.3	4.3	100	4.3	4.3	4.3	4.3	4.3	4.3
Holders of hybrid core capital	2.5	1.5	167	2.5	2.5	2.6	2.6	1.5	2.6
Shareholders' equity	32.3	31.3	103	32.3	31.5	32.0	31.8	31.3	32.0

Financial ratios and key figures

	H1 2018	H1 2017	Index 18/17	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Full year 2017
Earnings per share for the period (DKK)*	16.0	17.8	-	9.2	6.8	8.6	8.3	7.0	34.7
Profit for the period, per share (diluted) (DKK)*	16.0	17.8	-	9.2	6.8	8.6	8.3	7.0	34.7
Pre-tax profit p.a. as a percentage of average equity*	10.8	13.0	-	12.4	9.3	11.8	11.9	10.3	12.4
Profit for the period p.a. as a pct. of average equity*	8.5	10.2	-	9.8	7.4	9.4	9.2	7.9	9.7
Expenses as a percentage of income	60.4	65.1	-	55.5	65.7	60.4	66.9	68.4	64.2
Capital ratio	20.4	19.4	-	20.4	20.0	19.8	19.8	19.4	19.8
Common Equity Tier 1 capital ratio (CET1 %)	16.7	16.5	-	16.7	16.5	16.4	16.2	16.5	16.4
Individual solvency requirement (%)	10.1	10.0	-	10.1	10.2	10.2	10.3	10.0	10.2
Capital base (DKKbn)	37.7	35.8	-	37.7	37.4	37.3	36.5	35.8	37.3
Weighted risk exposure (DKKbn)	185.0	184.5	-	185.0	186.8	188.0	184.1	184.5	188.0
Share price at end of period (DKK)	350	377	-	350	358	353	363	377	353
Book value per share (DKK)*	380	355	-	380	371	374	363	355	374
Price/book value per share (DKK)*	0.9	1.1	-	0.9	1.0	0.9	1.0	1.1	0.9
No. of full-time employees at end-period**	3,786	3,988	-	3,786	3,856	3,932	4,003	3,988	3,932

Relationships between income statement items under 'The Jyske Bank Group' (key financial data) and the income statement page 25 appear from note 4.

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

** The number of employees in 2018 and at the end of 2017 less 40 employees, who are financed externally.

Summary

- **Pre-tax profit, exclusive of derived effects from IFRS 9: DKK 2,189m, corresponding to a return of 13.3% p.a. on average equity (H1 2017: DKK 2,067m and 13% p.a.)**
- **Post-tax profit, exclusive of derived effects from IFRS 9: DKK 1.738m, corresponding to a return of 10.5% p.a. on average equity (H1 2017: DKK 1,615m and 10.2% p.a.)**
- **Core expenses: DKK 2,415m, corresponding to a decline by 13% relative to H1 2017**
    - **Adjusted for one-off expenses, core expenses fell by 1%**
- **Impairment charges amounted to DKK 335m, of which DKK 407m related to IFRS 9**
    - **Reversed loan impairment charges and provisions for guarantees due to improving credit quality of loans, etc.: DKK 72m (H1 2017: DKK -120m)**
    - **The impairment charges included an increase of DKK 100m in the management's estimate relating to agricultural clients primarily due to the drought**
- **Capital ratio: 20.4%, of which the Common Equity Tier 1 capital ratio was 16.7% (end of 2017: 19.8% and 16.4%, respectively)**
- **Implementation of new share buy-back programme of up to DKK 1bn, running over the period 22 August to 28 December 2018**

Comments by Management

In connection with the publication of the interim financial report for the first half of 2018, Anders Dam, CEO and Managing Director states:

“In the first half of 2018, Jyske Bank generated a return of 10.5% on equity after tax and exclusive of effects derived from IFRS 9.

The first half of 2018 saw lending growth within banking as well as mortgage and leasing activities. Within banking, especially the corporate client segment is improving, while in the mortgage credit area growth was seen both within the personal as well as corporate client segments. Growth within leasing is broadly based.

The growth is supported by the good ranking achieved by Jyske Bank in various image and client satisfaction surveys. Most recently, Jyske Bank was the highest ranking bank in *Berlingske Business’ Guld Image 2018*.

Jyske Bank's capital position was strengthened further in the first half of 2018 through the sale of the Nordjyske Bank shareholding as well as the sale of a property in Lyngby. Given its capital ratio of 20.4% and the Common Equity Tier 1 capital ratio of 16.7%, Jyske Bank meets, already nine years ahead of schedule, the long-term objectives in respect of the new capital adequacy rules, which will take full effect as of 2027. A new share buy-back programme of up to DKK 1bn will be implemented, scheduled to run over the period 22 August to 28 December 2018’, ends Anders Dam.

Financial Review

Material circumstances

Nordjyske Bank shareholding
On 18 April 2018, Nordjyske Bank and Ringkjøbing Landbobank announced that the boards of directors of the two banks had entered into a merger agreement and recommended their shareholders to vote in favour of the merger.

Jyske Bank decided to support the planned merger of Nordjyske Bank and Ringkjøbing Landbobank, which was approved at the subsequent general meeting. Jyske Bank has sold the shares in Ringkjøbing Landbobank that Jyske Bank acquired following the merger.

Jyske Bank's conditional, voluntary offer to the shareholders of Nordjyske Bank, which was made in an offer document of 6 April 2018, ceased to apply when the merger was approved.

The profit for the first half of 2018 was affected by a total of DKK 544m after costs incurred.

Over a 3-year period, Jyske Bank has directly and indirectly earned about DKK 700m on its ownership of shares in Nordjyske Bank.

Implementation of new impairment rules, IFRS 9 and the Group's adjustment
IFRS 9 took effect on 1 January 2018. As a consequence of the new rules, impairment charges are calculated as the expected loss on all loans, advances and guarantees.

Due to the Group's implementation of and adjustment to IFRS 9, the balance of impairment charges increased on 1 January 2018 by DKK 1,035m. The profit for the first quarter was affected by DKK 407m and equity by DKK 628m before tax, and the overall effect was fully recognised in the financial statements and solvency ratio in the first quarter of 2018.

The Minimum requirement for own funds and eligible liabilities (MREL) and Standard and Poor's upgrade of outlook
For Jyske Bank, the Danish Financial Supervisory Authority (FSA) has defined the minimum requirement for own funds and eligible liabilities, the so-called MREL, at 12.7% of Jyske Bank's total liabilities and consolidated capital base, corresponding to 28.1% of the risk exposure amount. The MREL is to be met through capital instruments or a new class of senior debt, subordinated to the existing senior debt. The MREL takes effect on 1 January 2019 and must be met by 1 July 2019, but senior debt issued before 1 January 2018 can be included over the period up to and including 1 January 2022.

Calculations demonstrate that already today Jyske Bank meets the MREL, as the current senior issues will be able to meet the MREL over a transitional period until the end of 2021.

Based on the FSA's measurement of MREL as well as Jyske Bank's funding plan for the required issues, Standard & Poor's changed in April 2018 Jyske Bank's senior ratings to 'Positive Outlook' from 'Stable Outlook'. Jyske Bank's long-term and short-term senior ratings are A-/A-2.

Sale of properties
On 30 June 2018, Jyske Bank sold the property Klampenborgvej 205 in Kgs. Lyngby, which is the Head Office of Jyske Realkredit A/S (formerly BRFkredit a/s). The profit from the sale amounted to DKK 185m before tax and is recognised under other income. In addition, five properties in the Copenhagen area have been sold, due to which an earnings impact is expected in the third quarter of 2018, and one property was sold due to which an earnings impact is expected in the fourth quarter of 2018. The pre-tax profit is expected to be about DKK 100m to be recognised in the third quarter and about DKK 50m to be recognised in the fourth quarter.

Provisions reversed
In May 2017 a court in Gibraltar decided in favour of the plaintiffs in an action for damages filed against Jyske Bank Gibraltar, the so-called Marrache case. Due to the outcome of the subsequent appeal case, a reversal of DKK 96m was made in the second quarter of 2018, which amount was deducted from the core expenses of the period.

Capital actions
In early June, DLR shares of about DKK 170m were sold. The effect on capital from this will not be recognised until the third quarter of 2018.

The extraordinary general meeting on 14 August decided to cancel 4,214,000 Jyske Bank shares, corresponding to 4.73% of the company's share capital, which the bank bought back through a share buy-back programme over the period 1 March 2017 to 28 March 2018. The cancellation corresponds to a payout of DKK 1.5 bn to the bank's shareholders.

Net profit for the period

In the first half of 2018, the Jyske Bank Group generated a pre-tax profit of DKK 1,782m. Calculated tax amounted to DKK 361m, and after tax the profit amounted to DKK 1,421m. Post-tax profit, exclusive of derived effects from IFRS 9 amounted to DKK 1,738m, corresponding to a return of 10.5% p.a. on average equity compared to 10.2% in first half of 2017.

Core profit and net profit for the period (DKKm)

	H1 2018	H1 2017	Index 18/17	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Full year 2017
Net interest income	2,846	2,756	103	1,439	1,407	1,537	1,381	1,386	5,674
Net fee and commission income	905	867	104	399	506	654	436	420	1,957
Value adjustments	-106	443	-	-38	-68	38	96	97	577
Other income	304	207	147	239	65	-29	29	147	207
Income from operating lease (net)	47	-5	-	21	26	-6	-43	-21	-54
Core income	**3,996**	**4,268**	**94**	**2,060**	**1,936**	**2,194**	**1,899**	**2,029**	**8,361**
Core expenses	2,415	2,778	87	1,143	1,272	1,326	1,270	1,388	5,374
Core profit before loan impairment charges	**1,581**	**1,490**	**106**	**917**	**664**	**868**	**629**	**641**	**2,987**
Loan impairment charges	335	-120	-	27	308	-139	-194	-75	-453
Core profit	**1,246**	**1,610**	**77**	**890**	**356**	**1,007**	**823**	**716**	**3,440**
Investment portfolio earnings	536	457	117	129	407	-30	135	108	562
Pre-tax profit	**1,782**	**2,067**	**86**	**1,019**	**763**	**977**	**958**	**824**	**4,002**
Tax	361	452	80	208	153	197	210	185	859
Net profit for the period	**1,421**	**1,615**	**88**	**811**	**610**	**780**	**748**	**639**	**3,143**

Core profit

Core profit amounted to DKK 1,246m against DKK 1,610m in the first half of 2017. The decline can be attributed to an effect on income statement of DKK -407m relating to the adjustment to the new impairment rules, IFRS 9.

Core income

Net interest income amounted to DKK 2,846m against DKK 2,756m in the first half of 2017, i.e. an increase by 3%. Net interest income was favourably affected by growth in home loans as well as bank loans and advances to corporate clients. On the other hand, the market place is still characterised by competition and an ensuing pressure on margins. Compared to the first half of 2017, net interest income was also affected favourably by expiration at the end of January of senior debt issued by Jyske Realkredit. Net interest income on the trading portfolio of bonds contributed marginally to the increase compared to the same period in 2017. The strategic balance sheet and risk management contributed DKK 192m in the form of net interest income against DKK 152m in the first half of 2017. The reason for the increase is that, since the beginning of 2018, the return on parts of the Group's bond portfolio is recognised as core income rather than investment portfolio earnings, which affects net interest income positively and value adjustments negatively. The overall effect on net interest income and value adjustments from the strategic balance sheet and risk management is shown in the table below.

Strategic balance sheet and risk management (DKKm)

	H1 2018	H1 2017	Index 18/17	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Full year 2017
Net interest income	147	152	97	75	72	87	77	67	316
Value adjustments	-87	-14	621	-26	-61	-41	8	-44	-46
Banking activities, total	**60**	**138**	**43**	**49**	**11**	**46**	**85**	**23**	**270**
Net interest income*	45	0	-	24	21	0	0	0	0
Value adjustments*	-60	0	-	-41	-19	0	0	0	0
Mortgage activities, total*	**-15**	**0**	**-**	**-17**	**2**	**0**	**0**	**0**	**0**
Jyske Bank Group, total	**45**	**138**	**33**	**32**	**13**	**46**	**85**	**23**	**270**

*As of the beginning of 2018, the return on Jyske Realkredit's portfolio of securities (investment portfolio earnings) is recognised as core income and then included in the strategic balance sheet and risk management.

Given a parallel yield increase by 100 bp on the current yield curve, the Group's net interest income is - all other things being equal - expected to increase by almost DKK 500m over the first year. The effect from client-related activities as well as hedging of these amount to about DKK 200m. The remaining part can primarily be attributed to the fact that the Bank's equity is invested in interest-bearing instruments, and these will yield a higher return. Provided a positive slope of the yield curve following a parallel yield increase by 100 bp, a gradually higher effect is expected in the subsequent years. The change in net interest income will in actual fact only materialise when Danmarks Nationalbank, the central bank of Denmark, hikes its leading rates.

Net fee and commission income amounted to DKK 905m against DKK 867m in the first half of 2017, i.e. an increase by 4%. The increase can primarily be attributed to other fee income, as Jyske Invest Fund Management became part of the Jyske Bank Group at the beginning of the second quarter of 2017, and since the fourth quarter of 2017 losses are no longer offset in fee income from DLR Kredit as these are instead recognised as impairment charges. Activity-driven fees within payment services and loan application fees also increased, whereas fees relating to investing activity and refinancing fell. The reason for the fall relating to the latter is that Jyske Realkredit had a lower level of refinancing in the second quarter. In respect of investing activity, the fall can be attributed to performance fees and lower commission rates for mutual fund units.

Value adjustments amounted to DKK -106m against DKK 443m in the first half of 2017. In 2017, the credit spread for Danish mortgage bonds narrowed significantly, which had a positive effect on the value adjustments of the bond portfolios - both the trading and the liquidity portfolio. Hence value adjustments for the strategic balance sheet and risk management amounted to DKK -147m in the first half of 2018 compared to DKK -14m for the same period in 2017. To this must be added that client transactions relating to interest-rate hedging had an adverse effect by DKK 12m in the first half of 2018 against a positive effect of DKK 123m in the same period in 2017.

Other income amounted to DKK 304m against DKK 207m in the first half of 2017. In these two six-month periods, DKK 185m and DKK 96m, respectively, were recognised in relation to sales of owner-occupied properties.

Core expenses

Core expenses fell by 13% to DKK 2,415m against DKK 2,778m in the same period in 2017, which period was affected by one-off expenses totalling DKK 237m. In the first half of 2018, DKK 96m were reversed in connection with the Marrache case on Gibraltar. Adjusted for this as well as one-off expenses in the first half of 2017, core expenses fell by 1%.

Employee costs fell despite the fact that the increase in salaries prescribed by the collective agreement and an increase in payroll taxes total about 2.5% p.a. At the end of the first half of 2018, the number of full-time employees in the Group was 3,786, i.e. a reduction by 146 full-time employees relative to the number at the end of 2017.

Impairment charges

Under core profit, loan impairment charges and provisions for guarantees of DKK 335m were recognised as an expense against reversals of DKK 120m in the same period in 2017. The implementation of IFRS 9 on 1 January 2018 and the Group's adjustment to these standards affected the profit for the period by DKK -407m, as the effect from the changed estimates at Jyske Realkredit are recognised as an expense in the income statement as opposed to the effect at Jyske Bank, as here the effect is deducted directly in equity.

Hence, over the period, the underlying credit quality resulted in a reversal of DKK 72m. Hence, the underlying credit quality was still improving, and the inflow of new non-performing loans continued to be at a low level for both corporate and personal clients, and a lower indication of impairment was seen for existing non-performing loans.

At the of the first half of the year, the management's estimate amounted to DKK 390m against DKK 466m at the end of 2017 and DKK 290m at the end of the first quarter of 2018. The reason for the increase compared to the end of the first quarter of 2018 is that the management's estimate relating to agricultural clients was increased from DKK 100m to DKK 200m primarily to cover the financial consequences of the drought in Denmark in recent months.

Investment portfolio earnings

Investment portfolio earnings (DKKm)	H1 2018	H1 2017	Index 18/17	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Full year 2017
Net interest income	57	192	30	21	36	61	77	94	330
Net fee and commission income	0	0	-	0	0	-1	-2	0	-3
Value adjustments	442	238	86	114	328	-84	65	16	219
Other income	53	43	123	4	49	2	2	6	47
Income	**552**	**473**	**117**	**139**	**413**	**-22**	**142**	**116**	**593**
Expenses	16	16	100	10	6	8	7	8	31
Investment portfolio earnings	**536**	**457**	**117**	**129**	**407**	**-30**	**135**	**108**	**562**

For the first half of 2018, investment portfolio earnings amounted to DKK 536m against DKK 457m for the corresponding period in 2017. Of the total investment portfolio earnings, value adjustment and the return on the portfolio of Nordjyske Bank shares amounted to DKK 544m, of which DKK 188m can be attributed to the second quarter of 2018.

The development of net interest income was adversely affected by the move of a large part of the bond holding to core income. To this must be added an effect from the reinvestment of high-yield bonds after maturity in low-yield bonds.

The credit spread on Danish mortgage bonds was fairly unchanged in the second quarter of 2018. Over the six-month period as a whole, the spread widened moderately. Contrary to the first half of 2017, this resulted in negative value adjustments of the holding of Danish mortgage bonds.

Due to the fact that the majority of the bonds portfolio was moved to become part of the core business, the effect from the investment portfolio on profit will structurally be moderate in future. Given the new structure, the investment portfolio will only contain tactical interest-rate positions to a moderate degree, the Group's currency positions and, to a modest degree, equities and corporate bonds.

Q2 of 2018 compared to Q1 of 2018

In the second quarter of 2018, the pre-tax profit amounted to DKK 811m against DKK 610m in the first quarter.

Core income increased from DKK 1,936m in the first quarter to DKK 2,060m in the second quarter. The primary reason for the increase was that other income was positively affected by the recognition of DKK 185m profit from the sale of an owner-occupied property. Net interest income amounted to DKK 1,439m against DKK 1,407m in the first quarter. In the second quarter, net fee and commission income amounted to DKK 399m against DKK 506m in the first quarter. The decline could be attributed to several circumstances: In the first quarter, annual commission income was settled in respect of Letpension, and at the same time performance fees of DKK 23m were realised. In the second quarter, no performance fees were realised, and also the quarter saw a lower level of refinancing at Jyske Realkredit.

Core expenses amounted to DKK 1,143m against DKK 1,272m in the first quarter. The majority of the decline was caused by reversal of provisions of DKK 96m relating to the Marrache court case on Gibraltar, but also a falling number of employees and the general focus on costs.

Impairment charges amounted to an expense of DKK 27m compared to an income of DKK 99m in the first quarter disregarding the amount of DKK 407m relating to IFRS 9 adjustments. The change can primarily be attributed to an increase by DKK 100m of the management's estimate relating to agricultural clients.

The holding of Nordjyske Bank shares had a positive effect of DKK 356m on the investment portfolio earnings in the first quarter. The second quarter saw a positive effect of DKK 188m. The holding was sold in connection with the merger of Nordjyske Bank and Ringkjøbing Landbobank in June.

Business volume

Summary of balance sheet, end of period (DKKbn)	H1 2018	H1 2017	Index 18/17	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Full year 2017
Loans and advances	455.4	435.0	105	455.4	447.7	447.7	441.0	435.0	447.7
- of which mortgage loans	314.4	295.8	106	314.4	309.4	306.8	303.0	295.8	306.8
- of which traditional bank loans and advances	104.4	98.6	106	104.4	102.5	101.3	99.1	98.6	101.3
- of which new home loans	12.2	11.7	104	12.2	13.3	12.2	11.0	11.7	12.2
- of which repo loans	24.4	28.9	84	24.4	22.5	27.4	27.9	28.9	27.4
Bonds and shares, etc.	81.0	76.0	107	81.0	75.1	79.1	75.2	76.0	79.1
Total assets	593.0	579.9	102	593.0	593.2	597.4	584.7	579.9	597.4
Deposits	155.1	157.2	99	155.1	155.1	160.0	154.9	157.2	160.0
- of which bank deposits	135.3	134.1	101	135.3	136.4	139.9	134.0	134.1	139.9
- of which repo deposits and tri-party deposits	19.8	23.1	86	19.8	18.7	20.1	20.9	23.1	20.1
Issued bonds at fair value	308.9	285.5	108	308.9	307.9	302.6	295.2	285.5	302.6
Issued bonds at amortised cost	31.2	42.0	74	31.2	30.1	38.9	38.8	42.0	38.9
Subordinated debt	4.3	4.3	100	4.3	4.3	4.3	4.3	4.3	4.3
Holders of hybrid core capital	2.5	1.5	167	2.5	2.5	2.6	2.6	1.5	2.6
Shareholders' equity	32.3	31.3	103	32.3	31.5	32.0	31.8	31.3	32.0

Mortgage loans at fair value amounted to DKK 314.4bn at the end of the first half of 2018, corresponding to an increase by almost DKK 8bn relative to the level at the end of 2017. Driven by loans and advances to corporate clients, traditional bank loans and advances had at the end of the first half of 2018 increased to DKK 104.4bn against DKK 101.3bn at the end of 2017.

At the end of the first half of 2018, bank deposits exclusive of repo deposits amounted to DKK 135.3bn, i.e. a decline by almost DKK 5bn relative to the level at the end of 2017.

At the end of the first half of 2018, the business volume within asset management amounted to DKK 148bn compared to DKK 145bn at the end of 2017 and DKK 142bn at the end of the first quarter of 2018. The second quarter of the year saw falling volatility and rising prices for most asset classes, which more or less offset the declines in the first quarter of the year. The overall return for the clients was therefore practically neutral. The period saw an unchanged inflow of new funds from most client segments, where particularly the second quarter saw a very decent inflow from the professional segments.

Credit quality

The Group's total balance of loan impairment charges and provisions as well as its discount balance amounted to DKK 6.1 bn at the end of 2018 against DKK 5.7bn at the end of 2017, corresponding to 1.3% and 1.2% of the total balance of loans, advances and guarantees.

The increase of the balance can be attributed to the Group's adjustment to the new impairment rules, IFRS 9, which took effect on 1 January 2018. IFRS 9 implies earlier recognition of impairment charges on financial assets at amortised cost, provisions for losses on guarantees as well as unutilised credit lines. Therefore, already at the first recognition, impairment charges corresponding to a 12-month expected credit loss must be recognised. If, subsequently, the credit risk on the asset increases materially, the expected credit loss over the remaining life of the loan will be recognised.

Financial assets are divided into three stages depending on the deterioration of the debtor's credit rating relative to the first recognition. For exposures in stage 1, impairment charges corresponding to probability-weighted losses over the following 12 months are recognised, while for exposures in stages 2 and 3 impairment charges corresponding to losses expected over the remaining life of the exposures are recognised.

The assessment of the indication of impairment for stage 3 assets is based on individual expert assessments of the probability-weighted expected loss. The new rules have not resulted in any material changes in the extent of impairment of these exposures.

The table below shows the balance of loan impairment charges and provisions for guarantees broken down by IFRS 9 category.

Loans, advances and guarantees(DKKm)	Q2 2018	Q1 2018
Loans, advances and guarantees	473,558	465,834
Stage 1: Assets without material deterioration in credit quality	618	628
Stage 2: Assets with significant deterioration in credit quality	1,276	1,351
Stage 3: Assets in default	3,821	3,849
Balance of loan impairment charges and provisions for guarantees	**5,715**	**5,828**
Discounts on acquired loans	403	454
Total balance of loan impairment charges and provisions for guarantees incl. balance of discounts	**6,118**	**6,282**
Non-accrual loans and past due exposures	1,400	1,419
Operational loan impairment charges and provisions for guarantees	27	308
Operating loss	282	429

At the end of the first half of 2018, non-performing loans and guarantees amounted to DKK 11.1bn against DKK 12.1bn at the end of the first quarter 2018. The decline reflects the general improvement of the loan portfolio. The significant decline from the end of 2017 to the end of the first quarter can materially be attributed to the changed definition of non-performing in consequence of the implementation of IFRS 9. The statement of non-performing exposures is still based on the EBA's technical standard.

Non-performing loans and advances (DKKm)

	H1 2018	H1 2017	Index 18/17	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Full year 2017
Loans, advances and guarantees	473,558	453,525	104	473,558	465,834	466,402	459,709	453,525	466,402
Non-performing loans and guarantees	11,106	20,647	54	11,106	12,064	18,692	19,637	20,647	18,692
Impairment charges and provisions	3,706	5,384	69	3,706	3,721	4,748	5,250	5,384	4,748
Discounts on acquired loans	301	664	45	301	356	590	569	664	590
Non-performing loans and guarantees after impairment charges	7,099	14,599	49	7,099	7,987	13,354	13,818	14,599	13,354
NPL ratio	1.5%	3.2%	-	1.5%	1.7%	2.9%	3.0%	3.2%	2.9%
NPL coverage ratio	36.1%	29.3%	-	36.1%	33.8%	28.0%	29.6%	29.3%	28.0%

Agriculture

The current drought in Denmark results in steep declines in plant production. The drought has also affected other parts of Europe, and therefore, to some extent, it is to be expected that a spill-over effect on grain prices will be seen. This will have financial consequences for plant producers, yet also for pig farming and dairy farmers, depending on the degree of self-sufficiency. Consequently the management's estimate for agricultural clients have been raised from DKK 100m at the end of the first quarter of 2018 to DKK 200m at the end of the second quarter of 2018, which is included in the table below.

Dairy farmers, pig farming and plant production (DKKm / %)

	Loans, advances and guarantees		Balance of loan impairment charges and provisions for guarantees		Impairment ratio	
	Q2 2018	Q4 2017	Q2 2018	Q4 2017	Q2 2018	Q4 2017
Dairy farmers	893	917	492	529	36%	37%
Pig farming	1,433	1,161	312	329	18%	22%
Plant production	2,187	1,758	86	122	4%	7%
Total	**4,513**	**3,836**	**890**	**980**	**17%**	**20%**

At the end of the first half of 2018, the impairment ratios for dairy farmers and pig farming were 36% and 18%, respectively, against 37% and 22%, respectively, at the end of 2017. For plant production, the impairment ratio was 4% against 7% at the end of 2017.

Capital and liquidity management

Capital management

Jyske Bank's long-term capital management objective after the implementation of the new Basel recommendations is a capital ratio of 17.5% and a Common Equity Tier 1 capital ratio of 14%. At these levels, Jyske Bank will have a safe distance to the capital base requirements and will at the same time have the required strategic scope.

On the basis of the Basel recommendations published in December 2017, Jyske Bank assesses that an increase by up to 3 percentage points relative to the capital targets will be necessary to meet the Banks long-term target when the revised Basel recommendations have been fully phased in.

At the end of the first half of 2018, the capital ratio was 20.4% and the Common Equity Tier 1 capital ratio 16.7%, and therefore the Group meets the long-term targets, inclusive of the effect from the Basel recommendations. At the end of 2017, the capital ratios were 19.8% and 16.4%, respectively.

The Bank's target, in the long term, is to ensure a risk-adjusted capital ratio (RAC) determined by S&P at the level of 10.5% in order to maintain the score 'strong' in the category 'capital and earnings'. At the end of the first half of 2018, RAC was calculated at 10.3% against 10.2% at the end of 2017. The Group's RAC was negatively affected by the new financial reporting standard for impairment, IFRS 9. The negative effect was more than offset by the positive effect from the sale of the holding of Nordjyske Bank shares.

In future, Jyske Bank will aim to pay out - in the form of dividend and share buy-backs - surplus capital when the capital position at the time in question allows for this.

Capital and core capital ratios

	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	End of 2017
Capital ratio	20.4	20.0	19.8	19.8	19.4	19.8
Core capital ratio incl. hybrid capital (%)	18.4	18.2	18.0	18.0	17.6	18.0
Common Equity Tier 1 capital ratio (CET 1) (%)	16.7	16.5	16.4	16.2	16.5	16.4

The Jyske Bank Group's total weighted risk exposure amounted to DKK 185bn at the end of the first half of 2018 against DKK 188bn at the end of 2017. The Jyske Bank Group's total weighted risk exposure with credit risk amounted to DKK 153bn, corresponding to 83% of the total weighted risk exposure. An increase by DKK 3.6bn in the total weighted risk exposure with credit risk can be attributed to an increase in loans and advances as well as reclassification of bonds from market risk to credit risk.

Capital

In the first half of 2018, Jyske Bank did not issue any further AT 1 or Tier 2 capital, but the general adjustment and capital restructuring continue. Additional DLR shares in the amount of about DKK 170m were sold, setting off the overall risk exposure in the third quarter of 2018.

For Jyske Bank, the FSA has defined the minimum requirement for own funds and eligible liabilities (the so-called MREL) at 12.7% of Jyske Bank's total liabilities and consolidated capital base, corresponding to 28.1% of the risk exposure amount. The MREL takes effect on 1 January 2019 and must be met by 1 July 2019, but senior debt issued before 1 January 2018 can be included over the period up to and including 1 January 2022.

Calculations demonstrate that already today Jyske Bank meets the MREL, as the current senior issues will be able to meet the MREL over a transitional period until the end of 2021.

The extraordinary general meeting on 14 August decided to cancel 4,214,000 Jyske Bank shares, corresponding to 4.73% of the company's share capital, which the bank bought back through a share buy-back programme over the period 1 March 2017 to 28 March 2018. The cancellation corresponds to a payout of DKK 1.5bn to the bank's shareholders.

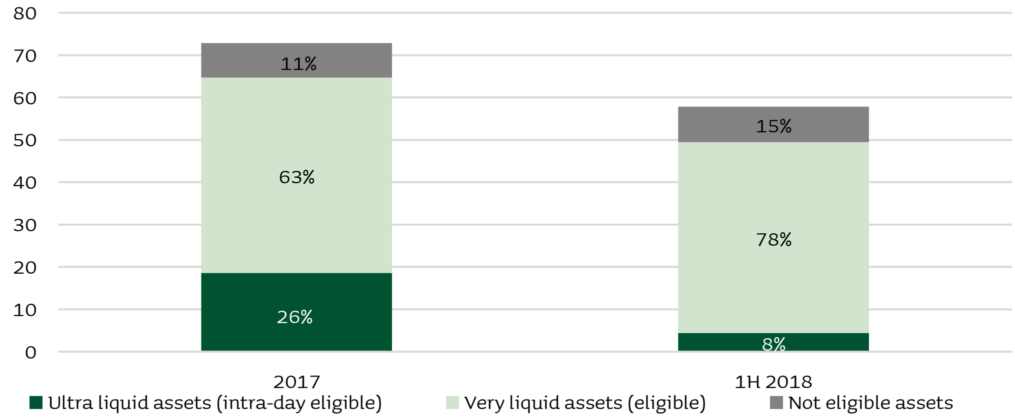
It has been decided to implement a new share buy-back programme of up to DKK 1bn, running over the period 22 August to 28 December 2018.

Individual solvency requirement and capital buffer
At the end of the first half of 2018, the Jyske Bank Group calculated its individual solvency requirement to be 10.1% of the total weighted risk exposure against 10.2% at the end of 2017. To this must be added a SIFI requirement of 1.2% and a capital conservation buffer of 1.9%.

Compared with the actual capital base of DKK 37.7bn, the capital buffer amounted at the end of the first half of 2018 to DKK 13.3bn, corresponding to 7.2%. At the end of 2017, the capital buffer was at DKK 13.9bn, corresponding to 7.4%.

Liquidity buffer
At the end of the first half of 2018, the Jyske Bank Group's liquidity buffer amounted to DKK 58bn against DKK 73bn at the end of 2017. The buffer consisted mainly of ultra-liquid and very liquid assets in the form of deposits with central banks as well as government bonds, Danish mortgage bonds and covered bonds ('SDO'). The lower level of the liquidity buffer can be attributed to the fact that the Group's deposits were reduced over a period with lending growth, and at the same time, due the more expensive financing in the CP market, conditions for obtaining additional liquidity in this market were no longer at their optimum. Despite the lower buffer level, the LCR and internal liquidity targets were met due to the very large buffer, as the Group's outgoing liquidity flows were modest.

Liquidity buffer by asset class (DKKbn)



The robustness of the liquidity buffer is determined by measuring it in a stress scenario presuming that the Group will be precluded from re-financing in the international financial money markets for unsecured senior debt. Under such a scenario, the buffer will after a 12-month period amount to DKK 36 bn.

Liquidity buffer and run-off (DKKbn)

	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	End of 2017
End of period	57.9	64.0	72.8	69.0	72.1	72.8
3 mths.	49.9	49.3	54.2	56.0	63.6	54.2
6 mths.	44.7	46.6	49.6	42.5	55.3	49.6
9 mths.	40.9	40.3	47.8	38.5	42.8	47.8
12 mths.	36.2	36.9	42.8	37.4	38.5	42.8

Capital markets and issuance activity

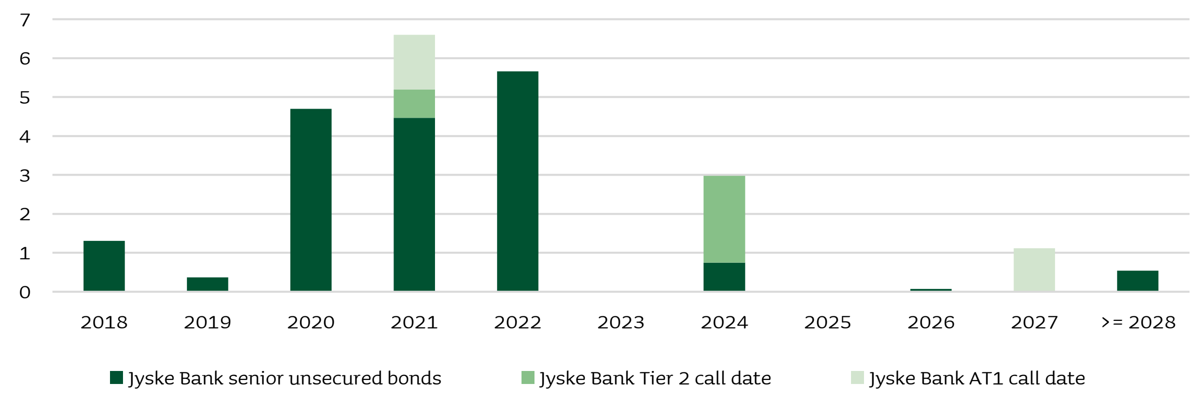
Following the very low levels in 2017, the credit spreads have again increased in the course of the first half of 2018. The biggest and most significant credit spread widenings were in the asset class Tier 2 capital as well as Additional Tier 1 Capital (AT1). Senior debt, and also, in particular, new eligible liabilities for compliance with the banks' MREL became significantly more expensive in the first half of 2018.

Throughout 2017, the Group was an active issuer in the international capital markets. Therefore, there was no need for long-term issues in the first half of 2018. However, the Group is on an on-going basis active in the French CP market. At the end of the first half of 2018, the volume of outstanding bonds issued under the CP programme amounted to DKK 15.6bn against DKK 16bn at the end of 2017.

Refinancing profile

At the end of the first half of 2018, outstanding unsecured senior debt and subordinated Tier 2 capital under the Group's EMTN programme amounted to DKK 15.6bn and DKK 3.3bn, respectively, which levels were practically unchanged compared to those at the end of 2017. The run-off profile for the Group's unsecured senior debt as well as the call date profile on the Group's CRD 4 compliant Tier2 and AT1 capital determined at the end of the first half of 2018 are illustrated by the below chart.

Run-off and call date profile (DKKbn)



Funding plans, MREL and credit rating

The EU's bank recovery and resolution directive (BRRD) was adopted with effect as of 1 January 2018. The act will introduce a new layer to the creditor hierarchy for financial services companies and a new type of debt in the form of contractual subordinated senior debt (senior non-preferred; SNP). SNP bonds are positioned between regular unsecured senior debt and subordinated debt. It is expected that over the next 4 years, the Group's outstanding unsecured senior debt will gradually be replaced with senior non-preferred debt (SNP). Therefore the funding plan includes an annual SNP benchmark bond issue in the amount of EUR 500m. It is expected that SNP issues will total EUR 2.0bn to 2.5bn by the end of 2021. The Group's first SNP issue in the EUR benchmark format has been planned for the second half of 2018.

Based on the FSA's measurement of MREL as well as Jyske Bank's funding plan for the required issues, Standard & Poor's changed in April 2018 its view of Jyske Bank's senior ratings to 'positive outlook' from 'stable outlook'. Jyske Bank's long-term and short-term senior ratings are A-/A-2.

Liquidity Coverage Ratio (LCR)
At the end of the first half of 2018, the Group's LCR was at 209% compared to 189% at the end of 2017. The Group's internal guideline points to a LCR for the Group of at least 150%. The Group's LCR buffer after haircuts at the end of the first half of 2018 is shown below:

The Group's LCR buffer broken down by asset class (DKKbn/%)

	DKKbn	%
Level 1a	24.7	37.8
Level 1b	37.4	57.0
Level 2a + 2b	3.4	5.2
Total	**65.5**	**100.0**

Being a Danish systemically important financial institution, Jyske Bank must meet a modified LCR requirement in EUR. At the end of the first half of 2018, Jyske Bank met the requirement due to its significant buffer.

As of 30 June 2018, Jyske Bank must also meet the FSA's liquidity benchmark in the supervisory diamond. The benchmark is a simplified version of LCR with a longer survival horizon of 90 days. At the end of the first half of 2018, the benchmark for Jyske Bank was at 166%.

Other information

The supervisory diamond for Jyske Bank A/S

The supervisory diamond defines a number of special risk areas including specified limits that financial institutions should generally not exceed.

The supervisory diamond for Jyske Bank A/S

	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	End of 2017
Sum of large exposures <175% of Common Equity Tier 1 capital*	73%	74%	72%	73%	79%	72%
Increase in loans and advances < 20% annually	4%	4%	2%	2%	3%	2%
Exposures to property administration and property transactions < 25% of total loans and advances	10%	10%	9%	9%	9%	9%
Stable funding < 1	0.58	0.59	0.56	0.57	0.57	0.56
Liquidity benchmark > 100% **	166%	-	-	-	-	-

*The benchmark for total large exposures was changed in 2018. Comparative figures have been restated accordingly.
**At the end of the second quarter of 2018, the liquidity benchmark was changed to LCR at a three-month horizon. It was not possible to show adjusted comparative figure.

Jyske Bank A/S meets all the benchmarks of the supervisory diamond.

The supervisory diamond for Jyske Realkredit A/S

The supervisory diamond defines a number of special risk areas including specified limits that financial institutions should generally not exceed. The supervisory diamond takes effect in 2018 and 2020, respectively.

The supervisory diamond for Jyske Realkredit A/S

	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	End of 2017
Concentration risk < 100%	50.3%	49.4%	47.5%	57.0%	60.5%	47.5%
Increase in loans and advances < 15% annually in the segment:						
Owner-occupied homes and vacation homes	5.2%	7.0%	11.7%	12.1%	14.4%	11.7%
Residential rental property	7.8%	7.9%	6.6%	6.6%	9.9%	6.6%
Agriculture	-	-	-	-	-	-
Other sectors	5.9%	6.5%	5.2%	4.5%	3.6%	5.2%
Borrower's interest-rate risk < 25%						
Residential property	19.9%	20.1%	20.8%	20.8%	22.0%	20.8%
Interest-only schemes < 10%						
Owner-occupied homes and vacation homes	7.4%	7.5%	7.9%	7.9%	8.3%	7.9%
Loans with frequent interest-rate fixing:						
Refinancing (annually) < 25%	12.5%	20.8%	19.9%	24.9%	20.7%	19.9%
Refinancing (quarterly) < 12.5%	0.0%	5.5%	4.7%	7.0%	4.0%	4.7%

Jyske Realkredit A/S meets all the benchmarks of the supervisory diamond.

Additional information

For further information, please see www.jyskebank.info. Here you will find an interview with Anders Dam, CEO and Managing Director, detailed financial information as well as Jyske Bank's Annual Report 2017 and Risk and Capital Management 2017, which give further information about Jyske Bank'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 Jyske Bank.

Also, please see www.brf.dk. Jyske Realkredit's interim financial report for the first half of 2018, the Annual Report for 2017 and detailed financial information about Jyske Realkredit are available on that website.

Contacts:

Anders Dam (+45 89 89 89 89)
Birger Krøgh Nielsen (+45 89 89 64 44)

Business segments

The business segments reflect all activities with respect to banking, mortgage finance and leasing, inclusive of investing activities relating to clients' regular transactions. The investment portfolio earnings of the legal entities relate to the activities of the relevant entities.

Banking activities

Summary of income statement (DKKm)	H1 2018	H1 2017	Index 18/17	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Full year 2017
Net interest income	1,587	1,604	99	798	789	938	815	800	3,357
Net fee and commission income	873	805	108	405	468	572	391	393	1,768
Value adjustments	-61	424	-	-20	-41	13	97	82	534
Other income	91	183	50	34	57	-34	21	136	170
Core income	**2,490**	**3,016**	**83**	**1,217**	**1,273**	**1,489**	**1,324**	**1,411**	**5,829**
Core expenses	1,950	2,253	87	906	1,044	1,083	1,014	1,117	4,350
Core profit before loan impairment charges	**540**	**763**	**71**	**311**	**229**	**406**	**310**	**294**	**1,479**
Loan impairment charges	-133	-256	52	21	-154	-239	-201	-113	-696
Core profit	**673**	**1,019**	**66**	**290**	**383**	**645**	**511**	**407**	**2,175**
Investment portfolio earnings	536	393	136	129	407	-16	136	88	513
Pre-tax profit	**1,209**	**1,412**	**86**	**419**	**790**	**629**	**647**	**495**	**2,688**

Summary of balance sheet, end of period (DKKbn)	H1 2018	H1 2017	Index 18/17	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Full year 2017
Loans and advances	123.3	123.5	100	123.3	121.5	124.6	122.0	123.5	124.6
- of which traditional loans and advances	86.7	82.9	105	86.7	85.7	85.0	83.1	82.9	85.0
- of which new home loans	12.2	11.7	104	12.2	13.3	12.2	11.0	11.7	12.2
- of which repo loans	24.4	28.9	84	24.4	22.5	27.4	27.9	28.9	27.4
Total assets	232.9	242.9	96	232.9	238.1	240.4	238.5	242.9	240.4
Deposits	154.9	157.0	99	154.9	154.8	159.8	154.6	157.0	159.8
- of which bank deposits	135.1	133.9	101	135.1	136.1	139.7	133.7	133.9	139.7
- of which repo deposits and tri-party deposits	19.8	23.1	86	19.8	18.7	20.1	20.9	23.1	20.1
Issued bonds	31.2	38.3	81	31.2	30.1	37.0	35.9	38.3	37.0

Core profit

Core profit from banking activities amounted to DKK 673m against DKK 1,019m for the corresponding period in 2017. The decline in core profit can primarily be attributed to value adjustments.

Core income

Net interest income amounted to DKK 1,587m and was 1% below the level in the first half of 2017. Run-off of senior debt at Jyske Realkredit has been replaced by issues under banking activities, and therefore the savings on interest expenses will to some extent be offset by increasing interest expenses here. Compared to the first half of 2017, the growth in the lending volume of home loans and bank loans and advances for corporate clients sufficed to offset the decline in bank loans and advances to personal clients and the pressure on interest rate margins on bank loans and advances for corporate clients. Net interest income due to the strategic balance sheet and risk management was supported by the move of bonds from the investment portfolio and contributed therefore DKK 147m against DKK 152m over the same period last year.

Net fee and commission income increased by 8% relative to the first half of 2017. Progress was seen for all types, except for investment-related fees. In connection with the latter, lower performance fees were realised. To this must be added that a number of mutual funds have reduced the commission rates for their mutual fund units.

Value adjustments amounted to DKK -61m against DKK 424m in the first half of 2017. To a considerable extent, widening of credit spreads on Danish mortgage bonds had a negative effect on value adjustments of bond holdings, including the liquidity portfolio. Hence value adjustments of the liquidity portfolio is the most important explanation why value adjustments for the strategic balance sheet and risk management amounted to DKK -87m in the first half of 2018 compared to DKK -14m for the same period in 2017. To this must be added that client transactions relating to interest-rate hedging had an adverse effect by DKK 12m in the first half of 2018 against a positive effect of DKK 123m in the same period in 2017.

Other income amounted to DKK 91m against DKK 183m in the first half of 2017. In 2017, an income of DKK 96m was recognised in connection with the sale of an owner-occupied property.

Core expenses

For the first half of 2018, core expenses amounted to DKK 1,950m against DKK 2,253m for the corresponding period in 2017, i.e. a decline by 13%. In the second quarter of 2018, a reversal was made in the amount of DKK 96m relating to provisions made for a court case on Gibraltar. When disregarding the one-off expenses of DKK 205m in 2017 and the reversal in the second quarter of 2018, core expenses were in line with those in the first half of 2017.

Impairment charges

In the first half of 2018, impairment charges in the amount of DKK 133m were reversed against DKK 256m in the first half of 2017. The underlying credit quality was still improving, and the inflow of new non-performing loans continued to be at a low level for both corporate and personal clients, and a lower indication of impairment was seen for existing non-performing loans.

Business volume

Traditional loans and advances amounted to DKK 86.7bn against DKK 85.0bn at the end of 2017. Hence, this was the fifth quarter in a row where an increase in traditional bank loans and advances was recorded.

Bank deposits amounted to DKK 135.1bn and fell relative to the end of 2017, at which time they amounted to DKK 139.7bn.

Q2 of 2018 compared to Q1 of 2018

Pre-tax profit for the second quarter of 2018 amounted to DKK 419m against DKK 790m for the first quarter of 2018. The primary reason for the decline was that investment portfolio earnings for the first quarter included an income of DKK 356m relating to Nordjyske Bank shares compared to DKK 188m in the second quarter. To this must be added that in the second quarter impairment charges amounted to an expense of DKK 21m compared to an income of DKK 154m in the first quarter. In the second quarter of 2018, the management's estimate relating to agricultural clients was raised by DKK 100m and amounted then to DKK 200m. The increase was primarily made with a view to covering the financial consequences of the drought in Denmark in recent months.

Net interest income still developed in a stable manner - volume growth compensated for pressure on margins.

In the second quarter, net interest income from the strategic balance sheet and risk management was favoured by the move from the own securities portfolio, yet negatively affected by the transfer to Murex at the end of May, as up-front fees on swaps will in future be recognised as income in the form of value adjustments rather than interest. In future, the negative effect on net interest income will - all other things being equal - amount to DKK 10m-15m per quarter.

Net fee income amounted to DKK 405m against DKK 468m in the first quarter, i.e. a decrease by 13%. The reason for this is the decline in performance fees, and also that various annual commission income was settled in the first quarter, for instance, Letpension.

Core expenses amounted to DKK 906m, corresponding to a decline by 13% relative to the first quarter. The most important reason for this was the reversal of provisions in the amount of DKK 96m for a court case on Gibraltar. To this must be added the still falling number of employees and the general focus on costs.

Mortgage activities

Summary of income statement (DKKm)

	H1 2018	H1 2017	Index 18/17	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Full year 2017
Administration margin income, etc.[1]	937	932	101	472	465	481	468	474	1,881
Other net interest income	48	-34	-	29	19	4	-31	-19	-61
Net fee and commission income	91	116	78	25	66	77	69	53	262
Value adjustments	-59	5	-	-32	-27	24	0	2	29
Other income	206	17	1,212	202	4	4	5	8	26
Core income	**1,223**	**1,036**	**118**	**696**	**527**	**590**	**511**	**518**	**2,137**
Core expenses	374	437	86	192	182	199	212	225	848
Core profit before loan impairment charges	**849**	**599**	**142**	**504**	**345**	**391**	**299**	**293**	**1,289**
Loan impairment charges	469	120	391	41	428	102	-20	28	202
Core profit	**380**	**479**	**79**	**463**	**-83**	**289**	**319**	**265**	**1,087**
Investment portfolio earnings	0	64	-	0	0	-14	-1	20	49
Pre-tax profit	**380**	**543**	**70**	**463**	**-83**	**275**	**318**	**285**	**1,136**

[1] Administration margin income, etc. covers administration margin income as well as interest rate margin on jointly funded loans.

Summary of balance sheet (DKKbn)

Mortgage loans	314.4	295.8	106	314.4	309.5	306.8	303.0	295.8	306.8
Total assets	339.7	318.1	107	339.7	335.6	337.8	327.1	318.1	337.8
Issued bonds	308.9	289.2	107	308.9	307.9	304.5	298.1	289.2	304.5

BRFkredit a/s has changed its name to Jyske Realkredit A/S. The change of name was approved by the extraordinary general meeting of BRFkredit, held on 21 June 2018.

As of 2018, the return on Jyske Realkredit's portfolio of securities (investment portfolio earnings) is recognised as core income under 'Other net interest income' and 'Value adjustments, etc.' as the purpose of the portfolio of securities is now primarily to support mortgage operations, including compliance with LCR rules, etc.

Profit
The pre-tax profit on mortgage activities amounted to DKK 380m against DKK 543m for the same period in 2017. The profit was affected by the implementation of the new IFRS 9-derived impairment rules, which resulted in a one-off adjustment of impairment charges by DKK 407m and also by the sale of the owner-occupied property Klampenborgvej 205, Kgs. Lyngby, which resulted in an accounting gain of DKK 185m under Other income. Exclusive of the above special items, pre-tax profit amounted to DKK 602m.

Core income
Administration margin income amounted to DKK 937m in the first half of 2018 against DKK 932m in the same period of 2017. Administration margin income was positively affected by the increasing portfolio, yet negatively affected by falling average administration margin rates. The increase within the Personal client area related primarily to Jyske Bank's home loans. For the remaining products in the Personal client area, a minor decline of the average administration margin rate was recorded, which could be attributed to a shift to fixed-rate loans, etc. and/or amortized loans, for which administration margins and the risk are lower. In respect of the Corporate client area, the falling administration margin rates can chiefly be attributed to the decline in the portfolio of weak loans with high administration margin rates due to redemptions, among other things. Moreover, in the first half of 2017, a non-recurring income relating to an individual major corporate client was recognised.

Other Net interest income interest income consists, among other things, of interest on the portfolio of securities in 2018, interest expenses for senior debt incurred in order to comply with SDO and rating requirements, as well as various interest income. The item amounted to an income of DKK 48m in the first half of 2018 against an expense of DKK 34m in the first half of 2017. The increase can be attributed to the reclassification of Jyske Realkredit's security holdings as well as the fact that issued senior debt matured at the end of January 2018.

In the first half of 2018, net fee and commission income amounted to DKK 91m against DKK 116m in the corresponding period of 2017. The decline can primarily be attributed to a decline in income from refinancing as only one refinancing event took place in the first half of 2018 comparted to two events in the first half of 2017

Value adjustments etc. amounted to an expense of DKK 59m in the first half of 2018 against an income of DKK 5m in the first half of 2017. The difference was primarily caused by a negative value adjustment of the portfolio of securities, which was previously included in investment portfolio earnings. Typically, Jyske Realkredit's portfolio of securities consists of bonds with a short time to maturity that have often been bought at a price above par and are held to maturity. This results in a positive interest yield, yet a negative value adjustment.

Other income amounted to DKK 206m in the first half of 2018 against DKK 17m in the corresponding period of 2017. The increase could primarily be attributed to an accounting gain of DKK 185m from the sale of Jyske Realkredit's owner-occupied property.

Core expenses

Core expenses amounted to DKK 374m in the first half of 2018 against DKK 437m in the first half of 2017. The decline of DKK 63m can be attributed to the on-going adjustment of the staff as well as the fact that a number of work functions/areas have been outsourced to Jyske Bank. Based on group-internal service agreements, Jyske Realkredit pays Jyske Bank to perform these tasks.

Subsequently, core profit before loan impairment charges and provisions for guarantees amounted to DKK 849m for the first half of 2018 compared to DKK 599m for the first half of 2017.

Impairment charges

Total impairment charges and provisions for guarantees amounted in the first half of 2018 to an expense of DKK 469m. The impairment charges for the period were affected by the implementation of the new impairment rules according to IFRS 9, which resulted in a non-recurrent adjustment of impairment charges by DKK 407m. Exclusive of the IFRS 9 regulation, loan impairment charges and provisions for guarantees amounted to an expense of DKK 62m against and expense of DKK 120m in the first half of 2017.

Relative to total loans, the effect from the impairment charges on the income statement amounted, exclusive of the IFRS 9 regulation, to 0.02% in the first half of 2018 (0.15% inclusive of the IFRS 9 regulation) against 0.04% in the first half of 2017.

The total balance of impairment charges amounted to DKK 1,533m at the end June 2018 (end of 2017: DKK 1,219m), corresponding to 0.5% of total loans.

The number of credit events observed are still falling, both in the personal client as well as the commercial segment.

Business volume

The positive trend in the business volume of mortgage activities continued in the first half of 2018, yet at a slower pace, as the volume grew from DKK 306.8bn at the end of 2017 to DKK 314.4bn, corresponding to 2.5% growth.

The increase in loans and advances in the first half of 2018 related primarily to the corporate client segment.

Q2 of 2018 compared to Q1 of 2018

Pre-tax profit for the second quarter of 2018 amounted to DKK 463m against DKK -83m for the first quarter of 2018. The pre-tax profit exclusive of the gain from the sale of the owner-occupied property in the amount of DKK 185m (second quarter) and the implementation of new impairment rules according to IFRS 9 in the amount of DKK 407m (first quarter) amounted to DKK 278m for the second quarter and DKK 324m for the first quarter. The primary reason for the decline was lower fee income in the second quarter.

The increase in administration margin income, etc. from DKK 465m to DKK 472m could primarily be attributed to the increase in the loan portfolio while at the same time administration margin rates stabilised.

Other interest income rose from DKK 19m in the first quarter to DKK 29m in the second quarter. One reason for the increase was that issued senior debt matured at the end of January 2018.

Net fee and commission income fell from DKK 66m to DKK 25m. The decline can primarily be attributed to the lack of fees from refinancing of adjustable-rate loans as no refinancing event took place in the second quarter. Generally, Jyske Realkredit's refinancing of adjustable-rate loans takes place in the first, third and fourth quarter. In addition, the level of activity was a bit lower in the second quarter.

Value adjustments amounted to DKK -32m in the second quarter compared to DKK -27m in the first quarter. The negative value adjustments primarily related to Jyske Realkredit's portfolio of securities.

The increase in other income, etc. from DKK 4m to DKK 202m could primarily be attributed to the above-mentioned gain of DKK 185m from the sale of Jyske Realkredit's owner-occupied property.

Core expenses rose from DKK 182m in the first quarter to DKK 192m in the second quarter.

Losses and impairment charges amounted to DKK 41m in the second quarter against DKK 21m in the first quarter, exclusive of the non-recurrent adjustment of DKK 407 relating to IFRS 9. The increase in the second quarter related primarily to Corporate clients due to the downward adjustment of the value of some repossessed properties.

Leasing activities

Summary of income statement (DKKm)	H1 2018	H1 2017	Index 18/17	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Full year 2017
Net interest income	274	254	108	140	134	114	129	131	497
Net fee and commission income	-59	-54	109	-31	-28	5	-24	-26	-73
Value adjustments	14	14	100	14	0	1	-1	13	14
Other income	7	7	100	3	4	1	3	3	11
Income from operating lease (net)	47	-5	-	21	26	-6	-43	-21	-54
Core income	**283**	**216**	**131**	**147**	**136**	**115**	**64**	**100**	**395**
Core expenses	91	88	103	45	46	44	44	46	176
Core profit before loan impairment charges	**192**	**128**	**150**	**102**	**90**	**71**	**20**	**54**	**219**
Loan impairment charges	-1	16	-	-35	34	-2	27	10	41
Pre-tax profit	**193**	**112**	**172**	**137**	**56**	**73**	**-7**	**44**	**178**

Summary of balance sheet, end of period (DKKbn)									
Loans and advances	17.6	15.7	112	17.6	16.8	16.2	16.0	15.7	16.2
Total assets	20.4	18.8	109	20.4	19.5	19.3	19.1	18.8	19.3
Deposits	0.2	0.2	100	0.2	0.2	0.2	0.2	0.2	0.2

Pre-tax profit
In the first half of 2018, the segment Leasing developed better than expectations. The pre-tax profit came to DKK 193m compared to DKK 112m in the first half of 2018.

Core income
The positive development of net interest income was driven by a continued positive development for the volume of loans and advances in both the corporate client and personal client segments. Income from operating lease was marginally above expectations, one reason for this being that - as in the first quarter of 2018 - there was no need to increase impairment charges on the portfolio of cars. Based on the above outline, core income rose by 31% relative to the same period last year.

Core expenses
Compared to the same period last year, core expenses increased by 3%, which can be attributed to severance costs, among other things.

Impairment charges
Following the second quarter of 2018, the level of impairment charges is lower than expected and can be attributed to the improved credit quality of one of the unit’s large exposures.

Business volume
Loans and advances grew by 12% relative to the same period last year and this increase was achieved due to a large volume of new sales. A positive development of the volume of loans and advances is still expected for the coming period.

Q2 of 2018 compared to Q1 of 2018
Pre-tax profit for the second quarter of 2018 amounted to DKK 137m against DKK 56m for the first quarter of 2018. The increase can primarily be attributed to reversal of impairment charges in the amount of DKK 35m in the second quarter against an expense of DKK 34m in the first quarter. The reversal can be attributed to the improving credit quality of one of the unit’s large exposures.

Net interest income rose to DKK 140m against DKK 134m in the first quarter. The positive development was driven by a continued positive development for the volume of loans and advances in both the corporate client and personal client segments.

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Note	The Jyske Bank Group				
	DKKm	**H1 2018**	H1 2017	**Q2 2018**	Q2 2017
	Income statement				
5	Interest income	**5,267**	5,547	**2,633**	2,774
6	Interest expenses	**2,375**	2,498	**1,166**	1,255
	Net interest income	**2,892**	3,049	**1,467**	1,519
7	Fees and commission income	**1,134**	1,084	**511**	534
	Fees and commission expenses	**229**	217	**112**	114
	Net interest and fee income	**3,797**	3,916	**1,866**	1,939
8	Value adjustments	**347**	683	**69**	105
9	Other income	**645**	517	**390**	287
10	Employee and administrative expenses	**2,401**	2,694	**1,139**	1,370
	Amortisation, depreciation and impairment charges	**271**	372	**140**	181
12	Loan impairment charges	**335**	-17	**27**	-44
	Pre-tax profit	**1,782**	2,067	**1,019**	824
11	Tax	**361**	452	**208**	185
	Net profit for the period	**1,421**	1,615	**811**	639
	Distributed to:				
	Jyske Bank A/S shareholders	**1,359**	1,577	**780**	620
	Holders of additional tier 1 capital (AT1)	**62**	38	**31**	19
	Total	**1,421**	1,615	**811**	639
	Earnings per share for the period				
	Earnings per share for the period, DKK	**15.96**	17.75	**9.18**	7.01
	Earnings per share for the period, DKK, diluted	**15.96**	17.75	**9.18**	7.01
	Statement of Comprehensive Income				
	Net profit for the period	**1,421**	1,615	**811**	639
	Other comprehensive income:				
	Items that cannot be recycled to the income statement:				
	Revaluation of real property	**145**	0	**0**	0
	Tax on property revaluations	**-29**	0	**0**	0
	Items that can be recycled to the income statement:				
	Foreign currency translation adjustment of international units	**0**	-14	**-7**	-15
	Hedge accounting of international units	**0**	14	**7**	15
	Tax on hedge accounting	**0**	-3	**-2**	-3
	Other comprehensive income after tax	**116**	-3	**-2**	-3
	Comprehensive income for the period	**1,537**	1,612	**809**	636
	Distributed to:				
	Jyske Bank A/S shareholders	**1,475**	1,574	**778**	617
	Holders of additional tier 1 capital (AT1)	**62**	38	**31**	19
	Total	**1,537**	1,612	**809**	636

BALANCE SHEET

Note	DKKm	30 June 2018	31 Dec. 2017	30 June 2017
	BALANCE SHEET			
	ASSETS			
	Cash balance and demand deposits with central banks	**3,882**	19,347	15,891
	Due from credit institutions and central banks	**13,666**	13,046	10,480
15, 16	Loans and advances at fair value	**324,851**	316,998	305,298
17	Loans and advances at amortised cost	**130,522**	130,675	129,690
	Bonds at fair value	**69,521**	69,846	66,882
	Bonds at amortised cost	**7,311**	4,280	4,272
	Shares, etc.	**4,147**	4,972	4,830
	Intangible assets	**9**	13	22
	Property, plant and equipment	**4,263**	5,114	5,230
	Tax assets	**666**	212	533
	Assets held temporarily	**931**	577	632
18	Other assets	**33,233**	32,360	36,096
	Total assets	**593,002**	597,440	579,856
	EQUITY AND LIABILITIES			
	Liabilities			
	Due to credit institutions and central banks	**17,398**	17,959	13,700
19	Deposits	**155,117**	160,023	157,230
20	Issued bonds at fair value	**308,904**	302,601	285,494
	Issued bonds at amortised cost	**31,199**	38,920	42,032
21	Other liabilities	**39,589**	37,238	42,526
22	Provisions	**1,703**	1,772	1,768
23	Subordinated debt	**4,283**	4,323	4,332
	Liabilities, total	**558,193**	562,836	547,082
	Equity			
	Share capital	**892**	892	950
	Revaluation reserve	**523**	516	538
	Currency translation reserve	**0**	0	0
	Retained profit	**30,343**	30,093	29,818
	Proposed dividend	**525**	522	0
	Jyske Bank A/S shareholders	**32,283**	32,023	31,306
	Holders of additional tier 1 capital (AT1)	**2,526**	2,581	1,468
	Total equity	**34,809**	34,604	32,774
	Total equity and liabilities	**593,002**	597,440	579,856
	OFF-BALANCE SHEET ITEMS			
17, 24	Guarantees, etc.	**18,185**	18,729	18,537
24	Other contingent liabilities, etc.	**22,162**	22,256	22,135
	Total guarantees and other contingent liabilities	**40,347**	40,985	40,672

The Jyske Bank Group

STATEMENT OF CHANGES IN EQUITY

The Jyske Bank Group

DKKm

	Share capital	Revaluation reserve	Currency translation reserve	Retained profit	Proposed dividend	Shareholders of Jyske Bank A/S	AT1 capital *	Total equity
Equity at 1 January 2018	892	516	0	30,093	522	32,023	2,581	34,604
Changes to accounting policies, IFRS 9	0	0	0	-628	0	-628	0	-628
Tax effect, IFRS 9	0	0	0	137	0	137	0	137
Adjusted equity, 1 January 2018	892	516	0	29,602	522	31,532	2,581	34,113
Net profit for the period	0	0	0	1,359	0	1,359	62	1,421
Other comprehensive income:								
Revaluation of real property	0	145	0	0	0	145	0	145
Other movements	0	-109	0	109	0	0	0	0
Foreign currency translation for international units	0	0	0	0	0	0	0	0
Hedge of international units	0	0	0	0	0	0	0	0
Tax on other comprehensive income	0	-29	0	0	0	-29	0	-29
Other comprehensive income after tax	0	7	0	109	0	116	0	116
Comprehensive income for the period	0	7	0	1,468	0	1,475	62	1,537
Interest paid on AT1 capital	0	0	0	0	0	0	-64	-64
Currency translation adjustment	0	0	0	53	0	53	-53	0
Tax	0	0	0	3	0	3	0	3
Dividends paid	0	0	0	0	-522	-522	0	-522
Dividends, own shares	0	0	0	24	0	24	0	24
Proposed dividend	0	0	0	-525	525	0	0	0
Acquisition of own shares	0	0	0	-1,026	0	-1,026	0	-1,026
Sale of own shares	0	0	0	744	0	744	0	744
Transactions with owners	0	0	0	-727	3	-724	-117	-841
Equity at 30 June 2018	**892**	**523**	**0**	**30,343**	**525**	**32,283**	**2,526**	**34,809**
Equity at 1 January 2017	950	538	-2	29,053	499	31,038	1,476	32,514
Net profit or loss for the period	0	0	2	1,575	0	1,577	38	1,615
Other comprehensive income:								
Foreign currency translation for international units	0	0	-14	0	0	-14	0	-14
Hedge of international units	0	0	14	0	0	14	0	14
Tax on other comprehensive income	0	0	0	-3	0	-3	0	-3
Other comprehensive income after tax	0	0	0	-3	0	-3	0	-3
Comprehensive income for the period	0	0	2	1,572	0	1,574	38	1,612
Interest paid on AT1 capital	0	0	0	0	0	0	-38	-38
Currency translation adjustment	0	0	0	8	0	8	-8	0
Tax	0	0	0	6	0	6	0	6
Dividends paid	0	0	0	0	-1,031	-1,031	0	-1,031
Dividends, own shares	0	0	0	69	0	69	0	69
Proposed dividend	0	0	0	-532	532	0	0	0
Acquisition of own shares	0	0	0	-1,291	0	-1,291	0	-1,291
Sale of own shares	0	0	0	933	0	933	0	933
Transactions with owners	0	0	0	-807	-499	-1,306	-46	-1,352
Equity at 30 June 2017	950	538	0	29,818	0	31,306	1,468	32,774

* Additional tier 1 capital (AT1) has no maturity. Payment of interest and repayment of principal are voluntary. Therefore AT1 capital is recognised as equity. In September 2016, Jyske Bank issued AT1 amounting to SEK 1.25bn and DKK 500m. The AT1 issue with the possibility of early redemption in September 2021 at the earliest. The interest rates applicable to the issue until September 2021 are STIBOR+5.80% and CIBOR+5.30%, respectively. In September 2017, Jyske Bank made an issue amounting to EUR 150m, AT1, with the possibility of early redemption in September 2027 at the earliest. The issue has a coupon of 4.75% until September 2027. It applies to all AT1 issues, that if the Common Equity Tier 1 capital of Jyske Bank A/S or the Jyske Bank Group falls below 7%, the loans will be written down.

CAPITAL STATEMENT

	The Jyske Bank Group		
DKKm	**30 June 2018**	31 Dec. 2017	30 June 2017
Shareholders' equity	**32,283**	32,023	31,306
Share buy-back programme, non-utilised limit	**0**	-281	-174
Proposed dividend	**-525**	-522	0
Expected dividend	**-455**	0	-252
Intangible assets	**-9**	-13	-22
Deferred tax liabilities relating to intangible assets	**2**	3	5
Deferred tax assets	**0**	-10	0
Prudent valuation	**-244**	-271	-244
Difference between expected loss and the carrying amount of impairment charges	**0**	-174	-140
Other deductions	**-91**	-14	-114
Common Equity Tier 1 capital	**30,961**	30,741	30,365
Additional Tier 1 Capital (AT1) after reduction	**3,027**	3,209	2,112
Other deductions	**0**	-27	-27
Core capital	**33,988**	33,923	32,450
Subordinated loan capital after reduction	**3,705**	3,631	3,647
Other deductions	**0**	-248	-248
Capital base	**37,693**	37,306	35,849
Weighted risk exposure involving credit risk etc.	**153,463**	149,906	145,875
Weighted risk exposure involving market risk	**14,613**	21,355	21,840
Weighted risk exposure involving operational risk	**16,887**	16,737	16,737
Total weighted risk exposure	**184,963**	187,998	184,452
Capital requirement, Pillar I	**14,797**	15,040	14,756
Capital requirement, transitional provisions	**0**	4,204	3,938
Capital requirement, total	**14,797**	19,244	18,694
Capital ratio	**20.4**	19.8	19.4
Tier 1 Capital ratio (%)	**18.4**	18.0	17.6
Common Equity Tier 1 capital ratio (%)	**16.7**	16.4	16.5

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 2017 or investor.jyskebank.com/investorrelations/capitalstructure.

SUMMARY OF CASH FLOW STATEMENT

	The Jyske Bank Group	
DKKm	**H1 2018**	H1 2017
Net profit for the period	**1,421**	1,615
Adjustment for non-cash operating items and change in working capital	**-15,599**	4,243
Cash flows from operating activities	**-14,178**	5,858
Acquisition and sale of property, plant and equipment	**265**	-360
Acquisition of intangible assets	**-3**	-7
Cash flows from investment activities	**262**	-367
Addition and repayment of subordinated debt	**-11**	2,212
Dividends paid	**-522**	-1,031
Dividends, own shares	**24**	69
Acquisition of own shares	**-1,026**	-1,291
Sale of own shares	**744**	933
Cash flows from financing activities	**-791**	892
Cash flow for the period	**-14,707**	6,383
Cash and cash equivalents, beginning of period	**32,255**	19,988
Cash and cash equivalents, end of period	**17,548**	26,371
Cash and cash equivalents, end of period, comprise:		
Cash balance and demand deposits with central banks	**3,882**	15,891
Due from credit institutions and central banks	**13,666**	10,480
Cash and cash equivalents, end of period	**17,548**	26,371

1 **Accounting Policies**

The Interim Financial Report for the period 1 January to 30 June 2018 was prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. Furthermore, the Interim Financial Report was prepared in accordance with the additional Danish disclosure requirements for the interim reports of listed financial undertakings.

Except for the implementation of the below new standards, IFRS 9 and IFRS 15, the accounting policies are unchanged compared to those applied to and described in detail in the Annual Report 2017.

IFRS 9 Financial Instruments.

IFRS 9 on Financial Instruments covers new provisions on classification and measurement of financial assets and liabilities, impairment of financial assets as well as hedge accounting. IFRS 9 replaced IAS 39 and took effect on 1 January 2018.

In accordance with the transitional provisions of IFRS 9, no adjustment of comparative figures was made, as it is not possible to apply the impairment provisions to previous financial years without any subsequent rationalisation.

Classification and measurement

According to IFRS 9, classification and measurement of financial assets are based on the business model for the financial assets and related contractual cash flows. In consequence of this, financial assets must be classified as one of the following categories:

- Financial assets that are held to generate the contractual cash flows, and where the contractual cash flows solely consist of interest and instalments on the outstanding amounts, are measured after the time of the first recognition at amortised cost. As a typical example, this measurement category comprises loans, advances and bonds included in an investment portfolio that is, in general, held to maturity.

- Financial assets held in a mixed business model where financial assets are held both with a view to generating the contractual cash flows and returns on sales and where the contractual cash flows on the financial assets in the mixed business model solely consist of interest and instalments on the outstanding amount are measured after the time of the first recognition at fair value through other comprehensive income. In connection with a subsequent sale, recirculation of the change in fair value will take place to the income statement. As a typical example, this measurement category comprises bonds included in the day-to-day liquidity management, unless they are used by a risk management system or an investment strategy based on fair values, cf. below.

- Financial assets that do not belong under one of the above-mentioned business models or where the contractual cash flows do not solely consist of interest and instalments on the outstanding amounts are measured after the time of the first recognition at fair value through the income statement. As a typical example, this measurement category comprises shares, derivatives and financial assets, which are otherwise included in the trading portfolio or in a risk management system or an investment strategy based on fair values and, on this basis, are included in the bank's internal management reporting. Moreover, financial assets can be measured at fair value through the income statement, if the measurement according to the two above-mentioned business models results in a recognition or accounting mismatch.

Based on Jyske Bank's assessment of the business models in IFRS 9, no material changes to classification and measuring will take place. Mortgage loans and certain other home loans are still measured at fair value though the income statement, and other loans and advances will still be measured at amortised cost. Jyske Bank has no financial assets that fall under the new measurement category with recognition of financial assets at fair value through Other comprehensive income. Instead, Jyske Bank's bond portfolio will be measured at fair value through the income statement either because they are included in a trading portfolio or because they are used by a risk management system or an investment strategy based on fair values and, on this basis, are included in the bank's internal management reporting, except for a minor holding of bonds that is kept under a business model where the bonds will be measured at amortised cost.

Impairment charges

IFRS 9 implies earlier recognition of impairment charges on financial assets at amortised cost, provisions for losses on guarantees and unutilised credit facilities, as the previous impairment model, which was based on objective evidence of impairment, is replaced by an impairment model based on expected losses. Therefore, already at the first recognition, impairment charges corresponding to a 12-month expected credit loss must be recognised. If, subsequently, the credit risk on the asset increases materially, the expected credit loss over the remaining life of the loan will be recognised.

According to the new rules, financial assets must be divided into three stages depending on any deterioration of the debtor's credit rating relative to the first recognition. Stage 1 covers exposures without material deterioration in credit quality, while stage 2 covers assets with significant deterioration in credit quality, and stage 3 covers exposures in default. The ranking in the various stages will affect the calculation method applied, and it is determined, among other things, on the basis of the change in the probability of default (PD) over the expected remaining life of the exposure. The definition of default applied is the same as the one applied in the Group's advanced IRB set-up.

1 **Accounting Policies, cont.**

One characteristic of this is that it is assessed to be most probable that liabilities relating to assets cannot be honoured on the agreed terms and conditions. Assessment of whether any material increase in credit risk has taken place will be based on the following circumstances:

a) An increase in the PD for the expected remaining life of the financial asset by 100% and an increase in the 12-month PD of 0.5 percentage point when, at the first recognition, the 12-month PD was below 1.0%.

b) An increase in the PD for the expected remaining life of the financial asset by 100% or an increase in the 12-month PD of 2.0 percentage points when, at the first recognition, the 12-month PD was 1.0% or above.

c) The account manager's risk assessment, which among other things is based on an assessment of the client's ability and will to honour his payment obligations, possibly arrears and/or changes to the initial assumptions on which the client relationship rests.

The expected future loss is calculated on the basis of the probability of default (PD), the exposure at default (EaD) and the loss given default (LGD). These parameters are based on the Group's advanced IRB set-up, which is based on the bank's experience of loss history and early repayments, among other things.

For exposures in stage 1, impairment charges corresponding to probability-weighted losses expected over the following 12 months are recognised, while for exposures in stages 2 and 3 impairment charges corresponding to losses expected over the remaining life of the exposures are recognised.

The assessment of the indication of impairment for stage 3 exposures is based on individual expert assessments of the probability-weighted expected loss. The new rules have not resulted in any material changes in the extent of impairment of these exposures.

For financial assets measured at fair value, the expected element of credit exposure in the determination of fair value follows to a high degree the principles of the impairment model as described above for financial assets recognised at amortised cost.

Implementation by and effect on Jyske Bank

Due to the implementation of the new impairment models, the Jyske Bank Group's balance of impairment charges increased by DKK 1,035m. The amount includes both loans and advances at amortised cost and loans and advances at fair value.

The amount from loans and advances at amortised cost, guarantees and unutilised credit lines is DKK 628m. The amount is accounted for as a change in practice, and after a tax effect of DKK 137m it was recognised at net DKK 491m in equity on 1 January 2018.

The following items were adjusted as of 1 January 2018: Loans and advances at amortised cost were reduced by DKK 544m, current tax assets were increased by DKK 137m, and provisions were increased by DKK 84m. The net effect reduced equity under Retained profit by DKK 491m.

The amount from loans and advances at fair value was DKK 407m. The amount is accounted for as a changed estimate, and with the ensuing tax effect of DKK 90m it is recognised in the income statement for the first quarter of 2018.

A negative accounting outcome from the new expectations-based IFRS 9 impairment rules will basically have a corresponding effect on the capital position. To soften the potential, negative effect on and hence credit institutions' possibility of supporting the granting of credit, the European Commission has proposed a 5-year transitional arrangement so that any negative effect from the new IFRS 9 impairment rules will only take full effect after five years. Jyske Bank has chosen not to make use of the possibility of a 5-year transition period.

Hedge accounting

The new rules on hedge accounting will ensure application of the hedging rules and then to a higher degree bring the companies' financial reporting in line with the companies' actual risk management.

The changed rules on hedge accounting are not expected to affect Jyske Bank as the existing hedging relationship also qualify as effective hedging relationship according to the new rules.

Note	The Jyske Bank Group

1 **Accounting Policies, cont.**

IFRS 15, Revenue from Contracts with Customers

IFRS 15 is a new standard that has been approved for use in the EU and took effect on 1 January 2018. The standard prescribes a five-step model, which is a process to ensure a systematic assessment of all elements in contracts with clients.

The standard did not have any impact on Jyske Bank's financial statements.

IFRS 16, Leases

IFRS 16 is a new standard that has been approved for use in the EU and will take effect on 1 January 2019. In consequence of the standard, practically all lease agreements must be recognised in the balance sheet of the lessee's financial statements in the form of a lease liability and an asset representing the lessee's right of use of the underlying asset. A distinction will no longer be made between operating and financial leases. The accounting treatment of leasing in the lessor's financial statements is practically unchanged.

It is not expected that the standard will have any material impact on Jyske Bank's financial statements.

2 **Material accounting estimates**

Measurement of the carrying value of certain assets and liabilities requires the management's estimate of the influence of future events on the value of such assets and liabilities. Estimates of material importance to the financial reporting are, among other things, based on the impairment of loans and advances, the fair value of unlisted financial instruments and provisions already made, cf. the detailed statement in the Annual Report 2017. The estimates are based on assumptions which management finds reasonable, but which are inherently uncertain. Besides, the Group is subject to risks and uncertainties which may cause results to differ from those estimates.

Note					The Jyske Bank Group
	DKKm	**Q2 2018**	Q1 2018	Q4 2017	Q3 2017	Q2 2017

3 **Key figures and ratios, five quarters**

DKKm	**Q2 2018**	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Summary of Income Statement					
Net interest income	**1,467**	1,425	1,670	1,569	1,519
Net fee and commission income	**399**	506	653	434	420
Value adjustments	**69**	278	-71	174	105
Other income	**390**	255	140	165	287
Income	**2,325**	2,464	2,392	2,342	2,331
Expenses	**1,279**	1,393	1,507	1,454	1,551
Profit or loss before loan impairment charges	**1,046**	1,071	885	888	780
Loan impairment charges	**27**	308	-92	-70	-44
Pre-tax profit	**1,019**	763	977	958	824
Tax	**208**	153	197	210	185
Net profit for the period	**811**	610	780	748	639

DKKm	**Q2 2018**	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Financial ratios and key figures					
Pre-tax profit, per share (DKK)*	**11.6**	8.6	10.9	10.7	9.1
Earnings per share for the period (DKK)*	**9.2**	6.8	8.6	8.3	7.0
Earnings per share for the period (diluted) (DKK)*	**9.2**	6.8	8.6	8.3	7.0
Core profit per share (DKK)*	**10.1**	3.8	11.2	9.1	7.9
Share price at end of period (DKK)	**350**	358	353	363	377
Book value per share (DKK)*	**380**	371	374	363	355
Price/book value per share (DKK)*	**0.9**	1.0	0.9	1.0	1.1
Outstanding shares in circulation ('000)	**84,911**	84,934	85,705	87,389	88,198
Average number of shares in circulation ('000)	**84,909**	85,312	86,476	87,967	88,496
Capital ratio	**20.4**	20.0	19.8	19.8	19.4
Tier 1 Capital ratio (%)	**18.4**	18.2	18.0	18.0	17.6
Common Equity Tier 1 capital ratio (%)	**16.7**	16.5	16.4	16.2	16.5
Pre-tax profit as a pct. of average equity	**3.1**	2.3	3.0	3.0	2.6
Profit for the period as a pct. of av. equity*	**2.4**	1.8	2.3	2.3	2.0
Income/cost ratio (%)	**1.8**	1.4	1.7	1.7	1.5
Interest-rate risk (%)	**1.0**	0.9	0.8	0.9	0.7
Currency risk (%)	**0.1**	0.1	0.1	0.1	0.1
Accumulated impairment ratio (%)	**1.2**	1.2	1.1	1.2	1.2
Impairment ratio for the period (%)	**0.0**	0.1	0.0	0.0	0.0
No. of full-time employees at end-period	**3,828**	3,899	3,971	4,003	3,988
Average number of full-time employees in the period	**3,864**	3,935	3,987	3,996	4,006

*Financial ratios are calculated as if AT1 capital is recognised as a liability.

Note					The Jyske Bank Group
	DKKm				
4	**Segmental financial statements**	**Banking activities**	**Mortgage activities**	**Leasing activities**	**The Jyske Bank Group ***
	H1 2018				
	Net interest income	1,587	985	274	2,846
	Net fee and commission income	873	91	-59	905
	Value adjustments	-61	-59	14	-106
	Other income	91	206	7	304
	Income from operating lease (net)	0	0	47	47
	Core income	**2,490**	**1,223**	**283**	**3,996**
	Core expenses	1,950	374	91	2,415
	Core profit before loan impairment charges	**540**	**849**	**192**	**1,581**
	Loan impairment charges	-133	469	-1	335
	Core profit	**673**	**380**	**193**	**1,246**
	Investment portfolio earnings	536	0	0	536
	Pre-tax profit	**1,209**	**380**	**193**	**1,782**
	Loans and advances	123,288	314,448	17,637	455,373
	- of which mortgage loans	0	314,448	0	314,448
	- of which bank loans	98,849	0	17,637	116,486
	- of which repo loans	24,439	0	0	24,439
	Total assets	232,930	339,709	20,363	593,002
	Deposits	154,886	0	231	155,117
	- of which bank deposits	135,069	0	231	135,300
	- of which repo deposits and tri-party deposits	19,817	0	0	19,817
	Issued bonds	31,199	308,904	0	340,103
	H1 2017				
	Net interest income	1,604	898	254	2,756
	Net fee and commission income	805	116	-54	867
	Value adjustments	424	5	14	443
	Other income	183	17	7	207
	Income from operating lease (net)	0	0	-5	-5
	Core income	**3,016**	**1,036**	**216**	**4,268**
	Core expenses	2,253	437	88	2,778
	Core profit before loan impairment charges	**763**	**599**	**128**	**1,490**
	Loan impairment charges	-256	120	16	-120
	Core profit	**1,019**	**479**	**112**	**1,610**
	Investment portfolio earnings	393	64	0	457
	Pre-tax profit	**1,412**	**543**	**112**	**2,067**
	Loans and advances	123,484	295,770	15,734	434,988
	- of which mortgage loans	0	295,770	0	295,770
	- of which bank loans	94,563	0	15,734	110,297
	- of which repo loans	28,921	0	0	28,921
	Total assets	242,937	318,099	18,820	579,856
	Deposits	157,024	0	206	157,230
	- of which bank deposits	133,947	0	206	134,153
	- of which repo deposits and tri-party deposits	23,077	0	0	23,077
	Issued bonds	38,317	289,209	0	327,526

*Relationships between income statement items under 'The Jyske Bank Group' (key financial data) and the income statement page 25 appear from the next page.

DKKm

4 **Segmental financial statements, cont.**

Core profit and investment portfolio earnings

The pre-tax profit for the first half of 2018 broken down by core earnings and investment portfolio earnings is stated below:

Breakdown of the profit for the year

DKKm	H1 2018				H1 2017			
	Core profit	Invest-ment portfolio earnings	Reclassi fication	Total	Core ear-nings	Invest-ment portfolio earnings	Reclassi fication	Total
Net interest income	2,846	57	-11	2,892	2,756	192	101	3,049
Net fee and commission income	905	0	0	905	867	0	0	867
Value adjustments	-106	442	11	347	443	238	2	683
Other income	304	53	18	375	207	43	0	250
Income from operating lease (net)	47	0	223	270	-5	0	272	267
Income	**3,996**	**552**	**241**	**4,789**	**4,268**	**473**	**375**	**5,116**
Expenses	2,415	16	241	2,672	2,778	16	272	3,066
Profit before loan impairment charges	**1,581**	**536**	**0**	**2,117**	**1,490**	**457**	**103**	**2,050**
Loan impairment charges	335	0	0	335	-120	0	103	-17
Pre-tax profit	**1,246**	**536**	**0**	**1,782**	**1,610**	**457**	**0**	**2,067**

Alternative performance targets

The alternative performance targets applied in the management's review constitute valuable information for readers of financial statements as they provide a more uniform basis for comparison of accounting periods. No adjusting entries are made, and therefore the net profit or loss for the period will be the same in the alternative performance targets of the management's review and in the IFRS financial statements.

Core profit is defined as the pre-tax profit exclusive of investment portfolio earnings. Hence earnings from clients are expressed better than in the IFRS financial statements.
Investment portfolio earnings are defined as the return on the Group's portfolio of shares, bonds, derivatives and equity investments, yet exclusive of the liquidity buffer and certain strategic equity investments. Investment portfolio earnings are calculated after expenses for funding and attributable costs.

The above table illustrates relationships between income statement items under 'The Jyske Bank Group' (key financial data), page 3, and income statement items in the IFRS financial statements, page 25.

Reclassification relates to the following:

- Income of DKK 11m (first half of 2017: income of DKK 2m) due to value adjustments relating to the balance principle at Jyske Realkredit was reclassified from value adjustments to interest income.
- Income of DKK 18m (first quarter of 2017: DKK 0m) from external sales was reclassified from income to offsetting against expenses.
- Depreciation and amortisation of DKK 223m (first half of 2017: DKK 272m) were reclassified from expenses to income from operating lease (net).

Please see below for definitions of the additional financial ratios stated under the Jyske Bank Group, page 3.

”Earnings per share”, ”Earnings per share (diluted)”, ”Pre-tax profit p.a. as a percentage of average equity” and ”Net profit p.a. as a percentage of average equity” are calculated as if hybrid core capital was recognised as a liability. In the numerator, the profit is less interest expenses of DKK 62m (first half of 2017: DKK 38m) for Additional Tier 1 Capital (AT1), and the denominator is calculated as equity exclusive of Additional Tier 1 Capital (AT1) of DKK 2,526m. (first half of 2017: DKK 1,468m).

”Expenses as a percentage of income” is calculated as Core expenses divided by Core income.

"Book value per share" and "Price/book value per share" are calculated as if Additional Tier 1 Capital (AT1) is accounted for as liabilities. Book value has been calculated exclusive of Additional Tier 1 Capital (AT1) of DKK 2,526m (first half of 2017: DKK 1,468m).

Note	The Jyske Bank Group

DKKm

4 **Segmental financial statements, cont.**

Revenue by country	**H1 2018** Revenue	**H1 2018** Full-time employees, end of period	H1 2017 Revenue	H1 2017 Full-time employees, end of period
Denmark	**6,880**	**3,682**	7,004	3,874
Gibraltar	**55**	**96**	68	104
Germany	**2**	**8**	4	10
Spain	**0**	**0**	0	0
Total	**6,937**	**3,786**	7,076	3,988

Revenue is defined as interest income, fee and commission income and also other operating income.

Jyske Bank has activities in the countries stated below in the form of subsidiaries or branches. The names of the subsidiaries appear from the group chart.

Activities in individual countries:
Denmark: The Jyske Bank Group has activities within banking and mortgage banking, trading and wealth management advice as well as leasing.
Gibraltar: The Jyske Bank Group has activities within banking as well as trading and wealth management advice.
Germany: The Jyske Bank Group has activities within banking.
Spain: The Jyske Bank Group has activities within properties.

Note		The Jyske Bank Group	
	DKKm	**H1 2018**	H1 2017
5	**Interest income**		
	Due from credit institutions and central banks	**5**	-2
	Loans and advances	**3,830**	4,124
	Administration margin	**820**	833
	Bonds	**403**	501
	Derivatives, total	**178**	118
	Of which:		
	Currency contracts	**110**	56
	Interest-rate contracts	**68**	62
	Other	**0**	1
	Total	**5,236**	5,575
	Interest on own mortgage bonds, set off against interest on issued bonds	**130**	173
	Total after offsetting of negative interest	**5,106**	5,402
	Negative interest income set off against interest income	**82**	71
	Negative interest expenses set off against interest expenses	**79**	74
	Total before offsetting of negative interest income	**5,267**	5,547

Negative interest income amounted to DKK 161m (2017: DKK 145m) and related primarily to repo transactions. In the above table, negative interest income is set off against interest income. In the income statement, negative interest income is listed as interest expenses, and negative interest expenses are listed as interest income.

Interest income calculated through the effective interest method amounted to DKK 1,690m in the first half of 2018 against DKK 1,765m in the first half of 2017.

6	**Interest expenses**		
	Due to credit institutions and central banks	**54**	26
	Deposits	**-43**	-6
	Issued bonds	**2,243**	2,445
	Subordinated debt	**50**	36
	Other	**40**	25
	Total	**2,344**	2,526
	Interest on own mortgage bonds, set off against interest on issued bonds	**130**	173
	Total after offsetting of negative interest	**2,214**	2,353
	Negative interest expenses set off against interest expenses	**82**	71
	Negative interest income set off against interest income	**79**	74
	Total before offsetting of negative interest income	**2,375**	2,498

Negative interest expenses amounted to DKK 161m (2017: DKK 145m) and related primarily to repo transactions. In the above table, negative interest expenses are set off against interest expenses. In the income statement, negative interest expenses are listed as interest income, and negative interest income is listed as interest expenses.

Note		The Jyske Bank Group	
	DKKm	**H1 2018**	H1 2017
7	**Fees and commission income**		
	Securities trading and custody services	**565**	641
	Money transfers and card payments	**105**	92
	Loan application fees	**191**	176
	Guarantee commission	**54**	38
	Other fees and commissions	**219**	137
	Total	**1,134**	1,084

8	**Value adjustments**		
	Loans and advances at fair value	**-323**	1,258
	Bonds	**-261**	79
	Other investment securities	**544**	251
	Currency	**45**	89
	Currency, interest-rate, share, commodity and other contracts as well as other derivatives	**106**	2
	Issued bonds	**246**	-1,012
	Other assets and liabilities	**-10**	16
	Total	**347**	683

9	**Other income**		
	Income on real property	**35**	34
	Profit on the sale of property, plant and equipment	**197**	98
	Income from operating lease[1]	**270**	267
	Dividends, etc.	**109**	69
	Profit on investments in associates and group enterprises	**0**	3
	Other income	**34**	46
	Total	**645**	517

[1]) Expenses relating to operating lease affected the item Amortisation, depreciation and impairment charges in the amount of DKK 223m in the first half of 2018 against DKK 272m in the same period of 2017.

Note		The Jyske Bank Group	
	DKKm	**H1 2018**	H1 2017
10	**Employee and administrative expenses**		
	Employee expenses		
	Wages and salaries, etc.	**1,210**	1,228
	Pensions	**162**	158
	Social security	**158**	157
	Total	**1,530**	1,543
	Salaries and remuneration to management bodies		
	Executive Board[1]	**20**	16
	Supervisory Board	**3**	2
	Shareholders' Representatives	**1**	2
	Total	**24**	20

[1] I The Executive Board had an average of 4.7 members in the first half of 2018 against 5.0 in the first half of 2017.

	Other administrative expenses		
	IT	**646**	606
	Other operating expenses	**2**	225
	Other administrative expenses	**199**	300
	Total	**847**	1,131
	Employee and administrative expenses, total	**2,401**	2,694
11	**Effective tax rate**		
	Corporation tax rate in Denmark	**22.0**	22.0
	Non-taxable income and non-deductible expenses, etc.	**-1.7**	-0.1
	Total	**20.3**	21.9

Note		The Jyske Bank Group	
	DKKm	**H1 2018**	H1 2017
12	**Loan impairment charges and provisions for guarantees recognised in the income statement**		
	Loan impairment charges/provisions for the period	**370**	115
	Impairment charges on balances due from credit institutions in the period	**2**	-15
	Provisions for commitments and unutilised credit lines in the period	**-41**	-
	Recognised as a loss, not covered by loan impairment charges/provisions	**272**	113
	Recoveries	**-177**	-230
	Loan impairment charges and provisions for guarantees recognised in the income statement	**426**	-17
	Recognised discount for acquired loans	**91**	103
	Net effect on income statement	**335**	-120
13	**Balance of loan impairment charges and provisions for guarantees incl. balance of discounts**		
	Balance of loan impairment charges and provisions for guarantees incl. balance of discounts, beginning of period	**5,656**	6,816
	Implementation of IFRS 9 and adjustments to the standard	**623**	-
	Loan impairment charges/provisions for the period	**328**	115
	Recognised as a loss, covered by impairment charges/provisions	**-439**	-381
	Recognised losses covered by discounts for acquired loans	**-1**	-62
	Recognised discount for acquired loans	**-91**	-103
	Other movements	**42**	39
	Balance of loan impairment charges and provisions for guarantees incl. balance of discounts, end of period	**6,118**	6,424
	Loan impairment charges and provisions for guarantees at amortised cost	**3,830**	4,066
	Loan impairment charges at fair value	**1,533**	1,240
	Provisions for guarantees	**236**	404
	Provisions for commitments and unutilised credit lines	**116**	-
	Balance of loan impairment charges and provisions, end of period	**5,715**	5,710
	Balance of discounts for acquired loans	**403**	714
	Balance of loan impairment charges and provisions for guarantees incl. balance of discounts, end of period	**6,118**	6,424

The regulatory balance of loan impairment charges and provisions for guarantees does not include the discount balance for acquired loans and advances.

	Loan impairment charges at amortised cost and provisions for guarantees and credit commitments, etc.		
	Balance of loan impairment charges and provisions, beginning of period	**3,938**	4,754
	Implementation of IFRS 9 and adjustments to the standard	**623**	0
	Loan impairment charges/provisions for the period	**-43**	-22
	Recognised as a loss, covered by impairment charges/provisions, over the period	**-382**	-301
	Other movements	**46**	39
	Balance of loan impairment charges and provisions, end of period	**4,182**	4,470
	Loan impairment charges at fair value		
	Balance of impairment charges, beginning of period	**1,219**	1,183
	Loan impairment charges for the period	**371**	137
	Recognised as a loss, covered by impairment charges/provisions, over the period	**-57**	-80
	Balance of impairment charges, end of period	**1,533**	1,240

Note				The Jyske Bank Group
	DKKm			

14	Balance of loan impairment charges and provisions for guarantees broken down by stage	Stage 1	Stage 2	Stage 3	Total
	Balance according to IAS 39, beginning of period				**5,157**
	Transitional effect, IFRS 9, incl. effect on loans at fair value	645	1,352	4,195	**1,035**
	Movements over the period, net	-27	-76	-374	**-477**
	Balance of loan impairment charges and provisions, end of period	**618**	**1,276**	**3,821**	**5,715**
	of which bank loans at fair value	266	796	471	**1,533**

		30 June 2018	31 Dec. 2017	30 June 2017
15	**Loans and advances at fair value**			
	Mortgage loans, nominal value	**306,568**	298,239	288,952
	Adjustment for interest-rate risk, etc.	**8,817**	9,189	7,430
	Adjustment for credit risk[1]	**-1,465**	-1,139	-1,151
	Mortgage loans at fair value, total	**313,920**	306,289	295,231
	Arrears and outlays, total	**84**	101	66
	Other loans and advances	**10,847**	10,608	10,001
	Loans and advances at fair value, total	**324,851**	316,998	305,298

[1] Adjustment for credit risk is calculate so it allows for objective evidence whether loans and advances are impaired compared to the time of the establishment of the loans and advances.

16	**Loans and advances at fair value broken down by property category**			
	Owner-occupied homes	**167,970**	167,351	161,306
	Vacation homes	**7,919**	7,699	7,451
	Subsidised housing (rental housing)	**52,557**	50,167	49,342
	Cooperative Housing	**16,240**	15,893	15,652
	Private rental properties (rental housing)	**40,403**	37,225	34,158
	Industrial properties	**1,728**	1,156	1,229
	Office and business properties	**33,465**	33,356	32,312
	Agricultural properties	**77**	56	55
	Properties for social, cultural and educational purposes	**4,389**	4,041	3,724
	Other properties	**103**	54	69
	Total	**324,851**	316,998	305,298
17	**Loans and advances at amortised cost and guarantees broken down by sector**			
	Public authorities	**8,072**	9,275	6,458
	Agriculture, hunting, forestry, fishing	**8,013**	7,203	6,574
	Manufacturing, mining, etc.	**9,161**	7,649	9,765
	Energy supply	**4,343**	4,980	3,662
	Building and construction	**3,495**	3,494	3,700
	Commerce	**12,583**	11,984	14,131
	Transport, hotels and restaurants	**4,875**	3,832	3,931
	Information and communication	**904**	1,114	877
	Finance and insurance	**30,137**	35,714	35,447
	Real property	**15,524**	14,244	12,711
	Other sectors	**7,954**	7,464	7,300
	Corporates, total	**96,989**	97,678	98,098
	Personal clients, total	**43,646**	42,451	43,671
	Total	**148,707**	149,404	148,227

Note				The Jyske Bank Group
	DKKm	**30 June 2018**	31 Dec. 2017	30 June 2017
18	**Other assets**			
	Positive fair value of derivatives	**26,708**	25,632	29,588
	Assets in pooled deposits	**4,108**	4,208	4,126
	Interest and commission receivable	**360**	464	369
	Investments in associates	**416**	417	412
	Prepayments	**386**	328	340
	Investment properties	**28**	29	29
	Other assets	**1,227**	1,282	1,232
	Total	**33,233**	32,360	36,096
	Netting			
	Positive fair value of derivatives, etc., gross	**33,117**	31,941	35,842
	Netting of positive and negative fair value	**6,409**	6,309	6,254
	Total	**26,708**	25,632	29,588

Netting of fair value can be attributed to clearing of derivatives through a central clearing house (CCP clearing).

19	**Deposits**			
	Demand deposits	**109,199**	109,334	102,701
	Term deposits	**3,541**	2,950	3,381
	Time deposits	**31,369**	36,333	39,319
	Special deposits	**6,773**	7,038	7,483
	Pooled deposits	**4,235**	4,368	4,346
	Total	**155,117**	160,023	157,230
20	**Issued bonds at fair value**			
	Issued bonds at fair value, nominal value	**321,591**	332,462	315,996
	Adjustment to fair value	**8,780**	9,300	7,249
	Own mortgage bonds offset, fair value	**-21,467**	-39,161	-37,751
	Total	**308,904**	302,601	285,494
21	**Other liabilities**			
	Set-off entry of negative bond holdings in connection with repos/reverse repos	**5,845**	3,695	3,240
	Negative fair value of derivatives, etc.	**26,304**	25,776	31,199
	Interest and commission payable	**1,440**	2,221	1,836
	Prepayments	**129**	135	138
	Other liabilities	**5,871**	5,411	6,113
	Total	**39,589**	37,238	42,526
	Netting			
	Negative fair value of derivatives, etc., gross	**32,713**	32,085	37,453
	Netting of positive and negative fair value	**6,409**	6,309	6,254
	Total	**26,304**	25,776	31,199

Netting of fair value can be attributed to clearing of derivatives through a central clearing house (CCP clearing).

22	**Provisions**			
	Provisions for pensions and similar liabilities	**611**	602	569
	Provisions for deferred tax	**591**	576	528
	Provisions for guarantees	**236**	342	404
	Other provisions	**265**	252	267
	Total	**1,703**	1,772	1,768

Note			The Jyske Bank Group	
	DKKm	**30 June 2018**	31 Dec. 2017	30 June 2017
23	**Subordinated debt**			
	Supplementary capital:			
	Var. % bond loan EUR 300m 05.04.2029	**2,236**	2,234	2,231
	Var. % bond loan SEK 600m 19.05.2026	**427**	454	463
	3.25% bond loan SEK 400m 19.05.2026	**285**	303	309
	6.73% bond loan EUR 12m 2019-2026	**90**	101	100
	Var. % bond loan EUR 10m 13.02.2023	**75**	74	75
	5.65% bond loan EUR 10m 27.03.2023	**75**	74	74
	5.67% bond loan EUR 10m 31.07.2023	**75**	74	74
		3,263	3,314	3,326
	Hybrid core capital:			
	Var. % bond loan EUR 72.8m Perpetual	**542**	542	541
	Var. % bond loan EUR 60.7m Perpetual	**452**	452	451
		994	994	992
	Subordinated debt, nominal	**4,257**	4,308	4,318
	Hedging of interest-rate risk, fair value	**26**	15	14
	Total	**4,283**	4,323	4,332
	Subordinated debt included in the capital base	**4,223**	4,278	4,295

The above-mentioned issues of additional Tier 1 Capital do not meet the conditions for additional Tier 1 Capital in the Capital Requirements Regulation, CRR. The issues are recognised under liability other than provision according to IAS 32.

24	**Contingent liabilities**			
	Guarantees			
	Financial guarantees	**14,237**	14,169	13,774
	Guarantee for losses on mortgage credits	**1,584**	1,712	1,793
	Registration and refinancing guarantees	**717**	926	827
	Other contingent liabilities	**1,647**	1,922	2,143
	Total	**18,185**	18,729	18,537
	Other contingent liabilities			
	Irrevocable credit commitments	**22,068**	22,151	22,021
	Other	**94**	105	114
	Total	**22,162**	22,256	22,135

Financial guarantees are primarily payment guarantees, and the risk equals that involved in credit facilities.

Guarantees for losses on mortgage loans are typically provided as security for the most risky part of mortgage loans granted to personal clients and to a limited extent for loans secured on commercial real property. Guarantees for residential real property are within 80% and for commercial real property within 60%-80%, of the property value as assessed by a professional expert.

Registration and refinancing guarantees are provided in connection with the registration of new and refinanced mortgages. Such guarantees involve insignificant risk.

Other contingent liabilities include other forms of guarantees at varying degrees of risk, including performance guarantees. The risk involved is deemed to be less than the risk involved in, e.g., credit facilities subject to flexible drawdown.

24 **Contingent liabilities, cont.**

Jyske Bank is also a party to a number of legal disputes arising from its business activities. Jyske Bank estimates the risk involved in each individual case and makes any necessary provisions which are recognised under contingent liabilities. Jyske Bank does not expect such liabilities to have material influence on Jyske Bank's financial position.

Because of its statutory participation in the deposit guarantee scheme, the sector has paid an annual contribution of 2.5‰ of the covered net deposits until the assets of Pengeinstitutafdelingen (the financial institution fund) exceed 1% of the total net deposits covered, which level has been reached. According to Bank Package 3 and Bank Package 4, Pengeinstitutafdelingen bears the immediate losses attributable to covered net deposits and relating to the winding up of financial institutions in distress. Any losses in connection with the final winding up are covered by the Guarantee Fund's Afviklings- og Restruktureringsafdeling (settlement and restructuring fund), where Jyske Bank currently guarantees 9.33% of any losses.

The statutory participation in the resolution financing arrangements (Resolution Fund) as of June 2015 entailed that credit institutions pay an annual contribution over a 10-year period to a Danish national fund with a target size totalling 1% of the covered deposits. Credit institutions are to contribute according to their relative sizes and risk in Denmark, and the first contributions to the Resolution Fund were paid at the end of 2015. The Jyske Bank Group expects having to pay a total of about DKK 500m over a 10-year period.

Jyske Bank is a management company under Danish joint taxation. Therefore, according to the provisions of the Danish Company Taxation, Jyske Bank is liable as of the accounting year 2013 for corporation tax, etc. for the jointly taxed companies and as of 1 July 2012 for any liabilities to withhold tax on interest and dividends for the jointly taxed companies.

25 **Shareholders**

On 6 September 2017, BRFholding a/s, Kgs. Lyngby, Danmark informed Jyske Bank that it owns 20.25% of the share capital. On 19 October 2012, MFS Investment Management, USA reported that it owns 5.14% of the share capital. According to Jyske Bank's Articles of Association, BRFholding a/s and MFS Investment Management have 4,000 votes each.

26 **Related parties**

Jyske Bank is the banker of a number of related parties. Transactions between related parties are characterised as ordinary financial transactions and services of an operational nature. Transactions with related parties were executed on an arm's length basis or at cost.

Over the period, there were no unusual transactions with related parties. Please see Jyske Bank's Annual Report 2017 for a detailed description of transactions with related parties.

27 **Bonds provided as security**

The Jyske Bank Group has deposited bonds with central banks and clearing houses, etc. in connection with clearing and settlement of securities and currency transactions as well as tri-party repo transactions totalling a market value of DKK 17,616m (end of 2017: DKK 17,012m).

In addition, the Jyske Bank Group has provided cash collateral in connection with CSA agreements in the amount of DKK 7,043m (end of 2017: DKK 5,224m) as well as bonds in the amount of DKK 355m (end of 2017: 1,470m).

Repo transactions involve an arrangement where bonds are provided as collateral for the amount borrowed. Repo transactions amounted to DKK 11,931m (end of 2017: DKK 11,725m).

28 **Notes on fair value**

Methods for measuring fair value
Fair value is the price that, at the time of measurement, would be obtained by selling an asset or paid for by transferring a liability in an ordinary transaction between independent market participants. The fair value may equal the book value where book value is recognised on the basis of underlying assets and liabilities measured at fair value.

For all assets listed on active markets, fair values are measured at official prices (the category "Quoted prices". Where no price is quoted, a different official price is used which is taken to reflect most closely the fair value (category: "Observable prices". Financial assets and liabilities, whose quoted prices or other official prices are not available or are not taken to reflect the fair value, are measured at fair value according to other evaluation techniques and other observable market information. In those cases where observable prices based on market information are not available or are not taken to be useful for measuring fair value, the fair value is measured by recognised techniques, including discounted future cash flows, and own expertise (category "non-observable prices"). The basis of the measurement may be recent transactions involving comparable assets or liabilities, interest rates, exchange rates, volatility, credit spreads, etc. Generally, the Group's unlisted shares are placed in this category.

Generally, quoted prices and observable input are obtained in the form of interest rates and equity and bond prices, exchange rates, forward premiums, volatilities, etc. from recognised stock exchanges and providers.

Specific details on methods for measuring fair value
Bonds at fair value, shares, assets linked to pooled deposits, and derivatives are measured at fair value in the accounts to the effect that the carrying amounts equal fair values.

Generally bonds are measured at prices quoted on a recognised stock exchange. Alternatively, prices are applied that are calculated on the basis of Jyske Bank's own measurement models based on a yield curve with a credit spread. Essentially, the calculated prices are based on observable input.

Generally equities, etc. are measured at prices quoted on a recognised stock exchange. Alternatively, prices are applied that are calculated on the basis of Jyske Bank's own measurement models based on observable input, shareholders' agreements, executed transactions, etc. Unlisted equities are measured on the basis of discounted cash flow models (DCF).

Derivatives are measured on the basis of the following measurement techniques.

- Forward exchange transactions are measured on the basis of forward premiums as well as exchange rates obtained.
- Interest-rate and currency swaps are measured on the basis of exchange rates, interest points, interpolation between these, exchange rates as well as correction of credit risk (CVA and DVA). Client margins are amortised over the remaining time to maturity. Present value calculations with discounting is applied.
- Futures are measured on the basis of prices obtained in the market for stock-exchange traded futures.
- Options are measured on the basis of volatilities, correlation matrices, prices of underlying assets and exercise prices. For this purpose, option models, such as Black-Scholes, are applied.

Assets related to pooled deposits are measured according to the above principles.

Information about differences between recognised value and measurement of fair value
Loans and advances exclusive of mortgage loans and certain other home loans are recognised at amortised cost. The difference to fair value is assumed to be fee and commission received, costs defrayed in connection with lending, plus interest-rate-dependent value adjustment calculated by comparing current market rates with market rates at the time when the loans and advances were established. Changes in credit quality are assumed to be included under impairment charges both for carrying amounts and fair values.

Subordinated debt and issued bonds exclusive of issues of mortgage bonds are recognised at amortised cost supplemented with the fair value of the hedged interest-rate risk. The difference to fair value was calculated on the basis of own-issue prices obtained externally.

Deposits are recognised at amortised cost. The difference to fair value is assumed to be the interest-rate dependent value adjustment calculated by comparing current market rates with market rates at the time when the deposits were made.

Balances with credit institutions are recognised at amortised cost. The difference to fair value is assumed to be the interest-rate dependent value adjustment calculated by comparing current market rates with market rates at the time when the transactions were established. Changes in the credit quality of balances with credit institutions are assumed to be included under impairment charges for loans, advances, and receivables. Changes in the fair values of balances due to credit institutions because of changes in Jyske Bank’s own credit rating are not taken into account.

The calculated fair values of financial assets and liabilities recognised at amortised cost are materially non-observable prices (level 3) in the fair value hierarchy.

DKKm

28 **Notes on fair value, cont.**

Information about changes in credit risk on derivatives with positive fair value.
In order to allow for the credit risk on derivatives for clients without objective evidence of impairment (OEI), the fair value is adjusted (CVA). Adjustments will also be made for clients with OEI, but on an individual basis.

For any given counterparty's total portfolio of derivatives, CVA is a function of the probability of the counterparty's probability of default (PD), the expected positive exposure (EPE) as well as the loss given default (LGD). Credit default swaps (CDS) spreads should be used as the primary source for the probability of default in the CVA calculation. However, the Jyske Bank Group enters primarily to derivatives transactions with unlisted Danish counterparties, for which there only to a most limited extent exist CDS or CDS proxy spreads. As CDS spreads are not available for the majority of the portfolio of derivatives counterparties, risk-neutral PDs are used instead. The risk-neutral PDs are calculated on the basis of IRB PDs that are adjusted for the observable price of risk in the market (Sharpe Ratio measured on the basis of the OMX C20 index). By using risk-neutral PDs, it is achieved that the CVA gets closer to the value it would have had if it had been calculated on the basis of market observable PDs. The calculation of CVA also allows for the expected development of the rating over time. This takes place on the basis of historical rating migrations. When determining the EPE, a model is used to establish the expected positive exposure to the counterparty's portfolio over the maturity of the derivatives. For LGD, internal estimates are used for the individual counterparty, adjusted for any collateral received as well as CSA agreements concluded.

In addition to CVA, also an adjustment is made of the fair value of derivatives that have an expected future negative fair value. This takes place to allow for changes in the counterparties' credit risk against the Jyske Bank Group (debt valuation adjustment - DVA). The DVA takes place according to the same principles that apply to the CVA, yet PD for Jyske Bank is determined on the basis of Jyske Bank's external rating by Standard & Poor's. At the end of the first half of 2018, CVA and DVA amounted, on an accumulated basis, to net DKK 60m, which accumulated amount was recognised as an expense under value adjustment against an accumulated amount of DKK 70m at the end of 2017.

29 **Fair value of financial assets and liabilities**
The recognised value and fair value of assets classified as held-for-trading amounted to DKK 132.8bn at the end of the first half of 2018 against DKK 134.1bn at the end of 2017. The recognised value and fair value of liabilities classified as trading portfolio amounted to DKK 38.2bn at the end of the first half of 2018 against DKK 38.6bn at the end of 2017. The recognised value and fair value of assets classified as held-to-maturity amounted to DKK 7.3bn and DKK 7.4bn, respectively, at the end of the first half of 2018 against DKK 4.3bn and 4.3bn, respectively, at the end of 2017. The table shows the fair value of financial assets and liabilities and the carrying amounts. The re-statement at fair value of financial assets and liabilities shows a total non-recognised unrealised loss of DKK 64m at the end of the first half of 2018 against a loss of DKK 319m at the end of 2017.

	30 June 2018		31 December 2017	
	Carrying amount	**Fair Value**	Carrying amount	Fair value
FINANCIAL ASSETS				
Cash balance and demand deposits with central banks	**3,882**	**3,882**	19,347	19,347
Due from credit institutions and central banks	**13,666**	**13,666**	13,046	13,045
Loans and advances at fair value	**324,851**	**324,851**	316,998	316,998
Loans and advances at amortised cost	**130,522**	**130,718**	130,675	130,831
Bonds at fair value	**69,521**	**69,521**	69,846	69,846
Bonds at amortised cost	**7,311**	**7,403**	4,280	4,336
Shares, etc.	**4,147**	**4,147**	4,972	4,972
Assets in pooled deposits	**4,108**	**4,108**	4,208	4,208
Derivatives	**26,708**	**26,708**	25,632	25,632
Total	**584,716**	**585,004**	589,004	589,215
FINANCIAL LIABILITIES				
Due to credit institutions and central banks	**17,398**	**17,412**	17,959	17,963
Deposits	**150,882**	**150,892**	155,655	155,674
Pooled deposits	**4,235**	**4,235**	4,368	4,368
Issued bonds at fair value	**308,904**	**308,904**	302,601	302,601
Issued bonds at amortised cost	**31,199**	**31,568**	38,920	39,376
Subordinated debt	**4,283**	**4,242**	4,323	4,374
Derivatives	**26,304**	**26,304**	25,776	25,776
Total	**543,205**	**543,557**	549,602	550,132

DKKm

30 **The fair value hierarchy**

30 June 2018 **Financial assets**	**Quoted prices**	**Observable prices**	**Non-observable prices**	**Fair value total**	**Carrying amount**
Loans and advances at fair value	0	324,851	0	324,851	324,851
Bonds at fair value	55,157	14,364	0	69,521	69,521
Shares, etc.	1,004	927	2,216	4,147	4,147
Assets in pooled deposits	2,733	1,375	0	4,108	4,108
Derivatives	359	26,349	0	26,708	26,708
Total	**59,253**	**367,866**	**2,216**	**429,335**	**429,335**
Financial liabilities					
Pooled deposits	0	4,235	0	4,235	4,235
Issued bonds at fair value	250,509	58,395	0	308,904	308,904
Derivatives	221	26,083	0	26,304	26,304
Total	**250,730**	**88,713**		**339,443**	**339,443**
31 December 2017					
Financial assets					
Loans and advances at fair value	0	316,998	0	316,998	316,998
Bonds at fair value	55,412	14,434	0	69,846	69,846
Shares, etc.	1,978	739	2,255	4,972	4,972
Assets in pooled deposits	2,398	1,810	0	4,208	4,208
Derivatives	367	25,265	0	25,632	25,632
Total	60,155	359,246	2,255	421,656	421,656
Financial liabilities					
Pooled deposits	0	4,368	0	4,368	4,368
Issued bonds at fair value	283,416	19,185	0	302,601	302,601
Derivatives	303	25,473	0	25,776	25,776
Total	283,719	49,026	0	332,745	332,745

The above table shows the fair value hierarchy for financial assets and liabilities recognised at fair value. It is the practice of the Group that if prices are not updated for two days, transfers will take place between the categories quoted prices and observable prices.

NON-OBSERVABLE PRICES	**H1 2018**	2017
Fair value, beginning of period	**2,255**	2,024
Transfers for the period	**0**	-73
Capital gain and loss for the period reflected in the income statement under value adjustments	**102**	149
Sales or redemptions	**142**	30
Purchases	**1**	185
Fair value, end of period	**2,216**	2,255

Non-observable prices

Non-observable prices at the end of the first half of 2018 referred to unlisted shares recognised at DKK 2,216m against unlisted shares recognised at DKK 2,255m at the end of 2017. These are primarily sector shares. The measurements, which are associated with some uncertainty, are made on the basis of the shares' book value, market trades, shareholders' agreements as well as own assumptions and extrapolations, etc. In the cases where Jyske Bank calculates the fair value on the basis of the company's expected future earnings, a required rate of return of 15% p.a. before tax is applied. A change in the required rate of return of 1% will result in a change of the fair value of about DKK 35m. Capital gain and loss for the period on illiquid bonds and unlisted shares referred to assets held at the end of the first half of 2018. Jyske Bank finds it of little probability that the application of alternative prices in the measurement of fair value would result in a material deviation from the recognised fair value.

30 **Fair value hierarchy, cont.**

Non-financial assets recognised at fair value

Investment properties were recognised at a fair value of DKK 28m (end of 2017: DKK 29m). Fair value belongs to the category of non-observable prices calculated on the basis of a required rate of return of 7% (end of 2017: 7%)

Assets held temporarily comprise repossessed properties, equity investments and cars, etc. and similar assets held for sale. Assets held temporarily are recognised at the lower of cost and fair value less costs of sale. Assets held temporarily were recognised at DKK 931m (end of 2017: DKK 577m). Fair value belongs to the category of non-observable prices.

Owner-occupied properties are recognised at the restated value corresponding to the fair value on the date of the revaluation less subsequent amortization, depreciation and impairment. The valuation of selected land and buildings is carried out with the assistance of external experts. Based on the returns method, the measurement takes place in accordance with generally accepted standards and with a weighted average required rate of return of 5.96% at the end of 2017. Owner-occupied properties were recognised at DKK 1,896m (2017: DKK 2,657m). The revalued amount belongs to the category of non-observable prices.

31 **The Jyske Bank Group - overview**

30 June 2018	*	Currency	Share capital 1.000 units	Ownership share (%)	Voting share %	Assets (DKKm) end of 2017	Liabilities DKKm at the end of 2017	Equity DKKm, at the end of 2017	Earnings (DKKm) 2017	Profit, DKKm 2017
Jyske Bank A/S	a	DKK	891,500			295,738	261,134	34,604	6,604	3,143
Subsidiaries										
Jyske Realkredit A/S, Kgs. Lyngby	b	DKK	3,306,480	100	100	337,754	322,023	15,731	2,186	886
Jyske Bank (Gibraltar) Ltd.	a	GBP	26,500	100	100	6,501	5,987	514	149	-81
Jyske Bank (Gibraltar) Nominees Ltd.	d	GBP	0	100	100	0	0	0	0	0
Jyske Bank (Gibraltar) Management Ltd.	d	GBP	0	100	100	0	0	0	0	0
Jyske Bank (Gibraltar) Secretaries Ltd.	d	GBP	0	100	100	0	0	0	0	0
Trendsetter, S.L., Spain	e	EUR	706	100	100	16	0	16	0	0
Jyske Bank Nominees Ltd., London	d	GBP	0	100	100	0	0	0	0	0
Inmobiliaria Saroesma S.L., Spain	e	EUR	803	100	100	77	74	3	0	-4
Jyske Finans A/S, Silkeborg	c	DKK	100,000	100	100	19,167	18,017	1,150	983	145
Ejendomsselskabet af 01.11.2017 A/S, Silkeborg	e	DKK	500	100	100	10	9	1	0	0
Gl. Skovridergaard A/S, Silkeborg	e	DKK	500	100	100	31	26	5	18	-2
Sundbyvesterhus A/S, Silkeborg	e	DKK	518	100	100	113	17	96	6	2
Ejendomsselskabet af 1.10.2015 ApS, Silkeborg	c	DKK	500	100	100	125	123	2	1	1
Jyske Invest Fund Management A/S, Silkeborg	d	DKK	76,000	100	100	357	72	285	362	5
Bytorv Horsens ApS, Gentofte (temporarily acquired)	e	DKK	1,080	100	100	242	412	-170	14	-33

All banks and mortgage credit institutions supervised by national financial supervisory authorities are subject to statutory capital requirements. Such capital requirements may limit intra-group facilities and dividend payments.

* Activity:

a: Bank

b: Mortgage credit

c: Leasing, financing and factoring

d: Investment and financing

e: Properties and course activities

The registered offices of the companies are in Silkeborg, unless otherwise stated.

Note		Jyske Bank	
	DKKm	**H1 2018**	H1 2017
	Income statement		
3	Interest income	**1,732**	1,925
4	Interest expenses	**281**	296
	Net interest income	**1,451**	1,629
	Dividends, etc.	**104**	67
5	Fees and commission income	**999**	942
	Fees and commission expenses	**52**	60
	Net interest and fee income	**2,502**	2,578
6	Value adjustments	**377**	657
	Other operating income	**375**	199
	Employee and administrative expenses	**2,262**	2,020
	Amortisation, depreciation and impairment charges	**40**	72
	Other operating expenses	**7**	21
7	Loan impairment charges	**-132**	-197
	Profit on investments in associates and group enterprises	**579**	407
	Pre-tax profit	**1,656**	1,925
	Tax	**235**	310
	Net profit for the period	**1,421**	1,615
	Distributed to:		
	Jyske Bank A/S shareholders	**1,359**	1,577
	Holders of additional tier 1 capital (AT1)	**62**	38
	Total	**1,421**	1,615

Statement of Comprehensive Income		
Net profit for the period	**1,421**	1,615
Other comprehensive income:		
Items that cannot be recycled to the income statement:		
Revaluation of real property	**145**	0
Tax on property revaluations	**-29**	0
Items that can be recycled to the income statement:		
Foreign currency translation adjustment of international units	**0**	-14
Hedge accounting of international units	**0**	14
Tax on hedge accounting	**0**	-3
Other comprehensive income after tax	**116**	-3
Comprehensive income for the period	**1,537**	1,612

Note				Jyske Bank
	DKKm	**30 June 2018**	31 Dec. 2017	30 June 2017
	BALANCE SHEET			
	ASSETS			
	Cash balance and demand deposits with central banks	**3,774**	19,244	15,778
	Due from credit institutions and central banks	**15,173**	9,532	10,568
10	Loans and advances at fair value	**10,403**	10,154	9,528
8,9,10	Loans and advances at amortised cost	**131,147**	132,585	131,706
	Bonds at fair value	**60,985**	62,030	61,980
	Bonds at amortised cost	**7,311**	5,672	5,669
	Shares, etc.	**3,831**	4,674	4,530
	Investments in associates	**407**	407	401
	Equity investments in group enterprises	**18,227**	17,731	15,412
	Assets in pooled deposits	**4,108**	4,208	4,126
	Intangible assets	**0**	1	6
	Owner-occupied properties	**1,770**	2,020	1,979
	Other property, plant and equipment	**119**	126	145
	Current tax assets	**998**	436	960
	Assets held temporarily	**363**	48	51
	Other assets	**27,781**	26,782	30,649
	Prepayments	**113**	88	113
	Total assets	**286,510**	295,738	293,601
	EQUITY AND LIABILITIES			
	Debt and payables			
	Due to credit institutions and central banks	**28,849**	31,379	24,817
11	Deposits	**145,116**	149,935	147,672
	Pooled deposits	**4,235**	4,368	4,346
	Issued bonds at amortised cost	**31,199**	35,776	38,611
	Other liabilities	**36,888**	34,251	39,920
	Prepayments	**18**	18	18
	Total debt	**246,305**	255,727	255,384
	Provisions			
	Provisions for pensions and similar liabilities	**576**	568	534
	Provisions for deferred tax	**48**	25	31
	Provisions for guarantees	**232**	338	399
	Other provisions	**257**	153	147
	Provisions, total	**1,113**	1,084	1,111
	Subordinated debt	**4,283**	4,323	4,332
	Equity			
	Share capital	**892**	892	950
	Revaluation reserve	**421**	339	400
	Currency translation reserve	**0**	0	0
	Reserve according to the equity method	**4,927**	4,406	2,964
	Retained profit	**25,518**	25,864	26,992
	Proposed dividend	**525**	522	0
	Jyske Bank A/S shareholders	**32,283**	32,023	31,306
	Holders of additional tier 1 capital (AT1)	**2,526**	2,581	1,468
	Total equity	**34,809**	34,604	32,774
	Total equity and liabilities	**286,510**	295,738	293,601
	OFF-BALANCE SHEET ITEMS			
	Guarantees, etc.	**18,590**	19,226	18,610
	Other contingent liabilities	**2,981**	3,103	2,703
	Total guarantees and other contingent liabilities	**21,571**	22,329	21,313

DKKm

Statement of changes in equity	Share capital	Revaluation reserve	Currency translation reserve	Reserve according to the equity method	Retained profit	Proposed dividend	Shareholders of Jyske Bank A/S	AT1 capital*	Total equity
Equity at 1 January 2018	892	339	0	4,406	25,864	522	32,023	2,581	34,604
Changed accounting policies, IFRS 9	0	0	0	-117	-511	0	-628	0	-628
Tax effect, IFRS 9	0	0	0	25	112	0	137	0	137
Adjusted equity, 1 January 2018	892	339	0	4,314	25,465	522	31,532	2,581	34,113
Net profit for the period	0	0	0	579	780	0	1,359	62	1,421
Other comprehensive income	0	82	0	34	0	0	116	0	116
Comprehensive income for the period	0	82	0	613	780	0	1,475	62	1,537
Interest paid on AT1 capital	0	0	0	0	0	0	0	-64	-64
Currency translation adjustment	0	0	0	0	53	0	53	-53	0
Tax	0	0	0	0	3	0	3	0	3
Dividends paid	0	0	0	0	0	-522	-522	0	-522
Dividends, own shares	0	0	0	0	24	0	24	0	24
Proposed dividend	0	0	0	0	-525	525	0	0	0
Acquisition of own shares	0	0	0	0	-1,026	0	-1,026	0	-1,026
Sale of own shares	0	0	0	0	744	0	744	0	744
Transactions with owners	0	0	0	0	-727	3	-724	-117	-841
Equity at 30 June 2018	**892**	**421**	**0**	**4,927**	**25,518**	**525**	**32,283**	**2,526**	**34,809**
Equity at 1 January 2017	950	400	-2	2,964	26,227	499	31,038	1,476	32,514
Net profit or loss for the period	0	0	2	0	1,575	0	1,577	38	1,615
Other comprehensive income	0	0	0	0	-3	0	-3	0	-3
Comprehensive income for the period	0	0	2	0	1,572	0	1,574	38	1,612
Interest paid on AT1 capital	0	0	0	0	0	0	0	-38	-38
Currency translation adjustment	0	0	0	0	8	0	0	-8	0
Tax	0	0	0	0	6	0	6	0	6
Dividends paid	0	0	0	0	0	-1,031	-1,031	0	-1,031
Dividends, own shares	0	0	0	0	69	0	69	0	69
Proposed dividend	0	0	0	0	-532	532	0	0	0
Acquisition of own shares	0	0	0	0	-1,291	0	-1,291	0	-1,291
Sale of own shares	0	0	0	0	933	0	933	0	933
Transactions with shareholders	0	0	0	0	-807	-499	-1,306	-46	-1,352
Equity at 30 June 2017	950	400	0	2,964	26,992	0	31,306	1,468	32,774

* Additional tier 1 capital (AT1) has no maturity. Payment of interest and repayment of principal are voluntary. Therefore AT1 capital is recognised as equity. In September 2016, Jyske Bank issued AT1 amounting to SEK 1.25bn and DKK 500m. The AT1 issue with the possibility of early redemption in September 2021 at the earliest. The interest rates applicable to the issue until September 2021 are STIBOR+5.80% and CIBOR+5.30%, respectively. In September 2017, Jyske Bank made an issue amounting to EUR 150m, AT1, with the possibility of early redemption in September 2027 at the earliest. The issue has a coupon of 4.75% until September 2027. It applies to all AT1 issues, that if the Common Equity Tier 1 capital of Jyske Bank A/S or the Jyske Bank Group falls below 7%, the loans will be written down.

DKKm	**30 June 2018**	31 Dec. 2017	30 June 2017
Capital statement			
Shareholders' equity	**32,283**	32,023	31,306
Share buy-back programme, non-utilised limit	**0**	-281	-174
Proposed dividend	**-525**	-522	0
Expected dividend	**-455**	0	-252
Intangible assets	**0**	-1	-6
Deferred tax liabilities relating to intangible assets	**0**	0	1
Prudent valuation	**-222**	-251	-223
Other deductions	**-91**	-14	-113
Common Equity Tier 1 capital	**30,990**	30,954	30,539
Additional Tier 1 Capital (AT1) after reduction	**3,027**	3,209	2,112
Other deductions	**0**	-27	-27
Core capital	**34,017**	34,136	32,624
Subordinated loan capital after reduction	**3,705**	3,631	3,647
Difference between expected loss and the carrying amount of impairment charges	**0**	77	84
Other deductions	**0**	-248	-247
Capital base	**37,722**	37,596	36,108
Weighted risk exposure involving credit risk etc.	**101,235**	99,523	97,898
Weighted risk exposure involving market risk	**15,388**	20,553	20,807
Weighted risk exposure involving operational risk	**11,936**	11,400	11,400
Total weighted risk exposure	**128,559**	131,476	130,105
Capital requirement, Pillar I	**10,285**	10,518	10,408
Capital requirement, transitional provisions	**0**	276	4
Capital requirement, total	**10,285**	10,794	10,412
Capital ratio	**29.3**	28.6	27.8
Tier 1 Capital ratio (%)	**26.5**	26.0	25.1
Common Equity Tier 1 capital ratio (%)	**24.1**	23.5	23.5

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

For the determination of individual solvency requirement, please see www.jyskebank.info.

Note		Jyske Bank	
	DKKm	**H1 2018**	H1 2017

Notes

1 **Accounting Policies**

The Interim Financial Report of the parent company Jyske Bank A/S for the period 1 January to 30 June 2018
was prepared in accordance with the Danish Financial Business Act, including the Executive Order on Financial Reports for Credit Institutions and Stockbrokers, etc.

The rules applying to recognition and measurement at Jyske Bank A/S are consistent with IFRS.
With respect to classification and extent, the preparation for Jyske Bank A/S differs from the preparation for the Group. Please thee the full description of accounting policies in note 71 of the annual report 2017.

Figures in the financial statements are in Danish kroner, rounded to the nearest million in Danish kroner.

Changes to accounting policies

The Danish Executive Order on Financial Reports for Credit Institutions and Investment Companies, Etc. was changed with effect from 1 January 2018 as the derived effects from IFRS 9 have been incorporated in the executive order.

The amount from loans and advances at amortised cost, guarantees and unutilised credit lines is DKK 628m. The amount is accounted for as a change in practice, and after a tax effect of DKK 137m it was recognised at net DKK 491m in equity on 1 January 2018.

The following items were adjusted as of 1 January 2018: Loans and advances at amortised cost were reduced by DKK 427m, equity investments in group enterprises were reduced by DKK 92m, current tax assets were increased by DKK 112m, and provisions were increased by DKK 84m. The net effect reduced equity by DKK 491m as the reserve according to the equity method was reduced by DKK 92m and retained profit was reduced by DKK 399m.

In accordance with the transitional provisions of IFRS 9, no adjustment of comparative figures was made, as it is not possible to apply the impairment provisions to previous financial years without any subsequent rationalisation.

For further details on the changes to accounting policies due to IFRS 9, please see the Jyske Bank Group, note 1, page 30.

Financial situation and risk information

Jyske Bank A/S is affected by the financial situation and the risk factors that are described in the management's review for the Group and reference is made to this.

2 **Financial ratios and key figures**

	H1 2018	H1 2017
Pre-tax profit p.a. as a percentage of average equity*	**10.0**	12.2
Profit for the period as a pct. of av. equity*	**4.3**	5.1
Income/cost ratio (%)	**1.8**	2.0
Capital ratio	**29.3**	27.8
Common Equity Tier 1 capital ratio (CET1 %)	**24.1**	23.5
Individual solvency requirement (%)	**11.0**	10.9
Capital base (DKKm)	**37,722**	36,108
Total risk exposure (DKKm)	**128,559**	130,105
Interest-rate risk (%)	**0.8**	0.4
Currency risk (%)	**0.1**	0.1
Accumulated impairment ratio (%)	**2.5**	2.9
Impairment ratio for the period (%)	**-0.1**	-0.1
No. of full-time employees at end-period	**3,466**	3,021
Average number of full-time employees in the period	**3,477**	3,001

*Financial ratios are calculated as if AT1 capital is recognised as a liability.

Note		Jyske Bank	
	DKKm	**H1 2018**	H1 2017
	Notes		
3	**Interest income**		
	Due from credit institutions and central banks	**8**	6
	Loans and advances	**1,162**	1,324
	Bonds	**301**	382
	Derivatives, total	**100**	67
	Of which currency contracts	**110**	55
	Of which interest-rate contracts	**-10**	12
	Other	**0**	1
	Total after offsetting of negative interest	**1,571**	1,780
	Negative interest income set off against interest income	**82**	71
	Negative interest expenses set off against interest expenses	**79**	74
	Total before offsetting of negative interest income	**1,732**	1,925
	Of which interest income on reverse repos carried under:		
	Due from credit institutions and central banks	**-11**	-9
	Loans and advances	**-46**	-46
4	**Interest expenses**		
	Due to credit institutions and central banks	**65**	44
	Deposits	**-53**	-10
	Issued bonds	**58**	82
	Subordinated debt	**50**	35
	Total after offsetting of negative interest	**120**	151
	Negative interest expenses set off against interest expenses	**82**	71
	Negative interest income set off against interest income	**79**	74
	Total before offsetting of negative interest income	**281**	296
	Of which interest expenses on reverse repos carried under:		
	Due to credit institutions and central banks	**-25**	-22
	Deposits	**-11**	-6
5	**Fees and commission income**		
	Securities trading and custody services	**471**	**520**
	Money transfers and card payments	**98**	**83**
	Loan application fees	**80**	**78**
	Guarantee commission	**53**	**37**
	Other fees and commissions	**297**	**224**
	Total	**999**	**942**
6	**Value adjustments**		
	Loans and advances at fair value	**50**	**25**
	Bonds	**-269**	**29**
	Shares, etc.	**526**	**236**
	Currency	**38**	**77**
	Currency, interest-rate, share, commodity and other contracts as well as other derivatives	**31**	**224**
	Assets in pooled deposits	**-63**	**73**
	Pooled deposits	**63**	**-73**
	Other assets	**2**	**0**
	Issued bonds	**11**	**50**
	Other liabilities	**-12**	**16**
	Total	**377**	**657**

Note			Jyske Bank
	DKKm	**H1 2018**	H1 2017
7	**Loan impairment charges and provisions for guarantees recognised in the income statement**		
	Loan impairment charges/provisions for the period	**-75**	-83
	Impairment charges on balances due from credit institutions in the period	**2**	-15
	Provisions for commitments and unutilised credit lines in the period	**-42**	-
	Recognised as a loss, not covered by loan impairment charges/provisions	**135**	54
	Recoveries	**-125**	-153
	Loan impairment charges and provisions for guarantees recognised in the income statement	**-105**	-197
	Recognised discount for acquired loans	**27**	75
	Net effect on income statement	**-132**	-272

8	**Balance of loan impairment charges and provisions for guarantees incl. balance of discounts**		
	Balance of loan impairment charges and provisions for guarantees incl. balance of discounts, beginning of period	**4,286**	5,514
	Implementation of IFRS 9 and adjustments to the standard	**507**	-
	Loan impairment charges/provisions for the period	**-117**	-83
	Recognised as a loss, covered by impairment charges/provisions	**-358**	-305
	Recognised losses covered by discounts for acquired loans	**-1**	-51
	Recognised discount for acquired loans	**-27**	-75
	Other movements	**33**	42
	Balance of loan impairment charges and provisions for guarantees incl. balance of discounts, end of period	**4,323**	5,042
	Loan impairment charges at amortised cost	**3,820**	4,318
	Provisions for guarantees	**232**	399
	Provisions for commitments and unutilised credit lines	**111**	-
	Balance of loan impairment charges and provisions, end of period	**4,163**	4,717
	Balance of discounts for acquired loans	**160**	325
	Balance of loan impairment charges and provisions for guarantees incl. balance of discounts, end of period	**4,323**	5,042

The regulatory balance of loan impairment charges and provisions for guarantees does not include the discount balance for acquired loans and advances.

9	**Balance of loan impairment charges and provisions for guarantees broken down by stage**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	Balance according to IAS 39, beginning of period				**4,096**
	Transitional effect, IFRS 9	325	637	3,641	**507**
	Movements over the period, net	-46	-106	-288	**-440**
	Balance of loan impairment charges and provisions, end of period	**279**	**531**	**3,353**	**4,163**

Note	Jyske Bank

DKKm

10 **Loans, advances and guarantees as well as loan impairment charges and provisions for guarantees by sector**

Sector	Loans, advances and guarantees				Balance of loan impairment charges and provisions for guarantees		Loan impairment charges and provisions for guarantees for the period		Loss for the period	
	% H1 2018	% End of 2017	**H1 2018**	End of 2017	**H1 2018**	End of 2017	**H1 2018**	H1 2017	**H1 2018**	H1 2017
Public authorities	**5**	6	**8,059**	9,265	**0**	0	**0**	0	**0**	0
Agriculture, hunting, forestry, fishing	**4**	4	**7,080**	6,248	**992**	1,085	**-80**	-87	**148**	136
Fishing	**1**	*1*	**1,813**	*1,663*	**1**	*1*	**0**	-3	**0**	0
Dairy farmers	**0**	*0*	**747**	*838*	**488**	*528*	**-56**	-39	**64**	94
Plant production	**1**	*1*	**1,923**	*1,498*	**79**	*122*	**-12**	-13	**14**	4
Pig farming	**1**	*1*	**1,359**	*1,069*	**308**	*329*	**-6**	-51	**46**	26
Other agriculture	**1**	*1*	**1,238**	*1,180*	**116**	*105*	**-6**	19	**24**	12
Manufacturing, mining, etc.	**5**	4	**7,555**	6,091	**184**	197	**77**	33	**138**	10
Energy supply	**3**	3	**4,129**	4,776	**48**	36	**0**	0	**0**	0
Building and construction	**1**	1	**2,301**	2,262	**66**	93	**-17**	2	**6**	21
Commerce	**6**	6	**10,463**	9,987	**245**	160	**33**	5	**10**	20
Transport, hotels and restaurants	**2**	1	**3,049**	2,065	**89**	82	**1**	-2	**0**	12
Information and communication	**1**	1	**812**	1,018	**36**	29	**1**	-27	**3**	0
Finance and insurance	**31**	33	**49,657**	52,748	**647**	716	**-54**	-119	**51**	17
Real property	**10**	9	**15,372**	14,399	**513**	555	**-58**	13	**60**	58
Lease of real property	**5**	*5*	**8,556**	*8,469*	**441**	*484*	**-33**	*44*	**56**	*58*
Buying and selling of real property	**2**	*2*	**2,718**	*2,438*	**42**	*44*	**-5**	*-16*	**3**	*0*
Other real property	**3**	*2*	**4,098**	*3,492*	**30**	*27*	**-20**	*-15*	**1**	*0*
Other sectors	**3**	3	**5,698**	5,884	**138**	153	**-20**	-30	**28**	7
Corporate clients	**66**	65	**106,116**	105,478	**2,958**	3,106	**-117**	-212	**444**	281
Private individuals	**29**	29	**45,965**	47,222	**1,095**	990	**27**	15	**49**	78
Unutilised max and commitments, etc.	**-**	-	**-**	-	**110**	-	**-42**	-	**0**	-
Total	**100**	100	**160,140**	161,965	**4,163**	4,096	**-132**	-197	**493**	359

	Jyske Bank		
	30 June 2018	31 Dec. 2017	30 June 2017
11 **Deposits**			
Demand deposits	**104,131**	104,521	98,036
Term deposits	**3,541**	2,950	3,381
Time deposits	**30,671**	35,427	38,772
Special deposits	**6,773**	7,037	7,483
Total	**145,116**	149,935	147,672

Statement by the Executive and Supervisory Boards

We have today discussed and approved the Interim Financial Report of Jyske Bank A/S for the period 1 January to 30 June 2018.

The consolidated Interim Financial Statements were prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, and the Parent's Interim Financial Statements in accordance with the Danish Financial Business Act. Further, the Interim Financial Report was prepared in accordance with the additional Danish disclosure requirements for interim financial reports of listed financial companies.

The Interim Financial Report is unaudited and has not been reviewed, but the external auditor verified the profit, and this verification included audit procedures in line with the requirements relating to a review, and hence it was ascertained that the conditions for on-going recognition of the profit for the period in the capital base were met.

In our opinion, the Interim Financial Statements give a true and fair view of the Group's and the Parent's financial position at 30 June 2018 and also of their financial performance as well as the cash flows of the Group for the period 1 January to 30 June 2018.

In our opinion, the Management's Review gives a fair presentation of the development in the Group's and the Parent's performance and financial position, the profit for the period and the Group's and the Parent's financial position as a whole as well as a description of the most material risks and elements of uncertainty that may affect the Group and the Parent.

Silkeborg, 21 August 2018

EXECUTIVE BOARD

ANDERS DAM
Managing Director and CEO

NIELS ERIK JAKOBSEN

PETER SCHLEIDT

PER SKOVHUS

/JENS BORUM
Director, Finance

SUPERVISORY BOARD

SVEN BUHRKALL
Chairman

KURT BLIGAARD PEDERSEN
Deputy Chairman

RINA ASMUSSEN

PHILIP BARUCH

JENS A. BORUP

KELD NORUP

JOHNNY CHRISTENSEN
Employee Representative

MARIANNE LILLEVANG
Employee Representative

CHRISTINA LYKKE MUNK
Employee Representative