Translation from Danish prepared by Jyske Bank of a statement dated 23 June 2020 issued by the Danish Financial Supervisory Authority (Finanstilsynet). In the event of any discrepancy between the Danish version and the English version, the Danish version shall prevail.

Report on inspection at Jyske Bank A/S (granting of loans to rental property and property projects)

In May 2020, the Danish Financial Supervisory Authority (the FSA) inspected Jyske Bank. The purpose of the inspection was primarily to assess Jyske Bank's risk tolerance and practice when granting loans to clients with rental property and property projects.

Summary and risk assessment

The Financial Supervisory Authority (the FSA) reviewed the granting of 19 loans processed by Jyske Bank in the period after 1 November 2018.

Jyske Bank was ordered to improve its analyses of clients' robustness by including more relevant sensitivity calculations of, for instance, cash flow in property which has not been fully rented and of clients' possibilities of complying with obligations undertaken in case of deteriorated financial situations.

A third of the reviewed loans showed circumstances giving rise to a higher risk. The reason is, among other things, that Jyske Bank in many instances grants deviations from one or more main rules in its credit policy and business procedures. This applies, for instance, to main rules about guarantees and the size of the client's cash generated from operations. The FSA finds that the volume of deviations from the main rules was too large, and Jyske Bank will specify when and under which circumstances it is allowed to deviate from the main rules.

The inspection showed that most loans were granted with floating rates and full or partial exemption from repayment, which is allowed under the credit policy. Debts will therefore only be reduced to a moderate degree or not at all. This may result in significant losses in case of subsequent declines in property prices.