Translation from Danish prepared by Jyske Bank of a statement dated 15 July 2021 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 of Jyske Bank (impairment charges in the light of the COVID-19 pandemic)

Introduction

In February 2021, the Danish Financial Supervisory Authority (FSA) conducted an inspection of the loan impairment charges at the Jyske Bank Group (the Bank).

The purpose of the inspection was to assess whether the Bank had made sufficient impairment charges as at 30 September 2020, including, among other things, in the light of the negative impact from the COVID-19 pandemic on the Danish and international economies. The FSA also investigated whether the loans and advances had been placed in the correct stages according to the impairment rules.

The inspection comprised corporate and personal clients.

Summary and risk assessment

The FSA's assessment of the Bank's impairment charges and placement in stages was based on a review of selected business procedures and of loans and advances to 129 corporate clients and 81 personal clients. During its investigation, the FSA also took into account the impairment charges in the form of management's estimates made by the Bank and which were relevant for the loans and advances in question.

The FSA found that the Bank had for some personal clients not ascertained objective evidence of impairment (OEI), and that the impairment charges for these and for other personal clients were insufficient.

The FSA assessed, however, that the impairment charges, including the management's estimates in aggregate seemed necessary and sufficient.

For the selected personal clients, the typical reason behind the additional impairment charges was that the Bank had not ascertained that OEI had occurred in the form of breaches of contract, considerable economic difficulties and/or favourable terms. The Bank was ordered to ensure that it ascertains OEI according to the accounting rules and subsequently makes correct impairment charges.

The FSA assessed that the lacking ascertainment of breaches of contract were, among other things, based on the Bank's unsatisfactory handling of overdrafts. The Bank was ordered to ensure overdraft administration which is up to the requirements in appendix 1 to the FSA's Executive Order on the management and control of banks, etc. and appendix 10 to the Danish Executive Order on the Preparation of Financial Statements.