# Interim Financial Report
# 1st half 2012

# Agenda

Jyske Bank in brief

Jyske Bank performance 2008-2012

Jyske Bank actions in 2010, 2011 and 2012

- Strengthening the revenue base
- Cost reductions
- Select acquisitions including portfolios
- Optimizing capital structure
- Improving funding structure

Danish FSA

- Reports in 2011 and 2012
- New stringent guidelines for impairments

Q2 2012 in figures

- Core earnings
- Credit quality
- Investment portfolio earnings
- Fee and commission income
- Value adjustments

The Financial Sector in Denmark

# Jyske Bank in brief

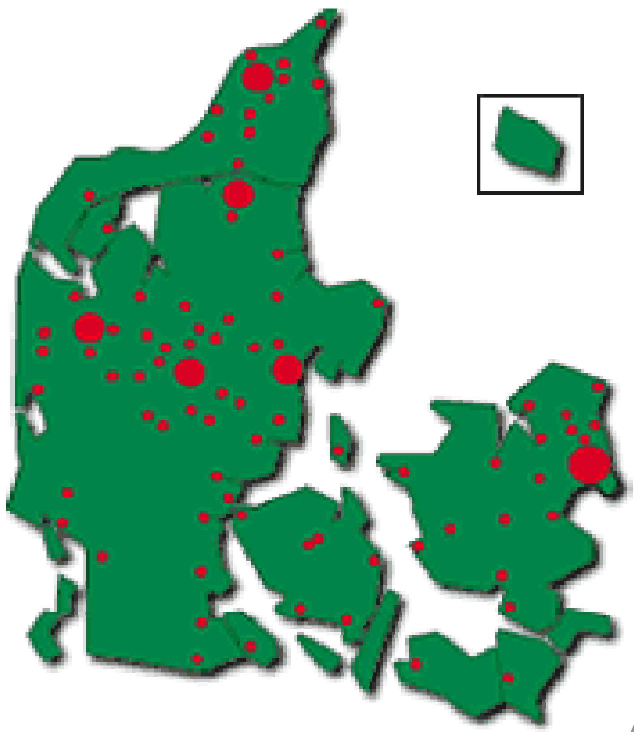
# Jyske Bank in brief

**Jyske Bank focuses on core business**

| Description |
|---|

- Established and listed in 1967
- 2nd largest Danish bank by lending
- Total lending of approx. DKK 127bn
- 109 domestic branches
- Approx. 550,000 domestic customers
- Business focus is on Danish private individuals, SMEs and international private and institutional investment clients
- International units in Hamburg, Zürich, Gibraltar, Cannes and Weert
- A de-centralised organisation
- 3,7831employees (end of Q2 2012)
- Full-scale bank with core operations within retail and commercial banking, customer driven trading, asset management and private banking
- Flexible business model using strategic partnerships within life insurance (PFA), mortgage products (Nykredit, DLR, BRF), credit cards (SEB) and IT operations (JN Data) and IT R&D (Bankdata, Q4 2012)

| Branch Network |
|---|



# Jyske Bank in brief

**Jyske Bank has a differentiation strategy**

**"Jyske Differences"**

- Vision is to be Denmark's most customer-oriented bank by providing high standard personal financial advice and taking a genuine interest in customers
- The strategy is to position Jyske Bank as a visible and distinct alternative to more traditional providers of financial services, with regard to distribution channels, products, branches, layout and communication forms
- Equal treatment and long term relationships with stakeholders
- Core values driven by common sense
- Strategic initiatives:



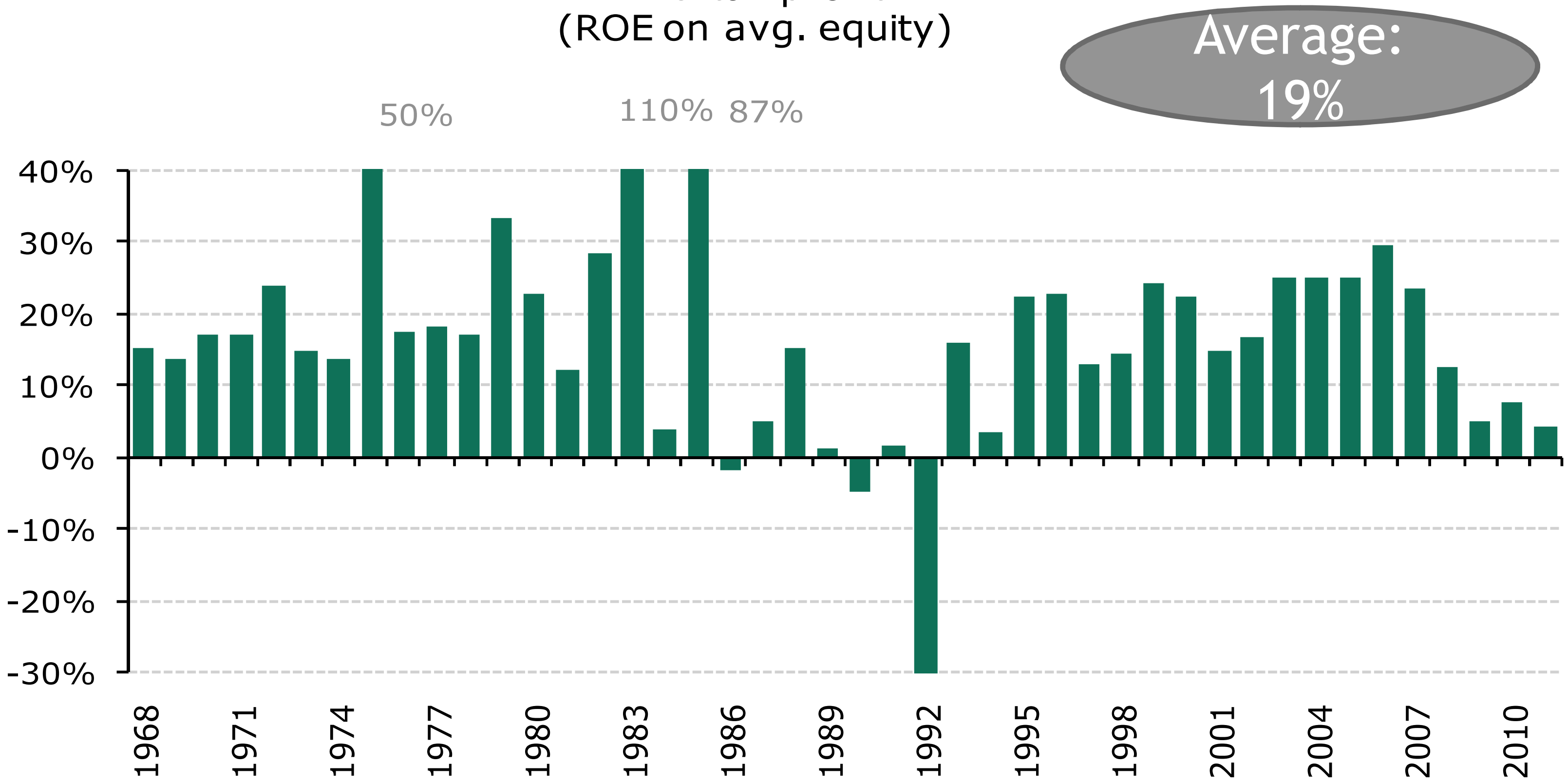
# Jyske Bank performance 2008-2012

# Jyske Bank performance

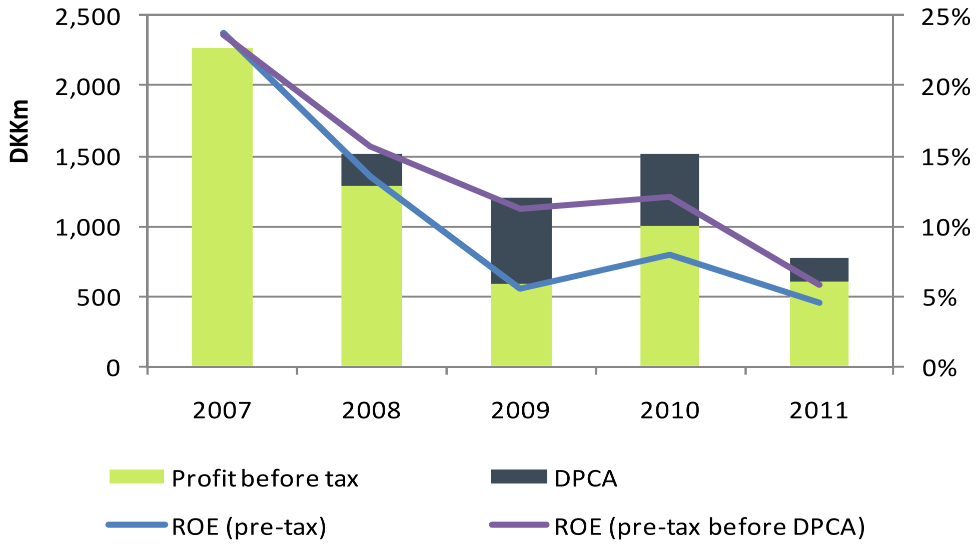
| DKKm | 2008 | 2009 | 2010 | 2011 | H1 2012 | H1 ** 2012 |
|---|---|---|---|---|---|---|
| Profit before Bank Packages, the Guarantee fund and tax | 1522 | 1208 | 1509 | 1269 * | -157 | 743 |
| ROE | 15.7% | 11.3 % | 12.1% | 9.5% | -2.3% | 10.7% |

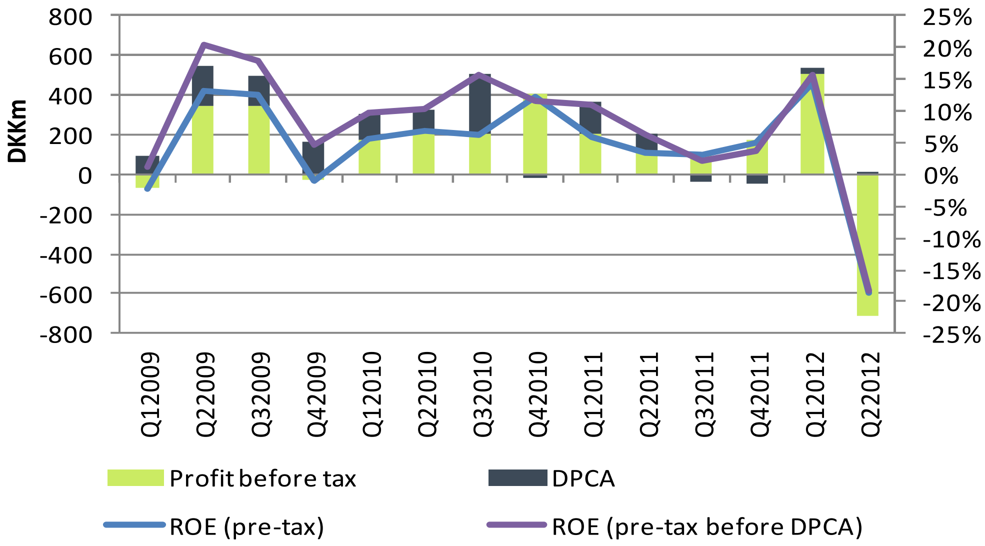
* Exclusive of one off items and special items
** Exclusive of more stringent guidelines regarding loan impairment charges

Pre-tax profit
(ROE on avg. equity)



# Profit before tax and DPCA



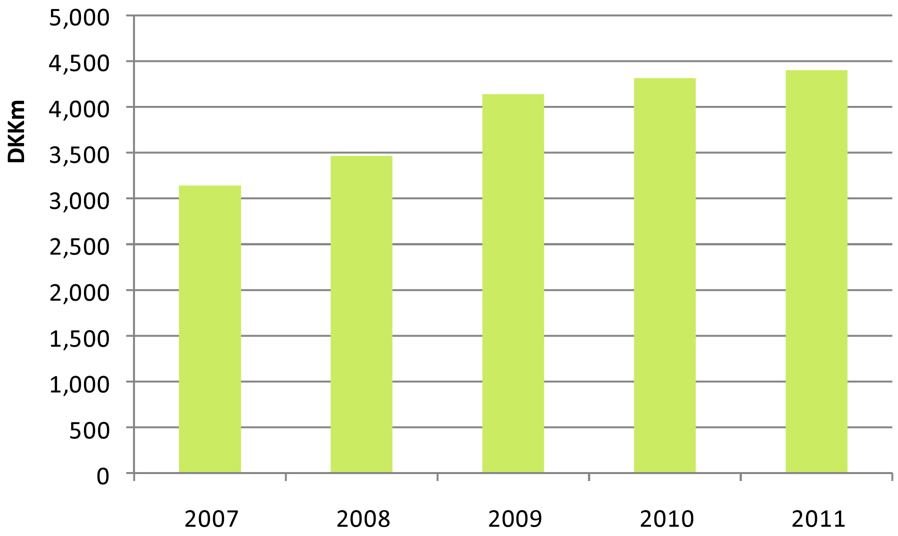
# Jyske Bank actions in 2010, 2011 and 2012

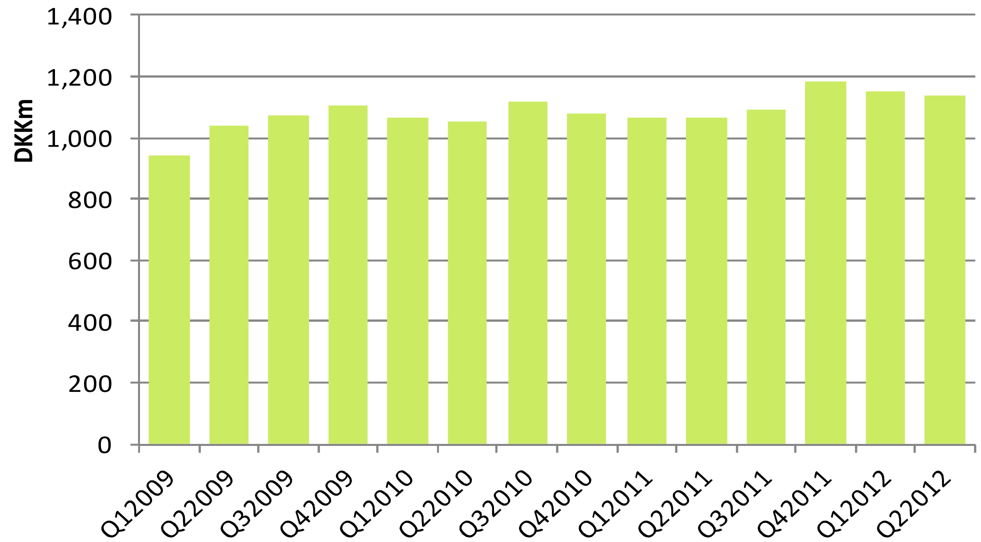
- Strengthening the revenue base
- Cost reductions
- Selective acquisitions including portfolios
- Optimizing capital structure
- Improving funding structure

# Strengthening the revenue base

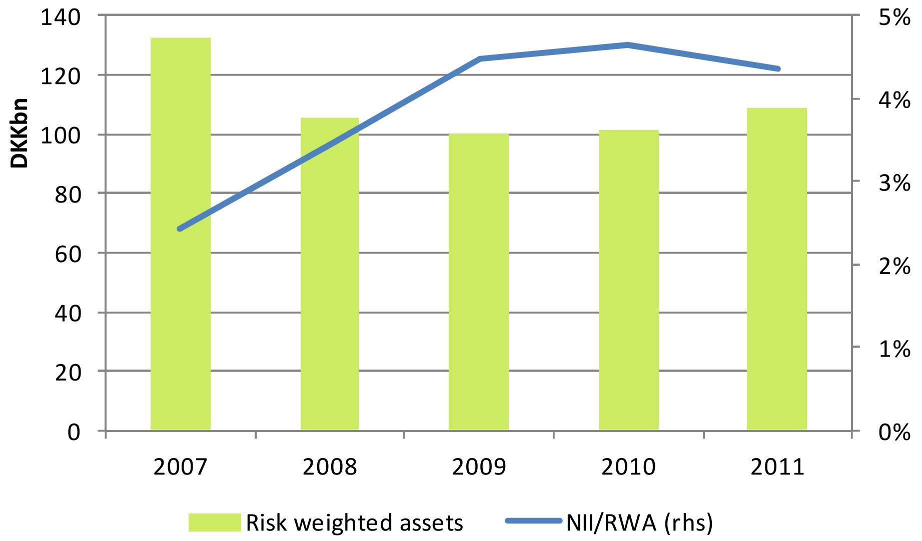
- Interest rate hikes since Q2 2011 of 150 bp (gross) in 2011 and 100 bp (gross) in 2012 due to higher funding costs and payments to the Guarantee Fund
- High floor risk due to very low short term interest rates
- Decreasing efficiency of interest rate hikes over time due to alignment of return to risk
- Full effect in P/L in Q4 2012

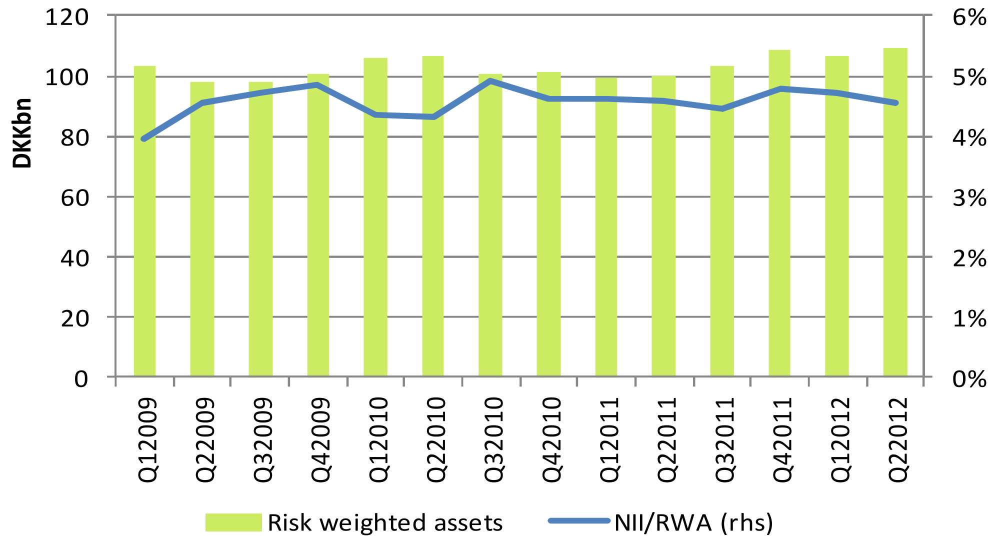
## Net Interest Income



# Return/risk-trade off

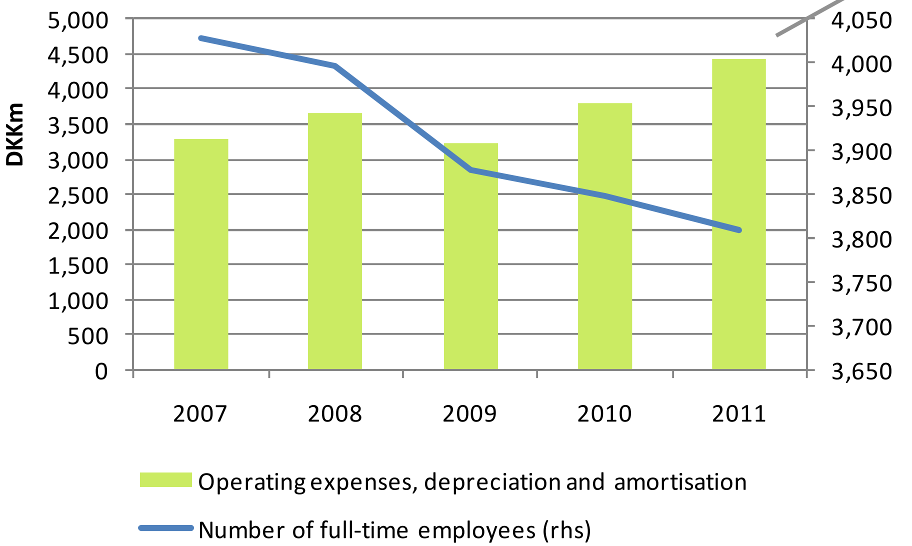


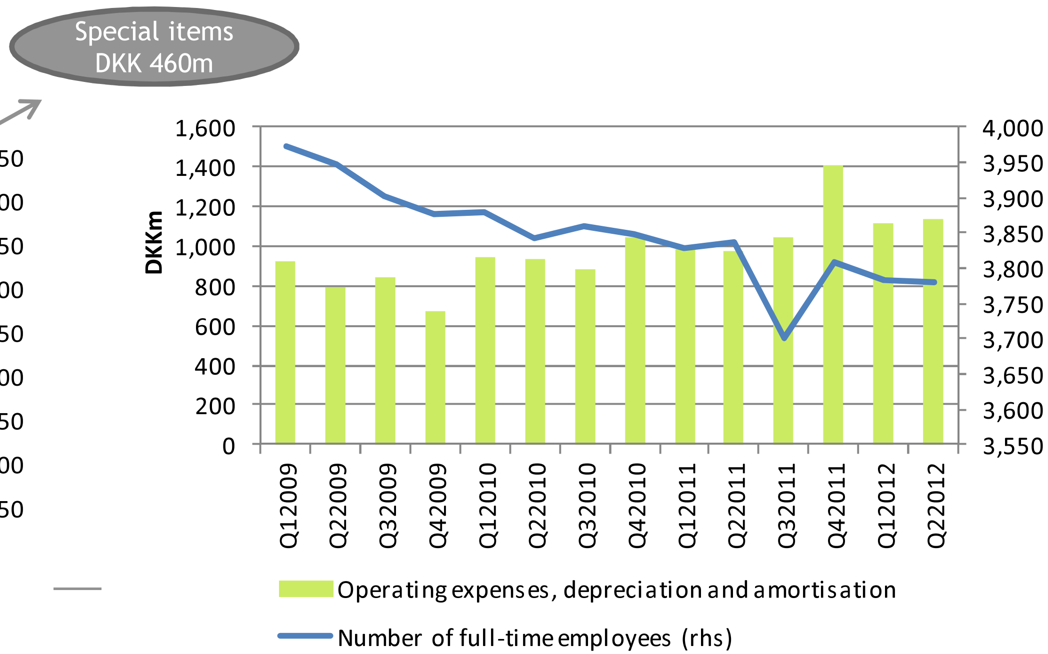



# Cost reductions

- Underlying growth in costs 2% in 2011 and 0% to negative in 1 half 2012
- Staff reductions
  - Expected 3550 employees (exclusive of approx. 50 temporary employees) end of 2012 against 4158 in Q3 2006
- 9 branch mergers in NW Jutland and Copenhagen
- Converting IT systems to Bankdata systems in Q4 2012

## Operating expenses and employees



# Selective acquisitions including portfolios

## Parts of Finans Nord (lease portfolio)

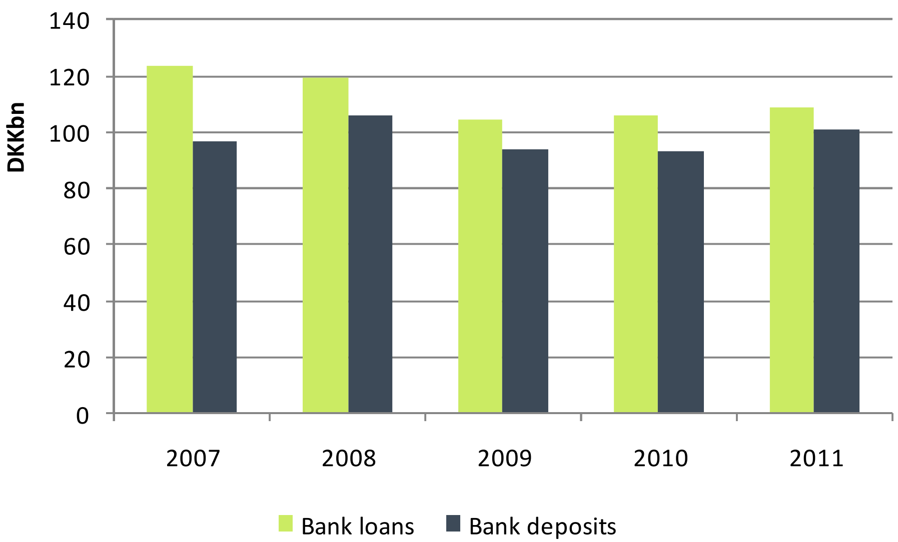
- Future new sales and administration of existing corporate leasing portfolio; approx. DKK 6bn (gross)
- DKK 800m on Jyske Bank balance sheet (branch) by Q2 2012, expected DKK 1.6bn in 2012.
- Car-leasing company Easyfleet (subsidiary), approx. DKK 600m by Q2 2012, expected DKK 800m in 2012.
- Badwill DKK 4m

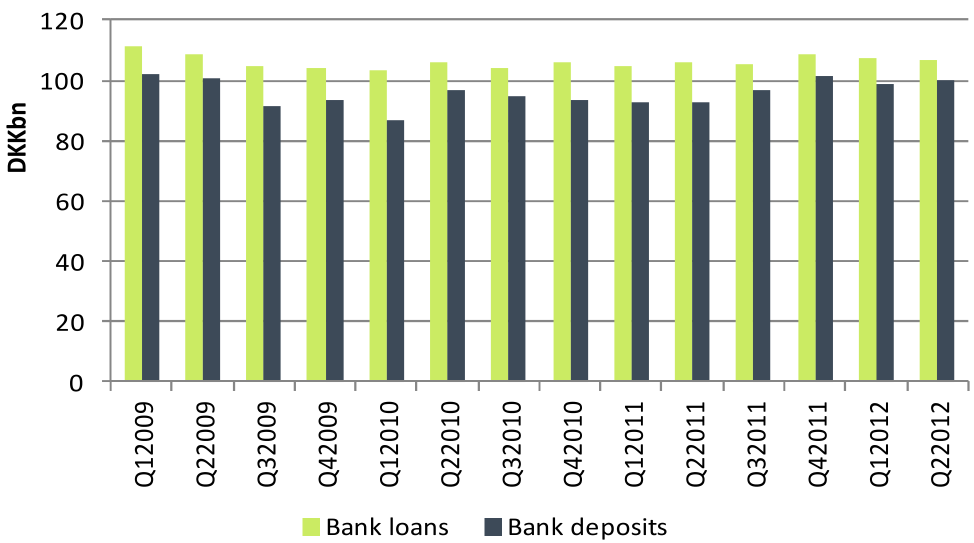
## Fjordbank Mors (branch)

- Retail and SME portfolio; 43.000 customers
- Loans DKK 2.0bn
- Deposits DKK 3.2bn
- AUM approx. DKK 2.4bn
- Badwill DKK 155m

Loans :
-0.3% q/q
0.7% y/y

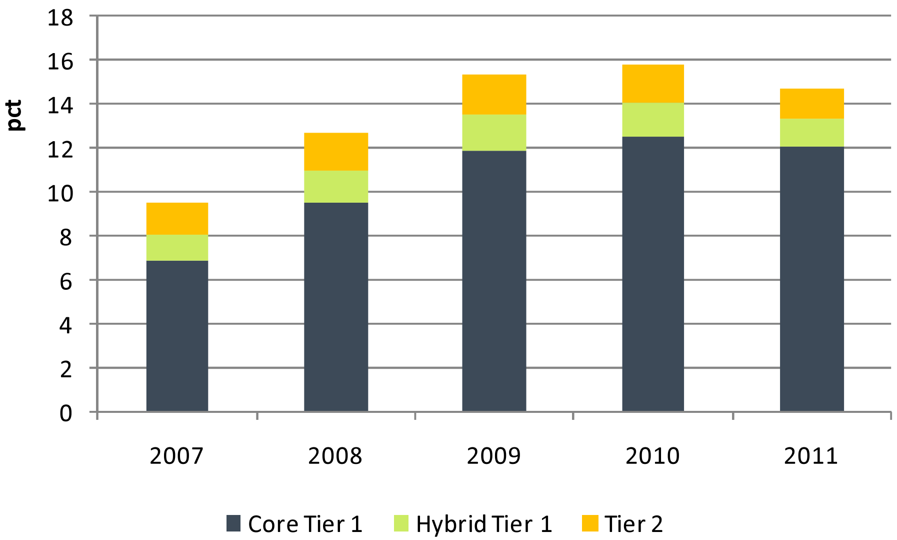
## Acquisitions deliver ROE according to budget

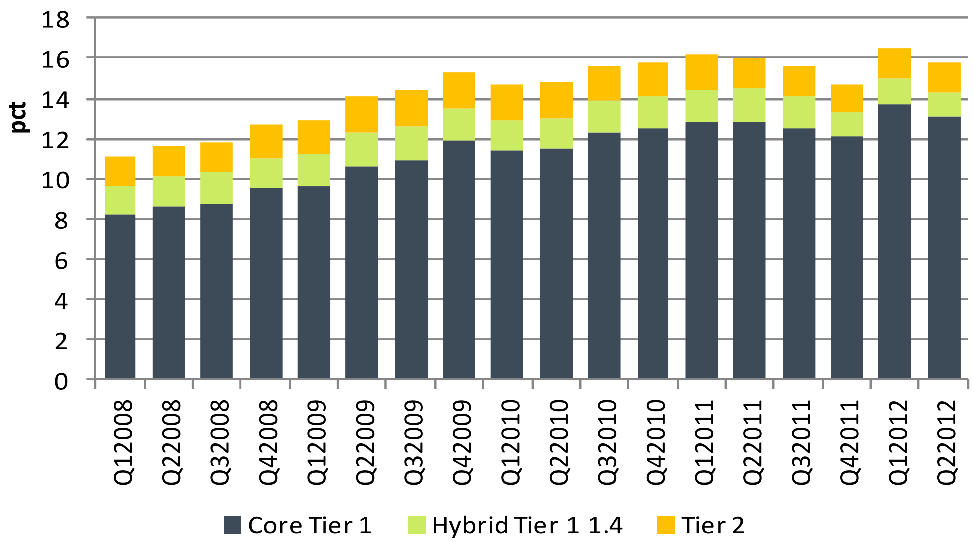


# Optimizing capital structure

- Redemption of EUR 25m supplementary capital in Q2 2011
- Buy back of EUR 50m hybrid capital in Q4  2011
- Capital increase Q1 2012




•Focus on equity
•Aligned capital targets with requirements for swedish SIFI's (Core Tier 1 of 12%)
•No government capital
•No dividend payments (since 2000)

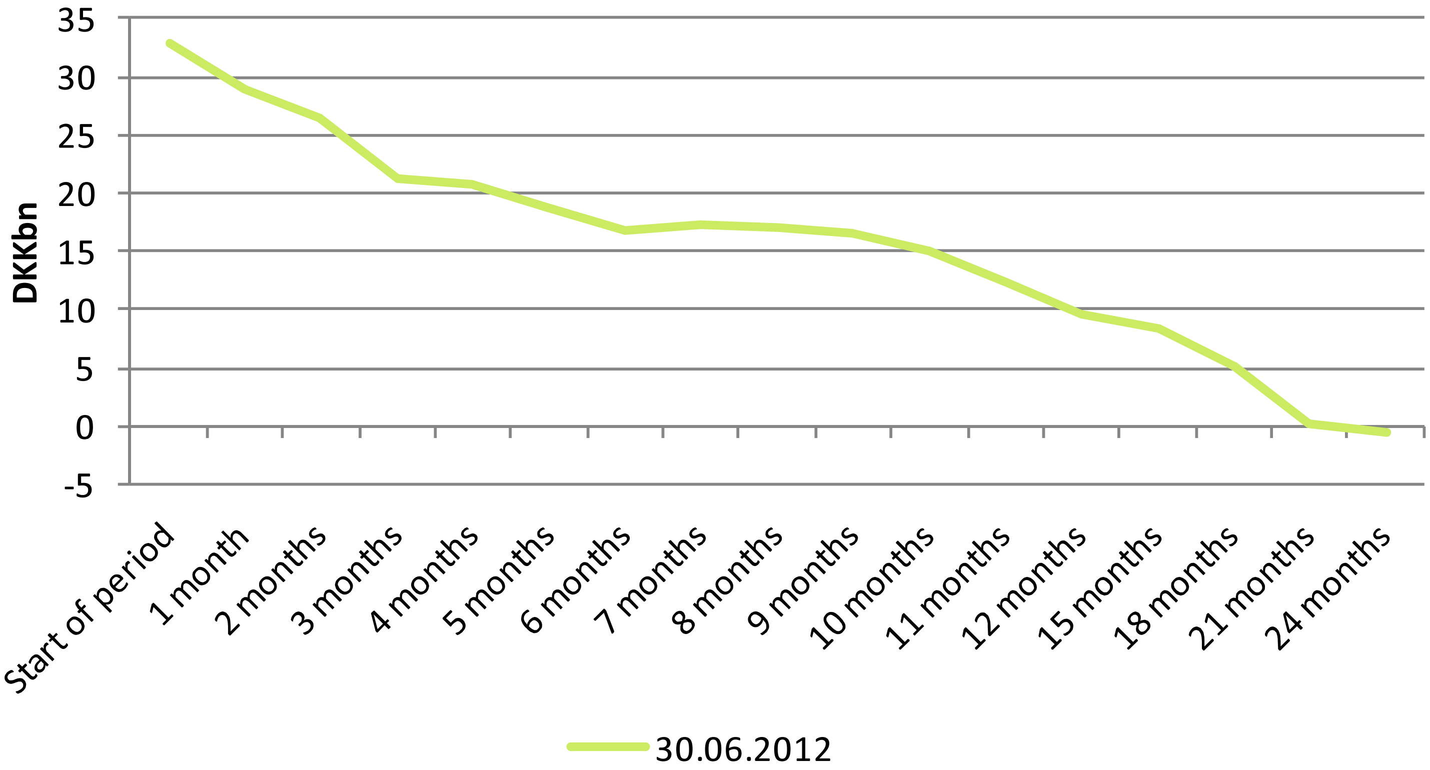
# Improving funding structure

Agreement with BRFKredit to issue covered bonds from Q1 2012

- Home loans tranferred from JB balance sheet to BRF Kredit
- Issue AAA covered bonds from existing capital centre
- All new loans from February 2012, part of the existing stock of home loans
- DKK 1.6bn in Q3 2012, expected DKK 6-7bn over 4 quarters
- Net Interest Income approx. DKK 20m in 2012

Agreement with BRFKredit to channel commercial real estate loans from Q2 2012

# Liquidity position and run-off

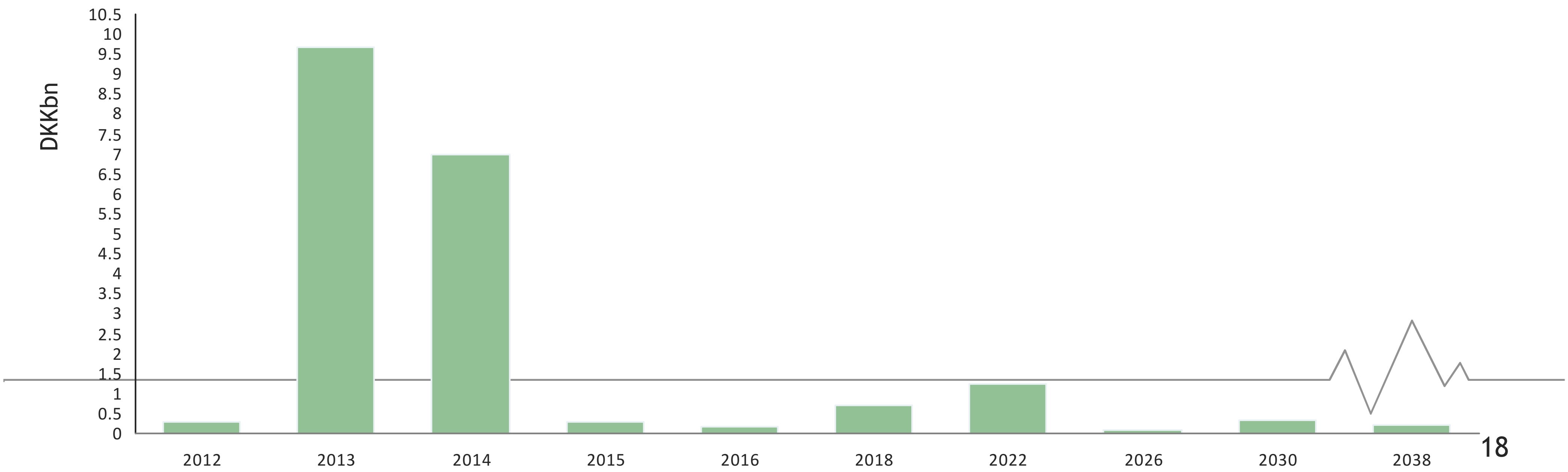


# Long-term funding strategy –
# A rare but regular issuer in the EMTN market

Funding plans from 2012 and beyond will depend on developments in the balance sheet (funding gap) - policy is to maintain a deposit/loan ratio in the region of 90% (end Q2 2012: 94%):

- Looking at our maturity profile we will have an ongoing refinancing need in the years ahead
- Expect 1-2 public benchmarks a year and ongoing activities in the private placement market
- With a limited funding gap and solid core deposits focus will likely be on 2 to 3-year maturities
- Covered bonds issued from Q3 2012 via BRFKredit (DKK 1.6bn)

**Jyske Bank will continue to maintain a conservative funding profile**



# Danish FSA

- Reports in 2011 and 2012
- New stringent guidelines for impairments

# Danish FSA reports 2011 and 2012

SME customers and IRB setup
- Decision making material satisfactory
- No ground for changing impairment charges
- IRB models satisfactory

IT inspection
- Principles and policies meet required demands

Market Risk and Compliance
- Management of market risk satisfactory
- Minor change in composition of the compliance report

Custodian bank for Jyske Invest
- The bank should improve some of the control measures in relation to the management of the assets of Jyske Invest – fully implemented

Agricultural clients
- The bank's credit control in respect of agricultural clients is satisfactory
- No ground for changing impairment charges

# New stringent guidelines for impairments

- Focus real estate portfolios and agriculture
- More stringent impairment principles (net exposures, asset values)
- Customers interest rated hedges at fair value
- One off effect Q2 2012:
  - Impairments DKK 540m
  - Value adjustments DKK 357m
- Higher volatility in value adjustments and impairments when interest rates changes

# Q2 2012 in figures

- Core earnings
- Credit quality
- Investment portfolio earnings
- Fee and commission income
- Value adjustments

# Core earnings

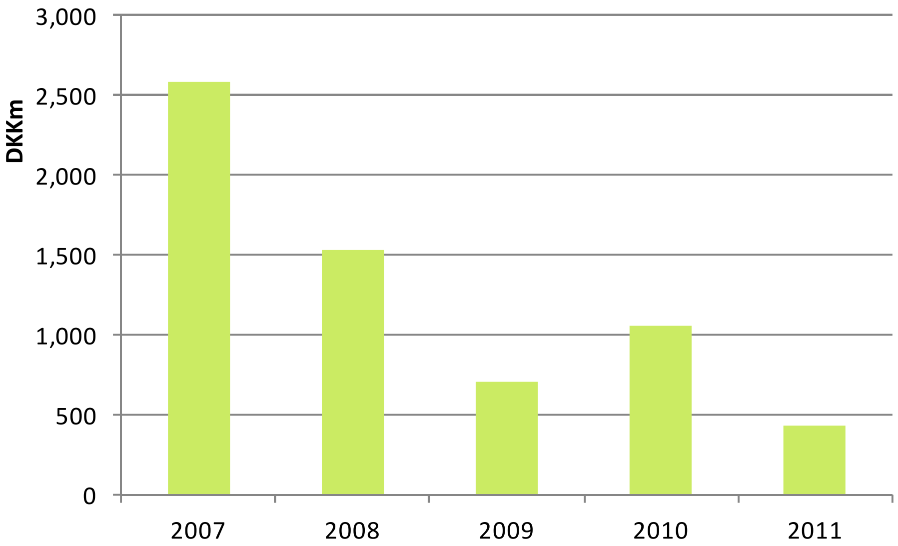
# Profit/loss

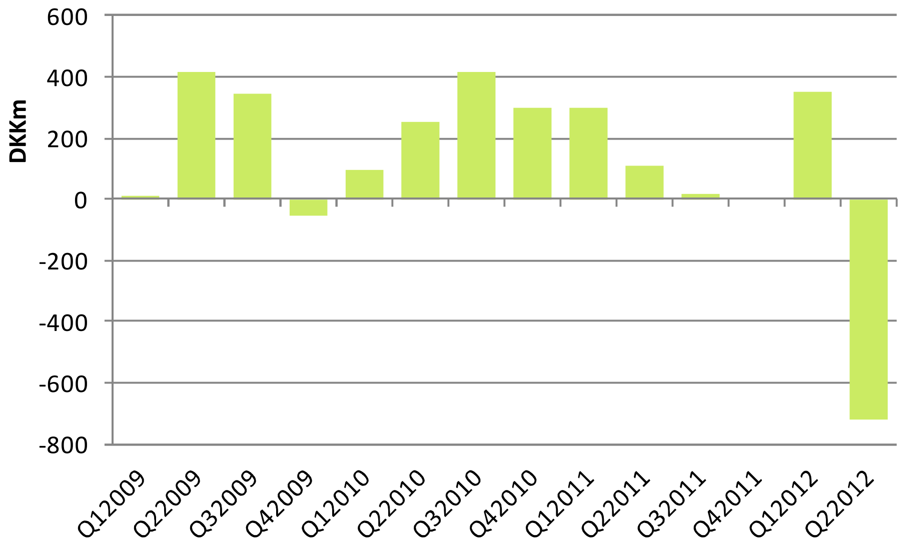
| DKKm | 1st half 2012 Core earnings | Earnings on investment portfolios | The Guarantee Fund, etc. | Reclas-sifica-tion | Total | 1st half 2011 Core earnings | Earnings on investment portfolios | The Guarantee Fund, etc. | Reclas-sifica-tion | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Net interest income | 2,283 | 210 | 0 | 0 | 2,493 | 2,133 | 161 | 0 | 0 | 2,294 |
| Dividends, etc. | 20 | 7 | 0 | 0 | 27 | 16 | 7 | 0 | 0 | 23 |
| Net fee and commission income | 756 | -1 | 0 | 0 | 755 | 617 | -2 | 0 | 0 | 615 |
| **Net interest and fee income** | **3,059** | **216** | **0** | **0** | **3,275** | **2,766** | **166** | **0** | **0** | **2,932** |
| Value adjustments | -169 | 2 | 0 | 0 | -167 | 8 | 5 | 0 | 0 | 13 |
| Other operating income | 175 | 0 | 0 | 0 | 175 | 152 | 0 | 0 | 0 | 152 |
| Income from operating lease | 28 | 0 | 0 | 117 | 145 | 11 | 0 | 0 | 59 | 70 |
| **Gross earnings** | **3,093** | **218** | **0** | **117** | **3,428** | **2,937** | **171** | **0** | **59** | **3,167** |
| Operating expenses, depreciation and amortisation | 2,138 | 4 | 52 | 117 | 2,311 | 1,909 | 4 | 250 | 59 | 2,222 |
| Profit on investments in associates and group enterprises | -3 | 0 | 0 | 0 | -3 | -7 | 0 | 0 | 0 | -7 |
| **Core earnings before loan impairment charges and provisions for guarantees** | **952** | **214** | **-52** | **0** | **1,114** | **1,021** | **167** | **-250** | **0** | **938** |
| Loan impairment charges and provisions for guarantees | 1,324 | -1 | 0 | 0 | 1,323 | 614 | 0 | 6 | 0 | 620 |
| **Pre-tax profit for the period** | **-372** | **215** | **-52** | **0** | **-209** | **407** | **167** | **-256** | **0** | **318** |

# Core earnings

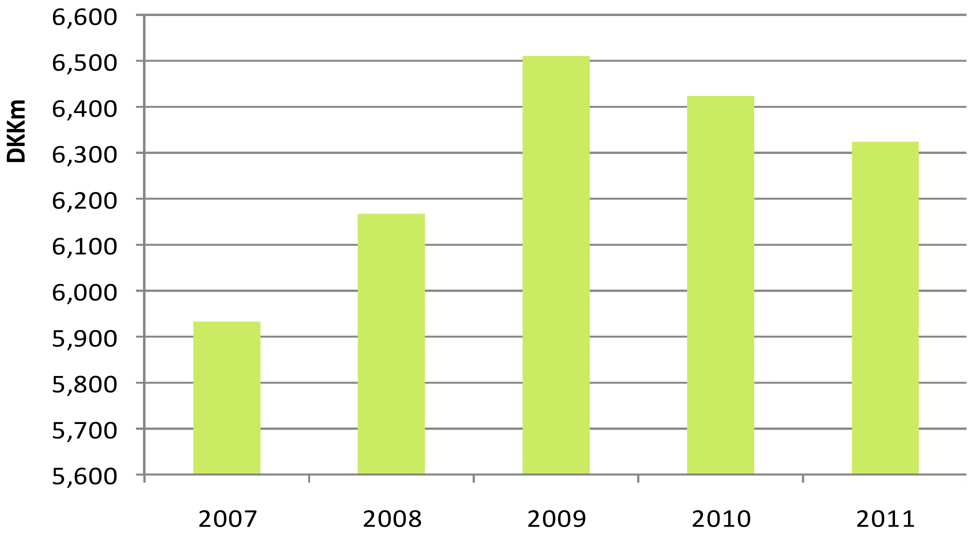
| Profit for the period DKKm | 1st half 2012 | 1st half 2011 | Index 12/11 | Q2 2012 | Q1 2012 | Q4 2011 | Q3 2011 | Q2 2011 | 2011 |
|---|---|---|---|---|---|---|---|---|---|
| Net interest income | 2,283 | 2,133 | 107 | 1,135 | 1,148 | 1,186 | 1,091 | 1,066 | 4,410 |
| Dividends, etc. | 20 | 16 | 125 | 17 | 3 | 0 | 1 | 14 | 17 |
| Net fee and commission income | 756 | 617 | 123 | 351 | 405 | 387 | 306 | 292 | 1,310 |
| **Net interest and fee income** | **3,059** | **2,766** | **111** | **1,503** | **1,556** | **1,573** | **1,398** | **1,372** | **5,737** |
| Value adjustments | -169 | 8 | - | -320 | 151 | 22 | -74 | -24 | -44 |
| Other operating income | 175 | 152 | 115 | 88 | 87 | 240 | 78 | 77 | 469 |
| Income from operating lease (net) | 28 | 11 | 255 | 14 | 14 | 10 | 5 | 5 | 27 |
| **Gross earnings** | **3,093** | **2,937** | **105** | **1,285** | **1,808** | **1,845** | **1,407** | **1,430** | **6,189** |
| Operating expenses, depreciation and amortisation | 2,138 | 1,909 | 112 | 1,076 | 1,062 | 1,355 | 1,013 | 948 | 4,277 |
| Profit on investments in associates and group enterprises | -3 | -7 | 43 | -3 | 0 | -2 | 2 | -2 | -7 |
| **Core earnings before loan impairment charges and provisions for guarantees** | **952** | **1,021** | **93** | **206** | **746** | **488** | **396** | **480** | **1,905** |
| Loan impairment charges and provisions for guarantees | 1,324 | 614 | 216 | 926 | 398 | 488 | 376 | 370 | 1,478 |
| **Core earnings** | **-372** | **407** | **-** | **-720** | **348** | **0** | **20** | **110** | **427** |
| Earnings from investment portfolios | 215 | 167 | 129 | 23 | 192 | 126 | 53 | 95 | 346 |
| **Profit before contribution to the Guarantee Fund, etc.** | **-157** | **574** | **-** | **-697** | **540** | **126** | **73** | **205** | **773** |
| The Guarantee Fund, etc. | -52 | -256 | 20 | -14 | -38 | 49 | 35 | -87 | -172 |
| **Pre-tax profit** | **-209** | **318** | **-** | **-711** | **502** | **175** | **108** | **118** | **601** |
| Tax | -53 | 84 | - | -177 | 124 | -2 | 26 | 30 | 108 |
| **Profit for the period** | **-156** | **234** | **-** | **-534** | **378** | **177** | **82** | **88** | **493** |

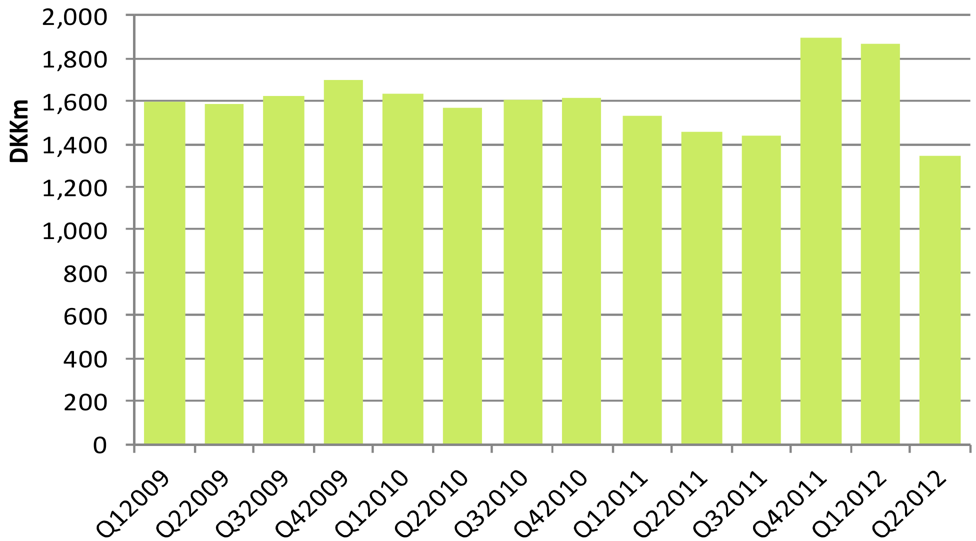
# Core earnings



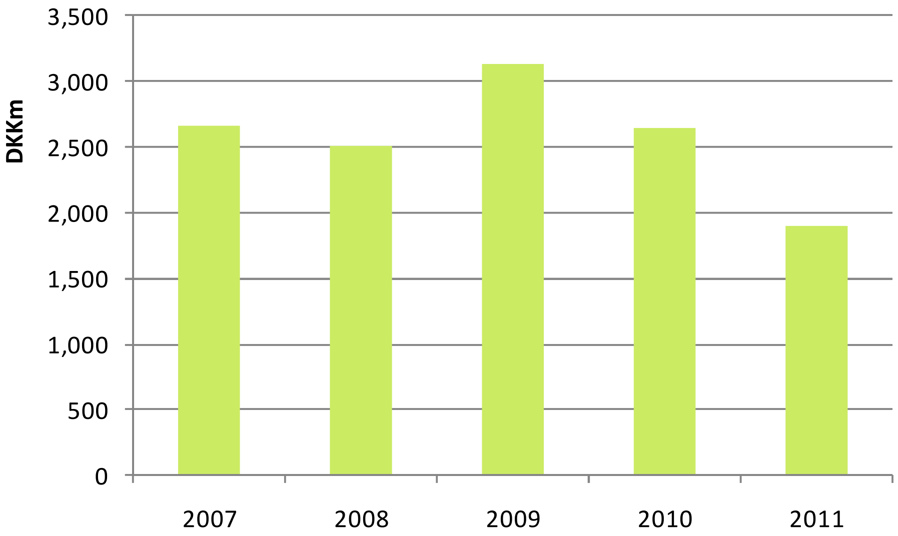
# Gross earnings

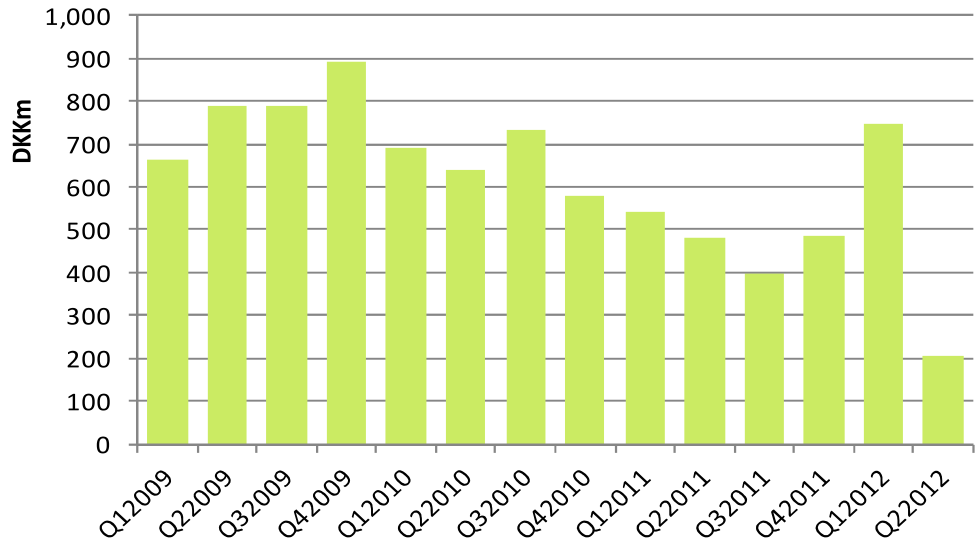



• NII +7%
• Fees and commissions +23%
• Other operating income +15%
• Operational lease +107%
•Value adjustments DKK -357m due to stricter guidelines regarding impairments

# Core earnings before loan impairment charges

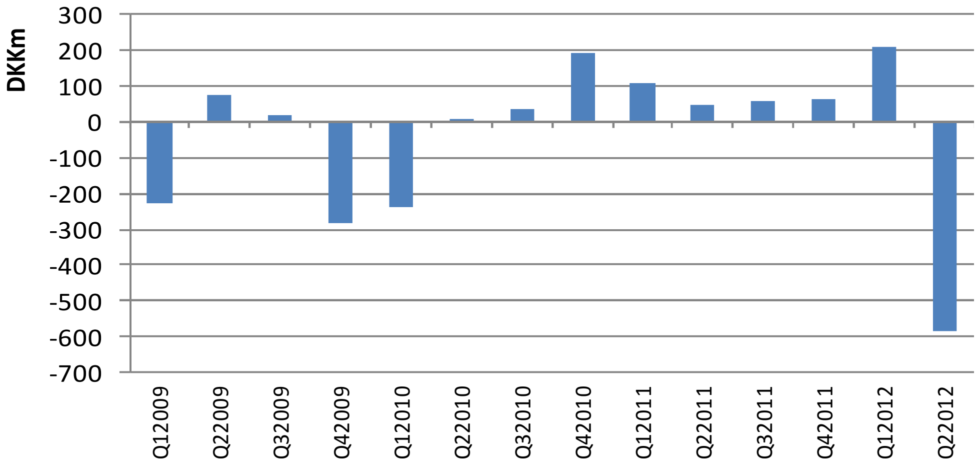


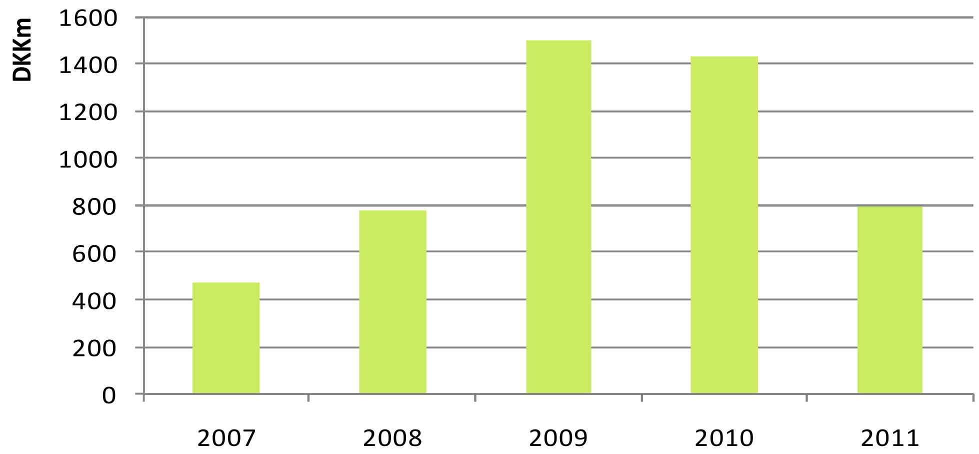

- NII on an improving trend since Q2 2011
- Q1 driven by positive development in all major business areas, excl. of effects on value adjustments from new stricter impairment guidelines
- Full effect from interest rate hikes in Q4 2012

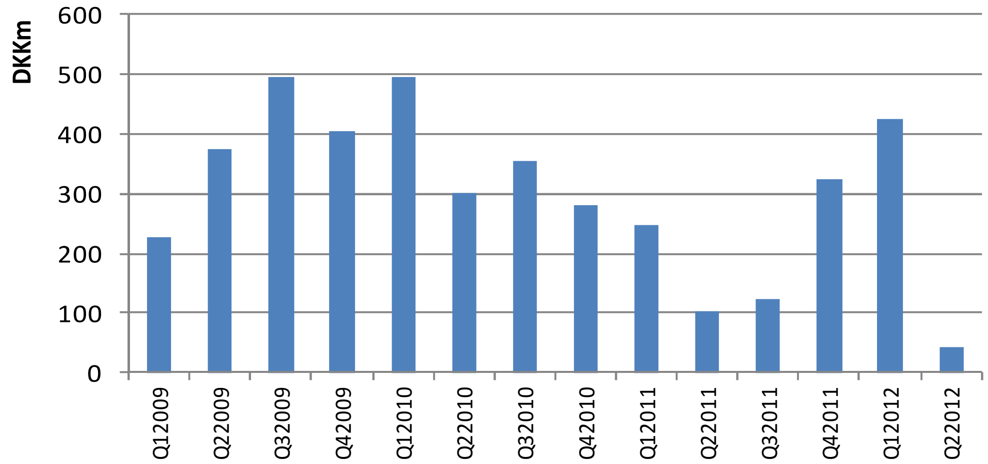
# Segment reporting

## Banking activities

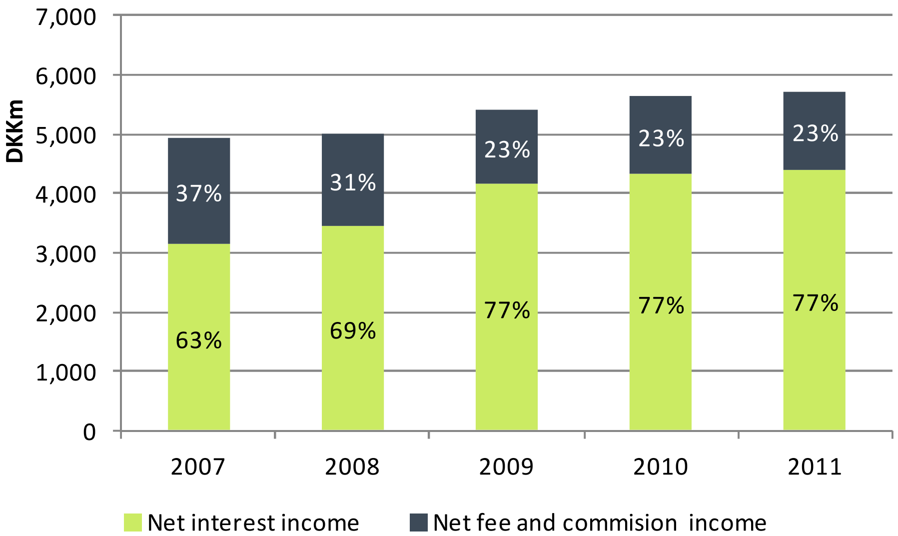



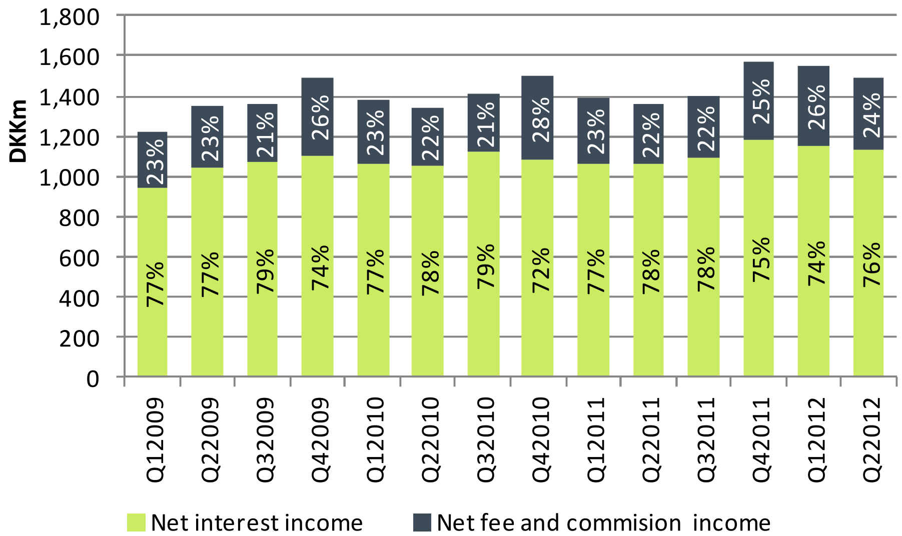

## Trading and Investment



# Net interest and fee income




• Stable distribution since 2009
• Further improvement in NII expected in 2012

# Credit quality

# Loans and advances split by sector

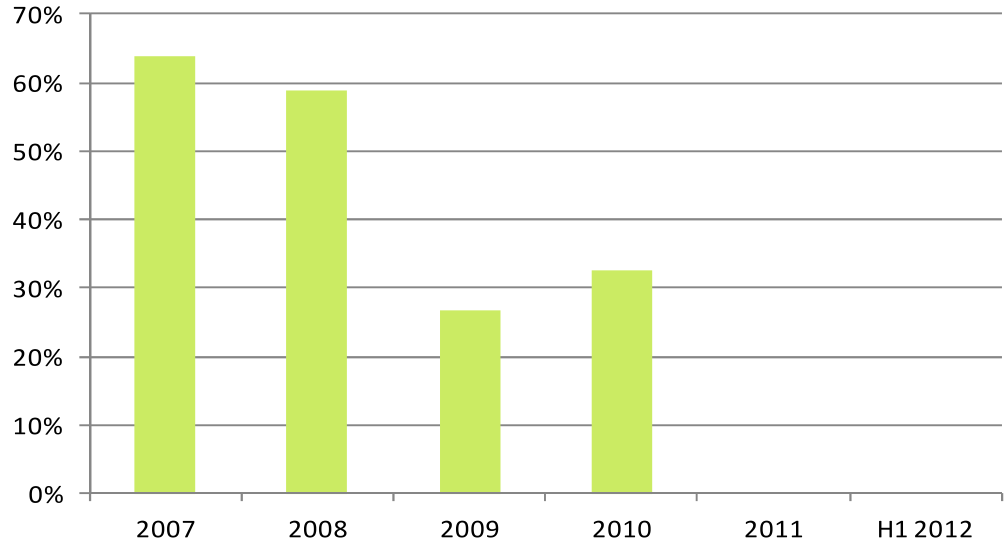
| Jyske Bank A/S<br><br>Loans, advances and guarantees as well as loan impairment charges and provisions for guarantees<br>DKKm | Loans, advances and guarantees<br>1st half 2012 | Loans, advances and guarantees<br>End-2011 | Balance of loan impairment charges and provisions for guarantees<br>1st half 2012 | Balance of loan impairment charges and provisions for guarantees<br>End-2011 | Loan impairment charges and provisions for guarantees for the period<br>1st half 2012 | Loan impairment charges and provisions for guarantees for the period<br>1st half 2011 | Loss for the period<br>1st half 2012 | Loss for the period<br>1st half 2011 |
|---|---|---|---|---|---|---|---|---|
| Public authorities | 5,154 | 5,065 | 0 | 0 | 0 | 0 | 0 | 0 |
| Agriculture, hunting, forestry, fishing industry | 8,210 | 8,174 | 583 | 590 | 135 | 77 | 151 | 32 |
| Manufacturing and mining, etc. | 7,452 | 7,894 | 162 | 125 | 48 | 25 | 15 | 63 |
| Energy supply | 2,252 | 2,355 | 13 | 17 | -4 | 25 | 0 | 0 |
| Building and construction | 1,917 | 1,966 | 115 | 94 | 41 | 27 | 23 | 29 |
| Commerce | 7,574 | 7,178 | 218 | 238 | 61 | 60 | 85 | 151 |
| Transport, hotels and restaurants | 3,193 | 3,129 | 33 | 26 | 13 | 15 | 7 | 16 |
| Information and communication | 493 | 397 | 4 | 12 | -2 | -3 | 5 | 0 |
| Finance and insurance | 43,133 | 38,179 | 605 | 495 | 206 | 85 | 110 | [2] 798 |
| Real property | 10,150 | 10,739 | 987 | 780 | 301 | 140 | 114 | 94 |
| Other sectors | 4,454 | 4,492 | 195 | 131 | 15 | -24 | 72 | 5 |
| Corporate customers, individually assessed, total | 88,828 | 84,503 | 2,915 | 2,508 | 814 | 427 | 582 | 1,188 |
| Corporate customers, collective impairment charges | [1] | [1] | 778 | 506 | 263 | -4 | 1 | 6 |
| Personal customers, individually assessed | 44,213 | 44,379 | 393 | 448 | 158 | 160 | 139 | 85 |
| Personal customers, collective impairment charges | [1] | [1] | 263 | 147 | 72 | 12 | -7 | 9 |
| **Total** | **138,195** | **133,947** | **4,349** | **3,609** | **1,307** | **595** | **715** | **1,288** |

# Loans and advances split by sector

| Jyske Bank A/S<br><br>**Loans, advances and guarantees as well as loan impairment charges and provisions for guarantees** | **Loans, advances and guarantees**<br>**1st half 2012 DKKm** | **Balance of loan impairment charges and provisions for guarantees**<br>**1st half 2012 DKKm** | **Loans, advances and guarantees**<br>**Change in pct.** | **Balance of loan impairment charges and provisions for guarantees**<br>**Change in pct.** | **Loss for the period/loans, advances**<br>**Pct.** | **Loan impairment charges for the period/advances**<br>**Pct.** |
|---|---|---|---|---|---|---|
| Public authorities | 5,154 | 0 | 1.8 | | 0.0 | 0.0 |
| Agriculture, hunting, forestry, fishing industry | 8,210 | 583 | 0.4 | -1.2 | 1.8 | 1.6 |
| Manufacturing and mining, etc. | 7,452 | 162 | -5.6 | 29.4 | 0.2 | 0.7 |
| Energy supply | 2,252 | 13 | -4.3 | -22.0 | 0.0 | -0.2 |
| Building and construction | 1,917 | 115 | -2.5 | 22.7 | 1.2 | 2.1 |
| Commerce | 7,574 | 218 | 5.5 | -8.6 | 1.1 | 0.8 |
| Transport, hotels and restaurants | 3,193 | 33 | 2.0 | 26.6 | 0.2 | 0.4 |
| Information and communication | 493 | 4 | 24.1 | -61.0 | 1.0 | -0.4 |
| Finance and insurance | 43,133 | 605 | 13.0 | 22.3 | 0.3 | 0.5 |
| Real property | 10,150 | 987 | -5.5 | 72.3 | 1.1 | 3.0 |
| Other sectors | 4,454 | 195 | 3.0 | 1.6 | 1.7 | 0.3 |
| Corporate customers, individually assessed, total | 88,828 | 2,915 | 5.3 | 32.1 | 0.7 | 1.2 |
| Corporate customers, collective impairment charges | [1] | 778 | | 58.9 | | |
| Personal customers, individually assessed | 44,213 | 393 | -0.6 | 7.9 | 0.3 | 0.4 |
| Personal customers, collective impairment charges | [1] | 263 | | 46.9 | | |
| **Total** | **138,195** | **4,349** | **3.2** | **30.4** | **0.5** | **0.9** |

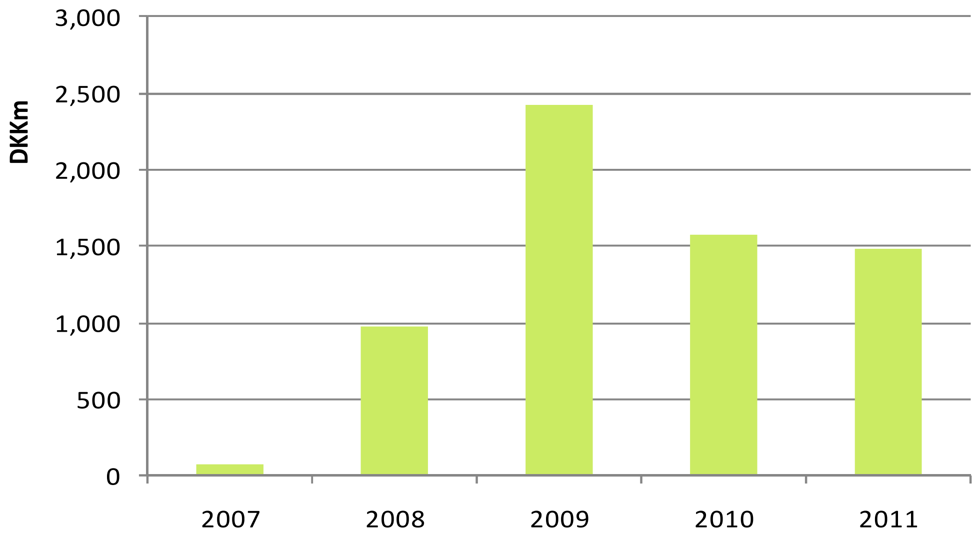
# Large exposures

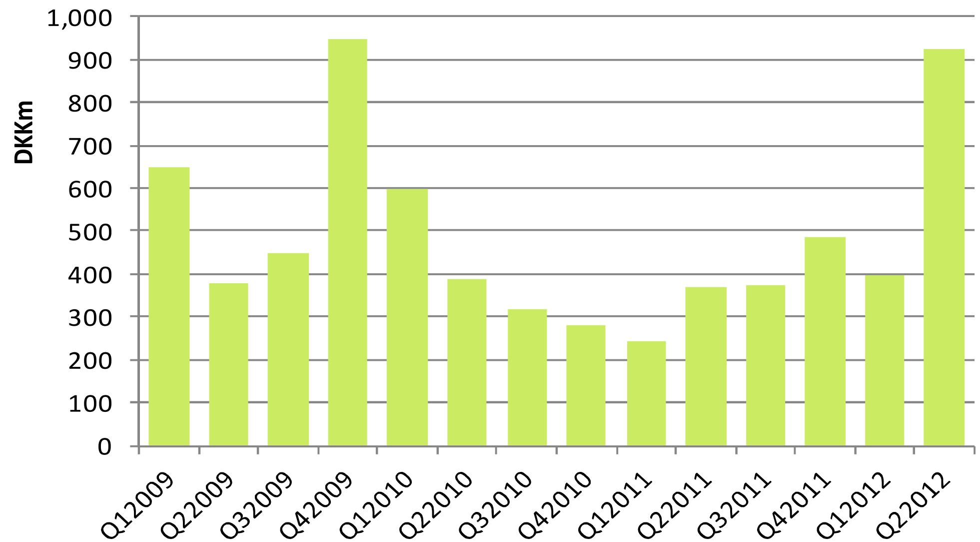
## per cent of capital base




• Long-term strategy is intact to reduce dependence of large corporates

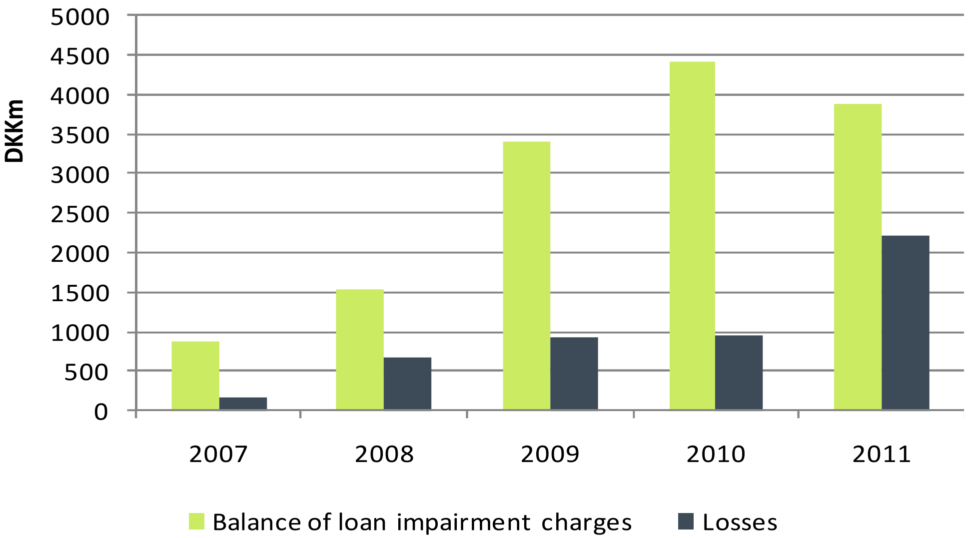
# Loan impairment charges

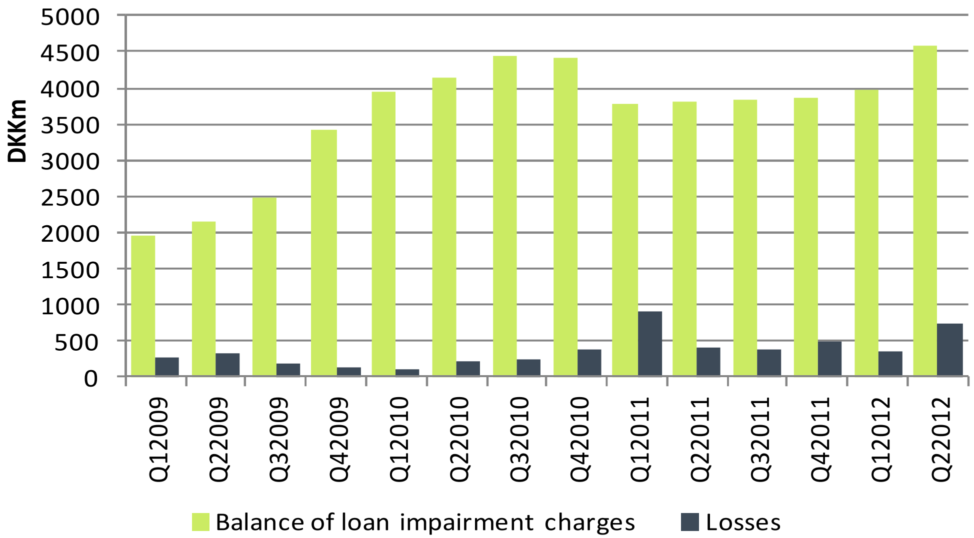



- Strong performance throughout 2010
- Positive trend reversed in Q2 2011 driven by economic standstill
- New level of impairment charges, particularly driven by agriculture, real estate and new guidelines from Danish FSA
- Contribution to impairments retail/corp: 19%/81%

# Balance of loan impairment charges

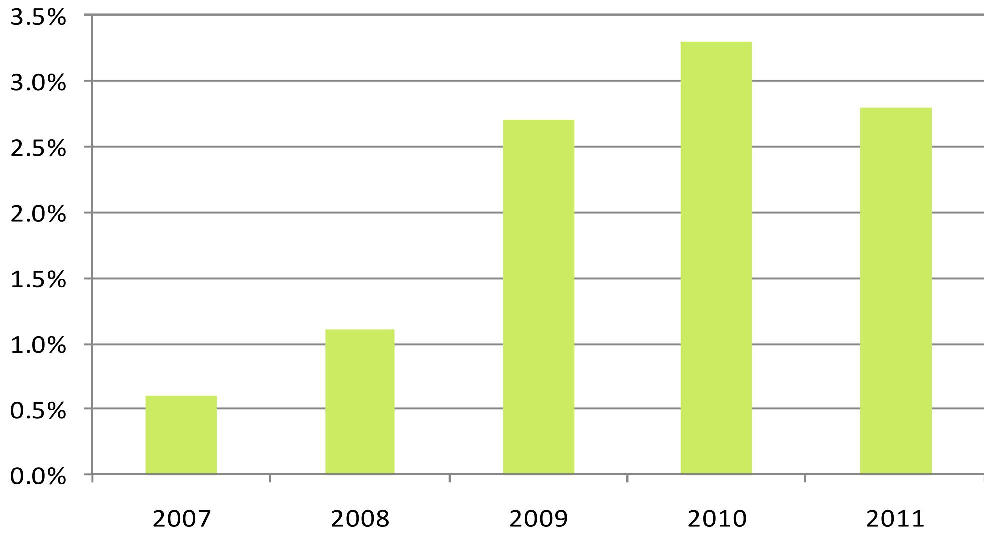


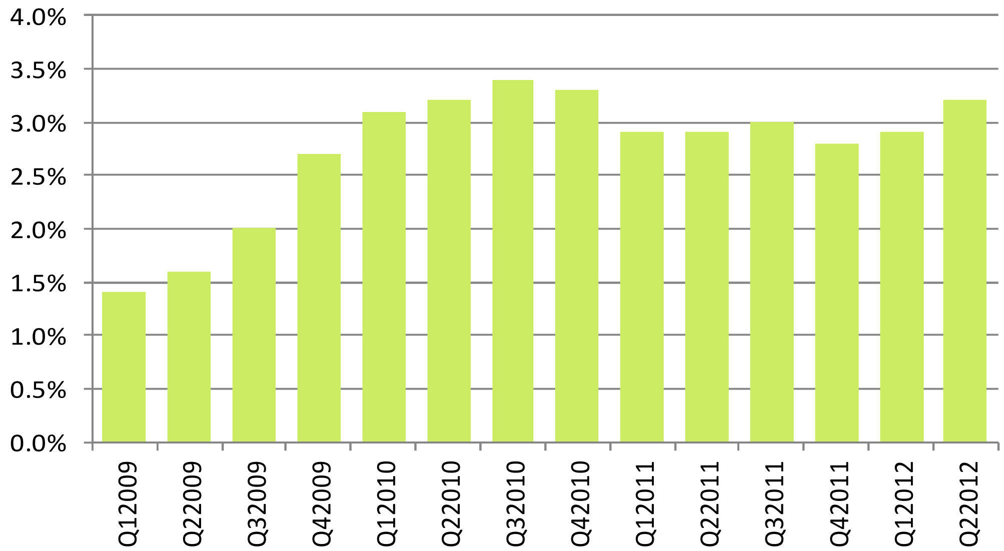




- Loan losses increasing as expected
- Balance increased by above DKK 700m in Q2 2012
- Balance of impairment charges retail/corp: 15%/85%

# Balance of loan impairment charges

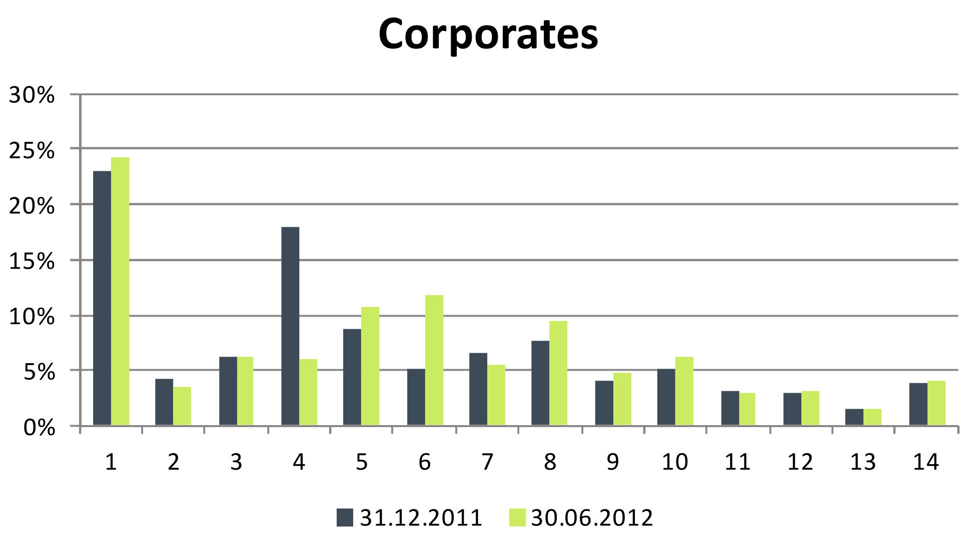
## per cent of loans and advances

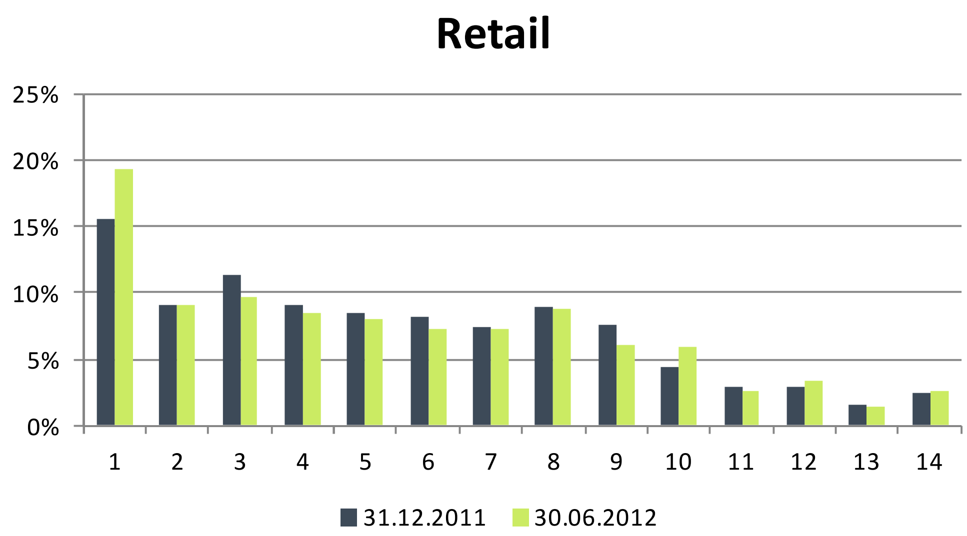



- Growth of 0.4 pp in Q2 due to new guidelines
- Normalised interval approx. 2.5-3%

# Exposures by credit rating



# Earnings from investment portfolios

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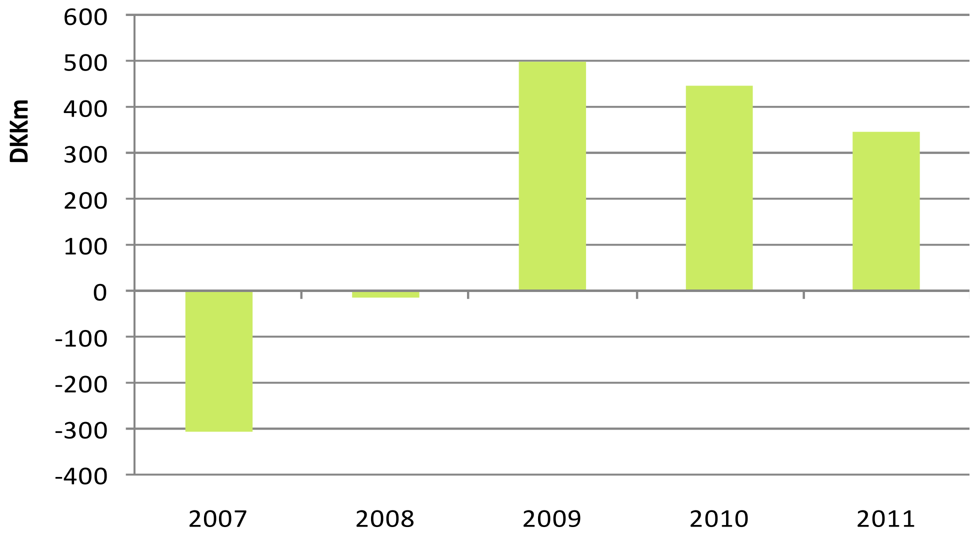
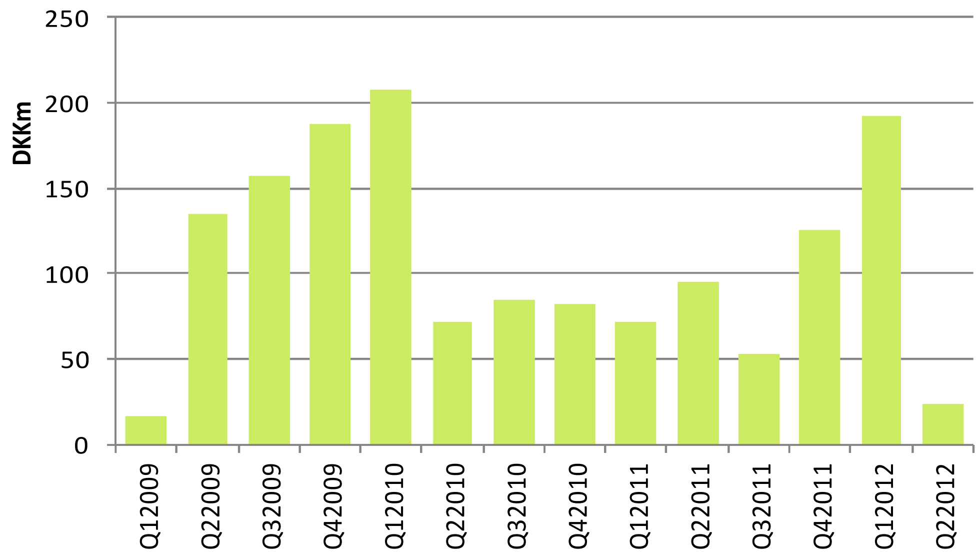
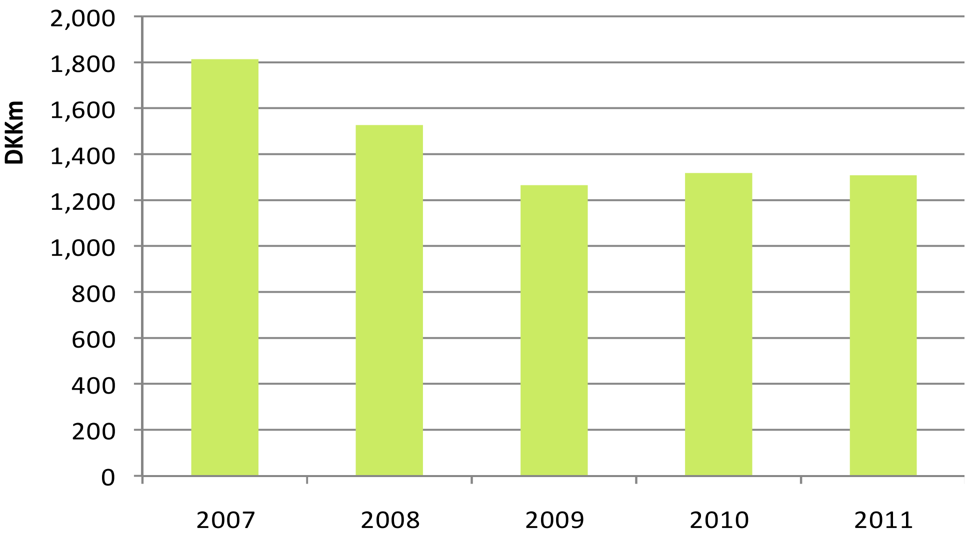


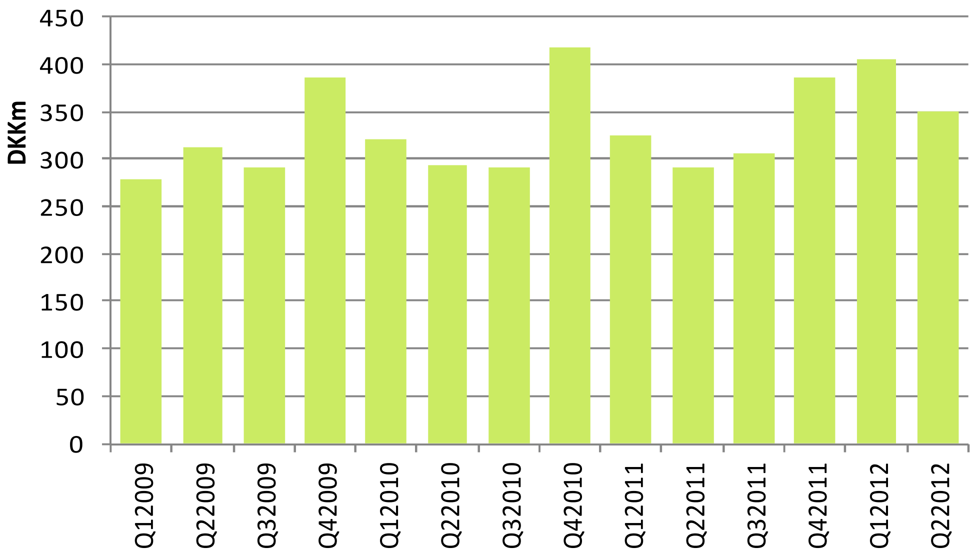



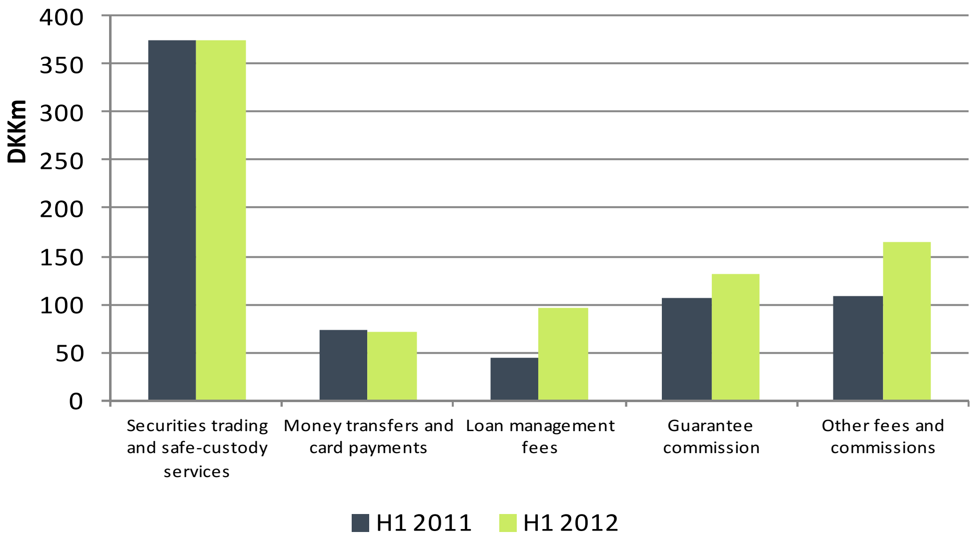

- Satisfactory return in H1 2012 of DKK 215m above quarterly 5-year average of DKK 48m after funding costs
- Low interest rate risk (VaR) in Treasury portfolio
- Interest rate risk hedges interest rate risk in banking book

# Fee and commission income

# Fee and commision income



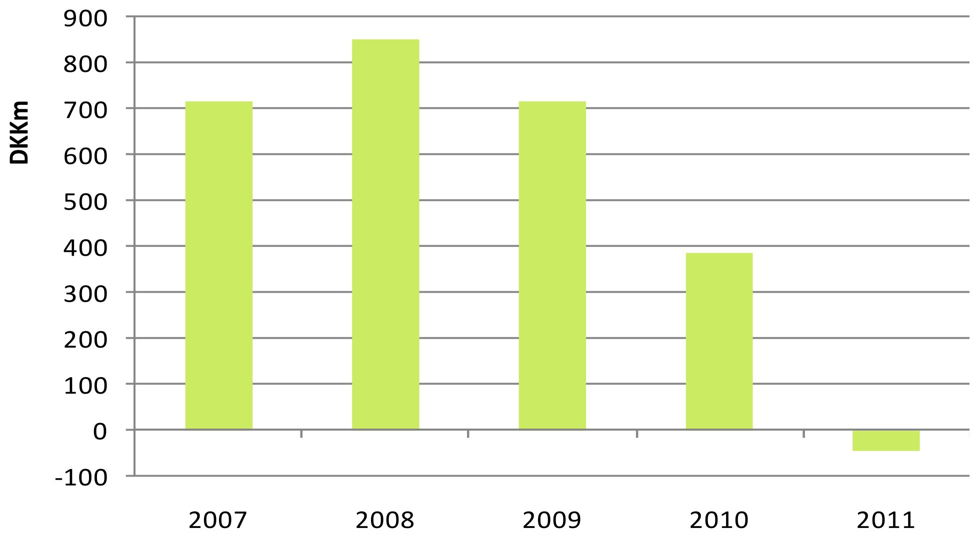



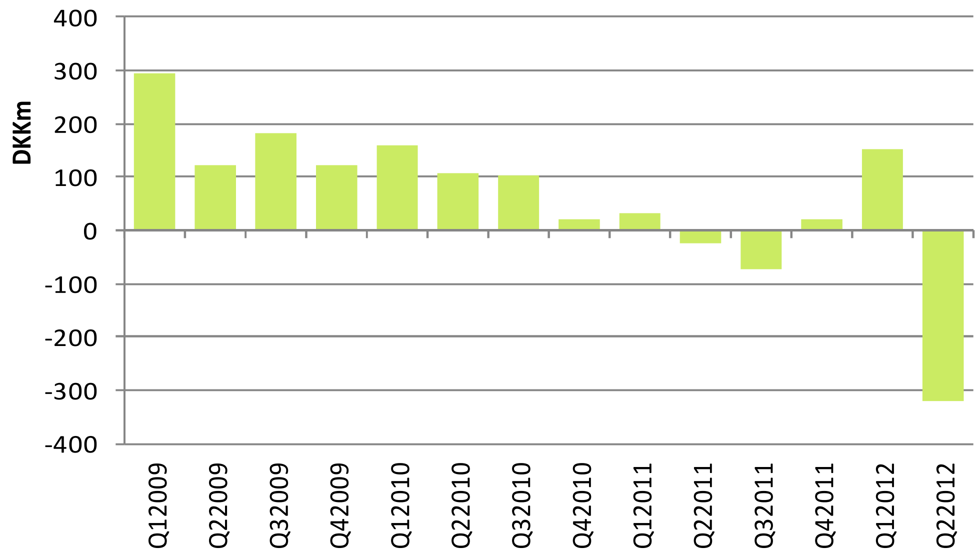



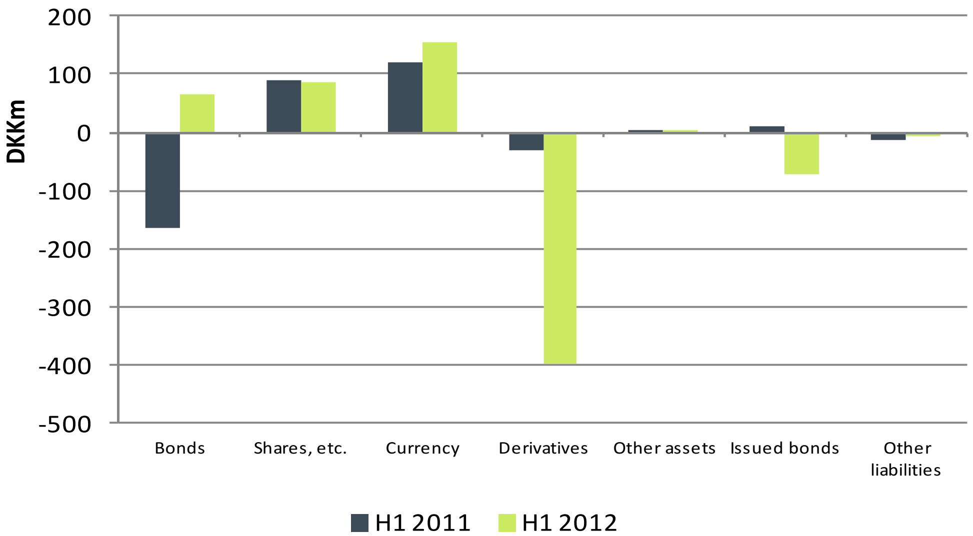

- H1 2012 change of level compared to 2009-2011
- Positive development in all components of fees and commissions
- Low activity level and low risk appetite from Q4 2011 expected to increase slightly in 2012

# Value adjustments

# Value adjustments




- Rebound in Q1 2012 reversed in Q2 due to impairment guidelines
- Turnover in FX improved, Negative value adj. from holdings of own issued bonds
- Volatile due to new guidelines

# Questions