Jyske Bank

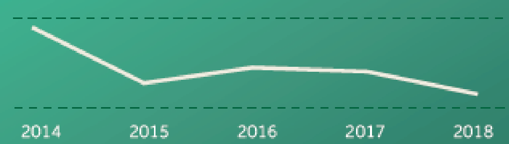
Danske Bank

Danish Banking Seminar

27 March 2019

Summary 2018

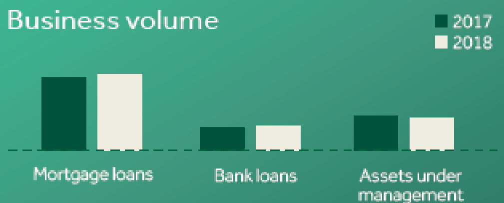
Return on equity



Profit after tax and before effects derived from IFRS 9: DKK 2.8bn.

The return on equity of 8.6% is in line with the target of 8-12% after tax and before effects derived from IFRS 9.

Business volume



Growing lending volume within mortgage loans for both personal and corporate clients.

Growing bank loans, even though the growth rate is lower than those of preceding years.

Net inflow of assets under management overshadowed by negative returns.

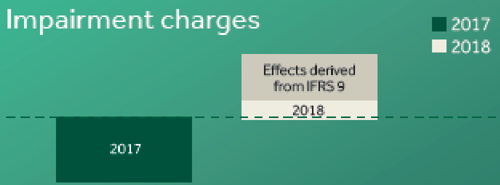
Core income and expenses

Negative trends in financial markets result in declining core income.

The decline is offset by lower core expenses.

Adjusted for non-recurring items, core expenses fell by almost 2%.

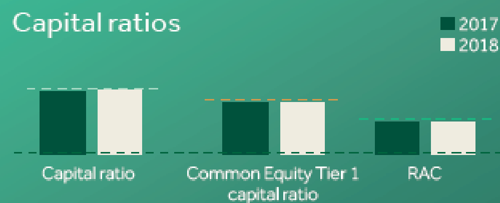
Impairment charges



Adjusted for effects derived from IFRS 9, impairment charges were very limited, yet they increased relative to 2017, which year saw a net reversal of impairment charges.

The change primarily related to corporate clients, including agricultural clients.

Capital ratios



Capital ratios are basically at the desired levels relative to known regulatory requirements and long-term capital management objectives.

Ambition to ensure a risk-adjusted capital ratio (RAC) determined by S&P at the level of 10.5%.

Highlights 2018

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New payment solutions: VISA mobil, Apple Pay and Google Pay

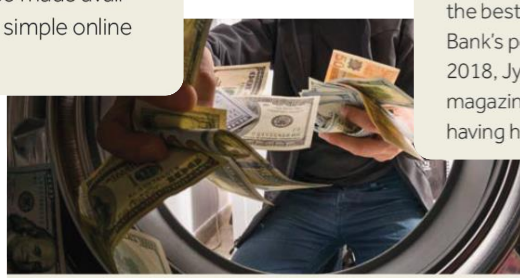
- A solution no matter which phone or device the clients wish to use
- In 2018, the solutions were also made available for non-clients through a simple online account-opening procedure

The best home loan products

In 2018, BRFkredit became Jyske Realkredit, resulting in one product range consisting of the best from the mortgage loans and Jyske Bank's popular bank mortgage loans. Again in 2018, Jyske Bank was, by the Danish consumer magazine TÆNK, recommended to consumers having high homeowner's equity

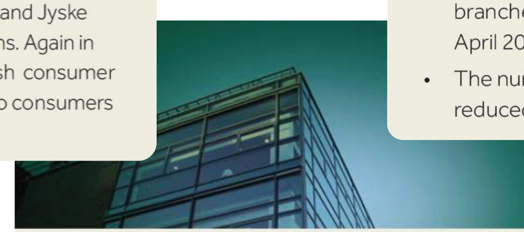
The "cashless" bank

- The ambition to be a cashless bank in 2025 (Anders Dam on Twitter, 30 January 2019)
- End to disbursement of DKK 1,000 notes from our ATMs
- No cashier's desks in Jyske Bank's 98 branches – the last two will close in April 2019
- The number of outdoor ATMs will be reduced as client behaviour changes



Anti-money laundering efforts

- In 2018, our monitoring triggered 39,405 alarms and in consequence of this 2,976 reports to the Money Laundering Secretariat
- Jyske Bank devotes approx. 200 man years to the prevention and control of money laundering
- Jyske Bank was given six orders to strengthen processes and controls - all six orders are expected to be complied with by the end of third quarter of 2019
- New initiatives on the prevention of money laundering are launched continuously. For instance, demands that new corporate clients use an approved auditor



Satisfied clients and satisfied employees

- Since 2014, Jyske Bank has had a clear focus on developing the clients' experience in order to establish loyal client relationships
- In 2018, Jyske Bank was ranked at the top by satisfaction surveys within all client segments
- The internal employee survey showed not only great but also increased job enthusiasm and satisfaction on the part of the bank's employees
- A sector survey assessed Jyske Bank to be the most popular bank among employees in the financial sector. This survey was based on replies from both employees and non-employees

Strategy - foundation and focus areas

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Foundations of Jyske Bank

Mission	To develop simple, forward-looking and responsible financial services
Vision	To make a difference
Promises	We will be at the cutting edge, we will create value for our clients, and we will offer them an experience beyond the expected
Spirit	We wish to be the "catfish in the tank" - a Danish figure of speech referring to someone who by thinking innovatively or acting in an unorthodox way challenges the existing ways
Values	Holistic view and common sense, open and honest, different and unpretentious, equal respect and commitment, efficient and persevering

Relationship bank in a digital world

Continuous improvement of competitive strength

Continued growth within investment, trading and wealth

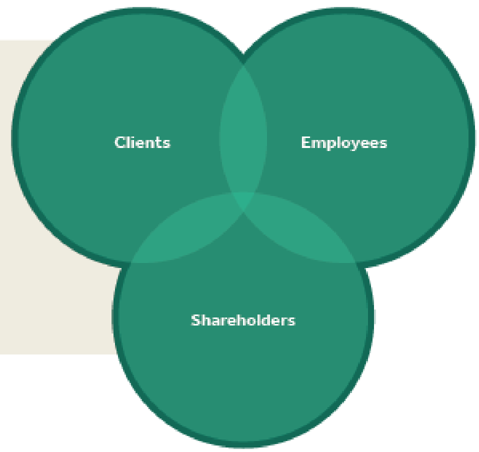
Sustainable business models for the Jyske Bank Group

Such a balance is achieved when…

Our clients receive advice, products, services and prices that are among the best on the market

Our employees have an attractive workplace with opportunities for development

Our shareholders receive an attractive, long-term risk-adjusted return



Our targets

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	2018
Return on Equity • Delivering an attractive long-term return on equity of 8-12% excl. IFRS 9 related effects • Considering the current market conditions in 2019, Jyske Bank aims to deliver a ROE on avg. equity of 6-10% after tax	ROE 8.6%
Volume 2020 • Total loan portfolio of DKK 350bn in Jyske Realkredit	DKK 326bn
Capital position • Long-term targets for capital ratio 17.5% and CET1 ratio 14% post-Basel IV implementation • Building sufficient capital level to cover expected Basel IV-effect on capital ratio of up to maximum 3 percentage points by January 1st 2022	20.0% and 16.4%
• Gradually building a RAC ratio of about 10.5%	RAC 10.3%

ROE remains under pressure

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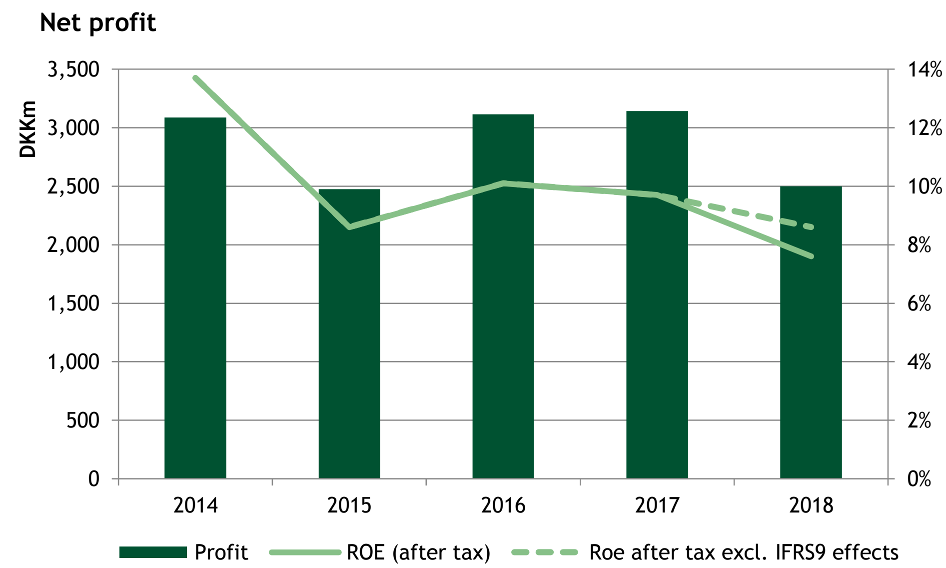
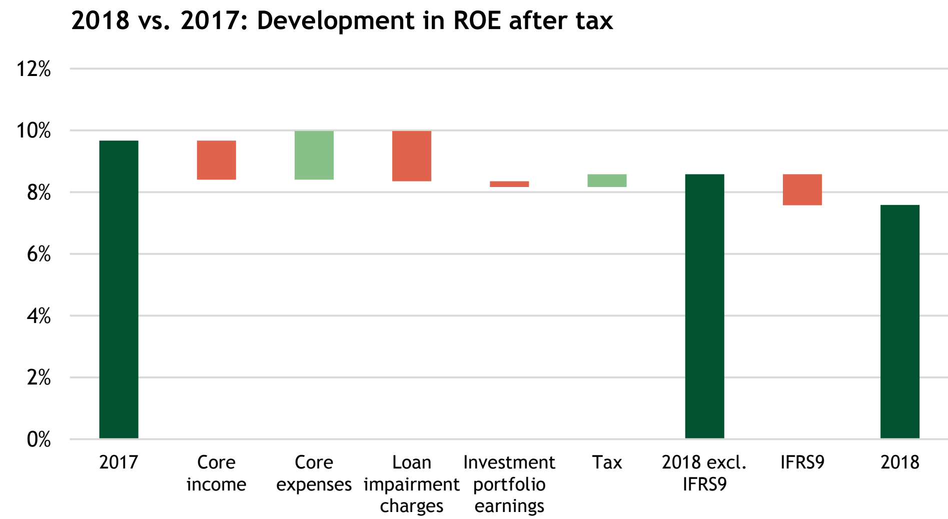
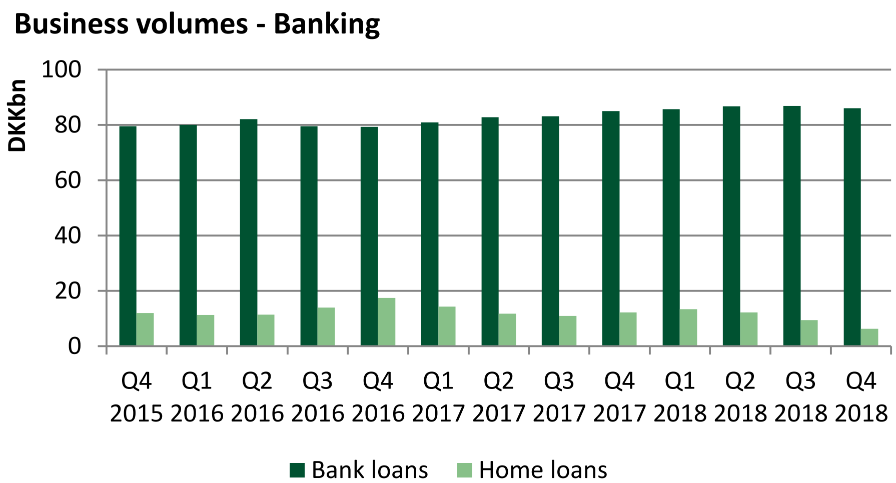
- Net profit in 2018 of DKK 2,500m and ROE of 7.6%
- Excl. effect of IFRS 9 net profit of DKK 2,817m corresponding to ROE of 8.6% in 2018

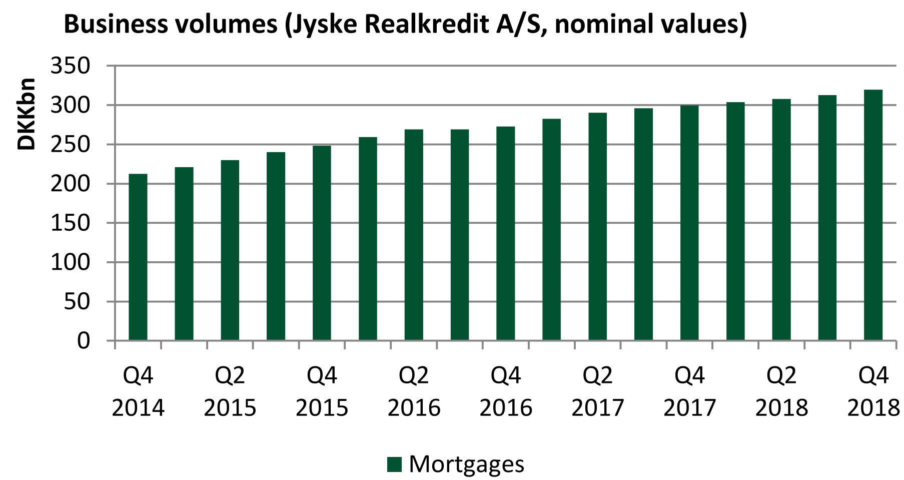


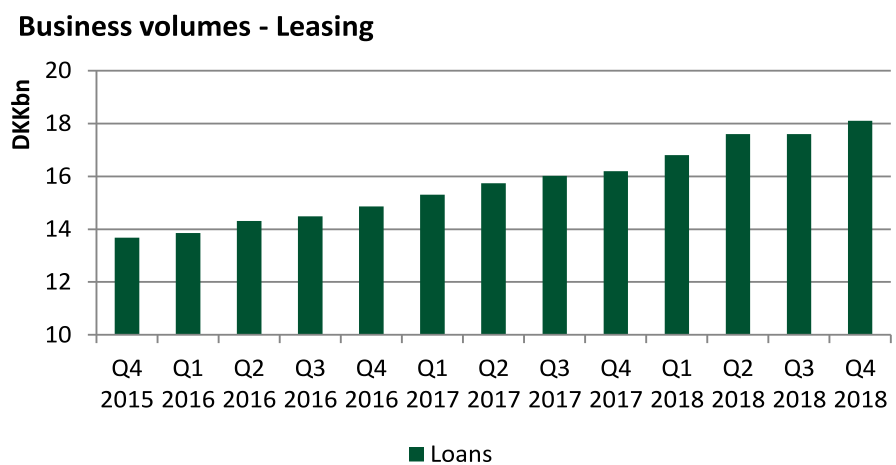
- A decrease of 2.1 and 1.1 percentage points in ROE after tax incl. and excl. IFRS 9 effects due to:
  - Core income decrease as all income lines apart from other income are under pressure
  - Decrease in core expenses primarily due to lower FTE and positive one-offs
  - Higher loan impairment charges – 2017 was characterized by net reversals of impairments
  - Investment portfolio earnings at 2017-level due to gain on Nordjyske Bank shareholding
  - Effects derived from IFRS 9



Continued volume growth



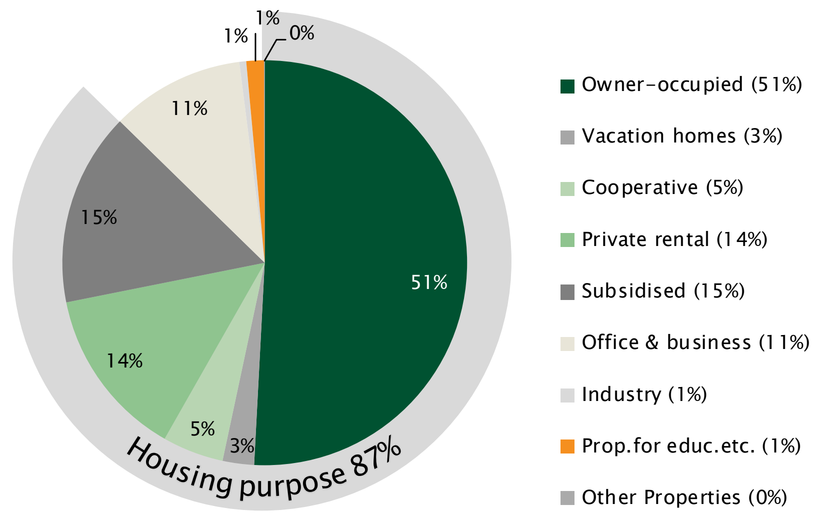




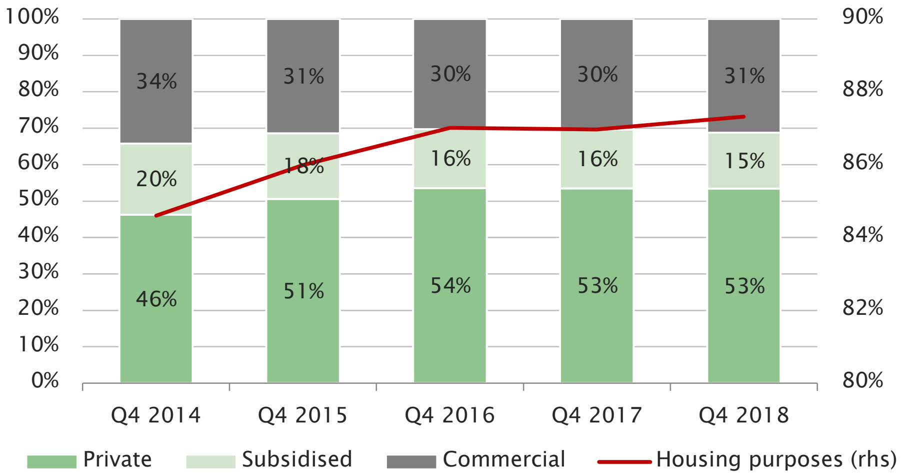
Mortgages: The portfolio

- 87% of lending to properties with housing purposes
  - No loans with swaps to co-operative housing
  - No lending to agriculture and other primary production
- Continued increase in lending for the private residential segment and for the commercial segment
- Continued decrease in the share of F1 and F2 mortgages - at the same time increase in both capped and non-capped floaters

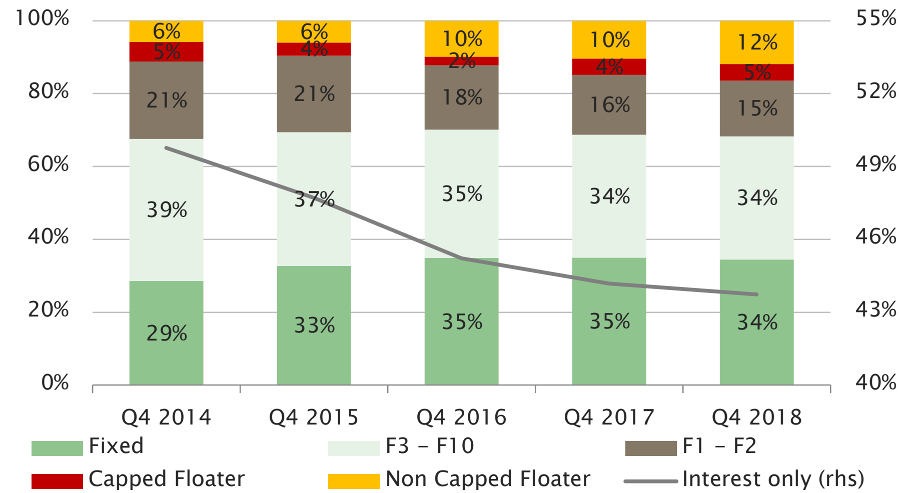
Distribution of lending portfolio



Development in lending portfolio

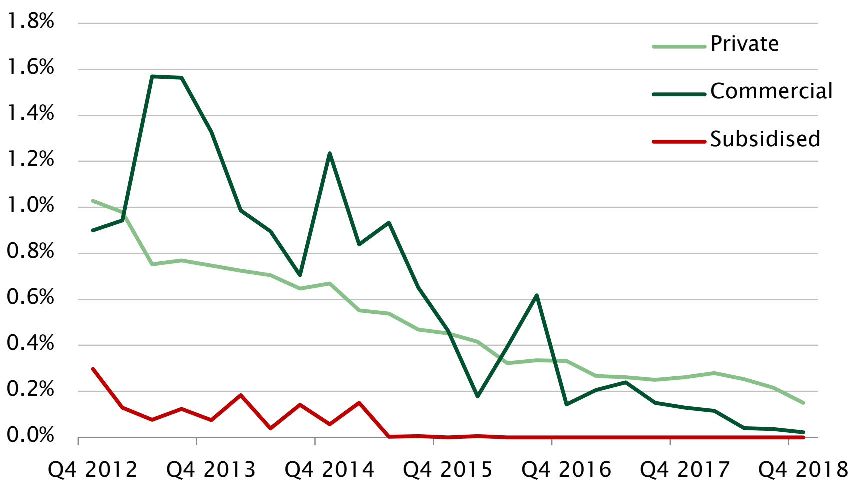


Development in loan types

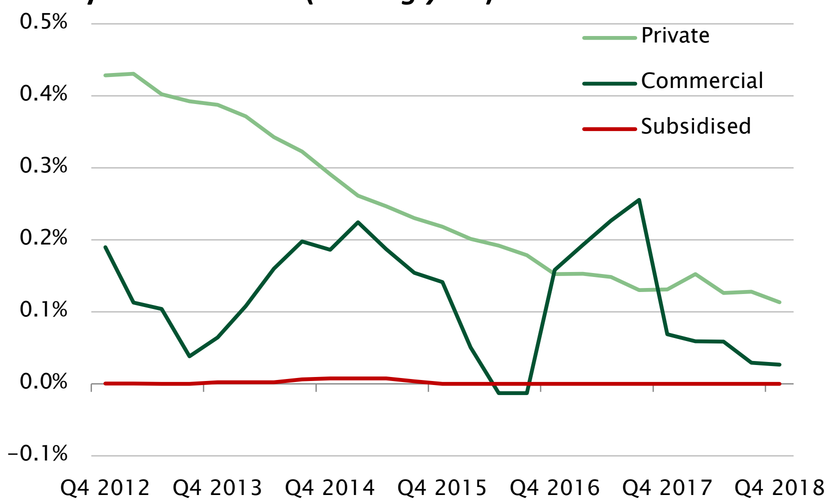


Mortgages: Improved credit quality

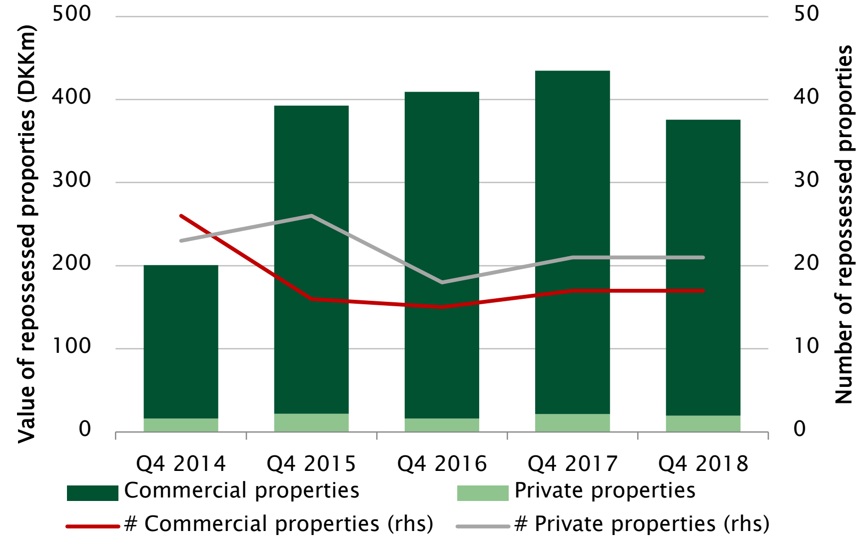
Lending in 90-days arrears (*per cent of lending*)

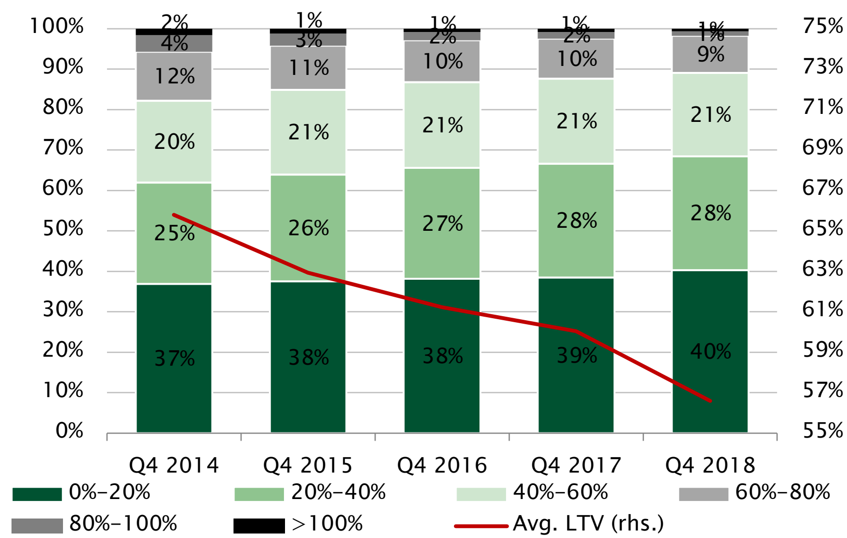


Yearly realised losses (*running year*)



Repossessed properties (*DKKm/number*)





Impairment charges driven by corporates

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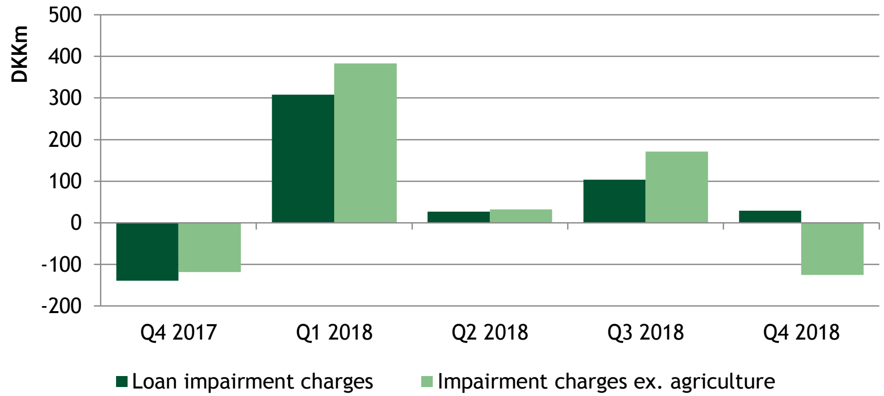
- Net impairment charges of DKK 468m under core profit:
  - Excl. IFRS 9 effects DKK 61m corresponding to cost of risk of ~1bp
  - Underlying development primarily driven by corporate clients within banking activities – stable development for mortgage activities
  - In general, fewer reversals than in 2017 – most significantly in agriculture, manufacturing and real property
  - In Q4 2018 impairment charges of DKK 154m for agriculture – primarily related to management estimate covering fur farmers

- Total balance of management's estimate of DKK 511m end of Q4 2018, of which DKK 275m relate to agriculture compared to DKK 466m and DKK 75m respectively end of 2017

- Gross loans, advances and guarantees distributed by IFRS 9 stages:
  - Increase in stage 2 is primarily related to highly collateralized mortgages, thus expected loss is low and the increase has only limited effect on impairment charges in stage 2
  - Gross loans in stage 3 of DKK 10bn covered by accumulated impairment charges of DKK 3.6bn as well as DKK 6.9bn of collaterals

Loan impairment charges (under core profit)



Gross loans, advances and guarantees by IFRS 9 stages

	2018					
	Gross loans, advances and guarantees		Impairment charges		Impairment ratio	
	End	Beginning	End	Beginning	End	Beginning
Stage 1	449,690	435,426	640	645	0.1%	0.1%
Stage 2	27,305	23,290	1,306	1,352	4.8%	5.8%
Stage 3	10,049	12,843	3,661	4,195	36.4%	32.7%
Total	**487,044**	**471,559**	**5,607**	**6,192**	**1.2%**	**1.3%**

Strong capital position

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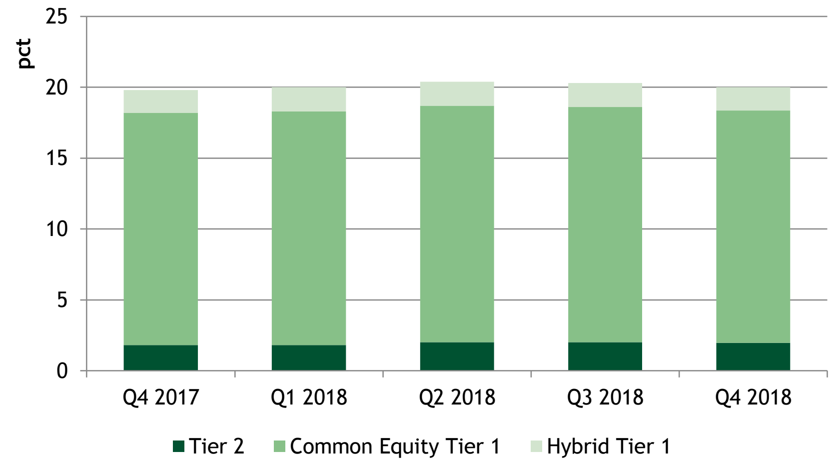
- Capital ratio 20.0% and CET1 ratio 16.4% end of 2018 vs. long-term targets of 17.5% and 14% post-Basel IV implementation
  - Capital structure almost aligned with long-term targets incl. expected effect of Basel IV
  - Excess capital inclusive of growth and potential acquisitions will be available for dividend and buy-backs
  - Jyske Bank intends to make stable dividend payments

- Defending and securing a stable S&P rating of A- remains a key priority
  - Based on the FSA's measurement of MREL as well as Jyske Bank's funding plan for the required issues S&P's changed in April 2018 its view of Jyske Bank's senior ratings to 'positive outlook' from 'stable outlook'
  - RAC ratio of 10.3% end of Q4 2018
  - Jyske Bank aims long-term to build a RAC ratio of approx. 10.5%

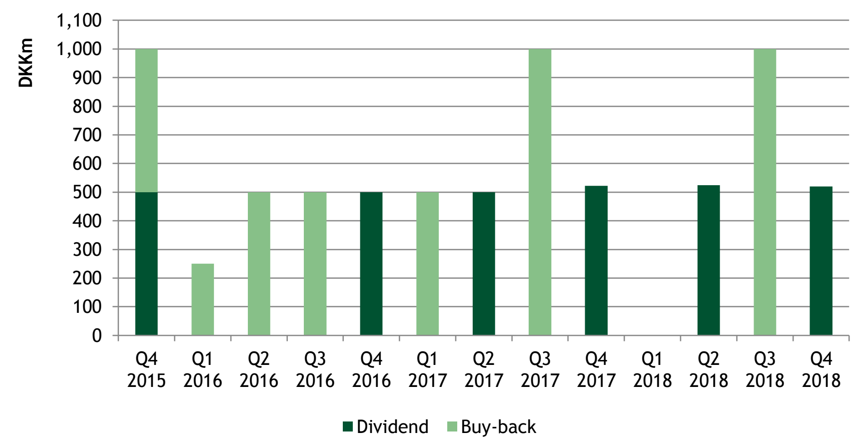
- Completion of share buy-back programme mid-December 2018 – buy-back of 3,350,500 shares worth DKK 999,979,615, corresponding to 3.94% of the share capital

- Capital distribution since November 2015:
  - Share buy-back programmes of DKK 4.25bn in total
  - Dividends of DKK 3.0bn in total (incl. ordinary dividend to be proposed at AGM in March 2019)

Capital ratios



Capital Distribution (time of announcement)



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