

RatingsDirect®

Jyske Bank A/S

Primary Credit Analyst:

Alexander Ekbon, Stockholm (46) 8-440-5911; alexander.ekbon@standardandpoors.com

Secondary Contact:

Per A Tornqvist, Stockholm (46) 8-440-5904; per.tornqvist@standardandpoors.com

Table Of Contents

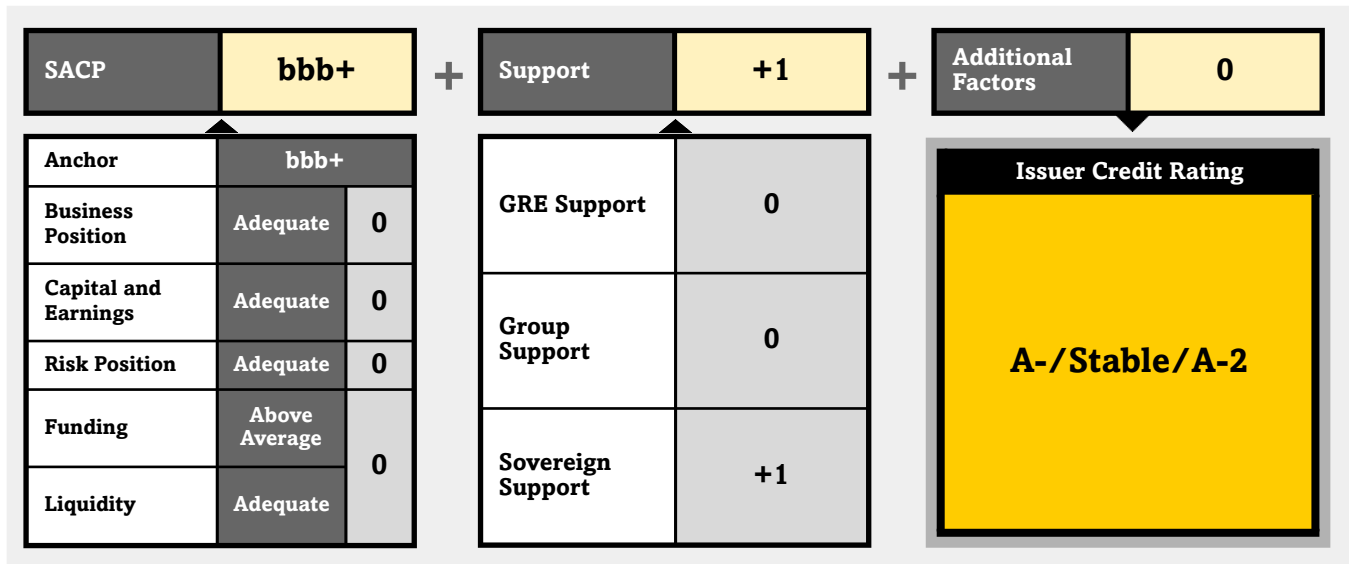
Major Rating Factors

Outlook

Rationale

Related Criteria And Research

Jyske Bank A/S



Major Rating Factors

Strengths:	Weaknesses:
<ul style="list-style-type: none"> • A strong domestic franchise in retail and commercial banking. • A comfortable liquidity and funding profile. 	<ul style="list-style-type: none"> • Current pressure on asset quality. • Limited geographic diversity.

Outlook: Stable

The stable outlook reflects Standard & Poor's Ratings Services' view that Denmark-based Jyske Bank A/S will maintain its current market shares and continue to generate capital over the next 18-24 months, resulting in a risk-adjusted capital (RAC) ratio of about 10%. It furthermore reflects our expectation that Jyske Bank will maintain its better and more diversified funding and liquidity profile compared with domestic peers.

We could take a negative rating action if the bank's operating performance were to deteriorate and a significant increase in loan loss provisions were to bring the RAC ratio below 7%. In addition, we could lower the ratings if we were to negatively reassess the bank's risk position as a result of an unlikely change in its risk profile due to acquisitions or persistently higher credit losses.

A positive rating action is currently unlikely, in our view, but could stem from a reassessment of our economic risk score for Denmark, which would have an impact on the anchor for our ratings on the bank, the starting point in our ratings assessment.

Rationale

The ratings reflect our view of Jyske Bank's "adequate" business position, given the bank's entrenched franchise among Danish small and midsize enterprises (SMEs) and its 7% market share in Denmark overall. The bank's capital and earnings position is "adequate," in our view. We believe the bank will achieve a RAC ratio of about 10% by year-end 2014, supported by increasing earnings generation.

We assess Jyske Bank's risk position as "adequate," reflecting our view that the quality of the bank's domestic loan book--despite pressure over the past three years--is in line with the our expectations of losses. Our views of Jyske Bank's funding as "above average," and liquidity as "adequate" reflects the bank's high share of deposits compared with domestic peers', its limited dependence on capital market funding, and its conservative approach to managing liquidity.

We see Jyske Bank as having "moderate" systemic importance in Denmark, which lifts the long-term rating one notch above the stand-alone credit profile (SACP) due to the likelihood of extraordinary government support.

Anchor: 'bbb+' for banks operating predominantly in Denmark

Our bank criteria use our Banking Industry Country Risk Assessment (BICRA) economic risk and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating. Our anchor for Jyske Bank is 'bbb+' as its headquarters are in Denmark and it is subject to Danish regulation, while its credit and deposit exposure is concentrated on the Danish economy. The anchor is derived from our economic risk score of '3' and industry risk score of '4'.

The economic risk score reflects our view that Denmark is a politically stable, wealthy, and high-income country, which has suffered since the 2008-2009 financial crisis. Consequently, we expect economic growth to be weak over the short to medium term. However, this is balanced by fiscal policy flexibility--Denmark has posted sizable current account surpluses for more than a decade, and we expect this to continue over the next few years.

We expect the fallout from the financial crisis to lead to increased consolidation, as weak institutions are either taken over by stronger competitors or eliminated from the market. Further bank failures in Denmark are a possibility, in our view. The Danish banking system has a fairly low share of core customer deposits, at 20% of total loans, and quite a high share of net external funding, at 18% of total loans. The latter is, however, related to the structure of the Nordic banking sector, with considerable cross-border activity. These higher-risk characteristics are partly offset by a well-developed domestic bond market that remained open and functioning throughout the 2008 financial crisis.

Table 1

Jyske Bank A/S Key Figures					
	--Year-ended Dec. 31--				
(Mil. DKK)	2013*	2012	2011	2010	2009
Adjusted assets	245,424.0	252,765.0	261,273.0	227,314.2	210,861.7
Customer loans (gross)	116,056.0	110,608.0	112,417.0	110,149.9	107,693.3
Adjusted common equity	16,573.0	15,258.0	13,275.0	12,812.6	11,979.0
Operating revenues	6,051.0	7,516.0	6,673.0	6,899.8	7,013.3

Table 1

Jyske Bank A/S Key Figures (cont.)					
Noninterest expenses	3,580.0	4,825.0	4,592.0	4,098.5	3,726.4
Core earnings	1,264.0	596.0	493.0	757.1	471.0

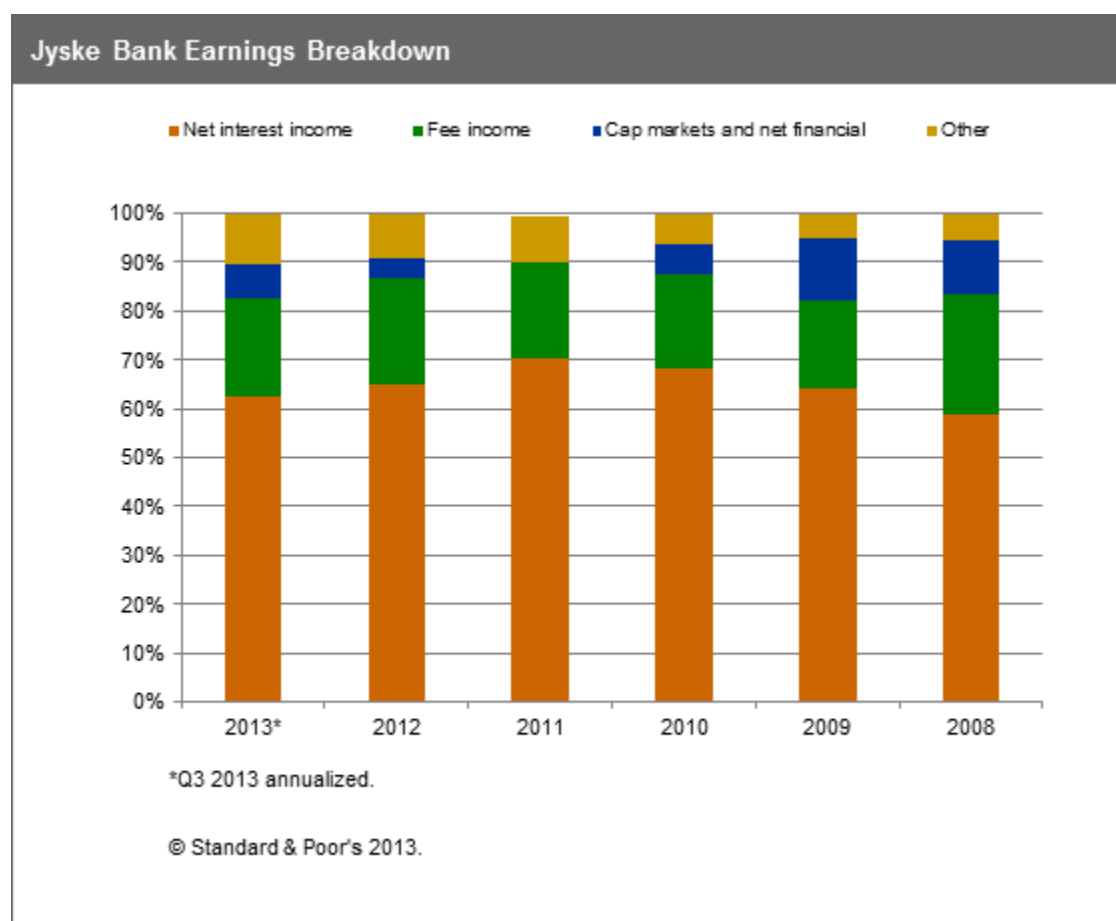
*Data as of Sept. 30.

DKK--DKK-Danish krone. N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Business position: A domestic full service bank focused on SMEs

We assess Jyske Bank's business position as "adequate." With consolidated assets of Danish krone (DKK) 250.2 billion (€33.5 billion at DKK7.46 to €1), as of Sept. 30, 2013, Jyske Bank is the third largest commercial bank in Denmark and has an overall 7% market share in loans and deposits, with a stronger franchise in the SME sector. We expect the bank to continue to enjoy a strong and stable domestic banking position, particularly in its home region of Jutland, which should provide ongoing stable interest and fee-linked earnings of 80%-90% of total revenues (see chart 1).

Chart 1



For many years, Jyske Bank has pursued a strategy of focusing on relationship-based commercial banking for households and SMEs. It also provides other value-added services such as asset management, mainly to retail clients, and develops cost-sharing structures with other smaller Danish banks to improve the efficiency of its information technology. Since the Danish banking crisis began in 2008, Jyske Bank has also been active in market consolidation,

acquiring the assets of two smaller banks, Fjordbank Mors and Spar Lolland. We anticipate it will consider additional transactions as opportunities for organic growth are rare in Denmark, but we expect any acquisition to be on a relatively small scale.

We believe Jyske Bank has a strong and stable management team and a prudent corporate strategy that has helped it to weather the Danish banking crisis without needing extraordinary capital or liquidity support from the state.

Table 2

Jyske Bank A/S Business Position					
	--Year-ended Dec. 31--				
(%)	2013*	2012	2011	2010	2009
Loan market share in country of domicile	N/A	7.0	6.0	6.0	5.0
Deposit market share in country of domicile	N/A	7.0	7.0	7.0	7.0
Total revenues from business line (currency in millions)	6,148.0	7,516.0	6,673.0	6,899.8	7,013.3
Commercial & retail banking/total revenues from business line	87.4	85.8	87.7	88.3	90.9
Trading and sales income/total revenues from business line	5.7	8.1	5.2	6.5	7.1
Other revenues/total revenues from business line	6.9	6.1	7.1	5.2	2.0
Investment banking/total revenues from business line	5.7	8.1	5.2	6.5	7.1
Return on equity	10.9	4.0	3.6	5.9	4.0

*Data as of Sept. 30.

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

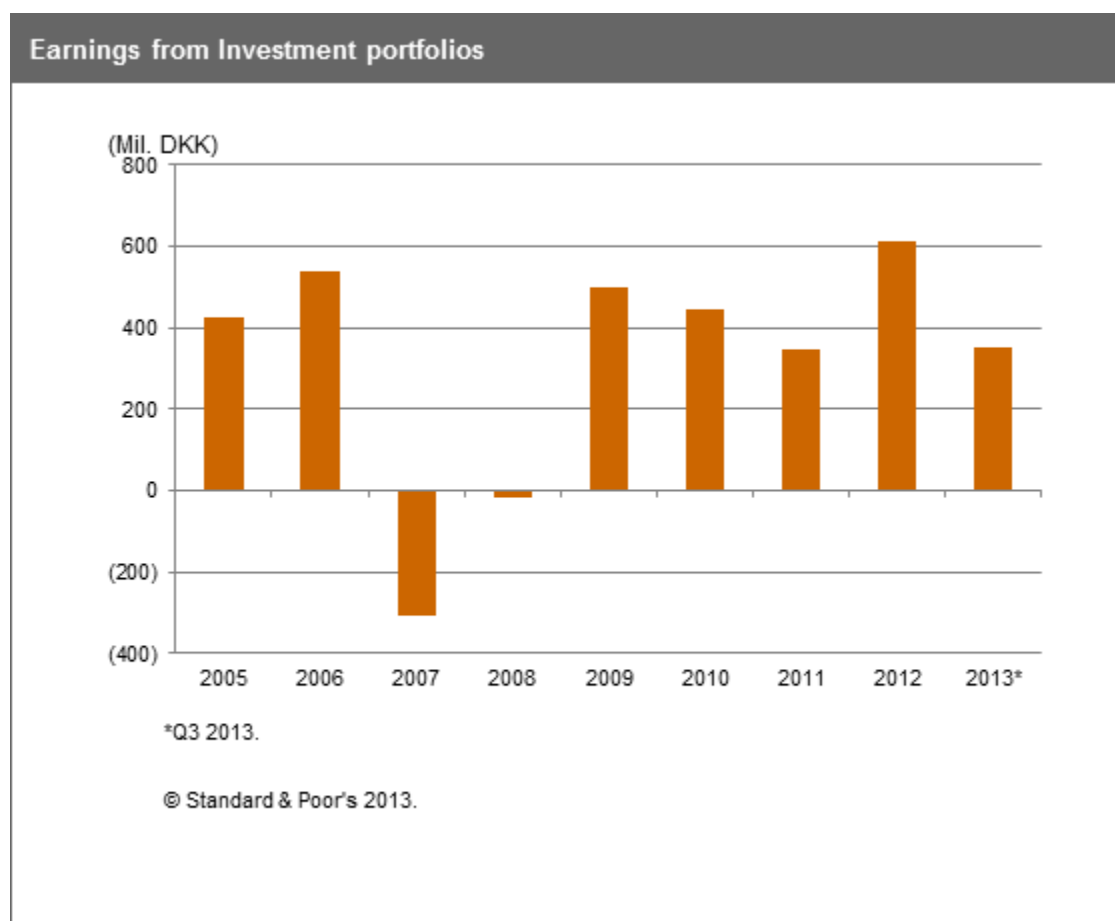
Capital and earnings: Adequate and increasing capital ratios, supported by a high quality equity base

We assess Jyske Bank's capital and earnings as "adequate." Over the next one to two years, we expect the bank's RAC ratio to rise to about 10%, supported by the DKK1.1 billion rights issue in February 2012 and increasing earnings generation, which, in our view, is sustainable. We expect Jyske Bank to post annual net profits of DKK1.4 billion-DKK1.7 billion over the next two years. The absence of dividends and share buybacks, coupled with a moderate increase in risk-weighted assets, supports the buildup of capital and potential future acquisitions. Further, we believe the bank's capital quality will remain strong because total adjusted capital, from our calculations, consists entirely of common equity. We expect no meaningful change to the quality of the capital base in the next 18-24 months.

We believe Jyske Bank's core earnings to be relatively stable and the revenue mix is dominated by interest (five-year average of 65% of the revenue base) and fee income (five-year average of 21%) from the retail and SME franchises. Income from capital market activity and custody services is mainly fueled by client transactions (approximately 50% of total fee income).

However, the investment portfolio generates portions of more volatile net financial income as the entire portfolio is marked to market through its profit and loss accounts. However, Jyske Bank is running off the more volatile high-yield assets, which will likely decrease income instability in the future. In addition to the investment portfolio, interest hedges for customers had a material effect on net financial income, which was negative in 2012 (-DKK465 million) and rebounded in 2013 (+DKK225 million).

Chart 2



Lending growth will likely remain subdued, in line with the Danish market, but margin increases over the past two years and the acquisition of Spar Lolland (adding DKK6.3 billion in loans and DKK166 million of net interest income in 2013) and Fjordbank Mors have boosted net interest income, more than compensating for lower new lending volumes. A new funding agreement for the bank's mortgage loan product "Jyske Prioritet" with BRFKredit A/S is likely to reduce funding costs for certain mortgage loans to private individuals and further increase net interest margins.

Our earnings buffer metric was in the range of 70 basis points (bps) to 80 bps, indicating that the bank's earnings generation provides a meaningful cushion against decreasing revenues and deteriorating asset quality.

Table 3

Jyske Bank A/S Capital And Earnings					
	--Year-ended Dec. 31--				
(%)	2013*	2012	2011	2010	2009
Tier 1 capital ratio	15.5	15.3	13.3	14.1	13.5
S&P RAC ratio before diversification	N.M.	9.4	7.9	8.3	9.0
S&P RAC ratio after diversification	N.M.	9.0	7.5	8.0	8.6
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenues	62.6	64.9	71.1	68.5	64.3

Table 3

Jyske Bank A/S Capital And Earnings (cont.)					
Fee income/operating revenues	20.2	22.0	19.6	19.1	18.1
Market-sensitive income/operating revenues	6.8	4.0	(0.5)	6.3	12.5
Noninterest expenses/operating revenues	59.2	64.2	68.8	59.4	53.1
Preprovision operating income/average assets	1.3	1.0	0.8	1.2	1.4
Core earnings/average managed assets	0.7	0.2	0.2	0.3	0.2

*Data as of Sept. 30.

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Table 4

Jyske Bank A/S Risk-Adjusted Capital Framework Data						
(Mil. DKK)	Exposure*	Basel II RWA	Average Basel II RW (%)	Standard & Poor's RWA	Average Standard & Poor's RW (%)	
Credit risk						
Government and central banks	12,976	N/A	N/A	349	3	
Institutions	31,773	N/A	N/A	6,416	20	
Corporate	109,340	N/A	N/A	57,435	53	
Retail	66,248	N/A	N/A	39,375	59	
Of which mortgage	16,124	N/A	N/A	4,856	30	
Securitization§	2,121	N/A	N/A	1,422	67	
Other assets	4,136	N/A	N/A	4,655	113	
Total credit risk	226,594	N/A	N/A	109,653	48	
Market risk						
Equity in the banking book†	1,982	N/A	N/A	17,503	883	
Trading book market risk	--	N/A	--	20,231	--	
Total market risk	--	N/A	--	37,734	--	
Insurance risk						
Total insurance risk	--	--	--	0	--	
Operational risk						
Total operational risk	--	N/A	--	15,493	--	
(Mil. DKK)		Basel II RWA		Standard & Poor's RWA	% of Standard & Poor's RWA	
Diversification adjustments						
RWA before diversification		107,636		162,880	100	
Total Diversification/Concentration Adjustments		--		6,080	4	
RWA after diversification		107,636		168,960	104	
(Mil. DKK)		Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	Standard & Poor's RAC ratio (%)	
Capital ratio						
Capital ratio before adjustments		16,481	15.3	15,258	9.4	
Capital ratio after adjustments‡		16,481	15.3	15,258	9.0	

Table 4**Jyske Bank A/S Risk-Adjusted Capital Framework Data (cont.)**

*Exposure at default. §Securitisation exposure includes the securitisation tranches deducted from capital in the regulatory framework. †Exposure and Standard & Poor's risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. DKK--Danisk krone. Sources: Company data as of Dec. 31, 2012, Standard & Poor's.

Risk position: Adequate, reflecting lending exposure to SMEs

Jyske Bank's risk position is "adequate" in our view, primarily because the quality of the bank's domestic loan book is in line with our assessment of industry risk for the Danish banking system using our BICRA methodology. The bank has experienced elevated credit losses since 2009 as a result of its SME exposure, but we see a clear downward trend in 2013 and expect losses for the full year to be around DKK1.2 billion (compared with DKK1.85 billion in 2012). Jyske Bank's losses have been in line with those of its domestic peers with a similar loan portfolio and the normalized losses we calculated under our RAC framework.

We expect nonperforming loans (NPLs) to gradually decline in 2014, in line with the trend from the second quarter of 2013 as we believe the majority of the problems in the Danish banking sector have been recognized (see "Banking Industry Country Risk Assessment: Denmark," published on Oct. 24, 2013, on RatingsDirect). NPLs--adjusted for reverse sale-and-repurchase transactions--declined to DKK10.6 billion or 9.1% of the loan book as of Sept. 30, 2013, from 9.6% of loans on June 30, 2013. The increase in the first quarter of 2013 reflected the loan books taken over from Spar Lolland and Fjordbank Mors, which we consider to be well provisioned.

The domestic loan book has suffered in recent years from the downturn in commercial and residential property markets and weak economic conditions with subdued consumption. This in turn has put substantial pressure on the less-resistant domestically focused SME sector, which caused the majority of Jyske Bank's losses. Declining product prices in the heavily indebted agricultural sector have also contributed to the increase in provisions (see chart 3).

Chart 3

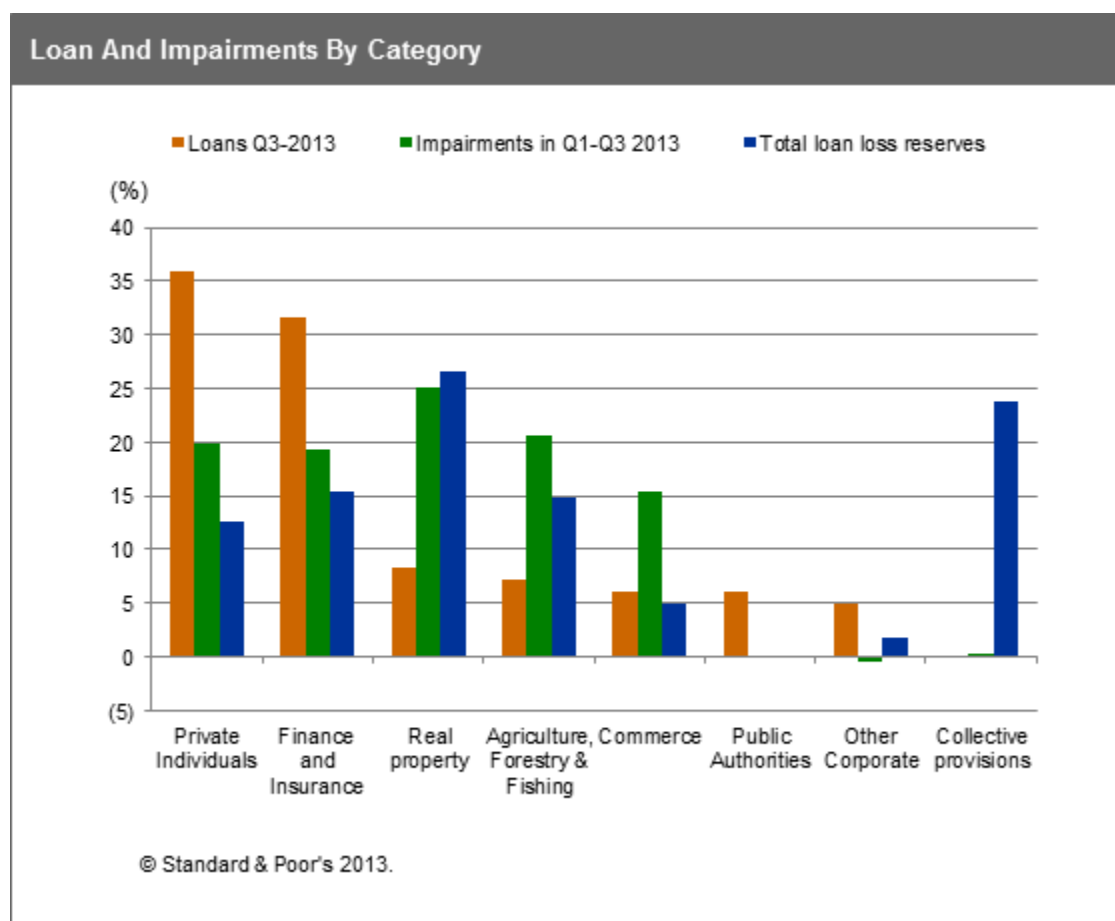


Table 5

Jyske Bank A/S Risk Position	--Year-ended Dec. 31--				
	2013*	2012	2011	2010	2009
Growth in customer loans	6.6	(1.6)	2.1	2.3	(10.7)
Total diversification adjustment / S&P RWA before diversification	N.M.	3.7	4.9	4.0	5.0
Total managed assets/adjusted common equity (x)	15.1	16.9	20.4	19.1	18.7
New loan loss provisions/average customer loans	1.0	1.7	1.3	1.7	2.3
Net charge-offs/average customer loans	1.2	1.0	1.9	0.8	0.7
Gross nonperforming assets/customer loans + other real estate owned	9.1	8.5	7.7	8.0	7.5
Loan loss reserves/gross nonperforming assets	43.5	49.4	44.6	50.0	42.4

*Data as of Sept. 30.

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Funding and liquidity: Above-average funding profile supported by a stable deposit base

Jyske Bank's funding is "above average" in our view, with its relatively large deposit base covering almost 95% of its loans on Sept. 30, 2013. The increased coverage reflects the deposit surplus in recently acquired Spar Lolland. Jyske Bank's stable funding ratio of 105% at year-end 2012 is a positive outlier in Denmark, but is in line with other system

averages in Europe, indicating a balanced funding profile, matching assets and liabilities. Despite the important contribution of corporate funds, we believe the majority of deposits to be granular and stable, providing the bank with a steady source of funding.

We consider the Jyske Prioritet loans as long-term funding and therefore include them as stable funding. These loans are financed by BRFKredit and totaled approximately DKK4.6 billion on Sept. 30, 2013. Jyske Bank reports them as liabilities "due to credit institutions."

We believe that Jyske Bank's liquidity is "adequate." At year-end 2012, its one-year liquidity ratio (broad liquid assets to short-term wholesale funding) stood at 1.22 indicating that Jyske, with a margin for potential deposit outflows, can cover its maturing liabilities in the next 12 months if wholesale market access is closed. This reflects, in our view, Jyske Bank's conservative liquidity plan and the bank's policy to size its liquidity portfolio in accordance with the amount of short-term debt.

Table 6

Jyske Bank A/S Funding And Liquidity					
	--Year-ended Dec. 31--				
(%)	2013*	2012	2011	2010	2009
Core deposits/funding base	57.4	50.1	48.9	51.4	53.7
Customer loans (net)/customer deposits	101.4	108.7	107.3	113.2	111.4
Long term funding ratio	69.8	63.4	61.0	59.2	68.5
Stable funding ratio	N/A	105.4	105.1	95.5	N/A
Short-term wholesale funding/funding base	32.9	39.6	41.6	43.8	33.7
Broad liquid assets/short-term wholesale funding (x)	N/A	1.2	1.2	1.1	N/A
Net broad liquid assets/short-term customer deposits	27.3	19.5	15.0	6.6	N/A
Short-term wholesale funding/total wholesale funding	77.1	79.4	81.4	90.0	72.9
Narrow liquid assets/3-month wholesale funding (x)	2.1	1.5	1.8	1.8	N/A

*Data as of Sept. 30.

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

External support: One notch of uplift for the likelihood of extraordinary government support

The long-term rating on Jyske Bank is one notch higher than the SACP, reflecting our view that it has "moderate" systemic importance in Denmark, due to its substantial share of deposits at about 7% and its nationwide franchise. In addition, we consider the Danish government to be supportive toward the domestic banking sector. These factors lead to our view of a "moderately high" likelihood of extraordinary government support for Jyske Bank if needed.

Additional rating factors: None

No additional factors affect this rating.

Related Criteria And Research

Related Criteria

- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011

- Bank Hybrid Capital Methodology And Assumptions, Nov. 1, 2011
- Bank Capital Methodology And Assumptions, Dec. 6, 2010

Related Research

- Banking Industry Country Risk Assessment: Denmark, Oct. 24, 2013
- Deleveraging Denmark--How Much Further Is There To Go?, May 7, 2012

Anchor Matrix										
Industry Risk	Economic Risk									
	1	2	3	4	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	a-	bbb+	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of November 29, 2013)

Jyske Bank A/S

Counterparty Credit Rating A-/Stable/A-2

Nordic Regional Scale --/--/K-1

Certificate Of Deposit

Foreign Currency NR/NR

Senior Unsecured A-

Short-Term Debt A-2

Subordinated BBB-

Counterparty Credit Ratings History

01-Dec-2011 A-/Stable/A-2

20-Feb-2009 A/Negative/A-1

30-Sep-2008 A+/Negative/A-1

10-Feb-2012 *Nordic Regional Scale* --/--/K-1

Sovereign Rating

Denmark (Kingdom of) AAA/Stable/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

Additional Contact:

Financial Institutions Ratings Europe; FIG_Europe@standardandpoors.com

Copyright © 2013 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.