# Jyske Bank
# 2016

21 February 2017

# Our targets

JYSKE BANK

| | 2016 |
|---|---|
| • Delivering an attractive long-term return on equity of 8-12% | 10.3% |
| • Volume growth of DKK 100bn in housing-related loans and DKK 20bn in property loans for corporate clients | DKK 80.0 and DKK 12.4bn |
| • Harvesting annual synergies of DKK 600m related to the Jyske Bank/BRFkredit merger<br>– Full year effect from mid-2016, 18 months ahead of plan | >DKK 600m |
| • Maintaining a strong capital position<br>– Long-term targets for capital ratio 17.5% and CET1 ratio 14%<br>– Capital levels above long term targets in order to manage future regulatory requirements<br>– S&P rating A- (stable outlook) | 18.3% and 16.5% |

# Jyske Bank in brief

JYSKE BANK

- One of the four large financial institutions in Denmark and a Danish SIFI
  - 3 segments (Banking, Mortgage and Leasing)
  - Estimated market share of 10-11%
  - Danish play
  - Approx. 890,000 customers
  - Nationwide branch network comprised of 95 personal client branches, 30 corporate branches and 10 Private Banking centres
  - Total assets of DKK 587bn and total loans of DKK 422bn of which mortgage loans account for DKK 277bn (66%)

- Growth strategy primarily focused on property lending: home loans and mortgages
  - Creating growth and challenging the border between banks and mortgage credit institutions
  - Annual synergies of DKK 600m harvested by end of Q2 2016, 18 months ahead of plan

- Strong capital position
  - Long-term capital policy and well-positioned to manage effects of regulatory requirements
  - Total capital distribution in 2015 and 2016 of DKK 2.25bn
  - Capital distribution continues in 2017: Dividend for FY2016 of DKK 500m proposed and new share buyback programme of DKK 500m to commence on March 1st
  - Able and willing to participate in further consolidation of the Danish financial sector

# Jyske Bank in brief

JYSKE BANK

| Jyske Bank Group key figures | Profit before tax, DKKm | Net profit, DKKm | Shareholders' equity at year-end, DKKm | ROE after tax, opening equity | Loans and advances, DKKbn | Deposits, DKKbn | Total assets, DKKbn | Number of FTEs |
|---|---|---|---|---|---|---|---|---|
| 1997 | 584 | 443 | 4,772 | 11.5% | 36.6 | 41.5 | 63.1 | 2,671 |
| 1998 | 710 | 511 | 5,173 | 10.7% | 39.7 | 43.8 | 76.9 | 2,772 |
| 1999 | 1,276 | 897 | 5,391 | 17.3% | 49.8 | 49.8 | 92.6 | 3,013 |
| 2000 | 1,255 | 1,083 | 5,887 | 20.1% | 75.4 | 52.3 | 127.4 | 3,190 |
| 2001 | 890 | 623 | 6,174 | 10.6% | 82.5 | 54.4 | 133.2 | 3,418 |
| 2002 | 1,083 | 511 | 6,658 | 8.3% | 95.3 | 59.0 | 153.2 | 3,359 |
| 2003 | 1,809 | 1,284 | 7,843 | 19.3% | 63.8 | 63.8 | 116.4 | 3,547 |
| 2004 | 1,960 | 1,407 | 7,858 | 17.9% | 74.6 | 68.7 | 125.2 | 3,713 |
| 2005 | 2,174 | 1,701 | 9,477 | 21.6% | 90.9 | 79.8 | 141.6 | 4,026 |
| 2006 | 2,810 | 2,134 | 9,637 | 22.5% | 107.2 | 88.8 | 160.7 | 4,216 |
| 2007 | 2,273 | 1,735 | 9,704 | 18.0% | 134.0 | 112.7 | 214.3 | 4,145 |
| 2008 | 1,291 | 988 | 10,722 | 10.2% | 129.1 | 117.0 | 236.8 | 4,112 |
| 2009 | 589 | 471 | 12,523 | 4.4% | 110.6 | 109.3 | 224.5 | 3,877 |
| 2010 | 1,012 | 757 | 13,352 | 6.0% | 114.0 | 115.8 | 244.1 | 3,847 |
| 2011 | 631 | 493 | 13,846 | 3.7% | 124.5 | 127.3 | 270.2 | 3,809 |
| 2012 | 849 | 596 | 15,642 | 4.3% | 118.6 | 121.0 | 258.2 | 3,574 |
| 2013 | 2,301 | 1,808 | 17,479 | 11.6% | 131.4 | 131.4 | 262.0 | 3,774 |
| 2014 | 3,103 | 3,089 | 27,561 | 17.7% | 361.8 | 152.7 | 541.7 | 4,191 |
| 2015 | 3,204 | 2,476 | 30,040 | 9.0% | 396.2 | 144.9 | 543.4 | 4,021 |
| 2016 | 3,906 | 3,116 | 31,038 | 10.3% | 422.4 | 154.6 | 586.7 | 3,981 |

Average ROE 1997-2016 of 12.8%

# 2016 highlights

JYSKE BANK

- Danish economy
  - Economic upturn driven by private consumption supported by rising house prices, low interest rates and increases in real wages. However, exports remain soft and investments low
  - Negative interest rate environment is expected to continue

- Jyske Bank delivers a net profit of DKK 3,116m, equal to ROE 10.3%
  - Continued growth in new home loans, total volume of DKK 80bn end of Q4 (end-2015: DKK 57.5bn) and DKK 83bn as per today, and stabilized volume in traditional bank loans
  - Core income under pressure due to low interest rate environment and fierce competition for volume. Support from growth in new home loans
  - Core expenses develop as expected given lower contributions to Depositor and Investors Guarantee and Resolution Fund and lower number of FTE
  - Net reversals – credit quality improved in all segments, in Q4 also reversals on agriculture

- Capital distribution
  - Total capital distribution in 2015 and 2016 of DKK 2.25bn
    - Share buybacks of DKK 1.75bn corresponding to 6.19% of share capital
    - Dividend of DKK 500m
  - An ordinary dividend for FY2016 of DKK 500m to be proposed at AGM March 2017
  - New share buyback programme of DKK 500m announced (March 1st to September 29th 2017)

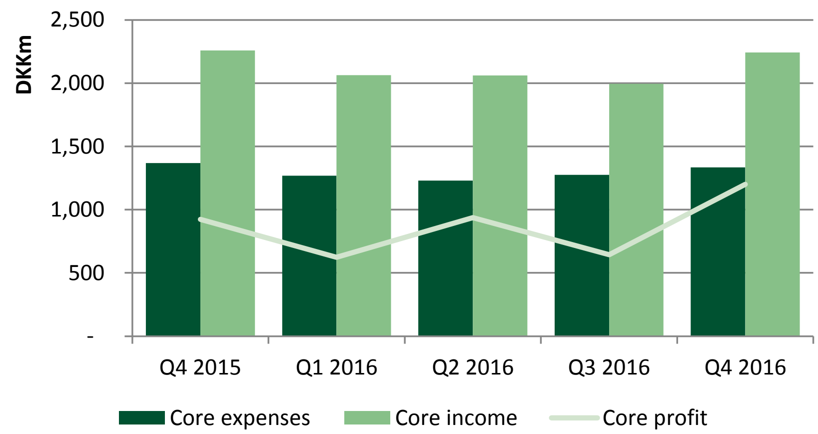
# Jyske Bank Group

- Growth in mortgages and home loans continues at high pace
- Stabilization of bank loans and bank deposits on the rise
- Positive development in AUM due to inflow of new funds and positive returns

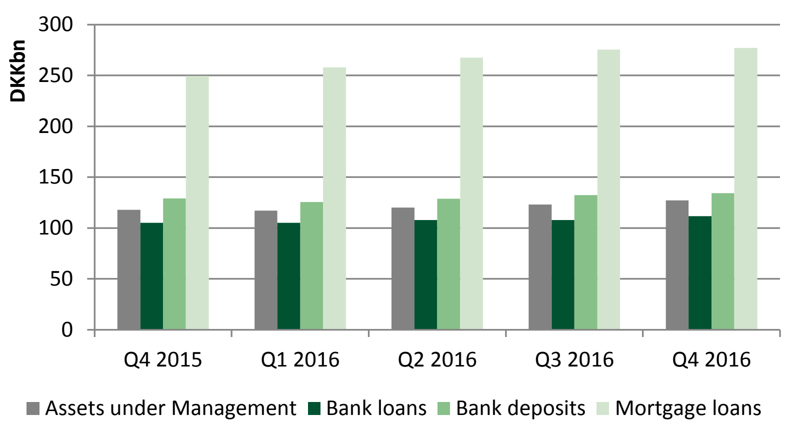
- Core income under pressure, strong finish due to favourable development in financial markets affecting net fee income and value adjustments
- Core expenses as expected

- Net reversals of impairments – in Q4 also on agriculture

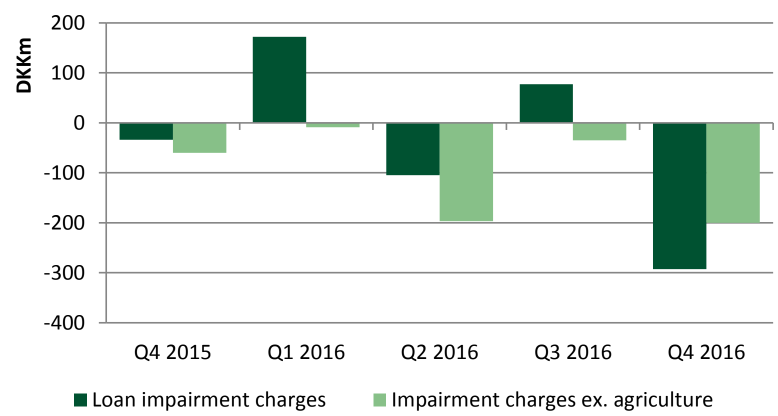
**Financials**




**Business volumes**



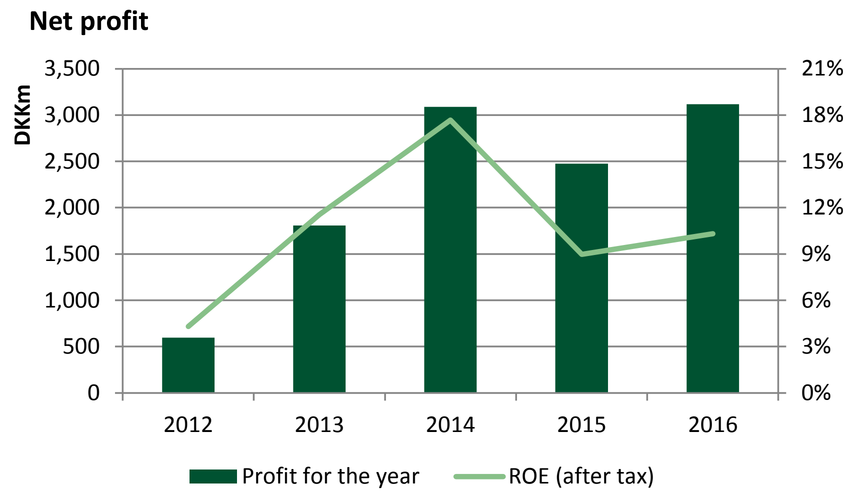

**Loan impairment charges (under core profit)**



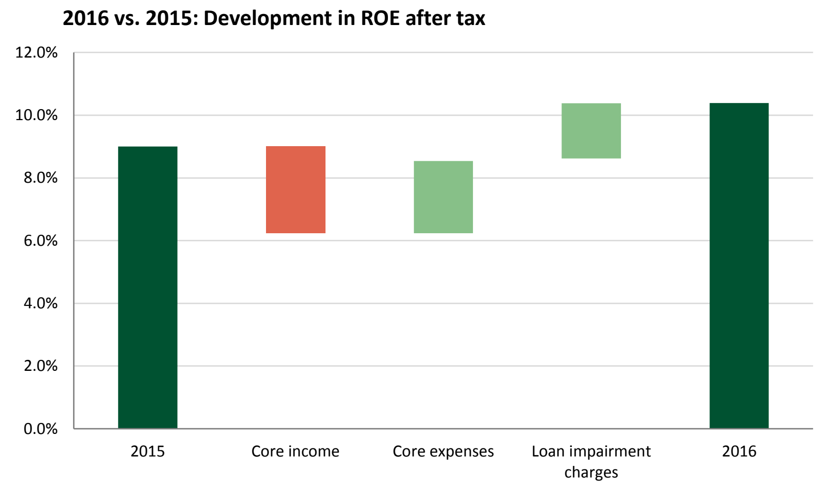
# Strong finish lifts ROE into mid-target range

JYSKE BANK

- Delivering a net profit of DKK 1,202m in Q4 and DKK 3,116m in 2016
- ROE of 16.0% p.a. in Q4 and 10.3% in 2016




- ROE for 2016 of 10.3% compared to 9.0% in 2015, net increase of 1.3 percentage points attributed to:
  - Cost savings and lower impairment charges outweighing the pressure on core income.



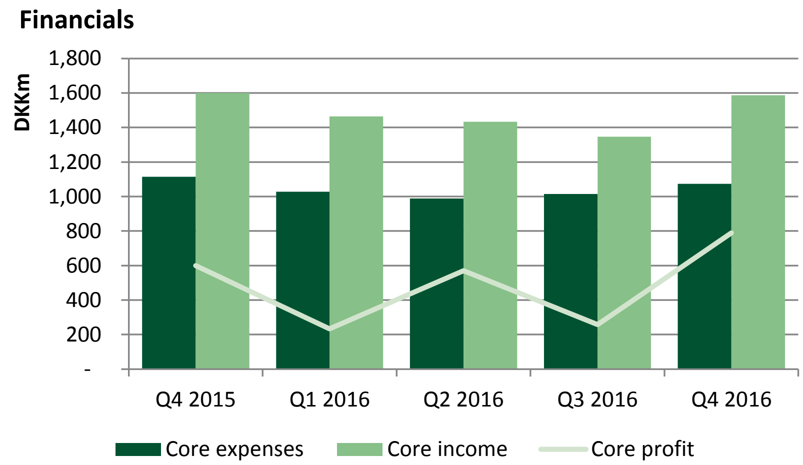
# Banking activities

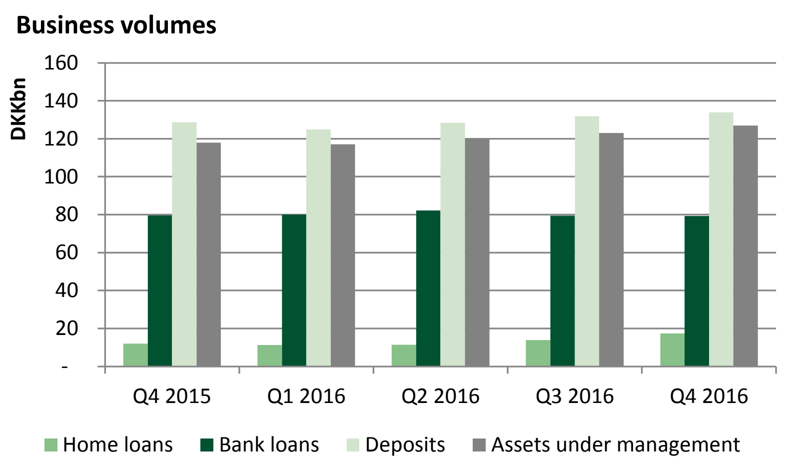
JYSKE BANK

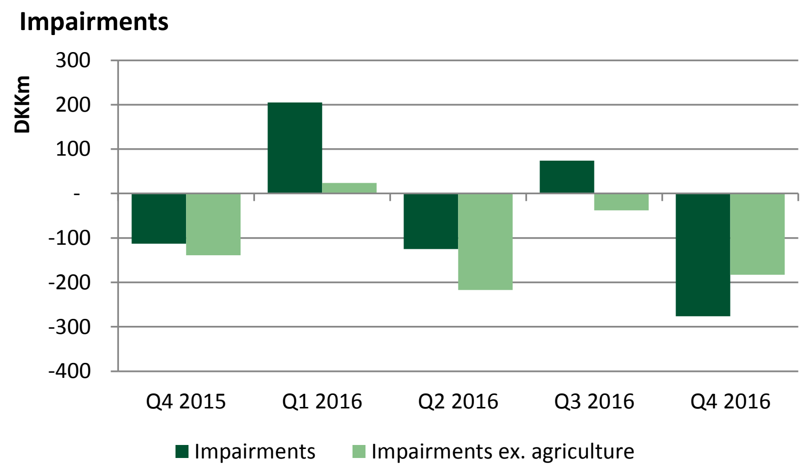
- Stabilization of bank loans and bank deposits on the rise
- Positive development in AUM due to inflow of new funds and positive returns

- Core income under pressure, strong finish due to Q4 seasonality in net fee income
- Core expenses stable and as expected

- Net reversals of impairments – in Q4 also on agriculture



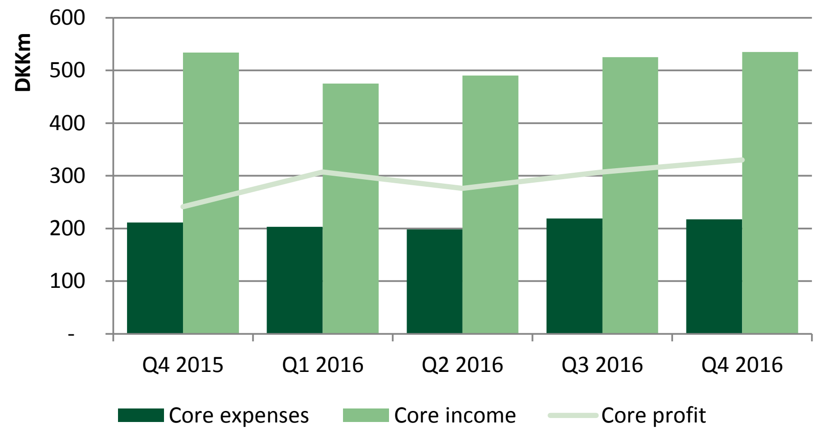
# Mortgage activities

- Growth in all lending segments - most significant in Private segment but also significant growth in Commercial segment

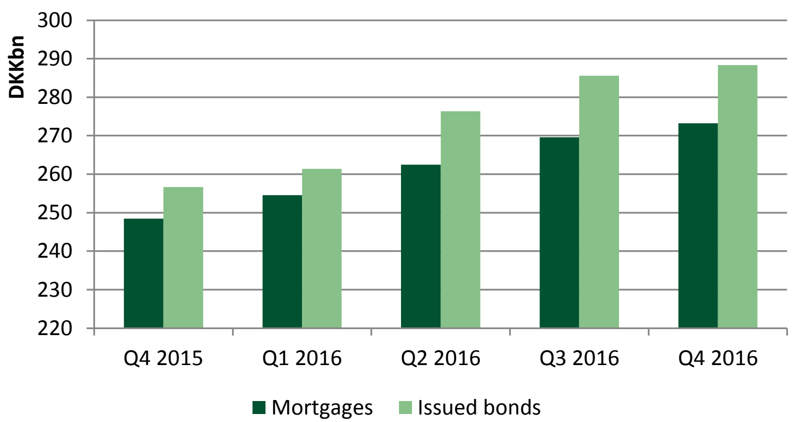
- Core income steadily growing as volume grows
- Core expenses as expected

- Overall, low level of impairment charges – net reversals on commercial clients

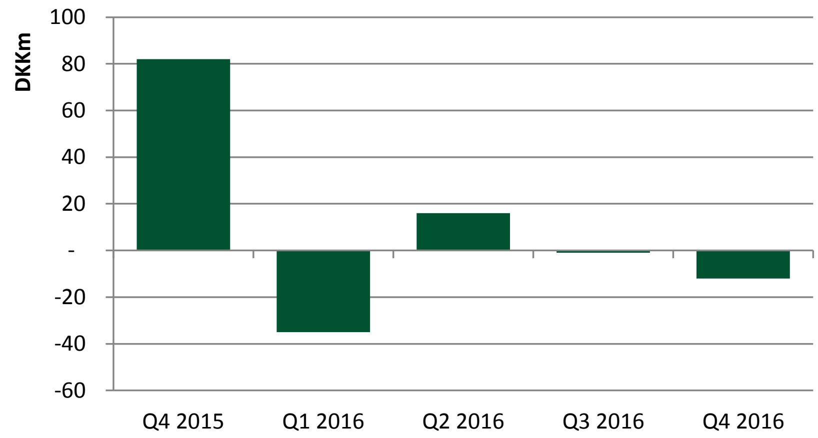
**Financials**




**Business volumes (nominal values BRFkredit A/S)**



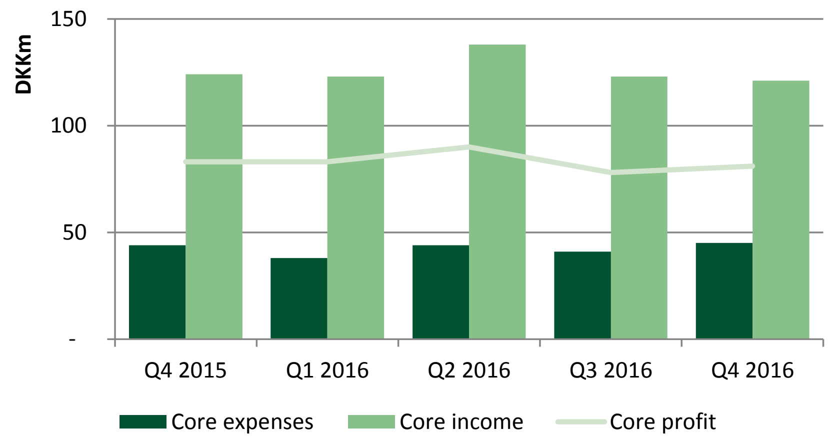

**Impairments**



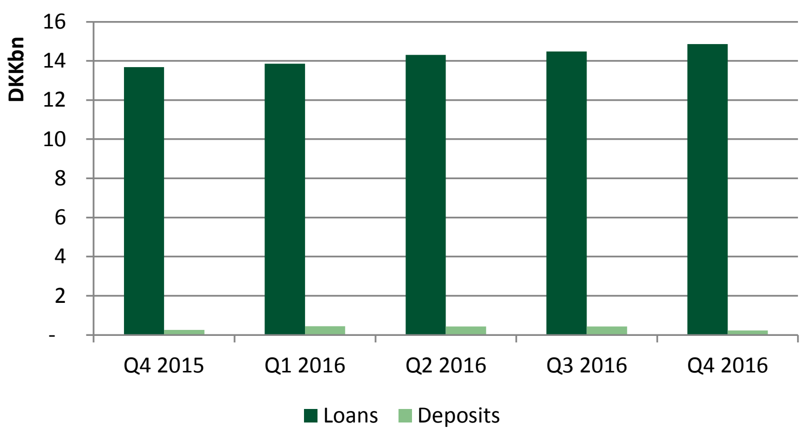
# Leasing activities

- Gradually increasing loan volumes
- Stable development in core income based on increased business volume
- Core expenses develop as expected
- Impairment charges at a low level

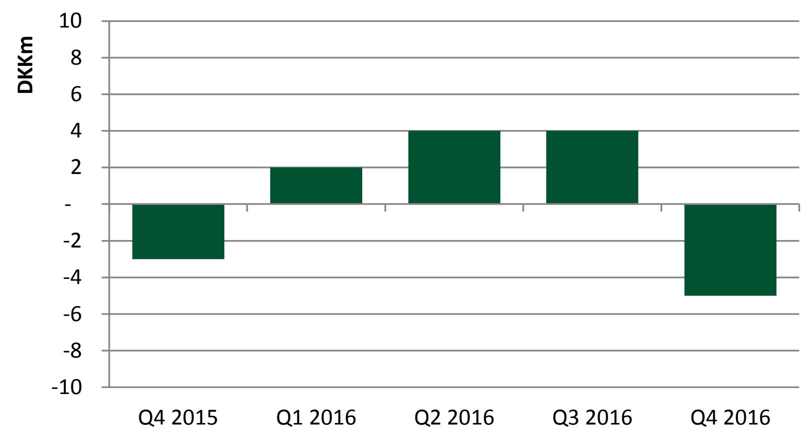
**Financials**




**Business volumes**




**Impairments**

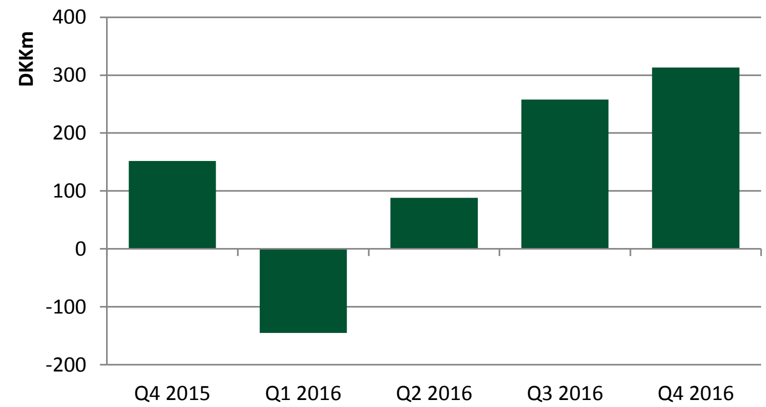


# Improved investment portfolio earnings

JYSKE BANK

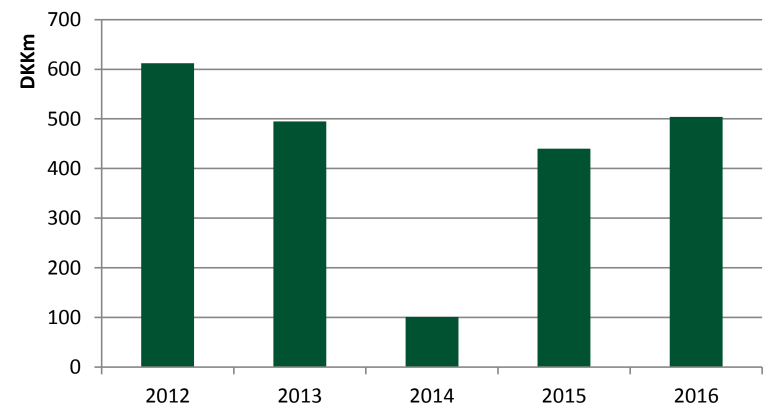
- Improved investment portfolio earnings driven by:
  - Value adjustments of DKK 50m related to fair value assessment of Jyske Bank's holdings in Nordjyske Bank (2016: DKK -40m)
  - Positive value adjustments on portfolio of Danish mortgage bonds driven by narrowing of credit spreads (OAS)

**Investment portfolio earnings, quarterly**




- Annual investment portfolio earnings have been ranging between DKK 100-600m the past 5 years
  - With an average of approx. DKK 400m

**Investment portfolio earnings, last 5 years**



# 2017 focus areas

- Growth strategy:
  - An expected growth of DKK 10-15bn in new home loans

- Pricing:
  - Full effect of negative deposits rates on demand deposits from corporates
  - As per Feruary 1st 2017 the Group no longer waives or offers to discount fees on transfers of mortgages
  - Restructuring prices for services rendered to private individuals, e.g. on-line banking, payment transfers and debit cards. In effect from June 1st, 2017

- Preparing for MiFID II ban on portfolio management fees (to be implemented by end of Q2 2017)
  - New investment product, Jyske Investment, introduced as opposed to adjusting price structure
    - Regulation: transparency and ban on receiving and keeping portfolio management fees
    - Avoid delivering services for free
    - An opportunity for development and improvement
  - Jyske Investment: "we make it easy to invest"
    - One single ISIN and 5 profiles (dividend paying or accumulating)
    - Simple price structure, no VAT and hassle free handling of taxation
  - Client impact: Approx. 30,000 clients to receive advice before transfer from old solutions to new product

- Capital adjustment continues – majority to be completed by end of 2017
  - Issue of Tier 2 and AT1 capital outstanding in 2017 and 2018

- Regulatory requirements uncertain:
  - Basel IV/CRR2 (implementation expected in 2021-2025)
  - IFRS 9 (implementation expected in 2018-2022)
  - MREL (implementation expected in 2017-2020)

# Adjusting to long-term capital targets

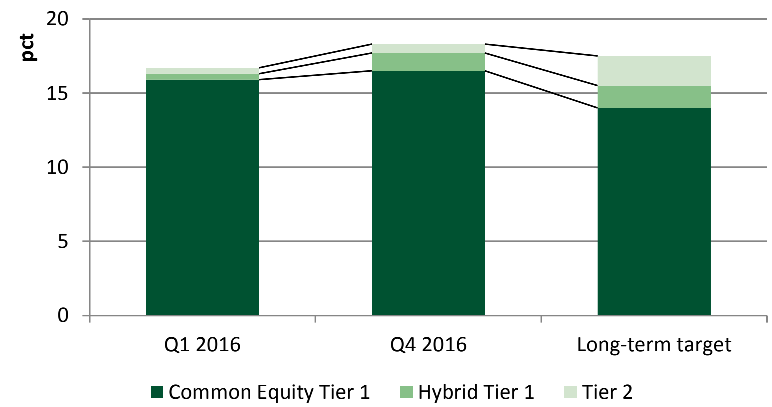
- Capital ratio 18.3% and CET1 ratio 16.5% end of Q4 2016 vs. long-term targets of 17.5% and 14%

- Gradual adjustment of the capital structure towards targets (3.5 pp.)
  - Process initiated in Q3 2015
  - Majority of adjustment expected to be completed in the course of 2017

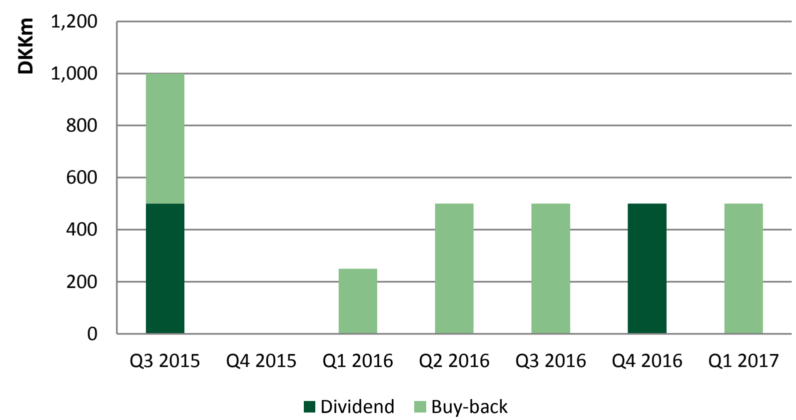
- Steps taken:
  - Share buy-back programmes of DKK 2.25bn in total:
    - DKK 750m (Nov 2015-Jun 2016)
    - DKK 1bn (Jul - Dec 2016)
    - DKK 500m (Mar - Sep 2017)
  - Dividend DKK 500m (March 2016)
  - Dividend for FY2016 of DKK 500m to be proposed at AGM (March 2017)
  - Tier 2 issue of SEK 1bn (May 2016)
  - AT1 issue totalling DKK 1.5bn (September 2016)

- Defending and securing a stable S&P rating of A- remains a key priority

**Capital ratio**




**Capital distribution (time of announcement)**



JYSKE BANK

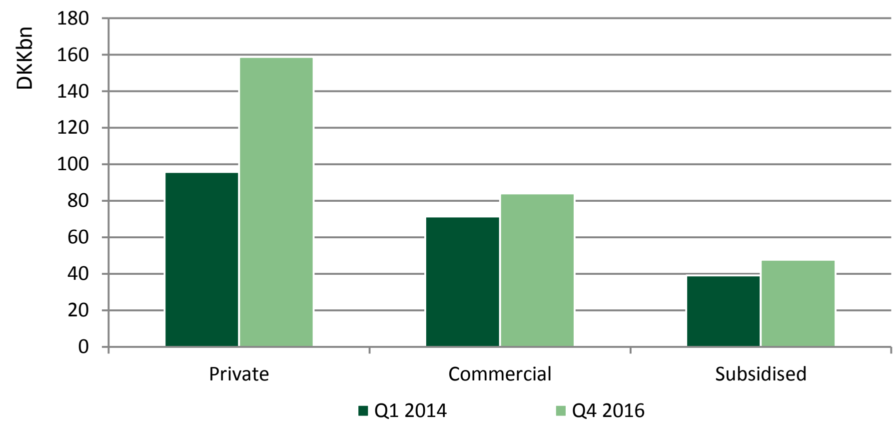
# Growth strategy: mortgage lending and home loans

# Strategic focus on mortgage lending is a success

JYSKE BANK

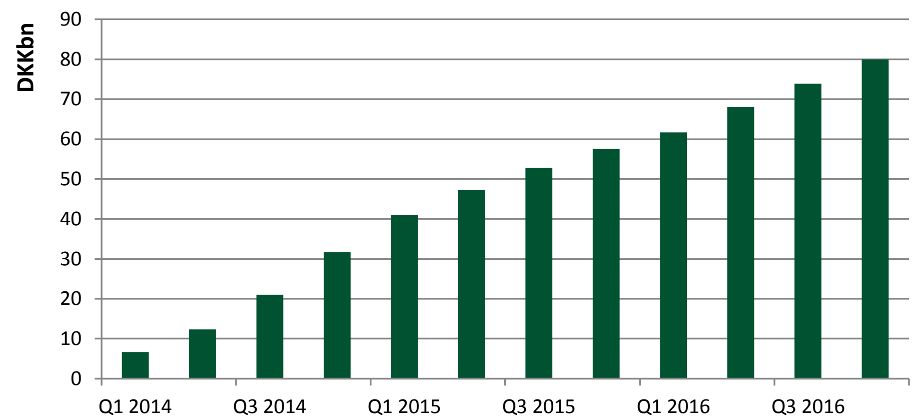
- The Group's mortgage loan volumes have grown by more than DKK 80bn since early 2014
  - Primarily in Private segment due to the new home loan products
  - Commercial and Subsidised have grown by DKK 21bn of which DKK 16bn in properties for housing purposes
  - Market share of mortgage lending has increased to 10.4% (7.9% end of 2013)

**Development in mortgage lending**




- Home loan products still on the rise
  - Majority of new home loans granted to existing customers
  - In 2016, the Group has experienced an Increasing proportion of new clients, 29% as of end-2016

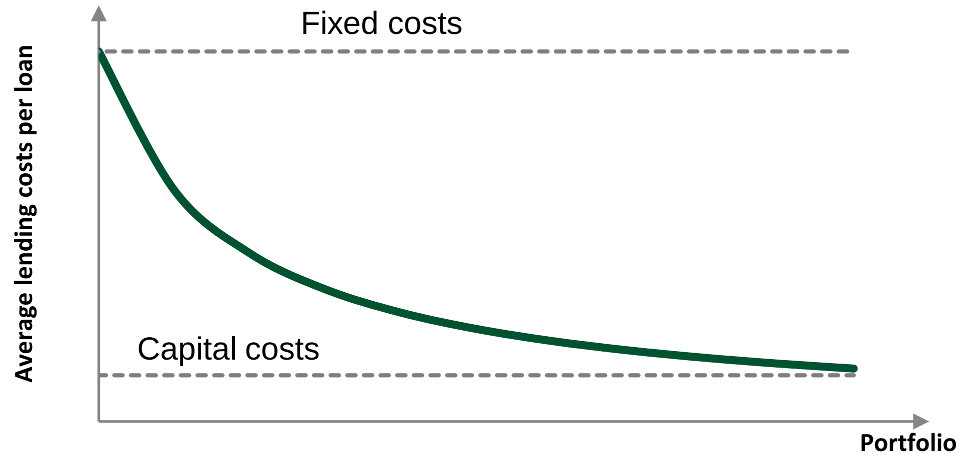
**Accumulated home loans via Jyske Bank branches**

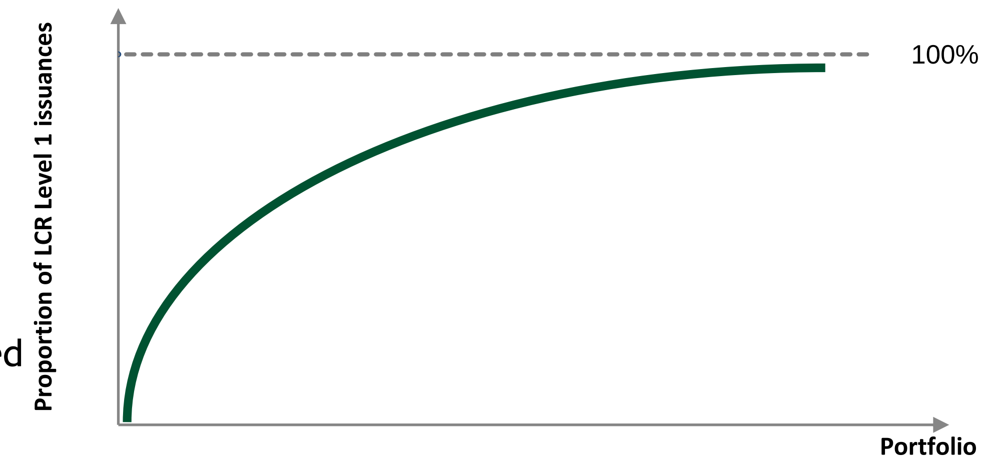


# Increasing profitability

JYSKE BANK

- Growth in the lending portfolio drives marginal operating costs down towards capital costs
- Growth in the portfolio creates larger issuances and lower funding costs
  - LCR compliant proportion of issuances has increased
  - Focus from investors has increased and pricing has been aligned with the market
- Funding supports products with higher margins
  - Adapted to Danish and international regulation
  - Extended funding profile in order to maintain a competitive advantage, i.e. continue to offer F1 products
  - Three EUR benchmark issuances in 2016
- We have focused on attaining flexibility in our products, capital centers, lending documentation, etc.
- Combination of increasing volume and the above mentioned flexibility can be used for further development of new products



# Why are we succesful in attracting customers?

JYSKE BANK

- A broad product range comprised of two different product types:
  - Transparent traditional mortgage products in BRFkredit
  - Clear and simple new products in Jyske Bank, e.g. the latest addition, the "Super loan", which is a capped floater

- The Group offers both Jyske Bank home loans and BRFkredit mortgage loans at competitive prices
  - BRFkredit has always been among the mortgage institutions with the lowest margins
  - Jyske Bank is "Best in test" in the consumer magazine TÆNK in both 2015 and 2016
  - Competitive position has been strengthened in the course of 2016 as Jyske Bank and BRFkredit are the only providers with unchanged margins
  - As per February 1st 2017 the Group no longer waives or offers discounted fees on transfers of home loans

**Margins on home loans incl. quotation cut[1] (LTV 0-80%)**

| With instalments | Fixed | F5 | F1 | Floater[2] |
|---|---|---|---|---|
| Jyske Bank | 0.61 | 0.79 | 1.00 | 0.70[3] |
| BRFkredit | 0.61 | 0.89 | 1.15 | 0.82 |
| Other Institutions | 0.68 – 0.74 | 0.89 – 0.92 | 1.41 – 1.45[4] | 0.92 – 0.97 |

| Without instalments | Fixed | F5 | F1 | Floater[2] |
|---|---|---|---|---|
| Jyske Bank | 0.84 | 1.07 | 1.28 | 0.90[3] |
| BRFkredit | 0.89 | 1.12 | 1.38 | 1.10 |
| Other Institutions | 1.00 – 1.06 | 1.22 – 1.24 | 1.73 – 1.78[4] | 1.25 – 1.30 |

1) Quotation cut divided by the funding period is added to the margins
2) Cibor3M in Jyske Bank and Cita6M for others. For others 7bp is added to account for quotation cuts of 0.20 DKK (assuming 3Y funding). The JB margin is calculated as interest minus funding costs in BRFkredit
3) No longer offered
4) Some institutions do not offer new F1 loans

Source: Publicly accessible prices from mortgage institutions' webpages. There has been made no corrections for individual payback programs, customer advantage programs, differences in credit policies etc.

# Political agreement on mortgages - not a game changer

JYSKE BANK

- Political agreement on home loans reached in January 2017:
  - Notice period for changes in fees and margins is prolonged to 6 months
  - No fees and 50% reduction in quotation cut if customer redeem a loan in the notice period
  - Public website with comparisons of prices (margins and fees) on mortgage loans
  - The agreement gives the borrower the possibility to finance existing mortgage debt above the normal lending limit in other mortgage credit institutions
- We expect no significant impact on the Group's growth strategy

Focus on margins in the mortgage market is more intense than ever

Money and Pension panel

**Volume of mortgage loans with LTV > 80%**

| Segment (DKKbn) | Retail | Commercial | Total |
|---|---|---|---|
| BRFkredit | 24 | 35 | 59 |
| Nykredit | 215 | 60 | 275 |
| RD | 89 | 59 | 148 |
| Nordea | 66 | 29 | 95 |
| DLR | 1 | 44 | 45 |
| Total | **395** | **227** | **622** |

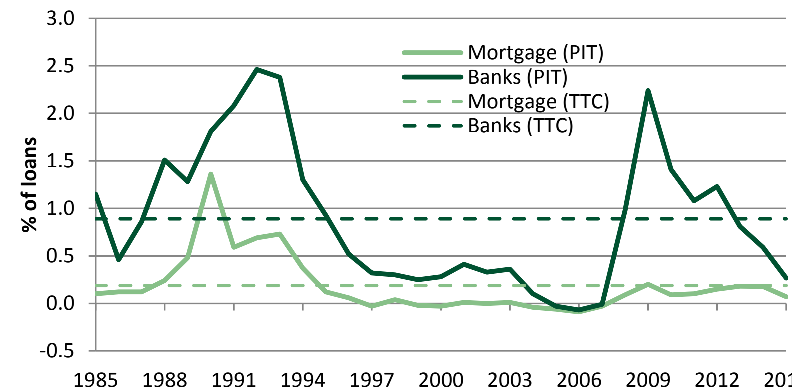
Source: Q3 2016 cover pool reports

# Reducing risk and earnings volatility

JYSKE BANK

- At end of 2016 low risk mortgage loans make up 66% of the Group's loan portfolio
  - Historically, losses and impairment charges on mortgages are significantly lower than on bank loans: 19bp vs. 89bp
  - Lower risk combined with steady growth in non-interest rate sensitive NII from mortgages result in lower earnings volatility and overall de-risked profile
  - First stock-exchange listing of a Danish specialised mortgage credit institution (expected in 2018) will provide valuable information on investors' ROE expectations on low risk mortgages

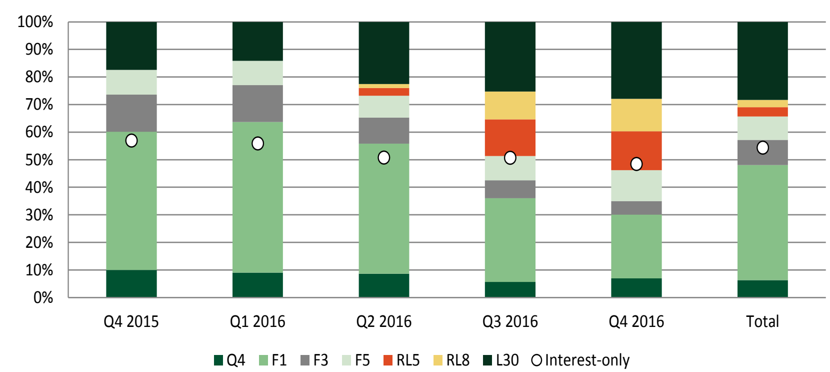
**Losses and impairment charges 1985-2015**




Source: Danish FSA

- Growth in home loans improves quality of overall portfolio
  - Majority of clients known by Jyske Bank as volume primarily stems from repatriation of loans previously referred to Totalkredit
  - 85% in credit rating class 1-5 compared to overall average of approx. 65% for bank loans for the retail segment (Risk and Capital Management 2016)
  - Minimal losses since December 2013
  - Jyske Bank's risk appetite in growth areas is lower than average (Danish FSA report, October 2016)
  - Development in portfolio composition by product type supports compliance with benchmarks in FSA diamond

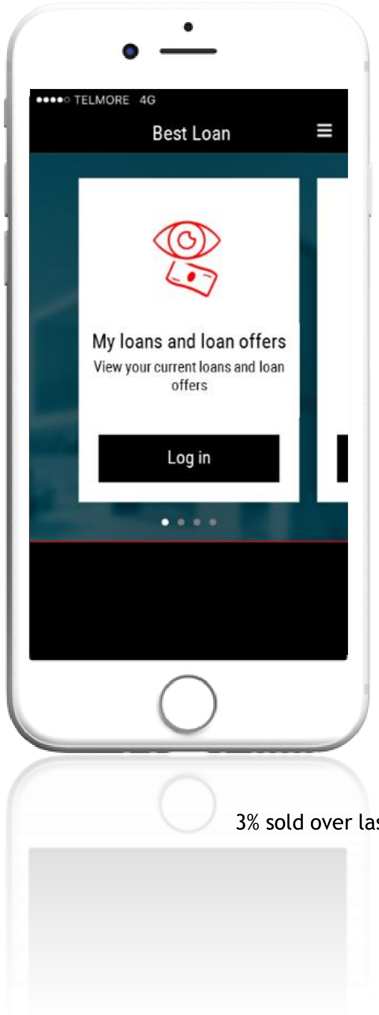
**Jyske Bank home loan portfolio by product type**



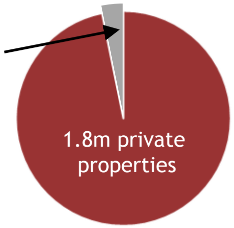
# Digitalisation of the mortgage market

JYSKE BANK

- The mortgage market will become more digitalised over the coming years
- The Group must develop a platform for the digital customers
- Within the last year the Group has launched new products, new funding sources, new web design, and a new app, ”Best loan”
- The app, ”Best loan”, offers free independent loan surveillance for all homeowners - also non-customers – a total market of approx. DKK 1,500bn
  - Other providers have focused their digital initiatives on sale of properties
- Initiatives are focused on the customer but also the ability to create synergies within the Group




**Private properties as per end-2016**



# Capital

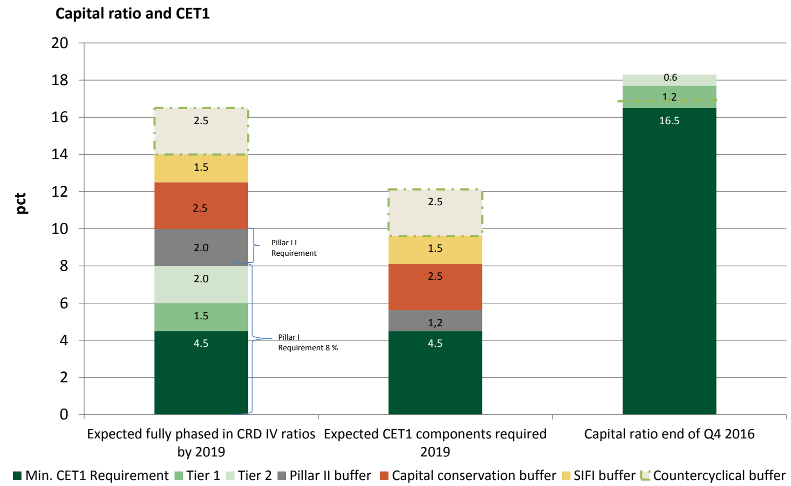
# Strong capital position

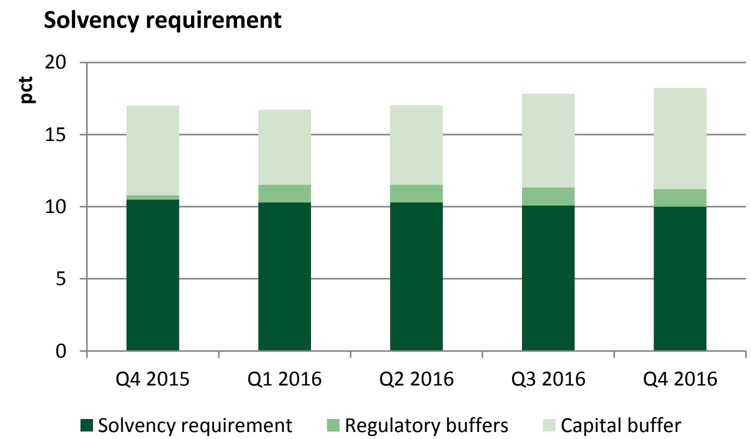
JYSKE BANK

- Capital ratio 18.3% and CET1 ratio 16.5% end of 2016 compared to 17.0% and 16.1% end of 2015. Change in capital ratios due to:
  - Strengthening of retained earnings
  - Higher REA (primarily volume growth in property related loans)
  - Proposed dividend deducted from capital – new buyback programme not deducted
  - Issue of AT1 and Tier 2

- Solid capital base remains essential to allow room for:
  - Growth (property related loans)
  - Higher capital requirements imposed by upcoming legislation
  - Aligning capital to S&P requirements
  - M&A activity if opportunity should arise

- Individual solvency requirement as at end of 2016:
  - 10.0% (+0.6% SIFI requirement and 0.625% capital conservation buffer, in total 11.2%)
  - Capital buffer DKK 12.8bn corresponding to 7.0%



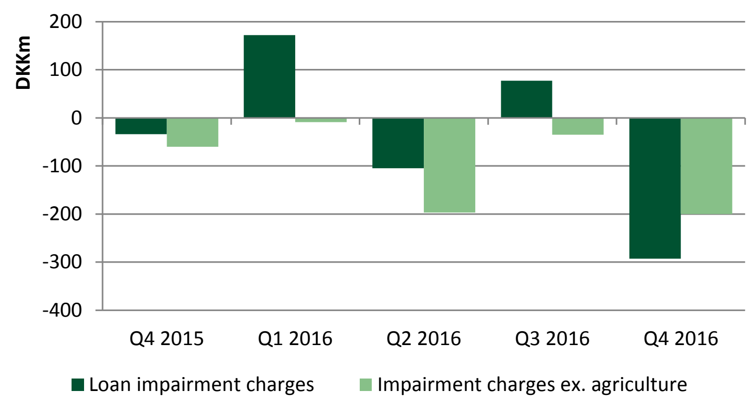
# Credit Quality

# Net reversals

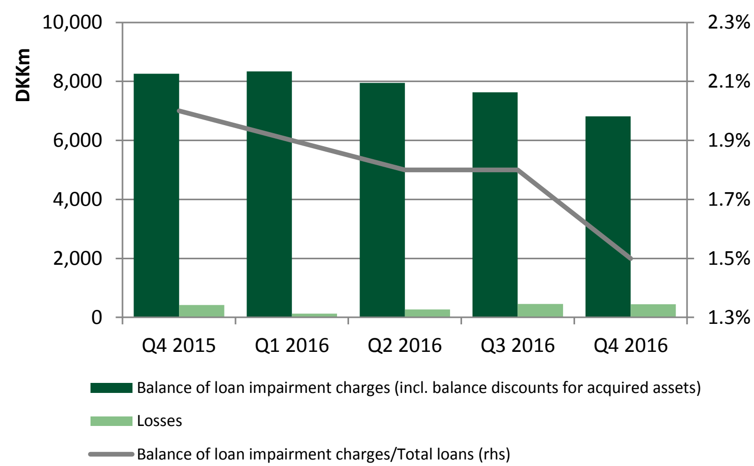
JYSKE BANK

- Net reversals of DKK 149m under core profit
  - Impairment charges on agriculture of DKK 292m
  - Net reversals of DKK 293m in Q4 2016 alone
- End of 2016 total balance of management's estimate of DKK 471m, of which DKK 235m relate to agriculture, compared to DKK 462m and DKK 285m respectively in 2015
- Impairment ratios (under core profit):
  - Impairment ratio for 2016 -3bp
  - Below normalized level
  - Accumulated impairment ratio 1.5% (incl. balance of discounts for acquired loans) vs. 2.0% end of 2015. Development driven by volume growth in low risk home loans
- Banking:
  - Overall credit quality is gradually improving
  - Low number of new defaults and improvement in credit quality of previously defaulted clients
  - Also net reversals in agriculture segment
- Mortgage:
  - Overall positive development in credit quality
  - Reversals on corporates

**Loan impairment charges (under core profit)**




**Balance of loan impairment charges and losses**



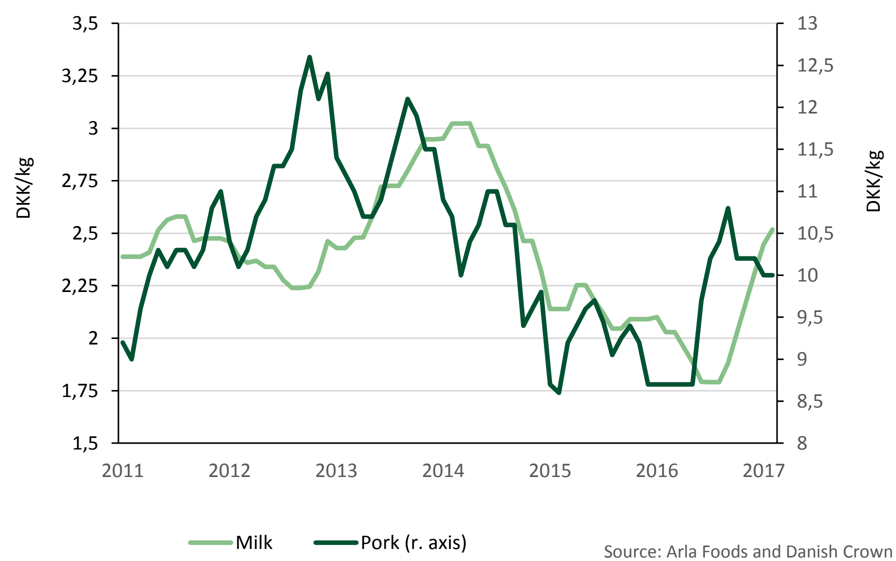
# Limited exposure to dairy and pig farmers

- Exposure to dairy and pig farmers accounts for less than 1% of the Group's loans and guarantees
- Impairment ratio for dairy farmers 45% end of 2016 - up from 38% end of 2015 whereas impairment ratio for pig farmers decreases from 31% to 26% in the same period

| | Loans, advances and guarantees | | Balance of loan impairment charges | | Impairment ratio | |
|---|---|---|---|---|---|---|
| DKKm/% | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Dairy farmers | 889 | 1,154 | 722 | 710 | 45% | 38% |
| Pig farmers | 1,237 | 1,365 | 431 | 605 | 26% | 31% |
| **Total** | **2,126** | **2,519** | **1,153** | **1,315** | **35%** | **34%** |

- Commodity price development:
  - Pork: Prices peaked at 10.8 DKK/kg in Q3. Current prices are approx. 15% higher than end of 2015
  - Milk: Prices hit historic lows during the summer but have recovered during H2 of 2016 and now stand at 2.5 DKK/kg
- Rebound in commodity prices improves situation for dairy and pig farmers but they remain structurally challenged by high leverage and, in many places, run-down production facilities

**Commodity prices**




Source: Arla Foods and Danish Crown

## Appendices:

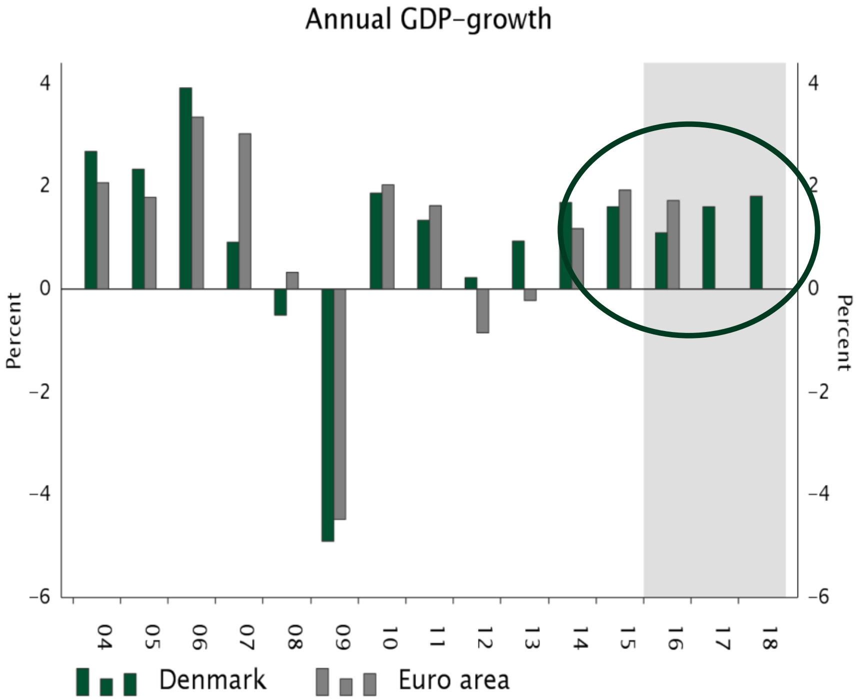
1) Danish Economy
2) Jyske Bank Q4 2016 results
3) Credit Quality
4) Liquidity
5) Business segments
6) NPLs

# Danish Economy

# Danish economy – a slow recovery story

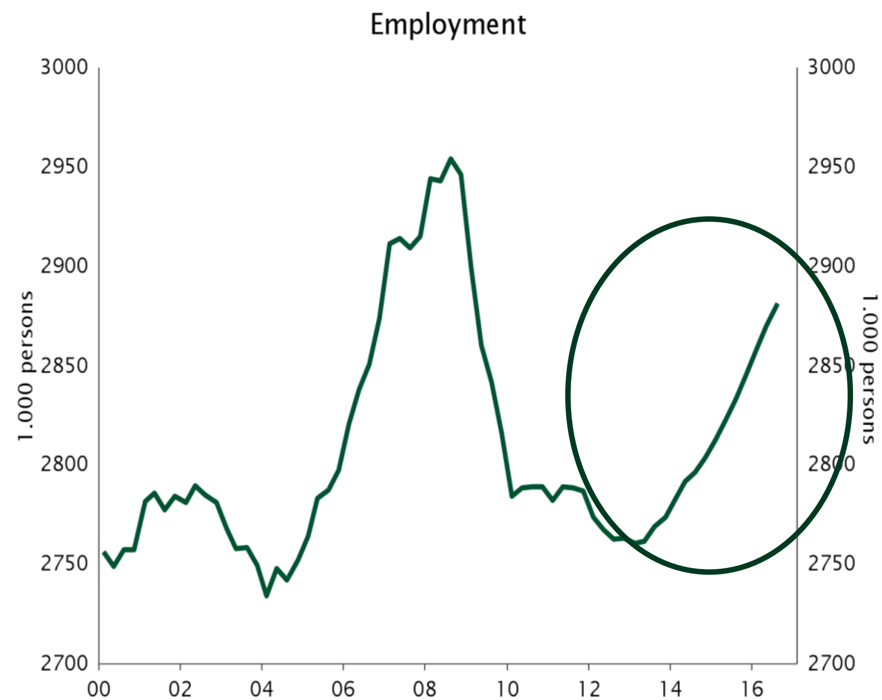
- Overall the Danish financial sector's operating environment is slowly improving
- The improvement is also reflected in rating agencies' outlook on the Danish banking sector:
  - In Jan 2016 S&P changed their Danish BICRA outlook from stable to positive
  - Moody's sees the Danish operating environment as "more benign"

The slow upturn is set to continue over the next years, but of course depending on the global economy




Kilde: Thomson Reuters Datastream and Jyske Bank forecasts

The private sector is driving the 4% increase in employment

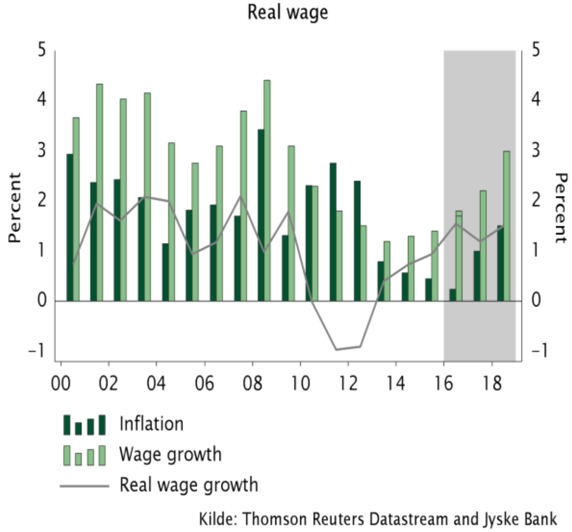



Kilde: Thomson Reuters Datastream

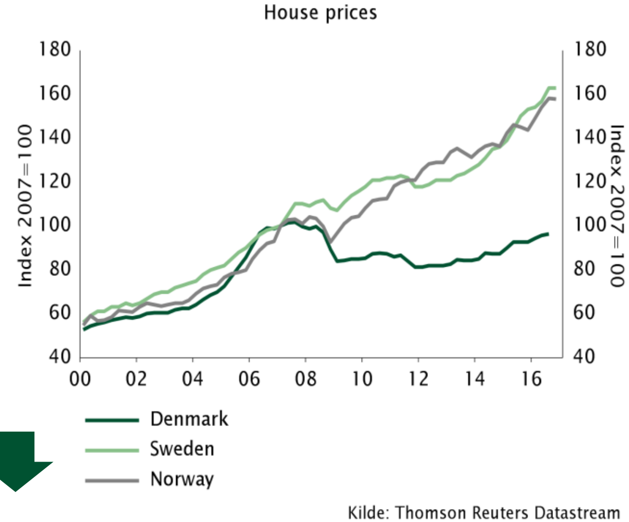
# 3 kinds of stimulus support demand

JYSKE BANK

### Highest real wage growth since 2009

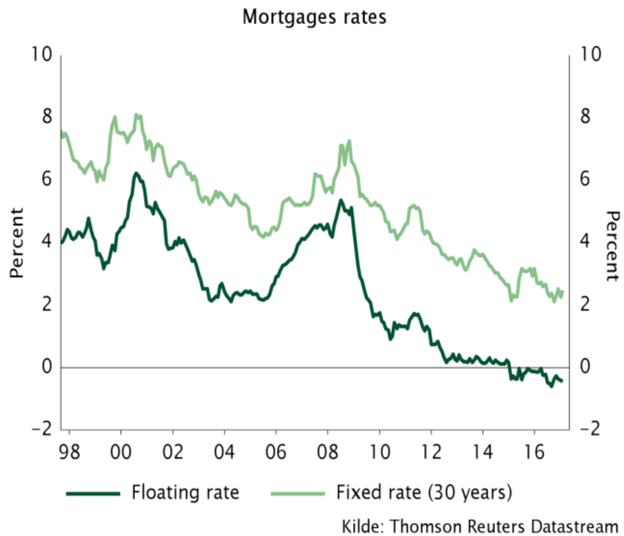



### House prices recovering after burst in 2008/09

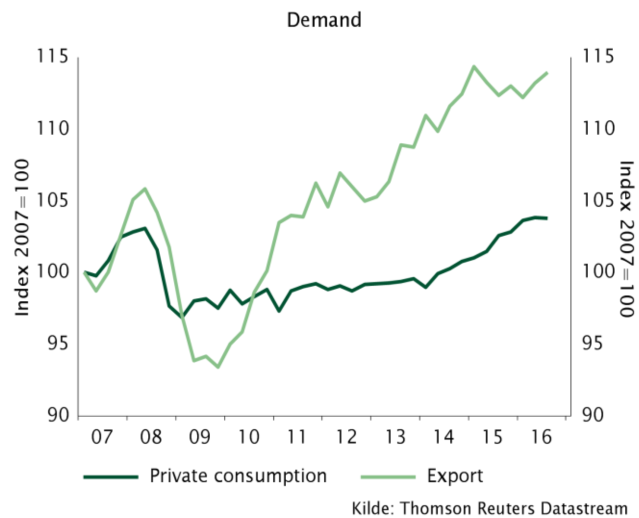



Compared to Sweden and Norway - Denmark has repriced

### Interest rates are at a historic low



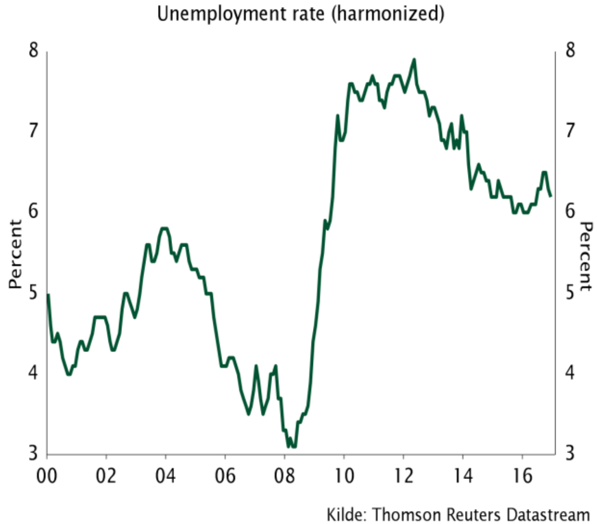

### Demand has increased



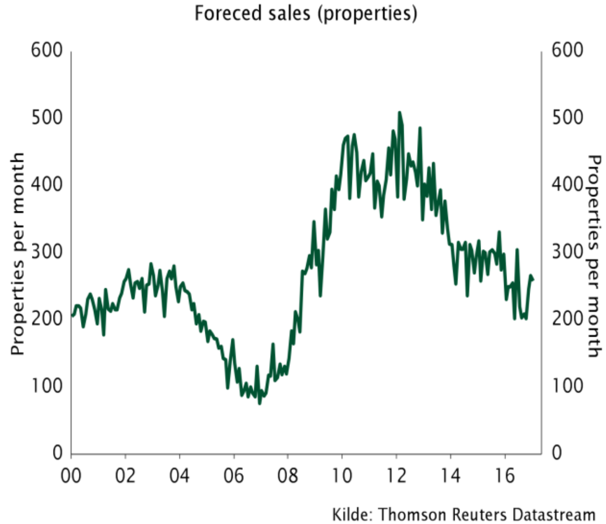
# Improved asset quality as defaults are close to normalization

Jyske Bank

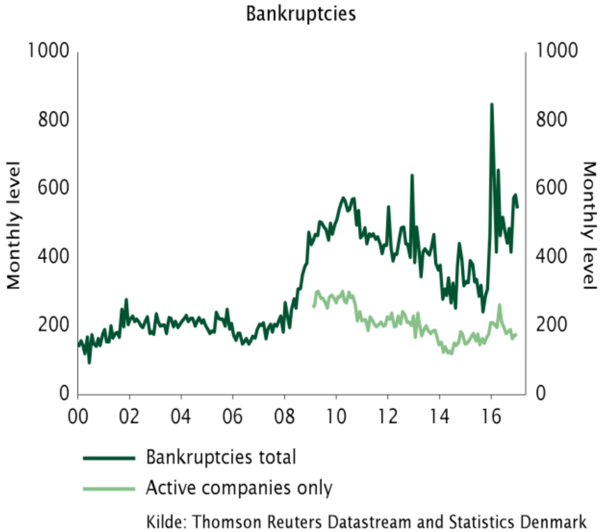
## Unemployment is relatively low




## Forced house sales below 0.2% per year




## Business bankruptcies closer to normal




*Data for bankruptcies from late 2015 and into 2016 are distorted by a registration issue. Looking at active companies only gives the best possible reflection of the actual development*

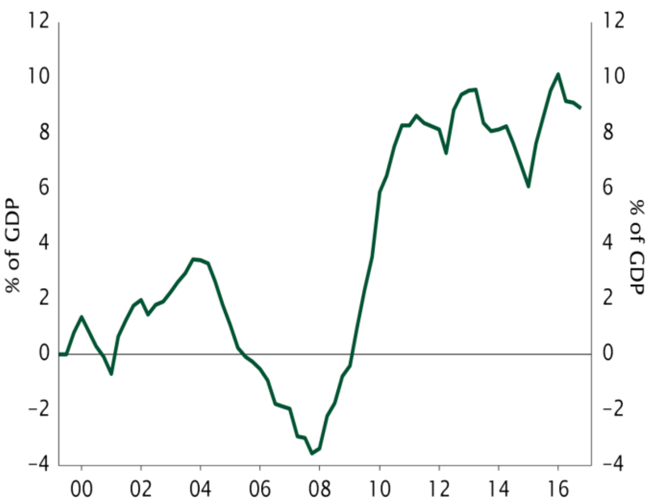
# Turnaround and consolidation at the same time



Low interest rates and solid real wage growth make it possible for households to consume more and save up at the same time

## The private sector is still saving up

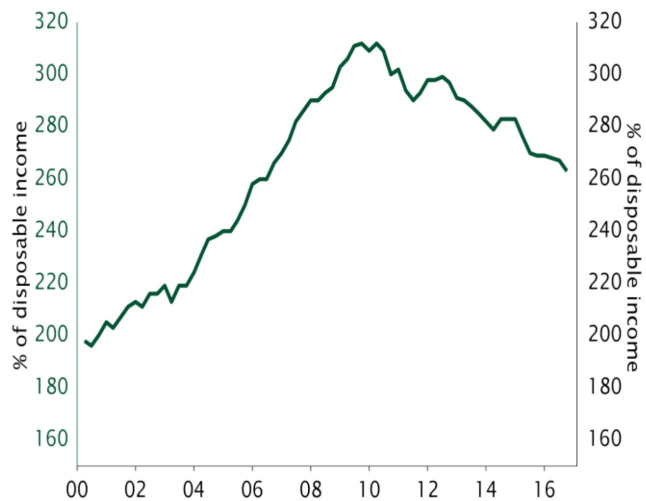
Private sector financial saving




Kilde: Thomson Reuters Datastream

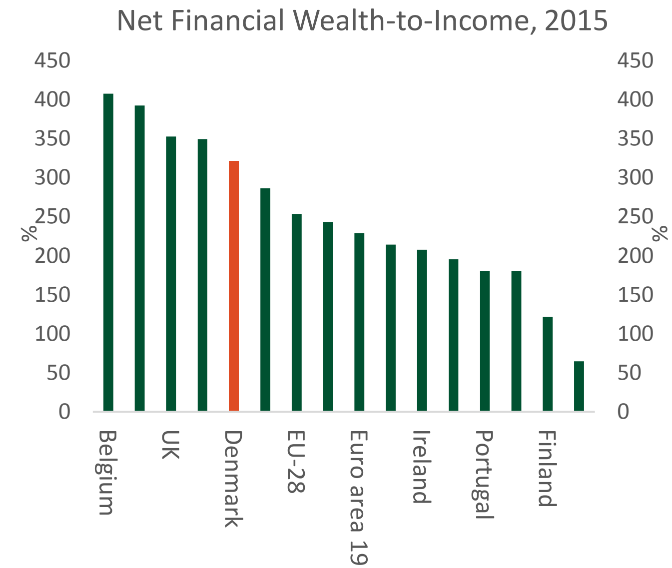
## ...so household debt is declining

Household gross debt




Kilde: Thomson Reuters Datastream

## ...and household net assets are large

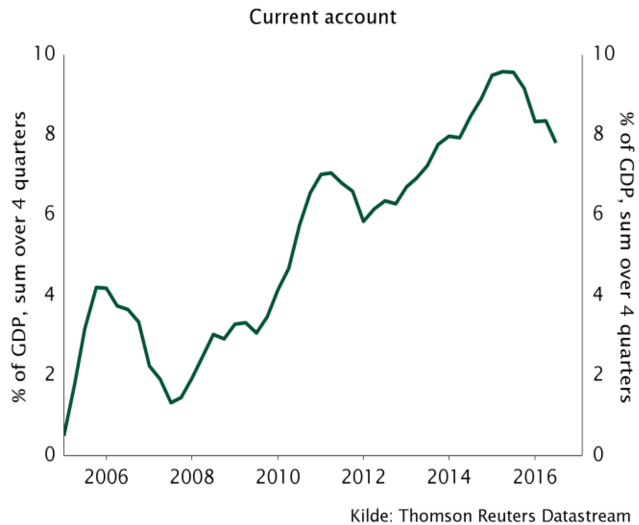



Source: Eurostat

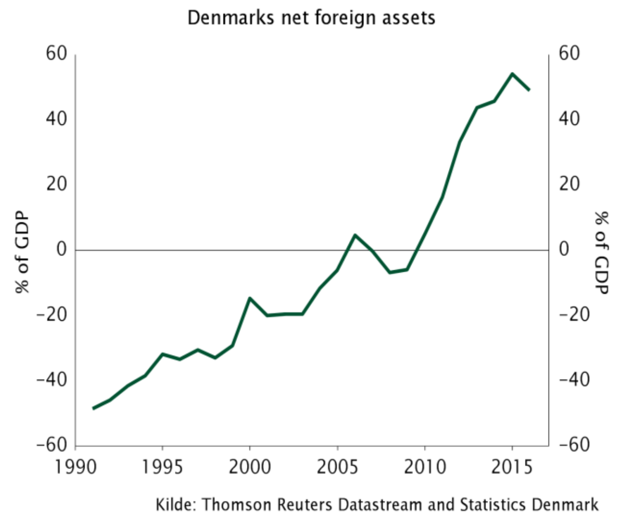
# Denmark is a AAA economy with strong structural financial features

JYSKE BANK

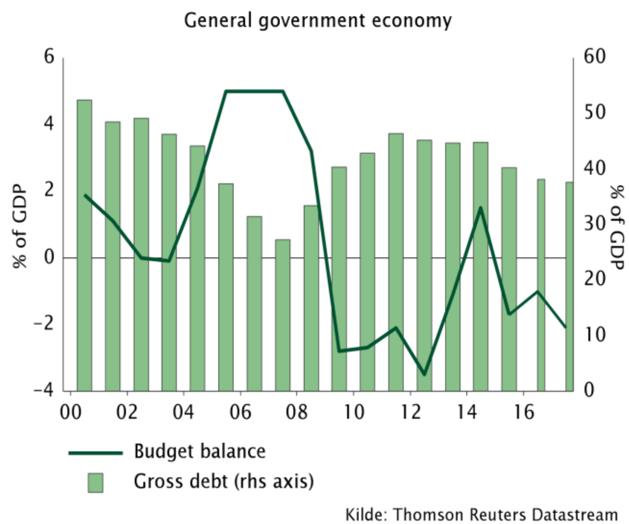
## Current account surpluses since late 90s



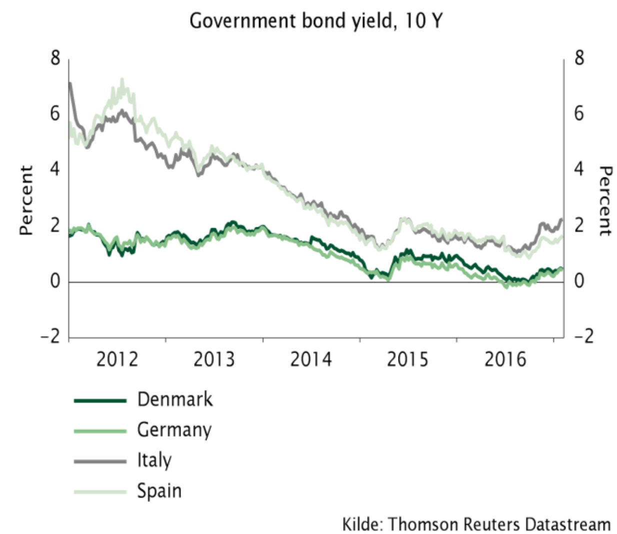

## ..imply that foreign assets are increasing




## And public sector debt is low




## This is why Denmark is AAA



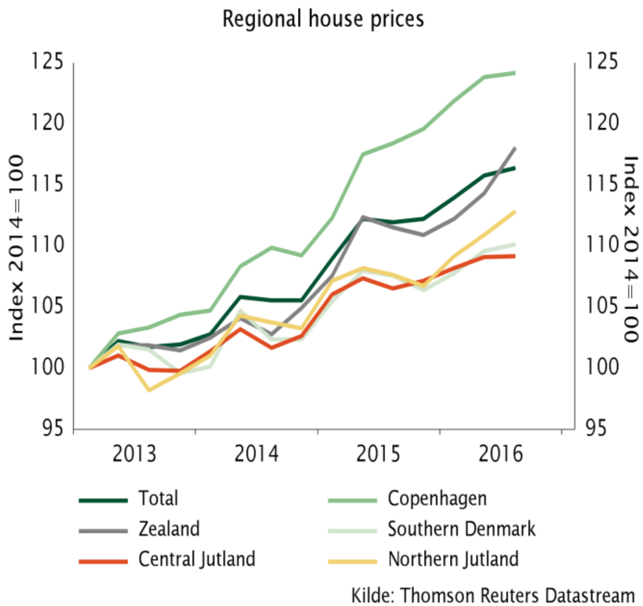
# House prices have increased in all regions in 2016

Large price increases in the Copenhagen area, especially on flats

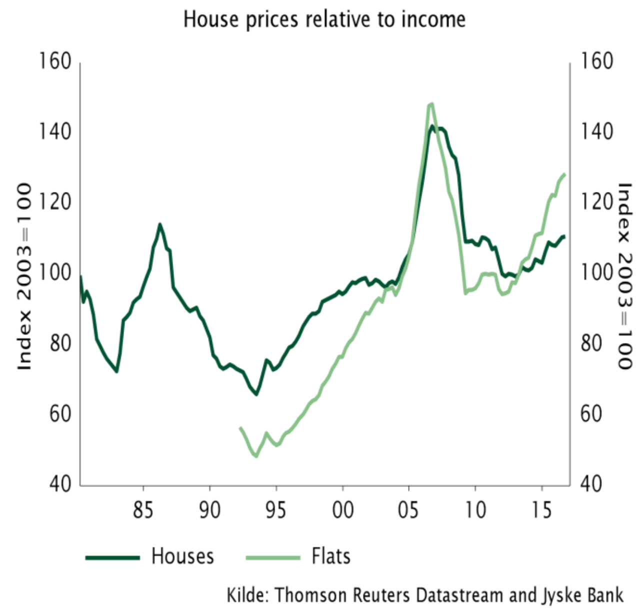
There is a risk that very low interest rates may overheat local parts of the market

However, a new housing tax model is likely to have a dampening effect

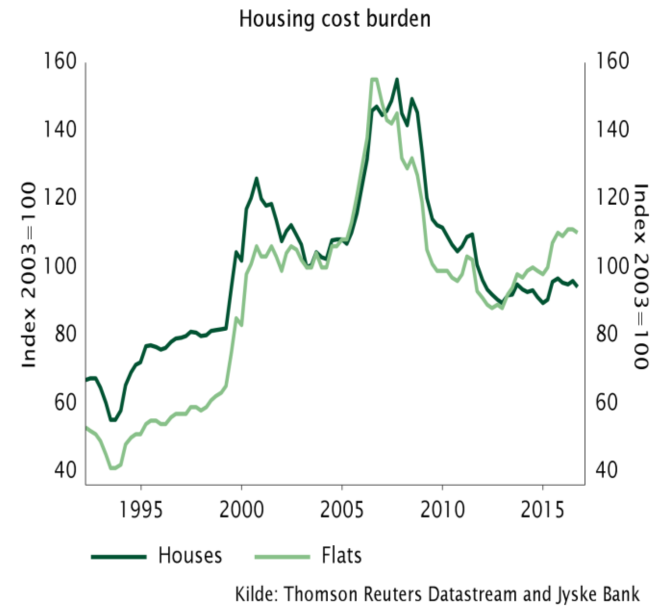
House prices are up in all regions




Real house prices are at an average level




...but housing costs on flats are up




Note: First year net payment (incl. installment) on fixed interest mortgage relative to income.

# Jyske Bank Q4 2016 results

# Q4 2016 results

JYSKE BANK

- Net profit of DKK 1,202m (equal to after tax ROE of 16.0% p.a.)
- Core income driven by
  - Higher NII due to one-off related to accrual of up-front fees and continued growth in home loans
  - Q4 seasonality in primarily investment related fee income
  - Value adjustments benefit from rising long term interest rates
  - Adjustment of resale values of leasing portfolio has negative impact on income from operating lease (net)
  - Profit from sale of property (other income)
- Core expenses develop as expected – up-tick in Q4 explained by costs for MobilePay, other provisions, etc.
- Net reversals, also within agriculture
- Core profit generated on the basis of a business volume where:
  - Traditional bank loans show signs of stabilization
  - Volume growth in new home loan products continue at unchanged high pace
  - Mortgage volume shows growth in all loan segments
  - Deposits continue to increase
  - Assets under management increase due to inflow of funds and positive returns

| CORE PROFIT AND PROFIT FOR THE PERIOD<br>DKKm | 2016 | 2015 | Index 16/15 | Q4 2016 | Q3 2016 | Index Q4/Q3 |
|---|---|---|---|---|---|---|
| Net interest income | 5,748 | 5,886 | 98 | 1,457 | 1,393 | 105 |
| Net fee and commission income | 1,531 | 1,834 | 83 | 501 | 363 | 138 |
| Value adjustments | 781 | 381 | 205 | 232 | 170 | 136 |
| Other income | 257 | 239 | 108 | 79 | 48 | 165 |
| Income from operating lease (net) | 44 | 93 | 47 | -27 | 21 | - |
| **Core income** | **8,361** | **8,433** | **99** | **2,242** | **1,995** | **112** |
| Core expenses | 5,108 | 5,322 | 96 | 1,335 | 1,275 | 105 |
| **Core profit before loan impairment charges** | **3,253** | **3,111** | **105** | **907** | **720** | **126** |
| Loan impairment charges | -149 | 347 | - | -293 | 77 | - |
| **Core profit** | **3,402** | **2,764** | **123** | **1,200** | **643** | **187** |
| Investment portfolio earnings | 504 | 440 | 115 | 303 | 258 | 117 |
| **Pre-tax profit** | **3,906** | **3,204** | **122** | **1,503** | **901** | **0** |
| Tax | 790 | 728 | 109 | 301 | 180 | 167 |
| **Net profit for the period** | **3,116** | **2,476** | **126** | **1,202** | **721** | **167** |

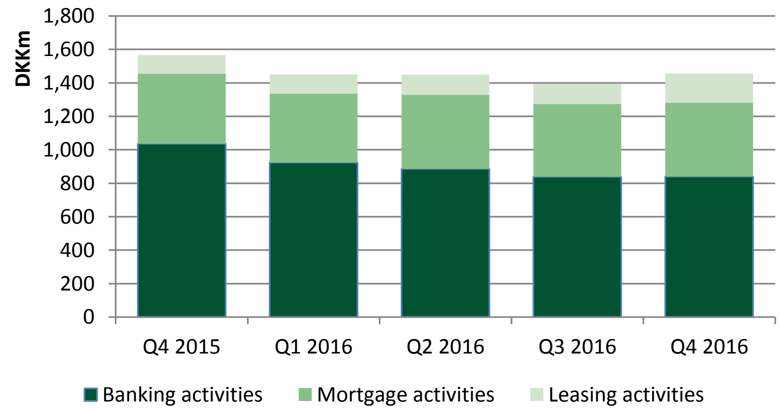
| SUMMARY OF BALANCE SHEET, END OF PERIOD<br>DKKbn | 2016 | 2015 | Index 16/15 | Q4 2016 | Q3 2016 | Index Q4/Q3 |
|---|---|---|---|---|---|---|
| Mortgage loans | 277 | 249 | 111 | 277 | 275 | 101 |
| Traditional bank loans | 94 | 93 | 101 | 94 | 94 | 100 |
| New home loans | 17 | 12 | 146 | 17 | 14 | 125 |
| Bank deposits | 134 | 129 | 104 | 134 | 132 | 101 |
| Assets under management | 127 | 118 | 108 | 127 | 123 | 103 |

# Continuation of underlying NII trend

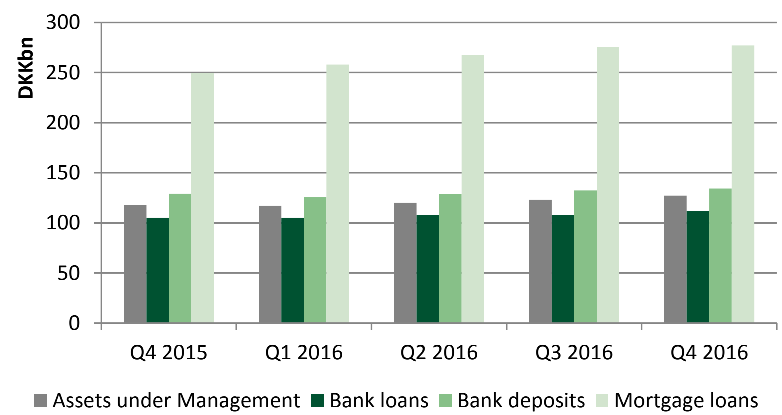
JYSKE BANK

- Underlying trend continues in Q4:
  - NII from home loans and mortgages as well as leasing activities compensate for the top-line pressure experienced in banking activities
- One-off of DKK 50m related to change in accruals for up-front fees in leasing activities explains large part of positive variance compared to Q3 2016
- Recognition of home loans:
  - As per January 1st 2016 change of recognition from amortised cost to fair value. Fair value recognition affects solely value adjustments
  - In 2015 statement at amortised cost resulted in NII of more than DKK 100m of which DKK 96m was recognised in Q4 2015 (related to issue of fixed rate home loans below par). In 2015, negative value adjustments of similar magnitude were incurred.
- Stabilization in traditional bank loans but demand subdued and pressure on margins
- Bank deposits continue to increase
  - As per mid-December all corporate clients pay negative interest rates on demand deposits
- Continued growth in mortgage loans
  - Primarily driven by new home loans but also Commercial segment

**Net interest income**



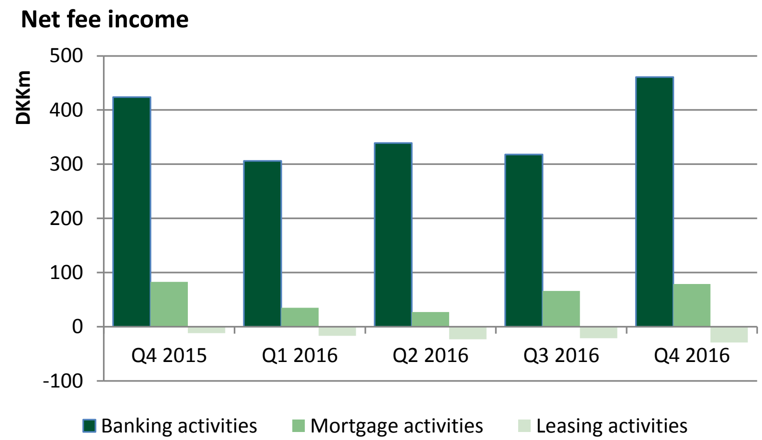

**Business volumes**



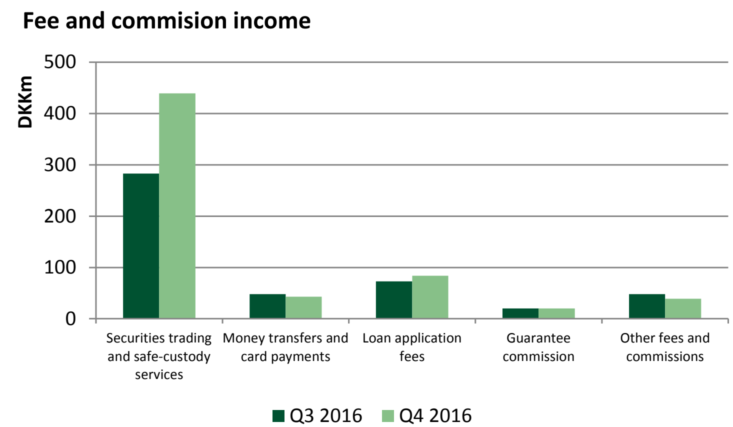
# A strong finish for net fee income

JYSKE BANK

- Net fee income in Q4 is at level with Q4 2015 and up by 38% compared to Q3 2016. The increase is driven by:
  - Banking activities: Seasonality in fees for safe custody services and other investment related fees
  - Mortgage activities: Fee income increased by higher activity level (loan application fees) and refinancing activity

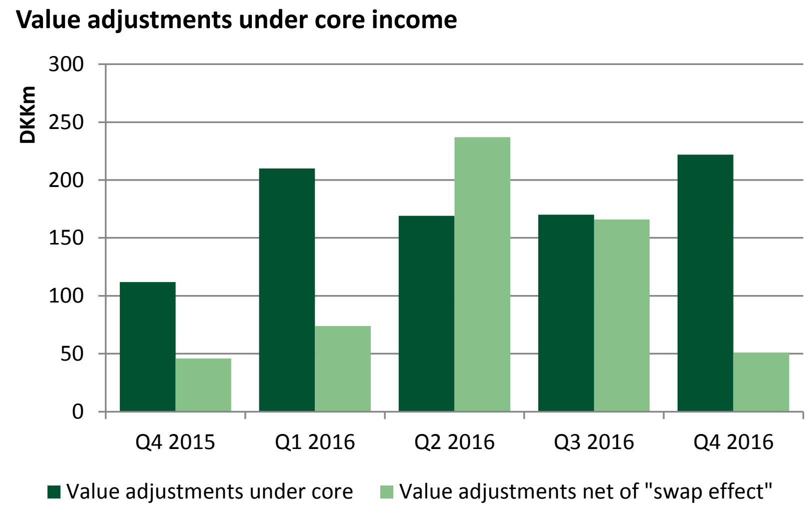



- Securities trading etc.:
  - Increased refinancing activity within mortgages leads to higher brokerage income
  - Q4 seasonality: Annual fees for safe custody services and investment related product fees
  - Return of performance related fees as stock markets rise beyond previous high water mark



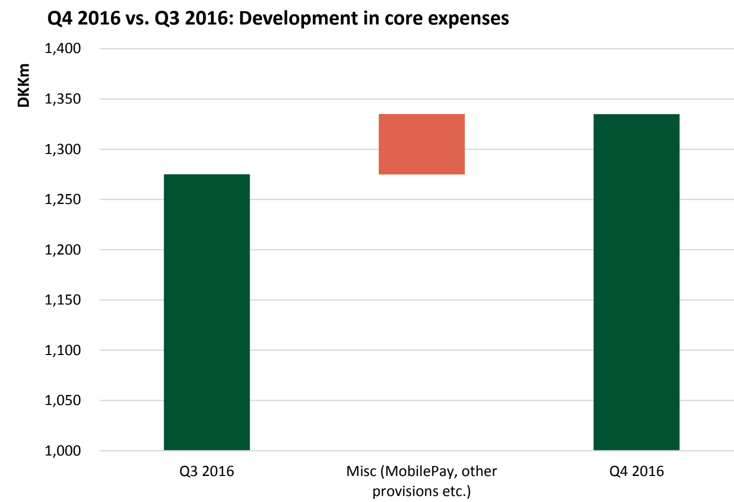
# Value adjustments driven by rising long term interest rates

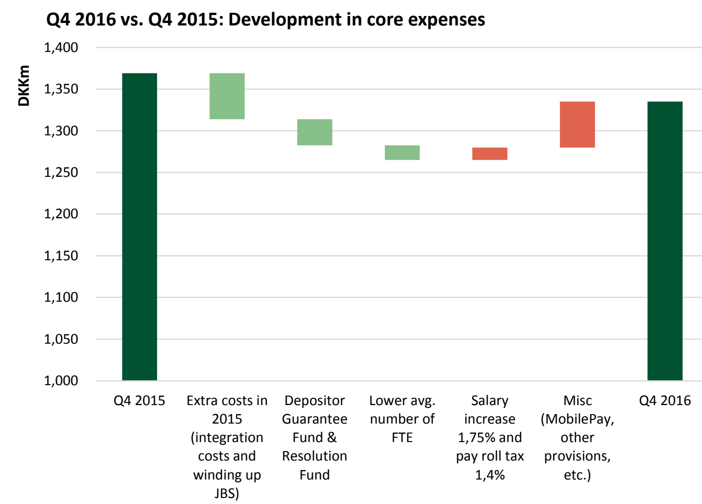
- Value adjustments from clients' transactions relating to interest-rate hedging (swaps):
  - 
  - Q4 2016: a positive effect of DKK 171m primarily driven by rising long-term interest rates (Q4 2015: DKK 66m)
  - 2016: a positive effect of DKK 243m – a combination of falling long-term interest rates and improved credit quality of the clients (2015: DKK 298m)
- Positive value adjustments on Danish mortgage bonds driven by narrowing of credit spreads (OAS)



# Core expenses in line with expectations

- Overall, development in line with expectations
- Core expenses in Q4 2016 up by DKK 60m compared to Q3 2016 primarily due to costs for MobilePay, other provisions etc.
- Compared to Q4 2015 core expenses are down by DKK 34m
  - In Q4 2015 extra costs of DKK 55m was incurred related to winding up Jyske Bank Schweiz and integration costs
  - Expected decreases from the shift from Guarantee Fund for Depositors and Investors to Resolution Fund and lower FTEs more than absorbs the annual reoccurring salary increase stipulated by collective agreement (1.8%) and increase in payroll tax (1.4%)



# Credit Quality

# Bank loans, advances and guarantees

JYSKE BANK

- Portfolio composition end of 2016
  - Corporates 63%
  - Private individuals 33%
  - Public authorities 4%

- Accumulated impairment ratio total portfolio 3.0%
  - Public authorities 0%
  - Corporates 3.7%
  - Private individuals 2.0%

- Corporates
  - Net reversals on most sectors, in Q4 2016 also reversals on agriculture
  - Real property continues to show significant improvement
  - Impairment ratio for 2016 -11bp

- Private individuals
  - Impairment ratio for 2016 25bp
  - Dominated by a few defaults with ties to corporate clients

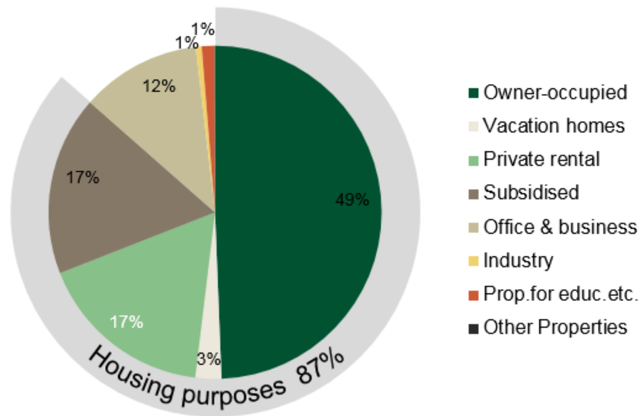
| Q1-Q4 2016 | Loans, advances and guarantees | Balance of loan impairment charges | Losses | Impairment charges |
|---|---|---|---|---|
| **Public authorities** | 4% | 0% | 0% | 0% |
| Agriculture, hunting, forestry and fishing | 3% | 27% | 44% | 1117% |
| Manufacturing, mining, etc. | 5% | 4% | 2% | -341% |
| Energy supply | 2% | 1% | 0% | -10% |
| Building and construction | 2% | 2% | 3% | 129% |
| Commerce | 4% | 3% | 4% | -277% |
| Transport, hotels and restaurants | 1% | 2% | 3% | -34% |
| Information and communication | 0% | 1% | 0% | 86% |
| Finance and insurance | 33% | 15% | 14% | -102% |
| Real property | 7% | 19% | 9% | -1052% |
| Other sectors | 4% | 3% | 5% | 65% |
| **Corporate clients** | 63% | 78% | 84% | -420% |
| **Private individuals** | 33% | 22% | 16% | 520% |
| **Total** | 100% | 100% | 100% | 100% |

# Mortgages: The portfolio

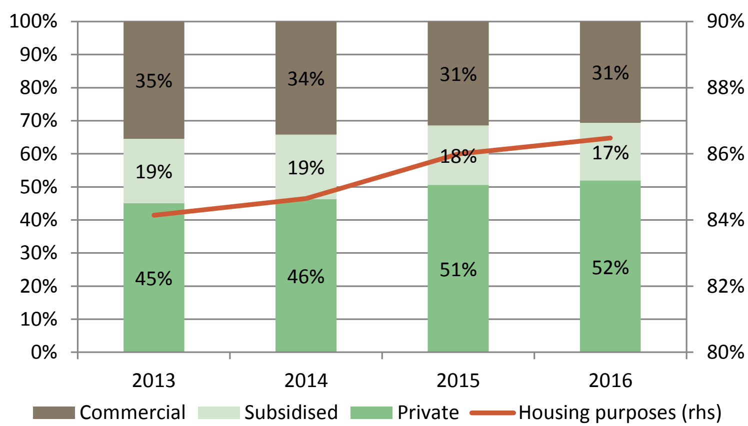
JYSKE BANK

- 87% of lending to properties with housing purposes
  - No loans with swaps to co-operative housing
  - No lending to agriculture and other primary production
- Increasing share of retail lending
  - Primarily driven by joint funding of Jyske Bank home loans
  - The increase is expected to continue
- Increase in share of fixed rate mortgages and decreasing share of F1 and F2

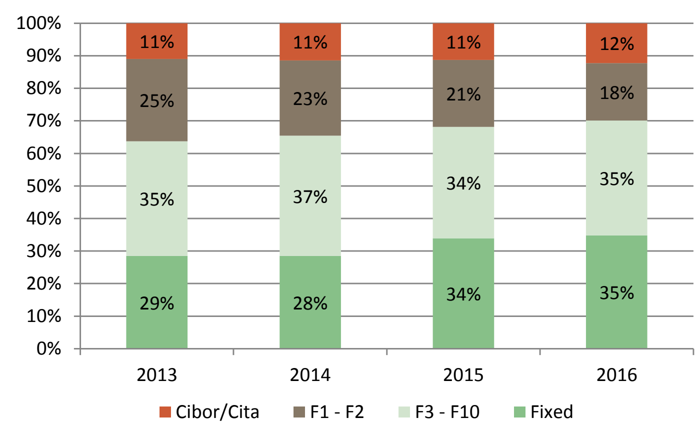
**Distribution of lending portfolio**




**Development in lending portfolio**



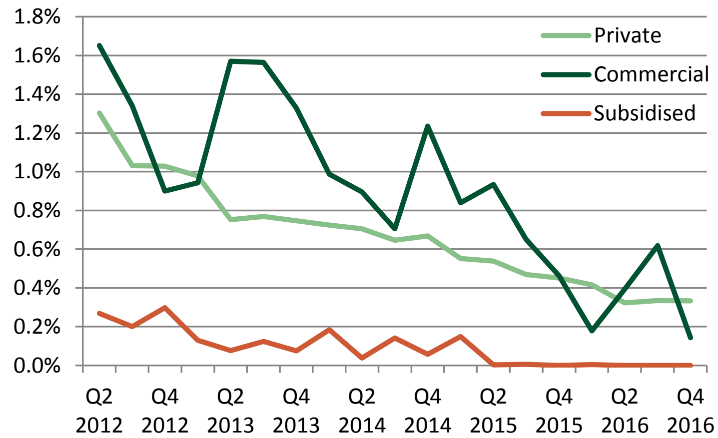

**Development in loan types**



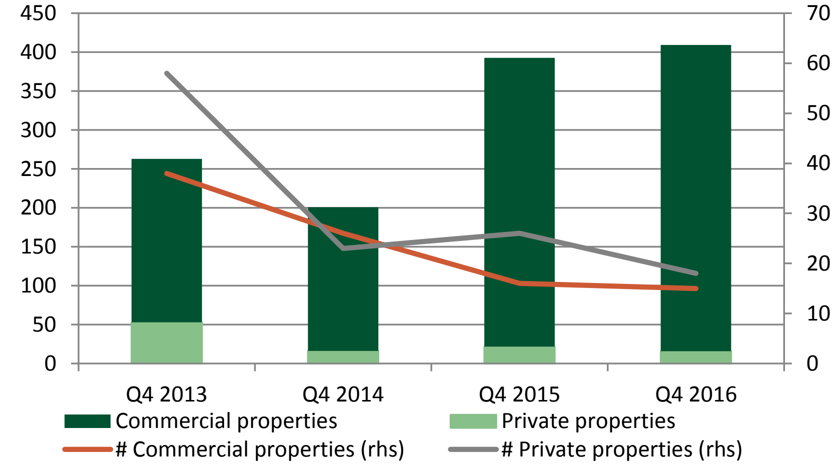
# Mortgages: Improved credit quality

JYSKE BANK

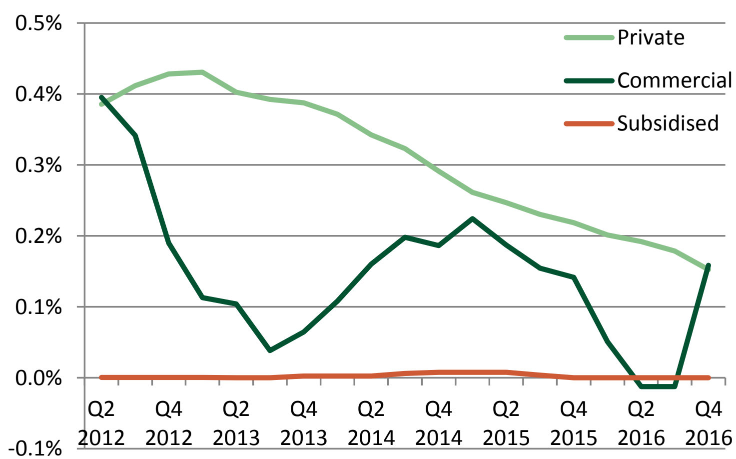
**Lending in 90-days arrears (*per cent of lending*)**



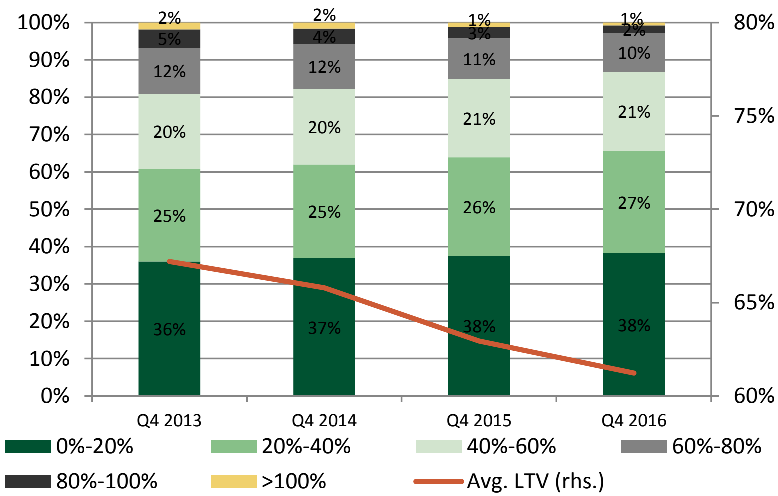

**Repossessed properties (*DKKm/number*)**




**Yearly realised losses (running *year*)**




**Loan-to-Value brackets (*per cent of lending*)**



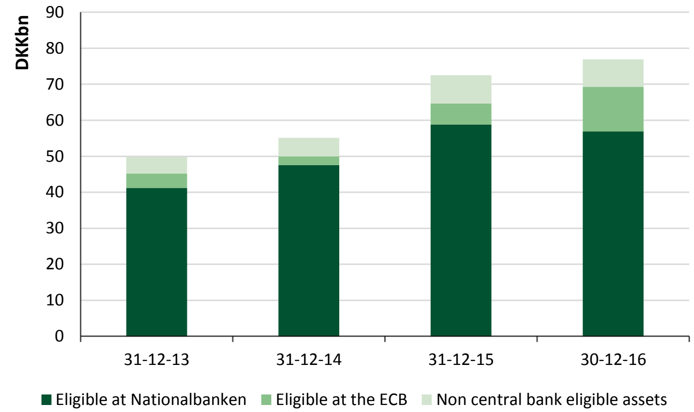
# Liquidity

# Ample liquidity

JYSKE BANK

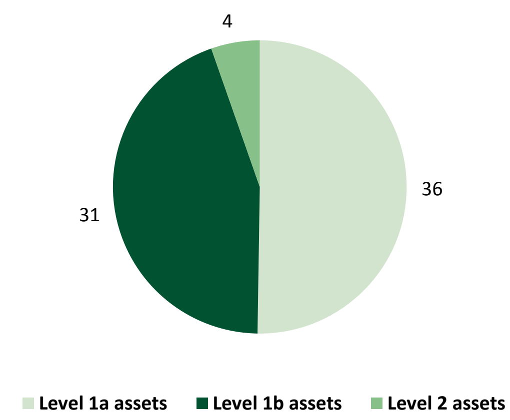
- Liquidity buffer DKK 77bn end of 2016 (DKK 73bn end of 2015)
  - 90% of the buffer - DKK 69bn - is eligible for repo transactions at central banks (the Danish Central Bank or the ECB)

Group Liquidity buffer




- Group's LCR at 193% by end of Q4 2016 vs. 149% end of Q4 2015
  - Primarily comprised of level 1a and 1b assets
  - Internal minimum target for LCR of 150%

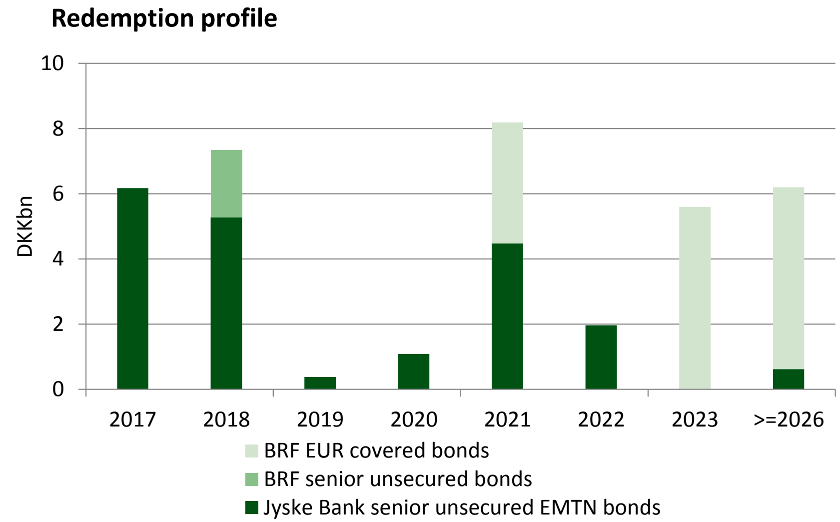
LCR Liquidity buffer (DKKbn)



# The Group is becoming a frequent EUR issuer

JYSKE BANK

- Ongoing access to a diversified European investor base safekeeps a low liquidity risk and funding profile
- Future issuance volumes of senior debt will depend on MREL requirement
  - From 2017 and onwards focus will most likely be on MREL eligible instruments (senior non preferred)
- Extending the maturity profile especially in covered bond issuance from BRFkredit is key to underpinning compliance with S&P's SFR and the Danish FSA's upcoming Supervisory Diamond for mortgage credit institutions




- **Jyske Bank:**
  - Short term: On-going activities in French CP programme (outstanding volume in 2015-2016 ranging between EUR 3-3.5bn)
  - Long term: Last senior benchmark: EUR 500m 5 year fixed in April 2016

- **BRFkredit:**

  AAA rated covered bonds based on 100% Danish primarily residential mortgages
  - Three succesful EUR covered bond issuances in 2016: 5 years (EUR 500m), 7 years (EUR 750m) nad 10 years (DKK 750m)
  - Strategy to enhance the density of the EUR curve over the coming years
  - However, issuance at a lower pace than in 2016 to be expected: 1-2 EUR benchmarks/year

# Non-performing loans

# Non-performing loans

- At group level NPLs amounted to 3.7% of loans and advances at the end of 2016
- Jyske Bank has been submitting information about non-performing loans (NPLs) since end of Q3 2014
- Jyske Bank has chosen to apply EBA's technical standards as definition for NPLs
- NPLs comprise exposures with individually assessed impairment charges and exposures with high or full risk as well as past due exposures. If criteria for non-performing exposures are no longer present, and if previously credit easing measures have been granted, clients are still subject to the criterion for non-performing exposures for at least a year after the credit easing was granted
- Please refer to the following slides for further details as well as a breakdown by banking and mortgage activities.

# NPLs - Jyske Bank Group

JYSKE BANK

| JYSKE BANK GROUP DKKm | 2016 Q4 | 2016 Q3 | 2016 Q2 | 2016 Q1 | 2015 Q4 |
|---|---|---|---|---|---|
| Carrying amount | 438,592 | 431,025 | 422,592 | 424,423 | 410,030 |
| Balance of loan impairments charges and provisions for guarantees | 5,937 | 6,497 | 6,715 | 6,939 | 6,713 |
| Balance of discounts for acquired assets | 879 | 1,144 | 1,236 | 1,418 | 1,548 |
| Gross carrying amount (incl. discounts) | 445,408 | 438,666 | 430,543 | 432,780 | 418,291 |
| | | | | | |
| ***NON-performing*** | | | | | |
| Carrying amount - loans and advances | 15,498 | 14,776 | 16,565 | 16,295 | 17,114 |
| Carrying amount - guarantees | 851 | 805 | 882 | 921 | 1,367 |
| Carrying amount | 16,348 | 15,581 | 17,447 | 17,216 | 18,481 |
| Balance of impairment charges on non-performing exposures | 5,730 | 6,053 | 6,290 | 6,494 | 6,233 |
| - loans and advances | 5,313 | 5,540 | 5,773 | 6,013 | 5,776 |
| - guarantees | 417 | 513 | 517 | 481 | 457 |
| Balance of discounts for acquired assets | 857 | 1,118 | 1,203 | 1,320 | 1,415 |
| Gross carrying amount (incl. discounts) | 22,936 | 22,752 | 24,940 | 25,029 | 26,129 |
| | | | | | |
| NPL Coverage ratio[1] | 28.7% | 31.5% | 30.0% | 31.2% | 29.3% |
| NPL Level[2] | 3.7% | 3.6% | 4.1% | 4.1% | 4.5% |
| | | | | | |
| ***Performing*** | | | | | |
| Carrying amount | 422,244 | 415,444 | 405,144 | 407,208 | 391,549 |
| Balance of loan impairments charges and provisions for guarantees | 207 | 444 | 425 | 445 | 480 |
| Balance of discounts for acquired assets | 22 | 26 | 34 | 99 | 133 |
| Gross carrying amount (incl. discounts) | 422,472 | 415,914 | 405,603 | 407,751 | 392,162 |

1) Balance of loan impairments charges and provisions for guarantees plus discounts in relation to non-performing gross carrying amount, incl. discounts

2) Non-performing carrying amount in relation to total carrying amount

# NPLs - Banking activities

JYSKE BANK

| BANKING, DKKm | 2016 Q4 | 2016 Q3 | 2016 Q2 | 2016 Q1 | 2015 Q4 |
|---|---|---|---|---|---|
| Carrying amount | 160,159 | 155,758 | 153,600 | 166,513 | 160,563 |
| Balance of loan impairments charges and provisions for guarantees | 5,182 | 5,723 | 5,980 | 6,282 | 6,083 |
| Balance of discounts for acquired assets | 451 | 523 | 553 | 666 | 753 |
| Gross carrying amount (incl. discounts) | 165,792 | 162,004 | 160,133 | 173,461 | 167,399 |
| | | | | | |
| ***NON-performing*** | | | | | |
| Carrying amount - loans and advances | 6,426 | 6,989 | 7,840 | 8,099 | 8,810 |
| Carrying amount - guarantees | 851 | 805 | 882 | 921 | 1,367 |
| Carrying amount | 7,277 | 7,794 | 8,722 | 9,020 | 10,176 |
| Balance of impairment charges on non-performing exposures | 5,091 | 5,607 | 5,888 | 6,160 | 5,958 |
| - loans and advances | 4,674 | 5,094 | 5,371 | 5,679 | 5,501 |
| - guarantees | 417 | 513 | 517 | 481 | 457 |
| Balance of discounts for acquired assets | 448 | 523 | 553 | 666 | 751 |
| Gross carrying amount (incl. discounts) | 12,816 | 13,924 | 15,163 | 15,846 | 16,886 |
| | | | | | |
| NPL Coverage ratio[1] | 43.2% | 44.0% | 42.5% | 43.1% | 39.7% |
| NPL Level[2] | 4.5% | 5.0% | 5.7% | 5.4% | 6.3% |
| | | | | | |
| ***Performing*** | | | | | |
| Carrying amount | 152,882 | 147,964 | 144,878 | 157,494 | 150,387 |
| Balance of loan impairments charges and provisions for guarantees | 91 | 116 | 92 | 122 | 125 |
| Balance of discounts for acquired assets | 3 | 0 | 0 | 0 | 2 |
| Gross carrying amount (incl. discounts) | 152,976 | 148,080 | 144,970 | 157,615 | 150,513 |

1) Balance of loan impairments charges and provisions for guarantees plus discounts in relation to non-performing gross carrying amount, incl. discounts

2) Non-performing carrying amount in relation to total carrying amount

# NPLs - Mortgage activities

JYSKE BANK

| MORTGAGE, DKKm | 2016 Q4 | 2016 Q3 | 2016 Q2 | 2016 Q1 | 2015 Q4 |
|---|---|---|---|---|---|
| Carrying amount | 278,433 | 275,267 | 268,992 | 257,910 | 249,467 |
| Balance of loan impairments charges and provisions for guarantees | 755 | 774 | 735 | 657 | 630 |
| Balance of discounts for acquired assets | 428 | 621 | 683 | 753 | 795 |
| Gross carrying amount (incl. discounts) | 279,616 | 276,661 | 270,409 | 259,319 | 250,892 |
| | | | | | |
| ***NON-performing*** | | | | | |
| Carrying amount - loans and advances | 9,071 | 7,787 | 8,725 | 8,196 | 8,304 |
| Carrying amount - guarantees | | | | | |
| Carrying amount | 9,071 | 7,787 | 8,725 | 8,196 | 8,304 |
| Balance of impairment charges on non-performing exposures | 639 | 446 | 402 | 334 | 275 |
| - loans and advances | 639 | 446 | 402 | 334 | 275 |
| - guarantees | | | | | |
| Balance of discounts for acquired assets | 409 | 595 | 649 | 654 | 664 |
| Gross carrying amount (incl. discounts) | 10,120 | 8,828 | 9,777 | 9,184 | 9,243 |
| | | | | | |
| NPL Coverage ratio[1] | 10.4% | 11.8% | 10.8% | 10.8% | 10.2% |
| NPL Level[2] | 3.3% | 2.8% | 3.2% | 3.2% | 3.3% |
| | | | | | |
| ***Performing*** | | | | | |
| Carrying amount | 269,362 | 267,480 | 260,266 | 249,714 | 241,163 |
| Balance of loan impairments charges and provisions for guarantees | 116 | 328 | 332 | 323 | 355 |
| Balance of discounts for acquired assets | 18 | 26 | 33 | 99 | 131 |
| Gross carrying amount (incl. discounts) | 269,496 | 267,834 | 260,632 | 250,136 | 241,649 |

1) Balance of loan impairments charges and provisions for guarantees plus discounts in relation to non-performing gross carrying amount, incl. discounts

2) Non-performing carrying amount in relation to total carrying amount

# General legal disclaimer

JYSKE BANK

- This presentation and the information contained therein is furnished and has been prepared solely for information purposes by Jyske Bank A/S. It is furnished for your private information with the express understanding, which recipient acknowledges, that it is not an offer, recommendation or solicitation to buy, hold or sell, or a means by which any security may be offered or sold
- The information contained and presented in this presentation, other than the information emanating from and relating to Jyske Bank A/S itself, has been obtained by Jyske Bank A/S from sources believed to be reliable. Jyske Bank A/S can not verify such information, however, and because of the possibility of human or mechanical error by our sources, Jyske Bank A/S or others, no representation is made that such information contained herein is accurate in all material respects or complete. Jyske Bank A/S does not accept any liability for the accuracy, up-to-dateness, adequacy, or completeness of any such information and is not responsible for any errors or omissions or the result obtained from the use of such information. The statements contained herein are statements of our non-binding opinion, not statement of fact or recommendations to buy, hold or sell any securities. Changes to assumptions may have a material impact on any performance detailed. Historic information on performance is not indicative of future performance. Jyske Bank A/S may have issued, and may in the future issue, other presentations or information that are inconsistent with, and reach different conclusions from, the information presented herein. Those presentations or the information reflect the different assumptions, views and analytical methods of the analysts who prepared them and Jyske Bank A/S is under no obligation to ensure that such other presentations or information are brought to the attention of any recipient of the information contained herein
- Nothing in this presentation constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to you. This presentation is intended only for and directed to persons sufficiently expert to understand the risks involved, namely market professionals. This publication does not replace personal consultancy. Prior to taking any investment decision you should contact your independent investment adviser, your legal or tax adviser, or any other specialist for further and more up-to-date information on specific investment opportunities and for individual investment advice and in order to confirm that the transaction complies with your objectives and constraints, regarding the appropriateness of investing in any securities or investment strategies discussed herein
- Jyske Bank A/S or its affiliates (and their directors, officers or employees) may have effected or may effect transactions for its own account (buy or sell or have a long or short position) in any investment outlined herein or any investment related to such an investment. Jyske Bank A/S or its affiliates may also have investment banking or other commercial relationship with the issuer of any security mentioned herein. Please note that Jyske Bank A/S or an associated enterprise of Jyske Bank A/S may have been a member of a syndicate of banks, which has underwritten the most recent offering of securities of any company mentioned herein in the last five years. Jyske Bank A/S or an associated enterprise may also have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned herein or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment
- Any particular security or investment referred to in this presentation may involve a high degree of risk, which may include principal, interest rate, index, currency, credit, political, liquidity, time value, commodity and market risk and is not suitable for all investors. Any securities may experience sudden and large falls in their value causing losses equal to the original investment when that investment is realized. Any transaction entered into is in reliance only upon your judgment as to both financial, suitability and risk criteria. Jyske Bank A/S does not hold itself out to be an advisor in these circumstances, nor does any of its staff have the authority to do so.