

Jyske Bank Q3 2016

27 October 2016

- One of the four large financial institutions in Denmark - estimated market share of 10% and a Danish SIFI
 - Danish play
 - Approx. 890,000 customers
 - Nationwide branch network of 99 branches
- 3 segments:
 - Banking: Retail and commercial, asset management, private banking and customer driven trading
 - Mortgage: Mortgage loans for real property
 - Leasing: Leasing and financing of cars and commercial equipment
- Merger between Jyske Bank and BRFKredit - “A great match”
 - Challenging the border between banks and mortgage credit institutions
 - Creating growth in a declining market
 - Annual synergies of DKK 600m harvested 18 months ahead of plan
- Strong capital position
 - Long-term capital policy and well-positioned to manage effects of regulatory requirements
 - Capital distribution of DKK 2.25bn since Q3 2015
 - Able and willing to participate in further consolidation of the Danish financial sector

Our targets

Q3 2016

- Delivering an attractive long-term return on equity
 - Long-term target of delivering an after tax ROE between 8-12%
- DKK 100bn in housing-related loans from Jyske Bank branch network and DKK 20bn in mortgage loans for corporates
- Harvesting annual synergies of DKK 600m related to the Jyske Bank/BRFkredit merger
 - Full year effect from mid-2016, 18 months ahead of plan
- Maintaining a strong capital position
 - Long-term targets for capital ratio 17.5% and CET1 ratio 14%
 - S&P rating A- (stable outlook)

9.6%

DKK 73.9bn
and DKK
11.2bn

>DKK 600m

17.8% and
15.9%

Financial performance 1997- Q3 2016

Jyske Bank Group key figures							
DKKbn	Net profit	Equity, end of year	ROE after tax p.a., opening equity	Loans and advances	Deposits	Total assets	Number of FTEs
1997	0.4	4,772	11.5%	36.6	41.5	63.1	2.671
1998	0.5	5,173	10.7%	39.7	43.8	76.9	2.772
1999	0.9	5,391	17.3%	49.8	49.8	92.6	3.013
2000	1.1	5,887	20.1%	75.4	52.3	127.4	3.19
2001	0.6	6,174	10.6%	82.5	54.4	133.2	3.418
2002	0.5	6,658	8.3%	95.3	59.0	153.2	3.359
2003	1.3	7,843	19.3%	63.8	63.8	116.4	3.547
2004	1.4	7,858	17.9%	74.6	68.7	125.2	3.713
2005	1.7	9,477	21.6%	90.9	79.8	141.6	4.026
2006	2.1	9,637	22.5%	107.2	88.8	160.7	4.216
2007	1.7	9,704	18.0%	134.0	112.7	214.3	4.145
2008	1.0	10,722	10.2%	129.1	117.0	236.8	4.112
2009	0.5	12,523	4.4%	110.6	109.3	224.5	3.877
2010	0.8	13,352	6.0%	114.0	115.8	244.1	3.847
2011	0.5	13,846	3.7%	124.5	127.3	270.2	3.809
2012	0.6	15,642	4.3%	118.6	121.0	258.2	3.574
2013	1.8	17,479	11.6%	131.4	131.4	262.0	3.774
2014	3.1	27,561	17.7%	361.8	152.7	541.7	4.191 *
2015	2.5	30,040	9.0%	396.2	144.9	543.4	4.021
Q1-Q3 2016	1.9	30,440	8.5%	410.3	152.6	562.5	3.993

1997-Q3 2016: Average ROE of 12.7% p.a. after tax

Q3 2016 highlights

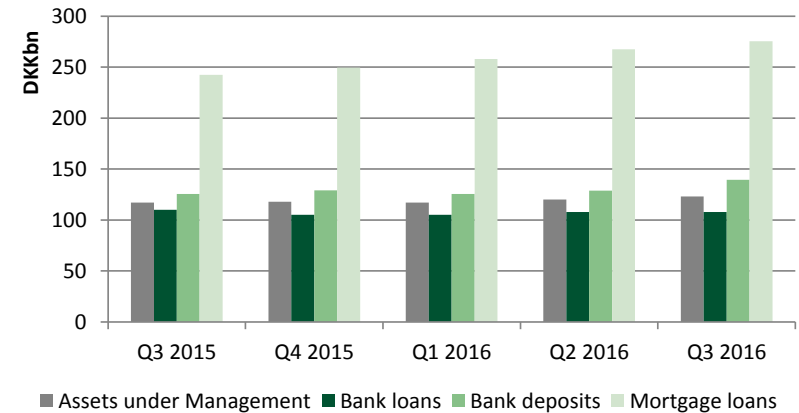
- Danish economy
 - Slow recovery continues
 - Negative interest rate environment persists and is expected to continue
 - Danish dairy and pig farmers still facing low commodity prices
- Jyske Bank delivers a net profit of DKK 721m, equal to after tax ROE 9.6% p.a.
 - NII supported from new home loan products and signs of stabilization in traditional bank loans but hit by one-off and shift in composition of yield on trading portfolio
 - Core expenses slightly up but still on the decline
 - Net reversals exclusive of agriculture
 - Total volume in new home loans at DKK 73.9bn end of Q3 (end-2015: DKK 57.5bn) and DKK 76bn as per today
 - Danish FSA report on house loans in growth areas states that Jyske Bank's risk appetite is lower than average of the banks inspected
 - From mid-December Jyske Bank will introduce negative interest rate on demand deposits from corporate clients
 - Jyske Bank exits Swipp co-operation
- Capital distribution
 - On-going share buyback programme of DKK 1bn
 - As of today 4.75% of share capital bought back since 9 November 2015
 - Supervisory Board intends to propose an ordinary dividend for FY2016 at level with ordinary dividend distributed for FY2015 (AGM March 2017)

- We expect the slow recovery in the Danish economy to continue
- Employment is up almost 4 % since 2012
- Low interest rates, real wage growth and increasing house prices stimulate demand
- Export growth is moderate in line with moderate growth in the global economy
- The latest monthly growth indicators have been somewhat weak
- Overall lending growth has turned positive, but is still very modest
- Denmark is a AAA economy with strong structural financial features

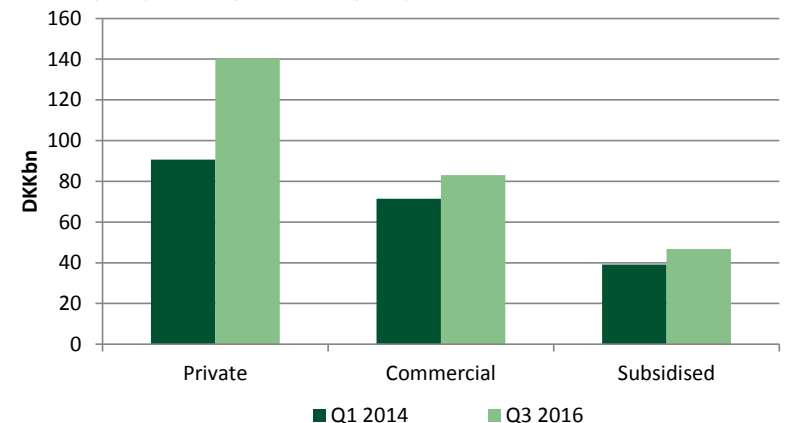
Business volumes

- Traditional bank loans show signs of stabilization
 - Corporates: lower draw-down on overdraft facilities in Q3
 - Private individuals: gradual shift from high to low margin products
 - Leasing: continued growth through new sales
- Bank deposits at record high levels
 - Term deposits impacted by tri-party transactions
 - Negative interest rates to be introduced on demand deposits from all corporate clients
- Mortgage loans
 - Growth in new home loan products intact
 - Mortgage volume shows growth in all loan segments
 - Increased activity level
- Assets under management
 - Positive returns
 - Inflow of funds

Business volumes



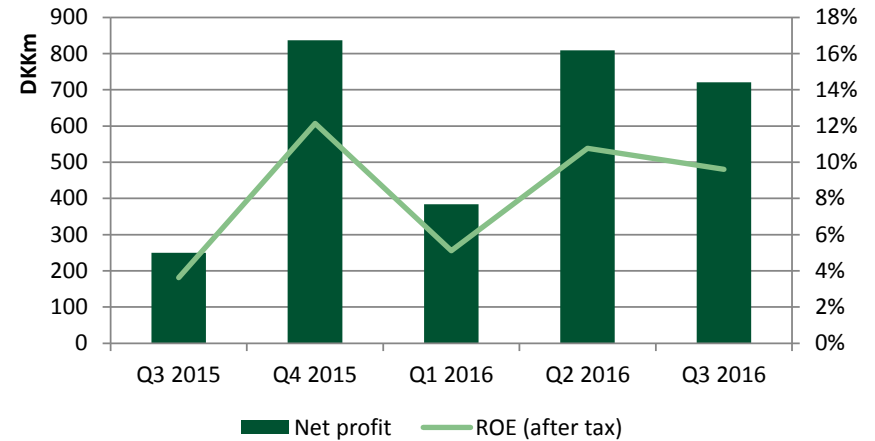
Property lending in the JB group



Delivering ROE within target range

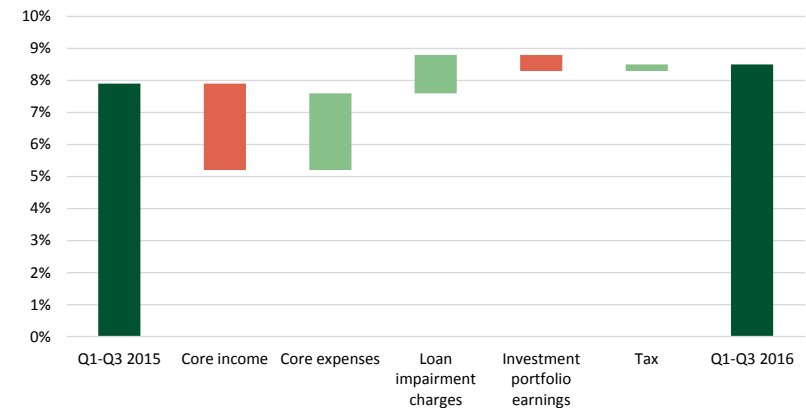
- Delivering a net profit of DKK 721m in Q3 and DKK 1,914m YTD
- After tax ROE of 9.6% p.a. in Q3 and 8.5% p.a. YTD

Net profit



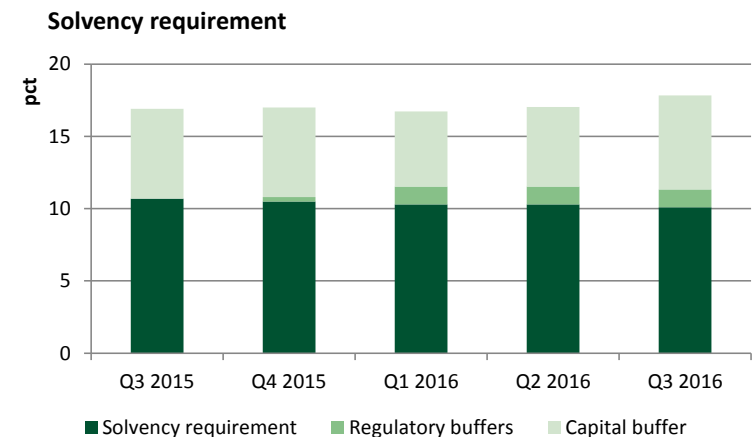
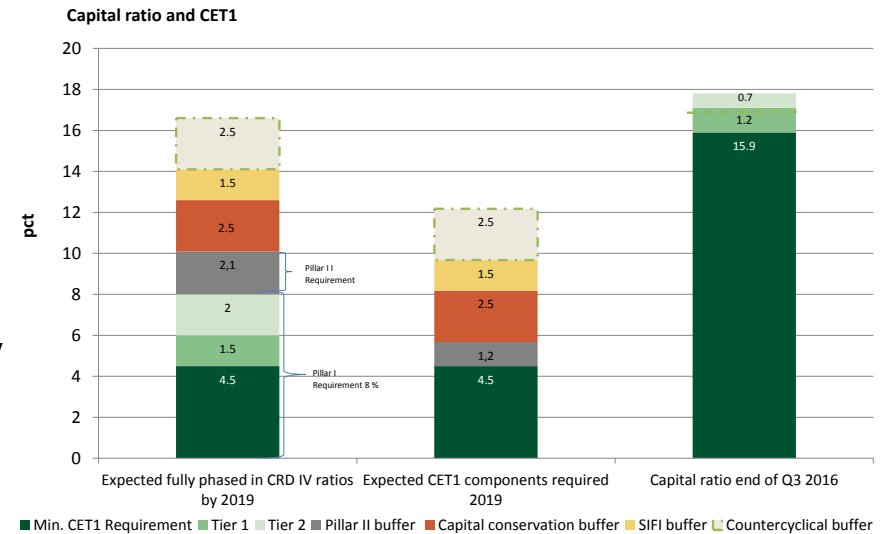
- ROE for Q1-Q3 2016 of 8.5% compared 7.9% in Q1-Q3 2015
- Net increase of 0.6 percentage points can be attributed to:
 - Cost savings and lower impairment charges off-setting the pressure on core income and to a lesser extent lower investment portfolio earnings

Q1-Q3 2016 vs. Q1-Q3 2015: Development in ROE after tax



Strong capital position

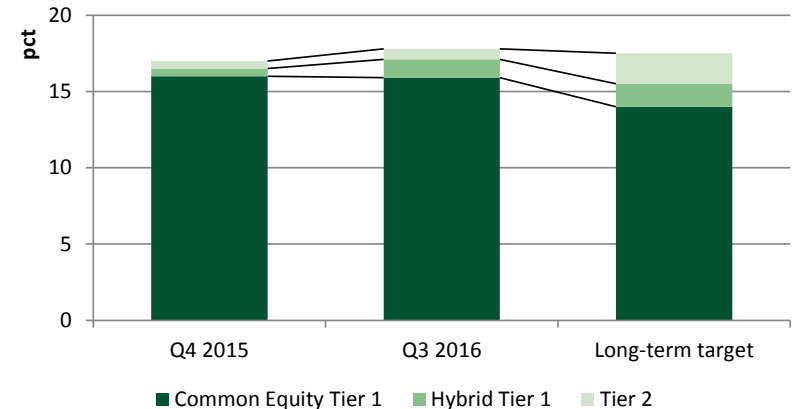
- Capital ratio 17.8% and CET1 ratio 15.9% end of Q3 2016 compared to 17.0% and 16.1% end of 2015. Change in capital ratios due to:
 - Consolidation
 - Higher REA (primarily volume growth in property related loans)
 - Share buy-backs and expected dividend deducted from consolidated capital
 - Issue of AT1 and Tier 2
- Long-term targets of 17.5% and 14% (based on fully implemented CRD IV requirements as per 2020)
- 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 the opportunity should arise
- Leverage ratio of 5.4% end of Q3 2016 vs. 5.3% end of 2015
- Individual solvency requirement as at end of Q3 2016:
 - 10.1% (+0.6% SIFI requirement and 0.625% capital conservation buffer)
 - Capital buffer DKK 11.9bn corresponding to 6.5%



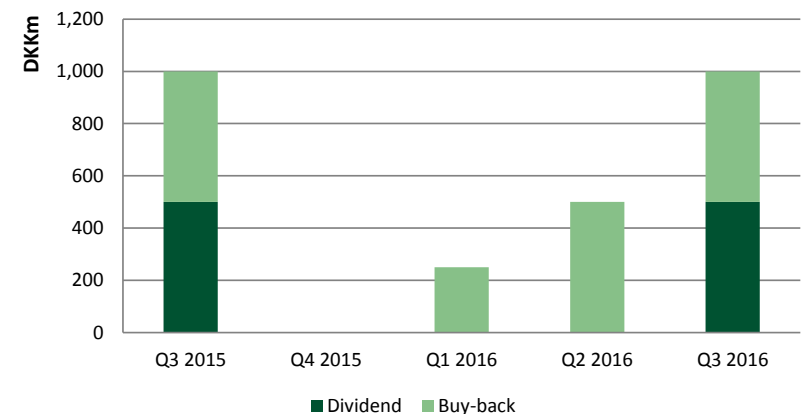
Capital adjustment in process

- Capital ratio 17.8% and CET1 ratio 15.9% end of Q3 2016 vs. long-term targets of 17.5% and 14% (based on fully implemented CRD IV requirements as per 2020)
- Gradual capital adjustment towards targets initiated in Q3 2015.
 - Majority of adjustment expected to be completed in the course of 2016-2017
- Steps taken:
 - Share buyback programme DKK 750m (Nov 2015-Jun 2016)
 - Dividend DKK 500m (March 2016)
 - Tier 2 issue of SEK 1bn (May 2016)
 - New share buyback programme of DKK 500m initiated on July 1st and raised by DKK 500m to DKK 1bn (June and August 2016)
 - AT1 issue totalling DKK 1.5bn (September 2016)
 - Intention of proposing ordinary dividend for FY2016 in line with dividend paid in FY2015 (at AGM in March 2017)
- Adjustment towards the long-term CET1 target of 14% is conditional upon maintaining the current strong S&P RAC ratio in accordance with their capital position "strong"
- Defending and securing a stable S&P rating of A- remains a key priority

Capital ratio



Capital distribution

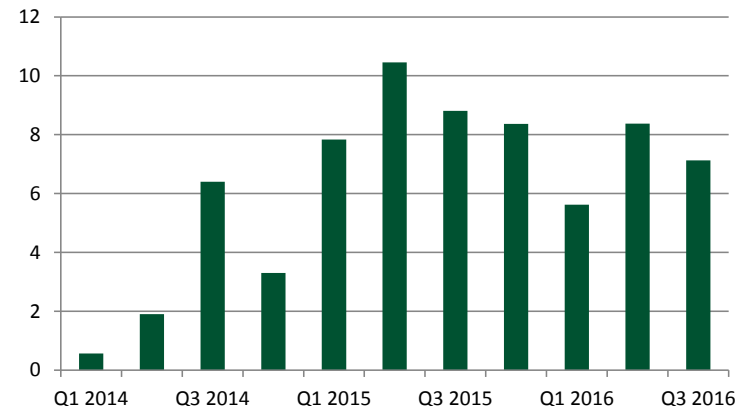


Jyske Bank/BRFkredit growth case

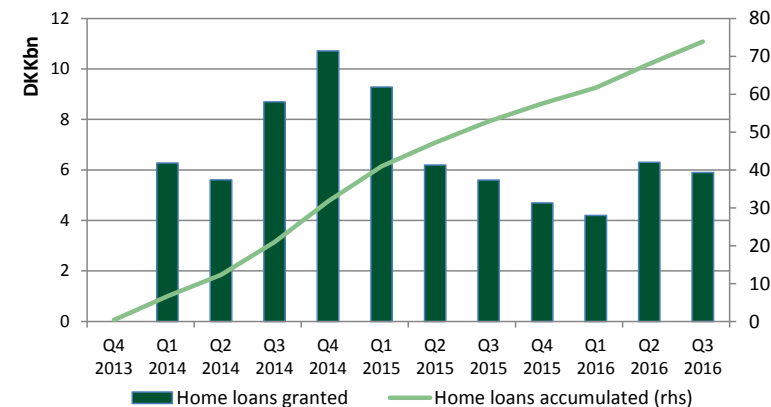
Growth in home loans and mortgages continues

- Growth in volume:
 - The group’s mortgage volumes have grown by more than DKK 80bn since early 2014
 - Volume of new home loan products DKK 73.9bn of which DKK 72.7bn was booked by end of Q3. The majority of these are booked as mortgage loans
- 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 magazine TÆNK in both August 2015 and October 2016
 - Competitive position has been strengthened in the course of 2016 as Jyske Bank and BRFkredit are the only providers with unchanged margins
- Since early 2014 the Group has actively worked on repatriation of mortgage loans previously referred to Totalkredit, thus majority of loans granted is granted to clients known by Jyske Bank
- In Q1-Q3 2016, the Group has experienced an increase in home loans granted to new clients.

Quarterly net new lending in BRFkredit (DKKbn)



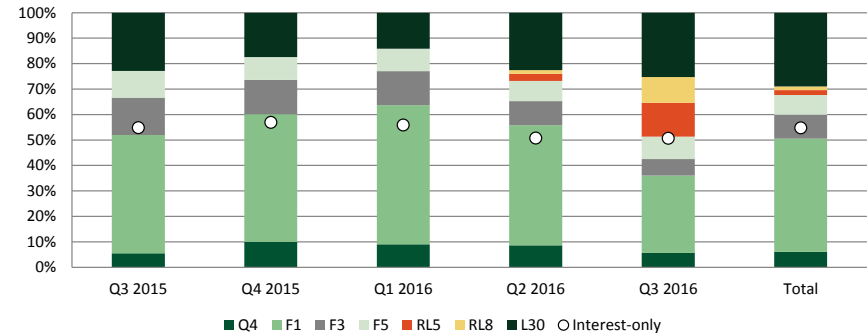
New home loan products



Portfolio characteristics - Jyske Bank home loans

- Majority of home loans granted are LVT 0-80%
- More than 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 2015)
- Portfolio composition by product type:
 - Variable rate loans account for 70% of portfolio with F1 loans accounting for the majority
 - High proportion of fixed rate loans (L30) granted in periods where long-term interest rates dropped
 - Proportion of loans with interest-only is relatively stable - down the last two quarters
 - Jyske Renteloft (RL5 and RL8)
 - New product introduced in Q2 2016
 - Combination of short term variable rate and 5 or 8 year interest cap on base rate
 - Has potential to reduce “borrower’s interest rate risk” in the FSA diamond for mortgage credit institutions
- Losses since December 2013 totalling DKK 0.5m
- FSA report from early October states that Jyske Bank’s risk appetite in growth areas is lower than average for the banks included in the inspection

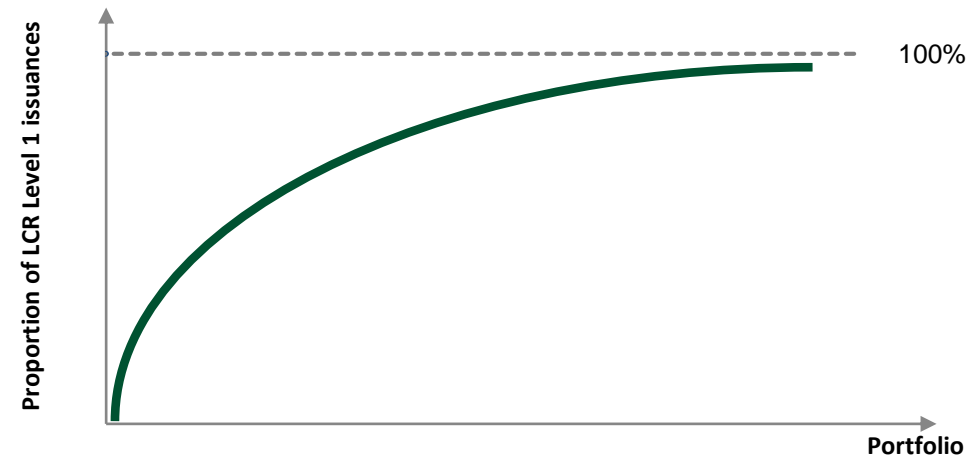
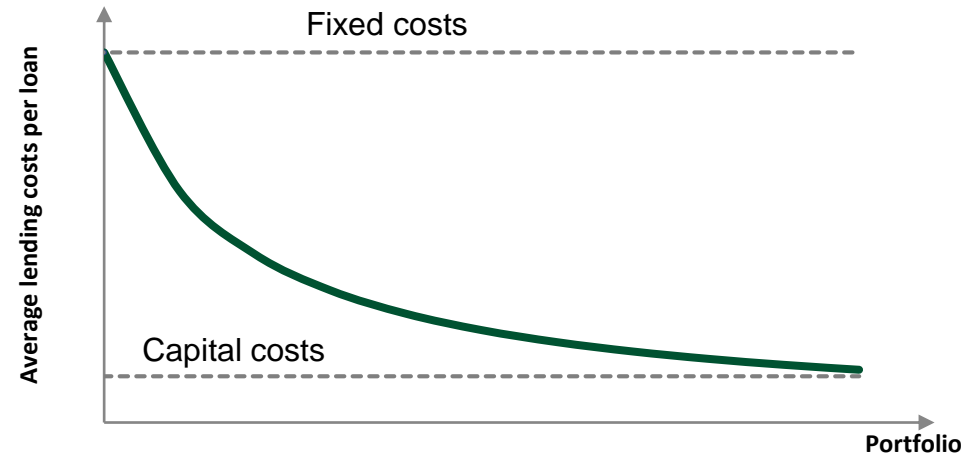
Jyske Bank home loan portfolio by product type



Profitable growth

- Jyske Bank home loans are profitable on a stand-alone basis as:
 - Growth in the lending portfolio drives average costs down towards capital costs
 - Capital requirements are relatively low due to residential clients with low probability of default and LTV < 80
- Jyske Bank has chosen that the home loan products require full-line banking relationship

- Home loans are financed by BRFKredit SDO covered bonds
 - The loans comply with the Danish mortgage law, as if they were granted by BRFKredit along the balance principle
 - Growth in the portfolio creates larger issuances and lower funding costs
 - The proportion of LCR compliant issuances is increased

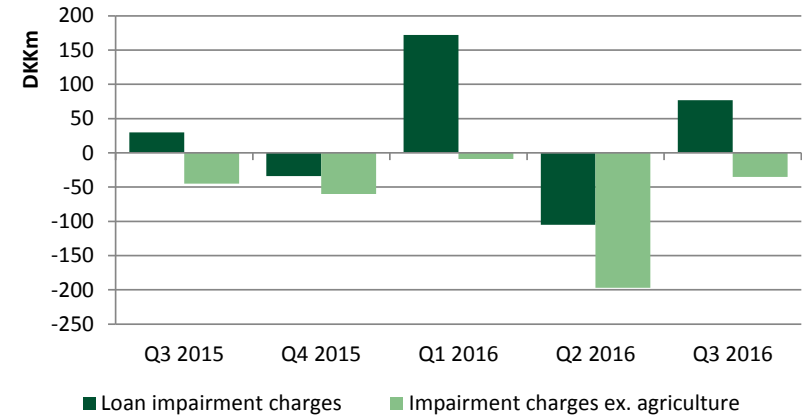


Credit Quality

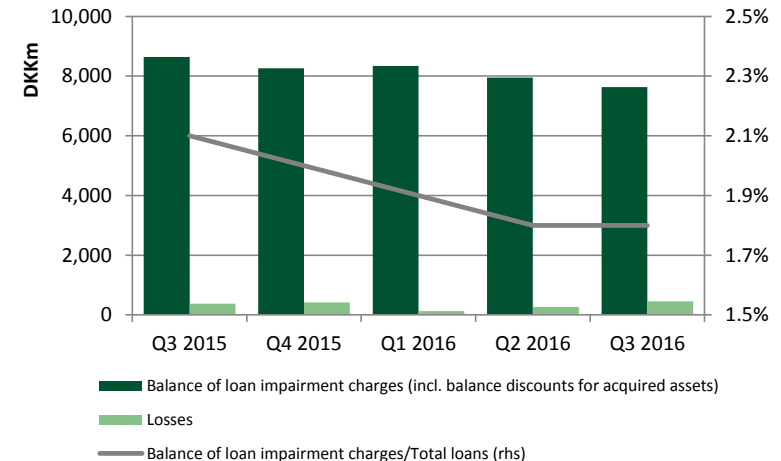
Net reversals exclusive of agriculture

- Impairment charges under core profit in the amount of DKK 77m of which DKK 112m relate to agriculture
- End of Q3 total balance of management's estimate of DKK 547m, of which DKK 295m relate to agriculture
- Impairment ratios (under core profit):
 - Impairment ratio for Q3 2bp
 - Below normalized level
 - Accumulated impairment ratio 1.8% (incl. balance of discounts for acquired loans)
- Banking:
 - Overall credit quality is gradually improving
 - Agriculture, in particular dairy and pig farmers, remain challenged by high leverage and low commodity prices
- Mortgage:
 - Overall positive development in credit quality
 - Reversals on corporates

Loan impairment charges (under core profit)



Balance of loan impairment charges and losses



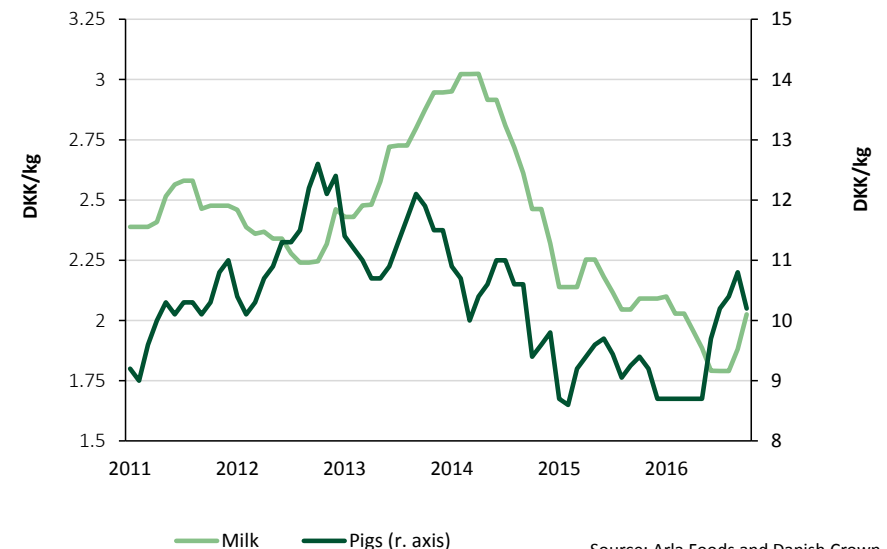
Limited exposure to dairy and pig farmers

- 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 Q3 - up from 38% end of Q4 2015 whereas impairment ratio for pig farmers decreases from 31% to 27% in the same period

DKKm/%	Loans, advances and guarantees		Balance of loan impairment charges		Impairment ratio	
	Q3 2016	Q4 2015	Q3 2016	Q4 2015	Q3 2016	Q4 2015
Dairy farmers	941	1,154	782	710	45%	38%
Pig farmers	1,401	1,365	507	605	27%	31%
Total	2,342	2,519	1,289	1,315	35%	34%

- Commodity price development:
 - Pork: Compared to end of 2015 prices have increased approx. 20%. Prices have, however, dropped in October
 - Milk: Prices hit historic lows during the summer but have begun to recover and are now above 2 DKK/kg
- Improved commodity prices are a positive but for most farmers not sufficient to return to profits. Continue to be structurally challenged by high levels of debt

Commodity prices



Source: Arla Foods and Danish Crown

Appendices:

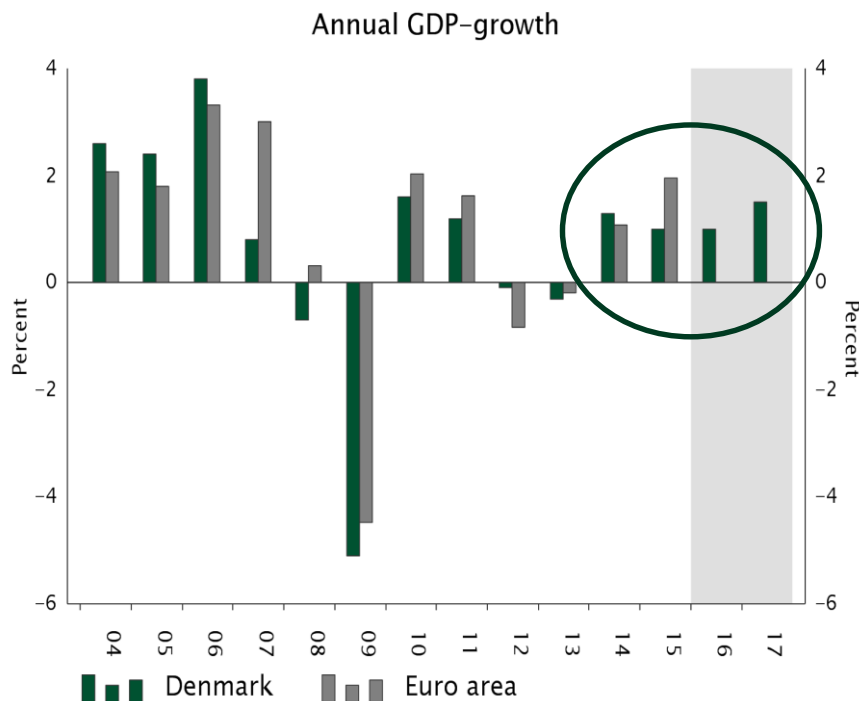
- 1) Danish Macro Economy Q3 2016
- 2) Jyske Bank Q3 2016 results
- 3) Credit Quality
- 4) Liquidity
- 5) Business segments
- 6) NPLs

Danish Macro Economy Q3 2016

Danish economy - a slow recovery story

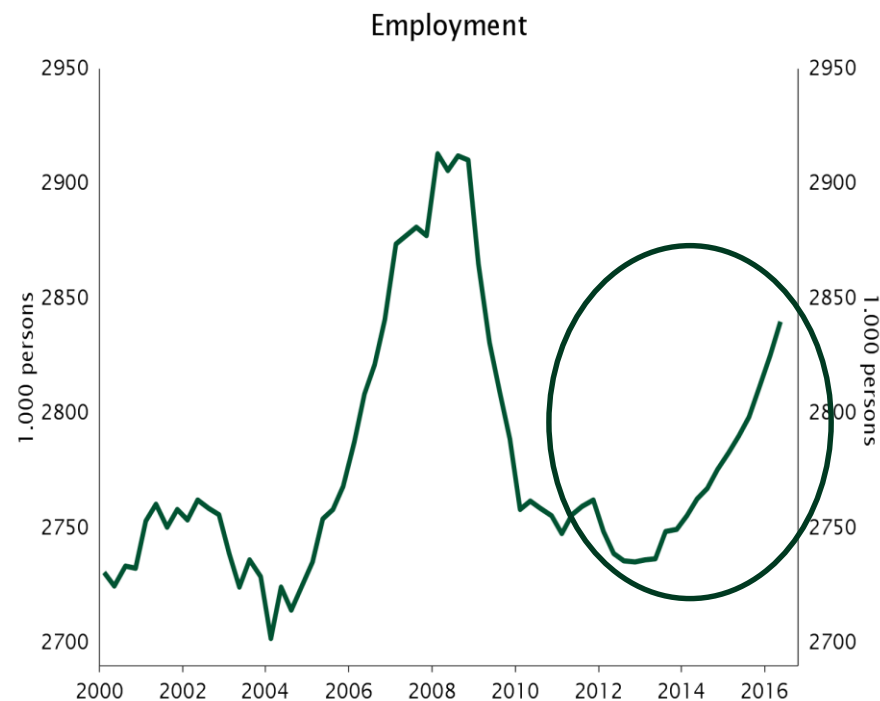
- Overall the Danish financial sector's operating environment is slowly improving
- The improvement is also reflected in rating agencies' outlook on the Danish banking sector:
 - In Jan 2016 S&P changed their Danish BICRA outlook from stable to positive
 - Moody's sees the Danish operating environment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

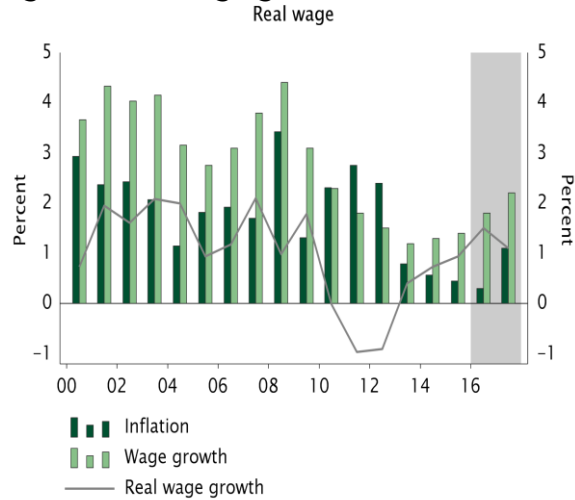


Kilde: Thomson Reuters Datastream

3 kinds of stimulus support demand

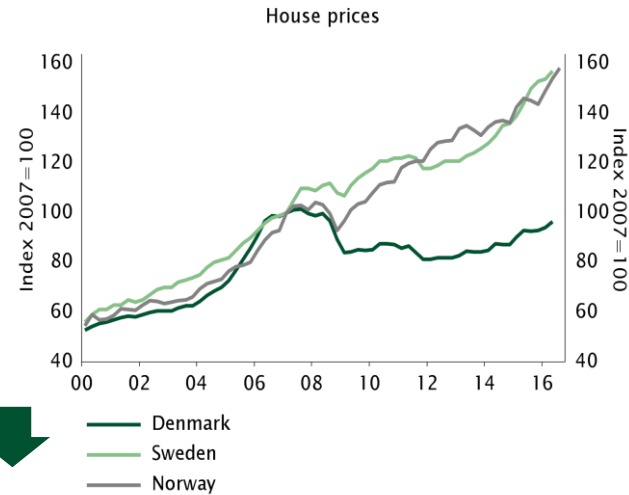
Compared to Sweden and Norway - Denmark has repriced

Highest real wage growth since 2009



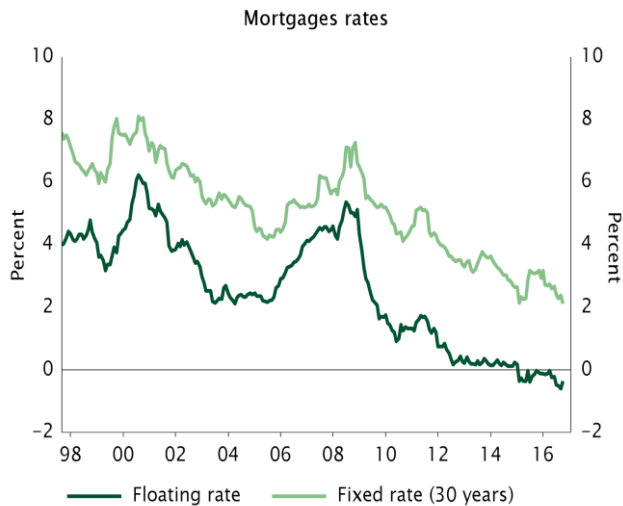
Kilde: Thomson Reuters Datastream and Jyske Bank

House prices recovering after burst in 2008/09



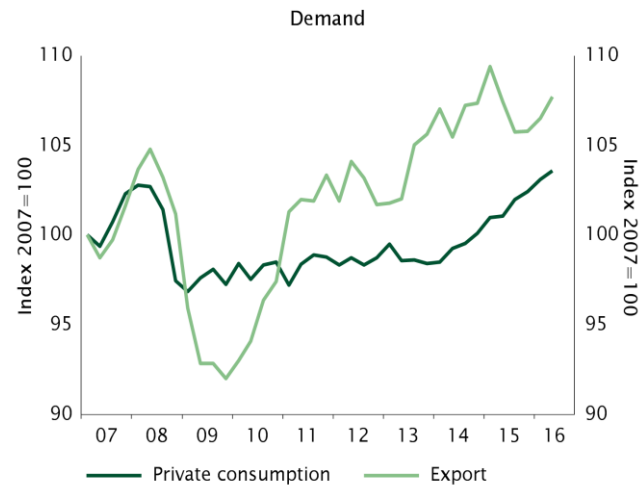
Kilde: Thomson Reuters Datastream

Interest rates are at a historic low



Kilde: Thomson Reuters Datastream

Demand has increased

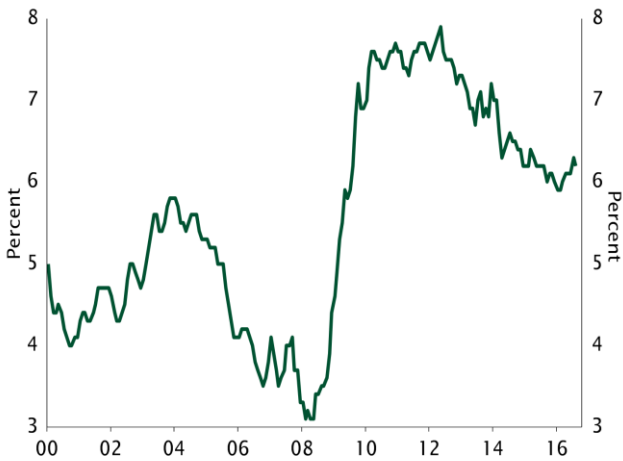


Kilde: Thomson Reuters Datastream

Improved asset quality as defaults are close to normalization

Unemployment is relatively low

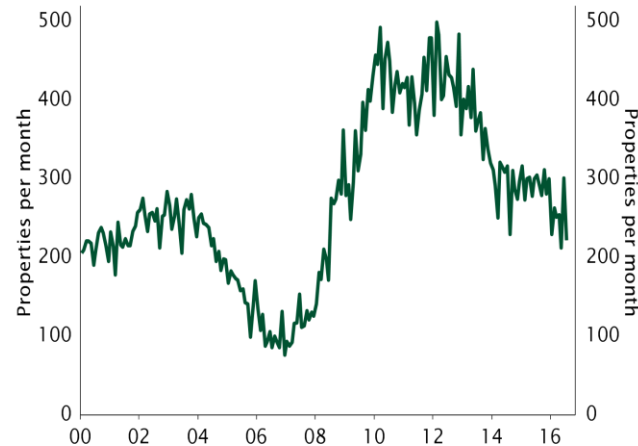
Unemployment rate (harmonized)



Kilde: Thomson Reuters Datastream

Forced house sales below 0.2% per year

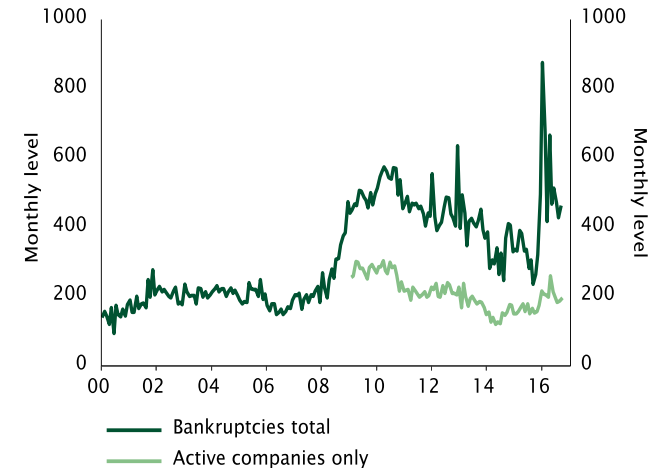
Forced sales (properties)



Kilde: Thomson Reuters Datastream

Business bankruptcies closer to normal

Bankruptcies



Kilde: Thomson Reuters Datastream and Statistics Denmark

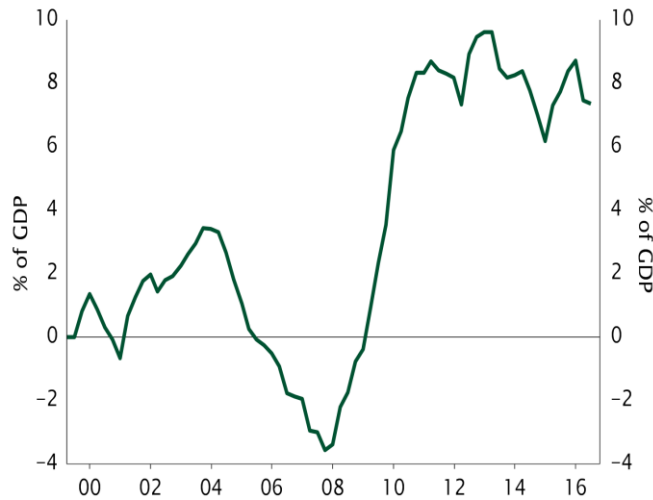
Data for bankruptcies from late 2015 and into 2016 are distorted by a registration issue. Looking at active companies only gives the best possible reflection of the actual development

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

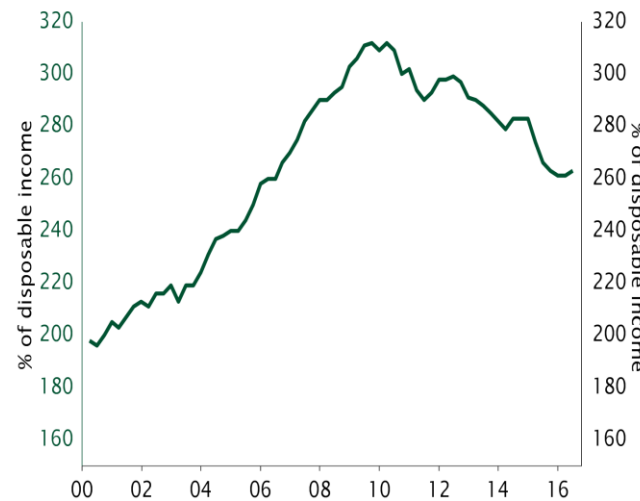
Private sector financial saving



Kilde: Thomson Reuters Datastream

...so household debt is declining

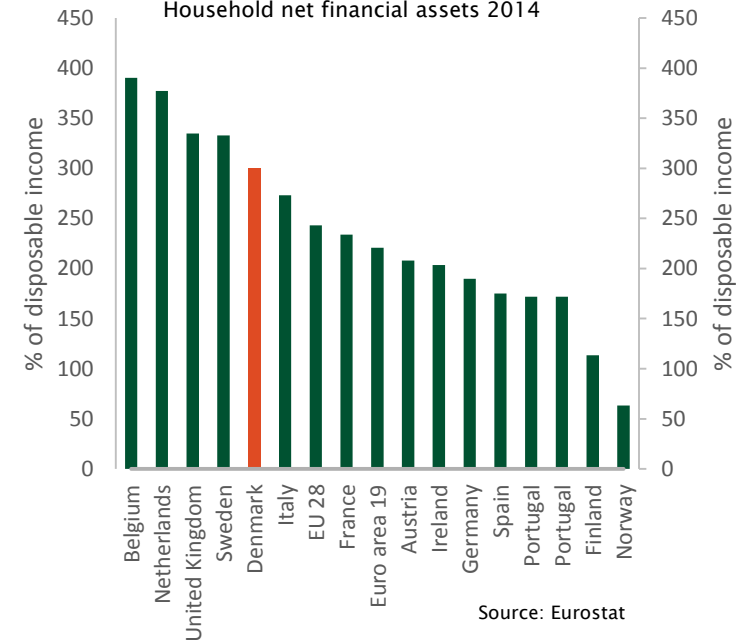
Household gross debt



Kilde: Thomson Reuters Datastream

...and household net assets are large

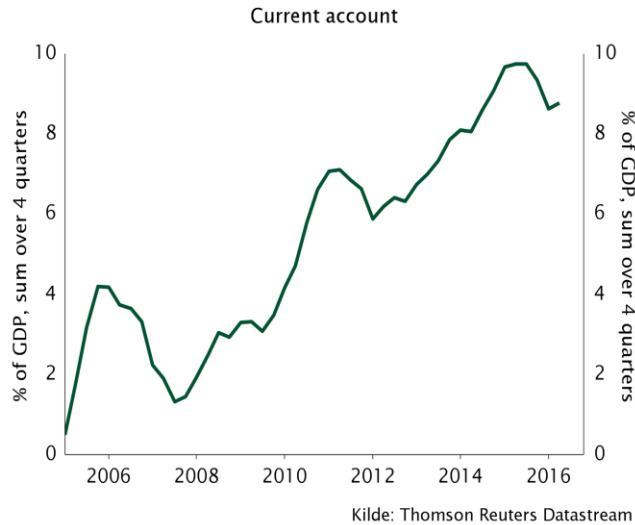
Household net financial assets 2014



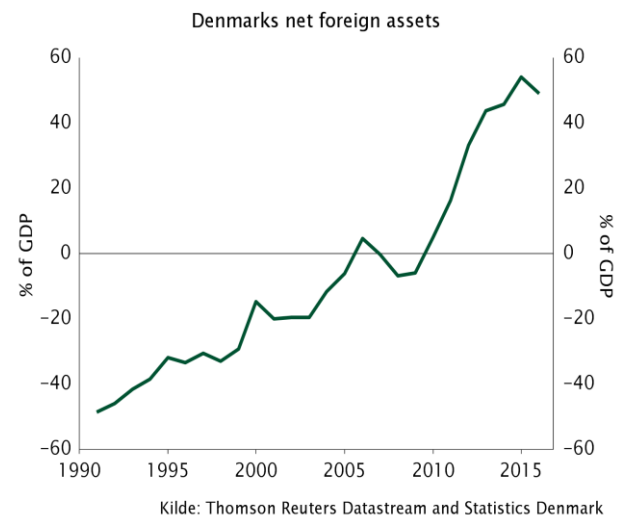
Source: Eurostat

Denmark is a AAA economy with strong structural financial features

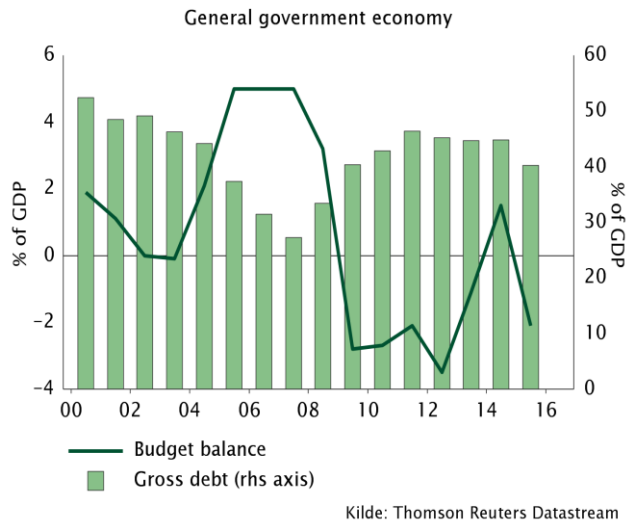
Current account surpluses since late 90s



..imply that foreign assets are increasing



And public sector debt is low



This is why Denmark is AAA



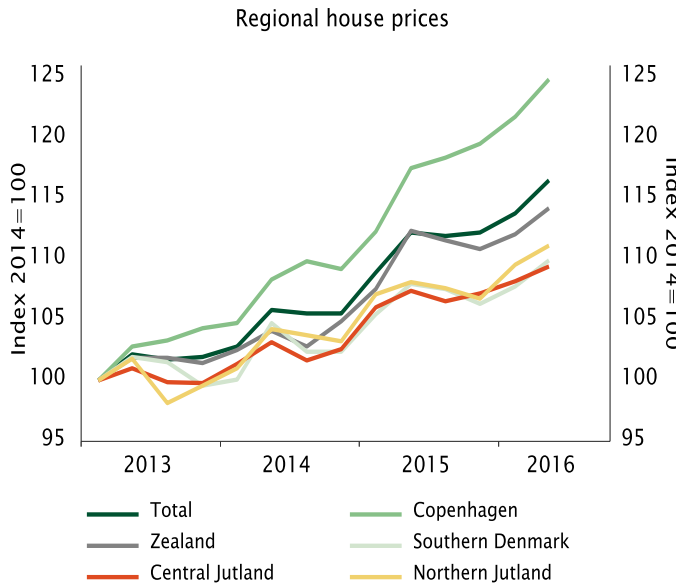
House prices have increased in all regions in 2016

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

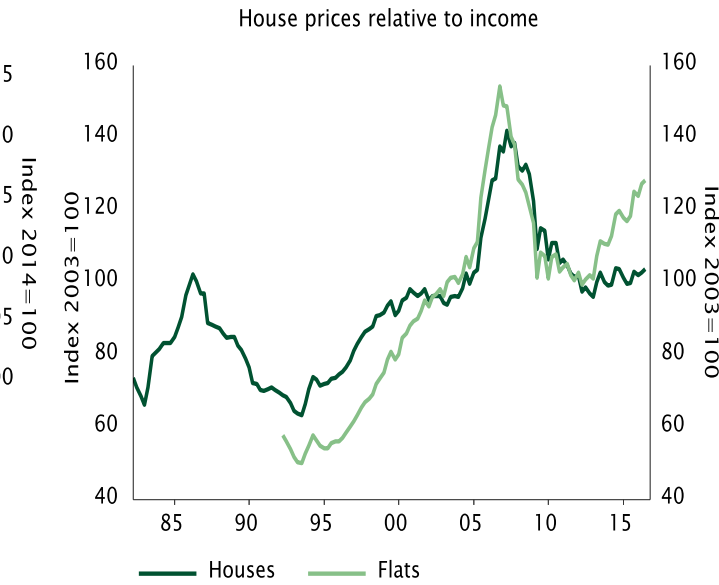
However, a new housing tax model is likely to have a dampening effect

House prices are up in all regions



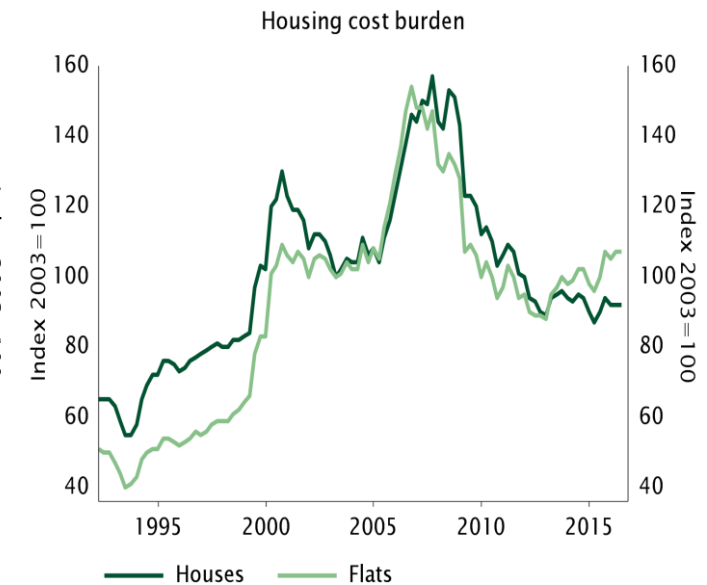
Kilde: Thomson Reuters Datastream

Real house prices are at an average level



Kilde: Thomson Reuters Datastream and Jyske Bank

...but housing costs on flats are up



Kilde: Thomson Reuters Datastream and Jyske Bank

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

Jyske Bank Q3 2016 results

Q3 2016 results

- Net profit of DKK 721m (equal to after tax ROE of 9.6% p.a.)
- Core income driven by
 - Nil lower due to one-off related to accrual of up-front fees and reduced holdings of high coupon bonds in the trading portfolio
 - Slight improvement in net fee and commission income driven by mortgage activities
 - Value adjustments benefit from rising stock markets and interest rate development
 - Negative effect on value adjustments from clients' transactions re interest-rate hedging offset by improved credit quality of clients
- Core expenses develop as expected
- Net reversals exclusive of agriculture where new impairment charges continue to be required
- 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 high pace
 - Mortgage volume shows growth in all loan segments
 - Deposits are close to record high level
 - Assets under management increase due to inflow of funds and positive returns

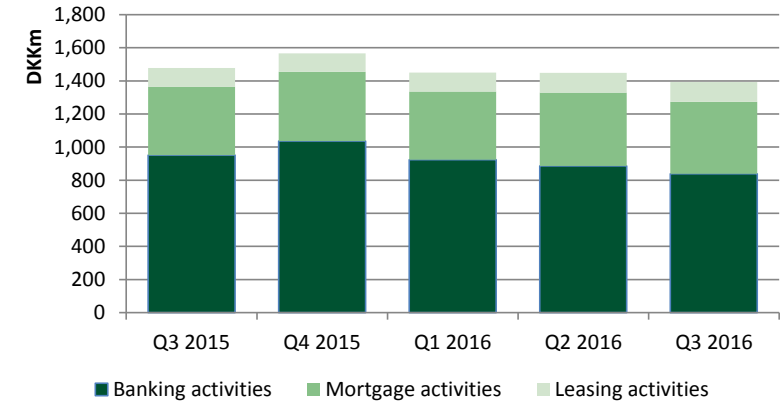
CORE PROFIT AND PROFIT FOR THE PERIOD						
DKKm	Q1-Q3 2016	Q1-Q3 2015	Index 16/15	Q3 2016	Q2 2016	Index Q3/Q2
Net interest income	4,291	4,319	99	1,393	1,448	96
Net fee and commission income	1,030	1,339	77	363	343	106
Value adjustments	549	269	204	170	169	101
Other income	178	180	99	48	73	66
Income from operating lease (net)	71	68	104	21	28	75
Core income	6,119	6,175	99	1,995	2,061	97
Core expenses	3,773	3,953	95	1,275	1,230	104
Core profit before loan impairment charges	2,346	2,222	106	720	831	87
Loan impairment charges	144	381	38	77	-105	-
Core profit	2,202	1,841	120	643	936	69
Investment portfolio earnings	201	288	70	258	88	-
Pre-tax profit	2,403	2,129	113	901	1,024	0
Tax	489	490	100	180	215	84
Net profit for the period	1,914	1,639	117	721	809	89

SUMMARY OF BALANCE SHEET, END OF						
PERIOD	Q1-Q3 2016	Q1-Q3 2015	Index 16/15	Q3 2016	Q2 2016	Index Q3/Q2
DKKbn						
Mortgage loans	275	242	114	275	268	103
Traditional bank loans	94	96	98	94	96	97
New home loans	14	14	98	14	11	122
Bank deposits	139	125	111	139	129	108
Assets under management	123	117	105	123	120	103

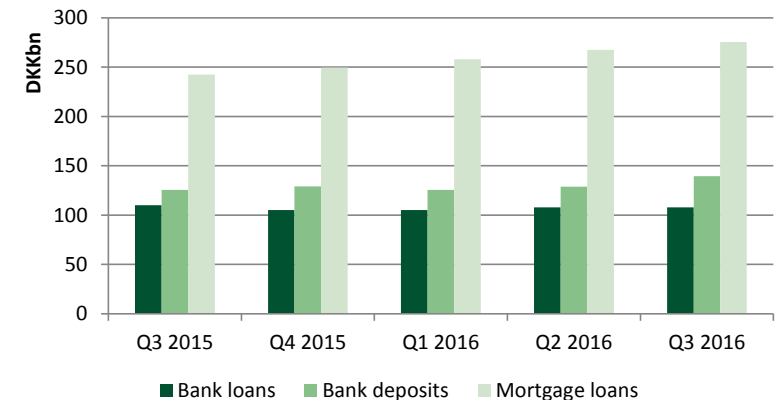
Underlying NII trend intact in spite of set-back

- Q3 represents a continuation of the underlying trend: NII from home loans and mortgages as well as leasing activities compensate for the top-line pressure experienced in banking activities
- Set-back compared to Q2 2016 explained by:
 - One-off effect of DKK -20m related to change in accruals for up-front fees
 - Holdings of high coupon rate bonds reduced resulting in a negative NII impact of DKK 20m - off-set by positive impact on value adjustments
- Traditional bank loans
 - Subdued demand
 - Pressure on margins
- Bank deposits
 - Deposits from private individuals: Deposit rates have been adjusted, capped at zero
 - Deposits from corporates: Selected clients have paid negative interest rates on term deposits for quite some time. As per mid-December all corporate clients will pay negative interest rates on demand deposits

Net interest income



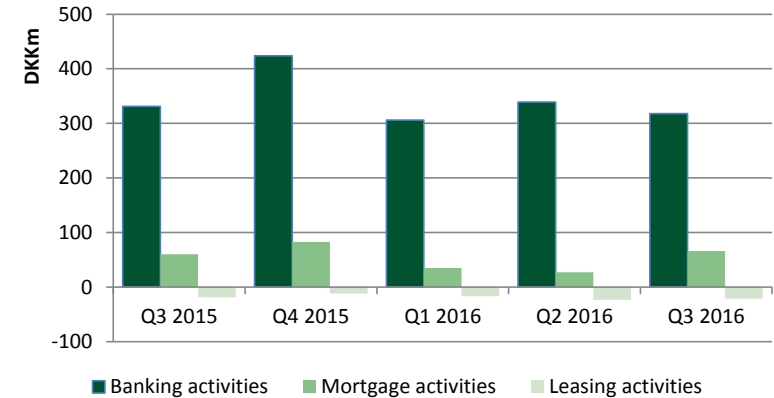
Business volumes



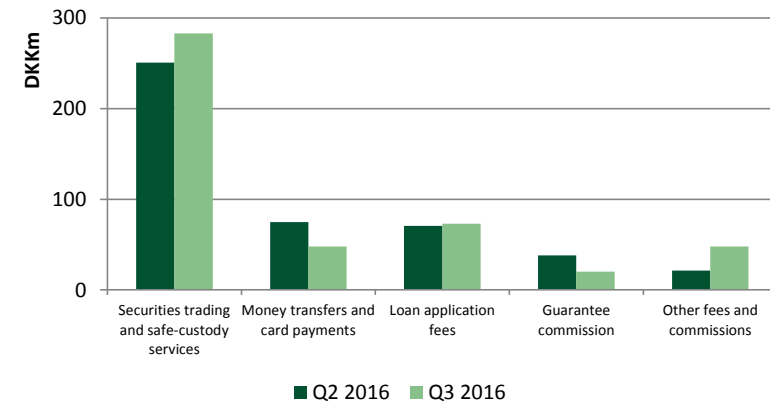
Refinancing activities drive up net fee income

- Net fee income in Q3 is up by 6% compared to Q2 2016 (+14% if Q2 2016 is adjusted for profit from sale of VISA Europe of DKK 25m)
- Securities trading etc.:
 - Increased activity within mortgages leads to higher brokerage income
 - Brokerage income related to securities trading continues to be at low levels due to lower activity among retail clients
- Loan application fees:
 - BRFkredit offers transfer of mortgage loans at reduced fees until end of 2016.

Net fee income



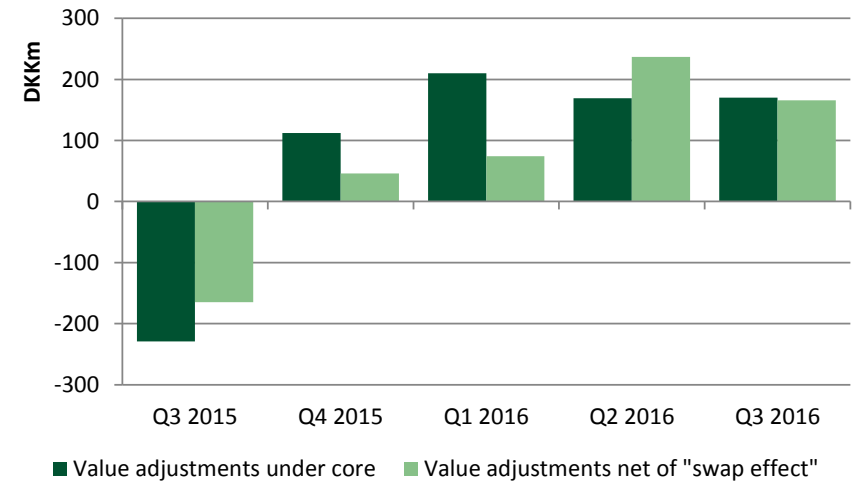
Fee and commission income



Value adjustments benefit from rising stock markets

- Positive value adjustments on equities due to rising stock markets
- Long-term interest rates slightly down in Q3 leading to positive value adjustments on bond holdings
- Clients' transactions relating to interest-rate hedging (swaps) have close to zero effect as negative effect from falling long-term interest rates is off-set by improved credit quality
 - Q3 2016: positive effect of DKK 4m (Q1-Q3 2016: DKK 72m)
 - Q1-Q3 2015: positive effect of DKK 232m

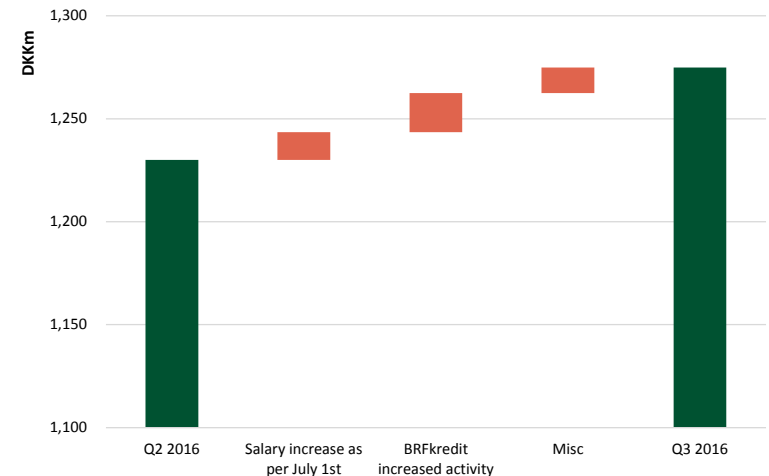
Value adjustments under core income



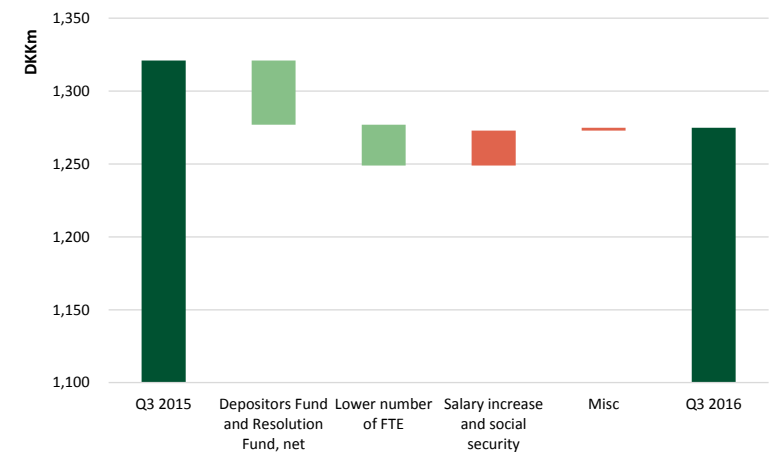
Decreasing core expenses

- Overall, a satisfactory development in line with expectations
- Core expenses in Q3 2016 up by DKK 45m compared to Q2 2016 primarily due to:
 - Salary increase of 1.8% (collective agreement July 1st)
 - Extra expenses related to increased activity level within mortgage activities
- Compared to Q3 2015 core expenses are down by DKK 46m
 - 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%)

Q3 2016 vs. Q2 2016: Development in core expenses



Q3 2016 vs. Q3 2015: Development in core expenses

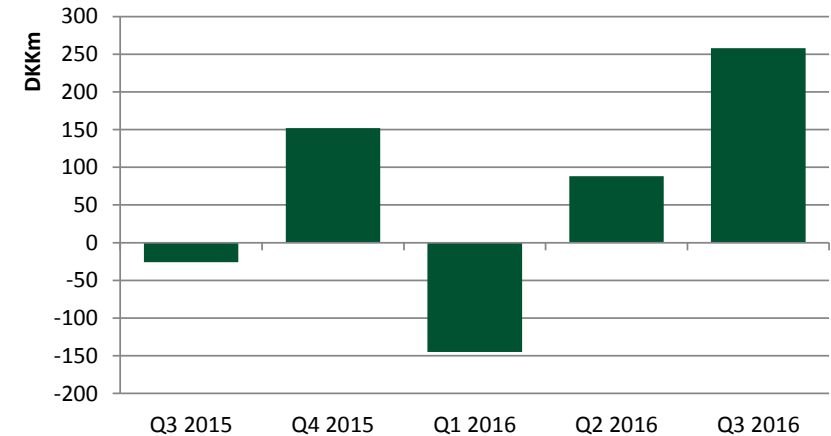


Improved investment portfolio earnings

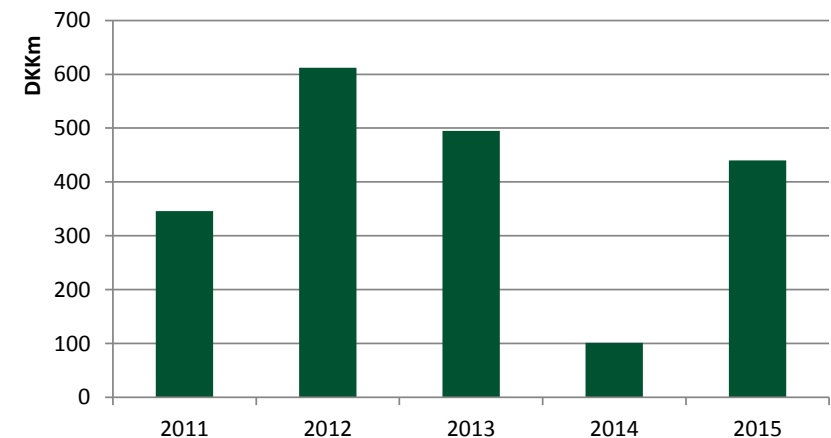
- Improved investment portfolio earnings driven by:
 - Value adjustments of DKK 70m related to fair value assessment of Jyske Bank's holdings in Nordjyske Bank (Q1-Q3 2016: DKK -89m)
 - Positive value adjustments on portfolio of Danish mortgage bonds as well as portfolio of securitisations

- Annual investment portfolio earnings have been ranging between DKK 100-600m the past 5 years
 - With an average of DKK 399m

Investment portfolio earnings, quarterly



Investment portfolio earnings, last 5 years



Credit Quality

Bank loans and advances

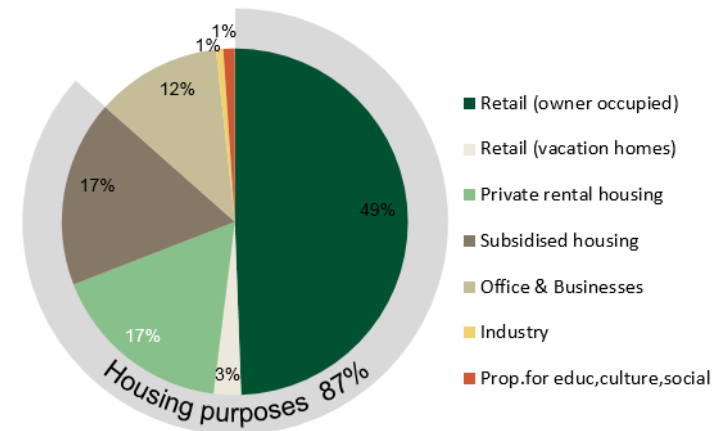
- Portfolio composition end of Q3 2016
 - Corporates 62%
 - Private individuals 34%
 - Public authorities 4%
- Accumulated impairment ratio total portfolio 3.5%
 - Public authorities 0%
 - Corporates 4.4%
 - Private individuals 2.2%
- Corporates
 - Net reversals for all sectors except agriculture, building and construction, and other sectors
 - Real property continues to show significant improvement
 - Impairment ratio for Q1-Q3 2016 13 bp (annualized)
- Privates individuals
 - Impairment ratio for Q1-Q3 2016 32 bp (annualized)

Q1-Q3 2016	Loans, advances and guarantees	Balance of loan impairment charges	Losses	Impairment charges
Public authorities	4%	0%	0%	0%
Agriculture, hunting, forestry and fishing	4%	28%	52%	168%
Manufacturing, mining, etc.	4%	4%	3%	-24%
Energy supply	2%	1%	0%	-1%
Building and construction	2%	2%	4%	10%
Commerce	5%	4%	2%	-24%
Transport, hotels and restaurants	2%	2%	0%	-5%
Information and communication	0%	1%	0%	-3%
Finance and insurance	31%	14%	16%	-15%
Real property	7%	20%	6%	-76%
Other sectors	4%	4%	4%	12%
Corporate clients	62%	79%	87%	43%
Private individuals	34%	21%	13%	57%
Total	100%	100%	100%	100%

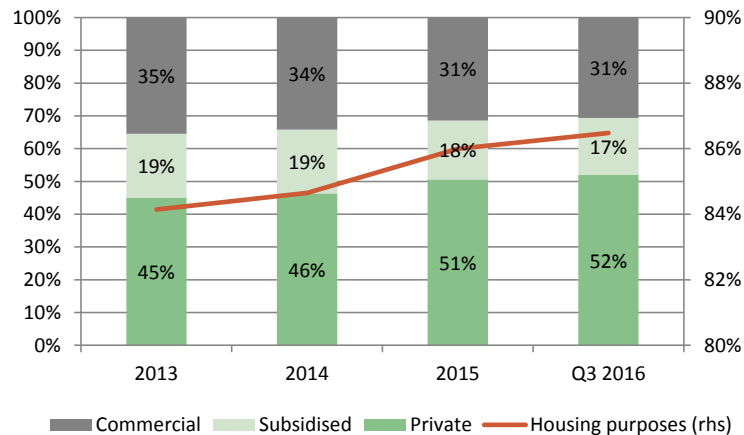
Mortgages: The portfolio

- 87% of lending to properties with housing purposes
 - No loans with swaps to co-operative housing
 - No lending to agriculture and other primary production
- 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

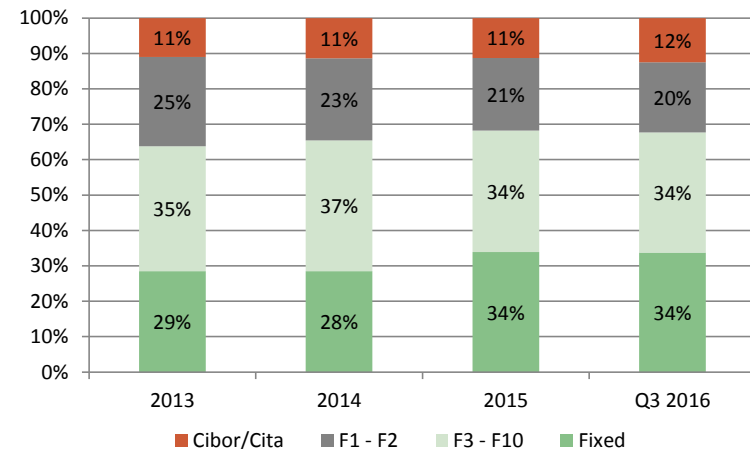
Distribution of lending portfolio



Development in lending portfolio

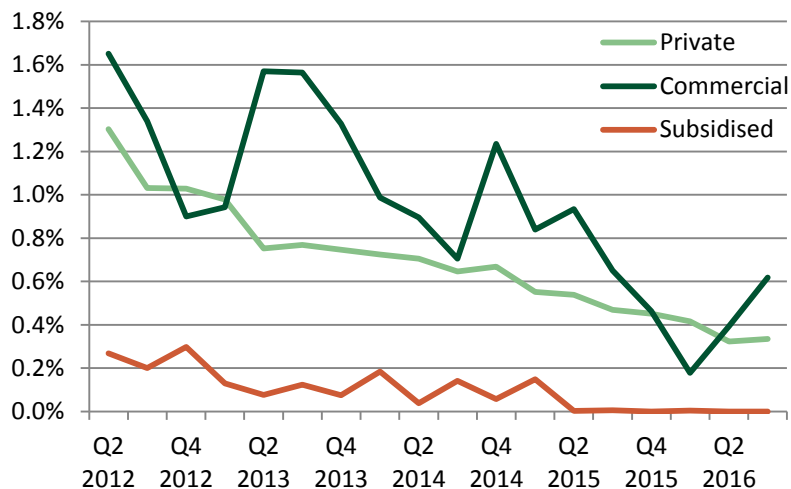


Development in loan types

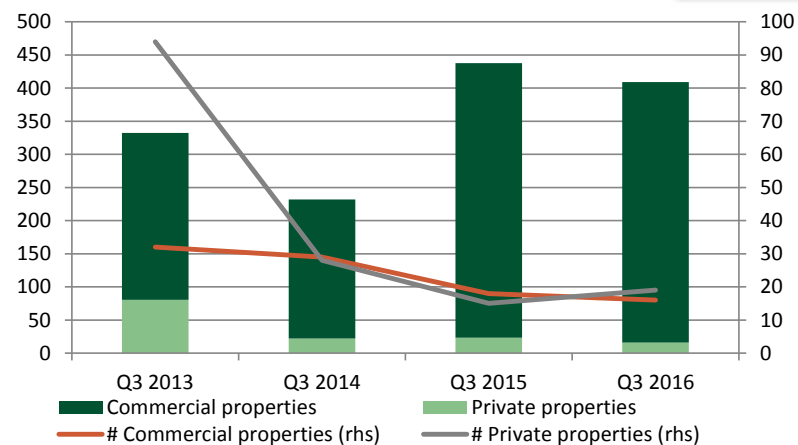


Mortgages: Improved credit quality

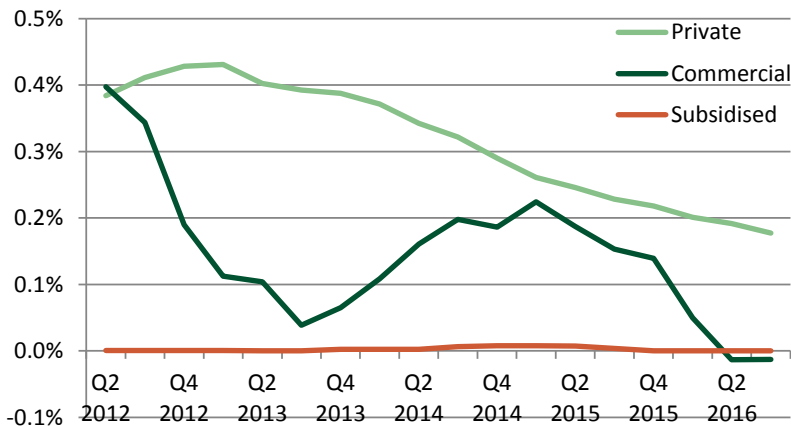
Lending in 90-days arrears (per cent of lending)



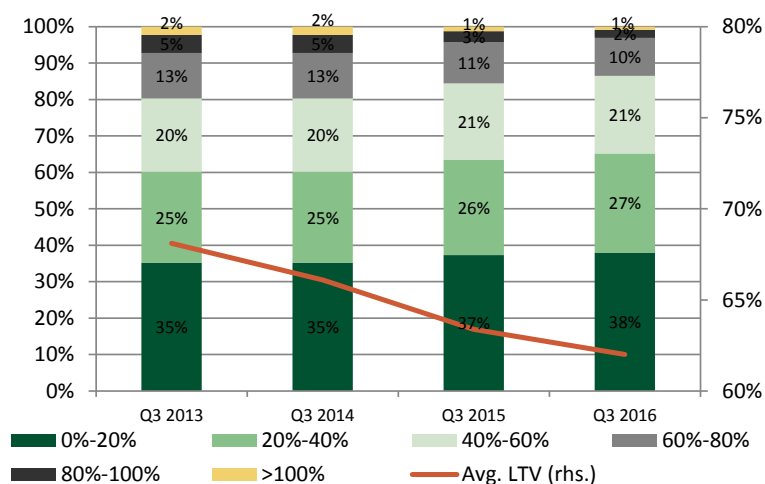
Repossessed properties (DKKm/number)



Yearly realised losses (running year)



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

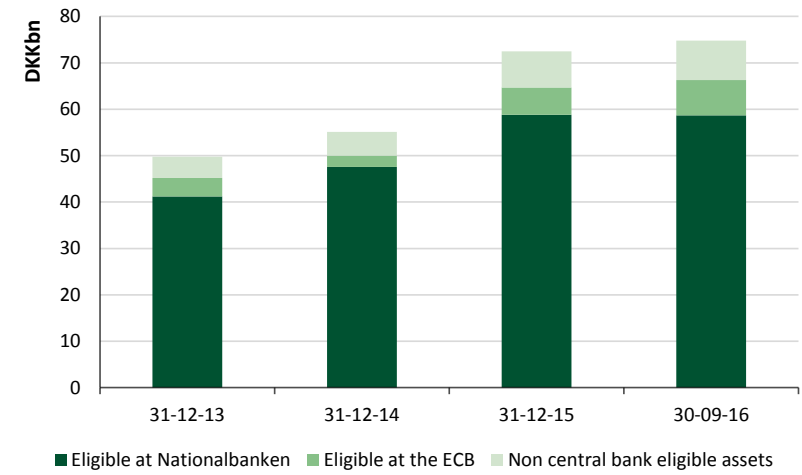


Liquidity

Ample liquidity

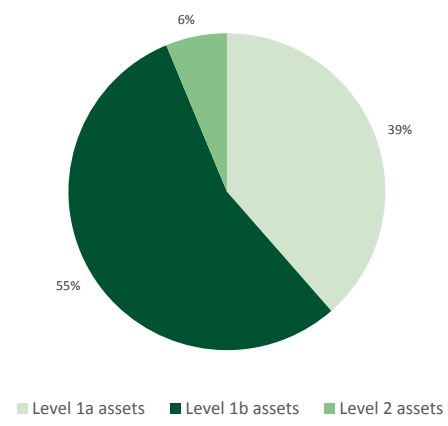
- Liquidity buffer DKK 74bn end of Q3 2016 (DKK 73bn end of 2015)
 - 88% of the buffer - DKK 66bn - is eligible for repo transactions at central banks (the Danish Central Bank or the ECB)

Group Liquidity buffer



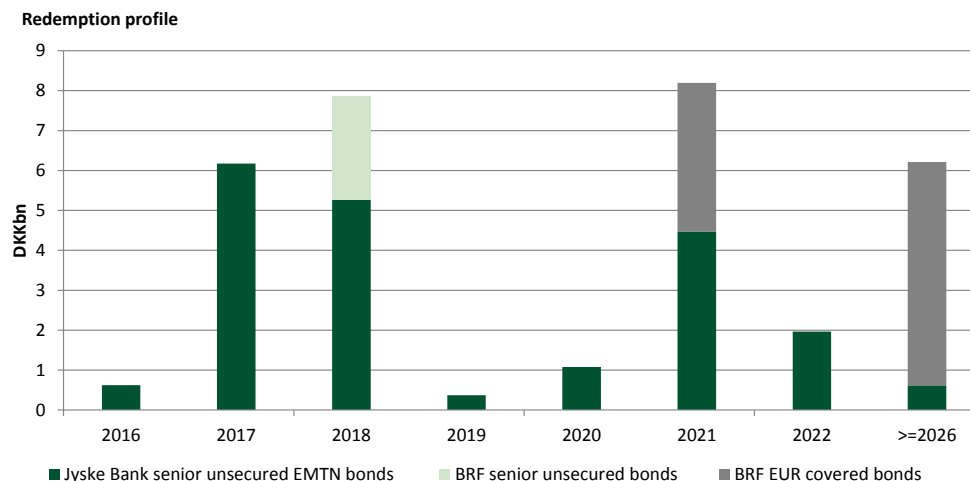
- Group's LCR at 228% by end of Q3 2016 vs. 149% end of Q4 2015
 - Primarily comprised of level 1a and 1b assets
 - Internal minimum target for LCR of 150%

LCR Liquidity Buffer, Q3 2016



The Group is becoming a frequent EUR issuer

- 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. Clarification from the Danish FSA expected before end of 2016
- Extending the maturity profile especially in covered bond issuance from BRFkredit is key to underpinning compliance with S&Ps SFR and the Danish FSA's upcoming Supervisory Diamond for mortgage credit institutions
- **Jyske Bank:**
 - Short term: On-going activities in French CP with EUR 3.5bn in average outstanding volume of program in 2015-Q3 2016
 - 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
 - Inaugural EUR covered: EUR 500m 5 year bullet in March 2016
 - Second EUR covered: EUR 750m 7 year bullet in June 2016
 - Group strategy to build a EUR covered benchmark curve
 - Expected EUR issuance activity: two benchmarks/year

Business Segments

Banking activities

Profit:

- NII under pressure: Home loans continue to support but negative impact from one-off related to accruals of up-front fees and reduced holdings of high coupon bonds (offset by positive effect on value adjustments)
- Net fee & commission income stays low
- Positive value adjustments related to equities and bonds
- Core expenses develop as expected
- Net reversals exclusive of impairments on agriculture

Business volume:

- Home loan products: Volume continues to increase
- Bank loans: early signs of stabilization but still downward pressure on margins and subdued demand
- Deposits: Close to record highs
- Assets under management: Increases due to inflow of funds and positive returns.

SUMMARY OF INCOME STATEMENT DKKm	Index			Index		
	Q1-Q3 2016	Q1-Q3 2015	16/15	Q3 2016	Q2 2016	Q3/Q2
Net interest income	2,648	2,757	96	838	886	95
Net fee and commission income	963	1,215	79	318	339	94
Value adjustments	507	396	128	160	153	105
Other income	127	147	86	31	55	56
Core income	4,245	4,515	94	1,347	1,433	94
Core expenses	3,030	3,135	97	1,015	988	103
Core profit before loan impairment charges	1,215	1,380	88	332	445	75
Loan impairment charges	154	361	43	74	-125	-
Core profit	1,061	1,019	104	258	570	45
Investment portfolio earnings	157	236	67	236	57	414
Pre-tax profit	1,218	1,255	97	494	627	79

BUSINESS VOLUME, END OF PERIOD DKKbn						
Bank loans	93	97	96	93	94	100
- of which new home loans	14	14	98	14	11	122
Bank deposits	139	125	111	139	128	108
Assets under management	123	117	105	123	120	103

Profit:

- Contribution income steadily growing
- Net fee & commission income increases due to increased loan activity
- Core expenses increase due to salary increase and expenses driven by increased activity level
- Low level of loan impairment charges

Business volume:

- Growth in all lending segments - most significant in Private segment where the primary growth driver is Jyske Bank home loan products (jointly funded loans), secondly growth in traditional mortgages

SUMMARY OF INCOME STATEMENT					Index	
DKKm	Q1-Q3 2016	Q1-Q3 2015	16/15	Q3 2016	Q2 2016	Q3/Q2
Contribution income, etc. ¹	1,329	1,255	106	451	444	102
Other net interest income	-38	-32	119	-16	0	-
Net fee and commission income	128	173	74	66	27	244
Value adjustments	30	-138	-	10	4	250
Other income	41	25	164	14	15	93
Core income	1,490	1,283	116	525	490	107
Core expenses	620	697	89	219	198	111
Core profit before loan impairment charges	870	586	148	306	292	105
Loan impairment charges	-20	21	-	-1	16	-
Core profit	890	565	158	307	276	111
Investment portfolio earnings	44	52	85	22	31	-
Pre-tax profit	934	617	151	329	307	107

¹⁾ Contribution income, etc. covers contribution income as well as interest rate margin on jointly funded loans.

BUSINESS VOLUME, END OF PERIOD						
DKKbn						
Mortgage loans	275	242	114	275	268	103
Issued bonds	269	231	116	269	260	103

Leasing activities

Profit:

- Solid NII based on increased business volume
- Core expenses develop as expected
- Impairment charges at a low level

Business volume:

- Gradually increasing loan volume

SUMMARY OF INCOME STATEMENT			Index		Index	
DKKm	Q1-Q3 2016	Q1-Q3 2015	16/15	Q3 2016	Q2 2016	Q3/Q2
Net interest income	352	339	104	120	118	102
Net fee and commission income	-61	-49	124	-21	-23	91
Value adjustments	12	11	109	0	12	-
Other income	10	8	125	3	3	100
Income from operating lease (net)	71	68	104	21	28	75
Core income	384	377	102	123	138	89
Core expenses	123	121	102	41	44	93
Core profit before loan impairment charges	261	256	102	82	94	87
Loan impairment charges	10	-1	-	4	4	100
Pre-tax profit	251	257	98	78	90	87

BUSINESS VOLUME, END OF PERIOD						
DKKm						
Loans	14,488	13,092	111	14,488	14,306	101
Deposits	428	222	193	428	426	100

Non-performing loans

- At group level NPLs amounted to 3.6% of loans and advances at the end of Q3 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 GROUP DKKm	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3
Carrying amount	431,025	422,592	424,423	410,030	394,199
Balance of loan impairments charges and provisions for guarantees	6,497	6,715	6,939	6,713	6,762
Balance of discounts for acquired assets	1,144	1,236	1,418	1,548	1,878
Gross carrying amount (incl. discounts)	438,666	430,543	432,780	418,291	402,839
NON-performing					
Carrying amount - loans and advances	14,776	16,565	16,295	17,114	17,591
Carrying amount - guarantees	805	882	921	1,367	1,220
Carrying amount	15,581	17,447	17,216	18,481	18,344
Balance of impairment charges on non-performing exposures	6,053	6,290	6,494	6,233	6,161
- loans and advances	5,540	5,773	6,013	5,776	5,695
- guarantees	513	517	481	457	466
Balance of discounts for acquired assets	1,118	1,203	1,320	1,415	1,438
Gross carrying amount (incl. discounts)	22,752	24,940	25,029	26,129	25,943
NPL Coverage ratio ¹	31.5%	30.0%	31.2%	29.3%	29.3%
NPL Level ²	3.6%	4.1%	4.1%	4.5%	4.7%
Performing					
Carrying amount	415,444	405,144	407,208	391,549	375,855
Balance of loan impairments charges and provisions for guarantees	444	425	445	480	602
Balance of discounts for acquired assets	26	34	99	133	440
Gross carrying amount (incl. discounts)	415,914	405,603	407,751	392,162	376,896

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

BANKING, DKKm	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3
Carrying amount	155,758	153,600	166,513	160,563	153,733
Balance of loan impairments charges and provisions for guarantees	5,723	5,980	6,282	6,083	6,215
Balance of discounts for acquired assets	523	553	666	753	978
Gross carrying amount (incl. discounts)	162,004	160,133	173,461	167,399	160,925
NON-performing					
Carrying amount - loans and advances	6,989	7,840	8,099	8,810	9,750
Carrying amount - guarantees	805	882	921	1,367	1,220
Carrying amount	7,794	8,722	9,020	10,176	10,504
Balance of impairment charges on non-performing exposures	5,607	5,888	6,160	5,958	5,950
- loans and advances	5,094	5,371	5,679	5,501	5,484
- guarantees	513	517	481	457	466
Balance of discounts for acquired assets	523	553	666	751	916
Gross carrying amount (incl. discounts)	13,924	15,163	15,846	16,886	17,369
NPL Coverage ratio ¹	44.0%	42.5%	43.1%	39.7%	39.5%
NPL Level ²	5.0%	5.7%	5.4%	6.3%	6.8%
Performing					
Carrying amount	147,964	144,878	157,494	150,387	143,229
Balance of loan impairments charges and provisions for guarantees	116	92	122	125	265
Balance of discounts for acquired assets	0	0	0	2	62
Gross carrying amount (incl. discounts)	148,080	144,970	157,615	150,513	143,556

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

MORTGAGE, DKKm	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3
Carrying amount	275,267	268,992	257,910	249,467	240,467
Balance of loan impairments charges and provisions for guarantees	774	735	657	630	547
Balance of discounts for acquired assets	621	683	753	795	900
Gross carrying amount (incl. discounts)	276,661	270,409	259,319	250,892	241,914
NON-performing					
Carrying amount - loans and advances	7,787	8,725	8,196	8,304	7,841
Carrying amount - guarantees					
Carrying amount	7,787	8,725	8,196	8,304	7,841
Balance of impairment charges on non-performing exposures	446	402	334	275	211
- loans and advances	446	402	334	275	211
- guarantees					
Balance of discounts for acquired assets	595	649	654	664	523
Gross carrying amount (incl. discounts)	8,828	9,777	9,184	9,243	8,574
NPL Coverage ratio ¹	11.8%	10.8%	10.8%	10.2%	8.6%
NPL Level ²	2.8%	3.2%	3.2%	3.3%	3.3%
Performing					
Carrying amount	267,480	260,266	249,714	241,163	232,626
Balance of loan impairments charges and provisions for guarantees	328	332	323	355	337
Balance of discounts for acquired assets	26	33	99	131	378
Gross carrying amount (incl. discounts)	267,834	260,632	250,136	241,649	233,340

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

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