Jyske Bank

SEB Nordic Seminar
10 January 2017

Our targets

JYSKE BANK

	Q3 2016
• Delivering an attractive long-term return on equity – Long-term target of delivering an after tax ROE between 8-12%	9.6%
• DKK 100bn in housing-related loans from Jyske Bank branch network and DKK 20bn in mortgage loans for corporate clients	DKK 73.9bn and DKK 11.2bn
• Harvesting annual synergies of DKK 600m related to the Jyske Bank/BRFkredit merger – Full year effect from mid-2016, 18 months ahead of plan	>DKK 600m
• Maintaining a strong capital position – Long-term targets for capital ratio 17.5% and CET1 ratio 14% – S&P rating A- (stable outlook)	17.8% and 15.9%

Synergies harvested 18 months ahead of plan

JYSKE BANK

- Target for annual earnings and cost synergies of minimum DKK 600m achieved by end of Q2 2016
  - Full impact from Q3 2016 and onwards – 18 months earlier than originally planned

- New volume:
  - Volume of new home loan products DKK 73.9bn of which DKK 72.7bn was booked by end-September

- Capital costs in BRFkredit DKK 24m in Q3 2016 – down from DKK 27m in Q2 2016

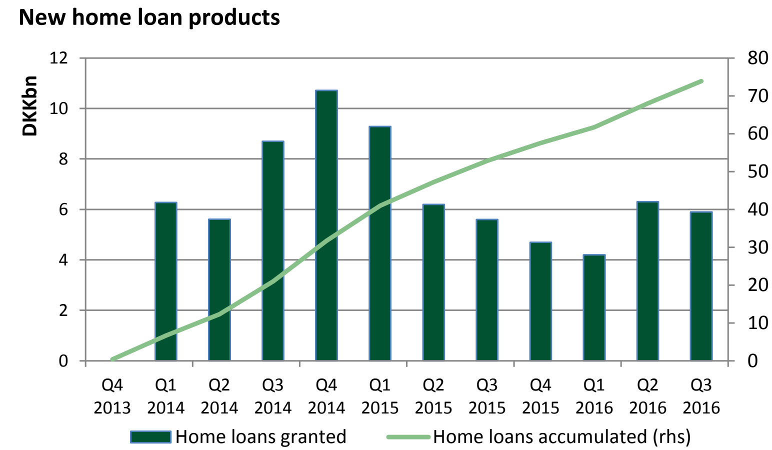
- Number of full-time employees reduced to 3,993 by end of Q3
  - Target of 4,000 full-time employees achieved
  - Resulting in cost synergies of more than DKK 300m annually

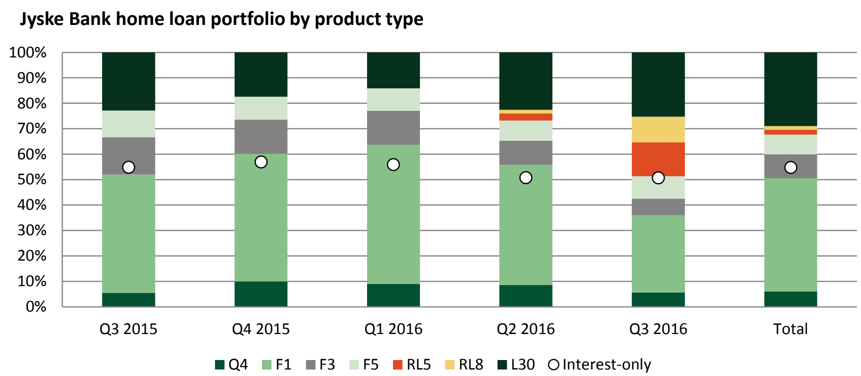
- Integration costs:
  - No further integration costs expected. Any additional costs will be regarded as operating costs
  - Total integration costs come to approx. DKK 110m (incurred in 2014 and 2015)
  - Within the announced range of DKK 100-150m

…and growth in home loans and mortgages continues

JYSKE BANK

- Growth in volume:
  - Volume of new home loan products DKK 73.9bn end of Q3 and DKK 80bn as per December 20, 2017
  - Home loans granted to new clients take up an increasing proportion
- Quality of portfolio:
  - Majority of loans are granted to clients known by Jyske Bank as volume primarily stems from repatriation of loans previously referred to Totalkredit
  - More than 85% in credit rating class 1-5 compared to overall average of approx. 65% for bank loans for the retail segment
  - Losses since December 2013 totalling DKK 0.5m
  - Jyske Bank's risk appetite in growth areas is lower than average for the inspected banks (Danish FSAS, October 2016)
- Portfolio composition by product type:
  - Variable rate loans account for 70% of portfolio with F1 loans accounting for the majority
  - Proportion of loans with interest-only is relatively stable – down the last two quarters
  - Jyske Renteloft (RL5 and RL8) introduced in Q2 2016





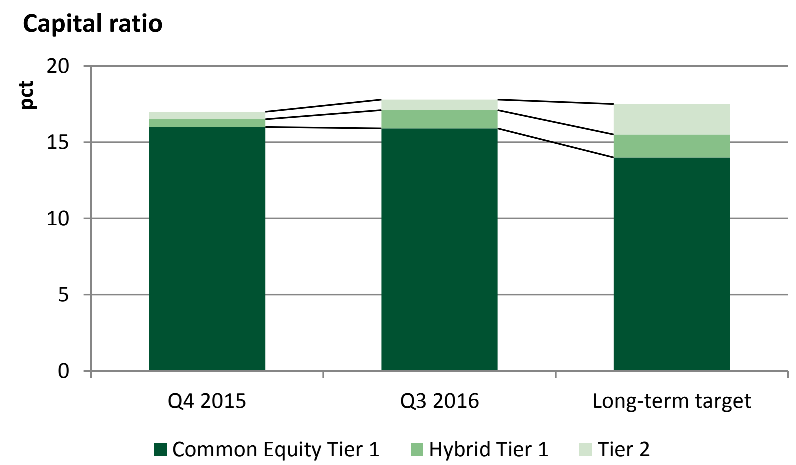
Capital adjustment in process

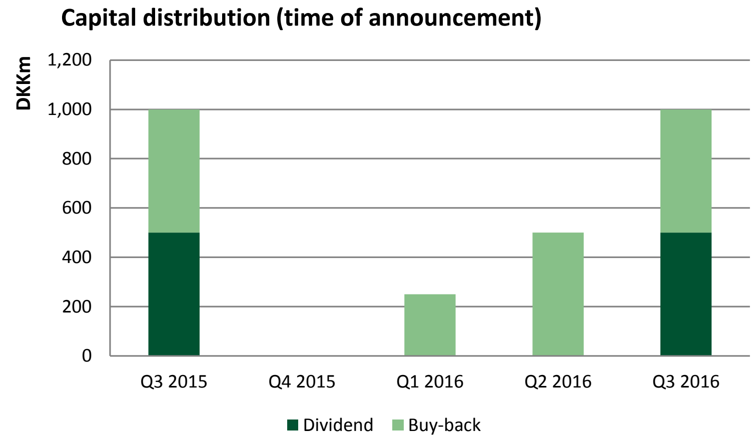
- Capital ratio 17.8% and CET1 ratio 15.9% end of Q3 2016 vs. long-term targets of 17.5% and 14%

- 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 buy-back programmes of DKK 1.75bn in total:
    - DKK 750m (Nov 2015-Jun 2016)
    - DKK 1bn (Jul - Dec 2016)
  - Dividend DKK 500m (March 2016)
  - Tier 2 issue of SEK 1bn (May 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)

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





Outlook 2017

JYSKE BANK

- Moderate economic growth expectations for Denmark

- Overall, credit quality is strong but agriculture is still fragile: commodity prices have increased but leverage is still high

- Business volumes:
  - Traditional bank loans expected to be stable
    - Corporates: continued competition for volume
    - Private individuals: continuation of past years' shift from high to low margin products is expected
    - Leasing: continued growth through new sales

  - Bank deposits continue at high levels
    - Negative interest rates introduced on demand deposits from all corporate clients

  - Mortgage loans, primarily new home loan products, expected to continue high growth
    - Competitive pricing

Digitalization

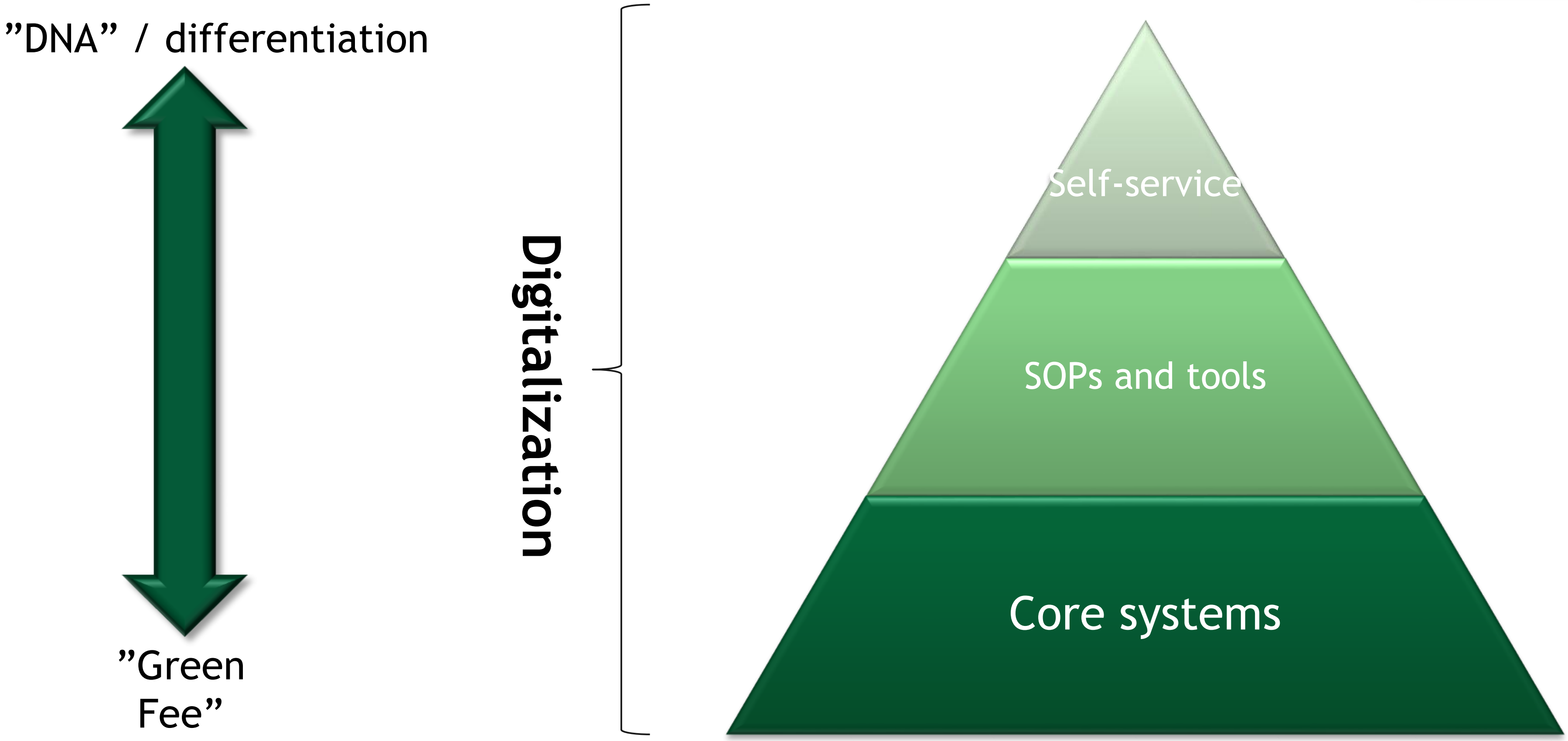
Principles for digitalization, product and IT-development

- People first
  - For Generation Z, the digital natives, access to money is digital but advisory is analogue

- Simplification before digitalization
  - IT is ideal for automation of simple and streamlined workflows/processes but very expensive if used to re-create a complex and fragmented set-up

IT, digitalization and self-service

JYSKE BANK



Digitalization cannot and must not be addressed independently of business strategy

An example: mortgage loans

Denmark has a very modern service enabled infrastructure

JYSKE BANK

- Authorities offer
  - CPR/CVR register (UID)
  - BBR property register (UID)
  - Title registry with all debt in Danish properties
  - IRS (interface requirements specifications) to personal tax statements
  - NemID forced on all citizens
- The Financial sector has
  - Electronic clearing & settlement of all fixed income securities (VP)
  - E-nettet: home sales, current loan information, property geo-data, E-engagement (change of bank service)
  - Dankort, payment service (Nets), web & mobile banking, Mobile Pay, Bedste lån
- The customers have invested in
  - WiFi, Bluetooth and other technologies
  - Mobile devices: Smart phones, tablet, watches, GPS etc.
  - Financial sector services like mobile banks, web banks etc.

‘Disruptions’ are already on their way

JYSKE BANK

- New financial regulation drives extra costs for existing banks
- Digitalisation and cost focus are drivers of fewer physical bank branches
- Credit ratings are harmonized
- Independent financial advisors gain market shares
- Robot based integration tools are chosen over rewriting legacy code
- PSD2: Debtors can bring their financial data with them
- New rating methods are created using social media
- Interbank block chains are being build
- Robot advisors and ‘AI’ based tech is available
- New business models in response to expensive home sales

Which trends are most important?

JYSKE BANK

- Mobile price comparisons
- Mobile signing
- Geo tracking
- Big Data
- Changes to the labour market
- ‘Trust’ scores drives new business models
- Block chains creates new cheap infrastructure/backbone

Jyske Bank is a ‘disruptor’

- Product innovation
  - New home loan product range (simple and clear)
  - Capped ”super loans”

- Pricing
  - Competitive prices
  - Unchanged margins

- Distribution
  - New sales platform
  - New digital services, e.g. the app ”Bedste lån”

- Funding
  - RTL F bonds
  - Joint funding, e.g. flexibility to continue to offer 1Y ARM loans (F1) and issue of EUR covered bonds

?

Disclaimer

- 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.