Jyske Bank

Citi's Nordic Banks Day
8 December 2016

Jyske Bank

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%
  - Danish play
  - Approx. 890,000 customers and nationwide branch network of 99 branches
  - Total assets of DKK 562bn and total loans of DKK 410bn of which mortgage loans account for DKK 275bn (67%)

- Growth through acquisitions – a proven track record of successfully managing acquisitions

- Focused on core business – migration to Bankdata and divesture of non-core businesses

- "A great match" - merger between Jyske Bank and BRFkredit
  - Creating growth and challenging the border between banks and mortgage credit institutions
  - 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

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	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%

Q3 2016

Q3 2016 highlights

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- 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

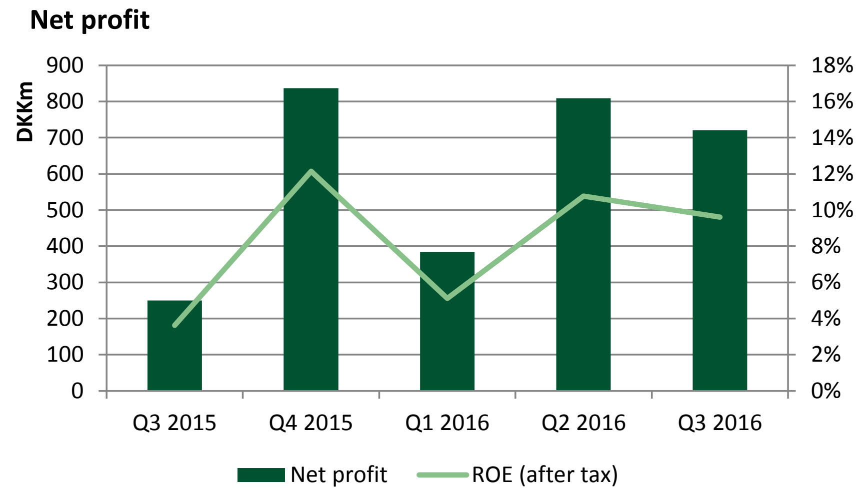
- Jyske Bank delivers a net profit of DKK 721m, equal to after tax ROE 9.6% p.a.
  - NII supported from new home loan products and signs of stabilization in traditional bank loans but hit by one-off and shift in composition of yield on trading portfolio
  - Core expenses slightly up but still on the 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 for 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

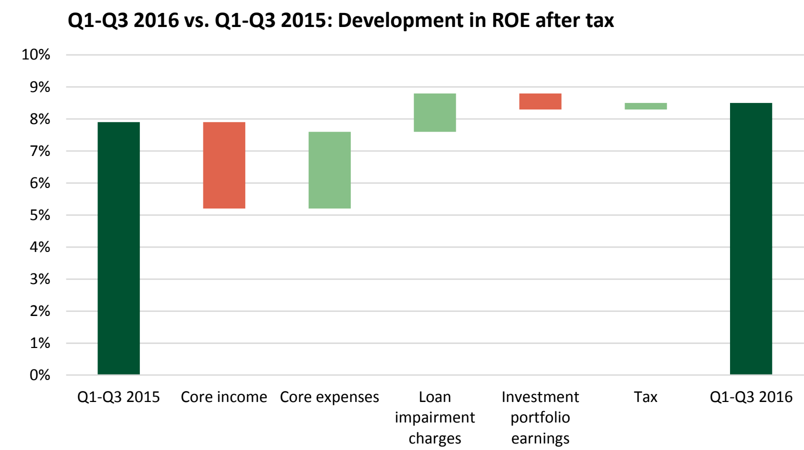
- Capital distribution
  - On-going share buyback programme of DKK 1bn
  - As of today 4.75% of share capital bought back since 9 November 2015
  - Supervisory Board intends to propose an ordinary dividend for FY2016 at level with ordinary dividend distributed for FY2015 (AGM March 2017)

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



- 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

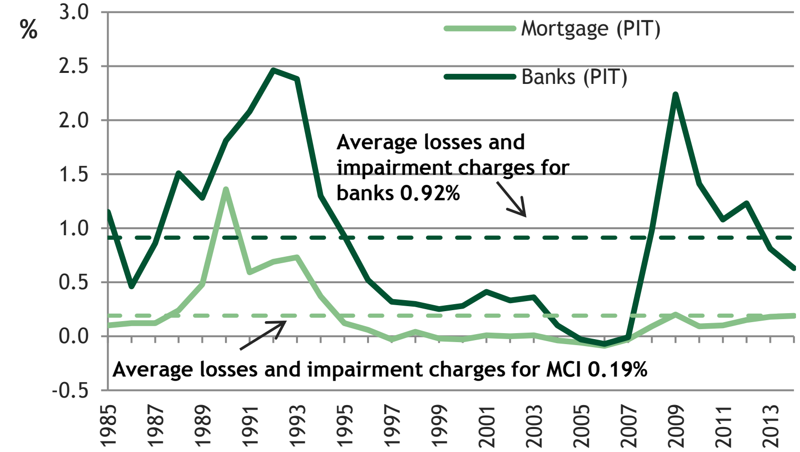


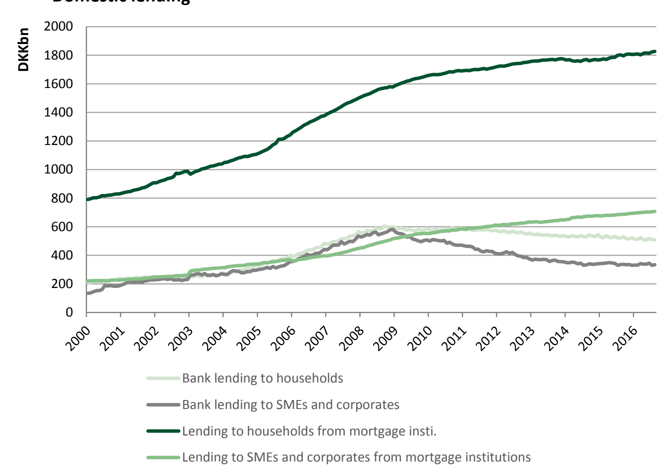
Jyske Bank/BRFkredit growth case

Jyske Bank/BRFkredit merger rationale

- Firmly establishes Jyske Bank as one of the four major financial institutions in Denmark with a full product range
- Extensive distribution platforms and customer bases provide attractive opportunities for organic growth
- Increased economies of scale provide opportunities for cost efficiencies
- Lower earnings volatility from diversified credit portfolio and overall risk profile
- Strong capitalised combined group supporting existing rating (A-)
- Combined platform positioned to benefit from structural changes in demand between banking and mortgage lending
- Well positioned in a changing regulatory environment
- Positioned to participate further in the on-going consolidation of the Dansih financial sector should attractive opportunities arise

Losses and impairment charges 1985 - 2014 (as a % of loans)





Synergies harvested 18 months ahead of plan

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- 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
  - Total integration costs come to approx. DKK 110m (incurred in 2014 and 2015)
  - Within the announced range of DKK 100-150m
  - Any additional costs of integrating the banking and mortgage activities will be regarded as operating costs

...and growth in home loans and mortgages continues

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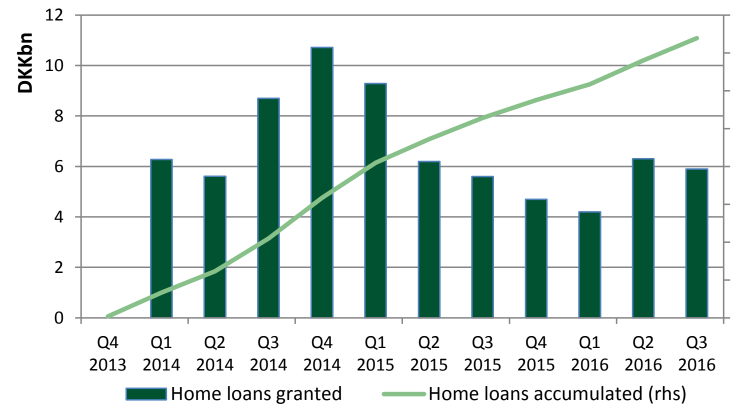
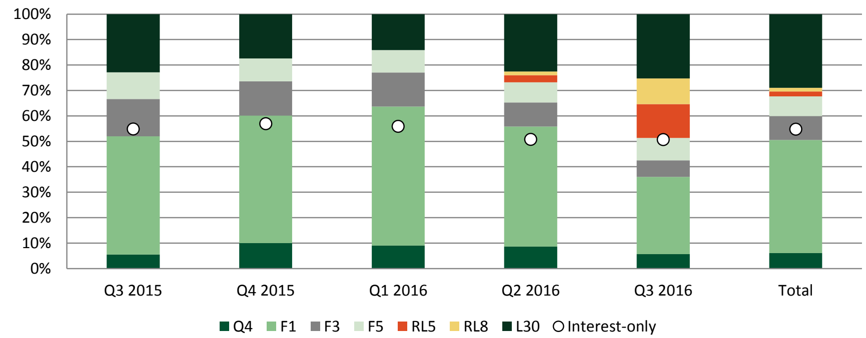
- Growth in volume:
  - Volume of new home loan products DKK 73.9bn of which DKK 72.7bn was booked by end of Q3. The majority of these are booked as mortgage loans
  - In Q1-Q3 2016, the Group has experienced an increase in home loans granted to new clients
- Quality of portfolio:
  - Majority of loans 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 (Risk and Capital Management 2015)
  - 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
- 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

New home loan products



Jyske Bank home loan portfolio by product type



Why are we successful in attracting customers?

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- Our customers can choose between two different product types:
  - Transparent traditional mortgage products in BRFkredit
  - Clear and simple new products in Jyske Bank
  - The customers are given the choice and they use it
- The Group has competitive prices (margins)
  - BRFkredit has always been among the mortgage institutions with the lowest margins to attract new customers from other banks and mortgage institutions
  - Jyske Bank is ”Best in test” in the magazine TÆNK in August 2015 and October 2016
- The profitability in an increasing portfolio at the current margins depends on the ability to use the advantages of scale in the mortgage market

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.

Profitable growth

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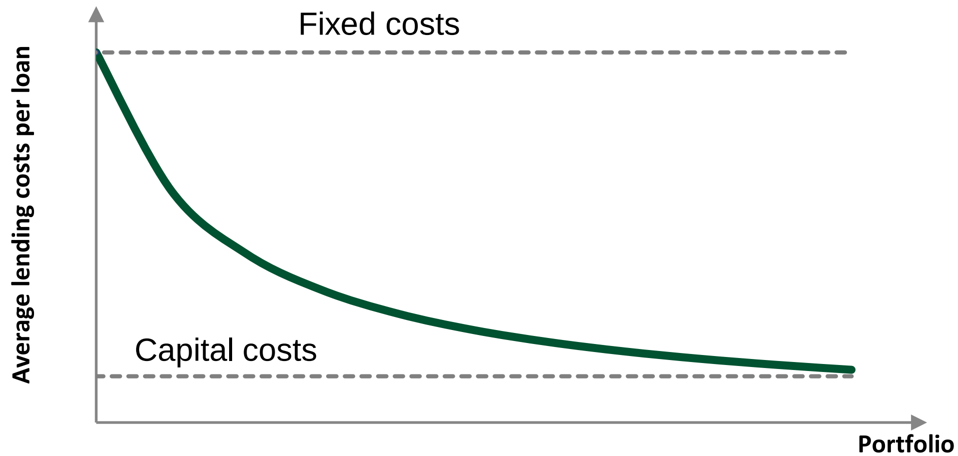
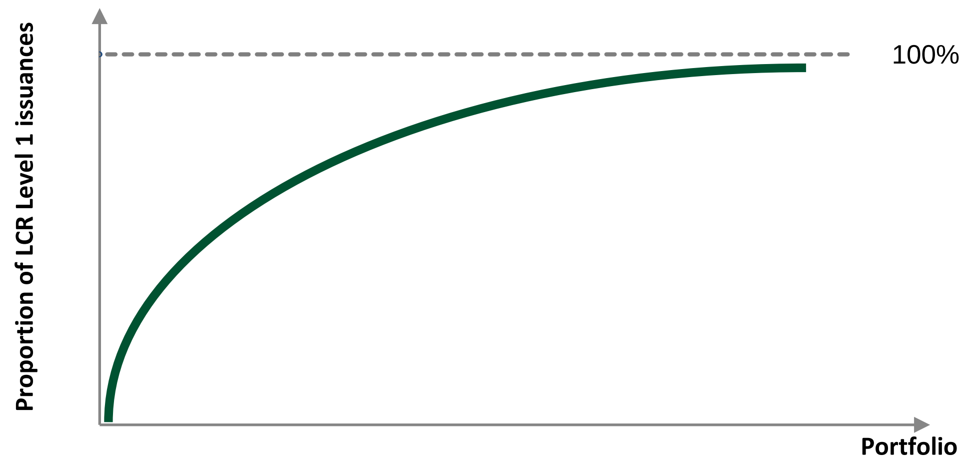
- Jyske Bank home loans are profitable on a stand-alone basis as:
  - Growth in the lending portfolio drives average costs down towards capital costs
  - Capital requirements are relatively low due to residential clients with low probability of default and LTV < 80

- 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





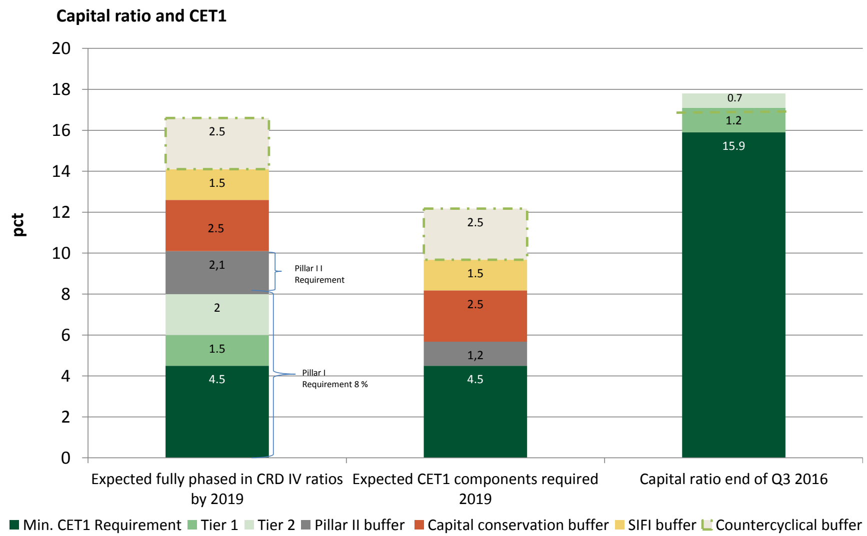
Capital

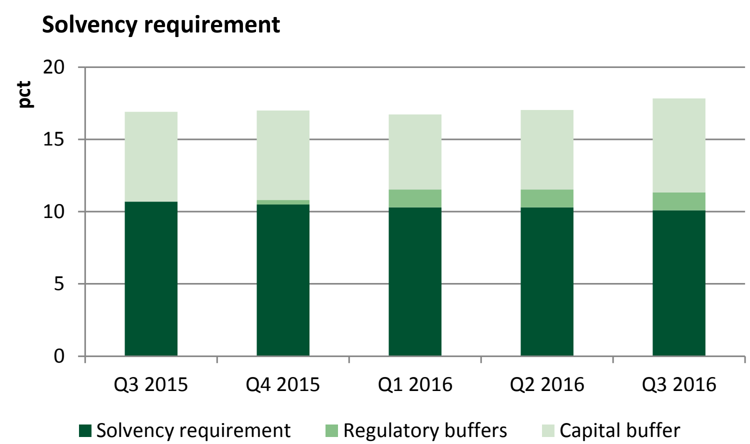
Strong capital position

- 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

- 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 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

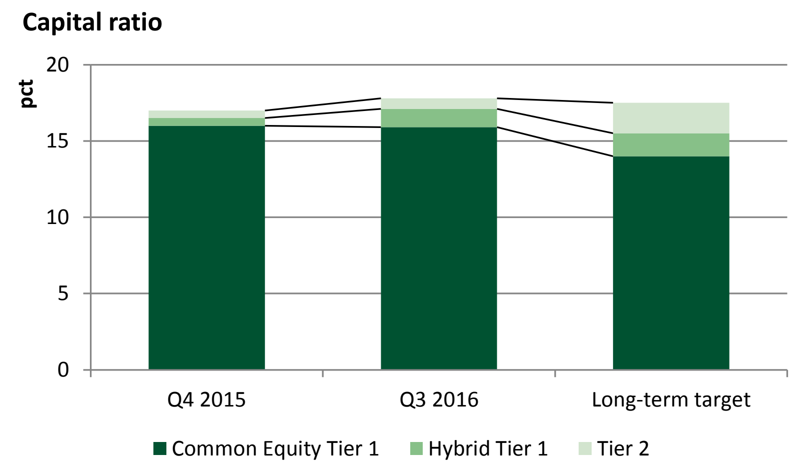
- Capital ratio 17.8% and CET1 ratio 15.9% end of Q3 2016 vs. long-term targets of 17.5% and 14% (based on fully implemented CRD IV requirements as per 2020)

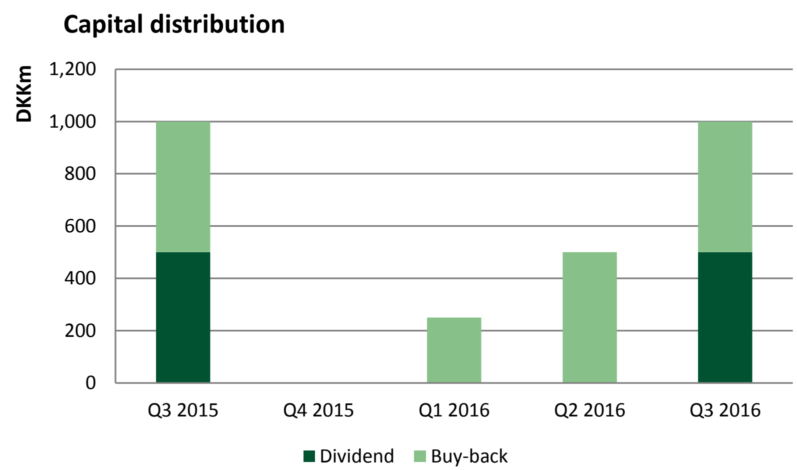
- Gradual capital adjustment towards targets initiated in Q3 2015
  – Majority of adjustment expected to be completed in the course of 2016-2017

- 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





Credit Quality

Net reversals exclusive of agriculture

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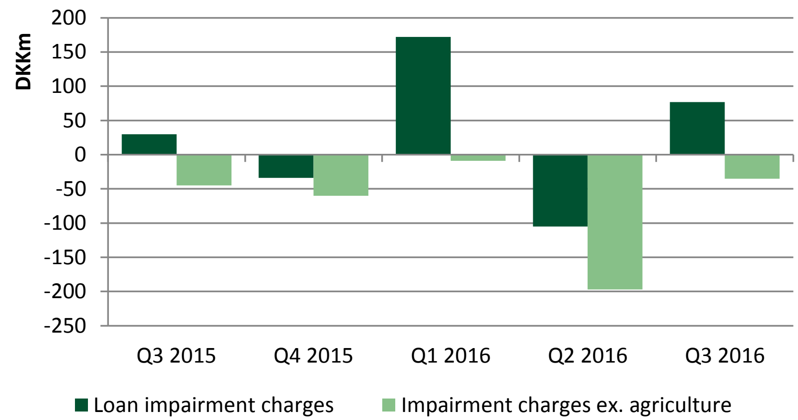
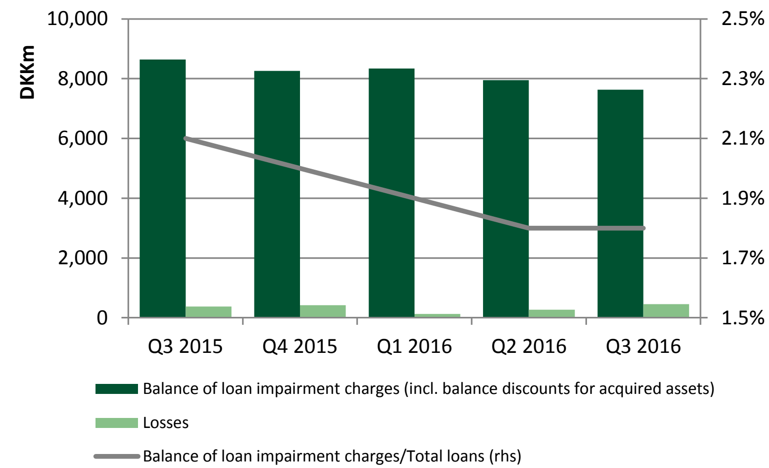
- Impairment charges under core profit in the amount of DKK 77m of which DKK 112m relate to agriculture
- End of Q3 total balance of management's estimate of DKK 547m, of which DKK 295m relate to agriculture
- Impairment ratios (under core profit):
  - Impairment ratio for Q3 2bp
  - Below normalized 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

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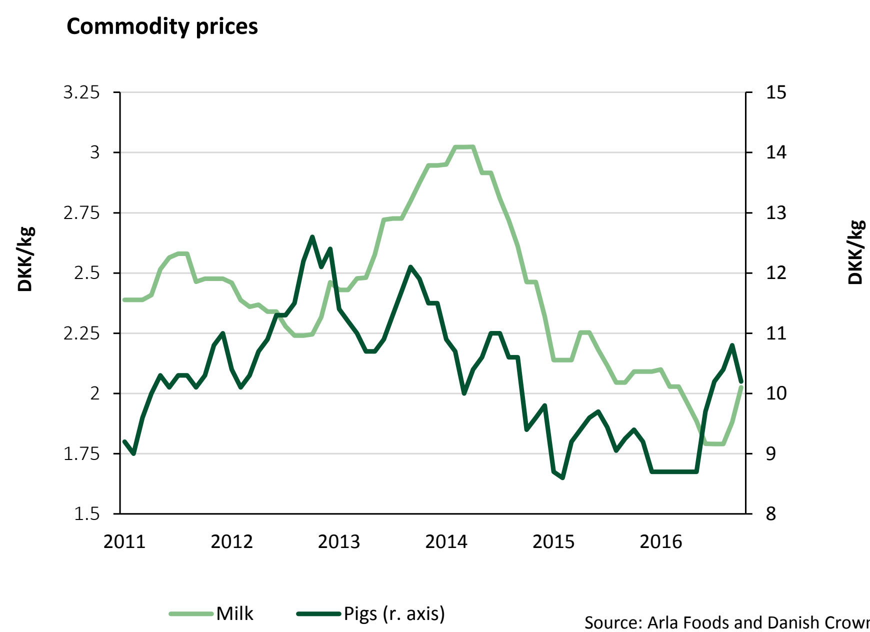
- Exposure to dairy and pig farmers accounts for less than 1% of the Group's loans and guarantees
- Impairment ratio for dairy farmers 45% end of Q3 - up from 38% end of Q4 2015 whereas impairment ratio for pig farmers decreases from 31% to 27% in the same period

	Loans, advances and guarantees		Balance of loan impairment charges		Impairment ratio	
DKKm/%	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



Source: Arla Foods and Danish Crown

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