Jyske Bank
SEB Kick-Off Seminar

6 January 2021

Themes

Resilient financial performance; guidance equals original expectations less COVID-19 buffer

Well-prepared for COVID-19 outbreak with all-time strong credit quality and intact buffer

Ongoing cost focus intensified – aiming for a decline in core expenses

Several deposit repricing initiatives introduced

Ample liquidity and capital ensuring a high payout capacity

Recovery to be challenged by resurgence of COVID-19

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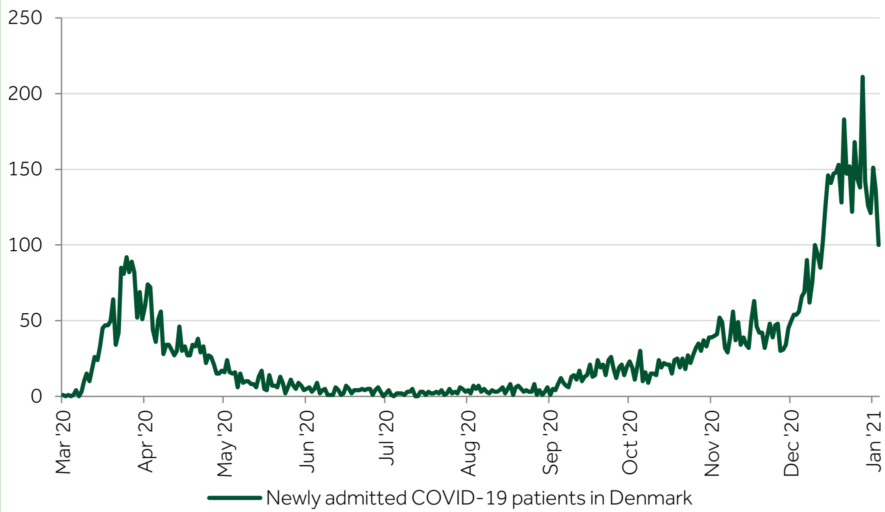
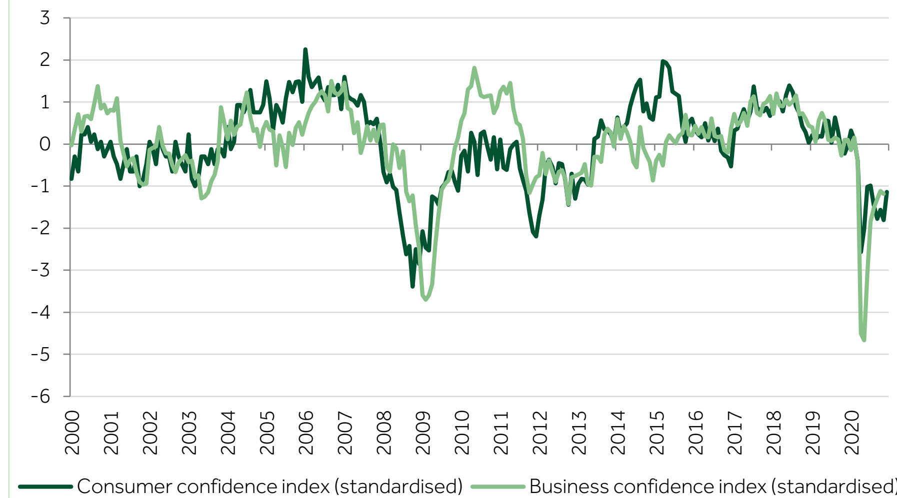
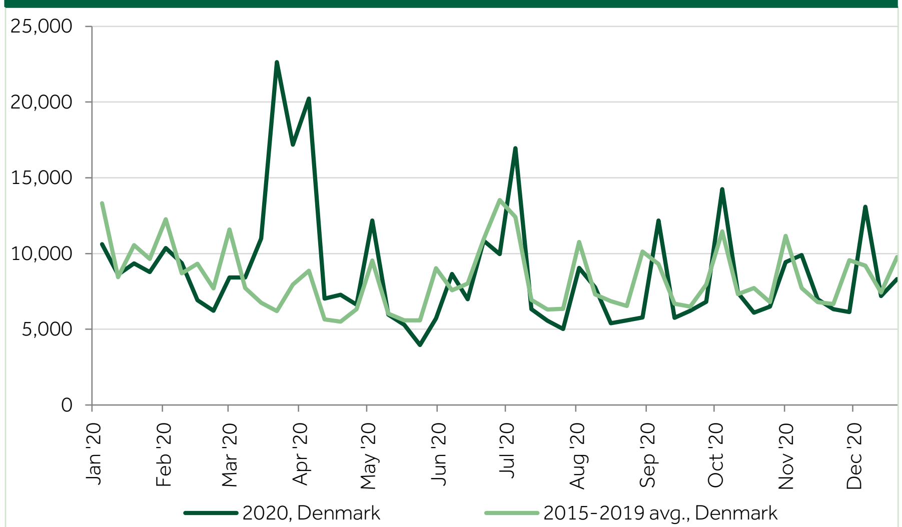
Recent resurgence of newly admitted patients with COVID-19



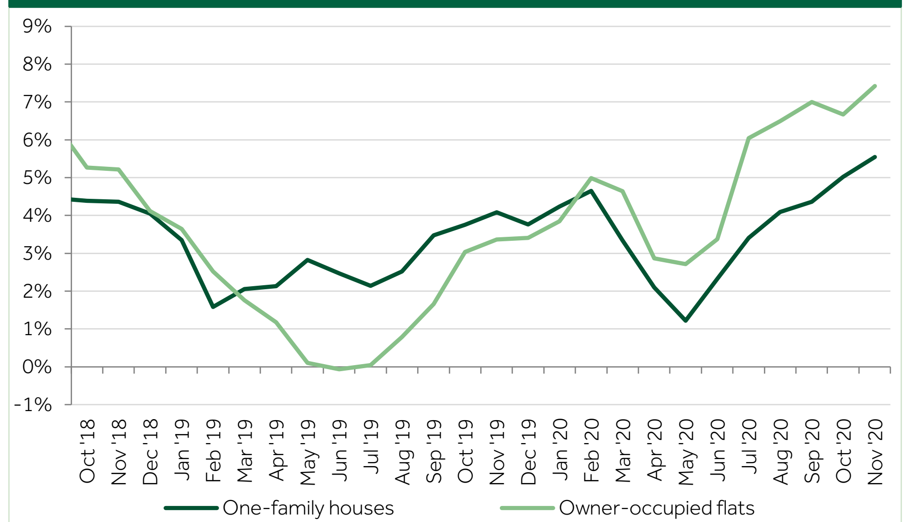
Danish consumer and business confidence remain subdued



COVID-19 induced initial surge in unemployment claims



High activity levels and resilient real estate prices (y/y)



Source: Statens Serum Institut, Statistics Denmark, Boligsiden.

Business volumes

79% mortgage lending share improves resilience and growth

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Mortgage lending is low risk, high growth, more stable margins

Mortgage lending has ~10x lower cost of risk than bank lending

- Cost of risk has averaged 5bp for mortgage credit institutions vs. 51bp for banks since 2000, peaking in 2009 at 20bp and 224bp, respectively.

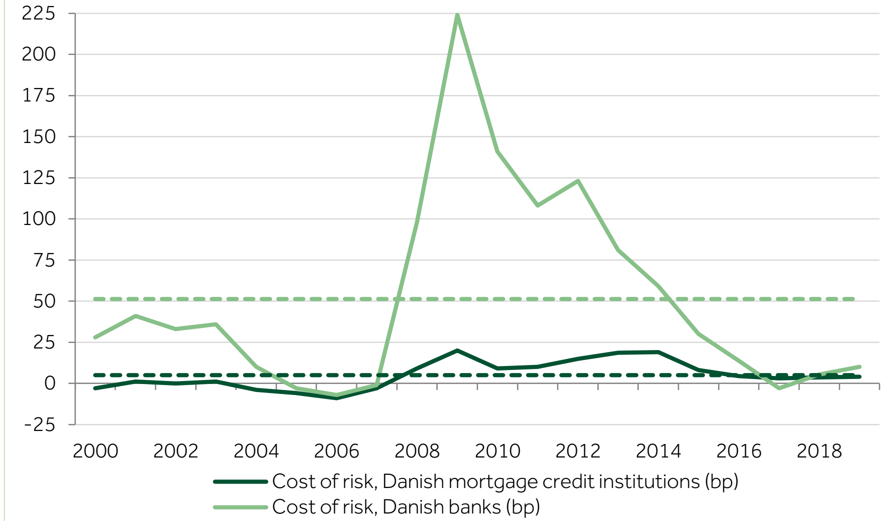
Growth is resilient during times of financial distress and structurally higher

- Mortgage lending growth remained positive during the financial crisis and has averaged 4.7% p.a. since 2004 vs. 2.5% p.a. for bank lending.

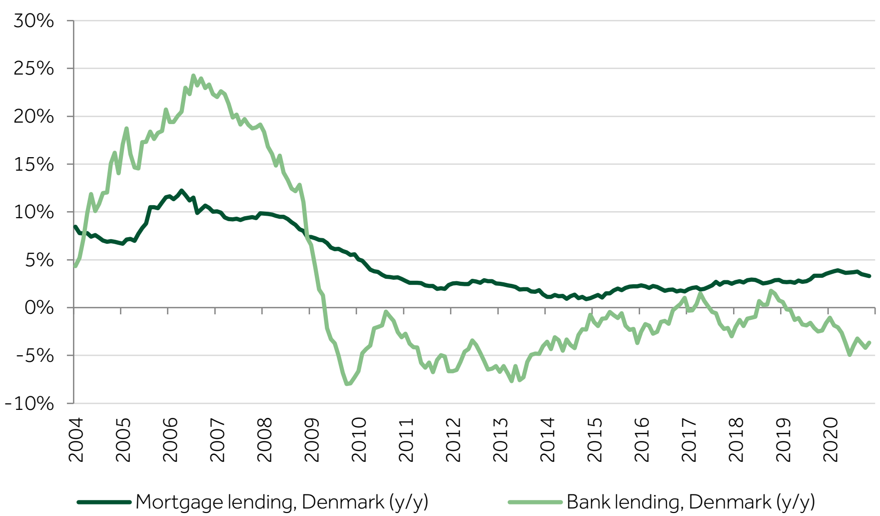
Mortgage lending supports a more stable margin development

- Due to a more consolidated competitive environment and full pass-through of interest rates, administration margins have risen 59% since 2003, whereas banks' net interest margins have deteriorated 42%.

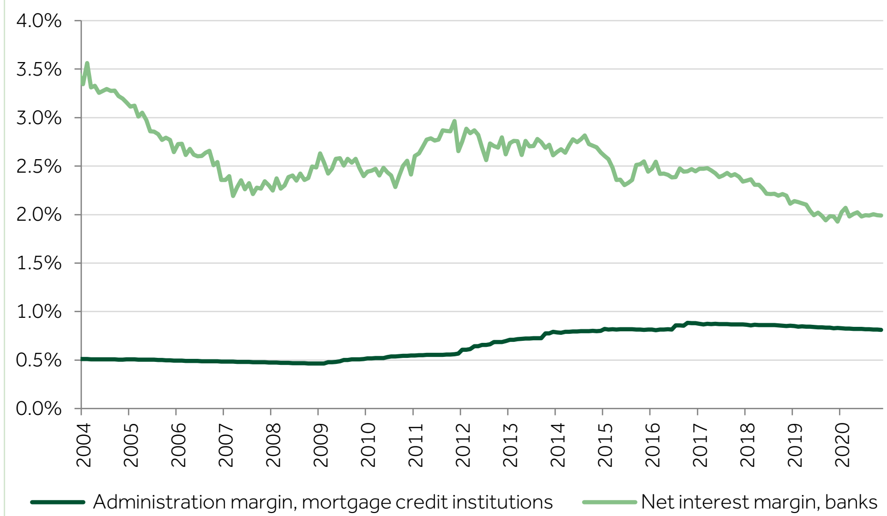
Credit quality of mortgage lending significantly stronger (bp)



Mortgage lending growth stayed positive during the last crisis



Administration margins are unaffected by falling interest rates



Sources: Statistics Denmark, Danish FSA. Note: Growth rates are based on lending to non-financial corporations and households.

Wide-ranging government initiatives underpin clients' liquidity

Comments

Broad compensation schemes largely ended in August 2020 but was reinitiated in December and constitute an accumulated DKK 27bn so far.

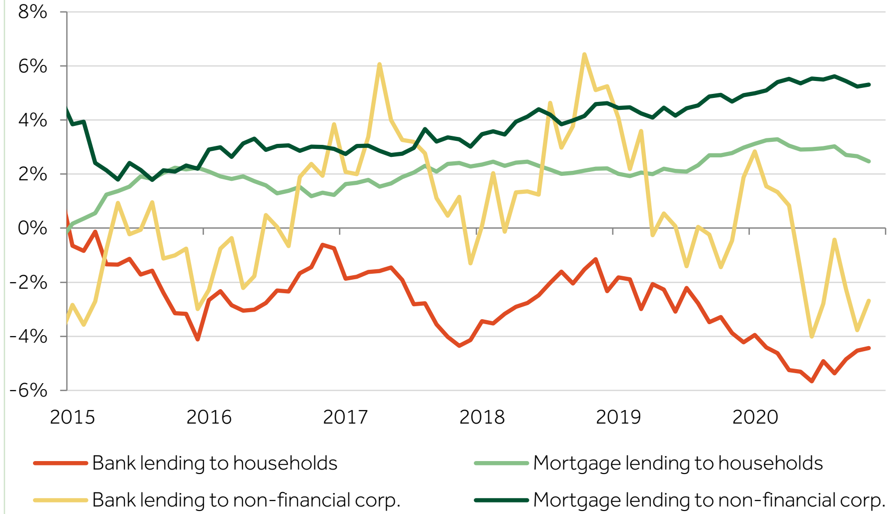
- Commerce, hotels and restaurants and transport have received 51% of COVID-19 compensation. The sectors make up approximately 4% of Danish sector lending.
- Approximately 283,000 workers have at some point been covered by salary compensation scheme.

Postponed taxes and VAT of potentially DKK >100bn to be paid in 2021.

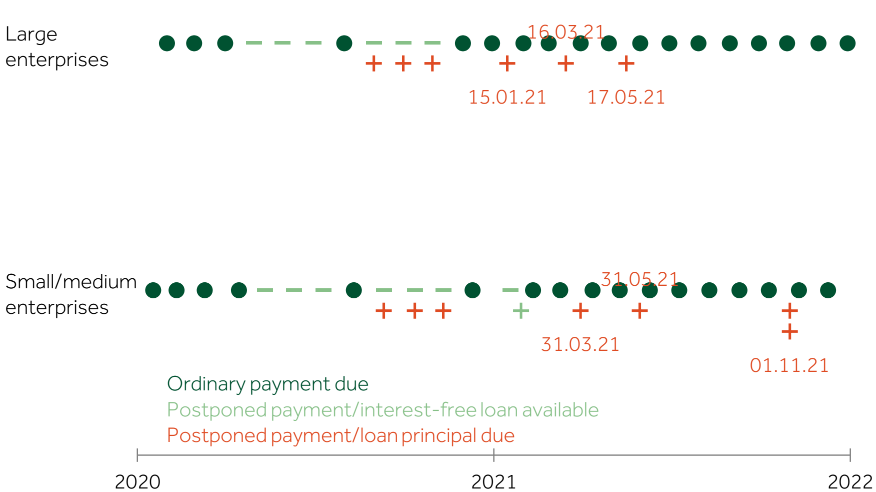
- Postponed VAT of DKK ~50bn to be paid by double payments due in September 2020 and March 2021. Interest-free loans due in November 2021.
- Postponed taxes etc. of up to DKK 74bn to be paid with double payments due in March and May 2021. Interest-free loans due in November 2021.

Holiday allowance of DKK 31bn (net) paid out in Oct.-Nov., DKK ~20bn in Mar. 2021.

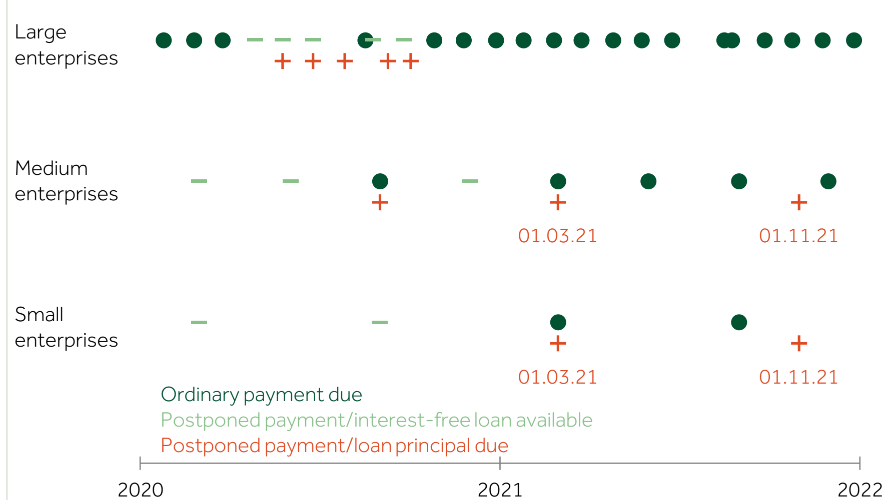
Danish bank lending growth under pressure (y/y)



Payments of postponed taxes due in 2021



Payments of postponed VAT due in 2021



Credit quality

Credit quality remains solid with NPL ratio at all-time low

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Comments

Impairment charges down DKK 56m q/q to DKK -48m

- Cost of risk down 5bp q/q to -4bp in Q3 2020 due to a continued positive development in clients' credit quality and despite a higher management's estimate.

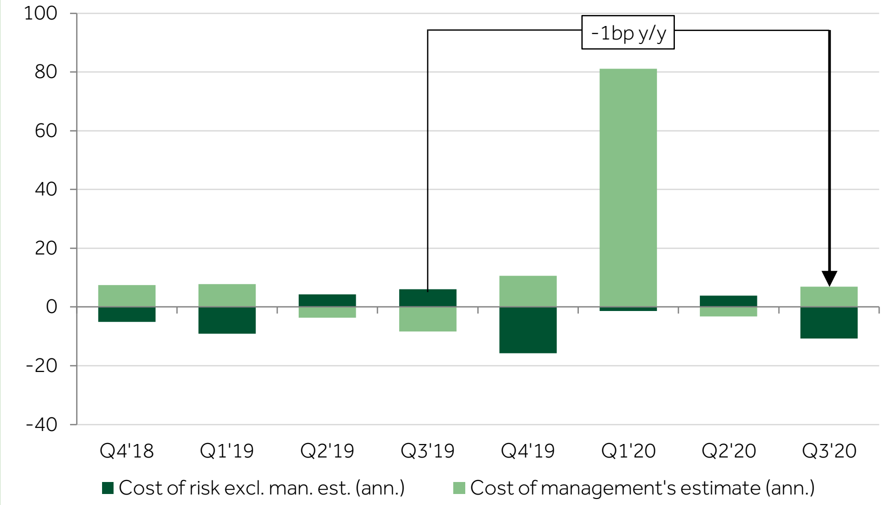
Balance of impairment charges up 9bp y/y to 1.1% in Q3 2020

- The balance of impairment charges is 0.5% for mortgage activities and 3.7% (excl. repo) for banking and leasing activities.
- Total management's estimate of DKK 1,656m up DKK 87m q/q.
    - DKK 1,045m related to the COVID-19 outbreak, with DKK 415m allocated to mortgage activities, DKK 575m to banking and DKK 55m to leasing activities.

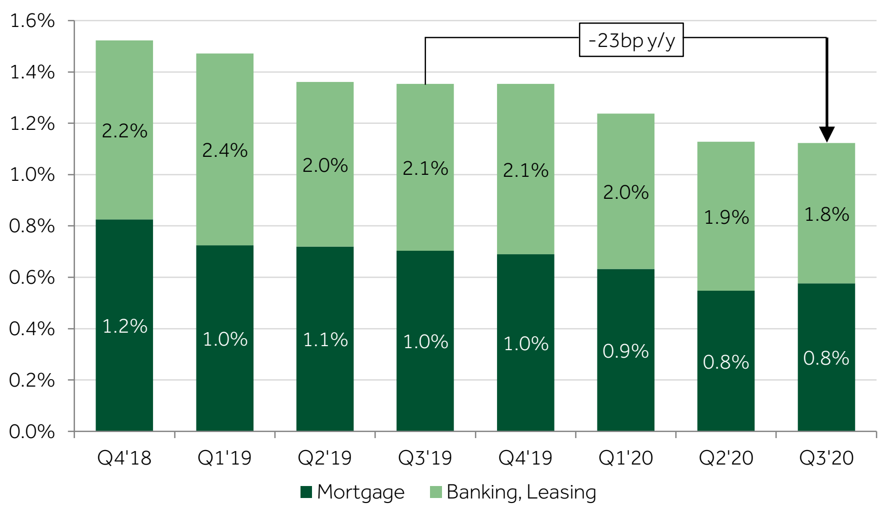
Non-performing loans declined 23bp y/y to a record low of 1.1%,

- Loans subject to forbearance measures amounted to 1.7% vs. 2.0% end-2019.
- 90-day mortgage arrears for private and corporate clients 18bp and 17bp, respectively, vs. 20bp and 9bp in Q4 2019.

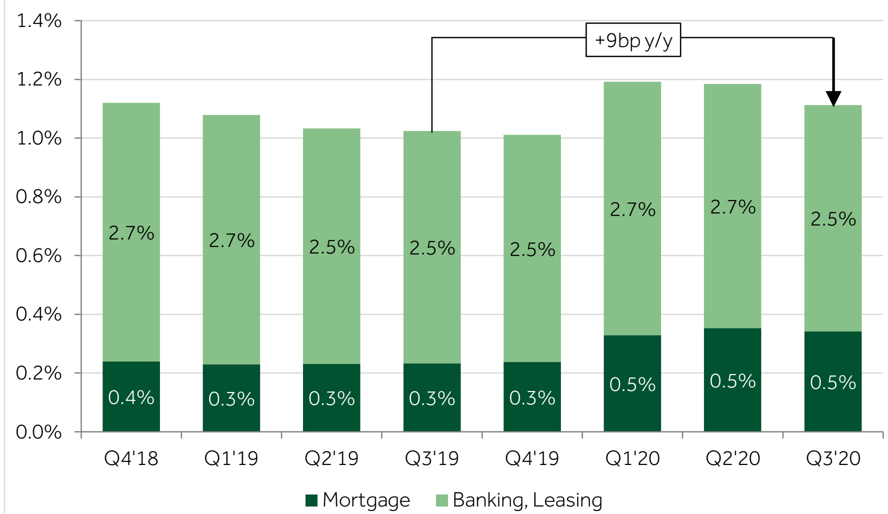
Cost of risk (bp)



Non-performing loans as % of loans, advances and guarantees



Impairment charges as % of gross loans, adv. and guarantees



Cost and repricing initiatives

From above-market growth to repricing and cost initiatives

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Introducing profitability initiatives in next phase of strategy

Repatriation of Totalkredit loans following merger in 2014 fully accomplished

- Following a prolonged period of above-market growth, the repatriation of Totalkredit loans has been fully accomplished. Coincidentally, a precautionary credit policy, implemented due to a late-stage credit cycle, also reduced growth.

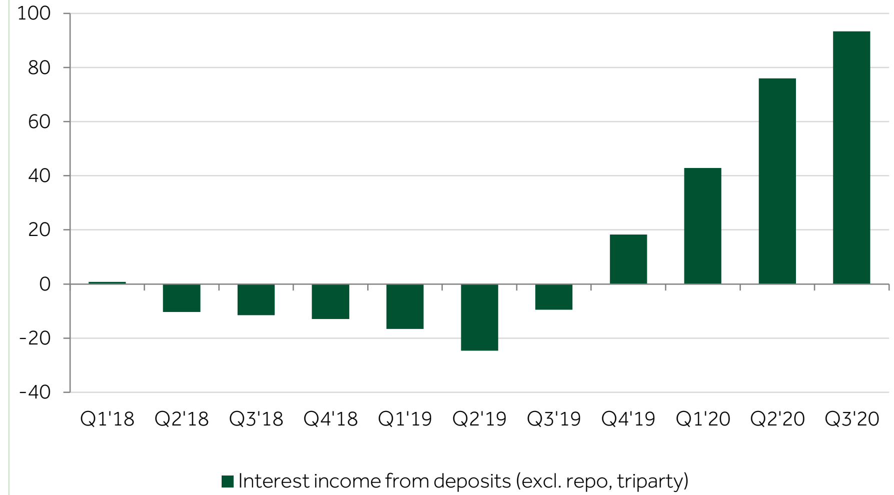
Significant repricing initiatives to improve profitability following growth period

- Jyske Bank has successfully introduced negative deposit rates for private clients' deposits and lowered deposit rates for corporate clients, while also making changes to the fee structure in order to support fee income and productivity.

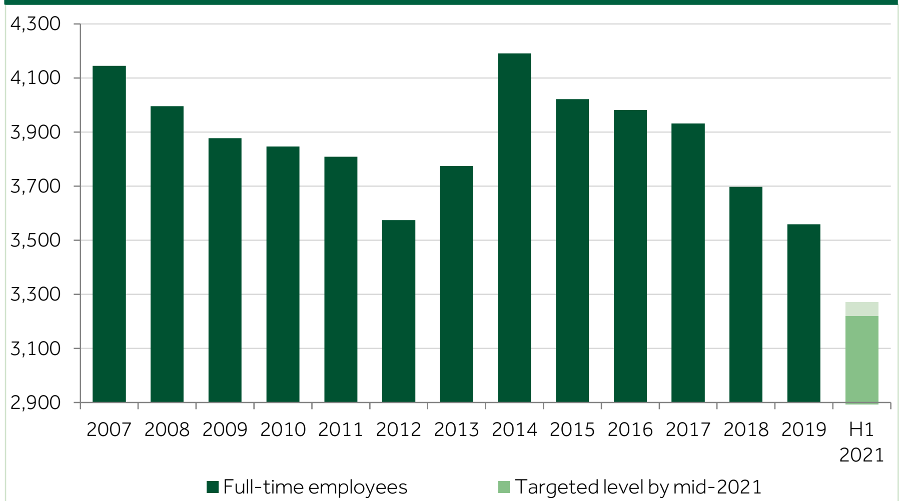
Branch network to be reduced amid elevated pace of headcount reduction

- Branches will be brought down by approximately 20% and FTEs will be reduced by a further 4-6% from Q2 2020 to mid-2021, given higher demand for digital banking services and normalization of market share of branches following period of above-market growth.

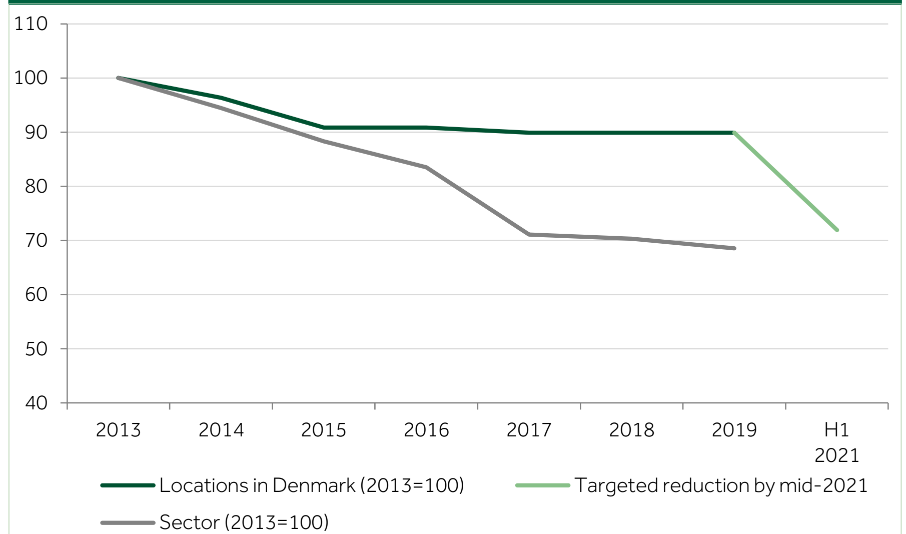
Lower deposit rates increase net interest income (DKKm)



Reduction of headcount has accelerated since 2017



Branch network under structural pressure from digital banking



Source: Company data, FinansDanmark.

Intensified cost focus helped reduce expenses 9% y/y in Q3

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Comments

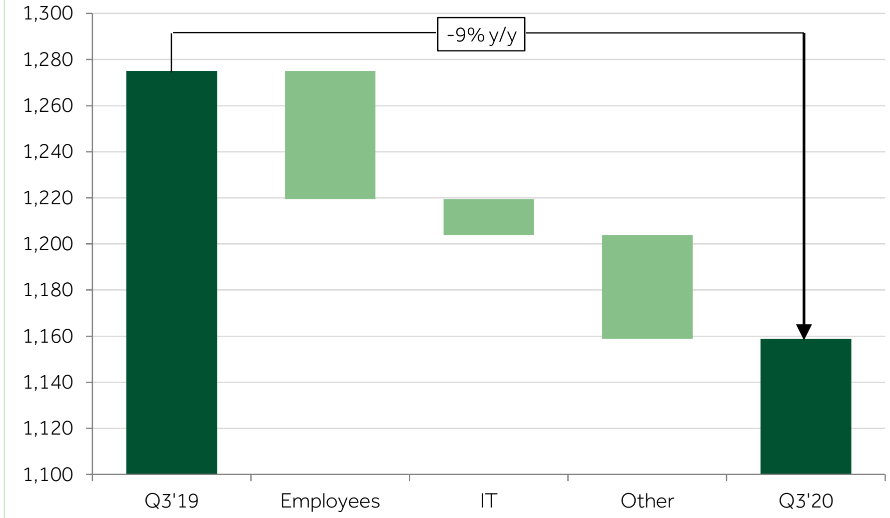
Q3 2020 vs. Q3 2019: Expenses down 9% y/y

- Number of full-time employees declined 8%, which outweighed the yearly increase in salaries prescribed by collective agreement (+2%) and higher payroll tax (15.2% in 2020 vs. 15.0% in 2019).
- Sale of Jyske Bank (Gibraltar) lowered expenses by 2% compared with Q3 2019.
- Broad-based reduction of operating expenses due to intensified cost focus.
- The COVID-19 outbreak reduced expenses for travelling etc.

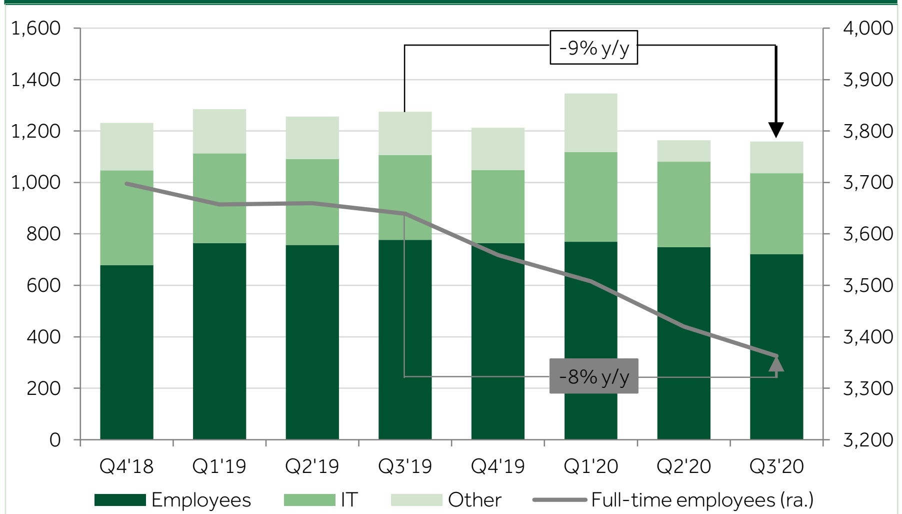
Q3 2020 vs. Q2 2020: Expenses close to unchanged q/q

- The number of FTE's decreased by 57 q/q and will be reduced by a further 100-150 by mid-2021.
- IT expenses decreased compared with the preceding quarter due to seasonality.
- Other expenses increased compared to Q2, primarily due to seasonality.

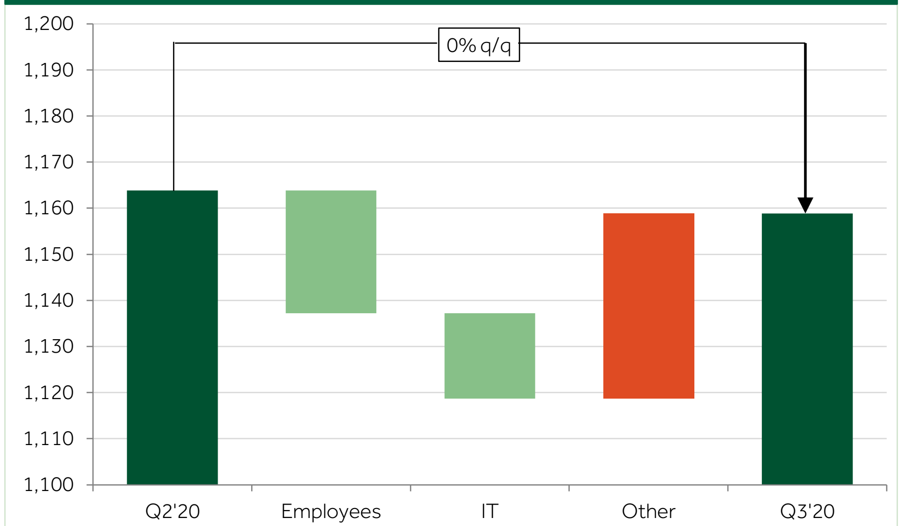
Expenses Q3 2019 vs. Q3 2020 (DKKm)



Core expenses (DKKm) and full-time employees



Expenses Q2 2020 vs. Q3 2020 (DKKm)



Capital

Significant capacity for capital distribution

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Comments

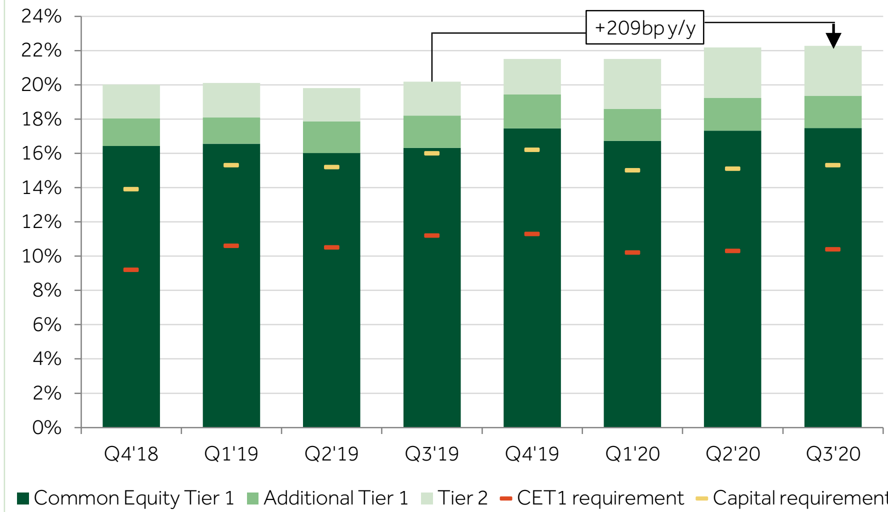
Record-setting capital ratio of 22.3% and CET1 ratio of 17.5% at end-Q3 2020

- Targeting 20%-22% capital ratio and 15%-17% CET1 ratio for the next 2-3 years.
- Total capital requirement of 15.3% and CET1 requirement of 10.4% in Q3 2020. Total capital buffer of 7.0pp (DKK 12.8bn) and MDA CET1 buffer of 9.0pp.

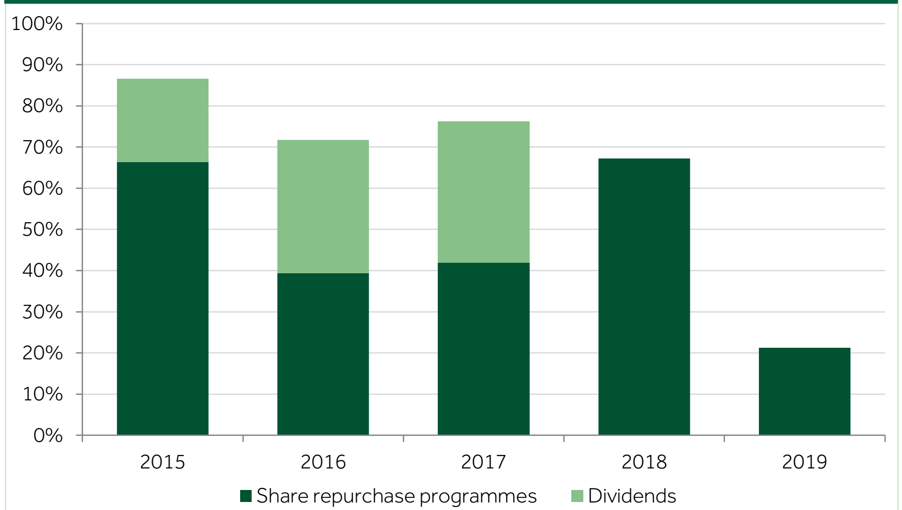
Potential for capital distribution is assessed on a quarterly basis

- DKK 412m of latest share repurchase programme cancelled in light of the COVID-19 outbreak.
- The Supervisory Board of Jyske Bank expects to restart the capital distribution policy in 2021, provided the economic outlook does not deteriorate significantly.
- Buffer related to stress test and upcoming legislation approx. fully financed, leaving significant payout capacity from accrued earnings going forward.
- Total payout ratio of approx. 70% in recent years prior to COVID-19.

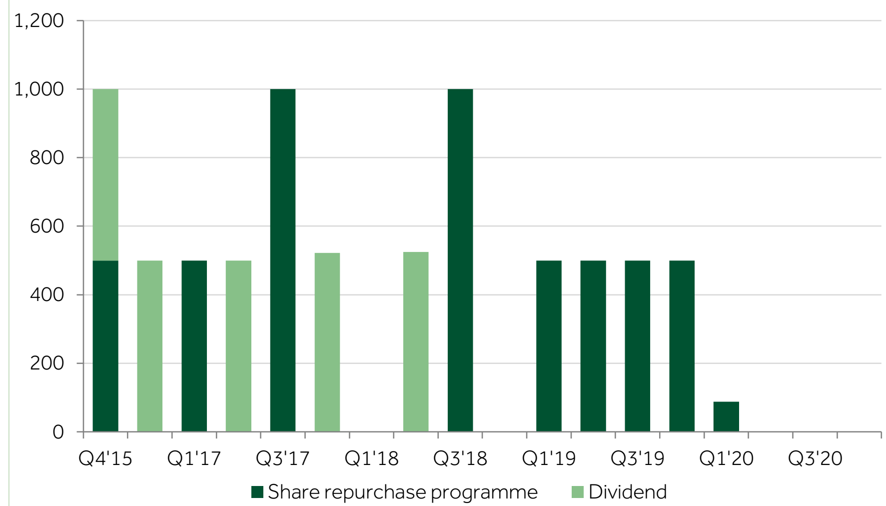
Capital ratios and capital requirements



Total payout ratio



Capital distribution by time of announcement (DKKm)



Note: Payout ratio is based on paid out dividends and conducted share repurchases in subsequent calendar year.

Sustainability

Sustainability is ingrained in Jyske Bank's vision

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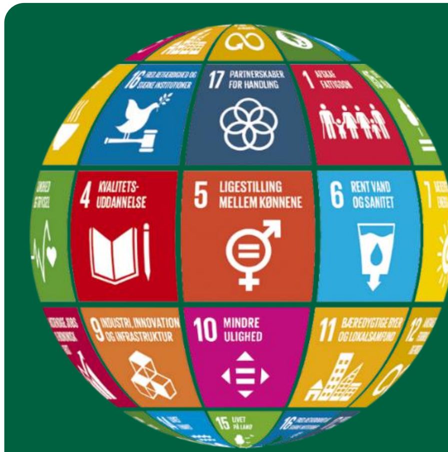

"At Jyske Bank we are highly aware of the important role we as a financial institution play in realising the UN's sustainable development goals. By joining the UN's principles we want to contribute to and facilitate the sustainable growth our society requires."

- Anders Dam, CEO of Jyske Bank

"We have an ambition of running our business responsibly and in a way that promotes sustainability."

- Jyske Banks aims to act responsibly and promote sustainability as expressed in UN's 17 sustainable development goals with a focus on both direct and indirect impacts due to our business activities.
- Jyske Bank is a signatory of UN's Principles for Responsible Banking and committed to the 20 recommendations developed by Forum for Sustainable Finance.

Highlights from Jyske Bank's sustainability efforts

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Jyske Bank will finance production of additional 2 TWh renewable power in 2025 corresponding to 6% of the production in Denmark in 2018 by supporting development of wind and solar energy.

Jyske Bank will develop products that assist and motivate clients to undertake energy renovation of their properties. In 2020, Jyske Bank launched energy loans and a CO_2 emission calculator.

In 2025, 40% of new vehicles loans will finance low-emission vehicles in order to reduce financed greenhouse gas emissions.

Jyske Bank offers equity funds focusing on a sustainable development, thus simplifying sustainable investment for our clients.

Jyske Bank has acquired a wind turbine, thereby achieving carbon-neutral electricity consumption, incl. the bank's share of consumption by IT vendors, by means of its own production of renewable energy.

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Identifying negative and positive areas of impact on the SDG's

Principles for Responsible Banking as framework for work on sustainability: In the autumn of 2019 - as one of 130 founding signatories - Jyske Bank signed the 'UN Principles for Responsible Banking" (PRB).

Identifying impact areas: An impact analysis identifies the most significant areas that are challenged in relation to the UN's 17 Sustainable Development Goals on the basis of the current business model and structure ("negative impacts") and similarly the areas of activity that support sustainability ("positive impacts").

Quantification of impacts provides guideline for future efforts:

- Jyske Bank has identified climate as the most relevant impact area and estimated the CO_2e emission for lending and investing activities.
- The estimates are a guideline for the further efforts to identify possibilities of reducing negative impacts and enhancing positive impacts.

Climate impact mainly stems from financed emissions

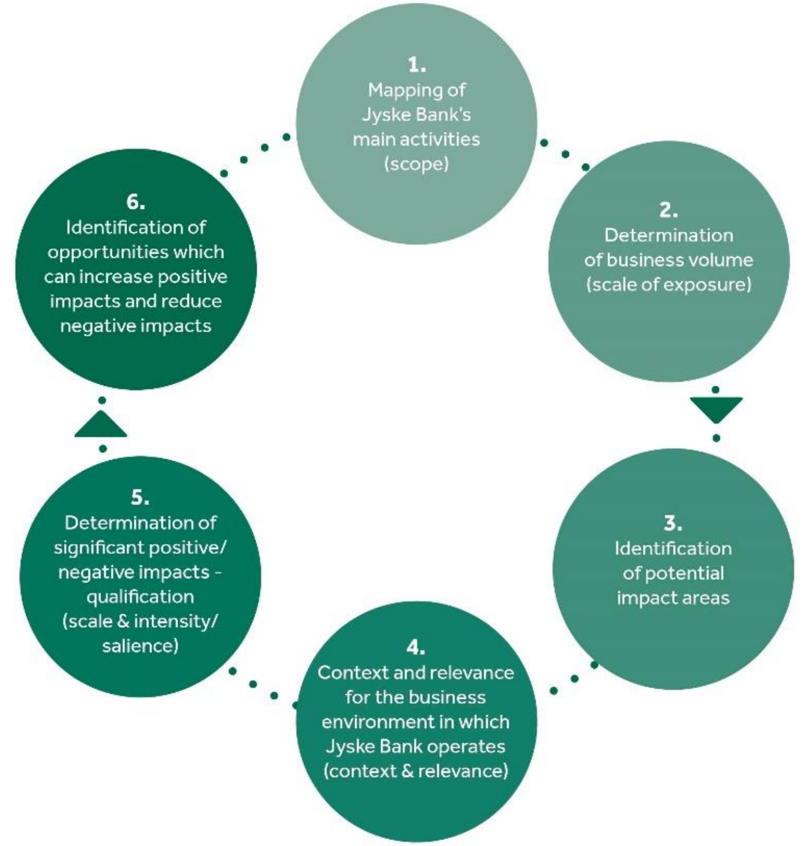
CO_2e emission of 2.7m tonnes: 59% relate to loans and 41% to investments

- Corporate loans account for 41%, mainly caused by the transport industry.
- Loans for personal clients account for 18%, almost equally distributed on home loans and car loans.
- Asset mgmt. on behalf of clients accounts for 34%, mainly due to equity holdings in CO_2e intensive sectors like utilities, materials and energy.

Next step: Reduce negative/increase positive impact and establish targets

- Focus on bringing the impact analysis and the ensuing CO_2e estimates into play as a basis of decision for the business units.
- Launching products that support sustainability, having launched sustainable investment products, loans for energy improvements of homes as well as car loans/leases with price differentiation according to energy rating.

Impact analysis method



Breakdown of Jyske Bank's indirect CO2e emission

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