

Jyske Bank

First to third quarter 2013



Agenda

- Jyske Bank in brief
- Macro Economy & Danish Banking 2013-2015
- Focus in Q1-Q3 2013
- Strategic Issues
- Jyske Banks Performance 1968-2013
- Volumes
- Capital Structure
- Liquidity
- Q1-Q3 in figures
- Credit Quality
- Danish FSA
- Fact Book



Jyske Bank in brief



Jyske Bank in brief



Jyske Bank focuses on core business

Description

- Established and listed in 1967
- 2nd largest Danish bank by lending
- Total lending of approx. DKK 129bn
- 104 domestic branches
- Approx. 675,000 domestic customers
- Business focus is on Danish private individuals, SMEs and international private and institutional investment clients
- International units in Hamburg, Zürich, Gibraltar, Cannes and Weert
- A de-centralised organisation
- 3,808 employees (end of Q3 2013)
- Full-scale bank with core operations within retail and commercial banking, customer driven trading, asset management and private banking
- Flexible business model using strategic partnerships within life insurance (PFA), mortgage products (Nykredit, DLR, BRF), credit cards (SEB), IT operations (JN Data) and IT R&D (Bankdata)

Branch Network



Jyske Bank in brief



Jyske Bank has a differentiation strategy

"Jyske Differences"

- Jyske Bank wants to be Denmark's most customer-oriented bank by providing high standard personal financial advice and taking a genuine interest in customers
- The strategy is to position Jyske Bank as a visible and distinct alternative to more traditional providers of financial services, with regard to distribution channels, products, branches, layout and communication forms
- Equal treatment and long term relationships with stakeholders
- Core values driven by common sense
- Strategic initiatives:

Valuebased management

Differentiation

Risk management

Efficiency improvement

Acquisitions

1990

1996

2002

2006 (Q4)

2011/2012



Macro Economy & Danish Banking 2013

The Danish economy at a glance



Equal disposable incomes
OECD-ranking lowest Gini coefficient (2011)
2. Denmark
15. Germany
31. USA

A welfare state
Total tax revenue as % of GDP (2011)
Denmark 48.1 % (Highest in the OECD)
Germany 37.1 %
USA 25.1 %



The basics
Citizens: 5.6 million
Area: 43.098 sq km (0.4 % of USA)
Currency: Kroner (fixed exchange rate policy to the euro)

Among the rich
Denmark 9th richest country in the OECD
OECD-ranking, GDP (PPP) per capita (2012)

Flexible labour market
Unemployment (latest)
Denmark 6.6 %
Euro Area 12.0 %
USA 7.3 %

Open to the world
Exports as % of GDP (2012)
Denmark 54.4 %
Germany 51.9 %
USA 13.5 %

From goods to services
Production, value added (USA)

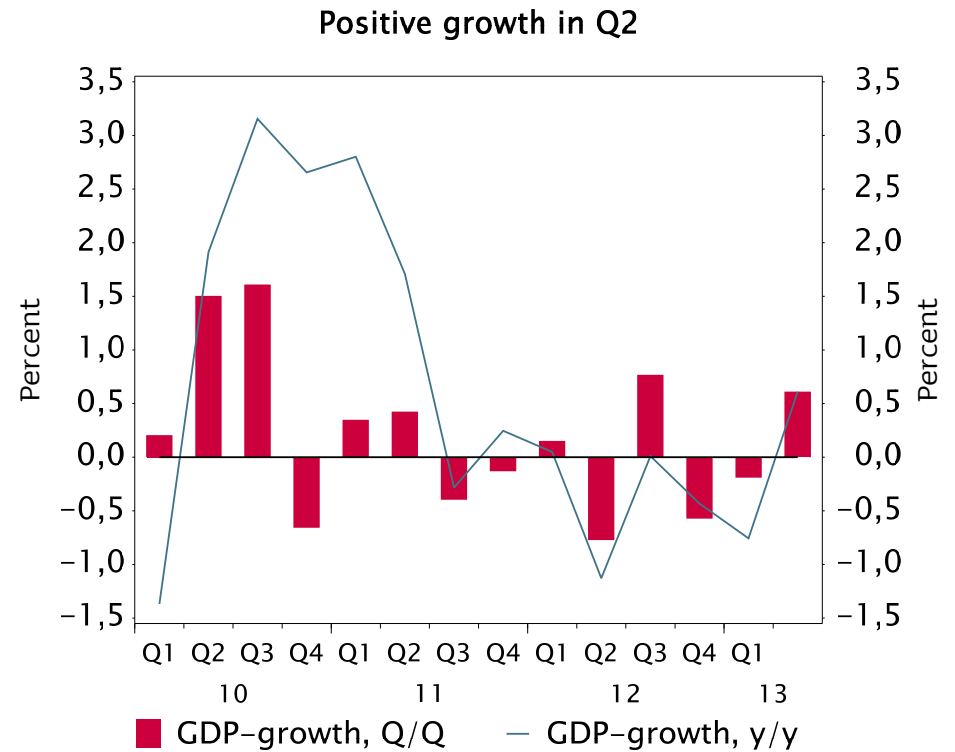
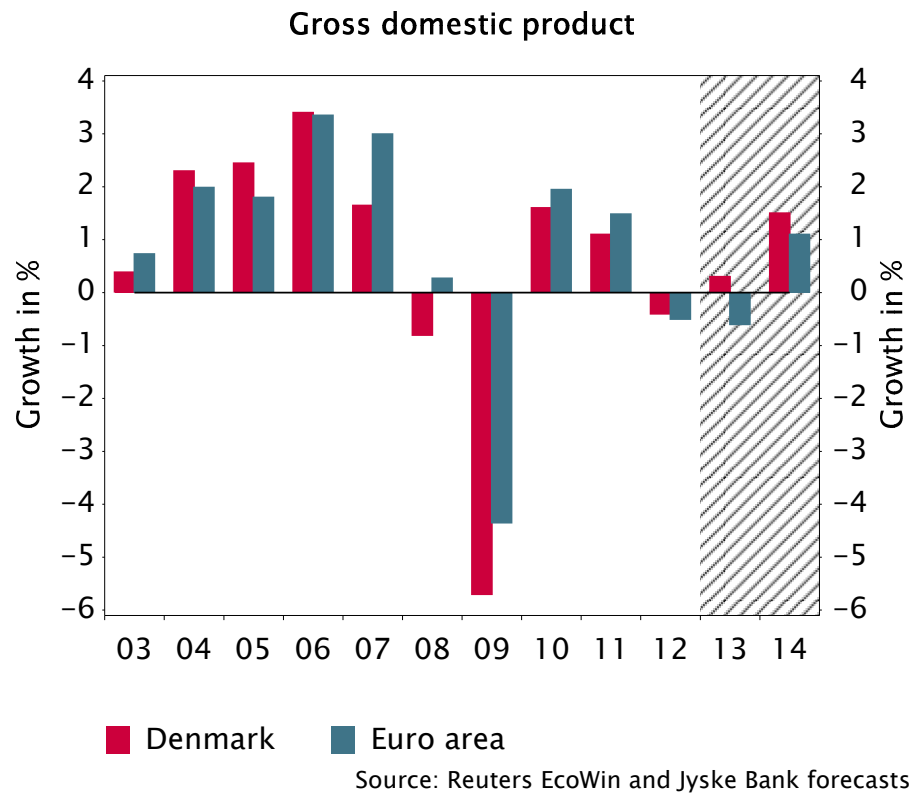
Agriculture	1 % (1 %)
Food products	2 % (1 %)
Oil and gas	4% (1%)
Manufacturing	11 % (11 %)
Services etc.	83 % (86 %)



The Danish economy: Slowly coming out of recession

Denmark is a small open economy → affected by the slow down in the EURO area

...but also in Denmark growth turned positive in Q2



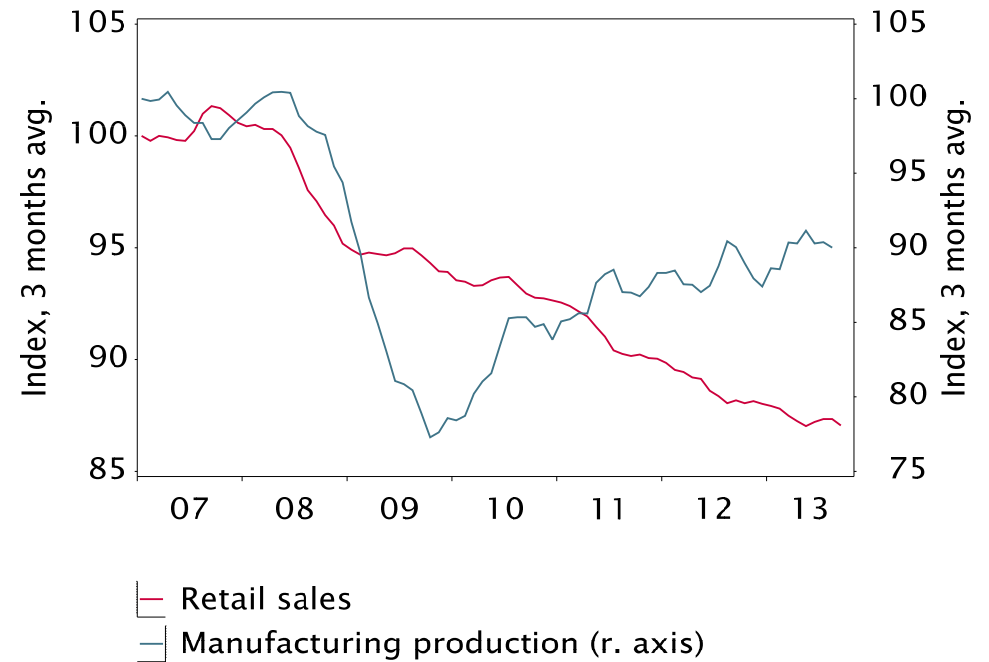
Sentiment shows improvement, and some of the hard figures look somewhat better

Consumer confidence



Source: Reuters Ecowin

Retail sales and manufacturing

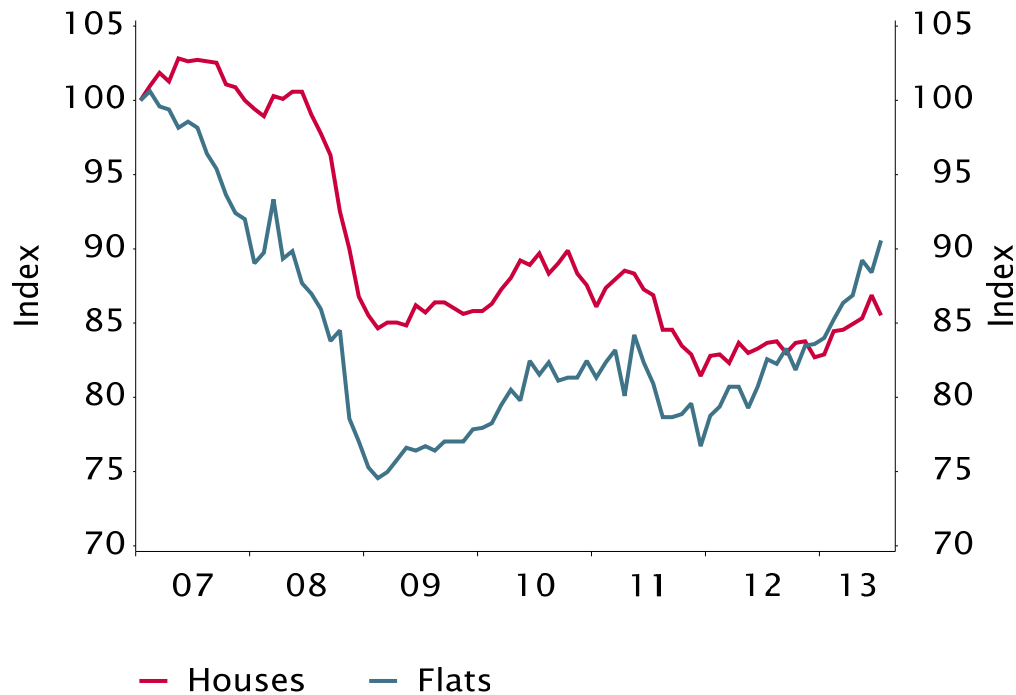


Source: Reuters EcoWin

...and house prices are rising.

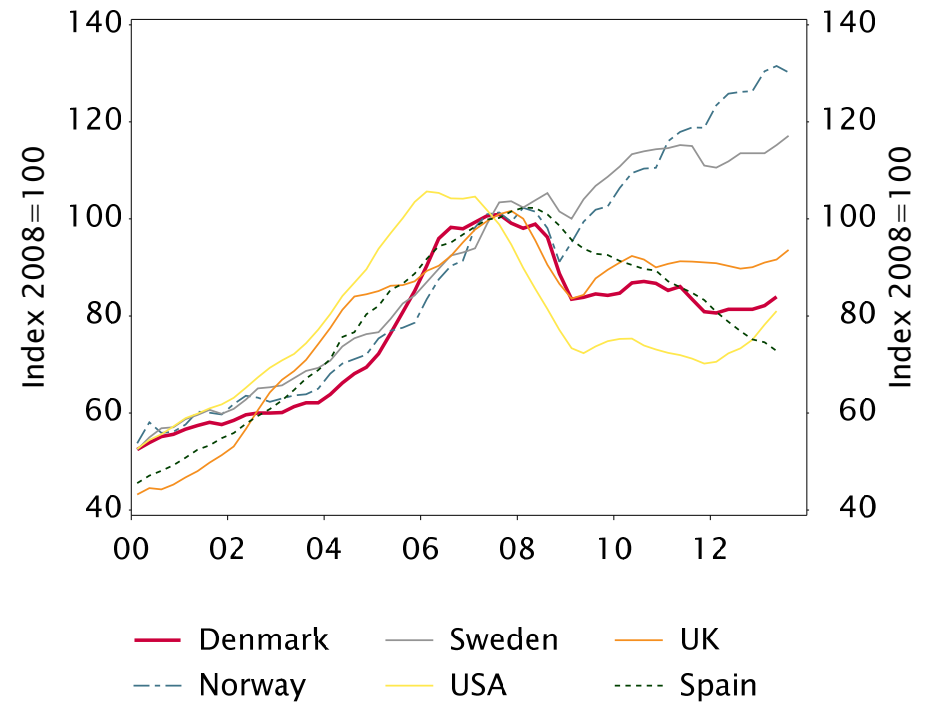
House prices are up 3.5 % this year and prices on flats are up 18 % since the beginning of 2012

Prices on dwellings



Source: Danmarks Statistik

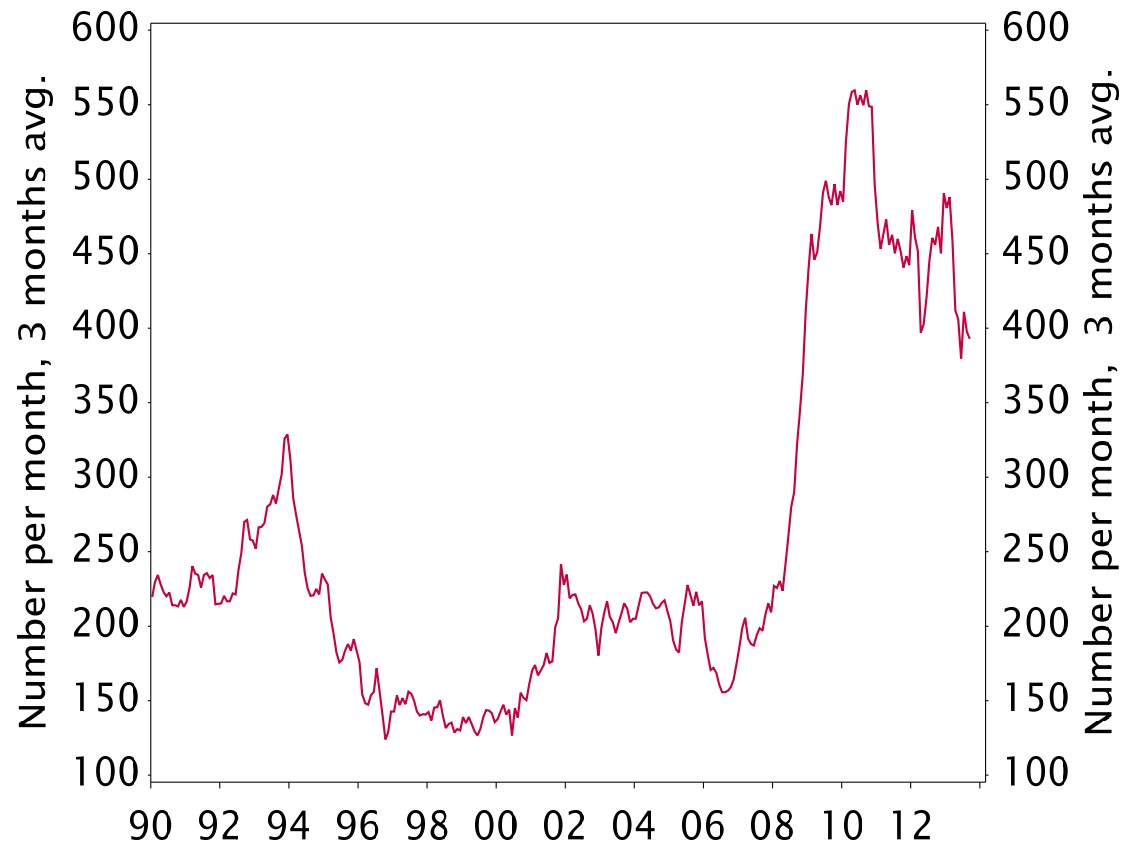
House Prices



Source: Reuters EcoWin

The SME sector has suffered,
but improvement is visible now

Business sector bankruptcies

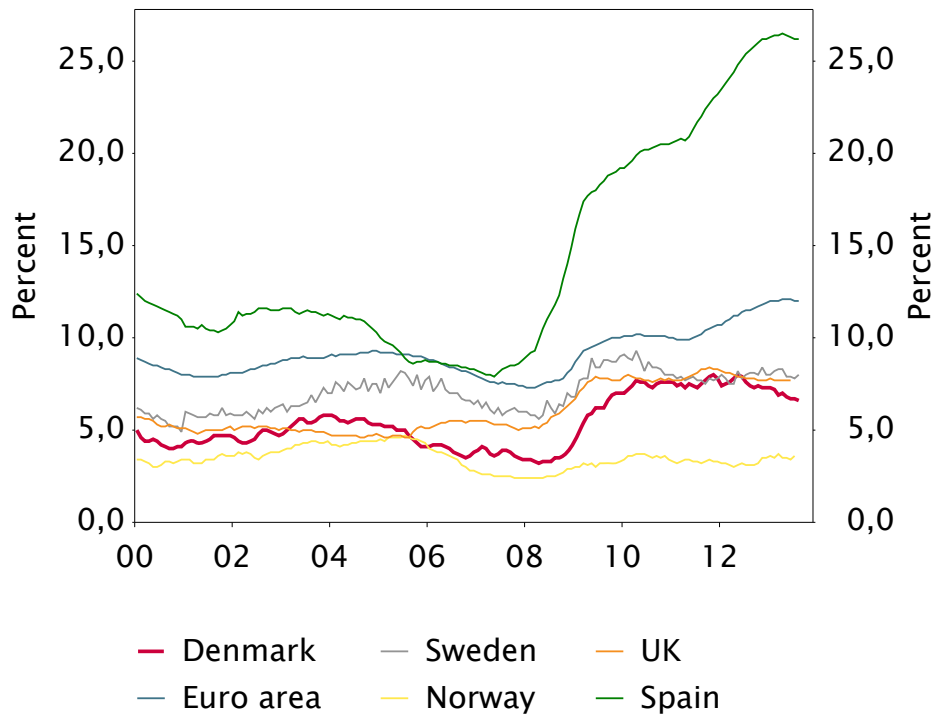


Source: Reuters EcoWin

Unemployment is falling slightly, and interest rates are low, which keep household defaults at a low level

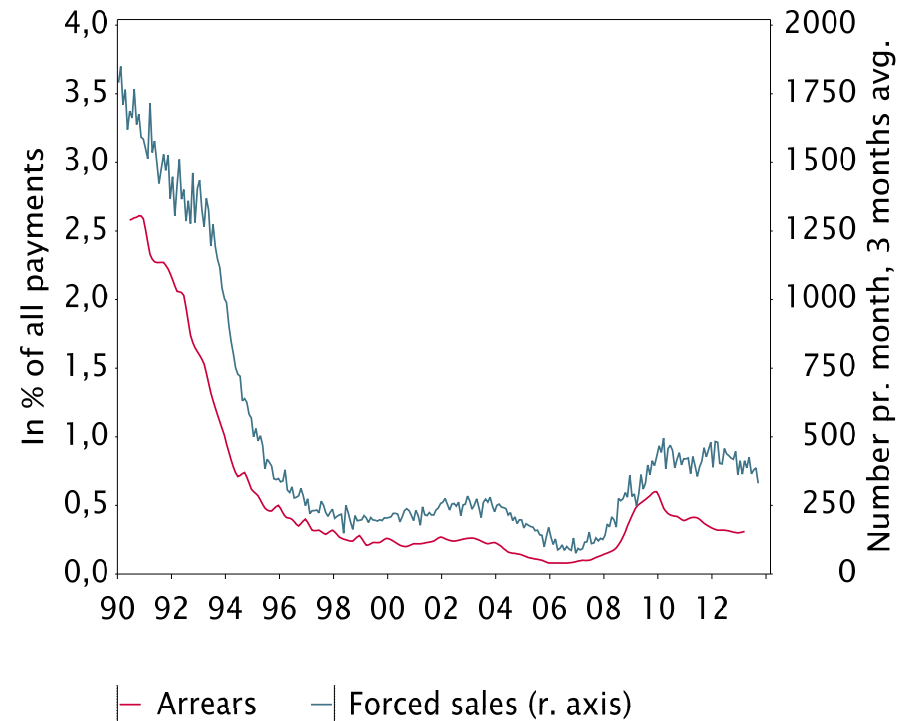


Unemployment rate



Source: Reuters EcoWin

Arrears and forced sales



Source: Realkreditrådet and Reuters EcoWin



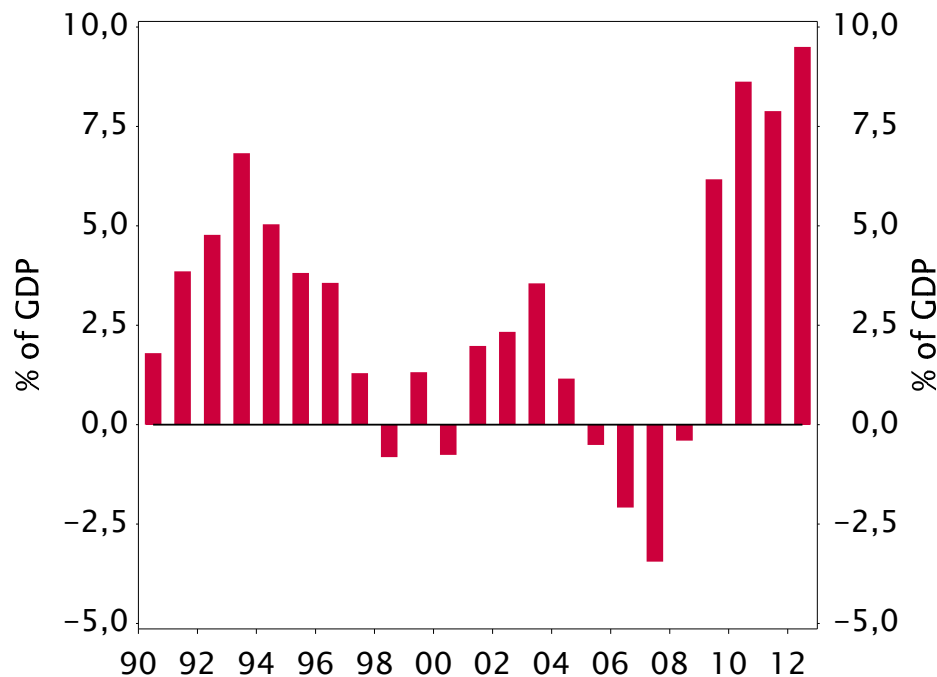
The private sector is in a consolidation mode, but bank lending to SME and corporates have stopped falling



The private sector saving i record high

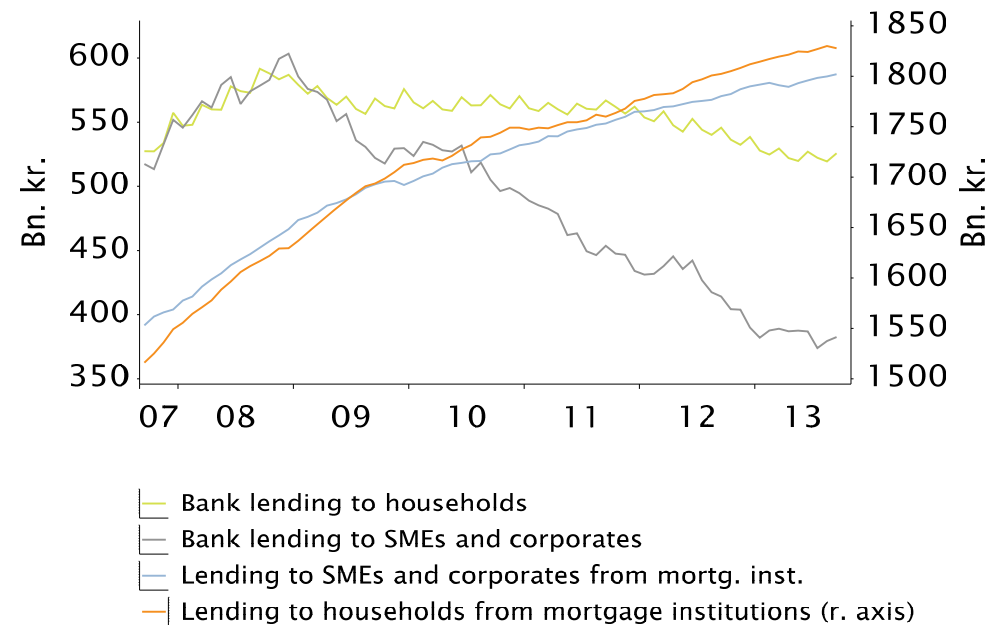
...and is reluctant to borrow

Private sector net saving



Source: Danmarks Statistik

Lending to households, SMEs and corporates

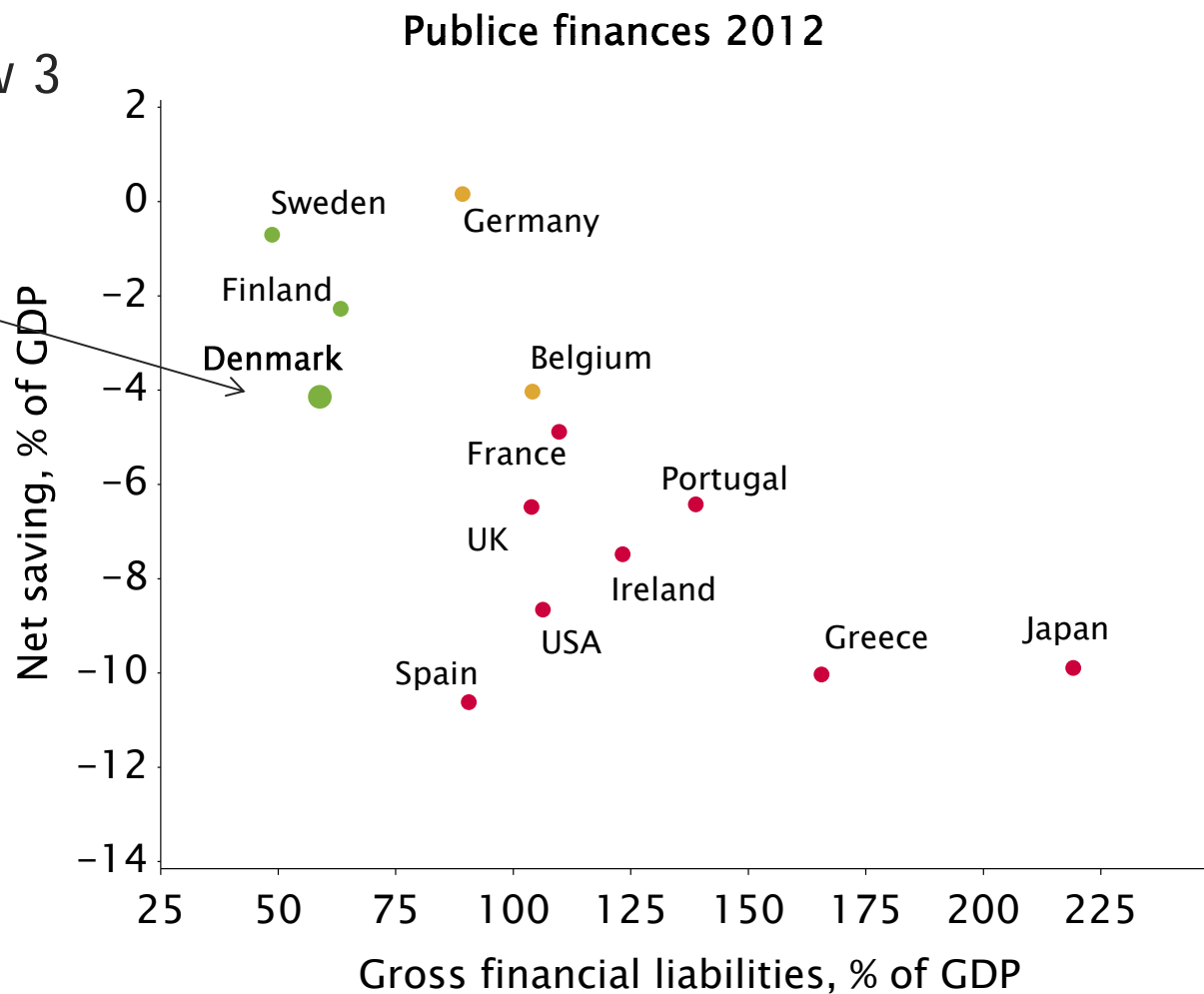


Source: Danmarks Nationalbank

Denmark has a healthy public sector economy...

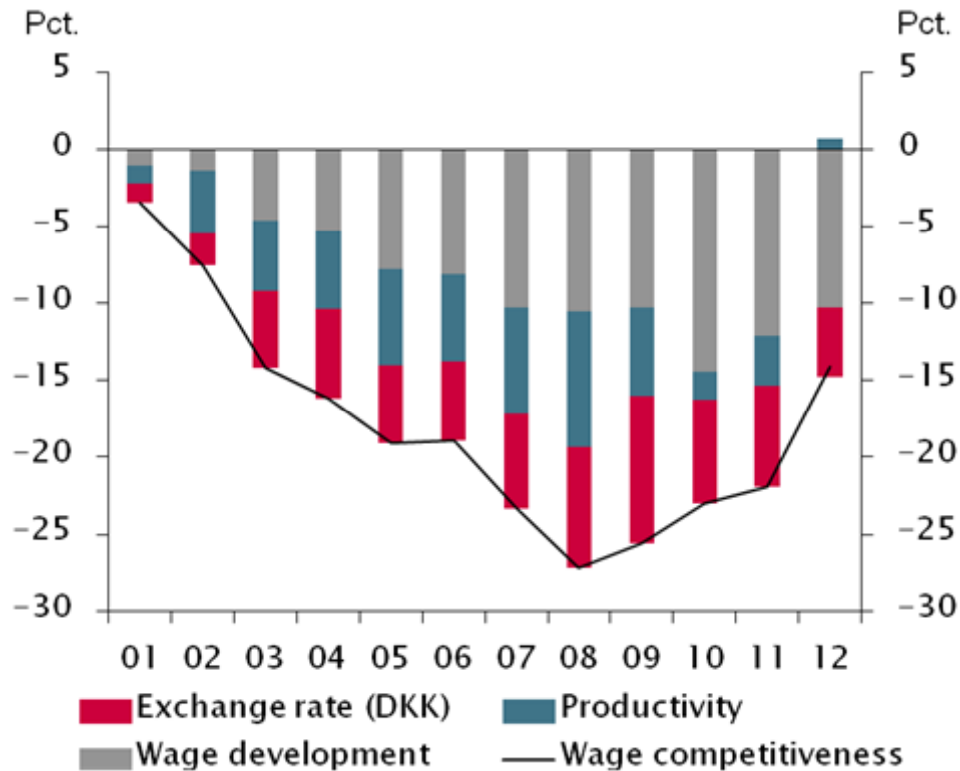


Deficit is just below 3% when excluding special pension repayment



Source: OECD

Competitiveness has improved



Danish competitiveness deteriorated dramatically during the booming years. Danish production sector has been under some pressure and still is, but conditions are slightly better due to a gradual and ongoing improvement since 2008:

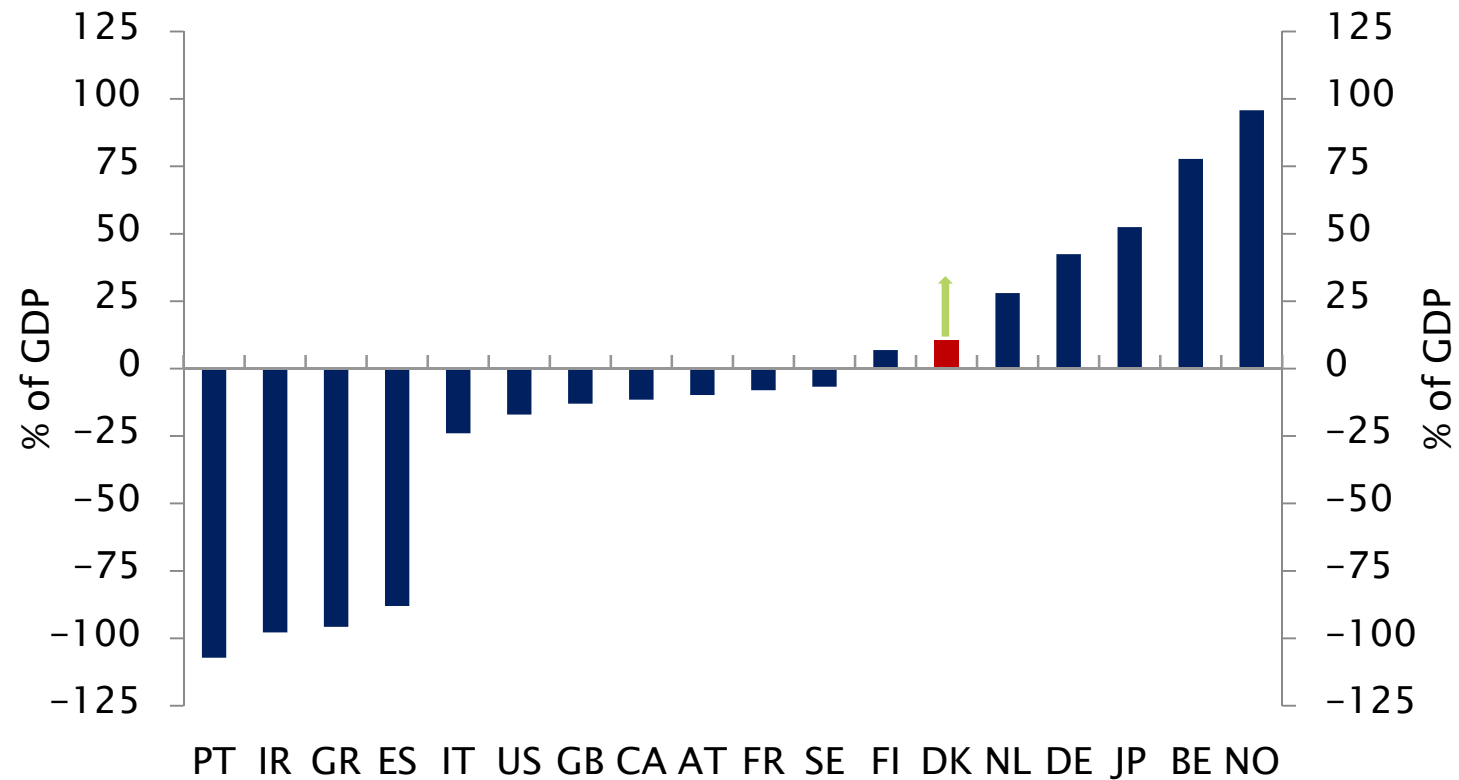
- Wage increases in now below external (grey bar).
- Productivity catching up (blue bar)
- Currency movements helping last year (red bar)

Source: Ministry for economic affairs and the interior!

Overall the Danish economy is structurally strong

Net assets against the rest of the world (2010)

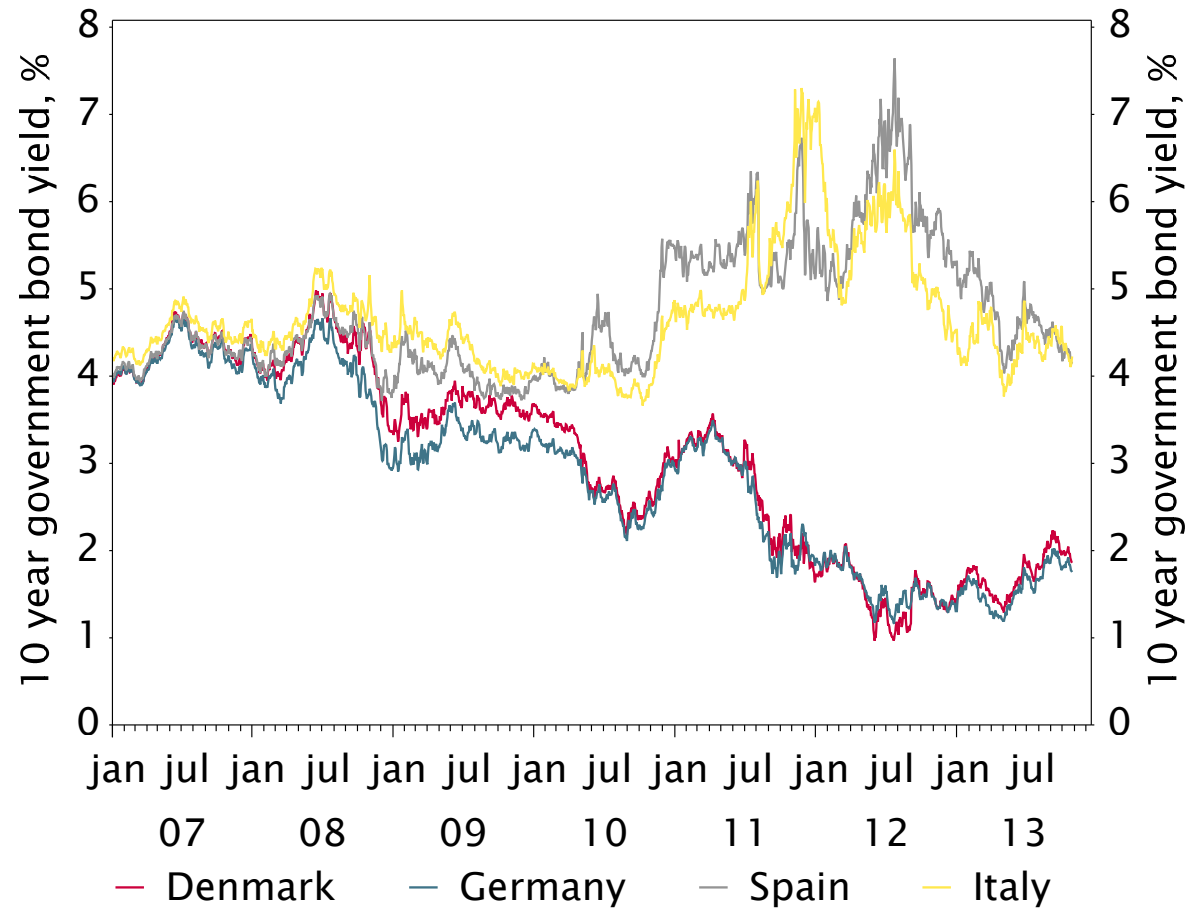
Denmarks net assets against the rest of the world are significantly higher today : around 40 % of GDP



Source: Danmarks Nationalbank

... And Denmark is a AAA economy

Government bond yield



Source: Reuters EcoWin

The outlook:

Growth is likely to pick up, and overall the economy is strong

The logo for JYSKE BANK, featuring a stylized circular icon to the left of the text "JYSKE BANK".

- The economy is likely to continue to show improvement in the second half of 2013 and in 2014. The housing market is stronger, we see higher consumer sentiment, and we have the first small signs of stronger "hard" figures.
- However, due to possible continued private sector saving both domestic and foreign we expect the turnaround over the next years to be relatively slow.
- Fiscal policy has a neutral effect on economic activity in both 2013 and 2014
- The overall structural features of the Danish economy continue to look strong with large net foreign assets, a large current account surplus, and a low public debt level.

Jyske Bank forecasts

The Danish economy 2010–2014

	2012 DKKbn	Real growth (%)				
		2010	2011	2012	2013*	2014*
Consumer spending	901	1.7	-0.5	0.5	0.4	1.1
Public spending	522	0.4	-1.5	0.7	0.4	0.5
Fixed gross investment	315	-2.4	2.9	-0.1	1.0	3.0
Inventory investment**	-4	1.0	0.5	-0.4	0.3	0.0
Exports	992	3.0	6.5	0.2	0.5	3.2
Imports	901	3.2	5.6	1.0	1.6	2.9
Gross domestic product (GDP)	1824	1.6	1.1	-0.4	0.3	1.5
Current account						
- DKKbn		104	101	107	110	105
- Percentage of GDP		5.9	5.6	5.9	6.0	5.5
Public budget balance						
- DKKbn		-47	-35	-77	-20	-5
- Percentage of GDP		-2.7	-2.0	-4.2	-1.1	-0.3
Unemployment						
- Unemployed (thousands), gross		163	160	162	157	153
- Percentage of the workforce		5.5	5.4	5.5	5.4	5.2
Employment (thousands)		2,783	2,776	2,769	2,771	2,775
Inflation (%)		2.3	2.8	2.4	0.9	1.4
Wage index (manufacturing industry, %)		2.5	2.3	1.8	1.6	1.8
House prices (nominal prices, %)		2.8	-2.8	-3.3	3.0	2.0
Nationalbanken's lending rate, year-end		1.05	0.7	0.2	0.2	0.4

* Jyske Bank's forecast

** Contribution to growth as a percentage of preceding year's GDP

Market conditions

- Volumes continue to shrink in 2013
- Banks are pricing at the expense of risk of loosing volumes
- Growing Net Interest Income only via M&A activities
- Significant improvement in deposit/loans ratio in most banks

- Capital shortage in some banks due to maturing Tier II capital instruments and CRD IV requirements
- More stringent assessment of solvency requirement put pressure on capital buffers in some smaller banks
- Strategic capital to acquire portfolios limited and only a few larger banks are interested

- Danish FSA is reassessing the stringent guidelines for impairment charges implemented in Q2 2012 - effect is uncertain
- Danish FSA is patient with banks showing tiny capital buffers

Focus in Q1-Q3 2013

Focus in Q1-Q3 2013

- ROE pre tax 14.6% - satisfactory
 - 14.3%, 15.9% and 12.2% respectively in Q1, Q2 and Q3
- Growth in Net Interest Income of 3% due to acquisitions
- Growth in fees and commissions of 7% due to lack of performance related fees in Q3
- Costs in alignment with 4 - 4.1bn underlying costs in 2013
- Relatively stable asset quality for the fifth quarter in a row
- Reassessment of acquired portfolios has led to higher Net Interest Income (DKK +166m) and shall be seen in connection with higher impairment charges

Strategic issues

Strategic issues

Acquisition of Spar Lolland

- Bank loans DKK 6.3bn, bank deposits DKK 9.5bn, total assets DKK 13bn
- Long term earnings fully in line with earnings from other branches
- Integration according to plan
 - All branch relocations in place
 - First phase of cost cuts implemented in Q1 2013
 - IT integration and second phase of cost cuts expected in Q2 2014
- Strategy to acquire is unchanged

Sale of subsidiary

- Jyske Global Asset Management in Q2 2013
- Krone Kapital (acquired from Spar Lolland) in Q3 2013
- Total P/L-effect: DKK +20m

New product line of home loans

- New loans collateralized by property offered by end 2013 to solid private customers at attractive prices compared to traditional mortgage loans

Strategic issues

Capital

- Solvency ratio 15.7%
- Capital buffer 5.7 percentage points
- Core Tier 1 14.8%
- Capital target - Core Tier I minimum 12% is unchanged
- CRD IV insignificant effect due to higher risk weighted assets and higher capital base
- Jyske Bank to become a systemic bank in Denmark among 6 institutions. At present, Jyske Bank comply with the capital charges as of 2019.

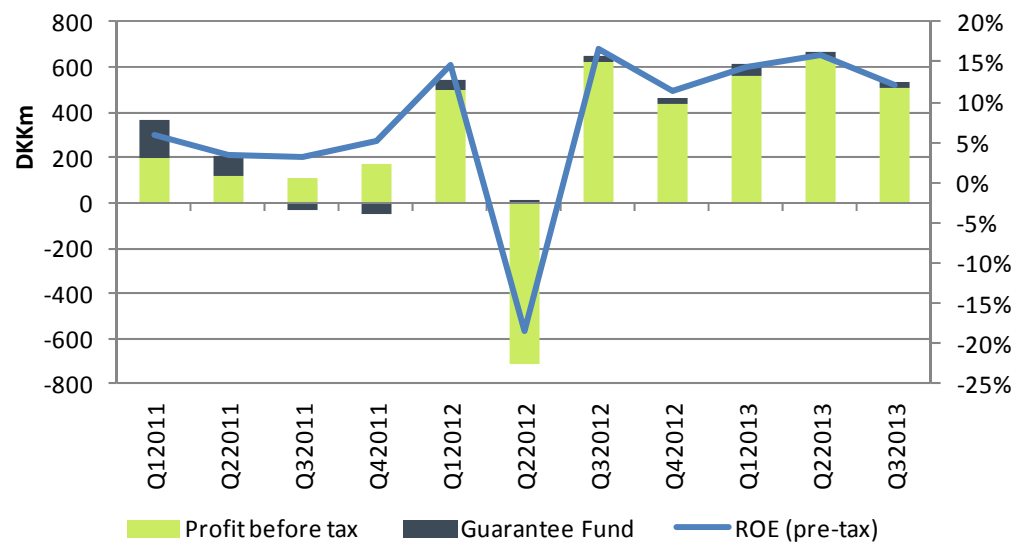
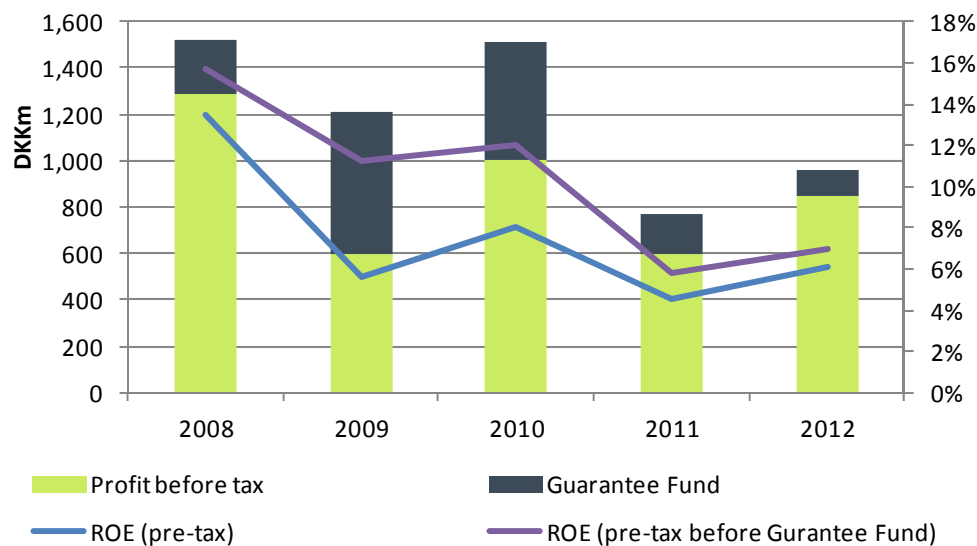
Liquidity

- Liquidity reserve DKK 50bn; liquidity after 12 mths run-off DKK 21bn
- Acquisitions with deposits surplus; Fjordbank Mors approx. DKK 1bn; Spar Lolland approx. DKK 2.5bn
- Issued AAA-rated bonds via BRFkredit DKK 4.6bn by start of Q4 2013
- Refinancing of all 2013 redemptions of senior debt (EMTNs) fully accomplished
- Bank loan portfolio funded by deposits by 99%



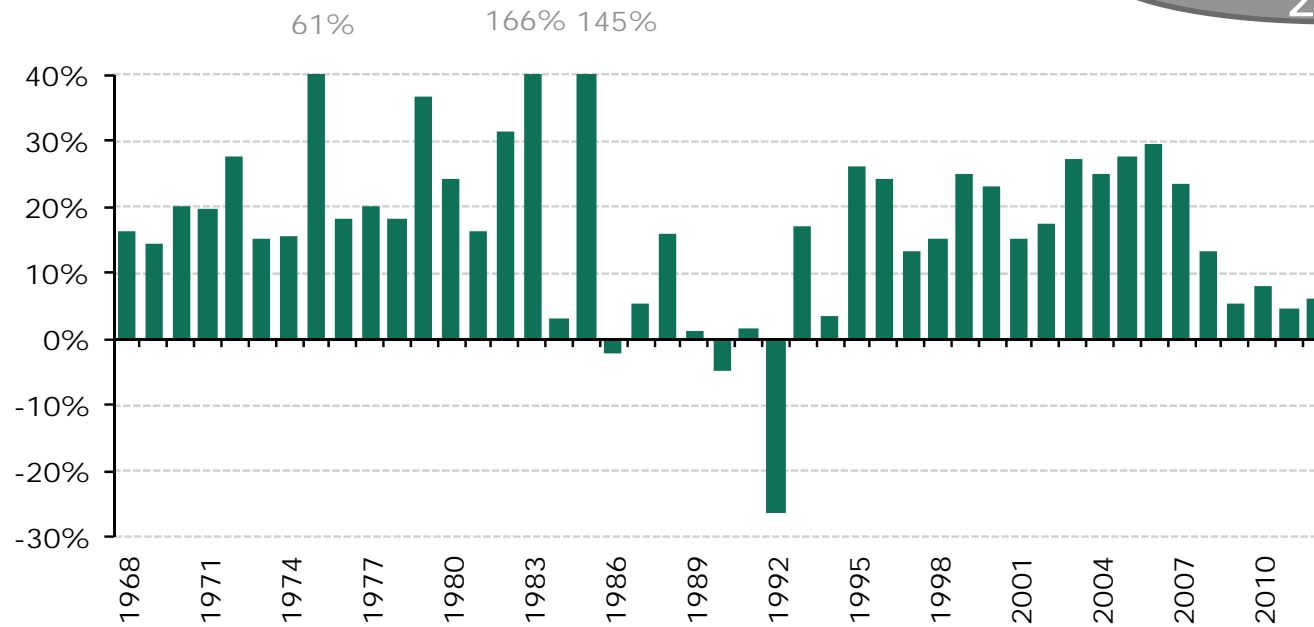
Jyske Bank performance 1968-2013

Profit before tax and Guarantee Fund



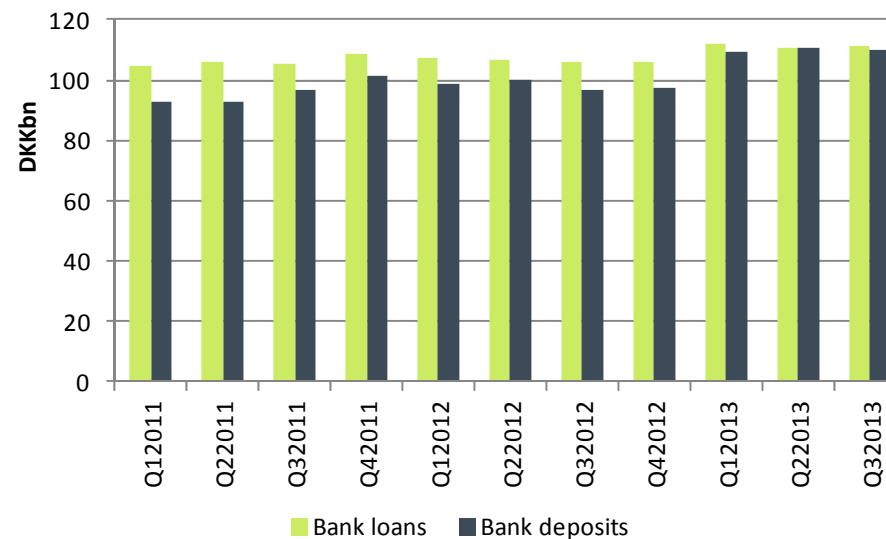
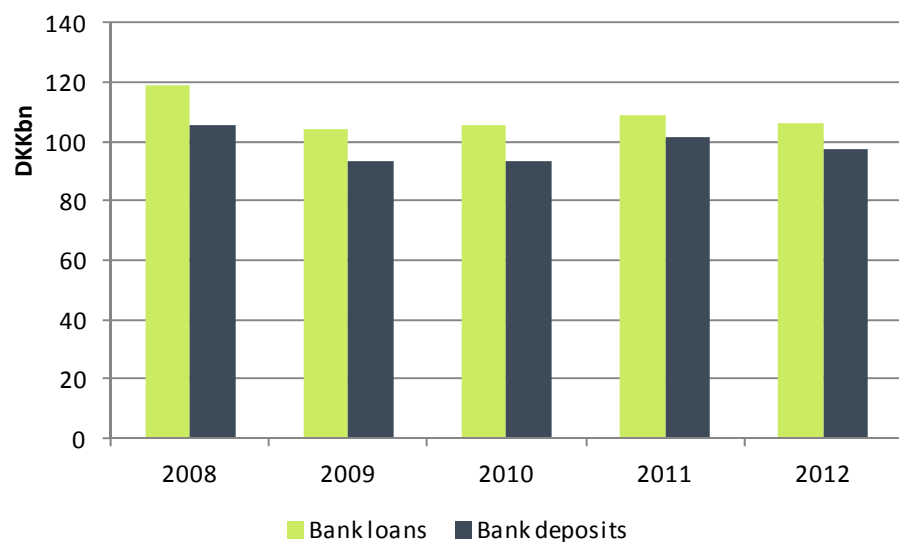
ROE on opening equity - 1968-2012

Average:
22%



Volumes

Bank loans and deposits

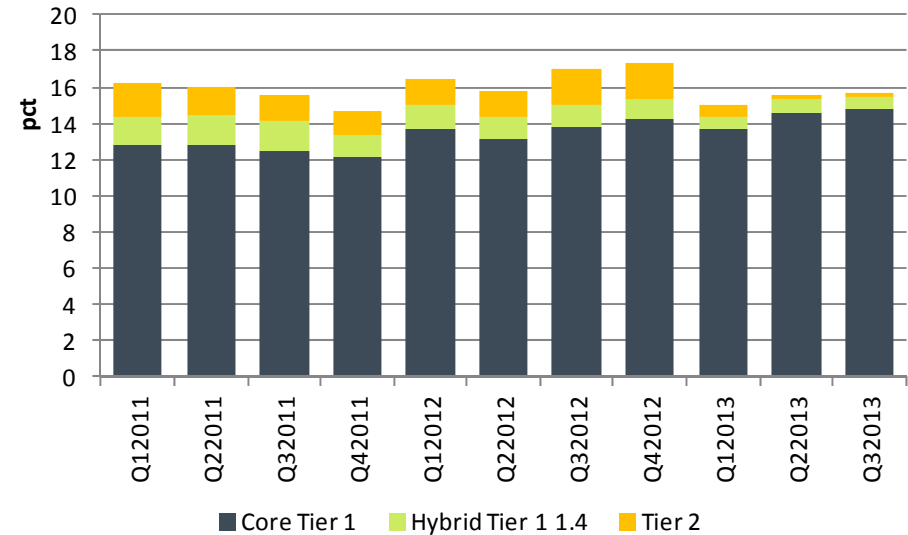
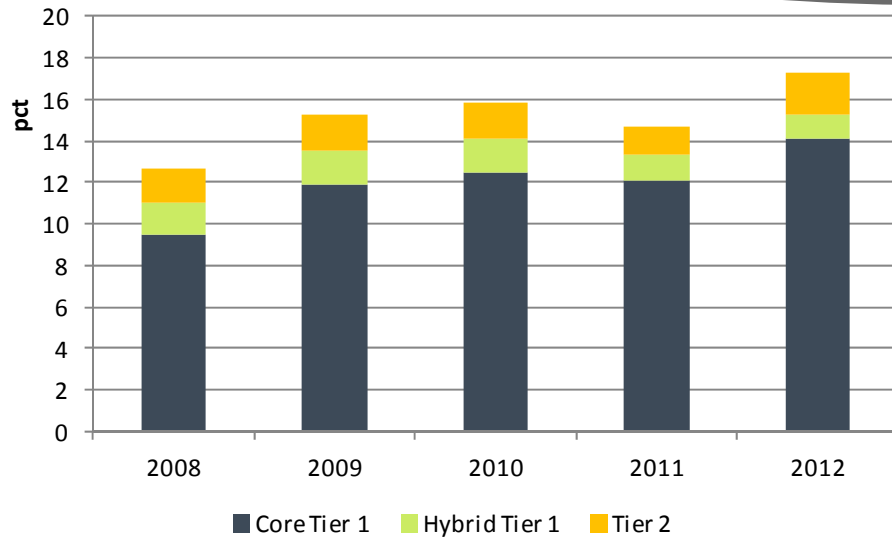


Bank loans:
5.4% y/y
0.8% q/q

Capital Structure

Capital structure

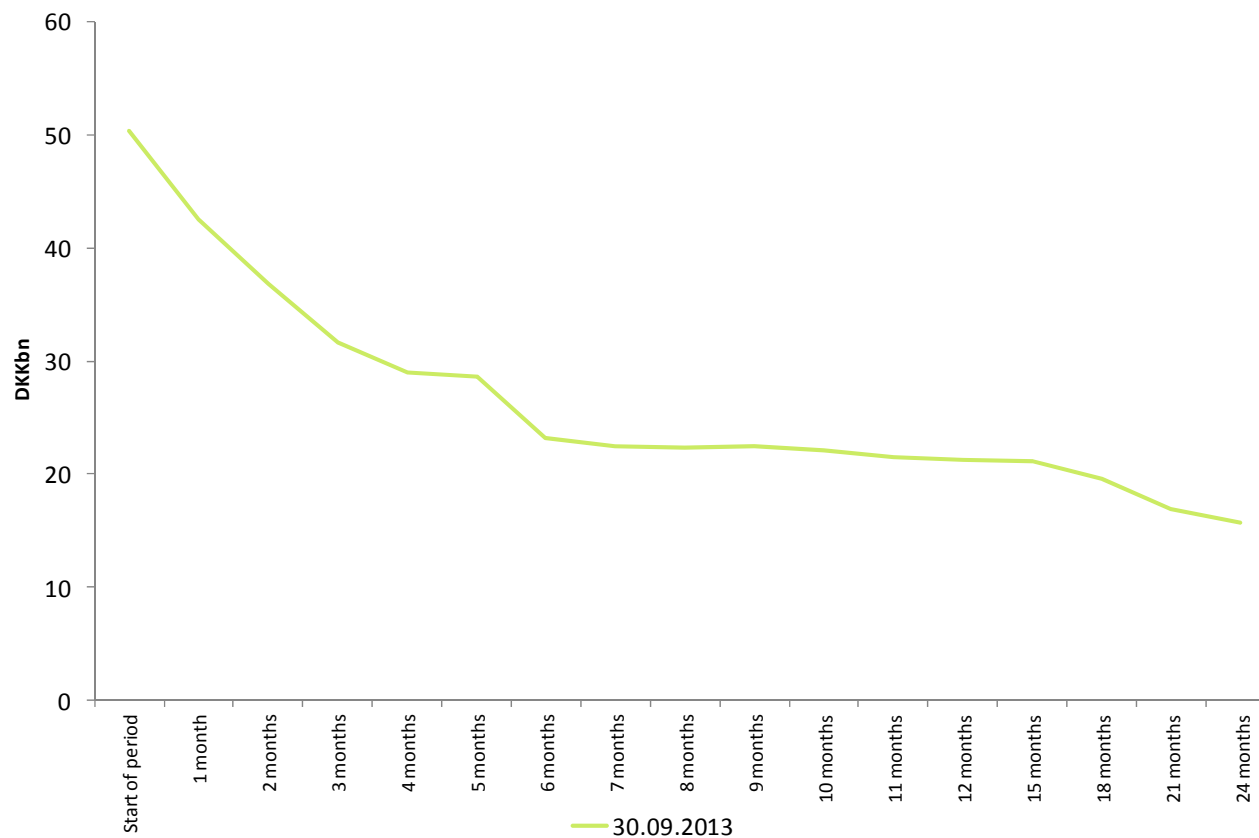
- Core Tier 1 target: above 12%
- Optimize risk and maximize earnings
- Exploit the market to buy portfolios with an acceptable risk



- Core Tier 1: 14.8%
- Tier 1: 15.5%; 2 perpetuals DKK 1.3bn
- Capital base: 15.7%; 4 Tier II issues DKK 0.3bn
- Capital buffer 5.7 pp

Liquidity

Liquidity position and run-off



Senior unsecured funding strategy

Jyske will be a rare but regular issuer on the EMTN market

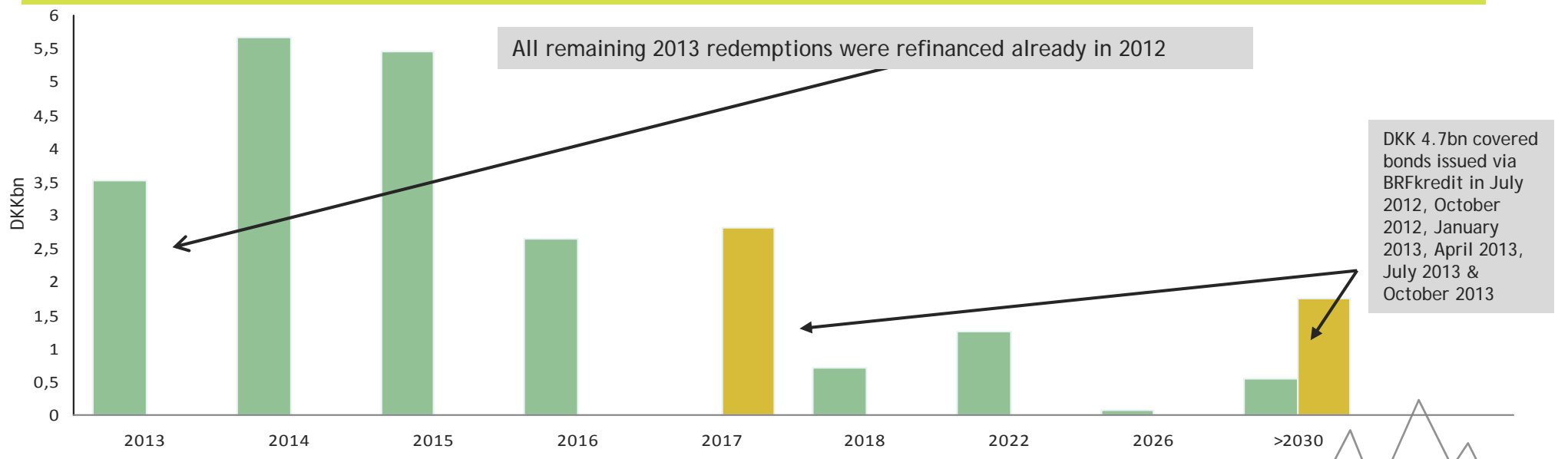


Funding plans will depend on developments in the balance sheet (funding gap)

- and integrated part of policy is to maintain a deposit/loan ratio in the region of 90 -95 % -but:

- Integrated part of funding strategy to preserve a presence in the debt capital markets
- Looking at our maturity profile we will have an ongoing refinancing need in the years ahead
- Expect approximately one public benchmark a year and ongoing activities in the private placement market
- With a very limited funding gap, solid core deposits and the BRFkredit agreement new issue focus has been on 3 year maturities in 2013

Jyske Bank will continue to maintain a conservative funding profile (end October 2013)

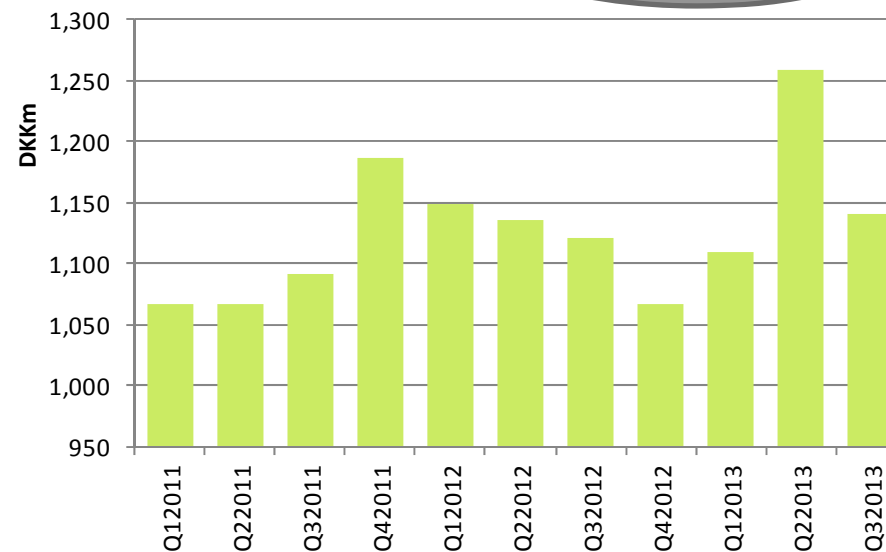
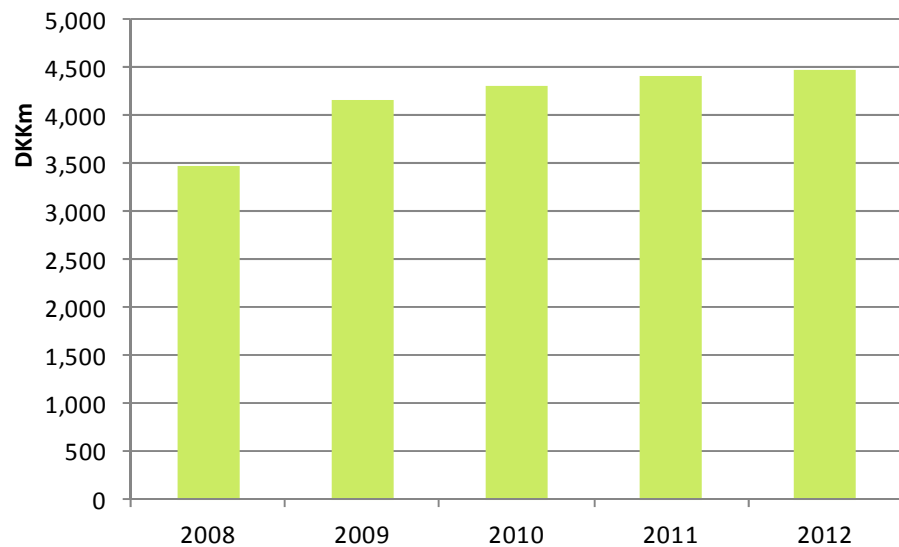


Senior unsecured issuance under the EMTN program via private placements during 2013 year to date: EUR 280m of 3 year FRNs and EUR 50m of 2.25 year FRNs

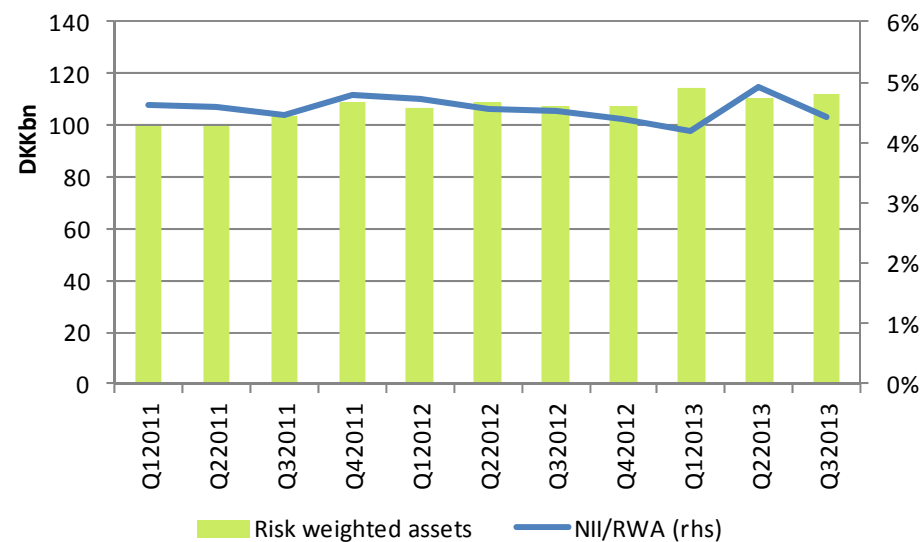
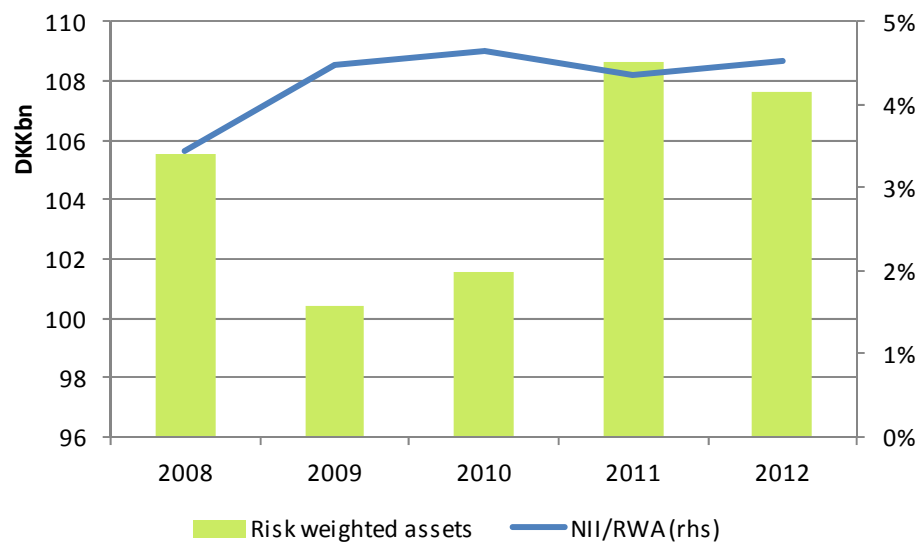
Q1-Q3 2013 in figures

Net Interest Income

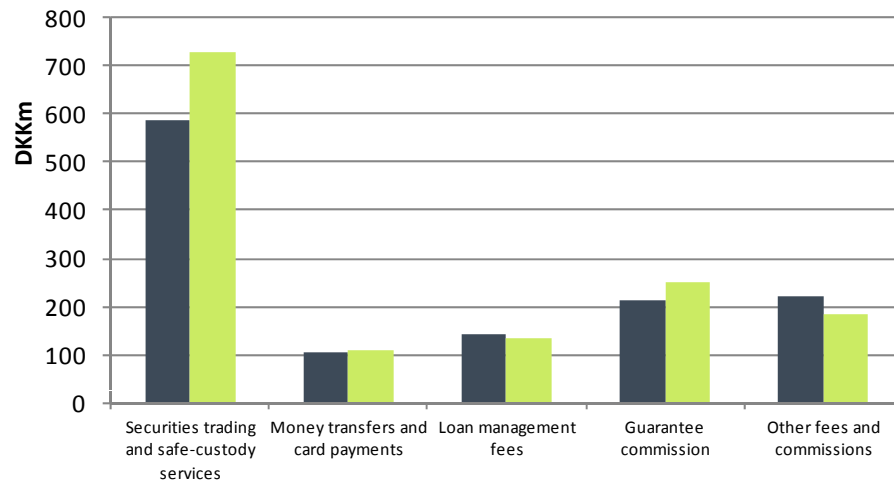
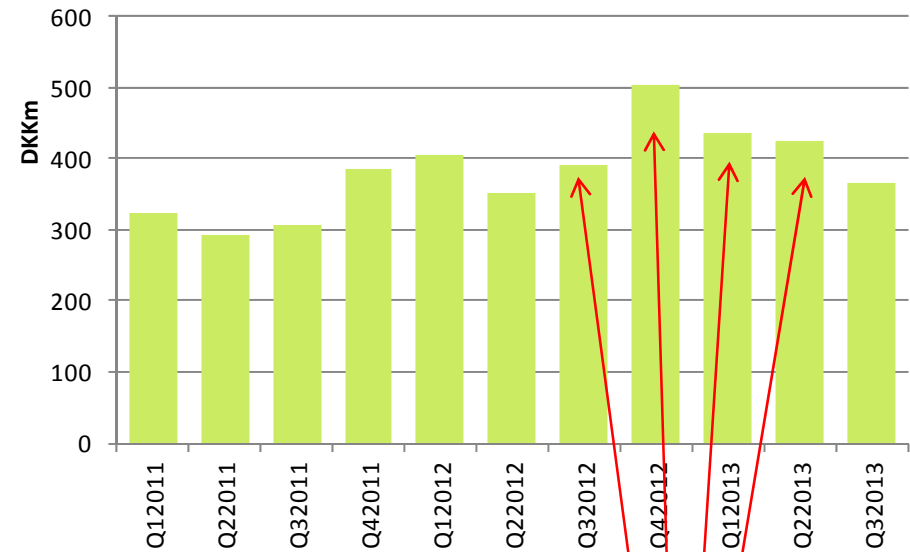
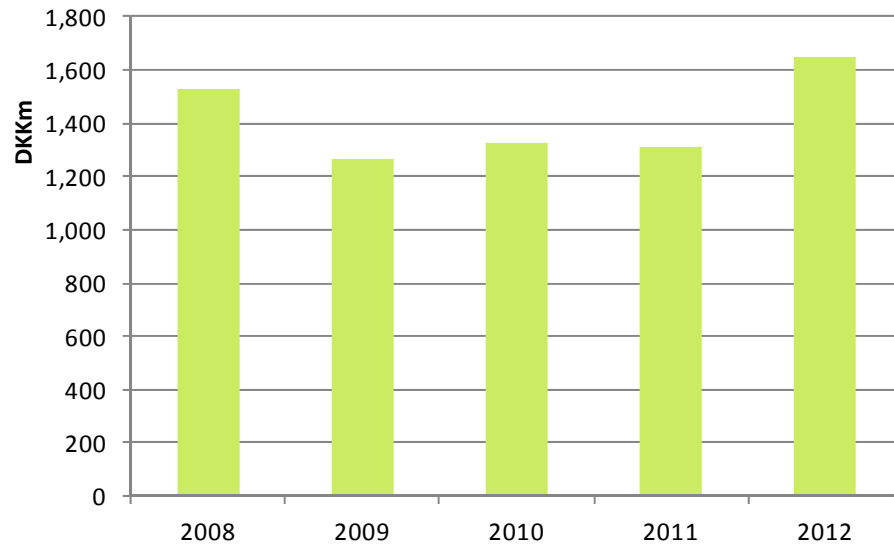
Spar Lolland:
Q1: DKK 26m
Q2: DKK 118m
Q3: DKK 22m



Return/risk-trade off



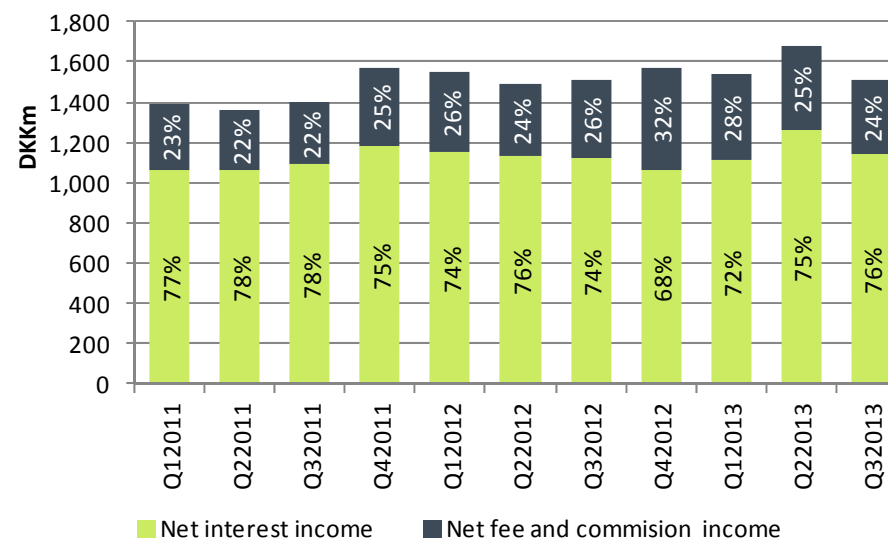
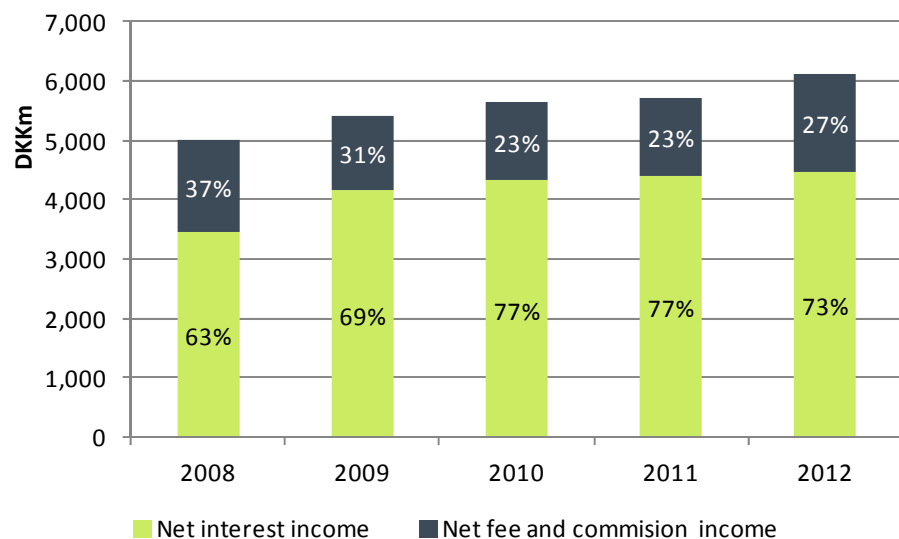
Fee and commission income



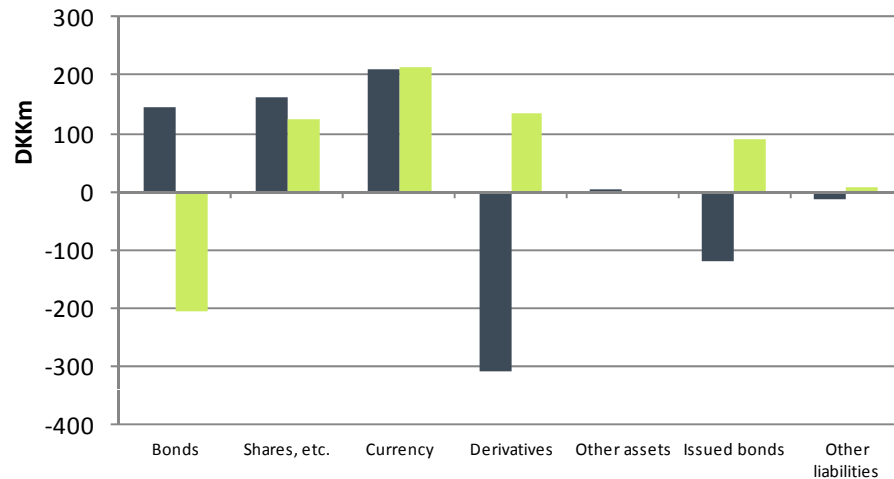
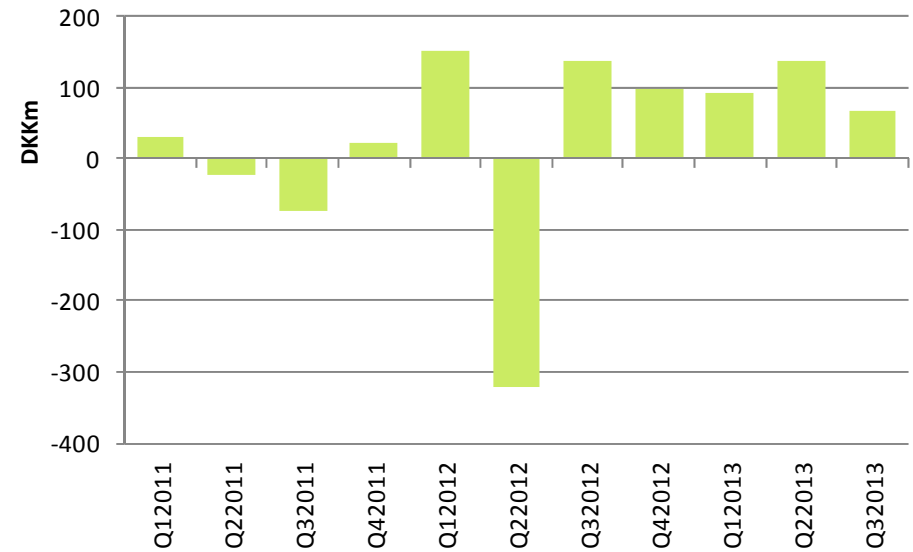
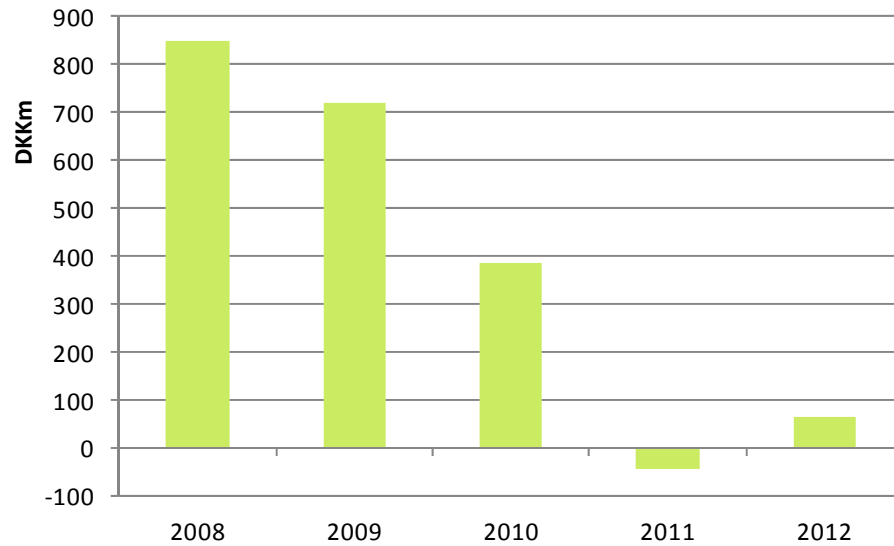
■ Q1-Q3 2012 ■ Q1-Q3 2013

Performance related fees

Net interest and fee income



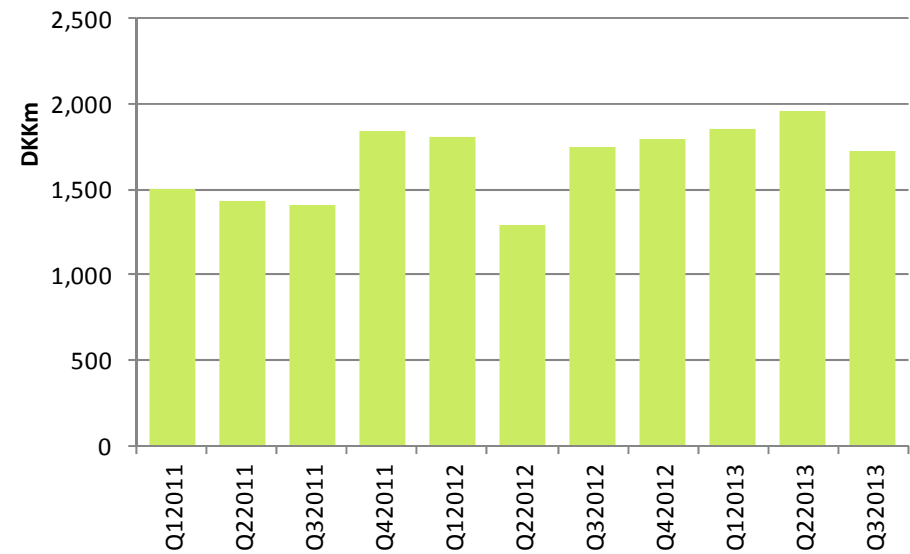
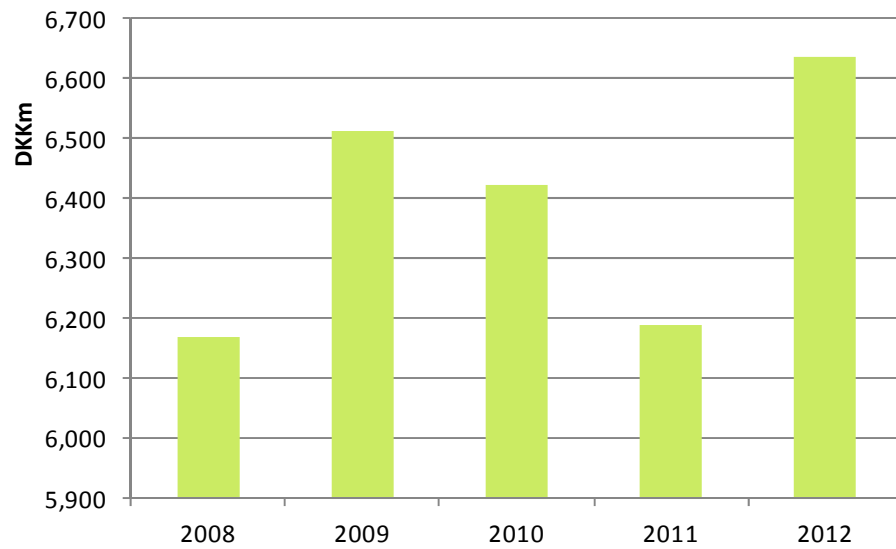
Value adjustments



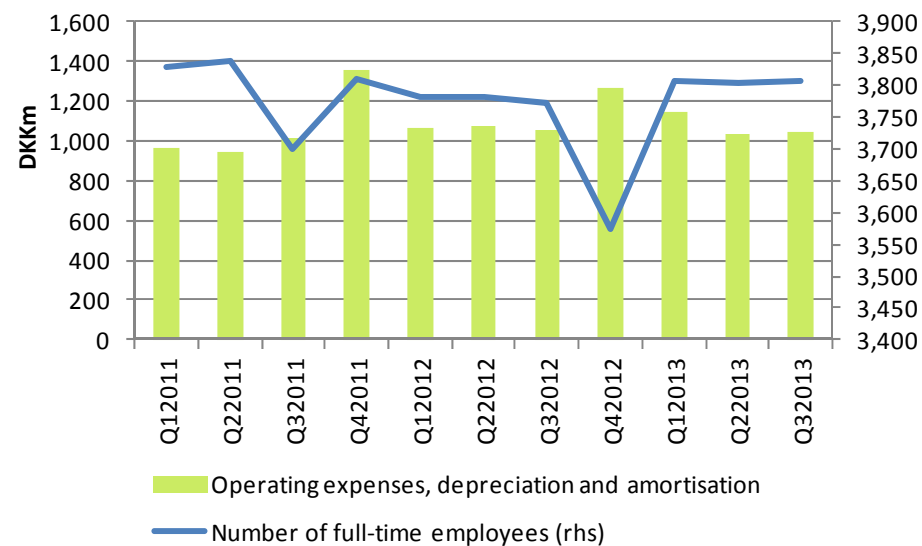
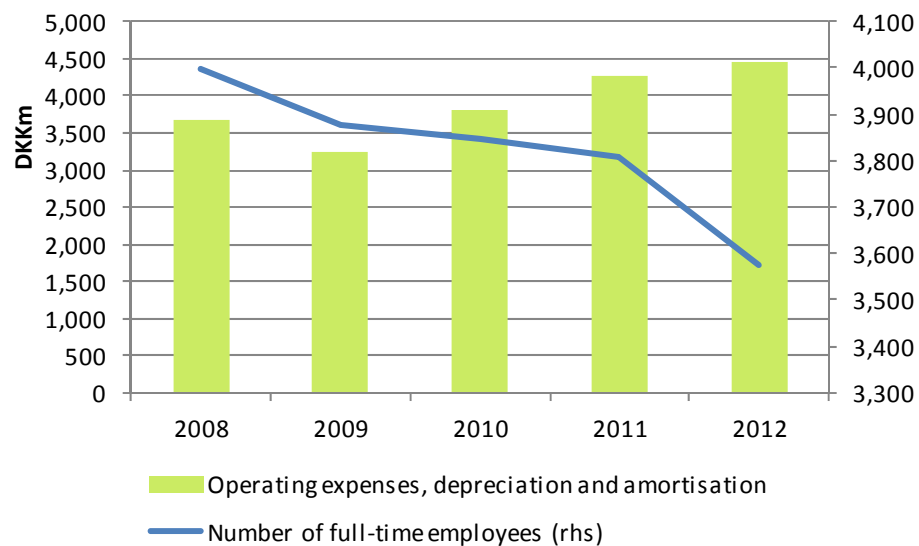
■ Q1-Q3 2012 ■ Q1-Q3 2013

Interest rate hedging/customers
 Q2 2012: - DKK 357m
 Q1- Q3 2013: DKK225m

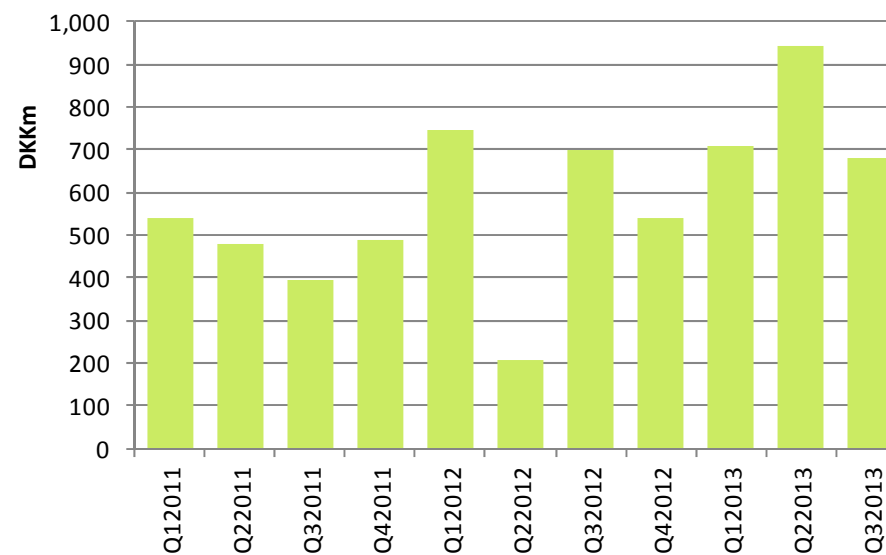
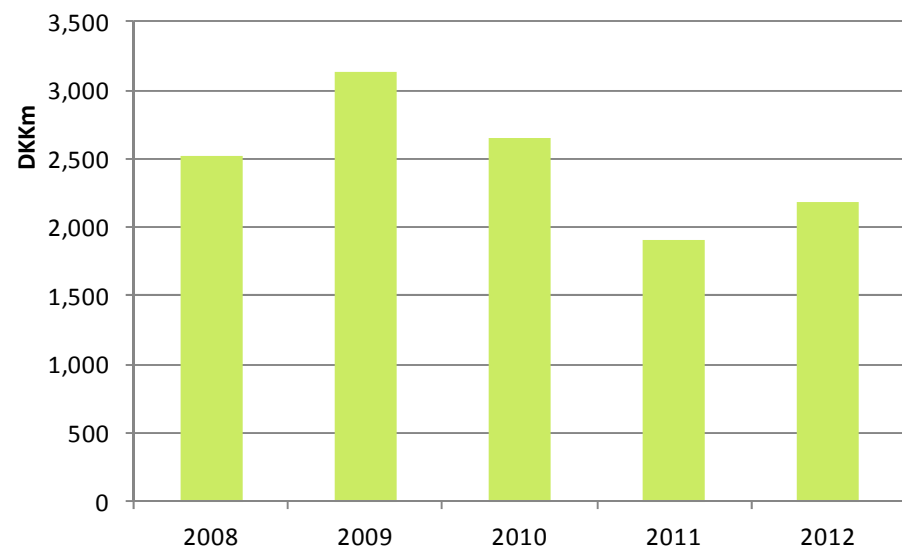
Gross earnings



Operating expenses and employees

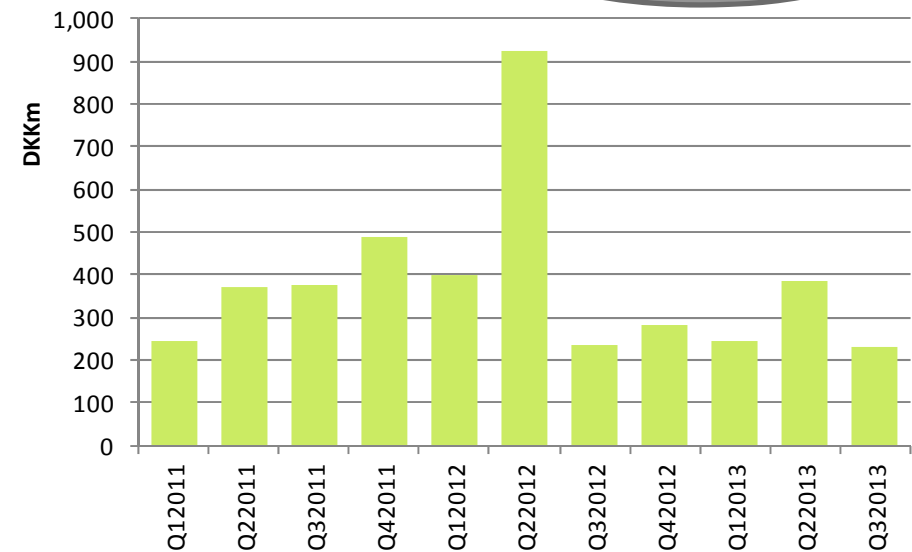
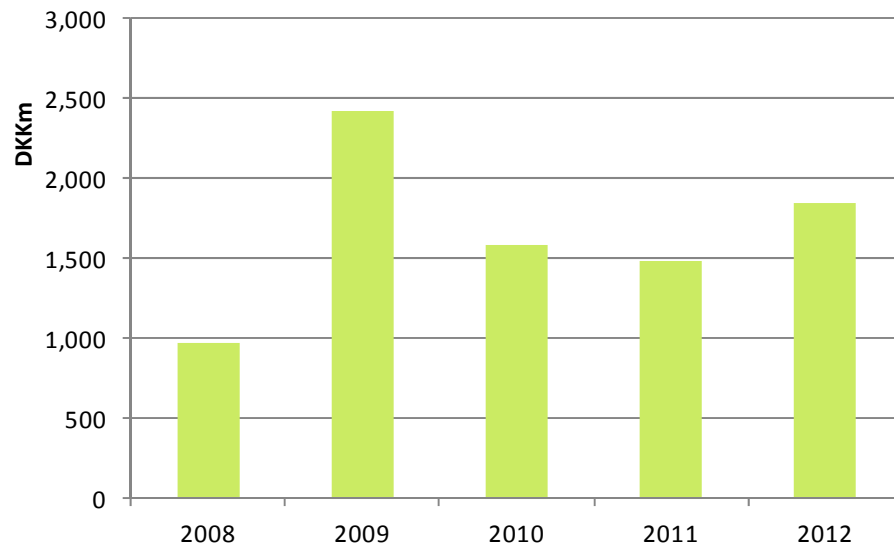


Core earnings before loan impairment charges

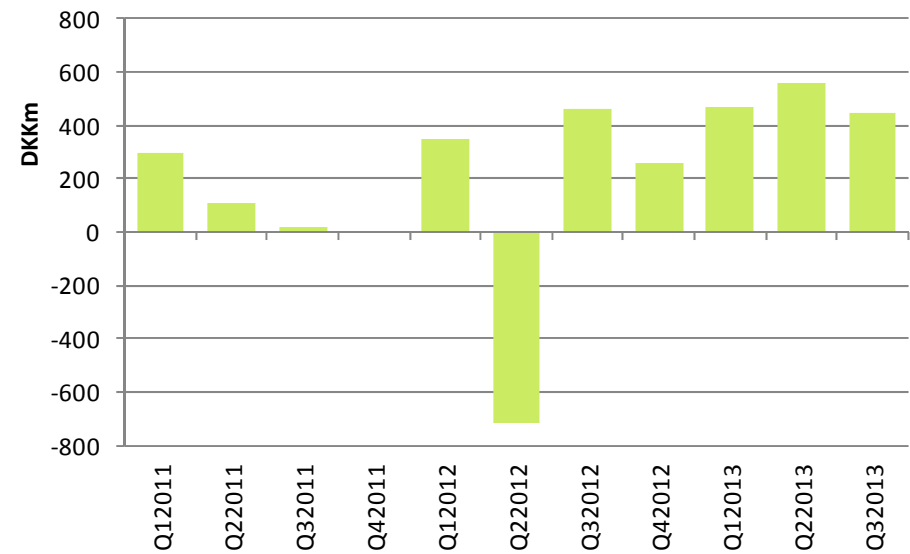
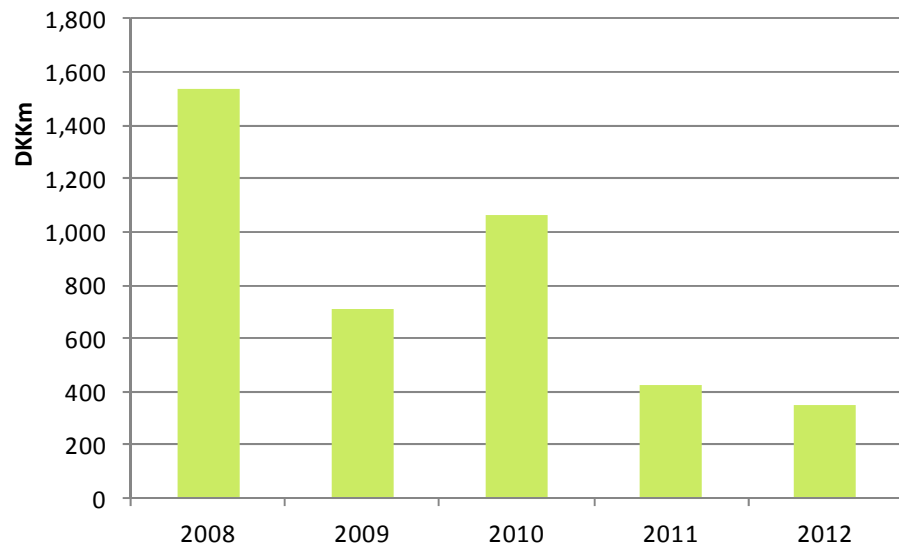


Loan impairment charges

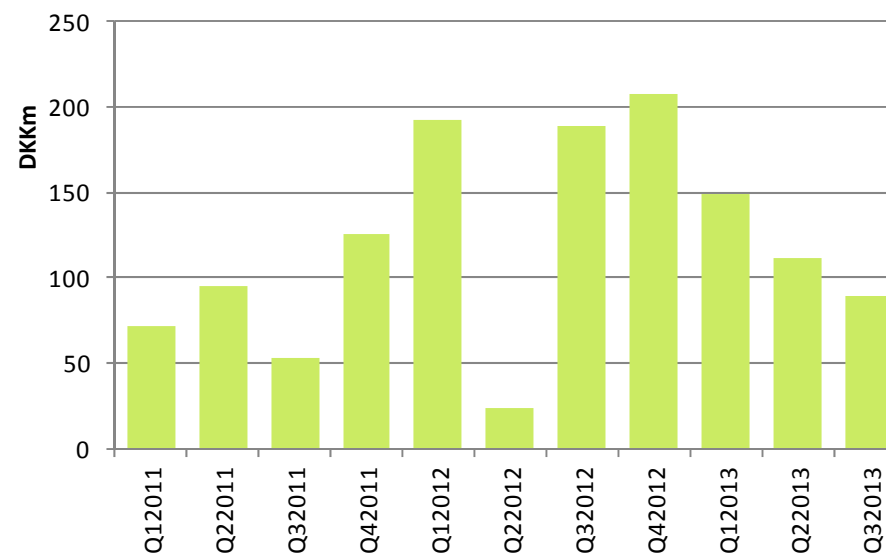
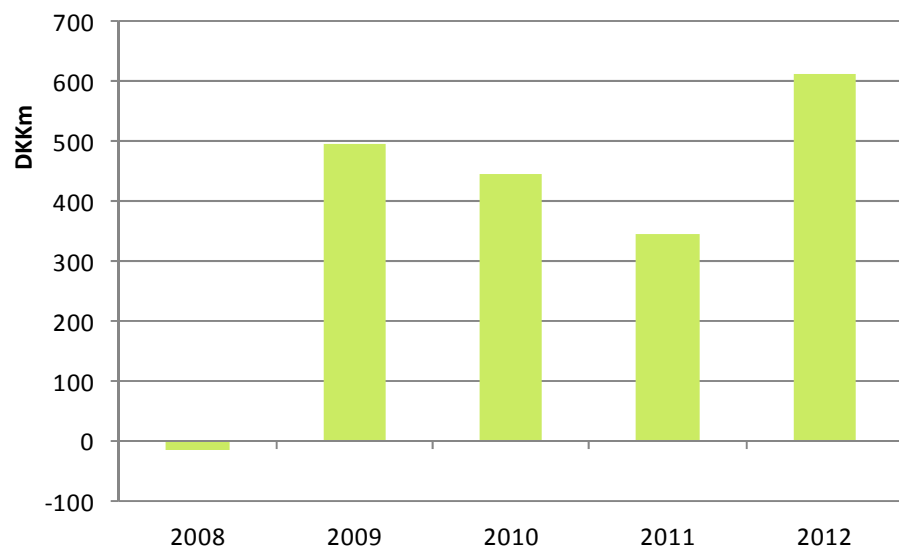
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Core earnings

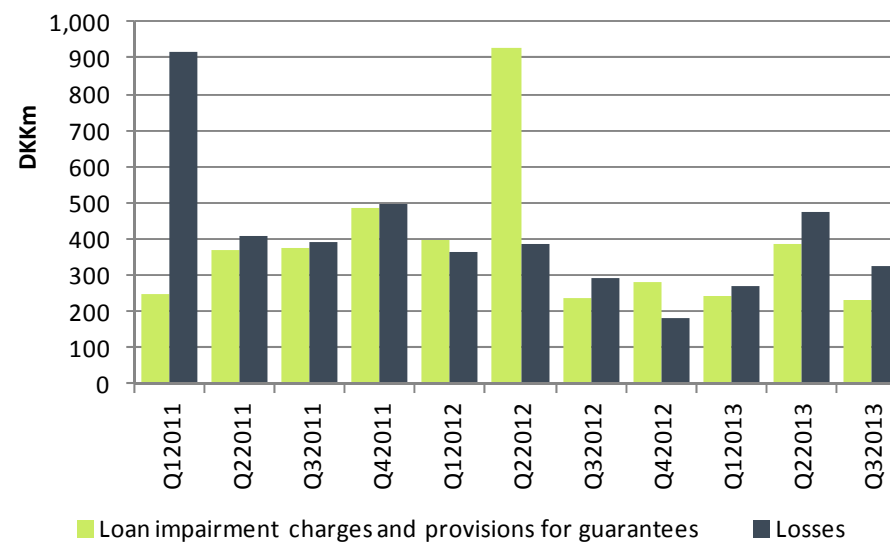
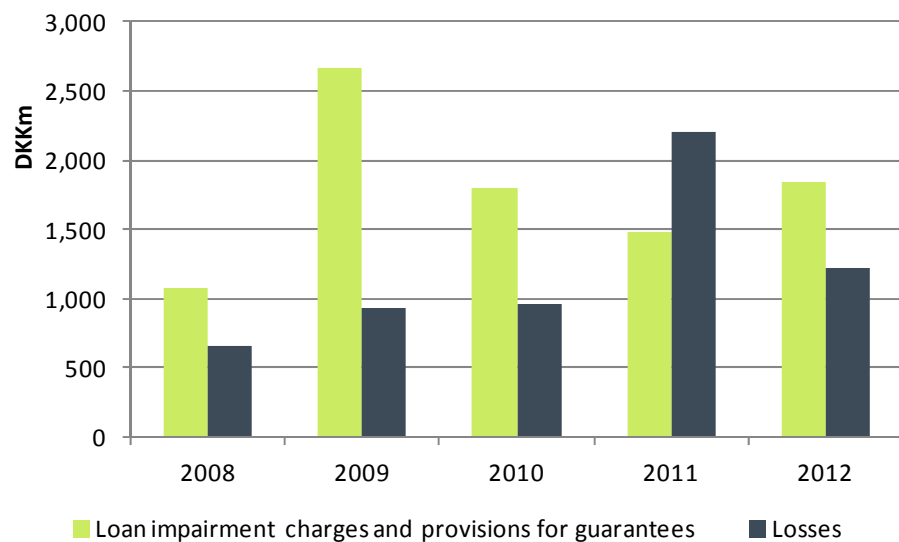


Earnings from investment portfolios



Credit quality

Loan impairment charges and losses



Loans and advances split by sector

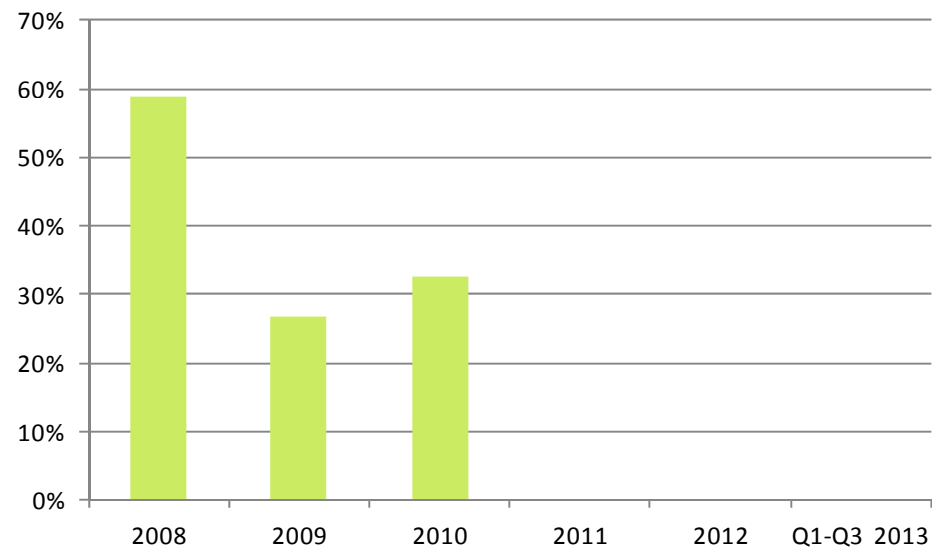
Jyske Bank A/S	Loans, advances and guarantees		Balance of loan impairment charges and provisions for guarantees		Loan impairment charges for the period		Loss for the period	
	Q1-Q3 2013	End-2012	Q1-Q3 2013	End-2012	Q1-Q3 2013	Q1-Q3 2012	Q1-Q3 2013	Q1-Q3 2012
Loans, advances and guarantees as well as loan impairment charges and provisions for guarantees (DKK m)								
Public authorities	7.535	6.624	0	0	0	0	0	0
Agriculture, hunting, forestry, fishing industry	8.945	8.192	563	619	92	155	164	228
Fishing	2.593	2.433	0	39	4	16	44	0
Milk producers	1.541	1.533	271	290	40	94	66	75
Plant farming	1.413	1.068	25	25	5	19	6	8
Pig breeding	2.102	1.818	246	211	38	-2	9	88
Other agriculture	1.296	1.340	21	54	5	28	39	57
Manufacturing and mining, etc.	7.017	6.619	126	173	60	66	118	29
Energy supply	3.891	2.742	23	13	8	-3	0	0
Building and construction	2.329	2.234	54	74	13	50	35	60
Commerce	7.488	7.279	206	241	108	88	164	117
Transport, hotels and restaurants	2.594	2.961	43	37	35	13	36	14
Information and communication	525	447	10	5	13	-1	11	5
Finance and insurance	39.386	34.982	637	594	135	208	119	131
Real property	10.217	9.860	1100	1051	176	318	162	162
Lease of real property	8.145	8.361	810	392	99	286	132	108
Buying and selling of real property	1.051	675	171	92	82	12	19	32
Other real property	1.021	824	119	567	-5	20	11	22
Other sectors	6.115	4.933	121	148	49	200	85	81
Corporate customers, individually assessed, total	88.507	80.249	2.883	2.955	689	1.094	894	827
Corporate customers, collective impairment charges			732	717	12	209	0	3
Personal customers, individually assessed	44.784	43.298	520	532	139	123	178	144
Personal customers, collective impairment charges			250	263	-11	108	0	21
Total	140.826	130.171	4.385	4.467	829	1.534	1.072	995

Loans and advances split by sector

Jyske Bank A/S	Loans, advances and guarantees	Balance of loan impairment charges and provisions for guarantees	Loans, advances and guarantees	Balance of loan impairment charges and provisions for guarantees	Loss for the period/loans, advances	Loan impairment charges for the period/loans, advances
		Q1-Q3 2013		Change in pct.		Change in pct.
Loans, advances and guarantees as well as loan impairment charges and provisions for guarantees (DKKm)						
Public authorities	7.535	0	58,2%		0,0%	0,0%
Agriculture, hunting, forestry, fishing industry	8.945	563	8,6%	5,6%	1,4%	1,4%
<i>Fishing industry</i>	2.593	0	6,4%	-100,0%	1,3%	0,2%
<i>Milk producers</i>	1.541	271	-5,1%	10,2%	3,0%	5,3%
<i>Plant production</i>	1.413	25	50,3%	-3,8%	0,4%	-0,2%
<i>Pig farming</i>	2.102	246	11,9%	37,4%	0,4%	1,9%
<i>Other farming</i>	1.296	21	-4,8%	-58,8%	2,3%	0,3%
Manufacturing and mining, etc.	7.017	126	5,0%	-25,9%	1,6%	0,9%
Energy supply	3.891	23	73,0%	64,3%	0,0%	0,2%
Building and construction	2.329	54	5,5%	-40,0%	1,4%	0,2%
Commerce	7.488	206	-1,6%	-5,5%	1,0%	0,8%
Transport, hotels and restaurants	2.594	43	-15,4%	59,3%	1,0%	1,4%
Information and communication	525	10	0,6%	100,0%	2,1%	1,9%
Finance and insurance	39.386	637	6,3%	-0,6%	0,3%	0,3%
Real property	10.217	1.100	4,2%	13,3%	1,0%	1,5%
<i>Lease of real estate</i>	8.145	810	-2,2%	12,5%	0,9%	1,1%
<i>Buying and selling of real estate</i>	1.051	171	57,8%	62,9%	1,8%	5,4%
<i>Other real estate</i>	1.021	119	25,9%	-13,1%	0,4%	0,3%
Other sectors	6.115	121	42,4%	-22,9%	0,7%	-0,2%
Corporate customers, individually assessed, total	88.507	2.883	8,3%	2,0%	0,7%	0,6%
Corporate customers, collective impairment charges		732		-0,3%		
Personal customers, individually assessed	44.784	520	3,9%	2,6%	0,3%	0,2%
Personal customers, collective impairment charges		250		1,6%		
Total	140.826	4.385	5,1%	1,7%	0,5%	0,4%

Large exposures

per cent of capital base



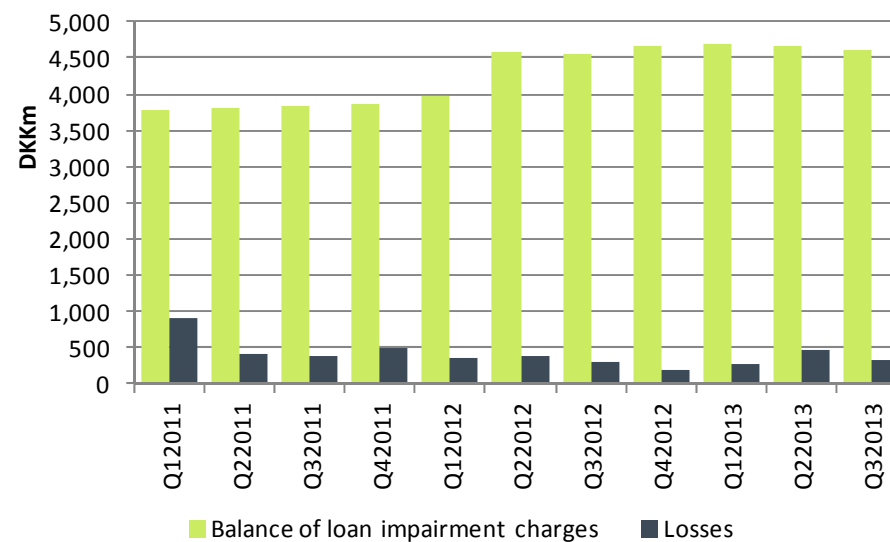
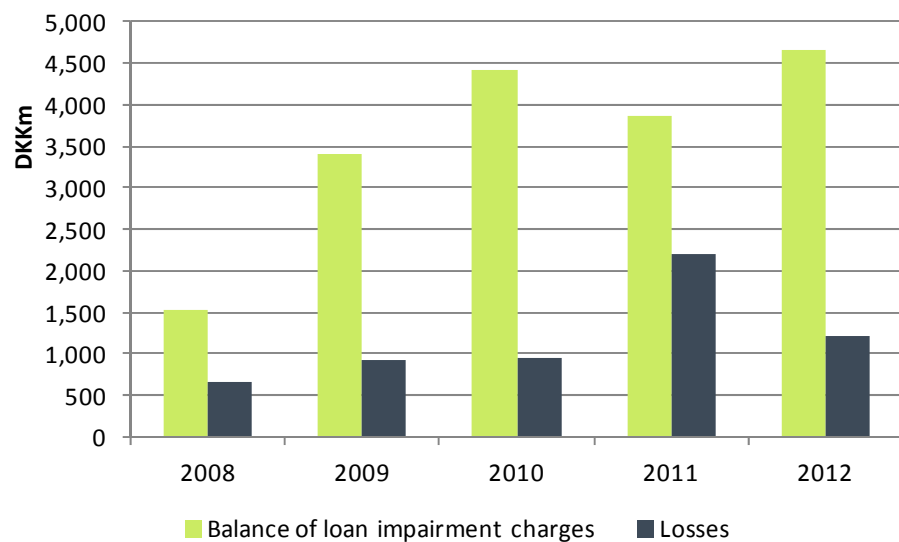
Jyske Bank large exposures:

> 10% : 0

7.5-10%: 3

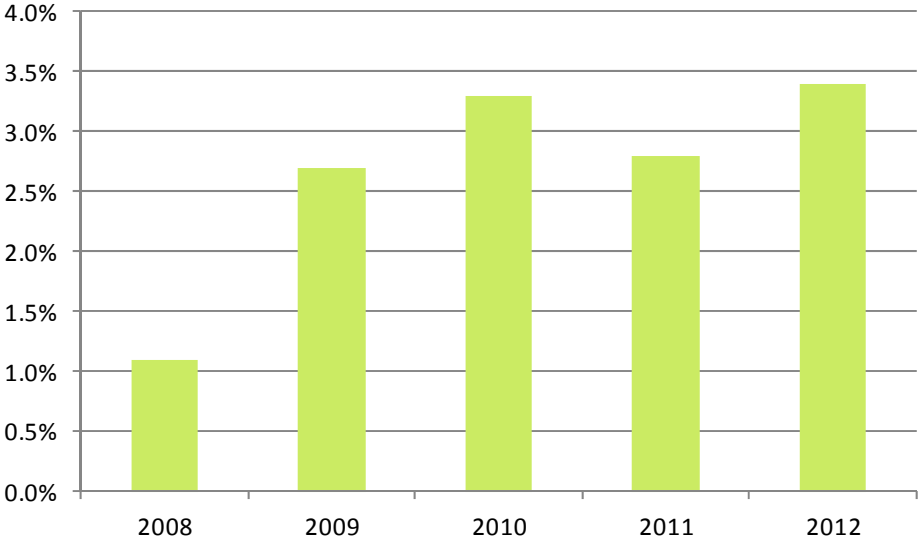
5-7.5%: 6

Balance of loan impairment charges

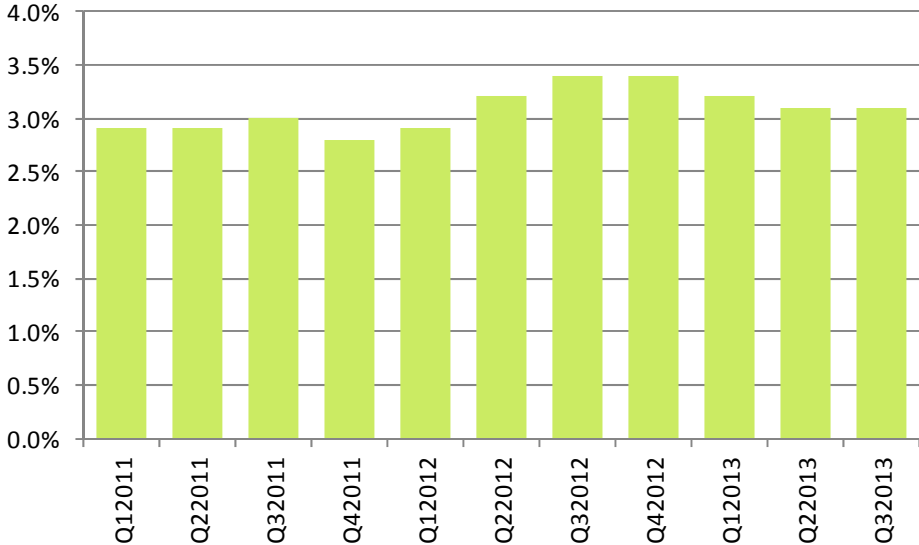


Balance of loan impairment charges

Per cent of loans and advances

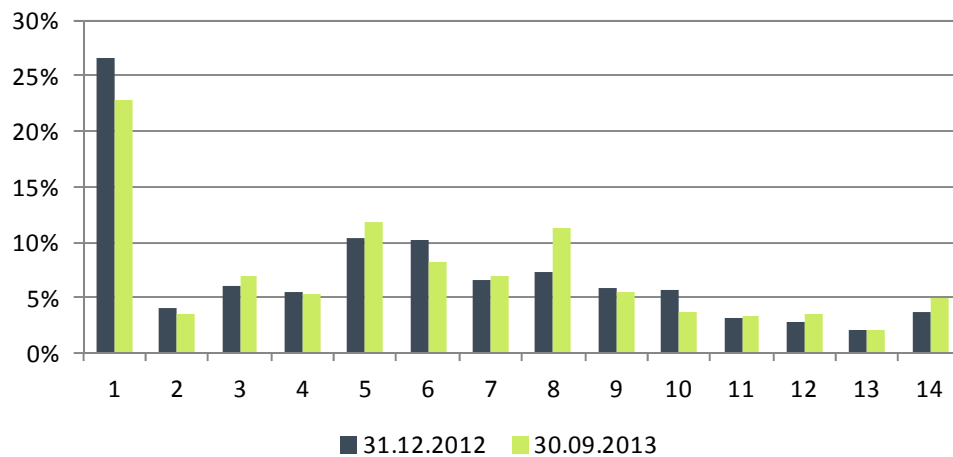


Per cent of loans and advances

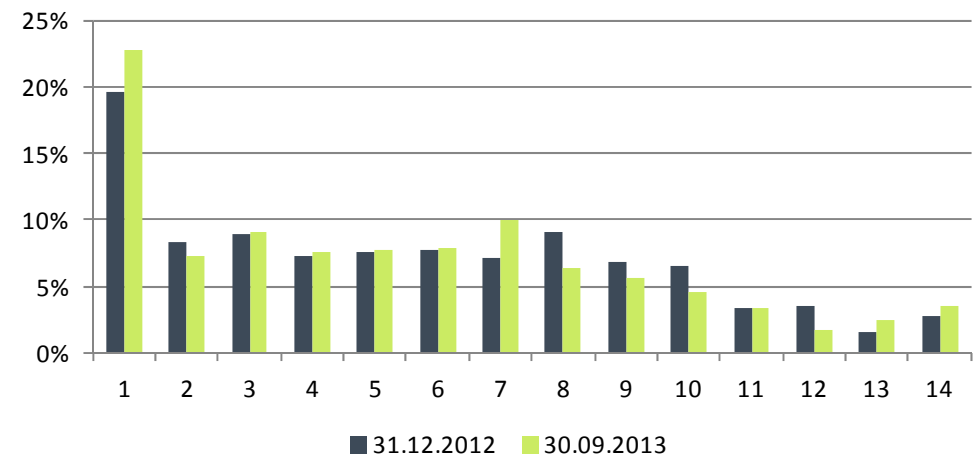


Exposures by credit rating

Corporates



Retail



Danish FSA

- Reports in 2011, 2012 and 2013
- New stringent guidelines for impairments

Danish FSA reports 2011, 2012 and 2013

The logo for Jyske Bank, featuring a green square with a white circular icon and the text "JYSKE BANK" in white capital letters.

SME customers and IRB setup

- Decision making material satisfactory
- No ground for changing impairment charges
- IRB models satisfactory

IT inspection

- Principles and policies meet required demands

Market Risk and Compliance

- Management of market risk satisfactory
- Minor change in composition of the compliance report

Custodian bank for Jyske Invest

- The bank should improve some of the control measures in relation to the management of the assets of Jyske Invest - fully implemented

Agricultural clients

- The bank's credit control in respect of agricultural clients is satisfactory
- No ground for changing impairment charges

Management and control of credits

- The supervisory board's discussions and assessments of the bank's risks on the basis of the risk report are not sufficiently evidenced in the minutes. Apart from this, the inspection did not give rise to any important reactions on the part of the FSA.

Anti money laundering

- Jyske Bank is generally assessed to meet the current requirements regarding risk-limiting measures in respect of money laundering.

Corporate customers and IRB setup

- The FSA concluded that the bank's impairment charges were sufficient, and generally the credit management was good
- The FSA has no substantive comments to the bank's solvency statement
- In relation to the IRB models the FSA concluded that they work satisfactorily
- The bank must reserve additional capital in its individual solvency requirement to uncertainties regarding the determination of maturity of corporate customers as well as handling of weak customers. FSA's conclusions are included in the individual solvency requirement of 10.0% at the end of third quarter 2013.

New stringent guidelines for impairments

- Implemented in Q2 2012
- One off effect:
 - Impairments DKK 543m
 - Value adjustments DKK 357m
- Higher volatility in value adjustments and impairments when interest rates changes
- FSA is currently reassessing the guidelines



Fact Book

Core earnings



Profit for the period DKKm	Q1-Q3 2013	Q1-Q3 2012	Index 13/12	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	2012
Net interest income	3,508	3,404	103	1,141	1,258	1,109	1,067	1,121	4,471
Dividends, etc.	35	20	175	1	21	13	0	0	20
Net fee and commission income	1,226	1,148	107	367	424	435	504	392	1,652
Net interest and fee income	4,769	4,572	104	1,509	1,703	1,557	1,571	1,513	6,143
Value adjustments	296	-31	-	66	138	92	97	138	66
Other operating income	425	257	165	131	103	191	113	82	370
Income from operating lease (net)	49	42	117	15	18	16	16	14	58
Gross earnings	5,539	4,840	114	1,721	1,962	1,856	1,797	1,747	6,637
Operating expenses, depreciation and amortisation	3,223	3,189	101	1,046	1,030	1,147	1,276	1,051	4,465
Profit on investments in associates and group enterprises	14	-2	-	3	10	1	14	1	12
Core earnings before loan impairment charges and provisions for guarantees	2,330	1,649	141	678	942	710	535	697	2,184
Loan impairment charges and provisions for guarantees	859	1,559	55	232	385	242	283	235	1,842
Core earnings	1,471	90	1,634	446	557	468	252	462	342
Earnings from investment portfolios	350	404	87	89	112	149	208	189	612
Profit before contribution to the Guarantee Fund, etc.	1,821	494	369	535	669	617	460	651	954
The Guarantee Fund, etc.	-111	-83	134	-27	-28	-56	-26	-31	-109
Pre-tax profit	1,710	411	416	508	641	561	434	620	845
Tax	370	97	381	123	121	126	156	150	253
Profit for the period	1,340	314	427	385	520	435	278	470	592

Profit/loss



DKK m	First nine months of 2013					First nine months of 2012				
	Core earnings	Earnings on investment portfolios	The Guarantee Fund, etc.	Reclassification	Total	Core earnings	Earnings on investment portfolios	The Guarantee Fund, etc.	Reclassification	Total
Net interest income	3,508	278	0	0	3,786	3,404	295	0	0	3,699
Dividends, etc.	35	9	0	0	44	20	9	0	0	29
Net fee and commission income	1,226	-2	0	0	1,224	1,148	-2	0	0	1,146
Net interest and fee income	4,769	285	0	0	5,054	4,572	302	0	0	4,874
Value adjustments	296	70	0	0	366	-31	108	0	0	77
Other operating income	425	0	0	0	425	257	0	0	0	257
Income from operating lease	49	0	0	240	289	42	0	0	117	159
Gross earnings	5,539	355	0	240	6,134	4,840	410	0	117	5,367
Operating expenses, depreciation and amortisation	3,223	6	111	240	3,580	3,189	7	83	117	3,396
Profit on investments in associates and group enterprises	14	0	0	0	14	-2	0	0	0	-2
Core earnings before loan impairment charges and provisions for guarantees	2,330	349	-111	0	2,568	1,649	403	-83	0	1,969
Loan impairment charges and provisions for guarantees	859	-1	0	0	858	1,559	-1	0	0	1,558
Pre-tax profit for the period	1,471	350	-111	0	1,710	90	404	-83	0	411

Questions