

Jyske Bank

SEB Nordic Seminar 2018

10 January 2018

- One of the four large financial institutions in Denmark and a Danish SIFI
 - 3 segments (Banking, Mortgage and Leasing)
 - Estimated market share of 12%
 - Danish play
 - Approx. 890,000 customers
 - Nationwide branch network comprised of 95 personal client branches, 30 corporate branches and 10 Private Banking centres
 - Total assets of DKK 585bn and total loans of DKK 441bn of which mortgage loans account for DKK 303bn (69%)
- Growth strategy primarily focused on property lending: home loans and mortgages
 - Creating growth and challenging the border between banks and mortgage credit institutions
- Strong capital position
 - Long-term capital policy and well-positioned to manage effects of regulatory requirements
 - Capital distribution of DKK 4.75bn since Q3 2015
 - Intention to propose ordinary dividend of DKK 5.85 per share at AGM in March 2018
 - Able and willing to participate in further consolidation of the Danish financial sector

Our targets

Q3 2017

- Delivering an attractive long-term return on equity of 8-12%
- Volume growth
 - DKK 100bn in housing-related loans
 - DKK 20bn in property loans for corporate clients
- Maintaining a strong capital position
 - Long-term targets for capital ratio 17.5% and CET1 ratio 14%
 - Capital levels above long-term targets in order to manage future regulatory requirements
 - S&P rating A- (stable outlook)

9.2%

DKK 91.6bn

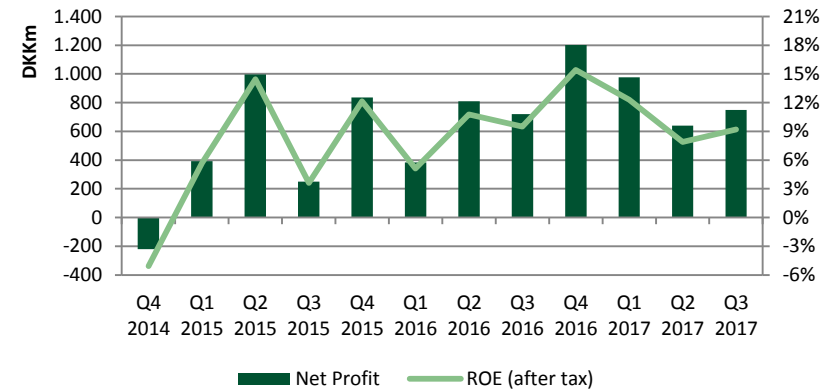
DKK 17.1bn

19.8% and
16.2%

Performance since merger with BRFkredit

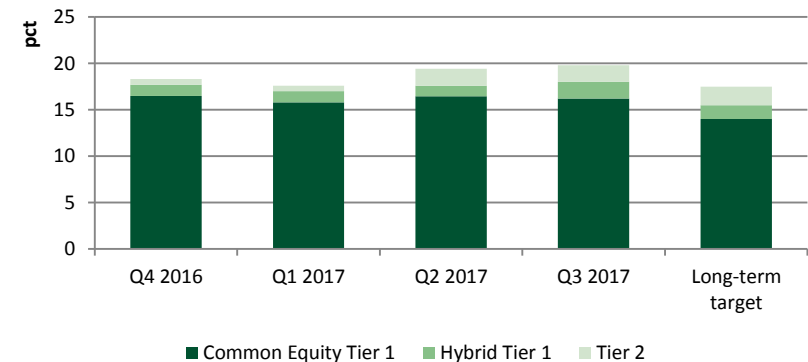
- ROE target met in every year since merger

Net profit



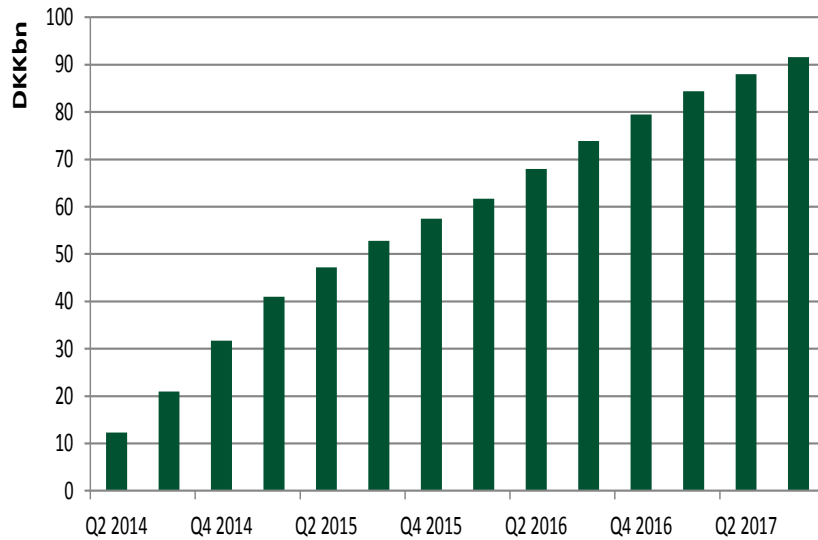
- Capital structure aligned with long-term targets, adding AT1 and Tier 2 capital
- Jyske Bank will on an on-going basis seek to make the capital structure even more cost effective
- Defending and securing a stable S&P rating of A- remains a key priority

Capital ratios

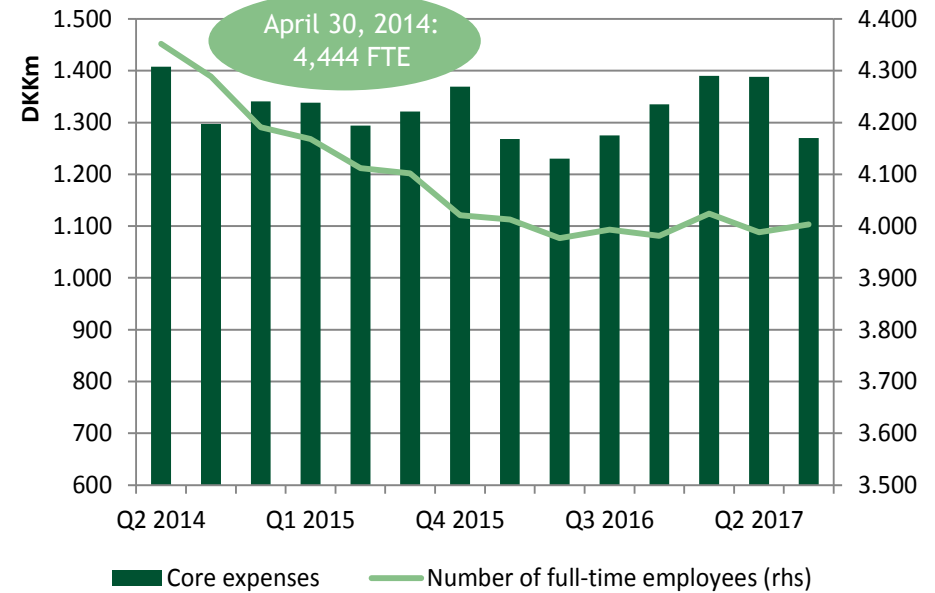


Growth while reducing core expenses

Accumulated home loans via Jyske Bank branches



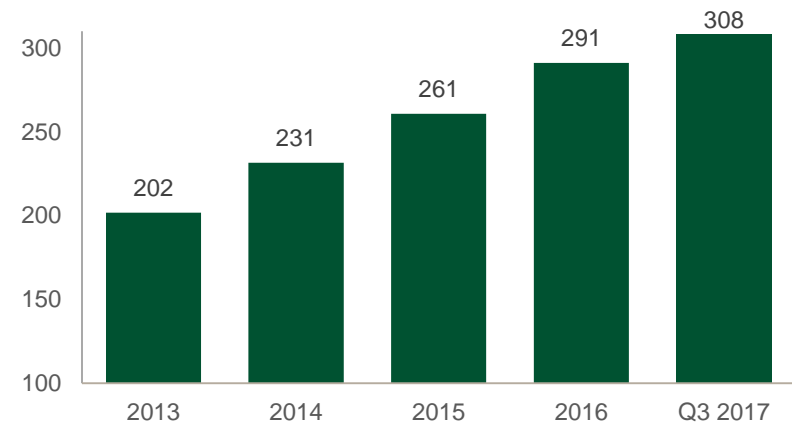
Core expenses and FTEs



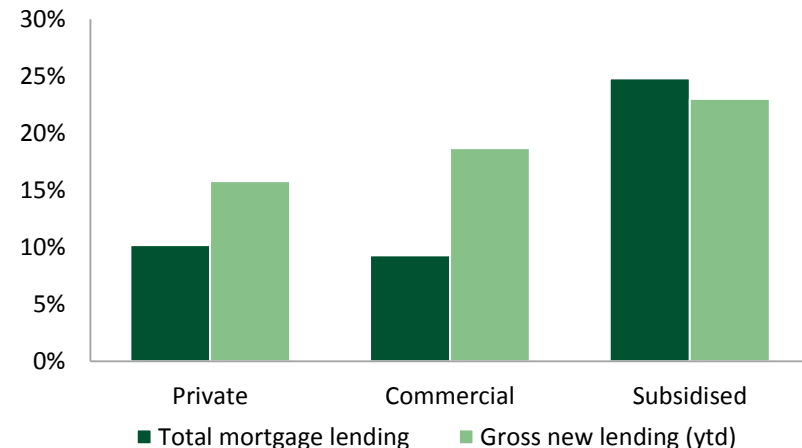
Growth strategy

- Product innovation and competitive prices
 - Launch of Jyske Bank home loans with bank features
- Net growth of more than DKK 105bn and substantial increase in market share over the last four years for the Group
 - Supports net interest income in a market with little or no demand for bank lending
 - Very low marginal operating costs of adding volume
- Transforming the loan book from 100% banking to primarily mortgage (end of Q3 2017 the split is 69% mortgage and 31% banking)
 - De-risked profile
 - Improvement in overall quality of retail lending book/high quality growth
 - Corporate lending book quality steadily improved
- Growth in the portfolio creates larger bond issuances and lower funding costs
 - Proportion of series that fulfills LCR requirements has increased
 - Mortgage funding cost at par with larger competitors in the Danish market

Total mortgage lending (DKKbn)



Market share of mortgage market (%), Q3 2017

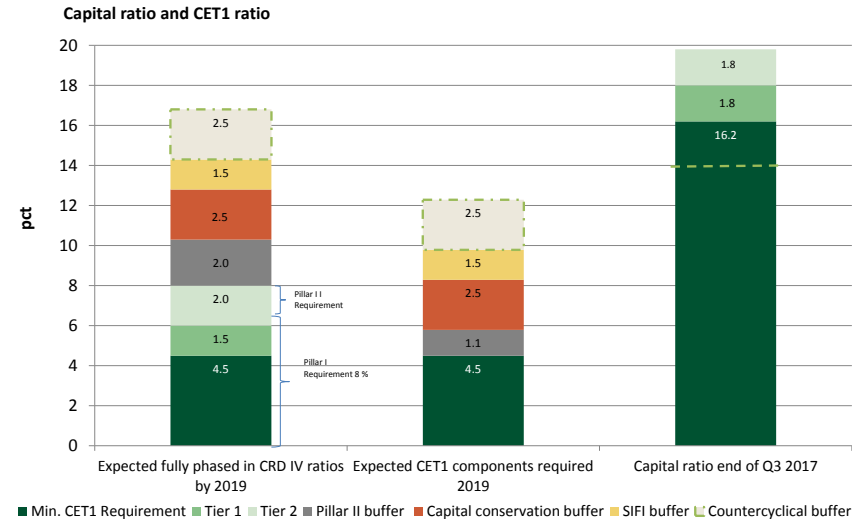


Upturn in Danish economy drives improvements in credit quality

- Upturn in Danish economy is expected to continue
 - Employment is up 5% since 2012
 - Low interest rates, increasing house prices and export market growth stimulates demand
 - Export competitiveness looks healthy
 - The labour force is increasing from foreign labour supply and higher retirement age. Hence, no immediate labour supply shortages. Still, in 2018 labour market constraints may dampen the upturn slightly
 - Overall lending growth has turned positive, but is still very modest
 - New legislation: The tax freeze on housing is abandoned from 2021 reducing risk of price bubbles in the housing market
- Denmark is a AAA economy with strong structural financial features
- Improved credit quality
 - Banking:
 - Overall credit quality continues to improve
 - Low number of new defaults and improvement in credit quality of previously defaulted clients
 - Significant reversals in corporate segment
 - Mortgage:
 - Overall positive development in credit quality

Upcoming regulation

- Long-term capital targets based on fully implemented Basel IV capital requirements:
 - Capital ratio 17.5% and CET1 ratio 14%
 - Capital ratios to remain above long-term targets given the implementation of new rules on impairments (IFRS 9) and the continued uncertainty re. upcoming capital requirements
- Basel IV
 - Provided that the new Basel IV requirements will include a 72.5% output floor of new standardised method, Jyske Bank's view of the effect is up to 4 percentage point on the capital ratio
- IFRS 9
 - Will take effect on 1 January 2018
 - Estimated effect of DKK 1-1.5bn on balance of impairment charges
 - Jyske Bank does not wish to make use of the 5-year phase-in period proposed by the EU Commission



- Minimum requirement for own funds and eligible liabilities (MREL)
 - Twice the level of solvency requirement incl. all buffer requirements
 - According to preliminary calculations Jyske Bank most likely already fulfills MREL
 - Grandfathering of senior debt issued prior to 1 January 2018

What's next?

"We are where the client is"

- It is our vision that our clients experience a positive difference and that generally we are among the best financial institutions in Denmark
- Through our activities we will meet our clients and make a difference for them, wherever they are - geographically, in the digital world, in their life, in their financial situation, etc.
- Seamless traffic between distribution channels, advisory concepts and services - all clients have access to all of Jyske Bank's products in a way that creates value for both clients and Jyske Bank
- As simple as possible - one brand, one product suite and one process

5 trends affecting the financial industry

DIGITISATION



R&D focused on digitisation

- Partnerships with leading operators benefit Jyske Bank clients
- Simplicity in development of product suite and processes benefits both clients and employees

DIFFERENTIATION



Jyske Differences

- Branding
- Corporate culture
- Media strategy (i.e. CEO Anders Dam on Twitter)

BUSINESS MODEL



Growth in a low interest rate environment

- Bank of the home owners
- Focus on growth in Investment activities and Private Banking
- Accessibility/distribution

REGULATION



Under scrutiny

- Mifid II
- Anti Money Laundering
- Personal data






CSR



Global and local responsibility

- Globale targets/ratings
- National/local initiatives
- Anti Money Laundering

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