

Jyske Bank

Q1 2015

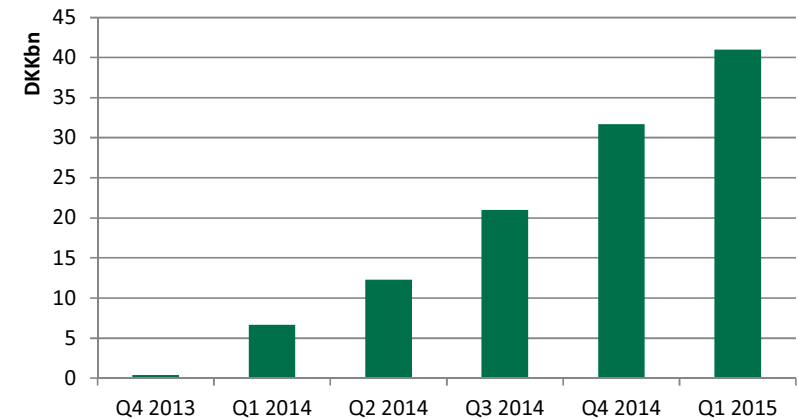
Q1 highlights

- Falling interest rates, resulting in negative interest rates, put pressure on NII
- Rising stock markets have a positive effect on commission and fee income
- Danish economy shows signs of improvement (e.g. increasing housing prices and expected GDP growth) - a better outlook for results going forward
- Continued success with new home loan products
- Arbitration case with Nykredit settled
- Strategic initiatives:
 - Strengthening Capital Management
 - Consolidating international private banking activities.

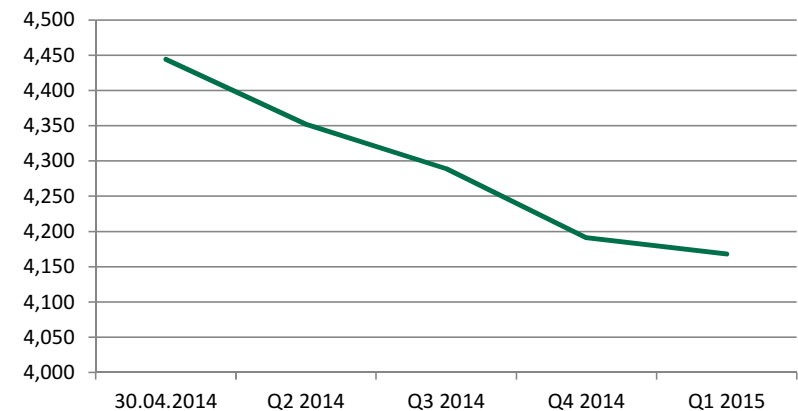
Status on Jyske Bank/BRFkredit merger

- Sales of new home loan products reaches DKK 42bn (DKK 40bn at end of Q1) and Q4 growth is repeated in Q1 - future annual NII close to closing the gap from lost commission income from Totalkredit
- Number of employees at 4,168 - still trending down towards target of 4,000 employees to be reached within 2015 and 2016
- Integration costs expected in the range of DKK 150-200m as opposed to earlier estimate of DKK 300-400m.

New home loan products



Full-time employees



Q1 2015 results

- Pre-tax profit of DKK 502m - equal to ROE of 7.3% ann.
- Core income driven by
 - stable net interest income - supported by income on new home loan products
 - strong fee and commission income
 - value adjustments hit by falling interest rates
- Core costs in line with expectations
- Impairment charges are stable
- Profit generated on the basis of a business volume where:
 - Competition for traditional bank loans continues
 - Deposits are still at a high level
 - New home loan products continue their growth
 - Mortgage volume (excl. joint funding agreement) stable
 - Assets under management on the rise
- Capital ratio 16.3%, core equity tier 1 ratio 15.3%
- Individual solvency requirement 10.7% + 0.3% SIFI requirement.

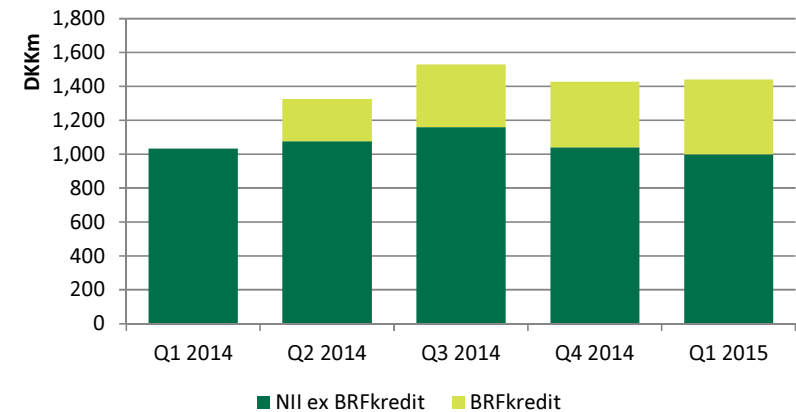
CORE PROFIT AND			
NET PROFIT OR LOSS FOR THE PERIOD	Q1 2015	Q1 2014	Index 15/14
DKKm			
Core income	1,978	1,729	114
Core expenses	1,338	1,185	113
Core profit before loan impairment charges	640	544	118
Loan impairment charges	327	249	131
Core profit	313	295	106
Investment portfolio earnings	189	123	154
Pre-tax profit	502	418	120
Tax	109	77	142
Net profit or loss for the period	393	341	115

Note: BRFKredit has been included in the income statement as of 1 May 2014

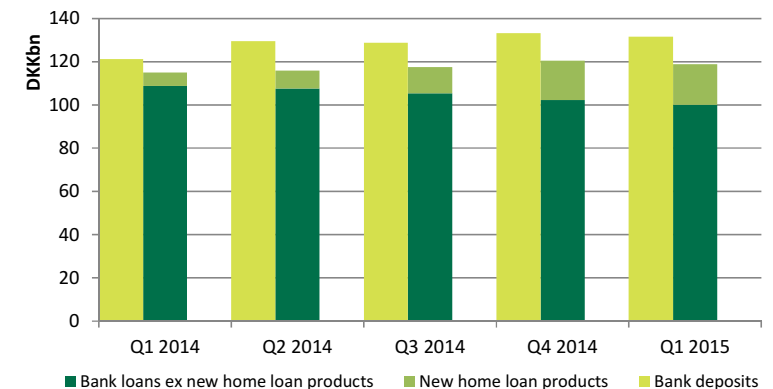
NII underlying development stable

- NII is pressured by:
 - Extremely low interest rate level
 - Continued pressure on margins due to competition, limited economic growth and high savings propensity
- NII on Jyske Bank new home loan products and increased contribution margins in BRFkredit partly off-set NII on lost volumes in traditional bank loans
- New home loan products still on the rise
- Low demand for corporate credit facilities
- Bank loans for private individuals stable
- Deposits decline slightly but are still at a high level.

Net interest income



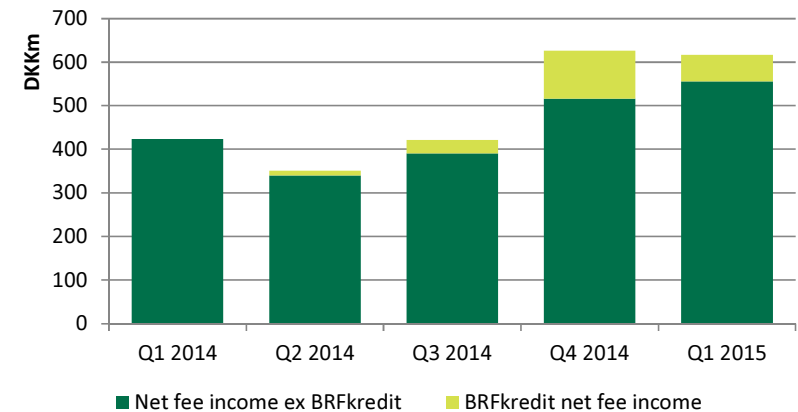
Bank loans and deposits



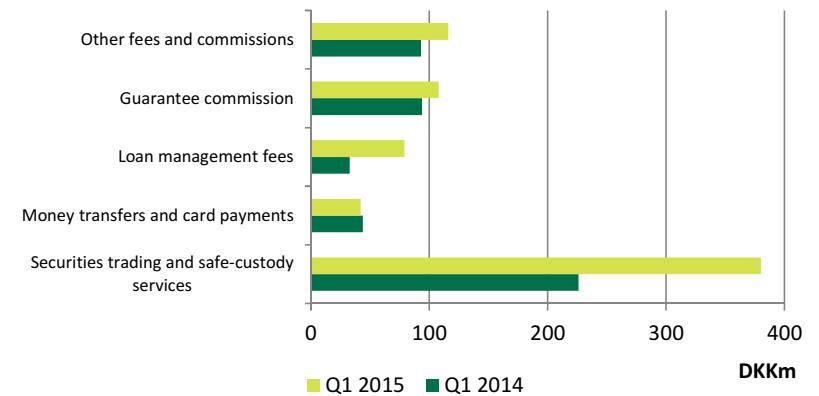
Strong fee and commission income

- Overall, an increase of 46% compared to Q1 2014 and close to Q4 2014 level
- Significant increase in securities trading etc.:
 - increasing activity across client segments
 - performance related fees from capital management
- High conversion activity in BRFkredit drives up loan management fees
- One-off commission income related to the settlement with Nykredit is recorded under guarantee commission.

Net fee income



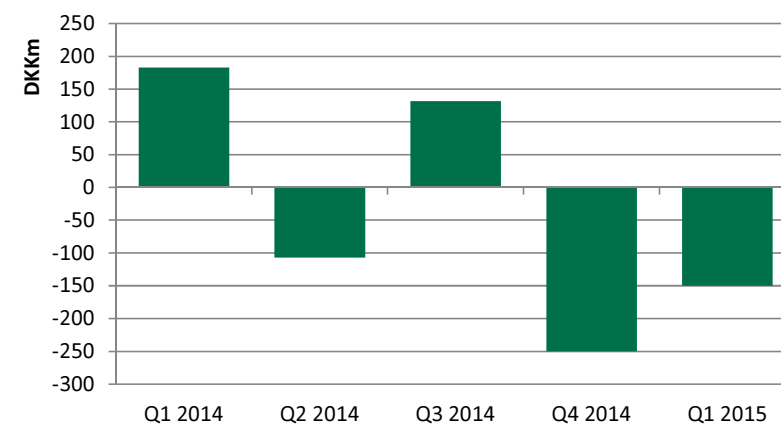
Net fee income by type



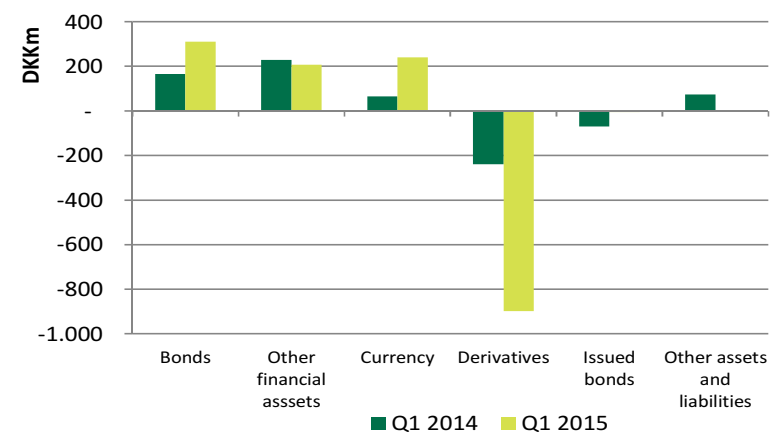
Value adjustments hit by falling interest rates

- Dominated by development in interest rates:
 - Increased volatility in especially DKK interest rates
 - Falling long-term interest rates
- Positive effects from bonds, equities and FX/currency overshadowed by derivatives (primarily interest rate related)
- Negative value adjustment on non-performing clients' transactions relating to interest-rate hedging (swaps) of DKK -299m (Q1 2014: DKK -128m)
- Other assets and liabilities: Small net effect of large gross movements in loans and advances at fair value and issued bonds (BRFkredit).

Value adjustments



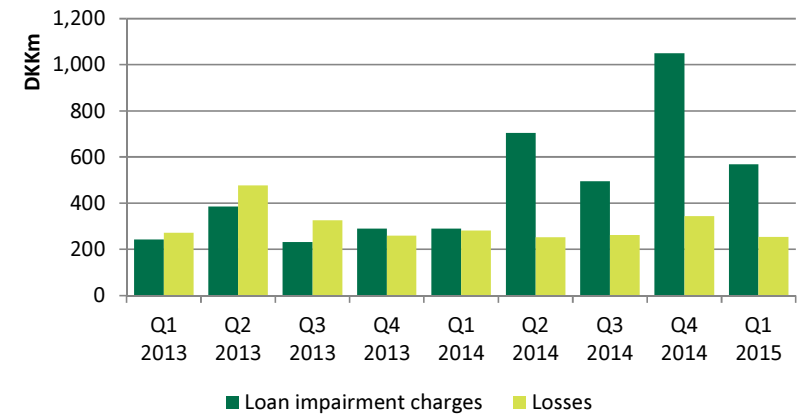
Value adjustments by type



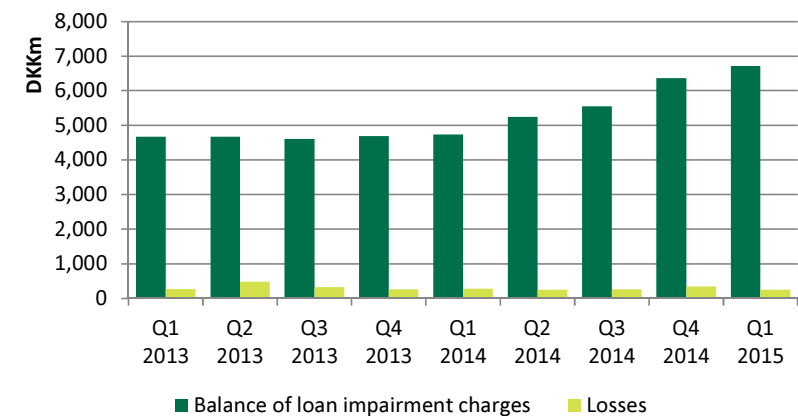
Impairment charges stabilized

- Loan impairment charges under core profit revert to range seen in 2013 and early 2014
- Losses are stable
- Management's estimate related to agriculture in Q4 2014 has been individualized in Q1 2015
- Corporate clients: The highest impairment ratios are found in milk producers, pig breeding and real property
- The outlook has improved slightly as the Danish economy shows signs of improvement (e.g. GDP growth and housing prices).

Loan impairment charges and losses



Balance of loan impairment charges and losses

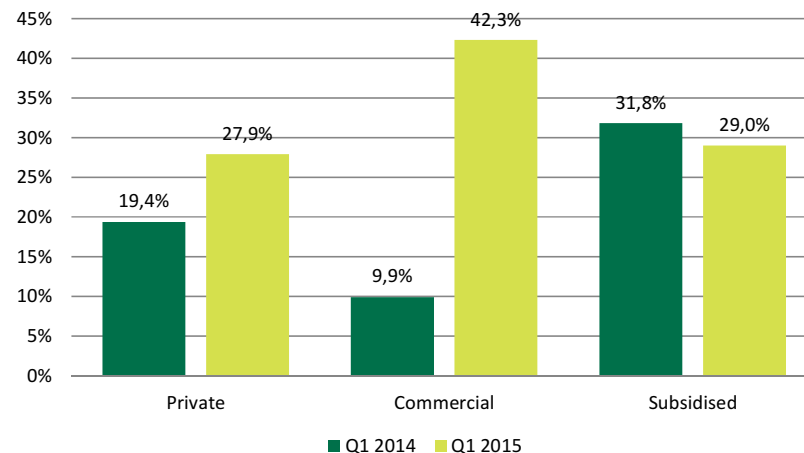


Continued growth in new home loan products

- Significant increase in new home loan products (DKK 40bn vs. DKK 31bn end of 2014) - momentum from Q4 is maintained
- Signs of improvement in the Danish economy but no significant change in demand for loans, thus still very competitive
- Decrease in bank loans primarily related to corporate segment
- Deposits down by DKK 1bn. Efforts to move deposits into other products start to show
- Total market share of BRFkredit stood at 8.5%. Lending activity is significantly increased primarily due to the cooperation with Jyske Bank but also due to BRFkredit's own Advisory Corps. BRFkredit provides a significant amount of the new lending in the commercial segment
- Assets under management experience an inflow of new funds and positive returns on portfolios.

SUMMARY OF BALANCE SHEET, END OF PERIOD			
PERIOD	Q1 2015	End-2014	Index 15/14
DKKbn			
Mortgage loans	229	219	105
Traditional bank loans	100	102	98
New home loans	19	18	104
Bank deposits	132	133	99
Assets under management	100	94	107

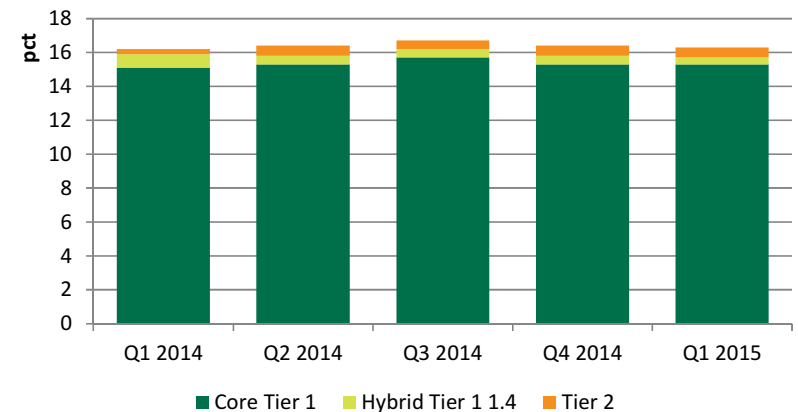
BRFkredit market share of lending activity - net new lending



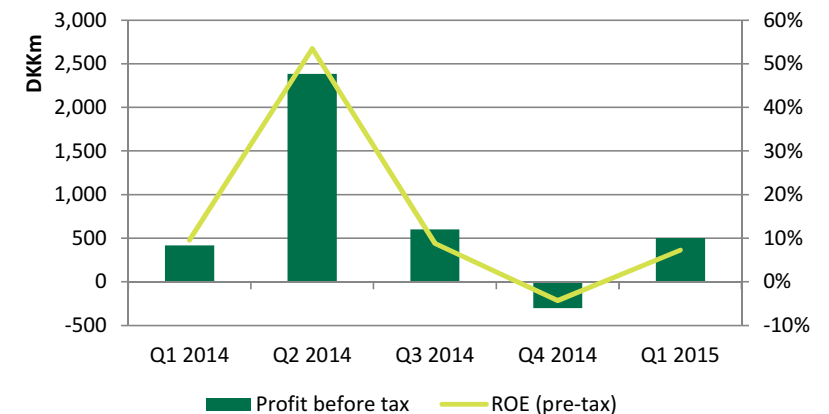
Strong capital base with high CET1 ratio

- Capital ratio 16.3% and CET1 15.3% versus long-term targets of 17.5% and 14%
- Individual solvency requirement 10.7% (+0.3% SIFI requirement)
- Maintaining a solid capital base because:
 - Expansion (home loan products) requires financing
 - M&A activity is still an option should further portfolios be put up for sale
 - S&P removes systemic support by end of 2015. Aim for an upgrade on stand-alone rating in order to maintain A-rating
 - Upcoming legislation on impairment charges to impose higher capital requirements on banks from 2018
- ROE pre-tax 7.3%. Target of 10-15% ROE pre-tax challenged in 2015.

Capital ratio



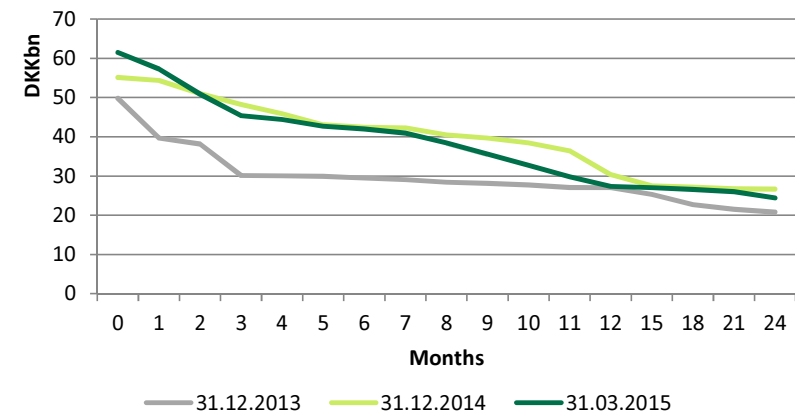
Profit before tax



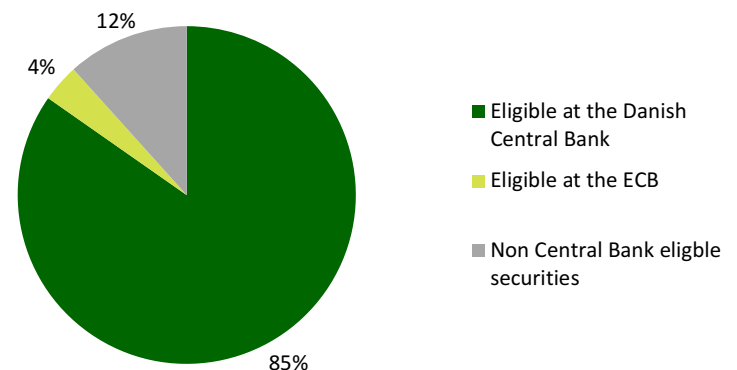
Long history of strong liquidity reserves

- Focus on quality and not only quantity: No “fixed number” but enough to comply with critic survival horizons in all 3 internal stress scenarios
- Structural change from a deposit deficit to a deposit surplus has further strengthened the liquidity
- The buffer consists solely of assets which are not pledged as collateral or necessary to ensure the day-to-day operations of the Group
- Compliance with LCR from October 1st 2015 is required as Danish SIFI - will require reduction of Danish mortgage bonds and increase of Level 1 assets (Q1-Q3 2015)
- The run-off from ”credit sensitive funding” in the LCR is less severe than the run-off in the Groups internal stress scenario 1.

Capital market scenario



Break down of Jyske Bank liquidity buffer



The upcoming supervisory diamond for mortgage credit institutions

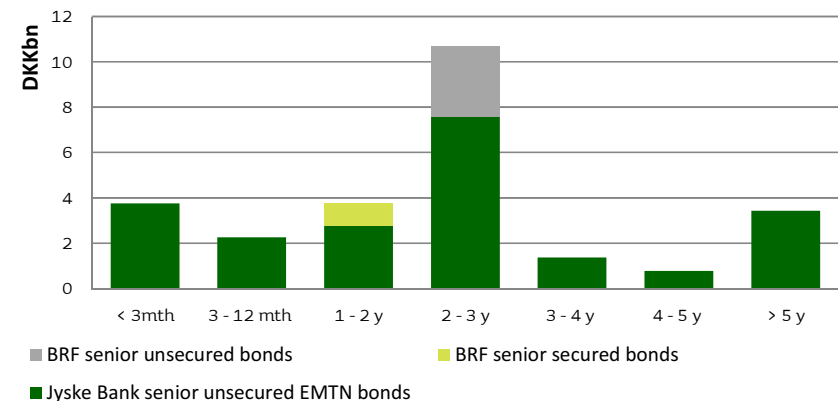
- The supervisory diamond for mortgage credit institutions will be brought into effect gradually from 2018-2020
- BRFkredit is compliant with concentration risk as per end of Q1 2015
- Due to the expected lending growth in 2015 BRFkredit will not comply with the growth benchmark in the private segment. The expected growth is made by customers already known to the group. It is expected that BRFkredit will comply with this benchmark in 2018
- BRFkredit have already implemented initiatives to comply with the supervisory diamond. BRFkredit have raised prices on loans with floating interest rates (rentetilpasningslån) and loans with interest- only schemes, and have lowered the prices on loans with fixed interest rate and amortization.

THE SUPERVISORY DIAMOND FOR BRFkredit a/s	Q1 2015	Q4 2014
Concentration risk < 100%	74.6%	76.4%
Increase in loans and advances < 15% annually in the segment		
Owner-occupied home and holiday homes	17.4%	9.1%
Residential rental property	4.8%	4.0%
Agriculture	-	-
Other sectors	-0.4%	2.7%
Borrower's interest-rate risk < 25%		
Residential property	28.2%	27.0%
Interest-only schemes < 10%		
Owner-occupied home and holiday homes	11.3%	11.5%
Loans with frequent interest-rate fixing		
Refinancing (annually) < 25%	27.5%	27.5%
Refinancing (quarterly) < 12.5%	3.2%	19.4%

A rare but regular issuer on the EMTN market

- Group issuance of senior debt will be from Jyske Bank A/S, thus no new issuance of senior secured bonds from BRFkredit A/S
- Senior unsecured activity will depend on developments in the balance sheet (funding gap)
- Integrated part of policy is to maintain a deposit/loan ratio in the banking activities of a min of 95 %*
- Maintenance of access to diversified funding sources in the international debt capital markets remains a cornerstone in liquidity risk management - so one EUR benchmark (EUR 500m to be expected annually).

Redemption profile



Senior unsecured funding activities in Q1 2015:

- Private placement of SEK 1bn 2 year FRN and SEK 350m 5 year FRN
- Public benchmark bond of EUR 500m 3 year FRN (>90% placed outside of Denmark).

*) Net ratio excl. of Jyske Bank home loans funded by BRFkredit A/S's issuance of mortgage bonds.

Macro Economy & Danish Banking 2014

The Danish economy at a glance

Equal disposable incomes

Eurostat-ranking lowest Gini coefficient (2013):

1. Norway
11. Denmark
15. Germany.

The basics

Citizens: 5.6 million

Area: 43.098 sq km (0.4% of USA)

Currency: Kroner (fixed exchange rate policy to the euro).

A welfare state

Total tax revenue as % of GDP (2012):

Denmark 49.1% (highest in the OECD)

Germany 40.4%

USA 24.4%.



Among the rich

Denmark is 9th richest country in the OECD.

OECD-ranking, GDP (PPP) per capita (2013)

Flexible labour market

Unemployment (latest):

Denmark 6.2%

Euro Area 11.3%

USA 5.5%.

Open to the world

Exports as % of GDP (2013):

Denmark 54%

Germany 46%

USA 13%.

From goods to services

Production, value added (USA):

Agriculture 1% (1%)

Food products 2% (1%)

Oil and gas 4% (1%)

Manufacturing 11% (11%)

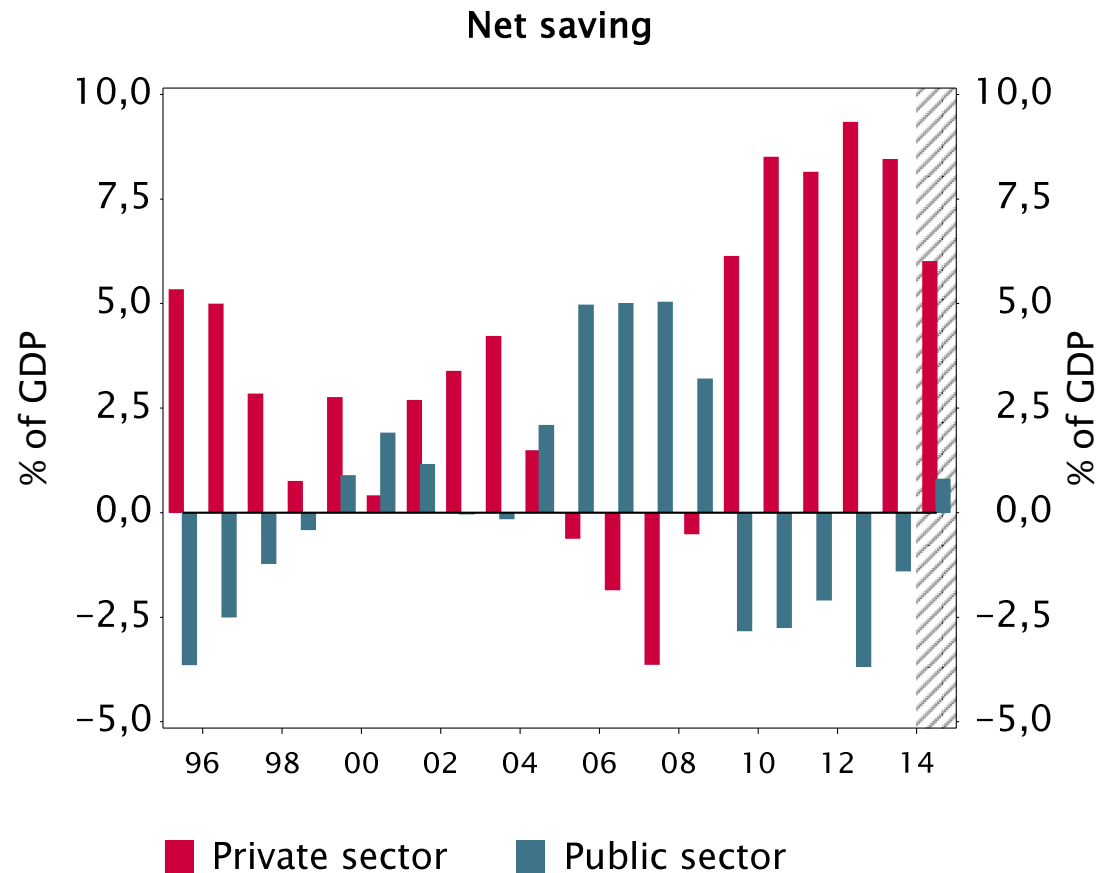
Services etc. 83% (86%).

The private sector is still in a consolidation mode

The private sector saving has been record high since 2009.

Private to public sector:

- Tax on pensions behind the latest fall for private sector and gain for public sector.



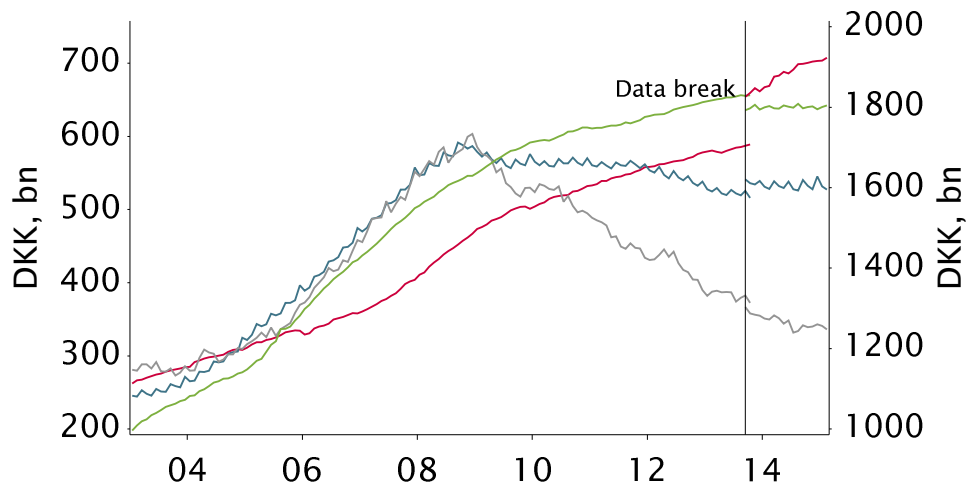
Source: Danmarks Statistik

The private sector is reluctant to borrow

Structural shift to mortgage institutions away from banks

Lending to domestic households, SMEs & corporates

Outstanding loans

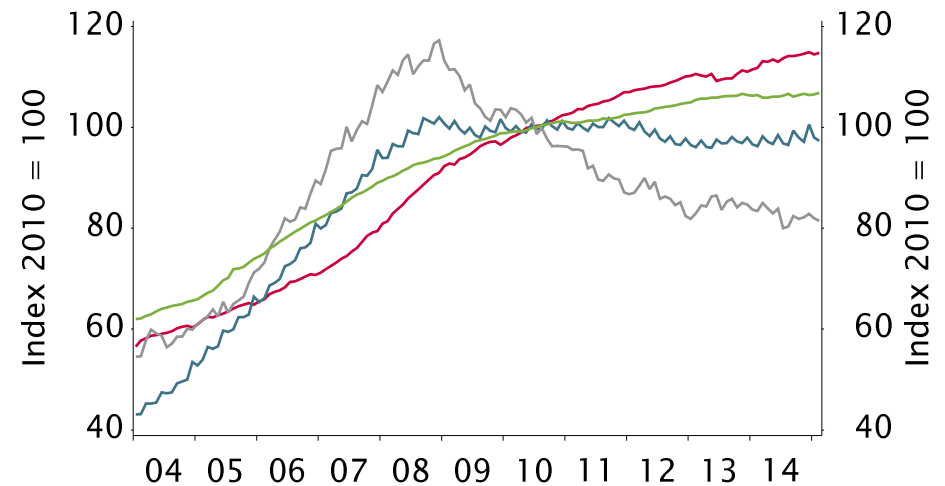


- Lending to SMEs and corporates from mortg. inst.
- Bank lending to households
- Bank lending to SMEs and corporates
- Lending to households from mortgage inst. (right axis)

Source: Danmarks Nationalbank

Lending to domestic households, SMEs & corporates

Outstanding loans corrected for reclassifications and losses



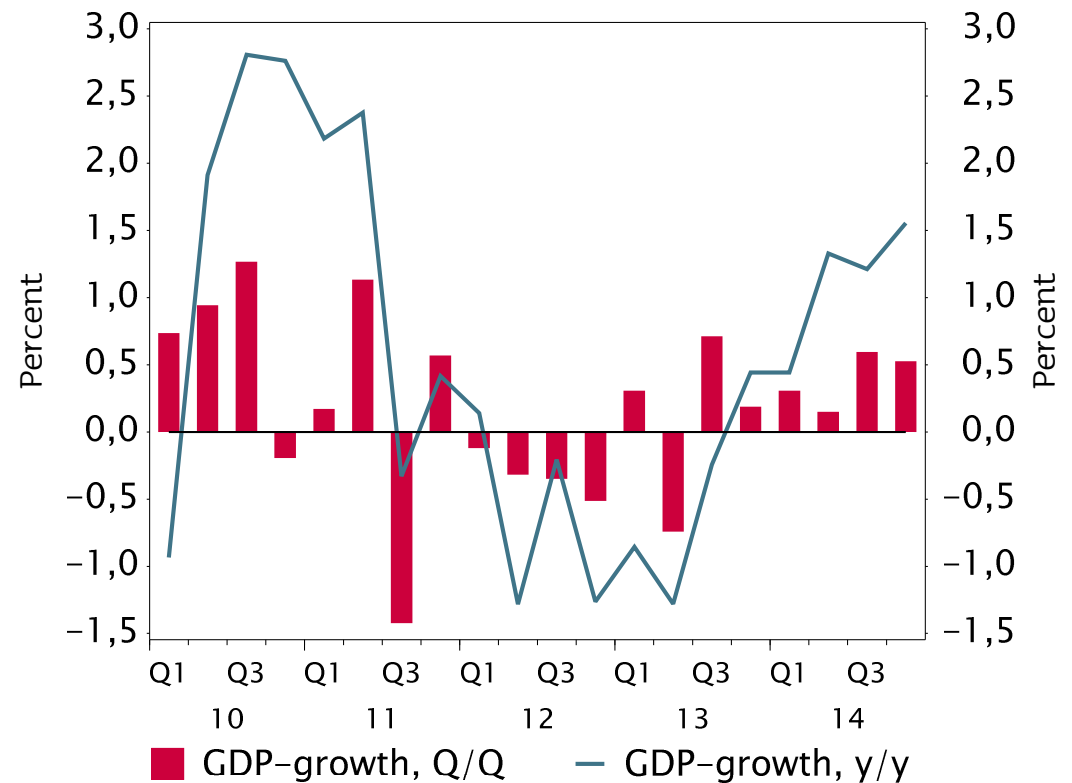
- Lending to SMEs and corporates from mortg. inst.
- Bank lending to households
- Bank lending to SMEs and corporates
- Lending to households from mortgage inst.

Source: Danmarks Nationalbank

Overall the Danish economy is improving

- In Q4 GDP growth was 0.5 % Q/Q following 0.1 % and 0,6 % growth in Q2 and Q3, respectively - quarterly figures are erratic
- Overall growth has improved, and there is reason to be a bit more optimistic about the Danish Economy
- Private consumption are expected to increase only gradually, but lately there have been some promising signs
- There are still concerns due to Euro area and geopolitical development.

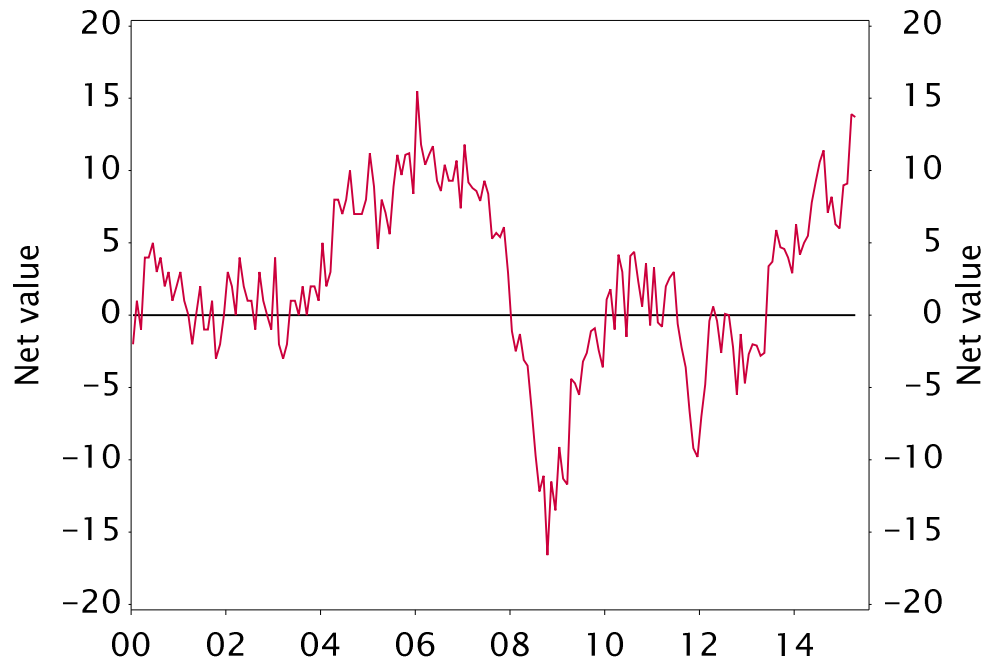
Y/Y growth are up



Source: Reuters Ecowin

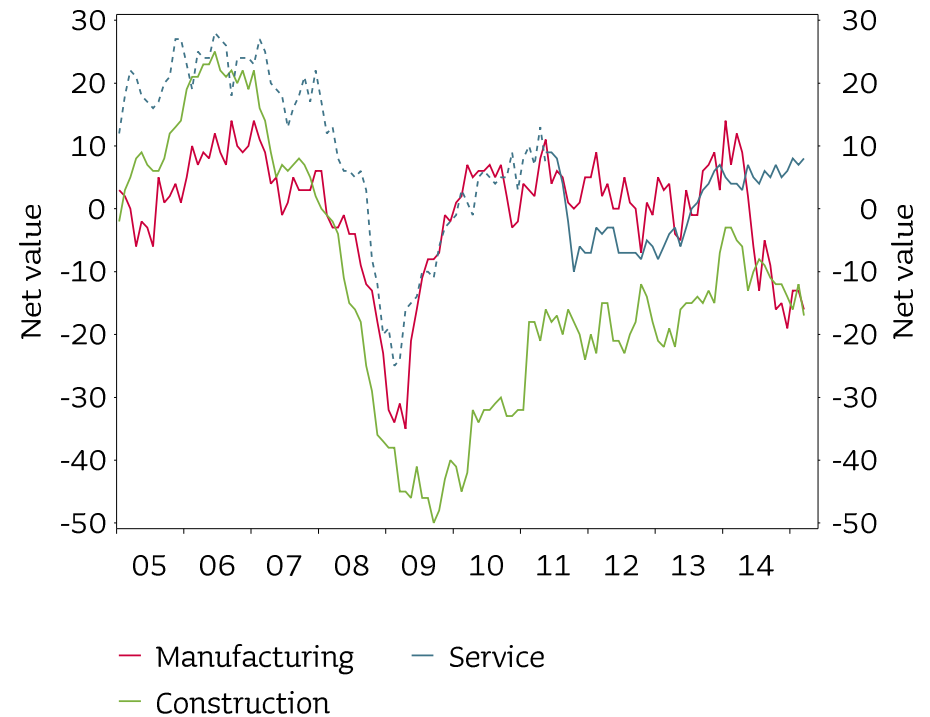
Optimistic consumers, but sceptic manufacturers

Consumer confidence



Source: Reuters Ecowin

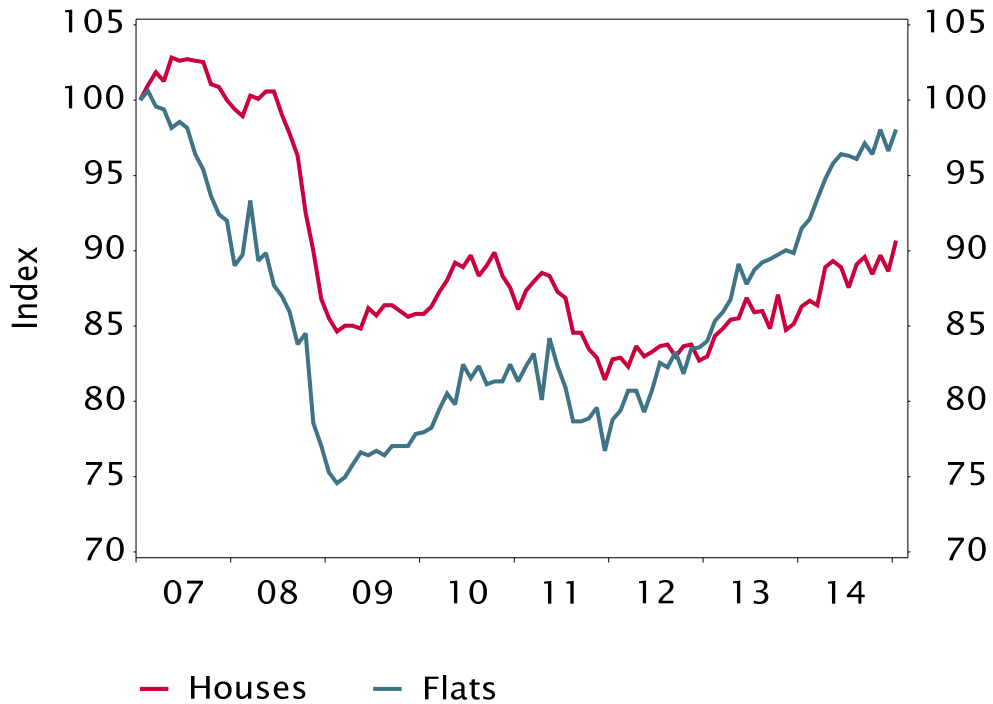
Business cycle indicators



Source: Reuters Ecowin

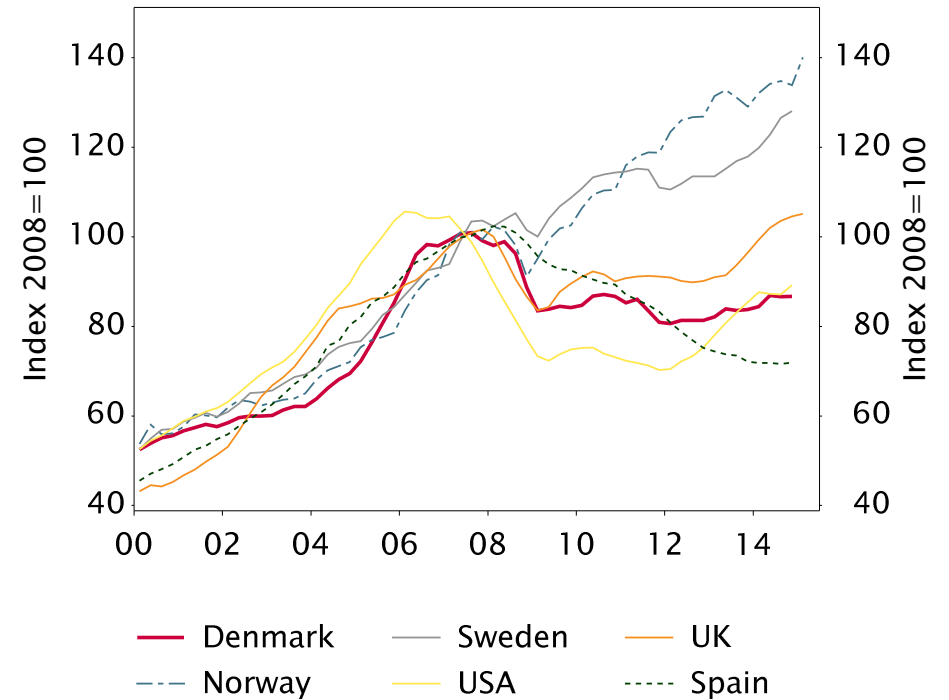
House prices increased during the past year

Prices on dwellings



Source: Reuters Ecowin

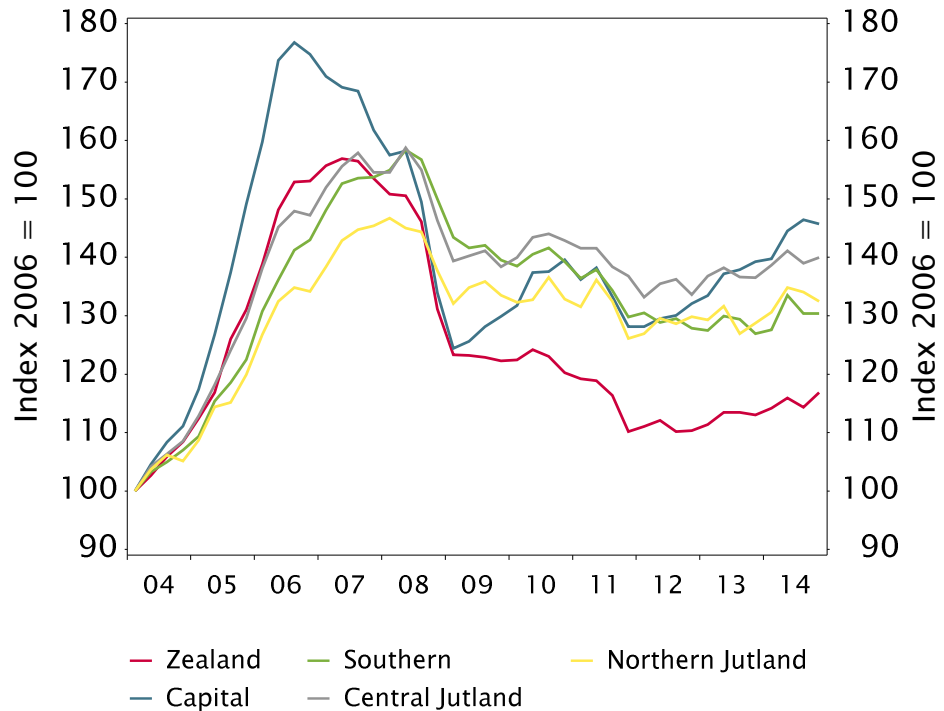
House Prices



Source: Reuters EcoWin

Capital region has the lead. Affordability is strong

House prices



Source: Danmarks Statistik

Housing affordability

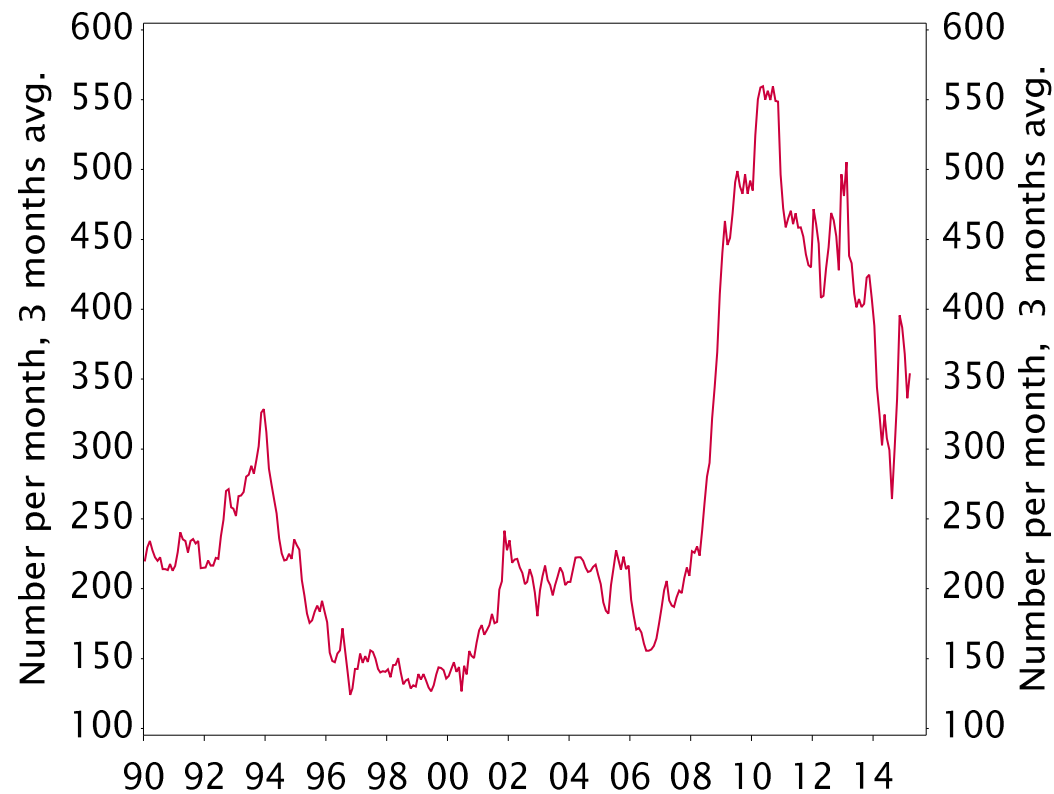
Net intallment (fixed rate) for new buyers relative to disp. income



Source: Jyske Bank

After years of suffering, bankruptcies in the SME sector are trending downwards

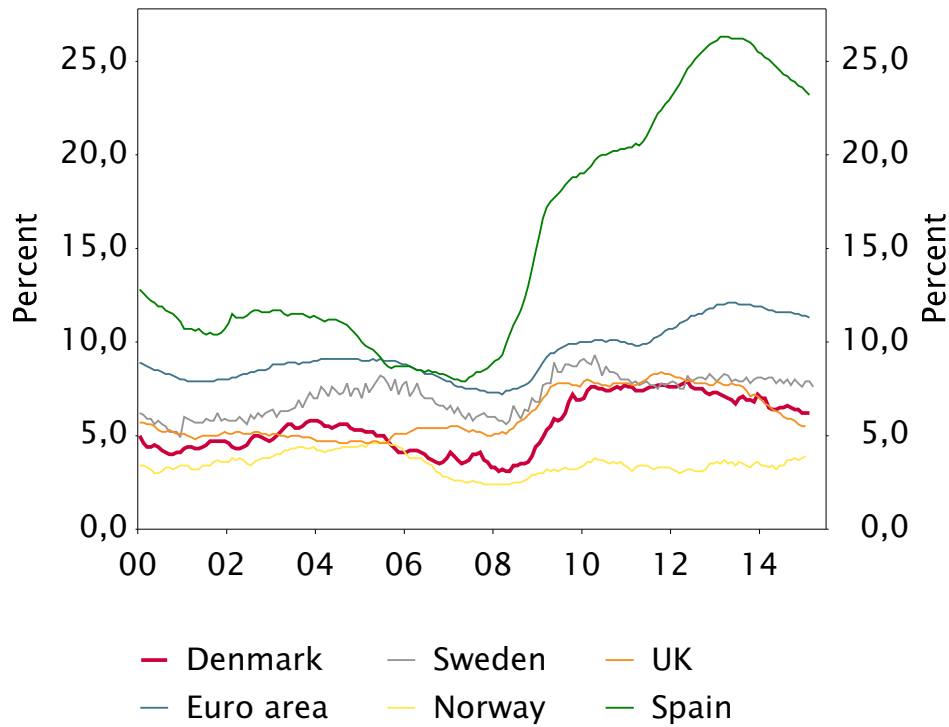
Business sector bankruptcies



Source: Reuters EcoWin

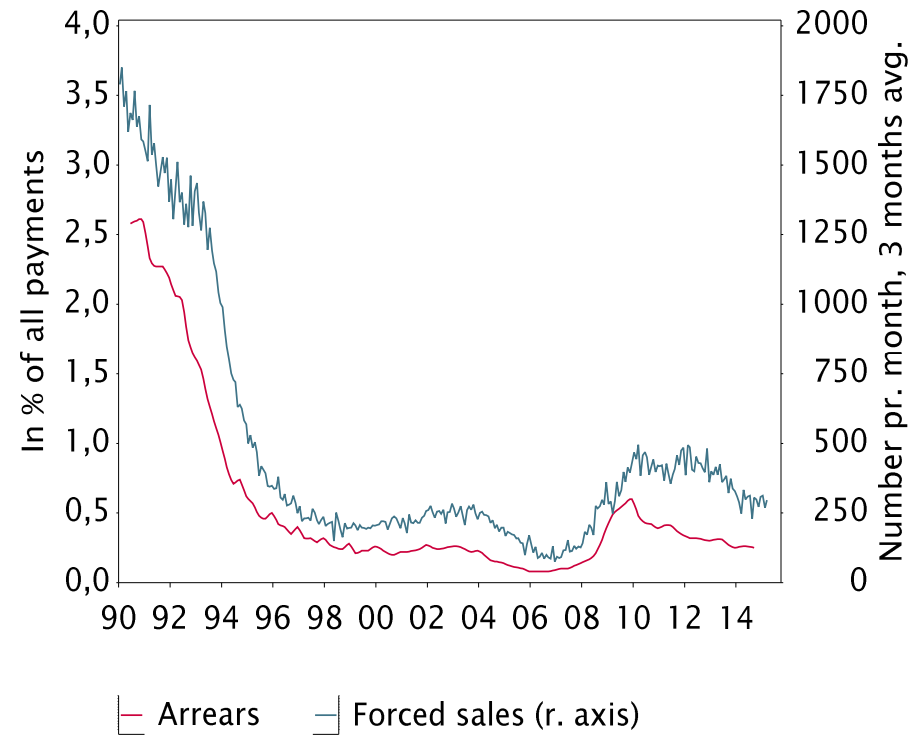
With unemployment slightly declining, and interest rates being low, household defaults are also declining

Unemployment rate



Source: Reuters EcoWin

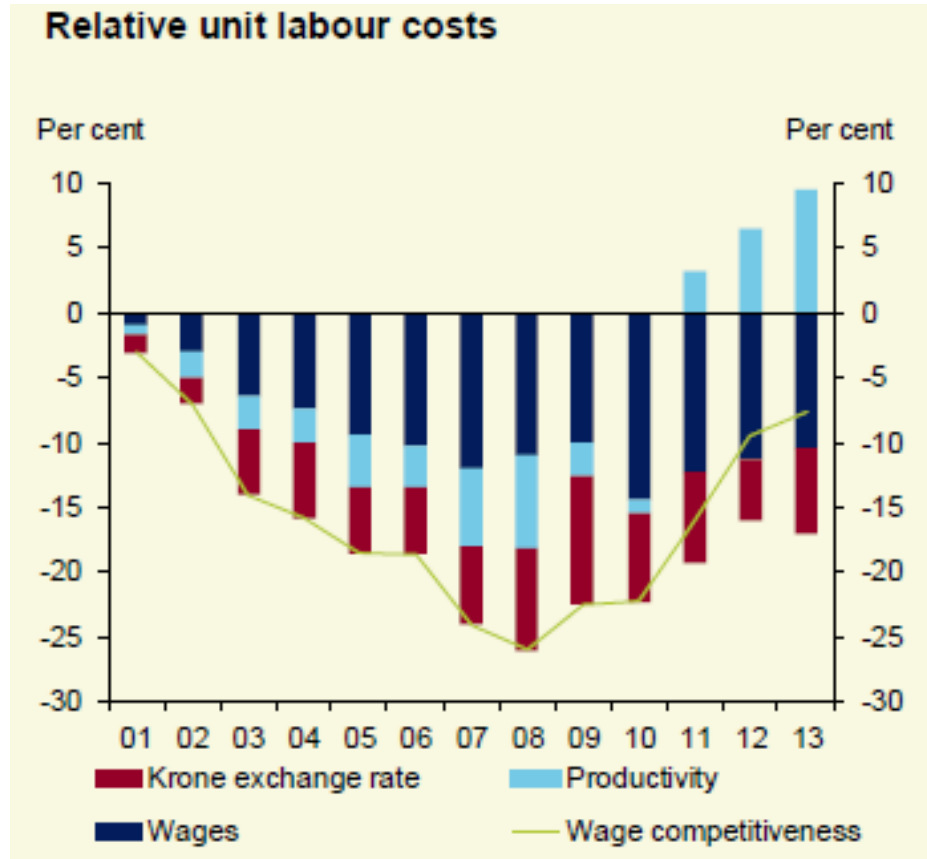
Arrears and forced sales



Source: Realkeditrådet and Reuters EcoWin

Competitiveness has improved

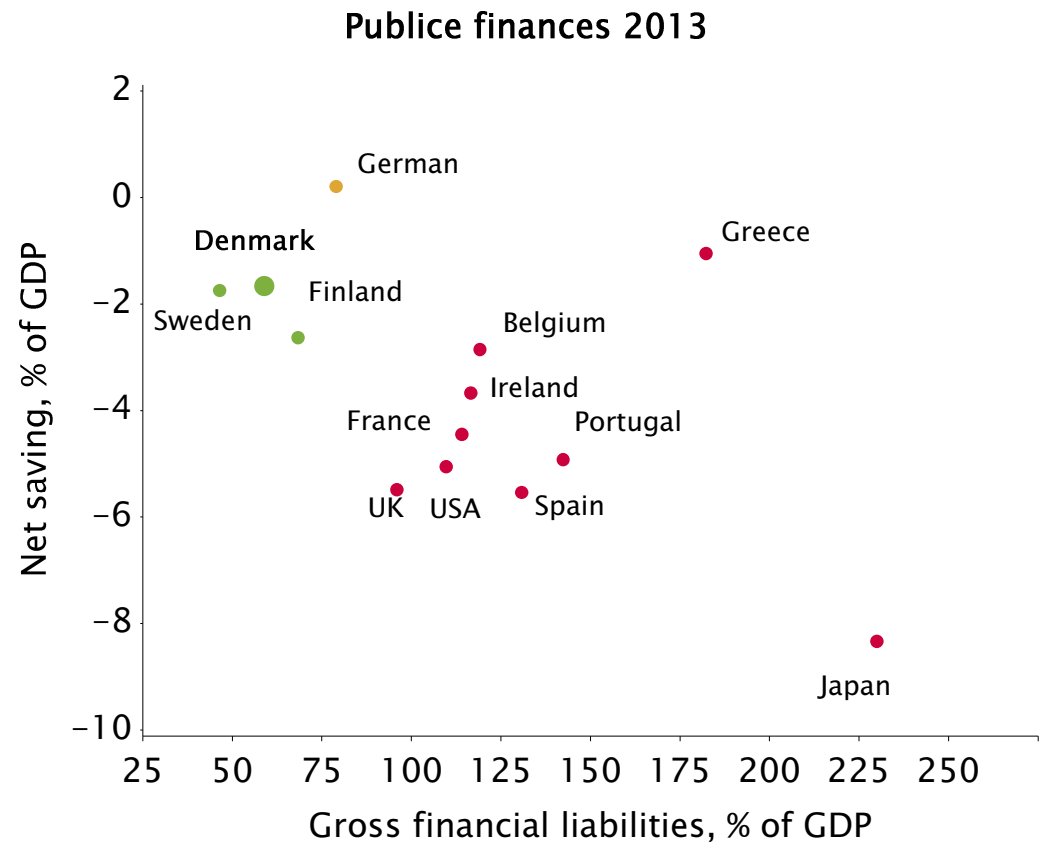
- Danish competitiveness deteriorated dramatically during the booming years
- Danish production sector has been under some pressure and still is, but conditions are slightly better due to a gradual and on-going improvement.



Source: Ministry for economic affairs and the interior!

Denmark has a healthy public sector economy...

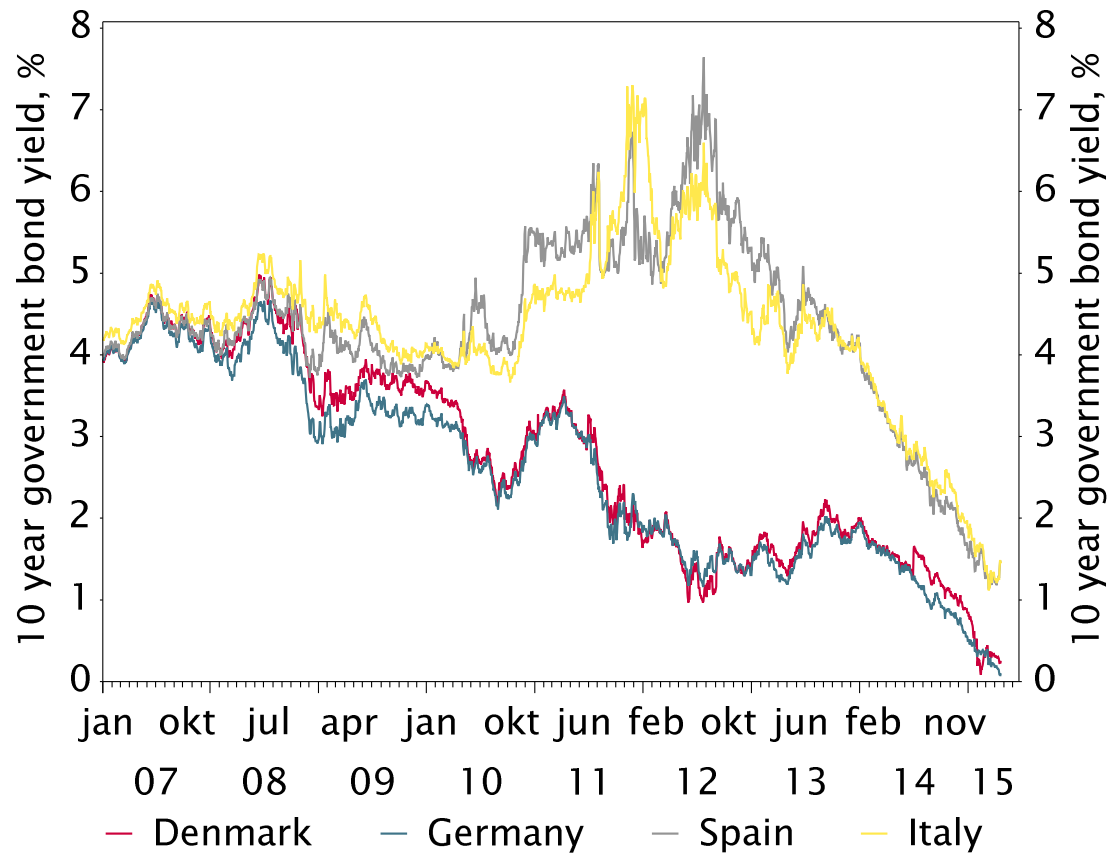
- Public debt is low and public net saving was 1.2 % of GDP in 2014, but is expected to be in deficit (2.3 % of GDP) in 2015
- The reason for the surplus in 2014 was because of a one-off contribution from pension tax brought forward
- Excl. the one-off contribution in 2014 the net saving would have been in deficit.



Source: OECD's forecast (nov. 2014)

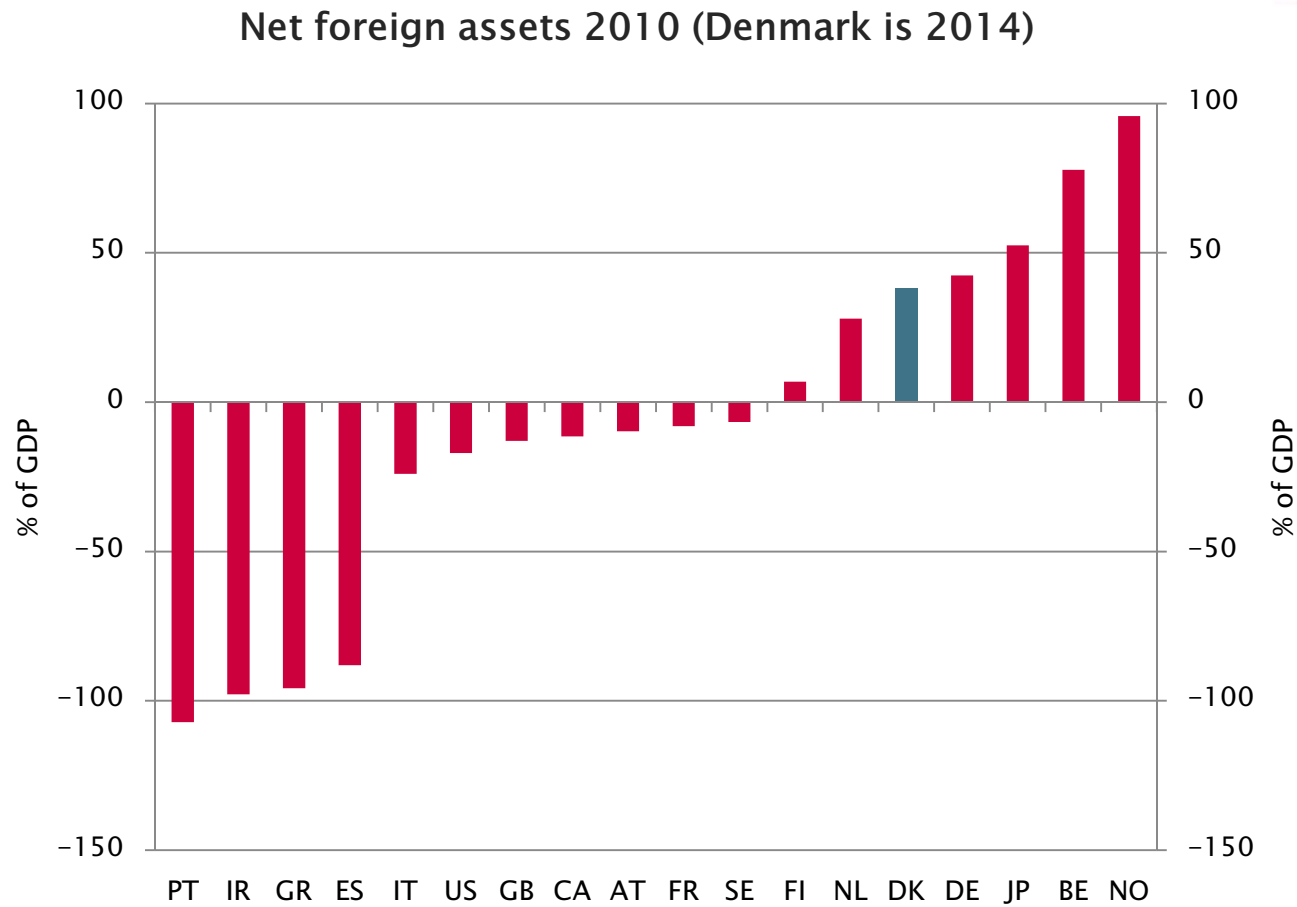
... and Denmark is a AAA economy

Government bond yield



Source: Reuters EcoWin

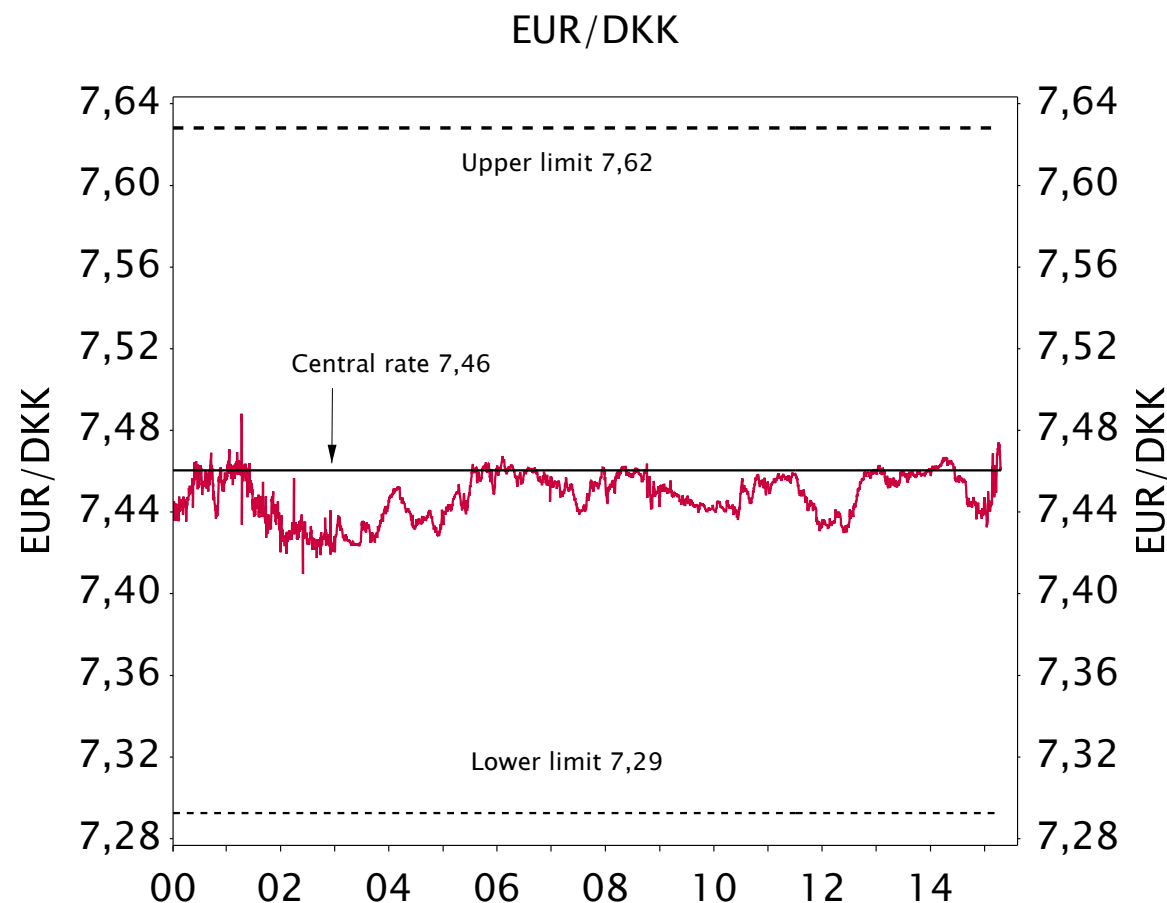
Denmark has huge wealth abroad



Source: Danmarks Nationalbank

Pressure for stronger DKK on back of SNB

- Resolute response from Danish Central Bank:
 - Buy foreign currency (DKK 274,9bn in January-March)
 - 4 interest rate reductions since mid-January (current level: -0.75%)
 - Government bond issuance suspended
- Danish fixed exchange rate policy dates back to 1982
- DKK is not a 'safe haven' currency like CHF.



Source: Reuters EcoWin

The outlook: A movement from low to moderate growth; overall strong economy






- In the coming quarters the economy is likely to **consolidate the moderate growth we have seen lately** and with some more improvement over time. However, Denmark remains very dependent on the conditions in the European economy
- We have become **slightly more optimistic** with respect to the Danish economy, but we still don't expect an upturn with really high growth. It can materialize in a few years, but the **turn around is still relatively moderate** due to continued private sector saving both in Denmark and abroad
- Fiscal policy will be close to **neutral in 2015**
- 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.

The Danish economy 2012–2016						
	2014	Real growth (%)				
	DKKbn	2012	2013	2014	2015*	2016*
Consumer spending	900	0.4	0.0	0.4	1.3	1.6
Public spending	513	-0.2	-0.5	1.4	0.9	0.1
Fixed gross investment	356	0.6	1.0	2.9	1.9	4.0
Inventory investment**	15	-0.6	-0.2	0.3	0.0	0.0
Exports	1031	0.1	0.8	2.9	1.6	3.0
Imports	928	0.9	1.5	4.0	1.5	3.0
Gross domestic product (GDP)	1916	-0.7	-0.5	1.0	1.4	1.7
Current account						
- DKKbn		105	136	119	115	115
- percentage of GDP		5.6	7.2	6.2	5.9	5.7
Public budget balance						
- DKKbn		-68	-20	24	-45	-50
- percentage of GDP		-3.6	-1.1	1.3	-2.3	-2.5
Unemployment						
-Unemployed (thousands), average		162	153	135	131	126
- Percentage of the workforce		5.6	5.3	4.7	4.5	4.3
Employed, average (thousands)		2,748	2,749	2,768	2,782	2,797
Inflation (%)		2.4	0.8	0.6	0.6	1.2
Wage index (manufacturing industry, %)		1.8	1.6	1.4	1.4	1.8
House prices (nominal prices, %)		-3.3	2.7	3.4	3.0	4.0
Nationalbanken's lending rate, year-end (%)		0.20	0.20	0.20	0.05	0.05
Nationalbanken's CD rate, year-end (%)		-0.20	-0.10	0.05	-0.50	-0.50

*Jyske Bank's forecast

**Contribution to growth as % of preceding year's GDP

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