

# Jyske Bank

Danish Banking Seminar  
14 March 2018

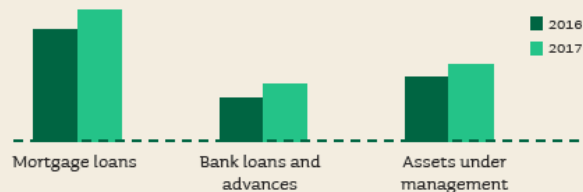
## Return on equity



Post-tax profit of DKK 3,143m.

Return on equity of 9.7% is in line with the announced expectations.

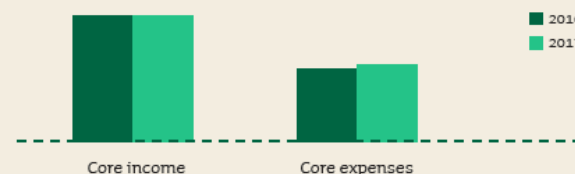
## Growth in business volume



Growth of 11% and 8% for mortgage loans and bank loans, respectively.

Assets under management grew by 14%.

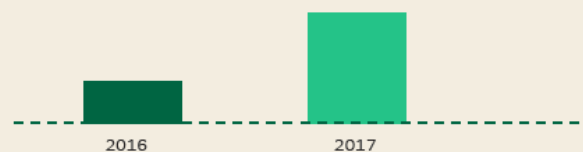
## Core income and expenses



Core income in 2017 was kept at the 2016 level due to the rising activity level.

Core expenses exclusive of one-off expenses were in line with the level in 2016

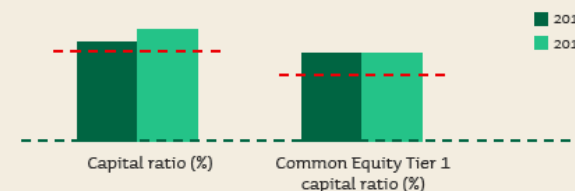
## Reversal of impairment charges



Impairment charges in the amount of DKK 453m were reversed against DKK 149m in 2016.

The reason was improving credit quality due to the general improvement of the Danish economy.

## Capital ratios



The capital ratio increased due to retained earnings as well as the issue of AT1 and Tier 2 capital.

Common Equity Tier 1 capital ratio in line with 2016.

Both ratios exceed the Group's long-term capital targets.

# Highlights 2017

## Organisation



New client-focused organisation

Jyske Bank has strong focus on new growth area

## Innovation



- Thousands of clients have Apple Pay after one week
- Jyske Bank thinks the dankort will be a thing of the past
- Jyske Visa Mobil for Apple Pay

## Client satisfaction



OCTOBER 2017

- “Affluent Danes say: This is the best bank” *finans.dk*, on 22 April 2017.
- Jyske Bank has the most satisfied corporate clients, *Aalunds bankbarometer*, October 2017
- Ranked second best of the eight largest banks by Voxmeter’s satisfaction survey of personal clients.

## Prices

### Prices:

1. Clients with mortgage loans in JB have not seen ‘increases in administration margins’ since the introduction in 2002.
2. We do not increase the price due to expected legislation.
3. We do not increase the price in order, for a short while, to pay it back in part of in full.
4. We make no price guarantees.

## Contribution to society (Tax)

**Jyske Bank was the ninth largest contributor of corporation taxes in Denmark in the income year 2016**

Danish Minister for Taxation, Karsten Lauritzen, personally acknowledges Jyske Bank for the big contribution that Jyske Bank makes

## Home loans



Holmens Kanal – Copenhagen

### Home loans:

- Number of home appraisals ordered:  
2016: 112.8 each banking day  
2017: 108.4 each banking day  
2018: 130.4 each banking day over the first six weeks
- Home loans of DKK 96bn at the end of 2017 and DKK 100bn at the end of February 2018

# Our targets

Q1-Q4 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)

9.7%

DKK 96.0bn

DKK 19.3bn

19.8% and  
16.4%

**Home loans:  
One brand, one product  
range and one process**



**New area of growth:  
Trading/investment/  
wealth management**

**Jyske Bank wishes, externally and internally, to come across as quite a different bank at the end of 2018**

Anders Dam on Twitter, 27 December 2017

# Setting new targets



## Return on Equity

Delivering an attractive long-term return on equity of 8-12%



## FTEs

Number of FTE back to 2013-level 5 years after the merger  
From 3,932 FTE end-2017 to approx. 3,774 FTE mid-2019



## Capital distribution

Maintain a stable dividend

Use additional dividends and share buy-backs when current profit and capital structure provide the opportunity



## Volume growth 2018-2020

Total loan portfolio of DKK 350bn in Jyske Realkredit

+DKK 20-25bn in housing related loans

+DKK 15-20bn in property loans for corporate clients



## Capital position

Long-term targets for capital ratio 17.5% and CET1 ratio 14% post-Basel IV implementation

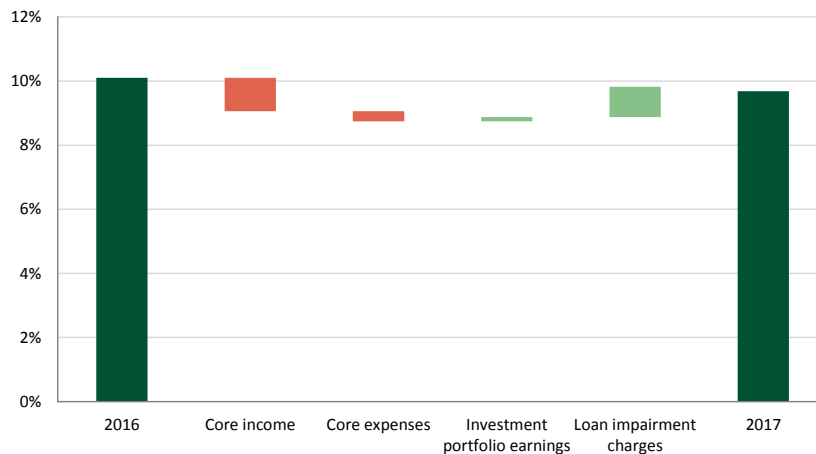
Building sufficient capital level to cover expected Basel IV-effect on capital ratio of 3 percentage points by January 1<sup>st</sup> 2022

Gradually building a RAC ratio of about 10.5%

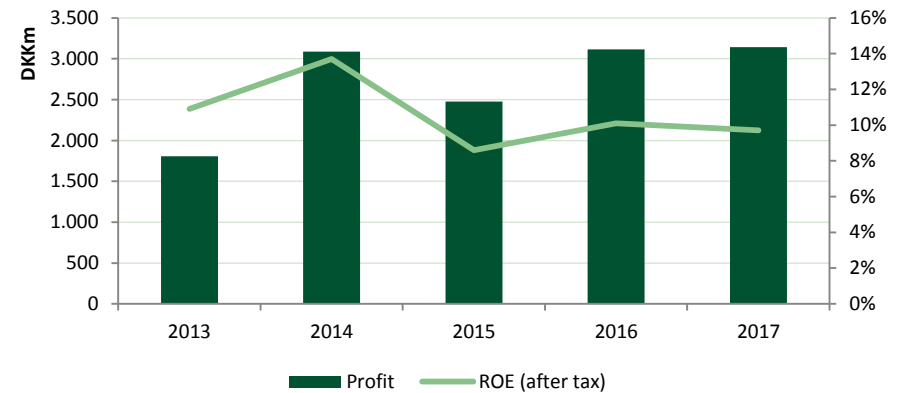
# ROE in line with target and starting to show stability

- Delivering a net profit of DKK 3,143m and ROE of 9.7% in 2017 and thus within target range of 8-12%
- Quarterly returns are becoming less volatile
- A decrease of 0.4 percentage points compared to 2016:
  - Stable core income not sufficient to maintain return as equity increases
  - No significant change re. core expenses - without one-offs core expenses would have contributed to an increase in ROE of 0.4%
  - Significant reversals of impairment keeps ROE at level with 2016

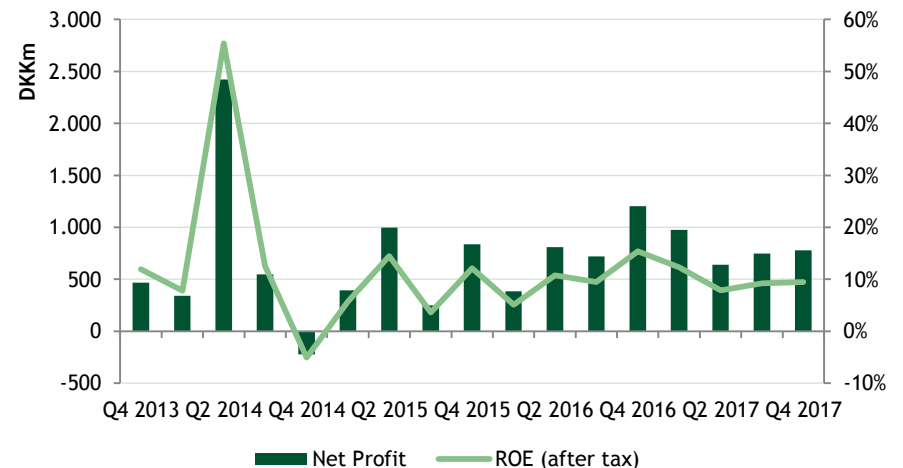
2017 vs. 2016: Development in ROE after tax



Net profit

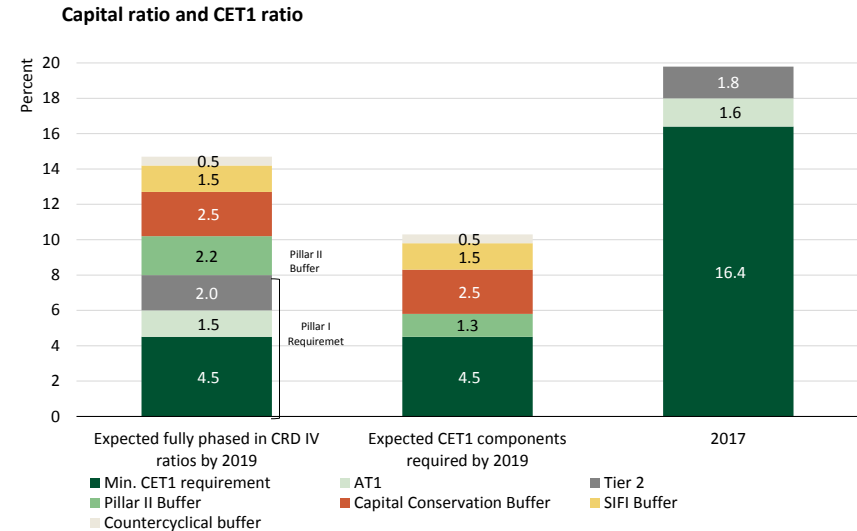


Net profit



# Capital structure, targets and requirements

- 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 upcoming capital requirements
- Basel IV
  - The Basel IV recommendations were announced in December 2017
  - Jyske Bank now expects the effect on the capital ratio to be 3 percentage points compared to previously 4 percentage points
  - Jyske Bank aims to build the needed capital levels prior to the phasing-in period starting 1 January 2022
- IFRS 9
  - In effect as per 1 January 2018
  - Balance of impairment charges is expected to increase by DKK 1,000-1,200m. A post-tax amount of DKK 800-1,000m will be deducted from equity in Q1 2018
  - Of the total effect DKK 7-800m relate to loans recognised at amortized cost and DKK 3-400m to loans recognised at fair value. The after tax amount pertaining to loans at fair value will have P/L effect
  - Jyske Bank has opted not to make use of the 5-year phase-in period proposed by the EU Commission



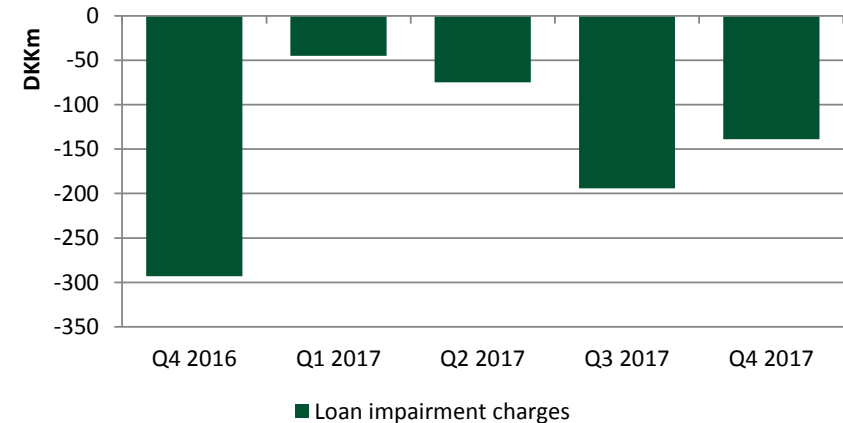
- Minimum requirement for own funds and eligible liabilities (MREL)
  - Final MREL requirements received in February 2018: 2 x solvency requirement incl. all buffer requirements corresponding to 28.1% of REA (DKK 33bn as per end-2016)
  - According to preliminary calculations Jyske Bank most likely already fulfills MREL
  - Grandfathering of senior debt (senior preferred) issued prior to 1 January 2018
  - MREL must be fulfilled entirely with contractually subordinated debt (senior non preferred) from 1 January 2022



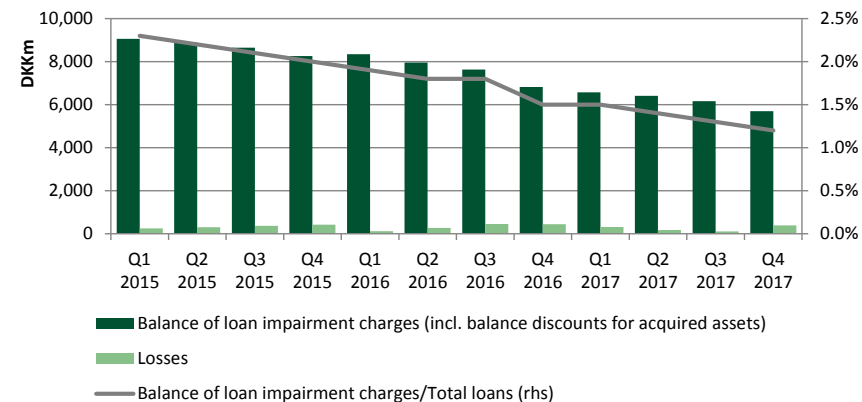
# Net reversals and improved credit quality

- Net reversals of DKK 453m under core profit
- Total balance of management's estimate of DKK 466m end of 2017, of which DKK 75m relate to agriculture, compared to DKK 471m and DKK 235m respectively end of 2016
- Impairment ratios (under core profit):
  - Impairment ratio for Q4 2017 -3bp and 2017 -10bp
  - Accumulated impairment ratio 1.2% (incl. balance of discounts for acquired loans)
- 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
  - Alignment of the Group's loss models resulted in an increase of DKK 175m in collective impairment charges. Of which DKK 169m relates to the Private segment

Loan impairment charges (under core profit)




Balance of loan impairment charges and losses



# Strategic themes



  
**Digitization**  
We are where the clients are  
[Learn more](#)

  
**Differentiation**  
We make a difference  
[Learn more](#)








  
**Business**  
We make money  
[Learn more](#)

  
**Corporate social responsibility**  
We take responsibility  
[Learn more](#)

  
**Regulation**  
We are prepared  
[Learn more](#)



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