

# **Election of members of Jyske Bank's Shareholders' Representatives and Supervisory Board**

Rationale for and comments to the revised amendments to  
the Articles of Association proposed by the Supervisory Board  
November 2015

## Background

At the Extraordinary General Meeting of Jyske Bank A/S on 24 February 2015, Jyske Bank's Supervisory Board proposed certain amendments to the Articles of Association concerning a changed structure of the Shareholders' Representatives with a view to obtaining increased flexibility by allowing the election of candidates to the Shareholders' Representatives across electoral regions.

Through the proposed amendments to the Articles of Association, it was intended to abandon the current structure according to which elections to the Shareholders' Representatives take place on a rotational basis between the three geographical electoral regions. Instead the Supervisory Board has proposed a structure based on an electoral period of three years for the individual Shareholders' Representative and such Representative's association with a geographical electoral region. In this way, the structure would also be aligned with the organisational changes that the Bank implemented in the Danish branch network in 2014.

After the motions were presented, the Bank was in dialogue with shareholders who expressed concerns about some of the amendments to the Articles of Association, as they understood the motions to the effect that the Supervisory Board would be given a stronger influence on the composition of the Shareholders' Representatives. This is not the intention on the part of the Supervisory Board, nor does the Supervisory Board think it would be the consequence of the motions.

Based on the proxies received, the motions would probably obtain a majority of the votes cast but presumably not the necessary support from the required voting share capital represented at the General Meeting. Consequently the Supervisory Board decided to withdraw the motions in their entirety at the EGM on 24 February 2015.

The Supervisory Board has continued its dialogue with the shareholders who had voiced concerns about the motions, yet at the same time expressed an understanding of the background for the amendments and the improved opportunities desired by the Supervisory Board - amendments that the Supervisory Board is still convinced will benefit the shareholders.

On this basis, the Supervisory Board will propose new, revised amendments to the Articles of Association as regards election of Shareholders' Representatives at an Extraordinary General Meeting of Jyske Bank A/S on 15 December 2015. The proposal, that takes into account major concerns with regards to the original motions and leaves out a number of minor, insignificant changes, is motivated in the following.

# Management bodies and election structure

## General Meetings

- The Bank's supreme authority. Elects members of the Shareholders' Representatives and certain members of the Supervisory Board.

## Shareholders' Representatives

- Carries out specific tasks laid down in the Articles of Association. Elects members of the Supervisory Board.

## Supervisory Board

- Attends to the overall management of the Bank's affairs as laid down in detailed provisions regulating the performance of duties, including the distribution of work between the Supervisory Board and the Executive Board.

Jyske Bank has had the present structure of management bodies and election structure since the bank was founded in 1967.

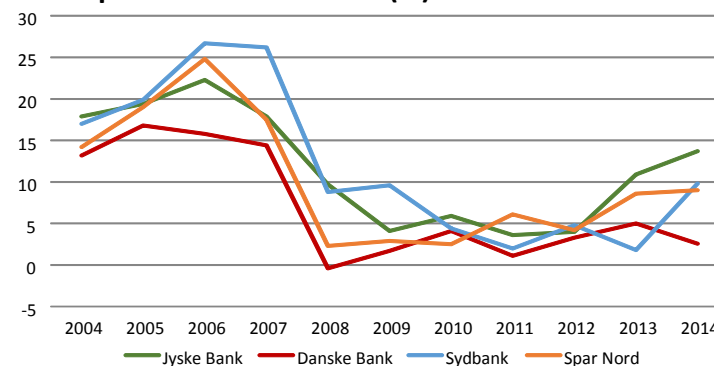
Members of the Shareholders' Representatives gain valuable knowledge about the bank through the activities in the Shareholders' Representatives. Research studies show that it is an advantage for a company to have several management bodies.

The Shareholders' Representatives is a base for recruitment to the Supervisory Board and gives the Nomination Committee the opportunity to follow members of the Shareholders' Representatives and evaluate their eligibility as candidates for the Supervisory Board.

A structure like this is common in Denmark, especially in banks and other financial institutions (75% of the listed companies).

In the period from 1967 until today the Jyske Bank share provided shareholders with an average annual return of 12,9%. In comparison, the average annual return of the Danske Bank share was 12,2% over the same period.

**Competitive ROE after tax (%) 2004-14**

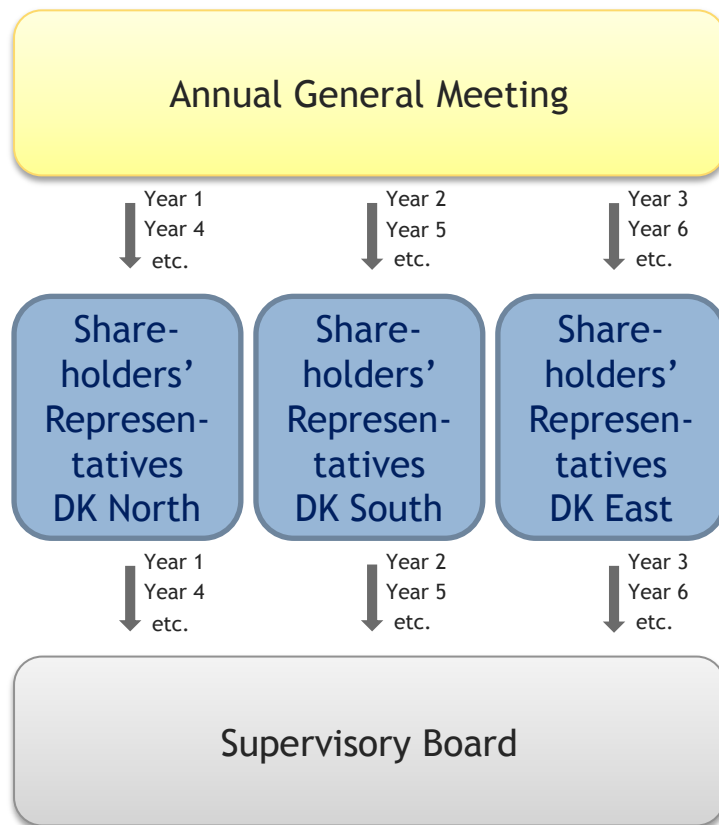


## Rationale for the amendments

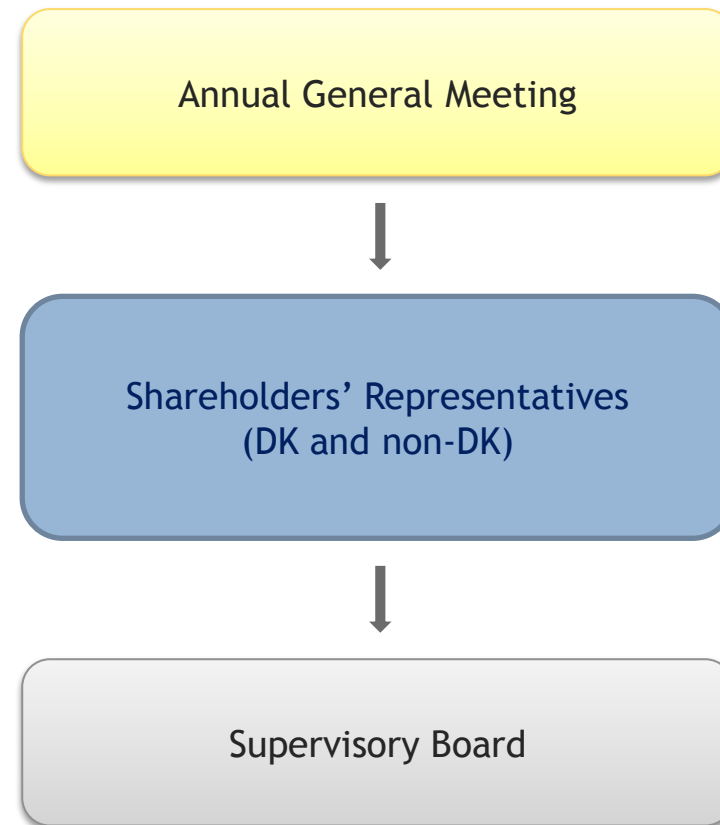
- Improving the opportunities - with respect to diversity and qualifications - to elect members of the Shareholders' Representatives and the Supervisory Board who meet future demands for the benefits of the shareholders.
- Strengthening the role of the GM-elected Shareholders' Representatives
  - In order to make it possible to elect members to the Shareholders' Representatives without geographical constraints.
- Responding to increased competence requirements
  - In order to enhance the Shareholders' Representatives and the Supervisory Board by providing a wider and higher qualified base for recruiting members from the Shareholders' Representatives to the Supervisory Board who have the skills, that the Supervisory Board considers essential for the Bank's further development or is required by the regulators.
  - It is laid down in law (the Danish Financial Business Act) that, through a Nomination Committee, the Supervisory Board is responsible for ensuring that that the composition of the Supervisory Board is as required and that the Supervisory Board holds the necessary competencies in accordance with the Bank's business model and risk profile.
- Internationalisation
  - In order to make it possible to elect members of the Shareholders' Representatives and Supervisory Board who are not domiciled in Denmark.

# Changes at a glance

## Existing structure since 1967



## Updated structure



## Situation after the amendments

- Members in the Annual General Meeting elect members of the Shareholders' Representatives for an election period of three years.
- There are no constraints as to who can stand as a candidate for the Shareholders' Representatives in each year's Annual General Meeting, except from what is generally stipulated about eligibility in the Articles of Association.
- Members of the Shareholders' Representatives are associated with a geographical electoral region (out of three), but the electoral region has no formal authority and is not a management body in itself.
- The Shareholders' Representatives shall still elect six members of the Supervisory Board from its number.
- Each electoral region shall still have at least one member on the Supervisory Board.
- It is still possible for members in the General Meeting to elect up to two members of the Supervisory Board for an election period of one year, if they meet the requirements of the Danish FSA in respect of relevant knowledge and experience.

## Supervisory Board election procedure

- As laid down in law (the Danish Financial Business Act) the Supervisory Board's Nomination Committee is in charge of the following:
  - Propose candidates for election to the Supervisory Board.
  - Evaluate, on an ongoing basis, the size, structure, composition and results of the Supervisory Board in relation to the tasks which are to be performed.
  - Evaluate, on an ongoing basis, whether the entire Supervisory Board has the necessary combination of knowledge, professional competence, diversity and experience and whether individual members live up to the "fit and proper" requirements.
- When the Nomination Committee proposes the election of candidates to the Supervisory Board, the Committee shall prepare a description of the functions and skills required for the specific position. This description, together with information of the candidates for election and re-election, will be presented at the General Meeting.
- The Supervisory Board consists of
  - Six members elected by and among the members of the Shareholders' Representatives,
  - Up to two members for election by members in General Meeting and who meet the requirements of the Danish FSA in respect of relevant knowledge and experience of Supervisory Board members of banks, and
  - Any additional members as required by law.