Jyske Bank
Danish Banking Seminar

8 June 2020

COVID-19 outbreak

Worsened outlook	The COVID-19 outbreak has led to significantly reduced activity levels in the Danish economy, particularly following the government-imposed shutdown from 12 March 2020. GDP is expected to decline by 3% to 10% in 2020, according to the Danish central bank.
Economic measures	The Danish government has launched a wide range of initiatives to support the economy, totalling close to an estimated DKK 300bn-400bn. The initiatives include partial wage, fixed cost compensation, postponed taxes, increased investments etc. and have supported more than 250,000 jobs.
Jyske Bank's response	Jyske Bank is focused on guiding and helping clients mitigate the financial consequences of the COVID-19 outbreak. Furthermore, a share repurchase programme has been cancelled and DKK 1bn has been reserved for future worsening of credit quality due to COVID-19 based on the run-in to the financial crisis in 2008.
Relatively low exposure	Jyske Bank's direct exposure to especially COVID-19 affected industries, such as the airline industry, shipping, retail, the hotel, restaurant business as well as the leisure industries is estimated to be smaller than would be implied by the bank's natural market share.
Strong position	Jyske Bank has repeatedly passed severe stress test scenarios and continues to have strong capital, liquidity and funding positions. At the end of Q1 2020, Jyske Bank had a capital buffer of 6.5pp and a liquidity coverage ratio of 229%. The share of non-performing loans continued to show a decreasing trend in Q1 2020, and the level of individual impairment charges was DKK 0.

Sources: Nationalbanken, Danish Ministry of Industry, Business and Financial Affairs, Jyske Bank.

Expected COVID-19 impact is material, but not escalating

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Outlook showing signs of stabilisation after material worsening

COVID-19 has increased unemployment by approx. 50,000 since government shutdown.

- Government initiatives have supported more than 250,000 jobs through e.g. partial wage compensation.

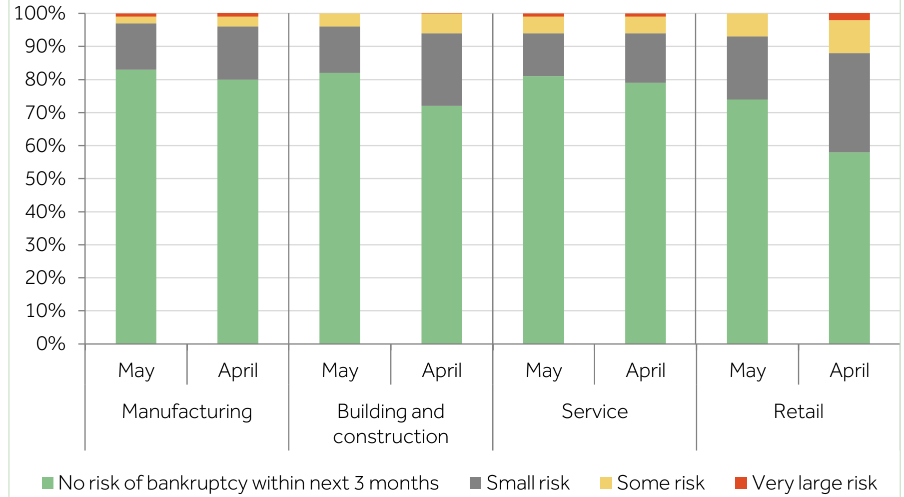
74%-83% (avg. 80%) of respondents within retail, service, building, construction and manufacturing see no risk of bankruptcy within the next 3 months, up from 58%-80% (avg. 72%) in April.

- Retail has the largest share with risk of bankruptcy.
- Some companies in service and manufacturing see very large risk of bankruptcy.

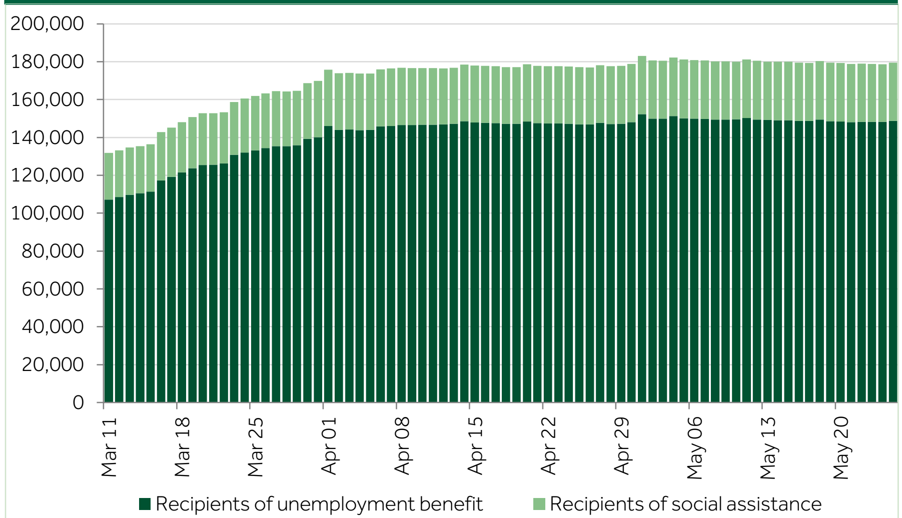
22%-72% (avg. 54%) of respondents within retail, service, building, construction and manufacturing see some or large effect from COVID-19, down from 29%-78% (avg. 62%) in April.

- Overall revenue declined 13% in April and 1% in March with close to unchanged stocking.

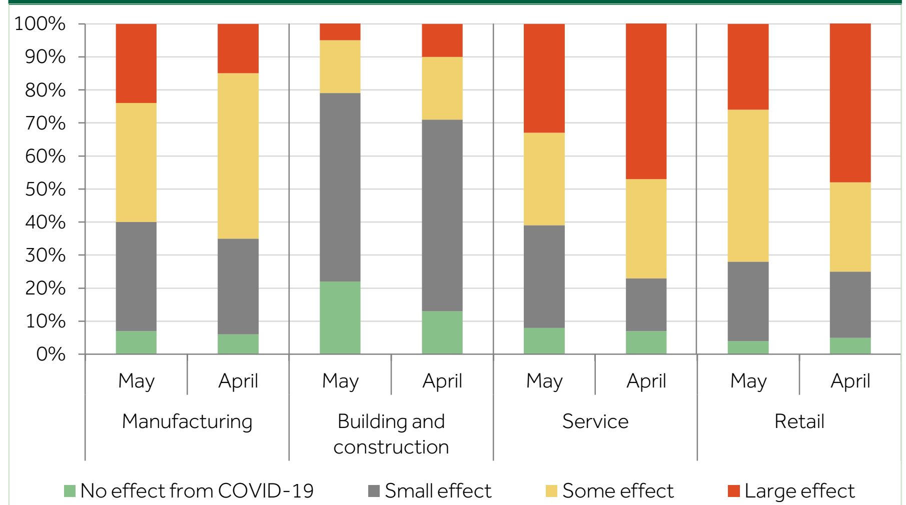
80% see no risk of near-term bankruptcy, up from 72% in April



COVID-19 has increased unemployment by approx. 50,000



54% see some/large COVID-19 effect, down from 62% in April



Impairment charges increased due to COVID-19 outbreak

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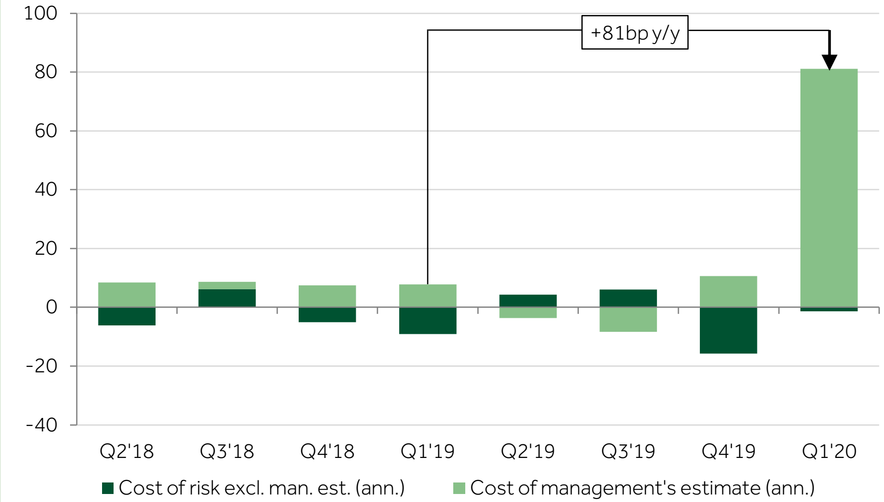
Comments

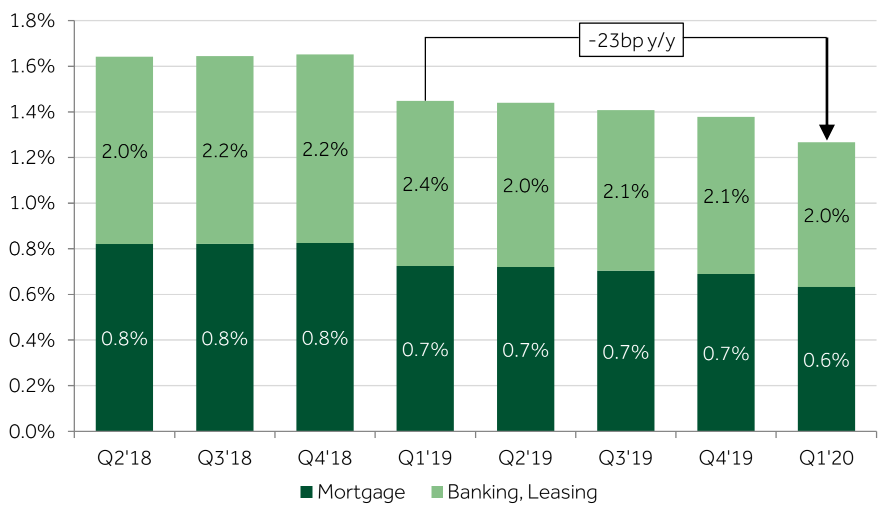
Impairment charges up DKK 1,067m q/q in Q1 2020

- Cost of risk up 85bp q/q in Q1 2020 due to higher management's estimate. Individual loan impairment charges amounted to approx. DKK 0 in Q1 2020.
- Management's estimate up DKK 1,020m q/q, of which DKK 1,000m is related to the COVID-19 outbreak.
    - Estimate of DKK 1bn based on the run-in to the financial crisis in 2008.
    - DKK 400m relates to mortgage activities, DKK 550m to banking activities and DKK 50m to leasing activities.
- Balance of impairment charges up 18bp q/q to 1.2% in Q1 2020. The balance is 0.5% for mortgage activities and 3.9% (excl. repo) for banking and leasing activities.
- Non-performing loans declined 11bp q/q to 1.2%, while loans subject to forbearance measures amounted to 1.7% vs. 2.0% at the end of 2019.
- 90-day mortgage arrears for private, corporate clients 19bp and 11bp, respectively, vs. 20bp and 9bp in Q4 2019.

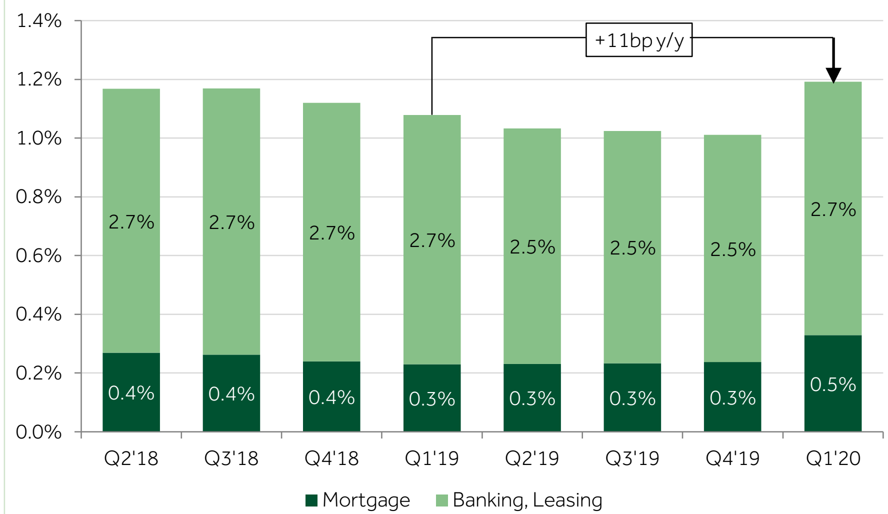
Cost of risk (bp)



Non-performing loans as % of loans, advances and guarantees

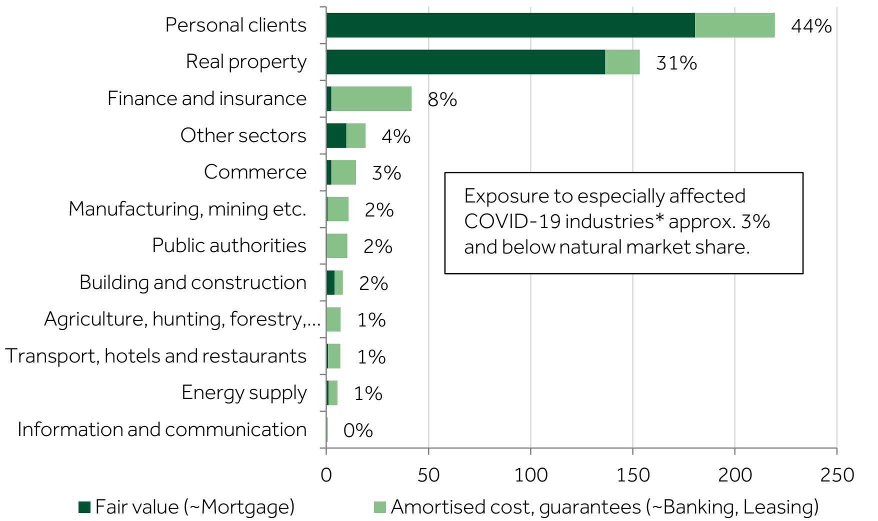


Impairment charges as % of gross loans, adv. and guarantees

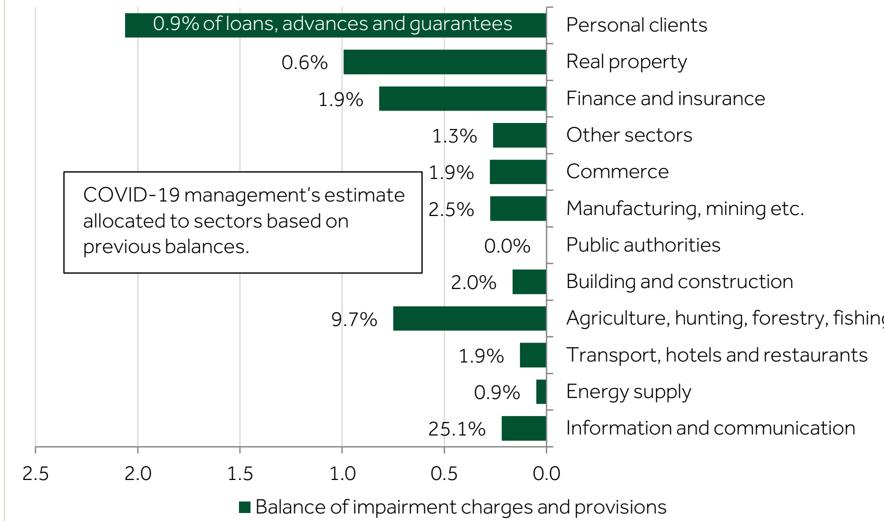


Total lending portfolio

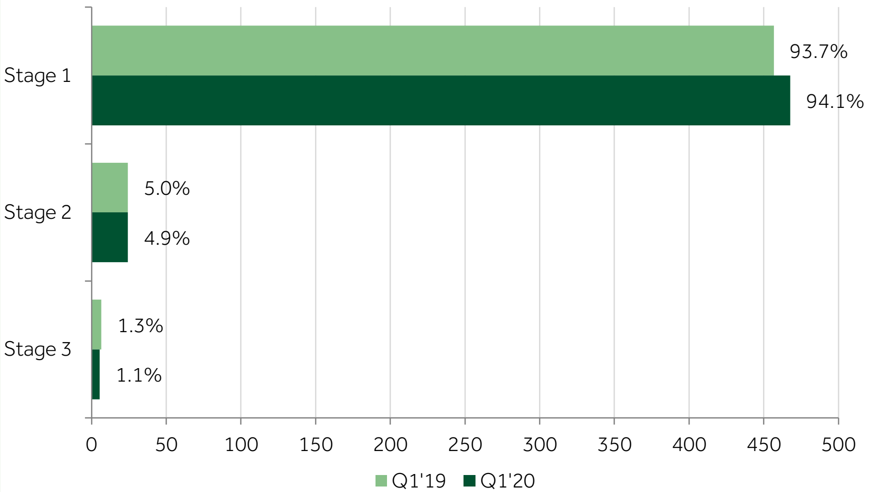
44% private clients/54% corporate clients/2% public (DKKbn)



Balance of impairment charges by sector (DKKbn)



Loans, advances and guarantees by IFRS 9 stages (DKKbn)



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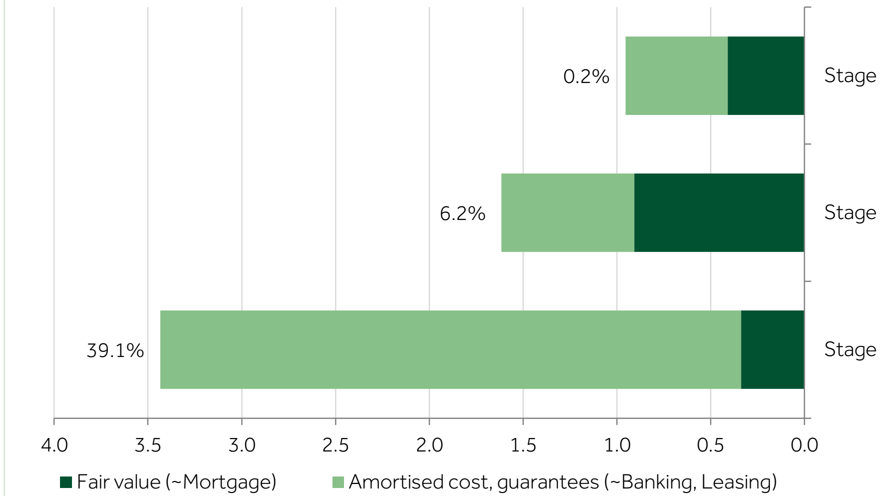
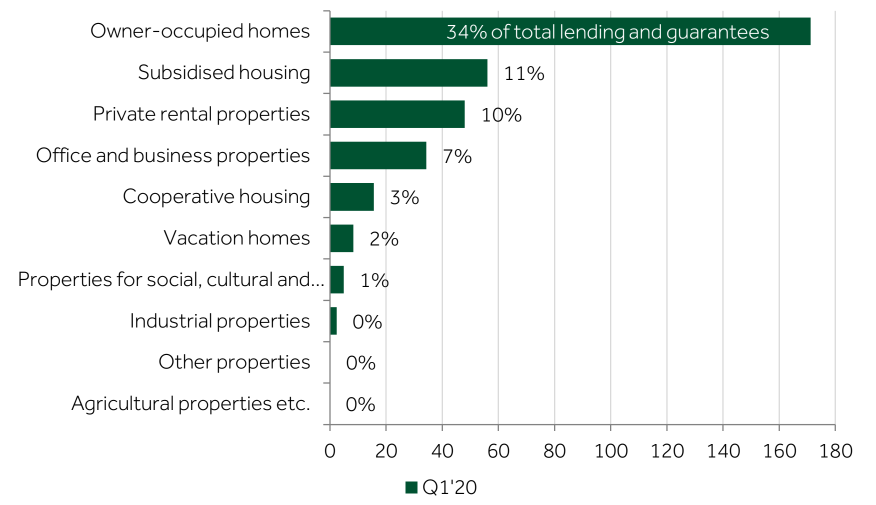


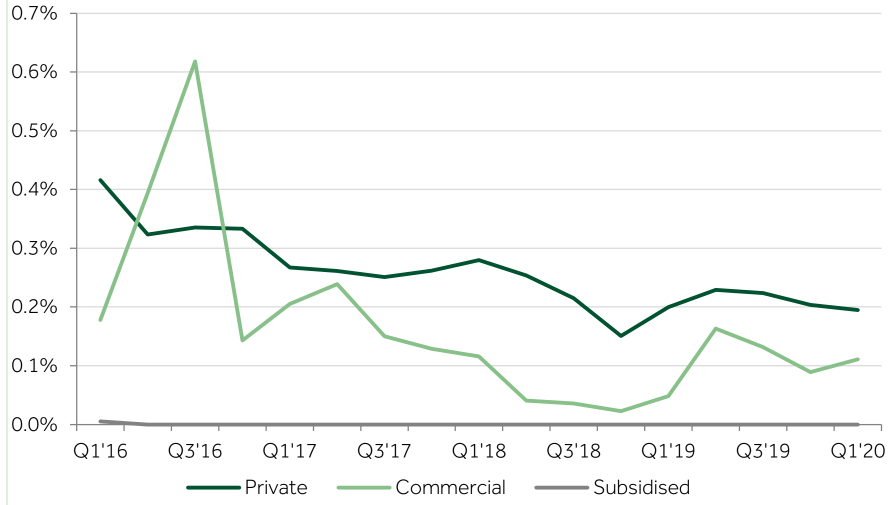
* Especially affected industries include the airline industry, shipping, retail, the hotel, restaurant business as well as the leisure industries.

Mortgage portfolio

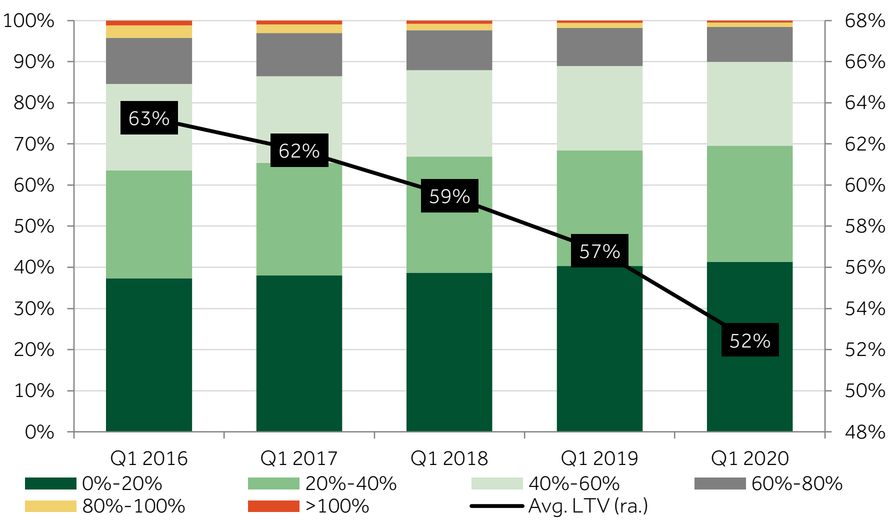
Loans and advances at fair value by property category (DKKbn)



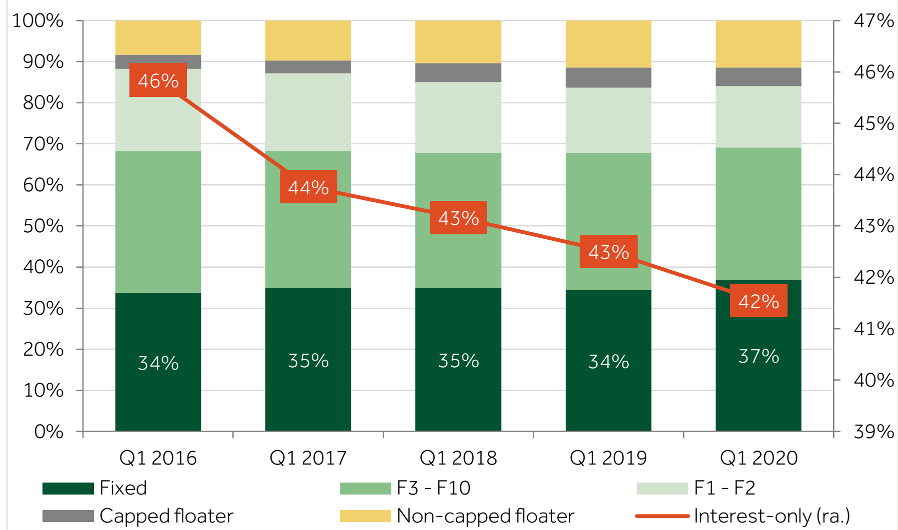
90-day mortgage arrears as % of lending by segment



Significant de-risking of mortgage portfolio LTV in recent years



Clients are opting for fixed-rate mortgages w/ amortisation



Higher share of mortgage lending improves resilience

Mortgage lending is relatively low risk, stable growth, margins

Share of mortgage-like lending has increased 10pp to 77% (excl. repo) since merger with Jyske Realkredit in Q2 2014.

Increases ability to withstand a new financial crisis

- Impairment charges have averaged 5bp for Danish mortgage credit institutions vs. 51bp for Danish banks since 2000, peaking in 2009 at 20bp and 224bp, respectively.

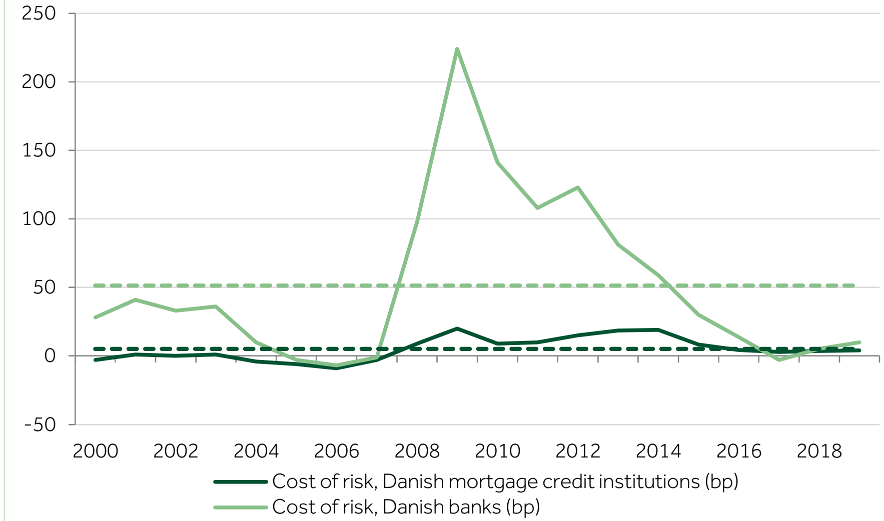
Underpins lending growth during times of financial distress

- Danish mortgage lending growth remained positive during the financial crisis and has averaged 5% p.a. since 2003 vs. 3% p.a. for bank lending.

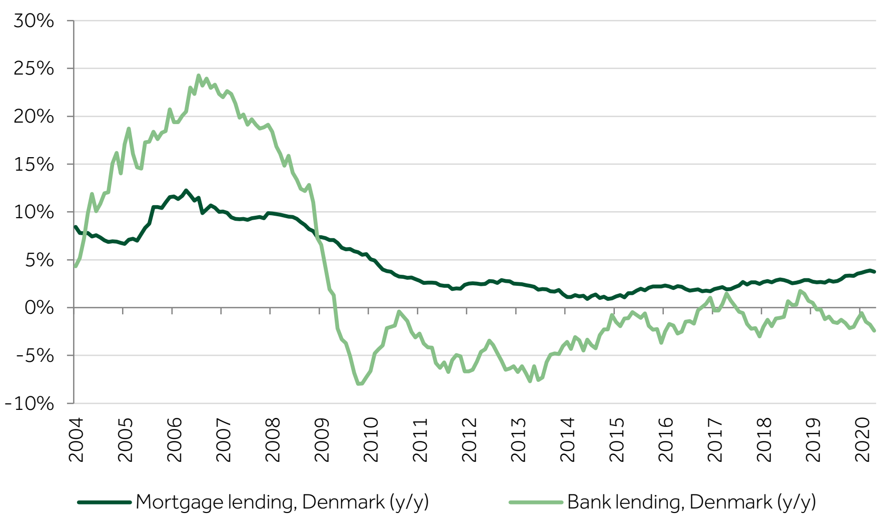
Supports a more stable margin development

- Due to a more consolidated competitive environment and full pass-through of interest rates, administration margins have risen 62% since 2003, whereas banks' net interest margins have deteriorated 40%.

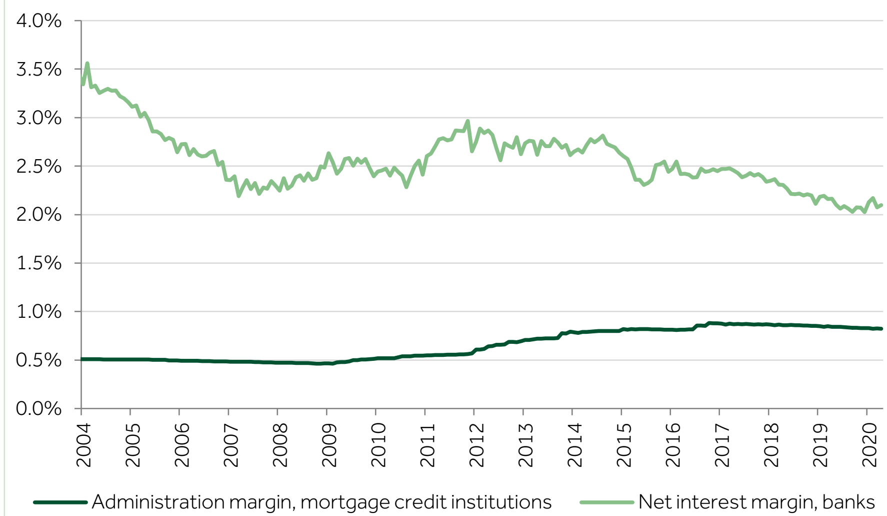
Credit quality of mortgage lending significantly stronger (bp)



Mortgage lending growth stayed positive during the last crisis



Administration margins are unaffected by falling interest rates



Sources: Statistics Denmark, Danish FSA.

Jyske Bank has seen limited COVID-19 effect so far

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Credit demand to show diverging trends in coming quarters

Expectations for credit demand from private clients in Q2 2020 the lowest on record, according to survey conducted by the Danish central bank.

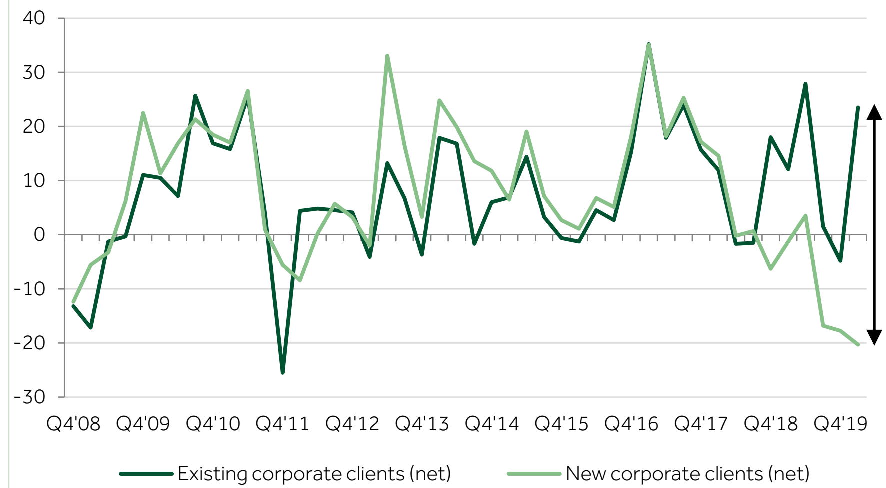
Survey indicates unprecedented discrepancy in expected credit demand from existing and new corporate clients in Q2 2020.

- Expectations for credit demand from *new* corporate clients in Q2 are at a lower point than during the financial crisis due to COVID-19 outbreak.
- Meanwhile, demand from *existing* corporate clients is expected to increase significantly in Q2 amid expected deterioration of credit quality.
- Credit demand from existing corporate clients is to be driven by bank lending with expectations at the highest level since the financial crisis.

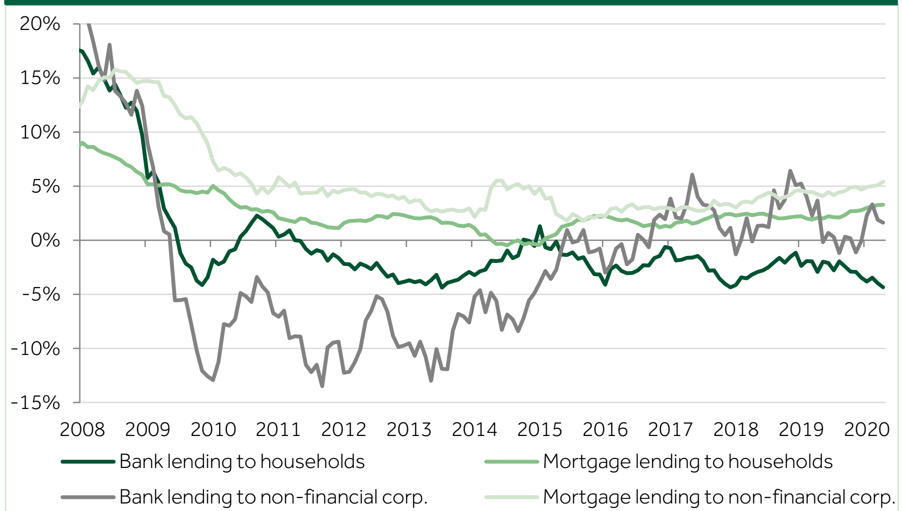
Jyske Bank did not see a noticeable impact on credit demand nor credit quality from the COVID-19 outbreak in Q1 2020.

- Sector statistics equally show no significant COVID-19 impact on lending growth nor margins in April 2020.

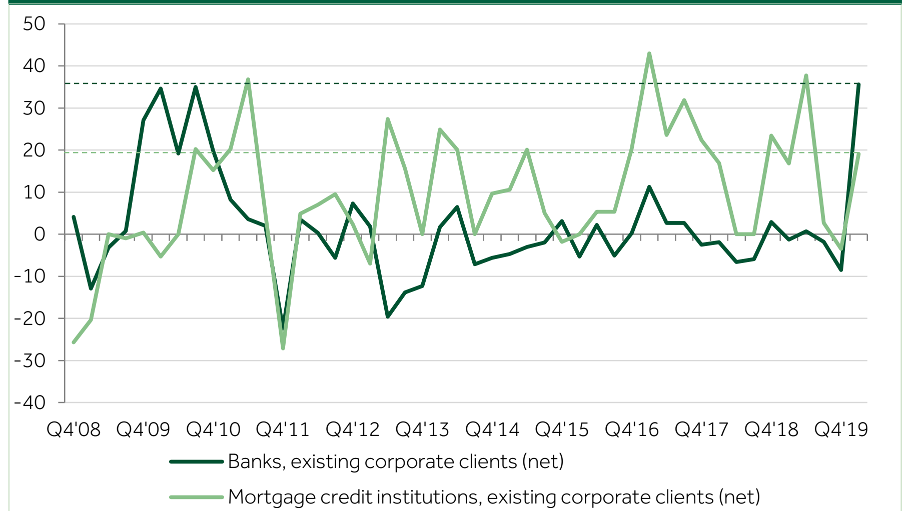
Demand from existing and new corporate clients to diverge



No significant COVID-19 impact on sector lending in April (y/y)



Bank lending to existing corporate clients to increase



Source: Nationalbanken. Note: Survey on expectations for credit demand in coming quarter (-100 to 100). Weighted net result of respondents based on market share.

Net interest income to increase in coming quarters

Negative deposit rates to support net interest income

DKK 750K threshold impacted a deposit base of approximately DKK 10bn by -0.75% from 1 December 2019

- Subsequently, the DKK 10bn of deposits has been more than halved due to clients investing, bringing down debt, moving to other banks etc.
- Deposit surplus of DKK 29bn, up DKK 4bn q/q in Q1 2020.

Threshold for negative rates on private clients' deposits lowered to DKK 250K from 1 May

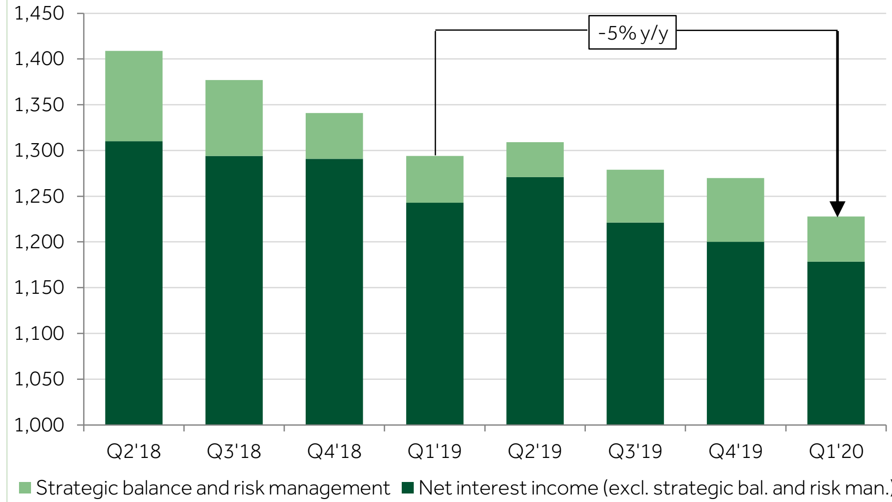
- Following the Danish central bank's 15bp higher certificates of deposit rate, a deposit rate of -0.60% will impact an additional approximately DKK 25bn of deposits.

Short-term interest rates have increased substantially since 20 March 2020, thus lessening the drag on net interest income from floored deposits.

Sale of Jyske Bank (Gibraltar) to have a negative impact on net interest income of approx. 1%.

The release of the countercyclical buffer has reduced the need for issuance of non-preferred senior debt in 2020.

Breaking the net interest income trend (DKKm)



Deposit surplus rose in Q1 2020 (excl. repo, DKKbn)

CITA 1M has increased, but is expected to remain negative

Note: Dashed line depicts forward rates.

Net fee income showing strong momentum

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Comments

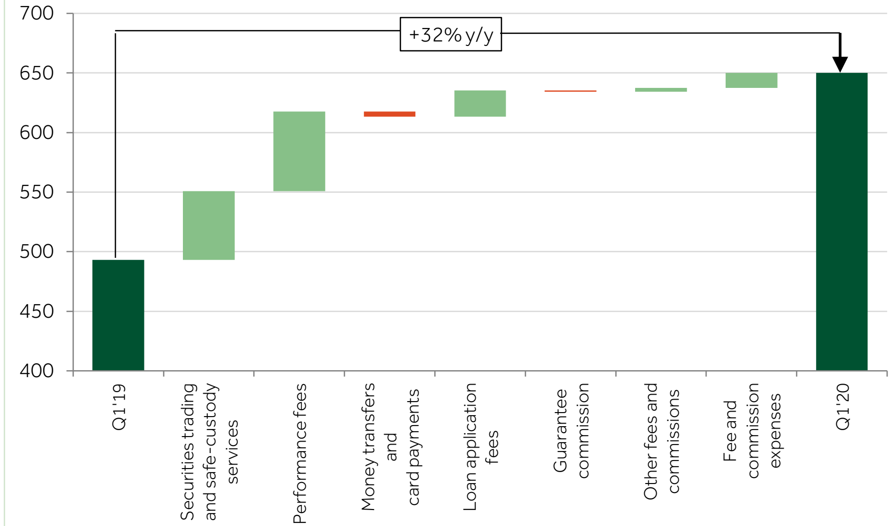
Q1 2020 vs. Q1 2019: Net fee income up 32% y/y

- Net fee income underpinned by elevated remortgaging activity in Q1 2020.
- Performance-related fee income rose to DKK 67m in Q1 2020 from DKK 0m in Q1 2019.
- Q1 2019 included fee expenses relating to the issue of a covered bond in the amount of EUR 500m by Jyske Realkredit. Adjusted for this and the effect of performance fees, net fee income was up 17% y/y.
- Assets under management down 1% y/y, mainly due to a negative development in financial markets in March 2020.

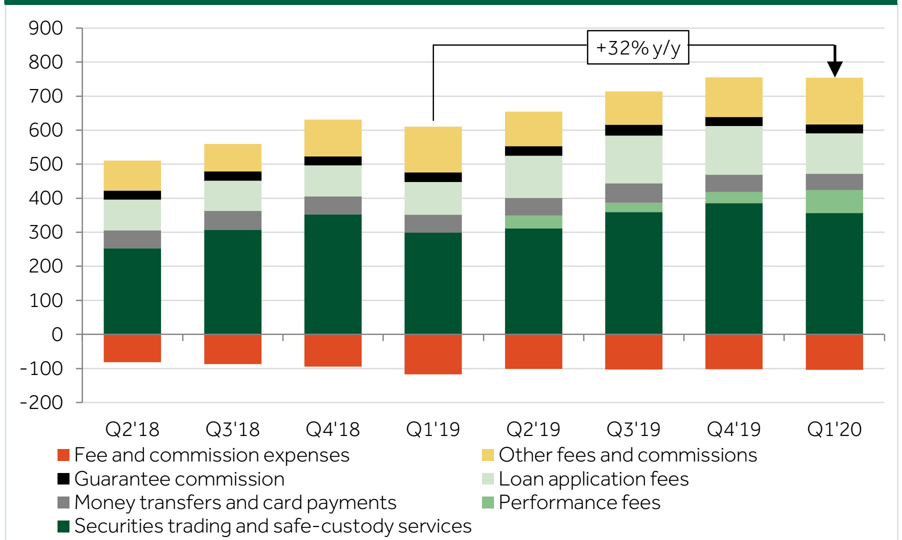
Q1 2020 vs. Q4 2019: Net fee income DKK -3m q/q

- Lower remortgaging activity in Q1 2020, although still at elevated level.
- Seasonally lower investment-related product and custody fees counteracted by seasonally higher Letpension and Letsikring fee income and higher refinancing activity.
- Performance-related fee income rose to DKK 67m from DKK 33m.

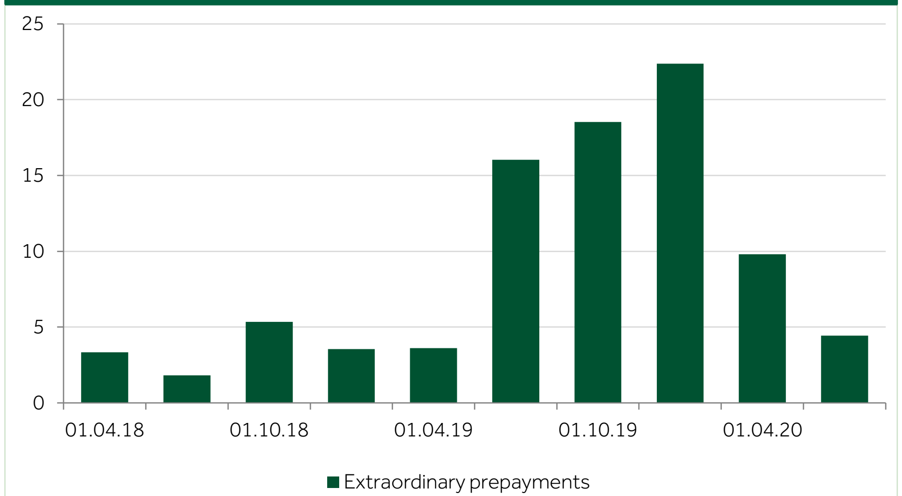
Net fee and commission income Q1 2019 vs. Q1 2020 (DKKm)



Fee income split by type (DKKm)



Extraordinary prepayments, Jyske Realkredit (DKKbn)



Continued reduction of headcount

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Comments

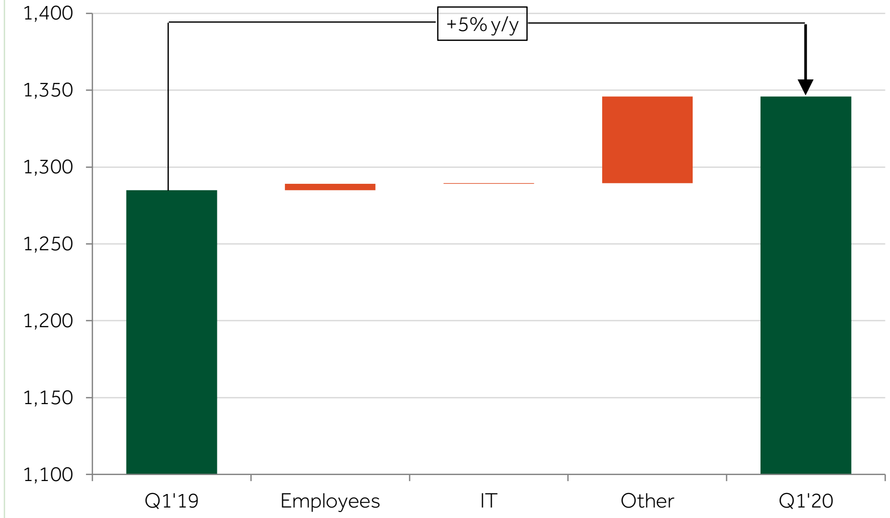
Q1 2020 vs. Q1 2019: Expenses up 5% y/y

- Negative one-off expense of DKK 78m, relating to the sale of Jyske Bank (Gibraltar) Ltd. in Q1 2020. Expenses down 1% y/y adjusted for this.
- Number of full-time employees declined 4% y/y.
- Yearly increase in salaries prescribed by collective agreement (+2%).
- Higher payroll tax (15.2% in 2020 vs. 15.0% in 2019).
- Increased level of resolution fees relating to Finansiel Stabilitet.

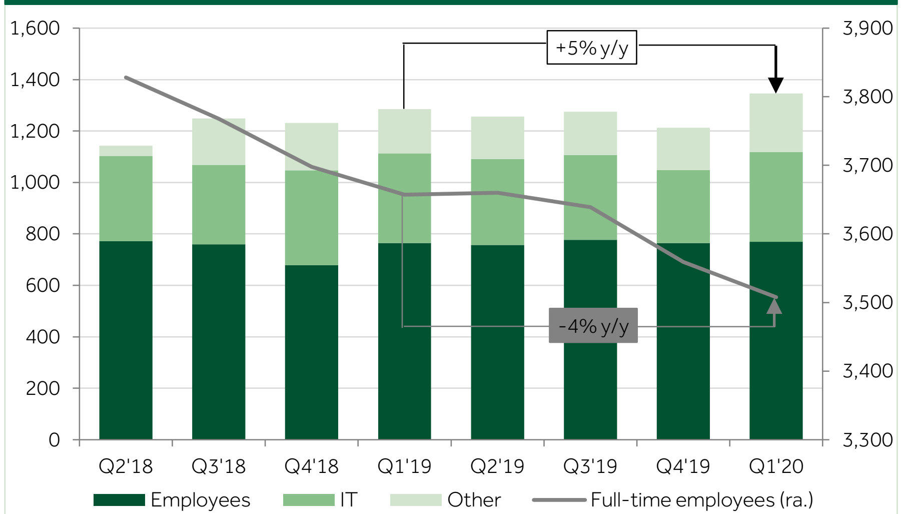
Q1 2020 vs. Q4 2019: Expenses up 11% q/q

- Positive one-off effects of DKK 114m in Q4 2019 and a negative one-off of DKK 78m in Q1 2020 due to the sale of Jyske Bank (Gibraltar) Ltd.
- Expenses down 4% q/q when excluding effects of one-off items.

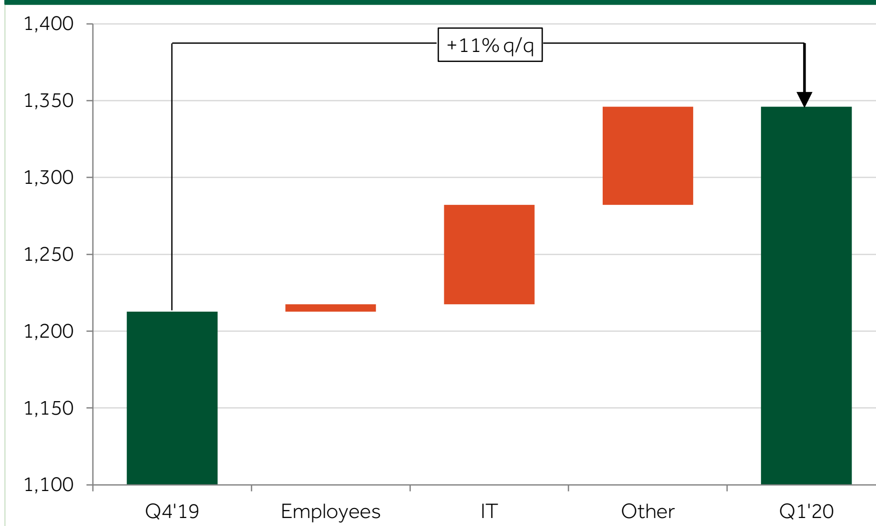
Expenses Q1 2019 vs. Q1 2020 (DKKm)



Core expenses (DKKm) and full-time employees



Expenses Q4 2019 vs. Q1 2020 (DKKm)



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Sustainability is ingrained in Jyske Bank's vision
"We have an ambition of running our business responsibly and in a way that promotes sustainability."
– Jyske Bank's vision: *To make a difference*.

Reorganisation furthers sustainability efforts	Investor Relations, CSR activities, and the Sustainability programme have been combined in the IR & Sustainability department, which refers to group CFO.
Committed to sustainability	• Signatory of UN's Principles for Responsible Banking. • Member of Global Compact. • Working according to the UN Principles for Responsible Investment in asset management for a decade. • Committed to the 20 recommendations developed by Forum for Sustainable Finance (FinansDanmark).
Recent and upcoming sustainability initiatives	• UN Principles for Responsible Banking: Preliminary impact analysis – greenhouse gas emission. • Green Finance Framework. • ESG fact book. • New website for Investor Relations and Sustainability (in Danish). • Aim to make power consumption, incl. share of IT vendors' power consumption, carbon neutral through its own production of renewable energy as from 2021. • Intention to sign the recommendations of Task Force on Climate-Related Financial Disclosures (TCFD) and incorporate climate considerations in management, strategy, risk management and objectives.

Jyske Bank identifies sustainable lending areas

Being a financial services group, we can make the biggest difference through our advice and product range. Therefore we now launch our Green Finance Framework with loans from the Jyske Bank Group that make contributions to a green and sustainable transition in society.

Jyske Bank's objective and initiatives for selected sustainable lending areas

Jyske Bank will finance production of additional 2 TWh renewable energy in 2025 - corresponding to 6% of the production in Denmark in 2018.

Jyske Bank will develop products that assist and motivate clients to undertake energy renovation of their properties.

In 2025, 40% of new financing of vehicles will finance low-emission vehicles.

Outlook 2020

Net interest income	Expected to increase in coming quarters
Core income	Lower than 2019 level
Expenses	Flat vs. 2019 level excl. one-off effects (DKK -57m in 2019 and DKK 78m in 2020)
Impairment charges	Significantly higher than 2019 level
Net profit	DKK 0.0bn-1.5bn
CET1 ratio	15%-17% for the coming 2-3 years
Capital ratio	20%-22% for the coming 2-3 years

Q&A

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