Jyske Bank
Q2 2019

20 August 2019

Overview of up- and downsides

- ROE within range
- Volume growth
- Capital levels
- Capital structure
- Future regulations impact / IT investments
- Costs stable
- Fees growing
- Impairments low

- Deposits surplus
- Negative interest rates
- Household deleveraging
    - Low demand on bank loans
    - High propensity to save
- Corporates low credit demand
- ALM / Strategic balance and risk management

Our targets

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	1H 2019
Return on Equity • Delivering a return on equity of 6-10% in 2019	ROE 6.6%
Volume 2020 • Total loan portfolio of DKK 350bn in Jyske Realkredit	DKK 337bn
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 up to maximum 3 percentage points by 1 January 2022	19.8% and 16.0%
• Gradually building a RAC ratio of about 10.5%	RAC 10.3%

Q2 2019 highlights

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- Net profit of DKK 499m, equal to ROE 5.7% p.a.
- Business volumes:
  - Loan growth in mortgage activities compared to both Q1 2019 and Q2 2018. Also growth in AUM
  - AUM up vs. Q1 2019 due to positive developments in the financial markets and net inflow of funds from private and private banking customers
- Core income:
  - NII favourably affected by growth in loan volumes within mortgage and leasing activities and 1 day more in Q2 than Q1
  - Net fee income picks up mainly due to higher refinancing activity and performance related fees
- Core expenses DKK 1,256m – up by 1% when adjusted for one-off expenses in Q2 2018
- Investment portfolio earnings of DKK -50m down by DKK 39m compared to Q1 2019
  - Negatively affected by flatter interest rate curve and FX positions
  - Compared to Q2 2018 investment portfolio earnings down by DKK 179m in which sale of Nordjyske Bank shares amounted to DKK 544m in 1H 2018 of which DKK 188m can be attributed to Q2 2018

Core profit and profit for the period

DKKm

	Q2 2019	Q2 2018	Index 19/18	Q1 2019	Index Q2/Q1
Net interest income	1,340	1,439	93	1,324	101
Net fee and commission income	523	399	131	463	113
Value adjustments	-8	-38	21	193	-
Other income	59	239	25	47	126
Income from operating lease (net)	34	21	162	24	142
Core income	**1,948**	**2,060**	**95**	**2,051**	**95**
Core expenses	1,256	1,143	110	1,285	98
Core profit before loan impairment charges	**692**	**917**	**75**	**766**	**90**
Loan impairment charges	9	27	33	-16	-
Core profit	**683**	**890**	**77**	**782**	**87**
Investment portfolio earnings	-50	129	-	-11	455
Pre-tax profit	**633**	**1,019**	**62**	**771**	**82**
Tax	134	208	64	161	83
Profit for the period	**499**	**811**	**62**	**610**	**82**

Summary of balance sheet, end of period

DKKbn

	Q2 2019	Q2 2018	Index 19/18	Q1 2019	Index Q2/Q1
Mortgage loans	337	315	107	333	101
Traditional bank loans	103	104	99	104	99
New home loans	5	12	39	5	96
Bank deposits	139	135	103	141	99
Assets under management	160	148	108	156	103

ROE remains under pressure

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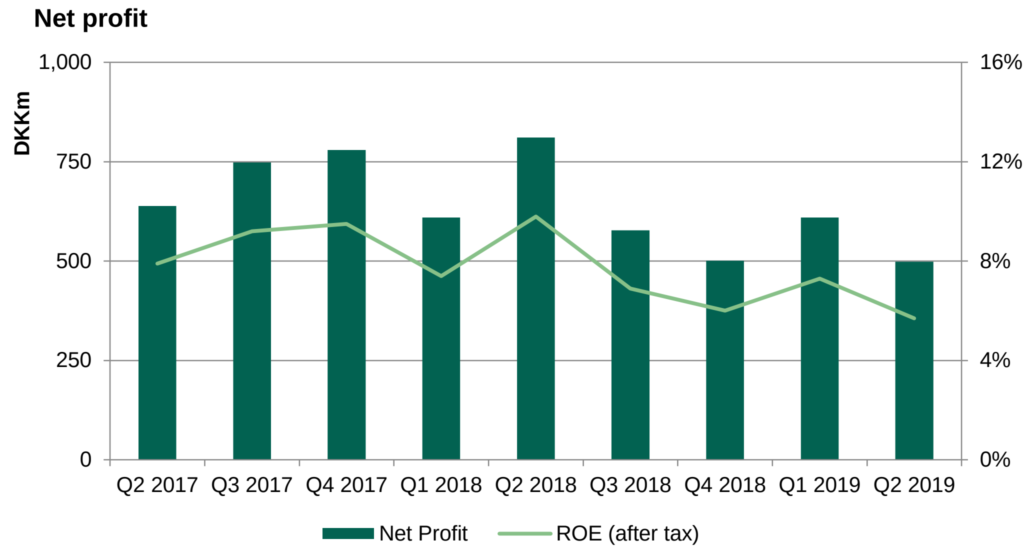
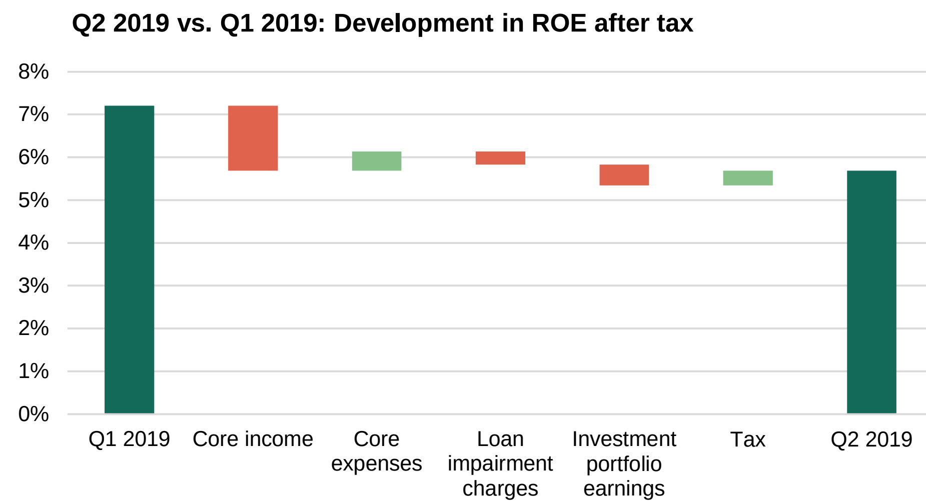
- Net profit of DKK 499m in Q2 2019 and ROE of 5.7%



- A decrease of 1.5 percentage points compared to Q1 2019 due to:
  - Lower core income attributable to lower value adjustments
  - Stable underlying development in core expenses – downtick explained by lower employee and IT costs
  - Investment portfolio earnings negatively affected by flatter interest rate curve and FX positions



NII stable

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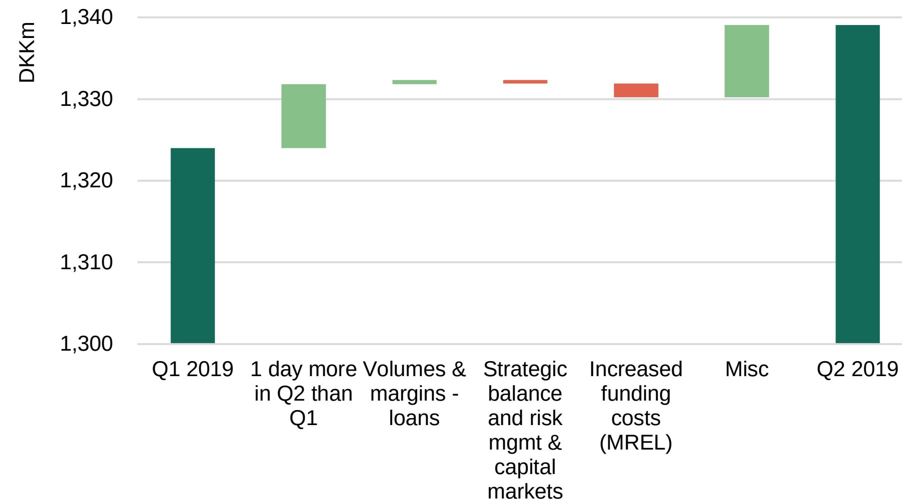
NII of DKK 1,340m compared to DKK 1,324m in Q1 2019 and DKK 1,439m in Q2 2018 – up by 1% compared to Q1 2019 and down by 7% compared to Q2 2018

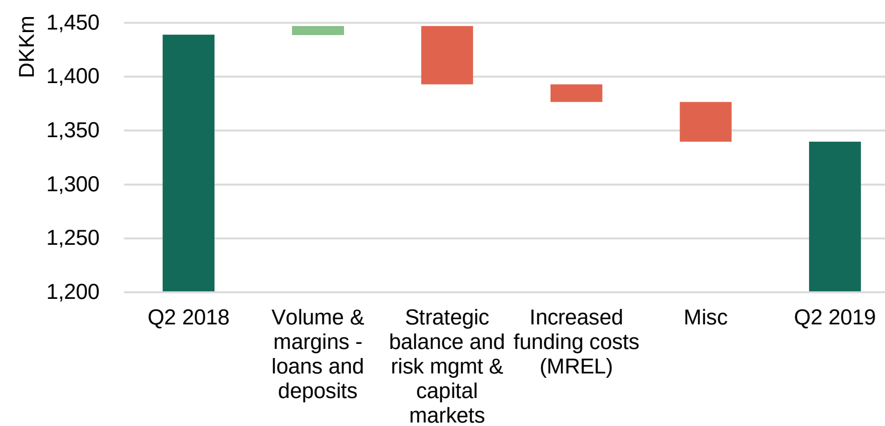
- In Q2 2019 NII is:
  - Supported by:
    - Volume growth in mortgages and leasing activities
    - 1 day more in Q2 than Q1
  - Pressured by:
    - Increased MREL-funding costs
    - Continued margin compression on corporate bank loans and retail mortgages primarily attributed to an increasing degree of personal clients opt for fixed rate loans and/or instalment loans
    - Lack of loan growth in banking activities

- Compared to Q2 2018 NII is supported by loan growth in mortgage and leasing activities but pressured by:
  - Continued margin compression on corporate bank loans as well as lower avg. administrative margins on mortgages as personal clients choose loans with fixed interest rates and amortization
  - Lower NII from strategic balance and risk management
  - Increased MREL-funding costs

Q2 2019 vs. Q1 2019: Development in NII



Q2 2019 vs. Q2 2018: Development in NII

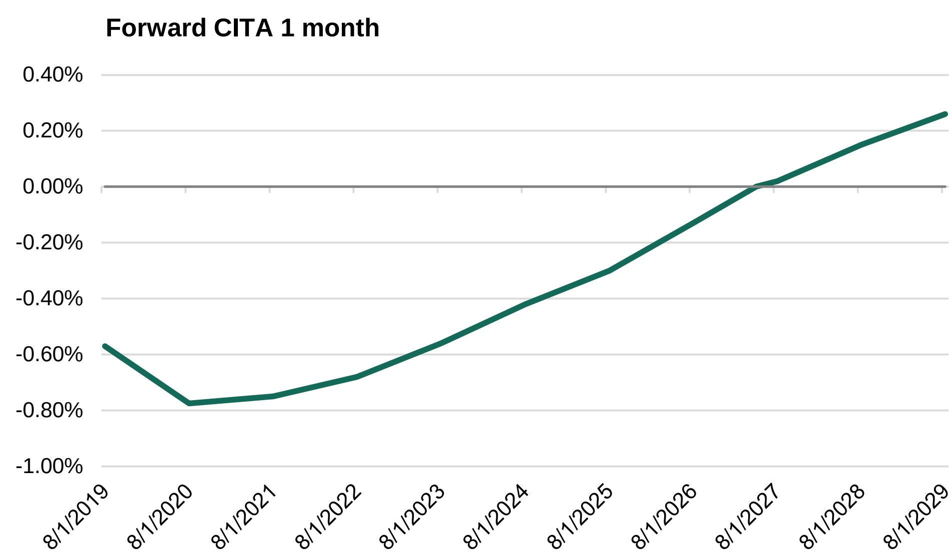


Negative interest rate and expectations

- Overnight Index Swap rate now stands at -0.53% - negative four years in a row
- Interest rates have been negative since 2012 except for positive interest rates in 2014

- Forward rate CITA 1 month to reach a low level of 0.78% in 2020 and first estimated to be positive in 2027

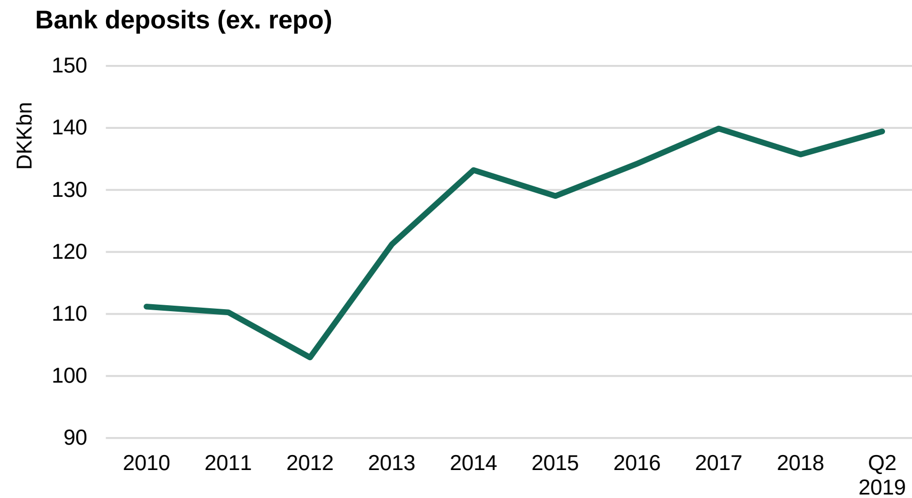
- Maximum on demand deposits for personal clients
  - A maximum of DKK 7.5m on demand deposits with an interest rate of 0%
  - The interest rate on demand deposits in excess of this amount is to be agreed individually with the bank
  - Without an agreement with the bank the interest rate is -0.6% p.a.



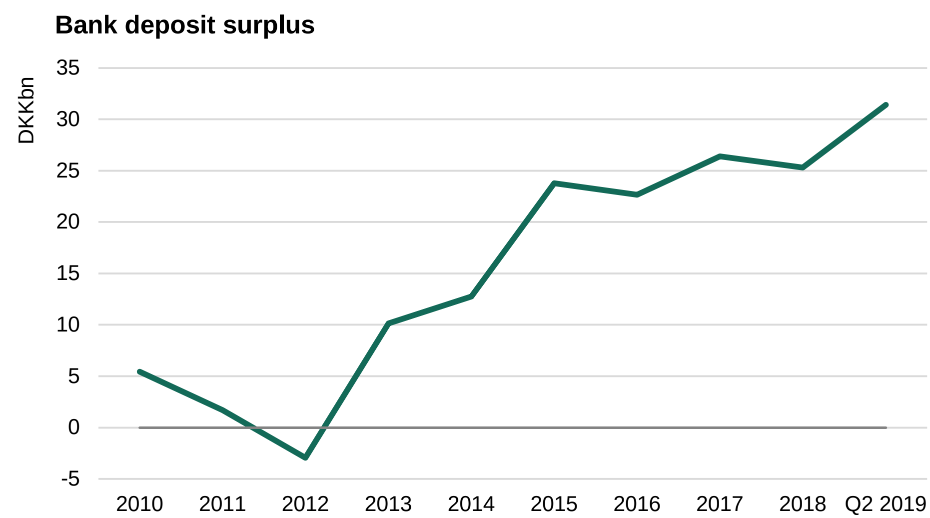
Increasing bank deposit surplus

Bank deposits of DKK 139.4bn in Q2 2019 compared to DKK 135.5bn end of 2018 – up by 3%

- The increase is primarily attributable to on demand deposits from personal and private banking clients



- Bank deposit surplus of DKK 31.4bn in Q2 2019 compared to DKK 20.6bn in Q2 2018 negatively affected by:
    - High propensity to save especially among private households
    - Lack of loan growth within banking activities



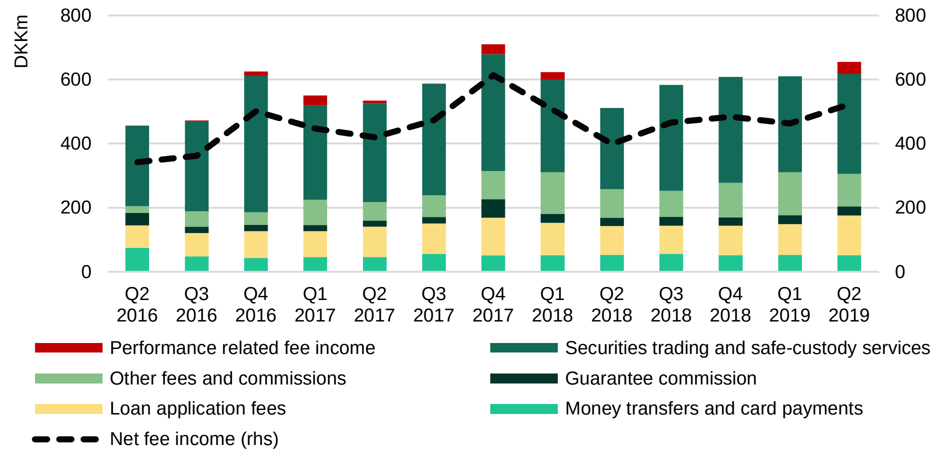
Higher underlying fee income

- Net fee income of DKK 523m in Q2 2019 – up by 31% relative to Q2 2018

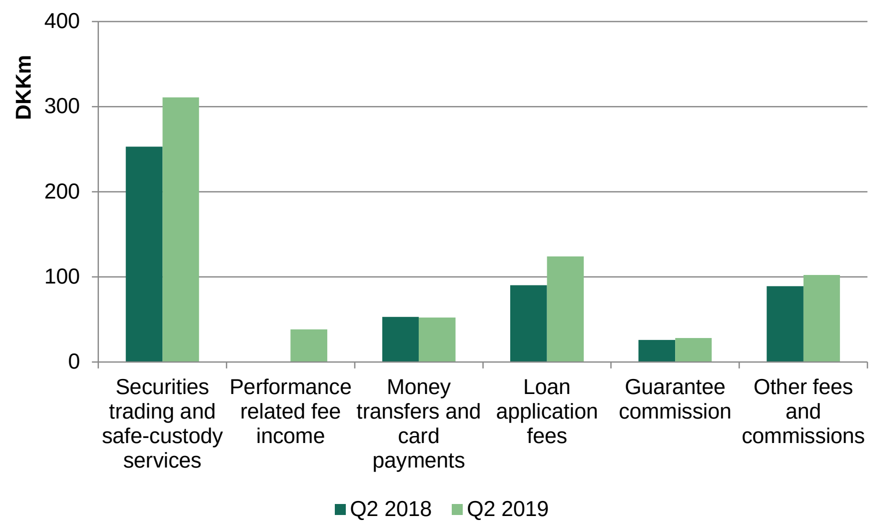
- Underlying fee income in Q2 2019 at level only seen previously in fourth quarter
  - High refinancing activity in Q2 supports fee income from mortgage activities
  - Performance related fees of DKK 38m in Q2 2019
- Underlying net fee income dampened by increase in paid fees partly driven by growth in leasing activities and paid fees for government-guaranteed loans on subsidised housing

- Fee income of DKK 655m in Q2 2019 vs. DKK 511m in Q2 2018 – up by 28% relative to Q2 2018
- Securities trading and safe-custody fees supported by high refinancing activity in mortgages as well as favourable development in financial markets
- Performance related fees of DKK 38m in Q2 2019
- Stability in other types of fee income
- Loan application fees supported by high refinancing activity in Q2 from mortgage activities

Fee income split by type

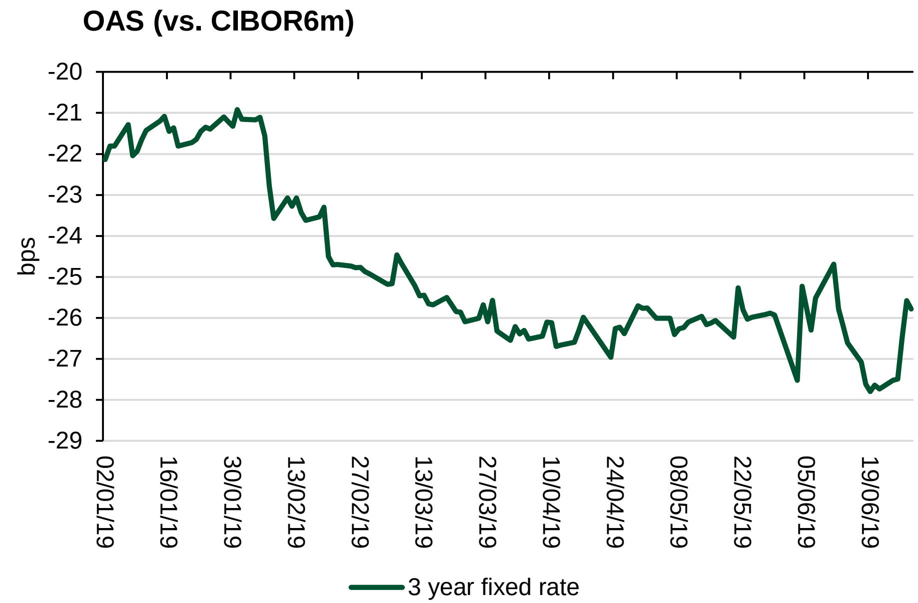


Fee and commision income

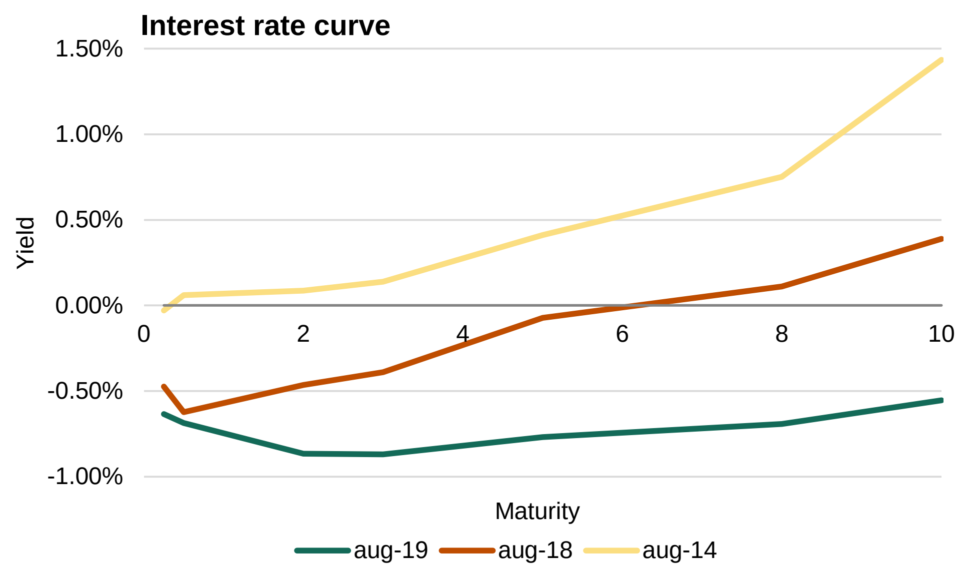


Flatter interest rate curve

- Stable development in OAS in 2019



- Flatter interest rate curve compared to August 2018 and 2014
- Lower level of interest rate along the curve



Value adjustments close to zero

- Value adjustments under core income amounted to DKK -8m down by DKK 201m compared to Q1 2019 due to:
  - Flatter interest rate curve
  - Customers' interest rate hedge
- Value adjustments from clients' transactions relating to interest-rate hedging (swaps):
  - Q2 2019 DKK -27m (Q2 2018 DKK -14m)
  - Q1 2019: DKK 12m

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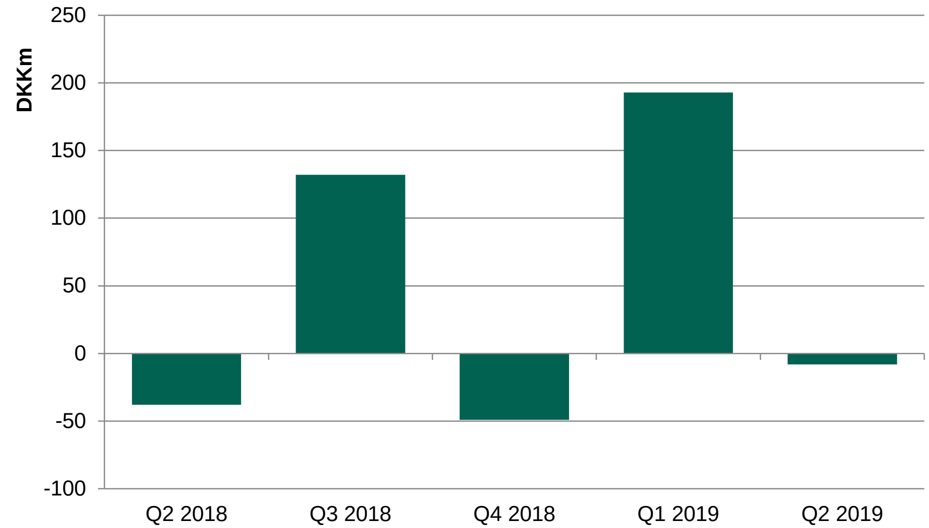
- Lower return on strategic balance and risk management DKK -48m vs. DKK 32m in Q2 2018 and DKK 110m in Q1 2019
- Lower NII driven by changed portfolio composition, a higher proportion of floating rate notes vs. former fixed term notes
- Strategic ALM and risk management is comprised of a liquidity bond portfolio as well as derivatives used for hedging purposes. Overall, limited interest rate risk
  - Liquidity portfolio of approx. DKK 36bn end of Q2 2019, consists primarily of Danish mortgage bonds

Value adjustments under core income



Strategic balance and risk management (DKKm)

	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Net interest income	18	27	32	63	75
Value adjustments	-80	66	-83	45	-26
Banking activities, total	**-62**	**93**	**-51**	**108**	**49**
Net interest income	20	24	18	20	24
Value adjustments	-6	-7	-28	-9	-41
Mortgage activities, total	**14**	**17**	**-10**	**11**	**-17**
Jyske Bank Group, total	**-48**	**110**	**-61**	**119**	**32**

Jyske Bank Capital Markets

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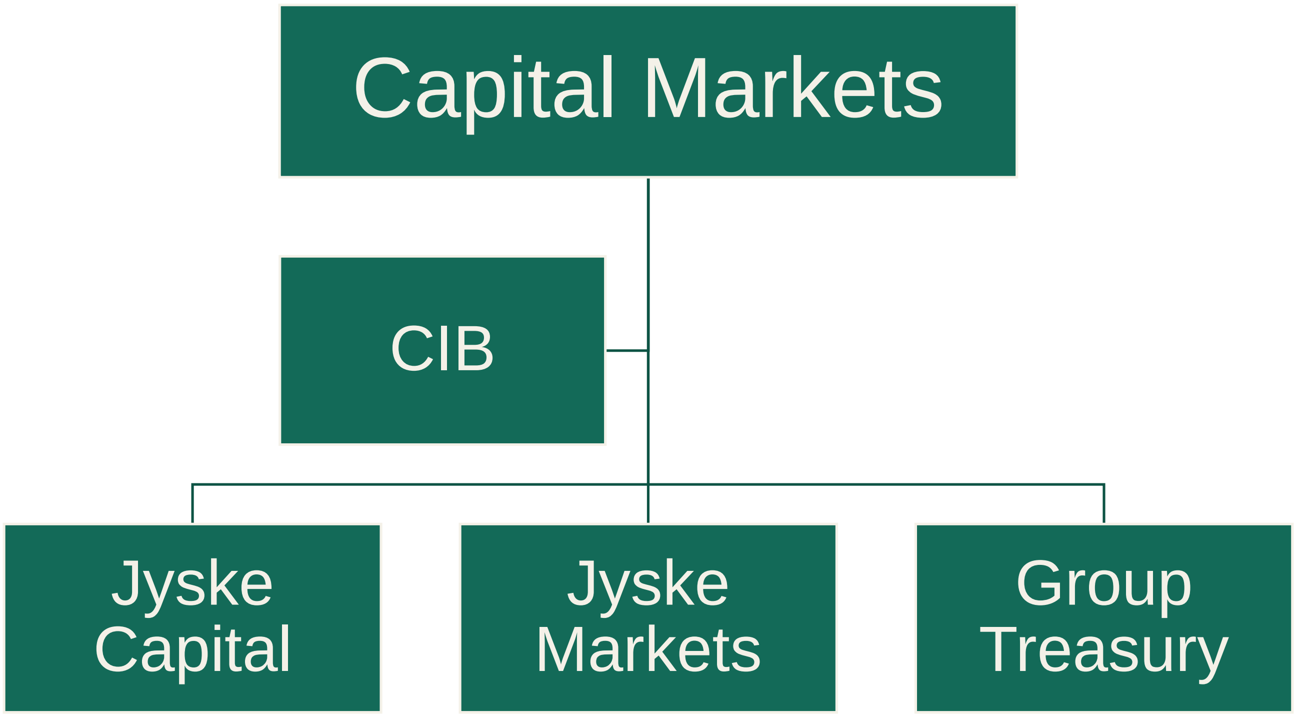
- consists of the following divisions:



Jyske Capital – Wealth Management Division

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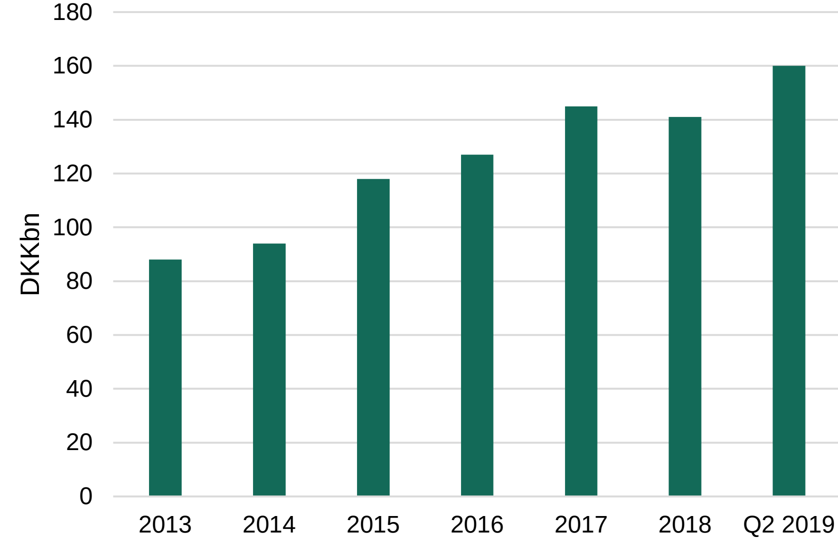
Growth in Asset under Management (AUM) and earnings (2015-2018)

- Pressure on margins more than counteracted by increased volume, i.e earnings are growing
- Margins flattening out in some segments
- Positive growth in AUM in H1 2019

Expect growth in AUM to continue, however

- Earnings expected to be flat or slightly down due to tightening margins
    - Earnings on HNWI-segment under pressure
    - Short term pressure on margins from retail clients due to regulatory considerations

Assets under management



Jyske Markets – Trading Division

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Customer driven transactions

FX - Large player in Danish/Scandinavian market

- Focus on eBusiness

Danish Stocks – earnings under pressure due to lower fees (MiFID)

- Limited risk taking and warehousing
- Market maker on Danish funds

Danish Mortgage Bonds - Very strong position and highly valued by clients (Prospera)

- Focus on expanding client base with foreign clients/investors

Corporate Bonds – focus on European High Yield

- Good placing power in Scandinavia

Group Treasury

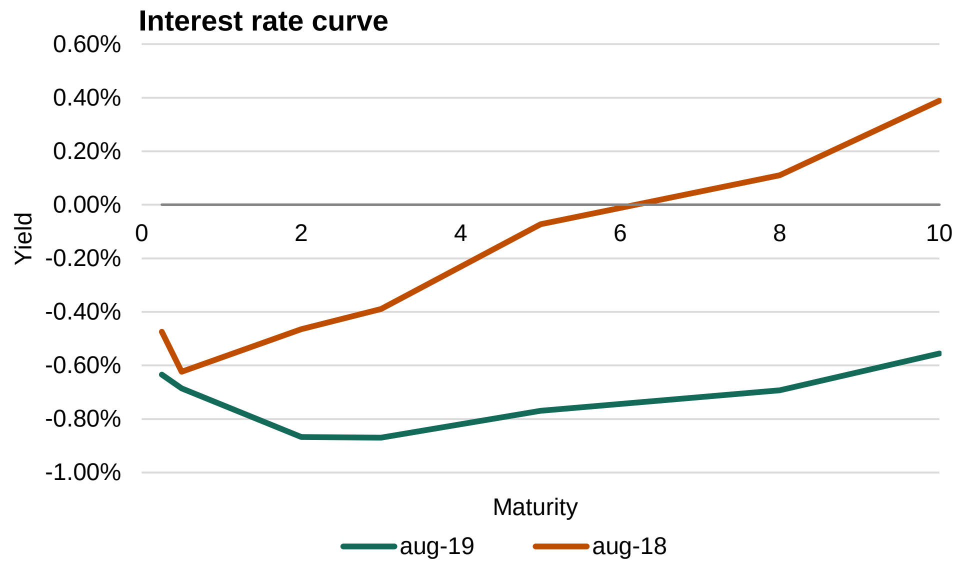
Banking Book (Basis income)

- Strategic liquidity reserve
    - Consists mainly of DKK mortgage bonds

- Strategic Interest rate risk profile
    - More or less neutral on overall interest rate profile
        - Positive interest rate risk in the short end, negative interest rate risk in the long end
        - Challenged by flatter end of the curve and convexity effects from callable bonds

Trading Book (Investment income)

- More tactical market risk positions
    - Dominated by interest rate steepener exposure



Stable underlying development in core expenses

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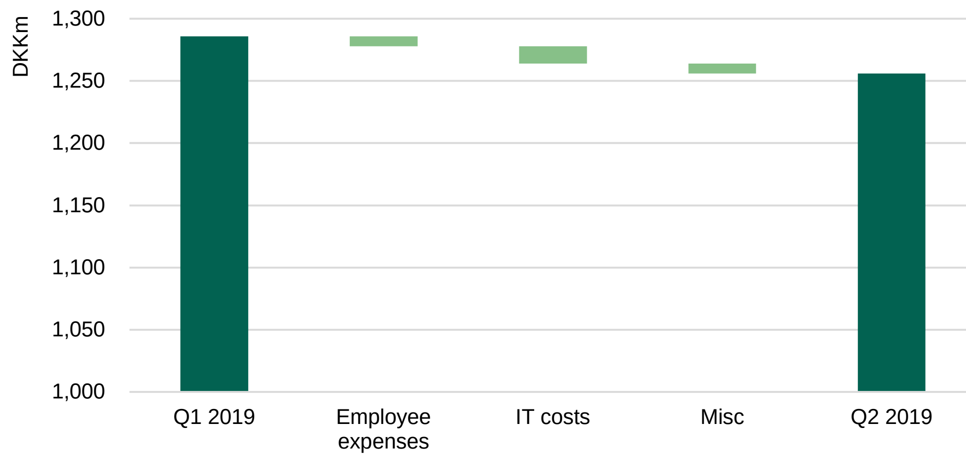
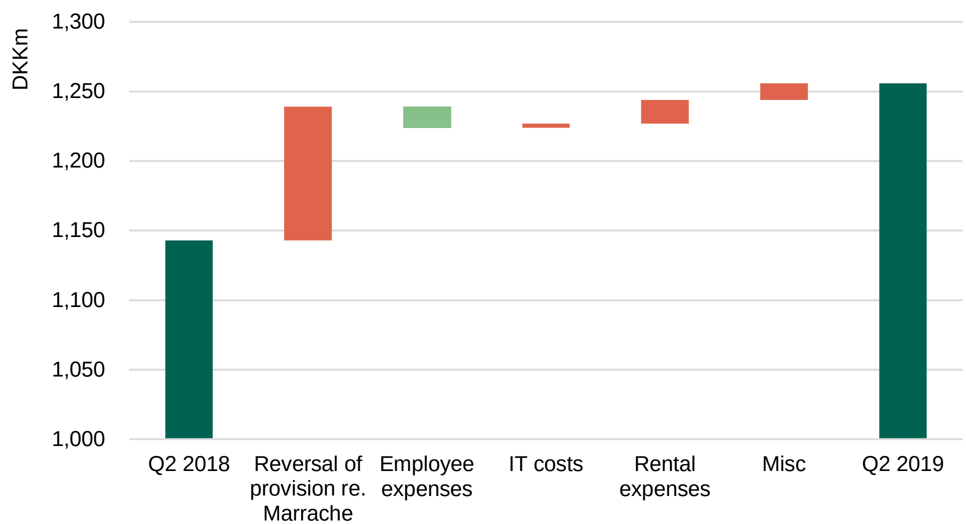
- Core expenses of DKK 1,256m in Q2 2019
- Compared to Q1 2019 down by DKK 29m due to:
  - Higher IT-costs in Q1 2019
  - Lower employee costs
- … up by DKK 17m (1%) excl. reversal of provision re. Marrache compared to Q2 2018 which is a combination of:
  - Increased rental expenses associated with sale and lease back of property
  - Higher IT costs
  - Partly compensated by lower employee expenses

Q2 2019 vs. Q1 2019 Development in core expenses



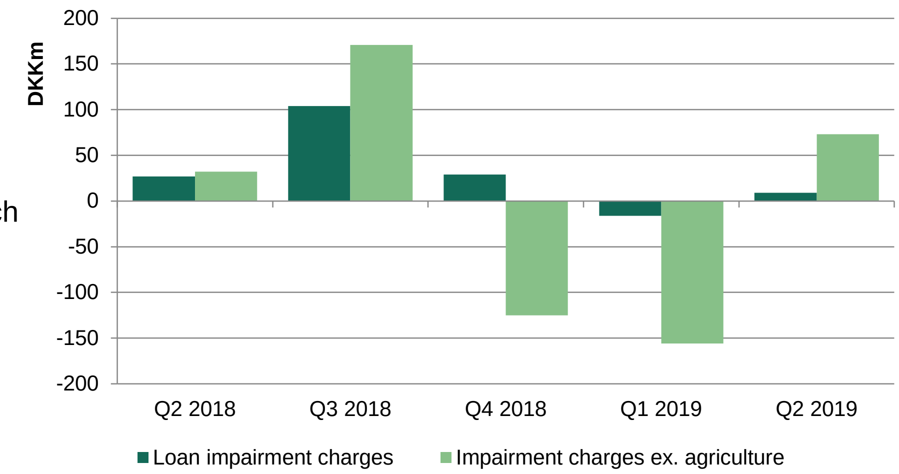
Q2 2019 vs. Q2 2018: Development in core expenses



Loan impairment charges close to zero

- Impairment charges of DKK 9m under core profit:
  - New defaults at low levels across client segments
  - Few large corporates negatively affected
  - Reversal of impairment charges of DKK 64m re. agriculture primarily due to higher pork prices
- Total balance of management's estimate of DKK 561m, of which DKK 355m relates to agriculture compared to DKK 606m and DKK 380m respectively end of Q1 2019
- Impairment ratios (under core profit):
  - Impairment ratio ~0bp for Q2 2019
  - Balance of impairment charges and discounts on acquired loans DKK 5.6bn corresponding to an accumulated impairment ratio of 1.1%
- Net loans, advances and guarantees and balance of impairments distributed by IFRS 9 stages are shown in the table on the right

Loan impairment charges (under core profit)



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

	Q2 2019			Q4 2018		
	Loans, advances and guarantees	Balance of impairment charges	Impairment ratio	Loans and guarantees	Balance of impairment charges	Impairment ratio
Stage 1	465.6	0.6	0.1	449.1	0.6	0.1
Stage 2	23.4	1.3	5.3	26.0	1.3	4.8
Stage 3	6.0	3.3	35.3	6.5	3.6	35.6
Total	495.0	5.2	1.0	481.6	5.5	1.1

Agriculture: Reversal of loan impairment charges

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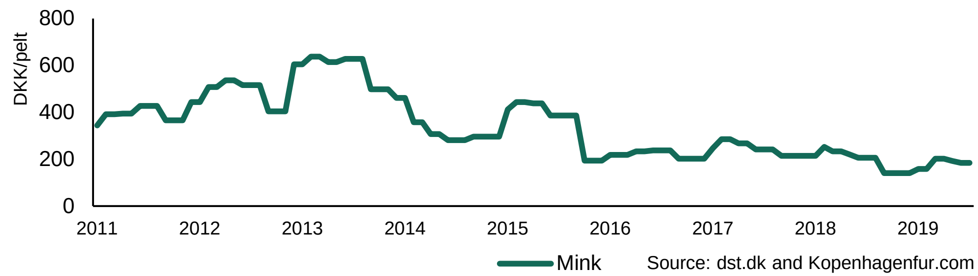
- Limited exposure as agriculture excl. fishing accounts for approx. 1% of the Group's loans and guarantees
- Impairment ratios at level with end of Q4 2018
- Reversal of loan impairment charges of DKK 64m in Q2 2019
- Fur farming: Sales prices under pressure still below the contribution margin (approx. DKK/pelt 250)
- Pig farming: Increase of sales prices of pork due to outbreak of African Swine Fever in China driving up pork prices in international markets
- Balance of impairment charges include a management estimate of DKK 355m end of Q2 2019 vs. DKK 275m end of Q4 2018. Covering for effects of:
  - Lower sales prices for pelts
  - Risk of lower prices on agricultural land
- Commodity price development:
  - Mink pelt prices are still very low and now stands at 184 DKK/pelt
  - Pork prices increased significantly to 11.8 DKK/kg 2019 compared to lowest level in January 2019 of 8.3 DKK/kg
  - Milk prices have recovered compared to Q2 2018 and now stands at 2.25 DKK/kg

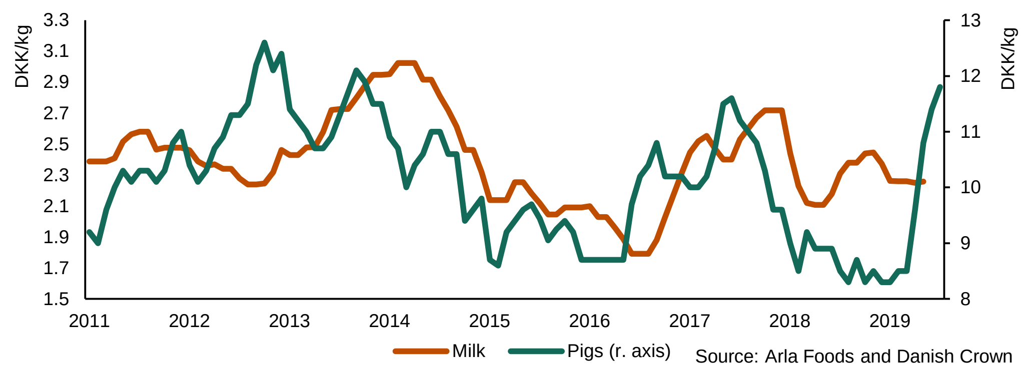
Dairy farmers, plant farming and pig farming (DKKm/%)

	Loans, advances and guarantees		Balance of impairment charges		Impairment ratio	
	Q2 2019	Q4 2018	Q2 2019	Q4 2018	Q2 2019	Q4 2018
Milk	765	848	392	437	34%	34%
Pigs	1,571	1,616	252	264	14%	14%
Plants	2,122	2,050	117	122	5%	6%
Fur farmers	76	186	112	108	60%	37%
Other agriculture	1,367	1,384	134	132	9%	9%
Total	**5,901**	**6,084**	**1,007**	**1,063**	**15%**	**15%**

Commodity prices



Source: dst.dk and Kopenhagenfur.com



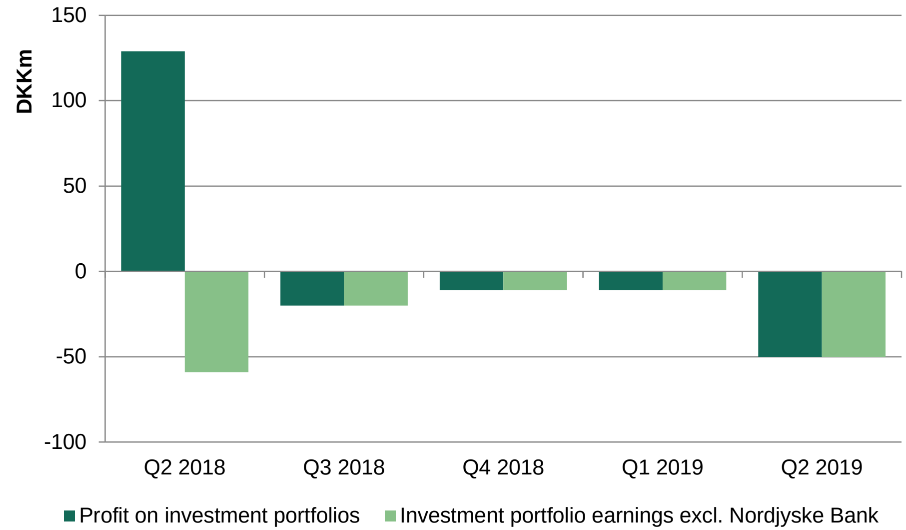
Source: Arla Foods and Danish Crown

Investment portfolio earnings down compared to previous quarters

- The investment portfolio earnings amounted to DKK -50m in Q2 2019 – down by DKK 39m compared to Q1 2019. Negatively affected by
  - the flatter interest rate curve over the quarter
  - Stable OAS vs. narrowing in Q1
  - FX positions

- Excluding Nordjyske Bank shares investment portfolio earnings up by DKK 9m (15%) compared to Q2 2018

Investment portfolio earnings , quarterly



Capital and Liquidity

Strong capital position

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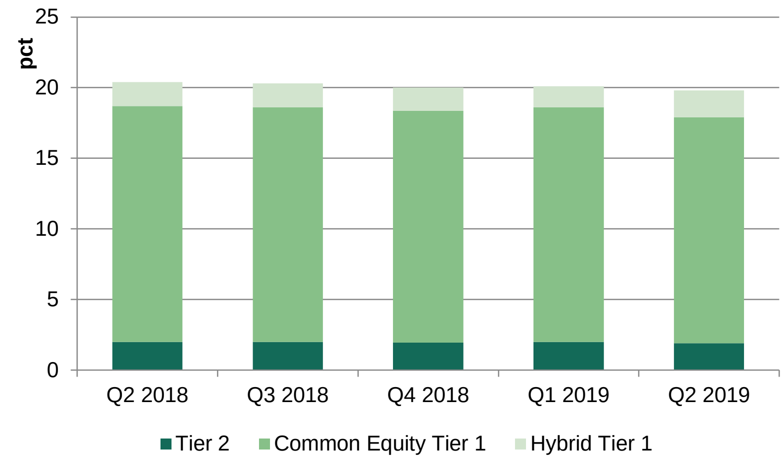
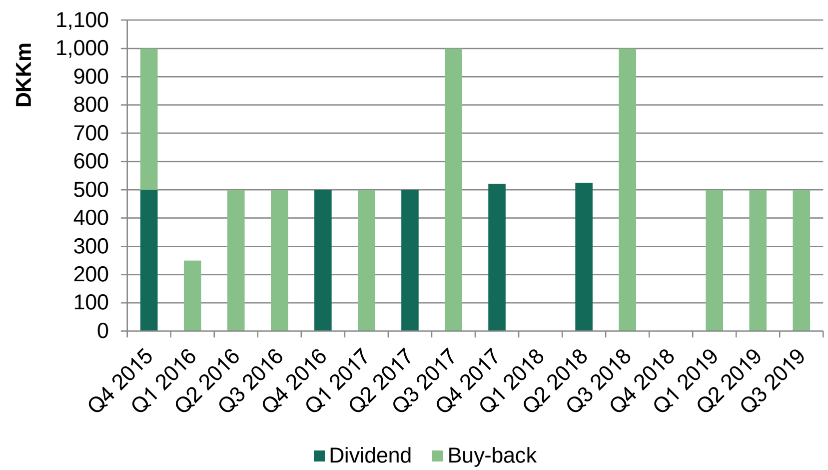
- Capital ratio 19.8% and CET1 ratio 16.0% end of Q2 2019 vs. long-term targets of 17.5% and 14% post-Basel IV implementation
  - Effects of Basel IV expected to be fully financed by 2022
  - Each quarter, Jyske Bank's Supervisory Board assesses the possibilities of distributing dividend and implementing share buy-backs if the earnings and capital structure are deemed satisfactory
- Defending and securing a stable S&P rating of A- is a key priority
  - S&P has 'positive outlook' on Jyske Bank's preferred senior ratings based on the FSA's measurement of MREL as well as Jyske Bank's funding plan for the required NPS issuances
  - RAC ratio of 10.3% end of Q2 2019
  - Jyske Bank aims long-term to build a RAC ratio of approx. 10.5%
- New share buy-back programme of DKK 500m from August 21st and up to and including November 29th 2019
- Share buy-back programme of DKK 1bn finalized July 2019
- Capital distribution since November 2015:
  - Share buy-back programmes of DKK 5.75bn in total
  - Dividends of DKK 2.5bn in total

Capital ratios



Capital Distribution (time of announcement)



Liquidity continues to be plenty

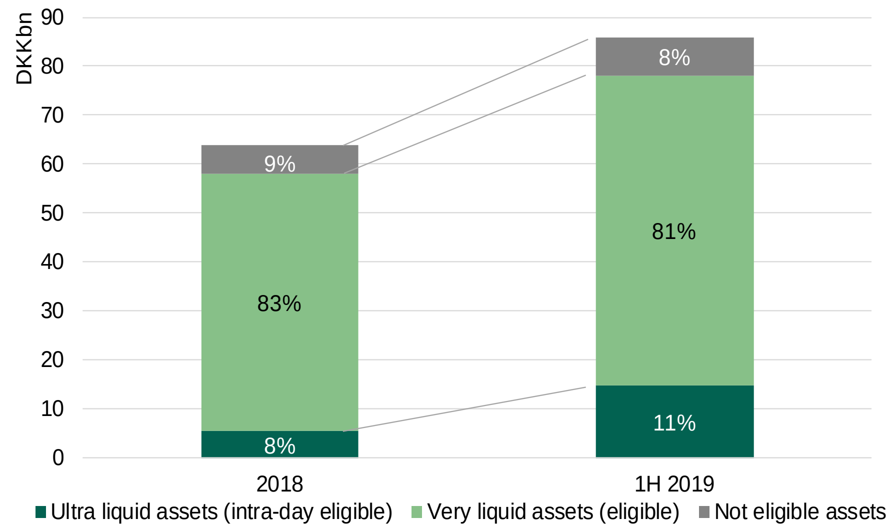
- Liquidity buffer DKK 86bn end of Q2 2019 vs. DKK 64bn end of 2018
  - 91% of the buffer - DKK 78bn - is eligible for repo transactions at central banks (Nationalbanken or ECB)
  - Cash placements are categorized as intra-day eligible
  - Increased liquidity buffer due to:
    - New NPS issue
    - Increased deposits
    - Liquidity from Jyske Realkredit due to higher refinancing activity

- Group's LCR at 195% by end of Q2 2019 vs. 219% end of 2018
  - Primarily comprised of level 1a and 1b assets
  - The Group operates with an internal minimum target for LCR of 150%

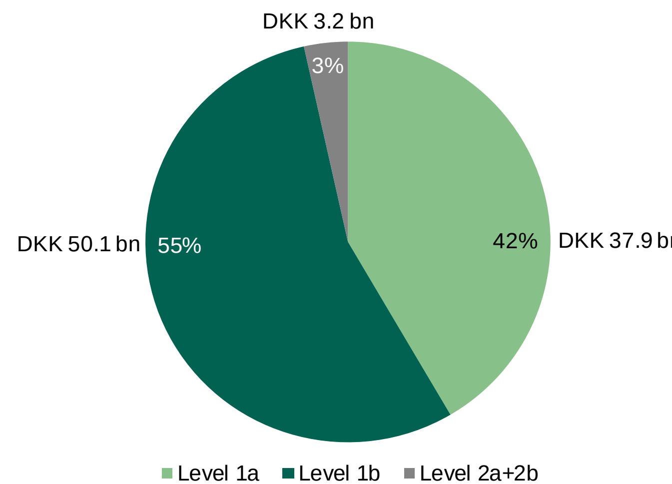
- New liquidity benchmark based on simplified LCR with 90-days horizon brought into effect in the FSA's supervisory diamond
  - Stands at 163% end of Q2 2019

- Leverage ratio of 5.2% end of Q2 2019 vs. 5.3% end of 2018.

Group liquidity buffer (DKKbn)



LCR liquidity buffer



Increased funding costs due to MREL

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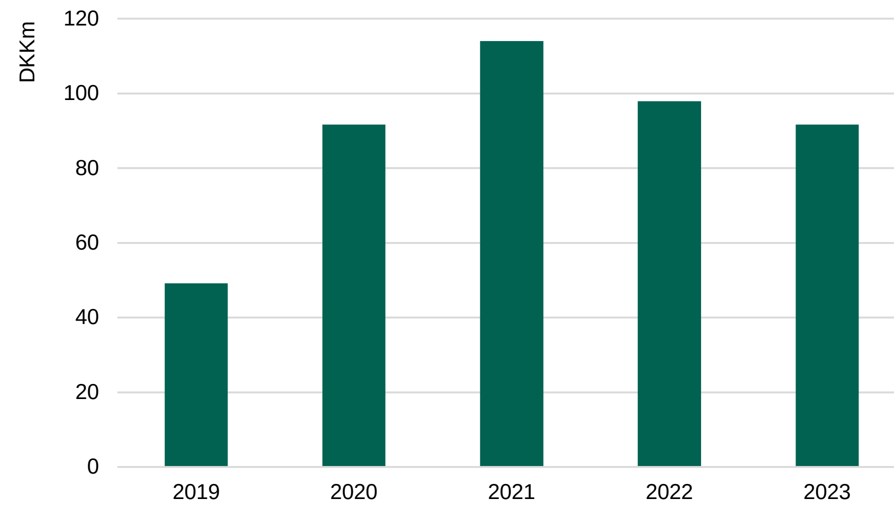
2019-2021:

- Transition period from 1 July 2019 – 1 January 2022 where preferred senior issued before end of 2018 can be used to fulfill MREL requirements (”grandfathering”)
- Old SP issuances lose MREL eligibility when time to maturity is less than 1 year, thus NPS debt is issued at least 1 year before maturity of SP debt
- Consequence: Increasing liquidity and adding interest expenses of approx. CIBOR +75 bps
- Based on spreads and run-off profile on existing senior debt and expected spreads and funding plans for NPS issuances interest expenses are expected to increase as follows:
  - 2019: DKK 49.2m
  - 2020: DKK 42.4m (DKK 91.6m accumulated)
  - 2021: DKK 22.4m (DKK 114 m accumulated)
- Thus, elevated funding costs during transition period as required to hold surplus NPS debt

2022 and onwards:

- Approx. DKK 100m in added interest expenses given a premium of 35-40 bps on NPS vs. SP and expected total issuance of EUR 2.5bn (DKK 20bn) before end of 2021

Acc. increase in funding costs 2019-2023 compared to 2018



Appendices:
1) Jyske Bank in brief and business segments
2) Danish Economy Q2 2019

Jyske Bank in brief

- 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
  - Nationwide branch network comprised of 92 personal client branches, 32 corporate branches, 9 Private Banking centres distributed between 98 locations
  - Total assets of DKK 646bn and total loans of DKK 480bn of which mortgage loans account for DKK 337bn (70%)

- Strong capital position
  - Long-term capital policy and well-positioned to manage effects of regulatory requirements
  - Capital distribution:
    - 2015 and 2016: DKK 2.25bn (dividend DKK 500m and buy-backs DKK 1.75bn)
    - 2017 and 2018: DKK 4.5bn (dividends DKK 2bn, buy-back DKK 2.5bn)
    - 2019: DKK 1.5bn (buy-backs DKK 1.5bn)

Jyske Bank in brief

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Jyske Bank Group key figures								
Year	Profit before tax, DKKm	Net profit, DKKm	Shareholders' equity at year-end, DKKm	ROE after tax, average equity	Loans and advances, DKKbn	Deposits, DKKbn	Total assets, DKKbn	Number of FTEs
1997	584	443	4,772	9.6%	36.6	41.5	63.1	2,671
1998	710	511	5,173	10.3%	39.7	43.8	76.9	2,772
1999	1,276	897	5,421	16.9%	49.8	49.8	92.6	2,923
2000	1,255	1,083	5,887	19.2%	75.4	52.3	127.4	3,107
2001	890	623	6,174	10.3%	82.5	54.4	133.2	3,418
2002	1,083	511	6,658	8.0%	95.3	59.0	153.2	3,359
2003	1,809	1,284	7,843	17.7%	63.8	63.8	116.4	3,547
2004	1,960	1,407	7,858	17.9%	74.6	68.7	125.2	3,713
2005	2,174	1,701	9,477	19.6%	90.9	79.8	141.6	4,026
2006	2,810	2,134	9,637	22.3%	107.2	88.8	160.7	4,216
2007	2,273	1,735	9,704	17.9%	134.0	112.7	214.3	4,145
2008	1,307	988	10,722	9.7%	129.1	117.0	236.8	3,996
2009	597	471	12,523	4.1%	110.6	109.3	224.5	3,877
2010	1,003	757	13,352	5.9%	114.0	115.8	244.1	3,847
2011	601	493	13,846	3.6%	124.5	127.3	270.2	3,809
2012	851	596	15,642	4.0%	118.6	121.0	258.2	3,574
2013	2,301	1,808	17,479	10.9%	131.4	131.4	262.0	3,774
2014	3,103	3,089	27,561	13.7%	361.8	152.7	541.7	4,191
2015	3,204	2,476	30,040	8.6%	396.2	144.9	543.4	4,021
2016	3,906	3,116	31,038	10.1%	422.4	154.6	586.7	3,981
2017	4,002	3,143	32,023	9.7%	447.7	160.0	597.4	3,932
2018	3,140	2,500	31,786	7.6%	462.8	148.7	599.9	3,698
H1 2019	1,404	1,109	32,155	6.6%	479.9	152.7	646.4	3,692

Average ROE after tax 1997 – H1 2019 of 11.5%

Banking activities

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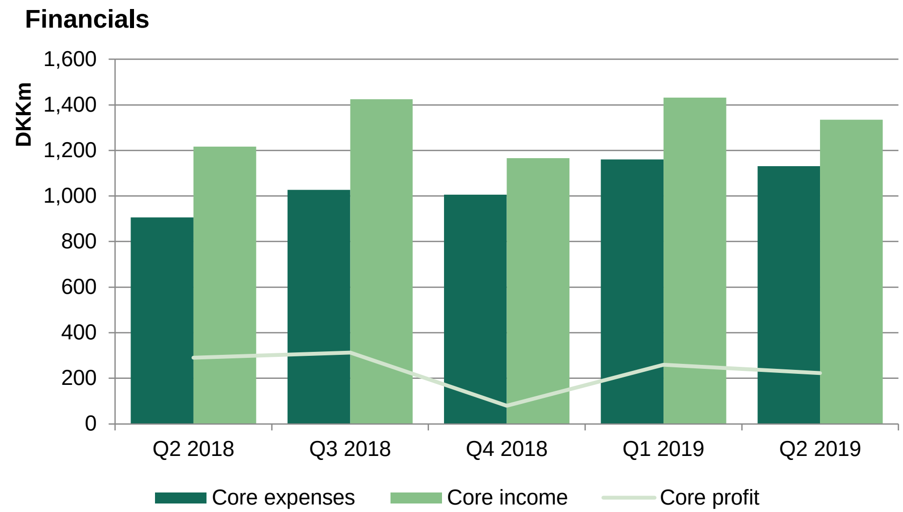
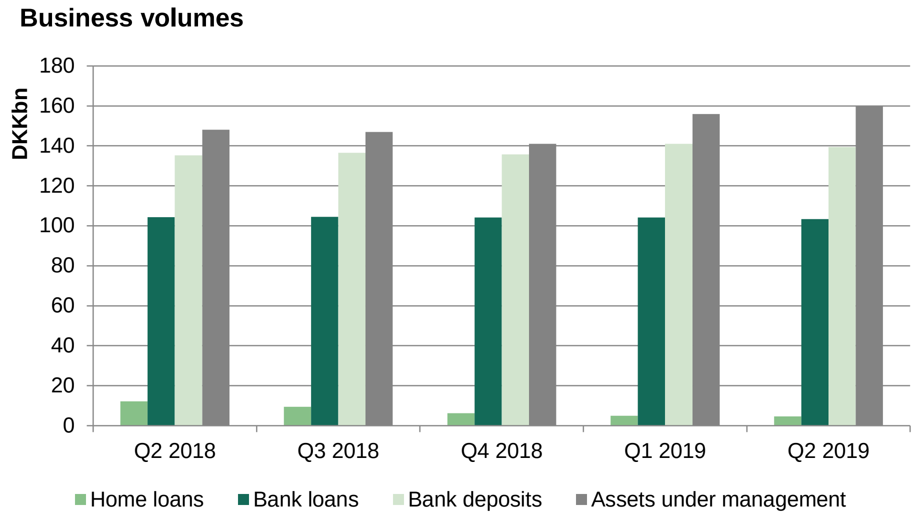
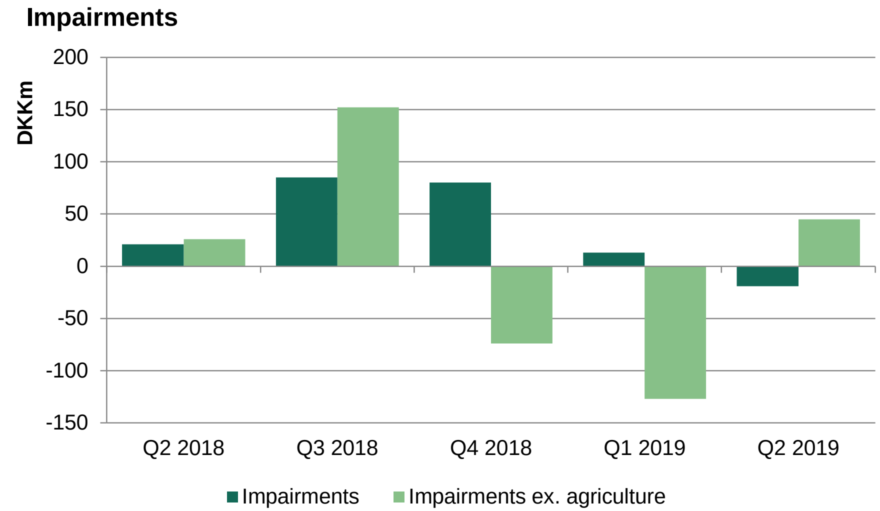
- Decrease in bank loans compared to Q1 2019 partly due to the introduction of cash pool solutions
- Increase in bank deposits
- Increase in AUM due to positive developments in financial markets and inflow of funds
- Core profit below Q2 2018 level
- Reversal of impairment charges of DKK 19m in Q2 2019. Excl. agriculture impairment charges of DKK 45m

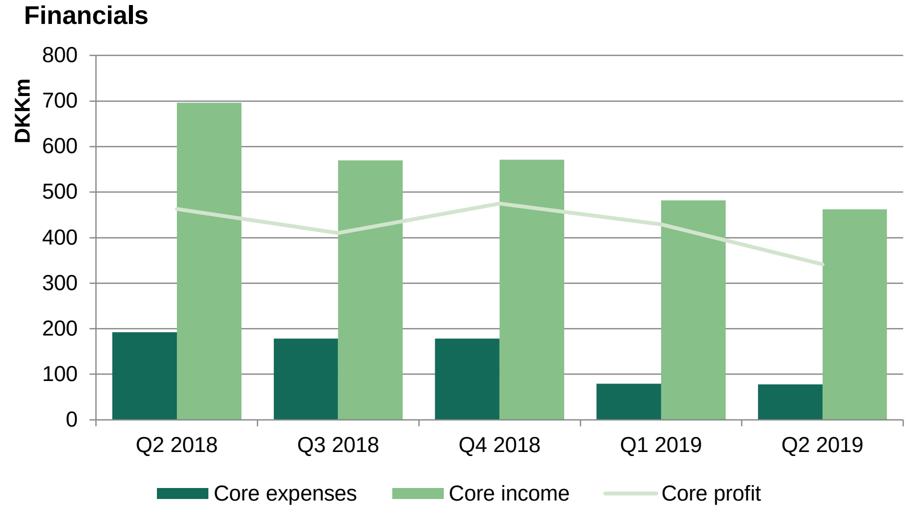


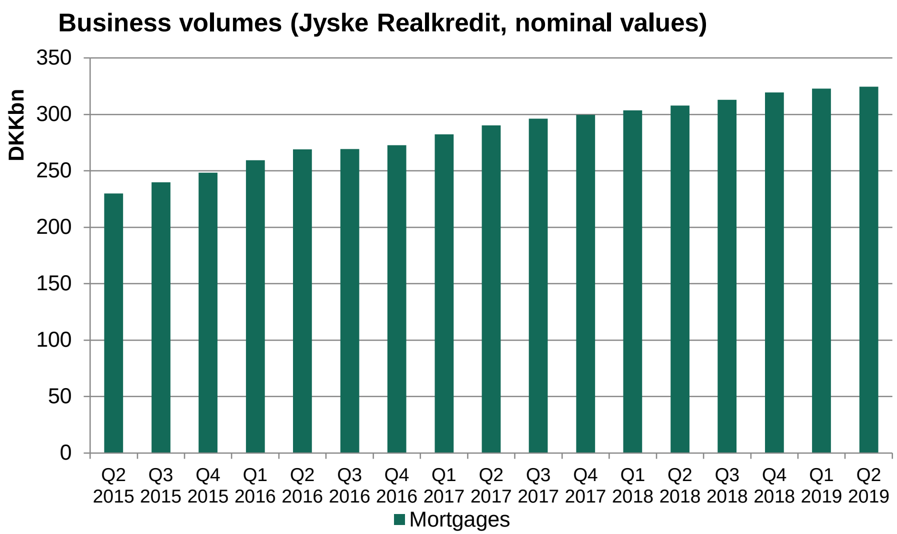


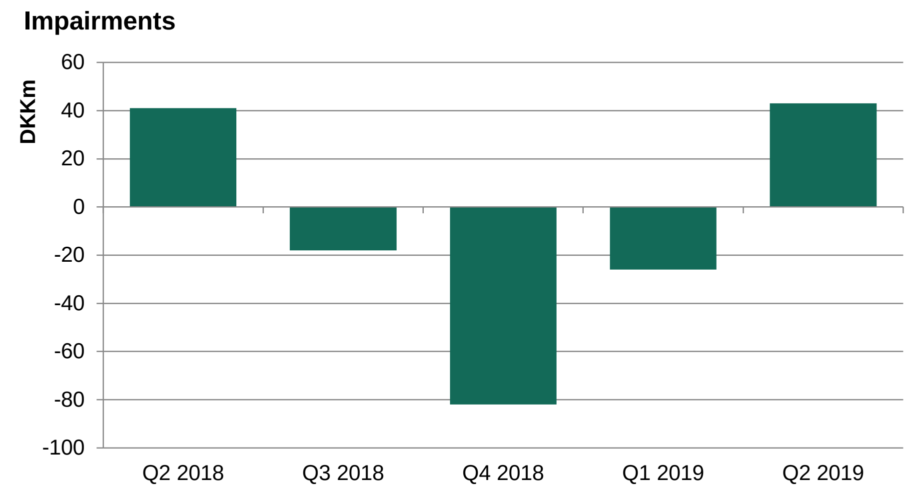


Mortgage activities

- Continued growth in loan volume – both private individuals and corporate clients. Nominal volumes are up 0.5%. Fair value of mortgages saw a further increase due to rising bond prices
- High refinancing activity in Q2 2019 supports fee income from mortgage activities
- Loan impairment charges of DKK 43m in Q2 2019 due to a few large corporates – on level with Q2 2018



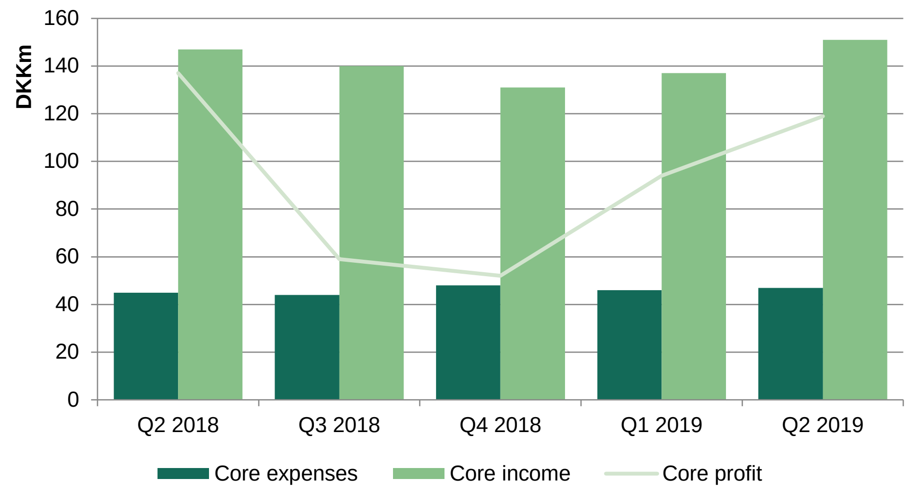




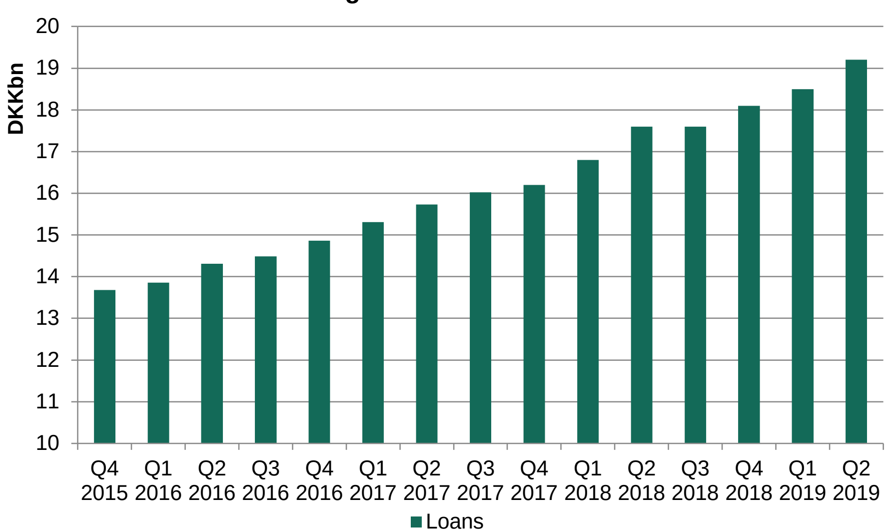
Leasing activities

- Loan volumes continue to increase and support NII
- Stable core expenses
- Increase in core profit primarily due to reversals of impairment charges and growth in loan volumes

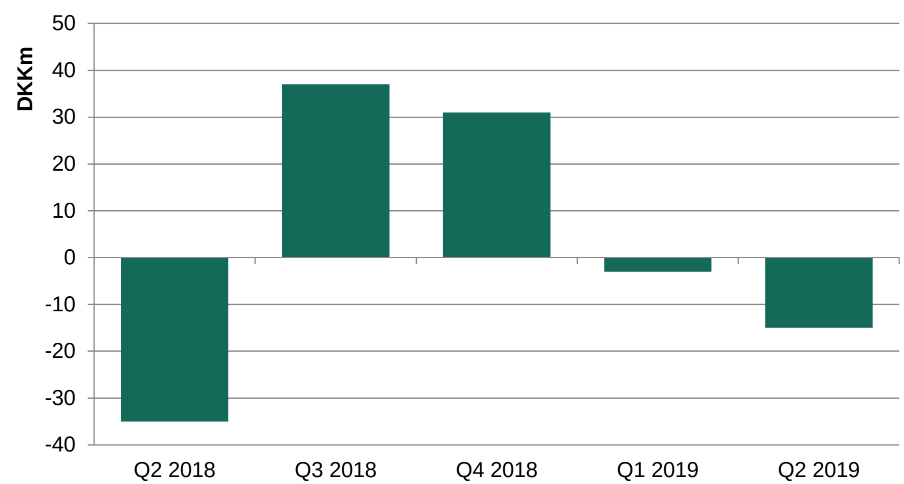
Financials



Business volumes - Leasing



Impairments



Mortgages: The portfolio

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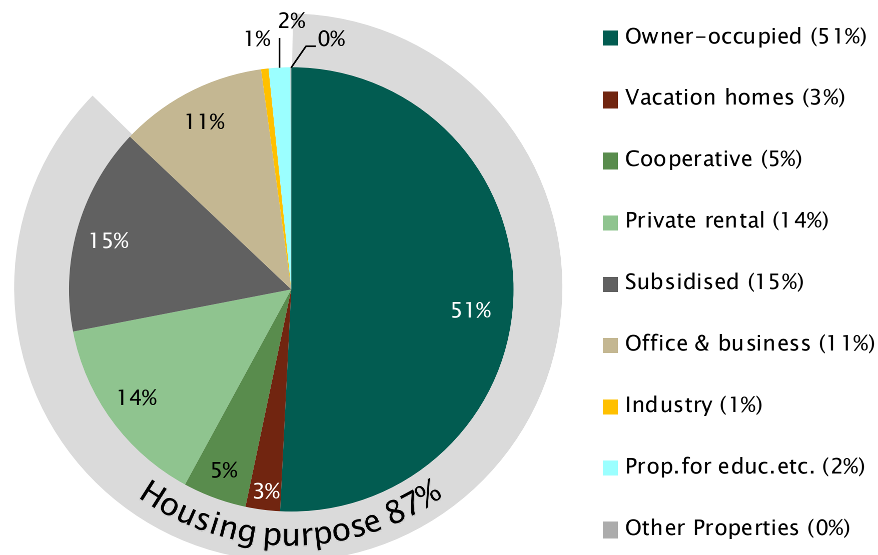
- 87% of lending to properties with housing purposes
  - No loans with swaps to co-operative housing
  - No lending to agriculture and other primary production

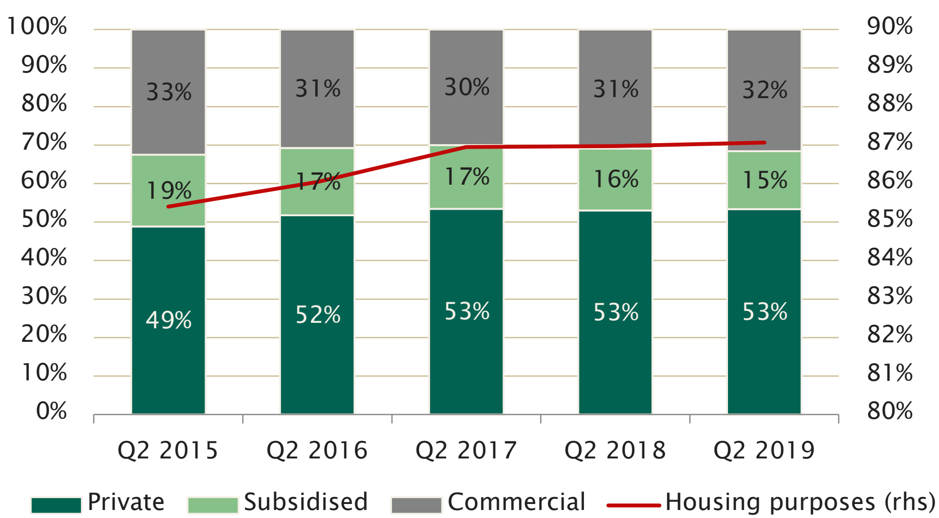
- Continued increase in lending for the private residential segment and for the commercial segment

- Continued decrease in the share of F1 and F2 mortgages - at the same time increase in both capped and non-capped floaters

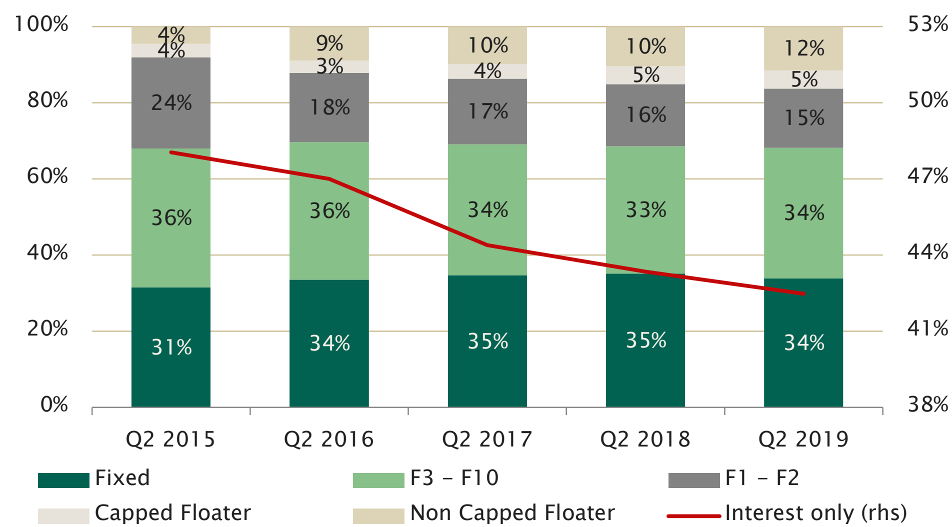
Distribution of lending portfolio



Development in lending portfolio

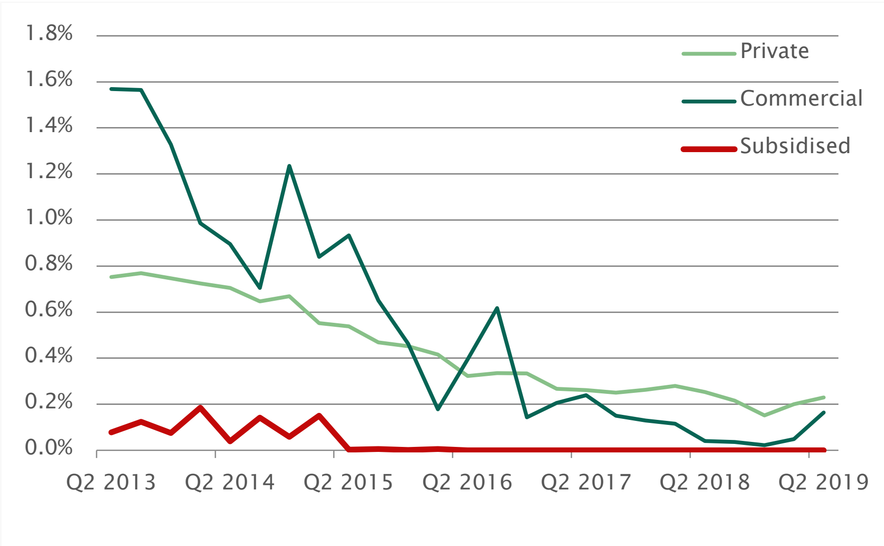


Development in loan types

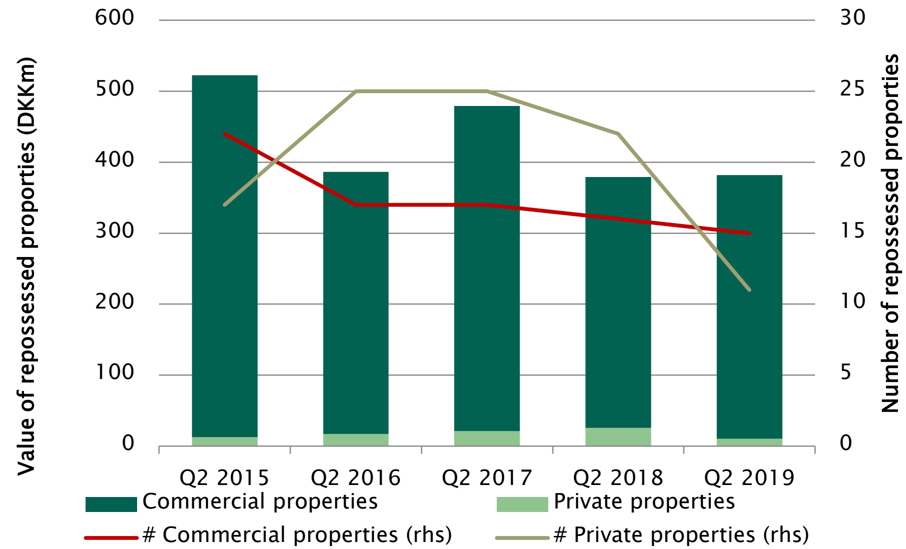


Mortgages: Improved credit quality

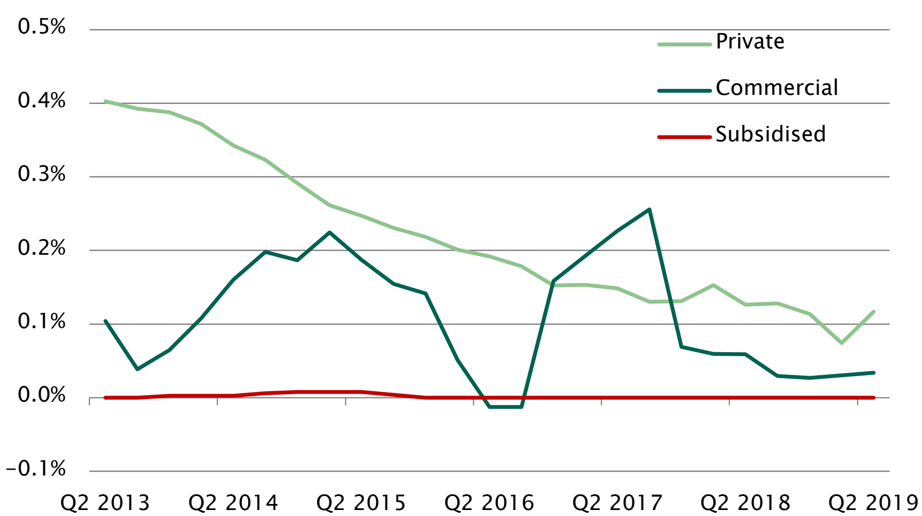
Lending in 90-days arrears (*per cent of lending*)



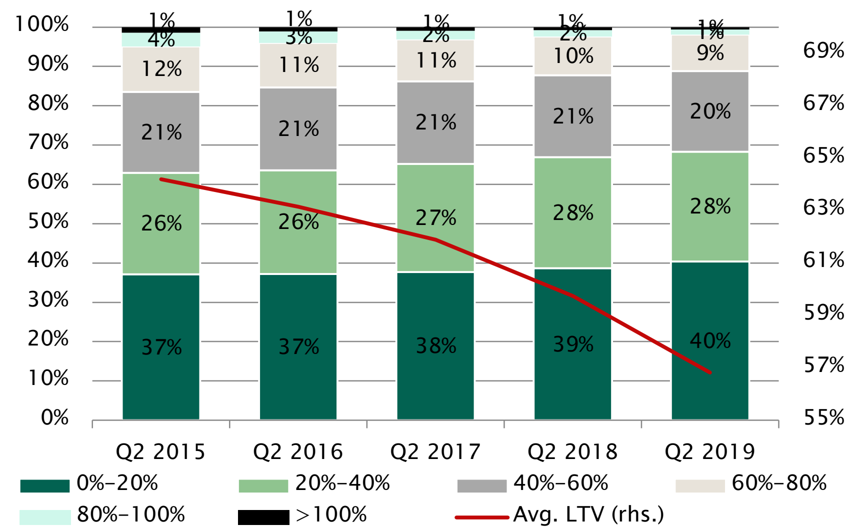
Repossessed properties (*DKKm/number*)



Yearly realised losses (*running year*)



Loan-to-Value brackets (*per cent of lending*)



Bank loans: the portfolio

- Portfolio composition end of Q2 2019:
  - Corporates take up larger proportion, 66% vs. 63% end of 2018 as volume grows
  - Private individuals at 29% compared to 31% end of 2018
  - Public authorities at 5%
- Accumulated impairment ratio total portfolio 3.0%
  - Public authorities 0%
  - Corporates 3.2%
  - Private individuals 2.7%
- Corporates
  - Reversal of impairment charges re. agriculture
  - Impairment ratio at 0bp in Q2 2019
- Private individuals
  - Increased impairment charges
  - Impairment ratio at 0bp in Q2 2019

Loans and guarantees by sector (DKKm/%)

	Loans, advances and guarantees		Balance of loan impairment charges		Losses	Impairment charges
	Q2 2019	Q4 2018	Q2 2019	Q4 2018	YTD	Q2 2019
Public authorities	5%	7%	0%	0%	0	0
Agriculture, hunting, forestry and fishing	5%	5%	25%	25%	170	76
Manufacturing, mining etc.	6%	5%	5%	6%	34	-45
Energy supply	3%	3%	1%	2%	0	-25
Building and construction	2%	2%	2%	2%	4	29
Commerce	8%	8%	5%	6%	24	-16
Transport, hotels and restaurants	3%	3%	2%	3%	8	-4
Information and communication	1%	1%	1%	1%	3	5
Finance and insurance (ex repo loans)	21%	20%	15%	15%	48	-6
Real property	12%	11%	10%	9%	15	8
Other sectors	4%	4%	4%	4%	9	-2
Corporate clients	66%	63%	71%	72%	316	21
Private individuals	29%	31%	26%	25%	47	-3
Unused credit commitments	0%	0%	3%	3%	0	-16
Total	100%	100%	100%	100%	362	1

Note: Bank loans, advances and guarantees excl. repo loans. Based on impairment charges as reported according to IFRS (as opposed to impairment charges under core profit)

Danish Economy August 2019

Headlines on the Danish Economy

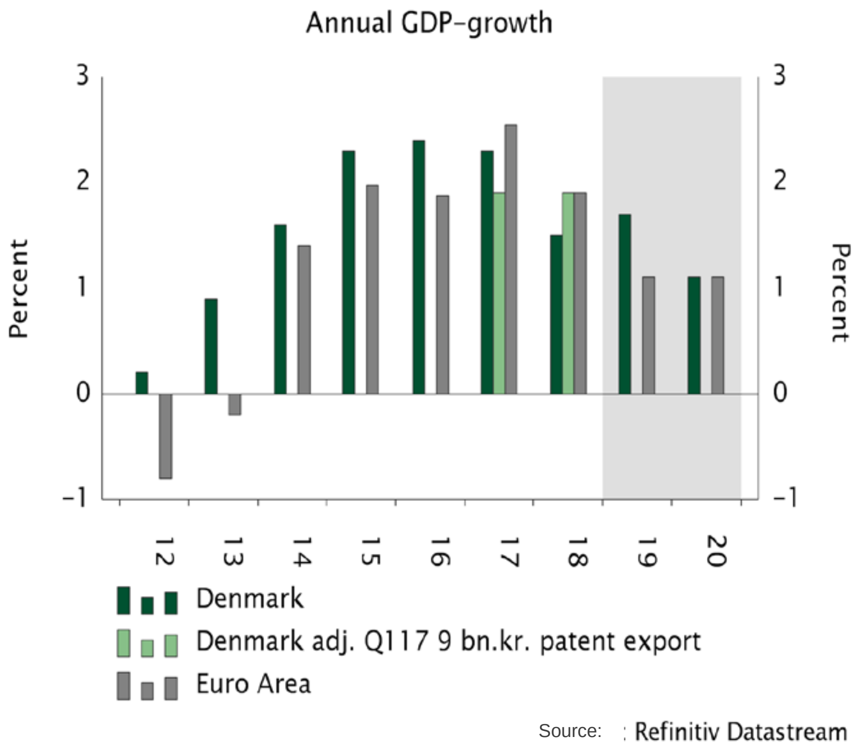
JYSKE BANK

- The Danish economy has been in an upturn for six years.
- We expect the upturn to continue in 2019 and 2020 with gradually slower pace due to decreasing global growth.
- Low interest rates, increasing house prices and job growth continue to stimulate domestic demand. Export competitiveness looks healthy.
- Saving behaviour is still pronounced. Overall lending growth has turned positive, but is still very modest.
- The previous surge in prices on flats have stopped
- Upcomming legislation: The tax freeze on housing is abandoned from 2021 reducing risk of housing bubbles.
- Denmark is a AAA economy with strong structural financial features.

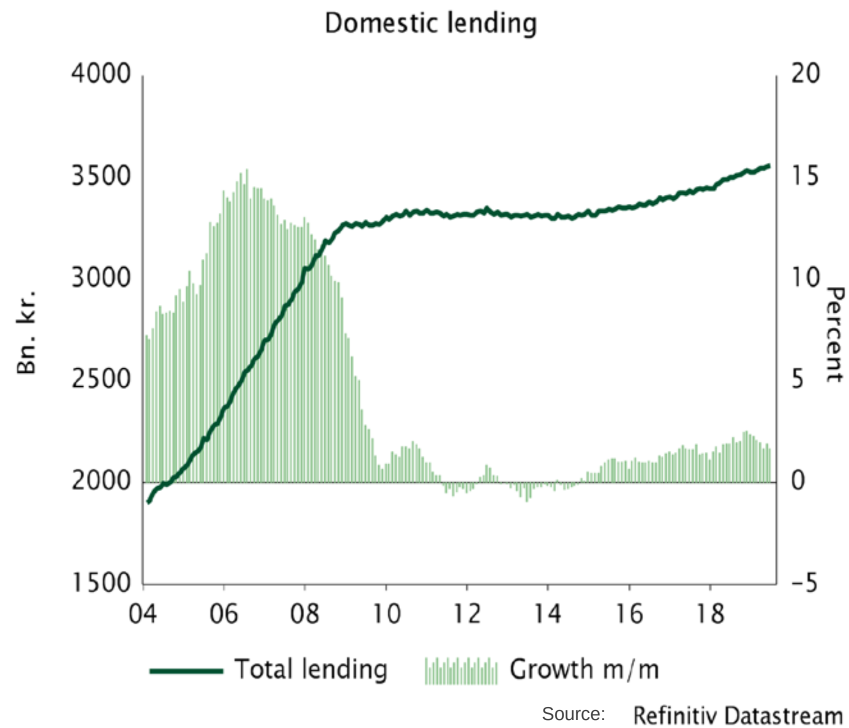
Danish economy – still an upturn story,

- Employment data is solid

The upturn will continue, but slowdown

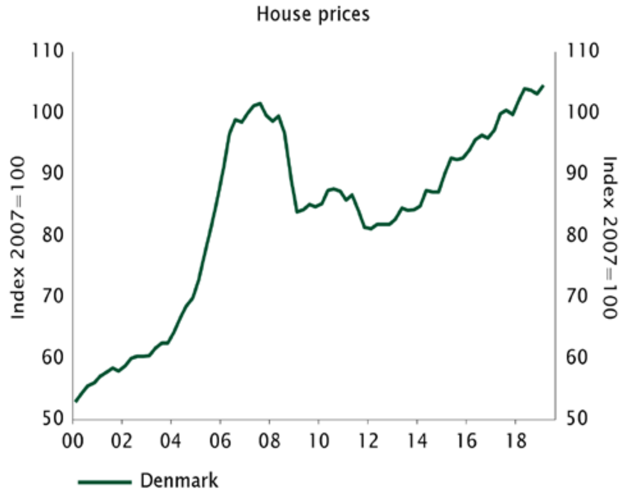


Lending growth is still subdued



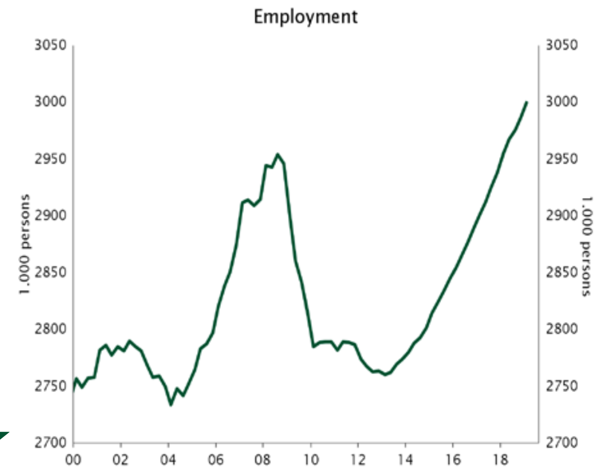
3 kinds of stimulus support demand

House prices recovering after burst in 08/09



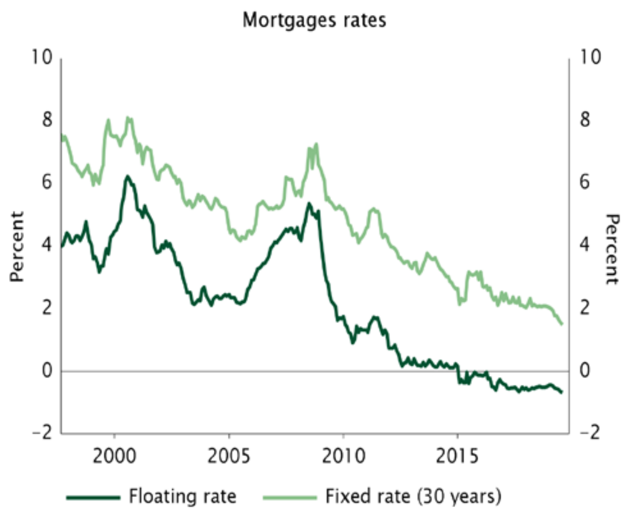
Source: Refinitiv Datastream

Steady rise in employment



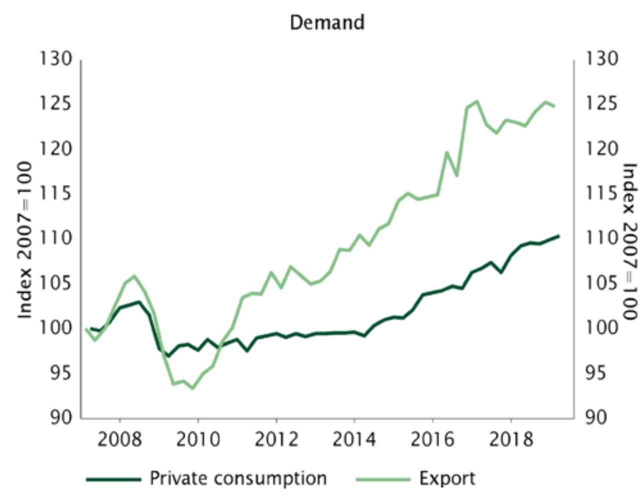
Source: Refinitiv Datastream

Interest rates are at a historic low



Source: Refinitiv Datastream

Both domestic and foreign demand is increasing

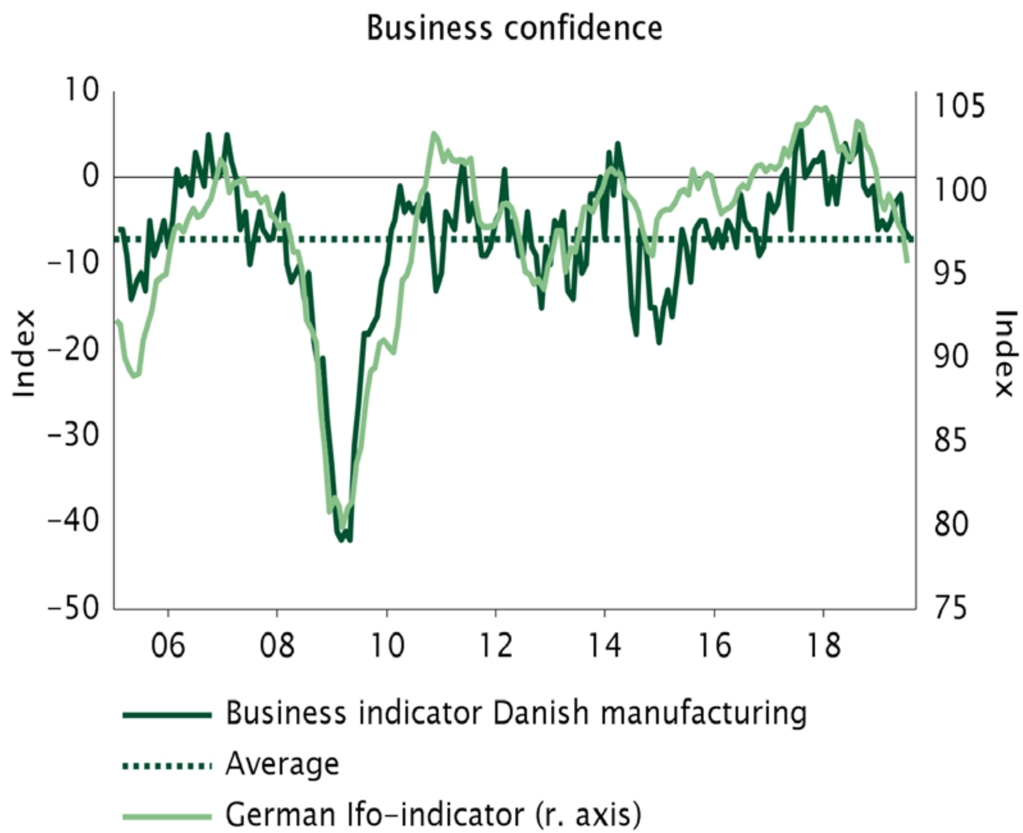


Source: Refinitiv Datastream

Spill-over from recent Global weakness

- There is spill-over to Denmark from weaker global economic signals. Currently, we see a neutral stance.

Lower sentiment in manufacturing, but no dramatic change

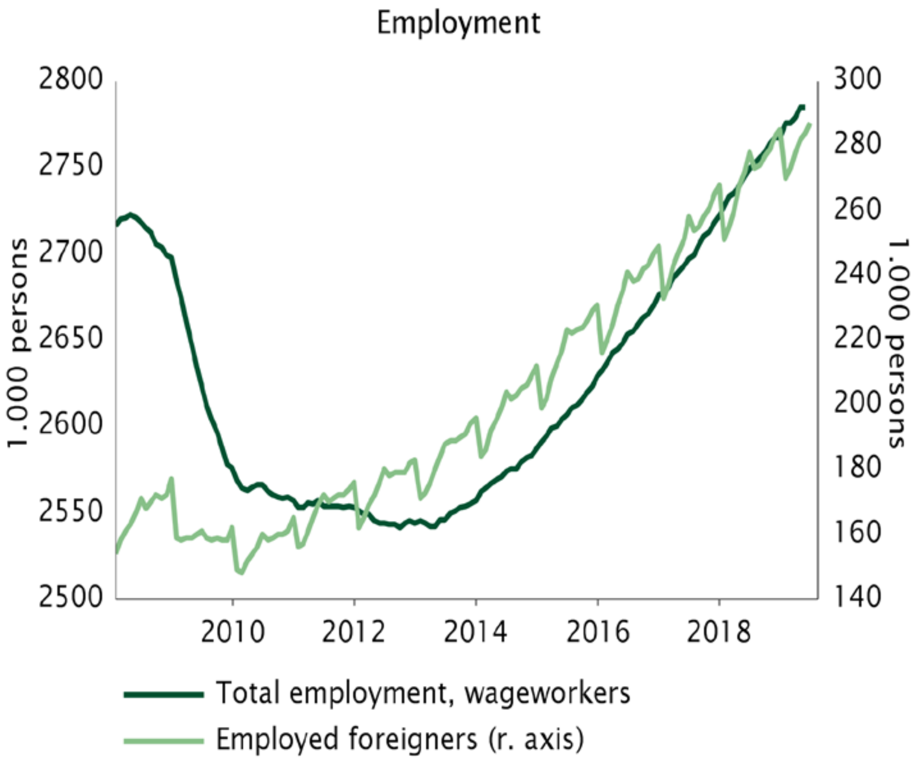


Source: Refinitiv Datastream

The labour market performance is strong

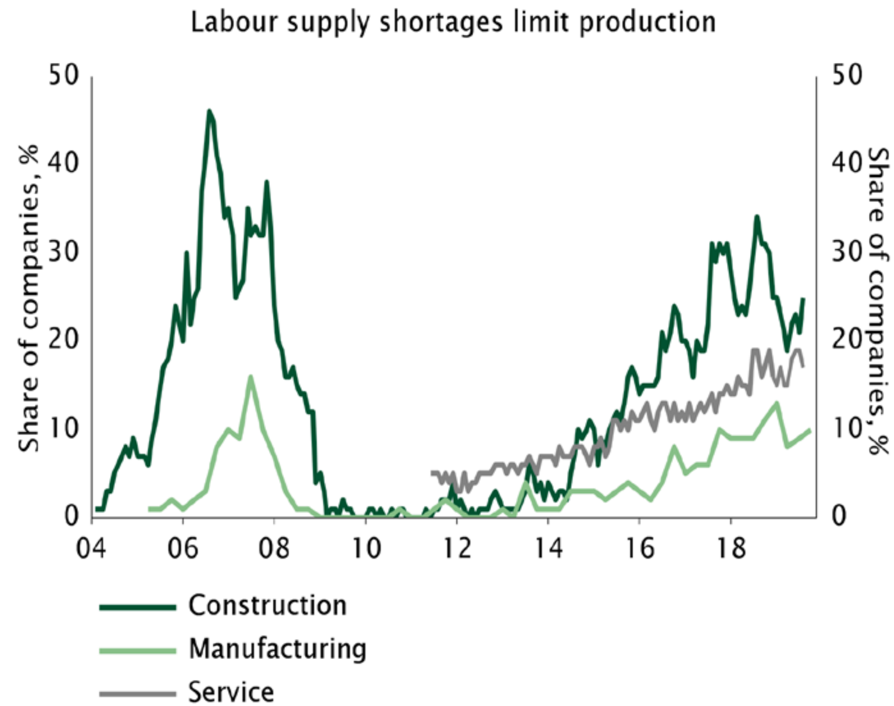
- The labour force is increasing from foreign labour supply and a higher retirement age.

Foreign labour accounts for +40 % of rise in employment



Source: Refinitiv Datastream og jobindsats.dk

Lack of labour supply has stopped accelerating



Source: Refinitiv Datastream

Improved asset quality – as defaults have normalized

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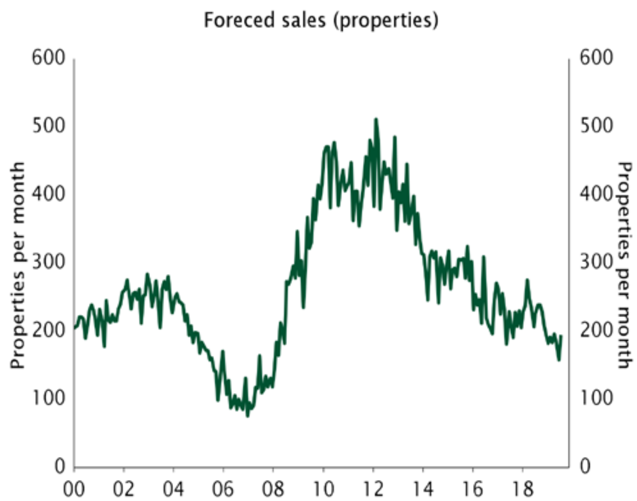
Unemployment has declining

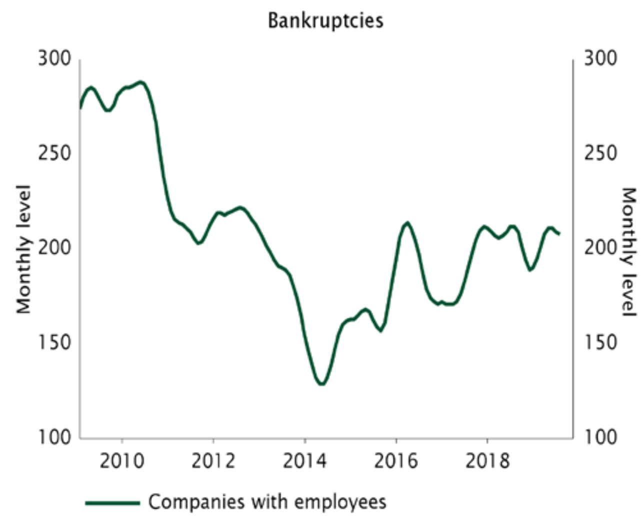
Source: Refinitiv Datastream

Forced house sales below 0,2 % per year



Source: Refinitiv Datastream

Business bankruptcies at neutral level



Source: Refinitiv Datastream

Turnaround and consolidation at the same time

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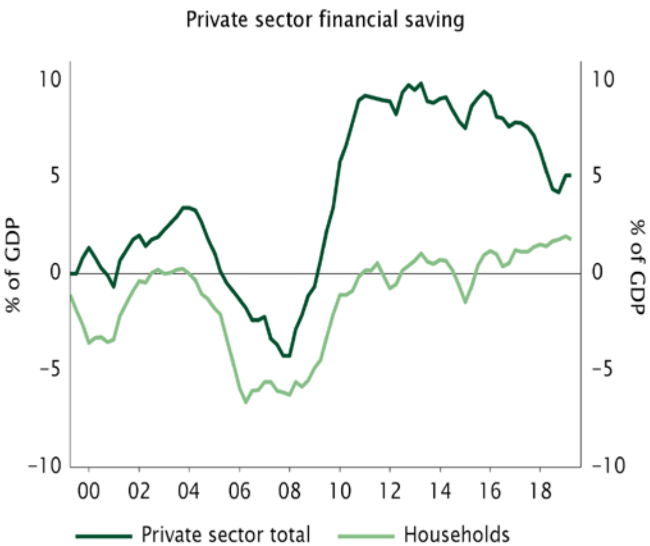
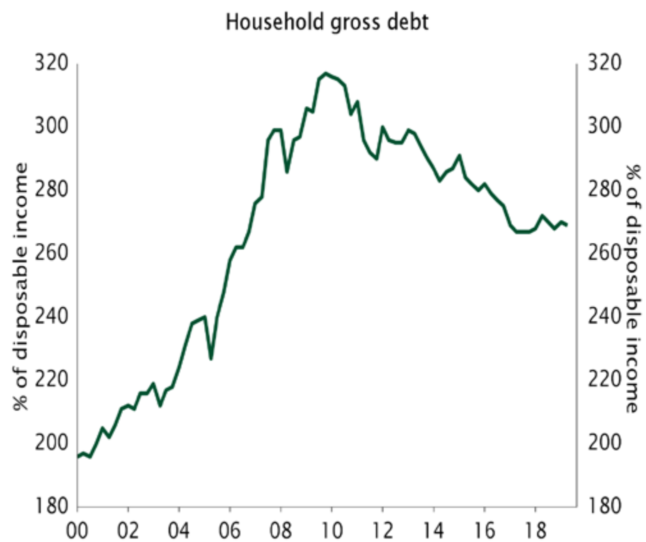
- Low interest rates and solid real wage growth make it possible for households to consume more and save up at the same time

The private sector is saving up



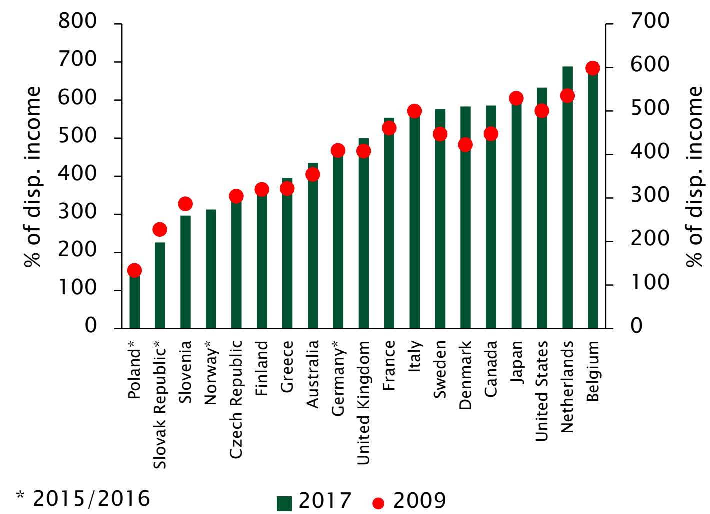
Source: : Refinitiv Datastream

...so household debt has declined



Source: : Refinitiv Datastream

...and household net assets are large

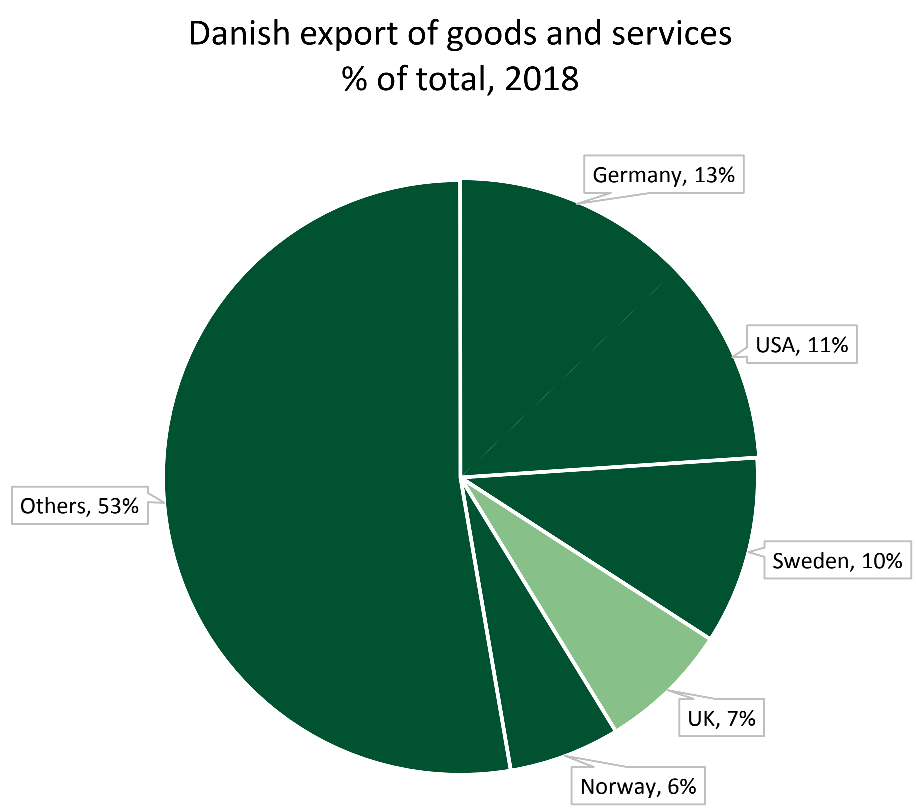


Source: OECD

The Danish economy can manage a ”Hard BREXIT”

JYSKE BANK

- But there will be significant negative consequences for the most affected sectors.
- The UK represents shy of 8 % of Danish export, and it’s the 4th largest export-market.
- IMF: Hard Brexit with trade acc. to WTO-rules -> Loss of 1 % of GDP in DK (in 2030).

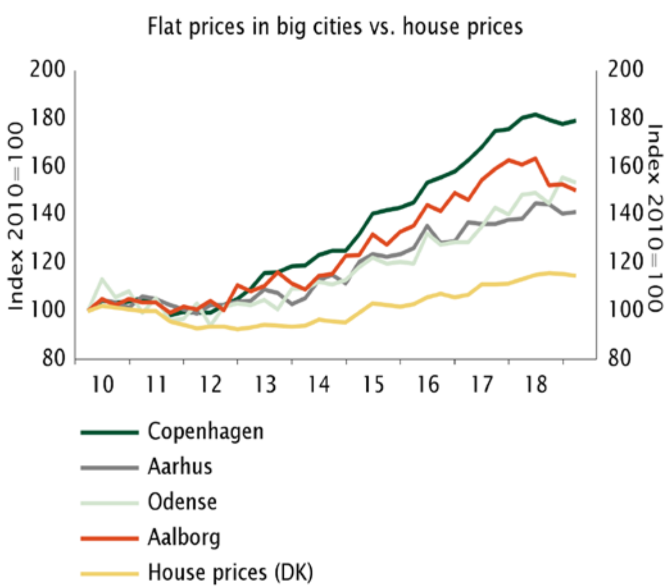


Source: Statistics Denmark

Widespread, moderate, recovery on the housing market

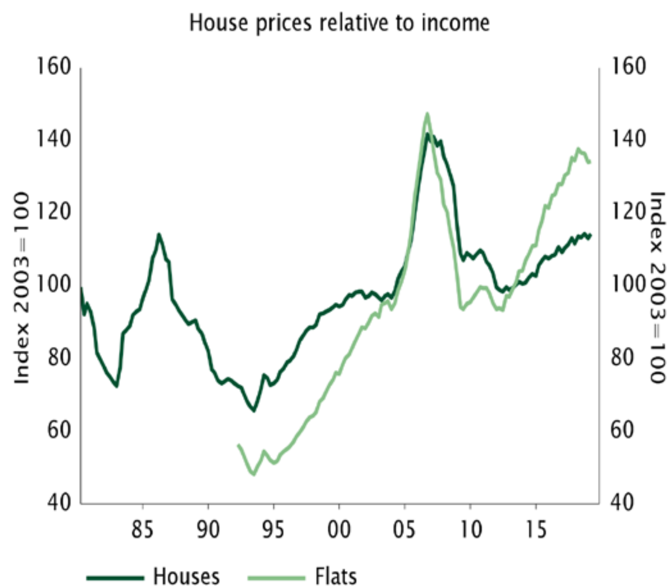
- Overall house prices are rising 2-4 % y/y.
- Large price increases on flats in biggest cities have stopped. Prices are decreasing slightly.
- New regulation and a new housing tax model have a dampening effect in biggest cities

Large differences on the housing market



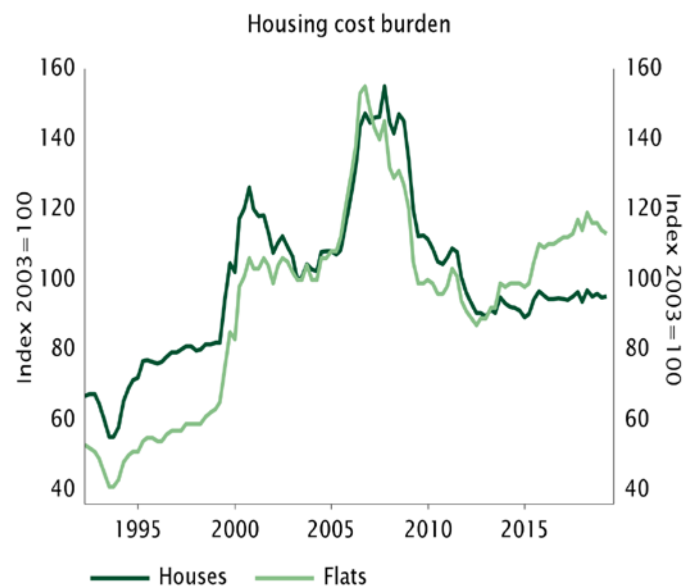
Source: Refinitiv Datastream

Real house prices are up since 2012



Source: Refinitiv Datastream and Jyske Bank

But housing costs are at a moderate level

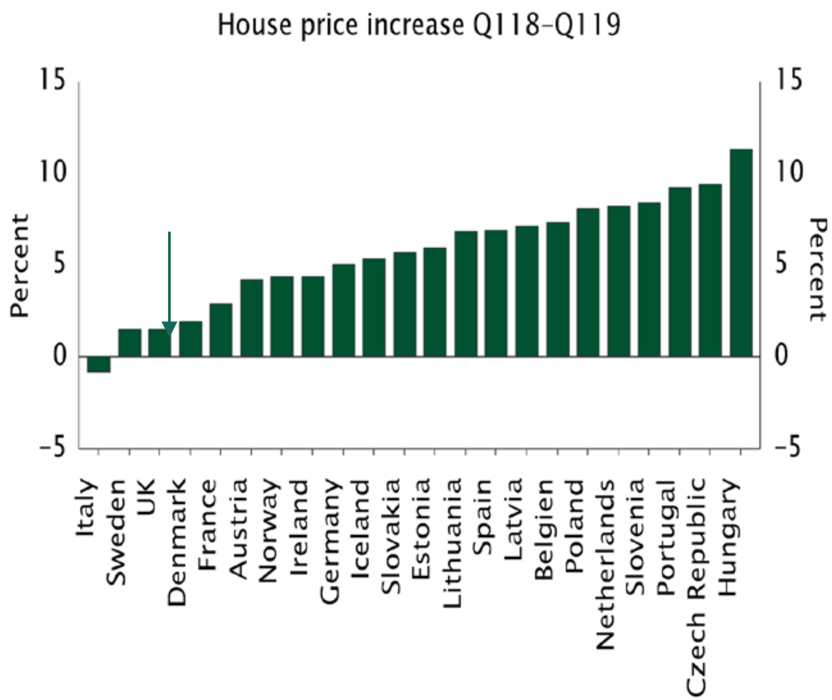


Source: Refinitiv Datastream and Jyske Bank

Note: First year net payment (incl. installment) on fixed interest mortgage relative to wages.

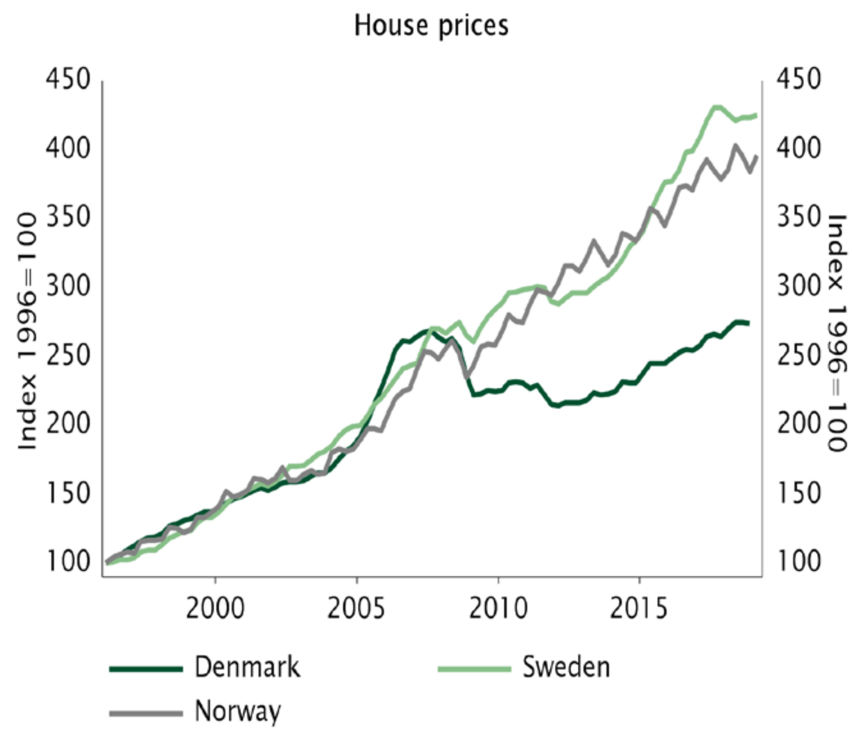
Moderate Danish price increase in European context

European house prices the past year



Source: Refinitiv Datastream

The development in Scandinavian houseprices

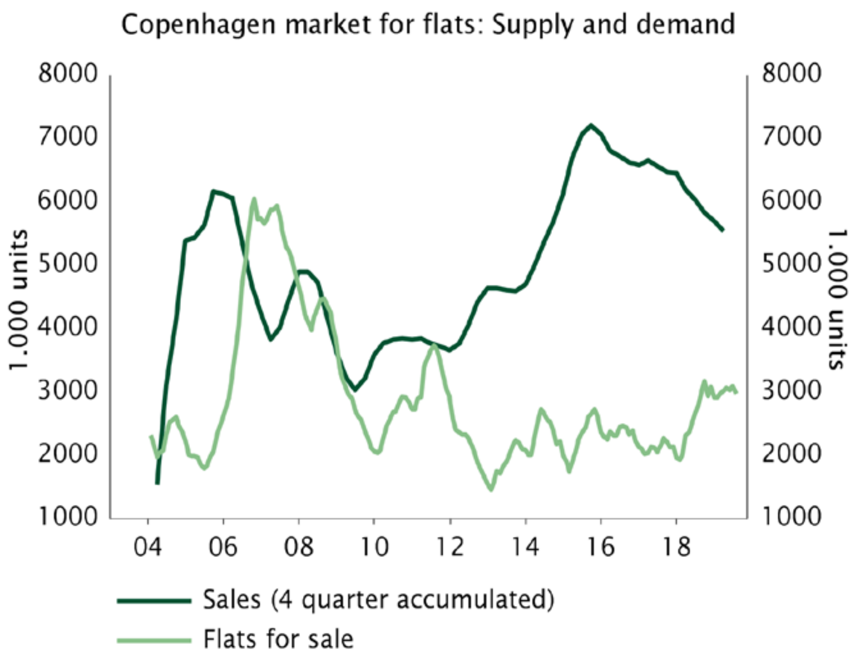


Source: Thomson Reuters Datastream

New Lending Regulation Works

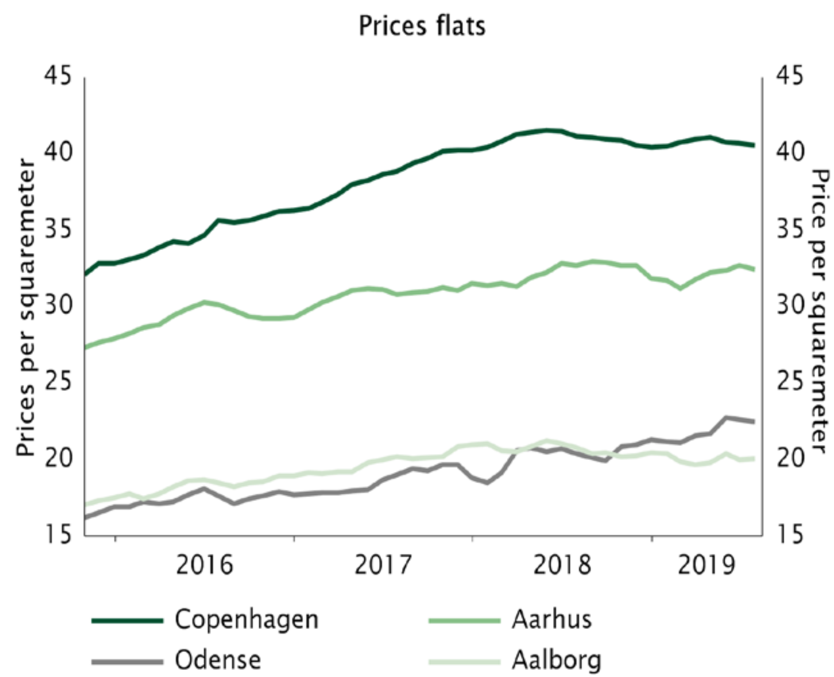
- The new regulation is turning down heat on the Copenhagen market

Demand and supply are getting closer



Source: Refinitiv Datastream

Recent data show peaking flat prices



Source: Refinitiv Datastream

Denmark is a AAA economy with strong structural financial features

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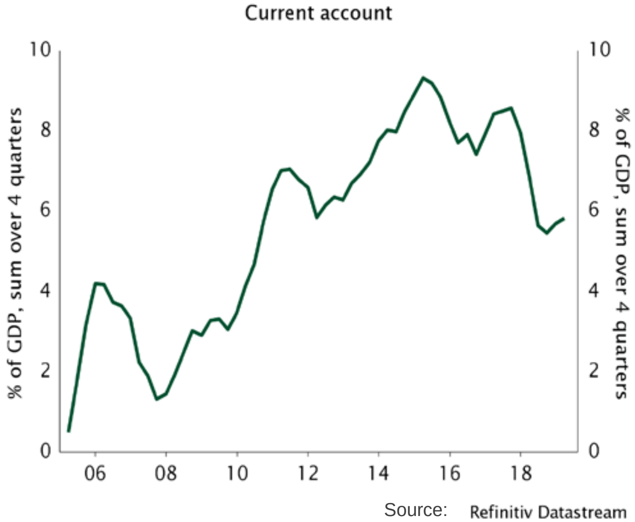
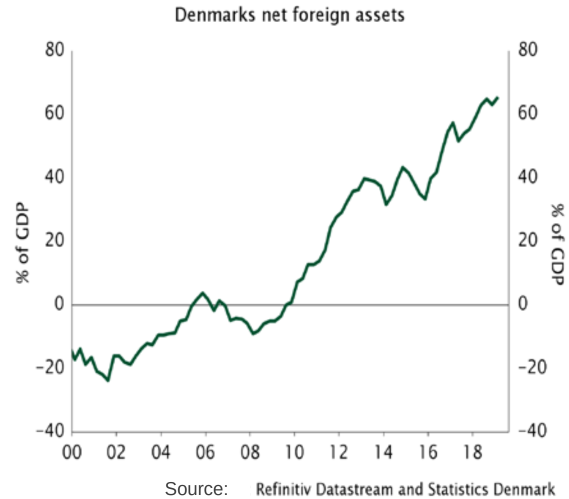
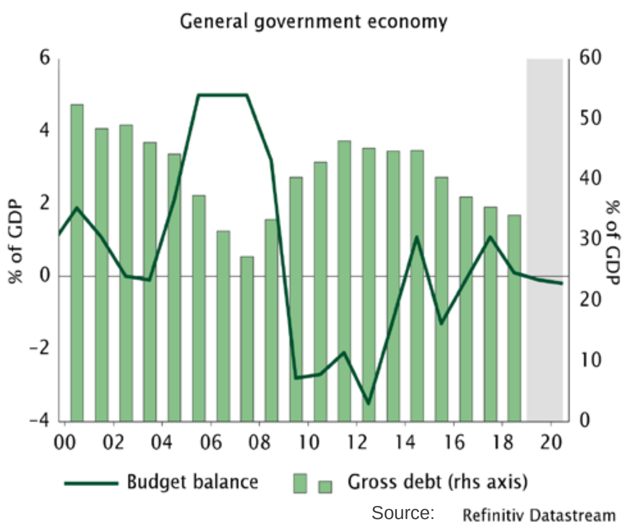
Current account surpluses since late 90s



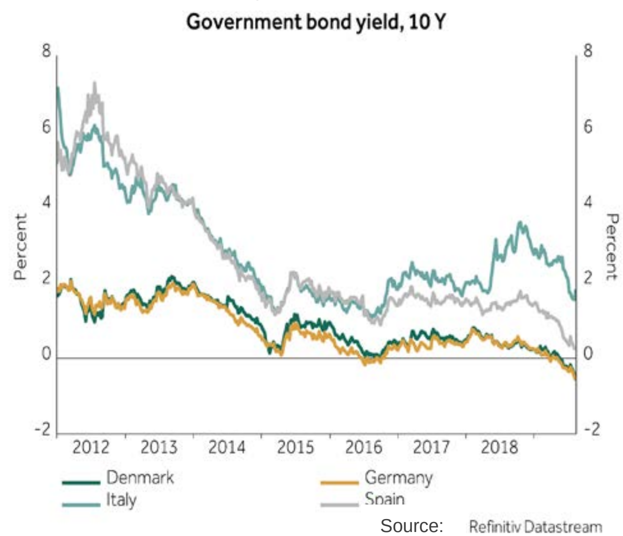
..imply that foreign assets are increasing



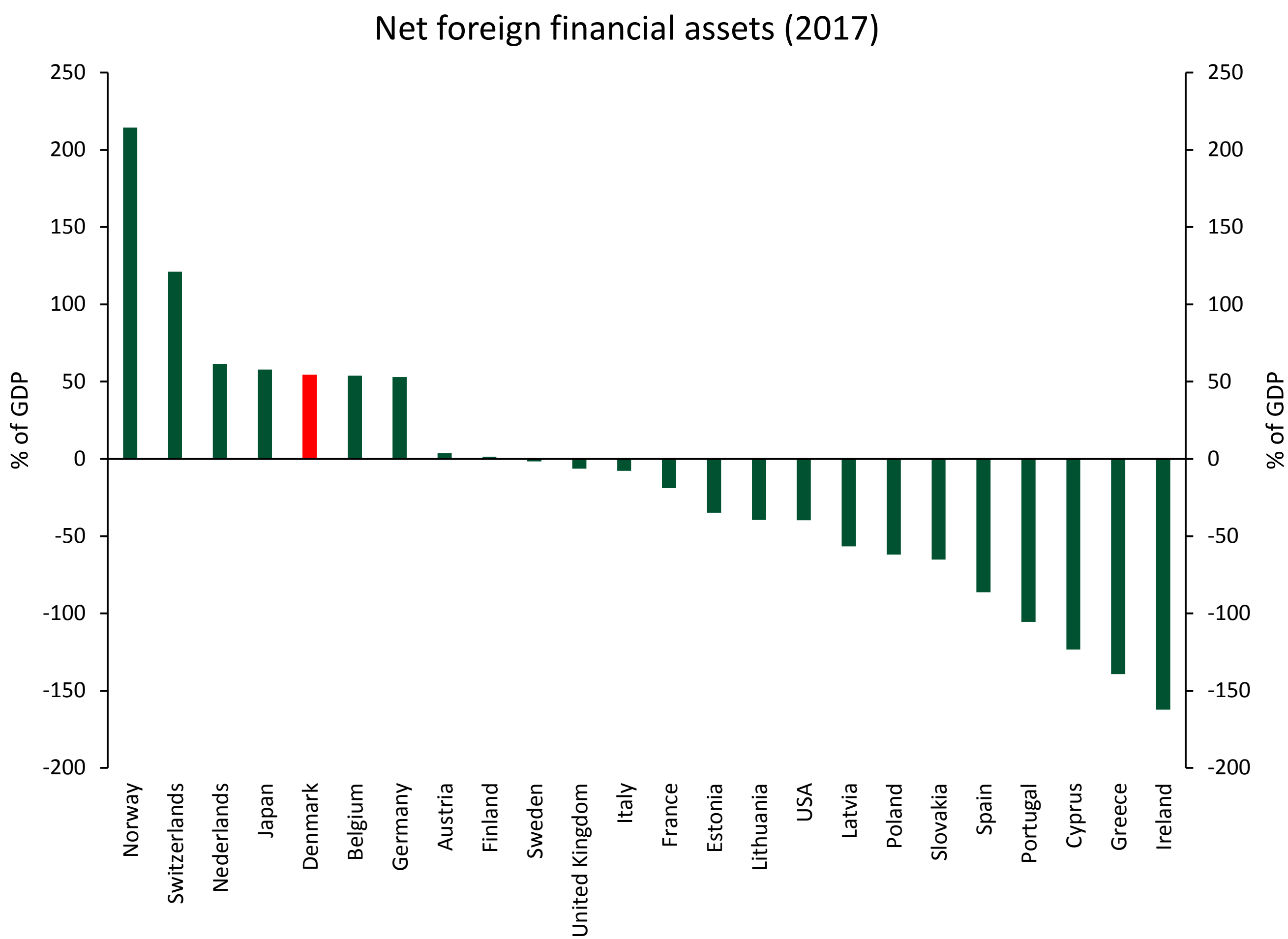
And public sector debt is low



This is why Denmark is AAA

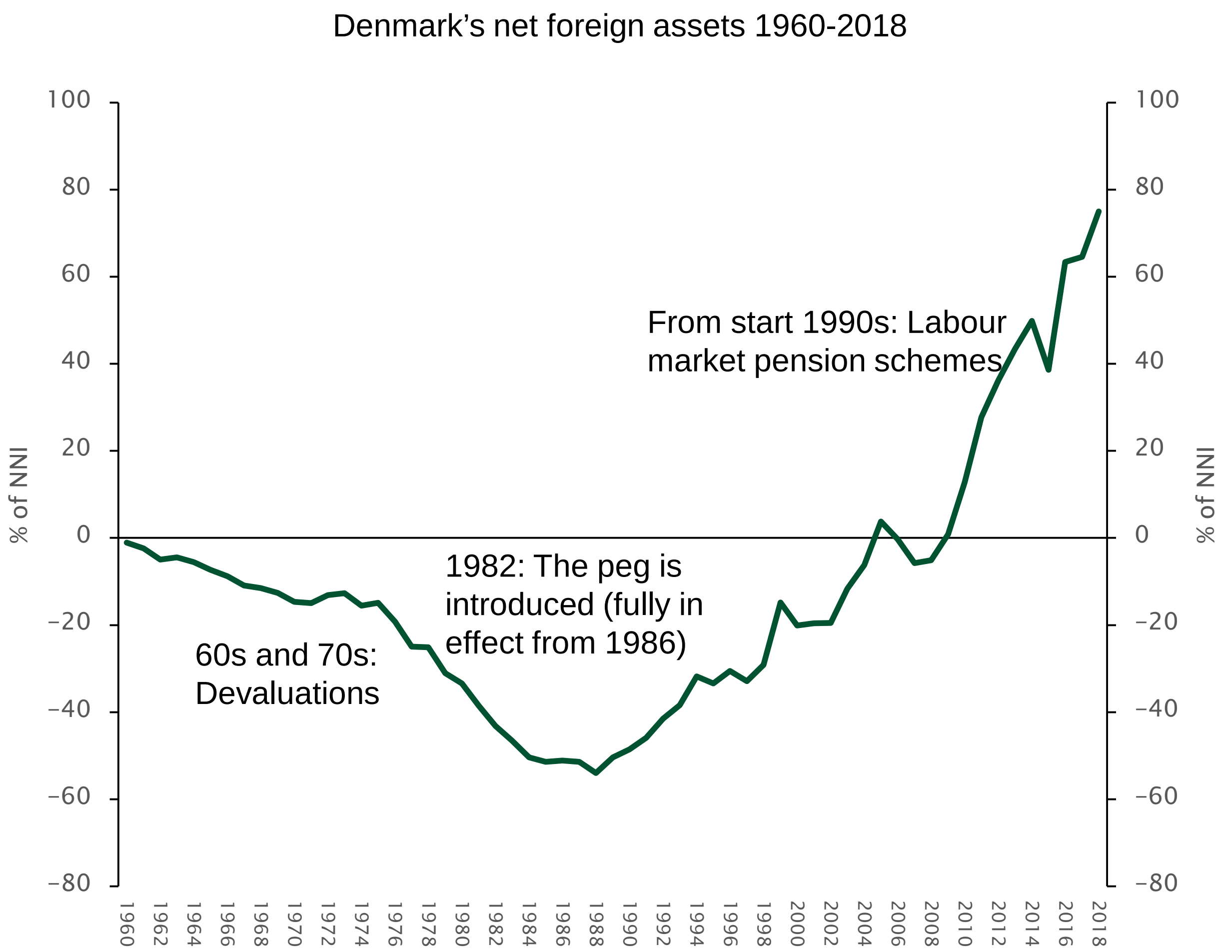


A strong financial position



Source: Eurostat and IMF

Denmark's financial turnaround



Source: Danmarks Nationalbank

Jyske Bank Forecasts (June 2019)

JYSKE BANK

Danish economy 2016-2020	DKKbn	Real growth (%)				
	2018	2016	2017	2018	2019	2020
Household spending	1049	2.1	2.1	2.3	1.4	1.4
Public spending	546	0.2	0.7	0.8	0.8	0.7
Fixed gross investment	492	7.6	4.6	5.1	0.2	3.0
Inventory investment*	12	-0.2	-0.1	0.1	0.0	0.0
Exports	1213	3.9	3.6	0.6	3.1	2.0
Imports	1094	4.2	3.6	2.7	1.8	3.1
Gross domestic product (GDP)	2218	2.4	2.3	1.4	1.7	1.1
Current account						
- DKKbn		166	173	127	145	139
- percentage of GDP		7.9	8.0	5.7	6.4	6.0
Public budget balance						
- DKKbn		-2	31	11	6	-6
- percentage of GDP		-0.1	1.4	0.5	0.3	-0.3
Unemployment						
- Unemployed, average (thousands)		113	116	108	100	95
- Percentage of the workforce		3.8	3.8	3.5	3.2	3.0
Employment, avg. (thousands)		2871	2919	2972	3011	3027
Inflation (%)		0.3	1.1	0.8	1.0	1.3
Wage index (Private, %)		1.8	1.7	2.2	2.3	2.8
House prices (nominal prices, %)		3.9	4.0	3.8	1.7	1.5
Danmarks Nationalbank's lending rate, year-end (%)		0.05	0.05	0.05	0.05	0.05
Danmarks Nationalbank's CD rate, year-end (%)		-0.75	-0.65	-0.65	-0.75	-0.75

* Contribution to growth as a percentage of the preceding year's GDP.

Source: Statistics Denmark and Jyske Bank's forecast for 2019, 2020 og 2021.

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