Jyske Bank
Q2 2018

21 August 2018

The Jyske Bank Group strategy shows a direction matching our desired positioning

JYSKE BANK

The Jyske Bank Group's updated strategy does not set out a totally different direction than the Group strategy 2016…

… rather, it clarifies the direction…

… which matches our desired positioning

The strategy rests on

the intention that through our activities we will meet our clients and make a positive difference for them, wherever they are - geographically, in the digital world and in any step of the client journey

Our key promise is

that we will be at the cutting edge and create value for our clients and shareholders by thinking in terms of opportunities and deliver solutions beyond the expected

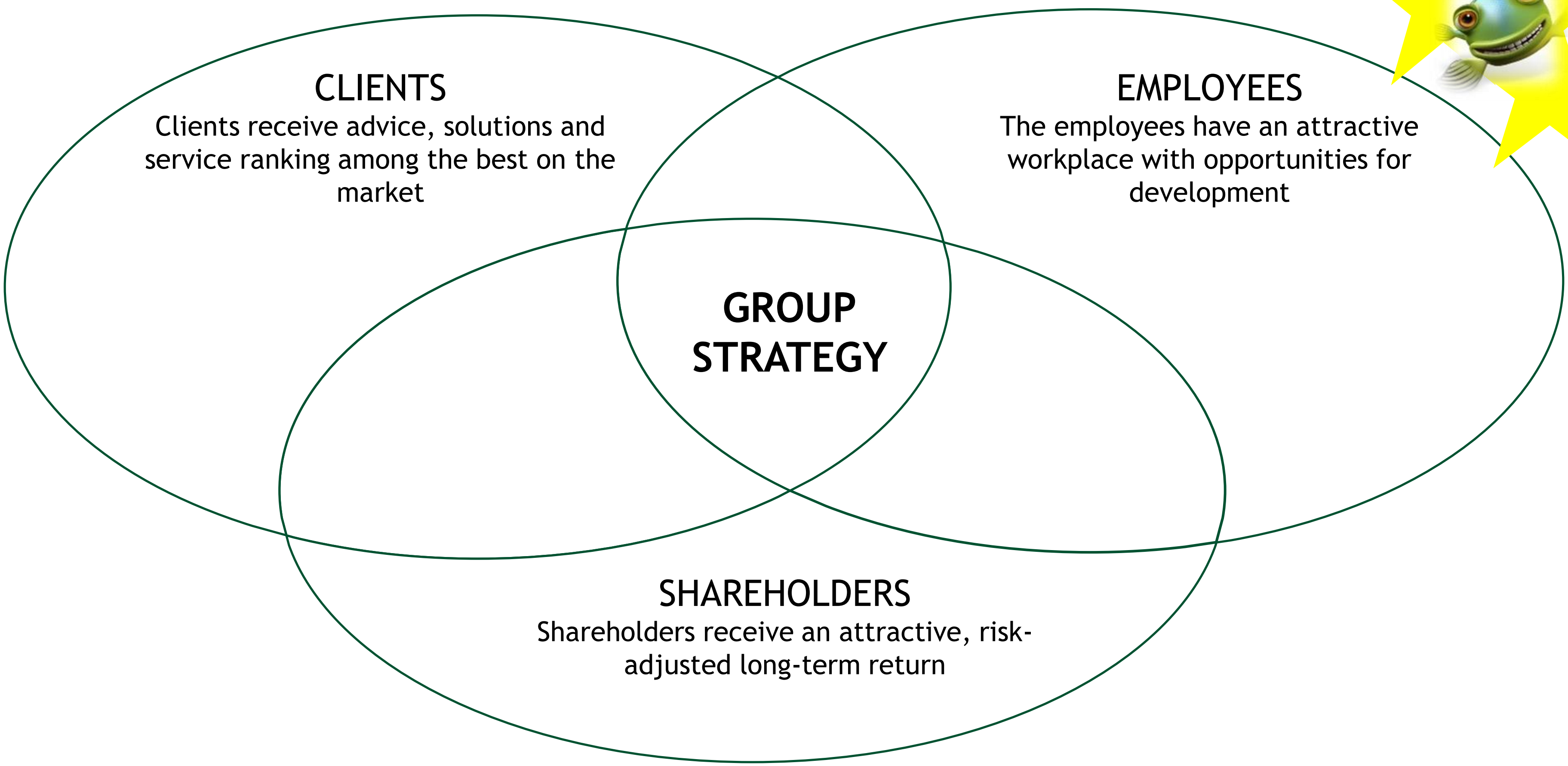
Focus on advisory services and relations

offering the clients the opportunity freely to choose among all the Group's channels, advisory concepts and service offers and through these have access to the Group's solutions in a way that creates value for both the clients and the Group

For each business area, we wish to have

a business model that is as simple as possible, which can be realised by having one brand, one service concept and one process across all channels

Group strategy secures balance between stakeholders



FOUNDATION: VALUES - MISSION - VISION

Jyske Bank Group Strategy

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Strategy highlights

- Client relations and advice based on the client's needs
- Solutions beyond the expected - and at profitable terms
- Marketing and communication that make a difference
- Management of capital structure and risks focusing on attractive long-term returns
- Fast development so the Group will be at the cutting edge
- High efficiency with a view to continuous improvement of competitive strength
- Attractive organisation that creates value through confidence and responsibility

Select strategic initiatives

- Digital relation bank as preferred by clients
- Simple establishment of or changes to property financing
- Easy to become a client of Jyske Bank
- One product portfolio under the Jyske brand for home and property financing
- Faster IT development
- Automated credit processes
- Higher productivity and quality at lower costs

Our targets

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Q2 2018

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

ROE 9.8%

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

DKK 314bn

Full Time Employees
- Number of FTE back to 2013-level (3,774) by mid-2019 – approx. 5 years after the merger

3,786 FTE

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 3 percentage points by January 1st 2022
- Gradually building a RAC ratio of about 10.5%

20.4% and 16.7%

RAC 10.3%

Q2 2018 highlights

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- Net profit of DKK 811m, equal to ROE 9.8% p.a.
- Business volumes:
  - Loan growth in all segments compared to both Q1 2018 and Q2 2017. Also growth in AUM
  - Stable bank deposits
- Core income:
  - NII favourably affected by growth in loan volumes but pressure remains on margins
  - Net fee income decreases as no performance related fees are incurred, commission rates on mutual funds are lowered and refinancing activity is lower
  - Other income boosted by sale of property - similar to sale of property in Q2 2017
- Core expenses declines to DKK 1,143m as provision of DKK 96m is reversed - down by 18% relative to Q2 2017 and 10% relative to Q1 2018
  - When adjusted for one-off expenses in Q2 2017 and reversal of provision in Q2 2018, down by 2% compared to Q2 2017
- Loan impairment charges DKK 27m of which:
  - DKK 100m in increased management estimate re. agriculture primarily due to the draught in Denmark
  - Thus, underlying development in credit quality DKK -73m

CORE PROFIT AND PROFIT FOR THE PERIOD

DKKm

	Q2 2018	Q2 2017	Index 18/17	Q2 2018	Q1 2018	Index Q2/Q1
Net interest income	1,439	1,386	104	1,439	1,407	102
Net fee and commission income	399	420	95	399	506	79
Value adjustments	-38	97	-	-38	-68	56
Other income	239	147	163	239	65	368
Income from operating lease (net)	21	-21	-	21	26	81
Core income	**2,060**	**2,029**	**102**	**2,060**	**1,936**	**106**
Core expenses	1,143	1,388	82	1,143	1,272	90
Core profit before loan impairment charges	**917**	**641**	**143**	**917**	**664**	**138**
Loan impairment charges	27	-75	-	27	308	9
Core profit	**890**	**716**	**124**	**890**	**356**	**250**
Investment portfolio earnings	129	108	119	129	407	32
Pre-tax profit	**1,019**	**824**	**124**	**1,019**	**763**	**134**
Tax	208	185	112	208	153	136
Net profit for the period	**811**	**639**	**127**	**811**	**610**	**133**

SUMMARY OF BALANCE SHEET, END OF PERIOD

DKKbn

	Q2 2018	Q2 2017	Index 18/17	Q2 2018	Q1 2018	Index Q2/Q1
Mortgage loans	315	296	106	315	309	102
Traditional bank loans	104	99	105	104	103	101
New home loans	12	12	100	12	13	92
Bank deposits	135	134	101	135	136	99
Assets under management	148	130	114	148	142	104

ROE back to mid-target range

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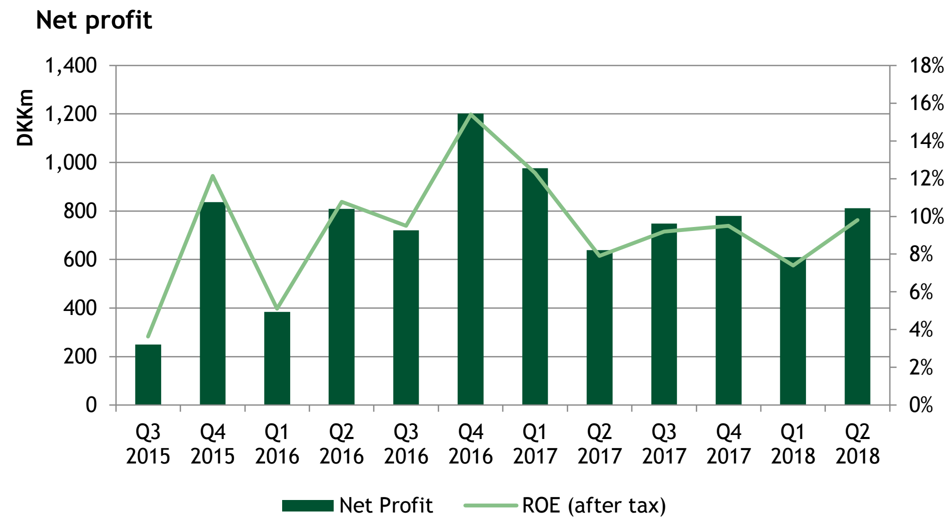
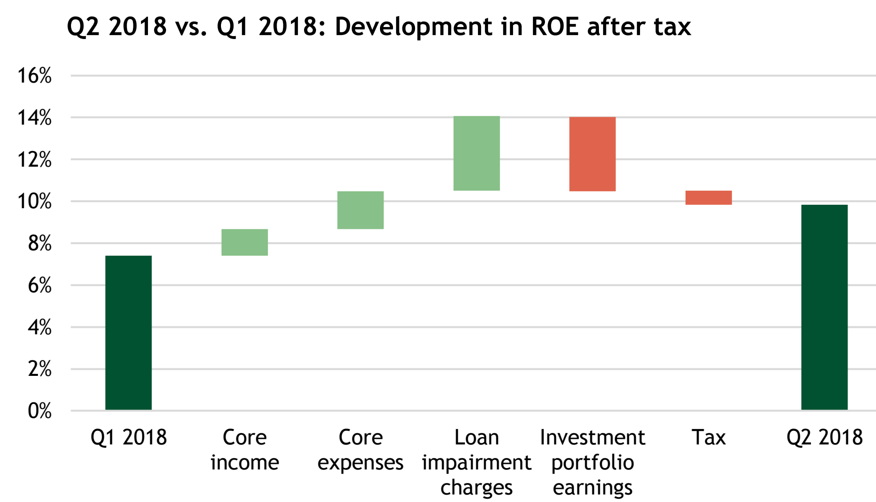
- Net profit of DKK 811m and ROE of 9.8% p.a. in Q2 2018



- An increase of 2.4 percentage points compared to Q1 2018 due to primarily:
  - Core income supported by sale of property which off-sets dip in net fee income
  - Core expenses decrease driven by reversal of provision but also lower FTE as well as a general cost focus
  - Loan impairment charges revert to “normal” vs. Q1 2018 where adjustments were made relating to new impairment rules, IFRS 9
  - Decrease in investment portfolio earnings primarily due to lower value adjustments on Nordjyske Bank shares



NII in line with volume growth

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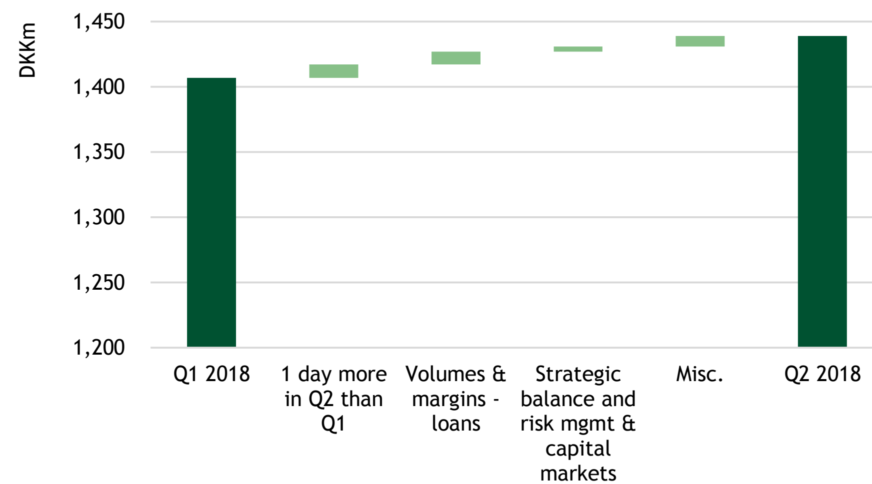
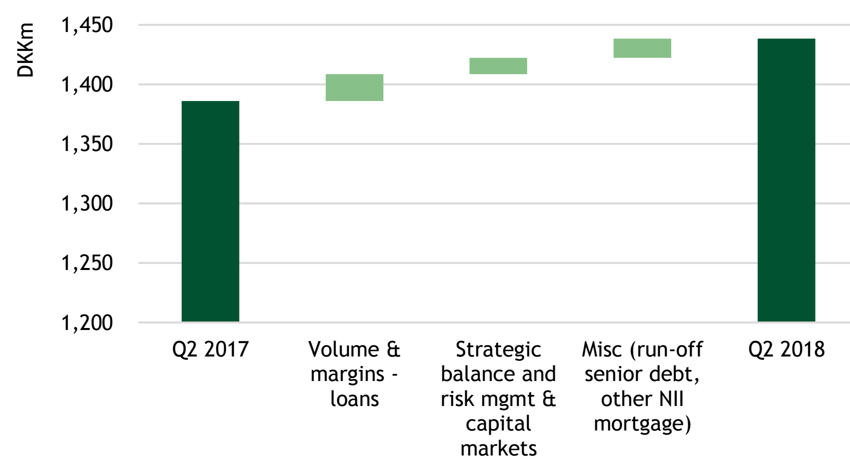
- Overall, development in NII reflects volume growth and a more stable contribution from strategic balance and risk management
- In Q2 2018 NII is:
  - Supported by volume growth in all 3 segments as well as other NII from mortgage activities (full quarterly effect of run-off of senior debt)
  - Pressured by continued margin compression on corporate bank loans

Q2 2018 vs. Q1 2018: Development in NII



- Positive variance of DKK 53m compared to Q2 2017:
  - Support from growth in mortgages and corporate bank loans as well as run-off of senior debt
  - NII from strategic balance and risk management and trading bond portfolio largely at level
- Transition to Murex (end of May 2018) will lead to up-front fees on swaps to be recognised as value adjustments as opposed to NII. Estimated quarterly effect starting Q3 2018: NII DKK-15m and value adjustments DKK +15m

Q2 2018 vs. Q2 2017: Development in NII



Lower activity and financial markets drive down net fee income

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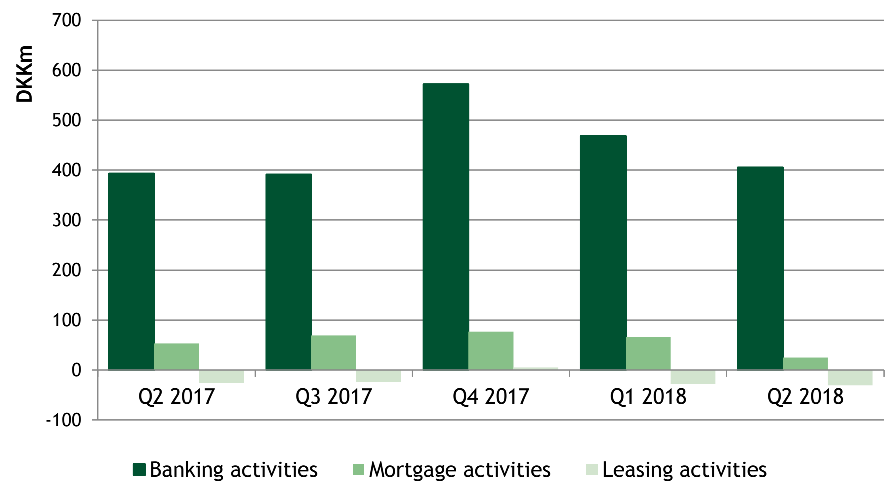
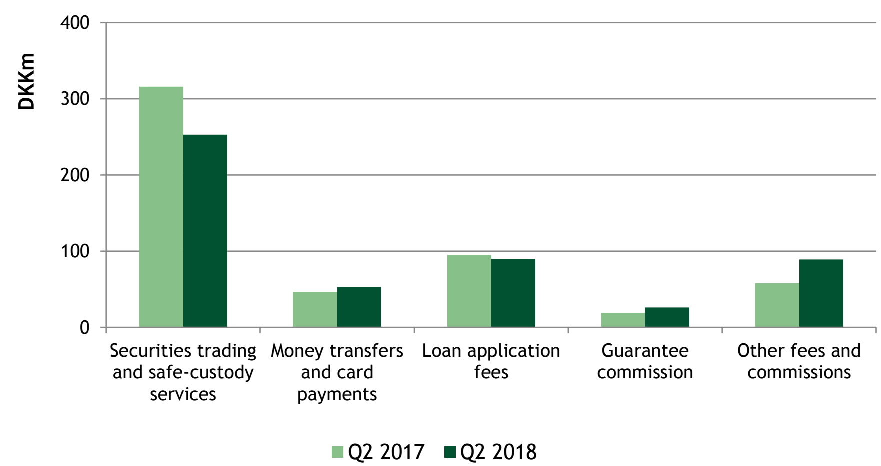
- Net fee income in Q2 2018 of DKK 399m – down by 5% relative to Q2 2017 and 21% relative to Q1 2018
- Decrease in net fee income can be attributed to:
  - Banking activities: No performance related fees and lower commission income from mutual funds as commission rates have been reduced
  - Mortgage activities: Lower refinancing activity
- Securities trading etc.:
  - No performance related fees in Q2 2018
  - Lower commission income from mutual funds
  - Lower refinancing activity
- Guarantee commission:
  - Change in recognition of DLR fees in Q4 2017 – up DKK 10m compared to Q2 2017
- Other fees and commissions:
  - Uplift primarily related to Jyske Invest Fund Management (DKK 23m vs. DKK 7m)

Net fee income



Fee and commission income



Value adjustments at lower levels

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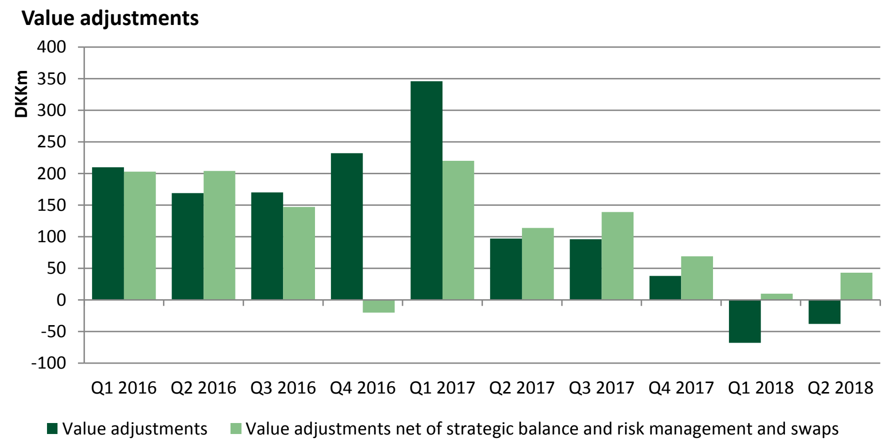
- In Q2 2018 minor increase in long-term interest rates was seen and credit spreads were fairly stable compared to Q1 2018
- Value adjustments under core profit amounted to DKK -38m vs. DKK -68m in Q1 2018
  - Of which value adjustments from clients' transactions relating to interest-rate hedging (swaps) account for DKK -14m (Q1 2018: DKK 2m)
  - Excl. swaps and strategic balance and risk mgmt. value adjustments amount to DKK 43m vs. DKK 10m in Q1 2018
- 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 34bn end of Q2 2018, consists primarily of Danish mortgage bonds
- As of Q1 2018, the return on Jyske Realkredit's portfolio of securities (investment portfolio earnings) is recognised as core income and thus included in the strategic balance sheet and risk management



Strategic balance and risk management (DKKm)	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Net interest income	75	72	87	77	67
Value adjustments	-26	-61	-41	8	-44
Banking activities, total	**49**	**11**	**46**	**85**	**23**
Net interest income	24	21	-	-	-
Value adjustments	-41	-19	-	-	-
Mortgage activities, total	**-17**	**2**	**-**	**-**	**-**
Jyske Bank Group, total	**32**	**13**	**46**	**85**	**23**

Decrease in core expenses enlarged by reversal

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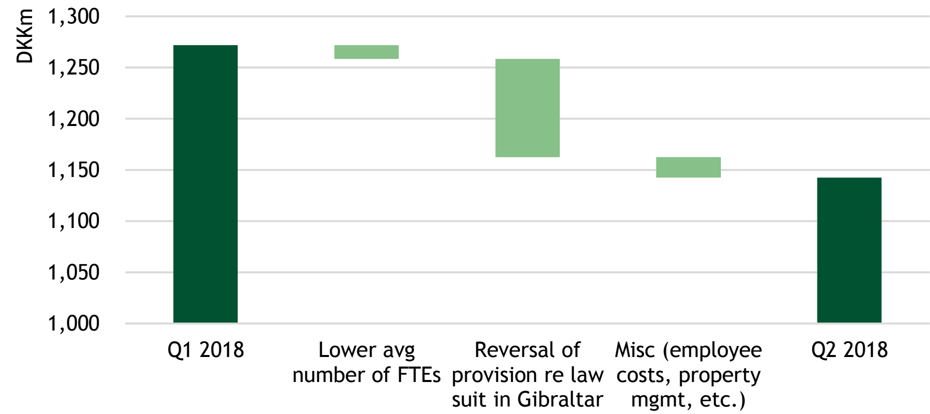
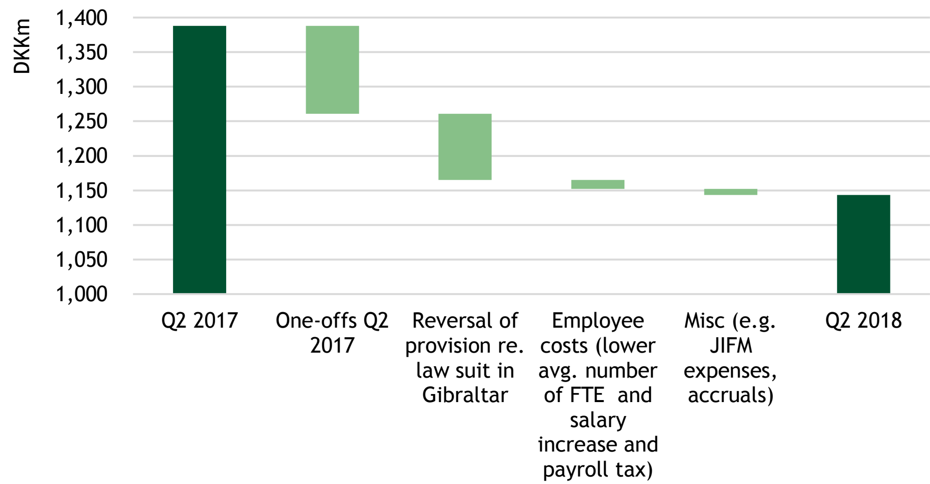
- Core expenses in Q2 2018 down by DKK 129m compared to Q1 2018 primarily driven by reversal of provision re. law suit in Gibraltar (DKK 96m) but also lower number of FTE and a general cost focus

Q2 2018 vs. Q1 2018: Development in core expenses



- Significant decrease in core expenses compared to Q2 2017
  - Down 2% when adjusted for one-off expenses in Q2 2017 and reversal of provision in Q2 2018
  - Underlying development ascribed to lower number of FTE and general cost focus that off-set annual re-occurring salary increase stipulated by collective agreement and increase in payroll tax rate

Q2 2018 vs. Q2 2017: Development in core expenses



Net reversals set aside increase in management estimate

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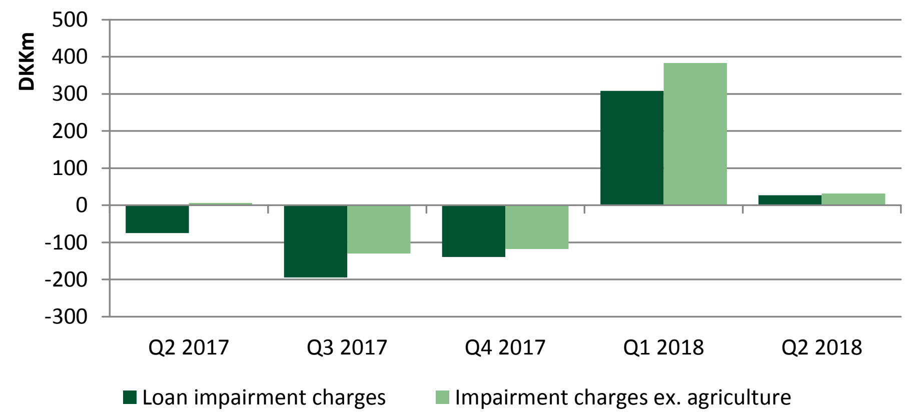
- Impairment charges of DKK 27m under core profit:
  - Includes DKK 100m increase in management estimate primarily due to Danish agriculture being troubled by draught
  - Thus, still positive underlying development in asset quality of DKK -73m

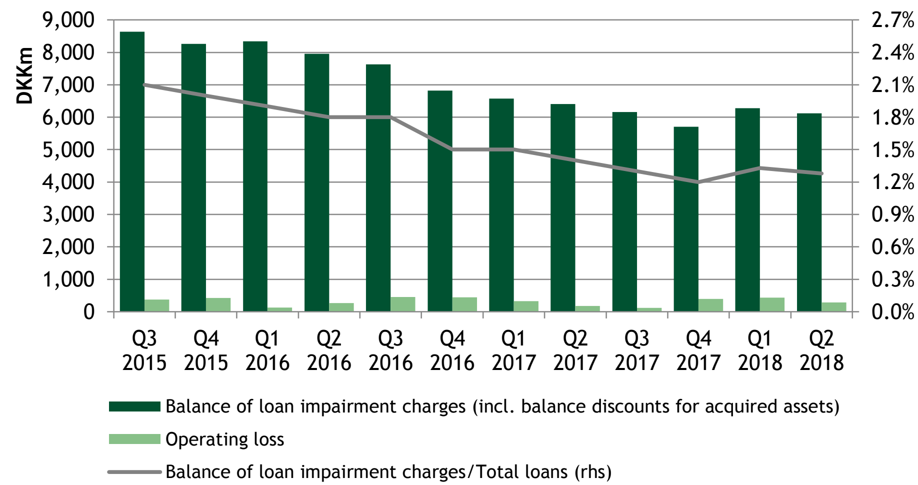
- Total balance of management's estimate of DKK 390m end of Q2 2018, of which DKK 200m relate to agriculture, compared to DKK 466m and DKK 75m respectively end of 2017

- Impairment ratios (under core profit):
  - Impairment ratio for Q2 2018 ~0bp
  - Accumulated impairment ratio 1.3%

Loan impairment charges (under core profit)



Balance of loan impairment charges and losses



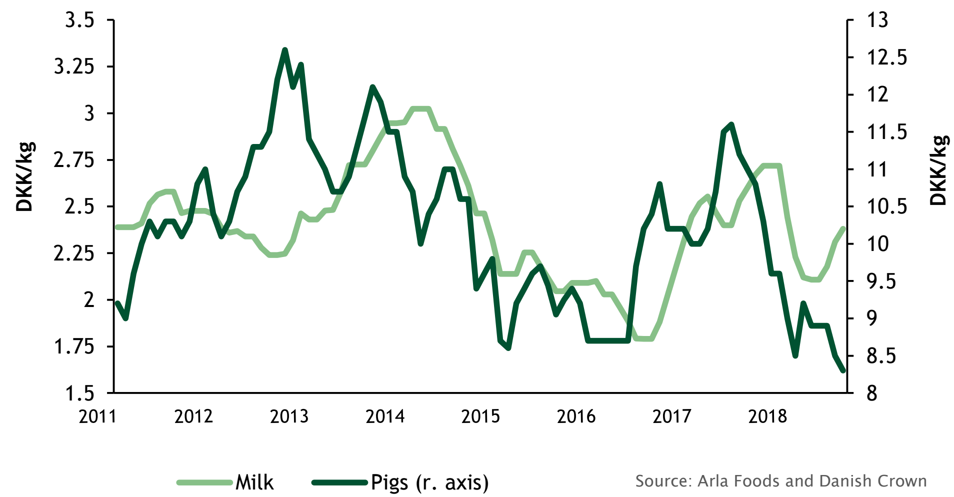
Renewed focus on agriculture as Denmark is hit by draught

- Limited exposure as agriculture excl. fishing accounts for approx. 1% of the Group's loans and guarantees.
- In Q2 2018, management estimate for agriculture has been increased by DKK 100m primarily due to the draught in Denmark
  - The draught will result in significantly reduced output volumes. The drop in volume is - to some degree - expected to be off-set by price effects as the draught also has hit other parts of Europe. It will have economic impact on plant farmers and in particular milk and pig farmers depending on the degree of self-sufficiency
- Impairment ratios at a slightly lower level end of Q2 2018 than end-2017
- With regards to commodity price development:
  - Pork prices continue down and have reached a new low of 8.3 DKK/kg in August 2018
  - Milk price has recovered compared to Q1 2018 and now stands at 2.38 DKK/kg

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

	Loans, advances and guarantees		Balance of impairment charges		Impairment ratio	
	Q2 2018	Q4 2017	Q2 2018	Q4 2017	Q2 2018	Q4 2017
Milk	893	917	492	529	36%	37%
Pigs	1,433	1,161	312	329	18%	22%
Plants	2,187	1,498	86	122	4%	7%
Total	**4,513**	**3,576**	**889**	**980**	**16%**	**22%**

Commodity prices



Source: Arla Foods and Danish Crown

Mortgages: The portfolio

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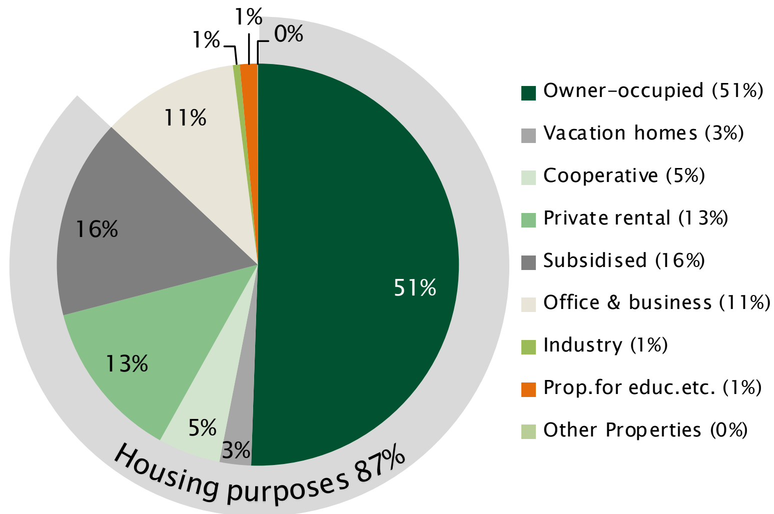
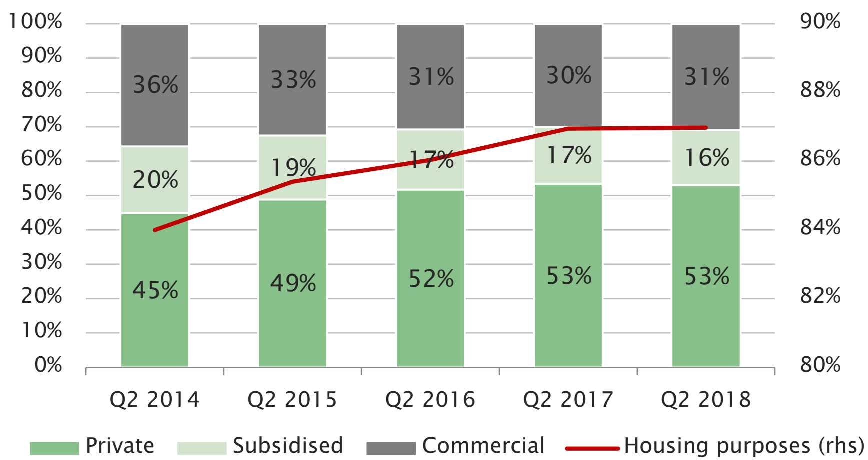
- 87% of lending to properties with housing purposes
  - No loans with swaps to co-operative housing
  - No lending to agriculture and other primary production
- Growth in lending portfolio this quarter primarily driven by lending to corporate clients
- Continued decrease in the share of F1 and F2 mortgages - at the same time increase in capped floaters and fixed

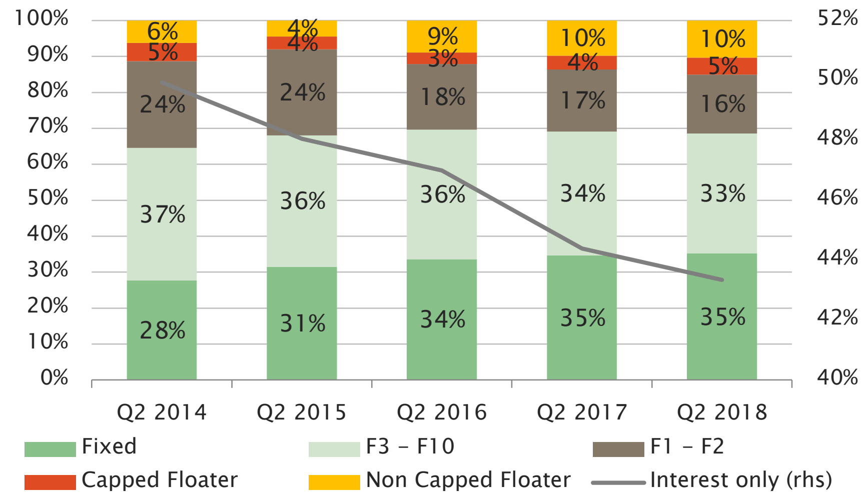
Distribution of lending portfolio



Development in lending portfolio



Development in loan types



Mortgages: Improved credit quality

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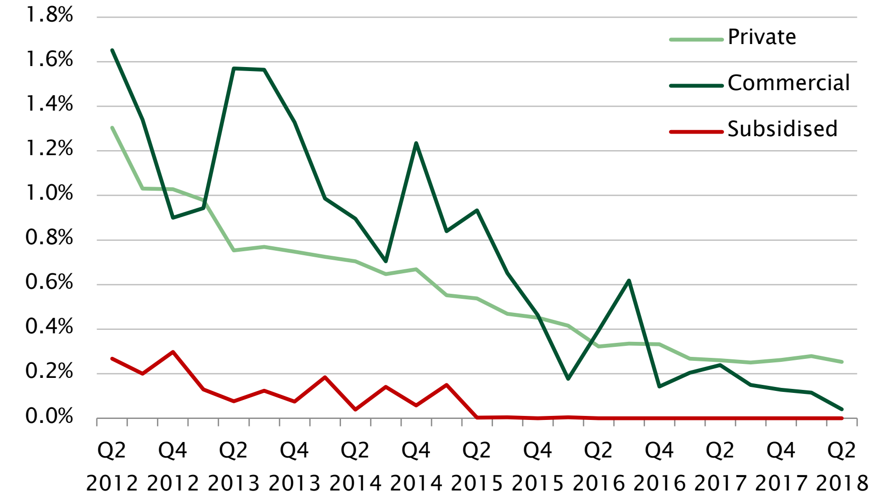
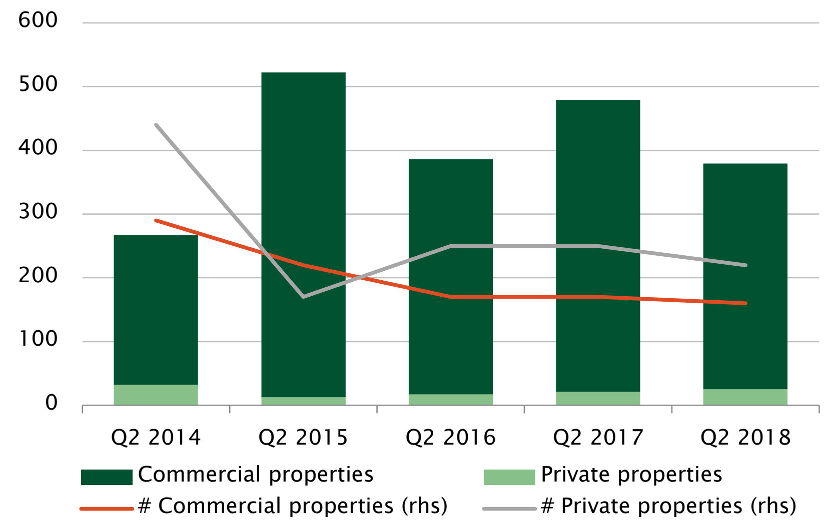
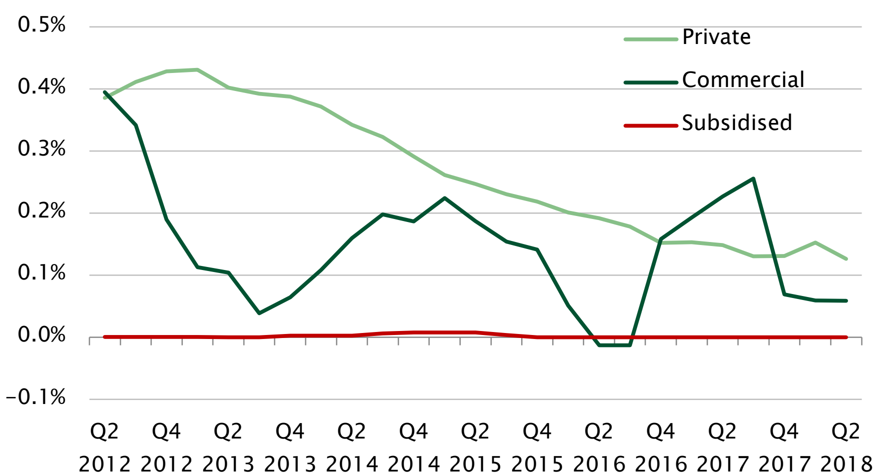
Lending in 90-days arrears (*per cent of lending*)



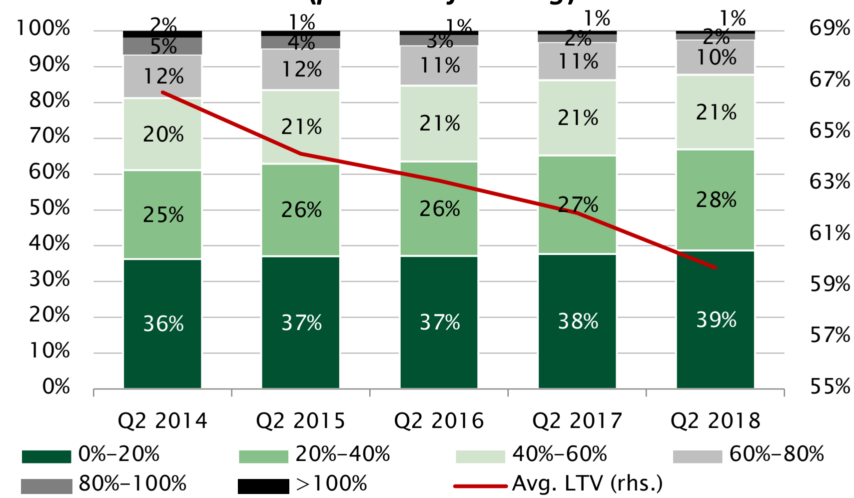
Repossessed properties (*DKKm/number*)



Yearly realised losses (*running year*)



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



Bank loans: the portfolio

- Portfolio composition end of Q2 2018:
  - Corporates take up larger proportion, 60% vs. 58% end-2017 and 53% end-2016 as volume grows
  - Private individuals marginally lower this quarter vs. end 2017
  - Public authorities at 6%
- Accumulated impairment ratio total portfolio 3.0%
  - Public authorities 0%
  - Corporates 3.5%
  - Private individuals 2.3%
- Corporates
  - Net reversals in many sectors
  - Impairment ratio for Q2 2018 0bp
- Private individuals
  - Low number of new defaults
  - Impairment ratio for Q2 2018 0bp

Loans and guarantees by sector

%	Loans, advances and guarantees		Balance of loan impairment charges		Losses	Impairment charges
	Q2 2018	Q4 2017	Q2 2018	Q4 2017	Q2 2018	Q2 2018
Public authorities	6%	7%	0%	0%	0%	0%
Agriculture, hunting, forestry and fishing	5%	5%	24%	26%	30%	-17%
Manufacturing, mining etc.	6%	5%	4%	5%	28%	231%
Energy supply	3%	4%	1%	1%	0%	-13%
Building and construction	2%	2%	2%	2%	1%	-55%
Commerce	8%	7%	6%	4%	2%	125%
Transport, hotels and restaurants	2%	2%	2%	2%	0%	0%
Information and communication	1%	1%	1%	1%	1%	-24%
Finance and insurance (ex repo loans)	19%	19%	16%	17%	10%	-35%
Real property	11%	11%	12%	14%	12%	-194%
Other sectors	4%	4%	3%	4%	6%	-17%
Corporate clients	60%	58%	71%	76%	90%	1%
Private individuals	34%	35%	26%	24%	10%	99%
Unused credit commitments	0%	0%	3%	0%	0%	0%
Total	100%	100%	100%	100%	100%	100%

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)

Sale of Nordjyske Bank shares dominates investment portfolio earnings

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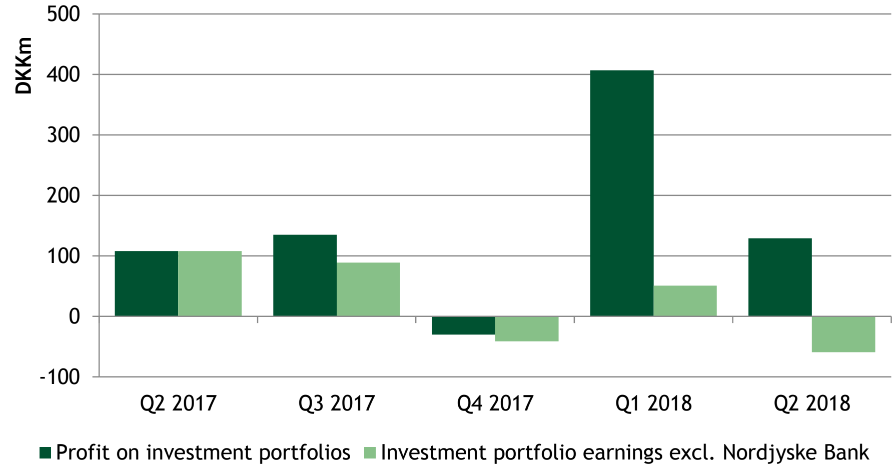
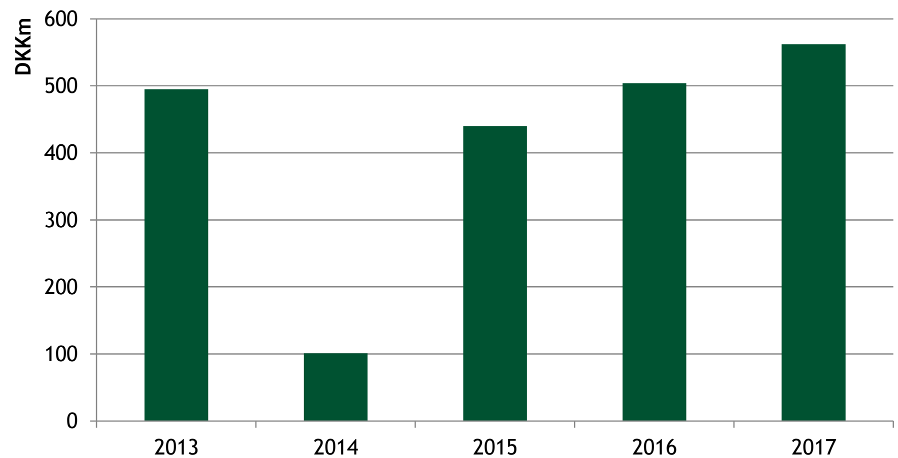
- Positive effect from Nordjyske Bank shares DKK 188m in Q2 2018 vs. DKK 356m in Q1 2018
- In June 2018, Jyske Bank's share holding in Nordjyske Bank was disinvested in connection with the merger between Ringkjøbing Landbobank and Nordjyske Bank
- Excluding value adjustments related to Nordjyske Bank, the investment portfolio earnings continue to generate modest returns
- Changes to the investment portfolio in 2018:
    - Banking activities: The majority of the bond portfolio has been reclassified to strategic balance and risk management (under core income)
    - Mortgage activities: Due to changes in intent and mandate, the entire investment portfolio has been reclassified to strategic balance and risk management under core income
- In future, investment portfolio earnings will be more moderate as the portfolio is much smaller than historically and only holds limited interest risk. Thus, historic investment portfolio earnings (ranging between DKK 100-600 the past 5 years) is less relevant as starting point for forecasts of future earnings

Investment portfolio earnings , quarterly



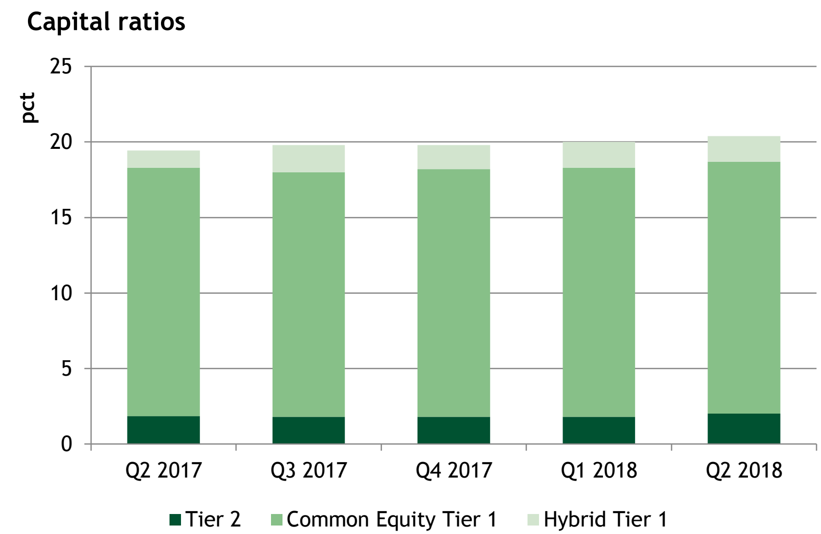
Investment portfolio earnings, last 5 years

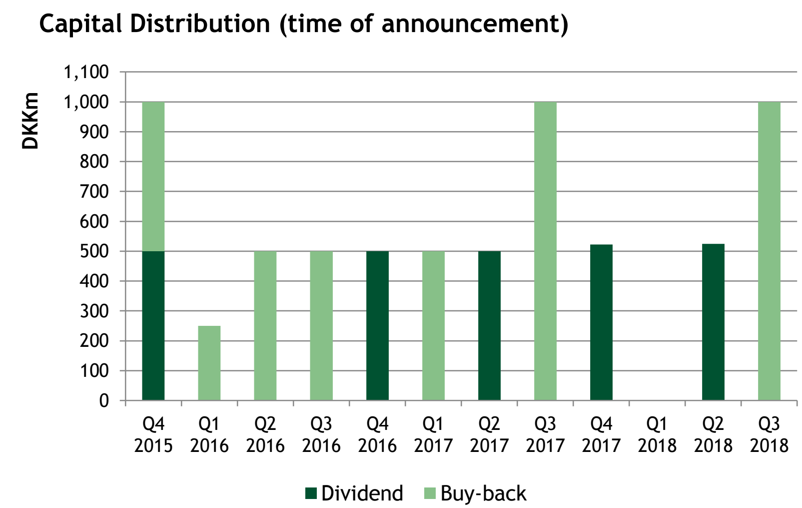


Capital and Liquidity

Capital position allows new buy-back programme

- Capital ratio 20.4% and CET1 ratio 16.7% end of Q2 2018 vs. long-term targets of 17.5% and 14% post-Basel IV implementation
  - Capital structure aligned with long-term targets
  - Jyske Bank will aim to distribute excess capital as dividends or share buy-backs when the capital position allows it
- Defending and securing a stable S&P rating of A- remains a key priority
  - Based on the FSA's measurement of MREL as well as Jyske Bank's funding plan for the required issues S&P's changed in April 2018 its view of Jyske Bank's senior ratings to 'positive outlook' from 'stable outlook'
  - RAC ratio of 10.3% end of Q2 2018
  - Jyske Bank aims long-term to build a RAC ratio of approx. 10.5%
- The Supervisory Board has decided to initiate a new share buy-back programme of DKK 1bn. The program will run from Aug 22 – Dec 28 2018
- Capital distribution since November 2015:
  - Share buy-back programmes of DKK 4.25bn in total
  - Dividends of DKK 2.5bn in total





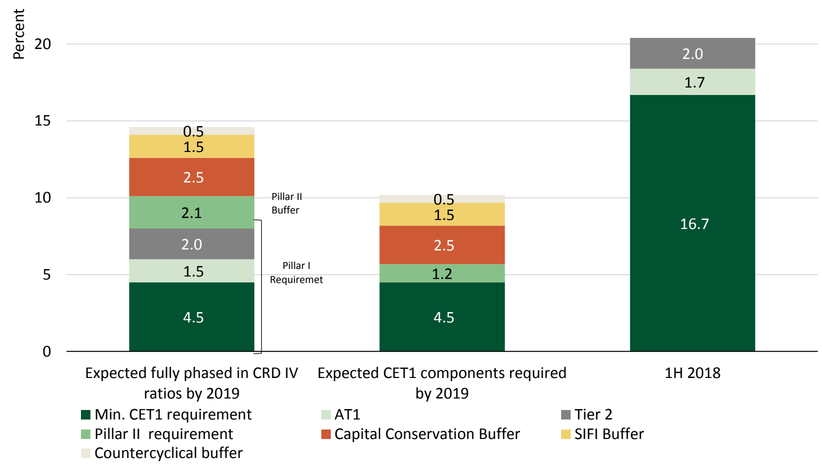
Future regulation

- 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 expects the effect on the capital ratio to be up to 3 percentage points
  - Jyske Bank aims to build the needed capital levels prior to the phasing-in period starting 1 January 2022

- Minimum requirement for own funds and eligible liabilities (MREL)
  - Jyske Bank already fulfills MREL (with old SP bonds and capital)
  - 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

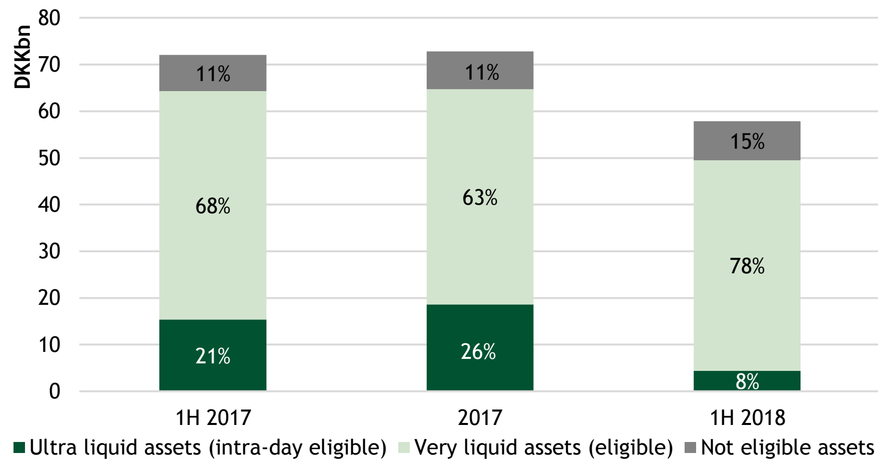
Capital ratios and Basel IV



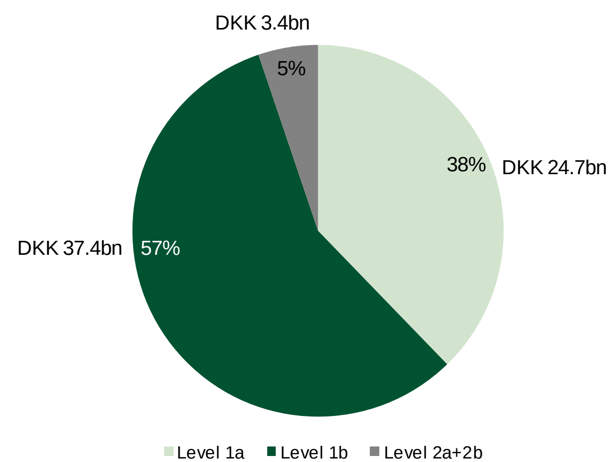
Liquidity is still ample

- Liquidity buffer DKK 58bn end of Q2 2018 (DKK 73bn end of 2017)
  - 86% of the buffer - DKK 50bn - is eligible for repo transactions at central banks (Nationalbanken or ECB)
  - Cash placements are categorized as intra-day eligible
  - Large decrease in intra-day eligible as bank deposits decrease and placement of cash from CP-funding proceeds are less attractive due to increased rates
- Group's LCR at 209% by end of Q2 2018 vs. 189% end of 2017
  - 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 166% end of Q2 2018
- Leverage ratio of 5.5% end of Q2 2018 vs. 5.4% end of Q4 2017.

Group liquidity buffer



LCR liquidity buffer



A frequent EUR issuer

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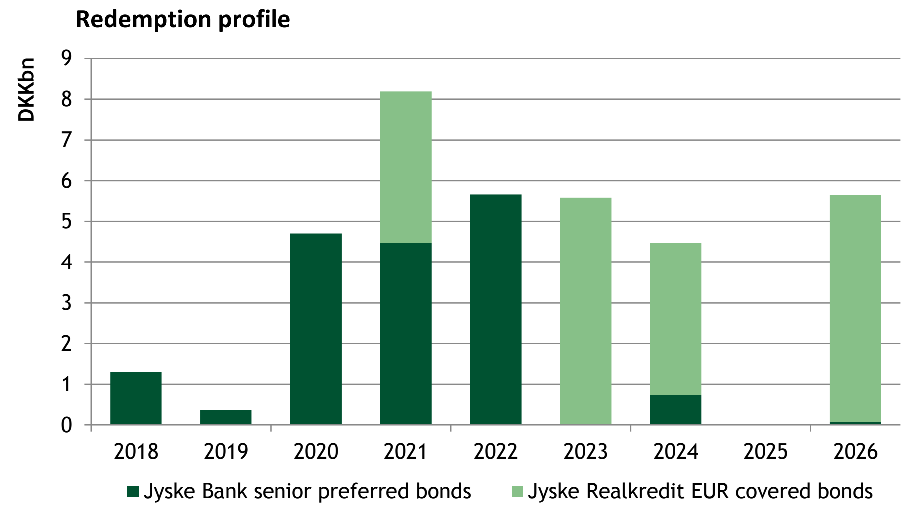
Ongoing access to a diversified European investor base helps Jyske Bank maintain a prudent risk and funding profile

Since 2012 more than 500 different investors have bought into the Group's senior unsecured debt, capital (Tier 2 and AT1) or EUR covered bonds

Group issuance of senior debt (preferred and non-preferred) will be from Jyske Bank A/S



Jyske Bank:

- Short term ongoing activities in French CP
- From 2011 and year to date the Group has issued one senior preferred EUR public benchmark a year (focus on 3-5 year maturities)
- From H2 2018 the issuance of long term debt will be focusing on the senior non preferred format to fulfill the Groups MREL* requirement (phased-in from 1 July 2019 until 1 January 2022)
- Issuance of long term senior preferred debt is not expected over the next 2-3 years
- Depending on the growth in bank loans and bank deposits issuance of senior preferred debt may become relevant again in the medium to long term

- No long-term issuance during H1 2018 due to frequent issues in 2017

Jyske Realkredit:

- AAA rated covered bonds based on 100% Danish primarily residential mortgages
- Daily issuance in DKK

- Four EUR covered benchmarks were issued during 2016-2017
- No EUR covered bond issuance in 2018 (no funding need)
- From 2019 EUR will be part of the refinancing/funding "toolbox"

*) As a Danish mortgage institution Jyske Realkredit is exempt from the MREL requirements, but Jyske Realkredit must comply with the Danish BRRD framework's "debt buffer" requirements for mortgage institutions which are phased in gradually from 2016 untill 2020. The debt buffer requirement is 2% of the total unweighted mortgage lending.

Appendices:
1) Jyske Bank in brief and business segments
2) Danish Economy Q2 2018

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
  - Approx. 865,000 customers
  - Nationwide branch network comprised of 92 personal client branches, 32 corporate branches, 9 Private Banking centres distributed between 98 locations
  - Total assets of DKK 593bn and total loans of DKK 455bn of which mortgage loans account for DKK 314bn (69%)

- Group strategy secures balance between stakeholders:
  - SHAREHOLDERS: Shareholders receive an attractive, risk-adjusted long-term return
  - CLIENTS: Clients receive advice, solutions and service ranking among the best on the market
  - EMPLOYEES: Employees have an attractive workplace with opportunities for development

- 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 and buy-backs DKK 2.5bn)

Jyske Bank in brief

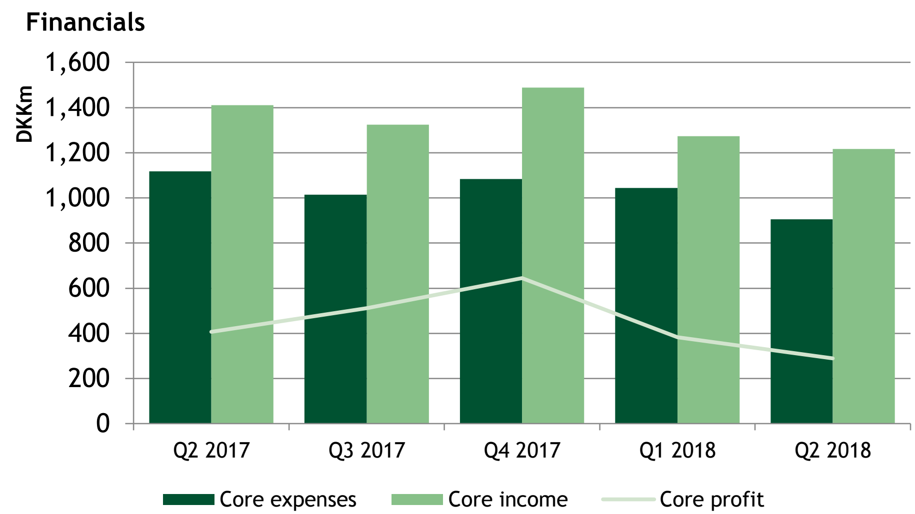
JYSKE BANK

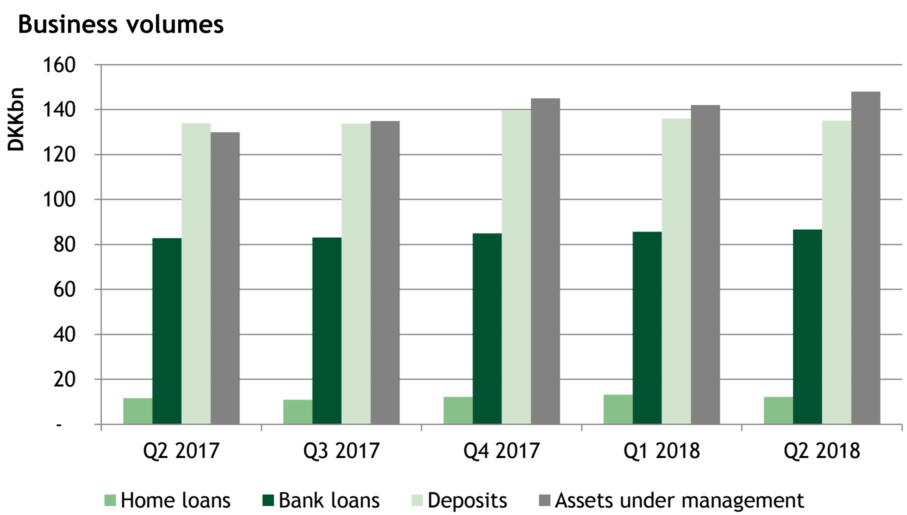
Jyske Bank Group key figures	Profit before tax, DKKm	Net profit, DKKm	Shareholders' equity at year-end, DKKm	ROE after tax, average equity	Loans and advances, DKKbn	Deposits, DKKbn	Total assets, DKKbn	Number of FTEs
1997	584	443	4,772	9.6%	36.6	41.5	63.1	2,671
1998	710	511	5,173	10.3%	39.7	43.8	76.9	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	9.8%	447.7	160.0	597.4	3,932
H1 2018	1,782	1,421	32,283	8.5%	455.4	155.1	593.0	3,786

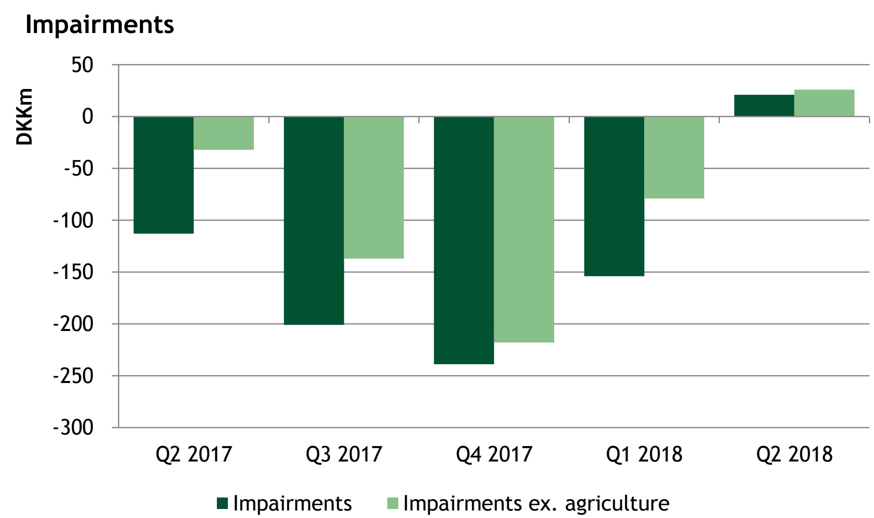
Average ROE after tax 1997 - H1 2018 of 11.8%

Banking activities

- Increasing volume in bank loans
- Decline in bank deposits – still above average 2017 levels
- Increasse in AUM driven by inflow of funds and improved returns
- Lower net fee income
- Core expenses driven down by reversal of provision
- Net reversals of impairments when excluding increase in management estimate re. agriculture





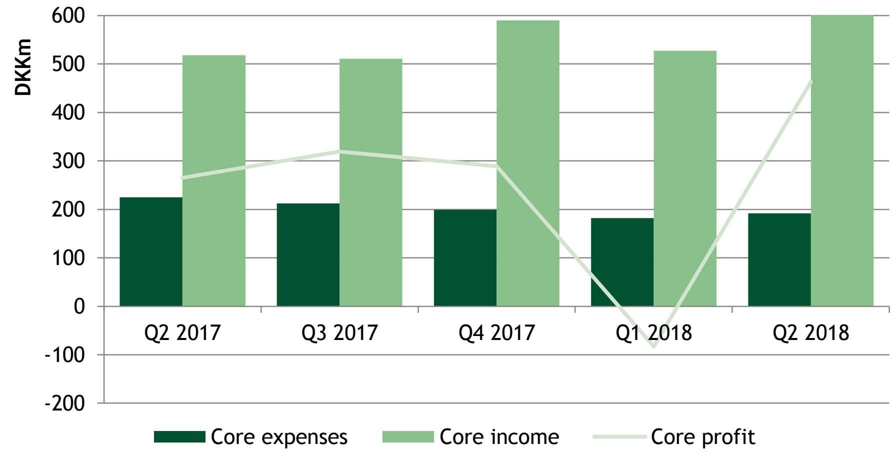


Mortgage activities

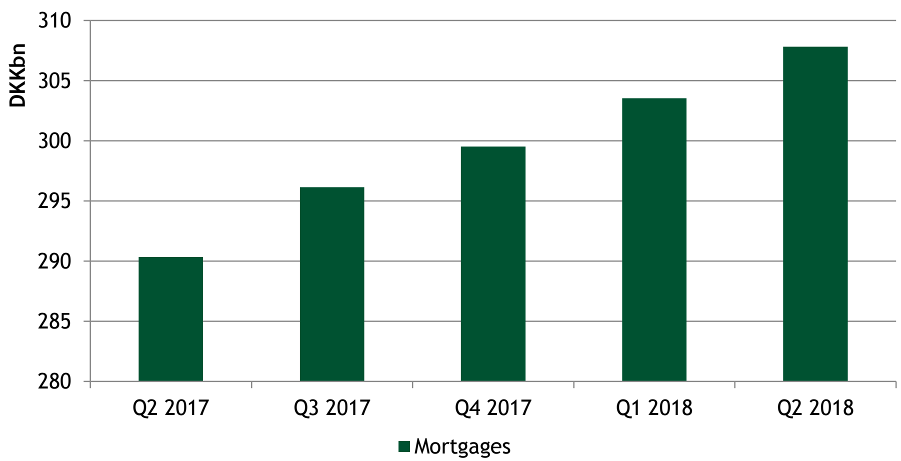
JYSKE BANK

- Continued growth in volume
- Core income for Q2 2018 increased significantly by sale of property - pushing it above 2017 levels and outweighing lower net fee income driven by lower refinancing activity
- Negative value adjustments due to drift-to-par on bond portfolio previously recognised as investment portfolio earnings
- Core expenses as expected
- Impairments revert to low levels after elevated level in Q1 2018 where IFRS 9 adjustments were made (one-off adjustment DKK 407m in Q1)

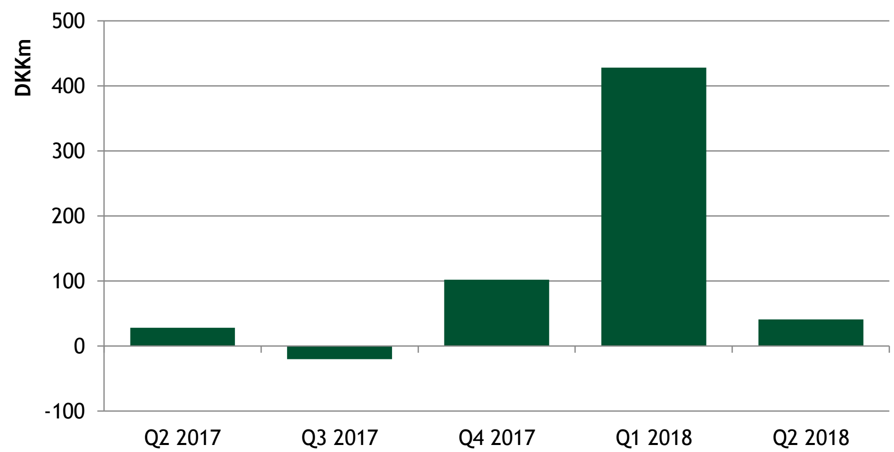
Financials



Business volumes (Jyske Realkredit A/S, nominal values)



Impairments



Leasing activities

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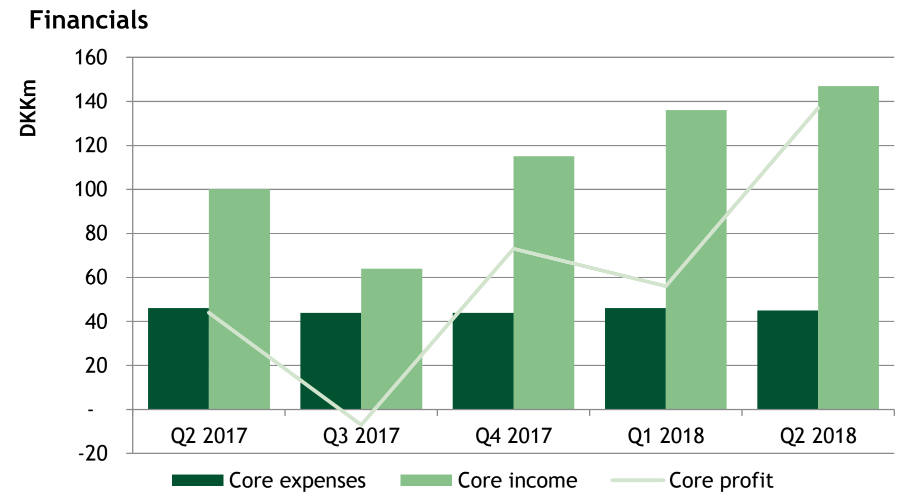
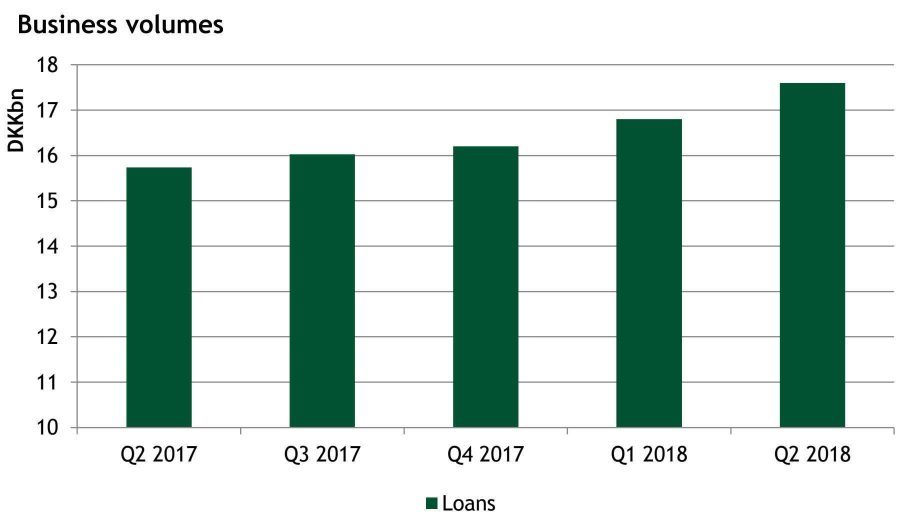
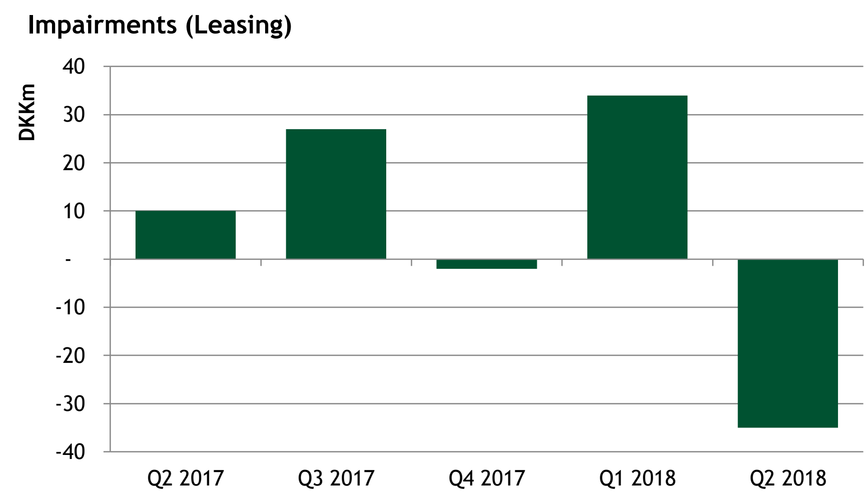
- Loan volumes continue to increase and support NII
- Stable core expenses
- Increase in core profit driven by reversal of impairments
- Impairment charges positively affected by reversal of impairment charges related to a single large exposure







Danish Economy August 2018

Headlines on the Danish Economy

- We expect the upturn in the Danish economy to continue in 2018 and 2019
- Low interest rates, increasing house prices and export market growth stimulates demand. Export competitiveness looks healthy
- Gradually the pace of the upturn is likely to decline do to labour supply shortages and less tailwind from the global economy
- Still, we see employment continue up in both 2018 and 2019
- Overall lending growth has turned positive, but is still very modest
- Upcomming legislation: The tax freeze on housing is abandoned from 2021 reducing risk of housing bubbles, new Danish FSA measures to limit IO and ARM loans for high DTI household borrowers from January 2018
- Denmark is a AAA economy with strong structural financial features

Danish economy – an upturn story

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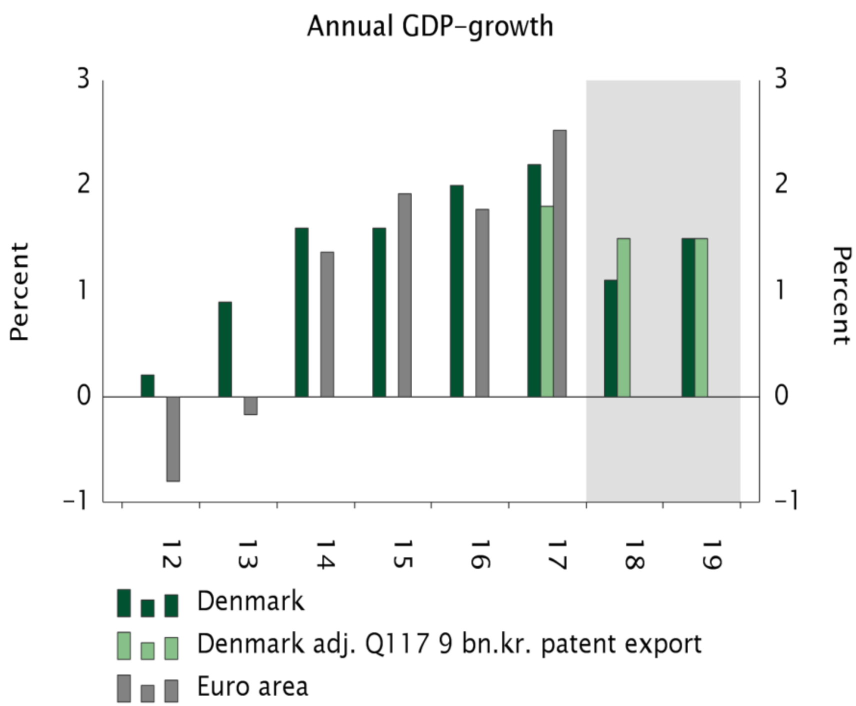
- Overall the Danish financial sector's operating environment is still improving

The upturn will continue



Source: Thomson Reuters Datastream

New all-time high employment level after 7% increase

Source: Thomson Reuters Datastream

3 kinds of stimulus support demand

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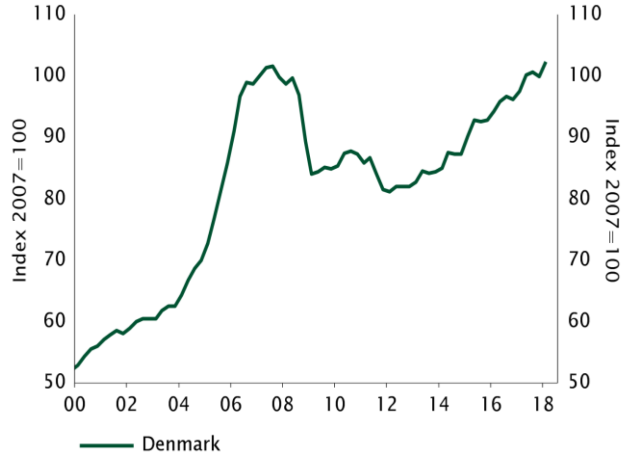
House prices recovering after burst in 08/09

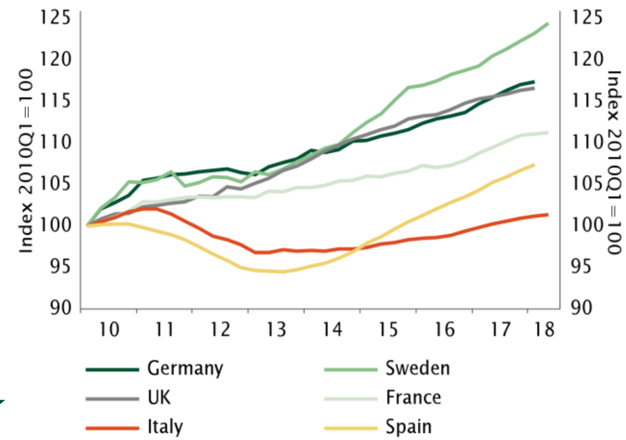
House prices



Source: : Thomson Reuters Datastream

Spill-over from European recovery

GDP in other European countries



Source: Thomson Reuters Datastream

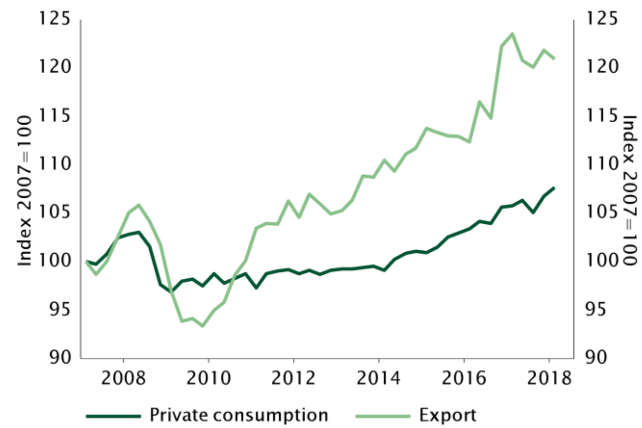
Interest rates are at a historic low

Mortgages rates

Source: Thomson Reuters Datastream

Demand is increasing

Demand



Source: Thomson Reuters Datastream

The labour market performance is strong

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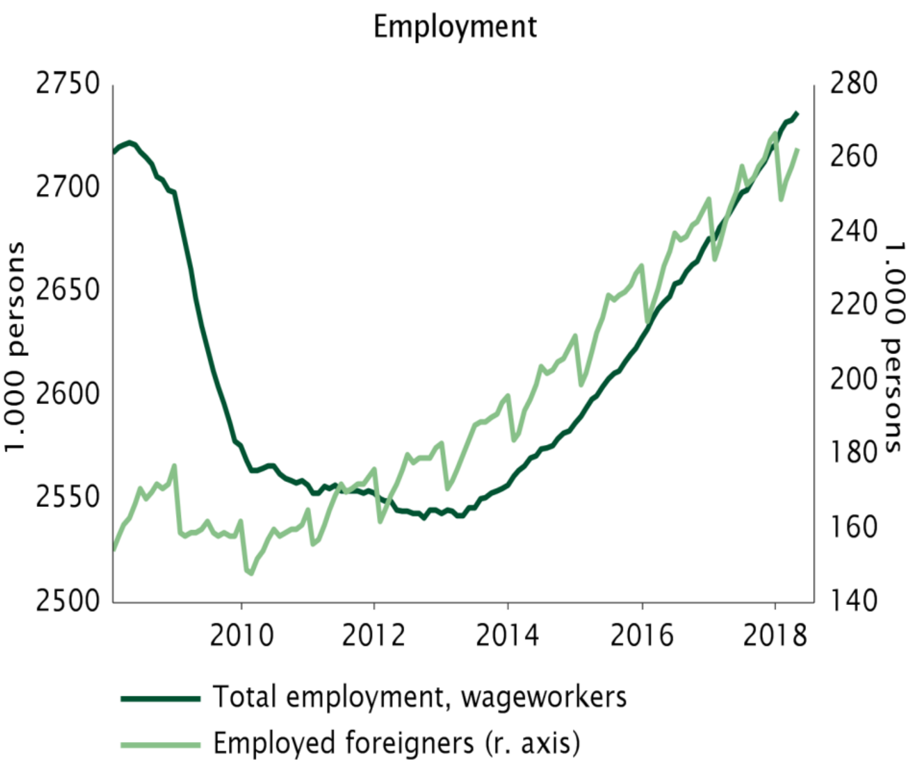
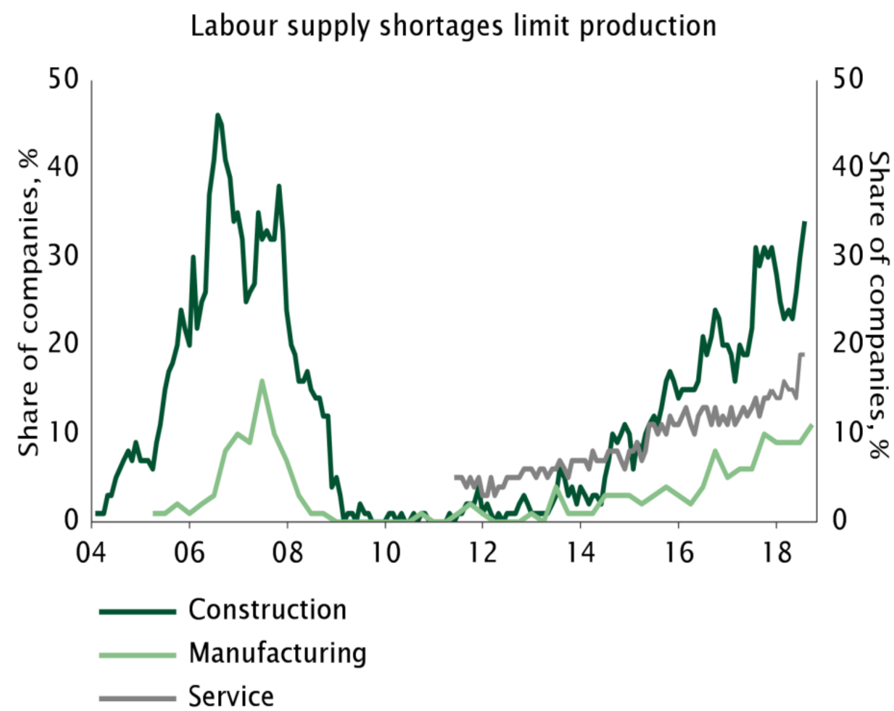
- The labour force is increasing from foreign labour supply and a higher retirement age. Gradually lack of labour supply will become more pronounced.

Foreign labour accounts for +50% of rise in employment



Source: Thomson Reuters Datastream og jobindsats.dk

Lack of labour supply is accelerating



Source: Thomson Reuters Datastream

Improved asset quality – as defaults have normalized

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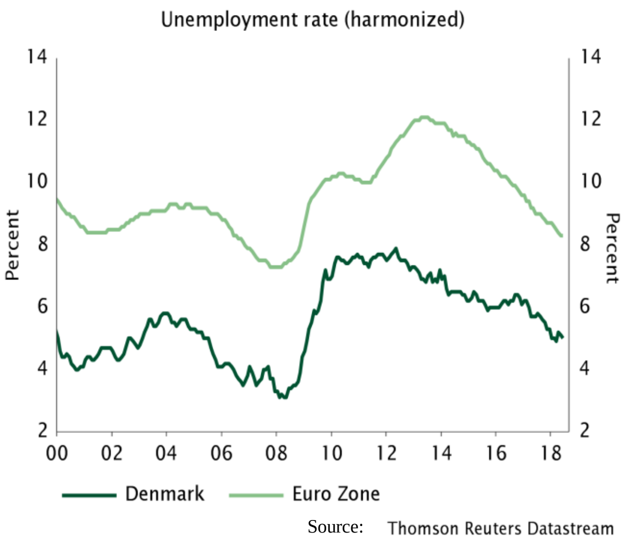
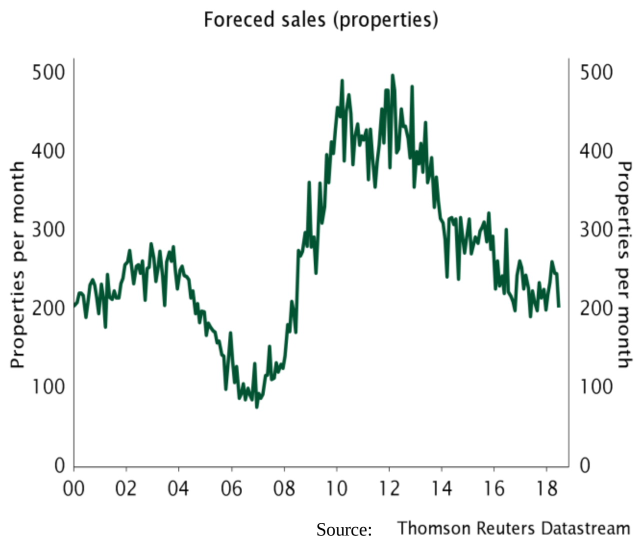
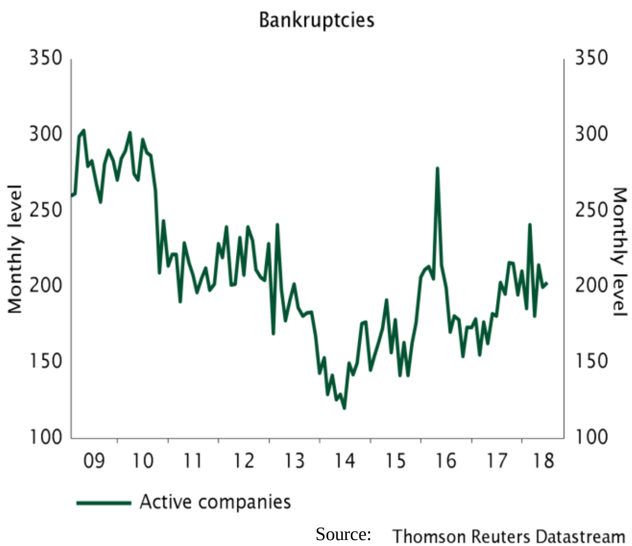
Unemployment is declining



Forced house sales well below 500 properties per month (less than 0.2% per year)



Business bankruptcies at neutral level



Turnaround and consolidation at the same time

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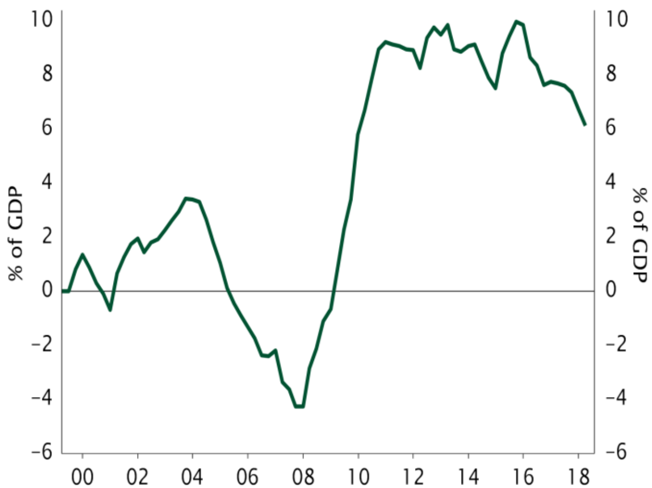
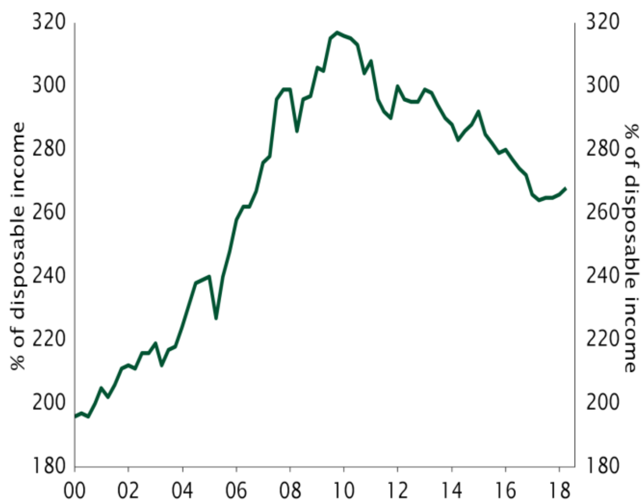
- Low interest rates and solid real wage growth make it possible for households to consume more and save up at the same time

The private sector is saving up



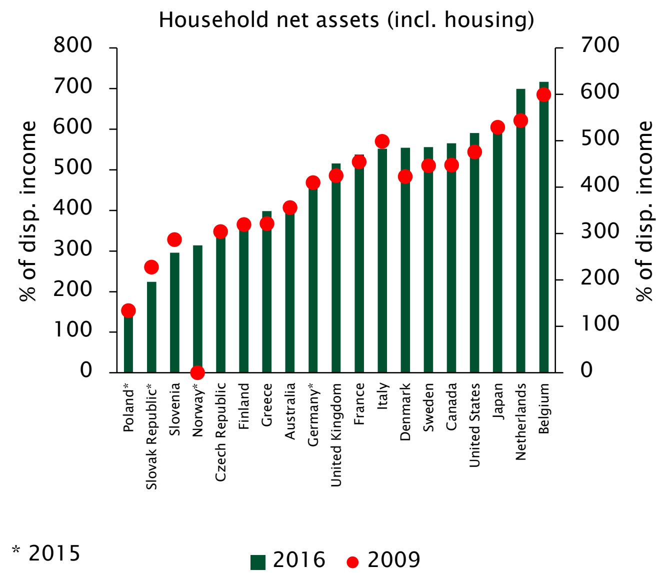
Source: Thomson Reuters Datastream

…so household debt has declined



Source: : Thomson Reuters Datastream

…and household net assets are large



* 2015

Source: OECD

House prices have continued up in all regions

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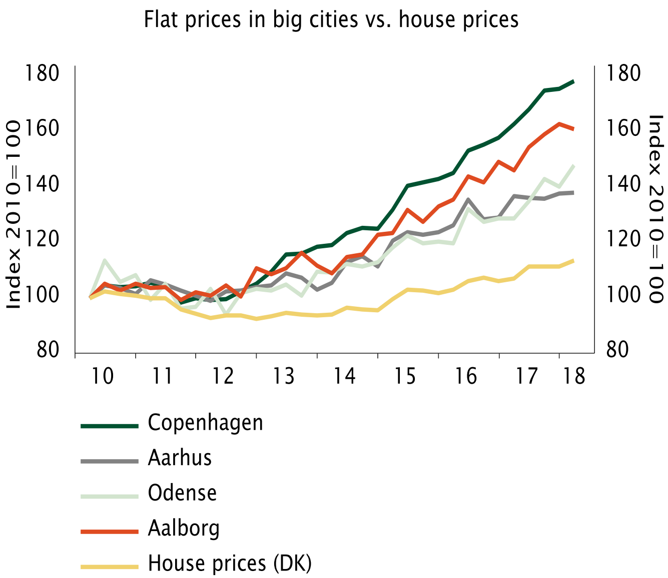
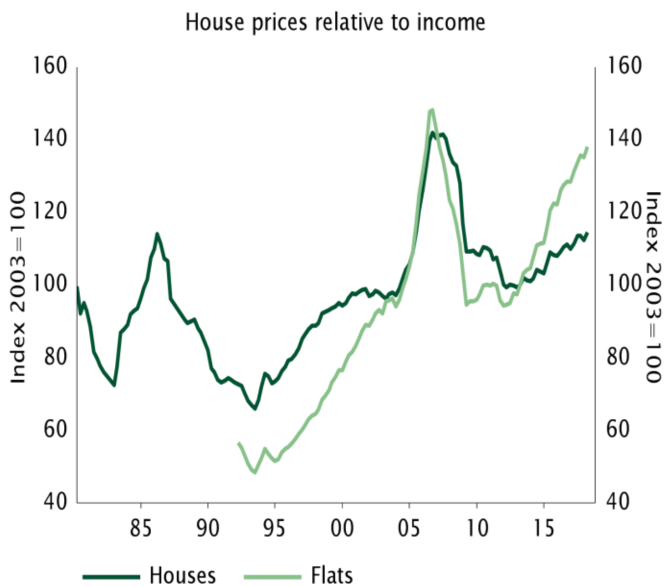
- Widespread recovery on housing market, especially on flats in big cities
- There is a risk that very low interest rates may overheat local parts of the market. Especially the Copenhagen market.
- However, new regulation and a new housing tax model will have a dampening effect

Large differences on the housing market



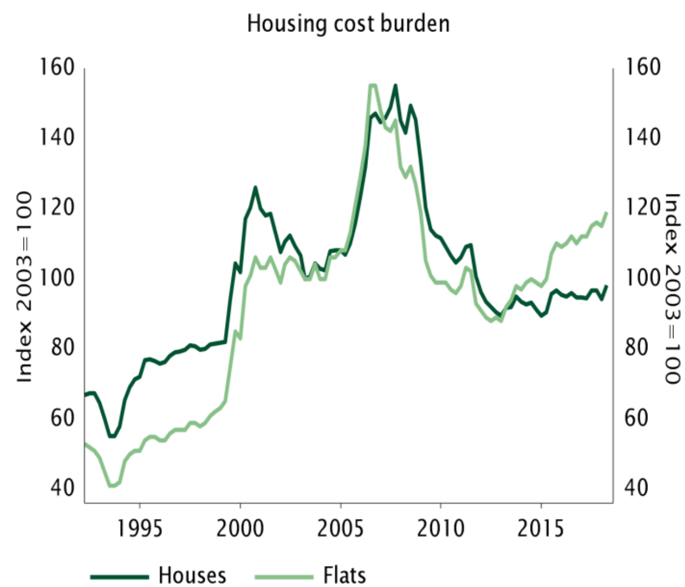
Source: Thomson Reuters Datastream

Real house prices are up since 2012



Source: Thomson Reuters Datastream and Jyske Bank

But housing costs are at a moderate level

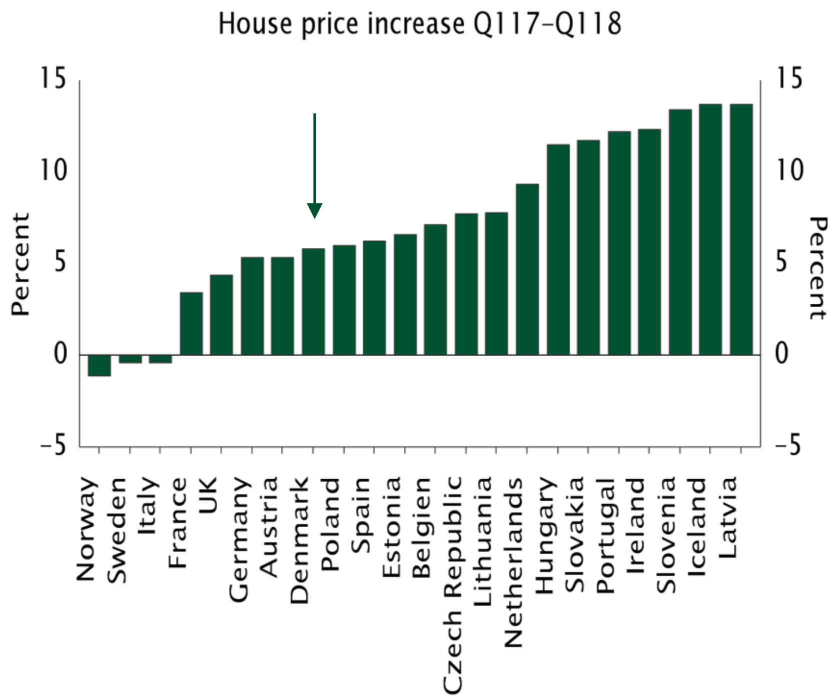


Source: Thomson Reuters Datastream and Jyske Bank

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

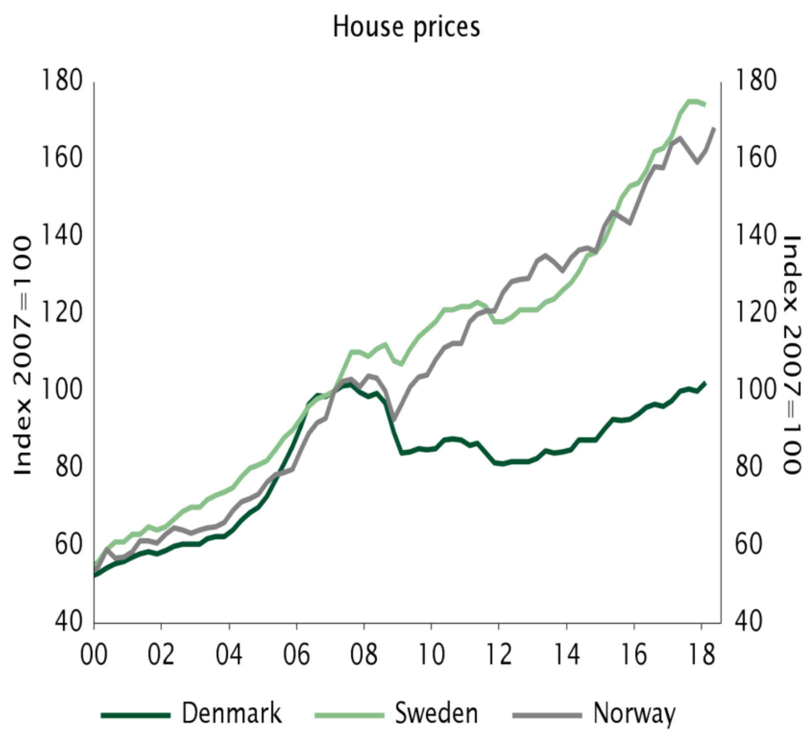
Moderate Danish price increase in European context

European house prices the past year



Source: : Thomson Reuters Datastream

The development in Scandinavian house prices



Source: : Thomson Reuters Datastream

Denmark is a AAA economy with strong structural financial features

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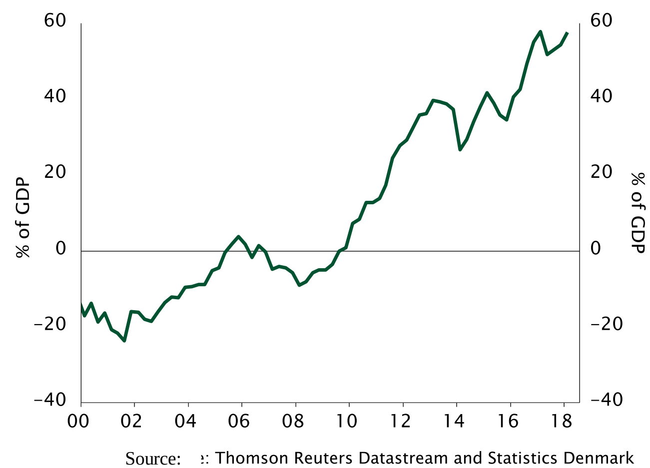
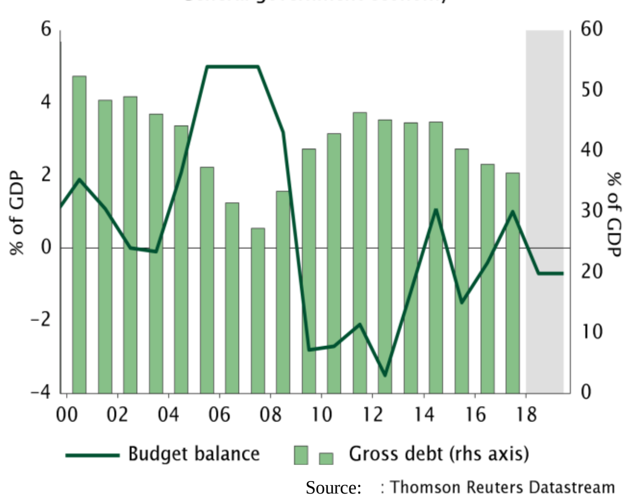
Current account surpluses since late 90s

..imply that foreign assets are increasing



And public sector debt is low



This is why Denmark is AAA

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