

# Jyske Bank

Nordea  
Finansseminar  
28 November 2019

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## Q1-Q3 2019

### Return on Equity

- Delivering a return on equity of approximately 6% in 2019



ROE 5.7%

### Volume 2020


- Total loan portfolio of DKK 350bn in Jyske Realkredit



DKK 339bn

### 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



20.2%  
and  
16.3%

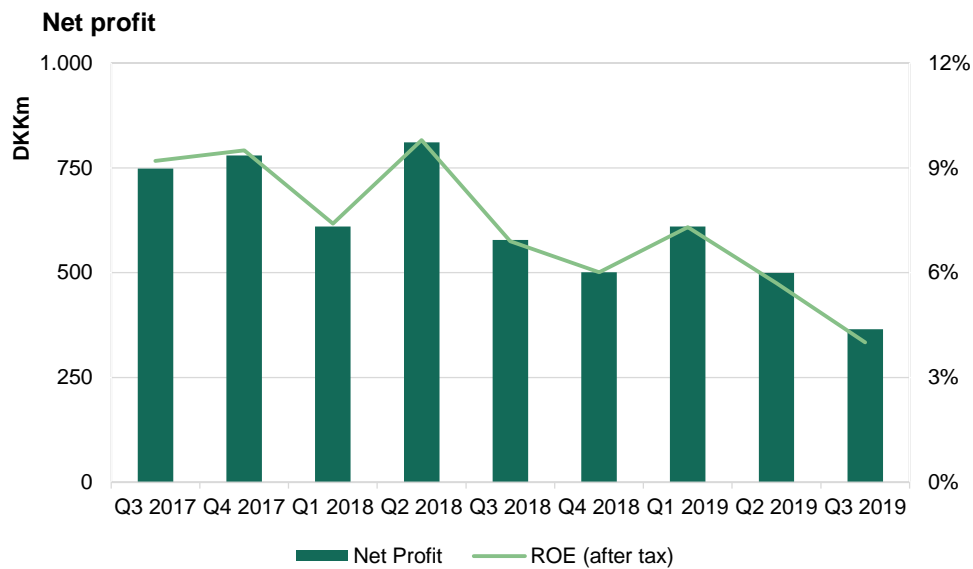
- **Net profit of DKK 365m, equal to 4.0% p.a. ROE**
- **Business volumes**
  - Loan growth in mortgage activities of 6% y/y. Bank lending remains under pressure.
  - Continued AUM growth due to positive developments in the financial markets and net inflow of funds from especially private banking customers.
- **Core income**
  - Net interest income favourably affected by growth in loan volumes within mortgage and leasing activities and an additional day in Q3 vs. Q2
  - However, this is more than offset by continued pressure on margins from falling interest rates and increased funding costs due to recent MREL issuance
  - Net fee income picks up mainly due to higher refinancing activity and performance-related fees
  - Value adjustments remained under pressure from flattening of Danish yield curve.
- **Core expenses** of DKK 1,275m – up by 2% compared to Q2 2019, primarily caused by yearly salary increases.
- **Investment portfolio earnings** of DKK -136m down by DKK 86m compared to Q2 2019. The result was negatively affected by continued flattening of yield curves and FX positions.

## Core profit and profit for the period

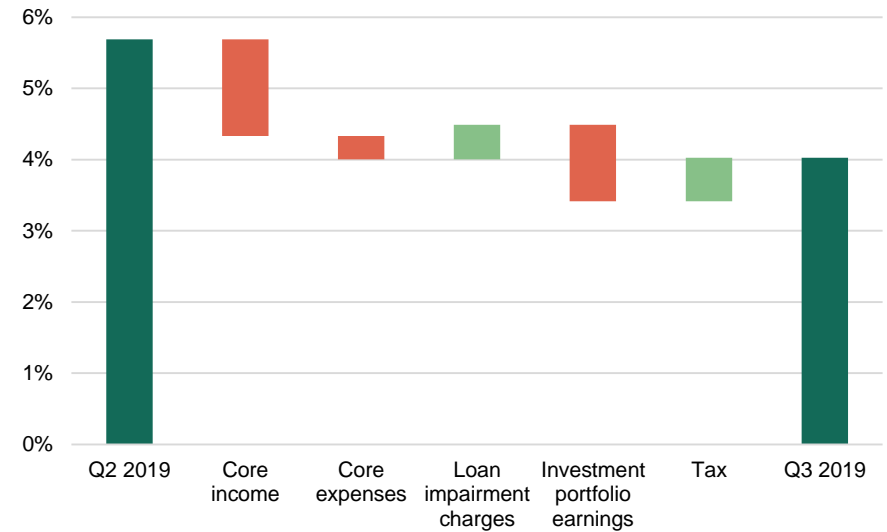
DKKm			Index		Index
	Q3 2019	Q3 2018	19/18	Q2 2019	Q3/Q2
Net interest income	1,310	1,407	93	1,340	98
Net fee and commission income	580	443	131	523	111
Value adjustments	-95	132	-	-8	-
Other income	7	127	6	59	12
Income from operating lease (net)	28	26	108	34	82
<b>Core income</b>	<b>1,830</b>	<b>2,135</b>	<b>86</b>	<b>1,948</b>	<b>94</b>
Core expenses	1,275	1,249	102	1,256	102
<b>Core profit before loan impairment charges</b>	<b>555</b>	<b>886</b>	<b>63</b>	<b>692</b>	<b>80</b>
Loan impairment charges	-30	104	-	9	-
<b>Core profit</b>	<b>585</b>	<b>782</b>	<b>75</b>	<b>683</b>	<b>86</b>
Investment portfolio earnings	-136	-20	-	-50	-
<b>Pre-tax profit</b>	<b>449</b>	<b>762</b>	<b>59</b>	<b>633</b>	<b>71</b>
Tax	84	184	46	134	63
<b>Profit for the period</b>	<b>365</b>	<b>578</b>	<b>63</b>	<b>499</b>	<b>73</b>

## Summary of balancesheet, end of period

DKKbn			Index		Index
	Q3 2019	Q3 2018	19/18	Q2 2019	Q3/Q2
Mortgage loans	339	319	106	337	101
Traditional bank loans	102	105	97	103	99
New home loans	4	9	44	5	80
Bank deposits	138	137	101	139	99
Assets under management	162	147	110	160	101



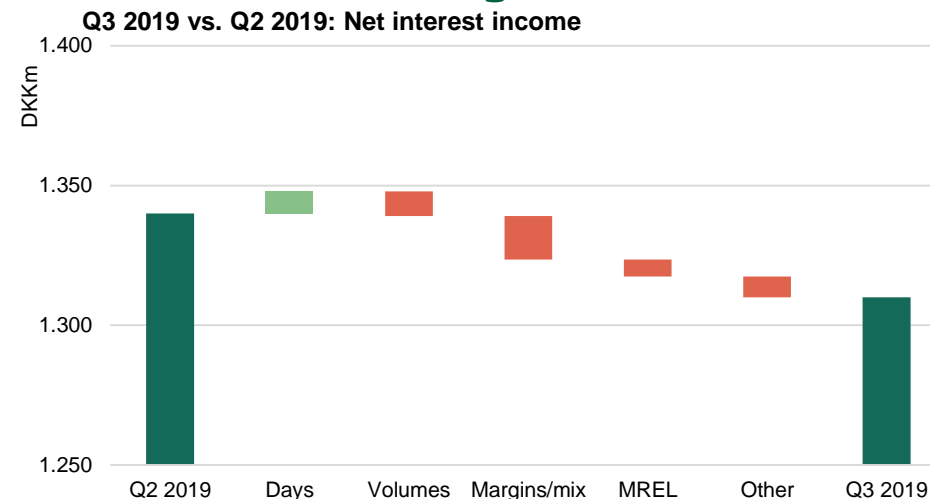
### Q3 2019 vs. Q2 2019: Development in ROE after tax



# Net interest income impacted by several factors

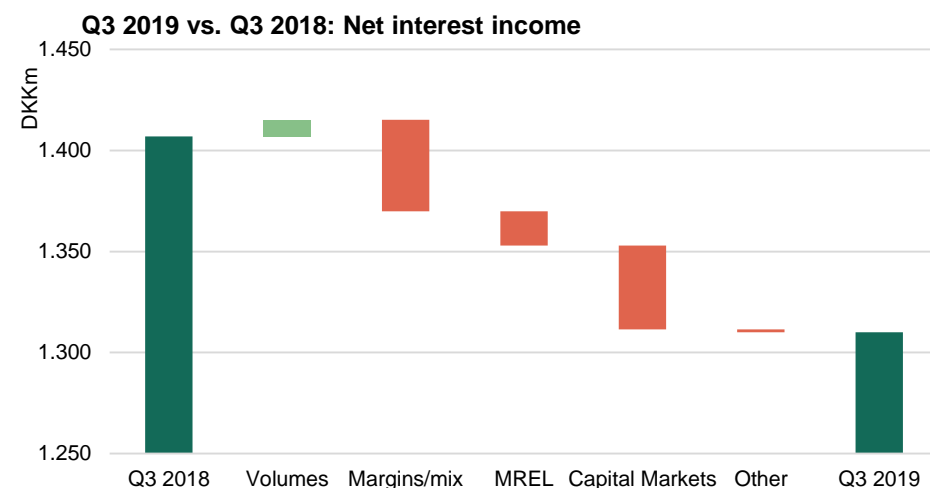
Net interest income of DKK 1,310m compared to DKK 1,340m in Q2 2019 and DKK 1,407m in Q3 2018 – down by 2% and 7%, respectively

- **Pressure on net interest income in Q3 2019:** Growing volume of loans relating to mortgage and leasing activities as well one additional interest-bearing day vs. Q2 was not able to offset lower bank lending volumes and net interest margin pressure.
- **Margin pressure caused by several factors:**
  - The lowering of the Danish central bank’s policy rate by 10 bp to -0.75% and falling market rates had a negative effect on the yield of Jyske Bank’s approximately DKK 130bn of bank deposits.
  - Bank loans and advances were still subject to keen competition. Additionally, personal clients continued to increasingly opt for fixed-rate mortgage loans with amortisation, in connection with which the administration margin rate and the risk are lower.
  - Funding costs incurred to meet the MREL requirement rose due to an issue of EUR 500m non-preferred senior debt in June 2019.
- **Compared to Q3 2018,** and in addition to the abovementioned factors, lower net interest income from strategic balance and risk management as well as trading activities added to the pressure on net interest income.



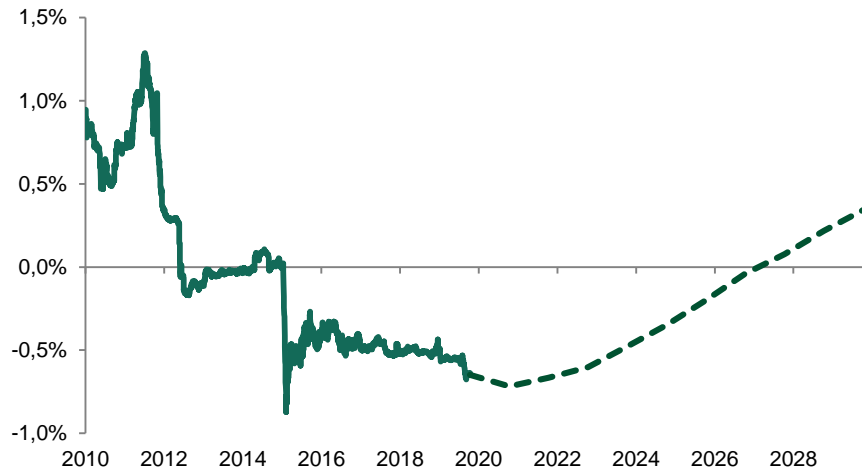
**NI and value adjustments excl. strategic balance and risk management (DKKm)**

	Q3 2019	Q3 2018	Index 19/18	Q2 2019	Index Q3/Q2
Net interest income	1,252	1,324	95	1,302	96
Value adjustments	25	96	26	78	32



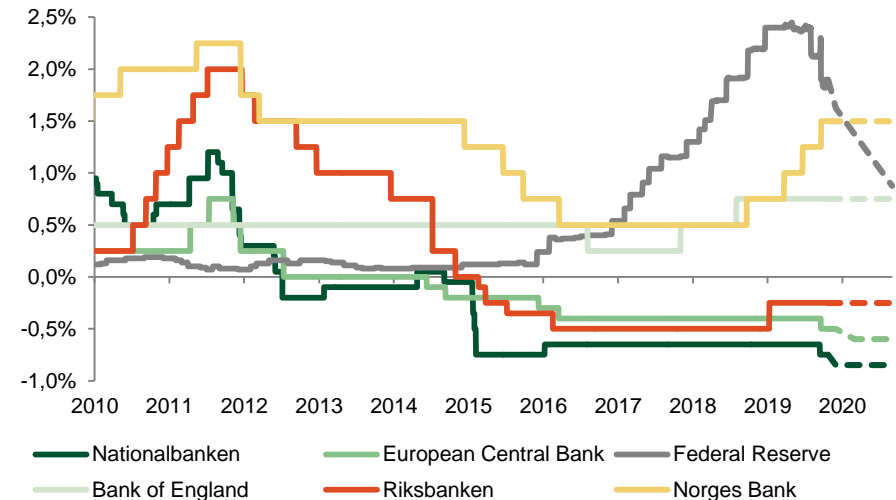
- **The Danish central bank's main policy rate has been negative for more than four years in a row**
- **Negative deposit rates:** Introducing -75bp deposit rate on retail client deposits exceeding DKK 750,000 as well as all corporate deposits from 1 December 2019, unless other terms are negotiated.
- **Impacting larger share of deposit base:** Negative deposit rates on retail client deposits to impact almost DKK 10bn of deposits and 11,000 personal clients. Nearly DKK 50bn of deposits remain untouched by negative deposit rates from 1 December 2019.
- **Preliminary feedback from clients:** Based on the feedback from the clients so far and their transactions, we assess that the clients will invest, will accept the standard terms, will restructure their deposits and possibly reduce debt or increase spending. In consequence of this, a decline in deposits of DKK 3bn-4bn is to be expected.

**Cita 1 month and forwards**



Note: Dashed line depicts forward rates.

**Central bank rates**



Note: Dashed lines depict Jyske Bank forecasts.

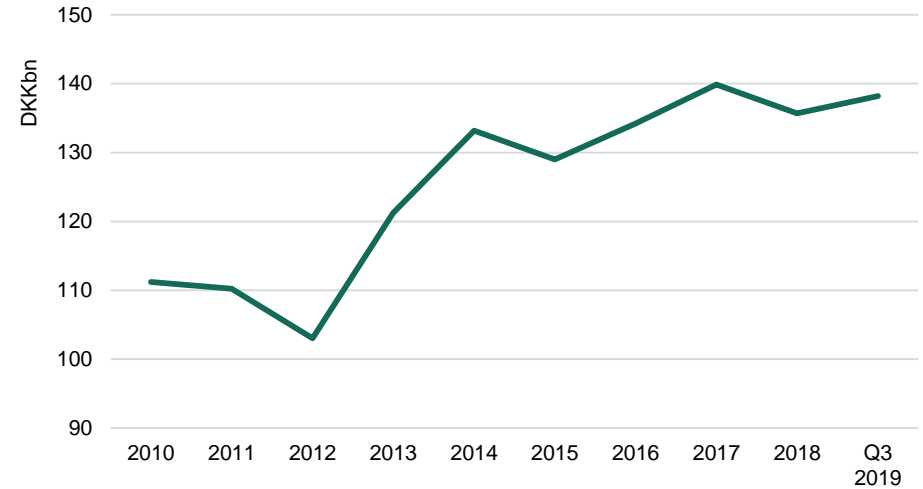
**Bank deposits of DKK 138.2bn in Q3 2019 compared to DKK 135.5bn end of 2018 – up by 2%**

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

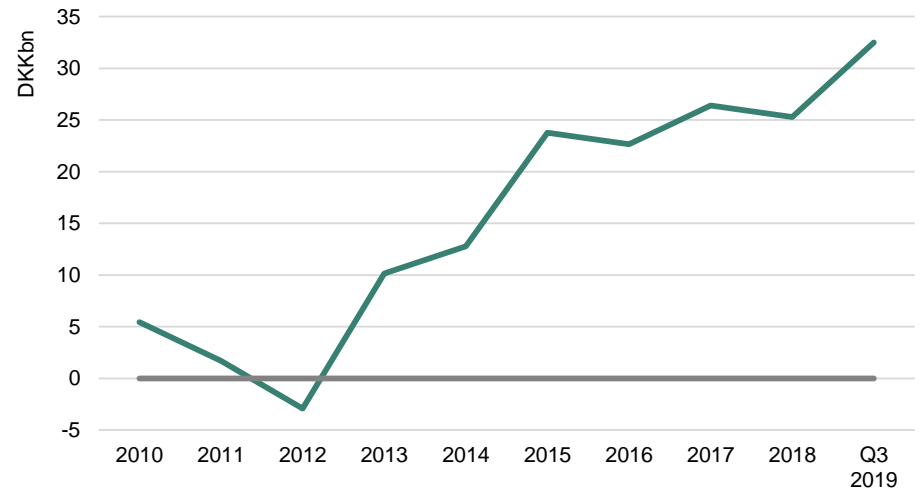
**Bank deposit surplus of DKK 32.5bn in Q3 2019 compared to DKK 25.3bn end of 2018. Negatively affected by:**

- High propensity to save, especially among private individuals
- Lack of loan growth within banking activities

**Bank deposits (ex. repo)**



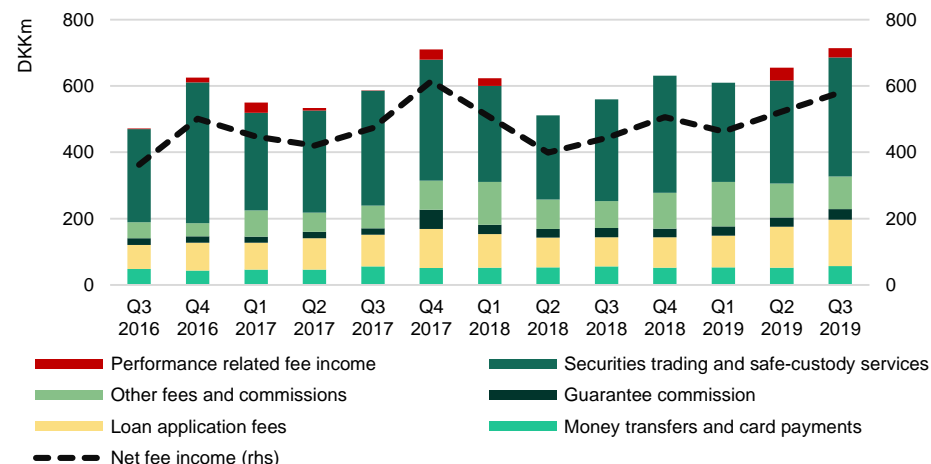
**Bank deposit surplus**



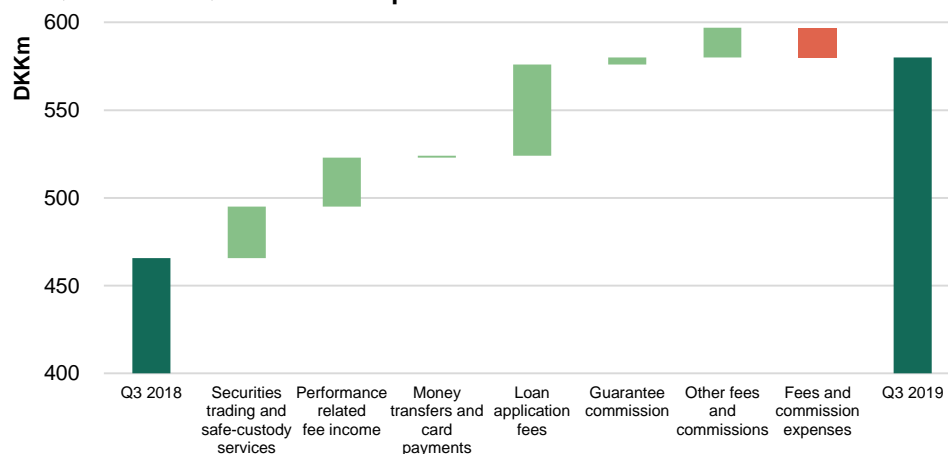
# Net fee income supported by refinancing activity

- Net fee income of DKK 580m in Q3 2019 – up by 31% relative to Q3 2018
- Net fee income in Q3 2019 close to level from Q4 2017
  - High refinancing activity in Q3 supports fee income from mortgage activities
  - Performance related fees of DKK 28m in Q3 2019
  - Stability in other types of fee income
  - 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

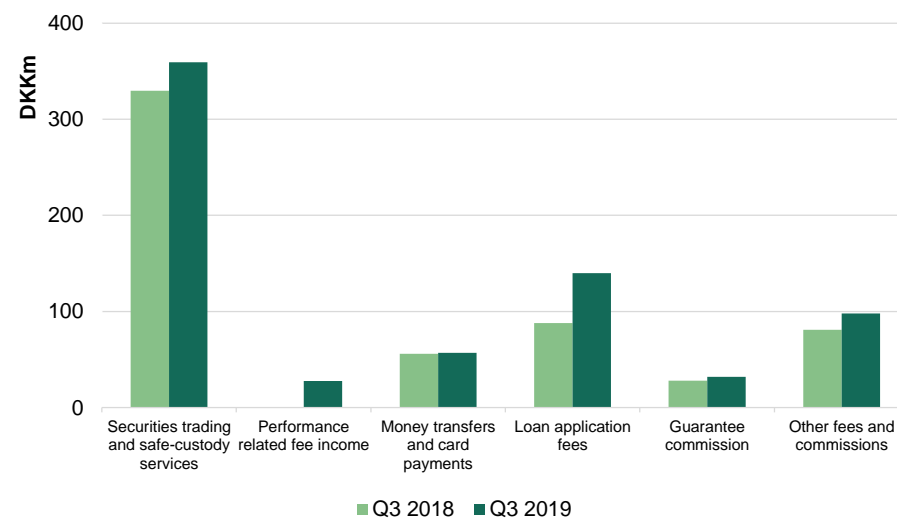
Fee income split by type



Q3 2019 vs. Q3 2018: Development in net fee income



Fee and commission income

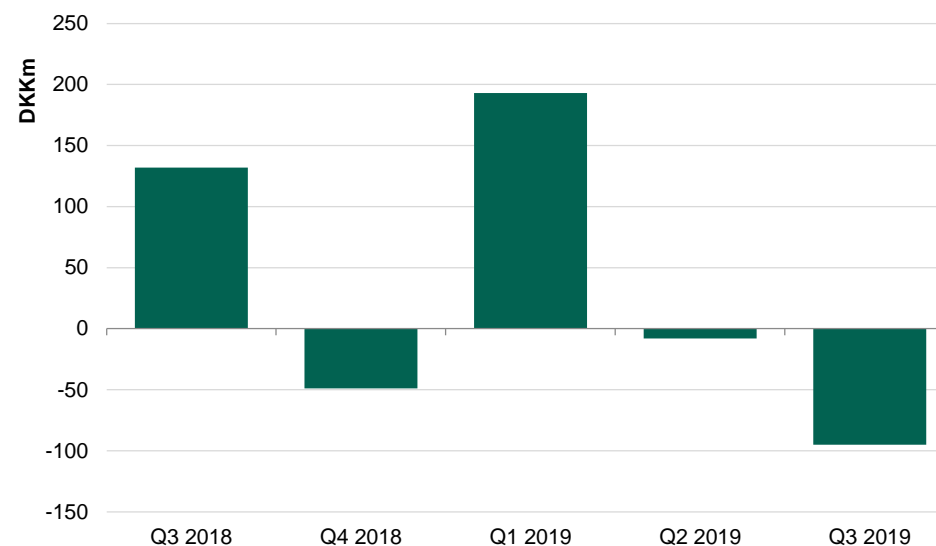




# Value adjustments at lower levels

- **Value adjustments under core income amounted to DKK -95m, down by DKK 87m q/q and DKK 227m y/y due to:**
  - Flatter yield curve and decreasing interest rate levels
  - Value adjustments from clients' transactions relating to interest-rate hedging (swaps):
    - DKK -34m in Q3 2019
    - DKK -27m in Q2 2019
    - DKK -13m in Q3 2018
  - Lower value adjustments from strategic balance and risk management.
- **Strategic balance and risk management:** DKK -62m in Q3 2019 vs. DKK 119m in Q3 2018 and DKK -48m in Q2 2019
  - Lower net interest income driven by a higher proportion of floating rate notes vs. former fixed term notes, and a gradual change of the portfolio to amortised cost
  - Strategic ALM and risk management is comprised of a liquidity bond portfolio as well as derivatives used for hedging purposes. Overall interest rate risk is limited
    - Liquidity portfolio of approx. DKK 38bn end of Q3 2019, consists primarily of Danish mortgage bonds.

Value adjustments under core income



## Strategic balance and risk management (DKKm)

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Net interest income	38	18	27	32	63
Value adjustments	-84	-80	66	-83	45
<b>Banking activities, total</b>	<b>-46</b>	<b>-62</b>	<b>93</b>	<b>-51</b>	<b>108</b>
Net interest income	19	20	24	18	20
Value adjustments	-35	-6	-7	-28	-9
<b>Mortgage activities, total</b>	<b>-16</b>	<b>14</b>	<b>17</b>	<b>-10</b>	<b>11</b>
<b>Jyske Bank Group, total</b>	<b>-62</b>	<b>-48</b>	<b>110</b>	<b>-61</b>	<b>119</b>

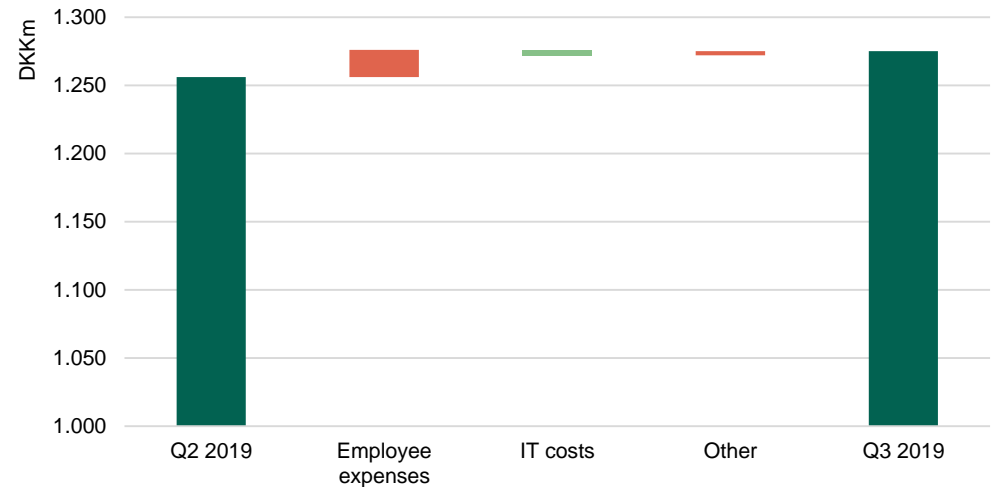
## NII and value adjustments excl. strategic balance and risk management (DKKm)

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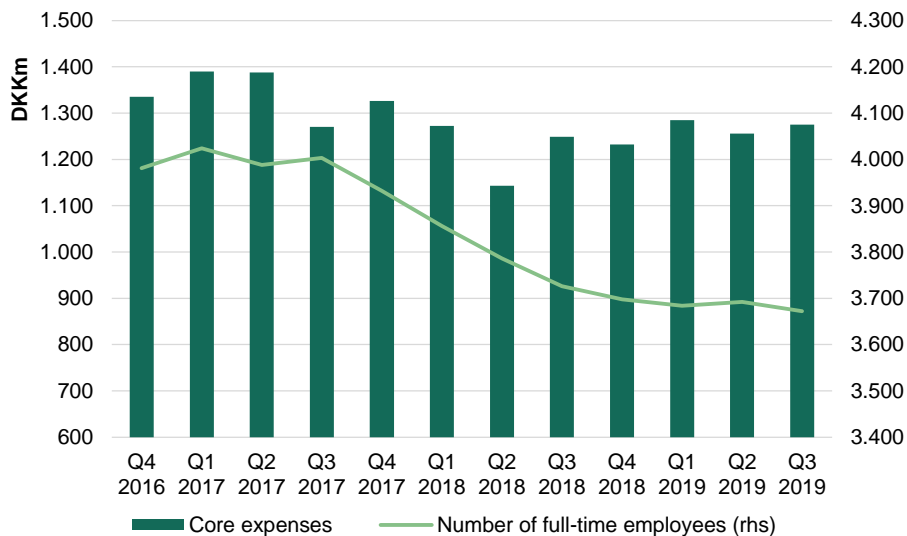
# Stable underlying development in core expenses

- **Core expenses of DKK 1,275m in Q3 2019 – up by DKK 19m vs. Q2 2019 and DKK 26m vs. Q3 2018. Impacted by:**
  - Lower number of full-time employees:
    - 3,672 FTE's Q3 2019
    - 3,692 FTE's Q2 2019
    - 3,726 FTE's Q3 2018
  - Yearly increases in salaries prescribed by collective agreement (+2.0%) and increasing payroll tax (+0.5pp.)
  - The cost base has overall been stable during recent years.

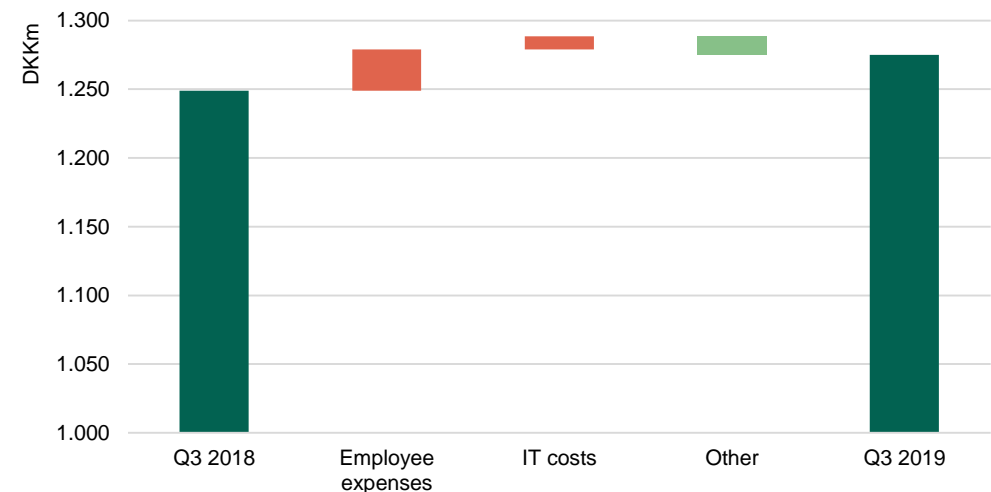
**Q3 2019 vs. Q2 2019 Development in core expenses**



**Core expenses and FTEs**



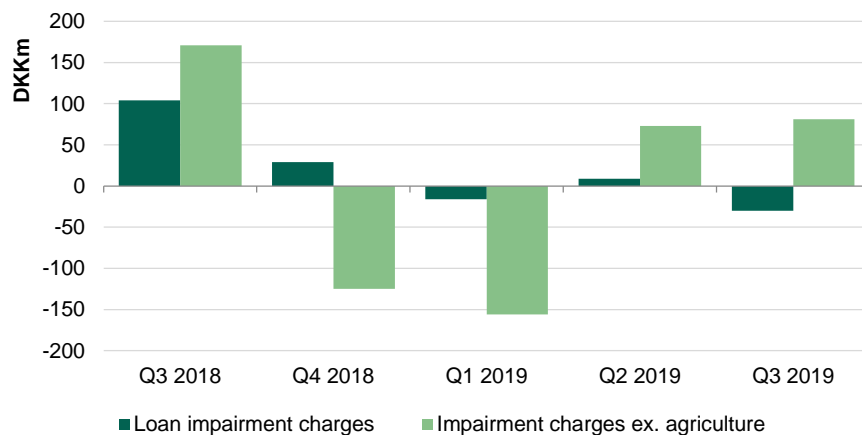
**Q3 2019 vs. Q3 2018: Development in core expenses**



# Net reversals of loan impairment charges

- **Credit quality remains solid: Net reversals of DKK 30m in Q3 2019 vs. impairment charges of DKK 9m in Q2 2019**
  - Impairment ratio of -1bp for Q3 2019
  - Accumulated impairment ratio of 1.1%
  - The underlying credit quality remains strong, and the increase in new non-performing loans was still at a low level in respect of both corporate and personal clients.
- **Management's estimate of DKK 441m (DKK 250m relating to agriculture):**
  - Q2 2019: DKK 561m (DKK 355m relating to agriculture)
  - Covering effects of lower sales prices for pelts and risk of lower prices on agricultural land
- **Agriculture excl. fishing accounts for approx. 1% of lending**

Loan impairment charges (under core profit)



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

	Q3 2019			Q4 2018		
	Loans, advances and guarantees	Balance of impairment charges	Impairment ratio	Loans and guarantees	Balance of impairment charges	Impairment ratio
Stage 1	462.1	0.5	0.1	449.1	0.6	0.1
Stage 2	27.3	1.4	4.9	26.0	1.3	4.8
Stage 3	5.9	3.2	35.2	6.5	3.6	35.6
<b>Total</b>	<b>495.4</b>	<b>5.1</b>	<b>1.0</b>	<b>481.6</b>	<b>5.5</b>	<b>1.1</b>

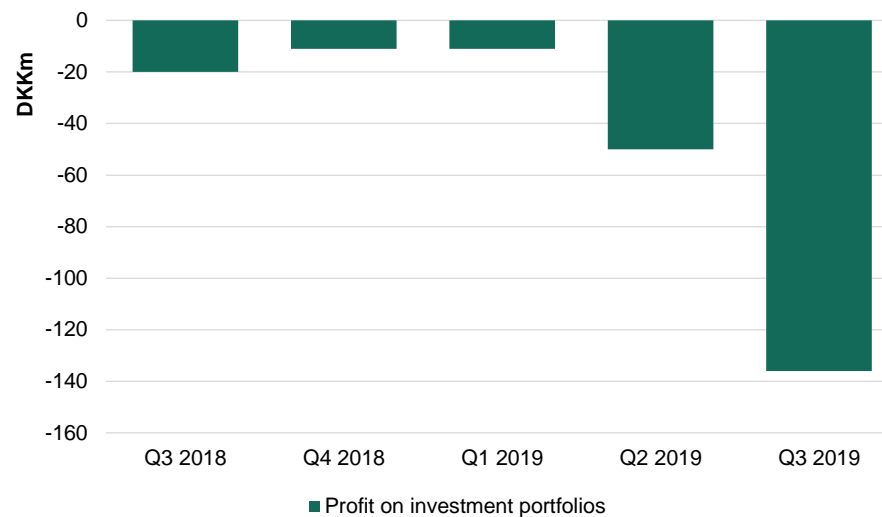
Dairy farmers, plant farming and pig farming (DKKkm/%)

	Loans, advances and guarantees		Balance of impairment charges		Impairment ratio	
	Q3 2019	Q4 2018	Q3 2019	Q4 2018	Q3 2019	Q4 2018
Milk	626	848	338	437	35%	34%
Pigs	1,560	1,616	220	264	12%	14%
Plants	2,145	2,050	112	122	5%	6%
Fur farmers	90	186	75	108	46%	37%
Other agriculture	1,333	1,384	128	132	9%	9%
<b>Total</b>	<b>5,754</b>	<b>6,084</b>	<b>874</b>	<b>1,063</b>	<b>13%</b>	<b>15%</b>

# Investment portfolio earnings down

- **The investment portfolio earnings amounted to DKK -136m in Q3 2019 – down by DKK 86m compared to Q2 2019**
- **Positioning:** In Q1-Q3 2019, Jyske Bank's investment portfolio has been positioned for a steepening of the yield curve.
- **FX positions:** Weakening of SEK vs. EUR has further challenged investment portfolio income due to hedging of AT1 issues in SEK. Additionally, other FX positions has impacted negatively in Q2 and Q3.
- **Substantial flattening of yield curves:** The Danish yield curve has flattened significantly – the entire curve now below zero.
- **OAS of Danish mortgage bonds** have shown a relatively steady development in recent quarters.

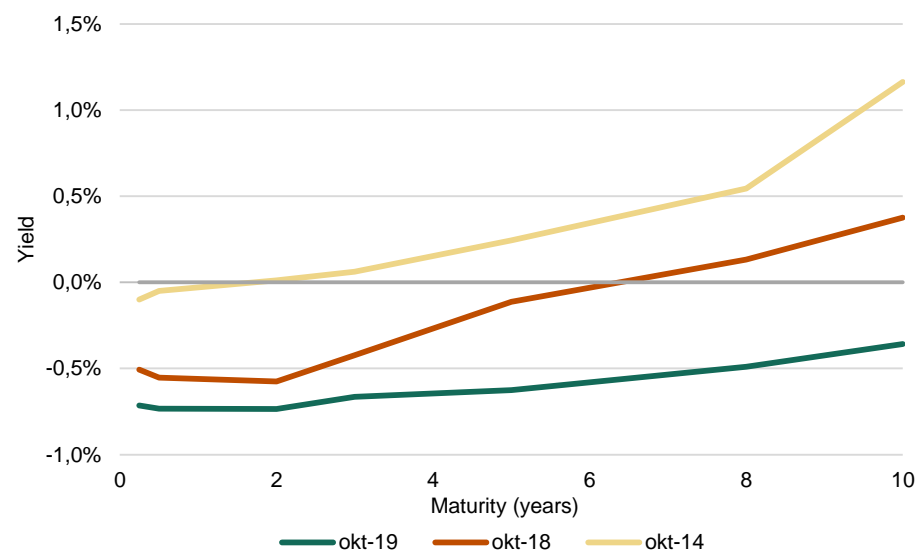
Investment portfolio earnings , quarterly



OAS of 3-year fixed rate Danish mortgage bonds (CIBOR6M)



Interest rate curve

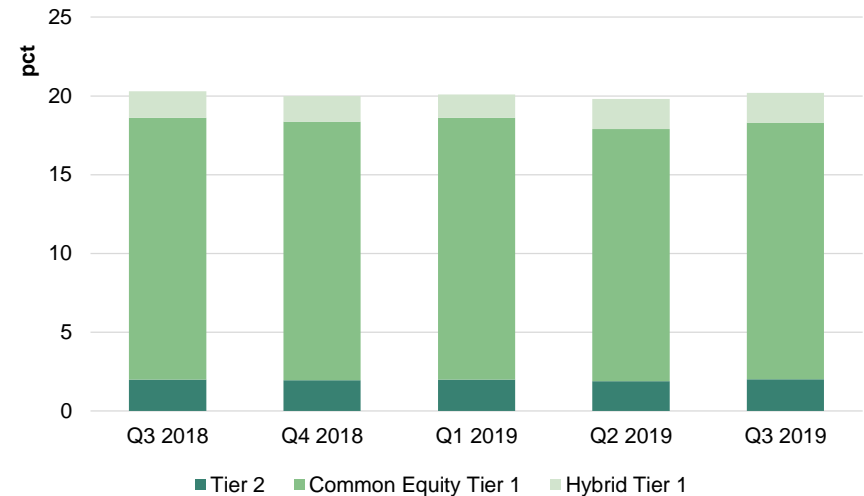


# Capital and Liquidity

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- **Capital ratio 20.2% and CET1 ratio 16.3% end of Q3 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 upgraded Jyske Bank's preferred senior ratings to A/A-1 from A-/A-2 with 'stable outlook' in October 2019
  - RAC ratio of approximately 11.9% end of Q3 2019. Q2 2019 RAC ratio was 10.3% but would have been 11.7% following upgrade
- **Share buy-back programme** of DKK 500m running from August 21<sup>st</sup> up to and including November 29<sup>th</sup> 2019 to be increased by DKK 500m and extended until March 31<sup>st</sup> 2020.
- **Capital distribution since November 2015:**
  - Share buy-back programmes of DKK 6.25bn in total
  - Dividends of DKK 2.5bn in total
  - 2019: Share buy-back programmes of DKK 2.0bn in total

**Capital ratios**

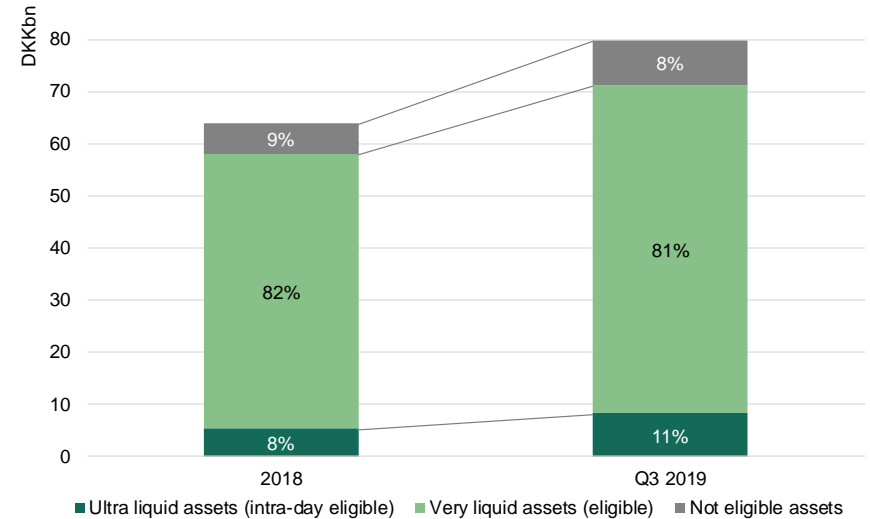


**Capital Distribution (time of announcement)**

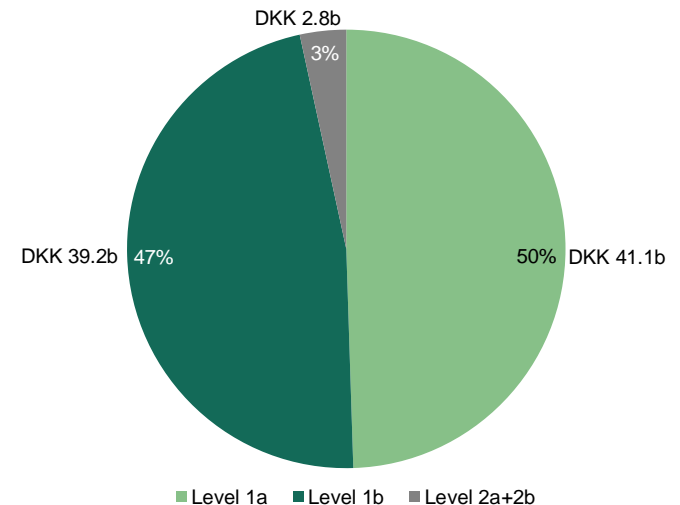


- **Liquidity buffer** DKK 80bn end of Q3 2019 vs. DKK 64bn end of 2018
  - 89% of the buffer - DKK 71bn - is eligible for repo transactions at central banks (Nationalbanken or ECB)
  - Cash placements are categorized as intra-day eligible
  - Increased liquidity buffer due to:
    - Increased deposits
    - Liquidity from Jyske Realkredit due to higher refinancing activity
- **Group's LCR** at 197% by end of Q3 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 209% end of Q3 2019
- **Leverage ratio** of 5.1% end of Q3 2019 vs. 5.3% end of 2018.

**Group liquidity buffer (DKKbn)**



**LCR liquidity buffer**



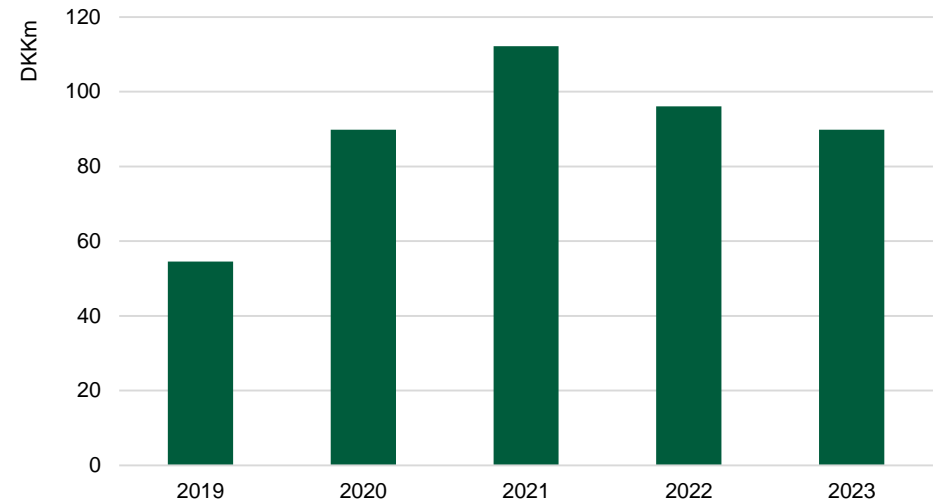
## 2019-2021:

- 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, funding costs are expected to increase as follows:
  - 2019: DKK 55m
  - 2020: DKK 35m (DKK 90m accumulated)
  - 2021: DKK 22m (DKK 112 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 Q3 2019
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- **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 663bn and total loans of DKK 484bn of which mortgage loans account for DKK 339bn (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 2bn (buy-backs DKK 2bn)

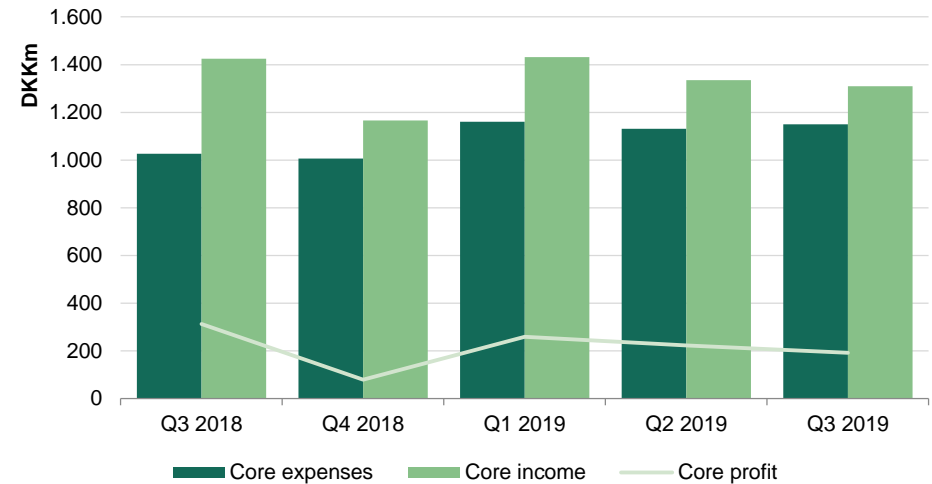
## Jyske Bank Group key figures

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
Q1-Q3 2019	1,853	1,474	32,014	5.7%	483.8	157.9	662.5	3,672

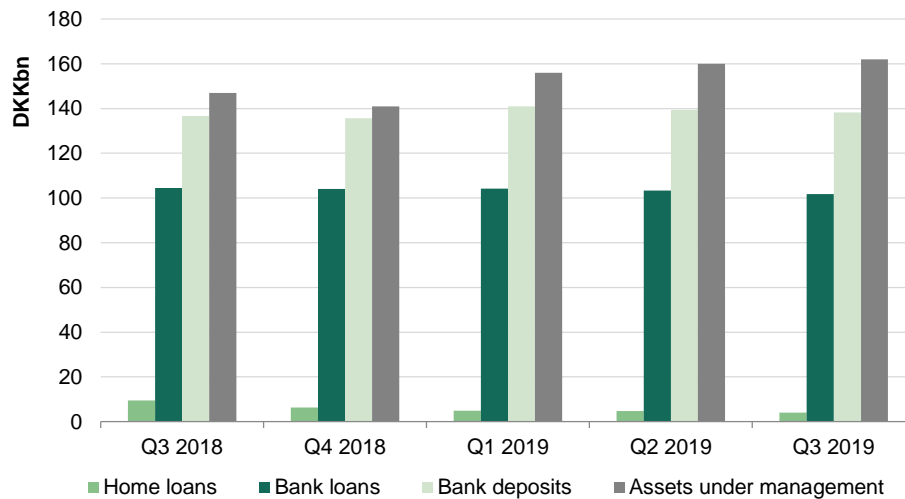
Average ROE after tax 1997 – Q3 2019 of 11.5%

- Decrease in bank lending of 4% ytd., partly due to the introduction of cash pool solutions.
- Increase in bank deposits of 2% ytd.
- Increase in AUM due to positive developments in financial markets and inflow of funds
- Core profit of DKK 192m in Q3 2019 compared to DKK 313m in Q3 2018 – down by 39% due to challenging financial markets
- Reversal of impairment charges of DKK 33m in Q3 2019. Excl. agriculture impairment charges of DKK 78m.

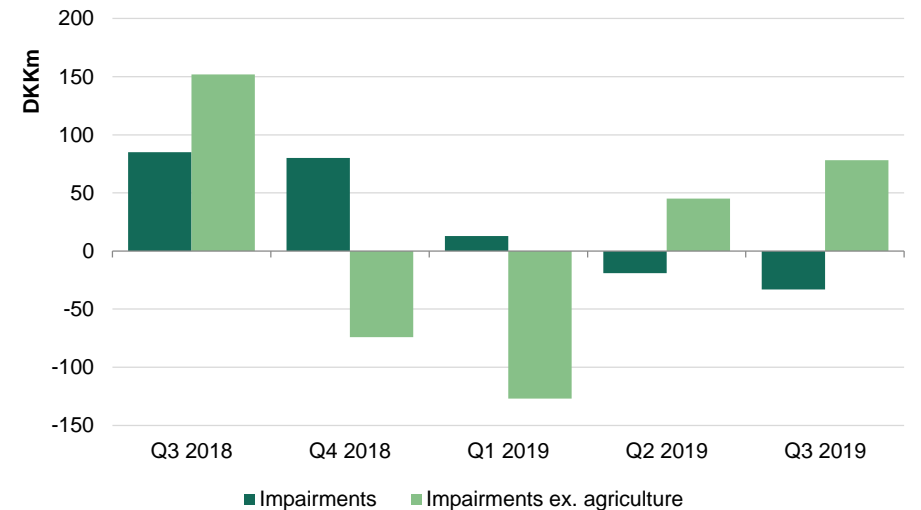
## Financials



## Business volumes

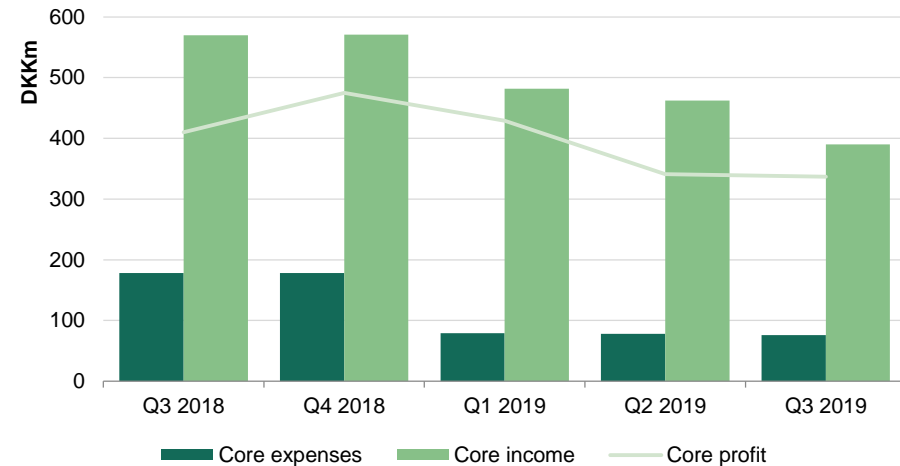


## Impairments

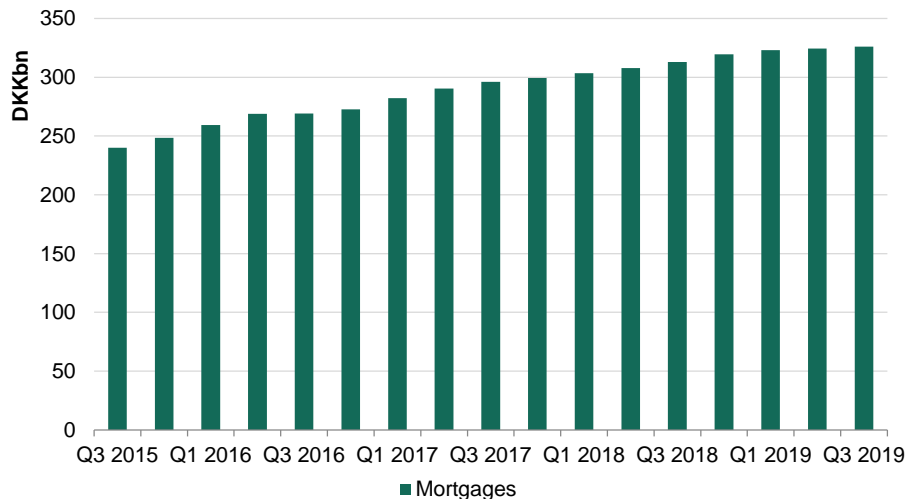


- Continued growth in loan volume – both private individuals and corporate clients
  - Nominal volumes up 2% ytd.
  - Mortgage lending at fair value saw a further increase to 4% ytd. due to rising bond prices
- High refinancing activity in Q3 2019 supports fee income from mortgage activities
- Reversal of loan impairment charges of DKK 23m in Q3 2019 mainly be attributed to private individuals.

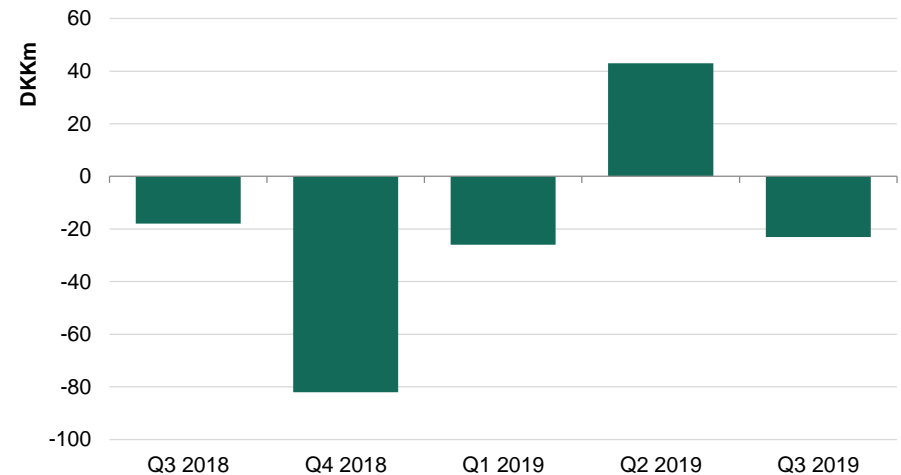
## Financials



## Business volumes (Jyske Realkredit, nominal values)

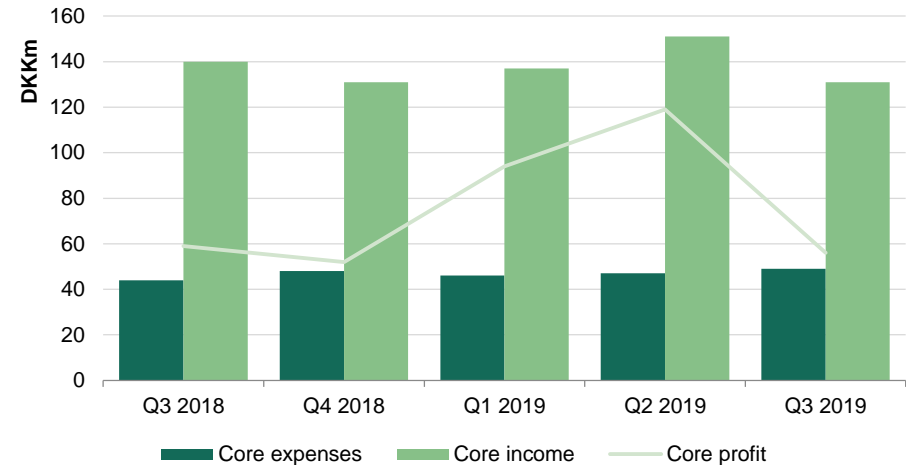


## Impairments (Mortgage)



- Loan volumes up 10% y/y, thus continuing to support net interest income
- Negative value adjustments in Q3 due to the SEK portfolio in Sweden being hedged in EUR
- Stable core expenses
- Impairment charges of DKK 26m in Q3 2019 compared to DKK 37m in Q3 2018

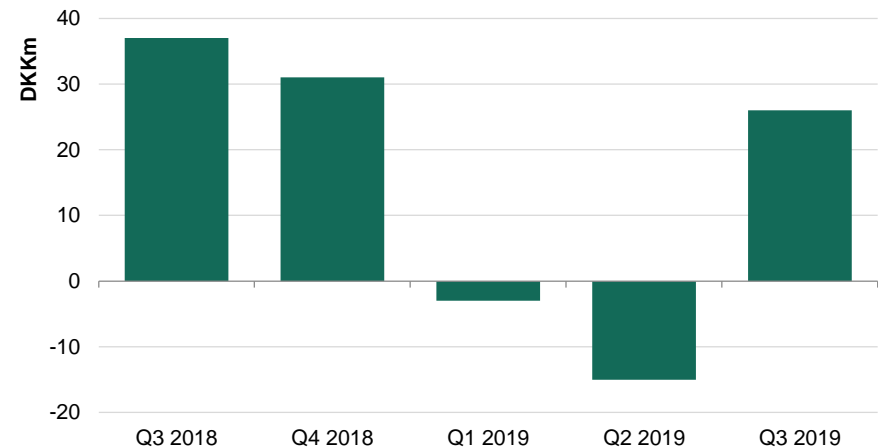
## Financials



## Business volumes - Leasing

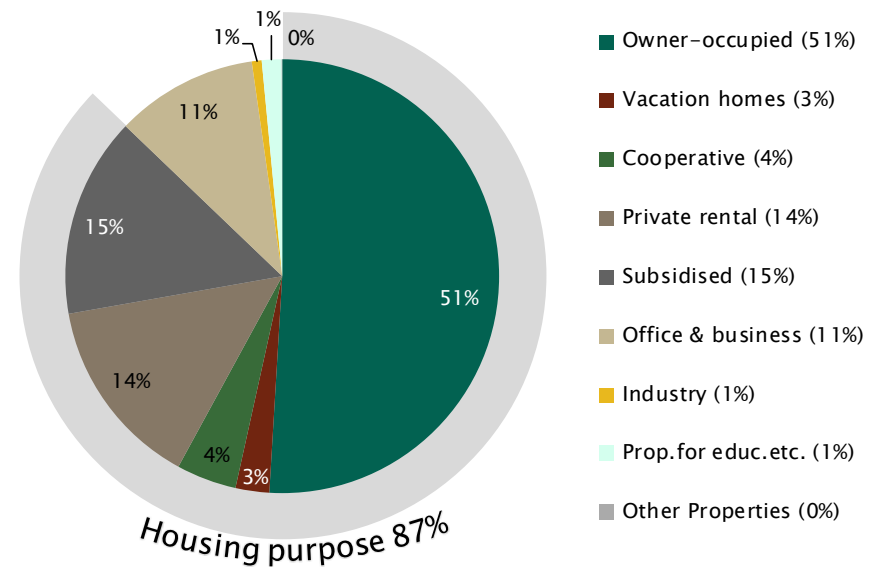


## Impairments

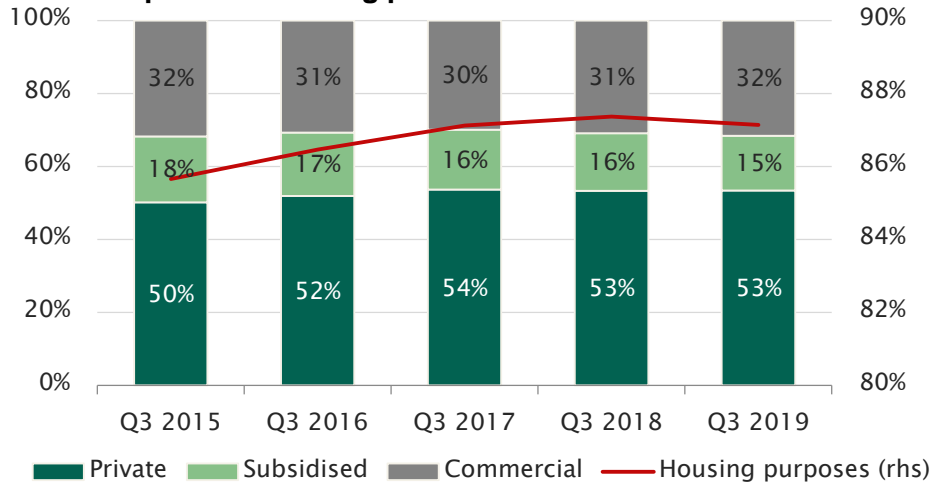


- 87% of lending to properties with housing purposes
  - No loans with swaps to co-operative housing
  - No lending to agriculture and other primary production
  - DKK 27bn of lending for subsidised housing 100% guaranteed by the Danish government
- Continued increase in lending for the private residential 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

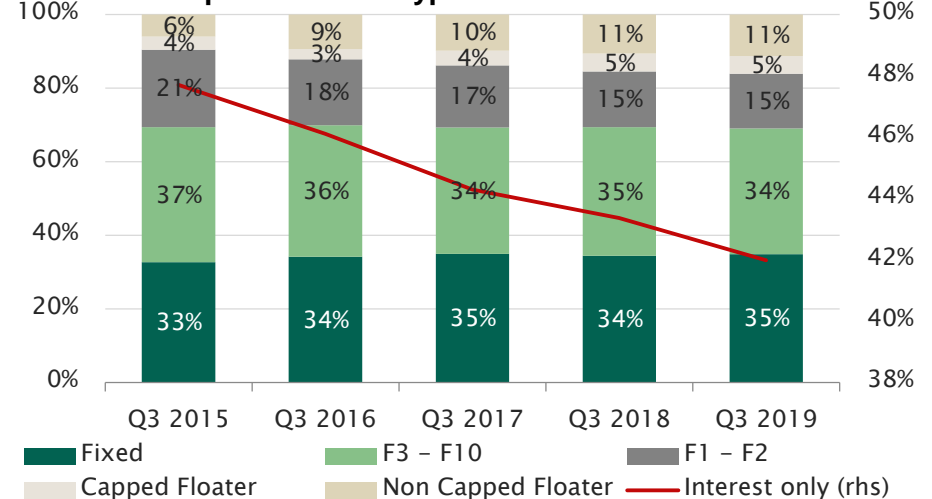
Distribution of lending portfolio



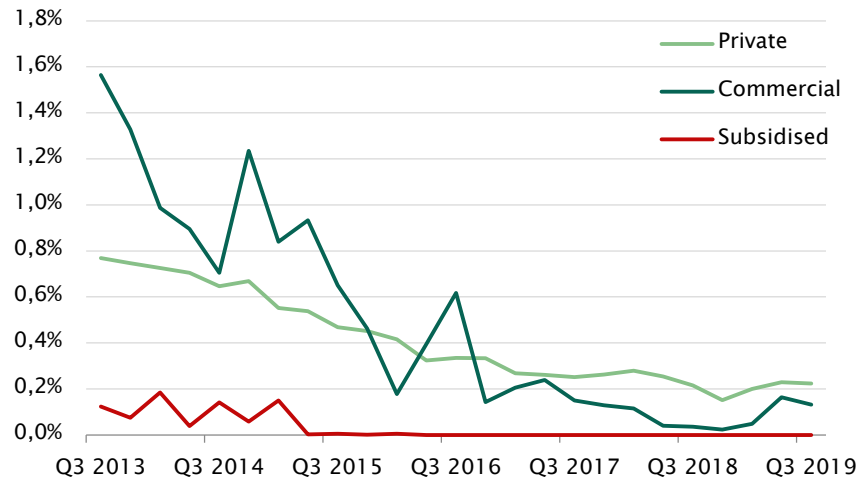
Development in lending portfolio



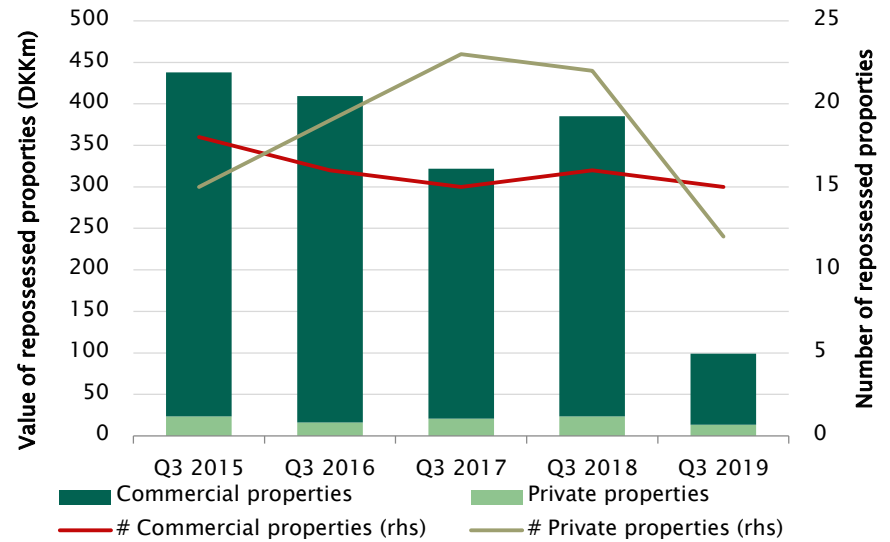
Development in loan types



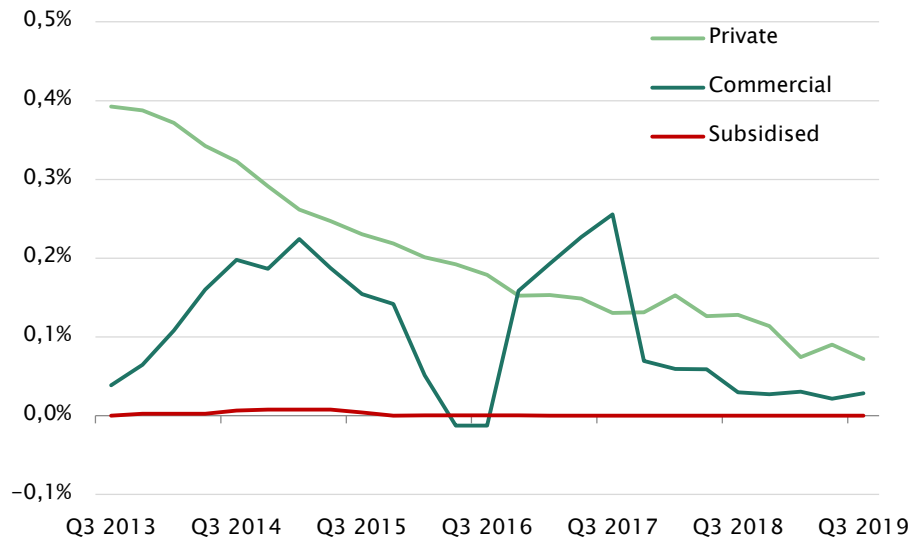
### Lending in 90-days arrears (per cent of lending)



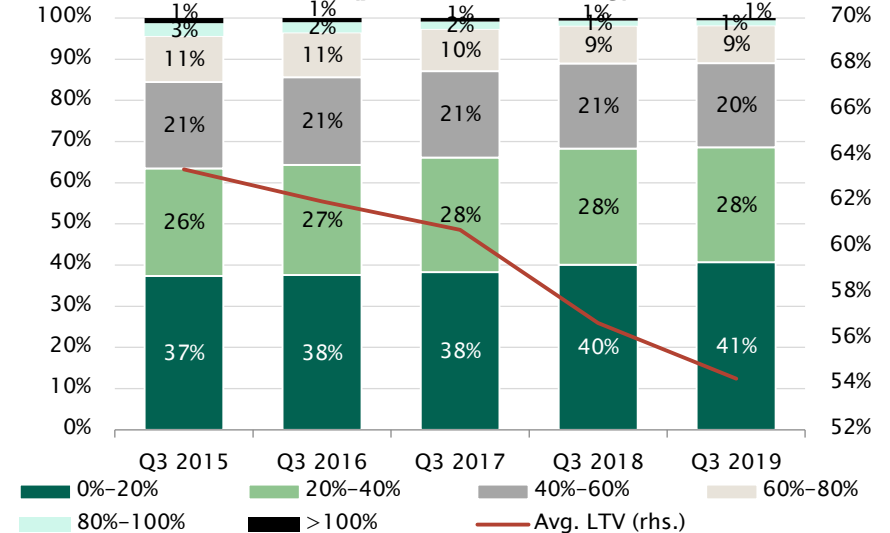
### Reposessed properties (DKKm/number)



### Yearly realised losses (running year)



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





- **Portfolio composition end of Q3 2019**

- Corporates take up larger proportion, 67% vs. 63% end of 2018
- Private individuals at 28% 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 2.8%

- **Corporates**

- Reversal of impairment charges re. agriculture
- Impairment ratio at 0bp in Q3 2019

- **Private individuals**

- Lower impairment charges
- Impairment ratio at 0bp in Q3 2019

## Loans and guarantees by sector (DKKm/%)

	Loans, advances and guarantees		Balance of loan impairment charges		Losses	Impairment charges
	Q3 2019	Q4 2018	Q3 2019	Q4 2018	YTD	Q3 2019
<b>Public authorities</b>	5%	7%	0%	0%	0	0
Agriculture, hunting, forestry and fishing	5%	5%	22%	25%	193	-35
Manufacturing, mining etc.	6%	5%	5%	6%	33	-45
Energy supply	3%	3%	1%	2%	3	-25
Building and construction	3%	2%	3%	2%	4	34
Commerce	8%	8%	5%	6%	24	-28
Transport, hotels and restaurants	3%	3%	2%	3%	8	-8
Information and communication	1%	1%	4%	1%	4	106
Finance and insurance (ex repo loans)	22%	20%	16%	15%	45	37
Real property	13%	11%	10%	9%	2	-21
Other sectors	4%	4%	4%	4%	12	1
<b>Corporate clients</b>	67%	63%	72%	72%	331	15
<b>Private individuals</b>	28%	31%	25%	25%	58	-25
Unused credit commitments	0%	0%	3%	3%	0	-25
<b>Total</b>	100%	100%	100%	100%	388	-35

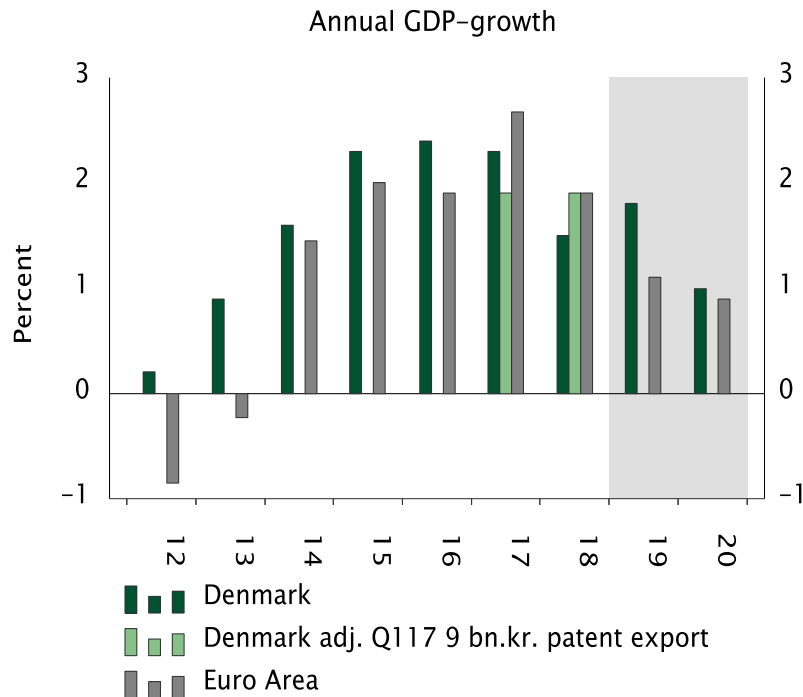
Note: Bank loans, advances and guarantees excl. repo loans. Based on impairment charges as reported according to IFRS (as opposed to impairment charges under core profit)

# **Danish Economy October 2019**

- The Danish economy has been in an upturn for seven years.
- We expect the upturn to slow down gradually through 2020 due to decreasing global growth. However, so far export is still performing well despite the current economic slowdown in Europe.
- Low interest rates and increasing house prices continue to stimulate domestic demand, but the positive impact from the labour market has decreased due to lower job growth.
- Saving behaviour is still pronounced. Overall lending growth is positive, but very modest.
- The previous surge in prices on flats have stopped.
- Postponed legislation: The tax freeze on housing is to be abandoned reducing risk of housing bubbles. However, implementation is postponed from 2021 to 2024 due to delay on finishing new method for property valuation.
- Denmark is a AAA economy with strong structural financial features.

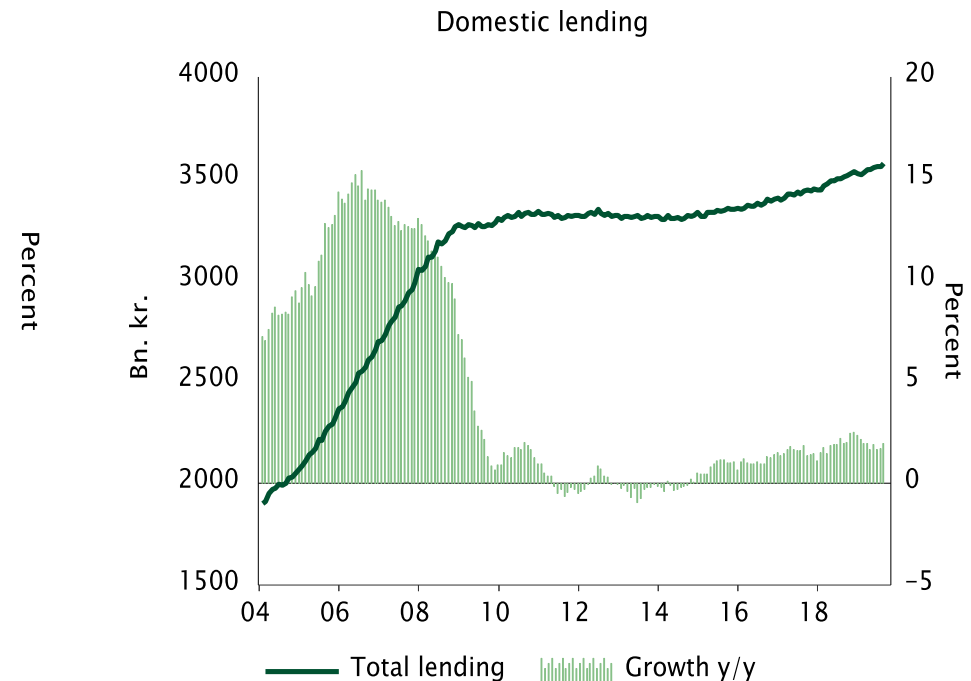
- The upturn is still running, but is likely to slow down.
- It has not been a credit driven upturn. No credit imbalances.

The upturn will slow down through 2020



Source: Refinitiv Datastream

Lending growth is still subdued



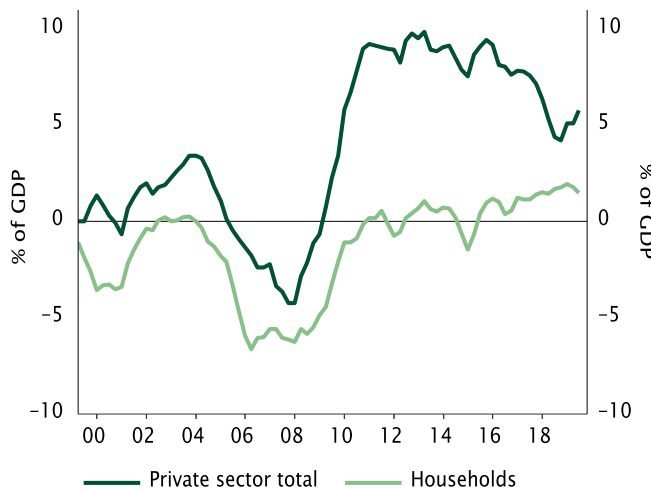
Source: Refinitiv Datastream

Note: A recent upward revision of the current account surplus in 2018 will likely lead to an upward adjustment of GDP-growth in 2018 of at least 1 %-point and a downward adjustment of almost of same size for of our 2019-forecast.

- 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

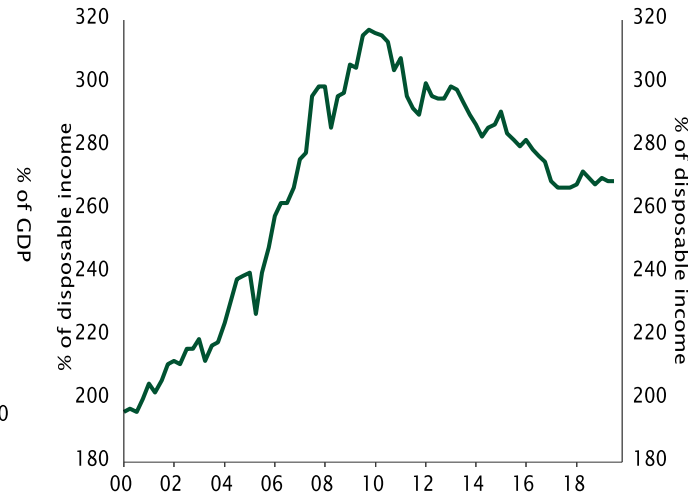
Private sector financial saving



Source: Refinitiv Datastream

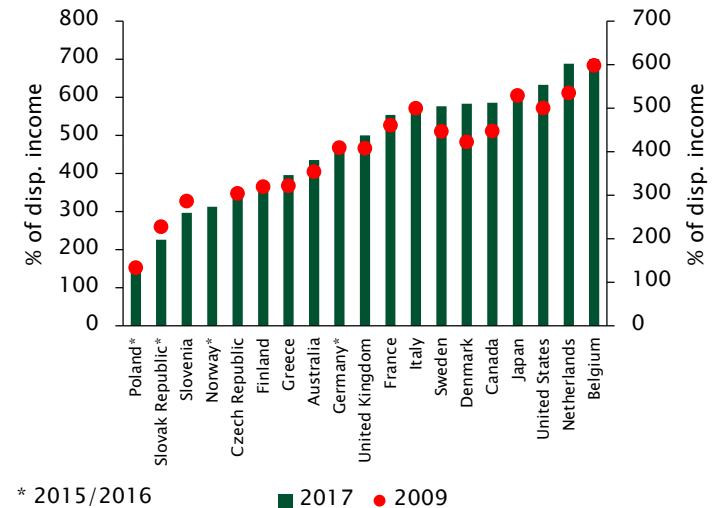
## ...so household debt has declined

Household gross debt



Source: Refinitiv Datastream

## ...and household net assets are large



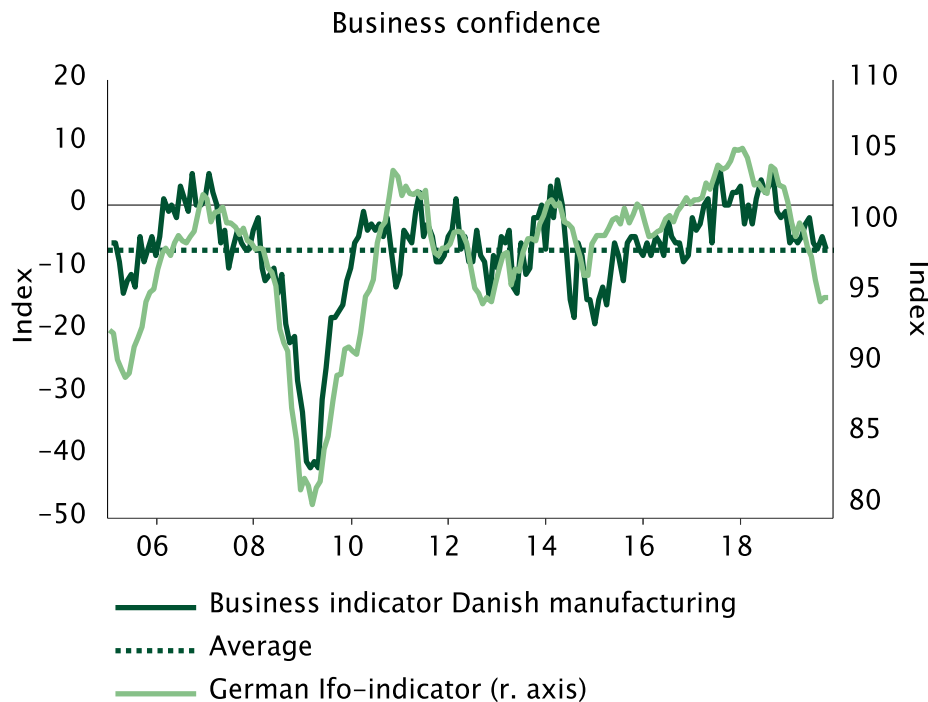
\* 2015/2016

■ 2017 ● 2009

Source: OECD

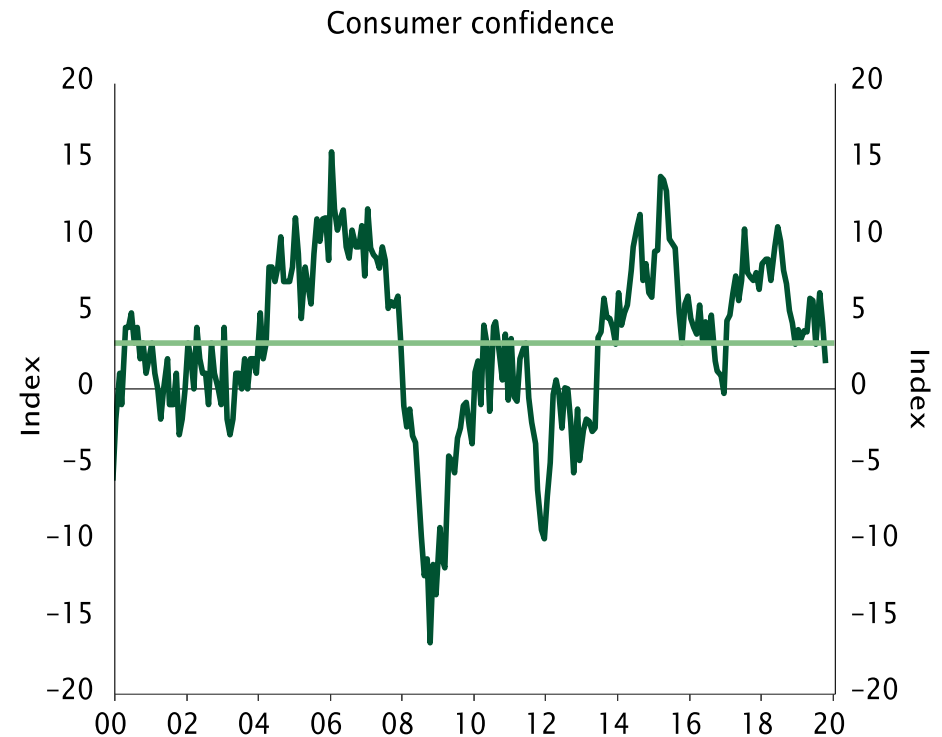
- There is spill-over to Denmark from weaker global economic signals
- Currently, we see a neutral stance in Danish manufacturing

### Spill-over to Denmark from Germany



Source: Refinitiv Datastream

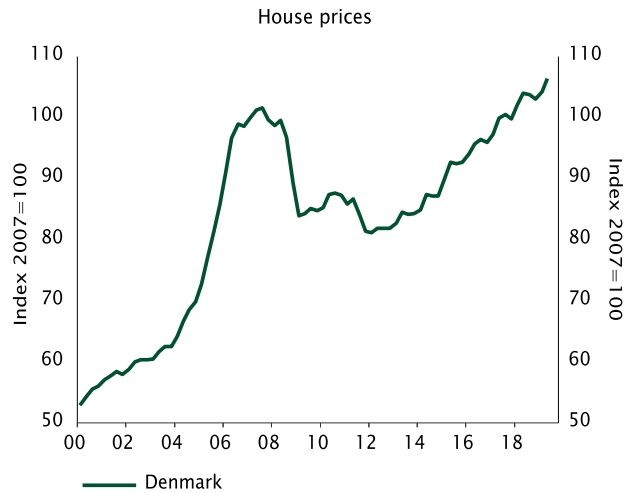
### But consumers remain positive



Source: Refinitiv Datastream

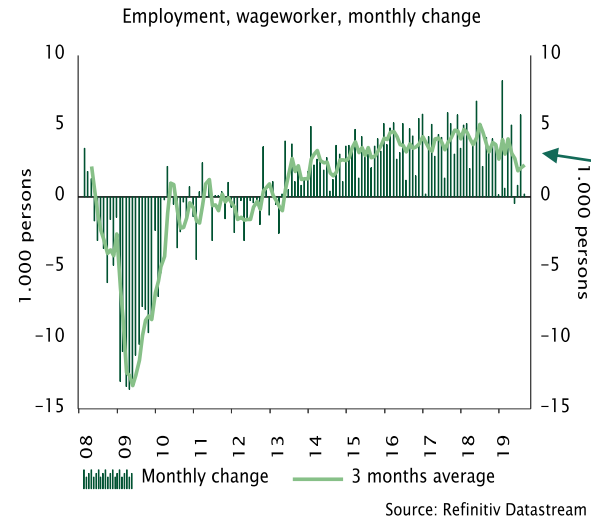
# 3 kinds of stimulus support demand

House prices recovering after burst in 08/09



Source: Refinitiv Datastream

Steady rise in employment



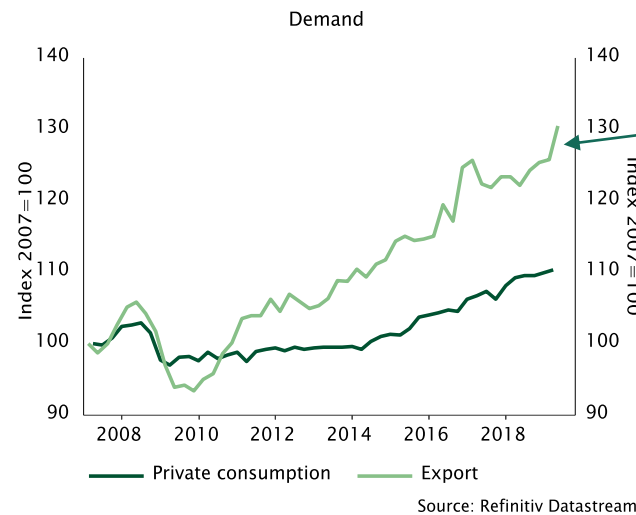
The latest data from May-August show first signs of slowdown on the labour market.

Interest rates are at a historic low



Source: Refinitiv Datastream

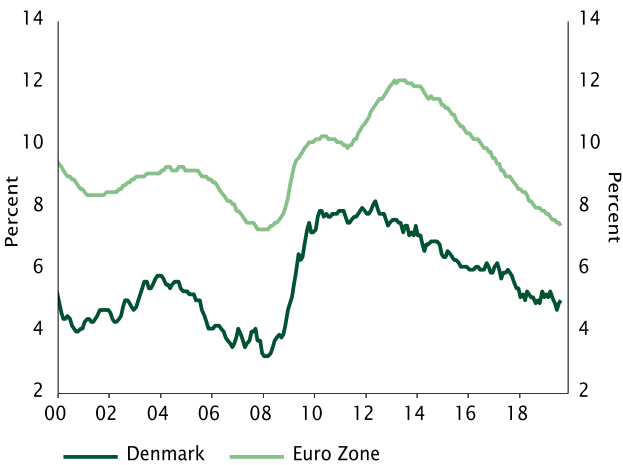
Both domestic and foreign demand is increasing



Exports is performing despite global slowdown. Pharmaceutical industry is 25% of manufacturing sector.

## Unemployment has declining

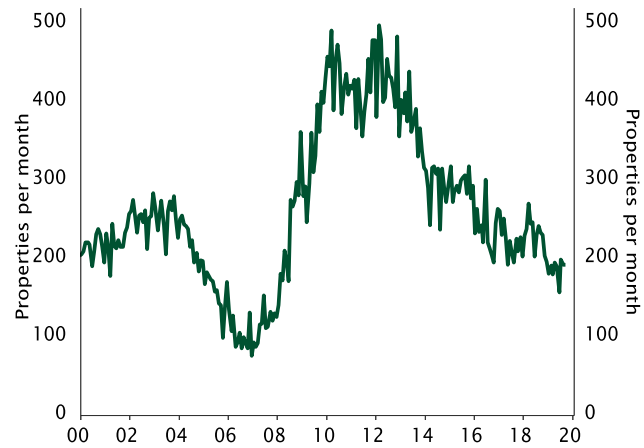
Unemployment rate (harmonized)



Source: Refinitiv Datastream

## Forced house sales below 0.2% per year

Foreced sales (properties)



Source: Refinitiv Datastream

## Business bankruptcies at neutral level

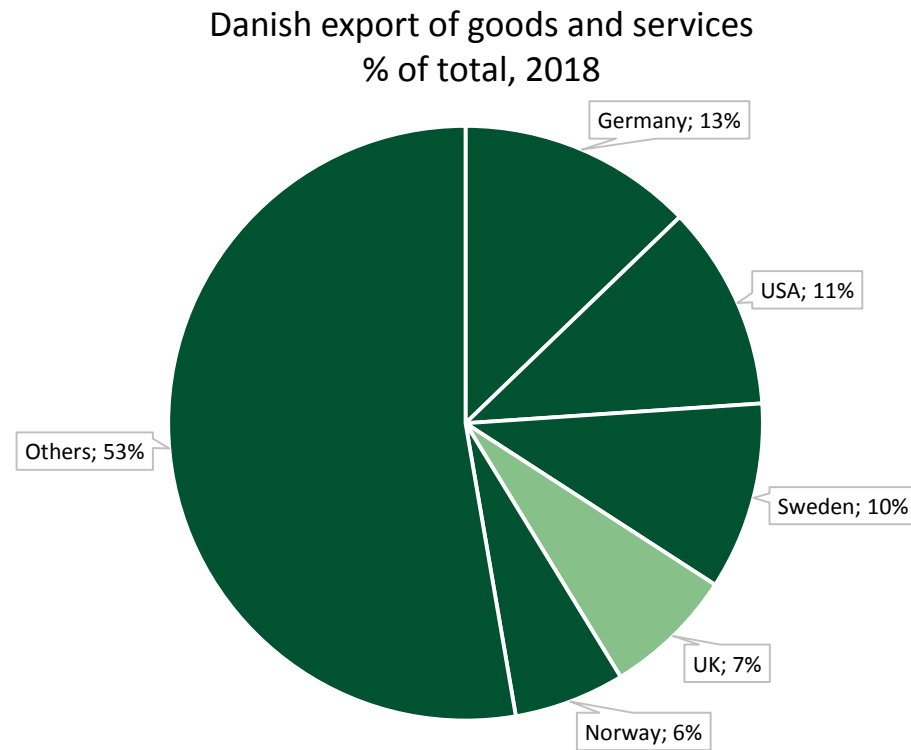
Bankruptcies



Source: Refinitiv Datastream



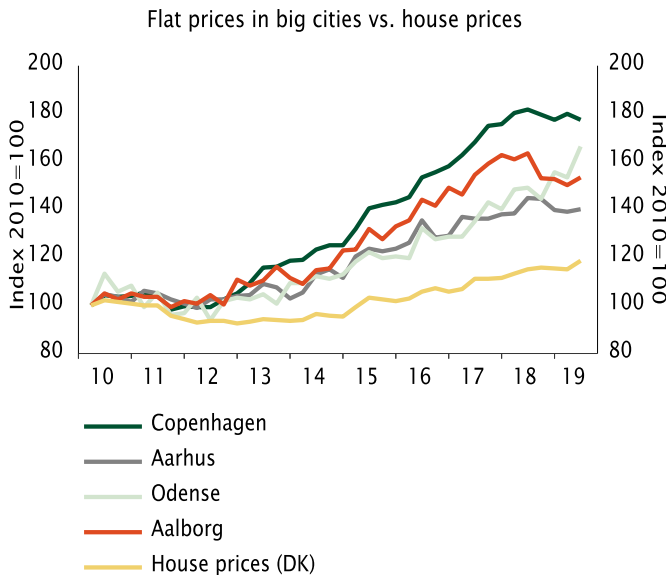
- But there will be significant negative consequences for the most affected sectors
- The UK represents shy of 8% of Danish exports, and it's the 4th largest export market
- IMF: Hard Brexit with trade according to WTO implies a loss of 1% of GDP in DK (in 2030).



Source: Statistics Denmark

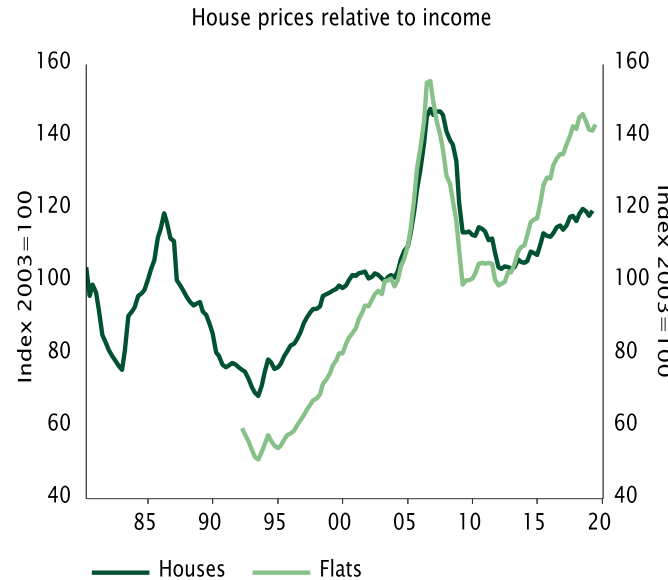
- Overall house prices are rising 2-4% y/y.
- Large price increases on flats in biggest cities have stopped. Prices are decreasing slightly.
- Postponement of new housing tax model from 2021 to 2024 removes a short term risk element for flat prices. New model will lead to higher housing tax for flats in the big cities.

### Large differences on the housing market



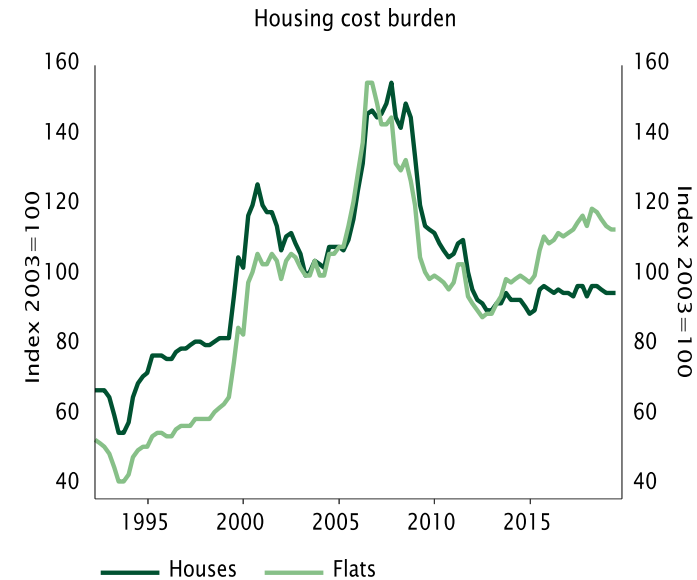
Source: Refinitiv Datastream

### Real house prices are up since 2012



Source: Refinitiv Datastream and Jyske Bank

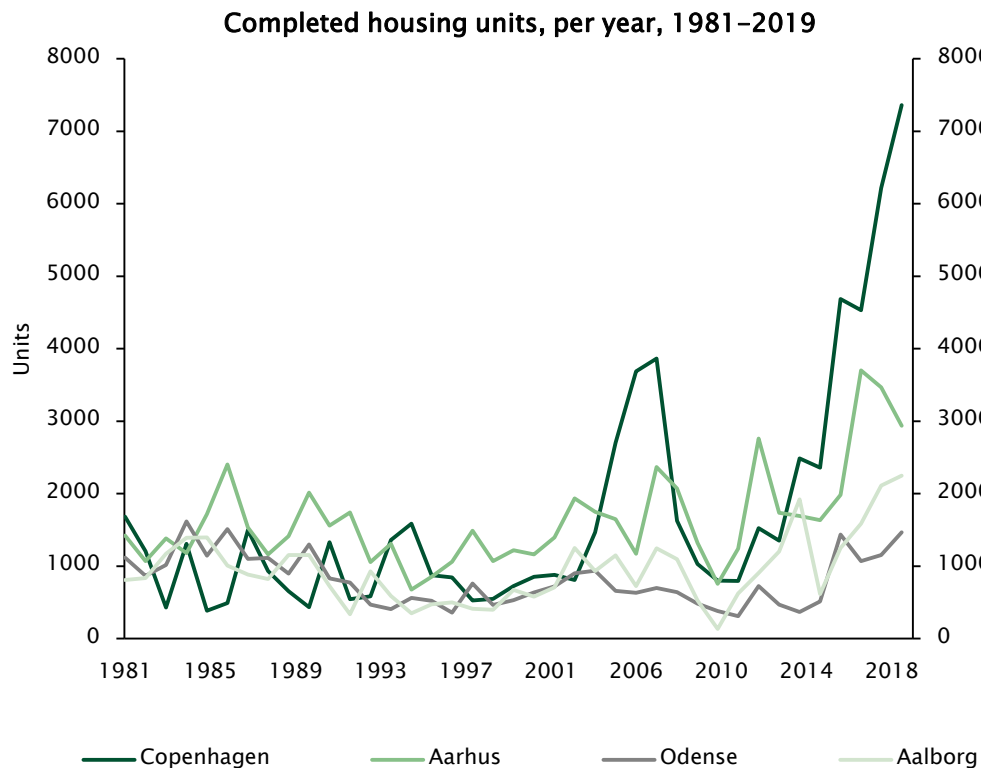
### But housing costs are at a moderate level



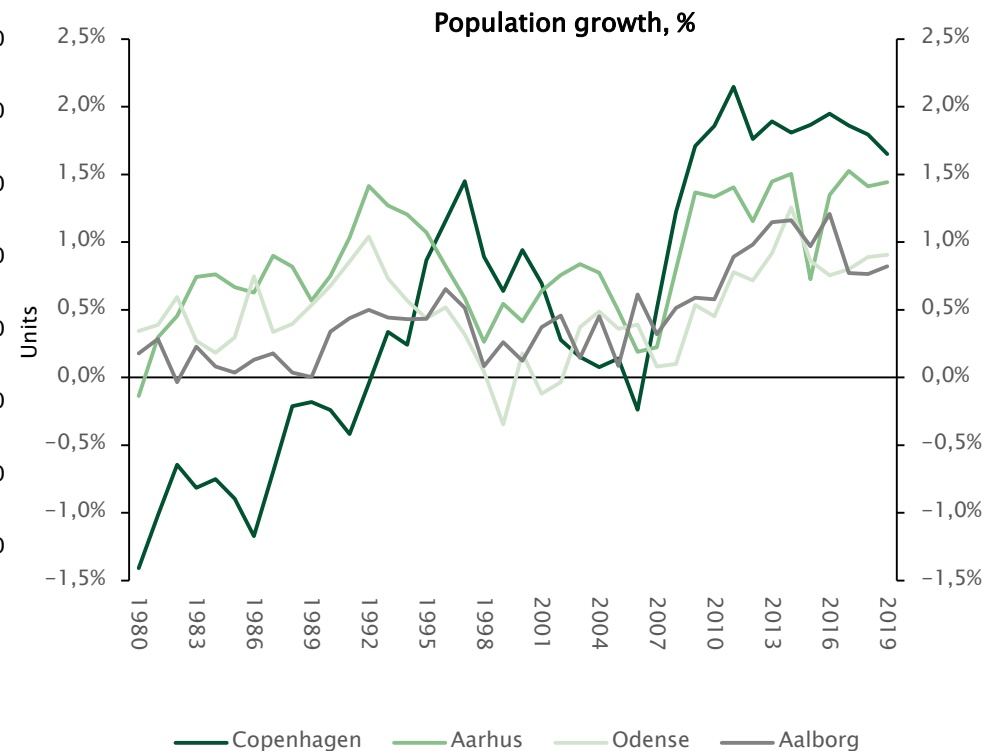
Source: Refinitiv Datastream and Jyske Bank

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

- There have been an unprecedented building boom in the big cities following strong population growth due to the urbanisation trend.



Source: Danmarks Statistik

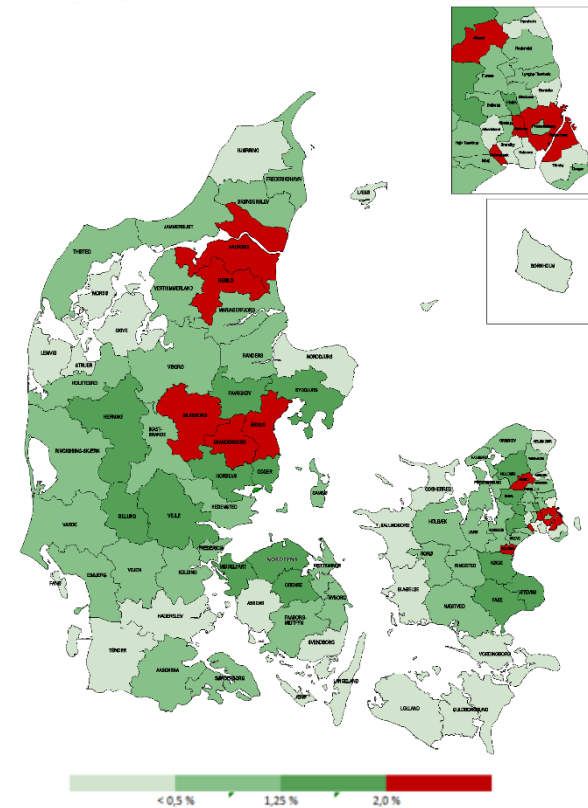
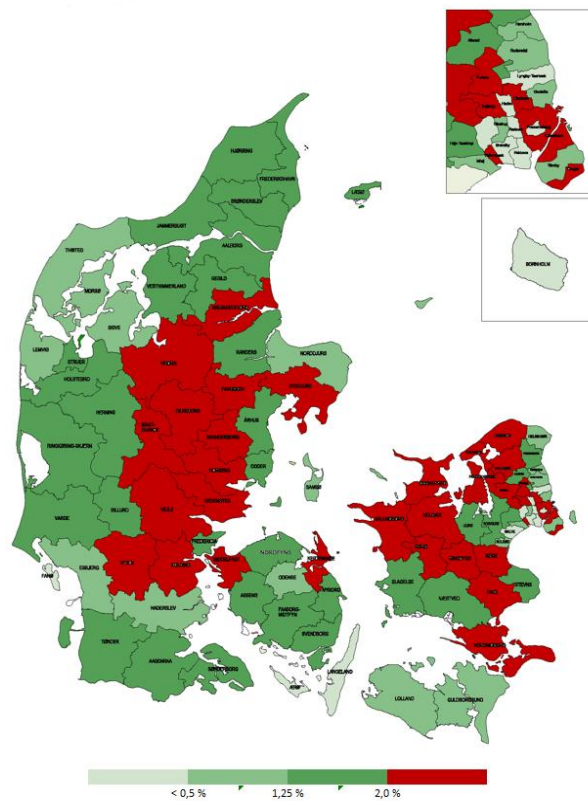


Source: Danmarks Statistik

## Completed housing units during 7 quarters, units in % of total stock

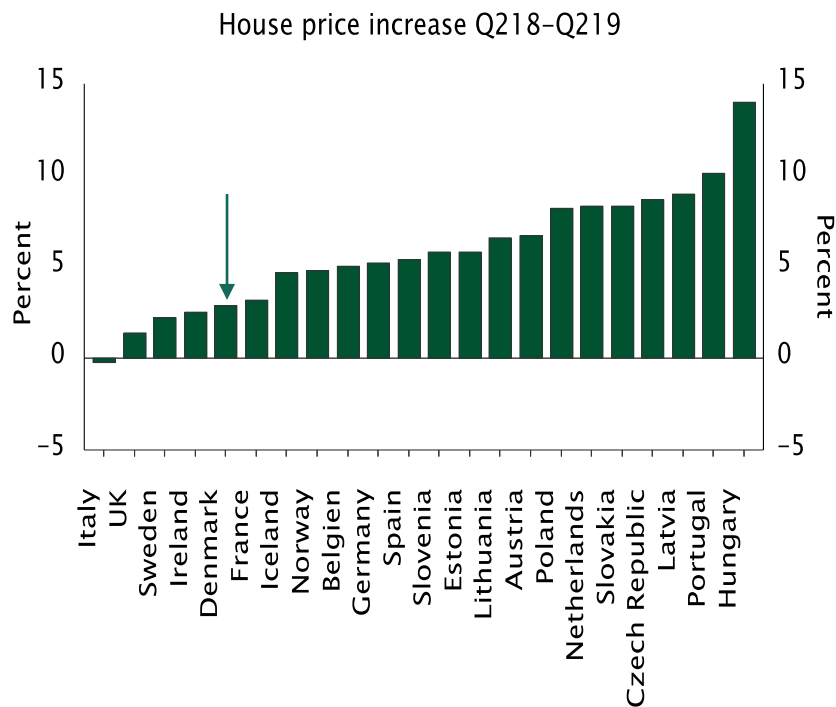
Q2 2006 - Q4 2007

Q2 2017 - Q4 2018



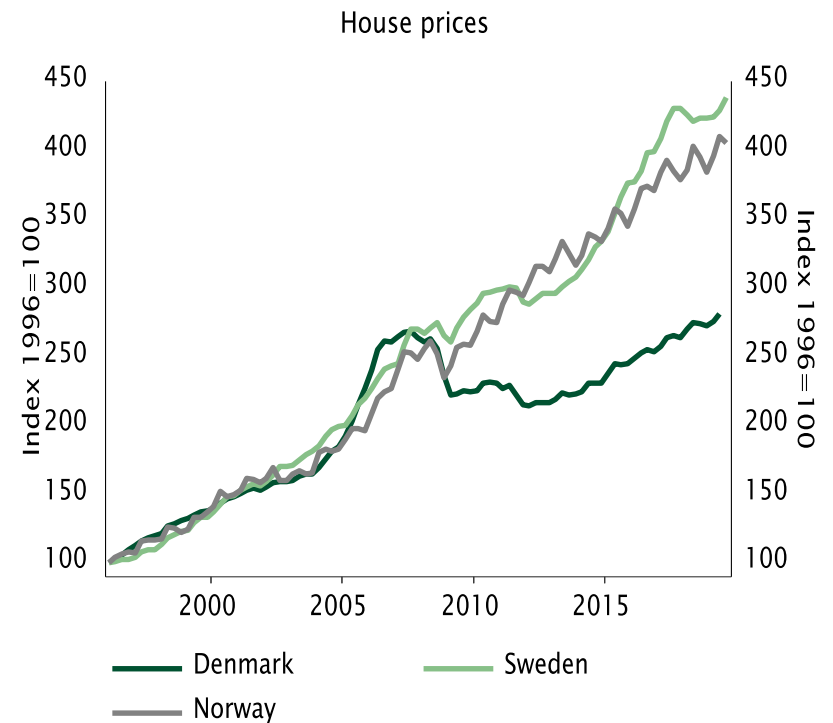
Source: Danmarks Statistik

### European house prices the past year



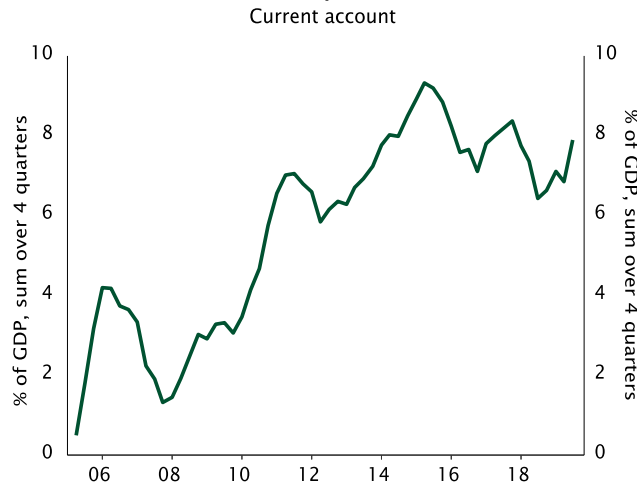
Source: Refinitiv Datastream

### The development in Scandinavian houseprices



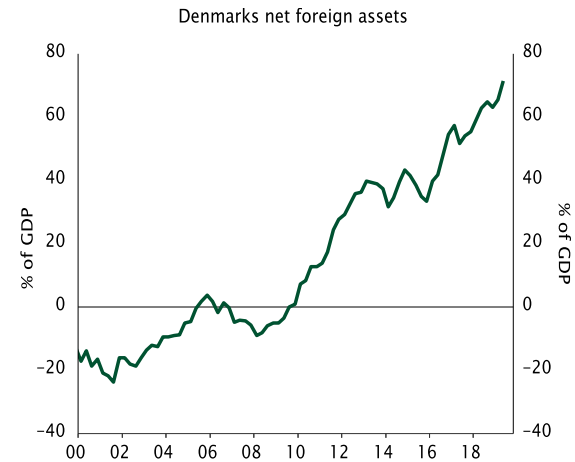
Source: Refinitiv Datastream

## Current account surpluses since late 90s



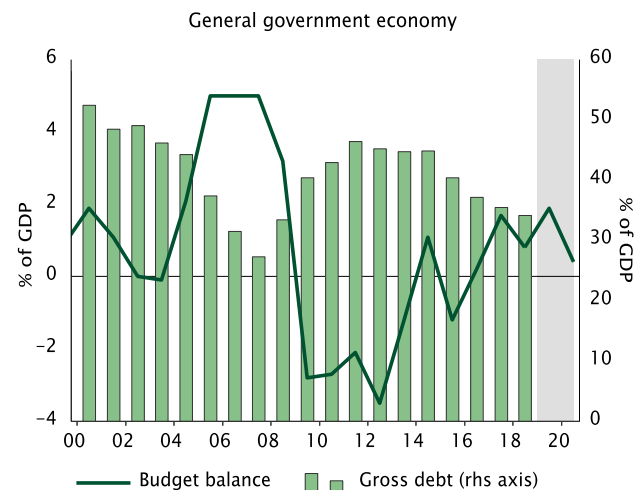
Source: Refinitiv Datastream

..imply that foreign assets are increasing



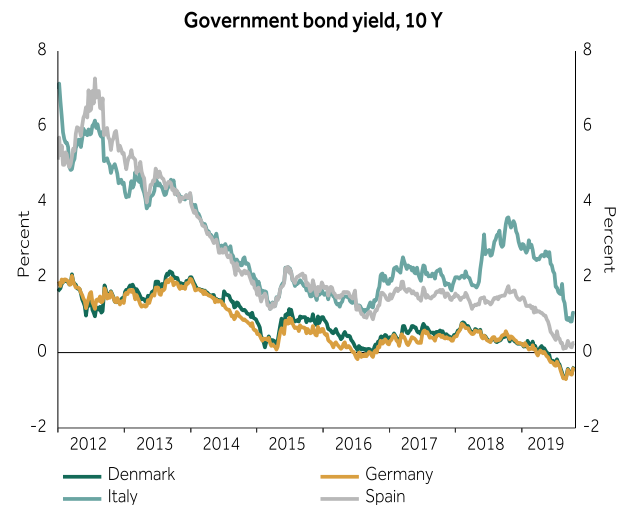
Source: Refinitiv Datastream and Statistics Denmark

## And public sector debt is low



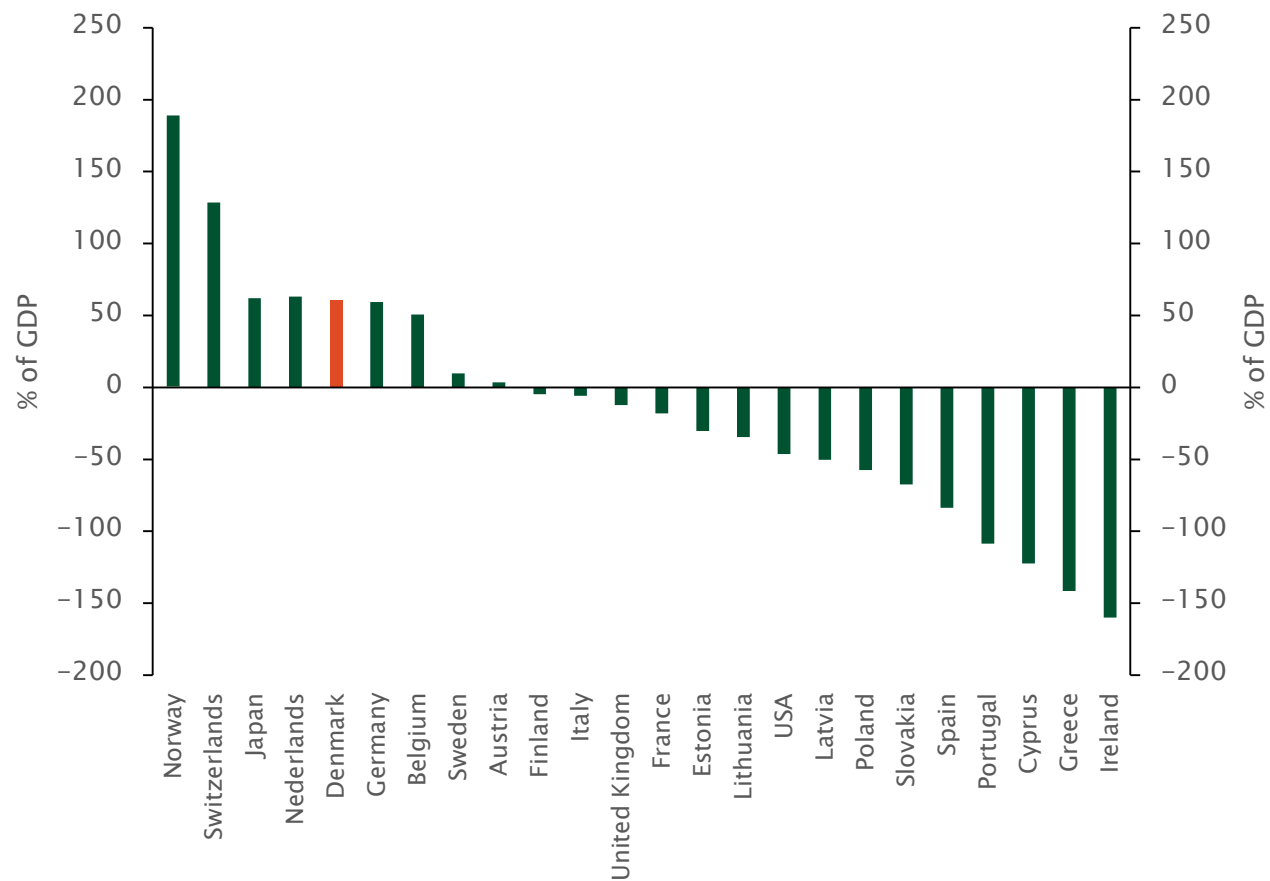
Source: Refinitiv Datastream

## This is why Denmark is AAA



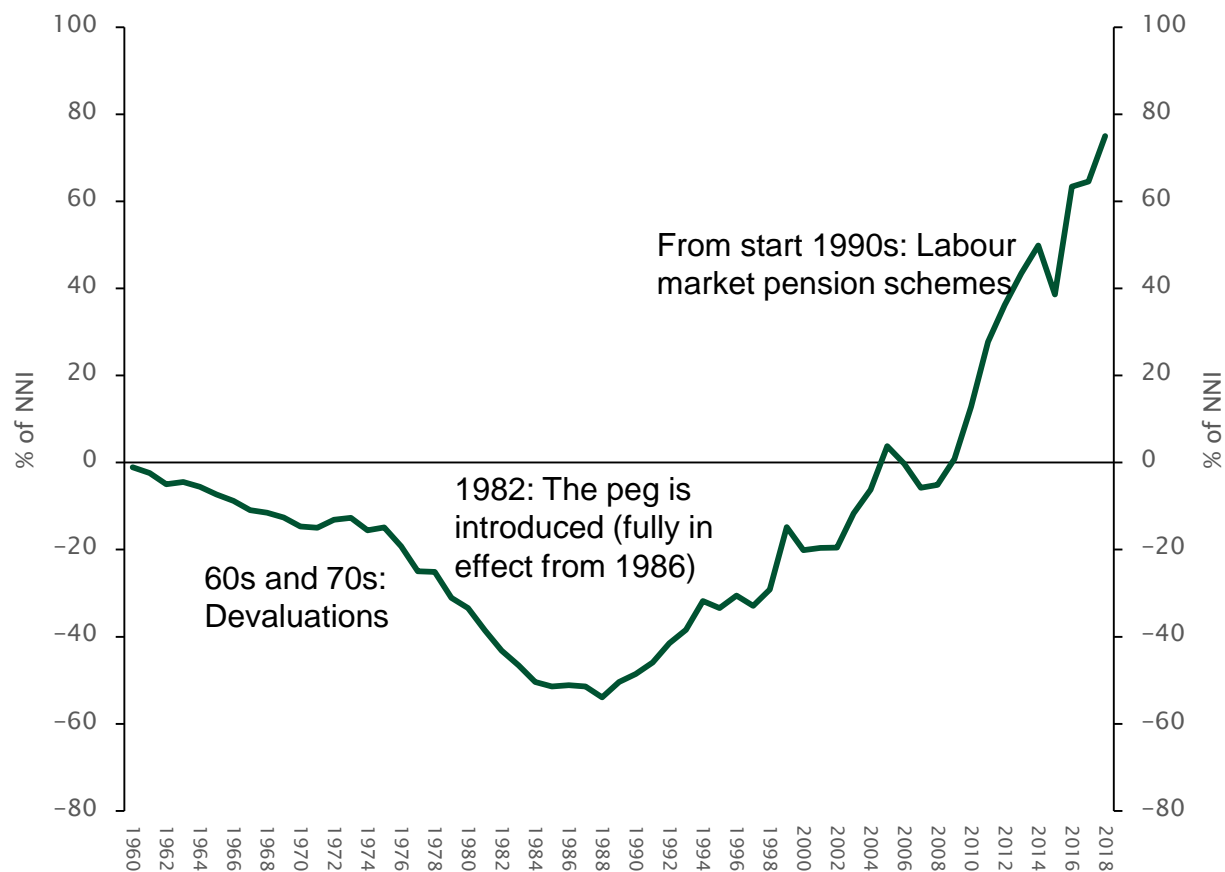
Source: Refinitiv Datastream

## Net foreign financial assets (2018)



Source: Eurostat and IMF

Denmark's net foreign assets 1960-2018








Source: Danmarks Nationalbank



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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