

Interim Financial Report, Q1-Q3 2020

- Pre-tax profit of DKK 906m in Q3 2020 (Q3 2019: DKK 449m)
- Net profit of DKK 696m in Q3 2020, corresponding to a return on equity of 8.1% p.a. (Q3 2019: DKK 365m and 4.0% p.a., respectively)
- Core income of DKK 5,856m in Q1-Q3 2020 (Q1-Q3 2019 DKK 5,829m)
- Core expenses of DKK 3,669m in Q1-Q3 2020 (Q1-Q3 2019: DKK 3,816m)
- Loan impairment charges of DKK 963m in Q1-Q3 2020 (Q1-Q3 2019: DKK -37m)
- Investment portfolio earnings of DKK -213m in Q1-Q3 2020 (Q1-Q3 2019: DKK -197m)
- Capital ratio of 22.3% at the end of Q3 2020 (Q3 2019: 20.2%), hereof CET1 ratio of 17.5% (Q3 2019: 16.3%)

Summary

"After the challenging first quarter of 2020, Jyske Bank has over the past two quarters generated the highest profit after tax for more than three years. The progress was fuelled by the development in the financial markets, the lowest underlying core expenses since 2013 – before the merger with BRFkredit and a continued good credit quality. Given a satisfactory balance of impairment charges as well as a solid capital and liquidity position, Jyske Bank is in a good position to handle more widespread consequences of the COVID-19 outbreak," states Anders Dam, Managing Director and CEO.

Activity has returned in the greater part of the Danish economy after the lockdown following the outbreak of COVID-19 in the spring. The number of bankruptcies is still low, the housing market is strong and consumer spending has stabilised. At the same time, our clients' capital and liquidity position is generally good and supported by e.g. deferred tax and VAT payments.

However, the activity and investment levels are still not back at the levels before the outbreak. Going forward, the economic development will be affected by the spread of the virus in as well as outside Denmark and the phasing-out of support packages, and it seems that it will take time before Danish exports have recovered.

In addition to the economic consequences, the outbreak of COVID-19 also resulted in adjustments of work habits and client behaviour, among other things. This has resulted in a stronger trend towards digital client interaction and towards an increasingly cashless society.

At the same time, society remains focused on promoting a sustainable development. Based on the view that *"all progress counts"*, Jyske Bank will offer solutions that support a sustainable development, provide knowledge of sustainability and make it simple to invest sustainably.

Net profit of DKK 778m in Q1-Q3 2020

The net profit for the period corresponded to a return on equity of 2.7% p.a. against DKK 1,474m and 5.7% p.a., respectively, for the corresponding period of 2019. The lower profit can chiefly be attributed to the increased management's estimate for impairment charges in the amount of DKK 1 bn after the outbreak of COVID-19 and to costs relating to the sale of Jyske Bank (Gibraltar).

For the third quarter of 2020, net profit came to DKK 696m, corresponding to a return on equity of 8.1% p.a. against DKK 365m and 4.0% for the third quarter of 2019. The progress was fuelled by the development in the financial markets and a 9% decrease in core expenses.

Jyske Bank's loans and advances (exclusive of repo loans) fell by 1% in the first nine months of 2020. Increasing mortgage loans to corporate clients were more than offset by lower bank lending due to a limited credit demand amid the COVID-19

outbreak as well as the launch of economic support packages from the Danish government. Correspondingly, bank deposits fell by 1% relative to the level at the end of 2019. It is expected that, in the first half of 2021, Jyske Bank's business volumes will be affected in the range of DKK 5 bn - 10 bn in the form of higher bank lending and lower deposits due to the corporate sector's payment of deferred VAT and taxes.

Core income was roughly unchanged relative to the first nine months of 2019. Lower remortgaging activity and bank lending were offset by higher value adjustments and lower deposit rates. The latter improvement could partly be attributed to the introduction of negative deposit rates for parts of personal clients' deposits as of 1 December 2019.

Adjusted for extraordinary expenses of DKK 75m relating to the sale of Jyske Bank (Gibraltar), core expenses fell by 6% in the first nine months of 2020. The decrease can be attributed to an 8% reduction in the number of full-time employees, an intensified focus on costs as well as the effect from the outbreak of COVID-19 on travel expenses, etc.

In the first nine months the year, credit quality was still good, and the share of non-performing loans continued to fall. In the first quarter, an amount of DKK 1 bn was recognised as an expense for potential impairment charges in consequence of the outbreak of COVID-19, and this management's estimate remains intact. In the third quarter, the total balance of management's estimates relating to impairment charges was increased by DKK 87m to DKK 1,656m.

At the end of the third quarter of 2020, Jyske Bank had a capital ratio of 22.3% and a capital buffer of DKK 12.8 bn as well as liquidity buffer (LCR) of DKK 109 bn. It is assessed that the capital and liquidity buffer can withstand severe stress scenarios. The Supervisory Board of Jyske Bank anticipates that it will begin capital distribution to the bank's shareholders in 2021, unless the economic outlook deteriorates drastically.

Outlook

It is expected that a lower level of core income will be generated compared to 2019 due to more moderate fee income, while it is still expected that net interest income will be higher over the coming quarters than in the first quarter of 2020.

Jyske Bank aims for a decline in core expenses.

Due to a management's estimate relating to COVID-19, it is expected that loan impairment charges will be at a higher level than in 2019.

For 2020, a net profit of DKK 1.0 bn - 1.5 bn is expected.

Yours faithfully,
Jyske Bank

Contact:
Anders Dam, Managing Director and CEO, tel. +45 89 89 20 01
Birger Krøgh Nielsen, CFO, tel. +45 89 89 64 44.