

## Interim Financial Report, Q1-Q3 2021

- Earnings per share DKK 31.5 (Q1-Q3 2020: DKK 8.9)
- Core income DKK 6,425m (Q1-Q3 2020: DKK 5,856m)
- Core expenses DKK 3,516m (Q1-Q3 2020: DKK 3,669m)
- Loan impairment charges DKK -37m (Q1-Q3 2020: DKK 963m)
- The pre-tax profit amounted to DKK 3,064m, corresponding to a return on equity before tax of 11.4% p.a. (Q1-Q3 2020: DKK 1,011m and 3.6% p.a.)
- The net profit amounted to DKK 2,391m, corresponding to a return on equity of 8.8% p.a. (Q1-Q3 2020: DKK 778m and 2.7% p.a.)
- Capital ratio 22.6%, of which common equity tier 1 capital ratio of 18.0% (Q1-Q3 2020: 22.3 and 17.5, respectively)
- Interest expense for additional tier 1 capital is in Q4 expected to decline to approx. DKK 36m from DKK 52m in Q3.

## Summary

*"Jyske Bank's earnings per share in the first nine months of 2021 was the highest since the merger with Jyske Realkredit. This is the effect from a high level of activity across the organisation driven by the development in the property and car markets, favourable financial markets and increased economic activity in the Danish society. The solid credit quality triggered a reversal of loan impairment charges of DKK 73m and despite the high level of activity, costs have been reduced. On the basis of the continued positive development, earnings expectations were upgraded in October to the effect that Jyske Bank now expects to realise earnings per share of DKK 40-41 against the previous estimate of DKK 34-38 in 2021,"* says Anders Dam, Managing Director and CEO.

After the reopening of the Danish society in the spring and the removal of COVID-19 restrictions, the Danish economy has attained a higher level of activity than before the COVID-19 outbreak. The development is due, among other things, to the roll-out of COVID-19 vaccines and a global economic recovery which has led to a new employment record and resulted in positive growth prospects for the Danish economy. Recruitment difficulties in several sectors, challenged supply chains and shortage of raw materials may, however, result in a somewhat volatile economic development. This is supported by the clients' repayment of VAT and tax loans and the risk of new COVID-19 outbreaks. Jyske Bank has approx. 3,800 corporate clients who have loans with the government in an amount of DKK 3.2bn.

The COVID-19 pandemic and social restrictions have further strengthened the clients' wish to service their financial needs and requirements digitally. Jyske Bank has introduced improved functions in Jyske Mobilbank in the form of for instance Jyske NemInvestering, which makes it easier and simpler for personal clients to invest even small amounts of money.

Combined with a significant digital presence, Jyske Bank endeavours to be accessible with competent advisory services when needed by the clients. Jyske Bank has merged several personal client branches, which paves the way for a higher degree of specialisation to the advantage of both clients and employees. In 2021, Jyske Bank was by Voxmeter awarded best at Private Banking for the sixth year in a row and has received a prize from Jobindex for the highest job satisfaction in the financial sector.

In Q3 2021, the strategic cooperation with Købstædernes Forsikring called Jyske Forsikring was initiated, and it has got off to a good start. From Q4 2021, Jyske Finans will become a strategic financing business partner of Volvo Car Denmark. Jyske Finans will hence contribute to Volvo Car Denmark's digitization of the client journey and transformation to a pure e-vehicle company in the coming years. The cooperation is expected to support growth in the business volume under leasing activities and the target of increasing the proportion of new loans for the financing of low-emission vehicles.

Climate is identified as Jyske Bank's most significant impact area, and the estimated indirect CO<sub>2</sub> emission concerning loans and investments was reduced by 13% in 2020. As an additional measure, Jyske Capital joined the Net Zero Asset Managers initiative and was hence obliged to report net carbon neutral investments no later than 2050. Jyske Realkredit has launched green mortgage loans to corporate clients and increased the transparency about the institution's loans to properties and their energy consumption by being a member of Energy Efficient Mortgage Label. Prompted by the target of off-setting CO<sub>2</sub> emission from own activities, the replacement of cars to low-emission cars was initiated in 2021.

### **Earnings per share of DKK 31.5 Q1-Q3 2021**

The net profit for the period at DKK 2,391m corresponded to a return on equity of 8.8% p.a. against DKK 778m and 2.7% p.a., respectively, for the corresponding period of 2020. Earnings per share rose to DKK 31.5 from DKK 8.9. The significantly higher result must be seen relative to the fact that the result for the first nine months of 2020 were adversely affected by a management's estimate of impairment charges after the outbreak of COVID-19. Add to this e.g. a favourable trend in the financial markets and a broadly based high level of activity in the first nine months of 2021.

Jyske Bank's business volume showed a general advance in the first nine months of 2021. Nominal mortgage loans rose by 2% compared with end-2020 driven by higher loans to corporate clients. Leasing and car financing realised an increase of 7%. Loans and advances under banking activities were more or less unchanged since higher lending to corporate clients was offset by lower lending to personal clients and public authorities. Bank deposits decreased 4%, mainly attributed to large corporate clients.

Core income rose by 10% relative to the first nine months of 2020. The investment as well as the car and property area were supported by high levels of activity whereas value adjustments and investment-related fees were underpinned by a favourable trend in the financial markets.

Core expenses fell by 4% relative to the first nine months of 2020. The decrease can primarily be attributed to a 3% reduction in the number of full-time employees.

Loan impairment charges amounted to an income of DKK 73m against an expense of DKK 963m in the first

nine months of 2020 when a management's estimate relating to impairment charges was made due to the COVID-19 pandemic. The credit quality is still very solid with a low level of non-performing loans.

Jyske Bank's common equity tier 1 capital ratio was at the end of Q3 calculated at 18.0, corresponding to an excess capital of DKK 14.3bn relative to regulatory requirements.

In the first nine months of 2021, Jyske Bank issued non-preferred senior debt as well as subordinated debt and additional tier 1 capital. The issues primarily re-finance redeemed capital and debt instruments over the same period and result in considerable savings for the shareholders in the coming years. In the first nine months of the year, a share repurchase programme of DKK 750m was completed. 2,592,073 shares were repurchased at an average price of DKK 289.34. A new share repurchase programme of up to DKK 1bn was launched on 1 October and runs until 31 March 2022, at the latest.

### **Outlook**

As a result of the development and expectations for the rest of the year, Jyske Bank upgraded its expectations of 2021 in March, April, July and October. Jyske Bank now anticipates earnings per share at DKK 40-41 in 2021 against the original expectation of DKK 25-31. This corresponds to a pre-tax profit of DKK 3.8bn-3.9bn against the original expectation of DKK 2.5bn-3.0bn and a net profit of DKK 3.0bn-3.1bn against the original expectation of DKK 1.9bn-2.3bn.

In 2021, the bank's business volume is expected to be affected by higher bank loans and advances and lower deposits. Nominal mortgage loans are also expected to increase.

Core income is expected to be at a higher level in 2021 relative to 2020.

For 2021, endeavours will be made to reduce underlying core expenses compared to 2020.

Loan impairment charges are expected to amount to an income in 2021.

Yours faithfully,  
Jyske Bank

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