

## Interim Financial Report, Q1-Q3 2022

- Earnings per share, exclusive of one-off expenses relating to the acquisition of Handelsbanken Denmark: DKK 33.1 (DKK 31.5).
- Core profit before impairment charges and value adjustments rose 31% to DKK 2,859m (DKK 2,176m).
- Capital ratio: 23.6% (22.6%), of which common equity tier 1 capital ratio of 18.6% (18.0%).
- The purchase of Svenska Handelsbanken's Danish activities has been approved by the Danish Competition and Consumer Authority and is progressing according to plan. The transaction is expected to be completed before the end of the year.

According to the agreement, Jyske Bank will on the acquisition date make a payment in cash for the assets and liabilities of Handelsbanken Denmark as well as a payment for goodwill in the amount of DKK 3.0 bn.

Synergies are expected to amount to at least DKK 0.3 bn p.a. before tax and to be fully realised in the course of 2024. Restructuring and integration costs are expected to total c. DKK 0.5 bn before tax, of which c. DKK 0.1 bn in 2022 and c. DKK 0.3 in 2023.

Due to the capital position, it is expected that the transaction will not necessitate any issue of shares or AT1 capital.

## Summary

*"Jyske Bank's earnings per share increased over the first nine months of 2022 and thus defied a heavy negative turn from DKK 0.8 bn to -0.5 bn in value adjustments and investment portfolio earnings. Core profit before impairment charges and value adjustments rose by 31%. The significant fluctuations in the financial markets reflect increasing uncertainty about the macroeconomic development due to accelerating inflation, to which the war in Ukraine has added fuel.*

*The inflationary pressure has resulted in historically fast increases in interest rates and hence an end to the period of negative interest rates. A period of stagflation in the form of negative growth and continued inflation is probably imminent, even though the depth and the length of the economic slowdown is still unknown. We focus on helping our clients through the times of uncertainty. Also, Jyske Bank will contribute to reducing the dependence on energy supplies from Russia by lowering its own energy consumption by 15%.*

*The economic situation of Denmark is good, and Jyske Bank's business is still progressing supported by an increasing business volume and a good level of activity. To this must be added the impact from tight cost control and continued solid credit quality. The acquisition of Svenska Handelsbanken's activities in Denmark has been approved by the competition authorities, and we are very much looking forward to welcoming clients and employees in the coming months", states Anders Dam, CEO and Managing Director.*

The Danish economy was still characterised by increasing employment in the first nine months of 2022, but the high economic growth after the end to the restrictions imposed due to the COVID-19 pandemic in 2021 did, however, weaken. Capacity pressure in global supply chains contributed to an imbalance between supply and demand, resulting in accelerating inflation. The inflation has reached a 40-year high and resulted in historically high increases in interest rates to the detriment of the households' purchasing power and a new low in consumer confidence. This has added to the likelihood of an economic slowdown and lower housing prices. However, the Danish economy is well positioned to handle a period of lower growth, and Jyske Bank is focusing on helping its clients handling their financial issues.

On 20 June 2022, Jyske Bank entered into an agreement to buy the activities of Svenska Handelsbanken in Denmark, comprising about 600 employees and 43 branches and with a headquarter in Copenhagen. The Danish activities were established in 1992 and have since then grown organically supplemented by acquisitions of Midtbank and Lokalbanken. Based on the level at the end of 2021, the transaction comprises more than 130,000 clients, bank loans and advances of

DKK 66 bn and deposits of DKK 36 bn. According to the agreement, Jyske Bank will on the acquisition date make a payment in cash for assets and liabilities in addition to a payment for goodwill in the amount of DKK 3.0 bn. The acquisition will strengthen Jyske Bank's market position, and its business volume will increase by about a fifth. The greater scale will also support the possibilities of developing and offering attractive products and services to Jyske Bank's current and future clients. The acquisition will also offer the possibility of realising economies of scale based on a common IT platform. It is expected that the transaction will be completed before the end of 2022 following approval from the Danish Competition and Consumer Authority in October.

Jyske Bank is well positioned for both organic growth and integration of Svenska Handelsbanken's activities in Denmark. Over the past decade, Jyske Bank has optimised its business through significant income and cost initiatives, new strategic cooperation agreements, as well as organisational adjustments. Several acquisitions have been integrated, including the merger with BRFKredit in 2014 being the most important one.

In the first nine months of 2022, the corporate client area realised a large increase in business volume. The personal client area implemented further branch mergers, and with effect as of 1 April 2022 it introduced a new client programme. The purpose of this programme is to secure that, in a profitable manner, Jyske Bank will still be able to offer its personal clients accessible, personal, and competent advice as well as good and fast service. These characteristics also apply to Jyske Bank's private banking activities, and for the seventh year in a row Jyske Bank was according to Voxmeter voted the best bank for private banking clients in Denmark.

In the first nine months of 2022, the expansion of easy and digital access to Jyske Bank's services continued in the form of, among other things, self-service ordering of additional loans and a Jyske Forsikring (insurance) overview in Jyske Mobilbank. The period also saw the launch of extensive training activities for advisers within the field of sustainability as well as incorporation of ESG preferences in the investment advice offered. Moreover, Jyske Bank joined the Green Building Council Denmark, which endeavours to promote sustainability in construction to the whole range of players. Jyske Bank had intermediate targets approved by Net Zero Asset Managers Initiative as part of the obligation to have the clients' investment portfolios net CO<sub>2</sub> neutral by 2050. Also, Jyske Bank has installed solar panels at its headquarter which will help reduce net electricity consumption going forward.

### **Earnings per share of DKK 31.9 in Q1-Q3 2022**

Earnings per share rose to DKK 31.9 from DKK 31.5, which includes an amount of DKK 78m incurred one-off expenses relating to the acquisition of Handelsbanken Denmark. Net profit for the period at DKK 2,194m corresponded to a return on equity of 7.9% p.a. against DKK 2,391m and 8.8% p.a., respectively, for the first nine months of 2021. The still solid profit defied a turn of DKK 1.3 bn on value adjustments and investment portfolio earnings. Hence the profit reflects a good underlying development with an increasing business volume, a high level of activity, and a good credit quality.

Overall, Jyske Bank's business volume showed progress in the first nine months of 2022. Loans and advances under banking activities saw one of the highest growth rates reported so far, namely of 22% relative to the first nine months of 2021. The progress can be attributed to corporate clients. Leasing and car financing realised an increase of 8% despite challenged supply chains in the auto industry. Nominal mortgage loans rose by 1% due to higher loans to corporate clients while mortgage loans to personal clients fell, partly because clients with fixed-rate loans took advantage of the opportunity to reduce their outstanding debt. Bank deposits rose by 22% due to corporate clients.

Adjusted for a negative turn in value adjustments, core income saw a broadly based increase by 13%. Net interest income was supported by rising bank loans and advances to corporate clients as well as rising interest rates. Net fee and commission income rose, among other things, due to a high level of loan and remortgaging activity as well as a new client programme for personal clients. Other income was favourably affected, among other things, by higher dividends, and still favourable sales conditions in the used-car market resulted in higher income from operating lease (net).

Core expenses rose by 1% compared to Q1-Q3 2021. Additionally, one-off expenses of DKK 78m relating to the acquisition of Svenska Handelsbanken's activities in Denmark were recognised. The underlying cost inflation was reduced by lower expenses for Bankdata.

Loan impairment charges amounted to an income of DKK 447m against an income of DKK 73m in the first nine months of 2021. The credit quality is still solid with a low level of non-performing loans. Due to the macroeconomic uncertainty, Jyske Bank maintains a significant management's estimates for impairment charges totalling DKK 1,640m. This level is roughly unchanged compared with the preceding quarters.

At the end of the first nine months of 2022, Jyske Bank's common equity tier 1 capital ratio was calculated at a historically high level at 18.6%, corresponding to an excess capital adequacy of DKK 13.8 bn relative to regulatory requirements.

### **Outlook 2022**

For 2022, Jyske Bank anticipates earnings per share at the upper end of the range of DKK 44-50 and a net profit at the upper end of the range of DKK 3.0 bn - 3.4 bn. The ranges exclude one-off expenses of expectedly DKK 0.1 bn, corresponding to earnings per share of slightly above DKK 1.

For 2022, the business volume is expected to be affected by increasing bank loans as well as increasing nominal mortgage loans to corporate clients.

Core income may fall in 2022 due to considerably lower value adjustments than in 2021.

Core expenses exclusive of one-off expenses are expected to be roughly unchanged in 2022 compared to 2021.

Loan impairment charges and provisions for guarantees are expected to amount to an income in 2022.

Yours faithfully,  
Jyske Bank

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