



**JYSKE BANK**

Impact analysis - Climate

February 2023

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# Impact analysis - Climate

## Summary

- Average emission intensity declined by approx. 18% from 3.39 tonnes CO<sub>2</sub> per DKK million to 2.79 tonnes CO<sub>2</sub> per DKK million.
- Financed CO<sub>2</sub> emission is estimated to total 1.9 million tonnes against 2.1 million tonnes at the end of 2021, corresponding to a reduction of approx. 11%.
- Emission intensity for investment has overall fallen by 24%. For the own securities portfolio the fall came to 27% and due primarily to lower exposure to high-emission sectors. Asset under management reported a fall of 22% primarily as a result of ongoing focus on CO<sub>2</sub> reduction on investments in equities and mortgage bonds.
- The emission intensity for loans and advances dropped by approx. 11% due primarily to a fall in the intensity for car and home loans to personal clients.
- CO<sub>2</sub> emission for loans and advances increased by approx. 3%, covering a 16% fall in loans and advances for personal clients and an increase of 9% for corporate clients. The increase in emission from corporate loans was due primarily to a higher business volume as a result of Jyske Bank's acquisition of Handelsbanken's Danish activities.
- Experience from this 4th estimation of financed CO<sub>2</sub> emission once again confirmed that economic circumstances and transition affect and to some extent fuel our financed CO<sub>2</sub> emission. In addition, this estimation confirms that company-specific data may affect the development in emission positively as well as negatively.

## Financed CO<sub>2</sub> emission

For 2022, financed CO<sub>2</sub> emission was estimated for a business volume of DKK 681 bn which is approx. DKK 51 bn higher than the business volume in 2021 (DKK 630 bn). CO<sub>2</sub> emission is estimated to amount to around 1.9 million tonnes against 2.1 million tonnes at the end of 2021. Hence, the total estimated CO<sub>2</sub> emission for loans and advances declined for the third consecutive year.

Emission intensity declined for the third consecutive time and declined by approx. 18% from 2021 to 2022, driven primarily by a 24% decline in the intensity of investment activities.

The increase in business volume was attributed to the business volume for loans and advances derived from the activities acquired from Handelsbanken on 1 December 2022. The investing activities from the acquisition are not included in this analysis. These investing activities inclusive of funds of funds accounted for DKK 28 bn at end-2022 and will be incorporated in next year's analysis.

The business volume and the movements from year to year encompassed by the analysis are not comparable with Jyske Bank's traditional measuring of total assets. The business volume which forms part of the analysis also includes loans, advances and investment which have not been included in Jyske Bank's balance sheet, for instance investment on behalf of our clients and loans and advances for which Jyske Bank has the advisory responsibility but which have not been recognised in the balance sheet of Jyske Bank. These loans, advances and investments have been included in the statement since Jyske Bank can impact these through our products and advisory services.

The comprised business volume accounts for 91% of loans, advances and investment on behalf of our clients and ourselves.

The business volume, CO<sub>2</sub> emission and emission intensity appear from tables 1 and 2.

**Table 1 - Business volume and CO<sub>2</sub> emission**

	Business volume DKKm				Emission tonnes CO <sub>2</sub>			
	2022	2021	2020	Index 22/21	2022	2021	2020	Index 22/21
<b>Investment</b>	<b>184,734</b>	<b>202,628</b>	<b>181,952</b>	<b>91</b>	<b>638,186</b>	<b>916,697</b>	<b>869,448</b>	<b>70</b>
Asset management	113,411	128,015	110,542	89	490,783	705,915	619,248	70
Own Portfolio	71,323	74,613	71,410	96	147,403	210,782	250,200	70
<b>Loans and advances</b>	<b>496,312</b>	<b>427,593</b>	<b>418,378</b>	<b>116</b>	<b>1,258,601</b>	<b>1,219,528</b>	<b>1,479,629</b>	<b>103</b>
Personal clients	217,421	185,978	195,860	117	252,775	299,427	478,391	84
Corporate clients	278,891	241,615	222,518	115	1,005,826	920,101	1,001,238	109
<b>Total</b>	<b>681,046</b>	<b>630,221</b>	<b>600,330</b>	<b>108</b>	<b>1,896,787</b>	<b>2,136,225</b>	<b>2,349,077</b>	<b>89</b>

Note: Business volume for which no CO<sub>2</sub> emission data are available has been left out of the estimate. The business volume and the movements from year to year encompassed by the analysis are not comparable with Jyske Bank's traditional measuring of total assets.

**Table 2 - Emission intensity**

	Emission intensity tonnes CO <sub>2</sub> per DKKm			
	2022	2021	2020	Index 22/21
<b>Investment</b>	<b>3.45</b>	<b>4.52</b>	<b>4.78</b>	<b>76</b>
Asset management	4.33	5.51	5.60	78
Own Portfolio	2.07	2.83	3.50	73
<b>Loans and advances</b>	<b>2.54</b>	<b>2.85</b>	<b>3.54</b>	<b>89</b>
Personal clients	1.16	1.61	2.44	72
Corporate clients	3.61	3.81	4.50	95
<b>Total emission intensity</b>	<b>2.79</b>	<b>3.39</b>	<b>3.91</b>	<b>82</b>

## Investments

Emission intensity was reduced by approx. 24%. For the own securities portfolio the fall came to 27% and due primarily to lower exposure to high-emission sectors.

Also, asset under management reported a fall in emission intensity from 2021 to 2022 (22%). This is a result of lower CO<sub>2</sub> footprints on our corporate bond investments and our ongoing focus on CO<sub>2</sub> reduction in a number of equity funds. Equity funds are subject to expectations of an annual CO<sub>2</sub> reduction of 7% which may in practice be seen as if the portfolio manager has an annual CO<sub>2</sub> budget which must be spent in the most efficient way and which is reduced on an annual basis. This provides the portfolio manager with an incentive to invest in companies that are working actively on CO<sub>2</sub> reduction.

In addition, emission from investment in mortgage bonds benefits from rising property prices and falling emission factors in this calculation.

## Loans

Tables 3 and 4 show loans broken down by personal and corporate clients as well as products and selected industries.

**Table 3 - Loan portfolio and CO<sub>2</sub> emission**

	Business volume DKKm				Emission tonnes CO <sub>2</sub>			Index 22/21
	2022	2021	2020	Index 22/21	2022	2021	2020	
<b>Personal Clients</b>	<b>217,421</b>	<b>185,978</b>	<b>195,860</b>	<b>117</b>	<b>252,775</b>	<b>299,427</b>	<b>478,391</b>	<b>84</b>
Car loans	10,934	12,124	10,065	90	130,906	175,612	251,995	75
Home loans	206,487	173,854	185,795	119	121,869	123,815	226,396	98
<b>Corporate Clients</b>	<b>278,891</b>	<b>241,615</b>	<b>222,518</b>	<b>115</b>	<b>1,005,826</b>	<b>920,101</b>	<b>1,001,238</b>	<b>109</b>
Transport	5,530	5,377	5,183	103	353,220	384,562	444,581	92
Agriculture and fishing	14,490	12,187	13,158	119	284,207	264,056	284,800	108
Mortgage loans	180,270	169,420	162,609	106	110,460	116,105	149,970	95
Manufacturing industry	12,641	8,790	7,278	144	143,957	70,657	63,663	204
Other corporate loans	65,960	45,840	34,290	144	113,981	84,722	58,223	135
<b>Total</b>	<b>496,312</b>	<b>427,593</b>	<b>418,378</b>	<b>116</b>	<b>1,258,601</b>	<b>1,219,529</b>	<b>1,479,629</b>	<b>103</b>

Note: Business volume for which no CO<sub>2</sub> emission data are available has been left out of the estimate. The business volume and the movements from year to year encompassed by the analysis are not comparable with Jyske Bank's traditional measuring of total assets.

**Table 4 - Emission intensity**

	Emission intensity tonnes CO <sub>2</sub> per DKKm			
	2022	2021	2020	Index 22/21
<b>Personal Clients</b>	<b>1.16</b>	<b>1.61</b>	<b>2.44</b>	<b>72</b>
Car loans	11.97	14.48	25.04	83
Home loans	0.59	0.71	1.22	83
<b>Corporate Clients</b>	<b>3.61</b>	<b>3.81</b>	<b>4.5</b>	<b>95</b>
Transport	63.87	71.51	85.77	89
Agriculture and fishing	19.61	21.67	21.64	91
Mortgage loans	0.61	0.69	0.92	89
Manufacturing industry	11.39	8.04	8.75	142
Other corporate loans	1.73	1.85	1.70	93
<b>Total emission intensity</b>	<b>2.54</b>	<b>2.85</b>	<b>3.54</b>	<b>89</b>

The emission intensity for loans dropped back by approx. 11% driven primarily by reduced intensity for loans to personal clients as the intensity declined for both car and home loans.

For car loans, the estimation of CO<sub>2</sub> emission depends on the number of km driven<sup>1</sup>, and the most recently accessible data for the number of km driven are lower than was previously the case due to the COVID-19 restrictions. In addition, the emission intensity for car loans is also impacted by increased financing of low-emission cars.

For home loans as well as mortgage loans for corporate clients, emissions and intensity dropped back for several reasons. Emission factors decline in step with the increase in the proportion of renewable energy in the energy mix, and in addition the state of the total housing stock is generally on the increase, which affects the

<sup>1</sup> Cf. the method for estimation of emission from car loans in the Danish Bankers Association's CO<sub>2</sub> model

estimation of the homes which do not have an EPC positively. Finally, a change of methods was adopted by the Danish Bankers Association's CO<sub>2</sub> model which implies that the loss of transmission for energy is lower for houses with EPCs from before 2018 than earlier and hence emission from these homes is reduced. The effect from these circumstances is currently larger than the effect from the initiatives Jyske Bank is able to impact for personal clients. For instance, advisory services about energy renovation and change of source of heating of the home.

Emission from commercial loans has risen by approx. 86,000 tonnes from 2021 and 2022 whereas intensity has fallen. The higher emission is due primarily to a larger business volume whereas the intensity is generally on the decline as a result of a solid decline in intensity for Transport, Agriculture and Fishing as well as Mortgage loans.

Both Transport and Agriculture and Fishing have declined due primarily to a higher proportion of company-specific data as company-specific emissions are lower than in case of estimation when using emission factors at sector level. Moreover, the emission factors from Statistics Denmark have declined for both areas since the last calculation.

For Manufacturing Industry emission intensity has surged since 2021. This is driven primarily by higher business volume in sectors with emission factors which are higher than the average of the existing loan portfolio in connection with the acquisition of Handelsbanken's Danish activities.

At Other Commercial Lending the higher emission is due primarily to larger business volume in the sectors Building and Construction, Wholesale and Liberal Professions. The emission is also affected by a higher share of company-specific data as the company-specific emission is higher than when the emission was estimated by emission factors at sector level.

## Method for estimation of CO<sub>2</sub> emission

We use the common CO<sub>2</sub> model prepared by the Danish Bankers Association for estimation of CO<sub>2</sub> emission. The model describes the fundamental principles for calculation of CO<sub>2</sub> emission and detailed methods of estimation for 10 asset classes. The model is being developed on an ongoing basis, and Jyske Bank still participates actively in this work.

The estimate of CO<sub>2</sub> emission is based on the lending and investment portfolio as at 31 December 2022 and is hence an expression of the emission for recognised lending and investments at this point in time. Changes to emission and intensity between the individual calculations can therefore be affected by several factors, such as fluctuations in the prices of FX and securities, changed portfolio compositions and improved data quality.

## Investments

Jyske Bank uses data from MSCI for estimation of emission relating to investment in equities and corporate bonds. The data from MSCI consist of both company-specific data and estimated emissions. In connection with mortgage bonds, data from the individual mortgage credit institution have been used where such data have been available. If the accessible data do not cover the entire cover pool, estimated data are used.

## Loans and advances

The estimation of CO<sub>2</sub> emission for bank loans and advances is generally based on emission factors from Statistics Denmark, yet the proportion of company specific has been increased in this analysis relative to previous analyses.

CO<sub>2</sub> emission relating to mortgage loans and bank mortgage loans for personal clients has been estimated on the basis of the public energy rating and the energy source of the property. If such rating is not available, the estimate is based on other knowledge about the individual property (energy source, age of the building, size, geographical location).

For a further description of the method used, reference is made to the document PRB Impact analysis - Method which is available at: <https://jyskebank.com/investorrelations/sustainability/impact>.

## Data quality

The data quality for estimation of financed CO<sub>2</sub> emission is assessed on the basis of the PCAF data quality score. Table 5 below shows the share of business volume in the individual scores and a weighted data quality score.

Table 5 - Data quality, PCAF score

	Score 1	Score 2	Score 3	Score 4	Score 5	Weighted Data quality
<b>Investment</b>	<b>0%</b>	<b>29%</b>	<b>0%</b>	<b>0%</b>	<b>71%</b>	<b>4.13</b>
Asset management	0%	43%	0%	0%	<b>57%</b>	3.72
Own portfolio	0%	7%	0%	0%	<b>93%</b>	4.78
<b>Loans and advances</b>	<b>&lt;1%</b>	<b>4%</b>	<b>56%</b>	<b>0%</b>	<b>39%</b>	<b>3.72</b>
Home loans, Personal Clients	0%	0%	62%	0%	<b>38%</b>	3.76
Car loans, Personal Clients	0%	91%	0%	9%	<b>0%</b>	2.19
Transport	4%	15%	0%	0%	<b>80%</b>	4.37
Agriculture	0%	15%	0%	0%	<b>85%</b>	4.55
Mortgage loans, Corporate Clients	0%	0%	83%	0%	<b>17%</b>	3.33
Manufacturing industry	6%	14%	0%	0%	<b>80%</b>	4.35
Other, Corporate Clients	3%	11%	0%	0%	<b>86%</b>	4.54
<b>Total</b>	<b>&lt;1%</b>	<b>11%</b>	<b>41%</b>	<b>&lt;1%</b>	<b>47%</b>	<b>3.83</b>

More company-specific data have been used (Score 2) than was previously the case. In addition, several companies have their ESG data verified which means that data obtain the best possible score (Score 1). From 2021 to 2022, these aspects have resulted in a minor improvement of the total score of the data quality (2021: 3.86 - 2022:3.83).

Almost half of the business volume is still estimated on the basis of emission factors from Statistics Denmark (score 5). Consequently, it continues to be one of Jyske Bank's focus areas to increase the collection of company-specific data for estimation of CO<sub>2</sub> emission.