

## Interim Financial Report, Q1 2021

- Earnings per share of DKK 11.6 (Q1 2020: DKK -11.1)
- Jyske Bank expects earnings per share of DKK 31-35 in 2021
- Core income of DKK 2,235m (Q1 2020: DKK 1,803m)
- Core expenses of DKK 1,171m (Q1 2020: DKK 1,346m)
- Loan impairment charges of DKK 10m (Q1 2020: DKK 1,003m)
- Pre-tax profit of DKK 1,128m, corresponding to a pre-tax return on equity of 12.9% p.a. (Q1 2020: DKK -996m and -10.3% p.a.)
- Net profit of DKK 883m, corresponding to a return on equity of 10.0% p.a. (Q1 2020: DKK -780m and -10.3% p.a.)
- Capital ratio of 23.2% (Q1 2020: 21.5%), hereof common equity tier 1 capital (CET1) ratio of 18.0% (Q1 2020: 16.7%)
- Jyske Bank expects a pre-tax profit of DKK 3.0bn-3.4bn and a net profit of DKK 2.3bn-2.7bn in 2021
- Effective 11 June 2021, Jyske Bank changes the variable interest rate on corporate clients' demand deposits to -0.95% p.a. from -0.75% p.a.

## Summary

*"In the past four quarters, Jyske Bank achieved the highest earnings per share since the merger with BRFkredit in May 2014. The positive development in the past quarter was due to favourable financial markets, high activity levels, good credit quality and low costs. This is in contrast to the same period last year when a management's estimate was made concerning impairment charges to offset the potential impact of the COVID-19 pandemic. The effect from organisational changes and higher specialisation as well as new products supported a satisfactory activity level in the first quarter, which resulted in upgraded expectations for 2021,"* says Anders Dam, Managing Director and CEO.

Despite comprehensive COVID-19 restrictions the Danish economy was less affected in the first quarter of 2021 than was the case during the lockdown in the spring of 2020, and the activity in the housing market is still at a very high level. The majority of the COVID-19 restrictions are expected to be lifted by the end of May, and the entire Danish population is expected to receive vaccinations in the course of the coming quarters. This paves the way for positive growth prospects.

Economic uncertainty is, however, still elevated due to deferred tax and VAT payments and compensation schemes supporting the clients' financial affairs and reducing credit demand. Jyske Bank is still in a good position with a satisfactory balance of impairment charges and a solid capital and liquidity position.

In the first quarter of 2021, Jyske Bank successfully introduced a green mortgage loan for corporate clients and Jyske Frihed (Jyske Freedom), a fixed-rate interest-only loan with lending approaching DKK 3bn. To this should be added the new VISA Credit card and improved functionalities in the new Jyske Mobilbank.

A considerable part of the planned branch mergers was implemented in the first quarter of 2021 and has so far given a positive contribution to Jyske Bank's business for instance by supporting higher specialisation, improved cohesion as well as profitability in the remaining branches.

The organisational changes form a good point of departure for the strategic cooperation with Købstædernes Forsikring called Jyske Forsikring. From the third quarter of 2021, the cooperation will contribute to covering the clients' insurance needs through a complete insurance solution.

## Earnings per share at DKK 11.6 in Q1 2021

The net profit for the period at DKK 883m corresponded to a return on equity of 10.0% p.a. against DKK -780m and -10.3% p.a., respectively, for the corresponding period of 2020. The higher profit can be attributed to an increased management's estimate for impairment charges in the first quarter of 2020 following the outbreak of COVID-19. The outbreak also resulted in high volatility in the financial markets whereas the first quarter of 2021 saw a favourable trend.

Jyske Bank's loans and advances (exclusive of repo loans) were 1% lower at the end of the first quarter of 2021 compared with the end of 2020. Higher loans and advances in leasing and banking activities were hence more than offset by the fact that mortgage loans stated at fair value were affected by falling bond prices. Nominal mortgage loans rose driven by corporate clients. Bank deposits were 1% lower than at end-2020, primarily as a result of slightly lower deposits from corporate clients.

Effective 11 June 2021, Jyske Bank changes the variable interest rate on corporate clients' demand deposits to -0.95% p.a. from -0.75% p.a. The change is partly due to the prospect of interest rate levels continuing to be negative combined with a significant deposit surplus. The initiative is expected to affect DKK 30bn - 35bn of deposits and increase the likelihood of earnings per share reaching the upper half of the interval DKK 31-35 based on the expected number of shares in circulation at the end of 2021.

Core income rose by 24% relative to the first quarter of 2020. The capital and property markets were dominated by a high level of activity, and value adjustments rose from a low level as a result of the COVID-19 outbreak in the first quarter of 2020 to the highest level in five years.

Core expenses shed 13% compared with the first quarter of 2020 and 8% adjusted for one-off items in connection with the sale of Jyske Bank (Gibraltar). The decrease can be attributed to a 7% reduction in the number of full-time employees, an intensified focus on costs as well as the effect from COVID-19 restrictions on travel expenses, etc.

Loan impairment charges dropped to DKK 10m from DKK 1,003m in the first quarter of 2020 when a management's estimate was made concerning loan impairment charges to reflect the potential impact from the COVID-19 pandemic.

At the end of the first quarter of 2021, Jyske Bank's capital ratio and common equity tier 1 capital ratio were calculated at historically high levels of 23.2% and 18.0%, respectively, with a capital buffer of DKK 13.9bn compared to regulatory requirements.

In the first quarter of 2021, Jyske Bank initiated a share buy-back programme of up to DKK 750m, running until 30 September 2021 at the latest, and issued supplementary tier 2 capital in the amount of NOK 1bn and SEK 1bn.

## Outlook

As a result of the development in the first quarter of the year and expectations for the rest of the year, Jyske Bank upgraded its expectations of 2021 in March and April. Jyske Bank now anticipates earnings per share at DKK 31-35 in 2021 against the original amount of DKK 25-31. Expectations corresponds to a pre-tax profit of DKK 3.0 bn-3.4 bn against the originally expected DKK 2.5 bn-3.0 bn and a net profit of DKK 2.3 bn-2.7 bn against the original expectations of DKK 1.9 bn-2.3 bn.

In 2021, Jyske Bank's business volume is expected to be affected by rising bank loans and advances and falling deposits. To some extent, this is expected due to the business community's payment of deferred VAT and taxes as well as pent-up consumer and investment demand. Mortgage loans are also expected to increase.

Core income is expected to be roughly unchanged in 2021 relative to 2020.

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

It is expected that loan impairment charges and provisions for guarantees will be at a very low level in 2021.

Yours faithfully,  
Jyske Bank

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