Pre-close brief for Q3 2024

Ahead of the publication of Jyske Bank's Q3 2024 interim report on 29 October, we would like to bring relevant public data as well as one-off items to your attention on a line-by-line basis.

Net interest income

Firstly, commenting the volume development by segment based on recent trends and sector statistics as of August:

- Sector nominal mortgage lending was up 0.6% at the end of August vs. the end of Q2 2024. The increase was driven by both corporates and households.
- For leasing activities, lending was unchanged in Q2 2024, and growth has recently mainly been driven by large corporate clients.
- Sector bank lending (excl. repo) was down 1.1% at the end of August compared with the end of Q2 2024. The decrease was driven by corporates.

  Mortgage-like bank lending continues to be transferred to our mortgage subsidiary, thereby gradually reducing bank lending and increasing mortgage lending.
- Sector deposits (excl. repo) was up 1.0% as of the end of August vs. the end of Q2 2024. The increase was driven by households and non-financial corporations.

Secondly, commenting the development in rates by segment based on recent trends and sector statistics:

- Mortgage administration margins have exhibited a slightly decreasing trend in the last year, albeit with signs of stabilization in recent quarters.
- For leasing activities, lower internal funding costs drove higher net interest income in Q2. For Q3, the lower funding costs will to a larger extent have been passed on to customers.
- Sector bank lending rates for non-financial corporations decreased 19bp in July-August vs. Q2 2024. For households, bank lending rates decreased 20bp.

  Sector deposit rates for non-financial corporations decreased 7bp in July-August vs. Q2 2024. Meanwhile, sector deposit rates for households decreased 3bp.

  Comparably, the average 3-month CIBOR decreased 23bp in the same period, entailing roughly stable bank lending margins and significantly lower deposit margins.

Thirdly, on policy rate changes, Nationalbanken's certificate of deposit rate was lowered 25bp on 7 June and an additional 25bp on 13 September 2024. This should reduce, e.g., interest income from placings with central banks of c. DKK 88bn as of the end of Q2 2024. The average 3-month CIBOR decreased 29bp in Q3 2024 compared with the average of Q2 2024.

Following the policy rate changes, on 1 August, variable bank lending rates as well as savings deposit rates were reduced 25bp. On 23 October, variable bank lending rates will decrease a further 25bp, while certain savings demand deposits below DKK 500,000 and other select private deposit rates will be reduced a further 25bp.

Lastly, please note that Q3 2024 had a single day of interest more than Q2 2024. Also, wholesale funding costs should be impacted by the issuance of EUR 500m non-preferred senior debt on 6 June 2024 at a 3-month CIBOR-equivalent spread of 95bp. Furthermore, please note that DKK swap rates decreased significantly in Q3 2024.

Net fee and commission income

Below we provide some comments to keep in mind regarding some of the elements of the net fee and commission income line shown in the fact book.

- Firstly, securities trading and safe-custody fees could increase compared to the DKK 258m of Q3 2023 driven by higher average assets under management. However, when comparing to Q2 2024, please note that the DKK 309m was underpinned by seasonal custody fees, healthy activity levels as well as a high number of fund days due to the timing of the Easter holiday.
- Secondly, on mortgage fees, sector mortgage lending offers remained at a low level and declined 1% y/y as of July-August to the lowest level for that time of the year on record. This indicates a close to unchanged level of mortgage fees vs. the Q3 2023 level of DKK 147m. Mortgage fees remain subject to the seasonal refinancing of adjustable-rate mortgages which historically has been at a high level in Q3.
- Thirdly, money transfers and card payments as well as guarantee commission was affected by

the IT migration of Handelsbanken Denmark in Q4 2023, entailing a regrouping of fees to other fee income. Consequently, income from money transfers and card payments as well as guarantee commission should be at lower levels in Q3 2024 than the Q3 2023 levels. The Q1/Q2 2024 levels should be more appropriate starting points.

Value adjustments and investment portfolio earnings
Spreads of 3-year non-callable Danish mortgage bonds tightened somewhat vs. 3-month CIBOR in Q3 2024. Additionally, 3-year DKK swap rates decreased significantly compared with the end of Q2 2024. These developments should underpin value adjustments to a greater extent than in Q2 2024 where spreads tightened to a minor degree and swap rates rose slightly.

Investment portfolio earnings continue to be impacted by higher internal funding costs than the net interest income generated by the portfolio, resulting in negative net interest income booked under investment portfolio earnings. This was more than compensated for by a high level of value adjusments from the investment portfolio in Q2 2024.

Other income
The starting point for other income could be the Q3 2023 level of DKK 35m. Other income is seasonally lower in the second half of the year due to the timing of dividends from shares.

Income from operating lease (net)
The favorable sales conditions in the market for used cars has been normalising in recent quarters, entailing a lower level of income from operating lease (net) that declined to DKK 52m in Q2 2024.

As stated in the fact book, gains from the sale of assets remained elevated at DKK 33m in Q2 2024 vs. the median level of DKK 8m per quarter since 2016.

Core expenses
Total core expenses and one-off items amounted to DKK 1,583m in Q3 2023, incl. DKK 69m of one-off items.

Excluding one-off items, the underlying level of DKK 1,514m should be an appropriate starting point for Q3 2024. However, please note that several elements should be added to the starting point:

- Firstly, a collectively prescribed, sector-wide salary increase of 3.7% was implemented on 1 July 2024.

- Secondly, a 0.5% increase of salaries related to the removal of the Danish Great Prayer Day holiday was implemented on 1 January 2024.

- Thirdly, the acquisition of PFA Bank in Q4 2023 should add less than DKK 0.1bn p.a. of total costs, incl. amortisation of customer relations of DKK 17m p.a.

- Fourthly, integration costs of c. DKK 0.1bn relating to the acquisitions of Handelsbanken Denmark and PFA Bank are expected in 2024, of which DKK 40m was booked in H1 2024.

For 2024, we expect total core expenses and one-off items to increase slightly vs. the 2023 level of DKK 6,338m.

Credit quality
The share of stage 3 exposures remained at a low level in Q2 2024. Post-model adjustments amounted to DKK 1,905m at the end of Q2 2024, equvialent to several years of normalised loan losses.

We have guided for loan impairment charges in 2024 to be slightly higher than the expense of DKK 127m in 2023. In H1 2024, loan impairment charges amounted to DKK 109m.

Capital
The targeted annual dividend of 30% of shareholders' profit entails an equivalent CET1 deduction of 30% of shareholders' profit in Q1-Q3 2024.

Other remarks
Pending approval from the authorities, Jyske Bank has acquired an operational leasing portfolio of c. 5,500 cars from Opendo. The acquisition should increase the volume within operational leasing by c. DKK 1.1bn as well as the number of employees by c. 6 as of closing on 31 October 2024. At the end of Q2 2024, Jyske Bank's assets for operational leasing and consignment amounted to DKK 1.8bn.

Contact
Please do not hesitate to reach out to Investor Relations if you have any questions. We will be entering our silent period on 7 October 2024.

Disclaimer

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