

Pre-close brief for Q4 2024

Ahead of the publication of Jyske Bank's 2024 annual report on 26 February, 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 November:

- Sector nominal mortgage lending was up 1.1% at the end of November vs. the end of Q3 2024. The increase was driven by both corporates and households.
- For leasing activities, lending decreased 2% q/q in Q3 2024, and growth has recently been somewhat subdued amid low demand.
- Sector bank lending (excl. repo) was up 0.3% at the end of November compared with the end of Q3 2024. The increase was mainly driven by financial corporations and to a minor extent also non-financial corporations.

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 3.2% as of the end of November vs. the end of Q3 2024. The increase was driven by non-financial corporations and households.

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.
- For leasing activities, decreasing customer rates amid the lower short-term interest rates drove lower net interest income in Q3.
- Sector bank lending rates for non-financial corporations decreased 38bp in October-November vs. Q3 2024. For households, bank lending rates decreased 25bp. This indicates a higher bank lending margin vs. 3-month CIBOR, which decreased 47bp in the same period.

Sector deposit rates for non-financial corporations decreased 17bp in October-November vs. Q3 2024. Equivalently, sector deposit rates for households decreased 14bp.

This indicates a significantly lower deposit margin vs. 3-month CIBOR, which decreased 47bp in the same period.

Please note that the abovementioned rate changes for bank lending and deposits only relate to the first two months of Q4. The average 3-month CIBOR decreased 55bp for the full quarter compared with the average of Q3 2024.

Following the policy rate changes, Jyske Bank has mainly reduced a subset of bank lending rates as well as savings deposit rates. On 1 August, Jyske Bank reduced variable bank lending rates as well as savings deposit rates by 25bp. On 23 October, variable bank lending rates and rates of a select group of savings products decreased a further 25bp. On 25 November, savings deposit rates were reduced 25bp again.

The number of days of interest was unchanged in Q4 vs. Q3 2024.

Lastly, wholesale funding costs should be impacted by the issuance of EUR 500m preferred senior debt on 5 November 2024 at a 3-month CIBOR-equivalent spread of 49bp.

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 407m of Q4 2023 driven by higher average assets under management.
- Secondly, on mortgage fees, sector mortgage lending offers increased 2% y/y as of October-November. This indicates a close to unchanged level of mortgage fees vs. the Q4 2023 level of DKK 144m. However, please note that activity levels in December 2023 was underpinned by the implementation of tax changes in the property market on 1 January 2024. Mortgage fees remain subject to the seasonal refinancing of adjustable-rate mortgages which historically has been at a lower level in Q4 than 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 higher levels in Q4 2024 than the Q4 2023 levels. The Q1-Q3 2024 levels could be more appropriate starting points.

Value adjustments and investment portfolio earnings

Spreads of 3-year non-callable Danish mortgage bonds widened slightly vs. 3-month CIBOR in Q4 2024. 3-year DKK swap rates was close to unchanged compared with the end of Q3 2024. These developments indicate a lower level of value adjustments than in Q3 2024, which saw slight spread tightening and significantly decreasing swap rates.

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.

Other income

The starting point for other income could be the average of Q4 for the last three years of DKK 44m. As always, please note that 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 continues to normalise, entailing a lower level of income from operating lease (net) that declined to DKK 32m in Q3 2024, including one-off impairment charges of DKK 14m.

As stated in the fact book, gains from the sale of assets remained elevated at DKK 29m in Q3 2024 vs. the median level of DKK 9m per quarter since 2016.

Core expenses

Total core expenses and one-off items amounted to DKK 1,684m in Q4 2023, incl. DKK 51m of one-off items.

Excluding one-off items, the underlying level of DKK 1,633m should be an appropriate starting point for Q4 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, integration costs of c. DKK 0.1bn relating to the acquisitions of Handelsbanken Denmark and PFA Bank are expected in 2024, of which DKK 73m was booked in Q1-3 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 Q3 2024. Post-model adjustments amounted to DKK 1,783m at the end of Q3 2024, equivalent to several years of normalised loan losses.

We have guided for loan impairment charges in 2024 to be at a low level. In Q1-3 2024, loan impairment charges amounted to DKK 13m.

Capital

Jyske Bank targets an annual dividend of 30% of shareholders' profit supplemented by share repurchases. As of Q1-3 2024, a CET1 deduction of DKK 1,155m was reserved for the expected dividend.

Please note that share buybacks are deducted from the capital base of the quarter that the buyback is announced, i.e. the buyback announced in May 2024 was deducted in the Q2 2024 report.

Macroeconomic outlook for 2025 in brief

Jyske Bank's macroeconomists currently expect Nationalbanken's policy rate to decrease from 3.60% in June 2024 to 1.60% in June 2025. The economy is expected to exhibit a balanced development with decent growth, inflation under control as well as continued low unemployment.

Contact

Please do not hesitate to reach out to Investor Relations if you have any questions. We will be entering our silent period on 11 January 2025.

Disclaimer

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