

Pre-close brief for Q1 2024

Ahead of the publication of Jyske Bank's Q1 2024 interim report on 7 May, 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 February:

- Sector nominal mortgage lending to households and non-financials was up 0.2% at the end of February vs. the end of 2023.
- Leasing volumes were slightly down in Q4 2023, and growth has recently mainly been driven by large corporate clients.
- Sector bank lending to households and non-financial corporations was down 0.6% at the end of February compared with the end of 2023.

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) from households and non-financial corporations were up 0.9% as of the end of February vs. the end of 2023. Please note that Jyske Bank's growth in Q4 2023 was above the sector level, partly driven by short-term corporate time deposits.

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

- Sector mortgage administration margins have exhibited a slightly decreasing trend in recent quarters.
- For leasing activities, higher interest income from leasing has been matched by higher internal funding costs, entailing somewhat stable net interest income in recent quarters.
- Sector bank lending rates were up 13bp in January-February vs. the average level of Q4 2023.

Deposit rates for the sector were up 15bp in January-February vs. the average level of Q4 2023.

On 27 November 2023, Jyske Bank increased lending and deposit rates by 25bp and

time/savings deposits rates by up to 50bp. Given the deposit surplus under banking activities, you should expect a negative full-quarter impact in Q1 2024 from the rate changes.

Lastly, please note the continued migration of private client deposits from transaction accounts to savings accounts.

The average 3-month CIBOR rate decreased 6bp in Q1 2024 compared with the average of Q4 2023.

Q1 2024 had a day less than Q4 2023.

We expect a significant increase in wholesale funding costs compared with Q4 2023:

- Firstly, EUR 500m tier 2 capital was issued on 1 February 2024 at a 3-month CIBOR-equivalent spread of 224bp. The issuance should be seen in conjunction with the upcoming call-date of EUR 300m tier 2 capital in April 2024.
- Secondly, we will see the full-quarter impact from the issuance of EUR 500m non-preferred senior debt on 10 November 2023 at a 3-month CIBOR-equivalent spread of 158bp.

Overall, based on the statements above, net interest income is likely to decline in Q1 2024 compared with Q4 2023, mainly due to higher deposit rates and increased wholesale funding costs as well as fewer days of interest.

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, on securities trading and safe-custody fees, we could see a minor increase compared to the DKK 272m of Q1 2023 driven by higher average assets under management following the acquisition PFA Bank.
- Secondly, on mortgage fees, sector mortgage lending offers declined 28% y/y as of January-February to the lowest level on record. This seems to indicate a significantly lower level of mortgage fees vs. the Q1 2023 level of DKK 126m. Also, please note that mortgage fees continue to remain subject to the seasonality of refinancing income.
- 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 than the Q1 2023 levels.

- Fourthly, other fees and commissions could increase slightly vs. the Q1 2023 level of DKK 208m due to the regrouping of fees mentioned above.
- Lastly, fee and commission expenses should increase vs. the Q1 2023 level of DKK 124m following Jyske Realkredit's issuance of a EUR 750m covered bond at fair value in Q1 2024.

Value adjustments and investment portfolio earnings

Q1 2024 was characterised by mixed financial market conditions.

Spreads of 3-year non-callable Danish mortgage bonds widened c. 5bp vs. 3-month CIBOR in Q1 2024. That is similar to the development seen in Q2 2023. Conversely, please note that option-adjusted spreads of callable Danish mortgage bonds tightened in Q1 2024.

The 3-year Danish swap rate increased 0.3pp in Q1 2024, which should be a negative for the value of financial instruments used for hedging.

Lastly, 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 Q1 2023 level of DKK 104m, incl. a high level of dividends from shares of DKK 60m. Comparably, the 5-year average of other income booked in Q1 is DKK 64m.

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).

Please note that 2021-2023 was characterised by an above-normal level of income from operating lease (net) with an average of DKK 74m per quarter compared to the average of DKK 24m per quarter in the preceding three-year period of 2018-2020.

Core expenses

Total core expenses and one-off items amounted to DKK 1,518m in Q1 2023 and is likely to increase in Q1 2024.

Excluding one-off items, the underlying level of DKK 1,470m in Q1 2023 should be an appropriate starting point for Q1 2024. However, please note that several elements should be added to the starting point:

- Firstly, the collectively prescribed, sector-wide salary increase amounted to 4.5% and was implemented on 1 July 2023.
- Secondly, a further 0.5% increase in staff costs 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 up to DKK 0.2bn relating to the acquisitions of Handelsbanken Denmark and PFA Bank are expected in 2024.

For 2024, we expect to be able to maintain approximately unchanged total core expenses and one-off items (2023: DKK 6,338m).

Credit quality

The underlying quality of the book remains solid. The share of stage 3 exposures as well as the level of actual write-offs remained at low levels in Q4 2023. Post-model adjustments amounted to DKK 1,934m at the end of 2023, equivalent to approximately three years of normalised loan losses.

We have guided for loan impairment charges in 2024 to be higher than the expense of DKK 127m in 2023.

Capital

Jyske Bank distributed a dividend of DKK 7.78 per share equivalent to DKK 500m to shareholders in March 2024.

The targeted annual dividend of 30% of shareholders' profit entails an equivalent CET1 deduction of 30% of shareholders' profit ytd. starting from Q1 2024.

Please note that operational risk historically has been updated in Q1 and is subject to, e.g., the

average level of income in the preceding three years, which rose substantially in 2023. Consequently, you should expect a significantly higher risk exposure amount related to operational risk in Q1 2024 compared with end-2023.

Other remarks

The issuance of EUR 300m additional tier 1 (AT1) capital on 13 February 2024 with a coupon rate of 7.0% p.a. should entail a significantly higher level of AT1 costs in Q1 2024 than the Q4 2023 level of DKK 43m. Going forward, please note the upcoming call-date of SEK 1bn AT1 capital in April 2024.

Contact

Please do not hesitate to reach out to Investor Relations (IR@jyskebank.dk) if you have any questions. We will be entering our silent period on 10 April 2024.

Disclaimer

Any forward-looking statements included herein do not constitute a guarantee of future results and are subject to risk, uncertainty and assumptions, the consequence of which are difficult to predict. The forward-looking statements are based on our current expectations, estimates and assumptions and are provided on the basis of information available to us at the present time but actual results may differ significantly from any forward-looking statement. The information included herein is a summary of publicly available information and is made available on a non-reliance basis as a service to our investors. Neither Jyske Bank A/S nor any other entity in the Jyske Bank Group will assume any liability for the content of the information included herein and the information does not purport to be an exhaustive description of the matters described herein.