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# Investor presentation

Q2 2022



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# Summary

Q2 2022

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# Strong underlying business momentum continued in Q2

## Q2 2022 in brief



+17% y/y

### Earnings per share

Solid underlying income trends and strong credit quality offset by challenging financial markets

## Strong business momentum



+22% y/y

### Bank lending (excl. repo)

High bank lending growth supports net interest income momentum

## Solid credit quality



DKK 1,655m

### Management's estimate

Five consecutive quarters of reversals while management's estimate remains at a high level

## Positive interest rate environment



>0%

### 3-month CIBOR

Danish interbank rate has reached positive territory for the first time since 2015

## Handelsbanken Denmark

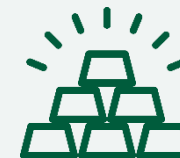


+10%

### Earnings per share accretion

Acquisition expected to lift 2024E EPS by approx. 10% vs. standalone

## Good capital position



17.9%

### CET1 ratio

+0.7pp q/q and well above 15%-17% target range ahead of SHB DK acquisition

# EPS up 17% y/y despite challenging financial markets

-6% y/y

Core income

+11% y/y excl. value adj. amid strong underlying income trends

+2% y/y

Core expenses

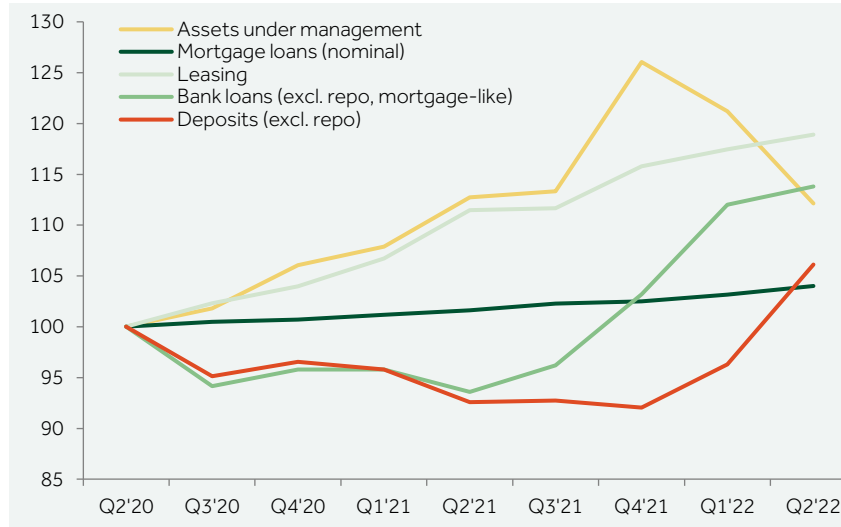
One-off and collectively prescribed salary increases

-4bp

Loan impairment charges

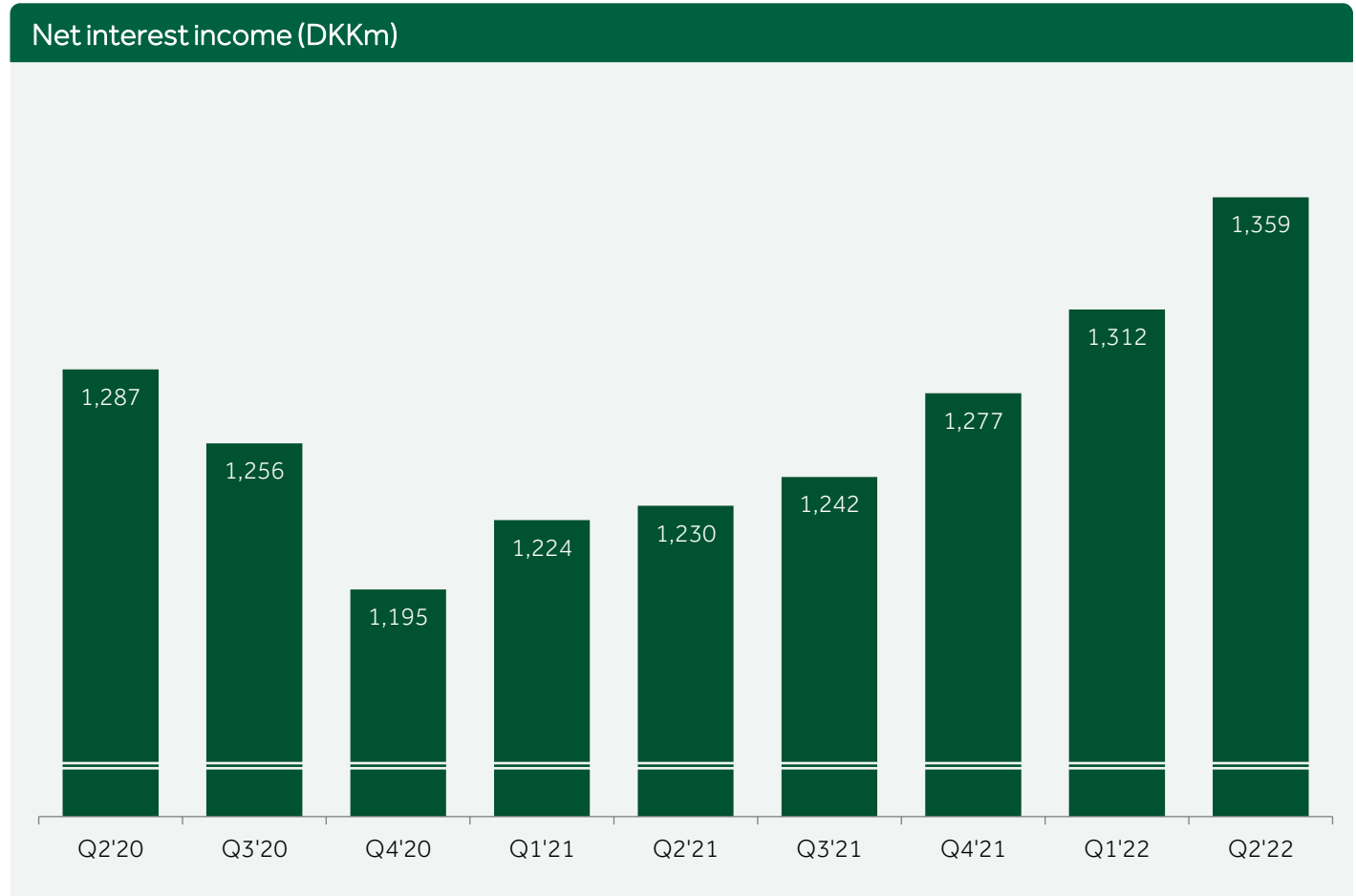
Credit quality remains very solid

## Return on equity bridge, business volumes and income statement

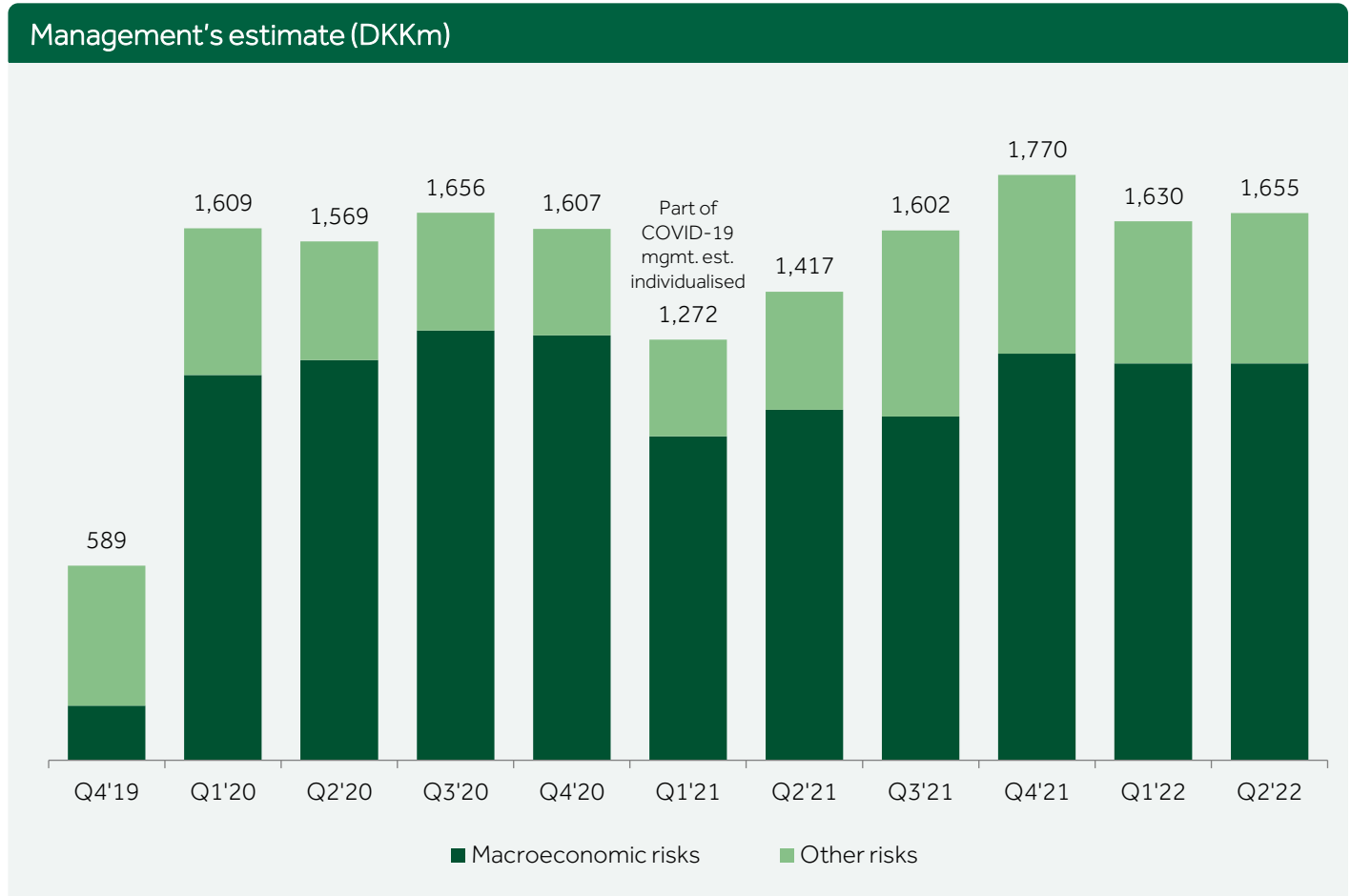


DKKkm	Q2'22	Q2'21	Index
Net interest income	1,359	1,230	110
Net fees and commissions	567	509	111
Value adjustments	-93	243	-
Other income	70	84	83
Inc. from operating lease	105	63	167
<b>Core income</b>	<b>2,008</b>	<b>2,129</b>	<b>94</b>
Core expenses	1,195	1,171	102
<b>Core profit pre loan losses</b>	<b>813</b>	<b>958</b>	<b>85</b>
Loan impairment charges	-192	-47	-
<b>Core profit</b>	<b>1,005</b>	<b>1,005</b>	<b>100</b>
Investment portfolio	13	29	45
<b>Pre-tax profit</b>	<b>1,018</b>	<b>1,034</b>	<b>98</b>
Tax	178	232	77
<b>Net profit</b>	<b>840</b>	<b>802</b>	<b>105</b>
Earnings per share (DKK)	12.4	10.6	117
Return on equity (ann.)	9.2%	8.8%	104
Cost/income ratio	59.5%	55.0%	108
CET1 ratio	17.9%	18.3%	98
Mortgage lending (nom.)	343,947	336,022	102
Bank loans (excl. repo)	86,784	71,374	122
Mortgage-like bank loans	3,782	2,594	146
Leasing	22,737	21,314	107
Deposits (excl. repo)	140,114	122,249	115

## Bank lending growth of 22% y/y supports net interest income



## Management's estimate remains at high level



# Interbank rate in positive territory for the first time since 2015



3-month CIBOR rate



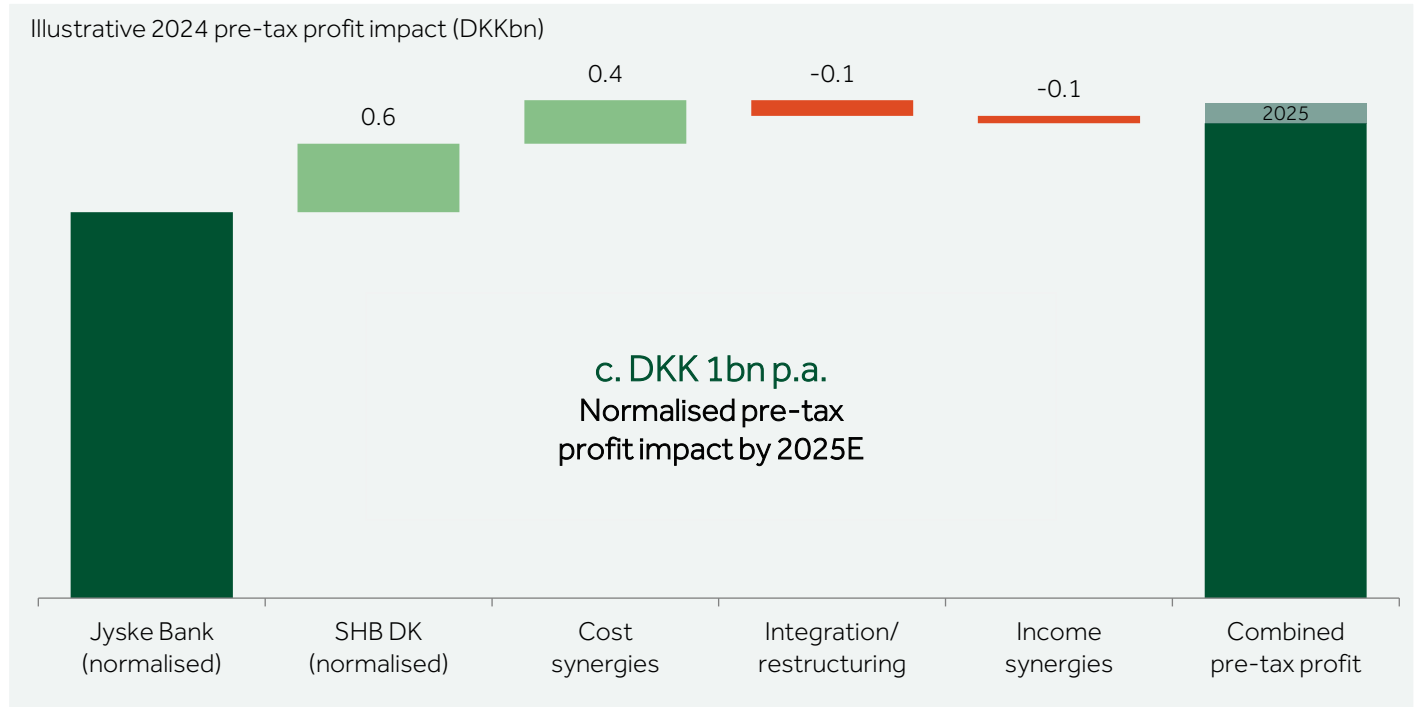
Client	Product	ΔRate	Timing
Private	Lending	+0.5pp	25 Oct.
	Deposits	+0.5pp	22 Jul.
Corporate	Lending	+0.5pp	1 Sep.
	Deposits	+0.5pp	1 Sep.

Note: Data as of the end of July 2022. Change to private clients' deposit rates concerns deposits above DKK 100,000 zero interest threshold.

# Transaction expected to lift EPS approx. 10% vs. standalone

## Overview of Handelsbanken Denmark transaction and expected financial impact

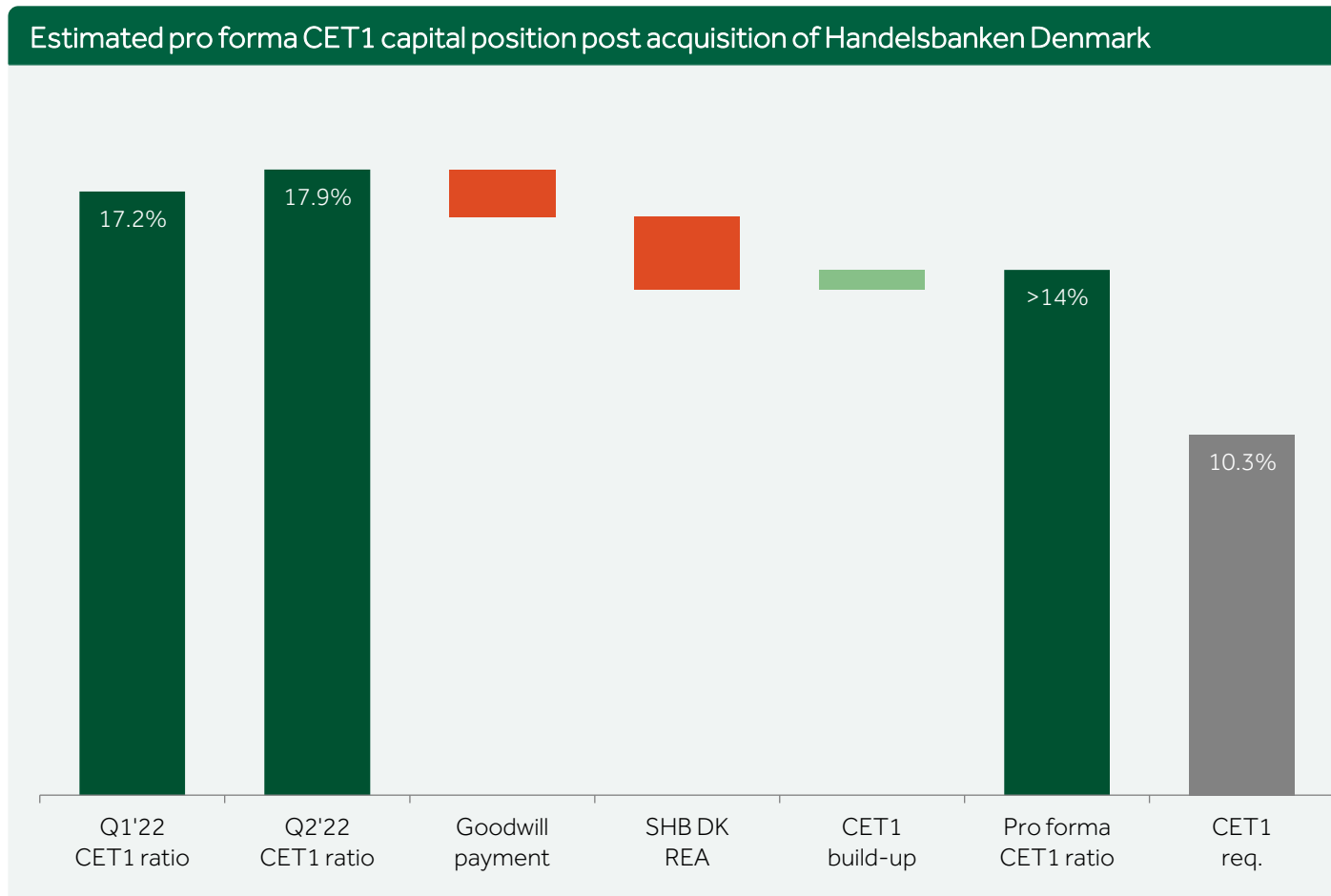
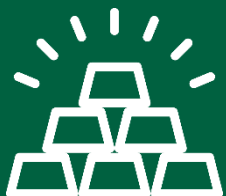
<p><b>DKK 3.0bn</b>  <b>Goodwill payment</b>                  DKK 25bn estimated REA inflation,                  CET1 ratio to stay well above 14%</p>	<p><b>c. DKK 0.3bn p.a.</b>  <b>Synergies</b>                  DKK 0.4bn cost synergies, income                  dis-synergies of DKK 0.1bn by 2024E</p>	<p><b>c. DKK 0.5bn</b>  <b>Integration/restructuring</b>                  One-off costs of DKK 0.4bn in 2023E                  and DKK 0.1bn expected for 2024E</p>
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Note: Total synergies include expected AT1 costs and is to be realised during 2024. Expected closing Q4 2022.

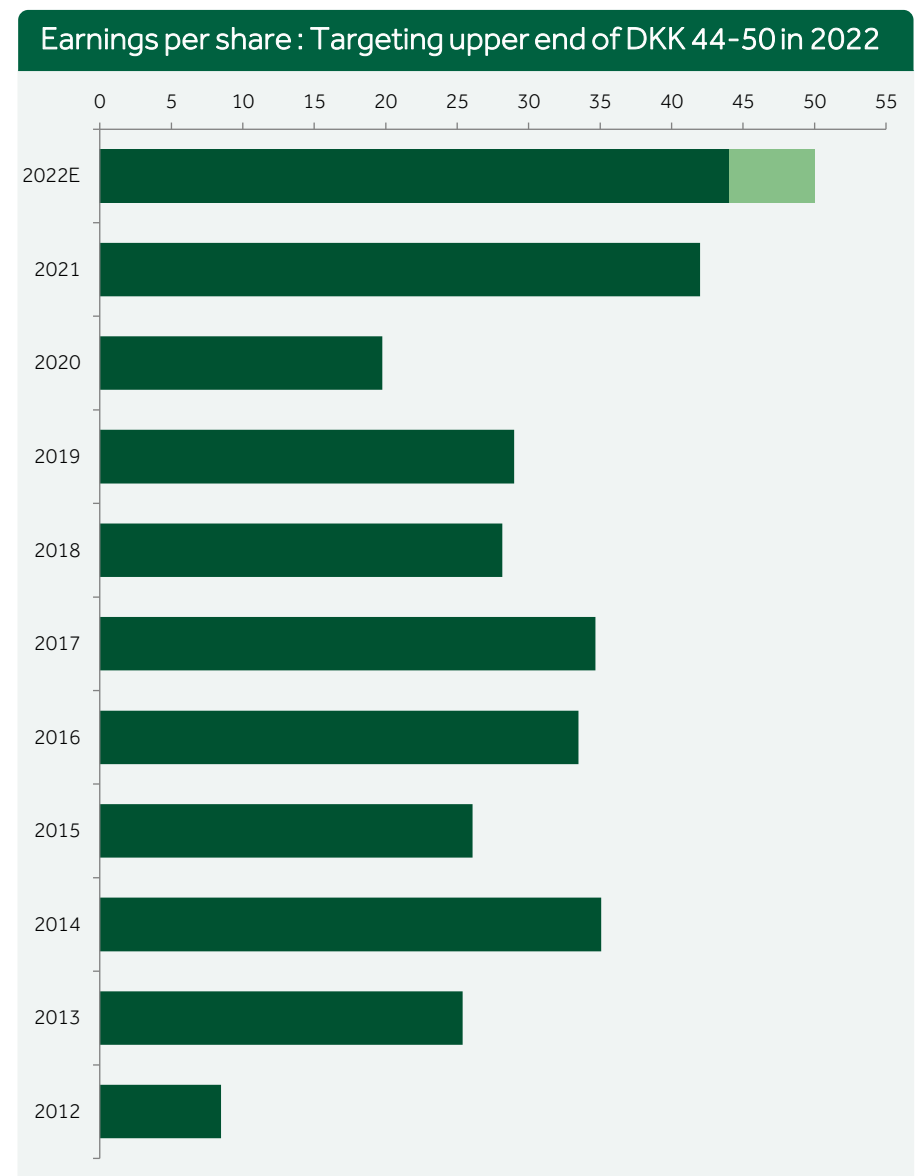


## CET1 ratio increased 0.7pp q/q ahead of SHB DK acquisition



# Aiming for the upper end of the profit target range for 2022

<b>Volumes</b>	Bank lending and nominal mortgage lending to increase in 2022
<b>Core income</b>	Lower in 2022 than 2021 due to value adjustments
<b>Core expenses</b>	Lower in 2022 than 2021 excl. one-off items
<b>Loan impairment charges</b>	Reversals of loan impairment charges in 2022
<b>Net profit</b>	Upper end of DKK 3.0bn-3.4bn in 2022
<b>Capital</b>	CET1 ratio of 15%-17% and capital ratio of 20%-22%



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# Financials

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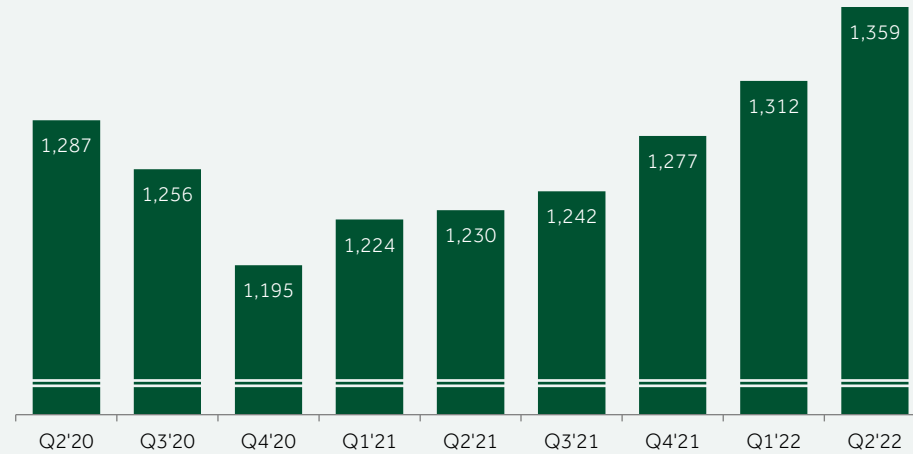
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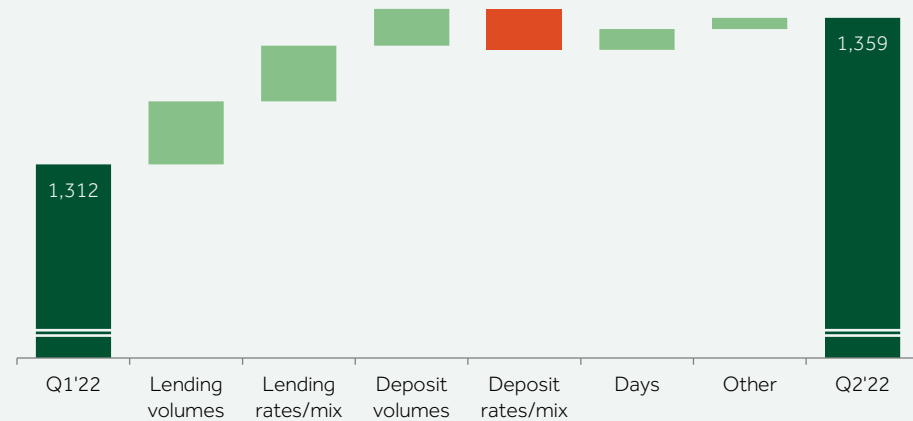
# Growth in business volumes continue to drive higher NII

Net interest income (DKKkM)

**+10% y/y**  
**Net interest income**  
 Higher volumes and reduced deposit rates



**+4% q/q**  
**Net interest income**  
 Higher corporate lending and deposit volumes



- Significantly higher lending volumes offset by mix effects, primarily due to lower household lending and increased lending to large corporates.
- Positive effect from reduced private and corporate deposit rates.
- Other NII increased, partly due to higher income from derivatives.
- Continued corporate lending growth, underpinned by repayment of tax and VAT loans as well as inventory build-up. Higher CIBOR 3M rates also supported NII from bank lending.
- Corporate deposits grew significantly towards the end of Q2, partly due to reduction of deposits held with tax authorities.
- Bank lending and deposit rates to be increased by 0.5pp during H2 2022.

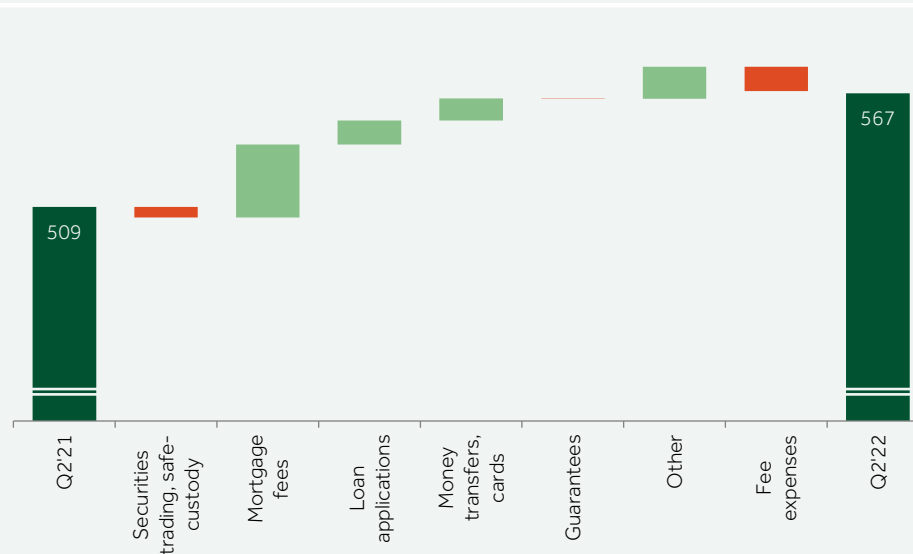
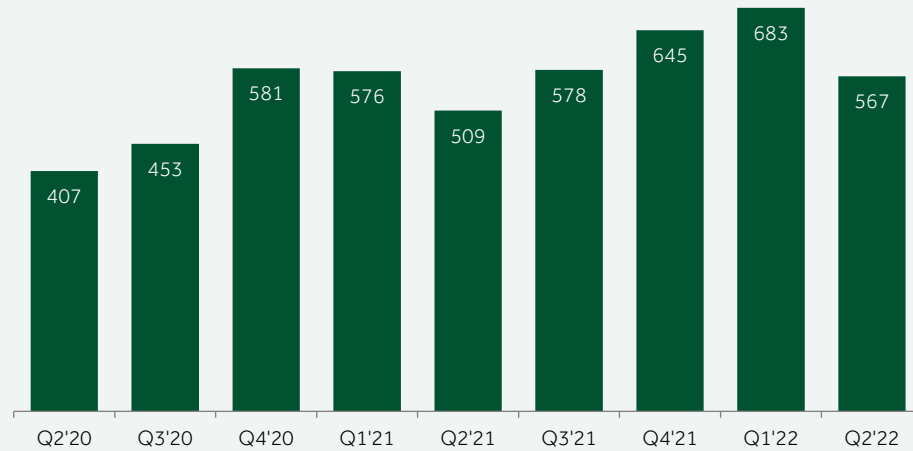
# High activity levels supports net fee income

Net fee and commission income (DKKm)

**+11% y/y**

**Net fee income**

Increased remortgaging activity, fee changes and high lending growth



- Securities trading and safe-custody close to unchanged amid slightly lower trading activity.
- Mortgage fees and loan application fees supported by remortgaging and lending growth.
- Other fee income supported by new customer programme implemented on 1 April.

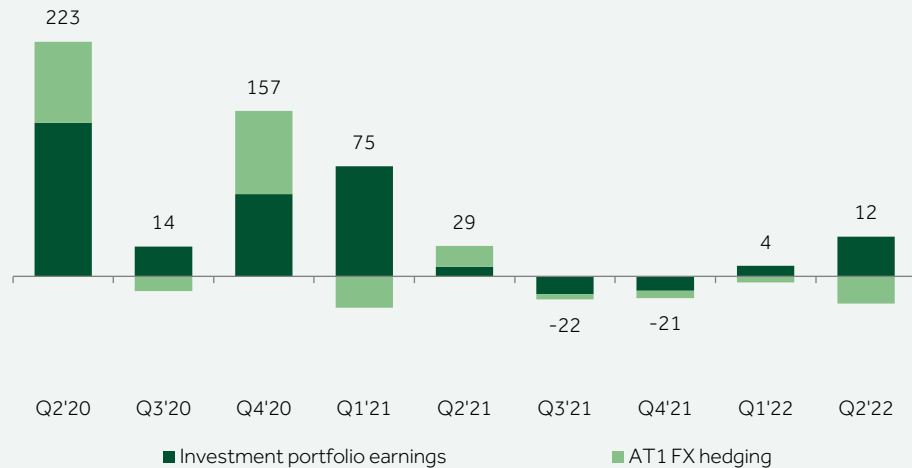
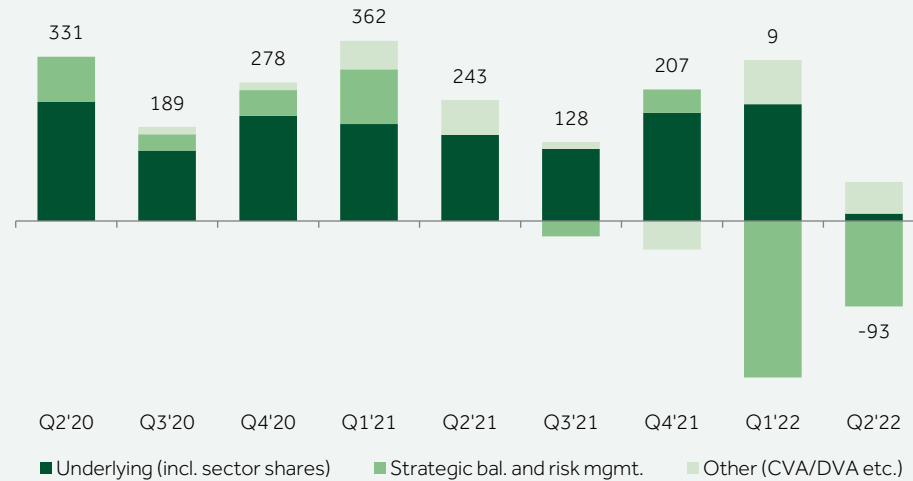
# Volatile financial markets impacted Q2 negatively

## Value adjustments and investment portfolio earnings (DKKm)

**DKK -93m**

### Value adjustments

Widening OAS and hedging offset solid underlying level



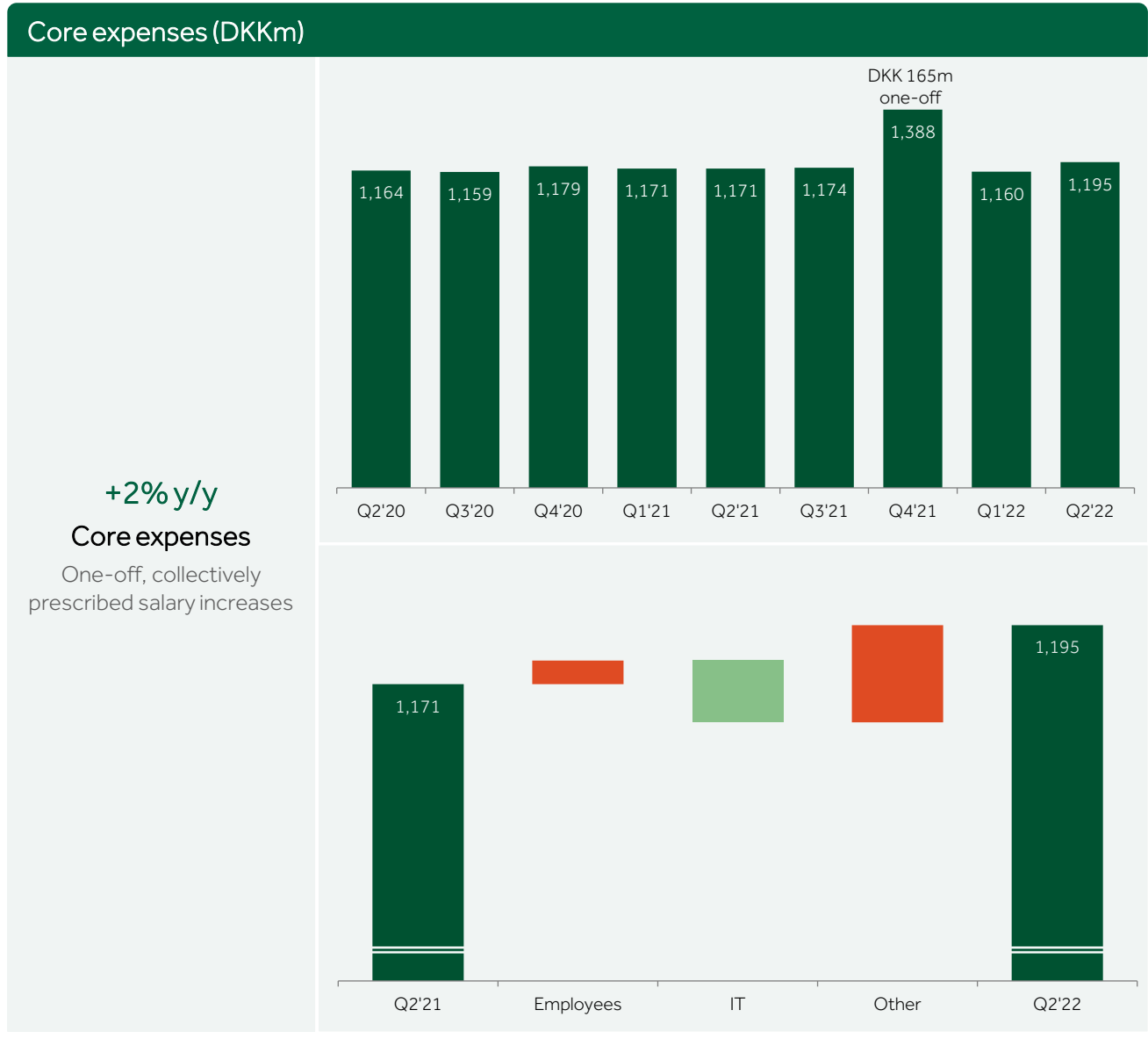
**DKK 12m**

### Investment portfolio

Widening OAS offset by curve positioning

- **Very significant widening of spreads.** Option-adjusted spreads of 3-year fixed rate Danish mortgage bonds widened a full 19bp in Q2 – worse than the 16bp widening of Q1 2020.
- **Negative equity performance** exacerbated by dividends of DKK 52m (booked under other income) lowering the contribution from sector shares.
- Higher interest rates had negative impact on **hedging of interest rate risk** under strategic balance and risk management and positive CVA effect for the second consecutive quarter.
- **Very strong start to Q3 2022** due to a positive development in financial markets following difficult Q2.

# Nearly stable underlying costs amid high activity levels



- Costs exhibit a **nearly stable underlying trend** amid high activity levels.
- Number of **FTEs reduced** by 1% y/y to 3,218, partly compensating for collectively prescribed salary increase of 2.0%.
- **Lower IT expenses** related to a capital markets programme.
- **One-off of DKK 11m (1%)** related to acquisition of Svenska Handelsbanken's activities in Denmark.
- **Cost/income ratio** of 58% in the last four quarters.

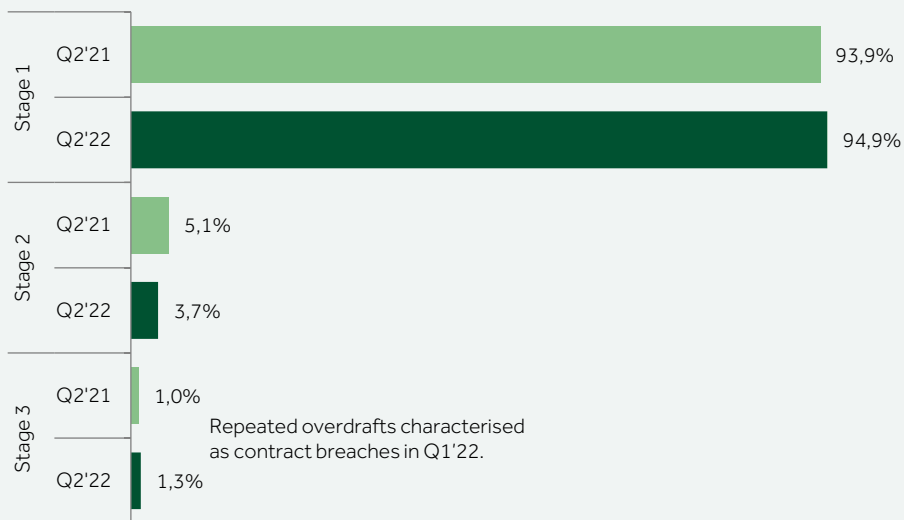
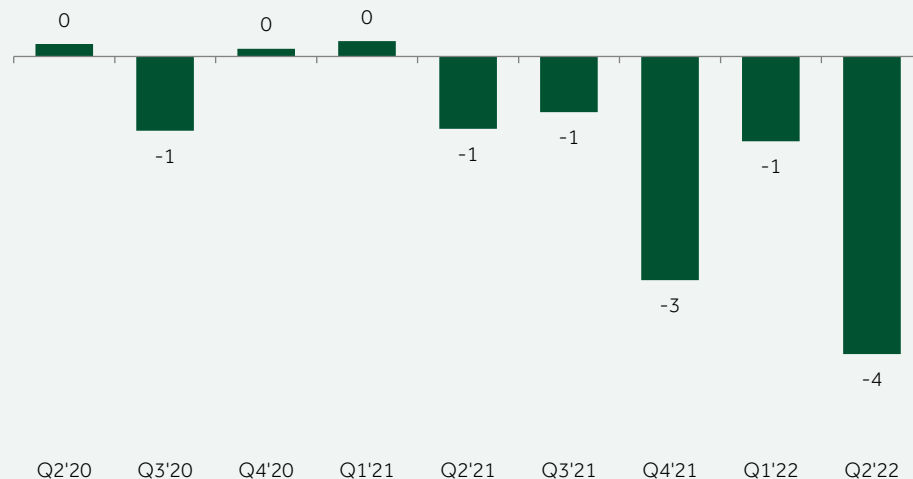
# Strong credit quality amid significant reversals

## Cost of risk and non-performing exposure (bp/%)

**DKK -192m (-4bp)**

### Cost of risk

Strong credit quality and significant buffers



**1.3%**  
Stage 3 exposure

Stage 2+3: -1.1pp y/y

**DKK 1,655m**  
Mgmt. estimate

DKK +25m q/q

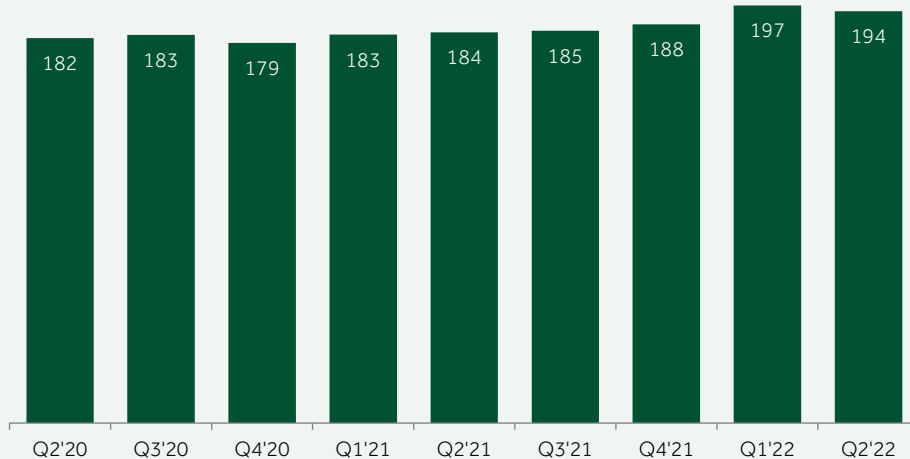
- Credit quality remains strong despite increased macroeconomic uncertainty amid a strong, albeit cooling, property market as well as a low level of unemployment claims.
- Management's estimate is at a solid level of DKK 1,655m (33bp) and up DKK 25m q/q. Buffers related to COVID-19 and invasion of Ukraine remain intact.
- Continued low level of non-performing exposures. Loans subject to forbearance measures as well as 90-day mortgage arrears also remained at low levels.



# Strong CET1-build in Q2, well-prepared for acquisition

Common equity tier 1 ratio and risk exposure amount (%/DKKbn)

**17.9%**  
**CET1 ratio**  
 15%-17% target range  
 10.3% requirement



**-1% q/q**  
**Risk exposure amount**  
 Higher interest rates  
 reduced credit exposure

- CET1 ratio increased -0.7pp q/q due to continued strong profit generation and slightly lower risk exposure amount.
- Risk exposure amount decreased 1% q/q as higher interest rates reduced credit exposure.
- 17.9% CET1 ratio, well above 15%-17% target range, prior to acquisition of Handelsbanken's activities in Denmark. **CET1 ratio to remain above 14% post closing** (expectedly Q4 2022).
- The CET1 ratio **impact from upcoming regulation** (incl. Basel IV) is estimated at approx. -1.5pp. After implementation, capital targets could be reduced accordingly.
- **Share repurchase programme** of DKK 2bn ended on 31 May 2022. 4,727,905 shares to be cancelled pending extraordinary general meeting.
- **Funding plan:** Jyske Bank aims to issue EUR 750m-1,000m NPS debt as well as up to EUR 200m AT1 and c. EUR 150m T2 instruments in H2 2022.

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# Volumes

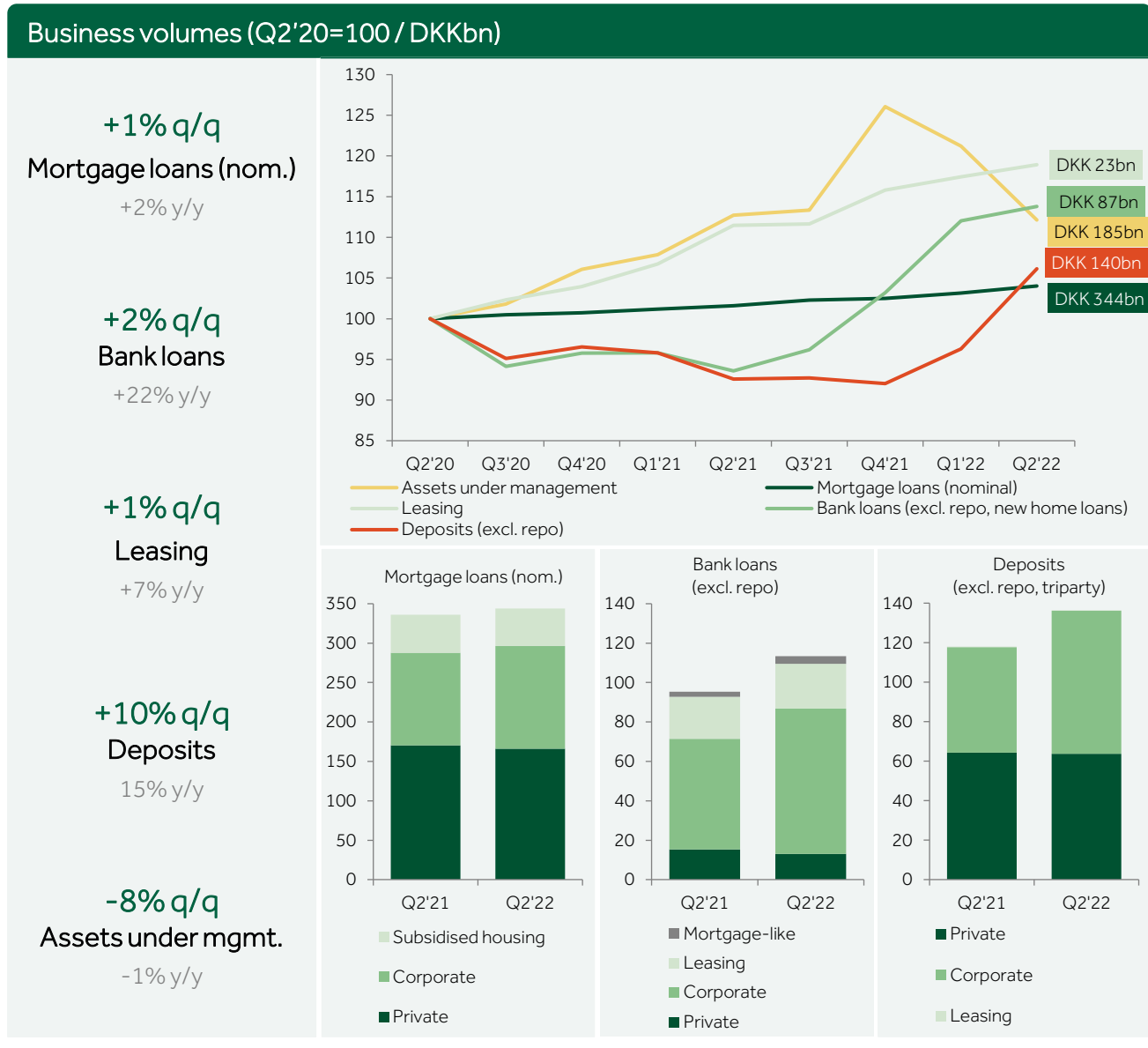
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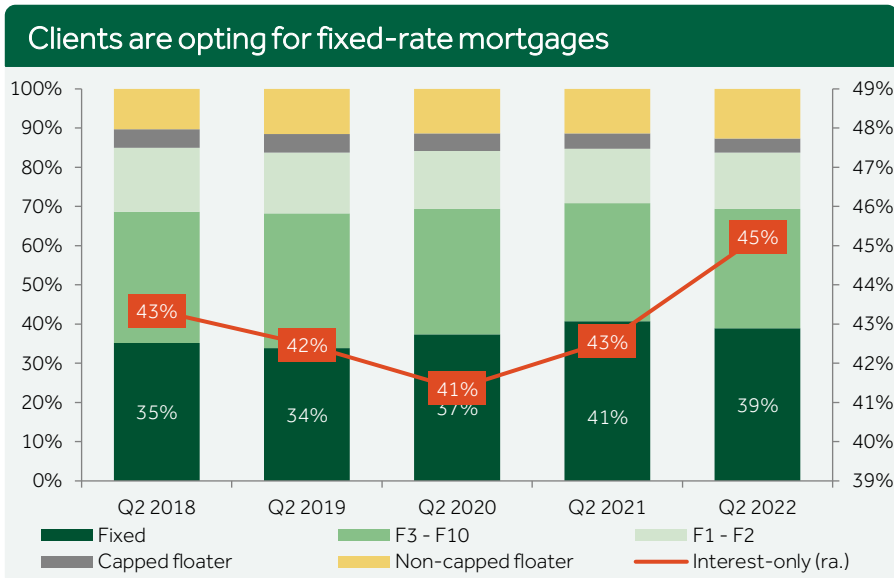
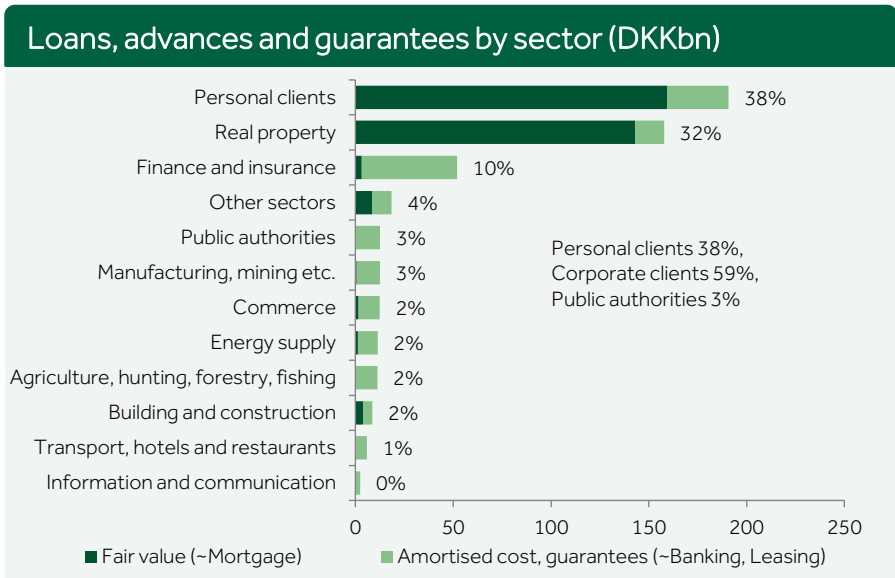
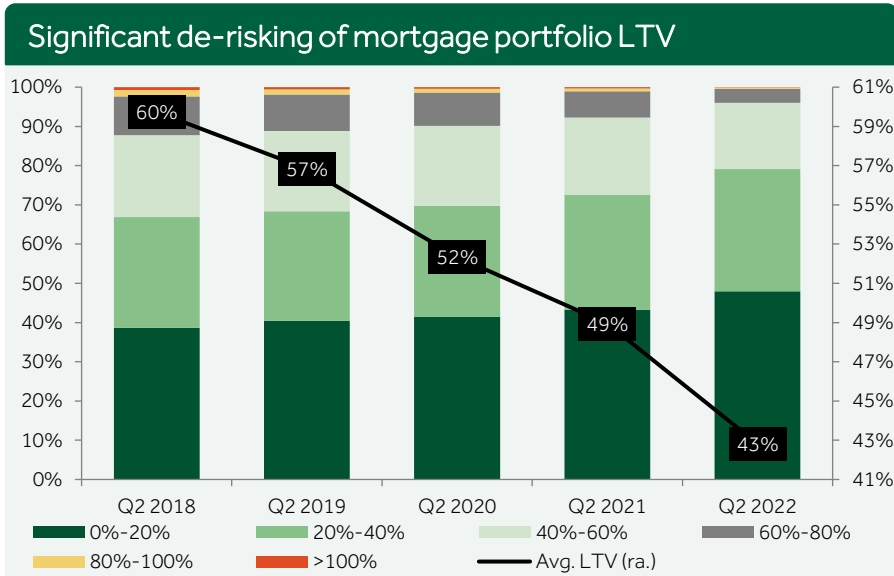
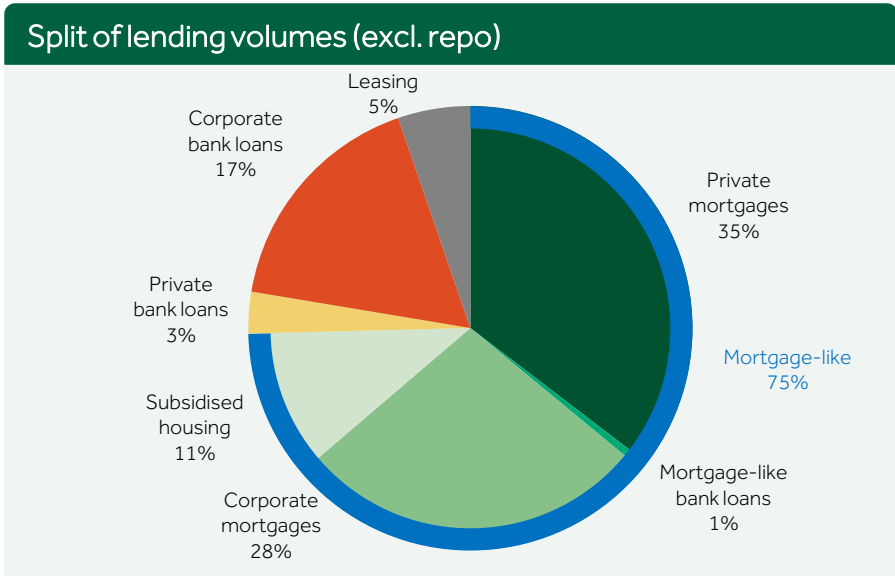


# Continued good underlying business momentum



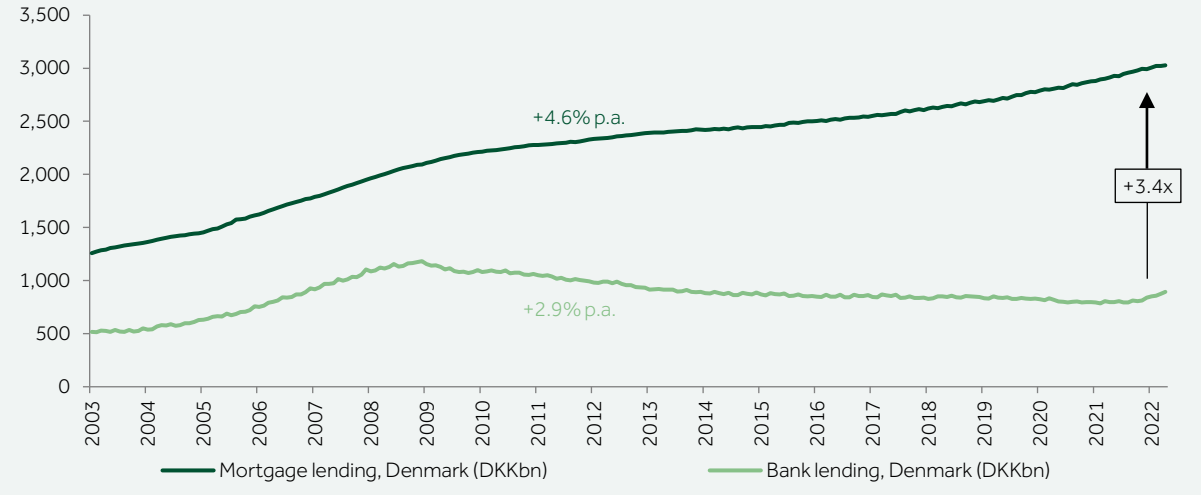
- **Mortgage loans (nominal):** Continued positive development in lending to corporate clients. Private client lending negatively impacted by debt reductions from remortgaging following increase in mortgage rates.
- **Bank loans (excl. mortgage-like):** Higher corporate lending, partly due to repayment of COVID-19 government support and inventory build-up. More than compensated for headwind from short-term bridge financing equivalent to c. 2% of bank lending ending in Q2.
- **Leasing:** Severe supply chain issues in the car industry limited growth in Q2 somewhat.
- **Deposits:** Corporate deposits grew significantly towards the end of Q2, partly due to changed legislation resulting in reduction of deposits held with tax authorities.
- **Assets under management:** Impacted by negative market development in Q2 2022.

# Lending characterised by high mortgage share with low LTV



# 75% mortgage lending share underpins stability and growth

## Mortgage lending growth is relatively high and remarkably resilient



## The Danish mortgage model

**Attractive, transparent lending terms at low cost of risk**

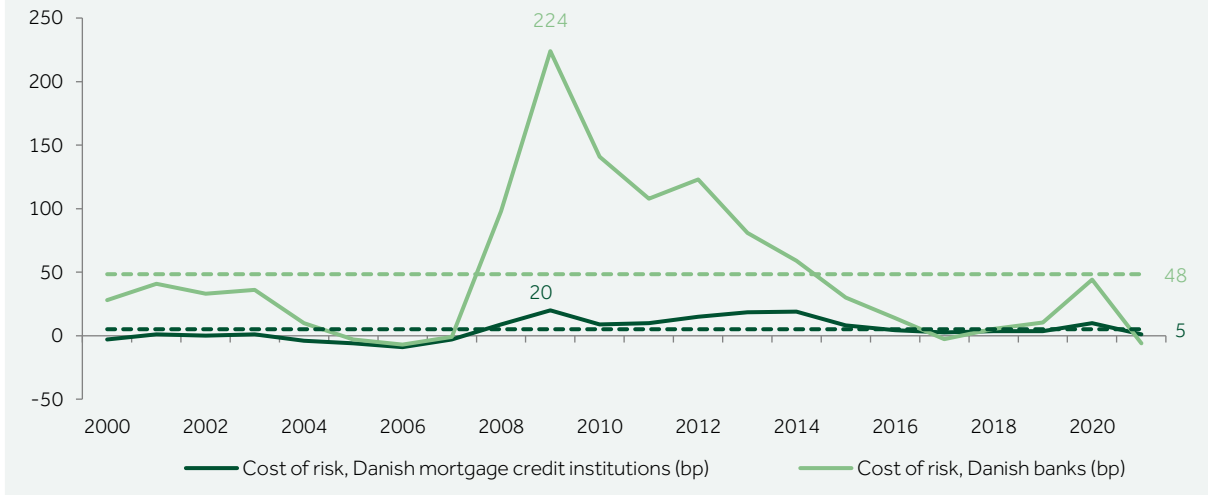
Issuing covered bonds with 1:1 matching terms (full pass-through)

## More stable margin development

**Full pass-through of interest rates in a consolidated market**

Mortgage margins are up 55% since 2003, whereas banks' net interest margins are down 44%

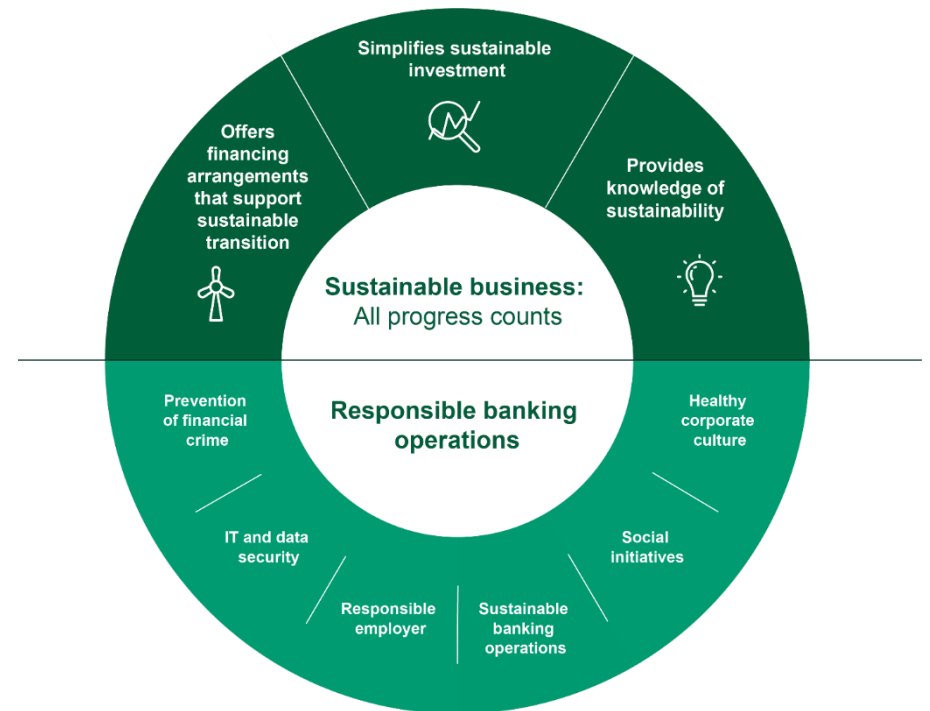
## Mortgage lending has ~10x lower cost of risk than bank lending (bp)



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# Sustainability

## Sustainable business and responsible banking operations



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## Sustainable business



### Supporting sustainable transition

- Identifying five sustainable lending areas with the largest potential of reducing carbon emissions.
- Developing sustainability-linked products (e.g. green mortgages, energy retrofitting loans, CO<sub>2</sub> calculator).
- Providing advice that challenges and assists clients in undertaking sustainable transition.



### Simplifying sustainable investment

- Making sustainable investment simple and accessible for clients by offering sustainable products, advice and services.
- Part of Net Zero Asset Managers Initiative, setting ambitious targets for reduction of carbon emissions from assets under management.
- Member of Climate Action 100+, actively engaging with and excluding companies based on e.g. sustainability criteria.




### Providing knowledge of sustainability


- Ensuring that clients are able to make informed decisions through a nuanced and transparent approach to sustainability.
- Providing sustainability-related perspectives, subsidies, and tips by news, webinars, and blogs.
- Informing on best sustainability practice in a series of mini-portraits of companies that successfully integrated sustainability in business models.





# Responsible banking operations





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**Sustainable banking operations**  
Target for offsetting CO<sub>2</sub> emissions from electricity consumption, district heating and company cars by own renewable energy production virtually met.  
Roof solar panels to be installed at headquarter in 2022.  
Replacement of company cars by low-emission vehicles to be completed by end-2023.
- 

**Social initiatives**  
Engaging in several social projects and efforts to make a difference in regards to e.g. financial safety, well-being and social relationships through our resources and skills.
- 

**Healthy corporate culture**  
Promoting integrity as well as highly ethical and professional standards, underpinned by a framework of policies of good practice and education of employees.
- 

**Prevention of financial crime**  
Minimising the risk of being abused for financial crimes such as money laundering and financing of terror through education, governance and systematic surveillance.
- 

**Responsible employer**  
Aiming to stay an attractive place to work that ensures job satisfaction, equal rights and development opportunities for all employees in a healthy environment.
- 

**IT and data security**  
Ensuring a sufficient IT and data security level to withstand the prevailing cyber threat by constantly testing systems and educating employees.

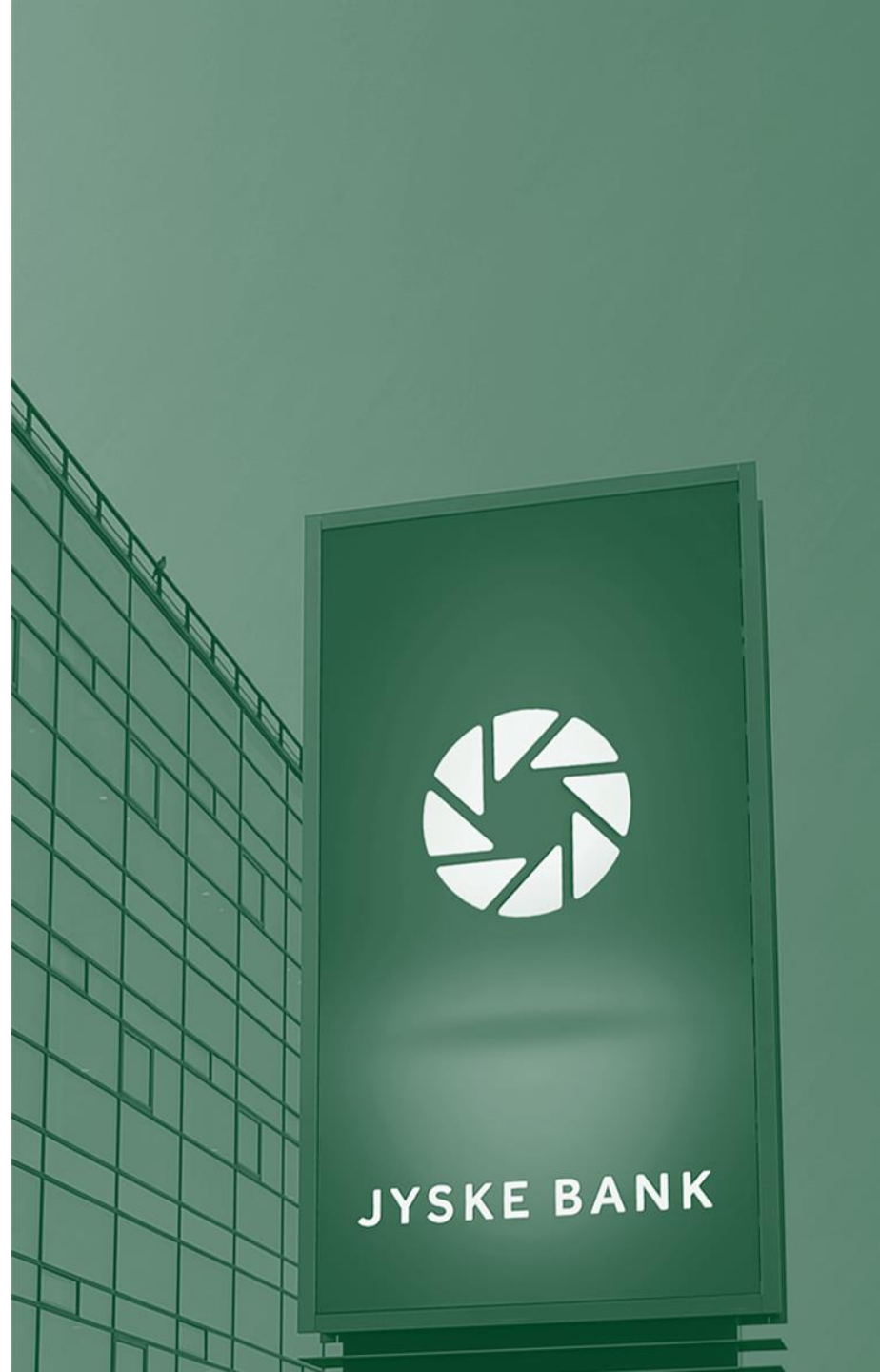


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# Jyske Bank in brief

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# One of the largest financial institutions in Denmark

## Nationwide operations in sound AAA economy

Founded in 1967 and now holds approx. 11% market share in AAA-rated economy with strong nationwide presence following organic growth and succesful M&A.

## Complementary, full-service offering

Offering a full range of financial products and services as the third largest bank, the fourth largest mortgage credit institute and one of the largest leasing providers.

## Structural, low-risk growth exposure

High share of mortgage lending heightens credit quality, stabilises margins through-the-cycle and ensures a significant exposure to structural growth.

## Nationwide presence



## A Danish SIFI founded in 1967

### 1967

Founded by merger of four local banks, some dating back to 1882.

### 1970's-1989

Seven acquisitions of small and medium-sized banks and establishment of minor, foreign subsidiaries.

### 1989-2011

Organic growth while carrying out several strategic initiatives.

## History of succesful M&A

### Proven track-record of succesful recent M&A

Acquisitions made at discount to book value and fully integrated to reap synergies.

### 2011

Acquired leasing activities from Spar Nord and Easyfleet as well as parts of the client portfolio of Fjordbank Mors from Finansiell Stabilitet.

### 2013

Acquisition of Sparekassen Lolland.

### 2014

Acquisition of Jyske Realkredit from BRFFonden.

## Focused on core business

### Divesture of non-core business

Sale of Jyske Bank Global Asset Management (US) (2013), Silkeborg Data (2014), stake in Berben's Effectenkantoor (2014), Jyske Bank Schweiz (2015) and Jyske Bank (Gibraltar) Ltd. (2021).

### Non-organic growth

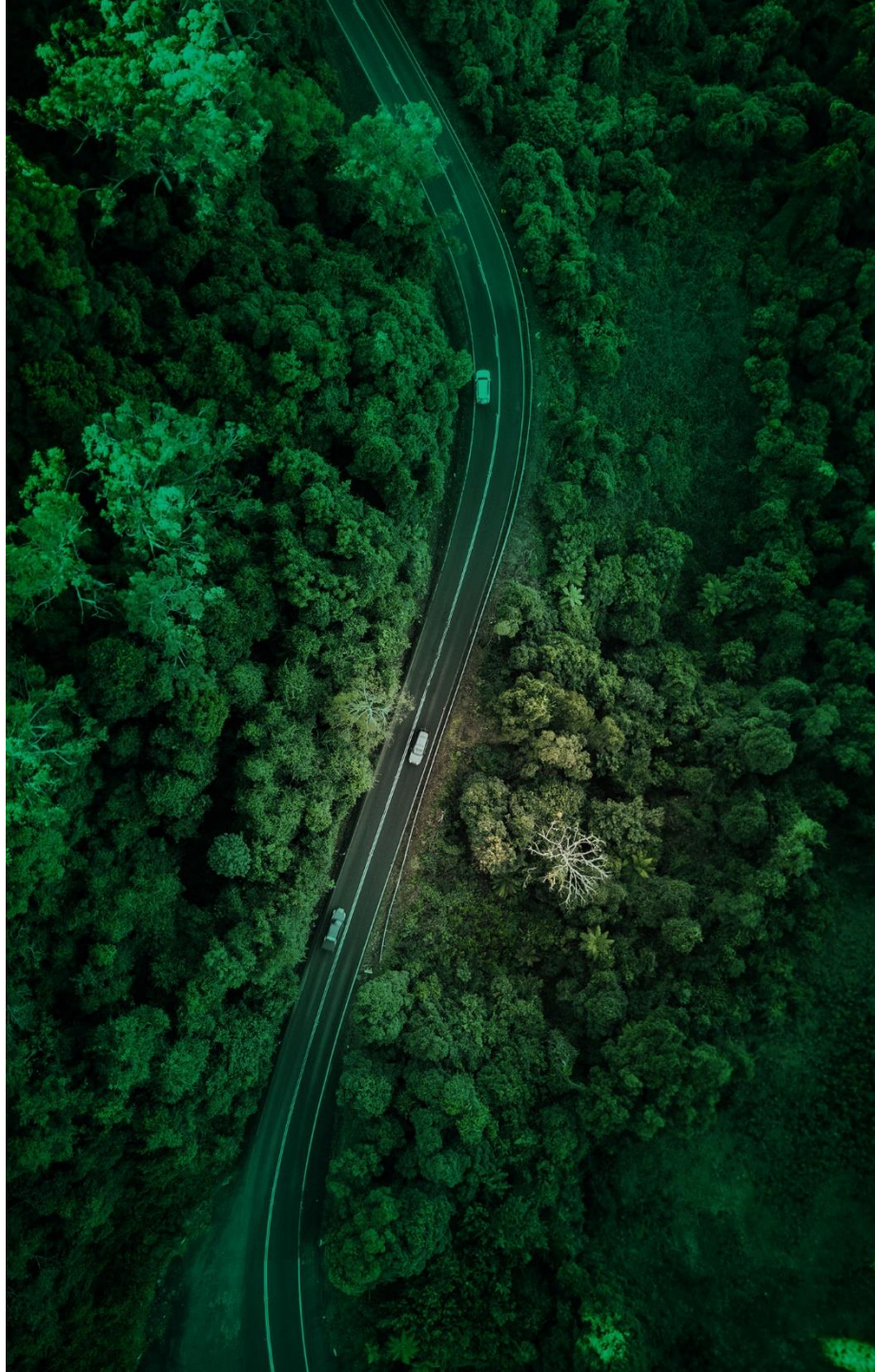
Growth through acquisitions is an ongoing strategic initiative and Jyske Bank remains willing and able to participate in further consolidation of the financial sector in Denmark.

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# Macroeconomics

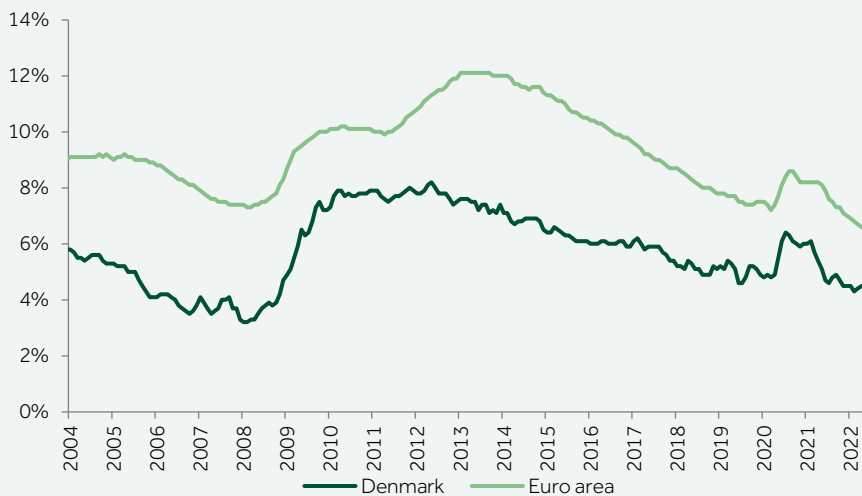
### Real gross domestic product (2010=100)



### Inflation rate (HICP, y/y)



### Unemployment rate

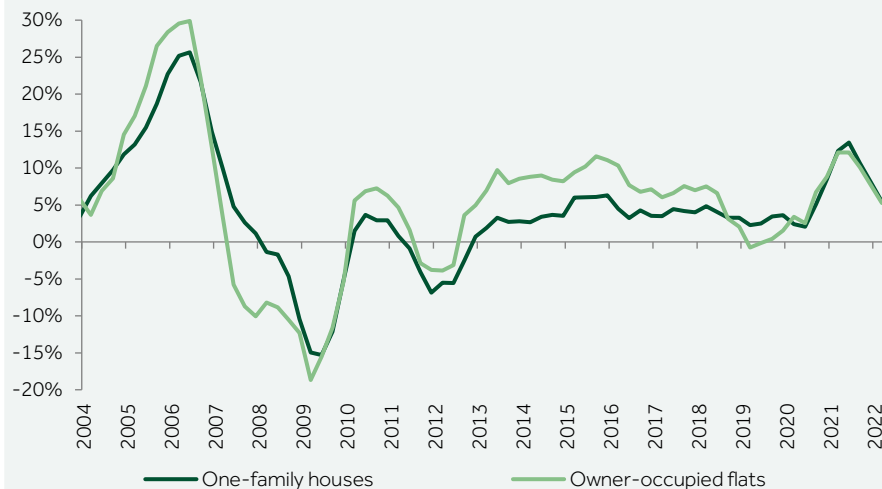


### Interest rates, Denmark (monthly averages)

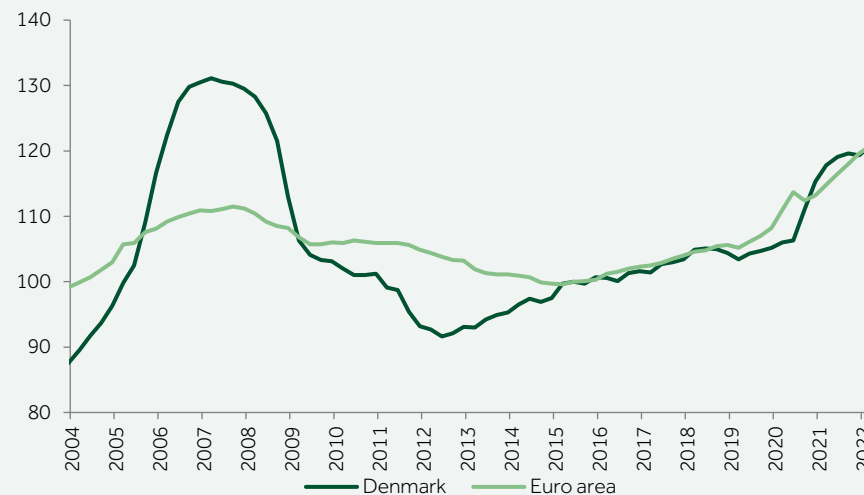


# Macroeconomics

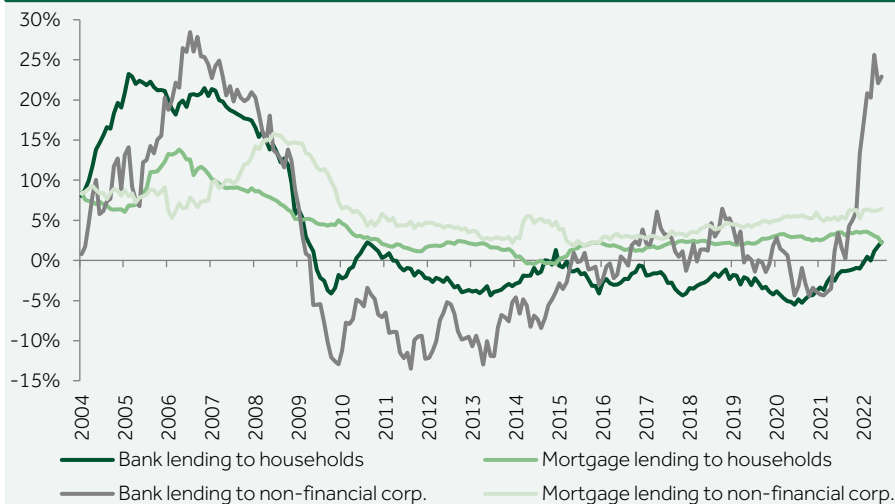
### Real estate prices, Denmark (y/y)



### House prices to disposable income (2015=100)



### Lending growth, Denmark (y/y)



### Economic Sentiment Indicator





# Macroeconomic forecast

Danish economy	DKKbn			Real growth (%)		
	2021	2019	2020	2021	2022E	2023E
Consumer spending	1,139	1.2	-1.3	4.2	1.9	1.0
Public spending	609	1.5	-1.7	3.7	0.8	1.3
Fixed gross investment	560	0.1	5.1	5.6	2.4	-1.6
Inventory investment*	22	-0.2	-0.1	0.3	0.0	0.0
Exports	1,487	5.0	-7.0	7.8	5.6	3.6
Imports	1,320	3.0	-4.1	8.2	3.0	3.6
<b>Gross domestic product (GDP)</b>	<b>2,497</b>	<b>2.1</b>	<b>-2.1</b>	<b>4.7</b>	<b>3.4</b>	<b>0.7</b>
<b>Balance of payments</b>						
- DKKbn		204	190	206	217	213
- percentage of GDP		8.8	8.1	8.3	7.9	7.4
<b>Public budget balance</b>						
- DKKbn		94	5	65	15	0
- percentage of GDP		4.1	0.2	2.6	0.5	0.0
<b>Unemployment</b>						
- Gross unemployment, average (thousands)		104	133	106	71	81
- Percentage of workforce		3.4	4.3	3.3	2.2	2.5
<b>Employment, avg. (thousands)</b>		<b>3,003</b>	<b>2,982</b>	<b>3,060</b>	<b>3,166</b>	<b>3,153</b>
<b>Inflation (%)</b>		<b>0.8</b>	<b>0.4</b>	<b>1.9</b>	<b>6.3</b>	<b>2.7</b>
<b>Wage index (Private, %)</b>		<b>2.5</b>	<b>2.3</b>	<b>3.0</b>	<b>4.0</b>	<b>4.2</b>
<b>House prices (nominal prices, %)</b>		<b>3.0</b>	<b>4.5</b>	<b>11.3</b>	<b>1.8</b>	<b>-3.7</b>
<b>Danmarks Nationalbank's lending rate, year-end (%)</b>		<b>0.05</b>	<b>0.05</b>	<b>-0.45</b>	<b>1.30</b>	<b>2.05</b>
<b>Danmarks Nationalbank's CD rate, year-end (%)</b>		<b>-0.75</b>	<b>-0.60</b>	<b>-0.60</b>	<b>1.15</b>	<b>1.90</b>

## Financial calendar 2022

- 22 Feb. Announcement of the 2021 results
- 22 Feb. Annual report
- 22 Feb. Risk Management Report 2021
- 22 Mar. Annual General Meeting
- 3 May Interim report for the first quarter of 2022
- 16 Aug. Interim report for the first half of 2022
- 1 Nov. Interim report for the first nine months of 2022

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