

Jyske Bank
Q3 2021

2 November 2021

Summary

Q3 2021



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Net profit of DKK 706m and return on equity of 7.6% in Q3 2021

Net interest income -1% y/y, as the positive effect from deposit repricing initiatives was more than offset by lower net interest income from bonds.

Net fee and commission income +28% y/y due to higher assets under management, strong activity levels and changes to the fee structure.

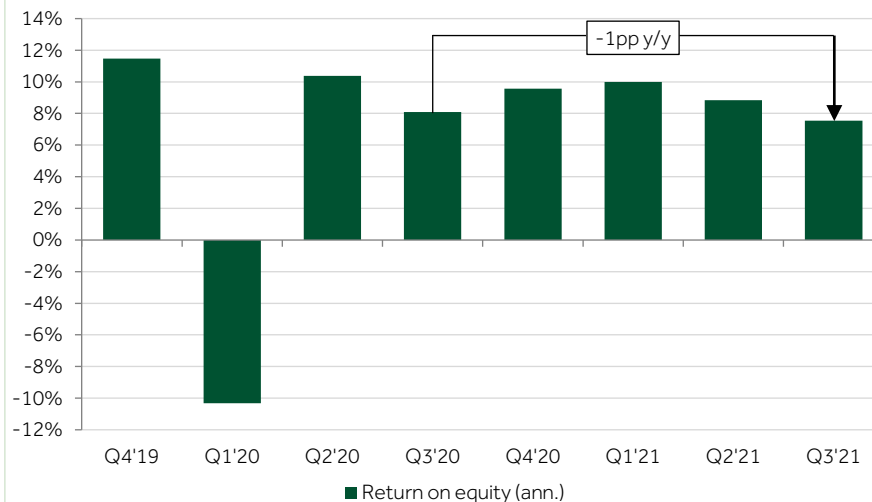
Value adjustments of DKK 128m despite significant widening of option-adjusted spreads on Danish 30-year callable mortgage bonds.

Core expenses +1% y/y as fewer FTEs only partly offset cost inflation and employee costs increased from a somewhat subdued level.

Loan impairment charges of DKK -36m despite a DKK 185m higher management's estimate. Very low level of write-offs and NPL ratio.

Investment portfolio earnings of DKK -22m, primarily from spread widening of Danish 30-year callable mortgage bonds.

Return on equity (ann.)



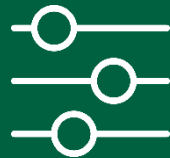
Income statement and key figures (DKK m)

	Q3'21	Q3'20	Index	Q2'21	Index	Q1-3'21	Q1-3'20	Index
Net interest income	1,242	1,256	99	1,230	101	3,696	3,771	98
Net fee and commission income	578	453	128	509	114	1,663	1,510	110
Value adjustments	128	189	68	243	53	733	407	180
Other income	32	36	89	84	38	149	92	162
Income from operating lease	81	69	117	63	129	184	76	242
Core income	2,061	2,003	103	2,129	97	6,425	5,856	110
Core expenses	1,174	1,159	101	1,171	100	3,516	3,669	96
Core profit before loan impairment charges	887	844	105	958	93	2,909	2,187	133
Loan impairment charges	-36	-48	-	-47	-	-73	963	-
Core profit	923	892	103	1,005	92	2,982	1,224	244
Investment portfolio earnings	-22	14	-	29	-	82	-213	-
Pre-tax profit	901	906	99	1,034	87	3,064	1,011	303
Tax	195	210	93	232	84	673	233	289
Net profit for the period	706	696	101	802	88	2,391	778	307
Earnings per share (DKK)	9.3	9.0	103	10.6	88	31.5	8.9	353
Return on equity (ann.)	7.6%	8.1%	93	8.8%	85	8.8%	2.7%	330
Cost/income ratio	57.0%	57.9%	98	55.0%	104	54.7%	62.7%	87
Capital ratio	22.6%	22.3%	102	23.0%	99	22.6%	22.3%	102
CET1 ratio	18.0%	17.5%	103	18.3%	98	18.0%	17.5%	103
Mortgage lending (nominal)	338,218	332,311	102	336,022	101	338,218	332,311	102
Bank loans (excl. repo)	73,356	71,794	102	71,374	103	73,356	71,794	102
New home loans	2,480	2,822	88	2,594	96	2,480	2,822	88
Leasing	21,349	19,565	109	21,314	100	21,349	19,565	109
Deposits (excl. repo)	122,421	125,582	97	122,249	100	122,421	125,582	97



Core profit before loan losses increased 46% in two years

High activity levels in financial and property markets; 2021 outlook upgraded again



Significant deposit repricing initiatives implemented

Private and corporate deposit rates lowered further in Q4 (DKK +0.1bn p.a.)



Changes to fee structure add to income tailwinds

Initiatives have lifted the sustainable fee income run-rate by DKK >0.1bn p.a.



Improving cost/income ratio has reached level well below 60%

Strong cost control successfully supplementing income initiatives



Booking reversals amid increasing management' estimate

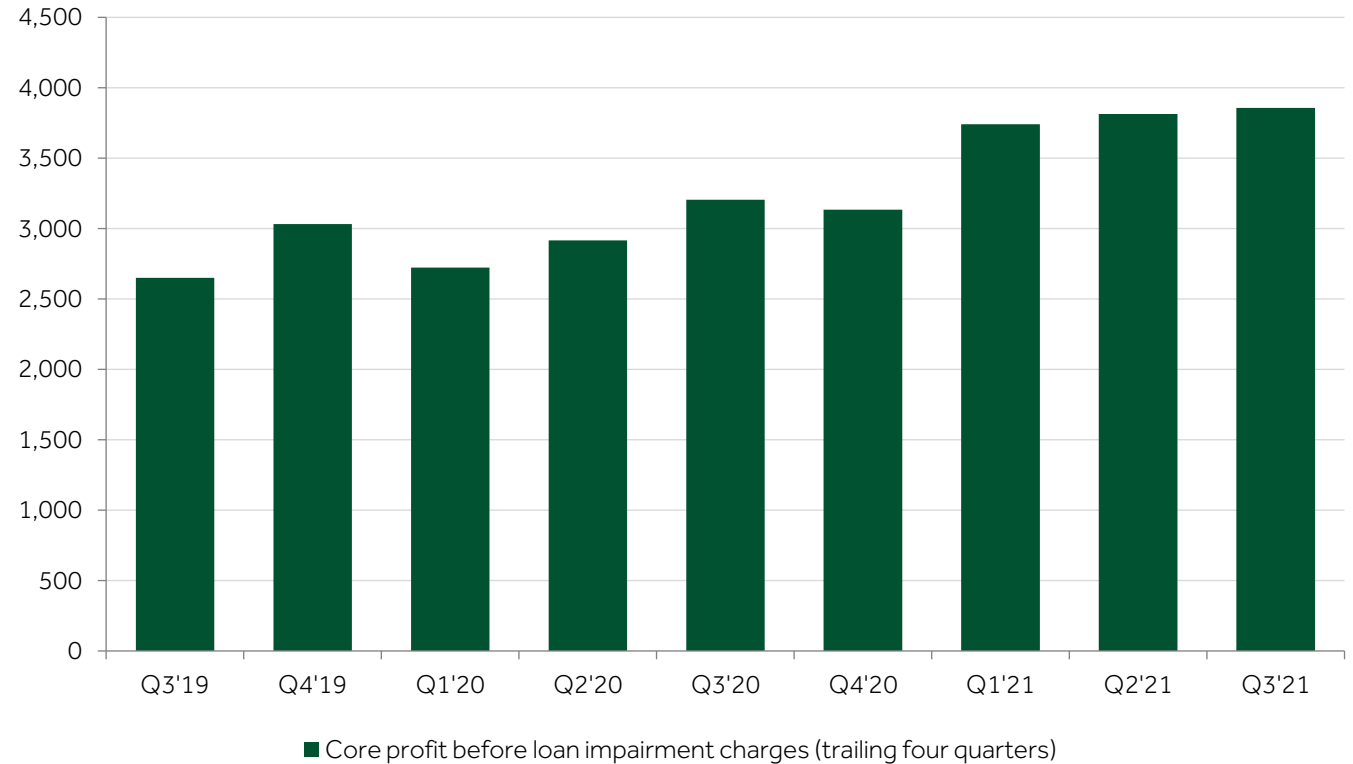
Mgmt. estimate increased DKK 330m in Q2 and Q3; DKK +1bn vs. end-2019

Core profit before loan losses increased 46% in two years

High activity levels in financial and property markets; 2021 outlook upgraded

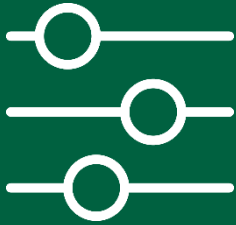


Core profit before loan impairment charges (trailing four quarters, DKKm)

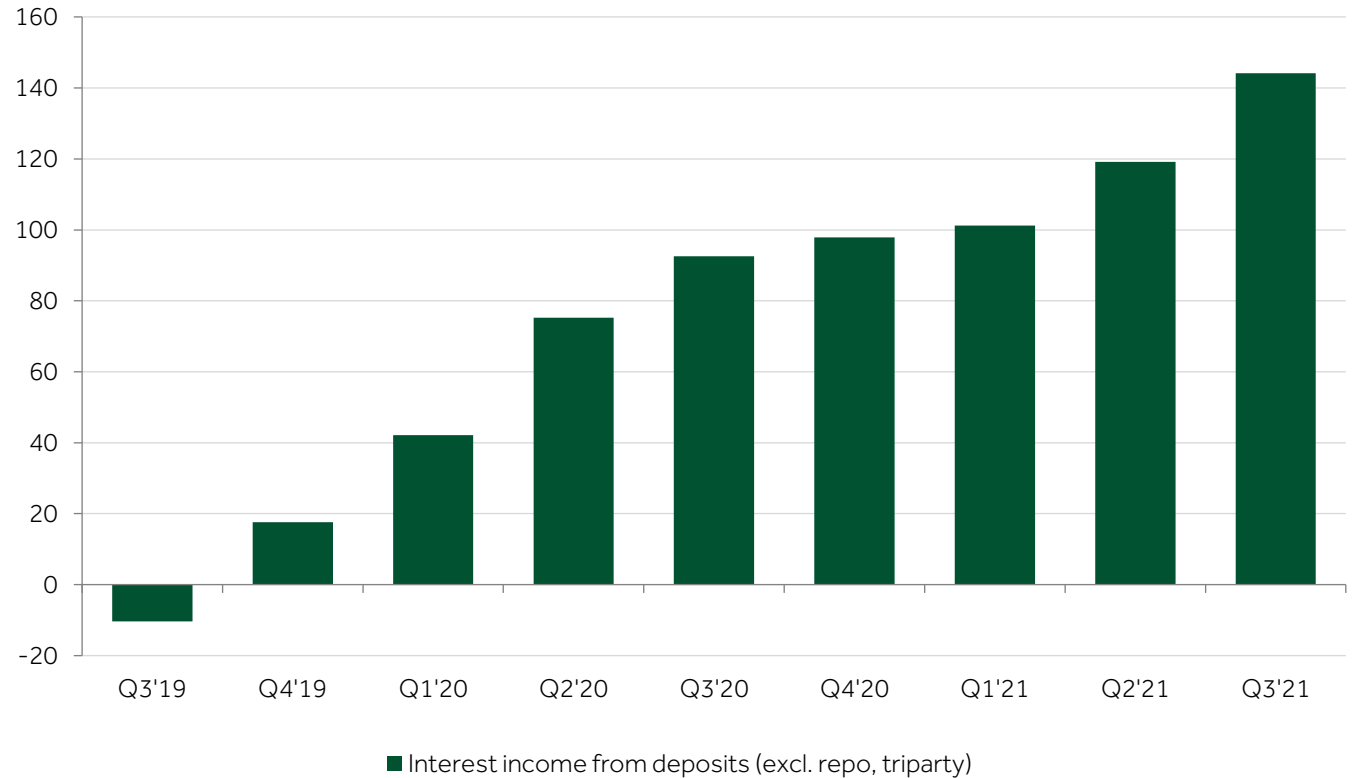


Significant deposit repricing initiatives implemented

Private and corporate deposit rates lowered further in Q4 (DKK +0.1bn p.a.)

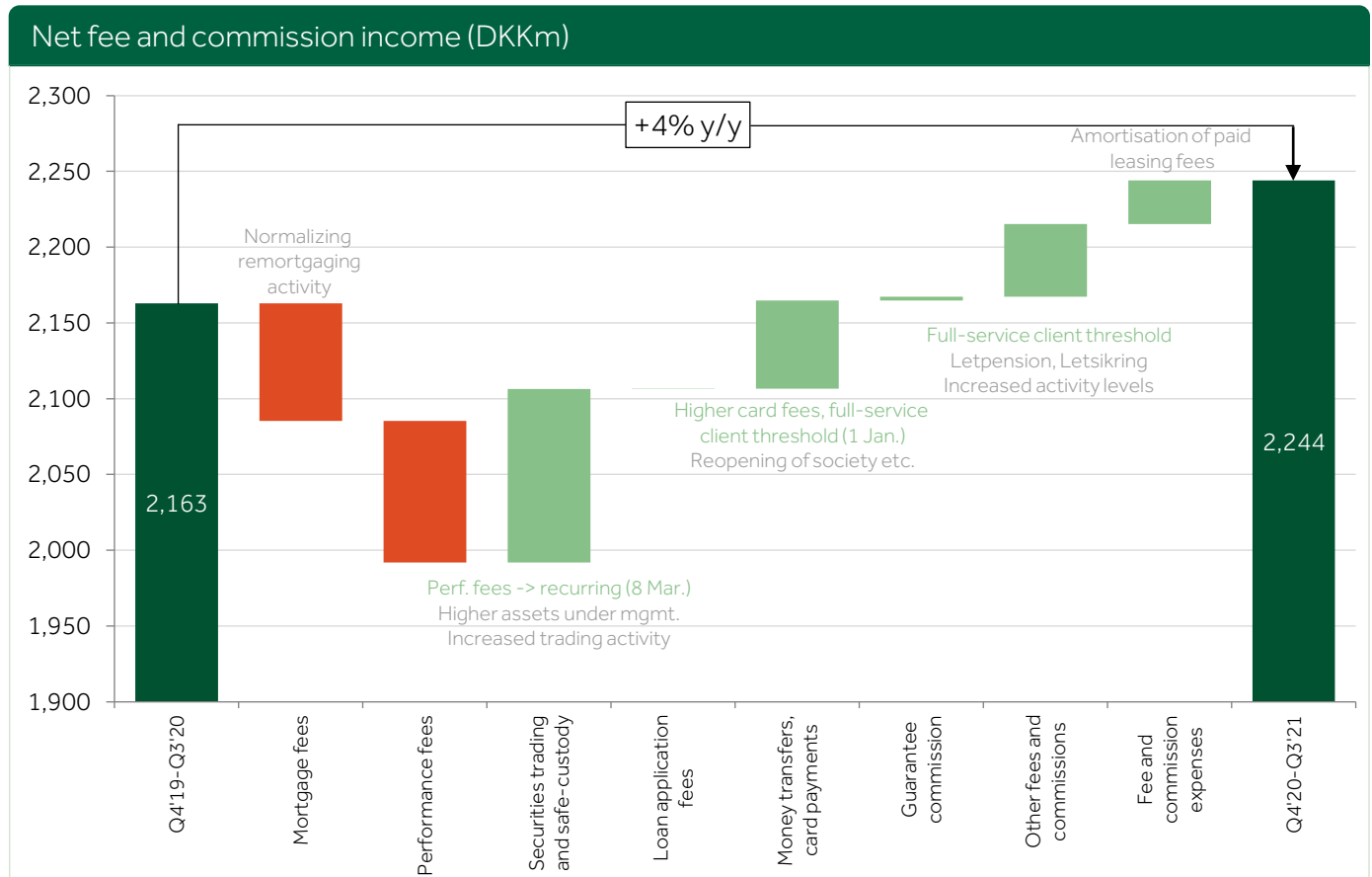


Interest income from deposits (DKKm)



Changes to fee structure in 2021 add to income tailwinds

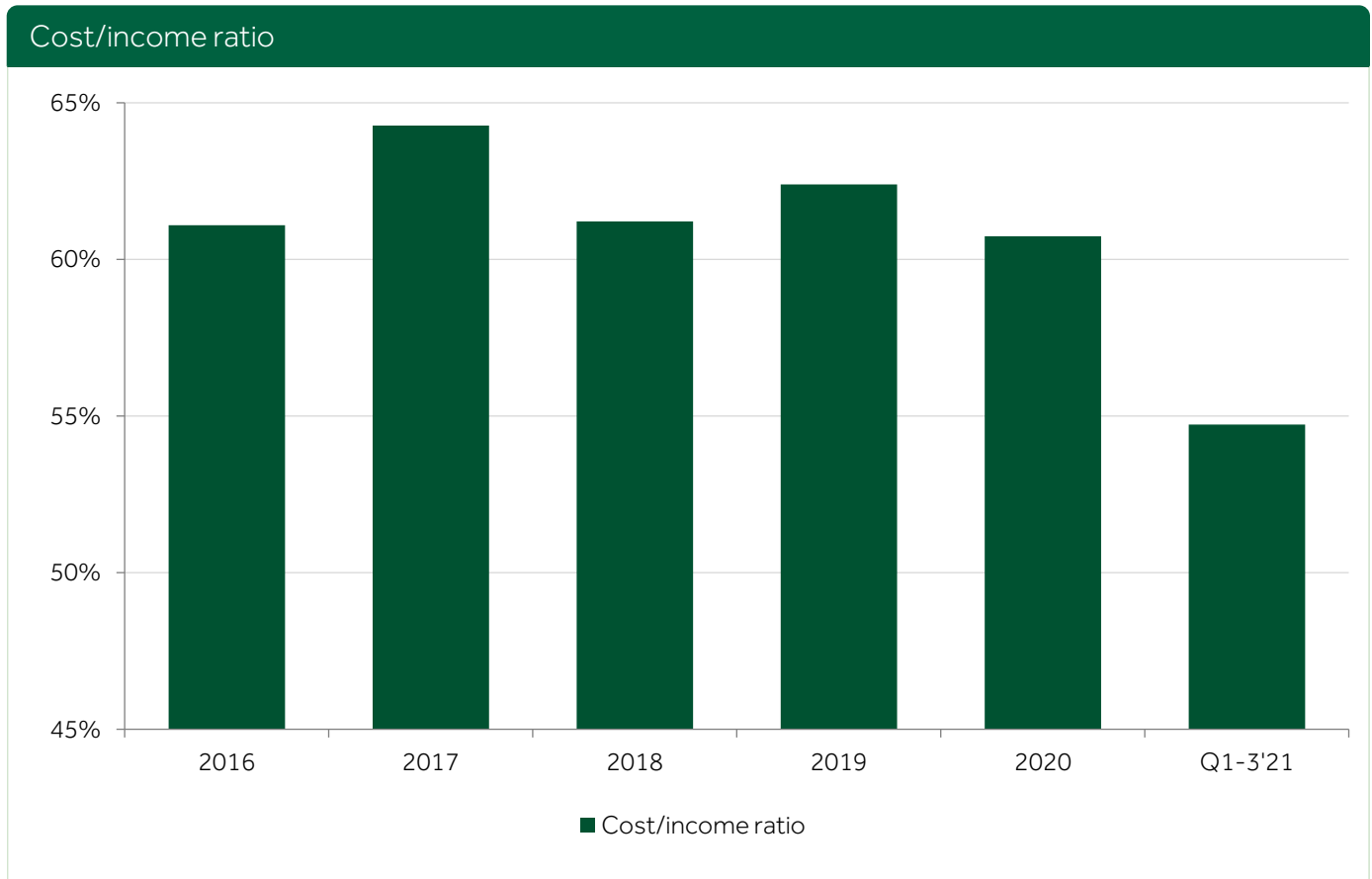
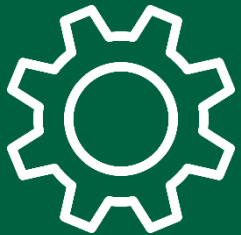
Initiatives have lifted the sustainable fee income run-rate by DKK >0.1bn p.a.



Note: Services involving assistance from advisors as well as basic banking services repriced (e.g. card fees DKK 350 from DKK 200 p.a.) Threshold of banking business required in order to be considered a full-service client increased (deposits DKK ≥500K from ≥100K or lending DKK ≥200K from ≥10K).

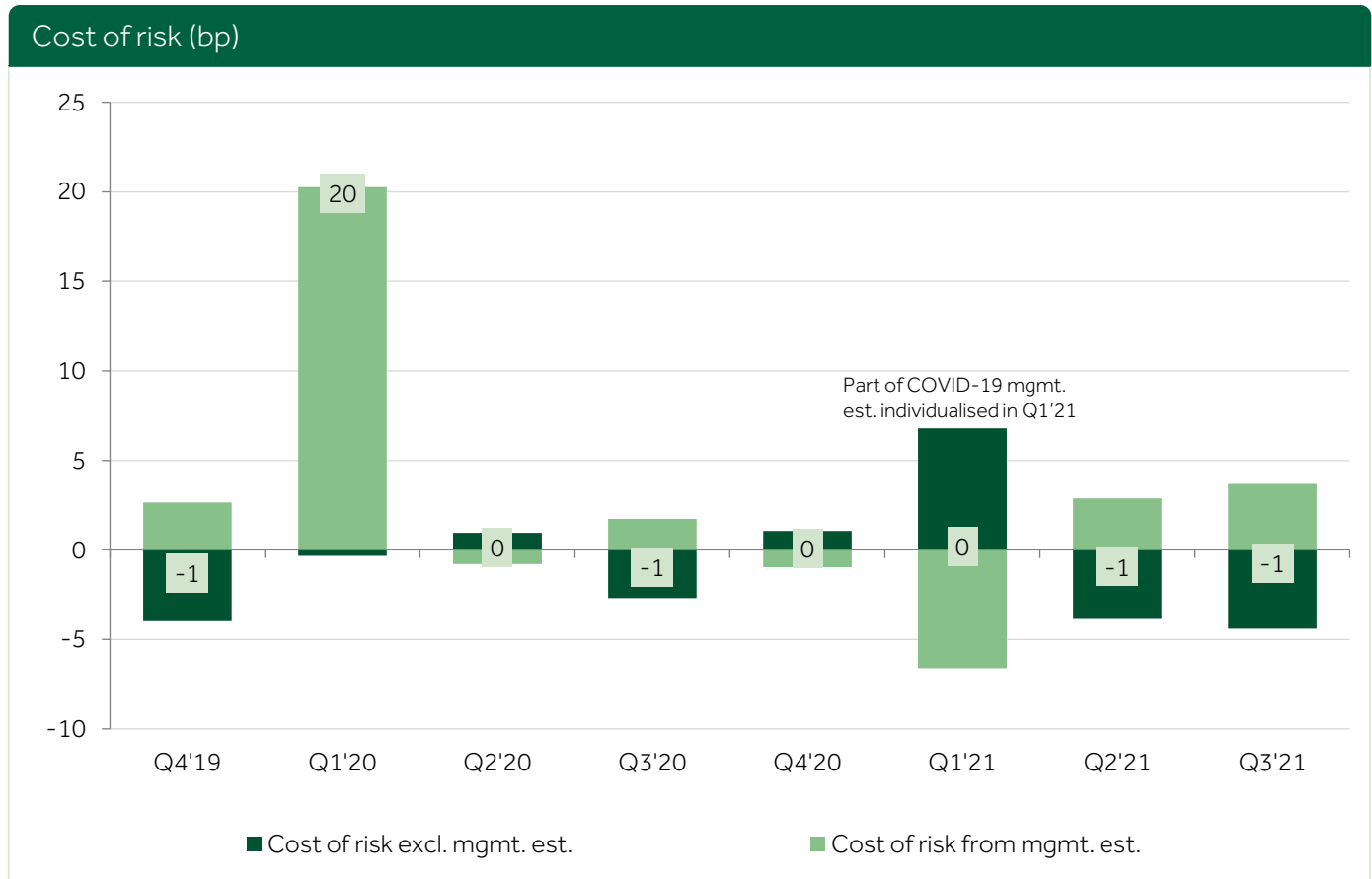
Improving cost/income ratio has reached level below 60%

Strong cost control successfully supplementing income initiatives

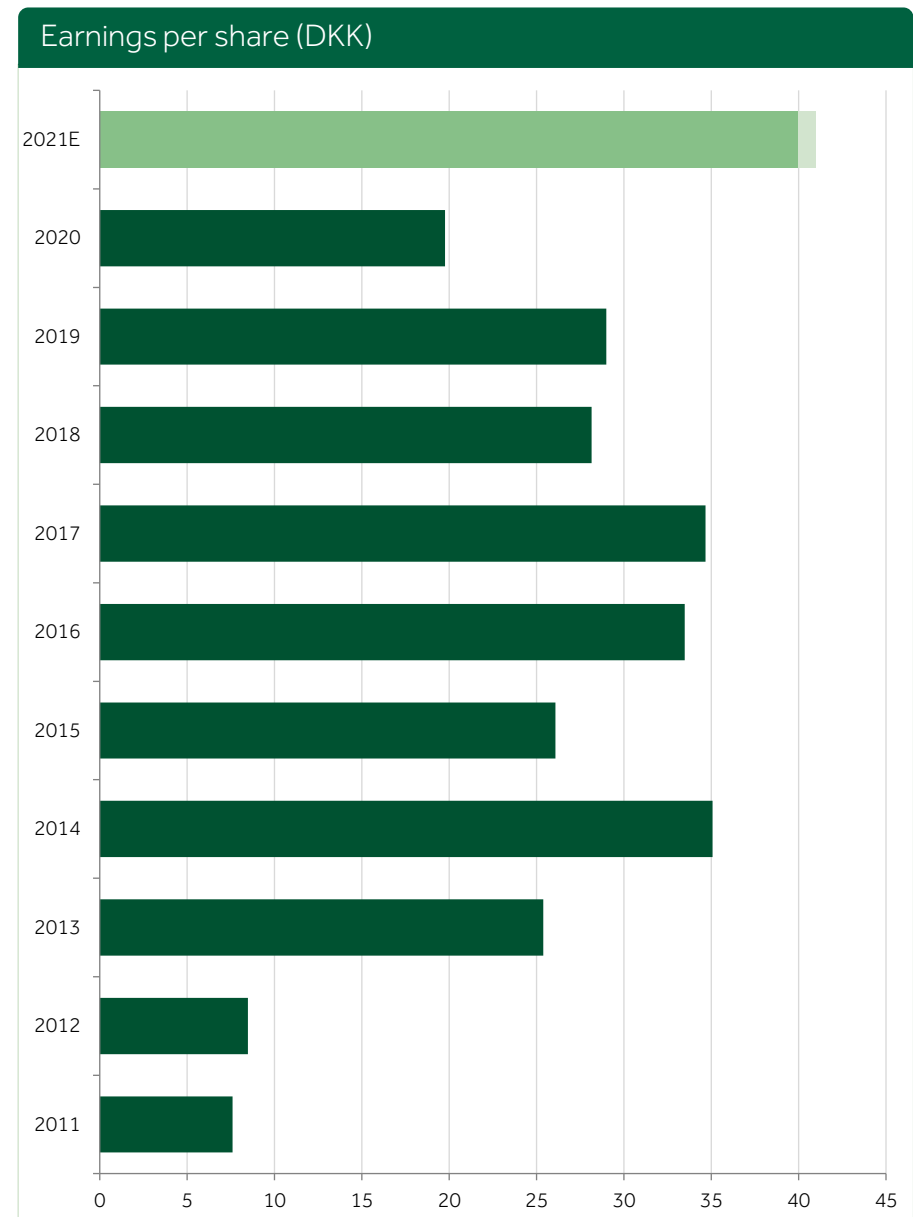


Booking reversals amid increasing management's estimate

Mgmt. estimate increased DKK 330m in Q2 and Q3; DKK +1bn vs. end-2019



Volumes	Bank lending and nominal mortgage lending to increase in 2021
Core income	Higher in 2021 than 2020 level
Core expenses	Lower in 2021 than 2020 excl. one-off items <i>Previously: Lower in 2021 than 2020 level</i>
Loan impairment charges	Reversals of loan impairment charges in 2021 <i>Previously: Approximately zero in 2021</i>
Net profit	DKK 3.0bn-3.1bn in 2021
Capital	CET1 ratio of 15%-17% and capital ratio of 20%-22% for the coming years



Financials

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Net interest income up due to lower corporate deposit rates

Net interest income (NII)

NII -1% y/y due to negative mix effects from lower private client bank loans

- Core NII increased slightly, as reduced private and corporate deposit rates offset negative impact from lending mix effects.
- Other NII decreased DKK 20m y/y due to lower NII from bonds.

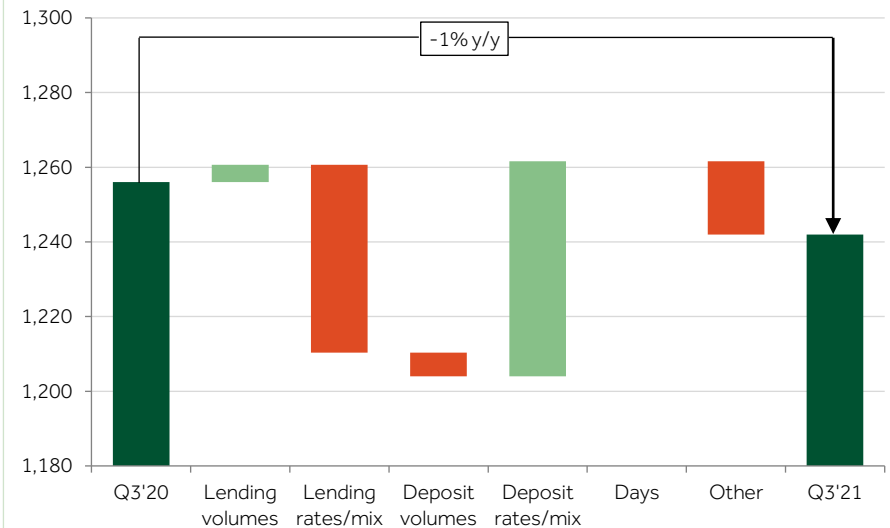
NII +1% q/q from lowered corporate deposit rates

- Core NII up 2%, mainly attributable to lower corporate deposits rates, which were lowered to -0.95% from -0.75% as of 11 June.
- Other NII decreased DKK 11m q/q due to lower NII from bonds.

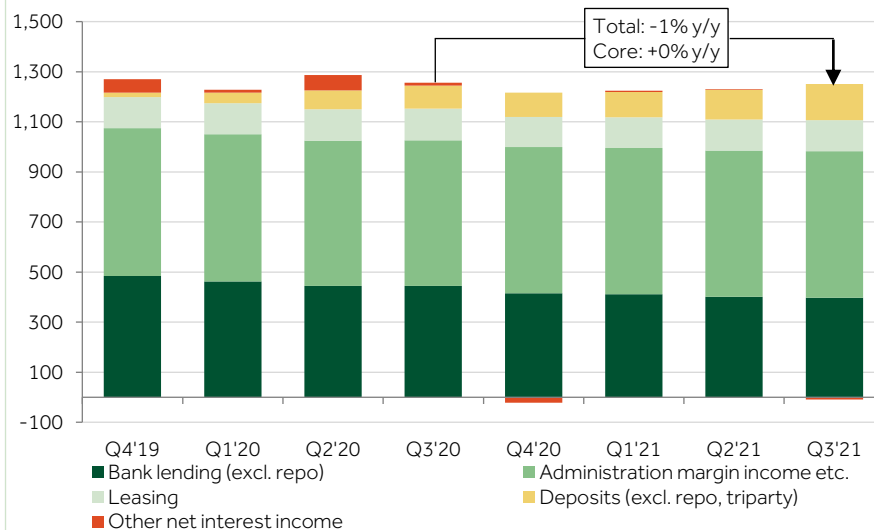
Private clients' deposit rates (DKK >100K) lowered to -0.7% from -0.6% p.a. as of 25 October 2021.

Corporate clients' deposit rates to be lowered to -1.10% from -0.95% as of 27 November 2021.

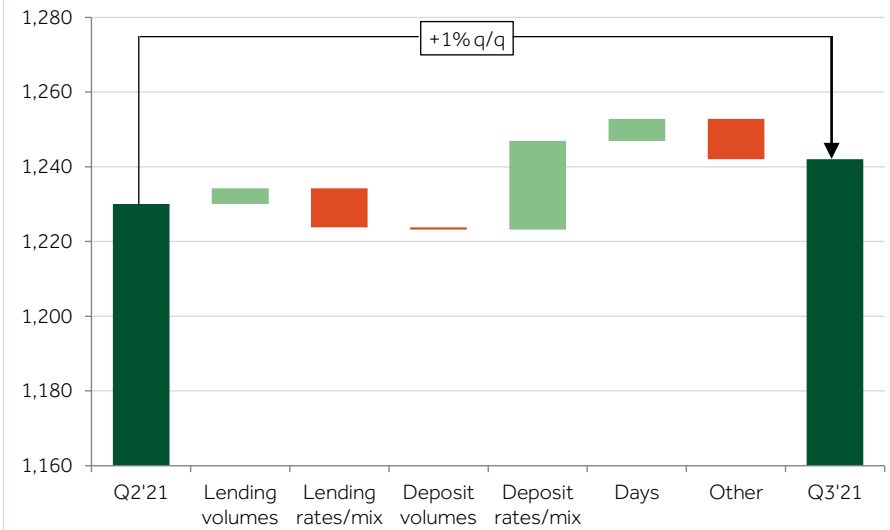
Net interest income Q3 2020 vs. Q3 2021 (DKKm)



Net interest income (DKKm)



Net interest income Q2 2021 vs. Q3 2021 (DKKm)



Net fee and commission income (NFCI)

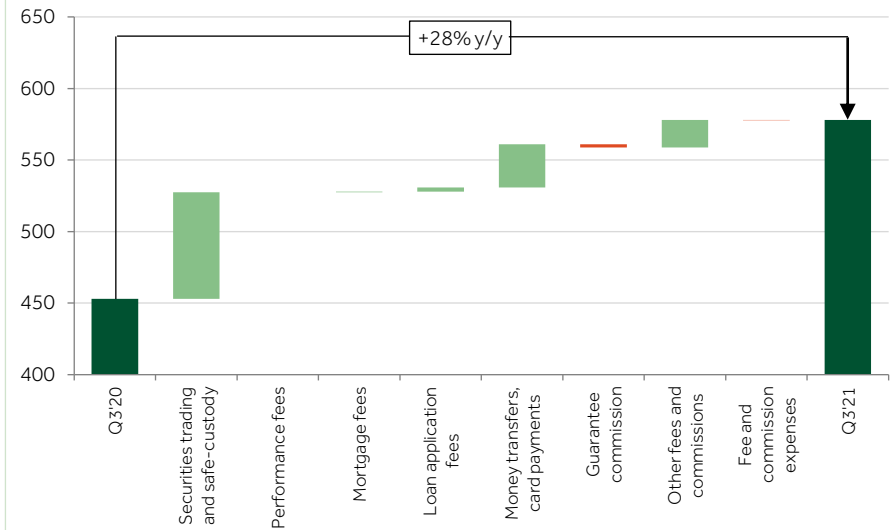
NFCI +28% y/y, mainly due to higher AuM and fee changes

- Assets under management increased 11% y/y. Also, changes to asset management fee structure implemented 8 March had positive impact.
- High activity levels within financial and property markets.
- Changes to fee structure and full-service client requirements implemented 1 January 2021 supported basic banking fee income.

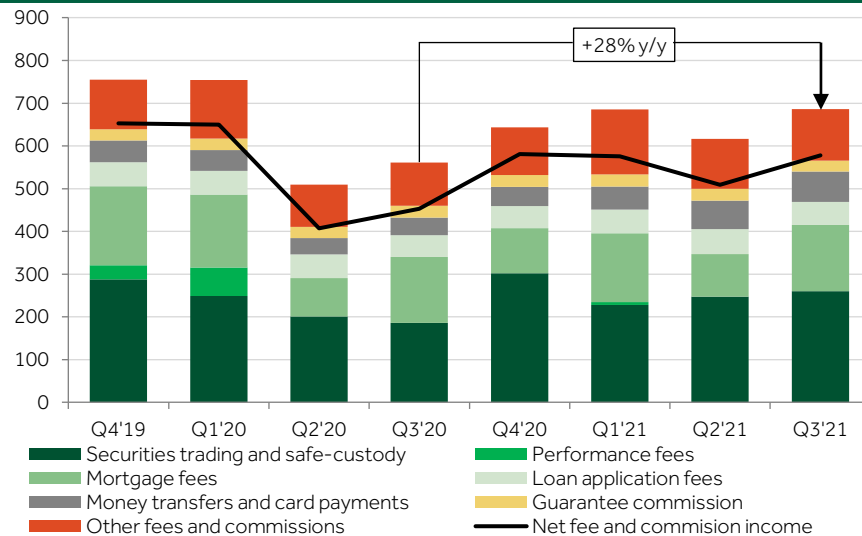
NFCI +14% q/q due to seasonally higher refinancing activity

- Q3 is characterised by the highest seasonal refinancing activity.
- High activity levels within financial markets amid increased volatility.
- Average assets under management increased slightly q/q.

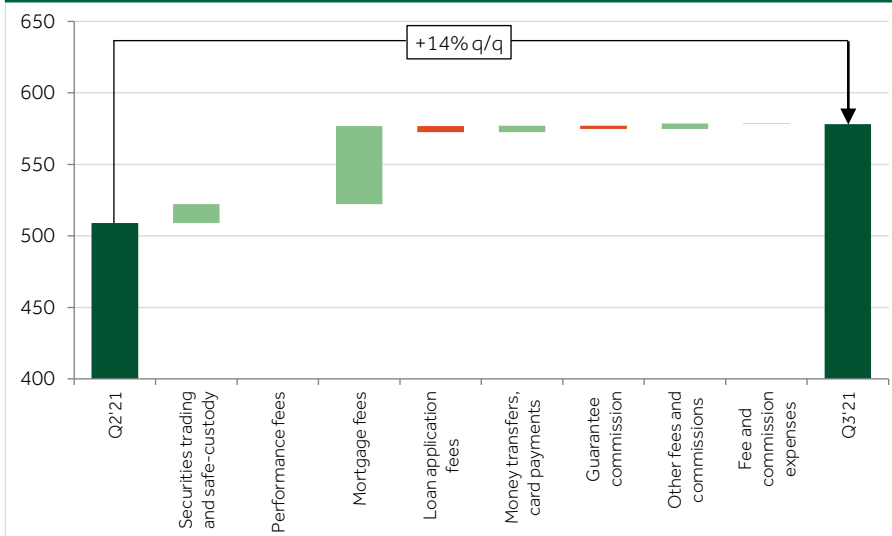
Net fee and commission income Q3 2020 vs. Q3 2021 (DKK m)



Net fee and commission income decomposed (DKK m)



Net fee and commission income Q2 2021 vs. Q3 2021 (DKK m)



Value adjustments and investment portfolio earnings

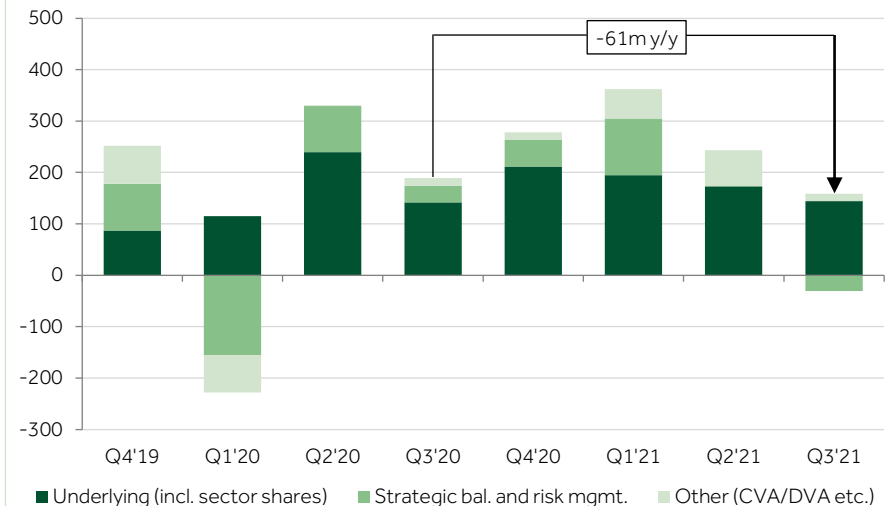
Value adjustments of DKK 128m in Q3 2021

- Continued high activity levels amid increased volatility in financial markets.
- Negative impact from significant widening of option-adjusted spreads of Danish 30-year callable mortgage bonds in Q3.
- Value adjustments from sector shares increased from a low level, whereas the positive ACVA impact decreased from a high level.

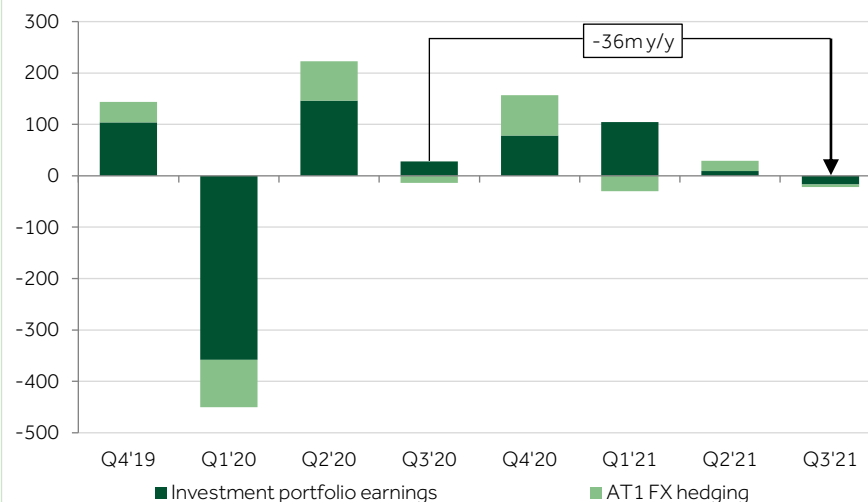
Investment portfolio earnings of DKK -22m in Q3 2021

- FX positions and significant widening of option-adjusted spreads of Danish 30-year callable mortgage bonds in Q3 had a negative impact.

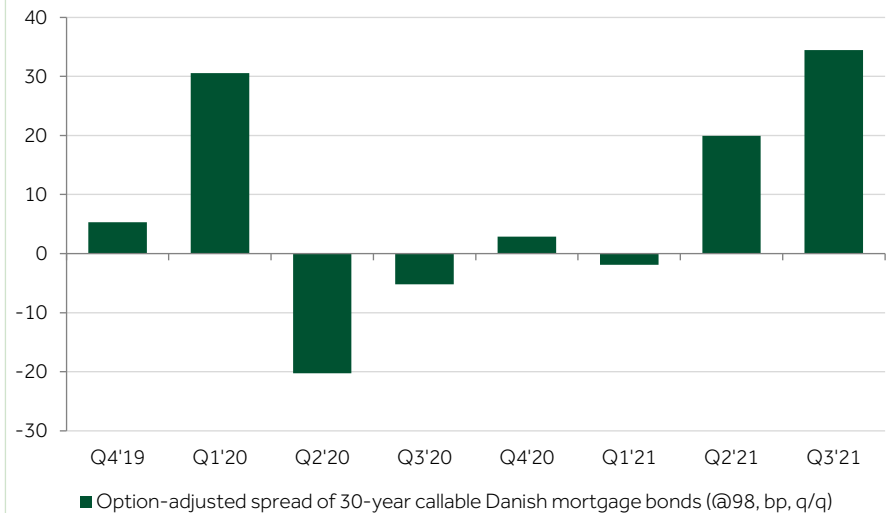
Value adjustments (DKKm)



Investment portfolio earnings (DKKm)



OAS of 30-year mortgage bonds widened in Q3 2021 (bp)



Core expenses

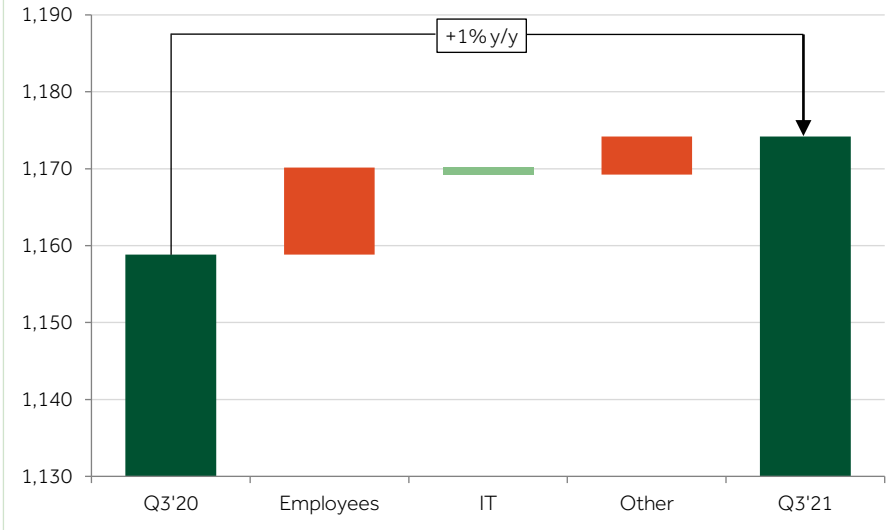
Core expenses +1% y/y as fewer FTE's only partly offset cost inflation

- Number of FTEs reduced by 3% y/y.
- Yearly salary increase of 2% prescribed by sector-wide agreement.
- Employee expenses increased from a somewhat subdued level.

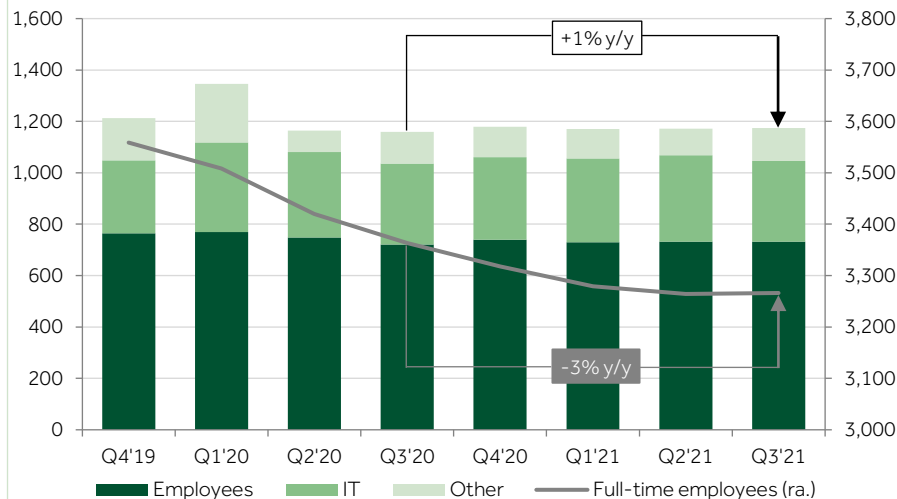
Core expenses 0% q/q despite annual sector-wide salary increase of 2%

- Number of FTEs close to unchanged vs. the preceding quarter.
- IT expenses decreased slightly due to seasonality and was counteracted by a broad-based increase in administrative expenses.

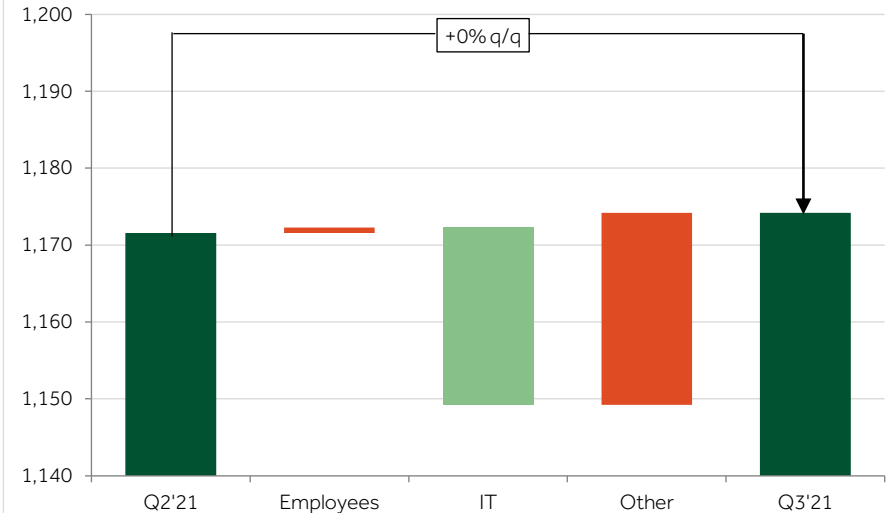
Core expenses Q3 2020 vs. Q3 2021 (DKKm)



Core expenses (DKKm) and full-time employees



Core expenses Q2 2021 vs. Q3 2021 (DKKm)



Credit quality

Loan impairment charges of DKK -36m, -1bp cost of risk, in Q3 2021

- DKK 83m of reversals in Q2 and Q3, despite increasing management's estimate by DKK 330m. Very low level of write-offs.
- Credit quality continues to be supported by a strong property market as well as low levels of bankruptcies and unemployment claims.

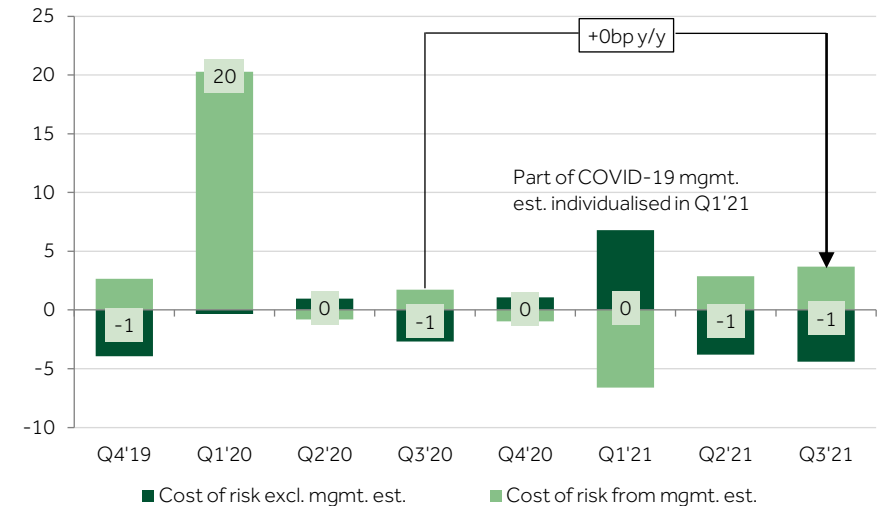
Balance of impairment charges -8bp/y to 1.1%

- 0.5% for mortgage activities and 3.2% (excl. repo) for banking/leasing.
- Management's estimate of DKK 1,602m (32bp), down DKK 54m y/y due to individualization of part of initial COVID-19 management's estimate.

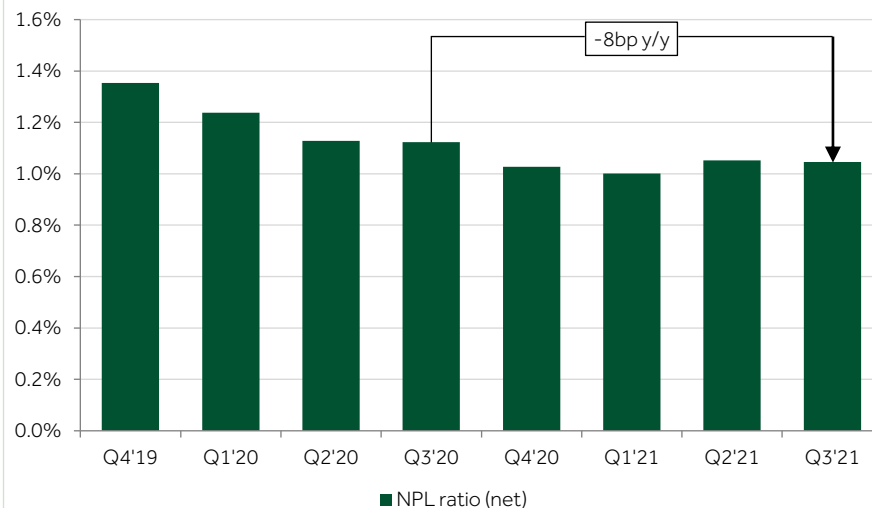
Non-performing loans -8bp/y to 1.0%

- Share of loans subject to forbearance measures 1.5%. 90-day mortgage arrears for private and corporate clients 10bp and 15bp, respectively.

Cost of risk (bp)



Non-performing loans as % of loans, advances and guarantees



Impairment charges as % of gross loans, adv. and guarantees



Comments on capital position and capital distribution

Capital ratio of 22.6% and CET1 ratio of 18.0% (-0.4pp and -0.3pp q/q)

- Capital requirement 15.3%, CET1 requirement 10.3%.
- Share repurchase programme of DKK 750m ended 27 August. New programme of DKK 1bn runs from 1 October to 31 March 2022.

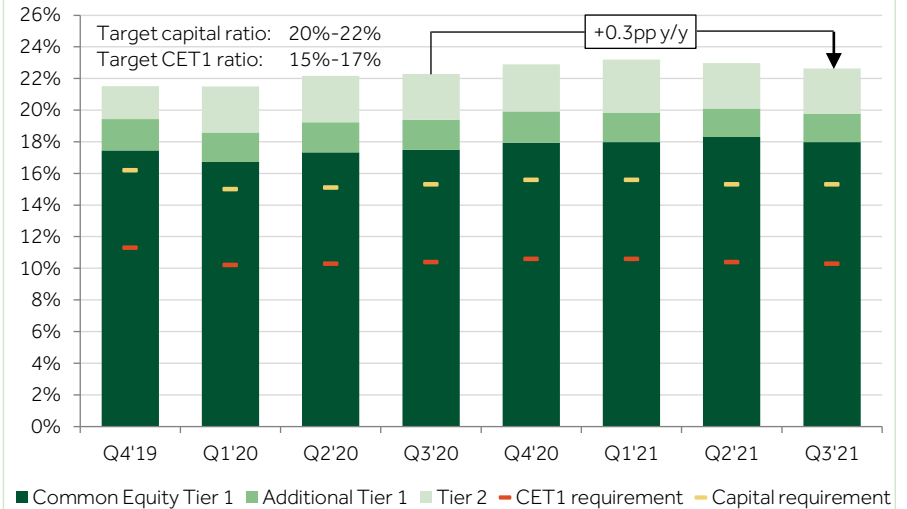
Risk exposure amount unchanged despite inflation from EBA guidelines

- Implementation of EBA guidelines compensated for by lower credit risk.
- CET1 impact from upcoming regulation (incl. EBA guidelines and Basel IV) expected to total approx. 2.5pp-3.0pp. Reflected in capital targets.

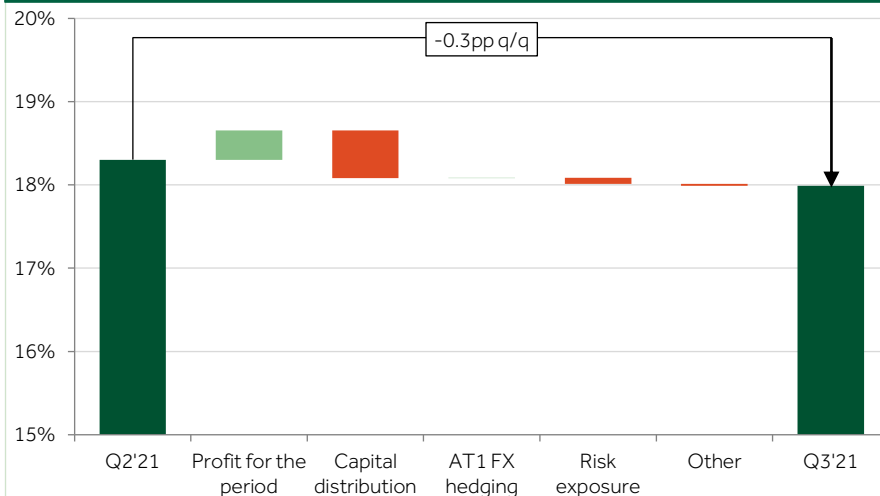
Recent issuer activity and funding plans

- SEK 1.25bn and DKK 0.5bn AT1 capital @ 530bp called on 16 Sep. 2021.
- EUR 500m non-preferred senior debt @ 30bp issued on 2 Sep. 2021.
- EUR 500m preferred senior debt expected to be issued in Q4 2021.

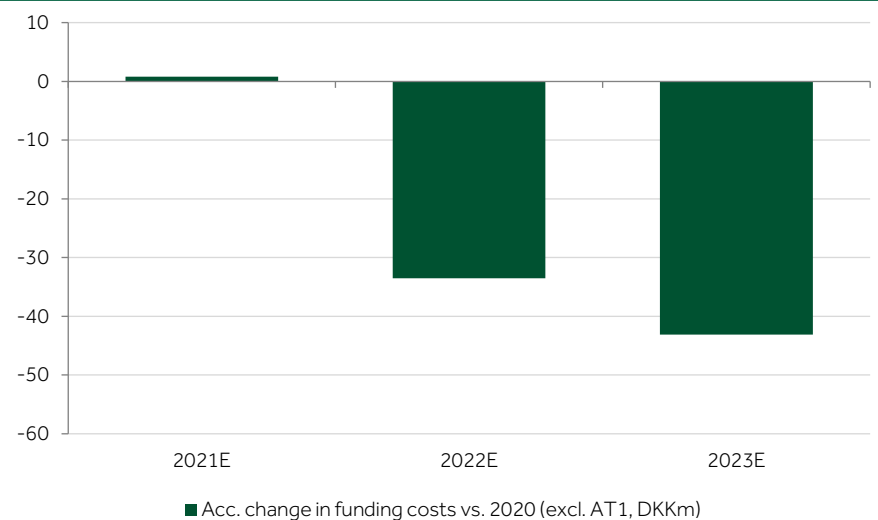
Capital ratios and capital requirements



CET1 ratio Q2 2021 vs. Q3 2021



Accumulated change in yearly funding costs vs. 2020 (DKKm)



Volumes

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Lending and deposit volumes (excl. repo, triparty)

Lending +2% y/y following growth across all segments

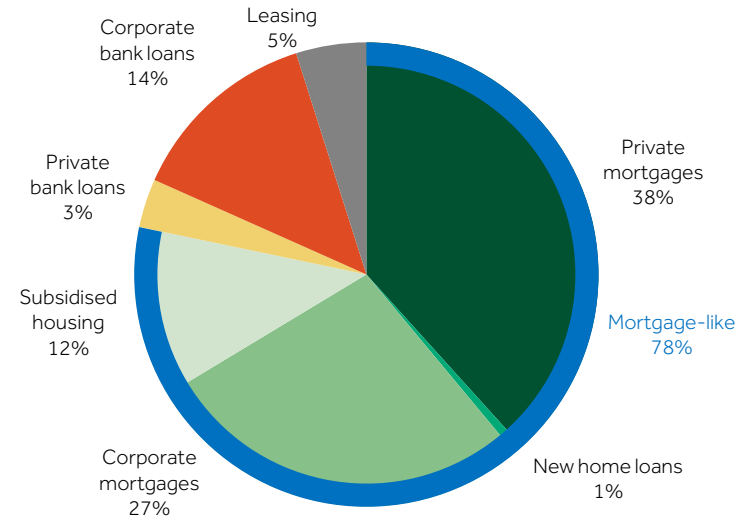
- Bank loans +2% due to higher lending to public authorities and corporate clients more than offset a continued decline in lending to private clients.
- Mortgage loans +2% as significantly higher lending to corporate clients more than offset lower mortgage lending to private clients.
- Leasing +9% due to structural growth as well as high activity levels.

Lending +1% q/q driven by lending to corporate clients

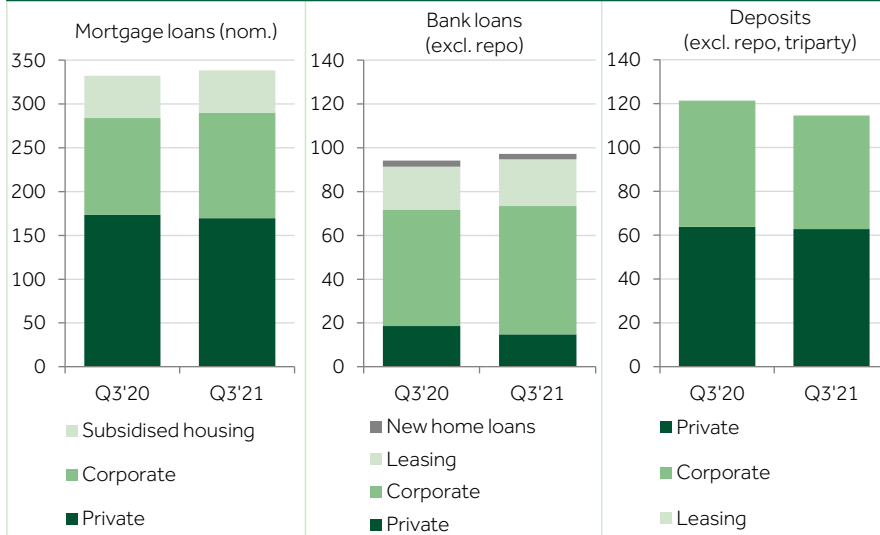
- Bank loans +3% driven by lending to corporate clients.
- Mortgage loans +1% amid increasing corporate lending market share.
- Leasing slowed to 0% following supply chain issues in the car industry.

Deposits 0% q/q, as higher deposits from corporate clients was counteracted by lower deposits from private clients.

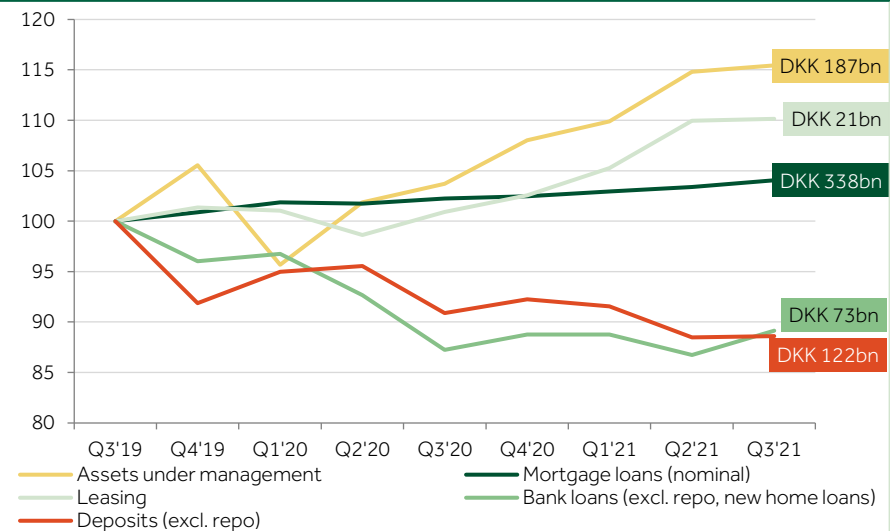
Lending volumes (excl. repo)



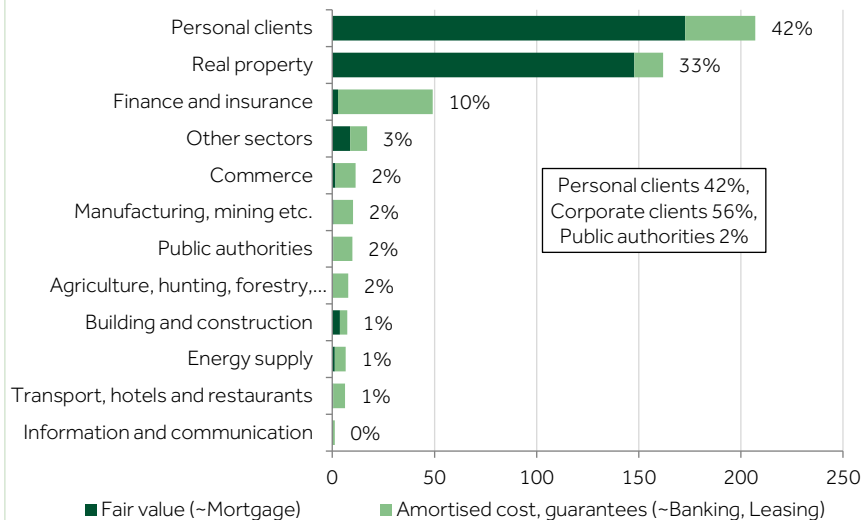
Lending and deposits by segment (DKKbn)



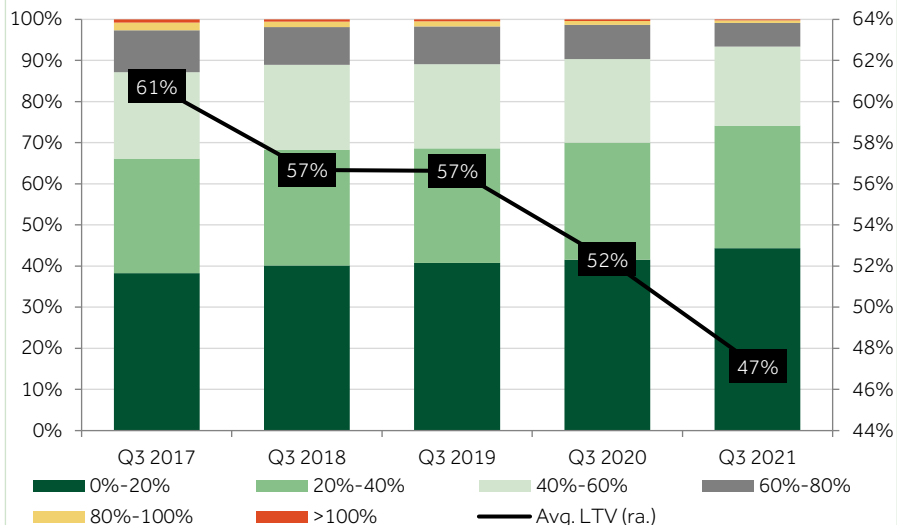
Business volumes (Q3 2019=100)



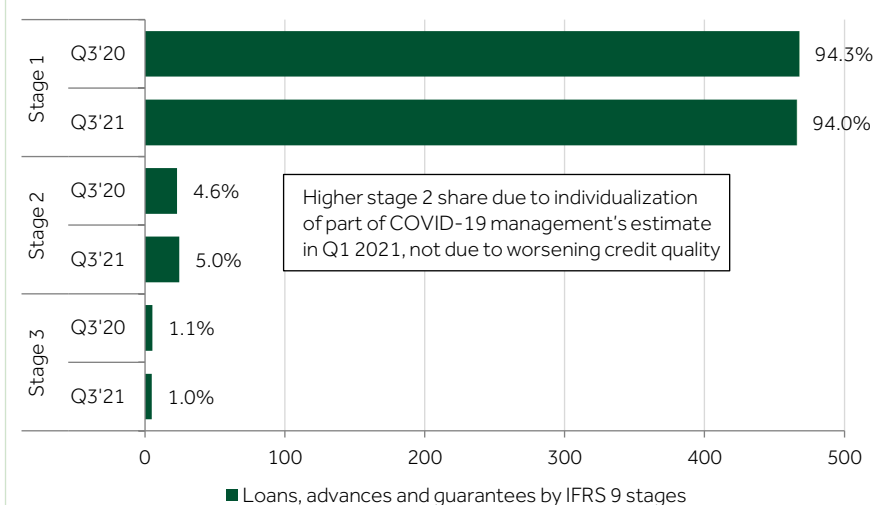
Loans, advances and guarantees by sector (DKKbn)



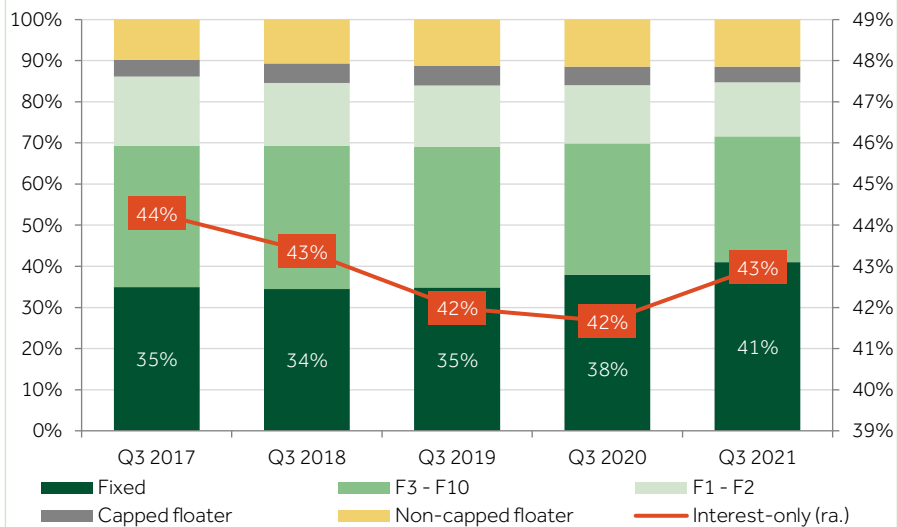
Significant de-risking of mortgage portfolio LTV in recent years



Loans, advances and guarantees by IFRS 9 stages (DKKbn)



Clients are opting for fixed-rate mortgages



Mortgage lending is low risk, high growth and stable margins

The Danish mortgage model

Provides highly attractive, transparent lending terms at a very low cost of risk by issuing covered bonds with 1:1 matching terms (balance principle).

Mortgage lending has ~10x lower cost of risk than bank lending

Cost of risk has averaged 5bp for mortgage credit institutions vs. 51bp for banks since 2000, peaking in 2009 at 20bp and 224bp, respectively.

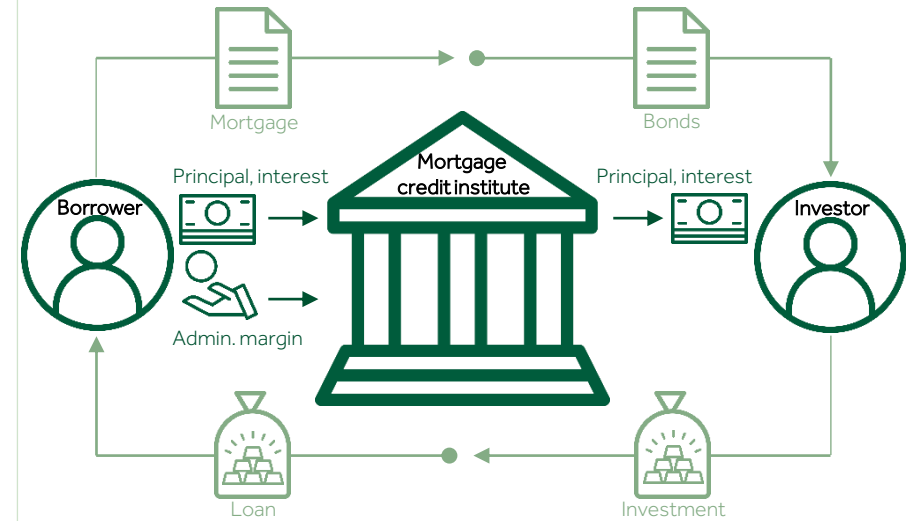
Growth is resilient during times of crisis and benefits from structural trend

Mortgage lending growth remained positive during the financial crisis and has averaged 4.7% p.a. since 2004 vs. 2.5% p.a. for bank lending.

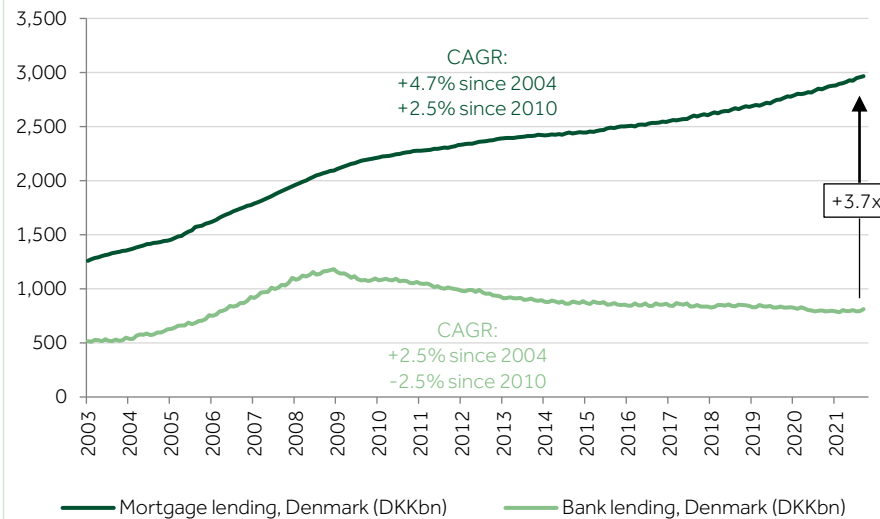
Mortgage lending supports a more stable margin development

Due to consolidation and full pass-through of interest rates, admin. margins are up 57% since 2003, whereas banks' net interest margins are down 46%.

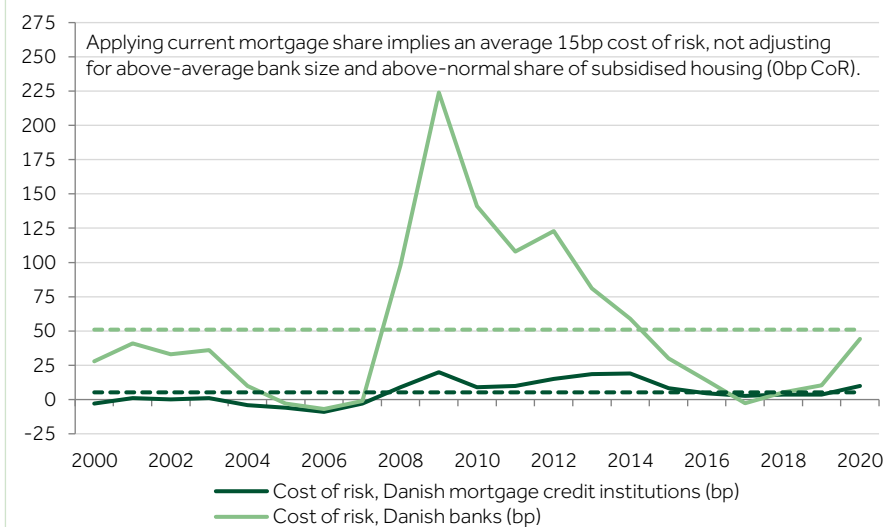
The Danish mortgage model



Mortgage lending growth stayed positive during the last crisis



Credit quality of mortgage lending significantly stronger (bp)



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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



Founded in 1967 – now a Danish SIFI

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. (2020).

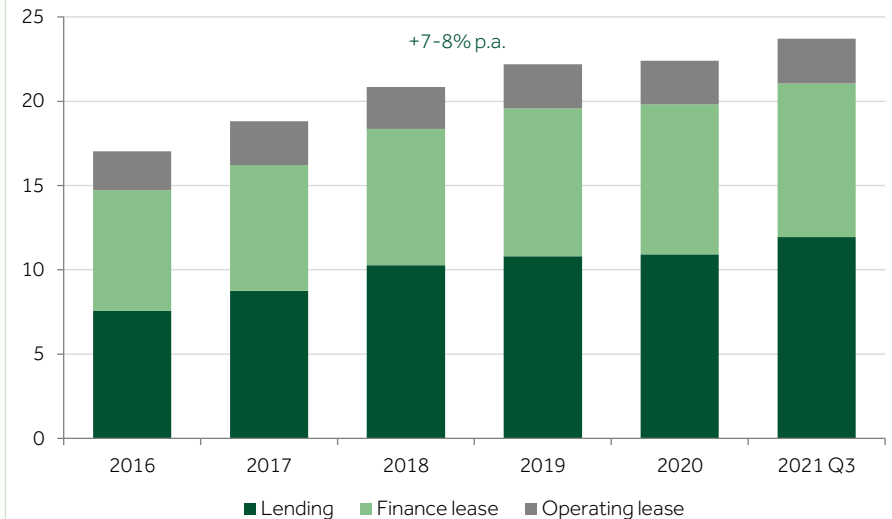
Ready for new opportunities
Growth through acquisitions is an ongoing strategic initiative and Jyske Bank remains willing and able to participate in further consolidation of the financial sector in Denmark.

Jyske Finans – one of the largest Danish leasing providers

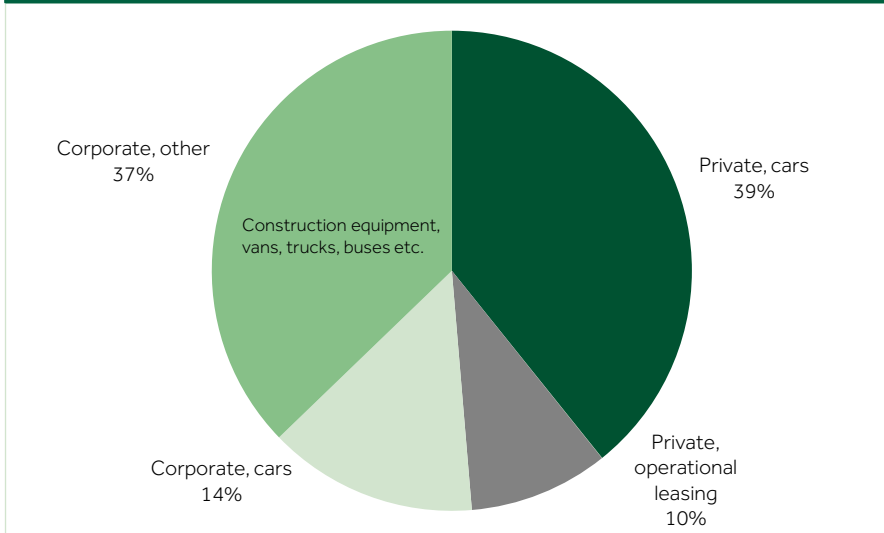
One of the largest providers of leasing and financing within car financing as well as leasing and financing of equipment for the corporate sector.

- **Solutions for car dealerships and importing schemes:** Peugeot, Citroën, DS, Mitsubishi, Opel, Toyota, Hyundai, Volvo, Tesla, etc. Partnerships represent 36% of newly registered passenger cars.
- **Direct car financing** through Privatleasing.dk, Jyske Fleet and Jyske Car Loan.
- **Corporate** equipment financing solutions via dealerships as well as direct financing.
- **Logistics and preparation:** Preparation, storage, claims handling and selling, re-leasing of used cars under operational leasing.

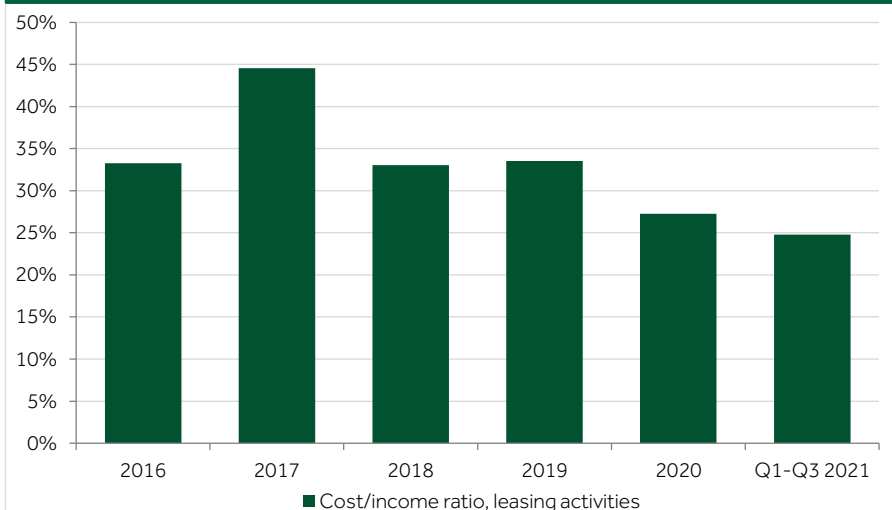
Lending volumes are structurally rising (DKKbn)



Well-diversified lending portfolio under leasing activities



Cost-effective setup ensures relatively high profitability



Sustainability ingrained in vision



"We have an ambition of running our business responsibly and in a way that promotes sustainability." – Jyske Bank's vision

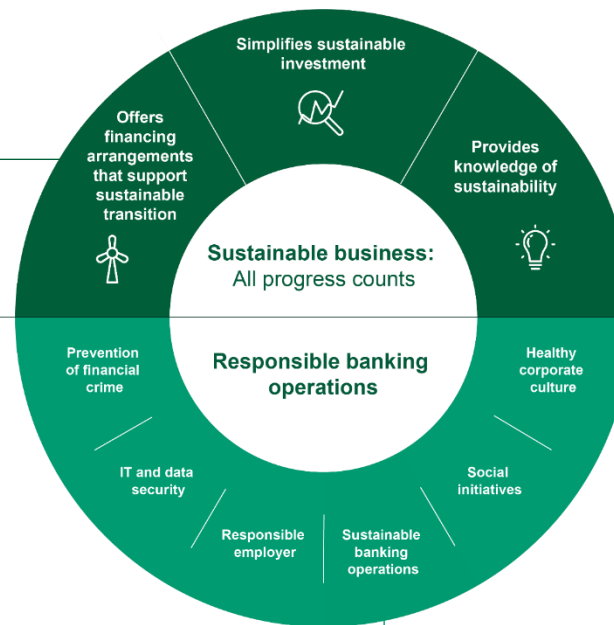


Financing a sustainable transition

Financing 4.5 TWh renewable power in 2025, supporting development of wind and solar energy (2020: 2.5 TWh).

In 2025, 40% of new vehicles loans will finance low-emission vehicles.

Financing DKK 40bn of commercial property with low energy consumption by 2025 (2020: DKK 31bn).



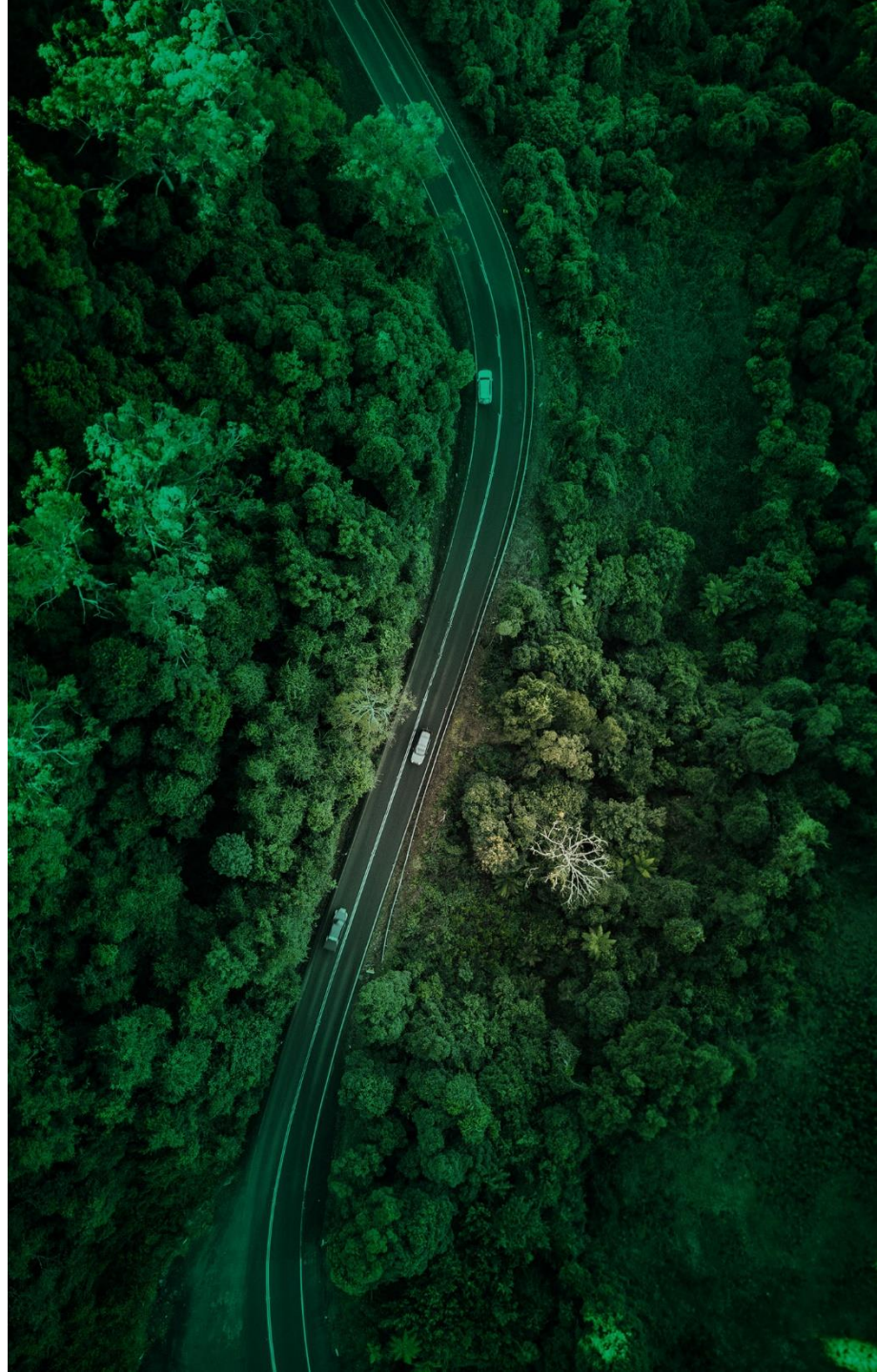
Sustainable banking operations

Electricity consumption is offset by own renewable energy production. By end-2022, emissions related to district heating and company cars will also be offset.

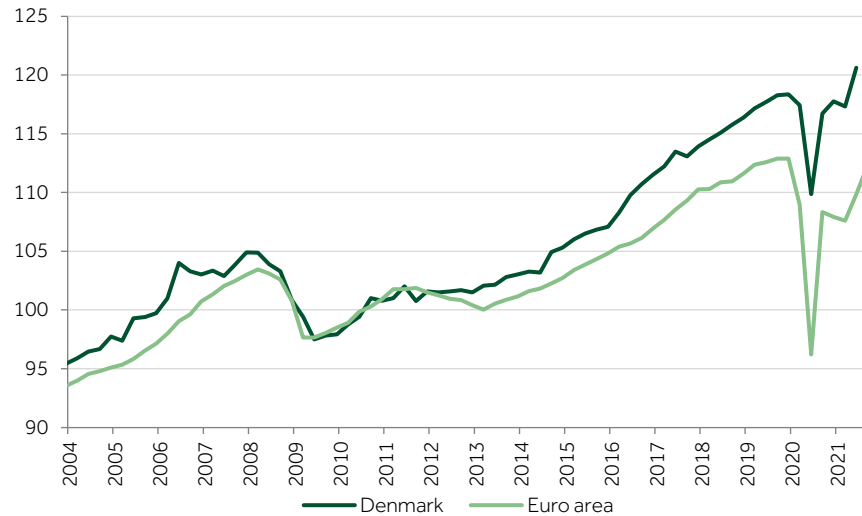
Energy management systems installed on all locations in order to keep reducing consumption. Company cars will gradually be replaced by low-emission vehicles.

Macroeconomics

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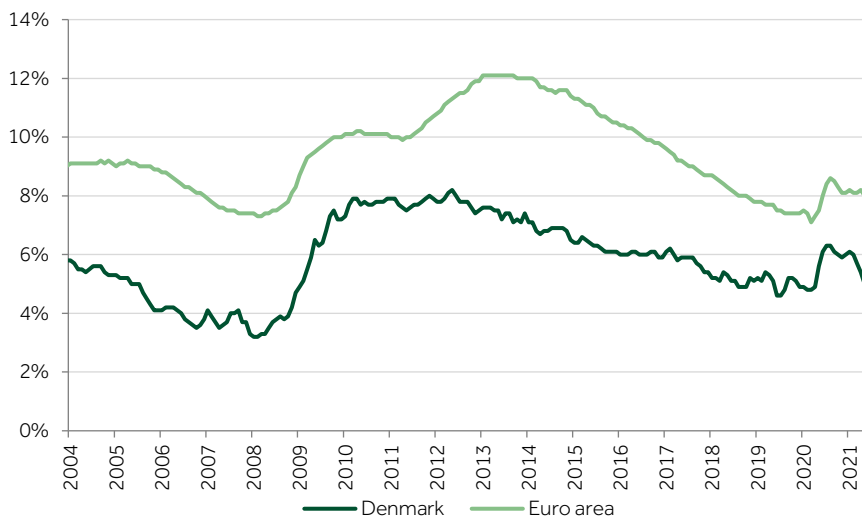
Real gross domestic product (2010=100)



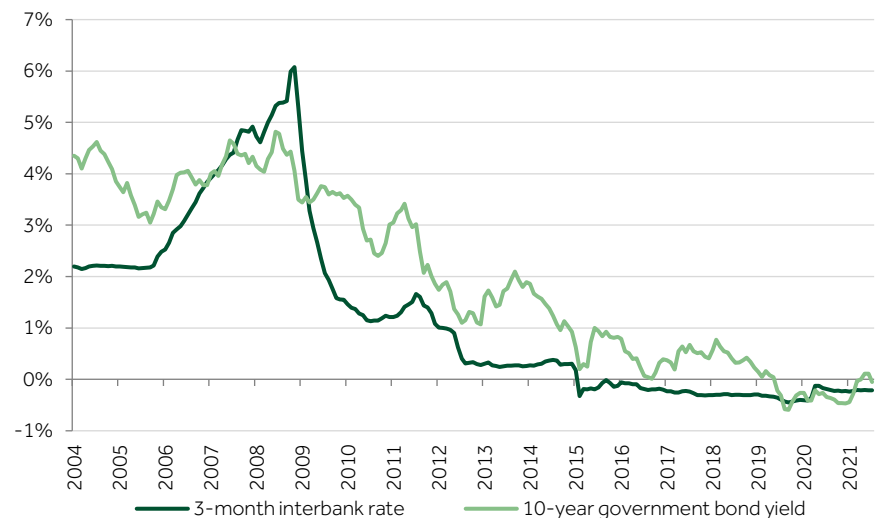
Inflation rate (HICP, y/y)



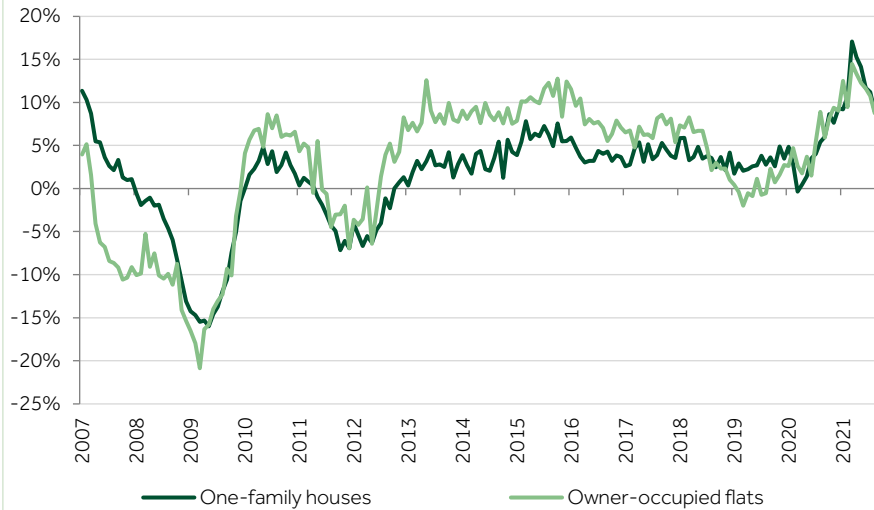
Unemployment rate



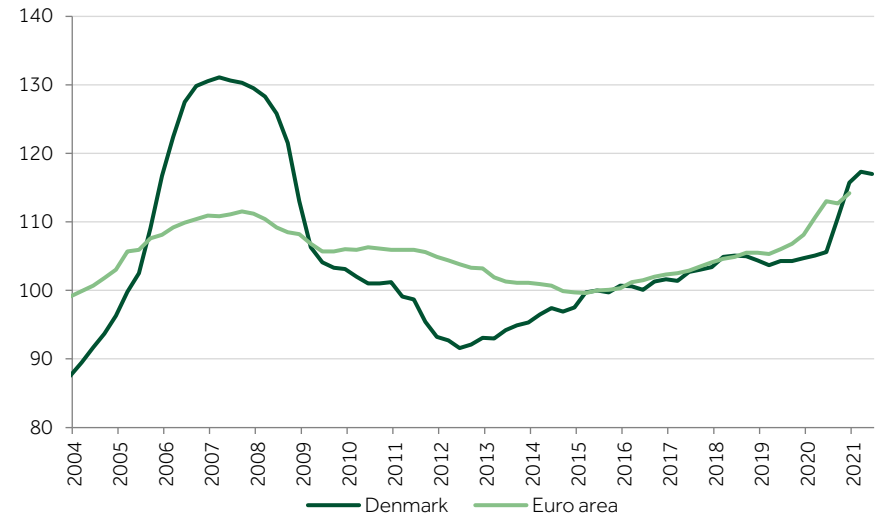
Interest rates, Denmark (monthly averages)



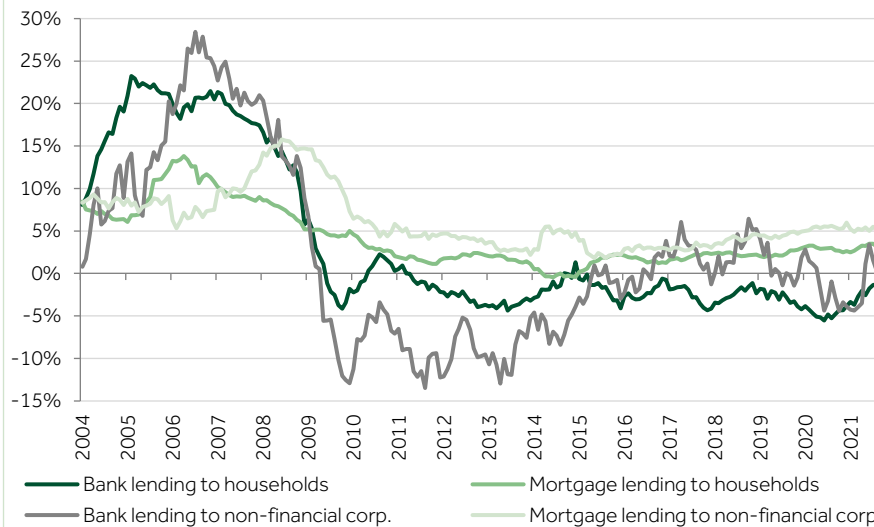
Real estate prices, Denmark (y/y)



House prices to disposable income (2015=100)



Lending growth, Denmark (y/y)



Economic Sentiment Indicator



Danish economy	DKKbn		Real growth (%)			
	2020	2019	2020	2021	2022	2023
Consumer spending	1,071	1.2	-1.3	2.3	4.7	2.1
Public spending	574	1.5	-1.7	4.5	-1.5	0.4
Fixed gross investment	521	0.1	5.1	7.3	2.9	1.4
Inventory investment*	13	-0.2	-0.1	0.0	0.0	0.0
Exports	1,279	5.0	-7.7	2.6	8.7	4.3
Imports	1,128	3.0	-4.1	3.1	7.9	4.0
Gross domestic product (GDP)	2,330	2.1	-2.1	3.7	3.4	1.8
Balance of payments						
- DKKbn		203	192	191	196	196
- percentage of GDP		8.8	8.2	7.8	7.6	7.3
Public budget balance						
- DKKbn		94	-14	-40	15	25
- percentage of GDP		4.1	-0.6	-1.6	0.6	0.9
Unemployment						
- Gross unemployment, average (thousands)		104	132	119	104	92
- Percentage of workforce		3.4	4.3	3.8	3.3	2.9
Employment, avg. (thousands)		3,003	2,982	3,025	3,074	3,100
Inflation (%)		0.8	0.4	1.5	1.8	2.0
Wage index (Private, %)		2.0	1.9	2.3	3.0	3.4
House prices (nominal prices, %)		3.0	4.5	10.4	2.0	0.6
Danmarks Nationalbank's lending rate, year-end (%)		0.05	0.05	-0.45	-0.45	-0.45
Danmarks Nationalbank's CD rate, year-end (%)		-0.65	-0.75	-0.60	-0.60	-0.60

* Contribution to growth as a percentage of the preceding year's GDP.

Financial calendar and contacts

Financial calendar 2022

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

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