

Jyske Bank  
Q2 2021

17 August 2021

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# Summary

Q2 2021



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## Net profit of DKK 802m and return on equity of 8.8% in Q2 2021

**Net interest income** -4% y/y, as the positive effect from deposit repricing initiatives was more than offset by lower net interest income from trading.

**Net fee and commission income** +25% y/y due to higher assets under management, strong activity levels and changes to the fee structure.

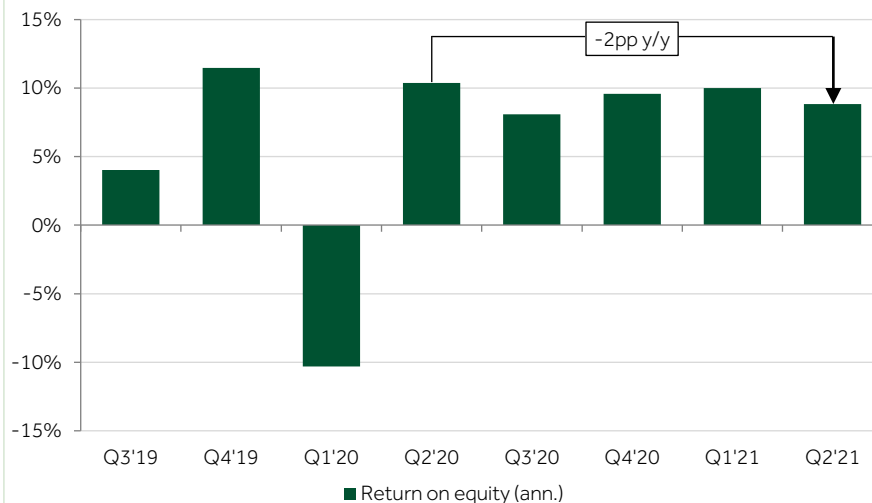
**Value adjustments** remained at a strong level of DKK 243m amid a positive development in financial markets as well as continued high activity levels.

**Core expenses** +1% y/y due to reopening of society and cost inflation. Number of employees reduced by 5% y/y as targeted a year ago.

**Loan impairment charges** of DKK -47m with lowest level of write-offs since '08 amid a broad-based positive development in credit quality.

**Investment portfolio earnings** of DKK 29m from FX positions.

## Return on equity (ann.)



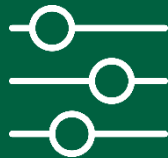
## Income statement and key figures (DKK m)

	Q2'21	Q2'20	Index	Q1'21	Index	H1'21	H1'20	Index
Net interest income	1,230	1,287	96	1,224	100	2,454	2,515	98
Net fee and commission income	509	407	125	576	88	1,085	1,057	103
Value adjustments	243	331	73	362	67	605	218	278
Other income	84	26	323	33	255	117	56	209
Income from operating lease	63	-1	-	40	158	103	7	-
<b>Core income</b>	<b>2,129</b>	<b>2,050</b>	<b>104</b>	<b>2,235</b>	<b>95</b>	<b>4,364</b>	<b>3,853</b>	<b>113</b>
Core expenses	1,171	1,164	101	1,171	100	2,342	2,510	93
<b>Core profit before loan impairment charges</b>	<b>958</b>	<b>886</b>	<b>108</b>	<b>1,064</b>	<b>90</b>	<b>2,022</b>	<b>1,343</b>	<b>151</b>
Loan impairment charges	-47	8	-	10	-	-37	1,011	-
<b>Core profit</b>	<b>1,005</b>	<b>878</b>	<b>114</b>	<b>1,054</b>	<b>95</b>	<b>2,059</b>	<b>332</b>	<b>620</b>
Investment portfolio earnings	29	223	13	75	39	104	-227	-
<b>Pre-tax profit</b>	<b>1,034</b>	<b>1,101</b>	<b>94</b>	<b>1,129</b>	<b>92</b>	<b>2,163</b>	<b>105</b>	<b>-</b>
Tax	232	239	97	246	94	478	23	-
<b>Net profit for the period</b>	<b>802</b>	<b>862</b>	<b>93</b>	<b>883</b>	<b>91</b>	<b>1,685</b>	<b>82</b>	<b>-</b>
Earnings per share (DKK)	10.6	11.3	94	11.6	91	22.2	0.0	-
Return on equity (ann.)	8.8%	10.4%	85	10.0%	88	9.4%	0.0%	-
Cost/income ratio	55.0%	56.8%	97	52.4%	105	53.7%	65.1%	82
Capital ratio	23.0%	22.2%	104	23.2%	99	23.0%	22.2%	104
CET1 ratio	18.3%	17.3%	106	18.0%	102	18.3%	17.3%	106
Mortgage lending (nominal)	336,022	330,698	102	334,559	100	336,022	330,698	102
Bank loans (excl. repo)	71,374	76,258	94	73,055	98	71,374	76,258	94
New home loans	2,594	3,367	77	2,519	103	2,594	3,367	77
Leasing	21,314	19,120	111	20,406	104	21,314	19,120	111
Deposits (excl. repo)	122,249	132,021	93	126,487	97	122,249	132,021	93



## Continued strong financial performance

High activity levels in capital, car and property markets; profit outlook raised 31% from outset



## Further deposit repricing initiatives implemented

Annualised run-rate increased DKK 0.6bn in two years in addition to changes to fee structure



## Reduction of staff and branches as targeted

Staff reduced 5% y/y and fully accessible branches down 22% y/y



## Strong credit quality

Loan impairment charges of approx. DKK 0m expected in 2021; write-offs lowest since 2008

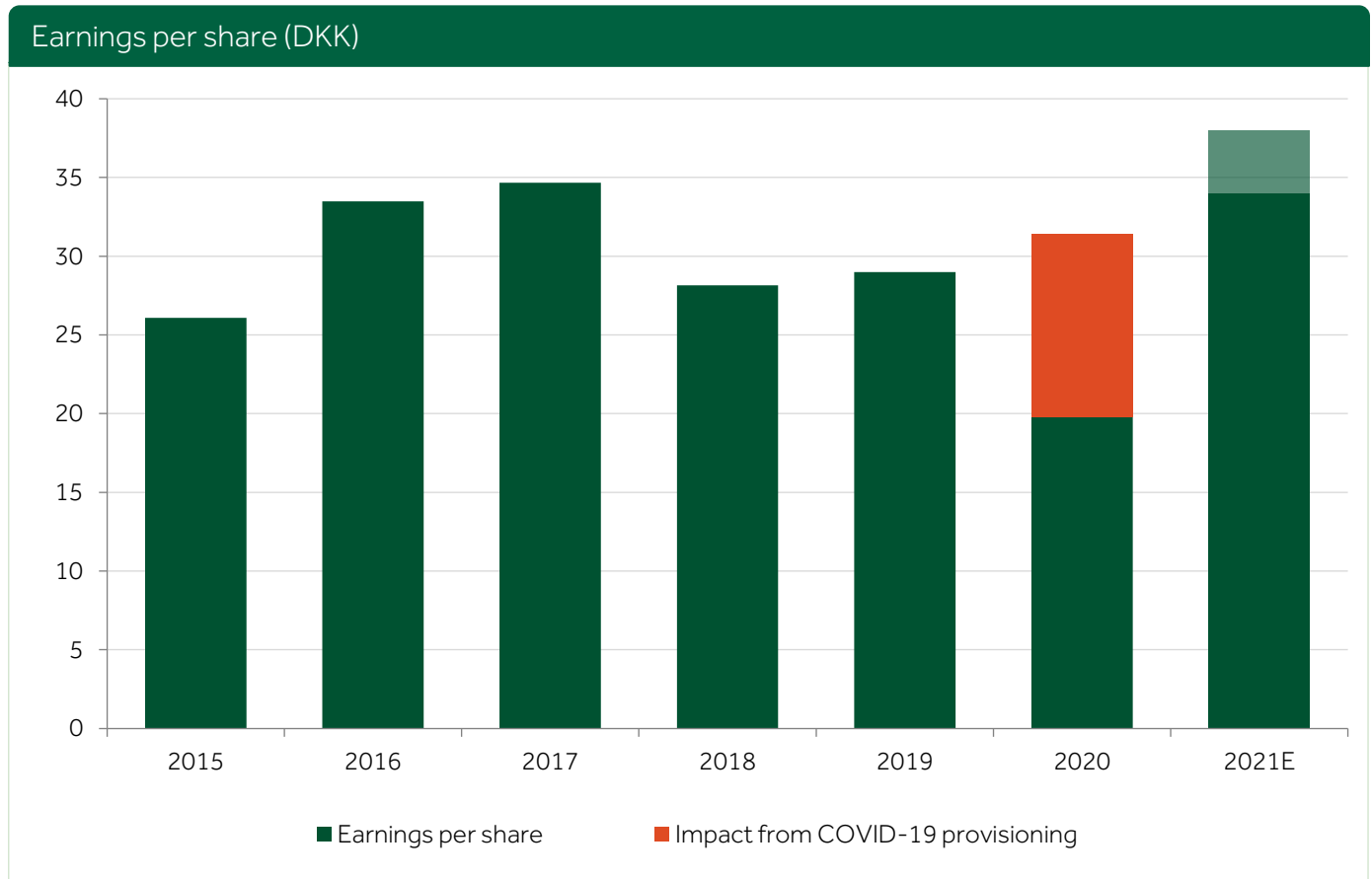


## CET1 ratio at all-time high

New share buy-back programme of DKK 1bn

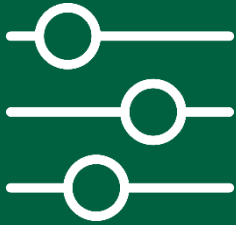
# Continued strong financial performance

High activity in capital, car and property markets; outlook +31% vs. outset

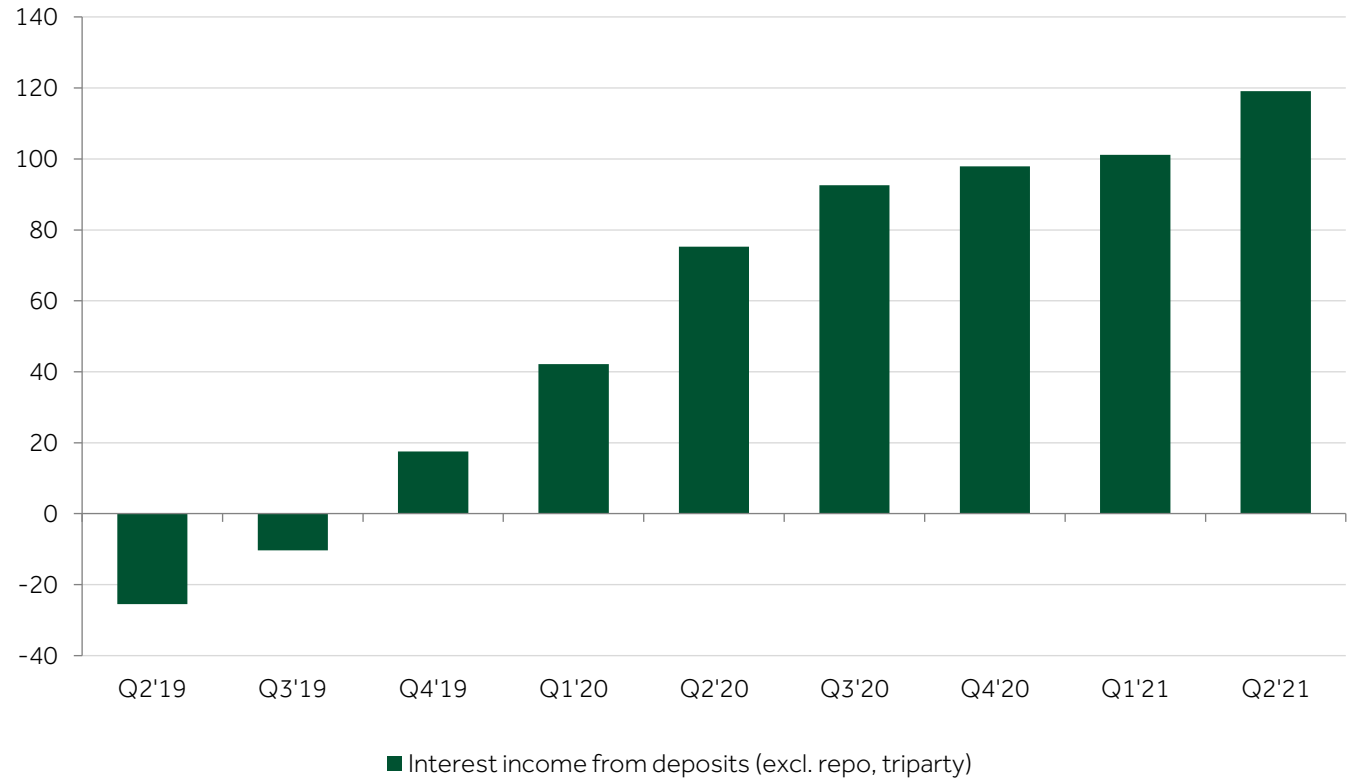


# Further deposit repricing initiatives implemented

Run-rate increased DKK 0.6bn p.a. in addition to changes to fee structure



Interest income from deposits (DKKm)

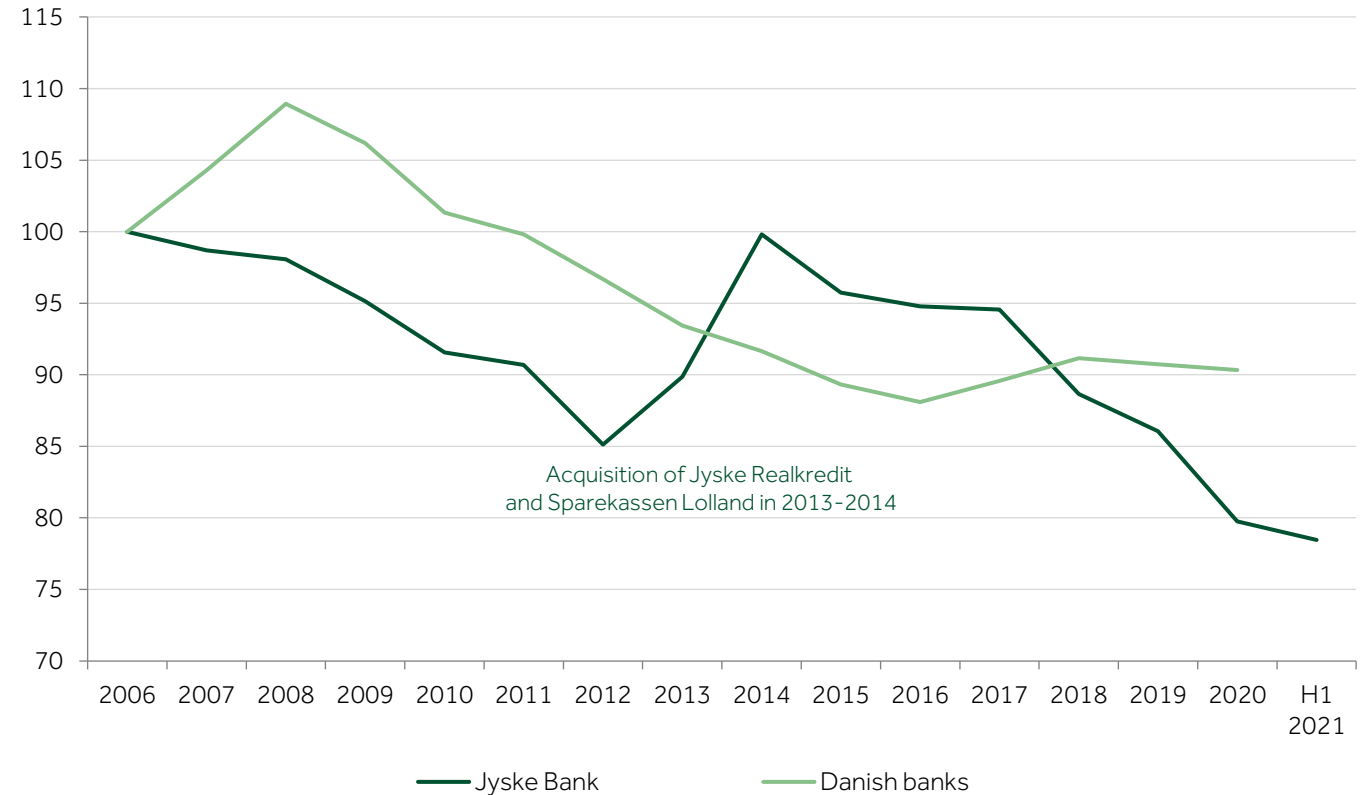


# Reduction of staff and branches as targeted

Staff reduced 5% y/y and fully accessible branches down 22% y/y

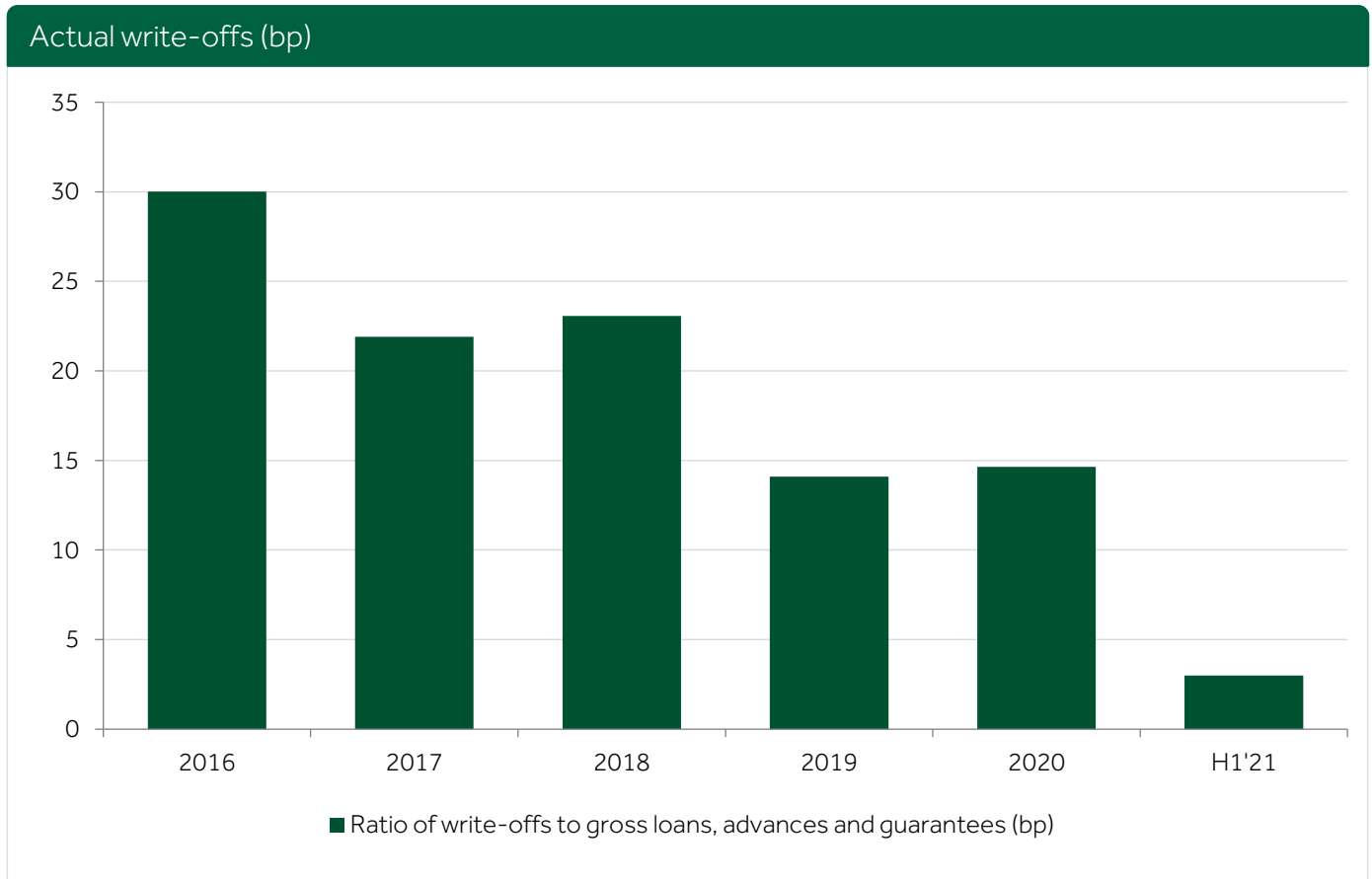


Full-time employees (2006=100)



# Strong credit quality

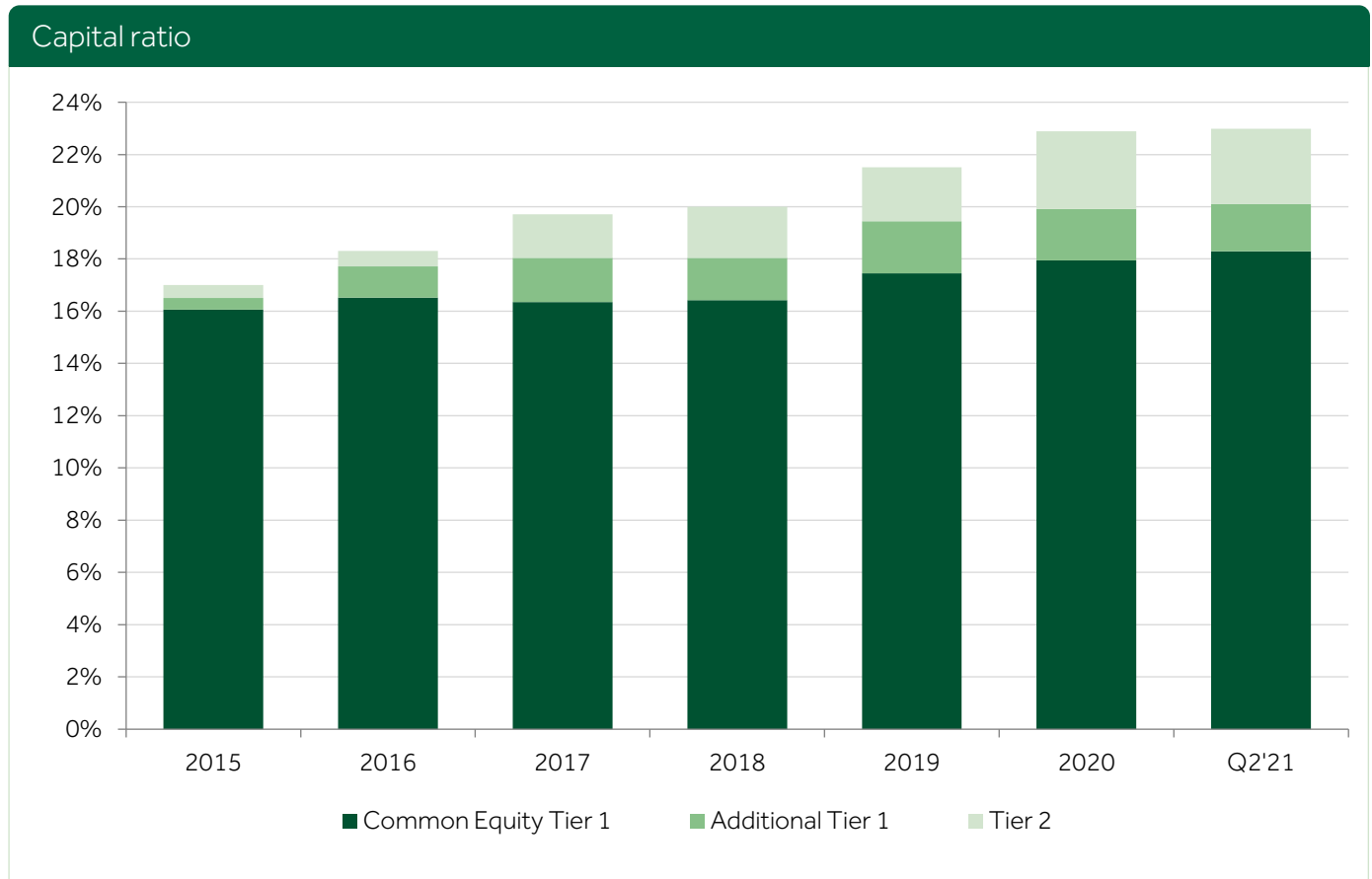
Loan impairment charges of DKK ~0m in 2021; lowest write-offs since 2008



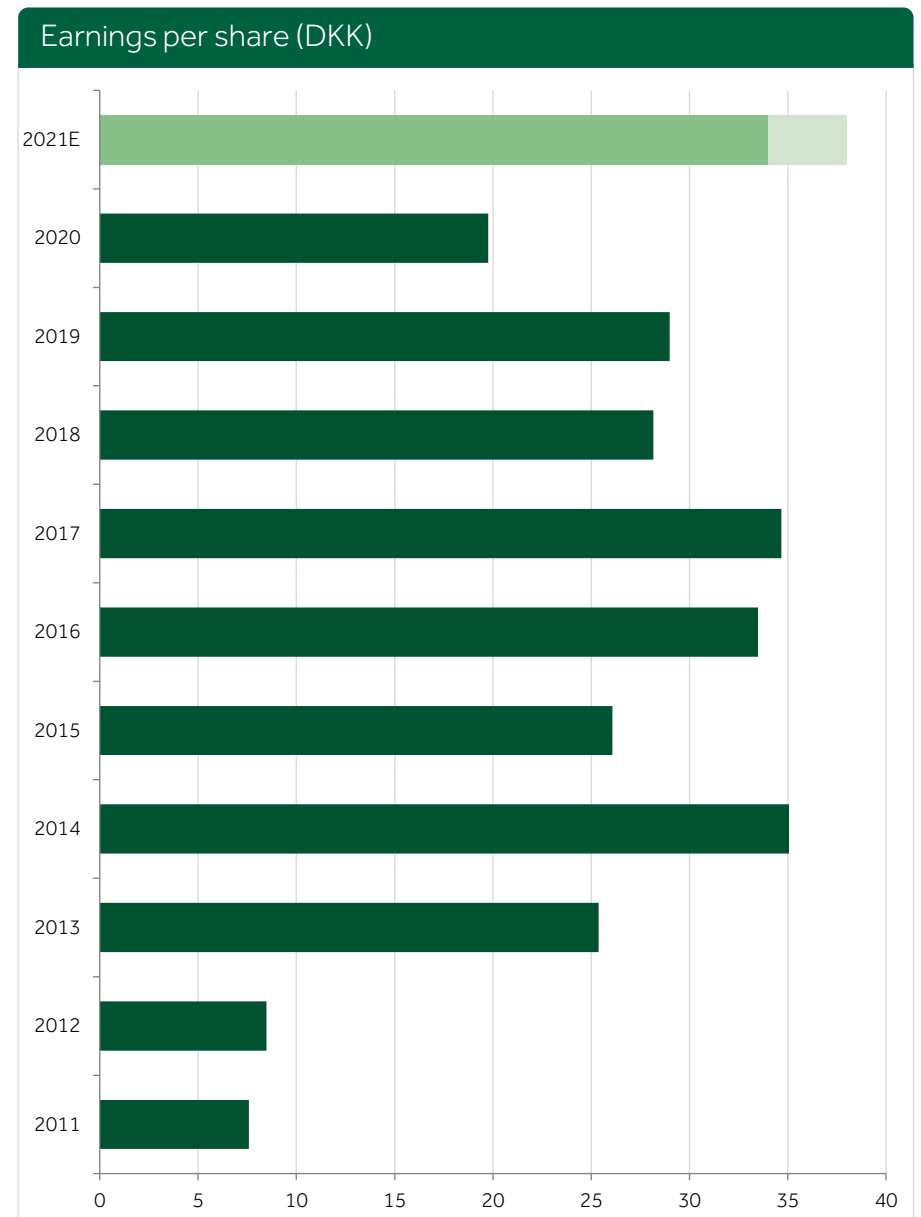


# CET1 ratio at all-time high

New share repurchase programme of DKK 1bn



Volumes	Bank lending and mortgage lending to increase in 2021
Core income	Higher in 2021 than 2020 level <i>Previously: Approx. unchanged</i>
Core expenses	Lower in 2021 than 2020 level
Loan impairment charges	Approximately zero in 2021 <i>Previously: Very low level</i>
Net profit	DKK 2.6bn-2.9bn in 2021
Capital	CET1 ratio of 15%-17% and capital ratio of 20%-22% for the coming years



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# Financials

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## Net interest income (NII)

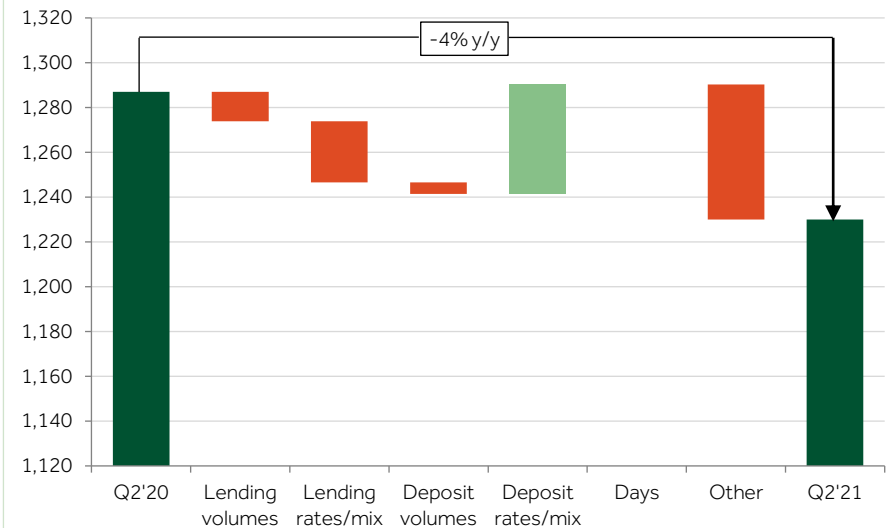
### NII -4% y/y due to extraordinarily high other NII in Q2'20

- Core NII unchanged, as reduced deposit rates for private and corporate clients offset negative impact from lending mix effects.
- Other NII decreased from an extraordinarily high level in Q2'20.

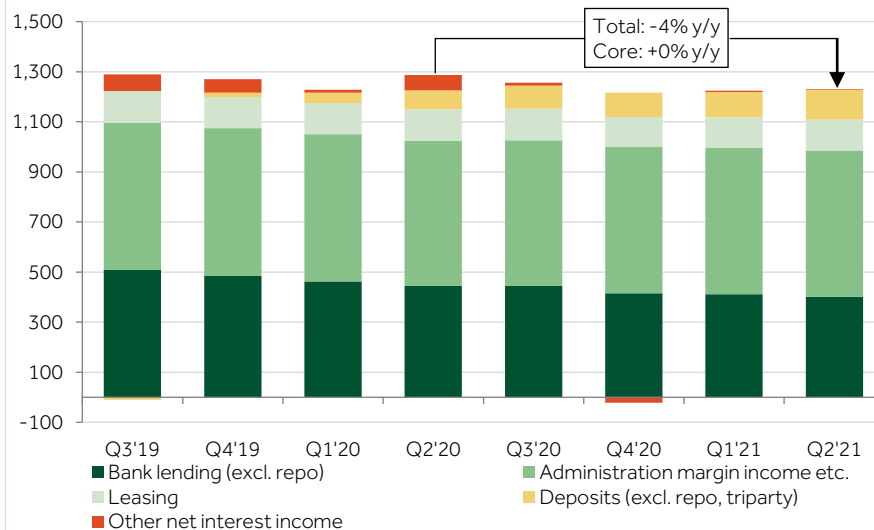
### NII 0% q/q as negative mix effects was counteracted by lower deposit rates

- Core NII up 1% from an additional day of interest, while negative lending mix effects were more than offset by declining deposit rates.
- Threshold on private clients' deposits lowered to DKK 100K from 1 April. Corporate deposits rates lowered to -0.95% from -0.75% as of 11 June.
- Other NII decreased slightly, mainly attributable to lower NII from bonds.

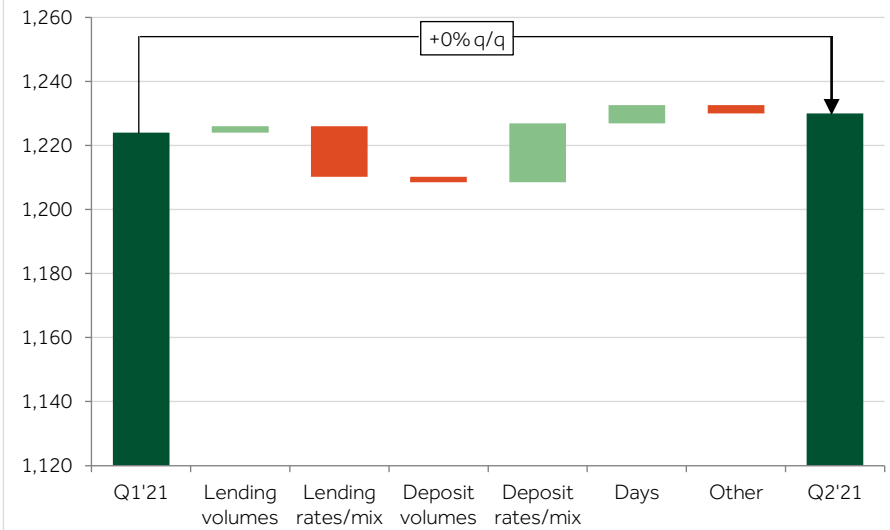
## Net interest income Q2 2020 vs. Q2 2021 (DKKm)



## Net interest income (DKKm)



## Net interest income Q1 2021 vs. Q2 2021 (DKKm)



## Net fee and commission income (NFCI)

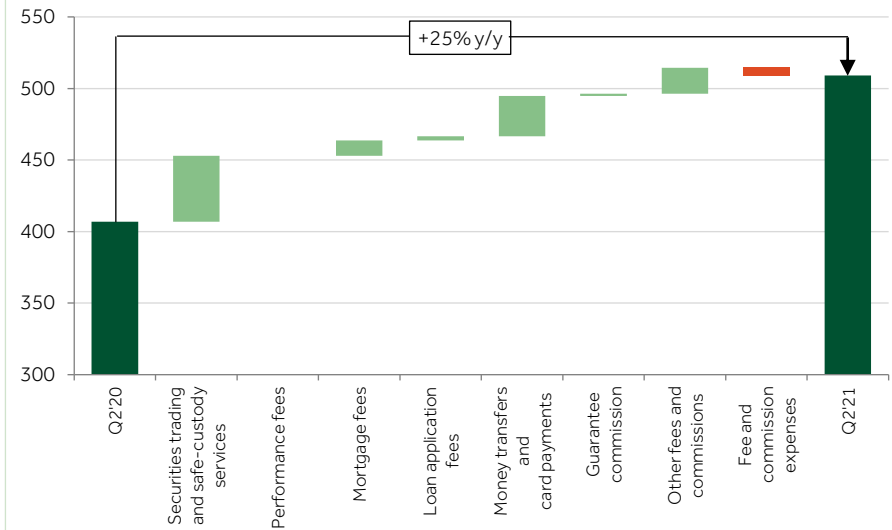
### NFCI +25% y/y, mainly due to asset management and activity levels

- Assets under management increased 13%.
- High activity levels within capital, car and property markets.
- Changes to fee structure and full-service client requirements implemented 1 January 2021 supported basic banking fee income.

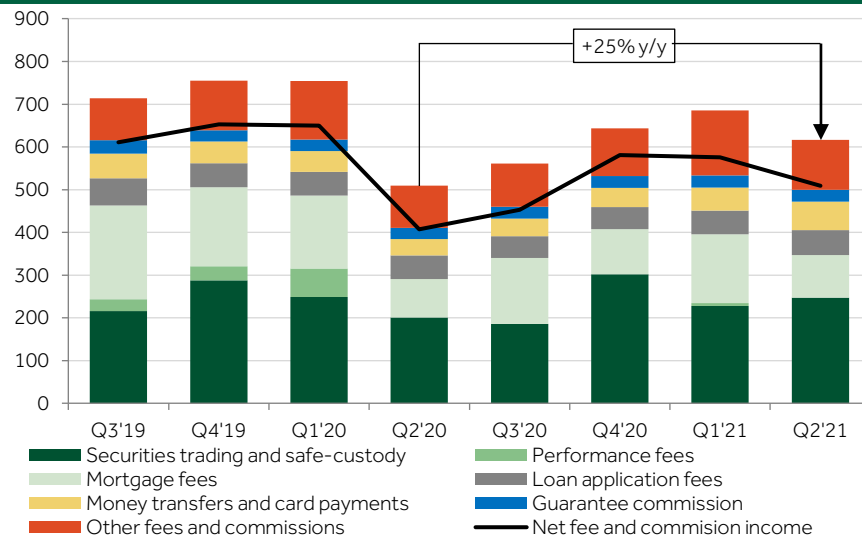
### NFCI -12% q/q as effect from fee changes was outweighed by seasonality

- Seasonally lower refinancing activity as well as Letpension/Letsikring commission income.
- Continued high activity levels within capital and property markets, albeit remortgaging activity declined amid higher long-term interest rates.
- Changes to asset management fee structure implemented 8 March 2021 as well as yearly card fees had positive effect in Q2.

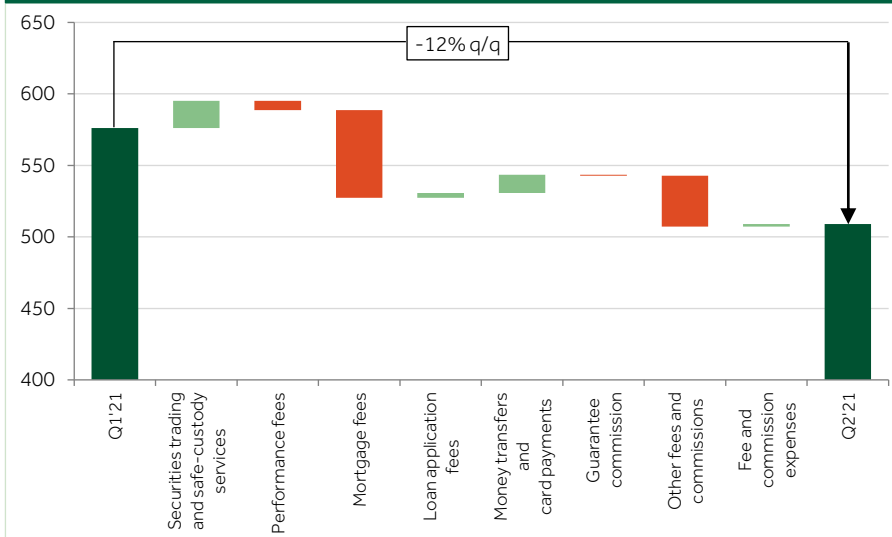
## Net fee and commission income Q2 2020 vs. Q2 2021 (DKK M)



## Net fee and commission income decomposed (DKK M)



## Net fee and commission income Q1 2021 vs. Q2 2021 (DKK M)



## Value adjustments and investment portfolio earnings

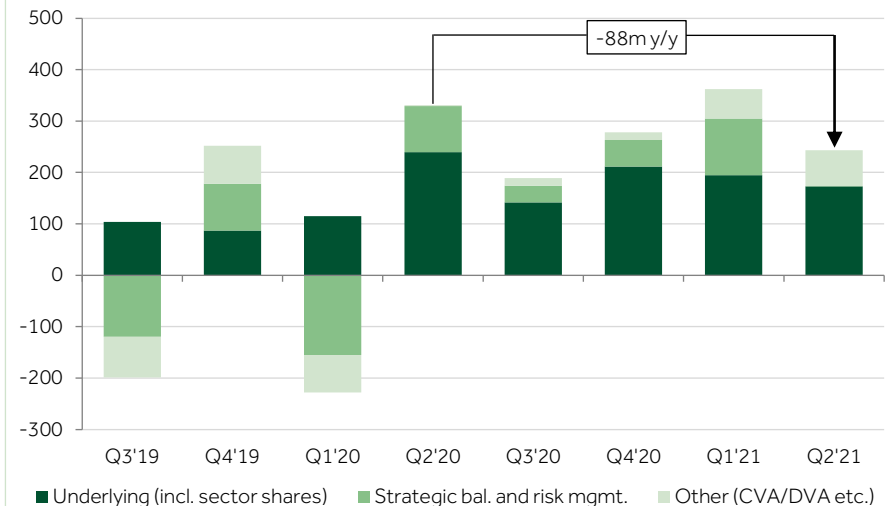
### Value adjustments of DKK 243m in Q2 2021

- High activity levels amid a positive development in financial markets, while option-adjusted spreads on Danish mortgage bonds tightened.
- Significant positive single name-driven impact from ACVA.
- Value adjustments impacted by dividends of DKK 32m, which are booked under other income.

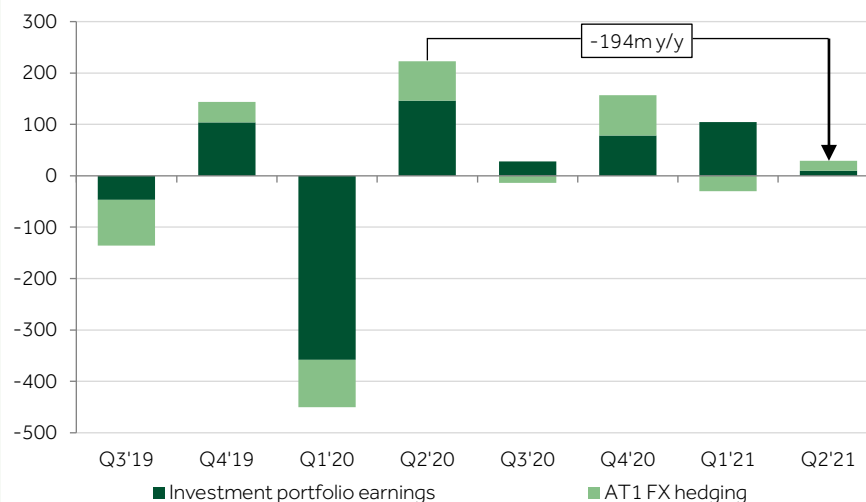
### Investment portfolio earnings of DKK 29m in Q2 2021

- FX positions and tightening of option-adjusted spreads on Danish mortgage bonds had a slightly positive effect.
- FX hedging of AT1 issues in SEK had a positive P/L impact of DKK 20m, counteracted by an equivalent adjustment of shareholders' equity.

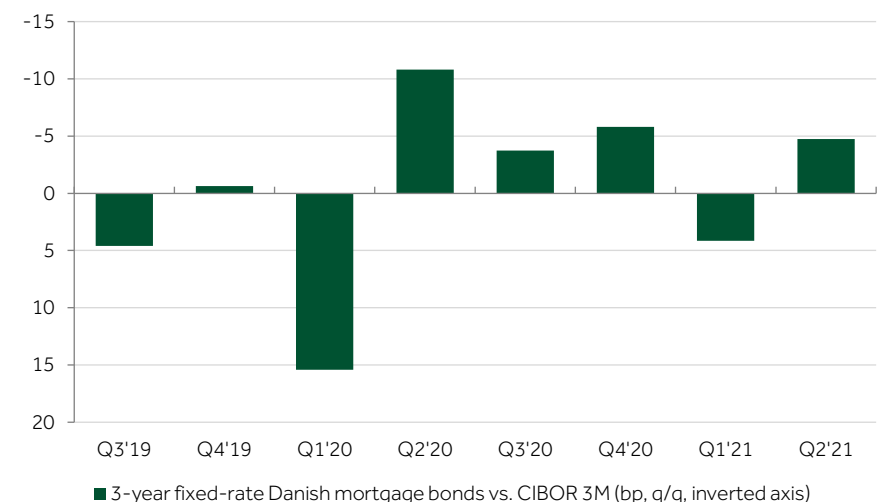
## Value adjustments (DKK m)



## Investment portfolio earnings (DKK m)



## Option-adjusted spreads on Danish mortgage bonds (bp)



## Core expenses

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

- FTE's reduced by 5% y/y and 156 since Q2 2020, reflecting targeted decrease of 150-200 from mid-2020 to mid-2021.
- Number of fully accessible branches reduced by 22 in the same period, in-line with planned reduction announced a year ago.
- Higher activity levels, reopening of society and cost inflation, particularly within IT, outweighed effects from ongoing cost reductions.

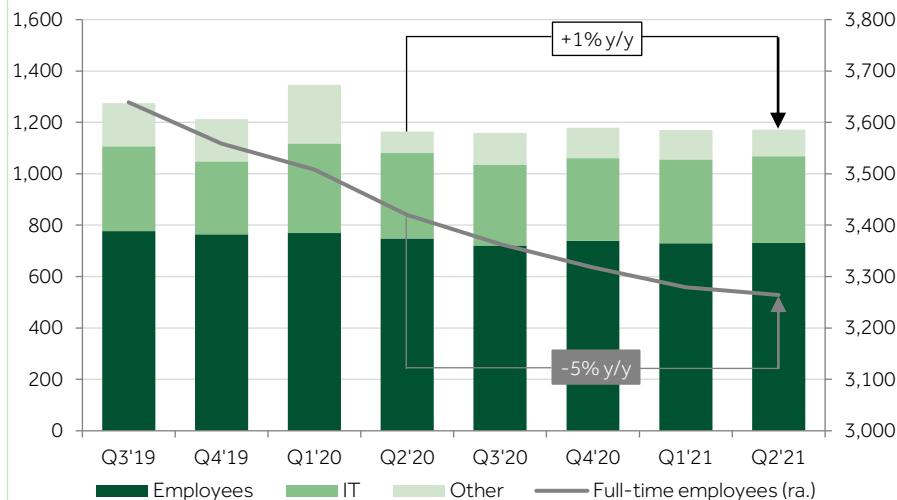
### Core expenses 0% q/q amid a stable cost base

- Number of FTE's decreased by 15 vs. the preceding quarter.
- IT expenses increased slightly due to seasonality and was counteracted by lower marketing expenses.

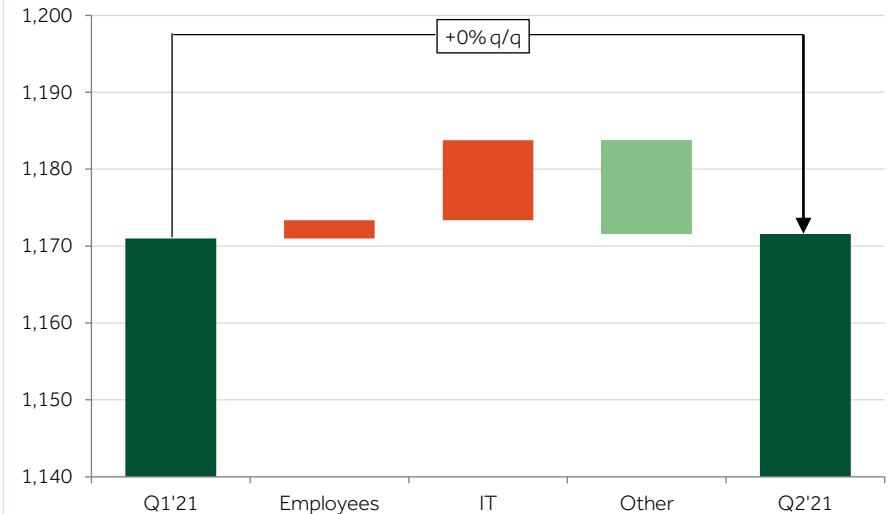
## Core expenses Q2 2020 vs. Q2 2021 (DKK m)



## Core expenses (DKK m) and full-time employees



## Core expenses Q1 2021 vs. Q2 2021 (DKK m)



## Credit quality

### Loan impairment charges of DKK -47m, -1bp cost of risk, in Q2 2021

- Continued broad-based positive development in credit quality, especially within agriculture. Lowest level of write-offs since 2008.
- Supported by strong property market as well as low level of bankruptcies and unemployment claims.

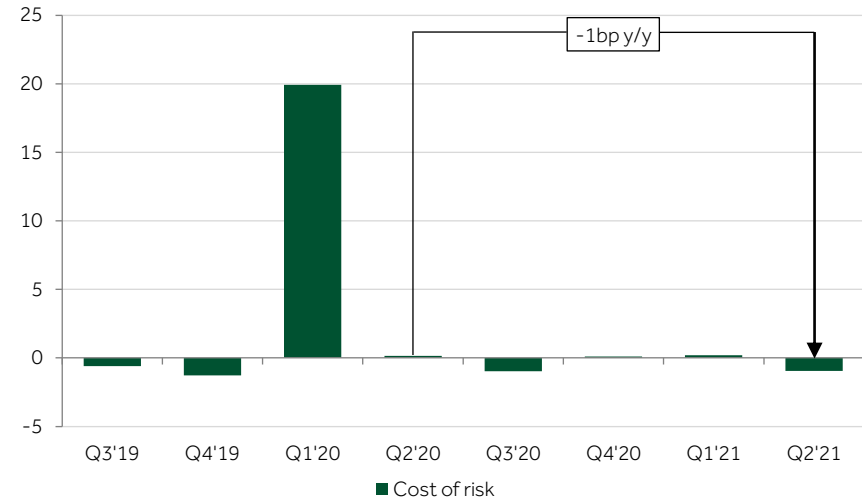
### Balance of impairment charges down 9bp y/y to 1.1%

- 0.5% for mortgage activities and 3.4% (excl. repo) for banking/leasing.
- Management's estimate of DKK 1,417m, down DKK 152m y/y due to individualization of initial COVID-19 management's estimate.

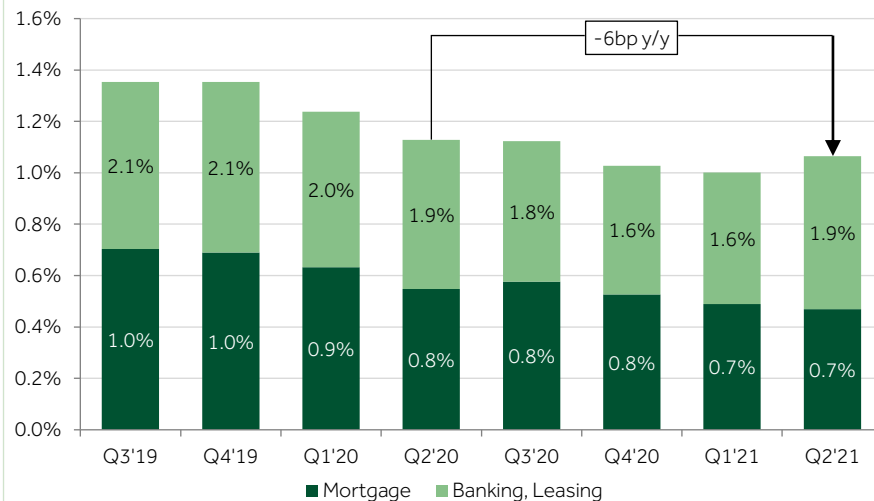
### Non-performing loans declined 6bp y/y to 1.1%

- Share of loans subject to forbearance measures 1.5%. 90-day mortgage arrears for private and corporate clients 13bp and 14bp, respectively.

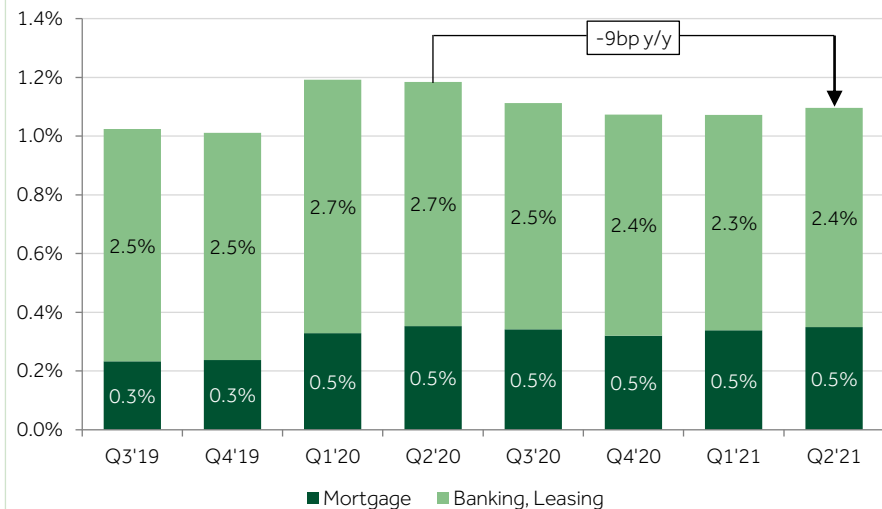
## Cost of risk (bp)



## 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 23.0% and CET1 ratio of 18.3% (-0.2pp and +0.3pp q/q)

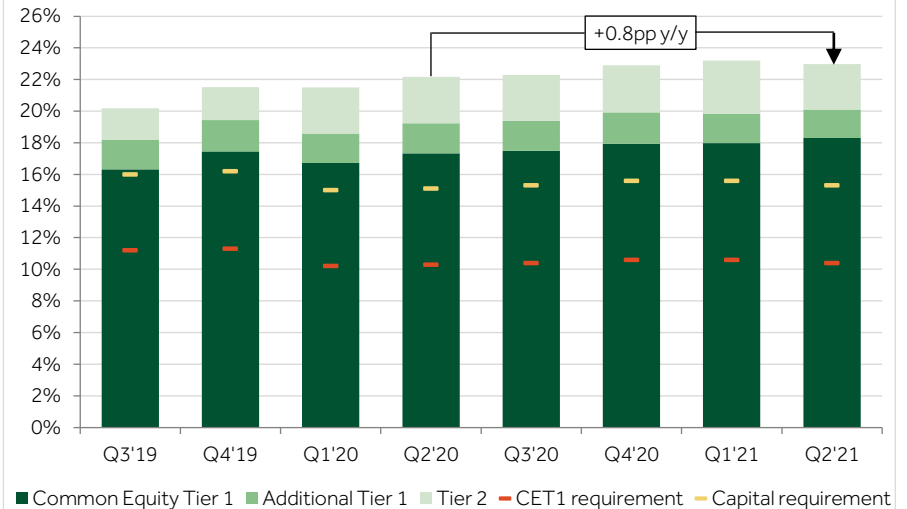
- Capital ratio excl. AT1 capital of SEK 1,250m and DKK 500m, which will be called on 16 September 2021.
- Targeting 20%-22% capital ratio and 15%-17% CET1 ratio for the coming years. Capital requirement 15.3%, CET1 requirement 10.4%.
- Share repurchase programme of DKK 750m running until 30 September. New programme of DKK 1bn to run from 1 October to 31 March 2022.

**Risk exposure amount +1% q/q**, mainly due to implementation of SA-CCR.

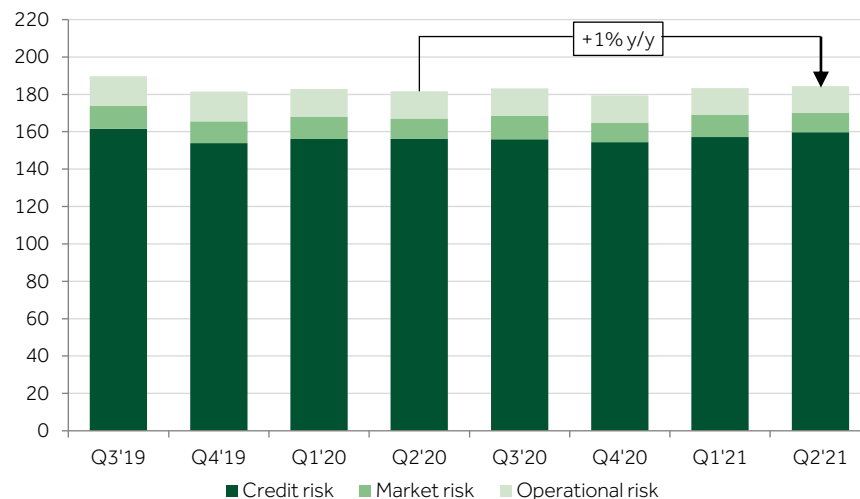
### Issuer activity and funding plans

- NOK 1bn and SEK 1bn tier 2 capital issued at 3M CIBOR + 100bp on 24 March. EUR 200m AT1 issued at 3M CIBOR + 350bp on 4 June.
- Approx. EUR 500m preferred senior and approx. EUR 300m-500m non-preferred senior expected to be issued in 2021.

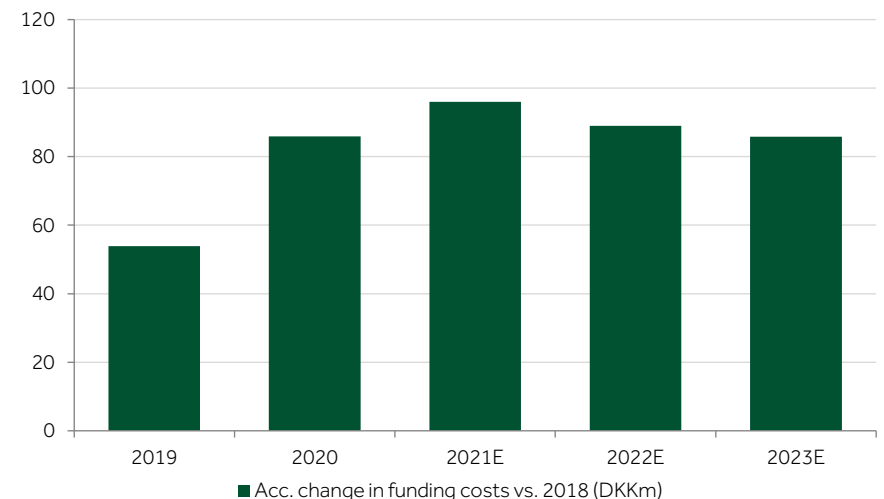
## Capital ratios and capital requirements



## Risk exposure amount (DKKbn)



## Accumulated change in yearly funding costs vs. 2018 (DKKm)



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# Volumes

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## Lending and deposit volumes (excl. repo, triparty)

### Lending 0% y/y as lower bank lending was offset by mortgages and leasing

- Bank loans -6% due to low credit demand amid COVID-19 pandemic, wide-reaching government support and continued credit policy focus.
- Mortgage loans +2% as significantly higher lending to corporate clients more than offset lower mortgage lending to private clients.
- Leasing +11% due to structural growth as well as very high activity levels.

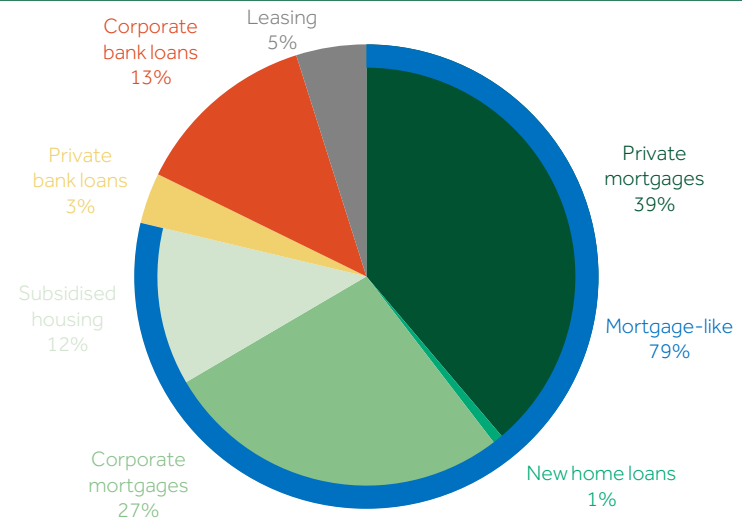
### Lending 0% q/q amid continued strong leasing growth

- Bank loans -2%, mainly due to public authorities and private clients.
- Mortgage loans (nom.) up DKK 1.5bn driven by corporate clients.
- Leasing increased 4% amid very high activity levels.

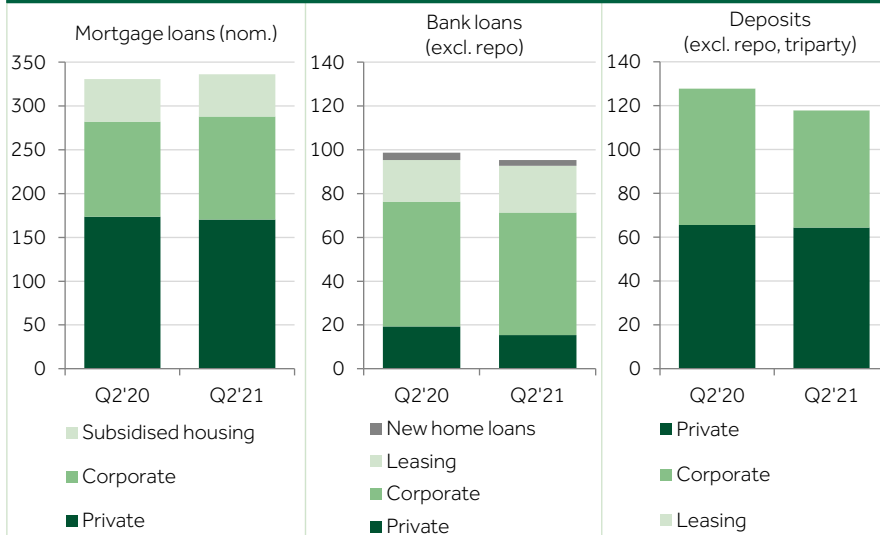
### Deposits -3% q/q, reaching pre COVID-19 levels

- The decline was primarily caused by large corporate clients.

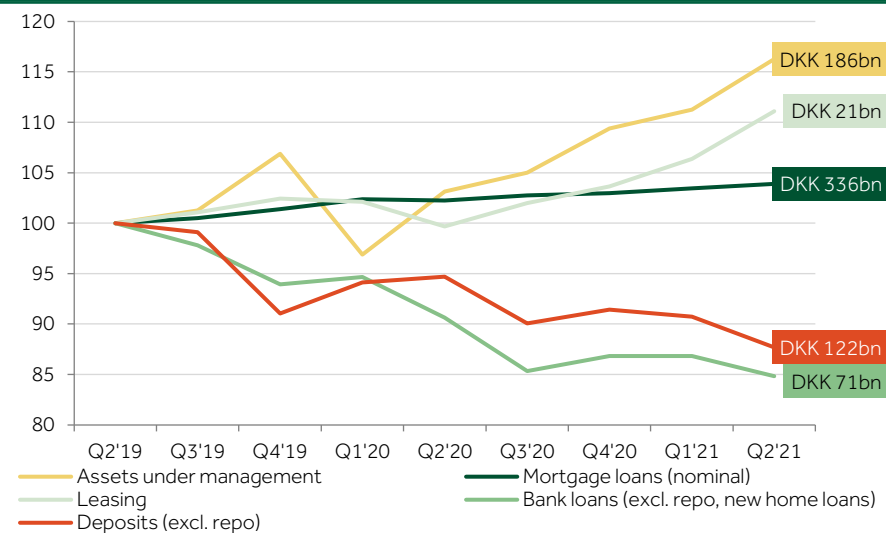
## Lending volumes (excl. repo)



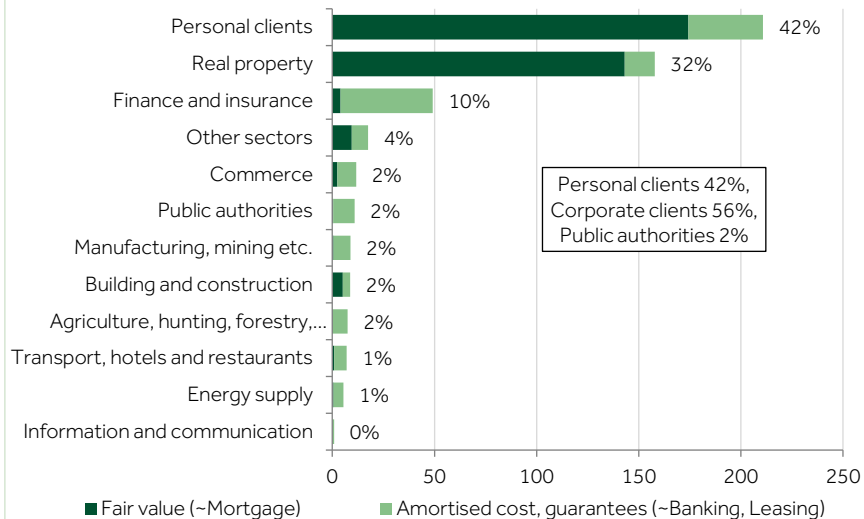
## Lending and deposits by segment (DKKbn)



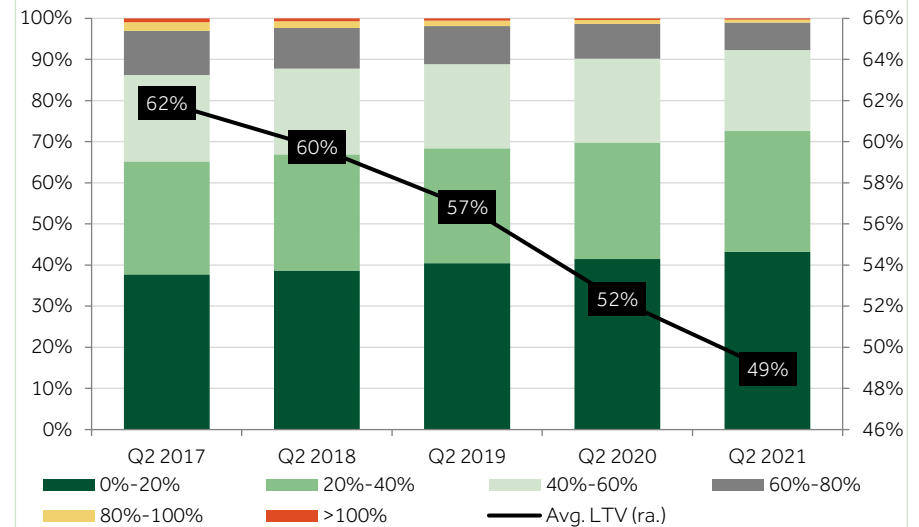
## Business volumes (Q2 2019=100)



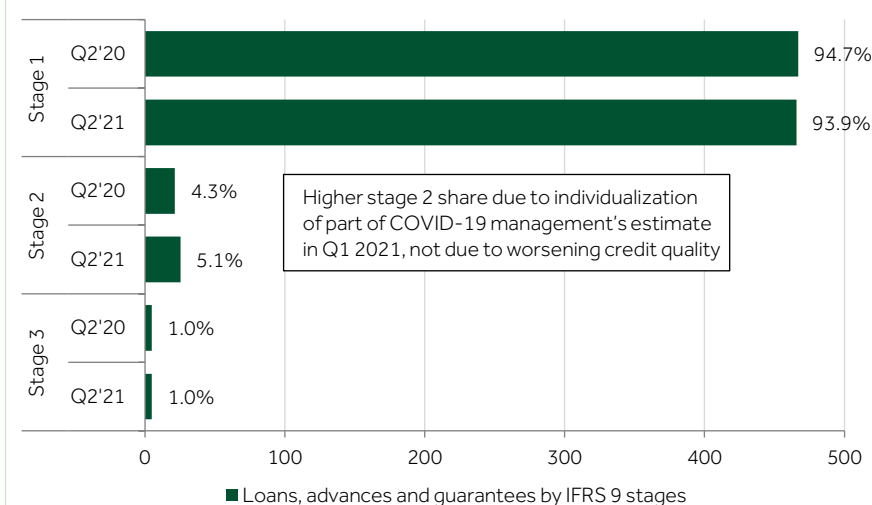
## Loans, advances and guarantees by sector (DKKbn)



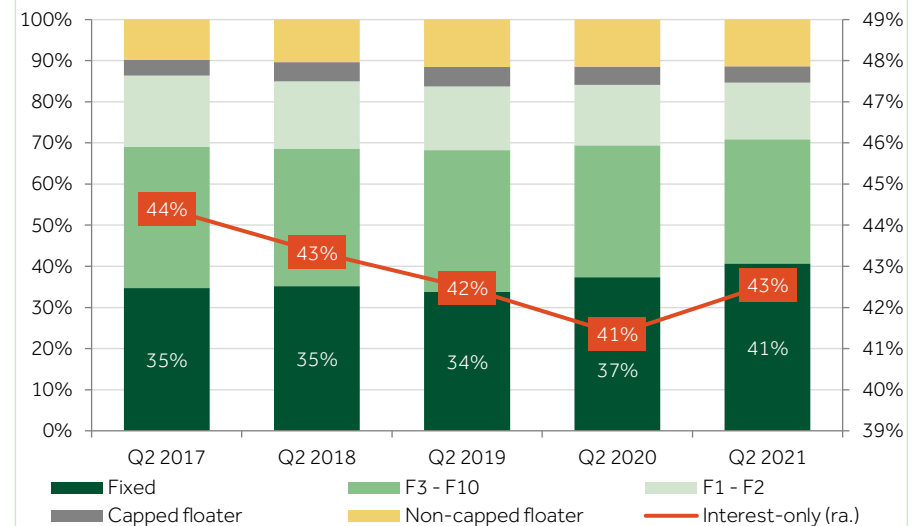
## Significant de-risking of mortgage portfolio LTV in recent years



## 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.

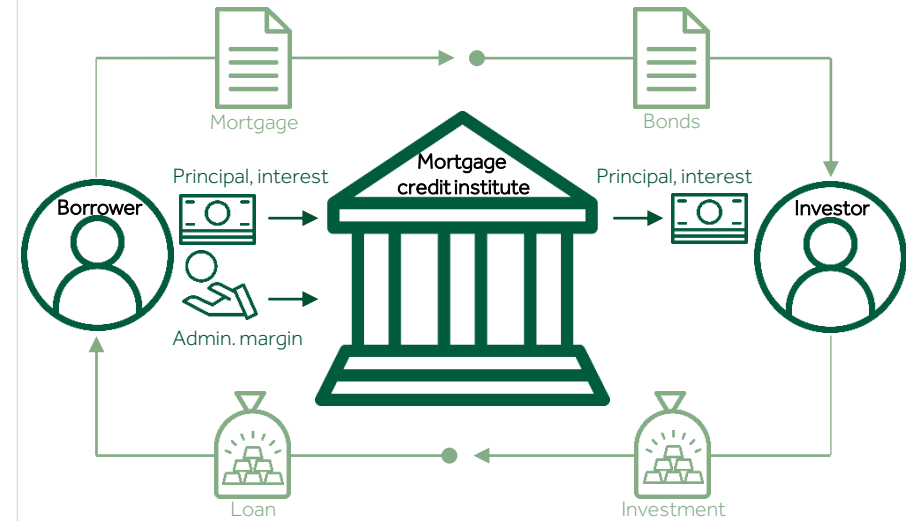
### Growth is resilient during times of crisis and benefits from structural trend

Mortgage lending growth remained positive during the financial crisis and has averaged 4.7% p.a. since 2004 vs. 2.4% p.a. for bank lending.

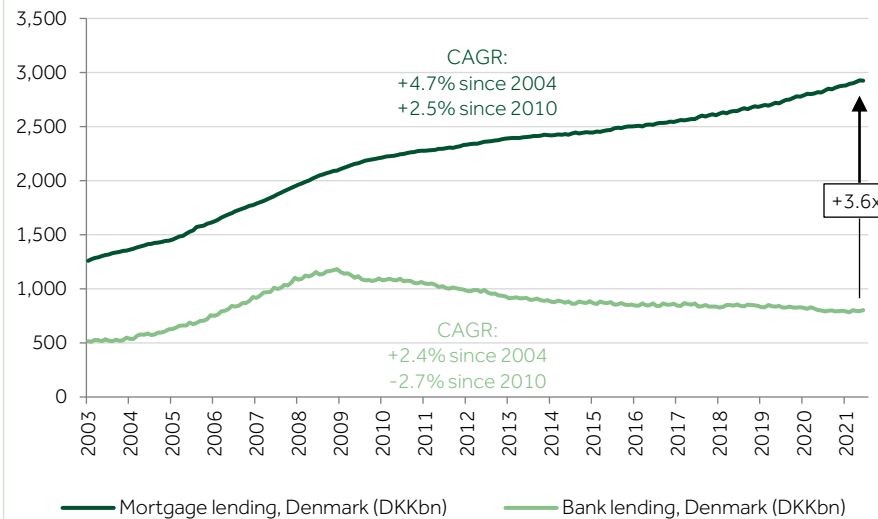
### Mortgage lending supports a more stable margin development

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%.

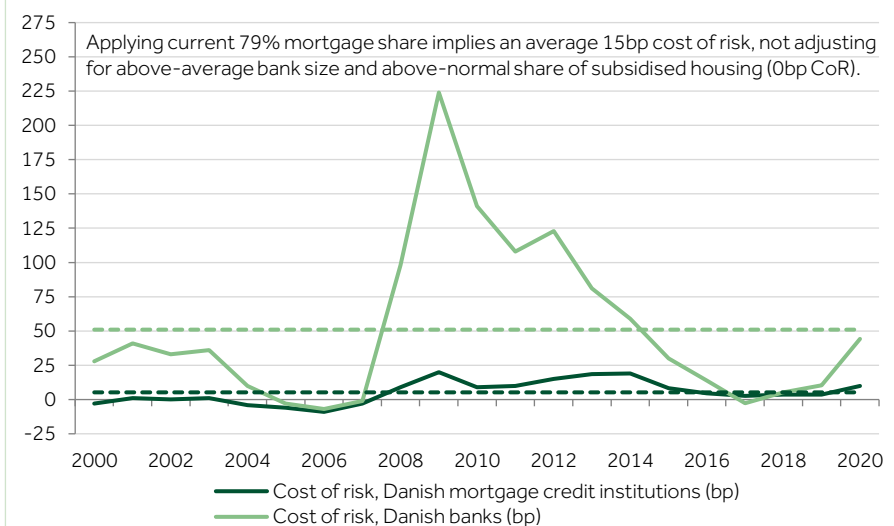
## The Danish mortgage model



## 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

Acquisition of leasing activities from Spar Nord.

Acquired 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.

# Sustainability ingrained in vision



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

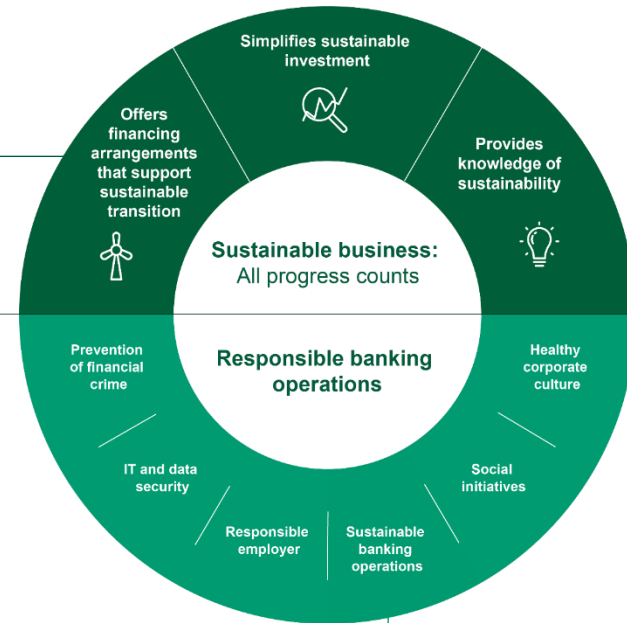


## Financing a sustainable transition

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.

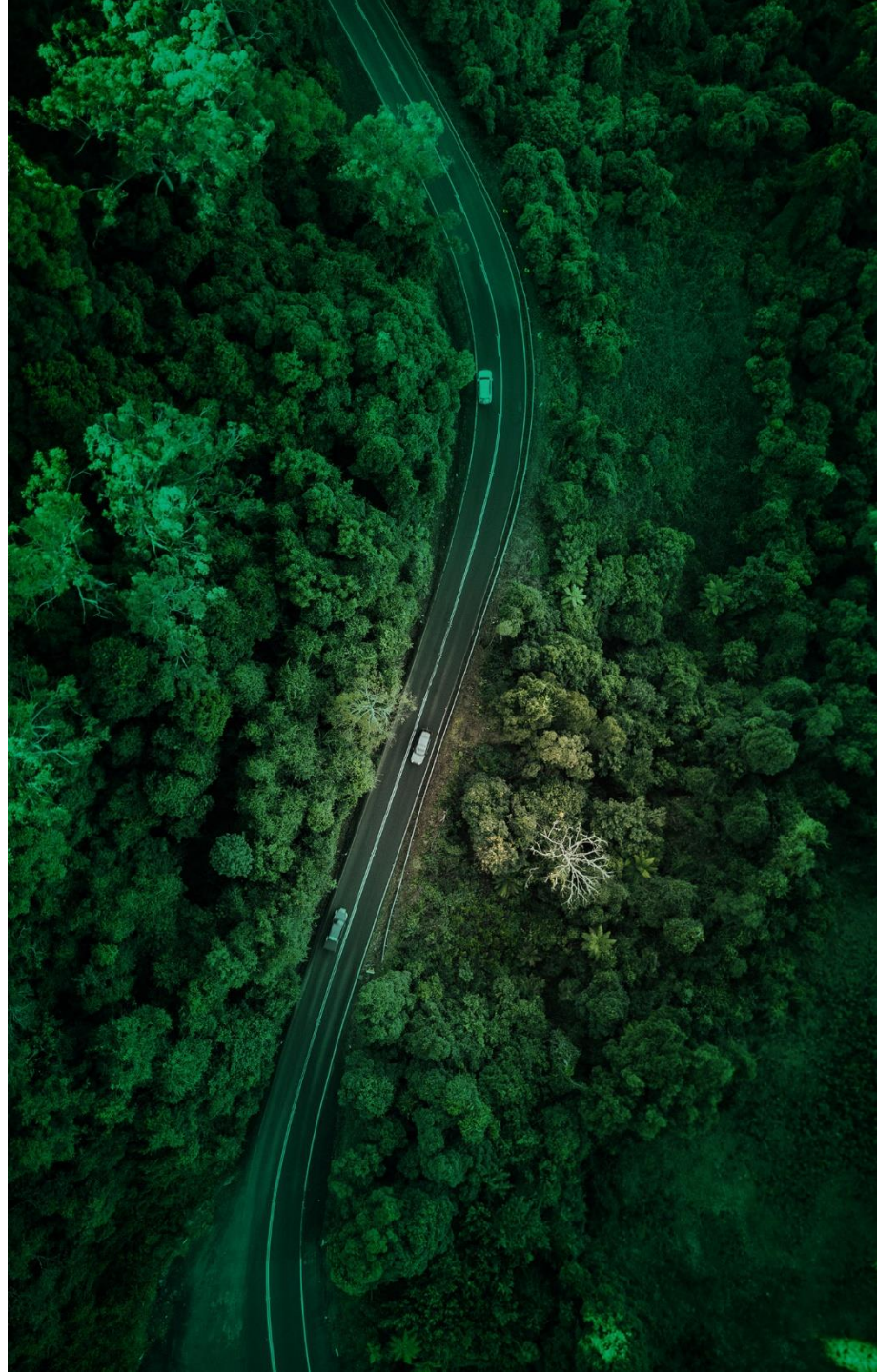


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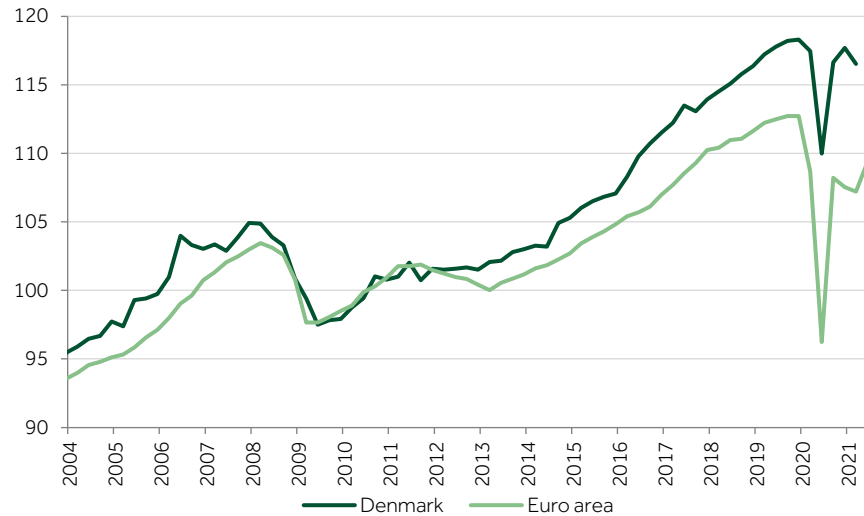
# Macroeconomics

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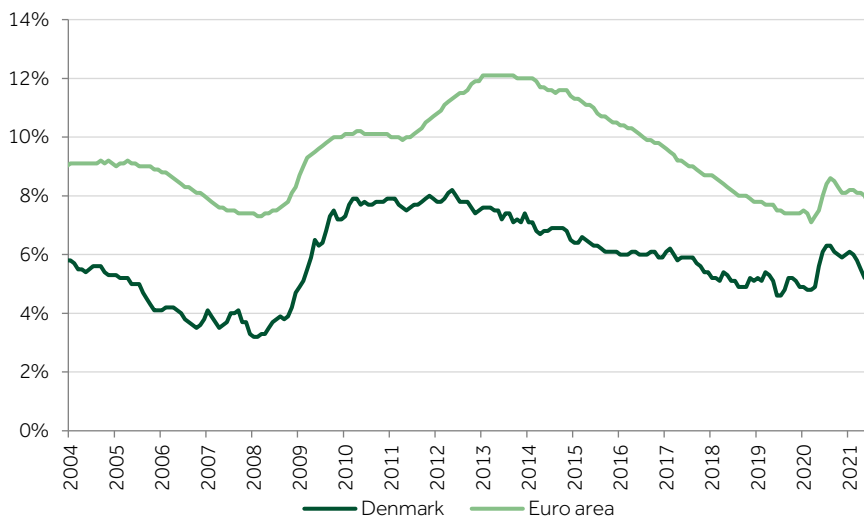
## Real gross domestic product (2010=100)



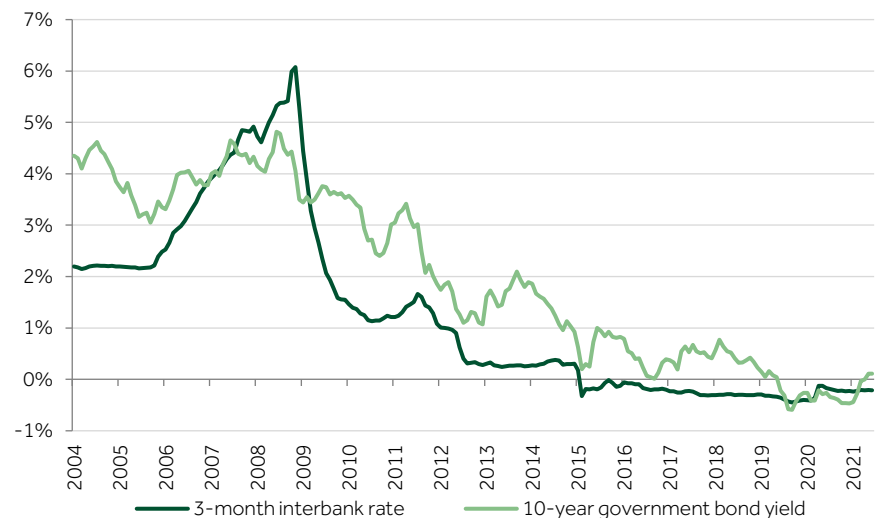
## Inflation rate (HICP, y/y)



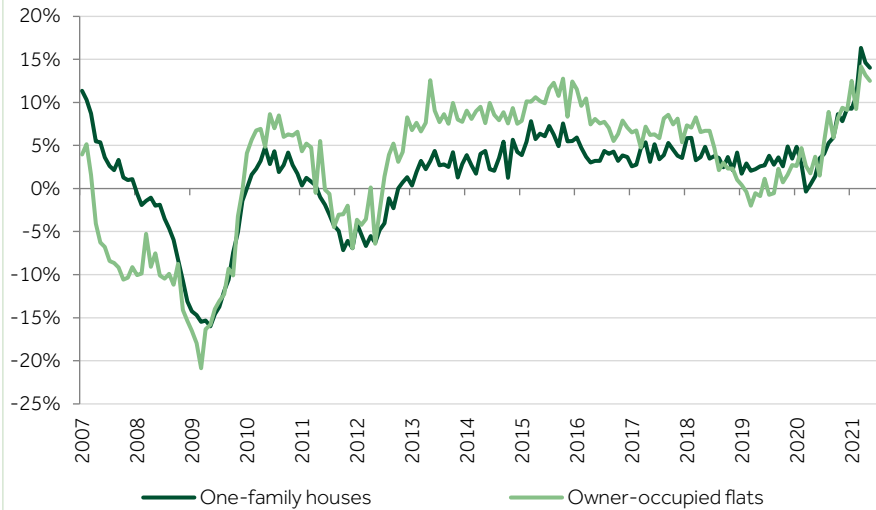
## Unemployment rate



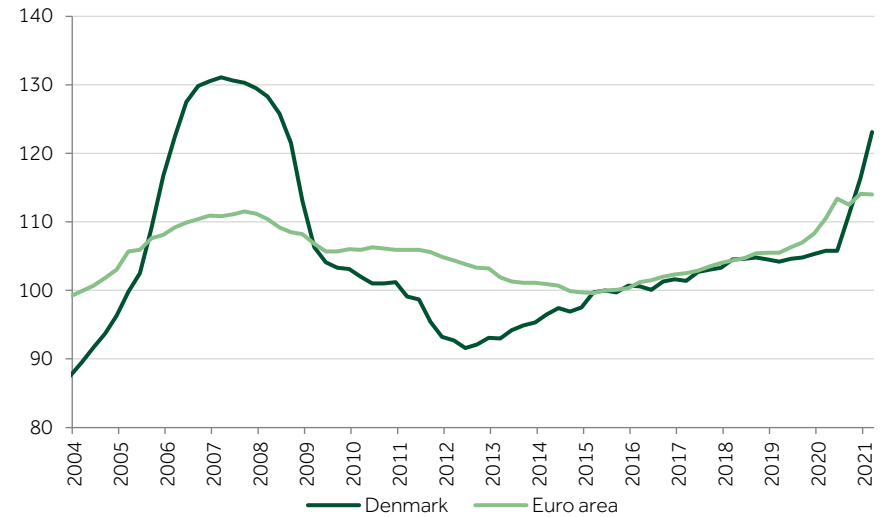
## Interest rates, Denmark (monthly averages)



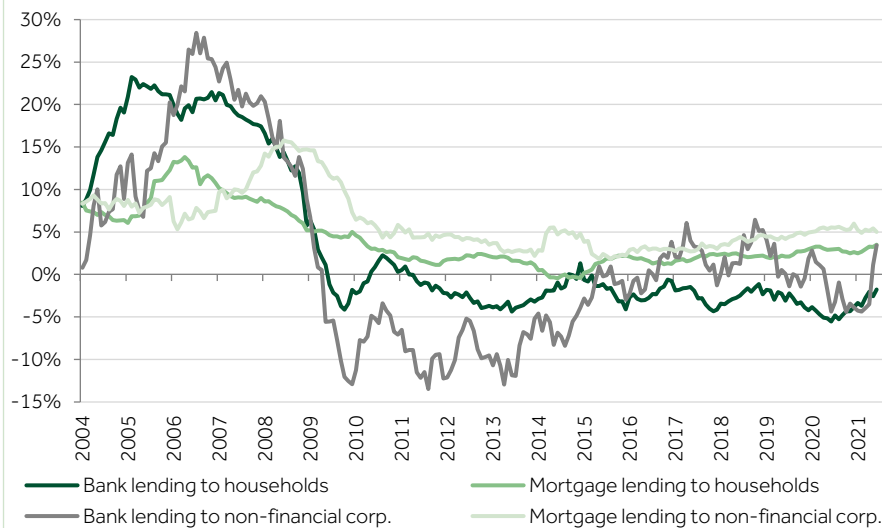
### Real estate prices, Denmark (y/y)



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



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



### Economic Sentiment Indicator



Danish economy	DKKbn 2020	Real growth (%)				
		2018	2019	2020	2021	2022
Consumer spending	1,059	2.7	1.4	-1.9	3.3	4.7
Public spending	576	0.3	1.2	-0.1	2.7	0.0
Fixed gross investment	527	4.8	2.8	2.1	3.9	3.6
Inventory investment*	11	0.3	-0.3	-0.2	0.0	0.0
Exports	1,263	3.2	5.0	-7.7	5.8	6.2
Imports	1,112	4.8	2.4	-4.8	5.5	5.7
<b>Gross domestic product (GDP)</b>	<b>2,324</b>	<b>2.2</b>	<b>2.8</b>	<b>-2.7</b>	<b>3.5</b>	<b>3.6</b>
<b>Balance of payments</b>						
- DKKbn		158	207	181	170	170
- percentage of GDP		7.0	8.9	7.8	7.1	6.7
<b>Public budget balance</b>						
- DKKbn		16	88	-27	-75	-10
- percentage of GDP		0.7	3.8	-1.1	-3.1	-0.4
<b>Unemployment</b>						
- Gross unemployment, average (thousands)		108	104	132	122	105
- Percentage of workforce		3.5	3.4	4.3	3.9	3.3
<b>Employment, avg. (thousands)</b>		<b>2,966</b>	<b>3,003</b>	<b>2,981</b>	<b>3,003</b>	<b>3,047</b>
<b>Inflation (%)</b>		<b>0.8</b>	<b>0.8</b>	<b>0.4</b>	<b>1.4</b>	<b>1.5</b>
<b>Wage index (Private, %)</b>		<b>2.2</b>	<b>2.0</b>	<b>1.9</b>	<b>2.2</b>	<b>2.4</b>
<b>House prices (nominal prices, %)</b>		<b>3.8</b>	<b>3.0</b>	<b>4.5</b>	<b>11.2</b>	<b>3.0</b>
<b>Danmarks Nationalbank's lending rate, year-end (%)</b>		<b>0.05</b>	<b>0.05</b>	<b>0.05</b>	<b>-0.35</b>	<b>-0.35</b>
<b>Danmarks Nationalbank's CD rate, year-end (%)</b>		<b>-0.65</b>	<b>-0.75</b>	<b>-0.60</b>	<b>-0.50</b>	<b>-0.50</b>

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

# Financial calendar and contacts

## Financial calendar 2021

23 Feb. 2021	Announcement of the 2020 results
23 Feb. 2021	Annual report
23 Feb. 2021	Risk Management Report 2020
23 Mar. 2021	Annual General Meeting
4 May 2021	Interim report for the first quarter of 2021
17 Aug. 2021	Interim report for the first half of 2021
2 Nov. 2021	Interim report for the first nine months of 2021

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