

Interim Financial Report H1 2023

- Earnings per share rose 53% to DKK 37.5 (H1 2022: DKK 24.5)
- Net interest income rose 74% to DKK 4,639m (H1 2022: DKK 2,671m)
- Core income increased 57% to DKK 6,573m (H1 2022: DKK 4,197m)
- Core expenses rose 27% to DKK 2,974m (H1 2022: DKK 2,344m)
- Core profit before loan impairment charges increased 94% to DKK 3,599m (H1 2022: DKK 1,853m)
- Loan impairment charges amounted to an expense of DKK 109m (H1 2022: an income of DKK 247m)
- The net profit was up 47% to DKK 2,488m (H1 2022: DKK 1,691m)
- Capital ratio at 20.3%, of this common equity tier 1 capital ratio at 16.1% (H1 2022: 22.2% and 17.9%, respectively)
- For 2023, earnings per share is expected at DKK 70-80
- The integration of Handelsbanken Denmark is proceeding according to plan
- The acquisition of PFA Bank A/S is expected to close during the coming months.

Summary

"Jyske Bank continued its positive trend in the first half of 2023. Earnings per share reached a historically high level of DKK 37.5 and the core profit before loan impairment charges was up by 94% boosted by the acquisition of Handelsbanken Denmark and a higher interest-rate level. The trend resulted in the third upgrade of the year in July, and the results are in 2023 expected to exceed earnings per share in the record-setting year 2022 by 26%-44%. In addition, the development contributed to an upgrade of our S&P credit rating, recognising the Group's funding, improved profitability, and solid capital position. In addition, the integration of the former Handelsbanken Denmark is proceeding according to plan. During the period we also reached a new milestone in the form of the acquisition of PFA Bank which will additionally strengthen the business volume within asset management and wealth management advice. Both acquisitions support Jyske Bank's ambition of being among the most-preferred banks for Private Banking clients in Denmark. Voxmeter's election of Jyske Bank as the bank with the most satisfied private banking clients for the eighth year running confirms that we are on the right track," says Anders Dam, Managing Director and CEO.

In the first half of 2023, earnings per share amounted to DKK 37.5, up by 53%. The improved performance was in particular driven by growth in net interest income attributed to the acquisition of Handelsbanken Denmark and the generally higher level of interest rates. These factors supported especially net interest income from banking activities. Net fee and commission income remained rather stable despite declining activity in the housing market and lower lending activity. The lower activity level mirrors, among other things, that the Danish economy was, despite a continued resilient labour market, dominated by a mild economic slowdown in the first half of 2023. As expected, core expenses rose due to the acquisition of Handelsbanken Denmark. Credit quality remained solid and offers a good basis for countering macro-economic uncertainty and moderate growth prospects for the Danish economy with an unchanged management's estimate at DKK 1,425m. Based on the development in the first half of 2023, earnings expectations for 2023 were raised three times from originally DKK 55-65 per share to DKK 70-80 per share.

On 21 July 2023, Standard & Poor's upgraded Jyske Bank's issuer rating to 'A+' from 'A'. The higher rating is due to a higher level of eligible liabilities, improved profitability and a solid capital position. Outlook is considered stable. No Danish financial institutions have a higher issuer rating at Standard & Poor's.

On 13 June 2023, Jyske Bank announced the acquisition of PFA Bank and an agreement with Investeringsforeningen PFA Invest on administration and portfolio management of the clients' funds. The total price is DKK 245m inclusive of equity of approx. DKK 120m. Jyske Bank will take over approx. 10,000 private clients and private banking clients, deposits of approx.

1bn, assets under management of DKK 15.5bn and 43 employees. The deal is conditional on approvals by the authorities and is expected to close in the third quarter of 2023. Non-recurring costs are expected to amount to approx. DKK 50m in 2024, inclusive of IT integration in the first half of 2024. The deal is expected to give a positive contribution to the net profit before non-recurring costs in 2024 and to have its full financial impact as from 2025. Jyske Bank has a good value proposition within asset management and wealth management advice, and the Bank's private banking clients have as mentioned above according to the research company Voxmeter been Denmark's most satisfied clients for the past eight years running which could benefit PFA Bank's clients.

The acquisition of Handelsbanken Denmark in 2022 and the acquisition of PFA Bank in 2023 mirror Jyske Bank's ambitions of high-quality growth and underline the Group's desired role in market consolidation. The acquisition of Handelsbanken Denmark was implemented on 1 December 2022 when Jyske Bank took over approx. 600 employees and 42 branches headquartered in Copenhagen. As a result, Jyske Bank is the bank in Denmark with most client-oriented branches. The greater scale will also support the possibilities of developing and offering attractive products and services to Jyske Bank's current and future clients. The acquisition also offers the possibility of realising economies of scale based on a common IT platform as of November 2023.

The integration of Handelsbanken Denmark is proceeding according to plan as regards financial, business, and organisational issues. The future tasks of all employees were clarified in the first quarter of 2023, when also business analyses, forming the basis of the conversion of data processing centre, were finalised. Branch mergers in cities where both Handelsbanken and Jyske Bank are present are expected to reduce the total number of branches by approx. 1/4 before November 2023 and 22 of 30 planned mergers had been implemented at the end of July 2023.

In the first half of 2023, the corporate client area realised a continued advance in business volume. In July 2023, The European Investment Bank (EIB) and Jyske Bank signed a loan agreement of DKK 1.5bn to support small and medium-sized enterprises in Denmark with particular focus on climate-relevant business models or investment plans. The private client area has in recent years for instance implemented branch mergers, adjusted the organisation, revised the fee structure, and introduced a new mobile bank. The purpose of these initiatives is to ensure that, in a profitable manner, Jyske Bank offers its private clients accessible, private, and competent advisory services as well as good and fast services. In order to continue the development in the private client area we will in the coming period particularly focus on an implementation of best practice in connection with the acquisition of Handelsbanken Denmark and on a further local empowerment as well as initiatives to obtain even better client experiences.

Running a sustainable and responsible business is one of Jyske Bank's targets, and climate is the most important impact area for the Group. Jyske Bank's target is net zero CO₂ emission across business-oriented activities in the form of loans and investments not later than in 2045 and 2050, respectively. In addition, Jyske Bank aims at lending growth contributing to offset climate changes, and for the CO₂ emission from Jyske Bank's own activities the target is a reduction of 65% from 2020 to 2030.

In the first half of 2023, Jyske Bank established two additional solar cell systems with respect to meeting the intermediate target for 2030. Sustainability was promoted through webinars about energy renovation of properties, climate project days for agricultural clients and the possibility of sustainability-linked financing. The resources of the special branch, Green Energy, was upgraded considerably, supporting the ambition to increase the financing of renewable energy production. Jyske Bank also introduced Jyske Billån offering favourable loan rates relating to cars with low emission intensity and a "Fyr dit fyr" loan targeting the change of sources of heating. The latter supports the sustainable value proposition to homeowners including energy loans and partnerships targeted at the change of sources of heating.

Earnings per share DKK 37.5 in H1 2023

Earnings per share rose to DKK 37.5 from DKK 24.5, corresponding to a net profit of DKK 2,488m corresponding to a return of 12.5% p.a. on equity against DKK 1,691m and 9.2% p.a., respectively in the first half of 2022.

In general, Jyske Bank's business volumes increased in the first half of 2023 relative to the end of 2022. Loans and advances under banking activities declined as a result of lower lending to private clients which more than offset the effect

from higher lending to corporate clients. Bank deposits were up by 3% due to a higher amount of time deposits from corporate clients whereas private clients to a moderate extent selected savings products with higher interest rates. Leasing and car financing realised an increase of 2%. Nominal mortgage loans rose by 1% since higher loans and advances to corporate clients more than offset a lower amount of loans private clients.

Core income rose by 57% relative to the first half of 2022 due to markedly higher net interest income and value adjustments. Net interest income was up by 74% and was supported by a higher interest-rate level as well as higher lending to corporate clients and the acquisition of Handelsbanken Denmark. This supported in particular net interest income from banking activities which showed a steeper increase in the first half of 2023. Net fee and commission income declined from a record-high level due to slower loan and refinancing activity compared with the first half of 2022. Value adjustments increased from a low level due to more favourable financial markets. Other income declined from an exceptionally high level whereas favourable sales conditions in the used-car market contributed to continued high income from operating lease (net).

Core expenses rose by 27% compared to the first half of 2022. The increase can primarily be attributed to the acquisition of Handelsbanken Denmark which contributed, among other things, to an increase in the number of full-time employees as well as higher expenses for data processing centres and write-offs on acquired client relations. Underlying core expenses rose, among other things, as a result of a higher number of full-time employees relating to anti-money laundering efforts and salary adjustments relating to the collective agreement. In addition, non-recurring expenses of DKK 97m relating to the acquisition of Handelsbanken Denmark increased from DKK 11m the year before.

Loan impairment charges amounted to an expense of DKK 109m against an income of DKK 247m in the first half of 2022. The credit quality is still solid with a low level of credit-impaired loans and advances as well as a low level of recognised losses.

At the end of the first half of 2023, Jyske Bank's common equity tier 1 capital ratio was determined at 16.1%, which is within the targeted range of 15%-17%.

2023 outlook

Jyske Bank anticipates earnings per share in the range of DKK 70-80 for 2023. This corresponds to a net profit in the range of DKK 4.7bn-5.3bn. Jyske Bank upgraded its earnings expectations on 8 February, 18 April and 11 July. Originally announced expectations pointed to earnings per share of DKK 55-65, corresponding to a net profit of DKK 3.7bn-4.3bn.

Core income is expected to surge in 2023, especially due to the acquisition of Handelsbanken Denmark and the effect from a higher level of interest rates.

Likewise, core expenses are expected to rise significantly in 2023. The increase can primarily be attributed to the acquisition of Handelsbanken Denmark. To this must be added derived integration and restructuring costs of about DKK 0.3bn.

Loan impairment charges are expected to amount to an expense in 2023.

Webcast and conference call

Jyske Bank will host a conference call in English targeting investors and analysts today at 1.30 p.m. CET ([link](#)). Conference call and presentation will be available via [jyskebank.com/investorrelations](https://www.jyskebank.com/investorrelations).

Yours faithfully,
Jyske Bank

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