

Interim Financial Report, Q1 2023

- Earnings per share rose by 61% to DKK 19.5
- Net interest income rose by 70% to DKK 2,224m
- Core income increased by 51% to DKK 3,310m
- Core expenses rose by 28% to DKK 1,480m
- Core profit before loan impairment charges increased by 78% to DKK 1,830m
- Loan impairment charges and provisions for guarantees amounted to an expense of DKK 96m
- Capital ratio at 19.6%, of which common equity tier 1 capital ratio of 15.4%
- The integration of Handelsbanken Denmark is proceeding according to plan.

Summary

"Jyske Bank's earnings per share were up by 61% relative to Q1 2022. The advance was fuelled in particular by the acquisition of Handelsbanken Denmark and a broadly based earnings increase. The integration of Handelsbanken Denmark is proceeding according to plan, and the first branch mergers have been implemented. On the basis of the development in Q1 2023, we have upgraded our expectations to record-high level of earnings per share of DKK 65-75 in 2023," says Anders Dam, CEO and Managing Director.

On 1 December 2022, Jyske Bank took over Svenska Handelsbanken's activities in Denmark, with about 600 employees and 42 branches, headquartered in Copenhagen. The larger scale supports the possibilities of developing and offering attractive products and services to Jyske Bank's present 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 Q1 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 approx. half of the planned mergers had been implemented before the end of April.

In Q1 2023, the corporate client area realised continued advance in business volumes. The personal client area has in recent years implemented branch mergers, adjusted the organisation, revised the fee structure and introduced a new mobile banking platform. The purpose of the initiatives is to ensure that, in a profitable manner, Jyske Bank will still be able to offer its personal clients accessible, personal, and competent advisory services as well as good and fast services. In order to continue the development in the personal client area we will in the coming period of time focus on an implementation of best practice in connection with the acquisition of Handelsbanken Denmark and on a further strengthening of the local leadership.

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 2045 and 2050, respectively. In addition, Jyske Bank aims at lending growth contributing to offset climate changes, and the CO₂ emission from Jyske Bank's own activities must be reduced by 65% from 2022 to 2030. In Q1 2023, Jyske Realkredit was nominated for FINANS IMPACT Climate Award for being frontrunner relating to transparency in mortgage portfolios. Jyske Bank continued offering knowledge to clients via webinars about the exchange of sources of heating and project days concerning climate for agricultural clients. Finally, Jyske Bank entered into a cooperation agreement with Bodil Energi which offers a sustainable value proposition for homeowners seeking a calculation of the energy potential of their property.

Earnings per share at DKK 19.5 in Q1 2023

Earnings per share rose to DKK 19.5 from DKK 12.1, corresponding to a net profit of DKK 1,289m corresponding to a return on equity of 13.2% p.a. against DKK 851m and 9.3% p.a., respectively in Q1 2022.

In general, Jyske Bank's business volumes showed a minor advance in Q1 2023 relative to the end of 2022. Loans under banking activities were roughly unchanged since higher loans to corporate clients were offset by a lower amount of mortgage-like bank loans. Bank deposits rose by 7% due to higher time deposits from corporate clients. Leasing and car financing realised an increase of 1% despite continued challenged supply chains in the auto industry. Nominal mortgage loans were roughly unchanged since higher lending to corporate clients were offset by lower lending to private clients.

Core income rose by 51% relative to Q1 2022 due to markedly higher net interest income and value adjustments. Net interest income was supported by a higher interest-rate level as well as higher lending to corporate clients and the acquisition of Handelsbanken Denmark. Net fee and commission income declined from a record-high level due to lower lending and refinancing activity compared with Q1 2022, which was also impacted by a positive one-off effect. Value adjustments increased from a low level due to more favourable financial markets. Other income remained at a high level and was supported by higher dividends from shares, whereas favourable sales conditions in the used-car market contributed to continued high income from operating lease (net).

Core expenses rose by 28% compared to Q1 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 amortisation of acquired customer relations. Underlying core expenses rose, among other things, as a result of a higher number of full-time employees and wage adjustments relating to the sector-wide collective agreement on salary increases. To this must be added one-offs of DKK 38m relating to the acquisition of Handelsbanken Denmark.

Loan impairment charges amounted to an expense of DKK 96m against an income of DKK 55m in Q1 2022. The credit quality is still solid with a low level of non-performing loans and advances as well as a low level of write-offs.

At the end of Q1 2023, Jyske Bank's common equity tier 1 capital ratio was 15.4%, which is within the targeted range of 15%-17%.

2023 outlook

Following the recent growth, the Danish economy is showing signs of an incipient slowdown in economic growth. The highest inflation in 40 years has triggered steep interest-rate increases which have reduced the purchasing power of the households as well as personal consumption and resulted in declining housing prices. The slowdown in the Danish economy has so far primarily been visible in the housing market and in personal consumption whereas the labour market is still dominated by capacity pressure. The interest-rate hikes must gradually be expected also to put a damper on production and employment.

Jyske Bank anticipates earnings per share in the range of DKK 65-75 for 2023. This corresponds to a net profit in the range of DKK 4.3bn - DKK 4.9bn.

Core income is expected to increase significantly 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 considerably 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.

Yours faithfully,
Jyske Bank

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