

Annual Report 2023

- Core income increased by 66% to DKK 9,722m
- Core expenses rose by 25% to DKK 6,103m
- Loan impairment charges amounted to an expense of DKK 127m against an income of DKK 605m the year before
- Net profit was up by 57% to DKK 5,904m
- Earnings per share rose to DKK 89.3 from DKK 55.4
- Capital ratio at 20.1%, of which common equity tier 1 capital ratio amounted to 16.9pp
- The acquisition of PFA Bank A/S was implemented on 1 October 2023. PFA Bank will be merged into Jyske Bank on 8 June 2024 conditioned upon approval from the authorities
- Lars Mørch took over as CEO and Managing Director from Anders Dam on 1 November 2023
- Handelsbanken Denmark's migration of data vendor to Bankdata from BEC was carried out on 11 November 2023
- Extraordinary dividend at DKK 500m, or DKK 7.78 per share distributed in December 2023
- For adoption at the annual general meeting, the Supervisory Board proposes distribution of a dividend of DKK 500m, or DKK 7.78 per share
- The Supervisory Board endeavours to distribute an annual dividend in the region of 30% of the shareholders' result from fiscal year 2024. The annual dividend is to be supplemented by share repurchases contingent on Jyske Bank's capital position
- Net profit is expected to be in the range of DKK 4.3bn-5.1bn in 2024, corresponding to earnings per share in the range of DKK 64-76.

Summary

"2023 was an eventful year at Jyske Bank; a historic net profit of DKK 5.9bn, a successful integration of the former Handelsbanken Denmark, acquisition of PFA Bank, goodbye to Anders Dam after 26 years as CEO and resumption of capital distribution to the shareholders. The profit in 2023 exceeded that of the record-setting year 2022 and was supported by both the integration of Handelsbanken Denmark, a higher interest-rate level and a favourable development in the financial markets. The coming year will be characterised by prospects of lower interest rates and the work with an update of the Group's business strategy which will ensure that Jyske Bank will continue to make a difference for both clients, employees and shareholders," says Lars Mørch, CEO and Managing Director.

Jyske Bank's earnings per share rose by 61% to DKK 89 in 2023 and thus exceeded the record-setting year 2022. The increase was particularly due to the acquisition of Handelsbanken Denmark, a higher interest-rate level and a favourable development in the financial markets. Moreover, the very solid credit quality was maintained. In addition, the distribution of a DKK 500m dividend marked a resumption of capital distribution to shareholders. Going forward, we endeavour to distribute a dividend in the region of 30% of the shareholders' results. The annual dividend may be supplemented by share repurchases contingent on Jyske Bank's capital position.

The integration of the former Handelsbanken Denmark was successful. We estimate that the acquisition of Handelsbanken Denmark has already attained the 2025 target of a contribution to the Group's pre-tax profit at DKK 1.0bn p.a., and the potential for the pre-tax profit is, at the present interest-rate level, estimated to be approx. DKK 0.3bn above the original expectations. The acquisitions of Handelsbanken Denmark in 2022 and the PFA Bank in 2023 mirror Jyske Bank's ambitions of high-quality growth and profitability.

The organisation has in an exemplary manner lifted the many tasks in connection with the integration. This took place in a

constructive cooperation with Handelsbanken and the data vendors BEC and Bankdata. All planned organisational mergers have been implemented, and the integration and costs involved proceeded according to expectations.

Many colleagues have made targeted efforts for clients to experience the best possible transition to Jyske Bank's systems in connection with the IT migration at mid-November. In addition, we ascertain an increase in job satisfaction among the Group's employees in the annual employee survey.

In Voxmeter's image survey, Jyske Bank reported the largest advance among Danish banks, and we still focus on ensuring good client experience. Over the year, the value proposition to the clients was improved even further particularly with respect to investment and housing to personal clients and insurance solutions to corporate clients.

Several of the initiatives go hand in hand with the stronger business volume within asset management and wealth management advice which was a result of the acquisition of PFA Bank as we welcomed new colleagues and clients on 1 October.

All in all, we have got off to a good start forming Jyske Bank of the future. Jyske Bank has good opportunities of becoming an even stronger business. Jyske Bank should not be changed fundamentally from one year to the other. But with due respect to our business, we will based on Jyske Bank's strengths work on an update of the Group's business strategy towards the end of 2024.

Jyske Bank's target is to be an active and constructive part of the green transition and 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 the CO₂ emission from Jyske Bank's own activities must be reduced by 65% from 2020 to 2030.

Stronger earnings and continued solid credit quality

Jyske Bank's performance in 2023 was highly satisfactory. With net profit of DKK 5.9bn, corresponding to DKK 89.3 per share, 2023 was a historically good year for Jyske Bank with a return on equity of 14.4%.

Earnings per share rose by 61% compared with the record-breaking year in 2022. The increase was boosted by 58% higher core income due to considerable growth in net interest income.

Net interest income was affected by the higher interest-rate level as well as the acquisition of Handelsbanken Denmark. In addition, developments in the financial markets and Jyske Bank's positioning made highly positive contributions to value adjustments.

Net fee and commission income showed a minor advance compared with the previous year which was characterised by high loan and refinancing activity. Consequently, the acquisition of Handelsbanken Denmark offset a lower level of activity in 2023 as a result of the higher level of interest rates.

Core expenses rose by 25% compared to 2022. A steep increase had to be expected due to the acquisition of Handelsbanken Denmark which resulted in a rise in the number of employees and higher IT expenses. The increase was also supported by a higher number of employees relating to financial crime prevention as well as the acquisition of PFA Bank and sector-wide prescribed salary increases. In addition to core expenses, non-recurring costs of DKK 235m were paid relating to the integration of Handelsbanken Denmark and PFA Bank.

Loan impairment charges amounted to an expense of DKK 127m, corresponding to 0.02% of gross loans and guarantees. The credit quality remains solid with a low level of non-performing loans and the lowest level of actual write-offs for more than a decade. Moreover, post-model adjustments of DKK 1.9bn offers a good basis for countering the macroeconomic uncertainty in 2024.

After the acquisition of Handelsbanken Denmark, Jyske Bank has built up a stronger capital base and with a common equity tier 1 capital ratio at 16.9, Jyske Bank has a solid capital base. This paved the way for a resumption of distribution to

shareholders with an extraordinary dividend of DKK 500m in December 2023 combined with the proposal by the Supervisory Board for an additional dividend at DKK 500m in connection with the coming annual general meeting.

2024 outlook

For 2024, Jyske Bank estimates a net profit in the range of DKK 4.3bn-5.1bn, corresponding to earnings per share in the range of DKK 64-76.

Core income is expected to decline in 2024, in particular as a result of lower value adjustments which were at a historically high level in 2023. Expectations mirror slow growth in the Danish economy and a reduction of Nationalbanken's certificate of deposit rate of 0.75 percentage point in 2024.

Core expenses exclusive of non-recurring costs are expected to be roughly unchanged in 2024. Non-recurring costs for the integration of Handelsbanken Denmark and PFA Bank are expected to be nearly DKK 0.2bn. Expenses relating to the collective agreement and PFA Bank are also expected to be practically offset by a higher level of synergies involved in the acquisition of Handelsbanken Denmark as well as lower integration and restructuring costs.

It is presumed that loan impairment charges will be at a higher level in 2024 than in 2023. In 2023, the level of actual write-offs was at the lowest level for more than a decade, the proportion of non-performing loans is at a low level, and post-model adjustments, mirroring, among other things, risks involved in the expected economic development, amounted to DKK 1.9bn at the end of 2023. This will provide us with a solid basis of addressing macroeconomic risks.

The expectations involve uncertainty and depend, for instance, on macroeconomic circumstances and the development in the financial markets.

Webcast and conference call

Jyske Bank will host a conference call in English targeting investors and analysts today at 11.10 a.m. CET ([link](#)). Conference call and presentation will be available via jyskebank.com/investorrelations.

Yours faithfully,
Jyske Bank

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