

Jyske Realkredit A/S

Interim report H1 2022

Published 16 August 2022

Result H1 2022

Result in H1 2022

- Pre-tax profit was DKK 742m
- Return on equity was 5.5 % p.a.
- No deterioration of credit quality from Covid-19 outbreak or war in Ukraine

H1 2022 (compared to H1 2021)

- Administration margin at stable level
- Pre-tax profit increased with 29%
- Core expenses increased with 6%
- Impairment charges from management estimates increased with DKK 65m leading to a total of DKK 745m

Expectations for 2022

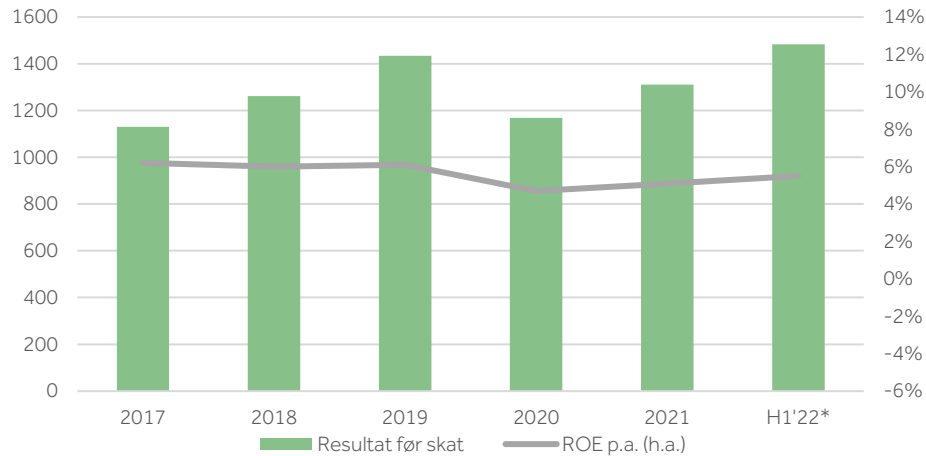
- Expect a full year result for 2022 of DKK 0.9bn – 1.1bn

Core income statement (DKKm)

Core profit and net profit for the period	H1'22	H1'21	Index 22/21	Q2'22	Q1'22	Index q/q
Core operations						
Administration margin, etc.	1.175	1.168	101	587	588	1.175
Other net interest income 1)	27	9	300	21	-2	27
Net fees, charges and commission income etc.	-269	-353	76	-148	-121	-269
Value adjustments	-84	66	-127	-67	-9	-84
Other income	0	-	-	0	0	0
Core earnings	849	890	95	393	456	849
Core expenses	200	189	106	100	100	200
Core earnings before loan impairment charges etc.	649	701	93	293	356	649
Loan impairment charges etc.	-93	102	-	-56	-37	-93
Pre-tax profit	742	599	124	349	393	742
Tax	163	126	129	76	86	163
Net profit or loss for the period	580	473	123	273	307	580

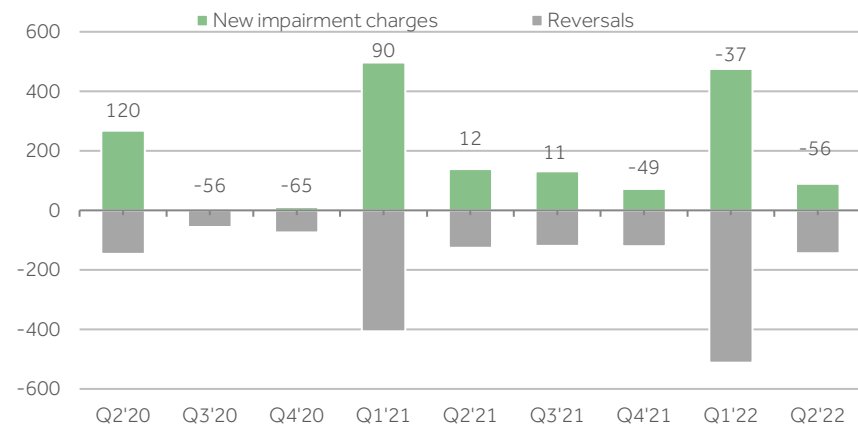
Financials - selected graphs

Result and return on equity

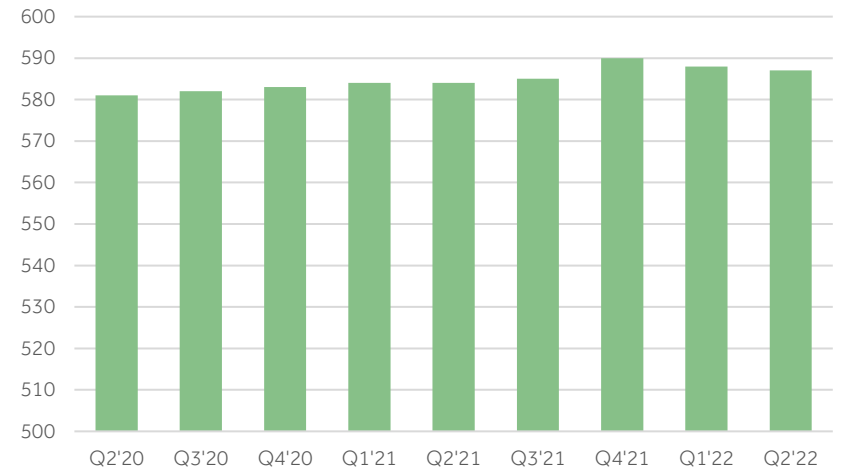


*Annualised

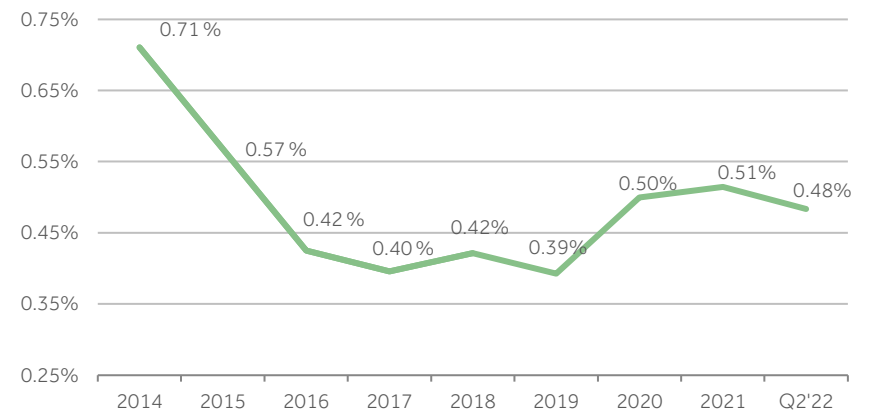
Impairment charges and reversals (DKKm)



Administrative margin (DKKm)



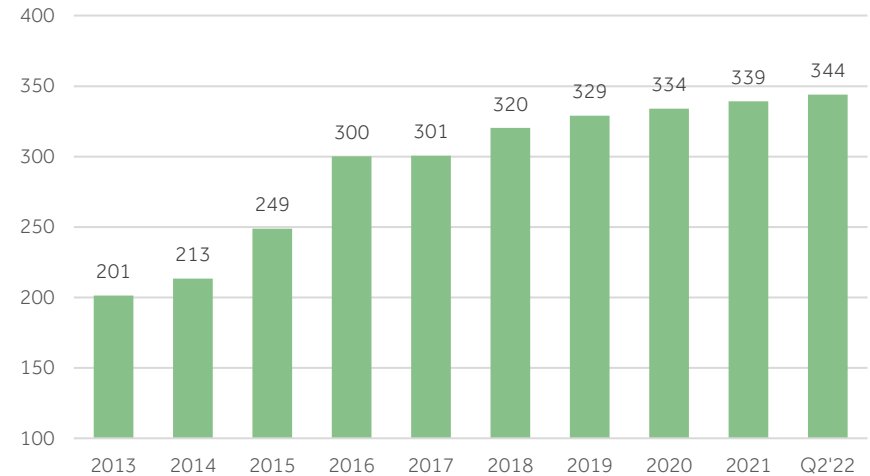
Balance of loan impairments in % of lending



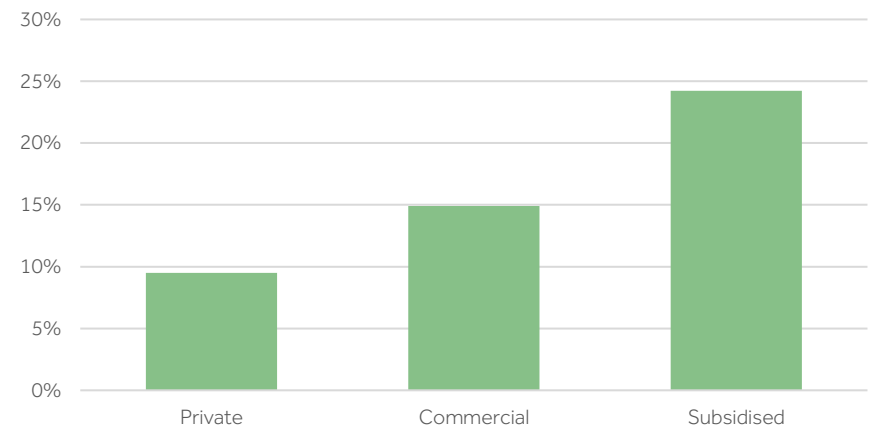
Growth in mortgage lending

- Nominal mortgage lending increased
 - Nominal mortgage lending increased with DKK 5.0bn in H1 2022
 - Decline in market value of loans due to declining bond prices
- Net growth in mortgage lending of more than 65 % since 2014
- Net growth primarily in residential segment
- Commercial and subsidised lending growing with DKK 55bn (DKK 42bn in residential properties) since beginning of 2014
- Growth in the portfolio creates larger issuances and lower funding costs

Total mortgage lending at nominal value (DKKbn)



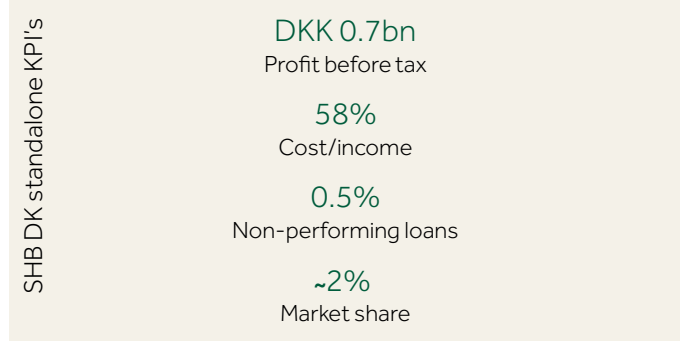
Market share of mortgage market (%)



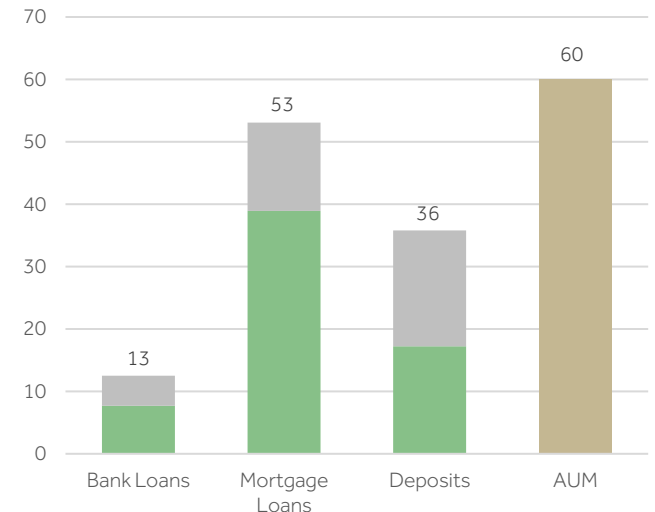
Jyske Bank to buy Danish activities from Svenske Handelsbanken

- Jyske Bank A/S has made a binding agreement with Svenske Handelsbanken to acquire their Danish activities.
- Fixed goodwill of DKK 3.0bn, included in total asset purchase price to be settled at closing in cash.
- The transaction is expected to be finalised in Q4 2022.
- Deploying strong capital base and issuing AT1 and T2 instruments of approx. DKK 2.5bn as well as senior debt
- Jyske Realkredit is expecting to finance DKK 25bn-30bn mortgage loans from Handelsbanken and Statshypotek AB
- The transaction is expected to have a positive effect on Jyske Realkredits result of approx. DKK 100m
- The mortgage loans will be financed by issuance of covered bonds and mortgage bonds

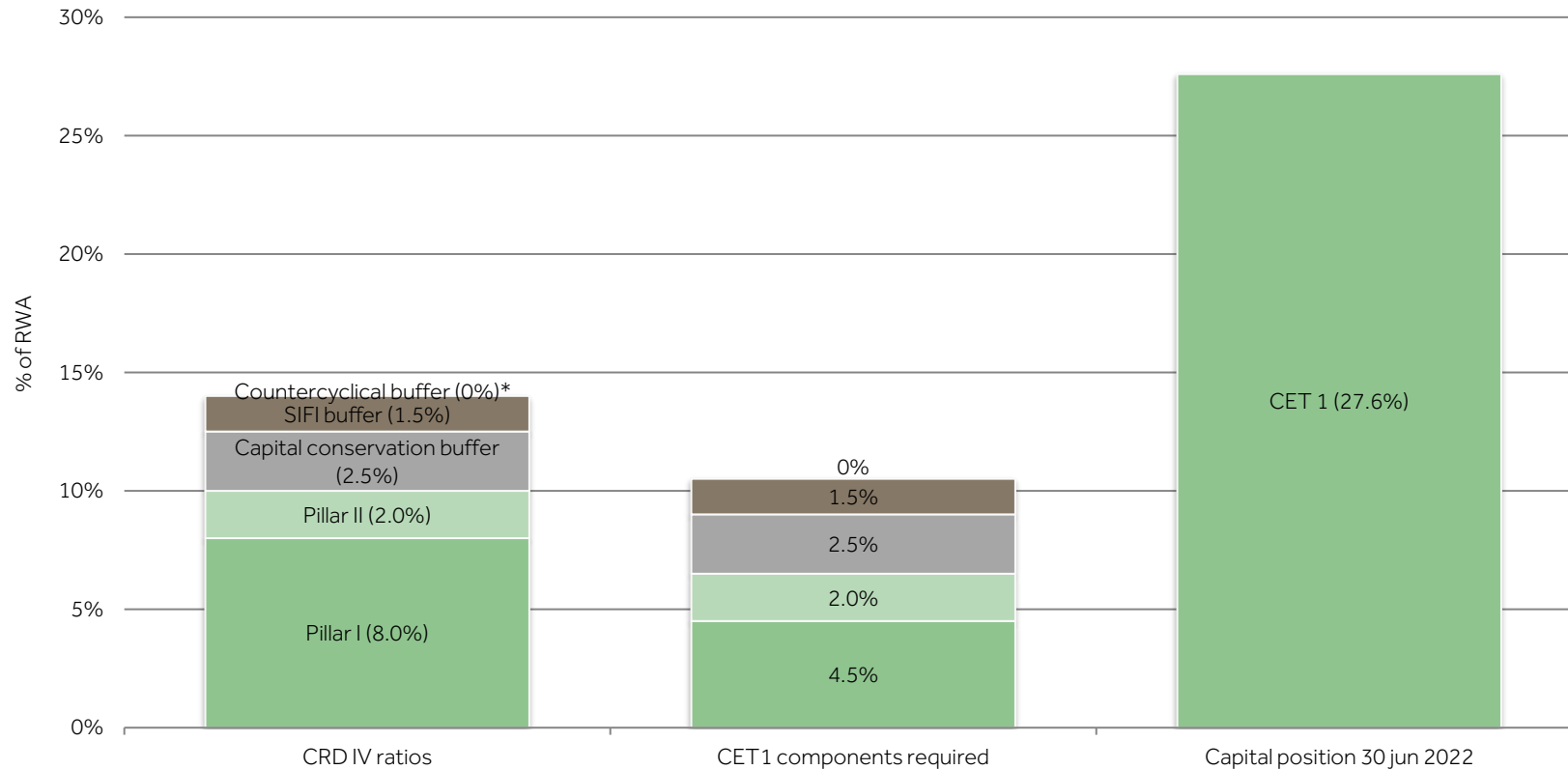
Strong operating performance



Well diversified portfolio



Jyske Realkredit is well capitalised

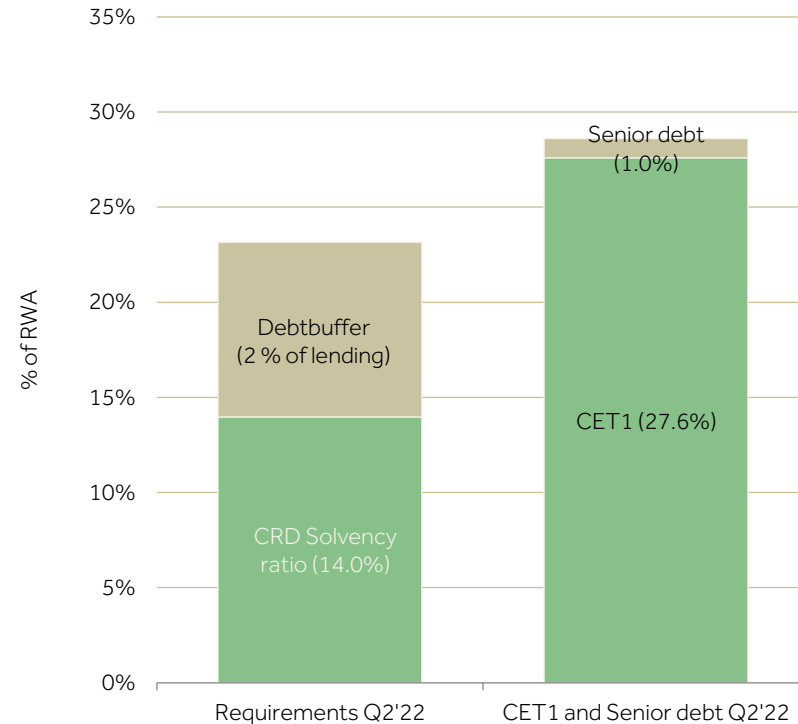


*) Countercyclical buffer set at 0.0% in Q1 2020 due to Covid-19. It is expected to change to 1% from 30 September 2022 and 2% from 31 December 2022.

- The solvency need is at 14 % at the end of H1 2022, of which 10.5 % should be covered with core equity
- Jyske Realkredit is compliant with the fully implemented requirement
- Growth not constrained by capital requirements

Debt buffer for Danish mortgage institutes

- MREL-debt buffer is fully implemented
- Debtbuffer must be covered by CET1, AT1, AT2 or senior (unsecured) debt
- For capital instruments to be compliant with the debt buffer, the following must apply:
 - Original time to maturity at least two years
 - Appropriate maturity diversification
- The Danish FSA can decide that the debt buffer should be covered fully or partly with bail-inable debt instruments
- Jyske Realkredit fulfils the debt buffer in Q2 2022 with CET1 and senior debt



Countercyclical buffer set at 0.0% in Q1 2020 due to Covid-19

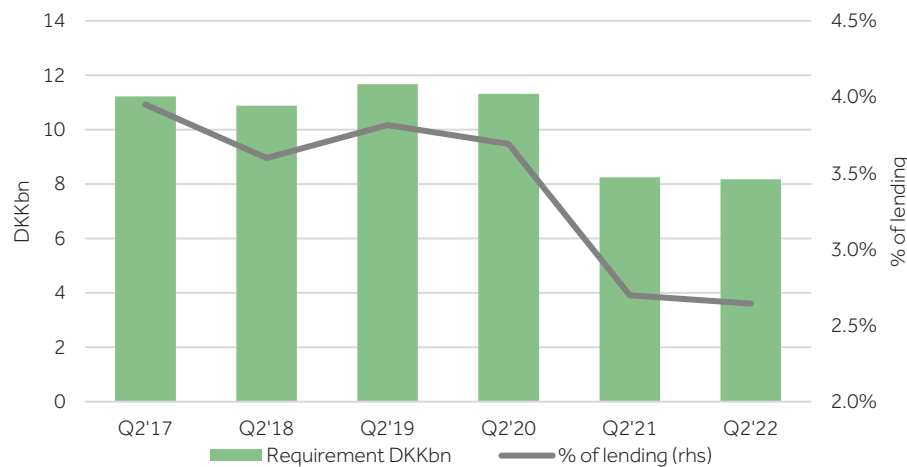
Rating

- Decrease in AAA OC-requirement
 - Capital Center E at S&P minimum AAA OC-requirement
- AAA OC-requirements is at a lower level than in 2015 despite growth of mortgage loans of DKK +100bn
- Improvement in credit quality and composition of cover pool
- Jyske Bank and Jyske Realkredit issuer credit rating upgraded by S&P to A in October 2019
 - Upgrade due to ALAC buffer above 5 %

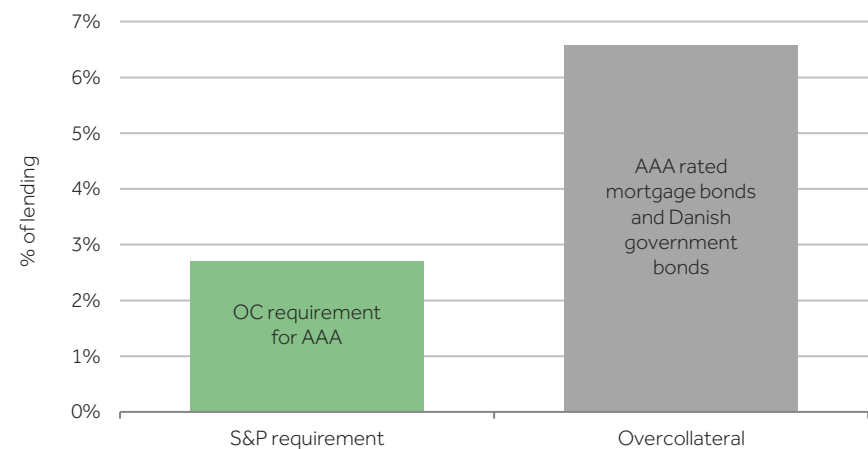
Rating Standard and Poor's

Jyske Realkredit ICR	A
Outlook	Neutral
Capitalcenter B	AAA
Capitalcenter E	AAA
Capitalcenter General	AAA
Free notches over AAA	2/3

AAA rating requirement



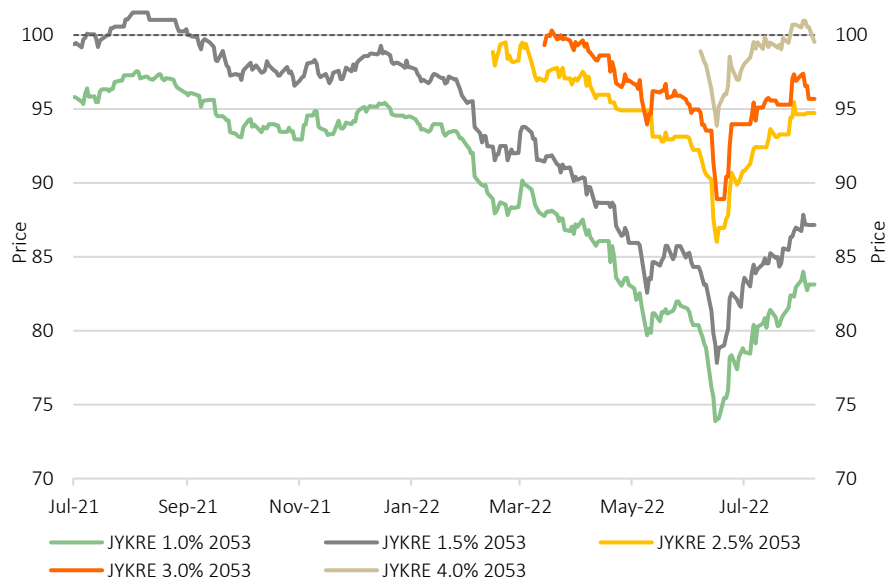
AAA rating requirement and overcollateral



Decreasing bond prices in H1 2022

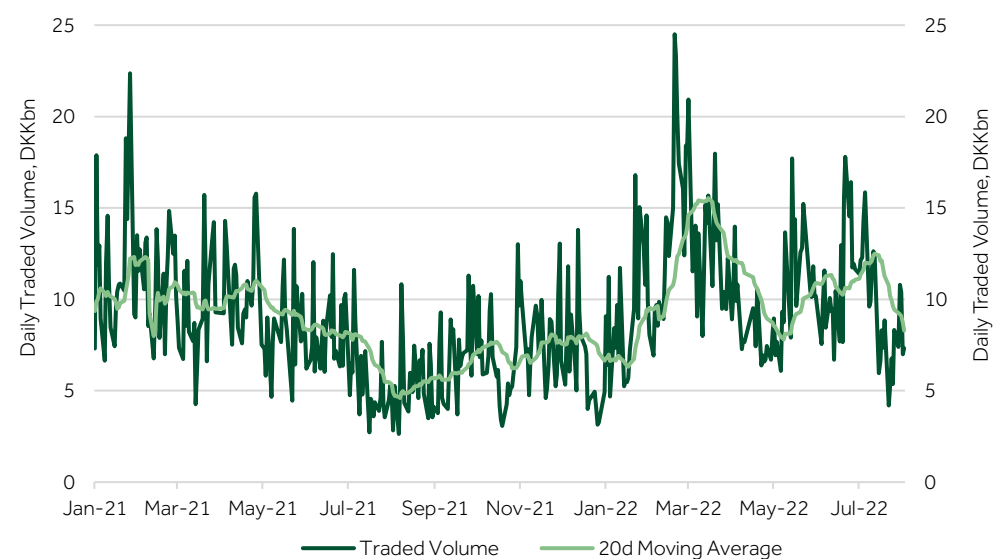
- After a year with increasing bond prices after the first outbreak of covid-19, prices decreased in 2021, regained value in Q2 2021 and dropped again
- Open series for financing 30-year fixed interest mortgage loans are at end of July 2022 at 4.0% and 4.0% 10YIO and 5.0% 30YIO
- The activity in the Danish covered bond market was higher in Q2 2022 than in Q2 2021
 - Average daily traded amounts in Q2 2022 of DKK 10.2bn (Q4 2020 DKK 9.0bn)
 - Higher activity due to higher remortgage activity on the Danish mortgage market

Prices for selected Jyske Realkredit callable bonds



Source: Bloomberg

Daily traded callable DKK covered bonds 2021-2022

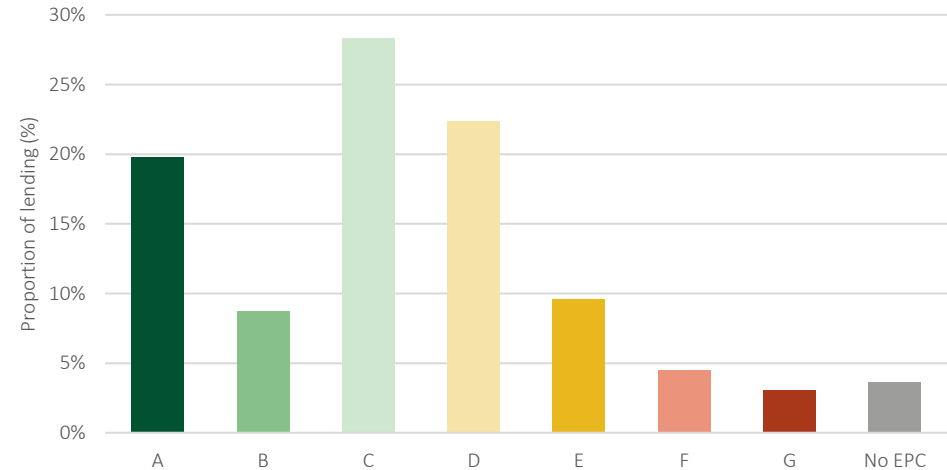


Source: Nasdaq Copenhagen

Sustainable Transparency Template

- As the first financial institution Jyske Realkredit publish Sustainable Transparency Template
- Investors can follow the development over time and compare to other institutes
- From Q1 2021 the template also shows lending supporting UN Sustainable Development Goals (SDG)
- From Q4 2021 the tamplate also reports on lending in compliant with technical screening criteria of EU Taxonomy
- From end-2021 sustainability also included in financial reporting for Jyske Realkredit
- External audit has verified data published on sustainability

Distribution of energy labels (% of total lending)



Lending supporting UN SDGs

Property type	SDG	Lending (DKKm)	Prop. of lending
Renewable energy	7.2	1.115	0,3
Green buildings	7.3, 9.4	91.758	26,7
Social housing	11.3	28.772	8,4
Total		121,645	35.4%

Reporting on CO₂ emissions

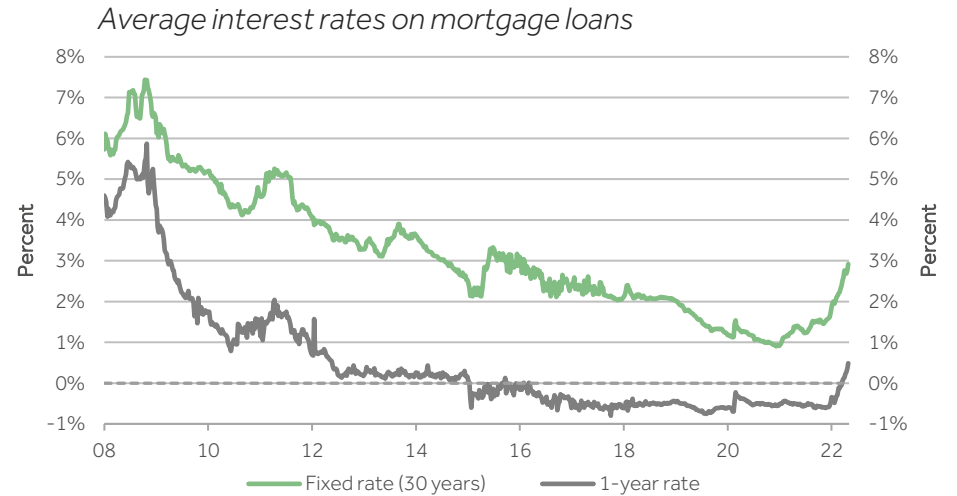
- Jyske Realkredit also reports CO₂ emissions in Sustainable Transparency Template
- Calculated CO₂ emissions are based on EPCs and type of heating source
- Gives the investor a possibility to follow the development in CO₂ emissions in lending behind covered bonds from Jyske Realkredit
- Follows the recommendations from Forum for Sustainable Finance

CO₂e emissions for Jyske Realkredit

Property type	Ton CO ₂ e (LTV adjusted)	Kg CO ₂ e/m ²
Owner-occupied homes	110,244	15.4
Subsidised Housing	31,059	6.9
Cooperative Housing	5,080	7.4
Private rental	24,547	6.8
Office, Business, Manufacturing	41,114	12.8
Other	11,533	8.5
Total	223,577	10.5

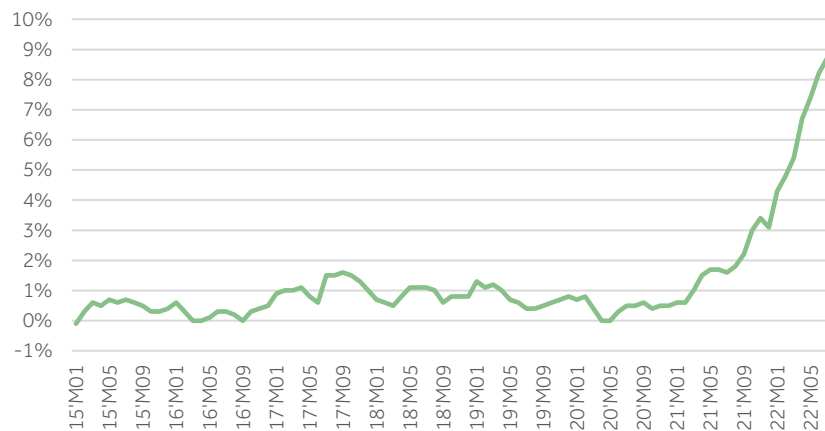
It is becoming more expensive to live in Denmark

- Interest rates are increasing, but are still at a relatively low level
 - 30-year fixed mortgage interest rate at 3%
- Consumer prices are increasing significantly
- Much of this increase is driven by increasing energy prices
- Almost 70% of Danish buildings are heated by district heating – mainly based on renewable energy



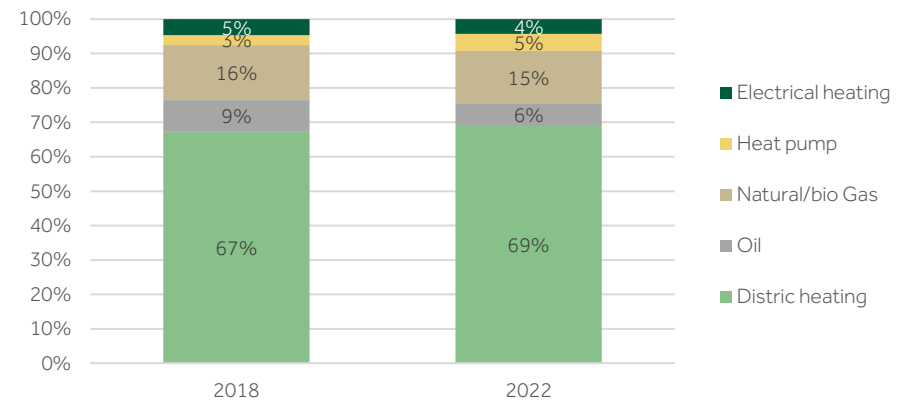
Source: Statistics Denmark

Consumer prices development %, y/y



Source: Statistics Denmark

Distribution of heatsource for Danish buildings



Source: Statistics Denmark

Household behavior

- Large drop in consumer expectations in Q2 2022
 - Below level of the financial crisis
- Still high financial savings in the private sector
- The private sector is well prepared for a potential economic downturn
- There is still a large purchasing power in the private sector
- Household debt is at a low level

Consumer expectations



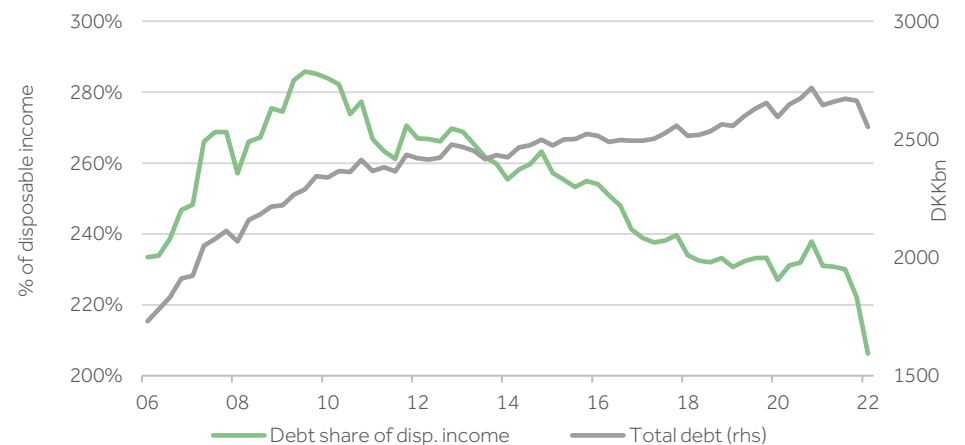
Source: Statistics Denmark

Private sector financial savings



Source: Statistics Denmark

Household gross debt

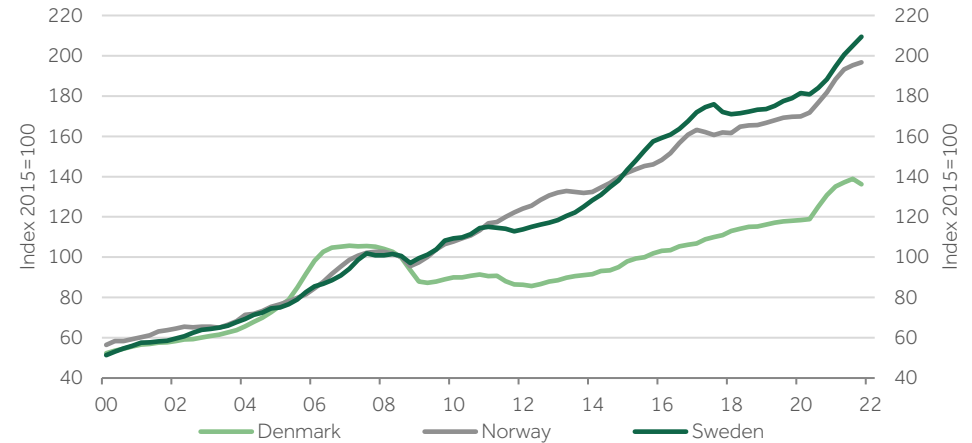


Source: Statistics Denmark

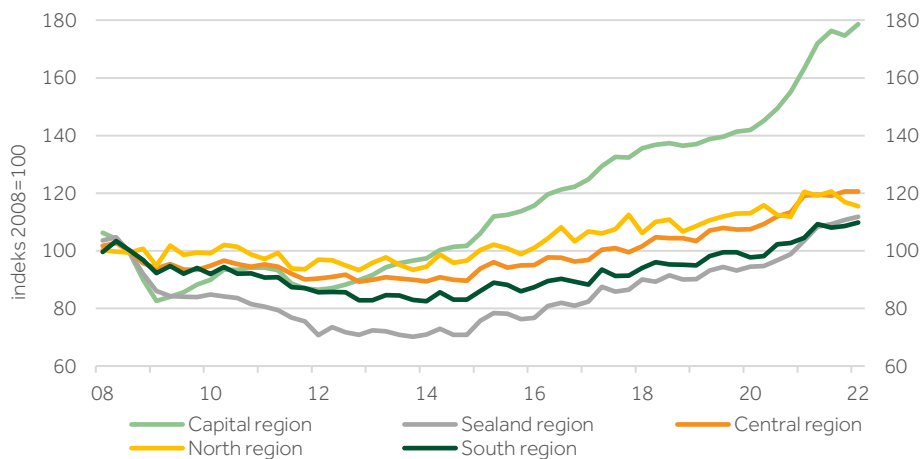
Danish housing market

- Increasing house prices driven by high demand for properties
- Compared to Sweden and Norway prices on Danish housing market hasn't grown with same pace
- Price increase in capital region mainly driven by apartment prices
- Growth in house prices has been until recently following wage-growth and development in interest rates
- Housing market has not yet reacted to increasing interest rates

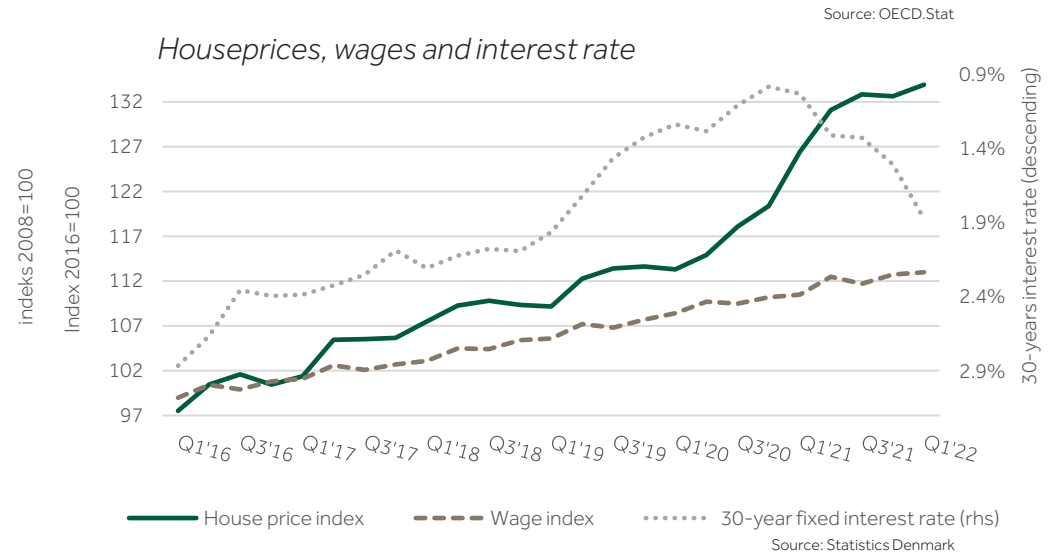
Nordic house prices



Regional house prices in Denmark



Houseprices, wages and interest rate



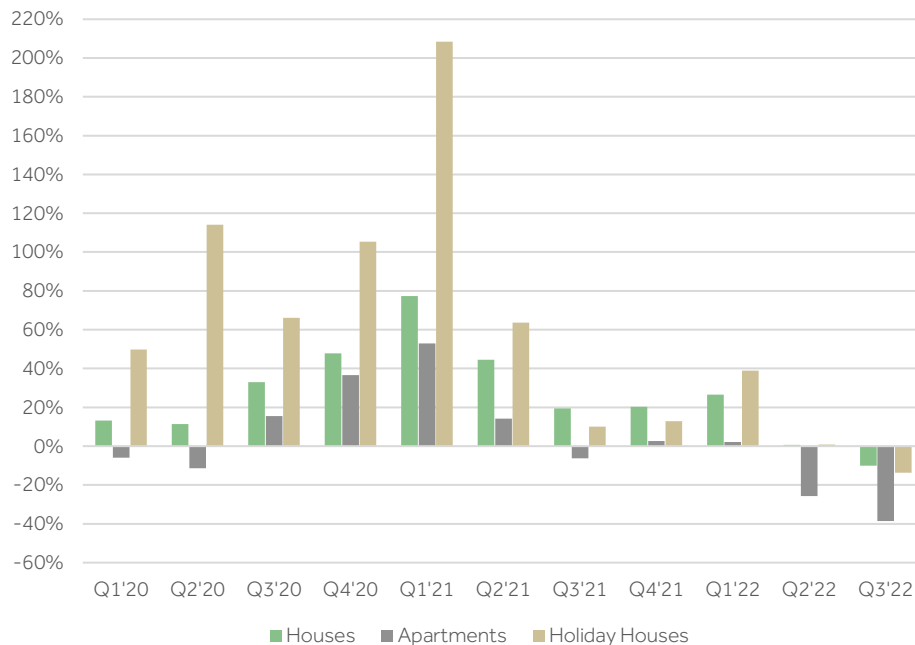
Source: Association of Danish Mortgage Banks

Source: Statistics Denmark

High activity and few properties for sale

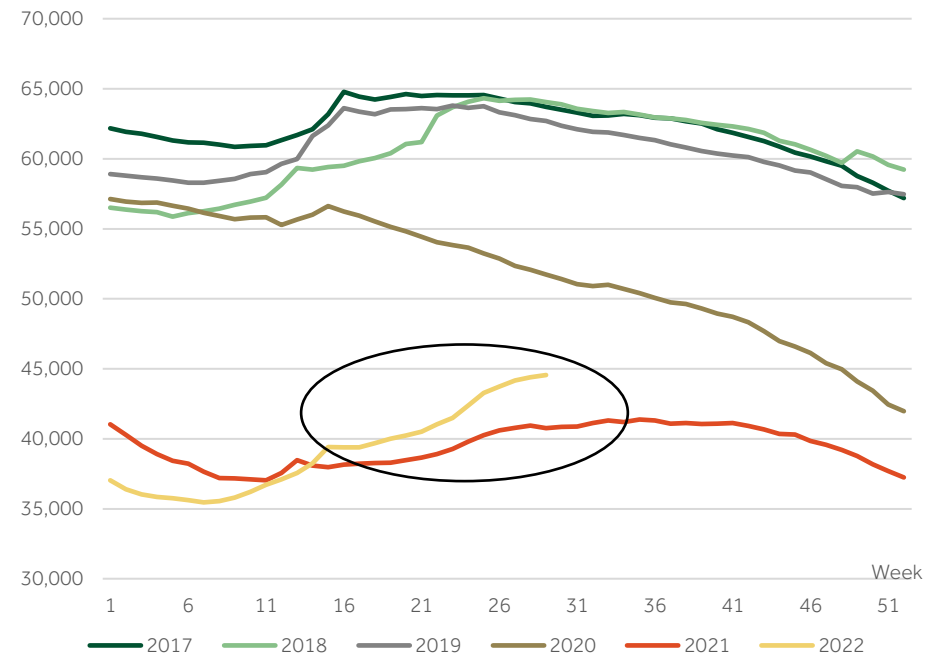
- Despite increasing interest rates and energy prices houseprices have not to been negatively affected
- Very high activity on housing market after outbreak of Covid-19 has led to increasing house prices
 - 8,5% growth in 2020 and 10,5% in 2021
- Historically few properties listed for sale on the Danish housing market could effect on houseprices

Quarterly change in number of sold properties to avg. '15-'19



Source: bolign.dk

Number of properties listed for sale



Source: bolign.dk

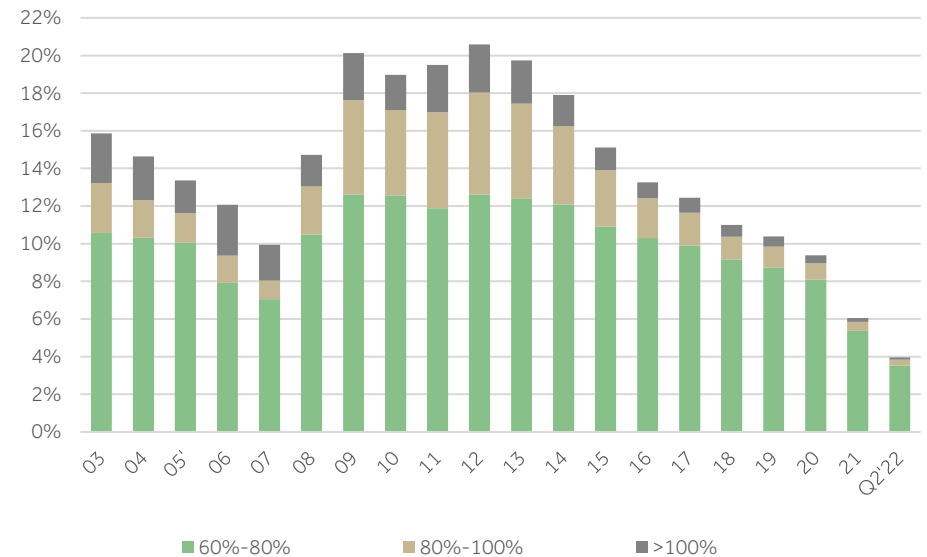
Development in credit risk

- The covid-19 and situation in Ukraine do for now not seem to have affected the credit risk of the portfolio
 - Increasing/stable house prices in all segments
 - No increase in the unemployment level
 - Arrears at a very low level for both commercial and private rental
 - Limited exposure in Jyske Realkredit to the most affected sectors (restaurants, hotels, travel business)
- Impairments increased in due to Covid-19 in Jyske Realkredit with DKK 195m as management estimate

15-day arrears for Jyske Realkredit

Segment	Q2'18	Q1'19	Q2'20	Q2'21	Q2'22
Private	1,2%	1.0%	0.8%	0.7%	0,8%
Commercial	0,6%	0.5%	0.6%	0.3%	0,2%
Total	0,72%	0.72%	0.55%	0.39%	0.43%

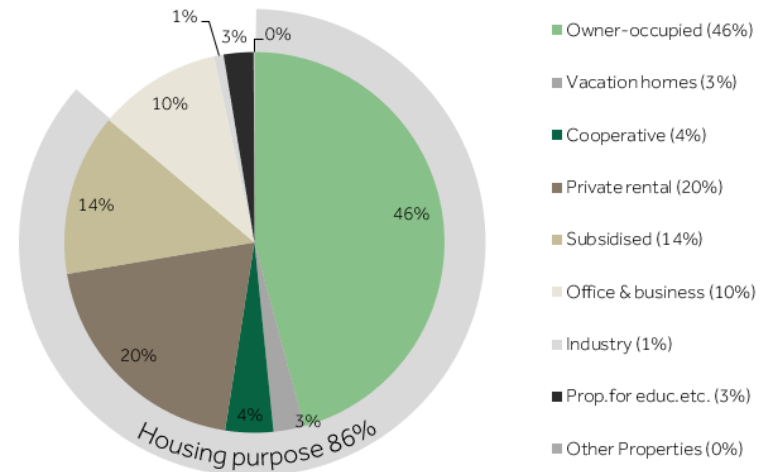
Loan-to-value above 60% as percentage of total lending



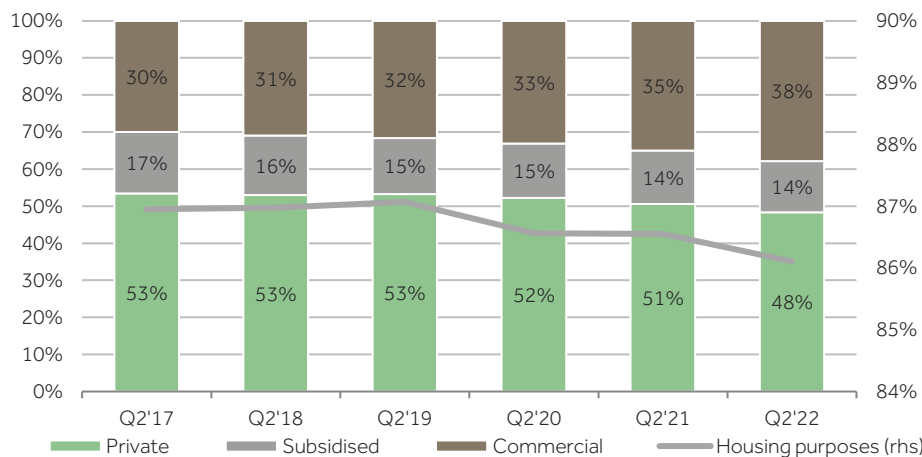
Portfolio

- 87 % of lending to properties with housing purposes
 - Majority of these to private owner-occupied properties
- No lending to agriculture and other primary production
- Stable share of private and commercial lending
- Increase in share of fixed rate mortgages and decreasing share of F1 and F2
- Increasing proportion of interest only loans in Q1 2022

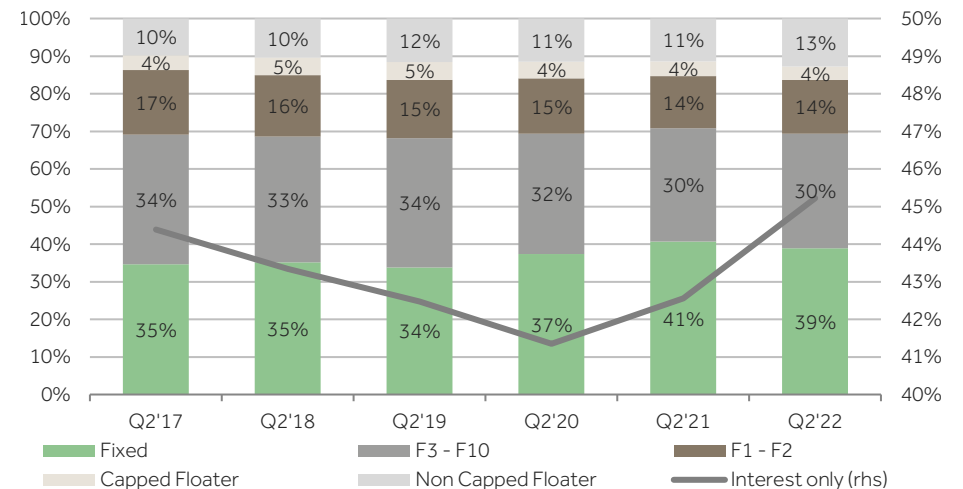
Lending portfolio



Development in lending portfolio

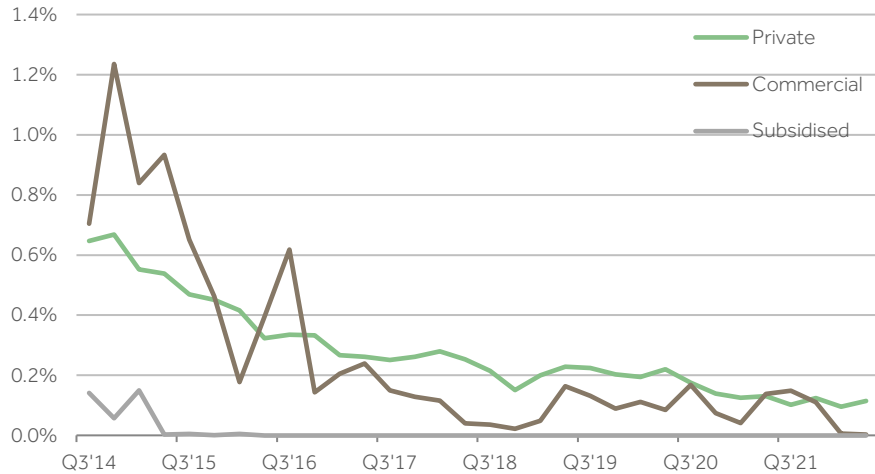


Development in loan types

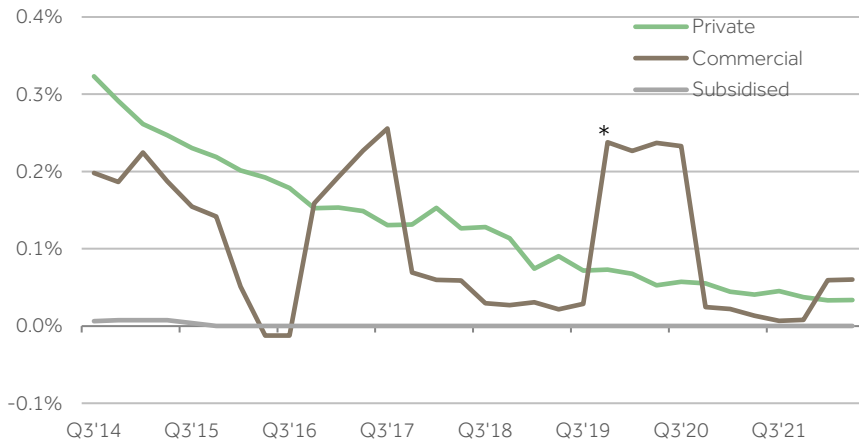


Credit quality

Lending in 90-days arrears (per cent of lending)

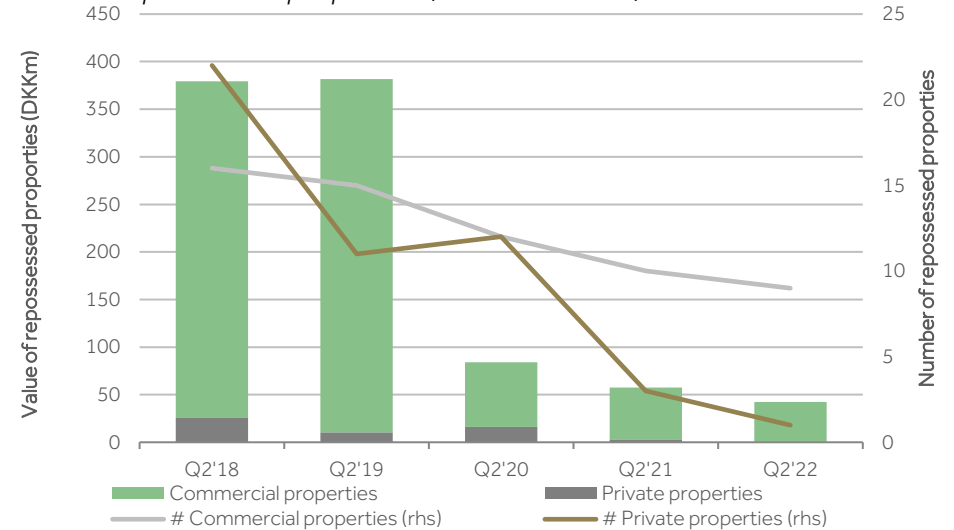


Yearly realised losses (running year)

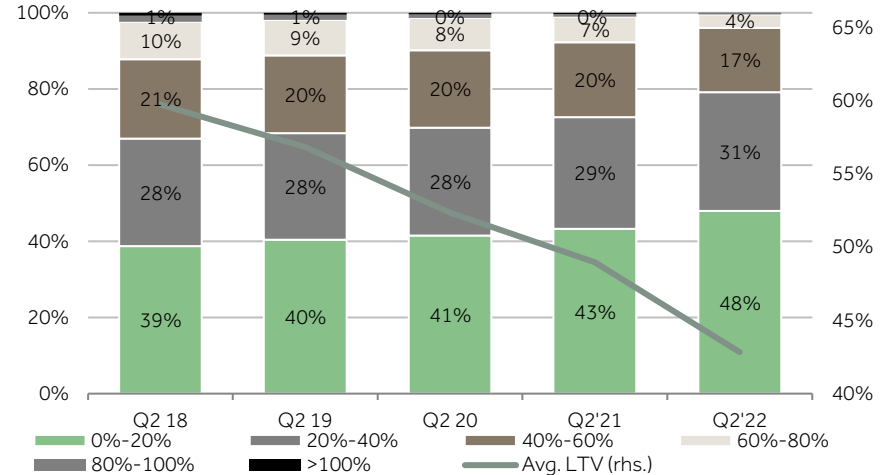


* Single commercial property – impairment charges was already taken

Repossessed properties (DKKm/number)



Loan-to-Value brackets (per cent of lending)



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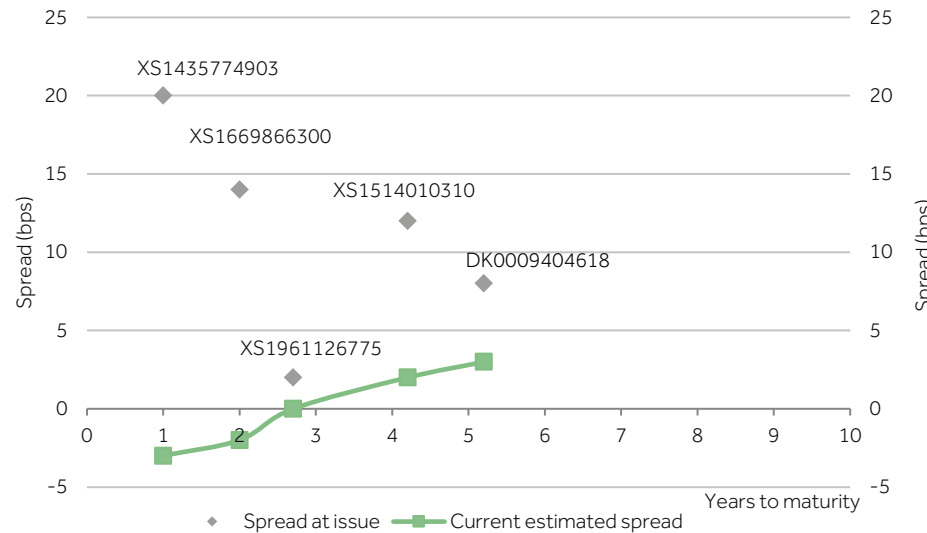
<http://www.jyskerealkredit.com>

Appendices



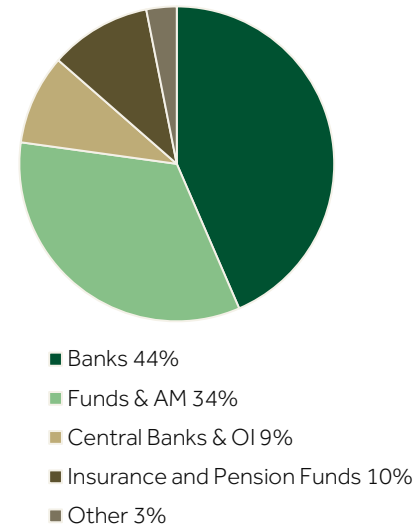
Jyske Realkredit EUR covered bonds

Jyske Realkredit EUR covered bond issuances*



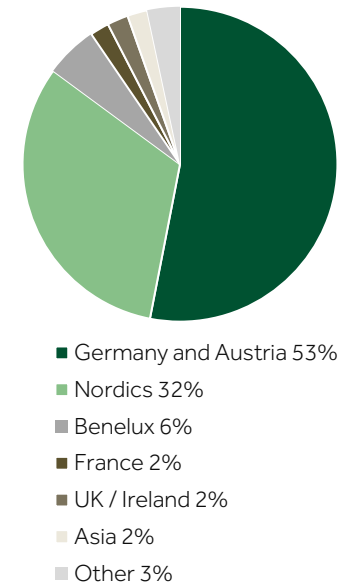
*Pricing indications start-August 2022

Investor distribution*



*Figures are based on allocated amounts

Geographical distribution*



- Three first successful EUR covered bond issuances in 2016 of 5 years (EUR 500m), 7 years (EUR 750m) and 10 years (EUR 750m). One issue in August 2017 (EUR 500m) and one in March 2019 (EUR 500m)
- Latest issue in January 2021
- Large interest from a wide variety of investor from different countries
- Good performance relative to peers






New European covered bond directive

New European covered bond directive will come into force by end 2021 / beginning 2022

Key takeaways for Danish covered bonds

- Large liquidity buffer will force covered bonds to have a soft bullet structure
 - Soft bullet structure already implemented in Denmark
 - Not relevant for DKK callable bonds
- Introduction of an OC rule
 - Minimum level of 5 % overcollateralization (OC)
 - Can be lowered a minimum of 2 % if the financial institute take account of risk of underlying asset
- Further loan-to-value (LTV) wording has been clarified in the regulation
 - Limit of 80 % for rental and 60 %/70 % for commercial
- Premium and non-premium bonds
 - All bonds have to live up to the directive
 - Premium bonds will also live up to Article 129 of Regulation (EU) No 575/2013
- Existing bonds will be grandfathered, meaning investors current holdings are left unaffected

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