

Jyske Realkredit A/S

Financial report 2021

Published 22 February 2022

Full year result 2021

Result in 2021

- Pre-tax profit was DKK 1311m
- Return on equity was 5.1 % p.a.
- No deterioration of credit quality from Covid-19 outbreak

2021 (compared to 2020)

- Administration margin at stable level
- Net fee increases due to higher expenses in intra-group settlement model
- Core expenses increased with 12%
- Low level of loan impairment charges in Q3 and Q4 2021

Expectations for 2022

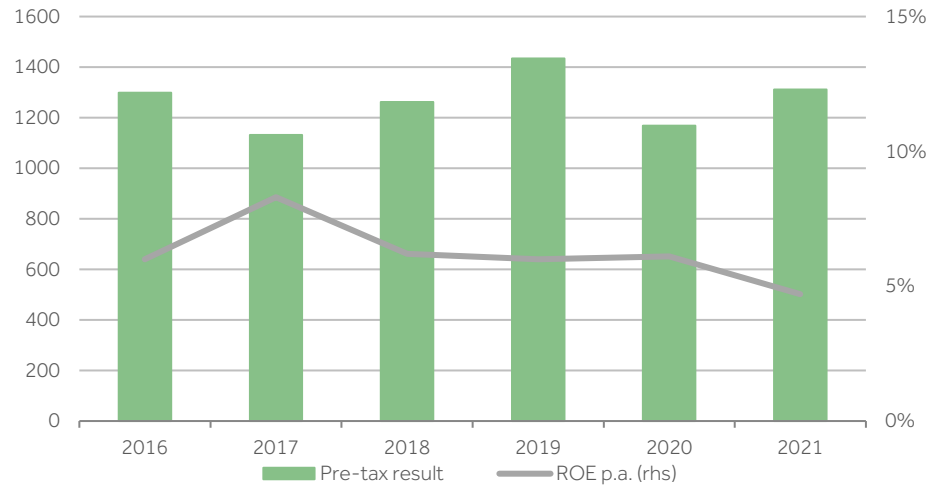
- Expect a full year result for 2022 of DKK 0.9bn – 1.1bn
- Due to possible effects from Covid-19, expectations on profit are uncertain

Core income statement (DKKm)

Core profit and net profit for the period	2021	2020	Index 21/20	Q4 2021	Q3 2021	Index q/q
Core operations						
Administration margin, etc.	2,343	2,332	100	590	585	101
Other net interest income 1)	15	36	42	3	2	150
Net fees, charges and commission income etc.	-706	-603	117	-172	-181	95
Value adjustments	107	218	49	34	7	486
Other income	5	14	-	0	5	-
Core earnings	1,764	1,997	88	456	418	109
Core expenses	389	345	113	99	101	98
Core earnings before loan impairment charges etc.	1,375	1,652	83	357	317	113
Loan impairment charges etc.	64	485	13	-49	11	-
Pre-tax profit	1,311	1,167	112	407	306	133
Tax	283	259	109	89	68	131
Net profit or loss for the period	1,028	908	113	317	238	133

Financials - selected graphs

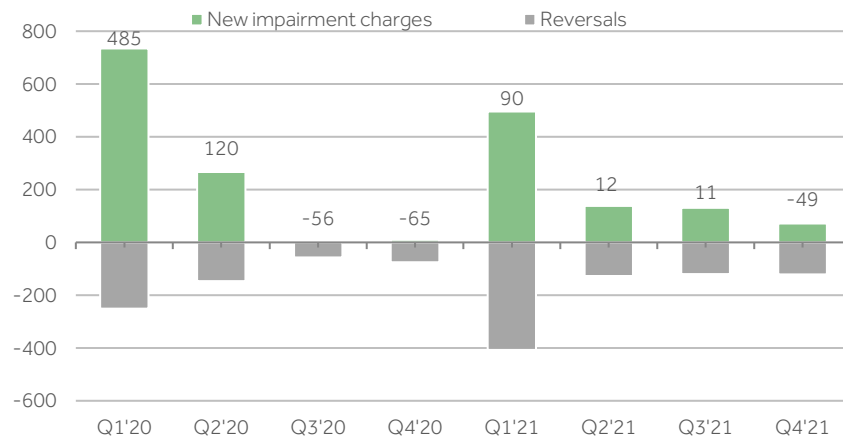
Result and return on equity



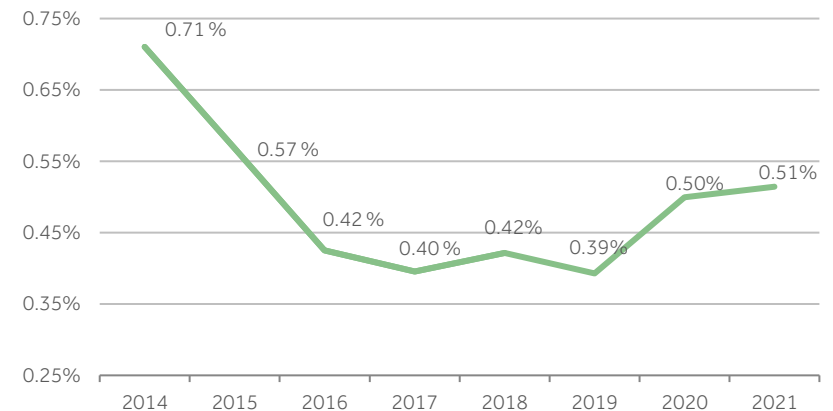
Administrative margin (DKK m)



Impairment charges and reversals (DKK m)



Balance of loan impairments in % of lending

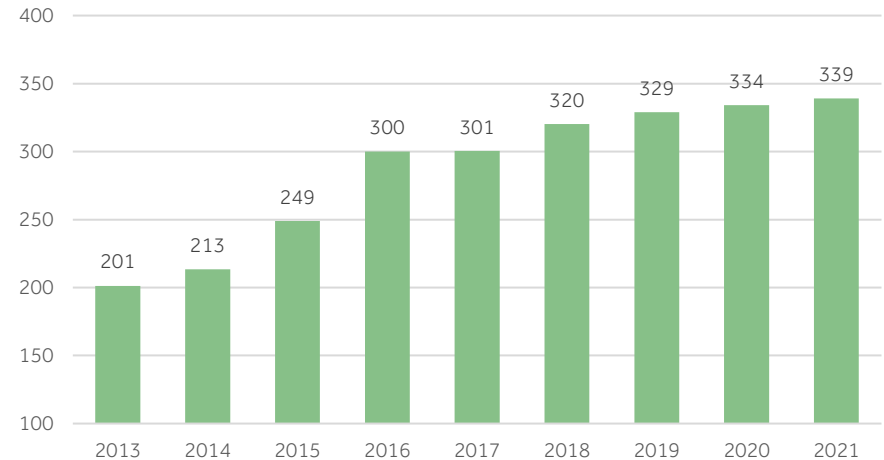


* Management adjustment of DKK 415m due to Covid-19

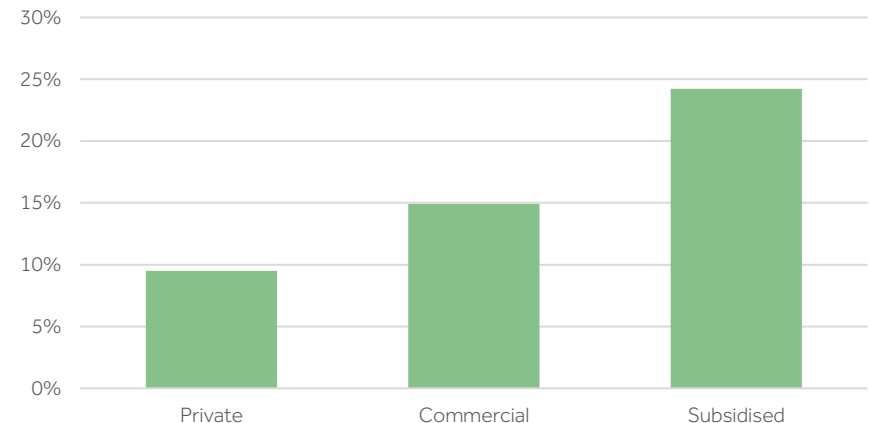
Growth in mortgage lending

- Nominal mortgage lending increased
 - Nominal mortgage lending increased with DKK 4.8bn in 2021
 - 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

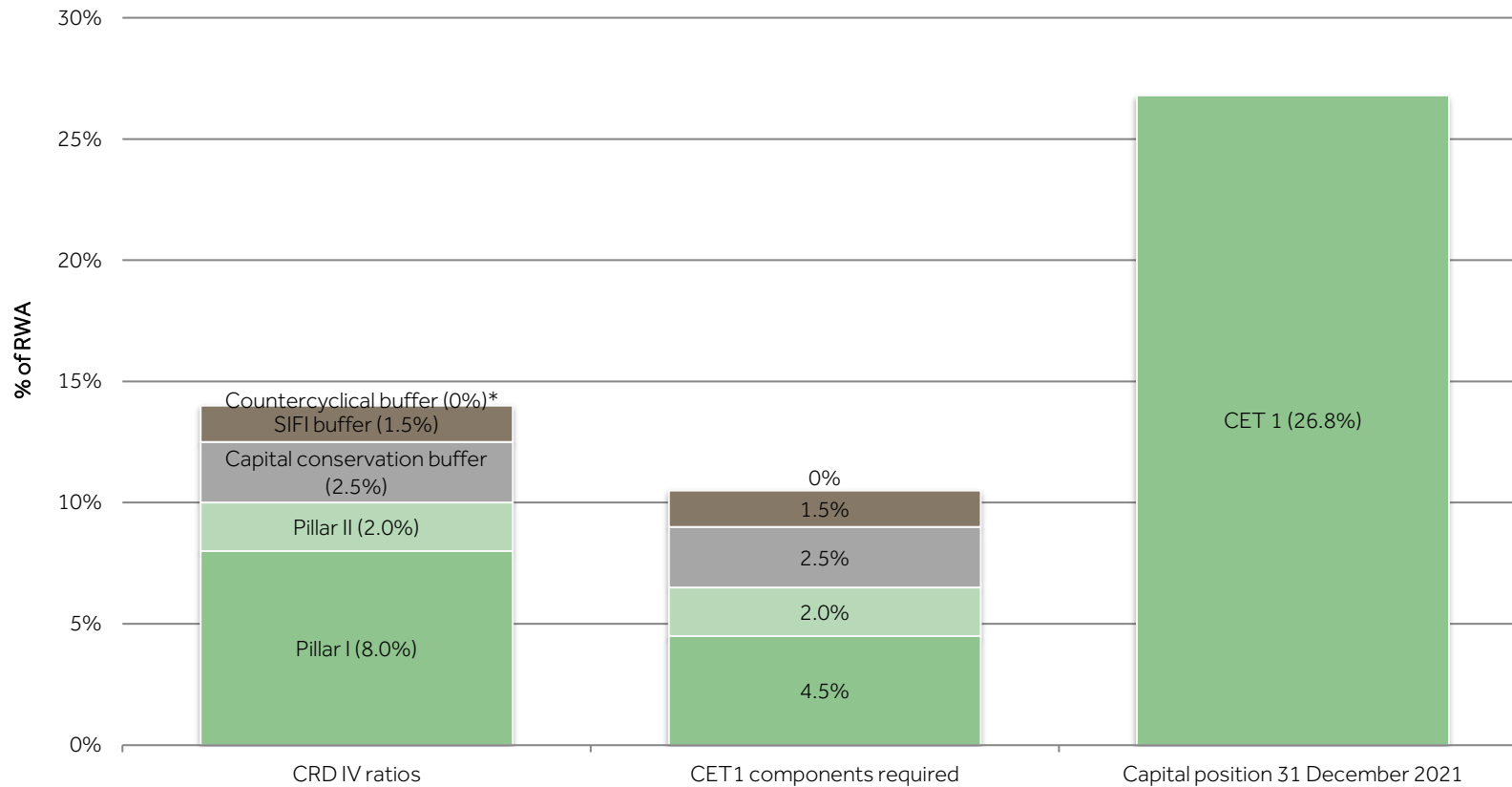
Total mortgage lending at nominal value (DKKbn)



Market share of mortgage market (%)



Jyske Realkredit is well capitalised

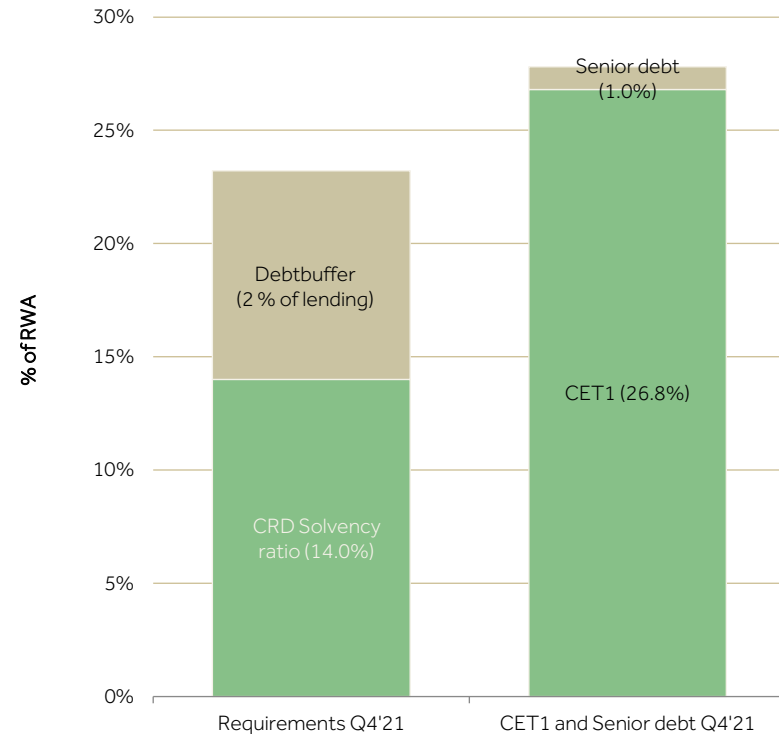


*) Countercyclical buffer set at 0.0% in Q1 2020 due to Covid-19. It is expected to change to 1% from 30 September 2022 and 2% from 31 December 2022.

- The solvency need is at 14 % at the end of 2021, 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 Q4 2021 with CET1 and senior debt



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

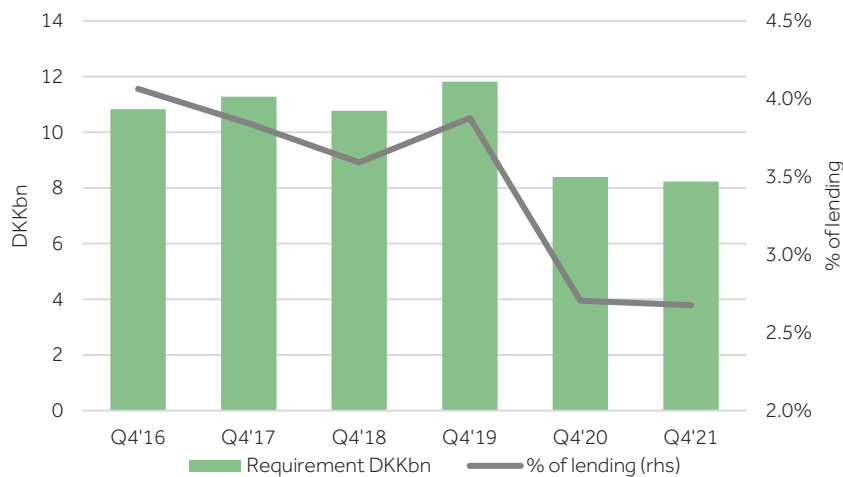
Rating

- 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 %

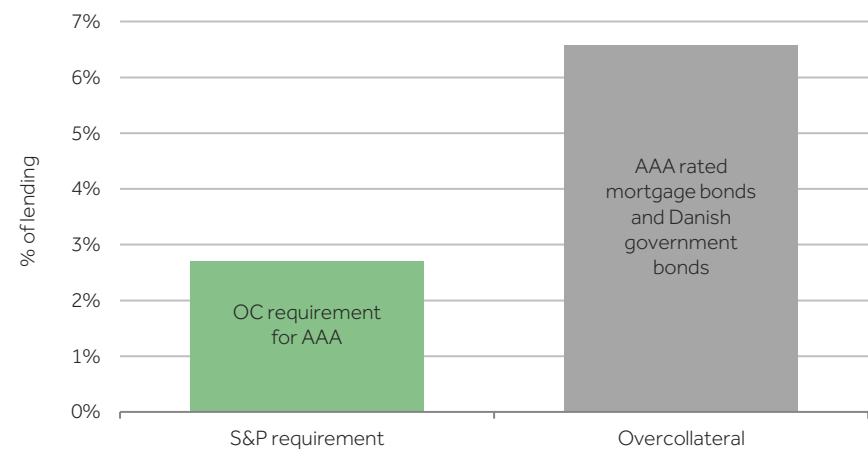
Rating Standard and Poor's

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

AAA rating requirement



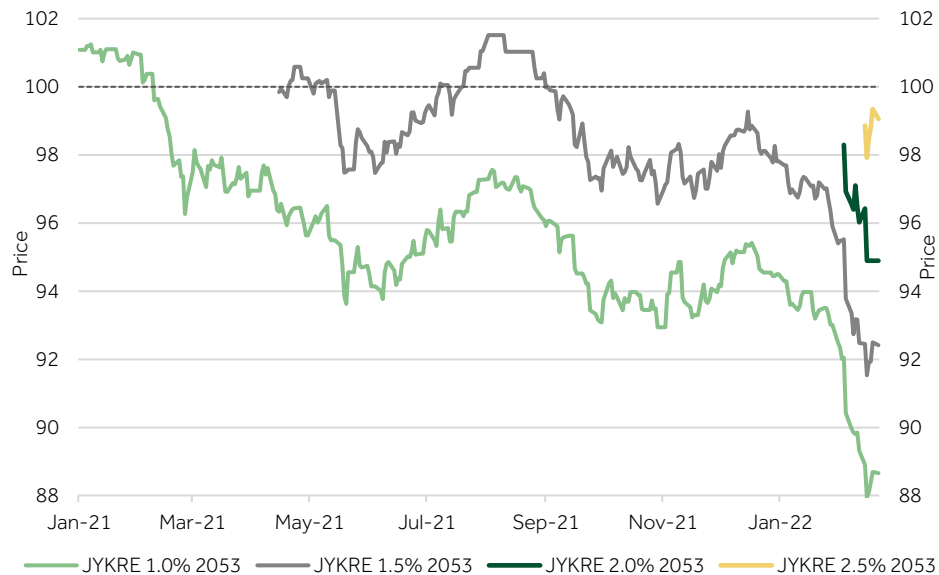
AAA rating requirement and overcollateral



Decreasing bond prices in Q3 2021

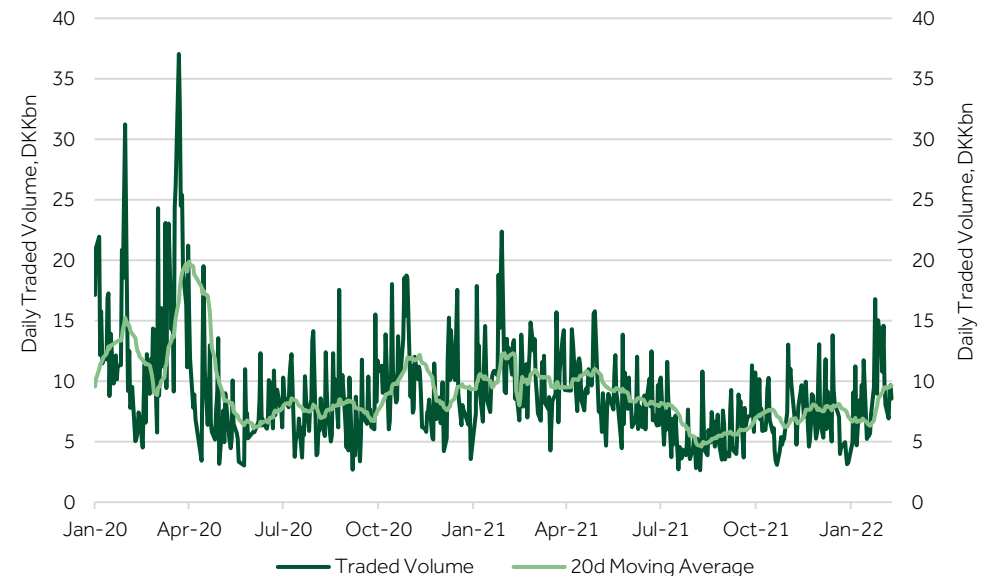
- After a year with increasing bond prices after the first outbreak of covid-19, prices decreased in 2021, regained value in Q2 2021 and dropped again in Q3 2021
- Open series for financing 30-year fixed interest mortgage loans are at end of February 2022 at 2.5% and 2.5% 10yIO
- The activity in the Danish covered bond market was lower in Q4 2021 than in Q4 2020
 - Average daily traded amounts in Q4 2021 of DKK 7.2bn (Q4 2020 DKK 9.9bn)
 - Lower activity due to lower remortgage activity on the Danish mortgage market

Prices for selected Jyske Realkredit callable bonds



Source: Bloomberg

Daily traded callable DKK covered bonds 2020-2021

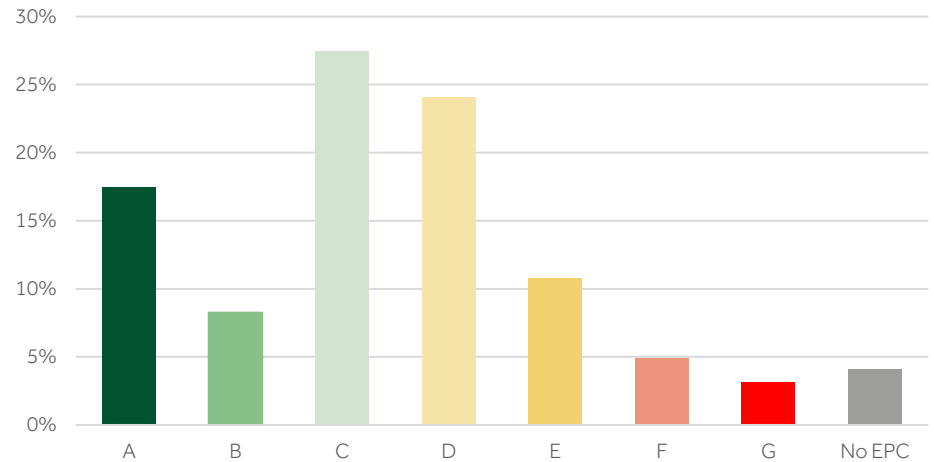


Source: Nasdaq Copenhagen

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	1,143	0.3%
Green buildings	7.3, 9.4	80,857	23.9%
Social housing	11.3	32,339	9.5%
Total		114,339	33.7%

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	117.224	15,8
Subsidised Housing	28.973	7,1
Cooperative Housing	5.487	7,6
Private rental	25.808	7,1
Office, Business, Manufacturing	41.906	13,1
Other	15.216	11,4
Total	234.613	11,0

Household behavior

- Positive development in consumer expectations through 2021
 - Drop in beginning of 2022
- Increase in the financial savings of 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



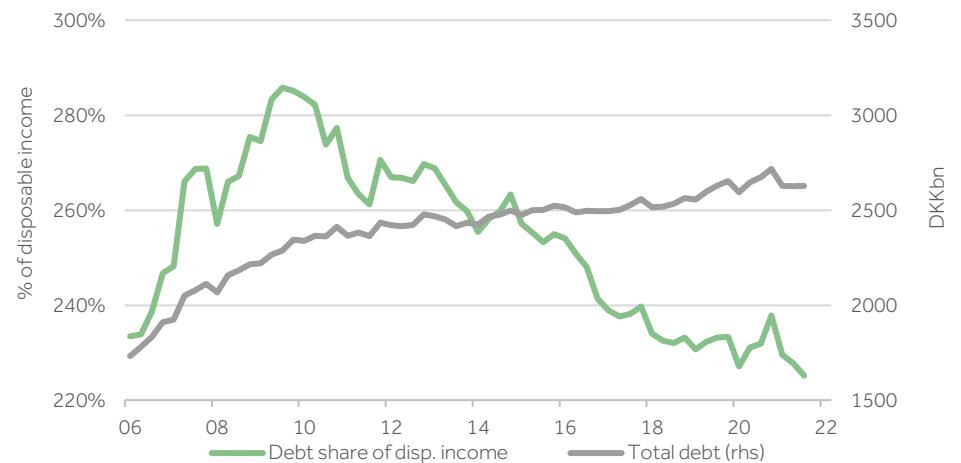
Source: Statistics Denmark

Private sector financial savings



Source: Statistics Denmark

Household gross debt



Household finances

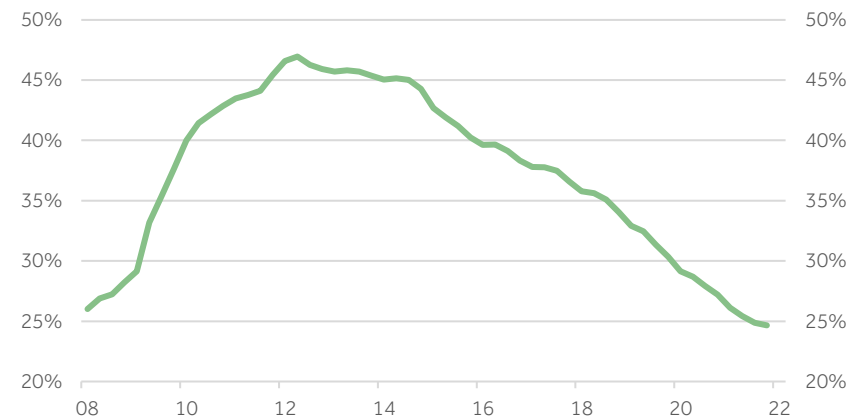
- Even after recent increases, interest rates are still at a low level
- Average 30-year fixed interest rate at 2.5 % when amortizing
- Housing burden also at a low level, but is increasing
 - Price of owning own house is low
 - Increasing property prices Private consumers remortgage to loans with interest rate fixed until maturity and with amortization

Mortgage interests rates



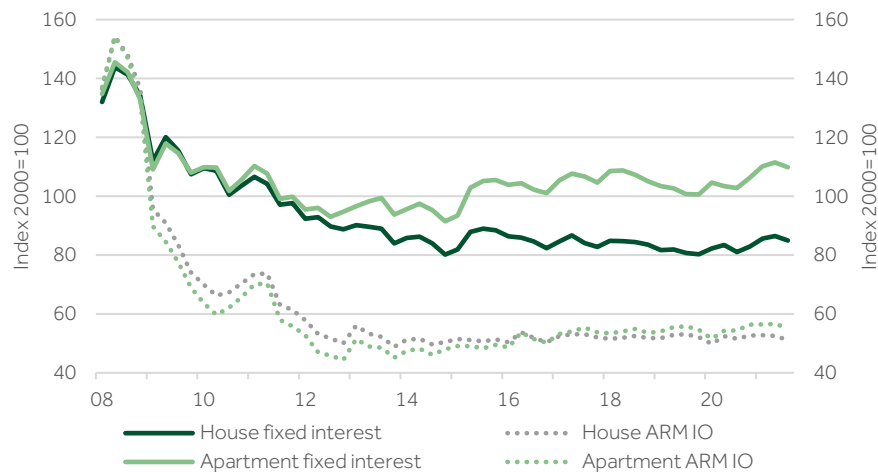
Source: Association of Danish Mortgage Banks

Private mortgages with IO and variable interest rate



Source: Association of Danish Mortgage Banks

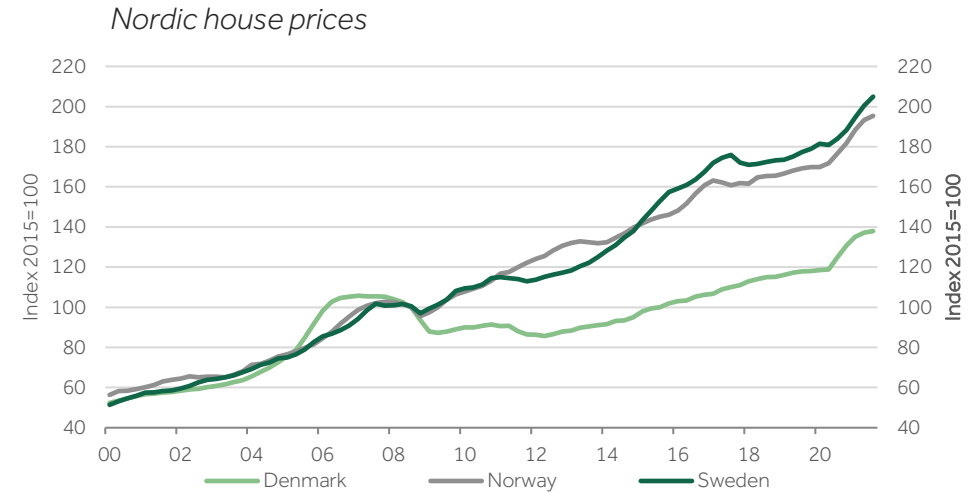
Housing burden



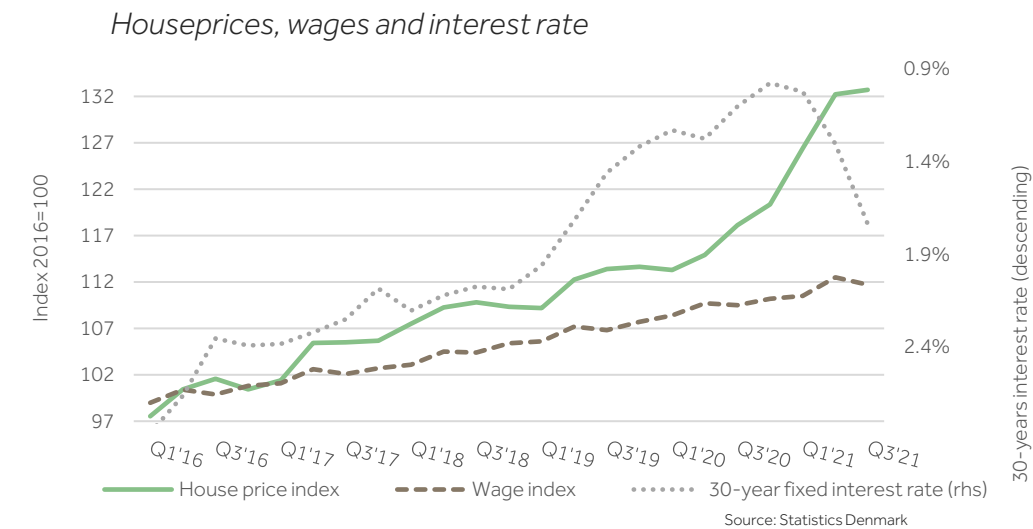
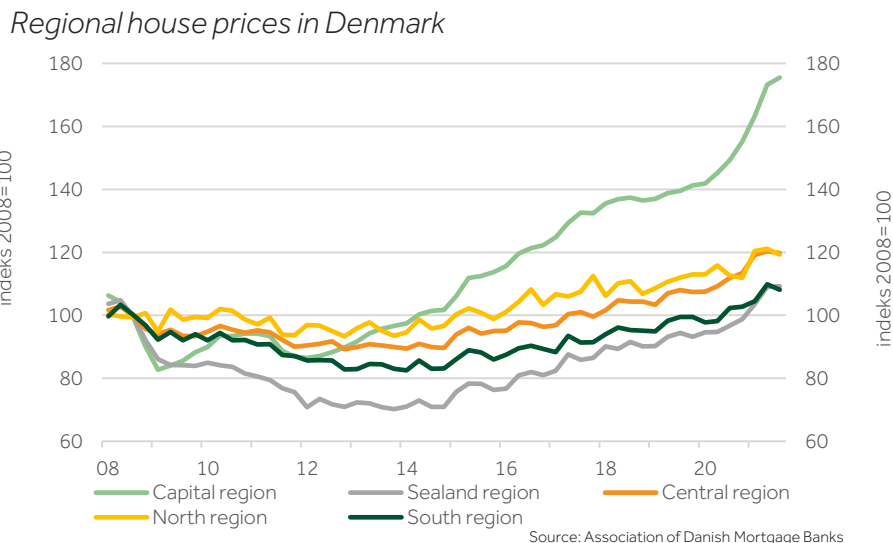
Source: Jyske Realkredit

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 following wage-growth and development in interest rates
- Housing market has not yet reacted to increasing interest rates



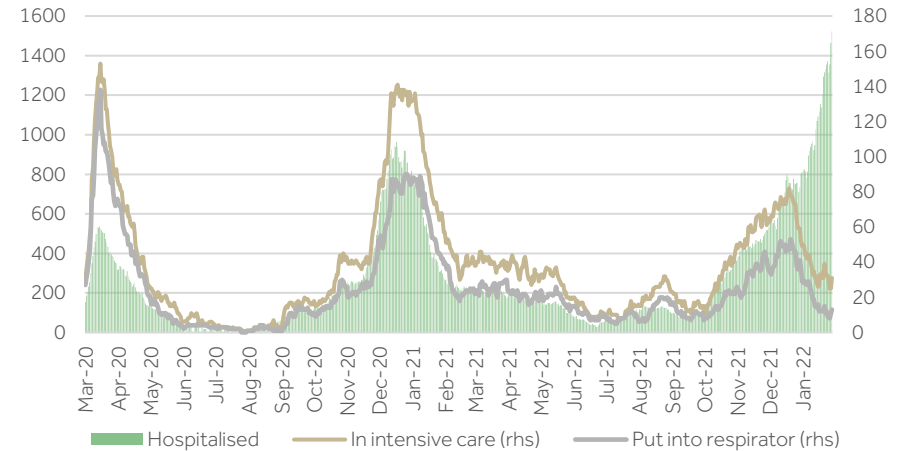
Source: OECD.Stat



Covid-19 effects on Danish economy

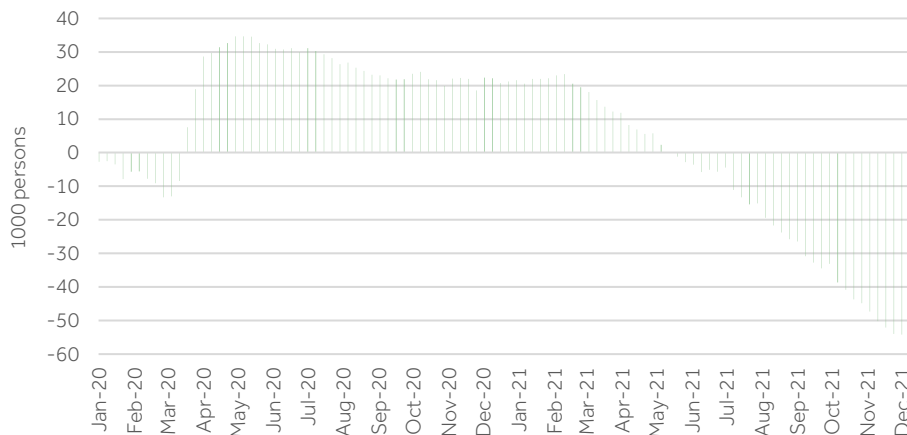
- 3rd wave of Covid-19 has hit Denmark
 - But few people are hospitalized
- 81 % of population is vaccinated two times
 - 61.6% is vaccinated three times
- Sum of unemployed persons since January 2020 is lower than average from last five years
- After reopening of Denmark, few companies expect covid-19 to have large impact on their business

Number of hospitalised persons in Denmark



Source: Statens Seruminstitut

Cumulative change in new unemployed persons to avg. 2015-2019



Source: Styrelse for Arbejdsmarked og Rekruttering

Expectations from corporates (Januar 2022)

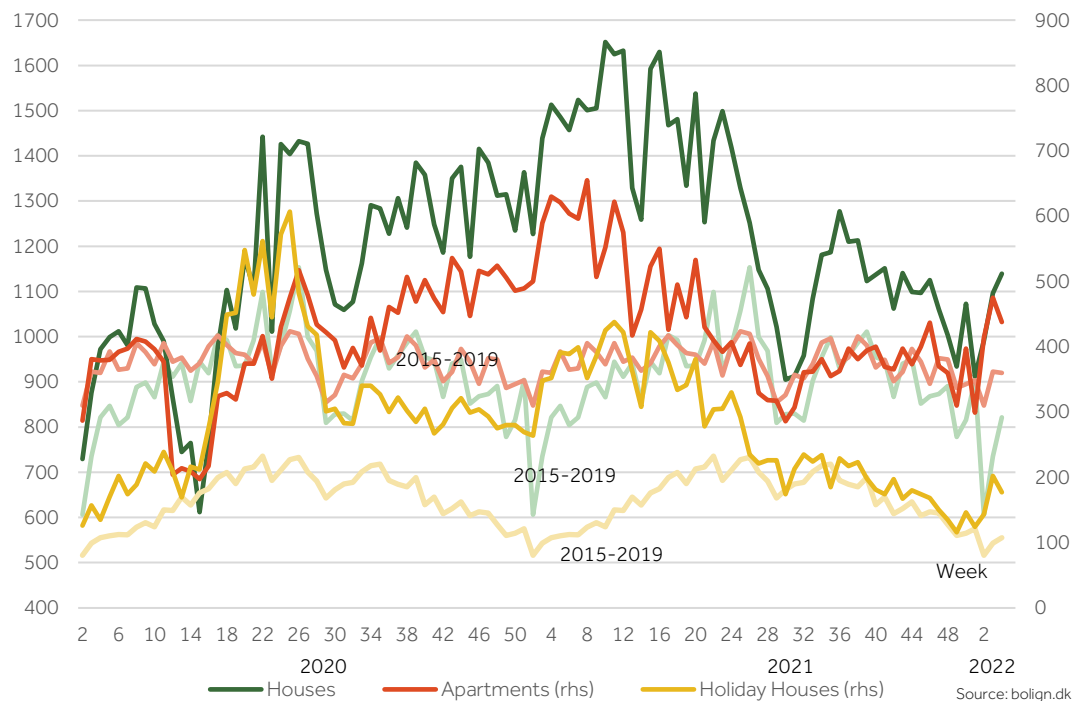
Bankruptcy within 3 mth	Industri	Construction	Service	Retail
No risk	89%	88%	93%	93%
Small risk	11%	11%	5%	5%
Some risk	0%	1%	2%	2%
Large risk	0%	0%	0%	0%

Source: Statistics Denmark

Covid-19 and the Danish mortgage market

- The Danish housing market has not been negatively affected by Covid-19
- After a down period due to the outbreak of Covid-19 the Danish property market has been busy
 - Increasing number of sold houses, apartments and holiday houses
 - Increasing prices for houses, apartments and holiday houses
- The activity seems to be slowing down with number of sold properties close to normal

Number of sold properties per week (Avg. 2015-2019 and 2020/2021/2022)



Changes in property prices

Property type	Change in prices 2020	Change in prices 2021
Houses	7.5%	10.8%
Apartments	10.3%	10.2%
Holiday houses	11.0%	15.5%

Source: bolign.dk

Development in credit risk

- The covid-19 situation does for now not seem to have affected the credit risk of the portfolio
 - Increasing 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)
- The situation could potentially change when helping packages stops and companies are required to pay back the packages they have been offered
 - Impairments increased in Q1 2020 in Jyske Realkredit with DKK 415m as management estimate

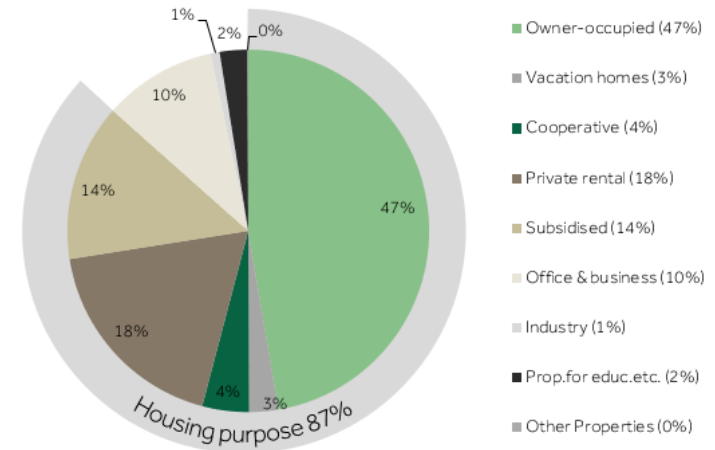
15-day arrears for Jyske Realkredit

Segment	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21
Private	1.0%	1.0%	1.0%	0.8%	0.8%	0.7%	0.7%	0.7%	0.9%	0.8%
Commercial	0.4%	0.7%	1.0%	0.6%	0.8%	0.5%	0.6%	0.3%	0.2%	0.3%
Total	0.66%	0.67%	0.80%	0.55%	0.63%	0.49%	0.55%	0.39%	0.54%	0.44%

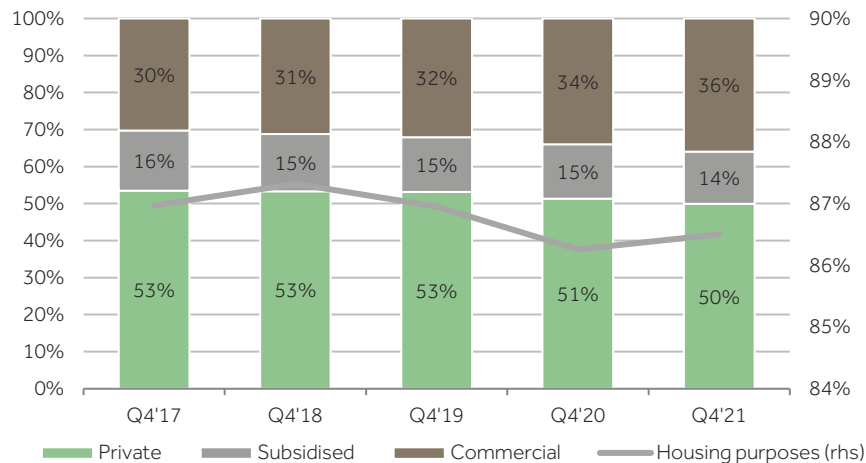
Portfolio

- 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 2021

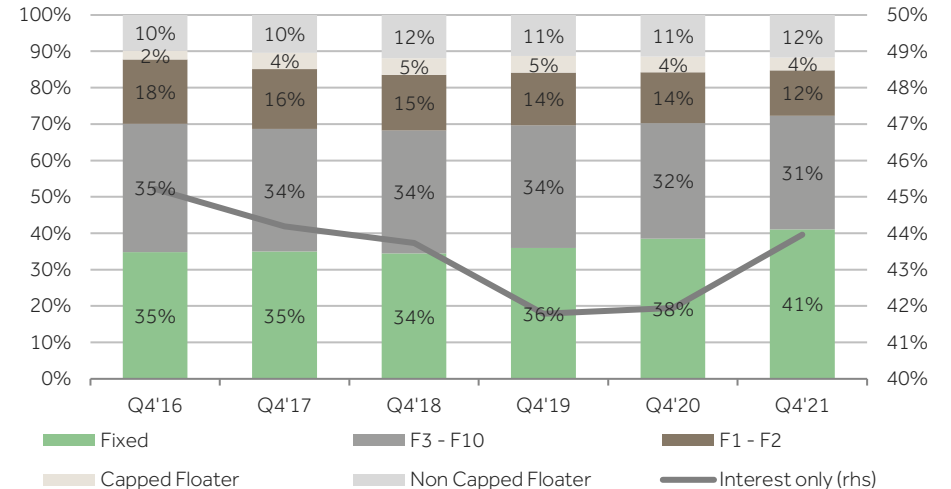
Lending portfolio



Development in lending portfolio

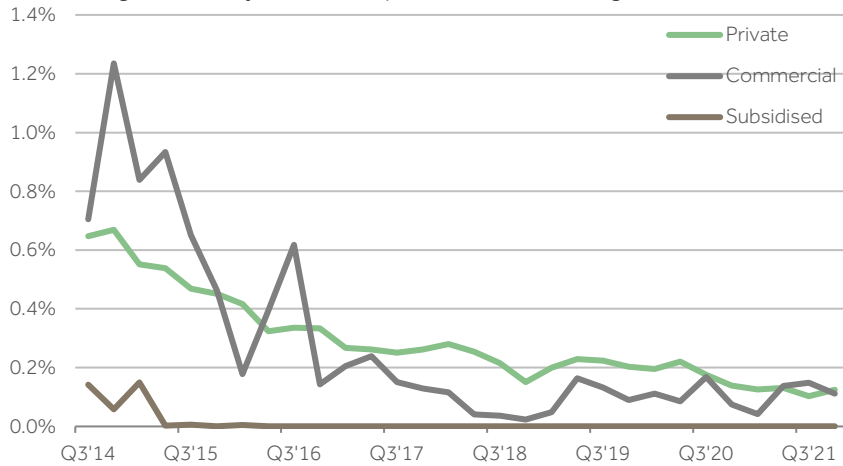


Development in loan types

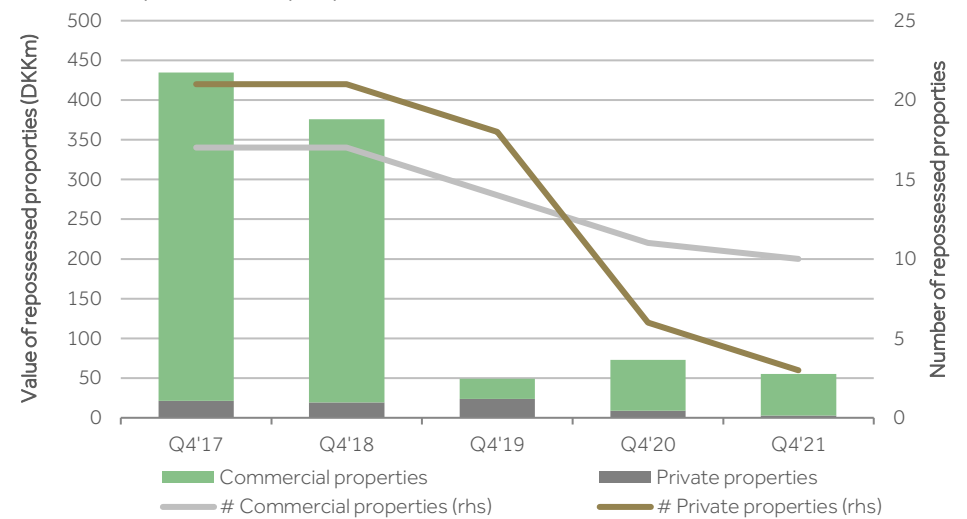


Credit quality

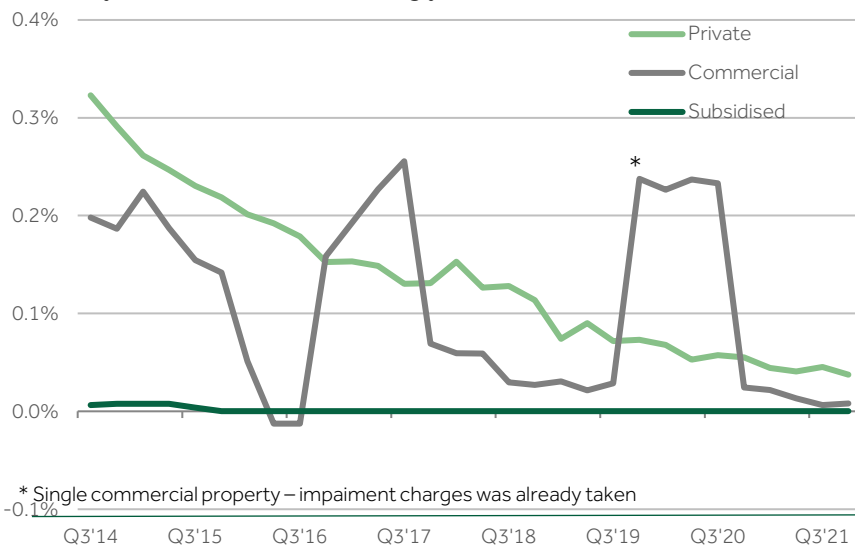
Lending in 90-days arrears (per cent of lending)



Repossessed properties (DKKm/number)

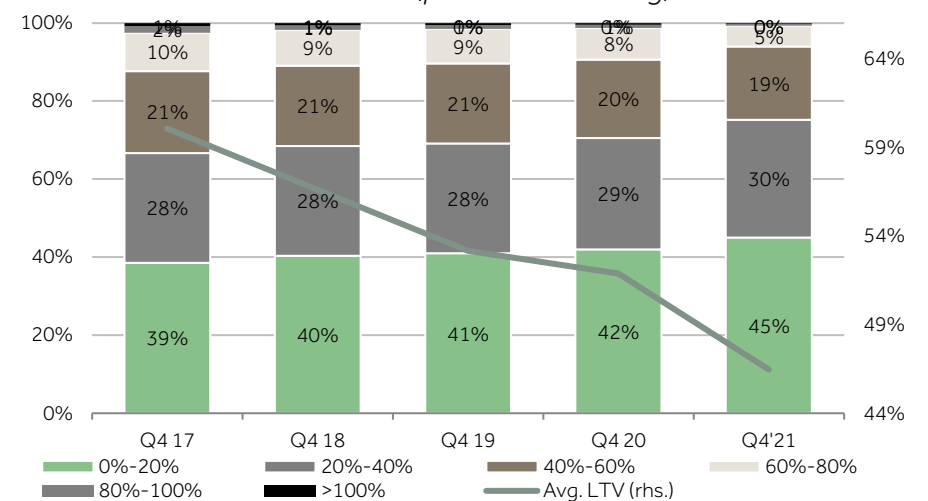


Yearly realised losses (running year)



* Single commercial property – impairment charges was already taken

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



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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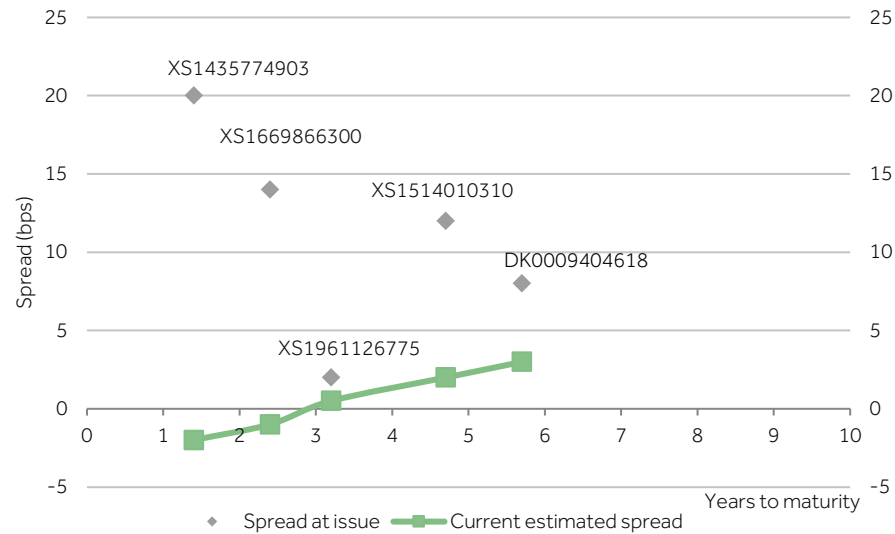
<http://www.jyskerealkredit.com>

Appendices



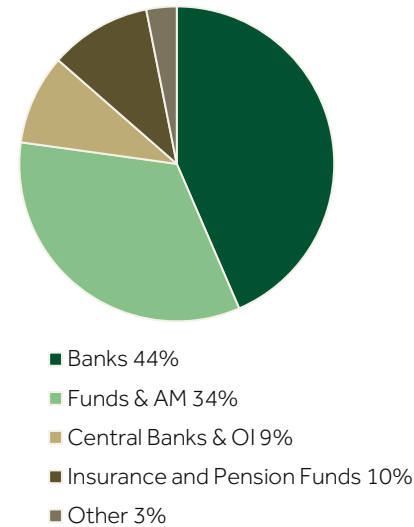
Jyske Realkredit EUR covered bonds

Jyske Realkredit EUR covered bond issuances*



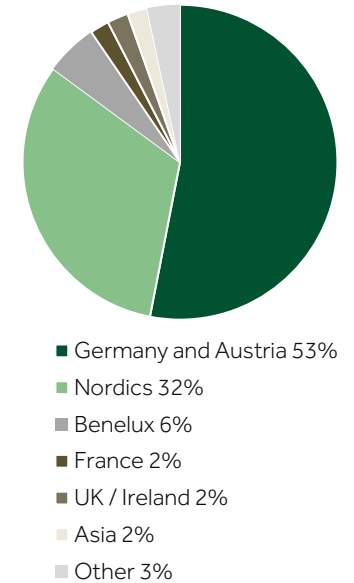
*Pricing indications end-January 2022

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

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