

Jyske Realkredit A/S

Annual report 2022

Published 28 February 2023

Result 2022

Result in 2022

- Pre-tax profit was DKK 1,743m
- Return on equity was 6.3 % p.a.
- No deterioration of credit quality from increasing interest rates and increasing inflation

2022 (compared to 2021)

- Administration margin at stable level
- Core earning increased with 6%
 - Positive effect from increasing interest rates on bond holdings
- Impairment charges was reversed with DKK 272m in 2022 compared to an increase of DKK 64m in 2021
 - Reversals on impairments from Covid-19

Expectations for 2022

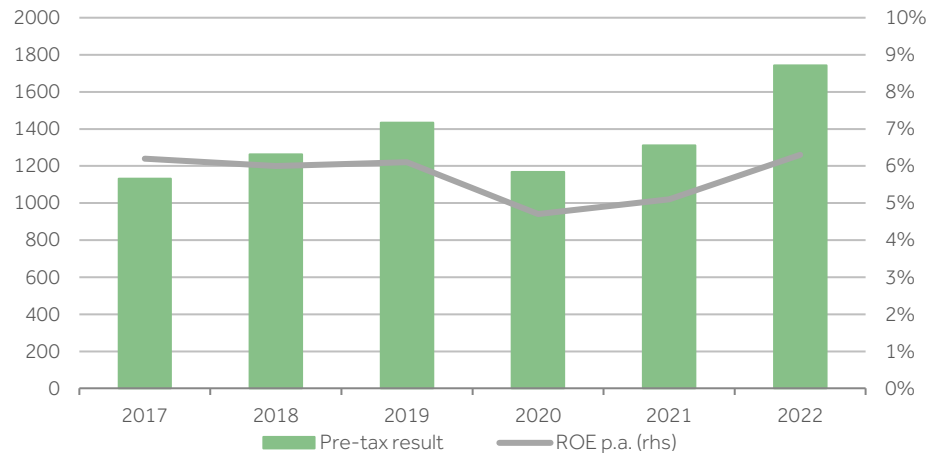
- Expect a full year result for 2023 of DKK 1.5bn – 1.7bn
 - Positive effect from activities bought from Svenske Handelsbanken

Core income statement (DKKm)

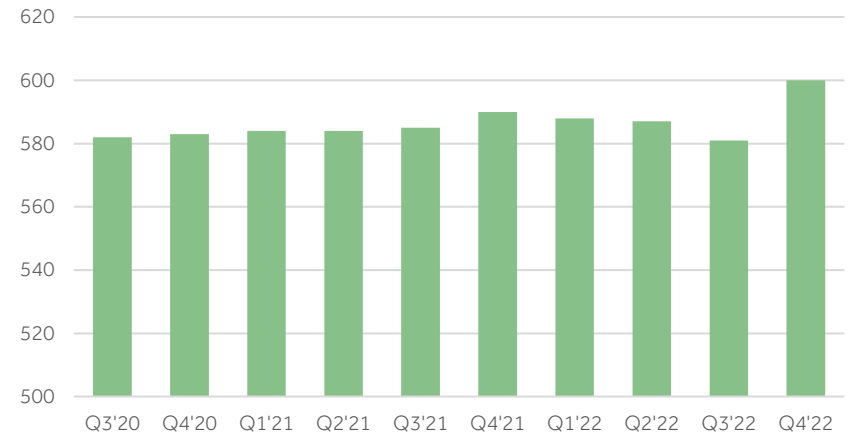
Core profit and net profit for the period	2022	2021	Index 22/21	Q4'22	Q3'22	Index q/q
Core operations						
Administration margin, etc.	2,356	2,343	101	600	581	103
Other net interest income	160	15	1,067	108	33	327
Net fees, charges and commission income etc.	-653	-706	92	-190	-194	98
Value adjustments	2	107	2	88	-10	-
Other income	0	5	-	0	-	-
Core earnings	1,865	1,764	106	606	410	148
Core expenses	394	389	101	98	96	102
Core earnings before loan impairment charges etc.	1,471	1,375	107	508	314	162
Loan impairment charges etc.	-272	64	-	-167	-12	-
Pre-tax profit	1,743	1,311	133	675	326	207
Tax	383	283	135	148	72	206
Net profit or loss for the period	1,361	1,028	132	527	254	207

Financials - selected graphs

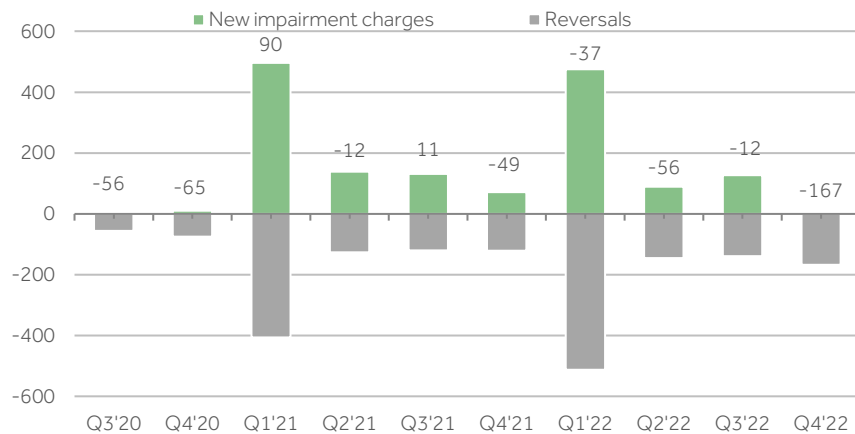
Result and return on equity



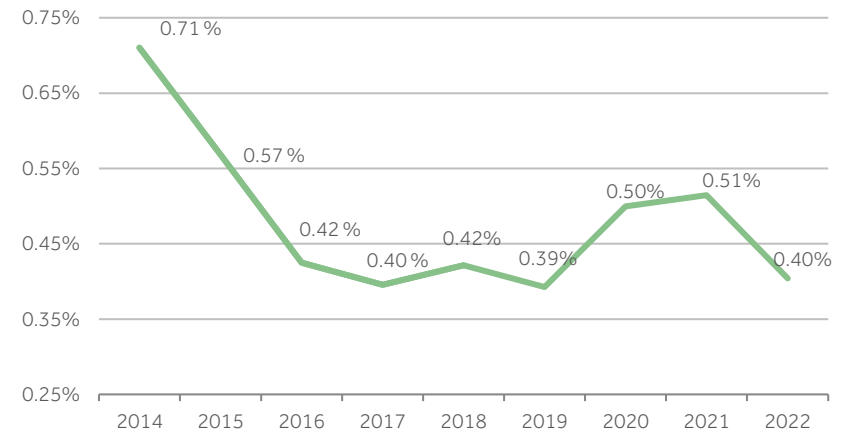
Administrative margin (DKKk)



Impairment charges and reversals (DKKk)



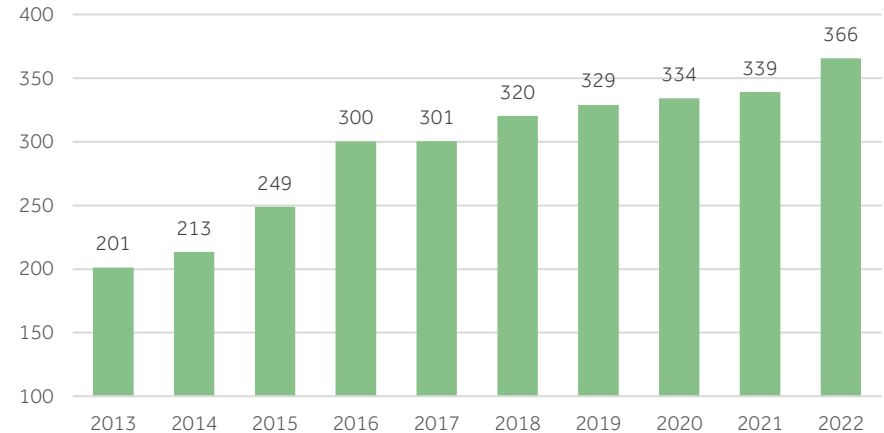
Balance of loan impairments in % of lending



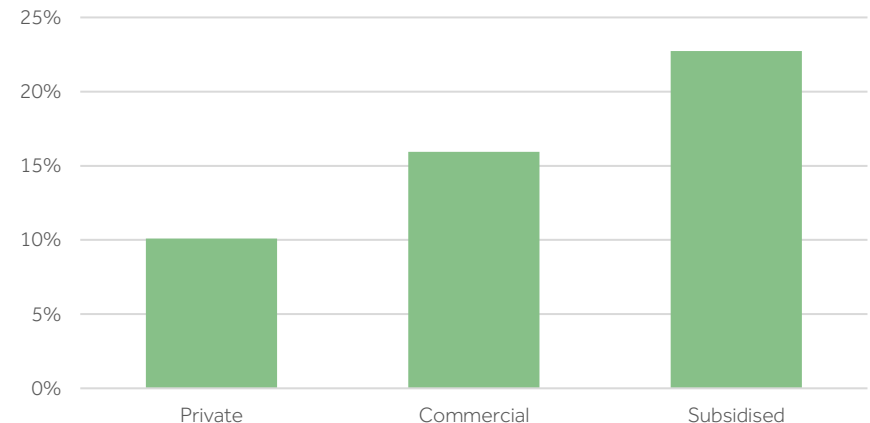
Growth in mortgage lending

- Nominal mortgage lending increased
 - Nominal mortgage lending increased with DKK 26.5bn in 2022
- Increase mainly driven by aquisition of activities from Svenske Handelsbanken
 - Financing loans from Svenske Handelsbanken of DKKbn 25 in Jyske Realkredit
 - Financing of primarely Danish private residential buildings
 - Financing in both covered bonds (premium) and covered bonds
 - The aquisition of activities from Svenske Handelsbanken is expected to have a positive effect on Jyske Realkredits result of approx. DKK 100m
- Growth in the portfolio creates larger issuances and lower funding costs

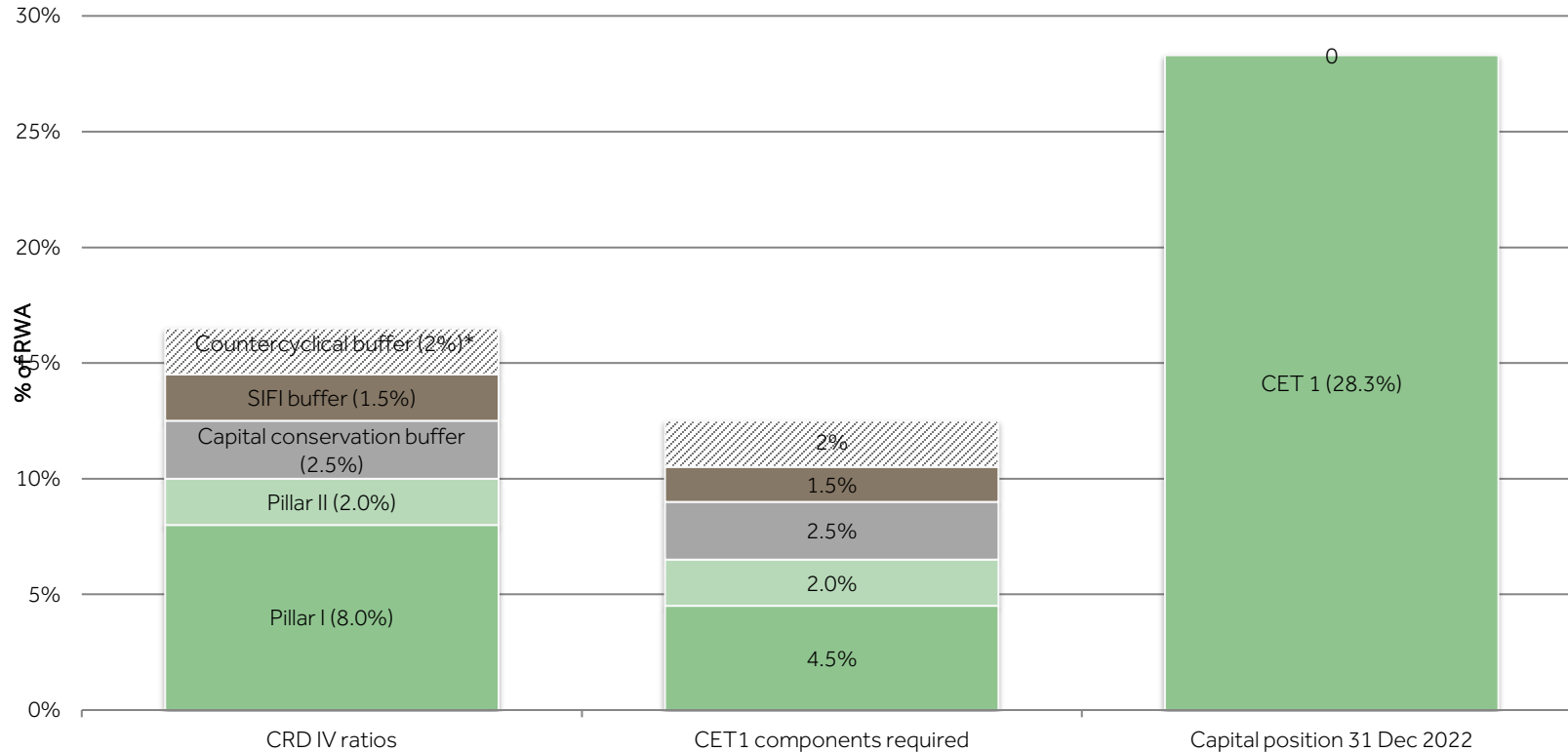
Total mortgage lending at nominel value (DKKbn)



Market share of mortgage market (%)



Jyske Realkredit is well capitalised

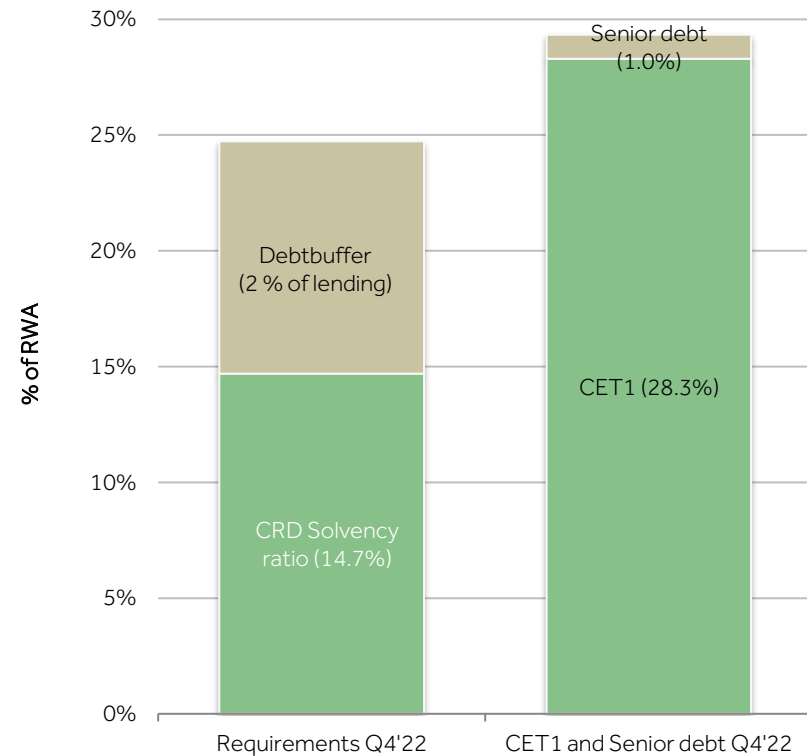


*) Countercyclical buffer set at 2.0% from 31 December 2022 and will be increased to 2.5% from 31 March 2023.

- The solvency need is at 16.0 % at the end of 2022, of which 12.5 % 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 2022 with CET1 and senior debt



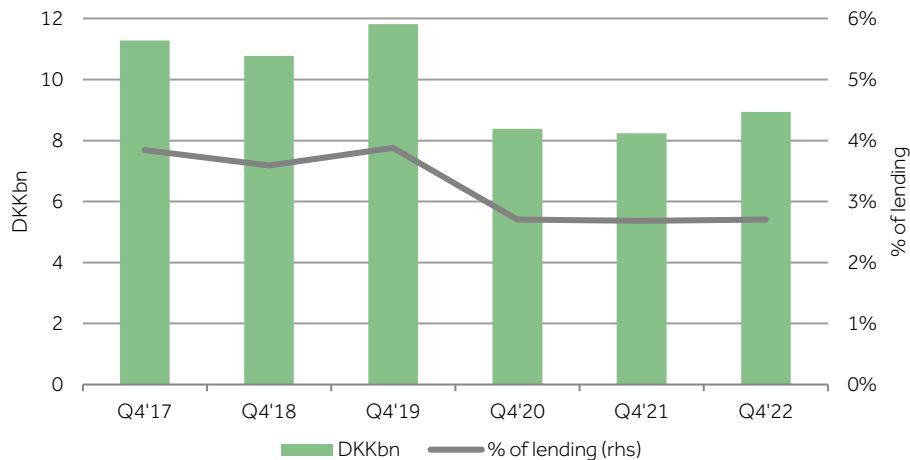
Rating

- 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 +115bn
- 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 %

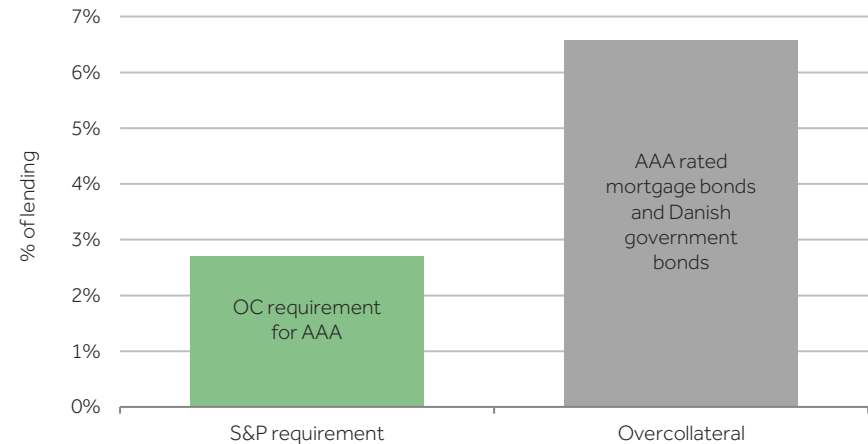
Rating Standard and Poor's

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

AAA rating requirement



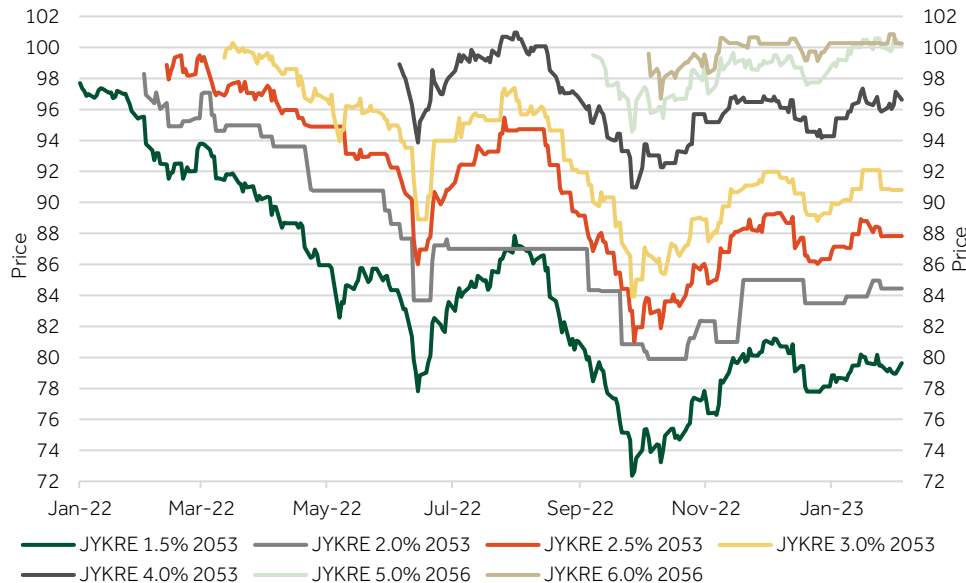
AAA rating requirement and overcollateral



Decreasing bond prices in 2022

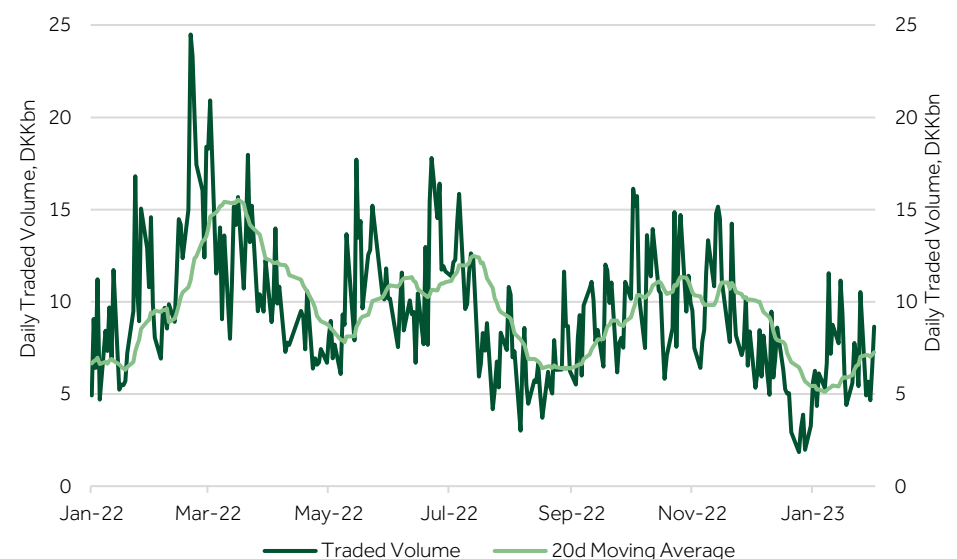
- On an overall basis bond prices decreased in 2022
 - End of year bond prices increased again
- Open series for financing 30-year fixed interest mortgage loans are at end of December 2022 at 6.0% and 5.0% 10YIO and 5.0% 30YIO
- The decreasing bond prices has led to high activity in the DKK covered bond market
 - Especially in Q1 2022 the activity was high with average sale of DKK 12bn per day

Prices for selected Jyske Realkredit callable bonds



Source: Bloomberg

Daily traded callable DKK covered bonds 2022

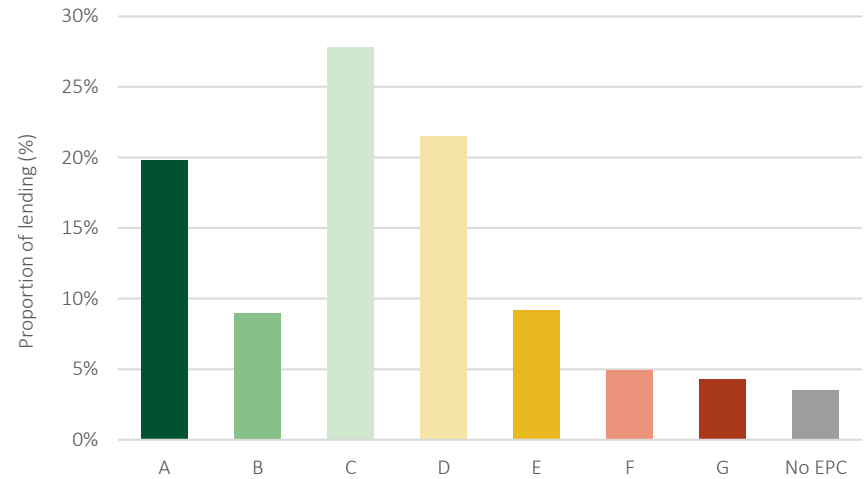


Source: Nasdaq Copenhagen

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	1,119	0.3%
Green buildings	7.3, 9.4	94,158	27.5%
Social housing	11.3	28,015	8.2%
Total		123,292	36.0%

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

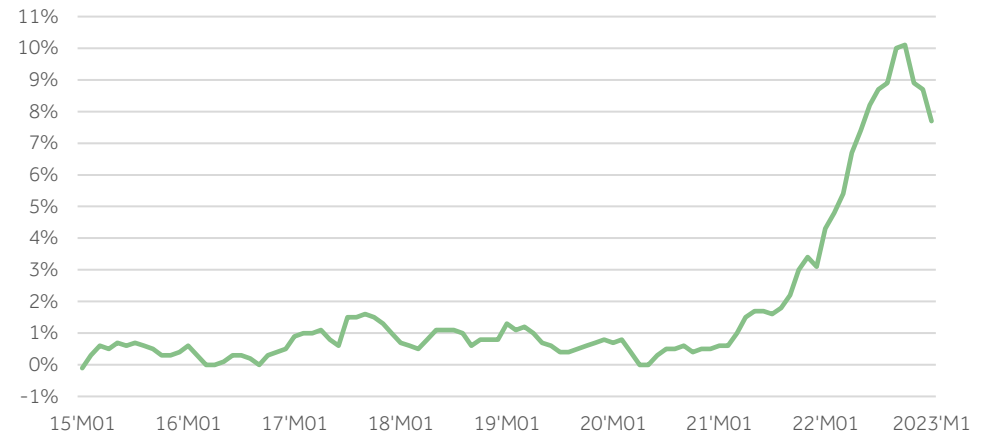
CO₂e emissions for Jyske Realkredit

Property type	Ton CO ₂ e (LTV adjusted)	Kg CO ₂ e/m ²
Owner-occupied homes	103,374	14.7
Subsidised Housing	31,147	6.7
Cooperative Housing	4,973	7.3
Private rental	24,362	6.8
Office, Business, Manufacturing	43,600	12.8
Other	12,899	8.9
Total	220,355	10.2

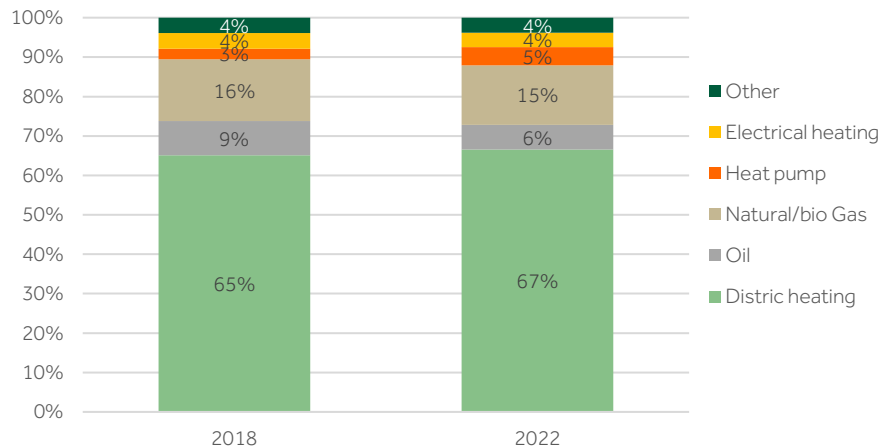
Increasing inflation in Denmark in 2022

- Consumer prices has increased 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
- Prices on district heating has increased less than prices on other heat sources
- Price on district heating is expected to increase with 13% next year

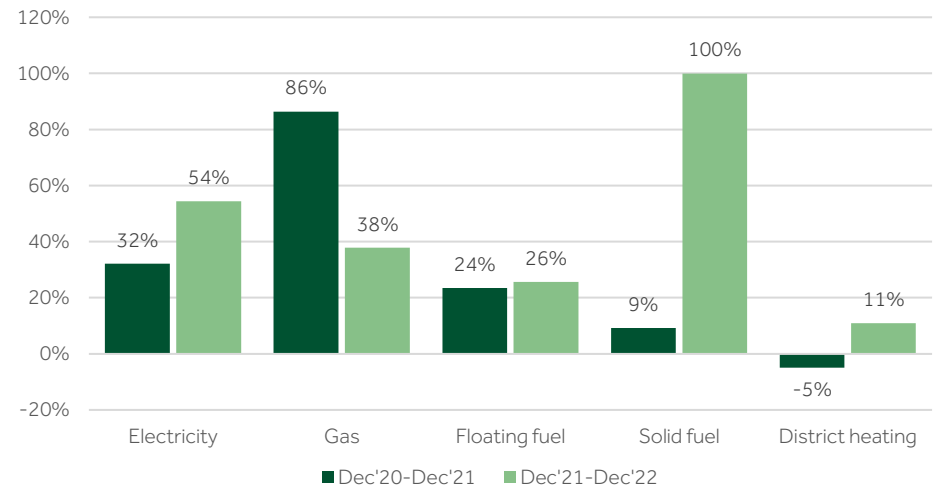
Consumer prices development %, y/y



Heating for Danish buildings



Yearly change in energy prices



Source: Statistics Denmark

Source: Statistics Denmark

Household behavior

- Large drop in consumer expectations in Q3 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



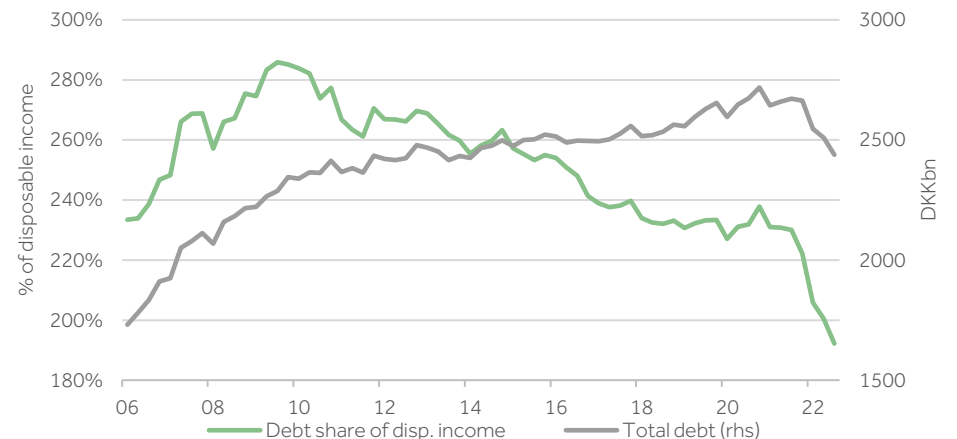
Source: Statistics Denmark

Private sector financial savings



Source: Statistics Denmark

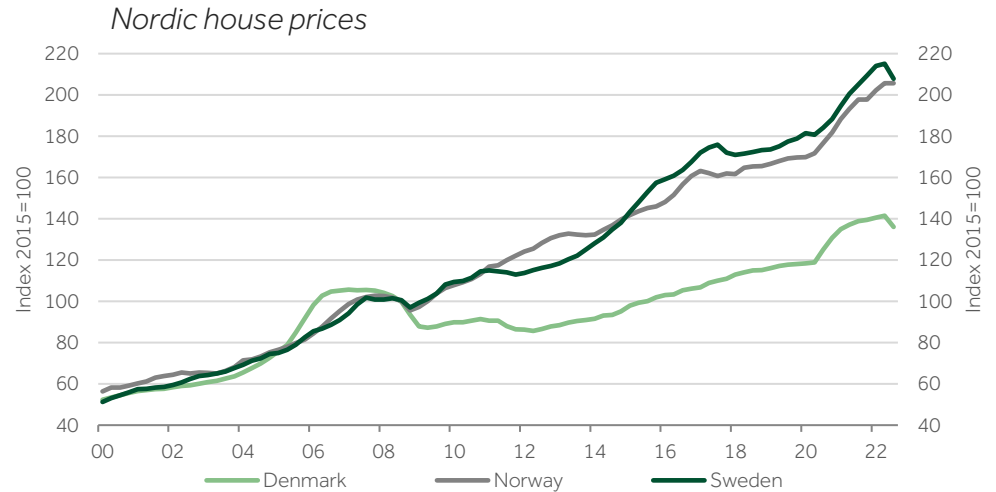
Household gross debt



Source: Statistics Denmark

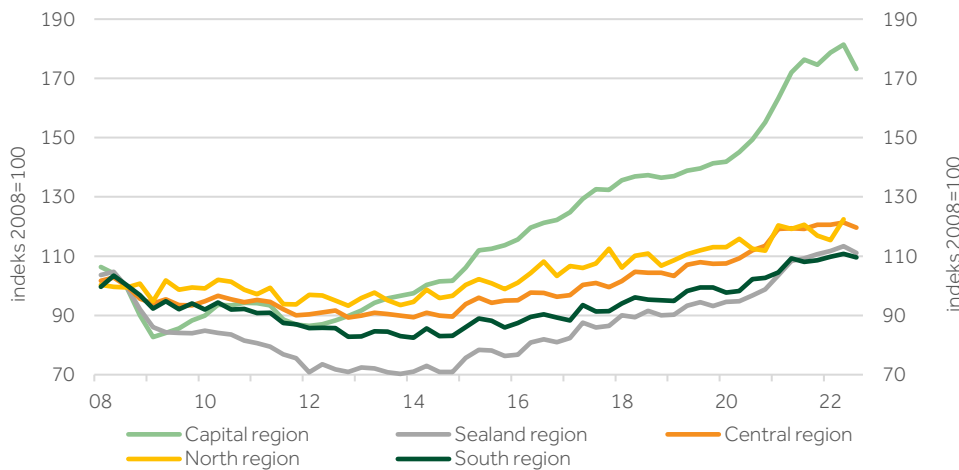
Danish housing market

- Decreasing property prices in Q3 and Q4 2022 in Denmark
 - ... but coming from a long period with increasing house prices
- Price development in capital region mainly driven by apartment prices
- Compared to Sweden and Norway prices on Danish housing market hasn't grown with same pace
- Growth in house prices are following wage-growth and development in interest rates



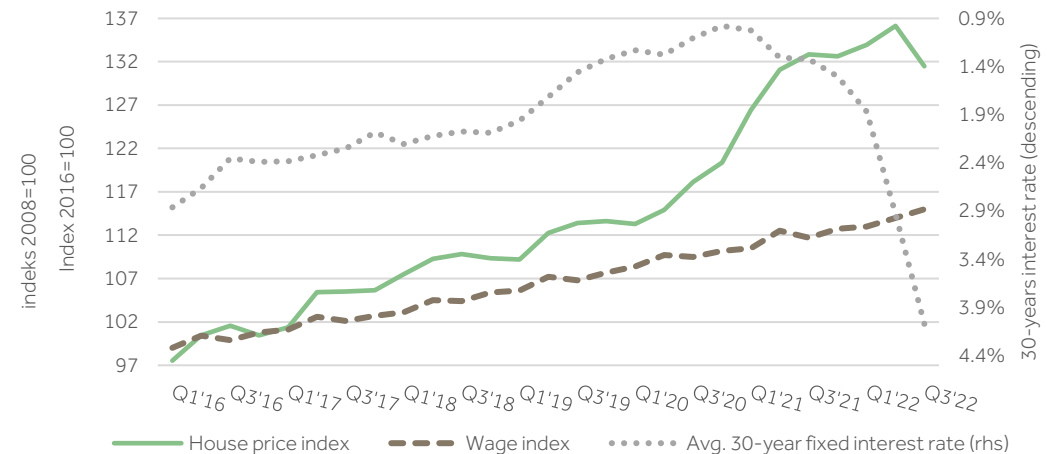
Source: OECD.Stat

Regional house prices in Denmark



Source: Association of Danish Mortgage Banks

Houseprices, wages and interest rate

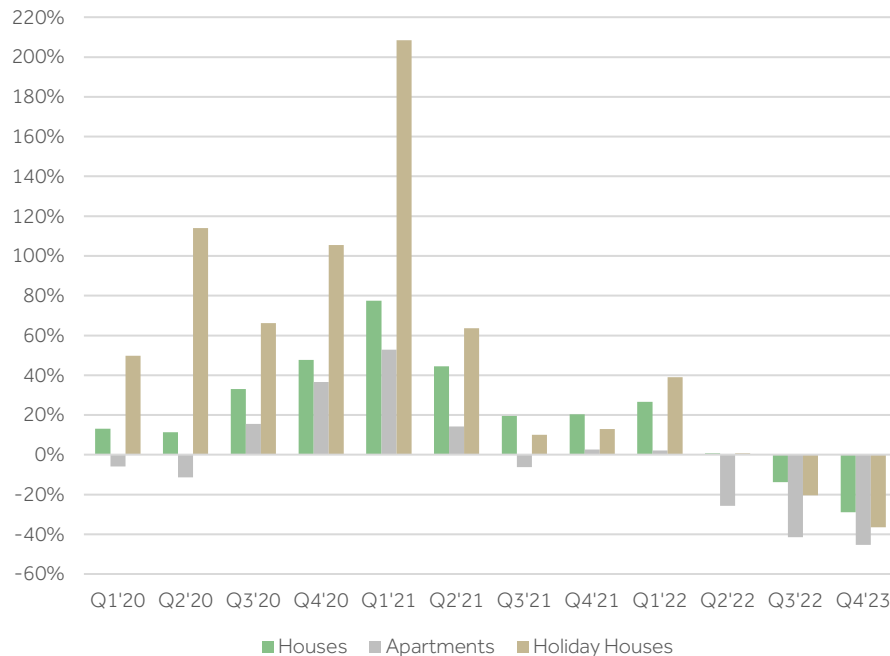


Source: Statistics Denmark

High activity and few properties for sale

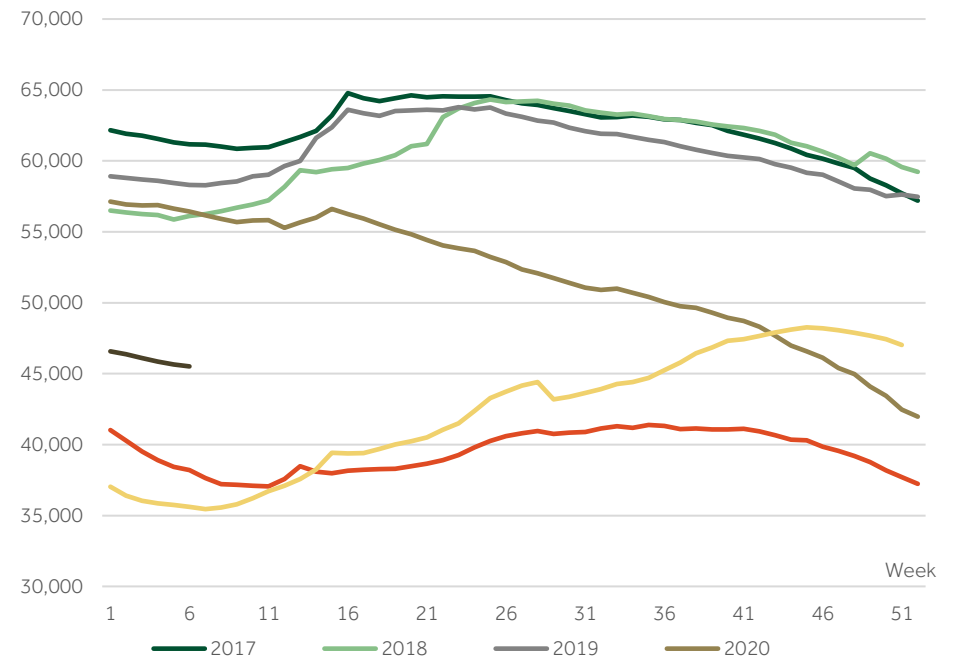
- Increasing interest rates and energy prices houseprices could affect house prices
- Very high activity on housing market after outbreak of Covid-19 has led to increasing house prices in 2020 and 2021
 - 8,5% growth in 2020 and 10,5% in 2021
- Relatively few properties listed for sale on the Danish housing market can support houseprices

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



Source: bolign.dk

Number of properties listed for sale



Source: bolign.dk

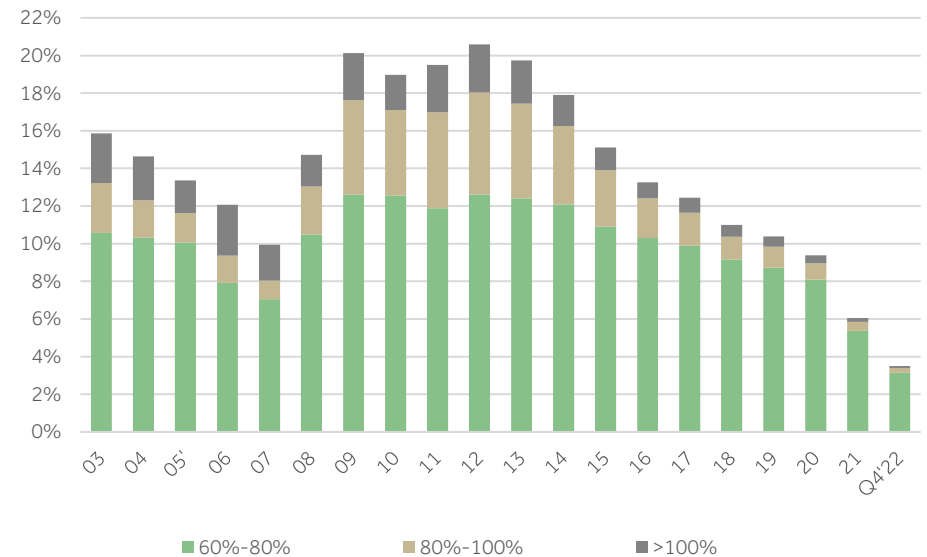
Development in credit risk

- The increasing interest rates and inflation 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
- Still a high level of impairment charges in Jyske Realkredit
 - Not full reversal of impairment charges taken out during Covid-19

15-day arrears for Jyske Realkredit

Segment	Q4'18	Q4'19	Q4'20	Q4'21	Q4'22
Private	1.5%	1.0%	0.7%	0.8%	0.8%
Commercial	0.5%	0.7%	0.5%	0.3%	0.2%
Total	0.58%	0.67%	0.49%	0.44%	0.43%

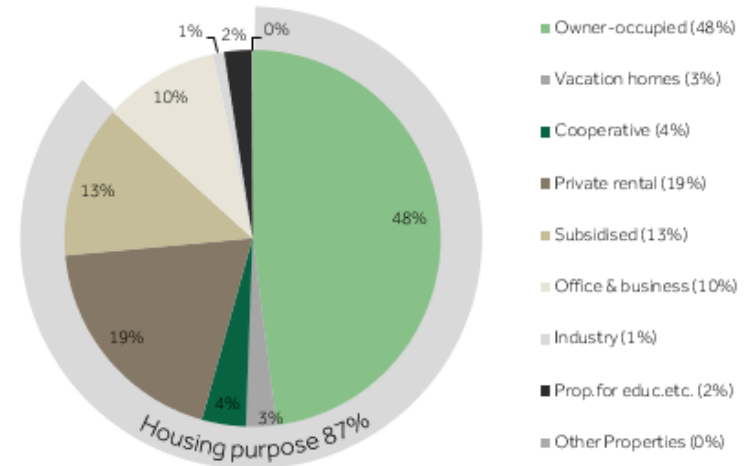
Loan-to-value above 60% as percentage of total lending



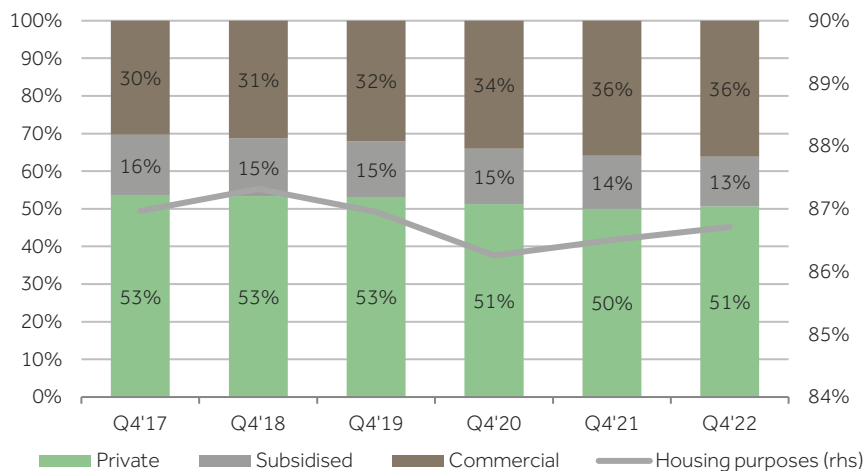
Portfolio

- 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 variable rate mortgages
 - Loans from Handelsbanken have mainly variable interest rate
- Increasing proportion of interest only loans in 2022

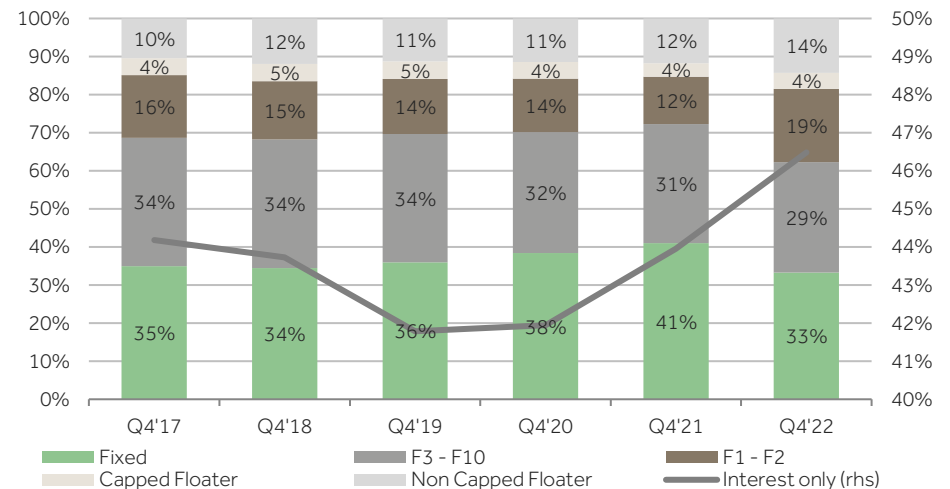
Lending portfolio



Development in lending portfolio

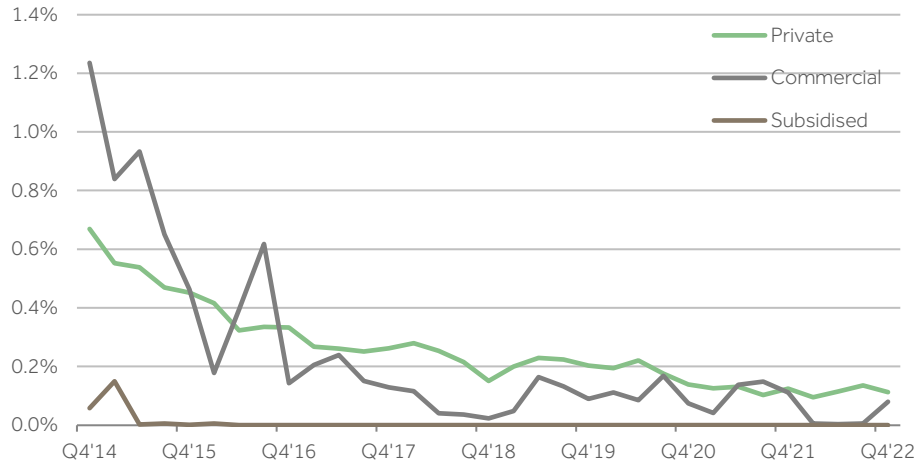


Development in loan types

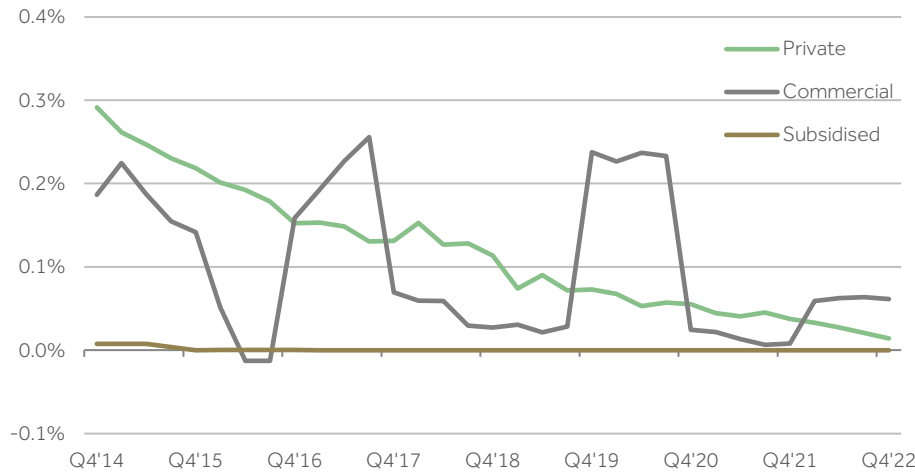


Credit quality

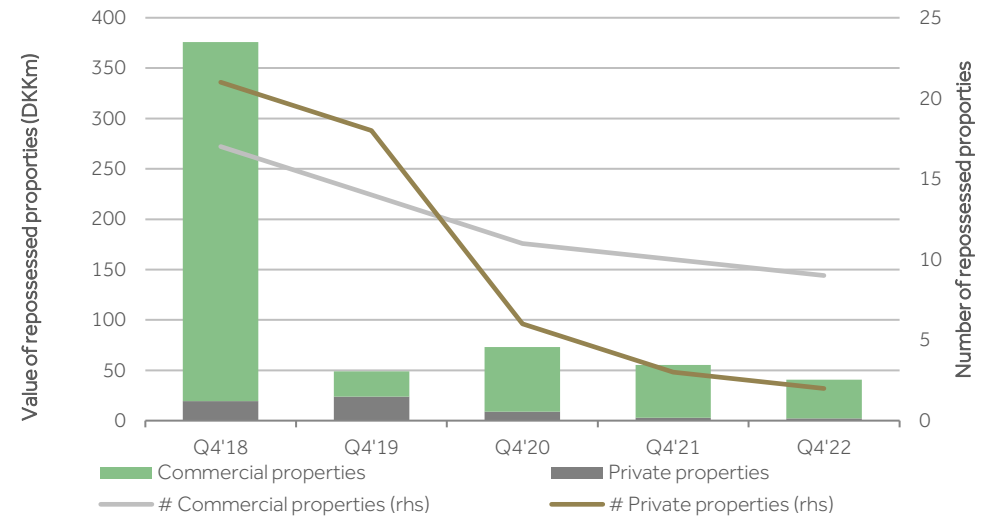
Lending in 90-days arrears (per cent of lending)



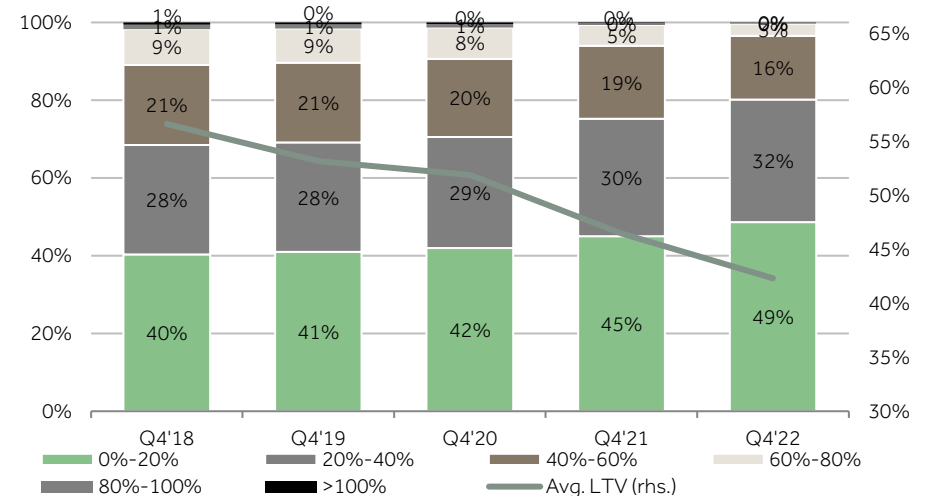
Yearly realised losses (running year)



Repossessed properties (DKKm/number)



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



Contact information

Chief Executive Officer

Carsten Tirsbæk Madsen
+45 89 89 90 50
ctm@jyskerealkredit.dk

Group Mortgage Funding

Anders Lund Hansen
+45 89 89 92 20
alh@jyskerealkredit.dk

Head of Rating & IR

Christian Bech-Ravn
+45 89 89 92 25
cbr@jyskerealkredit.dk

Jyske Realkredit A/S

Klampenborgvej 205
DK-2800 Kgs. Lyngby

Phone: 89 89 92 25

Fax: 45 88 99 64

E-mail: investors@jyskerealkredit.dk

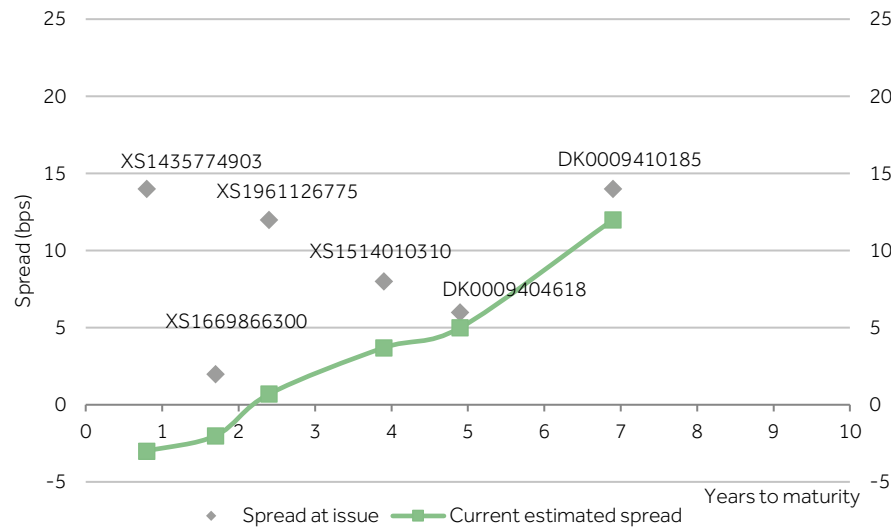
<http://www.jyskerealkredit.com>

Appendices



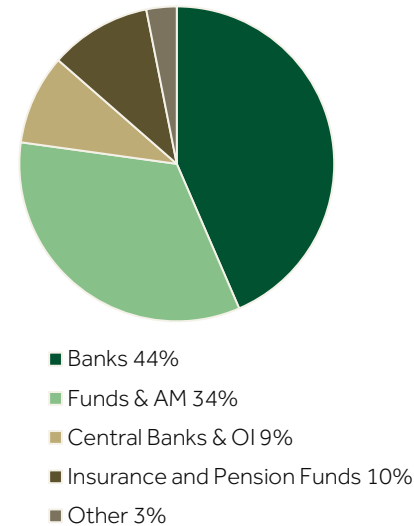
Jyske Realkredit EUR covered bonds

Jyske Realkredit EUR covered bond issuances*



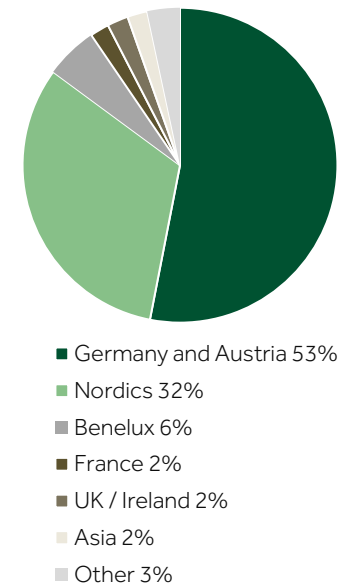
*Pricing indications end-October2022

Investor distribution*



*Figures are based on allocated amounts

Geographical distribution*



- Three first successful EUR covered bond issuances in 2016 and latest issue in August 2022
- Large interest from a wide variety of investor from different countries
- Strategy to be consistent issuer in EUR market
- 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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