



## Interim Financial Report, Q1 - Q3 2020

## Interim Financial Report, Q1 - Q3 2020

### **Management's Review**

- 3 Financial Highlights
- 4 Summary
- 5 Financial Review
- 10 Capital
- 17 Other Information

### **Interim Financial Statements**

- 18 Income Statement and Statement of Comprehensive Income
- 19 Balance Sheet
- 20 Statement of Changes in Equity
- 20 Capital Statement
- 21 Notes

### **Statement by the Executive and Supervisory Boards**

- 28 Statement by the Executive and Supervisory Boards

Jyske Realkredit A/S  
Klampenborgvej 205  
DK-2800 Kgs. Lyngby  
Telephone: +45 89 89 77 77  
[www.jyskerealkredit.dk](http://www.jyskerealkredit.dk)  
Business Reg. No. (CVR): 13409838

## Financial Highlights

### Core profit and net profit for the period, DKKm

	Q1-Q3 2020	Q1-Q3 2019	Index 20/19	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Full year 2019
Administration margin income, etc.	1,749	1,744	100	582	581	586	590	586	2,334
Other net interest income	23	43	54	2	15	6	16	9	58
Net fee and commission income, etc.	-423	-497	85	-177	-128	-119	-145	-199	-641
Value adjustments, etc. (- is an expense)	125	27	464	48	73	4	-21	-23	6
Other income	10	18	57	10	0	-	3	18	22
<b>Core income</b>	<b>1,484</b>	<b>1,335</b>	111	<b>465</b>	<b>541</b>	<b>477</b>	<b>443</b>	<b>391</b>	<b>1,778</b>
Core expenses	258	233	111	86	85	87	76	76	310
<b>Core profit before loan impairment charges</b>	<b>1,225</b>	<b>1,102</b>	111	<b>379</b>	<b>456</b>	<b>390</b>	<b>366</b>	<b>315</b>	<b>1,468</b>
Loan impairment charges and provisions for guarantees (- is income)	549	-5	-	-56	120	485	40	-22	35
<b>Core profit/Pre-tax profit</b>	<b>676</b>	<b>1,107</b>	61	<b>435</b>	<b>336</b>	<b>-95</b>	<b>326</b>	<b>337</b>	<b>1,434</b>
Tax (- is income)	153	-	63	95	80	-21	73	74	316
<b>Net profit for the period</b>	<b>523</b>	<b>1,107</b>	60	<b>341</b>	<b>256</b>	<b>-74</b>	<b>253</b>	<b>263</b>	<b>1,117</b>

### Summary of Balance Sheet, end of period, DKKm

Mortgage loans, fair value	343,405	339,778	101	343,405	340,929	337,693	338,666	339,778	338,666
Bonds and shares	17,529	18,954	92	17,529	20,082	17,414	18,565	18,954	18,565
Total assets	374,912	391,582	96	374,912	366,986	376,685	384,899	391,582	384,899
Issued bonds, fair value	350,964	367,591	95	350,964	343,320	352,402	361,388	367,591	361,388
Equity	19,384	18,608	104	19,384	19,043	18,787	18,861	18,608	18,861

### Financial ratios and key figures

Pre-tax profit p.a. as a percentage of average equity	4.7	8.1	-	9.1	7.1	-2.0	7.0	7.3	7.8
Profit for the period p.a. as a pct. of average equity	3.6	6.3	-	7.1	5.4	-1.6	5.4	5.7	6.1
Expenses as a percentage of income	17.4	17.5	-	18.5	15.7	18.2	17.4	19.4	17.4
Capital ratio (%)	24.0	22.2	-	24.0	23.6	23.3	23.1	22.2	23.1
Common Equity Tier 1 capital ratio (CET1 %)	24.0	22.2	-	24.0	23.6	23.3	23.1	22.2	23.1
Individual solvency requirement (%)	10.0	9.9	-	10.0	10.0	10.0	10.1	9.9	10.1
Capital base (DKKm)	19,355	18,547	-	19,355	19,014	18,720	18,811	18,547	18,811
Weighted risk exposure (DKKm)	80,509	83,432	-	80,509	80,470	80,393	81,321	83,432	81,321
No. of full-time employees at end-period	26	25	-	26	26	27	23	25	23
No. of employees split between the companies, at end-period <sup>1</sup>	481	383	-	481	478	481	474	383	474

<sup>1</sup> Employees split between the companies are included in the number of part-time employees stated in the interim financial report for Jyske Bank A/S, and their salaries are paid through Jyske Bank A/S. Jyske Realkredit A/S pays this expense for employees split between the companies through a service agreement with Jyske Bank A/S, and it is recognised under the item 'Core expenses'.

## Summary

In connection with the presentation of the Interim Financial Report for the first nine months of 2020, Carsten Tirsbæk Madsen, Chief Executive Officer, states:

“The profit for the first nine months of 2020 was affected by the outbreak of COVID-19, which was especially evident in the first quarter of 2020. Despite the partial reopening of the economy and the substantial economic aid packages that have reduced the immediate risk in the property market, there is in the long term uncertainty about the effects on the price and revenue development as well as the clients’ ability to pay. However, at this time, Jyske Realkredit has not seen indications of deterioration of the credit quality of the loan portfolio, but for reasons of cautiousness Jyske Realkredit has chosen to maintain both a general management's estimate in the amount of DKK 415m and impairment charges in the amount of DKK 187m on specific corporate accounts. The provision was made in the first half of 2020 based on the COVID-19 situation.”

### **Net profit for the period**

Net profit for the period came to DKK 523m, corresponding to a return on equity of 3.6% p.a. Uncertainty relating to the COVID-19 situation caused considerable impairment charges in the first half of 2020. So far, no deterioration of clients’ ability to pay has been established. However, uncertainty about possible consequences of COVID-19 caused management to keep the impairment charges made in the first half of the year.

In the first nine months of 2020, administration margin income rose slightly relative to the first nine months of 2019 and was positively affected by the increase in loans, yet negatively affected by clients’ remortgaging from floating rate products to fixed-rate products, on which the administration margin is lower.

In the first nine months of 2020, core expenses rose relative to the same period of 2019. The increase can be attributed to higher expenses relating to the intra-group service agreement, among other things due to more employees being allocated to Jyske Realkredit.

In the first nine months of 2020, the nominal loan portfolio grew by DKK 4 bn.

The capital base of Jyske Realkredit is solid with a capital and Tier 1 Capital ratio of 24.0%.

### **Capital**

At the end of the third quarter of 2020, Jyske Realkredit had a capital buffer of DKK 8.1 bn. It is expected that the current financial resources can withstand even severe scenarios.

The lower countercyclical buffer reduces the company’s need to issue new senior debt. On an ongoing basis, Jyske Realkredit assesses the need for issues subject to regulatory issues and market conditions.

### **Outlook**

Jyske Realkredit anticipates that the economic activity level in Denmark will fall in 2020.

It is expected that core profit before impairment charges will be realised at a slightly higher level than in 2019, provided that the interest-rate level remains unchanged, primarily due to a better return on the company’s fixed portfolio of securities. Until and including October, no material deterioration has been established in the credit quality of the loan portfolio. Arrears and workout agreement are at very low levels. Due to the uncertain macroeconomic situation and the effects from this, Jyske Realkredit has in the first nine months of 2020 both made a significant management's estimate and increased individual impairment charges. There is every indication that an increase in the level of losses, if any, will not be realised until 2021. Given its satisfactory balance of impairment charges as well as its solid capital level, Jyske Realkredit is in a good position to handle rather widespread consequences of the COVID-19 outbreak.

## Financial Review

### Net profit for the period

In the first nine months of 2020, Jyske Realkredit generated a pre-tax profit of DKK 676m against DKK 1,107m in the corresponding period of last year. The profit for the first nine months of 2020 was adversely affected by impairment charges in the amount of DKK 415m relating to the expected impact on the loan portfolio from the Covid-19 situation. Calculated tax amounted to an expense of DKK 153m (first nine months of 2019: DKK 243m), and therefore the profit for the period came to DKK 523m (first nine months of 2019: DKK 864m) corresponding to a return of 3.6% p.a. on average equity (first nine months of 2019: 6.3% p.a.).

#### Core profit and net profit for the period, DKKm

	Q1-Q3 2020	Q1-Q3 2019	Index 20/19	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Full year 2019
Administration margin income, etc.	1,749	1,744	100	582	581	586	590	586	2,334
Other net interest income	23	43	54	2	15	6	16	9	58
Net fee and commission income, etc.	-423	-497	85	-177	-128	-119	-145	-199	-641
Value adjustments, etc. (- is an expense)	125	27	464	48	73	4	-21	-23	6
Other income	10	18	57	10	0	-	3	18	22
<b>Core income</b>	<b>1,484</b>	<b>1,335</b>	111	<b>465</b>	<b>541</b>	<b>477</b>	<b>443</b>	<b>391</b>	<b>1,778</b>
Core expenses	258	233	111	86	85	87	76	76	310
<b>Core profit before loan impairment charges</b>	<b>1,225</b>	<b>1,102</b>	111	<b>379</b>	<b>456</b>	<b>390</b>	<b>366</b>	<b>315</b>	<b>1,468</b>
Loan impairment charges and provisions for guarantees (- is income)	549	-5	-	-56	120	485	40	-22	35
<b>Core profit/Pre-tax profit</b>	<b>676</b>	<b>1,107</b>	61	<b>435</b>	<b>336</b>	<b>-95</b>	<b>326</b>	<b>337</b>	<b>1,434</b>
Tax (- is income)	153	243	63	95	80	-21	73	74	316
<b>Net profit for the period</b>	<b>523</b>	<b>864</b>	60	<b>341</b>	<b>256</b>	<b>-74</b>	<b>253</b>	<b>263</b>	<b>1,117</b>

### Core income

Core income, consisting primarily of administration margin income, etc. as well as brokerage and fee income from mortgage activities, amounted to DKK 1,484m in the first nine months of 2020 against DKK 1,335m in the first nine months of 2019.

Administration margin income, etc. for the first nine months of 2020 amounted to DKK 1,749m against DKK 1,744m for the corresponding period of 2019, i.e. an increase of less than 1%. Mortgage loans stated at nominal value grew by 2% over the same period. The second half of 2019 and the first quarter of 2020 were affected by high remortgaging activity on the part of both personal and corporate clients. Quite a number of personal clients remortgaged, switching from floating-rate to fixed-rate products, where the administration margin is lower, which resulted in a small decline in the average administration margin rate. This is the main reason why the increase in administration margin income, etc. was not in line with the increase in the portfolio.

Other net interest income consists of interest on the portfolio of securities as well as various interest income and amounted to an income of DKK 23m in first nine months of 2020 against an income of DKK 43m in the corresponding period last year. The decline by DKK 20m can be attributed to lower interest income from claims previously written off as well as lower interest income on the fixed portfolio of securities (negative interest).

Net fee and commission income, etc. amounted to an expense of DKK 423m in the first nine months of 2020 against an expense of DKK 497m in the first nine months of 2019. The difference can primarily be attributed to the agreement on distribution fees relating to mortgage loans, etc. to Jyske Bank, which after set off of recognised losses amounted to DKK 781m for the first nine months of 2020 against DKK 913m for the first nine months of 2019. On the other hand, in the first nine months of 2020, other net fee and commission income declined to DKK 358m against DKK 416m in the corresponding period of 2019. The development can primarily be attributed to the remortgaging activity, which was high in the third quarter of 2019.

Value adjustments etc. amounted to an income of DKK 125m in the first nine months of 2020 against an income of DKK 27m in the first nine months of 2019. Of the increase, DKK 80m can be attributed to higher value adjustments of the fixed portfolio of securities, which consists primarily of bonds. In addition, the company's shareholding held with VP

Securities, which was sold in 2020, was subject to positive value adjustments. On the other hand, value adjustments on bonds relating to core operations were lower due to the lower remortgaging activity.

Other income related primarily to dividends received.

### **Core expenses**

Core expenses amounted to DKK 258m in the first nine months of 2020 against DKK 233m for the same period of 2019. The increase can be attributed to higher expenses relating to the intra-group service agreement, among other things due to more employees being allocated to Jyske Realkredit.

For the first nine months of 2020, core profit before loan impairment charges and provisions for guarantees amounted to DKK 1,225m against DKK 1,102m in the first nine months of 2019.

### **Impairment charges**

Loan impairment charges amounted to an expense of DKK 549m in the first nine months of 2020 against an income of DKK 5m in the first nine months of 2019. Of the impairment charges in the first nine months of 2020, DKK 415m can be attributed to a management's estimate for the impact of COVID-19 on the loan portfolio.

The management's estimate of effects caused by the COVID-19 outbreak was calculated on the basis of the most recent macroeconomic forecasts as well as qualitative observations of the development. Currently, various rescue packages from the government support businesses, and therefore the effect on the portfolio is still limited.

Moreover, an additional indication of impairment in the amount of DKK 187m on some large corporate accounts has been recognised, as the value of the underlying security provided was reassessed, due to the COVID-19 situation, among other things.

No significant impairment of the clients' ability to pay has been established in relation to COVID-19. Generally the loan portfolio shows improved credit quality. Hence, aside from the COVID-19-related impairment charges, impairment charges have to a small extent been reversed.

Relative to total loans, the effect from the impairment charges on the income statement amounted to 0.16% in the first nine months of 2020 against 0.002% in the same period of 2019.

Jyske Realkredit's holding of assets held temporarily amounted to DKK 79m as at 30 September 2020 against DKK 107m at the end of 2019.

Jyske Realkredit had no exposures after deductions that accounted for more than 10% of the capital base. The concentration risk is watched closely and all large exposures are monitored on an on-going basis.

The total balance of impairment charges amounted to DKK 1,809m at the end of September 2020 (end of 2019: DKK 1,330m) corresponding to 0.5% of total loans, which is an increase by 0.1 percentage point relative to the level at the end of 2019.

**Loans, advances and guarantees, DKKm**

	Q1-Q3 2020	Q1-Q3 2019	Index 20/19	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Full year 2019
Non-performing loans and guarantees:									
Loans, advances and guarantees before impairment charges	3,617	3,950	92	3,617	3,367	3,671	3,888	3,950	3,888
Impairment charges	758	462	164	758	665	523	457	462	457
Loans, advances and guarantees after impairment charges	2,859	3,488	82	2,859	2,702	3,148	3,431	3,488	3,431
NPL ratio (%)	0.8	1.0	81	0.8	0.8	0.9	1.0	1.0	1.0
NPL contribution ratio (%)	21.0	11.7	179	21.0	19.8	14.2	11.8	11.7	11.8
Past due mortgage loans (90 days)	494	530	93	494	479	461	450	530	450
Operational loan impairment charges	549	-5	-	-57	121	485	40	-22	35
Operating losses	91	113	81	3	29	59	59	-8	148

### Arrears rate

The arrears rate measured 90 days after the June 2020 repayment date amounted to 0.2%, which is the same level after the corresponding repayment date of the previous year. The arrears rate measured 15 days after the September 2020 repayment date amounted to 0.7% against 0.8% after the corresponding repayment date in 2019.

Arrears rate						
	September 2020	June 2020	March 2020	December 2019	September 2019	June 2019
After 90 days	-	0.2	0.3	0.2	0.2	0.2
After 15 days	0.7	0.6	0.9	0.8	0.8	0.9

Despite the COVID-19 situation in Denmark, only very few clients are right now defaulting on the payments on their mortgage loans.

### The third quarter of 2020 compared to the second quarter of 2020

The net profit for the third quarter of 2020 amounted to DKK 341m against DKK 256m for the second quarter of 2020.

Administration margin income etc. rose from DKK 581m in the second quarter to DKK 582m in the third quarter. The increase relates to the corporate client area, which saw increasing loans in the third quarter. The personal client area saw a slight decline in administration margin income, etc. in the third quarter which can be attributed to remortgaging from products with a variable interest rate to products with a fixed interest rate, for which the administration margin/risk is lower. The activity in remortgaging is yet to a more limited extent than previously.

Other net interest income amounted to DKK 2m in the third quarter of 2020 against DKK 15m in the second quarter. The decrease can primarily be attributed to a negative interest yield on the company's fixed portfolio of securities in the third quarter.

Net fee and commission income, etc. amounted to an expense of DKK 177m in the third quarter of 2020 against an expense of DKK 128m in the second quarter. Fee and commission income etc. rose from an income of DKK 70m in the second quarter of 2020 to an income of DKK 135m in the third quarter of 2020. The increase can be attributed to some remortgaging activity in the third quarter of 2020 as well as higher income from the refinancing of adjustable-rate loans in connection with the largest refinancing of the year. Distribution fees to Jyske Bank amounted to DKK 312m in the third quarter of 2020 against DKK 198m in the second quarter. The increase in the distribution fee paid to Jyske Bank was caused by the above-mentioned higher fee income, among other things. In addition, higher value adjustments from the core portfolio of bonds as well as fewer recognised losses, which can be offset against the distribution fee, also contributed to the increase in distribution fees.

Value adjustments amounted to an income of DKK 48m in the third quarter of 2020 against an income of DKK 73m in the second quarter. The decline can be attributed to fewer value adjustments on the company's fixed portfolio of securities and also to the value adjustment in the second quarter of the company's shareholding held with VP Securities in connection with the sale of the holding. On the other hand, the period saw higher value adjustments on the core portfolio of bonds, among other things due to the slightly higher remortgaging activity in the third quarter.

Other income of DKK 10m in the third quarter related to dividends received.

Core expenses amounted to DKK 86m in the third quarter of 2020 against DKK 85m in the second quarter.

Losses and impairment charges amounted to an income of DKK 56m in the third quarter of 2020 against an expense of DKK 120m in the second quarter. The income in the third quarter can primarily be attributed to the improved credit quality of the company's personal clients. Due to this improvement, impairment charges were reversed on a net basis.

The profit before tax amounted then to DKK 435m for the third quarter of 2020 against DKK 336m for the second quarter.

## Balance sheet

At the end of September 2020, Jyske Realkredit's balance sheet amounted to DKK 375 bn (DKK 385 bn at the end of 2019).

Loans at fair value rose from DKK 338.7 bn at the end of 2019 to DKK 343.4 bn at the end of September 2020, corresponding to an increase by 1.4%. Over the same period, nominal mortgage loans increased from DKK 329.0 bn to DKK 333.4 bn, corresponding to an increase by 1.3%. This increase can primarily be attributed to the corporate client area.

Equity was affected by the profit for the period by DKK 523m and amounted to DKK 19,384m at the end of September 2020 (DKK 18,861m at the end of 2019).

### Summary of Balance Sheet, end of period, DKKm

	30 Sept. 2020	30 Sept. 2019	Index 20/19	30 Sept. 2020	30 June 2020	31 March 2020	31 Dec. 2019	30 Sept. 2019
Assets / equity and liabilities	374,912	391,582	96	374,912	366,986	376,685	384,899	391,582
Mortgage loans, nominal value	333,440	326,132	102	333,440	331,826	332,233	329,043	326,132
Loans and advances at fair value	343,405	339,778	101	343,405	340,929	337,693	338,666	339,778
Issued bonds, fair value	350,964	367,591	95	350,964	343,320	352,402	361,388	367,591
Equity	19,384	18,608	104	19,384	19,043	18,787	18,861	18,608

## Capital

### Capital management

The purpose of Jyske Realkredit's capital management is to ensure mortgage activities on the basis of the strategy defined by the Supervisory Board. Jyske Realkredit's desired risk profile aims to reach a solvency ratio sufficient for Jyske Realkredit to continue its lending activities during a period of difficult business conditions. The available capital must be such that regulatory and internal capital requirements are met during such a period, and it must be possible for Jyske Realkredit to weather heavy unexpected losses.

### Capital base

Jyske Realkredit's capital base amounts to DKK 19.4 bn (at the end of 2019: DKK 18.8 bn) and consists solely of Common Equity Tier 1, i.e. paid-up equity as well as retained profits. Hence, Jyske Realkredit's capital base does not include any loan capital, which is in line with Jyske Realkredit's wish to have a high quality of its capital base.

### Capital requirement

The regulatory capital requirement (Tier I) is based on the measurement of the risk exposure for the risk types credit risk, market risk and operational risk, for which various methods of accounting can be applied. As regards the majority of Jyske Realkredit's loan portfolio, Jyske Realkredit has obtained permission to use internally developed risk models (AIRB) for the determination of the credit risk, whereas the standardised approach is used for the remaining loans. When determining market risk and operational risk, the standardised approach is applied to the two risk types.

At the end of the third quarter of 2020, the capital ratio at 24.0% was higher than the ratio at the end of 2019 (23.1%) and constituted therefore a solid level relative to Jyske Realkredit's long-term capital management objective of 20.0%. The capital ratio level is identical to the level of the Common Equity Tier 1 capital ratio and hence the core capital ratio.

### Own funds, risk exposure and solvency

DKKm	30 September 2020	31 December 2019
Equity	19,384	18,861
Diff. between expected loss and impairment charges (deduction)	-	-23
Prudent valuation	-25	-23
Deferred tax assets	-3	-4
<b>Common Equity Tier 1 capital / Core capital</b>	<b>19,355</b>	<b>18,811</b>
<b>Capital base</b>	<b>19,355</b>	<b>18,811</b>
Credit risk	77,025	77,665
Market risk	19	20
Operational risk	3,464	3,636
<b>Total risk exposure</b>	<b>80,509</b>	<b>81,321</b>
Common Equity Tier 1 capital ratio (%)	24.0	23.1
Tier 1 Capital ratio (%)	24.0	23.1
Capital ratio (%)	24.0	23.1

### ICAAP and individual solvency requirement

Jyske Realkredit's ICAAP (Internal Capital Adequacy Assessment Process) forms the basis of the assessment of Jyske Realkredit's capital structure and hence the determination of the company's adequate capital base as well as its individual solvency requirement. The assessment is based on the current relation between the company's risk profile and capital structure as well as forward-looking considerations that may affect this.

### Adequate capital base

The determination of the adequate capital base (Pillar I + Pillar II) for Jyske Realkredit takes place according to the 8+ method based on the capital requirement of 8% of the total risk exposure with additions to cover further risks that are assessed not to be covered by the capital requirement. These may be either risks that are assessed not to be covered by the capital requirement or risks that are assessed to be above normal in relation to the capital requirement for the risk type in question.

When assessing the adequate capital base, all circumstances as mentioned in appendix 1 in the Executive Order on Calculation of Risk Exposures, Own Funds and Solvency Need are included. Based on Jyske Realkredit's business model and risk profile, the importance of the individual circumstances on Jyske Realkredit's capital structure is assessed. For

the circumstances that are assessed to be most material, the size of the capital addition is quantified, among other things based on the guidelines in the instructions on adequate capital base and solvency requirements.

At the end of the third quarter of 2020, Jyske Realkredit was exposed to credit risks, market risks and operational risks that necessitated a separate addition to the Pillar I capital requirement.

The adequate capital base for Jyske Realkredit amounted to DKK 8.1 bn at the end of the third quarter of 2020, corresponding to an individual solvency requirement of 10.0%, i.e. a decline by 0.1 percentage point relative to the end of 2019.

### Buffer requirements and excess capital adequacy

The combined capital buffer requirement consists of the statutory buffers in the form of the systemic risk buffer, the capital conservation buffer as well as the countercyclical buffer. The two former have been fully phased in and amount to 1.5% and 2.5% of the total risk exposure amount, whereas the size of the countercyclical buffer depends on the economic trends. Currently the countercyclical buffer amounts to 0% of the total risk exposure due to the decision by the Minister for Industry, Business and Financial Affairs to release the requirement earlier this year.

Hence, Jyske Realkredit's adequate capital base plus the combined capital buffer requirement amounts to DKK 11.3 bn, corresponding to an individual solvency requirement, inclusive of statutory buffers, of 14.0% of the total risk exposure amount. Given the capital base of DKK 19.4 bn, Jyske Realkredit's excess capital adequacy amounts to DKK 8.1 bn.

### Adequate capital base, combined capital buffer requirement and excess capital adequacy

DKKm/% of REA	30 September 2020		31 December 2019	
Credit risk	6,162	7.7	6,213	7.6
Market risk	2	0.0	2	0.0
Operational risk	277	0.3	291	0.3
<b>Capital requirement, Pillar I</b>	<b>6,441</b>	<b>8.0</b>	<b>6,506</b>	<b>8.0</b>
Credit risk	1,422	1.8	1,485	1.8
Market risk	145	0.2	144	0.2
Operational risk	60	0.1	60	0.1
<b>Capital requirement, Pillar II</b>	<b>1,627</b>	<b>2.0</b>	<b>1,689</b>	<b>2.1</b>
<b>Adequate capital base</b>	<b>8,068</b>	<b>10.0</b>	<b>8,194</b>	<b>10.1</b>
Capital conservation buffer	2,013	2.5	2,033	2.5
Systemic risk buffer	1,208	1.5	1,220	1.5
Countercyclical buffer	-	-	813	1.0
<b>Combined capital buffer requirement</b>	<b>3,220</b>	<b>4.0</b>	<b>4,066</b>	<b>5.0</b>
<b>Adequate capital base, incl. combined capital buffer requirement</b>	<b>11,289</b>	<b>14.0</b>	<b>12,260</b>	<b>15.1</b>
<b>Excess capital adequacy</b>	<b>8,067</b>	<b>10.0</b>	<b>6,550</b>	<b>8.1</b>

### Debt buffer requirement

Mortgage credit institutions are exempt from the minimum requirement for own funds and eligible liabilities (MREL), but on the other hand, they must meet a debt buffer requirement, amounting to 2% of non-weighted loans. In addition to applying the unused part of the capital base, the debt buffer requirement can be met by issuing senior debt. Currently Jyske Realkredit has issued senior debt in the amount of DKK 750m, maturing in September 2024. At the end of the third quarter of 2020, the debt buffer requirement amounted to DKK 6.9 bn.

Jyske Realkredit is part of the Jyske Bank Group, which as a consolidated company has been appointed a systemically important financial institution (SIFI). For the Jyske Bank Group, a requirement must be set at the size of the Group's eligible liabilities at a consolidated level, where the debt buffer is set at a level, minimum 2%, to ensure that the overall requirement of the Group's debt buffer, capital base and eligible liabilities amount to at least 8% of the Group's total liabilities. The overall requirement must be met no later than 1 January 2022.

### Leverage Ratio

The leverage ratio is defined as the ratio between Jyske Realkredit's core capital and total unweighted exposures (inclusive of items not recognised in the balance sheet) and must amount to at least 3%. The leverage ratio, which does not include the risk relating to the exposures, may be a significant limitation for an institution with a large proportion of

loans with a low risk weighting. At the end of the third quarter of 2020, the leverage ratio for Jyske Realkredit was 5.12% against 4.84% at the end of 2019.

<b>Leverage ratio</b>		
DKKm/%	30 September 2020	31 December 2019
Core capital	19,355	18,811
Total exposure value	378,366	389,003
<b>Leverage ratio</b>	<b>5.12</b>	<b>4.84</b>

### Other capital requirements

In addition to the regulatory capital requirements, there are further requirements as to the size of Jyske Realkredit's capital in the form of the requirement from Standard & Poor's as to overcollateralisation (OC requirement) as well as the requirement as to supplementary collateral for covered bonds (SDO requirement).

To maintain the AAA rating for all Jyske Realkredit's capital centres (B, E and General Capital Centre), Jyske Realkredit must meet the overcollateralisation from Standard & Poor's. The individual capital centres must meet various requirements depending on the composition of the portfolios. At the end of the third quarter of 2020, the OC requirement amounted to DKK 8.4 bn against DKK 11.8 bn at the end of 2019 and can be met through liquid assets financed with both debt instruments and capital instruments. The lower OC requirement can primarily be attributed to the change that Standard & Poor's has made to its method of calculation.

Issue of covered bonds (SDO) for the financing of loans takes place in Jyske Realkredit via capital centres E and S. Loans based on the issue of covered bonds (SDO) must be monitored on an on-going basis to ensure that the LTV limit is complied with for each individual property. If the LTV limit is exceeded, for instance, due to a decline in the value of the property value, Jyske Realkredit must provide supplementary collateral. At the end of the third quarter of 2020, the SDO requirement amounted to DKK 5.6 bn against DKK 5.9 bn at the end of 2019.

### Stress test and capital requirements

Jyske Realkredit performs a series of stress tests of the capital structure and overcollateralisation on the basis of various scenarios. Jyske Realkredit conducts stress tests according to internal scenarios as well as scenarios defined by the FSA. These stress tests analyse on a continuous basis the capital structure under an economic downturn involving steep price declines in the property markets. The stress tests must demonstrate that Jyske Realkredit's capital is in compliance with the capital requirements and the related capital buffers. Therefore Jyske Realkredit must maintain a level of capital somewhat in excess of the capital requirement plus capital buffers, otherwise the capital level would not suffice to meet the requirements of one of the demanding capital stress tests. The ongoing capital stress tests form a key part of Jyske Realkredit's capital planning and form part of the Group's capital planning. The stress tests conducted show that the capital structures are robust.

### Loan mix

At the end of the third quarter of 2020, Jyske Realkredit's mortgage loans totalled nominally DKK 333 bn compared to DKK 329 bn at the end of 2019. In the first nine months of 2020, Jyske Realkredit's loans to the private market - owner-occupied homes and vacation homes – fell by DKK 2 bn to a total of DKK 173 bn, whereas loans to the commercial market, inclusive of loans for subsidised housing, rose by DKK 6 bn to a total of DKK 160 bn .

### Breakdown of loans by property category (%)

	30 Sept. 2020	31 Dec. 2019	31 Dec. 2018	31 Dec. 2017	31 Dec. 2016
<b>Personal clients</b>	<b>51.9</b>	<b>53.1</b>	<b>53.4</b>	<b>53.5</b>	<b>51.8</b>
- of which owner-occupied homes	49.4	50.7	50.8	51.0	49.3
- of which vacation homes	2.4	2.5	2.5	2.5	2.5
<b>Corporate clients</b>	<b>48.1</b>	<b>46.9</b>	<b>46.6</b>	<b>46.5</b>	<b>48.2</b>
- of which subsidised housing	14.6	14.8	15.4	16.2	17.4
- of which private rental properties (rental housing)	15.9	14.7	13.6	12.1	11.7
- of which cooperative housing	4.1	4.3	4.9	5.2	5.5
- of which office and commercial properties	10.8	10.6	10.7	11.2	11.7

Private rental properties (rental housing) account for a still increasing proportion of the total loan portfolio, whereas loans for the private market continued the downward trend, but it still accounts for more than 50% of the total loans. On the whole, about 87% of Jyske Realkredit's loan portfolio still consists of properties for residential purposes.

#### Breakdown of loans by loan type (%)

	30 Sept. 2020	31 Dec. 2019	31 Dec. 2018	31 Dec. 2017	31 Dec. 2016
<b>Adjustable-rate loans</b>	<b>51.6</b>	<b>52.7</b>	<b>53.2</b>	<b>54.7</b>	<b>59.7</b>
- without instalment-free option	24.9	25.2	23.4	22.7	25.6
- with instalment-free option	26.7	27.5	29.8	32.0	34.1
<b>Fixed-rate loans</b>	<b>35.3</b>	<b>33.2</b>	<b>31.4</b>	<b>31.6</b>	<b>30.9</b>
- without instalment-free option	26.3	25.3	24.5	25.3	26.1
- with instalment-free option	8.9	7.8	6.9	6.3	4.8
<b>Capped-rate mortgages, etc.</b>	<b>10.4</b>	<b>11.3</b>	<b>12.3</b>	<b>10.3</b>	<b>5.3</b>
- without instalment-free option	4.4	4.8	5.4	4.4	2.0
- with instalment-free option	6.0	6.5	7.0	5.9	3.3
<b>Other loans, including index-linked loans</b>	<b>2.7</b>	<b>2.9</b>	<b>3.1</b>	<b>3.5</b>	<b>4.1</b>
<b>Mortgage loans, total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
- without instalment-free option	58.4	58.2	56.3	55.8	57.8
- with instalment-free option	41.6	41.8	43.7	44.2	42.2

The trend in recent years towards interest-rate hedging in the form of rising proportions for fixed-rate loans continues in 2020. The same applies to loans without the instalment-free options as until the current crisis it was a widespread practice to take advantage of the low interest rates to repay loans. It is to be expected that the instalment-free option may again be in demand by Jyske Realkredit's clients, depending on the economic development over the coming quarters.

#### Average loan-to-value ratio by property category

	30 Sept. 2020	31 Dec. 2019	31 Dec. 2018	31 Dec. 2017	31 Dec. 2016
<b>Personal clients</b>	<b>60.5</b>	<b>61.3</b>	<b>61.9</b>	<b>63.4</b>	<b>64.0</b>
- of which owner-occupied homes	61.0	61.6	62.2	63.8	64.3
- of which vacation homes	51.9	53.8	53.9	56.2	58.0
<b>Corporate clients</b>	<b>56.1</b>	<b>57.4</b>	<b>58.9</b>	<b>61.4</b>	<b>64.5</b>
- of which private rental properties (rental housing)	61.2	62.6	64.2	66.3	70.1
- of which cooperative housing	52.0	53.0	54.4	59.2	61.9
- of which office and commercial properties	52.8	54.7	55.8	58.7	61.7
<b>Subsidised housing</b>	<b>24.9</b>	<b>27.2</b>	<b>31.5</b>	<b>43.0</b>	<b>44.7</b>
<b>Mortgage loans, total</b>	<b>53.4</b>	<b>54.6</b>	<b>56.0</b>	<b>59.4</b>	<b>60.7</b>

From a credit perspective, the loan portfolio developed positively in the first nine months of 2020, and the level of security provided for the loans has increased. Since the end of 2016, the average loan-to-value ratio has fallen by just above 3 percentage points for loans financing owner-occupied homes.

Also within the corporate client segment, a significant decline has been seen in the average loan-to-value ratio. However, the development within subsidised housing can be attributed to the on-going transfer of loans to the government-guaranteed Capital Centre S.

If the current crisis has an impact on housing prices, the average loan-to-value ratio will increase. During the financial crisis in 2008-2010, Jyske Realkredit saw increases in the average loan-to-value ratio by just above 10 percentage points for the property categories affected most.

#### Liquidity Coverage Ratio (LCR)

In connection with the determination and compliance with the LCR requirement, Jyske Realkredit has been allowed to offset interdependent incoming and outgoing cash flows related to mortgage loans, cf. Article 26 of the LCR regulation.

This permission came with a specific liquidity floor requirement stipulated by the FSA at 2.5% of the total mortgage loans.

The binding requirement for Jyske Realkredit's holding of liquid assets originates from the LCR floor requirement of 2.5% of total mortgage loans, which at the end of the third quarter of 2020 corresponded to DKK 8.6 bn (DKK 8.5 bn at the end of the third quarter of 2019). Jyske Realkredit had unencumbered liquid assets after haircut in the amount of DKK 13.4 bn at the end of the third quarter of 2020 (DKK 12.6 bn at the end of the third quarter of 2019) and hence a significant liquidity surplus relative to the LCR floor requirement.

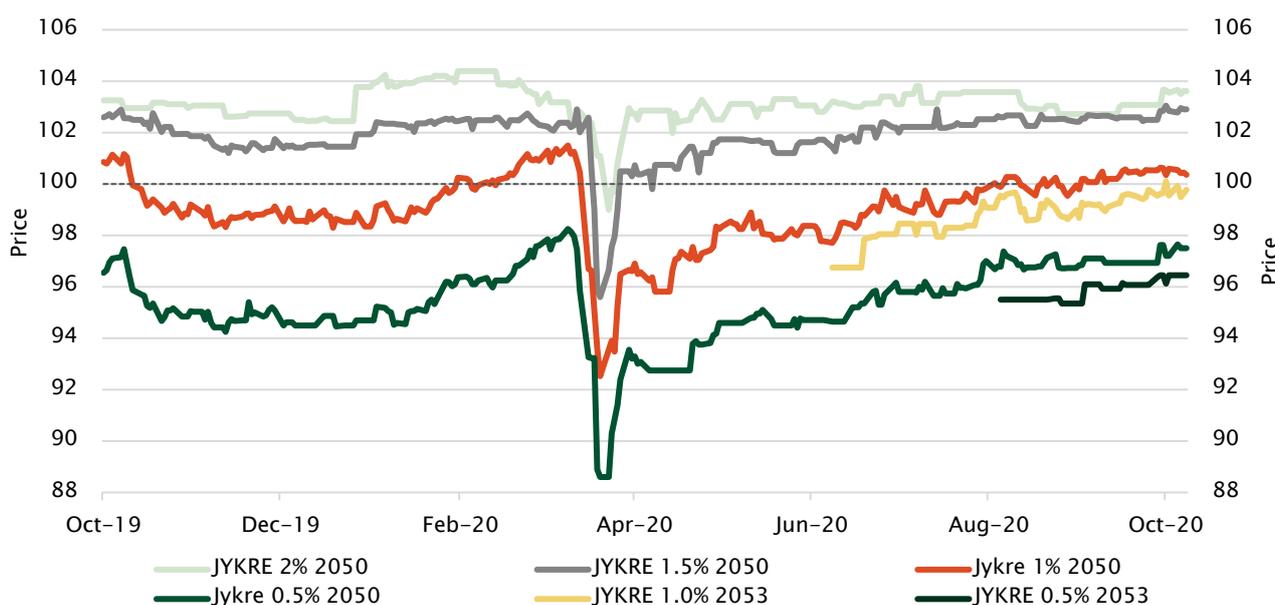
Jyske Realkredit's HQLA (high-quality liquid assets) consist primarily of the bond portfolio. The Liquidity Coverage Ratio was calculated at 504% at the end of the third quarter (could not be calculated at the end of the third quarter of 2019, due to a net outflow of 0).

### Funding and refinancing

From this time until 1 April 2021, Jyske Realkredit will look into the possibilities of issuing a benchmark-size (>=EUR 500m) euro covered bond (mortgage bond). Jyske Realkredit is still the only mortgage credit institution in Denmark that issues covered bonds denominated in euro to finance loans in Danish kroner. In connection with the issues in euro, Jyske Realkredit has entered into derivatives agreements with a number of national and international banks to hedge the currency and interest-rate risk in full.

After the first quarter with very wide fluctuations in prices of Danish mortgage bonds due to the covid-19 situation, the price development was more stable in both the second and third quarters of 2020. Over this period, prices of 30-year bonds have generally been on the increase.

Prices of certain 30-year bonds from Jyske Realkredit

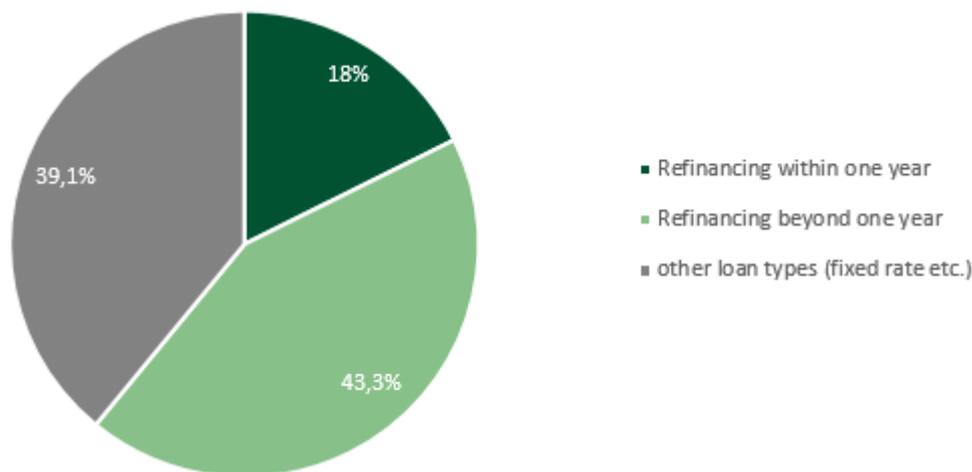


Source: Bloomberg

The third quarter of 2020 saw a change of series for callable bonds from Jyske Realkredit. Therefore loan offers and loan disbursements are now made on the basis of 30-year callable bonds maturing in 2053.

Due to the low yields on long-term 30-year callable bonds, an increasing proportion of Jyske Realkredit's personal clients choose to finance their properties with a loan at a fixed rate throughout the term of the loan. On the whole, the proportion of private borrowers who opt for fixed-rate loans has increased by almost 5 percentage points over the past year. This helps to minimise the refinancing risk as 30-year callable bonds are not to be refinanced.

Over the remaining period of 2020, Jyske Realkredit will continue its efforts to reduce the refinancing risk. This takes place in consideration of the requirement that the individual series must be so large that, in respect of the liquidity buffer of the investors, they meet the LCR requirement (Liquidity Coverage Ratio).

**Jyske Realkredit's loan portfolio, on 30 September 2020, by time of refinancing**


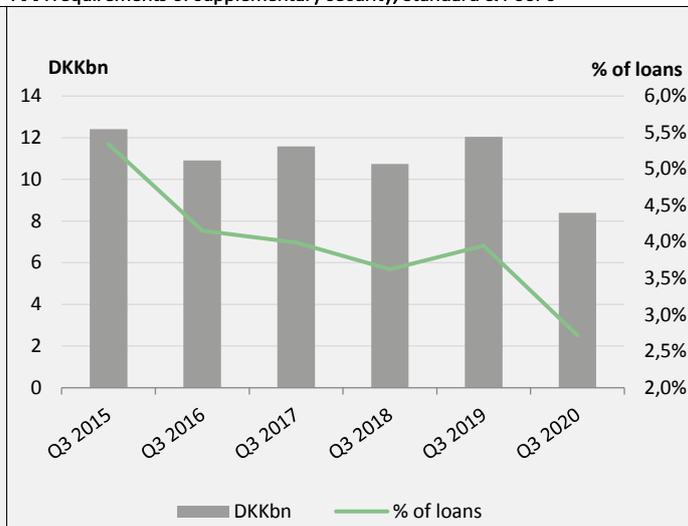
The information according to Article 129(7) of the CRR on covered bonds (SDO) (among other things, disclosure of the value of the cover pool and outstanding covered bonds (SDO), geographical distribution and type of covered assets, maturity structure and loans more than 90 days past due) will be disclosed in an ECBC label template quarterly simultaneously with interim and annual reports. Please see [jyskerealkredit.dk](http://jyskerealkredit.dk).

**Rating**

Jyske Bank's and Jyske Realkredit's joint issuer rating by Standard and Poor's (S&P) is A (stable outlook). The issuer rating's outlook Jyske Realkredit's bonds issued out of Capital Centre E, Capital Centre B and the General Capital Centre have been assigned a triple A (AAA) rating (Stable).

**Rating**

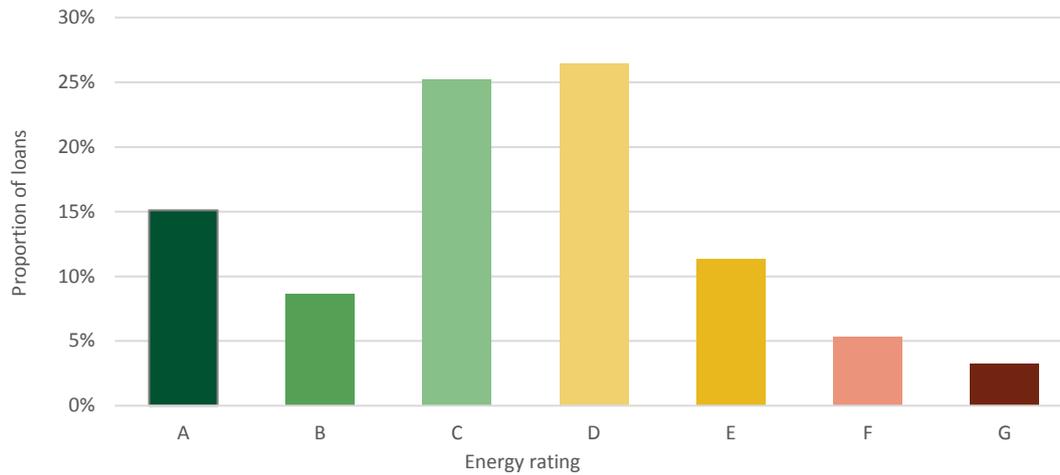
As at 30 September	Rating	Date of rating / change of rating
Covered bonds		
- issued out of Capital Centre E	AAA	17/10 2011
Mortgage credit bonds		
- issued out of Capital Centre B	AAA	17/10 2011
- issued out of the General Capital Centre	AAA	27/12 2013
Issuer rating (long-term rating)	A	23/10 2019
Issuer rating (short-term rating)	A-1	23/10 2019

**AAA requirements of supplementary security, Standard & Poor's**


Standard & Poor's average requirement for supplementary security to maintain the AAA rating for mortgage bonds issued by Jyske Realkredit fell relative to the third quarter of 2019. The level has not been lower since S&P began to rate Jyske Realkredit's bonds in 2011. The lower average requirement of supplementary security was primarily caused by a change to S&P's method of calculating supplementary security.

**Sustainable Transparency Template**

Jyske Realkredit is the first financial institution to launch a Sustainable Transparency Template. The template was prepared by Jyske Realkredit to offer investors insight into both the energy standard of the homes for which Jyske Realkredit has granted loans and the energy used in the homes broken down by resource. As of the first quarter of 2020, the template also includes calculated carbon emissions for loans financed by Jyske Realkredit's Capital Centre E. The template is available at [jyskerealkredit.dk](http://jyskerealkredit.dk).

**Jyske Realkredit's loan portfolio by energy rating (Capital centre E)**

**The supervisory diamond for mortgage credit institutions**

The supervisory diamond defines a number of special risk areas including specified limits that financial institutions should generally not exceed. The supervisory diamond limits applicable to Jyske Realkredit are shown below.

**Supervisory diamond - benchmarks, %**

	30 September 2020	31 December 2019
Concentration risk <100%	48.1	47.9
Increase in loans <15% annually in the segment:		
- Owner-occupied home and vacation homes	-0.8	2.4
- Residential rental property <sup>1)</sup>	6.5	0.2
- Other sectors	6.7	6.1
Borrower's interest-rate risk <25%		
- Residential property	17.0	17.8
Instalment-free schemes <10%		
- Owner-occupied home and vacation homes	6.0	6.4
Loans with frequent interest-rate fixing:		
- Refinancing (annually) <25%	16.5	15.0
- Refinancing (quarterly) <12.5%	5.4	1.7

At the end of the third quarter of 2020, Jyske Realkredit met all benchmarks of the supervisory diamond. On an on-going basis, Jyske Realkredit reviews the company's positions relative to the benchmarks.

## Other information

### **Resolutions by the Supervisory Board**

No other resolution that falls within the duty of disclosure set out in the “Rules for Issuers of Securities Listed on NASDAQ Copenhagen A/S” was adopted by the Supervisory Board during the first nine months of 2020.

### **Further information**

For further information, please see [jyskerealkredit.dk](http://jyskerealkredit.dk), which website gives detailed financial information about Jyske Realkredit. Jyske Realkredit's Interim Report for the first nine months of 2020 can be downloaded from [jyskerealkredit.dk](http://jyskerealkredit.dk).

### **Contact**

Carsten Tirsbæk Madsen, Chief Executive Officer,  
☎+45 89 89 90 50 or 📱+45 40 25 88 74.

**Income Statement and Statement of Comprehensive Income**

DKKkm

Note	Q1 - Q3 2020	Q1 - Q3 2019
<b>Income statement</b>		
5 Interest income	4,073	4,971
6 Interest expenses	2,306	3,137
<b>Net interest income</b>	<b>1,767</b>	<b>1,834</b>
Dividends, etc.	10	18
7 Fees and commission income	414	477
Fees and commission expenses	838	973
<b>Net interest and fee income</b>	<b>1,354</b>	<b>1,356</b>
8 Value adjustment (- is an expense)	130	-21
9 Employee and administrative expenses	242	213
Amortisation, depreciation and impairment charges	1	2
Other operating expenses	16	18
10 Loan impairment charges and provisions for guarantees (- is income)	549	-5
<b>Pre-tax profit</b>	<b>676</b>	<b>1,107</b>
11 Tax	153	243
<b>Net profit for the period</b>	<b>523</b>	<b>864</b>
Distributed to:		
Jyske Realkredit A/S shareholders	523	864
<b>Total</b>	<b>523</b>	<b>864</b>

**Statement of Comprehensive Income**

Net profit for the period	523	864
<b>Other comprehensive income after tax</b>	<b>-</b>	<b>-</b>
<b>Comprehensive income for the period</b>	<b>523</b>	<b>864</b>
Distributed to:		
Jyske Realkredit A/S shareholders	523	864
<b>Total</b>	<b>523</b>	<b>864</b>

**Balance Sheet**

DKKm

Note	30 Sept. 2020	31 Dec. 2019	30 Sept. 2019
<b>Assets</b>			
Cash balance and demand deposits with central banks	22	41	40
Due from credit institutions and central banks	12,817	26,435	30,983
12 Loans and advances at fair value	343,405	338,666	339,778
Bonds at fair value	17,353	18,373	18,755
Shares, etc.	176	192	199
Intangible assets	-	-	0
Other property, plant and equipment	0	1	1
Deferred tax assets	3	4	4
13 Assets in temporary possession	79	107	99
14 Other assets	1,043	1,075	1,713
Prepayments	13	6	10
<b>Total assets</b>	<b>374,912</b>	<b>384,899</b>	<b>391,582</b>
<b>Equity and liabilities</b>			
<b>Liabilities</b>			
Due to credit institutions and central banks	990	1,102	1,312
15 Issued bonds at fair value	350,964	361,388	367,591
Issued bonds at amortised cost	750	750	750
Current tax liabilities	467	315	505
16 Other liabilities	2,342	2,471	2,764
Deferred income	13	10	49
<b>Liabilities, total</b>	<b>355,526</b>	<b>366,036</b>	<b>372,972</b>
<b>Provisions</b>			
Other provisions	2	2	2
<b>Total provisions</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Equity</b>			
Share capital	4,306	4,306	4,306
Share premium	102	102	102
Retained profit	14,975	14,453	14,200
<b>Total equity</b>	<b>19,384</b>	<b>18,861</b>	<b>18,608</b>
<b>Total equity and liabilities</b>	<b>374,912</b>	<b>384,899</b>	<b>391,582</b>
<b>17 Off-balance sheet items</b>			
Guarantees, etc.	0	0	0
Other contingent liabilities, etc. (loan offers)	10,866	14,449	16,238
<b>Total guarantees and other contingent liabilities</b>	<b>10,866</b>	<b>14,449</b>	<b>16,239</b>

**Statement of Changes in Equity**

DKKm

	Share capital	Share premium	Retained profit	Total
Equity at 01 January 2020	4,306	102	14,453	18,861
Net profit for the period	-	-	523	523
Other comprehensive income	-	-	-	-
Comprehensive income for the period	-	-	523	523
<b>Equity at 30 September 2020</b>	<b>4,306</b>	<b>102</b>	<b>14,975</b>	<b>19,384</b>
Equity at 01 January 2019	4,306	102	13,335	17,744
Net profit for the period	-	-	864	864
Other comprehensive income	-	-	-	-
Comprehensive income for the period	-	-	864	864
<b>Equity at 30 September 2019</b>	<b>4,306</b>	<b>102</b>	<b>14,200</b>	<b>18,608</b>

**Capital Statement**

	30 Sept. 2020	31 Dec. 2019	30 Sept. 2019
Equity	19,384	18,861	18,608
Intangible assets	-	-	-0
Deferred tax assets	-3	-4	-4
Difference between expected loss and the carrying amount of impairment charges	-	-23	-36
Prudent valuation	-25	-23	-21
<b>Common Equity Tier 1 capital / Core capital</b>	<b>19,355</b>	<b>18,811</b>	<b>18,547</b>
<b>Capital base</b>	<b>19,355</b>	<b>18,811</b>	<b>18,547</b>
Weighted risk exposure involving credit risk etc.	77,025	77,665	79,769
Weighted risk exposure involving market risk	19	20	27
Weighted risk exposure involving operational risk	3,464	3,636	3,636
<b>Total weighted risk exposure</b>	<b>80,509</b>	<b>81,321</b>	<b>83,432</b>
Capital requirement, Pillar I	6,441	6,506	6,675
<b>Capital requirement, total</b>	<b>6,441</b>	<b>6,506</b>	<b>6,675</b>
Capital ratio (%)	24.0	23.1	22.2
Core capital ratio (%)	24.0	23.1	22.2
Common Equity Tier 1 capital ratio (%)	24.0	23.1	22.2

For further information on the individual solvency requirement, please see the section in the management's review on "Capital structure".

## Notes

---

### 1 Accounting policies

The Interim Financial Report for the period 1 January - 30 September 2020 for Jyske Realkredit A/S was prepared according to the Danish Financial Business Act as well as the relevant accounting rules in compliance with IFRS. Furthermore, the Interim Financial Report was prepared in accordance with the additional Danish disclosure requirements for the interim reports of listed financial undertakings.

The accounting policies are identical to those applied to and described in detail in the Annual Report 2019.

---

### 2 Material accounting estimates

Measurement of the carrying value of certain assets and liabilities requires the management's estimate of the influence of future events on the value of such assets and liabilities. Estimates of material importance to the financial reporting are, among other things, based on the impairment of loans and advances and also assets in temporary possession, cf. the detailed statement in the Annual Report 2019. The estimates are based on assumptions which management finds reasonable, but which are inherently uncertain. Besides, the company is subject to risks and uncertainties which may cause the actual results to differ from those estimates.

The COVID-19 outbreak in 2020 has a significant negative impact on economic growth. However, there is considerable uncertainty about the extent of the negative impact, which adds to the uncertainty when determining loan impairment charges.

The financial statements reflect adjusting events until 03 November 2020.

---

30 Sept. 2020      31 Dec. 2019      30 Sept. 2019

**3 Financial ratios and key figures**

Capital ratio (%)	24.0	23.1	22.2
Core capital ratio (%)	24.0	23.1	22.2
Return on equity (average) before tax for the period (%)	3.5	7.8	6.1
Return on equity (average) after tax for the period (%)	2.7	6.1	4.8
Income/cost ratio (%)	1.8	5.2	5.9
Currency position (%)	0.5	0.5	0.7
Accumulated impairment ratio (%)	0.5	0.4	0.4
Impairment ratio for the period (%)	0.16	0.01	-0.00
Increase in loans and advances for the period (%)	1.3	3.0	2.1
Loans and advances relative to equity	17.7	18.0	18.3
Return on capital employed	0.14	0.29	0.23

**4 Alternative performance targets**

	Q1-Q3 2020			Q1-Q3 2019		
	Core profit	Reclassification	Total	Core profit	Reclassification	Total
Administration margin income, etc.	1,749	-	1,749	1,744	-	1,744
Other net interest income, etc.	23	-5	18	43	48	90
Net interest income	1,772	-5	1,767	1,786	48	1,834
Dividends, etc.	-	10	10	-	18	18
Net fee and commission income	-423	-	-423	-497	-	-497
Net interest and fee income	1,348	5	1,354	1,290	66	1,356
Value adjustment (- is an expense)	125	5	130	27	-48	-21
Other income	10	-10	-	18	-18	-
Income	1,484	-	1,484	1,335	-	1,335
Expenses	258	-	258	233	-	233
Profit before loan impairment charges	1,225	-	1,225	1,102	-	1,102
Loan impairment charges (- is income)	549	-	549	-5	-	-5
<b>Pre-tax profit</b>	<b>676</b>	<b>-</b>	<b>676</b>	<b>1,107</b>	<b>-</b>	<b>1,107</b>

The alternative performance targets applied in the management's review constitute valuable information for readers of financial statements as they provide a more uniform basis for comparison of accounting periods. No adjusting entries are made, and therefore the pre-tax profit for the period will be the same in the alternative performance targets of the management's review and in the profit according to the provisions of the Danish Executive Order on the Preparation of Financial Statements.

The above table illustrates relationships between income statement items under Jyske Realkredit (key financial data) (page 2) and income statement items prepared according to the Danish Executive Order on the Preparation of Financial Statements (page 18). Expenses in the above table relate to Employee and administrative expenses, Amortisation, depreciation and impairment charges as well as Other operating expenses in the income statement according to the Danish Executive Order on the Preparation of Financial Statements.

Q1 - Q3 2020      Q1 - Q3 2019

**5 Interest income**

Due from credit institutions and central banks <sup>1</sup>	-34	-23
Loans and advances	2,525	3,316
Administration margin	1,392	1,324
Bonds	74	124
Derivatives, interest-rate and currency contracts	92	209
Other interest income	0	0
Interest income before offsetting of interest on own bonds	4,050	4,950
Interest on own bonds, set off against interest on issued bonds	80	99
<b>Total after offsetting of negative interest income</b>	<b>3,970</b>	<b>4,851</b>
Negative interest income set off against interest income	56	50
Negative interest expenses set off against interest expenses	47	70
<b>Total before offsetting of negative interest income</b>	<b>4,073</b>	<b>4,971</b>
<sup>1</sup> of which interest income on reverse repos carried under "Due from credit institutions and central banks"	-28	-20

	Q1 - Q3 2020	Q1 - Q3 2019
<b>6 Interest expenses</b>		
Due to credit institutions and central banks <sup>1</sup>	11	13
Issued bonds	2,333	3,042
Other interest expenses	-61	62
Interest expenses before offsetting of interest on own bonds	2,283	3,116
Interest on own bonds, set off against interest on issued bonds	80	99
<b>Total after offsetting of negative interest expenses</b>	<b>2,203</b>	<b>3,017</b>
Negative interest expenses set off against interest expenses	47	70
Negative interest income set off against interest income	56	50
<b>Total before offsetting of negative interest income</b>	<b>2,306</b>	<b>3,137</b>
<sup>1</sup> Of which interest expenses on repo carried under "Due to credit institutions and central banks"	-1	-2
Interest for swaps, etc. that were entered into in connection with the funding of mortgage loans, where the interest on some of the issued bonds is swapped to interest corresponding to interest on the mortgage loan, are, as of the end of 2019, recognised under 'Other interest expenses'. Hence the total interest expense for the funding of mortgage loans will be recognised as a whole under Interest expenses. In this connection, interest income from swaps in the amount of DKK 132m was in the first nine months of 2020 recognised under 'Other interest expenses' (first nine months of 2019: DKK 77m). Comparative figures for the first nine months of 2019 have been adjusted.		
<b>7 Fees and commission income</b>		
Securities trading and custody services	256	303
Loan application fees	158	174
Other fees and commissions	0	0
<b>Total</b>	<b>414</b>	<b>477</b>
<b>8 Value adjustments</b>		
Mortgage loans	889	5,650
Other loans, advances and receivables at fair value	0	0
Bonds	6	75
Shares, etc.	15	-13
Currency	-1	-3
Currency, interest-rate and other contracts as well as other derivatives	312	717
Issued bonds	-1,092	-6,448
<b>Total</b>	<b>130</b>	<b>-21</b>
Value adjustment of the balance principle amounted to an expense of DKK 0m (2019: DKK -11m), resulting from a net value adjustment of the following items: Mortgage loans by DKK +889m (DKK +5,650m), Issued mortgage bonds by DKK -1,092m (DKK -6,448m), which are recognised under 'Issued bonds', and derivatives by DKK +202m (DKK +787m), recognised under 'Currency, interest and other contracts as well as other derivatives'.		
<b>9 Employee and administrative expenses</b>		
<b>Employee expenses</b>		
Wages and salaries, etc.	18	19
Pensions	2	2
Payroll tax	3	2
Social security	0	0
<b>Total</b>	<b>23</b>	<b>22</b>
<b>Salaries and remuneration to the Executive Board and the Supervisory Board</b>		
Executive Board	4	4
Supervisory Board	0	0
<b>Total</b>	<b>5</b>	<b>4</b>
<b>Other administrative expenses</b>		
IT	13	12
Other administrative expenses	202	175
<b>Total</b>	<b>214</b>	<b>187</b>
<b>Total</b>	<b>242</b>	<b>213</b>

	Q1 - Q3 2020	Q1 - Q3 2019
<b>10 Loan impairment charges</b>		
Loan impairment charges for the period	500	-37
Recognised as a loss, not covered by impairment charges	71	84
Recoveries	-22	-52
<b>Total</b>	<b>549</b>	<b>-5</b>
<b>Balance of impairment charges</b>		
Balance of impairment charges, beginning of period	1,330	1,380
Loan impairment charges for the period	500	-37
Recognised as a loss, covered by impairment charges	-20	-29
<b>Balance of impairment charges, end of period</b>	<b>1,809</b>	<b>1,314</b>
Mortgage loan impairment charges	1,696	1,256
Impairment charges on other loans and receivables, etc.	113	58
Impairment charges on balances due from credit institutions and central banks, etc.	-	0
<b>Balance of impairment charges, end of period</b>	<b>1,809</b>	<b>1,314</b>

<b>Breakdown of balance of impairment charges by stage - first nine months of 2020</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Balance at the beginning of period	311	665	354	1,330
Transfer of impairment charges at the beginning of the period to stage 1	98	-91	-7	-
Transfer of impairment charges at the beginning of the period to stage 2	-7	29	-22	-
Transfer of impairment charges at the beginning of the period to stage 3	-1	-99	100	-
Impairment charges relating to new loans	77	184	79	340
Decline in the balance of impairment charges due to repayment of loans	-55	-173	-52	-280
Effect from recalculation	-130	259	311	440
Previously recognized as impairment charges, now losses	0	-4	-17	-20
<b>Balance of impairment charges, end of period</b>	<b>293</b>	<b>770</b>	<b>746</b>	<b>1,809</b>

The above primarily relate to Loans and advances at fair value through the income statement.

The size of the recalculation relates chiefly to the management's estimate of DKK 415m due to Covid-19-related circumstances. To a great extent, the development relating to new loans and repaid loans in Stages 2 and 3 can be ascribed to refinancing of loans.

<b>Breakdown of balance of impairment charges by stage - first nine months of 2019</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Balance at the beginning of period	248	705	427	1,380
Transfer of impairment charges at the beginning of the period to stage 1	155	-116	-39	-
Transfer of impairment charges at the beginning of the period to stage 2	-8	74	-65	-
Transfer of impairment charges at the beginning of the period to stage 3	-1	-38	39	-
Impairment charges relating to new loans	81	85	20	187
Decline in the balance of impairment charges due to repayment of loans	-55	-67	-72	-194
Effect from recalculation	-187	77	80	-30
Previously recognized as impairment charges, now losses	0	-4	-25	-29
<b>Balance of impairment charges, end of period</b>	<b>233</b>	<b>717</b>	<b>364</b>	<b>1,314</b>

The extent of the recalculation reflects some migration between stages over the period. In addition, some minor model adjustments also affected the recalculation. Due to a general improvement of the clients' credit quality, the period saw more migration from stage 3 to stages 1 and 2 than vice versa. To a great extent, the development relating to new loans and repaid loans in Stages 2 and 3 can be ascribed to refinancing of loans.

**11 Tax**
**Effective tax rate**

Corporation tax rate in Denmark	22.0	22.0
Non-taxable income and non-deductible expenses, etc.	0.7	0.0
<b>Total</b>	<b>22.7</b>	<b>22.0</b>

## Notes - cont.

DKKm

	30 Sept. 2020	31 Dec. 2019	30 Sept. 2019
<b>12 Loans and advances at fair value</b>			
Mortgage loans, nominal value	333,440	329,043	326,132
Adjustment for interest-rate risk, etc.	11,300	10,410	14,425
Adjustment for credit risk	-1,696	-1,286	-1,256
Mortgage loans at fair value	343,044	338,167	339,302
Arrears and outlays	56	148	112
Other loans and receivables	305	351	364
<b>Total</b>	<b>343,405</b>	<b>338,666</b>	<b>339,778</b>
<b>Mortgage loans at fair value broken down by property category</b>			
Owner-occupied homes	166,718	168,479	168,760
Vacation homes	8,279	8,285	8,335
Subsidised Housing (rental housing)	54,507	53,989	56,034
Cooperative housing	14,468	14,820	15,633
Private rental properties (rental housing)	54,216	49,366	47,942
Industrial properties	3,055	2,630	2,465
Office and business properties	35,820	34,982	35,029
Agricultural properties, etc.	120	63	62
Properties for social, cultural and educational purposes	5,776	5,415	4,908
Other properties	85	137	134
<b>Total</b>	<b>343,044</b>	<b>338,167</b>	<b>339,302</b>
<b>13 Assets held temporarily</b>			
Properties acquired through foreclosure	79	107	99
<b>Total</b>	<b>79</b>	<b>107</b>	<b>99</b>
<b>14 Other assets</b>			
Positive fair value of derivatives	739	595	965
Interest and commission receivable	80	23	99
Loan applications in process	170	345	580
Other assets	54	112	68
<b>Total</b>	<b>1,043</b>	<b>1,075</b>	<b>1,713</b>
<b>15 Issued bonds at fair value</b>			
Issued mortgage bonds, nominal value	367,448	365,563	377,570
Adjustment to fair value	12,427	11,003	15,599
Own mortgage bonds, fair value	-28,911	-15,177	-25,578
<b>Total</b>	<b>350,964</b>	<b>361,388</b>	<b>367,591</b>
<b>16 Other liabilities</b>			
Negative fair value of derivatives	253	247	268
Interest and commission payable	1,437	1,489	1,585
Other liabilities	652	734	911
<b>Total</b>	<b>2,342</b>	<b>2,471</b>	<b>2,764</b>

## Notes - cont.

DKKm

	30 Sept. 2020	31 Dec. 2019	30 Sept. 2019
<b>17 Off-balance sheet items</b>			
<b>Guarantees, etc.</b>			
Other guarantees	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other contingent liabilities, etc.</b>			
Irrevocable credit commitments	10,844	14,427	16,216
Other contingent liabilities	21	22	23
<b>Total</b>	<b>10,866</b>	<b>14,449</b>	<b>16,238</b>

Irrevocable credit commitments relate materially to the obligation to pay out loans according to offers for mortgage loans with a term of up to six months made by Jyske Realkredit (the term may be longer within the subsidised housing sector). All offers were made in accordance with Jyske Realkredit's credit policy and constitute a customary part of the process of paying out mortgage loans. However, in the event that a client is subsequently registered with the RKI debtor register, etc., Jyske Realkredit shall not be bound by the loan offer.

**18 Related parties**

Jyske Realkredit has debit/credit balances, including bank accounts etc., with a number of its related parties. Transactions between related parties are characterised as ordinary financial transactions and services of an operational nature. Transactions with related parties were executed on an arm's length basis or at cost.

Over the period 1 January to 30 September 2020, no unusual related party transactions took place. Please see Jyske Realkredit's Annual Report 2019 for a detailed description of transactions with related parties.

	30 Sept. 2020	31 Dec. 2019	30 Sept. 2019
<b>19 Contractual time to maturity</b>			
<b>Assets</b>			
<b>Due from credit institutions and central banks</b>			
Demand deposits	539	705	1,002
Up to 3 months	12,278	25,730	29,981
Over 3 months and up to 1 year	-	-	-
Over 1 year and up to 5 years	-	-	-
Over 5 years	-	-	-
<b>Total</b>	<b>12,817</b>	<b>26,435</b>	<b>30,983</b>
<b>Loans and advances at fair value<sup>1</sup></b>			
Up to 3 months	2,357	2,076	2,280
Over 3 months and up to 1 year	6,986	7,019	6,682
Over 1 year and up to 5 years	42,162	40,670	39,960
Over 5 years	291,900	288,901	290,855
<b>Total</b>	<b>343,405</b>	<b>338,666</b>	<b>339,778</b>
<b>Bonds at fair value</b>			
Up to 3 months	2,106	1,314	645
Over 3 months and up to 1 year	7,958	10,014	10,156
Over 1 year and up to 5 years	7,262	7,014	7,923
Over 5 years	28	30	31
<b>Total</b>	<b>17,353</b>	<b>18,373</b>	<b>18,755</b>
<b>Liabilities</b>			
<b>Due to credit institutions and central banks</b>			
Demand deposits	296	89	286
Up to 3 months	693	1,013	1,026
Over 3 months and up to 1 year	-	-	-
Over 1 year and up to 5 years	-	-	-
Over 5 years	-	-	-
<b>Total</b>	<b>990</b>	<b>1,102</b>	<b>1,312</b>
<b>Issued bonds at fair value<sup>1</sup></b>			
Up to 3 months	13,551	24,709	22,521
Over 3 months and up to 1 year	52,932	55,175	47,949
Over 1 year and up to 5 years	132,269	134,398	143,088
Over 5 years	152,212	147,106	154,033
<b>Total</b>	<b>350,964</b>	<b>361,388</b>	<b>367,591</b>
<b>Issued bonds at amortised cost</b>			
Up to 3 months	-	-	-
Over 3 months and up to 1 year	-	-	-
Over 1 year and up to 5 years	750	750	750
Over 5 years	-	-	-
<b>Total</b>	<b>750</b>	<b>750</b>	<b>750</b>

The above amounts are exclusive of interest.

<sup>1</sup> The cash flow imbalance between mortgage loans (the main item of "Loans and advances at fair value") and "Issued bonds at fair value" is due to the fact that 30-year adjustable rate mortgage loans (ARM) are funded by bonds with maturities of 1-10 years.

## Statement by the Executive and Supervisory Boards

Today we have discussed and approved the Interim Financial Report of Jyske Realkredit A/S for the period 1 January to 30 September 2020.

The Interim Financial Statements of Jyske Realkredit A/S were prepared in accordance with the Danish Financial Business Act. Furthermore, the Interim Financial Report was prepared in accordance with the additional Danish disclosure requirements for interim financial reports of issuers of listed bonds.

The Interim Financial Report is unaudited and has not been reviewed.

In our opinion, the Interim Financial Report gives a true and fair view of the company's financial position at 30 September 2020 and also of the company's financial performance for the period 1 January to 30 September 2020.

In our opinion, the Management's Review gives a fair presentation of the development in the company's performance and financial position, the profit for the period and the company's financial position as a whole as well as a description of the most material risks and elements of uncertainty that may affect the company.

Kgs. Lyngby, 3 November 2020

### Executive Board

Carsten Tirsbæk Madsen  
CEO and Director

Torben Hansen  
Director

### Supervisory Board

Niels Erik Jakobsen  
Chairman

Lars Waalen Sandberg  
Deputy Chairman

Per Skovhus

Peter Schleidt

Kim Henriksen  
Elected by employees

Steen Brastrup Clasen  
Elected by employees