



Annual Report 2020

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Financial Highlights

Core profit and net profit for the year, DKKm

	2020	2019	Index 20/19	2018	2017	2016
Administration margin income, etc. ¹	2,332	2,334	100	1,896	1,881	1,785
Other net interest income ²	36	58	62	77	-60	-53
Net fee and commission income, etc. ¹	-603	-641	94	256	262	207
Value adjustments, etc.	218	6	3,633	-84	28	39
Other income	14	22	64	216	24	50
Core income	1,997	1,778	112	2,361	2,135	2,028
Core expenses ¹	345	310	111	730	851	840
Core profit before loan impairment charges	1,652	1,468	113	1,631	1,284	1,188
Loan impairment charges (- is income)	485	35	1,386	-38	202	-32
Core profit	1,168	1,434	81	1,669	1,082	1,220
Investment portfolio earnings ²	-	-	-	-	49	80
Profit before IFRS 9 implementation	1,168	1,434	81	1,669	1,131	1,299
IFRS 9-derived adjustment of impairment charges, beginning of 2018	-	-	-	407	-	-
Pre-tax profit	1,168	1,434	81	1,262	1,131	1,299
Tax	259	316	82	263	245	284
Profit for the year	908	1,117	81	999	886	1,015

¹ New intra-group agreements on distribution fees as well as intra-group costs for Jyske Bank affected the items: administration margin income, etc., net fee and commission income, etc. as well as core expenses as of 2019.

² As of 2018, the return on Jyske Realkredit's portfolio of securities (investment portfolio earnings) has been recognised as core income under 'other net interest income' and 'value adjustments, etc.' as the purpose of the portfolio of securities is to support mortgage operations, including compliance with LCR rules, etc.

Relationships between income statement items under Jyske Realkredit (key financial data) and the income statement appear from note 2.

Summary of Balance Sheet, end of period, DKKm

Mortgage loans, fair value	344,965	338,666	102	327,403	308,121	278,407
Bonds and shares, etc.	17,533	18,565	94	18,593	18,397	16,307
Total assets	377,132	384,899	98	353,280	337,732	307,027
Issued bonds, fair value	353,357	361,388	98	332,955	316,305	285,676
Equity	19,769	18,861	105	17,744	15,731	12,812

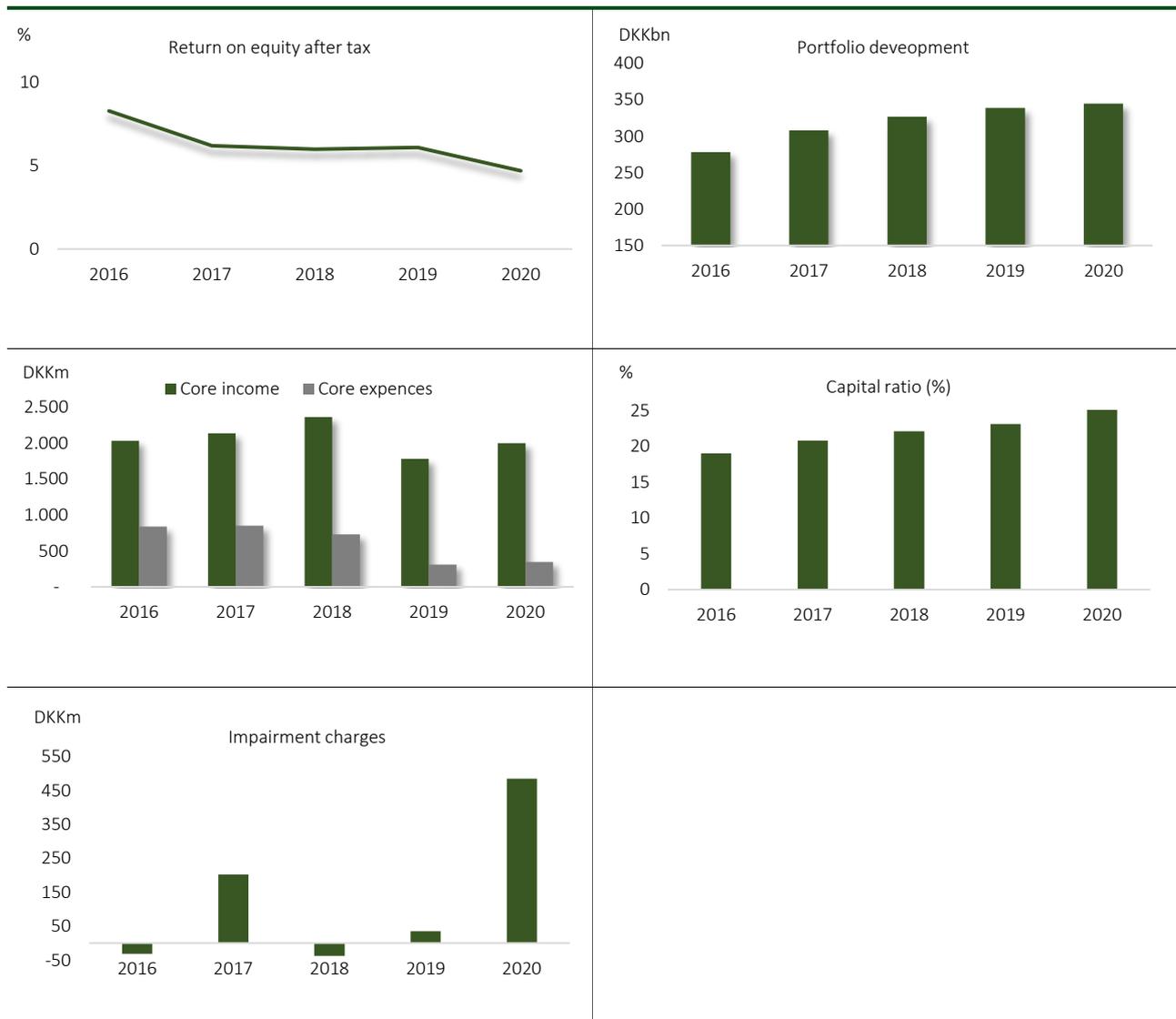
Financial ratios and key figures

Pre-tax profit as a pct. of average equity	6.0	7.8	-	7.5	7.9	10.6
Net profit as a percentage of average equity	4.7	6.1	-	6.0	6.2	8.3
Expenses as a percentage of income	17.3	17.4	-	31.0	39.9	41.4
Capital ratio (%)	25.4	23.1	-	22.1	20.8	19.0
Common Equity Tier 1 capital ratio (CET1) (%)	25.4	23.1	-	22.1	20.8	19.0
Individual solvency requirement (%)	10.0	10.1	-	9.7	9.3	9.3
Capital base (DKKm)	19,743	18,811	-	17,687	15,529	12,593
Weighted risk exposure (DKKm)	77,787	81,321	-	79,976	74,686	66,426
No. of employees at year-end	25	23	-	28	212	694
No. of employees split between the companies, at year-end ¹	496	474	-	358	272	-
No. of employees split between the companies converted to full-time equivalent	201	198	-	183	-	-

¹ Employees split between the companies are included in the number of employees stated in the Annual Report of 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

- Pre-tax profit: DKK 1,168m (2019: DKK 1,434m) corresponding to a return of 6.0% on average equity (2019: 7.8%).
- Net profit for the year: DKK 908m (2019: DKK 1,117m) corresponding to a return of 4.7% on average equity (2019: 6.1%).
- Core profit: DKK 1,168m (2019: DKK 1,434m).
- Core expenses: DKK 345m (2019: DKK 310m).
- Impairment charges affected core profit by an expense of DKK 485m (2019: an expense of DKK 35m).
- The portfolio amounted to DKK 345 bn (2019: DKK 339 bn).
- At the end of 2020, the capital ratio and the core capital ratio amounted to 25.4% (end of 2019: 23.1%).



Comments by Management

In connection with the presentation of the Annual Report 2020, Carsten Tirsbæk Madsen, Chief Executive Officer, states:

'Today Jyske Realkredit announces a profit of DKK 908m. Considering the special circumstances resulting from Covid-19, the profit for the year is considered satisfactory. The profit is DKK 209m lower than the profit for 2019 and must be viewed in connection with the management's estimates that were made in the first half of the year due to the pandemic. The very low interest rates, rising turnover and real estate prices have had a positive effect on the economy. However there is still uncertainty about the effects on the price and sales development in the property market as well as the clients' ability to pay in future remains, and therefore the reservations made in the first half of the year still apply.'

Even though the pandemic has resulted in many challenges in Denmark, 2020 saw continuing remortgaging activity, even though to a lesser degree than in the record year 2019. Moreover, the year was characterised by a surprisingly high level of activity in the property market. Jyske Realkredit's loans rose by DKK 5.1 bn, and at the end of 2020, the nominal value of the loans was calculated at DKK 334.2 bn.

The refinancing over the past couple years has resulted in loans with lower payments and, on average, lower administration margin rates. Remortgaging to fixed-rate loans with instalments reduces the average lending margins due to lower administration margin rates and lower income from price spreads on loans with longer interest rate fixation. On the other hand, the clients' remortgaging to fixed-rate loans with instalments will reduce Jyske Realkredit's credit risk, as to a greater extent the clients have protected themselves against increases in the interest-rate level.

In December 2020, Jyske Realkredit announced that the product 'Jyske Frihed' (Jyske Freedom), which offers the possibility of a fixed-rate loan in an amount of up to 60% of the property value and with a 30-year instalment-free option, would be introduced in January 2021. Jyske Frihed, which offers homeowners a higher degree of flexibility got off to a good start, and it is expected that, going forward, loans offering clients great flexibility and hence freedom will be in great demand.

Jyske Realkredit wishes to contribute to the green transition. Jyske Realkredit is part of the Jyske Bank Group's Green Finance Framework, which has defined the Group's objectives in this respect. In this connection, Jyske Realkredit considers transparency and openness to be of crucial importance. As the first financial institution in Denmark, Jyske Realkredit has launched a "Sustainable Transparency Template", which offers investors insight into the energy standard of the homes for which Jyske Realkredit has granted loans. In addition, Jyske Realkredit also publishes data about the total CO₂ emission from properties financed through Jyske Realkredit's Capital Centre E. Jyske Realkredit's first green bond issue has been established in February 2021.

Jyske Realkredit's capital base is solid with a capital ratio of 25.4% at the end of 2020 and a capital buffer of DKK 8.8 bn. It is assessed that the current financial resources can withstand even severe scenarios.'

Outlook

Until the Covid-19 outbreak has been contained and society is back at a normal level of activity, any expectations of the profit for 2021 will be associated with much uncertainty. Lending growth in 2021 is expected to be in line with the market development. Depending on the interest rate development and the level of losses, it is expected that the annual results will be in line with those for 2020.

Financial Review

Income statement

Core profit and net profit for the year, DKKm

	2020	2019	Index 20/19	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Administration margin income, etc.	2,332	2,334	100	583	582	581	586	590
Other net interest income	36	58	62	13	2	15	6	16
Net fee and commission income, etc.	-603	-641	94	-180	-177	-128	-119	-145
Value adjustments, etc.	218	6	3,633	94	48	73	4	-21
Other income	14	22	64	3	10	0	-	3
Core income	1,997	1,778	112	513	465	541	477	443
Core expenses	345	310	111	86	86	85	87	76
Core profit before loan impairment charges	1,652	1,468	113	427	379	456	390	366
Loan impairment charges, etc. (- is income)	485	35	1,386	-65	-56	120	485	40
Core profit/Pre-tax profit	1,168	1,434	81	492	435	336	-95	326
Tax	259	316	82	106	95	80	-21	73
Profit for the year	908	1,117	81	386	341	256	-74	253

Profit for the year

For the year, Jyske Realkredit generated a pre-tax profit of DKK 1,168m against DKK 1,434m in 2019. Calculated tax amounted to DKK 259m (2019: DKK 316m), and hence the net profit for the year amounted to DKK 908m against DKK 1,117m for previous year. Net profit for the year corresponds to a return on average equity of 4.7%, compared 6.1% in 2019.

Core profit

In 2020, core profit before loan impairment charges amounted to DKK 1,652m against DKK 1,468m in 2019.

In 2020, core profit amounted to DKK 1,168m against DKK 1,434m in 2019.

Core income

Core income, consisting primarily of administration margin income, etc. as well as brokerage and fee income from mortgage activities, amounted to DKK 1,997m in 2020 against DKK 1,778m in 2019. The increase relates primarily to higher value adjustments.

At DKK 2,332m for 2020, administration margin income was roughly unchanged. Mortgage loans stated at nominal value grew by 2% in 2020. Remortgaging activity from the end of 2019 to early 2020 did, however, result in lower administration margin rates on average, especially in connection with personal clients, who remortgaged to fixed-rate loans for which the administration margin rate and the risk are lower. The two circumstances offset each other, so the administration margin was unchanged relative to 2019. Since then average administration margin rates for the personal client area have stabilised in the second half of 2020.

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 36m in 2020 against an income of DKK 58m in 2019. The main reason for the decline by DKK 22m was that the interest yield on the fixed portfolio of securities was lower (negative interest rates) compared to 2019.

Net fee and commission income, etc. amounted to an expense of DKK 603m in 2020 against an expense of DKK 641m in 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 1,048m for 2020 against DKK 1,223m for 2019. On the other hand, in 2020, other net fee and commission income fell to DKK 444m from DKK 582m in 2019. The fall in fee income can be attributed to the lower remortgaging activity in 2020 from a very high level in the second half of 2019.

Value adjustments, etc. amounted to an income of DKK 218m in 2020 against an income of DKK 6m the previous year. The increase was primarily caused by value adjustments on Jyske Realkredit's fixed portfolio of securities, which was

subject to a positive value adjustment of the bond holding in 2020 compared to a negative value adjustment in 2019. In addition, Jyske Realkredit's holding of shares was subject to a positive value adjustment in 2020 compared to the - also - negative value adjustment in 2019. The positive value adjustment of the shares related mainly to sales of a holding of shares in VP Securities.

Other income, which mainly consists of dividends, amounted to DKK 14m in 2020 compared to DKK 22 in 2019. The decline can be attributed to the fact that Jyske Realkredit received an extraordinarily large dividend from a company in 2019.

Core expenses

Core expenses amounted to DKK 345m in 2020 against DKK 310m in 2019. The increase was caused by higher expenses relating to the intra-group service agreement, as at Jyske Bank the time employees split between the companies spent on activities in Jyske Realkredit was higher than was previously the case.

Loan impairment charges

Loan impairment charges amounted to an expense of DKK 485m in 2020 against an expense of DKK 35m in 2019. Of the impairment charges in 2020, DKK 415m can be attributed to a management's estimate for the impact of Covid-19 on the loan portfolio. For a further description of the management's estimate and the uncertainty associated with it, please see note 48 in the annual report.

The management's estimate of effects caused by the Covid-19 outbreak was estimated 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, additional impairment charges in the amount of DKK 172m on a few large corporate accounts were recognised, as the value of the underlying security provided was reassessed, due to the Covid-19 outbreak among other things.

The loan portfolio, which is not directly affected by the Covid-19 outbreak, showed immediate improving credit quality, while at the same time property prices increased. Due to these two factors, calculated impairment charges were reversed for this part of the loan portfolio.

Relative to total loans, the effect from the impairment charges on the income statement amounted to 0.14% in 2020 against 0.01% in 2019.

The effect on the income statement was in 2020 distributed with an expense of DKK 201m (2019: an income of DKK 24m) on personal clients and an expense of DKK 284m (2019: an expense of DKK 59m) on corporate clients.

The total balance of impairment charges amounted to DKK 1,723m at the end of 2020 (end of 2019: DKK 1,330m) corresponding to 0.5% of total loans (0.4% at the end of 2019).

Jyske Realkredit's holding of assets held temporarily amounted to DKK 73m at the end of 2020 against DKK 107m the previous year. The decline was caused by the fact that not as many properties as before were taken over in connection with non-performing loans.

Fourth quarter of 2020 compared with third quarter 2020

Profit before tax for the fourth quarter amounted to DKK 492m against DKK 435m for the third quarter.

Administration margin income amounted to an almost unchanged amount of DKK 583m in the fourth quarter.

Other net interest income amounted to DKK 13m in the fourth quarter against DKK 2m in the third quarter. The increase can mainly be attributed to higher net interest from the mortgage operations.

Net fee and commission income, etc. amounted to an expense of DKK 180m in the fourth quarter against an expense of DKK 177m in the third quarter. Distribution fees to Jyske Bank amounted to DKK 266m in the fourth quarter against DKK 312m in the third quarter. The decline in the distribution fee paid to Jyske Bank can be attributed to the lower level of fee income in the fourth quarter. Hence, other net fee and commission income fell from an income of DKK 135m in the third quarter to an income of DKK 86m in the fourth quarter. Of this decline, DKK 44m can be attributed to a lower level of remortgaging in the fourth quarter relative to the third quarter.

Value adjustments, relating to Jyske Realkredit's fixed portfolio of securities, among other things, amounted to an income of DKK 94m in the fourth quarter against an income of DKK 48m in the third quarter.

In the fourth quarter, other income, etc. amounted to DKK 3m against DKK 10m in the previous quarter. The difference can be attributed to dividend received on a share holding in third quarter.

In the fourth quarter, core expenses amounted to an unchanged level of DKK 86m.

Losses and impairment charges amounted to an income of DKK 65m in the fourth quarter against an income of DKK 56m in the third quarter. Reversals of impairment charges in the fourth quarter related primarily to corporate clients and were affected, among other things, by a reversal of a management's estimate of DKK 40m relating to corporate loans.

Balance Sheet

At the end of 2020, Jyske Realkredit's balance sheet amounted to DKK 377 bn (DKK 385 bn at the end of 2019).

Also 2020 saw growth in the business volume. However, the growth was lower than in recent years. Hence mortgage loans at nominal value increased from DKK 329.0 bn at the end of 2019 to DKK 334.2 bn, at the end of 2020, corresponding to an increase by 1.6%. The increase in 2020 related to corporate clients, which increased by DKK 8.7 bn, of which DKK 5.8 bn related to the property category of private rental properties. In 2020, the business volume relating to personal clients fell by DKK 3.5 bn.

Summary of Balance Sheet, end of period, DKKm

	2020	2019	Index 19/18	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Assets / equity and liabilities	377,132	384,899	98	377,132	374,912	366,986	376,685	384,899
Mortgage loans, nominal value	334,168	329,043	102	334,168	333,440	331,826	332,233	329,043
Loans, fair value	344,965	338,666	102	344,965	343,405	340,929	337,693	338,666
Issued bonds, fair value	353,357	361,388	98	353,357	350,964	343,320	352,402	361,388
Equity	19,769	18,861	105	19,769	19,384	19,043	18,787	18,861

Issued bonds at fair value exceeded loans at fair value. The difference can primarily be attributed to the fact that bonds are pre-issued in connection with fixed-price agreements and refinancing, and that in connection with immediate repayments and termination, loans are paid off before the issued bonds are redeemed.

Equity

Equity was affected by the profit for the year by DKK 908m and amounted to DKK 19,769m at the end of 2020 (DKK 18,861m at the end of 2019).

Over the years 2016-2020, Jyske Realkredit's equity rose from DKK 11,781m to DKK 19,796m. The increase can be attributed to capital injections in the amount of DKK 3,000m from the parent company Jyske Bank, the results for the individual years totalling DKK 4,921m as well as other comprehensive income of DKK 66m.

No dividend was distributed over the period.

Changes in equity, end of period, DKKm

	2020	2019	2018	2017	2016	2016 -2020
Shareholders' funds at the beginning of the period	18,861	17,744	15,731	12,812	11,781	11,781
Capital injection	-	-	1,000	2,000	-	3,000
Profit for the year	908	1,117	999	886	1,011	4,921
Other comprehensive income	-	-	13	33	20	66
Dividend	-	-	-	-	-	-
Equity, end of period	19,769	18,861	17,744	15,731	12,812	19,769

Profit for the year relative to outlook

The Annual Report for 2019 anticipated a lower profit for 2020 relative to 2019 and a return on equity below 6%.

The profit for the year of DKK 908m was DKK 209m lower than the profit for 2019 of DKK 1,117m. However, the important reason for the decline is the increase in impairment charges due to Covid-19. Hence, loan impairment charges rose by DKK 450m, corresponding to DKK 351m after tax, relative to 2019. A positive effect was the significantly better return on Jyske Realkredit's fixed portfolio of securities, as the return on this was negative in 2019.

The return on equity for 2020 then came to 4.7%.

Business volume

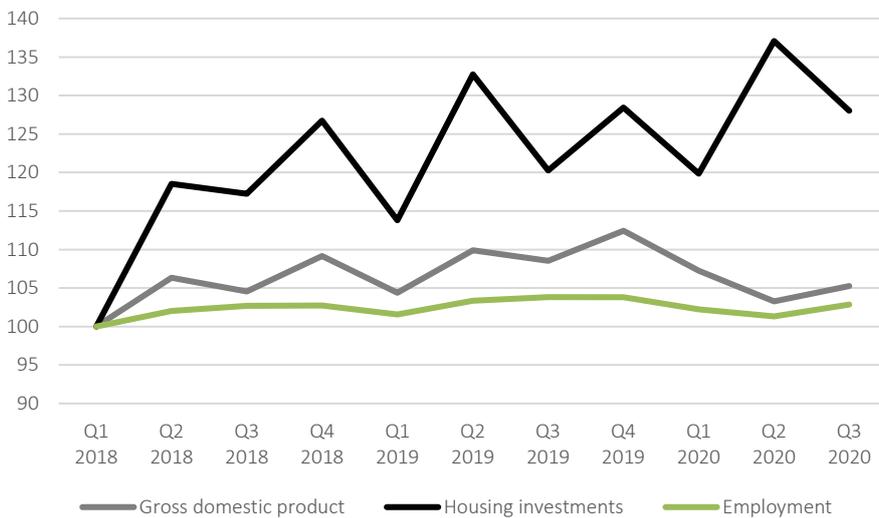
The mortgage credit market 2020

The level of activity in the mortgage market was high throughout 2020 despite the quite deep economic crisis of the Danish economy due to Covid-19 and the related restrictions. The nature of the economic crisis is that of a supply crisis, as certain industries were subject to a lockdown.

In no way has the mortgage market been adversely affected, and therefore there has been no decline in demand. This development was seen despite the historical close correlation between the development of GDP, unemployment and mortgage loans. However, such correlation is of the greatest importance in connection with a demand crisis. The Covid-19 crisis has, in the form of rising unemployment, typically affected groups in the labour market who are not that established in the housing market, which countered expected price declines.

The high level of activity in the housing market can, however, be attributed to several factors, such as a high remortgaging activity, but also a high level of activity as regards change of ownership. Statements from Finance Denmark show that total mortgage loans in Denmark in 2020 rose from DKK 2,858 bn to DKK 2,944 bn.

Supply balance, Q1 2008 =100

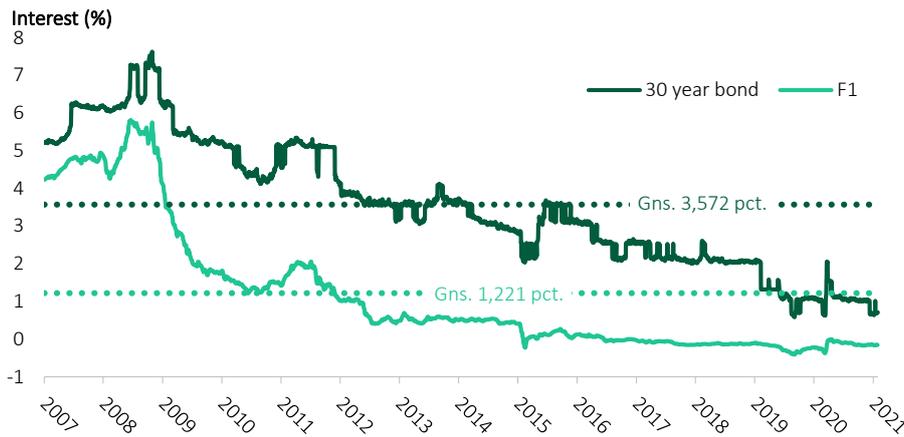


2020 was a special year as regards remortgaging

The year 2020 was affected by quite a pronounced interest-rate development. Interest rates were low at the beginning of the year, but in March when the lockdown of the economy intensified as Covid-19 spread, interest rates increased. Taught by experience from previous crises, the financial markets focused strongly on provision of liquidity and any losses in the property sector, and therefore the yield spread widened.

In a few days, a significant increase in yields took place at the long end of the yield curve, where - for 30-year loans - 2% became the leading rate up from 0.5%. Liquid mortgage bonds were sold to raise cash. This offered homeowners the opportunity of mortgage refinancing at higher interest rates. Hence, in early March many homeowners were refinancing their mortgages at lower interest rates, and before these loans were paid out, there was an opportunity of mortgage refinancing at higher interest rates again. This resulted in unique situations and much activity in the mortgage market.

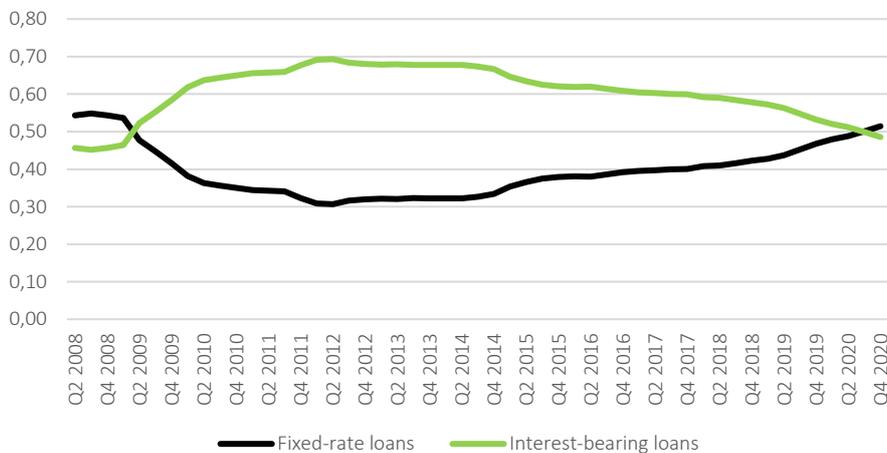
Development of interest rates



Short-term interest rates also rose, yet not quite as significantly as long-term interest rates. Subsequently interest rates have fallen somewhat again in consequence of the active monetary policy pursued by central banks. However, short-term interest rates are slightly higher now than before the outbreak of Covid-19.

Throughout 2020, fixed-rate loans became the most popular mortgage loans, which can - to a great extent - be attributed to regulation. Due to the regulation, it has become somewhat easier for the clients to get through the credit process and be approved for fixed-rate mortgage loans than being approved for floating rate loans. This was a contributing factor why fixed-rate loans account for 51.5% of the total loan portfolio relating to personal clients.

Loans for owner-occupied homes and vacation homes



In 2020, a new standard emerged in the mortgage market in the form of the so-called 'freedom products'. It is now possible to raise both floating and fixed-rate loans with a 30-year instalment-free option. Such loans offer borrowers a greater degree of flexibility and better opportunities of mortgage equity withdrawal. A precondition for the 30-year instalment-free option is that the borrower's loan-to-value ratio is below 60% of the property value.

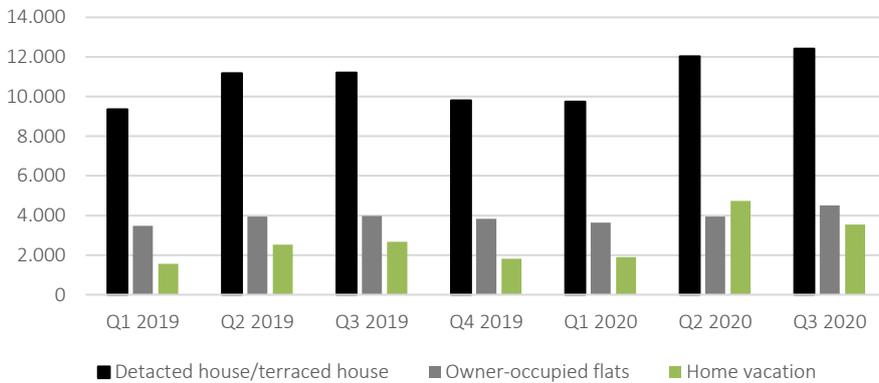
Covid-19 caused the property market to go full speed ahead

The property market was indeed affected by Covid-19, but in a somewhat different way than anticipated by most. Hence, throughout the crisis, prices of all types of property categories have increased steeply.

Hence, the year 2020 set a record in the form of the highest number of home sales relative to property price statistics. A very special thing during the crisis was the great demand for vacation homes - despite the fact that vacation homes are considered luxury goods. This development can be explained through the low interest rates, and hence low finance costs,

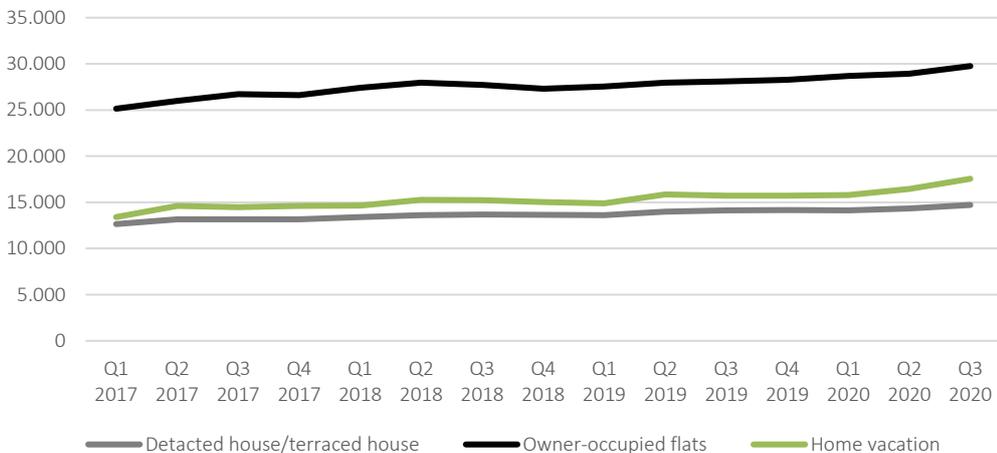
and also the fact that it was not possible to go abroad, and therefore the Danes looked into the possibility of spending their vacation in Denmark.

Home sales, transactions



Due to the strong interest in home sales, 2020 was also characterised by a very low supply of homes. This gave rise to decent price increases for the various property types. Hence, detached houses increased by 6%, while owner-occupied flats rose by 8%. This development can very much be attributed to the low interest rates. Due to the effective Danish mortgage finance model, lower interest rates will quickly be passed on to the homeowners. Hence, if we look at the homeowners' financial burden from owning their homes, this is at a record low compared to their income. This reflects a healthy housing market, where Danes will not necessarily assume additional exposure to real property relative to their disposable income.

Housing prices per square metre



Property prices also seem to be on the increase in the professional segments of the property market. Especially as regards residential rental properties and, not least, warehouses and logistics properties. However, in the professional market, we see greater diversity between the various property categories.

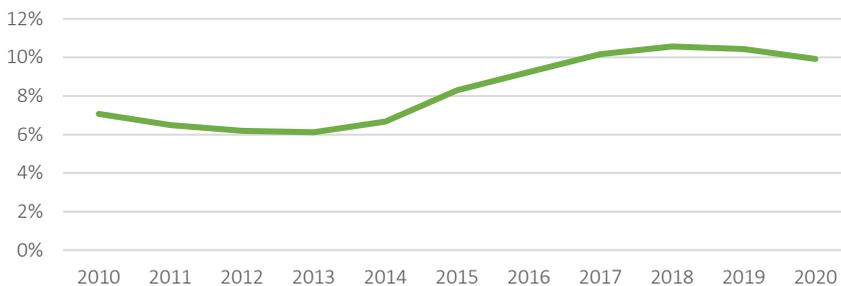
Business areas

Personal clients

Throughout 2020, the market for mortgage loans to personal clients was characterised by two circumstances that fuelled the market activity. For one thing, the year saw a record high number of property transactions, and for another, good remortgaging opportunities were available to borrowers with fixed-rate loans. Hence, borrowers have remortgaged to loans with a lower interest rate, and also they have extended the time to maturity on their loans.

However, in 2020, Jyske Realkredit lost market share in this business area, and the portfolio of personal clients have a market share of 9.9% of mortgage loans for owner-occupied homes and vacation homes. This corresponds to a decline by 0.5 percentage point relative to the previous year.

Jyske Realkredit's market share measured on the portfolio of personal clients



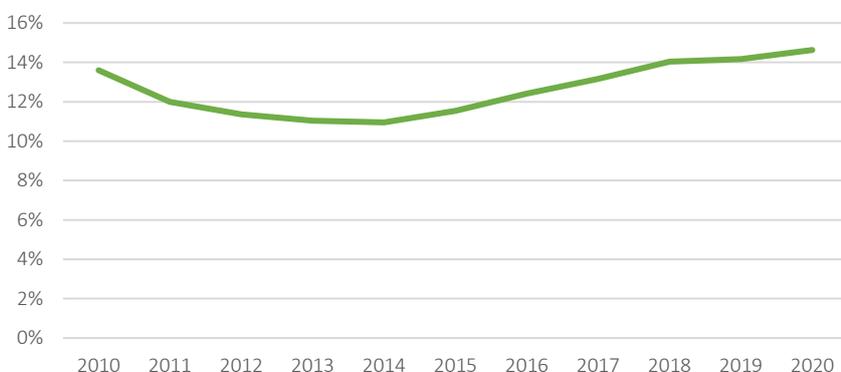
Throughout 2020, homeowners have primarily opted for fixed-rate loans when deciding on financing. As stated previously, regulation has very much furthered this development. Likewise, instalment-free options have become less prevalent. Generally, repayments have increased on the loan portfolio relating to personal clients. One reason is the growing prevalence of instalment loans, and another is that the low interest rate facilitates higher instalments in consequence of the annuity principle.

Corporate clients

In respect of corporate clients, 2020 also saw a fairly high level of transactions, albeit lower than in 2019. In addition, it was also attractive to remortgage, even though fixed-rate loans are not quite as popular among corporate clients as in other segments.

As regards corporate clients, Jyske Realkredit has throughout 2020 had a market share of just above 15% in terms of gross loans. In terms of portfolio allocation, this corresponds to 14.6%, i.e. an increase by 0.5 percentage point relative to last year.

Market share of Jyske Realkredit in terms of the corporate client portfolio



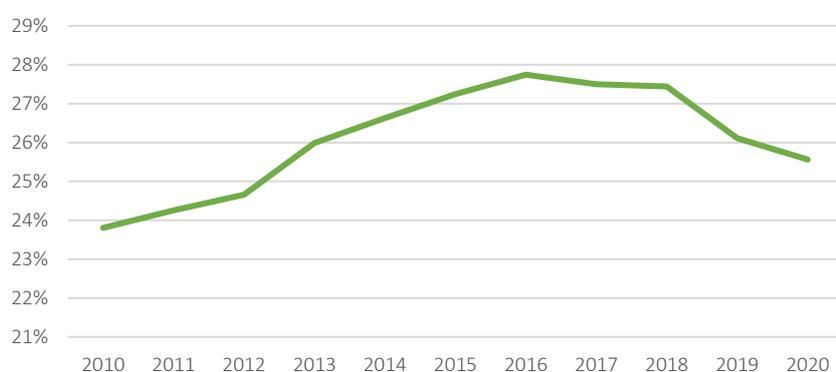
The biggest movement in 2020 was seen in respect of residential rental property and modern warehouses and logistics properties. As regards residential rental property and retail trade properties, the market saw less activity, due - among other things - to changes to the Danish Housing Regulations Act (boligreguleringsloven).

Subsidised housing

Also in the sector of subsidised housing, there was increased activity taking advantage of the low interest rates and re-mortgaging loans. As regards disbursing new loans to subsidised housing, the level of activity was not quite as high due to a strategic decision by Jyske Realkredit to be hesitant about new activity.

However, Jyske Realkredit has resumed the activity in the subsidised housing segment, but this has not yet been reflected in the figures. Typically, it will be a couple of years from winning a bid round until the loan is disbursed. The market figures are to be read against that backdrop. Hence Jyske Realkredit's gross loans amounted to 25.6% of the market in 2020. At portfolio level, the portfolio was reduced and accounted for 25.6% of the market against 26.1% last year.

Market share of Jyske Realkredit in terms of the subsidised housing portfolio



Loan mix

At the end of 2020, Jyske Realkredit's mortgage loans totalled nominally DKK 334 bn compared to DKK 329 bn at the end of 2019. In 2020, Jyske Realkredit's loans to the private market - owner-occupied homes and vacation homes - fell by DKK 4 bn to a total of DKK 171 bn, whereas loans to the commercial market, inclusive of loans for subsidised housing, rose by DKK 9 bn to a total of DKK 163 bn.

Breakdown of loans by property category (%)

	2020	2019	2018	2017	2016
Personal clients	51.3	53.1	53.4	53.5	51.8
- of which owner-occupied homes	48.8	50.7	50.8	51.0	49.3
- of which vacation homes	2.5	2.5	2.5	2.5	2.5
Corporate clients	48.7	46.9	46.6	46.5	48.2
- of which subsidised housing	14.7	14.8	15.4	16.2	17.4
- of which private rental properties (rental housing)	16.2	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 total loans. On the whole, just above 86% of Jyske Realkredit's loan portfolio still relates to properties for residential purposes.

Breakdown of loans by loan type (%)

	2020	2019	2018	2017	2016
Adjustable-rate loans	51.5	52.7	53.2	54.7	59.7
- without instalment-free option	24.8	25.2	23.4	22.7	25.6
- with instalment-free option	26.7	27.5	29.8	32.0	34.1
Fixed-rate loans	35.8	33.2	31.4	31.6	30.9
- without instalment-free option	26.4	25.3	24.5	25.3	26.1
- with instalment-free option	9.5	7.8	6.9	6.3	4.8
Capped-rate mortgages, etc.	10.0	11.3	12.3	10.3	5.3
- without instalment-free option	4.2	4.8	5.4	4.4	2.0
- with instalment-free option	5.8	6.5	7.0	5.9	3.3
Other loans, including index-linked loans	2.6	2.8	3.1	3.4	3.9
Mortgage loans, total	100.0	100.0	100.0	100.0	100.0
- without instalment-free option	58.1	58.2	56.3	55.8	57.8
- with instalment-free option	41.9	41.8	43.7	44.2	42.2

The trend in recent years towards interest-rate hedging due to the low level of interest rates continued in 2020, where the proportion of fixed-rate loans in the loan portfolio rose by almost 2.7 percentage points. On the other hand, the trend towards fewer instalment-free loans seems to have stagnated, yet the increasing use of instalment-free options for fixed-rate loans should be pointed out.

Average loan-to-value ratio by property category

	2020	2019	2018	2017	2016
Personal clients	59.9	61.3	61.9	63.4	64.0
- of which owner-occupied homes	60.4	61.6	62.2	63.8	64.3
- of which vacation homes	50.6	53.8	53.9	56.2	58.0
Corporate clients	55.8	57.4	58.9	61.4	64.5
- of which subsidised housing	24.2	27.2	31.5	43.0	44.7
- of which private rental properties (rental housing)	60.7	62.6	64.2	66.3	70.1
- of which cooperative housing	51.2	53.0	54.4	59.2	61.9
- of which office and commercial properties	53.4	54.7	55.8	58.7	61.7
Mortgage loans, total	52.8	54.6	56.0	59.4	60.7

Again in 2020, the loan portfolio developed in a positive way, and rising property prices in the major metropolitan areas had a positive effect on the collateral behind the loans granted by Jyske Realkredit. Since the end of 2016, the average loan-to-value ratio has fallen by almost 4 percentage points for loans financing owner-occupied homes, and particularly this year, the price development for vacation homes caused a fall in the loan-to-value ratio by more than 3 percentage points.

Also within the corporate client segment, a significant decline has been seen in the average loan-to-value ratio, namely by up to 10 percentage points over the past four years. The development within subsidised housing can be attributed to the ongoing transfer of loans to the government-guaranteed Capital Centre S.

So far, the Covid-19 crisis has not had any negative impact on the housing market, rather on the contrary. However, if the current crisis has an impact on housing prices, the average loan-to-value ratio will increase. Jyske Realkredit is, however, well prepared, as the financial crisis in 2008-2010 resulted in increases of just above 10 percentage points in the average loan-to-value ratio for Jyske Realkredit's loans within the most severely affected property categories.

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.

Credit quality

The breakdown of Jyske Realkredit's loans and impairment charges by IFRS 9 impairment category:

Loans and impairment charges broken down by IFRS 9 stages, DKK bn

	Loans		Impairment charges	
	2020	2019	2020	2019
Stage 1	331.8	325.1	0.2	0.2
Stage 2	11.2	13.2	0.4	0.6
Stage 3	3.4	3.2	0.6	0.3
Management's estimate	-	-	0.5	0.2
Mortgage loans, total	346.4	341.5	1.7	1.3

The credit development of the loans in 2020 resulted in a shift towards stage 1, which currently is the ranking of almost 96% of Jyske Realkredit's total loans. Relative to 2019, the extent of impairment charges rose by DKK 0.4 bn, which can primarily be attributed to one additional impairment charge recognised in the first quarter of 2020 due to Covid-19. As it has so far not been possible to individualise the majority of the additional impairment charges, the reservation is for the time being recognised under the management's estimate.

Loans and impairment charges by internal rating, DKK bn

	Loans		Impairment charges	
	2020	2019	2020	2019
PD Ratings 1-2	188.6	179.5	0.1	0.1
PD Ratings 3-4	128.4	129.3	0.2	0.2
PD Ratings 5-6	18.6	20.3	0.3	0.2
PD 7	1.8	2.5	0.1	0.1
PD 8	2.8	3.2	0.3	0.4
PD 9 (default)	3.3	3.0	0.8	0.3
Others	2.9	3.7	0.0	0.0
Mortgage loans, total	346.4	341.5	1.7	1.3

A look at the total loans by rating class shows that the development from 2019 to 2020 resulted in a larger proportion of loans in the best rating classes. In the two best rating classes alone, total loans grew by more than DKK 8 bn. The increase in clients in default can be attributed to impairment charges recognised due to Covid-19.

Loans, advances and guarantees, DKKm

	2020	2019	Index 20/19	Q4	Q3	Q2	Q1	Q4
				2020	2020	2020	2020	2019
Non-performing loans and guarantees:								
Loans, advances and guarantees before impairment charges	3,425	3,888	88	3,425	3,617	3,367	3,671	3,888
Impairment charges	777	457	170	777	758	665	523	457
Loans, advances and guarantees after impairment charges	2,648	3,431	77	2,648	2,859	2,702	3,148	3,431
NPL ratio (%)	0.8	1.0	76	0.8	0.8	0.8	0.9	1.0
NPL contribution ratio (%)	22.7	11.8	193	22.7	21.0	19.8	14.2	11.8
Past due mortgage loans (90 days)	407	450	90	407	494	479	461	450
Operational loan impairment charges and provisions for guarantees (- is income)	485	35	1,386	-64	-56	120	485	40
Operating losses	118	148	80	27	3	29	59	59

In the course of 2020, the NPL coverage ratio improved due to the management's estimates made for the effects from Covid-19. It is expected that even though arrears, etc. developed in positive way in 2020, the final negative economic effects from the Covid-19 crisis are still pending and expected to materialise at a delay and therefore impairment charges were increased in 2020, so Jyske Realkredit will be well prepared to handle increasingly difficult economic conditions.

Arrears and losses, etc.

Despite the outbreak of Covid-19, Jyske Realkredit has generally seen improving credit quality in 2020.

Arrears rate

	December 2020	September 2020	June 2020	March 2020	December 2019	September 2019
After 90 days		0.14	0.16	0.22	0.17	0.19
After 15 days	0.49	0.63	0.55	0.80	0.67	0.66

The comparative figures have been adjusted as a minor part of the loan portfolio was not previously included in the calculation.

Generally the level of arrears was low throughout 2020. The arrears rate measured 15 days after the December 2020 repayment date was at the lowest level, namely 0.49%, which is the lowest arrears rate observed by Jyske Realkredit since 2006. In 2020, the arrears rate was low for loans to both personal and corporate clients.

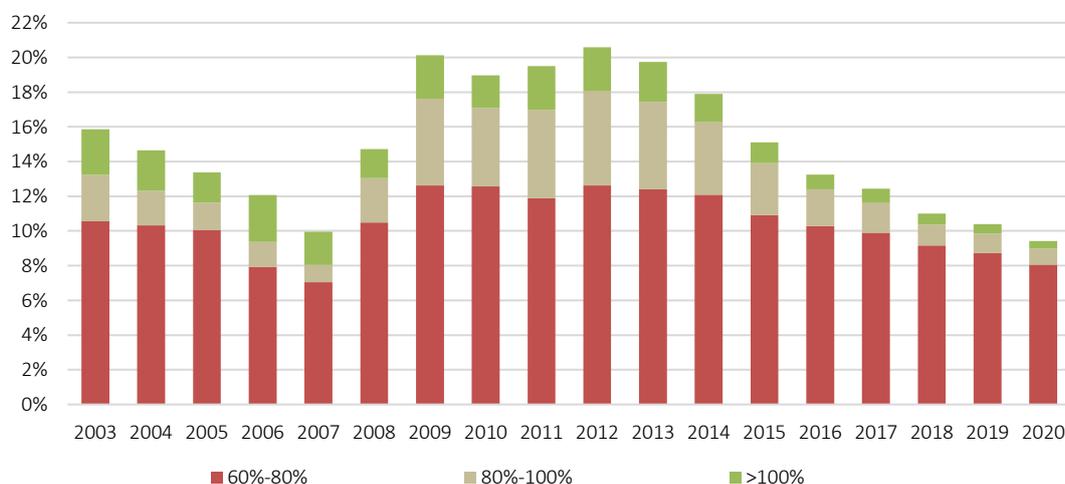
In respect of recognised losses on loans, the situation is similar to that of arrears. In connection with Jyske Realkredit's loans, no lower loss percentages have been observed since the financial crisis.

Loss as a percentage of loans - 12-month moving average



In 2020, the property market in Denmark performed well. Except for a brief period around March and April, demand for properties was generally stronger than it was over the past five years. Due to the strong demand for properties, the price development was positive as regards detached houses, owner-occupied flats and vacation homes. The positive development in property prices in 2020 is reflected, among other things, in the further decline in 2020 in the proportion of loans with a high loan-to-value ratio. The proportion of clients with a LTV ratio above 80% is down to 1.4% of total loans with only 0.5% with a LTV ratio above 100%. Seen over the past 20 years, this is the lowest level of loans with a high LTV ratio.

Proportion of loans with a loan-to-value ratio above 60%



Capital

Capital management

Jyske Realkredit's capital management takes place with a view to securing and optimising the 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 19.7 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.

The total risk exposure amounted to DKK 77.8 bn at the end of 2020 against DKK 81.3 bn at the end of 2019. The reduction of overall risk exposure by DKK 3.5 bn can primarily be attributed to the application of a lower risk weight for small and medium-sized enterprises (SME) as made possible by the Capital Requirements Regulation (CRR).

At the end of 2020, the capital ratio at 25.4% was higher than the ratio at the end of 2019, and therefore constituted a solid level relative to Jyske Realkredit's capital management objective of 20%-22%. The capital ratio level is identical to the level of the Common Equity Tier 1 capital ratio and hence the core capital ratio.

Capital base, risk exposure and solvency, DKKm

	2020	2019
Equity	19,769	18,861
Diff. between expected loss and impairment charges (deduction)	-	-23
Prudent valuation	-24	-23
Deferred tax assets	-3	-4
Common Equity Tier 1 capital / Core capital	19,743	18,811
Capital base	19,743	18,811
Credit risk	74,304	77,665
Market risk	19	20
Operational risk	3,464	3,636
Total risk exposure	77,787	81,321
Common Equity Tier 1 capital ratio (%)	25.4	23.1
Tier 1 Capital ratio (%)	25.4	23.1
Capital ratio (%)	25.4	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 institution'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 + 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 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 7.8 bn at the end 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 amounted to 1.5% and 2.5%, respectively, 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 in the spring of 2020 to release the requirement earlier.

Hence, Jyske Realkredit's adequate capital base plus the combined capital buffer requirement amounts to DKK 10.9 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 19.7 bn, Jyske Realkredit's excess capital adequacy amounts to DKK 8.8 bn.

Adequate capital base, combined capital buffer requirement and excess capital adequacy, DKKm/% of REA

	2020		2019	
Credit risk	5,944	7.6	6,213	7.6
Market risk	2	0.0	2	0.0
Operational risk	277	0.4	291	0.3
Capital requirement, Tier I	6,223	8.0	6,506	8.0
Credit risk	1,366	1.8	1,485	1.8
Market risk	145	0.2	144	0.2
Operational risk	60	0.1	60	0.1
Capital requirement, Pillar II	1,571	2.0	1,689	2.1
Adequate capital base	7,794	10.0	8,194	10.1
Capital conservation buffer	1,945	2.5	2,033	2.5
Systemic risk buffer	1,168	1.5	1,220	1.5
Countercyclical buffer	0	0.0	813	1.0
Combined capital buffer requirement	3,112	4.0	4,066	5.0
Adequate capital base, incl. combined capital buffer requirement	10,907	14.0	12,260	15.1
Excess capital adequacy	8,836	11.4	6,550	8.1

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 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 non-weighted exposures (inclusive of off-balance sheet items) 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 of 2020, the leverage ratio for Jyske Realkredit was 5.18% against 4.84% at the end of 2019.

Leverage ratio, DKKm/%	2020	2019
Core capital	19,743	18,811
Total exposure value	381,049	389,003
Leverage ratio	5.18	4.84

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 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 2020, the SDO requirement amounted to DKK 5.4 bn against DKK 5.9 bn at the end of 2019.

Basel III/IV

Over the coming years, the final implementation of Basel III (also referred to as Basel IV) will be completed due to the CRR Amendment Regulation and the CRD IV amending directive. Among other things, the changes involve rules with the purpose of curbing the capital reduction through the use of internal models rather than standardised approaches. The future rules for the calculation of risk-weighted assets for the capital statement will include the minimum levels for the AIRB model as well as the minimum level for the total risk-weighted assets. The new rules will introduce an input floor requirement in the AIRB models, which will raise the average risk weights, and an output floor requirement will be implemented, with the result that credit institutions will be subject to a capital requirement of at least 72.5% of the risk-weighted assets calculated on the basis of the standardised approach. The capital requirement applying to Jyske Realkredit will increase due to the transition to the capital adequacy rules.

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 development of 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 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 Jyske Bank Group's capital planning. The stress tests conducted show that the capital structures are robust.

Liquidity and market conditions

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 2020 corresponded to DKK 8.6 bn (end of 2019: DKK 8.5 bn). Jyske Realkredit had unencumbered liquid assets in the amount of almost DKK 15.7 bn at the end of 2020 (at the end of 2019: DKK 14.2 bn) 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 (LCR) was calculated at 1,046,293% at the end of 2020 (at the end of 2019: 9,711%) and must amount to at least 100% according to regulation.

Net Stable Funding Ratio (NSFR)

The purpose of the NSFR is to ensure that the funding profiles of the credit institutions are of a sufficiently long-term nature and are stable over a period of one year under both normal as stressed conditions.

Following the taking effect of CRR II in the second half of 2021, Jyske Realkredit must comply with a structural Net Stable Funding Ratio (NSFR). The purpose of the ratio is to secure stable funding of the institutions' assets in the 12-month term. The funding of Jyske Realkredit's loans is stable, as loans and issued ROs and SDOs can be considered mutually dependent. The Net Stable Funding Ratio (NSFR) was calculated at 288% at the end of at the end of 2020 and must amount to at least 100% according to regulation.

The supervisory diamond for mortgage credit institutions

The supervisory diamond defines a number of special risk areas stating the limits that financial institutions should generally not exceed. At the end of 2020, Jyske Realkredit met all benchmarks of the supervisory diamond.

Supervisory diamond - benchmarks, %

	2020	2019
Concentration risk <100%	51.0	47.9
Increase in loans <15% annually in the segment:		
- Owner-occupied home and vacation homes	-2.1	2.4
- Residential rental property	5.9	0.2
- Other sectors	6.6	6.1
Borrower's interest-rate risk <25%		
- Residential property	16.5	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%	16.2	15.0
- Refinancing (quarterly) <12.5%	1.4	1.7

On an on-going basis, Jyske Realkredit reviews its positions relative to the benchmarks.

Market risk

Market risk is the risk of loss following movements in the financial markets (interest rate, share price and foreign currency risks). Jyske Realkredit's market risks relate to the securities portfolio for which the interest-rate risk and the spread risk on the bond portfolio are the most important ones. Jyske Realkredit's currency risk is limited, and the funding

denominated in EUR is hedged through currency swaps. Market risks that stem from the other part of the balance sheet are modest due to the balance principle and the close correlation between loans and funding.

Interest-rate risk expresses the risk of loss following changes in interest rates corresponding to a parallel shift of the yield curve by 1 percentage point and is measured on a daily basis. Jyske Realkredit's interest-rate instruments, etc. are chiefly placed in bonds with a short time to maturity with a limited interest-rate sensitivity. At the end of 2020, Jyske Realkredit's interest-rate risk calculated according to the standardised approach of the FSA came to DKK 58m (2019: DKK 24m), which is considerably below the limit defined by the Supervisory Board as well as the statutory limit.

Jyske Realkredit's shareholding consisted solely of infrastructure shares and strategic shares outside the trading portfolio. If share prices in general fall by 10%, Jyske Realkredit will suffer an investment loss of DKK 18m (2019: DKK 19m).

The currency positions are very modest in Jyske Realkredit's balance sheet and amounted to 0.5% of the capital base (2019: 0.5%).

Group recovery plan

Being part of the Jyske Bank Group, Jyske Realkredit is covered by the Group's recovery plan, which can be used in the event that the Group or one of the companies gets into critical financial problems.

The recovery plan specifies a number of qualitative and quantitative recovery indicators. The purpose of the indicators is, at an early point in time, to identify an adverse development in the Group's or Jyske Realkredit's capital, liquidity, profitability or asset quality as well as in relevant macroeconomic and market-based indicators.

The recovery plan aims to ensure continuation of the Group's critical business processes in a situation of significant financial stress. Also, the recovery plan includes a series of recovery options that can be initiated with a view to improvement of solvency, etc. The Group recovery plan is revised annually and is submitted to the FSA in October.

In addition, as other Danish credit institutions, Jyske Realkredit pays an annual contribution to the Resolution Fund, which is administered by Finansiel Stabilitet (the Danish resolution authority).

Risk and Capital Management 2020

Additional information about Jyske Realkredit's internal risk and capital management as well as the regulatory capital requirements is available in Jyske Bank's report 'Risk and Capital Management 2020', available on jyskebank.dk/ir/rating.

Funding and bond issues

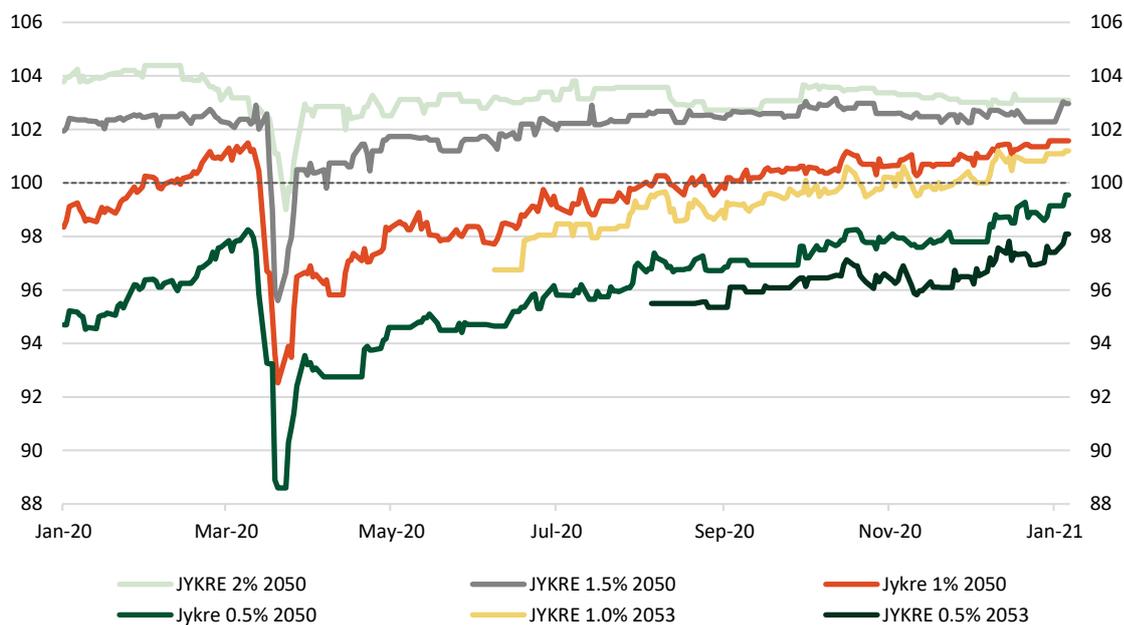
In 2020, Jyske Realkredit implemented several measures in order to comply with both national and international regulation while at the same time still being able to offer the clients the products they demand.

Mortgage bond issues

As a result of the increased demand on behalf of borrowers for 30-year fixed-rate loans, the proportion of 30-year callable bonds has increased.

Due to the higher degree of uncertainty in the financial markets caused by the covid-19 pandemic, the first quarter of 2020 saw steep declines in bond prices. In a few days in March, bond prices fell so much that the coupon on the open callable 30-year bond increased from 0.5% to 2.0%. Since this decline, prices have generally been on the rise, and at the end of 2020, they were close to being back at the pre-covid-19 level.

Prices of certain Jyske Realkredit 30-year callable SDO bonds without instalment-free option



In 2020, a change of series took place, so Jyske Realkredit now finances new 30-year fixed-rate loans through the issue of 30-year callable bonds maturing in 2053. In early 2021, the open 30-year bond carried a coupon of 0.5%.

Issues in euro

Since 2016, Jyske Realkredit has issued bonds denominated in euro to be used for the funding of loans in Danish kroner. Issues take place at fixed benchmark sizes of minimum EUR 500m. It was chosen to make issues in euro to obtain greater diversification of investors who buy mortgage bonds from Jyske Realkredit.

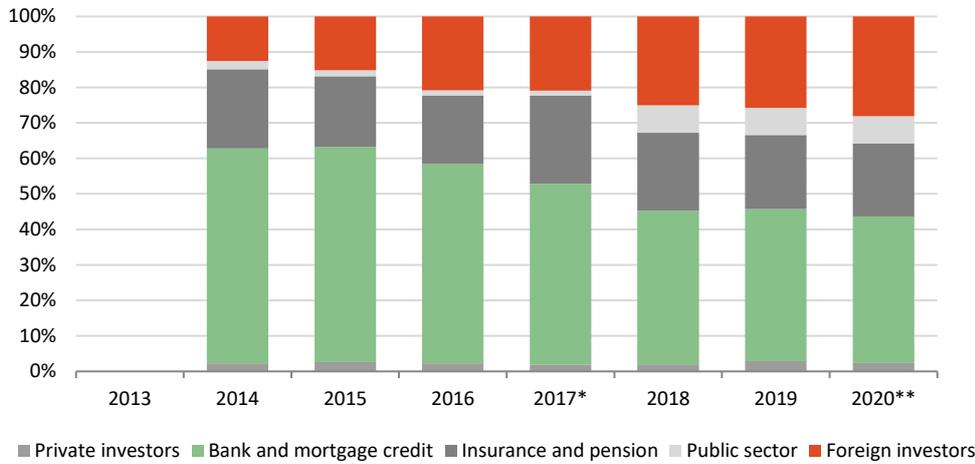
On 13 January 2021, Jyske Realkredit made its most recent benchmark issue in the amount of EUR 500m, maturing in 2027, in replacement of the euro issue that will mature on 1 April 2021. Given the bids in excess of EUR 2.2 bn and from more than 85 different investors, it was again demonstrated that euro-denominated bonds from Jyske Realkredit are attractive to a large number of national as well as international investors. Especially investors from Germany (46%) bought the issue, while the other investors were mainly from the Nordic countries (27%), the Netherlands and Belgium (9%) as well as Great Britain and Ireland (9%).

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.

Breakdown of equity interest

Also in 2020, foreign investors expressed great interest in buying mortgage bonds issued by Jyske Realkredit.

Distribution of investors in Jyske Realkredit's bond issues



* Changes to statement by Danmarks Nationalbank, the central bank of Denmark. Danish companies' foreign fund holdings changed to domestic investors.

** November 2020

Source: Nationalbanken.dk and own calculations

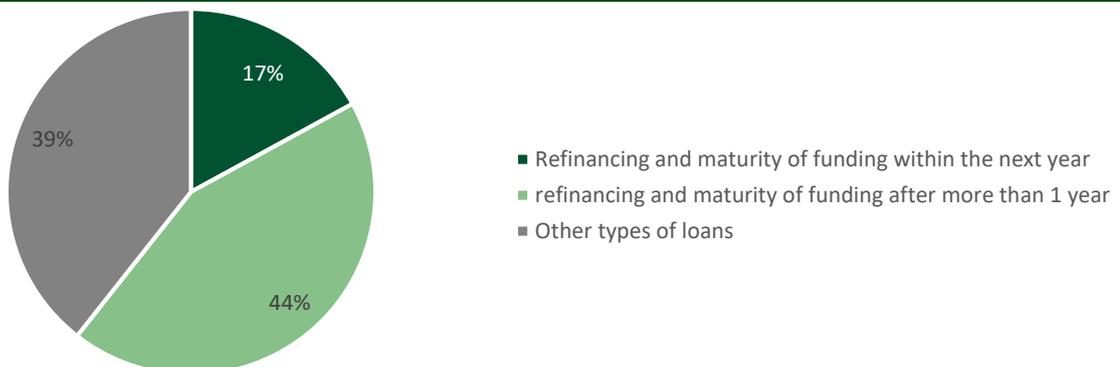
Jyske Realkredit's mortgage bonds are mainly owned by Danish institutional investors, i.e. banks, investment associations/mutual funds, pension funds, insurance companies, etc. Over the past couple of years, an increasing proportion of foreign investors buy Jyske Realkredit bonds. The reason for this was not just that many foreign investors bought Jyske Realkredit's issues in euro. The interest in callable bonds in DKK has also increased on the part of foreign investors. In 2020, Jyske Realkredit did not issue any new benchmark bonds in euro. Despite this, the proportion of foreign investors has increased.

An increase took place in the purchases of mortgage bonds on the part of Danmarks Nationalbank, the central bank of Denmark. This increase was due to Danmarks Nationalbank's purchases of bonds from Capital Centre S for the financing of loans to the subsidised housing sector.

Funding of home loans

Due to the very low interest rates on long-term 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. This helps to minimise the refinancing risk as callable bonds are not to be refinanced but will run throughout the term of the loan.

Jyske Realkredit's loan portfolio by time of refinancing

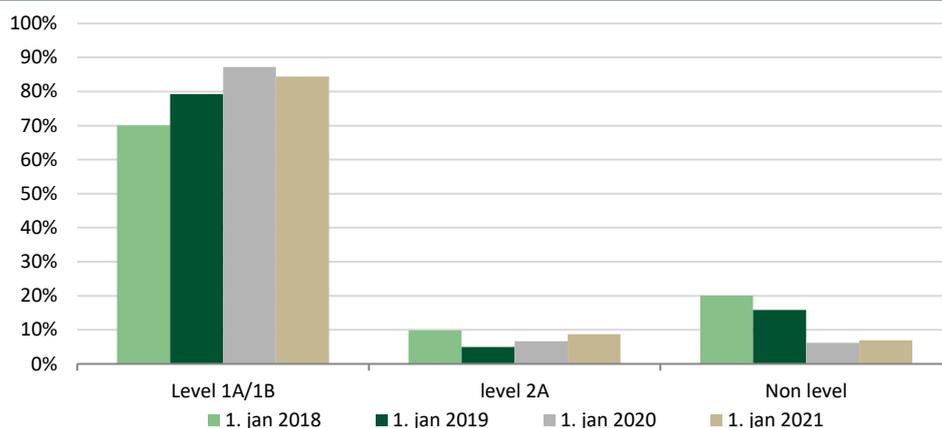


Sizes of series under LCR

To ensure that the issued bond series are of a sufficient size to be categorised as High Quality Liquid Assets (HQLA) in the LCR statement, Jyske Realkredit has chosen to carry out the financing of F2 - F10 loans in April; the financing of F1 loans in January and October; and the loans funded by CIBOR bonds in July.

By gathering the refinancing events for bonds, by issuing in benchmark sizes in euro and due to the general increase in the portfolio, the proportion of bonds meeting the series size requirements of liquid bonds in LCR has increased over the past year. The proportion of Level 1A/1B bonds fell in 2020. To a great extent, the decline can be attributed to the change of series in 2020 as well as the development of the prices of callable bonds, as a result of which financing has been spread over several bond series.

Proportion of issued open bonds by LCR level for open Capital Centres (B, E and S)



Due to the 100% guarantee against losses issued by the Danish government, bonds issued by Capital Centre S are classified as Level 1A according to LCR.

CRR Article 129(7)

The information according to CRR Article 129(7) 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/covered-bond-data.

Rating

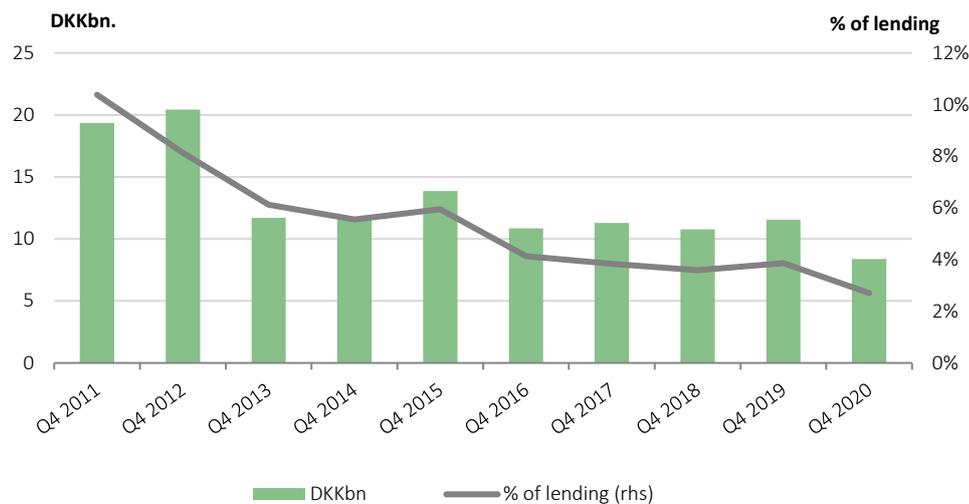
Jyske Bank's and Jyske Realkredit's joint issuer rating by Standard & Poor's (S&P) was in 2019 upgraded a notch from A- to A (stable outlook), and Jyske Realkredit's bonds issued by Capital Centre E, Capital Centre B and the General Capital Centre were rated AAA (stable).

Ratings

As at 31 December 2020	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

In the course of 2020, Standard & Poor's percentage requirement of supplementary collateral to achieve an AAA rating of Jyske Realkredit's bonds fell by 1.2 percentage point. The decline was caused by changes to Standard & Poor's rating methodology as well as a general improvement of credit quality.

Supplementary security requirement to achieve an AAA rating from S&P



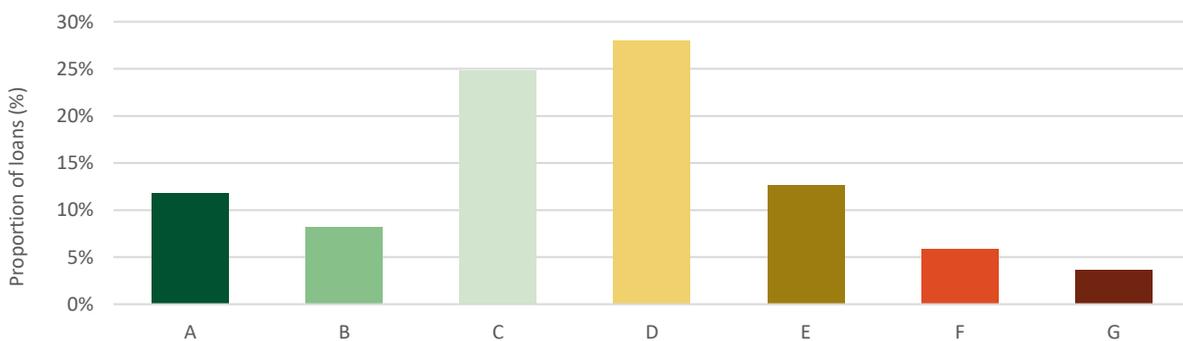
Since S&P began to rate Jyske Realkredit's bonds, S&P's requirement to achieve an AAA rating for supplementary collateral has not been lower, both in nominal terms and as a proportion of the total loans.

S&P's overcollateralisation requirement for the capital centres are met through funds from Jyske Realkredit's equity. The overcollateralisation relative to S&P's AAA rating requirements is so high that Jyske Realkredit's issuer rating can be downgraded by three notches without this having any effect on the rating of Jyske Realkredit's bonds. Jyske Realkredit anticipates stable requirements of overcollateralisation going forward and will therefore, with the current level of equity, be able to meet the AAA requirement.

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. The template is available at jyskerealkredit.dk/sustainable-transparency-template.

Jyske Realkredit's loan portfolio by energy rating



In its attempts to increase the transparency for investors of how Jyske Realkredit through its lending contributes to the green transition, Jyske Realkredit also publishes the total CO₂ emission from properties financed through Jyske Realkredit's Capital Centre E.

CO₂ emission related to Jyske Realkredit's loans

Property type	Tonnes CO ₂	Tonnes CO ₂ (LTV adjusted)	Kg CO ₂ /m ²
Private owner-occupied homes and flats	331,724	197,803	22.7
Subsidised housing	21,825	21,825	10.7
Cooperative housing	9,618	4,268	10.0
Residential rental properties	40,177	25,868	10.4
Office and commercial properties	88,785	46,068	19.3
Other	23,567	20,354	18.1
Total	515,696	316,185	19.1

The estimated CO₂ emission is based on the energy classification, heating source and total floor area of the property. If the property has not been assigned an energy classification, the energy consumption and CO₂ emission will be estimated on basis of the characteristics of the property. The estimated CO₂ emission will offer a good idea of which properties that offer potential for lowering their emission by renovating the properties.

As Jyske Realkredit finances new properties with a low energy consumption and at the same time also finances energy retrofitting of existing properties, it is expected that the average emission will fall over time. Jyske Realkredit will on an ongoing basis report on this development.

Corporate governance

Organisation and management

Jyske Realkredit A/S is 100% owned by Jyske Bank A/S.

The Supervisory Board consists of six members, of which two are elected by the employees. The Executive Board has two members. The Supervisory Board and the Executive Board are independent of each other and no person is a member of both the Supervisory Board and the Executive Board.

The guidelines for corporate governance are stated in the Jyske Bank Group's Annual Report 2020 and reference is made to this.

For information as regards issues such as corporate social responsibility, employee issues, Group Audit Committee and Risk Committee, diversity and gender composition for the Jyske Bank Group, please see Jyske Bank's statement on corporate social responsibility at jyskebank.dk/ir/governance.

Outsourcing

Jyske Bank and Jyske Realkredit cooperate in respect of staff functions as well as business functions. Jyske Realkredit has outsourced a number of material areas of activity to Jyske Bank, including:

- Sales, advisory services, credit assessment and granting of mortgage loans for personal clients as well as client relationship management and servicing of these borrowers.
- Sales, advisory services and credit-improving work when granting mortgage loans secured on commercial properties as well as client relationship management of these borrowers.
- Operation of Jyske Realkredit's system areas.
- Operation and maintenance of the statutory whistleblower programme for Jyske Realkredit, which is operated jointly with Jyske Bank.

Jyske Realkredit has an outsourcing service with an outsourcing officer in charge of management, monitoring and control of outsourcing at Jyske Realkredit. The outsourcing officer reports to the Executive Board of Jyske Realkredit.

Internal control and risk-management systems relating to financial reporting

The Supervisory Board and the Executive Board have overall responsibility for Jyske Realkredit's financial reporting. The financial reporting process is based on the assumption that all relevant financial transactions are entered correctly in the financial management system. To ensure that all financial transactions are entered correctly in the financial management system, and for the purpose of preventing, detecting and correcting any errors, deviations and omissions, daily, monthly and quarterly internal controls are performed as described in procedures.

Controls comprise both system controls and manual controls. Internal controls are performed regularly through reconciliation and proof on a balance of probability for all financial accounts, and the finance function checks and verifies the reconciliation made. The extent of reconciliation and control is based on an assessment of the risk of errors, deviations and omissions in the financial transactions and accounting items. Special focus is on the financial transactions and accounting items where estimates and assessments can have a significant impact on the value of assets and liabilities. See note 48 in the financial statements for a detailed specification.

Reporting to the Supervisory Board, the Executive Board and business area managements takes place on an on-going basis. This reporting includes, among other financial data:

- Income statement and balance sheet with comments on main items
- Review of assets
- Risks on Jyske Realkredit's securities portfolio, including interest rate and foreign currency risk
- Credit risks, loan losses and impairment charges
- Counterparty risks
- Operational risks
- Capital adequacy and solvency requirement
- Liquidity
- Outsourced activities

All reporting is based on joint data. Jyske Realkredit monitors developments in relevant legislation and regulations with a view to ensuring full compliance. In connection with the financial reporting process, detailed checklists are also filled in to ensure that all requirements are met.

The Internal Audit Department continuously reviews and reports on significant areas relating to internal controls, risk management and reporting. Moreover, the Group Audit Committee of the Jyske Bank Group, to which Jyske Realkredit belongs, will also review accounting, auditing and security matters.

Risk Management function

The purpose of the risk management function is to assist the Executive Board of Jyske Realkredit in gaining an overview of all material risks, ensuring a clear and unambiguous allocation of responsibility for proactive risk management, assessing the adequacy of the risk targets, reports and models employed in risk management and communicating its positions on the material risks and their size. Risk management at Jyske Realkredit forms part of the Jyske Bank Group's overall risk management. The function is an entity in Risk Management at Jyske Bank, with which professional interaction has been established.

The Executive Board of Jyske Realkredit has appointed a risk officer (CRO), who is responsible for the risk-management functions at Jyske Realkredit. The CRO reports to the Executive Board of Jyske Realkredit.

For a more detailed description of Jyske Realkredit's risk management, reference is made to the report 'Risk and Capital Management 2020' for Jyske Bank which is available on jyskebank.dk/ir/rating.

Compliance function

In accordance with Danish legislation, Jyske Realkredit has a compliance function responsible for assisting management in ensuring that Jyske Realkredit complies with current laws and regulations as well as ethical standards to minimise the risk of financial losses and loss of trust from clients, public authorities and the external environment in general. The compliance activities are primarily those of carrying out reviews of selected areas. The Compliance function reports on an ongoing basis, at at least semi-annually, to the Executive Board of Jyske Realkredit on the results of the reviews performed. Likewise, ongoing reporting takes place to the business areas that have been reviewed. In addition, twice a year, Compliance prepares a report to the Supervisory Board of Jyske Realkredit, stating the main conclusions of the reports submitted to the Executive Board as well as the status on any outstanding measures.

Internal control procedures

The Supervisory Board sets policies and limits for the conduct of business, and the Supervisory Board and the Executive Board lay down and approve the overall requirements for business procedures and internal controls in key business areas.

The internal control system is based on a separation of functions between client-oriented functions, authorisation and control. Controls are performed at several levels and are initiated through self-reviews in the business areas and the securities area as well as regular controls performed by the credit function, the compliance function and the finance function.

In addition, the internal audit regularly reviews selected areas in accordance with the audit plan approved by the Group Audit Committee. The finance function collects and checks financial data on a monthly basis and reports this to Jyske Realkredit's Executive Board.

The Group Audit Committee and the Executive Board continuously monitor compliance with business procedures, internal controls, relevant legislation and other rules and regulations in connection with financial reporting and submit reports to the entire Supervisory Board.

Company auditors

The Annual General Meeting elects an independent auditor on the recommendation of the Supervisory Board. Prior to the election, the Group Audit Committee has evaluated the skills, the independence, etc. of the nominated auditor.

Jyske Realkredit is also covered by the Jyske Bank Group's Internal Audit, which reports to the Supervisory Board. Internal Audit audits the annual report in cooperation with the auditors elected by the Annual General Meeting.

Internal Audit performs audits of selected areas in accordance with an audit plan approved by the independent auditors and submitted to the Group Audit Committee and the Supervisory Board.

As part of the audit, the auditors will report any weaknesses identified in business procedures and internal controls etc. to the Executive Board and the Supervisory Board, and also Internal Audit will regularly follow up on the implementation of recommendations made. The Head of Internal Audit and the head of the independent auditors participates in Group Audit Committee meetings.

Money laundering

Prevention of money laundering and financing of terrorism is a top priority of the Jyske Bank Group.

Jyske Bank has appointed a MLRO (money-laundering reporting officer), who is in charge of the overall reporting to the Group Executive and Supervisory Boards. Jyske Realkredit has also appointed a MLRO, who refers to the Executive Board of Jyske Realkredit.

As part of the Jyske Bank Group's endeavours to prevent and fight money laundering and financing of terrorism, the employees of Jyske Realkredit have participated in training programmes targeting the individual employee's function.

Other information

For further information, please see jyskerealkredit.dk, which website gives detailed financial information about Jyske Realkredit.

Dividend

At the Annual General Meeting, the Supervisory Board will propose that no dividend be distributed for 2020.

Financial calendar

Jyske Realkredit anticipates releasing financial statements on the following dates in 2021:

4 May	Interim Financial Report, first quarter of 2021
17 August	Interim Financial Report, first half of 2021
2 November	Interim Financial Report, first nine months of 2021

Events after the end of the financial year

No events have occurred after the balance sheet date that would in any material way influence the income statement or balance sheet set out in these financial statements.

Directorships of the members of the Supervisory Board and the Executive Board

Directorships held by members of the Supervisory Board in other commercial enterprises on 31 December 2020:

Member of the Supervisory Board	Born	Appointed a Board member	Nomination committee	Directorships held in other commercial enterprises
Niels Erik Jakobsen, Managing Director, Chairman	1958	2014	Chairman	<ul style="list-style-type: none"> Board member (deputy chairman), Letpension A/S Board member, BI Holding A/S as well as the fully owned BI Asset Management Fondsmæglerselskab A/S
Lars Waalen Sandberg, Director, Deputy Chairman	1970	2019	Member	<ul style="list-style-type: none"> Board member, E-Nettet A/S
Per Skovhus, Managing Director	1959	2014	-	-
Peter Schleidt, Managing Director	1964	2018	-	<ul style="list-style-type: none"> Board member (chairman), JN Data A/S
Employee representatives:				
Kim Henriksen	1960	2015	Member	-
Steen Brastrup Clasen	1967	2019	-	-

Directorships held by members of the Executive Board in other commercial enterprises on 31 December 2020:

Member of the Executive Board	Directorships held in other commercial enterprises
Carsten Tirsbæk Madsen	• -
Torben Hansen	• -

Income Statement and Statement of Comprehensive Income

DKKm

Note		2020	2019
Income statement			
4	Interest income	5,380	6,240
5	Interest expenses	3,011	3,790
	Net interest income	2,369	2,450
	Dividends, etc.	13	22
6	Fees and commission income	520	662
	Fees and commission expenses	1,123	1,304
	Net interest and fee income	1,779	1,830
7	Value adjustment (- is an expense)	218	-53
	Other operating income	0	0
8.9	Employee and administrative expenses	320	283
18	Amortisation, depreciation and impairment charges	1	2
	Other operating expenses	24	24
10	Loan impairment charges	485	35
	Pre-tax profit	1,168	1,434
11	Tax	259	316
	Profit for the year	908	1,117
	Distributed to:		
	Jyske Realkredit A/S shareholders	908	1,117
	Total	908	1,117
Statement of Comprehensive Income			
	Profit for the year	908	1,117
	Other comprehensive income	-	-
	Other comprehensive income after tax	-	-
	Comprehensive income for the year	908	1,117
	Distributed to:		
	Jyske Realkredit A/S shareholders	908	1,117
	Total	908	1,117

Balance Sheet

DKK m

Note		2020	2019
Assets			
	Cash balance and demand deposits with central banks	50	41
13	Due from credit institutions and central banks	13,604	26,435
14,15	Loans at fair value	344,965	338,666
17	Bonds at fair value	17,350	18,373
	Shares, etc.	183	192
18	Other property, plant and equipment	-	1
19	Deferred tax assets	3	4
20	Assets in temporary possession	73	107
21	Other assets	897	1,075
	Prepayments	8	6
	Total assets	377,132	384,899
Equity and liabilities			
Liabilities			
22	Due to credit institutions and central banks	899	1,102
23	Issued bonds at fair value	353,357	361,388
	Issued bonds at amortised cost	750	750
	Current tax liabilities	249	315
	Liabilities relating to assets held temporarily	5	5
24	Other liabilities	2,084	2,466
	Deferred income	15	10
	Total liabilities	357,361	366,036
Provisions			
25	Other provisions	2	2
	Total provisions	2	2
Equity			
	Share capital	4,306	4,306
	Share premium	102	102
	Retained profit	15,361	14,453
	Total equity	19,769	18,861
	Total equity and liabilities	377,132	384,899
26 Off-balance sheet items			
	Guarantees, etc.	0	0
	Other contingent liabilities, etc. (loan offers, etc.)	13,253	14,449
	Total guarantees and other contingent liabilities	13,253	14,449

Statement of Changes in Equity

DKKm

	Share capital ¹	Share premium	Retained profit	Total equity ²
Equity at 01 January 2020	4,306	102	14,453	18,861
Profit for the year	-	-	908	908
Comprehensive income for the year	-	-	908	908
Equity at 31 December 2020	4,306	102	15,361	19,769
Equity at 01 January 2019	4,306	102	13,335	17,744
Profit for the year	-	-	1,117	1,117
Comprehensive income for the year	-	-	1,117	1,117
Equity at 31 December 2019	4,306	102	14,453	18,861

¹ All shares are owned by Jyske Bank A/S, and the share capital consists of 43,064,800 shares of DKK 100 each.

² Of the equity an amount of DKK 18,595m (2019: DKK 18,049m) was allocated to meet the capital requirement at Capital centre E, Capital centre B, Capital Centre S, Jyske Realkredit's series with joint and several liability and Husejernes Kreditkasse. The remaining equity of DKK 1,175m (DKK 812m) was allocated to meet the capital requirement of the General Capital Centre. Reference is also made to note 50, summary of Series financial statements.

Capital statement

	2020	2019
Equity	19,769	18,861
Difference between expected loss and the carrying amount of impairment charges	-	-23
Prudent valuation	-24	-23
Deferred tax assets	-3	-4
Common Equity Tier 1 capital / Core capital	19,743	18,811
Capital base	19,743	18,811
Weighted risk exposure involving credit risk etc.	74,304	77,665
Weighted risk exposure involving market risk	19	20
Weighted risk exposure involving operational risk	3,464	3,636
Total weighted risk exposure	77,787	81,321
Capital requirement, Pillar I	6,223	6,506
Capital requirement, total	6,223	6,506
Capital ratio (%)	25.4	23.1
Core capital ratio (%)	25.4	23.1
Common Equity Tier 1 capital ratio (%)	25.4	23.1

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

The determination of the individual solvency requirement was not covered by the audit.

Notes

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1 Key figures and ratios

	2020	2019	2018	2017	2016
Net interest and fee income	1,779	1,830	2,243	2,212	2,128
Value adjustment (- is an expense)	218	-53	-81	-67	-67
Employee and administrative expenses	320	283	707	823	815
Loan impairment charges (- is income)	485	35	369	202	-32
Profit on investments in associates and group enterprises	-	-	10	19	4
Profit for the year	908	1,117	999	886	1,015
Loans	344,965	338,666	327,403	308,121	278,407
Equity	19,769	18,861	17,744	15,731	12,812
Total assets	377,132	384,899	353,280	337,732	307,027
Capital ratio (%)	25.4	23.1	22.1	20.8	19.0
Core capital ratio (%)	25.4	23.1	22.1	20.8	19.0
Common Equity Tier 1 capital ratio (%)	25.4	23.1	22.1	20.8	19.0
Pre-tax profit as a pct. of average equity	6.0	7.8	7.5	7.9	10.6
Net profit as a percentage of average equity	4.7	6.1	6.0	6.2	8.3
Income/cost ratio (%)	2.4	5.2	2.1	2.1	2.6
Currency position (%)	0.5	0.5	0.8	1.4	1.1
Accumulated impairment ratio (%)	0.5	0.4	0.4	0.4	0.4
Impairment ratio for the year (%)	0.14	0.01	0.11	0.07	-0.01
Increase in loans for the year (%)	1.6	3.0	6.7	9.8	10.0
Loans relative to equity	17.4	18.0	18.5	19.6	21.7
Return on capital employed	0.24	0.29	0.28	0.26	0.33

Reference is made to definitions of financial ratios, cf. note 49.

2 Alternative performance targets

	2020			2019		
	Core profit (Mortgage credit)	Reclassifi- cation	Total	Core profit (Mortgage credit)	Reclassifi- cation	Total
Administration margin income, etc.	2,332	-	2,332	2,334	-	2,334
Other net interest income, etc.	36	1	37	58	58	117
Net interest income	2,368	1	2,369	2,392	58	2,450
Dividends, etc.	-	13	13	-	22	22
Net fee and commission income	-603	-	-603	-641	-	-641
Net interest and fee income	1,765	14	1,779	1,750	80	1,830
Value adjustments	218	-1	218	6	-58	-53
Other income	14	-13	0	22	-22	0
Income	1,997	-	1,997	1,778	-	1,778
Expenses	345	-	345	310	-	310
Profit before loan impairment charges and provisions for guarantees	1,652	-	1,652	1,468	-	1,468
Loan impairment charges	485	-	485	35	-	35
Pre-tax profit	1,168	-	1,168	1,434	-	1,434

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 year 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) on page 2 and income statement items prepared according to the Danish Executive Order on the Preparation of Financial Statements on page 32. 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.

Reclassification relates to the following:

- Expenses of DKK 1m (2019: expenses of DKK 58m) due to value adjustments relating to the balance principle reclassified from value adjustments to interest income.
- Dividend on shares, etc. of DKK 13m (2019: DKK 22m) is recognised under other income.

3 Segments - sales, geography and public subsidies

In 2020, Jyske Realkredit's total sales amounted to DKK 5,901m (2019: DKK 7,110m).

The only activity of Jyske Realkredit is mortgage lending, which takes place solely in Denmark (inclusive of the Faroe Islands and Greenland).

In 2020, Jyske Realkredit did not receive any special subsidies related to mortgage banking activities.

	2020	2019
4 Interest income		
Due from credit institutions and central banks ¹	-44	-63
Loans	3,327	4,081
Administration margin	1,867	1,779
Bonds	76	150
Derivatives	115	212
Other interest income	0	0
Interest income before offsetting of interest on own bonds	5,341	6,159
Interest on own mortgage bonds, set off against interest on issued bonds	84	125
Total after offsetting of negative interest income	5,257	6,035
Negative interest income set off against interest income	71	100
Negative interest expenses set off against interest expenses	52	105
Total before offsetting of negative interest income	5,380	6,240
¹ Of which interest income on reverse repos carried under "Due from credit institutions and central banks"	-38	-56

5 Interest expenses		
Due to credit institutions and central banks ¹	16	14
Issued bonds	3,047	3,733
Other interest expenses	-90	-37
Interest expenses before offsetting of interest on own bonds	2,972	3,709
Interest on own mortgage bonds, set off against interest on issued bonds	84	125
Total after offsetting of negative interest expenses	2,888	3,584
Negative interest expenses set off against interest expenses	52	105
Negative interest income set off against interest income	71	100
Total before offsetting of negative interest income	3,011	3,790
¹ Of which interest expenses on repos carried under "Due to credit institutions and central banks"	-1	-4

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, is, as 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 177m was in 2020 recognised under other interest expenses (2019: DKK 147m).

6 Fees and commission income		
Securities trading	309	401
Loan application fees	211	260
Other fees and commissions	0	0
Total	520	662

	2020	2019
7 Value adjustment (- is an expense)		
Mortgage loans ¹	1,588	1,631
Other loans and receivables at fair value	1	0
Bonds	43	21
Shares, etc.	22	-19
Currency	-1	-3
Currency, interest-rate and other contracts as well as other derivatives ¹	266	343
Issued bonds ¹	-1,700	-2,026
Total	218	-53

¹ Adjustments of the balance principle for Jyske Realkredit brought a total income of DKK 37m (2019: DKK -15m), resulting from a net value adjustment of the following items: Mortgage loans by DKK +1,588m (DKK +1,631m), issued mortgage bonds by DKK -1,700m (DKK -2,026m) and derivatives by DKK +150m (DKK +380m), recognised under "Currency, interest-rate and other contracts as well as other derivatives".

8 Employee and administrative expenses

Employee expenses

Wages and salaries, etc.	23	24
Pensions	3	2
Payroll tax	4	2
Social security	0	0
Total	30	29

Salaries and remuneration to the Executive Board and the Supervisory Board

Executive Board	6	6
Supervisory Board	0	0
Total	6	6

Other administrative expenses

IT	15	15
Other administrative expenses inclusive of intra-group service agreement	268	234
Total	284	249

Employee and administrative expenses, total

	320	283
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Wages and salaries, etc.

Wages, salaries and short-term employee benefits	23	24
Total	23	24

Remuneration of the Supervisory Board (DKK '000)

Kim Henriksen	123	120
Steen Brastrup Clasen (joined on 26 March 2019)	120	90
Directors' remunerations, total	243	210

The above allows for the value for tax purposes of company-paid telephone. Except for employee-elected members of the Supervisory Board, members employed by Jyske Bank do not receive any directors' remuneration from Jyske Realkredit.

Members of the Supervisory Board receive no shares, options, warrants or any other types of incentive pay. Nor do members of the Supervisory Board receive any pension in the performance of their duties and obligations as members of the Supervisory Board.

The following members of Jyske Realkredit's Supervisory Boards have as members of other supervisory boards or executive boards of other companies in the Jyske Bank Group earned remuneration from these companies in 2020: Per Skovhus an amount of DKK 8.8m (2019: DKK 8.7m), Niels Erik Jakobsen an amount of DKK 8.0m (DKK 7.9m), Peter Schleidt an amount of DKK 8.9m (DKK 8.7m).

	2020	2019
8 Employee and administrative expenses (cont.)		
Remuneration of the Executive Board		
Carsten Tirsbæk Madsen (joined on on 1 September 2019)	4.4	1.5
Lars Waalen Sandberg (resigned on 1 September 2019)	-	2.8
Torben Hansen	1.8	2.0
Total remuneration of the Executive Board	6.2	6.3

The above allows for the value for tax purposes of provisions such as company car, company-paid telephone, etc. No variable remuneration was paid in 2020, nor in 2019. Other amounts are fixed remuneration amounts. The Executive Board does not participate in any incentive programme. Torben Hansen receives 15.75% of his salary as a pension contribution. The amount is included in the above overview. Jyske Realkredit has no further contractual obligations concerning contributions to the Executive Board's pension schemes. Jyske Realkredit has no pension obligations or special termination obligations towards the Executive Board.

Remuneration of risk takers

Number of members	21	12
Contractual remuneration	9.4	9.0
Variable remuneration	0.7	1.0
Defined contribution pensions	1.1	0.9

The group comprises employees (exclusive of the Executive Board) with a special impact on the company's risk profile. Of the above-mentioned 21 persons, 15 (2019: 4) are employees split between the companies and salaried by Jyske Bank A/S, and settlement with Jyske Realkredit takes place through the intra-group service agreement. As of 2020, the salaries of the employees split between the companies are recognised with the proportion that relate to Jyske Realkredit. Comparative figures for 2019 have been adjusted. Of the variable remuneration amount of DKK 0.7m (2019: DKK 1.0m), an amount of DKK 0.6m (2019: DKK 0.9m) related to severance pays. For further information of the Jyske Bank Group's remuneration policy, reference is made to: https://www.jyskebank.dk/wps/wcm/connect/jfo/0ee07c66-a19c-434a-b6e7-392a8242be90/Vederlagspolitik_2020.pdf?MOD=AJPERES

9 Number of employees

Average number of employees for the financial year (full-time employees)	26	27
No. of employees at year-end	25	23
No. of employees split between the companies, end of the year	496	474
No. of employees split between the companies converted to full-time equivalent	201	198

10 Loan impairment charges

Loan impairment for the year	418	-18
Recognised as a loss, not covered by impairment charges	93	116
Recoveries	-26	-63
Total	485	35
Balance of impairment charges		
Balance of impairment charges, beginning of period	1,330	1,380
Loan impairment for the year	418	-18
Recognised as a loss, covered by impairment charges	-25	-32
Balance of impairment charges, end of period	1,723	1,330
Mortgage loan impairment charges	1,607	1,286
Impairment charges on other loans and receivables, etc.	115	44
Balance of impairment charges, end of period	1,723	1,330

10 Loan impairment charges and provisions for guarantees (cont.)

Breakdown of balance of impairment charges by stage - 2020	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of period	311	665	354	1,330
Transfer of impairment charges at the beginning of the period to stage 1	127	-120	-7	-
Transfer of impairment charges at the beginning of the period to stage 2	-8	33	-25	-
Transfer of impairment charges at the beginning of the period to stage 3	-1	-101	102	-
Impairment charges relating to new loans	89	211	118	418
Decline in the balance of impairment charges due to repayment of loans	-68	-190	-56	-314
Effect from recalculation	-160	172	303	315
Previously recognized as impairment charges, now losses	0	-7	-19	-25
Balance of impairment charges, end of period	289	663	770	1,723

Breakdown of balance of impairment charges by stage - 2019

Balance at the beginning of period	248	705	427	1,380
Transfer of impairment charges at the beginning of the period to stage 1	173	-137	-35	-
Transfer of impairment charges at the beginning of the period to stage 2	-8	69	-61	-
Transfer of impairment charges at the beginning of the period to stage 3	-1	-37	38	-
Impairment charges relating to new loans	118	129	23	270
Decline in the balance of impairment charges due to repayment of loans	-77	-109	-93	-279
Effect from recalculation	-141	50	82	-9
Previously recognized as impairment charges, now losses	0	-5	-26	-32
Balance of impairment charges, end of period	311	665	354	1,330

The above relate to loans at fair value through the income statement.

Neither in 2019 nor in 2020, did Jyske Realkredit grant loans that were credit-impaired at initial recognition.

Impairment charges on new loans and the decline in the balance of impairment charges due to repayment of loans relate very much to loans that were remortgaged. The extent of the recalculation reflects some migration between the stages in the individual year.

The year 2020 saw a net migration from state 2 to stages 1 and 3. This could be attributed to an improvement in the clients' credit quality, resulting in the migration to stage 1. The migration to stage 3 related mainly to a few major corporate clients who were moved from a weak stage 2 to stage 3 due to a heightened risk of loss.

By comparison, 2019 saw a general improvement in clients' credit quality, as a result of which there was a net migration from stages 2 and 3 to stage 1 over the period. In 2019, model adjustments were made, which affected the recalculation.

	2020	2019
11 Tax		
Current tax	249	316
Change in deferred tax	1	0
Adjustment of tax for previous years	9	0
Total	259	316
Effective tax rate		
Current tax rate	22.0	22.0
Adjustments as regards previous years	0.8	0.0
Non-taxable income and non-deductible expenses, etc.	-0.6	0.0
Effective tax rate	22.2	22.1

	2020	2019
12 Contractual time to maturity		
Assets		
Due from credit institutions and central banks		
Demand deposits	620	705
Up to 3 months	12,984	25,730
Over 3 months and up to 1 year	-	-
Over 1 year and up to 5 years	-	-
Over 5 years	-	-
Total	13,604	26,435
Loans at fair value ¹		
Up to 3 months	2,154	2,076
Over 3 months and up to 1 year	7,397	7,019
Over 1 year and up to 5 years	43,181	40,670
Over 5 years	292,233	288,901
Total	344,965	338,666
Bonds at fair value		
Up to 3 months	598	1,314
Over 3 months and up to 1 year	9,640	10,014
Over 1 year and up to 5 years	7,085	7,014
Over 5 years	27	30
Total	17,350	18,373
Liabilities		
Due to credit institutions and central banks		
Demand deposits	207	89
Up to 3 months	692	1,013
Over 3 months and up to 1 year	-	-
Over 1 year and up to 5 years	-	-
Over 5 years	-	-
Total	899	1,102
Issued bonds at fair value ¹		
Up to 3 months	8,987	24,709
Over 3 months and up to 1 year	62,185	55,175
Over 1 year and up to 5 years	127,763	134,398
Over 5 years	154,423	147,106
Total	353,357	361,388
Issued bonds at amortised cost		
Up to 3 months	-	-
Over 3 months and up to 1 year	-	-
Over 1 year and up to 5 years	750	750
Over 5 years	-	-
Total	750	750

The above amounts are exclusive of interest.

¹ The cash flow imbalance between mortgage loans (the main item of loans at fair value¹) and issued bonds at fair value is due to the fact that 30-year adjustable rate mortgage loans (ARM) are financed by bonds with maturities of 1-10 years.

For further details on Jyske Realkredit's liquidity risk, please see note 43.

	2020	2019
13 Due from credit institutions and central banks		
At notice with central banks	-	9,810
Due from credit institutions	1,457	1,599
Reverse repos	12,147	15,026
Total	13,604	26,435

The major part of amounts due from credit institutions was reduced in connection with the mortgage payments due on 4 January 2021. Cash is deposited with Danmarks Nationalbank, the central bank of Denmark, and Danish banks with ratings between A- and AA- (Standard & Poor's).

14 Loans at fair value		
Mortgage loans, nominal value	334,168	329,043
Adjustment for interest-rate risk, etc.	12,001	10,410
Adjustment for credit risk ¹	-1,607	-1,286
Mortgage loans at fair value	344,562	338,167
Arrears before loan impairment charges	65	148
Arrears and outlays, total	65	148
Other loans and receivables	337	351
Total	344,965	338,666

¹ The calculation of adjustment for credit risk is based on whether there is objective evidence that the individual loan is impaired compared to the time of the establishment of the loan.

15 Mortgage loans at fair value broken down by property category		
Owner-occupied homes	165,251	168,479
Vacation homes	8,337	8,285
Subsidised housing (rental housing)	55,069	53,989
Cooperative housing	14,416	14,820
Private rental properties (rental housing)	55,477	49,366
Industrial properties	3,056	2,630
Office and business properties	35,986	34,982
Agricultural properties, etc.	133	63
Properties for social, cultural and educational purposes	6,754	5,415
Other properties	83	137
Total	344,562	338,167

16 Collateral by type		
Guarantees	40,180	40,190
Real property, residential	170,586	173,161
Real property, commercial	132,123	122,516
Total	342,889	335,867

The amounts are determined at fair value.

Jyske Realkredit has not seen significant changes to the quality of the collateral or other credit protection due to deterioration or changes to the company's policy on provision of collateral during the accounting period.

In addition to mortgage on real property, the collateral consists primarily of guarantees from the central government, local government and/or financial counterparties. The collateral values have been reduced in order of priority according to liquidity if the collateral values exceed loans, advances and guarantees at property level. Consequently, surplus collateral values from exposures that have been fully guaranteed are not included in the values. For properties with fully guaranteed exposures in all impairment scenarios, the calculated indication of impairment will generally be DKK 0.

The collateral value of a charge on real property is calculated on the basis of the expected fair value of the property less sales costs and any senior mortgages. Loan values are assessed individually depending on the characteristics of the real property in question, inter alia, type of property, location and size less expenses for realisation. The loan value relating to real property was calculated at Jyske Realkredit's current assessment of the mortgaged properties less a haircut of 5%. For impairment calculations, a higher haircut may have been applied.

	2020	2019
17 Bonds at fair value		
Own mortgage bonds	13,382	15,177
Other mortgage bonds	16,549	18,373
Government bonds	801	-
Total before offsetting of own mortgage bonds	30,732	33,550
Own bonds (offset against issued bonds)	-13,382	-15,177
Total	17,350	18,373

An important part of the holding of securities is included in Jyske Realkredit's fixed portfolio of securities.

Other securities relate to the investment of temporary excess liquidity resulting from bonds for refinancing of ARM loans, immediate redemptions at par where the bonds have not yet been drawn as well as advance issues of bonds in connection with hedging of fixed-price agreements with loan clients. Investment is solely made in bonds where the issuer's credit rating is within the limits of Jyske Realkredit's risk policy.

18 Other property, plant and equipment		
Total cost, beginning of period	30	30
Total cost, end of period	30	30
Amortisation, depreciation and impairment charges, beginning of period	29	27
Depreciation and amortisation for the year	1	2
Amortisation, depreciation and impairment charges, end of period	30	29
Recognised value, end of period	-	1

19 Deferred tax assets

	Intangible assets and property, plant and equipment	Provisions for liabilities	Other	Total
Broken down into the following balance sheet items:				
Carrying amount at beginning of 2019	4	1	0	4
Adjustment in income statement	-0	-0	-0	0
Carrying amount at end of 2019	3	1	-	4
Adjustment in income statement	-1	-0	-	-1
Carrying amount at end of 2020	2	0	-	3

20 Assets held temporarily

Properties acquired through foreclosure	73	107
Total	73	107

The sales strategy for all assets held temporarily by Jyske Realkredit is to ensure that active efforts are made to sell these assets as quickly as possible at a realistic price and within 12 months.

This item includes properties held temporarily in connection with loan facilities. At end of 2020, Jyske Realkredit had 16 (2019: 32) properties acquired through foreclosure, of which 3 (2019: 15) were acquired within the last 12 months.

Notes

DKKm

	2020	2019
21 Other assets		
Positive fair value of derivatives, etc. ¹	651	595
Interest and commission receivable	8	23
Loan applications in process	88	345
Other assets	150	112
Total	897	1,075

¹ Financial derivatives are used for hedging transactions solely where the counterparty's credit rating is within the limits defined by Jyske Realkredit's risk policy.

22 Due to credit institutions and central banks		
Due to credit institutions	899	801
Repos	-	301
Total	899	1,102

23 Issued bonds at fair value		
Issued mortgage bonds, nominal value	353,824	365,563
Adjustment to fair value	12,916	11,003
Own mortgage bonds, fair value	-13,382	-15,177
Total	353,357	361,388
Of issued mortgage bonds, nominal value:		
Pre-issued	6,766	6,962
Drawn for redemption at next repayment date	13,000	30,224

On a daily basis, Jyske Realkredit issues and redeems a large number of mortgage bonds. Consequently to some extent the change in the fair value of the issued mortgage bonds attributable to the change in credit risk can only be stated subject to some estimation. The model applied performs the calculation on the basis of the change in the option-adjusted spread (OAS) relative to the swap curve. The calculation allows for, among other things, the maturity of the issued bonds as well as the nominal holding at the beginning and at the end of the year, and also a set-off is effected for Jyske Realkredit's own holding of Jyske Realkredit bonds.

The change in the fair value of issued mortgage bonds that can be attributed to credit risk is then calculated so it implies a decline in the fair value by DKK 0.6 bn in 2020 (2019: a decline by DKK 0.3 bn). Since the issue, the accumulated change in fair value of the issued mortgage bonds at the end of 2020 attributable to credit risk is estimated to be an increase of DKK 1.2 bn (2019: an increase of DKK 2.2 bn).

The change in fair value of the issued mortgage bonds that can be attributed to credit risk can also be stated relative to corresponding mortgage bonds with the same rating (AAA) from other Danish issuers. In recent years, these bonds have traded at prices showing no measurable price differences between the various issuers' bonds with similar characteristics. Stated according to this method, no changes have taken place to the fair value that can be attributed to credit risk, neither in the course of the year, nor since issue.

Net profit for the year or equity was not affected by the change, since the value of mortgage loans changed correspondingly.

The difference between the fair value of the issued bonds in the amount of DKK 353 bn (2019: DKK 361 bn) and the nominal value of the issued bonds of DKK 340 bn (2019: DKK 350 bn), which corresponds to the value that is to be paid back at drawing and/or maturity of the bonds, amounts to DKK 13 bn (2019: DKK 11 bn).

24 Other liabilities		
Negative fair value of derivatives, etc. ¹	293	247
Interest and commission payable	1,337	1,489
Other liabilities	455	730
Total	2,084	2,466

¹ Financial derivatives are used for hedging transactions solely where the counterparty's credit rating is within the limits defined by Jyske Realkredit's risk policy.

	2020	2019
25 Other provisions		
Beginning of period	2	3
Additions	-	1
Provisions used	0	0
Provisions reversed	0	1
End of year	2	2
Provisions are expected to fall due:		
Within 1 year	0	0
Over 1 years	2	2

Other provisions relate to payable expenses, liabilities in the form of commitments of support and other liabilities where either the size of the amount or the due date is uncertain. The uncertainty of the provisions made is considered limited.

26 Off-balance sheet items

Guarantees, etc.

Other guarantees	0	0
Total	0	0

Other guarantees include other forms of guarantees, etc. with a limited risk.

Other contingent liabilities, etc.

Other long-term contracts	-	0
Irrevocable loan commitments (mortgage offers)	13,233	14,427
Other contingent liabilities	19	22
Total	13,253	14,449

Irrevocable credit commitments

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.

Jyske Realkredit is jointly taxed with the Jyske Bank Group, of which Jyske Bank A/S is the administration company. Therefore, Jyske Realkredit is liable according to the rules of the Danish Corporation Tax Act on income tax, etc. for jointly taxed companies.

Jyske Realkredit a/s is registered jointly with the Jyske Bank Group for settlement of VAT and payroll tax. The companies are jointly and severally liable for such settlement.

Jyske Realkredit has entered into an agreement with Danmarks Nationalbank, the central bank of Denmark, on the establishment of T2S Auto collateralisation.

At the balance sheet date, Jyske Realkredit was not a party to any pending lawsuits.

27 Collateral

Margin accounts, derivatives, etc.	87	144
Total	87	144

Repo transactions involve an arrangement where bonds are provided as collateral for the amount borrowed. See note 28 for further details.

28 Security provided for financial assets and liabilities

	Carrying amount	Offsetting, master netting agreement	Collateral	Net value
2020				
Financial assets				
Derivatives with positive fair value	651	163	692	-204
Reverse repos	12,147	-	12,147	-
Total	12,798	163	12,839	-204
Financial liabilities				
Derivatives with negative fair value	293	163	79	51
Total	293	163	79	51
2019				
Financial assets				
Derivatives with positive fair value	595	179	666	-251
Reverse repos	15,026	-	15,026	-
Total	15,621	179	15,692	-251
Financial liabilities				
Derivatives with negative fair value	247	179	100	-32
Repo transactions	301	-	301	-
Total	548	179	401	-32

On the balance sheet, reverse repo transactions are classified as due from credit institutions and central banks. On the balance sheet, repo transactions are classified as due to credit institutions and central banks.

Master netting agreements and similar agreements will entitle a party to offsetting if a counterparty is in default. This lowers the exposure further when a counterparty is in default. It does not, however, meet the conditions for accounting offsetting on the balance sheet.

Mortgage loans at fair value in the amount of DKK 344,562m (2019: DKK 338,167m) and other assets of DKK 24,477m (38,495m) were at the end of 2020 registered as collateral for issued mortgage bonds, including covered bonds (SDO). According to the Danish mortgage legislation, the issued mortgage bonds, including covered bonds, are secured against the underlying mortgage loans.

29 Notes on fair value

Methods for measuring fair value

Fair value is the price which can be obtained at the time of measurement by selling an asset or which must be paid for transferring a liability in an ordinary transaction between independent market participants (exit value).

For all assets listed on active markets, fair values are measured at official prices. Where no price is quoted, a different official price is used which is taken to reflect most closely the fair value. Financial assets and liabilities of which quoted prices or other official prices are not available or are not taken to reflect the fair value are measured at fair value according to other evaluation techniques and other observable market information. In cases where observable prices based on market information are not available or are not taken to be useful for measuring fair value, the fair value is measured by recognised techniques, including discounted future cash flows, and our own expertise. The basis of the measurement may be recent transactions involving comparable assets or liabilities, interest rates, exchange rates, volatility, credit spreads, etc.

Generally, quoted prices and observable data are obtained in the form of interest rates, share and bond prices, exchange rates, forward premiums, volatilities, etc. from recognised stock exchanges and providers.

Specific details on methods for measuring fair value

Bonds at fair value, shares, derivatives, loans at fair value and issued bonds are measured at fair value in the financial statements. Generally bonds are measured at prices quoted on a recognised stock exchange. If such listed price is not available for the past 5 business days, a calculated price based on the official market rate will be applied for determining the value. The calculated price is received from SIX Financial Information.

Shares that are listed are measured at prices quoted on a recognised stock exchange. However, at the end of 2020, Jyske Realkredit's holding consisted solely of unlisted shares, where the value is measured, among other things, on the basis of the companies' most recent financial statements available.

29 Notes on fair value, cont.

Derivatives are valued on the basis of discounted future interest payments. Interest payments are calculated by taking into account payment frequencies and market conventions. Variable interest payments are estimated on the basis of market expectations for future values of the benchmark interest rate.

Loans at fair value comprise mortgage loans. These are generally measured at prices of the underlying issued bonds quoted on a recognised stock exchange. If such a market price is not available for the preceding 5 business days, a calculated price based on the official market rate will be applied for determining the value. The calculated price is received from SIX Financial Information. If derivatives are part of the funding of the loans, the value of these will be integrated in the valuation of the loans.

Generally issued bonds at fair value are measured at prices quoted on a recognised stock exchange. If such a market price is not available for the preceding 5 business days, a calculated price based on the official market rate will be applied for determining the value. The calculated price is received from SIX Financial Information.

Information about differences between recognised value and measurement of fair value

A small holding of the issued bonds is measured at amortised cost. The difference to fair value was calculated on the basis of own-issue prices obtained externally.

For the items cash in hand and demand deposits with central banks, amounts due from credit institutions and central banks and amounts due to credit institutions and central banks, the carrying amount is assessed to amount to a reasonable approximation of fair value.

	2020	2019
30 Recognised financial instruments		
Financial assets at fair value adjusted through the income statement		
Bonds	17,350	18,373
Other assets - derivatives	651	595
Shares, etc.	183	192
Loans	344,965	338,666
Financial assets at amortised cost		
Cash balance and demand deposits with central banks	50	41
Due from credit institutions and central banks	13,604	26,435
Financial liabilities at fair value adjusted through the income statement		
Other liabilities - derivatives	293	247
Issued bonds	353,357	361,388
Financial liabilities at amortised cost		
Due to credit institutions and central banks	899	1,102
Issued bonds	750	750

31 The fair value hierarchy

	Quoted prices	Observable prices	Non-observable prices	Fair value, total	Recognised value
2020					
Financial assets					
Loans at fair value	-	344,965	-	344,965	344,965
Bonds at fair value	16,992	358	-	17,350	17,350
Shares, etc.	-	-	183	183	183
Derivatives	7	644	-	651	651
Total	16,999	345,966	183	363,148	363,148
Financial liabilities					
Derivatives	1	291	-	293	293
Issued bonds at fair value	294,670	58,688	-	353,357	353,357
Total	294,671	58,979	-	353,650	353,650

2019**Financial assets**

Loans at fair value	-	338,666	-	338,666	338,666
Bonds at fair value	17,823	549	-	18,373	18,373
Shares, etc.	-	-	192	192	192
Derivatives	4	591	-	595	595
Total	17,827	339,807	192	357,826	357,826

Financial liabilities

Derivatives	2	245	-	247	247
Issued bonds at fair value	277,180	84,208	-	361,388	361,388
Total	277,181	84,454	-	361,635	361,635

	2020	2019
Non-observable prices		
Fair value, beginning of period	192	212
Capital gain and loss recognised in the income statement	22	-19
Purchases made over the year	-	0
Sales or redemption	-31	-1
Fair value, end of year	183	192

No considerable transfers took place between the three levels in neither 2019 nor 2020.

Non-observable prices

Non-observable prices at the end of 2020 referred to unlisted shares recognised at DKK 183m (2019: DKK 192m). At the end of 2020, Jyske Realkredit's shareholding consisted solely of unlisted shares, where the value is measured on the basis of the companies' most recent financial statements available. Individual assessment of the individual financial statements is regarded as the best valuation technique. As the majority of the company's assets (most of which are properties) and liabilities is recognised at fair value, the majority of the unlisted shares is measured at net asset value. The measurement of the fair value of a property will, however, be subject to some uncertainty, and it is therefore assessed that there is an uncertainty of +/-10% in connection with the price determination.

Jyske Realkredit finds it of little probability that the application of alternative prices in the measurement of fair value would result in a material deviation from the recognised fair value.

32 Fair value of non-financial assets and liabilities

	Quoted prices	Observable prices	Non-observable prices	Total
2020				
Non-financial assets				
Assets held temporarily	-	-	73	73
Total	-	-	73	73

2019

Non-financial assets				
Assets held temporarily	-	-	107	107
Total	-	-	107	107

No transfers took place between the three levels in 2019 and in 2020.

Assets held temporarily

Assets held temporarily comprise properties acquired temporarily in connection with loan facilities. The properties are measured according to the income method where the operating income of the properties is set in relation to the required return on the properties. Valuations are made by Jyske Realkredit's internal valuers who have specialised in property valuation. The valuations are less of estimated sales costs.

33 Fair value of financial assets and liabilities recognised at amortised cost

The re-statement at fair value of financial assets and liabilities recognised at amortised cost shows that for neither 2019 nor 2020 there was no total non-recognised unrealised loss.

	2020		2019	
	Recognised value	Fair value	Recognised value	Fair value
Financial liabilities				
Issued bonds at amortised cost	750	750	750	750
Total	750	750	750	750

For other financial assets and liabilities that are not recognised at fair value, the carrying amount corresponds in essence to fair value.

34 Risk exposure

The risk involved in Jyske Realkredit's activities is materially related to credit risks on loans granted. The market risk assumed by Jyske Realkredit consists primarily of interest-rate risk from the portfolio of securities. Risk management in Jyske Realkredit is a central element of day-to-day operations and contributes actively to ensuring that the Supervisory Board and Executive Board have the necessary decision-making basis for conducting Jyske Realkredit's business. Focus is continuously on the quality of risk management, particularly on the credit risk models. This is a natural step in Jyske Realkredit's continued ambition to develop tools and establish procedures for valid quantification of the various risks to which Jyske Realkredit is exposed.

35 Credit risk

By credit risk is understood the risk of a loss resulting from a counterparty's failure to meet its payment obligation to the company. Jyske Realkredit's business model is lending secured against real property. Therefore loans will always be secured by mortgages on immovable property and, also, in a number of cases guarantees are provided by third parties. In connection with loans for social housing, guarantees are provided by municipalities and the state.

Jyske Realkredit's credit risk is calculated on the basis of internal models approved by the FSA. Jyske Realkredit's definition of default is defined as clients with a high or full risk (unlikely to pay) and clients past due more than 90 days on payment of contractual interest and instalments. The definition of default is based on the requirements set forth in Article 178 of the EU Regulation No. 575/2013. For instance, clients are considered associated with high or full risk (defaulted clients) in the event of forced sale, deficit trading, bankruptcy, restructuring, debt rescheduling, indication of current or expected future challenges establishing balance between income and expenditure, etc. The principles and the definitions of the risk classification have been applied for many years and are assessed to be a well-defined and robust element in the Jyske Bank Group's risk management practice. At Jyske Realkredit, part of the risk classification will be performed automatically due to the business model for mortgage loans (asset financing), where insight into the clients' ongoing finances for the entire portfolio is not offered to the same extent.

35 Credit risk, cont.

Credit policy and responsibility

The Supervisory Board determines the general lending limits at Jyske Realkredit, including requirements of the types of properties that can be mortgaged with a view to ensuring that only properties of a good quality are mortgaged. Moreover, the Supervisory Board delegates authority to the members of the Executive Board Board.

Credit risk is managed through the credit policy, of which the objective is to keep Jyske Realkredit's risk at an acceptable level in relation to the capital base and business volume of Jyske Realkredit, given the general trend in the Danish economy. Client transactions with Jyske Realkredit must generate a satisfactory long term-return according to RAROC principles.

Specific credit policies have been formulated for all areas in which Jyske Realkredit assumes a credit risk. The credit policies define the credit risk levels and identify undesirable business and property types.

Limits and authorisation

Jyske Realkredit attaches importance to its decentralised credit-authorisation process. The limit structure states which amounts, instances and segments are covered by the limit. The main principle is that regularly occurring credit cases can be authorised locally, and credit-related decisions for major or more complicated cases are authorised centrally.

Credit risk and property price models

Jyske Realkredit uses the advanced internal rating-based method (AIRB) to calculate the capital requirement for the majority of the credit risk. For other exposures, including government exposures and exposures to financial institutions, the standardised approach is used.

The use of the AIRB approach means that Jyske Realkredit calculates credit risk for the individual client on the basis of internally developed credit models. The models estimate the client's probability of default (PD), loss given default (LGD) and exposure at default (EAD) to Jyske Realkredit.

Many factors are relevant for the calculation of a client's PD. Specific factors relating to the client are considered, but factors relating to the situation of the client are also taken into account. The calculation of PD therefore takes into account financial data, changes in transaction data, management and market circumstances, industrial assessments, etc. Also included are specific danger signals in relation to the client's credit quality, payment profile and loss history.

At Jyske Realkredit, the PD is translated into 9 rating classes, where rating class 9 designates clients in default. In order to reach the best possible overview of client credit quality across the Jyske Bank Group, PD is mapped into internal credit ratings ("STY"), cf. the below mapping.

Internal rating and PD band			
Jyske Bank STY	Jyske Realkredit rating	PD band (%)	External rating
1		0.00-0.10	Aaa-A3
2	1	0.10-0.15	Baa1
3		0.15-0.22	Baa2
4		0.22-0.33	Baa3
5	2	0.33-0.48	Ba1
6		0.48-0.70	Ba2
7	3	0.70-1.02	Ba3
8		1.02-1.48	B1
9	4	1.48-2.15	B1-B2
10	5	2.15-3.13	B2
11		3.13-4.59	B3
12	6	4.59-6.79	Caa1
13		6.79-10.21	Caa2
14	7 and 8 ¹	10.21-25.00	Caa3/Ca/C

¹ Jyske Realkredit rating 8 includes PDs above 25%.

In the calculation of the capital requirement, LGD estimates are used which reflect the expected loss rates of the Jyske Bank Group in the event of an economic slowdown. The levels of loss have been calibrated to the period at the end of the 1980s and the beginning of the 1990s.

The models are used for various purposes, including advisory services for Jyske Realkredit's clients, automatic approval of properties for mortgaging, compliance with covered bond requirements and reporting to management.

35 Credit risk, cont.

Risk categories

At Jyske Realkredit exposures with objective evidence of impairment are divided into three categories: exposures with low, high and full risk. The latter two risk categories consist of defaulted clients. Exposures with low risk are exposures for which it is assessed more probable that the exposure will again become sound, while exposures with high risk are exposures for which it is assessed more probable that the exposure will result in losses and/or forced sale of assets provided as security.

The loan-to-value (LTV) ratio is a key risk management element for Jyske Realkredit as LTV expresses the ratio between the unpaid principal amount of a home loan and the market value of the mortgaged property. In addition to physical surveys, Jyske Realkredit uses property price models in its on-going monitoring of market values.

Mortgage loans before impairment charges by LTV band and per property category

(DKKbn)	0%-20%	20%-40%	40%-60%	60%-80%	>80%	Total	Loan-to-value limit
Owner-occupied homes	57.7	52.2	37.9	15.8	1.7	165.3	80%
Vacation homes	3.6	3.0	1.5	0.3	0.0	8.3	75%
Cooperative housing	6.0	3.9	2.7	1.4	0.4	14.4	80%
Private rental properties (rental housing)	16.8	16.3	14.2	7.4	0.7	55.5	80%
Industrial properties	1.7	0.8	0.4	0.1	0.0	3.1	60%
Office and business properties	12.9	12.8	8.3	1.4	0.6	36.0	60%-70%
Other property categories	3.4	2.1	1.1	0.3	0.2	7.1	60%-80%
Total excl. subsidised housing (rental housing)	102.0	91.2	66.0	26.7	3.7	289.6	

Loans for Subsidised Housing (residential housing) are not included in the statement of LTV bands as the loans are guaranteed in full or in part by central and/or local government.

Loan impairment charges

Jyske Realkredit recognises loan impairment charges and provisions for guarantees already as of the first recognition. All loans are divided into three stages, depending on the credit-impairment of the individual loans relative to the initial recognition:

1. Loans with no significant increase in credit risk
2. Loans with significant increase in credit risk
3. Credit-impaired loans

On an on-going basis, account managers secure that the credit assessment and the credit rating are true and fair, and they assess on an on-going basis - and at least every quarter - the risk classification of the largest exposures, including whether objective evidence of impairment has been established for Jyske Realkredit's clients. For small clients, some of the monitoring takes place automatically. Where easier conditions have been granted to clients with financial problems, this will be regarded as individual objective evidence of impairment.

At Jyske Realkredit, all loans are assessed for objective evidence of impairment. Objective evidence of impairment exists if one or more of the following events have occurred:

- The borrower is facing considerable financial difficulties.
- The borrower is in serious breach of contract, for instance by failing to observe its liability to pay instalments and interest.
- The borrower is granted easier terms that would not be considered if the borrower was not facing financial difficulties.
- The borrower is likely to go bankrupt or undergo some other financial restructuring.

Foreclosures

Jyske Realkredit acquires properties by forced sale if it turns out that no buyers are willing to pay a reasonable market price. In essence, Jyske Realkredit's strategy for selling the foreclosed properties is to sell them within a relatively short period of time, but with due regard to the importance of obtaining a reasonable market price for the property.

36 Credit exposures by rating class

Rating category (STY)	PD level (%)	DKK bn			Total
		Stage 1	Stage 2	Stage 3	
Loans at fair value					
1	0.00-0.10	22.5	-	-	22.5
2	0.10-0.15	1.2	-	-	1.1
3	0.15-0.22	19.5	0.0	-	19.5
4	0.22-0.33	16.4	0.0	-	16.4
5	0.33-0.48	84.1	0.1	-	84.2
6	0.48-0.70	71.0	0.1	-	71.1
7	0.70-1.02	55.7	0.1	-	55.9
8	1.02-1.48	27.1	0.4	-	27.5
9	1.48-2.15	18.4	0.4	-	18.8
10	2.15-3.13	5.7	0.9	-	6.6
11	3.13-4.59	3.5	1.5	-	4.9
12	4.59-6.79	1.6	1.3	-	2.8
13	6.79-10.21	0.8	2.1	-	2.9
14	10.21-25.00	0.6	4.0	-	4.7
Non performing loans	0.00-100.00	0.0	0.1	3.3	3.4
Loans not calculated according to the IRB model		2.1	0.0	-	2.1
Total		330.2	11.1	3.3	344.6
Irrevocable loan commitments (mortgage offers)					
2	0.10-0.15	0.9	-	-	0.9
4	0.22-0.33	1.4	-	-	1.4
6	0.48-0.70	6.0	-	-	6.0
8	1.02-1.48	3.2	-	-	3.2
10	2.15-3.13	1.0	-	-	1.0
12	4.59-6.79	0.3	-	-	0.3
14	10.21-25.00	0.4	-	-	0.4
Total		13.2	-	-	13.2

Neither in 2019 nor in 2020, did Jyske Realkredit grant loans that were credit-impaired at initial recognition.

37 Maximum credit exposure

Jyske Realkredit's maximum credit exposure consisted of the following:

- Jyske Realkredit's receivables from credit institutions and central banks amounted to DKK 13.6 bn (2019: DKK 26.4 bn).
- Jyske Realkredit's loans and other receivables at fair value amounted to DKK 345.0 bn (2019: DKK 338.7 bn).
- Jyske Realkredit's irrevocable loan commitments (mortgage offers) amounted to DKK 13.2 bn. (2019: DKK 14.4 bn).
- Jyske Realkredit's guarantees amounted to DKK 0.0 bn (2019: DKK 0.0 bn).
- Jyske Realkredit's interest-bearing investments in bonds, etc. amounted to DKK 17.4 bn (2019: DKK 18.4 bn).
- Jyske Realkredit's shareholding amounted to DKK 0.2 bn (2019: DKK 0.2 bn).

The calculation of maximum credit risk is theoretically based on the carrying amounts of the financial assets listed above. In practice, the credit risk is significantly lower, and if defined on the basis of the statutory capital requirement, it amounted to DKK 5.9 bn (2019: DKK 6.2 bn).

	2020	2019
38 Financial assets credit-impaired on the balance sheet date		
Balance before impairment charges:		
Personal clients	1,467	1,581
Corporate clients	1,974	1,618
Total	3,441	3,199
Collateral:		
Real property, residential	1,402	1,490
Real property, commercial	1,465	1,407
Total	2,867	2,897

39 Market risk

Market risk is the risk of loss following movements in the financial markets (interest rate, share price and foreign currency risks). The most material market risks relate to Jyske Realkredit's securities portfolio for which the interest-rate risk and the price risk on the bond portfolio are the most important ones. Jyske Realkredit has practically no exposure to foreign currencies. Market risks that stem from the other part of the balance sheet are modest due to the balance principle and the close correlation between loans and funding.

Legislation and market risk policy limits ensure that Jyske Realkredit's market risks are at a moderate level, and the on-going close monitoring of risks, combined with short decision-making paths at Jyske Realkredit, means that a reduction of market risks can quickly be implemented if considered necessary in the interests of Jyske Realkredit's general risk profile and capital requirements.

For the determination of market risk relative to solvency, Jyske Realkredit's portfolio of securities is classified as being outside the trading portfolio, and therefore credit risk has been calculated in connection with the portfolio of securities. At the end of 2020, risk-weighted assets caused by the portfolio of securities amounted to DKK 1,657m (2019: DKK 1,840m) in credit risk as well as DKK 19m (DKK 20m) due to foreign-currency risk. Jyske Realkredit has a large holding of bonds, which can, among other things, be attributed to compliance with the LCR requirement (see note 43).

	2020	2019
40 Interest-rate risk		
Interest-rate risk, the FSA's method	70	43
Interest-rate risk, internal method	58	24

Interest-rate risk expresses the risk of loss following changes in interest rates corresponding to a parallel shift of the yield curve by 1 percentage point and is measured on a daily basis. In line with legislation, an interest-rate risk of 8% of the capital base is allowed. At the end of 2020, this amounted to DKK 1,579m (2019: DKK 1,505m). In this statement, only partial offsetting between Danish kroner and euros is allowed. Also, due to the close correlation between the Danish krone and the euro, the interest-rate risk of Jyske Realkredit is measured on the basis of an internal method allowing full offsetting between Danish kroner and euros. Jyske Realkredit's Supervisory Board has chosen to reduce the limits in the internal method considerably relative to the statutory provisions.

The scope of responsibilities delegated by the Supervisory Board to the Executive Board has also been delegated to the securities area with additional restrictions. For risk management purposes, daily updated option-adjusted risk ratios are used to calculate the interest rate risk on Jyske Realkredit's portfolio of mortgage bonds. Interest-rate risk is managed on the basis of measurement of net interest-rate risk as well as risk measurements that limit Jyske Realkredit's interest-rate risk across currencies and maturities. In addition, supplementary limits have been set for other types of risk, such as OAS and gamma risk, associated with interest bearing investments.

Jyske Realkredit's interest rate risk essentially stems from its bond portfolio, which is mainly made up of Danish mortgage bonds, and from derivatives, which are used to manage overall interest rate risk. Jyske Realkredit's activities are close to being risk neutral to general changes in interest rates, but due to the strong concentration in Danish mortgage bonds, Jyske Realkredit is sensitive to changes in the mortgage yield spread.

To manage interest-rate risk, Jyske Realkredit uses derivatives, and to limit counterparty risk Jyske Realkredit has entered into relevant netting agreements.

41 Currency risk

Jyske Realkredit's currency risk on its securities portfolio is limited as most investments are denominated in Danish kroner. As a result of its trading in euro-denominated interest rate swaps, Jyske Realkredit has a small exposure in euro.

The currency exposure for other items that are not included in the portfolio of securities was also very limited. Jyske Realkredit's funding denominated in euro is fully hedged and does not, therefore, involve any foreign-currency risk.

Overall, at the end of 2020, Jyske Realkredit's foreign exchange risk was calculated at 0.5% of the capital base (2019: 0.5%).

42 Equity risk

The share price risk expresses the risk of loss caused by changing share prices. Jyske Realkredit's shareholding consists solely of infrastructure shares and strategic positions. At the end of 2020, Jyske Realkredit's shareholding measured at market value amounted to DKK 183m (2019: DKK 192m), corresponding to 1% (2019: 1%) of the capital base. If share prices in general fall by 10%, Jyske Realkredit will suffer an investment loss of DKK 18m (2019: DKK 19m).

43 Liquidity risk

The Danish mortgage legislation prescribes a balance within a narrow range between payments on issued bonds and mortgage loans granted. Hence, the liquidity risk of Jyske Realkredit's loan portfolio is very limited as Jyske Realkredit funds mortgage lending through continuous issuance of bonds. Furthermore, there is a limited liquidity risk associated with clients who default on their mortgage payment. Furthermore, there is a limited liquidity risk associated with clients who do not make their mortgage payments on time, and therefore Jyske Realkredit operates with a very low liquidity risk given the Danish mortgage finance model.

LCR expresses a ratio defined by regulation between liquid assets and the amount of net payments over the next 30 days. The ratio must always be at least 100%. Jyske Realkredit meets the requirement. In addition to meeting the LCR requirement, Jyske Realkredit performs on an on-going basis liquidity stress tests as part of the on-going monitoring of the robustness of the liquidity buffer.

44 Operational risk

By operational risk is understood the risk of a loss arising from inappropriate or inadequate internal procedures, human or system errors as well as external events, including legal risks. Losses arising from operational risks are thus due to a non-financial event.

As a natural part of its business management, Jyske Realkredit is focused on identifying and managing operational risks. Hence, Jyske Realkredit pays particular attention to minimising the risk of losses arising from system errors, computer breakdowns, procedural mistakes, fraud, wrong advice, etc. Jyske Realkredit continuously updates business procedures and work routines and has also established emergency plans and safety procedures to ensure swift resumption of operations in case of errors, computer breakdowns or the like.

To meet operational risks, Jyske Realkredit's Supervisory Board has adopted a policy on how to manage operational risks.

The risk management function of Jyske Realkredit reviews the company once a year to identify operational risks. Jyske Realkredit calculates the capital requirements for operational risk on the basis of the standardised approach.

For further information about Jyske Realkredit's risks, management of risks as well as capital structure, see the report on the Jyske Bank Group's Risk And Capital Management 2020, available at jyskebank.dk/ir/rating.

45 Derivatives

	Net fair value				Gross fair value			Principal amount
	Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Positive	Negative	Net	Nominal value
2020								
Currency contracts								
Swaps	-	-6	-45	-22	-	-72	-72	22,260
Total	-	-6	-45	-22	-	-72	-72	22,260
Interest-rate contracts								
Forwards/futures, bought	1	-	-	-	1	-	1	215
Forwards/futures, sold	4	-	-	-	6	-1	4	6,225
Swaps	5	16	220	232	644	-171	473	93,813
Caps	-	-	-30	-18	-	-49	-49	9,363
Total	10	16	190	213	650	-221	430	109,617
Total	10	11	145	192	650	-293	358	131,877
Outstanding spot transactions					1	-0	1	336
2019								
Currency contracts								
Swaps	-	-	58	16	79	-6	74	22,260
Total	-	-	58	16	79	-6	74	22,260
Interest-rate contracts								
Forwards/futures, bought	0	-	-	-	0	-	0	132
Forwards/futures, sold	6	-	-	-	7	-2	6	7,434
Swaps	-7	15	104	210	508	-186	322	86,928
Caps	-	-	-30	-24	-	-54	-54	8,848
Total	-1	15	74	186	515	-241	274	103,341
Total	-1	15	132	201	594	-247	347	125,601
Outstanding spot transactions					1	-0	1	52

46 Transactions involving related parties

Jyske Realkredit A/S is 100% owned by Jyske Bank A/S.

Jyske Realkredit's related parties comprise:

- the parent company, Jyske Bank.
- subsidiaries and associates of Jyske Bank.
- Byggeriets Realkreditfonds Understøttelsesfond.
- Jyske Realkredit's Supervisory Board and Executive Board and the parent company's Supervisory Board and Executive Board and also their related parties.

Jyske Realkredit has, on an on-going basis transactions with a number of related parties, characterised as regular financial transactions and services of an operational nature.

Jyske Realkredit has concluded agreements on joint administrative tasks with the parent company, Jyske Bank A/S, and Byggeriets Realkreditfond's Understøttelsesfond.

Transactions between Jyske Realkredit and related parties were executed on an arm's length basis.

For the management's remuneration, see note 8.

46 Transactions involving related parties, cont.

The following transactions have been concluded with related parties:

	Interest income	Interest expenses ¹	Fees and commission expenses	Value adjustments	Other ordinary income	Employee and administrative expenses
2020						
The parent company	11	-17	1,052	127	-	255
Supervisory Board and Executive Board, etc.	1	-	-	-	-	6
Other related parties	-	1	-	-2	0	0
Total	11	-15	1,052	125	0	262

2019

The parent company	10	4	1,229	273	-	218
Supervisory Board and Executive Board, etc.	1	-	-	-	-	7
Other related parties	-	1	-	-6	0	-
Total	11	6	1,229	267	0	224

Jyske Realkredit did not distribute dividend to the parent company Jyske Bank A/S neither in 2019 nor in 2020.

¹ Interest expenses to the parent amounted to a negative amount of DKK 17m. The reason for this is that 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. Hence the total interest expense for the funding of mortgage loans will be recognised as a whole under interest expenses, see note 5. In this connection, interest income from swaps in the amount of DKK 110m from the parent was in 2020 recognised under other interest expenses (2019: DKK 111m).

The following outstanding balances with related parties existed at year-end:

	Due from credit institutions, etc.	Loans at fair value	Other assets	Due to credit institutions, etc.	Issued bonds at fair value	Issued bonds at amortised cost	Other liabilities, etc.
2020							
The parent company	12,763	1,104	568	834	4,530	750	424
Supervisory Board and Executive Board, etc.	-	54	-	-	-	-	-
Other related parties	-	-	-	-	78	-	1
Total	12,763	1,158	568	834	4,607	750	424
2019							
The parent company	13,851	1,121	467	1,003	4,350	750	431
Supervisory Board and Executive Board, etc.	-	53	-	-	-	-	-
Other related parties	-	-	-	-	82	-	1
Total	13,851	1,174	467	1,003	4,432	750	432

Supervisory Board and Executive Board, etc. comprise Jyske Realkredit's Supervisory Board and Executive Board as well as the Supervisory Board and Executive Board of the parent company Jyske Bank and their related parties.

In 2020, Jyske Realkredit bought loans in the amount of DKK 2,531m from the parent company Jyske Bank (2019: DKK 5,431m).

In 2020, a joint taxation contribution in the amount of DKK 324m was paid to companies in the Jyske Bank Group (2019: DKK 263m).

Jyske Realkredit has granted mortgage loans to members of its Supervisory Board and the Executive Board and their related parties with an outstanding loan balance of DKK 19m as at 31 December 2020 (2019: DKK 24m). All the loans have been granted on normal business terms. Floating-rate loans amounted to DKK 9m (2019: DKK 14m), carrying interest at -0.1% to 1.5%, and fixed-rate loans amounted to DKK 11m (2019: DKK 10m, carrying interest at 0.5% to 1.0%).

Jyske Realkredit has granted mortgage loans to members of the parent company's Supervisory Board and Executive Board (exclusive of the members of Jyske Realkredit's Supervisory Board) and their related parties with an outstanding loan balance of DKK 34m at 31 December 2020 (2019: DKK 29m). All the loans have been granted on normal business terms. Floating-rate loans amounted to DKK 27m (2019: DKK 22m), carrying interest at -0.2% to 2.0%, and fixed-rate loans amounted to DKK 7m (2019: DKK 7m), carrying interest at 0.0% to 1.0%.

Jyske Realkredit has not provided guarantees to its Supervisory Board and Executive Board, the parent company Jyske Bank's Supervisory Board and Executive Board or their related parties.

47 Group overview

Jyske Realkredit did not have any subsidiaries neither in 2019 nor in 2020.

Parent company prepares consolidated financial statements

Jyske Realkredit A/S is a subsidiary 100% owned by Jyske Bank A/S, which is domiciled in Silkeborg.

Jyske Realkredit is included in the consolidated financial statements of the Jyske Bank Group, which are the largest and smallest consolidated financial statements in which the company is included.

48 Accounting Policies

IN GENEREL

The Annual Report of Jyske Realkredit has been prepared in accordance with the Danish Financial Business Act, including the Danish Executive Order on Financial Reports for Credit Institutions, Stockbrokers, etc., which is consistent with IFRS.

The financial statements are presented in Danish kroner (DKK), which is the company's functional currency and presentation currency.

All figures in the financial statements are presented in millions of DKK rounded to zero decimal places. Grand totals in the financial statements are based on actual figures, which is the most correct method of calculation from a mathematical point of view. A control check to verify the correctness of the grand totals will in some cases result in a rounding difference, which indicates that the hidden decimals are not visible to the reader of the financial statements. Where '-' is stated instead of a figure in the financial statements, it means that the actual figure for the relevant accounting item is DKK 0.00, whereas '0' means that the figure for the item is between DKK 0.01 and DKK 499,999.99 and, therefore, has been rounded to zero.

No changes relative to last year were made in the accounting policies.

Measurement of mortgage loans, etc., own bond portfolio and issued mortgage bonds

Mortgage loans etc., own bond portfolio and issued mortgage bonds in Jyske Realkredit are recognised in the category of fair value recognized through the income statement according to the provisions of the Danish Executive Order on the Preparation of Financial Statements (equivalent to the exemption clauses in IFRS 9 on accounting mismatch). This is so to avoid the accounting mismatch, which will arise if the above-mentioned financial assets and liabilities are recognised at amortised cost while at the same time continuous purchases and sales of own issued bonds take place, for instance in Jyske Realkredit's own securities portfolio.

Future standards and interpretations

At the time of the publication of the Annual Report, no new rules or changes to rules under the Danish accounting legislation applicable to financial services companies have been proposed or adopted.

Accounting estimates

When preparing the annual report in accordance with generally accepted accounting principles, management needs to make estimates and set assumptions affecting the financial reporting. Management bases its estimate on experience and various other assumptions considered reasonable and relevant by management under the given circumstances. The management of Jyske Realkredit considers the following estimates and related assessments to be material to the preparation of the financial statements:

Loans and advances at fair value

Mortgage lending is the company's most important asset. Mortgage loans are measured at fair value, which is determined on the basis of the market price of the bonds as well as related derivatives issued to finance loans. Despite a difference in the credit risk of the mortgage loans and issued bonds etc., the opinion is that the additional earnings on mortgage loans in the form of administration margins, etc. have been determined in an efficient market and hedge the higher credit risk in relation to the issued bonds, administrative expenses, capital adequacy costs and an appropriate profit. Consequently, management is of the opinion that the method applied gives a true and fair view.

In addition, for mortgage loans and other loans and advances, adjustment takes place for credit risk (impairment charges), which is measured as described in the section "Loans and advances at fair value". Loans with objective evidence of impairment (OEI) are subject to significant uncertainty as regards the value that the mortgaged property might fetch in the event of compulsory realisation, meaning that the impairment in such cases is subjectively estimated. Valuation of the mortgage includes an assessment of the value of the mortgaged properties, the realisable value of the claim, time-on-market expenses in an estimated settlement period and sales costs. Valuation is made by valuers specialised in assessing properties. For a detailed description of the calculation of impairment charges, please see the section on Loans and advances at fair value. In addition to the impairment charges calculated by models and individually determined, also impairment charges based on management's estimates are recognised to allow for special risks of loss that have not yet been reflected in the registrations, including the Covid-19 situation, for instance. By nature, such management's additions are associated with significant uncertainty.

Assets held temporarily

Assets held temporarily comprise properties that have been acquired through foreclosure and companies with properties in distress, and Jyske Realkredit attempts actively to sell these. There is significant uncertainty about the value the properties might fetch in the event of a sale, as the valuation of such assets is subjectively estimated, see the description under 'loans and advances at fair value' above.

48 Accounting Policies, cont.

Intra-group transactions

Transactions between Jyske Realkredit and companies which are directly or indirectly affiliated to Jyske Realkredit are settled according to written guidelines on an arm's length basis or at cost.

Foreign currency transactions

Transactions in currencies other than Danish kroner are translated at the official exchange rates on the day of the transactions.

Gains and losses arising from the translation of balance sheet items in foreign currencies are translated into Danish kroner at the official rates of exchange ruling at the balance sheet date.

All currency translation adjustments are recognised in the income statement.

Offsetting

Assets and liabilities are offset when Jyske Realkredit has a legal right to offset the recognised amounts and also intends to net or realise the asset and settle the liability at the same time.

Financial instruments

Financial instruments comprise demand deposits with central banks, receivables from credit institutions and central banks, loans at fair value, bonds at fair value, shares, derivatives, debt to credit institutions and central banks and issued bonds.

Financial instruments are recognised either at the trade date or at the settlement date. When recognition takes place at the trade date, recognition is subsequently said to have taken place according to the trade date approach. When recognition takes place at the settlement date, recognition is subsequently said to have taken place according to the settlement approach.

Recognition of financial instruments ceases when the right to receive or deliver cash flows from the financial instrument has expired, or if the financial instrument has been transferred, and Jyske Realkredit has essentially transferred all risks and returns associated with the ownership.

Financial instruments are measured at fair value or amortised cost.

Fair value means the amount at which an asset can be sold or a liability transferred at in a transaction between informed, willing and mutually independent parties. The publicly available market price is used for financial instruments traded in a marketplace. Different accepted valuation methods, depending on the type of instrument, are used for financial instruments that are not traded in a marketplace. The valuation of fixed-income instruments is based on the zero-coupon yield curve at the balance sheet date.

Amortised cost means the amount at which a financial asset or a financial liability is measured for the first time, less principal payments and plus or less accumulated amortisation by application of the effective interest method to any premium or discount.

Tax

Jyske Realkredit A/S is assessed for Danish tax purposes jointly with Jyske Bank A/S and its Danish subsidiaries. Full intercompany allocation of tax takes place, and tax is allocated between the individual companies on a pro-rata basis. Domestic tax is paid in accordance with the Danish tax prepayment scheme.

The calculated tax on profit or loss for the year is charged to the income statement. The following elements are recognised in tax on profit or loss for the year:

- Current tax on taxable income for the year.
- Changes in all timing differences between accounting and taxation treatment (deferred tax).
- Any difference between the amount of tax actually paid and calculated tax for prior years.

Deferred tax is recognised in respect of all timing differences between the carrying amount and the tax base of assets and liabilities. Deferred tax is measured on the basis of the statutory tax rules and tax rates that apply on the balance sheet date and when the deferred tax liability is expected to crystallise as current tax.

Changes in deferred tax as a result of changed tax rates are recognised in the income statement.

Deferred tax linked to items recognised as an expense or income, other comprehensive income is recognised in other comprehensive income.

Deferred tax assets and liabilities are offset where attributable to tax levied by the same tax authority, and where it is the intention of the Group to net its current tax assets and liabilities.

48 Accounting Policies, cont.

BALANCE SHEET
Demand deposits at central banks and amounts due from credit institutions and central banks

Demand deposits at central banks, money market investments (deposits) and demand deposits with credit institutions are measured on initial recognition at fair value plus directly attributable transaction costs less fees and commissions received which are directly associated with the amount due.

Subsequently, money market investments (deposits) and demand deposits with credit institutions are measured at amortised cost in accordance with the effective interest method.

The item also includes reverse transactions in the form of securities purchased, where, at the time of the purchase, a sell-back at a specific price at a later time is agreed.

Furthermore, the item includes margins receivable in connection with financial instruments where the counterparty is a credit institution.

Loans at fair value

Mortgage loans are recognised according to the trade date approach and classified as 'Loans at fair value'. Mortgage loans are measured at fair value on initial and subsequent recognition through the income statement. Index-linked loans are measured on the basis of the index value at the end of the year. The fair value is generally measured at prices of the underlying issued bonds quoted on a recognised stock exchange. If no market price is available for the past 5 business days, a calculated price based on the official market rate will be applied for determining the value. If derivatives are part of the funding of the mortgage loans, the value of these will be integrated in the valuation of the loans.

Other loans related to mortgage operations are measured at fair value on the initial and subsequent recognition through the income statement.

The fair value is reduced by the calculated impairment charge, which for loans at fair value is measured according to the same principles that apply to impairments of loans and advances at amortised cost. The impairment charges at Jyske Realkredit are calculated by a joint impairment model used in the Jyske Bank Group.

Stages for development of credit risk

The Jyske Bank Group's impairment model is based on calculations of expected losses where the loans are divided into three stages depending on the individual loan's credit impairment relative to the first recognition:

1. Loans with no significant increase in credit risk
2. Loans with significant increase in credit risk
3. Credit-impaired loans

For loans in stage 1, impairment charges corresponding to the expected loss over the following 12 months are recognised, while for loans in stages 2 and 3, impairment charges corresponding to expected losses over the remaining life of the exposures are recognised. At the initial recognition, the individual loans are generally placed in stage 1, which means that impairment charges corresponding to the expected losses over the following 12 months are recognised.

Loans with a very low probability of default (PD below to 0.2% and without any other indications of significant increases in the credit risk are considered having a low credit risk and are placed in stage 1 regardless of the probability of default since the initial recognition.

The ranking in the various stages will affect the calculation method applied, and it is determined, among other things, on the basis of the change in the probability of default (PD) over the expected remaining life of the loans. Loans in stage 3 are considered to be credit-impaired, and the same definition that is used in the Group's advanced IRB set-up for default is applied. See note 36 for specified descriptions of default and the rating classes.

Assessment of changes in credit risk

Assessment of whether any significant increase in credit risk has taken place since the first recognition is based on the following circumstances:

- a) An increase in the PD for the expected remaining life of the financial asset by 100% an increase in the 12-month PD by 0.5 percentage point when, at the first recognition, the 12-month PD was below 1.0%.
- b) An increase in the PD for the expected remaining life of the financial asset by 100% an increase in the 12-month PD by 2.0 percentage points when, at the first recognition, the 12-month PD was 1.0% or above.
- c) Loans in arrears by 30 days or more.
- d) The account manager's risk assessment (risk classification), which among other things is based on an assessment of the client's ability and will to honour his payment obligations, possible arrears and/or changes to the initial assumptions on which the client relationship rests.

Clients for which the credit risk has increased significantly and with a probability of default (PD above 5%) will be placed in the weak part of stage 2. If the Group's most likely scenario points to losses, the client is considered credit-impaired and will be ranked in stage 3.

Hence, the Group's most important credit management tools are used directly in the segmentation and the determination of the expected future credit loss. Please see note 36 on risk classification, credit rating process and monitoring.

48 Accounting Policies, cont.
Statement of expected credit loss

The expected future credit loss is calculated on the basis of the probability of default (PD), the exposure at default (EaD) and the loss given default (LGD). These parameters rest on the Group's advanced IRB set-up, which is based on the Group's experience of loss history and early repayment, among other things. These parameters are adjusted to IFRS 9/the Danish accounting rules in a number of specific areas. The purpose of the adjustments is to ensure that the parameters reflect a true and fair picture that comprise available information and expectations of the future, including the Group's expectations of the real economy trends in GDP, unemployment, house prices, etc. Hence the parameters are adjusted to cover a longer time horizon. The projection allows for client-specific circumstances such as client segment, credit rating, industry, etc. Advanced quantitative credit models are applied to all clients in stages 1 and 2 for which there is no evidence of credit impairment.

The COVID-19 outbreak and economic consequences derived from this affect the calculation of the expected future loss. To define the increased risk from this, the effects are quantified according to the following method:

1. For clients with no OEI classification, the effect of the increasing probability of default (PDI) and the expected development of property prices are analysed.
2. Quantification of non-linear effects in scenario-specific impairment calculations (sensitivities relating to the base line scenario).
3. Increased risk of lack of identification of unhealthy exposures due to liquidity from government rescue packages.

On the whole, this results in an additional indication of impairment of DKK 440m, of which DKK 415m relate to the effects derived from the COVID-19 outbreak.

(1) Based on observed default levels in combination with macro-economic forecasts, updated levels for the probability of default (PD) is estimated. In addition, expectations of the development of property prices are updated. The levels are continuously reassessed, among other things, in connection with updates of macro-economic forecasts from Danmarks Nationalbank, the central bank of Denmark, and internal analyses. Based on the updated input parameters, a complete recalculation of the expected loss is performed. Currently this gives rise an additional indication of impairment of DKK 100m for Jyske Realkredit. The amount is recognised as a management's estimate of an increase in impairment charges.

(2) The macro-economic forecasts are very much affected by the development of Covid-19 cases and the level of restrictions. This development is very dynamic and associated with heightened uncertainty in the current situation. Therefore analyses are performed based on several scenarios. This is done with a view to assessment of the sensitivity relating to the most probable scenario (base line scenario) and with a view to quantification of non-linear effects from scenario-specific impairment calculations.

Four scenarios are used, based on the jyske Bank Group's expectations of the macro-economic development (Good, Base-line, Weak and Hard). The scenarios are based on forecasts prepared by a unit of Jyske Bank, which is independent of the impairment process. The 'Hard' scenario is in line with the scenario used in the Jyske Bank Group's internal stress tests. For each scenario, the probability of default (PD) and the value of securities are recalculated. Hence it is ensured that the results of the models are balanced. The impairment effect of the scenarios are calculated by weighting the results against the assessed event probability, which is defined by management.

Scenario	2020		2019	
	Probability	Weighted additional impairment charges	Probability	Weighted additional impairment charges
Good	30%	-4	20%	-8
Base-line	30%	0	40%	-6
Weak	30%	26	30%	5
Hard	10%	28	10%	34
Total	100%	50	100%	25

The probability of the hardest scenario materialising is maintained at 10%, while the other scenarios are allocated identical probability weights. This is assessed to be true and fair due to the uncertainty relating to the outcome space. The severity of the scenarios Good, Base-line, Weak has been increased significantly compared to the calculations at the end of 2019.

(3) The progress of the pandemic leads to uncertainty about the depth and the length of the economic setback. Naturally, government rescue packages will support healthy and unhealthy exposures, which makes it more difficult to identify unhealthy exposures. In the current situation, it is more difficult to identify weak clients at an early stage due to the large liquidity packages from the government. Therefore it is assessed that currently the portfolio includes unhealthy exposures that have not yet been identified. In addition, the risk that the collateral values of these are overvalued is incorporated. Consequently, an amount of DKK 290m is recognised as a management's estimate of an increase in impairment charges. This was calculated by moving a proportion of the portfolio up to a higher stage and stressing the collateral by 15%.

For most loans in stages 2 and 3, the expected time to maturity is limited to the contractual time to maturity. However, for mortgage loans, allowances are made for expected early repayment.

48 Accounting Policies, cont.

The assessment of the indication of impairment of loans in the weakest part of stage 2 and loans in stage 3 is based on individual expert assessments of the probability-weighted expected loss. In connection with the most important loans, an individual assessment of the scenarios are made, including definition of cash flows, security values and scenario probability. At the individual assessment, up to 13 scenarios are applied.

In addition to the calculations, a management's assessment is performed of the models and the ability of the expert-assessed impairment calculations to take expectations of the future development into consideration. To the extent that it is assessed that circumstances and risks are not included in the models, an addition to the impairment calculations is made which is based on a management's estimate. This estimate is based on specific observations and is calculated on the basis of the expected risks of the loan portfolio.

Loans are written off as a loss when there are no reasonable prospects of collecting the debt. Indications of this are, for instance bankruptcy and debt rescheduling. Jyske Realkredit still seeks to collect debts even though they are written off as losses.

Impairment charges determined in this manner are deducted from the respective asset items whereas the shifts in impairment charges over the year and losses realised over the year are charged to the income statement.

Bonds at fair value

All listed bonds and other claims priced in active markets are recognised in 'Bonds at fair value', the exception being own mortgage bonds, which are set off against 'Issued bonds at fair value'. Recognition takes place according to the settlement approach.

The bonds are measured at fair value on initial and subsequent recognition through the income statement. The fair value is generally measured at prices of the underlying issued bonds quoted on a recognised stock exchange. If no market price is available for the past 5 business days, a calculated price based on the official market rate will be applied for determining the value.

Bonds drawn for redemption and repayable immediately after the financial year end are measured at par.

Index-linked bonds are measured at index values at 31 December.

Shares, etc.

All shares are recognised according to the settlement approach.

Shares are measured at fair value on initial and subsequent recognition through the income statement.

Currently the company's shareholding consists only of unlisted shares. Unlisted shares are recognised at an estimated fair value on the basis of the available accounting or expected cash flows, etc. of the issuer in question or at management's best estimate.

Intangible assets

All intangible assets with an estimated useful life of more than of 1 year are recognised, including IT software, etc.

Intangible assets acquired separately are capitalised at cost less accumulated amortisation and impairment. Amortisation is provided on a straight-line basis over the expected useful lives of the assets, typically 1-3 years.

Internally generated intangible assets which are not merely maintenance of existing software are capitalised at cost, which is determined as the necessary costs directly related to the generation of the intangible asset.

Amortisation is provided on a straight-line basis over the expected useful lives of the assets, typically 1-3 years.

The residual values and useful lives of the assets are assessed and adjusted if need be on each balance sheet date. Basically, residual value and useful life are 0 in respect of intangible assets.

Other property, plant and equipment

Plant and equipment are measured at cost less accumulated depreciation, amortisation and impairment.

Amortisation is provided on a straight-line basis over the estimated useful life. The item comprises IT hardware etc. with a typical expected useful life of 2-4 years and various property, plant and equipment with an expected useful life of 5 years.

Costs of repair and maintenance are recognised directly in the income statement

Gains and losses arising from the sale or other disposal of a tangible asset are measured as the difference between the sales amount and the carrying amount. Gains or losses are recognised in the income statement as Other operating income or Other operating expenses.

The carrying amount is assessed annually to establish whether there is indication of impairment in excess of what is recognised through amortisation or depreciation. In that case, an impairment test is conducted to establish whether the recoverable amount is lower than the carrying amount. The recoverable amount is the higher value of the net sales price and the value in use.

Assets held temporarily

"Assets in temporary possession" primarily comprise properties acquired through foreclosure, etc. that are only held temporarily by Jyske Realkredit and where a sale is very likely.

Properties held temporarily are recognised at the lower of fair value less costs of sale and the carrying amount

Liabilities relating to the assets in question are presented in the balance sheet as liabilities relating to assets held temporarily.

48 Accounting Policies, cont.

Other assets

Interest receivable and balances with clients in connection with loan applications in process etc. are recognised in 'Other assets'. These assets are measured at amortised cost.

The item also includes positive market values of fixed-rate agreements with clients and derivatives (swap transactions, etc.), which are measured at fair value through the income statement on the initial and subsequent recognition.

Due to credit institutions and central banks

Money market loans and other debt due to credit institutions are on initial recognition measured at fair value fair value equal to payments received less directly attributable transaction costs incurred. Subsequently, they are measured at amortised cost according to the effective interest method.

The item also includes repo transactions in the form of securities sold, where, at the time of the sale, a buy-back at a specific price at a later time is agreed. The amount received is recognised as Due to credit institutions and central banks, whereas the 'lent' securities remain recognised in the balance sheet.

Issued bonds at fair value

Issued mortgage bonds are recognised according to the settlement approach and measured at fair value through the income statement on initial and subsequent recognition. The fair value is generally measured at prices of the underlying issued bonds quoted on a recognised stock exchange. If no market price is available for the past 5 business days, a calculated price based on the official market rate will be applied for determining the value.

Mortgage bonds drawn for redemption and repayable immediately after the financial year-end are measured at par.

The portfolio of own mortgage bonds is deducted.

Issued bonds at amortised cost

Issued senior debt is on the initial recognition measured according to the settlement approach at fair value equal to payments received less directly attributable transaction costs incurred. Subsequently, the senior debt is measured at amortised cost according to the effective interest method.

Other liabilities

Interest payable and balances in connection with loan applications in process are recognised in 'Other liabilities'. These liabilities are measured at amortised cost.

Negative bond portfolios (bonds received as collateral for a reverse transaction and sold) are also recognised. These negative portfolios, which equal the repurchase obligation, are recognised according to the settlement approach and measured at fair value on initial and subsequent recognition.

The item also includes negative market values of derivatives (swap transactions, etc.), which are measured at fair value through the income statement on the initial and subsequent recognition.

Provisions

Provisions are recognised when as a result of an event occurred on or before the balance sheet date a legal or factual obligation exists, and it is probable that an outflow of economic benefits will be required to settle the obligation, and that a reliable estimate of the liability can be made. Provisions for debt expected to be payable later than 12 months after the balance sheet date are measured at present value, if this is considered of material importance, otherwise at cost.

Provisions are measured at management's best estimate of the amount which is expected to be required to settle the liability.

Equity

Share capital is classified as equity where there is no obligation to transfer cash or other assets. A proposed dividend is recognised as a liability when the motion has been approved at the Annual General Meeting. Dividend for the year is stated separately under equity.

Share premium comprises amounts paid as share premium when subscribing for the shares.

Reserves in series relate to capital set aside to meet the capital requirement in "Series not subject to reimbursement/repayment obligation".

INCOME STATEMENT

Income is recognised in the income statement as earned. This includes recognition of value adjustments of financial assets and liabilities measured at fair value through the income statement. All costs and expenses incurred to generate earnings for the year are also recognised in the income statement.

Interest income and interest expenses

All interest and interest-like items that are determined according to the effective interest method are recognised under Interest income and Interest expenses. All interest income and expenses as well as administration margin are recognised on an accruals basis, i.e. taken to the income statement for the financial year to which they relate.

Interest on mortgage loans and issued mortgage bonds that are governed by the specific balance principle is recognised at the nominal rate of interest on the outstanding bond debt.

48 Accounting Policies, cont.

Interest on mortgage loans, issued mortgage bonds and relating derivatives that are governed by the general balance principle is recognised at the yield to maturity. Interest relating to the related derivatives is presented together with the interest on the issued mortgage bonds so that the net interest expenses on these are recognised as a whole under Interest expenses.

Negative interest income is recognised under Interest expenses, while negative interest expenses are recognised under Interest income. In the notes to Interest income and Interest expenses, negative interest is initially recognised under the original note item and is then transferred net between Interest income and Interest expenses at the bottom of the notes.

Dividends, etc.

Dividends on investments in shares are recognised as income in the income statement in the financial year in which the dividends are declared.

Fees and commission income

Income from fees, charges and commissions and expenses from fees and charges are recognised in the income statement as paid. Fees, charges, etc. that are part of transaction costs in connection with financial assets and financial liabilities, which are measured at amortised cost, are included in the calculation by application of the effective interest method.

Value adjustments

Value adjustments comprise realised and unrealised value adjustments of loans and advances at fair value, bonds at fair value and issued bonds at fair value. Moreover, currency translation adjustment and realised and unrealised gains and losses regarding financial derivatives are included.

Exceptions are value adjustment of credit risk on loans and advances recognised in the income statement under Loan impairment charges and provisions for guarantees.

Other operating income

Other operating income comprises gains from sales of tangible and intangible assets.

Employee and administrative expenses

All payroll costs as well as expenses for administration, sales activities, etc., including expenses resulting from intra-group service agreements, are included in Employee and administrative expenses.

Other operating expenses

Other operating expenses comprise commission payments to the Resolution Fund as well as losses on sales of intangible and tangible fixed assets.

Loan impairment charges

Value adjustments of loans and advances, etc. that can be attributed to changes in the credit risk of the loan as well as recognised losses are recognised under Loan impairment charges. Here also recoveries of claims previously written off as well as value adjustments of properties acquired through foreclosure are recognised.

OTHER REMARKS

Comprehensive income

Comprehensive income comprises the profit or loss for the year plus other comprehensive income.

Alternative Performance Targets

Information is given about Jyske Realkredit's business segments. Segment information has been prepared in accordance with the internal reporting applied by Jyske Realkredit. The presentation of the segments is based on the on-going reporting to Jyske Realkredit's management and thus the principles used in internal financial planning and control. The segments reflect the return and risks of Jyske Realkredit and are considered to be the company's primary segments. The distribution of costs and expenses between segments is based on a qualified estimate.

Since Jyske Realkredit mainly operates in Denmark, no geographical segmentation has been made.

Notes

49 Definition of financial ratios

Financial ratios and key figures	Definition
Capital ratio (%)	Capital base divided by weighted risk exposure
Tier 1 Capital ratio (%)	Tier 1 Capital after deductions divided by weighted risk exposure.
Common Equity Tier 1 capital ratio (%)	Tier 1 Capital after deductions divided by weighted risk exposure.
Pre-tax profit as a pct. of average equity	Pre-tax profit divided by average equity during the year
Net profit as a percentage of average equity	Net profit divided by average equity during the year
Income/cost ratio (%)	Income divided by expenses inclusive of loan impairment charges and provisions for loss on guarantees
Currency position (%)	Currency exposure indicator 1 at year-end divided by core capital after deductions at year-end
Accumulated impairment ratio (%)	Total of loan impairment charges and provisions for loss on guarantees at year-end divided by the total of loans, guarantees, provisions and impairment charges at year-end Discount for acquired loans is not included.
Impairment ratio for the year (%)	The year's loan impairments charges and provisions for loss on guarantees divided by total loans, guarantees and provisions and impairment charges at year-end
Increase in loans for the year (%)	The increase in loans divided by opening loans.
Loans relative to equity	Loans at year-end divided by equity at year-end
Return on capital employed	Net profit for the year divided by total assets

The above financial ratios are used in note 1 and are based on the definitions and guidelines laid down by the Danish Financial Supervisory Authority.

Summary of series financial statements

DKKm

50 Summary of series financial statements

The series financial statements of Jyske Realkredit have been prepared in compliance with the FSA's Order of 20 November 1995 on series financial statements of mortgage credit institutions. The series financial statements have been summarised below at 'association level', cf. section 30(3) of the Order.

The summary and the transfers between the series have been prepared in compliance with the Supervisory Board's proposal for distribution of net profit. The full and complete series financial statements are available from Jyske Realkredit on demand.

Summary of series financial statements	Husejernes Kreditkasse	Jyske Realkredit Series with joint and several liability	Jyske Realkredit Capital Centre B	Jyske Realkredit Capital Centre E	Jyske Realkredit Capital Centre S	General Capital Centre	Total
2020							
Income statement for the financial year							
Income from lending	0	10	38	1,720	89	9	1,867
Interest, etc. net	0	2	93	897	7	43	1,042
Administrative expenses, etc. net	0	2	109	1,048	47	51	1,257
Loan impairment charges and provisions (- is income)	0	-1	3	480	0	2	485
Tax (- is income)	0	2	4	242	11	-0	259
Profit	0	8	15	847	38	-0	908
Balance sheet at 31 December							
Assets ¹							
Mortgage loans, etc.	12	7,727	4,631	299,205	27,858	5,201	344,634
Other assets	1	261	1,815	41,166	633	2,071	45,946
Total assets	13	7,988	6,445	340,370	28,491	7,272	390,580
Equity and liabilities							
Issued mortgage bonds, etc.	13	7,921	5,018	321,653	28,216	6,065	368,887
Other liabilities	0	41	29	1,673	148	32	1,924
Equity	0	26	1,399	17,044	126	1,175	19,769
Total equity and liabilities	13	7,988	6,445	340,370	28,491	7,272	390,580

¹ The difference between the total assets in the series financial statements and Jyske Realkredit can be specified in this way:

Assets in the financial statements	377,132
Assets in series financial statements	390,580
Difference	-13,448
The difference is due to:	
Offsetting of own issued mortgage bonds - note 23	-13,382
Offsetting of interest receivable on own issued bonds	-65
Total	-13,448

Statement by the Management and Supervisory Boards on the Annual Report

The Supervisory Board and the Executive Board have today considered and approved the 2020 Annual Report of Jyske Realkredit A/S.

The financial statements and the Management's Review for Jyske Realkredit A/S have been prepared in accordance with the Danish Financial Business Act. Furthermore, the Annual Report was prepared in accordance with the additional Danish disclosure requirements for financial reports of issuers of listed bonds.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2020 and also of its financial performance for the financial year 1 January to 31 December 2020.

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

The Annual Report is recommended for adoption at the Annual General Meeting.

Kgs. Lyngby, 23 February 2021

Executive Board

Carsten Tirsbæk Madsen
Managing Director

Torben Hansen
Director

Supervisory Board

Niels Erik Jakobsen
Chairman

Lars Waalen Sandberg
Deputy Chairman

Per Skovhus

Peter Schleidt

Kim Henriksen
Employee Representative

Steen Brastrup Clasen
Employee Representative

Internal Auditors' Report

Audit opinion

In our opinion, the Financial Statements give a true and fair view of the company's financial position at 31 December 2020 and of its financial performance for the financial year 1 January to 31 December 2020 in accordance with the Danish Financial Business Act.

Basis of opinion

We have audited the financial statements of Jyske Realkredit A/S for the financial year 1 January - 31 December 2020. The financial statements have been prepared in accordance with the Danish Financial Business Act.

We conducted our audit in accordance with the Executive Order of the Danish Financial Supervisory Authority on Auditing Financial Enterprises, etc. as well as Financial Groups and in accordance with international auditing standards on planning and performance of the audit.

We planned and performed our audit with a view to obtaining a high degree of certainty that the financial statements do not contain any material misstatements. We participated in the audit of significant and risky areas.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Statement on the Management's Review

We have read the Management's Review pursuant to the Danish Financial Business Act. We did not perform any procedures additional to those pertaining to the audit of the Financial Statements.

Based on this, we believe that the Management's Review was prepared in accordance with the Danish Financial Business Act and the disclosures in the Management's Review are consistent with the financial statements.

Silkeborg, 23 February 2021

Henning Sørensen
Head of Audit

Independent Auditors' Report

To the shareholder of Jyske Realkredit A/S

Opinion

We have audited the financial statements of Jyske Realkredit A/S for the financial year 1 January – 31 December 2020, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for issuers of listed bonds.

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

Appointment of auditor

We were initially appointed as auditor of Jyske Realkredit A/S on 24 March 2020 for the financial year 2020.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2020. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the below key audit matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements as a whole.

Measurement of loans and guarantees

Risk: A major part of the Company's assets consist of loans which entail a risk of loss in case of the customer's inability to pay. The Company's total loans amounted to DKK 344,965 million at 31 December 2020 (DKK 338,666 million at 31 December 2019), and total write-downs and provisions for expected credit losses amounted to DKK 1,723 million at 31 December 2020 (DKK 1,330 million at 31 December 2019).

The Company's measurement of impairment charges on loans involves significant amounts and a high level of management estimates. This concerns in particular probability of default, staging assessment and an assessment of indication of credit impairment, realisable value of collateral received as well as the customer's ability to pay in case of default.

Major loans with high risk are assessed individually, whereas impairment of all minor loans and loans with low risk are assessed on the basis of models where methods and assumptions used to assess the expected credit loss are based on management estimates.

The Company recognises additional impairment losses based on management judgement in situations where the model-based and individually calculated impairment losses do not yet reflect the currently expected specific loss risks, e.g. the effect of COVID-19. The judgements made are described in note 48.

Audit approach: Our audit comprised the Company's procedures and internal controls for monitoring credit exposures, staging assessment and recording of indications of credit impairment. By way of analyses and sample testing and by review of the Company's procedures we have verified that the estimation of expected credit losses is recognised in accordance with the accounting rules and the accounting policies.

The audit comprised the largest and most risky loans, including loans with objective indication of credit impairment. For model-based impairments, we reviewed and evaluated the assumptions and methodologies applied, tested internal controls and sample tested the calculations.

Furthermore, we audited the judgements made by the Company's Management in addition to the individually assessed and model-based impairment losses, in particular impairment losses to cover the estimated effect of COVID-19. Our audit of the management judgements that are not included in the model-based or individually assessed impairment losses comprised an audit of the Company's basis for the methods and assumptions applied, including whether they are reasonable and well-founded compared to relevant bases of comparison.

Furthermore, we reviewed and tested whether note disclosures relating to loans, impairment losses and credit risks meet the relevant accounting rules (notes 10, 14, 15, 16, 35 and 36).

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement of the Management's review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for issuers of listed bonds.

Management is also responsible for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Frederiksberg, 23 February 2021

EY Godkendt Revisionspartnerselskab
CVR-nr. 30 70 02 28

Lars Rhod Søndergaard
State Authorised Public Accountant
mne28632

Anne Tønsberg
State Authorised Public Accountant
mne32121