

Jyske Realkredit A/S

Full year report 2023

Published 27 February 2024

Result 2023

Result in 2023

- Pre-tax profit was DKK 2,673m
- Return on equity was 8.8 % p.a.
- No deterioration of credit quality from increasing interest rates and inflation

2023 (compared to 2022)

- Increasing administration margin
- Core earning increased with 67%
 - Positive effect from increasing interest rates on bond holdings
- Impairment charges was reversed with DKK 12m in 2023 compared to a reverse of DKK 272m in 2022
 - Reversals due to improved credit quality

Expectations for 2024

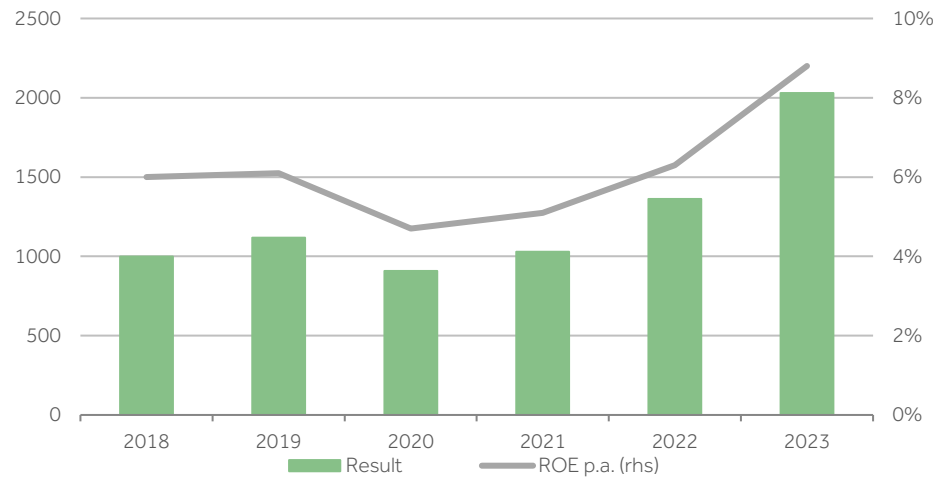
- Expect a full year result for 2024 of DKK 1.7bn – 1.9bn
 - Lower expected return on bond holdings due to expected lower interest rates

Core income statement (DKKm)

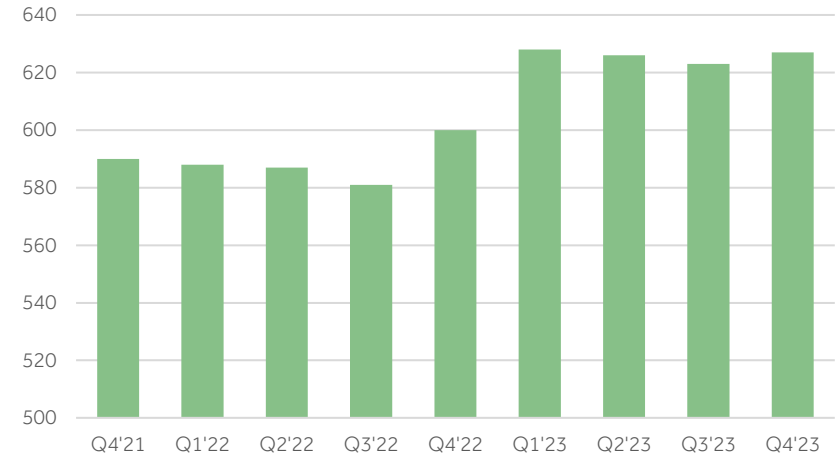
Core profit and net profit for the period	2023	2022	Index 23/22	Q4'23	Q3'23	Index q/q
Core operations						
Administration margin, etc.	2,496	2,356	106	627	617	102
Other net interest income	795	160	497	249	240	104
Net fees, charges and commission income etc.	-556	-653	85	-133	-158	84
Value adjustments	370	2	18,500	143	76	188
Other income	0	0	-	0	0	-
Core earnings	3,106	1,865	167	886	775	114
Core expenses	445	295	151	113	110	103
Core earnings before loan impairment charges etc.	2,661	1,570	169	774	665	116
Loan impairment charges etc.	-12	-272	4	11	14	79
Pre-tax profit	2,673	1,743	153	763	651	117
Tax	643	383	168	162	164	99
Net profit or loss for the period	2,030	1,361	149	601	487	123

Financials - selected graphs

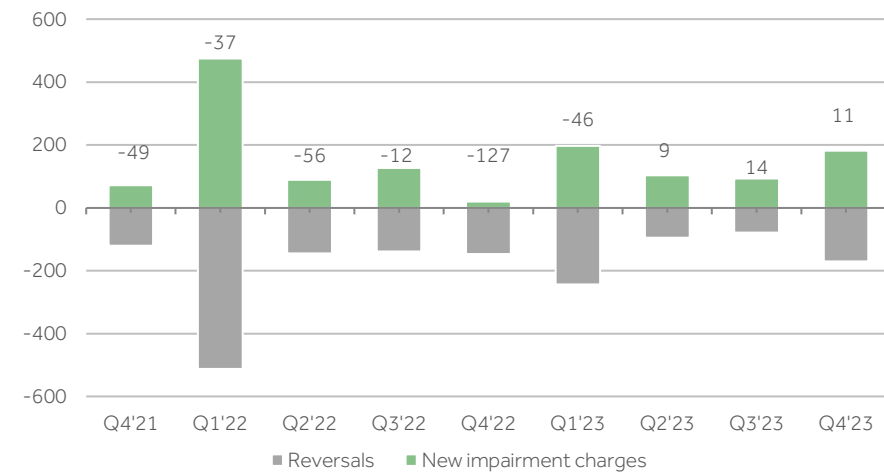
Result and return on equity



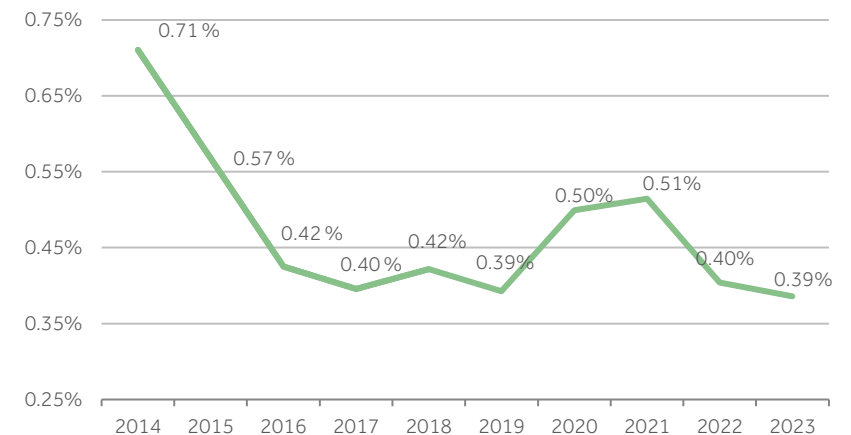
Administrative margin (DKKm)



Impairment charges and reversals (DKKm)



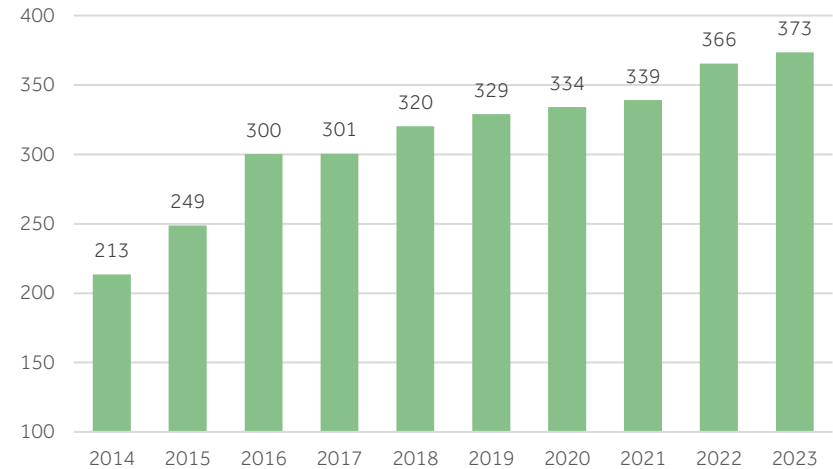
Balance of loan impairments in % of lending



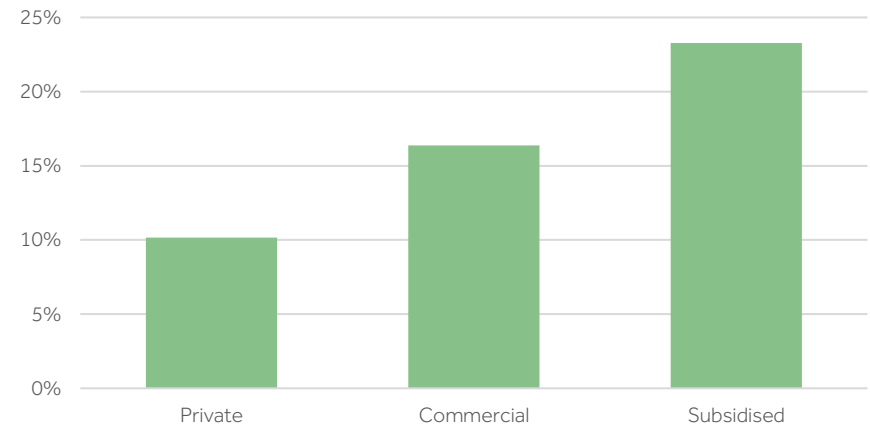
Growth in mortgage lending

- Nominal mortgage lending increased
 - Nominal mortgage lending increased with DKK 8.1bn in 2023
 - Increase in mortgage lending was mainly for financing of commercial properties
- Acquired activities in 2022 from Svenske Handelsbanken are now fully integrated into Jyske Realkredit's systems
 - Financing loans from Svenske Handelsbanken of DKKbn 25 in Jyske Realkredit
 - Financing of primarily Danish private residential buildings
 - Financing in both covered bonds (premium) and covered bonds
- Growth in the portfolio creates larger issuances and lower funding costs

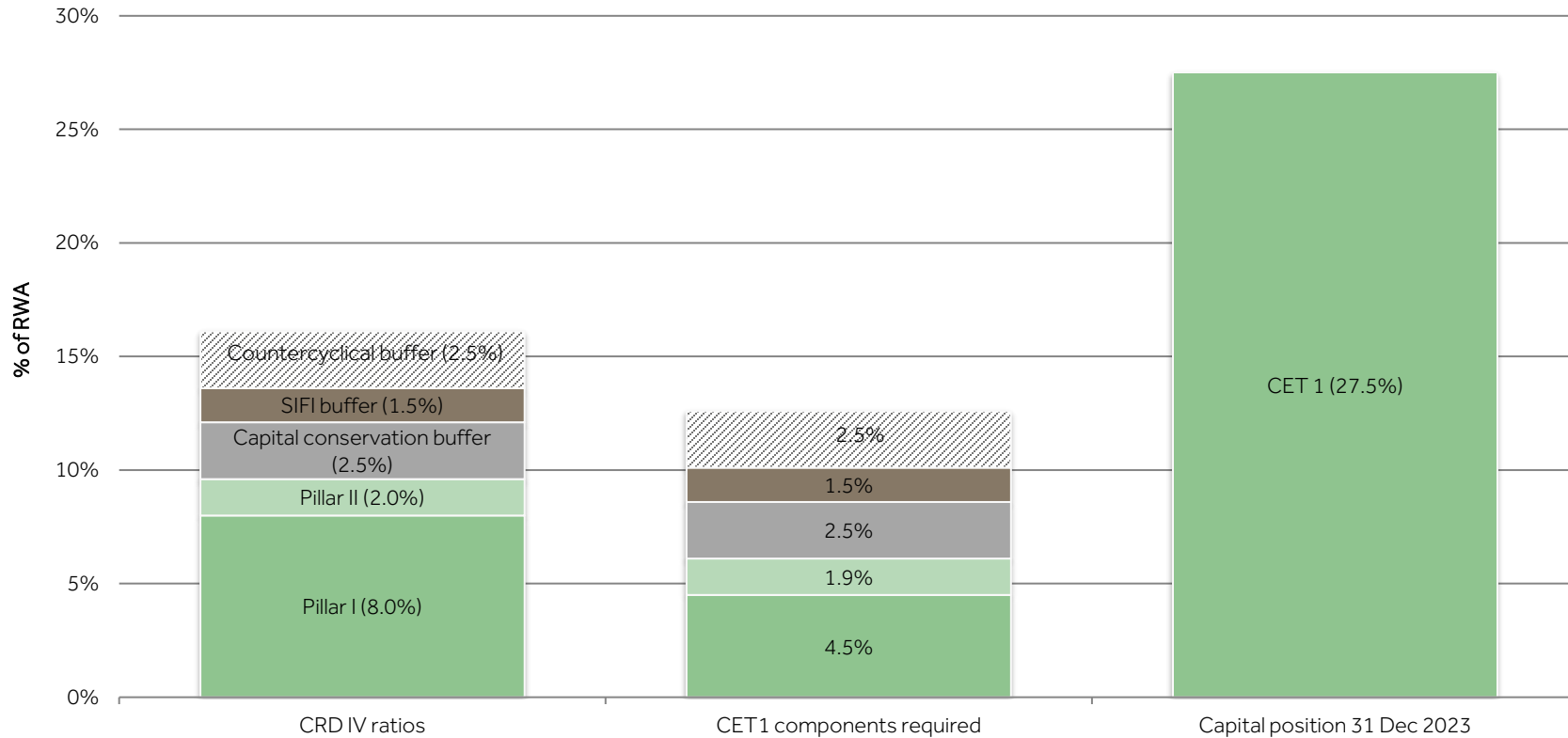
Total mortgage lending at nominal value (DKKbn)



Market share of mortgage market (%)



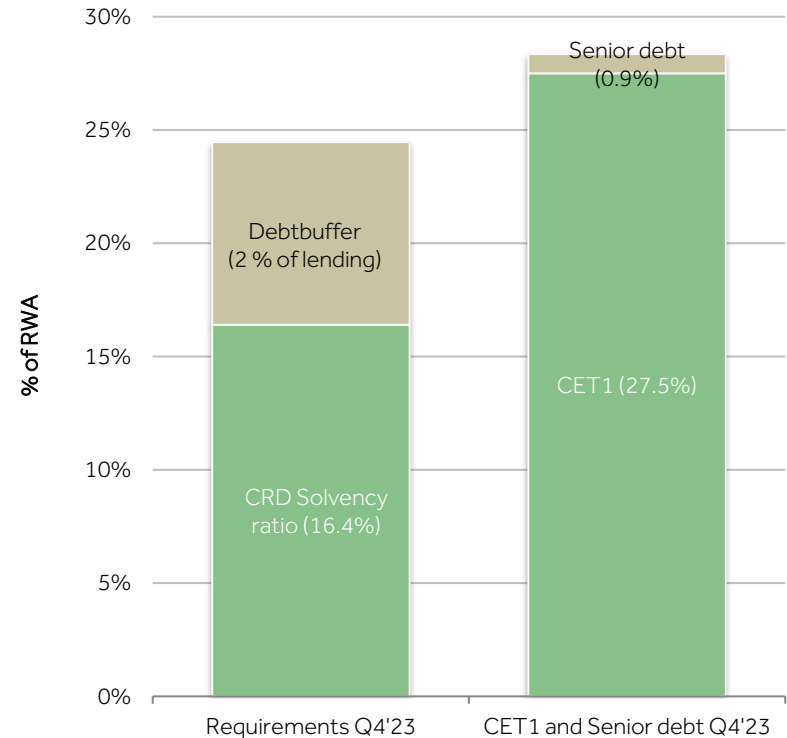
Jyske Realkredit is well capitalised



- The solvency need is at 16.1 % at the end of Q4 2023, of which 12.6 % should be covered with core equity
- Jyske Realkredit is compliant with the fully implemented requirement
- Growth not constrained by capital requirements

Debt buffer for Danish mortgage institutes

- MREL-debt buffer is fully implemented
- Debtbuffer must be covered by CET1, AT1, AT2 or senior (unsecured) debt
- For capital instruments to be compliant with the debt buffer, the following must apply:
 - Original time to maturity at least two years
 - Appropriate maturity diversification
- The Danish FSA can decide that the debt buffer should be covered fully or partly with bail-inable debt instruments
- Jyske Realkredit fulfils the debt buffer in Q4 2023 with CET1 and senior debt



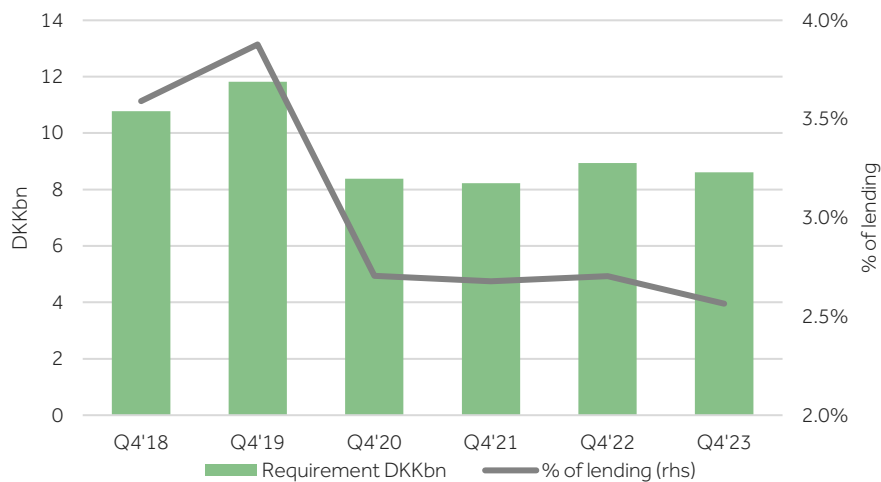
Rating

- Decrease in AAA OC-requirement
 - Capital Center E at S&P minimum AAA OC-requirement
- AAA OC-requirements is at a lower level than in 2015 despite growth of mortgage loans of DKK +120bn
- Improvement in credit quality and composition of cover pool
- Jyske Bank and Jyske Realkredit issuer credit rating upgraded by S&P to A+ in July 2023

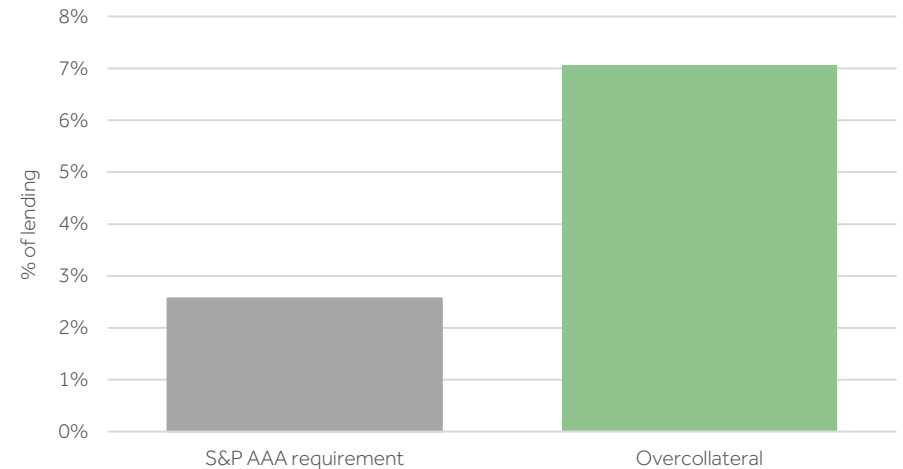
Rating Standard and Poor's

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

AAA rating requirement



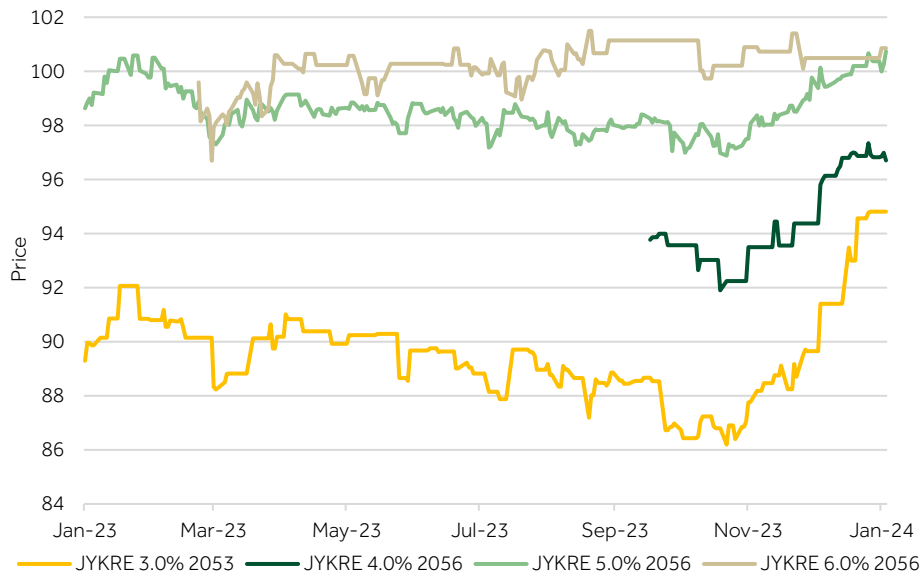
AAA rating requirement and overcollateral



Relative stable bond prices in in 2023

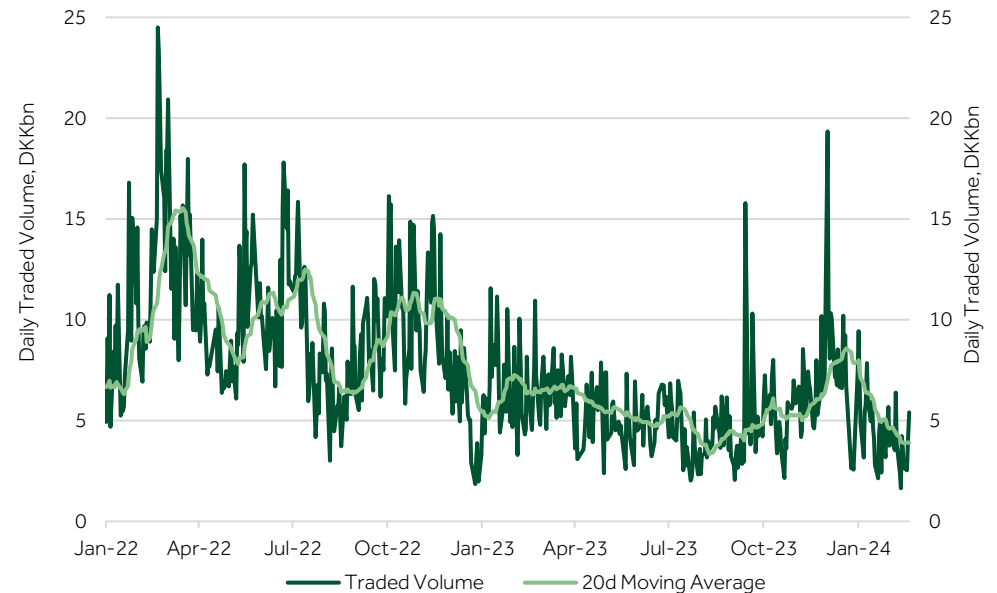
- Bond prices was relatively stable in 2023
 - Slightly increasing prices in Q4 2023 and beginning of 2024
- Open series for financing 30-year fixed interest mortgage loans are at end of December 2023 at 5.0%, 5.0% 10YIO and 5.0% 30YIO
- Lower activity in DKK covered bond market in Q4 2023
 - Average traded DKK covered bonds was at DKK 6.4bn (Q4 2022 at DKK 9.1bn)

Prices for selected Jyske Realkredit callable bonds



Source: Bloomberg

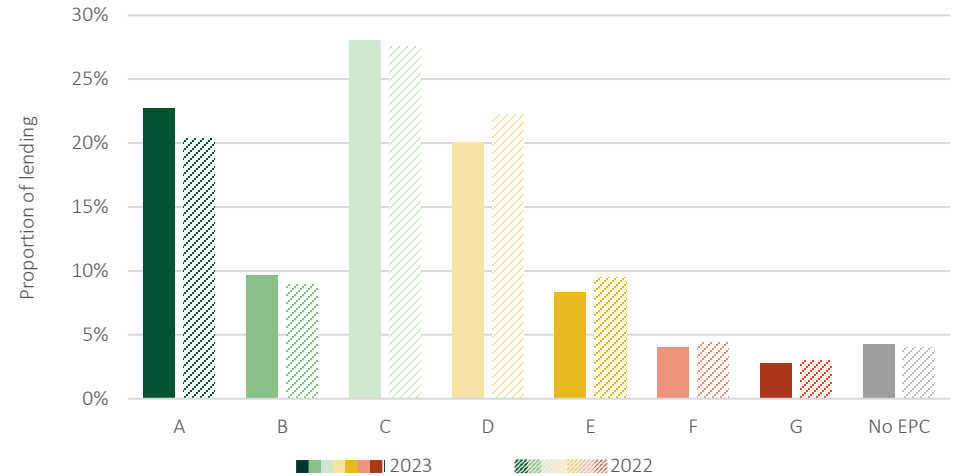
Daily traded callable DKK covered bonds



Sustainable Transparency Template

- As the first financial institution Jyske Realkredit publish Sustainable Transparency Template
- Investors can follow the development over time and compare to other institutes
- From end-2021 sustainability also included in financial reporting for Jyske Realkredit
- External audit has verified data published on sustainability
- Improvement in EPC for lending in Jyske Realkredit from 2022 to 2023
- Higher proportion of lending supporting one or more of UN SDGs in 2023 compared to 2022

Distribution of energy performance certificates (% of total lending)



Lending supporting UN SDGs

Lending type	SDG	2023		2022	
		Lending (DKKm)	Prop. of lending	Lending (DKKm)	Prop. of lending
Renewable energy	7.2	2,555	0.7%	1,391	0.3%
Green buildings	7.3, 9.4	114,081	30.8%	100,461	24.0%
Social housing	11.3	25,003	6.7%	27,563	9.5%
Recycling	12.5	6	0.0%	-	-
Total		141,645	38.2%	129,415	33.8%

Reporting on CO₂e emissions

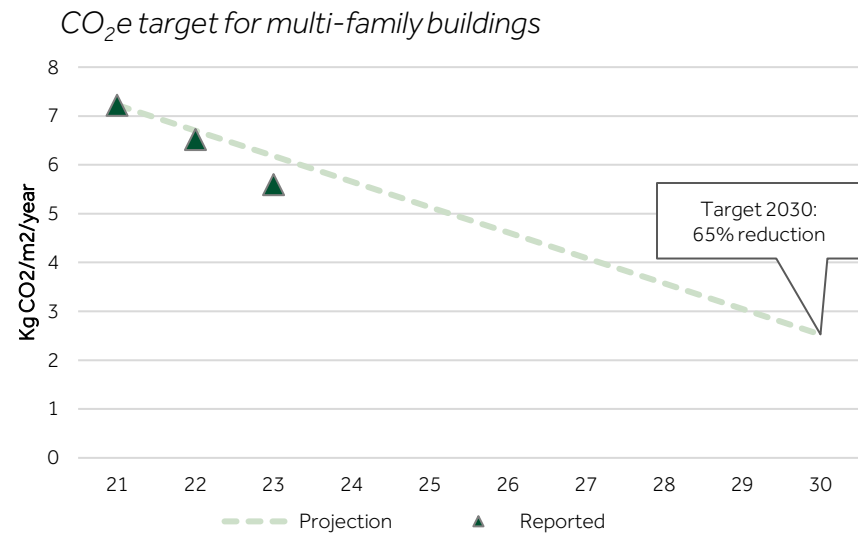
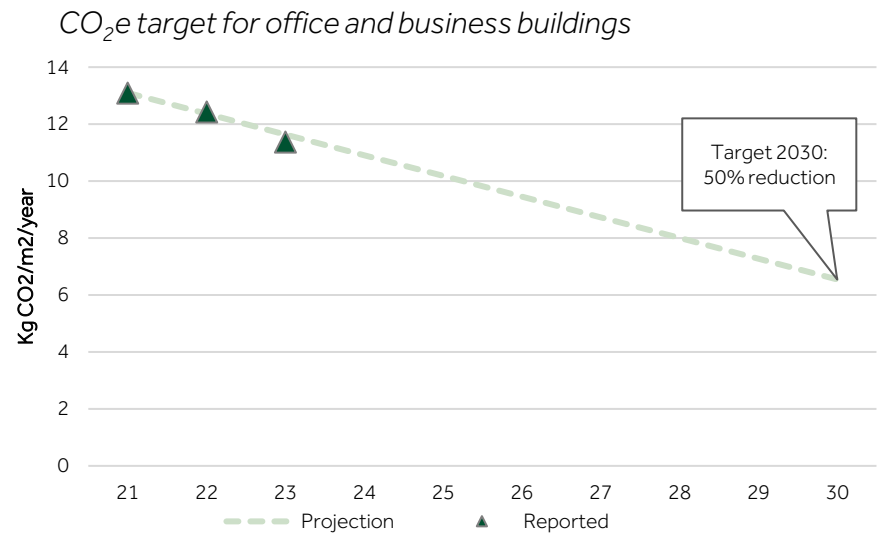
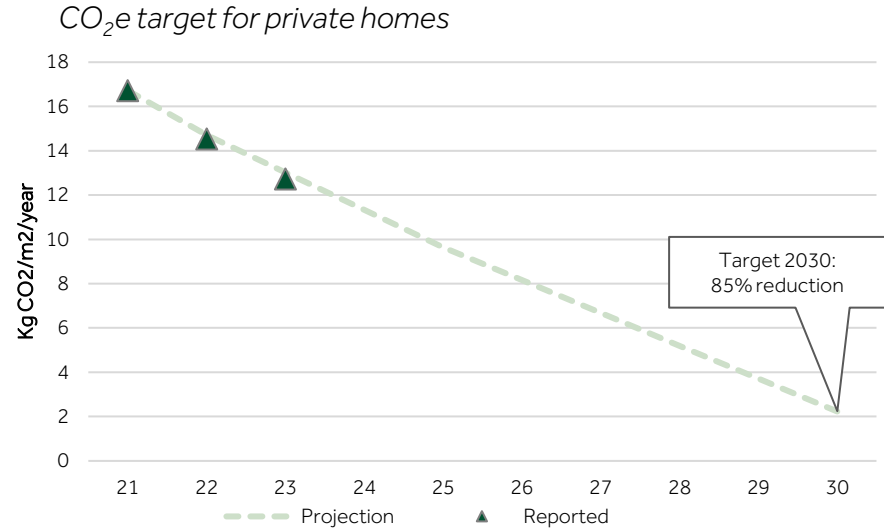
- Jyske Realkredit also reports CO₂e emissions in Sustainable Transparency Template
- Calculated CO₂e emissions are based on EPCs and type of heating source
- Gives the investor a possibility to follow the development in CO₂e emissions in lending behind covered bonds from Jyske Realkredit
- Improvement in CO₂e emissions from 2022 to 2023 comes from improved energy efficiency of financed properties and lower CO₂e emissions in production of energy

CO₂e emissions for Jyske Realkredit

Property type	2023		2022	
	Ton CO ₂ e (LTV adjusted)	Kg CO ₂ e/m ²	Ton CO ₂ e (LTV adjusted)	Kg CO ₂ e/m ²
Owner-occupied homes	104,419	13.1	107,068	13.8
Subsidised Housing	26,475	5.7	28,955	6.4
Cooperative Housing	4,379	6.6	4,667	7.1
Private rental	21,487	6.0	22,718	6.4
Office, Business, Manufacturing	39,483	11.7	41,659	12.4
Other	17,167	9.6	13,894	8.6
Total	213,409	9.2	218,961	9.8

CO₂e-targets for lending in Jyske Bank Group

- Jyske Bank has set CO₂e emission reduction targets for different lending areas
- Targets are based on reduction relative to 2021-level
- Reduction comes from energy renovation, change of heat source and higher proportion of renewable energy in energy production
- Targets will be monitored on a regular basis



Danish economy

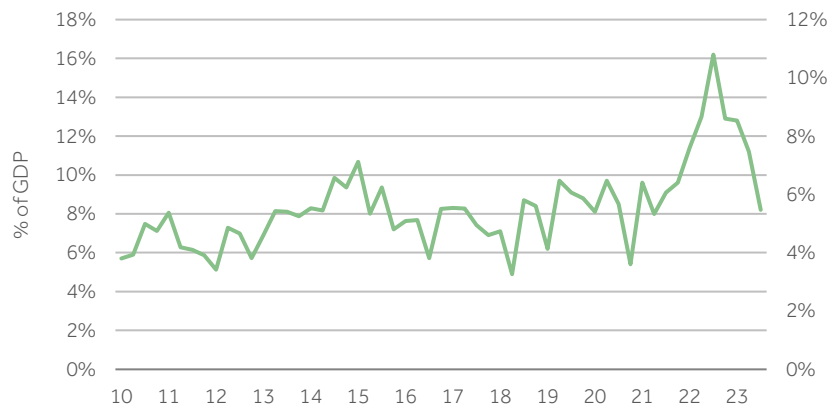
- Strong GDP growth for the Danish economy
- Where many other European countries are in a recession/stagnation the Danish economy still looks strong
- Current account positive for the last many years
 - Driven by pharmaceutical sector and shipping
- Employment at highest ever observed level
 - Unemployment at a low level

Quarterly GDP in Denmark, USA and European Union



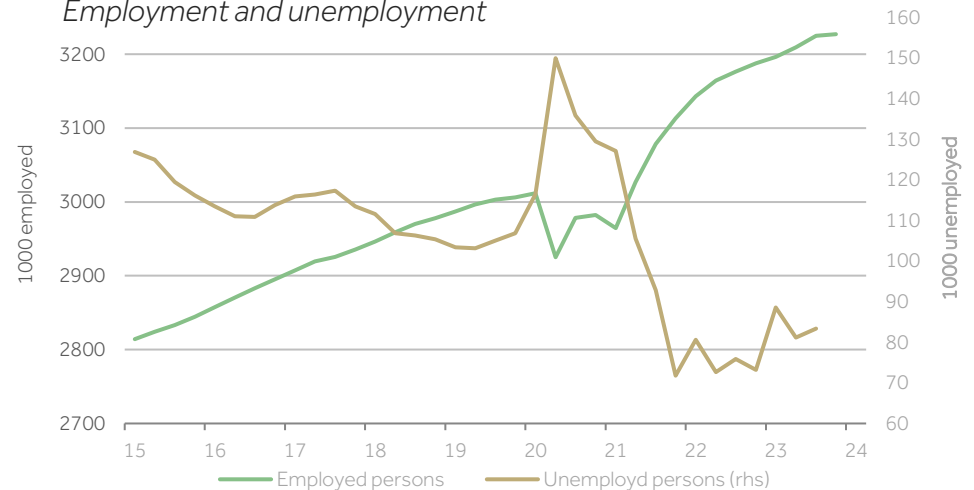
Source: OECD.stats

Current account Denmark (% of GDP)



Source: OECD.stats

Employment and unemployment

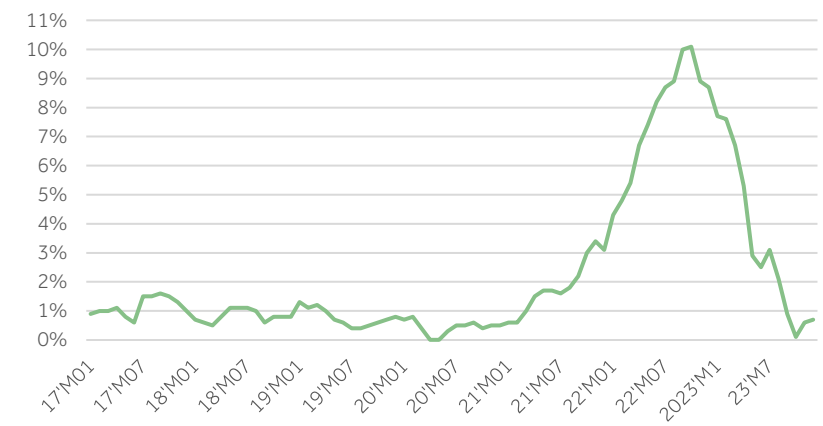


Source: Statistics Denmark

Strong Danish household sector

- Inflation has come down again
- Still high financial savings in the private sector
- The private sector is well prepared for a potential worsening of economic situation
- There is still a large purchasing power in the private sector
- Household debt as a percentage of disposable income is at a low level

Consumer prices development %, y/y



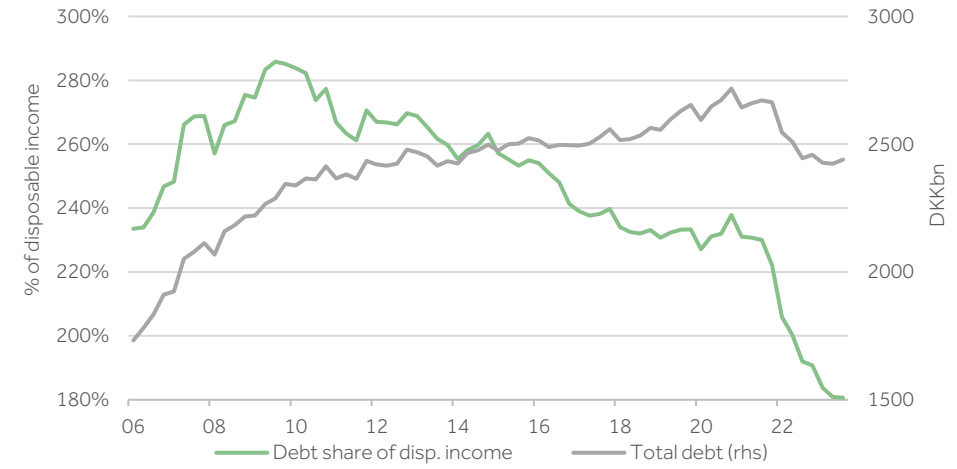
Source: Statistics Denmark

Private sector financial savings



Source: Statistics Denmark

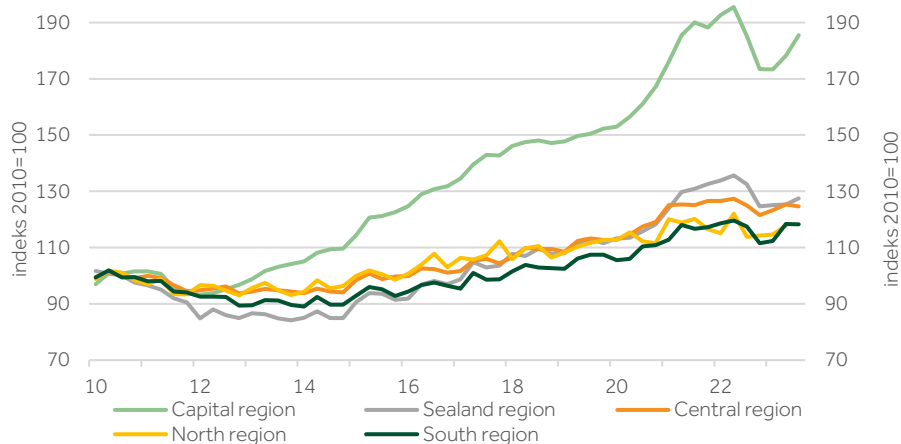
Household gross debt



Danish housing market

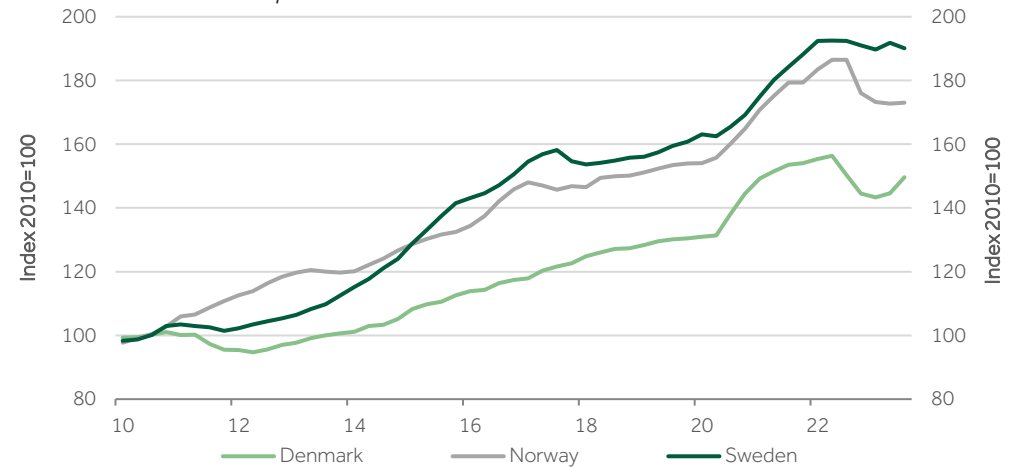
- Decreasing property prices in Q3 and Q4 2022 in Denmark
 - ... but prices have been increasing during 2023
- Price development in capital region mainly driven by apartment prices
- Compared to Sweden and Norway prices on Danish housing market hasn't grown with same pace
- Growth in house prices are following wage-growth and development in interest rates

Regional house prices in Denmark



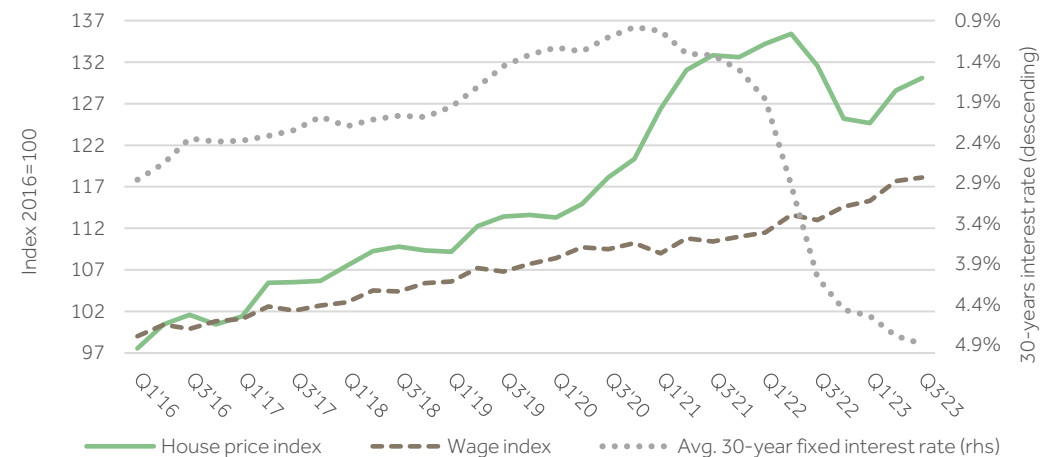
Source: Association of Danish Mortgage Banks

Nordic house prices



Source: OECD.Stat

Houseprices, wages and interest rate



Source: Statistics Denmark

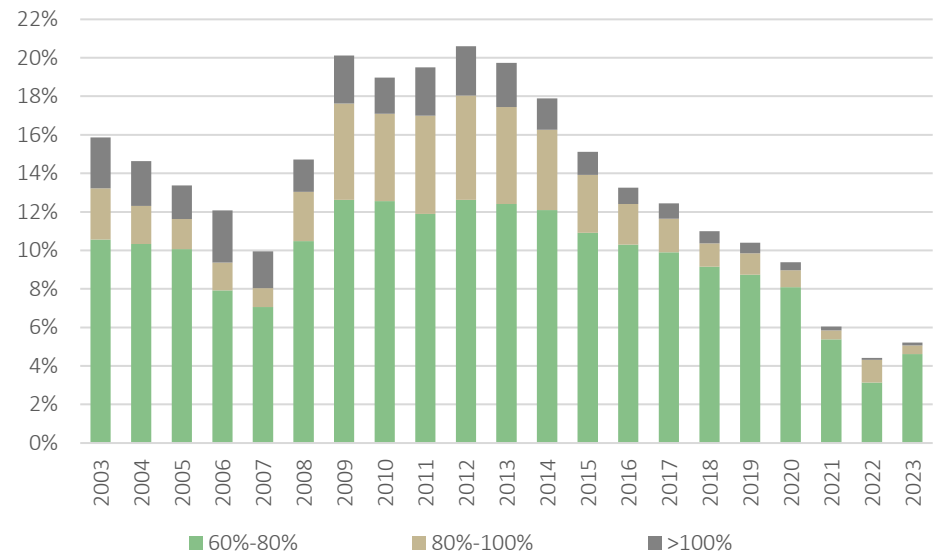
Development in credit risk

- The increasing interest rates and inflation do for now not seem to have affected the credit risk of the portfolio
 - Increasing/stable house prices in all segments
 - No increase in the unemployment levels in Denmark
 - Arrears at a very low level for both commercial and private clients
- Still a high level of impairment charges in Jyske Realkredit
 - Impairments increased by management adjustment

15-day arrears for Jyske Realkredit

Segment	Q4'19	Q4'20	Q4'21	Q4'22	Q4'23
Private	1.0%	0.7%	0.8%	0.8%	0.8%
Commercial	0.7%	0.5%	0.3%	0.2%	0.3%
Total	0.67%	0.49%	0.44%	0.43%	0.47%

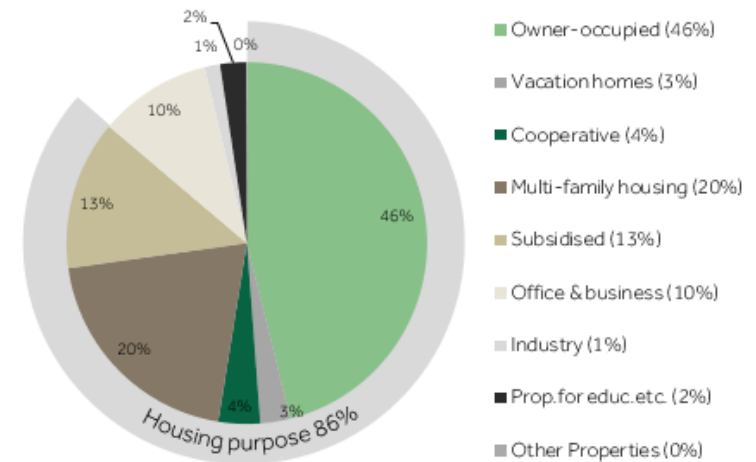
Loan-to-value above 60% as percentage of total lending



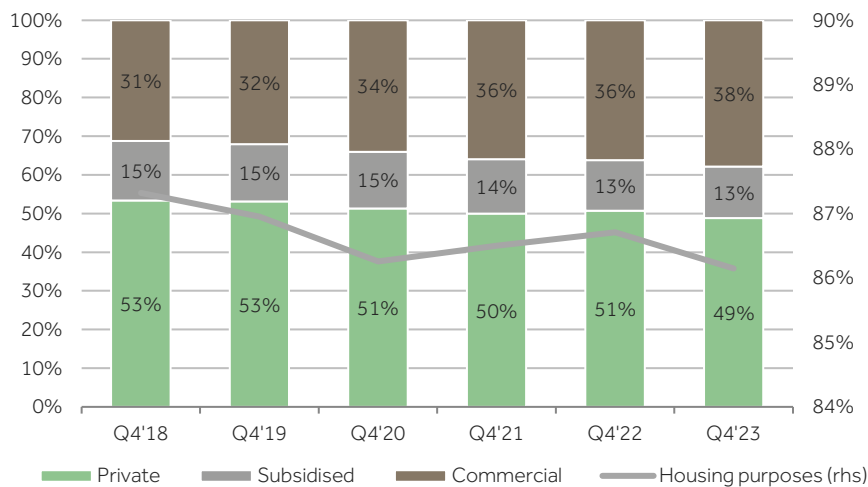
Portfolio

- 86 % of lending to properties with housing purposes
 - Majority of these to private owner-occupied properties
- No lending to agriculture and other primary production
- Stable share of lending with a housing purpose
- Increase in share of variable rate mortgages

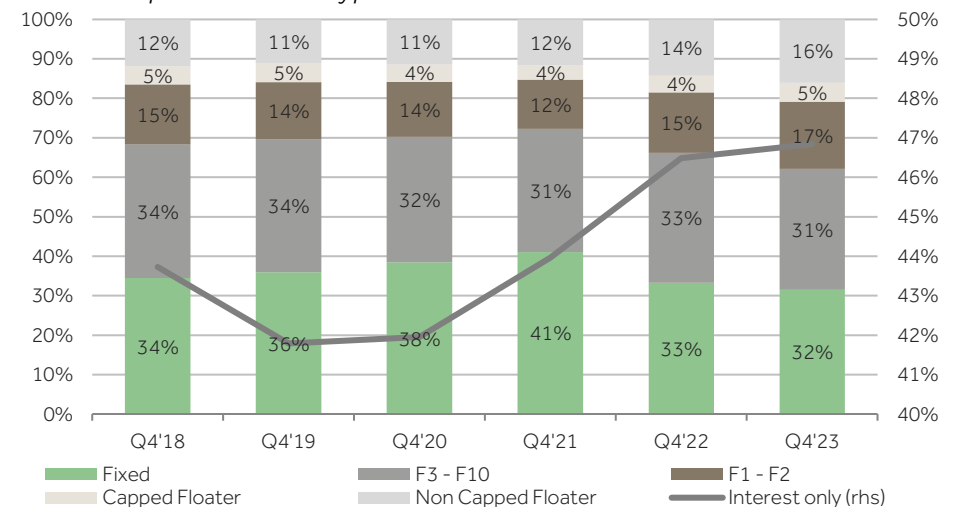
Lending portfolio



Development in lending portfolio



Development in loan types



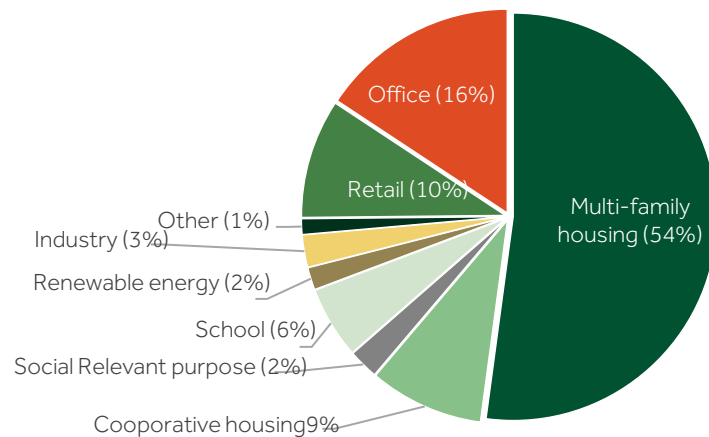
Commercial lending

- Regardless of financing clients must be able to service a 30-year fixed interest rate loan
- Clients should also be able to withstand a 10%-20% loss of rent income or increase of vacancy rates
- Ongoing monitoring and stress-testing of commercial properties exposures' rent and vacancy rates, cost of equity as well as interest rate for debt
- Risk indicators have not changed significantly over the last year

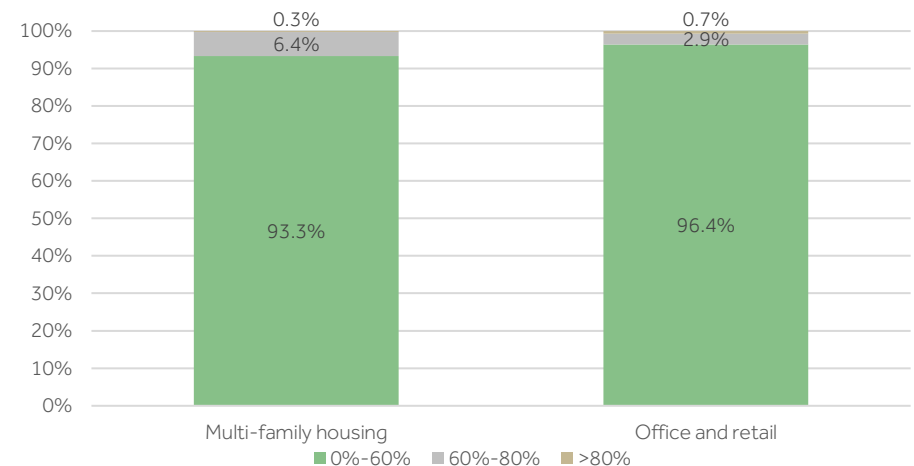
Risk indicators for commercial lending

Indicator	Multi-family housing	Office and retail
90-day arrears as percent of lending	0.01%	0.00%
Average loan-to-value	52.1%	47.5%
Impairments as percent of lending Model based	0.1%	0.9%
Additional impairments as percent of lending Management adjustment	0.3%	0.4%
IFRS Stage 1 as percent of lending	96.6%	93.0%

Distribution of commercial lending

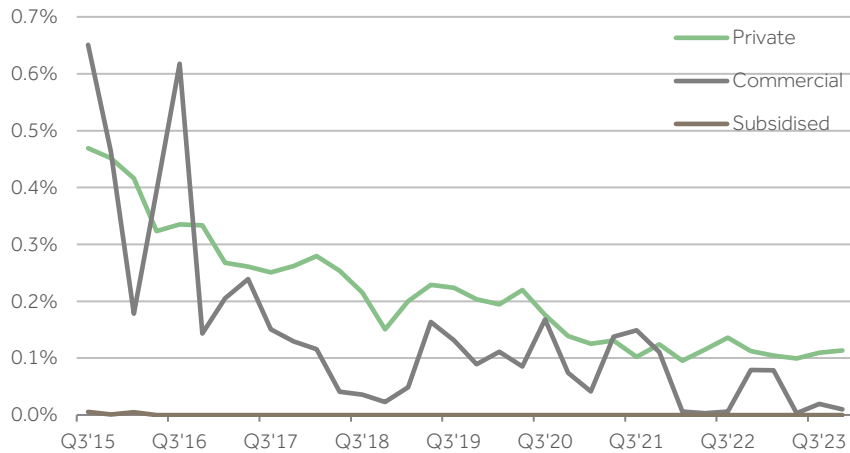


Loan-to-value commercial lending

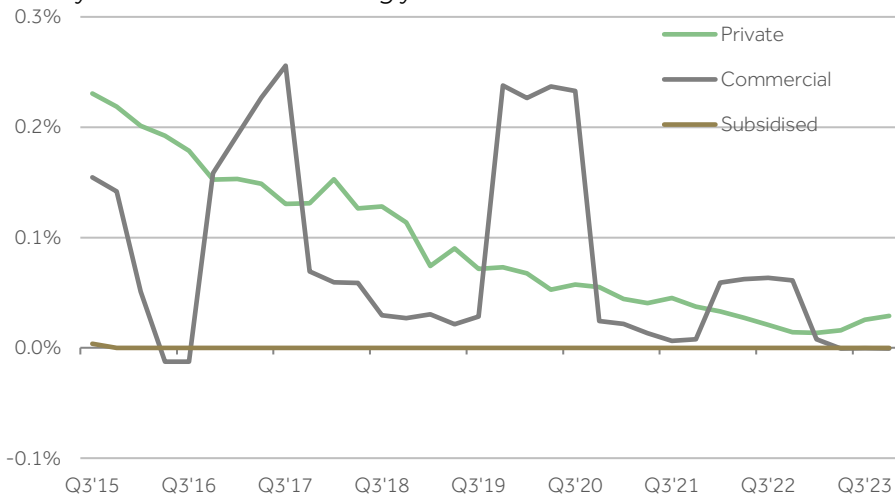


Credit quality

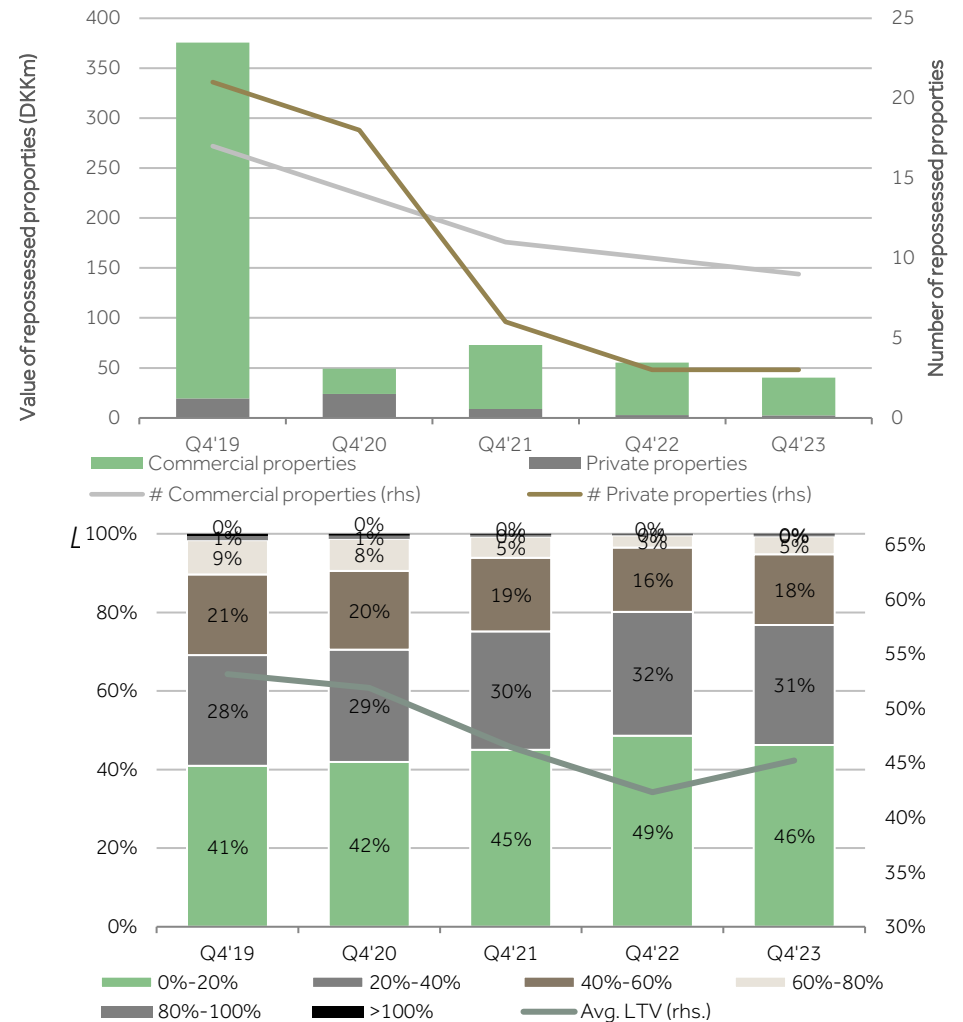
Lending in 90-days arrears (per cent of lending)



Yearly realised losses (running year)



Repossessed properties (DKKm/number)



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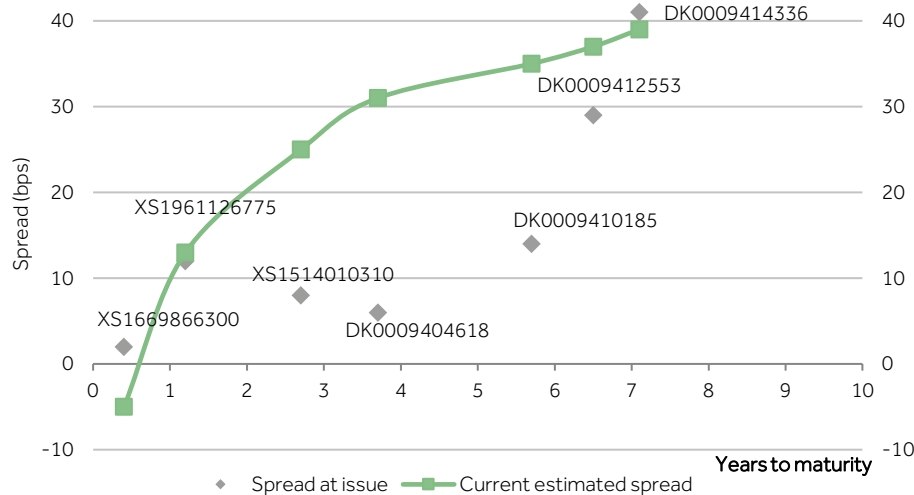
<http://www.jyskerealkredit.com>

Appendices



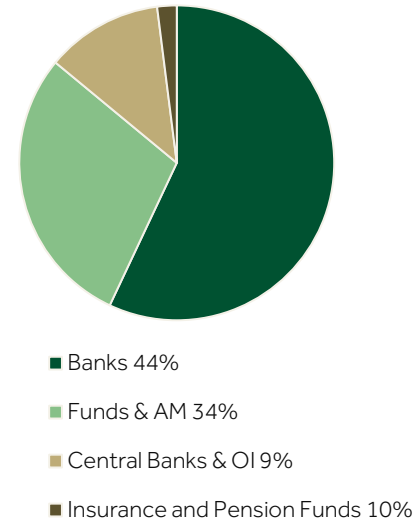
Jyske Realkredit EUR covered bonds

Jyske Realkredit EUR covered bond issuances*



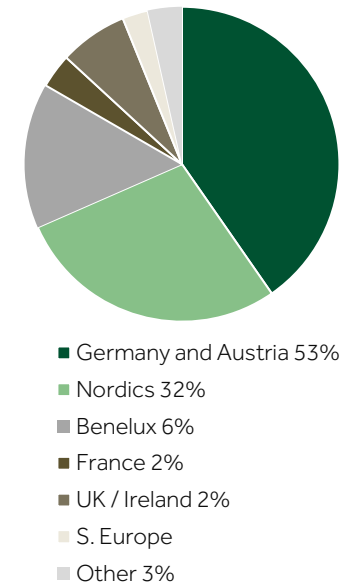
*Pricing indications end-February 2024

Investor distribution*








*Figures are based on allocated amounts

Geographical distribution*



- Issuing benchmark size EUR covered since 2016 - latest covered bond in January 2024 – EUR 750m
- Large interest from a wide variety of investor from different countries
- Strategy to be consistent issuer in EUR market
- Change in loan-behaviour from Danish borrowers could lead to higher activity in EUR

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