



Annual Report 2021

Please observe that the Danish version of this Annual Report prevails.

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Financial Highlights

Core profit and net profit for the year, DKKm

	2021	2020	Index 21/20	2019	2018	2017
Administration margin income, etc. ¹	2,343	2,332	100	2,334	1,896	1,881
Other net interest income ²	15	36	42	58	77	-60
Net fee and commission income, etc. ¹	-706	-603	117	-641	256	262
Value adjustments, etc.	107	218	49	6	-84	28
Other income	5	14	36	22	216	24
Core income	1,764	1,997	88	1,778	2,361	2,135
Core expenses ¹	389	345	113	310	730	851
Core profit before loan impairment charges	1,375	1,652	83	1,468	1,631	1,284
Loan impairment charges and provisions for guarantees (- is income)	64	485	13	35	-38	202
Core profit	1,311	1,168	112	1,434	1,669	1,082
Investment portfolio earnings ²	-	-	-	-	-	49
Profit before IFRS 9 implementation	1,311	1,168	112	1,434	1,669	1,131
IFRS 9-derived adjustment of impairment charges, beginning of 2018	-	-	-	-	407	-
Pre-tax profit	1,311	1,168	112	1,434	1,262	1,131
Tax	283	259	109	316	263	245
Profit for the year	1,028	908	113	1,117	999	886

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, nominal value	338,965	334,168	101	329,043	319,454	299,516
Mortgage loans, fair value	340,969	344,965	99	338,666	327,403	308,121
Bonds and shares, etc.	15,960	17,533	91	18,565	18,593	18,397
Total assets	369,035	377,132	98	384,899	353,280	337,732
Issued bonds, fair value	344,817	353,357	98	361,388	332,955	316,305
Equity	20,798	19,769	105	18,861	17,744	15,731

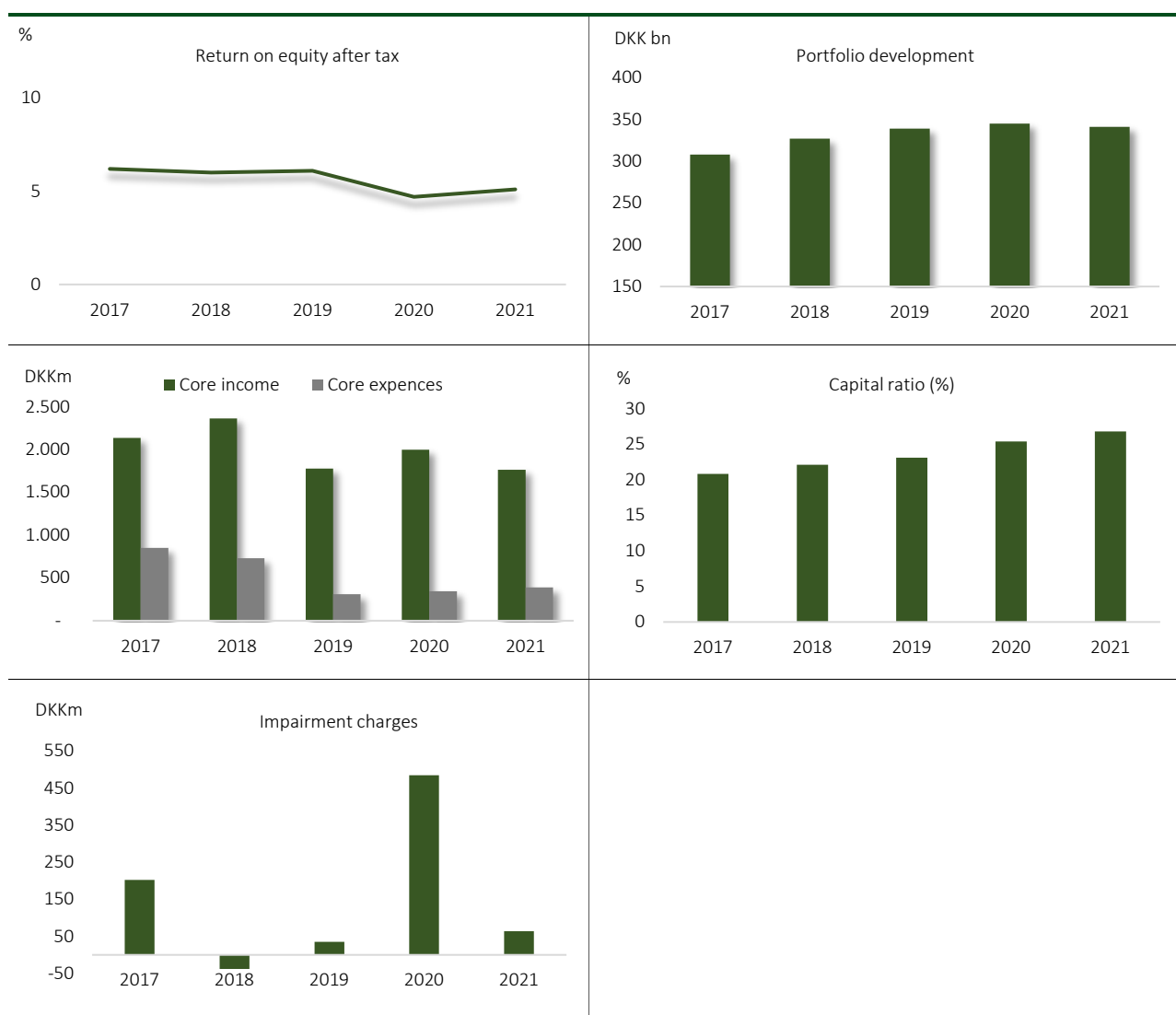
Financial ratios and key figures

Pre-tax profit as a pct. of average equity	6.5	6.0	-	7.8	7.5	7.9
Net profit as a percentage of average equity	5.1	4.7	-	6.1	6.0	6.2
Expenses as a percentage of income	22.1	17.3	-	17.4	31.0	39.9
Capital ratio (%)	26.8	25.4	-	23.1	22.1	20.8
Common Equity Tier 1 capital ratio (CET1) (%)	26.8	25.4	-	23.1	22.1	20.8
Individual solvency requirement (%)	10.0	10.0	-	10.1	9.7	9.3
Capital base (DKKm)	20,769	19,743	-	18,811	17,687	15,529
Weighted risk exposure (DKKm)	77,621	77,787	-	81,321	79,976	74,686
No. of employees at year-end	25	25	-	23	28	212
No. of employees split between the companies, at year-end ¹	561	496	-	474	358	272
No. of employees split between the companies converted to full-time equivalent	238	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 1,311m (2020: DKK 1,168m) corresponding to a return of 6.5% on average equity (2020: 6.0%).
- Net profit for the year: DKK 1,028m (2020: DKK 908m) corresponding to a return of 5.1% on average equity (2020: 4.7%).
- Core profit: DKK 1,311m (2020: DKK 1,168m).
- Core expenses: DKK 389m (2020: DKK 345m).
- Impairment charges affected core profit by an expense of DKK 64m (2020: an expense of DKK 485m).
- The portfolio at nominal value amounted to DKK 339 bn (2020: DKK 334 bn) and at fair value to DKK 341 bn. (2020: DKK 345 bn).
- At the end of 2021, the capital ratio and the core capital ratio amounted to 26.8% (end of 2020: 25.4%).



Comments by management

In connection with the presentation of the Annual Report 2021, Carsten Tirsbæk Madsen, Chief Executive Officer, states:

'Today Jyske Realkredit announces a profit of DKK 1,028m. Considering the special circumstances resulting from Covid-19, the profit for the year is considered satisfactory. Relative to 2020, the profit increased by DKK 120m.'

Jyske Realkredit's capital base is historically high and credit quality is solid. Offhand, the Danish economy is sound and robust despite several lockdowns of society. Since deferred tax and VAT payments etc., which are supportive of the clients' financial affairs, do not fall due until the first half of 2022, it is still too early to reverse Covid-19 reservations. In consequence of this, Jyske Realkredit has chosen to maintain the reservations made in relation to Covid-19.'

In 2021, the property market was characterised by high activity. Determined at nominal value, Jyske Realkredit's loans rose by DKK 4.8 bn to DKK 339.0 bn at the end of 2021. However, determined at fair value, loans fell by DKK 4.0 bn and amounted to DKK 341.0 bn at the end of 2021.

Among other things, due to rising yields on 30-year bonds, the remortgaging activity was of a limited extent in 2021. Hence, a 30-year loan was typically financed with a bond carrying interest at 0.5% at the beginning of 2021, while at the end of 2021 it was financed with a bond carrying interest at 1.5%.

In 2021, Jyske Realkredit has strengthened its work on the green transition. For investors in Jyske Realkredit's bonds, the audited financial statements break down the loans by Energy Performance Certificate, estimated CO2 emission and also state the distribution according to the UN Sustainable Development Goals. Due to the audit of these data, the increasing internal and external documentation requirements of the sustainability of the investments will be eased. As the first issuer in Europe, Jyske Realkredit has published 'Energy Efficient Mortgage Label Harmonised Disclosure template' designed to increase the transparency of energy-efficient loans for borrowers and investors.

In respect of products, Jyske Realkredit launched in 2021 'Jyske Frihed fast rente' - a fixed-rate loan with an instalment-free period of up to 30 years according to the client's needs. Also, in 2021, Jyske Realkredit issued a green bond for the financing of green commercial loans.

The digitization journey continues at Jyske Realkredit with continued improvements of the residential part of the property in Jyske Bank's Digital Relationship Bank, in the Bedste Lån and Bedste Hjem apps. As part of this development, it is now also possible for clients to carry out self-service remortgaging.

Jyske Realkredit's capital base is solid with a capital ratio of 26.8% at the end of 2021 and a capital buffer of DKK 9.9 bn. It is assessed that the current financial resources can withstand even severe scenarios.

Outlook

Jyske Realkredit anticipates a profit in the range of DKK 0.9 bn to 1.1 bn in 2022. The profit will be affected by the level of interest rates and the development of losses. In 2022, Jyske Realkredit will become wiser as to the consequences of Covid-19 for our clients and hence also whether the estimated reservations made in 2020 and 2021 to cover the risk can be reversed.

Financial Review

Income statement

Core profit and net profit for the year, DKKm

	2021	2020	Index 21/20	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Administration margin income, etc.	2,343	2,332	100	590	585	584	584	583
Other net interest income	15	36	42	3	2	5	4	13
Net fee and commission income, etc.	-706	-603	117	-172	-181	-160	-193	-180
Value adjustments, etc.	107	218	49	34	7	20	46	94
Other income	5	14	36	0	5	0	-	3
Core income	1,764	1,997	88	456	418	450	440	513
Core expenses	389	345	113	99	101	97	92	86
Core profit before loan impairment charges	1,375	1,652	83	357	317	353	348	427
Loan impairment charges, etc. (- is income)	64	485	13	-49	11	12	90	-65
Core profit/Pre-tax profit	1,311	1,168	112	407	306	341	258	492
Tax	283	259	109	89	68	74	52	106
Profit for the year	1,028	908	113	317	238	267	206	386

Profit for the year

For the year, Jyske Realkredit generated a pre-tax profit of DKK 1,311m against DKK 1,168m in 2020. Calculated tax amounted to DKK 283m (2020: DKK 259m), and hence the net profit for the year amounted to DKK 1,028m against DKK 908m for the previous year. Net profit for the year corresponds to a return on average equity of 5.1%, compared 4.7% in 2020.

Core profit

Core profit before loan impairment charges amounted to DKK 1,375m against DKK 1,652m for 2020.

Core profit amounted to DKK 1,311m against DKK 1,168m in 2020.

Core income

Core income, consisting primarily of administration margin income, etc. as well as brokerage and fee income from mortgage activities, amounted to DKK 1,764m against DKK 1,997m in 2020. The decline can mainly be attributed to lower value adjustments as well as higher sales commission to Jyske Bank.

Administration margin income etc. rose from DKK 2,332m in 2020 to DKK 2,343m in 2021. The increase was primarily caused by the increase in mortgage loans in 2021. The average administration margin rates stabilised in 2021 after a decline in 2020 following the remortgaging activity in 2019 and 2020, where personal clients remortgaged to fixed-rate loans with lower administration margin rates and risk.

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 15m against an income of DKK 36m in 2020. The main reason for the decline was that the interest yield on the fixed portfolio of securities was lower compared to 2020.

Net fee and commission income, etc. amounted to an expense of DKK 706m against an expense of DKK 603m in 2020. Of the above, group external fee and commission income amounted to an income of DKK 430m against DKK 444m in 2020. Distribution fees (expense) relating to mortgage loans etc. to Jyske Bank rose to DKK 1,136m against DKK 1,047m in 2020. The increase in distribution fees was primarily due to a change of rates in the distribution agreement.

Value adjustments, etc. amounted to an income of DKK 107m against an income of DKK 218m in the previous year. The decline related to lower value adjustments for Jyske Realkredit's portfolio of securities.

Other income, which mainly consists of dividends, amounted to DKK 5m compared to DKK 14m in 2020. The reason for the decline was that Jyske Realkredit sold shares and has now only a minor shareholding left.

Core expenses

Core expenses amounted to DKK 389m against DKK 345m in 2020. The increase was due to the fact that Jyske Realkredit in 2021 repatriated activities which have previously been outsourced.

Loan impairment charges

Loan impairment charges and provisions for guarantees amounted to an expense of DKK 64m against an expense of DKK 485m in 2020. Of the impairment charges recognised in the income statement in 2020, DKK 415m can be attributed to a management's estimate for the impact of Covid-19 on the loan portfolio.

The effect on the income statement was in 2021 distributed with an income of DKK 123m (2020: an expense of DKK 201m) on personal clients and an expense of DKK 187m (2020: an expense of DKK 284m) on corporate clients.

The credit quality relating to the loan portfolio for personal clients improved at the same time as property prices increased. Due to these two factors, the calculated impairment charges for personal clients were reversed.

The calculated impairment charges for corporate clients were almost unchanged relative to 2020. This can be attributed to a combination of two oppositely directed factors. First, the credit quality of quite a few clients has improved, and therefore impairment charges have been reversed. On the other hand, higher impairment charges were recognised for a few major exposures, where the values of the mortgaged properties had fallen.

Circumstances not incorporated in the impairment models must be covered by management's estimates through additional necessary impairment charges. Management's estimates rose from DKK 522m in 2020 to DKK 680m in 2021. The increase in the management's estimates can mainly be related to the portfolio of corporate clients.

The most important management's estimates relate to the effect of the pandemic, which is still associated with uncertainty. In spite of a recovery of the economy in step with the roll-out of the vaccination programme and the reopening of society, there is still uncertainty about, in particular, the financial situation of corporate clients. Since deferred tax and VAT payments etc. do not fall due for payment until 2022, it is difficult to identify clients in financial difficulties. Impairment charges according to the management's estimate relating to Covid-19 amounted to DKK 515m at the end of 2021.

For a detailed description of the management's estimates and the uncertainty associated with these, please see Note 10 in the financial statements.

Relative to total loans, the effect from the impairment charges on the income statement amounted to 0.02% in 2021 against 0.14% in the previous year.

The total balance of impairment charges amounted to DKK 1,741m at the end 2021 (end of 2020: DKK 1,723m), corresponding to an unchanged level of 0.5% of total loans.

Jyske Realkredit's holding of assets held temporarily amounted to DKK 55m at the end of 2021 against DKK 73m the previous year. The decline can be attributed to ongoing sales and the fact that not as many properties as before were taken over in connection with non-performing loans.

Fourth quarter of 2021 compared with third quarter 2021

Profit before tax for the fourth quarter amounted to DKK 407m against DKK 306m for the third quarter.

Administration margin income etc. rose to DKK 590m in the fourth quarter from DKK 585m in the third quarter. The increase can primarily be attributed to growth of the loan portfolio.

Other net interest income amounted to DKK 3m in the fourth quarter against DKK 2m in the previous quarter. The level of other net interest income was affected by the fact that, for the time being, the interest yield on Jyske Realkredit's fixed portfolio of securities is negative.

Net fee and commission income, etc. amounted to an expense of DKK 172m in the fourth quarter against an expense of DKK 181m in preceding quarter. Group-external fee and commission income amounted to an income of DKK 81m the fourth quarter against an income of DKK 135m in the third quarter. The decline in fee income was primarily due to income from the trading margin in connection with refinancing since Jyske Realkredit's largest refinancing auction takes

place in the third quarter of the year. Sales commission to Jyske Bank amounted to DKK 253m in the fourth quarter against DKK 316m in the previous quarter. The decline can primarily be attributed to the above-mentioned circumstances relating to the trading margin in connection with refinancing.

Value adjustments, relating to Jyske Realkredit's fixed portfolio of securities, among other things, amounted to an income of DKK 34m in the fourth quarter against an income of DKK 7m in the third quarter. The increase can be attributed to higher value adjustments of Jyske Realkredit's fixed portfolio of securities.

In the fourth quarter, other income, etc. amounted to DKK 0m against DKK 5m in the previous quarter. The item mainly relates to dividend payouts, as Jyske Realkredit did not receive any payouts in the fourth quarter.

Core expenses fell from DKK 101m in the third quarter to DKK 99m in the fourth quarter of 2021.

Losses and impairment charges amounted to an income of DKK 49m in the fourth quarter against an expense of DKK 11m in the third quarter. Reversal of impairment charges in the fourth quarter related primarily to personal clients due to an improvement of the borrowers' credit quality, including increases in the values of the mortgaged properties.

Balance Sheet

At the end of 2021, Jyske Realkredit's balance sheet amounted to DKK 369 bn (DKK 377 bn at the end of 2020).

2021 saw growth in the business volume in line with 2020. Hence mortgage loans at nominal value increased from DKK 334.2 bn at the end of 2020 to DKK 339.0 bn, at the end of 2021, corresponding to an increase by 1.4%. The increase of DKK 6.9 bn in 2021 related to corporate clients. In 2021, the business volume relating to personal clients fell by DKK 2.1 bn.

Summary of Balance Sheet, end of period, DKKm

	2021	2020	Index 21/20	31 Dec. 2021	30 Sept. 2021	30 June 2021	31 March 2021	31 Dec. 2020
Assets / equity and liabilities	369,035	377,132	98	369,035	367,824	366,581	378,333	377,132
Mortgage loans, nominal value	338,965	334,168	101	338,965	338,238	336,045	335,673	334,168
Loans, fair value	340,969	344,965	99	340,969	338,512	339,565	340,688	344,965
Issued bonds, fair value	344,817	353,357	98	344,817	342,537	341,622	354,041	353,357
Equity	20,798	19,769	105	20,798	20,480	20,242	19,976	19,769

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 1,028m and amounted to DKK 20,798m at the end of 2021 (DKK 19,769m at the end of 2020).

Over the years 2017-2021, Jyske Realkredit's equity rose from DKK 12,812m to DKK 20,798m. 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 4,939m as well as other comprehensive income of DKK 46m.

No dividend was distributed over the period.

Changes in equity, end of period, DKKm

	2021	2020	2019	2018	2017	2017 -2021
Shareholders' funds at the beginning of the period	19,769	18,861	17,744	15,731	12,812	12,812
Capital injection	-	-	-	1,000	2,000	3,000
Profit for the year	1,028	908	1. 117	999	886	4,939
Other comprehensive income	-	-	-	13	33	46
Dividend	-	-	-	-	-	-
Equity, end of period	20,798	19,769	18,861	17,744	15,731	20,798

Profit for the year relative to outlook

The Annual Report for 2020 predicted a profit of 2021 in line with the profit for 2020, which amounted to DKK 908m.

The profit for the year of DKK 1,028m turned out to be DKK 120m higher than the profit for 2020. The most important explanation of the increase in the profit is a decline in impairment charges, which in 2020 were affected by high impairment charges relating to Covid-19. Hence, loan impairment charges fell by DKK 421m. corresponding to DKK 328m after tax, relative to 2020. A opposite effect was seen from the higher sales commission paid to the parent company Jyske Bank as well as the poorer return on Jyske Realkredit's fixed portfolio of securities, which was negative in 2021.

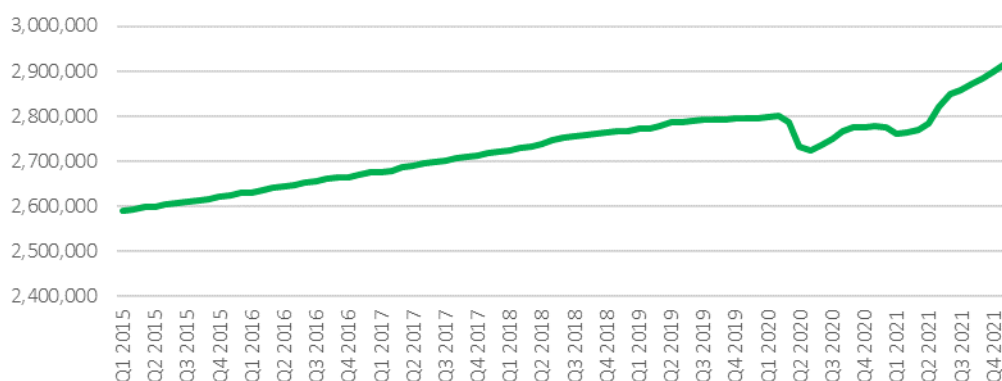
The return on equity for 2021 then came to 5.1% against 4.7% in 2020.

Business volume

The mortgage credit market 2021

Throughout 2021, the Danish economy was affected by an economic upswing. Partly due to the return to rather normal conditions following the lockdown in 2020, partly due to the loose economic policy pursued. Hence both the monetary policy and the fiscal policy stimulated the economic development. Consequently, the level of employment is high, and we saw income growth in society. The economic upswing was decisive for the development in the mortgage market.

Employment



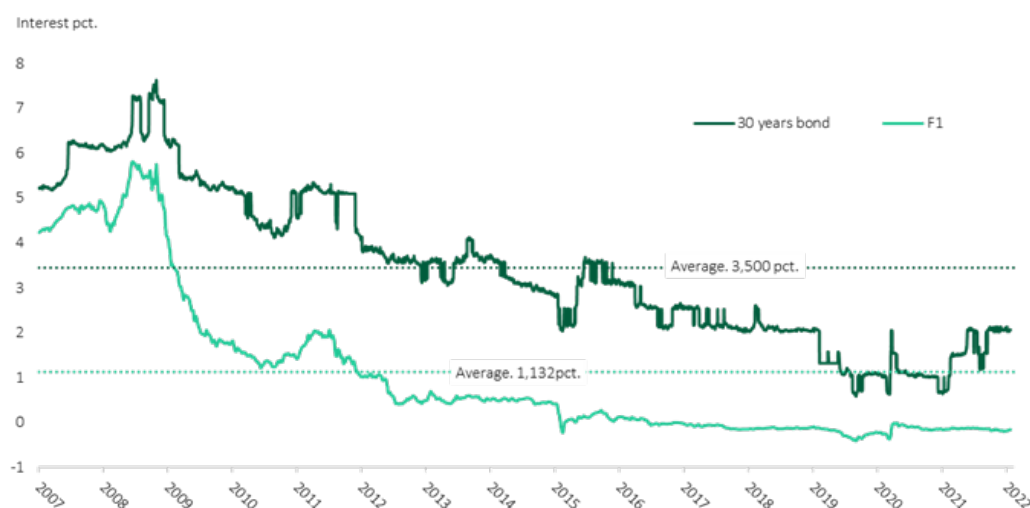
Historically, there is strong correlation between the development in the property market and GDP per capita. This correlation was challenged for a short period in 2020 during the first lockdowns, but it seems to have been re-established. Therefore, 2021 was a year with a record-high level of property transactions. Both in the private as well as the professional market. The many transactions are reflected in a higher level of disbursement of mortgage loans and hence a rising number of new loans for the entire mortgage credit sector. Hence the overall mortgage credit market grew in 2021.

The private housing market saw a record high number of home sales in 2021. Hence the housing market continued to ride the wave that began in 2020, when exceptionally much money was channelled into the housing market. Due to the many home sales, the mortgage market was very much fuelled by changes of ownership. The many home sales and the low supply also caused steep price increases in 2021. Per se, price increases give rise to growth in mortgage loans. However, the growth in loans was in no way in line with the level before the financial crisis.

In the professional market, there was strong interest in residential rental properties, office and business properties as well as logistics properties. In 2021, the market was characterised by a historically high volume of transactions. The reason is that Denmark is considered an attractive investment market with good access to Danish mortgage loans, which attracts many international investors. Also, throughout 2021, this demand caused a decline in the required rate of return for this type of properties.

Another significant factor for the property market is the rate of interest. Throughout 2021, the interest rose, and therefore the benchmark mortgage rate (fixed rate for 30 year) rose from 0.5% at the beginning of the year to 1.5% at the end of the year. The rate is of great importance for demand for properties, as it is of importance as regards limits fixed for loans, yet also as regards how favourable the purchase of a property appears. Hence, as regards liquidity, a higher rate will make it more expensive to possess a property.

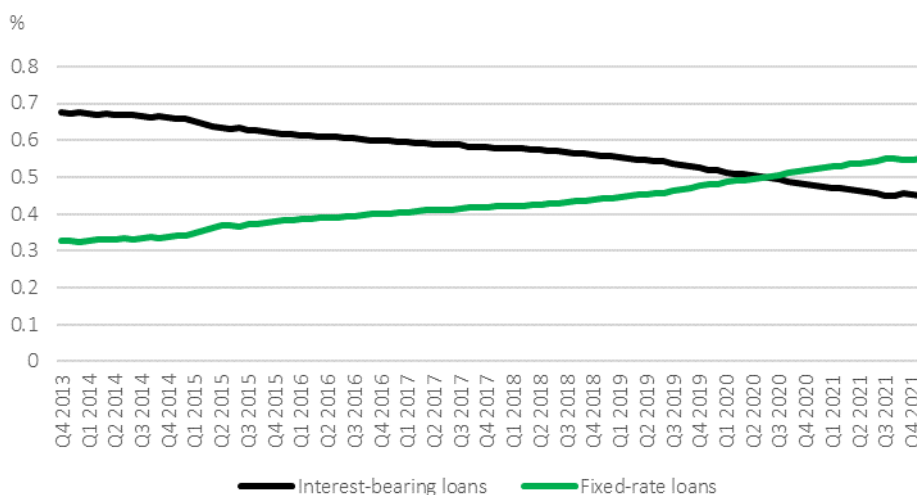
Development of interest rates



Throughout the year the rising interest rate affected the lending activity. Rising interest rates offer the opportunity of mortgage refinancing at higher interest rates. However, mortgage refinancing at higher interest rates is not as widespread as refinancing at lower rates. The reason is that, in connection with refinancing at higher rates, home owners will not immediately see a reduction in their monthly payments. Interest rate increases mainly took place at the long end of the yield curve, and therefore the spread between fixed and floating rates widened. Such a widening of the spread is of importance as to which types of loans home buyers find attractive.

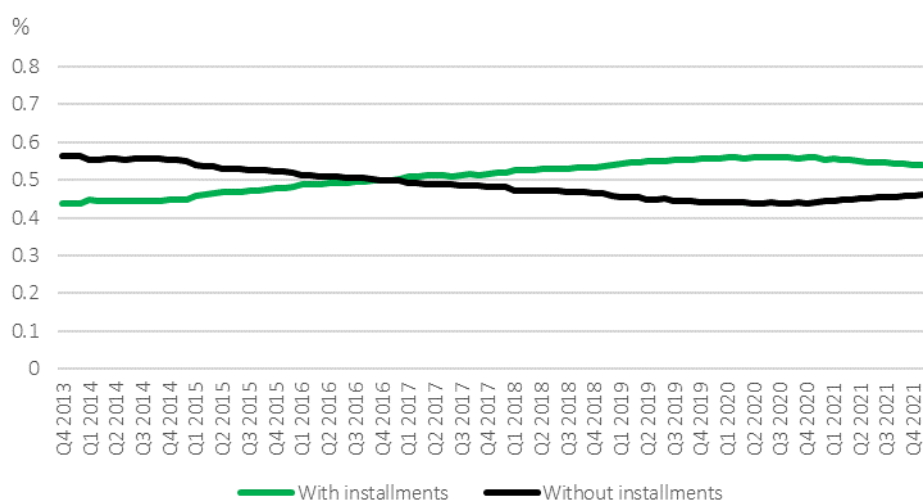
However, fixed-rate loans for the purchase of a home are still the most popular type of loan. The reason is, not least, that due to regulation, especially first-time buyers find fixed-rate loans more attractive. Hence borrowers with a high LTV ratio cannot freely choose among all types of loans.

Loans for owner-occupied homes and vacation homes



Throughout 2021, the instalment-free option became increasingly popular, even though there are still a higher number of mortgage loans with repayment. The development can be attributed to the possibility of choosing mortgage loans with a 30-year instalment-free period. Borrowers have found this new type of loan - especially with a fixed interest rate - attractive. Loans with a 30-year instalment-free period are subject to a LTV ratio of maximum 60%. In addition to the strong interest in instalment-free loans, it should also be pointed out that, due to the low interest-rate level, repayments on the overall mortgage credit portfolio reached an unprecedented level.

Loans with and without repayment

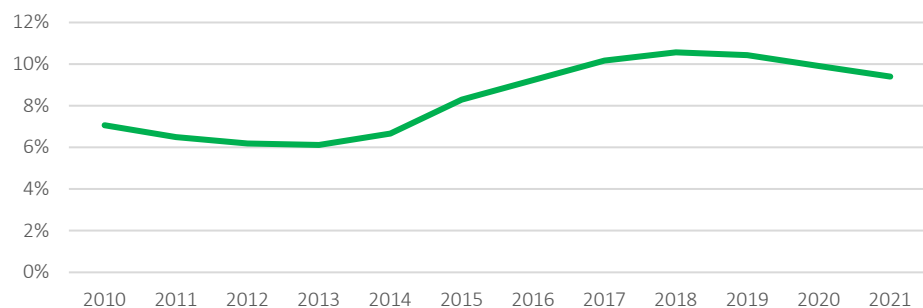


Business areas

Personal clients

In 2021, the highest level of activity in the personal client area related to home sales. 2021 saw a strong interest in home purchases, and at the same time the supply of homes was relatively low. This gave rise to steep price increases and fewer days on the market. Hence homeowners had to act fast to secure a specific property. In this market, the various mortgage providers saw keen competition for home buyers. Competition was keen as regards how fast a provider of mortgage loans was able to provide a loan, yet also the willingness to provide a loan was of importance. Jyske Realkredit consciously chose to maintain high credit standards, and therefore the market share was affected negatively. Total loans to private home buyers fell therefore by 0.5 percentage point.

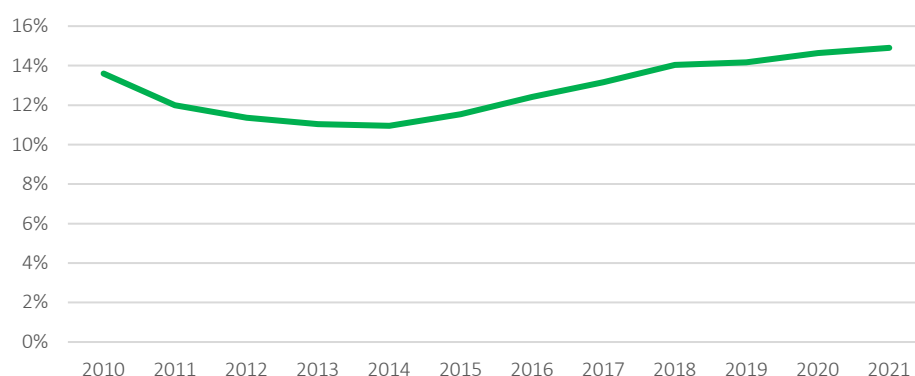
Market share of Jyske Realkredit in terms of personal client portfolio



Corporate Clients

The year 2021 was remarkable in the corporate client area, as it saw a historically high level of transactions. The development was in particular seen in segments where Jyske Realkredit possesses special competencies. Therefore mortgage loans provided by Jyske Realkredit grew faster than the market. Hence, in the corporate client area, Jyske Realkredit increased its market share to almost 15%. This amounts to an increase of 0.3 percentage point compared to 2020.

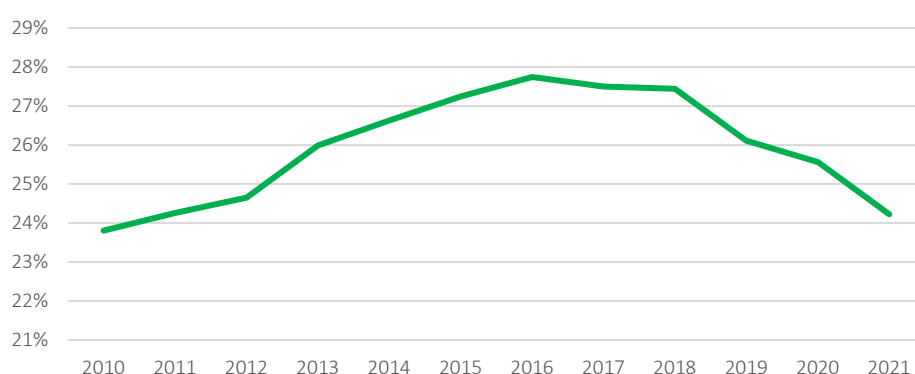
Market share of Jyske Realkredit in terms of corporate client portfolio



Subsidised housing

For some years, Jyske Realkredit has chosen to focus less on loans for subsidised housing. Even though Jyske Realkredit has resumed the activity, it is not yet reflected in the market figures. The reason is that, in the subsidised-housing sector, there is a certain period from the time a loan application is granted until the loan amount is disbursed. Hence the market share fell by just above 1 percentage point since 2021 and amounted to just above 24.2% at the end of 2021.

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



Loan mix

At the of 2021, Jyske Realkredit's mortgage loans totalled nominally DKK 339 bn compared to DKK 334 bn at the end of 2020. In 2021, Jyske Realkredit's loans to the private market - owner-occupied homes and vacation homes - fell by DKK 2 bn to a total of DKK 170 bn, whereas loans to the corporate market, inclusive of loans for subsidised housing, rose by DKK 7 bn to a total of DKK 169 bn.

Breakdown of loans by property category (%)

	2021	2020	2019	2018	2017
Personal clients	50.0	51.3	53.1	53.4	53.5
- of which owner-occupied homes	47.5	48.8	50.7	50.8	51.0
- of which vacation homes	2.5	2.5	2.5	2.5	2.5
Corporate clients	50.0	48.7	46.9	46.6	46.5
- of which subsidised housing	14.1	14.7	14.8	15.4	16.2
- of which private rental properties (rental housing)	18.3	16.2	14.7	13.6	12.1
- of which cooperative housing	4.2	4.1	4.3	4.9	5.2
- of which office and commercial properties	10.1	10.8	10.6	10.7	11.2

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 50% of total loans. On the whole, 87% of Jyske Realkredit's loan portfolio still consists of properties for residential purposes.

Breakdown of loans by loan type (%)

	2021	2020	2019	2018	2017
Adjustable-rate loans	50.8	51.5	52.7	53.2	54.7
- without instalment-free option	23.5	24.8	25.2	23.4	22.7
- with instalment-free option	27.3	26.7	27.5	29.8	32.0
Fixed-rate loans	38.7	35.8	33.2	31.4	31.6
- without instalment-free option	26.7	26.4	25.3	24.5	25.3
- with instalment-free option	12.0	9.5	7.8	6.9	6.3
Capped-rate mortgages, etc.	8.1	10.0	11.3	12.3	10.3
- without instalment-free option	3.4	4.2	4.8	5.4	4.4
- with instalment-free option	4.7	5.8	6.5	7.0	5.9
Other loans, including index-linked loans	2.4	2.6	2.8	3.1	3.4
Mortgage loans, total	100.0	100.0	100.0	100.0	100.0
- without instalment-free option	56.0	58.1	58.2	56.3	55.8
- with instalment-free option	44.0	41.9	41.8	43.7	44.2

The trend in recent years towards interest-rate hedging due to the low level of interest rates continued in 2021, where the proportion of fixed-rate loans in the loan portfolio rose by almost 2.9 percentage points. 2021 saw fewer loans with an instalment-free option after some years of stagnation.

Average loan-to-value ratio by property category

	2021	2020	2019	2018	2017
Personal clients	52.7	59.9	61.3	61.9	63.4
- of which owner-occupied homes	53.2	60.4	61.6	62.2	63.8
- of which vacation homes	44.1	50.6	53.8	53.9	56.2
Corporate Clients	53.0	55.8	57.4	58.9	61.4
- of which subsidised housing	21.4	24.2	27.2	31.5	43.0
- of which private rental properties (rental housing)	57.4	60.7	62.6	64.2	66.3
- of which cooperative housing	46.9	51.2	53.0	54.4	59.2
- of which office and commercial properties	50.9	53.4	54.7	55.8	58.7
Mortgage loans, total	48.0	52.8	54.6	56.0	59.4

Again in 2021, 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 2017, the average loan-to-value ratio has fallen by 11 percentage points for loans financing owner-occupied homes and vacation homes.

Also within the corporate client segment, a significant decline has been seen in the average loan-to-value ratio, namely to 8 percentage points over the past four years. The development within subsidised housing can be attributed to the on-going 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.

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	
	2021	2020	2021	2020
Stage 1	325.5	331.8	0.2	0.2
Stage 2	13.2	11.2	0.2	0.4
Stage 3	3.6	3.4	0.7	0.6
Management's estimate	-	-	0.7	0.5
Mortgage loans, total	342.3	346.4	1.7	1.7

For 95% of the loans, there was no significant increase in credit risk as these loans are still in stage 1. Relative to 2020, there was a minor migration to stage 2. However, the extent of the total impairment charges was largely unchanged relative to 2020.

Loans and impairment charges by internal rating, DKK bn

	Loans		Impairment charges	
	2021	2020	2021	2020
PD Ratings 1-2	192.7	188.6	0.1	0.1
PD Ratings 3-4	121.7	128.4	0.2	0.2
PD Ratings 5-6	17.9	18.6	0.2	0.3
PD 7	1.4	1.8	0.1	0.1
PD 8	2.0	2.8	0.1	0.3
PD 9 (default)	4.0	3.3	1.1	0.8
Others	2.7	2.9	0.0	0.0
Mortgage loans, total	342.3	346.4	1.7	1.7

A look at the total loans by rating class shows that the development from 2020 to 2021 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 5 bn. The increase in clients in default can be attributed to impairment charges recognised due to Covid-19, and that - according to the new default guidelines - clients must be kept longer in default.

Loans, advances and guarantees, DKKm

	2021	2020	Index 21/20	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Non-performing loans and guarantees:								
Loans, advances and guarantees before impairment charges	3,715	3,425	108	3,715	3,256	3,185	3,326	3,425
Impairment charges	1,046	777	135	1,046	910	876	811	777
Loans, advances and guarantees after impairment charges	2,669	2,648	101	2,669	2,346	2,309	2,515	2,648
NPL ratio (%)	0.8	0.8	102	0.8	0.7	0.7	0.7	0.8
NPL contribution ratio (%)	28.2	22.7	124	28.2	27.9	27.5	24.4	22.7
Past due mortgage loans (90 days)	356	407	87	356	361	387	266	407
Operational loan impairment charges and provisions for guarantees (- is income)	64	485	13	-49	11	12	90	-64
Operating losses	64	118	54	10	14	23	17	27

In the course of 2021, the NPL coverage ratio increased due to the management's estimates made for the effects from Covid-19. Even though the level of arrears, etc. developed favourably in 2021, it is expected that the final negative economic effects of the Covid-19 crisis will materialise at a certain delay, and therefore impairment charges were increased in 2021.

Arrears and losses, etc.

Generally the level of arrears was low throughout 2021. The arrears rate measured 15 days after the June repayment date came to 0.39%, which is the lowest arrears percentage observed by Jyske Realkredit since 2006. In 2021, the arrears rate was low for loans to both personal and corporate clients.

Arrears rate

	December 2021	September 2021	June 2021	March 2021	December 2020	September 2020
After 90 days		0.11	0.10	0.13	0.11	0.14
After 15 days	0.44	0.54	0.39	0.55	0.49	0.63

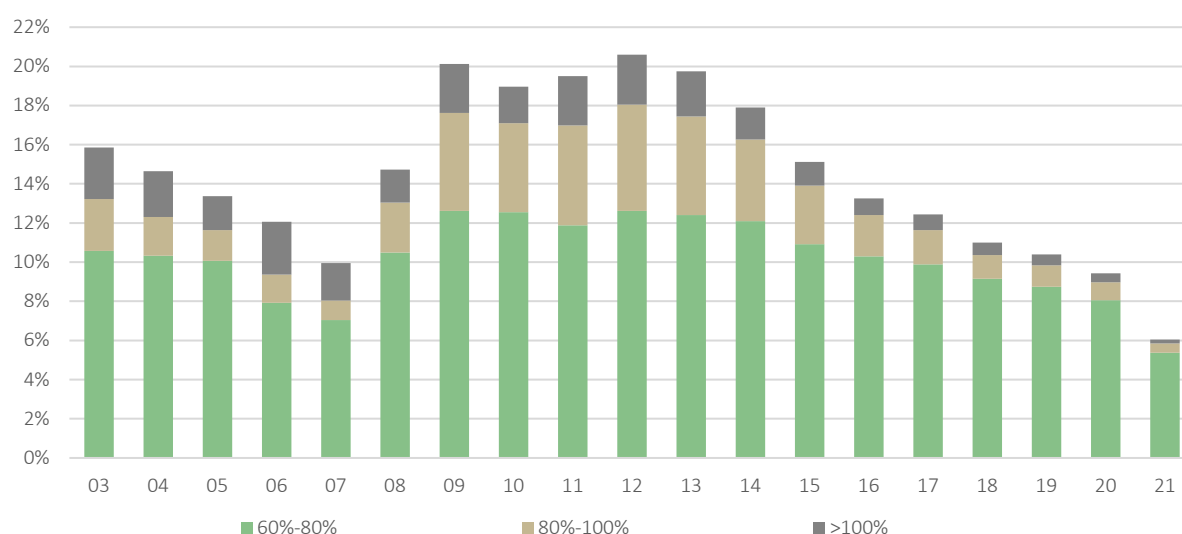
In respect of recognised losses on loans, the situation is similar to that of arrears. In connection with Jyske Realkredit's loans, no lower loss percentages have been observed since the financial crisis.

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



In 2021, the property market in Denmark performed well. Generally, 2021 saw stronger demand for properties compared to what was observed in the period until the outbreak of Covid-19. 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 2021 is reflected, among other things, in the further decline in 2021 in the proportion of loans with a high loan-to-value ratio compared to the low level at the end of 2020. The proportion of loans with an LTV ratio above 80% is down to 0.7% of total loans with only 0.2% with an 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 amounted to DKK 20.8 bn (2020: 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 77.6 bn at the end of 2021 against DKK 77.8 bn at the end of 2020. The development of the total risk exposure by DKK -0.2 bn was caused by the adjustment of the method for the application of the possibility in the Capital Requirements Regulation for lower risk weights for small and medium-sized enterprises (SME), which resulted in a reduction in the risk exposure, as well as a block reservation of DKK 2.4 bn for uncertainty relating to compliance of future requirements of IRB models.

At the of 2021, the capital ratio at 26.8% was almost 1.5 percentage point higher than the ratio at the end of 2020 and constituted therefore 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

	2021	2020
Equity	20,798	19,769
Prudent valuation	-17	-24
Deferred tax assets	-2	-3
Other deductions	-10	-
Common Equity Tier 1 capital / Core capital	20,769	19,743
Capital base	20,769	19,743
Credit risk	74,190	74,304
Market risk	11	19
Operational risk	3,419	3,464
Total risk exposure	77,621	77,787
Common Equity Tier 1 capital ratio (%)	26.8	25.4
Tier 1 Capital ratio (%)	26.8	25.4
Capital ratio (%)	26.8	25.4

ICAAP and individual solvency requirement

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

Adequate capital base

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

the capital requirement or risks that are assessed to be above normal in relation to the capital requirement for the risk type in question.

When assessing the adequate capital base, all circumstances as mentioned in appendix 1 in the Executive Order on Calculation of Risk Exposures, Own Funds and Solvency Need are included. Based on Jyske Realkredit's business model and risk profile, the importance of the individual circumstances on Jyske Realkredit's capital structure is assessed. For the circumstances that are assessed to be most material, the size of the capital addition is quantified, among other things based on the guidelines in the instructions on adequate capital base and solvency requirements.

At the end of 2021, 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 2021, corresponding to an individual solvency requirement of 10.0%, i.e. unchanged relative to the end of 2020.

Buffer requirements and excess capital adequacy

The combined capital buffer requirement consists of the statutory buffers in the form of the capital conservation buffer, the systemic risk buffer as well as the countercyclical buffer. The two former amounted to 2.5% and 1.5%, 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, but two increases totalling 2.0% of the total risk exposure is expected in the second half of 2022.

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 20.8 bn, Jyske Realkredit's excess capital adequacy amounts to DKK 9.9 bn.

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

	2021		2020	
Credit risk	5,935	7.6	5,944	7.6
Market risk	1	0.0	2	0.0
Operational risk	274	0.4	277	0.4
Capital requirement, Pillar I	6,210	8.0	6,223	8.0
Credit risk	1,322	1.7	1,366	1.8
Market risk	210	0.3	145	0.2
Operational risk	23	0.0	60	0.1
Capital requirement, Pillar II	1,555	2.0	1,571	2.0
Adequate capital base	7,765	10.0	7,794	10.0
Capital conservation buffer	1,941	2.5	1,945	2.5
Systemic risk buffer	1,167	1.5	1,168	1.5
Countercyclical buffer	0	0.0	0	0.0
Combined capital buffer requirement	3,108	4.0	3,112	4.0
Adequate capital base, incl. combined capital buffer requirement	10,873	14.0	10,907	14.0
Excess capital adequacy	9,896	12.7	8,836	11.4

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 2021, the debt buffer requirement amounted to DKK 6.8 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.

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 end of 2021, the leverage ratio for Jyske Realkredit was 5.52% against 5.18% at the end of 2020.

Leverage ratio, DKKm/%		
	2021	2020
Core capital	20,769	19,743
Total exposure value	375,947	381,049
Leverage ratio	5.52	5.18

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 2021, the OC requirement amounted to DKK 8.2 bn against DKK 8.4 bn at the end of 2020 and can be met through liquid assets financed with both debt instruments and capital instruments.

Issuance of covered bonds (SDO) for the financing of loans takes place in Jyske Realkredit via capital centres E and S. Loans based on the issuance 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 2021, the SDO requirement amounted to DKK 3.7 bn against DKK 5.4 bn at the end of 2020.

Basel III/IV

On 27 October 2021, the EU Commission published its proposal for implementation of the last elements of Basel III in the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD IV) to take effect on 1 January 2025. The proposed rules, if adopted in the present form, will have a considerable effect on Danish mortgage credit institutions' capital requirements, especially in consequence of the introduction of an output floor (single stack approach) and changes in the risk weighing for both the IRB and the standardised approach. In consequence of the floor requirement, credit institutions will be subject to a capital requirement of at least 72.5% of the capital requirement, calculated on the basis of the standardised approaches, which will be phased in gradually over several years. The special terms applicable to the statement of the output floor for loans secured on properties will only be temporary, and subsequently it is to be clarified how the permanent processing of loans secured on properties is to be drawn up. Based on the current proposal, the capital requirements for Jyske Realkredit are expected to increase due to the transition to the new capital adequacy rules.

In addition, increased capital requirements are expected as a result of the implementation of new EBA guidelines to come into force on 1 January 2022.

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 2021 corresponded to DKK 8.5 bn (end of 2020: DKK 8.6 bn). Jyske Realkredit had unencumbered liquid assets in the amount of almost DKK 17.4 bn at the end of 2021 (at the end of 2020: DKK 15.7 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 could not be calculated at the end of 2021 with a net outflow of 0. (end of 2020: 1,046,293%). According to regulation, the ratio must be at least 100%.

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. 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 liquidity coverage ratio (NSFR) was calculated at 256% at the end of 2021 (at the end of 2020: 288%) 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 2021, Jyske Realkredit met all benchmarks of the supervisory diamond.

Supervisory diamond - benchmarks, %

	2021	2020
Concentration risk <100%	46.8	51.0
Increase in loans <15% annually in the segment:		
- Owner-occupied home and vacation homes	-1.2	-2.1
- Residential rental property	8.3	5.9
- Other sectors	-0.5	6.6
Borrower's interest-rate risk <25%		
- Residential property	14.9	16.5
Instalment-free schemes <10%		
- Owner-occupied home and vacation homes	5.6	6.0
Loans with frequent interest-rate fixing:		
- Refinancing (annually) <25%	15.1	16.2
- Refinancing (quarterly) <12.5%	1.0	1.4

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 2021, Jyske Realkredit's interest-rate risk was calculated at DKK 71m (2020: DKK 58m), which is considerably below the limit defined by the Supervisory Board.

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 5m (2020: DKK 18m).

The currency positions are very modest in Jyske Realkredit's balance sheet and amounted to 0.3% of the capital base (2020: 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

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 2021', available on jyskebank.dk/ir/rating.

Funding and bond issues

In 2021, 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

At the beginning of 2021, Jyske Realkredit introduced 30-year callable bonds with a 30-year instalment-free period. The bonds are applied to finance 30-year fixed-rate loans (Jyske Frihed) for clients who wish to have the possibility permanently or for periods to use the instalment-free option for their fixed-rate loans for up to 30 years.

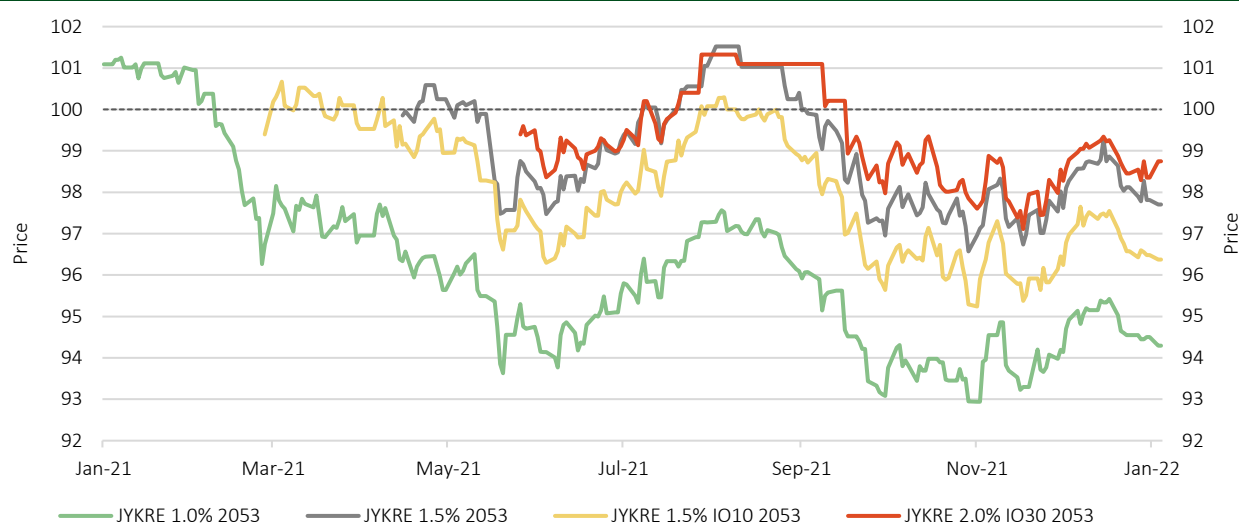
In addition, in 2021, Jyske Realkredit issued the first green bond. The bond was issued with a view to offering finance to corporate clients who mortgage properties that meet the criteria of the Jyske Bank Green Finance Framework. The green bonds are another addition to Jyske Realkredit's contribution to the green transition. The green bonds can, among other things, be applied to finance properties with a low energy consumption and renewable energy.

Bond prices

Throughout 2021, the prices of Danish mortgage bonds have fluctuated, and especially prices of 30-year callable bonds have seen movements over the year. At the beginning of the year, 30-year fixed-rate loans were disbursed without the possibility of an instalment-free option through a 30-year callable bond with a coupon of 0.5%. However, due to falling prices in the first half of 2021, this was not replaced by a bond with a 1.0% coupon until February and since then by a bond with a 1.5% coupon in May.

After a brief period of rising prices over the summer, where the 30-year bond with a coupon of 1.0% again came into play, the year ended with falling prices, due to which the 30-year bond without the instalment-free option at the end of the year had a coupon of 1.5%. Fixed-rate loans with an instalment-free option for 10 or 30 years were at the end of 2021 financed by bonds with a coupon of 1.5% and 2.0%, respectively.

Prices of certain Jyske Realkredit 30-year callable SDO bonds without interest-only option



Issues in euro

As the first Danish mortgage credit institution, Jyske Realkredit issued in 2016 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. Jyske Realkredit has chosen to make issues in euro to obtain greater diversification of investors who buy mortgage bonds from Jyske Realkredit.

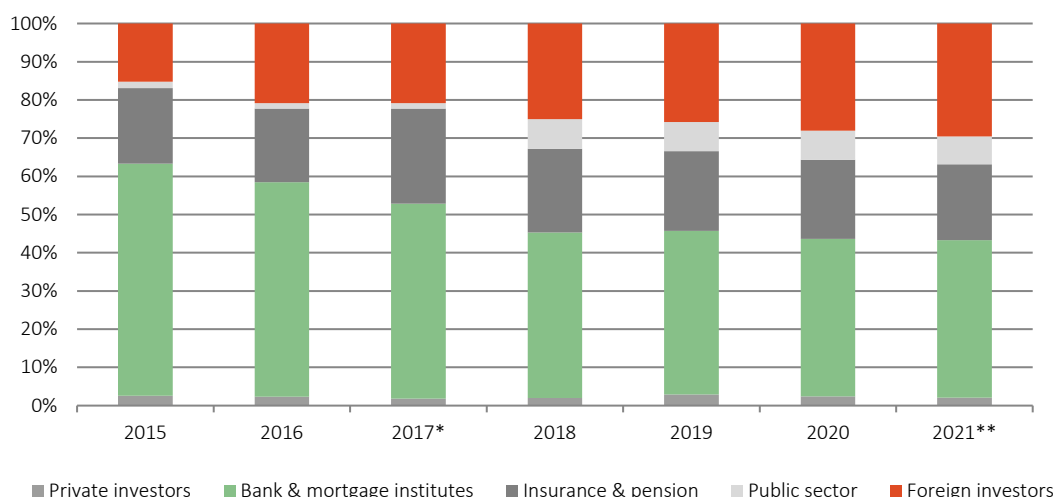
On 13 January 2021, Jyske Realkredit issued its most recent benchmark issue in the amount of EUR 500m due in 2027. Given the bids in excess of EUR 2.2 bn and from more than 85 different investors, it was established that euro-denominated bonds from Jyske Realkredit are attractive to a large number of 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%). The strong demand meant that the issue ended at a price which was higher than the bonds that Jyske Realkredit had already issued in euro.

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 2021, foreign investors expressed great interest in buying mortgage bonds issued by Jyske Realkredit.

Distribution of investors in Jyske Realkredit's bond issues



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

** November 2021.

Source: Nationalbanken.dk and own calculations

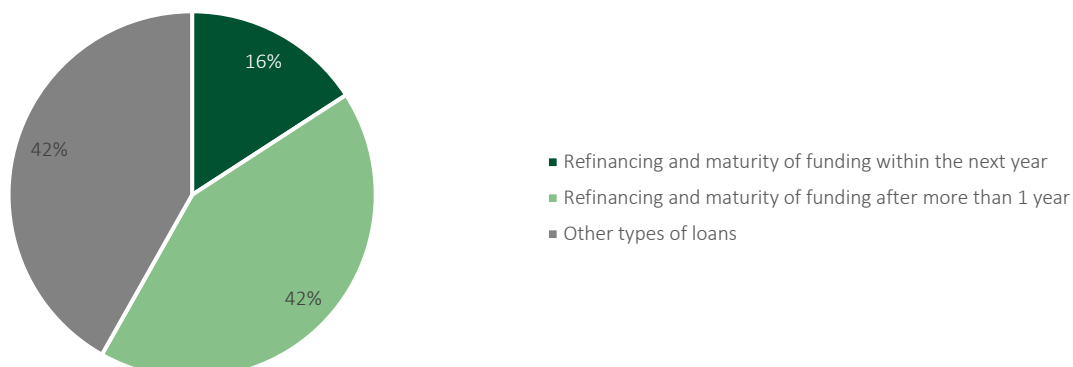
Jyske Realkredit's mortgage bonds are mainly owned by Danish institutional investors, such as banks, investment associations/mutual funds, pension funds, insurance companies, etc. However, over the past couple of years, an increasing number of foreign investors buy Jyske Realkredit bonds. The reason for this is that many foreign investors bought Jyske Realkredit's issues in euro. In addition, the interest on the part of foreign investors in callable bonds in Danish kroner has been on the increase.

Danmarks Nationalbank's purchases of mortgage bonds increased through its purchase 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 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



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.

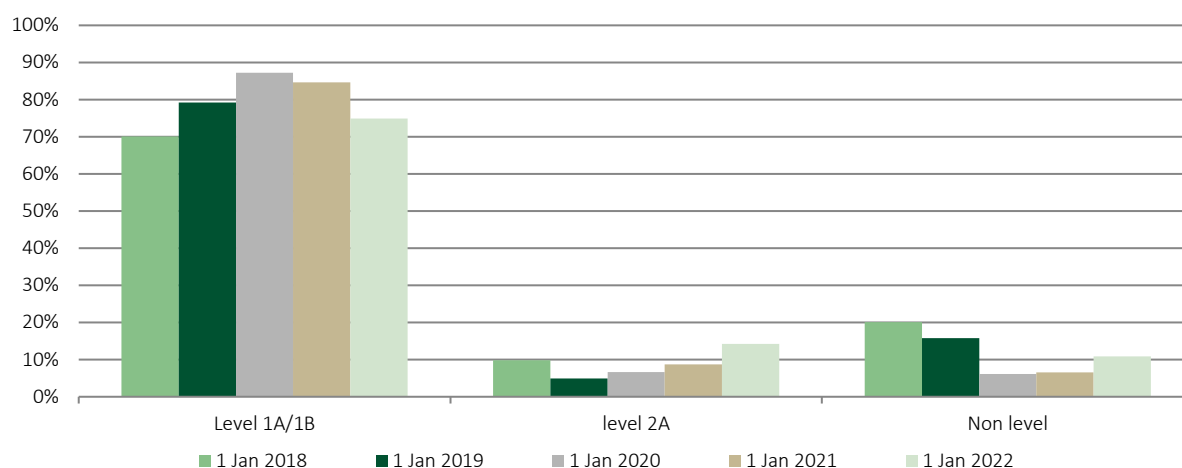
Sizes of series under LCR

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.

In recent years, the proportion of bonds meeting the series size requirements of liquid bonds in LCR has increased. This was possible due to several circumstances. First, Jyske Realkredit concentrated the refinancing. Moreover, Jyske Realkredit chose to make issues in euro, and finally the portfolio has generally increased.

The proportion of Level 1A/1B bonds fell in 2021. The decline was caused by the opening of new types of bonds - green bonds and callable bonds with a 30-year instalment-free option - as well as the development in the prices of the callable bonds, which resulted in opening of new 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.

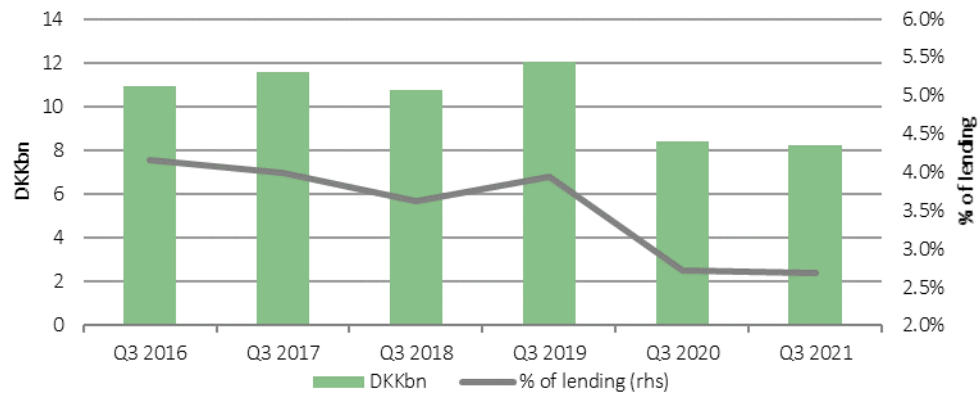
Rating

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

Ratings		
As at 31 December 2021	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

Standard & Poor's percentage requirement of supplementary collateral to achieve an AAA rating of Jyske Realkredit's bonds was at a stable level throughout 2021.

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



Since S&P began to rate Jyske Realkredit's bonds, S&P's AAA requirements of supplementary collateral have never been lower. This goes for both nominal loans as well as proportion of total loans. S&P's AAA requirement of overcollateralisation for Capital Centre E is at the minimum level, and hence any improvement of the credit quality for Jyske Realkredit's loans will not change the level.

S&P's overcollateralisation requirement for the capital centres are mainly 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 in 2022 and is therefore expected, with the current level of liquid assets to meet the AAA requirement.

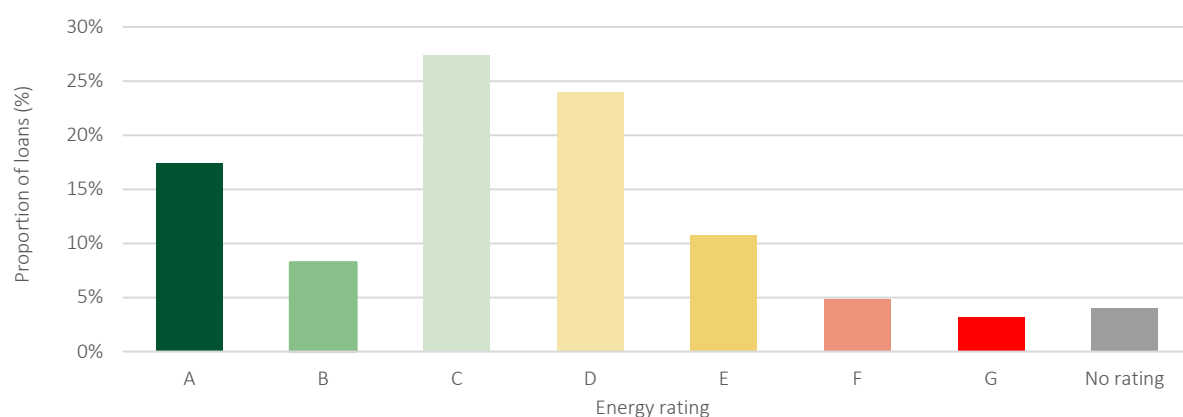
Sustainability

As of 2021, sustainability data is included in the notes to the financial statements, cf. notes 47-49. The method applied to determine sustainability data is described in Accounting Policies (note 51), to which reference is made. In consequence of this, sustainability data is covered by the audit of the financial statements and hence covered by by auditors' report.

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 on 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 carbon emission from properties financed through Jyske Realkredit's Capital Centre E.

Estimated carbon emission relating to Jyske Realkredit's loans

Property type	Tonnes CO ₂ e (LTV adjusted)	Kg CO ₂ e/m ²
Private owner-occupied homes and flats	117,224	15.8
Subsidised housing	28,973	7.1
Cooperative housing	5,487	7.6
Residential rental properties	25,808	7.1
Office and commercial properties	41,906	13.1
Other	15,216	11.4
Total	234,613	11.0

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

Relative to the statement last year, the proportion of properties with low energy consumption has increased. Moreover, the proportion of renewable energy used for energy production in Denmark has increased, which contributes to the reduction of carbon emission. The proportion of renewable energy in the production of district heating has increased, and also a higher proportion of gas delivered to households now consists of bio gas (bio methane).

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.

As part of Jyske Realkredit's Sustainable Transparency Template, it is also reported how much of the loans supports one or more of the UN's Sustainable Development Goals.

Loans supporting UN Sustainable Development Goals

Loan type	FN SDG	Loans and advances (DKKm)	Share of total loans
Renewable energy	7.2	1,143	0.3%
Green buildings	7.3	80,857	23.9%
Subsidised housing	11.3	32,339	9.5%
Total		114,339	33.7%

Altogether, 33.8% of Jyske Realkredit's loans and advances support one or more of the UN Sustainable Development Goals. It is expected that this proportion will increase over time.

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.

Jyske Realkredit's employees are either employed directly by Jyske Realkredit or their employment is split between Jyske Bank and Jyske Realkredit. The employees split between the companies are paid by Jyske Bank, and Jyske Realkredit's proportion of their salaries, etc. is settled through a service agreement between the two companies. At the end of 2021, 25 (2020: 25) persons were employed directly by Jyske Realkredit and there were 561 (2020: 496) whose employment was split between the two companies, where the proportion relating to Jyske Realkredit was calculated at 238 (2020: 201) full-time equivalents.

The guidelines for corporate governance and data ethics are available on www.jyskebank.dk/ir/governance.

The statutory report on gender distribution in management and corporate social responsibility, cf. Sections 135a and 135b of the Danish Executive Order on the Preparation of Financial Statements, is included in the Jyske Bank Group's Report on Sustainability 2021, which is available on www.jyskebank.dk/ir/baeredygtighed.

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 51 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 2021' for Jyske Bank which is available on jyskebank.dk/ir/Governance.

Compliance function

According to legislation, Jyske Realkredit has a Compliance function with the purpose of identifying and minimising the risks of violating current legislation, rules, ethical standards in an area, or internal guidelines. The compliance activities are primarily those of carrying out reviews of selected areas on the basis of a risk assessment. The Compliance function must report on this and assess whether any measures taken to address shortcomings are effective. The Compliance function reports on an ongoing basis, 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, the Compliance function 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 the internal and external audit 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 2021.

Financial calendar

Jyske Realkredit anticipates releasing financial statements on the following dates in 2022:

3 May	Interim Financial Report, first quarter of 2022
16 August	Interim Financial Report, first half of 2022
1 November	Interim Financial Report, first nine months of 2022

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 2021:

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 chairmen), 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 2021:

Member of the Executive Board	Directorships held in other commercial enterprises
Carsten Tirsbæk Madsen	<ul style="list-style-type: none"> -
Torben Hansen	<ul style="list-style-type: none"> -

Statement by the Management and Supervisory Boards on the Annual Report

The Supervisory Board and the Executive Board have today considered and approved the 2021 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 2021 and also of its financial performance for the financial year 1 January to 31 December 2021.

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, 22 February 2022

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 2021 and of its financial performance for the financial year 1 January to 31 December 2021 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 2021. 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, 22 February 2022

Karsten Dahl
Head of Audit

Independent Auditors' Report

To the shareholder of Jyske Realkredit A/S

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Jyske Realkredit A/S for the financial year 1 January – 31 December 2021, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for issuers of listed bonds.

In our opinion, the financial statements give a true and fair view of the financial position as at 31 December 2021 and of the results of its operations and cash flows for the financial year 1 January – 31 December 2021 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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 the 24 March 2020 for the financial year 2020. We are reappointed annually at the general assembly for a coherent assignment-period on 2 years up until and including the financial year 2021.

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 2021. 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 key audit matters below. Accordingly, our audit included the design and performance of procedures 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.

Key audit matters

A significant part of the company's assets consists of loans which amounted to DKK 340,969 million at 31 December 2021 (DKK 344,965 million at 31 December 2020), and provisions for credit losses on loans amounted to DKK 1,741 million at 31 December 2021 (DKK 1,723 million in 2020).

How our audit addressed the key audit matter

Based on our risk assessment and knowledge of the industry, we performed the below audit procedures regarding measurement of lending

- Assessment of the Company's methods for stating expected credit losses, including an assessment as to whether methods applied

We consider the measurement of loans and provisions for credit losses a key audit matter as the measurement of expected losses involves management judgement and is subject to significant uncertainty. This concerns in particular the determination of probability of default, staging assessment and an assessment of indications of credit impairment, realisable value of collateral received as well as the customer's ability to pay in case of default.

Major exposures and high risk exposures are assessed individually, whereas minor exposures and low risk exposures are stated on the basis of models for expected credit losses where methods and assumptions used to state the expected credit loss are based on management estimates.

The company recognises additional impairment losses based on management estimates in situations where the model-calculated and individually assessed impairment losses are not yet assessed to reflect a specific loss risk, including the effect of COVID-19.

Reference is made to the accounting policies and notes 10, 35 and 51 to the financial statements for a description of the Company's credit risks, uncertainties and estimates where circumstances that may affect the statement of expected credit losses are described.

for model-calculated and individual statements of expected credit losses comply with the accounting rules.

- Test of the Company's procedures and internal controls among others relating to the monitoring of exposures, staging assessment, recording of indications of credit impairment and recording and valuation of collateral.
- Sample testing among the largest and most risky exposures, including credit-impaired exposures.
- For model-calculated impairments, we tested completeness and accuracy of input data, determination of model assumptions, adjustment for expectations of future financial conditions, the models' calculations of expected credit losses and the Company's validation of models and methods for stating expected credit losses.
- For additions made by Management to the individual and model-calculated impairments, we assessed whether the methods applied are relevant and suitable and assessed and tested the Company's basis for the assumptions used and whether they are fair and well-founded in relation to the relevant basis of comparison.

We also assessed whether the note disclosures related to exposures, impairment losses and credit risk comply with the relevant accounting rules and tested the figures included (notes 10, 14, 15 and 35).

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 and additional Danish disclosure requirements for issuers of listed bonds.

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 and additional Danish disclosure requirements for issuers of listed bonds. 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, and for such internal control as 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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.

Report on compliance with the ESEF Regulation

As part of our audit of the financial statements of Jyske Realkredit A/S we performed procedures to express an opinion on whether the annual report for the financial year 1 January – 31 December 2021 with the file name 'Jyske Realkredit-2021-12-31.xhtml' is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU)

2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format.

Management is responsible for preparing an annual report that complies with the ESEF Regulation and requirements related to the preparation of the annual report in XHTML format.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The procedure include testing whether the annual report is prepared in XHTML format.

In our opinion, the annual report for the financial year 1 January – 31 December 2021 with the file name 'Jyske Realkredit-2021-12-31.xhtml' is prepared, in all material respects, in compliance with the ESEF Regulation

Frederiksberg, 22 February 2022
EY Godkendt Revisionspartnerselskab
CVR-nr. 30 70 02 28

Lars Rhod Søndergaard
State Authorised Public Accountant
mne28632

Michael Laursen
State Authorised Public Accountant
mne26804

Income Statement and Statement of Comprehensive Income

DKK m

Note		2021	2020
Income statement			
4	Interest income	5,171	5,380
5	Interest expenses	2,817	3,011
	Net interest income	2,354	2,369
	Dividends, etc.	5	13
6	Fees and commission income	517	520
	Fees and commission expenses	1,223	1,123
	Net interest and fee income	1,654	1,779
7	Value adjustments	110	218
	Other operating income	0	0
8.9	Employee and administrative expenses	360	320
18	Depreciation and impairment charges on property, plant and equipment	-	1
	Other operating expenses	29	24
10	Loan impairment charges	64	485
	Pre-tax profit	1,311	1,168
11	Tax	283	259
	Profit for the year	1,028	908
	Distributed to:		
	Jyske Realkredit A/S shareholders	1,028	908
	Total	1,028	908
Statement of Comprehensive Income			
	Profit for the year	1,028	908
	Other comprehensive income	-	-
	Comprehensive income for the year	1,028	908
	Distributed to:		
	Jyske Realkredit A/S shareholders	1,028	908
	Total	1,028	908

Balance Sheet

DKKmn

Note	2021	2020
Assets		
Cash balance and demand deposits with central banks	367	50
13 Due from credit institutions and central banks	11,110	13,604
14.15 Loans at fair value	340,969	344,965
17 Bonds at fair value	15,906	17,350
Shares, etc.	54	183
19 Deferred tax assets	2	3
20 Assets in temporary possession	55	73
21 Other assets	562	897
Prepayments	9	8
Assets, total	369,035	377,132
Equity and liabilities		
Liabilities		
22 Due to credit institutions and central banks	343	899
23 Issued bonds at fair value	344,817	353,357
Issued bonds at amortised cost	750	750
Current tax liabilities	283	249
Liabilities relating to assets held temporarily	4	5
24 Other liabilities	2,026	2,084
Deferred income	12	15
Liabilities, total	348,235	357,361
Provisions		
25 Other provisions	3	2
Total provisions	3	2
Equity		
Share capital	4,306	4,306
Share premium	102	102
Retained profit	16,389	15,361
Total equity	20,798	19,769
Total equity and liabilities	369,035	377,132
Off-balance sheet items		
Guarantees, etc.	0	0
Other contingent liabilities, etc. (loan offers, etc.)	14,614	13,253
Total guarantees and other contingent liabilities	14,614	13,253

Statement of Changes in Equity

DKKm

	Share capital ¹	Share premium	Retained profit	Total equity ²
Equity on 1 January 2021	4,306	102	15,361	19,769
Profit for the year	-	-	1,028	1,028
Comprehensive income for the year	-	-	1,028	1,028
Equity on 31 December 2021	4,306	102	16,389	20,798
Equity on 1 January 2020	4,306	102	14,453	18,861
Profit for the year	-	-	908	908
Comprehensive income for the year	-	-	908	908
Equity on 31 December 2020	4,306	102	15,361	19,769

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 19,629m (2020: DKK 18,595m) 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 1,168m (DKK 1,175m) was allocated to meet the capital requirement of the General Capital Centre. Reference is also made to note 53, summary of Series financial statements.

Capital statement

	2021	2020
Equity	20,798	19,769
Prudent valuation	-17	-24
Deferred tax assets	-2	-3
Other deductions	-10	-
Common Equity Tier 1 capital / Core capital	20,769	19,743
Capital base	20,769	19,743
Weighted risk exposure involving credit risk etc.	74,190	74,304
Weighted risk exposure involving market risk	11	19
Weighted risk exposure involving operational risk	3,419	3,464
Total weighted risk exposure	77,621	77,787
Capital requirement, Pillar I	6,210	6,223
Capital requirement, total	6,210	6,223
Capital ratio (%)	26.8	25.4
Core capital ratio (%)	26.8	25.4
Common Equity Tier 1 capital ratio (%)	26.8	25.4

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

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1 Key figures and ratios

	2021	2020	2019	2018	2017
Net interest and fee income	1,654	1,779	1,830	2,243	2,212
Value adjustment (- is an expense)	110	218	-53	-81	-67
Employee and administrative expenses	360	320	283	707	823
Loan impairment charges	64	485	35	369	202
Profit on investments in associates and group enterprises	-	-	-	10	19
Profit for the year	1,028	908	1,117	999	886
Loans	340,969	344,965	338,666	327,403	308,121
Equity	20,798	19,769	18,861	17,744	15,731
Total assets	369,035	377,132	384,899	353,280	337,732
Capital ratio (%)	26.8	25.4	23.1	22.1	20.8
Core capital ratio (%)	26.8	25.4	23.1	22.1	20.8
Common Equity Tier 1 capital ratio (%)	26.8	25.4	23.1	22.1	20.8
Pre-tax profit as a pct. of average equity	6.5	6.0	7.8	7.5	7.9
Net profit as a percentage of average equity	5.1	4.7	6.1	6.0	6.2
Income/cost ratio (%)	3.9	2.4	5.2	2.1	2.1
Currency position (%)	0.3	0.5	0.5	0.8	1.4
Accumulated impairment ratio (%)	0.5	0.5	0.4	0.4	0.4
Impairment ratio for the year (%)	0.02	0.14	0.01	0.11	0.07
Increase in loans for the year (%)	1.4	1.6	3.0	6.7	9.8
Loans relative to equity	16.4	17.4	18.0	18.5	19.6
Return on capital employed	0.28	0.24	0.29	0.28	0.26

Reference is made to definitions of financial ratios, cf. note 52.

2 Alternative performance targets

	2021			2020		
	Core profit (Mortgage loans)	Reclassifi- cation	Total	Core profit (Mortgage loans)	Reclassifi- cation	Total
Administration margin income, etc.	2,343	-	2,343	2,332	-	2,332
Other net interest income, etc.	15	-3	11	36	1	37
Net interest income	2,358	-3	2,354	2,368	1	2,369
Dividends, etc.	-	5	5	-	13	13
Net fee and commission income	-706	-	-706	-603	-	-603
Net interest and fee income	1,652	2	1,654	1,765	14	1,779
Value adjustments	107	3	110	218	-1	218
Other income	5	-5	0	14	-13	0
Income	1,764	-	1,764	1,997	-	1,997
Expenses	389	-	389	345	-	345
Profit before loan impairment charges	1,375	-	1,375	1,652	-	1,652
Loan impairment charges	64	-	64	485	-	485
Pre-tax profit	1,311	-	1,311	1,168	-	1,168

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:

- Income of DKK 3m (2020: expenses of DKK 1m) due to value adjustments relating to the balance principle reclassified from value adjustments to interest income.
- Dividend on shares, etc. of DKK 5m (2020: DKK 13m) is recognised under other income.

3 Segments - sales, geography and public subsidies

In 2021, Jyske Realkredit's total sales amounted to DKK 5,689m (2020: DKK 5,901m).

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

In 2021, Jyske Realkredit did not receive any special subsidies related to mortgage banking activities.

Notes

DKKm

	2021	2020
4 Interest income		
Due from credit institutions and central banks ¹	-34	-44
Loans	3,063	3,327
Administration margin	1,959	1,867
Bonds	82	76
Derivatives	77	115
Other interest income	0	0
Interest income before offsetting of interest on own bonds	5,147	5,341
Interest on own mortgage bonds, set off against interest on issued bonds	94	84
Total after offsetting of negative interest income	5,053	5,257
Negative interest income set off against interest income	62	71
Negative interest expenses set off against interest expenses	57	52
Total before offsetting of negative interest income	5,171	5,380
¹ Of which interest income on reverse repos carried under 'Due from credit institutions and central banks'	-35	-38

5 Interest expenses		
Due to credit institutions and central banks ¹	21	16
Issued bonds	2,821	3,047
Other interest expenses	-49	-90
Interest expenses before offsetting of interest on own bonds	2,792	2,972
Interest on own mortgage bonds, set off against interest on issued bonds	94	84
Total after offsetting of negative interest expenses	2,698	2,888
Negative interest expenses set off against interest expenses	57	52
Negative interest income set off against interest income	62	71
Total before offsetting of negative interest income	2,817	3,011
¹ Of which interest expenses on repos carried under 'Due to credit institutions and central banks'	0	-1

Interest to 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 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 to swaps in the amount of DKK 124m was in 2021 recognised under other interest expenses (2020: DKK 177m).

6 Fees and commission income		
Securities trading	289	309
Loan application fees	228	211
Other fees and commissions	0	0
Total	517	520

	2021	2020
7 Value adjustment (- is an expense)		
Mortgage loans ¹	-8,736	1,588
Other loans and receivables at fair value	0	1
Bonds	-31	43
Shares, etc.	22	22
Currency	1	-1
Currency, interest-rate and other contracts as well as other derivatives ¹	-285	266
Issued bonds ¹	9,140	-1,700
Total	110	218

¹ Adjustments of the balance principle for Jyske Realkredit brought a total expense of DKK 8m (2020: DKK +37m), resulting from a net value adjustment of the following items: Mortgage loans by DKK -8,779m (DKK +1,588m), issued mortgage bonds by DKK +9,140m (DKK -1,700m) and derivatives by DKK -369m (DKK +150m), recognised in 'Currency, interest-rate and other contracts as well as other derivatives'.

8 Employee and administrative expenses

Employee expenses

Wages and salaries, etc.	20	23
Pensions	2	3
Payroll tax	4	4
Social security	0	0
Total	26	30

Salaries, etc. to the Executive Board and the Supervisory Board

Executive Board	7	6
Supervisory Board	0	0
Total	7	6

Other administrative expenses

IT	16	15
Other administrative expenses inclusive of intra-group service agreement	311	268
Total	327	284

Employee and administrative expenses, total	360	320
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Wages and salaries, etc.

Wages, salaries and short-term employee benefits	20	23
Total	20	23

Information about the Executive Board's and the Supervisory Board's remuneration from Jyske Realkredit and other companies in the Jyske Bank Group is available on Jyske Realkredit's website via the following link:

<https://www.jyskerealkredit.dk/om-jyske-realkredit/organisation/vederlag>

Remuneration of risk takers

Number of members	23	21
Contractual remuneration	12.9	9.4
Variable remuneration	0.0	0.7
Defined contribution pensions	1.5	1.1

The group comprises employees (exclusive of the Executive Board) with a special impact on Jyske Realkredit's risk profile. Of the above-mentioned 23 persons, 16 persons (2020: 15) 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. The salaries of the employees split between the companies are recognised with the proportion that relate to Jyske Realkredit. Of the variable remuneration amount of DKK 0.7m in 2020, an amount of DKK 0.6m was in the form of severance pay. For further information of the Jyske Bank Group's remuneration policy, reference is made to:

<https://www.jyskebank.dk/ir/governance/adfaerd-og-ledelse>

Notes

DKK m

	2021	2020
9 Number of employees		
Average number of employees for the financial year (full-time employees)	26	26
No. of employees at year-end	25	25
No. of employees split between the companies, end of the year	561	496
No. of employees split between the companies converted to full-time equivalent	238	201
10 Loan impairment charges		
Loan impairment for the year	37	418
Recognised as a loss, not covered by impairment charges	45	93
Recoveries	-18	-26
Total	64	485
Balance of impairment charges		
Balance of impairment charges, beginning of period	1,723	1,330
Loan impairment for the year	37	418
Recognised as a loss, covered by impairment charges	-19	-25
Balance of impairment charges, end of period	1,741	1,723
Mortgage loan impairment charges	1,613	1,607
Impairment charges on other loans and receivables, etc.	128	115
Balance of impairment charges, end of period	1,741	1,723

10 Loan impairment charges (cont.)

Breakdown of balance of impairment charges by stage - 2021

	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of period	289	663	770	1,723
Transfer of impairment charges at the beginning of the period to stage 1	181	-175	-6	-
Transfer of impairment charges at the beginning of the period to stage 2	-10	45	-34	-
Transfer of impairment charges at the beginning of the period to stage 3	-1	-115	116	-
Impairment charges relating to new loans	88	84	49	221
Decline in the balance of impairment charges due to repayment of loans	-48	-108	-99	-256
Effect from recalculation	-175	-11	257	72
Previously recognised as impairment charges, now losses	0	-2	-17	-19
Balance of impairment charges, end of period	323	382	1,036	1,741

Breakdown of balance of impairment charges by stage - 2020

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 recognised as impairment charges, now losses	0	-7	-19	-25
Balance of impairment charges, end of period	289	663	770	1,723

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

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

Both years 2021 and 2020 saw a net migration from stage 2 to stages 1 and 3. The migration to stage 1 can be attributed to the improvement of credit quality of the clients and an increase in the value of the underlying collateral. The migration to stage 3 relates partly to a few individual large exposures to corporate clients that moved from a weak stage 2 to stage 3 due to the higher risk of loss, and partly the fact that the increase in the management's estimates mainly concerns the weakest part of the portfolio.

Management's estimates

In addition to the calculated impairment charges, a management's assessment is performed of the impairment 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 charges 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.

Specification of management's estimates	2021	2020	Change
Personal clients			
Limited financial insight	40	40	-
Expiry of instalment-free period	25	42	-17
Total	65	82	-17
Corporate clients			
The sensitivity of the commercial property to low returns	100	-	100
Total	100	-	100
Covid-19			
Risk designation in the portfolio	470	390	80
Scenario effect (no linearity)	45	50	-5
Total	515	440	75
Total	680	522	158

It is essential that the basis of the management's estimates is well-founded on realistic circumstances and expectations that are not fully recognized in the impairment charges calculated. Documentation and determination will always consist of a coherent chain of reasoning between the well-founded circumstances and the expectation of loss. The determination is usually supported by data and is based on the specific sub-portfolio, yet it may also be based on an estimate of the effect. At least once a year, the management's estimates are reassessed on the basis of updated controls and analyses of the specific areas. The table below elaborates on the rationale as well as the method of the individual estimate, also including a statement of which sub-portfolios the management's estimates relate to.

Notes

10 Loan impairment charges (cont.)

Area	Rationale	Method of measurement, material assumptions and method	Sub-portfolio
Personal clients			
Limited financial insight	<p>Ongoing internal controls through spot checking indicate that circumstances/risks have arisen that have not yet been registered in the Group's systems.</p> <p>Management's estimates are reassessed at least once a year on the basis of the controls carried out.</p>	<p>It is established that the identified circumstances are in the nature of risks that have not yet been registered and risks that are no longer relevant, yet still registered.</p>	<p>Relating to the personal client portfolio in stages 1 and 2.</p>
Expiry of instalment-free period	<p>Once the instalment-free period expires, personal clients have several options available subject to the economic situation and the current LTV level. Risks will arise when the client's financial circumstances no longer justify continuation of the instalment-free option. The number of clients for whom the instalment-free period expires will increase over the coming years.</p> <p>At least once a year, management's estimates are reassessed on the basis of current data as well as the extent of instalment-free options.</p>	<p>It is established that the identified circumstances are in the nature of risks that have not yet been registered and risks that are no longer relevant, yet still registered.</p> <p>The impairment effect is estimated, for instance by scaling the results of the spot checks up for the portfolio.</p>	<p>Relating to the personal client portfolio in stages 1 and 2.</p>
Corporate Clients			
The sensitivity of the commercial property to low returns	<p>Recently, Danmarks Nationalbank (the central bank of Denmark), the Danish Financial Supervisory Authority, and the Danish Economic Councils warned about the risk of the economy overheating.</p> <p>Even though, generally, there are no indications of the market overheating, it is assessed that the probability of negative price corrections for commercial properties is on the increase, and that the impairment models therefore are not to a sufficient degree able to detect this risk in connection with mortgage loans.</p> <p>Rising inflation will affect the interest-rate level and the return expected by investors in the 10 to 20-year term. This may put upward pressure on the required rate of return, which - all other things being equal - will cause prices to fall. The return on residential and commercial property is at a historically low level, which renders prices more sensitive to changes in return.</p> <p>At least once a year, management's estimates are reassessed on the basis of current data.</p>	<p>The additional indication of impairment is estimated through a medium-stress scenario for falling property prices. The extent of properties that will then have a negative equity (LTV >100) and negative liquidity will be included in the calculation of the expected loss.</p> <p>The estimate is associated with considerable uncertainty, including the probability whether or not the scenario materialises. Therefore the result has been given a probability assessed at 30%.</p>	<p>Relating to the portfolio of rental properties in stages 1 and 2 (without objective evidence of impairment).</p>

10 Loan impairment charges (cont.)

Area	Rationale	Method of measurement, material assumptions and method	Sub-portfolio
Covid-19			
Risk designation in the portfolio	The progress of the pandemic leads to uncertainty about the economic setback. Naturally, government rescue packages will support healthy as well as 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. See also 1) below.	The additional indication of impairment relates to the lack of risk designation, which is estimated by simulating deterioration of the credit quality for clients who will find it most difficult to handle repayments. These are defined as client with a PD>3%.	Relating to the entire portfolio in stages 2 and 3.
Scenario effect (non-linearity)	With a view to ensuring that the impairment model allows for non-linear effects from improving and deteriorating economic trends, analyses have been performed where several scenarios are explicitly included in the calculation. The analyses quantify the effect from weighting scenario-specific impairment calculations, where each scenario allows for various economic trends. See also 2) below.	The additional indication of impairment has been calculated through a full performance of the impairment calculation (model) in various scenarios relating to PD and valuation of collateral. The results are weighted according to assessed probability, see also item 2 below.	Relating to the entire portfolio of the Group in stages 1 and 2.

Management's estimates for Covid-19

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. Increased risk of lack of identification of unhealthy exposures due to liquidity from government rescue packages.
2. Quantification of non-linear effects in scenario-specific impairment calculations (sensitivities relating to the base line scenario).

On the whole, this results in additional indication of impairment in the amount of DKK 515m. (2020: DKK 440m). The higher increase in impairment charges can be attributed to shifts in the portfolios.

(1) The progress of the pandemic leads to uncertainty about the economic setback. Naturally, government rescue packages will support healthy and unhealthy exposures, which makes the identification of unhealthy exposures and early identification of weak clients difficult. Also in 2021, the Group conducted a number of analyses at client level with a view to assessing the change in credit risk. Only to a limited extent did the surveys give rise to a downgrade of risk classification. It is assessed, however, that an effect of the rescue packages is that of concealing the actual position of a number of clients. Therefore it is also likely that currently the portfolio includes unhealthy exposures that have not yet been identified. In order to address this risk, a sensitivity analysis has been performed of the expected loss under a scenario where a part of the portfolio migrates to higher stages. In addition, allowance is made for risk that the collateral values for these may be overestimated. Naturally, the analysis is associated with great uncertainty due to the extraordinary situation.

(2) The macroeconomic forecasts are very much affected by the recent positive economic development and, in combination with the low, observed default rates in 2020-2021, the uncertainty is considered high in relation to a projection disregarding derived economic effects from Covid-19, repayment of government rescue packages, interest rate development, fluctuations in property prices, etc. Therefore analyses are performed of the indication of impairment in several scenarios. These are performed 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 Group's expectations of the macro-economic development (Good, Base-line, Weak and Hard). The scenarios are based on forecasts prepared by Jyske Markets, a unit that 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 re-calculated. 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.

10 Loan impairment charges (cont.)

Scenario	2021		2020	
	Probability	Weighted additional impairment charges	Probability	Weighted additional impairment charges
Good	30%	-6	30%	-4
Base-line	30%	-	30%	-
Weak	30%	25	30%	26
Hard	10%	26	10%	28
Total	100%	45	100%	50

The probability of the scenarios is maintained at an unchanged level relative to 2020. This is assessed to be true and fair due to the the continued uncertainty relating to the outcome space. The severity of the scenarios Good, Base-line and Weak has been kept practically unchanged compared to the calculations at the end of 2020. The results shown in the above table can be applied to a sensitivity assessment of the calculations for the portfolio. For instance, the additional indication of impairment will increase to DKK 85m, if the scenario Weak is weighted 100% in the analysis.

11 Tax

	2021	2020
Current tax	283	249
Change in deferred tax	0	1
Adjustment of tax for previous years	0	9
Total	283	259
Effective tax rate		
Current tax rate	22.0	22.0
Adjustments as regards previous years	0.0	0.8
Non-taxable income and non-deductible expenses, etc.	-0.4	-0.6
Effective tax rate	21.6	22.2

Notes

DKKkm

	2021	2020
12 Contractual time to maturity		
Assets		
Due from credit institutions and central banks		
Demand deposits	542	620
Up to 3 months	10,568	12,984
Over 3 months and up to 1 year	-	-
Over 1 year and up to 5 years	-	-
Over 5 years	-	-
Total	11,110	13,604
Loans at fair value ¹		
Up to 3 months	2,175	2,154
Over 3 months and up to 1 year	7,389	7,397
Over 1 year and up to 5 years	43,102	43,181
Over 5 years	288,304	292,233
Total	340,969	344,965
Bonds at fair value		
Up to 3 months	661	598
Over 3 months and up to 1 year	8,778	9,640
Over 1 year and up to 5 years	6,443	7,085
Over 5 years	23	27
Total	15,906	17,350
Liabilities		
Due to credit institutions and central banks		
Demand deposits	78	207
Up to 3 months	265	692
Over 3 months and up to 1 year	-	-
Over 1 year and up to 5 years	-	-
Over 5 years	-	-
Total	343	899
Issued bonds at fair value ¹		
Up to 3 months	2,741	8,987
Over 3 months and up to 1 year	65,377	62,185
Over 1 year and up to 5 years	124,687	127,763
Over 5 years	152,012	154,423
Total	344,817	353,357
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 value) 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.

Notes

DKKkm

	2021	2020
13 Due from credit institutions and central banks		
Due from credit institutions	595	1,457
Reverse repos	10,515	12,147
Total	11,110	13,604

The major part of amounts due from credit institutions was reduced in connection with the mortgage payments due on 03 January 2022. 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	338,965	334,168
Adjustment for interest-rate risk, etc.	3,223	12,001
Adjustment for credit risk	-1,613	-1,607
Mortgage loans at fair value	340,575	344,562
Arrears before loan impairment charges	72	65
Arrears and outlays, total	72	65
Other loans and receivables	322	337
Total	340,969	344,965

15 Mortgage loans at fair value broken down by property category		
Owner-occupied homes	159,298	165,251
Vacation homes	8,386	8,337
Subsidised housing (rental housing)	52,141	55,069
Cooperative housing	14,163	14,416
Private rental properties (rental housing)	61,890	55,477
Industrial properties	2,729	3,056
Office and business properties	33,582	35,986
Agricultural properties, etc.	148	133
Properties for social, cultural and educational purposes	8,181	6,754
Other properties	56	83
Total	340,575	344,562

16 Collateral by type		
Guarantees	39,373	40,180
Real property, residential	164,531	170,586
Real property, commercial	136,336	132,123
Total	340,240	342,889

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.

Notes

DKKm

	2021	2020
17 Bonds at fair value		
Own mortgage bonds	11,037	13,382
Other mortgage bonds	15,906	16,549
Government bonds	-	801
Total before offsetting of own mortgage bonds	26,942	30,732
Own bonds (offset against issued bonds)	-11,037	-13,382
Total	15,906	17,350

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
Disposals	4	-
Total cost, end of period	26	30
Amortisation, depreciation and impairment charges, beginning of period	30	29
Depreciation and amortisation for the year	-	1
Reversed amortisation, depreciation and impairment	4	-
Amortisation, depreciation and impairment charges, end of period	26	30
Recognised value, end of period	-	-

19 Deferred tax assets			
	Intangible and tangible assets	Provisions for liabilities	Total
Broken down into the following balance sheet items:			
Carrying amount at beginning of 2020	3	1	4
Adjustment in income statement	-1	-0	-1
Carrying amount at end of 2020	2	0	3
Adjustment in income statement	-1	0	-0
Carrying amount at end of 2021	2	1	2

20 Assets held temporarily		
Properties acquired through foreclosure	55	73
Total	55	73

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 2021, Jyske Realkredit had 13 (2020: 16) properties acquired through foreclosure, of which 2 (2020: 3) were acquired within the last 12 months.

Notes

DKKm

	2021	2020
21 Other assets		
Positive fair value of derivatives, etc. ¹	325	651
Interest and commission receivable	17	8
Loan applications in process	41	88
Other assets	179	150
Total	562	897

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	343	899
Total	343	899

23 Issued bonds at fair value		
Issued mortgage bonds, nominal value	352,080	353,824
Adjustment to fair value	3,773	12,916
Own mortgage bonds, fair value	-11,037	-13,382
Total	344,817	353,357
Of issued mortgage bonds, nominal value:		
Pre-issued	5,512	6,766
Drawn for redemption at next repayment date	6,113	13,000

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 an increase in the fair value by DKK 0.6 bn in 2021 (2020: a decline by DKK 0.6 bn). Since the issue, the accumulated change in fair value of the issued mortgage bonds at the end of 2021 attributable to credit risk is estimated to be an increase of DKK 1.2 bn (2020: an increase of DKK 1.2 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 345 bn (2020: DKK 353 bn) and the nominal value of the issued bonds of DKK 341 bn (2020: DKK 340 bn), which corresponds to the value that is to be paid back at drawing and/or maturity of the bonds, amounts DKK 4 bn (2020: DKK 13 bn).

24 Other liabilities		
Negative fair value of derivatives, etc. ¹	239	293
Interest and commission payable	1,285	1,337
Other liabilities	502	455
Total	2,026	2,084

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.

Notes

DKKm

	2021	2020
25 Other provisions		
Beginning of period	2	2
Additions	1	-
Provisions used	0	0
Provisions reversed	-	0
End of year	3	2
Provisions are expected to fall due:		
Within 1 year	-	0
Over 1 years	3	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.

Irrevocable loan commitments (mortgage offers)	14,593	13,233
Other contingent liabilities	21	19
Total	14,614	13,253

Irrevocable loan commitments (mortgage offers)

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 a party to one lawsuit. The maximum risk relating to this lawsuit amount to less than DKK 1m. No provisions were made in connection with this lawsuit as Jyske Realkredit does not expect to suffer any loss from this lawsuit.

27 Collateral

Margin accounts, derivatives, etc.	53	87
Total	53	87

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
2021				
Financial assets				
Derivatives with positive fair value	325	102	265	-42
Reverse repos	10,515	-	10,515	-
Total	10,840	102	10,780	-42
Financial liabilities				
Derivatives with negative fair value	239	102	35	102
Total	239	102	35	102
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

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 340,575m (2020: DKK 344,562m) and other assets of DKK 19,691m (24,477m) were at the end of 2021 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 2021, 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 financing 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.

	2021	2020
30 Recognised financial instruments		
Financial assets at fair value adjusted through the income statement		
Bonds	15,906	17,350
Other assets - derivatives	325	651
Shares, etc.	54	183
Loans	340,969	344,965
Financial assets at amortised cost		
Cash balance and demand deposits with central banks	367	50
Due from credit institutions and central banks	11,110	13,604
Financial liabilities at fair value adjusted through the income statement		
Other liabilities - derivatives	239	293
Issued bonds	344,817	353,357
Financial liabilities at amortised cost		
Due to credit institutions and central banks	343	899
Issued bonds	750	750

31 The fair value hierarchy

	Quoted prices	Observable prices	Non- observable prices	Fair value, total	Recognised value
2021					
Financial assets					
Loans at fair value	-	340,969	-	340,969	340,969
Bonds at fair value	15,881	24	-	15,906	15,906
Shares, etc.	-	-	54	54	54
Derivatives	4	321	-	325	325
Total	15,885	341,314	54	357,254	357,254
Financial liabilities					
Derivatives	1	237	-	239	239
Issued bonds at fair value	261,275	83,541	-	344,817	344,817
Total	261,277	83,778	-	345,055	345,055

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

	2021	2020
Non-observable prices		
Fair value, beginning of period	183	192
Capital gain and loss recognised in the income statement	22	22
Sales or redemption	-151	-31
Fair value, end of year	54	183

No considerable transfers took place between the three levels in neither 2020 nor 2021.

Non-observable prices

Non-observable prices at the end of 2021 referred to unlisted shares recognised at DKK 54m (2020: DKK 183m). At the end of 2021, 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
2021				
Non-financial assets				
Assets held temporarily	-	-	55	55
Total	-	-	55	55
2020				
Non-financial assets				
Assets held temporarily	-	-	73	73
Total	-	-	73	73

No transfers took place between the three levels in 2020 and in 2021.

Assets held temporarily

Assets held temporarily comprise properties acquired temporarily in connection with loan facilities and consist primarily of commercial properties. The commercial 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 2020 nor 2021 there was no total non-recognised unrealised loss.

	2021		2020	
	Recognised value	Fair value	Recognised value	Fair value
Financial liabilities				
Issued bonds at amortised cost	750	750	750	750
Total	750	750	750	750

The fair value is calculated at the most recently traded market price.

For other financial assets and liabilities that are not recognised at fair value, primarily amounts due from and due to credit institutions, 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.

Notes

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 equivalence
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.

Notes

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	LTV
2021							
Owner-occupied homes	63.7	54.4	32.5	7.8	0.8	159.3	80%
Vacation homes	4.2	3.0	1.0	0.1	0.0	8.4	75%
Cooperative housing	6.3	4.1	2.6	1.1	0.1	14.2	80%
Private rental properties (rental housing)	19.7	18.9	16.0	7.0	0.3	61.9	80%
Industrial properties	1.1	1.0	0.6	0.1	0.0	2.7	60%
Office and business properties	12.7	11.9	7.4	1.2	0.4	33.6	60%-70%
Other property categories	3.7	3.0	1.4	0.3	0.1	8.4	60%-80%
Total excl. subsidised housing (rental housing)	111.4	96.3	61.4	17.5	1.8	288.4	
2020							
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 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.

Notes

36 Credit exposures by rating class

DKK bn

Rating category (STY)	PD level (%)	Stage 1	Stage 2	Stage 3	Total
Loans at fair value 2021					
1	0.00-0.10	34.0	0.1	-	34.0
2	0.10-0.15	1.7	-	-	1.7
3	0.15-0.22	19.5	-	-	19.5
4	0.22-0.33	16.6	0.0	-	16.7
5	0.33-0.48	85.3	0.1	0.0	85.4
6	0.48-0.70	62.0	0.1	0.0	62.1
7	0.70-1.02	50.9	0.3	-	51.2
8	1.02-1.48	25.9	0.4	0.0	26.2
9	1.48-2.15	15.4	1.6	0.0	17.0
10	2.15-3.13	5.6	1.2	0.0	6.8
11	3.13-4.59	2.3	1.7	0.0	4.0
12	4.59-6.79	1.3	1.2	-	2.5
13	6.79-10.21	0.7	2.5	0.0	3.1
14	10.21-25.00	0.2	3.3	0.0	3.6
Non performing loans	0.00-100.00	0.0	0.4	3.5	3.9
Loans not calculated according to the IRB model		2.5	0.2	0.0	2.7
Total		323.9	13.1	3.5	340.6

Loans at fair value 2020

1	0.00-0.10	22.5	-	-	22.5
2	0.10-0.15	1.2	-	-	1.2
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

Notes

36 Credit exposures by rating class (cont.)

DKK bn					
Rating category (STY)	PD level (%)	Stage 1	Stage 2	Stage 3	Total
Irrevocable loan commitments (mortgage offers) 2021					
2	0.10-0.15	1.0	-	-	1.0
4	0.22-0.33	1.5	-	-	1.5
6	0.48-0.70	6.6	-	-	6.6
8	1.02-1.48	3.5	-	-	3.5
10	2.15-3.13	1.1	-	-	1.1
12	4.59-6.79	0.3	-	-	0.3
14	10.21-25.00	0.4	-	-	0.4
Total		14.6	-	-	14.6
Irrevocable loan commitments (mortgage offers) 2020					
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 2020 nor in 2021, 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 11.1 bn (2020: DKK 13.6 bn).
- Jyske Realkredit's loans and other receivables at fair value amounted to DKK 341.0 bn (2020: DKK 345.0 bn).
- Jyske Realkredit's irrevocable loan commitments (mortgage offers) amounted to DKK 14.6 bn. (2020: DKK 13.2 bn).
- Jyske Realkredit's guarantees amounted to DKK 0.0 bn (2020: DKK 0.0 bn).
- Jyske Realkredit's interest-bearing investments in bonds, etc. amounted to DKK 15.9 bn (2020: DKK 17.4 bn).
- Jyske Realkredit's shareholding amounted to DKK 0.1 bn (2020: 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 5.7 bn (2020: DKK 5.9 bn).

	2021	2020
38 Financial assets credit-impaired on the balance sheet date		
Balance before impairment charges:		
Personal clients	1,410	1,467
Corporate clients	2,165	1,974
Total	3,575	3,441
Collateral:		
Real property, residential	1,361	1,402
Real property, commercial	1,632	1,465
Total	2,992	2,867

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 2021, risk-weighted assets caused by the portfolio of securities amounted to DKK 1,592m (2020: DKK 1,657m) in credit risk as well as DKK 11m (2020: DKK 19m) 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).

	2021	2020
40 Interest-rate risk		
Interest-rate risk, the FSA's method	102	70
Interest-rate risk, internal method	71	58

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 2021, this amounted to DKK 1,662m (2020: DKK 1,579m). 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 2021, Jyske Realkredit's foreign exchange risk was calculated at 0.3% of the capital base (2020: 0.5%).

42 Share price 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 2021, Jyske Realkredit's shareholding measured at market value amounted to DKK 54m (2020: DKK 183m), corresponding to 0.3% (2020: 1%) of the capital base. If share prices in general fall by 10%, Jyske Realkredit will suffer an investment loss of DKK 5m (2020: DKK 18m).

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 report Risk And Capital Management 2021), available on investor.jyskebank.com/investorrelations/capitalstructure.

Notes

DKK m

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
2021								
Currency contracts								
Swaps	-	-	-30	1	1	-30	-29	22,254
Total	-	-	-30	1	1	-30	-29	22,254
Interest-rate contracts								
Forwards/futures, bought	-0	-	-	-	-	-0	-0	31
Forwards/futures, sold	6	-	-	-	7	-1	6	5,618
Swaps	1	-3	158	-47	316	-207	109	51,174
Caps	-	-	-6	6	0	-	0	10,231
Total	7	-3	152	-41	323	-208	115	67,055
Total	7	-3	122	-39	324	-239	86	89,309
Outstanding spot transactions					0	-0	0	434
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

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.

The management's remuneration is published on Jyske Realkredit's website, cf. Note 8.

Notes

DKKm

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
2021						
The parent company	5	11	1,140	-155	-	300
Supervisory Board and Executive Board, etc.	1	-	-	-	-	7
Other related parties	-	1	-	-1	0	0
Total	6	12	1,140	-156	0	308

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	12	-15	1,052	125	0	262

¹ Interest expenses to the parent amounted to DKK 11m in 2021 (2020: DKK -17m). In this is recognised 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 98m from the parent was in 2021 recognised under other interest expenses (2020: DKK 110m).

Jyske Realkredit did not distribute dividend to the parent company Jyske Bank A/S neither in 2020 nor in 2021.

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.
2021							
The parent company	10,539	-	290	317	4,476	750	358
Supervisory Board and Executive Board, etc.	-	49	-	-	-	-	-
Other related parties	-	-	-	-	76	-	1
Total	10,539	49	290	317	4,552	750	359

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

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 2021, Jyske Realkredit bought loans in the amount of DKK 1,946m from the parent company Jyske Bank (2020: DKK 2,531m).

In 2021, Jyske Bank redeemed mortgage loans with Jyske Realkredit, which at the beginning of the year were valued at DKK 1,104m.

In 2021, a joint taxation contribution in the amount of DKK 249m was paid to companies in the Jyske Bank Group (2020: DKK 324m).

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 2021 (2020: DKK 19m). All the loans have been granted on normal business terms. Floating-rate loans amounted to DKK 5m (2020: DKK 9m), carrying interest at a floating rate of -0.2% to 1.3%, and fixed-rate loans amounted to DKK 14m (2020: DKK 11m), carrying interest at 0.5% to 1.0%.

Jyske Realkredit has granted mortgage loans to members of Jyske Bank'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 29m at 31 December 2021 (2020: DKK 34m). All the loans have been granted on normal business terms. Floating-rate loans amounted to DKK 21m (2020: DKK 27m), carrying interest at a floating rate of -0.2% to 2.0%, and fixed-rate loans amounted to DKK 8m (2020: 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.

Notes

DKKm

	2021
47 Loan portfolio by EPC (%)	
EPC A	17.5
EPC B	8.3
EPC C	27.4
EPC D	24.0
EPC E	10.7
EPC F	4.9
EPC G	3.2
No emission/no data	4.1
Total	100.0

For properties without a valid Energy Performance Certificate (EPC), an estimated EPC has been used for each individual property on the basis of the characteristics of the property.

48 Estimated carbon emission relating to Jyske Realkredit's loans

	2021	
Loan type	Tonnes carbon (LTV-adjusted)	Kg carbon/m ²
Private owner-occupied homes and flats	117,224	15.8
Subsidised housing	28,973	7.1
Cooperative housing	5,487	7.6
Residential rental properties	25,808	7.1
Office and commercial properties	41,906	13.1
Other	15,216	11.4
Total	234,613	11.0

49 Loans supporting the UN Sustainable Development Goals

	2021		
Loan type	FN SDG	Loans (DKKm)	Proportion of total loans (%)
Renewable Energy	7.2	1,143	0.3
Green buildings	7.3	80,857	23.9
Subsidised housing	11.3	32,339	9.5
Total		114,339	33.7

UN Sustainable Development Goals

7.2: By 2030, the proportion of renewable energy in the global energy mix must be increased significantly.

7.3: By 2030, the global pace for the improvement of energy efficiency must be doubled.

11.3: By 2030, urban development must be more inclusive and sustainable.

50 **Group overview**

Jyske Realkredit did not have any subsidiaries in 2020 or 2021.

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.

51 **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 Jyske Realkredit'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.

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 (corresponding to the exemption clause 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.

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

Yet in 2021 three notes regarding sustainability have been added (notes 47-49). Accounting policies concerning these notes is described later in this section.

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 at fair value

Mortgage lending is Jyske Realkredit'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 the 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, adjustment takes place for credit risk (impairment charges), which is measured as described in the section on "loans 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. 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. For a detailed description of the calculation of impairment charges, please see the section on "loans at fair value".

Assets held temporarily

Assets held temporarily comprise properties that have been acquired through foreclosure and which Jyske Realkredit actively endeavours to sell. 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 the section on "loans at fair value" above.

Notes

51 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 on 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 Jyske Bank Group to net its current tax assets and liabilities.

BALANCE

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 at credit institutions are measured on initial recognition at fair value plus directly attributable transaction costs less fees and commissions received that 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.

Notes

51 Accounting Policies, cont.

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 to determine 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 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 initial 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.

Assessment of whether the credit risk has increased for individual loans and advances, the ranking of loans and advances into stages and the determination of expected losses take place on an on-going basis.

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 and advances in stage 3 are considered credit-impaired and are classified with risk code 2 or 3, as, under the most likely scenario, a loss is expected.

The risk classification concepts are applied generally in the Jyske Bank Group's risk reports, and there are only minor differences between the Jyske Bank Group's accounting definition of credit-impaired loans (stage 3), the use of the default definition and the definition of non-performing.

As the Jyske Bank Group has aligned the entry criteria for stage 3 default and non-performing, only the different exit criteria and quarantine periods associated with the individual risk classification concepts constitute the difference. The concepts of default and non-performing are used in the Jyske Bank Group's capital statement and in its reporting to the authorities.

See note 35 for detailed descriptions of default, credit deterioration and risk classifications used.

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% and an increase in the 12-month PD by 0.5 percentage point when, at the initial 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 Jyske Bank Group's most likely scenario points to losses, the client is considered credit-impaired and will be ranked in stage 3. Clients in stage 3 are typically characterised by being in considerable financial difficulties, by breach of contract or by probable bankruptcy. A client is in considerable financial difficulties when, due to changes in its earnings, cash flow or capital/net assets, the most likely scenario assumes that the client cannot meet its obligations to the Jyske Bank Group. In addition, a client may be in considerable financial difficulties if other negative information implies that the Jyske Bank Group or other creditors must expect losses.

Hence, the Jyske Bank 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 35 on risk classification, credit rating process and monitoring.

Notes

51 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 Jyske Bank 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 the Danish accounting rules/ IFRS 9 in a number of specific areas. The purpose of the adjustments is to ensure that the parameters reflect a true and fair picture that comprises 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.

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. If a loan is secured in full in all scenarios, the impairment charge will generally be zero. This will typically be the case with exposures with a high overcollateralisation and/or fixed-value collaterals such as real property.

The assessment of the indication of impairment for the weakest exposures in stages 2 and 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 incorporation of Covid-19 effect in the PD calibration, no material changes have taken place in the impairment set-up during the financial year.

Write-offs

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 if 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 under bonds at fair value the exception being own mortgage bonds, which are set off against the item under equity and liabilities '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 to determine the value. The calculated price is received from SIX Financial Information.

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 Jyske Realkredit'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.

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 held temporarily 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.

Notes

51 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 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 to determine the value. The calculated price is received from SIX Financial Information.

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 in interest income and interest expenses. All interest income and expenses as well as administrative contributions 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.

Notes

51 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 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 recognised in the income statement under Loan impairment charges.

Other operating income

Other operating income comprises gains from sales of tangible and intangible assets as well as administration fees.

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, 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 and provisions for guarantees. Here also recoveries of claims previously written off as well as value adjustments of properties acquired through foreclosure are recognised.

Notes 47-49 on sustainability

EPC distributions

The table with Energy Performance Certificate (EPC) shows the EPC distribution for properties financed by Jyske Realkredit. EPCs are distributed on the categories A - G as well as loans without any energy consumption, such as parking garages and wind turbines. For properties with a valid EPC, the entire loan is categorised under the EPC in question. For properties without a valid EPC, an EPC is estimated based on the year of construction, source of heating, type of building and geographical area of the property. Estimation of EPC is based on data for valid EPCs for all properties in Denmark.

EPCs for properties are obtained from the Danish Energy Agency's database, while other building-specific data are obtained from the Danish Building and Housing Register (BBR).

CO₂ emission

The method is in line with Finance Denmark's CO₂ model section 7 'Realkredit (udlån med pant i fast ejendom)' [Mortgage loans (loans secured against real property)]

The determination of CO₂e emission can be divided into three scopes:

- Scope 1 - direct CO₂ emissions from activity, such as CO₂ emission from vehicles being operated.
- Scope 2 - indirect CO₂ emissions from activity, such as consumption of electricity where the CO₂ emissions take place when the electricity is produced.
- Scope 3 - indirect CO₂ emissions financed by a company, yet originating from activities not owned or controlled by the company.

The key figures describe the indirect CO₂ emission (scope 3) associated with the properties for which Jyske Realkredit has granted loans. Hence, Jyske Realkredit's scope 1 and 2 emission are not included in the determination.

Based on a property's actual Energy Performance Certificate or an estimate of this, a building's annual energy consumption for heating is calculated. This is combined with the source of heating of the property and the CO₂e emission associated with the consumption of one unit of energy. This is calculated on the basis of emission factors based on observed consumption of energy and the annual energy report from the Danish Energy Agency.

The CO₂e emission financed by Jyske Realkredit is calculated by weighing the total emission from the property in relation to the loan-to-value ratio. The determination of kg CO₂e/m² is based on the entire property.

No CO₂e emission is offset when Jyske Realkredit finances production of renewable energy. Renewable energy is included in the determination with CO₂e emission of zero, as no direct energy consumption will take place for the building (for instance a wind turbine).

Notes

51 Accounting Policies, cont.

UN Sustainable Development Goals

Jyske Realkredit states the part of its loans that support one or more of the 17 UN Sustainable Development Goals. The definition of green loans supporting the UN Sustainable Development Goals is given in Jyske Bank Green Finance Framework (jyskebank.dk/gff). Sustainalytics has given an external 2nd party opinion on the Jyske Bank Group's framework and confirmed those of the UN Sustainable Development Goals that are supported by the loans. Loans supporting the UN Sustainable Development Goals are mainly loans for the subsidised housing sector.

- *Renewable energy* - 7.2. By 2030, the proportion of renewable energy in the global energy mix must be increased significantly.
- *Green buildings* - 7.3 By 2030, the global pace for the improvement of energy efficiency must be doubled.
- *Subsidised housing* - 11.3. By 2030, urban development must be more inclusive and sustainable.

OTHER REMARKS

Comprehensive income

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

Alternative performance targets

The information relating to the alternative performance targets of Jyske Realkredit were prepared in accordance with Jyske Realkredit's internal reporting. The presentation of the performance targets is based on the on-going reporting to Jyske Realkredit's management and thus the principles used in the internal financial planning and control. The distribution reflects performance and risks at Jyske Realkredit. The distribution of costs and expenses between the performance targets is based on a qualified estimate.

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

Publication

The annual report is prepared in a XHTML format according to the Commission's Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation).

Notes

52 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

53 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 institution. 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
2021							
Income statement for the financial year							
Income from lending	0	10	29	1,816	96	8	1,959
Interest, etc. net	0	1	55	692	7	46	800
Administrative expenses, etc. net	0	2	92	1,160	53	76	1,384
Loan impairment charges and provisions (- is income)	-0	1	-17	81	0	-1	64
Tax (- is income)	0	2	2	273	11	-5	283
Profit	0	7	7	993	38	-17	1,028
Balance sheet at 31 December							
Assets ¹							
Mortgage loans, etc.	9	7,284	3,523	296,911	27,976	4,951	340,654
Other assets	1	280	1,665	34,836	618	2,073	39,473
Total assets	11	7,563	5,188	331,747	28,593	7,025	380,127
Equity and liabilities							
Issued mortgage bonds, etc.	11	7,513	3,764	312,498	28,322	5,832	357,939
Other liabilities	0	28	18	1,212	107	24	1,390
Equity	0	22	1,406	18,037	165	1,168	20,798
Total equity and liabilities	11	7,563	5,188	331,747	28,593	7,025	380,127
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							369,035
Assets in series financial statements							380,127
Difference							-11,091
The difference is due to:							
Offsetting of own issued mortgage bonds - note 23							-11,037
Offsetting of interest receivable on own issued bonds							-55
Total							-11,091