

23 February 2021

Preliminary announcement of financial statements 2020

Summary

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

Comments by Management

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

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

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

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

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

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

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

Outlook

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

Other information

General Meeting

The Annual General Meeting will be held in Lyngby on Tuesday 23 March 2021.

Financial calendar

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

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

Further information

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

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Financial Highlights

Core profit and net profit for the year, DKKm

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

Summary of Balance Sheet, end of period, DKKm

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

Financial ratios and key figures

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

¹ Employees split between the companies are included in the number of employees stated in the Annual Report of Jyske Bank A/S, and their salaries are paid through Jyske Bank A/S. Jyske Realkredit A/S pays this expense for employees split between the companies through a service agreement with Jyske Bank A/S, and it is recognised under the item 'Core expenses'.

Financial Highlights, cont.

Core profit and net profit for the year, DKKm

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

Summary of Balance Sheet, end of period, DKKm

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