



Annual Report 2022

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

	2022	2021	Index 22/21	2020	2019	2018
Administration margin income, etc. ¹	2,356	2,343	101	2,332	2,334	1,896
Other net interest income	160	15	1,067	36	58	77
Net fee and commission income, etc. ¹	-653	-706	92	-603	-641	256
Value adjustments, etc.	2	107	2	218	6	-84
Other income	0	5	0	14	22	216
Core income	1,865	1,764	106	1,997	1,778	2,361
Core expenses ¹	394	389	101	345	310	730
Core profit before loan impairment charges	1,471	1,375	107	1,652	1,468	1,631
Loan impairment charges (- is income)	-272	64	-	485	35	-38
Core profit/ Profit before IFRS 9 implementation	1,743	1,311	133	1,168	1,434	1,669
IFRS 9-derived adjustment of impairment charges, beginning of 2018	-	-	-	-	-	407
Pre-tax profit	1,743	1,311	133	1,168	1,434	1,262
Tax	383	283	135	259	316	263
Profit for the year	1,361	1,028	132	908	1,117	999

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.

The relationships between income statement items under financial highlights and the income statement appear from note 2 in the financial statements.

Summary of Balance Sheet, end of period, DKKm

Mortgage loans, nominal value	365,595	338,965	108	334,168	329,043	319,454
Mortgage loans, fair value	333,728	340,969	98	344,965	338,666	327,403
Bonds and shares, etc.	12,728	15,960	79	17,533	18,565	18,593
Total assets	359,621	369,035	97	377,132	384,899	353,280
Issued bonds, fair value	329,529	344,817	96	353,357	361,388	332,955
Equity	22,159	20,798	107	19,769	18,861	17,744

Financial ratios and key figures

Pre-tax profit as a pct. of average equity	8.1	6.5	-	6.0	7.8	7.5
Net profit as a percentage of average equity	6.3	5.1	-	4.7	6.1	6.0
Expenses as a percentage of income	21.1	22.1	-	17.3	17.4	31.0
Capital ratio (%)	28.3	26.8	-	25.4	23.1	22.1
Common Equity Tier 1 capital ratio (CET1) (%)	28.3	26.8	-	25.4	23.1	22.1
Individual solvency requirement (%)	9.7	10.0	-	10.0	10.1	9.7
Capital base (DKKm)	22,096	20,769	-	19,743	18,811	17,687
Weighted risk exposure (DKKm)	78,193	77,621	-	77,787	81,321	79,976
No. of employees at year-end	25	25	-	25	23	28
No. of employees split between the companies, at year-end ¹	594	561	-	496	474	358
No. of employees split between the companies converted to full-time equivalent	239	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 1,743m (2021: DKK 1,311m) corresponding to a return of 8.1% on average equity (2021: 6.5%).
- Net profit for the year: DKK 1,361m (2021: DKK 1,028m) corresponding to a return of 6.3% on average equity (2021: 5.1%).
- Core expenses: DKK 394m (2021: DKK 389m).
- Impairment charges affected core profit by an income of DKK 272m (2021: an expense of DKK 64m).
- The portfolio at nominal value amounted to DKK 366 bn (2021: DKK 339 bn) and at fair value to DKK 334 bn (2021: 341 bn.).
- At the end of 2022, the capital ratio and the core capital ratio amounted to 28.3% (end of 2021: 26.8%).
- On 1 December 2022, Jyske Realkredit acquired mortgage loans in the amount of DKK 24.3 bn from Svenska Handelsbanken (Stadshypotek), which under Danish mortgage law could be funded through the issue of mortgage bonds.



Comments by management

In connection with the presentation of the Annual Report 2022, Carsten Tirsbæk Madsen, Chief Executive Officer, states:

'Today Jyske Realkredit announces a profit of DKK 1,361m. This profit is considered satisfactory and somewhat better than expected in the Annual Report for 2021 as published in February 2022. Relative to 2021, the profit increased by DKK 333m or 32%.

The impairment charges recognised previously relating to covid-19 were reversed in 2022 in an amount of DKK 515m as the uncertainty relating to covid-19 is now considered limited. Rising interest rates and inflation as well as the war in Ukraine have resulted in further uncertainty as to the development of the Danish economy and future property values. In the light of this, Jyske Realkredit has raised other management's estimates of impairment charges by DKK 420m.

On 1 December 2022, Jyske Realkredit took over loans in the amount of DKK 24.3 bn in connection with the Jyske Bank Group's acquisition of Handelsbanken's activities in Denmark. The takeover was funded through issues of RO and SDO mortgage bonds. The transaction did not necessitate an increase of the capital base of Jyske Realkredit.

The capital base of Jyske Realkredit is at a historically high level, and the credit quality is good, and therefore the company is well prepared to withstand the challenges that the Danish economy is facing.'

In 2022, the property market was characterised by falling activity, and at the end of 2022, it was at the lowest level in several years. Determined at nominal value, Jyske Realkredit's loans rose in 2022 by DKK 26.6 bn of which DKK 24.3 bn related to the acquisition of loans from Handelsbanken. Hence nominal loans amounted to DKK 365.6 bn at the end of 2022. Determined at fair value, the loans fell by DKK 7.2 bn, caused by falling prices of the mortgage bonds (interest rate increases) that are used for the valuation of the mortgage loans. Hence loans at fair value amounted to DKK 333.7 bn at the end of 2022.

Capital

At Jyske Realkredit's Annual General Meeting on 21 March 2022, it was decided to reduce the company's nominal share capital by DKK 3.8 bn through a provision for a special reserve (distributable reserve). Hence Jyske Realkredit's total equity was not affected by the reduction of the nominal share capital, which after the change amounts to DKK 0.5 bn.

Jyske Realkredit's capital base is solid with a capital ratio of 28.3% at the end of 2022 and a capital buffer of DKK 9.8 bn. It is assessed that the current financial resources can withstand even severe scenarios.

Other remarks

In the financial statements and on www.jyskerealkredit.com, a breakdown of loans by Energy Performance Certificate, the estimated CO₂ emission, as well as the distribution of loans according to the UN Sustainable Development Goals are available to investors in Jyske Realkredit's bonds. In its Annual Report 2021, Jyske Realkredit was the first credit institution in Denmark to have these data audited. Hence, the increasing internal and external documentation requirements of the sustainability of the investments will be eased. In addition, as the first issuer in Europe, Jyske Realkredit has published an 'Energy Efficient Mortgage Label Harmonised Disclosure template' designed to increase the transparency of energy-efficient loans for borrowers and investors.

Jyske Realkredit endeavours continuously to be at the forefront when it comes to transparency about sustainability data. In consequence of this, Jyske Realkredit expanded in 2022 its Sustainable Transparency Template so it now also includes data, for instance on CO₂ emissions at a level corresponding to each bond.

The digitization journey continues at Jyske Realkredit with continued improvements of the part of Jyske Bank's Digital Relationship Bank relating to mortgage loans. Now, a functionality has been added relating to application for additional loans, and the financing proposals in the 'Bedste Lån' app have been integrated in Jyske Bank's Digital Relationship Bank.

Outlook

Jyske Realkredit anticipates a profit in the range of DKK 1.5 bn to 1.7 bn in 2023. The increase relative to the realised profit for 2022 can be attributed to expectations of a higher return on the portfolio of securities due to rising interest rates. In addition, the takeover of loans from Handelsbanken is expected to have a positive effect on the profit for 2023.

The largest element of uncertainty relating to profit expectations for 2023 is the future development of the interest-rate level as well as of losses and impairment charges.

Financial Review

Income statement

Core profit and net profit for the year, DKKm

	2022	2021	Index 22/21	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Administration margin income, etc.	2,356	2,343	101	600	581	587	588	590
Other net interest income	160	15	1,067	108	33	21	-2	3
Net fee and commission income, etc.	-653	-706	92	-190	-194	-148	-121	-172
Value adjustments, etc.	2	107	2	88	-10	-67	-9	34
Other income	0	5	0	0	-	-	-	0
Core income	1,865	1,764	106	606	410	393	456	456
Core expenses	394	389	101	98	96	100	100	99
Core profit before loan impairment charges	1,471	1,375	107	508	314	293	356	357
Loan impairment charges, etc. (- is income)	-272	64	-	-167	-12	-56	-37	-49
Core profit/Pre-tax profit	1,743	1,311	133	675	326	349	393	407
Tax	383	283	135	148	72	76	86	89
Profit for the year	1,361	1,028	132	527	254	273	307	317

Profit for the year

For the year, Jyske Realkredit generated a pre-tax profit of DKK 1,743m against DKK 1,311m in 2021. The calculated tax amounted to DKK 383m (2021: DKK 283m), and hence the net profit for the year amounted to DKK 1,361m against DKK 1,028m for previous year. Net profit for the year corresponds to a return on average equity of 6.3%, compared 5.1% in 2021.

Core income

Core income, consisting primarily of administration margin income, etc. as well as brokerage and fee income from mortgage activities, amounted to DKK 1,865m against DKK 1,764m in 2021. The increase relates primarily to higher interest income and lower net fee and commission income, etc. On the other hand, the value adjustments are lower than last year.

Administration margin income etc. rose from DKK 2,343m in 2021 to DKK 2,356m in 2022. Of the DKK 13m increase, DKK 25m relate to the loan portfolio taken over from Handelsbanken in December 2022, while administration margin income from the existing loan portfolio fell by DKK 12m, which was caused by falling administration margin rates for both personal and corporate clients.

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 160m against an income of DKK 15m in 2021. The reason for the increase is that the interest yield on the fixed portfolio of securities rose in step with the rising interest rate, particularly in the fourth quarter of 2022.

Net fee and commission income, etc. amounted to an expense of DKK 653m against an expense of DKK 706m in 2021. The improvement can be attributed to rising fee income due to a higher level of refinancing activities.

Value adjustments, etc. amounted to an income of DKK 2m against an income of DKK 107m in the previous year. The decline was caused by negative value adjustments of Jyske Realkredit's fixed portfolio of securities due to rising interest rates. On the other hand, the year saw positive value adjustments in connection with bond issues.

Core expenses

Core expenses amounted to DKK 394m against DKK 389m in 2021. The increase was caused by various minor circumstances.

Loan impairment charges

Loan impairment charges amounted to an income of DKK 272m against an expense of DKK 64m in 2021. DKK 95m of the income in 2022 relate to the adjustment of the management's estimates (2021: an expense of DKK 158m).

In 2022, individually calculated impairment charges on a net basis were reversed due to increasing values of the properties that secure the loans as well as falling prices and hence outstanding debt on the non-performing loans. This relates primarily to corporate clients.

The impairment charges calculated by models also fell in 2022. The reason for this was also the rising values of the properties provided as collateral as well as the improved credit quality of the clients. This applies both to personal and corporate clients.

Loans acquired from Handelsbanken in the amount of DKK 24 bn are in the financial statements considered as new loans, and therefore impairment charges for these corresponding to losses expected over 12 months must be recognised. These have been determined at DKK 39m and are recognised under impairment charges in December 2022.

Circumstances not incorporated in the impairment models must be addressed by management's estimates. In 2022, the remaining management's estimates relating to covid-19 were reversed with a total of DKK 515m. On the other hand, further management's estimates were recognised in the amount of DKK 420m for macroeconomic risks, covering expected losses relating to the energy crisis, high inflation, increases in interest rates, as well as negative economic effects from the war in Ukraine. The management's estimates totalled therefore DKK 585m at the end of 2022 compared to DKK 680m 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.

In 2022, recognised losses, etc. amounted to DKK 85m (2021: DKK 46m), of which DKK 68m (2021: DKK 19m) were covered by impairment charges recognised previously. The recognised losses, etc. are distributed more or less equally on personal and corporate clients.

The effect on the income statement was in 2022 distributed with an expense of DKK 1m (2021: an income of DKK 123m) on personal clients (including of impairment charges relating to loans acquired from Handelsbanken) and an income of DKK 273m (2021: an expense of DKK 187m) on corporate clients.

The total balance of impairment charges amounted to DKK 1,384m at the end 2022 (end of 2021: DKK 1,741m), corresponding to a level of 0.4% of total loans (2021: 0.5%).

Jyske Realkredit's amount of assets held temporarily amounted to DKK 41m at the end of 2022 against DKK 55m the previous year. The decline can be attributed to ongoing sales and the fact that in 2022 only a few properties were taken over in connection with non-performing loans.

Fourth quarter of 2022 compared with third quarter 2022

Profit before tax for the fourth quarter amounted to DKK 675m against DKK 326m for the third quarter.

Administration margin income etc. rose to DKK 600m in the fourth quarter from DKK 581m in the third quarter. The increase can chiefly be attributed to loans acquired from Handelsbanken in December 2022.

Other net interest income amounted to DKK 108m in the fourth quarter against DKK 33m in the previous quarter. The increase relates to higher interest income on Jyske Realkredit's fixed portfolio of securities due to rising interest rates.

Net fee and commission income, etc. amounted to an expense of DKK 190m in the fourth quarter against an expense of DKK 194m in preceding quarter.

Value adjustments, relating, among other things, to Jyske Realkredit's fixed portfolio of securities, amounted to an income of DKK 88m in the fourth quarter against an expense of DKK 10m in the third quarter. The increase can be attributed to higher value adjustments of Jyske Realkredit's fixed portfolio of securities, which were negative in the third quarter as well as value adjustments in connection with bond issues.

Core expenses rose from DKK 96m in the third quarter to DKK 98m in the fourth quarter of 2022. The increase was caused by expenses relating to the loan portfolio taken over from Handelsbanken.

Losses and impairment charges amounted to an income of DKK 167m in the fourth quarter against an income of DKK 12m in the third quarter. The income in the fourth quarter related primarily to net reversals of management's estimates in the amount of DKK 185m.

Balance Sheet

At the end of 2022, Jyske Realkredit's balance sheet amounted to DKK 360 bn (DKK 369 bn at the end of 2021).

Mortgage loans at nominal value increased from DKK 339.0 bn at the end of 2021 to DKK 365.6 bn, at the end of 2022, corresponding to an increase by 7.9%. Of the increase, DKK 24.3 bn relate to loans acquired from Handelsbanken. Exclusive of loans acquired from Handelsbanken, nominal loans rose by DKK 2.3 bn, corresponding to an increase by 0.7%.

Inclusive of loans acquired from Handelsbanken, the increase in nominal loans relating to personal clients amounted to DKK 16.1 bn, while nominal loans relating to corporate clients rose by DKK 10.5 bn.

Summary of Balance Sheet, end of period, DKKm

	2022	2021	Index 22/21	31 Dec. 2022	30 Sept. 2022	30 June 2022	31 March 2022	31 Dec. 2021
Assets / equity and liabilities	359,621	369,035	97	359,621	332,720	341,825	357,414	369,035
Mortgage loans, nominal value	365,595	338,965	108	365,595	342,625	343,972	341,208	338,965
Loans, fair value	333,728	340,969	98	333,728	304,537	319,097	329,534	340,969
Issued bonds, fair value	329,529	344,817	96	329,529	304,458	315,462	331,008	344,817
Equity	22,159	20,798	107	22,159	21,631	21,377	21,104	20,798

Equity

Equity was affected by the profit for the year by DKK 1,361m and amounted to DKK 22,159m at the end of 2022 (DKK 20,798m at the end of 2021).

Over the years 2018-2022, Jyske Realkredit's equity rose from DKK 15,731m to DKK 22,159m. The increase can be attributed to capital injections in the amount of DKK 1,000m from the parent company Jyske Bank, the results for the individual years totalling DKK 5,414m as well as other comprehensive income of DKK 13m.

No dividend was distributed over the period.

Changes in equity, end of period, DKKm

	2022	2021	2020	2019	2018	2018-2022
Shareholders' funds at the beginning of the period	20,798	19,769	18,861	17,744	15,731	15,731
Capital injection	-	-	-	-	1,000	1,000
Profit for the year	1,361	1,028	908	1,117	999	5,414
Other comprehensive income	-	-	-	-	13	13
Dividend	-	-	-	-	-	-
Equity, end of period	22,159	20,798	19,769	18,861	17,744	22,159

Profit for the year relative to outlook

The net profit for the year amounted to DKK 1,361m against the expected profit for 2022 in the range of DKK 0.9 bn to DKK 1.1 bn as stated in the Annual Report for 2021. The reason for the better-than expected profit was, for one thing, the better return on the company's portfolio of securities due to rising interest rates at the end of the year and, for another, reversed loan impairment charges relating to covid-19 and especially in the fourth quarter.

The return on equity for 2022 then came to 6.3% against 5.1% in 2021.

Business volume

The mortgage credit market 2022

The year 2022 was a challenging one for the Danish economy. The development over the year was practically split into two. Offhand the year started off on a good note when the last covid-19 restrictions were lifted. Hence normal economic activity was again possible, which was especially evident in the experience economy and the service industries. However, after the summer, the economy, and in particular the property market, was hit by a slowdown.

The economic slowdown was initiated by a series of events over the year. The global restrictions during covid-19 resulted in a breakdown in several global supply chains. The breakdown caused price pressure in the economy as demand picked up. The price pressure increased over most of the year, and things did not improve when Russia launched its war of invasion against Ukraine. In addition to real economic circumstances, the war itself also led to uncertainty about the future economic development.

The western world replied to the war by introducing economic sanctions. In consequence of the sanctions, Europe was affected by a supply shock, where the limitations to the supply of Russian oil and gas caused accelerating inflation. Consumer prices reached a level that had not been seen since the 1980s, and resulting in a reduction of consumers' purchasing power, and therefore the end of the year was especially affected by falling demand.

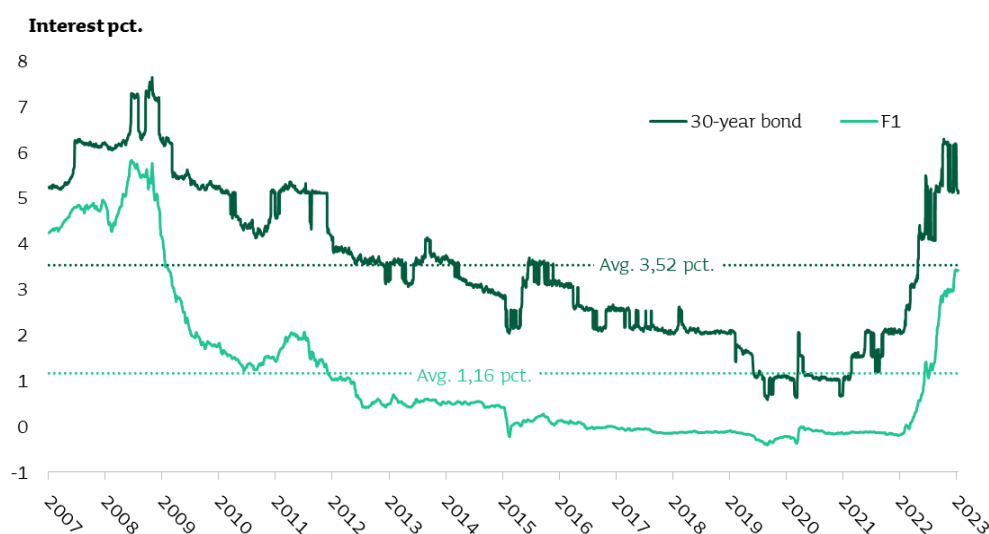
Development of consumer prices in terms of percentage changes over the years



Over the year 2022, the inflationary development caused a change in the central banks' handling of their monetary policy. The monetary policy changed from being very easy to being tightened. Hence 2022 saw the steepest increase of monetary policy interest rates in 40 years. The interest-rate hikes affected mortgage rates both at the short and at the long end of the yield curve. Hence mortgage rates changed from being low in a historical context to being above average for the past 20 years.

As was intended, the interest-rate hikes put a damper on the economic activity in society, and in particular the housing market was in the second half of the year affected by rising finance costs.

Development of interest rates



Credit approval of homeowners is based on the relevant 30-year mortgage loan. Hence the yield on the underlying bonds are of great importance to the development in the housing market. Throughout 2022, there were fairly large changes in the yield on the leading 30-year bonds. At the beginning of the year, the bond yield rose from 2% to 6% over a short period. Subsequently, the bond yield fell back as the slowdown in the economy became more likely. The development of the long-term bond yields is very much fuelled by expectations of the future economic development.

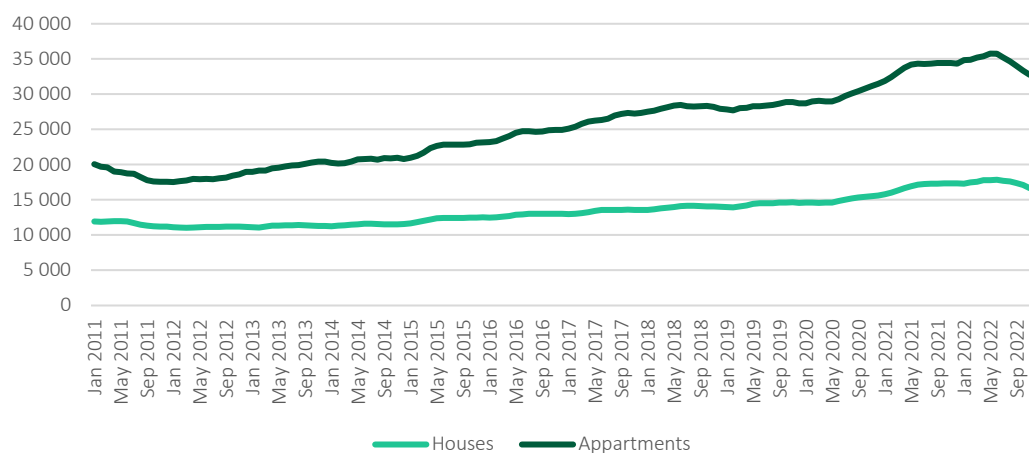
However, short-term yields also rose considerably in 2022, and therefore the 1-year yield rose to a level exceeding 3% over the year. Hence the 1-year yield rose from about zero to a level in line with the historical average since 2007 for the fixed 30-year yield.

At the beginning of the year, the housing market was still affected by the very high level during the covid-19 years. However, the combination of higher energy prices and rising interest rates changed that over the year.

The lower level of activity was reflected by a higher supply of homes, even though from a low level, more days on the market, and eventually fewer home sales. Hence the number of home sales fell below the record level seen in 2021 and reached a level corresponding to the one in 2018. In consequence of the lower activity, the period after the summer saw price adjustments in the housing market. Therefore the autumn saw considerable declines in prices.

Due to the lower activity level in the housing market, the number of loans to home buyers fell slightly in 2022.

Development of housing prices



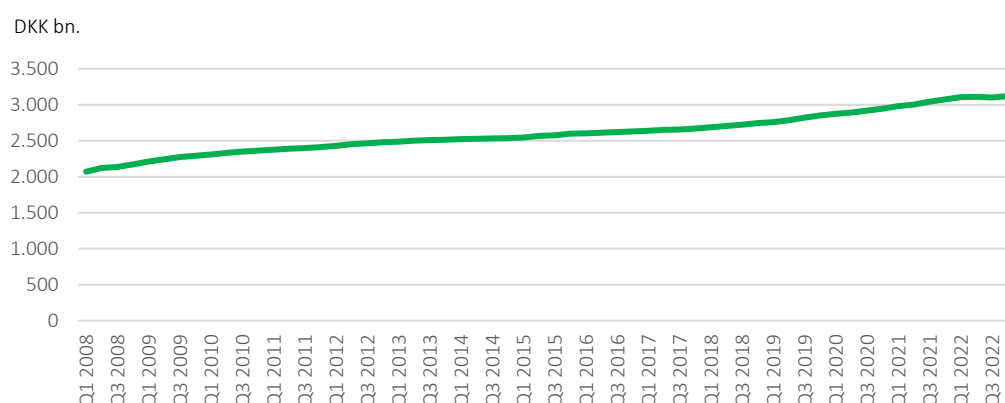
However, the economic uncertainty and falling housing prices did not only affect the number of changes of ownership. The development also affected the households since the number of supplementary home loans fell. The combination of

increased insecurity about the economic development, falling housing prices, and higher finance costs is reflected in the increasingly cautious approach to home loans.

In the corporate sector, however, the approach is different. Previous crises were related to liquidity shortage, and therefore currently the corporate sector has demonstrated an increasing interest in obtaining liquidity in the mortgage market. Renovation and rebuilding, etc. have slowed down somewhat, even though projects in progress continued.

Rising interest rates did not only put a damper on the activity in the mortgage-credit sector. Higher interest rates result in falling prices of mortgage bonds. Hence, throughout 2022 it was possible for borrowers with fixed-rate loans to reduce their outstanding debts. The year 2022 saw therefore the highest remortgaging activity since 2009. Overall, the development caused stagnation in the increase in outstanding bond debts. In the third quarter, the lower prices and hence lower market values of the total debt caused a downright fall in the outstanding bond debt.

Outstanding bond debt



However, in the fourth quarter mortgage loans rose due to Jyske Bank's acquisition of Svenska Handelsbanken's business activities in Denmark. In connection with this, Jyske Realkredit took over loans in a nominal amount of DKK 24 bn from Handelsbanken. Therefore the nature of such an existing loan for the financing of a home in Denmark changed from being funded by the Svenske Stadshypotek to being financed by mortgage bonds. Hence a change in the underlying financing took place that affects the statistical definition of the mortgage market in Denmark. However, as regards borrowers no change has taken place, and therefore the loans continue on unchanged terms and conditions.

Business areas

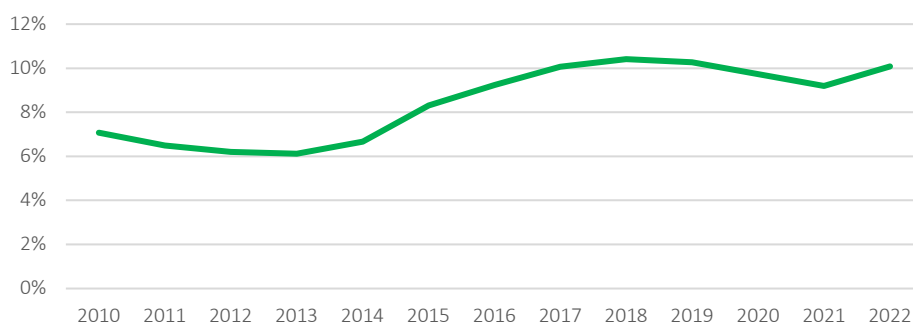
Personal clients

Throughout 2022, the highest level of activity on the part of personal clients took place in the form of remortgaging. Homeowners with low-interest fixed-rate loans could remortgage their homes and hence reduce their total debt.

In connection with such remortgaging, homeowners could either remortgage their homes at higher interest rates and obtain new loans at a higher fixed rate, or they remortgaged into floating rate loans. The lower debt level as well as the lower level of activity in the form of fewer changes in ownership have on the whole, resulted in a decline in nominal loans to private households.

Throughout 2022, Jyske Realkredit's market share as regards personal clients did, however, increase from just above 9% to just above 10%. This development must in particular be seen in the light of Jyske Realkredit's increase of its portfolio through loans from Handelsbanken.

Market share of Jyske Realkredit in terms of personal client portfolio



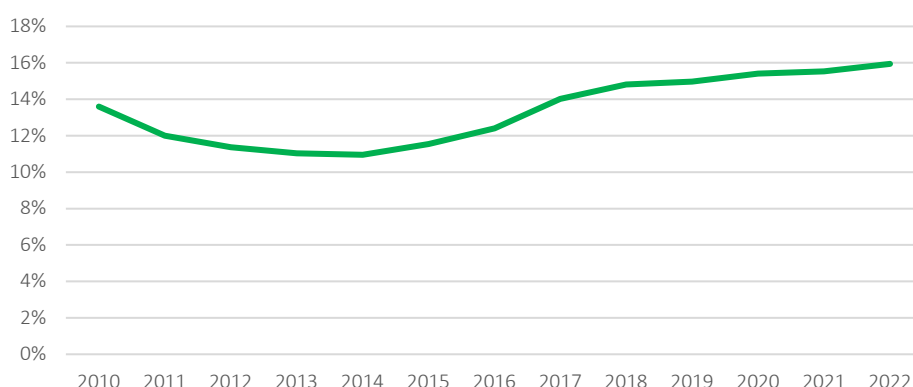
Corporate Clients

In 2022, the activity level in respect of corporate clients was higher than in 2021. As in the private housing market, the commercial property market saw a very high activity level in the first quarter of the year. Subsequently a noticeable slowdown in the number of transactions was seen. The slowdown must be seen in the light of the economic development, rising finance costs, and not least the uncertainty as to the future economic development. Hence, the commercial property market was affected by a wish to buy time.

The slowdown in transactions in the commercial market caused poorer conditions for growth than the ones seen in recent years. Despite of this, Jyske Realkredit managed to increase the volume of loans even though the growth rate was slightly lower than in recent years. Remortgaging and additional loans fuelled the lending growth. However, remortgating on the part of corporate clients is rather more complex than on the part of personal clients. For one thing, gains for corporate clients are liable to taxation, and, for another, the regulation according to the FSA's Executive Order on the management and control of banks, etc. of the requirements of the liquidity of residential rental property applies. Hence a typical remortgaging from a fixed-rate loan into a new loan with a higher fixed rate may affect liquidity negatively even though the debt has been reduced.

At the end of 2022, Jyske Realkredit had a market share of about 15.9% of total mortgage loans to the corporate sector in Denmark. At the end of 2021, the market share was 15.5%.

Market share of Jyske Realkredit in terms of corporate client portfolio



Subsidised housing

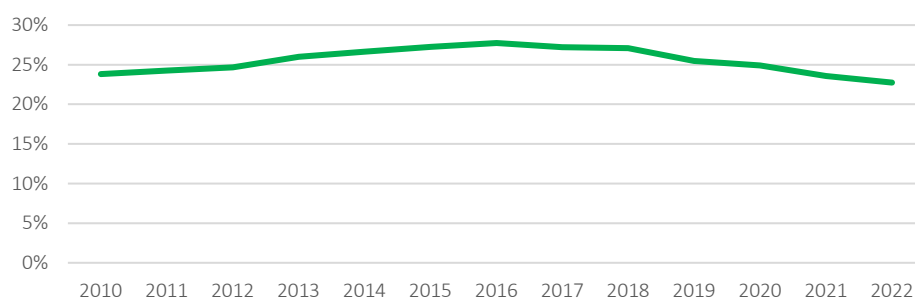
The activity in the subsidised housing sector was also affected by the economic development. Hence lending activity was also affected by refinancing activity, even though the subsidised housing sector is somewhat more reluctant to refinance mortgage loans than the other sectors in society. The reason is that the subsidised housing sector is subject to regulation as regards the possibilities of refinancing debt.

Lending figures for the subsidised housing sector do not, however, reflect the current activity in the market. 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 decisions made in the past have affected the total loans from Jyske Realkredit to the subsidised-housing sector, and hence the market share has fallen by just above a percentage point over the year.

Expectations are, however, that Jyske Realkredit will regain some of the lost market share when the activity seen over the year will actually result in disbursements. Hence, market statistics for loans to the subsidised-housing sector must be seen in a historical perspective.

Therefore, the portfolio of disbursed loans now indicates that Jyske Realkredit has a market share of 23% of the total mortgage loans to the subsidised housing sector.

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



Loan mix

At the end of 2022, Jyske Realkredit's mortgage loans totalled nominally DKK 366 bn compared to DKK 339 bn at the end of 2021. Jyske Realkredit's loans to personal clients rose by DKK 16 bn to DKK 186 bn after the takeover of loans from Handelsbanken. Loans to the commercial market, inclusive of loans to subsidised housing, rose by DKK 11 bn to a total of DKK 180 bn.

Breakdown of loans by property category (%)

	2022	2021	2020	2019	2018
Personal clients	51.0	50.0	51.3	53.1	53.4
- of which owner-occupied homes	48.1	47.5	48.8	50.7	50.8
- of which vacation homes	2.9	2.5	2.5	2.5	2.5
Corporate clients	49.0	50.0	48.7	46.9	46.6
- of which subsidised housing	13.0	14.1	14.7	14.8	15.4
- of which private rental properties (rental housing)	19.0	18.3	16.2	14.7	13.6
- of which cooperative housing	3.8	4.2	4.1	4.3	4.9
- of which office and commercial properties	9.9	10.1	10.8	10.6	10.7

Loans to private residential rental property still account for a major part of the total loan portfolio. However, loans to personal clients increase due to the takeover of loans from Handelsbanken and account now for 51% of total loans. Overall, 87% of Jyske Realkredit's loan portfolio still consists of properties for residential purposes.

Breakdown of loans by loan type (%)

	2022	2021	2020	2019	2018
Adjustable-rate loans	59.6	50.8	51.5	52.7	53.2
- without instalment-free option	27.1	23.5	24.8	25.2	23.4
- with instalment-free option	32.5	27.3	26.7	27.5	29.8
Fixed-rate loans	30.9	38.7	35.8	33.2	31.4
- without instalment-free option	21.0	26.7	26.4	25.3	24.5
- with instalment-free option	9.9	12.0	9.5	7.8	6.9
Capped-rate mortgages, etc.	7.3	8.1	10.0	11.3	12.3
- without instalment-free option	3.1	3.4	4.2	4.8	5.4
- with instalment-free option	4.2	4.7	5.8	6.5	7.0
Other loans, including index-linked loans	2.2	2.4	2.6	2.8	3.1
Mortgage loans, total	100.0	100.0	100.0	100.0	100.0
- without instalment-free option	53.4	56.0	58.1	58.2	56.3
- with instalment-free option	46.6	44.0	41.9	41.8	43.7

Due to the yield spread between fixed-rate and floating-rate mortgage loans, more clients chose adjustable-rate mortgage loans in 2022. Hence adjustable-rate mortgage loans accounted for 59.6% of the portfolio in 2022 compared to 50.8% in 2021. For the most part, this increase can be attributed to the takeover of loans from Handelsbanken.

Average loan-to-value ratio by property category

	2022	2021	2020	2019	2018
Personal clients	48.1	52.7	59.9	61.3	61.9
- of which owner-occupied homes	48.5	53.2	60.4	61.6	62.2
- of which vacation homes	41.3	44.1	50.6	53.8	53.9
Corporate Clients	46.8	53.0	55.8	57.4	58.9
- of which private rental properties (rental housing)	50.1	57.4	60.7	62.6	64.2
- of which cooperative housing	36.5	46.9	51.2	53.0	54.4
- of which office and commercial properties	46.8	50.9	53.4	54.7	55.8
Subsidised housing	18.1	21.4	24.2	27.2	31.5
Mortgage loans, total	42.3	48.0	52.8	54.6	56.0

Again in 2022, 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 2018, the average loan-to-value ratio has fallen by 14 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 by 12 percentage points over the past four years. This is particularly evident for subsidised housing, where the ongoing transfer of loans to the state-guaranteed Capital Centre S has resulted in a decline.

So far, the economic uncertainty has not had any major negative effect on the housing market, even though property prices have fallen in some geographical areas. However, Jyske Realkredit is well prepared for any declines in housing prices and hence rising loan-to-value ratios. By comparison, 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	
	2022	2021	2022	2021
Stage 1	322.1	325.5	0.1	0.2
Stage 2	8.7	13.2	0.1	0.2
Stage 3	3.9	3.6	0.5	0.7
Stage 4	0.0	-	-	-
Management's estimate	-	-	0.6	0.7
Total	334.7	342.3	1.3	1.7

For 96% of the loans, there was no significant increase in credit risk as these loans are still in stage 1. The extent of the total impairment charges fell in 2022 relative to 2021.

Loans and impairment charges by internal rating, DKK bn

	Loans		Impairment charges	
	2022	2021	2022	2021
PD Ratings 1-2	198.5	192.7	0.4	0.1
PD Ratings 3-4	112.7	121.7	0.2	0.2
PD Ratings 5-6	14.1	17.9	0.2	0.2
PD 7	1.9	1.4	0.1	0.1
PD 8	1.2	2.0	0.0	0.1
PD 9 (default)	4.6	4.0	0.5	1.1
Others	1.6	2.7	0.0	0.0
Total	334.7	342.3	1.3	1.7

A look at the total loans by rating class shows that the development from 2021 to 2022 resulted in a larger proportion of loans in the best rating classes. The decline in impairment charges for clients in default was caused by falling individual impairment charges and the reversal of the management's estimate for covid-19. On the other hand, the management's estimate for the economic uncertainty was increased, which causes an increase in impairment charges for clients in the best rating categories.

Loans, advances and guarantees, DKKm

	2022	2021	Index 22/21	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Non-performing loans and guarantees:								
Loans, advances and guarantees before impairment charges	4,894	3,715	132	4,894	4,883	4,848	4,521	3,715
Impairment charges	525	1,046	50	525	642	774	793	1,046
Loans, advances and guarantees after impairment charges	4,369	2,669	164	4,369	4,241	4,074	3,728	2,669
NPL ratio (%)	1.3	0.8	163	1.3	1.3	1.3	1.1	0.8
NPL coverage ratio (%)	10.7	28.2	38	10.7	13.1	16.0	17.5	28.2
Past due mortgage loans (90 days)	302	356	85	302	216	185	168	356
Operational loan impairment charges and provisions for guarantees (- is income)	-272	64	-	-167	-12	-56	-37	-49
Operating losses	99	64	155	12	1	21	65	10

The increase in non-performing loans in the first quarter of 2022 related mainly to loans for personal clients, who have several times overdrawn their accounts with Jyske Bank. Loans to these clients have been recognised as non-performing loans since early 2022.

In the course of 2022, the NPL coverage ratio fell due to the derecognition in 2022 of the management's estimates made for the effects from covid-19 in 2021. In 2021, these management's estimates were to a great extent related to non-performing loans, which resulted in a higher NPL coverage ratio.

Arrears and losses, etc.

Despite the rising inflation and rising interest rates on mortgage loans, Jyske Realkredit has generally in 2022 not seen any credit quality deterioration.

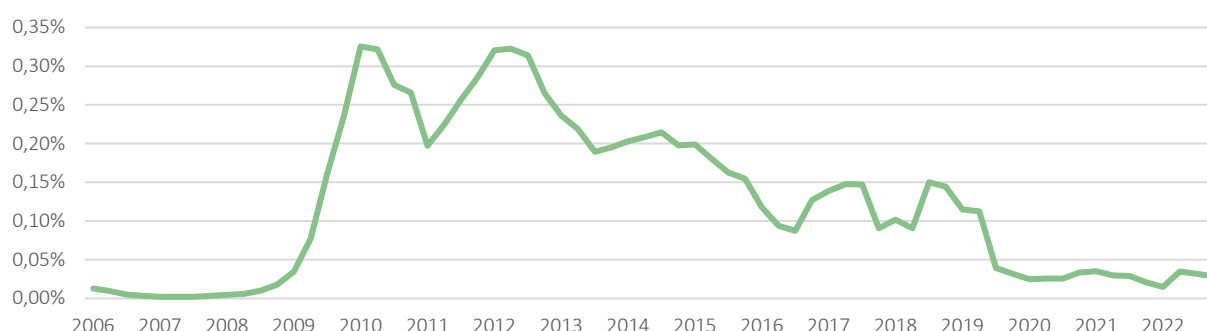
Arrears rate

	December 2022	September 2022	June 2022	March 2022	December 2021	September 2021
After 90 days	-	0.15	0.07	0.07	0.06	0.11
After 15 days	0.43	0.52	0.43	0.45	0.44	0.54

Generally, the level of arrears was low throughout 2022. The arrears rate measured 15 days after the December 2022 repayment date came to 0.43%, which is among the lowest arrears rates observed by Jyske Realkredit since 2006. In 2022, the arrears rate was low for loans to both personal and corporate clients.

In respect of recognised losses on loans, the situation is similar to that of arrears. For Jyske Realkredit, the loss rate observed is still close to the lowest level observed since the financial crisis.

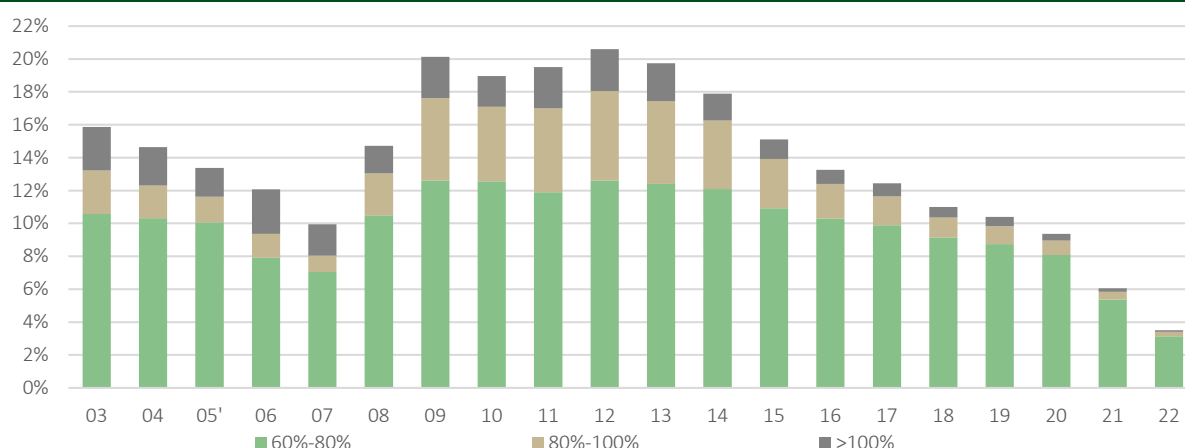
Loss as a percentage of loans - 12-month moving average



Relative to 2021, the year 2022 did not see the same high activity and demand for properties. Among other things, this can be attributed to rising interest rates, causing home financing to be more expensive. The falling demand for properties also influenced property prices, which in the second half of 2022 fell in some areas.

The proportion of loans with an LTV ratio above 80% is down to 1.2% of total loans, while only 0.1% of the loans have 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 amounts to DKK 22.1 bn (at the end of 2021: DKK 20.8 bn) and consists solely of Common Equity Tier 1, i.e., paid-up equity as well as retained profits. Hence, Jyske Realkredit's capital base does not include any loan capital, which is in line with Jyske Realkredit's wish to have a high quality of its capital base.

Capital requirement

The regulatory capital requirement (Tier I) is based on the measurement of the risk exposure for the risk types of 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 both risk types.

The total risk exposure amounted to DKK 78.2 bn at the end of 2022 against DKK 77.6 bn at the end of 2021. The development of the total risk exposure in the amount of DKK 0.6 bn can be attributed to two conflicting effects. The considerable increase in both short-term and long-term interest rates during 2022 resulted in steep price declines for the loans with an ensuing considerable decline in the REA for the loan portfolio. An opposite effect was seen from further block reservations totalling DKK 10.2 bn for uncertainty relating non-compliance of future requirements for IRB models as well as recognition of risks relating to the takeover of the loan portfolio from Handelsbanken.

At the end of 2022, the capital ratio of 28.3% was 1.5 percentage points higher than the capital ratio at the end of 2021 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

	2022	2021
Equity	22,159	20,798
Deferred tax assets ¹	-	-2
Other deductions	-62	-27
Common Equity Tier 1 capital / Core capital	22,096	20,769
Capital base	22,096	20,769
Credit risk	74,563	74,190
Market risk ²	-	11
Operational risk	3,631	3,419
Total risk exposure	78,193	77,621
Common Equity Tier 1 capital ratio (%)	28.3	26.8
Tier 1 Capital ratio (%)	28.3	26.8
Capital ratio (%)	28.3	26.8

¹ Deferred tax assets have been risk-weighted since Q3 2022 and are therefore no longer deducted from the capital base.

² The risk exposure to market risk is zero at the end of 2022, as Jyske Realkredit has since the 3rd quarter of 2022 made use of the option in Article 351 of the CRR, whereby the capital requirement for exchange rate risk can be omitted if the net currency position is less than 2% of the capital base.

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 Jyske Realkredit's adequate capital base as well as its individual solvency requirement. The assessment is based on the current relationship between Jyske Realkredit'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 2022, 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 7.6 bn at the end of 2022, corresponding to an individual solvency requirement of 9.7%, i.e., a decline by 0.3 percentage point relative to the end of 2021.

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 2.0% of the total risk exposure. However, the Minister for Industry, Business and Financial Affairs has decided to raise the countercyclical buffer by another 0.5 percentage point of the total risk exposure with effect as of the first quarter of 2023.

Jyske Realkredit's adequate capital base plus the combined capital buffer requirement amounts to DKK 12.3 bn, corresponding to an individual solvency requirement, inclusive of statutory buffers of 15.7% of the total risk exposure amount. Given the capital base of DKK 22.1 bn, Jyske Realkredit's excess capital adequacy amounts to DKK 9.8 bn.

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

	2022		2021	
Credit risk	5,965	7.6	5,935	7.6
Market risk	0	0.0	1	0.0
Operational risk	290	0.4	274	0.4
Capital requirement, Tier I	6,255	8.0	6,210	8.0
Credit risk	1,001	1.3	1,322	1.8
Market risk	290	0.4	210	0.2
Operational risk	25	0.0	23	0.1
Capital requirement, Pillar II	1,316	1.7	1,555	2.0
Adequate capital base	7,571	9.7	7,765	10.0
Capital conservation buffer	1,955	2.5	1,941	2.5
Systemic risk buffer	1,176	1.5	1,167	1.5
Countercyclical buffer	1,561	2.0	0	0.0
Combined capital buffer requirement	4,692	6.0	3,108	4.0
Adequate capital base, incl. combined capital buffer requirement	12,263	15.7	10,873	14.0
Excess capital adequacy	9,834	12.6	9,896	12.7

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 2022, the debt buffer requirement amounted to DKK 6.7 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 for the size of the Group's eligible liabilities at a consolidated level, where Jyske Realkredit's 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 December 2022, the leverage ratio for Jyske Realkredit was 6.06% against 5.52% at the end of 2021.

Leverage ratio, DKKm/%		
	2022	2021
Core capital	22,096	20,769
Total exposure value	364,662	375,947
Leverage ratio	6.06	5.52

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 December 2022, the OC requirement amounted to DKK 8.9 bn against DKK 8.2 bn at the end of 2021 and can be met through liquid assets financed with debt instruments as well as 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. In addition, supplementary security calculated as 2% of the issued amount of SDO bonds is required. At the end of December 2022, the SDO requirement amounted to DKK 9.1 bn, of which DKK 2.4 bn related to declining property values, etc. At the end of 2021 the SDO requirement amounted to DKK 3.7 bn according to the rules applicable at that time.

Basel III/IV

The EU Commission's proposal for implementation of the last elements of Basel III in the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD IV) is expected 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. Due to 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, Jyske Realkredit is already subject to higher capital requirements due to the implementation of new EBA guidelines, which took effect on 1 January 2022.

Stress test and capital requirements

Jyske Realkredit performs a series of stress tests of the capital structure and overcollateralisation based on 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 follows 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 of the LCR, Jyske Realkredit has, like other institutions, been allowed to offset interdependent incoming and outgoing cash flows relating to mortgage loans, cf. Article 26 of the LCR regulation.

The extent of these exemptions was limited in July 2022 so that now they only cover cash flows that in the opinion of the authorities are certain not to involve any liquidity risk. At the same time the LCR floor requirement of 2.5% of total mortgage loans was replaced by the so-called pillar II requirement, which is more explicitly calculated based on identified risks.

Hence requirements are made of the liquidity coverage for both the regular net outflow calculated according to the LCR rules and for each of the three risk elements in the pillar II requirement. At the end of 2022, the net outflow amounted to DKK 1.1 bn and the pillar II requirement to DKK 1.0 bn (the pillar II requirement is not included in the calculation of the LCR). The requirements must be met with HQLA (high-quality liquid assets), of which the total value is calculated according to the LCR rules. For Jyske Realkredit, this will primarily be in the form of bonds and cash. HQLA amounted to DKK 18.2 bn (at the end of 2021: DKK 17.4 bn), corresponding to an overcollateralisation of DKK 16.2 bn. At the end of 2022, the LCR was at 665% (2021: incalculable). According to regulation, the LCR must be at least 100%.

Net Stable Funding Ratio (NSFR)

The NSFR must ensure that the credit institutions' funding profile is of a sufficiently long-term and stable nature relative to the loans recognised on the assets side. It is calculated with a time horizon of one year. Parallel to the LCR statement, interdependent assets and liabilities can be exempt from the NSFR calculation. The NSFR was calculated at 230% at the end of 2022 (at the end of 2021: 256%) and must at least amount to 100% according to regulation.

The supervisory diamond for mortgage credit institutions

The supervisory diamond defines several special risk areas stating the limits that financial institutions should generally not exceed. At the end of 2022, Jyske Realkredit met all benchmarks of the supervisory diamond.

Supervisory diamond - benchmarks, %

	2022	2021
Concentration risk <100%	47.8	46.8
Increase in loans <15% annually in the segment:		
- Owner-occupied home and vacation homes	9.3	-1.2
- Residential rental property	6.5	8.3
- Other sectors	6.6	-0.5
Borrower's interest-rate risk <25%		
- Residential property	17.4	14.9
Instalment-free schemes <10%		
- Owner-occupied home and vacation homes	4.8	5.6
Loans with frequent interest-rate fixing:		
- Refinancing (annually) <25%	14.1	15.1
- Refinancing (quarterly) <12.5%	1.6	1.0

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 euro 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 daily. 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 2022, Jyske Realkredit's interest-rate risk was calculated at DKK 58m (2021: DKK 71m), 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 6m (2021: DKK 5m).

The currency positions are very modest in Jyske Realkredit's balance sheet and amounted to 0.4% of the capital base (2021: 0.3%).

Group recovery plan

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

The recovery plan specifies several 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 2022', available on jyskebank.dk/investorrelations/capitalstructure.

Funding and bond issues

In 2022, 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

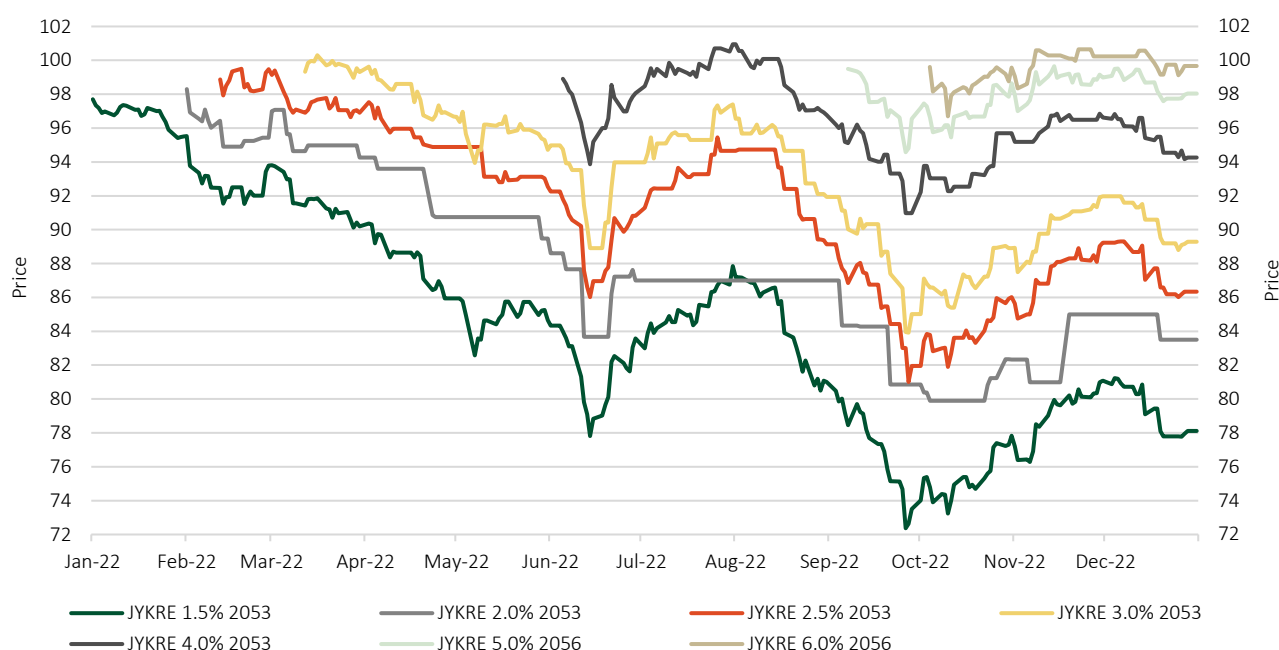
To ensure the best possible liquidity of the bonds issued, Jyske Realkredit chose in the second quarter of 2022 to bring forward the change of maturity of callable bonds. Instead of having the newly opened 30-year bonds mature in 2053 and hence close for new issues in the course of 2023, Jyske Realkredit chose to extend the time to maturity to 2056 so that the bonds could be used for a longer period than the usual three years.

In 2022, Jyske Realkredit issued its second 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, to finance energy renovation, or to finance production of renewable energy such as wind turbines and solar cells.

Bond prices

Throughout 2022, prices of Danish mortgage bonds fell, and especially prices of 30-year callable bonds fell considerably over the year. At the beginning of the year, 30-year fixed-rate loans were disbursed without the possibility of an instalment-free period for a 30-year callable bond with a coupon of 1.5%, while the open 30-year callable bond with instalments at a price close to 100 had, at the end of the year, a coupon of 6.0%. Due to the falling prices of the callable bonds, borrowers with fixed-rate loans remortgaged their loans with new fixed-rate loans with a higher coupon or or they remortgaged their loans with floating rate loans.

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



Issues in euro

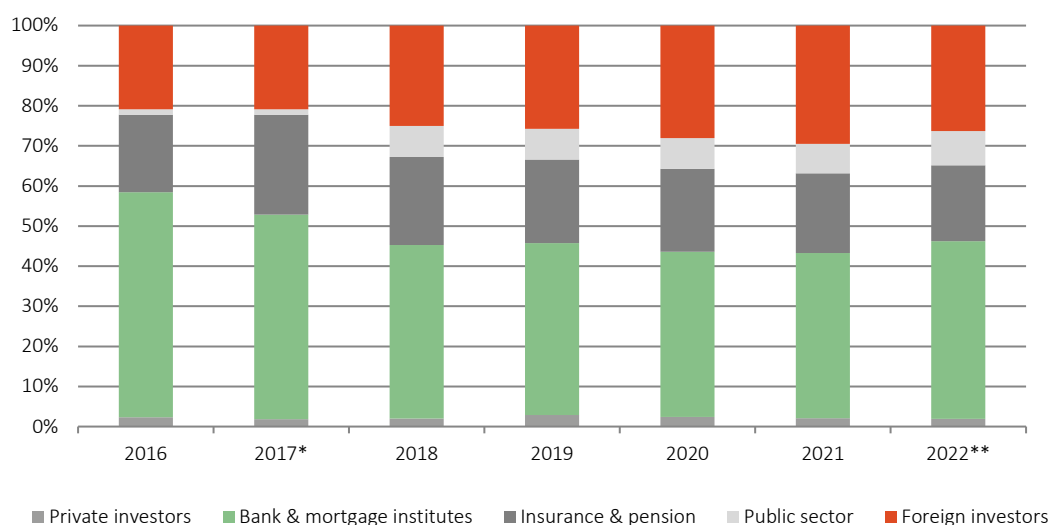
As the first Danish mortgage credit institution, Jyske Realkredit issued in 2016 bonds denominated in euro to be used for the funding of loans in Danish kroner. Issues take place at fixed benchmark sizes of minimum EUR 500m. Jyske Realkredit has chosen to issue bonds in euro to obtain greater diversification of investors who buy mortgage bonds from Jyske Realkredit. In connection with the issues in euro, Jyske Realkredit, has entered into derivatives agreements with a number of national and international banks to hedge the currency and interest-rate risk in full.

In August 2022, Jyske Realkredit issued further benchmark bonds in the amount of EUR 500m. This bond was also in demand by international investors.

Breakdown of equity interest

Also in 2022, 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 2022.

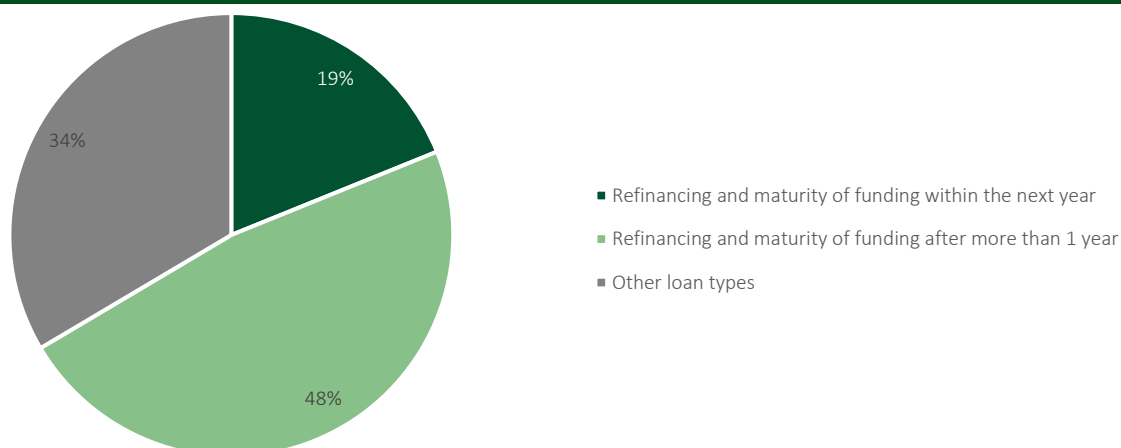
Source: Nationalbanken.dk and own calculations

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 own Jyske Realkredit bonds. The reason for this is that many foreign investors bought Jyske Realkredit's issues in euro, but at the same time the interest on the part of international investors in callable bonds issued in Danish kroner is increasing. However, in 2022 the proportion of international investors in Jyske Realkredit's bonds fell. This decline was caused by falling prices of callable bonds, as a result of which some borrowers remortgaged their properties from fixed-rate loan to floating-rate loans, in which the interest on the part of international investors is not as strong. Moreover, the international investors did not reinvest funds resulting from redemptions of callable bonds.

Funding of home loans

Due to the rising interest rates on long-term callable bonds, an increasing proportion of Jyske Realkredit's clients choose to mortgage their properties with a loan for which the interest rate is not fixed for the entire term of the loan. Loans taken over from Handelsbanken and financed through Jyske Realkredit bonds are primarily floating rate loans, which will be financed with bonds with shorter term to maturity than the term of the loan. On the whole, this means that the proportion of loans to be refinanced has grown relative to the level at the end of 2021.

Jyske Realkredit's loan portfolio by time of refinancing



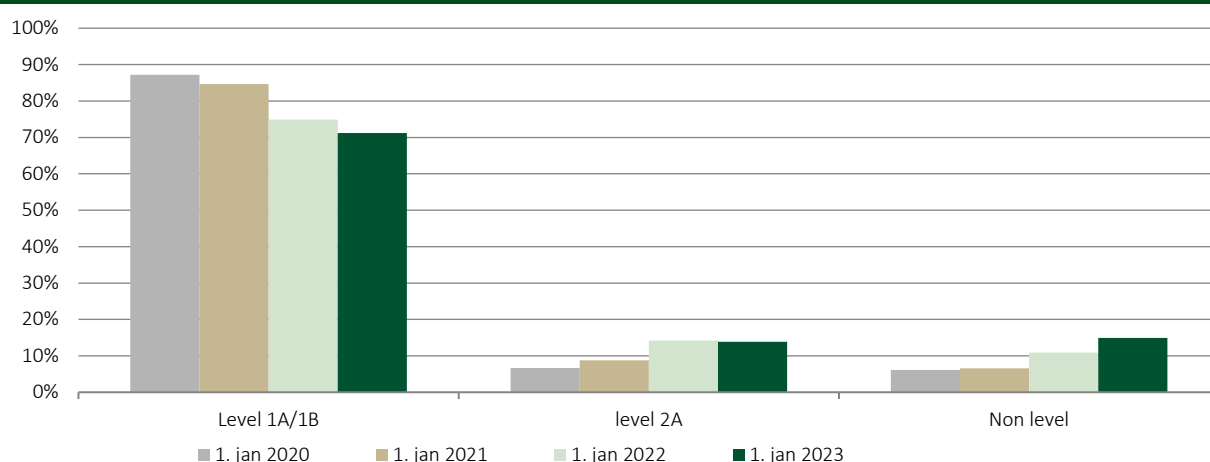
The information according to CRR Article 129(7) on covered bonds (SDO) - among other things, disclosure of the value of the cover pool and outstanding covered bonds (SDO), geographical distribution and type of covered assets, maturity structure and loans more than 90 days past due - will be disclosed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

Sizes of series under LCR

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

By gathering the refinancing of loans and issuing euro-denominated bonds in benchmark size, Jyske Realkredit ensures that a high proportion of the issued bonds will qualify for Level 1A/1B. However, the proportion of Level 1A/1B bonds fell in 2022. This fall can, among other things, be attributed to the need for issuing new bonds due to the development of callable bonds as well as the issuing of bonds from Capital Centre B to finance some of the loans from Handelsbanken.

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.

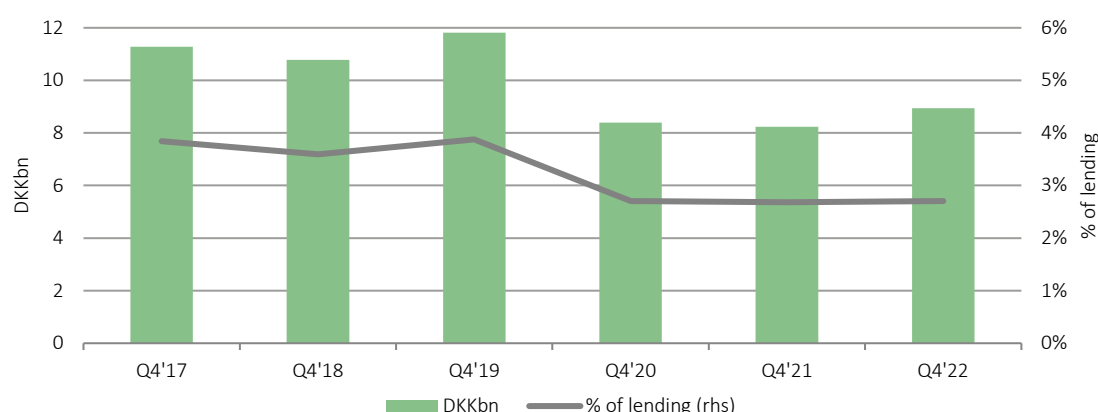
Rating

Jyske Bank and Jyske Realkredit's joint issuer rating by Standard & Poor's (S&P) is A (stable outlook), and Jyske Realkredit's bonds issued by Capital Centre E, Capital Centre B, and the General Capital Centre are rated AAA (stable).

Ratings		
As at 31 December 2022	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 2022.

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



In 2022, S&P's AAA requirements of supplementary collateral were at a very low level. In consequence of the growing portfolio, which must also be seen in the light of the addition of loans from Handelsbanken, the requirement of supplementary collateral was increased in the fourth quarter of 2022. Some of the loans from Handelsbanken are financed with mortgage bonds issued by Capital Centre B, where the percentage requirement that must be met to obtain an AAA rating is higher than if the loans had been financed with covered bonds (SDO) issued by Capital Centre E. However, it is expected that the overcollateralisation requirement to obtain an AAA rating for Capital Centre B will fall due to the credit quality of the loans from Handelsbanken.

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 2023 and it is therefore expected, with the current level of liquid assets to meet the AAA requirement.

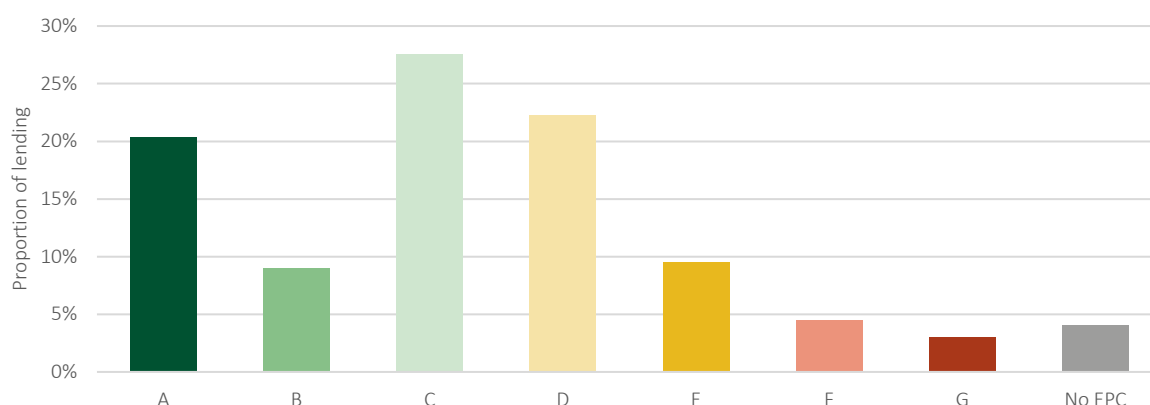
Sustainability

Jyske Realkredit is the first financial institution to launch a Sustainable Transparency Template. The template was prepared by Jyske Realkredit to offer investors insight into both the energy standard of the homes for which Jyske Realkredit has granted loans and the energy used in the homes broken down by resource. The template is available at jyskerealkredit.com/sustainable-transparency-template.

As the first Danish mortgage credit institution, Jyske Realkredit included sustainability data in its notes to the financial statements for 2021, which were audited by Jyske Realkredit's external auditor.

In the Sustainable Transparency Template, Jyske Realkredit publishes the distribution of Energy Performance Certificates for the properties it has financed. For the properties for which no valid Energy Performance Certificate has been issued, Jyske Realkredit estimates Energy Performance Certificates based on characteristics of the properties.

Jyske Realkredit's loan portfolio by energy rating



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

Estimated CO₂e 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	107,068	13.8
Subsidised housing	28,955	6.4
Cooperative housing	4,667	7.1
Residential rental properties	22,718	6.4
Office and commercial properties	41,659	12.4
Other	13,894	8.6
Total	218,961	9.8

The estimated CO₂ emission is based on the Energy Performance Certificate, heating source, and total floor area of the individual property. If the property has not been assigned an energy classification, the energy consumption and CO₂ emission will be estimated on basis of the characteristics of the property. The estimated CO₂ emission will offer a good idea of which properties 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 biogas (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 many 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	1,391	0.4
Green buildings	7.3	100,461	27.5
Subsidised housing	11.3	27,563	7.5
Total		129,415	35.4

Altogether, 35.4% of Jyske Realkredit's loans support one or more of the UN Sustainable Development Goals. It is expected that this proportion will increase over time.

Criteria of which loans that support UN Sustainable Development Goals are defined in Jyske Bank Green Finance Framework. So far there have been many different definitions of which financial activities can be qualified as sustainable. The EU wishes to change this, and therefore, in 2021, the first version of the EU Taxonomy Regulation (the EU Taxonomy) was published. The Taxonomy Regulation defines six climate and environment objectives with criteria defined under each objective that activities must meet in order to qualify as climate and environmentally sustainable. So far, only two intermediate objectives have been published: climate change mitigation and climate change adaptation. In order for an activity to support one of the objectives, it must meet the technical screening criteria as well as criteria ensuring that the activity does not cause any significant harm to any of the other objectives (the do no significant harm principle). At present, the Jyske Realkredit Sustainable Transparency Template states the activities that Jyske Realkredit finances and that meet the technical screening criteria under the objective of climate change mitigation. Going forward, Jyske Realkredit will endeavour also to classify loans that meet the other objectives under the Taxonomy Regulation.

Loans subject to the technical screening criteria of the EU taxonomy regulation's targets to counter climate changes

Loan type	Criterion	Loans and advances (DKKm)	Share of total loans (%)
Electricity from the sun	4.1	35	0.0
Electricity from the wind	4.3	854	0.2
Distribution of electricity	4.9	502	0.1
Ownership of existing buildings	7.7	85,386	23.4
Total		86,777	23.7

The loan criteria are stated in the notes to the financial statements.

In 2022, Jyske Realkredit expanded its Sustainable Transparency Template, so it now also includes sustainability data, for instance on CO₂ emissions at a level corresponding to each bond.

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 2022, 25 (2021: 25) persons were employed directly by Jyske Realkredit, and there were 594 (2021: 561) whose employment was split between the two companies, where the proportion relating to Jyske Realkredit was calculated at 239 (2021: 238) full-time equivalents.

The guidelines for corporate governance and data ethics are available on www.jyskebank.dk/investorrelations/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 2022, which is available on www.jyskebank.dk/investorrelations/sustainability.

Outsourcing

Jyske Bank and Jyske Realkredit cooperate in respect of staff functions as well as business functions. Jyske Realkredit has outsourced several 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 assumes 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 of 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 others:

- 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 ensure 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 2022' for Jyske Bank which is available on jyskebank.dk/investorrelations/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 based on 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 monthly 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 Internal Audit will regularly follow up on the implementation of the recommendations made. The head of the Internal Audit 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 oversees 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.com, which gives detailed financial information about Jyske Realkredit.

Dividend

At the Annual General Meeting, the Supervisory Board will propose that no dividend will be distributed for 2022.

General Meeting

The Annual General Meeting will be held in Kgs. Lyngby on 29 March 2023.

Financial calendar

Jyske Realkredit anticipates releasing financial statements on the following dates in 2023:

2 May	Interim Financial Report, first quarter of 2023
15 August	Interim Financial Report, first half of 2023
31 October	Interim Financial Report, first nine months of 2023

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 2022:

Member of the Supervisory Board	Born	Appointed a Board member	Nomination committee	Directorships held in other commercial enterprises
Niels Erik Jakobsen, Managing Director, Chairman	1958	2014	Chairman	<ul style="list-style-type: none"> Board member (deputy chairman), Letpen-sion Forsikringsformidling 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 (deputy 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 2022:

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"> -

Income Statement and Statement of Comprehensive Income

DKK m

Note		2022	2021
Income statement			
4	Interest income	6,182	5,171
5	Interest expenses	3,659	2,817
	Net interest income	2,523	2,354
	Dividends, etc.	-	5
6	Fees and commission income	613	517
	Fees and commission expenses	1,266	1,223
	Net interest and fee income	1,870	1,654
7	Value adjustment (- is an expense)	-6	110
	Other operating income	0	0
8.9	Employee and administrative expenses	364	360
	Other operating expenses	30	29
10	Loan impairment charges (- is income)	-272	64
	Pre-tax profit	1,743	1,311
11	Tax	383	283
	Profit for the year	1,361	1,028
	Distributed to:		
	Jyske Realkredit A/S shareholders	1,361	1,028
	Total	1,361	1,028

Statement of Comprehensive Income

	Profit for the year	1,361	1,028
	Other comprehensive income	-	-
	Comprehensive income for the year	1,361	1,028
	Distributed to:		
	Jyske Realkredit A/S shareholders	1,361	1,028
	Total	1,361	1,028

Balance Sheet

DKK m

Note	2022	2021
Assets		
Cash balance and demand deposits with central banks	11,335	367
13 Due from credit institutions and central banks	854	11,110
14.15 Loans at fair value	333,728	340,969
17 Bonds at fair value	12,668	15,906
Shares, etc.	60	54
18 Deferred tax assets	3	2
19 Assets in temporary possession	41	55
20 Other assets	923	562
Prepayments	10	9
Assets, total	359,621	369,035
Equity and liabilities		
Liabilities		
21 Due to credit institutions and central banks	416	343
22 Issued bonds at fair value	329,529	344,817
Issued bonds at amortised cost	750	750
Current tax liabilities	365	283
23 Other liabilities	6,370	2,030
Deferred income	28	12
Liabilities, total	337,458	348,235
Provisions		
24 Other provisions	5	3
Total provisions	5	3
Equity		
Share capital	500	4,306
Share premium	102	102
Retained profit	21,557	16,389
Total equity	22,159	20,798
Total equity and liabilities	359,621	369,035
Off-balance sheet items		
Guarantees, etc.	0	0
Other contingent liabilities, etc. (loan offers, etc.)	13,714	14,614
Total guarantees and other contingent liabilities	13,714	14,614

Statement of Changes in Equity

DKKm

	Share capital	Share premium	Retained profit	Total equity
Equity on 1 January 2022	4,306	102	16,389	20,798
Reduction of nominal share capital	-3,806	-	3,806	-
Profit for the year	-	-	1,361	1,361
Comprehensive income for the year	-	-	1,361	1,361
Equity on 31 December 2022	500	102	21,557	22,159
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

All shares are owned by Jyske Bank A/S, and the share capital consists of 5,000,000 shares of DKK 100 each.

In May 2022, Jyske Realkredit's nominal share capital was reduced by DKK 3,806m through provisions for a special reserve (distributable reserve). Jyske Realkredit's total equity was not affected by the reduction.

Of the equity an amount of DKK 21,503m (2021: DKK 19,629m) was allocated to meet the capital requirement of 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 656m (DKK 1,168m) 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

	2022	2021
Equity	22,159	20,798
Prudent valuation	-36	-17
Deferred tax assets	-	-2
Other deductions	-26	-10
Common Equity Tier 1 capital / Core capital	22,096	20,769
Capital base	22,096	20,769
Weighted risk exposure involving credit risk etc.	74,563	74,190
Weighted risk exposure involving market risk	-	11
Weighted risk exposure involving operational risk	3,631	3,419
Total weighted risk exposure	78,193	77,621
Capital requirement, Pillar I	6,255	6,210
Capital requirement, total	6,255	6,210
Capital ratio (%)	28.3	26.8
Core capital ratio (%)	28.3	26.8
Common Equity Tier 1 capital ratio (%)	28.3	26.8

Deferred tax assets have been risk-weighted since Q3 2022 and are therefore no longer deducted from the capital base.

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

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Notes

DKKm

1 Key figures and ratios

	2022	2021	2020	2019	2018
Net interest and fee income	1,870	1,654	1,779	1,830	2,243
Value adjustment (- is an expense)	-6	110	218	-53	-81
Employee and administrative expenses	364	360	320	283	707
Loan impairment charges (- is income)	-272	64	485	35	369
Profit on investments in associates and group enterprises	-	-	-	-	10
Profit for the year	1,361	1,028	908	1,117	999
Loans	333,728	340,969	344,965	338,666	327,403
Equity	22,159	20,798	19,769	18,861	17,744
Total assets	359,621	369,035	377,132	384,899	353,280
Capital ratio (%)	28.3	26.8	25.4	23.1	22.1
Core capital ratio (%)	28.3	26.8	25.4	23.1	22.1
Common Equity Tier 1 capital ratio (%)	28.3	26.8	25.4	23.1	22.1
Pre-tax profit as a pct. of average equity	8.1	6.5	6.0	7.8	7.5
Net profit as a percentage of average equity	6.3	5.1	4.7	6.1	6.0
Income/cost ratio (%)	15.4	3.9	2.4	5.2	2.1
Currency position (%)	0.4	0.3	0.5	0.5	0.8
Accumulated impairment ratio (%)	0.4	0.5	0.5	0.4	0.4
Impairment ratio for the year (%)	-0.08	0.02	0.14	0.01	0.11
Increase in loans for the year (%)	7.9	1.4	1.6	3.0	6.7
Loans relative to equity	15.1	16.4	17.4	18.0	18.5
Return on capital employed	0.38	0.28	0.24	0.29	0.28

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

2 Alternative performance targets

	2022			2021		
	Core profit (Mortgage loans)	Reclassi- fication	Total	Core profit (Mortgage loans)	Reclassi- fication	Total
Administration margin income, etc.	2,356	-	2,356	2,343	-	2,343
Other net interest income, etc.	160	8	167	15	-3	11
Net interest income	2,515	8	2,523	2,358	-3	2,354
Dividends, etc.	-	-	-	-	5	5
Net fee and commission income	-653	-	-653	-706	-	-706
Net interest and fee income	1,862	8	1,870	1,652	2	1,654
Value adjustments	2	-8	-6	107	3	110
Other income	0	-	0	5	-5	0
Income	1,865	-	1,865	1,764	-	1,764
Expenses	394	-	394	389	-	389
Profit before loan impairment charges	1,471	-	1,471	1,375	-	1,375
Loan impairment charges	-272	-	-272	64	-	64
Pre-tax profit	1,743	-	1,743	1,311	-	1,311

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), page 2, and income statement items on page 34 prepared according to the Danish Executive Order on the Preparation of Financial Statements. Expenses in the above table relate to Employee and administrative expenses as well as Other operating expenses in the income statement according to the Danish Executive Order on the Preparation of Financial Statements.

Reclassification relates to the following:

- Expenses of DKK 8m (2021: income of DKK 3m) due to value adjustments relating to the balance principle was reclassified from value adjustments to interest income.
- No dividend from equity investment was received in 2022 (2021: DKK 5m). Dividend is recognised under Other income.

3 Segments - sales, geography and public subsidies

In 2022, Jyske Realkredit's total sales amounted to DKK 6,794m (2021: DKK 5,689m).

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

In 2022, Jyske Realkredit did not receive any special subsidies related to mortgage banking activities.

Notes

DKK m

	2022	2021
4 Interest income		
Due from credit institutions and central banks ¹	19	-34
Loans	3,939	3,063
Administration margin	2,029	1,959
Bonds	207	82
Derivatives	98	77
Other interest income	0	-
Interest income before offsetting of interest on own bonds	6,291	5,147
Interest on own mortgage bonds, set off against interest on issued bonds	157	94
Total after offsetting of negative interest income	6,135	5,053
Negative interest income set off against interest income	7	62
Negative interest expenses set off against interest expenses	41	57
Total before offsetting of negative interest income	6,182	5,171
¹ Of which interest income on reverse repos carried under 'Due from credit institutions and central banks'	-2	-35
5 Interest expenses		
Due to credit institutions and central banks ¹	16	21
Issued bonds	3,724	2,821
Other interest expenses	29	-49
Interest expenses before offsetting of interest on own bonds	3,768	2,792
Interest on own mortgage bonds, set off against interest on issued bonds	157	94
Total after offsetting of negative interest expenses	3,612	2,698
Negative interest expenses set off against interest expenses	41	57
Negative interest income set off against interest income	7	62
Total before offsetting of negative interest income	3,659	2,817
¹ Of which interest expenses on repos carried under 'Due to credit institutions and central banks'	0	0
Interest on 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 on swaps in the amount of DKK 20m was in 2022 recognised under other interest expenses (2021: DKK 124m).		
6 Fees and commission income		
Securities trading	358	289
Loan application fees	255	228
Other fees and commissions	0	0
Total	613	517

Notes

DKK m

	2022	2021
7 Value adjustment (- is an expense)		
Mortgage loans ¹	-32,991	-8,736
Other loans and receivables at fair value	-22	0
Bonds	-424	-31
Shares, etc.	6	22
Currency	0	1
Currency, interest-rate and other contracts as well as other derivatives ¹	-1,483	-285
Issued mortgage bonds ¹	34,909	9,140
Total	-6	110

¹ Value adjustments of the balance principle for Jyske Realkredit amounted to a total expense of DKK 3m (2021: DKK -8m), resulting from net value adjustments of the following items: Mortgage loans by DKK -33,082m (DKK -8,779m), issued mortgage bonds by DKK +34,909m (DKK 9,140m) and derivatives by DKK -1,829m (DKK -369m), recognised under 'Currency, interest-rate and other contracts as well as other derivatives'.

8 Employee and administrative expenses

Employee expenses

Wages and salaries, etc.	23	20
Pensions	2	2
Payroll tax	4	4
Social security	0	0
Total	29	26

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

Executive Board	6	7
Supervisory Board	0	0
Total	6	7

Other administrative expenses

IT	17	16
Other administrative expenses inclusive of intra-group service agreement	311	311
Total	328	327

Employee and administrative expenses, total

	364	360
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Wages and salaries, etc.

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

Information about the Executive Board's and the Supervisory Board's remuneration 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	24	23
Contractual remuneration	13.5	12.9
Variable remuneration	0.1	0.0
Defined contribution pensions	1.6	1.5

The group comprises employees (exclusive of the Executive Board) with a special impact on Jyske Realkredit's risk profile. Of the above-mentioned 24 persons, 16 (2021: 16) 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. Salaries of employees split between the companies are recognised with the proportion that relate to Jyske Realkredit. 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

DKKmn

	2022	2021
9 Number of employees		
Average number of employees for the financial year (full-time employees)	25	26
No. of employees at year-end	25	25
No. of employees split between the companies, end of the year	594	561
No. of employees split between the companies converted to full-time equivalent	239	238
10 Loan impairment charges (- is income)		
Loan impairment for the year	-289	37
Recognised as a loss, not covered by impairment charges	32	45
Recoveries	-15	-18
Total	-272	64
Balance of impairment charges		
Balance of impairment charges, beginning of period	1,741	1,723
Loan impairment for the year	-289	37
Recognised as a loss, covered by impairment charges	-68	-19
Balance of impairment charges, end of period	1,384	1,741
Mortgage loan impairment charges	1,276	1,613
Impairment charges on other loans and receivables, etc.	108	128
Balance of impairment charges, end of period	1,384	1,741

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

Breakdown of balance of impairment charges by stage - 2022

	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of period	323	382	1,036	1,741
Transfer of impairment charges at the beginning of the period to stage 1	86	-80	-6	-
Transfer of impairment charges at the beginning of the period to stage 2	-7	29	-22	-
Transfer of impairment charges at the beginning of the period to stage 3	-1	-38	40	-
Impairment charges relating to new loans	172	52	21	246
Decline in the balance of impairment charges due to repayment of loans	-67	-143	-190	-399
Effect from recalculation	162	15	-313	-136
Previously recognised as impairment charges, now losses	0	-1	-66	-68
Balance of impairment charges, end of period	668	216	500	1,384

Breakdown of balance of impairment charges by stage - 2021

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

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

In 2022, Jyske Realkredit took over a few loans that were credit-impaired at initial recognition. No impairment charges for these were recognised in 2022.

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.

The increase in impairment charges under Stage 1) in 2022 was caused by the fact that new impairment charges relating to management's estimates in 2022 were mainly distributed on non-credit impaired loans (Stage 1). The decline in impairment charges in stage 3 relates to an improvement of the credit quality of the clients and an increase in the value of the underlying collateral.

The year 2021 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 management's estimate. This estimate is based on specific observations and is calculated on the basis of the expected risks of the loan portfolio.

The total additions for loan impairment charges and provisions for guarantees estimated by management amounted to DKK 585m against DKK 680m at the end of 2021 and are distributed as stated in the below table.

Specification of management's estimates	2022	2021
Personal clients		
Macroeconomic risks	185	185
Process-related risks	35	35
Total	220	220
Corporate Clients		
Macroeconomic risks	365	460
Process-related risks	-	-
Total	365	460
Total	585	680

Compared to the 2021 financial statements, the estimate for the scenario effect, COVID-19, the sensitivity of commercial property to low returns have been gathered under macroeconomic risks. Hence the balance at the end of 2021 relating to COVID-19 in the amount of DKK 515m forms part of the total of DKK 600m, which at the end of 2021 was termed Macroeconomic risks and part of the DKK 45m termed non-linear impairment effects. The entire amount of DKK 515m relating to COVID-19 was reversed in 2022. The estimate relating to limited financial insight was divided so that the part relating to errors in processes was recognised under process-related risks together with expiry of instalment-free periods, while the remaining part was recognised under macroeconomic risks.

Notes

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

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. Each quarter, 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.

Area	Rationale	Method of measurement, material assumptions and method	Sub-portfolio
Macroeconomic risks	At the end of 2022, management's estimated additions to macroeconomic risks covered expected losses relating to: - Energy crisis, high inflation, increasing interest rates, rising housing burden, etc., including the derived negative economic effects from the war in Ukraine. - In continuation of the above, expectations point to a challenged property market and by implication declining values of especially commercial property	The effect on impairment charges has for Jyske Realkredit been computed by assessing the scope of commercial property with LTV>100 in a middle stress scenario in which interest rates increase by a further 2 percentage points, the required rate of return by 1 percentage point and rental income declines by 5%-10%. For loans and advances to private homes at Jyske Realkredit the evaluation of the effect on impairment charges is based on expert estimates of the number of clients who may land in financial difficulties.	Jyske Realkredit's portfolio of corporate and personal clients in stages 1, 2 and 3.
Impairment effects derived from macroeconomic scenarios (quantification of non-linear impairment effects)	The calculation of impairment charges is associated with a number of assumptions about expectations of the future economic development. To take account of uncertainties relating to these assumptions the impairment effect is quantified in several economic scenarios. Therefore, at the end of 2022, additions to non-linear impairment effects estimated by management cover estimated loss associated with the non-linear correlation of the impairment effect in case of different economic scenarios (good, base-line, weak and hard economic scenarios).	The quantification of non-linear impairment effects (sensitivities relating to the base-line scenario) is for clients in stages 1 and 2 calculated by stressing input parameters for PD and the value of property security. In the Jyske Bank Group's ordinary impairment model a probability-weighted expected loss based on several scenarios is calculated for credit-impaired loans and advances (stage 3). Consequently, the result hereof is not included under management's estimates. All in all, impairment charges of DKK 25m relating to non-linear impairment effects were recognised.	Jyske Realkredit's portfolio of corporate and personal clients in stages 1 and 2.
Process-related risks	At the end of 2022, management's estimated additions to process-related risks covered expected losses relating to: - Errors in the risk classification in connection with exposures with limited financial insight and erroneous assessment of risk - Expiry of instalment-free periods where the models cannot to a sufficient degree handle the higher risk at the time of the expiry of the instalment-free period. The effect on impairment charges of these risks is reassessed on an ongoing basis and at least once a year based on controls performed and the size of the portfolio.	The extent of process-related risks is estimated on basis of ongoing spot checks and controls for identification and registration of risks. Based on this, it has been experienced that the identified circumstances are in the nature of risks that have not yet been registered and risks that have been misinterpreted in manual processes. For each of the spot checks carried out, the impairment effect was calculated for the spot check, and subsequently the portfolio effect was estimated by scaling the results from the spot check to the portfolio.	Jyske Realkredit's portfolio of corporate and personal clients in stages 1 and 2.

Notes

DKK m

	2022	2021
11 Tax		
Current tax	383	283
Change in deferred tax	0	0
Changes in deferred tax due to a change to the tax rate ¹	-0	-
Adjustment of tax for previous years	0	0
Total	383	283
Effective tax rate		
Current tax rate	22.0	22.0
Adjustments as regards previous years	0.0	0.0
Non-taxable income and non-deductible expenses, etc.	0.0	-0.4
Effect of the change to the corporation tax rate ¹	-0.0	-
Effective tax rate	21.9	21.6

¹ The corporation tax rate from financial services companies was raised from 22.0 in 2022 to 25.2 in 2023 and to 26.0 for 2024 and onwards.

Notes

DKKkM

	2022	2021
12 Contractual time to maturity		
Assets		
Due from credit institutions and central banks		
Demand deposits	766	542
Up to 3 months	88	10,568
Over 3 months and up to 1 year	-	-
Over 1 year and up to 5 years	-	-
Over 5 years	-	-
Total	854	11,110
Loans at fair value ¹		
Up to 3 months	1,691	2,175
Over 3 months and up to 1 year	6,437	7,389
Over 1 year and up to 5 years	39,531	43,102
Over 5 years	286,069	288,304
Total	333,728	340,969
Bonds at fair value		
Up to 3 months	1,576	661
Over 3 months and up to 1 year	5,639	8,778
Over 1 year and up to 5 years	5,145	6,443
Over 5 years	307	23
Total	12,668	15,906
Liabilities		
Due to credit institutions and central banks		
Demand deposits	258	78
Up to 3 months	158	265
Over 3 months and up to 1 year	-	-
Over 1 year and up to 5 years	-	-
Over 5 years	-	-
Total	416	343
Issued bonds at fair value ¹		
Up to 3 months	1,733	2,741
Over 3 months and up to 1 year	75,906	65,377
Over 1 year and up to 5 years	138,483	124,687
Over 5 years	113,406	152,012
Total	329,529	344,817
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 42.

Notes

DKKm

	2022	2021
13 Due from credit institutions and central banks		
Due from credit institutions	854	595
Reverse repos	-	10,515
Total	854	11,110

The major part of amounts due from credit institutions was reduced in connection with the mortgage payments due on 2 January 2023. 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	365,595	338,965
Adjustment for interest-rate risk, etc.	-30,839	3,223
Adjustment for credit risk	-1,371	-1,613
Mortgage loans at fair value	333,386	340,575
Arrears before loan impairment charges	54	72
Arrears and outlays, total	54	72
Other loans and receivables	289	322
Total	333,728	340,969

Of the adjustment for credit risk, DKK 95m was attributed to the discount balance in connection with the acquisition of loans stemming from Handelsbanken's Danish activities.

15 Mortgage loans at fair value broken down by property category		
Owner-occupied homes	160,095	159,298
Vacation homes	9,713	8,386
Subsidised housing (rental housing)	44,819	52,141
Cooperative housing	11,181	14,163
Private rental properties (rental housing)	63,110	61,890
Industrial properties	3,314	2,729
Office and business properties	33,611	33,582
Agricultural properties, etc.	158	148
Properties for social, cultural and educational purposes	7,344	8,181
Other properties	42	56
Total	333,386	340,575

16 Collateral by type		
Guarantees	41,120	39,373
Real property, residential	167,664	164,531
Real property, commercial	125,177	136,336
Total	333,961	340,240

The amounts are determined at fair value.

Jyske Realkredit has not seen any 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, such as 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

	2022	2021
17 Bonds at fair value		
Own mortgage bonds	17,926	11,037
Other mortgage bonds	12,668	15,906
Total before offsetting of own mortgage bonds	30,593	26,942
Own bonds (offset against issued bonds)	-17,926	-11,037
Total	12,668	15,906

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 parx 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 Deferred tax assets

Broken down into the following balance sheet items:	Tangible assets	Provisions for liabilities	Total
Carrying amount at beginning of 2021	2	0	3
Adjustment in income statement	-1	0	-0
Carrying amount at end of 2021	2	1	2
Adjustments relating to the change of the corporation tax rate ¹	0	0	0
Adjustment in income statement	-0	0	-0
Carrying amount at end of 2022	2	1	3

¹ The corporation tax rate from financial services companies was raised from 22.0 in 2022 to 25.2 in 2023 and to 26.0 for 2024 and onwards.

19 Assets held temporarily

Properties acquired through foreclosure	41	55
Total	41	55

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 2022, Jyske Realkredit had 11 (2021: 13) properties acquired through foreclosure, of which 1 (2021: 2) was acquired within the last 12 months.

The properties held over the past 12 months consist primarily of residential rental property, from which sales of owner-occupied flats take place on an ongoing basis when the original tenants move out.

Notes

DKKbn

	2022	2021
20 Other assets		
Positive fair value of derivatives, etc. ¹	854	325
Interest and commission receivable	48	17
Loan applications in process	6	41
Other assets	15	179
Total	923	562

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.

21 Due to credit institutions and central banks		
Due to credit institutions	416	343
Total	416	343

22 Issued bonds at fair value		
Issued mortgage bonds, nominal value	380,506	352,080
Adjustment to fair value	-33,052	3,773
Own mortgage bonds, fair value	-17,926	-11,037
Total	329,529	344,817
Of 'issued mortgage bonds, nominal value':		
Pre-issued	7,885	5,512
Drawn for redemption at next repayment date	7,989	6,113

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 2.5 bn in 2022 (2021: an increase by DKK 0.6 bn). Since the issue, the accumulated change in fair value of the issued mortgage bonds at the end of 2022 attributable to credit risk is estimated to be an increase of DKK 3.7 bn (2021: 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 330 bn (2021: DKK 345 bn) and the nominal value of the issued bonds of DKK 362 bn (2021: DKK 341 bn), which corresponds to the value that is to be paid back at drawing and/or maturity of the bonds, amounts to DKK -32 bn (2021: DKK 4 bn).

23 Other liabilities		
Negative fair value of derivatives, etc. ¹	2,403	239
Interest and commission payable	1,732	1,285
Other liabilities ²	2,235	507
Total	6,370	2,030

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.

² Under 'Other liabilities', the outstanding purchase price relating to loans acquired from Handelsbanken is recognised at DKK 1,498m.

Notes

DKK m

	2022	2021
24 Other provisions		
Beginning of period	3	2
Additions	2	1
Provisions used	0	0
End of year	5	3
Provisions are expected to fall due:		
Within 1 year	-	-
Over 1 years	5	3

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.

25 Off-balance sheet items

Guarantees, etc.

Other guarantees	0	0
Total	0	0

Other contingent liabilities, etc.

Irrevocable loan commitments (mortgage offers)	13,696	14,593
Other contingent liabilities	17	21
Total	13,714	14,614

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.

Other informations

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

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

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

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

26 Collateral

Margin accounts, derivatives, etc.	88	53
Total	88	53

Repo transactions involve an arrangement where bonds are provided as collateral for the amount borrowed. See note 27 for further details.

27 Security provided for financial assets and liabilities

	Carrying amount	Offsetting, master netting agreement	Collateral	Net value
2022				
Financial assets				
Derivatives with positive fair value	854	844	-	10
Total	854	844	-	10
Financial liabilities				
Derivatives with negative fair value	2,403	844	-158	1,717
Total	2,403	844	-158	1,717

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

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 333,386m (2021: DKK 340,575m) and other assets of DKK 25,532m (19,691m) were at the end of 2022 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.

28 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.

Jyske Realkredit's shareholding consists solely of unlisted shares, where the value is measured, among other things, on the basis of the companies' most recent financial statements available.

28 Notes on fair value, cont.

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

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

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

Information about differences between recognised value and measurement of fair value

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

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

	2022	2021
29 Recognised financial instruments		
Financial assets at fair value adjusted through the income statement		
Bonds	12,668	15,906
Other assets - derivatives	854	325
Shares, etc.	60	54
Loans	333,728	340,969
Financial assets at amortised cost		
Cash balance and demand deposits with central banks	11,335	367
Due from credit institutions and central banks	854	11,110
Financial liabilities at fair value adjusted through the income statement		
Other liabilities - derivatives	2,403	239
Issued bonds	329,529	344,817
Financial liabilities at amortised cost		
Due to credit institutions and central banks	416	343
Issued bonds	750	750

30 The fair value hierarchy

	Quoted prices	Observable prices	Non- observable prices	Fair value, total	Recognised value
2022					
Financial assets					
Loans at fair value	-	333,728	-	333,728	333,728
Bonds at fair value	11,817	850	-	12,668	12,668
Shares, etc.	-	-	60	60	60
Derivatives	9	846	-	854	854
Total	11,826	335,424	60	347,310	347,310
Financial liabilities					
Derivatives	0	2,403	-	2,403	2,403
Issued bonds at fair value	251,667	77,862	-	329,529	329,529
Total	251,667	80,265	-	331,932	331,932

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

	2022	2021
Non-observable prices		
Fair value, beginning of period	54	183
Capital gain and loss recognised in the income statement	6	22
Sales or redemption	-	-151
Fair value, end of year	60	54

No considerable transfers took place between the three levels in neither 2021 nor 2022.

Non-observable prices

Non-observable prices at the end of 2022 referred to unlisted shares recognised at DKK 60m (2021: DKK 54m). At the end of 2022, 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.

31 Fair value of non-financial assets and liabilities

	Quoted prices	Observable prices	Non- observable prices	Total
2022				
Non-financial assets				
Assets held temporarily	-	-	41	41
Total	-	-	41	41
2021				
Non-financial assets				
Assets held temporarily	-	-	55	55
Total	-	-	55	55

No transfers took place between the three levels in 2021 and in 2022.

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.

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

The determination at fair value of financial assets and liabilities recognised at amortised cost shows that for neither 2021 nor 2022 there was no total non-recognised unrealised loss.

	2022		2021	
	Carrying value	Fair value	Carrying 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.

33 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.

34 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

34 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

34 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
2022							
Owner-occupied homes	69.6	56.5	28.1	5.5	0.5	160.1	80%
Vacation homes	5.0	3.4	1.1	0.1	0.0	9.7	75%
Cooperative housing	4.1	3.8	2.7	0.6	0.0	11.2	80%
Private rental properties (rental housing)	33.9	19.2	8.7	1.2	0.2	63.1	80%
Industrial properties	1.5	1.2	0.6	0.1	0.0	3.3	60%
Office and business properties	14.2	12.2	6.0	0.9	0.3	33.6	60%-70%
Other property categories	3.8	2.7	0.8	0.2	0.1	7.5	60%-80%
Total excl. subsidised housing (rental housing)	132.0	99.0	48.0	8.4	1.1	288.6	
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	

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

Loan impairment charges

Jyske Realkredit recognises loan impairment charges and provisions for guarantees already as of the first recognition. All loans are divided into four 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
4. Loans that were credit-impaired at first recognition

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

35 Credit exposures by rating class

DKK bn

Rating category (STY)	PD level (%)	Stage 1	Stage 2	Stage 3	Stage 4	Total
Loans at fair value 2022						
1	0.00-0.10	53.0	-	-	-	53.0
2	0.10-0.15	1.6	-	-	-	1.6
3	0.15-0.22	11.5	-	-	-	11.5
4	0.22-0.33	28.2	-	-	-	28.2
5	0.33-0.48	69.3	0.2	-	-	69.4
6	0.48-0.70	58.4	0.0	-	-	58.5
7	0.70-1.02	50.1	0.1	-	-	50.2
8	1.02-1.48	24.5	0.1	-	-	24.6
9	1.48-2.15	13.7	0.2	-	-	13.9
10	2.15-3.13	4.1	0.6	-	-	4.7
11	3.13-4.59	2.5	1.4	-	-	4.0
12	4.59-6.79	1.0	1.3	-	-	2.3
13	6.79-10.21	0.4	1.6	-	-	2.0
14	10.21-25.00	0.5	2.7	0.0	-	3.3
Non performing loans	0.00-100.00	0.2	0.3	3.9	-	4.4
Loans not calculated according to the IRB model		1.8	0.1	0.0	0.0	1.9
Total		320.8	8.7	3.9	0.0	333.4

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

Notes

35 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) 2022					
1	0.00-0.10	0.5	-	-	0.5
4	0.22-0.33	1.3	-	-	1.3
6	0.48-0.70	7.1	-	-	7.1
8	1.02-1.48	4.4	-	-	4.4
10	2.15-3.13	0.4	-	-	0.4
11	3.13-4.59	0.1	-	-	0.1
13	6.79-10.21	0.0	-	-	0.0
Total		13.7	-	-	13.7
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

Neither in 2022 nor in 2021, did Jyske Realkredit make loan offers that were credit-impaired at initial recognition.

36 Maximum credit exposure

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

- Jyske Realkredit's cash in hand and demand deposits with central banks amounted to DKK 11.3 bn (2021: DKK 0.4 bn).
- Jyske Realkredit's receivables from credit institutions and central banks amounted to DKK 0.9 bn (2021: DKK 11.1 bn).
- Jyske Realkredit's loans and other receivables at fair value amounted to DKK 333.7 bn (2021: DKK 341.0 bn).
- Jyske Realkredit's irrevocable loan commitments (mortgage offers) amounted to DKK 13.7 bn. (2020: DKK 14.6 bn).
- Jyske Realkredit's guarantees amounted to DKK 159,000 (2021: DKK 162,000).
- Jyske Realkredit's interest-bearing investments in bonds, etc. amounted to DKK 12.7 bn (2021: DKK 15.9 bn).
- Jyske Realkredit's shareholding amounted to DKK 0.1 bn (2021: DKK 0.1 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 6.0 bn (2021: DKK 5.9 bn).

	2022	2021
37 Financial assets credit-impaired on the balance sheet date		
Balance before impairment charges:		
Personal clients	1,991	1,410
Corporate clients	1,989	2,165
Total	3,980	3,575
Collateral:		
Real property, residential	1,961	1,361
Real property, commercial	1,601	1,632
Total	3,563	2,992

38 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 2022, risk-weighted assets caused by the portfolio of securities amounted to DKK 1,374m (2021: DKK 1,592m) in credit risk as well as DKK 0m (2021: DKK 11m) due to foreign-currency risk.

	2022	2021
39 Interest-rate risk		
Interest-rate risk, the FSA's method	73	102
Interest-rate risk, internal method	58	71

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 daily. In line with legislation, an interest-rate risk of 8% of the capital base is allowed. At the end of 2022, this amounted to DKK 1,768m (2021: DKK 1,662m). In this statement, partial offsetting between risks in Danish kroner and euros is allowed. As price fluctuations are most limited, the interest-rate risk of Jyske Realkredit is also 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 gamma risk.

Jyske Realkredit's interest-rate risk is primarily caused by Jyske Realkredit's portfolio of securities, consisting mainly of Danish mortgage bonds. Moreover, financial instruments are used to manage the overall interest-rate risk. Jyske Realkredit's activities are close to being risk neutral to general changes in interest rates, but due to the large proportion in Danish mortgage bonds, Jyske Realkredit has a certain exposure 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.

40 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 2022, Jyske Realkredit's foreign exchange risk was calculated at 0.4% of the capital base (2021: 0.3%).

41 Equity risk

The share price risk expresses the risk of loss caused by changing share prices. Jyske Realkredit's shareholding consists solely of infrastructure shares and strategic positions. At the end of 2022, Jyske Realkredit's shareholding measured at market value amounted to DKK 60m (2021: DKK 54m), corresponding to 0.3% (2021: 0.3%) of the capital base. If share prices in general fall by 10%, Jyske Realkredit will suffer an investment loss of DKK 6m (2021: DKK 5m).

42 Liquidity risk

The Danish mortgage legislation prescribes a balance within a narrow range between payments on issued bonds and mortgage loans granted. Hence the ongoing flows are within fixed limits, and the risk relates to somewhat possible funding challenges in connection with remortgaging and supplementary collateral. In addition there is a risk relating to arrears, which, however, in relation to liquidity is small, as well as a risk relating to open remortgaging, which is also of a rather limited nature.

The LCR expresses the ratio between the holding of liquid assets and net payments over the next 30 days under a stress scenario, both determined according to statutory requirements. The ratio must at any time be at least 100%, i.e. there must be sufficient liquid assets to cover a stress period of 30 days. Moreover, Jyske Realkredit performs ongoing internal liquidity stress tests to control the robustness of the liquidity buffer.

43 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 non-financial events.

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, please see the Jyske Bank Group's report on Risk And Capital Management 2022, available on investor.jyskebank.com/investorrelations/capitalstructure.

44 Derivatives

	Net fair value				Gross fair value			Principal amount
	Up to 3 months	Over 3 month and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Positive	Negative	Net	Nominal value
2022								
Currency contracts								
Swaps	-	-9	-95	-335	-	-440	-440	25,974
Total	-	-9	-95	-335	-	-440	-440	25,974
Interest-rate contracts								
Forwards/futures, sold	7	-	-	-	7	-0	7	5,186
Swaps	29	0	-1,757	84	320	-1,964	-1,644	61,561
Caps	-	3	326	195	525	-	525	12,914
Total	36	4	-1,431	279	851	-1,964	-1,113	79,661
Total	36	-5	-1,526	-56	851	-2,403	-1,552	105,635
Outstanding spot transactions					2	-0	2	446
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

45 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.

45 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 expenses
2022						
The parent company	1	111	1,174	-112	-	298
Supervisory Board and Executive Board, etc.	1	-	-	-	-	7
Other related parties	-	1	-	2	0	0
Total	1	113	1,174	-110	0	305
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

¹ Interest expenses to the parent amounted to DKK 111m in 2022 (2021: DKK 11m). 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 4m from the parent was in 2022 recognised under other interest expenses (2021: DKK 98m).

Jyske Realkredit did not distribute dividend to the parent company Jyske Bank A/S neither in 2021 nor in 2022.

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.
2022							
The parent company	762	-	709	368	5,372	750	2,988
Supervisory Board and Executive Board, etc.	-	54	-	-	-	-	-
Other related parties	-	-	-	-	72	-	1
Total	762	54	709	368	5,444	750	2,988
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

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 2022, Jyske Realkredit bought loans in the amount of DKK 4,766m from the parent company Jyske Bank (2021: DKK 1,946m).

In December 2022 the Jyske Bank Group has taken over Svenska Handelsbanken's Danish activities. Jyske Realkredit has taken over loans for a nominal amount of DKK 24.3 bn.

Under 'Other liabilities etc.', the outstanding purchase price relating to loans acquired from Handelsbanken is recognised at DKK 1,498m. The amount is recognised as debt to Jyske Bank A/S, as the settlement with Handelsbanken AB takes place with a total amount for the Group through Jyske Bank A/S.

In 2022, a joint taxation contribution in the amount of DKK 283m was paid to companies in the Jyske Bank Group (2021: DKK 249m).

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

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 17m at 31 December 2022 (2021: DKK 19m). All the loans have been granted on normal business terms. Floating-rate loans amounted to DKK 8m (2021: DKK 5m), carrying interest at a floating rate of 0.54% to 4.18%, and fixed-rate loans amounted to DKK 9m (2021: DKK 14m), carrying interest at 0.50% to 4.00%.

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 37m at 31 December 2022 (2021: DKK 29m). All the loans have been granted on normal business terms. Floating-rate loans amounted to DKK 35m (2021: DKK 21m), carrying interest at a floating rate of -0.15% to 2.69%, and fixed-rate loans amounted to DKK 1m (2021: DKK 8m), carrying interest at 0.50%.

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

DKKkm

	2022	2021
46 Loan portfolio by EPC (%)		
EPC A	20.3	17.5
EPC B	8.9	8.3
EPC C	27.5	27.4
EPC D	22.2	24.0
EPC E	9.5	10.7
EPC F	4.4	4.9
EPC G	3.0	3.2
No emission/no data	4.0	4.1
Total	100.0	100.0

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

47 Estimated CO₂e emission relating to Jyske Realkredit's loans

Loan type	2022		2021	
	Tonnes CO ₂ e (LTV- adjusted)	Kg CO ₂ e/m ²	Tonnes CO ₂ e (LTV- adjusted)	Kg CO ₂ e/m ²
Private owner-occupied homes and flats	107,068	13.8	117,224	15.8
Subsidised housing	28,955	6.4	28,973	7.1
Cooperative housing	4,667	7.1	5,487	7.6
Residential rental properties	22,718	6.4	25,808	7.1
Office and commercial properties	41,659	12.4	41,906	13.1
Other	13,894	8.6	15,216	11.4
Total	218,961	9.8	234,613	11.0

48 Loans supporting the UN Sustainable Development Goals

Loan type	FN SDG	2022		2021	
		Loans (DKKkm)	Proportion of total loans (%)	Loans (DKKkm)	Proportion of total loans (%)
Renewable Energy	7.2	1,391	0.4	1,143	0.3
Green buildings	7.3	100,461	27.5	80,857	23.9
Subsidised housing	11.3	27,563	7.5	32,339	9.5
Total		129,415	35.4	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.

49 Loans subject to the technical screening criteria of the EU taxonomy regulation's targets to counter climate changes

Loan type	Criterion	2022	
		Loans (DKKkm)	Proportion of total loans (%)
Electricity from the sun	4.1	35	0.0
Electricity from the wind	4.3	854	0.2
Distribution of electricity	4.9	502	0.1
Ownership of existing buildings	7.7	85,386	23.4
Total		86,777	23.7

Jyske Realkredit reports the technical screening criteria voluntarily. The statement does not consider whether the loans meet the Do No Significant Harm (DNSH) criteria.

50 Group overview

Jyske Realkredit did not have any subsidiaries in 2022 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

General

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 figures stated in single inverted commas, ' ', in the financial statements, 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 '0'.

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.

Accounting estimates

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, 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 war in Ukraine, 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.

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.

51 Accounting Policies , cont.

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.

Loans acquired from Handelsbanken

Jyske Realkredit's acquisition of loans from Handelsbanken is not considered a company acquisition as only a group of uniform loans was acquired. Therefore, loans acquired from Handelsbanken will in the financial statements be considered an inflow of new loans.

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).
- Changes in deferred tax due to a change to the corporation tax rate.
- 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 SHEET

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

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

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

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

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 four 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
4. Loans that were credit-impaired at first recognition.

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. Loans that were credit-impaired at first recognitions are, with respect to impairment charges, ranked in stage 1, 2, or 3 according to a principle corresponding to the one attributed to the loan on the balance sheet date, while the loan and the impairment is reported under the category "Loans that were credit-impaired at first recognition".

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 34 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% or 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 34 on risk classification, credit rating process and monitoring.

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, which 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 on 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.

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.

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 amortised cost.

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.

Finally, liabilities relating to assets held temporarily are recognised.

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.

51 Accounting Policies , cont.

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.

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.

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 and provisions for guarantees'

Other operating income

Other operating income include the administration fee for Byggeriets Realkreditfonds Understøttelsesfond.

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 include contributions to the Resolution Fund.

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 46-49 on sustainability

EPC distributions

The table with Energy Performance Certificate (EPC) shows the EPC distribution for properties financed by Jyske Realkredit. The Energy Performance Certificates (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).

Co₂e emissions

The method is in line with Finance Denmark's CO₂ model section 7 'Realkredit (Mortgage loans)'.

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

- Scope 1 - direct CO₂e emissions from activity, such as CO₂e emissions from vehicles being operated.
- Scope 2 - indirect CO₂e emissions from activity, such as consumption of electricity where the CO₂e emissions take place when the electricity is produced.
- Scope 3 - external indirect CO₂e emissions financed by a company, yet originating from activities not owned or controlled by the company.

Noter

51 Accounting Policies , cont.

The ratios describe the scope 1 and scope 2 CO₂e emissions for the properties financed by Jyske Realkredit. Hence, Jyske Realkredit's own emissions are not included in the determinations.

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 emissions associated with the consumption of one unit of energy. This is calculated on the basis of emission factors based on the annual report from the Danish Energy Agency.

The CO₂e emissions financed by Jyske Realkredit are calculated by weighing the total emission from the property in relation to the loan-to-value ratio, which is calculated based on property value and mortgage lending per December 31. The determination of kg CO₂e/m² is based on the consumption of the entire property.

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

UN Sustainable Development Goals

Jyske Realkredit states the part of its loan portfolio that supports 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.

Technical screening criteria of the EU taxonomy regulation's targets to counter climate changes

Jyske Realkredit states the proportion of loans that meet the technical screening criteria of the EU taxonomy regulation's targets to counter climate changes (2021) compared to the total loans of Jyske Realkredit.

The statement does not consider whether the loans meet the Do No Significant Harm (DNSH) criteria under targets to counter climate changes. The statement includes loans for private properties and buildings owned by companies (both for NFRD and non-NFRD companies). The statement is based on actual data and not on estimates.

The following activities from the EU taxonomy regulation's targets to counter climate changes are financed:

- Electricity from the sun (4.2) - Production plants for the production of electricity from solar energy.
- Electricity from wind (4.3) - Production plants for the production of electricity from wind power.
- Transmission and distribution of electricity (4.9) - Electricity grids for distribution of electric power that meet the following criteria:
 - Electricity grids that form part of the central European electricity network.
 - More than 67% of the newly connected production in the electricity grid and produced with an emission below 100 gCO₂e/kWh.
- Ownership of existing buildings (7.7) - Properties that meet the following criteria:
 - Properties built after 2021 for which the primary energy consumption is at least 10% lower than NZEB in Denmark. The NZEB requirements in Denmark correspond to the upper limit of the Energy Performance Certificate A2015.
 - Properties larger than 5,000 m² built between 2021 and 2023 are excluded from the statement.
 - Properties that are built before 2021 with the Energy Performance Certificate A (A2010, A2015, A2020) or that are part of the 15% most energy-efficient properties in terms of primary energy demand (please see jyskerealkredit.dk for a definition of 'Top 15%').
 - Commercial properties built before 2018 with no residential use are excluded from the statement.

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 only operates in Denmark (inclusive of the Faroe Islands), no geographical segmentation has been made.

Publication

The Annual Report is published in the XHTML format in accordance with the Commission Delegated Regulation (EU) 2019/815 with regard to the single electronic reporting 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.

The summarised series financial statements are not audited.

Summary of series financial statements

	Husejern 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
2022							
Income statement for the financial year							
Income from lending	0	10	21	1,873	116	8	2,029
Interest, etc. net	0	1	54	737	9	45	846
Administrative expenses, etc. net	0	2	87	1,180	64	72	1,404
Loan impairment charges and provisions (- is income)	0	2	19	-296	0	3	-272
Tax (- is income)	0	2	-7	379	13	-5	383
Profit	0	6	-24	1,348	48	-17	1,361
Balance sheet at 31 December							
Assets ¹							
Mortgage loans, etc.	7	6,567	15,588	279,729	27,075	4,482	333,448
Other assets	1	350	2,060	38,653	1,546	1,623	44,233
Total assets	8	6,917	17,648	318,382	28,621	6,105	377,681
Equity and liabilities							
Issued mortgage bonds, etc.	8	6,792	16,010	294,409	27,485	5,366	350,070
Other liabilities	0	102	255	4,589	424	83	5,452
Equity	0	22	1,383	19,384	713	656	22,159
Total equity and liabilities	8	6,917	17,648	318,382	28,621	6,105	377,681

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	359,621
Assets in series financial statements	377,681
Difference	-18,060
The difference is due to:	
Offsetting of own issued mortgage bonds - note 22	-17,926
Offsetting of interest receivable on own issued bonds	-134
Total	-18,060

Statement by the Management and Supervisory Boards on the Annual Report

The Supervisory Board and the Executive Board have today considered and approved the 2022 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 2022 and also of its financial performance for the financial year 1 January to 31 December 2022.

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.

In our opinion, the annual report for the financial year 1 January – 31 December 2022, with the file name 'Jyske Realkredit-2022-12-31.xhtml', has been prepared, in all material respects, in compliance with the ESEF Regulation.

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

Kgs. Lyngby, 28 February 2023

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

Independent Auditors' Report

To the shareholder of Jyske Realkredit A/S

Auditor's report on the financial statements

Audit opinion

We have audited the financial statements of Jyske Realkredit A/S for the financial year 1 January – 31 December 2022, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January – 31 December 2022 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 24 March 2020 for the financial year 2020. We have been reappointed annually by resolution of the general meeting for a total consecutive period of 3 years up until the financial year 2022.

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 2022. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the below key audit matters. 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

Measurement of loans

A material part of the Company's assets consists of loans, which are associated with risks of loss in event of the client's inability to pay.

The Company's total loans amounted to DKK 333.728m at 31 December 2022 (DKK 340,969m at 31 December 2021) and provisions for credit losses on loans amounted to DKK 1,384m at 31 December 2022 (DKK 1,741m at 31 December 2021).

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, realizable 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 recognizes 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.

Reference is made to the accounting policies and notes 10, 34 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.

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 for model-based 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 values of collaterals.
- Sample testing among the largest and most risky exposures, including credit-impaired exposures, for i.a. correct risk classification and identification of objective evidence of credit impairment as well as test of the methods applied, values of security and future cash flows in impairment calculations.
- 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 the statement of expected credit losses.
- For management overlays 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 assumptions used and whether they are fair and well-founded compared to relevant bases of comparison.

We also assessed whether the note disclosures related to exposures, impairment losses and credit risks comply with the relevant accounting rules and tested the figures included (notes 10, 14, 15 and 34).

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 meets the disclosure requirements of the Danish Financial Business Act.

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

Management's responsibilities for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Based on the matters communicated to those charged with governance, we determine which matters were of most importance in our audit of the financial statements for the current period and therefore are key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure.

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 as to whether the annual report for the financial year 1 January – 31 December 2022, with the file name [name of file], 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 an annual report in XHTML format.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes preparing an annual report in XHTML format.

Our responsibility is to obtain reasonable assurance as to whether the annual report has been prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained and to express an opinion. The procedures include testing whether the annual report has been prepared in XHTML format.

In our opinion, the annual report for the financial year 1 January – 31 December 2022, with the file name 'Jyske Realkredit-2022-12-31.xhtml', has been prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 28. February 2023
EY Godkendt Revisionspartnerselskab
CVR-nr. 30 70 02 28

Lars Rhod Søndergaard
State Authorised Public Accountant
mne28632

Michael Laursen
State Authorised Public Accountant
mne26804