

26 February 2018

Preliminary announcement of financial statements 2018

Summary

- Pre-tax profit, exclusive of derived effects from IFRS 9: DKK 1,669m, corresponding to a return of 10.0% on average equity.
- Post-tax profit, exclusive of derived effects from IFRS 9: DKK 1,317m, corresponding to a return of 7.9% on average equity.
- Pre-tax profit: DKK 1,262m (2017: DKK 1,131m) corresponding to a return of 7.5% on average equity (2017: 7.9%).
- Net profit for the year: DKK 999m (2017: DKK 886m) corresponding to a return of 6.0% on average equity (2017: 6.2%).
- Core profit: DKK 1,262m (2017: DKK 1,082m).
- Core expenses: DKK 730m, corresponding to a decline by 14% relative to 2017.
- Ordinary impairment charges affected core profit by an income of DKK 38m (2017: an expense of DKK 202m).
- The effect from the implementation of IFRS 9 and adjustments to the standard amounted to DKK 407m before tax at the beginning of 2018.
- Equity injection of DKK 1 bn from the parent company Jyske Bank A/S.
- At the end of 2018, the capital ratio and Core Tier ratio was 22.1% (end of 2017: 20.8%).

Comments by Management

In connection with the presentation of the Annual Report 2018, Lars Waalen Sandberg, Chief Executive Officer, states:

‘Today Jyske Realkredit announces a profit of DKK 999m, corresponding to a return on equity of 6.0%.

The profit was extraordinarily affected by one-off adjustments of loan impairment charges and provisions for guarantees at the beginning of 2018 due to the implementation of IFRS 9. Adjusted for this item, the profit amounted to DKK 1,317m, corresponding to a return of 7.9% on average equity.

The core profit rose relative to 2017, some reasons being the lower impairment charges and lower costs.

Moreover, the core profit was favourably affected by a non-recurring income from the sale of the company’s owner-occupied property as well as lower interest expenses due to the redemption of senior loans in January 2018. The capital base is solid at a capital ratio of 22.1%.

The portfolio of mortgage loans increased by DKK 19.3 bn. ’

Outlook

For 2019, continued lending growth is expected, albeit at a more moderate pace than seen until now.

In 2019, a new intra-group settlement model will be introduced relating to the distribution of mortgage loans from Jyske Bank. Due to the agreement, Jyske Realkredit will pay a higher distribution fee than has been the case until now, on the other hand, Jyske Realkredit will obtain the right of offsetting recognised losses against loans. The higher net expenses ensuing from the agreement that Jyske Realkredit will have to pay relate to the hedging of the credit risk. The ultimate effect of the agreement depends on the development of losses and impairment charges.

Provided that impairment charges and return on securities are unchanged, the annual results (exclusive of one-off effects) are expected to be slightly below the level for 2018.

Other information

Annual General Meeting

The Annual General Meeting will be held in Lyngby on Tuesday 26 March 2019.

Financial calendar

Jyske Realkredit anticipates releasing financial statements on the following dates in 2019:

8 May	Interim Financial Report, first quarter of 2019
20 August	Interim Financial Report, first half of 2019
30 October	Interim Financial Report, first nine months of 2019

Additional information

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

Contact

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Financial highlights

Core profit and net profit for the year, DKKm

	2018	2017	Index 18/17	2016	2015	2014
Administration margin income, etc.	1,896	1,881	101	1,785	1,687	1,494
Other net interest income ¹	77	-60	-	-53	-80	-63
Net fee and commission income, etc.	256	262	98	207	244	151
Value adjustments, etc. ¹	-84	28	-	39	-22	-190
Other income	216	24	900	50	45	35
Core income	2,361	2,135	111	2,028	1,872	1,427
Core expenses	730	851	86	840	873	876
Core profit before loan impairment charges and provisions for guarantees	1,631	1,284	127	1,188	999	1,194
Loan impairment charges and provisions for guarantees (- = income)	-38	202	-	-32	186	843
Core profit	1,669	1,082	154	1,220	813	-351
Investment portfolio earnings ¹	-	49	-	80	89	-30
Profit before IFRS 9 implementation	1,669	1,131	148	1,299	902	-321
IFRS 9-derived adjustment of impairment charges, beginning of 2018	407	-	-	-	-	-
Pre-tax profit	1,262	1,131	112	1,299	902	-321
Tax (- = income)	263	245	107	284	218	-34
Profit for the year	999	886	113	1,015	685	-287

¹ As of 2018, the return on Jyske Realkredit's portfolio of securities (investment portfolio earnings) is recognised as core income under 'Other net interest income' and 'Value adjustments, etc.' as the purpose of the portfolio of securities is to support mortgage operations, including compliance with LCR rules, etc.

Relationships between income statement items under Jyske Realkredit (key financial data) and the income statement page 21 appear from note 2.

Summary of Balance Sheet, end of period, DKKm

Mortgage loans, fair value	327,403	308,121	106	278,407	250,892	220,340
Bonds and shares, etc.	18,593	18,397	101	16,307	8,127	25,792
Total assets	353,280	337,732	105	307,027	269,975	256,145
Issued bonds, fair value	332,955	316,305	105	285,676	249,772	223,925
Equity	17,744	15,731	113	12,812	11,781	11,084

Financial ratios and key figures

Pre-tax profit as a percentage of average equity ¹⁾	7.5	7.9	-	10.6	7.9	-3.0
Net profit as a percentage of average equity ¹⁾	6.0	6.2	-	8.3	6.0	-2.7
Expenses as a percentage of income	31.0	39.9	-	41.4	46.6	61.4
Capital ratio	22.1	20.8	-	19.0	19.1	18.6
Common Equity Tier 1 capital ratio (CET1 %)	22.1	20.8	-	19.0	18.8	18.5
Individual solvency requirement (%)	9.7	9.3	-	9.3	9.6	10.6
Capital base (DKKm)	17,687	15,529	-	12,593	11,820	11,043
Weighted risk exposure (DKKm)	79,976	74,686	-	66,426	62,033	59,329
No. of full-time employees at end-period	28	212	-	694	706	749
No. of employees split between the companies, at end-period	358	272	-	-	-	-

¹⁾ In November 2018, share capital in the amount of DKK 1m was injected into Jyske Realkredit. If the capital injection had not been made, the return on equity would have amounted to 7.8% before tax and 6.2% after tax.

Jyske Realkredit (key financial data), cont.

Core profit and net profit for the year, DKKm

	2018	2017	Index 18/17	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Administration margin income, etc.	1,896	1,881	101	483	475	472	465	482
Other net interest income ¹	77	-60	-	16	13	29	19	5
Net fee and commission income, etc.	256	262	98	74	91	25	67	77
Value adjustments, etc. ¹	-84	28	-	-23	-12	-22	-27	20
Other income	216	24	900	21	2	191	2	3
Core income	2,361	2,135	111	571	569	694	527	586
Core expenses	730	851	86	178	178	192	182	200
Core profit before loan impairment charges and provisions for guarantees	1,631	1,284	127	394	391	502	344	386
Loan impairment charges and provisions for guarantees (- = income)	-38	202	-	-81	-18	40	21	102
Core profit	1,669	1,082	154	475	409	462	323	285
Investment portfolio earnings ¹	-	49	-	-	-	-	-	-14
Profit before IFRS 9 implementation	1,669	1,131	148	475	409	462	323	271
IFRS 9-derived adjustment of impairment charges, beginning of 2018	407	-	-	-	-	-	407	-
Pre-tax profit	1,262	1,131	112	475	409	462	-84	271
Tax (- = income)	263	245	107	109	88	84	-19	58
Profit for the year	999	886	113	366	321	378	-65	213

¹ As of 2018, the return on Jyske Realkredit's portfolio of securities (investment portfolio earnings) is recognised as core income under 'Other net interest income' and 'Value adjustments, etc.' as the purpose of the portfolio of securities is to support mortgage operations, including compliance with LCR rules, etc.

Summary of Balance Sheet, end of period, DKKm

	2018	2017	Index 18/17	31 Dec. 2018	30 Sept. 2018	30 June 2018	31 March 2018	31 Dec. 2017
Assets / equity and liabilities	353,280	337,732	105	353,280	344,921	339,696	335,592	337,732
Mortgage loans, nominal value	319,454	299,516	107	319,454	312,892	307,837	303,534	299,516
Loans and advances, fair value	327,403	308,121	106	327,403	319,932	315,717	310,730	308,121
Issued bonds, fair value	332,955	316,305	105	332,955	324,604	319,064	315,379	316,305
Equity	17,744	15,731	113	17,744	16,378	16,057	15,679	15,731