Nykredit

Nykredit Bank

Annual Report 2021

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CONTENTS

FINANCIAL HIGHLIGHTS

Nykredit Bank Group	2021	2020	2019	2018	2017	Q4/ 2021	Q3/ 2021	Q4/ 2020
BUSINESS PROFIT AND PROFIT FOR THE PERIOD								
Net interest income	1,774	1,711	1,520	1,533	1,493	441	454	436
Net fee income	680	521	538	521	540	181	153	129
Wealth management income	2,324	1,950	1,610	1,361	1,402	629	595	504
Net interest from capitalisation	(41)	(29)	(28)	(30)	(32)	(14)	(13)	(7)
Net income relating to customer benefits programmes[1]	(72)	276	(9)	-	-	(26)	(26)	71
Trading, investment portfolio and other income	1,246	634	720	755	986	505	314	207
Income	**5,912**	**5,063**	**4,350**	**4,141**	**4,388**	**1,717**	**1,478**	**1,341**
Costs	2,927	2,727	2,375	2,029	1,973	806	730	758
Business profit before impairment charges	**2,985**	**2,336**	**1,975**	**2,112**	**2,415**	**911**	**748**	**583**
Impairment charges for loans and advances	(120)	579	210	274	(102)	(50)	(97)	102
Business profit	**3,105**	**1,757**	**1,765**	**1,838**	**2,516**	**962**	**845**	**481**
Legacy derivatives	432	258	(112)	280	1,517	79	60	206
Profit before tax	**3,537**	**2,015**	**1,653**	**2,118**	**4,033**	**1,041**	**906**	**687**
Tax	733	385	366	458	901	225	170	136
Profit for the period	**2,804**	**1,630**	**1,287**	**1,660**	**3,133**	**816**	**736**	**551**
Minority interests	45	21	(1)	-	-	15	14	(1)
SUMMARY BALANCE SHEET								
Assets	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2021	30.09.2021	31.12.2020
Cash balances and receivables from credit institutions and central banks	27,134	21,469	33,528	17,909	19,991	27,134	25,680	21,469
Reverse repurchase lending	50,900	37,271	48,749	37,427	27,566	50,900	49,344	37,271
Loans, advances and other receivables at amortised cost	74,513	71,146	65,466	60,566	55,783	74,513	71,358	71,146
Bonds and equities etc	40,029	39,822	50,789	49,289	47,453	40,029	42,790	39,822
Remaining assets	22,814	28,481	27,996	21,943	22,793	22,814	23,527	28,481
Total assets	**215,390**	**198,189**	**226,528**	**187,135**	**173,585**	**215,390**	**212,698**	**198,189**
Liabilities and equity								
Payables to credit institutions and central banks	52,833	49,121	85,154	54,620	40,218	52,833	55,601	49,121
Repo deposits	7,379	2,674	3,331	5,745	8,214	7,379	6,890	2,674
Deposits and other payables	92,895	88,269	85,549	77,119	76,501	92,895	91,607	88,269
Bonds in issue at amortised cost	4,415	5,400	3,780	5,411	6,473	4,415	2,902	5,400
Other non-derivative financial liabilities at fair value	13,613	10,801	7,133	7,618	13,976	13,613	14,357	10,801
Remaining liabilities	10,711	13,159	14,695	13,236	6,084	10,711	10,699	13,159
Provisions	687	683	450	290	241	687	603	683
Subordinated debt	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Equity	30,856	26,082	24,434	21,095	19,877	30,856	28,040	26,082
Total liabilities and equity	**215,390**	**198,189**	**226,528**	**187,135**	**173,585**	**215,390**	**212,698**	**198,189**
FINANCIAL RATIOS[1]								
Profit for the period as % pa of average equity	10.0	6.4	5.7	8.1	16.8	10.9	10.5	8.6
Costs as % of income	49.5	53.9	54.6	49.0	45.0	46.9	49.4	56.5
Total provisions for loan impairment	2,764	3,024	2,538	2,896	2,347	2,764	2,840	3,265
Impairment charges for the period, %	(0.08)	0.41	0.14	0.30	(0.10)	(0.03)	(0.07)	0.07
Total capital ratio, %	23.5	22.7	20.8	21.5	22.3	23.5	21.3	22.7
Tier 1 capital ratio, %	23.0	20.5	18.9	19.4	20.1	23.0	19.3	20.5
Common Equity Tier 1 capital ratio, %	23.0	20.5	18.9	19.4	20.1	23.0	19.3	20.5
Average number of staff, full-time equivalent	974	979	900	837	822	988	1,018	1,029

[1] "Net income relating to customer benefits programmes" has been specified under "Alternative performance measures" on page 19. For definitions of financial ratios, see page 111.

FINANCIAL REVIEW

Business profit for 2021	Profit for 2021	Income in 2021
DKK 3,105 million	**DKK 3,537 million**	**DKK 5,912 million**
Business profit	Profit before tax	Income

Return on equity	Cost:income ratio	Impairment charges, %
10.0%	**49.5%**	**-0.08%**
Profit for the year as % of average equity	Costs as % of income	Impairment charges for the year divided by loans, advances and guarantees

PERFORMANCE HIGHLIGHTS IN 2021

Nykredit Bank delivered a satisfactory financial performance in 2021. Business profit came to DKK 3,105 million (2020: DKK 1,757 million), and profit before tax for the period was DKK 3,537 million (2020: DKK 2,015 million). The results were mainly driven by a net reversal of impairment charges, high wealth management income, high trading, investment portfolio and other income, including extraordinary income from the sale of the Depositary Services unit to the Bank of New York Mellon. In addition, the number of full-service customers continues to rise.

Activity levels increased in 2021, loans and advances were up by DKK 3,367 million to DKK 74,513 million in 2021, and also deposits rose by DKK 4,626 million to DKK 92,895 million. Assets under administration and assets under management grew to DKK 1,140 billion and DKK 438,1 billion, respectively, in 2021.

Driven by high activity and satisfactory business growth, lower-than-expected impairment charges for loans and advances as well as extraordinary income and a favourable trend in the derivatives portfolio, Nykredit Bank raised its guidance for 2021 on 13 January 2022. Guidance for business profit and profit before tax for 2021 was raised to DKK 3.1 billion and DKK 3.5 billion, respectively, from previously between DKK 2.8-3.3 billion, respectively.

This year Nykredit Bank has introduced new mutual benefits in the form of a customer discount and a savings discount (KundeRabat and OpsparingsRabat) to replace the MineMål benefits programme, which ended at end-2020. We also continue to offer our customers an interest rate discount on their home loans with Nykredit Bank (BoligRabat).

The customer discount is a discount on selected fees on eg payment cards or opening of deposit accounts and is offered to full-service customers in proportion to their business with Nykredit. If the entire discount is not used within a given year, it may be saved for up to three years and used for example in connection with loan financing or similar.

We offer a savings discount to full-service customers who invest through one of our wealth management products. The savings discount is 25% of the customer's investment management fee.

Nykredit Bank's green products to finance cars and homes are a key element of Nykredit's ambitions for a greener Denmark. The products (green home loans, green car loans and home energy check-up) are offered to personal customers aimed to ensure that financing costs will not discourage them from buying an electric or hybrid car or making low-energy home improvements. We also offer green products to our agricultural customers, for example green machinery financing. In Q3 we introduced green construction loans to public housing clients with green energy renovation or green construction projects.

Small and medium-sized companies are increasingly becoming subject to climate-related reporting demands from general legislation, customers, suppliers and financial partners. To ease this burden for our customers, we offer access to a digital tool designed to support businesses going green, helping them document and report on their progress.

Furthermore, we offer major corporate clients advice on how to take a more systematic approach to sustainability with a view to increasing their positive impact, while at the same time achieving improved ESG ratings so their efforts will be recognised by the market.

In alignment with our strategy to strengthen the Totalkredit alliance through more joint activities, Nykredit entered into a non-life insurance partnership agreement with the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark (LOPI), Spar Nord and Codan/Privatsikring earlier this year.

Expanding and strengthening collaboration with our Totalkredit partners is one of the key objectives of Nykredit's strategy, Winning the Double 2.0. All stakeholders, not least our customers, will benefit when strong players join forces. Customers of a large number of banks, including Nykredit Bank, have access to some of the top insurance products in the market.

Strategy for Banking and Wealth Management

The main ambition of the Banking strategy is to provide our customers with financial security – personal and business customers alike. To realise our ambition, Banking must deliver on a five-track strategy: being customers' preferred bank, sustainable solutions, digitisation and simplicity, quality and integrity as well as people who will and can make a difference. Together the five strategy tracks are based on the Banking organisation's strengths and Nykredit's Group strategy, Winning the Double 2.0.

Being a financial mutual, we have a special obligation to put the needs of our clients first and particularly to act responsibly in relation to the society we are part of. Wealth Management pursues a shared strategic ambition to be Denmark's responsible wealth manager. Wealth Management must build long-term value for its clients and business partners, and the society we are part of. Our strategy consists of seven tracks: corporate responsibility, being customers' preferred bank, digital customer experiences, strategic partnerships, alternatives, data as well as scale.

Awards

Our green car loan for plug-in hybrid cars was awarded Best in Test by the Danish Consumer Council in March 2021. The Council labelled the green car loan for electric cars as "Recommended". In March, Nykredit Invest won two out of three main categories at the annual Morningstar Fund Awards. The investment fund Nykredit Invest was awarded best manager of bonds as well as best manager of equities and bonds. This is the fourth year running that Nykredit Invest has won one or more main categories at the Morningstar Fund Awards. In addition, the fund Sparindex OMX C25 was awarded best fund for Danish equities, and Sparindex DJSI World was named best fund for global equities. Combined, Nykredit Invest and Sparindex won four out of eight Morningstar Awards.

Covid-19 response

In response to the covid-19 pandemic, Nykredit Bank has launched a number of initiatives aimed at helping Danish families and businesses; initiatives such as a special credit facility, payment holidays on car loans, consumer loans and bank home loans, no-fee overdrafts as well as a corona hotline. The initiatives will be phased out as society returns to normal.

Income

Total income was DKK 5,912 million in 2021 (2020: DKK 5,063 million). Net interest income increased by DKK 63 million to DKK 1,774 million (2020: DKK 1,711 million), and net fee income increased by DKK 159 million to a total of DKK 680 million (2020: DKK 521 million). Growth in bank lending contributed to increasing net interest income and net fee income. In addition, negative deposit rates to personal customers also had a positive effect on net interest income.

Wealth management income came to DKK 2,324 million (2020: DKK 1,950 million), mainly due to increasing assets under management, driven by significant growth in new client assets combined with value gains on the existing portfolio.

Net interest from capitalisation, which includes interest on subordinated debt etc, totalled an expense of DKK 41 million (2020: an expense of DKK 29 million).

Trading, investment portfolio and other income, including value adjustments of swaps currently offered, increased by DKK 612 million to DKK 1,246 million (2020: DKK 634 million), partly driven by value adjustments and income from the sale of the Depositary Services unit to the Bank of New York Mellon of around DKK 300 million.

Costs

Costs were DKK 2,927 million (2020: DKK 2,727 million). The rise was driven by increasing business volumes, performance bonus and activity in the period. The Group maintains focus on building organisational efficiency, while investing significant resources in compliance and implementation of new regulatory requirements, as well as extending the partnership with BEC.

The average number of full-time equivalent staff totalled 974 (2020: 979).

Impairment charges for loans and advances and provisions for guarantees etc

Impairment charges for loans and advances were -0.08% (2020: 0.41%). Impairment charges and provisions came to a net reversal of DKK 120 million (2020: a charge of DKK 579 million) driven by our customers' good liquidity and conducive economic conditions.

Write-offs and individual impairment provisions remained low.

Impact of covid-19 on impairment charges for loans and advances

There is still substantial uncertainty about the impact of the covid-19 pandemic. Loan impairments related to covid-19 are based on stress test calculations of three different factors. Firstly, stress simulations have been performed for stage 1 and stage 2 personal customers and high-attention sectors. Secondly, the property values of stage 3 customers have been stressed to simulate a reduction in collateral values. At stage 3 we have raised the probability of an adverse scenario for customers in vulnerable sectors.

Provisions in 2021 related to covid-19

Of the total loan impairment provisions of DKK 577 million made in 2020 taken to cover the consequential losses arising from covid-19, Nykredit has reassessed the portfolio, which has resulted in a charge of DKK 49 million due to updated stress test calculations. Provisions for loan impairment related to covid-19 subsequently amounted to DKK 626 million including provisions of DKK 25 million with respect to Nykredit Leasing A/S. The general macroeconomic situation is monitored by Nykredit's scenario experts, who regularly assess the need for calculation updates based on input concerning relief packages, government aid initiatives and overall international economic trends.

Expectations for macroeconomic models

Nykredit Bank's impairment models are based on forward-looking macroeconomic scenarios. The scenarios must reflect uncertainties relating to the economy as well as both improved and deteriorating outlooks. At end-2021, the scenarios were updated to reflect the current and expected economic environment caused by the covid-19 crisis and resulting market conditions. The changes are described in detail in "Stage 1 and stage 2 impairments" in accounting policies on page 33. The base scenario must reflect the economic environment, including the effect of covid-19 relief packages, taking into account the economic effects of the reopening and vaccine roll-out. The base scenario carries a 55% weighting. The scenario implies expected GDP growth of 4.3% and house price rises of 12.1% in 2021, but based on a significant drop of 2.1% in GDP in 2020. The adverse scenario was included in the models with a weighting of 35%. This scenario implies expected GDP growth of 1.0% and house price declines of 2% in 2022. The improved scenario carries a 10% weighting and is based on the macroeconomic conditions observed at the date of this Annual Report. This scenario uses realised levels of interest rates, GDP, house prices and unemployment.

Post-model adjustments

Corrections to and changes in assumptions in the impairment models are based on management judgement. At 31 December, such post-model adjustments totalled DKK 0.7 billion. The underlying reasons, for example changes in agricultural output prices due to changed economic trends and/or changed export potential as well as financial and legal conditions in the real estate sector may generally affect credit risk beyond the outcome derived on the basis of model-based impairments. Local geographical conditions, internal process risk and ongoing monitoring of the loan portfolio may also reflect conditions which macroeconomic projections cannot capture. The estimates are adjusted and evaluated on a regular basis and it is decided on an individual basis whether to phase out or incorporate an estimate into the models, if necessary. The chart outlines the post-model adjustments made.

DKK million

Nykredit Bank Group		
Specific macroeconomic risks and process-related circumstances	31.12.2021	31.12.2020
Agriculture	6	0
Covid-19*	299	333
Concentration risks in loan portfolios	56	53
Total macroeconomic risks	**361**	**386**
Process-related	18	25
Model changes	51	0
Other (results of controlling, haircuts etc)	308	295
Total process-related circumstances	**377**	**320**
Total post-model adjustments	**738**	**706**

Note: As at Q4, additionally DKK 327 million were incorporated into the impairment models as in-model adjustments, where vulnerable sectors impacted by covid-19 are stressed, resulting in a change of stage (Q4/2020: DKK 212 million).

Legacy derivatives

Legacy derivatives contributed income of DKK 432 million (2020: DKK 258 million), primarily due to interest rate rises in Q1. Legacy derivatives are derivatives Nykredit no longer offers to customers. These value adjustments are not included in business profit.

The portfolio of legacy derivatives had a total market value of DKK 5.6 billion (end-2020: DKK 7.4 billion). The portfolio was written down to DKK 4.3 billion (end-2020: DKK 5.6 billion).

Tax

Tax calculated on profit for the year was DKK 733 million (2020: DKK 385 million).

Balance sheet

The balance sheet stood at DKK 215.4 billion (end-2020: DKK 198.2 billion).

Receivables from credit institutions and cash balances etc increased to DKK 27.1 billion (end-2020: DKK 21.5 billion), and reverse repurchase lending increased by DKK 13.6 billion to DKK 50.9 billion (end-2020: DKK 37.3 billion).

Lending at amortised cost (excluding reverse repurchase lending) rose by DKK 3.4 billion relative to end-2020 to DKK 74.5 billion at end-2021 (end-2020: DKK 71.1 billion).

In recent years, Nykredit Bank has transferred a number of secured homeowner loans to Totalkredit, which has reduced the Bank's balance sheet. At end-2021, these loans amounted to DKK 6.5 billion (end-2020: DKK 6.7 billion). Loan balances including secured homeowner loans totalled DKK 81.0 billion (end-2020: DKK 77.8 billion).

Bond and equity portfolios totalled DKK 40.0 billion (end-2020: DKK 39.8 billion). The bond portfolio may fluctuate significantly from one reporting period to another, which should be seen in the context of the Bank's repo activities, trading positions and general liquidity management. The same applies to balances with credit institutions.

Remaining assets were DKK 22.8 billion (end-2020: DKK 28.5 billion). At end-2021, DKK 16.5 billion was attributable to positive market values of derivatives (end-2020: DKK 22.0 billion). The positive market values related to the Bank's customer activities in derivatives and positions for hedging own risk. The Bank's interest rate risk is widely hedged through offsetting interest rate swaps.

Payables to credit institutions and central banks increased to DKK 52.8 billion (end-2020: DKK 49.1 billion), while repo deposits rose by DKK 4.7 billion to DKK 7.4 billion (end-2020: DKK 2.7 billion).

Deposits and other payables (excluding repo deposits) went up by DKK 4.6 billion to DKK 92.9 billion (end-2020: DKK 88.3 billion).

Bonds in issue totalled DKK 4.4 billion (end-2020: DKK 5.4 billion). Nykredit Bank receives funding from its Parent Nykredit Realkredit by way of long-term intercompany loans. Nykredit Realkredit funds such loans through the issuance of debt instruments.

Other non-derivative financial liabilities at fair value, which include negative bond portfolios, for which the Bank has a repurchase obligation, came to DKK 13.6 billion (end-2020: DKK 10.8 billion).

Remaining payables and provisions amounted to DKK 11.4 billion (end-2020: DKK 13.8 billion). The item mainly consisted of interest and commission payable and negative market values of derivative financial instruments. The negative market values of derivative financial instruments were DKK 8.3 billion (end-2020: DKK 11.3 billion).

RESULTS FOR Q4/2021 RELATIVE TO Q3/2021

Profit before tax was DKK 1,041 million (Q3/2021: DKK 906 million), corresponding to an increase of DKK 135 million. Business profit came to DKK 962 million in Q4/2021 (Q3/2021: DKK 845 million).

Income went up by DKK 239 million to DKK 1,717 million (Q3/2021: DKK 1,478 million). This was primarily driven by an increase in trading, investment portfolio and other income relating to income from the sale of the Depositary Services unit.

Costs amounted to DKK 806 million (Q3/2021: DKK 730 million).

Impairment charges for loans and advances were a net reversal of DKK 50 million (Q3/2021: reversal of DKK 97 million).

Impairment charges for loans and advances were impacted by our customers' good liquidity and conducive economic conditions.

Value adjustment of legacy derivatives was positive at DKK 79 million in Q4/2021 (Q3/2021: a gain of DKK 60 million).

RESULTS RELATIVE TO OUTLOOK

As announced in the Annual Report for 2020, Nykredit Bank's expectations for 2021 were a business profit and profit before tax of between DKK 1.7 billion and DKK 2.2 billion.

The expectations for business profit and profit before tax for 2021 were adjusted three times during the year. On 13 January we raised our guidance for business profit to DKK 3.1 billion and profit before tax for 2021 to DKK 3.5 billion. In line with expectations, Nykredit Bank recorded business profit for the year of DKK 3.1 billion and profit before tax of DKK 3.5 billion.

OUTLOOK AND GUIDANCE FOR 2022

Nykredit Bank expects a business profit and profit before tax of DKK 2.4-2.9 billion for 2022.

- Our overall guidance for business profit and profit before tax for 2022 reflects that: Nykredit Bank expects a decrease in total income relative to the extraordinary income in 2021 and expected lower gains on derivatives in 2022. Nykredit Bank expects higher interest income and wealth management income driven by growing balances and assets under management, but also growing cost of capital.
- Costs are expected to rise due to payroll, compliance and IT.
- Impairment charges for loans and advances are expected at a more normalised level compared with the extraordinarily low level in 2021.

The most important uncertainty factors applying to the 2022 outlook are related to investment portfolio income as well as impairment charges for loans and advances.

SPECIAL ACCOUNTING CIRCUMSTANCES

Disclosure of Board and Executive remuneration

On 2 December 2021 the Danish parliament adopted a proposal to amend the Danish Financial Business Act concerning eg the requirement of disclosure of individual board and executive remuneration in the Annual Report. As a consequence, to comply with data protection legislation, individual remuneration details as from the financial year 2021 will not be disclosed in the Annual Report but will be disclosed separately. Nykredit will disclose this information at nykredit.com/salary in a separate announcement (Disclosure of Board and Executive Compensation), to which reference is made.

OTHER

At the annual general meeting in March 2021, EY Godkendt Revisionspartnerselskab was appointed as the new auditors of the Company as from the financial year 2021.

In December 2021, the Bank received additional share capital of DKK 2 billion from Nykredit Realkredit. Subsequently, on 1 January 2022, following authorisation by the Danish FSA, the Bank redeemed Tier 2 capital of DKK 2 billion.

UNCERTAINTY AS TO RECOGNITION AND MEASUREMENT

Measurement of certain assets and liabilities is based on accounting estimates made by Management.

The areas in which assumptions and estimates significant to the financial statements have been made include provisions for loan and receivable impairment and unlisted financial instruments see note 1, accounting policies, to which reference is made.

EVENTS SINCE THE BALANCE SHEET DATE

The European Banking Authority's guidelines regarding PD and LGD estimation under the CRR2 have been amended with effect from 1 January 2022. This implies an increase in the Nykredit Bank Group's risk exposure amount (REA) under Pillar I of about DKK 6,9 billion, which has a negative effect of about 1.2 percentage points on the Group's CET1 capital ratio.

No further events have occurred in the period up to the presentation of the Annual Report 2021 which materially affect the Group's financial position.

CAPITAL

EQUITY AND OWN FUNDS

Equity

Equity carried for accounting purposes totalled DKK 30.9 billion at end-2021 (end-2020: DKK 26.1 billion). The rise was driven by profit for 2021 and a capital increase of DKK 2.0 billion from Nykredit Realkredit A/S in December 2021.

Equity in Nykredit Bank A/S totalled DKK 30.7 billion (end-2020: DKK 26.0 billion). The difference relative to Group equity is attributable to minority interests, see statement of changes in equity (page 28).

DKK million

Nykredit Bank Group Capital and capital adequacy	31.12.2021	31.12.2020
Credit risk	105,532	94,005
Market risk	9,809	12,884
Operational risk	9,389	10,052
Total risk exposure amount	**124,730**	**116,941**
Equity, year-end	**30,856**	**26,082**
Minority interest, not included	(112)	(96)
Prudent valuation adjustment	(49)	(18)
Intangible assets and deferred tax assets	(1,932)	(1,932)
Deduction for difference between IRB losses and impairments	-	(18)
Other regulatory deductions	51	49
Deduction for non-performing exposures	(34)	0
Common Equity Tier 1 capital	**28,779**	**24,068**
Other regulatory deductions	10	9
Tier 1 capital	**28,789**	**24,077**
Tier 2 capital	-	2,000
Tier 2 capital regulatory adjustments	594	524
Transitional adjustment of Tier 2 capital	12	6
Own funds	**29,395**	**26,606**
CET1 capital ratio, %	23.0	20.5
Tier 1 capital ratio, %	23.0	20.5
Total capital ratio, %	23.5	22.7

DKK million

Nykredit Bank Group Required own funds and internal capital adequacy requirement	31.12.2021	31.12.2020
Credit risk (including CVA)	8,443	7,520
Market risk	785	1,031
Operational risk	751	804
Total Pillar I	**9,978**	**9,355**
Slightly weaker economic climate etc	1,754	1,859
Other risks	1,822	1,735
Total Pillar II	**3,575**	**3,594**
Total required own funds	**13,553**	**12,949**
Internal capital adequacy requirement (Pillar I and Pillar II), %	10.9	11.1

Capital

At end-2021, Nykredit Bank's own funds totalled DKK 29.4 billion (end-2020: DKK 26.6 billion). Common Equity Tier 1 (CET1) capital is the most important capital concept in the determination of capital, as this is the type of capital required to comply with most of the regulatory capital requirements. The Bank's CET1 capital amounted to DKK 28.8 billion (end-2020: DKK 24.1 billion).

In December 2021 Nykredit Bank A/S received Common Equity Tier 1 (CET1) capital of DKK 2.0 billion and at the same time decided to redeem outstanding Tier 2 capital of DKK 2.0 billion.

The risk exposure amount (REA) totalled DKK 124.7 billion (end-2020: DKK 116.9 billion). The increase is primarily due to new regulation.

At end-2021 the total capital ratio was 23.5% and the CET 1 capital ratio 23.0% (end-2020: 22.7% and 20.5%, respectively).

The determination of required own funds takes into account the business objectives by allocating capital for all relevant risks. Nykredit Bank's required own funds totalled DKK 13.6 billion (end-2020: DKK 12.9 billion). Nykredit Bank's internal capital adequacy requirement is calculated as the required own funds as a percentage of REA. The internal capital adequacy requirement was 10.9% (end-2020: 11.1%).

CREDIT RATINGS

Nykredit Realkredit and Nykredit Bank have rating relationships with the international credit rating agencies S&P Global Ratings (S&P) and Fitch Ratings regarding the credit ratings of the companies and their funding.

S&P Global Ratings

S&P has assigned Nykredit Realkredit and Nykredit Bank long-term and short-term Issuer Credit Ratings of A+/A-1 with a stable outlook and long-term and short-term Resolution Counterparty Ratings of AA-/A-1+.

Senior non-preferred debt is rated BBB+ by S&P.

Fitch Ratings

Nykredit Realkredit and Nykredit Bank each have long-term and short-term Issuer Credit Ratings of A/F1 with Fitch Ratings and long-term and short-term senior unsecured preferred debt ratings of A+/F1.

Senior non-preferred debt is rated A by Fitch.

Listing of ratings

A table listing Nykredit's credit ratings with S&P and Fitch Ratings is available at nykredit.com/rating.

SUPERVISORY DIAMOND FOR BANKS

The Supervisory Diamond sets out benchmark limits for five key ratios that indicate when a bank is operating at an elevated risk. Nykredit complied with all Supervisory Diamond benchmark limits as at 31 December 2021.

The Bank's property exposure was 11.1% (end-2020: 12.6%).

Nykredit Bank A/S Supervisory Diamond	31.12.2021	31.12.2020
Large exposures (limit value <175%)	109.6%	132.3%
Lending growth (limit value <20%)	4.6%	8.7%
Property exposure (limit value <25%)	11.1%	12.6%
Liquidity benchmark (limit value >100%)	256%	150.7%

ESG ratings

The mounting general awareness of climate and environmental sustainability as well as governance is also present among investors and issuers. ESG (Environmental, Social and Governance) ratings are a tool used by investors and other stakeholders to assess a company's position relative to sustainability, corporate responsibility and governance.

Nykredit focuses its efforts in part on the ESG rating agencies, MSCI and Sustainalytics, which consider all ESG factors, and in part on the CDP (formerly Carbon Disclosure Project), which reflects environmental impact. Nykredit finds that these agencies are currently the most used among our investors. The agencies have published unsolicited ratings of Nykredit based on publicly available information.

Sustainalytics has revised Nykredit's ESG Risk Rating twice – in April and October – from 16.5 to 16.9. Sustainalytics still considers Nykredit's ESG risk to be low. Furthermore, in May 2021, MSCI raised Nykredit's ESG rating from A to AA.

ESG rating agency	Nykredit rating	Scale[1]
MSCI	AA	AAA to CCC
Sustainalytics	16.9	0 to 100
CDP	A-	A to D-

[1] Highest to lowest rating (the lower the score, the better rating).

IMPAIRMENT AND LENDING

Total provisions

Total provisions decreased to DKK 3,096 million at 31 December 2021 (end-2020: DKK 3,265 million).

In addition, value adjustment of interest rate swaps of DKK 1.8 billion was recorded, of which credit value adjustments amounted to DKK 1.5 billion, comprising DKK 1.3 billion relating to legacy derivatives and DKK 0.2 billion relating to other items.

Provisions for guarantees and loan commitments amounted to DKK 331 million (end-2020: DKK 241 million).

Relative to total loans, advances and guarantees, provisions amounted to 2.0% (end-2020: 2.0%).

Earnings impact

Impairment charges for loans and advances were a reversal of DKK 120 million in 2021 (2020: a charge of DKK 579 million). Of total impairment charges, impairment charges for loans and advances etc represented a reversal of DKK 72 million (end-2020: a charge of DKK 631 million), while recoveries on loans and advances previously written off were DKK 48 million (end-2020: DKK 52 million).

DKK million

Nykredit Bank Group **Provisions for loan impairment and guarantees**	31.12.2021	31.12.2020
Impairment provisions, beginning of year	3,024	2,538
Impairment provisions and reversals	(260)	486
Impairment provisions, year-end	**2,764**	**3,024**
- of which impairment provisions for loans and advances etc	2,755	3,012
- of which impairment provisions for loans and advances to banks	9	12
Provisions for guarantees and loan commitments		
Provisions, beginning of year	241	137
Provisions, year-end	331	241
Total provisions	**3,096**	**3,265**
Earnings impact		
New impairment provisions and write-offs for the year, net	(162)	527
Recoveries on loans and advances previously written off	48	52
Total	**(210)**	**475**
Provisions for guarantees and loan commitments	90	104
Total earnings impact	**(120)**	**579**

Loans, advances and guarantees by sector

The carrying amount of loans, advances and guarantees was DKK 153.6 billion (end-2020: DKK 138.1 billion).

Loans, advances and guarantees saw an increase in reverse repurchase lending of DKK 13.6 billion, a rise in other loans and advances of DKK 3.2 billion and a decline in guarantees of DKK 1.5 billion. Reverse repurchase lending totalled DKK 50.9 billion (end-2020: DKK 37.3 billion).

Finance and insurance remained the largest single sector exposure at DKK 56.4 billion (end-2020: DKK 43.2 billion). The exposure widely comprised reverse repurchase lending with bonds serving as security.

Finance and insurance accounted for 36.7% (end-2020: 31.3%) and personal customers 17.7% (end-2020: 19.5%).

At end-2021, loan impairment provisions for the real estate sector totalled DKK 0.5 billion (end-2020: DKK 0.6 billion), or 3.2% of total loans and advances to the sector (end-2020: 3.6%).

Nykredit Bank Group

Credit exposures in terms of bank lending, reverse repurchase lending and guarantees by sector[1] DKK million

	31.12.2021			31.12.2020		
	Lending, year-end	**Total impairment provisions**	**Earnings impact**	**Lending, year-end**	**Total impairment provisions**	**Earnings impact**
Public sector	**1,110**	**10**	**(0)**	**866**	**4**	**3**
Agriculture, hunting, forestry and fishing	3,877	192	13	3,431	184	30
Manufacturing, mining and quarrying	11,754	262	(123)	9,759	415	134
Energy supply	5,475	32	6	7,096	40	16
Construction	2,722	202	8	2,631	198	8
Trade	9,752	655	225	8,788	453	111
Transport, accommodation and food service activities	6,525	144	(29)	7,193	183	101
Information and communication	2,376	83	(23)	3,262	106	5
Finance and insurance	56,378	91	(50)	43,211	144	33
Real estate	16,540	524	(74)	16,566	595	123
Other	9,948	312	(42)	8,426	355	54
Total business customers	**125,346**	**2,497**	**(89)**	**110,363**	**2,673**	**615**
Personal customers	**27,182**	**579**	**(28)**	**26,914**	**576**	**(39)**
Total	**153,638**	**3,086**	**(118)**	**138,143**	**3,254**	**579**
- of which provisions for losses under guarantees		331	90		241	105
Impairment provisions for credit institutions		9	(2)		12	(1)
- of which intercompany guarantees	19,239			20,639		
Total		**3,096**	**(120)**		**3,265**	**579**

[1] As the breakdown is based on public sector statistics, it is not directly comparable with the Bank's business areas.

ORGANISATION AND RESPONSIBILITIES

The Board of Directors of Nykredit Bank is responsible for delimiting and monitoring Nykredit Bank's risks as well as approving the delegation of responsibilities and overall instructions. The Board of Directors has laid down guidelines and specific limits for the types of risk the Company may assume. These risk limits have been delegated within the organisation.

Nykredit Bank is subject to the Nykredit Group's coordinated risk management, and the Chief Risk Officer of Nykredit Realkredit A/S has been appointed Chief Risk Officer of Nykredit Bank A/S by the Board of Directors of Nykredit Bank. Nykredit has appointed a number of non-Board committees, which are to perform specific tasks within selected fields.

Board Committees

The Board of Directors of Nykredit Realkredit A/S has appointed a Board Audit Committee, a Board Risk Committee, a Board Nomination Committee and a Board Remuneration Committee. These Committees advise the Board of Directors on particular matters and prepare cases for review by the entire Board of Directors, each within their field of responsibility.

Nykredit Bank A/S has not appointed similar committees, but the Board Committees appointed by Nykredit Realkredit A/S handle matters of relevance to the Group, including Nykredit Bank A/S.

Board Audit Committee

The Nykredit Group Board Audit Committee only reviews audit and accounting matters in Nykredit Realkredit A/S and Nykredit A/S. However, these matters are generally also of importance to the presentation of Nykredit Bank's Financial Statements.

The principal tasks of the Board Audit Committee are to inform the Board of Directors of the results of the statutory audit, to oversee the financial reporting process and the effectiveness of Nykredit's internal control systems, internal audit and risk management, to oversee the statutory audit of the financial statements, to monitor and verify the independence of the auditors, and to be responsible for the procedure for selecting and submitting a recommendation for the appointment of auditors.

The Board Audit Committee consists of Jørgen Høholt, former Banking Executive (Chair), Per W. Hallgren, CEO, Michael Demsitz, CEO, and Preben Sunke, Group COO, who are all members of the Boards of Directors of Nykredit A/S and Nykredit Realkredit A/S elected by the General Meeting.

The Board Audit Committee held 6 meetings in 2021.

Board Risk Committee

The function of the Board Risk Committee is to oversee Nykredit's overall risk profile and strategy, including to assess the long-term capital requirement and the capital policy. It also assesses risks related to products, business model, remuneration structure and incentives as well as risk models and methodological basis. The Board Risk Committee assists the Board of Directors in overseeing that the risk appetite defined by the Board of Directors is implemented correctly in the organisation.

The Board Risk Committee consists of Per W. Hallgren, CEO (Chair), Vibeke Krag, former CEO, Jørgen Høholt, former Banking Executive and Hans-Ole Jochumsen, former Vice Chairman, who are all members of the Boards of Directors of Nykredit A/S and Nykredit Realkredit A/S elected by the General Meeting.

The Board Risk Committee held 6 meetings in 2021.

Board Nomination Committee

The Board Nomination Committee is principally tasked with making recommendations to the Board of Directors of Nykredit Realkredit A/S on the nomination of candidates for its Board of Directors and Executive Board.

The Board Nomination Committee consists of Merete Eldrup, former CEO (Chair), Nina Smith, Professor, and Per W. Hallgren, CEO, who are all members of the Boards of Directors of Nykredit A/S and Nykredit Realkredit A/S elected by the General Meeting.

The Board Nomination Committee held 3 meetings in 2021.

Board Remuneration Committee

The principal tasks of the Board Remuneration Committee are to qualify proposals for remuneration prior to consideration by the Board of Directors of Nykredit Realkredit A/S and to make recommendations in respect of Nykredit's remuneration policy, including guidelines on incentive pay, for the approval of the Board of Directors, as well as to assist in ensuring that these are observed.

The Board Remuneration Committee consists of Merete Eldrup, former CEO (Chair), Nina Smith, Professor, and Per W. Hallgren, CEO, who are all members of the Boards of Directors of Nykredit A/S and Nykredit Realkredit A/S elected by the General Meeting, as well as Kristina Andersen Skiøld, Chair of NYKREDS, who is staff-elected member of the Board of Directors of both companies.

The Board Remuneration Committee held 3 meetings in 2021.

Details on bonuses to risk takers, remuneration policy and practices are available at nykredit.com/remuneration.

Non-Board committees

The Executive Boards of Nykredit Realkredit A/S and Nykredit Bank A/S have set up five non-Board committees, which perform specific tasks within selected fields. Each committee must report to the Executive Board, and the individual members may at any time request the Executive Board to decide on a case.

The Credits Committee is charged with ensuring adequate credit risk management and approving credit applications and loan impairments as well as overseeing the management of risks in the Nykredit Group's credits area. In connection with bank exposures, the Committee cannot approve applications but it can refuse exposures approved by the Bank's Executive Board or Board of Directors. Any refusals will always be motivated by general Group risk management considerations. The Committee manages the Group's loan portfolio and submits recommendations on credit policies to the individual Executive Boards and Boards of Directors. The Committee lays down business procedures for the granting of credits within the limits of the guidelines laid down by the Group Executive Board and the Board of Directors. The Committee's remit covers Nykredit Realkredit A/S, Nykredit Bank A/S and Nykredit Leasing A/S.

The Asset/Liability Committee (ALCO) undertakes the day-to-day responsibilities and tasks of the Executive Board in the areas of capital, funding, liquidity and market risk according to guidelines approved by the Boards of Directors. The Committee has a governance mandate in these areas at Group as well as at company level. The Committee's remit covers Nykredit Realkredit A/S, Totalkredit A/S and Nykredit Bank A/S.

The Group Risk Committee is charged with overseeing the Nykredit Group's overall risk profile and capital requirements in order to assist the individual Executive Boards and Boards of Directors of the Nykredit Group in ensuring compliance with current legislation and practice. The Committee's remit covers Nykredit Realkredit A/S, Totalkredit A/S, Nykredit Bank A/S, Nykredit Portefølje Administration A/S and Nykredit Leasing A/S.

The Contingency Committee has the overall responsibility for compliance with IT security policy rules in relation to contingencies (major accidents and catastrophes) and the Group's entire spectrum of contingency plans covering IT as well as business aspects. The Committee's remit covers Nykredit A/S, Nykredit Realkredit A/S, Totalkredit A/S, Nykredit Bank A/S, Nykredit Portefølje Administration A/S, Nykredit Leasing A/S and Nykredit Mægler A/S.

The Products Committee's overarching objective is to ensure that the Nykredit Group's products meet applicable business and regulatory requirements. The Committee must ensure that any launch of new or changes to existing products and services, involving material risks for the Group, the individual companies, counterparties or customers, are in alignment with the business models of the individual companies and comply with the current product policy and the Executive Boards' guidelines for development and approval of new products and services. Further, the Committee must regularly monitor and evaluate the existing products and assess any need for changing or adjusting individual products or an entire product range. The Committee's remit covers Nykredit Realkredit A/S, Totalkredit A/S, Nykredit Bank A/S, Nykredit Portefølje Administration A/S and Nykredit Leasing A/S.

CORPORATE RESPONSIBILITY

Nykredit Bank complies with the Nykredit Group's policy and objectives in this area. For information on the Group's corporate responsibility performance, please see the Management Commentary of this Annual Report and the Group's Corporate Responsibility Report 2021 available at nykredit.com/samfundsansvar/rapportering:

1. Communication on Progress to the UN Global Compact, which we signed in 2008.
2. Report on the UN Principles for Responsible Banking launched and signed by us in 2019.
3. Report on corporate responsibility in accordance with section 135b of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.
4. Report on the gender composition of management in accordance with section 135a of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.
5. Report on the Company's data ethics policy, see section 135d of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

Nykredit has endorsed the UN Principles for Responsible Banking (PRB), which are a set of global guiding principles for responsible banking. Banks worldwide agree to respect the principles when developing strategies as well as in their day-to-day operations. Banks which endorse the PRB are also obliged to report and set goals for their impact on society in a number of key areas. The endorsement aligns with Nykredit's pledge to society and the customer-ownership structure as well as our sustainability commitment.

Information on corporate governance is available at nykredit.com/corporategovernance.

CORPORATE GOVERNANCE

Nykredit Bank complies with the Nykredit Group's objectives in this area.

Information on Nykredit's organisation and corporate governance is available at nykredit.com/corporategovernance.

REMUNERATION

Material risk takers

At end-2021 the Nykredit Bank Group had identified a total of 178 material risk takers in addition to the members of the Bank's Executive Board and Board of Directors, who are risk takers exclusively by virtue of their directorships and executive positions. Of the 178 material risk takers, 7 are Managing Directors of financial subsidiaries and 171 are other material risk takers. Of the 171 other material risk takers, 39 are on the payroll of Nykredit Bank, 24 are on the payroll of the Bank's subsidiaries, and 108 are on the payroll of Nykredit Realkredit A/S. The latter perform tasks across the Group companies.

Material risk takers are identified in compliance with EU regulation in this area.

Remuneration of material risk takers
Pursuant to the Danish Financial Business Act, material risk takers are subject to special restrictions, chiefly in relation to variable remuneration. Some of these restrictions are deferral of payout over a several-year period, partial payout through bonds subject to selling restrictions instead of cash payment and the possibility that Nykredit may retain the deferred amount under special circumstances.

The 2021 bonus provisions in respect of the Bank's Executive Board and other risk takers amounted to DKK 39 million (2020: DKK 42 million). The 2021 bonus provisions corresponded to 40% of their fixed salaries.

The total remuneration of risk-takers subject to variable remuneration appears from note 13.

Details on bonuses to risk takers, remuneration policy and practices are available at nykredit.com/remuneration.

Bonus programmes
A general bonus programme applies to Nykredit's executives who report directly to the Group Executive Board.

This bonus programme also applies to the Bank's Executive Board. It is discretionary, which means that executives are not guaranteed a bonus. The bonus limit applying to an executive is fixed individually, but is subject to a maximum of three months' salary. Of the bonus amount, the payout of at least 40% is deferred over five years, and a considerable part of the bonus is paid out as remuneration bonds.

Special individual bonus programmes apply to some of the staff of Markets, Asset Management, Investments and Group Treasury who have major earnings responsibility, in line with market standards for such positions. The remuneration of these staff members is based on their job performance. The 2021 bonus provisions in respect of these staff members (excluding risk takers) amounted to DKK 47 million (2020: DKK 50 million). The 2021 bonus provisions corresponded to 40% of their fixed salaries.

Furthermore, programmes are used for executives and specialists responsible for the largest and most professional business customers and high-net-worth personal clients. The 2021 bonus provisions in respect of these staff members (excluding risk takers) amounted to DKK 52 million (2020: DKK 26 million). The 2021 bonus provisions corresponded to 31% of their combined fixed salaries.

Bonus programmes under which the variable remuneration component may reach up to 25% of the base salary apply to other members of management and a small number of the members of staff in high-level positions or tasked with special projects.

The 2021 bonus provisions in respect of these staff members (excluding risk takers) amounted to DKK 8 million (2020: DKK 1 million). The bonus provisions for 2021 corresponded to 15% of the Group's total fixed salary.

The bonus programmes do not apply to other management or staff members, but they may receive individual one-off awards. For 2021 provisions of DKK 4 million had been made for one-off awards (2020: DKK 3 million). The 2021 provisions for one-off awards corresponded to 1% of the relevant group's fixed salaries.

Total provisions for bonuses and one-off awards for 2021 came to DKK 145 million (2020: DKK 126 million). The total provisions for bonuses and one-off awards for 2021 corresponded to 18% of total fixed salaries.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

Nykredit's internal controls and risk management relating to the financial reporting process have been designed to efficiently manage and minimise the risk of errors and omissions in connection with financial reporting.

Financial reporting process
The Board of Directors and the Executive Board have the overall responsibility for the financial reporting process and for compliance with relevant accounting legislation and any other regulation of financial reporting.

The financial reporting process is based on internal control and risk management systems, which together ensure that all relevant financial transactions are correctly reflected for accounting purposes and in financial statements. Nykredit Bank regularly reviews items in respect of which estimates may have a material impact on the value of assets and liabilities.

The process is based on a number of fixed routines, including the planning process, which are prepared together with material business units, management support functions and the Executive Board.

Group Finance & Investments undertakes the Group's overall financial reporting and is responsible for ensuring that Group’s financial reporting complies with policies laid down and current legislation. Group Finance & Investments is also responsible for the day-to-day internal reporting in the Treasury and Markets areas.

Group Finance & Investments prepares monthly internal reports and performs budget control, which includes accounting for the monthly, quarterly and annual results. Further, Group Finance & Investments is responsible for the Group's external annual and interim financial reporting.

Control environment

Business procedures have been laid down and controls implemented for all material areas and high-risk areas, and overall principles and requirements for the preparation of business procedures and a process for the approval of business procedures in material risk areas have been established at Group level.

The Executive Board is responsible for risk delineation, management and monitoring.

In addition to this, the Board Audit Committee oversees the effectiveness of Nykredit's internal control systems, financial reporting, internal audit and risk management.

Risk assessment

The risk management of the Group Board of Directors and the Executive Board relating to the financial reporting process may generally be summarised as follows:

- Periodical review of risk and financial reporting, including IT systems, general procedures and business procedures
- Review of the areas which include assumptions and estimates material to the financial statements, including unlisted financial instruments and impairment charges for loans and advances
- Review of the business and financial development
- Review and approval of budgets and forecasts
- Review of annual and interim reports and other financial data
- Review of reports from the Chief Risk Officer
- Annual assessment of the risk of fraud.

Controls

The purpose of Nykredit's controls is to ensure that policies and guidelines laid down by the Executive Board and board of directors are observed, and to ensure timely prevention, detection and correction of any errors, deviations or omissions.

Business procedures have been laid down and controls implemented for all material and high-risk areas, and overall principles and requirements for the preparation of business procedures and a process for the approval of business procedures in material risk areas have been established at Nykredit Group level. The controls comprise manual and physical controls as well as general IT controls and automatic controls in the IT systems applied.

In connection with the preparation of financial statements, a number of fixed procedures and internal controls are performed. These procedures and controls include fixed analysis and reconciliation routines and compliance with fixed business procedures as well as ongoing dialogue with Nykredit's business units and management support functions for the purpose of obtaining a business assessment of the information in the financial statements.

Communication and information

The Board of Directors has adopted an overall communications policy, stating that Nykredit is committed to a transparent and credible business conduct – in compliance with legislation and the Stock Exchange Code of Ethics. The communications policy is reviewed once a year by the Board of Directors and was last revised in October 2021.

Nykredit's Boards of Directors and Executive Boards regularly receive internal and external financial reporting. Internal reporting includes analyses of important issues with respect to Nykredit's business areas and subsidiaries etc.

For further information on the Nykredit Group's risk and capital management, please refer to the publication Risk and Capital Management 2021, available at nykredit.com/riskandcapitalmanagement.

COMPANY DETAILS

COMPANY DETAILS
Nykredit Bank A/S
Kalvebod Brygge 1-3
1780 Copenhagen V
Denmark

Tel: +45 44 55 18 00
CVR no: 10 51 96 08
Financial year: 1 January – 31 December
Municipality of registered office: Copenhagen
Website: nykredit.com

Date of approval of Financial Statements
These Financial Statements were approved on 9 February 2022.

External auditors
EY Godkendt Revisionspartnerselskab
Dirch Passers Alle 36
2000 Frederiksberg
Denmark

Annual General Meeting
The Annual General Meeting of the Company will be held on 24 March 2022.

BOARD OF DIRECTORS
Michael Rasmussen, Chair
Anders Jensen, Deputy Chair
Tonny Thierry Andersen
David Hellemann
Allan Kristiansen*
Susanne Møller Nielsen*

* Elected by the staff of Nykredit Bank

EXECUTIVE BOARD
Henrik Rasmussen
Dan Sørensen

See page 118-119 for directorships and executive positions of the members of the Board of Directors and the Executive Board.

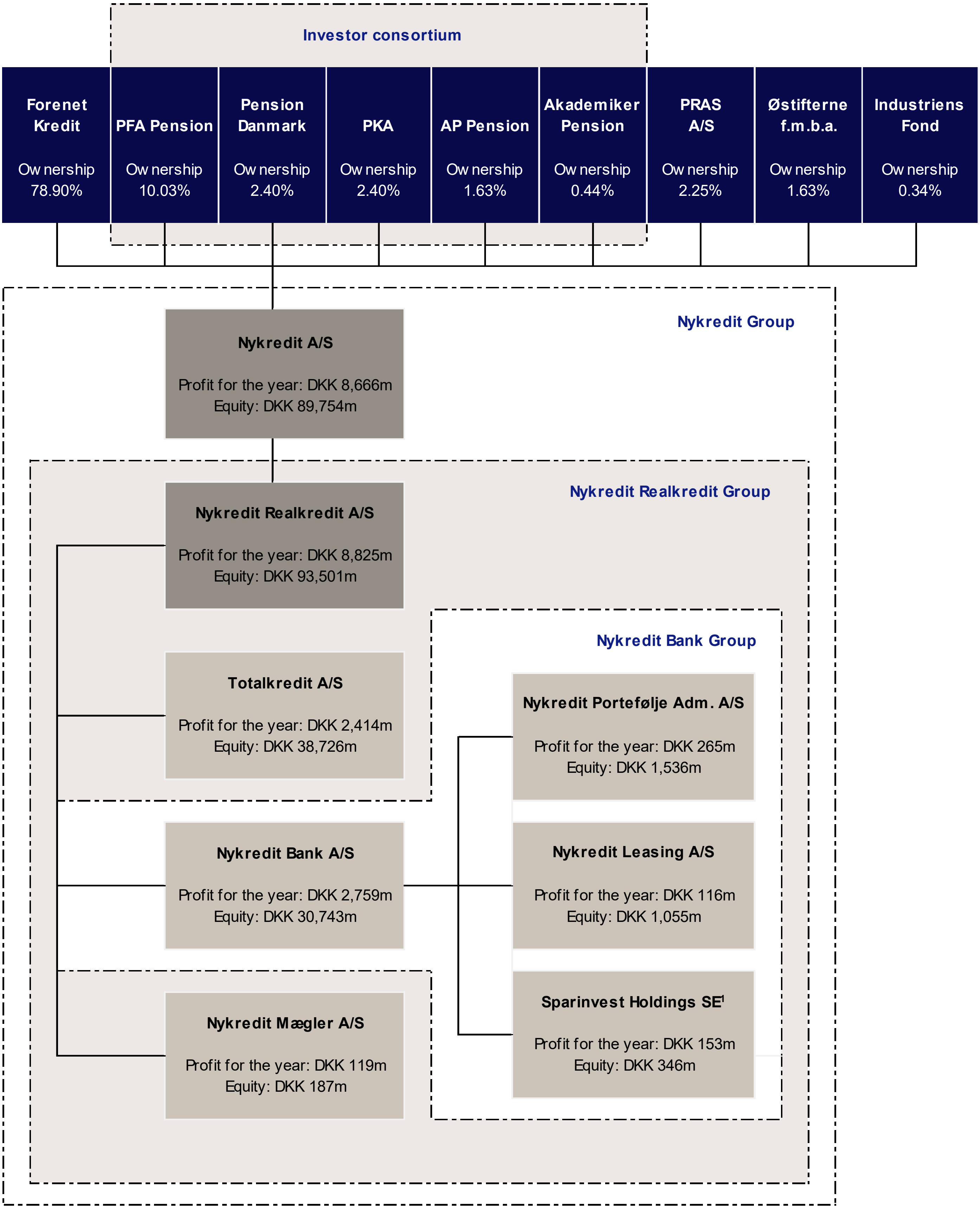
Nykredit Bank ESEF data	
Domicile of entity	Denmark
Description of nature of entity's operations and principal activities	Bank
Country of incorporation	Denmark
Principal place of business	Denmark
Legal form of entity	A/S
Name of reporting entity or other names of identification	Nykredit Bank A/S
Name of parent	Nykredit Realkredit A/S
Name of ultimate parent of group	Forenet Kredit f.m.b.a.
Address of entity's registered office	Kalvebod Brygge 1-3 DK-1780 Copenhagen V

At nykredit.com you may read more about the Nykredit Group and download the following reports:

- Annual Report 2021
- Corporate Responsibility Report 2021
- Risk and Capital Management 2021

Information on corporate governance is available at nykredit.com/corporategovernance

GROUP CHART



For a complete Group chart, see note 52.

[1] Ownership 75%

NYKREDIT BANK A/S

Nykredit Bank A/S is wholly owned by Nykredit Realkredit A/S. Nykredit Bank has been included in that company's consolidated financial statements and in the consolidated financial statements of Forenet Kredit, Copenhagen, which owns 78.90% of Nykredit Realkredit A/S, through its ownership of Nykredit A/S.

Nykredit Bank A/S applies the same recognition and measurement principles as those applied in the Nykredit Bank Group's Financial Statements, and profit for the year and equity are consequently identical in both entities' Financial Statements.

Since the majority of the activities of the Nykredit Bank Group are conducted through the Parent, Nykredit Bank A/S, the financial development has been affected by the same factors as described in the Management Commentary of the Nykredit Bank Group.

Income statement
Nykredit Bank A/S recorded a profit of DKK 2,759 million in 2021 (2020: DKK 1,610 million).

Net interest and fee income rose by DKK 269 million to DKK 3,089 million (2020: DKK 2,820 million), while value adjustments and other operating income saw a total increase of DKK 540 million to DKK 1,985 million (2020: DKK 1,445 million).

Costs rose to DKK 2,390 million (2020: DKK 2,178 million). Please refer to the previous section "Costs" of this Annual Report.

Impairment charges for loans and advances were a net reversal of DKK 131 million (2020: DKK a charge of 538 million).

Profit from equity investments in associates and Group enterprises came to a gain of DKK 526 million (2020: DKK 343 million). Of this amount, Nykredit Portefølje Administration contributed DKK 265 million, Nykredit Leasing DKK 116 million and Sparinvest SE DKK 153 million.

Principal balance sheet items
The balance sheet total increased to DKK 214.7 billion at end-2021 (end-2020: DKK 197.6 billion).

Cash balances and receivables from credit institutions etc increased to DKK 26.9 billion (end-2020: DKK 21.3 billion).

Loans and advances at amortised cost amounted to DKK 123.8 billion (end-2020: DKK 107.0 billion).

Bonds and equities amounted to DKK 38.4 billion (end-2020: DKK 38.5 billion). As for the entire Group, the size of the portfolios reflects the Bank's capital markets and repo activities and surplus liquidity, of which a substantial part is placed in bonds.

Payables to credit institutions and central banks stood at DKK 52.8 billion (end-2020: DKK 49.1 billion).

Deposits and other payables came to DKK 100.5 billion (end-2020: DKK 91.1 billion).

Equity
Equity increased by profit for the year of DKK 4.7 billion to DKK 30.7 billion (end-2020 DKK 26.0 billion).

Total capital ratio, %
The total capital ratio rose to 22.2% (end-2020: 21.6%).

Dividend
It will be recommended for approval by the Annual General Meeting that no dividend be distributed for 2021.

ALTERNATIVE PERFORMANCE MEASURES

In the opinion of Management, the Management Commentary should be based on the internal management and business division reporting, which also forms part of Nykredit's financial governance. This will provide readers of the financial reports with information that is relevant to their assessment of Nykredit's financial performance.

The income statement format of the financial highlights on page 3 and the business areas (note 3) reflect the internal management reporting.

In certain respects, the presentation of the financial highlights differs from the format of the Financial Statements prepared under the International Financial Reporting Standards (IFRS). No correcting entries have been made, which means that the profit for the year is the same in the financial highlights and in the IFRS-based Financial Statements. The reclassification in note 4 shows the reconciliation between the presentation in the financial highlights table of the Management Commentary and the presentation in the Consolidated Financial Statements prepared according to the IFRS and includes:

"Net interest income" comprising interest income from bank lending and deposits. The corresponding item in the income statement (page 25) includes all interest.

"Net fee income" comprising income from bank lending, service fees, provision of guarantees and leasing business etc.

"Wealth management income" comprising asset management and administration fees etc. This item pertains to business with customers conducted through the Group's entities Nykredit Markets, Nykredit Asset Management, Nykredit Portefølje Administration A/S and Sparinvest but where income is ascribed to the business divisions serving the customers.

"Net interest from capitalisation" comprising the risk-free interest attributable to equity and net interest from subordinated debt.

"Trading, investment portfolio and other income" comprising income from swaps and derivatives transactions currently offered, Nykredit Markets activities, repo deposits and lending, debt capital markets activities as well as other income and expenses not allocated to the business divisions.

"Net income relating to customer benefits programmes" comprising discounts etc such as mutual benefits granted to the customers. The amount includes contributions received.

Supplementary financial ratios etc

In relation to the internal presentation of income, a number of supplementary financial ratios are included in the Management Commentary.

Profit (loss) for the year as % pa of average equity. Average equity is calculated on the basis of the value at the beginning of the year and at the end of all quarters of the year.

Costs as % of income is calculated as the ratio of "Costs" to "Income".

Impairment charges for the year, %. Impairment charges are calculated based on impairment charges for loans and advances relative to loans and advances.

STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

The Board of Directors and the Executive Board have today reviewed and approved the Annual Report 2021 of Nykredit Bank A/S and the Nykredit Bank Group.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds. The Financial Statements for Nykredit Bank A/S and the Management Commentary have been prepared in accordance with the Danish Financial Business Act.

In our opinion, the Consolidated Financial Statements and the Financial Statements give a true and fair view of the Group's and the Parent's assets, liabilities, equity and financial position at 31 December 2021 and of the results of the Group's and the Parent's operations and the Group's cash flows for the financial year 2021.

Further, in our opinion, the Management Commentary gives a fair review of the development in the operations and financial circumstances of the Group and the Parent as well as a description of the material risk and uncertainty factors which may affect the Group and the Parent.

ESEF-compliant financial reports
In our opinion, the Annual Report of Nykredit Bank A/S for the financial year 1 January to 31 December 2021 with the file name NYRB-2021-12-31 is prepared, in all material respects, in compliance with the ESEF Regulation.

The Annual Report is recommended for approval by the General Meeting.

Copenhagen, 9 February 2022

Executive Board	**Board of Directors**
Henrik Rasmussen	Michael Rasmussen Chair
Dan Sørensen	Anders Jensen Deputy Chair
	Tonny Thierry Andersen
	David Hellemann
	Allan Kristiansen *
	Susanne Møller Nielsen*

* Staff-elected member

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Nykredit Bank A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Nykredit Bank A/S for the financial year 1 January – 31 December 2021, which comprise income statements, statements of comprehensive income, balance sheets, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company and a consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed bonds, and the parent company financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2021 and of the results of the Group's operations and cash flows for the financial year 1 January – 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed bonds.

Further, in our opinion the parent company financial statements give a true and fair view of the financial position of the Parent Company at 31 December 2021 and of the results of the Parent Company's operations for the financial year 1 January – 31 December 2021 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our long-form audit report to 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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "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 Group 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 Nykredit Bank A/S on 25 March 2021 for the financial year 2021.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2021. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Measurement of loans and guarantees
A significant part of the Group's assets consists of loans which entail a risk of loss in case of the customer's inability to pay. Also, the Group offers guarantees and other financial products also implying a risk of loss.

The Group's total loans amounted to DKK 125,413 million at 31 December 2021 (DKK 108,417 million at 31 December 2020), and total provisions for expected credit losses amounted to DKK 3,096 million at 31 December 2021 (DKK 3,265 million at 31 December 2020).

We consider the measurement of impairment provisions on loans and provisions for losses on guarantees, etc. (together "exposures") a key audit matter as the measurement implies significant amounts and management estimates. This concerns in particular the assessment of probability of default, staging and the assessment of indication of credit impairment, realisable value of collateral received as well as the customer's ability to pay in case of default.

Significant exposures with high risk are assessed individually, whereas all other loans and loans with lower risk are assessed on the basis of models for expected credit losses where methods and assumptions used to assess the expected credit loss are based on assumptions and management estimates.

The Group recognises additional impairment provisions based on management estimates in situations where the model-calculated and individually assessed impairment losses are not yet considered to reflect a specific loss risk ("in-model-adjustments" and "post-model-adjustments"), e.g. the effect of COVID-19.

Reference is made to the accounting policies and note 1 to the consolidated financial statements for a description of the Group's credit risks and a description of uncertainties and estimates where matters that may affect the statement of expected credit losses are described.</td><td>Based on our risk assessment and knowledge of the industry, we performed the following audit procedures regarding measurement of loans and guarantees:

▪ Assessment of the Group's methods for measuring provisions for expected credit losses and whether methods applied for model-based and individual measurement of expected credit losses are in accordance with IFRS 9.
▪ Test of the Group's procedures and internal controls, including monitoring of exposures, stage allocation of exposures, recording of indications of credit impairment and recording and valuation of collateral.
▪ Sample test of the largest and most risky exposures, including credit-impaired exposures.
▪ For model-based impairments, we tested completeness and accuracy of input data, model assumptions, accuracy of calculations and the Group's validation of models and methods.
▪ For management additions to individual and model-based impairments, we assessed whether the methods applied are relevant and appropriate. In addition, we assessed and tested the Group's basis for the assumptions used, including whether they are reasonable and well-founded compared to relevant bases of comparison.

We also assessed whether disclosures relating to exposures, impairment losses and credit risks meet the relevant accounting rules and tested the amounts therein (note 15, 16 and 46).</td></tr>
<tr><td>Fair value of swaps
Measurement of the fair value of swaps is determined using valuation techniques based on observable market data as well as unobservable inputs regarding credit risk which to a high degree are based on management estimates. Due to the materiality of these estimates, the audit of measurement of fair value of swaps is a key audit matter.

The Group's portfolio of swaps at 31 December 2021 include contracts with positive fair value of DKK 15,396 million (DKK 20,673 million at 31 December 2020) and negative fair value of DKK 7,418 million (DKK 10,019 million at 31 December 2020).

The areas with highest level of judgement and complexity and which therefore require increased audit attention are:
▪ Valuation models and methods applied for the valuation of swaps
▪ Management’s assumptions and parameters applied to determine credit valuation adjustment (CVA)
The principles for measuring fair value are described in the accounting policies. Further details on market risk management and the specific assumptions and sensitivities are included in notes 41 and 46.</td><td>Our audit included an examination of relevant business procedures, test of key controls and analysis of valuations.
In addition, our audit procedures included:

▪ Assessment of the models and assumptions applied for calculating the risk relating to the customers' inability to pay (CVA) based on our knowledge of and experience with the sector.
▪ Assessment of changes to the assumptions compared with trends in the sector as well as historical observations.
▪ Risk-based test of the valuation of swaps using our internal valuation specialists.

We also assessed whether disclosures relating to fair value and credit risks meet the relevant accounting rules and tested the amounts therein (note 15, 16, 41 and 46).</td></tr>
</table>

Statement on the Management Commentary

Management is responsible for the Management Commentary.
Our opinion on the financial statements does not cover the Management Commentary, 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 Commentary and, in doing so, consider whether the Management Commentary 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 Commentary provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the Management Commentary 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 Commentary.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed bonds and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Business Act.

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

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent 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 Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent 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 Group's and the Parent 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 Group and the Parent 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on compliance with the ESEF Regulation

As part of our audit of the financial statements of Nykredit Bank A/S we performed procedures to express an opinion on whether the annual report of Nykredit Bank A/S for the financial year 1 January – 31 December 2021 with the file name NYRB-2021-12-31 is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format.

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

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The procedures consist of testing whether the annual report is prepared in XHTML format.
In our opinion, the annual report of Nykredit Bank A/S for the financial year 1 January – 31 December 2021 with the file name NYRB-2021-12-31 is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 9 Febrary 2022
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lars Rhod Søndergaard State Authorised Public Accountant mne28632	Thomas Hjortkjær Petersen State Authorised Public Accountant mne33748

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

Nykredit Bank A/S 2020	Nykredit Bank A/S 2021		Note	Nykredit Bank Group 2021	Nykredit Bank Group 2020
		INCOME STATEMENTS			
1,842	1,723	Interest income based on the effective interest method	7	1,894	2,016
(257)	(342)	Other interest income	7	(340)	(257)
(198)	(181)	Negative interest, income	7 a	(183)	(198)
(346)	(398)	Positive interest expenses	7 a	(398)	(346)
360	279	Interest expenses	8	280	359
1,373	**1,319**	**Net interest income**		**1,488**	**1,547**
5	5	Dividend on equities etc	9	5	5
1,794	2,137	Fee and commission income	10	3,365	2,843
351	371	Fee and commission expenses	11	545	556
2,820	**3,089**	**Net interest and fee income**		**4,313**	**3,839**
1,137	1,613	Value adjustments	12	1,628	1,139
308	372	Other operating income		397	336
2,141	2,360	Staff and administrative expenses	13	2,863	2,655
-	-	Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	14	34	34
37	29	Other operating expenses		30	38
538	(131)	Impairment charges for loans, advances and receivables etc	15, 16	(120)	579
343	526	Profit from investments in associates and Group enterprises	17	6	7
1,892	**3,342**	**Profit before tax**		**3,537**	**2,015**
283	584	Tax	18	733	385
1,610	**2,759**	**Profit for the year**		**2,804**	**1,630**
		Proposal for the distribution of profit			
343	526	Statutory reserves		-	-
-	-	Minority interests calculated		45	21
1,267	2,232	Retained earnings		2,759	1,610
		COMPREHENSIVE INCOME			
1,610	**2,759**	**Profit for the year**		**2,804**	**1,630**
-	**-**	**Other comprehensive income**		**-**	**-**
1,610	**2,759**	**Comprehensive income for the year**		**2,804**	**1,630**
		Distribution of comprehensive income			
1,610	2,759	Nykredit Bank		2,759	1,610
-	-	Minority interests calculated		45	21
1,610	**2,759**	**Comprehensive income for the year**		**2,804**	**1,630**

BALANCE SHEETS

DKK million

Nykredit Bank A/S				Nykredit Bank Group	
2020	2021		Note	2021	2020
		ASSETS			
16,001	23,526	Cash balances and demand deposits with central banks	19	23,526	16,001
5,337	3,386	Receivables from credit institutions and central banks	20	3,608	5,468
106,966	123,816	Loans, advances and other receivables at amortised cost	21	125,413	108,417
38,508	38,439	Bonds at fair value	22	39,882	39,680
-	0	Bonds at amortised cost	23	-	-
130	133	Equities etc	24	147	142
14	13	Investments in associates	25	13	14
2,501	2,936	Investments in Group enterprises	25	-	-
1,770	1,770	Intangible assets	26	1,932	1,932
		LAND AND BUILDINGS			
-	-	Leased properties	27	14	19
-	**-**	**Total leased properties**		**14**	**19**
-	-	Equipment	27	1	2
-	0	Current tax assets	34	14	19
116	124	Deferred tax assets	35	125	116
26,169	20,503	Other assets	29	20,629	26,274
101	67	Prepayments		87	106
197,611	**214,714**	**Total assets**		**215,390**	**198,189**

BALANCE SHEETS

DKK million

Nykredit Bank A/S 2020	2021		Note	Nykredit Bank Group 2021	2020
		LIABILITIES AND EQUITY			
49,121	52,833	Payables to credit institutions and central banks	30	52,833	49,121
91,065	100,498	Deposits and other payables	31	100,275	90,943
5,400	4,415	Bonds in issue at amortised cost	32	4,415	5,400
10,991	13,617	Other non-derivative financial liabilities at fair value	33	13,613	10,801
18	23	Current tax liabilities	34	35	14
12,570	10,108	Other liabilities	36	10,665	13,130
8	7	Deferred income		12	14
169,172	**181,501**	**Total payables**		**181,847**	**169,424**
		Provisions			
-	-	Provisions for deferred tax	35	209	212
241	331	Provisions for losses under guarantees	37	331	241
211	138	Other provisions	37	147	230
453	**469**	**Total provisions**		**687**	**683**
2,000	**2,000**	**Subordinated debt**	38	**2,000**	**2,000**
		Equity			
10,045	12,045	Share capital		12,045	10,045
		Other reserves			
1,807	2,333	- statutory reserves		-	-
14,134	16,365	- retained earnings		18,698	15,941
25,986	**30,743**	**Shareholder of Nykredit Bank A/S**		**30,743**	**25,986**
-	-	Minority interests		112	96
25,986	**30,743**	**Total equity**		**30,856**	**26,082**
197,611	**214,714**	**Total liabilities and equity**		**215,390**	**198,189**
		OFF-BALANCE SHEET ITEMS	39		
29,725	28,225	Contingent liabilities		28,225	29,726
10,488	13,642	Other commitments		13,847	10,670
40,214	**41,867**	**Total**		**42,073**	**40,396**

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Bank Group

2021	Share capital[1]	Retained earnings	Nykredit Bank Group's equity	Minority interests	Total equity
Equity, 1 January	**10,045**	**15,942**	**25,987**	**96**	**26,082**
Profit for the year	-	2,759	2,759	45	2,804
Total comprehensive income	**-**	**2,759**	**2,759**	**45**	**2,804**
Distributed dividend and adjustments	-	-	-	(29)	(29)
Capital increase	2,000	-	2,000	-	2,000
Total changes in equity	**2,000**	**2,759**	**4,759**	**16**	**4,775**
Equity, 31 December	**12,045**	**18,700**	**30,745**	**112**	**30,857**
2020					
Equity, 1 January	**10,045**	**14,332**	**24,377**	**57**	**24,434**
Profit for the year	-	1,610	1,610	21	1,630
Total comprehensive income	**-**	**1,610**	**1,610**	**21**	**1,630**
Subsequent adjustment of purchase price allocation	-	-	-	34	34
Distributed dividend and adjustments	-	-	-	(16)	(16)
Total changes in equity	**-**	**1,610**	**1,610**	**39**	**1,648**
Equity, 31 December	**10,045**	**15,942**	**25,987**	**96**	**26,082**

[1] The share capital breaks down into 19 shares in multiples of DKK 1 million. The share capital is wholly owned by Nykredit Realkredit A/S, Copenhagen, Denmark. Nykredit Bank is included in the Consolidated Financial Statements of this company and the Consolidated Financial Statements of the association Forenet Kredit, Kalvebod Brygge 1-3, Copenhagen, Denmark, which owns 78.9% of Nykredit Realkredit A/S. The Financial Statements (in Danish) of Forenet Kredit f.m.b.a. may be obtained from the association.

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Bank A/S

2021	Share capital[1]	Statutory reserves	Retained earnings	Total equity
Equity, 1 January	**10,045**	**1,807**	**14,135**	**25,986**
Profit for the year	-	526	2,232	2,758
Total comprehensive income	**-**	**526**	**2,232**	**2,758**
Capital increase	2,000	-	-	2,000
Total changes in equity	**2,000**	**526**	**2,232**	**4,758**
Equity, 31 December	**12,045**	**2,333**	**16,367**	**30,744**
2020				
Equity, 1 January	**10,045**	**1,464**	**12,868**	**24,377**
Profit for the year	-	343	1,267	1,610
Total comprehensive income	**-**	**343**	**1,267**	**1,610**
Total changes in equity	**-**	**343**	**1,267**	**1,610**
Equity, 31 December	**10,045**	**1,807**	**14,135**	**25,986**

CASH FLOW STATEMENT

Nykredit Bank Group	2021	2020
		DKK million
PROFIT FOR THE YEAR	**2,804**	**1,630**
Adjustments		
Net interest income	(1,488)	(1,547)
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	34	34
Profit from investments in associates	(6)	(7)
Prepayments/deferred income, net	16	28
Impairment charges for loans, advances and receivables etc	(171)	632
Tax on profit for the year	733	385
Other adjustments	(287)	10
Total	**1,634**	**1,165**
Change in operating capital		
Loans, advances and other receivables	(16,825)	5,496
Deposits and payables to credit institutions	13,044	(34,496)
Bonds	(199)	11,236
Equities etc	197	(13)
Other operating capital	5,942	1,931
Total	**2,158**	**(15,846)**
Interest income received	2,014	1,655
Interest expenses paid	(465)	(142)
Corporation tax paid, net	(719)	(453)
Cash flows from the above operating activities	**4,623**	**(13,621)**
Cash flows from investing activities		
Sales of associates	0	-
Dividend received from associates	7	-
Purchase of intangible assets	(30)	(93)
Purchase of property, plant and equipment	(1)	-
Sale of property, plant and equipment	2	4
Total	**(21)**	**(89)**
Cash flows from financing activities		
Capital increase	2,000	-
Bonds in issue	(985)	1,532
Distributed dividend	(28)	(16)
Payment of lease liabilities	(4)	-
Total	**983**	**1,516**
Total cash flows for the year	**5,585**	**(12,194)**
Cash and cash equivalents, beginning of year:	**21,469**	**33,528**
Foreign currency translation adjustment of cash	80	135
Total cash flows for the year	5,585	(12,194)
Cash and cash equivalents, year-end	**27,134**	**21,469**
Cash and cash equivalents, year-end:		
Cash balances and demand deposits with central banks	23,526	16,001
Receivables from credit institutions and central banks	3,608	5,468
Total	**27,134**	**21,469**

NOTES

Nykredit Bank Group

1. ACCOUNTING POLICIES

GENERAL

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The Consolidated Financial Statements have furthermore been prepared in accordance with additional Danish disclosure requirements for annual reports as stated in the IFRS Executive Order governing financial companies issued pursuant to the Danish Financial Business Act and formulated by Nasdaq Copenhagen for issuers of listed bonds.

All figures in the Annual Report are rounded to the nearest million Danish kroner (DKK), unless otherwise specified. The totals stated are calculated on the basis of actual figures prior to rounding. Due to the rounding-off to the nearest whole million Danish kroner, the sum of individual figures and the stated totals may differ slightly.

SPECIAL CIRCUMSTANCES IN 2021

Covid-19

Covid-19-related impairment provisioning is based on forward-looking models and post-model adjustments. The need for individual impairment provisioning has been minimal, yet due to the uncertainty of the pandemic and any adverse effects resulting from the repayment of VAT and tax loan the provisions made in the Financial Statements are maintained.

Interest rate benchmark reform

In 2021 the Nykredit continued its implementation of new interest rate benchmarks. This work has not significantly affected the Financial Statements of the Parent or the Group.

CHANGE IN ACCOUNTING POLICIES, NEW AND AMENDED STANDARDS AS WELL AS INTERPRETATIONS

New or amended standards:

The interest rate benchmark reform (amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) has been implemented with effect from 1 January 2021. The amendment has not impacted the financial reporting.

Amendment to IFRS 16 "Covid-19-Related Rent Concessions" has been implemented with effect from 1 January 2021. The amendment has not impacted the financial reporting.

Other general comments on accounting policies

For more clarity and to reduce the number of note disclosures where figures and qualitative disclosures are considered of insignificant importance to the Financial Statements, certain disclosures have been excluded.

Apart from the above, the Group's accounting policies are unchanged compared with the Annual Report for 2020.

Other general comments on accounting policies

For a better overview and to reduce the amount of note disclosures where figures and qualitative disclosures are considered of insignificant importance to the Financial Statements, certain disclosures have been excluded.

Apart from the above, the Group's accounting policies are otherwise unchanged compared with the Annual Report for 2020.

REPORTING STANDARDS AND INTERPRETATIONS NOT YET IN FORCE

At the time of presentation of the Annual Report, a number of new or amended standards and interpretations had not yet entered into force and/or had not been approved for use in the EU for the financial year beginning on 1 January 2021:

IFRS 17 "Insurance Contracts" (not approved for use in the EU, effective from 1 January 2023).

In addition, a number of minor amendments to IAS 1, IAS 8, IAS 12, IFRS 3, IFRS 16 and IAS 37 as well as annual improvements 2018-2020 have not yet taken effect or are pending EU approval.

The above is not expected to significantly impact the financial reporting.

SIGNIFICANT ACCOUNTING ASSESSMENTS AND ESTIMATES

Significant assessments

As part of determining the accounting policies, Management makes a number of assessments that may affect the Financial Statements. Significant assessments include:

Assessment of the time of recognition and derecognition of financial instruments and assessment of the business models which form the basis for classification of financial assets, including whether the contractual cash flows of a financial asset represent solely payments of principal and interest.

Significant accounting estimates

The preparation of the Financial Statements involves the use of qualified accounting estimates. These estimates and assessments are made by Management in accordance with accounting policies and based on past experience and an assessment of future conditions.

Accounting estimates are tested and assessed regularly. The estimates and assessments applied are based on assumptions which Management considers reasonable and realistic, but which are inherently uncertain and unpredictable.

Areas implying a high degree of assessment or complexity or areas in which assumptions and estimates are material to the Financial Statements are:

Determination of the value of assets and liabilities recognised at fair value

Value adjustment of financial assets and liabilities measured at fair value is based on officially listed prices.

For financial instruments for which no listed prices in an active market or observable data are available, the valuation implies the use of significant estimates and assessments in connection with the choice of credit spread, maturity and extrapolation etc of each instrument.

Note 41 specifies the methods applied to determine the carrying amounts and the specific uncertainties related to the fair value measurement of financial instruments.

Particularly, the fair value measurement of unlisted derivative financial instruments involves significant estimates and assessments in connection with the choice of calculation methods and valuation and estimation techniques. The valuation of unlisted derivative financial instruments changes continuously, and the Bank monitors market practice closely to ensure that the valuation of unlisted derivative financial instruments is consistent with market practice.

The valuation is based on yield curves, volatilities and market prices on which data is usually obtained through providers such as Reuters, Bloomberg and market makers. Market practice for the valuation of unlisted derivatives moreover includes increasing use of market inputs in the valuation, including Credit

Valuation Adjustment (CVA). For further details, please refer to note 41. The fair value of unlisted derivative financial instruments was 7.6% of the Group's assets at end-2021 (11,1% at end-2020).

Measured on the basis of level 2 or level 3 inputs of the fair value hierarchy, the fair value of financial assets and liabilities was 22.0% and 0.7%, respectively, of the Group's balance sheet total at end-2021 for financial assets (26.7% and 0.1% at end-2020), and 7.9% and 0.0%, respectively, for financial liabilities (9.2% and 0.0% at end-2020).

The fair value of financial instruments for which no listed prices in an active market are available accounted for 22.7% of the Group's assets at end-2021 (26,8% at end-2020).

Measurement of loans and advances etc – impairments
Covid-19 – special circumstances
The covid-19 pandemic impacted the Company's operations in 2021 but because of the gradual lifting of restrictions in the first part of H2/2021 and the strong domestic economy with lower unemployment, valuation uncertainty was generally lower in 2021 than at end-2020. Even so, the emergence of the omicron variant at end-2021 has led to increased uncertainty about the assessment of the impairment provisioning need as a result of the potential impact on our customers' financial position in case of a new full or partial lockdown, nationally and internationally.

In addition, due to the impact of businesses' repayment of VAT and tax loans, impairment provisioning is subject to increased uncertainty.

Loan impairments related to covid-19 are comprised of different components based on different factors:

- stress simulations have been performed for stage 1 and stage 2 personal customers and the following business sectors: manufacturing, accommodation and food service, retail, arts, entertainment and recreation activities, transport, construction, and sale and repair of motor vehicles, some professionals as well as business rental
- the property values of stage 3 customers have been stressed to simulate a reduction in collateral values.
- the macroeconomic scenarios have been updated to allow for the covid-19 impact, including mitigating relief packages. In addition, an adverse scenario with rising interest rates in prospect is applied.
- at stage 3 there is a higher probability of an adverse scenario for customers in vulnerable sectors. Furthermore, the macroeconomic scenarios of our impairment provisioning for stage 1 and stage 2 customers have been updated to allow for the covid-19 impact.

At end-2021, the Nykredit Bank Group had made loan impairment provisions of about DKK 0.6 billion for the consequential loan losses arising from covid-19. This is largely unchanged compared with end-2020. Nykredit's scenario expert team will continue to monitor conditions and regularly assess the need for calculation updates based on input concerning discontinued/new relief packages and support schemes as well as international economic trends where inflation and supply chain issues impact outlooks.

Impairment – in general
Credit risk reflects the risk of loss resulting from the Bank's counterparties defaulting on their obligations. The determination of credit risk relates to loans and advances without (stage 1) or with significant increase (stage 2) in credit risk and impaired loans and advances (stage 3).

In addition to balances with credit institutions as well as loans, advances and provisions, impairment calculations also include provisions for financial guarantees and unutilised credit commitments.

The determination of impairment of loans and advances etc involves significant estimates and assessments, including determining whether a significant increase in credit risk has occurred since initial recognition. 12-month expected credit losses are initially recognised for loans and advances measured at amortised cost. A non-significant increase will subsequently imply higher 12-month expected credit losses, while a significant increase in the credit risk or impairment of a loan will imply calculation of expected credit losses corresponding to lifetime expected credit losses.

Add to this that the loss determination also depends on the value of collateral security received and expected payments from customers and dividend in liquidation from estates in bankruptcy, where measurement is subject to a number of estimates. Similarly, the determination of the period in which the cash flows are received involves significant estimates.

In a number of instances, corrections to and changes in assumptions in the impairment models are based on management judgement (post-model adjustments). As at 31 December 2021 such post-model adjustments totalled DKK 738 million. The underlying reasons, for example changes in agricultural output prices due to changed economic trends and/or changed export potential as well as financial and legal conditions in the real estate sector may generally affect credit risk beyond the outcome derived on the basis of model-based impairments. Local geographical conditions, internal process risk and ongoing monitoring of the loan portfolio may also reflect conditions which macroeconomic projections cannot capture. The estimates are adjusted and evaluated on a regular basis, and it is decided on an individual basis whether to phase out or incorporate an estimate into the models, if necessary. Please refer to "Performance highlights in 2021" (p. 4) and "Impairment and lending" in the Management Commentary.

RECOGNITION, CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial instruments, including loans, advances and receivables, bonds in issue and other debt as well as derivative financial instruments represent more than 95% of the Group's assets as well as liabilities (95% at end-2020).

Recognition of financial instruments

Financial instruments are recognised on the settlement date. With respect to financial instruments that are subsequently measured at fair value, changes in the fair value of instruments purchased or sold in the period between the trade date and the settlement date are recognised as financial assets or liabilities in "Other assets" and "Other liabilities", respectively, in the balance sheet and set off against "Value adjustments" in the income statement.

Assets measured at amortised cost following initial recognition are not value adjusted between the trade date and the settlement date.

Financial assets or liabilities are derecognised when the right to receive or pay related cash flows has lapsed or been transferred, and the Group has transferred all risks and returns related to ownership in all material respects.

Initially, financial instruments are recognised at fair value at the time of recognition. Financial instruments are subsequently measured at amortised cost or fair value depending on the categorisation of the individual instrument. Financial instruments subsequently measured at amortised cost are recognised inclusive or exclusive of the transaction costs related to the origination of financial assets or liabilities.

Classification and measurement of financial instruments

Valuation principles and classification of financial instruments are described below as well as in note 41.

Financial assets are classified as follows:

- The asset is held to collect cash flows from payments of principal and interest (hold to collect business model). Nykredit carries out continuous SPPI tests and given that the characteristics of an asset meet the test criteria, the asset will be measured at amortised cost on initial recognition.
- The asset is held to collect cash flows from payments of principal and interest and sell the asset (hold to collect and sell business model). Measured at fair value with changes recognised through other comprehensive income with reclassification to the income statement on realisation of the assets. The Group had no financial instruments in this category in 2020 and 2021.
- Other financial assets are measured at fair value through profit or loss. These include assets managed on a fair value basis or held in the trading book, or assets which have contractual cash flows that are not solely payments of principal and interest on the amount outstanding, including derivative financial instruments. It is also possible to measure financial assets at fair value with value adjustment through profit or loss, when such measurement significantly reduces or eliminates an accounting mismatch that would otherwise have occurred on measurement of assets and liabilities or recognition of losses and gains on different bases.

For the first two categories, it is a condition that the objective of the business model is to hold assets to collect contractual cash flows representing payments of principal and interest etc combined with limited sales activity.

If this is not the objective of the business model, the financial assets will be placed in a category, which is subject to fair value adjustment through profit or loss. Financial assets, which, if measured at amortised cost would result in a measurement mismatch, are also recognised in this category.

The Group's financial assets and business models are continuously reviewed to ensure correct classification thereof. The review includes an assessment of whether collecting cash flows is a significant element of holding the assets, including whether the cash flows represent solely payments of principal and interest.

This assessment is based on the assumption that ordinary rights to prepay loans and/or extend loan terms fulfil the condition that the cash flows are based on collection of interest and principal payments. Some product types are subject to daily interest rate adjustment, but with an interest rate fixing based on a longer time horizon. However, this is not assessed to significantly postpone the time value of the money in the currently low interest rate environment.

Generally, financial liabilities are measured at amortised cost after initial recognition. Financial liabilities may also be measured at fair value if the instrument is part of an investment strategy or a risk management system based on fair values and is continuously stated at fair value in the reporting to Management, and when measurement at fair value reduces or eliminates an accounting mismatch. Derivative financial instruments, which are liabilities, are always measured at fair value.

Loans, advances and receivables as well as bonds and financial liabilities at amortised cost

Receivables from and payables to credit institutions and central banks, the Group's bank lending, part of the bond portfolio, corporate bonds in issue, a part of the senior debt in issue and subordinated debt as well as deposits and other payables are included in this category.

Loans, advances, bonds and receivables as well as liabilities are measured at fair value on initial recognition inclusive or exclusive of the inherent transaction costs, and subsequently at amortised cost. For loans, advances and receivables etc, amortised cost equals cost less principal payments, impairment provisions for losses and other accounting adjustments, including amortisation of any fees and transaction costs that form part of the effective interest of the instruments. For liabilities, amortised cost equals the capitalised value using the effective interest method. Using this method, transaction costs are distributed over the life of the asset or liability.

If the interest rate risk of fixed-rate financial instruments is effectively hedged using derivative financial instruments, the amortised cost of the asset is added to or deducted from the fair value of the hedged interest rate risk.

Value adjustments due to credit risk are recognised in "Impairment charges for loans, advances and receivables etc".

Financial assets and liabilities measured at fair value through profit or loss

A financial asset or a financial liability belongs in this category

- if the asset is not held within a business model whose objective is to hold assets to collect cash flows representing payments of principal and interest and which has limited sales activity
- if measurement of the asset or liability at amortised cost would result in a measurement mismatch.

Equity and bond portfolios are generally measured at fair value through profit or loss. The business model behind the bond portfolio is not intrinsically based on collecting cash flows from payments of principal and interest but is based on, for example, short-term trading activity and investments focused on cost minimisation, where contractual cash flows do not constitute a central element but follow solely from the investment.

Derivative financial instruments (derivatives), which are assets or liabilities, are measured at fair value through profit or loss. In Nykredit Bank, hedging interest rate risk (hedge accounting) is still made according to the IAS 39.

Positive and negative fair values of derivative financial instruments are recognised in "Other assets" or "Other liabilities".

Please also see note 41.

Realised and unrealised gains and losses arising from changes in the fair value are recognised in "Value adjustments" through profit or loss for the period in which they arose. Value adjustment of mortgage loans attributable to credit risk is recognised in "Impairment charges for loans, advances and receivables etc" together with other impairment charges for loans and advances and provisions for guarantees.

Impairment charges for loans, advances and receivables

Impairments corresponding to expected credit losses are placed in stages, which reflect the changes in credit risk since initial recognition.

- Stage 1 covers loans and advances etc without significant increase in credit risk since initial recognition. For this category, impairment provisions at initial recognition are made corresponding to the expected credit losses over a period of 12 months for lending at amortised cost.
  If there is an insignificant change in credit risk, the impairment provisions will be adjusted but the exposure will be kept at stage 1.
- Stage 2 covers loans and advances etc with significant increase in credit risk since initial recognition. For this category, impairment provisions are made corresponding to the expected credit losses over the time-to-maturity.
- Stage 3 covers loans and advances that are credit impaired, and which have been subject to individual provisioning on the specific assumption that the customers will default on their loans.

Impairment calculations are based on continuous development of existing methods and models for impairment, taking into account forward-looking information and scenarios.

The definition of default is dictated by a customer's financial position and payment behaviour. An exposure is considered to be in default when a customer is in arrears with a significant amount at the time when a third reminder is sent, which will occur sooner than the rule of assumption of 90 days under the accounting rules. Exposures for which individual impairment provisions have been made or a direct loss has been incurred are also considered in default.

In expected credit loss calculations, the time-to-maturity corresponds at a maximum to the contractual maturity, as adjustments are made for expected prepayments, as required. Nevertheless, for credit-impaired financial assets, the determination of expected losses is based on contractual maturity.

Group Credits is responsible for these processes and calculations. In addition, the Group's Capital, Risk and Finance units also participate as stakeholders coordinating and performing the determination and presentation of impairment for accounting purposes. The procedures and calculations are widely based on the Group's risk models.

Stage 1 and stage 2 impairments

Model-based impairment in stages 1 and 2 is based on transformations of PD and LGD values to short term (12 months) or long term (remaining life of the product/cyclicality). The parameters are based on Nykredit's IRB models, and forward-looking information is determined according to the same principles as apply to regulatory capital and stress tests. For a small fraction of portfolios with no IRB parameters, simple methods are used based on appropriate loss ratios.

A key element of the determination of impairment is establishing when a financial asset should be transferred from stage 1 to stage 2. The following principles apply:

- For assets/facilities with 12-month PD <1% at the time of granting: Increased PD for expected time-to-maturity of the financial asset of 100% and an increase in 12-month PD of 0.5 percentage points
- For assets/facilities with 12-month PD >1% at the time of granting: Increased PD for expected time-to-maturity of the financial asset of 100% or an increase in 12-month PD of 2.0 percentage points
- The Group considers that a significant increase in credit risk has occurred no later than when an asset is more than 30 days past due, unless special circumstances apply, or the customer's PD is above 5%.
- Customers with PDs less than 0.2% are included in stage 1.

In stages 1 and 2, impairments are based on a number of potential outcomes (scenarios) of a customer's financial situation. In addition to past experience, the models should reflect current conditions and future outlook at the balance sheet date. The inclusion of scenarios must be probability-weighted and unbiased.

The choice of macroeconomic scenarios is significant to total impairments which are very sensitive to choice of scenarios and probability-weights.

Generally, three scenarios apply:

- main scenario reflecting Nykredit's best estimate (base scenario)
- adverse scenario reflecting higher expected credit losses than the main scenario
- improved scenario with lower expected credit losses than the main scenario to cover an appropriate potential loss outcome based on Nykredit's best estimate.

At end-2021, the scenarios were updated to reflect the current and expected economic environment caused by the covid-19 crisis and resulting market conditions. The base scenario must reflect the economic environment, including the effect of covid-19 relief packages, taking into account the economic effects of the reopening and vaccine roll-out. The base scenario carries a 55% weighting. The scenario implies expected GDP growth of 4.3% this year and house price rises of 12.1% in 2021 but based on a significant drop of 2.1% in GDP in 2020. The adverse scenario was included in the models with a weighting of 35%. This scenario implies expected GDP growth of 1.0% and house price declines of 2% in 2022. The improved scenario carries a 10% weighting and is based on the macroeconomic conditions observed at the date of this Annual Report. This scenario uses realised levels of interest rates, GDP, house prices and unemployment.

The adverse scenario is aligned with the assumptions of eg interest rates and property prices that are also used to determine the internal capital adequacy requirement.

Owing to elevated infection levels at end-2021 coupled with the impact of the expiry of support schemes, the effects of covid-19 remain subject to substantial uncertainty.

Stage 3 impairment

Individual reviews and risk assessments of significant loans, advances and receivables are performed regularly to determine whether these are impaired.

Stage 3 includes loans and advances etc where observations indicate that the asset is impaired. Most often, this is where

- borrowers are experiencing considerable financial difficulties owing to eg changes in income, capital and wealth, leading to the assumption that they are unable to fulfil their obligations
- borrowers fail to meet their payment obligations or default on an obligation
- there is an increased probability of a borrower's bankruptcy, or where borrowers are offered more lenient contractual terms (for example, interest rate and loan term) due to deterioration in the borrowers' financial circumstances.

Relative to large stage 3 exposures, credit officers perform an individual assessment of scenarios as well as changes to credit losses etc. Relative to small stage 3 exposures, the credit loss is determined using a portfolio model according to the same principles as are used in an individual assessment.

Furthermore, model-based impairments are subject to management judgement to allow for special risks and uncertainties not deemed to be covered by model-based impairment.

Differences between stages due to credit improvements

When the criteria for migration between stages due to increased credit risk or credit impairment are no longer present, impairment provisions will be reversed to the initial stages.

From stage 2 to stage 1 this could happen if the change in PD and/or arrears no longer meet the criteria described above.

The same applies to impairment provisions in stage 3, which will be transferred to stage 2 after a deferred period of at least three months if the conditions for credit impairment no longer apply.

Provisions in general

Provisions for loan impairment and receivables are taken to an allowance account and deducted from the relevant asset items. Similarly, provisions for guarantees and unutilised credit commitments are made under liabilities and equity.

Provisions for expected credit losses equal the difference between the present value of the contractual payments and an amount, which, based on eg scenario assessments and the time value of money, constitutes the expected cash flows.

Write-offs, changes in loan impairment provisions for the year and provisions for guarantees are charged to the income statement in "Impairment charges for loans, advances and receivables etc".

Where events subsequently occur showing a partial or complete impairment reduction, impairment provisions are reversed accordingly.

The Group amortises/depreciates a financial asset when reliable information indicates that the debtor is in serious financial difficulty and recovery seems unrealistic. Financial assets that have been written off may still be subject to enforcement in accordance with the Group's debt collection procedures, taking into consideration any legal advice where relevant. Recoveries are recognised in profit or loss. Personal debt liability is enforced in collaboration with an external business partner.

RECOGNITION, MEASUREMENT AND PRESENTATION IN GENERAL

Recognition and measurement

Assets are recognised in the balance sheet if it is probable as a result of a previous event that future economic benefits will flow to the Group, and if the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet if it is probable as a result of a previous event that future economic benefits will flow from the Group, and if the value of the liability can be measured reliably.

Income is recognised in the income statement as earned. Furthermore, value adjustment of financial assets and liabilities measured at fair value or amortised cost is recognised in the income statement for the period in which it arose.

All costs incurred by the Group are recognised in the income statement, including depreciation, amortisation, impairment charges, provisions and reversals as a result of changed accounting estimates of amounts previously recognised in the income statement.

Repo deposits and reverse repurchase lending

Securities sold as part of repo transactions are retained in the appropriate principal balance sheet item, eg "Bonds".

The amount received is recognised under payables in "Payables to credit institutions and central banks" or "Deposits and other payables".

Payment for securities acquired as part of reverse repurchase lending is recognised in "Receivables from credit institutions and central banks" or "Loans, advances and other receivables at amortised cost".

Where the Group resells assets received in connection with reverse repurchase lending, and where the Group is obliged to return the instruments, this liability is recognised at fair value and included in "Other non-derivative financial liabilities at fair value".

Repo deposits from and reverse repurchase lending to customers and credit institutions are recognised and measured at amortised cost, and the return is recognised as interest income and interest expenses in the income statement.

Leases

Leases where Nykredit is the lessor are classified as finance leases when all material risk and returns associated with the title to an asset have been transferred to the lessee.

Receivables from the lessee under finance leases are included in "Loans, advances and other receivables at amortised cost". On initial recognition, receivables under finance leases are measured at an amount equal to the net investment in the lease. Lease payments receivable are recognised in "Interest income" calculated as a return on the lease receivable or as principal of the lease receivable, respectively.

Direct costs of establishment of leases are recognised in the net investment.

Leases where the Group is the lessee include primarily leases (owner-occupied properties), which are recognised in the balance sheet as right-of-use assets (leasehold premises) as well as liabilities arising from those leases. The asset is depreciated over the course of its useful life, and the lease liability will be reduced by the principal amount, which is determined as the lease payments less the interest portion of the lease liability.

The lease term used to determine the rental obligation corresponds to the period in which the Group as lessee has the right to, and expects to, use the underlying assets. The assessment is made at portfolio basis with a rental period of 7 years on average for leases which have not been terminated. For leases which have been terminated or are expected to be terminated, the period reflects the remaining lease term.

The present value of the liability has been calculated using a discount rate equal to a risk-free swap rate and a Nykredit-specific credit risk charge which matches the loan term.

The calculated interest on the liability is included in the income statement in "Interest expenses", while depreciation/amortisation is included in "Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets". The value of the leased asset is recognised in "Land and buildings", while the liability is included in the liability item "Other liabilities".

Hedge accounting

Changes in the fair values of derivative financial instruments that are classified and qualify as fair value hedges of a recognised asset or liability are recognised in the income statement together with changes in the value of the hedged asset or liability that are attributable to the hedged risk.

The hedges are established for individual assets and liabilities and at portfolio level. The hedge accounting effectiveness is measured and assessed on a regular basis.

If the criteria for hedge accounting are no longer met, the accumulated value adjustment of the hedged item is amortised over its residual life. Please also refer to note 47 on "Hedge accounting".

Offsetting

Financial assets and liabilities are offset and presented as a net amount when the Group has a legally enforceable right of set-off and intends either to settle by way of netting or to realise the asset and settle the liability simultaneously.

Offsetting mostly takes place in connection with repo transactions and derivative financial instruments cleared through recognised clearing centres. Impairments are offset against the relevant assets (loans, advances and receivables etc as well as bonds).

Currency

The Consolidated Financial Statements are presented in Danish kroner (DKK), which is the functional as well as the presentation currency of the Parent. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction date. Exchange gains and losses arising on the settlement of these transactions are recognised in "Value adjustments" through profit or loss.

On the balance sheet date, monetary assets and liabilities in foreign currencies are translated at the exchange rates prevailing on the balance sheet date. Foreign currency translation adjustments are recognised in "Value adjustments" through profit or loss.

Currency translation differences arising on translation of non-monetary assets and liabilities are recognised in the income statement together with other fair value adjustment of the relevant items.

The financial statements of foreign entities are translated into Danish kroner at the exchange rates prevailing on the balance sheet date with respect to balance sheet items and at average exchange rates with respect to income statement items.

CONSOLIDATION

Nykredit Bank A/S (the Parent) and the enterprises in which Nykredit Bank A/S exercises direct or indirect control over the financial and operational management and receives a variable return are included in the Consolidated Financial Statements. Nykredit Bank A/S and its subsidiaries are collectively referred to as the Nykredit Bank Group.

Enterprises in which the Nykredit Bank Group has joint control together with other enterprises which are not part of the Group are considered joint ventures.

The Group's investments in joint ventures are recognised and measured according to the equity method.

The Consolidated Financial Statements are prepared on the basis of the financial statements of the individual enterprises by combining items of a uniform nature. The financial statements applied for the consolidation are prepared in accordance with the Group's accounting policies. The financial statements of partly owned subsidiaries are fully consolidated, and minority interests' share of the Group's profit or loss and equity is stated as separate items in the income statement and under Group equity, respectively. All intercompany income and costs, dividends, intercompany shareholdings, intercompany derivatives and balances as well as realised and unrealised intercompany gains and losses are eliminated.

Acquired enterprises are included from the time of acquisition, which is when a company of the Nykredit Bank Group obtains control over the acquired enterprises' financial and operational decisions.

Divested enterprises are included up to the time of divestment.

Business combinations

On acquisition of new enterprises where control is obtained over the acquired enterprise, the purchase method is applied. The profit and balance sheet of the acquired enterprise will be recognised in the financial statements as from the date of acquisition.

The assets and liabilities of the acquired enterprise are recognised at fair value as from the date of acquisition. The difference between the fair value of the net assets acquired and the purchase price is as far as possible recognised as separable intangible assets, for example customer relations etc, while the remaining value is considered as goodwill.

Intercompany business combinations are made by applying the uniting-of-interests method.

Please refer to note 26.

SEGMENT INFORMATION AND PRESENTATION OF FINANCIAL HIGHLIGHTS

Segment information is provided for business areas, and income and assets relating to foreign activities are specified. Apart from activities related to Sparinvest SE, Luxembourg, Nykredit Bank has no significant activities outside Denmark.

The business areas reflect Nykredit's organisation. Banking includes: Retail, which serves personal customers and SMEs (small and medium-sized enterprises). It also includes Corporates & Institutions, comprising activities with corporate and institutional clients, securities trading and derivatives trading. Wealth Management comprises wealth and asset management activities.

The income statement format of the financial highlights on page 3 and the business areas in note 3 reflect the internal management reporting presented to and evaluated by Management of the Nykredit Realkredit Group. Management does not perform separate assessments of the banking part of the business areas.

The reclassification in note 4 shows the reconciliation between the presentation in the financial highlights table of the Management Commentary and the presentation in the Consolidated Financial Statements prepared according to the IFRS and includes:

"Net interest income" comprising interest income from bank lending and deposits. The corresponding item in the income statement (page 25) includes all interest.

"Net fee income" comprising income from bank lending, service fees, provision of guarantees and leasing business etc.

"Wealth management income" comprising asset management and administration fees etc. This item pertains to business with customers conducted through the Group's entities Nykredit Markets, Nykredit Asset Management and Nykredit Portefølje Administration A/S, but where income is ascribed to the business areas serving the customers.

"Net interest from capitalisation" comprising the risk-free interest attributable to equity and net interest from subordinated debt etc. Net interest is composed of the interest expenses related to debt, adjusted for the internal liquidity interest. "Trading, investment portfolio and other income" comprising income from swaps and derivatives transactions currently offered, Nykredit Markets activities, repo deposits and lending, debt capital markets activities as well as other income and expenses not allocated to the business areas.

"Net income relating to customer benefits programmes" comprising bonuses paid to the customers. The amount includes contributions received. The change is aimed at presenting the earnings of the individual business areas excluding the impact of the customer benefits programmes while also presenting the impact on income of the programmes in a separate item. In the financial highlights and the presentation of business areas (note 3) the change reclassifies net income from "Net interest income" to "Net income relating to customer benefits programmes". The change will not impact total income or total results. The income statement and balance sheet on pages 25-27 have not been impacted by the change.

"Trading, investment portfolio and other income" comprising eg income from swaps and derivatives transactions currently offered, Nykredit Markets activities, repo deposits and lending, debt capital markets activities as well as other income and expenses not allocated to the business areas.

Business areas are defined on the basis of differences in customer segments and services. Items not allocated to the business areas are included in Group Items.

Segment information is provided exclusively at Group level.

INCOME STATEMENT

Interest income and expenses etc

Interest comprises interest due and accrued up to the balance sheet date.

Interest income comprises interest and interest-like income, including interest-like commission received, and other income that forms an integral part of the effective interest of the underlying instruments. The item also includes interest payable or deductible relating to voluntary payment of tax on account and paid tax as well as index premiums on assets, forward premiums on securities and foreign exchange trades as well as adjustments over the life of financial assets measured at amortised cost and where the cost differs from the redemption price.

Interest income from loans and advances measured at amortised cost for which stage 3 impairment is made is included in "Interest income" at an amount reflecting the effective interest from the impaired value of loans and advances.

Any interest income from the underlying loans and advances exceeding this amount is included in "Impairment charges for loans, advances and receivables".

Interest expenses comprise all interest-like expenses including adjustment over the life of financial liabilities measured at amortised cost and where the cost differs from the redemption price.

Discounts relating to customer programmes are deducted from the relevant items.

Negative interest

Negative interest income is recognised in "Negative interest, income", and negative interest expenses are recognised in "Negative interest, expenses". Negative interest is specified in a note.

Dividend

Dividend from equity investments is recognised as income in the income statement in the period in which the dividend is declared.

Fees and commissions

Fees and commissions comprise income and costs relating to services, including management fees. Fee income relating to services provided on a current basis is accrued over their terms.

For accounting purposes, fees, commissions and transaction costs relating to loans and advances measured at amortised cost are treated as interest if they form an integral part of the effective interest of a financial instrument.

Non-interest expenses for customer benefits programmes are carried under fees and commissions.

Other fees and commissions are fully recognised in the income statement at the date of transaction.

Other operating income

"Other operating income" comprises operating income not attributable to other income statement items, including lease income as well as gain on the sale of non-current assets.

Value adjustments

Value adjustments consist of foreign currency translation adjustments and value adjustments of assets and liabilities measured at fair value.

Staff and administrative expenses

Staff expenses comprise wages and salaries as well as social security costs, pensions etc. Termination benefits etc are recognised successively.

Administrative expenses comprise IT and marketing costs as well as leasehold rent.

Other operating expenses

"Other operating expenses" comprises operating expenses not attributable to other income statement items, including contributions to guarantee and resolution schemes for mortgage banks as well as one-off expenses.

Tax

Tax for the year, consisting of current tax for the year and changes to deferred tax and adjustment of tax for previous years, is recognised in the income statement.

Current tax liabilities and current tax assets are recognised in the balance sheet as tax calculated on taxable income for the year adjusted for tax paid on account. The current tax for the year is calculated on the basis of the tax rates and rules prevailing on the balance sheet date. The Danish tax of the jointly taxed companies is payable in accordance with the scheme for payment of tax on account.

Based on the balance sheet liability method, deferred tax on all temporary differences between the carrying amounts and the tax base of an asset or liability is recognised.

Deferred tax is determined on the basis of the intended use of each asset or the settlement of each liability. Deferred tax is measured using the tax rates expected to apply to temporary differences upon reversal and the tax rules prevailing on the balance sheet date.

Deferred tax assets, including the tax base of any tax loss carryforwards, are recognised in the balance sheet at the value at which they are expected to be realised, either by set-off against deferred tax liabilities or as net tax assets for set-off against tax on future positive taxable income. On each balance sheet date, it is assessed whether it is probable that a deferred tax asset can be used.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to do so.

The Nykredit Bank Group and the Nykredit Group's other companies are jointly taxed with Forenet Kredit. Current Danish corporation tax payable is distributed among the jointly taxed companies relative to their taxable income (full distribution subject to refund for tax losses).

ASSETS

Loans, advances and other financial assets

Reference is made to the above description under "Significant accounting estimates and assessments" and "Financial instruments" for these items.

Investments in associates

Investments in associates include enterprises that the Nykredit Bank Group does not control, but in which the Group exercises significant influence. Enterprises in which the Group holds between 20% and 50% of the voting rights are generally considered associates.

Investments in associates are recognised and measured according to the equity method and are therefore measured at the proportional ownership interest of the enterprises' equity value determined in accordance with the Group's accounting policies less/plus the proportionate share of unrealised intercompany gains and losses plus goodwill.

The proportionate share of associates' profit or loss after tax is recognised in the consolidated income statement.

Intangible assets

Goodwill

Goodwill comprises positive balances between the cost of enterprises acquired and the fair value of the net assets of such enterprises at the time of acquisition.

Goodwill is recognised at cost on initial recognition in the balance sheet and subsequently at cost less accumulated impairments. Goodwill is not amortised.

Goodwill is tested for impairment once a year and is written down to the recoverable amount through profit or loss, if this is lower than the carrying amount. The recoverable amount is calculated as the present value of the future net cash flows expected from the cash-generating units to which the goodwill relates. Identification of cash-generating units is based on the management structure and the way the units are managed financially.

Goodwill impairment is reported in the income statement and is not reversed.

Impairment testing and the assumptions used for testing are described in note 26.

Other intangible assets

Customer relationships etc are recognised at cost less accumulated amortisation. Customer relationships are amortised on a straight-line basis over the estimated useful lives of the assets. The amortisation period is 7 years.

Land and buildings including leased properties

Owner-occupied properties

Owner-occupied properties where the Group acts as lessee, are described under "Leases".

Equipment

Equipment is measured at cost less accumulated depreciation and impairment charges. Cost includes the purchase price and costs directly related to the acquisition up to the time when the assets are ready for their intended use.

Depreciation is made on a straight-line basis over the expected useful lives of:

- Computer equipment and machinery etc up to five years
- Fixtures, equipment and cars up to five years
- Leasehold improvements; maximum term of the lease is 15 years.

The assets' residual values and useful lives are reviewed at each balance sheet date. The carrying amount of an asset is written down to the recoverable amount if the carrying amount of the asset exceeds the estimated recoverable amount.

Gains and losses on the divestment of property, plant and equipment are recognised in "Other operating income" or "Other operating expenses".

Assets in temporary possession

Assets in temporary possession include property, plant and equipment or groups thereof as well as investments in subsidiaries and associates in respect of which:

- the Group's possession is temporary only
- a sale is intended in the short term, and
- a sale is highly likely.

Properties acquired in connection with the termination of an exposure are recognised in "Assets in temporary possession".

Liabilities directly attributable to the assets concerned are presented as liabilities relating to assets in temporary possession in the balance sheet.

Assets in temporary possession are measured at the lower of the carrying amount at the time of classification as assets in temporary possession and the fair value less selling costs. Assets are not depreciated or amortised once classified as assets in temporary possession.

Impairment arising on initial classification as assets in temporary possession and gains and losses on subsequent measurement at the lower of the carrying amount and the fair value less selling costs are recognised in "Impairment charges for loans, advances and receivables etc" in the income statement.

Income and expenses relating to subsidiaries in temporary possession are recognised separately in the income statement if the impact is significant.

LIABILITIES AND EQUITY

Payables

Reference is made to the above description under "Financial instruments" for these items.

Provisions

Provisions are recognised where, as a result of an event having occurred on or before the balance sheet date, the Group has a legal or constructive obligation which can be measured reliably, and where it is probable that economic benefits must be given up to settle the obligation. Provisions are measured at Management's best estimate of the amount considered necessary to honour the obligation.

Provisions for losses under guarantees etc

Provisions for losses under guarantees and unutilised credit commitments etc are recognised applying the same principles as are used for impairment charges for loans, advances and receivables. Reference is made to the preceding paragraph.

Bonds in issue at amortised cost

On initial recognition, bonds in issue are measured at fair value corresponding to consideration received less any costs incurred. Subsequently, the bonds in issue are measured at amortised cost. If a derivative financial hedging instrument measured at fair value is attached to bonds in issue, the bonds that are hedged by means of the derivative financial instrument will be subject to regular value adjustment. This way, the value adjustment of the hedged instrument and the hedging derivative financial instrument is made symmetrically.

Subordinated debt

Subordinated debt consists of financial liabilities in the form of subordinate loan capital and Additional Tier 1 capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.

On initial recognition, subordinated debt is measured at fair value less any transaction costs. The subordinated debt is subsequently measured at amortised cost, and differences, if any, between the proceeds less transaction costs and the redemption value are recognised in the income statement over the term of the loan by applying the effective interest method.

When the interest rate risk relating to fixed-rate subordinated debt is effectively hedged using derivatives, amortised cost is supplemented with the fair value of the hedged interest rate risk.

Equity

Share capital

Shares in issue are classified as equity where there is no legal obligation to transfer cash or other assets to the shareholder.

Retained earnings

Retained earnings comprise reserves which are in principle distributable to the Company's shareholders. However, under the Danish Financial Business Act, distribution is subject to Nykredit's compliance with the capital requirements applying to the Company and the Group.

Proposed dividend

Dividend expected to be distributed for the year is carried as a separate item in equity. Proposed dividend is recognised as a liability at the time of adoption at the Annual General Meeting (time of declaration).

Minority interests

Minority interests comprise the share of a subsidiary's equity owned by other parties than the Group companies.

CASH FLOW STATEMENT

The consolidated cash flow statement is prepared according to the indirect method based on profit or loss for the year. The consolidated cash flow statement shows cash flows for the year stemming from:

- Operating activities
- Investing activities
- Financing activities.

Operating activities include the Group's principal and other activities which are not part of its investing or financing activities.

Investing activities comprise the purchase and sale of non-current assets and financial investments not included in cash and cash equivalents.

Financing activities comprise subordinated debt raised as well as redeemed, including the sale and purchase of self-issued subordinated debt, and payments to or from shareholders.

Furthermore, the cash flow statement shows the changes in the Group's cash and cash equivalents for the year and the Group's cash and cash equivalents at the beginning and end of the year.

Cash and cash equivalents consist of "Cash balances and demand deposits with central banks" and "Receivables from credit institutions and central banks".

ACCOUNTING POLICIES APPLYING SPECIFICALLY TO THE PARENT NYKREDIT BANK A/S

The Financial Statements of the Parent Nykredit Bank A/S are prepared in accordance with the Danish Financial Business Act and the Danish FSA Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. (the Danish Executive Order on Financial Reports).

In all material respects, these rules comply with the International Financial Reporting Standards (IFRS) and the Group's accounting policies as described above.

Amendments to the Danish Executive Order on Financial Reports

Relative to the “Accounting policies” in the Financial Statements for 2020, no amendments to the Danish Executive Order on Financial Reports have been adopted in 2021 which affect our accounting policies.

Investments in Group enterprises etc

Investments in Group enterprises (subsidiaries) are recognised and measured according to the equity method. The proportional ownership interest of the equity value of the enterprises less/plus unrealised intercompany gains and losses is recognised in "Investments in Group enterprises" in the Parent's balance sheet. Any positive difference between the total cost of investments in Group enterprises and the fair value of the net assets at the time of acquisition is recognised as goodwill in "Intangible assets" in the balance sheet.

Nykredit's share of the enterprises' profit or loss after tax and elimination of unrealised intercompany gains and losses less depreciation, amortisation and impairment charges is recognised in the Parent's income statement.

Total net revaluation of investments in Group enterprises is transferred to equity in "Statutory reserves" through the distribution of profit for the year.

Statutory reserves
The Parent's statutory reserves include value adjustment of investments in subsidiaries and associates (net revaluation according to the equity method). The reserves are reduced by dividend distribution to the Parent and are adjusted for other changes in the equity of subsidiaries and associates. The reserves are non-distributable.

1. A EUROPEAN SINGLE ELECTRONIC FORMAT

EU REGULATION

2019/815 on the European Single Electronic Format (ESEF Regulation) requires companies preparing IFRS financial statements and being issuers of listed securities to make public financial reports approved by the board of directors in the ESEF format. Nykredit Bank A/S published its Annual Report for 2020 in the ESEF format.

Implementation of the new format has not given rise to material changes to the Group's annual report and does not affect the Group's accounting policies, see note 1. The ESEF format is a technical format enabling users of financial statements to read financial statements using a browser in Extensible Hypertext Markup Language (XHTML) and to digitally extract information from the financial statements in eXtensible Business Reporting Language (XBRL). In the Financial Statements for 2020 and 2021, the following items of the Consolidated Financial Statements have iXBRL tags reflecting the ESEF taxonomy for 2019, issued by the European Securities and Markets Authority (ESMA):

Items in income statement and other comprehensive income
Items in balance sheet
Statement of changes in equity
Cash flow statement

The notes of the Financial Statements will not be tagged until 2023 (the Annual Report for 2022) pursuant to current regulations.

The mark-up is made initially based on an assessment of each item's alignment with the ESMA taxonomy, which observes the IASB's IFRS taxonomy, followed by mark-ups relative to the element in the taxonomy most relevant to the presentation and assessment of the individual items.

The requirement to mark up information applies only to items on a consolidated basis and therefore items at Parent level are not marked up.

The Financial Statements are published with the following file name: NYRB-2021-12-31.

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
2020	2021		2021	2020
		2. CAPITAL AND CAPITAL ADEQUACY		
25,986	**30,743**	**Equity**	**30,856**	**26,082**
-	-	Minority interests not included	(112)	(96)
(18)	(49)	Prudent valuation adjustment	(49)	(18)
(1,770)	(1,770)	Intangible assets excluding deferred tax liabilities	(1,932)	(1,932)
(18)	-	Provisions for expected credit losses in accordance with IRB approach	-	(18)
-	-	Other regulatory adjustments	51	49
-	(34)	Deduction for non-performing exposures	(34)	-
(1,805)	**(1,853)**	**Common Equity Tier 1 regulatory deductions**	**(2,076)**	**(2,015)**
24,181	**28,890**	**Common Equity Tier 1 capital**	**28,779**	**24,068**
-	-	Minority interests	10	9
-	**-**	**Total Additional Tier 1 capital after regulatory deductions**	**10**	**9**
24,181	**28,890**	**Tier 1 capital**	**28,789**	**24,077**
2,000	-	Tier 2 capital	-	2,000
565	641	Tier 2 regulatory adjustments	594	524
-	-	Minority interests	12	6
26,746	**29,532**	**Own funds**	**29,395**	**26,606**
102,909	116,106	Credit risk	105,532	94,005
12,760	9,597	Market risk	9,809	12,884
7,919	7,219	Operational risk	9,389	10,052
123,587	**132,922**	**Total risk exposure amount**	**124,730**	**116,941**
		Financial ratios		
19.5	21.7	Common Equity Tier 1 capital ratio, %	23.0	20.5
19.5	21.7	Tier 1 capital ratio, %	23.0	20.5
21.6	22.2	Total capital ratio, %	23.5	22.7

Capital and capital adequacy have been determined in accordance with Capital Requirements Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR) and Regulation (EU) No 876/2019 amending Regulation (EU) No 575/2013 of 20 May 2019 (CRR2).

Nykredit has been designated as a systemically important financial institution (SIFI) by the Danish authorities. As a result, a special SIFI CET1 capital buffer requirement of 2% applies to Nykredit Bank. To this should be added the permanent buffer requirement of 2.5% in Denmark which must also be met with Common Equity Tier 1 capital. The countercyclical buffer is currently 0%.

Nykredit Bank Group

2. CAPITAL AND CAPITAL ADEQUACY (CONTINUED)

As a subsidiary of Nykredit Realkredit A/S, Nykredit Bank is subject to the Nykredit Group's capital policy and management. Nykredit's objective is to maintain active lending activities regardless of economic trends, while retaining a competitive credit rating.

To ensure flexibility and leeway, an element of the capital policy is to concentrate capital to the widest extent possible in the Parent, Nykredit Realkredit A/S. Capital is contributed to subsidiaries, including Nykredit Bank, as required.

Stress tests and capital projection

Nykredit Bank conducts a large number of stress tests and capital projections. The tests are applied to determine required own funds, and the test results are included in the Board of Directors' annual assessment of the internal capital adequacy requirement as well as in the continuous capital planning.

The stress test calculations include the macroeconomic factors of greatest importance historically to the customers.

The most important macroeconomic factors identified are:

- Property prices
- Interest rates
- Unemployment
- GDP growth

Nykredit Bank operates with three scenarios of the economic development: A baseline scenario, a weaker economic climate and a severe recession.

In a weaker economic climate, the capital requirement for credit risk builds on correlations between the macroeconomic factors, the Probability of Default (PD) and Loss Given Default (LGD). These correlations are an essential element of the capital projection model. Operating losses in a stress scenario increase the capital requirement, while operating profits are not included.

Baseline scenario

This scenario is a projection of the Danish economy based on Nykredit's assessment of the current economic climate.

Stress scenario: Weaker economic climate

The stress scenario is designed to illustrate a slightly weaker economic climate relative to the baseline scenario. The capital charge reflects how much the capital requirement would increase if this scenario occurred. The results are included in the determination of the internal capital adequacy requirement.

The capital charge for a weaker economic climate came to DKK 957 million at end-2021.

Stress scenario: Severe recession

A central element of Nykredit's capital policy is to have sufficient own funds, also in the long term and in a severe recession. Nykredit continually calculates the impact of severe recession combined with increasing and declining interest rates. The stress scenario reflects an exceptional, but plausible, situation. The calculations are factored into the current assessments of capital targets going forward.

DKK million

Nykredit Bank Group

3. BUSINESS AREAS

The business areas reflect Nykredit's organisation and internal reporting. Banking includes: Retail, which serves personal customers and SMEs (small and medium-sized enterprises). It also includes Corporates & Institutions, comprising activities with corporate and institutional clients, securities trading and derivatives trading. Wealth Management comprises wealth and asset management activities.

Results 2021	Personal Banking	Business Banking	**Total Retail**	Corporates & Institutions	**Total Banking**	**Wealth Management**	**Group Items**	**Total**
Results by business area								
Net interest income	407	671	1,078	607	1,685	90	(1)	1,774
Net fee income	225	165	390	296	685	18	(22)	680
Wealth management income	474	137	611	192	802	1,504	17	2,324
Net interest from capitalisation	(15)	(37)	(52)	(53)	(105)	(7)	71	(41)
Net income relating to customer benefits programmes[1]	-	-	-	-	-	-	(72)	(72)
Trading, investment portfolio and other income	148	112	261	549	809	93	344	1,246
Income*	**1,239**	**1,048**	**2,287**	**1,590**	**3,877**	**1,698**	**337**	**5,912**
Costs	967	432	1,399	590	1,989	880	59	2,927
Business profit before impairment charges	**272**	**616**	**887**	**1,000**	**1,888**	**819**	**278**	**2,985**
*Impairment charges for loans and advances	(23)	95	72	(128)	(57)	(65)	2	(120)
Business profit	**295**	**520**	**816**	**1,129**	**1,945**	**884**	**276**	**3,105**
Legacy derivatives	38	172	211	221	431	0	-	432
Profit before tax	**334**	**693**	**1,027**	**1,349**	**2,376**	**884**	**276**	**3,537**
*Of which transactions between the business areas	482	157	639	(65)	574	(565)	(10)	-
Average allocated business capital	2,784	6,434	9,218	9,151	18,369	1,208	789	20,367
Business profit as % of average business capital	10.6	8.1	8.9	12.3	10.6	73.1		15.2
BALANCE SHEET								
Assets								
Reverse repurchase lending at amortised cost	-	-	-	-	-	-	50,900	50,900
Loans and advances at amortised cost	11,238	25,954	37,192	32,949	70,141	4,310	63	74,513
Assets by business area	**11,238**	**25,954**	**37,192**	**32,949**	**70,141**	**4,310**	**50,962**	**125,413**
Unallocated assets								89,977
Total assets								**215,390**
Liabilities and equity								
Repo deposits at amortised cost	-	-	-	-	-	-	7,379	7,379
Deposits and other payables at amortised cost	39,814	25,832	65,645	9,782	75,428	14,453	3,015	92,895
Liabilities by business area	**39,814**	**25,832**	**65,645**	**9,782**	**75,428**	**14,453**	**10,394**	**100,275**
Unallocated liabilities								84,260
Equity								30,856
Total liabilities and equity								**215,390**

[1] The item comprises contributions and discounts relating to Nykredit's benefits programmes, see "Alternative performance measures".

All income, costs, impairment and capital usage follow the customer and are recognised under the business areas which are primarily responsible for the customer. In some instances, they are initially recognised in a product owner unit but are subsequently allocated to the business areas primarily responsible for the customer. The funds transfer pricing charge with respect to business areas for providing funding (corresponding to their capital usage) to the Group Treasury is based on an internal funding rate. The own portfolio is managed by units included in the business area "Group Items".

Geographical markets

International income came to DKK 361 million (2020: DKK 267 million). The income derives from investment activities in Sparinvest Holdings SE in Luxembourg.

DKK million

Nykredit Bank Group

3. BUSINESS AREAS (CONTINUED)

Results 2020	Personal Banking	Business Banking	Total Retail	Corporates & Institutions	Total Banking	Wealth Management	Group Items	Total
Results by business area								
Net interest income	370	667	1,037	564	1,601	92	17	1,711
Net fee income	133	157	290	254	544	11	(34)	521
Wealth management income	397	136	534	131	665	1,261	24	1,950
Net interest from capitalisation	(16)	(42)	(58)	(54)	(112)	(7)	90	(29)
Net income relating to customer benefits programmes[1]	-	-	-	-	-	-	276	276
Trading, investment portfolio and other income	122	69	191	427	618	74	(58)	634
Income	**1,006**	**987**	**1,993**	**1,322**	**3,316**	**1,432**	**315**	**5,063**
Costs	833	403	1,235	560	1,795	877	55	2,727
Business profit before impairment charges	**173**	**585**	**758**	**763**	**1,520**	**555**	**260**	**2,336**
Impairment charges for loans and advances	(45)	496	452	73	525	62	(8)	579
Business profit	**218**	**88**	**306**	**689**	**995**	**493**	**269**	**1,757**
Legacy derivatives	(3)	53	50	207	258	0	-	258
Profit before tax	**215**	**141**	**356**	**896**	**1,253**	**493**	**269**	**2,015**
Of which transactions between the business areas	385	146	531	(341)	190	(346)	157	1
Average allocated business capital	2,566	6,150	8,716	8,045	16,761	988	1,076	18,825
Business profit as % of average business capital	8.5	1.4	3.5	8.6	5.9	49.9	-	9.3
BALANCE SHEET								
Assets								
Reverse repurchase lending at amortised cost	-	-	-	-	-	-	37,271	37,271
Loans and advances at amortised cost	11,287	23,779	35,066	32,355	67,420	3,561	164	71,146
Assets by business area	**11,287**	**23,779**	**35,066**	**32,355**	**67,420**	**3,561**	**37,436**	**108,417**
Unallocated assets								89,772
Total assets								**198,189**
Liabilities and equity								
Repo deposits at amortised cost	-	-	-	-	-	-	2,674	2,674
Deposits and other payables at amortised cost	38,938	24,645	63,582	8,843	72,425	14,649	1,195	88,269
Liabilities by business area	**38,938**	**24,645**	**63,582**	**8,843**	**72,425**	**14,649**	**3,869**	**90,943**
Unallocated liabilities								81,164
Equity								26,082
Total liabilities and equity								**198,189**

[1] The item comprises contributions and discounts relating to Nykredit's benefits programmes, see "Alternative performance measures".

DKK million

Nykredit Bank Group

4. RECONCILIATION OF INTERNAL AND REGULATORY INCOME STATEMENT

	2021			2020		
	Earnings presentation in Management Commentary	Reclassification	Income statement	Earnings presentation in Management Commentary	Reclassification	Income statement
Net interest income	1,774	(286)	1,488	1,711	(164)	1,547
Dividend on equities etc		5	5		5	5
Fee and commission income, net	680	2,140	2,820	521	1,766	2,287
Net interest and fee income		**1,859**	**4,313**		**1,607**	**3,839**
Wealth management income	2,324	(2,324)	-	1,950	(1,950)	-
Net interest from capitalisation	(41)	41	-	(29)	29	-
Net interest from capitalisation	(72)	72	-	276	(276)	-
Trading, investment portfolio and other income	1,246	(1,246)	-	634	(634)	-
Value adjustments		1,628	1,628		1,139	1,139
Other operating income		397	397		336	336
Total income	**5,912**			**5,063**		
Costs	2,927	0	2,927	2,727	(0)	2,727
Business profit before impairment charges	**2,985**			**2,336**		
Impairment charges for loans and advances etc	(120)	-	(120)	579	-	579
Profit from investments in associates		6	6		7	7
Business profit	**3,105**			**1,757**		
Legacy derivatives	432	(432)	-	258	(258)	-
Profit (loss) before tax	**3,537**	**(0)**	**3,537**	**2,015**	**0**	**2,015**

Note 4 combines the earnings presentation in the Management Commentary (internal presentation), including the presentation of the financial highlights and the business areas, and the formal income statement of the Financial Statements.

The most important difference is that all income is recognised in two main items in the internal presentation: "Income", including sub-items, and "Legacy derivatives". The sum of these two items thus corresponds to "Net interest and fee income", "Value adjustments" and "Other operating income" in the income statement of the Financial Statements. The column "Reclassification" thus comprises only differences between the internal presentation and the income statement with respect to these items.

"Costs" in the internal presentation corresponds to total costs recognised in the Financial Statements: "Staff and administrative expenses", "Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets" and "Other operating expenses".

"Impairment charges for loans and advances etc" corresponds to the presentation in the income statement.

The internal presentation is based on the same recognition and measurement principles as the IFRS-based Financial Statements. Thus, "profit before tax" is identical.

Nykredit Bank Group	2021	2020
5. INCOME		
Revenue from contracts with customers (IFRS 15) by business area		
Retail	490	410
Corporates & Institutions	403	360
Total Banking	**892**	**770**
Wealth Management	2,348	1,965
Group Items	76	68
Total	**3,316**	**2,803**
Total including income from financial guarantees	3,365	2,843

The allocation of fees to business areas shows the business areas where fees are included on initial recognition. These fees, together with other income, are subsequently reallocated to the business areas serving the customers on a net basis, see note 3.

Nykredit's revenue primarily consists of net income recognised in items governed by the accounting standards IFRS 9 "Financial Instruments" and IFRS 16 "Leases". Fees and transaction costs that are integral to the effective interest rate of an instrument are covered by IFRS 9. The same applies to fees relating to financial guarantees and financial instruments measured at fair value.

Revenue recognised according to IFRS 15 partly includes fees from guarantees and other commitments (off-balance sheet items) as well as net revenue from Nykredit Markets, Asset Management and custody transactions, where revenue is recognised pursuant to the contractual provisions of the underlying agreements or price lists. Generally, business activities do not imply contract assets or liabilities for accounting purposes.

Revenue comprised by IFRS 15 mainly relates to:

- Fees in connection with lending and guarantee activities, consisting of fixed fees and/or determined as a percentage of the amount borrowed or the guarantee amount. Lending activities comprise eg mortgage lending. Fees are recognised at the time of the transaction or at fixed payment dates.
- Custody fees are based on a percentage of the size of the individual custody account balance and/or fixed fees. Fees are recognised at fixed payment dates in accordance with contractual provisions or price lists.
- Revenue from Nykredit Markets activities comprises trading in financial instruments and is recognised simultaneously with the transaction. Revenue in connection with eg Capital Markets transactions is recognised at the time of delivery of the service and when Nykredit's obligation has been settled.
- Revenue from wealth management activities comprises Nykredit's business within asset and wealth management, including private banking and pension activities. Revenue is recognised as the services are performed and delivered to the customers. Revenue is determined as a percentage of assets under management and administration or in the form of transaction fees.

Revenue from specific custody and asset management activities is determined based on the price movements of the underlying contracts, and therefore earnings cannot be finally calculated until at a specified, agreed date, but not later than at the end of the financial year.

Recognition of revenue is not impacted by special conditions which may significantly impact the size thereof or cash flows. Nykredit has no IFRS 15 obligations in the form of buybacks or guarantees etc.

DKK million

Nykredit Bank Group

6. NET INTEREST INCOME ETC AND VALUE ADJUSTMENTS

2021	Interest income	Interest expenses	Net interest income	Dividend on equities	Net value adjustments	Total
Financial portfolios at amortised cost						
Receivables from and payables to credit institutions and central banks	(3)	41	(43)	-	-	(43)
Lending and deposits	1,951	(295)	2,246	-	1	2,246
Repo transactions and reverse repurchase lending	(175)	-	(175)	-	-	(175)
Bonds in issue at amortised cost	-	4	(4)	-	-	(4)
Subordinated debt	-	41	(41)	-	-	(41)
Other financial instruments	3	91	(88)	-	-	(88)
Total	**1,776**	**(118)**	**1,894**	**-**	**1**	**1,895**
Financial portfolios at fair value and financial instruments at fair value						
Bonds	33	-	33	-	21	53
Equities etc	-	-	-	5	203	207
Derivative financial instruments etc	(438)	-	(438)	-	1,250	811
Total	**(406)**	**-**	**(406)**	**5**	**1,473**	**1,072**
Foreign currency translation adjustment					154	154
Net interest income etc and value adjustments	**1,371**	**(118)**	**1,488**	**5**	**1,628**	**3,120**

2020	Interest income	Interest expenses	Net interest income	Dividend on equities	Net value adjustments	Total
Financial portfolios at amortised cost						
Receivables from and payables to credit institutions and central banks	3	43	(40)	-	-	(40)
Lending and deposits	1,988	(121)	2,109	-	(1)	2,109
Repo transactions and reverse repurchase lending	(172)	(73)	(99)	-	-	(99)
Bonds in issue at amortised cost	-	15	(15)	-	-	(15)
Subordinated debt	-	41	(41)	-	-	(41)
Other financial instruments	3	108	(105)	-	-	(105)
Total	**1,823**	**13**	**1,810**	**-**	**(1)**	**1,809**
Financial portfolios at fair value and financial instruments at fair value						
Bonds	81	-	81	-	20	101
Equities etc	-	-	-	5	43	47
Derivative financial instruments etc	(343)	-	(343)	-	885	542
Total	**(262)**	**-**	**(262)**	**5**	**947**	**690**
Foreign currency translation adjustment					192	192
Net interest income etc and value adjustments	**1,560**	**13**	**1,547**	**5**	**1,139**	**2,691**

DKK million

Nykredit Bank A/S 2020	Nykredit Bank A/S 2021		Nykredit Bank Group 2021	Nykredit Bank Group 2020
		7. INTEREST INCOME		
24	1	Receivables from credit institutions and central banks	3	23
1,821	1,782	Loans, advances and other receivables	1,953	1,995
82	34	Bonds	33	81
(343)	(438)	Derivative financial instruments	(438)	(343)
		Of which		
65	47	- foreign exchange contracts	47	65
(408)	(480)	- interest rate contracts	(480)	(408)
-	-	- equity contracts	-	-
-	(6)	- other contracts	(6)	-
2	2	Other interest income	3	3
1,585	**1,381**	**Total**	**1,554**	**1,758**
		Of which interest income from reverse repurchase lending entered as:		
0	1	Receivables from credit institutions and central banks	1	0
6	1	Loans, advances and other receivables	1	6
		Of total interest income:		
1,842	1,723	Interest income based on the effective interest method	1,894	2,016
41	45	Interest income accrued on impaired financial assets measured at amortised cost	45	41
29	18	Interest income accrued on fixed-rate bank loans	64	74
-	-	Interest income from finance leases	133	143

Interest income accrued on bank loans subject to stage 3 impairment totalled DKK 45 million (2020: DKK 41 million). Nykredit Bank A/S generally does not charge interest on stage 3 impaired loans. Interest income attributable to the impaired part of loans after the first time of impairment is offset against subsequent impairment.

DKK million

Nykredit Bank A/S 2020	Nykredit Bank A/S 2021		Nykredit Bank Group 2021	Nykredit Bank Group 2020
		7. INTEREST INCOME (CONTINUED)		
		7 a. Negative interest		
		Interest income		
(39)	(20)	Receivables from credit institutions and central banks	(20)	(39)
(159)	(161)	Loans, advances and other receivables	(163)	(159)
(198)	**(181)**	**Total**	**(183)**	**(198)**
		Of which interest income from reverse repurchase lending entered as:		
(19)	(14)	Receivables from credit institutions and central banks	(14)	(19)
(159)	(160)	Loans, advances and other receivables	(160)	(159)
		Interest expenses		
(138)	(113)	Payables to credit institutions and central banks	(113)	(138)
(208)	(285)	Deposits and other payables	(285)	(208)
(346)	**(398)**	**Total**	**(398)**	**(346)**
		Of which interest expenses from repo deposits entered as:		
(47)	(23)	Payables to credit institutions and central banks	(23)	(47)
(26)	(34)	Deposits and other payables	(34)	(26)
		8. INTEREST EXPENSES		
134	123	Credit institutions and central banks	124	134
64	20	Deposits and other payables	20	61
15	4	Bonds in issue	4	15
41	41	Subordinated debt	41	41
106	90	Other interest expenses	91	108
360	**279**	**Total**	**280**	**359**
		Of which interest expenses from repo transactions entered as:		
-	-	Payables to credit institutions and central banks	-	-
		Bonds in issue		
5	3	Set-off of interest from the Bank's portfolio of self-issued bonds	3	5
		Of total interest expenses:		
14	-	Interest expenses accrued on financial liabilities measured at amortised cost	-	13

DKK million

Nykredit Bank A/S 2020	2021		Nykredit Bank Group 2021	2020
		9. DIVIDEND ON EQUITIES ETC		
5	5	Dividend	5	5
5	**5**	**Total**	**5**	**5**
		10. FEE AND COMMISSION INCOME		
1,017	1,194	Securities trading and custody accounts	1,766	1,074
135	149	Payment services	149	135
19	16	Loan fees	36	39
84	97	Guarantee commission	97	84
539	681	Other fees and commission	1,317	1,511
1,794	**2,137**	**Total**	**3,365**	**2,843**
		Of which:		
177	44	Fees relating to financial instruments not measured at fair value	44	266
802	1,063	Fees from asset management activities and other fiduciary activities	2,292	1,851
		11. FEE AND COMMISSION EXPENSES		
351	371	Fee and commission expenses	545	556
351	**371**	**Total**	**545**	**556**
		Of which:		
67	62	Fees relating to financial instruments measured at amortised cost	116	152
62	102	Fees from asset management activities and other fiduciary activities	263	245
		12. VALUE ADJUSTMENTS		
(1)	1	Other loans, advances and receivables at fair value	1	(1)
18	21	Bonds	21	20
42	187	Equities etc	203	43
192	155	Foreign exchange	154	192
885	1,250	Foreign exchange, interest rate and other contracts as well as derivative financial instruments	1,241	946
-	-	Other assets	8	(60)
1,137	**1,613**	**Total**	**1,628**	**1,139**
255	316	Of which value adjustment of assets and liabilities recognised at amortised cost	316	255
350	549	Of which value adjustment of interest rate swaps etc	549	350
		Of which value adjustment relating to fair value hedging for accounting purposes:		
2	-	Fair value hedging	-	2
		13. STAFF AND ADMINISTRATIVE EXPENSES		
7	8	Remuneration of Board of Directors and Executive Board	8	7
794	857	Staff expenses	1,139	1,082
1,339	1,495	Other administrative expenses	1,717	1,566
2,141	**2,360**	**Total**	**2,863**	**2,655**

DKK million

Nykredit Bank A/S 2020	2021		Nykredit Bank Group 2021	2020
		13. STAFF AND ADMINISTRATIVE EXPENSES (CONTINUED)		
		Staff expenses		
642	689	Salaries	917	867
55	62	Pensions (defined contribution plans)	85	81
94	103	Payroll tax	130	127
3	4	Social security expenses	8	6
794	**857**	**Total**	**1,139**	**1,082**
		Payroll tax also includes payroll tax relating to the Executive Board.		
		Of which remuneration of staff members whose activities have a significant influence on the Bank's risk profile (material risk takers):		
55	57	Base salaries	96	113
21	21	Variable remuneration	30	42
76	**78**	**Total**	**126**	**155**
678	705	Average number of staff for the financial year, full-time equivalent	974	979

Staff whose activities significantly affect Nykredit Bank A/S's and the Nykredit Bank Group's risk profile comprise, in addition to the Executive Board, 56 staff members. 39 are on the payroll of Nykredit Bank, 17 are on the payroll of the Bank's subsidiaries, and 108 are on the payroll of Nykredit Realkredit A/S. The latter staff group performs Group-wide tasks, settled through intercompany agreements.

These staff members are subject to special salary programmes. A maximum of 60% of the variable remuneration is paid out when awarded, but the payout of at least 40% is deferred over the following four years.

Details of Nykredit's remuneration policy appear from page 13 of the Management Commentary under Remuneration and at nykredit.com.

Nykredit Bank A/S 2020	2021		Nykredit Bank Group 2021	2020
		Fees to auditor appointed by the General Meeting		
3	-	Deloitte	-	5
-	3	EY	5	-
		Total fees include:		
2	2	Statutory audit of the Financial Statements	3	4
0	1	Other assurance engagements	2	1
-	-	Tax advice	-	0
0	0	Other services	0	1
3	**3**	**Total fees**	**5**	**5**

Other services than statutory audit relates to statutory assurance reports, ISAE 3402 reports and regulatory advisory services.

Nykredit Bank A/S 2020	2021		Nykredit Bank Group 2021	2020
		14. DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES FOR TANGIBLE AND INTANGIBLE ASSETS		
-	-	Property, plant and equipment	10	6
-	-	Intangible assets	24	28
-	**-**	**Total**	**34**	**34**

DKK million

Nykredit Bank Group

15. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (GROUP)

15 a. Impairment charges for loans, advances and receivables etc

	Loans and advances at amortised cost	Loans and advances at amortised cost	Credit institutions and other	Credit institutions and other	Guarantees etc[1]	Guarantees etc[1]	Total	Total
Total impairment provisions	2021	2020	2021	2020	2021	2020	2021	2020
Beginning of year	**3,012**	**2,526**	**12**	**12**	**241**	**137**	**3,265**	**2,675**
New impairment provisions as a result of additions and change in credit risk	1,135	1,482	0	0	227	174	1,363	1,657
Releases as a result of redemptions and change in credit risk	1,313	964	3	1	137	70	1,452	1,035
Impairment provisions written off	115	82	-	-	-	-	115	82
Interest on impaired facilities	34	51	-	-	-	-	34	51
Total impairment provisions, year-end	**2,755**	**3,012**	**9**	**12**	**331**	**241**	**3,096**	**3,265**
Earnings impact								
Change in impairment provisions for loans and advances (stages 1-3)	(177)	518	(3)	(0)	90	104	(89)	622
Write-offs for the year, not previously written down for impairment	20	22	-	-	-	-	20	22
Recoveries on claims previously written off	48	52	-	-	-	-	48	52
Total	**(205)**	**488**	**(3)**	**(0)**	**90**	**104**	**(118)**	**592**
Value adjustment of assets in temporary possession	-	-	-	-	-	-	-	-
Value adjustment of claims previously written off	(3)	(13)	-	-	-	-	(3)	(13)
Total earnings impact	**(208)**	**475**	**(3)**	**(0)**	**90**	**104**	**(120)**	**579**

[1] "Guarantees etc" comprises off-balance sheet items in the form of guarantees and other commitments, including loan commitments.

The contractual amounts outstanding on financial assets written off during the year ended 31 December 2021 and still sought to be recovered is DKK 50 million (2020: DKK 72 million).

Of total impairment provisions for bank lending determined under IFRS 9, 3% or DKK 0.1 billion was attributable to customers who have gone bankrupt, are undergoing bankruptcy proceedings or compulsory dissolution, or who are deceased.

Loans are impaired if a customer is deemed to be in serious financial difficulty, or forbearance has been granted as a result of financial difficulty. When assessing whether loans are impaired, factors such as non-performance of contractual obligations and personal circumstances such as divorce, unemployment or long-term illness are also taken into consideration.

DKK million

Nykredit Bank Group

15. IMPARMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (GROUP) (CONTINUED)

15 b. Total impairment provisions by stage	Loans, advances and receivables at amortised cost			Guarantees			
2021	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Total
Total, 1 January 2021	**440**	**584**	**2,001**	**70**	**104**	**67**	**3,265**
Transfer to stage 1	277	(250)	(28)	43	(37)	(6)	-
Transfer to stage 2	(88)	301	(213)	(6)	12	(6)	-
Transfer to stage 3	(3)	(61)	64	(1)	(11)	12	-
Impairment provisions for new loans and advances (additions)	92	176	88	22	38	14	431
Additions as a result of change in credit risk	52	348	378	11	102	40	932
Releases as a result of change in credit risk	406	289	620	70	39	28	1,452
Previously written down for impairment, now written off	0	0	115	-	-	-	115
Interest on impaired facilities	-	-	34	-	-	-	34
Total impairment provisions, year-end	**364**	**809**	**1,591**	**69**	**169**	**94**	**3,096**
Total		**2,764**			**331**		**3,096**
Impairment provisions, year-end, are moreover attributable to:							
Credit institutions	9	-	-				9
Earnings impact for 2021	**(262)**	**235**	**(153)**	**(37)**	**101**	**26**	**(89)**

	Loans, advances and receivables at amortised cost			Guarantees			
2020	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Total
Total, 1 January 2020	**409**	**199**	**1,930**	**52**	**38**	**46**	**2,675**
Transfer to stage 1	124	(86)	(38)	12	(12)	(0)	-
Transfer to stage 2	(46)	211	(164)	(4)	9	(5)	-
Transfer to stage 3	(11)	(22)	33	(1)	(5)	5	-
Impairment provisions for new loans and advances (additions)	30	58	121	12	12	5	239
Additions as a result of change in credit risk	205	412	656	32	75	37	1,418
Releases as a result of change in credit risk	270	188	507	35	14	21	1,035
Previously written down for impairment, now written off	0	0	82	-	-	-	82
Interest on impaired facilities	-	-	51	-	-	-	51
Total impairment provisions, year-end	**440**	**584**	**2,001**	**70**	**104**	**67**	**3,265**
Total impairment provisions, year-end		**3,024**			**241**		**3,265**
Impairment provisions, year-end, are moreover attributable to:							
Credit institutions	12	-	-				12
Earnings impact for 2020	**(35)**	**282**	**270**	**10**	**73**	**21**	**622**

DKK million

Nykredit Bank Group

15. IMPARMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (GROUP) (CONTINUED)

15 c. Distribution of provisions for loan impairment and guarantees etc, year-end

2021	Stage 1	Stage 2	Stage 3	Total
Loans and advances at amortised cost excluding credit institutions etc, gross				
Loans and advances at amortised cost etc, gross	111,845	14,366	1,957	128,168
Total impairment provisions, year-end	354	809	1,591	2,755
Loans and advances, carrying amount	**111,491**	**13,557**	**366**	**125,413**
Guarantees and loan commitments				
Guarantees etc	51,688	2,505	391	54,584
Total impairment provisions, year-end	69	169	94	331
Guarantees and loan commitments, carrying amount	**51,620**	**2,336**	**297**	**54,253**

2020	Stage 1	Stage 2	Stage 3	Total
Loans and advances at amortised cost excluding credit institutions etc, gross				
Loans and advances at amortised cost etc, gross	96,628	12,201	2,600	111,429
Total impairment provisions, year-end	428	584	2,001	3,012
Loans and advances, carrying amount	**96,200**	**11,618**	**599**	**108,417**
Guarantees and loan commitments				
Guarantees etc	53,996	3,275	231	57,502
Total impairment provisions, year-end	70	104	67	241
Guarantees and loan commitments, carrying amount	**53,926**	**3,171**	**164**	**57,261**

DKK million

Nykredit Bank Group

15. IMPARMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (GROUP) (CONTINUED)

15 d. Loans at amortised cost excluding credit institutions by stage, gross

2021	Stage 1	Stage 2	Stage 3	Total
Gross lending as at 1 January 2021	**96,628**	**12,201**	**2,600**	**111,429**
Transfer to stage 1	7,989	(7,859)	(131)	0
Transfer to stage 2	(9,334)	9,504	(170)	0
Transfer to stage 3	(159)	(196)	355	-
Other movements¹	16,720	716	(697)	16,739
Total, 31 December 2021	**111,845**	**14,366**	**1,957**	**128,168**
Impairment charges/provisions, total	354	809	1,591	2,755
Carrying amount	**111,491**	**13,557**	**366**	**125,413**

2020	Stage 1	Stage 2	Stage 3	Total
Gross lending as at 1 January 2020	**109,607**	**4,574**	**2,560**	**116,741**
Transfer to stage 1	1,659	(1,567)	(92)	-
Transfer to stage 2	(8,820)	8,955	(135)	0
Transfer to stage 3	(342)	(265)	607	-
Other movements¹	(5,476)	505	(341)	(5,311)
Total, 31 December 2020	**96,628**	**12,201**	**2,600**	**111,429**
Impairment charges/provisions, total	428	584	2,001	3,012
Carrying amount	**96,200**	**11,618**	**599**	**108,417**

¹"Other movements" consists of new loans and advances as well as loans and advances redeemed in the period.

DKK million

Nykredit Bank Group

15. IMPARMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (GROUP) (CONTINUED)

15 e. Guarantees and loan commitments, gross, by stage

2021	Stage 1	Stage 2	Stage 3	Total
Gross guarantees as at 1 January 2021	**53,996**	**3,275**	**231**	**57,502**
Transfer to stage 1	1,329	(1,318)	(11)	0
Transfer to stage 2	(837)	871	(34)	-
Transfer to stage 3	(70)	(79)	150	-
Other movements¹	(2,729)	(245)	56	(2,918)
Total, 31 December 2021	**51,689**	**2,505**	**391**	**54,584**
Impairment charges/provisions, total	69	169	94	331
Carrying amount	**51,620**	**2,336**	**297**	**54,253**

2020	Stage 1	Stage 2	Stage 3	Total
Gross guarantees as at 1 January 2020	**59,379**	**1,094**	**241**	**60,714**
Transfer to stage 1	374	(371)	(3)	-
Transfer to stage 2	(1,622)	1,636	(14)	-
Transfer to stage 3	(58)	(68)	126	-
Other movements¹	(4,077)	984	(118)	(3,212)
Total, 31 December 2020	**53,996**	**3,275**	**231**	**57,502**
Impairment charges/provisions, total	70	104	67	241
Carrying amount	**53,926**	**3,171**	**164**	**57,261**

[1] "Other movements" consists of new guarantees as well as guarantees terminated in the period.

Comparative figures have been restated as credit commitments have not previously been included in this note.

DKK million

Nykredit Bank Group

15. IMPARMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (GROUP) (CONTINUED)

15 f. Loans, advances and guarantees etc, gross

	Loans and advances etc, gross				Loans and advances etc, excluding impairment charges			
2021	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans and advances etc	111,845	14,366	1,957	128,168	50,900	-	-	50,900
Balances with credit institutions	3,617	-	-	3,617	1,370	-	-	1,370
Guarantees and loan commitments	51,688	2,505	391	54,584	-	-	-	-
Total, 31 December 2021	**167,151**	**16,870**	**2,348**	**186,369**	**52,270**	**-**	**-**	**52,270**

	Loans and advances etc, gross				Loans and advances etc, excluding impairment charges			
2020	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans and advances etc	96,628	12,201	2,600	111,429	37,271	-	-	37,271
Balances with credit institutions	4,271	-	-	4,271	1,248	-	-	1,248
Guarantees and loan commitments	53,996	3,275	231	57,502	-	-	-	-
Total, 31 December 2020	**154,895**	**15,477**	**2,831**	**173,203**	**38,520**	**-**	**-**	**38,520**

DKK million

Nykredit Bank Group

15. IMPARMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (GROUP) (CONTINUED)

15 g. Loans and advances by rating categories

2021	Bank loans and advances, gross			Total impairment provisions		
Rating category	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
10	16,090	2,073	-	55	53	-
9	23,202	1,343	-	47	41	-
8	12,877	3,236	-	64	74	-
7	9,150	932	-	57	53	-
6	28,316	1,936	-	73	74	-
5	11,399	1,208	-	29	80	-
4	1,472	1,295	-	20	84	-
3	6,430	662	-	6	73	-
2	1,248	219	-	3	36	-
1	1,662	1,133	-	3	134	-
0	-	309	-	-	102	-
Exposures in default	-	19	1,957	-	5	1,591
Total	**111,845**	**14,366**	**1,957**	**354**	**809**	**1,591**

2020	Bank loans and advances, gross			Total impairment provisions		
Rating category	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
10	17,381	530	-	69	16	-
9	20,703	1,196	-	67	44	-
8	8,023	1,384	-	54	44	-
7	9,844	2,436	-	76	84	-
6	24,362	2,215	-	50	93	-
5	9,285	1,171	-	59	54	-
4	1,864	1,102	-	30	64	-
3	3,497	609	-	14	34	-
2	1,489	830	-	7	44	-
1	179	518	-	1	68	-
0	-	78	-	-	19	-
Exposures in default	-	132	2,600	-	20	2,001
Total	**96,628**	**12,201**	**2,600**	**428**	**584**	**2,001**

DKK million

Nykredit Bank Group

15. IMPARMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (GROUP) (CONTINUED)

15 h. Bank loans, advances and guarantees etc and total impairment provisions by sector

2021	Bank loans, advances and guarantees			Total impairment provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Public sector	**812**	**309**	**-**	**4**	**6**	**-**
Agriculture, hunting, forestry and fishing	3,533	342	194	22	17	152
Manufacturing, mining and quarrying	10,622	1,121	272	53	57	152
Energy supply	5,371	125	12	15	7	10
Construction	2,291	392	241	13	16	174
Trade	3,487	6,632	287	24	349	282
Transport, accommodation and food service activities	5,976	607	85	26	39	79
Information and communication	2,297	95	68	13	7	63
Finance and insurance	55,986	401	82	24	10	57
Real estate	13,733	2,918	412	63	184	276
Other	8,802	1,207	252	56	57	200
Total business customers	**112,909**	**14,149**	**1,906**	**311**	**751**	**1,445**
Personal customers	24,597	2,722	442	112	227	241
Total	**137,506**	**16,870**	**2,348**	**423**	**978**	**1,685**

2020	Bank loans, advances and guarantees			Total impairment provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Public sector	**867**	**3**	**-**	**4**	**0**	**-**
Agriculture, hunting, forestry and fishing	3,017	416	182	14	19	151
Manufacturing, mining and quarrying	7,638	1,986	550	47	65	303
Energy supply	6,686	435	14	20	10	10
Construction	2,272	348	209	21	17	160
Trade	7,015	1,954	272	87	102	264
Transport, accommodation and food service activities	5,906	1,375	96	50	51	83
Information and communication	2,731	565	73	17	11	78
Finance and insurance	42,075	1,133	139	19	71	55
Real estate	13,511	3,172	479	86	163	347
Other	6,978	1,535	267	47	83	224
Total business customers	**98,698**	**12,921**	**2,280**	**410**	**592**	**1,675**
Personal customers	24,383	2,556	551	87	96	393
Total	**123,081**	**15,477**	**2,831**	**498**	**688**	**2,068**

DKK million

Nykredit Bank A/S

16. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (PARENT)

16 a. Impairment charges for loans, advances and receivables etc

	Loans and advances at amortised cost	Loans and advances at amortised cost	Credit institutions and other	Credit institutions and other	Guarantees etc[1]	Guarantees etc[1]	Total	Total
Total impairment provisions	2021	2020	2021	2020	2021	2020	2021	2020
Beginning of year	**2,874**	**2,419**	**12**	**12**	**241**	**137**	**3,127**	**2,568**
New impairment provisions as a result of additions and change in credit risk	1,078	1,401	0	0	227	174	1,305	1,576
Releases as a result of redemptions and change in credit risk	1,261	925	3	1	137	70	1,400	996
Impairment provisions written off	106	73	-	-	-	-	106	73
Interest on impaired facilities	34	51	-	-	-	-	34	51
Total impairment provisions, year-end	**2,619**	**2,873**	**9**	**12**	**331**	**241**	**2,959**	**3,126**
Earnings impact								
Change in impairment provisions for loans and advances (stages 1-3)	(183)	477	(3)	(0)	90	104	(95)	581
Write-offs for the year, not previously written down for impairment	14	16	-	-	-	-	14	16
Recoveries on claims previously written off	47	46	-	-	-	-	47	46
Total	**(217)**	**447**	**(3)**	**(0)**	**90**	**104**	**(129)**	**551**
Value adjustment of assets in temporary possession	-	-	-	-	-	-	-	-
Value adjustment of claims previously written off	(3)	(13)	-	-	-	-	(3)	(13)
Total earnings impact	**(219)**	**434**	**(3)**	**(0)**	**90**	**104**	**(131)**	**538**

[1] "Guarantees etc" comprises off-balance sheet items in the form of guarantees and other commitments, including loan commitments.

The contractual amount outstanding on financial assets written off during the year ended 31 December 2021 and still sought to be recovered is DKK 50 million (2020: DKK 72 million).

DKK million

Nykredit Bank A/S

16. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (PARENT) (CONTINUED)

16 b. Total impairment provisions by stage

	Loans, advances and receivables at amortised cost			Guarantees			
2021	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Total
Total, 1 January 2021	**427**	**582**	**1,877**	**70**	**104**	**67**	**3,127**
Transfer to stage 1	274	(249)	(25)	43	(37)	(6)	-
Transfer to stage 2	(88)	296	(208)	(6)	12	(6)	-
Transfer to stage 3	(3)	(61)	64	(1)	(11)	12	-
Impairment provisions for new loans and advances (additions)	87	174	80	22	38	14	416
Additions as a result of change in credit risk	52	347	337	11	102	40	889
Releases as a result of change in credit risk	399	284	580	70	39	28	1,400
Previously written down for impairment, now written off	-	-	106	-	-	-	106
Interest on impaired facilities	-	-	34	-	-	-	34
Total impairment provisions	**350**	**805**	**1,472**	**69**	**169**	**94**	**2,959**
Total impairment provisions, year-end		**2,628**			**331**		**2,959**
Impairment provisions, year-end, are attributable to:							
Credit institutions	9	-	-				9
Earnings impact for 2021	**(260)**	**237**	**(163)**	**(37)**	**101**	**26**	**(95)**

	Loans, advances and receivables at amortised cost			Guarantees			
2020	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Total
Total, 1 January 2020	**396**	**193**	**1,842**	**52**	**38**	**46**	**2,568**
Transfer to stage 1	120	(85)	(35)	12	(12)	(0)	-
Transfer to stage 2	(45)	209	(164)	(4)	9	(5)	-
Transfer to stage 3	(11)	(21)	32	(1)	(5)	5	-
Impairment provisions for new loans and advances (additions)	25	58	79	12	12	5	192
Additions as a result of change in credit risk	204	412	624	32	75	37	1,384
Releases as a result of change in credit risk	262	185	478	35	14	21	996
Previously written down for impairment, now written off	-	-	73	-	-	-	73
Interest on impaired facilities	-	-	51	-	-	-	51
Total impairment provisions	**427**	**582**	**1,877**	**70**	**104**	**67**	**3,127**
Total impairment provisions, year-end		**2,886**			**241**		**3,127**
Impairment provisions, year-end, are attributable to:							
Credit institutions	12	-	-				12
Earnings impact for 2020	**(33)**	**285**	**224**	**10**	**73**	**21**	**581**

DKK million

Nykredit Bank A/S

16. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (PARENT) (CONTINUED)

16 c. Distribution of provisions for loan impairment and guarantees etc, year-end

2021	Stage 1	Stage 2	Stage 3	Total
Loans and advances at amortised cost excluding credit institutions etc, gross				
Loans and advances at amortised cost etc, gross	111,281	13,442	1,713	126,435
Total impairment provisions, year-end	341	805	1,472	2,619
Loans and advances, carrying amount	**110,940**	**12,636**	**240**	**123,816**
Guarantees and loan commitments				
Guarantees etc	51,476	2,505	391	54,371
Total impairment provisions, year-end	69	169	94	331
Guarantees and loan commitments, carrying amount	**51,407**	**2,336**	**297**	**54,040**

2020	Stage 1	Stage 2	Stage 3	Total
Loans and advances at amortised cost excluding credit institutions etc, gross				
Loans and advances at amortised cost etc, gross	96,182	11,262	2,397	109,840
Total impairment provisions, year-end	416	582	1,877	2,874
Loans and advances, carrying amount	**95,766**	**10,680**	**520**	**106,966**
Guarantees and loan commitments				
Guarantees etc	54,003	3,275	231	57,509
Total impairment provisions, year-end	70	104	67	241
Guarantees and loan commitments, carrying amount	**53,933**	**3,171**	**164**	**57,268**

DKK million

Nykredit Bank A/S

16. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (PARENT) (CONTINUED)

16 d. Loans at amortised cost excluding credit institutions by stage, gross

2021	Stage 1	Stage 2	Stage 3	Total
Gross lending as at 1 January 2021	**96,182**	**11,262**	**2,397**	**109,840**
Transfer to stage 1	8,237	(8,090)	(147)	-
Transfer to stage 2	(9,520)	9,720	(200)	-
Transfer to stage 3	(242)	(225)	467	-
Other movements[1]	16,625	775	(804)	16,595
Total, 31 December 2021	**111,281**	**13,442**	**1,713**	**126,435**
Impairment charges/provisions, total	341	805	1,472	2,619
Carrying amount	**110,940**	**12,636**	**240**	**123,816**

2020	Stage 1	Stage 2	Stage 3	Total
Gross lending as at 1 January 2020	**109,101**	**3,809**	**2,360**	**115,270**
Transfer to stage 1	374	(371)	(3)	-
Transfer to stage 2	(1,622)	1,636	(14)	-
Transfer to stage 3	(58)	(68)	126	-
Other movements[1]	(11,613)	6,255	(72)	(5,430)
Total, 31 December 2020	**96,182**	**11,262**	**2,397**	**109,840**
Impairment charges/provisions, total	416	582	1,877	2,874
Carrying amount	**95,766**	**10,680**	**520**	**106,966**

[1] "Other movements" consists of new loans and advances as well as loans and advances redeemed in the period.

DKK million

Nykredit Bank A/S

16. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (PARENT) (CONTINUED)

16 e. Guarantees and loan commitments, gross, by stage

2021	Stage 1	Stage 2	Stage 3	I alt
Gross guarantees as at 1 January 2021	**54,003**	**3,275**	**231**	**57,509**
Transfer to stage 1	1,329	(1,318)	(11)	-
Transfer to stage 2	(837)	871	(34)	-
Transfer to stage 3	(70)	(79)	150	-
Other movements[1]	(2,949)	(245)	55	(3,138)
Total, 31 December 2021	**51,476**	**2,505**	**391**	**54,371**
Impairment charges/provisions, total	69	169	94	331
Carrying amount	**51,407**	**2,336**	**297**	**54,040**

2020	Stage 1	Stage 2	Stage 3	I alt
Gross guarantees as at 1 January 2020	**59,057**	**1,094**	**241**	**60,391**
Transfer to stage 1	374	(371)	(3)	-
Transfer to stage 2	(1,622)	1,636	(14)	-
Transfer to stage 3	(58)	(68)	126	-
Other movements[1]	(3,747)	984	(118)	(2,882)
Total, 31 December 2020	**54,003**	**3,275**	**231**	**57,509**
Impairment charges/provisions, total	70	104	67	241
Carrying amount	**53,933**	**3,171**	**164**	**57,268**

[1] "Other movements" consists of new guarantees as well as guarantees redeemed in the period.

Comparative figures have been restated as credit commitments have not previously been included in this note.

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
2020	2021		2021	2020
		17. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES		
7	6	Profit from investments in associates	6	7
336	520	Profit from investments in Group enterprises	0	0
343	**526**	**Total**	**6**	**7**
		18. TAX		
		Tax on profit for the year has been calculated as follows:		
266	588	Current tax	744	348
8	(5)	Deferred tax	(10)	29
21	4	Adjustment of tax relating to previous years	1	(23)
(13)	(3)	Adjustment of deferred tax relating to previous years	(2)	31
283	**584**	**Tax**	**733**	**385**
		Tax on profit for the year can be specified as follows:		
416	735	Calculated 22% tax on profit before tax	778	443
(74)	(114)	Of which recognised as profit from investments	-	-
		Tax effect of:		
(68)	(39)	Non-taxable income	(41)	(77)
1	1	Non-deductible expenses and other adjustments	6	11
8	1	Adjustment of tax relating to previous years	(11)	8
283	**584**	**Total**	**733**	**385**
22.0	22.0	Current tax rates, %	22.0	22.0
7.1	4.5	Permanent deviations	1.3	2.9
14.9	**17.5**	**Effective tax rate, %**	**20.7**	**19.1**

DKK million

Nykredit Bank A/S 2020	2021		Nykredit Bank Group 2021	2020
		19. CASH BALANCES AND DEMAND DEPOSITS WITH CENTRAL BANKS		
532	675	Cash balances	675	532
15,469	22,851	Demand deposits with central banks	22,851	15,469
16,001	**23,526**	**Total**	**23,526**	**16,001**
		20. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS		
1,208	-	Receivables from central banks	-	1,208
2,880	2,016	Receivables from credit institutions	2,238	3,011
1,248	1,370	Reverse repurchase lending to credit institutions	1,370	1,248
5,337	**3,386**	**Total**	**3,608**	**5,468**
		Receivables from credit institutions and central banks by time-to-maturity		
2,846	2,187	On demand	2,409	2,977
2,491	1,199	Up to 3 months	1,199	2,491
5,337	**3,386**	**Total**	**3,608**	**5,468**

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
2020	2021		2021	2020
		21. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST		
72,569	75,535	Bank loans and advances	77,268	74,158
37,271	50,900	Reverse repurchase lending	50,900	37,271
109,840	**126,435**	**Balance, year-end**	**128,168**	**111,429**
		Adjustment for credit risk		
(2,874)	(2,619)	Impairment provisions	(2,755)	(3,012)
106,966	**123,816**	**Balance after impairment, year-end**	**125,413**	**108,417**
		By time-to-maturity		
12,614	6,328	On demand	5,913	6,327
50,118	67,110	Up to 3 months	62,710	50,118
12,617	14,370	Over 3 months and up to 1 year	13,972	12,617
23,012	26,209	Over 1 year and up to 5 years	33,197	30,750
8,604	9,799	Over 5 years	9,621	8,604
106,966	**123,816**	**Total**	**125,413**	**108,417**
		Fixed-rate loans		
189	179	Of total loans and advances, fixed-rate loans represent	179	189
195	182	Market value of fixed-rate loans	182	195
		Finance leases		
-	-	Of total loans and advances at amortised cost, finance leases represent	5,860	5,921
-	**-**	**Carrying amount, beginning of year**	**5,921**	**5,915**
-	-	Additions	2,506	2,619
-	-	Disposals etc	2,567	2,614
-	**-**	**Carrying amount, year-end**	**5,860**	**5,921**
		By time-to-maturity		
-	-	Up to 3 months	631	618
-	-	Over 3 months and up to 1 year	1,307	1,308
-	-	Over 1 year and up to 5 years	3,666	3,768
-	-	Over 5 years	256	226
-	**-**	**Total**	**5,860**	**5,921**
		Gross investments in finance leases		
		By time-to-maturity		
-	-	Up to 1 year	2,014	1,991
-	-	Over 1 year and up to 5 years	3,878	3,946
-	-	Over 5 years	625	506
-	**-**	**Total**	**6,517**	**6,443**
-	-	Non-earned income	657	523
		Where loans and advances under finance leases are concerned, amortised cost represents their fair value. The leases comprise equipment as well as real estate. The leases have been concluded on an arm's length basis. The term of the leases is up to 13 years.		
-	-	Impairment provisions for finance leases represent	88	86
		Non-guaranteed residual values on expiry of the leases represent DKK 0.		

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
2020	2021		2021	2020
		21. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST (CONTINUED)		
%	%	**Loans, advances and guarantee debtors by sector as %, year-end**	%	%
1	1	**Public sector**	1	1
		Business customers		
2	1	Agriculture, hunting, forestry and fishing	3	2
6	7	Manufacturing, mining and quarrying	8	7
5	4	Energy supply	4	5
1	1	Construction	2	2
6	6	Trade	6	6
4	4	Transport, accommodation and food service activities	4	5
2	1	Information and communication	2	2
36	41	Finance and insurance	37	31
12	11	Real estate	11	12
6	6	Other	6	6
82	**83**	**Total business customers**	**82**	**81**
18	17	Personal customers	18	19
100	**100**	**Total**	**100**	**100**

The sector distribution is based on the official Danish activity codes.

		22. BONDS AT FAIR VALUE		
35,221	34,694	Covered bonds	36,116	36,369
2,137	2,295	Government bonds	2,315	2,155
1,324	1,451	Other bonds etc	1,451	1,331
38,681	**38,439**	**Total**	**39,882**	**39,854**
174	-	Set-off of self-issued bonds against bonds in issue	-	174
38,508	**38,439**	**Total**	**39,882**	**39,680**

The effect of fair value adjustment is recognised in the income statement.

1,082	717	Of which redeemed bonds	723	1,086
10,304	12,221	Assets sold as part of genuine sale and repurchase transactions	12,221	10,304
		Maturities based on the nominal maturities of the securities		
12,456	6,565	Up to 1 year	6,725	12,541
16,103	19,648	Over 1 year and up to 5 years	20,925	17,016
9,949	12,226	Over 5 years	12,232	10,123
38,508	**38,439**	**Total**	**39,882**	**39,680**

Nykredit Bank A/S 2020	2021	DKK million	Nykredit Bank Group 2021	2020
		23. BONDS AT AMORTISED COST		
-	-	Covered bonds issued by Nykredit Realkredit A/S	-	-
-	**-**	**Total**	**-**	**-**
4,967	8,165	As collateral for the Danish central bank, Danmarks Nationalbank and foreign clearing centres etc, bonds at fair value and amortised cost have been deposited of a total market value of	8,165	4,967
		The deposits were made on an arm's length basis in connection with clearing and settlement of securities and foreign exchange trades. The deposits are adjusted on a daily basis and generally have a repayment term of very few value days.		
		24. EQUITIES ETC		
130	133	Equities measured at fair value through profit or loss	147	142
130	**133**	**Total**	**147**	**142**
		Specification of equity portfolios		
93	118	Listed on Nasdaq Copenhagen A/S	132	98
-	-	Listed on other stock exchanges	-	4
37	15	Unlisted equities carried at fair value	15	40
130	**133**	**Total**	**147**	**142**
		25. INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES		
		Investments in associates		
6	**6**	**Cost, beginning of year**	**6**	**6**
-	-	Additions	-	-
6	**6**	**Cost, year-end**	**6**	**6**
8	**7**	**Revaluations and impairment charges, beginning of year**	**7**	**8**
8	7	Received dividend	7	8
7	6	Profit before tax	6	7
7	**7**	**Revaluations and impairment charges, year-end**	**7**	**7**
14	**13**	**Balance, year-end**	**13**	**14**
		Investments in Group enterprises		
931	**863**	**Cost, beginning of year**	**-**	**-**
(57)	-	Adjustment of opening balance sheet	-	-
-	3	Additions	-	-
11	-	Disposals	-	-
863	**866**	**Cost, year-end**	**-**	**-**
1,352	**1,638**	**Revaluations and impairment charges, beginning of year**	**-**	**-**
50	85	Received dividend	-	-
432	650	Profit before tax	-	-
95	133	Tax	-	-
1,638	**2,070**	**Revaluations and impairment charges, year-end**	**-**	**-**
2,501	**2,936**	**Balance, year-end**	**-**	**-**
		Subordinated receivables		
547	246	Other enterprises	246	547
547	**246**	**Total**	**246**	**547**

DKK million

Nykredit Bank A/S 2020	2021		Nykredit Bank Group 2021	2020
		25. INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES (CONTINUED)		
		Balances with associates and Group enterprises		
		Group enterprises		
		Asset items		
6,287	6,781	Loans, advances and other receivables at amortised cost	-	-
93	6	Other assets	-	-
6,380	**6,787**	**Total**	**-**	**-**
		Liability items		
122	224	Deposits and other payables	-	-
93	6	Other liabilities	-	-
214	**230**	**Total**	**-**	**-**
		26. INTANGIBLE ASSETS		
		26 a. Customer relationships		
-	**-**	**Acquisition cost, beginning of year**	**170**	**170**
-	-	Additions for the year	-	-
-	-	Disposals for the year	-	-
-	**-**	**Cost, year-end**	**170**	**170**
-	**-**	**Amortisation, beginning of year**	**32**	**8**
-	-	Amortisation for the year	24	24
-	**-**	**Amortisation, year-end**	**56**	**32**
-	**-**	**Total customer relationships, year-end**	**114**	**138**
		26 b. Goodwill		
1,699	**1,769**	**Cost, beginning of year**	**1,769**	**1,699**
70	-	Adjustment of cost, beginning of 2020/Additions, 2019	-	70
1,769	**1,769**	**Cost, year-end**	**1,769**	**1,769**
1,769	**1,769**	**Total goodwill, year-end**	**1,769**	**1,769**
14	14	Acquisition of Amber Fondsmæglerselskab A/S in 2011	14	14
1,755	1,755	Acquisition of Sparinvest Holdings SE in 2019	1,755	1,755
1,769	**1,769**	**Total goodwill, year-end**	**1,769**	**1,769**
		Acquisition of Amber Fondsmæglerselskab A/S in 2011: Goodwill was allocated to the business area Wholesale. Acquisition of Sparinvest Holdings SE in 2019: Goodwill was allocated to the business area Wealth Management. (Nykredit Group level) as the underlying cash flows are principally generated by this business area. Internal financial reporting is made at Nykredit Group level to the Management, which also monitors the value of goodwill.		

Customer relationships relating to the investment in Sparinvest have been determined at DKK 170 million, which is amortised over 7 years. The value relates to the distribution network and administration and asset management activities.

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
2020	2021		2021	2020

26. INTANGIBLE ASSETS (CONTINUED)

26. b Goodwill (continued)

The impairment test is based on the following assumptions:

	2021	2020
Acquired goodwill (Sparinvest)	1,755	1,755
Required rate of return before tax, %	10	11
Average annual business growth in the budget period, %	6	6
Fixed annual business growth in the terminal period, %	2	2

If average annual growth in the budget period declines by 1.0 percentage point, this will not lead to impairment. Similarly, an increased return requirement of 1 percentage point will not lead to impairment.

Goodwill is tested for impairment once a year and is measured at cost less accumulated impairment. If the impairment test indicates a value, which is lower than the carrying amount, goodwill will be written down to the recoverable amount. Goodwill has not been amortised, and an impairment test has provided no evidence of goodwill impairment

The recoverable amount is calculated as the present value of the expected cash flows from the unit to which allocation of goodwill is made.

Expected cash flows included in the impairment test are based on a 5-year budget period that reflects existing budgets and forecasts in the budget period as well as a subsequent terminal period where growth rates are kept at 2%. The development in the budget period is based on the development over the past few years and includes expected intake of new customers, increased volumes of existing customers and value increases of existing portfolios. Costs have been projected using an expected inflation rate. The effect thereof has been partly offset by synergies resulting from the acquisition. The discount rate applied is 10% in 2021 (7.5% after tax) compared with 11% in 2020 (8.5% after tax). The determination is based on an analysis of the equity market's return requirements for investment management and portfolio administration.

26 c. Software

Nykredit Bank A/S 2020	Nykredit Bank A/S 2021		Nykredit Bank Group 2021	Nykredit Bank Group 2020
-	**-**	**Cost, beginning of year**	**32**	**9**
-	-	Additions for the year	27	23
-	-	Disposals for the year	(1)	-
-	**-**	**Cost, year-end**	**58**	**32**
-	**-**	**Amortisation, beginning of year**	**7**	**3**
-	-	Amortisation for the year	4	4
-	**-**	**Amortisation, year-end**	**11**	**7**
-	**-**	**Total software, year-end**	**48**	**25**

Nykredit Bank A/S			Nykredit Bank Group	
2020	2021		2021	2020
		27. LAND AND PROPERTY		
		27 a. Equipment		
-	**-**	**Cost, beginning of year**	**5**	**5**
-	-	Additions	1	-
-	-	Disposals	-	-
-	**-**	**Cost, year-end**	**6**	**5**
-	**-**	**Depreciation and impairment, beginning of year**	**3**	**-**
-	-	Depreciation for the year	2	3
-	-	Reversal of depreciation and impairment	-	-
-	**-**	**Depreciation and impairment, year-end**	**5**	**3**
-	**-**	**Total equipment, year-end**	**1**	**2**
		Equipment is depreciated over 3-5 years and had an average residual depreciation period of 0 years at 31 December 2021 (end-2020: 0 years).		

DKK million		
	Nykredit Bank Group	
	2021	2020
27. LAND AND PROPERTY (CONTINUED)		
27 b. Leased property		
Cost, beginning of year	23	24
Additions, including improvements	-	-
Disposals	(1)	(1)
Cost, year-end	**21**	**23**
Depreciation and impairment, beginning of year	4	1
Depreciation for the year	4	3
Depreciation and impairment, year-end	**7**	**4**
Balance, year-end	**14**	**19**

	2021		2020	
	Minimum lease pay-ments	Present value of mini-mum lease payments	Minimum lease pay-ments	Present value of mini-mum lease payments
0-1 year	**4**	**4**	4	4
1-5 years	**11**	**11**	15	15
5-10 years	**-**	**-**	-	0
Over 10 years	**-**	**-**	-	0
Total	**14**	**14**	**19**	**19**

Leased assets concern properties from which Nykredit operates (owner-occupied properties). IFRS 16 was implemented in 2019, and additions for the year have mainly been calculated based on the present value of the remaining lease payments, excluding VAT and any services.
The discount rate is based on Nykredit's lending rate, which is determined on the basis of a swap rate with a term matching the remaining lease term plus a Nykredit-specific credit spread. The total interest rate ranges between 0.55% for ultra short-term contracts and 1.11% for long-term contracts. For leases which have been terminated, the determination is based on the period until the end of the lease term, while the remaining portfolio has an average remaining term of about 7 years based on an estimate of the period in which Nykredit expects to occupy the properties.

Liabilities were DKK 14 million at end-2021 (2020: DKK 19 million). Interest relating to lease liabilities was DKK million (2020: DKK 4 million).

DKK million

Nykredit Bank A/S 2020	2021		Nykredit Bank Group 2021	2020
		28. ASSETS IN TEMPORARY POSSESSION		
-	**-**	**Assets, beginning of year**	**-**	**-**
-	-	Additions	-	-
-	-	Disposals	-	-
-	**-**	**Total**	**-**	**-**
		29. OTHER ASSETS		
761	693	Interest and commission receivable	741	803
21,968	16,508	Positive market value of derivative financial instruments etc	16,508	21,968
3,440	3,302	Other	3,380	3,503
26,169	**20,503**	**Total**	**20,629**	**26,274**
		Positive market value of derivative financial instruments etc		
		By time-to-maturity		
1,378	981	Up to 1 year	981	1,378
923	649	Over 1 year and up to 5 years	649	923
19,666	14,878	Over 5 years	14,878	19,666
21,968	**16,508**	**Total**	**16,508**	**21,968**
		"Interest and commission receivable" and "Other" fall due within 1 year.		
		Minimum margin		
		Upon entering into and in connection with the following valuation of derivatives contracts, provisions are made in the form of a so-called minimum margin for liquidity risk, credit risk and return on capital. The minimum margin is amortised over the time-to-maturity of the derivatives.		
317	280	The unamortised minimum margin at the beginning of the year amounted to	280	317
(37)	(1)	Net change over the year	(1)	(37)
280	**279**	**The unamortised minimum margin at year-end amounted to**	**279**	**280**
161	158	- of which recognised in FVA and CVA	158	161

"Assets in temporary possession" comprises properties acquired by foreclosure. Nykredit Bank accepts mortgages on real estate as security for loans. In a number of instances, the Bank acquires the properties by foreclosure in the event of borrowers' non-performance of loan agreements etc. The valuation of assets in temporary possession is based on the expected sales values in case of disposal within a period of 12 months.

DKK million

Nykredit Bank A/S 2020	Nykredit Bank A/S 2021		Nykredit Bank Group 2021	Nykredit Bank Group 2020
		30. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS		
37,586	44,011	Payables to credit institutions	44,011	37,586
3,901	3,882	Payables to central banks	3,882	3,901
7,634	4,940	Repo transactions with credit institutions	4,940	7,634
49,121	**52,833**	**Total**	**52,833**	**49,121**
		Of total balances with banks, DKK 30 billion relates to a deposit from the Parent Nykredit Realkredit. The amount is used to meet the Danish FSA's minimum requirement for own funds and eligible liabilities (MREL requirement) of Nykredit Bank A/S at individual level.		
		Payables to credit institutions and central banks by time-to-maturity		
15,763	16,085	On demand	16,085	15,763
10,763	8,377	Up to 3 months	8,377	10,763
6,730	3,822	Over 3 months and up to 1 year	3,822	6,730
15,865	18,971	Over 1 year and up to 5 years	18,971	15,865
-	5,577	Over 5 years	5,577	-
49,121	**52,833**	**Total**	**52,833**	**49,121**
		31. DEPOSITS AND OTHER PAYABLES		
83,348	83,555	On demand	86,077	83,226
2,365	4,073	Time deposits	4,073	2,365
2,677	5,491	Special deposits	2,746	2,677
2,674	7,379	Repo deposits	7,379	2,674
91,065	**100,498**	**Total**	**100,275**	**90,943**
		By time-to-maturity		
81,068	22,651	On demand	22,428	80,946
7,674	57,286	Up to 3 months	57,286	7,674
86	1,675	Over 3 months and up to 1 year	1,675	86
628	5,300	Over 1 year and up to 5 years	5,300	628
1,610	13,585	Over 5 years	13,585	1,610
91,065	**100,498**	**Total**	**100,275**	**90,943**
		32. BONDS IN ISSUE AT AMORTISED COST		
5,574	4,415	Bonds in issue	4,415	5,574
(174)	-	Own bonds	-	(174)
5,400	**4,415**	**Total**	**4,415**	**5,400**
		By time-to-maturity		
3,126	4,415	Up to 3 months	4,415	3,126
2,274	-	Over 3 months and up to 1 year	-	2,274
5,400	**4,415**	**Total**	**4,415**	**5,400**
		Issues		
516	-	EMTN issues*	-	516
4,885	4,415	ECP issues*	4,415	4,885
5,400	**4,415**	**Total**	**4,415**	**5,400**

* Listed on Nasdaq Copenhagen or the Luxembourg Stock Exchange.

DKK million

Nykredit Bank A/S 2020	2021		Nykredit Bank Group 2021	2020
		33. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE		
10,991	13,617	Negative securities portfolios	13,613	10,801
10,991	**13,617**	**Total**	**13,613**	**10,801**
		Other non-derivative financial liabilities by time-to-maturity		
-	86	On demand	86	-
-	80	Up to 3 months	80	-
210	38	Over 3 months and up to 1 year	38	210
2,678	2,764	Over 1 year and up to 5 years	2,760	2,489
8,103	10,649	Over 5 years	10,649	8,102
10,991	**13,617**	**Total**	**13,613**	**10,801**
		34. CURRENT TAX ASSETS AND LIABILITIES		
		Current tax		
46	**18**	**Corporation tax due, beginning of year**	**(5)**	**69**
-	-	Additions	-	(0)
266	588	Current tax for the year	744	348
(315)	(586)	Corporation tax paid for the year, net	(719)	(453)
21	4	Adjustment relating to previous years	1	31
18	**23**	**Balance, year-end**	**21**	**(5)**
		Current tax recognised in the balance sheet		
-	(0)	Current tax assets	(14)	(19)
18	23	Current tax liabilities	35	14
18	**23**	**Balance, year-end, net**	**21**	**(5)**
		35. PROVISIONS FOR DEFERRED TAX/DEFERRED TAX ASSETS		
		Deferred tax		
(111)	**(116)**	**Deferred tax, beginning of year**	**96**	**55**
8	(5)	Deferred tax for the year recognised in profit for the year	(10)	29
(13)	(3)	Adjustment of deferred tax relating to previous years	(2)	(23)
(116)	**(124)**	**Deferred tax, year-end**	**84**	**60**
		Deferred tax recognised in the balance sheet		
(116)	(124)	Deferred tax assets	(125)	(116)
-	-	Provisions for deferred tax	209	212
(116)	**(124)**	**Deferred tax, year-end, net**	**84**	**96**
		Deferred tax relates to:		
(52)	(53)	Loans and advances	191	172
(0)	(0)	Intangible assets	36	30
(1)	(1)	Property, plant and equipment	(9)	4
-	(3)	Other assets and prepayments	(62)	(45)
2	-	Bonds in issue	-	2
(64)	(67)	Other liabilities	(72)	(67)
(116)	**(124)**	**Total**	**84**	**96**

DKK million

Nykredit Bank A/S 2020	Nykredit Bank A/S 2021		Nykredit Bank Group 2021	Nykredit Bank Group 2020
		36. OTHER LIABILITIES		
584	585	Interest and commission payable	589	585
11,348	8,326	Negative market value of derivative financial instruments etc	8,326	11,348
638	1,197	Other	1,749	1,197
12,570	**10,108**	**Total**	**10,665**	**13,130**
		Negative market value of derivative financial instruments etc		
		By time-to-maturity		
1,350	819	Up to 1 year	819	1,350
517	332	Over 1 year and up to 5 years	332	517
9,481	7,175	Over 5 years	7,175	9,481
11,348	**8,326**	**Total**	**8,326**	**11,348**
		"Interest and commission payable" and "Other" fall due within one year.		
		37. PROVISIONS		
		Provisions for losses under guarantees		
137	**241**	**Balance, beginning of year**	**241**	**137**
174	227	Additions	227	174
70	137	Reversal of unutilised amounts	137	70
241	**331**	**Balance, year-end**	**331**	**241**
		Other provisions		
89	**211**	**Balance, beginning of year**	**230**	**148**
122	46	Additions	46	95
-	-	Reversal of unutilised amounts	-	-
-	120	Disposals	129	13
211	**138**	**Balance, year-end**	**147**	**230**
		Total provisions for losses under guarantees and other provisions		
226	**453**	**Balance, beginning of year**	**471**	**284**
297	274	Additions	274	270
70	137	Reversal of unutilised amounts	137	70
-	120	Disposals	129	13
453	**469**	**Balance, year-end**	**478**	**471**

As a result of its operations, the Bank continuously enters into contracts where it is probable that the settlement of the liability will lead to an outflow of the Bank's financial resources, and where a reliable estimate may be made of the size of the liability.

The balance sheet items in the Financial Statements represent the Bank's best estimates of the expected costs relating to provisions.

The provisions concern contractual obligations relating to loans and advances and other banking activities, as well as provisions for restructuring costs.

It is estimated that the majority of provisions will be settled within 1-2 years.

DKK million

Nykredit Bank A/S 2020	2021		Nykredit Bank Group 2021	2020
		38. SUBORDINATED DEBT		
		Subordinated debt consists of financial liabilities in the form of subordinate loan capital and Additional Tier 2 capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.		
2,000	2,000	Subordinate loan capital. The loan is non-callable and falls due in its entirety on 1 January 2027 and carries an interest rate of 2.25% pa above 3M Cibor.	2,000	2,000
2,000	**2,000**	**Total subordinated debt**	**2,000**	**2,000**
2,000	-	Subordinated debt that may be included in own funds	-	2,000
		39. OFF BALANCE SHEET ITEMS		
		Guarantees and warranties provided, irrevocable credit commitments and similar obligations not recognised in the balance sheets are presented below.		
29,725	28,225	Contingent liabilities	28,225	29,726
10,488	13,642	Other commitments	13,847	10,670
40,214	**41,867**	**Total**	**42,073**	**40,396**
		39 a. Contingent liabilities		
13,234	11,295	Financial guarantees	11,295	13,234
7,652	8,027	Registration and refinancing guarantees	8,027	7,652
8,839	8,902	Other contingent liabilities	8,903	8,840
29,725	**28,225**	**Total**	**28,225**	**29,726**
		Other contingent liabilities chiefly comprises purchase price and payment guarantees.		
		Contingent liabilities by remaining terms		
16,675	14,316	Up to 1 year	14,316	16,675
3,454	4,734	Over 1 year and up to 5 years	4,734	3,454
9,596	9,176	Over 5 years	9,176	9,596
29,725	**28,225**	**Total**	**28,225**	**29,726**
		The breakdown by remaining terms of guarantees is based on the expiry of the individual agreements. Where a guarantee does not have a fixed expiry date, expiry is based on an estimate.		
		39 b. Other commitments		
10,478	13,600	Irrevocable credit commitments	13,600	10,478
10	42	Other	247	192
10,488	**13,642**	**Total**	**13,847**	**10,670**
		"Other" under "Other commitments" comprises obligations to and charges in favour of securities depositaries, investment commitments to private equity funds.		

Moreover, the Nykredit Bank Group had credit commitments of a term of less than 1 year totalling DKK 26 billion as at 31 December 2021.

39. OFF-BALANCE SHEET ITEMS (CONTINUED)

Other contingent liabilities

Legal proceedings

Owing to its operations, the Bank is involved in legal proceedings and litigation. The cases are subject to ongoing review, and necessary provisions are made based on an assessment of the risk of loss. Pending cases are not expected to have a significant effect on the Nykredit Bank Group's financial position.

BEC Financial Technologies (BEC)

BEC Financial Technologies (BEC) is an IT provider of Nykredit Bank. According to BEC's articles of association, Nykredit Bank may terminate its membership of BEC giving five years' notice to expire at the end of a financial year. Should the membership terminate otherwise for reasons related to Nykredit Bank, compensation will be payable to BEC as defined in BEC's articles of association. If a bank merges and ceases being an independent bank, the BEC membership terminates without notice but a transitional scheme may apply.

Guarantee and resolution schemes

Nykredit Bank A/S participates in the mandatory Danish deposit guarantee scheme. A new scheme was introduced in 2015, as the Danish Guarantee Fund took over the activities and assets of the Danish Guarantee Fund for Depositors and Investors on 1 June 2015. The purpose of the Danish Guarantee Fund is to provide cover for depositors and investors of failing institutions included in the Fund's scheme. The scheme includes both natural and legal persons, and deposits are covered by an amount equivalent to EUR 100,000 per depositor and EUR 20,000 per investor.

The Danish Resolution Fund, which is a finance scheme, was also established in 2015. The Danish Resolution Fund is funded by annual contributions from participating banks, mortgage lenders and investment companies and, as from 31 December 2024, the assets of the scheme must make up 1% of the sector's covered deposits. Participating institutions make annual contributions to cover any losses incurred by the Danish Resolution Fund in connection with the resolution of failing institutions.

Joint taxation

The Company is jointly taxed in Denmark with Forenet Kredit as the administration company. Pursuant to the Danish Corporation Tax Act, the Company is liable for income taxes etc payable by the jointly taxed companies and for any obligations to withhold tax at source on interest, royalties and dividends of these companies.

40. RELATED PARTY TRANSACTIONS AND BALANCES

The Parent Nykredit Realkredit, its parent as well as Group enterprises and associates are regarded as related parties. In addition, Nykredit Bank's Group enterprises and associates as stated in the Group structure are included as well as the Bank's Board of Directors, its Executive Board and related parties thereof.

No unusual related party transactions occurred in 2021 and 2020.

The companies have entered into various intercompany agreements as a natural part of the Group's day-to-day operations. The agreements typically involve financing, provision of guarantees, insurance, sales commission, tasks relating to IT support and IT development projects, payroll and staff administration as well as other administrative tasks.

Intercompany trading in goods and services took place on an arm's length, cost reimbursement or profit split basis.

Moreover, Nykredit Realkredit A/S has granted loans of DKK 2.0 billion to Nykredit Bank in the form of Tier 2 capital and in 2021 contributed another DKK 2.0 billion to Nykredit Bank in the form of Tier 1.

Agreements between Nykredit Realkredit A/S and Nykredit Bank A/S

Framework agreement on the terms for financial transactions relating to loans and deposits in the securities and money market areas etc. Transactions in financial instruments are covered by master netting agreements involving an ongoing exchange of collateral in the form of cash and bonds.

Agreements between Totalkredit A/S and Nykredit Bank A/S

Nykredit Bank may transfer secured homeowner loans to Totalkredit A/S. In 2020 and 2021 Nykredit Bank transferred secured homeowner loans to Totalkredit A/S.

Agreements between Forenet Kredit and Group companies

Forenet Kredit annually distributes an amount to the Group companies which use the contribution to offer the Group’s customers mutual benefits in the form of discounts and green solutions.

DKK million

Nykredit Bank A/S 2020	2021		Nykredit Bank Group 2021	2020
		40. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)		
		40 A. TRANSACTIONS WITH THE PARENT, NYKREDIT REALKREDIT A/S, AND ITS GROUP ENTERPRISES AND ASSOCIATES		
		Income statement		
100	139	Interest income	139	100
(9)	(2)	Negative interest, income	(2)	(9)
(91)	(83)	Negative interest, expenses	(83)	(91)
49	41	Interest expenses	41	49
351	276	Fee and commission income	276	351
2	30	Fee and commission expenses	30	2
300	65	Other operating income	65	300
31	21	Value adjustments	21	31
735	825	Costs	919	810
		Asset items		
44	26	Receivables from credit institutions and central banks	26	44
6,251	4,876	Bonds at fair value	5,713	6,816
321	251	Other assets	251	321
		Liability items		
36,138	41,039	Payables to credit institutions and central banks	41,039	36,138
-	-	Deposits and other payables	-	-
11	23	Other liabilities	23	11
2,000	2,000	Subordinated debt	2,000	2,000
		40 b. Transactions with Nykredit Bank Group enterprises		
		Income statement		
16	6	Interest income	-	-
1	-	Interest expenses	-	-
37	74	Fee and commission income	-	-
-	5	Fee and commission expenses	-	-
40	28	Staff and administrative expenses	-	-
		Asset items		
6,287	6,781	Loans, advances and other receivables at amortised cost	-	-
56	8	Other assets	-	-
		Liability items		
122	223	Deposits and other payables	-	-
283	5	Other liabilities	-	-

41. FAIR VALUE DISCLOSURES

Valuation principles

Financial instruments are measured at fair value or amortised cost in the balance sheet. The tables in notes 41 a. and 41 b. show the fair values of all instruments compared with the carrying amounts at which the instruments are recognised in the balance sheet.

Financial instruments measured at fair value

The Group's fair value assets and liabilities are generally measured based on publicly listed prices or market terms in active markets on the balance sheet date. If an asset or liability measured at fair value has both a purchase and a sales price, the mean value is used as a basis for measurement. The measurement is the value at which a financial asset may be traded, or the amount at which a financial liability may be settled, between two independent and willing parties.

If the market for a financial asset or liability is illiquid, or if there are no publicly recognised prices, Nykredit determines the fair value using generally accepted valuation techniques. These techniques include corresponding recent transactions between independent parties, reference to other corresponding instruments and an analysis of discounted cash flows as well as option and other models based on observable market data.

Valuation techniques are generally applied to OTC derivatives and unlisted assets and liabilities.

Unlisted equities are measured at fair value using valuation methods according to which the fair value is estimated as the price of an asset traded between independent parties or based on the company's equity value, if the equity value is assumed equal to the fair value of the instrument.

Financial instruments measured at amortised cost

In connection with the determination of the fair value of the financial instruments measured at amortised cost in the Financial Statements, the following methods and significant assumptions have been applied:

- For loans, advances and receivables as well as deposits and other payables measured at amortised cost, carrying a variable interest rate and entered into on standard credit terms, the carrying amounts are estimated to correspond to the fair values.
- The fair value of fixed-rate assets and financial liabilities measured at amortised cost has been determined using generally accepted valuation methods.
- The credit risk of fixed-rate financial assets (loans and advances) has been assessed in relation to other loans, advances and receivables.
- The fair value of assets and liabilities without a fixed term has been assumed to be the value disbursable at the balance sheet date.
- The fair value of bonds in issue is measured based on valuation techniques, taking into account comparable transactions and observable inputs such as yield curves, at which Nykredit might launch issues.

Note 41 a shows the fair value of the financial instruments measured at amortised cost and the instances where the fair value does not correspond to the carrying amount.

Listed prices

The Group's assets and liabilities at fair value are to the widest extent possible recognised at listed prices or prices quoted in an active market or authorised marketplace.

Bonds at fair value are recognised at listed prices if external prices have been updated within the past two trading days prior to the balance sheet date. If no listed prices have been observed during this time span, the portfolio is recognised at observable inputs.

Observable inputs

When an instrument is not traded in an active market, measurement is based on the most recent listed price in an inactive market, the price of comparable transactions or generally accepted valuation techniques based on, for instance, discounted cash flows and option models.

Observable inputs are typically yield curves, volatilities and market prices of similar instruments, which are usually obtained through ordinary providers such as Reuters, Bloomberg and market makers. If the fair value is based on transactions in similar instruments, measurement is exclusively based on transactions at arm's length. Unlisted derivatives generally belong to this category.

Bonds not traded in the past two trading days belong to this category. The valuation is based on the most recent observed price, and adjustments are made for subsequent changes in market conditions, eg by including transactions in similar instruments (matrix pricing). Redeemed bonds are transferred to this category, as there is no access to official prices in active markets.

Further, the valuation of derivatives implies the use of Credit Valuation Adjustment (CVA), thus including counterparty credit risk in the valuation. The CVA of derivatives with positive market value is primarily based on external credit curves such as Itraxx Main, but also on internal data as regards customers without impairment in the lowest rating categories, as there are no external curves suitable for the calculation of credit risk on these customers. Finally, calculations are made to simulate future exposures to interest rate swaps. Calculations entailing increased CVA are included in the value adjustment.

Furthermore, Funding Valuation Adjustment (FVA) is used for the valuation of derivatives. FVA allows for Nykredit's future funding costs incurred by derivatives transactions where clients have not provided sufficient collateral. Nykredit has used a funding curve for this calculation, which is assessed on the basis of objective prices of Danish SIFI banks' traded bonds. This calculation is made on the basis of a discount curve method.

FVA may involve both a funding benefit and a funding cost, but for Nykredit, the net FVA adjustment will be a funding cost resulting from customers' insufficient or lacking provision of collateral. Debit Valuation Adjustment (DVA) is now a sub-element of the FVA adjustment.

Net value adjustment due to CVA, DVA and FVA amounted to DKK 385 million at 31 December 2021 against DKK 496 million at end-2020.

Upon entering into derivatives contracts, further provisions are made in the form of a so-called minimum margin for liquidity and credit risk and return on capital etc. The minimum margin is amortised at the valuation of derivatives over their times-to-maturity. At 31 December 2021, the non-amortised minimum margin amounted to DKK 119 million against DKK 119 million at end-2020. With regard to liquidity and credit risk, DKK 160 million for end-2021 and DKK 161 million for 2020 have been included above in the net adjustment of FVA and CVA. Finally, in some instances further value adjustment based on management judgement is made if the models are not deemed to take into account all known risks, including eg legal risks.

In some cases, markets, eg the bond market, have become inactive and illiquid. When assessing market transactions, it may therefore be difficult to conclude whether the transactions were executed at arm's length or were forced sales. If measurement is based on recent transactions, the transaction price is compared with a price based on relevant yield curves and discounting techniques.

Unobservable inputs

When it is not possible to measure financial instruments at fair value based on prices in active markets or observable inputs, measurement is based on own assumptions and extrapolations etc. Where possible and appropriate, measurement is based on actual transactions adjusted for differences in eg the liquidity, credit spreads and maturities etc of the instruments. The Group's unlisted equities are generally classified under this heading, and valuation is based on the IPEV Valuation Guidelines.

The positive market values of a number of interest rate swaps with customers in the lowest rating categories have been adjusted for increased credit risk based on additional CVA. The adjustment uses for instance the statistical data applied by Nykredit Bank to calculate expected credit losses on loans and advances at amortised cost. Interest rate swaps which have been fair value adjusted to DKK 0 (after deduction for collateral) due to the creditworthiness of the counterparty are also included in the category "Unobservable inputs".

Following value adjustment, the fair value came to DKK 1,396 million at 31 December 2021 (2020: DKK 2,065 million). Credit value adjustments came to DKK 1,345 million at 31 December 2021 (2020: DKK 1,843 million).

The interest rate risk on these interest rate swaps is hedged in all material respects. However, interest rate fluctuations may impact results to the extent that the market value must be adjusted due to increased counterparty credit risk. A 0.1 percentage point change in interest rate levels will impact the fair value by +/- DKK 64 million.

However, financial assets measured on the basis of unobservable inputs account for a very limited part of total financial assets at fair value. At 31 December 2021, the proportion was thus 2.5% compared with 3.4% at end-2020. The proportion of financial liabilities was 0.0% against 0.0% at end-2020.

Valuation, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets and liabilities, DKK 1.4 billion (2020: DKK 2.1 billion) belonged to this category.

Assuming that an actual market price will deviate by +/-10% from the calculated fair value, the earnings impact will be DKK 141 million at 31 December 2021 (0.46% of equity at 31 December 2021). The earnings impact for 2020 was estimated at DKK 210 million (0.81% of equity at 31 December 2020).

The net asset thus has a relatively insignificant impact on results and equity. With respect to derivatives (DKK 1.4 billion), it should be noted that changes in market value owing to the development in interest rates will largely be offset by credit value adjustment, and the net effect for accounting purposes is therefore assumed to be very low.

Transfers between categories

Transfers between the categories Listed prices, Observable inputs and Unobservable inputs are made when an instrument is classified differently on the balance sheet date than at the beginning of the financial year. The value transferred to another category corresponds to the fair value at the beginning of the year. With respect to interest rate swaps that have been fair value adjusted to DKK 0 due to credit risk adjustment, separate calculations are made at the end of each month.

In 2021 and 2020, transfers between the categories Observable inputs and Unobservable inputs mainly resulted from changes to the ratings (credit risk) of counterparties and primarily concerned interest rate swaps as regards financial instruments with positive market value.

Transfers between the categories Listed prices and Observable inputs mainly result from bonds that are reclassified either due to traded volume or the number of days between last transaction and the time of determination. In 2021 financial assets of DKK 2.0 billion (2020: DKK 2.8 billion) were transferred from Listed prices to Observable inputs and DKK 1.6 billion (2020: DKK 2.4 billion) from Observable inputs to Listed prices. Financial liabilities of DKK 1.5 billion (2020: DKK 0.4 billion) were transferred from Listed prices to Observable inputs and DKK 0.1 billion (2020: DKK 0.0 billion) from Observable inputs to Listed prices.

Redeemed bonds (usually comprised by Listed prices) are transferred to Observable inputs on the last day before the coupon date, as there is no access to official prices in active markets. At 31 December 2021, the amount was DKK 0.7 billion against DKK 1.1 billion at end-2020.

No transfers were made between the categories Listed prices and Unobservable inputs.

DKK million

Nykredit Bank Group

41. FAIR VALUE DISCLOSURES (CONTINUED)

41 a. Fair value disclosures of assets and liabilities recognised at amortised cost				Fair value calculated on the basis of		
2021	Carrying amount	Fair value	Balance	Listed prices	Observable inputs	Unobserva-ble inputs
Assets						
Loans, advances and other receivables at amortised cost	125,413	125,596	183	-	-	125,596
Total	**125,413**	**125,596**	**183**	**-**	**-**	**125,596**
Liabilities						
Bonds in issue at amortised cost	4,415	4,415	0	-	4,415	-
Total	**4,415**	**4,415**	**0**	**-**	**4,415**	**-**
Transfer from assets			183			
Total balance			**183**			

2020						
Assets						
Loans, advances and other receivables at amortised cost	108,417	108,593	176	-	-	108,593
Bonds at amortised cost	-	-	-	-	-	-
Total	**108,417**	**108,593**	**176**	**-**	**-**	**108,593**
Liabilities						
Bonds in issue at amortised cost	5,400	5,408	(8)	-	5,408	-
Total	**5,400**	**5,408**	**(8)**	**-**	**5,408**	**-**
Transfer from assets			176			
Total balance			**167**			

DKK million

Nykredit Bank Group

41. FAIR VALUE DISCLOSURES (CONTINUED)

41 b. Fair value of assets and liabilities recognised at fair value (IFRS hierarchy)

31 December 2021

Financial assets:	Listed prices	Observable inputs	Unobservable inputs	Total fair value
- bonds at fair value	7,401	32,481	-	39,882
- equities measured at fair value through profit or loss	132	-	15	147
- positive fair value of derivative financial instruments	219	14,893	1,396	16,508
Total	**7,752**	**47,374**	**1,411**	**56,537**
Percentage	**13.7**	**83.8**	**2.5**	**100.0**

Financial liabilities:				
- other non-derivative financial liabilities at fair value	4,628	8,985	-	13,613
- negative fair value of derivative financial instruments	204	8,122	-	8,326
Total	**4,832**	**17,107**	**-**	**21,939**
Percentage	**22.0**	**78.0**	**-**	**100.0**

Assets and liabilities measured on the basis of unobservable inputs

	Bonds	Equities	Derivatives	Total
Fair value, beginning of year, assets	**-**	**38**	**2,065**	**2,103**
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement	-	(0)	(232)	(233)
Purchases for the year	-	2	-	2
Sales for the year	-	(25)	(70)	(94)
Transferred from Listed prices and Observable inputs[1]	-	-	180	180
Transferred to Listed prices and Observable inputs[2]	-	-	(547)	(547)
Fair value, year-end, assets	**-**	**15**	**1,396**	**1,411**

[1] Transfers from Observable inputs to Unobservable inputs consist of interest rate swaps individually adjusted for increased credit risk.
[2] Transfers to Observable inputs from Unobservable inputs principally consist of interest rate swaps for which individual adjustment for increased credit risk is no longer required.

DKK million

Nykredit Bank Group

41. FAIR VALUE DISCLOSURES (CONTINUED)

41 b. Fair value of assets and liabilities recognised at fair value (IFRS hierarchy)

31 December 2020

Financial assets:	Listed prices	Observable inputs	Unobservable inputs	Total fair value
- bonds at fair value	8,549	31,131	-	39,680
- equities measured at fair value through profit or loss	103	-	38	142
- positive fair value of derivative financial instruments	21	19,882	2,064	21,968
Total	**8,674**	**51,013**	**2,103**	**61,790**
Percentage	**14.0**	**82.6**	**3.4**	**100.0**
Financial liabilities:				
- other non-derivative financial liabilities at fair value	3,825	6,976	-	10,801
- negative fair value of derivative financial instruments	26	11,322	-	11,348
Total	**3,851**	**18,298**	**-**	**22,149**
Percentage	**17.4**	**82.6**	**-**	**100.0**

Assets and liabilities measured on the basis of unobservable inputs

	Equities	Derivatives	Total
Fair value, beginning of year, assets	**39**	**1,033**	**1,072**
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement	(1)	(385)	(386)
Purchases for the year	-	-	-
Sales for the year	(1)	(117)	(118)
Transferred from Listed prices and Observable inputs[1]	1	373	375
Transferred to Listed prices and Observable inputs[2]	-	(868)	(868)
Adjustment[3]	-	2,028	2,028
Fair value, year-end, assets	**38**	**2,065**	**2,103**

[1] Transfers from Observable inputs to Unobservable inputs consist of interest rate swaps individually adjusted for increased credit risk.
[2] Transfers to Observable inputs from Unobservable inputs principally consist of interest rate swaps for which individual adjustment for increased credit risk is no longer required.
[3] An adjustment has been made of the classification of unobservable input and observable input as at 31 December 2020. The change will not impact "Total fair value".

DKK million

Nykredit Bank Group

42. OFFSETTING

2021	Gross amounts	Financial instruments offset	Carrying amount after off-setting	Further offsetting, master netting agreements	Collateral	Net amounts
Financial assets						
Derivatives with a positive fair value	28,772	12,264	16,508	6,531	2,083	7,894
Reverse repo transactions	55,454	3,184	52,270	-	52,101	169
Total	**84,226**	**15,448**	**68,778**	**6,531**	**54,184**	**8,063**
Financial liabilities						
Derivatives with a negative fair value	20,590	12,264	8,326	6,531	1,192	603
Repo transactions	15,503	3,184	12,319	-	12,245	74
Total	**36,093**	**15,448**	**20,645**	**6,531**	**13,437**	**677**
2020						
Financial assets						
Derivatives with a positive fair value	37,922	15,954	21,968	8,461	2,802	10,705
Reverse repo transactions	41,613	3,093	38,520	-	38,487	33
Total	**79,535**	**19,047**	**60,488**	**8,461**	**41,289**	**10,738**
Financial liabilities						
Derivatives with a negative fair value	27,302	15,954	11,348	8,461	2,396	491
Repo transactions	13,401	3,093	10,308	-	10,296	12
Total	**40,703**	**19,047**	**21,656**	**8,461**	**12,692**	**503**

Financial assets and liabilities are offset and the net amount reported when the Group and the counterparty have a legally enforceable right of set-off and have agreed to settle on a net basis or to realise the asset and settle the liability.

Positive and negative fair values of derivative financial instruments with the same counterparty are offset if it has been agreed to settle contractual payments on a net basis when cash payments are made or collateral is provided on a daily basis in case of fair value changes. The Group's netting of positive and negative fair values of derivative financial instruments may be cleared through LCH (CCP clearing).

Furthermore, netting is carried out in accordance with enforceable master netting agreements. Master netting agreements and similar agreements entitle parties to offset in the event of default, which further reduces the exposure to a defaulting counterparty but does not meet the conditions for accounting offsetting in the balance sheet.

DKK million

Nykredit Bank Group

43. DERIVATIVE FINANCIAL INSTRUMENTS

By time-to-maturity	Net market value				Gross market value			
2021	Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Positive market value	Negative market value	Net market value	Nominal value
Foreign exchange contracts								
Forward contracts/futures, purchased	209	26	1	-	420	184	236	59,993
Forward contracts/futures, sold	(140)	(20)	1	-	199	358	(159)	53,262
Swaps	0	0	4	19	102	79	23	4,693
Options, purchased	1	1	-	-	2	-	2	108
Options, written	(1)	(1)	-	-	-	2	(2)	108
Interest rate contracts								
Forward contracts/futures, purchased	(171)	-	-	-	24	194	(171)	17,681
Forward contracts/futures, sold	186	-	-	-	195	9	186	10,441
Forward rate agreements, sold	-	-	-	-	(0)	-	-	-
Swaps	18	62	296	7,584	15,281	7,321	7,960	737,113
Options, purchased	(8)	1	40	198	260	29	231	23,297
Options, written	-	(0)	(21)	(96)	-	118	(118)	12,060
Equity contracts								
Forward contracts/futures, purchased	-	-	-	-	-	-	-	0
Forward contracts/futures, sold	(0)	-	-	-	-	0	(0)	0
Credit contracts								
Credit default swaps, purchased	-	-	(18)	-	-	18	(18)	156
Credit default swaps, sold	-	-	13	-	13	-	13	112
Total							**8,184**	

DKK million

Nykredit Bank Group

43. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

By time-to-maturity	Net market value				Gross market value			
2020	Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Positive market value	Negative market value	Net market value	Nominal value
Foreign exchange contracts								
Forward contracts/futures, purchased	(821)	(106)	(8)	-	144	1,079	(936)	56,817
Forward contracts/futures, sold	757	106	8	-	1,004	134	870	57,308
Swaps	-	61	9	27	160	63	98	5,479
Options, purchased	2	2	0	-	5	-	5	183
Options, written	(3)	(2)	(0)	-	0	5	(5)	184
Interest rate contracts								
Forward contracts/futures, purchased	10	0	-	-	16	6	10	13,566
Forward contracts/futures, sold	(14)	0	-	-	5	19	(14)	10,526
Forward rate agreements, purchased	(0)	0	-	-	0	0	(0)	10,551
Forward rate agreements, sold	0	(0)	-	-	0	0	0	10,836
Swaps	(24)	80	395	10,106	20,513	9,956	10,557	643,562
Options, purchased	6	0	3	67	104	28	76	27,095
Options, written	-	(29)	(0)	(16)	-	45	(45)	13,688
Equity contracts								
Forward contracts/futures, purchased	0	-	-	-	0	0	0	9
Forward contracts/futures, sold	(1)	-	-	-	0	1	(1)	27
Total							**10,614**	

DKK million

44. UNSETTLED SPOT TRANSACTIONS

Nykredit Bank Group	2021				2020
		Market value			
	Nominal value	Positive	Negative	Net market value	Net market value
Foreign exchange contracts, purchased	4,221	1	4	(4)	1
Foreign exchange contracts, sold	7,616	7	5	2	(1)
Interest rate contracts, purchased	5,274	1,569	0	1,569	2,190
Interest rate contracts, sold	4,701	2	1,571	(1,569)	(2,185)
Equity contracts, purchased	160	1	0	0	(0)
Equity contracts, sold	222	1	1	(0)	1
Total	**22,193**	**1,581**	**1,582**	**(2)**	**6**
Total, the year before	**25,318**	**2,201**	**2,195**	**7**	**46**

Nykredit Bank A/S	2021				2020
		Market value			
	Nominal value	Positive	Negative	Net market value	Net market value
Foreign exchange contracts, purchased	4,221	1	4	(4)	1
Foreign exchange contracts, sold	7,616	7	5	2	(1)
Interest rate contracts, purchased	5,274	1,569	0	1,569	2,190
Interest rate contracts, sold	4,701	2	1,571	(1,569)	(2,185)
Equity contracts, purchased	160	1	0	0	(0)
Equity contracts, sold	222	1	1	(0)	1
Total	**22,193**	**1,581**	**1,582**	**(2)**	**6**
Total, the year before	**25,318**	**16**	**10**	**7**	**46**

The Bank's activities take place exclusively through an exchange of listed bonds on an arm's length basis.

Nykredit Bank offsets financial assets and liabilities in connection with derivative contracts entered into with the same counterparty, where there is a right of set-off and netting of payments has been agreed.

DKK million

Nykredit Bank A/S 2020	2021		Nykredit Bank Group 2021	2020
		45. REPO TRANSACTIONS AND REVERSE REPURCHASE LENDING		
		Nykredit Bank applies repo transactions and reverse repurchase lending in its day-to-day business operations. All transactions were entered into using bonds as the underlying asset		
		Nykredit Bank offsets financial assets and liabilities in connection with derivative contracts entered into with the same counterparty, where there is a right of set-off and netting of payments has been agreed.		
		Of the asset items below, reverse repurchase lending represents:		
1,248	1,370	Receivables from credit institutions and central banks, carrying amount	1,370	1,248
1,245	1,366	Bonds received as collateral but not offset against the balance	1,366	1,245
3	**4**	**Total less collateral**	**4**	**3**
40,364	54,084	Loans, advances and other receivables, gross	54,084	40,364
3,093	3,184	Set-off against "Deposits and other payables"	3,184	3,093
37,271	**50,900**	**Carrying amount after set-off**	**50,900**	**37,271**
37,242	50,735	Bonds received as collateral but not offset against the balance	50,735	37,242
30	**165**	**Total less collateral**	**165**	**30**
		Of the liability items below, repo transactions represent:		
7,634	4,940	Payables to credit institutions and central banks, carrying amount	4,940	7,634
7,630	4,929	Bonds provided as collateral	4,929	7,630
5,766	10,563	Deposits and other payables, gross	10,563	5,766
3,093	3,184	Set-off against "Loans, advances and other receivables"	3,184	3,093
2,674	**7,379**	**Carrying amount after set-off**	**7,379**	**2,674**
2,666	7,316	Bonds provided as collateral	7,316	2,666

The Bank's activities take place exclusively through an exchange of listed bonds on an arm's length basis.

Nykredit Bank offsets financial assets and liabilities in connection with derivative contracts entered into with the same counterparty, where there is a right of set-off and netting of payments has been agreed.

46. RISK MANAGEMENT

Risk profile

Nykredit's risk profile mainly relates to loans and credit facilities provided to personal and business customers. The business activities and the management of the investment portfolio involve credit, market, liquidity and operational risks, including IT and compliance risks.

Credit, market and operational risks are mitigated by having adequate capital. Liquidity risk is mitigated by having a sufficient stock of liquid assets.

Nykredit publishes a report annually entitled Risk and Capital Management, available at nykredit.com/riskandcapitalmanagement. It describes the Group's risk and capital management in detail and contains a wide selection of risk key figures in accordance with the disclosure requirements of the Capital Requirements Regulation (CRR). The report is not audited.

Credit risk

Credit risk reflects the risk of loss resulting from Nykredit's customers and counterparties defaulting on their payment obligations.

Credit risk is managed in accordance with the credit policy. The credit policy is reviewed and adopted by the Board of Directors and is based on the Nykredit Group's strategy and the aim that customers should perceive Nykredit as a reliable and qualified financial partner.

All credit applications are assessed against the credit policy by financially trained, and qualified staff. Specifically, they assess the willingness and ability of customers to meet their obligations to Nykredit. The assessment of a customer's creditworthiness is the core element, supported by any security provided, including mortgages on real estate.

Nykredit's customer centres have been authorised to process most credit applications independently, as it is Nykredit's aim that most credit decisions should be made locally by a financially trained, qualified customer adviser. The authority comes with a requirement of credit policy and business procedure certification every three years, in addition to the statutory certification.

Nykredit has five regional credit units that process business customers' credit applications that exceed the authority assigned to the customer centres. Applications exceeding the authority of the regional credit units are processed centrally by Group Credits, unless they involve exposures requiring escalation to the Credits Committee, the Bank Executive Board or the Board of Directors.

The Board of Directors of Nykredit Bank is presented with Nykredit's largest credit applications for approval/granting or briefing on a current basis. The Board of Directors of Nykredit Bank is briefed quarterly about any write-offs and impairment charges and annually about any exposures to members of the Board of Directors, the Executive Board etc.

When a customer applies for a bank facility, the customer and its financial circumstances are assessed. Overall guidelines on customer assessment have been laid down centrally and depend, for example, on the customer's relationship with the Bank's business areas. Nykredit's credit models form a material part of the assessment of personal and business customers.

At least once a year, the Bank's exposures exceeding DKK 1 million are reviewed. This forms part of the monitoring of credit exposures and is based on updated financial and customer information. In addition, all exposures showing signs of risk are reviewed, including minor exposures, to identify any need for changing a rating or for impairment provisions.

When opening credit lines for financial products, the Bank requires that a contractual basis be established providing it with a netting option. The contractual framework is based on standards such as ISDA or GMRA agreements. In addition to a netting agreement, an agreement on financial collateral is typically concluded. Generally, no set-off has been made for collateral security or netting agreements in the Financial Statements. Set-off has been made, however, for repo transactions/reverse repurchase lending with a few counterparties and for the market values of derivatives cleared through a central clearing house.

Credit models

Nykredit uses internal ratings-based (IRB) models in its risk management and for the determination of the capital requirement for credit risk for the greater part of the loan portfolio. The determination of credit risk is based on three key parameters: Probability of Default (PD), expected Loss Given Default (LGD) and expected Exposure at Default (EAD). These three key parameters are referred to as risk parameters. Nykredit estimates risk parameters on the basis of Nykredit's default and loss history.

Modelling principles

According to the CRR, PDs must be estimated on the basis of historical 1-year PDs while at the same time reflecting a suitable weighting between the long-term average and the current level. For the purpose of determining capital requirements, LGD estimates must always reflect an economic downturn.

The above principles applied to estimate the risk parameters ensure that the Group's risk exposure amount (REA) remains more stable throughout an economic cycle than if the calculations had exclusively reflected the current economic climate.

Probability of Default (PD)

PD expresses the probability of a customer defaulting on an obligation to Nykredit within a period of one year. Nykredit calculates a PD for each individual customer.

The PDs of individual customers are translated into ratings from 0 to 10, 10 being the highest rating. Exposures in default are placed in a category of their own, outside the rating scale. The individual rating categories have been defined based on fixed PD ranges, which means that, in periods of high business activity, a high rating will be assigned to relatively more customers, while the opposite will apply during an economic downturn.

A rating reflects the customer's financial position and creditworthiness, and besides being included in the determination of capital requirements, the customer rating is also a key element of any customer assessment.

Manual correction of a customer's rating is possible if, due to objective data not already factored into the model, the calculated rating is not deemed to reflect the customer's real probability of default. Manual correction of the calculated rating is referred to as override.

Loss Given Default (LGD)

For each customer product, Nykredit calculates an LGD, reflecting the percentage share of the exposure which is expected to be lost in case of customer default.

Expected LGDs vary with economic trends. In periods of high business activity, default will often not lead to any loss, as the value of the security will typically exceed the value of the loan. This applies in particular to loans secured by mortgages on real estate. Conversely, more and greater losses would be expected during an economic downturn. For the determination of capital requirements, LGDs are calibrated to reflect losses during a severe economic downturn.

Elements of credit risk determination

PD	Probability of Default (PD) is the probability of a customer defaulting on an obligation to Nykredit.
LGD	Loss Given Default (LGD) is the estimated loss rate of an exposure in case of a customer's default.
EAD	Exposure at Default (EAD) is the total estimated exposure to a customer in DKK at the time of default, including any drawn part of a credit commitment.
REA	Risk Exposure Amount (REA) is calculated by risk-weighting credit exposures relating to the individual customer. The risk weighting is calculated on the basis of PD and LGD.
Default	For both mortgage and bank exposures, a number of events have been defined that make it unlikely that a customer will be able to pay its credit obligations without realisation of collateral. The main ones are: events leading to IFRS 9 stage 3, bankruptcy, distressed restructuring and significant arrears/overdrafts (90 days past due).

Exposure at Default (EAD)

Nykredit estimates an EAD for all exposures relating to a customer, reflecting the total expected exposure to the customer at the time of default, including any additional drawn parts of approved credit commitments. The latter is factored in using conversion factors (CF).

Model validation and reliability

Nykredit continuously develops and improves its credit risk models, including internal models for calculation of impairment under IFRS 9. Focus is on achieving models that are accurate and yield consistent and stable parameters.

The Group Risk Committee monitors and manages Nykredit's model risks. The Group Risk Committee has established domain-specific model committees, which are in charge of the current management and monitoring of model risks and also responsible for governance in respect of model approval and model changes. The overall conclusions on model risks and validation are also reported to the Executive Board and the Board of Directors.

Concentration risk

Assessing the Bank's concentration risk is a natural element of risk management.

Pursuant to the CRR, individual exposures may not exceed 25% of eligible capital. The Bank had no exposures exceeding this limit in 2021.

The Bank's largest single exposure to a non-financial counterparty was DKK 3.3 billion at end-2021, equal to 11.5% of Tier 1 capital.

Rating scale and limit values

Rating category	PD floor	PD ceiling
10	0.00%	0.15%
9	0.15%	0.25%
8	0.25%	0.40%
7	0.40%	0.60%
6	0.60%	0.90%
5	0.90%	1.30%
4	1.30%	2.00%
3	2.00%	3.00%
2	3.00%	7.00%
1	7.00%	25.00%
0	25.00%	<100.00%
Exposures in default	100.00%	100.00%

Nykredit Bank Group

At end-2021, the Bank's 20 largest exposures to non-financial counterparties totalled DKK 31.7 billion, equivalent to 110% of eligible capital. In 2020 the Bank's 20 largest exposures to non-financial counterparties amounted to DKK 31.3 billion, equivalent to 132% of eligible capital.

Nykredit Bank has allocated capital under Pillar II to cover any potential concentration risk in addition to the regulatory capital requirement under Pillar I.

Risk exposure amount for credit risk

Nykredit Bank's REA for credit risk fell from DKK 75.6 billion in 2020 to DKK 84.6 billion in 2021.

Nykredit Bank Group		
REA for credit risk excluding counterparty risk (CCR)		
DKK million	2021	2020
Standardised approach	8,973	8,196
IRB approach	65,672	66,428
Equities	104	193
Other[1]	9,889	830
Total credit risk excluding CCR	**84,639**	**75,648**

[1] Including capital held for upcoming regulatory requirements applying to IRB models.

REA for credit risk is mainly calculated using the IRB approach. REA calculated using the IRB approach primarily comprises exposures to business and personal customers. REA calculated using the standardised approach primarily comprises credit institution and sovereign exposures.

Counterparty risk

Nykredit applies financial instruments, such as interest rate derivatives and repurchase agreements (repo transactions), for serving customers. Liquidity and market risks are also managed internally by Nykredit using financial instruments.

The market value of a derivative changes according to the underlying market parameters, such as interest rates and exchange rates. This may lead to market values in favour of both Nykredit and its counterparties.

In some cases, a counterparty is unable or unwilling to meet its payment obligations (default). This gives rise to counterparty risk. The counterparty risk exposure is affected by the market value of the financial instruments and the probability of customer default. Thus, counterparty risk involves both market and credit risk.

Nykredit mitigates its counterparty risk through financial netting agreements as well as agreements on financial collateral. The contractual framework is based on market standards such as ISDA or GMRA agreements. Nykredit uses central counterparties (CCPs) for professional derivatives clearing. Swaps and repo transactions are cleared.

The calculated value adjustment of derivatives (CVA etc) is recognised in the Financial Statements. The value adjustment is thus affected by several factors, including the level of long-term interest rates, credit spreads, funding spreads, the maturities of the contracts as well as customers' creditworthiness.

REA for counterparty risk after netting and collateral was DKK 20.9 billion at end-2021. The main part of REA is related to derivatives and repo transactions, while a minor part is related to credit valuation adjustment (CVA) and CCP exposures.

Value adjustment of derivatives

Nykredit makes fair value adjustments of derivatives, including credit valuation adjustments (CVA) and funding valuation adjustments (FVA), in accordance with the International Financial Reporting Standards (IFRS). This includes individual value adjustments of customers showing objective evidence of credit impairment, CVA based on customers' current credit quality as well as management judgement.

The Danish FSA has encouraged the adoption of a prudent approach to the assessment of customers with swap contracts. This means that swap contracts with customers showing objective evidence of credit impairment (rating 0 and exposures in default) are value adjusted in full, whether or not these customers still make timely payments to Nykredit.

Market risk

Nykredit Bank assumes various market risks through its business activities. Market risk is the risk of loss as a result of movements in financial markets and includes interest rate, yield spread, foreign exchange, equity price and volatility risks.

Market risk in Nykredit Bank consists of positions in the trading books and the banking books, depending on the purpose of the relevant position. Portfolios with positions held for trading are placed in the trading book and mainly consist of covered bonds. Positions forming part of Nykredit Bank's lending business are placed in the banking book.

Market risk is further divided into general market risk, which means risk that affects the financial markets in general, and specific risk, which is the risk related to one individual issuer of securities. This distinction is applied in the day-to-day risk management as well as in the determination of risk exposures involving market risk used for the capital adequacy purposes.

Market risk mainly arises in connection with securities trading for customers in Nykredit Markets as well as swap and money market transactions. The Bank also assumes market risk in connection with placement of its own portfolio. This mainly involves interest rate risk and yield spread risk. Market risks in the Bank's subsidiaries are either negligible or hedged with the Bank as counterparty.

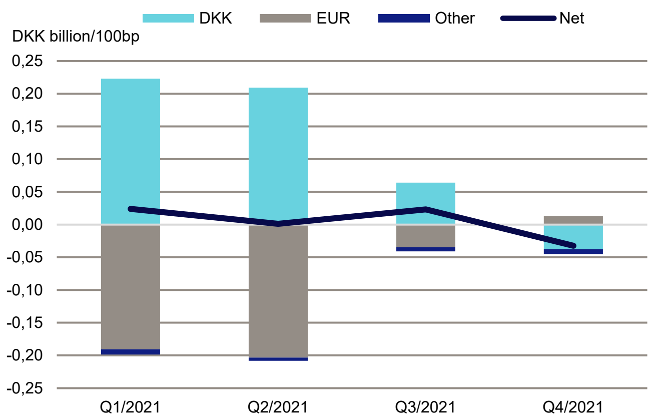
Nykredit Bank's market risk is determined for two purposes:

- Day-to-day management of all positions involving market risk
- Determination of REA for market risk for use in the determination of capital adequacy.

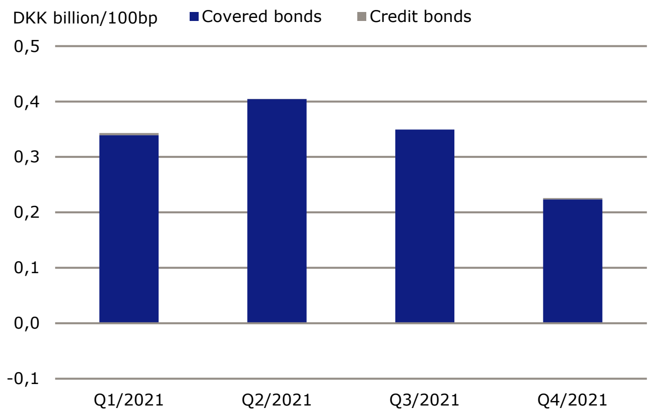
Market risk is generally managed based on the Board's market risk policy and the accompanying guidelines, which include specific limits to the different types of risk in the trading book as well as the banking book. The main principle is that losses on exposures involving market risk in the trading book must not have a significant earnings impact. Market risk is managed by comparing estimated earnings with means of estimated losses in stress scenarios. Statistical as well as forward-looking stress scenarios are used to calculate the estimated losses.

Nykredit Bank Group

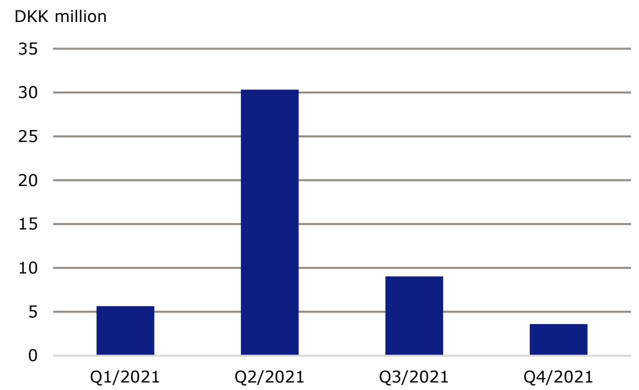
Nykredit Bank
Interest rate risk, trading book



Nykredit Bank
Yield spread risk, trading book



Nykredit Bank
Market value of equity portfolios, trading book



The guidelines restrict the scope for assuming interest rate, yield spread, equity price, foreign exchange and volatility risks. The guidelines permit the use of financial instruments if the risk involved can be measured and managed. The risk limit applying to a specific asset includes any use of financial instruments.

Compliance with the risk limits set out in the guidelines is monitored daily and independently of the acting entities of the Group. Any breaches are reported to the Asset/Liability Committee, the Board of Directors of Nykredit Bank or other levels of management depending on the nature of such breach.

Day-to-day market risk management
The day-to-day determination, management and reporting of market risk take place by combining statistical models, stress tests, key figures and various subjective assessments.

Traditional risk measures, such as interest rate, yield spread, equity price, foreign exchange and volatility risks, are monitored using portfolio sensitivity tests. They are used to calculate the effect on the value of a portfolio in case of changing market conditions. This could be a rise or fall in interest rates, yield spreads, equity prices or volatilities. Calculations are only made for one type of risk at a time.

Traditional risk measures do not indicate how likely a particular event is to occur, but exclusively how much the event, viewed in isolation, would affect the value of a portfolio. In the day-to-day management of the market risk of Nykredit's trading book, Nykredit therefore uses Value-at-Risk models for calculating one overall risk metric covering most of the trading book positions. Value-at-Risk captures Nykredit's maximum potential losses in one day at a probability of 99%. The model allows for the effect and probability of several risks occurring at the same time.

Interest rate risk
Nykredit Bank's interest rate risk is the risk of loss as a result of interest rate changes. Nykredit Bank's interest rate risk is measured as the change in the market value of Nykredit Bank's portfolios that would result from a general interest rate increase of 1 percentage point.

The net interest rate exposure in the trading book was DKK -32 million at end-2021 and the interest risk in the banking book was DKK 91 million.

Nykredit Bank Group

Yield spread risk

Yield spread risk is the risk of loss as a result of spreads between individual bonds and general interest rate levels widening by 1 percentage point. In historical terms, spread widening of 1 percentage point is less frequent than a general interest rate rise of 1 percentage point.

The yield spread risk on the Bank's trading portfolio of covered bonds amounted to DKK 224 million and approximately DKK 2 million on the portfolio of corporate bonds at end-2021. In the banking book the yield spread risk amounted to DKK 291 million at end-2021.

Equity price risk

Equity price risk is the risk of loss as a result of changes in equity prices and is measured as the market value exposure of the portfolio. Nykredit Bank's net equity price risk in the trading portfolio was DKK 4 million at end-2021. In the banking book the equity price risk amounted to DKK 15 million at end-2021, which is composed of strategic equity positions.

Other market risks

Besides the market risks addressed above, Nykredit is exposed to foreign exchange risk and volatility risk. These risks only make up a minor amount of Nykredit Bank's total market risk exposure.

Nykredit hedges its foreign exchange risk and only has minor tactical foreign exchange positions held to achieve a gain. Therefore, the Group had only minor positions in currencies other than EUR in 2021.

The market value of options and financial instruments with embedded options, such as callable covered bonds, partly depends on the expected market volatility. Volatility risk is the risk of loss as a result of changes in market expectations for future volatility. Volatility risk is measured as the change in market value resulting from an increase in volatility of 1 percentage point.

Volatility risk is determined for all financial instruments with embedded options and is managed by means of limits. The risk is low and stems mainly from the portfolio of Danish callable covered bonds, but also from other interest rate and equity derivatives.

REA for market risk

Nykredit Bank A/S has the approval of the Danish FSA to apply a VaR model in determining REA for general market risk in the trading book. The confidence level of the VaR model is 99%, and the time horizon for calculating statutory REA is 10 days. The model results are backtested on a daily basis against actual realised returns on the trading portfolios to ensure that the model results are reliable and correct at any time.

The VaR model is based on historical financial market data on relevant risk factors. As the current conditions in financial markets do not always correspond to the historical conditions (for instance during a financial crisis), the additional REA resulting from stressed VaR is added to the REA resulting from the current VaR. The stressed VaR is also calculated by using the regular VaR model on the trading book positions.

Risk exposures are calculated as the sum of the individual calculations, comprising general risk from the VaR model, specific risk and general risk under the standardised approach. The total REA from VaR was DKK 5.9 billion at end-2021, of which stressed VaR accounted for DKK 5.0 billion. REA for market risk was DKK 9.8 billion at end-2021.

Nykredit Bank Group
REA – market risk

DKK million	2021	2020
Internal models (VaR)	5,932	8,693
Standardised approach	3,877	4,190
Settlement risk	0	0
Total market risk exposure	**9,809**	**12,884**

Liquidity risk

Nykredit Bank's liquidity risk is the risk that the Bank is unable to fulfil its financial obligations and meet regulatory requirements and rating criteria in the short, medium and long term. Liquidity risk is also the risk of funding shortages preventing the Bank from pursuing the adopted business model, or the risk that the Bank's costs of raising liquidity become prohibitive.

Nykredit Bank funds its lending by deposits, but raises additional market funding to ensure compliance of regulatory requirements and sufficient liquidity to be able to provide financing for customers and the Bank's other business activities.

The composition of liquidity and funding is much affected by regulatory requirements and rating criteria. Nykredit Bank therefore has a strong focus on existing and future requirements, including the Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), Minimum Requirement for own funds and Eligible Liabilities (MREL) and Supervisory Diamond benchmarks.

The stock of liquid assets ensures that the Bank has a sufficiently large liquidity buffer of unencumbered securities for cash flows driven by customer behaviour, current costs and maturing market funding.

The Bank's liquid assets are mainly liquid Danish and other European government and covered bonds. These securities are recognised in the balance sheet as bonds at fair value and, in a liquid repo market, they are eligible as collateral with other banks and with the Danish or other European central banks and thus directly exchangeable into liquidity. To this should be added a small portfolio of money market deposits, equities and corporate bonds.

Liquidity policy and liquidity management guidelines

The liquidity policy is laid down by the Board of Directors and defines Nykredit Bank's overall risk appetite, liquidity risk profile and funding structure.

In addition to the liquidity policy, Nykredit Bank's Board of Directors has laid down guidelines on the day-to-day liquidity management. In accordance with the guidelines provided by the Board of Directors, the Executive Board delegates limits for liquidity management to the Bank through the Asset/Liability Committee.

The guidelines provide limits for Nykredit Bank's day-to-day liquidity management and for short-term, medium-term and long-term management. Limits have also been set for the composition of the stock of liquid assets, the LCR, the loan portfolio, the use and diversification of funding sources, the Supervisory Diamond benchmarks and leverage.

Nykredit annually prepares a report on the Internal Liquidity Adequacy Assessment Process (ILAAP), which is submitted to the Boards of Directors of Nykredit Realkredit, Totalkredit and Nykredit Bank for their approval and to the Danish FSA for its assessment.

The Board of Directors and the Nykredit Realkredit Group's Asset/Liability Committee monitor the development in the Bank's liquidity on a current basis. The Bank manages the day-to-day liquidity risk.

The Board of Directors has considered and approved the liquidity contingency plan for responding to situations such as a liquidity crisis or situations where the Bank is unable to comply with the liquidity policy and the liquidity management guidelines laid down by the Board of Directors. The liquidity contingency plan must be endorsed by the Asset/Liability Committee, which also decides whether to initiate the plan. The liquidity contingency plan is considered and approved by the Board of Directors at least once a year.

Liquidity Coverage Ratio (LCR)

The regulatory LCR requirement is used to assess Nykredit Bank's short-term liquidity risk. The LCR reflects the proportion of liquid assets relative to net cash outflows over a 30-day period and must be at least 100%.

Under the LCR rules, the Bank must hold liquid assets adequate to withstand a liquidity stress for a period of at least 30 days.

At end-2021 the Bank's LCR was 213% and the excess liquidity coverage totalled DKK 34 billion.

NON-FINANCIAL RISKS

Nykredit Bank is exposed to a number of risks arising from internal or external factors that affect the core tasks, processes and regulatory obligations of the business. These risks are referred to as non-financial risks and can be divided into a number of areas, see the figure below.

Nykredit Bank monitors and manages non-financial risks as part of its day-to-day operations, keeping non-financial risks low relative to the Group's financial risks. A number of policies of importance to the Group's non-financial risk management set the limits for the underlying risk appetite. The Boards of Directors of Nykredit receive quarterly reports on the non-financial risk outlook, including compliance with relevant policies.

Non-financial risks are mitigated and managed in the first line of defence through the day-to-day business conduct. The responsibility for the day-to-day management of non-financial risks is decentralised and lies with the individual business divisions, which may change and reduce non-financial risks as part of their day-to-day work. Non-financial risk management activities are coordinated centrally to ensure coherence and consistency across the Group.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

As part of operational risk management, Nykredit Bank is continuously working on identifying significant operational risks. Operational risks are mapped by each business division identifying and assessing its own significant risks on an ongoing basis. Nykredit Bank's risk function holds regular risk meetings with selected business divisions for the purpose of reviewing the divisions' operational risks, and it is assessed whether the risks are adequately managed through controls and other risk-mitigating actions. The business divisions are selected according to a risk-based approach so that divisions with the most significant operational risks are reviewed more often. A minimum of one annual risk meeting will be held for each business division, however.

Moreover, all operational risk events, including operational risk gain events, potential operational loss/gain events and events that did not lead to a loss/gain (near-miss events), are systematically recorded, categorised and reported for the purpose of identifying loss sources and building experience for sharing across the organisation.

Non-financial risk areas

Non-financial risks			
Operational risk	Compliance risk	Conduct risk	IT risk and security
Data quality risk	Personal data protection	Risk of money-laundering, terrorist financing or breach of financial sanctions	Model risk

Capital requirement for operational risk

Nykredit Bank determines the capital requirement for operational risk using the basic indicator approach. This means that the capital requirement is calculated as 15% of average gross earnings of the past three years. REA for operational risk was DKK 9.4 billion in 2021.

Compliance risk

Compliance risk means the risk that legal or regulatory sanctions are imposed on Nykredit Bank or that Nykredit Bank suffers financial losses or reputational damage caused by non-compliance with legislation, market standards or internal rules.

The compliance function is charged with monitoring, assessing and reporting on the adequacy and efficiency of Nykredit Bank's methods and procedures to ensure legal compliance. Each year Compliance performs a risk assessment, identifying the areas to be reviewed in the year to come. Compliance regularly reviews identified compliance risks until mitigated and monitors and assesses the management of any new risks.

IT risk and IT security

As a digital company, Nykredit is dependent on its IT solutions for customers and staff being user-friendly, reliable and secure. A breakdown of systems owing to eg cybercrime may cause a financial loss as a result of reputational consequences or loss of business.

IT risks primarily include breakdowns or instability of Group systems, while IT security risks comprise eg cybercrime targeted at Nykredit or Nykredit's customers and phishing attacks or breakdowns of systems caused by external factors.

Nykredit has outsourced most of the operation of its IT systems, and appropriate processes have been established for follow-up and reporting from suppliers. Furthermore, the IT security area is monitored constantly, and Nykredit participates actively in a wide Danish and international network on IT security through Finance Denmark. An IT security policy has been prepared as well as emergency response plans and business contingency plans.

Prevention of money laundering, terrorist financing and breaches of financial sanctions

Nykredit Bank is continuously working to strengthen processes, monitoring and controls throughout the Group as an effective safeguard against misuse of the Group's products and services for purposes of money laundering, terrorist financing or breach of financial sanctions.

Activities in this area are based on Nykredit's policy for the area, and responsibility for them has been broadly delegated across the Group. A member of the Group Executive Board has been charged with delegating and ensuring managerial responsibility and focus on measures to prevent money laundering, terrorist financing and breaches of financial sanctions throughout the Group. The Executive Boards of the other Group companies have each appointed a Chief AML Officer at the executive level. Nykredit Bank also has a Chief Compliance Officer and an AML Responsible Officer covering all relevant Group companies.

Nykredit Bank A/S			DKK million Nykredit Bank Group	
2020	2021		2021	2020
		46. RISK MANAGEMENT (CONTINUED)		
		Credit, currency, equity and interest rate risk		
		Credit risk		
		The Group's maximum credit exposure comprises selected balance sheet and off-balance sheet items.		
		Total credit exposure		
		Balance sheet items		
16,001	23,526	Cash balances and demand deposits with central banks	23,526	16,001
5,337	3,386	Receivables from credit institutions and central banks	3,608	5,468
-	-	Loans, advances and other receivables at fair value (reverse repurchase lending)	-	-
106,966	123,816	Loans, advances and other receivables at amortised cost	125,413	108,417
27,328	28,814	- of which lending in Retail	37,192	35,066
32,355	32,949	- of which lending in Corporates & Institutions	32,949	32,355
3,561	4,310	- of which lending in Wealth Management	4,310	3,561
43,723	57,743	- of which lending in Group Items etc	50,962	37,436
38,508	38,439	Bonds	39,882	39,680
26,169	20,503	Other assets	20,629	26,274
		Off-balance sheet items		
29,725	28,225	Contingent liabilities	28,225	29,726
10,488	13,642	Other commitments	13,847	10,670
		Collateral security received		
		Loans, advances and collateral security provided are subject to regular review and, where relevant, Nykredit Bank employs the options available to mitigate the risk relating to its lending activities. Collateral security is mainly obtained in the form of charges over securities and/or tangible assets such as real estate and equipment, but also moveable property and guarantees are included. At end-2021 collateral security excluding guarantees included:		
8,068	8,575	Mortgages on residential property	8,575	8,068
9,992	9,940	Securities	9,940	9,992
8,182	8,806	Mortgages on real estate	8,806	8,182
123	84	Guarantees received	84	123
1,228	1,147	Deposits	1,147	1,228
1,778	1,375	Chattel mortgage and other	1,375	1,778

Leasing solutions are essentially secured by Nykredit Leasing's ownership of the leased equipment.

When opening credit lines for financial products, Nykredit Bank will also often require that a contractual basis be established, providing it with a netting option. The contractual basis typically reflects current market standards such as ISDA or GRMA agreements. Except for the netting of repo transactions with one single counterparty and netting of the market values of derivatives through a central clearing house, no set-off has been made of collateral security or netting agreements in the accounting figures presented.

Nykredit Bank only used credit default swap transactions to a negligible extent.

DKK million

Nykredit Bank Group

46. RISK MANAGEMENT (CONTINUED)

Credit, foreign exchange, equity price and interest rate exposures (continued)

Loans, advances, guarantees and provisions by sector

	Carrying amount				Provisions		
31 December 2021	Lending	Guarantees	Total	Proportion, %	Impairment provisions (stages 1-3)	Provisions (stages 1-3)	Total
Public sector	**1,105**	**5**	**1,110**	**1**	**10**	**0**	**10**
Business customers							
Agriculture, hunting, forestry and fishing	3,222	655	3,877	3	183	9	192
Manufacturing, mining and quarrying	9,917	1,837	11,754	8	245	17	262
Energy supply	5,260	215	5,475	4	31	1	32
Construction	2,026	696	2,722	2	182	20	202
Trade	8,590	1,162	9,752	6	602	53	655
Transport, accommodation and food service activities	6,235	290	6,525	4	119	24	144
Information and communication	2,030	346	2,376	2	81	2	83
Finance and insurance	55,312	1,066	56,378	37	85	6	91
Real estate	13,084	3,456	16,540	11	473	50	524
Other	8,193	1,755	9,948	6	286	27	312
Total business customers	**113,869**	**11,478**	**125,346**	**82**	**2,288**	**209**	**2,497**
Personal customers	10,439	16,742	27,182	18	457	122	579
Total	**125,413**	**28,225**	**153,638**	**100**	**2,755**	**331**	**3,086**
Of which reverse repurchase lending (loans and advances at amortised cost)	50,900	-	50,900	33	-	-	-
31 December 2020							
Public sector	**866**	**0**	**866**	**1**	**4**	**0**	**4**
Business customers							
Agriculture, hunting, forestry and fishing	2,594	836	3,430	2	179	6	184
Manufacturing, mining and quarrying	8,167	1,593	9,759	7	395	19	415
Energy supply	6,881	215	7,096	5	35	4	40
Construction	1,957	674	2,631	2	180	18	198
Trade	7,795	993	8,788	6	420	32	453
Transport, accommodation and food service activities	6,699	494	7,193	5	168	15	183
Information and communication	2,920	342	3,262	2	103	3	106
Finance and insurance	41,787	1,424	43,211	31	140	5	144
Real estate	12,084	4,482	16,566	12	559	37	595
Other	6,596	1,830	8,426	6	333	22	355
Total business customers	**97,480**	**12,883**	**110,363**	**80**	**2,512**	**162**	**2,673**
Personal customers	10,071	16,843	26,914	19	497	79	576
Total	**108,417**	**29,726**	**138,143**	**100**	**3,012**	**241**	**3,254**
Of which reverse repurchase lending (loans and advances at amortised cost)	37,271	-	37,271	27	-	-	-

DKK million

Nykredit Bank Group

46. RISK MANAGEMENT (CONTINUED)

Bank lending (including repo transactions) by sector and rating category

The rating illustrates the customer's ability to pay, but not the probability of loss.

2021

Rating category	Manufacturing and construction	Credit and finance	Property management and trade	Transport, trade and accommodation	Other trade and public	Personal customers	Total
10	5,578	4,958	1,819	2,338	2,302	1,169	18,164
9	1,712	15,164	1,781	3,028	1,906	953	24,545
8	2,454	1,973	2,579	4,687	3,278	1,143	16,114
7	1,328	456	2,897	2,493	1,984	923	10,082
6	3,187	17,002	2,969	1,147	2,962	2,983	30,251
5	603	9,355	384	277	467	1,520	12,607
4	379	120	306	251	556	1,154	2,767
3	312	5,011	164	356	839	410	7,092
2	36	1,122	103	45	66	94	1,467
1	1,591	150	183	532	254	85	2,795
0	34	11	6	32	42	184	309
Exposures in default	446	74	365	360	454	277	1,977
Total	**17,662**	**55,396**	**13,557**	**15,546**	**15,110**	**10,897**	**128,168**

Bank lending (excluding repo transactions) by sector and rating category

2020

Rating category	Manufacturing and construction	Credit and finance	Property management and trade	Transport, trade and accommodation	Other trade and public	Personal customers	Total
10	7,094	3,846	1,368	2,964	1,640	999	17,911
9	2,433	11,633	1,848	3,439	1,718	826	21,899
8	1,717	838	2,080	2,028	1,697	1,047	9,407
7	2,153	798	2,471	2,912	3,017	931	12,280
6	1,850	16,001	2,442	1,286	2,150	2,848	26,577
5	698	4,504	726	1,187	1,718	1,625	10,457
4	353	9	698	588	259	1,059	2,966
3	97	2,687	253	128	482	457	4,106
2	432	1,128	136	137	345	141	2,319
1	46	238	94	66	94	158	697
0	16	15	6	19	14	9	78
Exposures in default	725	229	520	330	462	467	2,732
Total	**17,615**	**41,926**	**12,643**	**15,083**	**13,595**	**10,568**	**111,429**

Rating categories include loans, advances and receivables at amortised cost determined before impairments.

DKK million

Nykredit Bank Group

46. RISK MANAGEMENT (CONTINUED)

Loans carrying a reduced interest rate

Group	2021	2020
Gross lending	206	205
Impairment provisions	161	185
Carrying amount	**45**	**20**
Of which non-accrual	41	17
Of which carrying a reduced interest rate	4	3

	2021				2020			
Provisioning rate	Q4/	Q3/	Q2/	Q1/	Q4/	Q3/	Q2/	Q1/
Group								
Total loans and advances	125,413	120,702	115,073	106,567	108,417	108,926	102,859	109,657
Total guarantees	28,225	27,528	31,287	29,325	29,726	25,374	23,994	27,632
Impairment provisions	2,755	2,833	2,952	2,890	3,012	2,945	2,710	2,723
Provisions for guarantees	331	297	304	300	241	208	276	168
Total	**156,725**	**151,359**	**149,617**	**139,083**	**141,396**	**137,453**	**129,839**	**140,180**
Provisioning rate, %	2.0	2.1	2.2	2.3	2.3	2.3	2.3	2.1
Provisioning rate excluding guarantees	2.1	2.3	2.5	2.6	2.7	2.6	2.6	2.4

Secured lending before impairment provisions	2021			2020		
Group	Public sector	Personal custom-ers	Busi-ness custom-ers	Public sector	Personal custom-ers	Busi-ness custom-ers
Unsecured lending	440	2,589	37,599	589	3,684	41,840
Lending secured by way of legal charge or other collateral security:						
Fully secured	447	3,404	55,980	261	2,805	42,114
Partially secured	228	4,893	19,834	20	4,106	16,010
Total lending before impairment provisions	**1,115**	**10,885**	**113,413**	**870**	**10,595**	**99,964**

The above table includes the Nykredit Bank Group's loans and advances at amortised cost. The determination is based on official Danish sector codes and is therefore not a reflection of Nykredit Bank's business segments. Of total impairment provisions approximately DKK 0.1 billion, or 3% (2020: around 9.6%), is attributable to exposures to customers whose severe financial positions have led to bankruptcy, bankruptcy proceedings or compulsory dissolution. Loans are impaired if a customer is deemed to be in serious financial difficulty, or forbearance has been granted as a result of financial difficulty. When assessing whether loans are impaired, factors such as non-performance of contractual obligations and personal circumstances such as divorce, unemployment or long-term illness are taken into consideration.

DKK million

Nykredit Bank A/S 2020	2021		Nykredit Bank Group 2021	2020
		46. RISK MANAGEMENT (CONTINUED)		
		Foreign exchange risk		
43,140	47,910	Total foreign exchange assets	47,910	43,140
		Of which		
30,465	38,195	- receivables with credit institutions, loans and advances, securities etc	38,195	30,465
12,675	9,715	- interest receivable and positive market value of financial instruments	9,715	12,675
43,159	81,299	Total foreign exchange liabilities	81,299	43,159
		Of which		
39,165	51,437	- payables to credit institutions, deposits, bond in issue etc	51,437	39,165
3,994	29,861	- interest payable and negative market value of financial instruments	29,861	3,994
25.6	236.8	Exchange rate indicator 1 (DKK million)	236.8	25.6
0.1	0.8	Exchange rate indicator 1 as % of Tier 1 capital after deductions	0.8	0.1
0.1	0.2	Exchange rate indicator 2 (DKK million)	0.2	0.1
-	-	Exchange rate indicator 2 as % of Tier 1 capital after deductions	-	-
		Interest rate risk by the currency involving the highest interest rate exposure		
23	48	DKK	58	32
28	13	EUR	13	28
(4)	(7)	SEK	(7)	7
(1)	(1)	GBP	(1)	(7)
2	1	NOK	1	1
(0)	(0)	CAD	(0)	(0)
(0)	0	USD	0	(0)
(0)	0	Other currencies	0	(4)
46	**54**	**Total interest rate exposure of debt instruments etc, year-end**	**64**	**55**
		Interest rate exposure measured at a general rise in interest rates of 1 percentage point ranged between a loss of DKK 147 million and a gain of DKK 59 million (2020: between a loss of DKK 234 million and a gain of 48 million).		
		Value-at-Risk		
10	6	Year-end	6	10
14	8	Average for the year	8	14
		Value-at-risk ranged between DKK 3.8 million and DKK 18 million (2020: DKK 3 million and DKK 46 million).		
		Value-at-Risk is a statistical measure of the maximum loss the Bank may incur at a given probability and time horizon. The Bank calculates the key figure subject to a one-tailed confidence level of 99% and a time horizon of one day.		
1.4	0.1	**Volatility risk**	0.1	1.4
		The interest rate volatility risk is measured as the change in a market value following a change in volatility of 1 percentage point.		
455	517	**Yield spread risk**	517	455
		Yield spread risk totalled DKK 517 million at end-2021 (2020: DKK 455 million). This figure indicates that a spread widening of 100bp at bank level will trigger a loss of DKK 517 million.		
77	19	**Equity price risk**	19	77
		Equity price risk has been disclosed as the carrying amount of the Bank's investments in equities, etc. After recognition of derivative financial instruments, the effect of a 10% change amounted to DKK 2 million (2020: DKK 8 million).		
178%	213%	**Liquidity risk, Liquidity Coverage Ratio (LCR)**	213%	178%

DKK million

Nykredit Bank Group

47. HEDGE ACCOUNTING

The interest rate risk etc relating to fixed-rate assets and liabilities has been hedged on a current basis. The hedge comprises the following:

2021	Nominal/ amortised value	Carrying amount	Fair value adjustment for accounting purposes
Assets			
Loans, advances and other receivables (interest rate risk)	179	182	3
Liabilities			
Deposits and other payables (interest rate)	112	125	(13)
Derivative financial instruments			
Interest rate swaps, loans, advances and other receivables	185	(3)	(3)
Interest rate swaps, deposits and other payables	112	14	14
Gain/loss for the year on hedging instruments		(1)	
Gain/loss for the year on hedged items		1	
Net gain/loss		**-**	

By time-to-maturity	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
Swaps, hedging interest rate risk of financial assets	-	-	(3)
Swaps, hedging interest rate risk of financial liabilities	1	13	-

The figures comprise Nykredit Bank A/S and the Nykredit Bank Group as these values are identical.

Interest rate swaps, credit derivatives are included in the balance sheet items "Other assets" (positive market value) or "Other liabilities" (negative market value).

It is the Group's strategy to apply derivative financial instruments to hedge the interest rate risk of fixed-rate financial assets and liabilities, except for the interest rate risk of short-term loans, advances and deposits and to hedge close to 100%. This enables the Group to manage the level of its aggregate interest rate sensitivity taking into consideration the expected interest rate development. When the deposit rate is tied to an equity index, risk is managed using equity derivatives. The average fixed rate of derivatives hedging financial assets and liabilities, respectively, is 1.8% or 4.8%.

The financial assets and liabilities that qualify as eligible hedged items are monitored on a current basis. These items may be included either as individual items or portfolios of assets and liabilities. Both are used for hedge accounting. Nykredit Bank's fixed-rate loans and fixed-rate deposits are grouped into portfolios. These include portfolios of loans, advances, deposits and other payables of a uniform risk level and are hedged using derivative financial instruments with similar characteristics (such as interest rate). Bonds in issue are hedged separately using interest rate swaps with characteristics similar to the bonds.

Hedge effectiveness is monitored daily. Effectiveness tests monitor that movements in market values of the hedged item and the hedging instrument are within a range of 80-125%. If the effectiveness test indicates undesired ineffectiveness, hedge adjustments are made. Ineffectiveness may typically arise in periods when market values are very low compared with the size of the portfolios. Moreover, ineffectiveness may arise in case of eg unexpected market movements or in case a counterparty terminates or prepays a hedged financial instrument. In this case, the swap portfolio hedging the deposits and loans and advances in question will be adjusted. Changes at the swap counterparty may also lead to some ineffectiveness.

According to reporting provisions, loans, advances and deposits must generally be measured at amortised cost, while derivative financial instruments are measured at fair value. To obtain accounting symmetry between hedging and hedged transactions, adjustment for accounting purposes of the financial assets and liabilities that form part of an effective hedge accounting has been allowed. The fair value adjustment exclusively concerns the hedged part (eg the interest rate exposure). Reference is made to notes 42 and 43, which show offsetting and maturities relating to derivative financial instruments as well as "Hedge accounting" in accounting policies.

DKK million

Nykredit Bank Group

47. HEDGE ACCOUNTING (CONTINUED)

	Nominal/ amortised value	Carrying amount	Fair value adjustment for accounting purposes
2020			
Assets			
Loans, advances and other receivables (interest rate risk)	189	195	6
Liabilities			
Deposits and other payables (interest rate)	112	131	(19)
Bonds in issue at amortised cost (interest rate risk)	685	693	(8)
Derivative financial instruments			
Interest rate swaps, loans, advances and other receivables	572	(6)	(6)
Interest rate swaps, deposits and other payables	112	20	20
Interest rate swaps, bonds in issue	719	9	9
Gain/loss for the year on hedging instruments		(17)	
Gain/loss for the year on hedged items		13	
Net gain/loss		**(4)**	

47. HEDGE ACCOUNTING (CONTINUED)

Interest Rate Benchmark Reform (amendment to IFRS 9, IAS 39 and IFRS 7)

In 2021 the Nykredit Group continued the process of transitioning and phasing-out of a number of interest rate benchmarks.

The transition has not had a significant earnings impact. The transition has generally had two effects: market value changes as a consequence of the new risk-free rates (RFRs) and settlement of compensation with counterparties. The effects have generally offset each other, which has resulted in a low earnings impact.

Libor ceases as an official interest rate benchmark as per 1 January 2022. As a result, credit facilities have been transitioned to other solutions in 2021. Only a few contracts were based on Libor, and the transition has not had a direct financial impact on the Group or our customers.

The interest rate benchmark EONIA also ceases after 1 January 2022 and is replaced by €STR. In connection with the transition, a one-off spread has been determined between EONIA and €STR of 8.5bp. Nykredit is currently negotiating the contractual framework and expects negotiations to be completed by end-Q1/2022. Moreover, we have adapted our trading systems to the new conditions. The transition has not had any significant earnings impact.

The Danish T/N DKK rate will be discontinued on 1 January 2026. The transition is expected to proceed like the EONIA transition.

The transition has not had a noticeable impact on the Group's hedging of interest rate risk for accounting purposes, see the Group's Annual Report for 2020.

Nykredit Bank Group

DKK million

Nykredit Bank Group

47. HEDGE ACCOUNTING (CONTINUED)

Hedging derivative	Nominal amount	Carrying amount assets	Carrying amount liabilities	P&L effect (hedge ineffectiveness)
Interest rate swaps end-2021				
Cibor	106			
Euribor	112			
Libor	79			
Total 2021	**296**	**182**	**125**	**-**
Total 2020	**1,403**	**195**	**824**	**(4)**

Swaps: Carrying amount by time-to-maturity	2021	2020
Up to 1 year	1	9
Over 1 year and up to 5 years	13	1
Over 5 years	(3)	13
Total	**11**	**23**

DKK million

Nykredit Bank Group

48. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

	Financial items at amortised cost 2021	Financial items at fair value 2021	Financial items at amortised cost 2020	Financial items at fair value 2020
Assets				
Receivables from credit institutions and central banks	27,134	-	21,469	-
Loans and advances at fair value (reverse repurchase lending)	-	-	-	-
Loans and advances etc	125,413	-	108,417	-
Bonds and equities	-	39,882	-	39,680
Positive market value of derivatives	-	16,508	-	21,968
Interest receivable etc	207	539	167	630
Total	**152,754**	**56,929**	**130,053**	**62,278**
Liabilities and equity				
Payables to credit institutions and central banks	52,833	-	49,121	-
Deposits and other payables	100,275	-	90,943	-
Bonds in issue at amortised cost	4,415	-	5,400	-
Other non-derivative financial liabilities at fair value	-	13,613	-	10,801
Subordinated debt	2,000	-	2,000	-
Negative market value of derivatives	-	8,326	-	11,348
Interest etc payable	70	519	55	530
Total	**159,593**	**22,459**	**147,520**	**22,679**

Nykredit Bank Group

49. OTHER INFORMATION

Events since the balance sheet date

The European Banking Authority's guidelines regarding PD and LGD estimation under the CRR2 have been amended with effect from 1 January 2022. This implies an increase in the Nykredit Bank Group's Pillar I capital of about DKK 6.9 billion, which has a negative effect of about 1.2 percentage points on the Group's CET1 capital ratio.

50. FINANCIAL RATIOS, DEFINITIONS

FINANCIAL RATIOS	DEFINITION
Return on equity before tax, %	The sum of profit (loss) before tax as a % of average equity
Return on equity after tax, %	The sum of profit (loss) after tax as a % of average equity
Income:cost ratio	Total income divided by total costs less tax
Interest rate exposure, %	Interest rate exposure divided by Tier 1 capital.
Foreign exchange position, %	Exchange rate indicator 1 at year-end divided by Tier 1 capital
Foreign exchange exposure, %	Exchange rate indicator 2 divided by Tier 1 capital
Loans and advances:equity (loan gearing)	The sum of loans and advances at fair value and loans and advances at amortised cost divided by equity at year-end
Growth in loans and advances for the year, %	Loans and advances at year-end divided by loans and advances at the beginning of the year
Loans and advances:deposits	Loans and advances plus impairment provisions divided by deposits. Loans and advances include loans and advances at fair value and loans and advances at amortised cost
Loans and advances:equity	Loans and advances divided by equity (year-end/period). Loans and advances include loans and advances at fair value and loans and advances at amortised cost
Growth in loans and advances excluding repo transactions, %	Growth in loans and advances from the beginning of the year to the end of the year/period (loans and advances at the beginning of the year divided by loans and advances at the end of the year/period)
Excess coverage:statutory liquidity requirements, %	Excess coverage relative to the 10% requirement of section 152 of the Danish Financial Business Act (Available excess liquidity relative to 10% of reduced payables). (Reduced payables include balance sheet total plus guarantees etc less equity less subordinated debt)
Total large exposures, %	Total large exposures divided by eligible capital
Impairment charges for the year, %	Impairment charges for the year divided by loans and advances plus guarantees plus impairment provisions
Return on capital employed, %	Profit (loss) for the year divided by total assets

FINANCIAL RATIOS – CAPITAL AND CAPITAL ADEQUACY	DEFINITION
Total capital ratio, %	Own funds divided by the risk exposure amount
Tier 1 capital ratio, %	Tier 1 capital divided by the risk exposure amount
Common Equity Tier 1 capital ratio, %	Common Equity Tier 1 capital divided by the risk exposure amount

OTHER FINANCIAL RATIOS ON PAGE 3 AND IN NOTE 3	DEFINITION
Profit (loss) for the year as % pa of average equity*	Profit (loss) for the year divided by average equity
Costs as % of income	Costs divided by income
Business profit (loss) as % pa of average equity*	Business profit (loss) divided by average equity

* Equity is calculated as a five-quarter average.

DKK million

Nykredit Bank Group	2021	2020	2019	2018	2017
51. FIVE-YEAR FINANCIAL HIGHLIGHTS					
Summary income statement					
Net interest income	1,488	1,547	1,545	1,636	1,594
Net fee income etc	2,825	2,292	1,973	1,637	1,714
Net interest and fee income	**4,313**	**3,839**	**3,518**	**3,273**	**3,308**
Value adjustments	1,628	1,139	670	1,114	2,562
Other operating income	397	336	44	30	34
Staff and administrative expenses	2,863	2,655	2,338	2,005	1,934
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	34	34	13	0	12
Other operating expenses	30	38	24	23	28
Impairment charges for loans, advances and receivables etc	(120)	579	210	274	(102)
Profit from investments in associates and Group enterprises	6	7	6	3	2
Profit before tax	**3,537**	**2,015**	**1,653**	**2,118**	**4,033**
Tax	733	385	366	458	901
Profit for the year	**2,804**	**1,630**	**1,287**	**1,660**	**3,133**
Comprehensive income					
Other comprehensive income	2,804	1,630	1,287	1,660	3,133
Comprehensive income for the year	**2,804**	**1,630**	**1,287**	**1,660**	**3,133**
SUMMARY BALANCE SHEET, YEAR-END	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
ASSETS					
Cash balances and receivables from credit institutions and central banks	27,134	21,469	33,528	17,909	19,991
Loans, advances and other receivables at fair value	-	-	-	-	27,566
Loans, advances and other receivables at amortised cost	125,413	108,417	114,215	97,993	55,783
Bonds and equities etc	40,029	39,822	44,445	46,721	43,739
Remaining assets	22,814	28,481	34,340	24,511	26,507
Total assets	**215,390**	**198,189**	**226,528**	**187,135**	**173,585**
LIABILITIES AND EQUITY					
Payables to credit institutions and central banks	52,833	49,121	85,154	54,620	40,218
Deposits and other payables	100,275	90,943	88,881	82,864	76,501
Bonds in issue at amortised cost	4,415	5,400	3,780	5,411	6,473
Other non-derivative financial liabilities at fair value	13,613	10,801	7,133	7,618	13,976
Remaining liabilities	10,711	13,159	14,695	13,236	14,298
Provisions	687	683	450	290	241
Subordinated debt	2,000	2,000	2,000	2,000	2,000
Equity	30,856	26,082	24,434	21,095	19,877
Total liabilities and equity	**215,390**	**198,189**	**226,528**	**187,135**	**173,585**
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	28,225	29,726	35,974	22,527	25,080
Other commitments	13,847	10,670	12,745	8,924	6,835

The financial ratios, exclusive of "Common Equity Tier 1 capital ratio, %" (cf note 2), have been calculated in accordance with the Danish FSA's guidelines for reporting purposes.

Nykredit Bank Group	2021	2020	2019	2018	2017
51. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
FINANCIAL RATIOS[1]					
Total capital ratio, %	23.5	22.7	20.8	21.5	22.3
Tier 1 capital ratio, %	23.0	20.5	18.9	19.4	20.1
Return on equity before tax, %	12.4	8.0	7.3	10.3	21.7
Return on equity after tax, %	9.8	6.5	5.7	8.1	16.8
Income:cost ratio	2.3	1.61	1.64	1.92	3.15
Interest rate exposure, %	0.2	0.3	0.3	0.4	0.7
Foreign exchange position, %	0.8	0.1	1.0	0.3	0.2
Foreign exchange exposure, %	0.0	0.0	0.0	0.0	0.0
Loans and advances:deposits	1.3	1.2	1.3	1.2	1.1
Loans and advances:equity (loan gearing)	4.1	4.2	4.7	4.6	4.2
Growth in loans and advances for the year excluding repo transactions, %	4.7	8.7	8.1	8.6	1.4
Liquidity Coverage Ratio, %[2]	213.0	178.0	153.0	156.7	147.7
Large exposures, %[2]	132.9	132.9	110.7	91.8	96.1
Impairment charges for the year, %	(0.1)	0.4	0.1	0.3	(0.1)
Return on capital employed, %	1.3	0.8	0.6	0.9	1.8
Average number of staff, full-time equivalent	974	979	900	837	822

[1] Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 51 in the Annual Report.
[2] The benchmark "Large exposures" was changed in 2018 and now shows the 20 largest exposures relative to Common Equity Tier 1 capital. Comparative figures have been restated accordingly. The liquidity benchmark replaced the former benchmark "Excess liquidity coverage" as at 30 June 2018. Comparative figures have been restated.

DKK million

Nykredit Bank A/S	2021	2020	2019	2018	2017
51. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
Summary income statement					
Net interest income	1,319	1,373	1,368	1,469	1,446
Net fee income etc	1,770	1,447	1,380	1,265	1,372
Net interest and fee income	**3,089**	**2,820**	**2,747**	**2,734**	**2,817**
Value adjustments	1,613	1,137	672	1,117	2,563
Other operating income	372	308	11	4	4
Staff and administrative expenses	2,360	2,141	1,946	1,799	1,712
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	-	-	-	-	12
Other operating expenses	29	37	20	19	25
Impairment charges for loans, advances and receivables etc	(131)	538	183	238	(123)
Profit from investments in associates and Group enterprises	526	343	289	250	217
Profit before tax	**3,342**	**1,892**	**1,570**	**2,049**	**3,975**
Tax	584	283	282	389	843
Profit for the year	**2,759**	**1,610**	**1,288**	**1,660**	**3,133**
Comprehensive income					
Other comprehensive income	2,759	1,610	1,288	1,660	3,133
Comprehensive income for the year	**2,759**	**1,610**	**1,288**	**1,660**	**3,133**
Summary balance sheet, year-end	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Assets					
Cash balances and receivables from credit institutions and central banks	26,912	21,338	33,380	17,909	19,990
Loans, advances and other receivables at fair value	-	-	-	-	27,566
Loans, advances and other receivables at amortised cost	123,816	106,966	112,839	96,699	54,408
Bonds and equities etc	38,572	38,637	49,770	48,441	46,813
Profit from investments in associates and Group enterprises	2,949	2,515	2,299	1,650	1,400
Remaining assets	22,464	28,155	27,598	21,882	22,748
Total assets	**214,714**	**197,611**	**225,886**	**186,581**	**172,925**
Liabilities and equity					
Payables to credit institutions and central banks	52,833	49,121	85,154	54,620	39,948
Deposits and other payables	100,498	91,065	89,057	82,942	76,610
Bonds in issue at amortised cost	4,415	5,400	3,780	5,411	6,473
Other non-derivative financial liabilities at fair value	13,617	10,991	7,174	7,618	13,976
Remaining liabilities	10,138	12,595	14,118	12,757	13,929
Provisions	469	453	226	139	111
Subordinated debt	2,000	2,000	2,000	2,000	2,000
Equity	30,743	25,986	24,377	21,095	19,877
Total liabilities and equity	**214,714**	**197,611**	**225,886**	**186,581**	**172,925**
Off-balance sheet items					
Contingent liabilities	28,225	29,725	36,073	22,626	25,449
Other commitments	13,642	10,488	12,522	8,724	6,726

Nykredit Bank A/S	2021	2020	2019	2018	2017
51. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
Financial ratios[1]					
Total capital ratio, %	22.2	21.6	19.8	20.6	21.4
Tier 1 capital ratio, %	21.7	19.5	18.8	18.6	19.4
Return on equity before tax, %	11.8	7.5	6.9	10.3	21.4
Return on equity after tax, %	9.7	6.4	5.7	8.1	16.8
Income:cost ratio	2.48	1.70	1.73	2.00	3.44
Interest rate exposure, %	0.2	0.3	0.3	0.3	0.6
Foreign exchange position, %	0.8	0.1	1.0	0.3	0.2
Foreign exchange exposure, %	0.0	0.0	0.0	0.0	0.0
Loans and advances:deposits	1.3	1.2	1.3	1.2	1.1
Loans and advances:equity (loan gearing)	4.0	4.1	4.6	4.6	4.1
Growth in loans and advances for the year excluding repo transactions, %	4.6	8.7	8.1	8.9	1.7
Liquidity Coverage Ratio[2]	213.0	178.0	153.0	156.7	147.7
Large exposures, %[2]	132.3	132.3	109.9	91.7	96.0
Impairment charges for the year, %	(0.1)	0.5	0.1	(0.2)	(0.1)
Return on capital employed, %	1.3	0.8	0.6	0.9	1.8
Average number of staff, full-time equivalent	705	678	679	664	658

[1] Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 51 in the Annual Report.

[2] The benchmark "Large exposures" was changed in 2018 and now shows the 20 largest exposures relative to Common Equity Tier 1 capital. Comparative figures for 2017 have been restated accordingly. Compared with the previous method, the benchmark was 0.0% at end-December 2017. The liquidity benchmark replaced the former benchmark "Excess liquidity coverage" as at 30 June 2018. Comparative figures have been restated.

DKK million

Nykredit Bank Group

52. GROUP STRUCTURE

Name and registered office	Owner-ship interest as %, 31 December 2021	Profit for 2021	Equity 31 December 2021	Number of staff in 2021	Profit for 2020	Equity 31 December 2020	Number of staff in 2020
Nykredit Bank A/S (Parent), Copenhagen, a)	100	2,759	30,743	705	1,610	25,986	678
Nykredit Portefølje Administration A/S, Copenhagen, b)	100	265	1,536	136	192	1,271	125
Nykredit Leasing A/S, Gladsaxe, c)	100	116	1,055	57	82	939	58
Sparinvest Holdings SE, Luxembourg, d)	75	85	173	75	44	211	1

Geographical distribution of activities	Number of staff	Revenue[1]	Profit before tax	Tax	Government aid received
Denmark: Names and activities appear from the Group structure above	953	5,295	3,404	699	-
Luxembourg: Names and activities appear from the Group structure above	21	361	132	34	-

[1] For companies preparing financial statements in accordance with the Danish Financial Business Act, revenue is defined as interest, fee and commission income and other operating income.

a) Bank
b) Investment management company
c) Leasing business
d) Holding company, no independent activities

Name and registered office	Ownership interest as %, 31 December 2021	Revenue 2020	Profit (loss) for 2020	Assets, 31 December 2020	Liabilities, 31 December 2020	Equity, 31 December 2020	Nykredit's share of profit (loss) for the year 2020	Nykredit's share of equity value, 31 December 2020	Profit for 2019	Equity, 31 December 2019
Associates										
Core Property Management P/S, Copenhagen, a)	20	125	34	70	12	58	7	12	32	63
&Money ApS b, c)	25	0	(1)	12	1	11	(0)	4	-	-

a) Investment company
b) Fintech company
c) Established in 2019

Nykredit Bank A/S is wholly owned by Nykredit Realkredit A/S and consolidated with Nykredit A/S for accounting purposes, which is consolidated with Forenet Kredit for accounting purposes.

The financial statements of Forenet Kredit (in Danish) and Nykredit A/S are available from:

Nykredit Realkredit A/S
Kalvebod Brygge 1-3
DK-1780 Copenhagen V

FINANCIAL CALENDAR FOR 2022

9 February	Publication of Annual Reports 2021 and announcements of Financial Statements of the Nykredit Realkredit Group, Totalkredit A/S (in Danish only) and the Nykredit Bank Group.
24 March	Annual General Meeting of Totalkredit A/S, Kalvebod Brygge 1-3, DK-1780 Copenhagen V.
24 March	Annual General Meeting of Nykredit Bank A/S, Kalvebod Brygge 1-3, DK-1780 Copenhagen V.
24 March	Annual General Meeting of Nykredit Realkredit A/S, Kalvebod Brygge 1-3, DK-1780 Copenhagen V.
5 May	Publication of Q1 Interim Report 2022 of the Nykredit Realkredit Group.
17 August	Publication of H1 Interim Reports 2022 of the Nykredit Realkredit Group, Totalkredit A/S (in Danish only) and the Nykredit Bank Group.
3 November	Publication of Q1-Q3 Interim Report 2022 of the Nykredit Realkredit Group.

DIRECTORSHIPS AND EXECUTIVE POSITIONS

The Board of Directors and the Executive Board form the Nykredit Bank Group's Management.

BOARD OF DIRECTORS

The Board of Directors meets monthly except in July. Weekly board meetings are held when required for approval of exposures.

The members of Nykredit Bank's Board of Directors appointed by the General Meeting are elected for a term of one year. The latest ordinary election took place on 24 March 2021. Re-election is not subject to any restrictions.

Staff-elected board members are elected for a term of four years.

Below, an account is given of the individual director's position, age, gender and years of service on the Board as well as directorships and executive positions in other Danish and foreign companies as well as major organisational responsibilities.

Michael Rasmussen, Chair
Group Chief Executive, Nykredit

Date of birth: 13 November 1964
Gender: Male
Joined the Board on 1 September 2013

Managing Director of:
Nykredit A/S
Nykredit Realkredit A/S

Chair of:
Totalkredit A/S
Investeringsfonden for Udviklingslande (IFU)
Sparinvest Holdings SE
Sund og Bælt Holding A/S*

Deputy Chair of:
Copenhagen Business School Handelshøjskolen
Finans Danmark

Director of:
FR I af 16. september 2015 A/S
Medlem af Investor Board for Danish SDG Investment Fund (Verdensmålsfonden)

Anders Jensen, Deputy Chair
Group Managing Director, Nykredit

Date of birth: 20 January 1965
Gender: Male
Joined the Board on 1 October 2014

Managing Director of:
Nykredit A/S
Nykredit Realkredit A/S

Director of:
Bokis A/S
Foreningen Dansk Skoleskak
Grænsefonden
Niels Brock Copenhagen Business College
Niels Brock International A/S
Totalkredit A/S

Tonny Thierry Andersen
Group Managing Director, Nykredit

Date of birth: 30 September 1964
Gender: Male
Joined the Board on 1 June 2019

Managing Director of:
Nykredit A/S
Nykredit Realkredit A/S

David Hellemann
Group Managing Director, Nykredit

Date of birth: 5 December 1970
Gender: Male
Joined the Board on 1 September 2016

Managing Director of:
Nykredit A/S
Nykredit Realkredit A/S

Chair of:
BEC Financial Technologies AMBA
Kalvebod Ejendomme I A/S
Kirstinehøj 17 A/S

Deputy Chair of:
JN Data A/S
Totalkredit A/S

Director of:
CBS Executive Fonden
Landsdækkende Banker

Other:
Member of Tilsynet med Efterretningstjenesterne

Allan Kristiansen***
Chief Relationship Manager

Date of birth: 6 March 1958
Gender: Male
Joined the Board on 13 March 2003

Director of:
Nykredit A/S
Nykredit Realkredit A/S

Susanne Møller Nielsen ***
Senior Supporter

Date of birth: 21 May 1962
Gender: Female
Joined the Board on 25 September 2019

EXECUTIVE BOARD

Below, an account is given of the individual Executive Board member's position, age, years of service on the Board and other executive positions, including in other companies as permitted by the Board of Directors pursuant to section 80 of the Danish Financial Business Act.

Henrik Rasmussen
Managing Director

Date of birth: 26 December 1961
Gender: Male
Joined the Executive Board on 1 December 2015

Chair of:
Nykredit Leasing A/S

Director of:
Sparinvest Holdings SE

Dan Sørensen
Managing Director

Date of birth: 15 December 1967
Gender: Male
Joined the Executive Board on 1 December 2015

Director of:
Nykredit Portefølje Administration A/S
LR Realkredit A/S **
Værdipapirfonden NPA
Realkreditrådet*

Deputy Chair of:
Danish Finance Institute
DFI

Member of General Assembly of the European Association of Co-operative Banks

* Joined in 2021
** Resigned in 2021
*** Staff-elected member