

A nighttime photograph of a city waterfront. Several modern buildings with glass facades are illuminated from within, their lights reflecting on the dark water in the foreground. The sky is a deep blue with some light clouds. The overall mood is serene and urban.

Nykredit Bank Group

Annual Report 2022

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Management Commentary



Financial review

Nykredit Bank delivered a highly satisfactory financial performance in 2022. Profit before tax for the period came to DKK 3,504 million (2021: DKK 3,537 million). 2022 was characterised by continued lending and customer growth as well as rising interest rates.

Activity levels increased in 2022, loans and advances were DKK 86,735 million in 2022, and deposits came to DKK 107,426 million.



Income
DKK 6,091 million
 (2021: DKK 5,912 million)



Costs
DKK 3,123 million
 (2021: DKK 2,927 million)



Profit before tax
DKK 3,504 million
 (2021: DKK 3,537 million)

Nykredit Bank Group	DKK million							
	2022	2021	2020	2019	2018	H2/ 2022	H1/ 2022	H2/ 2021
INCOME STATEMENT								
Net interest income	2,508	1,774	1,711	1,520	1,533	1,506	1,001	895
Net fee income	624	680	521	538	521	309	315	335
Wealth management income	2,279	2,324	1,950	1,610	1,361	1,109	1,171	1,224
Net interest from capitalisation	(152)	(41)	(29)	(28)	(30)	(89)	(64)	(26)
Net income relating to customer benefits programmes ¹	(140)	(72)	276	(9)	0	(84)	(56)	(52)
Trading, investment portfolio and other income	973	1,246	634	720	755	540	433	819
Income	6,091	5,912	5,063	4,350	4,141	3,290	2,801	3,195
Costs	3,123	2,927	2,727	2,375	2,029	1,597	1,526	1,535
Business profit before impairment charges	2,968	2,985	2,336	1,975	2,112	1,693	1,275	1,659
Impairment charges for loans and advances	396	(120)	579	210	274	159	237	(148)
Business profit	2,573	3,105	1,757	1,765	1,838	1,535	1,038	1,807
Legacy derivatives	931	432	258	(112)	280	261	670	139
Profit before tax	3,504	3,537	2,015	1,653	2,118	1,796	1,708	1,947
Tax	758	733	385	366	458	389	369	395
Profit for the period	2,746	2,804	1,630	1,287	1,660	1,407	1,339	1,552
Minority interest	61	45	21	(1)	0	33	27	28

¹ "Net income relating to customer benefits programmes" has been specified under "Alternative performance measures" on page 24.

Summary balance sheet



Total balance
DKK 237.1 billion
(2021: DKK 215.4 billion)



Return on Equity
8.5%
(2021: 10.0%)



Cost:income ratio
51.3%
(2021: 49.5%)

DKK million

SUMMARY BALANCE SHEET	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Assets					
Cash balances and receivables from credit institutions and central banks	39,473	27,134	21,469	33,528	17,909
Reverse repurchase lending	37,970	50,900	37,271	48,749	37,427
Loans, advances and other receivables at amortised cost	86,735	74,513	71,146	65,466	60,566
Bonds and equities etc	57,818	40,029	39,822	50,789	49,289
Remaining assets	15,133	22,814	28,481	27,996	21,943
Total assets	237,129	215,390	198,189	226,528	187,135
Liabilities and equity					
Payables to credit institutions and central banks	50,660	52,833	49,121	85,154	54,620
Repo deposits	6,266	7,379	2,674	3,331	5,745
Deposits and other payables	107,426	92,895	88,269	85,549	77,119
Bonds in issue at amortised cost	11,670	4,415	5,400	3,780	5,411
Other non-derivative financial liabilities at fair value	12,738	13,613	10,801	7,133	7,618
Remaining liabilities	14,087	10,711	13,159	14,695	13,236
Provisions	764	687	683	450	290
Subordinated debt	0	2,000	2,000	2,000	2,000
Equity	33,518	30,856	26,082	24,434	21,095
Total liabilities and equity	237,129	215,390	198,189	226,528	187,135
FINANCIAL RATIOS¹					
Profit for the period as % of average equity (pa)	8.5	10.0	6.4	5.7	8.1
Costs as % of income	51.3	49.5	53.9	54.6	49.0
Total provisions for loan impairment and guarantees	3,134	2,764	3,024	2,538	2,896
Impairment charges for the year, %	0.26	(0.08)	0.41	0.14	0.30
Total capital ratio, %	24.4	23.5	22.7	20.8	21.5
Tier 1 capital ratio, %	24.0	23.0	20.5	18.9	19.4
Common Equity Tier 1 capital ratio, %	23.9	23.0	20.5	18.9	19.4
Average number of staff, full-time equivalent	1,021	974	979	900	837

¹ For definitions of financial ratios, see page 122. Impairment charges for the year divided by loans, advances and guarantees.

Strategy execution

Nykredit Bank has two main business areas; Banking and Wealth Management.

Banking consists of Retail and Corporates & Institutions.

Retail offers banking services tailored to Nykredit's personal customers and SMEs, including agricultural customers and residential rental customers. Retail also includes leasing activities.

Corporates & Institutions serves Nykredit's corporate and institutional clients, the public housing segment and large housing cooperatives. The division is also responsible for Nykredit's activities within securities trading and financial instruments.

Wealth Management is responsible for the Group's asset management propositions and activities as well as portfolio administration services to institutional clients, foundations, municipalities, businesses and high-net-worth clients.

Banking strategy

The main ambition of Nykredit Bank's strategy is to provide our customers with financial security – personal and business customers alike. To realise our ambition, Nykredit Bank must deliver on a five-track strategy:

- Being customers' preferred bank
- Sustainable solutions
- Digitisation and simplicity
- Quality and integrity
- People who will and can make a difference

Together the five strategy tracks are based on the Bank's organisational strengths and the Nykredit Group's strategy, Winning the Double 2.0.

Wealth Management strategy

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
- Scale

Mutual benefits

Thanks to Nykredit's mutual ownership structure, we are in a position to share our success with our customers. Nykredit Bank's mutual benefits programme includes a customer discount, a savings discount, a discount on bank home loans and a number of green benefits.

The customer discount 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 subsequent years and used for example towards loan financing or similar.

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

management fee. The discount on bank home loans is offered to our customers who do everyday banking and home financing with Nykredit Bank. This discount is 0.15% of home loan interest expenses.



Focus on green choices

As a key element of Nykredit's ambitions for a greener Denmark, Nykredit Bank's customers are offered a number of green benefits.

The products green home loan, green car loans and home energy check-ups are offered to our personal customers and aim to ensure that financing costs will not discourage them from buying an electric or hybrid car or making home energy improvements. We also offer green products to our agricultural customers, for example green machinery leasing. Finally, we offer green construction loans to public housing clients with green energy renovation or green construction projects.

Small and medium-sized entities are increasingly becoming subject to climate-related reporting demands from authorities, 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 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 to obtain market recognition for their efforts.



A net zero Nykredit

Nykredit published climate targets for the loan portfolio in November 2022 as the first Danish financial provider to set specific targets for reducing emissions from owner-occupied dwellings and properties financed by Nykredit by up to 75% by 2030. The targets for the two customer groups are imperative for Nykredit and the green transition. The aim is to deliver a net zero Nykredit by 2050.

Nykredit was also the first systemically important financial institution (SIFI) in Denmark to join the Science Based Targets initiative (SBTi), which provides methodologies for and validates corporate climate targets. We have also joined the Net Zero Banking Alliance (NZBA). Read more about the Nykredit Group's climate targets

Insurance partnership

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, benefit when strong players join forces.

Personal customers of a large number of banks, including Nykredit Bank, have access to some of the top insurance products in the market via Privatsikring. The insurance propositions were well received by customers, and we continue to develop

products for business and agricultural customers in addition to optimising digital processes for the benefit of our customers.

Building long-lasting value for our clients and business partners

Wealth Management is working to create long-term value for clients and business partners, whilst also pursuing an ambition of being Denmark's responsible wealth manager. In 2022, focus was on enhancing digital investment solutions, sustainability in advisory services and concepts and expanding our alternative investment propositions.

Recognition of our products

Products and services across the Group are being recognised by our customers. Each year Morningstar, an independent research provider, distributes awards to the best investment funds across the world. For the fifth consecutive year, Nykredit Invest is among the winners of the main categories at the Morningstar Awards.

In Denmark, Nykredit Invest won five out of eight awards this year, including the three category awards as "Best manager of equities", "Best manager of bonds" as well as "Best manager of equities and bonds". In addition to the category awards, Nykredit Invest won awards in the categories "Global Equities" and "Danish Bonds". Particularly the award "Global Equities" stands out, which was won by "Bæredygtige Aktier", one of Nykredit's sustainable equities funds carrying the Nordic Swan Ecolabel.

Best in Test

Our green car loans were awarded Best in Test by the Danish Consumer Council in February and recommended as the cheapest loan for electric cars in the market.

Financial performance



Income
+3.0%



Costs
+6.7%



Business profit
(17.1)%

Financial performance

Nykredit Bank delivered a highly satisfactory financial performance in 2022. Business profit came to DKK 2,573 million (2021: DKK 3,105 million), and profit before tax for the period was DKK 3,504 million (2021: DKK 3,537 million). 2022 was characterised by continued lending and customer growth as well as rising interest rates.

Activity levels increased in 2022, loans and advances were up by DKK 12,222 million to DKK 86,735 million in 2022, and also deposits rose by DKK 14,531 million to DKK 107,426 million.

2022 was affected by high inflation, rising interest rates and turmoil in financial markets due to geopolitical tensions. In July and September the European Central Bank, followed by Danmarks Nationalbank, raised interest rates. And immediately after Danmarks Nationalbank's interest rate hike on 22 July 2022, Nykredit decided as the first among the largest Danish banks, to raise its deposit rates, meaning that our personal customers would no longer be charged negative interest on their deposits.

The deposit rates applying to business customers were also raised. On 8 September 2022, Danmarks Nationalbank raised the interest rate once again. As a result, Nykredit reintroduced positive deposit rates, making it more attractive to save up. The interest rate rise also resulted in higher lending rates.

Income

Total income was DKK 6,091 million in 2022 (2021: DKK 5,912 million). Net interest income increased by DKK 734 million to DKK 2,508 million (2021: DKK 1,774 million), and net fee income decreased by DKK 56 million to a total of DKK 624 million (2021: DKK 680 million). The rise in net interest income was mainly due to bank lending and customer growth as well as rising interest rate levels.

Wealth management income stood at DKK 2,279 million (2021: DKK 2,324 million), slightly below the same level last year, due to negative returns related to financial market conditions.

Net interest from capitalisation, which includes interest on subordinated debt etc, totalled an expense of DKK 152 million (2021: an expense of DKK 41 million), driven by rising interest rates.

Trading, investment portfolio and other income, including value adjustments of swaps currently offered, decreased by DKK 273 million to DKK 973 million (2021: DKK 1,246 million). 2022 saw positive value adjustments of derivatives owing to rising interest rates, whilst investment portfolio income was strained from the yield spread widening of Danish mortgage bonds. In 2021, trading, investment portfolio and other income was positively impacted by the sale of our Depository Services unit.

Costs

Costs were DKK 3,123 million in 2022 (2021: DKK 2,927 million). The increase was driven by increasing business volumes and activity in the period adding to the rising cost of market data due to an increasing USD rate. The average number of full-time equivalent staff totalled 1,021 (2021: 974). This development was mainly due to upstaffing in customer-facing units.

Loan impairments

Impairment charges for loans and advances represented 0.26% of lending in 2022 (2021: a reversal of 0.08%). Impairment charges for loans and advances came to DKK 396 million (2021: a net reversal of DKK 120 million). Impairments were primarily impacted by new charges related to additional forward-looking stress of exposed sectors and a few new and recalculated individual impairment provisions. This was offset by a reversal of part of the covid-19-related impairment provisions. Write-offs remain low at DKK 134 million (2021: DKK 142 million) reflecting a robust credit quality.

Legacy derivatives

Income from legacy derivatives was DKK 931 million in 2022 (2021: DKK 432 million), primarily due to interest rate rises. Legacy derivatives are derivatives that 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 1.0 billion in 2022 (end-2021: DKK 4.0 billion).

Tax

Tax calculated on profit for the year was DKK 758 million (2021: DKK 733 million). Tax on profit for the period includes an adjustment of deferred tax (charge) of DKK 10 million. The adjustment is a result of the new surtax imposed in the financial sector. This means that the taxation of financial providers will increase from 22% in 2022 to 26% in 2024.

Balance sheet

The balance sheet stood at DKK 237.1 billion in 2022 (end-2021: DKK 215.4 billion).

Receivables from credit institutions and cash balances etc increased to DKK 39.5 billion (end-2021: DKK 27.1 billion), and reverse repurchase lending decreased by DKK 12.9 billion to DKK 38.0 billion (end-2021: DKK 50.9 billion).

Lending at amortised cost (excluding reverse repurchase lending) rose by DKK 12.2 billion relative to end-2021 to DKK 86.7 billion at end-2022 (end-2021: DKK 74.5 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-2022, these loans amounted to DKK 8.2 billion (end-2021: DKK 6.5 billion). Loan balances including secured homeowner loans totalled DKK 94.9 billion (end-2021: DKK 81.0 billion).

Bond and equity portfolios totalled DKK 57.8 billion (end-2021: DKK 40.0 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 15.1 billion (end-2021: DKK 22.8 billion). At end-2022, DKK 7.4 billion was attributable to positive market values of derivatives (end-2021: DKK 16.5 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 decreased to DKK 50.7 billion (end-2021: DKK 52.8 billion), while repo deposits fell by DKK 1.1 billion to DKK 6.3 billion (end-2021: DKK 7.4 billion).

Deposits and other payables (excluding repo deposits) went up by DKK 14.5 billion to DKK 107.4 billion (end-2021: DKK 92.9 billion).

Bonds in issue totalled DKK 11.7 billion (end-2021: DKK 4.4 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 12.7 billion (end-2021: DKK 13.6 billion).

Remaining payables and provisions amounted to DKK 14.9 billion (end-2021: DKK 11.4 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 10.0 billion (end-2021: DKK 8.3 billion).

Development in H2/2022

Profit before tax was DKK 1,796 million (H1/2022: DKK 1,708 million), corresponding to an increase of DKK 88 million. Business profit came to DKK 1,535 million in H2/2022 (H1/2022: DKK 1,038 million).

Income went up by DKK 489 million to DKK 3,290 million (H1/2022: DKK 2,801 million). This was primarily driven by increased lending and rising interest rate levels.

Costs amounted to DKK 1,597 million (H1/2022: DKK 1,526 million).

Impairment charges for loans and advances were DKK 159 million (H1/2022: DKK 237 million).

Value adjustment of legacy derivatives was positive at DKK 261 million in H2/2022 (H1/2022: DKK 670 million).

Results relative to outlook

As announced in the Annual Report for 2021, Nykredit Bank's guidance for 2022 was a business profit and profit before tax of between DKK 2.4 billion and DKK 2.9 billion.

The guidance for profit before tax for 2022 was adjusted two times during the year. On 12 January 2023, we raised our guidance for profit before tax for 2022 to DKK 3.5 billion. In line with expectations, Nykredit Bank recorded profit before tax of DKK 3.5 billion.

Outlook and guidance for 2023

Nykredit Bank expects a profit after tax of DKK 2.0-2.5 billion for 2023.

Our overall guidance for profit after tax for 2023 reflects that:

- Nykredit Bank expects an increase in total income relative to 2022 based on expectations of higher net interest income and net interest from capitalisation driven by the higher interest rate level.
- Costs are expected to rise due to general salary and price increases.
- We expect impairments to normalise and consequently reduce in 2023, as 2022 was adversely affected by provisions for geopolitical tensions that exceeded the reversed provisions related to covid-19.
- Charges relating to tax are expected to rise as a result of the new surtax imposed on the financial sector, implying an increase in taxation from 22% in 2022 to 25.2% in 2023.

The most important uncertainty factors applying to the 2023 outlook are related to investment portfolio income, derivatives as well as impairment charges for loans and advances.

Special accounting circumstances

There have been no special accounting circumstances in 2022.

Other

Changes to the Executive Board

Peter Kjærgaard joined Nykredit Bank's Executive Board on 19 August 2022 and resigned from the Executive Board on 4 October 2022 to take up a new position outside the Nykredit Group.

Lars Moesgaard has been appointed as member of Nykredit Bank's Executive Board and will join Nykredit Bank on 1 July 2023 at the latest. Until Lars Moesgaard joins the Executive Board, Henrik Rasmussen, currently Managing Director, continues as member of Nykredit Bank's Executive Board. Henrik Rasmussen will subsequently take up a new position within the Nykredit Group.

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 and 3 accounting policies and significant accounting estimates, to which reference is made.

Events since the balance sheet date

No events have occurred in the period up to the presentation of the Annual Report 2022 which materially affect the Group's financial position.

Capital



Equity
DKK 33.5 billion
 (2021: DKK 30.9 billion)



Own funds
DKK 32.1 billion
 (2021: DKK 29.4 billion)



Capital ratio
23.9%
 (2021: 23.0%)

Equity and own funds

	DKK million	
	31.12.2022	31.12.2021
Nykredit Bank Group		
Capital and capital adequacy		
Credit risk	105,913	105,532
Market risk	15,026	9,809
Operational risk	10,205	9,389
Total risk exposure amount	131,143	124,730
Equity, year-end	33,518	30,856
Minority interest, not included	(114)	(112)
Prudent valuation adjustment	(22)	(49)
Intangible assets and deferred tax assets	(1,876)	(1,932)
Other regulatory deductions	62	51
Transitional adjustment of deductions	(102)	(34)
Common Equity Tier 1 capital	31,467	28,779
Other regulatory deductions	10	10
Tier 1 capital	31,477	28,789
Tier 2 capital	-	-
Tier 2 capital regulatory adjustments	571	594
Transitional adjustment of Tier 2 capital	12	12
Own funds	32,061	29,395
CET1 capital ratio, %	23.9	23.0
Tier 1 capital ratio, %	24.0	23.0
Total capital ratio, %	24.4	23.5

Equity

Equity carried for accounting purposes totalled DKK 33.5 billion at end-2022 (end-2021: DKK 30.9 billion). The rise was driven by profit for 2022.

Equity in Nykredit Bank A/S totalled DKK 33.4 billion at end-2022 (end-2021: DKK 30.7 billion). The difference relative to Group equity is attributable to minority interests, see statement of changes in equity (page 34).

Capital

At end-2022, Nykredit Bank's own funds totalled DKK 32.1 billion at end-2022 (end-2021: DKK 29.4 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 31.5 billion at end-2022 (end-2021: DKK 28.8 billion).

	DKK million	
	31.12.2022	31.12.2021
Nykredit Bank Group		
Required own funds and internal capital adequacy requirement		
Credit risk (including CVA)	8,473	8,443
Market risk	1,202	785
Operational risk	816	751
Total Pillar I	10,491	9,978
Slightly weaker economic climate etc	2,560	1,754
Other risks	2,147	1,822
Total Pillar II	4,707	3,575
Total required own funds	15,198	13,553
Internal capital adequacy requirement (Pillars I and II), %	11.6	10.9

The risk exposure amount (REA) totalled DKK 131.1 billion (end-2021: DKK 124.7 billion). The increase is primarily due to new regulation.

At end-2022 the total capital ratio was 24.4% and the CET 1 capital ratio was 23.9% (end-2021: 23.5% and 23.0%, respectively).

The determination of required own funds takes into account our business objectives by allocating capital for all relevant risks. Nykredit Bank's required own funds totalled DKK 15.2 billion (end-2021: DKK 13.6 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 11.6% (end-2021: 10.9%).

Credit ratings

Nykredit Realkredit A/S and Nykredit Bank A/S 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.

ESG ratings

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.

ESG rating agency	Nykredit's rating
MSCI	AA
Sustainalytics	Low risk
CDP	A-

Nykredit's credit ratings

A summary of 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 four key ratios that indicate when a bank is operating at an elevated risk.

Nykredit complies with all benchmark limits of the Supervisory Diamond models for banks and mortgage lenders as at 31 December 2022.

The Bank's property exposure was 12.1% (end-2021: 11.1%).

Nykredit Bank Group Supervisory Diamond	31.12.2022	31.12.2021
Large exposures (limit value <175%)	115.7	109.6
Lending growth (limit value <20%)	13.7	4.6
Property exposure (limit value <25%)	12.1	11.1
Liquidity benchmark (limit value >100%)	272.0	256.0

Credit Ratings

Issuer	S&P Global Ratings			Fitch Ratings		
	Long-term	Short-term	Outlook	Long-term	Short-term	Outlook
Nykredit Bank A/S						
Resolution Counterparty Rating	AA-	A-1+				
Issuer Credit Rating	A+	A-1	Stable	A	F1	Stable
Senior unsecured preferred debt	A+	A-1		A+	F1	

Impairments and lending

Impairment charges for loans and advances were DKK 396 million in 2022 (2021: net reversal of DKK 120 million).

The increase was mainly due to higher provisions taken to cover the geopolitical tensions. Our customers still have strong credit quality.

Geopolitical tensions

Geopolitical tensions, including the war in Ukraine, are expected to affect the credit quality of some customers due to lower economic growth, rising energy prices, current interest rate conditions, house price trends, inflation and value and supply chain disruptions.

Provisions related to geopolitical tensions are based on stress test calculations of two factors. Firstly, stress simulations have been performed for stage 1 and stage 2 personal and business customers. We expect a drop in personal customers' discretionary incomes as a consequence of increased inflation and higher energy prices. Provisions of DKK 115 million have been made to counter such risk.

Secondly, business customers that are heavily reliant on energy for production and manufacturing are also likely to be affected. We have taken provisions of DKK 532 million for exposed sectors. Total provisions taken to manage increased risk exposures due to geopolitical tensions subsequently came to DKK 647 million including provisions of DKK 12 million with respect to Nykredit Leasing A/S.

Impact of covid-19

Loan impairments related to covid-19 were reassessed in connection with the Annual Report 2022. Of total loan impairment provisions of DKK 577 million taken in 2020 to cover the consequential losses arising from covid-19, DKK 420 million has been reversed following Nykredit's reassessment of the portfolio.

Provisions for loan impairment related to covid-19 subsequently amounted to DKK 157 million.

Expectations for macroeconomic models

Nykredit Bank's impairment models are based on forward-looking macroeconomic scenarios. The scenarios should reflect uncertainties relating to the economy as well as both improved and deteriorating outlooks. At end-2022, the scenarios were updated to reflect the current and expected economic environment, including the geopolitical turmoil and other derived market conditions.

The base scenario should reflect the economic environment. The base scenario carries a 55% weighting. The scenario implies expected GDP growth of 0.2% and house price decline of 5.6% in 2023. The adverse scenario was included in the models with a weighting of 40%. This scenario implies expected GDP decline of 0.6% and house price decline of 7.6% in 2023.

The improved scenario carries a 5% 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 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.

Post-model adjustments

Corrections and changes to assumptions in the impairment models are based on management judgement. At end-2022, such post-model adjustments totalled DKK 770 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. The chart outlines the post-model adjustments made.

	DKK million	
Nykredit Bank Group		
Specific macroeconomic risks and process-related circumstances	31.12.2022	31.12.2021
Agriculture	5	6
Covid-19	150	299
Geopolitical tensions	127	0
Concentration risks in loan portfolios	125	56
Total macroeconomic risks	407	361
Process-related	2	18
Model changes	43	51
ESG	50	0
Other (outcomes of controlling, haircuts etc)	268	308
Total process-related circumstances	363	377
Total post-model adjustments	770	738

Total provisions

Total provisions increased to DKK 3,475 million at 31 December 2022 (end-2021: DKK 3,096 million).

Provisions for guarantees and loan commitments amounted to DKK 340 million (end-2021: DKK 331 million).

Relative to total loans, advances and guarantees, provisions amounted to 2.2% (end-2021: 2.0%).

Earnings impact

Impairment charges for loans and advances were DKK 396 million in 2022 (end-2021: a net reversal of DKK 120 million). Of total impairment charges, impairment charges for loans and advances etc represented a charge of DKK 457 million (end-2021: a net reversal of DKK 72 million), while recoveries on loans and advances previously written off were DKK 61 million (end-2021: DKK 48 million).

	DKK million	
Nykredit Bank Group		
Provisions for loan impairment and guarantees	31.12.2022	31.12.2021
Impairment provisions, beginning of year	2,764	3,024
Impairment provisions and reversals	371	(260)
Impairment provisions, year-end	3,135	2,764
- of which impairment provisions for loans and advances etc	3,132	2,755
- of which impairment provisions for loans and advances to banks	3	9
Provisions for guarantees and loan commitments		
Provisions, beginning of year	331	241
Provisions, year-end	340	331
Total provisions	3,475	3,096
Earnings impact		
New impairment provisions and write-offs for the year, net	448	(162)
Recoveries on loans and advances previously written off	61	48
Total	387	(210)
Provisions for guarantees and loan commitments	9	90
Total earnings impact	396	(120)

Loans, advances and guarantees by sector

The carrying amount of loans, advances and guarantees was DKK 153.4 billion (end-2021: DKK 153.6 billion).

Loans, advances and guarantees saw a decrease in reverse repurchase lending of DKK 12.2 billion, a rise in other loans and advances of DKK 12.6 billion and an increase in guarantees of DKK 0.5 billion. Reverse repurchase lending totalled DKK 38.0 billion (end-2021: DKK 50.9 billion).

Finance and insurance remained the largest single sector exposure at DKK 44.8 billion (end-2021: DKK 56.4 billion). The exposure widely comprised reverse repurchase lending with bonds serving as security.

Finance and insurance accounted for 29.2% (end-2021: 36.7%) and personal customers 16.3% (end-2021: 17.7%).

At end-2022, loan impairment provisions for the real estate sector totalled DKK 0.4 billion (end-2021: DKK 0.5 billion), or 2.4% of total loans and advances to the sector (end-2021: 3.2%).

	DKK million					
	31.12.2022			31.12.2021		
Credit exposures in terms of bank lending, reverse repurchase lending and guarantees by sector ¹	Lending, year-end	Total impairment provisions	Earnings impact	Lending, year-end	Total impairment provisions	Earnings impact
Public sector	961	27	18	1,110	10	0
Agriculture, hunting, forestry and fishing	4,113	189	(7)	3,877	192	13
Manufacturing, mining and quarrying	14,769	563	378	11,754	262	(123)
Energy supply	5,291	98	57	5,475	32	6
Construction	2,357	353	142	2,722	202	8
Trade	13,255	618	(42)	9,752	655	225
Transport, accommodation and food service activities	6,823	169	33	6,525	144	(29)
Information and communication	4,896	86	(3)	2,376	83	(23)
Finance and insurance	44,795	84	(2)	56,378	91	(50)
Real estate	18,029	435	(85)	16,540	524	(74)
Other	13,085	270	(73)	9,948	312	(42)
Total business customers	127,413	2,865	397	125,346	2,497	(89)
Personal customers	25,034	580	(13)	27,182	579	(28)
Total	153,409	3,472	402	153,638	3,086	(118)
- of which provisions for losses under guarantees		340	9		331	90
Impairment provisions for credit institutions		3	(7)		9	(2)
- of which intercompany guarantees and total	20,311	3,475	396	19,239	3,096	(120)



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

Organisation and management

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.

Organisation and responsibilities

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, former CEO, and Preben Sunke, Director, 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 six meetings in 2022.

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 six meetings in 2022.

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), Michael Demsitz, former CEO, Per W. Hallgren, CEO, and Preben Sunke, Director, 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 three meetings in 2022.

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), Per W. Hallgren, CEO, and Preben Sunke, Director, 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 Inge Sand, who is staff-elected member of the Board of Directors of both companies.

The Board Remuneration Committee held three meetings in 2022.

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 the following entities: Nykredit Realkredit A/S, Totalkredit A/S, Nykredit Bank A/S, Nykredit Portefølje Administration A/S and Nykredit Leasing A/S as a combined Group Committee.

Nykredit Bank is represented on all Committees by a Managing Director of Nykredit Bank, and such Managing Director must actively approve resolutions in order for these to take effect with respect to Nykredit Bank.



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 2022 available at nykredit.com/samfundsansvar/rapportering:

- Communication on Progress to the UN Global Compact, which we signed in 2008.
- Report on the UN Principles for Responsible Banking launched and signed by us in 2019.
- Report on corporate responsibility in accordance with section 135b of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.
- 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.
- 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 undertake 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-2022 the Nykredit Bank Group had identified a total of 168 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 168 material risk takers, 7 are Managing Directors of financial subsidiaries and 161 are other material risk takers. Of the 161 other material risk takers, 40 are on the payroll of Nykredit Bank, 20 are on the payroll of the Bank's subsidiaries, and 101 are on the payroll of Nykredit Realkredit A/S and Totalkredit 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 financial instruments subject to selling restrictions instead of cash payment and the possibility that Nykredit Bank A/S may retain the deferred amount under special circumstances.

The 2022 bonus provisions in respect of the Bank's Executive Board and other risk takers amounted to DKK 34 million (2021: DKK 39 million). The 2022 bonus provisions corresponded to 33% of their fixed salaries.

The total remuneration of risk-takers subject to variable remuneration appears from note 15.

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 our colleagues in Markets, Asset Management, Investments and Group Treasury who have major earnings responsibility, in line with market standards for such positions. The remuneration of these colleagues is based on their job performance. The 2022 bonus provisions in respect of these colleagues (excluding risk takers) amounted to DKK 29 million (2021: DKK 47 million). The 2022 bonus provisions corresponded to 22% 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 2022 bonus provisions in respect of these colleagues (excluding risk takers) amounted to DKK 59 million (2021: DKK 52 million). The 2022 bonus provisions corresponded to 32% 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 colleagues in high-level positions or tasked with special projects.

The 2022 bonus provisions in respect of these colleagues (excluding risk takers) amounted to DKK 7 million (2021: DKK 8 million). The bonus provisions for 2022 corresponded to 17% of the Group's total fixed salary.

The bonus programmes do not apply to other managers or colleagues, but they may receive individual one-off awards. For 2022 provisions of DKK 4 million had been made for one-off awards (2021: DKK 4 million). The 2022 provisions for one-off awards corresponded to 1% of the relevant group's fixed salaries.

Total provisions for bonuses and one-off awards for 2022 came to DKK 129 million (2021: DKK 145 million). The total provisions for bonuses and one-off awards for 2022 corresponded to 15% of total fixed salaries.



Internal controls 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 the 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 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.

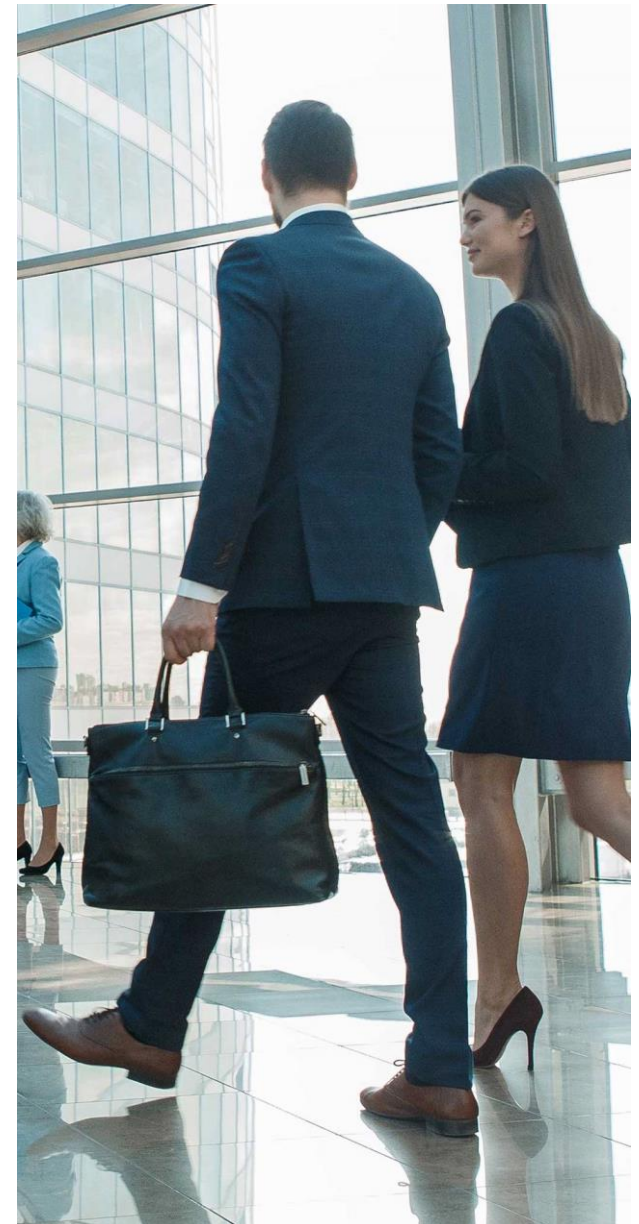
In connection with the preparation of financial statements, a number of fixed procedures and internal controls are performed. These procedures and controls include fixed analysis and reconciliation routines and compliance with fixed business procedures as well as ongoing dialogue with Nykredit's business 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 8 December 2022.

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 2022, available at nykredit.com/riskandcapital-management



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 8 February 2023.

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 23 March 2023.

BOARD OF DIRECTORS

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

* Staff-elected member

EXECUTIVE BOARD

Henrik Rasmussen
Dan Sørensen

See page 129 for directorships and executive positions of the members of the Board of Directors and the Executive Board.

Nykredit Bank

ESEF data

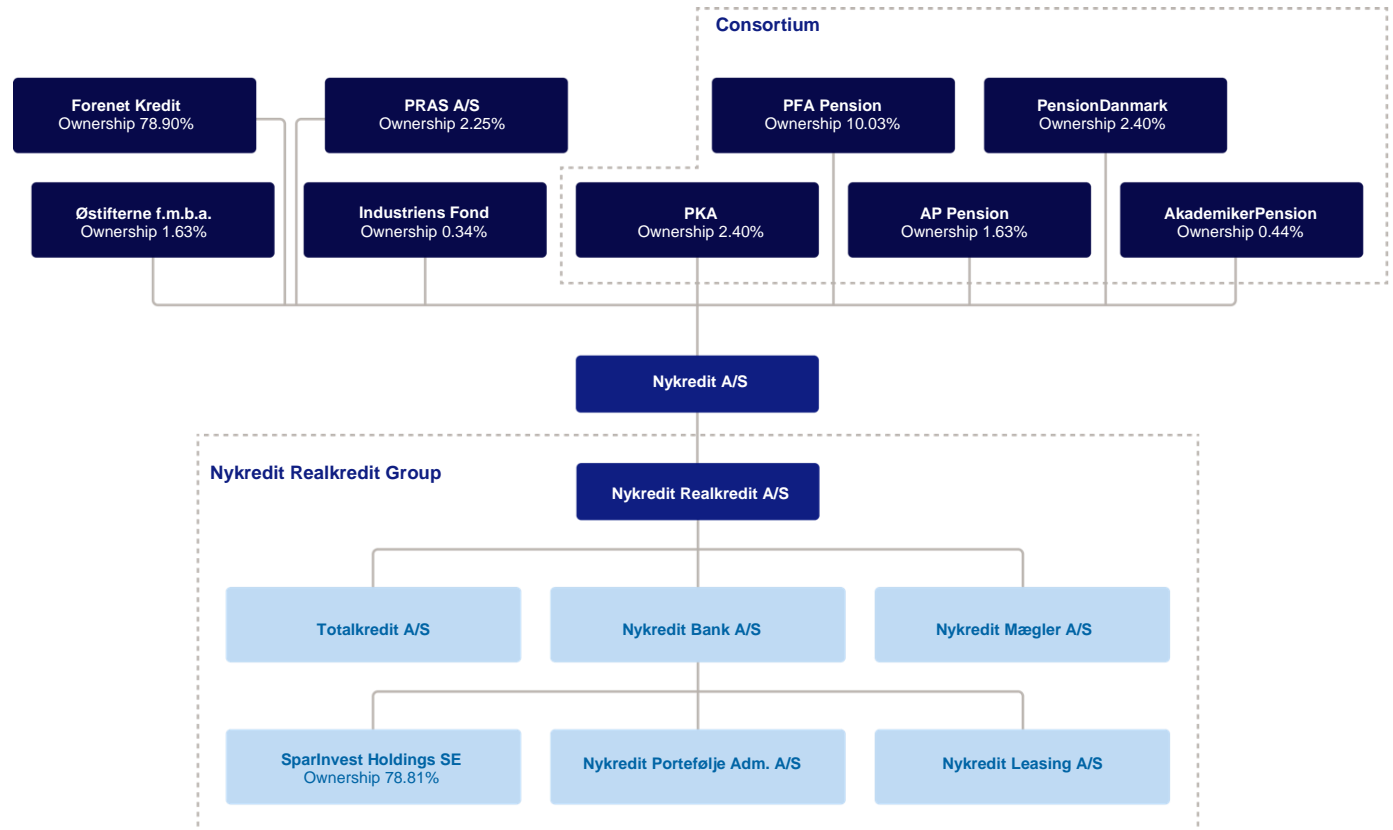
Domicile of entity	Denmark
Description of nature of entity's operations and principal activities	Bank
Country of incorporation	Denmark
Principal place of business	Denmark
Legal form of entity	A/S
Name of reporting entity or other names of identification	Nykredit Bank A/S
Name of parent	Nykredit Realkredit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

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

- Annual Report 2022
- Corporate Responsibility Report 2022
- Risk and Capital Management 2022

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

Group chart



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.

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 2,686 million in 2022 (2021: DKK 2,759 million).

Net interest and fee income rose by DKK 494 million to DKK 3,583 million (2021: DKK 3,089 million), while value adjustments and other operating income saw a total increase of DKK 107 million to DKK 2,093 million (2021: DKK 1,985 million).

Costs rose to DKK 2,565 million (2021: DKK 2,390 million). Please refer to the previous section "Costs" of this Annual Report.

Impairment charges for loans and advances were DKK 370 million (2021: a net reversal of DKK 131 million).

Profit from equity investments in associates and Group enterprises came to a gain of DKK 514 million (2021: DKK 526 million). Of this amount, Sparinvest SE contributed DKK 222 million, Nykredit Portefølje Administration DKK 202 million and Nykredit Leasing DKK 80 million.

Principal balance sheet items

The balance sheet total increased to DKK 234.6 billion at end-2022 (end-2021: DKK 214.7 billion).

Cash balances and receivables from credit institutions etc increased to DKK 39.3 billion (end-2021: DKK 26.9 billion).

Loans and advances at amortised cost amounted to DKK 120.9 billion (end-2021: DKK 123.8 billion).

Bonds and equities amounted to DKK 56.8 billion (end-2021: DKK 38.6 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 50.7 billion (end-2021: DKK 52.8 billion).

Deposits and other payables came to DKK 114.2 billion (end-2021: DKK 100.5 billion).

Equity

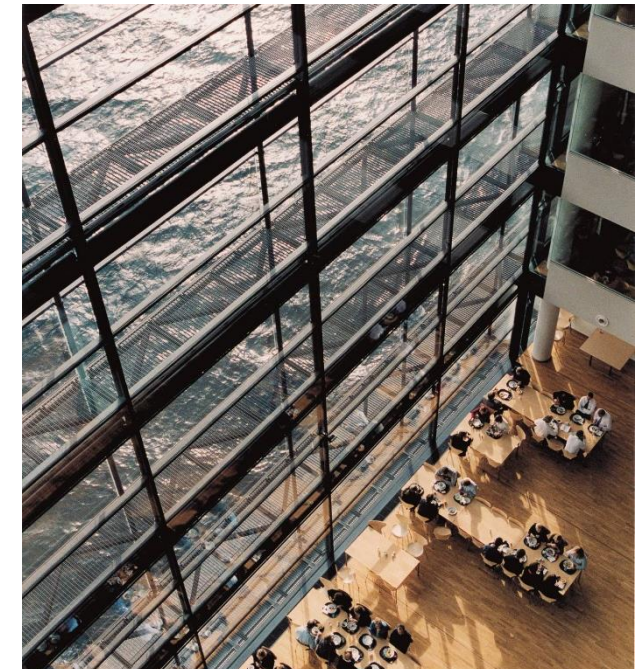
Equity increased by profit for the year of DKK 2.7 billion to DKK 33.4 billion (end-2021 DKK 30.7 billion).

Total capital ratio, %

The total capital ratio rose to 23.4% (end-2021: 22.2%).

Dividend

It will be recommended for approval by the Annual General Meeting that no dividend be distributed for 2022.



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 4 and the business areas (note 5) 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 6 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 32) 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. Equity is determined exclusive of minority interest.

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.

Statements

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 2022 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 2022 and of the results of the Group's and the Parent's operations and the Group's cash flows for the financial year 2022.

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 2022 with the file name NYRB-2022-12-31 is prepared, in all material respects, in compliance with the ESEF Regulation.

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

Copenhagen, 8 February 2023

Executive Board

Henrik Rasmussen

Dan Sørensen

Board of Directors

Michael Rasmussen
Chair

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 2022, 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 2022 and of the results of the Group's operations and cash flows for the financial year 1 January – 31 December 2022 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 2022 and of the results of the Parent Company's operations for the financial year 1 January – 31 December 2022 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the 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. We have been reappointed annually by resolution of the general meeting for a total consecutive period of 1 year up until the financial year 2022.

Key audit matters

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

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

Key audit matters	How our audit addressed the key audit matter
<p>Measurement of loans and guarantees</p> <p>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.</p> <p>The Group's total loans amounted to DKK 124,705 million at 31 December 2022 (DKK 125,413 million at 31 December 2021), and total provisions for expected credit losses amounted to DKK 3,475 million at 31 December 2022 (DKK 3,096 million at 31 December 2021).</p> <p>We consider the measurement of impairment provisions on loans and provisions for losses on guarantees, etc. 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.</p> <p>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.</p> <p>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").</p> <p>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.</p>	<p>Based on our risk assessment and knowledge of the industry, we performed the following audit procedures regarding measurement of loans and guarantees:</p> <ul style="list-style-type: none"> • Assessment of the Group's methods for measuring provisions for expected credit losses and whether methods applied for modelbased 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. <p>We also assessed whether disclosures relating to exposures, impairment losses and credit risks meet the relevant accounting rules and tested the amounts therein (note 17, 18 and 48).</p>
<p>Fair value of swaps</p> <p>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.</p> <p>The Group's portfolio of swaps at 31 December 2022 include contracts with positive fair value of DKK 4,329 million (DKK 15,396 million at 31 December 2021) and negative fair value of DKK 6,949 million (DKK 7,418 million at 31 December 2021).</p> <p>The areas with highest level of judgement and complexity and which therefore require increased audit attention are:</p> <ul style="list-style-type: none"> • Valuation models and methods applied for the valuation of swaps. • Management's assumptions and parameters applied to determine credit valuation adjustment (CVA) <p>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 43 and 48.</p>	<p>Our audit included an examination of relevant business procedures, test of key controls and analysis of valuations. In addition, our audit procedures included:</p> <ul style="list-style-type: none"> • 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. <p>We also assessed whether disclosures relating to fair value and credit risks meet the relevant accounting rules and tested the amounts therein (note 17,18, 43 and 48).</p>

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Business Act.

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

Management's responsibilities for the financial statements

Management is responsible for the preparation of 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on compliance with the ESEF Regulation

As part of our audit of the Consolidated Financial Statements and Parent Company 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 2022 with the file name NYRB-2022-12-31 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 and iXBRL tagging of the Consolidated Financial Statements including notes.

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;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

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 nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements including notes;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of Nykredit Bank A/S for the financial year 1 January – 31 December 2022 with the file name NYRB-2022-12-31 is prepared, in all material respects, in compliance with the ESEF Regulation

Copenhagen, 8 February 2023

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lars Rhod Søndergaard
State Authorised
Public Accountant
mne28632

Thomas Hjortkjær Petersen
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Public Accountant
mne33748

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Nykredit Bank A/S		DKK million			
2021	2022		Note	2022	2021
INCOME STATEMENTS					
1,723	2,142	Interest income based on the effective interest method	9	2,312	1,894
(342)	222	Other interest income	9	228	(340)
(181)	(141)	Negative interest, income	9 a	(141)	(183)
(398)	(287)	Positive interest expenses	9 a	(287)	(398)
279	552	Interest expenses	10	556	280
1,319	1,958	Net interest income		2,130	1,488
5	6	Dividend on equities etc	11	6	5
2,137	2,094	Fee and commission income	12	3,405	3,365
371	475	Fee and commission expenses	13	631	545
3,089	3,583	Net interest and fee income		4,910	4,313
1,613	2,039	Value adjustments	14	2,029	1,628
372	54	Other operating income		76	397
2,360	2,534	Staff and administrative expenses	15	3,052	2,863
-	-	Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	16	39	34
29	30	Other operating expenses		31	30
(131)	370	Impairment charges for loans, advances and receivables etc	17, 18	396	(120)
526	514	Profit from investments in associates and Group enterprises	19	7	6
3,342	3,255	Profit before tax		3,504	3,537
584	569	Tax	20	758	733
2,759	2,686	Profit for the year		2,746	2,804
Proposal for the distribution of profit					
526	514	Statutory reserves		-	-
-	-	Minority interests calculated		61	45
2,232	2,172	Retained earnings		2,686	2,759
COMPREHENSIVE INCOME					
2,759	2,686	Profit for the year		2,746	2,804
-	-	Other comprehensive income		-	-
2,759	2,686	Comprehensive income for the year		2,746	2,804
Distribution of comprehensive income					
2,759	2,686	Nykredit Bank		2,686	2,759
-	-	Minority interests calculated		61	45
2,759	2,686	Comprehensive income for the year		2,746	2,804

BALANCE SHEETS

Nykredit Bank A/S		DKK million			
		2021	2022	Note	Nykredit Bank Group 2022
ASSETS					
23,526	30,619	Cash balances and demand deposits with central banks	22	30,619	23,526
3,386	8,668	Receivables from credit institutions and central banks	23	8,855	3,608
123,816	120,905	Loans, advances and other receivables at amortised cost	24	124,705	125,413
38,439	56,777	Bonds at fair value	25	57,709	39,882
133	98	Equities etc	26	109	147
13	15	Investments in associates	27	15	13
2,936	2,718	Investments in Group enterprises	27	-	-
-	893	Assets in pooled schemes	28	893	-
1,770	1,770	Intangible assets	29	1,907	1,932
LAND AND BUILDINGS					
-	-	Leased properties	30	10	14
-	-	Total leased properties		10	14
-	-	Equipment	30	2	1
0	-	Current tax assets	36	19	14
124	159	Deferred tax assets	37	159	125
20,503	11,917	Other assets	31	12,039	20,629
67	71	Prepayments		87	87
214,714	234,608	Total assets		237,129	215,390

BALANCE SHEETS

DKK million

Nykredit Bank A/S			Nykredit Bank Group		
2021	2022		Note	2022	2021
LIABILITIES AND EQUITY					
52,833	50,660	Payables to credit institutions and central banks	32	50,660	52,833
100,498	114,236	Deposits and other payables	33	113,691	100,275
-	893	Deposits in pooled schemes		893	-
4,415	9,545	Bonds in issue at amortised cost	34	11,670	4,415
13,617	12,744	Other non-derivative financial liabilities at fair value	35	12,738	13,613
23	228	Current tax liabilities	36	295	35
10,108	12,378	Other liabilities	38	12,895	10,665
7	0	Deferred income		4	12
181,501	200,684	Total payables		202,847	181,847
Provisions					
-	-	Provisions for deferred tax	37	244	209
331	340	Provisions for losses under guarantees	39	340	331
138	180	Other provisions	39	180	147
469	520	Total provisions		764	687
2,000	-	Subordinated debt	40	-	2,000
Equity					
12,045	12,045	Share capital		12,045	12,045
Other reserves					
2,333	2,847	- statutory reserves		-	-
16,365	18,512	- retained earnings		21,359	18,698
30,743	33,404	Shareholder of Nykredit Bank A/S		33,404	30,743
-	-	Minority interests		114	112
30,743	33,404	Total equity		33,518	30,856
214,714	234,608	Total liabilities and equity		237,129	215,390
OFF-BALANCE SHEET ITEMS					
28,225	28,703	Contingent liabilities	41	28,704	28,225
13,642	11,030	Other commitments		11,441	13,847
41,867	39,734	Total		40,145	42,073

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Bank Group

	Share capital ¹	Retained earnings	Nykredit Bank Group's equity	Minority interests	Total equity
2022					
Equity, 1 January	12,045	18,700	30,745	112	30,857
Profit for the year	-	2,686	2,686	61	2,746
Total comprehensive income	-	2,686	2,686	61	2,746
Premium paid on acquisition of shares in subsidiary	-	(27)	(27)	-	(27)
Distributed dividend and adjustments	-	-	-	(58)	(58)
Total changes in equity	-	2,659	2,659	2	2,661
Equity, 31 December	12,045	21,359	33,404	114	33,518
2021					
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

¹ The share capital breaks down into 21 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

	Share capital ¹	Statutory reserves	Retained earnings	Total equity
2022				
Equity, 1 January	12,045	2,333	16,367	30,744
Profit for the year	-	514	2,172	2,686
Total comprehensive income	-	514	2,172	2,686
Premium paid on acquisition of shares in subsidiary	-	-	(27)	(27)
Total changes in equity	-	514	2,145	2,659
Equity, 31 December	12,045	2,847	18,512	33,404
2021				
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

CASH FLOW STATEMENT

DKK million

Nykredit Bank Group	2022	2021
PROFIT FOR THE YEAR	2,746	2,804
Adjustments		
Net interest income	(2,130)	(1,488)
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	39	34
Profit from investments in associates	(7)	(6)
Prepayments/deferred income, net	(8)	16
Impairment charges for loans, advances and receivables etc	460	(171)
Tax on profit for the year	758	733
Other adjustments	(488)	(287)
Total	1,370	1,634
Change in operating capital		
Loans, advances and other receivables	249	(16,825)
Deposits and payables to credit institutions	11,244	13,044
Bonds	(17,854)	(199)
Equities etc	44	197
Other operating capital	10,050	5,942
Total	3,732	2,158
Interest income received	2,655	2,014
Interest expenses paid	(584)	(465)
Corporation tax paid, net	(503)	(719)
Cash flows from the above operating activities	6,671	4,623
Cash flows from investing activities		
Acquisition of associates	(3)	-
Sales of associates	0	0
Dividend received from associates	8	7
Purchase of intangible assets	(46)	(30)
Purchase of property, plant and equipment	(2)	(1)
Sale of property, plant and equipment	-	2
Total	(42)	(21)
Cash flows from financing activities		
Capital increase	(2,000)	2,000
Bonds in issue	7,255	(985)
Distributed dividend	(50)	(28)
Payment of lease liabilities	(4)	(4)
Total	5,201	983
Total cash flows for the year	11,830	5,585
Cash and cash equivalents, beginning of year:	27,134	21,469
Foreign currency translation adjustment of cash	510	80
Total cash flows for the year	11,830	5,585
Cash and cash equivalents, year-end	39,473	27,134
Cash and cash equivalents, year-end:		
Cash balances and demand deposits with central banks	30,619	23,526
Receivables from credit institutions and central banks	8,855	3,608
Total	39,473	27,134

NOTES

Nykredit Bank Group

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9. Interest income	56	49. Hedge accounting	116
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11. Dividend on equities etc	58	51. Other information	121
12. Fee and commission income	58	52. Financial ratios, definitions	122
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14. Value adjustments	58	54. Group structure	127
15. Staff and administrative expenses	58		
16. Depreciation, amortisation and impairment charges for tangible and intangible assets	60		
17. Impairment charges for loans, advances and receivables etc (group)	61		
18. Impairment charges for loans, advances and receivables etc (parent)	69		
19. Profit from investments in associates and group enterprises	74		
20. Tax	74		
21. Contractual due dates by time-to-maturity	75		
22. Cash balances and demand deposits with central banks	77		
23. Receivables from credit institutions and central banks	77		
24. Loans, advances and other receivables at amortised cost	78		
25. Bonds at fair value	79		
26. Equities etc	80		
27. Investments in associates and group enterprises	80		
28. Assets in pooled schemes	81		
29. Intangible assets	81		
30. Land and property	83		
31. Other assets	85		
32. Payables to credit institutions and central banks	86		
33. Deposits and other payables	86		
34. Bonds in issue at amortised cost	86		
35. Other non-derivative financial liabilities at fair value	87		
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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 2022

Geopolitical conditions and covid-19

Geopolitical tensions, including the war in Ukraine, inflation and supply chain disruptions as well as the effects of covid-19, have impacted the Financial Statements for 2022. At year-end, measurement of loans and advances etc was still subject to increased uncertainty. Reference is made to notes 2 and 3 on significant accounting assessments and estimates.

Interest rate benchmark reform

In 2022 the Group companies continued their 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

Change in the balance sheet format:

In 2022 Nykredit Bank A/S has introduced a new pooled product, adding to the balance sheet two new categories "Assets in pooled schemes" and "Deposits in pooled schemes". Reference is made to "Assets" below.

New or amended standards:

In 2022 a number of minor amendments have been implemented to

- IFRS 3, IAS 16, IAS 37 as well as annual improvements 2018-2022.

Such implementation 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 2021.

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.

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 2022:

IFRS 17 "Insurance Contracts" (effective from 1 January 2023).

In addition, a number of minor amendments to IFRS 10, IFRS 16 IAS 1, IAS 8, IAS 12 and IAS 28 have not yet taken effect and/or are pending EU approval.

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

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-2021).

Recognition of financial instruments

Financial assets and liabilities are recognised when the Group companies become a party to the contractual provisions of the 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.

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.

Financial assets 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. Financial liabilities are derecognised when, and only when, they are extinguished.

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Nykredit Bank Group

Classification and measurement of financial instruments

Valuation principles and classification of financial instruments are described below as well as in note 43.

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). The Group 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). Given that the asset meets these criteria, it is measured at fair value with changes in value 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 2021 and 2022.
- 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".

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.

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Nykredit Bank Group

Impairment charges for loans, advances and receivables

Impairments corresponding to expected credit losses are based on a classification of the individual loans in stages, reflecting 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. For this category, impairment provisions are also made corresponding to the expected credit losses over the time-to-maturity.

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. These exposures are classified in stage 3.

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 and monitoring procedures.

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. These are primarily very secure assets with credit ratings corresponding to AAA. In Nykredit Banks's portfolio this could be large listed companies or companies covered by guarantees etc.

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.

The base scenario carries a 55% weighting. The scenario implies expected GDP growth of 0.2% and house price decline of 5.6% in 2023. The adverse scenario was included in the models with a weighting of 40%. This scenario implies expected GDP decline of 0.6% and house price decline of 7.6% in 2023.

The improved scenario carries a 5% 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.

Based on these weights, total impairment provisions came to DKK 3.5 billion (end-2021: DKK 3.1 billion) inclusive of the effect of stage 3 impairments, see below.

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Nykredit Bank Group

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, implying non-performance
- 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 a number of 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 and liabilities, which are financial instruments, are recognised when the Group companies become a party to the contractual provisions of the instruments, see "Financial instruments".

Other 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.

Other 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.

Certain fees relating to financial instruments measured at amortised cost, are recognised (amortised) through profit and loss as the instrument is amortised.

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.

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Nykredit Bank Group

Leases

Leases where the Nykredit Bank Group 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 49 on "Hedge accounting". In Nykredit Bank, interest rate risk hedging (hedge accounting) remains subject to the IAS 39 rules.

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.

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Nykredit Bank Group

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.

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 business 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 4 and the business areas in note 5 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 6 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 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 5) 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 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 Nykredit Bank Group level.

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Nykredit Bank Group

INCOME STATEMENT

Interest income and expenses etc

Interest comprises interest due and accrued up to the balance sheet date. Interest concerning assets and deposits in pools is recognised in "Value adjustments", however.

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.

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

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. Interest expenses also comprise transaction costs etc which are part of the effective interest of the underlying instruments if they are measured at amortised cost.

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. To this must be added contributions received from Forenet Kredit.

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 during the vesting period. 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).

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Nykredit Bank Group

ASSETS

Loans, advances and other financial assets

Reference is made to the description in notes 2 and 3 concerning significant accounting estimates and assessments and in the note concerning "Financial instruments" for these items.

Assets and liabilities in pooled schemes

Nykredit Bank A/S offers customers the opportunity to deposit funds in special deposit accounts ("Deposits in pooled schemes"). The Bank subsequently invests the funds in financial instruments. Returns on these investments accrue to the customers.

Legally, the assets belong to Nykredit Bank A/S and are therefore recognised in the balance sheets of the Bank and of the Group. The returns (positive as well as negative) on "Assets in pooled schemes" are recognised in "Value adjustments" in the income statement.

As the returns ultimately accrue to the customers, offsetting value adjustments are made through profit or loss and a corresponding adjustment of the customers' deposit accounts. The value adjustments (net) do not affect profit or loss, and, at the same time, pooled assets and liabilities show identical balance sheet amounts.

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 29.

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.

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Nykredit Bank Group

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 Bank'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 2021, no amendments to the Danish Executive Order on Financial Reports have been adopted in 2022 which affect our accounting policies.

NOTES

Nykredit Bank Group

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.

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 and 2021 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 2022, the following items of the Consolidated Financial Statements have iXBRL tags reflecting the ESEF taxonomy, 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
- Notes of the financial statements (block tagging)
(Notes of the financial statements were not tagged in the Annual Report for 2020 and 2021) pursuant to the Regulation.

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-2022-12-31.

2. SIGNIFICANT ACCOUNTING ASSESSMENTS

When providing 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.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Financial Statements involves the use of qualified accounting estimates. These estimates and assessments are made by Nykredit's Management in accordance with accounting policies and based on past experience and an assessment of future conditions. The principles of using accounting estimates are unchanged relative to 2021.

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:

Valuation of goodwill and customer rights

Goodwill is tested for impairment once a year. The test involves the use of judgements used to determine estimates and cash flows from the cash generating unit to which goodwill is allocated. To this should be added determination of the discount rate and assessment of market trends. At 31 December 2022, goodwill accounted for 0.7% of the balance sheet (2021: 0.8%). Covid-19 and geopolitical challenges have not given rise to impairment. Reference is made to note 29.

The value of capitalised customer rights is relatively low, and no impairment need and/or change in the amortisation profile have been identified in 2022. The asset accounted for 0.04% of the total balance sheet (2021: 0.05%).

Valuation of assets and liabilities measured at fair value

Valuation 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. At year-end, no particular challenges had been established in connection with the identification and obtaining of the usual market data.

NOTES

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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.

Note 43 specifies the methods applied to determine the carrying amounts and the specific uncertainties related to the fair value measurement of financial instruments.

The fair value of unlisted derivative financial instruments was 2.8% of the Group's assets at end-2022 (7.6% at end-2021).

Measured on the basis of level 2 or level 3 inputs of the fair value hierarchy, the fair value of financial assets was 26.9% and 0.1%, respectively, of the Group's balance sheet total at end-2022. Liabilities measured on the basis of level 2 or level 3 was 8.7% and 0.0%, respectively, of the total balance sheet. The fair value of financial instruments for which no listed prices in an active market are available accounted for 26.9% of the Group's assets at end-2022 (22.6% at end-2021).

Measurement of loans and advances etc – impairments

12-month expected credit losses are initially recognised for loans and advances measured at amortised cost. The determination of such losses and the following years' developments in the credit quality of customers are to some extent based on a number of estimates. The same applies to the determination of loss, including the expected value of collateral security received, payments from customers and dividend in liquidation from estates in bankruptcy. Finally, the determination of the period in which the cash flows are received involves significant estimates.

In addition to the impairment models' calculations of impairment levels across stages, estimates are used to cover risks and conditions not yet incorporated into the models. The estimates are forward-looking and may either lead to adjustments in the models, for example, targeted at customers in selected sectors (in-model adjustments) or more broad-based management judgements subsequently distributed on customer and credit facility level (post-model adjustments). The latter is based on significant methodology choice and estimated assumptions.

At year-end, the post-model adjustments represented DKK 770 million. The estimates are adjusted and evaluated on a regular basis.

The calculations and estimates are based on rationales and expectations rooted in internal and external assessments. Internal assessments could be analyses of sector conditions, model back testing, macroeconomic outlook or internal process-related circumstances. External assessments could be based on analyses and inspections by Danmarks Nationalbank and the Danish FSA, respectively.

Reference is made to note 48, which further describe impairment methodology, including the use of scenarios.

The estimates are assessed quarterly by Nykredit's senior management, who review the basis and rationale of the estimates. The estimates are updated on a quarterly basis and are subject to internal controls.

The most relevant areas in which management judgement is applied are described below. The methodology is presented to show how the provisions are allocated.

Agriculture

Milk, pork and plant producers are considered to be subject to a number of risks that are not yet reflected in customer ratings and impairments. The risks considered are the spread of swine fever, the price of piglets, the terms of trade between sales prices and cost of feed etc, environmental requirements and trading barriers, as well as the effect of rising interest rates.

Calculation and choice of methodology: Calculations are based on an estimate of the potential effects of the individual risks on agricultural customers' ratings and also an estimated probability rate that this risk will occur.

Impairments are distributed on agricultural customers in stages 1 and 2.

Covid-19

There is still general uncertainty about the impact of the covid-19 pandemic. Among other things, payment of deferred tax and VAT could lead to more bankruptcies. Loan impairments related to covid-19 were reassessed in connection with the Annual Report for 2022, and repayment of loans granted under relief packages is now considered the primary risk driver in the assessment of the pandemic.

Calculation and choice of methodology: Provisions for covid-19-induced losses are based on stress test calculations of two different factors. Firstly, stress simulations have been performed for stage 1 and stage 2 customers in 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 high-attention sectors. Furthermore, the macroeconomic scenarios in our impairment model for stage 1 and stage 2 customers have been prepared to allow for the covid-19 impact.

Of the total loan impairment provisions of DKK 577 million taken in 2020 to cover the consequential losses arising from covid-19, DKK 420 million has been reversed following the Groups' reassessment of the portfolio.

Provisions for loan impairment related to covid-19 subsequently amounted to DKK 157 million.

For stage 1 and 2 customers, stress test calculations are made, which leads to a change of stage for the most exposed customers. Impairments are distributed on stage 3 customers via haircuts on collateral security.

Geopolitical conditions, including the war in Ukraine

Geopolitical tensions, including the war in Ukraine, are expected to affect the credit quality of some customers due to lower economic growth, rising energy prices, current interest rate conditions, house price trends, inflation and value and supply chain disruptions.

Provisions related to geopolitical tensions are based on stress test calculations of two factors. Firstly, stress simulations have been performed for stage 1 and stage 2 personal and business customers. We expect a drop in personal customers' discretionary incomes as a consequence of increased inflation and higher energy prices. Provisions of DKK 115 million have been made to counter such risk.

NOTES

Nykredit Bank Group

Secondly, business customers that are heavily reliant on energy for production and manufacturing are also likely to be affected. We have taken provisions of DKK 532 million for exposed sectors. Total provisions taken to manage increased risk exposures due to geopolitical tensions subsequently came to DKK 647 million including provisions of DKK 12 million with respect to Nykredit Leasing A/S.

Management overlay is distributed on personal and business customers across all stages.

Concentration risks

It is assessed that customers and some portfolios with potentially elevated credit risk have not yet been identified. These are homogeneous portfolios with significant lending. Such provisions are taken to counter significant new impairment charges for customers not currently written down for impairment in case of material changes in the customer's performance and/or the valuation of collateral.

Determination and choice of methodology: Results from the controlling reports are applied, and provisions for portfolios assessed to be relevant are scaled up.

These are distributed on business customers in stages 1 and 2.

Process-related risk (data)

Analyses and findings based on impairment model back testing, credit controlling and updated risk outlook from Danmarks Nationalbank are quantified.

Calculation and choice of methodology: Parameters are regularly back tested in Nykredit's impairment models. Any need for additional impairment provisions are recognised. Asset prices and interest rates etc are monitored regularly. Anomalies in the development could lead to management judgement in order to reduce any disproportionate effects.

This applies to the Group's entire portfolio.

ESG

Physical and transition risks related to ESG will be a challenge for Nykredit's and thus Nykredit Bank's business models in certain sectors and areas. At the same time, legislative measures may have a large impact on the loan portfolio. On balance, the value of certain assets is expected to decrease. Provisions based on management judgement have been made which will be regularly quantified and updated in the impairment models.

Model changes

Impact calculations are made for future changes to credit risk models. Any significant model-driven changes may imply additional impairment provisions.

Determination and choice of methodology: Coming changes to credit risk models are recalculated and quantified. Any need for additional impairment provisions are recognised as a management judgement.

This applies to the Group's entire portfolio.

Other factors

Other factors include results of controlling and general regular controls. Regular controls and spot checks in Nykredit Bank A/S, suggest that there could be factors which have not yet been registered in the credit risk management.

Determination and choice of methodology: Credit Controlling reports and analyses are scaled up for the entire portfolio.

This is distributed on customers in stages 1 and 2.

NOTES

		DKK million	
Nykredit Bank A/S		Nykredit Bank Group	
2021	2022	2022	2021
4. CAPITAL AND CAPITAL ADEQUACY			
30,743	33,404	Equity	
-	-	Minority interests not included	
(49)	(22)	Prudent valuation adjustment	
(1,770)	(1,770)	Intangible assets excluding deferred tax liabilities	
-	-	Other regulatory adjustments	
(34)	(102)	Deduction non-performing exposures	
(1,853)	(1,893)	Common Equity Tier 1 regulatory deductions	
28,890	31,511	Common Equity Tier 1 capital	
-	-	Minority interests	
-	-	Total Additional Tier 1 capital after regulatory deductions	
28,890	31,511	Tier 1 capital	
641	631	Tier 2 regulatory adjustments	
-	-	Minority interests	
29,532	32,142	Own funds	
116,106	113,902	Credit risk	
9,597	14,929	Market risk	
7,219	7,981	Operational risk	
132,922	136,812	Total risk exposure amount	
Financial ratios			
21.7	23.0	Common Equity Tier 1 capital ratio, %	
21.7	23.0	Tier 1 capital ratio, %	
22.2	23.4	Total capital ratio, %	

Capital and capital adequacy have been determined in accordance with the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD) of the European Parliament and of the Council, as implemented in Danish legislation.

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 2%.

NOTES

Nykredit Bank Group

4. 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.

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 a 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.

NOTES

DKK million

Nykredit Bank Group

5. 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.

	Personal Banking	Business Banking	Total Retail	Corporates & Institutions	Total Banking	Wealth Management	Group Items	Total
Results 2022								
Results by business area								
Net interest income	742	879	1,621	713	2,334	192	(19)	2,508
Net fee income	226	158	384	275	659	12	(47)	624
Wealth management income	435	125	560	134	694	1,551	35	2,279
Net interest from capitalisation	(20)	(43)	(63)	(63)	(125)	(9)	(18)	(152)
Net income relating to customer benefits programmes ¹	-	-	-	-	-	-	(140)	(140)
Trading, investment portfolio and other income	128	282	410	578	988	69	(84)	973
Income*	1,511	1,401	2,912	1,637	4,550	1,815	(273)	6,091
Costs	983	530	1,514	577	2,090	911	122	3,123
Business profit (loss) before impairment charges	528	871	1,398	1,061	2,459	904	(395)	2,968
*Impairment charges for loans and advances	(55)	360	305	111	416	(15)	(5)	396
Business profit (loss)	583	511	1,093	950	2,044	919	(390)	2,573
Legacy derivatives	19	524	543	388	931	0	-	931
Profit (loss) before tax	602	1,034	1,636	1,338	2,975	920	(390)	3,504
*Of which transactions between the business areas	815	194	1,009	(392)	616	(420)	(196)	0
Average allocated business capital	2,946	6,019	8,964	8,939	17,903	1,329	927	20,160
Business profit as % of average business capital	19.8	8.5	12.2	10.6	11.4	69.2		12.8
BALANCE SHEET								
Assets								
Reverse repurchase lending at amortised cost	-	-	-	-	-	-	37,970	37,970
Loans and advances at amortised cost	12,637	28,754	41,391	39,357	80,748	5,406	581	86,735
Assets by business area	12,637	28,754	41,391	39,357	80,748	5,406	38,551	124,705
Unallocated assets								112,424
Total assets								237,129
Liabilities and equity								
Repo deposits at amortised cost	-	-	-	-	-	-	6,266	6,266
Deposits and other payables at amortised cost	44,077	27,540	71,617	13,372	84,989	19,070	3,368	107,426
Liabilities by business area	44,077	27,540	71,617	13,372	84,989	19,070	9,633	113,691
Unallocated liabilities								89,919
Equity								33,518
Total liabilities and equity								237,129

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

Geographical markets

International income came to DKK 222 million (2021: DKK 361 million). The income derives from investment activities in Sparinvest Holdings SE in Luxembourg.

NOTES

DKK million

Nykredit Bank Group

5. BUSINESS AREAS (CONTINUED)

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".

NOTES

DKK million

Nykredit Bank Group

6. RECONCILIATION OF INTERNAL AND REGULATORY INCOME STATEMENT	2022			2021		
	Earnings presentation in Management Commentary	Reclassification	Income statement	Earnings presentation in Management Commentary	Reclassification	Income statement
Net interest income	2,508	(378)	2,130	1,774	(286)	1,488
Dividend on equities etc		6	6		5	5
Fee and commission income, net	624	2,151	2,774	680	2,140	2,820
Net interest and fee income		1,779	4,910		1,859	4,313
Wealth management income	2,279	(2,279)	-	2,324	(2,324)	-
Net interest from capitalisation	(152)	152	-	(41)	41	-
Net interest from capitalisation	(140)	140	-	(72)	72	-
Trading, investment portfolio and other income	973	(973)	-	1,246	(1,246)	-
Value adjustments		2,029	2,029		1,628	1,628
Other operating income		76	76		397	397
Total income	6,091			5,912		
Costs	3,123	0	3,123	2,927	0	2,927
Business profit before impairment charges	2,968			2,985		
Impairment charges for loans and advances etc	396	-	396	(120)	-	(120)
Profit from investments in associates		7	7		6	6
Business profit	2,573			3,105		
Legacy derivatives	931	(931)	-	432	(432)	-
Profit (loss) before tax	3,504	(0)	3,504	3,537	(0)	3,537

Note 6 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.

NOTES

Nykredit Bank Group		
	2022	2021
7. INCOME		
Revenue from contracts with customers (IFRS 15) by business area		
Retail	549	490
Corporates & Institutions	407	403
Total Banking	956	892
Wealth Management	2,339	2,348
Group Items	52	76
Total	3,347	3,316
Total including income from financial guarantees	3,405	3,365

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 5.

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.

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:

- 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.

NOTES

DKK million

Nykredit Bank Group

8. NET INTEREST INCOME ETC AND VALUE ADJUSTMENTS

2022	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	(28)	232	(260)	-	-	(260)
Lending and deposits	2,540	(43)	2,583	-	(4)	2,578
Repo transactions and reverse repurchase lending	46	-	46	-	-	46
Bonds in issue at amortised cost	-	38	(38)	-	-	(38)
Subordinated debt	-	0	(0)	-	-	(0)
Other financial instruments	24	42	(18)	-	-	(18)
Total	2,581	269	2,312	-	(4)	2,307
Financial portfolios at fair value and financial instruments at fair value						
Bonds	166	-	166	-	(390)	(224)
Equities etc	-	-	-	6	5	12
Derivative financial instruments etc	(348)	-	(348)	-	2,087	1,739
Total	(182)	-	(182)	6	1,703	1,527
Foreign currency translation adjustment					331	331
Net interest income etc and value adjustments	2,399	269	2,130	6	2,029	4,165
2021						
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

NOTES

Nykredit Bank A/S		DKK million	
		Nykredit Bank Group	
2021	2022	2022	2021
9. INTEREST INCOME			
1	(5)	Receivables from credit institutions and central banks	(4) 3
1,782	2,531	Loans, advances and other receivables	2,702 1,953
34	163	Bonds	166 33
(438)	(348)	Derivative financial instruments	(348) (438)
Of which			
47	94	- foreign exchange contracts	94 47
(480)	(444)	- interest rate contracts	(444) (480)
(6)	3	- other contracts	3 (6)
2	22	Other interest income	24 3
1,381	2,364	Total	2,540 1,554
Of which interest income from reverse repurchase lending entered as:			
1	9	Receivables from credit institutions and central banks	9 1
1	37	Loans, advances and other receivables	37 1
Of total interest income:			
1,723	2,142	Interest income based on the effective interest method	2,312 1,894
45	50	Interest income accrued on impaired financial assets measured at amortised cost	50 45
18	19	Interest income accrued on fixed-rate bank loans	55 64
-	-	Interest income from finance leases	148 133
Interest income accrued on bank loans subject to stage 3 impairment totalled DKK 50 million (2021: DKK 45 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.			

NOTES

Nykredit Bank A/S		DKK million	
		Nykredit Bank Group	
2021	2022	2022	2021
9. INTEREST INCOME (CONTINUED)			
9 a. Negative interest			
Interest income			
(20)	(16)	(16)	(20)
(161)	(125)	(125)	(163)
(181)	(141)	(141)	(183)
Of which interest income from reverse repurchase lending entered as:			
(14)	(10)	(10)	(14)
(160)	(125)	(125)	(160)
Interest expenses			
(113)	(62)	(62)	(113)
(285)	(225)	(225)	(285)
(398)	(287)	(287)	(398)
Of which interest expenses from repo deposits entered as:			
(23)	(14)	(14)	(23)
(34)	(33)	(33)	(34)
10. INTEREST EXPENSES			
123	290	294	124
20	183	182	20
4	38	38	4
41	0	0	41
90	41	42	91
279	552	556	280
Of which interest expenses from repo transactions entered as:			
-	-	-	-
Bonds in issue			
3	-	-	3
Of total interest expenses:			
-	-	-	-

NOTES

DKK million					
Nykredit Bank A/S			Nykredit Bank Group		
2021	2022		2022	2021	
		15. STAFF AND ADMINISTRATIVE EXPENSES (CONTINUED)			
		Remuneration of Board of Directors and Executive Board			
		Board of Directors			
0	0	Fees etc	0	0	
		Executive Board			
6	8	Base salaries	8	6	
0	0	Pension	0	0	
2	2	Variable remuneration	2	2	
8	10	Total	10	8	
		Disclosure of Board and Executive Compensation is available at nykredit.com/salaries , to which reference is made.			
689	714	Salaries	935	917	
62	68	Pensions (defined contribution plans)	92	85	
103	114	Payroll tax	142	130	
4	4	Social security expenses	8	8	
857	900	Total	1,178	1,139	
		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):			
57	68	Base salaries	115	96	
21	23	Variable remuneration	36	30	
78	91	Total	151	126	
705	756	Average number of staff for the financial year, full-time equivalent	1,021	974	
		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, 66 staff members. 40 are on the payroll of Nykredit Bank, 26 are on the payroll of the Bank's subsidiaries, and 104 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 18 of the Management Commentary under Remuneration and at nykredit.com/remuneration .			
		Fees to auditor appointed by the General Meeting			
3	5	EY Godkendt Revisionspartnerselskab	8	5	
		Total fees include:			
2	2	Statutory audit of the Financial Statements	3	3	
1	1	Other assurance engagements	2	2	
-	-	Tax advice	1	-	
0	2	Other services	2	0	
3	5	Total fees	8	5	
		Other services than statutory audit relates to statutory assurance reports, ISAE 3402 reports, financial and tax due diligence as well as general tax advisory.			

NOTES

Nykredit Bank A/S		DKK million	
		Nykredit Bank Group	
2021	2022	2022	2021
		16. DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES FOR TANGIBLE AND INTANGIBLE ASSETS	
-	-	4	10
-	-	36	24
-	-	39	34

NOTES

DKK million

Nykredit Bank Group

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

17 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
	2022	2021	2022	2021	2022	2021	2022	2021
Total impairment provisions								
Beginning of year	2,755	3,012	9	12	331	241	3,096	3,265
New impairment provisions as a result of additions and change in credit risk	1,524	1,135	0	0	215	227	1,739	1,363
Releases as a result of redemptions and change in credit risk	1,155	1,313	7	3	206	137	1,368	1,452
Impairment provisions written off	27	115	-	-	0	-	27	115
Interest on impaired facilities	35	34	-	-	0	-	35	34
Total impairment provisions, year-end	3,132	2,755	3	9	340	331	3,475	3,096
Earnings impact								
Change in impairment provisions for loans and advances (stages 1-3)	369	(177)	(7)	(3)	9	90	372	(89)
Write-offs for the year, not previously written down for impairment	88	20	-	-	-	-	88	20
Recoveries on claims previously written off	61	48	-	-	-	-	61	48
Total	396	(205)	(7)	(3)	9	90	398	(118)
Value adjustment of assets in temporary possession	-	-	-	-	-	-	-	-
Value adjustment of claims previously written off	(3)	(3)	-	-	-	-	(3)	(3)
Total earnings impact	393	(208)	(7)	(3)	9	90	396	(120)

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 2022 and still sought to be recovered is DKK 80 million (2021: DKK 50 million).

Of total impairment provisions for bank lending determined under IFRS 9, 2% or DKK 0,1 billion (2021; 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.

NOTES

DKK million

Nykredit Bank Group

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

17 b. Total impairment provisions by stage 2022	Loans, advances and receivables at amor- tised cost			Guarantees			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Total, 1 January 2022	364	809	1,591	69	169	94	3,096
Transfer to stage 1	371	(300)	(71)	68	(64)	(4)	-
Transfer to stage 2	(59)	164	(106)	(8)	13	(5)	-
Transfer to stage 3	(6)	(124)	129	(0)	(18)	19	-
Impairment provisions for new loans and advances (addi- tions)	105	211	181	20	51	23	592
Additions as a result of change in credit risk	92	429	506	18	92	11	1,148
Releases as a result of change in credit risk	485	275	401	92	52	62	1,368
Previously written down for impairment, now written off	0	0	27	-	-	0	27
Interest on impaired facilities	-	-	35	-	-	-	35
Total impairment provisions, year-end	383	914	1,837	75	190	75	3,475
Total		3,134			340		3,475
Impairment provisions, year-end, are moreover attributable to:							
Credit institutions	3	-	-				3
Earnings impact for 2022	(287)	364	286	(53)	91	(28)	372

2021	Loans, advances and receivables at amor- tised cost			Guarantees			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
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 (addi- tions)	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 impairment provisions, year-end		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)

NOTES

DKK million

Nykredit Bank Group

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

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

2022	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	108,433	16,867	2,536	127,836
Total impairment provisions, year-end	380	914	1,837	3,132
Loans and advances, carrying amount	108,053	15,953	699	124,705
Guarantees and loan commitments				
Guarantees etc	46,248	2,744	375	49,368
Total impairment provisions, year-end	75	190	75	340
Guarantees and loan commitments, carrying amount	46,173	2,554	300	49,027
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

NOTES

DKK million

Nykredit Bank Group

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

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

2022	Stage 1	Stage 2	Stage 3	Total
Gross lending as at 1 January 2022	111,845	14,366	1,957	128,168
Transfer to stage 1	7,817	(7,779)	(38)	0
Transfer to stage 2	(8,804)	8,921	(117)	0
Transfer to stage 3	(368)	(498)	865	(0)
Other movements ¹	(2,057)	1,857	(132)	(332)
Total, 31 December 2022	108,433	16,867	2,536	127,836
Impairment charges/provisions, total	380	914	1,837	3,132
Carrying amount	108,053	15,953	699	124,705
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 movements ¹	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

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

NOTES

DKK million

Nykredit Bank Group

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

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

2022	Stage 1	Stage 2	Stage 3	Total
Gross guarantees as at 1 January 2022	51,688	2,505	391	54,584
Transfer to stage 1	656	(648)	(8)	(0)
Transfer to stage 2	(956)	977	(21)	-
Transfer to stage 3	(50)	(45)	96	-
Other movements ¹	(5,090)	(44)	(82)	(5,216)
Total, 31 December 2022	46,248	2,744	375	49,368
Impairment charges/provisions, total	75	190	75	340
Carrying amount	46,173	2,554	300	49,027
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 movements ¹	(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

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

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DKK million

Nycredit Bank Group

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

17 f. Loans, advances and guarantees etc, gross

2022	Loans and advances etc, gross				Loans and advances etc, excluding impairment charges			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans and advances etc	108,433	16,867	2,536	127,836	37,970	-	-	37,970
Balances with credit institutions	8,037	-	-	8,037	7,097	-	-	7,097
Guarantees and loan commitments	46,248	2,744	375	49,368	-	-	-	-
Total, 31 December 2022	162,718	19,612	2,911	185,241	45,067	-	-	45,067

2021	Loans and advances etc, gross				Loans and advances etc, excluding impairment charges			
	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. excluding impairment charges relating to secured repo lending.

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DKK million

Nykredit Bank Group

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

17 g. Loans and advances by rating categories

2022 Rating category	Bank loans and advances, gross			Total impairment provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
10	26,064	4,917	-	70	39	-
9	21,107	2,734	-	51	72	-
8	10,288	750	-	57	42	-
7	10,554	1,483	-	49	45	-
6	20,940	2,189	-	61	110	-
5	10,234	1,572	-	60	142	-
4	1,243	1,023	-	15	150	-
3	7,548	659	-	11	58	-
2	214	331	-	3	49	-
1	241	867	-	1	108	-
0	-	338	-	-	96	-
Exposures in default	-	5	2,536	-	1	1,837
Total	108,433	16,867	2,536	380	914	1,837

2021 Rating category	Bank loans and advances, gross			Total impairment provisions		
	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

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DKK million

Nykredit Bank Group

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

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

2022	Bank loans, advances and guarantees			Total impairment provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Public sector	916	73	-	3	23	-
Agriculture, hunting, forestry and fishing	3,732	390	179	14	16	159
Manufacturing, mining and quarrying	9,989	4,864	479	29	256	277
Energy supply	357	5,025	7	3	87	7
Construction	1,030	1,449	230	4	172	177
Trade	11,196	2,091	586	57	109	452
Transport, accommodation and food service activities	6,401	430	160	13	18	137
Information and communication	4,814	88	80	11	6	69
Finance and insurance	44,184	629	66	19	16	48
Real estate	16,677	1,428	360	87	155	193
Other	12,458	633	265	66	43	162
Total business customers	110,838	17,026	2,413	303	878	1,684
Personal customers	22,604	2,513	498	149	203	228
Total	134,357	19,612	2,911	455	1,105	1,912

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	112,097	13,840	1,906	308	745	1,445
Personal customers	24,597	2,722	442	112	227	241
Total	137,506	16,870	2,348	423	978	1,685

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DKK million

Nykredit Bank A/S

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

18 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
	2022	2021	2022	2021	2022	2021	2022	2021
Total impairment provisions								
Beginning of year	2,619	2,874	9	12	331	241	2,959	3,127
New impairment provisions as a result of additions and change in credit risk	1,452	1,078	0	0	215	227	1,667	1,305
Releases as a result of redemptions and change in credit risk	1,108	1,261	7	3	206	137	1,320	1,400
Impairment provisions written off	26	106	-	-	0	-	26	106
Interest on impaired facilities	35	34	-	-	0	-	35	34
Total impairment provisions, year-end	2,972	2,619	3	9	340	331	3,315	2,959
Earnings impact								
Change in impairment provisions for loans and advances (stages 1-3)	344	(183)	(7)	(3)	9	90	347	(95)
Write-offs for the year, not previously written down for impairment	83	14	-	-	-	-	83	14
Recoveries on claims previously written off	58	47	-	-	-	-	58	47
Total	370	(217)	(7)	(3)	9	90	372	(129)
Value adjustment of assets in temporary possession	-	-	-	-	-	-	-	-
Value adjustment of claims previously written off	(3)	(3)	-	-	-	-	(3)	(3)
Total earnings impact	367	(219)	(7)	(3)	9	90	370	(131)

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 2022 and still sought to be recovered is DKK 80 million (2021: DKK 50 million).

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DKK million

Nykredit Bank A/S

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

18 b. Total impairment provisions by stage

2022	Loans, advances and receivables at amortised cost			Guarantees			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Total, 1 January 2022	350	805	1,472	69	169	94	2,959
Transfer to stage 1	366	(299)	(67)	68	(64)	(4)	-
Transfer to stage 2	(59)	162	(104)	(8)	13	(5)	-
Transfer to stage 3	(5)	(123)	128	(0)	(18)	19	-
Impairment provisions for new loans and advances (additions)	98	209	170	20	51	23	572
Additions as a result of change in credit risk	90	428	457	18	92	11	1,095
Releases as a result of change in credit risk	478	272	364	92	52	62	1,320
Previously written down for impairment, now written off	-	-	26	-	-	0	26
Interest on impaired facilities	-	-	35	-	-	-	35
Total impairment provisions	363	910	1,702	75	190	75	3,315
Total impairment provisions, year-end		2,975			340		3,315
Impairment provisions, year-end, are attributable to:							
Credit institutions	3	-	-				3
Earnings impact for 2022	(290)	365	263	(53)	91	(28)	347

2021	Loans, advances and receivables at amortised cost			Guarantees			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
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)

NOTES

DKK million

Nykredit Bank A/S

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

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

2022	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	105,604	15,980	2,293	123,877
Total impairment provisions, year-end	360	910	1,702	2,972
Loans and advances, carrying amount	105,243	15,071	591	120,905
Guarantees and loan commitments				
Guarantees etc	45,837	2,744	375	48,957
Total impairment provisions, year-end	75	190	75	340
Guarantees and loan commitments, carrying amount	45,762	2,554	300	48,616
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

NOTES

DKK million

Nycredit Bank A/S

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

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

2022	Stage 1	Stage 2	Stage 3	Total
Gross lending as at 1 January 2022	111,281	13,442	1,713	126,435
Transfer to stage 1	7,954	(7,825)	(130)	-
Transfer to stage 2	(8,869)	8,995	(126)	-
Transfer to stage 3	(379)	(526)	905	-
Other movements ¹	(4,383)	1,894	(69)	(2,558)
Total, 31 December 2022	105,604	15,980	2,293	123,877
Impairment charges/provisions, total	360	910	1,702	2,972
Carrying amount	105,243	15,071	591	120,905
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

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

NOTES

DKK million

Nycredit Bank A/S

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

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

2022	Stage 1	Stage 2	Stage 3	Total
Gross guarantees as at 1 January 2022	51,476	2,505	391	54,371
Transfer to stage 1	656	(648)	(8)	-
Transfer to stage 2	(956)	977	(21)	-
Transfer to stage 3	(50)	(45)	96	-
Other movements ¹	(5,289)	(44)	(82)	(5,415)
Total, 31 December 2022	45,837	2,744	375	48,957
Impairment charges/provisions, total	75	190	75	340
Carrying amount	45,762	2,554	300	48,616
2021	Stage 1	Stage 2	Stage 3	Total
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

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

NOTES

Nykredit Bank A/S				DKK million	
				Nykredit Bank Group	
2021	2022			2022	2021
19. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES					
6	7	Profit from investments in associates		7	6
520	507	Profit from investments in Group enterprises		-	-
526	514	Total		7	6
20. TAX					
Tax on profit for the year has been calculated as follows:					
588	602	Current tax		756	744
(5)	(8)	Deferred tax		(4)	(10)
4	3	Adjustment of tax relating to previous years		2	1
(3)	(3)	Adjustment of deferred tax relating to previous years		(5)	(2)
-	(24)	Adjustment of deferred tax, change in tax rate (surtax)		10	-
584	569	Tax		758	733
Tax on profit for the year can be specified as follows:					
735	716	Calculated 22% tax on profit before tax		771	778
(114)	(111)	Of which recognised as profit from investments		-	-
Tax effect of:					
(153)	(125)	Non-taxable income		(22)	(41)
1	2	Non-deductible expenses and other adjustments		3	6
1	1	Adjustment of tax relating to previous years		(3)	(11)
-	(24)	Adjustment of deferred tax, change in tax rate (surtax)		10	-
584	569	Total		758	733
22.0	22.0	Current tax rates, %		22.0	22.0
4.5	4.5	Permanent deviations		0.4	1.3
17.5	17.5	Effective tax rate, %		21.6	20.7

NOTES

		DKK million	
Nykredit Bank A/S		Nykredit Bank Group	
2021	2022	2022	2021
21. CONTRACTUAL DUE DATES BY TIME-TO-MATURITY			
21 a. Contractual due dates by time-to-maturity			
Receivables from credit institutions and central banks			
2,187	713	900	2,409
1,199	7,955	7,954	1,199
3,386	8,668	8,855	3,608
Loans, advances and other receivables at amortised cost			
6,328	37,245	36,768	5,912
67,110	58,486	55,861	62,710
14,370	14,097	13,688	13,972
26,209	8,062	15,658	33,197
9,799	3,015	2,730	9,621
123,816	120,905	124,705	125,413
Finance leases			
-	-	582	631
-	-	1,242	1,307
-	-	3,807	3,666
-	-	380	256
-	-	6,011	5,860
Gross investments in finance leases			
-	-	1,966	2,014
-	-	4,168	3,878
-	-	805	625
-	-	6,939	6,518
Bonds at fair value			
-	458	554	-
6,565	17,426	17,507	6,725
19,648	28,732	29,487	20,925
12,226	10,161	10,161	12,232
38,439	56,777	57,709	39,882
Positive market value of derivative financial instruments etc			
981	2,261	2,261	981
649	609	609	649
14,878	4,515	4,515	14,878
16,508	7,385	7,385	16,508

"Interest and commission receivable" and "Other" fall due within 1 year.

NOTES

		DKK million		
Nykredit Bank A/S		Nykredit Bank Group		
2021	2022		2022	2021
21. CONTRACTUAL DUE DATES BY TIME-TO-MATURITY (CONTINUED)				
21 b. Contractual due dates by time-to-maturity				
Payables to credit institutions and central banks				
16,085	9,507	On demand	9,507	16,085
8,377	16,815	Up to 3 months	16,815	8,377
3,822	2,251	Over 3 months and up to 1 year	2,251	3,822
18,971	16,509	Over 1 year and up to 5 years	16,509	18,971
5,577	5,577	Over 5 years	5,577	5,577
52,833	50,660	Total	50,660	52,833
Deposits and other payables*				
86,301	99,345	On demand	98,801	86,077
5,838	13,004	Up to 3 months	13,004	5,838
1,675	1,026	Over 3 months and up to 1 year	1,026	1,675
5,300	387	Over 1 year and up to 5 years	387	5,300
1,384	473	Over 5 years	473	1,384
100,498	114,236	Total	113,691	100,275
* Comparative figures have been restated				
Bonds in issue at amortised cost				
4,415	9,545	Up to 3 months	11,670	4,415
4,415	9,545	Total	11,670	4,415
Other non-derivative financial liabilities				
86	62	On demand	62	86
80	242	Up to 3 months	242	80
38	1,420	Over 3 months and up to 1 year	1,420	38
2,764	1,430	Over 1 year and up to 5 years	1,427	2,760
10,649	9,590	Over 5 years	9,587	10,649
13,617	12,744	Total	12,738	13,613
Negative market value of derivative financial instruments etc				
819	2,671	Up to 1 year	2,671	819
332	1,840	Over 1 year and up to 5 years	1,840	332
7,175	5,492	Over 5 years	5,492	7,175
8,326	10,003	Total	10,003	8,326
"Interest and commission payable" and "Other" fall due within one year.				
Contingent liabilities				
14,316	14,906	Up to 1 year	14,906	14,316
4,734	4,020	Over 1 year and up to 5 years	4,020	4,734
9,176	9,777	Over 5 years	9,778	9,176
28,225	28,703	Total	28,704	28,225
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.				

NOTES

Nykredit Bank A/S				DKK million	
				Nykredit Bank Group	
2021	2022			2022	2021
22. CASH BALANCES AND DEMAND DEPOSITS WITH CENTRAL BANKS					
675	951	Cash balances		951	675
22,851	29,667	Demand deposits with central banks		29,667	22,851
23,526	30,619	Total		30,619	23,526
23. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS					
2,016	751	Receivables from credit institutions		938	2,238
-	821	Reverse repurchase lending to central banks		821	-
1,370	7,097	Reverse repurchase lending to credit institutions		7,097	1,370
3,386	8,668	Total		8,855	3,608

NOTES

Nykredit Bank A/S				DKK million	
				Nykredit Bank Group	
2021	2022			2022	2021
24. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST					
75,535	85,907	Bank loans and advances		89,866	77,268
50,900	37,970	Reverse repurchase lending		37,970	50,900
126,435	123,877	Balance, year-end		127,836	128,168
Adjustment for credit risk					
(2,619)	(2,972)	Impairment provisions		(3,132)	(2,755)
123,816	120,905	Balance after impairment, year-end		124,705	125,413
Fixed-rate loans					
179	93	Of total loans and advances, fixed-rate loans represent		93	179
182	88	Market value of fixed-rate loans		88	182
Finance leases					
-	-	Of total loans and advances at amortised cost, finance leases represent		6,011	5,860
-	-	Carrying amount, beginning of year		5,860	5,921
-	-	Additions		2,611	2,506
-	-	Disposals etc		2,461	2,567
-	-	Carrying amount, year-end		6,011	5,860
-	-	Non-earned income		928	657
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		87	88
Non-guaranteed residual values on expiry of the leases represent DKK 0.					

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
2021	2022	2022	2021
24. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST (CONTINUED)			
%	%	%	%
Loans, advances and guarantee debtors by sector as %, year-end			
1	1	1	1
Public sector			
Business customers			
1	2	3	3
Agriculture, hunting, forestry and fishing			
7	9	10	8
Manufacturing, mining and quarrying			
4	4	3	4
Energy supply			
1	1	2	2
Construction			
6	8	9	6
Trade			
4	4	4	4
Transport, accommodation and food service activities			
1	3	3	2
Information and communication			
41	33	29	37
Finance and insurance			
11	12	12	11
Real estate			
6	8	9	6
Other			
83	85	83	82
Total business customers			
17	15	16	18
Personal customers			
100	100	100	100
Total			
The sector distribution is based on the official Danish activity codes.			
25. BONDS AT FAIR VALUE			
34,694	54,642	55,575	36,116
Covered bonds			
2,295	1,804	1,804	2,315
Government bonds			
1,451	330	330	1,451
Other bonds etc			
38,439	56,777	57,709	39,882
Total			
-	-	-	-
Set-off of self-issued bonds against bonds in issue			
38,439	56,777	57,709	39,882
Total			
The effect of fair value adjustment is recognised in the income statement.			
717	704	805	723
Of which redeemed bonds			
12,221	14,664	14,664	12,221
Assets sold as part of genuine sale and repurchase transactions			
8,165	5,477	5,477	8,165
As collateral for the Danish central bank, Danmarks Nationalbank and foreign clearing centres etc, bonds at fair value cost have been deposited of a total market value of			
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.			

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
2021	2022	2022	2021
26. EQUITIES ETC			
133	98	109	147
Equities measured at fair value through profit or loss			
133	98	109	147
Total			
Specification of equity portfolios			
118	42	54	132
Listed on Nasdaq Copenhagen A/S			
15	55	55	15
Unlisted equities carried at fair value			
133	98	109	147
Total			
27. INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES			
Investments in associates			
6	6	6	6
Cost, beginning of year			
-	3	3	-
Additions			
6	9	9	6
Cost, year-end			
7	7	7	7
Revaluations and impairment charges, beginning of year			
7	8	8	7
Received dividend			
6	7	7	6
Profit before tax			
7	6	6	7
Revaluations and impairment charges, year-end			
13	15	15	13
Balance, year-end			
Investments in Group enterprises			
863	866	-	-
Cost, beginning of year			
3	29	-	-
Additions			
866	895	-	-
Cost, year-end			
1,638	2,070	-	-
Revaluations and impairment charges, beginning of year			
85	753	-	-
Received dividend			
650	680	-	-
Profit before tax			
133	173	-	-
Tax			
2,070	1,824	-	-
Revaluations and impairment charges, year-end			
2,936	2,718	-	-
Balance, year-end			
Subordinated receivables			
246	116	116	246
Other enterprises			
246	116	116	246
Total			

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.

NOTES

Nykredit Bank A/S		DKK million			
		2021	2022	2022	2021
		27. INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES (CONTINUED)			
		Balances with associates and Group enterprises			
		Group enterprises			
		Asset items			
6,781	5,174	Loans, advances and other receivables at amortised cost	-	-	
6	4	Other assets	-	-	
6,787	5,178	Total	-	-	
		Liability items			
224	545	Deposits and other payables	-	-	
6	7	Other liabilities	-	-	
230	552	Total	-	-	
		28. ASSETS IN POOLED SCHEMES			
-	164	Cash deposits	164	-	
-	661	Investment fund units	661	-	
-	68	Other items	68	-	
-	893	Total	893	-	
		29. INTANGIBLE ASSETS			
		29 a. Customer relationships			
-	-	Acquisition cost, beginning of year	170	170	
-	-	Cost, year-end	170	170	
-	-	Amortisation, beginning of year	56	32	
-	-	Amortisation for the year	24	24	
-	-	Amortisation, year-end	80	56	
-	-	Total customer relationships, year-end	90	114	

NOTES

		DKK million																	
Nykredit Bank A/S		Nykredit Bank Group																	
2021	2022		2022	2021															
29. INTANGIBLE ASSETS (CONTINUED)																			
29 b. Goodwill																			
1,769	1,769	Cost, beginning of year	1,769	1,769															
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															
<p>Acquisition of Amber Fondsmæglerselskab A/S in 2011: Goodwill was allocated to the business area Wholesale.</p> <p>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.</p> <p>The impairment test is based on the following assumptions:</p> <table border="1"> <thead> <tr> <th></th> <th>2022</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Acquired goodwill (Sparinvest)</td> <td>1,755</td> <td>1,755</td> </tr> <tr> <td>Required rate of return before tax, %</td> <td>10</td> <td>10</td> </tr> <tr> <td>Average annual business growth in the budget period, %</td> <td>7</td> <td>6</td> </tr> <tr> <td>Fixed annual business growth in the terminal period, %</td> <td>2</td> <td>2</td> </tr> </tbody> </table> <p>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.</p> <p>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.</p> <p>The recoverable amount is calculated as the present value of the expected cash flows from the unit to which allocation of goodwill is made.</p> <p>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 2022 (7.5% after tax) compared with 10% in 2021 (7.5% after tax). The determination is based on an analysis of the equity market's return requirements for investment management and portfolio administration.</p>						2022	2021	Acquired goodwill (Sparinvest)	1,755	1,755	Required rate of return before tax, %	10	10	Average annual business growth in the budget period, %	7	6	Fixed annual business growth in the terminal period, %	2	2
	2022	2021																	
Acquired goodwill (Sparinvest)	1,755	1,755																	
Required rate of return before tax, %	10	10																	
Average annual business growth in the budget period, %	7	6																	
Fixed annual business growth in the terminal period, %	2	2																	
29 c. Software																			
-	-	Cost, beginning of year	58	32															
-	-	Additions for the year	11	27															
-	-	Disposals for the year	-	(1)															
-	-	Cost, year-end	70	58															
-	-	Amortisation, beginning of year	11	7															
-	-	Amortisation for the year	12	4															
-	-	Amortisation, year-end	23	11															
-	-	Total software, year-end	47	48															

NOTES

		DKK million	
Nykredit Bank A/S		Nykredit Bank Group	
2021	2022	2022	2021
	30. LAND AND PROPERTY		
	30 a. Equipment		
-	- Cost, beginning of year	6	5
-	- Additions	2	1
-	- Cost, year-end	8	6
-	- Depreciation and impairment, beginning of year	5	3
-	- Depreciation for the year	1	2
-	- Depreciation and impairment, year-end	6	5
-	- Total equipment, year-end	2	1
	Equipment is depreciated over 3-5 years and had an average residual depreciation period of 1 year at 31 December 2022 (end-2021: 1 year).		

NOTES

	DKK million	
	Nykredit Bank Group	
	2022	2021
30. LAND AND PROPERTY (CONTINUED)		
30 b. Leased property		
Cost, beginning of year	21	23
Disposals	(1)	(1)
Cost, year-end	21	21
Depreciation and impairment, beginning of year	7	4
Depreciation for the year	3	4
Depreciation and impairment, year-end	11	7
Balance, year-end	10	14

	2022		2021	
	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	7	7	11	11
Total	11	11	14	14

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 10 million at end-2022 (2021: DKK 14 million). Interest relating to lease liabilities was DKK 0.2 million (2021: DKK 0.2 million).

NOTES

		DKK million	
Nykredit Bank A/S		Nykredit Bank Group	
2021	2022	2022	2021
31. OTHER ASSETS			
693	876	913	741
16,508	7,385	7,385	16,508
3,302	3,656	3,742	3,380
20,503	11,917	12,039	20,629
Total			
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.			
280	279	279	280
(1)	(18)	(18)	(1)
279	261	261	279
The unamortised minimum margin at year-end amounted to			
158	147	147	158
- of which recognised in FVA and CVA			

NOTES

Nykredit Bank A/S		DKK million		
		2021	2022	Nykredit Bank Group
			2022	2021
32. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS				
44,011	38,364	Payables to credit institutions	38,364	44,011
3,882	3,773	Payables to central banks	3,773	3,882
4,940	7,702	Repo transactions with credit institutions	7,702	4,940
-	821	Repo transactions with central banks	821	-
52,833	50,660	Total	50,660	52,833
Of total balances with banks, DKK 24 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.				
33. DEPOSITS AND OTHER PAYABLES				
86,301	99,345	On demand	98,801	86,077
4,073	5,396	Time deposits	5,396	4,073
2,746	3,230	Special deposits	3,230	2,746
7,379	6,266	Repo deposits	6,266	7,379
100,498	114,236	Total	113,691	100,275
34. BONDS IN ISSUE AT AMORTISED COST				
4,415	9,545	Bonds in issue	11,670	4,415
4,415	9,545	Total	11,670	4,415
Issues				
4,415	9,545	ECP issues	9,545	4,415
-	-	Other issues	2,125	-
4,415	9,545	Total	11,670	4,415

NOTES

		DKK million	
Nykredit Bank A/S		Nykredit Bank Group	
2021	2022	2022	2021
35. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE			
13,617	12,744	Negative securities portfolios	12,738 13,613
13,617	12,744	Total	12,738 13,613
36. CURRENT TAX ASSETS AND LIABILITIES			
Current tax			
18	23	Corporation tax due, beginning of year	21 (5)
-	-	Additions	(0) -
588	602	Current tax for the year	756 744
(586)	(400)	Corporation tax paid for the year, net	(503) (719)
4	3	Adjustment relating to previous years	2 1
23	228	Balance, year-end	276 21
Current tax recognised in the balance sheet			
(0)	-	Current tax assets	(19) (14)
23	228	Current tax liabilities	295 35
23	228	Balance, year-end, net	276 21
37. PROVISIONS FOR DEFERRED TAX/DEFERRED TAX ASSETS			
Deferred tax			
(116)	(124)	Deferred tax, beginning of year	84 96
(5)	(8)	Deferred tax for the year recognised in profit for the year	(4) (10)
(3)	(2)	Adjustment of deferred tax relating to previous years	(5) (2)
-	(24)	Adjustment of deferred tax, change in tax rate (surtax)	10 -
(124)	(159)	Deferred tax, year-end	85 84
Deferred tax recognised in the balance sheet			
(124)	(159)	Deferred tax assets	(159) (125)
-	-	Provisions for deferred tax	244 209
(124)	(159)	Deferred tax, year-end, net	85 84
Deferred tax relates to:			
(53)	(78)	Loans and advances	236 191
(0)	(0)	Intangible assets	31 36
(1)	(1)	Property, plant and equipment	(11) (9)
(3)	(2)	Other assets and prepayments	(85) (62)
(67)	(77)	Other liabilities	(86) (72)
(124)	(159)	Total	85 84

NOTES

Nykredit Bank A/S				DKK million	
				Nykredit Bank Group	
2021	2022			2022	2021
38. OTHER LIABILITIES					
585	706	Interest and commission payable		712	589
8,326	10,003	Negative market value of derivative financial instruments etc		10,003	8,326
1,197	1,669	Other		2,180	1,749
10,108	12,378	Total		12,895	10,665
39. PROVISIONS					
Provisions for losses under guarantees					
241	331	Balance, beginning of year		331	241
227	215	Additions		215	227
137	206	Reversal of unutilised amounts		206	137
331	340	Balance, year-end		340	331
Other provisions					
211	138	Balance, beginning of year		147	230
46	67	Additions		67	46
120	25	Disposals		34	129
138	180	Balance, year-end		180	147
Total provisions for losses under guarantees and other provisions					
453	469	Balance, beginning of year		478	471
274	282	Additions		349	274
137	206	Reversal of unutilised amounts		206	137
120	25	Disposals		68	129
469	520	Balance, year-end		552	478

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.

NOTES

Nykredit Bank A/S		Dkk million	
2021	2022	Nykredit Bank Group	
2021	2022	2022	2021
40. 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.			
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 Cibur.			
2,000			2,000
2,000	-	-	2,000
Total subordinated debt			
-	-	-	-
Subordinated debt that may be included in own funds			
41. OFF BALANCE SHEET ITEMS			
Guarantees and warranties provided, irrevocable credit commitments and similar obligations not recognised in the balance sheets are presented below.			
28,225	28,703	28,704	28,225
13,642	11,030	11,441	13,847
41,867	39,734	40,145	42,073
Total			
41 a. Contingent liabilities			
11,295	13,163	13,163	11,295
8,027	7,216	7,216	8,027
8,902	8,325	8,325	8,903
28,225	28,703	28,704	28,225
Total			
Other contingent liabilities chiefly comprises purchase price and payment guarantees.			
41 b. Other commitments			
13,600	10,979	10,979	13,600
42	51	462	247
13,642	11,030	11,441	13,847
Total			
"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 20 billion as at 31 December 2022.

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Nykredit Bank Group

41. 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.

42. 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 2022 and 2021.

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.

In 2022, Nykredit Bank acquired 100% of the share capital of the companies Garanti Invest and Sparinvest Investment from its subsidiary Sparinvest.

In 2022, Nykredit Bank redeemed loans of DKK 2.0 billion in the form of Tier 2 provided by Nykredit Realkredit A/S.

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 2021 and 2022 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.

NOTES

Nykredit Bank A/S		DKK million	
2021	2022	Nykredit Bank Group	
2021	2022	2022	2021
42. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)			
42 A. TRANSACTIONS WITH THE PARENT, NYKREDIT REALKREDIT A/S, AND ITS GROUP ENTERPRISES AND ASSOCIATES			
Income statement			
139	132	132	139
(2)	(3)	(3)	(2)
(83)	(35)	(35)	(83)
41	247	247	41
276	297	297	276
30	25	25	30
65	50	50	65
21	135	135	21
825	1,163	1,163	919
Asset items			
26	31	31	26
4,876	20,607	21,545	5,713
251	43	43	251
Liability items			
41,039	28,446	28,446	41,039
23	106	106	23
2,000	-	-	2,000
42 b. Transactions with other Nykredit Bank Group enterprises			
Income statement			
6	46	-	-
74	79	-	-
5	6	-	-
28	28	-	-
Asset items			
6,781	5,175	-	-
8	10	-	-
Liability items			
223	338	-	-
5	6	-	-

NOTES

Nykredit Bank Group

43. FAIR VALUE DISCLOSURES

Valuation principles

Financial instruments are measured at fair value or amortised cost in the balance sheet. The tables in notes 43 a. and 43 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 disburseable 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 43 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.

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Nykredit Bank Group

FVA may involve both a funding benefit and a funding cost, but for Nykredit, the net FVA adjustment in 2022 will be a funding benefit. 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 -45 million at 31 December 2022 against DKK -385 million at end-2021.

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 2022, the non-amortised minimum margin amounted to DKK 114 million against DKK 119 million at end-2021. With regard to liquidity and credit risk, DKK 147 million for end-2022 and DKK 160 million for 2021 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 201 million at 31 December 2022 (2021: DKK 1,396 million). Credit value adjustments came to DKK 357 million at 31 December 2022 (2021: DKK 1,345 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 23 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 2022, the proportion was thus 0.3% compared with 2.5% at end-2021. The proportion of financial liabilities was 0.0% against 0.0% at end-2021.

Valuation, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets and liabilities, DKK 0.2 billion (2021: DKK 1.4 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 22 million at 31 December 2022 (0.06% of equity at 31 December 2022). The earnings impact for 2021 was estimated at DKK 141 million (0.46% of equity at 31 December 2021).

The net asset thus has a relatively insignificant impact on results and equity. With respect to derivatives (DKK 0.2 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 2022 and 2021, 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 2022 financial assets of DKK 4.3 billion (2021: DKK 2.0 billion) were transferred from Listed prices to Observable inputs and DKK 0.0 billion (2021: DKK 1.6 billion) from Observable inputs to Listed prices. Financial liabilities of DKK 0.5 billion (2021: DKK 1.5 billion) were transferred from Listed prices to Observable inputs and DKK 1.1 billion (2021: DKK 0.1 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 2022, the amount was DKK 0.7 billion against DKK 0.7 billion at end-2021.

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

NOTES

DKK million

Nykkredit Bank Group

43. FAIR VALUE DISCLOSURES (CONTINUED)

43 a. Fair value disclosures of assets and liabilities recognised at amortised cost

2022	Carrying amount	Fair value	Balance	Fair value calculated on the basis of		
				Listed prices	Observable inputs	Unobservable inputs
Assets						
Loans, advances and other receivables at amortised cost	124,705	124,941	237	-	-	124,941
Total	124,705	124,941	237	-	-	124,941
Liabilities						
Bonds in issue at amortised cost	11,670	11,670	0	-	11,670	-
Total	11,670	11,670	0	-	11,670	-
Transfer from assets			237			
Total balance			237			
2021						
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			

NOTES

DKK million

Nykredit Bank Group

43. FAIR VALUE DISCLOSURES (CONTINUED)

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

31 December 2022

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Financial assets:				
- bonds at fair value	729	56,980	-	57,709
- equities measured at fair value through profit or loss	94	-	15	109
- positive fair value of derivative financial instruments	719	6,465	201	7,385
- assets in pooled schemes	661	232	-	893
Total	2,203	63,677	215	66,096
Percentage	3.3	96.3	0.3	100.0
Financial liabilities:				
- deposits in pooled schemes	-	893	-	893
- other non-derivative financial liabilities at fair value	4,156	8,582	-	12,738
- negative fair value of derivative financial instruments	722	9,281	-	10,003
Total	4,878	18,756	-	23,634
Percentage	20.6	79.4	-	100.0
Assets and liabilities measured on the basis of unobservable inputs				
		Equities	Derivatives	Total
Fair value, beginning of year, assets	-	15	1,396	1,411
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement	-	1	(512)	(512)
Purchases for the year	-	-	-	-
Sales for the year	-	(1)	(171)	(171)
Transferred from Listed prices and Observable inputs ¹	-	-	39	39
Transferred to Listed prices and Observable inputs ²	-	-	(551)	(551)
Fair value, year-end, assets	-	15	201	215

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.

NOTES

DKK million

Nycredit Bank Group

43. FAIR VALUE DISCLOSURES (CONTINUED)

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

31 December 2021

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Financial assets:				
- 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.

NOTES

DKK million

Nycredit Bank Group

44. OFFSETTING

	Gross amounts	Financial instruments offset	Carrying amount after off-setting	Further offsetting, master netting agreements	Collateral	Net amounts
2022						
Financial assets						
Derivatives with a positive fair value	51,305	43,920	7,385	3,184	823	3,378
Reverse repo transactions	50,601	4,714	45,887	-	45,304	583
Total	101,906	48,634	53,272	3,184	46,127	3,961
Financial liabilities						
Derivatives with a negative fair value	53,923	43,920	10,003	3,184	564	6,255
Repo transactions	19,502	4,714	14,788	-	14,644	144
Total	73,425	48,634	24,791	3,184	15,208	6,399
2021						
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

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.

NOTES

DKK million

Nykkredit Bank Group

45. DERIVATIVE FINANCIAL INSTRUMENTS

By time-to-maturity	Net market value				Gross market value		Net market value	Nominal value
	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		
2022								
Foreign exchange contracts								
Forward contracts/futures, purchased	(487)	(130)	(0)	-	494	1,111	(617)	83,022
Forward contracts/futures, sold	170	129	3	-	886	585	301	73,982
Swaps	0	0	3	1	57	53	4	1,682
Options, purchased	0	1	-	-	1	-	1	30
Options, written	(0)	(1)	-	-	-	1	(1)	30
Interest rate contracts								
Forward contracts/futures, purchased	(692)	-	-	-	18	710	(692)	16,232
Forward contracts/futures, sold	688	-	-	-	701	12	688	6,516
Forward rate agreements, sold	-	-	-	-	(0)	-	-	-
Swaps	(51)	(20)	(1,267)	(1,286)	4,272	6,896	(2,623)	894,092
Options, purchased	(12)	1	243	687	943	24	919	18,157
Options, written	(1)	(4)	(214)	(378)	-	596	(596)	11,791
Equity contracts								
Forward contracts/futures, purchased	0	-	-	-	0	-	0	0
Forward contracts/futures, sold	0	-	-	-	0	-	0	0
Credit contracts								
Credit default swaps, purchased	-	-	(0)	-	-	0	(0)	37
Credit default swaps, sold	-	-	0	-	0	-	0	37
Total							(2,615)	

NOTES

DKK million

Nycredit Bank Group

45. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

By time-to-maturity	Net market value				Gross market value		Net market value	Nominal value
	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		
2021								
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	

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DKK million

46. UNSETTLED SPOT TRANSACTIONS

Nykredit Bank Group

	2022			Net market value	2021
	Market value				Net market value
	Nominal value	Positive	Negative		
Foreign exchange contracts, purchased	4,020	2	4	(2)	(4)
Foreign exchange contracts, sold	6,510	9	7	2	2
Interest rate contracts, purchased	2,278	-	14	(14)	1,569
Interest rate contracts, sold	3,410	12	1	11	(1,569)
Equity contracts, purchased	151	1	1	-	0
Equity contracts, sold	210	1	1	-	(0)
Total	16,579	25	28	(3)	(2)
Total, the year before	22,193	1,581	1,582	(2)	6

Nykredit Bank A/S

	2022			Net market value	2021
	Market value				Net market value
	Nominal value	Positive	Negative		
Foreign exchange contracts, purchased	4,020	2	4	(2)	(4)
Foreign exchange contracts, sold	6,510	9	7	2	2
Interest rate contracts, purchased	2,278	-	14	(14)	1,569
Interest rate contracts, sold	3,410	12	1	11	(1,569)
Equity contracts, purchased	151	1	1	-	0
Equity contracts, sold	210	1	1	-	(0)
Total	16,579	25	28	(3)	(2)
Total, the year before	22,193	1,581	1,582	(2)	6

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.

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DKK million

Nykredit Bank A/S		Nykredit Bank Group	
2021	2022	2022	2021
47. REPO TRANSACTIONS AND REVERSE REPURCHASE LENDING			
<p>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</p> <p>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.</p>			
Of the asset items below, reverse repurchase lending represents:			
1,370	7,917	Receivables from credit institutions and central banks, carrying amount	7,917 1,370
1,366	7,585	Bonds received as collateral but not offset against the balance	7,585 1,366
4	332	Total less collateral	332 4
54,084	42,683	Loans, advances and other receivables, gross	42,683 54,084
3,184	4,714	Set-off against "Deposits and other payables"	4,714 3,184
50,900	37,970	Carrying amount after set-off	37,970 50,900
50,735	37,435	Bonds received as collateral but not offset against the balance	37,435 50,735
165	535	Total less collateral	535 165
Of the liability items below, repo transactions represent:			
4,940	7,702	Payables to credit institutions and central banks, carrying amount	7,702 4,940
4,929	8,495	Bonds provided as collateral	8,495 4,929
10,563	10,979	Deposits and other payables, gross	10,979 10,563
3,184	4,714	Set-off against "Loans, advances and other receivables"	4,714 3,184
7,379	6,266	Carrying amount after set-off	6,266 7,379
7,316	6,150	Bonds provided as collateral	6,150 7,316

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.

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Nykredit Bank Group

48. 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.

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Nykredit Bank Group

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.

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 2022.

Nykredit Bank's internal limit for single exposures to a non-financial counterparty is DKK 3 billion. The Board of Directors may, however, approve temporary exposures of up to DKK 5 billion for two years.

The Bank's largest single exposure to a non-financial counterparty was DKK 3.9 billion at end-2022. The temporary exposure was approved by the Board of Directors.

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).

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%

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Nykredit Bank Group

At end-2022, the Bank's 20 largest exposures to non-financial counterparties totalled DKK 36.5 billion, equivalent to 116% of eligible capital. In 2021 the Bank's 20 largest exposures to non-financial counterparties amounted to DKK 31.7 billion, equivalent to 110% 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 increased from DKK 84.6 billion in 2021 to DKK 99.4 billion in 2022.

Nykredit Bank Group		
REA for credit risk excluding counterparty risk (CCR)		
DKK million	2022	2021
Standardised approach	9,299	8,973
IRB approach	70,222	65,672
Equities	110	104
Other ¹	19,801	9,889
Total credit risk excluding CCR	99,432	84,639

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.

Total provisions

Total provisions increased to DKK 3,475 million at 31 December 2022 (end-2021: DKK 3,096 million).

Provisions for guarantees and loan commitments amounted to DKK 340 million (end-2021: DKK 331 million).

Relative to total loans, advances and guarantees, provisions amounted to 2.2% (end-2021: 2.0%).

Earnings impact

Impairment charges for loans and advances were DKK 396 million in 2022 (end-2021: a net reversal of DKK 120 million). Of total impairment charges, impairment charges for loans and advances etc represented a charge of DKK 457 million (end-2021: a net reversal of DKK 72 million), while recoveries on loans and advances previously written off were DKK 61 million (end-2021: DKK 48 million).

DKK million

Nykredit Bank Group		
Provisions for loan impairment and guarantees		
	31.12.2022	31.12.2021
Impairment provisions, beginning of year	2,764	3,024
Impairment provisions and reversals	371	(260)
Impairment provisions, year-end	3,135	2,764
- of which impairment provisions for loans and advances etc	3,132	2,755
- of which impairment provisions for loans and advances to banks	3	9
Provisions for guarantees and loan commitments		
Provisions, beginning of year	331	241
Provisions, year-end	340	331
Total provisions	3,475	3,096
Earnings impact		
New impairment provisions and write-offs for the year, net	448	(162)
Recoveries on loans and advances previously written off	61	48
Total	387	(120)
Provisions for guarantees and loan commitments	9	90
Total earnings impact	396	(120)

Impairment charges for loans and advances are mainly attributable to:

DKK million

Nykredit Bank Group		
Total provisions for bank loan impairment		
	31.12.2022	31.12.2021
Individual impairment provisions (stage 3)	1,873	1,683
Model-based impairment provisions (stages 1, 2 and 3)	1,259	1,072
- of the above attributable to covid-19	804	626
Total provisions for bank loan impairment	3,132	2,755

Post-model adjustments

Corrections and changes to assumptions in the impairment models are based on management judgement. At end-2022, such post-model adjustments totalled DKK 770 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. The chart outlines the post-model adjustments made.

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Nykredit Bank Group

	DKK million	
	31.12.2022	31.12.2021
Nykredit Bank Group		
Specific macroeconomic risks and process-related circumstances		
Agriculture	5	6
Covid-19	150	299
Geopolitical tensions	127	0
Concentration risks in loan portfolios	125	56
Total macroeconomic risks	407	361
Process-related	2	18
Model changes	43	51
ESG	50	0
Other (outcomes of controlling, haircuts etc)	268	308
Total process-related circumstances	363	377
Total post-model adjustments	770	738

Expectations for macroeconomic models

Nykredit Bank's impairment models are based on forward-looking macroeconomic scenarios. The scenarios should reflect uncertainties relating to the economy as well as both improved and deteriorating outlooks. At end-2022, the scenarios were updated to reflect the current and expected economic environment, including the geopolitical turmoil and other derived market conditions.

The base scenario should reflect the economic environment. The base scenario carries a 55% weighting. The scenario implies expected GDP growth of 0.2% and house price decline of 5.6% in 2023. The adverse scenario was included in the models with a weighting of 40%. This scenario implies expected GDP decline of 0.6% and house price decline of 7.6% in 2023.

The improved scenario carries a 5% 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.

Based on this weighting, impairment provisions totalled DKK 3,475 million as at 31 December 2022 (end-2021: DKK 3,096 million). If the main scenario carried a 100% weighting, total impairment provisions would decrease by DKK 390 million. Compared with the main scenario, total impairment provisions would rise by DKK 1,109 million if the adverse scenario carried a 100% weighting. The change reflects a transfer of exposures from stage 1 to stage 2 (strong) and stage 2 (weak), resulting in increased expected credit losses. If the weighting of the improved scenario was 100%, total impairment provisions would decrease by DKK 219 million.

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.

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 6.5 billion at end-2022. 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.

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Nykredit Bank Group

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:

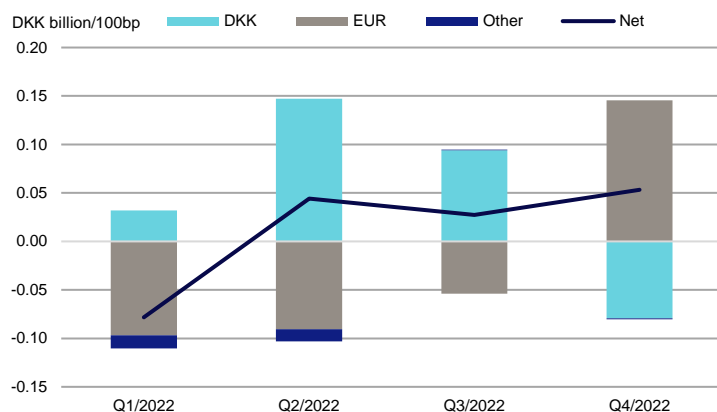
- Day-to-day management of all positions involving market risk
- Determination of REA for market risk for use in the determination of capital adequacy.

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.

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Nykredit Bank Group

Nykredit Bank Interest rate risk, 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.

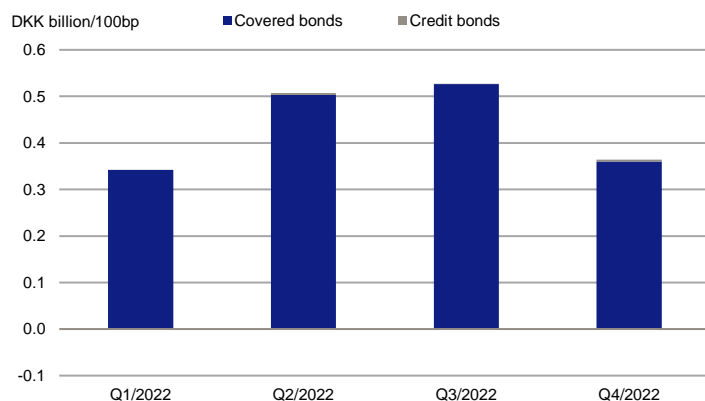
Traditional risk measures do not indicate how likely a particular event is to occur, but exclusively how much the event, viewed in isolation, would affect the value of a portfolio. In the day-to-day management of the market risk of Nykredit's trading book, Nykredit therefore uses Value-at-Risk models 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

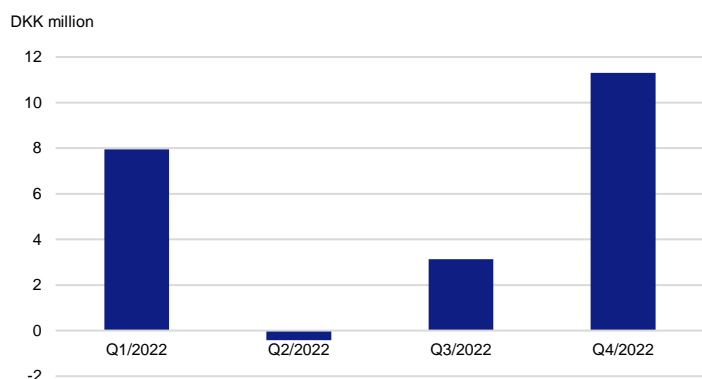
Nykredit Bank's interest rate risk is the risk of loss as a result of interest rate changes. Nykredit Bank's interest rate risk is measured as the change in the market value of Nykredit Bank's portfolios that would result from a general interest rate increase of 1 percentage point.

The net interest rate exposure in the trading book was DKK 53 million at end-2022 and the interest rate risk in the banking book was DKK 73 million.

Nykredit Bank Yield spread risk, trading book



Nykredit Bank Market value of equity portfolios, trading book



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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 360 million and approximately DKK 4 million on the portfolio of corporate bonds at end-2022. In the banking book the yield spread risk amounted to DKK 224 million at end-2022.

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 11 million at end-2022. In the banking book the equity price risk amounted to DKK 15 million at end-2022, which is composed of strategic equity positions.

Interest rate risk in the banking book (IRRBB)

A number of specific regulatory requirements apply to IRRBB. Two regulatory metrics are used to manage IRRBB: Economic Value of Equity (EVE) and Net Interest Income (NII), expressing estimated losses in terms of value adjustments and earnings impact, respectively, as a result of different interest rate change scenarios. At end-2022, EVE came to a loss of DKK 163 million under the scenario, where short-term interest rates are up. NII came to a loss of DKK 1,053 million under the scenario where short-term interest rates are down. Under this scenario, the stress to interest rates is between 0 and 2.45 percentage points, depending on maturity, where shorter maturities are subject to higher stress.

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 2022.

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 3.2 billion at end-2022, of which stressed VaR accounted for DKK 7.0 billion. REA for market risk was DKK 15 billion at end-2022.

Nykredit Bank Group		
REA – market risk		
DKK million	2022	2021
Internal models (VaR)	10,179	5,932
Standardised approach	4,847	3,877
Settlement risk	0	0
Total market risk exposure	15,026	9,809

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Nykredit Bank Group

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-2022, the Bank's LCR was 205% and the excess liquidity coverage totalled DKK 32 billion.

NOTES

Nykredit Bank Group

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.

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 10.2 billion in 2022.

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.

Cyberthreats against Nykredit and general society are high. It requires a constant effort to avoid incidents. Throughout 2022, Nykredit remained focused on maintaining and further developing a high protection level, including use of advanced security software, enhanced network protection, awareness campaigns, emergency preparedness exercises and optimised processes for efficient handling of security incidents. Organisational initiatives were also implemented to improve IT security monitoring in the second line of defence and a decision was taken to allocate new resources to this area. We will continue to strengthen our second line of defence structure in 2023. Nykredit did not experience any significant breaches in 2022.

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.

NOTES

Nykredit Bank A/S		DKK million	
2021	2022	Nykredit Bank Group	
		2022	2021
48. 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			
23,526	30,619		
		30,619	23,526
3,386	8,668	8,855	3,608
123,816	120,905	124,705	125,413
28,814	32,417	41,391	37,192
32,949	39,357	39,357	32,949
4,310	5,406	5,406	4,310
57,743	43,725	38,551	50,962
38,439	56,777	57,709	39,882
20,503	11,917	12,039	20,629
Off-balance sheet items			
28,225	28,703	28,704	28,225
13,642	11,030	11,441	13,847
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:			
8,575	11,009	11,009	8,575
9,940	10,047	10,047	9,940
8,806	8,777	8,777	8,806
84	188	188	84
1,147	3,182	3,182	1,147
1,375	1,243	1,243	1,375

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.

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DKK million

Nykredit Bank Group

48. RISK MANAGEMENT (CONTINUED)

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

Loans, advances, guarantees and provisions by sector

	Carrying amount			Proportion, %	Provisions		
	Lending	Guarantees	Total		Impairment provisions (stages 1-3)	Provisions (stages 1-3)	Total
31 December 2022							
Public sector	958	4	961	1	27	0	27
Business customers							
Agriculture, hunting, forestry and fishing	3,440	672	4,113	3	184	5	189
Manufacturing, mining and quarrying	12,515	2,254	14,769	10	511	53	563
Energy supply	5,146	144	5,291	3	86	12	98
Construction	1,696	661	2,357	2	321	32	353
Trade	12,221	1,034	13,255	9	597	21	618
Transport, accommodation and food service activities	6,462	361	6,823	4	142	27	169
Information and communication	4,429	467	4,896	3	83	3	86
Finance and insurance	43,278	1,517	44,795	29	80	4	84
Real estate	11,057	6,973	18,029	12	394	41	435
Other	11,674	1,411	13,085	9	252	18	270
Total business customers	111,918	15,494	127,413	83	2,648	216	2,865
Personal customers	11,829	13,205	25,034	16	456	124	580
Total	124,705	28,704	153,409	100	3,132	340	3,472
Of which reverse repurchase lending (loans and advances at amortised cost)	37,970	-	37,970	25	-	-	-
31 December 2021							
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	-	-	-

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DKK million

Nykredit Bank Group

48. 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.

2022							
Rating category	Manufacturing and construction	Credit and finance	Property management and trade	Transport, trade and accommodation	Other trade and public	Personal customers	Total
10	7,150	8,344	2,925	6,307	4,760	1,495	30,981
9	4,096	10,005	1,326	4,289	2,770	1,354	23,841
8	1,113	1,119	1,915	1,351	4,119	1,421	11,039
7	3,181	364	1,568	2,034	3,701	1,189	12,036
6	2,087	10,241	2,070	3,424	2,214	3,092	23,128
5	942	6,771	643	504	1,376	1,569	11,806
4	492	45	183	177	275	1,094	2,266
3	260	6,197	154	376	805	415	8,207
2	73	41	66	23	256	87	545
1	171	159	244	180	263	90	1,108
0	39	12	38	45	44	160	338
Exposures in default	671	59	317	713	463	319	2,541
Total	20,274	43,358	11,451	19,422	21,046	12,285	127,836

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

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

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

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DKK million

Nykredit Bank Group

48. RISK MANAGEMENT (CONTINUED)

Loans carrying a reduced interest rate

Group	2022				2021			
	Q4/	Q3/	Q2/	Q1/	Q4/	Q3/	Q2/	Q1/
Gross lending	179				206			
Impairment provisions	137				161			
Carrying amount	42				45			
Of which non-accrual	36				41			
Of which carrying a reduced interest rate	6				4			
Provisioning rate	2022				2021			
Group	Q4/	Q3/	Q2/	Q1/	Q4/	Q3/	Q2/	Q1/
Total loans and advances	124,705	124,928	122,852	126,933	125,413	120,702	115,073	106,567
Total guarantees	28,704	27,357	35,160	29,737	28,225	27,528	31,287	29,325
Impairment provisions	3,132	2,964	2,990	2,840	2,755	2,833	2,952	2,890
Provisions for guarantees	340	337	348	297	331	297	304	300
Total	156,880	155,585	161,351	159,806	156,725	151,359	149,617	139,083
Provisioning rate, %	2.2	2.1	2.1	2.0	2.0	2.1	2.2	2.3
Provisioning rate excluding guarantees	2.4	2.3	2.4	2.2	2.1	2.3	2.5	2.6

Secured lending before impairment provisions

Group	2022			2021		
	Public sector	Personal customers	Business customers	Public sector	Personal customers	Business customers
Unsecured lending	514	2,223	48,145	440	2,589	37,599
Lending secured by way of legal charge or other collateral security:						
Fully secured	103	5,399	41,798	447	3,404	55,980
Partially secured	367	4,637	21,518	228	4,893	19,834
Total lending after impairment provisions	984	12,259	111,461	1,115	10,885	113,413

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 2% (2021: around 3%), 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.

NOTES

Nykredit Bank A/S		DKK million	
		Nykredit Bank Group	
2021	2022	2022	2021
48. RISK MANAGEMENT (CONTINUED)			
Foreign exchange risk			
47,910	43,888	43,888	47,910
Total foreign exchange assets			
Of which			
38,195	37,661	37,661	38,195
- receivables with credit institutions, loans and advances, securities etc			
9,715	6,227	6,227	9,715
- interest receivable and positive market value of financial instruments			
81,299	86,610	86,610	81,299
Total foreign exchange liabilities			
Of which			
51,437	53,592	53,592	51,437
- payables to credit institutions, deposits, bond in issue etc			
29,861	33,018	33,018	29,861
- interest payable and negative market value of financial instruments			
236.8	331.4	331.4	236.8
Exchange rate indicator 1 (DKK million)			
0.8	1.1	1.1	0.8
Exchange rate indicator 1 as % of Tier 1 capital after deductions			
0.2	0.3	0.3	0.2
Exchange rate indicator 2 (DKK million)			
Interest rate risk by the currency involving the highest interest rate exposure			
48	19	24	58
DKK			
13	120	120	13
EUR			
(7)	(9)	(9)	(7)
SEK			
(1)	(3)	(3)	(1)
GBP			
0	0	0	0
CHF			
0	(3)	(3)	0
USD			
1	1	1	1
NOK			
(0)	(0)	(0)	(0)
Other currencies			
54	125	130	64
Total interest rate exposure of debt instruments etc, year-end			
Interest rate exposure measured at a general rise in interest rates of 1 percentage point ranged between a loss of DKK 158 million and a gain of DKK 44 million (2021: between a loss of DKK 147 million and a gain of DKK 59 million).			
Value-at-Risk			
6	12	12	6
Year-end			
8	12	12	8
Average for the year			
Value-at-risk ranged between DKK 6 million and DKK 22 million (2021: DKK 3,8 million and DKK 18 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.			
0.1	0.8	0.8	0.1
Volatility risk			
The interest rate volatility risk is measured as the change in a market value following a change in volatility of 1 percentage point.			
517	587	587	517
Yield spread risk			
Yield spread risk totalled DKK 587 million at end-2022 (2021: DKK 517 million). This figure indicates that a spread widening of 100bp at bank level will trigger a loss of DKK 587 million.			
19	3	3	19
Equity price risk			
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 2.6 million (2021: DKK 2 million).			
213%	205%	205%	213%
Liquidity risk, Liquidity Coverage Ratio (LCR)			

NOTES

DKK million

Nykredit Bank Group

49. 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:

2022	Nominal/ amortised value	Carrying amount	Fair value ad- justment for ac- counting pur- poses
Assets			
Loans, advances and other receivables (interest rate risk)	93	88	(5)
Liabilities			
Deposits and other payables (interest rate)	74	76	(2)
Derivative financial instruments			
Interest rate swaps, loans, advances and other receivables	214	5	5
Interest rate swaps, deposits and other payables	74	2	2
Gain/loss for the year on hedging instruments		(2)	
Gain/loss for the year on hedged items		1	
Net gain/loss		(1)	
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	(1)	5	1
Swaps, hedging interest rate risk of financial liabilities	-	2	-

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 2.6% or 5.2%.

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.

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DKK million

Nykredit Bank Group

49. HEDGE ACCOUNTING (CONTINUED)

	Nominal/ amortised value	Carrying amount	Fair value ad- justment for ac- counting pur- poses
2021			
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		-	

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Nykredit Bank Group

49. 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.

The Danish T/N DKK rate will be discontinued on 1 January 2026. The transition is expected to proceed like the EONIA transition. Otherwise, the transition has not had a noticeable impact on the Group's hedging of interest rate risk for accounting purposes

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DKK million

Nykkredit Bank Group

49. HEDGE ACCOUNTING (CONTINUED)

Hedging derivative	Nominal amount	Carrying amount assets	Carrying amount liabilities	P&L effect (hedge ineffectiveness)
Interest rate swaps end-2022				
Cibor	214			
Euribor	74			
Total 2022	289	88	76	(1)
Total 2021	296	182	125	-
Swaps: Carrying amount by time-to-maturity				
		2022	2021	
Up to 1 year		(1)	1	
Over 1 year and up to 5 years		7	13	
Over 5 years		1	(3)	
Total		7	11	

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DKK million

Nykkredit Bank Group

50. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

	Financial items at amortised cost 2022	Financial items at fair value 2022	Financial items at amortised cost 2021	Financial items at fair value 2021
Assets				
Receivables from credit institutions and central banks	39,473	-	27,134	-
Loans and advances at fair value (reverse repurchase lending)	-	-	-	-
Loans and advances etc	124,705	-	125,413	-
Bonds and equities	-	57,709	-	39,882
Positive market value of derivatives	-	7,385	-	16,508
Interest receivable etc	177	712	207	539
Total	164,355	65,806	152,754	56,929
Liabilities and equity				
Payables to credit institutions and central banks	50,660	-	52,833	-
Deposits and other payables	113,691	-	100,275	-
Bonds in issue at amortised cost	11,670	-	4,415	-
Other non-derivative financial liabilities at fair value	-	12,738	-	13,613
Subordinated debt	-	-	2,000	-
Negative market value of derivatives	-	10,003	-	8,326
Interest etc payable	86	626	70	519
Total	176,107	23,367	159,593	22,459

NOTES

Nykredit Bank Group

51. OTHER INFORMATION

Events since the balance sheet date

No events have occurred in the period up to the presentation of the Annual Report for 2022 which materially affect the Group's financial position .

NOTES

Nykredit Bank Group

52. FINANCIAL RATIOS, DEFINITIONS

FINANCIAL RATIOS

Return on equity before tax, %

DEFINITION

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

Total capital ratio, %

DEFINITION

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 4 AND IN NOTE 5

Profit (loss) for the year as % pa of average equity*

DEFINITION

Profit (loss) for the year divided by average equity exclusive of minority interest.

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.

NOTES

DKK million

Nykredit Bank Group	2022	2021	2020	2019	2018
53. FIVE-YEAR FINANCIAL HIGHLIGHTS					
Summary income statement					
Net interest income	2,130	1,488	1,547	1,545	1,636
Net fee income etc	2,780	2,825	2,292	1,973	1,637
Net interest and fee income	4,910	4,313	3,839	3,518	3,273
Value adjustments	2,029	1,628	1,139	670	1,114
Other operating income	76	397	336	44	30
Staff and administrative expenses	3,052	2,863	2,655	2,338	2,005
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	39	34	34	13	0
Other operating expenses	31	30	38	24	23
Impairment charges for loans, advances and receivables etc	396	(120)	579	210	274
Profit from investments in associates and Group enterprises	7	6	7	6	3
Profit before tax	3,504	3,537	2,015	1,653	2,118
Tax	758	733	385	366	458
Profit for the year	2,746	2,804	1,630	1,287	1,660
Comprehensive income					
Other comprehensive income	2,746	2,804	1,630	1,287	1,660
Comprehensive income for the year	2,746	2,804	1,630	1,287	1,660
SUMMARY BALANCE SHEET, YEAR-END					
	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
ASSETS					
Cash balances and receivables from credit institutions and central banks	39,473	27,134	21,469	33,528	17,909
Loans, advances and other receivables at amortised cost	124,705	125,413	108,417	114,215	97,993
Bonds and equities etc	57,818	40,029	39,822	44,445	46,721
Remaining assets	15,133	22,814	28,481	34,340	24,511
Total assets	237,129	215,390	198,189	226,528	187,135
LIABILITIES AND EQUITY					
Payables to credit institutions and central banks	50,660	52,833	49,121	85,154	54,620
Deposits and other payables	113,691	100,275	90,943	88,881	82,864
Bonds in issue at amortised cost	11,670	4,415	5,400	3,780	5,411
Other non-derivative financial liabilities at fair value	12,738	13,613	10,801	7,133	7,618
Remaining liabilities	14,087	10,711	13,159	14,695	13,236
Provisions	764	687	683	450	290
Subordinated debt	-	2,000	2,000	2,000	2,000
Equity	33,518	30,856	26,082	24,434	21,095
Total liabilities and equity	237,129	215,390	198,189	226,528	187,135
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	28,704	28,225	29,726	35,974	22,527
Other commitments	11,441	13,847	10,670	12,745	8,924

The financial ratios, exclusive of "Common Equity Tier 1 capital ratio, %" (cf note 4), have been calculated in accordance with the Danish FSA's guidelines for reporting purposes.

NOTES

Nykredit Bank Group					
	2022	2021	2020	2019	2018
53. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
FINANCIAL RATIOS¹					
Total capital ratio, %	24.4	23.5	22.7	20.8	21.5
Tier 1 capital ratio, %	24.0	23.0	20.5	18.9	19.4
Return on equity before tax, %	10.9	12.4	8.0	7.3	10.3
Return on equity after tax, %	8.5	9.8	6.5	5.7	8.1
Income:cost ratio	2.00	2.26	1.61	1.64	1.92
Interest rate exposure, %	0.4	0.2	0.3	0.3	0.4
Foreign exchange position, %	1.1	0.8	0.1	1.0	0.3
Foreign exchange exposure, %	0.0	0.0	0.0	0.0	0.0
Loans and advances:deposits	1.1	1.3	1.2	1.3	1.2
Loans and advances:equity (loan gearing)	3.7	4.1	4.2	4.7	4.6
Growth in loans and advances for the year excluding repo transactions, %	16.4	4.7	8.7	8.1	8.6
Liquidity Coverage Ratio, % ²	205.0	213.0	178.0	153.0	156.7
Large exposures, % ²	115.9	132.9	132.9	110.7	91.8
Impairment charges for the year, %	0.3	(0.1)	0.4	0.1	0.3
Return on capital employed, %	1.2	1.3	0.8	0.6	0.9
Average number of staff, full-time equivalent	1,021	974	979	900	837

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.

NOTES

DKK million

Nykredit Bank A/S	2022	2021	2020	2019	2018
53. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
Summary income statement					
Net interest income	1,958	1,319	1,373	1,368	1,469
Net fee income etc	1,626	1,770	1,447	1,380	1,265
Net interest and fee income	3,583	3,089	2,820	2,747	2,734
Value adjustments	2,039	1,613	1,137	672	1,117
Other operating income	54	372	308	11	4
Staff and administrative expenses	2,534	2,360	2,141	1,946	1,799
Other operating expenses	30	29	37	20	19
Impairment charges for loans, advances and receivables etc	370	(131)	538	183	238
Profit from investments in associates and Group enterprises	514	526	343	289	250
Profit before tax	3,255	3,342	1,892	1,570	2,049
Tax	569	584	283	282	389
Profit for the year	2,686	2,759	1,610	1,288	1,660
Comprehensive income					
Other comprehensive income	2,686	2,759	1,610	1,288	1,660
Comprehensive income for the year	2,686	2,759	1,610	1,288	1,660
Summary balance sheet, year-end	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Assets					
Cash balances and receivables from credit institutions and central banks	39,287	26,912	21,338	33,380	17,909
Loans, advances and other receivables at amortised cost	120,905	123,816	106,966	112,839	96,699
Bonds and equities etc	56,874	38,572	38,637	49,770	48,441
Profit from investments in associates and Group enterprises	2,733	2,949	2,515	2,299	1,650
Remaining assets	14,809	22,464	28,155	27,598	21,883
Total assets	234,608	214,714	197,611	225,886	186,581
Liabilities and equity					
Payables to credit institutions and central banks	50,660	52,833	49,121	85,154	54,620
Deposits and other payables	114,236	100,498	91,065	89,057	82,942
Bonds in issue at amortised cost	9,545	4,415	5,400	3,780	5,411
Other non-derivative financial liabilities at fair value	12,744	13,617	10,991	7,174	7,618
Remaining liabilities	13,499	10,138	12,595	14,118	12,757
Provisions	520	469	453	226	139
Subordinated debt	-	2,000	2,000	2,000	2,000
Equity	33,404	30,743	25,986	24,377	21,095
Total liabilities and equity	234,608	214,714	197,611	225,886	186,581
Off-balance sheet items					
Contingent liabilities	28,703	28,225	29,725	36,073	22,626
Other commitments	11,030	13,642	10,488	12,522	8,724

NOTES

Nykredit Bank A/S	2022	2021	2020	2019	2018
53. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
Financial ratios¹					
Total capital ratio, %	23.4	22.2	21.6	19,8	20,6
Tier 1 capital ratio, %	23.0	21.7	19.5	18,8	18,6
Return on equity before tax, %	10.2	11.8	7.5	6,9	10,3
Return on equity after tax, %	8.4	9.7	6.4	5,7	8,1
Income:cost ratio	2.11	2.48	1.70	1,73	2,00
Interest rate exposure, %	0.4	0.2	0.3	0,3	0,3
Foreign exchange position, %	1.1	0.8	0.1	1,0	0,3
Foreign exchange exposure, %	0.0	0.0	0.0	0,0	0,0
Loans and advances:deposits	1.1	1.3	1.2	1,3	1,2
Loans and advances:equity (loan gearing)	3.6	4.0	4.1	4,6	4,6
Growth in loans and advances for the year excluding repo transactions, %	13.7	4.6	8.7	8,1	8,9
Liquidity Coverage Ratio ²	205.0	213.0	178.0	153.0	156,7
Large exposures, % ²	115.7	132.3	132.3	109.9	91,7
Impairment charges for the year, %	0.2	(0.1)	0.5	0,1	(0,2)
Return on capital employed, %	1.1	1.3	0.8	0,6	0,9
Average number of staff, full-time equivalent	756	705	678	679	664

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.

NOTES

DKK million

Nykredit Bank Group

54. GROUP STRUCTURE

Name and registered office

	Owner-ship interest as %, 31 December 2022	Profit for 2022	Equity 31 December 2022	Number of staff in 2022	Profit for 2021	Equity 31 December 2021	Number of staff in 2021
Nykredit Bank A/S (Parent), Copenhagen, a)	-	2,686	33,404	756	2,759	30,743	705
Nykredit Portefølje Administration A/S, Copenhagen, b)	100	202	1,138	132	265	1,536	136
Nykredit Leasing A/S, Gladsaxe, c)	100	80	1,135	58	116	1,055	57
Sparinvest Holdings SE, Luxembourg, d)	79	222	195	1	79	177	-
Sparinvest Investment Solutions A/S, e)	100	0	1	-	1	8	-
Garanti Invest A/S, f)	100	0	20	-	0	20	-
	Number of staff	Revenue ¹	Profit before tax	Tax	Government aid received		
Denmark: Names and activities appear from the Group structure above	993	5,303	3,272	700	-		
Luxembourg: Names and activities appear from the Group structure above	28	489	233	58	-		

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
- e) Investment company
- f) Activities auxiliary to financial service activities

Name and registered office	Ownership interest as %, 31 December 2022	Revenue 2021	Profit (loss) for 2021	Assets, 31 December 2021	Liabilities, 31 December 2021	Equity, 31 December 2021	Nykredit's share of profit (loss) for the year 2021	Nykredit's share of equity value, 31 December 2021	Profit (loss) for 2020	Equity, 31 December 2020
Associates										
Core Property Management P/S, Copenhagen, a)	20	144	32	60	6	54	6	11	34	58
&Money ApS b)	25	2	(2)	18	4	14	(0)	4	(1)	11

a) Investment company

b) Fintech company

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

MANAGEMENT COMMENTARY (CONTINUED)

Nykredit Bank Group

Financial calendar for 2023

8 February	Publication of Annual Reports 2022 and announcements of Financial Statements of the Nykredit Realkredit Group, Totalkredit A/S (in Danish only) and the Nykredit Bank Group.
23 March	Annual General Meeting of Nykredit Bank A/S, Kalvebod Brygge 1-3, DK-1780 Copenhagen V.
12 May	Publication of Q1 Interim Report 2023 of the Nykredit Realkredit Group.
16 August	Publication of H1 Interim Reports 2023 of the Nykredit Realkredit Group, Totalkredit A/S (in Danish only) and the Nykredit Bank Group.
9 November	Publication of Q1-Q3 Interim Report 2023 of the Nykredit Realkredit Group.

MANAGEMENT COMMENTARY (CONTINUED)

Nykredit Bank 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 2022. 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 Realkredit A/S

Date of birth: 13 November 1964

Gender: Male

Joined the Executive 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

FR I af 16. september 2015 A/S*

Director of:

Member of Investor Board for Danish SDG Investment Fund (Verdensmålsfonden)

Tonny Thierry Andersen

Group Managing Director, Nykredit Realkredit A/S

Date of birth: 30 September 1964

Gender: Male

Joined the Executive Board on 1 June 2019

Managing Director of:

Nykredit A/S

Nykredit Realkredit A/S

David Hellemann

Group Managing Director, Nykredit Realkredit A/S

Date of birth: 5 December 1970

Gender: Male

Joined the Executive 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

JN Data A/S*

Deputy Chair of:

Totalkredit A/S

Director of:

CBS Executive Fonden

Landsdækkende Banker

Other:

Member of Tilsynet med Efterretningstjenesterne**

Anders Jensen

Group Managing Director, Nykredit Realkredit A/S

Date of birth: 20 January 1965

Gender: Male

Joined the Executive Board on 1 October 2014

Managing Director of:

Nykredit A/S

Nykredit Realkredit A/S

Director of:

Bokis A/S

Foreningen Dansk Skoleskak

Grønsefonden

Niels Brock Copenhagen Business College

Niels Brock International A/S

Totalkredit A/S

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

MANAGEMENT COMMENTARY (CONTINUED)

Nykredit Bank Group

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

&Living Franchisegiver 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

Chair of:

Nykredit Portefølje Administration A/S *

Værdipapirfonden NPA *

Director of:

Nykredit Portefølje Administration A/S **

Værdipapirfonden NPA **

Realkreditrådet

Deputy Chair of:

Danish Finance Institute (DFI)

Member of General Assembly of the European Association of Co-operative Banks

Peter Kjærgaard

Managing Director

Date of birth: 16 November 1972

Gender: Male

Joined the Executive Board on 19 August 2022

and resigned on 4 October 2022

* Joined in 2022

** Resigned in 2022

*** Staff-elected member