



Nykredit Realkredit Group

Annual Report 2023

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A long, multi-lane bridge spans across a wide body of water. The bridge features a series of concrete piers supporting its structure. The sky is clear and blue, and the water is calm with some ripples. In the distance, a suspension bridge with tall towers is visible on the horizon.

Management Commentary

Foreword

"Today, Nykredit delivers its best performance to date. For the third year running, we recorded all-time high financial results. This is highly satisfactory."

Michael Rasmussen
Group Chief Executive

In 2023, Nykredit delivered the best performance to date with profit after tax of DKK 10.9 billion, and with that, Nykredit achieved record-high financial results for the third year in a row.

The strong results for the year were rooted in continued customer growth and increased market shares across the board in Nykredit Bank, which recorded a rise in bank lending to corporate clients, and in Totalkredit. Furthermore, income from underlying business rose.

Results were also positively impacted by the long-standing strong credit quality of our loan book, and loan impairments were a minor reversal. Nykredit enjoyed tailwinds from continued high interest rate levels, but our business mix of mortgage and bank lending means that we were not affected by the currently high interest rates to the same degree as others.

In 2023, the global economy fared better than expected after a few turbulent years, starting with the corona pandemic and followed by rising inflation, which drove up interest rates to the highest level for several decades. However, central banks managed to curb inflation from a high starting point in 2023.

The Danish economy is generally in good shape with robust households and businesses, record-high employment and solid exports. The housing market is also on a more solid footing than expected following declining prices in the last part of 2022, and it improved gradually throughout 2023.

Many homeowners have benefitted from recent years' high interest rates to refinance their loans and reduce their mortgage debt. This has, among other things, manifested in customers' average loan-to-value ratio, which has dropped considerably in recent years.

However, the outlook for the global economy is still cloudy with geopolitical tensions between major powers and war in Europe and the Middle East. This contributes to mounting uncertainty

about global economic growth, not least in vital export markets, which may also affect Danish businesses in 2024.

Against this backdrop, we do not necessarily expect results at the same level next year due to the macroeconomic outlook. Consequently, the Nykredit Realkredit Group is guiding for a profit after tax of DKK 9.5-10.5 billion for 2024.

Winning the Double 2.0 sets the strategic course

Nykredit's strategy, Winning the Double 2.0, continues to set the direction for our activities. Two important tracks in our strategy are that we want to keep expanding Nykredit Bank's position and securing Totalkredit's future position as market leader in home financing in Denmark.

It is also an essential part of Nykredit's strategy to be the customer-owned, responsible financial provider for people and businesses all over Denmark.

We are proud to report that we delivered growth and progress against all three objectives in 2023.

Mutual ownership benefits and discounts to Totalkredit and Nykredit Bank customers

Nykredit's majority shareholder, Forenet Kredit, wants the dividend from the Nykredit Group to benefit the Group and consequently our customers through our customer benefits programme. This means that our customers can share in Nykredit's success and may enjoy a suite of special customer benefits, including discounts on loan and investment fees.

In 2023, we gave DKK 1.8 billion back to homeowners, businesses, agricultural and other customers in the form of mortgage loan discounts (KundeKroner and ErhvervsKroner).

We are determined to demonstrate also in 2024 how a customer-owned Nykredit makes a positive difference. In early 2024, Totalkredit decided to increase KundeKroner discounts to private homeowners from 0.15% to 0.20% annually for 2024 and 2025. We also raised the discount on home loans with Nykredit Bank.

This has made it even more attractive for over 900,000 homeowners to be customers of a financial mutual. With the new rates, annual customer discounts will increase by another DKK 500 a year equal to a total annual discount of DKK 2,000 on the administration costs payable for every million Danish kroner borrowed.

Also in Nykredit Bank customers benefit from our customer ownership structure as we made it more attractive for customers to save up for a new home or a green initiative in 2023. In addition to being the first large Danish bank to offer all customers a positive current account rate earlier this year, we raised interest rates again in September, now offering all personal customers a current account rate of at least 1%.

Nykredit continues to have the most satisfied customers in the sector, according to the most recent EPSI Rating survey, which gauges personal customer satisfaction in Danish banks every year. The same trend is seen for business customers; according to the EPSI survey, Nykredit Bank received the highest satisfaction score in the sector.

Strong Totalkredit alliance

Totalkredit has a nation-wide presence. Today, more than 900,000 Danes have Totalkredit loans, and in the Danish rural districts we are by far the largest mortgage provider. In 2023, Totalkredit gained a larger market share and more customers.

When the Danish Consumer Council tested Danish mortgage loans in September, Totalkredit had the lowest mortgage prices in 35 out of 40 relevant loan scenarios.

Totalkredit's strong position is not least attributable to our alliance with the Totalkredit partner banks which provide solid local advisory services throughout the country. Moreover, the Totalkredit partnership enables Danish small and medium-sized banks without mortgage banking operations to offer mortgage products at attractive prices and thereby compete with the largest banks in the sector.

We are in continued dialogue with the Danish Competition and Consumer Authority about a commitment letter concerning adjustments to the Totalkredit partnership agreement. It is essential to us to fight to preserve a Danish mortgage system based on transparency and solidarity, where all homeowners, regardless of income, financial position, accounts volume or geographic location, pay the same loan rates and mortgage margins.

Nykredit contributes to the green transition

A key element of our strategy Winning the Double 2.0 is to help Nykredit, customers and society move in a greener direction, contributing to the green transition.

Nykredit wants to support our customers' green choices. Today, Nykredit and Totalkredit's product range includes green products to personal and business customers, agricultural customers and investment customers.

This past year, we launched new propositions for small and medium-sized business customers of Nykredit Bank. One example is green transport leasing, which makes it more affordable for businesses to lease electric and hydrogen-powered commercial vehicles. Furthermore, we introduced green construction loans for newbuilds and energy renovations and now also provide mortgage finance for solar panel parks to businesses looking to optimise the energy use of buildings. Again this year, Nykredit ranks among the top performers in EPSI's annual sustainability index when customers are asked to rate banks' sustainability efforts to personal as well as business customers.

In 2023, Nykredit announced a new Fossil Fuels Policy, which takes a stricter approach to fossil fuel companies. For many years, Nykredit has been reluctant to finance fossil fuel activities, and consequently our lending to the sector is limited. With the policy, we no longer provide loans for fossil fuel activities. On the investment side, we have divested more than 60 oil, gas and coal companies and excluded 483 companies from our investment universe.

Moreover, in 2023, ESG rating provider MSCI raised Nykredit's ESG rating from AA to AAA. Nykredit is now among the highest rated financial businesses in the Nordic region.

Strong ownership structure

Being owned by an association of customers, Forenet Kredit, sets Nykredit apart in the financial sector.

It comes with an obligation of predictability and adaptability to change. Our customers should be able to count on Nykredit, both when times are good and when they are difficult.

Nykredit is owned by Forenet Kredit and an investor consortium consisting of five Danish pension companies. This makes for a stable and long-term ownership structure to the unique benefit of customers and society, where we can support our customers and society with lending all over Denmark – through the good times and the bad.



Merete Eldrup
Chair
Board of Directors

Michael Rasmussen
Group Chief Executive

Financial highlights



Income
DKK **20,401** million
(2022: DKK 16,822 million)



Costs
DKK **6,554** million
(2022: DKK 6,320 million)



Profit after tax
DKK **10,889** million
(2022: DKK 9,454 million)

DKK million

Nykredit Realkredit Group	2023	2022	2021	2020	2019
BUSINESS PROFIT AND PROFIT FOR THE YEAR					
Net interest income	12,305	10,871	9,978	9,780	9,344
Net fee income	2,789	3,119	2,406	2,438	2,763
Wealth management income	2,368	2,279	2,324	1,950	1,610
Net interest from capitalisation	1,719	(740)	(484)	(421)	(352)
Net income relating to customer benefits programmes ¹	(404)	(443)	(414)	(203)	(358)
Trading, investment portfolio and other income	1,625	1,736	2,718	1,026	1,649
Income	20,401	16,822	16,529	14,569	14,656
Costs	6,554	6,320	6,343	5,762	5,327
Business profit before impairment charges	13,847	10,503	10,186	8,807	9,329
Impairment charges for loans and advances	(177)	(80)	(115)	2,272	994
Business profit	14,024	10,583	10,302	6,535	8,335
Legacy derivatives	59	931	432	258	(112)
Profit before tax for the year	14,083	11,514	10,733	6,791	8,787
Tax	3,191	2,060	1,863	1,118	1,344
Profit for the year	10,892	9,454	8,870	5,673	7,443
Other comprehensive income, remaining items	5	(71)	(21)	(26)	22
Comprehensive income for the year	10,898	9,383	8,849	5,646	7,465
Interest on Additional Tier 1 capital charged against equity	154	153	153	223	233
Minority interests	65	61	45	21	(1)

¹"Net income relating to customer benefits programmes" is described in detail in "Alternative performance measures" on page 60.

Balance sheet and financial ratios



Profit after tax as % of average equity (RoE)
11.4%
 (2022: 10.2%)



Cost/income ratio
32.1%
 (2022: 37.6%)



People (FTE)
3,973
 (2022: 4,076)

DKK million

Nykredit Group

SUMMARY BALANCE SHEET

	31.12.2023	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Assets					
Receivables from credit institutions and central banks	68,061	61,242	45,294	59,361	59,623
Mortgage loans at fair value	1,354,987	1,292,119	1,382,551	1,350,630	1,287,370
Bank loans excluding reverse repurchase lending	94,375	86,735	74,513	71,146	65,466
Bonds and equities	103,631	100,117	92,955	113,776	115,690
Remaining assets	60,550	59,917	78,160	70,854	82,188
Total assets	1,681,605	1,600,129	1,673,473	1,665,767	1,610,336
Liabilities and equity					
Payables to credit institutions and central banks	12,591	27,851	14,917	14,611	13,914
Deposits excluding repo deposits	114,208	107,392	92,696	88,113	85,396
Bonds in issue at fair value	1,334,909	1,254,959	1,362,926	1,366,709	1,336,414
Subordinated debt	10,394	10,136	10,737	10,893	11,004
Remaining liabilities	108,497	102,962	98,606	95,666	79,230
Equity	101,006	96,829	93,591	89,774	84,378
Total liabilities and equity	1,681,605	1,600,129	1,673,473	1,665,767	1,610,336

FINANCIAL RATIOS

Profit for the year as % pa of average equity ¹	11.4	10.2	9.9	6.6	9.3
Cost/income ratio (C/I), %	32.1	37.6	38.4	39.5	36.3
Total provisions for loan impairment and guarantees	9,027	9,391	9,601	9,906	8,033
Impairment charges for the year, %	(0.01)	(0.01)	(0.01)	0.15	0.07
Total capital ratio, %	23.7	23.3	24.7	24.3	23.7
CET1 capital ratio, %	20.4	19.5	20.6	20.2	19.5
Internal capital adequacy requirement, %	10.6	11.6	11.2	11.0	10.9
Average number of staff, full-time equivalent	3,973	4,076	3,907	3,799	3,515

¹"Profit for the year as % of average equity" shows profit for the year relative to equity. Profit corresponds to net profit or loss less interest expenses for Additional Tier 1 capital as well as minority interests.

Nykredit's strategy

"Together we are more"

At Nykredit¹, we differ from our competitors in one key area; we are owned primarily by an association of customers, Forenet Kredit (78.9%). Our other owners are a consortium consisting of five of Denmark's leading pension companies (16.9%) as well as a group of other shareholders (4.2%). This makes for a stable and enduring ownership structure and enables us to incorporate our unique mutual ownership and corporate responsibility into specific activities, ultimately to the benefit of our customers.

Being owned by an association, we are in a unique position to share our success by offering a host of special customer benefits.

Forenet Kredit pursues three key priorities:

- Danish mortgage lending – also in 200 years
- In all of Denmark
- We share our profits.



Mutual ownership

Nykredit's majority shareholder, Forenet Kredit, wants the dividend from the Nykredit Group to benefit the Group, and with that, our customers through our customer benefits programme.

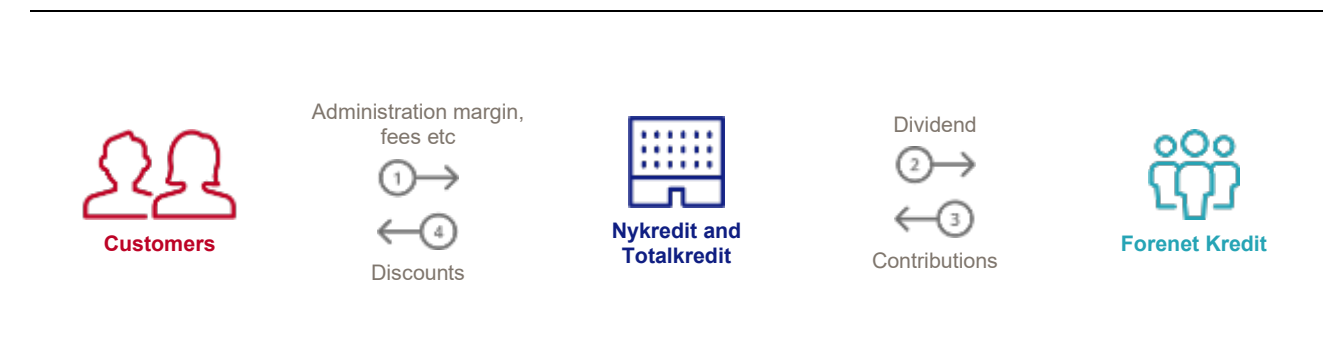
Since 2017 the programme has offered KundeKroner discounts to all personal customers with a Totalkredit mortgage loan, and it has later been expanded to include ErhvervsKroner discounts to business customers with a Nykredit or Totalkredit mortgage loan. In addition, we offer a number of discounts and cash benefits to full-service customers of Nykredit Bank as well as green cash benefits to both Nykredit and Totalkredit customers. [Read more about our customer benefits at nykredit.com](#)

In January 2024, the Nykredit Group decided to increase KundeKroner discounts to private homeowners from 0.15% to 0.20% annually for 2024 and 2025.

In 2023, Nykredit and Totalkredit customers received customer benefits of about DKK 1.8 billion.

Customer benefits

- **KundeKroner:** mortgage loan cash benefits
- **BoligRabat:** bank home loan discounts
- **KundeRabat:** fee discounts
- **ErhvervsKroner:** business mortgage loan discounts
- **GrønneFordele:** discounts and cash grants for green solutions
- **OpsparingsRabat:** savings discounts



¹ The Nykredit Group comprises a number of companies, including the Nykredit Realkredit Group, the Nykredit Bank Group and Totalkredit A/S.

Winning the Double 2.0

Security and stability have been the distinguishing marks of Nykredit and our core product, mortgage lending, since 1851, and it is only natural for us to have a vision that reaches many decades ahead.

"We want to be homeowners' first choice and a pillar of strength in the Danish economy."

The aim of our Winning the Double 2.0 strategy is to ensure a more customer-centric, profitable and efficient Nykredit.

We want to make a difference to both personal customers and business customers and to strengthen our collaboration with our partner banks in the Totalkredit alliance.

We want to have a presence all over Denmark and support growth – in urban and rural districts alike. Through the good times and the bad.

We will make every effort to create a greener Denmark. We believe that going green should be easier than being indifferent.

Strategic development in 2023

2023 was marked by geopolitical tensions, rising interest rates and high inflation, resulting in continued uncertainty in general, among our customers and for Nykredit.

Based on Winning the Double 2.0 and a solid business model, Nykredit is well placed to pursue our strategic goals whilst also supporting our customers and helping to build financial security in times of great uncertainty.

Despite the continued uncertainty, Nykredit's underlying business developed positively and satisfactorily in 2023. Overall, the Group's relative position strengthened over the past year, which is reflected in increased market shares as well as business and customer growth across the board.

Nykredit's mutual ownership structure provides an opportunity for customers to share in Nykredit's success. Building on recent years' business and financial success, we are able to increase the KundeKroner and BoligRabat discounts paid under the customer benefits programme from 0.15% to 0.20% annually, starting in 2024. Our customers will achieve additional cost savings on their home loans, and this way, we can show even more customers what a customer-owned financial provider can do for them.

Our customers, colleagues and the world around us continue to recognise Nykredit's position, which was evidenced by our customer satisfaction score climbing even further from an already high level, a top ranking in a sector employer image survey and a 13th place in the annual image survey among the largest companies in Denmark. In addition to this, Nykredit Wealth Management won both national and international awards again in 2023. Also, for the seventh consecutive year, Danes named Nykredit the best private banking provider in an annual survey conducted by market researcher Prospera.

Nykredit thus succeeded in both exploiting and strengthening the business momentum we enjoyed early in the year under review. All in all, the Nykredit Group is strongly poised for additional success in 2024.

Our strategy focuses on three objectives



Focus on full-service relationships

Nykredit's strategy, Winning the Double 2.0, builds on the ambition of consolidating the Group's strategic foundation by growing the number of full-service relationships with homeowners as well as with private banking, business and agricultural customers.

The ambition to expand Nykredit's banking position resulted in customer growth and increasing business volumes from personal as well as business customers in 2023. As part of our effort to expand our banking position, we launched a number of initiatives and have more in the pipeline. For instance, we are striving to become customers' preferred business bank in Denmark. To achieve this, we are enhancing our business banking services and our overall focus on this segment. For personal customers, we are launching new digital solutions and intensifying efforts towards creating greater financial security during uncertain times through proactive advisory initiatives.

Nykredit Wealth Management aims to generate long-lasting value for clients and business partners, aspiring to be recognised as Denmark's responsible wealth manager. In 2023, focus was on enhancing digital investment solutions, incorporating sustainability into advisory services and concepts and marketing our alternative investment propositions. As a new feature, Nykredit's online banking service now also provides ESG scores of customers' investments.

Nykredit acquired Sparinvest in 2019 and today holds a strong position in the Danish market for wealth and asset management services. Nykredit Wealth Management is today the second largest manager of retail investment funds in Denmark, and the acquisition of Sparinvest underlines Nykredit's ambitions in the wealth management area and has further expanded our collaboration with our Totalkredit partner banks. In 2023, we entered into a new long-term shareholders' and partnership agreement with the Sparinvest partners, which has made the partnership even more attractive. This further supports our ambition and expectation of continued growth.

Strong Totalkredit alliance

Our alliance with the Totalkredit partner banks remains strong, and partner satisfaction stayed high in 2023. A key driver behind Totalkredit's market position is the strong distribution power across the country, underpinning Totalkredit's presence all over Denmark.

In 2023, the Danish Consumer Council conducted a survey of mortgage loans and concluded that Totalkredit offers the lowest mortgage prices in the vast majority of cases. The increase in the KundeKroner discounts consolidates Totalkredit's position, and that shows the strength of being a financial mutual, as the KundeKroner discounts contribute to ensuring attractive and competitive products. Totalkredit also has the highest customer satisfaction score among mortgage providers.

Totalkredit is focused on developing digital propositions to ensure up-to-date digital processes aligned with the needs of customers and partner banks.

One example is the new mortgage lending platform (NRP), which is a joint IT development programme between Totalkredit, our partner banks and a number of Danish banking IT providers with the aim of driving process efficiencies and securing successful customer experiences through stronger digital solutions. The NRP is used by our partner banks for loan remortgaging and other loan cases, and in 2023, the first customer-facing solutions were launched, offering remortgage and supplementary loan calculators and featuring loan monitoring via our mobile and online banking services.



Totalkredit – a unique alliance

For more than 30 years, Totalkredit has fulfilled the housing dreams of Danes through a unique alliance with partner banks across Denmark.

We are guided by the belief that the best advisory services are offered by local advisers who have the best knowledge of customers, their finances and the local area. We share this belief with the 41 local and regional banks that make up the unique Totalkredit alliance. The combination of a strong alliance with our partner banks and competitive loans has made Totalkredit Denmark's largest lender to private homeowners.

Corporate responsibility – a strategic priority

Being owned by an association of customers, Forenet Kredit, sets Nykredit apart in the financial sector. Our customers should be able to count on Nykredit, both when times are good and when they are difficult. And at the heart of our identity as a customer-owned financial institution resides a distinct responsibility to extend our support in response to societal challenges. This applies to challenges that are self-evident, given our core products and business model. And it applies to the challenges that may arise over time and where we can contribute to a positive development.

Nykredit's corporate responsibility strategy has been organised under three overarching themes:

- Development and growth throughout Denmark – at all times
- A greener Denmark
- Responsible business practices.

Our corporate responsibility forms an integral part of Nykredit's strategy, Winning the Double 2.0, to ensure that Nykredit operates its business in alignment with society's goals. For additional information on Nykredit's corporate responsibility and sustainability performance, please refer to our Corporate Responsibility Report 2023.

Nykredit's corporate responsibility

As one of Denmark's largest financial providers, Nykredit is committed to actively supporting long-term, stable and sustainable development of society.

Nykredit's pledge to society

"We will be active in all of Denmark and support growth – in urban and rural districts alike. Through the good times and the bad. We will do our best to create a greener Denmark for our children and for future generations."

The Nykredit Group is Denmark's largest lender and mortgage provider, and therefore, one of our most significant impact areas continues to be how we strengthen access to affordable and secure financing in all regions of Denmark. The climate challenge is another key area where we have a profound impact in the form of the climate footprint of the activities we finance and invest in, and where we stand to make a positive difference together with our customers. Our corporate responsibility efforts aim to ensure that colleagues throughout the organisation act responsibly and address the risk of our activities having a negative impact on society.

Development and growth – at all times

Being Denmark's largest lender, Nykredit has a special role to play. We want to maintain a presence in all of Denmark and support growth in urban and rural districts alike – a pledge that places demands on the Nykredit Group's business model, profitability, capital resources and lending practices in the area of banking as well as mortgage lending.

The Nykredit Group's capacity to provide loans to homeowners and businesses all over Denmark across economic cycles lies at the core of our corporate responsibility.

By virtue of their strong local presence and insight into local conditions, our partner banks can support growth and progress in the Danish local communities through their lending activities and local engagement. Thanks to this alliance, the Nykredit Group is a major loan provider to the rural districts.

A greener Denmark

As a society we share a common task: to make Denmark greener. As the largest lender in Denmark, we acknowledge our responsibility for driving this change. Our largest carbon footprint as a financial company, 99% in fact, comes from the loans we provide and the investments we make for our customers. By joining forces with our customers, we can take the greatest leap forward. Nykredit was the first Danish financial provider to set emissions targets for the real estate and owner-occupied dwellings included in our goal of delivering a net zero Nykredit by 2050.



Nykredit also joined the Science Based Targets initiative (SBTi) as the first systemically important financial institution (SIFI) in Denmark. SBTi provides methodologies for and validates corporate climate targets. Last but not least we joined the Net Zero Banking Alliance (NZBA). [Read more about the Nykredit Group's climate targets.](#)

Nykredit launched a new Fossil Fuels Policy in 2023 to ensure that Nykredit's financing and investments are Paris-aligned and aligned with recognised climate science as reflected in reports from the IPCC and the IEA, among others. [Read more in our Fossil Fuels Policy.](#)

Expanding energy and infrastructure assets is essential in the transition towards reaching the political targets by 2030 in Denmark. Nykredit views investment in renewable energy technologies, distribution systems and alternative energy sources as part of the solution to the current energy crisis. We want to make a valuable contribution to a key transition area through our products and financing solutions.

"As a society we share a common task: To make Denmark greener. At Nykredit, we have made it our business to make it easier and more attractive for our customers to live, drive, renovate, save up, invest and operate their businesses more sustainably."

Tonny Thierry Andersen, Group Managing Director

International standards

Nykredit has committed to achieving net zero greenhouse gas emissions from our lending, investments and own operations by 2050 at the latest and to putting emissions on a path that aligns with the targets of the Paris Climate Agreement – also known as *Paris alignment*.

Nykredit's commitment has been formalised by joining three acknowledged, global initiatives:

- The Science Based Targets initiative (SBTi) – covers the entire Nykredit Group
- The Net Zero Banking Alliance (NZBA) – covers the loan portfolio
- The Net Zero Asset Managers initiative (NZAM) – covers the investment portfolio.

This means that Nykredit's targets should build on recognised standards and methodologies and be able to obtain validation by SBTi. This process was initiated in 2023.



Strengthened ESG data and rating

We are continually working to improve our documentation in relation to important ESG (Environmental, Social and Governance) issues. This information is also useful for ESG ratings where Nykredit's ESG performance is assessed by external rating agencies, reflecting how we manage ESG risks.

In 2023, MSCI raised Nykredit's ESG rating to "AAA". We maintained our CDP score of "A-" obtained the year before. All ratings, including ESG ratings, appear from page 42.

Sustainability-related risks

Nykredit focuses on integrating sustainability-related risks in our strategy, risk management and governance. Climate change exposes Nykredit's business activities and our customers to a range of new risks and opportunities relating to environmental, social as well as governance (ESG) factors. It is pivotal that Nykredit is able to identify, contain and handle these ESG risks, while at the same time detecting and exploiting the new opportunities to the fullest. The integration of ESG risks into Nykredit's risk management practices is an ongoing process. ESG factors are considered to be drivers of existing risks and are of particular relevance in the areas of credit and operational risks, but they also affect market, liquidity and funding risks.

In 2023, we focused on colleague training and upskilling. Further, Nykredit worked to map its exposures in various stressed scenarios of weather events and/or rising water levels. These efforts will continue on a larger scale in the years to come, with a greater focus on how Nykredit's customers are affected by changed regulatory requirements and consumption patterns.

Responsible business practices

One of Nykredit's key tasks is to ensure that advisory services, products and other services are responsible in a societal context and in the context of the individual customer's financial position.

To Nykredit, responsibility implies that we must be able to explain and justify our choices and actions, both at the business strategic level and in our day-to-day work performance.

It is important that colleagues speak up if they experience areas in need of improvement so that we can make any necessary adjustments. Managers have a special responsibility for promoting a safe and open atmosphere that encourages our colleagues to openly share opinions or concerns about Nykredit's business practices.

Initiatives to combat financial crime

A central element of our responsibility is to prevent and counter any misuse of Nykredit for financial crime purposes. We will continue to reinforce our set-up in several areas. This includes enhancing the systems that monitor our transactions, optimising customer due diligence procedures and investments in more training of frontline colleagues. And in order to comply with current sanctions, we discontinued payments to Russia and Belarus.

Personal data, IT security and data ethics

We are continually working to create a clear framework for data protection and for ethically responsible use of data. Our aim is to become even better at protecting personal data, maintaining a high IT security level through ongoing monitoring, testing and evaluation.

Nykredit has a strong foundation in terms of IT operations, but with the evolving threat landscape, we also remain focused on improving our IT security. This is done by making improvements and further strengthening risk scoring and documentation practices. We train colleagues in handling personal data and IT security prudently and responsibly. In 2023, we introduced a new and improved training tool to all colleagues consisting of certification and e-learning in data protection and IT security.

Diversity and inclusion

At Nykredit, we regard diversity and inclusion as important prerequisites for operating a sound business to the benefit of our customers, colleagues and society – now and in the future. In 2023, we especially sought to promote the general understanding of diversity by integrating more diversity parameters in our work. We expanded our colleague engagement surveys with a new focus on minorities.

During the collective bargaining between Nykredit and the Financial Services Union, it was agreed to implement a new and more transparent pay system in 2024. The pay system is to help equalise pay differences and provide insight into and influence on the distribution of funds allocated for pay rises. Last year, as the first financial sector employer in Denmark, Nykredit offered

mothers, fathers and co-parents the right to 26 weeks of paid maternity or paternity leave. Already in 2023, we saw an increase among our male colleagues, who now take an average of 22 weeks of paternity leave, compared to the previous 11 weeks. This is an important step towards realising our ambition to create an inclusive workplace with equal opportunities for all.

Finally, we have set new targets for the share of women at all management levels, aimed at ensuring that every other management position in Nykredit is held by a woman over time. In 2023, we took important steps towards meeting our target of 45% female representation by 2030 by moving from 33% at the beginning of the year to 37% at the end of 2023. This puts us above the sector average, and we will closely monitor that our strategic initiatives for the coming years drive our continued progress towards this target.

	Diversity and Non-Discrimination Policy	Employer branding	Maternity/paternity leave	Recruitment	Performance & Talent Management	Strategic priority	Salary and bonus
Structural level							
Management level	Specific and individual performance requirements for all managers through training in diversity and inclusive management – and structural follow-up in the annual organisational review process.						
Individual level	Support and accelerate the development of colleagues representing the desired diversity in Nykredit.						

For additional information on Nykredit's corporate responsibility performance, please refer to our Corporate Responsibility Report 2023. The report includes our:

- Communication on Progress to the UN Global Compact, which we signed in 2008
- Reporting on the UN Principles for Responsible Banking signed by us when introduced in 2019
- Report on corporate responsibility, see section 135b of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.
- Report on the gender composition of management, see section 135a of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.
- Report on Nykredit's Data Ethics Policy, see section 135d of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.
- The Corporate Responsibility Report 2023 is supplemented with Nykredit's Sustainability Fact Book 2023, which is available at nykredit.com/corporate-responsibility, and information on corporate governance at nykredit.com/corporategovernance

Report on and targets for the proportion of the under-represented gender on the Board of Directors

The table below shows progress on the targets for the proportion of the under-represented gender on the Boards of Directors of the Nykredit Group. Following an amendment to the Danish Financial Business Act, staff-elected board members do not count towards the gender target as from 2023.

The proportion of women on the Boards of Directors is unchanged from end-2022. Nykredit Leasing A/S was included in the statement in 2023.

Nykredit meets the 2025 target for the proportion of women on the Boards of Directors of Nykredit Realkredit A/S, Nykredit Portefølje Administration A/S and Nykredit Leasing A/S. An equal gender balance has therefore been achieved for these companies, see guidelines issued by the Danish Business Authority. The targets set for Nykredit A/S, Nykredit Bank A/S and Totalkredit A/S have not been achieved yet.

Report on and targets for the proportion of the under-represented gender at the two top management levels below the Board of Directors

As at 1 January 2023, section 79a of the Danish Financial Business Act took effect, stipulating that targets must be set for the proportion of the under-represented gender – elected by the Annual General Meeting – on boards of directors and other management levels of a company. Other management levels are

- 1) executive boards and persons at the same management level organisationally as an executive board, and
- 2) another management level comprising persons with employee responsibility and reporting directly to the first management level below the board of directors.

The requirement applies to financial companies and financial holding companies. In the Nykredit Group, this comprises Forenet Kredit, Nykredit A/S, Nykredit Realkredit A/S, Nykredit Bank A/S, Totalkredit A/S, Nykredit Portefølje Administration A/S and Nykredit Leasing A/S.

In December 2022, Nykredit set targets for an equal gender balance among Group managers, aiming for a minimum target of 45% female managers by 2030 and a sub-target of at least 37.5% female managers by 2025. In addition, guiding principles and a series of initiatives were defined to achieve this target.

Nykredit also set targets for the two top management levels below the Board of Directors. In order to provide a relatively short time horizon for the targets that also matches the Group's other time horizons for targets, a target towards 2025 has been set. This is to ensure clear progress towards the Group's long-term target of an equal gender balance and to allow for the time horizon, our starting point (current male/female distribution), number of positions and movements and the time needed to build a sufficient talent pipeline.

The regulatory requirements for setting targets for the top management levels align with the Group's ambitions for an equal gender balance among managers – and are addressed through the same initiatives and activities. However, this is aimed at a proportion of the Group's managers (top level), while the Group's targets apply to the total number of managers.

	Excluding staff-elected members				2025 Target
	2022	2023		2023 target attainment?*	
Nykredit A/S	30%	3 out of 10	30%	No	40%
Nykredit Realkredit A/S	38%	3 out of 8*	38%	Yes	40%
Nykredit Bank A/S	0%	0 out of 4	0%	No	20%
Totalkredit A/S	0%	0 out of 3	0%	No	25%
Nykredit Portefølje Administration A/S	50%	2 out of 4	50%	Yes	40%
Nykredit Leasing A/S	25%	1 out of 4	25%	Yes	40%

* See the Danish Business Authority's guidelines and definitions.

Progress as at 31 December 2022 and 31 December 2023 is based on employment and reporting conditions in the companies, which have dual and triple employment contracts. This means that the same person often forms part of the management of several companies. The table shows that we have reached the 2025 target for Nykredit Leasing A/S, which now has an equal gender balance at the two top management levels below the Board of Directors.

We have not yet reached the 2025 target for the other companies.

- At end-2023, the proportion of the under-represented gender at the two top management levels below the Board of Directors in Nykredit A/S and Totalkredit A/S was unchanged on end-2022.
- In Nykredit Realkredit A/S, the decline from 18% to 15% was attributable to a female manager who is no longer part of the two top management levels due to internal job and reporting line changes.
- In Nykredit Bank A/S the decline from 21% to 17% was due to several factors. The primary reason is that the Executive Board has been expanded by one male and one female member, which means that one female and eight male managers are now included in the two top management levels as they report directly to the two new members of the Executive Board. Moreover, organisational adjustments have resulted in changed reporting lines in the management team. Further, two managers have, via dual and triple employment contracts, also been employed with Nykredit Bank in addition to their primary employment contract in the Group.
- In Nykredit Portefølje Administration A/S, the proportion of female managers dropped from 29% to 25% when two male managers in the Group also became employed with Nykredit Portefølje Administration A/S via dual and triple employment contracts.

In future, the target will be reviewed and updated annually in connection with the annual report. Nykredit's current initiatives to improve the gender balance support the realisation of both the Group's target of an equal gender balance among all our managers and the regulatory requirement for top management level targets.



Actions and initiatives

Nykredit is dedicated to improving the gender balance through a number of targeted initiatives. In 2023, our initiatives included recruiting, training and retaining more women in management positions as well as offering targeted skills development and career transitioning programmes.

The Group-wide development and talent programmes include a strong focus on diversity, inclusion and bias, and we have increased our focus on gender balance and internal recruitment of graduates. We have also implemented Develop Diverse, AI-based software, to ensure a more inclusive language in our job posts.

The annual organisational review focused particularly on equal pay. And to ensure greater pay transparency we concluded an agreement with the Nykredit section of the Financial Services Union to implement of a new pay structure.

In 2023, we also expanded the diversity and inclusion theme of our colleague engagement survey to strengthen our insight into the wellbeing of minorities in the organisation. Nykredit's actions and initiatives are described in our Corporate Responsibility Report 2023

Targets for and current proportion of the under-represented gender in the two top management levels below the Board of Directors	As at 31.12.2022	As at 31.12.2023	2025 target
Nykredit A/S	0% (0 women out of 4)	0% (0 women out of 4)	20%*
Nykredit Realkredit A/S	18% (7 women out of 39)	15% (6 women out of 39)	25%*
Nykredit Bank A/S	21% (7 women out of 34)	17% (7 women out of 42)	25%*
Totalkredit A/S	32% (9 women out of 28)	32% (9 women out of 28)	35%*
Nykredit Portefølje Administration A/S	29% (4 women out of 14)	25% (4 women out of 16)	35%*
Nykredit Leasing A/S**		45% (5 women out of 11)	40%**

* Target set as at 31.12.2022.

** Target for Nykredit Leasing A/S was added in 2023.

Financial review



Change in income
+21.3%



Change in
business profit
+32.5%



Change in
profit after tax
+15.2%

DKK million

Nykredit Realkredit Group		Q4/ 2023	Q3/ 2023	Q2/ 2023	Q1/ 2023	Q4/ 2022	
	2023	2022					
BUSINESS PROFIT AND PROFIT FOR THE YEAR							
Net interest income	12,305	10,871	3,199	3,101	3,459	2,546	3,054
Net fee income	2,789	3,119	839	644	671	635	907
Wealth management income	2,368	2,279	583	588	605	592	543
Net interest from capitalisation	1,719	(740)	407	421	1,029	(138)	(265)
Net income relating to customer benefits programmes	(404)	(443)	(113)	(76)	(134)	(81)	(119)
Trading, investment portfolio and other income	1,625	1,736	202	610	407	406	1,609
Income	20,401	16,822	5,116	5,290	6,036	3,959	5,729
Costs	6,554	6,320	1,753	1,591	1,664	1,546	1,680
Business profit before impairment charges	13,847	10,503	3,363	3,698	4,372	2,413	4,048
Impairment charges for loans and advances	(177)	(80)	(36)	(26)	47	(162)	145
Business profit	14,024	10,583	3,400	3,724	4,325	2,575	3,904
Legacy derivatives	59	931	(84)	111	(297)	329	42
Profit before tax for the year	14,083	11,514	3,316	3,835	4,029	2,904	3,945
Tax	3,191	2,060	755	897	1,042	497	696
Profit for the year	10,892	9,454	2,561	2,938	2,987	2,406	3,249
Other comprehensive income, remaining items	5	(71)	(2)	(5)	27	(12)	(45)
Comprehensive income for the year	10,898	9,383	2,559	2,932	3,014	2,394	3,205
Interest on Additional Tier 1 capital charged against equity	154	153	39	39	38	38	39
Minority interests	65	61	20	17	13	15	17

2023 performance highlights

Nykredit delivered a highly satisfactory profit after tax for 2023 of DKK 10,889 million (2022: DKK 9,454 million) and a business profit of DKK 14,024 million (2022: DKK 10,583 million).

Results were positively impacted by higher net interest income, net interest from capitalisation, increased investment portfolio income as well as net reversal of impairments owing to the continued strong Danish economy and the high credit quality of our customers. In 2023, we recorded customer growth across all segments.

We last raised our guidance for profit after tax for 2023 on 11 January 2024 to a profit after tax for 2023 of about DKK 10.9 billion. The results match our most recent guidance and are the best Nykredit has ever recorded.

Bank lending after impairment rose to DKK 94.4 billion (end-2022: DKK 86.7 billion), marking an increase of 8.8%. Mortgage lending increased by DKK 10.4 billion to nominally DKK 1,440.3 billion (end-2022: DKK 1,429.9 billion).

Lending amounted to DKK 114.2 billion (end-2022: DKK 107.4 billion), up DKK 6.8 billion.

Income

Income totalled DKK 20,401 million in 2023 (2022: DKK 16,822 million), comprising a 7% increase in income from core business compared with 2022.

Net interest income increased to DKK 12,305 million (2022: DKK 10,871 million), positively impacted by rising interest rates in addition to an increase in nominal bank and mortgage lending compared with 2022.

Net fee income decreased by 11% on 2022, totalling DKK 2,789 million (2022: DKK 3,119 million), primarily due to low mortgage activity in both the personal and business segments compared with the previous year. By contrast, net fee income was positively affected by the high activity level of large corporate clients served by the business area Corporates & Institutions as well as high funding income reflecting the prevailing market conditions.

Wealth management income grew to DKK 2,368 million (2022: DKK 2,279 million), mainly driven by income from Asset Management.

Net interest from capitalisation, which comprises return on equity and interest on subordinated capital, was a gain of DKK 1,719 million (2022: a charge of DKK 740 million). The increase compared to 2022 was due to higher interest rates.

Net income relating to the customer benefits programmes, including KundeKroner and ErhvervsKroner, was a charge of DKK 404 million (2022: a charge of DKK 443 million). The amount includes contributions of DKK 1,375 million from Forenet Kredit. Our benefits programmes amounted to DKK 1,778 million at end-2023.

Trading, investment portfolio and other income, including value adjustment of the portfolio of bank equities and swaps, came to DKK 1,625 million (2022: DKK 1,736 million). Income in 2023 was mainly driven by capital gains on equities held for business purposes, income from credit bonds and a tightening of credit spreads of short-dated Danish covered bonds.

Costs

Total costs amounted to DKK 6,554 million (2022: DKK 6,320 million). Pay rises and general price growth due to inflation increased costs across the Group. Costs of bonus awards also increased as a result of the Group's high performance this year. Furthermore, the period saw increased investments in digitisation and IT as well as renovation of Nykredit's current premises in connection with the upcoming move to new headquarters.

The average headcount was 3,973 (2022: 4,076). The change in headcount was, among other things, due to a lower activity level and streamlining across the Group.



Profit after tax
DKK 10,889 million
 (2022: DKK 9,454 million)

Impairment charges for loans and advances

Impairment charges for loans and advances were a net reversal of DKK 177 million (2022: net reversal of DKK 80 million) owing to the continued strong Danish economy and the high credit quality of our customers.

DKK million		
Nykredit Realkredit Group		
Impairment charges for loans and advances	2023	2022
Individual impairment provisions (stage 3)	143	(558)
Model-based impairment provisions (stages 1, 2 and 3)	(320)	478
Impairment charges for loans and advances	(177)	(80)

The geopolitical tensions are expected to affect the credit quality of some customers because of lower economic growth, rising prices and value and supply chain disruptions. Provisions based on stress tests have been taken to counter the worsened risk outlook. In 2023, Nykredit reversed DKK 0.3 billion of total provisions, which subsequently amounted to DKK 2.1 billion.

General uncertainty about the impacts of the covid-19 pandemic has eased significantly. Customers' repayment of loans granted under government relief packages went better than expected, and Nykredit incurred no additional losses in this respect. The provision taken to cover covid-19 was therefore released at end-H1/2023.

Provisions related to ESG were raised by DKK 0.47 billion in 2023 as a result of a reassessment of ESG transition risks. Government efforts towards the green transition of heavy transport and agriculture with new carbon taxes have been intensified, and new bills have been tabled. The green transition will further challenge some customers' business models and increase expected credit losses. Provisions related to ESG now amount to DKK 0.67 billion.

For further information about the impacts of the geopolitical tensions, including the war in Ukraine, Nykredit's impairment charges for loans and advances and our portfolio distribution, please refer to our Fact Book Q4 2023, which is available at nykredit.com

Income from other items

Legacy derivatives, which are not included in business profit, were DKK 59 million (2022: DKK 931 million). Legacy derivatives are derivatives Nykredit no longer offers to customers, comprising a portfolio with a total market value of DKK 1.4 billion (end-2022: DKK 1.0 billion).

Tax

Tax on profit for the year has been calculated at DKK 3,191 million (2022: DKK 2,060 million). As a result of the new surtax imposed on companies in the financial sector, the tax rate has been raised from 22% to 25.2% in 2023, leading to an additional tax charge of DKK 397 million. In 2024, the tax rate will increase further and amount to 26%.

Results for Q4/2023

Profit after tax for Q4/2023 was DKK 2,561 million (Q3/2023: DKK 2,938 million).

Income amounted to DKK 5,116 million (Q3/2023: DKK 5,290 million). Income from core business was at the same level in Q4 as in Q3, while trading, investment portfolio and other income was lower, mainly driven by negative value adjustments of equities.

Costs amounted to DKK 1,753 million in Q4/2023 (Q3/2023: DKK 1,591 million).

Impairment charges for loans and advances were a net reversal of DKK 36 million (Q3/2023: net reversal of DKK 26 million).

Legacy derivatives resulted in a negative value adjustment of DKK 84 million (Q3/2023: positive value adjustment of DKK 111 million).



Profit after tax in Q4
DKK 2,561 million
(Q3/2023: DKK 2,938 million)

Balance sheet

Nominal mortgage lending stood at DKK 1,440.3 billion (end-2022: DKK 1,429.9 billion), primarily driven by mortgage lending to large corporate clients within the Corporates & Institutions area.

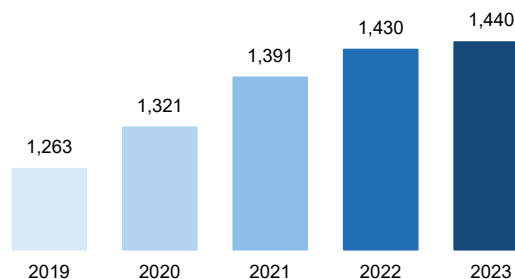
Totalcredit's nominal mortgage lending increased in 2023 to DKK 878.5 billion (end-2022: DKK 877.4 billion), mainly as a result of rising activity in H2/2023 in the Copenhagen area resulting from the new public land assessments having motivated buyers to accelerate their housing purchase to obtain a tax break. About 774,000 homeowners had Totalcredit loans at end-2023.

Nykredit Bank's lending after impairment went up by DKK 7.7 billion to DKK 94.4 billion (end-2022: DKK 86.7 billion). The increase in bank lending was driven by large corporate clients within Corporates & Institutions, Retail Business Banking and Retail Personal Banking. Bank lending (including secured homeowner loans transferred to Totalcredit) rose to DKK 105.0 billion (end-2022: DKK 94.9 billion). Secured homeowner loans transferred to Totalcredit amounted to DKK 10.7 billion (end-2022: DKK 8.2 billion).

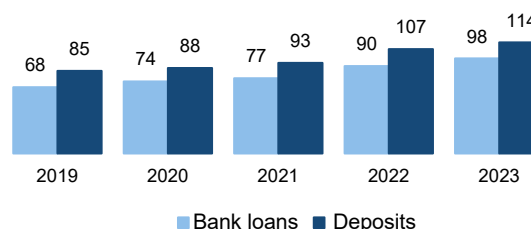
Equity

The Nykredit Realkredit Group's equity stood at DKK 101.0 billion at end-2022: DKK 96.9 billion). Based on profit for the year, it is recommended to the Annual General Meeting that Nykredit distribute dividends of DKK 5.4 billion.

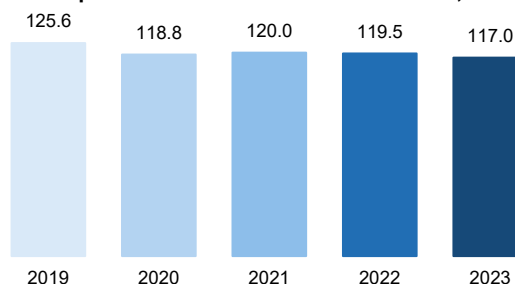
Nominal mortgage lending, DKK million



Bank lending excluding reverse repurchase lending and deposits excluding repo deposits, DKK million



Deposits relative to loans and advances, %



Results relative to outlook

Our guidance for business profit and profit after tax for 2023 presented in the Annual Report for 2022 was between DKK 8.0 billion and DKK 9.0 billion.

The guidance for profit after tax for 2023 was adjusted three times over the year; last on 11 January 2024, when guidance for profit after tax for 2023 was narrowed to some DKK 10.9 billion.

Nykredit ended the year with record-high profit after tax for 2023 of DKK 10.9 billion in line with our latest guidance.

Profit after tax for 2023 exceeded our initial guidance, chiefly driven by higher net interest income, income from net interest from capitalisation, high investment portfolio income as well as net reversal of impairment charges.

Return and cost targets



Profit after tax in 2024
DKK **9.5-10.5** billion
(2023: DKK 10.887 billion)



Long-term RoE
>8%
(2023: 11.4%)



Cost/income ratio
<40%
(2023: 32.2%)

Outlook and guidance for 2024

Nykredit is guiding for a profit after tax for 2024 of DKK 9.5-10.5 billion.

Our full-year guidance for profit after tax is based on the following assumptions:

- Nykredit's total income is expected to be stable based on expectations of higher wealth management income, partly driven by an increase in assets under management and in net interest from capitalisation due to the higher interest rates. Conversely, uncertainty arising from macroeconomic trends, including conditions in financial markets compared with the favourable terms in 2023, could adversely impact results.
- Costs are expected to increase due to general pay and price rises as well as costs of relocating to new headquarters.
- Impairments are expected to be higher than the exceptionally low levels in the past few years.
- Our tax charge is expected to rise as a result of the new surtax imposed on the financial sector, seeing an increase in taxation from 22% in 2022 to 25.2% in 2023 and 26.0% in 2024.

The main uncertainties applying to our 2024 guidance are related to investment portfolio income due to Nykredit's portfolio of bank equities, legacy derivatives as well as impairment charges for loans and advances.

Dividend

Nykredit's dividend policy is still to provide our owners with a return in the form of dividend of 50% of profit for the year in accordance with the current capital policy.

If Nykredit is deemed to have excess capital after ordinary dividend has been distributed, the Board of Directors will in 2023 and going forward consider, taking into account the current economic climate, outlook etc, whether to distribute extraordinary dividend or buy back shares.

Special accounting circumstances

No special accounting circumstances occurred in 2023.

Other

At Nykredit A/S's Annual General Meeting held on 23 March 2023, Hans-Ole Jochumsen resigned from the Board of Directors, and Torsten Hagen Jørgensen was elected new member of the Board of Directors.

Merete Eldrup, Preben Sunke, John Christiansen, Michael Demnitz, Per W. Hallgren, Jørgen Høholt, Vibeke Krag, Mie Krog and Lasse Nyby were re-elected to the Board of Directors.

In addition, the Board of Directors includes five staff-elected members: Olav Bredgaard Brusén, Allan Kristiansen, Ann-Mari Lundbæk Lauritsen, Inge Sand and Kristina Andersen Skiøld.

Immediately following the Annual General Meeting, the Board of Directors elected Merete Eldrup as Chair and Preben Sunke as Deputy Chair.

Changes to Executive Board

On 1 February 2024, Pernille Sindby joined the Group Executive Board. From this date, the Group Executive Board comprises Michael Rasmussen, Tonny Thierry Andersen, David Hellemann, Anders Jensen and Pernille Sindby.

Uncertainty as to recognition and measurement

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

The areas in which assumptions and estimates significant to the Financial Statements have been made include provisions for loan and receivable impairment as well as valuation of unlisted financial instruments, including swaps, see note 1, accounting policies, and note 2, significant estimates, to which reference is made.

Material risks

The Group's material risks are unchanged compared with the risks described in note 55, 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 for 2023 which materially affect the Group's financial position.

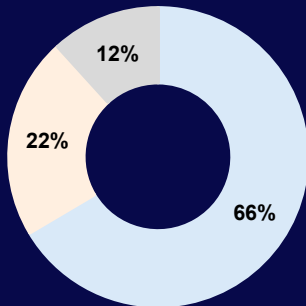


Business areas

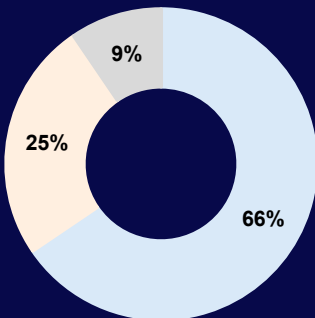
Nykredit's governance and organisational structure is based on these business areas:

- Banking
- Totalkredit Partners
- Wealth Management

Income



Business profit



Banking

Comprises Retail and Corporates & Institutions.

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

Corporates & Institutions comprises Nykredit's corporate and institutional clients, the public housing segment, large housing cooperatives and mortgage lending to business customers for properties abroad. The division is also responsible for Nykredit's activities within securities trading and financial instruments.



Totalkredit Partners

Comprises Totalkredit-branded mortgage loans to personal and business customers arranged by 41 Danish local and regional banks (excluding Nykredit Bank). Mortgage loans arranged by Nykredit are included in the business area Banking.

Totalkredit Partners supports and services Totalkredit's partner banks, optimising their capacity to help customers use our digital tools, products, training, etc.



Wealth Management

Comprises 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.

Sparinvest collaborates with a long list of banks all over Denmark, offering customers the best wealth and investment products and advisory services.

Banking

The overarching ambition of the Banking area is to provide our personal and business customers with financial security.

To realise our ambition, Banking must deliver on a five-track strategy:

- Customers first
- Sustainable solutions
- Digitisation and simplicity
- Quality and integrity
- People who can, will and do make a difference.



2023 in summary

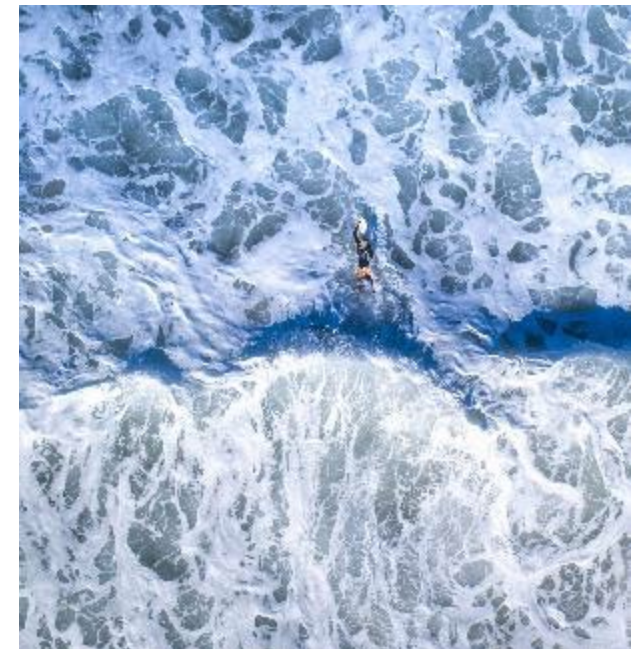
Being customer-owned, we strive to strike the right balance between offering our customers as attractive conditions as possible whilst also ensuring robust earnings. Nykredit was the first large Danish bank to offer our customers positive current account rates, and in Q3 we raised rates further. Consequently, Nykredit Bank now offers one of the most attractive market rates on non-fixed term deposit accounts to both business and personal customers. At the same time, customers who have the option to deposit their money for a fixed period may enjoy even more attractive interest rates, and customers can also still save up for a new home or a green initiative using our home savings and green savings accounts.

Housing market activity was moderate in 2023, as customers prioritised financial discipline given the changed market terms with higher interest rates and inflation pushing up prices. Our customers are generally financially robust, but the changed market terms naturally generate financial uncertainty. This is a perfect example of how Nykredit's overall ambition to create financial security for our customers is translated into consistent and proactive efforts where we reach out to customers and create solutions which ensure stability and security. Our business as well as personal customers have acknowledged our efforts with high customer satisfaction ratings. In the latest EPSI survey (comparing Danish banks), Nykredit took first place among business customers and third place among personal customers.

We have welcomed many new homeowner and business customers, who, together with our existing customers, can enjoy the wide range of benefits of our customer-owned structure. Customer growth is also reflected in a growing market share in 2023.

The green agenda is important to Nykredit. We have already reduced our own carbon footprint considerably and will strive to further reduce it. However, our largest potential impact lies in being a financial partner to our customers in their transition to a low-carbon future.

In 2023, we focused on strengthening advisory services and expanding our range of green products. Our banking advisers have been upskilled to provide customers with better guidance on the green transition.



Nykredit regularly adjusts its business model for the purpose of ensuring the highest degree of availability, relevant services and speed required to give our customers the best customer experience. The green agenda is a key element of our strategy, and we want to make it attractive for our customers to take part in the transition to a low-carbon society. For the second year running, Nykredit's green car loans were awarded Best in Test by the Danish Consumer Council. A green savings account introduced in early 2023 was well received by customers who use the attractive terms, and the green home loans, to replace windows, install solar panels or buy heat pumps.

In 2023, we increased our business activity with large corporate clients and grew our market share. The growth in mortgage lending was mainly driven by real estate investors and large corporations. Nykredit wants to be a solid financial partner to business customers wishing to go green. To that end, we introduced a dedicated kickstart programme aimed at helping SMEs produce carbon footprint calculations and sustainability reports. We can now also offer energy check-ups to housing cooperatives looking to optimise their energy use.

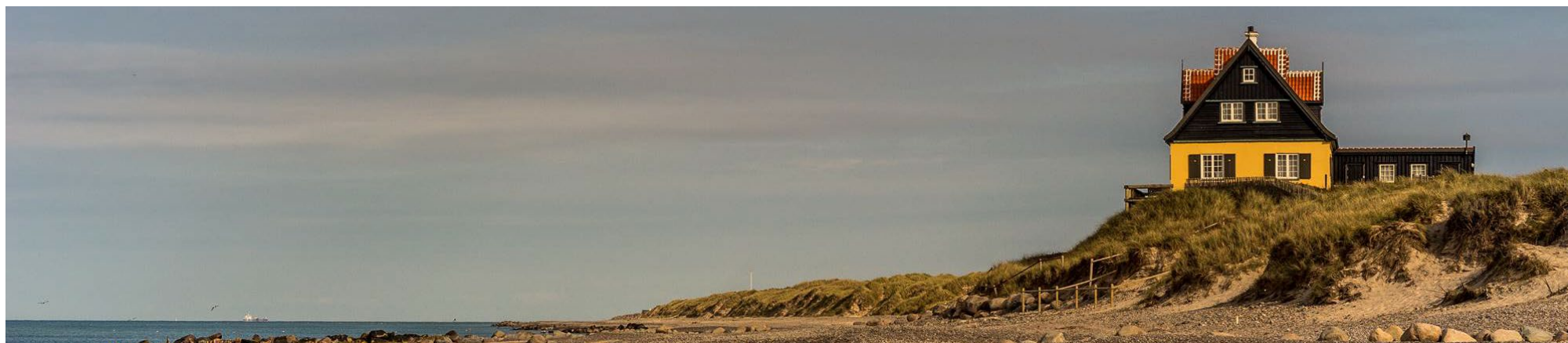
In addition, we launched a new green transport leasing proposition for businesses with an ambition to introduce commercial vehicles fully powered by electricity or hydrogen. With respect to renewable energy and infrastructure assets, we offer flexible financing solutions and can also provide green mortgage, bank and bond financing.

In 2023, Nykredit launched a new Fossil Fuels Policy which implies a stop to lending for activities that contribute to fossil fuel production and exclusion of 483 companies from our investment universe. This means that we will no longer offer loans to companies involved in the exploration, extraction or production of fossil fuels and that we will exclude such companies from our investment funds. This is a natural continuation of our introduction of a new feature in Nykredit's online banking service; an investment ESG score indicating how responsible customers' investments are.

Banking received contributions in 2023 for^{*}:

- Personal mortgage loan discounts: DKK 221 million
- Business mortgage loan discounts: DKK 266 million
- Discounts and grants: DKK 179 million
- Green benefits: DKK 35 million

^{*}The above contributions concern both Banking and Wealth Management.



Performance highlights in 2023

Banking delivered a business profit of DKK 8,675 million (2022: DKK 6,164 million).

Total income rose to DKK 12,865 million (2022: DKK 10,464 million), mainly related to net interest income and net interest from capitalisation. The increase in net interest from capitalisation was due to the higher interest rates.

Net interest income stood at DKK 8,707 million (2022: DKK 7,354 million); an increase on 2022 primarily due to the higher interest rate level as well as a rise in nominal bank and mortgage lending.

Net fee income amounted to DKK 1,929 million (2022: DKK 2,103 million).

Net interest from capitalisation was a gain of DKK 932 million (2022: charge of DKK 439 million), driven by increased interest rate levels compared with 2022.

Costs amounted to DKK 4,480 million (2022: DKK 4,361 million), which was mainly attributable to pay increases and general price increases due to inflation.

Impairment charges for loans and advances were a net reversal of DKK 290 million (2022: net reversal of DKK 61 million) related to the continued good credit quality of our Banking customers.

Legacy derivatives provided a value adjustment of DKK 59 million (2022: value adjustment of DKK 931 million).

Results for Q4/2023

Banking delivered a business profit of DKK 2,246 million in Q4/2023 (Q3/2023: DKK 2,164 million).

Income was DKK 3,308 million (Q3/2023: DKK 3,257 million). Net interest income was at the same level as in Q3, whereas trading, investment portfolio and other income were lower than in Q3.

Impairment charges for loans and advances were a net reversal of DKK 73 million (Q3/2023: net reversal of DKK 13 million).

Legacy derivatives were a loss of DKK 84 million (Q3/2023: income of DKK 111 million).

		DKK million					
Results –			Q4/	Q3/	Q2/	Q1/	Q4/
Banking	2023	2022	2023	2023	2023	2023	2022
Net interest income	8,707	7,354	2,293	2,213	2,215	1,986	2,106
Net fee income	1,929	2,103	536	491	406	496	589
Wealth management income	740	694	190	183	188	180	164
Net interest from capitalisation	932	(439)	219	216	248	249	(155)
Trading, investment portfolio and other income	556	752	70	155	104	227	74
Income	12,865	10,464	3,308	3,257	3,162	3,138	2,778
Costs	4,480	4,361	1,134	1,106	1,118	1,121	1,076
Business profit before impairment charges	8,385	6,103	2,173	2,151	2,044	2,016	1,702
Impairment charges for mortgage lending	(338)	(477)	(80)	(45)	(154)	(59)	(3)
Impairment charges for bank lending	48	416	7	32	80	(70)	134
Business profit	8,675	6,164	2,246	2,164	2,118	2,146	1,571
Legacy derivatives	59	931	(84)	111	43	(11)	42
Profit before tax	8,734	7,095	2,162	2,275	2,161	2,135	1,613



Business profit in Q4
DKK 2,246 million
 (Q3/2023: DKK 2,164 million)

Activities

Loan volumes totalled DKK 782.0 billion (end-2022: DKK 763.5 billion), of which nominal mortgage lending was DKK 684.4 billion (end-2022: DKK 675.4 billion). The increase in mortgage lending particularly stems from the largest corporate clients of the Corporates & Institutions division. Mortgage lending to this segment has grown by 4% since the turn of the year as a result of increased business from real estate investors and large corporations.

Bank lending in Retail Personal Banking came to DKK 11.2 billion (end-2022: DKK 9.2 billion). Bank deposits in Retail Personal Banking amounted to DKK 48.2 billion (end-2022: DKK 44.1 billion). Bank lending in Retail Business Banking came to DKK 31.5 billion (end-2022: DKK 28.8 billion), relating primarily to small and medium-sized enterprises. Bank lending by Corporates & Institutions rose to DKK 42.6 billion (end-2022: DKK 39.4 billion), mainly driven by a few large clients.

Arrears

At the September due date, 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.18% against 0.20% at the same time in 2022.

75-day mortgage loan arrears were at the same level as in 2022 (year-on-year), which is a positive testament to our customers' financial robustness.

DKK million

Selected balance sheet items	31.12.2023	30.09.2023	30.06.2023	31.03.2023	31.12.2022
Banking					
Retail Personal Banking					
Lending	178,366	178,170	178,269	178,852	179,287
- of which mortgage lending, nominal value	154,802	156,128	156,804	158,129	159,253
- of which secured homeowner loans	12,376	11,996	12,060	11,535	10,878
- of which bank lending	11,188	10,046	9,405	9,187	9,156
Deposits	48,160	46,146	46,245	44,180	44,077
Retail Business Banking					
Lending	253,676	252,314	251,295	250,848	249,431
- of which mortgage lending, nominal value	222,210	221,535	220,961	220,084	220,677
- of which bank lending	31,465	30,779	30,334	30,764	28,754
Deposits	27,947	28,000	28,054	27,978	27,540
Corporates & Institutions					
Lending	349,978	348,151	344,235	343,008	334,831
- of which mortgage lending, nominal value	307,387	305,173	301,017	300,333	295,474
- of which bank lending	42,591	42,978	43,218	42,674	39,357
Deposits	17,810	13,599	11,138	12,433	13,372



Total lending
DKK 782 billion
(end-2022: DKK 764 billion)

Totalkredit Partners

Totalkredit's strategic ambition is to secure its future position as market leader in property financing by continuing to

- strengthen the alliance between Totalkredit and its partner banks
- focus on joint development projects across the alliance.

A basic premise is to prioritise joint solutions.

The ambition of the Totalkredit alliance is to offer customers competitive mortgage prices. We believe that our customers are best served by local advisers who know them, their financial situation and the local area well, one reason why we consider it our special responsibility to have a nationwide presence.



2023 in summary

2023 saw continued remortgaging activity, albeit at a lower level than in 2022. Consequently, customers with fixed-rate loans benefitted from the high interest rates to significantly reduce their mortgage debt. Mortgage lending measured at nominal value has been largely unchanged since the turn of the year due to customers' mortgage loan repayments, falling housing prices and reduced remortgaging activity. More than 775,000 homeowners now have loans via Totalkredit's partners (excluding loans arranged by Nykredit).

Totalkredit Partners received contributions in 2023 for:

Personal mortgage loan discounts: DKK 1,088 million

Totalkredit Partners is committed to offering customers the best loan propositions in the market as well as strengthening the alliance with its partner banks.

The Totalkredit alliance is continually working to develop a future-proofed IT platform to optimise the advisory tools and home financing options available to all members of the partnership and their customers. Most of the Totalkredit loans are produced in the new home finance universes made available via partner banks' IT providers. The new universes offer better advisory tools and more efficient case management for the benefit of customers. They also get improved digital solutions via "Mit Hjem", a digital platform where they can find information about their home and Totalkredit loans and also monitor local housing market developments, including home listings.

Totalkredit business mortgages are offered to the segments of office and retail, residential rental as well as industry and trades. A large number of our partner banks actively use our business mortgage propositions.

Totalkredit offers a home energy check-up to customers interested in a visit from an energy consultant and having their home energy-labelled. The home energy check-up is one of the joint solutions developed in concert with our Totalkredit partner banks.

Since 2017, the Nykredit Group has awarded KundeKroner discounts sponsored by Forenet Kredit to mortgage customers. These discounts are subject to annual review.

To enhance customers' financial visibility, the Nykredit Group has decided to increase KundeKroner discounts to private homeowners from 0.15% to 0.20% annually for 2024 and 2025. This was decided in January 2024. Indeed, by raising KundeKroner discounts, Totalkredit is going the extra mile for the many Danish homeowners, the Group's predominant customer group, who can look forward to lower housing costs. They will now to a much greater extent be able to enjoy the benefits of being customers of a customer-owned, responsible financial provider.

Including the KundeKroner discounts, we generally offer the most attractive mortgage loans in the market. This is a unique strength of our customer-owned structure, which is expected to benefit our customers also in the coming years.

The alliance with the 41 Totalkredit partner banks is the foundation for our commitment to contribute to development and growth and offer attractive and secure loans all over Denmark at all times.

Again this year, the Danish Consumer Council has tested Danish mortgage loans, with Totalkredit's mortgage loans having the lowest rates in 35 out of 50 loan scenarios. This is largely owing to the KundeKroner benefits programme.

Performance highlights in 2023

Totalkredit Partners recorded a business profit of DKK 3,374 million (2022: DKK 3,078 million).

Income rose to DKK 4,313 million (2022: DKK 3,857 million), driven by net interest from capitalisation due to higher interest rate levels compared with 2022.

Net interest income came to DKK 3,114 million (2022: DKK 3,227 million). Net fee income was DKK 828 million (2022: DKK 996 million), down DKK 168 million mainly driven by lower mortgage activity in both the personal and the business segment compared with 2022.

Costs were DKK 853 million (2022: DKK 786 million), mainly due to inflation-driven pay increases and general price rises as well as increased costs of compliance.

Impairment charges for loans and advances were DKK 86 million (2022: net reversal of DKK 7 million) and remained at a very low level. The increase was primarily related to lower housing prices.

Results for Q4/2023

Totalkredit Partners delivered a business profit of DKK 926 million (Q3/2023: DKK 823 million).

Income decreased to DKK 1,186 million (Q3/2023: DKK 1,001 million), primarily attributable to fees.

Impairment charges for loans and advances were DKK 31 million (Q3/2023: net reversal of DKK 8 million).

		DKK million						
Results –			Q4/	Q3/	Q2/	Q1/	Q4/	
Totalkredit Partners	2023	2022	2023	2023	2023	2022	2022	
Net interest income	3,114	3,227	800	767	771	775	829	
Net fee income	828	996	302	144	192	189	306	
Net interest from capitalisation	379	(365)	87	92	96	104	(116)	
Trading, investment portfolio and other income	(8)	(1)	(4)	(2)	(2)	(1)	(2)	
Income	4,313	3,857	1,186	1,001	1,058	1,068	1,017	
Costs	853	786	228	186	224	215	208	
Business profit before impairment charges	3,460	3,071	958	815	834	853	809	
Impairment charges for mortgage lending	86	(7)	31	(8)	(9)	72	(4)	
Business profit	3,374	3,078	926	823	843	781	813	



Business profit in Q4
DKK 926 million
(Q3/2023: DKK 823 million)

Activities

Lending totalled DKK 730.2 billion compared with DKK 731.9 billion at end-2022, down DKK 1.7 billion, driven by private residential mortgage lending at nominal value.

Total nominal mortgage lending to personal customers declined to DKK 717.2 billion (end-2022: DKK 719.9 billion) as a result of lower activity and a reduction in customers' mortgage debt in connection with remortgaging. The majority of our customers opted for repayment loans in 2023.

The business loan portfolio increased by DKK 0.9 billion to nominally DKK 13.0 billion (end-2022: DKK 12.1 billion).

Arrears

At the September due date, 75-day mortgage loan arrears of Totalkredit Partners as a percentage of total mortgage payments due were 0.13% against 0.13% at the same time in 2022. At end-2022, 75-day arrears for the December due date were also 0.13%.

Due to customers' financial strength, 75-day arrears remained low and were on a level with the same time in 2022.



DKK million

Selected balance sheet items	31.12.2023	30.09.2023	30.06.2023	31.03.2023	31.12.2022
Totalkredit Partners					
Personal customers					
Lending	717,196	715,700	715,628	729,525	719,851
- of which mortgage lending, nominal value	709,957	708,057	707,885	721,915	712,632
- of which secured homeowner loans	7,238	7,643	7,743	7,610	7,219
Business customers					
Lending	12,981	12,642	12,465	10,312	12,051
- of which mortgage lending, nominal value	12,981	12,642	12,465	10,312	12,051



Total lending
DKK 730 billion
(end-2022: DKK 732 billion)

Wealth Management

Wealth Management pursues the ambition of being Denmark's responsible wealth manager. Against this background, we aim to build long-term value for our clients and business partners and be useful to society. We are pursuing seven different tracks:

- Corporate responsibility
- Customers first
- Digital customer experiences
- Strategic partnerships
- Alternatives
- Data
- Scale.



2023 in summary

Markets saw some turbulence in 2023 but overall generated decent returns.

Wealth Management continuously strives to maintain close relationships with customers and partners, and this has been the driving force behind Wealth Management's strong customer growth and positive net sales.

Balanced solutions and indexed equity mandates in particular were in demand among our clients.

Wealth Management strives to improve the customer experience through, for example:

- better digital investment solutions for personal customers using mobile and online banking services. Nykredit's mobile banking service now also features ESG scores of customers' investments.
- sustainability in advisory services, products and concepts that provide our customers with even more and better opportunities to invest sustainably.
- Nykredit's unique mutual ownership benefits as well as contributions that lower the cost of investing in funds carrying the Nordic Swan Ecolabel.
- a higher awareness of alternative investments.

In 2023, Wealth Management reached important milestones consolidating the Group's solid position in wealth and investment. The purpose is to build simpler, more scalable and focused Wealth Management operations supporting continued growth by having:

- added more customer-facing resources to Private Banking Elite and Asset Management
- created a simple and scalable business model for Nykredit Portefølje Administration to support growth and reduce operational risks

- introduced a new long-term shareholders' and partnership model for the Sparinvest partners, which can form the basis for further joint development of competitive solutions that provide value to customers.
- launched a new 3-year platform programme to ensure a robust and scalable platform capable of managing future growth in the wealth management and investment areas.

Wealth Management holds a strong market position and received international recognition in 2023 in the form of Morningstar Fund, WealthBriefing, Euromoney as well as Lipper Fund awards and Prospera.

Awards received in 2023

Morningstar Fund Awards

- Best manager of equities
- Best manager of equities and bonds
- Best global equity fund with the sustainable fund Sparinvest INDEX DJSI World KL

WealthBriefing Awards (Private Banking)

- Best Domestic Clients Team
- Best Private Bank – Talent Management

Financial publisher Euromoney

- Best Domestic Private Bank in Denmark

Lipper Fund Awards

- Nykredit Invest Korte Obligationer (3Y)
- Nykredit Invest Korte Obligationer Akk. (5Y)

Prospera

- Best Private Banking provider for the 7th consecutive year

Performance highlights in 2023

Wealth Management delivered a business profit of DKK 1,185 million (2022: DKK 1,010 million).

Income rose to DKK 2,215 million compared with the previous year (2022: DKK 1,929 million), mainly driven by net interest income from higher deposit and lending balances and rising interest rates in addition to net interest from capitalisation due to higher interest rates compared with 2022.

Costs were DKK 1,018 million (2022: DKK 926 million), mainly due to inflation-driven pay increases and general price rises as well as increased IT investments etc.

Impairment charges for loans and advances were DKK 13 million (2022: net reversal of DKK 8 million).

Results for Q4/2023

Wealth Management delivered a business profit of DKK 252 million in Q4/2023 (Q3/2023: DKK 310 million).

Income amounted to DKK 529 million (Q3/2023: DKK 556 million).

Costs amounted to DKK 272 million (Q3/2023: DKK 254 million). The increase was chiefly due to a time lag on large payments.

Impairment charges for loans and advances were DKK 5 million (Q3/2023: net reversal of DKK 8 million).

		DKK million					
Results –			Q4/	Q3/	Q2/	Q1/	Q4/
Wealth Management	2023	2022	2023	2023	2023	2023	2022
Net interest income	498	307	118	127	132	121	115
Net fee income	44	49	14	10	13	7	12
Wealth management income	1,595	1,551	381	399	416	399	370
Net interest from capitalisation	39	(16)	9	9	10	10	(6)
Trading, investment portfolio and other income	40	38	8	11	10	11	7
Income	2,215	1,929	529	556	581	549	498
Costs	1,018	926	272	254	231	260	239
Business profit before impairment charges	1,197	1,002	257	301	350	288	259
Impairment charges for mortgage lending	1	7	(0)	(1)	0	1	6
Impairment charges for bank lending	12	(15)	5	(8)	(8)	23	6
Business profit	1,185	1,010	252	310	358	265	247

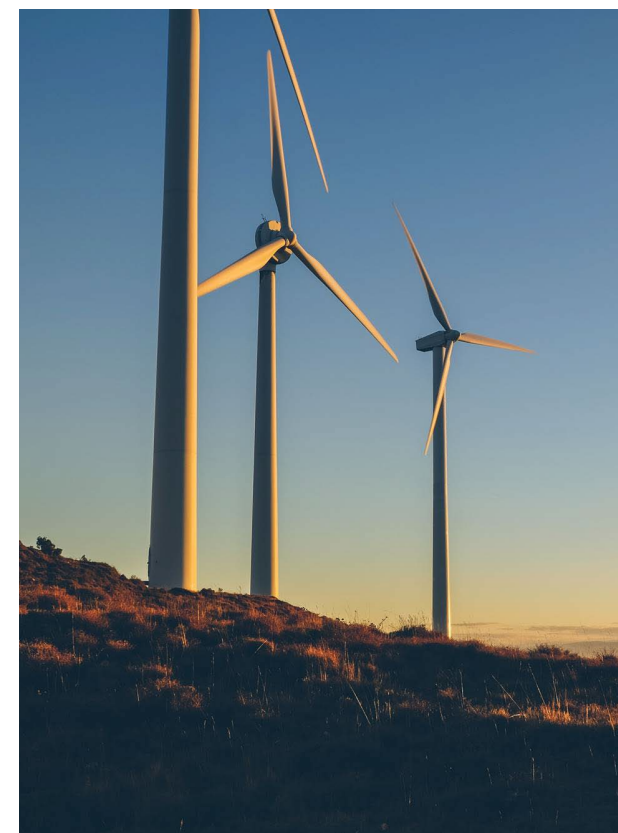


Business profit in Q4
DKK 252 million
 (Q3/2023: DKK 310 million)

Activities

Assets under management increased by DKK 50 billion compared with end-2022 to a total of DKK 456 billion (end-2022: DKK 406 billion). This was in part due to positive net sales of DKK 17 billion driven by net growth in clients from the Sparinvest partnership, Retail and Private Banking Elite clients as well as from institutional and international clients. To this should be added a positive return of DKK 33 billion.

Assets under administration rose by DKK 96 billion on end-2022, totalling DKK 1,081 billion (end-2022: DKK 985 billion). This development is composed of net sales of a negative DKK 14 billion and a positive return of DKK 110 billion. The negative net sale was in part due to the implementation of a simpler and more scalable business model for Nykredit Portefølje Administration.



	DKK million				
Selected balance sheet items					
Wealth Management	31.12.2023	30.09.2023	30.06.2023	31.03.2023	31.12.2022
Assets under management	455,755	432,316	431,321	429,418	406,014
Assets under administration	1,080,553	1,044,227	1,049,437	1,024,420	984,897
Lending/deposits					
Lending	21,926	21,614	21,332	21,093	20,594
- of which mortgage lending, nominal value	15,033	15,152	14,923	14,624	14,373
- of which secured homeowner loans	1,788	1,642	1,536	1,467	1,267
- of which bank lending	5,105	4,820	4,873	5,003	4,955
Deposits	17,655	17,642	17,442	17,784	19,070



Assets under management
DKK 456 billion
(end-2022: DKK 406 billion)

Group Items

Group Items includes Nykredit's total return on the securities portfolio, including equities held for business purposes.

A few income statement and balance sheet items are not allocated to the business areas but are included in Group Items.

		DKK million					
Results –			Q4/	Q3/	Q2/	Q1/	Q4/
Group Items	2023	2022	2023	2023	2023	2023	2022
Net interest income	(14)	(18)	(12)	(5)	3	0	4
Net fee income	(11)	(30)	(13)	(1)	15	(12)	(1)
Wealth management income	33	35	12	7	9	4	9
Net interest from capitalisation	369	81	92	105	76	96	11
Net income relating to customer benefits programmes	(404)	(443)	(113)	(76)	(99)	(117)	(119)
Trading, investment portfolio and other income	1,036	947	127	446	1	462	1,530
Income	1,009	573	93	476	5	435	1,435
Costs	204	246	118	45	0	40	157
Business profit (loss) before impairment charges	805	327	(25)	431	5	394	1,278
Impairment charges for mortgage lending	12	1	0	2	9	1	5
Impairment charges for bank lending	2	(5)	1	2	1	(1)	1
Profit (loss)	790	330	(25)	427	(5)	394	1,272

Performance highlights in 2023

The profit of Group Items increased by DKK 460 million relative to last year to DKK 790 million (2022: DKK 330 million).

The development was chiefly driven by net interest from capitalisation due to higher interest rate levels compared with 2022.



Profit
DKK 790 million
(2022: DKK 330 million)

Capital, funding and liquidity



CET1 capital ratio
20.4%
(end-2022: 19.5%)



Total capital ratio
23.7%
(end-2022: 23.3%)



Internal capital adequacy requirement
10.6%
(end-2022: 11.6%)

Equity

The Nykredit Realkredit Group's equity stood at DKK 101.0 billion at end-2023. Equity has increased by DKK 4.2 billion since the turn of the year.

It is recommended to the Annual General Meeting that Nykredit distribute ordinary dividend of DKK 5.4 billion to the Company's shareholder. This corresponds to about 50% of profit after tax for 2023, adjusted for minority interests, which is in line with the Group's dividend policy. Dividend will be deducted from equity carried for accounting purposes at the time of approval by the Annual General Meeting, whereas the proposed dividend was deducted from own funds for capital adequacy purposes already at end-2023. Nykredit will continue its strong capitalisation following the proposed distribution of dividend. If Nykredit is deemed to have considerable excess capital after ordinary dividend has been distributed, the Board of Directors will continuously consider, taking into account the current economic climate, outlook etc, whether to distribute extraordinary dividend or buy back shares.

In 2023, Nykredit distributed extraordinary dividend of DKK 1.85 billion thanks to the Group's strong capital position taking into account the current economic climate, outlook etc. Nykredit distributed ordinary dividend of DKK 4.65 billion for the 2022 financial year in 2023, equal to 50% of profit after tax for 2022.

DKK million

Nykredit Group		
Equity (including AT1 capital)	31.12.2023	31.12.2022
Equity, beginning of year	96,829	93,591
Profit for the year	10,892	9,454
Other adjustments	(6,716)	(6,216)
Equity, year-end	101,006	96,829

Equity carried for accounting purposes includes Additional Tier 1 (AT1) capital of EUR 500 million (DKK 3.8 billion). For capital adequacy purposes, AT1 capital is included in Tier 1 capital but not in Common Equity Tier 1 (CET1) capital.

Capital and capital adequacy

DKK million

Nykredit Realkredit Group		
Capital and capital adequacy	31.12.2023	31.12.2022
Equity (including AT1 capital)	101,006	96,829
AT1 capital etc	(3,759)	(3,751)
Proposed dividend	(5,400)	(4,650)
CET1 regulatory adjustments	(3,204)	(2,631)
CET1 capital	88,643	85,797
AT1 capital	3,660	3,654
AT1 regulatory deductions	(9)	(4)
Tier 1 capital	92,294	89,446
Tier 2 capital	10,676	10,723
Tier 2 regulatory adjustments	-	2,104
Own funds	102,970	102,273
Credit risk	374,429	366,083
Market risk	27,981	42,443
Operational risk	30,944	29,738
Total risk exposure amount	433,354	438,263
CET1 capital ratio, %	20.4	19.5
Tier 1 capital ratio, %	21.2	20.4
Total capital ratio, %	23.7	23.3
Internal capital adequacy requirement (Pillar I and Pillar II), %	10.6	11.6

Dividend policy

Nykredit's long-term ambition is to provide our owners with a competitive return in the form of dividend in the region of 50% of profit for the year, taking into account the current capital policy. The purpose is to ensure that Forenet Kredit maintains its capital position and can continue to make contributions to the Group's customer benefits programmes. Nykredit continuously assesses its capital position relative to the capital policy laid down and, based on this, considers whether excess capital can be distributed.

The Nykredit Realkredit Group's own funds include CET1 capital, AT1 capital and Tier 2 capital after regulatory deductions.

At end-2023, Nykredit's risk exposure amount (REA) totalled DKK 433.4 billion (end-2022: DKK 438.3 billion). With own funds at DKK 103.0 billion, this corresponds to a total capital ratio of 23.7% (end-2022: 23.3%). The CET1 capital ratio was 20.4% (end-2022: 19.5%).

REA for credit risk increased by DKK 8.4 billion in 2023, mainly driven by growth in lending to large corporate clients. REA for market risk was down DKK 14.5 billion in 2023, partly attributable to reduced bond and equity portfolios, and partly because VaR determination no longer includes highly volatile periods. Operational risk went up by DKK 1.2 billion.

The Nykredit Realkredit Group's REA has generally risen in recent years due to lending growth as well as implementation of new regulation and IRB model development. Low arrears and many years of broad-based price rises in the property market have limited the increase in REA. Another limiting factor was the higher interest rates in 2022-2023, which led to a reduction in the value-adjusted debt outstanding of mortgage lending. Nykredit expects that economic trends will increase REA for credit risk going forward. This has been factored into Nykredit's capital planning for the coming years.

At end-2023, CET1 capital totalled DKK 88.6 billion (end-2022: DKK 85.8 billion). AT1 capital after regulatory adjustments was largely unchanged at DKK 3.7 billion (end-2022: DKK 3.7 billion). Tier 2 capital was DKK 10.7 billion excluding regulatory adjustments (end-2022: DKK 10.7 billion).

Pursuant to the Danish Financial Business Act, it is the responsibility of the Board of Directors and the Executive Board to ensure that Nykredit has the required own funds. The required own funds are the minimum capital required, in Management's judgement, to cover all significant risks. Required own funds were 10.6% of the Group's REA at end-2023, equal to the internal capital adequacy requirement.

In addition to the internal capital adequacy requirement, the Nykredit Group must comply with a combined capital buffer requirement of 7.0%. As a systemically important financial institution (SIFI), Nykredit is subject to a special SIFI buffer requirement of 2.0% as well as a capital conservation buffer requirement of 2.5% applying to all financial institutions. Both buffer requirements are included in Nykredit's capital targets and must be met using CET1 capital. Moreover, the countercyclical capital buffer has been fully phased in at 2.5% of REA. The countercyclical capital buffer must also be met using CET1 capital.

Moreover, the Danish Systemic Risk Council now recommends that a sector-specific systemic risk buffer be activated from end-Q2/2024. More specifically, the Risk Council recommends the introduction of a buffer of 7% for exposures to property companies in Denmark, which should be met using CET1 capital. The recommendation is based on an assessment that there are unaddressed systemic risks related to the commercial property market. The Risk Council states that a scenario of declining property prices combined with high inflation and rising interest rates may result in losses that are significantly higher than expected. The Danish Minister for Industry, Business and Financial Affairs is expected to follow the recommendation, but it is yet unclear how the buffer is to be implemented. According to Nykredit's preliminary calculations, the new buffer will imply an increase in the Nykredit Group's statutory minimum CET1 capital requirement by about 0.5-1 percentage points of REA.

Also, a bill on Pillar II Guidance (P2G) aiming to ensure greater P2G alignment with the other EU countries has been in public consultation. The ultimate impact on Nykredit's capital targets will be assessed once the bill has been enacted.

Capital targets 2023

Nykredit's capital policy is laid down annually by the Board of Directors and is to support the Group's strategy and objectives. In accordance with its business model, Nykredit aims to have stable earnings, a strong capital structure and competitive credit ratings.

Nykredit Group Shareholders as at 31 December 2023	Share capital, DKK	Share capital, %
Forenet Kredit f.m.b.a.	1,046,965,700	78.90
PFA Pension	133,083,800	10.03
PensionDanmark	31,824,400	2.40
PKA	31,824,400	2.40
PRAS A/S	29,852,600	2.25
AP Pension	21,563,500	1.63
Østifterne Almennyttig f.m.b.a.	17,259,500	1.30
AkademikerPension	5,786,300	0.44
Industriens Fond	4,463,700	0.34
Østifterne Skadeforebyggelse f.m.b.a.	4,356,800	0.31
Total	1,326,980,700	100.00

Based on a structured capital management framework, the Group aims to be able to maintain its business activities throughout Denmark regardless of fluctuations in economic trends. This implies having access to capital to meet new regulatory requirements and in addition be able to withstand a severe economic downturn and consequent losses.

At the same time, Nykredit wants to ensure sufficient own funds to generate dividend for its owners, in turn for example allowing Forenet Kredit to realise its key priorities. Nykredit's capital policy must also adhere to current legislation and FSA requirements.

Capital targets

- CET1 capital target of 15.0-16.0% of REA.
- For total own funds, the target is 19.5-20.5% of REA.

Against this backdrop, Nykredit's capital targets have been set to reflect the Group's capital requirement during a severe recession. The targets have been based on stress test results. Furthermore, Nykredit holds CET1 capital to meet the upcoming Basel requirements and may also obtain new CET1 capital from its owners through Forenet Kredit's capital resources and investment commitments from a number of Danish pension companies.

Due to the access to funding from our owners, Forenet Kredit and a consortium of pension companies, Nykredit's capitalisation levels correspond to those of a listed SIFI.

As a SIFI, Nykredit is subject to a special SIFI buffer requirement of 2%. A capital conservation buffer of 2.5% is also applicable to all financial institutions. Both buffer requirements are included in Nykredit's capital targets and must be met using CET1 capital. Moreover, the countercyclical capital buffer has been fully phased in at 2.5%. The countercyclical buffer will not increase Nykredit's capital targets, which include a stress buffer to absorb the impact of a severe recession, a situation in which the countercyclical buffer is assumed to have been released.

Required own funds and internal capital adequacy requirement

The determination of the required own funds takes into account the business objectives by allocating capital for all relevant risks, including calculation uncertainties. Nykredit applies model-based stress tests and capital projections to determine both the required own funds and its capital targets. Nykredit's stress tests are described in more detail in the publication Risk and Capital Management 2023 available at nykredit.com/riskandcapital-management

The Nykredit Realkredit Group's required own funds were DKK 45.7 billion at end-2023 (end-2022: DKK 50.5 billion) and consist of two components: Pillar I and Pillar II capital. The internal capital adequacy requirement, calculated as required own funds as a percentage of REA, was 10.6% at end-2023 (end-2022: 11.6%).

The Nykredit Realkredit Group has excess capital of currently 3.6 percentage points relative to the capital requirement, ie the internal capital adequacy requirement plus the combined buffer requirement totalling 7.0% at end-2023.

Pillar I

Pillar I capital, covering credit, market and operational risks, was determined at DKK 34.7 billion at end-2023 (end-2022: DKK 35.1 billion). The Pillar I requirement is identical to the statutory capital requirement, which is 8% of REA.

Pillar II

Pillar II capital covers other risks as well as a capital charge that factors in a weaker economic climate and changed customer credit quality. The capital charge is determined using eg stress tests. The Pillar II capital requirement was determined at DKK 11.1 billion at end-2023 (end-2022: DKK 15.4 billion).

	DKK million	
Nykredit Realkredit Group		
Required own funds and internal capital adequacy requirement	31.12.2023	31.12.2022
Credit risk	29,954	29,287
Market risk	2,238	3,395
Operational risk	2,476	2,379
Total Pillar I	34,668	35,061
Risk scenarios and credit quality changes	7,629	9,264
Other risks	3,437	6,147
Total Pillar II	11,065	15,411
Total required own funds	45,734	50,472
Internal capital adequacy requirement (Pillar I and Pillar II), %	10.6	11.6

The determination of other risks includes assessments of effects of model updates, validation and backtest results, data quality as well as operational risks, IT risks, strategic risks etc. The Pillar II requirement also includes a general capital charge that serves as a management buffer, reflecting that capital determination depends on statistical methods, choice of model, model properties, unforeseen events, etc.

Leverage ratio

The leverage ratio, which indicates the relationship between Tier 1 capital and the balance sheet (including off-balance sheet items), was 5.1% at end-2023 (end-2022: 5.0%).

Nykredit's balance sheet mainly consists of match-funded mortgage loans, and paired with a stable development in mortgage lending, this implies limited risk. This risk is mainly credit risk.



Internal capital adequacy requirement

10.6%

(2022: 11.6%)

Funding and liquidity

Nykredit manages its liquidity and funding at Group level and generally issues bonds, senior debt and capital instruments through Nykredit Realkredit A/S.

Bank lending is mainly funded by deposits. As at 31 December 2023, Nykredit Bank's deposits equalled 117.0% of lending against 119.5% in 2022.

Nykredit's balance sheet mainly consists of match-funded mortgage loans. Mortgage lending is secured by mortgages on real estate and funded through the issuance of mortgage covered bonds (SDOs and ROs) and is therefore characterised by a high level of collateralisation.

Balance principle and match funding

Nykredit's mortgage lending is governed by the balance principle, which provides limits to the financial risks Nykredit may assume in relation to lending and funding.

Nykredit operates according to the general balance principle, which allows the use of derivatives for risk hedging under certain conditions. In practice, Nykredit's mortgage lending is match funded. As a result, Nykredit's lending and related funding activities only involve negligible financial risks. Nykredit currently does not apply derivatives in connection with mortgage lending.

To eliminate interest rate risk and foreign exchange risk, the interest rate and foreign exchange terms of mortgage loans match those of the bonds funding the loans. Fixed-rate loans maintain the same funding throughout the term of a loan. Adjustable-rate mortgage loans (ARMs) and floating-rate mortgage loans are funded by bonds with maturities shorter than the terms of the underlying loans, which are refinanced on maturity of the bonds. The loan rate is adjusted upon refinancing according to the yield-to-maturity of the new bonds sold.

The outstanding funding is reduced by principal payments and loan redemptions. Borrowers cover Nykredit's costs of redemption.

The due dates of payment of interest and principal are fixed so that Nykredit receives the funds on or before the dates when the payments to bondholders fall due, provided borrowers make timely payments.

Match funding ensures a balance between the interest and principal payments of a loan and the underlying funding (the balance principle). Therefore, Nykredit's earnings margin consists of a separate so-called administration margin, which is most often calculated on the basis of borrowers' debt outstanding. In addition, various fees are payable, such as price spreads on refinancing, change of refinancing agreement etc.

Balance principle and match funding



Liquidity

Nykredit holds substantial liquidity reserves and meets the regulatory requirements by a comfortable margin. This is illustrated in the table below, which shows that the Liquidity Coverage Ratios (LCRs) of the various companies are significantly above the regulatory requirement of 100%.

	(%)	
Nykredit Realkredit Group		
LCR determination	31.12.2023	31.12.2022
Nykredit Realkredit Group	310	283
Nykredit Realkredit Group, LCR requirement in EUR	400	317
Nykredit Realkredit and Totalkredit	585	529
Nykredit Realkredit and Totalkredit, including LCR Pillar II requirements	254	208
Nykredit Bank	191	205

The net stable funding ratio of the Nykredit Group was 147% at 31 December 2023 compared with 157% at end-2022.

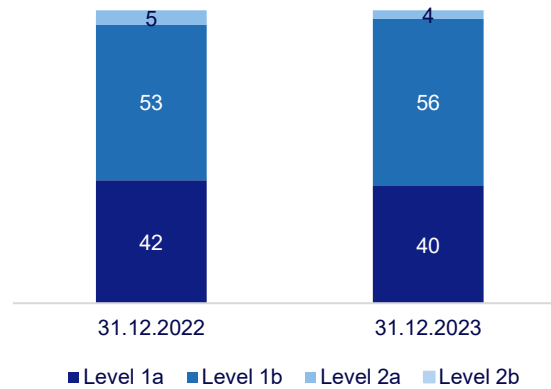
Liquid assets

The liquid assets are determined at market value. The Nykredit Realkredit Group's liquid assets came to DKK 172 billion at 31 December 2023 compared with DKK 170 billion at end-2022. The liquid assets are mainly placed in liquid Danish and other European government and covered bonds. These securities are eligible as collateral in the repo market and with central banks and are directly applicable for raising liquidity.

The Nykredit Realkredit Group's liquid assets determined under the LCR came to DKK 106 billion at 31 December 2023 compared with DKK 102 billion at end-2022. The main difference between liquid assets and liquid assets determined under the LCR is the holdings of self-issued bonds.

The composition of Nykredit's liquid assets used to comply with the LCR is shown in the figure below. 96% of the liquid assets are classified as Level 1, indicating that they have the highest LCR liquidity value. 4% of the liquid assets have the second highest LCR liquidity value, Level 2.

Stock of liquid assets by LCR level, %



Covered bond market

Nykredit is the largest issuer of mortgage bonds in Europe, and the Group's issues mainly consist of mortgage covered bonds (SDOs and ROs).

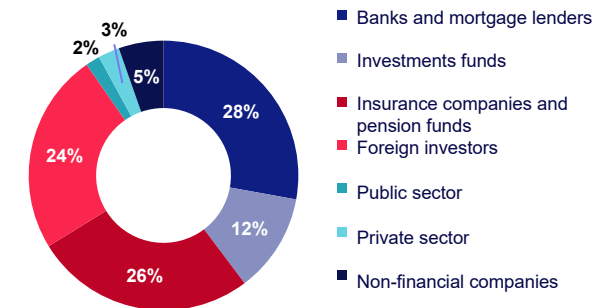
Nykredit's SDOs and ROs are issued through daily tap issuance coupled with bond auctions to refinance ARMs and floating-rate loans etc. At end-2023, the Group had a nominal amount of DKK 1,412 billion of SDOs in issue and DKK 113 billion of ROs in issue.

Nykredit has a large and diversified investor base. Nykredit's investors are mainly Danish institutional investors, comprising Danish banks, mortgage lenders and investment funds, which, at end-2023, held an ownership interest of 40%, and insurance companies and pension funds with an ownership interest of 26%. Foreign ownership amounted to 24% at end-2023.

In 2023, Nykredit issued bonds worth a total of DKK 407 billion, of which daily tap issues amounted to DKK 217 billion, including bonds delivered to the Totalkredit partner banks, while bonds issued for the purpose of refinancing auctions amounted to DKK 190 billion.

In addition to daily tap sales and refinancing auctions, Nykredit occasionally issues SDOs via an investment bank syndicate.

Covered bonds investor base



Green bonds

In April 2023, Nykredit updated its Green Bond Framework, which describes the principles for Nykredit's green bonds, to promote alignment with the criteria of the EU taxonomy.

All green bonds launched after 1 April 2023 may only be used to fund loans in compliance with Nykredit's Green Bond Framework 2023.

Nykredit's Green Bond Framework was established in accordance with ICMA's Green Bond Principles (GBP). Sustainalytics has made an independent assessment of the Framework and its alignment with the EU taxonomy. The criteria of Nykredit's Green Bond Framework relate to 61 EU taxonomy activities, of which Sustainalytics considers 59 activities to be aligned and two activities to be partly aligned with the EU taxonomy.

At end-2023, DKK 36 billion-worth of green mortgage bonds and about DKK 1 billion-worth of green Tier 2 capital had been issued.

Refinancing risk

Nykredit holds refinancing auctions four times a year to reduce refinancing risk as much as possible.

The annual maturity one year ahead totalled DKK 258 billion (end-2022: DKK 230 billion), of which ordinary principal payments, prepayments etc totalled DKK 57 billion (end-2022: DKK 37 billion). Thus, refinancing volumes amounted to DKK 201 billion (end-2022: DKK 193 billion).

The final refinancing volumes are typically lower than the volumes maturing. Actual annual refinancing volumes came to DKK 179 billion in 2023.

	DKK million
Nykredit Realkredit Group	1 January 2024
	- 31 December 2024
Refinancing¹	
Total maturity before set-off of self-issued bonds	257.7
- ordinary principal payments and scheduled ² prepayments (settled)	34.9
- ordinary principal payments and scheduled ² prepayments (not settled)	21.6
- pre-issued bonds and interest rate risk ²	0.3
Total refinancing volume	200.8
- pre-auctioned amount sold under forward contracts	29.2
Refinancing volume remaining for 1 October 2023 - 30 September 2024	230.0
- of which SDOs and ROs	229.9
- of which other issues	0.1
Total maturity before set-off of self-issued bonds	230.0

¹ Applicable for the January, April, July and October 2024 payment dates.

² Known as at 31 December 2023.

	DKK billion	
Nykredit Realkredit Group		
Difference between mortgage lending and bonds in issue	31.12.2023	31.12.2022
Mortgage loans – nominal value, see note 23 a	1,440	1,430
Bonds in issue – nominal value, see notes 38 a and 38 b	1,525	1,503
Difference	85	73
The difference comprises:		
- Bonds sold in connection with refinancing ¹	42	32
- Ordinary principal payments and prepayments ²	33	38
- Pre-issued bonds for loans not yet paid out and other pre-issues	10	3
Total	85	73

¹ Nykredit issues and auctions new bonds about one month prior to the maturity of the existing bonds. The proceeds are used to buy back/redeem the bonds maturing on 2 January. For a period, there is a double set of bonds.

² The loan portfolio is reduced by ordinary principal payments and prepayments, while the outstanding amount of bonds will be reduced on the next payment date, 2 January, and on subsequent payment dates in accordance with the terms of prepayment. Nykredit will generally place the proceeds in bonds maturing on one of the next payment dates.

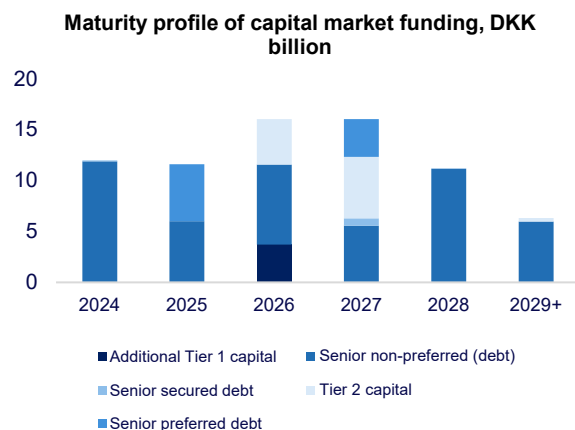
Capital market funding

Nykredit must have a debt buffer of at least 2% of mortgage lending. Also, the debt buffer, own funds and MREL eligible liabilities combined must amount to at least 8% of the consolidated balance sheet. Nykredit meets both requirements.

Due to an expected higher REA, the total regulatory requirement may exceed 8% of the consolidated balance sheet as a result of rising capital requirements.

Nykredit has also decided to comply with S&P's ALAC rating criteria to maintain a long-term Issuer Credit Rating of A+.

In 2023, Nykredit issued approximately DKK 13.2 billion senior non-preferred debt for meeting the 2% debt buffer requirement, the 8% requirement and the ALAC criteria.



Note: Maturity of capital instruments by first call date.

The Bank's senior preferred debt outstanding consisted of short-term ECP of DKK 5.9 billion as at 31 December 2023.

Debt raised to fund Nykredit Bank is issued by Nykredit Realkredit and distributed to Nykredit Bank as long-term inter-company funding.

The total funding and ECP issuance need will depend on the development in customer deposits and lending as well as the Bank's other business activities.

	DKK million	
Nykredit Realkredit Group		
Bonds in issue	31.12.2023	31.12.2022
Covered bonds (ROs), see note 16 a	113,043	119,758
Covered bonds (SDOs), see note 16 b	1,412,023	1,383,244
Senior secured debt, see note 16 c	651	704
Senior preferred debt, Nykredit Realkredit A/S	9,317	9,296
Senior non-preferred debt	47,049	42,345
Tier 2 capital, see note 19	10,394	10,136
AT1 capital, see note 2, Nykredit Realkredit A/S	3,660	3,654
ECP issues, Nykredit Bank A/S	5,925	9,545

Issuance schedule for 2024

Nykredit Realkredit will continue to issue mortgage covered bonds (SDOs and ROs) on tap and at refinancing auctions. Nykredit expects to refinance bonds worth DKK 61 billion and DKK 39 billion at the auctions in February and May 2024, respectively, and DKK 53 billion and DKK 54 billion at the auctions in August and November 2024, respectively.

Apart from the issuance of SDOs and ROs, Nykredit's need to issue other capital market funding depends on balance sheet growth, changes in REA and refinancing. Nykredit expects to issue bonds worth up to DKK 15-20 billion by end-2024.

Supervisory Diamond

Nykredit is subject to the Danish FSA's Supervisory Diamond, both at the level of the Group and the individual companies.

The Supervisory Diamond model for banks and mortgage lenders, respectively, uses key benchmarks to measure if a bank or a mortgage lender is operating at an elevated risk.

Nykredit complied with all benchmark limits of the Supervisory Diamond model for banks and mortgage lenders as at 31 December 2023.

Supervisory Diamond for mortgage lenders

Benchmark	Nykredit Realkredit Group 31.12.2023	Nykredit Realkredit A/S 31.12.2023	Totalkredit 31.12.2023	Limit value
Lending growth by segment				
Personal customers	0.5%	(13.4)%	1.0%	15.0%
Commercial residential properties ¹	8.0%	8.1%	5.5%	15.0%
Agricultural properties	0.0%	0.0%	0.0%	15.0%
Other commercial	3.1%	2.8%	11.5%	15.0%
Borrower's interest rate risk				
Private residential and residential rental	14.0%	19.0%	12.9%	25.0%
Interest-only loans				
Personal customers	5.1%	2.6%	5.2%	10.0%
Loans with short-term funding				
Refinancing (annually)	13.5%	22.1%	8.4%	25.0%
Refinancing (quarterly)	2.7%	3.1%	2.5%	12.5%
Large exposures				
Loans and advances/equity	50.6%	49.4%	6.7%	100.0%

¹ As Totalkredit's business lending is lower than Totalkredit's own funds, the segment is not subject to the 15% limit.

Nykredit Bank A/S		
Supervisory Diamond for banks	31.12.2023	31.12.2022
Large exposures (limit value <175%)	108.3%	115.7%
Lending growth (limit value <20%)	9.0%	13.7%
Property exposure (limit value <25%)	11.2%	12.1%
Liquidity benchmark (limit value >100%)	223.3%	272.0%



Credit ratings

Nykredit Realkredit and Nykredit Bank collaborate with international credit rating agencies S&P Global Ratings (S&P) and Fitch Ratings regarding the credit rating of the Group's companies and their funding.

List of ratings

For a complete list of Nykredit's credit ratings with S&P and Fitch Ratings, [please visit nykredit.com/rating](https://nykredit.com/rating)

S&P Global Ratings

S&P has assigned Nykredit Realkredit and Nykredit Bank long-term and short-term Issuer Credit Ratings as well as long-term and short-term senior preferred debt ratings of A+/A-1 with a stable outlook as well as long-term and short-term Resolution Counterparty Ratings of AA-/A-1+. Senior non-preferred debt has a BBB+ rating with S&P.

Covered bonds (SDOs and ROs) issued by Nykredit Realkredit and Totalkredit through rated capital centres are all rated AAA by S&P, which is the highest possible rating. The rating outlook is stable.

The very modest residual outstanding amount of covered bonds in Nykredit Realkredit in General and Nykredit Realkredit's Capital Centre C was the reason for Nykredit's decision to end the credit ratings of these bonds as at 1 January 2024.

Fitch Ratings

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

ESG ratings

ESG ratings are a tool used by investors and other stakeholders to assess a company's position relative to sustainability based on a number of environmental, social and governance factors. Nykredit is currently focusing on the ESG rating agencies MSCI and Sustainalytics, which consider all ESG factors, as well as on the CDP (formerly Carbon Disclosure Project), which assesses the environmental impact of businesses.

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

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

Credit risk

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

Nykredit's credit exposures mainly consist of mortgage loans. As mortgage loans are secured by real estate, credit risk is low. Credit risk on mortgage loans is typically characterised by a stable development.

Nykredit's credit exposures are considered to be of high credit quality. Loan-to-Value (LTV) ratios have been declining in recent years, not least due to the high remortgaging activity, enabling customers to reduce their debt outstanding. In 2023, we have seen a slight increase in LTV ratios, which currently amounts to 53.4% due to the falling house prices.



Net reversal
DKK **177** million
*(end-2022: net reversal
of DKK 80 million)*



Provisions related to macro-
economic uncertainty
DKK **2.1** billion
(end-2022: DKK 2.4 billion)

Earnings impact, 2023

Impairment charges for loans and advances were a net reversal of DKK 177 million (2022: net reversal of DKK 80 million) owing to the continued strong Danish economy and the high credit quality of our customers. Impairment charges for loans and advances comprised individual impairment provisions of DKK 143 million and a net reversal of DKK 320 million from model-based impairments. In 2023, provisions related to macroeconomic uncertainty were reduced by DKK 0.3 billion. Provisions related to ESG increased in the same period as a result of a reassessment of ESG transition risks. Government efforts towards the green transition of heavy transport and agriculture with new carbon taxes have been intensified, and new bills have been tabled. The green transition will further challenge some customers' business models, which may potentially increase expected credit losses.

Macroeconomic uncertainty

The geopolitical conditions and the global economies are challenged by, for instance, the war in Ukraine and volatile financial markets. These conditions are expected to affect the credit quality of some customers as a result of lower economic growth, increasing interest rates, house price trends, inflation and disruptions of value and supply chains.

Provisions related to macroeconomic uncertainty are based on stress test calculations of three 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 high inflation and rising interest rates. Total provisions of DKK 0.665 billion have been taken to counter such risk. Secondly, business customers in the construction, retail, wholesale, commercial rental, production and manufacturing sectors are also expected to be affected due to inflation, scarcity of goods and rising interest rates. Thirdly, the property values of stage 3 customers have been stressed to simulate a reduction in collateral values. We have taken provisions of DKK 1.1 billion for exposed sectors, and total provisions to manage the increased risk now amount to DKK 2.1 billion.

For further information about the impacts of geopolitical tensions and macroeconomic trends, please refer to our Fact Book Q4 2023, which is available at nykredit.com

Macroeconomic impacts on impairment levels

The general macroeconomic situation is monitored by Nykredit's scenario experts, who regularly assess the need for impact updates based on overall international economic trends and input concerning relief packages and government aid initiatives.

The loan portfolio measured at nominal value developed positively in 2023, and individual impairment provisions remained low. Arrears ratios were declining for some portfolios and stable for others. Write-offs remained low. Nykredit has made only a few individual impairment provisions relating to macroeconomic uncertainty and interest rates.

Nykredit's macroeconomic forecasts have been incorporated into the impairment models and in the model-based impairment provisions.

Credit models

Nykredit uses credit models to determine the capital requirement for credit risk and for impairment calculations. 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). The three key parameters are estimated on the basis of Nykredit's customer default and loss history.

The PD is customer-specific, while the other parameters are product-specific. One PD is therefore assigned to each customer, while each of the customer's products has a separate LGD and EAD.

Expectations for macroeconomic models

Nykredit's impairment model calculations include forward-looking macroeconomic scenarios. The scenarios reflect uncertainties relating to the economy and include both improved and deteriorating outlooks. At end-2023, the scenarios were updated to reflect updated macroeconomic conditions and other resulting market conditions that are expected to impact, and partly already have impacted, the economy. The main scenario must reflect the economic environment. The main scenario carries a 60% weighting. The main scenario used for the impairment models implies expected GDP growth of 1.0% and house price decreases of 1.8% in 2023. At end-2022, the main scenario implied expected GDP growth of 0.2% and house price decreases of 5.6% in 2023.

The adverse scenario was included in the models with a weighting of 35%. This scenario implies expected GDP growth of 0.9% and house price declines of 2.9% in 2023.

	DKK million					
	Loans, advances and guarantees		Total provisions for loan impairment and guarantees		Impairment charges for loans and advances, earnings impact	
Nykredit Realkredit Group	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Loans, advances, guarantees and impairment charges for loans and advances						
Mortgage lending, nominal value						
Nykredit Realkredit	561,773	552,492	3,770	4,232	(353)	(504)
Totalkredit	878,488	877,399	1,722	1,687	102	27
Total	1,440,262	1,429,891	5,492	5,919	(251)	(477)
Loans and advances etc						
Nykredit Bank	94,375	86,735	3,207	3,132	76	393
Total	94,375	86,735	3,207	3,132	76	393
Receivables from credit institutions	7,005	11,582	29	18	11	(5)
Reverse repurchase lending	33,965	37,970	-	-	-	-
Guarantees etc	6,932	8,393	328	340 ¹	(12)	9 ¹
Loan impairment, %²						
Nykredit Realkredit			0.67	0.76	(0.06)	(0.09)
Totalkredit			0.20	0.19	0.01	0.00
Total			0.38	0.41	(0.02)	(0.03)
Loans and advances etc						
Nykredit Bank			3.29	3.48	0.08	0.44
Total			3.29	3.48	0.08	0.44

¹ Impairment charges for loan commitments etc were DKK 91 million (Q3/2023: DKK 87 million).

² Loan impairment excluding receivables from credit institutions, reverse repurchase lending and guarantees.

The improved scenario carries a 5% weighting and is based on the macroeconomic conditions observed at the date of this Report. This scenario uses realised levels of interest rates, GDP, house prices and unemployment. Based on this weighting, impairment provisions totalled DKK 9,056 million as at 31 December 2023 (end-2022: DKK 9,409 million). If the main scenario carried a 100% weighting, total impairment provisions would decrease by DKK 136 million. Compared with the main scenario, total impairment provisions would rise by DKK 2,080 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 1,130 million.

A significant part of the sensitivities to macroeconomic scenarios is related to the assessment of exposed sectors. Focus is currently on customers in manufacturing, construction, rental, trade as well as accommodation and food service. If the adverse scenario carried a 100% weighting, the impairment level of such customers would increase by DKK 1,798 million. If the weighting of the improved scenario was 100%, total impairment provisions of such customers would be reduced by DKK 780 million. These sensitivities form part of the sensitivities mentioned above.

See our Factbook Q4 2023 for a sector breakdown by the impact of geopolitical tensions on these sectors at nykredit.com

As at 31 December 2023, the impairment model applied the following main scenario and adverse scenario:

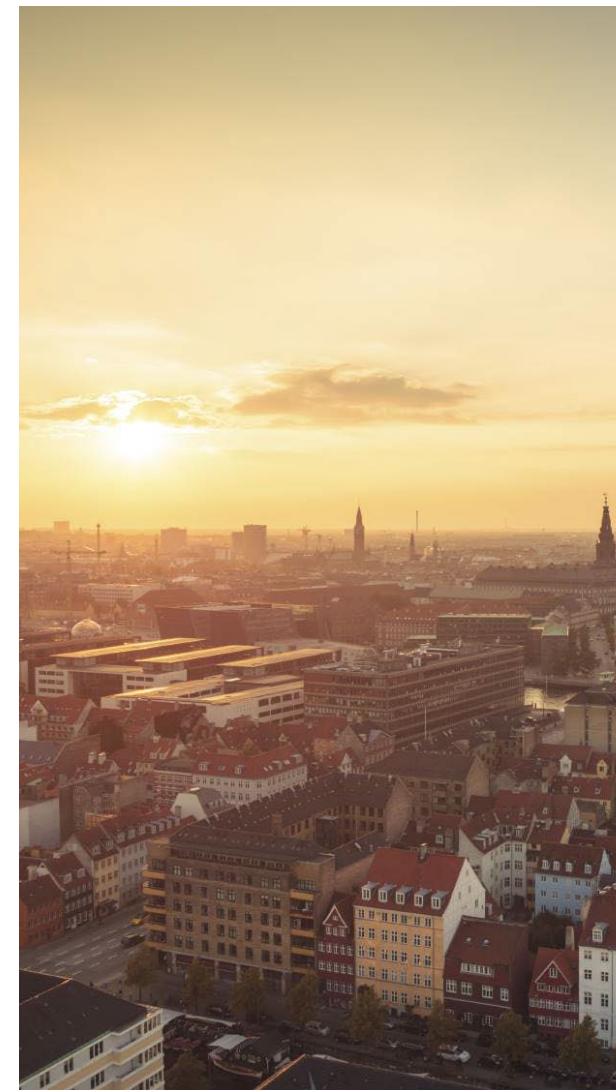
Nykredit Realkredit Group	%					
	Main scenario			Adverse scenario		
	2023 (70% weighting)	2024 (20% weighting)	2025 (10% weighting)	2023 (70% weighting)	2024 (20% weighting)	2025 (10% weighting)
Scenarios for impairment calculations						
Short-term rate ¹	3.6	3.4	2.2	3.6	4.8	4.5
Long-term rate ²	2.8	2.3	1.9	2.8	3.3	3.4
House prices ³	(1.8)	2.6	2.0	(2.9)	(7.7)	(2.5)
GDP ³	1.0	1.2	1.3	0.9	(1.6)	0.3
Unemployment ⁴	2.5	2.6	2.6	2.5	3.4	3.8

¹ Short-term rate reflects the 3M Copenhagen Interbank Offered Rate (Cibor).

² Long-term rate reflects 10-year Danish government bonds.

³ House prices and GDP reflect annual percentage changes.

⁴ Registered gross unemployment.



Post-model adjustments

Management uses post-model adjustments (PMA) to determine corrections to and changes in the assumptions behind impairment models. At end-2023, post-model adjustments amounted to DKK 3,480 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 macro-economic projections cannot capture.

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

The general assessment of economic trends in 2023 has been affected by several negative forecasts of interest rates, housing prices and growth. 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 scope of such post-model adjustments is shown below:

	DKK million	
Nykredit Realkredit Group		
Specific macroeconomic risks and process-related circumstances		
	31.12.2023	31.12.2022
Agriculture	406	644
Covid-19	0	533
Geopolitical tensions	1,083	1,077
Concentration risks in loan portfolios	209	217
Total macroeconomic risks	1,698	2,471
Process-related		
Model changes	0	116
ESG	674	200
Haircut, property values	226	291
Results of controlling	379	441
Total process-related circumstances	1,782	1,602
Total post-model adjustments	3,480	4,073

Note: At end-2023, another DKK 1,002 million was added to the impairment models as in-model adjustments, where exposed sectors are stressed due to geopolitical tensions, resulting in a change of stage (end-2022: DKK 810 million).



Mortgage lending

Nykredit's credit exposure in terms of nominal mortgage lending was DKK 1,440.3 billion (end-2022: DKK 1,429.9 billion).

The security underlying mortgage lending is substantial. Furthermore, mortgage loans granted via Totalkredit are covered by set-off agreements. The loss risk relating to personal loans is mitigated through an agreement with the partner banks. Under the agreement, incurred losses corresponding to the cash part of a loan exceeding 60% of the mortgageable value at the time of granting are offset against future commission payments to the partner banks having arranged the loan.

The average loan-to-value (LTV) ratio relative to the market value of the loans was 53.4% (end-2022: 51.0%). The increase compared with 2022 is mainly driven by declining flat prices.



Total provisions for mortgage loan impairment

Total provisions for mortgage loan impairment equalled 0.38% of total mortgage lending, excluding credit institutions (end-2022: 0.41%). Total impairment provisions amounted to DKK 5,492 million (end-2022: DKK 5,919 million). Provisions related to macroeconomic uncertainty, for example the war in Ukraine, are based on stress test calculations and have been included in total impairment provisions.

Impairment charges for loans and advances are mainly attributable to:

	DKK million	
Nykredit Realkredit Group		
Total impairment provisions for mortgage lending	31.12.2023	31.12.2022
Individual impairment provisions (stage 3)	1,868	1,750
Model-based impairment provisions (stages 1, 2 and 3)	3,624	4,169
- of the above attributable to macroeconomic uncertainty	1,267	1,616 ¹
Total impairment provisions for mortgage lending	5,492	5,919

¹ Macroeconomic uncertainty and covid-19.

Stress test calculations are made as a supplement to ordinary impairment calculations to the extent that recent economic developments (such as unemployment etc) have not yet been captured by Nykredit's models.

Earnings impact

Impairment charges for mortgage lending were a net reversal of DKK 251 million (2022: net reversal of DKK 477 million). Of the impairment charges for loans and advances, DKK 20 million was attributable to owner-occupied dwellings, and a reversal of DKK 271 million was attributable to the business segment.



Arrears

Mortgage loan arrears are determined 75 days past the due date. Mortgage loan arrears were 0.18% of total mortgage payments due 75 days past the September due date (September due date 2022: 0.16%).

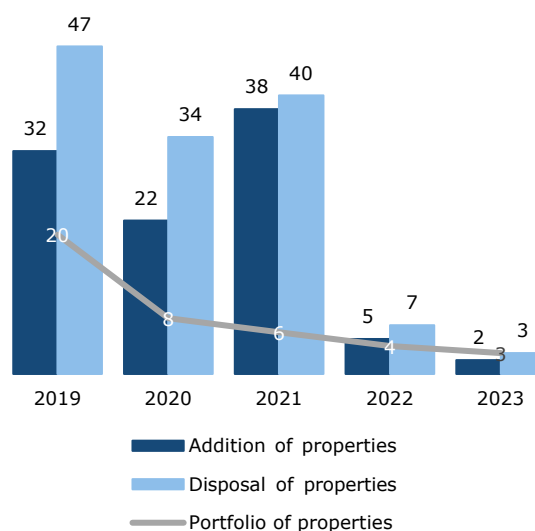
Bond debt outstanding affected by arrears as a percentage of total bond debt outstanding was DKK 1.98 billion, an increase compared with DKK 1.55 billion at the September 2022 due date.

Nykredit Realkredit Group	Arrears relative to total mortgage payments	Debt outstanding in arrears relative to total debt outstanding	Debt outstanding affected by arrears
Due date	%	%	DKK billion
2023			
- September	0.18	0.14	1.98
- June	0.16	0.13	1.80
- March	0.16	0.12	1.79
2022			
- December	0.16	0.12	1.69
- September	0.16	0.11	1.55
- June	0.15	0.11	1.53
- March	0.16	0.11	1.55
2021			
- December	0.16	0.11	1.61
- September	0.18	0.13	1.74

Properties acquired by foreclosure

In 2023, the Group acquired 2 properties and sold 3. The portfolio subsequently comprised 3 properties (end-2022: 4 properties).

Number of properties acquired by foreclosure



Mortgage lending (portfolio)

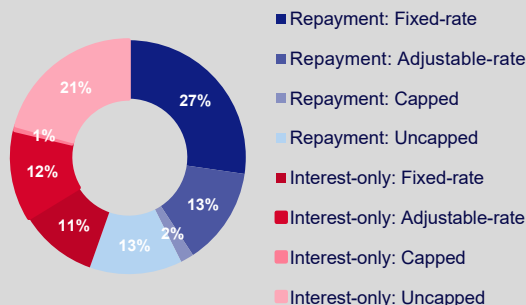
Owner-occupied dwellings accounted for 62% of total bond debt outstanding, matching the level reported in 2022.

Office and retail made up 10.4%, and private rental represented 10.1% of the total bond debt outstanding. In 2022, office and retail amounted to 10.4%, while private rental was 9.9%.

Fixed-rate loans were 37.6% of total mortgage lending (2022: 37.1%), whereas adjustable-rate mortgages (ARMs) totalled 25.5% (2022: 26.7%). Loans without interest rate cap totalled 33.0% (2022: 31.7%).

Repayment loans accounted for 54.6% (2022: 52.5%), as shown in the chart below.

Mortgage lending



DKK million
/number

Mortgage lending by property type¹

Fair value at end-2023	Owner-occupied dwellings	Public housing ²	Cooperative housing	Private rental	Office and retail	Agricultural property	Industry and trades	Other	Total 2023	Total 2022
Mortgage lending										
- Bond debt outstanding	843,234	80,010	31,715	137,227	141,376	81,006	24,102	16,317	1,354,987	1,292,119
- Number of loans	686,964	14,893	5,463	25,395	14,942	25,968	1,775	2,253	777,653	791,418
Bond debt outstanding by loans subject to										
- public guarantees	0	57,831	295	8	42	45	24	337	58,582	55,562
- bank guarantees	29,333	0	0	0	0	0	0	0	29,333	36,654
- set-off agreements with partner banks	129,277	0	0	0	0	0	0	0	129,277	131,724
- no guarantee	684,623	22,178	31,420	137,219	141,335	80,961	24,078	15,981	1,137,795	1,068,179
Total	843,234	80,010	31,715	137,227	141,376	81,006	24,102	16,317	1,354,987	1,292,119
Bond debt outstanding by loan type										
Fixed-rate loans										
- repayment loans	300,856	16,110	11,068	9,126	16,485	2,944	1,383	6,709	364,681	334,444
- includes interest-only period	122,523	29	4,737	11,007	2,856	3,626	5	398	145,182	144,548
Adjustable-rate mortgage loans (ARMs)										
- repayment loan, 1-year interest reset	15,448	46,178	1,202	10,504	11,753	6,313	1,587	1,464	94,448	12,855
- other repayment loans	85,595	0	0	0	0	0	0	0	85,595	163,780
- includes interest-only period, 1-year interest reset	5,997	0	3,996	30,581	9,617	8,437	3,500	396	62,525	4,535
- other, including interest-only period	103,597	0	0	0	0	0	0	0	103,597	163,693
Money market-linked loans										
Loans with interest rate cap										
- repayment loans	23,003	50	136	366	183	740	13	233	24,725	28,479
- includes interest-only period	8,313	0	87	119	11	308	1	2	8,841	10,349
Loans without interest rate cap										
- repayment loans	72,455	219	261	20,149	49,856	19,285	5,178	3,625	171,028	138,875
- includes interest-only period	105,448	33	9,022	55,355	50,614	39,336	12,434	3,445	275,688	270,330
Index-linked loans	0	17,391	1,204	19	1	16	0	45	18,677	20,230
Total	843,234	80,010	31,715	137,227	141,376	81,006	24,102	16,317	1,354,987	1,292,119

Mortgage lending (continued)

Bond debt outstanding was identified in all regions and with much the same distribution as in 2022.

For 66.4% of mortgage lending, the bond debt outstanding is less than DKK 5 million (2022: 67.4%).

For 70.7%, the bond debt outstanding has a time-to-maturity of more than 20 years (2022: 70.5%).

Nykredit Realkredit Group

DKK million DKK million

Mortgage lending by property type¹

/number

Fair value at end-2023	Owner-occupied dwellings	Public housing ²	Cooperative housing	Private rental	Office and retail	Agricultural property	Industry and trades	Other	Total 2023	Total 2022
Bond debt outstanding by region										
Capital Region of Denmark	243,847	28,629	17,171	49,075	49,925	2,000	3,747	6,367	400,761	373,586
Sealand Region	108,658	7,985	2,782	7,890	11,766	12,829	2,056	1,712	155,678	147,544
North Denmark Region	104,522	9,871	2,773	9,873	11,118	19,793	2,425	1,381	161,755	156,113
Central Denmark Region	207,419	18,300	4,698	26,277	21,076	25,245	6,198	4,070	313,283	300,402
South Denmark Region	168,851	15,225	4,253	17,376	15,927	21,105	2,623	2,788	248,149	238,984
Faeroe Islands and Greenland	1,695	0	37	200	302	0	0	0	2,234	2,181
- Total foreign	8,242	0	0	26,536	31,263	33	7,053	0	73,126	73,309
Total	843,234	80,010	31,715	137,227	141,376	81,006	24,102	16,317	1,354,987	1,292,119
Bond debt by debt outstanding, DKK million										
0-2	508,421	4,945	1,908	13,623	6,366	13,084	804	843	549,992	560,777
2-5	283,143	7,661	6,432	14,560	9,849	25,375	1,197	1,706	349,922	309,574
5-20	46,391	24,642	14,071	27,888	23,810	36,993	2,415	4,840	181,050	168,480
20-50	3,440	20,054	5,666	20,741	18,795	4,685	1,609	2,498	77,488	73,099
50-100	748	14,621	1,695	14,119	14,537	693	1,238	1,612	49,264	43,145
100-	1,091	8,087	1,942	46,295	68,021	176	16,839	4,818	147,270	137,043
Total	843,234	80,010	31,715	137,227	141,376	81,006	24,102	16,317	1,354,987	1,292,119
Bond debt outstanding by remaining loan term, years										
0-10	20,095	7,930	564	27,356	49,255	2,083	4,435	1,309	113,026	102,895
10-15	49,834	6,686	6,403	7,140	21,878	7,996	10,121	2,556	112,615	108,814
15-20	70,370	19,142	5,482	11,787	41,094	10,427	9,496	3,933	171,731	169,659
20-25	199,955	28,188	9,147	37,760	12,830	32,578	8	5,219	325,683	276,292
25-30	502,980	18,065	10,119	53,183	16,319	27,921	41	3,301	631,930	634,459
30-35	0	0	0	0	0	0	0	0	0	0
35-	0	0	0	1	0	0	0	0	1	1
Total	843,234	80,010	31,715	137,227	141,376	81,006	24,102	16,317	1,354,987	1,292,119

Bank lending

The total credit exposure came to DKK 147.4 billion (end-2022: DKK 153.4 billion), of which DKK 12.1 billion was intercompany guarantees. Bank lending at amortised cost amounted to DKK 94.4 billion (end-2022: DKK 86.7 billion), up DKK 7.7 billion since the turn of the year.

Reverse repurchase lending totalled DKK 34.0 billion (end-2022: DKK 38.0 billion). Guarantees provided amounted to DKK 7.0 billion (end-2022: DKK 8.4 billion).

Bank lending

The total credit exposure breaks down as follows: The decline in intercompany guarantees is mainly due to a drop in the categories real estate and personal customers.

	DKK million	
Nykredit Realkredit Group		
Bank lending and guarantees	31.12.2023	31.12.2022
Bank lending	94,375	86,735
Reverse repurchase lending	33,965	37,970
Guarantees	6,932	8,393
Intercompany guarantees	12,127	20,311
Total	147,399	153,409

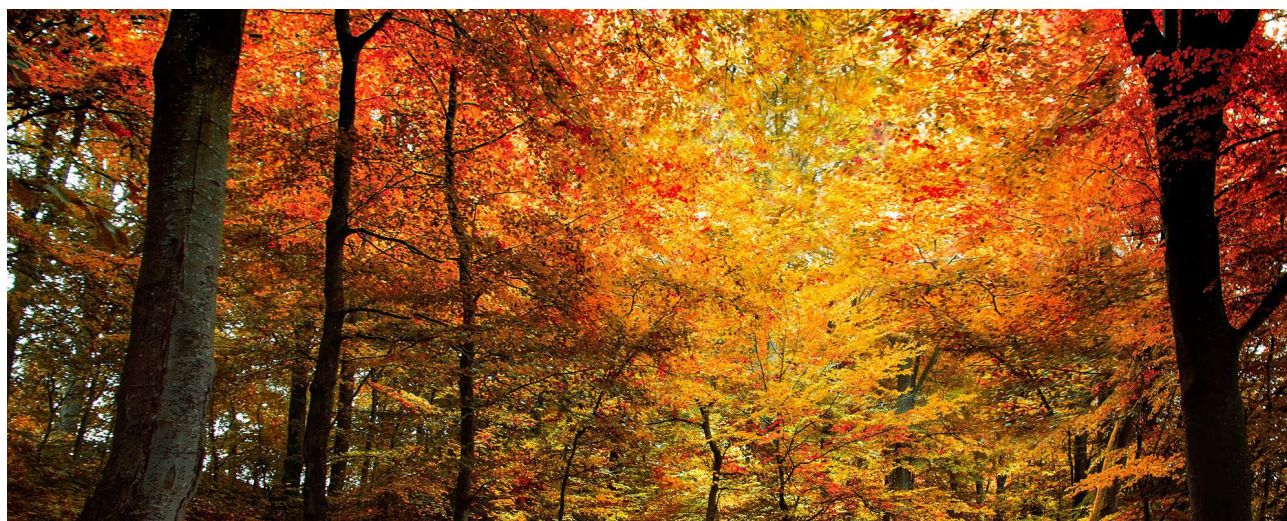
Total provisions for bank loan impairment

Provisions for bank loan impairment (exclusive of credit institutions and guarantees) totalled DKK 3,207 million (end-2022: DKK 3,132 million). The provisions related to geopolitical tensions are based on stress test calculations and included in total impairment provisions.

Impairments for loans and advances are mainly attributable to:

	DKK million	
Nykredit Realkredit Group		
Total provisions for bank loan impairment	31.12.2023	31.12.2022
Individual impairment provisions (stage 3)	1,776	1,873
Model-based impairment provisions (stages 1, 2 and 3)	1,431	1,259
- of the above attributable to geopolitical tensions	818	804 ¹
Total provisions for bank loan impairment	3,207	3,132

¹ Macroeconomic uncertainty and covid-19.



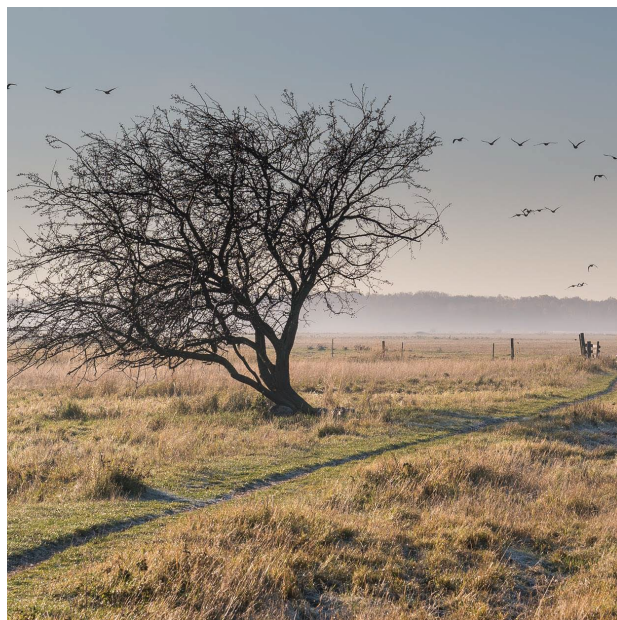
Bank lending, reverse repurchase lending and guarantees by sector

The finance and insurance sector still accounts for the largest credit exposure with loans and advances of DKK 42.0 billion (end-2022: DKK 44.8 billion).

The exposure widely comprised reverse repurchase lending with bonds serving as security.

Finance and insurance accounted for 27.7% (end-2022: 29.2%) and personal customers for 17.0% (end-2022: 16.3%) of the total credit exposure.

At end-2023, impairment provisions for loans and advances excluding credit institutions totalled DKK 3,535 million (end-2022: DKK 3,472 million) or 2.3% of total lending (end-2022: 2.3%).



DKK million

Nykredit Realkredit Group	31.12.2023			31.12.2022		
	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
Public sector	466	0	(0)	961	27	18
Agriculture, hunting, forestry and fishing	4,337	225	(21)	4,113	189	(7)
Manufacturing, mining and quarrying	14,803	730	207	14,769	563	378
Energy supply	5,059	21	(77)	5,291	98	57
Construction	3,375	271	(119)	2,357	353	142
Trade	14,454	860	210	13,255	618	(42)
Transport, accommodation and food service activities	6,127	245	129	6,823	169	33
Information and communication	5,670	58	(38)	4,896	86	(3)
Finance and insurance	41,986	61	(15)	44,795	84	(2)
Real estate	16,376	294	(177)	18,029	435	(85)
Other	13,042	225	(47)	13,085	270	(73)
Total business customers	125,229	2,990	52	127,413	2,865	397
Personal customers	25,666	545	11	25,034	580	(13)
Total	151,360	3,535	64	153,409	3,472	402
- of which provisions for losses under guarantees etc		328	(12)		340	9
Impairment provisions for credit institutions		1	(2)		3	(7)
- of which intercompany guarantees and total	12,127	3,536	62	20,311	3,475	396

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

Organisation and management

Organisation and responsibilities

The Board of Directors of Nykredit A/S counts 15 members, of whom ten are elected by the Annual General Meeting for a term of one year and five are elected by and among the staff for a term of four years.

The Board of Directors must be composed so that it possesses the right mix of skills required to undertake the executive and strategic management and to take any measures to ensure that the business is operated in a responsible and satisfactory way; to this end, it must possess the knowledge and experience required to be able to critically assess and challenge the work and proposals of the Executive Board.

The Boards of Directors review their skills profiles on an ongoing basis and have decided that the skills and knowledge should be represented within the following areas:

- Strategic matters
- Sector and real estate expertise
- Economics, finance and accounting
- Capital markets, securities and funding
- Politics, public administration and associations
- Financial regulation and corporate governance
- Digitisation, IT and processes
- Market conditions, customer relations and sales
- Organisation/HR and processes
- Risk management and credit matters.

Further details on the composition, size and diversity of the Board of Directors as well as the CVs of the individual board members are available at nykredit.com/boardofdirectors

Performance evaluation of the Board of Directors in 2023

In H2/2023 Nykredit's Board of Directors conducted the annual Board evaluation. The Board evaluation comprised a questionnaire survey as well as individual interviews with members of the Board of Directors and the Executive Board.

The evaluation outcomes were presented to the Board at the meeting of the Board of Directors on 8 November 2023 where the Board's performance and collaboration with the Group Executive Board were discussed.

The outcomes of the Board evaluation were generally positive. The main conclusion was that the Board of Directors is effective, has the right skills and works efficiently, that the collaboration between the Board, the board committees and the Group Executive Board is effective and that the organisation of the work and the documentation provided to the Board of Directors are generally of a high quality.

The next Board evaluation is scheduled for H2/2024.

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.

Board Audit Committee

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 etc, 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 Annual General Meeting.

The Board Audit Committee held six meetings in 2023.

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 also 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 Torsten Hagen Jørgensen, CEO, who are all members of the Boards of Directors of Nykredit A/S and Nykredit Realkredit A/S elected by the Annual General Meeting.

The Board Risk Committee held six meetings in 2023.

Board Nomination Committee

The Board Nomination Committee is tasked with making recommendations to the Board of Directors on the nomination of candidates for the Board of Directors and the Executive Board. The Committee also advises the Board of Directors with respect to targets for the under-represented gender on the Board of Directors and laying down a diversity policy applying to the same. In addition, the Board Nomination Committee, reporting to the Board of Directors, is ultimately responsible for defining the skills profiles of the Board of Directors and the Executive Board and for the continuous evaluation of their performance and achievements.

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 Board of Directors of Nykredit A/S and Nykredit Realkredit A/S elected by the General Meeting.

The Board Nomination Committee held three meetings in 2023.

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 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. Moreover, the Board Remuneration Committee reviews and considers the criteria for and process of appointing risk takers, assesses whether the Group's processes and systems relative to remuneration are sufficient and takes into consideration the Group's risks, and ensures that the remuneration policy and practices are in alignment with and promote sound and effective risk management and are in accordance with the Group's business strategy, objectives, values and long-term interests.

Finally, the Board Remuneration Committee ensures that the information in the Annual Report about remuneration of the Board of Directors and the Group Executive Board is correct, fair and satisfactory.

The Board Remuneration Committee consists of Merete Eldrup, former CEO (Chair), Preben Sunke, Director, and Per W. Hallgren, CEO, who are all members of the Boards of Directors of Nykredit A/S and Nykredit Realkredit A/S elected by the Annual 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 2023.

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

Group Executive Board and committees

Group Executive Board

Nykredit's Group Executive Board consists of Michael Rasmussen, Group Chief Executive, David Hellemann, Group Managing Director (CFO/COO), Anders Jensen, Group Managing Director (CRO), Tonny Thierry Andersen, Group Managing Director (Banking) and Pernille Sindby, Group Managing Director (Wealth Management).

Committees

The Group Executive Board has set up five committees, which perform specific tasks within selected fields. Each committee must report to the entire Group 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 and/or deciding credit applications and loan impairments as well as overseeing the management of risks in the Nykredit Realkredit Group's credits area. 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 Nykredit's overall risk profile and capital requirements, in order to assist the individual Executive Boards and Boards of Directors of the Nykredit Realkredit 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 Realkredit Group's products meet applicable business and regulatory requirements. The Committee must ensure that any launch of new or changes to existing products and services, involving material risks for the Group, the individual companies, counterparties or customers, are in alignment with the business models of the individual companies and comply with the current product policy and the Executive Boards' guidelines for development and approval of new products and services. Further, the Committee must regularly monitor and evaluate the existing products and assess any need for changing or adjusting individual products or an entire product range. The Committee's remit covers Nykredit Realkredit A/S, Totalkredit A/S, Nykredit Bank A/S, Nykredit Portefølje Administration A/S and Nykredit Leasing A/S.

Corporate governance

Nykredit operates as a listed company for external purposes and on the basis of sound business practices.

Nykredit operates as a listed company subject to any adjustments that may follow from our mutual ownership structure. In consequence, Nykredit regularly considers the Recommendations on Corporate Governance of the Danish Committee on Corporate Governance and complies with the recommendations where relevant. The recommendations form part of the rules of Nasdaq Copenhagen.

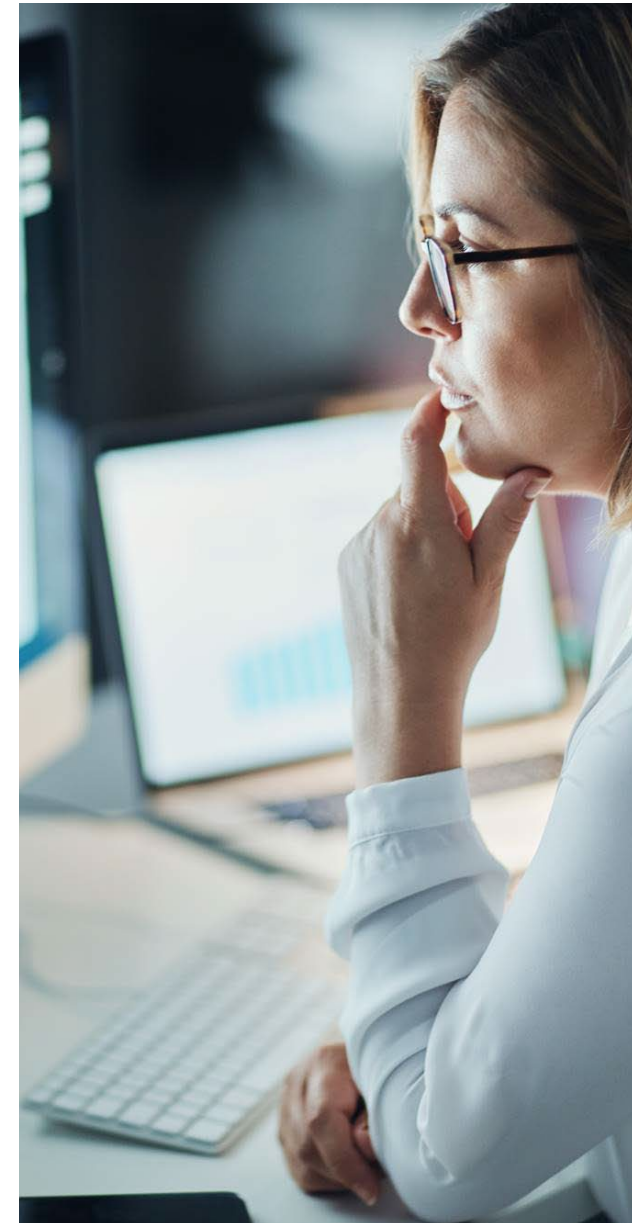
The recommendations concerning the composition and organisation of the Board of Directors, and in particular the independence of the Board of Directors and shareholders' role and interaction with the company management, are aimed at ordinary listed companies with many shareholders.

Nykredit differs from ordinary listed companies, as it has only a limited number of shareholders: Forenet Kredit, Industriens Fond, Østifterne Skadeforebyggelse f.m.b.a., Østifterne Almennyttig f.m.b.a., PRAS A/S and a group of Danish pension companies headed by PFA Pension and with PensionDanmark, PKA, AP Pension and AkademikerPension as co-investors.

The purpose of the recommendations concerning shareholders' role and interaction with the company management is to create an appropriate setting encouraging shareholders to enter into a dialogue with the company management. The limited number of shareholders of Nykredit per se creates a favourable setting for a close dialogue between the shareholders and the company management. Nykredit also complies with the managerial code of conduct of Finance Denmark, which supplements the Recommendations on Corporate Governance. Information on Nykredit's organisation and corporate governance is available at nykredit.com/corporategovernance

Forenet Kredit as our majority shareholder

In 1991 the mortgage association Nykredit was converted into a public limited company. Nykredit operates its business through Nykredit Realkredit A/S, the object of which is to carry on mortgage banking and other financial business. The company is wholly owned by Nykredit A/S, the object of which is to carry on Nykredit's business. Forenet Kredit is the largest shareholder of Nykredit A/S, holding 78.9% of the shares. Its objects are to be a shareholder of Nykredit and to carry on financially sustainable mortgage banking and other financial business for the benefit of its customers. The members of Forenet Kredit's Board of Directors elected by the Committee of Representatives make up 4 of 9 of the Board of Directors of Nykredit A/S and 4 of 7 of the Board of Directors of Nykredit Realkredit A/S.



Remuneration

Material risk takers

At end-2023, the Group had identified a total of 234 risk takers:

Members of the Board of Directors: 33

Group Managing Directors: 4

Managing Directors of subsidiaries: 15

Other material risk takers: 182

The criteria for identifying other material risk takers are approved annually by the Board of Directors in accordance with current EU rules.

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 may retain the deferred amount under special circumstances.

The members of the Board of Directors and the Group Executive Board do not receive variable remuneration, nor bonus awards. The total remuneration of the Board of Directors and the Group Executive Board appears from note 16 of the Financial Statements.

The bonus provisions in respect of Subsidiary Managing Directors and other risk takers amounted to DKK 74 million for 2023 (2022: DKK 51 million). The 2023 bonus provisions corresponded to 26% of their fixed salaries.

The total remuneration of risk-takers appears from note 16 of these Financial Statements. Details on variable remuneration of risk takers, remuneration policy and practices are available at nykredit.com/remuneration

Bonus programmes

Special individual bonus programmes apply to some of the colleagues of Markets, Asset Management, Investments and Group Treasury who have major earnings responsibility, in line with market standards for such positions. The remuneration of these colleagues is chiefly based on their job performance. The 2023 bonus provisions in respect of these colleagues (excluding risk takers) amounted to DKK 50 million (2022: DKK 27 million). The 2023 bonus provisions corresponded to 42% of their fixed salaries.

In addition, a limited number of individual bonus programmes apply to selected colleagues. The 2023 bonus provisions in respect of these colleagues (excluding risk takers) amounted to DKK 62

million (2022: DKK 50 million). The 2023 bonus provisions corresponded to 31% of their 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 2023 bonus provisions in respect of these managers and colleagues (excluding risk takers) amounted to DKK 23 million (2022: DKK 23 million). The 2022 bonus provisions corresponded to 15% of their fixed salaries.

The bonus programmes do not apply to other managers or colleagues, but they may receive individual one-off awards. The 2023 provisions for one-off awards came to DKK 23 million (2022: DKK 23 million), which corresponded to 1% of the relevant group's fixed salaries.

Total provisions for accounting purposes for bonuses and one-off awards for 2023 came to DKK 236 million (2022: DKK 187 million). The total provisions for bonuses and one-off awards for 2023 corresponded to 8% of total fixed salaries.

Internal control and risk management systems

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

The financial reporting process

The Board of Directors and the Executive Board are responsible for the financial reporting process, including compliance with relevant accounting legislation and regulation. 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's Management regularly reviews items in respect of which estimates may have a material impact on the value of assets and liabilities. The process is based on a number of fixed routines, including the planning process, which are prepared together with material business units, management support functions and the Executive Board.

Group Finance & Investments undertakes the Group's overall financial reporting and is responsible for ensuring that Group 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 and formulates Management's comments on the financial and business development.

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. The Committees perform the current management and monitoring on behalf of the Executive Board.

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 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 Group-wide general 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. 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 and marketing 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 policy is reviewed once a year by the Board of Directors and was last revised in 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 Group's risk and capital management, please refer to the publication Risk and Capital Management 2022, available at nykredit.com/riskandcapitalmanagement

Company details

Nykredit A/S
Kalvebod Brygge 1-3
DK-1780 Copenhagen V

Website: nykredit.com
Tel: +45 44 55 10 00

CVR no: 12 71 92 48
Financial year: 1 January – 31 December
Municipality of registered office: Copenhagen

External auditors

EY Godkendt Revisionspartnerselskab
Dirch Passers Alle 36
DK-2000 Frederiksberg

Annual General Meeting

The Annual General Meeting of the Company will be held on 21 March 2024.

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

- [Annual Report 2023](#)
- [Corporate Responsibility Report 2023](#)
- [Risk and Capital Management 2023](#)
- [Factbook Q4 2023](#)
- [Remuneration report 2023](#)

Board of Directors

Merete Eldrup, former Chief Executive Officer
Chair

Preben Sunke, Director
Deputy Chair

Olav Bredgaard Brusén, Deputy Chair of Finansforbundet NY-KREDS*

John Christiansen, Chief Executive Officer
Michael Demsitz, former Chief Executive Officer
Per W. Hallgren, Chief Executive Officer
Jørgen Høholt, former Banking Executive
Torsten Hagen Jørgensen, Chief Executive Officer
Vibeke Krag, former Chief Executive Officer
Allan Kristiansen, Chief Relationship Manager*
Ann-Mari Lundbæk Lauritsen, Specialist*
Lasse Nyby, Chief Executive Officer
Mie Krog, Chief Executive
Inge Sand, Chair of Finansforbundet NYKREDS*
Kristina Andersen Skiøld, Customer Adviser*

* *Staff-elected member*

See page 179 of the Management Commentary for directorships and executive positions of the members of the Board of Directors and the Executive Board.

Executive Board

Michael Rasmussen, Group Chief Executive
Tonny Thierry Andersen, Group Managing Director
David Hellemann, Group Managing Director
Anders Jensen, Group Managing Director
Pernille Sindby, Group Managing Director

Board Audit Committee

Jørgen Høholt, Chair
Per W. Hallgren
Michael Demsitz
Preben Sunke

Board Risk Committee

Per W. Hallgren, Chair
Jørgen Høholt
Torsten Hagen Jørgensen
Vibeke Krag

Board Nomination Committee

Merete Eldrup, Chair
Michael Demsitz
Per W. Hallgren
Preben Sunke

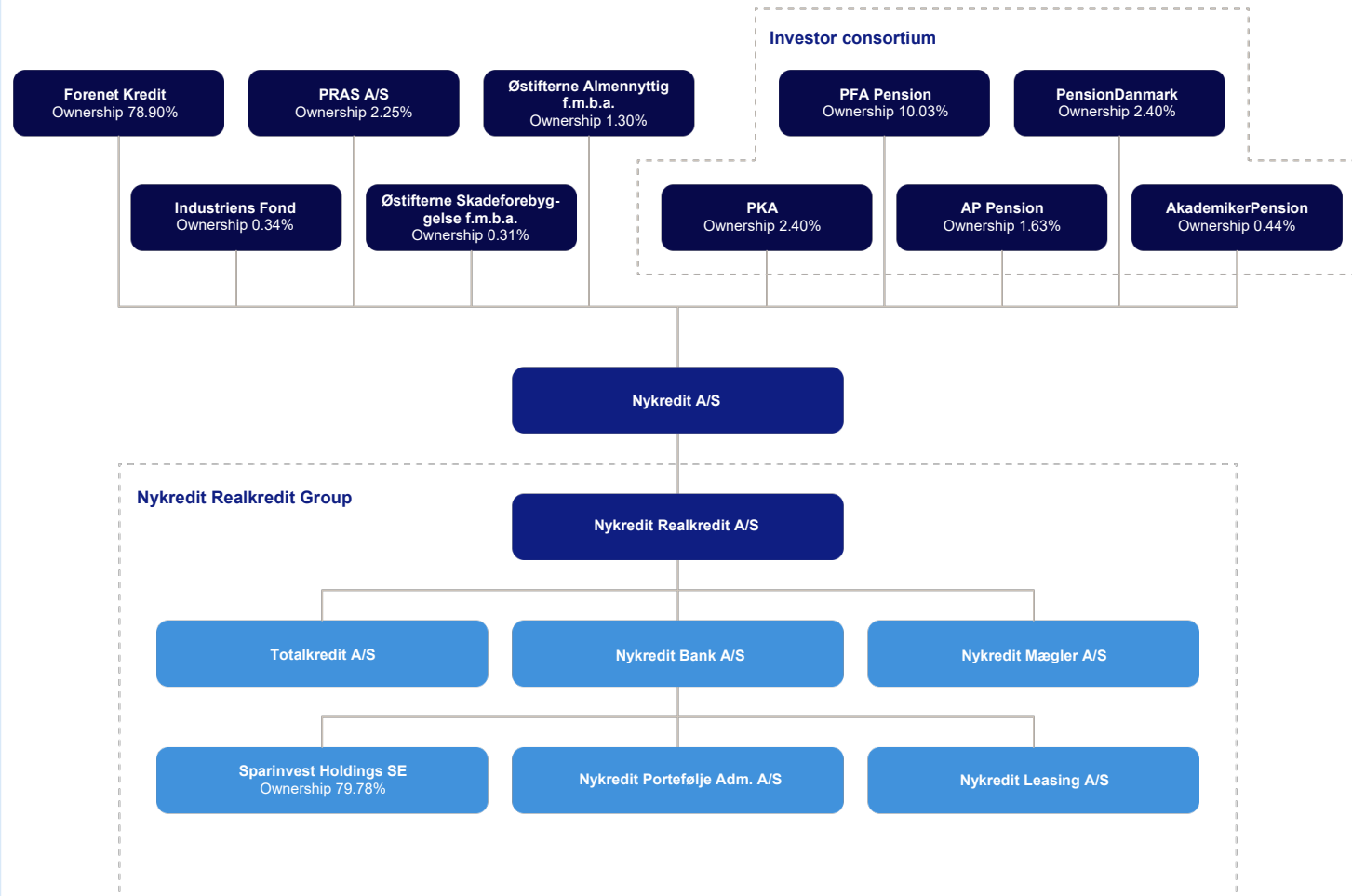
Board Remuneration Committee

Merete Eldrup, Chair
Preben Sunke
Per W. Hallgren
Inge Sand

Nykredit Realkredit Group ESEF data

Domicile of entity	Denmark
Description of nature of entity's operations and principal activities	Mortgage 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 Realkredit A/S
Name of parent	Nykredit A/S
Name of ultimate parent of group	Forenet Kredit f.m.b.a

Group chart



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 pages 7 and 8 and the business areas (pages 13-22 and 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 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 net administration margin income from mortgage lending as well as interest income from bank lending and deposits. The corresponding item in the income statement (page 41) includes all interest.

"Net fee income" comprising income from mortgage refinancing and mortgage lending, 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 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 divisions, including income from the sale of real estate.

"Net income relating to customer benefits programmes" comprising discounts etc, such as KundeKroner, ErhvervsKroner as well as green and other benefits granted to the Group's customers. The amount includes contributions received. The effect of the benefits programmes is included under "Group Items".

"Costs" includes the following income statement items "Staff and administrative expenses", "Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets" and "Other operating expenses".

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 % of average equity (RoE). Profit for the year corresponds to net profit or loss less minority interests and interest expenses for Additional Tier 1 capital, which is treated as dividend in the Financial Statements. Average equity is calculated on the basis of the value at the beginning of the period and at the end of all quarters of the period. Equity is determined exclusive of minority interest and Additional Tier 1 capital. The figures have been annualised.

Cost/income ratio, % 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.

Deposits relative to loans and advances is calculated based on total deposits, excluding repo deposits, relative to lending excluding reverse repurchase lending measured at amortised cost and not adjusted for impairment charges.

Long-term RoE is a target for the annual return after tax of 8.0% of shareholders' equity (RoE) viewed over an economic cycle.

Management statement

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 for the period 1 January – 31 December 2023 of Nykredit Realkredit A/S and the Nykredit Realkredit Group.

The Consolidated Financial Statements have been presented in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed bonds. The Financial Statements and the Management Commentary have been prepared in accordance with statutory requirements, including 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 2023 and of the results of the Group's and the Parent's operations and the Group's cash flows for the financial year 2023.

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.

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

ESEF-compliant financial reports

In our opinion, the Annual Report of Nykredit Realkredit A/S for the financial year 1 January to 31 December 2023 with the file name nyrr-2023-12-31-en is prepared, in all material respects, in compliance with the ESEF Regulation.

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

Copenhagen, 7 February 2024

Executive Board

Michael Rasmussen
Group Chief Executive

Anders Jensen
Group Managing Director

David Hellemann
Group Managing Director

Tonny Thierry Andersen
Group Managing Director

Pernille Sindby
Group Managing Director

Board of Directors

Merete Eldrup
Chair

Preben Sunke
Deputy Chair

Olav Bredgaard Brusén*

John Christiansen

Michael Demsitz

Per W. Hallgren

Jørgen Høholt

Torsten Hagen Jørgensen

Vibeke Krag

Allan Kristiansen*

Mie Krog

Ann-Mari Lundbæk Lauritsen*

Lasse Nyby

Inge Sand*

Kristina Andersen Skiøld*

* *Staff-elected member*

Independent auditor's report

To the shareholders of Nykredit Realkredit A/S

Report on the audit of the Consolidated Financial Statements and Parent Company Financial Statements.

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Nykredit Realkredit A/S for the financial year 1 January – 31 December 2023, which comprise income statements, statements of comprehensive income, balance sheets, statement of changes in equity and notes, including material accounting policy information, for the Group and the Parent Company and a consolidated cash flow statement. The consolidated financial statements are prepared in accordance with IFRS Accounting Standards as adopted by the EU and additional 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 2023 and of the results of the Group's operations and cash flows for the financial year 1 January – 31 December 2023 in accordance with IFRS Accounting 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 2023 and of the results of the Parent Company's operations for the financial year 1 January – 31 December 2023 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 Realkredit A/S on 25 March 2021 for the financial year 2021. We have been re-appointed annually by resolution of the general meeting for a total consecutive period of 2 year up until the financial year 2023.

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 2023. 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>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 1,483,957 million at 31 December 2023 (DKK 1,417,517 million at 31 December 2022), and total provisions for expected credit losses amounted to DKK 9,056 million at 31 December 2023 (DKK 9,625 million at 31 December 2022).</p> <p>We consider the measurement of impairment provisions on loans and provisions for losses on guarantees, etc. (together "exposures") a key audit matter as the measurement implies significant amounts and management estimates. This concerns in particular the assessment of probability of default, staging and the assessment of indication of credit impairment, realisable value of collateral received as well as the customer's ability to pay in case of default.</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 18 and 57 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 18 and 57).</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 2023 include contracts with positive fair value of DKK 4,676 million (DKK 4,633 million at 31 December 2022) and negative fair value of DKK 6,770 million (DKK 7,263 million at 31 December 2022).</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 53 and 57.</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> <p>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.</p> <p>Assessment of changes to the assumptions compared with trends in the sector as well as historical observations.</p> <p>Risk-based test of the valuation of swaps using our internal valuation specialists. We also assessed whether disclosures relating to fair value and credit risks meet the relevant accounting rules and tested the amounts therein (note 18, 53 and 57).</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 by relevant law and regulations.

Based on our procedures 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 relevant law and regulations. 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 IFRS Accounting 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 Realkredit A/S, we performed procedures to express an opinion on whether the annual report of Nykredit Realkredit A/S for the financial year 1 January – 31 December 2023 with the file name nyrr-2023-12-31-en 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 Realkredit A/S for the financial year 1 January – 31 December 2023 with the file name nyrr-2023-12-31-en is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 7 February 2024
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lars Rhod Søndergaard
State Authorised
Public Accountant
mne28632

Thomas Hjortkjær Petersen
State Authorised
Public Accountant
mne33748

INCOME STATEMENTS

DKK million

Nykredit Realkredit A/S				Nykredit Realkredit Group	
2022	2023		Note	2023	2022
INCOME STATEMENTS					
20,563	40,169	Interest income	9	46,174	27,050
-	-	Interest income based on the effective interest method	9	7,321	2,312
16,527	36,013	Interest expenses	10	37,759	17,158
4,036	4,156	Net interest income		15,736	12,203
185	234	Dividend on equities etc	11	237	191
910	1,216	Fee and commission income	12	4,181	4,713
529	449	Fee and commission expenses	13	4,047	4,625
4,602	5,157	Net interest and fee income		16,107	12,483
1,500	1,425	Value adjustments	14	2,856	3,680
1,783	1,981	Other operating income	15	1,492	1,582
3,194	3,375	Staff and administrative expenses	16	6,022	5,791
253	234	Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	17	276	294
203	224	Other operating expenses		256	235
(506)	(347)	Impairment charges for loans, advances and receivables etc	18, 19	(177)	(80)
5,476	6,948	Profit from investments in associates and Group enterprises	20	6	9
10,217	12,024	Profit before tax		14,083	11,514
824	1,197	Tax	21	3,191	2,060
9,393	10,828	Profit for the year		10,892	9,454
Distribution of profit for the year					
9,240	10,674	Shareholder of Nykredit Realkredit A/S		10,674	9,240
-	-	Minority interests		65	61
153	154	Holders of Additional Tier 1 capital notes		154	153
9,393	10,828	Profit for the year		10,892	9,454
Proposal for the distribution of profit					
5,476	6,948	Statutory reserves			
(2,436)	(3,548)	Retained earnings			
-	24	Non-distributable reserve fund			
1,550	1,850	Paid extraordinary dividend			
4,650	5,400	Proposed dividend			
153	154	Additional Tier 1 capital			

BALANCE SHEETS

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group		
2022	2023	Note	2023	2022
ASSETS				
5,304	12,101		61,056	49,659
33,024	37,194	24	7,005	11,582
1,329,734	1,392,091	25	1,355,312	1,292,489
208	196	26	128,645	125,028
32,465	30,255	27	94,486	90,638
3,717	3,813	28	1,688	1,592
7,320	6,956	29	7,457	7,886
29	30	30	55	39
71,452	78,128	31	-	-
-	-	32	4,173	893
353	448	33	2,323	2,262
Land and buildings				
7	-		20	25
240	450		466	246
247	450	34	486	271
203	213	35	231	224
28	(0)	44	46	47
(0)	-	45	168	175
9	6	36	6	9
8,150	11,383	37	18,075	16,958
261	274		393	374
1,492,504	1,573,537		1,681,605	1,600,129

BALANCE SHEETS

DKK million

Nykredit Realkredit A/S			Nykredit Realkredit Group		
2022	2023		Note	2023	2022
LIABILITIES AND EQUITY					
10,107	10,716	Payables to credit institutions and central banks	38	12,591	27,851
-	-	Deposits and other payables	39	119,825	113,657
-	-	Deposits in pooled schemes		4,173	893
1,312,732	1,378,493	Bonds in issue at fair value	40	1,334,909	1,254,959
51,706	56,435	Bonds in issue at amortised cost	41	62,360	61,251
272	306	Other non-derivative financial liabilities at fair value	42	7,139	8,837
83	130	Current tax liabilities	44	300	526
10,307	15,864	Other liabilities	43	27,694	23,925
-	-	Deferred income		4	4
1,385,207	1,461,944	Total payables		1,568,994	1,491,903
Provisions					
17	6	Provisions for pensions and similar obligations	46	6	17
330	177	Provisions for deferred tax	45	457	578
21	13	Repayable reserves in pre-1972 series	47	13	21
-	-	Provisions for losses under guarantees	48	328	340
79	109	Other provisions	49	406	305
446	305	Total provisions		1,211	1,261
10,136	10,394	Subordinated debt	50	10,394	10,136
Equity					
1,182	1,182	Share capital		1,182	1,182
Accumulated value adjustments					
-	-	- revaluation reserves		3	3
Other reserves					
35,869	42,546	- statutory reserves		-	-
31,878	22,142	- series reserves		22,142	31,878
3,203	3,227	- non-distributable reserve fund		4,885	4,849
16,181	22,637	- retained earnings		63,521	50,401
4,650	5,400	- proposed dividend		5,400	4,650
92,964	97,134	Shareholder of Nykredit Realkredit A/S		97,134	92,964
-	-	Minority interests		112	114
3,751	3,759	Holders of Additional Tier 1 capital		3,759	3,751
96,715	100,893	Total equity		101,006	96,829
1,492,504	1,573,537	Total liabilities and equity		1,681,605	1,600,129
OFF-BALANCE SHEET ITEMS					
-	-	Contingent liabilities	51	6,932	8,393
11,323	10,202	Other commitments		24,209	23,986
11,323	10,202	Total		31,141	32,379

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Realkredit Group

	Share capital ¹	Revaluation reserves	Series reserves	Non-distributable reserve fund ²	Retained earnings	Proposed dividend	Shareholder of Nykredit Realkredit A/S	Minority interests	Additional Tier 1 capital ³	Total equity
2023										
Equity, 1 January	1,182	3	31,878	4,849	50,401	4,650	92,964	114	3,751	96,829
Profit for the year	-	-	-	36	3,388	7,250	10,674	65	154	10,892
Total other comprehensive income	-	-	-	-	5	-	5	-	-	5
Total comprehensive income	-	-	-	36	3,393	7,250	10,679	65	154	10,898
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	-	(154)	(154)
Net transaction costs in connection with issuance of Additional Tier 1 capital instruments	-	-	-	-	(8)	-	(8)	-	8	-
Subsequent adjustment of purchase price allocation	-	-	-	-	(11)	-	(11)	-	-	(11)
Distributed ordinary dividend	-	-	-	-	-	(4,650)	(4,650)	(65)	-	(4,715)
Distributed extraordinary dividend	-	-	-	-	-	(1,850)	(1,850)	-	-	(1,850)
Adjustment pursuant to capital adequacy rules	-	-	(9,736)	-	9,736	-	-	-	-	-
Transferred from provisions – pre-1972 series	-	-	-	-	7	-	7	-	-	7
Other movements	-	-	-	-	3	-	3	(2)	-	1
Equity 31 December	1,182	3	22,142	4,885	63,521	5,400	97,134	112	3,759	101,006
2022										
Equity, 1 January	1,182	3	32,555	4,849	46,780	4,380	89,750	112	3,729	93,591
Profit for the year	-	-	-	-	3,040	6,200	9,240	61	153	9,454
Total other comprehensive income	-	-	-	-	(71)	-	(71)	-	-	(71)
Total comprehensive income	-	-	-	-	2,968	6,200	9,168	61	153	9,382
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	-	(153)	(153)
Subsequent adjustment of purchase price allocation	-	-	-	-	(25)	-	(25)	-	-	(25)
Distributed ordinary dividend	-	-	-	-	-	(4,380)	(4,380)	(50)	-	(4,430)
Distributed extraordinary dividend	-	-	-	-	-	(1,550)	(1,550)	-	-	(1,550)
Adjustment pursuant to capital adequacy rules	-	-	(677)	-	677	-	-	-	-	-
Transferred from provisions – pre-1972 series	-	-	-	-	0	-	0	-	-	0
Change in own portfolio	-	-	-	-	-	-	-	-	22	22
Other movements	-	-	-	-	1	-	1	(8)	-	(8)
Equity 31 December	1,182	3	31,878	4,849	50,401	4,650	92,964	114	3,751	96,829

¹ The share capital is divided into shares of DKK 100 and multiples thereof. Nykredit Realkredit A/S has only one class of shares, and all the shares confer the same rights on shareholders.

² Non-distributable reserve funds of DKK 1,658 million in Totalkredit A/S and DKK 3,227 million in Nykredit Realkredit A/S.

³ Additional Tier 1 (AT1) capital is perpetual, and payment of principal and interest is discretionary. For accounting purposes, the AT1 capital is consequently treated as equity. On 15 October 2020, Nykredit issued new AT1 capital of nominally EUR 500 million which carries an interest of 4.125% up to 15 October 2026. The loan is perpetual with an early redemption option from April 2026. The loan will be written down if the Common Equity Tier 1 (CET1) capital of Nykredit Realkredit A/S, the Nykredit Realkredit Group or the Nykredit Group falls below 7.125%.

Pursuant to the Danish Financial Business Act, the subsidiaries Nykredit Bank A/S, Totalkredit A/S, Nykredit Portefølje Administration A/S and Sparinvest Holdings SE are subject to a number of restrictions including regulatory capital requirements which determine the scope for distributing dividend of such companies to the parent.

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Realkredit A/S

	Share capital ¹	Non-distributable reserve fund	Statutory reserves ²	Series reserves	Retained earnings	Proposed dividend	Shareholder of Nykredit Realkredit A/S	Additional Tier 1 capital ³	Total equity
2023									
Equity, 1 January	1,182	3,203	35,869	31,878	16,181	4,650	92,964	3,751	96,715
Profit (loss) for the year	-	24	6,948	-	(3,548)	7,250	10,674	154	10,828
Total other comprehensive income	-	-	-	-	5	-	5	-	5
Total comprehensive income	-	24	6,948	-	(3,542)	7,250	10,679	154	10,833
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	(154)	(154)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	(8)	-	(8)	8	-
Distributed ordinary dividend	-	-	-	-	-	(4,650)	(4,650)	-	(4,650)
Distributed extraordinary dividend	-	-	-	-	-	(1,850)	(1,850)	-	(1,850)
Dividend from Group enterprises	-	-	(263)	-	263	-	-	-	-
Adjustment pursuant to capital adequacy rules	-	-	-	(9,736)	9,736	-	-	-	-
Transferred from provisions – pre-1972 series	-	-	-	-	7	-	7	-	7
Changes in subsidiary equity	-	-	(11)	-	-	-	(11)	-	(11)
Other movements	-	-	3	-	-	-	3	-	3
Equity 31 December	1,182	3,227	42,546	22,142	22,637	5,400	97,134	3,759	100,893
2022									
Equity, 1 January	1,182	3,203	30,727	32,555	17,702	4,380	89,750	3,751	93,501
Profit (loss) for the year	-	-	5,476	-	(2,436)	6,200	9,240	153	9,393
Total other comprehensive income	-	-	-	-	(71)	-	(71)	-	(71)
Total comprehensive income	-	-	5,476	-	(2,508)	6,200	9,168	153	9,322
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	(153)	(153)
Distributed ordinary dividend	-	-	-	-	-	(4,380)	(4,380)	-	(4,380)
Distributed extraordinary dividend	-	-	-	-	-	(1,550)	(1,550)	-	(1,550)
Dividend from Group enterprises	-	-	(309)	-	309	-	-	-	-
Adjustment pursuant to capital adequacy rules	-	-	-	(677)	677	-	-	-	-
Transferred from provisions – pre-1972 series	-	-	-	-	0	-	0	-	0
Changes in subsidiary equity	-	-	(25)	-	-	-	(25)	-	(25)
Other reserves transferred to retained earnings	-	-	0	-	(0)	-	-	-	-
Other movements	-	-	1	-	-	-	1	-	1
Equity 31 December	1,182	3,203	35,869	31,878	16,181	4,650	92,964	3,751	96,715

¹ The share capital is divided into shares of DKK 100 and multiples thereof. Nykredit Realkredit A/S has only one class of shares, and all the shares confer the same rights on shareholders.

² The item relates to a transfer to reserves for net revaluation according to the equity method. The item includes a non-distributable reserve fund of DKK 1,646 million in Totalkredit A/S.

³ Additional Tier 1 (AT1) capital is perpetual, and payment of principal and interest is discretionary. For accounting purposes, the AT1 capital is consequently treated as equity. On 15 October 2026, Nykredit issued new AT1 capital of nominally EUR 500 million which carries an interest of 4.125% up to 15 October 2026. The loan is perpetual with an early redemption option from April 2026. The loan will be written down if the Common Equity Tier 1 (CET1) of Nykredit Realkredit A/S, the Nykredit Realkredit Group or the Nykredit Group falls below 7.125%.

⁴ A dividend per share of DKK 550 was distributed in 2023 (2022: DKK 502).

Dividend policy

Nykredit's long-term ambition is to provide its owners with a competitive return in the form of dividend of around 50% profit for the year taking into account Nykredit's capital policy. Based on profit for the full year 2023 and Nykredit's strong capital position, the Board of Directors will recommend for approval by the Annual General Meeting that a cash ordinary dividend of DKK 5,400 million be distributed.

CASH FLOW STATEMENT

DKK million

Nykredit Realkredit Group	2023	2022
Profit for the year	10,892	9,454
Adjustments		
Net interest income	(15,736)	(12,203)
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	452	499
Profit from investments in associates	(6)	(9)
Impairment charges for loans, advances and receivables etc	(177)	(80)
Prepayments/deferred income, net	(19)	15
Tax on profit for the year	3,191	2,060
Other adjustments	617	(2,167)
Total	(785)	(2,432)
Change in operating capital		
Loans, advances and other receivables	(66,438)	90,956
Deposits and payables to credit institutions	(9,091)	26,515
Bonds in issue	81,058	(106,707)
Other operating capital	(2,960)	6,911
Total	1,784	15,244
Interest income received	52,578	28,596
Interest expenses paid	(33,248)	(14,514)
Corporation tax paid, net	(3,532)	(1,328)
Cash flows from operating activities	17,582	27,998
Cash flows from investing activities		
Acquisition of associates	(5)	(14)
Sale of associates	-	4
Dividend received from associates	7	8
Purchase and sale of bonds and equities, net	(3,422)	(6,213)
Purchase of intangible assets	(175)	(147)
Sale of intangible assets	1	3
Purchase of property, plant and equipment	(72)	(64)
Sale of property, plant and equipment	18	8
Total	(3,648)	(6,415)
Cash flows from financing activities		
Issuance of subordinated debt instruments	-	5,946
Redemption of subordinated debt	-	(5,951)
Distributed dividend	(6,564)	(5,980)
Payment of lease liabilities	(98)	(170)
Total	(6,662)	(6,155)
Total cash flows for the year	7,273	15,429
Cash and cash equivalents, beginning of year	61,242	45,294
Foreign currency translation adjustment of cash	(453)	519
Total cash flows for the year	7,273	15,429
Cash and cash equivalents, year-end	68,061	61,242
Cash and cash equivalents, year-end:		
Cash balances and demand deposits with central banks	61,056	49,659
Receivables from credit institutions and central banks	7,005	11,582
Total	68,061	61,242

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Nykredit Realkredit Group

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13. Fee and commission expenses	93	47. Repayable reserves in pre-1972 series	134
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Nykredit Realkredit Group

1. ACCOUNTING POLICIES

GENERAL

The Consolidated Financial Statements have been prepared in accordance with statutory requirements, including the International Financial Reporting Standards (IFRS Accounting Standards) as adopted by the EU and 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.

SPECIAL CIRCUMSTANCES IN 2023

Geopolitical conditions

This year was characterised by more stability than the previous year. However, alongside continued geopolitical tensions in Ukraine, we now also see renewed tensions in the Middle East. The geopolitical tensions are expected to affect the credit quality of some customers because of lower economic growth, rising prices and value and supply chain disruptions. Provisions based on stress tests have been taken to counter the worsened risk outlook. In 2023, Nykredit reversed DKK 0.3 billion of total provisions which subsequently amounted to DKK 2.1 billion.

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

New or amended standards:

In 2023 the following minor amendments to reporting standards etc have been implemented:

- IAS 1 "Presentation of Financial Statements" and Practice Statement 2 "Making Materiality Judgements" concerning accounting policy disclosures
- IAS 12 "Income Taxes" concerning deferred tax related to assets and liabilities arising from a single transaction and "Pillar II" (international tax reform)
- IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" concerning definition of accounting estimates.

The above means that certain disclosures have been excluded from the accounting policies if considered immaterial to the decision-making of the primary users of financial statements. Apart from the above, the implementation has not affected the financial reporting and the accounting policies which are unchanged compared with the Annual Report for 2022.

For more clarity and to reduce the number of note disclosures where figures and qualitative disclosures are considered immaterial 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, new or amended standards and interpretations concerning

- IAS 1 (presentation of liabilities)
- IFRS 16 (sale and leaseback)
- IAS 7 and IFRS 7 (supplier finance arrangements)
- IAS 21 (the effects of changes in foreign exchange rates)

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 2023.

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

CONSOLIDATION AND BUSINESS COMBINATIONS

The Consolidated Financial Statements include Nykredit Realkredit A/S (the Parent) as well as the enterprises controlled by Nykredit Realkredit A/S from the date on which Nykredit Realkredit A/S obtains direct or indirect control over the financial and operational management of the enterprise and receives a variable return.

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.

Divested enterprises are included up to the time of divestment.

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

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.

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Nykredit Realkredit Group

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.

HEDGE ACCOUNTING

The Group applies derivative financial instruments (interest rate swaps) to hedge interest rate risk on loans and advances, subordinated debt and bonds in issue measured at amortised cost. In Nykredit Realkredit, hedging interest rate risk (hedge accounting) is still made according to the IAS 39 rules.

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 58 on "Hedge accounting".

FINANCIAL INSTRUMENTS

Financial instruments, including loans, advances and receivables, bonds in issue and other payables as well as derivative financial instruments represent more than 95% of the Group's assets as well as payables (95% at end-2022).

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.

For assets measured at amortised cost after initial recognition, changes in value are not recognised 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 classification 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, or 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.

Classification and measurement of financial instruments

Financial assets are classified as follows:

- The asset is held to collect cash flows from payments of principal and interest (hold to collect business model). Nykredit carries out continuous SPPI (solely payments of principal and interest) tests, and given that the characteristics of an asset meet the test criteria, the asset will be measured at amortised cost after 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. Nykredit had no financial instruments in this category in 2022 and 2023.
- 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.

The Group's financial assets and business models are continuously reviewed (SPPI test) 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, or that deviation therefrom is immaterial.

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, however.

NOTES

Nykredit Realkredit Group

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

Receivables from and payables to credit institutions and central banks, the Group's bank lending, certain bond portfolios, 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.

These instruments are measured at fair value on initial recognition inclusive or exclusive of transaction costs directly attributable to the acquisition and subsequently at amortised cost. For loans, advances and receivables as well as bonds, 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.

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

Mortgage loans are measured at fair value through profit or loss. The same applies to the financial liabilities that are issued for the purpose of funding these loans, ie covered bonds (ROs and SDOs) and senior secured debt.

Generally, mortgage loans are not transferred during maturity, and the business model is based on holding the portfolio in order to collect the cash flows. Mortgage loans and their inherent liabilities are, however, measured at fair value through profit or loss.

This is in part a consequence of customers having the option to prepay mortgage loans at a price corresponding to the official fair value of the bonds funding the loans. As fluctuations in the fair value of the bonds are caused by other factors than just interest rate trends and the prepayment option, loans and advances fail the SPPI test and must therefore be classified at fair value and adjusted through profit or loss. To avoid accounting mismatch, the underlying bonds are also measured at fair value.

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 (assets). Returns on these investments accrue to the customers. Pooled schemes are not part of a business model whose objective is to hold assets to collect cash flows representing payments of principal and interest. The assets are therefore measured at fair value through profit or loss. The same applies to measurement of related financial liabilities to prevent an accounting mismatch. The returns (positive as well as negative) are recognised in "Value adjustments" in the income statement.

The Group's equity portfolio and part of the bond portfolio are 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.

Please also refer to "Information about fair value" in note 53, which contains a review of the most important valuation principles.

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 provisions for loan impairment and guarantees.

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, advances and receivables etc measured at amortised cost without significant increase in credit risk since initial recognition. For this category, impairment provisions are made on initial recognition corresponding to the expected credit losses due to default in the first 12 months.

For loans and advances measured at fair value, initial impairment is assumed to be almost nil, as the value of the loan at the time of recognition is based on fair value in accordance with IFRS 13. Subsequently, impairments will be increased equal to 12-month expected credit losses based on analysis of the distribution of credit losses throughout the life of the loan.

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 mortgage customer's payment of a significant amount is 75 days past due and at the time when Nykredit Bank sends a third reminder. Both scenarios are shorter 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.

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Nykredit Realkredit Group

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's portfolio this could be large listed companies or companies covered by government guarantees etc.

In stages 1 and 2, impairments are based on three 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 macroeconomic scenarios are described in detail in note 57.

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, costs 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 judgements (post-model adjustments) 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.

Impairment of mortgage lending measured at fair value

IFRS 9 does not comprise provisions governing impairment of mortgage lending measured at fair value. Value adjustment of financial assets measured at fair value is thus subject to IFRS 13 and the Danish Executive Order on Financial Reports.

In accordance with the Danish Executive Order on Financial Reports with guidance notes issued by the Danish Financial Supervisory Authority (Danish FSA), Nykredit Realkredit records impairment of mortgage loans applying the same principles as are used for impairment of loans and advances at amortised cost (see IFRS 9) provided that the impairments are recorded within the framework of IFRS 13.

When calculating impairment of mortgage loans measured at fair value, certain adjustments are made compared with the calculation of impairment of loans measured at amortised cost. However, in the assessment of stage 1 impairment, an analysis of the distribution of credit losses over the loan period is made, and on this basis it is assessed whether interest/administration margin income has been received in the financial period, which is expected to cover any expected credit losses in the following periods. If this is the case, stage 1 impairment of lending measured at fair value is made in the financial period.

Provisions in general

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

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 risk of loss, impairment provisions are reversed from the same items as mentioned above.

The Group amortises/depreciates a financial asset when reliable information indicates that the debtor is in severe financial distress 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.

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Nykredit Realkredit Group

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".

Remaining 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.

Remaining 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.

Leases

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

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

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

Leases where Nykredit 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 equal to the present value arising from those leases. The asset is depreciated over the course of its useful life of 7 years, 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 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".

Finance leases where Nykredit is the lessee primarily include leases entered into by Nykredit Mægler A/S where the leases are sublet on identical terms to the Company's business partners.

Assets included under "Other assets" correspond to future receivable lease payments, whereas the liabilities included under "Other liabilities" correspond to outstanding lease liabilities. The calculation of the assets and liabilities is based on the same principles as applied to operating leases, see above.

Repayments received and repayments paid are offset against the relevant asset and liability, while interest is carried under "Interest income" or "Interest expenses".

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".

INCOME STATEMENT

Interest income and expenses etc

Interest income comprises interest from interest-bearing items, including interest-bearing financial instruments and administration margin income from mortgage lending measured at fair value, interest concerning tax on account as well as interest from derivative financial instruments. To this should be added interest and interest-like income, interest-like commission received, and other income that forms an integral part of the effective interest of the underlying instruments if they are measured at amortised cost.

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.

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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, advances and deposits measured at amortised cost are treated as interest if they form an integral part of the effective interest of a financial instrument.

Other operating income

"Other operating income" comprises operating income not attributable to other income statement items, including contributions from Forenet Kredit.

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.

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, unless the tax effect concerns items recognised in "Other comprehensive income". Tax relating to "Other comprehensive income" items is recognised in the same item.

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.

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

ASSETS

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 Realkredit 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.

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 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 33.

Other intangible assets

Fixed-term rights are recognised at cost less accumulated amortisation. Fixed-term rights are amortised on a straight-line basis over their remaining terms. Fixed-term rights lapse after a period of 5-10 years.

Costs relating to development projects are recognised as intangible assets provided that there is sufficient certainty that the value in use of future earnings will cover the development costs.

Capitalised development projects comprise salaries and other costs directly attributable to the Group's development activities.

Other development costs are recognised as costs in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation. Capitalised development costs are amortised on completion of the development project on a straight-line basis over the period in which it is expected to generate economic benefits. The amortisation period is 3-5 years.

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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 3-7 years.

Other intangible assets are written down to the recoverable amount where evidence of impairment is identified.

Land and buildings including leased properties

Owner-occupied properties

Owner-occupied properties are properties which the Group uses for administration, sales and customer contact centres or for other service activities.

Owner-occupied properties where Nykredit acts as lessee are described under "Leases".

On acquisition, owner-occupied properties are recognised at cost and subsequently measured at a reassessed value, equal to the fair value at the revaluation date less subsequent accumulated depreciation and impairment charges. Revaluations are made annually to prevent the carrying amounts from differing significantly from the values determined using the fair value on the balance sheet date. Please also refer to note 34.

Positive value adjustments less deferred tax are added to revaluation reserves under equity via "Other comprehensive income". Impairment charges offsetting former revaluation of the same property are deducted from revaluation reserves via "Other comprehensive income", while other impairment charges are recognised through profit or loss.

When the asset is ready for its intended use, it is depreciated on a straight-line basis over the estimated useful life of 10-50 years, allowing for the expected scrap value at the expiry of the expected useful life. Land is not depreciated.

On divestment of revalued assets, revaluation amounts contained in the revaluation reserves are transferred to "Retained earnings" under equity without recognition in the income statement.

Other property, plant and equipment

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.

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.

LIABILITIES AND EQUITY

Payables

Payables relating to financial instruments are described in "Financial instruments", to which reference is made.

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 pensions and similar obligations

The Group has entered into pension agreements with the majority of its staff. The agreements may be divided into two main types of plans:

- Defined contribution pension plans
- Defined benefit plans.

These are described in detail in note 46

Repayable reserves in pre-1972 series

Repayable reserves include reserves in pre-1972 series repayable after full or partial redemption of mortgage loans in compliance with the articles of association of the series concerned.

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. Subordinated debt is measured at fair value on initial recognition and subsequently at amortised cost.

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Nykredit Realkredit Group

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.

Revaluation reserves

Revaluation reserves include positive value adjustment of owner-occupied properties less deferred tax on the value adjustment. Increases in the reassessed value of properties are recognised directly in this item unless the increase cancels out a decrease previously recognised in the income statement. The item is adjusted for any impairment fully or partially cancelling out previously recognised value gains. The item is also adjusted on the sale of properties.

Series reserves

Series reserves include series reserves where there is no obligation to repay the borrowers.

Non-distributable reserve fund

Includes a reserve fund in Totalkredit A/S and formerly LR Realkredit A/S (now merged with Nykredit Realkredit A/S) established when former mortgage banks were converted into limited companies. The reserves are non-distributable.

Retained earnings

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

Proposed dividend

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

Minority interests

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

Additional Tier 1 capital

Perpetual Additional Tier 1 capital with discretionary payment of interest and principal is recognised as equity for accounting purposes. Correspondingly, interest expenses relating to the issue are recorded as dividend for accounting purposes. Interest is deducted from equity at the time of payment.

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 as well as holders of Additional Tier 1 capital.

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.

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 in Sparinvest SE, Luxembourg, Nykredit has limited business activity outside Denmark.

The income statement format of the financial highlights on page 6 and the business areas in note 5 reflect the internal management reporting. 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 net administration margin income from mortgage lending as well as interest income from bank lending and deposits. The corresponding item in the income statement includes all interest.

"Net fee income" comprising income from mortgage refinancing and mortgage lending, 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 Holdings S.E., 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.

"Net income relating to customer benefits programmes" comprising discounts etc such as KundeKroner, ErhvervsKroner and MineMål granted to the Group's customers. The amount includes contributions received from Forenet Kredit. The item is included in Group Items to illustrate the earnings of the individual business areas excluding the impact of the Group's customer benefits programmes whilst also presenting the impact on income of the programmes in a separate item.

"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, including income from the sale of real estate.

Business areas are defined on the basis of differences in customer segments and services. Items not allocated to the business areas are included in Group Items. Segment information is provided exclusively at Group level.

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Nykredit Realkredit Group

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

The financial statements of the Parent Nykredit Realkredit A/S are prepared in accordance with statutory requirements, including 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 Accounting Standards) and the Group's accounting policies as described above.

Amendments to the Danish Executive Order on Financial Reports and other amendments

Relative to the "Accounting policies" in the Financial Statements for 2022, no amendments to the Danish Executive Order on Financial Reports have been adopted in 2023 which affect our accounting policies.

Other ordinary income

The item "Other operating expenses" contains a large share of income from administrative services, etc, provided by the Parent to the other Group companies, for which settlement is made on the basis of intercompany agreements.

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 Realkredits's share of the enterprises' profit or loss after tax and elimination of unrealised intercompany gains and losses 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

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 Realkredit A/S published its Annual Reports for 2020-2022 in the ESEF format.

Implementation of the ESEF 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 2023, 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 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: nyrr-2023-12-31-en.

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 (post-model adjustments). These estimates and assessments are made by Nykredit Realkredit'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 2022.

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:

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Nykredit Realkredit Group

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.

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 53 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 (assets) was 0.4% of the Group's assets at end-2023 (1.1% at end-2022).

Measured on the basis of level 2 or level 3 inputs of the fair value hierarchy, the fair value of financial assets and liabilities was 86.1% and 0.3%, respectively, of the Group's balance sheet total at end-2023 for financial assets (92.0% and 0.3% at end-2022), and 1.2% and 0.0%, respectively, for financial liabilities (1.1% and 0.0% at end-2022).

The fair value of financial instruments for which no listed prices in an active market are available accounted for 86.3% of the Group's assets at end-2023 (86.8% at end-2022).

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 3,480 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 57, which further describes 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.

Geopolitical conditions and macroeconomic uncertainty

The geopolitical conditions and the global economies are challenged by, for instance, the war in Ukraine and volatile financial markets. These conditions are expected to affect the credit quality of some customers as a result of lower economic growth, increasing interest rates, impact on house prices, inflation and disruptions of value and supply chains.

Provisions related to macroeconomic uncertainty are based on stress test calculations of three 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 high inflation and rising interest rates. Total provisions of DKK 0.7 billion have been taken to counter such risk. Secondly, business customers in the construction, retail, wholesale, commercial rental, production and manufacturing sectors are also expected to be affected due to inflation, scarcity of goods and rising interest rates. Thirdly, the property values of stage 3 customers have been stressed to simulate a reduction in collateral values. Total provisions of DKK 1.2 billion for exposed sectors have been taken.

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

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Nykredit Realkredit Group

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. Parameters are regularly back tested in Nykredit's impairment models. Any need for additional impairment provisions is 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 Nykredit Group's entire portfolio.

ESG

Physical and transition risks related to ESG will be a challenge for Nykredit's business models in certain sectors and areas. At the same time, legislative measures may have a large impact on Nykredit's loan portfolio.

On balance, the value of certain assets is expected to decrease.

Government efforts towards the green transition of heavy transport, new carbon taxes and new energy efficiency directives have been intensified, and new bills have been tabled. Conditions will further challenge customers' business models, increasing expected credit losses. Provisions related to ESG totalled DKK 0.7 billion at end-2023 (DKK 0.2 billion at end-2022).

The provisions are based on a post-model adjustment (management judgement) to cover the loss expected beyond the outcome derived on the basis of model-based impairments.

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 is recognised as a management judgement.

This applies to the Nykredit Realkredit 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, Nykredit Realkredit A/S and Totalkredit A/S, respectively, 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 Realkredit A/S		Nykredit Realkredit Group		
2022	2023		2023	2022
4. CAPITAL AND CAPITAL ADEQUACY				
96,715	100,893	Equity for accounting purposes	101,006	96,829
-	-	Minority interests not included	(112)	(114)
(3,751)	(3,759)	Carrying amount of Additional Tier 1 capital recognised in equity	(3,759)	(3,751)
92,964	97,134	Equity excluding Additional Tier 1 capital and minority interests	97,134	92,964
(4,650)	(5,400)	Proposed dividend	(5,400)	(4,650)
(38)	(36)	Prudent valuation adjustment	(83)	(71)
-	-	Minority interests	54	62
(180)	(306)	Intangible assets excluding deferred tax liabilities	(2,154)	(2,057)
(242)	(270)	Other regulatory adjustments	(270)	(242)
(81)	(322)	Deduction for non-performing exposures	(639)	(209)
(5,190)	(6,333)	Common Equity Tier 1 regulatory deductions	(8,491)	(7,167)
87,773	90,801	Common Equity Tier 1 capital	88,643	85,797
3,643	3,652	Additional Tier 1 capital	3,660	3,654
-	-	Additional Tier 1 regulatory deductions	(9)	(4)
3,643	3,652	Total Additional Tier 1 capital after regulatory deductions	3,651	3,649
91,416	94,452	Tier 1 capital	92,294	89,446
10,710	10,665	Tier 2 capital	10,676	10,723
1,952	-	Tier 2 regulatory adjustments	-	2,104
104,078	105,117	Own funds	102,970	102,273
522,258	548,820	Credit risk	374,429	366,083
25,871	12,976	Market risk	27,981	42,443
14,161	14,032	Operational risk	30,944	29,738
562,290	575,829	Total risk exposure amount	433,354	438,263
Financial ratios				
15.6	15.7	Common Equity Tier 1 capital ratio, %	20.4	19.5
16.2	16.4	Tier 1 capital ratio, %	21.2	20.4
18.5	18.2	Total capital ratio, %	23.7	23.3

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 incorporated into 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 the Nykredit Realkredit Group. To this should be added the permanent buffer requirement of 2.5% in Denmark which must also be met using Common Equity Tier 1 capital. The countercyclical capital buffer is currently fully phased-in at 2.5%.

NOTES

Nykredit Realkredit Group

4. CAPITAL AND CAPITAL ADEQUACY (CONTINUED)

Pursuant to the Danish Financial Business Act, the Board of Directors and the Executive Board must ensure that Nykredit has sufficient funds and accordingly determine the required level of own funds. The required own funds are the minimum capital required, in Management's judgement, to cover all significant risks.

The determination takes into account the business objectives and capital policy targets by allocating capital for all relevant risks, including calculation uncertainties. The Boards of Directors of Nykredit's individual companies determine at least annually the required own funds and internal capital adequacy requirement (ICAAP result) of their respective companies.

Stress tests and capital projection

Nykredit applies a number of model-based stress tests and capital projections to determine the required own funds in different macroeconomic scenarios. The results are applied at both Group and company level and are included in the annual assessment by the individual Boards of Directors of the internal capital adequacy requirement as well as in the regular capital planning. The stress tests are not the only element of the determination of the capital requirements, but they form part of an overall assessment along with the company's capital policy, risk profile and capital structure.

The stress test calculations include the macroeconomic factors of greatest importance historically to Nykredit's customers. The most important macroeconomic factors identified are:

- Property prices
- Interest rates
- Unemployment
- GDP growth

Nykredit generally applies three macroeconomic scenarios: a baseline scenario, a weaker economic climate and a severe recession. The capital requirement for credit risk builds primarily on correlations between the macroeconomic factors, the Probability of Default (PD) and Loss Given Default (LGD).

Nykredit Realkredit Group

Stress scenarios for determination of capital requirement

	2023 ²	2024	2025	2026
Baseline scenario				
Property prices, growth	(1.8)%	2,6%	2,0%	0,6%
Interest rates ¹	3,2%	2,9%	2,1%	2,0%
Unemployment	5,0%	5,0%	5,1%	5,1%
GDP growth	1,0%	1,2%	1,3%	1,6%
Weaker economic climate (scenario applied under Pillar II)				
Property prices, growth	(1.8)%	(1.6)%	(2.2)%	0,4%
Interest rates ¹	3,2%	2,2%	2,2%	2,2%
Unemployment	5,0%	5,1%	5,3%	5,3%
GDP growth	1,0%	(0.5)%	(0.4)%	0,7%
Severe recession (scenario applied for capital policy)				
Property prices, growth	(1.8)%	(10.0)%	(8.0)%	(4.0)%
Interest rates ¹	3,2%	2,2%	1,7%	1,7%
Unemployment	5,0%	7,0%	8,7%	9,3%
GDP growth	1,0%	(3.0)%	(2.0)%	0,0%

¹ Average of 3-month money market rates and 10-year government bond yields.

² 2023 figures are forecasted.

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.

The impacts of both rising and falling interest rates are tested in the projection scenarios to determine the greatest stress impacts. Other stress scenarios are used as required for Nykredit Bank and Totalkredit, and/or the scenarios are supplemented with assessments of factors that may have an adverse impact on the companies' risk exposures or capital.

Baseline scenario

This scenario is a neutral 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 weaker economic climate relative to the baseline scenario. The scenario is used to calculate a capital charge to determine how much Nykredit's capital requirement would increase if this scenario occurred, and the results are included in the determination of the internal capital adequacy requirement. The scenario is assessed assuming both rising interest rates and falling interest rates. The capital charge is calculated based on the chosen scenario or, if more severe, the current risk scenario such as during covid-19 or an inflation scenario.

Stress scenario: Severe recession

Nykredit's capital policy aims at ensuring a robust capital level, also in the long term and in a severe recession. Nykredit continually assesses the impact of severe recession combined with rising or declining interest rates. The stress scenario reflects an exceptional, but plausible, macroeconomic stress scenario. The calculations are factored into the current assessments of capital policy targets.

Other stress scenarios

As part of the Group's capital policy, in addition to calculating its own stress scenarios, Nykredit also assesses the stress scenarios prepared by the Danish FSA. The results are compared regularly. Due to the increase in general interest rate levels in 2023 as a result of the strong monetary policy tightening, risk scenarios with rising as well as falling interest rates have become relevant as supplementary scenarios for determining the buffer to meet cyclical changes in the internal capital adequacy requirement.

Nykredit also participates in the EU-wide stress test exercises of the European Banking Authority (EBA), most recently in 2023. The stress test showed that Nykredit can withstand even a very severe economic downturn where large property price declines have a significant adverse impact on both personal and business lending. The most recent results confirmed Nykredit's strong capital position under the current capital requirements.

The Boards of Directors will reassess the Group's capital need in case of major unexpected events. The determination by the Boards of Directors of the capital needs of the individual Group companies is based on a number of stress tests as well as an assessment of the companies' business model, risk profile and capital structure. Furthermore, the Board Risk Committee and the Group Risk Committee closely monitor developments in the capital needs of the individual Group companies and are briefed at least quarterly. The Asset/Liability Committee monitors and coordinates the capital, funding and liquidity of the Group and the individual Group companies. The report Risk and Capital Management 2023, available at nykredit.com/reports, contains a detailed description of the determination of required own funds and internal capital adequacy requirement of Nykredit as well as all Group companies. The report is not audited.

NOTES

DKK million

Nykredit Realkredit 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. Please refer to the Management Commentary.

	Personal Banking	Business Banking	Total Retail	Corporates & Institutions	Total Banking	Totalcredit Partners	Wealth Management	Group Items	Total
RESULTS 2023									
RESULTS BY BUSINESS AREA									
Net interest income	2,761	3,233	5,994	2,714	8,707	3,114	498	(14)	12,305
Net fee income	699	499	1,198	730	1,929	828	44	(11)	2,789
Wealth management income	458	121	579	161	740	-	1,595	33	2,368
Net interest from capitalisation	137	363	500	432	932	379	39	369	1,719
Net income relating to customer benefits programmes ¹	-	(0)	(0)	-	(0)	-	-	(404)	(404)
Trading, investment portfolio and other income	38	88	125	431	556	(8)	40	1,036	1,625
Income*	4,092	4,303	8,396	4,469	12,865	4,313	2,215	1,009	20,401
Costs	2,365	1,307	3,672	807	4,480	853	1,018	204	6,554
Business profit before impairment charges	1,727	2,996	4,723	3,662	8,385	3,460	1,197	805	13,847
Impairment charges for loans and advances	(146)	(159)	(305)	15	(290)	86	12	15	(177)
Business profit	1,873	3,155	5,028	3,647	8,675	3,374	1,185	790	14,024
Legacy derivatives	4	29	33	26	59	-	(0)	-	59
Profit before tax	1,877	3,184	5,061	3,673	8,734	3,374	1,185	790	14,083
*Of which transactions between the business areas	360	174	535	(130)	404	(28)	(353)	(23)	0
Average allocated business capital	6,375	14,286	20,662	17,337	37,999	19,729	1,462	8,010	67,200
Business profit as % of average business capital ²	29.4	22.1	24.3	21.0	22.8	17.1	81.1		20.9
BALANCE SHEET									
Assets									
Mortgage loans etc at fair value	154,671	209,054	363,724	289,187	652,912	686,944	15,131	-	1,354,987
Reverse repurchase lending								33,965	33,965
Loans and advances at amortised cost	13,961	31,465	45,427	42,591	88,017	-	5,843	515	94,375
Assets by business area	168,632	240,519	409,151	331,778	740,929	686,944	20,973	34,480	1,483,327
Unallocated assets									198,278
Total assets									1,681,605
Liabilities and equity									
Repo deposits								5,618	5,618
Bank deposits and other payables at amortised cost	48,160	27,947	76,107	17,810	93,917	-	17,655	2,762	114,333
Liabilities by business area	48,160	27,947	76,107	17,810	93,917	-	17,655	8,379	119,951
Unallocated liabilities									1,460,648
Equity									101,006
Total liabilities and equity									1,681,605

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

² In the determination of "Business profit as % of average business capital", the business profit corresponds to profit for accounting purposes less interest expenses for Additional Tier 1 capital.

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

Geographical markets

Income from international lending came to DKK 150 million (2022: DKK 146 million). The international loan portfolio totalled DKK 9 billion at end-2023 (2022: DKK 10 billion). The international loan portfolio comprises loans and advances in Sweden, Spain, France and Germany.

NOTES

DKK million

Nykredit Realkredit Group

5. BUSINESS AREAS (CONTINUED)

	Personal Banking	Business Banking	Total Retail	Corporates & Institutions	Total Banking	Totalkredit Partners	Wealth Management	Group Items	Total
RESULTS 2022									
Results by business area									
Net interest income	2,280	2,829	5,110	2,245	7,354	3,227	307	(18)	10,871
Net fee income	807	637	1,444	659	2,103	996	49	(30)	3,119
Wealth management income	435	125	560	134	694	-	1,551	35	2,279
Net interest from capitalisation	(101)	(144)	(245)	(194)	(439)	(365)	(16)	81	(740)
Net income relating to customer benefits programmes ¹	-	-	-	-	-	-	(0)	(443)	(443)
Trading, investment portfolio and other income	35	284	318	434	752	(1)	38	947	1,736
Income*	3,456	3,731	7,187	3,277	10,464	3,857	1,929	573	16,822
Costs	2,398	1,234	3,632	729	4,361	786	926	246	6,320
Business profit before impairment charges	1,058	2,497	3,555	2,548	6,103	3,071	1,002	327	10,503
Impairment charges for loans and advances	11	(154)	(143)	82	(62)	(7)	(8)	(4)	(80)
Business profit	1,047	2,651	3,698	2,466	6,164	3,078	1,010	330	10,583
Legacy derivatives	19	524	543	388	931	-	0	-	931
Profit before tax	1,066	3,175	4,241	2,854	7,095	3,078	1,011	330	11,514
*Of which transactions between the business areas	856	194	1,050	(392)	658	(42)	(420)	(196)	-
Average allocated business capital	6,201	14,555	20,756	16,712	37,469	19,698	1,390	7,555	66,112
Business profit as % of average business capital ²	16.9	18.2	17.8	14.8	16.5	15.6	72.7		16.0
BALANCE SHEET									
Assets									
Mortgage loans etc at fair value	150,592	199,415	350,007	267,004	617,011	661,382	13,725	-	1,292,119
Reverse repurchase lending								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	163,230	228,168	391,398	306,362	697,760	661,382	19,131	38,551	1,416,823
Unallocated assets									183,305
Total assets									1,600,129
Liabilities and equity									
Repo deposits								6,266	6,266
Bank 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									1,389,608
Equity									96,829
Total liabilities and equity									1,600,129

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

² In the determination of "Business profit as % of average business capital", the business profit corresponds to profit for accounting purposes less interest expenses for Additional Tier 1 capital.

NOTES

DKK million

Nykredit Realkredit Group

6. RECONCILIATION OF INTERNAL AND REGULATORY INCOME STATEMENT	2023			2022		
	Earnings presentation in Management Commentary	Reclassification	Income statement	Earnings presentation in Management Commentary	Reclassification	Income statement
Net interest income	12,305	3,431	15,736	10,871	1,332	12,203
Dividend on equities etc		237	237		191	191
Fee and commission income, net	2,789	(2,655)	134	3,119	(3,030)	88
Net interest and fee income		1,013	16,107		(1,507)	12,483
Wealth management income	2,368	(2,368)	-	2,279	(2,279)	-
Net interest from capitalisation	1,719	(1,719)	-	(740)	740	-
Net income relating to customer benefits programmes	(404)	404	-	(443)	443	-
Trading, investment portfolio and other income	1,625	(1,625)	-	1,736	(1,736)	-
Value adjustments		2,856	2,856		3,680	3,680
Other operating income		1,492	1,492		1,582	1,582
Income	20,401		16,822	16,822		
Costs	6,554	-	6,554	6,320	-	6,320
Business profit before impairment charges	13,847		10,503	10,503		
Impairment charges for loans and advances etc	(177)	-	(177)	(80)	-	(80)
Profit from investments in associates and Group enterprises		6	6		9	9
Business profit	14,024		10,583	10,583		
Legacy derivatives	59	(59)	-	931	(931)	-
Profit before tax	14,083	-	14,083	11,514	-	11,514

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 three main items in the internal presentation: "Income", including sub-items, and "Legacy derivatives" as well as "Badwill". The sum of these items thus corresponds to "Net interest and fee income", "Value adjustments" and "Other operating income" and "Profit from investments in associates and Group enterprises" 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

DKK million

Nykredit Realkredit Group	2023	2022
7. FEE AND COMMISSION INCOME		
Revenue from contracts with customers (IFRS 15) by business area		
Retail	616	745
Corporates & Institutions	288	339
Totalkredit Partners	564	1,051
Wealth Management	2,439	2,328
Group Items	184	192
Total	4,091	4,655
Total including income from financial guarantees	4,181	4,713

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.

- 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 Realkredit Group

8. NET INTEREST INCOME ETC AND VALUE ADJUSTMENTS

2023	Interest income	Interest expenses	Net interest income	Dividend on equities	Value adjustments	Total
Financial portfolios at amortised cost						
Receivables from and payables to credit institutions and central banks	781	217	565	-	-	565
Lending and deposits	5,176	1,662	3,514	-	-5	3,509
Repo transactions and reverse repurchase lending	1,415	642	773	-	-	773
Bonds	6	-	6	-	-	6
Subordinated debt	-	454	-454	-	-	-454
Other financial instruments	195	74	122	-	-	122
Total	7,574	3,048	4,526	-	-5	4,521
Financial portfolios at fair value and financial instruments at fair value						
Mortgage loans and bonds in issue ¹	44,694	34,698	9,996	-	-77	9,919
- of which administration margin income	9,703	-	9,703	-	-	9,703
Bonds	2,644	-	2,644	-	3,689	6,332
Equities etc	-	-	-	237	216	453
Derivative financial instruments	-1,430	-	-1,430	-	1,133	-297
Other liabilities	-	-	-	-	-2,235	-2,235
Total	45,908	34,698	11,210	237	2,726	14,172
Foreign currency translation adjustment					135	135
Net interest income etc and value adjustments	53,482	37,746	15,736	237	2,856	18,828
Negative interest income	7	7	-			
Positive interest expenses	7	7	-			
Total	53,495	37,759	15,736			
KundeKroner and ErhvervsKroner discounts are offset against interest income and for the period amounted to	1,575					
2022						
Financial portfolios at amortised cost						
Receivables from and payables to credit institutions and central banks	-16	82	-98	-	-	-98
Lending and deposits	2,541	-39	2,580	-	-2	2,578
Repo transactions and reverse repurchase lending	50	63	-13	-	-	-13
Bonds	4	-	4	-	-	4
Subordinated debt	-	285	-285	-	-	-285
Other financial instruments	125	42	82	-	-	82
Total	2,703	433	2,270	-	-2	2,268
Financial portfolios at fair value and financial instruments at fair value						
Mortgage loans and bonds in issue ¹	25,291	15,726	9,565	-	137	9,702
- of which administration margin income	9,774	-	9,774	-	-	9,774
Bonds	501	-	501	-	-2,959	-2,458
Equities etc	-	-	-	191	950	1,141
Derivative financial instruments	-132	-	-132	-	5,260	5,128
Total	25,659	15,726	9,934	191	3,387	13,512
Foreign currency translation adjustment					295	295
Net interest income etc and value adjustments	28,362	16,159	12,203	191	3,680	16,074
Negative interest income	448	448	-			
Positive interest expenses	554	554	-			
Total	29,365	17,161	12,203			
KundeKroner and ErhvervsKroner discounts are offset against interest income and for the period amounted to	1,598					

¹ Recognised at fair value under the fair value option.

NOTES

		DKK million		
Nykredit Realkredit A/S		Nykredit Realkredit Group		
2022	2023		2023	2022
9. INTEREST INCOME				
237	1,414	Receivables from credit institutions and central banks	994	(4)
15,479	35,021	Loans, advances and other receivables	41,452	18,095
3,669	3,813	Administration margin income	9,703	9,774
Bonds				
229	772	- self-issued covered bonds (SDOs, ROs)	1,413	196
226	533	- other covered bonds	2,398	437
1	41	- government bonds	44	(7)
192	546	- other bonds	535	205
Derivative financial instruments				
(15)	(29)	- foreign exchange contracts	88	78
3	(1,192)	- interest rate contracts and active contracts	(1,518)	(210)
417	342	Other interest income	195	125
20,439	41,260	Total	55,305	28,689
(360)	(1,100)	Set-off of interest from self-issued bonds – note 10	(1,823)	(329)
20,079	40,160	Total	53,482	28,359
157	2	Negative interest income	7	448
326	7	Positive interest expenses	7	554
20,563	40,169	Total interest income	53,495	29,361
-	-	Of which interest income based on the effective interest method	7,321	2,312
Of which interest income from reverse repurchase lending entered as:				
10	144	Receivables from credit institutions and central banks	213	13
-	-	Loans, advances and other receivables	1,202	37
Of total interest income:				
-	-	Interest income accrued on impaired financial assets measured at amortised cost	95	50
-	-	Interest income accrued on fixed-rate bank loans	65	55
-	-	Interest income from finance leases	277	148
Interest income accrued on bank loans subject to stage 3 impairment totalled DKK 95 million (2022: DKK 50 million). Nykredit Bank A/S generally does not charge interest on individually impaired loans. Interest income attributable to the impaired part of loans after the first time of impairment is offset against subsequent impairment.				
10. INTEREST EXPENSES				
76	468	Credit institutions and central banks	654	143
-	-	Deposits and other payables	1,867	(38)
15,984	36,095	Bonds in issue	36,521	16,052
285	454	Subordinated debt	454	285
57	87	Other interest expenses	74	42
16,403	37,104	Total	39,569	16,486
(360)	(1,100)	Set-off of interest from self-issued bonds – note 9	(1,823)	(329)
16,043	36,004	Total	37,745	16,156
326	7	Negative interest expenses	7	554
157	2	Negative interest income	7	448
16,527	36,013	Total interest expenses	37,759	17,158
4	3	Of which interest expenses relating to lease liabilities	8	9
Of which interest expenses from repo transactions entered as:				
56	451	Credit institutions and central banks	437	61
-	-	Deposits and other payables	205	1

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2022	2023	2023	2022
11. DIVIDEND ON EQUITIES ETC			
185	234	237	191
185	234	237	191
12. FEE AND COMMISSION INCOME			
-	-	83	51
-	-	2,388	2,311
910	1,216	1,709	2,351
910	1,216	4,181	4,713
13. FEE AND COMMISSION EXPENSES			
0	0	95	84
-	-	294	262
529	448	3,657	4,279
529	449	4,047	4,625
14. VALUE ADJUSTMENTS			
Assets measured at fair value through profit or loss			
-42,065	7,974	31,113	-170,757
-128,551	23,156	-	-
-4	2	-5	-2
-3,091	2,356	3,689	-2,959
926	143	216	950
-36	-1	135	295
3,569	1,236	1,133	5,257
-	-	-	2
-	-	254	3
-	-	-254	-3
Liabilities measured at fair value through profit or loss			
42,202	-8,051	-31,190	170,894
128,551	-25,391	-2,235	-
1,500	1,425	2,856	3,680
1 Of which value adjustment of assets and liabilities recognised at amortised cost			
2 Of which value adjustment of interest rate swaps			
a) Financial assets and liabilities classified at fair value on initial recognition.			
Of which value adjustment relating to fair value hedging for accounting purposes			
-	3	3	-1
15. OTHER OPERATING INCOME			
300	249	1,374	1,450
2	0	53	62
1,481	1,731	65	70
1,783	1,981	1,492	1,582

NOTES

DKK million

Nykredit Realkredit A/S			Nykredit Realkredit Group	
2022	2023		2023	2022
16. STAFF AND ADMINISTRATIVE EXPENSES				
54	59	Remuneration of Board of Directors and Executive Board	59	54
2,387	2,372	Staff expenses	3,926	3,815
753	944	Other administrative expenses	2,038	1,922
3,194	3,375	Total	6,022	5,791
Remuneration of Board of Directors and Executive Board				
Board of Directors				
4	5	Fees etc	5	4
Executive Board				
43	48	Base salaries	48	43
6	6	Pension	6	6
54	59	Total	59	54
Disclosure of Board and Executive Compensation is available at nykredit.com/salaries , to which reference is made.				

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DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2022	2023	2023	2022
16. STAFF AND ADMINISTRATIVE EXPENSES (CONTINUED)			
Staff expenses			
1,859	1,834	3,076	2,997
206	210	326	319
301	308	492	468
20	21	32	31
2,387	2,372	3,926	3,815
104	109	197	189
In addition to the Board of Directors and Executive Board, Nykredit has designated the following number (average) of staff whose activities significantly affect Nykredit's risk profile (material risk takers). The average number:			
Details of Nykredit's remuneration policy appear from page 56 of the Management Commentary under Remuneration and at nykredit.com/remuneration .			
Remuneration of material risk takers is included in "Staff expenses" and breaks down into:			
197	160	309	328
17	36	86	57
214	196	395	386
Material risk takers are only offered defined contribution pension plans. Variable remuneration comprises variable remuneration components in the financial year as well as bonus provided for at the end of the financial year. The final bonus is determined during the first quarter of the following financial year.			
Number of staff			
2,772	2,670	3,973	4,076
Fees to auditor appointed by the General Meeting			
3	4	13	13
Total fees include:			
3	3	9	7
0	1	3	3
-	0	0	1
0	0	1	2
3	4	13	13

Other services than statutory audit relates to statutory assurance reports, ISAE 3402 reports as well as general tax advisory.

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DKK million

Nykredit Realkredit Group

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

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

Impairments	Loans and advances at	Loans and advances at	Loans and advances at	Loans and advances at	Credit institutions	Credit institutions	Guarantees etc ¹	Guarantees etc ¹	Total	Total
	fair value	fair value	amortised cost	amortised cost						
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Beginning of year	5,919	6,515	3,132	2,755	18	24	340	331	9,409	9,625
New impairment provisions as a result of additions and change in credit risk	1,833	2,149	1,498	1,524	12	4	179	215	3,523	3,892
Releases as a result of redemptions and change in credit risk	2,082	2,626	1,427	1,155	2	9	191	206	3,701	3,996
Impairment provisions written off	178	118	50	27	-	-	-	0	227	146
Other adjustments and interest from impaired facilities	-	-	53	35	-	-	-	0	53	35
Transferred to "Impairment provisions for properties acquired by foreclosure"	1	0	-	-	-	-	-	-	1	0
Total impairment provisions, year-end	5,492	5,919	3,207	3,132	29	18	328	340	9,056	9,409
Earnings impact										
Change in impairment provisions for loans and advances (stages 1-3)	(249)	(477)	71	369	11	(5)	(12)	9	(179)	(104)
Write-offs for the year not previously written down for impairment	136	107	17	88	-	-	-	-	154	195
Recoveries on claims previously written off	(73)	(76)	(36)	(61)	-	-	-	-	(109)	(137)
Total	(186)	(447)	53	396	11	(5)	(12)	9	(134)	(47)
Value adjustment of assets in temporary possession	3	(1)	-	-	-	-	-	-	3	(1)
Value adjustment of claims previously written off	14	54	23	(3)	-	-	-	-	37	51
Losses offset, in accordance with partnership agreement ¹	(83)	(84)	-	-	-	-	-	-	(83)	(84)
Earnings impact	(251)	(477)	76	393	11	(5)	(12)	9	(177)	(80)

¹ According to the partnership agreement with the partner banks Totalkredit A/S has a right of set-off against commission in connection with write-offs on lending.

The contractual amounts outstanding on financial assets written off in 2023 and still sought to be recovered totalled DKK 216 million at 31 December 2023 (2022: DKK 241 million).

Of total impairment provisions for mortgage lending determined under IFRS 9, 25% or DKK 1,5 billion was attributable to customers who are in serious financial difficulty but not in arrears. Of total impairment provisions for mortgage lending determined under IFRS 9, 2% or DKK 0,1 billion was attributable to customers who have gone bankrupt, are undergoing bankruptcy proceedings or compulsory dissolution, or who are deceased.

Of total impairment provisions for bank lending determined under IFRS 9, 2% 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 Realkredit Group

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

18 b. Total impairment provisions by stage

2023	Loans and advances at fair value			Loans and advances at amortised cost			Guarantees etc			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Beginning of year	2,116	1,521	2,281	399	914	1,837	75	190	75	9,409
Transfer to stage 1	665	(539)	(126)	221	(196)	(26)	55	(54)	(1)	-
Transfer to stage 2	(81)	301	(220)	(61)	183	(122)	(10)	14	(4)	-
Transfer to stage 3	(8)	(104)	112	(3)	(114)	117	(1)	(6)	6	-
Impairment provisions for new loans and advances (additions)	124	218	110	97	227	100	19	43	9	947
Additions as a result of change in credit risk	186	690	505	147	497	444	8	84	17	2,576
Releases as a result of change in credit risk	1,128	442	511	367	410	652	80	86	26	3,701
Previously written down for impairment, now written off	-	-	178	0	0	50	-	-	-	227
Other adjustments and interest from impaired facilities	-	-	(1)	-	-	53	-	-	-	53
Total impairment provisions, year-end	1,873	1,645	1,974	432	1,102	1,702	67	186	75	9,056
Total, year-end		5,492			3,236			328		9,056
Impairment provisions, year-end, are moreover attributable to:										
Credit institutions				29	-	-				29
Earnings impact, 2023	(819)	466	104	(124)	314	(109)	(53)	41	(1)	(179)

2022	Loans and advances at fair value			Loans and advances at amortised cost			Guarantees etc			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Beginning of year	1,646	1,822	3,047	378	809	1,591	69	169	94	9,625
Transfer to stage 1	870	(773)	(96)	371	(300)	(71)	68	(64)	(4)	-
Transfer to stage 2	(50)	352	(302)	(59)	164	(106)	(8)	13	(5)	-
Transfer to stage 3	(7)	(117)	124	(6)	(124)	129	(0)	(18)	19	-
Impairment provisions for new loans and advances (additions)	318	268	109	105	211	181	20	51	23	1,288
Additions as a result of change in credit risk	481	542	430	96	429	506	18	92	11	2,604
Releases as a result of change in credit risk	1,142	573	912	488	275	401	92	52	62	3,996
Previously written down for impairment, now written off	-	-	118	0	0	27	-	-	0	146
Other adjustments and interest from impaired facilities	-	-	(0)	-	-	35	-	-	-	34
Total impairment provisions, year-end	2,116	1,521	2,281	399	914	1,837	75	190	75	9,409
Total, year-end		5,919			3,150			340		9,409
Impairment provisions, year-end, are moreover attributable to:										
Credit institutions				18	-	-				18
Earnings impact, 2022	(343)	237	(372)	(286)	364	286	(53)	91	(28)	(104)

The principles of impairment are described in detail in the accounting policies (note 1) of the Annual Report for 2023.

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DKK million

Nykredit Realkredit Group

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

18 c. Loans, advances and guarantees etc by stage

2023	Stage 1	Stage 2	Stage 3	Total
Loans and advances at fair value, gross				
Loans and advances at fair value, gross	1,299,511	48,176	13,117	1,360,804
Total impairment provisions, year-end	1,873	1,645	1,974	5,492
Value, year-end	1,297,639	46,530	11,143	1,355,312
Loans and advances at amortised cost excluding credit institutions, gross				
Loans and advances at amortised cost excluding credit institutions, gross	107,879	21,276	2,698	131,852
Total impairment provisions, year-end	402	1,102	1,702	3,207
Value, year-end	107,476	20,173	996	128,645
Guarantees etc				
Guarantees etc	29,407	2,539	375	32,321
Total impairment provisions, year-end	67	186	75	328
Value, year-end	29,340	2,353	300	31,993
2022				
	Stage 1	Stage 2	Stage 3	Total
Loans and advances at fair value, gross				
Loans and advances at fair value, gross	1,250,361	33,854	14,194	1,298,408
Total impairment provisions, year-end	2,116	1,521	2,281	5,919
Value, year-end	1,248,244	32,333	11,913	1,292,489
Loans and advances at amortised cost excluding credit institutions, gross				
Loans and advances at amortised cost excluding credit institutions, gross	108,433	16,867	2,859	128,159
Total impairment provisions, year-end	380	914	1,837	3,132
Value, year-end	108,053	15,953	1,022	125,028
Guarantees etc				
Guarantees etc	25,937	2,744	375	29,057
Total impairment provisions, year-end	75	190	75	340
Value, year-end	25,862	2,554	300	28,717

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DKK million

Nykredit Realkredit Group

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

18 d. Loans and advances at fair value, by stage

2023	Stage 1	Stage 2	Stage 3	Total
Gross lending etc, 1 January 2023	1,250,361	33,854	14,194	1,298,408
Transfer to stage 1	20,778	(19,784)	(994)	-
Transfer to stage 2	(26,291)	27,344	(1,053)	-
Transfer to stage 3	(2,168)	(992)	3,160	-
Other movements ¹	56,831	7,754	(2,190)	62,395
Total, 31 December 2023	1,299,511	48,176	13,117	1,360,804
Total provisions	1,873	1,645	1,974	5,492
Carrying amount	1,297,639	46,530	11,143	1,355,312
2022				
	Stage 1	Stage 2	Stage 3	Total
Gross lending etc, 1 January 2022	1,332,017	37,192	20,109	1,389,318
Transfer to stage 1	19,365	(18,638)	(727)	-
Transfer to stage 2	(18,681)	19,446	(765)	-
Transfer to stage 3	(1,830)	(1,012)	2,842	-
Other movements ¹	(80,510)	(3,134)	(7,265)	(90,910)
Total, 31 December 2022	1,250,361	33,854	14,194	1,298,408
Total provisions	2,116	1,521	2,281	5,919
Carrying amount	1,248,244	32,333	11,913	1,292,489

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

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DKK million

Nykredit Realkredit Group

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

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

2023	Stage 1	Stage 2	Stage 3	Total
Gross lending etc, 1 January 2023	108,433	16,867	2,859	128,159
Transfer to stage 1	6,400	(6,472)	71	-
Transfer to stage 2	(11,064)	11,181	(117)	-
Transfer to stage 3	(182)	(409)	591	-
Other movements ¹	4,292	108	(707)	3,693
Total, 31 December 2023	107,879	21,276	2,698	131,852
Total provisions	402	1,102	1,702	3,207
Carrying amount	107,476	20,173	996	128,645
2022				
	Stage 1	Stage 2	Stage 3	Total
Gross lending etc, 1 January 2022	111,845	14,366	2,340	128,551
Transfer to stage 1	7,817	(7,779)	(38)	-
Transfer to stage 2	(8,804)	8,921	(117)	-
Transfer to stage 3	(368)	(498)	865	-
Other movements ¹	(2,057)	1,857	(192)	(392)
Total, 31 December 2022	108,433	16,867	2,859	128,159
Total provisions	380	914	1,837	3,132
Carrying amount	108,053	15,953	1,022	125,028

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

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DKK million

Nykredit Realkredit Group

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

18 d. Guarantees by stage, gross

2023	Stage 1	Stage 2	Stage 3	Total
Gross guarantees etc, 1 January 2023	25,937	2,744	375	29,057
Transfer to stage 1	718	(711)	(7)	-
Transfer to stage 2	(692)	719	(27)	-
Transfer to stage 3	(59)	(29)	88	-
Other movements ¹	3,503	(184)	(55)	3,264
Total, 31 December 2023	29,407	2,539	375	32,321
Total provisions	67	186	75	328
Carrying amount	29,340	2,353	300	31,993
2022				
	Stage 1	Stage 2	Stage 3	Total
Gross guarantees etc, 1 January 2022	32,450	2,505	391	35,345
Transfer to stage 1	656	(648)	(8)	-
Transfer to stage 2	(956)	977	(21)	-
Transfer to stage 3	(50)	(45)	96	-
Other movements ¹	(6,162)	(44)	(82)	(6,288)
Total, 31 December 2022	25,937	2,744	375	29,057
Total provisions	75	190	75	340
Carrying amount	25,862	2,554	300	28,717

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

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DKK million

Nykredit Realkredit Group

18. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (GROUP) (CONTINUED)**18 e. Financial assets, gross, by stage**

2023	Financial assets, gross				of which financial assets with no impairment			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets at fair value	1,299,511	48,176	13,117	1,360,804	-	-	-	-
Financial assets at amortised cost	107,879	21,276	2,698	131,852	33,965	-	-	33,965
Balances with credit institutions	7,005	-	-	7,005	4,001	-	-	4,001
Guarantees	29,407	2,539	375	32,321	-	-	-	-
Bank loan commitments	24,543	-	-	24,543	-	-	-	-
Mortgage loan commitments	9,622	-	-	9,622	9,622	-	-	9,622
Total, 31 December 2023	1,477,967	71,991	16,189	1,566,146	47,587	-	-	47,587

2022	Financial assets, gross				of which financial assets with no impairment			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets at fair value	1,250,361	33,854	14,194	1,298,408	-	-	-	-
Financial assets at amortised cost	108,433	16,867	2,859	128,159	37,970	-	-	37,970
Balances with credit institutions	11,582	-	-	11,582	8,161	-	-	8,161
Guarantees	25,937	2,744	375	29,057	-	-	-	-
Bank loan commitments	20,323	-	-	20,323	-	-	-	-
Mortgage loan commitments	10,081	-	-	10,081	10,081	-	-	10,081
Total, 31 December 2022	1,426,717	53,466	17,428	1,497,611	56,212	-	-	56,212

Financial assets with no impairment relate to repo lending and mortgage loan commitments.

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DKK million

Nycredit Realkredit Group

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

18 f. Mortgage loans at fair value by rating category

2023	Mortgage lending, gross			Total impairment provisions			
	Rating category	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
10		297,740	1,312	-	280	17	-
9		228,851	1,145	-	301	19	-
8		335,852	5,304	-	406	50	-
7		225,595	3,433	-	358	85	-
6		117,794	9,410	-	240	170	-
5		47,777	4,876	-	148	133	-
4		26,284	3,448	-	65	101	-
3		9,020	2,597	-	35	79	-
2		9,392	4,665	-	36	145	-
1		1,206	4,471	-	4	222	-
0		-	6,894	-	-	560	-
Exposures in default		-	620	13,117	-	63	1,974
Total		1,299,511	48,176	13,117	1,873	1,645	1,974

2022	Mortgage lending, gross			Total impairment provisions			
	Rating category	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
10		249,730	817	-	319	19	-
9		240,285	1,289	-	356	25	-
8		325,475	2,592	-	463	59	-
7		221,423	2,389	-	385	60	-
6		119,664	5,603	-	263	213	-
5		51,208	2,535	-	172	101	-
4		30,717	3,202	-	110	109	-
3		8,261	3,233	-	34	104	-
2		2,489	4,294	-	11	141	-
1		1,108	4,740	-	4	294	-
0		-	2,714	-	-	343	-
Exposures in default		-	445	14,194	-	52	2,281
Total		1,250,361	33,854	14,194	2,116	1,521	2,281

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DKK million

Nycredit Realkredit Group

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

18 f. Bank lending etc at amortised cost by rating category

2023	Bank lending, gross			Total impairment provisions			
	Rating category	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
10		35,940	4,028	-	63	74	-
9		11,871	2,687	-	63	48	-
8		14,512	3,152	-	86	75	-
7		10,144	4,343	-	78	100	-
6		10,278	1,616	-	49	90	-
5		5,356	1,952	-	32	117	-
4		5,384	1,056	-	21	186	-
3		5,703	678	-	8	166	-
2		7,944	276	-	3	24	-
1		748	1,078	-	0	152	-
0		-	407	-	-	69	-
Exposures in default		-	2	2,698	-	1	1,702
Total		107,879	21,276	2,698	402	1,102	1,702

2022	Bank lending, gross			Total impairment provisions			
	Rating category	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	2,859	-	1	1,837
Total		108,433	16,867	2,859	380	914	1,837

NOTES

DKK million

Nycredit Realkredit Group

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

18 g. Mortgage lending and total impairment provisions by property category

2023	Mortgage lending			Total impairment provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Owner-occupied dwellings	800,879	24,884	7,226	749	990	880
Private rental	135,974	5,438	1,327	147	226	193
Industry and trades	24,037	1,028	89	29	28	17
Office and retail	136,326	12,564	1,427	158	189	319
Agricultural property	75,678	3,031	2,340	723	138	384
Public housing	79,820	334	119	8	8	10
Cooperative housing	30,868	411	444	39	38	121
Other	15,929	486	144	20	28	49
Fair value	1,299,511	48,176	13,117	1,873	1,645	1,974

2022	Mortgage lending			Total impairment provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Owner-occupied dwellings	769,250	20,049	6,265	931	850	954
Private rental	121,022	3,791	1,133	193	274	197
Industry and trades	20,810	601	123	30	19	17
Office and retail	144,921	3,782	1,750	179	140	340
Agricultural property	74,223	2,036	3,834	686	142	549
Public housing	78,112	304	91	12	7	11
Cooperative housing	28,484	507	976	55	57	160
Other	13,538	2,784	21	30	31	53
Fair value	1,250,361	33,854	14,194	2,116	1,521	2,281

NOTES

DKK million

Nykredit Realkredit Group

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

18 h. Bank loans and advances, reverse repurchase lending and guarantees etc and total impairment provisions by sector

2023	Bank loans, advances and guarantees			Total impairment provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Public sector	466	1	-	0	0	-
Agriculture, hunting, forestry and fishing	4,153	294	116	119	16	90
Manufacturing, mining and quarrying	10,362	4,766	406	35	391	306
Energy supply	4,944	128	9	7	4	9
Construction	1,415	1,913	317	4	106	160
Trade	3,858	10,953	503	21	446	393
Transport, accommodation and food service activities	5,850	241	280	10	9	226
Information and communication	5,606	71	50	12	3	43
Finance and insurance	41,768	220	59	13	7	42
Real estate	14,131	2,300	240	51	125	119
Other	11,934	1,112	220	52	53	120
Total business customers	104,022	21,997	2,200	322	1,161	1,506
Personal customers	23,826	1,817	567	147	127	271
Total	128,313	23,815	2,767	469	1,289	1,777
- of which intercompany guarantees	16,088	-	-			
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
- of which intercompany guarantees	20,311	-	-			

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DKK million

Nykredit Realkredit A/S

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

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

	Loans and advances at fair value	Loans and advances at fair value	Credit institutions	Credit institutions	Total	Total
	2023	2022	2023	2022	2023	2022
Total impairment provisions						
Balance, 1 January	4,232	4,793	11	13	4,243	4,806
New impairment provisions as a result of additions and change in credit risk	922	1,290	6	-	928	1,290
Releases as a result of redemptions and change in credit risk	1,280	1,817	-	2	1,280	1,819
Impairment provisions written off	103	34	-	-	103	34
Transferred to "Impairment provisions for properties acquired by foreclosure"	1	0	-	-	1	0
Total impairment provisions, year-end	3,770	4,232	17	11	3,787	4,243
Earnings impact						
Change in impairment provisions for loans and advances (stages 1-3)	(358)	(527)	6	(2)	(352)	(529)
Write-offs for the year, not previously written down for impairment	38	31	-	-	38	31
Recoveries on claims previously written off	(45)	(46)	-	-	(45)	(46)
Total	(365)	(542)	6	(2)	(358)	(544)
Value adjustment of assets in temporary possession	3	(0)	-	-	3	(0)
Value adjustment of claims previously written off	8	38	-	-	8	38
Earnings impact	(353)	(504)	6	(2)	(347)	(506)

The contractual amounts outstanding on financial assets written off in 2023 and still sought to be recovered totalled DKK 62 million at 31 December 2023 (2022: DKK 47 million).

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DKK million

Nykredit Realkredit A/S

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

19 b. Total impairment provisions by stage

2023	Loans and advances			Total
	Stage 1	Stage 2	Stage 3	
Total, 1 January 2023	1,478	972	1,792	4,243
Transfer to stage 1	462	(351)	(112)	-
Transfer to stage 2	(68)	236	(168)	-
Transfer to stage 3	(7)	(67)	74	-
Impairment provisions for new loans and advances (additions)	109	176	94	380
Additions as a result of change in credit risk	47	241	261	549
Releases as a result of change in credit risk	646	271	364	1,280
Previously written down for impairment, now written off	-	-	103	103
Total impairment provisions, year-end	1,376	936	1,475	3,787
Impairment provisions, year-end, are moreover attributable to:				
Credit institutions	17	-	-	17
Earnings impact, 2023	(490)	146	(8)	(352)
2022	Loans and advances			Total
	Stage 1	Stage 2	Stage 3	
Total, 1 January 2022	1,141	1,136	2,530	4,806
Transfer to stage 1	627	(552)	(76)	-
Transfer to stage 2	(42)	298	(257)	-
Transfer to stage 3	(6)	(62)	68	-
Impairment provisions for new loans and advances (additions)	285	221	83	589
Additions as a result of change in credit risk	243	253	205	701
Releases as a result of change in credit risk	770	322	727	1,819
Previously written down for impairment, now written off	-	-	34	34
Total impairment provisions, year-end	1,478	972	1,792	4,243
Impairment provisions, year-end, are moreover attributable to:				
Credit institutions	11	-	-	11
Earnings impact, 2022	(243)	152	(438)	(529)

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DKK million

Nykredit Realkredit A/S

19. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (PARENT) (CONTINUED)**19 c. Loans and advances etc by stage**

2023	Stage 1	Stage 2	Stage 3	Total
Loans and advances at fair value etc, gross				
Loans and advances etc at fair value, gross	506,133	26,845	7,632	540,609
Total impairment provisions, year-end	1,359	936	1,475	3,770
Loans and advances, carrying amount	504,774	25,909	6,157	536,839
2022	Stage 1	Stage 2	Stage 3	Total
Loans and advances at fair value etc, gross				
Loans and advances etc at fair value, gross	497,215	15,606	9,568	522,389
Total impairment provisions, year-end	1,467	972	1,792	4,232
Loans and advances, carrying amount	495,748	14,634	7,776	518,157

NOTES

DKK million

Nykredit Realkredit A/S

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

19 d. Loans at fair value by stage, gross

	Stage 1	Stage 2	Stage 3	Total
Gross lending etc, 1 January 2023	497,215	15,606	9,568	522,389
Transfer to stage 1	8,559	(7,772)	(787)	-
Transfer to stage 2	(13,146)	13,672	(526)	-
Transfer to stage 3	(903)	(496)	1,399	-
Other movements ¹	14,407	5,835	(2,022)	18,220
Total, 31 December 2023	506,133	26,845	7,632	540,609
Total provisions	1,359	936	1,475	3,770
Carrying amount	504,774	25,909	6,157	536,839

	Stage 1	Stage 2	Stage 3	Total
Gross lending etc, 1 January 2022	501,043	18,672	15,195	534,909
Transfer to stage 1	10,343	(9,811)	(531)	-
Transfer to stage 2	(9,341)	9,723	(382)	-
Transfer to stage 3	(803)	(506)	1,309	-
Other movements ¹	(4,027)	(2,472)	(6,022)	(12,520)
Total, 31 December 2022	497,215	15,606	9,568	522,389
Total provisions	1,467	972	1,792	4,232
Carrying amount	495,748	14,634	7,776	518,157

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

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Nykredit Realkredit A/S		DKK million	
		Nykredit Realkredit Group	
2022	2023	2023	2022
19. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (CONTINUED)			
19 e. Impairment provisions for properties acquired by foreclosure			
18	18	18	21
0	1	1	0
0	3	3	0
0	0	0	1
1	2	2	3
18	20	20	18
Impairment provisions, year-end			
Impairment provisions for properties acquired by foreclosure have been offset against "Assets in temporary possession".			
20. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES			
1	1	6	9
5,475	6,947	-	-
5,476	6,948	6	9
Total			

NOTES

Nykredit Realkredit A/S		DKK million	
		Nykredit Realkredit Group	
2022	2023	2023	2022
21. TAX			
21 a. Tax on profit for the year			
Tax on profit for the year has been calculated as follows:			
573	1,287		
		3,229	1,814
207	(116)	(105)	198
1	65	79	5
1	(39)	(12)	(7)
43	-	-	50
824	1,197	3,191	2,060
Tax			
Tax on profit for the year can be specified as follows:			
2,248	2,645		
		3,098	2,533
Tax effect of:			
-	149	397	-
-	-	1	-
(1,547)	(1,763)	(490)	(607)
79	143	145	85
2	26	43	(2)
43	(4)	(2)	50
824	1,197	3,191	2,060
Total			
22.0	22.0		
		22.0	22.0
-	3.2	3.2	-
13.9	15.2	2.5	4.1
8.1	10.0	22.7	17.9
Effective tax rate, %			
Permanent deviations are attributable to investments in Group enterprises and associates, equities as well as contributions from Forenet Kredit f.m.b.a			
21 b. Payroll tax			
In addition to corporation tax, the Nykredit Group has paid a payroll tax. The payroll tax is included in "Staff expenses", see note 16			
		492	468

On 7 December 2023, the government of Denmark, where the ultimate Parent Forenet Kredit f.m.b.a. is incorporated, adopted the minimum taxation act effective from 1 January 2024. Under this legislation, Forenet Kredit f.m.b.a. will be required to pay, in Denmark, top-up tax on profits of its subsidiaries that are taxed at an effective tax rate of less than 15%. The Group has applied the transitional rules of Transitional CbCR Safe Harbour, and on this basis, the Group expects no impact from the rules.

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DKK million

Nykredit Realkredit Group

22. CONTRACTUAL DUE DATES BY TIME-TO-MATURITY (GROUP)

2023

	On demand	Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total
Assets						
Receivables from credit institutions and central banks	3,223	3,782	-	-	-	7,005
Mortgage loans, arrears and outlays as well as other loans and advances	-	8,528	26,939	175,954	1,143,891	1,355,312
Loans, advances and other receivables at amortised cost	42,069	61,339	5,326	16,780	3,132	128,645
Finance leases	-	559	1,200	4,073	490	6,324
Gross investments in finance leases	-	-	2,016	4,604	1,052	7,673
Finance leases (other assets)	-	11	33	220	47	311
Gross investments in finance leases (other assets)	-	11	34	190	98	333
Liabilities						
Payables to credit institutions and central banks	4,892	7,581	119	-	-	12,591
Deposits and other payables	94,521	27,408	1,800	269	-	123,998
Bonds in issue at fair value	-	45,843	187,426	580,648	520,992	1,334,909
Bonds in issue at amortised cost	0	4,790	13,036	38,519	6,014	62,360
Other non-derivative financial liabilities	-	208	1,274	232	5,426	7,139
The following lease payments (excluding finance leases) are recognised in "Other"	-	30	49	258	140	477
Contingent liabilities	-	-	2,471	3,244	1,217	6,932

2022

	On demand	Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total
Assets						
Receivables from credit institutions and central banks	3,477	8,106	-	-	-	11,582
Mortgage loans, arrears and outlays as well as other loans and advances	-	2,087	24,495	161,938	1,103,969	1,292,489
Loans, advances and other receivables at amortised cost	36,768	55,862	13,803	15,694	2,902	125,028
Finance leases	-	582	1,242	3,807	380	6,011
Gross investments in finance leases	-	-	1,966	4,168	805	6,939
Finance leases (other assets)	-	12	37	137	16	202
Gross investments in finance leases (other assets)	-	13	40	149	16	219
Liabilities						
Payables to credit institutions and central banks	6,806	20,436	609	-	-	27,851
Deposits and other payables	98,766	13,897	1,026	387	473	114,550
Bonds in issue at fair value	-	39,654	153,629	535,205	526,471	1,254,959
Bonds in issue at amortised cost	-	16,570	8,296	30,419	5,966	61,251
Other non-derivative financial liabilities	62	242	1,107	398	7,027	8,837
The following lease payments (excluding finance leases) are recognised in "Other"	-	-	104	127	-	231
Contingent liabilities	-	-	3,640	2,098	2,655	8,393

Derivative financial instruments by time-to-maturity appear from note 55.

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DKK million

Nykredit Realkredit A/S

23. CONTRACTUAL DUE DATES BY TIME-TO-MATURITY (PARENT)

2023	On demand	Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total
Assets						
Receivables from credit institutions and central banks	3,053	7,148	4,127	17,878	4,989	37,194
Mortgage loans, arrears and outlays as well as other loans and advances	-	3,746	14,475	97,975	420,643	536,839
Totalkredit mortgage loan funding	-	33,013	81,662	356,416	384,160	855,252
Loans, advances and other receivables at amortised cost	-	1	5	35	154	196
Liabilities						
Payables to credit institutions and central banks	310	10,406	-	-	-	10,716
Bonds in issue at fair value	-	51,064	191,111	614,827	521,491	1,378,493
Bonds in issue at amortised cost	-	14	11,887	38,519	6,014	56,435
Other non-derivative financial liabilities	-	-	-	-	306	306
The following lease payments (excluding finance leases) are recognised in "Other"	-	30	47	244	137	458
2022						
2022	On demand	Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total
Assets						
Receivables from credit institutions and central banks	3,451	6,625	1,092	14,278	7,577	33,024
Mortgage loans, arrears and outlays as well as other loans and advances	-	1,181	11,864	88,516	416,596	518,157
Totalkredit mortgage loan funding	-	33,252	65,004	336,236	377,085	811,577
Loans, advances and other receivables at amortised cost	-	1	5	35	169	208
Liabilities						
Payables to credit institutions and central banks	277	9,829	-	-	-	10,107
Bonds in issue at fair value	-	44,923	166,429	574,927	526,453	1,312,732
Bonds in issue at amortised cost	-	7,025	8,296	30,419	5,966	51,706
Other non-derivative financial liabilities	-	-	-	-	272	272
The following lease payments (excluding finance leases) are recognised in "Other"	-	-	102	123	-	224

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DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2022	2023	2023	2022
24. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS			
30,532	34,484	3,004	3,421
-	-	27	821
2,492	2,711	3,974	7,341
33,024	37,194	7,005	11,582
25. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE			
517,965	536,656	1,354,987	1,292,119
192	184	325	371
811,577	855,252	0	-
1,329,734	1,392,091	1,355,312	1,292,489
25 a. Mortgage loans			
525,274	552,492	1,429,891	1,391,076
93,887	56,094	220,887	405,828
493	1,320	1,320	493
(2,323)	-	-	(2,323)
(15,397)	(14,885)	(31,414)	(33,371)
(49,443)	(33,248)	(180,422)	(331,813)
552,492	561,773	1,440,262	1,429,891
(30,371)	(21,432)	(79,912)	(131,971)
Adjustment for credit risk			
(4,156)	(3,686)	(5,363)	(5,801)
517,965	536,656	1,354,987	1,292,119

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Nykredit Realkredit A/S		DKK million	
2022	2023	Nykredit Realkredit Group	
		2023	2022
25. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE (CONTINUED)			
As collateral for loans and advances, Nykredit has received mortgages over real estate and:			
71,913	73,435		
		103,422	107,855
698	2,057		
		24,725	21,891
1,366	724		
		14,885	16,406
Mortgage loans at nominal value by property category:			
Loans and advances as %, year-end			
5	4		
		58	59
0	0		
		3	4
21	21		
		8	8
25	26		
		10	10
4	4		
		2	2
25	26		
		11	10
15	15		
		6	6
3	3		
		1	1
100	100	100	100
For more details on mortgage lending by loan type and property category, please refer to page 49 of the Management Commentary.			
25 b. Arrears and outlays			
252	241		
		425	470
17	27		
		28	19
(76)	(84)		
		(128)	(118)
192	184	325	371

NOTES

Nykredit Realkredit A/S		DKK million			
		2022	2023	2023	2022
		26. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST (CONTINUED)			
		26 a. Bank loans and advances			
		Non-accrual loans or loans carrying a reduced interest rate			
-	-	Non-accrual loans	13	36	
-	-	Loans carrying a reduced interest rate	7	6	
		Bank loans, advances and guarantee debtors by sector			
%	%	Loans and advances as %, year-end	%	%	
-	-	Public sector	0	1	
		Business customers			
-	-	Agriculture, hunting, forestry and fishing	3	3	
-	-	Manufacturing, mining and quarrying	10	10	
-	-	Energy supply	3	3	
-	-	Construction	2	2	
-	-	Trade	10	9	
-	-	Transport, accommodation and food service activities	4	4	
-	-	Information and communication	4	3	
-	-	Finance and insurance	28	28	
-	-	Real estate	11	12	
-	-	Other	9	9	
-	-	Total business customers	83	83	
-	-	Personal customers	17	16	
-	-	Total	100	100	
		The sector distribution is based on the official Danish activity codes.			

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DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2022	2023	2023	2022
26. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST (CONTINUED)			
26 a. Bank loans and advances (continued)			
Finance leases			
Of total loans and advances at amortised cost, finance leases represent			
-	-	6,011	5,860
-	-	2,592	2,611
-	-	(2,279)	(2,461)
-	-	6,324	6,011
-	-	71	87
27. BONDS AT FAIR VALUE			
39,799	51,324	94,972	94,413
16,246	13,555	15,988	22,355
7,995	8,034	8,041	7,995
24,332	21,392	83,207	80,370
4,587	4,469	6,333	6,391
3,547	4,394	4,938	3,877
96,505	103,168	213,480	215,401
(39,794)	(51,320)	(94,968)	(94,408)
(5)	(4)	(4)	(5)
(16,246)	(13,555)	(15,988)	(22,355)
(7,995)	(8,034)	(8,034)	(7,995)
32,465	30,255	94,486	90,638

NOTES

Dkk million				
Nykredit Realkredit A/S			Nykredit Realkredit Group	
2022	2023		2023	2022
		27. BONDS AT FAIR VALUE (CONTINUED)		
		Of bonds at fair value before set-off of self-issued bonds:		
2,368	476	As collateral security for the Danish central bank and foreign clearing centres, bonds have been deposited of a total market value of	6,193	7,845
		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 days.		
		Collateral security was provided on an arm's length basis.		
		As the majority – around DKK 94 billion – of the Group's bond portfolio is included in the Group's trading activities, the actual maturities of these bonds are expected to be less than one year. Of the bond portfolio, bonds of approximately DKK 24 billion are expected to have a maturity of more than five years.		
		28. BONDS AT AMORTISED COST		
912	967	Other covered bonds	967	912
555	587	Government bonds	587	555
2,251	2,259	Other bonds	134	126
3,717	3,813	Total	1,688	1,592
		The fair value of bonds measured at amortised cost for accounting purposes amounted to DKK 1,675 million at 31 December 2023 (end-2022: DKK 1,593 million). The interest rate risk of the portfolio is hedged with interest rate swaps (hedge accounting).		
		29. EQUITIES ETC		
7,320	6,956	Equities measured at fair value through profit or loss	7,457	7,886
7,320	6,956	Total	7,457	7,886
		29 a . Equities measured at fair value through profit or loss		
3,581	3,489	Listed on Nasdaq Copenhagen	3,516	3,634
570	-	Listed on other stock exchanges	0	570
3,170	3,467	Unlisted equities carried at fair value	3,941	3,683
7,320	6,956	Total	7,457	7,886

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2022	2023	2023	2022
30. INVESTMENTS IN ASSOCIATES			
14	11	17	17
-	0	14	3
3	-	-	3
11	11	31	17
31. INVESTMENTS IN GROUP ENTERPRISES			
39,643	35,643	-	-
-	1	-	-
4,000	-	-	-
35,643	35,643	-	-
30,668	35,809	-	-
5,475	6,947	-	-
(119)	-	-	-
(215)	(271)	-	-
35,809	42,485	-	-
71,452	78,128	-	-
70,653	77,231	-	-
Subordinated receivables			
2,000	2,000	-	-
1,240	2,004	2,392	1,356
3,240	4,004	2,392	1,356
32. ASSETS IN POOLED SCHEMES			
-	-	208	164
-	-	4,041	661
-	-	(77)	68
-	-	4,173	893

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2022	2023	2023	2022
33. INTANGIBLE ASSETS (CONTINUED)			
33 a . Goodwill (continued)			
The impairment test is based on the following assumptions:			
		2023	2022
	Acquired goodwill	1,770	1,770
	Required rate of return before tax, %	10.7	9.6
	Average annual business growth in the budget period, %	6	7
	Fixed annual business growth in the terminal period, %	2	2
If average annual growth in the budget period declines by 1.0 percentage point, this will not lead to impairment. An increased return requirement of 1 percentage point will not lead to impairment.			
33 b. Software			
397	469	539	456
	Cost, beginning of year		
92	24	27	103
	Additions		
21	-	-	21
	Disposals		
469	493	566	539
	Cost, year-end		
272	301	324	283
	Amortisation and impairment, beginning of year		
50	55	67	61
	Amortisation for the year		
0	0	0	0
	Impairment for the year		
21	-	-	21
	Amortisation reversed		
301	355	391	324
	Amortisation and impairment, year-end		
168	137	175	215
	Balance, year-end		
33 c. Development projects in progress			
144	185	185	144
	Cost, beginning of year		
134	150	150	134
	Additions		
92	24	24	92
	Disposals		
185	311	311	185
	Cost, year-end		
-	-	-	-
	Amortisation and impairment, beginning of year		
-	-	-	-
	Impairment for the year		
-	-	-	-
	Impairment provisions reversed		
-	-	-	-
	Amortisation and impairment, year-end		
185	311	311	185
	Balance, year-end		

NOTES

Nykredit Realkredit A/S		DKK million	
2022	2023	Nykredit Realkredit Group	
		2023	2022
33. INTANGIBLE ASSETS (CONTINUED)			
33 d. Customer relationships			
-	-	Cost, beginning of year	170
-	-	Cost, year-end	170
-	-	Amortisation and impairment, beginning of year	80
-	-	Amortisation for the year	24
-	-	Amortisation and impairment, year-end	104
-	-	Balance, year-end	66
-	-	Customer relationships etc are amortised over 7 years.	
-	-	Residual amortisation period at 31 December (average number of years)	3
			4

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 Realkredit A/S		DKK million	
2022	2023	Nykredit Realkredit Group	
2022	2023	2023	2022
34. LAND AND BUILDINGS			
7	-	20	25
240	450	466	246
247	450	486	271
34 a. Owner-occupied properties			
15	8	25	32
8	8	9	8
8	-	16	25
-	-	4	3
-	-	4	1
-	-	(2)	-
-	-	6	4
1	1	4	4
0	(0)	0	0
(0)	(1)	(2)	(0)
1	-	2	4
7	-	20	25
0	-	13	14
-	-	14	23

Owner-occupied properties are depreciated over a period of 20-50 years.

- Residual depreciation period at 31 December (average number of years)

The latest revaluation of owner-occupied properties was made at end-2023.

The valuations were carried out by an internal valuer based on the return method. In 2023, the required rate of return ranged between 6.0% and 7.75% (6.58% on average) depending on the nature, location and state of repair of the owner-occupied property.

If no revaluations had been made, the carrying amount of owner-occupied properties would have been:

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2022	2023	2023	2022
34. LAND AND BUILDINGS (CONTINUED)			
34 b. Leased properties			
855	868	876	858
13	(140)	(139)	17
868	728	737	876
Cost, beginning of year			
Cost, year-end			
479	628	630	478
150	122	126	152
-	472	485	-
628	279	271	630
Depreciation and impairment, beginning of year			
Depreciation and impairment, year-end			
240	450	466	246
Balance, year-end			

Additions and disposals for 2023 include disposal of the Group's headquarters.

Leased assets concern properties from which Nykredit operates (owner-occupied properties). Additions have mainly been calculated based on the present value of the remaining lease payments, excluding VAT and any services. Property taxes payable by Nykredit are also excluded from the lease value.

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 4.26% 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 7 years based on an estimate of the period in which Nykredit expects to occupy the properties. The lease liability came to DKK 458 million at end-2023 (2022: DKK 231 million), and interest expenses were DKK 3 million (2022: DKK 4 million).

The leases include, for example, income from sublet parking spaces of DKK 4 million.

Moreover, the Group has a number of minor non-capitalised leases.

Nykredit has entered into a lease of new owner-occupied properties in the Copenhagen (Nordhavn) expected to be ready in 2024. The leases concluded have 15-year lease terms. The annual expense is expected to amount to about DKK 84 million excluding VAT. This amount is subject to rental price indexation.

NOTES

Nykredit Realkredit A/S		DKK million	
2022	2023	Nykredit Realkredit Group	
		2023	2022
35. OTHER PROPERTY, PLANT AND EQUIPMENT			
637	507		
Cost, beginning of year			
62	68	571	701
Additions			
192	6	72	72
Disposals			
507	569	12	202
Cost, year-end			
442	304	631	571
Depreciation and impairment, beginning of year			
53	56	346	484
Depreciation for the year			
-	1	58	55
Impairments			
(192)	(5)	1	-
Reversal of depreciation and impairment			
304	356	(5)	(192)
Depreciation and impairment, year-end			
203	213	400	346
Balance, year-end			
Other assets are depreciated over 4-15 years.			
4	4	4	4
Residual depreciation period at 31 December (average number of years)			
36. ASSETS IN TEMPORARY POSSESSION			
9	6	6	9
Properties acquired by foreclosure for sale			
9	6	6	9
Total			
If the Group acquires a mortgaged property through a forced sale by public auction to reduce its loss on the exposure in default, the Group will seek to divest the mortgaged property at the highest obtainable price within 12 months. The assets are recognised in Group Items in the segment financial statements.			
37. OTHER ASSETS			
5,678	8,563	2,932	2,098
Interest and commission receivable			
4	1	-	-
Receivables from Group enterprises			
691	573	6,663	8,004
Positive market value of derivative financial instruments etc			
242	270	270	242
Defined benefit plans			
1,536	1,976	8,211	6,615
Other			
8,150	11,383	18,075	16,958
Total			
37 a. Defined benefit plans			
The majority of the Group's pension plans are defined contribution plans. The contributions are charged against income on a current basis.			
The Group's defined benefit plans are funded through contributions from Nykredit Realkredit A/S into the pension fund Nykredits Afviklingspensionskasse, which acts in the members' interests by investing the contributions made to cover the pension obligations. An annual actuarial calculation of the value in use of future benefits is performed. Actuarial gains and losses are recognised in "Other comprehensive income".			
Due to the excess coverage of the pension fund, Nykredit Realkredit A/S has not made any contributions since 2009. The pension fund is subject to Danish legislation on company pension funds. The scheme is closed to new members and covers staff employed before 1972.			
(317)	(277)	(277)	(317)
Present value of defined benefit plans			
559	547	547	559
Fair value of plan assets			
242	270	270	242
Net assets, year-end			
(3)	(19)	(19)	(3)
Pension costs/income relating to defined benefit plans recognised in "Staff and administrative expenses" in the income statement			
82	(9)	(9)	82
Pension costs/income relating to defined benefit plans recognised in "Actuarial gains/losses on defined benefit plans" in "Other comprehensive income"			

NOTES

Nykredit Realkredit A/S		DKK million	
2022	2023	Nykredit Realkredit Group	
2022	2023	2023	2022
37. OTHER ASSETS (CONTINUED)			
37 b. Finance leases			
<p>The subsidiary Nykredit Mægler has entered into a number of leases that have been subleased to the Company's franchisees, which use the leases to carry on estate agency business.</p> <p>The leases are sublet to the franchisees on the same terms as Nykredit Mægler's head lease paid to the lessor. The leases are therefore categorised as finance leases.</p> <p>The leases, which are determined at portfolio level, have average lease terms of seven years. As to recognition and discounting to net present value, the same principles are applied as described in note 34 b to which reference is made.</p> <p>The related lease liabilities (note 43 "Other liabilities") nominally correspond to the size and terms of the assets.</p>			
-	-	Cost, beginning of year	202
-	-	Additions for the year	153
-	-	Disposals for the year	44
-	-	Cost, year-end	311
-	-	Interest income:	5
-	-	Interest expenses:	5
-	-	Rent paid or collected	51
-	-	Non-earned income	22
-	-	202	228
-	-	16	42
-	-	49	17

NOTES

Nykredit Realkredit A/S				DKK million	
				Nykredit Realkredit Group	
2022	2023			2023	2022
38. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS					
277	370	Payables to credit institutions		5,350	10,222
-	-	Payables to central banks		606	3,773
9,829	10,346	Repo transactions with credit institutions		6,609	13,036
-	-	Repo transactions with central banks		27	821
10,107	10,716	Total		12,591	27,851
39. DEPOSITS AND OTHER PAYABLES					
-	-	On demand		92,559	98,766
-	-	Time deposits		18,672	5,396
-	-	Special deposits		2,977	3,230
-	-	Repo deposits		5,618	6,266
-	-	Total		119,825	113,657
40. BONDS IN ISSUE AT FAIR VALUE					
118,524	112,262	ROs		114,759	121,474
1,249,556	1,330,395	SDOs		1,330,395	1,249,556
8,687	8,744	Senior secured debt		8,744	8,687
1,376,766	1,451,402	Total before set-off		1,453,899	1,379,717
(64,034)	(72,909)	Offsetting of self-issued bonds		(118,990)	(124,758)
1,312,732	1,378,493	Total		1,334,909	1,254,959

Changes in the fair values of covered bonds (ROs and SDOs) and senior debt issues attributable to the Nykredit Group's own credit risk can be determined relative to changes in option-adjusted yield spreads (OAS) against government bonds or relative to changes in yield spreads against equivalent bonds from other Danish mortgage lenders.

Determined relative to other Danish mortgage lenders, the fair value has not been subject to changes attributable to the Nykredit Group's own credit risk in 2023 or since the issue, as there are no measurable price differences between bonds with identical properties issued by different lenders.

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2022	2023	2023	2022
40. BONDS IN ISSUE AT FAIR VALUE (CONTINUED)			
<p>The yield spread between government bonds and ROs/SDOs tightened in 2023, causing a increase in the fair value of issued bonds of about DKK 13 billion (2022: a decrease of about DKK 8 billion), which is attributable to Nykredit's own credit risk. Since 2007, spread widening between government bonds and ROs/SDOs has resulted in a fair value decrease of about DKK 19 billion (2022: a decrease of about DKK 19 billion), which is attributable to Nykredit's own credit risk.</p> <p>Equity and profit/loss have not been affected by the changes in fair value for ROs and SDOs, as the value of mortgage lending has changed correspondingly.</p> <p>The determination allows for both maturity and nominal holding, but is to some extent based on estimates.</p>			
40 a. ROs			
116,921	110,640	113,043	119,758
1,603	1,622	1,716	1,717
118,524	112,262	114,759	121,474
(16,246)	(13,555)	(15,988)	(22,355)
102,278	98,707	98,771	99,119
33	1,908	1,908	33
3,639	3,454	3,541	3,737
40 b. SDOs			
1,383,244	1,412,023	1,412,023	1,383,244
(133,688)	(81,627)	(81,627)	(133,688)
1,249,556	1,330,395	1,330,395	1,249,556
(39,794)	(51,320)	(94,968)	(94,408)
1,209,762	1,279,076	1,235,428	1,155,148
3,197	8,453	8,453	3,197
52,570	55,988	55,988	52,570
40 c. Senior secured debt			
8,699	8,685	8,685	8,699
(12)	59	59	(12)
8,687	8,744	8,744	8,687
(7,995)	(8,034)	(8,034)	(7,995)
692	710	710	692
-	-	-	-

NOTES

Nykredit Realkredit A/S		DKK million	
2022	2023	Nykredit Realkredit Group	
		2023	2022
41. BONDS IN ISSUE AT AMORTISED COST			
-	-		
	-	8,050	11,670
6	5	5	6
51,641	56,366	56,366	51,641
65	69	69	65
51,711	56,439	64,489	63,381
41 a. Corporate bonds			
Issues			
-	-		
	-	5,925	9,545
-	-	2,125	2,125
-	-	8,050	11,670
42. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE			
272	306	7,139	8,837
272	306	7,139	8,837
43. OTHER LIABILITIES			
8,464	13,136	14,148	9,530
492	800	8,817	10,327
1,351	1,928	4,729	4,067
10,307	15,864	27,694	23,925

Moreover, payment of lease liabilities relating to finance leases were recognised in "Other" at DKK 311 million in 2023 (2022: DKK 202 million), see note 37. Lease liabilities concern rent etc related to assets, see notes 34 b. and 37 b.

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2022	2023	2023	2022
44. CURRENT TAX ASSETS AND LIABILITIES			
Current tax			
31	(55)	(478)	13
-	-	1	0
(573)	(1,287)	(3,229)	(1,814)
(1)	(65)	(79)	(5)
487	1,277	3,532	1,328
(55)	(130)	(254)	(478)
Current tax recognised in the balance sheet:			
28	(0)	46	47
83	130	300	526
(55)	(130)	(254)	(478)
45. PROVISIONS FOR DEFERRED TAX/DEFERRED TAX ASSETS			
(89)	(330)	(402)	(171)
-	-	0	-
(207)	116	80	(198)
10	(2)	(3)	10
(1)	39	36	7
(43)	-	-	(50)
(330)	(177)	(289)	(402)
Deferred tax recognised in the balance sheet			
(0)	-	168	175
330	177	457	578
(330)	(177)	(289)	(402)
Deferred tax relates to:			
4	-	(174)	(232)
-	(4)	(4)	1
(48)	(84)	(111)	(80)
2	6	4	10
(79)	13	14	20
(2)	-	-	(2)
-	10	93	86
59	65	74	60
(266)	(130)	(130)	(266)
-	(54)	(55)	-
(330)	(177)	(289)	(402)
Deferred tax not recognised in the balance sheet			
173	(187)	(190)	177
173	(187)	(190)	177
The asset has not been recognised, as it is not likely to crystallise in the near future			

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2022	2023	2023	2022
46. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS			
28	17	17	29
(12)	(11)	(11)	(12)
-	0	0	-
17	6	6	17
47. REPAYABLE RESERVES IN PRE-1972 SERIES			
28	21	21	28
(2)	(9)	(9)	(2)
(4)	1	1	(4)
21	13	13	21
Repayable reserves in pre-1972 series stem from loan agreements under which the borrowers on full or partial repayment of their outstanding amounts are paid their share of the series reserve fund in compliance with the terms of the series concerned. This obligation will be gradually reduced up until 2033 as the borrowers repay their loans.			
48. PROVISIONS FOR LOSSES UNDER GUARANTEES			
-	-	340	331
-	-	179	215
-	-	(191)	(206)
-	-	328	340
49. OTHER PROVISIONS			
85	79	305	245
(2)	(2)	(3)	(36)
(5)	32	104	94
1	0	0	1
79	109	406	305

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2022	2023	2023	2022
50. 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.			
Subordinated debt is included in Nykredit's own funds etc in accordance with the EU's Capital Requirements Regulation.			
Subordinate loan capital			
Nominally EUR 50 million. The loan matures on 28 October 2030. The loan carries a fixed interest rate of 4% pa for the first two years after issuance. In the remaining loan term, the interest rate will be fixed every six months			
372	373	373	372
Nominally SEK 1,000 million. The loan matures on 31 March 2031, but may be redeemed at par (100) from 31 March 2026. The loan rate will be fixed every three months.			
667	671	671	667
Nominally EUR 500 million. The loan matures on 28 July 2031, but may be redeemed at par (100) from 28 April 2026 to (and including) 28 July 2026. The loan carries a fixed interest rate of 0.875% pa up to 28 July 2026, after which date the interest rate will be fixed for the next five years			
3,269	3,450	3,450	3,269
Nominally EUR 500 million. The loan matures on 29 December 2032, but may be redeemed at par (100) from 29 September 2027 up to and including 29 December 2027. The loan carries a fixed interest rate of 5.5% pa up to 29 December 2027, after which date the interest rate will be fixed for the next five years.			
3,599	3,732	3,732	3,599
Nominally SEK 280 million. The loan matures on 18 October 2032, but may be redeemed at par (100) from 18 October 2027 and on every interest payment date thereafter up to and including 17 October 2032. The loan carries a fixed interest rate of 6.88% pa up to 17 October 2027, after which date the interest rate will be fixed every three months.			
187	193	193	187
Nominally NOK 1,550 million. The loan matures on 18 October 2032, but may be redeemed at par (100) from 18 October 2027 and on every interest payment date thereafter up to and including 17 October 2032. The loan rate will be fixed every three months.			
1,093	1,025	1,025	1,093
Nominally DKK 950 million. The loan matures on 26 October 2032, but may be redeemed at par (100) from 26 October 2027 and on every interest payment date thereafter up to and including 25 October 2032. The loan rate will be fixed every three months.			
950	950	950	950
10,136	10,394	10,394	10,136
Total subordinate loan capital			
-	-	-	-
Portfolio of self-issued bonds			
10,136	10,394	10,394	10,136
Total subordinated debt			
10,710	10,665	10,676	10,723
Subordinated debt that may be included in own funds			
16	-	-	16
Costs related to raising and redeeming subordinated debt			

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2022	2023	2023	2022
50. SUBORDINATED DEBT (CONTINUED)			
Hedge accounting			
The exposure to fair value changes in the price of the bonds as a result of changes in market rates is hedged. The Nykredit Group has countered this risk by entering into interest rate swaps:			
(440)	(270)	(270)	(440)
(108)	15	15	(108)
(0)	5	5	(0)
360	375	375	360
639	657	657	639
3,157	3,402	3,402	3,157
950	1,085	1,085	950
3,664	3,851	3,851	3,664
187	199	199	187
1,110	1,081	1,081	1,110
9,520	10,401	10,401	9,520
	Total		

NOTES

Nykredit Realkredit A/S		DKK million			
		2022	2023	2023	2022
		Nykredit Realkredit Group			
		51. OFF-BALANCE SHEET ITEMS			
		Guarantees and warranties provided, irrevocable credit commitments and similar obligations not recognised in the balance sheets are presented below.			
-	-	Contingent liabilities	6,932	8,393	
11,323	10,202	Other commitments	24,209	23,986	
11,323	10,202	Total	31,141	32,379	
		51 a. Contingent liabilities			
-	-	Financial guarantees	54	52	
-	-	Registration and refinancing guarantees	3	17	
-	-	Other contingent liabilities	6,876	8,325	
-	-	Total	6,932	8,393	
		"Other contingent liabilities" chiefly comprises purchase price and payment guarantees.			
		Remaining terms are partly based on estimates as not all guarantees have a fixed term and as it may depend on delays in registration etc.			
		51 b. Other commitments			
10,866	9,382	Irrevocable credit commitments	22,828	23,067	
457	820	Other	1,380	919	
11,323	10,202	Total	24,209	23,986	

"Other" under "Other commitments" comprises obligations to and charges in favour of securities depositaries as well as investment commitments to private equity funds.

NOTES

Nykredit Realkredit Group

51. OFF-BALANCE SHEET ITEMS (CONTINUED)

Additional contingent liabilities

Owing to its size and business scope, the Nykredit Group is continuously 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 Group's financial position.

Nykredit 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.

Nykredit also participates in the Danish Resolution Fund scheme, which is a resolution finance scheme that was also established on 1 June 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.

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.

Nykredit Realkredit A/S is jointly taxed 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.

Nykredit Realkredit A/S is liable for the obligations of the pension fund Nykredits Afviklingspensionskasse (CVR no 24 25 62 19).

52. RELATED PARTY TRANSACTIONS AND BALANCES

Forenet Kredit, the Parent Nykredit A/S, Group enterprises and associates of Nykredit Realkredit A/S as stated in the Group structure as well as Nykredit Realkredit A/S's Board of Directors, Executive Board and related parties thereof are regarded as related parties.

No unusual related party transactions occurred in 2023.

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, 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.

Significant related party transactions prevailing/entered into in 2023 include:

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

As part of the Group's joint funding activities, Nykredit Realkredit A/S has funded mortgage loans granted by its subsidiary Totalkredit A/S on an ongoing basis.

Totalkredit A/S funds its lending by issuing a master bond for each capital centre with Nykredit Realkredit A/S as the only creditor. The master bond constitutes security for Nykredit Realkredit A/S's issuance of covered bonds (ROs and SDOs) and serves to ensure that Totalkredit A/S transfers all payments to bondholders under the loans and advances granted by Totalkredit A/S to Nykredit Realkredit A/S, not later than at the same time as Nykredit Realkredit A/S makes payments to bondholders. The bondholders therefore enjoy the same security as if the Totalkredit loans had been granted directly from Nykredit Realkredit A/S's own balance sheet.

An agreement has been made to hedge market risk relating to collateral, including investments, in Totalkredit's capital centres.

Agreement on the distribution of mortgage loans to personal customers via Totalkredit A/S (this agreement was concluded on the same terms as apply to other business partners, including commission payments).

Nykredit Realkredit A/S has granted loans of DKK 2.0 billion to Totalkredit A/S in the form of subordinated debt and DKK 4.0 billion in the form of Additional Tier 1 capital.

In 2023, Nykredit Realkredit A/S bought Svanemølleholmen Invest A/S (formerly Sparinvest Investment Solutions A/S) from its subsidiary Nykredit Bank 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.

Nykredit Realkredit has a deposit with Nykredit Bank to cover the Bank's MREL requirement.

Agreements between Forenet Kredit and Group companies

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

NOTES

DKK million

52. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	Transactions with subsidiaries		Transactions with parents		Transactions with associates		Transactions with the Executive Board		Transactions with the Board of Directors		Related parties of the Executive Board or Board of Directors	
Income statement	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Nykredit Realkredit Group												
Income statement												
Interest income	-	-	-	0	0	-	-	-	-	-	-	-
Interest expenses	-	-	31	3	-	0	1	0	1	1	0	0
Other operating income	-	-	1,125	1,150	-	-	-	-	-	-	-	-
Balance sheet items												
Loans, advances and other receivables at fair value	-	-	-	9	-	-	69	40	29	32	10	18
Other assets	-	-	0	2	-	-	-	-	-	-	-	-
Deposits and other payables	-	-	77	91	11	4	34	10	10	19	3	2
Bonds in issue at fair value	-	-	272	1,028	-	-	-	-	-	-	-	-
Nykredit Realkredit A/S												
Income statement												
Interest income	21,277	10,742	-	-	-	-	-	-	-	-	-	-
Interest expenses	932	43	27	4	-	-	-	-	-	-	-	-
Fee and commission income	1,054	641	-	-	-	-	-	-	-	-	-	-
Fee and commission expenses	270	362	-	-	-	-	-	-	-	-	-	-
Value adjustments	23,491	(128,632)	-	-	-	-	-	-	-	-	-	-
Other operating income	902	124	252	300	-	-	-	-	-	-	-	-
Staff and administrative expenses	(1,042)	(1,674)	(3)	(6)	-	-	-	-	-	-	-	-
Balance sheet items												
Receivables from credit institutions and central banks	35,255	29,220	-	-	-	-	-	-	-	-	-	-
Funding of Totalkredit mortgage lending	855,252	811,577	-	-	-	-	-	-	-	-	-	-
Loans, advances and other receivables at amortised cost	4	5	-	-	-	-	-	-	-	-	-	-
Bonds at fair value	122	150	-	-	-	-	-	-	-	-	-	-
Other assets	8,058	5,131	1	4	-	-	-	-	-	-	-	-
Payables to credit institutions and central banks	8,087	2,334	-	-	-	-	-	-	-	-	-	-
Bonds in issue at fair value	48,870	64,105	272	1,028	-	-	-	-	-	-	-	-
Other liabilities	750	593	-	-	-	-	-	-	-	-	-	-

The facilities of related parties were granted on standard business terms. Rates applying to ordinary loans range between 0.0% and 2.5% (2022: between 0.0% and 4.3%), and deposit rates were between 0.0% and 5.5% (2022: between 0% and 4.3%).

Facilities granted to the Executive Board, the Board of Directors or related parties thereof have not given rise to stage 2 or stage 3 impairments.

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Nykredit Realkredit Group

53. FAIR VALUE DISCLOSURES

Valuation principles

Financial instruments are measured at fair value or amortised cost in the balance sheet. The tables in notes 53 a. and 53 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 53 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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FVA may involve both a funding benefit and a funding cost, but for Nykredit, the net FVA adjustment in 2023 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 -92 million at 31 December 2023 (2022: DKK -45 million).

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 2023, the non-amortised minimum margin amounted to DKK 105 million (2022: DKK 114 million). With regard to liquidity and credit risk, DKK 131 million for end-2023 and DKK 147 million for 2022 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 the 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 275 million at 31 December 2023 (2022: DKK 201 million). Credit value adjustments came to DKK 263 million at 31 December 2023 (2022: DKK 357 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 16 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 2023, the proportion was thus 0.3% compared with 0.3% at end-2022. The proportion of financial liabilities was 0.0% against 0.0% at end-2022.

Valuation, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets and liabilities, DKK 4.2 billion (2022: DKK 3.9 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 421 million at 31 December 2023 (0.42% of equity at 31 December 2023). The earnings impact for 2022 was estimated at DKK 387 million (0.42% of equity at 31 December 2022).

The net asset thus has a relatively insignificant impact on results and equity. With respect to derivatives (DKK 0.3 billion), it should be noted that changes in market value owing to the development in interest rates will largely be offset 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 2023 and 2022, 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 2023 financial assets of DKK 2.0 billion were transferred from Listed prices to Observable inputs and DKK 8.7 billion from Observable inputs to Listed prices. Financial liabilities of DKK 0.4 billion were transferred from Listed prices to Observable inputs and DKK 0.0 billion from Observable inputs to Listed prices.

Redeemed bonds (usually comprised by Listed prices) are transferred to Observable inputs on the last day before the coupon date, as there is no access to official prices in active markets. At 31 December 2023, the amount was DKK 0.3 billion against DKK 0.4 billion at end-2022.

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

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DKK million

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53. FAIR VALUE DISCLOSURES (CONTINUED)**53 a. Fair value disclosures of assets and liabilities recognised at amortised cost**

2023	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	128,644	128,910	265	0	4	128,905
Bonds at amortised cost	1,688	1,675	(14)	1,675	1	-
Total	130,333	130,584	251	1,675	5	128,905
Liabilities						
Bonds in issue at amortised cost	62,360	60,592	1,768	-	60,523	69
Subordinated debt	10,394	10,401	(6)	-	10,401	-
Total	72,754	70,993	1,761	-	70,924	69
Transfer from assets			251			
Total balance			2,013			
2022						
Assets						
Loans, advances and other receivables at amortised cost	125,028	125,264	237	-	5	125,259
Bonds at amortised cost	1,592	1,838	245	1,838	-	-
Total	126,620	127,102	482	1,838	5	125,259
Liabilities						
Bonds in issue at amortised cost	61,251	57,056	4,194	-	56,991	65
Subordinated debt	10,136	9,520	617	-	9,520	-
Total	71,387	66,576	4,811	-	66,511	65
Transfer from assets			482			
Total balance			5,293			

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DKK million

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53. FAIR VALUE DISCLOSURES (CONTINUED)

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

31 December 2023

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Financial assets:				
- bonds at fair value	8,782	85,704	-	94,486
- equities etc	3,542	-	3,916	7,457
- positive fair value of derivative financial instruments	160	6,228	275	6,663
- mortgage loans, arrears and outlays	-	1,355,312	-	1,355,312
- owner-occupied properties	-	-	20	20
- assets in pooled schemes	4,041	131	-	4,173
Total	16,525	1,447,376	4,211	1,468,111
Percentage	1.1	98.6	0.3	100
Financial liabilities:				
- deposits in pooled schemes	-	4,173	-	4,173
- other non-derivative financial liabilities at fair value	502	6,638	-	7,139
- negative fair value of derivative financial instruments	214	8,603	-	8,817
- bonds in issue at fair value ³	1,334,177	731	-	1,334,909
Total	1,334,892	20,145	-	1,355,037
Percentage	98.5	1.5	-	100
Assets measured on the basis of unobservable inputs				
	Real estate	Equities	Derivatives	Total
Fair value, beginning of year, assets	25	3,642	201	3,868
Value adjustment recognised through profit or loss	1	239	167	407
Unrealised capital gains and losses recognised in "Other comprehensive income"	2	-	-	2
Purchases for the year	0	209	-	209
Sales for the year	(8)	(174)	(15)	(197)
Transferred from Listed prices and Observable inputs ¹	-	-	48	48
Transferred to Listed prices and Observable inputs ²	-	-	(126)	(126)
Fair value, year-end, assets	20	3,916	275	4,211

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.

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DKK million

Nykredit Realkredit Group

53. FAIR VALUE DISCLOSURES (CONTINUED)

53 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	5,381	85,257	-	90,638
- equities etc	4,244	-	3,642	7,886
- positive fair value of derivative financial instruments	920	6,883	201	8,004
- mortgage loans, arrears and outlays	-	1,292,489	-	1,292,489
- owner-occupied properties	-	-	25	25
- assets in pooled schemes	661	232	-	893
Total	11,206	1,384,862	3,868	1,399,935
Percentage	0.8	98.9	0.3	100
Financial liabilities:				
- deposits in pooled schemes	-	893	-	893
- other non-derivative financial liabilities at fair value	2,823	6,014	-	8,837
- negative fair value of derivative financial instruments	740	9,587	-	10,327
- bonds in issue at fair value ³	1,254,244	715	-	1,254,959
Total	1,257,807	17,209	-	1,275,015
Percentage	98.7	1.3	-	100
Assets measured on the basis of unobservable inputs				
	Real estate	Equities	Derivatives	Total
Fair value, beginning of year, assets	31	3,762	1,396	5,190
Value adjustment recognised through profit or loss	(1)	283	(512)	(230)
Unrealised capital gains and losses recognised in "Other comprehensive income"	1	-	-	1
Purchases for the year	-	365	-	365
Sales for the year	(6)	(769)	(171)	(946)
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	25	3,642	201	3,868

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.

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DKK million

Nykredit Realkredit Group

54. OFFSETTING

	Gross amounts	Financial instruments offset	Carrying amount after offsetting	Further offsetting, master netting agreements	Collateral	Net amounts
2023						
Financial assets:						
Derivatives with a positive fair value	50,292	43,629	6,663	3,675	798	2,189
Reverse repo transactions	40,534	2,569	37,965	-	37,750	215
Total	90,826	46,198	44,628	3,675	38,549	2,404
Financial liabilities:						
Derivatives with a negative fair value	52,446	43,629	8,817	3,675	577	4,564
Repo transactions	14,822	2,569	12,253	-	12,100	153
Total	67,268	46,198	21,070	3,675	12,677	4,718
2022						
Financial assets:						
Derivatives with a positive fair value	60,812	52,808	8,004	3,355	815	3,833
Reverse repo transactions	50,845	4,714	46,131	-	45,554	577
Total	111,657	57,522	54,135	3,355	46,369	4,411
Financial liabilities:						
Derivatives with a negative fair value	63,135	52,808	10,327	3,355	734	6,238
Repo transactions	24,836	4,714	20,122	-	19,471	651
Total	87,971	57,522	30,449	3,355	20,205	6,889

In the balance sheet, reverse repo transactions are classified as receivables from credit institutions or loans, advances and other receivables at amortised cost. In the balance sheet, repo transactions are classified as payables to credit institutions as well as deposits and other payables.

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.

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DKK million

Nykredit Realkredit Group

55. DERIVATIVE FINANCIAL INSTRUMENTS

By time-to-maturity	Net market value				Gross 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	Net market value	
2023								
Foreign exchange contracts								
Forward contracts/futures, purchased	(370)	6	3	-	423	785	(362)	71,960
Forward contracts/futures, sold	366	9	(3)	-	806	434	372	66,321
Swaps	3	1	2	-	6	1	6	499
Options, purchased	0	0	-	-	0	-	0	92
Options, written	(0)	(0)	-	-	0	0	(0)	92
Interest rate contracts								
Forward contracts/futures, purchased	160	1	-	-	167	7	161	23,031
Forward contracts/futures, sold	(412)	(5)	-	-	14	431	(417)	75,192
Forward rate agreements, purchased	(1)	-	-	-	-	1	(1)	2,000
Swaps	(1,768)	(77)	(468)	205	4,660	6,769	(2,109)	1,248,850
Options, purchased	0	4	142	422	568	-	568	16,688
Options, written	(0)	(0)	(133)	(245)	-	378	(378)	11,697
Equity contracts								
Forward contracts/futures, purchased	0	-	-	-	0	-	0	0
Credit contracts								
Credit default swaps, purchased	-	-	(0)	-	-	0	(0)	112
Unsettled spot transactions								
	6	-	-	-	16	10	6	12,063
Total	(2,017)	(62)	(457)	382	6,663	8,817	(2,154)	
Of which positive market value	703	151	1,067	4,742				
Of which negative market value	2,720	213	1,524	4,360				

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DKK million

Nykredit Realkredit Group

55. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

By time-to-maturity	Net market value				Gross 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	Net market value	
2022								
Foreign exchange contracts								
Forward contracts/futures, purchased	(487)	(130)	(0)	-	494	1,111	(617)	83,016
Forward contracts/futures, sold	186	129	3	-	884	567	317	69,637
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	(694)	3	-	-	36	728	(691)	20,248
Forward contracts/futures, sold	975	1	-	-	992	16	976	97,176
Swaps	(62)	(49)	(1,296)	(1,227)	4,576	7,210	(2,657)	1,064,588
Options, purchased	(11)	1	243	687	943	24	920	18,164
Options, written	(1)	(4)	(214)	(378)	-	596	(596)	11,791
Equity contracts								
Forward contracts/futures, purchased	(1)	-	-	-	0	1	(1)	0
Forward contracts/futures, sold	2	-	-	-	7	5	2	3
Credit contracts								
Credit default swaps, purchased	-	-	(0)	-	-	0	(0)	37
Credit default swaps, sold	-	-	0	-	0	-	0	156
Unsettled spot transactions	(2)	-	-	-	13	15	(2)	19,428
Total	(95)	(49)	(1,261)	(918)	8,004	10,326	(2,345)	
Of which positive market value	2,235	346	785	4,638				
Of which negative market value	2,330	394	2,046	5,556				

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Nykredit Realkredit A/S		DKK million	
2022	2023	Nykredit Realkredit Group	
		2023	2022
56. REPO TRANSACTIONS AND REVERSE REPURCHASE LENDING			
The Nykredit Group 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.			
Of the asset items below, reverse repurchase lending represents:			
2,492	2,711	4,001	8,161
(2,449)	(2,711)	(3,938)	(7,585)
43	0	63	576
Total less collateral			
-	-	36,534	42,684
Loans, advances and other receivables, gross			
-	-	(2,569)	(4,714)
Netting			
-	-	33,965	37,970
Loans, advances and other receivables etc, net			
-	-	(33,813)	(37,435)
Bonds received as collateral but not offset against the balance ¹			
-	-	152	535
Total less collateral			
2,449	2,711	21,914	21,057
¹ Of which self-issued bonds			
Of the liability items below, repo transactions represent:			
9,829	10,346	6,636	13,856
Payables to credit institutions and central banks			
9,753	10,320	6,546	13,321
Bonds provided as collateral			
-	-	8,186	10,980
Deposits and other payables, gross			
-	-	(2,569)	(4,714)
Netting			
-	-	5,618	6,266
Other non-derivative financial liabilities etc, net			
-	-	5,554	6,150
Bonds provided as collateral ¹			
-	-	64	116
Total less collateral			
-	-	5,071	5,294
¹ Of which self-issued bonds			

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Nykredit Realkredit Group

57. RISK MANAGEMENT

Risk profile

The business activities and the management of the investment portfolio involve credit, market, liquidity and operational risks, including IT and compliance risks.

As Nykredit mainly provides mortgage loans against mortgages on real estate, Nykredit's primary risk is credit risk. Nykredit's mortgage lending is governed by the balance principle, which provides limits to the financial risks Nykredit may assume in relation to lending and funding. This means that Nykredit incurs generally limited interest rate risk, foreign exchange risk and liquidity risk on its mortgage lending and the underlying funding. Liquidity and market risks are further reduced by the Danish act regulating refinancing risk, which provides for the refinancing of mortgage loans in special situations.

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 Nykredit'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 Boards 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. Building long-term, financially sound customer relationships is an integral part of Nykredit's strategy. The credit policy lays down the Group's risk appetite.

All credit applications are assessed against the credit policy by financially trained staff. Specifically, they assess the willingness and ability of customers to meet their obligations to Nykredit and Totalkredit. The assessment is based on an overall evaluation of the customer's financial circumstances and other risk elements against Nykredit's total exposure to the customer. The assessment of a customer's creditworthiness is the core element, supported by any security provided, including mortgages on real estate.

Totalkredit's mortgage lending is based on a strategic alliance with 41 Danish local and regional banks undertaking the distribution of Totalkredit loans, customer advisory services, credit assessments and case processing. Totalkredit loans are subject always to final approval by Totalkredit.

The credit policy ensures that credit is granted in accordance with the risk appetite determined by the Board of Directors and the Totalkredit concept and with Danish mortgage legislation, the Danish Financial Business Act, good business practice and any other relevant rules and regulations.

The aggregate credit granting by the Group companies is undertaken within the credit policy limits for large exposures as well as limits for portfolio distribution by industry, geography and other risk types.

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 Executive Boards or the Boards of Directors.

Which level of the credit approval hierarchy determines the credit applications of personal customers of Nykredit depends on a combination of the size of the exposure and any credit circumstances requiring particular attention (credit approval rules). The level of the credit approval hierarchy determines whether credit applications are processed by the customer centres or centrally by Group Credits.

Which level of the credit approval hierarchy determines a mortgage loan application in Totalkredit depends on the value of the property serving as security for the loan. As regards credit applications of business customers of Totalkredit, the level is determined by the size of the exposure, in the same way as for customers of Nykredit.

Customers are divided into ordinary exposures and weak exposures, where weak exposures are identified on the basis of the customers' ratings and ability to meet their payment obligations. All weak exposures are reviewed at least once a year. Banking exposures are reviewed quarterly. As a minimum, the review must include an assessment of whether the customer rating is appropriate, and it must be checked that the strategy designed for the customer is adhered to.

The largest exposures are presented to the Boards of Directors of the Group companies for approval/granting or briefing on a current basis. The Boards of Directors are also presented with the largest exposures as part of the annual asset review, and they are briefed quarterly on the levels of write-offs and impairments.

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.

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Nykredit Realkredit Group

Modelling principles

Nykredit develops and improves its credit risk models on an ongoing basis. Focus is on achieving models that are accurate and yield consistent and stable parameters. Nykredit's credit risk models are subject to Nykredit's general model risk management, implying limits and a division of responsibilities as well as a structure of governance with respect to models and model changes. If validation shows that a model contains significant inaccuracies, mitigating actions will be taken by way of a capital charge under Pillar II or by setting aside capital under Pillar I until the model has been adjusted to reflect the actual risk.

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

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

Probability of Default (PD)

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

The PDs of individual customers are translated into ratings from 0 to 10, 10 being the highest rating. Exposures in default are placed in a category of their own, outside the rating scale. The individual rating categories have been defined

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 expected loss rate of an exposure in case of the 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 credit exposures factoring in the risk relating to the individual customer. REA is calculated by risk-weighting credit exposures. The risk weighting is calculated on the basis of PD and LGD levels.
Default	For both mortgage and bank customers, 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)

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.

Loss Given Default (LGD)

For each customer exposure, 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 Boards and the Boards of Directors.

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 Realkredit Group

Credit exposure

The Nykredit Group's credit exposure constitutes DKK 1,693 billion. The credit exposure primarily arises from mortgage loans (loans, advances and other receivables at fair value), which amount to DKK 1,355 billion.

Total provisions for mortgage loan impairment

Total provisions for mortgage loan impairment equalled 0.38% of total mortgage lending, excluding credit institutions (end-2022: 0.41%). Total impairment provisions amounted to DKK 5,492 million (end-2022: DKK 5,919 million). Provisions related to macroeconomic uncertainty, for example the war in Ukraine, are based on stress test calculations and have been included in total impairment provisions.

Impairment charges for loans and advances are mainly attributable to:

	DKK million	
Nykredit Realkredit Group	31.12.2023	31.12.2022
Total impairment provisions for mortgage lending		
Individual impairment provisions (stage 3)	1,868	1,750
Model-based impairment provisions (stages 1, 2 and 3)	3,624	4,169
- of the above attributable to macroeconomic uncertainty	1,267	1,616 ¹
Total impairment provisions for mortgage lending	5,492	5,919

¹ Macroeconomic uncertainty and covid-19

Stress test calculations are made as a supplement to ordinary impairment calculations to the extent that recent economic developments (such as unemployment etc) have not yet been captured by Nykredit's models.

Earnings impact

Impairment charges for mortgage lending were a net reversal of DKK 251 million (2022: net reversal of DKK 477 million). Of the impairment charges for loans and advances, DKK 20 million was attributable to owner-occupied dwellings, and a reversal of DKK 271 million was attributable to the business segment.

Total provisions for bank loan impairment

Provisions for bank loan impairment (exclusive of credit institutions and guarantees) totalled DKK 3,207 million (end-2022: DKK 3,132 million). The provisions related to geopolitical tensions are based on stress test calculations and included in total impairment provisions.

Impairment charges for loans and advances are mainly attributable to:

	DKK million	
Nykredit Realkredit Group	31.12.2023	31.12.2022
Total provisions for bank loan impairment		
Individual impairment provisions (stage 3)	1,776	1,873
Model-based impairment provisions (stages 1, 2 and 3)	1,431	1,259
- of the above attributable to geopolitical tensions	818	804 ¹
Total provisions for bank loan impairment	3,207	3,132

¹ Macroeconomic uncertainty and covid-19

Post-model adjustments

Management uses post-model adjustments (PMA) to determine corrections to and changes in the assumptions behind impairment models. At end-2023, post-model adjustments amounted to DKK 3,480 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.

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

The general assessment of economic trends in 2023 has been affected by several negative forecasts of interest rates, housing prices and growth. 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 scope of such post-model adjustments is shown below:

	DKK million	
Nykredit Realkredit Group	31.12.2023	31.12.2022
Specific macroeconomic risks and process-related circumstances		
Agriculture	406	644
Covid-19	0	533
Geopolitical tensions	1,083	1,077
Concentration risks in loan portfolios	209	217
Total macroeconomic risks	1,698	2,471
Process-related	503	554
Model changes	0	116
ESG overlay	674	200
Haircut, property values	226	291
Results of controlling	379	441
Total process-related circumstances	1,782	1,602
Total post-model adjustments	3,480	4,073

Expectations for macroeconomic models

Nykredit's impairment model calculations include forward-looking macroeconomic scenarios. The scenarios reflect uncertainties relating to the economy and include both improved and deteriorating outlooks. At end-2023, the scenarios were updated to reflect updated macroeconomic conditions and other resulting market conditions that are expected to impact, and partly already have impacted, the economy. The main scenario must reflect the economic environment. The main scenario carries a 60% weighting. The main scenario used for the impairment models implies expected GDP growth of 1.0% and house price decreases of 1.8% in 2023. At end-2022, the main scenario implied expected GDP growth of 0.2% and house price decreases of 5.6% in 2023.

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Nykredit Realkredit Group

The adverse scenario was included in the models with a weighting of 35%. This scenario implies expected GDP growth of 0.9% and house price declines of 2.9% 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 9,056 million as at 31 December 2023 (end-2022: DKK 9,409 million). If the main scenario carried a 100% weighting, total impairment provisions would decrease by DKK 136 million. Compared with the main scenario, total impairment provisions would rise by DKK 2,080 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 1,130 million.

A significant part of the sensitivities to macroeconomic scenarios is related to the assessment of exposed sectors. Focus is currently on customers in manufacturing, construction, rental, trade as well as accommodation and food service. If the adverse scenario carried a 100% weighting, the impairment level of such customers would increase by DKK 1,798 million. If the weighting of the improved scenario was 100%, total impairment provisions of such customers would be reduced by DKK 780 million. These sensitivities form part of the sensitivities mentioned above.

Loans and advances by rating category, property type and sector

89% of Nykredit's mortgage and bank customers make timely payments, while possessing solid financial strength. Exposures to these customers are considered "ordinary exposures" (ratings 6-10).

Overall, 7% of Nykredit's exposures are considered "ordinary exposures with minor signs of weakness" (ratings 3-5). These customers also make timely payments, but their financial strength is lower than that of "ordinary exposures".

The rest of Nykredit's exposures are weak exposures (ratings 0-2) and exposures in default, making up 2% and 1%, respectively, of exposures.

Weak exposures are exposures where customers:

- have not made timely payments
- have a negative net worth or negative equity
- have low or negative earnings
- have objective evidence of credit impairment.

Mortgage loans were primarily granted for the financing of private residential housing, comprising 64% of total lending. The portfolio of business loans mainly comprises loans to the private residential rental (33% of the total portfolio of business loans), office and retail (28%) and agricultural sectors (16%).

Bank lending mainly comprises loans to business customers, which account for 91% of total lending, and loans to personal customers, accounting for 9%.

Large exposures

Nykredit's internal limit for single exposures to a non-financial counterparty at company level is DKK 11 billion for Nykredit Realkredit A/S, DKK 14 billion for Nykredit Realkredit A/S inclusive of Nykredit Bank A/S, and DKK 3 billion for Nykredit Bank A/S. In Nykredit Bank, the Board of Directors may, however, approve temporary exposures of up to DKK 5 billion for two years. Nykredit Realkredit A/S's largest exposure to a non-financial counterparty amounted to DKK 10.6 billion at end-2023. Nykredit Bank A/S's largest exposure to a non-financial counterparty amounted to DKK 3.2 billion at end-2023. The temporary exposure was approved by the Board of Directors.

Nykredit's internal limit to the sum of its 20 largest single exposures to non-financial counterparties amounted to 100% of Common Equity Tier 1 capital in the Nykredit Realkredit Group, DKK 125 billion in Nykredit Realkredit A/S, 100% in Totalkredit A/S and 150% in Nykredit Bank A/S. None of the companies exceeded their limits at end-2023.

DKK million

Nykredit Realkredit Group

	2023	2022
Credit exposure		
The Group's maximum credit exposure comprises selected balance sheet and off-balance sheet items.		
Total credit exposure		
Balance sheet items	Net	Net
Demand deposits with central banks	59,986	48,708
Receivables from credit institutions and central banks	7,005	11,582
Loans, advances and other receivables at fair value	1,355,312	1,292,489
Loans, advances and other receivables at amortised cost	128,645	125,028
Bonds at fair value	94,486	90,638
Other assets	18,199	17,091
Off-balance sheet items		
Contingent liabilities	6,932	8,393
Irrevocable credit commitments	22,828	23,067
Total	1,693,394	1,616,997

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DKK million

Nykredit Realkredit Group

57. RISK MANAGEMENT (CONTINUED)

Mortgage lending by property and rating category, nominal value

The rating illustrates the customer's ability to pay, but not the probability of loss. Substantial security is usually provided for mortgage loans, which mitigates or minimises the risk of loss – regardless of customer ratings.

2023								
Rating category	Owner-occupied dwellings	Private rental	Industry and trades	Office and retail	Agricultural property	Public housing	Other	Total
10	234,816	29,045	14,694	29,242	4,670	7,819	302	320,588
9	178,753	18,982	3,841	18,549	14,804	7,518	932	243,378
8	196,219	41,636	4,228	47,713	18,487	39,677	6,724	354,684
7	124,423	41,663	1,506	27,648	16,501	23,821	6,422	241,984
6	71,112	33,748	493	14,965	10,523	2,091	1,547	134,479
5	31,912	9,460	292	6,419	6,723	91	845	55,742
4	20,185	3,792	188	2,239	3,002	1,403	836	31,646
3	7,839	1,230	49	648	2,539	65	60	12,430
2	6,832	2,974	172	1,916	2,962	97	69	15,024
1	4,469	445	6	519	410	176	225	6,250
0	6,203	402	35	590	369	169	65	7,833
Exposures in default	8,663	2,290	102	1,846	2,965	112	247	16,225
Total	891,425	185,669	25,606	152,294	83,954	83,038	18,276	1,440,262

2022								
Rating category	Owner-occupied dwellings	Private rental	Industry and trades	Office and retail	Agricultural property	Public housing	Other	Total
10	201,640	26,071	13,446	25,850	4,170	6,430	428	278,035
9	191,283	18,367	5,535	26,663	11,827	8,955	3,126	265,756
8	221,562	40,779	1,437	35,363	14,737	37,169	7,736	358,783
7	128,752	41,036	3,832	26,977	16,460	24,873	3,777	245,706
6	73,088	31,904	372	17,837	11,372	1,872	1,702	138,148
5	30,708	8,393	216	6,423	10,092	1,403	696	57,932
4	20,450	6,280	335	2,624	7,400	172	378	37,639
3	8,000	1,461	87	1,211	1,801	81	50	12,691
2	5,545	600	44	327	1,039	17	56	7,628
1	4,098	1,207	36	367	473	151	405	6,737
0	1,870	338	45	398	344	78	109	3,182
Exposures in default	8,200	2,413	119	2,132	4,325	76	388	17,653
Total	895,196	178,850	25,503	146,172	84,040	81,277	18,853	1,429,891

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DKK million

Nykredit Realkredit Group

57. RISK MANAGEMENT (CONTINUED)

Bank lending and reverse repurchase lending by sector and rating category at amortised cost determined before impairments

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

2023							
Rating category	Manufacturing and construction	Credit and finance	Property management and trade etc	Transport, trade and accommodation	Other trade and public	Personal customers	Total
10	6,456	15,154	4,102	7,645	3,850	2,761	39,968
9	3,712	1,597	1,879	2,333	2,508	2,530	14,558
8	5,224	906	1,680	2,622	5,278	1,954	17,664
7	1,550	1,074	1,632	4,527	4,227	1,476	14,486
6	1,077	2,111	1,822	1,128	2,350	3,406	11,894
5	695	3,163	802	606	1,438	604	7,308
4	675	4,164	306	179	783	334	6,441
3	280	4,693	130	524	493	260	6,381
2	26	7,704	158	87	74	172	8,220
1	413	691	263	150	189	120	1,826
0	57	8	29	59	56	198	407
Exposures in default	659	56	217	756	322	383	2,394
Total	20,825	41,321	13,021	20,615	21,567	14,198	131,547

2022							
Rating category	Manufacturing and construction	Credit and finance	Property management and trade etc	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

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Nykredit Realkredit Group

Risk exposure amount for credit risk

Nykredit's total REA for credit risk excluding counterparty risk was DKK 366 billion at end-2023 (2022: DKK 359 billion) and has risen compared with 2022. The rise is chiefly attributable to increased lending.

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

Nykredit Realkredit Group
Risk exposure amount – credit risk

DKK million	2023	2022
Standardised approach	14,899	13,768
IRB approach	272,407	253,700
Equities	11,730	9,669
Other ¹	67,070	82,457
Total credit risk exposure	366,106	359,595

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

Security

Nykredit's main type of security provided for loans is mortgages on real estate. The security value is reassessed regularly relative to market trends.

In addition to mortgages on real estate, Nykredit accepts guarantees issued by public authorities or banks as security for loans. Guarantees issued by public authorities mitigate credit risk – mainly relating to mortgage lending for public housing.

The bank guarantees comprise guarantees for the registration of mortgages free from any adverse endorsements barring registration, guarantees for interim loans in connection with new building and loss guarantees.

Totalkredit and the partner banks share the risk on loans arranged via the individual partner banks, which provide security by way of a right of set-off and guarantees to Totalkredit. This security provides an incentive for the partner banks to carry out a thorough and comprehensive assessment of customer creditworthiness and the property value. Nykredit has the approval of the Danish FSA to apply a statistical model in the valuation of certain owner-occupied dwellings with no physical inspection.

Statutory LTV limits for mortgage lending by property category

Owner-occupied dwellings for all-year habitation	80 ¹
Private cooperative housing	80 ¹
Private residential rental properties	80 ¹
Public housing	80 ¹
Youth housing	80 ¹
Senior housing	80 ¹
Properties used for social, cultural or educational purposes	60 ¹
Holiday homes	75 ¹
Agricultural and forestry properties, market gardens, etc ²	60 ¹
Office and retail properties	60 ¹
Industry and trades properties	60 ¹
Utilities	60 ¹
Other properties – including undeveloped land	40 ¹

¹ Some loan types offered for residential properties are subject to a lower LTV limit than 80%, but no additional security is required unless the LTV ratio subsequently exceeds 80%.

² The LTV limit may be extended up to 70% against additional security for the part in excess of 60%.

DKK million

Bank lending	2023				2022			
	Public sector	Personal customers	Business customers	Total	Public sector	Personal customers	Business customers	Total
Unsecured lending	257	3,183	52,302	55,742	514	2,223	48,145	50,883
Lending secured by way of legal charge or other collateral security:								
Fully secured	0	5,757	39,623	45,381	103	5,399	41,798	47,300
Partially secured	16	5,226	21,975	27,218	367	4,637	21,518	26,523
Total lending after impairment	274	14,166	113,900	128,340	984	12,259	111,461	124,705

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Nykredit Realkredit Group

Loan-to-value ratios (LTVs)

The LTV ratio expresses the debt outstanding relative to the property value. At the time of granting, a mortgage loan must not exceed a certain proportion of the value of the mortgaged property pursuant to Danish legislation. After disbursement of a loan, the LTV ratio will change with the amortisation of the loan and/or as a result of changes in the market value of the property or the underlying covered bonds.

At end-2023, the LTV level of the Group's total loan portfolio was 53.0%, up 2.4 percentage points on end-2022. The tables "Debt outstanding relative to estimated property values" show the LTVs of Nykredit's mortgage lending by property type.

Nykredit closely monitors the development in LTV ratios. To ensure sustainable credit and capital policies in the long term, scenario analyses and stress tests are used to assess the effect of significant price decreases in the housing market.

Nykredit Realkredit Group

Debt outstanding relative to estimated property values

DKK million	LTV (loan-to-value) ²						Total	LTV average, %
	0-40	40-60	60-80	80-90	90-100	>100		
Owner-occupied dwellings	603,689	175,734	60,390	2,822	289	311	843,234	58
Private rental ¹	126,067	34,146	8,010	429	131	158	168,941	54
Industry and trades	19,631	4,139	297	28	4	3	24,102	48
Office and retail	115,122	24,280	1,556	188	134	96	141,376	48
Agricultural property	59,360	17,897	3,495	116	48	90	81,006	56
Public housing	-	-	-	-	-	-	80,010	-
Other	13,487	2,335	375	43	29	49	16,317	46
Total 2023	937,357	258,530	74,124	3,625	634	707	1,354,987	53
Total 2022	926,900	233,724	51,633	1,635	598	798	1,292,119	51

¹ Including cooperative housing.

² Determined as the top part of the debt outstanding relative to estimated property values.

Note: The figures are actual LTV ratios including any co-financed costs. Public authority guarantees reduce the credit risk relating to subsidised housing, which forms part of lending to the public housing segment. For this reason, LTVs of public housing offer no relevant risk data and have been excluded. In the table, debt outstanding is distributed continuously by LTV category. Loans with security covering for example between 0% and 60% of the mortgageable value are distributed with two thirds of the debt outstanding in the LTV range 0-40% and one third in the LTV range 40-60%.

Nykredit Realkredit Group

Debt outstanding relative to estimated property values

%	LTV (loan-to-value) ²					
	0-40	40-60	60-80	80-90	90-100	>100
Owner-occupied dwellings	71.6	20.8	7.2	0.3	0.0	0.0
Private rental ¹	74.6	20.2	4.7	0.3	0.1	0.1
Industry and trades	81.5	17.2	1.2	0.1	0.0	0.0
Office and retail	81.4	17.2	1.1	0.1	0.1	0.1
Agricultural property	73.3	22.1	4.3	0.1	0.1	0.1
Public housing	0.0	0.0	0.0	0.0	0.0	0.0
Other	82.7	14.3	2.3	0.3	0.2	0.3
Total 2023	73.5	20.3	5.8	0.3	0.0	0.1
Total 2022	76.3	19.2	4.2	0.1	0.0	0.1

¹ Including cooperative housing.

² Determined as the top part of the debt outstanding relative to estimated property values.

Note: The figures are actual LTV ratios including any co-financed costs. Public authority guarantees reduce the credit risk relating to subsidised housing, which forms part of lending to the public housing segment. For this reason, LTVs of public housing offer no relevant risk data and have been excluded. In the table, debt outstanding is distributed continuously by LTV category. Loans with security covering for example between 0% and 60% of the mortgageable value are distributed with two thirds of the debt outstanding in the LTV range 0-40% and one third in the LTV range 40-60%.

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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 either Nykredit or its counterparties.

In some cases, a counterparty is unable or unwilling to meet its payment obligations (default). This is known as 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.

Derivatives are subject to value adjustment in the Financial Statements. Value adjustments are affected by several factors, including the level of long-term interest rates, credit spreads, funding spreads, the maturities of contracts as well as customers' creditworthiness.

REA for counterparty risk was DKK 8.3 billion at end-2023. REA derives from exposures to derivatives and repo transactions. Most derivatives are cleared through a central counterparty (CCP), and counterparty risk relating to derivatives is therefore reduced considerably.

Value adjustment of derivatives

Nykredit makes fair value adjustment of derivatives in accordance with the International Financial Reporting Standards (IFRS), which provide for CVA and FVA for accounting purposes. 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 (exposures in default) are value adjusted in full, whether or not these customers still make timely payments to Nykredit.

Market risk

Nykredit 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.

All Nykredit's market risk positions are assigned to the trading book or the banking book, 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 and credit bonds. Positions forming part of Nykredit's lending business and other business-related assets, which primarily consist of investments in a number of regional banks with which Nykredit has business relationships, are placed in the banking book. In addition, the banking book comprises small holdings of corporate bonds and short-dated bonds from the liquidity portfolio.

In determining REA for market risk, Nykredit uses a combination of market risk models and the standardised approach, and the risk exposures are furthermore divided into general risk and specific risk. General risk means risk affecting financial markets in general, and specific risk is the risk related to one individual issuer of securities.

Nykredit's market risk relates mainly to the management of equity and liquidity reserves. In addition, Nykredit Bank and Nykredit Realkredit incur market risk when trading bonds, swaps and other financial products. Investments are mainly made in Danish and European covered bonds as well as government bonds. Moreover, investments are made in credit bonds issued by financial undertakings.

Nykredit'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 Nykredit's capital adequacy.

Market risk is generally managed based on the Board of Directors' 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 of the policy is that the probability of losses from market risk exposures exceeding Nykredit's expected quarterly results must be low. This is monitored daily, for instance by measuring budgeted quarterly results against the estimated losses of a number of stress scenarios that may, with some probability, occur in the trading book as well as the banking book.

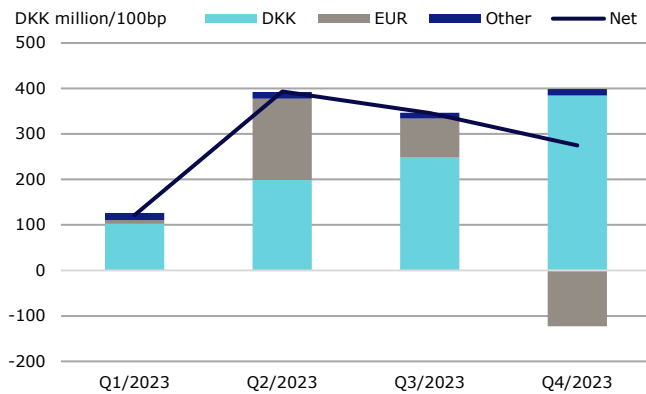
In addition to the market risk policy, Nykredit's Board of Directors has laid down guidelines for market risk in the trading and banking books, respectively, which are used in day-to-day market risk management. In accordance with these guidelines, the Executive Board delegates specific risk limits for the different types of market risk to the Group companies through the Asset/Liability Committee.

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

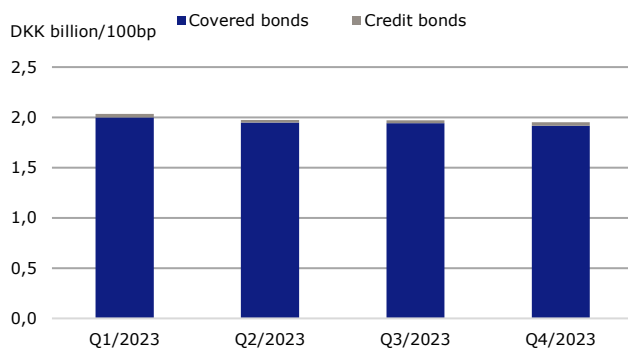
NOTES

Nykredit Realkredit Group

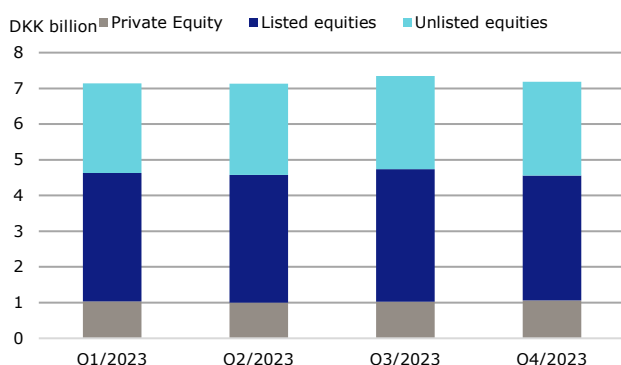
Nykredit Realkredit Group Interest rate risk, trading book



Nykredit Realkredit Group Yield spread risk, trading book



Nykredit Realkredit Group Market value of equity portfolios, banking book



Day-to-day market risk management

Nykredit's 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 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

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

Nykredit's interest rate exposure was DKK 507 million at end-2023, of which DKK 275 million in the trading book and DKK 232 million in the banking book.

It is Nykredit's policy to measure bond portfolios (assets) primarily at fair value, whereby value adjustments are recognised in profit or loss on a continuing basis. However, Nykredit has a bond portfolio that is measured at amortised cost. This portfolio is hedged using interest rate swaps, and it is adjusted to fair value in respect of the hedged risk (interest rate risk). The portfolio should also be seen in conjunction with a corresponding portfolio of bonds in issue, which are also measured at amortised cost.

Today, bonds issued by Nykredit are generally recognised at amortised cost, which means that they are not value-adjusted. The interest rate risk of the issues is fully hedged using interest rate derivatives. This ensures that changes in interest rates do not result in large unrealised value adjustments. This does not apply to covered bonds in issue, which, together with the mortgage loans they fund, are carried at fair value.

See notes 28 and 41 for the volume of the bond portfolios and bonds issued by Nykredit carried at amortised cost.

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.

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Nykredit Realkredit Group

At end-2023, the yield spread risk on the Group's total portfolio of covered bonds was DKK 2.8 billion. Of this amount, the yield spread risk was DKK 2 billion in the trading book and DKK 0.8 billion in the banking book.

Equity price risk

Equity price risk is the risk of loss as a result of changes in equity prices, and it is expressed by the aggregate market value of Nykredit's equity portfolios. The Group's equity price exposure including private equity portfolios amounted to DKK 7.2 billion at end-2023.

The aggregate equity price risk includes both the trading book and the banking book, the latter containing sizeable strategic equity and private equity positions. The net equity price exposure was DKK 10 million in the trading book and DKK 7.2 billion in the banking book.

Regulatory requirements for interest rate risk in the banking book (IRRBB)

Two regulatory metrics are used to manage IRRBB: Economic Value of Equity (EVE) and Net Interest Income (NII), expressing potential losses in terms of value adjustments and earnings impact, respectively, as a result of different interest rate change scenarios. At end-2023, EVE came to a potential loss of DKK 213 million, and NII was a potential loss of DKK 606 million, both under the parallel down interest rate shock scenario where yield curves are reduced by 2% at all points.

Other market risks

Besides the market risks addressed above, Nykredit is exposed to foreign exchange risk and volatility risk on selected instruments, such as options. These risks only make up a minor part of the 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 2023.

Nykredit's volatility risk mainly relates to investments in, for example, callable covered bonds with implied call options, as these bonds may be prepaid. Interest rate expectations will affect market values and may lead to gains as well as losses. However, the risk is limited and stems mainly from the portfolio of Danish callable covered bonds, but also from other interest rate and equity derivatives.

Risk exposure amount for market risk

Nykredit Realkredit A/S and Nykredit Bank A/S have the approval of the Danish FSA to apply their individual VaR models in determining REA for general market risk in their trading books. The confidence level of the VaR models 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 models are 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 risk exposures resulting from stressed VaR are added to risk exposures resulting from the ordinary VaR calculation.

Total REA for market risk is determined as the sum of the different risk measures, comprising general risk from the VaR model, as well as specific risk and general risk under the standardised approach. Nykredit's total REA from VaR amounted to DKK 6.3 billion at end-2023, while stressed VaR amounted to DKK 13.0 billion. Total REA for market risk came to DKK 28.0 billion at end-2023.

Nykredit Realkredit Group

Risk exposure amount – market risk

DKK million	2023	2022
Internal models (VaR)	19,350	34,167
Standardised approach	8,630	8,276
Total market risk exposure	27,980	42,443

Liquidity risk

Nykredit's liquidity risk is the risk that Nykredit 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 Nykredit from pursuing the adopted business model, or the risk that Nykredit's costs of raising liquidity become prohibitive.

The composition of liquidity and funding is much affected by regulatory requirements and rating criteria. Nykredit 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), Additional Loss-Absorbing Capacity (ALAC), debt buffer and Supervisory Diamond benchmarks.

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Nykredit Realkredit Group

To mitigate its liquidity risks, Nykredit has a stock of liquid assets ensuring that Nykredit has a buffer for cash flows driven by customer behaviour, loan arrears, current costs and maturing market funding. In addition, the stock of liquid assets ensures Nykredit's compliance with statutory liquidity requirements, including the LCR, the NSFR and the requirement of Danish mortgage legislation for supplementary collateral in case of falling property prices in connection with covered bond (SDO) issuance, and fulfilment of credit rating agencies' criteria as a precondition for maintaining the high ratings.

Nykredit's liquid assets are mainly placed in liquid Danish and other European government and covered bonds. These securities are eligible as collateral in the repo market and with central banks and are directly applicable for raising liquidity.

Liquidity policy and liquidity management guidelines

Nykredit's Board of Directors' liquidity policy defines Nykredit's overall risk appetite, liquidity risk profile and funding structure.

One aim of the liquidity policy is to ensure that Nykredit's funding and liquidity management supports the mortgage lending business and ensures competitive prices for customers and Nykredit, regardless of the market conditions. Furthermore, the liquidity management framework must sustain Nykredit's ability to maintain high credit ratings and its status as issuer of covered bonds (SDOs).

In addition to the liquidity policy, Nykredit'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 Group companies through the Asset/Liability Committee.

The guidelines provide limits for Nykredit's day-to-day liquidity management and for short-, medium- and long-term management. Limits have also been set for the composition of the stock of liquid assets, the LCR, the NSFR, stress tests, the use and diversification of funding sources, leverage and rating criteria.

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 Nykredit's Asset/Liability Committee oversee the liquidity of the Group companies. The individual Group companies manage 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 Nykredit 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's short-term liquidity risk. The LCR reflects the ratio of liquid assets to net cash outflows over a 30-day period and must be at least 100%. Under this requirement, Nykredit must hold an adequate stock of liquid assets to withstand a liquidity stress for a period of 30 days.

At end-2023, Nykredit's LCR was 310% and the excess liquidity coverage was DKK 71.6 billion. The aggregate LCR Pillar I of Nykredit's mortgage banks was 585%, while Nykredit Bank's LCR was 191%.

Liquid assets used to comply with the requirement of supplementary collateral in Nykredit Realkredit and Totalkredit are considered to be encumbered and consequently ineligible for the purpose of LCR determination.

The Danish FSA has granted Nykredit permission not to include mortgage lending and its funding in the calculation of LCR for Nykredit Realkredit and Totalkredit. The permission was motivated by the fact that match funding limits liquidity risk in relation to mortgage lending and its funding. However, Nykredit must comply with an LCR requirement consisting of both Pillar I and Pillar II. The Pillar II requirement will cover the risk of a potential liquidity need resulting from remortgaging cases where borrowers have terminated an existing loan for prepayment but have not raised a new loan. The requirement should also allow for liquidity risk related to borrowers in arrears and risk related to refinancing.

The Danish FSA has introduced an additional liquidity requirement concerning foreign currencies. Under this requirement, an LCR-like requirement must be met in respect of significant currencies except for SEK and NOK. The currency requirement contributes to ensuring a suitable currency match between liquid assets and cash flows. This requirement, which for Nykredit only concerns EUR, applies to the Nykredit Realkredit Group. The LCR in foreign currencies must be 100% or more. At end-2023, Nykredit's LCR in EUR was 400%.

Net Stable Funding Ratio (NSFR)

The regulatory requirement of NSFR, among other things, is used to assess Nykredit's long-term liquidity risk. The purpose of the requirement is to ensure that credit institutions apply sufficiently stable, long-term funding when issuing loans. The NSFR is the ratio of an institution's amount of available stable funding to the amount of its required stable funding. To meet the NSFR requirement, this ratio must be at least 100%. The level of stable funding is calculated by weighting assets according to their liquidity and maturity. Funding with times-to-maturity of more than one year is considered more stable than other types of funding.

At end-2023, the NSFR was 147%, compared with 149% at end-2022.

NOTES

Nykredit Realkredit Group

NON-FINANCIAL RISKS

Nykredit 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 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.

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.

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 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'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 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 30.9 billion in 2023.

Compliance risk

Compliance risk means the risk that legal or regulatory sanctions are imposed on Nykredit or that Nykredit 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'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 2023, 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 2024. Nykredit did not experience any significant breaches in 2023.

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 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. The Nykredit Group also has a Chief Compliance Officer and an AML Responsible Officer covering all relevant Group companies.

NOTES

DKK million

Nykredit Realkredit Group

58. 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 items:

	Nykredit Realkredit A/S			Nykredit Realkredit Group		
	Nominal/ amortised value	Carrying amount	Fair value adjustment for account- ing purposes Accumulated	Nominal/ amortised value	Carrying amount	Fair value adjustment for account- ing purposes Accumulated
2023						
Assets						
Loans, advances and other receivables at amortised cost (interest rate risk)	-	-	-	119	117	(2)
Bonds at amortised cost	1,833	1,676	(157)	1,833	1,676	(157)
Liabilities						
Deposits and other payables (interest rate risk)	-	-	-	79	81	(2)
Bonds in issue at amortised cost (interest rate risk)	51,520	49,662	1,858	51,520	49,662	1,858
Subordinated debt (interest rate risk)	7,625	7,376	250	7,625	7,376	250
Derivative financial instruments						
Interest rate swaps, loans, advances and other receivables (net)	-	-	-	71	2	2
Interest rate swaps, bonds at amortised cost	1,833	160	160	1,833	160	160
Interest rate swaps, deposits and other payables (net)	-	-	-	75	2	2
Interest rate swaps, bonds in issue at amortised cost	51,520	(1,858)	(1,858)	51,520	(1,858)	(1,858)
Interest rate swaps, subordinated debt	7,625	(250)	(250)	7,625	(250)	(250)
Gain/loss for the year on hedging instruments		2,176			2,174	
Gain/loss for the year on hedged items		(2,173)			(2,172)	
Net gain/loss through profit or loss (ineffectiveness for the year)		3			3	
Maturity	Up to 1 year	1-5 years	Over 5 years	Up to 1 year	1-5 years	Over 5 years
Swaps hedging interest rate risk of financial assets	-	139	21	-	142	20
Swaps hedging interest rate risk of financial liabilities	(101)	(2,113)	106	(101)	(2,111)	106

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

It is Nykredit'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. Thus, cash flows have been changed from a fixed interest payment to a variable interest payment. The average fixed rate of derivatives hedging financial assets and liabilities, respectively, is 0.34% or 2.02%.

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). For bonds in issue measured at amortised cost in Nykredit Realkredit A/S, hedging is carried out at the time of issuance using interest rate swaps with the same interest rate and maturity profile.

Hedge effectiveness is monitored regularly. Effectiveness tests monitor that movements in market values of the hedged item and the hedging instrument are within a range of 80-125%. The most significant hedges (bonds in issue and subordinated debt) are nearly 100% effective. The hedges are not generally changed, but if the effectiveness test indicates undesired ineffectiveness or that a better hedge may be attained, 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 54 and 55 which show offsetting and maturities relating to derivative financial instruments as well as "Hedge accounting" in accounting policies.

NOTES

DKK million

Nykredit Realkredit Group

58. HEDGE ACCOUNTING (CONTINUED)

	Nykredit Realkredit A/S			Nykredit Realkredit Group		
	Nominal/ amortised value	Carrying amount	Fair value adjustment for account- ing purposes Accumulated	Nominal/ amortised value	Carrying amount	Fair value adjustment for account- ing purposes Accumulated
2022						
Assets						
Loans, advances and other receivables at amortised cost (interest rate risk)	-	-	-	93	88	(5)
Bonds at amortised cost	3,969	3,718	(251)	3,969	3,718	(251)
Liabilities						
Deposits and other payables (interest rate risk)	-	-	-	74	76	(2)
Bonds in issue at amortised cost (interest rate risk)	45,675	41,795	3,880	45,675	41,795	3,880
Subordinated debt (interest rate risk)	10,684	10,136	548	10,684	10,136	548
Derivative financial instruments						
Interest rate swaps, loans, advances and other receivables (net)	-	-	-	214	5	5
Interest rate swaps, bonds at amortised cost	3,969	251	251	3,969	251	251
Interest rate swaps, loans and advances as well as deposits and other payables (net)	-	-	-	74	2	2
Interest rate swaps, bonds in issue at amortised cost	45,675	(3,880)	(3,880)	45,675	(3,880)	(3,880)
Interest rate swaps, subordinated debt	10,684	(548)	(548)	10,684	(548)	(548)
Gain/loss for the year on hedging instruments		(3,853)			(3,855)	
Gain/loss for the year on hedged items		3,853			3,854	
Net gain/loss through profit or loss (ineffectiveness for the year)		-			(1)	

NOTES

Nykredit Realkredit Group

58. HEDGE ACCOUNTING (CONTINUED)

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

In 2023 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.

The transition has not had a noticeable impact on the Group's hedging of interest rate risk for accounting purposes.

NOTES

DKK million

Nykkredit Realkredit Group

58. HEDGE ACCOUNTING (CONTINUED)

Hedging derivative	Nominal value	Carrying amount as-sets	Carrying amount liabil-ities	P&L effect (hedge inef-fectiveness)
Interest rate swaps, end-2023				
Cibor		71		
Euribor		59,669		
Nibor		995		
Stibor		390		
Total 2023	61,125	1,793	57,119	3
Total 2022	60,617	3,806	52,007	(1)
Swaps: Carrying amount by time-to-maturity		2023	2022	
Up to 1 year		(100)	(7)	
Over 1 year and up to 5 years		(1,970)	(3,418)	
Over 5 years		126	(745)	
Total		(1,944)	(4,170)	

NOTES

DKK million

Nykredit Realkredit Group

59. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

	Financial items at amortised cost	Financial items at fair value	Financial items at amortised cost	Financial items at fair value
	2023	2023	2022	2022
Assets				
Cash balances and receivables from credit institutions and central banks	68,061	-	61,242	-
Loans, advances and other receivables at fair value ¹	-	1,355,312	-	1,292,489
Loans and advances etc	128,645	-	125,028	-
Bonds	-	94,486	-	90,638
Positive market value of derivatives	-	-	-	8,004
Interest and administration margin income etc receivable	3	2,928	268	1,830
Total	196,710	1,452,726	186,537	1,392,961
Liabilities				
Payables to credit institutions and central banks	12,591	-	27,851	-
Deposits and other payables	119,825	-	113,657	-
Bonds in issue at fair value ²	-	1,334,909	-	1,254,959
Bonds in issue at amortised cost	62,360	-	61,251	-
Other non-derivative financial liabilities at fair value	-	7,139	-	8,837
Subordinated debt	10,394	-	10,136	-
Negative market value of derivatives	-	8,817	-	10,326
Interest etc payable	798	13,350	448	9,082
Total	205,968	1,364,215	213,343	1,283,205

¹ Loans, advances and other receivables at fair value include mortgage lending measured at fair value.

² Bonds in issue at fair value include bonds in issue funding mortgage lending. Bonds in issue are measured at fair value using the fair value option.

NOTES

		DKK million	
Nykredit Realkredit A/S		Nykredit Realkredit Group	
2022	2023	2023	2022
60. CURRENCY EXPOSURE			
By main currency, net			
2	(134)	USD	(131) 5
1	(0)	GBP	2 (1)
(1)	(8)	SEK	(3) 3
2	(0)	NOK	3 4
1	0	CHF	0 2
0	0	CAD	(0) 0
0	138	JPY	138 (0)
(329)	53	EUR	69 (5)
0	0	Other	3 0
(324)	49	Total	81 7
-	-	Exchange Rate Indicator 1	5 6

Exchange Rate Indicator 1 is determined as the sum of the highest numerical value of assets (long position) or net payables. Exchange Rate Indicator 1 shows the overall foreign exchange risk.

NOTES

Nykredit Realkredit Group

61. EVENTS SINCE THE BALANCE SHEET DATE

In the period between the balance sheet date and until the publication of the Annual Report 2023, Pernille Sindby joined Nykredit's Group Executive Board on 1 February 2024.

NOTES

Nykredit Realkredit Group

62. FINANCIAL RATIOS, DEFINITIONS

Financial ratios

Return on equity before tax, %

Return on equity after tax, %

Income/cost ratio

Foreign exchange position, %

Loans and advances/equity (loan gearing)

Growth in loans and advances for the year, %

Impairment charges for the year, %

Return on capital employed, %

Financial ratios - capital and capital adequacy

Total capital ratio, %

Tier 1 capital ratio, %

Common Equity Tier 1 capital ratio, %

Financial ratios are based on the Danish FSA's definitions and guidelines.

Other financial ratios on page 7 and in note 5

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

Cost/income ratio (C/I), %

Business profit (loss) as % pa of average equity*

* Equity is calculated based on the five-quarter average.

Definition

The sum of profit (loss) before tax divided by average equity.

The sum of profit (loss) after tax divided by average equity.

Total income divided by total costs less tax.

Exchange Rate Indicator 1 at year-end divided by Tier 1 capital including Additional Tier 1 capital less deductions at year-end.

The sum of loans and advances at fair value and loans and advances at amortised cost divided by equity at year-end.

Loans and advances at nominal value at year-end divided by loans and advances at nominal value at the beginning of the year.

Provisions for loan impairment and guarantees for the year divided by the sum of loans and advances at fair value, arrears and outlays, loans and advances at amortised cost, guarantees and provisions at year-end.

Profit (loss) after tax for the year divided by total assets.

Definition

Own funds divided by the risk exposure amount.

Tier 1 capital (including Additional Tier 1 capital) divided by the risk exposure amount.

Common Equity Tier 1 capital (excluding Additional Tier 1 capital) divided by the risk exposure amount.

Definition

Profit (loss) for the year less interest expenses for Additional Tier 1 capital divided by average equity excluding Additional Tier 1 capital and minority interests.

Costs divided by income

Business profit (loss) divided by average equity

NOTES

DKK million

Nykredit Realkredit Group	2023	2022	2021	2020	2019
63. FIVE-YEAR FINANCIAL HIGHLIGHTS					
SUMMARY INCOME STATEMENT					
Net interest income	15,736	12,203	11,291	11,237	11,038
Net fee income etc	371	279	324	118	(264)
Net interest and fee income	16,107	12,483	11,615	11,355	10,774
Value adjustments	2,856	3,680	3,573	2,050	2,130
Other operating income	1,492	1,582	1,765	1,409	2,198
Staff and administrative expenses	6,022	5,791	5,661	5,290	4,830
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	276	294	444	294	305
Other operating expenses	256	235	236	176	191
Impairment charges for loans, advances and receivables etc	(177)	(80)	(115)	2,272	994
Profit from investments in associates and Group enterprises	6	9	7	8	5
Profit before tax	14,083	11,514	10,734	6,791	8,787
Tax	3,191	2,060	1,863	1,118	1,344
Profit for the year	10,892	9,454	8,870	5,673	7,443
SUMMARY BALANCE SHEET, YEAR-END					
	31.12.2023	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Assets					
Cash balances and receivables from credit institutions and central banks	68,061	61,242	45,294	59,361	59,623
Mortgage loans at fair value	1,354,987	1,292,119	1,382,551	1,350,630	1,287,370
Bank loans excluding reverse repurchase lending	94,375	86,735	74,513	71,146	65,466
Bonds and equities etc	103,631	100,117	91,956	113,140	115,690
Remaining assets	60,550	59,917	79,158	71,491	82,188
Total assets	1,681,605	1,600,129	1,673,473	1,665,767	1,610,336
Liabilities and equity					
Payables to credit institutions and central banks	12,591	27,851	14,917	14,611	13,914
Deposits and other payables	123,998	113,657	100,076	97,987	100,677
Bonds in issue at fair value	1,334,909	1,254,959	1,362,926	1,366,709	1,336,414
Subordinated debt	10,394	10,136	10,737	10,893	11,004
Remaining liabilities	98,707	95,804	91,226	85,792	63,949
Equity	101,006	96,829	93,591	89,774	84,378
Total liabilities and equity	1,681,605	1,600,129	1,673,473	1,665,767	1,610,336
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	6,932	8,393	8,987	9,121	6,616
Other commitments	24,209	23,986	23,087	20,762	28,206
FINANCIAL RATIOS¹					
Total capital ratio, %	23.7	23.3	24.7	24.3	23.7
Tier 1 capital ratio, %	21.2	20.4	21.5	21.1	20.5
Return on equity before tax, %	14.2	12.1	11.7	7.8	10.7
Return on equity after tax, %	11.0	9.9	9.7	6.5	9.1
Income/cost ratio	3.21	2.85	2.72	1.85	2.39
Foreign exchange position, %	0.0	0.0	0.0	0.0	0.5
Loans and advances/equity (loan gearing)	14.7	14.6	16.1	16.3	16.6
Growth in loans and advances for the year, %	1.2	3.5	5.2	4.9	7.8
Impairment charges for the year, %	(0.01)	(0.01)	(0.01)	0.15	0.07
Return on capital employed, %	0.65	0.59	0.53	0.34	0.46

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 62.

NOTES

DKK million

Nykredit Realkredit A/S	2023	2022	2021	2020	2019
63. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
SUMMARY INCOME STATEMENT					
Net interest income	4,156	4,036	3,927	4,031	3,916
Net fee income etc	1,001	566	594	678	340
Net interest and fee income	5,157	4,602	4,520	4,709	4,256
Value adjustments	1,425	1,500	1,740	778	1,524
Other operating income	1,981	1,783	1,481	1,339	2,044
Staff and administrative expenses	3,375	3,194	3,112	2,874	2,642
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	234	253	408	253	278
Other operating expenses	224	203	202	138	167
Impairment charges for loans, advances and receivables etc	(347)	(506)	(157)	1,407	696
Profit from investments in associates and Group enterprises	6,948	5,476	5,339	3,828	3,957
Profit before tax	12,024	10,217	9,515	5,981	7,998
Tax	1,197	824	690	329	554
Profit for the year	10,828	9,393	8,825	5,652	7,443
SUMMARY BALANCE SHEET, YEAR-END					
	31.12.2023	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Assets					
Cash balances and receivables from credit institutions and central banks	49,295	38,328	43,062	46,914	65,967
Mortgage loans at fair value	536,656	517,965	529,970	535,665	534,346
Funding of Totalkredit mortgage lending	855,252	811,577	902,631	876,618	842,624
Bonds and equities etc	41,024	43,503	35,370	47,244	40,341
Remaining assets	91,311	81,132	79,431	68,754	64,823
Total assets	1,573,537	1,492,504	1,590,464	1,575,194	1,548,102
Liabilities and equity					
Payables to credit institutions and central banks	10,716	10,107	2,879	1,458	2,562
Deposits and other payables	-	-	-	7,200	11,950
Bonds in issue	1,378,493	1,312,732	1,419,027	1,408,672	1,398,243
Subordinated debt	10,394	10,136	10,737	10,896	11,016
Remaining liabilities	73,040	62,814	64,320	57,290	40,010
Equity	100,893	96,715	93,501	89,678	84,321
Total liabilities and equity	1,573,537	1,492,504	1,590,464	1,575,194	1,548,102
OFF-BALANCE SHEET ITEMS					
Other commitments	10,202	11,323	8,615	9,514	14,376
FINANCIAL RATIOS¹					
Total capital ratio, %	18.2	18.5	18.5	19.6	19.1
Tier 1 capital ratio, %	16.4	16.2	16.1	17.1	16.7
Return on equity before tax, %	12.2	10.7	10.4	6.9	9.7
Return on equity after tax, %	11.0	9.9	9.6	6.5	9.1
Income/cost ratio	4.45	4.25	3.67	2.28	3.11
Foreign exchange position, %	-	-	-	-	0.2
Loans and advances/equity (loan gearing)	5.3	5.4	5.7	6.0	6.3
Growth in loans and advances for the year, %	1.7	5.2	0.4	0.1	4.6
Impairment charges for the year, %	(0.07)	(0.10)	(0.03)	0.26	0.13
Return on capital employed, %	0.69	0.63	0.55	0.36	0.48

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 62.

NOTES

DKK million

Nykredit Realkredit Group

64. GROUP STRUCTURE

Name and registered office

	Ownership interest as %, 31 December 2023	Profit (loss) for 2023	Equity, 31 December 2023	Number of staff in 2023	Profit for 2022	Equity, 31 December 2022	Number of staff in 2022
Nykredit Realkredit A/S (Parent), Copenhagen, a)	-	10,828	100,893	2,667	9,393	96,715	2,772
Totalkredit A/S, Copenhagen, a)	100	3,549	40,536	248	2,714	37,249	249
Nykredit Bank A/S, Copenhagen, b)	100	3,303	36,696	754	2,686	33,404	756
Nykredit Portefølje Administration A/S, Copenhagen, f)	100	166	903	132	202	1,138	132
Nykredit Leasing A/S, Gladsaxe, e)	100	119	1,254	61	80	1,135	58
Sparinvest Holdings SE, Luxembourg, g)	80	281	172	1	222	195	1
Garanti Invest A/S, i)	100	0	20	-	0	20	-
Nykredit Mægler A/S, Copenhagen, c)	100	51	180	35	42	129	35
Svanemølleholmen Invest A/S, h)	100	(0)	1	-	-	-	-
Kalvebod Ejendomme I A/S, Copenhagen, d)	100	44	700	-	37	660	-
Kirstinehøj 17 A/S, Copenhagen, d)	100	0	16	-	(0)	12	-

All banks and mortgage providers subject to national financial supervisory authorities must comply with the statutory capital requirements. The capital requirements may limit intercompany facilities and dividend payments.

Geographical distribution of activities

	Number of staff	Revenue	Profit before tax	Tax	Government aid received
Denmark: Names and activities appear from the Group structure above	3,942	58,517	13,817	3,114	-
Luxembourg: Names and activities appear from the Group structure above	31	555	267	77	-

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) Mortgage bank

b) Bank

c) Estate agency business

d) Property company

e) Leasing business

f) Investment management company

g) Holding company, no independent activities

h) Investment company

Nykredit Realkredit A/S is wholly owned by and consolidated with Nykredit A/S for accounting purposes, which is consolidated with Forenet Kredit f.m.b.a. for accounting purposes. The financial statements of Forenet Kredit f.m.b.a. (in Danish) and Nykredit A/S are available from:

Nykredit Realkredit A/S
Kalvebod Brygge 1-3
DK-1780 Copenhagen V

NOTES

DKK million

Nykredit Realkredit Group

64. GROUP STRUCTURE (CONTINUED)	Ownership interest as %, 31 December 2023	Revenue 2022	Profit (loss) for 2022	Assets, 31 December 2022	Liabilities, 31 December 2022	Equity, 31 December 2022	Nykredit's share of profit (loss) for 2022	Nykredit's share of equity value, 31 December 2022	Profit (loss) for 2021	Equity, 31 December 2021
Name and registered office										
Associates¹										
Boligsiden A/S, Copenhagen, a)	23	11	(2)	22	4	17	(1)	4	-3	19
Komplementarselskabet Core Property Management A/S, Copenhagen, b)	20	0	0	3	2	1	0	0	0	1
Core Property Management P/S, Copenhagen, a)	20	140	36	55	5	50	7	10	32	54
E-nettet A/S, Copenhagen, c)	18	231	2	242	118	124	0	20	13	122
&money ApS, Copenhagen, e)	25	(3)	(5)	24	3	21	(1)	5	(2)	14

¹ Recognised on the basis of the latest annual reports or interim reports as at 30 September if annual reports are not available.

Nykredit holds less than 20% of the shares in E-nettet A/S, but still exercises significant influence over the financial and operational conditions of the company as it has a representative on the board of directors. Consequently for accounting purposes the shareholding is treated as an associate.

- a) Property company
- b) Investment company
- c) IT provider
- d) Estate agency business
- e) IT company

MANAGEMENT COMMENTARY, (CONTINUED)

Nykredit Realkredit A/S

Series financial statements

Pursuant to the Danish Financial Supervisory Authority's Executive Order no 872 of 20 November 1995 on series financial statements of mortgage banks, mortgage banks are required to prepare separate series financial statements for series with series reserve funds, cf section 25(1) of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act.

The Series Financial Statements have been prepared on the basis of the Financial Statements 2022 of Nykredit Realkredit.

The distribution of profit for 2022 adopted by Nykredit Realkredit A/S's Board of Directors (see the Annual Report, page 51) has been included in the Series Financial Statements. The series' calculated share of profit for the year of Nykredit Realkredit A/S determined in accordance with the Executive Order has been taken to the general reserves of Nykredit Realkredit A/S.

The Series Financial Statements have been printed at association level, cf section 30(3) of the Executive Order.

Complete Series Financial Statements may be obtained from Nykredit Realkredit A/S.

MANAGEMENT COMMENTARY, (CONTINUED)

DKK million

Nykredit Realkredit A/S

Summary series financial statements at the level of the association and Nykredit Realkredit In General

2023	1	2	3	4	5	6
	KØK	FSK	LCR	HUM	SKRF	VESØ
Income statement						
Income from lending	0.4	0.4	0.0	0.0	0.0	0.0
Interest etc, net	1.6	0.2	0.2	0.0	0.0	0.1
Administrative expenses	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Write-offs and impairment charges for loans and advances	-	-	-	-	-	-
Tax	(0.4)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)
Profit	1.3	0.4	0.1	0.1	0.0	0.1
Balance sheet						
Assets						
Mortgage loans etc	63.0	70.9	1.2	4.5	1.5	0.7
Remaining assets	28.2	6.4	2.1	1.2	0.9	1.2
Total assets	91.3	77.3	3.3	5.7	2.3	1.9
Liabilities and equity						
Bonds in issue etc	69.7	70.9	1.7	4.9	1.7	1.1
Remaining liabilities	4.7	4.0	0.2	0.3	0.1	0.1
Equity	16.8	2.4	1.4	0.5	0.5	0.6
Total liabilities and equity	91.3	77.3	3.3	5.7	2.3	1.9
Movements in capital, net	(0.2)	(0.2)	(0.6)	(0.0)	(0.0)	(0.3)
2023						
	7	8	9 Total			
	HUSM	JLKR	(1(8))			
Income statement						
Income from lending	0.0	0.0	0.8			
Interest etc, net	0.1	0.0	2.2			
Administrative expenses	(0.0)	(0.0)	(0.3)			
Write-offs and impairment charges for loans and advances	-	-	-			
Tax	(0.0)	(0.0)	(0.7)			
Profit	0.1	0.0	2.1			
Balance sheet						
Assets						
Mortgage loans etc	1.1	0.7	143.5			
Remaining assets	1.2	0.6	41.9			
Total assets	2.3	1.3	185.4			
Liabilities and equity						
Bonds in issue etc	1.3	0.8	152.2			
Remaining liabilities	0.1	0.1	9.6			
Equity	0.9	0.4	23.5			
Total liabilities and equity	2.3	1.3	185.4			
Movements in capital, net	(0.1)	(0.1)	-			

MANAGEMENT COMMENTARY, (CONTINUED)

DKK million

Nykredit Realkredit A/S

Summary series financial statements at the level of the association and Nykredit Realkredit In General

2023	10	11	12 Total	13	14 Total
	LRR	NYK	(10-11)	INST	(9,12,13)
Income statement					
Income from lending	68.0	3,784.4	3,852.4	1.4	3,854.6
Interest etc, net	30.4	3,415.9	3,446.2	5,549.0	8,997.5
Administrative expenses	(4.0)	(446.0)	(450.0)	(724.5)	(1,174.8)
Write-offs and impairment charges for loans and advances	(7.5)	323.6	316.0	31.1	347.2
Tax	(21.9)	(1,783.6)	(1,805.5)	609.3	(1,196.9)
Profit	64.9	5,294.3	5,359.2	5,466.3	10,827.5
Balance sheet					
Assets					
Mortgage loans etc	10,791.0	526,063.6	536,854.6	141.8	537,139.9
Remaining assets	1,518.8	1,053,732.2	1,055,251.0	54,629.5	1,109,922.4
Total assets	12,309.9	1,579,795.7	1,592,105.6	54,771.3	1,647,062.3
Liabilities and equity					
Bonds in issue etc	11,377.6	1,452,811.5	1,464,189.1	162.1	1,464,503.4
Remaining liabilities	638.4	81,923.5	82,561.8	2,840.3	85,411.7
Equity	293.9	45,060.8	45,354.7	51,768.9	97,147.1
Total liabilities and equity	12,309.9	1,579,795.7	1,592,105.6	54,771.3	1,647,062.3
Movements in capital, net	22.5	13,460.3	-	(9,318.8)	-

Series reserves totalled DKK 45.4 billion, see above, which is a difference of DKK 23.1 billion relative to "series reserves", see equity carried for accounting purposes (DKK 22.1 billion). This is a consequence of Nykredit Realkredit A/S, in the Series Financial Statements, being allowed to allocate capital from other equity items (for example, share capital and non-distributable reserves) to the individual series, as the value of such capital items could be used to cover the claims of "series creditors" as well as other creditors. In equity carried for accounting purposes, such items must be presented according to accounting principles. For example, "Reserves in subsidiaries" should reflect profit earned in subsidiaries recognised according to the equity method.

1 Københavns Kreditforening
 2 Fyens Stifts Kreditforening
 3 Landkreditkassen
 4 Østifternes Husmandskreditforening
 5 Sønderjyllands Kreditforening

6 Den vest- og sønderjydske Kreditforening
 7 Jydsk Husmandskreditforening
 8 Jydsk Landkreditforening
 9 Total (1-8) Foreninger før 1972
 10 LR Realkredit

11 Nykredit (including Capital Centres C, D, E, G, H, I & J)
 12 Total (10-11) Foreninger efter 1972
 13 Nykredit Realkredit In General
 14 Total (9, 12, 13) Nykredit Realkredit A/S

MANAGEMENT COMMENTARY, (CONTINUED)

DKK million

Notes

1. Assets, Series Financial Statements	
Assets in Nykredit Realkredit A/S's Financial Statements, end-2023	1,573,536.6
Assets, Series Financial Statements	1,647,062.3
Difference	(73,525.6)
Specified as follows:	
Set-off of self-issued ROs, self-issued SDOs, self-issued senior secured debt and other self-issued securities	(72,912.9)
Set-off of interest receivable from self-issued bonds etc	(612.8)
Total	(73,525.6)
2. Equity, Series Financial Statements	
Equity in Nykredit Realkredit A/S's Financial Statements, end-2023	100,893.4
Of which holders of Additional Tier 1 capital	(3,759.4)
Provisions for repayable reserves in pre-1972 series	13.1
Equity, Series Financial Statements	97,147.1

MANAGEMENT COMMENTARY, (CONTINUED)

Nykredit Realkredit Group

Financial calendar 2024

7 February	Publication of Annual Reports 2023 and announcements of Financial Statements of the Nykredit Group, Nykredit Realkredit Group, Totalkredit A/S (in Danish only) and the Nykredit Bank Group.
21 March	Annual General Meeting of Totalkredit A/S, Kalvebod Brygge 1-3, DK-1780 Copenhagen V.
21 March	Annual General Meeting of Nykredit Bank A/S, Kalvebod Brygge 1-3, DK-1780 Copenhagen V.
21 March	Annual General Meetings of Nykredit A/S and Nykredit Realkredit A/S, Kalvebod Brygge 1-3, DK-1780 Copenhagen V.
8 May	Publication of Q1 Interim Reports 2024 of the Nykredit Group and Nykredit Realkredit Group.
14 August	Publication of H1 Interim Reports 2024 of the Nykredit Group, Nykredit Realkredit Group, Totalkredit A/S (in Danish only) and the Nykredit Bank Group.
7 November	Publication of Q1-Q3 Interim Reports 2024 of the Nykredit Group and Nykredit Realkredit Group.

MANAGEMENT COMMENTARY, (CONTINUED)

Nykredit Realkredit Group

Directorships and executive positions

The Board of Directors and the Executive Board form the Nykredit Group's Management.

BOARD OF DIRECTORS

The Board of Directors meets monthly, except in July, and holds a strategy seminar once a year.

The members of the Board of Directors are elected for a term of one year. The latest election took place on 23 March 2023. Re-election is not subject to any restrictions.

Below, an account is given of the individual member's position, age, gender and years of service on the Board of Directors, meeting attendance, skills as well as directorships and executive positions in other Danish and foreign companies as well as major organisational responsibilities.

Merete Eldrup, Chair

Former Chief Executive Officer

Date of birth: 4 August 1963

Gender: Female

Joined the Board of Directors on 24 March 2010

Non-independent – more than 12 years on the Board of Directors

Board of Directors, meetings attended in 2023: 11/11

Chair of the Board Nomination Committee, meetings attended in 2023: 3/3

Chair of the Board Remuneration Committee, meetings attended in 2023: 3/3

Board expertise:

In-depth knowledge:

- Market conditions, customer relations and sales
- Organisation/HR and processes
- Politics, public administration and associations
- Risk management and credit matters
- Strategic matters
- Corporate governance
- Economics, finance and accounting
-

Expert knowledge:

- Digitisation, IT and processes
- Financial regulation

Chair of the board of directors of:
Nykredit Realkredit A/S

Københavns Universitet
Egmont Fonden*
Egmont International Holding A/S*

Ejendomsselskabet Gothersgade 55 ApS*
Ejendomsselskabet Vognmagergade 11 ApS*
Rockwool Fonden**

Member of the board of directors of:
Justitia
Kalaallit Airports International A/S
Nordic Ferry Infrastructure A/S*

Member of the committee of representatives of:
Foreningen Realdania

Preben Sunke, Deputy Chair

Director

Date of birth: 13 January 1961

Gender: Male

Joined the Board of Directors on 25 March 2021

Non-independent in view of directorship in Forenet Kredit f.m.b.a.

Board of Directors, meetings attended in 2023: 11/11

Member of the Board Audit Committee, meetings attended in 2023: 6/6

Member of the Board Nomination Committee, meetings attended in 2023: 3/3

Member of the Board Remuneration Committee, meetings attended in 2023: 3/3

Board expertise:

In-depth knowledge:

- Capital markets, securities and funding
- Risk management and credit matters
- Strategic matters
- Corporate governance
- Economics, finance and accounting

Expert knowledge:

- Sector and real estate expertise
- Digitisation, IT and processes
- Financial regulation
- Market conditions, customer relations and sales
- Organisation/HR and processes
- Politics, public administration and associations

Managing Director of:
Anpartsselskabet PS af 1/8-1998

Deputy chair of the board of directors of:
Nykredit Realkredit A/S
Forenet Kredit f.m.b.a.

Member of the board of directors of:
Royal Greenland A/S*

Other:
Expert assessor of the Danish Maritime and Commercial High Court

Olav Bredgaard Brusén***

Deputy Chair of Finansforbundet i Nykredit

Date of birth: 8 May 1968

Gender: Male

Joined the Board of Directors on 16 March 2016

Board of Directors, meetings attended in 2023: 10/11

Board expertise:

Expert knowledge:

- Sector and real estate expertise
- Market conditions, customer relations and sales
- Organisation/HR and processes
- Politics, public administration and associations
-

Member of the board of directors of:
Nykredit Realkredit A/S

Member of the committee of representatives of:
Forenet Kredit f.m.b.a.

MANAGEMENT COMMENTARY, (CONTINUED)

Nykredit Realkredit Group

John Christiansen

Chief Executive Officer

Date of birth: 11 December 1964

Gender: Male

Joined the Board of Directors on 3 September 2021

Independent

Board of Directors, meetings attended in 2023: 11/11

Board expertise:

In-depth knowledge:

- Financial regulation
- Politics, public administration and associations
- Risk management and credit matters
- Strategic matters
- Corporate governance

Expert knowledge:

- Sector and real estate expertise
- Digitisation, IT and processes
- Capital markets, securities and funding
- Market conditions, customer relations and sales
- Organisation/HR and processes
- Economics, finance and accounting

Chief Executive Officer of:

Lån & Spar Bank A/S

Chair of the board of directors of:

Lokale Pengeinstitutter

Lokale Pengeinstitutters Uddannelsesfond

PRAS A/S

Deputy chair of the board of directors of:

SDC A/S

Member of the board of directors of:

Finans Danmark

FR I af 16. september 2015 A/S

KAB

Member of the committee of representatives of:

Det Private Beredskab (Finans Danmark)

Michael Demstz

Former Chief Executive Officer

Date of birth: 1 February 1955

Gender: Male

Joined the Board of Directors on 31 March 2004

Non-independent in view of directorship in Forenet Kredit f.m.b.a.

Board of Directors, meetings attended in 2023: 10/11

Member of the Board Audit Committee, meetings attended in 2023: 6/6

Member of the Board Nomination Committee, meetings attended in 2023: 3/3

Board expertise:

In-depth knowledge:

- Sector and real estate expertise
- Market conditions, customer relations and sales
- Organisation/HR and processes
- Politics, public administration and associations
- Strategic matters
- Corporate governance

Expert knowledge:

- Digitisation, IT and processes
- Risk management and credit matters
- Economics, finance and accounting

Chair of the board of directors of:

Forenet Kredit f.m.b.a.

Nykredits Fond

NAB, Nakskov Almene Boligselskab

Member of the board of directors of:

Nykredit Realkredit A/S

Per W. Hallgren

Chief Executive Officer

Date of birth: 8 July 1962

Gender: Male

Joined the Board of Directors on 16 March 2016

Non-independent in view of directorship in Forenet Kredit f.m.b.a.

Board of Directors, meetings attended in 2023: 11/11

Member of the Board Nomination Committee, meetings attended in 2023: 3/3

Member of the Board Audit Committee, meetings attended in 2023: 6/6

Chair of the Board Risk Committee, meetings attended in 2023: 6/6

Member of the Board Remuneration Committee, meetings attended in 2023: 3/3

Board expertise:

In-depth knowledge:

- Sector and real estate expertise
- Market conditions, customer relations and sales
- Risk management and credit matters
- Strategic matters
- Corporate governance
- Economics, finance and accounting

Expert knowledge:

- Financial regulation
- Capital markets, securities and funding

Chief Executive Officer of:

Jeudan A/S

Chair of the board of directors of:

CEJ Ejendomsadministration A/S

Center for politiske studier CEPOS

Jeudan I A/S

Jeudan II A/S

Jeudan III A/S

Jeudan IV A/S

Jeudan V A/S

Jeudan VI A/S

Jeudan VII A/S

Jeudan VIII A/S

Jeudan IX ApS

Jeudan X ApS

Jeudan XII ApS

Jeudan XIII ApS

Jeudan Projekt & Service A/S

DI Ejendom

Member of the board of directors of:

Forenet Kredit f.m.b.a.

Nykredit Realkredit A/S

Erik Fjeldsøe Fonden

Foreningen Ofelia Plads

Real Care Association

CEJ Aarhus A/S*

Velkommen Hjem*

MANAGEMENT COMMENTARY, (CONTINUED)

Nykredit Realkredit Group

Jørgen Høholt

Former Banking Executive

Date of birth: 9 December 1958

Gender: Male

Joined the Board of Directors on 26 March 2020

Independent

Board of Directors, meetings attended in 2023:
10/11

Chair of the Board Audit Committee, meetings attended in 2023: 5/6

Member of the Board Risk Committee, meetings attended in 2023: 5/6

Board expertise:

In-depth knowledge:

- Sector and real estate expertise
- Market conditions, customer relations and sales
- Risk management and credit matters
- Strategic matters
- Corporate governance
- Economics, finance and accounting

Expert knowledge:

- Financial regulation
- Capital markets, securities and funding
- Politics, public administration and associations

Chief Executive Officer of:

Holmat ApS*

Deputy chair of the board of directors of:

DKT Finance ApS

DKT Holdings ApS

DK Telekommunikation ApS

TDC Holding A/S*

Member of the board of directors of:

Nykredit Realkredit A/S

ATP Real Estate Partners I K/S

ATP Ejendomme A/S

Danmarks Eksport- og Investeringsfond

Norsad Finance Limited

EKF Danmarks Eksportkredit**

Eksport Kredit Finansiering A/S**

Other:

Member of Advisory Board for Kirk Kapital A/S

Special Adviser to ATP

Senior Adviser to Investeringsfonden for Udviklingslande (IFU)

Torsten Hagen Jørgensen*

Chief Executive Officer

Date of birth: 8 August 1965

Gender: Male

Joined the Board of Directors on 23 March 2023

Independent

Board of Directors, meetings attended in 2023:
8/11

Member of the Board Risk Committee, meetings attended in 2023: 5/6

Board expertise:

In-depth knowledge:

- Strategic matters
- Economics, finance and accounting
- Capital markets, securities and funding
- Financial regulation
- Corporate governance
- Digitisation, IT and processes
- Risk management and credit matters

Expert knowledge:

- Sector and real estate expertise
- Politics, public administration and associations
- Market conditions, customer relations and sales
- Organisation/HR and processes

Chief Executive Officer of:

Nets A/S

Nets Danmark A/S

Chair of the board of directors of:

Nets Holdco 1 ApS

Signaturgruppen A/S

Nets Danid A/S

Nets Card Processing A/S

Member of the board of directors of:

Nykredit Realkredit A/S

EPI Company SE

Vibeke Krag

Former Chief Executive Officer

Date of birth: 3 November 1962

Gender: Female

Joined the Board of Directors on 16 March 2017

Independent

Board of Directors, meetings attended in 2023:
10/11

Member of the Board Risk Committee**

Board expertise:

In-depth knowledge:

- Digitisation, IT and processes
- Financial regulation
- Risk management and credit matters
- Corporate governance
- Economics, finance and accounting

Expert knowledge:

- Sector and real estate expertise
- Capital markets, securities and funding
- Market conditions, customer relations and sales
- Organisation/HR and processes
- Strategic matters

Member of the board of directors of:

Nykredit Realkredit A/S

Arbejdsmarkedets Fond for Udstationerede (AFU)

Arbejdsmarkedets Tillægspension (ATP)

Gjensidige Forsikring ASA

Heimstaden AB

Heimstaden Bostad AB (publ)

Lønmodtagernes Garantifond (LG)

Seniorpensionsenheden

Other:

Chair of the audit committee of Gjensidige Forsikring ASA

Faculty member, CBS Executive, bestyrelsesuddannelsen

Member of Konkurrencerådet

Member of Udpegningsorganet for Københavns Universitet

Editor of Erhvervsjuridisk tidsskrift, Karnov

MANAGEMENT COMMENTARY, (CONTINUED)

Nykredit Realkredit Group

Allan Kristiansen***

Chief Relationship Manager

Date of birth: 6 March 1958

Gender: Male

Joined the Board of Directors on 12 April 2000

Board of Directors, meetings attended in 2023:
9/11

Board expertise:

In-depth knowledge:

- Capital markets, securities and funding
- Market conditions, customer relations and sales

Expert knowledge:

- Sector and real estate expertise
- Financial regulation
- Risk management and credit matters
- Strategic matters
- Economics, finance and accounting

Member of the board of directors of:

Nykredit Realkredit A/S

Nykredit Bank A/S**

Ann-Mari Lundbæk Lauritsen***

Specialist

Date of birth: 22 October 1972

Gender: Female

Joined the Board of Directors on 26 March 2020

Board of Directors, meetings attended in 2023:
9/11

Board expertise:

In-depth knowledge:

- Organisation/HR and processes

Expert knowledge:

- Sector and real estate expertise
- Market conditions, customer relations and sales
- Politics, public administration and associations

Member of the board of directors of:

Børnecenter Hvidborg

Baunevangen Hvidovre Boligselskab

Lasse Nyby

Chief Executive Officer

Date of birth: 25 November 1960

Gender: Male

Joined the Board of Directors on 28 March 2007

Non-independent – more than 12 years on the Board of Directors

Board of Directors, meetings attended in 2023:
9/11

Board expertise:

In-depth knowledge:

- Financial regulation
- Capital markets, securities and funding
- Market conditions, customer relations and sales
- Risk management and credit matters
- Strategic matters
- Corporate governance
- Economics, finance and accounting

Expert knowledge:

- Sector and real estate expertise
- Organisation/HR and processes
- Politics, public administration and associations

Chief Executive Officer of:

Spar Nord Bank A/S

Chair of the board of directors of:

Aktieselskabet Skelagervej 15

Landsdækkende Banker

Deputy chair of the board of directors of:

AP Pension Livsforsikringsaktieselskab

Foreningen AP Pension f.m.b.a

PRAS A/S*

Member of the board of directors of:

Finans Danmark

FR I af 16. september 2015 A/S

Mie Krog

Chief Executive

Date of birth: 14 March 1968

Gender: Female

Joined the Board of Directors on 24 March 2022

Non-independent in view of directorship in Forenet Kredit f.m.b.a.

Board of Directors, meetings attended in 2023:
10/11

Board expertise:

In-depth knowledge:

- Digitisation, IT and processes
- Market conditions, customer relations and sales
- Organisation/HR and processes
- Strategic matters
- Corporate governance

Expert knowledge:

- Sector and real estate expertise
- Politics, public administration and associations
- Risk management and credit matters
- Economics, finance and accounting

Managing Director of:

Koldby ApS

Chair of the board of directors of:

Kentaur A/S

Ruths Hotel A/S

Sinful ApS

Sinful BidCo A/S

Sinful HoldCo A/S

Aarhus Letbane I/S

Aarhus Letbane Ejendomme ApS

All Styles A/S**

Member of the board of directors of:

Forenet Kredit f.m.b.a.

Nykredit Realkredit A/S

Norlys TV & Internet A/S

Norlys Digital A/S

Ejendomsselskabet Plantorama A/S**

Imerco A/S**

Imerco Holding A/S**

Plantorama A/S**

Plantorama Holding A/S**

MANAGEMENT COMMENTARY, (CONTINUED)

 Nykredit Realkredit Group

Inge Sand***

Chair of the Finansforbundet i Nykredit

Date of birth: 13 March 1965

Gender: Female

Joined the Board of Directors on 16 March 2016

Board of Directors, meetings attended in 2023:
10/11Member of the Board Remuneration Committee,
meetings attended in 2023: 3/3

Board expertise:

In-depth knowledge:

- Market conditions, customer relations and sales

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Expert knowledge:

- Sector and real estate expertise
- Organisation/HR and processes
- Politics, public administration and associations
- Risk management and credit matters
- Economics, finance and accounting

Member of the board of directors of:

Nykredit Realkredit A/S

Den Sociale Fond i Nykredit

Nykredits Fond

Finansforbundets hovedbestyrelse

Member of the committee of representatives of:

Forenet Kredit f.m.b.a.

Kristina Andersen Skiøld***

Customer Adviser

Date of birth: 15 September 1984

Gender: Female

Joined the Board of Directors on 26 March 2020

Board of Directors, meetings attended in 2023:
11/11

Board expertise:

In-depth knowledge:

- Organisation/HR and processes

Expert knowledge:

- Sector and real estate expertise
- Politics, public administration and associations
- Market conditions, customer relations and sales

Member of the board of directors of:

Nykredit Realkredit A/S

Member of the committee of representatives of:

Forenet Kredit f.m.b.a.

Resigned on 23 March 2023:

Hans-Ole Jochumsen

Former Vice Chairman

MANAGEMENT COMMENTARY, (CONTINUED)

Nykredit Realkredit Group

EXECUTIVE BOARD

Below, an account is given of the individual Executive Board member's position, age, years of service on the Executive 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.

Michael Rasmussen

Group Chief Executive

Date of birth: 13 November 1964

Gender: Male

Joined the Executive Board on 1 September 2013

Managing Director of:

Nykredit Realkredit A/S

Chair of the board of directors of:

Nykredit Bank A/S

Totalkredit A/S

Finans Danmark*

Investeringsfonden for Udviklingslande (IFU)

Sparinvest Holdings SE

Sund og Bælt Holding A/S

Deputy chair of the board of directors of:

Copenhagen Business School Handelshøjskolen

Finans Danmark**

Member of the board of directors of:

FR I af 16. september 2015 A/S

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

Tonny Thierry Andersen

Group Managing Director

Date of birth: 30 September 1964

Gender: Male

Joined the Executive Board on 1 June 2019

Managing Director of:

Nykredit Realkredit A/S

Member of the board of directors of:

Nykredit Bank A/S

David Hellemann

Group Managing Director

Date of birth: 5 December 1970

Gender: Male

Joined the Executive Board on 1 September 2016

Managing Director of:

Nykredit Realkredit A/S

Chair of the board of directors of:

BEC Financial Technologies AMBA

Kalvebod Ejendomme I A/S

Kirstinehøj 17 A/S

JN Data A/S

Deputy chair of the board of directors of:

Totalkredit A/S

Member of the board of directors of:

Nykredit Bank A/S

Landsdækkende Banker

CBS Executive Fonden**

Anders Jensen

Group Managing Director

Date of birth: 20 January 1965

Gender: Male

Joined the Executive Board on 1 October 2014

Managing Director of:

Nykredit Realkredit A/S

Deputy chair of the board of directors of:

Nykredit Bank A/S

Member of the board of directors of:

Bokis A/S

Foreningen Dansk Skoleskak

Grønsøfonden

Niels Brock Copenhagen Business College

Niels Brock International A/S

Totalkredit A/S

Pernille Sindby

Group Managing Director

Date of birth: 20 October 1971

Gender: Female

Joined the Executive Board on 1 February 2024

Managing Director of:

Nykredit Realkredit A/S

Deputy chair of the board of directors of:

Realkreditrådet

Member of the board of directors of:

Sparinvest Holdings SE

Totalkredit A/S Pensionsreguleringsfond

* Joined in 2023

** Resigned in 2023

*** Staff-elected member